Women's financial inclusion: A driver for global growth

Women's World Banking

Situation today

The G20 has in recent years agreed on the clear need to enable more women to participate in the global economy, with a 2014 G20 Leader's Communique establishing the goal of "reducing the gap in participation rates between men and women in our countries by 25 percent by 2025" in order to "significantly increase global growth and reduce poverty and inequality."[1] Recent research by the McKinsey Global Institute demonstrates the value of this goal, showing that closing the gender gap in the workforce could yield $12 trillion of incremental global GDP by 2025 (+11 percent), with the greatest opportunity for gains in South Asia, the Middle East and North Africa[2].

Women's financial inclusion is instrumental to achieving these economic benefits, by allowing women to save, invest, borrow and insure their lives and their businesses. This enables women to better participate in the formal economy and improves performance of women-owned businesses. The McKinsey Global Institute found female financial inclusion to be one of ten "impact zones" currently holding back the developing world from achieving gender parity at work, and research by the Goldman Sachs Global Markets Institute has found that closing the gender gap in credit access could improve developing-world growth rates by 1.1 percent[3]. Women's financial inclusion also creates a "virtuous cycle," as female-controlled finances have been shown to be more likely to be spent on products and services which increase the welfare and productivity of the family, such as food, healthcare, education, childcare, consumer durables and savings[4,5].

Recent efforts by governments, regulators, the private sector and the global development community to improve financial inclusion are yielding impressive results. According to the World Bank, there was a 20 percent decline in the number of individuals without access to a bank account or a mobile money account over the 2011 and 2014 period (from 2.5 billion to 2.0 billion)[6]. These gains have been supported in part by the rapid rise in digital connectivity in the developing world via mobile phones, the increasing use of electronic payments by large governments and procurement channels, and innovative digital financial products such as mobile money accounts popular in certain markets.

However, despite these gains, a significant gender gap exists in terms of the quality of access to a bank or mobile money account, and ownership of that account. The World Bank found that women in developing countries are 20 percent less likely to own a formal account than men, and account for 55 percent of people without access to a formal account[7]. Furthermore, many women have access to a formal account only via joint accounts with family members, which may mean they have limited or no control of the account assets. This is why account ownership, not just access, is critically important for a woman— so she can control how that account is managed.

Women face significant disadvantages in terms of access to key products beyond savings accounts, such as credit. For example, women own 40 percent of the world's 340 million informal small -t0 medium-sized enterprises (SMEs) and one-third of the world's 40 million formal SMEs. Goldman Sachs estimates 70 percent of women-owned formal SMEs are unserved or underserved in terms of access to credit, amounting to a $285 billion credit gap. Closing this credit gap in developing countries could increase per-capita GDP by 12 percent by 2030[8].

1 This paper is informed by two previous publications commissioned by the G20 Global Partnership for Financial Inclusion: *The Opportunities of Digitizing Payments*, August 2014, by the World Bank Development Research Group, the Better Than Cash Alliance, and the Bill & Melinda Gates Foundation; and *Digital Financial Solutions to Advance Women's Economic Participation*, November 2015, by the World Bank Development Research Group, the Better Than Cash Alliance, the Bill & Melinda Gates Foundation and Women's World Banking.

2 McKinsey Global Institute, *The Power of Parity: How Advancing Women's Equality Can Add $12 Trillion to Global Growth*, September 2015.

3 Goldman Sachs Global Markets Institute, *Giving credit where it is due - How closing the credit gap for women-owned SMEs can drive global growth*, February 2014.

4 ibid

5 Esther Duflo, *Women Empowerment and Economic Development*, Journal of Economic Literature, 2012.

6 Demirgue-Kunt, Asli, Leora Klapper, Dorothe Singer and Peter van Oudheusen, *The Global Findex Database 2014 - Measuring Financial Inclusion around the World*, World Bank Policy Research Working Paper 7255, April 2015.

7 ibid

8 Goldman Sachs

Challenges driving the gender gap

The persistent gender gap in terms of account ownership and access is driven by a number of structural barriers:

- **Women have fewer controlled assets.** Women are less likely to be employed, and when employed are more likely to be employed in the informal economy. Women are 26 percent less likely to be employed globally, and 75 percent of women's employment in developing countries is informal[9]. Women may also face legal or cultural limitations in terms of their financial independence from other family members, and may be restricted or even banned from ownership or inheritance of certain assets. This results in women having fewer controlled assets and, as a result, have lower access to formal financial services. Women are often forced to use informal means of saving and borrowing that are riskier and less reliable.

- **Women are harder to reach.** Women are harder to reach through both traditional and digital channels. Cultural restrictions and domestic responsibilities may prevent women from traveling to branches in nearby towns and cities. Women also face a significant digital gap caused by their lower literacy levels, lower discretionary spend, and higher propensity to be in rural areas with poor coverage and limited distribution. Over 1.7 billion women do not own mobile phones in low- and middle-income countries, and women are 14 percent less likely to own a mobile phone than men[10]. Furthermore, women use phones less frequently in comparison to men, and are less likely to use features beyond voice.

- **Financial institutions are less understood by women.** The lower education levels of women, their lower participation in the formal economy, and their greater tendency to be located in rural areas results in lower exposure to formal financial services. Women are nearly twice as likely to be illiterate than men, and are six percent more likely to be financially illiterate. This, combined with a higher risk aversion and lower education levels, has resulted in women having a lower understanding of the benefits of formal financial services and lower level of trust of financial institutions.

- **Women are less understood by financial institutions.** Many financial institutions are unaware of the barriers women face in using their services, and the business opportunity available by removing these barriers. Biases against female customers are commonly seen among loan officers, and women report feeling uncomfortable and that they do not belong in bank branches[11]. Financial institutions frequently also fail to consider how their processes for opening bank accounts or getting approved for credit may disadvantage women who are less likely to have formal identification and evidence of income. And they also frequently fail to consider the additional marketing and education required to reach women due to their risk aversion and lower financial literacy.

9 UN Women

10 GSMA, *Bridging the Gender Gap: Mobile Access and Usage in Low- and Middle-income Countries*, March 2015.

11 Alliance for Financial Inclusion and Women's World Banking, *Policy Frameworks to Support Women's Financial Inclusion*, 2016.

Recommended Actions

We therefore recommend the G20 take the following action:

G20 COUNTRIES

Create women-specific targets: Countries should incorporate women-specific targets in all financial inclusion initiatives. Targets should include account access, ownership, and use as well as quality measures.

DOMESTIC GOVERNMENTS

Ensure legal parity: Ensure laws and their application allow women full ownership and control of assets on par with men, including the right to inherit family assets.

Support women in work: Enact policies to increase female labor-market participation such as anti-discrimination laws, childcare benefits and paid parental leave.

Create new forms of financial identification: Develop digital and biometric identification processes to better allow women in remote locations and with poor literacy to access and trust formal financial services.

Digitize existing payments: Spur demand for formal financial products by shifting social transfers, salaries and pension payments to electronic payments.

Implement robust consumer protections: Build trust by working with the mobile network operator and financial sectors to implement robust consumer protections, which ensure good consumer outcomes while also allowing for attractive returns on private sector investment.

Remove regulatory barriers to financial inclusion: Review Know-Your-Customer (KYC) and other regulatory processes to determine whether unnecessary barriers to financial inclusion are present, and if so adjust these processes to balance both robust regulation and financial participation.

THE PRIVATE SECTOR

Reach women where they are: Mobile network operators and banks should invest in rural network coverage and develop their ecosystem of digital financial products and services. Low-cost digital solutions provide the best way to reach women given existing constraints.

Design simple, intuitive digital financial products: Design products and services to be intuitive and to have compelling user benefits for customers who may have low levels of literacy.

Develop marketing and onboarding strategies differently: Recognize the different perspectives and needs of women in marketing programs and account for the additional interactions required early in the customer relationship to build trust.

Tailor internal processes to address women's constraints: Analyze onboarding and approval processes to identify specific pain points that preclude women from getting the products and services they are seeking. Known pain-points such as KYC requirements, credit scoring and collateral recognition should be tailored to remove obstacles in a way that balances the needs of the financial institution with the realities of women's financial situations.

THE INTERNATIONAL DEVELOPMENT COMMUNITY

Measure and target quality outcomes: Donors and NGOs should measure the quality as well as the quantity of outcomes rather than simply counting the number of accounts opened. In addition, there should be women-specific targets to all financial inclusion initiatives.

Invest in market infrastructure around the edges: Donors should work with local financial service providers and mobile network operators to promote investment in network and digital infrastructure, in particular areas "around the edges" of the infrastructure profitably delivered by the private sector; investing in this marginally viable infrastructure can give strong returns.

Build on informal financial networks: Many international organizations have deep understanding of current informal financial networks, and can provide their unique insights to government agencies and financial service providers and mobile network operators to help craft solutions that formalize the customer's existing financial products and services.

Designing products and outreach for the needs of Nigeria's market women

In Nigeria, women running bustling urban market stalls are demonstrating how access to digital financial services designed around their needs can bring women into the formal financial system. Many of these women had never opened traditional bank accounts despite working just steps from a bank branch. The women did not see compelling benefits to traditional bank accounts, and were not willing to take time away from their stalls during working hours.

To access these women, Nigeria's Diamond Bank partnered with Women's World Banking to create BETA Savings, a digital savings account designed to directly address the barriers these women faced in opening an account. With the right women-focused product design and marketing, and an effective regulatory environment, BETA Savings has attracted more than 275,000 clients since launching in 2013.

- **Women-focused product design:** To reach women where they are, Diamond Bank created a team of agents called "BETA Friends" to visit the markets and help clients to deposit or withdraw money using mobile technology.

- **Women-focused marketing:** To ensure their products were understood by women, Diamond Bank developed marketing messages and visuals, which spoke to women's specific needs, and relied on visuals and messages in simple language to communicate benefits.

- **Effective regulatory environment:** Nigeria's tiered Know-Your-Customer regulations enable Diamond Bank to open low-value accounts with simply a photo, name, place and date of birth, gender, (non-verified) address and phone number.

Today, Diamond Bank has expanded the BETA offering to include loans for women to grow their businesses and empower them to participate more meaningfully in the formal economy.