Policy Diagnostic: Rural Women and Financial Inclusion

Introduction

Access to finance and banking services are not universally accessible. While there are significant variations at the country level, in many places women and rural populations have disproportionately low financial sector access compared to men, and people in urban areas (see Figures 1 and 2). In Nigeria, for example, rural residents are about 20 percentage points less likely to own an account compared to urban residents. In Bangladesh, women are nearly 20 percentage points less likely to own an account compared to men.1

Women’s World Banking’s policy advocacy efforts as well as its workshops with policymakers, regulators and the private sector repeatedly signal the need to address rural women’s exclusion from financial services through policy interventions.

Even as the number of people using formal financial services increases globally, rural financial inclusion continues to face significant challenges. Women and other more vulnerable groups, including Indigenous, minority, and low-income people, encounter unique barriers to financial inclusion.

This diagnostic focuses specifically on women’s financial inclusion in rural areas, including demand-side challenges and customer needs often experienced by women more than men. We complement this needs assessment with a perspective on the supply-side opportunity to increase attention on rural women.

Financial inclusion is not an end in itself, but an enabler of other positive financial, economic and social outcomes for groups historically excluded from financial and other services.2

The goal of this diagnostic is therefore to support policymakers in their efforts to create environments, networks, partnerships and regulatory structures that enable financial inclusion of rural populations, with the ultimate goal of greater women’s economic and social empowerment.

This diagnostic relies on a review of secondary sources while also drawing on primary research and best practices gained through Women’s World Banking’s experience related to the following questions and sub-questions:

1. How do women in rural areas use various financial services?
2. What are common challenges to financial inclusion in rural areas?
3. How can policy respond to the needs of rural women?
   a. How can policy create an enabling environment for financial inclusion of rural populations?
   b. What are best practices for policymakers addressing financial inclusion in rural spaces?

In the following sections, we summarize the research on women’s use of financial services in rural settings, barriers to financial services, policymakers’ best practices and possible actions to improve rural financial inclusion for women.
The design of effective policy relies on the collection of evidence regarding women’s use of financial services in the areas of focus. Moreover, experts in rural financial inclusion have recently amended their call to action to emphasize identifying women’s needs as the starting point for policy rather than focusing first on financial institutions’ product offerings, with the intention of expanding offerings that are needs-responsive.3

Evidence on women’s preferences, challenges, environmental and social barriers, and needs will shape effective policy.

This section summarizes research on rural women’s diverse needs as examples of considerations policymakers might use in diagnostics, designing regulation and supervision activities. The section is not intended to replace a country’s own research, but to strengthen it.

Women and their families’ financial needs are shaped by cultural and religious norms, environmental stresses, resources, social expectations and legal structures. Policymakers and regulators should gather evidence that is tailored to its population’s needs.

To understand women’s use of financial services and barriers to further use, it is necessary to characterize rural money management and the context of rural livelihoods.

First, rural livelihoods are largely informal and often diversified. Informal employment may include day labor activities, micro-enterprises run out of one’s home, one-time labor opportunities or agricultural activities defined by seasonality.

These income streams are complemented by incoming...
remittances, which could be as much as 60 percent of rural household income. In other words, financial inflows are diversified and irregular.

To ensure more fluid income streams, not often guaranteed by informal employment, many rural households have multiple sources of income. For example, a woman smallholder farmer may have two crop yields per year, sell handicrafts before major festivals and receive sporadic remittances from a family member working in a nearby city. Without careful research, rural women’s paid and unpaid labors can be invisible.

Furthermore, women in rural areas may live in multi-generational households with several relationships that direct or shape their money management practices. In traditionally patriarchal cultures, men may be both legally and socially the head of household and therefore hold power for final financial decisions.

For example, Women’s World Banking’s work in rural India reveals that while many women have a high level of responsibility in agricultural activities, they do not own the land, nor do they contribute to household financial management.

As a second and differing illustration of household roles, in some parts of rural Colombia, it is the responsibility of the youngest daughter to remain with her mother and contribute to the financial needs of the entire household.

In a final example of the importance of household dynamics, rural women are often those managing the house and the fields or livestock, as men migrate for more urban employment options. These social roles may influence women’s mobility, including her ability to leave the household to use agency or branch banking services.

In addition to diversified and informal income streams and socio-cultural shaped household dynamics, a third experience common to rural women is limited collateral for credit opportunities. Men, either through social norms or legal regulations, are more likely to hold titles to property or other assets regularly leveraged for loans.
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Such standards leave women with an inability to leverage existing assets to access new forms of credit. Policymakers conducting diagnostics of a specific rural area must account for these and other elements of rural women’s experiences (see Table 1, Checklist for Policymakers: Potential Influencing Factors of Rural Women’s Use of Formal Financial Services).

**Rural Women Use a Variety of Financial Services**

Within extended households with informal, diversified income streams, rural women use a diversity of formal and informal financial services to manage their economic participation.

Many rural women have basic current accounts (also commonly referred to as checking or deposit accounts), used for receiving deposits and transferring money, but maintain limited balances.

Government-to-Person (G2P) payments have been employed as tools for financial inclusion as well as social assistance. India’s 2013 initiative to distribute social aid through direct transfers to bank accounts, for example, served as an entry point for account ownership; however, research shows these payments have a low likelihood of translating into further digital engagement with financial services.

Recent social assistance programs established during the COVID-19 pandemic were designed for digital engagement and thus far, many show positive results.

In Brazil, almost 28 million people opened accounts for the first time to receive aid through the Auxílio Emergencial program, distributed through digital savings accounts.

In India, 25 million new accounts were opened to distribute G2P social benefit payments to women. G2P direct transfers are one option for rural women in terms of a first introduction or “on-ramp” to the financial system.

In these and other examples, women have the potential to use savings accounts not only for deposits and transfers, but also as places to store emergency savings. Realizing this potential is a challenge.

Women’s World Banking’s research with rural women in India indicates women with savings accounts tend to use their accounts more frequently and potentially have more savings available for emergencies.

Often, instead of formal accounts, women in rural areas save money through informal methods as well, such as jewelry or in assets like livestock, in cash or through trusted social contacts like pawn shops.

### Table 1

**Checklist for Policymakers: Potential Influencing Factors of Rural Women’s Use of Formal Financial Services**

1. Diverse and seasonal income streams
2. Financial capabilities
3. Identification requirements
4. Informal livelihoods
5. Levels of trust in formal financial services
6. Penetration of private sector financial services providers (FSPs)
7. Mobility capabilities and social norms
8. Sociocultural and legal norms of financial management and decision-making
9. Property ownership for collateral
10. Possible time poverty due to income-generating and non income-generating labors
11. Transportation that is effective, affordable and safe for women
Women’s World Banking’s research in Indonesia found that fewer than 10 percent of women account holders participating in a 10 million household social benefit program were actively using their accounts. In order for women to choose formal financial services, women must perceive them as necessarily useful, affordable, secure and trustworthy.

To increase uptake, policymakers must consider women’s use of other financial services for the most positive impacts on empowerment and livelihood outcomes.

Rural women’s livelihoods and families use such diverse services as consumer and business credit, agricultural finance, mortgages, money transfer services, remittances, insurance products, leasing, loan guarantees, venture capital and investment funds, among others.

A recent study suggests enabling infrastructure for remittances may decrease the gender gap in financial inclusion, especially as, in many countries, most remittance beneficiaries are women.

Digital remittance payments have been important for low-income rural populations. For example, 41 percent of low-income, rural Ugandans over the age of 15 are receiving digital payments, according to 2021 Findex data.

Facilitating regulatory structures supportive of non-banking services has therefore been important for remittance flows. In Mexico, for example, remittance inflows in 2020 reached US$28 billion, with approximately 80 percent sent through non-banking institutions.

Estimates of remittances volume show rural remittance inflows at between 40 and 50 percent of total remittance inflows globally. A large share of remittance recipients use informal networks such as hawala, hundi, padala, fei chien, phoe kuan or other methods, creating anonymity concerns related to money laundering or terrorist financing risk.

Creating multiple formal sector options for remittance transactions throughout rural areas and offering additional financial services at those touchpoints are therefore strategies to strengthen rural women’s engagement with formal financial services and increase security in the financial system.

Experts in rural women’s financial inclusion underscore the unique challenges for financing or protecting women’s agricultural opportunities, separate from challenges common across all people living in rural areas.

Agricultural finance includes specialized credit products to facilitate seed purchase, agricultural inputs such as fertilizer, the installation of irrigation or energy infrastructure, or for the payment of labor or machine use.

Crop and livestock insurance options may offer a form of economic protection against crop loss related to climatic events like flooding or droughts.

Fintech companies and other organizations are creating innovative approaches to providing crop insurance, traditionally seen as high-risk and difficult to scale.

Agricultural financial services are dependent on enabling infrastructure including communication infrastructure for digital and telephone use, internet connections, decent transportation infrastructure such as roads, and FSPs offering account services.

Opportunities for Furthering Usefulness of Financial Services to Rural Women: Overcoming Barriers

Designed well, specific policy interventions respond to rural women’s unique challenges. In this section, we focus on five
topics with potential for stimulating rural women's increased engagement with formal financial services:

i. Increase the availability of digital financial services, including e-money;
ii. Balance risk management and financial inclusion efforts;
iii. Expand banking agent models;
iv. Implement moveable collateral registries; and
v. Account for climate change realities.

i) Increase the Availability of Digital Financial Services

Increases in mobile phone ownership and usage have opened new opportunities for women to use digital banking as well as non-bank e-money or payment services.

Digital financial services (DFS) have been shown to facilitate women's economic empowerment (WEE) through improved financial mobility, saving women time in transit, and giving women more decision-making power over their financial lives.22

Women’s World Banking’s research with Indonesian women running micro, small, and medium enterprises (MSMEs) shows mothers are using e-commerce platforms for their business while their children are at school or after their children are asleep.23

Digital services usage surged during the first years of the COVID-19 pandemic, including for women; however, women continue to be less likely than men to use mobile money services and the gender gap persists despite progress for both men and women.24,25

Importantly, policymakers must keep women's needs specifically in mind when encouraging DFS through banks, mobile network operators (MNOs) and non-bank financial institutions.

The case of M-PESA in Kenya is a prime example of a widely used MNO non-bank financial service from which rural women were largely excluded in the early years, perhaps due to a lower likelihood of phone or SIM card ownership.

In more recent years, as ownership increased, rural women have used the service to receive remittances and save money.26 Policymakers can urge FSPs to design and market products specifically for women, while also addressing the mobile usage gender gap.

ii) Balance Risk Management and Financial Inclusion Efforts

Regulators can look to examples of structures that balance rural financial inclusion or consumer protection efforts for women, with a range of risk management concerns.27 This will address differential access and capabilities while also balancing risk.

For example, the Mexican government created varying tiers of basic accounts, including one with no identity requirements for opening an account with a balance limit.28

As financial inclusion efforts might expand access, careful risk management policies serve dual purposes of protecting FSPs as well as customers.

For example, given high levels of poverty in rural areas and often significant mistrust in formal financial services, the International Fund for Agricultural Development (IFAD) emphasizes the crucial role of policymakers in ensuring consumer protection and stringent oversight of FSPs to avoid over indebtedness and cement trust in formal financial services.

In a 2022 report, the World Bank highlighted efforts taken by countries to improve trust between clients and FSPs.

Rwanda strengthened its laws on disclosure, consumer protection and credit reporting, while Pakistan more clearly established grievance redressal mechanisms for microfinance clients.
In Indonesia, financial authorities regulated alternative dispute resolution.

In terms of protecting customers, the Consultative Group to Assist the Poor (CGAP) conducted research on how to more effectively protect digital loan customers from potential negative consequences and provided best practices on interfaces, as well as communicating with and educating customers on terms of reference and repayment practices.29

iii) Expand Banking Agent Models

Community-based approaches to financial inclusion have been successful in reaching rural women. Partnering with local NGO programs or using agency or branchless banking are both strategies that leverage social networks and community relationships.

Banking correspondents (BCs) in India are an agent model that has been successful in providing trusted financial services in rural communities.

In 2019, the government launched Mission One Gram Panchayat, One BC Sakhi program, to train local women in rural areas as BC Sakhis to serve as community touchpoints for transacting in formal banking accounts.

Banking agent services are common throughout Latin America as well, with convenience stores like OXXO able to offer basic electronic banking services and starting to promote their own branded debit card, partnering with a non-bank payment platform.

Such efforts directly address barriers experienced by rural women to make formal financial services more easily accessible, useable and trusted.

iv) Implement Moveable Collateral Registries

Moveable collateral registries address supply-side barriers for access to credit by tracking individual and business owned moveable assets for loan guarantees.

Instead of traditional collateral like property, moveable collateral lending allows “assets such as equipment, inventory, receivables, motor vehicles, agricultural products or livestock to be used as collateral for loans,” as explained in a 2022 Women’s World Banking report.30

Moveable collateral often works to benefit women as they are less likely than men to own traditional fixed assets.

Due to customary norms or established laws, men more often hold the property titles to land, machinery or vehicles, among other traditional forms of assets for loan guarantees. With the support of effective moveable collateral registries, rural women MSMEs could access credit to grow their businesses. Countries across the globe have established moveable collateral registries including...
Ethiopia, Mexico, Mozambique, Nigeria and others, to varying degrees of effectiveness.

In 2022, Women’s World Banking compared moveable collateral registries in Colombia, Ghana and Laos, showing engagement from over 100 financial institutions in Colombia; Ghana’s exemplar digital, internet-based database; and Laos’ strong Law on Secured Transactions. The report also reviews research from the World Bank and IFC to create a resource that highlights best practices for moveable collateral registries.

v) Account for Climate Change Realities

Finally, policymakers can promote women’s financial inclusion in rural areas by accounting more explicitly for the impact of environmental changes on women’s use of financial services.

While expanding options for credit and crop insurance are important, IFAD calls for rural financial inclusion efforts that work toward long-term resilience—the ability to recover after an economic, social, political or environmental shock—of rural populations.

For women with agriculture-based incomes, for example, policymakers can partner with private sector agriculture companies and FSPs, as well as other stakeholders, to encourage soil conservation measures, value chains with reduced chemical inputs and water-efficient irrigation technologies.

Rural financial inclusion interventions that prioritize women’s empowerment and gender equity directly address underlying political and socio-cultural drivers.

These drivers disproportionately affect women, making them more vulnerable to the effects of climate change such as longer droughts, more intense floods and storms, and increased rural-to-urban migration of men.

Policymakers can approach rural financial inclusion from a holistic perspective, designing and implementing strategies, regulatory structures and partnerships that strive to address both women’s financial needs and underlying cultural and structural drivers of women’s uneven use of formal financial services.

Best Practices for Enabling Financial Services to Meet Women’s Needs in Rural Areas: Policy Examples from Around the World

We summarize below four best practices for policymakers when prioritizing financial inclusion for rural women:

i. Integrate financial services with other livelihood needs;

ii. Implement enabling physical, digital and regulatory infrastructures;

iii. Ensure strong leadership of a pointed strategy for rural areas; and

iv. Develop creative and diverse partnerships with the public and private sector, including community organizations, development banks and investors.

i) Integrate financial services with other livelihood needs

Few consumers will take up financial services merely because they exist. Instead, most women take up financial services when their financial situation demands it. The integration of financial services with other livelihood and economic needs is essential to increasing women’s financial inclusion in rural areas.

Research and practitioner experience from IFAD (2020) defines inclusive finance as “accessible, useable, affordable and embedded in clear strategies for improving livelihoods” (emphasis added). G2P payments, for example, ensure a woman receives social assistance deposits, which she may then put into savings.
Savings groups, known for creating social capital and community, may collaborate with microcredit providers as done in rural Indonesia, for example, or may facilitate group savings for insurance policies, like one program realized in rural Kenya by World Vision.33

Differing from deposits and savings, in loan packages for agricultural inputs offered to Nigerian farmers, AFEX Nigeria includes a weather-area index-based crop insurance. Using such value chain networks may open additional markets for producers of agricultural and non-agricultural goods in rural areas, often a financial service sorely needed.

The Alliance of Bioversity International and the International Center for Tropical Agriculture offers a toolkit for closing gaps between farmers and markets, focused on investing in producers and linking them to business opportunities.34

In a credit risk guarantee program, the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), the Nigerian Bankers’ Committee and the Federal Ministry of Agriculture and Rural Development protect investors from possible loss when investing in the agricultural value chain.

Additionally, Women’s World Banking has partnered with the National Rural Livelihood Mission in India to increase the number of women bank agents, creating opportunities for employment while increasing the geographic spread of points of connection between women and the financial services industry.

These innovative integrations of finance and livelihoods make financial services immediately useful by incorporating them into rural women’s ongoing activities.

**ii) Implement enabling physical, digital and regulatory infrastructure**

Second, policymakers are crucial actors in creating enabling infrastructures for financial services in rural areas. The Alliance for Financial Inclusion (AFI) highlights policymakers’ responsibility to develop rural payment systems—for example, by implementing regulatory structures for retail payment platforms and new non-bank digital finance providers.35

Where penetration of traditional banking services may be difficult in rural areas or seem cost prohibitive, new e-wallets, mobile money or peer-to-peer (P2P) lending platforms may offer more effective solutions.

Best Practices for Policymakers to Increase Women’s Rural Financial Inclusion

i) Integrate financial services with other livelihood needs

ii) Implement enabling physical, digital and regulatory infrastructure

iii) Ensure strong leadership of a pointed strategy for rural areas

iv) Develop creative and diverse partnerships with public and private sector

Furthermore, policymakers can stipulate effective mechanisms for customers’ grievance redressal or regulations on insolvency to protect consumers and build trust in the formal financial system, as recommended by the World Bank Group’s Financial Inclusion Support Framework.36

Additionally—and essentially—regulators must look to more foundational infrastructures such as ensuring identity documents for rural residents and establishing strong electricity, internet and transportation networks. Without enabling infrastructure in place, policymakers should create alternative means of engaging with rural women.
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For countries with lower likelihood of women holding a national identity card, or for displaced populations, alternative identification or tiered account structures have safely allowed access to financial services. Resources from the Global System for Mobile Communications (GSMA) suggest best practices for ensuring AML/CFT compliance leveraging risk-based Know Your Customer (KYC) procedures.24

The varied regulatory structures for e-money issuance (EMI) illustrate that policy arrangements differ between countries and financial systems. Research from CGAP compares ten countries’ approaches to regulating EMI, demonstrating a wide variety of structures and assessing their effectiveness. For example, Myanmar and Côte d’Ivoire register EMIs as separate entities with a specific licence, whereas in India, banks issue the equivalent of e-money, known as prepaid payment instruments, and the government has differentiated payment banks from commercial banks.37

Each policymaking institution needs to approach infrastructure according to the context of its rural population and existing financial and legal systems.

iii) Ensure strong leadership of a pointed strategy for rural areas

Some policymakers and regulators with a strong focus on reaching people, especially women in rural areas, have made engagement in rural locations a requirement for FSPs to do business.

Beyond a national inclusion strategy, countries like Zambia have established a separate strategy for rural financial inclusion.38 The Reserve Bank of India has clear guidelines for commercial banks to dedicate a portion of their loan portfolio to women and people living in rural areas.

Other financial sector regulators will only approve the construction of bank branches in urban areas if the financial institution agrees to build in rural areas as well. The convenience of physical access to financial services has been shown to increase economic and financial sector engagement.

In Mexico, for example, Banco Azteca created over 800 new bank branches by locating financial services access points in Elektra stores. As a result, Mexico saw a jump in access to a range of financial services.39

Governments and public sector institutions can stimulate entry to rural areas for FSPs through subsidies, as has been tried in irrigation technology financing and crop insurance policies, although researchers urge policymakers to account for externalities including environmental harm or lack of long-term engagement.40

Bricks-and-mortar infrastructure is not the only way that rural women access their financial services. Networks of bank agents with point-of-sale terminals, such as those in Mexico, India, Bangladesh, Kenya and many other countries, extend the physical presence of a bank without the expense of physical branch infrastructure.

The extent to which agents represent a bank, microfinance institution or mobile money provider is partly determined by regulation. Enabling regulations that allow agents to open accounts, collect loan payments, take deposits, send and receive money, and perform other functions create more robust and convenient engagement between women and FSPs.8

Women’s World Banking’s research has shown how women agents are more successful at connecting with women customers, typically bringing in both larger transaction amounts and
building longer-term customer relationships when compared with their male agent counterparts.41

**iv) Develop creative and diverse partnerships with public and private sector**

Finally, partnerships drive women’s financial inclusion in rural areas.3 Partnerships between government agencies—such as that of the Reserve Bank of India and India’s National Rural Livelihood Mission—allow multiple government agency mandates to pursue together, financial services tailored to the livelihoods of smallholder farmers.

In Zambia, the revised National Financial Inclusion Strategy reorganized its structure from solely an initiative of the Bank of Zambia (BoZ) to a secretariat jointly led by the BoZ and the Ministry of Finance, joined by the Secretary of the Treasury and multiple working groups.42

Partnerships between government programs and FSPs, such as that of the Ministry of Social Affairs and the Bank Rakyat Indonesia and other FSPs, have opened accounts for about 10 million Indonesian women through which the government can more efficiently deliver social protection payments. Other partnerships between FSPs and rural social services institutions can reduce the cost of customer acquisition.

In some cases, rural social services institutions can underwrite or supplement loans to lower-income or thin-file women customers, such as those seen in the BRAC graduation program, where women receive a series of grants that gradually transition to loans as they build their businesses.

**Conclusion**

The best practices noted here are a few of many for policymakers. Other resources supplement this one, including guidance from the World Bank, IFAD and others. This diagnostic serves as a summary of research and recommendations from scholars, advocates and policymakers alike. Its aim is to condense resources into a document to direct policymakers’ contextual assessments and steps toward a more inclusive rural finance landscape for women.

Women’s World Banking intends for the diagnostic to serve as a guide for policymakers, including those active in our Leadership and Diversity Programs and program alumni committed to integrating formal financial services into the lives of rural women. We hope it leads to policymakers re-evaluating and strengthening their goals for achieving better rural financial inclusion for women.

Policymakers play a crucial role in enabling an environment conducive to financial services reaching rural areas in ways that work for women. By creating structures that encourage innovations to reach rural women, policymakers can help women overcome barriers to financial services.

Agent banking, digital infrastructure, priority-sector lending, alternative collateral provisions, digital identities and other interventions create non-traditional pathways to engage with financial services that can also help overcome some of the barriers faced by women, such as transportation and trust. Experts insist that successful programs rely on integration of financial services with other livelihood needs, enabling infrastructure, strong leadership with a pointed strategy for rural areas and extensive partnerships.

Policymakers across the globe have been working to better include rural populations, and especially rural women, in formal financial services. These policymakers, many represented by the efforts highlighted in this diagnostic, serve as examples for other countries in their push for improved financial inclusion in their markets.
**Works Cited**


Works Cited


20. The most widely cited estimate for the rural share of remittances inflows is 50 percent, cited by the UN, World Bank, and others. For example, as part of IFAD’s “International Day of Family Remittances” campaign (2022) “International Day of Family Remittances.” Accessed 12 December 2022: https://familyremittances.org/. A slightly more substantiated figure, 48 percent, combines a range of data sources including central bank data and proprietary data such as in Sending Money Home: Contributing to the SDGs, one family at a time. Rome: IFAD, 2017.


## List of Acronyms

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFI</td>
<td>Alliance for Financial Inclusion</td>
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<td>BC</td>
<td>Banking Correspondent</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<td>FSPs</td>
<td>Financial Services Providers</td>
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<td>G2P</td>
<td>Government to Person</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>MNO</td>
<td>Mobile Network Operator</td>
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<td>MSMEs</td>
<td>Micro, Small, and Medium Enterprises</td>
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<td>NBI</td>
<td>Non-Banking Institution</td>
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