POLICY BRIEF

Women's World Banking

April 2024

How Policymakers Can Leverage Digital Financial Capability for Inclusion

Policymakers and regulators have a catalytic role to play in building women's digital financial capability improving women's adoption and use of digital financial services.

Introduction

In an increasingly digitally connected world, policymakers cannot ignore the enabling role that financial capability and digital literacy play in enhancing digital financial inclusion.

Digital financial capability (DFC) as a policy objective offers a clear direction for resources reserved for improving financial literacy, customer awareness, and last mile delivery of digital financial services (DFS).

Without DFC, growth in digital finance and digital public infrastructure will only perpetuate financial exclusion. Interventions that build women's DFC are critical to ensuring that women adopt and use DFS.

This brief offers an overview of DFC, shares examples of what capability building looks like in practice, and makes recommendations for policymakers. This pragmatic summary sits alongside additional resources for policymakers to pursue if they wish to actively facilitate DFC in their countries.

The origins of digital financial capability

DFC refers to the development of knowledge (for example, understanding product features), attitudes (for example, trust and confidence in own ability to use digital financial services), and skills (for example, able to independently use a digital mobile wallet), that enable a person to actively use DFS.

DFC has roots in financial literacy and digital literacy.[1] Financial literacy is the ability to understand and effectively use financial services and products in order to manage one's financial life effectively.

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However, research on financial literacy has shown that knowledge of financial concepts alone does not translate into behavioral change or active use of financial services. Classroom-based efforts to increase financial knowledge are ineffective in getting customers to retain information, let alone change their financial behavior.[2]

With the help of behavioral science, financial literacy has evolved into a conversation around financial capability.[3] Rather than merely focusing on memory recall, financial capability provides a more pragmatic approach, bringing together the knowledge, attitudes, and skills customers need to reach their financial goals and increase their capacity to engage with financial services.[4]

The specific focus on building capability reflects an emphasis on driving behavior change, with the idea that a broader set of interventions, beyond classroom training, enable a person to actively use DFS.

In the same way the conversation on financial literacy shifted to a more action-oriented concept of financial capability, we believe that the digital literacy conversation needs to transition to practical tools and principles to help customers effectively use DFS.

Digital Financial Capability for Women

Low-income customers and those from rural areas, particularly women, tend to have lower levels of digital literacy, fewer financial skills, more limited understanding of products, less awareness of their rights, and general distrust in complaints mechanisms and technology, amplifying their exposure to DFS risks.

Women's lower levels of financial literacy correlates with lower education levels overall. This is perpetuated by gender bias in financial services provision.

Gender differences in societal roles can also have implications for the content of financial literacy programs and how they are delivered. As women tend to be disproportionately responsible for childcare, programs needs to include childcare or be compatible with women's childcare responsibilities.

Thoughtful DFC campaigns that are relevant to a woman's financial life and address their specific needs are most effective at improving levels of DFC for women. Such programs include topics like budgeting for household expenses and the health of their family, growing micro-sized businesses, or saving for major life events or festivals.

Interventions that aim to build low-income women's DFC are critical to ensuring that women are able to use DFS with confidence. DFC should focus on teachable moments, such as when women are receiving government payments or making financial management decisions.

Read more: Empowering Women on a Journey Towards Digital Financial Capability

Women's World Banking has developed a framework for designing DFC programs comprising five interrelated principles. These are: the segment of women customers we are targeting ('Who'); the specific capacities we are trying to build ('What'); the optimal time to most impactfully engage her with DFC ('When'), the best way to most effectively reach the target customers ('Where'), and content development that facilitates behavioral change ('How'). The report also sets out seven core design elements to guide implementation, and examples of successful DFC initiatives.

What does digital financial capability look like in practice?

Case Study 1: Building entrepreneurs' knowledge of and trust in micro-credit

Women's World Banking partnered with a fintech in Indonesia, DigiAsia, to expand access to supplier credit for micro-entrepreneurs. DigiAsia's business model is built on direct partnerships with suppliers to reach micro-entrepreneurs left unserved by traditional banks, basing creditworthiness on order and payment history.

Two common issues DigiAsia encountered were:

i) Potential customers, and women customers in particular, have limited experience with credit;
ii) They have strong negative perceptions of credit due to predatory interest rates and aggressive collection tactics of other lenders.

DigiAsia identified women warungs, (shop-owners running small suburban businesses selling everyday essentials including food, beverages and household items), as often unable to access credit due to their inability to meet traditional collateral requirements, lack of prior experience with formal lending, and negative perceptions of credit.

Working with DigiAsia, Women's World Banking developed a series of training messages to directly respond to customers' concerns about using credit and how it can support their business. The training was timed to be shared with the warung shop owners just before they placed their weekly supply orders to re-stock their shelves.

The training was sent digitally via WhatsApp, a platform commonly used in business and social communication by Indonesia warungs. The training content was entertaining, relatable and simple, and shared in a way that would be well-received by the warungs, and so improved their DFC and trust in DigiAsia's supplier credit offering.

Case Study 2: Leveraging 'Learning-by-Doing' to Drive Customer Engagement

Women's World Banking partnered with Dutch Bangla Bank Ltd. (DBBL) in Bangladesh to help drive customer engagement in a mobile money account serving a variety of customers. Among those customers were women garment factory workers whose salaries were digitized and paid via a 'Rocket' mobile money account.

The objective of the initiative was to understand the root cause for women garment factory workers' limited engagement with the account, which they primarily used to cash out their monthly salaries. The aim was to encourage them to actively use the mobile account for self-initiated transactions.

As these customers send money home monthly, making a person-to-person (P2P) payment on their own was a key use case for this segment.

The training was made available on the factory floor, with peer ambassadors, who factory workers already trust. They were hand to show their co-workers how to do P2P transfers during lunch and other work breaks at their workstations.

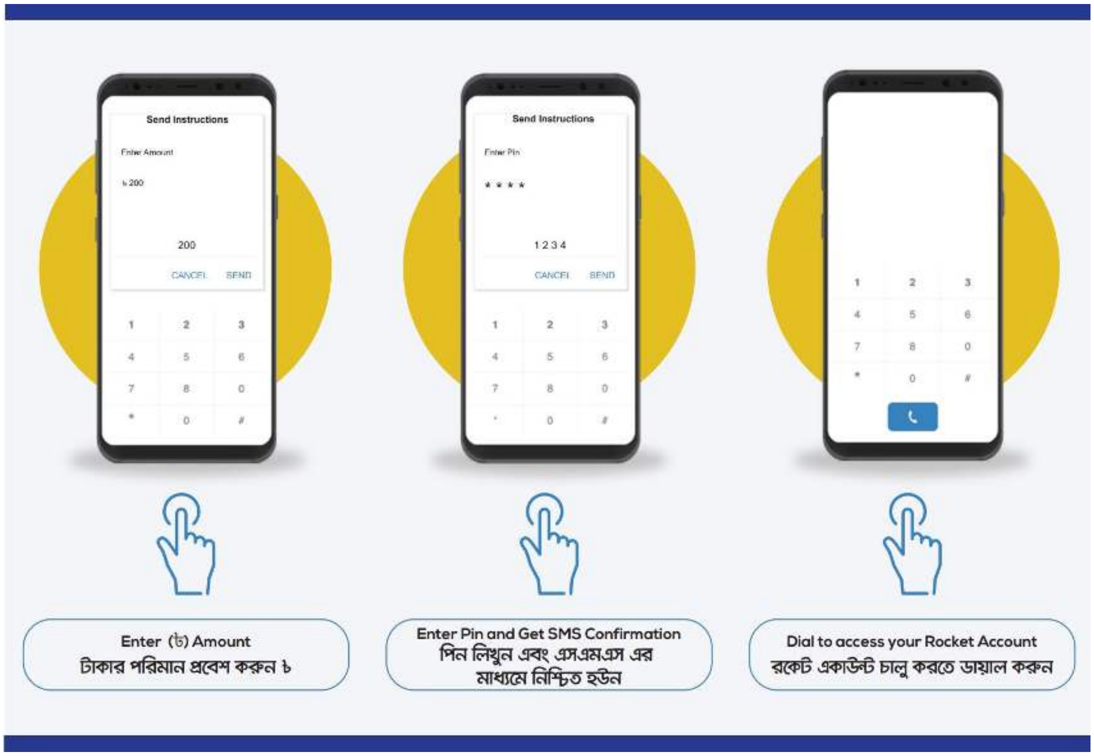
The learning-by-doing approach to training was timed to reach garment factory workers as they received their salary payments in order for them to have money in their mobile money account so they could seamlessly make a transfer.

To address the limited DFC of women factory workers, Women's World Banking developed a step-by-step visual aid (Figure 1) used by peer ambassadors when teaching women how to make a transfer on their mobile phones. The visual aid was easy to understand, even for people who had difficulty reading.

The training stressed that customers are able to make digital transfers directly on their phones, that the transfers are easy, and that the transfers can be done in the convenience of their own home, without having to queue to be served by an agent.

Teaching women garment factory workers how to do a mobile money transaction on their own built their confidence and DFC towards becoming active users of DFS.

Figure 1: Visual aid for teaching customers how to make a payment transfer on their mobile phone



Recommendations for Policymakers

The role of policymakers in building digital financial capability

Policymakers have a significant role to play in promoting DFC; some practical suggestions are outlined below.

1. Partner with stakeholders to understand critical "inflection points" when customers most need digital financial capability

First, policymakers can redirect resources spent on generic classroom-based digital and financial literacy programs towards DFC interventions timed to coincide with a specific need for, and active use, of financial services.

Financial services providers (FSPs) often train customers on how to use their services and assist when customers have challenges. Customers considering using mobile money have interactions with mobile network operators who often lead on the customer relationship prior to FSPs offering mobile internet-based or app-based services.

Policymakers can actively partner with such organizations already delivering DFC interventions to understand critical "inflection points" at which customers most need support.

2. Oversee multi-stakeholder efforts to build digital financial capability

DFC interventions, whether by FSPs, mobile network operators, or government ministries, are often uncoordinated. Policymakers can step into an oversight role, ensuring active coordination and help avoid duplication of efforts.

3. Hold FSPs accountable to build digital financial capability

Many policymakers set targets and expectations for FSPs to embed DFC for customers in DFS products and services. These prospective partners are well placed to build DFC and policymakers can hold FSPs accountable.

4. Use gender-disaggregated data to assess the effectiveness of digital financial capability efforts

Requiring gender-disaggregated data from FSPs on account opening, usage, and other relevant metrics is essential to assess the effectiveness of DFC efforts at achieving equality of access and increasing women's financial inclusion.

5. Connect digital financial capability with digital public infrastructure projects

Digital public infrastructure (DPI) is designed to build the essential "rails" on which digital payment systems, digital identity, and data management sit. Women are often less confident than men in using these technologies for the first time.

Coupling the rollout of critical DPI with delivery of DFC will improve levels of inclusion in these structures. For example, government social protection ministries, when using digital finance to send government-to-person payments, can be a consumer's first introduction to the formal financial system.

Forward-thinking financial markets, through coalitions of policymakers, FSPs, and civil society organizations, ensure a focus on DFC to ensure the success of DPI efforts for women.

Conclusion

Policymakers can have a high impact on improving the DFC of the populations they serve. The case studies set out in this brief show that DFC can be achieved in practical ways, such as building entrepreneurs' trust in and knowledge of savings accounts and safe access to micro-credit. Delivering DFC at the right moments in people's lives, using a thoughtful and gender-intentional approach, can make a significant impact on usage of DFS and overall financial inclusion targets.

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Acknowledgments

This brief was a collaborative effort amongst Women's World Banking staff including Francesca Brown, Marina Dimova, Sonja Kelly, and Xiaoming Zhang.

The brief builds on a Women's World Banking report, "Empowering Women on a Journey Towards Digital Financial Capability". All opinions are those of Women's World Banking.

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This publication has been funded by the Swiss State Secretariat for Economic Affairs (SECO).

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