

## Bank on Her: The Smart Solution for Financial Inclusion

The World Bank released a startling piece of news this spring in its latest Global Findex database report: since 2011, 700 million people worldwide have acquired bank accounts. In fact, access to bank accounts grew more in the past few years than in the past few decades—a rapid and dramatic change usually unheard of in development circles. The growth in access to vaccines and bed nets that prevent malaria, for instance, does not even come close. Despite these impressive gains, however, the gender gap in financial inclusion persists. While millions more men now have access to formal financial services, millions of women—particularly low-income women—have been left behind.

As of 2014, 65 percent of men worldwide had a bank account, compared to 58 percent of women. Although this reflects a significant increase from 2011, when 54 percent of men and 47 percent of women had an account, the gender gap stands at nine percentage points in the developing world and seven points globally.<sup>1</sup> The gap is even wider in some regions; it stands at 18 percent in South Asia, and in the Middle East, men are twice as likely as women to have an account.

The efforts made by public, private, and philanthropic actors to increase financial inclusion over the past few years have clearly paid off, largely because of a commitment to reaching the unbanked through innovative, user-friendly digital financial services. Now it is time to apply those solutions—both the technological tools and the political and sociocultural strategies—to the specific needs of half of the world's population that has largely been left out: women. There is every reason to believe that, if key players turn their attention to closing this gender gap, the results will be no less impressive than other efforts to increase financial inclusion.

Why is raising the bar on financial inclusion worth the effort? Expanding financial inclusion has a profound impact on overall economic growth and community development. At the macro level, expanding financial inclusion increases GDP growth and results in greater labor force participation; at the micro level, it leads to a significant increase in financial capability and in the social stability of families and individuals. Governments and global development organizations have heightened their focus on

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financial inclusion because they recognize its potential to improve the long-term health of national economies and local communities.

Including more women in the informal sector specifically leads to countless benefits besides increased economic growth. Studies show that when a woman controls her own finances, she invests in the health, nutrition, and education of her family—investments that drive inter-generational improvements and have an exponential effect on the prosperity of communities. Despite these findings, women are rarely the focus of efforts to expand financial access. To achieve the promise of wider financial inclusion worldwide, women—especially low-income women in developing countries, who remain the most disenfranchised group—must become a focal point of these efforts. These women must be armed with the tools they need to participate more fully in the financial system (see sidebar, “Closing the Mobile Phone Gap”).

What follows is a suggested approach for governments, the private sector, and donor organizations that has the potential to produce more sustainable gains in economic growth and development worldwide, while also transforming the financial lives of several hundred million women who currently are un- or under-banked. The most striking element of this approach is that the recommended steps will not require a major overhaul of current business practices. A series of small tweaks can add up to exponential growth, and the right efforts applied in the right places can dramatically increase the number of women served by the financial sector and shrink the gender gap in financial inclusion.

#### WHY WOMEN’S FINANCIAL INCLUSION SHOULD MATTER TO GOVERNMENTS, BUSINESSES, AND DONORS

The persistent gender gap signals a needed call-to-action for governments, the private sector, and philanthropists to prioritize financial inclusion efforts that target women, including finding more effective ways to reach out to women and empower them to take a more active role in their financial lives.

#### **How Governments Can Play a Crucial Role**

Making it easier for women to open bank accounts, save money, and conduct other financial transactions are key elements of any policy and regulatory strategy for shrinking and ultimately closing the financial inclusion gender gap. As Women’s World Banking research has found, low-income women worldwide consistently express the need to save and withdraw money securely, conveniently, and confidentially yet, logistical and legal hurdles, domestic realities, work obligations, or other obstacles often keep them from opening accounts, and from depositing or taking out funds once they have an account.

National governments, international organizations, and standard-setting bodies such as the World Bank and the Bank for International Settlements can pave the way both locally and globally. Policymakers and regulators can start by making specific policy changes and removing legal barriers that stand in the way of women’s access to

finance. These changes include modifying stringent “know-your-customer” policies that require women who want to open a bank account to provide documentation that they often do not have addressing banks’ discriminatory practices against women, and eliminating inheritance and family laws that constrain women’s right to work or own property. Policymakers can also work to create an appropriate industry infrastructure, such as establishing credit reference bureaus and movable collateral registries. For example, the Central Bank of Nigeria has established the Secured Transaction and National Collateral Registry to facilitate the use of movable assets as collateral for either business or consumer credit, thus expanding the scope of eligible assets for collateral purposes.

Governments also can have a significant impact by setting quantifiable goals for shrinking the gender gap and using their investment and development power to influence others. Rwanda’s Vision 2020 five-year development plan, for instance, includes specific targets. The plan states that, by 2017, Rwanda should have 80 percent overall financial inclusion and 72 percent for women. The goal for 2020 is even more aggressive, calling for 90 percent financial inclusion across the entire population, men and women. Australia used its position as G20 president in 2014 as a platform for making women’s empowerment one of the main focal points of financial inclusion efforts at home and worldwide. The country’s Department of Foreign Affairs and Trade named gender equality, including women’s economic empowerment, one of six investment priorities for its 2015-2016 aid program. As G20 president in 2015, Turkey is following suit, citing “women’s economic empowerment” as one area of focus for the G20’s Financial Inclusion Action plan.

Governments also should take specific measures to provide unbanked women with an on ramp to the formal financial system. One such entry point would involve switching from cash to digital disbursements of government-to-person (G2P) welfare and benefits payments, as South Africa, Mexico, and Brazil have done. Recipients would open a bank account, a first step to financial inclusion, which would be followed quickly by consumer education on how to use these new accounts to do more than just withdraw cash—for instance, to start saving for longer term goals such as education or housing. In Brazil, for example, where the Bolsa Família Program provides monthly government aid to low-income families, 93 percent of the recipients responsible for accepting these funds for their households are women.<sup>2</sup> Converting to a digital payment system would have the added benefit of slashing government costs considerably; South Africa, for instance, cut the cost of its social disbursements program by two-thirds when it switched to digital payments.<sup>3</sup>

Initiatives like these, along with a regulatory environment that promotes systemic change, promise to lead to transformative improvements in women’s financial inclusion. However, these efforts will depend on participation and commitment from the private sector if the true potential is to be fulfilled.

### **What the Private Sector Should Do**

The largely untapped women’s market presents a clear opportunity for businesses to reach millions of women with everything from savings accounts to insurance products

and loans. To market to this enormous underserved demographic successfully, businesses must focus on women as a distinct client base with its own requirements and tailor their products and outreach directly to them.

Expanding financial inclusion means ensuring that women have access to such financial services in ways that are designed to fit into their lives. Banks will be missing a great opportunity if they simply enable more women to open bank accounts without regard for how they will (or will not) be used. It is worth noting that India's recent government-led efforts to expand financial inclusion to include 75 million households by 2018 at a rate of two bank accounts each are responsible for a sizable portion of the growth seen in the latest Global Findex data.<sup>4</sup> However, the dormancy rate for newly opened accounts in India is significant; 43 percent show no account activity over a 12-month period.<sup>5</sup> This is a strong indication that the public and private sectors must work together to create financial education programs and relevant financial products that encourage people to use their bank accounts.

For women, and low-income women in particular, savings accounts can be a game-changer by allowing them to build more financial security for themselves and their families, to grow their businesses, and to cope with emergencies. Women are far more likely to benefit from their savings accounts not only if they are trained to use them to their full advantage, but also if they find their account meets their need for convenience, security, and privacy. To that end, financial institutions should focus on women as an important, profitable client base with its own unique requirements. Instead of creating one-size-fits-all products and hoping women will sign on, banks would benefit from flipping the script to find out what women need most and then designing financial products accordingly. Diamond Bank, Nigeria's sixth largest commercial bank, has discovered a winning formula with its popular BETA Savings product: the no-frills savings account allows clients, many of them low-income women, to make small deposits at their convenience through mobile technology, and it does not require a minimum balance or impose fees. The success of the BETA product with low-income women has led Diamond Bank to recognize the value of this market segment, and it is now investing heavily in developing a full suite of financial products for the unbanked women in Nigeria.

Although savings accounts are typically the cornerstone of efforts to build women's financial inclusion, other financial products that address women's specific needs need to be developed. Women's World Banking partnered with Jordan's Microfund for Women (MFW) to design a health insurance product aimed at its women clients. In interviews conducted by Women's World Banking across various markets, women reported that they typically bear the brunt of health-related costs in their families—a burden that often triggers a slide into poverty. They said their biggest challenge stems from the gap between public health coverage and the steep incidental costs related to a health episode, such as lost income while seeking treatment or caring for ill family members, transportation to and from the hospital, and meals purchased while away from home. The women noted that the one time they prioritized their own health over their family's was when they were pregnant. Based on these findings, Women's World

Banking and MFW developed the Caregiver insurance policy. This “hospital cash” policy offers terms that are affordable for low-income Jordanian women, and also profitable for MFW to distribute and for a local insurance company to underwrite—all of this in a market that previously had little or no experience with health micro-insurance, particularly with maternal health coverage. The Caregiver policy has been an enormous success: it was expanded from a small pilot program in 2010 to a large-scale rollout to the entire Jordanian market in 2011, and the product has since been introduced in Peru, Morocco, Egypt, and Uganda.<sup>6</sup>

The financial services industry has a significant role to play in making services like savings and micro insurance more widely available to women through digital channels. This includes “coopetition and cooperation” with mobile network operators and other private sector actors, such as investment companies and insurance agencies, to expand their services to reach low-income women. For example, using data derived from mobile phone usage and digital payments to develop alternative credit scoring models for women has shown promise in Nigeria and Tanzania, for women who don’t have access to traditional forms of collateral.

Financial institutions, insurance companies, and mobile network operators are not the only private sector players with a role to play in increasing financial inclusion for women. As more and more global companies attempt to bring small and medium size enterprises (SMEs) into their supply chains, they can influence banks to provide financing to those owned by women—and to overcome the fear that investing in women is “risky.” Multinational companies can leverage their clout with financial institutions to close the financing gap for the women in their supply chains. In addition, companies can digitize salary payments to low-income employees to provide the same on-ramp to greater engagement with the formal financial sector, as described above.

### **What Donors Can Do to Multiply Their Impact**

The potential of Philanthropy to have a lasting impact on financial inclusion for women should not be underestimated. Philanthropic capital from donors can nudge the private sector toward delivering quality financial products for women.

Nigeria’s Diamond Bank did not anticipate seeing any returns for at least three years when it created the BETA Savings product, but Women’s World Banking secured a grant from Visa and Enhancing Financial Innovation & Access (EFINA)—a joint venture between the Bill & Melinda Gates Foundation and the United Kingdom—to encourage Diamond Bank to pilot the product, targeting unbanked Nigerian entrepreneurs. Since its launch in 21 bank branches in 2013, BETA Savings has grown to serve more than 154,000 people across Nigeria—35 percent of them women—and has given thousands of formerly unbanked women entrepreneurs access to formal financial services for the first time. Diamond Bank is now investing \$21 million of its own capital in this segment, as it has seen the tremendous benefit of serving the un- and underbanked population. Similar opportunities abound around the world, where philanthropic capital can play a catalytic role in fostering measurable gains in women’s financial inclusion.

## CLOSING THE MOBILE PHONE GAP

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The recent growth in digital financial services has had a sizable impact on financial inclusion. Now that more and more financial institutions, telecommunications providers, and mobile network operators are allowing clients to perform transactions digitally, those who previously had no access to formal financial services are able to participate more easily. Digital financial services are especially well-suited for women, as they address women's need for confidentiality, convenience, and security. But low-income women, particularly in developing countries, have been too often left out of the digital revolution, largely because many do not own a mobile phone. The most recent data show that, globally, 200 million fewer women than men have their own mobile phone.<sup>7</sup>

This gap represents an enormous opportunity for telecommunications providers to get mobile phones into the hands of the more than 1.7 billion women who do not currently own one, and thus to have a powerful effect on deepening financial inclusion.<sup>8</sup> But since telecommunications companies rarely track disaggregated gender data, they have at best a limited idea of how women are using (or not using) their products; consequently, efforts to design or market products to women have been sparse or nonexistent.<sup>9</sup>

The Groupe Speciale Mobile Association (GSMA), recently conducted studies across 11 countries to provide a roadmap for how to reach out to women more effectively. The data show that a variety of obstacles or perceived barriers are preventing women—especially those less educated and with lower incomes—from owning or using mobile phones. Among these are the cost of buying and reloading a phone; a lack of security or trust—fear that the phone will get stolen, that they will be harassed by strangers, or that their private data will be compromised. Women often expressed a lack of confidence in their ability operate a mobile phone correctly; which can be complicated by the absence of reliable network coverage, particularly in rural areas; and cultural or familial pressures against women owning their own mobile phones.<sup>10</sup>

These findings point to a multitude of ways telecommunications companies can design their products and services to reach more women, such as increasing the availability of cheaper phones and calling plans; instituting measures to boost security and prevent harassment or vulnerability to theft; educating women on how to use their mobile phones; and making infrastructural improvements to mobile phone networks. The broader cultural



obstacles are largely beyond the scope of the telecommunications industry, but by addressing the more concrete and logistical barriers, companies can make a measurable dent in the financial-inclusion gender gap.

Armed with mobile phones of their own, along with increased confidence and the knowledge that they can use them effectively, women will be able to open and access bank accounts more readily, save money, and conduct a range of financial transactions that will bolster their own and their family's financial stability and prosperity.

### THE SOLUTION IS SURPRISINGLY SIMPLE

Even though the financial inclusion gender gap is persistent, represents a problem that should be resolved through a strong commitment from the public, private and philanthropic sectors. What is needed most urgently is not innovation so much as a back-to-basics approach: instead of dreaming up new financial or mobile products and hoping women will find their way to using them, private-sector players would have better luck—and bigger profits—if they were first to reach out to women to find out what they need most, and then customize their existing products and services to help make women's lives easier, more secure, and more prosperous.

Shrinking the gender gap in financial inclusion is a win-win for everyone, and governments and philanthropic institutions must never lose sight of the big picture. They must articulate a mission to expand financial inclusion for women, and implement policies and strategies that will help clear the way. By working steadily on all of these fronts, financial institutions, telecommunications companies, governments, international organizations, and donors will be able see exponential results, until we close the gap for good.

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2. MDS, "Bolsa Família é Apresentado na África," *Imprensa Noticias de 2005*, May 27, 2005. Available at [www.mds.gov.br](http://www.mds.gov.br).
3. Global Partnership for Financial Inclusion, "The Opportunities of Digitizing Payments," 2014, 4.
4. Business for Social Responsibility, "Financial Inclusion in the Supply Chain," 2015, 7.
5. World Bank, 18.
6. Women's World Banking, "Microfund for Women's Caregiver Experience: Lessons from Jordan on Health Microinsurance," 2012, 6

7. Groupe Special Mobile Association (GSMA), "Bridging the Gender Gap: Mobile Access and Usage in Low and Middle-Income Countries," 2015, 6.
8. GSMA, 6.
9. GSMA, 62.
10. GSMA, 40-41.