Women's Financial Inclusion

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

Financial education is key for financial inclusion. Labor Migration Project, Sri Lanka. Funded by SDC, implemented by Helvetas. (© Helvetas)

This guidance sheet is one of a series written to support SDC staff in ensuring that gender issues are taken into account transversally in different thematic areas – focusing in this case on financial inclusion. It outlines key issues regarding women's financial inclusion (WFI) and how these can be integrated in the design, implementation, monitoring and evaluation of cooperation strategies and project interventions.

Key issues

A. Why are women more excluded from the financial system? It is crucial for projects to adopt a gender lens before and during their implementation. 40% of the world's female population does not have access to formal financial services. A woman is 20% less likely than a man to have a bank account and 17% less likely to have a formal loan. All these inequalities stem from social norms and prejudices still anchored in societies which restrict women's financial inclusion, employment and resources, and thus hinder their economic empowerment opportunities.

B. What is the role of men in WFI? Women experience poverty as a direct result of the differences between the roles of men and women ascribed to them by existing norms, practices and institutions. It is necessary to take a holistic approach, including men and boys in efforts to achieve women's empowerment. To make men aware of the importance of gender equality and respect for women's rights is to make them allies of change. In order to sustainably change social norms and attitudes, it is necessary to include the whole community in this process. To ensure lasting emancipation, projects should include men and boys and work with the entire community to make WFI a stepping stone for women to become key actors in economic, social and political development.

C. What is the business case for WFI? The path to greater WFI is dependent upon the creation of a more gender-inclusive financial system that addresses the specific demand- and supply-side barriers faced by women[1]. Providers are key to achieving this and thus the future of WFI depends on how profitable this segment can be for providers[2]. More and more financial institutions are beginning to recognise the potential of the women's market as a business growth strategy. Those that have been most successful in serving the women's market have monitored the impact of their change[3], and have demonstrated the loyalty of women clients and the higher share of wallet per client driven by cross-selling[4], thus confirming the business case for targeting women.

1 https://www.poverty-action.org/sites/default/files/publications/Womens-Economic-Empowerment-Through-Financial-Inclusion-Web.pdf

2 https://www.centerforfinancialinclusion.org/the-business-case-for-financial-inclusion-a-multi-trillion-dollar-proposition/

3 Global Best Practices in Banking Women-Led SMEs http://www.womensworldbanking.org/wp-content/uploads/2014/11/Global-Best-Practices-Banking-Women-Led-SMEs-WomensWorldBanking.pdf

4 https://www.womensworldbanking.org/insights-and-impact/how-to-create-financial-products-that-win-with-women

1 Definition of financial inclusion

Financial inclusion means access to and the use of basic, formal financial services and products: a bank account, credit, insurance, savings products, payment services, which are available to all and are actively and effectively used by people in their daily lives.[5]

Financial inclusion can be defined using the following elements:

Financial inclusion is more than granting access to a bank account. Access is a critical element but pointless if not acted upon.

As access and usage expand, attention should be paid to improving the quality and affordability of financial services. At the same time, a sharper focus should be placed on the impact of a financial product or service on the welfare of consumers.

Financial inclusion is highly unequal among poor people, particularly poor women, who are the least well-served by financial institutions. Indeed, those financial institutions usually develop "generic" products and/or target specific customer segments (such as for SMEs), with no specific consideration given to gender.

This guidance sheet focuses on this aspect with the aim of ensuring better financial services and products for women. There is evidence of how financial inclusion projects can enhance women's economic empowerment and hence contribute to achieving both gender equality objectives and poverty reduction objectives.

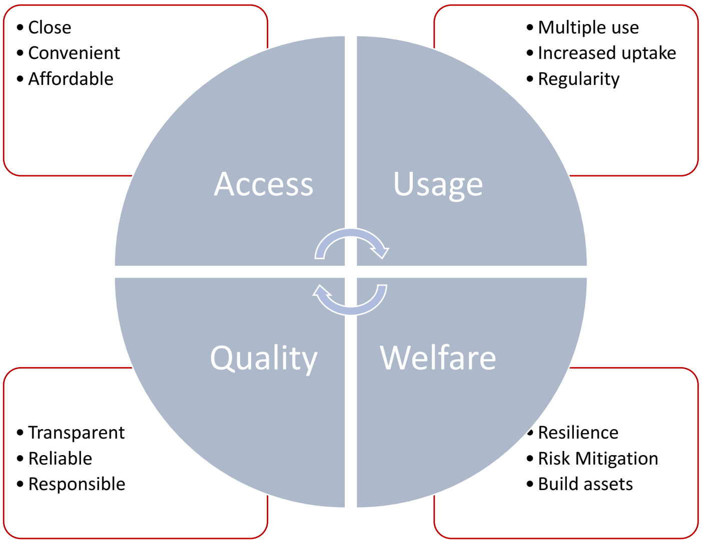

Figure 1: Financial inclusion dimensions, own illustration

2 The financial landscape

There has been major progress in achieving sustainability and scale of financial services with the introduction of new products, innovative business models and technology-enabled delivery channels.

However, 1.7 billion adults still have no access to finance, of which 56% are women. 40% of the world's female population does not have access to formal financial services. A woman is 20% less likely than a man to have a bank account and 17% less likely to have a formal loan[6]. All these inequalities stem from social norms and prejudices still anchored in societies which restrict women's financial inclusion, employment and resources and thus hinder their economic empowerment opportunities.

The way towards improved WFI largely depends on the creation of a financial system adapted to gender specificities, which takes into consideration the obstacles women have to face and which is supported by an inclusive regulatory environment. Those obstacles range from basics such as a lack of collateral assets to opening an account under strict conditions which specifically disadvantage women.

5 World Bank
6 Global Findex 2017

3 Financial market system analysis

When undertaking financial market systems analyses, projects need to adopt a gender lens, addressing specific questions regarding women's economic empowerment within the analysis of the financial market system.

Using the Market Systems Development (MSD) approach, the financial market system is structured as in the diagram on the right:

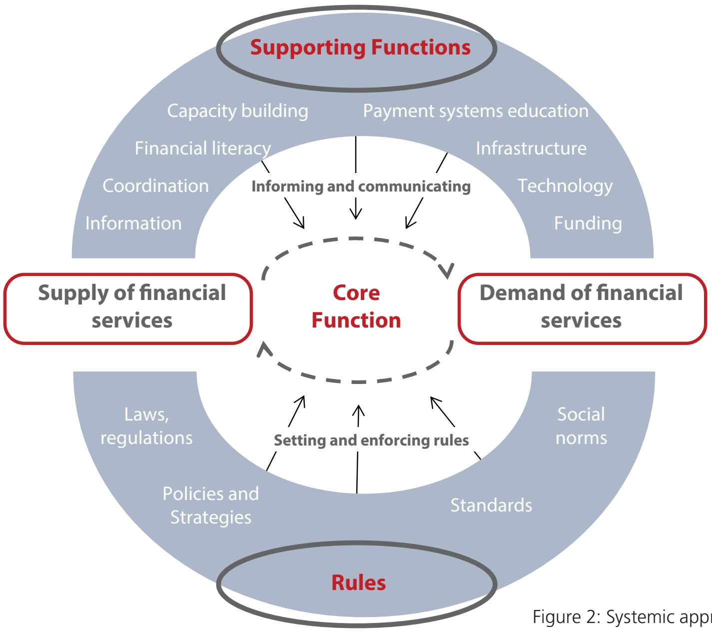

Figure 2: Systemic approach to financial inclusion, own illustration

An analysis of the incentives, capacity and relationships of the market players identifies specific entry points within a market system and how to improve the underperforming (or missing) market functions.

The guiding questions presented in the table below follow the logic of the MSD diagnostic process.

Aspect of the market system	Guiding questions
Core transactions	• What are the financial needs of women? • How does the market respond to those needs? • What constraints do women face when they approach financial institutions (e.g. time constraints due to care work, physical access, formal requirements)? • What are the incentives for market players to respond to women's financial needs? • Is there a mismatch between supply and demand? • To what extent are the financial products and services gender sensitive/responsive? • To what extent are the financial providers gender sensitive/responsive?
Supporting functions	• How does information on financial products and services reach women? What constraints do women face? • How are the services tailored to respond to women's needs? • Do individual programmes take into consideration gender specificities? • How do services (e.g. market and product information, financial education) effectively reach women? What is the business case for service providers to target women? • What supporting functions are required to strengthen gender sensitive financial products and services (e.g. capacity building for financial institutions)?
Rules and norms	• What are the constraints on women caused by rules and norms in the specific socio-cultural context? • Are financial policies (i.e. national strategies & sector policies) favourable to women? • Are regulations favourable to women? • What risks may be expected at household, community and wider level to women's greater involvement in the financial market, in particular resistance caused by men's perceptions? • What are the risks that women – or men – may be harmed? What is the risk for gender-based violence as a results of women's greater involvement in the financial market?

Table 1: Guiding questions of a mapping exercise conducted in 2018 among 50 SDC projects with a financial inclusion component.

These guiding questions can be embedded into a market system analysis or be part of a separate gender analysis in verifying degrees. The knowledge gained from the analysis feeds into the definition of the Theory of Change (ToC) of your financial inclusion project. The following example highlights a broad structure of such a ToC, aimed at measuring the overall impact of enhanced women's economic empowerment through WFI.

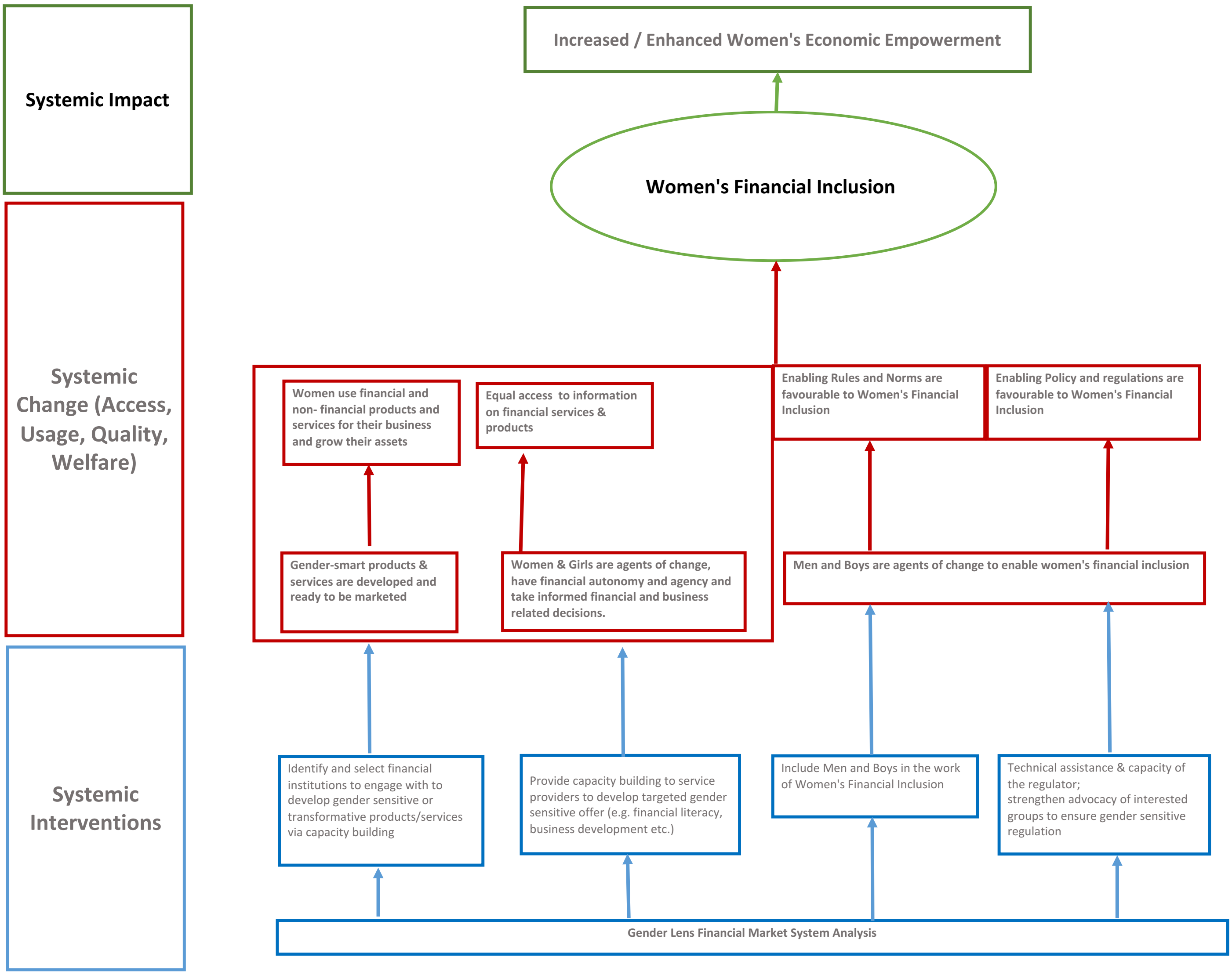

Figure 3: Theory of Change for Women's Financial Inclusion, SDC

The first level starts with the analytical part of the system and reveals entry points to intervene within the system. Most commonly identified constraints from gender analysis are rooted in gender bias and social norms, limiting women's access to finance. A recent mapping of financial inclusion projects, or projects with a financial inclusion component, and a Savings and Credit Forum[7] of the SDC on this topic examined together with various experts in the sector how to address social norms in this context. Two potential ways of dealing with norms were highlighted in the discussion:

1) be gender sensitive: work within existing social norms to address market constraints for women;

2) be gender transformative: explicitly work to change social norms through direct engagement of women and men to have a greater impact. Including both in project interventions, i.e. the husband and wife in a household, the overall performance of the project achieves better results: husbands also become agents of change and support the normative change e.g. in the division of roles within the home, reducing the woman's share of unpaid care work, contributing to the empowerment of their wives.

Within the depicted ToC both types of normative change, sensitive and transformative, can be embedded, depending on the context.

7 Savings and Credit Forum, 2 November 2018 on how to reach the 1 billion unbanked women.

4 Interventions in planning and implementation (good practices)

A gendered financial market system analysis will certainly reveal many constraints. Projects are not supposed to work on all constraints, but to **prioritise and focus** on those that constitute underlying causes. Projects then plan and implement interventions aimed at a sustainable and scalable market system change. From a WFI perspective, a series of **good practices in implementation and intervention have been identified among the SDC's and internationally collected experiences**.

A sound WFI intervention within a project with **a focus on women's economic empowerment should apply all the information given in this guidance sheet** keeping in mind that 1) financial education is key for both genders 2) the financial product should be client-centric (see box on page 6), 3) target indicators should be defined for outreach and impact measurement, 4) the regulator should be engaged, 5) before any intervention root causes of exclusion should be carefully analysed, 6) in order to increase outreach and value for clients, products could be bundled (e.g. credit and insurance) and finally the approach has to be gender sensitive, responsive or transformative.

Financial Education is key for both genders, Albania, Project Risi funded by SDC implemented by Helvetas (© Helvetas)

Let us take a look at two specific interventions/good practices:

Start from childhood

Studies show that financial skills that are acquired early in life may translate into sound financial behaviour in later years, however financial awareness among the young is low. The recommendation from experience is to invest in girls from as early as 10 years: this is where there is a greater potential for intergenerational poverty reduction and women's economic empowerment. Actually, the gap starts from the tender age of 10 years, when girls and boys experience varying social, biological, and economic roles and needs.

An SDC project "PROMIFIN" promoting access to financial services for low-income populations in Central America also targeted schools, whereby a board game was developed to be used in classes. The Monopoly-type game simulates real-life financial situations and decisions. The game helped the participants to learn how money decisions impacted their results, targeting both girls and boys.

Work with men

External research conducted by CARE[8] identified that when men are excluded, three frequent cases can occur in households:

- ➔ The increased responsibility and autonomy of women as a result of belonging to a "Village & Savings Loans Association" sometimes generates situations of domestic violence, whether verbal or physical;

8 https://www.carefrance.org/ressources/themas/1/4154f11-6404-Rapport_final_web_FR.pdf

- Some men completely disengage from household expenses as soon as their wives have access to income, leaving them in charge of all current expenses and thus limiting any possibility of economic empowerment for these women;
- Other men take the money earned by women as part of their income-generating activity and leave them no freedom to use money or economic decision-making power.

The reality is that it is often the husband who authorises or not the participation of women in external activities. One SDC project "Building capacity of women entrepreneurs through development of business planning skills in Azerbaijan" included men in the programme and commented the following:

"Male family members of the women trained were invited along. This simple addition had a significant effect: if male family members attend such trainings jointly, they start themselves advocating for this type of capacity building and display strong support to their wives, sisters etc. The women in turn may get more confident and feel more supported by their families. This will be integrated as a lesson into future interventions."

Consumer protection for clients at the bottom of the pyramid is recognised as a key component of achieving full financial inclusion. The **"Smart Campaign"** is a global effort to unite financial leaders around a common goal: to keep clients as the driving force of the industry. When microfinance institutions implement the campaign's client protection principles (see list below) into their operations, they build strong, lasting relationships with clients, increase client retention, and reduce financial risk.

Client protection principles:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

For more information: https://www.smartcampaign.org/about/campaign-mission-a-goals

Commitment to gender equality means ensuring that women's, as well as men's, specific needs and strategic interests are taken into consideration in the field/in the project, in order to ensure its transformative impact on gender inequalities. Gender equality requires transforming the roles of women and men, changing laws that perpetuate inequalities, and promoting equitable gender relations.

Engaging men to build capacity of women entrepreneurs in Azerbaijan (© Helvetas)

Project Agri-Fin Mobile, Zimbabwe, implemented by Mercy Corps (© HYS)

5 Important aspects for monitoring and evaluation

In order to assess the changes which result from project interventions, the following aspects are key to consider in the M&E system all along the project cycle.

- ➔ Develop intervention result chain that includes expected results in terms of WFI explicitly.
- ➔ Ensure inclusion of indicators specific to WFI, establish sex-disaggregated baseline and set targets.
- ➔ Indicators are formulated for expected results in terms of WFI. They should also cover unintended results where such risks were identified during the analysis (e.g. risk that women will be harmed due to increased gender-based violence).
- ➔ Use gender-sensitive research methods to measure changes in terms of WFI along the results chains.
- ➔ Ensure that findings on WFI are fed back into intervention design through gender-sensitive processes and staff job descriptions.

References

Overviews

Bin-Human, Y., (2017), *5 Challenges for Women's Financial Inclusion*. CGAP [Online]. Available from: https://www.cgap.org/blog/5-challenges-womens-financial-inclusion

Burjorjee, D. &Scola, B., CGAP, (2015), *A Market Systems Approach to Financial Inclusion*. CGAP. [Online]. Available from: https://www.cgap.org/sites/default/files/researches/documents/Consensus-Guidelines-A-Market-Systems-Approach-to-Financial-Inclusion-Sept-2015_0.pdf

CARE, (2017), *Micro-épargne et développement économique : les femmes en route vers l'égalité*. [Online]. Available from: https://www.carefrance.org/ressources/themas/1/4154f11-6404-Rapport_final_web_FR.pdf

Loufield, E., (2018), *The Business Case for Financial Inclusion: A Multi-Trillion-Dollar Proposition*. Center for Financial Inclusion. CGAP [Online]. Available from: https://www.centerforfinancialinclusion.org/the-business-case-for-financial-inclusion-a-multi-trillion-dollar-proposition/

SDC, e+i Shareweb Employment & Income, Savings and Credit Forums, *Women's Financial Inclusion - how to reach 1 billion women*. Presentations, Summary available from: https://www.shareweb.ch/site/EI/Pages/Content/Profiles.aspx?SmartID=1644&item1=SC-Forum 2018-11

Women's World Banking, (2014), *Global Best Practices in Banking Women-Led SMEs*. [Online]. Available from: http://www.womensworldbanking.org/wp-content/uploads/2014/11/Global-Best-Practices-Banking-Women-Led-SMEs-WomensWorldBanking.pdf

Women's World Banking, (2018), *How to Create Financial Products that Win with Women*. [Online]. Available from: https://www.womensworldbanking.org/insights-and-impact/how-to-create-financial-products-that-win-with-women/

Databases and practical guides

Global Findex, (2017), *The Global Findex Database-Measuring Financial Inclusion and the Fintech Revolution*, The World Bank Group. [Online]. Available from: https://globalfindex.worldbank.org/

SDC, (2016), *Mainstreaming Women's Economic Empowerment (WEE) in Market Systems Development*. [Online]. Available from: https://www.enterprise-development.org/wp-content/uploads/SDCWEEinMSD.pdf

The Smart campaign, *Campaign Mission & Goals*. [Online]. Available from: https://www.smartcampaign.org/about/campaign-mission-a-goals

Innovation for Poverty Action, (2017), *Women's Economic Empowerment Through Financial Inclusion, A Review of Existing Evidence and Remaining Knowledge Gaps*. [Online]. Available from: https://www.poverty-action.org/sites/default/files/publications/Womens-Economic-Empowerment-Through-Financial-Inclusion-Web.pdf

World Bank, *Financial Inclusion- Financial inclusion is a key enabler to reducing poverty and boosting prosperity.* [Online]. Webpage: http://www.worldbank.org/en/topic/financialinclusion/overview

Authors

Main author

Siham Boukhali, Financial Inclusion Adviser, Helvetas Swiss Intercooperation

Commissioned and overseen by

Nathalie Wyser, Financial Inclusion Adviser, Swiss Agency for Development and Cooperation

Selina Haeny, Gender Adviser, Swiss Agency for Development and Cooperation

.