FINDEX NOTE 3

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HOW DIGITAL SOLUTIONS CAN BOLSTER WOMEN'S FINANCIAL INCLUSION IN SUB-SAHARAN AFRICA

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How digital solutions can bolster women's financial inclusion in Sub-Saharan Africa

Throughout Sub-Saharan Africa, innovation is transforming how people conduct financial transactions and live their lives. Mobile phones and the availability of new digital technologies are at the forefront of this change, helping to draw more and more people into the formal economy, potentially mitigating gender and income inequality and stimulating development in areas ranging from farming to education.

The Findex Notes: *Sub-Saharan Africa series summarizes data compiled by the Global Findex from nationally representative surveys of more than 150,000 adults in over 140 economies in 2017, including more than 35,000 adults in 35 economies in Sub-Saharan Africa. The Global Findex is the world's most comprehensive data set on how adults save, borrow, make payments, and manage risk. The full dataset and methodology are available at* https://globalfindex.worldbank.org/.

IN THIS NOTE

We explore the many ways that women in Sub-Saharan Africa are using digital payment services through mobile phones, the internet, and bank accounts. We also outline opportunities to use digital technology to bring financial services to women who still have no accounts.

Financial services have helped create new economic opportunities for women in Sub-Saharan Africa. A study found that when women-headed households in Kenya adopted mobile money accounts, poverty dropped, savings increased, and 185,000 women left agricultural jobs for better positions in business or retail. While the authors were unable to definitively explain the underlying cause of the occupational shift, they speculate that it could have reflected greater access to remittances, increased agency, or the alleviation of financial constraints due to increased use of mobile money.[i] In Niger, researchers found that distributing government social benefits through a mobile phone instead of cash reduced administrative costs by a fifth and helped shift household decision making in favor of women who received the mobile transfers.[ii] A field experiment in Kenya found that female market vendors increased their private expenditures and business investments when provided with a savings account, potentially because the accounts helped women hold onto their funds instead of giving them to friends or relatives.[iii] When women in India received personal accounts linked to a jobs guarantee program, they increased their labor force participation and earnings compared to women who received such payments into a joint account controlled by their husbands. The employment and earnings improvements disproportionately went to women who previously had low labor force participation and women whose husbands were most opposed to their getting a job. The study is ongoing, but the authors interpret the initial results to suggest that the accounts gave women more control of their earnings, leading to higher influence and agency.[iv]

Men own more accounts, but mobile money may be shrinking the gender gap

Financial inclusion starts with having an account that can be used to store money and make transactions. In Sub-Saharan Africa, 48 percent of men have an account, as do 37 percent of women—a gender gap of 11 percentage points. The size of the gender gap varies across economies. In Nigeria, for example, men are roughly twice as likely as women to have an account, while there are no gender gaps in Namibia or South Africa (Figure 1).

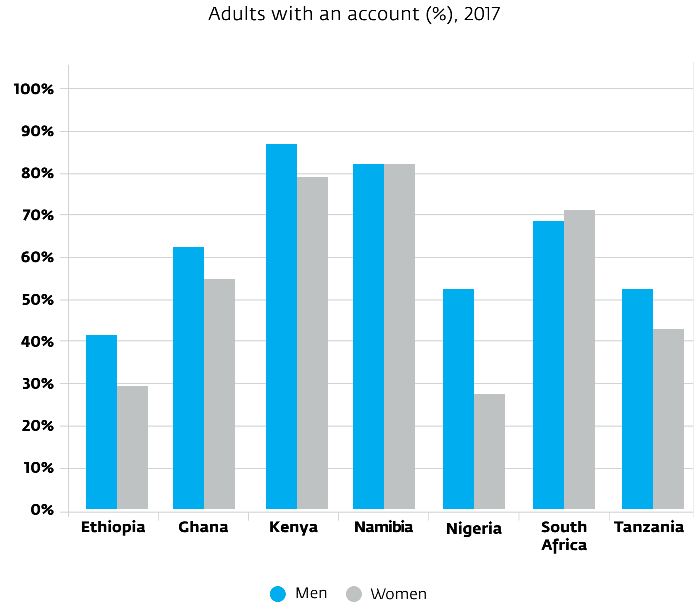
The Global Findex measures ownership of financial institution accounts—such as those at banks or microfinance institutions—as well as mobile money accounts, which are accessed through simple mobile phones. Although adults can use both types of accounts, most adults around the world use financial institution accounts. Sub-Saharan Africa stands out with high ownership of mobile money accounts. Regionally, about a fifth of adults have a mobile money account, and roughly 1 in 10 only use mobile money accounts, suggesting that mobile wallets offer financial services to those who are otherwise excluded.

There are some early and untested indications that mobile money accounts are helping to shrink the gender gap. Consider the eight economies where 20 percent or more of adults have only mobile money accounts: Burkina Faso, Cote d'Ivoire, Gabon, Kenya, Senegal, Tanzania, Uganda, and Zimbabwe. Virtually all these economies have a statistically significant gap between men and women in the overall share of adults with both a financial institution account and a mobile money account. But just two of them—Burkina Faso and Tanzania—have a gender gap favoring men in the share owning only a mobile money account. These numbers are encouraging, but more data and research are needed to determine whether mobile money accounts can effectively reduce inequality in account ownership.

3 in 4 unbanked women say they have too little money for an account

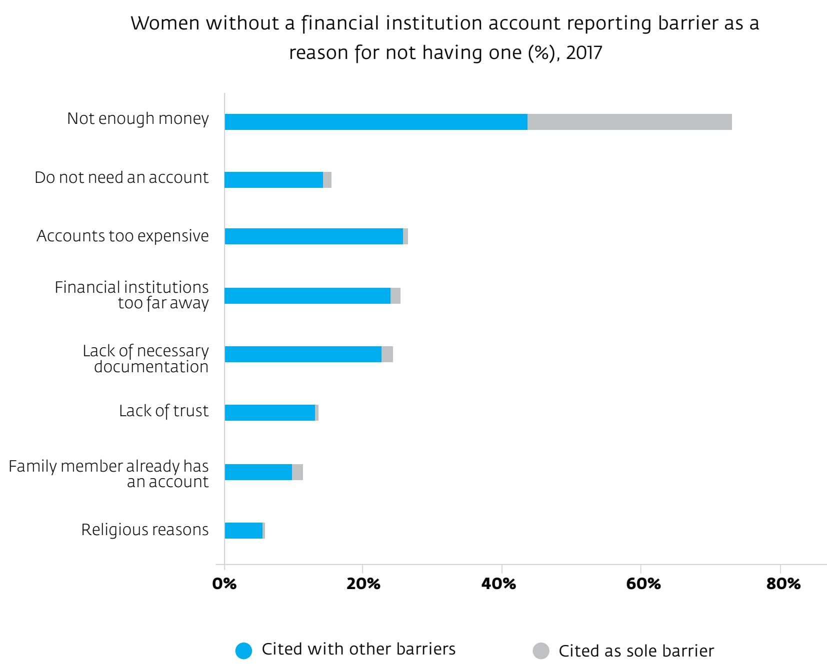
Across Sub-Saharan Africa, nearly 190 million women have no account at a financial institution. To reveal barriers to financial inclusion, the Global Findex survey asked women in the region why they do not have a financial institution account. Nearly 75 percent said they had too little money to use a financial institution account, and about 30 percent cited lack of money as their sole reason for not having an account (Figure 2).

Figure 1: In Sub-Saharan Africa, women are less likely than men to have an account



Source: Global Findex database.

Figure 2: Unbanked women in Sub-Saharan Africa face a range of barriers to getting an account



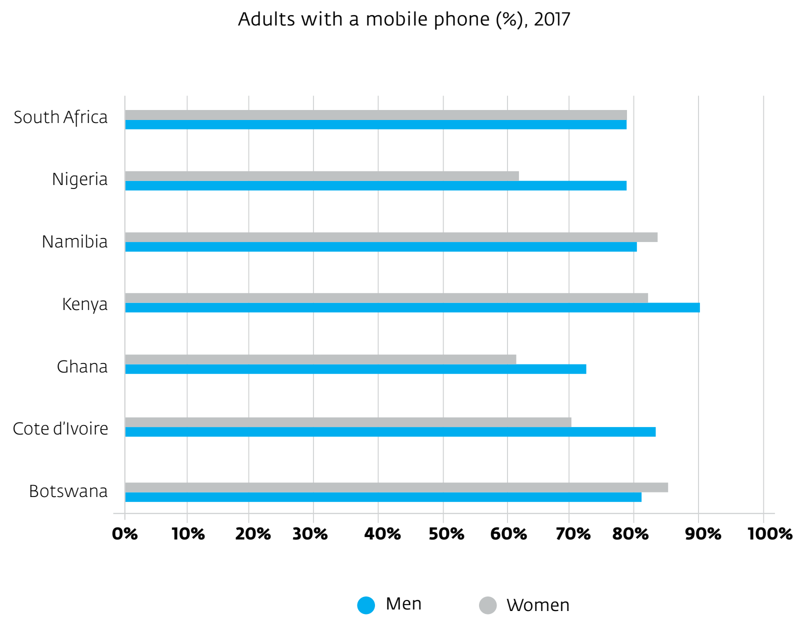
Source: Global Findex database

This suggests that many women might use an account if they were more affordable and accessible. The next most commonly cited barriers were high costs, distance to financial institutions, and lack of documentation, each of which were mentioned by about a quarter of women who did not have accounts at a financial institution. Only about 1 percent of women reported the sole reason as not needing an account, suggesting an untapped demand for financial services in the region.

Women are less likely than men to have a mobile phone

An additional barrier to financial inclusion is access to digital technology. Mobile phones have been central to Sub-Saharan Africa's financial inclusion successes. Future progress depends in part on ensuring that women have access to this crucial technology. On average in Sub-Saharan Africa, 71 percent of men own a mobile phone compared with 58 percent of women, a gender gap of 13 percentage points. The gender gap in Nigeria exceeds the regional average (Figure 3). Yet there are also economies where men and women are equally likely to have a mobile phone, such as Botswana, Namibia, and South Africa.

Figure 3: Women trail men on mobile phone ownership



Source: Global Findex database.

Laws, institutions, and women's financial inclusion

There is significant cross-country variation in women's use of financial services as well as the gender gap in account ownership between men and women. It stands to reason that some of these differences might be related to national laws and regulations that discriminate against women.

The World Bank's Women, Business, and the Law (WBL) database collects data on laws and regulations affecting women's economic participation in seven areas: Accessing institutions, using property, getting a job, providing incentives to work, going to court, building credit, and protecting women from violence.[v] Out of the 140 economies covered by both the 2017 Global Findex and the 2018 WBL database, only four economies—Cameroon, Chad, Gabon, and Niger —have regulations that prevent women from opening a bank account in the same way as men. These regulations might help explain why the gender gap in account ownership ranges from 9 percentage points to 14 percentage points in these economies.

Do other discriminatory laws and regulations as captured by WBL overlap with gender gaps in financial inclusion? The Council on Foreign Relations uses WBL data across all seven areas of economic participation to construct the Women's Workplace Equality Score, ranking economies ranging from 0 (inequality) to 100 (equality).[vi] Controlling for GDP per capita, the data show that a 10-point increase in the Women's Workplace Equality Score is correlated with a 1 percentage point decrease in the gender gap in developing economies (Figure 4). This correlation is driven by the sub-scores measuring access to institutions, using property, and getting a job. This means that in developing economies where women face legal discrimination at work, in choosing where to live or how marital properties are administered, or in inheriting property, women are less likely than men to own an account.

For Sub-Saharan African economies, there is no statistically significant correlation between the gender gap in account ownership and the Women's Workplace Equality Score. However, in this region the WBL sub-score on building credit is correlated with the gender gap in account ownership. Specific WBL indicator variables that capture laws and regulations that prohibit discrimination in access to credit and that provide valuation of non-monetary contributions (such as taking care of a child) are correlated with a smaller gender gap in account ownership both in developing economies overall and in Sub-Saharan Africa.

Although these discriminatory practices might not be closely correlated with more general discriminatory behavior towards women, it stands to reason that women with the freedom to travel, work, and earn income and receive inheritance, are more likely to have the need for an account as, as well as the self-reliance to seek a safe place to keep their money outside the home.

While few countries have laws on the books restricting women's access to financial services, this does not mean that other discriminatory institutions or de facto discrimination by bankers and loan officers have no impact on women's financial inclusion. And it is important to remember that regulations can have discriminatory outcomes even if they do not explicitly target a certain group. The fact that a country does not explicitly block women from getting financial services does not mean that women enjoy equal financial access in reality.

For example, conservative social norms throw up additional barriers. Data from the OECD's Gender, Institutions, and Development database and its constructed Social Institutions and Gender Index show that attitudes towards women—quantified in measures such as incidence of discrimination in the family, restricted physical access to productive and financial resources, and civil liberties—are correlated with the gender gap in account ownership in developing economies overall.

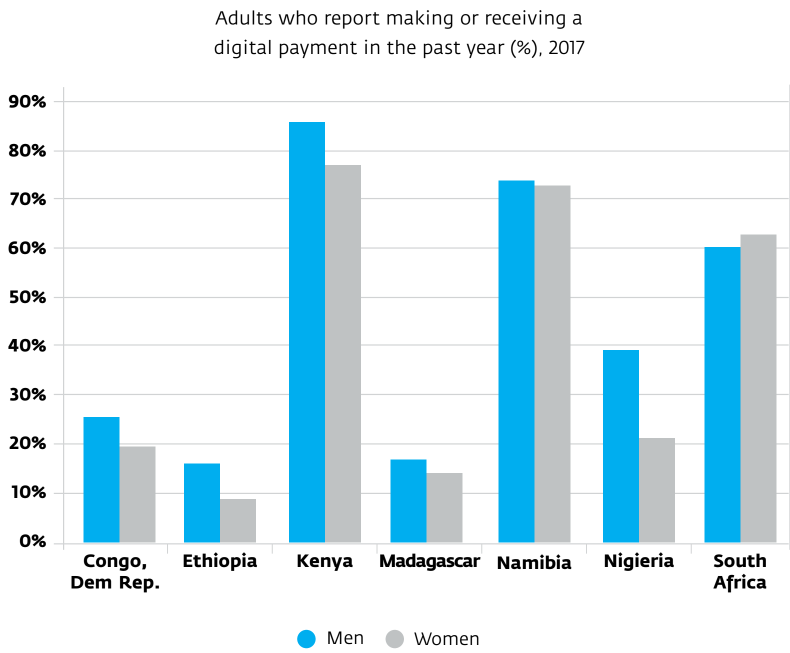
Women making or receiving digital payments

Regionally in Sub-Saharan Africa, men and women with an account are equally likely to report making or receiving digital payments. However, because more men than women have accounts, a higher share of men than women report doing so: 39 percent of men report making or receiving digital payments. For women, the share is 30 percent. That number is even smaller in economies such as Democratic Republic of Congo, Ethiopia, and Madagascar (Figure 5). Women's use of digital payments tends to be more widespread in economies where mobile money ownership is high. In Kenya and Namibia, for example, more than 70 percent of women make or receive digital payments. Overall, men are more likely than women to make such payments, especially in economies such as Nigeria, where use of digital payments is twice as high among men. These gender gaps partly reflect the fact that men have better access to accounts and digital technology. Although people can use digital payments without owning formal financial services—for example, an unbanked person could use a pre-paid gift card or send or receive remittances through a commercial service such as Western Union—most digital payment users do have an account.

Figure 4: The relationship between the account ownership gender gap and Women's Workplace Equality Score

Source: Global Findex database and Council on Foreign Relation's Women's Workplace Equality Score based on data from the Women Business & the Law database.
Note: Sub-Saharan African economies are highlighted in light blue.

Figure 5: In Kenya and Namibia, 70 percent of women make or receive digital payments



Source: Global Findex database.

How women use digital payments through mobile phones and the internet

In Sub-Saharan Africa, roughly a fifth of women report using a mobile phone or the internet to make a transaction through an account, compared with about a quarter of men. Gender differences are more severe in economies such as Botswana, Burkina Faso, and Uganda, while gender gaps are minor or non-existent in economies such as Senegal and Zambia (Figure 6). Women are more likely to use their accounts for digital payments through a mobile phone or the internet in certain economies where mobile money is widespread, such as Kenya, Namibia, and Uganda.

Relatively few women use payment cards in Sub-Saharan Africa

Regionally, only 7 percent of adults in Sub-Saharan African use a debit card or credit card. The numbers tend to be similarly small among men and women on average.

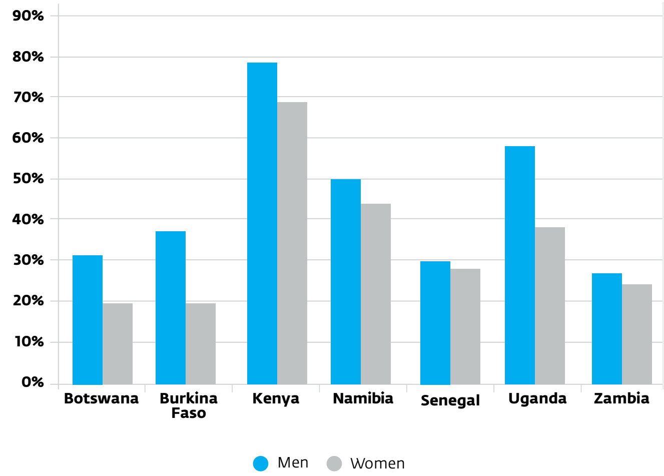
Increasing ownership and usage of accounts through digital payments

Millions of unbanked women in Sub-Saharan Africa receive routine payments in cash. These payments can be for wages, government social benefits, or the sale of agricultural goods. Moving such payments into accounts can be an effective way to increase access to formal financial services. Mobile phones can also serve as an entry point to the formal financial system. Regionally, about 4 in 10 unbanked women in Sub-Saharan Africa—or 80 million unbanked women—have a mobile phone. As businesses move to digitize payments, it is important to ensure that formal financial products are affordable and easy to use for the unbanked, many of whom are poor or have limited literacy and numeracy. Vigorous consumer protections must be in place to safeguard new users from financial predation.

Nearly 50 million unbanked women get paid in cash for agricultural sales

Figure 6: Using a mobile phone or the internet to access an account

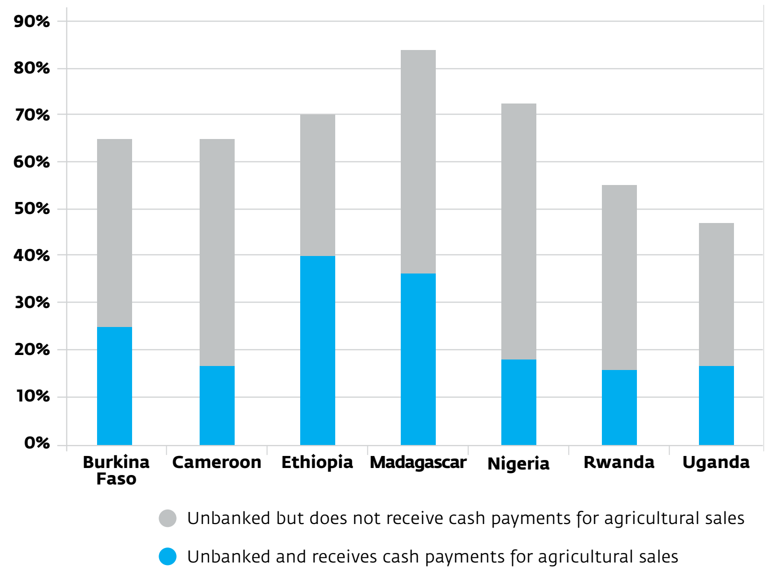
Adults who report using a mobile phone or the internet to make a payment, to make a purchase, or to send or receive money through a financial institution or mobile money account in the past year (%), 2017



Source: Global Findex database.

Figure 7: A quarter of unbanked women in Sub-Saharan Africa receive cash payments for agricultural sales

Women without an account (%), 2017



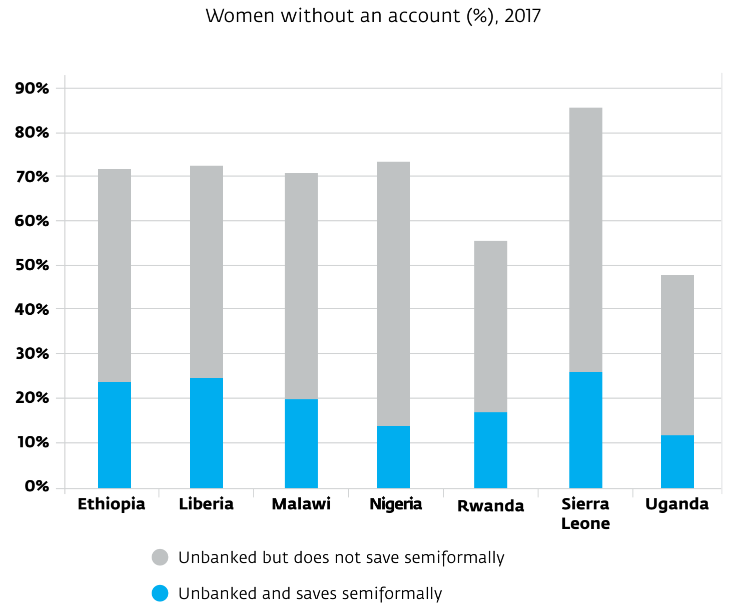
Source: Global Findex database.

Agricultural payments offer one of the most promising opportunities to increase account ownership in Sub-Saharan Africa. Roughly 50 million unbanked women in the region get paid in cash for the sale of agricultural goods. That includes about 15 million who have a mobile phone. If these payments were moved into accounts, the share of unbanked women could fall by a quarter regionally, nearly 40 percent in Burkina Faso, Madagascar, and Uganda, and almost 60 percent in Ethiopia (Figure 7). In Ethiopia, 3 million unbanked women receive such payments despite owning a mobile phone. That number is 4 million in Nigeria.

35 million unbanked women save semi-formally in Sub-Saharan Africa

In Sub-Saharan Africa, people commonly save using semiformal methods. One example is a rotating savings and credit association, which typically operates by pooling members' weekly deposits and giving the entire sum to a different member each week. Moving such savings into accounts could provide opportunities to increase account ownership for unbanked women. Regionally, 35 million unbanked women save using such methods—equivalent to about a fifth of all unbanked women (Figure 8). About 7 million unbanked women use such savings in Ethiopia and Nigeria. In Ethiopia, Liberia, and Rwanda, the overall share of unbanked women could drop by nearly a third if semiformal savings were put into accounts.

Figure 8: A fifth of unbanked women in Sub-Saharan Africa save semiformally



Source: Global Findex database.

Beyond increasing account ownership, digitizing routine payments can create opportunities for account owners to use their accounts more often. Regionally, 4 million unbanked women receive government wages, social benefits, or pension payments in cash despite owning an account. That number includes 3 million women who own an account as well as a mobile phone. Private sector employers could also do more in this area. For governments, switching from cash to digital payments can reduce corruption and improve efficiency. In India the leakage of funds for pension payments dropped by 47 percent when the payments were made through biometric smart cards rather than being handed out in cash.[vii] Across Sub-Saharan Africa, roughly 7 million women work in the private sector and get paid in cash despite owning an account. Most of these women have a mobile phone, including 1 million in Nigeria. For employers, digital wage payments have the potential to reduce costs by removing the need to spend time and resources manually distributing cash payments. For employees, digital wage payments can be safer and more convenient, and potentially help build up savings balances.[viii]

Conclusion

Digital financial inclusion is creating new economic opportunities for women in Sub-Saharan Africa. Women are benefitting from the safety, convenience, and affordability of digital payments made through mobile phones, the internet, payment cards, and accounts. Although women continue to trail men in ownership of digital financial services, the Global Findex data highlights opportunities for governments and businesses to ramp up financial inclusion by shifting routine cash transactions into digital channels. Policymakers would benefit from continued research examining whether and how women's financial inclusion can contribute to positive economic development outcomes.

END NOTES

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