Digital Financial Solutions to Advance Women’s Economic Participation

February 4, 2016

Dr. Ruth Goodwin-Groen
Better Than Cash Alliance

Dr. Leora Klapper
World Bank
Dr. Ruth Goodwin-Groen
Better than Cash Alliance

Dr. Ruth Goodwin-Groen is the Managing Director of the UN-housed Better Than Cash Alliance, leading its efforts to accelerate the global shift from cash to digital payments. She represents Better Than Cash Alliance at the G20 Global Partnership for Financial Inclusion, is a member of the World Economic Forum Financial Inclusion Steering Committee and a member of the Reference Group of the United Nations Secretary General’s Special Advocate for Inclusive Finance for Development. Dr. Goodwin-Groen previously was the Australian Co-Chair of the G20’s Global Partnership for Financial Inclusion and the Financial Services for the Poor Adviser at AusAID. She has advised many leading organizations in the field of financial inclusion. Dr. Goodwin-Groen holds a Ph.D. from the University of Bath, an M.B.A. from Harvard Business School, and a B.Sc. from the University of Western Australia.
Dr. Leora Klapper
World Bank

Dr. Leora Klapper is a Lead Economist in the Finance and Private Sector Research Team of the Development Research Group at the World Bank. Her publications focus on corporate and consumer finance, entrepreneurship and risk management. Her current research studies the impact of digital financial services, especially for women. She is a founder of the Global Findex database, which measures how adults around the world save, borrow, make payments and manage risk. Previously, she has worked at the Board of Governors of the Federal Reserve System, the Bank of Israel and Salomon Smith Barney. She holds a Ph.D. in Financial Economics from New York University’s Stern School of Business.
DIGITAL FINANCIAL SOLUTIONS TO ADVANCE WOMEN’S ECONOMIC PARTICIPATION

How governments, the private sector and development organizations can bring more women into the global economy through digital financial services

Report prepared for the Turkish G20 Presidency

Presentation by:
Dr. Ruth Goodwin-Groen, Managing Director, Better Than Cash Alliance
Dr. Leora Klapper, Lead Economist, World Bank

February 4, 2016
Women Are Less Likely to Be Economically Active

Globally, women’s employment to population ratio is under 50% compared to over 70% for men.

In India, 62% of women are out of the workforce.

64% of working women in 11 countries reported using mobile phones for employment opportunities.

Gallup World Poll database: http://www.gallup.com
Account ownership increases. This gives women more privacy, safety, confidentiality, and control over their finances and increases women’s economic empowerment.

In Sub-Saharan Africa, 13% of men and 10% of women use mobile money, as compared to 2% of adults globally.

In Kenya and Cote d’Ivoire, women and men use mobile money service accounts equally.

In Niger, women who received mobile transfers invested the money in their businesses.
Benefits of Digital Financial Payments

Advances women’s business ownership

- Speeds up business registration and payments for business licenses and permits. Reduces travel time.

- Provides ways to reduce gender gap in business ownership by improving access to formal financial products and marketplaces

- Increases participation in e-commerce and improves interaction with clients, vendors and financial institutions

- For medium-to large sized businesses, digital applications like e-filing and e-payment of taxes can help reduce the cost of tax compliance
Facilitates formal savings

IN DEVELOPING ECONOMIES, MOST FEMALE ENTREPRENEURS USE SAVINGS TO START AND EXPAND THEIR BUSINESS
Women saving and/or borrowing for their business in the past year (%), 2014

- **LOW INCOME**
- **LOWER-MIDDLE INCOME**
- **UPPER-MIDDLE INCOME**
- **HIGH INCOME/OECD**

<table>
<thead>
<tr>
<th>Borrowed for Business</th>
<th>Borrowed &amp; Saved for Business</th>
<th>Saved for Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>


Women in Ghana are known to incur a 54% negative annual return when they save informally with Susu savings collectors.

Kenyan female vendors saved in banks with high negative returns because saving informally is more expensive.

Safaricom and Commercial Bank of Africa’s banking product, M-Shwari, pays interest of 2% to 5% annually.
Benefits of Digital Financial Payments

Improves operational efficiency by improving supply chain management and risk management & access to appropriate credit

- Less time spent on travelling to access banks
- Security from theft and harassment
- Instant remittance of insurance payouts
- Quick and easy access to social networks during negative income shocks
- Building a payment history
- On-line loan repayments
- Digitized contract and delivery records and trade receivables
- Access to commitment products that prevent misuse and ensure timely action
More than 2 billion people worldwide lack any formal identification.

In Malawi, farmers clubs bar married women from full membership. Single women or women in polygamous marriages are not even considered for membership.

GENDER GAP IN GOVERNMENT-ISSUED NATIONAL IDS
National ID/government-issued ID holders (%), 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial Inclusion Insights database; http://finclusion.org
Challenges to Digital Financial Payments

Lower financial literacy

75% of women in developing countries were identified as financially illiterate compared with 69% of men.

Design and marketing of digital applications

Uneducated and illiterate female clients often find it very difficult to talk to bank representatives for PIN generation and verification processes.

FIGURE 8
WOMEN TRAIL MEN IN FINANCIAL LITERACY
Adults answering three out of four answers correctly (%), 2014

- Low Income
  - Men
  - Women
- Lower-Middle Income
  - Men
  - Women
- Upper-Middle Income
  - Men
  - Women
- High Income/OECD
  - Men
  - Women

The Standard and Poor’s Ratings Services Global FINLIT Survey
Technology challenges

1.7 billion women in low- and middle-income countries do not own a mobile phone

Women across 11 countries reported poor network quality and coverage as the second highest barrier to ownership and use of mobile phones among women

In South Asia women are half as likely as men to have Internet access in their home
Governments should lead by example and digitize payments

Here’s how government transfers are currently paid:

- **In cash only**: 0%
- **Into an account**: 100%

By income category:
- **Low Income**: 5%
- **Lower Middle Income**: 15%
- **Upper Middle Income**: 20%
- **High Income: OECD**: 25%

- **80+ million unbanked women receive government transfers or wages in cash**
- **Mexico’s government saves $1.27 billion annually after switching to digital payments**
Governments should create a supportive legal, regulatory and tax environment for digital financial payments

- Tiered “know your customer” requirements
- Financial identification
- Interoperability
- Credit information sharing among banks and non-banks
- Supportive consumer protection framework
Businesses should pay employees digitally

- 110+ million unbanked women receive wage payments in cash
- 210+ million unbanked women receive cash payments for the sale of agricultural goods
Businesses should digitize purchasing and payment data

In Kenya, information sharing between pharmaceutical distributors aims to help pharmacies increase access to supplier financing and improve drug quality.

In Mexico, large firms digitize their trade credit contracts extended to SMEs, which facilitates supply chain financing and reduces fraud.

Electric, water, trash collection and telecommunication payments should be digitized and shared to develop credit scores.

Large sellers (e.g. construction material vendors) could digitize purchases from self-employed contractors to extend appropriate credit.
Financial Sector Actions to Expand Digital Payments

Design client-focused payment products

- 585 million women pay for utilities in cash
- 220 million women pay school fees in cash

Train agents to educate customers

Nigeria’s Diamond Bank uses agents who go to the client’s location to provide mobile banking services
The Better Than Cash Alliance is a United Nations based partnership of nearly 50 members

Governments
Companies
International organizations

that accelerates the *transition from cash to digital payments* to reduce poverty and drive inclusive growth.
Call for action

We are calling on governments, international organizations and companies to unlock an economy where digital payments are widely available to women, as one means to increase women’s economic participation and empowerment.

Our vision is an inclusive digital financial ecosystem.
Highlights

• Track cash and digitize it
• Create infrastructure partnerships
• Set up digital financial ID system
• Digitize business registration

If it works for women, it works for the majority!
Thank you

Questions?

WORLD_BANK.ORG/GLOBALFINDEX

@GlobalFindex

BETTERTHANCASH.ORG

@BetterThan_Cash

/betterthancashalliance

/better-than-cash-alliance
Thank you for joining us!

Share Feedback
Please take a few minutes to fill out the webinar poll questions!

Stay In Touch
Contact us: microlinks@microlinks.org
Subscribe today: https://www.microlinks.org/learning-marketplace/email-updates

Upcoming Events
Find upcoming events & past presentations: https://www.microlinks.org/new-events-page

Microlinks and the Seminar Series are brought to you by USAID as a product of the Feed the Future Knowledge-Driven Agricultural Development project.