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Ending poverty through DIGITAL FINANCIAL INCLUSION

Global conflict, the lingering effects of the COVID-19 pandemic, and climate shocks are causing increases in extreme poverty not seen in 25 years. Compared with pre-pandemic projections, 75 million more people were living in extreme poverty by the end of 2022.[1*] As of 2022, almost 388 million women and girls were living in extreme poverty.[2]

OPPORTUNITY

Digital financial services have become a critical lifeline for billions of people facing emergencies (health, natural disasters, conflict), and can be designed to benefit women in particular, many of whom are underserved. During the pandemic, digital public infrastructure[3] enabled the rapid expansion of social safety net programs for low-income households, promoted access to health services, and facilitated emergency access to credit for small businesses.[4]

* Extreme poverty is defined at the threshold of $1.90 a day.[5]

CHALLENGES

- **Shocks, including illness, job loss, and natural disasters,** can negatively affect household consumption and prolong cycles of poverty.[6] Households can be exposed to multiple shocks at once, exacerbating negative impacts on health, access to basic services, and finance.[7]
- Many low-income households and small businesses face irregular income streams. Without access to financial services, they **can struggle to build up savings and expand income-generating activities.** This can be more pronounced for women, given that they often work in the informal sector and can face complex social norms restricting economic opportunities.[9]
- **One-third of adults in sub-Saharan Africa, totaling more than 360 million people, do not use accounts to send or receive domestic remittances.** Without accounts, they are less likely to use domestic remittances to build up savings buffers and make productive investments.[12]

SOLUTIONS

- Digital financial services help the most vulnerable populations to **smooth cash flows and build resilience** in response to shocks, including through digital payments, savings, insurance, and social protections.[8]
- Social protection payments and domestic remittances received through mobile money can help to generate stable income streams, with positive impacts on consumption and welfare for vulnerable households.[10] **Greater access to funds means improved bargaining power for women in the household**.[11]
- Digital payments facilitate more efficient and transparent money management, as they **make sending and receiving remittances easier**, and create more investment opportunities for individuals.[13]

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BRAZIL

The COVID-19 emergency program supported micro-entrepreneurs, informal workers, and unemployed citizens by setting up digital savings accounts. It reached 68.2 million participants, including 5 million micro-businesses.[14] Further, Bolsa Familia, the largest social protection program in the world, has been found to have a positive impact on the local formal labor market and the overall economy.[15]

KENYA

The spread of mobile money **lifted 1 million households out of extreme poverty** from 2008 to 2014—the equivalent of 2% of the population.[18]

COLOMBIA

The COVID-19 emergency program, Ingreso Solidario, provided rapid income support to low-income and vulnerable households via bank accounts and mobile wallets. By April 2021, the program had reached **4 million households—over 64% of them women-headed.**[16]

UGANDA

Mobile money contributed to higher household incomes and consumption levels for coffee farmers, while facilitating transactions with new buyers in high-value markets rather than selling to only local traders.[19]

MOZAMBIQUE

Following a flood shock, mobile money improved welfare by allowing rural villagers to increase consumption expenditure by 47.7% in one year compared with non-users.[17]

1. World Bank Group, 2022. **2.** UN Women, 2022. **3.** Per the Digital Public Goods Alliance, digital public infrastructure refers to solutions and systems that enable the effective provision of essential society-wide functions and services in the public and private sectors. These include data exchange, interoperable payment infrastructure, and digital identification. **4.** Task Force on Digital Financing of the Sustainable Development Goals, 2020. **5.** World Bank Group, 2022. **6.** Arbelaez et al., 2019. **7.** Heltberg, Oviedo, and Talukdar, 2014. **8.** Venkatesan and Stark, 2022. **9.** CGAP, 2020 and 2021. **10.** Jack and Suri, 2016. **11.** Aker et al., 2016. **12.** World Bank Group, 2021. **13.** Bill & Melinda Gates Foundation, 2021. **14.** International Finance Corporation and SME Finance Forum, 2021. **15.** Gerard, 2021. **16.** BTCA, 2022. Ingreso Solidario Website **17.** Batista and Vicente, 2022. **18.** Jack and Suri, 2016. **19.** Sekabira and Qaim, 2017.

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