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Advancing women's economic empowerment through DIGITAL FINANCIAL INCLUSION

The COVID-19 pandemic disproportionately affected women-owned firms for multiple reasons, including that women took on more caretaking responsibilities, and their businesses had less public support than those run by men.[1,2] A lack of access to finance can put women and their businesses at risk of being excluded from economic recovery. About 740 million women do not have an account.[3] Yet, financial services for women strengthen their economic empowerment and financial independence, and have multiplier effects for future generations of women.

OPPORTUNITY

Lower costs and more powerful distribution channels through digital technologies make the design of women-centered digital financial products viable. These include payments, savings accounts, and credit, creating inclusive market opportunities.

CHALLENGES

- Although there has been progress, **women in emerging economies are still six percentage points less likely than men to own an account**.[4]
- Financial exclusion prevents women from building traditional credit histories and scores, further undermining their access to credit. Across regions, women-led enterprises have lower access to finance, and pay higher rates for it.[8] **In low- and middle-income countries, women-led businesses face a $1.3 trillion financing gap**.[9]
- Inexperienced account owners who need the help of a family member or banking agent may be **more vulnerable to financial abuse**. In sub-Saharan Africa, women are nine percentage points more likely than men to need help using their mobile money accounts.[16]
- The **lack of gender-disaggregated data** hinders our ability to clearly define and scope the problem, and prevents us from making the issue visible for decision-makers.

SOLUTIONS

- In emerging economies, **37% of women opened their first account at a financial institution to receive a wage payment or money from the government.**[5] Access to digital identification[6] and mobile phones[7] can enable digitizing of payments.
- **Financial education and clear product terms are important** for women with limited financial experience and capability. Classroom-based financial education and ongoing financial training may encourage 'learning-by-doing' and lead to regular account use and savvier customers.[10–15]
- **Digital channels help** with the collection of data to understand the social norms and constraints faced by women.[17]

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BANGLADESH

Workers in the garment sector, majority of whom are women, who received wages directly into an account increased savings and their ability to meet unexpected expenses, such as a family emergency, and also learned to use the account without assistance, were able to use a wider set of account features, and learned to avoid illicit fees.[18, 19]

CHILE

Low-income women members of microfinance institutions who received free savings accounts were able to reduce their reliance on debt and to improve their ability to make ends meet during an economic emergency.[20]

INDIA

A government workfare program that reached over 100 million people found that **paying women benefits directly into their own financial institution account**—not into the account of a male household head—**increased women's financial control, and incentivized them to find employment** compared with those paid in cash.[21]

NIGER

Digitizing social transfers into women's accounts shifted the spending toward the items women prioritized, such as for more dietary diversity, which was 9–16% higher compared with the control group. This shift persisted after the program ended, indicating an increase in household bargaining power for women.[22]

KENYA

When zero-interest savings accounts were offered to male and female entrepreneurs, women used them far more than men, and increased their business investment by 38% more than the control group.[23]

DOMINICAN REPUBLIC

Preliminary findings indicate that using a gender-differentiated approach, with different credit-scoring algorithms for women and men, could lead to **80% more women having a higher credit score** than they would under a traditional model.[24, 25]

PHILIPPINES

With mobile banking, microfinance members spent 70% less time on withdrawals, saving about 42 minutes per withdrawal, majority of the sample members were women.[26, 27]

1. Torres et al., 2021. **2.** World Bank, no date. **3.** Demirgüç-Kunt et al., 2022. **4.** Ibid. **5.** Ibid. **6.** World Bank, 2021. **7.** GSMA, 2022. **8.** WeFi, 2022. **9.** Dalal, Gomez, and Patel, 2022. **10.** Bruhn, Ibarra, and McKenzie, 2014. **11.** Bruhn et al., 2016. **12.** Doi, McKenzie, and Zia, 2014. **13.** Fernandes, Lynch, and Netemeyer, 2014. **14.** Breza, Kanz, and Klapper, 2020. **15.** Lee et al., 2021. **16.** Demirgüç-Kunt et al., 2022. **17.** FinEQUITY, 2020. **18.** HERproject, 2020. **19.** Breza et al., 2020. **20.** Kast, Meier, and Pomeranz, 2018. **21.** Field et al., 2021. **22.** Aker et al., 2016. **23.** Dupas and Robinson, 2013. **24.** Financial Alliance for Women, 2020. **25.** Robinson, Park, and Blumenstock, 2022. **26.** Bill & Melinda Gates Foundation, 2021. **27.** Harigaya, 2020.