Authors
Danielle Moore
Program Manager

Closing the Gender Gap in Digital Finance: Tailored Products Are Not Enough

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The mobile money revolution offers microfinance institutions and banks an opportunity to better serve their clients and reach new customer segments, especially women. New product innovations may have the potential to bring more women into the formal financial fold, but the expansion of digital financial services remains limited by women's access to and use of mobile phones and other digital tools. Even when women do have access to mobile phones, they may not know how to use them, particularly for financial transactions. Overcoming gender-based barriers to using digital financial tools is essential to ensuring that everyone is able to benefit from these new product innovations.

Let's use an example to better understand the barriers that women may face in their financial decisions. A husband and a wife disagree on how to spend their income—not so difficult to imagine. The husband is the primary financial decision-maker, so the wife knows that if she saves her money at home, she would not be able to refuse his requests for money to purchase goods that she doesn't value. If instead, she deposits her funds into a secure, individual bank account, the transaction costs (an extra trip into town and a withdrawal fee) would allow her to refuse him more easily. If you were the wife, how would you decide to save your money?

A growing body of literature[1] suggests that products designed to overcome the barriers women face in making financial decisions within the household can impact their economic empowerment. Imagine again the woman from our example. Say a local bank in her area decides to offer mobile services to keep transaction costs low while ensuring customers' control over their own money and eliminating the need to carry cash. The mobile money account is PIN secured, so only the account holder can access it. If she owns and knows how to use a phone, this may make it easier for the woman in our example to refuse her husband's requests for funds while reducing her withdrawal fees and travel to a bank branch, as women using M-PESA did in Kenya. Carefully designed digital products promise women control and privacy in managing their money, but they not a silver bullet to closing the gender gap in the take-up, use, and impact of digital financial services. While mobile money offers opportunities for increased access, poor digital literacy and low mobile phone ownership and usage are still key barriers for women to take-up these services.

According to GSMA, women are 14% less likely on average, and 38% less likely in regions such as South Asia, to own a mobile phone than men. This disproportionately low access to and use of mobile phones and other digital tools, particularly in rural areas, means that digital financial services will only reach a portion of those who could benefit. Cost is one of the main reasons women report not owning phones. CGAP and Intermedia report that women in countries like Bangladesh, Nigeria, Uganda, and Tanzania also face legal and social barriers to attaining the government identity documents required to open a mobile account in their own name. We still lack rigorous evidence on the most effective interventions to overcome women's barriers to mobile phone ownership and the innovations on the supply side that could expand ownership and usage. If women's access to technology remains low, financial institutions' transition to lower-cost digitized systems, no matter how well designed the products are, will leave many women unbanked.

Even if the woman in our example has access to a phone, she may find it particularly difficult to use mobile phones for PIN generation and cash withdrawal, struggling to provide the required details to bank representatives for verification.[2] She may believe, for example, that losing her mobile phone means losing her money,[3] making it a risky place to put her savings. Confidence and skill in using digital products varies by location. A survey by the Grameen Foundation found that an equal proportion of men and women from rural areas in the Philippines could use mobile phones and digital financial services. But the same survey found that few rural Indian women were confident or able to use similar services due to a lack of education and a fear of making mistakes. As a result, women often completed the transactions through an agent, while most men could do so without assistance. Urban women too may struggle to make the most of digital financial services. In a survey of urban working mothers in Kenya and India, participants used smart phones and were aware of social media applications but did not know of any that would help them expand their businesses.

This suggests that simple access to specialized products is not enough. More inclusively designed products should be introduced together with training, customer support, and peer networks to improve digital literacy. A rigorous randomized evaluation in India tested the effects of depositing wages from a public workfare program directly into a woman's personal account. The results showed those who received basic training on account features used their accounts more, suggesting that basic and technical literacy were key barriers. In Nigeria, Diamond Bank offers a simplified savings account through agents who visit a customer's business. The agents help them open accounts and handle deposits and withdrawals using a mobile phone-based application. The bank has found this product to be more accessible and relevant to low-income women leading to a large number of new accounts where agents are available. This program has not been rigorously studied, and there is a need for more evidence about the contexts in which training is effective or the types of training that would lead to the greatest improvement. Some basic research in India found that women who had been trained by an agent or another person were just as likely as those who hadn't receive training to lack confidence or ability with mobile phones or digital financial services.

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In combination with direct training and support, the friends and social networks may also help improve women's confidence and skills in using digital financial tools. A randomized evaluation on a microenterprise training program for low-income women in India found that inviting women to attend a business training program with a friend led participants to double their demand for loans, expand their business activity, and increase their household income, compared to those who attended alone. There is also some evidence from the Philippines that women are more likely to teach themselves or learn from peers about mobile phone-based applications. In some contexts, leaving out peer networks may even be detrimental for digital financial products. A randomized evaluation assessing the introduction of mobile banking to microfinance groups in the Philippines found a 20% decline in average daily balances and in the frequency of deposits over two years. This finding suggests that displacing financial products that rely on peer networks, such as savings groups, with digital financial products that lack the same social cohesion may lead to lower usage. There is a need for greater evidence on whether digital financial services can be designed to preserve the group dynamic of savings groups.

While it's clear that design tweaks to digital products should be complimented by efforts to overcome barriers in technical knowledge and mobile phone ownership, many open questions on how to effectively do this and close the gender gap in digital financial services remain. Innovations for Poverty Action has published a brief Women's Economic Empowerment Through Financial Inclusion, which accessibly summarizes the evidence on how to design inclusive financial tools for women and the areas for additional research. In the coming years, we hope to see a greater investment in innovations that improve women's digital literacy and mobile phone ownership to allow more women to benefit from the advances in mobile finance.

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[1] Leora Klapper and Pankhuri Dutt, "Digital Financial Solutions to Advance Women's Economic Participation," *World Bank Development Research Group, Better Than Cash Alliance, Bill & Melinda Gates Foundation, and Women's World Banking*, 2015, https://www.microlinks.org/sites/default/files/resource/files/February_Seminar_PPT_final.pdf; Harry West and Rachel Lehrer, "Working with The Poorest Women in Pakistan," *CGAP*, January 16, 2014, http://www.cgap.org/blog/working-poorest-women-pakistan.

[2] Julia Arnold, "Women, Mobile Phones and Savings: A Grameen Foundation Case Study" (Grameen Foundation, October 2012), http://www.grameenfoundation.org/resource/women-mobile-phones-and-savings-case-study.

[3] Jenny C. Aker et al., “Payment Mechanisms and Antipoverty Programs: Evidence from a Mobile Money Cash Transfer Experiment in Niger,” *Economic Development and Cultural Change* 65, no. 1 (2016): 1–37; Lori Beaman, Dean Karlan, and Bram Thuysbaert, “Saving for a (Not so) Rainy Day: A Randomized Evaluation of Savings Groups in Mali” (National Bureau of Economic Research, 2014), http://www.nber.org/papers/w20600; Marcel Fafchamps et al., “Microenterprise Growth and the Flypaper Effect: Evidence from a Randomized Experiment in Ghana,” *Journal of Development Economics* 106 (2014): 211–226; Erica Field et al., “An Account of One’s Own: Can Targeting Benefits Payments Address Social Constraints to Female Labor Force Participation?,” October 17, 2016, http://www.bc.edu/content/dam/files/schools/cas_sites/economics/pdf/Seminars/SemF2016/Schaner_FBA.pdf; Erica Field et al., “Does the Classic Microfinance Model Discourage Entrepreneurship among the Poor? Experimental Evidence from India,” *The American Economic Review* 103, no. 6 (2013): 2196–2226; Simone Schaner, “The Cost of Convenience? Transaction Costs, Bargaining Power, and Savings Account Use in Kenya,” *Journal of Human Resources*, 2015, 0815–7350R1.

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