Bridging the Digital Gender Divide in Financial Inclusion

Partnerships are key to unlocking the potential of technology for the most excluded, especially women.

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In the summer of 2011, as BRAC Bank in Bangladesh prepared to launch its mobile money subsidiary bKash, those of us in charge of BRAC's microfinance operations held a series of discussions about what the advent of mobile money would mean for microfinance generally and for our organization more specifically. In those heady days the excitement about bKash was palpable, but so were our concerns about its immediate impact on our work. We were particularly worried about the possibility that bKash would cannibalize some of our deposits. At the time, customer deposits accounted for over 40 percent of our liabilities, and we worried that if our clients opted to save in their bKash wallets instead of their microfinance accounts, not only would our cost of funds increase significantly, but our asset quality and customer retention might suffer as well. We planned for multiple scenarios, assuming each time that a sizeable hit was sure to come.

Then in August, bKash launched. In the months that followed, bKash set up tens of thousands of agents and signed up millions upon millions of accounts. By the end of its first year the word 'bKash' had become a verb in the Bengali language, meaning to send money. And yet, we saw no change in our overall deposit collection or deposit balances. The millions of women living in poverty who saved with us weekly or monthly, were continuing to save at exactly the same rate as before. Granted many of our clients did not have access to a mobile phone to begin with, and many of those who had a phone did not have their own bKash account. However, even for the increasing numbers of people who did have a bKash account, the relative convenience and ease of saving money in their bKash wallet did not prove to be a strong enough incentive to make the switch. They continued to save in our microfinance branches, and with microfinance institutions (MFIs) generally (Bangladeshi regulations allow MFIs to collect deposits from their members).

We realized quickly that our assumption—that what our clients want most is convenience—was wrong. For women living in poverty across Bangladesh, as for women in many parts of the world, among the most important considerations in deciding how and where to save is the ability to protect their savings, mainly from male members of their own family (typically husbands, but often brothers, sons or even fathers). MFIs, which typically make it rather cumbersome to withdraw deposits, were unwittingly providing a service of tremendous value to their female clients – protecting their savings. The ability and ease of "cashing out" anytime was not what most of these women wanted or valued. Quite the contrary.

A Switch to Technology Isn't Automatic

We learned some important lessons from this experience. We realized that in order to serve our clients better in a rapidly changing world, we would need to do a better job of understanding their needs and aspirations—some evolving and others constant—and solve for them. The most important thing we realized was that even though technology offered the best opportunity to close the financial inclusion gap, the switch to digital, especially for women who are particularly excluded, would not happen automatically. Rather, if we are not deliberate and thoughtful about how to serve more women in poor and hard to reach areas, technology will not help to reduce the gender divide in financial inclusion.

We are already seeing this in the numbers reported in the latest World Bank Global Findex database, 2017. The gender gap has remained unchanged from 2014 at nine percentage points in developing countries. Greta Bull, CEO of CGAP, wrote in a recent CFI blog post, "Bangladesh, Pakistan and Nigeria all have substantial gender gaps: 29, 28 and 24 percentage points, respectively. If in these three markets alone, access for women had grown at a rate equivalent to that experienced by men, the access numbers for 2017 would have increased by nearly 50 million, representing a 9.5 percent boost on the 515 million new account holders added in the three previous years." But the situation is more complex. In Financial Inclusion Hype vs Reality, an analysis of the 2017 Findex by Elisabeth Rhyne and Sonja Kelly, the authors write that in countries with large gender gaps women face multiple barriers beyond financial access, and that "multi-faceted strategies in a range of development areas will be needed to overcome these disparities."

Why is it important for women to have access to financial services? From purely an equity perspective, it is important that women have the same access to services—including financial services—as men. For that reason alone, it is vital to close the gender gap in financial inclusion, but it's even more compelling than that. In every community, and particularly in low-income communities, it is women who manage scarce resources and ensure the wellbeing of their families. They are much more likely to spend money on education and health, and in their homes. They are also much more likely to save from their already meagre household incomes and invest for the future. Giving women options and tools to better manage their money can be transformational for their own lives and for that of their families.

And yet, the fact remains that for poor women in particular, access to even the most basic financial services—let alone the full range of financial services that they need—is still very limited. The growth of microfinance over the last four decades, through which over 200 million people, the vast majority of whom are women, have accessed basic credit and savings, has addressed this gap to an extent.

But even the number of people the global microfinance industry has reached is dwarfed in comparison to the number of people who still lack access to institutional financial services. Certain countries and regions have been better served, but availability of microfinance is still largely concentrated in urban and peri-urban areas. Poor infrastructure and prohibitively high transaction costs have meant that poorer clients in the more rural areas still remain largely unserved.

The spread of mobile phones and the advent of mobile money is supposed to change all that. By drastically reducing high transaction costs, technology should eliminate the challenges posed by distance and remoteness. Technology should make it possible to collect small deposits and offer low-value credit at reasonable prices to poor people in hard to reach areas, just as easily as we do in high density urban areas. An integrated set of services that includes electronic KYC, digital credit scoring and mobile transfers should make it seamless for clients to save money, apply for and get loans and make repayments. However, in practice, all of this is much more difficult to do at scale than it sounds, and when it comes to closing the financial inclusion gap for women, the complexities only intensify. There are myriad challenges that will need to be overcome before low-literacy and low-income women can gain access to a range of affordable and responsibly delivered financial services. Many of those challenges—financial, technological, behavioral, cultural and more—have already been written about extensively. Instead of fixating on the problems, we need to quickly start finding solutions. But who will lead the charge?

How Much Should We Embrace Technology?

The microfinance industry has taken its fair share of criticism over the years, but it is difficult to deny that its principal focus on reaching people who are underserved, and women in particular, has led to hundreds of millions of poor families becoming financially included and benefitting from access to financial services. As we now build on that to include many hundreds of millions more, I believe that focus is essential. Without it, we will continue to see the absolute numbers of people who are financially included increase, but the most excluded and the most vulnerable will remain excluded.

Who better to ensure that focus than the microfinance industry itself, which instead of seeing the advent of digital financial services as an existential threat, should embrace technology more energetically as an opportunity to expand its reach. The social mission of MFIs, coupled with their knowledge and understanding of the clients and the trust and credibility they have built up over decades, will be critical to ensuring that technology extends financial services to those who need it most and in a manner that is most appropriate. However, while MFIs bring the focus, credibility and knowledge of clients into the mix, they can’t go it alone given the number and complexity of the challenges that need addressing.

Even after seven years of bKash, we have not been able to find a way to use bKash for microfinance loan disbursements and installment collections in Bangladesh. This is not because of the lack of will or organizational buy-in. As a matter of fact, it should help that the director of microfinance at BRAC and the chairman of the board of bKash is the same person: me. Rather, it's because of several other factors that neither BRAC nor bKash can address on our own. While some of the challenges can be addressed together by the two entities, like tweaking certain processes and moving to a tariff structure that works for both sides, there are other challenges that are more difficult to surmount, such as the lack of a biometric national ID for all adults and that a credit bureau for MFIs requires public investments in critical infrastructure. Slow progress is being made to resolve these challenges. The financial regulator has not helped matters by putting arbitrary limits on mobile account usage, and unless these limits are lifted or liberalized, we won't be able to realize the full potential of mobile money for financial inclusion.

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I believe that we need more collaboration and partnership to make sure that technology works for those who need it most. The example above demonstrates why not only the providers of different services (traditional financial institutions, mobile network operators [MNOs], mobile money services [often the same as MNOs but not always], fintechs, behavior change experts and human centred designers) need to partner to address some of these challenges. Governments, donors, policymakers, regulators and civil society organizations also need to come together and work towards finding the right solutions.

A Bridge Built with Collaboration

Fortunately, we are already seeing a lot of collaboration. Different types of organizations are partnering to address some of the challenges, especially ones associated with providing financial access to women. Opportunity International, with the support of PHB Development, ran a number of gender-focused initiatives to increase DFS adoption by women in Ghana. Nearly two-thirds of their customers are women but "it was discovered that women represented less than half of the customers registered for mobile banking. Furthermore, when it came to the actual use of mobile banking services, women represented less than 30 percent of active users." Opportunity conducted a study to identify challenges faced by women when trying mobile banking, focusing especially on customers who had voluntarily registered for the service, but had never used it or stopped using it shortly after registration. It used the findings to develop a set of women-focused training materials that created a safe space for women to ask questions and build digital literacy.

The Pakistani private development finance institution Karandaaz brought in GRID Impact, a consulting firm specializing in financial inclusion product design, to help design a smartphone application for mobile money that would specifically target women.GRID used a human-centered design (HCD) methodology, which involves researcher immersion in the customer's milieu so that design ideas spring from the customer's daily experience, and then tests rough prototype designs repeatedly with customers to refine concepts before a formal pilot. GRID's challenge was to design a service that was easy and appealing for low-income and low-literacy women. With the understanding that cultural norms in Pakistan limit women's travel and movement beyond the home, the interface included audio instructions which allowed the women to build confidence to use the application within the comfort of their homes. User input also led to changes in the icons on the screen, for instance, a question mark became an image of a woman wearing a headset (that is, someone a customer can talk to in a call center). This helped women who still wanted personal help from an agent should something go wrong. (More insights from this project are available on the CGAP Blog).

In Uganda, a multi-partner project including UNCDF's MM4P, worked with MTN and Commercial Bank of Africa (CBA) to provide insight and guidance to launch MoKash, their mobile savings and loan product. This engagement utilized HCD and financial diaries research to improve product adoption in rural areas, especially for women and people living in poverty. The results of the research clearly indicated a need for direct engagement when it came to educating the client on the terms and conditions of the product, and that on-the-ground support such as service centers, agents and a helpline are critical to assist rural customers with registration and initial transactions. After one year, MoKash had 2.5 million registered customers with about half of them actively using MoKash. However, MTN and CBA acknowledge that more engagement around education and customer protection will be needed as they go more rural.

BRAC in Bangladesh has been piloting several approaches, with support from the Bill and Melinda Gates Foundation, to help more people access financial services through mobile money. One of those efforts has led to over 150,000 female clients using bKash to pay small amounts into monthly commitment savings plans. So while bKash itself has not eaten away at BRAC's deposits, BRAC is now using bKash to make it easier for many of its clients to make regular payments into their microfinance savings accounts. Withdrawing the money from these accounts still requires the clients to physically visit a BRAC microfinance branch and write out an application to the branch manager.

Partnerships, like some of the ones we are already seeing and many more, are key to unlocking the potential of technology for the most excluded, especially women. These examples indicate the different types of actors that have a role to play and also show the investment in customer understanding and feedback needed to make products successful. Sometimes the challenges might seem daunting, but by focusing on the women who we are trying to include and understanding their specific conditions, we might be able to find the solutions.

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Can we serve an abandoned woman left to provide for herself and her five children in rural Tanzania, or a young bride in an isolated village in Pakistan who is now responsible for the wellbeing of a large joint family? Can we come together in time to ensure that they can borrow to start livelihoods, save for their children's education, have the resilience to manage shocks, and perhaps even contribute to a micropension scheme to guarantee a dignified existence in the twilight of their lives?

We can. We must.

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