

# WOMEN'S FINANCIAL INCLUSION

HOW TO GET A BILLION NEW CUSTOMERS

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Financial inclusion means having access to the basic financial services that most citizens in advanced economies take for granted: a bank account, credit, insurance, savings products. Activists for economic development rightly focus on it.

Without access to a bank account, it is difficult to save, cash being vulnerable not only to theft but to inflation. The unbanked find it expensive or practically impossible to transact with anyone outside of their immediate surroundings. Nor will they have much prospect of raising capital to start or expand a business, however small. And, without savings, credit, or insurance, it is difficult to keep a business going or to maintain consumption in the face of setbacks. In short, financial exclusion is economically crippling.

This harm extends beyond the financially excluded individuals. The growth of an economy with a large excluded population will be slowed, making everyone worse off. Financial inclusion

should be a priority of the governments of developing economies. And self-interest alone should suffice to make it a priority for financial services firms. They are missing out on serving many hundreds of millions of potential customers.

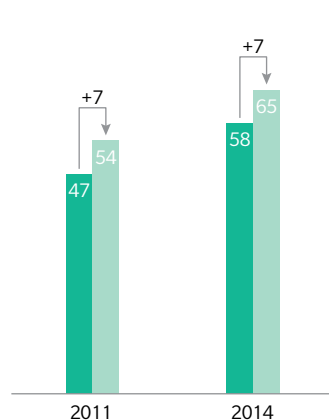
Great progress has been made in financial inclusion in emerging markets. Thinking has shifted from “aid” to empowerment; the old focus on microfinance has expanded to include a wider variety of products such as insurance and savings, as well as a wider variety of players; and new digital technologies has radically reduced the cost of providing basic services.

Yet, as Exhibit 1 shows, a gender imbalance persists. Even as 700 million have entered the financial system over the past five years, the gap on average between men and women has remained a stubborn 7 percentage points. Over a billion women around the world are still financially excluded.

## EXHIBIT 1: FINANCIAL INCLUSION BY REGION AND GENDER

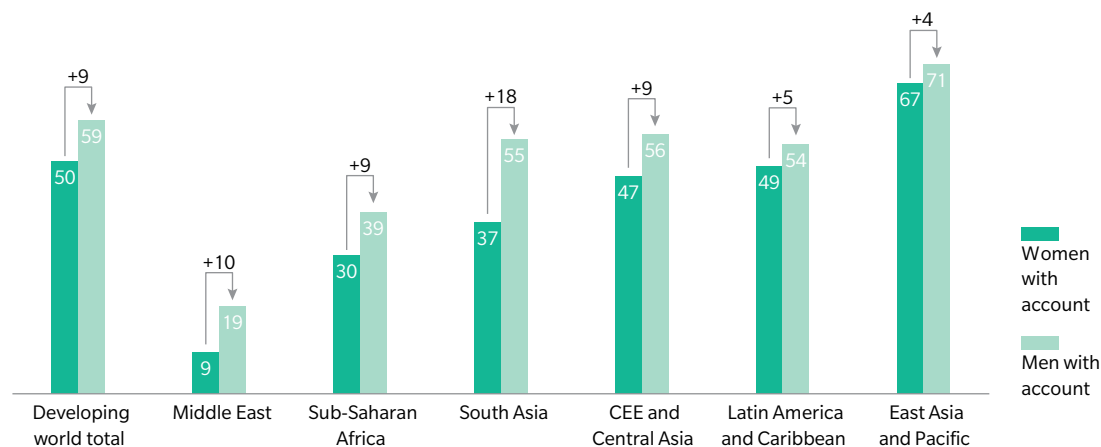
THE GLOBAL GENDER GAP REMAINS A STEADY 7 PERCENTAGE POINTS

GLOBAL BANK ACCOUNT PENETRATION BY GENDER (IN %)



IN THE DEVELOPING WORLD, THE GENDER GAP IS 9 PERCENTAGE POINTS (UNCHANGED FROM 2011) AND VARIES SIGNIFICANTLY BY REGION

BANK ACCOUNT PENETRATION BY REGION (IN %)



Source: World bank Findex data and analysis

Note: “Central and Eastern Europe (CEE) and Central Asia” region refers to the countries that the World Bank identifies as developing in the “Europe and Central Asia” region

*“Everyone thinks that by addressing the needs of the overall low income segment, women will automatically benefit. That has not been the case”*

**Marieme Esther Dassanou, Global Specialist Women's Access to Finance, International Finance Corporation (IFC)**

Mobile financial ownership, which has been touted as a key part of the solution, also shows that women are being left behind. To take Africa as an example, a gender gap of 13 percent exists between men and women in ownership of mobile phones. Significant variations also exist across and within regions and countries. The gap stands at only 7 percent in Kenya but 45 percent in Niger.<sup>1</sup>

*There's over 1.7 billion females who don't own a mobile phone. If you just look at closing in mobile ownership and usage, there is a \$170 billion dollar revenue opportunity for operators between 2015 and 2020”*

**Claire Sibthorpe, Head of GSMA Connected Women, GSMA**

Why aren't providers doing more to reach these more than one billion potential customers? What needs to change to see a material improvement for women in emerging markets?

*“If I asked you to close your eyes and I described a market that was 1.1 billion people, who were unserved across the globe, would you ever just ignore this market? Would you ever think that this is not an opportunity that you should be developing?”*

**Mary Ellen Iskenderian, President and CEO, Women's World Banking**

In conjunction with Women's World Banking, we convened a multi-stakeholder group of experts to address these questions. This group included large financial institutions (such as Aegon, Credit Suisse, MasterCard, and Western Union), public sector institutions (such as DFID), mobile network operators (such as Vodafone), financial technology (fintech) companies, global retailers (such as Unilever), and large developmental organizations – both multilateral (such as the World Bank) and local ones working on the ground in Nigeria and India. Four themes emerged from these diverse perspectives.

## “THE PROOF IS IN THE PROFIT”

Many financial services firms have declared their commitment to women's financial inclusion as an overall attractive opportunity, but most still cannot tell you the gender of their customers or the rates of return and payback periods on initiatives aimed at women. Better research is needed, along with better data and pilot programs that prove that these segments can be served profitably.

*“An additional challenge is that financial institutions are not convinced about the business case for specifically targeting women “*

**Modupe Ladipo, Non-Executive Director, Enhancing Financial Innovation & Access (EFInA)**

*“What we need are neatly defined pilots to show shareholders that there are valuable KPIs. A strong government or CEO needs to take the leap of faith to light the path for others”*

**Thomas DeLuca, CEO, AMP Credit Technology**

*“The cost and complexity of collecting information to build a sound business case is no longer the barrier it once was. The capabilities and ease of integration of new technology into operations is giving information that we've never had before”*

**Dougie Brew, Director External Affairs, Communications and Sustainable Living, Unilever**

Financial institutions often need to be convinced of the commercial case for initiatives aimed at low-income female customers. Typically, some combination of philanthropic capital and government policy can address this. For instance, if a government makes its support for women's financial inclusion clear – ideally through concrete policy – profit-seeking financial services firms will be more inclined to take the leap.

<sup>1</sup> S. Santosham, D. Lindsey, *Bridging the Gender Gap: Mobile Access and Usage in Low and Middle-Income Countries*, GSMA, March 2015

## GOVERNMENT AS A CATALYST FOR CHANGE

In theory, the driving force for change could come from any of the players involved in the space. But wherever a step change in women's financial inclusion has taken place, government action has been an important factor. In South Africa, for example, the government switched seven welfare programs from cash onto a single digital payment solution, a change which disproportionately impacted women. Similarly, initiatives that have helped women have occurred in India, with the introduction of the unique ID "Aadhaar" card that validates identity, and in Mexico, where the digitalization of welfare payments has saved the government an estimated US\$1.27 billion.<sup>2</sup>

*"This is an opportunity for a government to say we can promote economic growth, we can challenge and reduce the costs of the shadow economy, we can also reduce the operating costs of our welfare disbursement programmes as well as possibly solve for any gaps in formal identification if we bring more women into banking"*  
**Louise Holden, Director, Public Private Partnerships, MasterCard**

Governments have a role to play in making sure the regulatory system does not create needless barriers to inclusion. For example, tiered "Know your Customer" (KYC) regulation, which reduces account opening requirements for low-value, low-risk accounts, has advanced financial inclusion in Mexico and Nigeria. The Central Bank of Nigeria, in particular, recognized that most of the barriers to financial inclusion were more likely to be an issue for women and explicitly factored this into their changes.<sup>3</sup> While a tiered structure comes with certain risks (which can be minimized through customer segmentation), the net effect on social utility and bank profits is almost certain to be positive. Co-titling of property is another important governmental contribution, since it allows the registered property to be used as collateral for borrowing.

More generally, the challenge for governments is to encourage a competitive financial market, as this is the best way to get costs down to levels where low-income earners are not priced out of the market.

*"[Governments] all recognize the role that women play ... I think where they get stuck is how best to incentivize public and private sectors to work together"*  
**Sunil Sachdev, Chief Business Development Officer, Meed**

*"We are going to need to think big, start small and act fast!"*  
**Muriel Lotto, Vice President, Global Marketing Strategy and Brand Management, Western Union**

Successful initiatives too often occur in just a handful of countries. A mechanism for exporting successful strategies would go a long way towards promoting financial inclusion in each country. For example, coordination across governments or a coalition of stakeholders across the public and private sectors taking a multi-country approach could catalyse change and help to turn the sparks into a fire.

<sup>2</sup> Digitization of payments in Mexico saves billions, Better than Cash Alliance, 24 February 2015

<sup>3</sup> Temitope Akin-Fadeyi, Enhancing Financial Inclusion for Women in Nigeria, CGAP, 08 March 2016

## “ECOSYSTEM”, NOT “EGOSYSTEM”

Players are still thinking as “I” instead of “we”, each considering only their own part of the puzzle: philanthropists supplying patient capital, NGOs on the ground supporting financial literacy and empowerment, mobile players providing rapid access to scale, and so on.

On the supply side, banks, mobile players and fintechs must understand how they can leverage their respective capabilities in distribution, technology, and product. Banks bring expertise in product design. Mobile players and supply-chain companies have unprecedented access to traditionally hard-to-reach customers. Fintechs bring new capabilities in data analytics and seamless customer experience.

*“Although many institutions are working on financial inclusion, nothing so far has been able to scale. If we developed a shared incentive that delivered meaningful revenue and benefits for all parties, then banks, corporations, strategic partners, and individuals could pool resources and be able to achieve so much more”*

**Sunil Sachdev, Chief Business Development Officer, Meed**

Nor should the need for partnerships on the demand side be underestimated. Education and financial literacy are crucial for building customer competency. But success will also include building customers’ trust in the system and giving them reasons to feel comfortable joining the system.

*“Our Access to Financial Services in Nigeria 2014 survey covering 20,000 Nigerian consumers revealed that almost 50 percent of adults believe that taking loans should be avoided as much as possible, and that adults can easily live their lives without having a bank account”*

**Modupe Ladipo, Non-executive Director, Enhancing Financial Innovation & Access (EFInA)**

*“Being an entrepreneur in this space is not nearly as glamorous as it may seem but what it does do is permit you the opportunity to pick the fight you want to fight, and to do so from the front row – not even the front row – but frankly, an in-the-trenches street-level fight of changing things”*

**Thomas DeLuca, CEO, AMP Credit Technology**

## EXHIBIT 2: EFFORTS ARE STILL SILOED – WE NEED TO MOVE TOWARDS A “COALITION OF THE WILLING”

|                         | FINANCIAL INSTITUTIONS | MOBILE NETWORK OPERATORS | FINTECHS | GLOBAL RETAILERS | PUBLIC SECTOR | DEVELOPMENT/ NOT FOR PROFIT | EXAMPLE AREAS FOR FURTHER ACTION   |
|-------------------------|------------------------|--------------------------|----------|------------------|---------------|-----------------------------|--|
| <b>SYSTEMIC FACTORS</b> |                        |                          |          |                  |               |                             | Enabling regulatory environment that successfully balances innovation, consumer protection and systemic stability, and that promotes women's rights<br>Cross-country fora to share learnings and e.g. development of standardized gender-specific metrics    |
| <b>EDUCATION</b>        |                        |                          |          |                  |               |                             | Education at societal and individual women level to build trust and acceptance e.g. via customized campaigns<br>Simple, clear collateral accounting for lower literacy   |
| <b>DISTRIBUTION</b>     |                        |                          |          |                  |               |                             | Provision of government payments through formal channels<br>Range of channels for access with gender lens e.g. (women's mobile handset ownership), employers as providers, agents<br>Women as service staff, use of biometrics (to overcome lack of ID) etc. |
| <b>PRODUCT</b>          |                        |                          |          |                  |               |                             | Broader capture and use of data to track gender-specific usage, trends and return<br>Products to address women's needs e.g. savings for children's education, insurance for women's illnesses<br>Women-friendly interfaces enabling interaction with digital |
| <b>SERVICING</b>        |                        |                          |          |                  |               |                             | Lower operational costs leveraging newer technologies, partnerships to overcome legacy costs<br>Increased effectiveness through e.g. women collection agents<br>Use of behavioral, gender-friendly “tweaks” such as text/SMS payment reminders               |

Primary capability
  Emerging/secondary capability
  Limited/no direct capability

Source: Oliver Wyman analysis

## “LADIES FIRST”

*“We need to think of women from the start, they are not a new segment – an afterthought – they are a core segment. A simple example, many financial brochures come in thick A4 booklets – have you ever tried to fit one in your handbag?”*

**Allegra van Hövell-Patrizi, CRO, Aegon**

Financial services firms have traditionally thought in terms of “generic” products and customer segments (such as small business or consumer), with no specific consideration given to gender.

*“Targeting women is not about a single product you need to roll out. It is about changing the way you think. Changing the way you do banking”*

**Elena Ruiz Abril, Principal Gender Adviser, EBRD**

Products designed without thinking of women consumers further their exclusion. But the reverse is not true: products designed for women are often adopted and liked by men. Women make great customers. They are stickier, save more on average, and are more reliable borrowers. Both controlled experiments and analyses of global data sets indicate that women tend to be better credit risks for microfinance institutions, and financial institutions with more women clients have lower portfolio-at-risk ratios.<sup>3</sup> Women often take the lead role in managing the household finances, and they are often the founders of small or micro-businesses.

*“Women tend to be better repayers of loans; they are stickier savers. They may save smaller amounts over a longer period of time, but they tend to keep the money in the bank. And when they take it out, they take it out for large purchases like education, like a large appliance, so they’re saving towards a goal”*

**Mary Ellen Iskenderian, President and CEO, Women’s World Banking**

Marketing and products aimed at women will help. Equally important, however, is employing women as service staff. Female consumers often feel more comfortable dealing with other women – better understood and more likely to ask questions. Data shows greater internal gender diversity results in more female clients and higher returns.<sup>4</sup>

Women’s financial inclusion is one of those happy issues on which justice and economic interests pull in the same direction. Everyone stands to gain from the financial inclusion of women – most obviously the women themselves, but also their compatriots and governments, through economic growth, and the suppliers of financial services, through additional reach. Progress is fastest when the various stakeholders co-ordinate their efforts towards this goal. The appetite to work together, shown by those participating in our roundtable, makes us optimistic about the future. The importance of an inspirational leader in instigating and driving this coordination cannot be underestimated. There has never been a better time to act.

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**We thank the following participants:**

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**Elena Ruiz Abril**, Principal Gender Adviser, EBRD

**Francesca Brown**, Private Sector Development Advisor, DFID

<sup>3</sup> Women’s World Banking network members found that women are more reliable borrowers – portfolios with higher female participation (greater than 75 percent female borrowers) had lower portfolio-at-risk numbers (2.7 percent vs. 4.9 percent). Twenty-eight network members reported data

<sup>4</sup> Based on data from Women’s World Banking network members – members having higher gender diversity (women accounting for greater than 35 percent of Board members and staff) targeted women clients at a higher rate (88 percent vs. 61 percent) and had higher ROA (4.2 percent vs. 2.7 percent) than those with lower gender diversity