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**Driving Digital Financial Transformation in Support of SDG 5:  
Recent Gains and Remaining Challenges**

Expert paper prepared by:

Yasmin Bin-Humam & Diana Dezso<sup>1</sup>  
Consultative Group to Assist the Poor (CGAP)

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<sup>1</sup> The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

# Driving digital financial transformation in support of SDG 5: recent gains and remaining challenges

Yasmin Bin-Humam, CGAP Financial Sector Specialist and Diana Dezso, CGAP Consultant

*This expert paper does not constitute an official CGAP publication and it has not been peer reviewed. Any conclusions or viewpoints expressed are those of the authors, and they may or may not reflect the views of CGAP.*

## Introduction

Sustainable Development Goal (SDG) 5, aimed at achieving gender equality and empowering all women and girls, is a broad goal with several different targets, ranging from supporting unpaid care and domestic work to enhancing the use of enabling technology. This expert paper focuses on **opportunities for policy makers and regulators to drive digital financial transformation** in support of SDG 5's Target 5a: *“Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.”* It will focus on financial services, in particular digital financial services.

Access to and use of digital financial services (DFS) designed to meet women's needs, incentivized by policies that make the services safe and affordable, lead to women's active participation in the formal economy, increased GDP growth, higher labor force participation, and improved household bargaining power.<sup>2</sup> Data from the World Bank's Global Findex Database 2021 confirms the centrality of DFS in reaching financial access for all. For example, hundreds of millions of women and men around the world gained access to financial services thanks to the increasing ubiquity of digital payments.<sup>3</sup>

This paper provides a brief overview of the current state of women's access to and usage of DFS, details key issues that contribute to women's financial exclusion, and provides a set of recommendations for policy makers and regulators to drive digital financial transformation in support of SDG 5.

## What is Digital Financial Transformation?

CGAP defines digital financial inclusion as digital access to and use of formal financial services by excluded and underserved populations.<sup>4</sup> Digital financial transformation includes aspects such as expanding the range of financial transactions conducted digitally through hardware (such as mobile phones), leveraging e-money, using new data sources generated by digital trails to develop new financial products, and embedding financial services into digital platforms used for commerce. It has been hailed for its potential to lower costs and save time for customers, reach customers beyond those within easy access of brick-and-mortar locations, and provide new value propositions. Where more digitally

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<sup>2</sup> “The impacts of digital financial services on Women's Economic Empowerment”, Bill and Melinda Gates Foundation, August 2021, [https://docs.gatesfoundation.org/documents/the\\_impacts\\_of\\_digital\\_financial\\_services\\_on\\_womens\\_economic\\_empowerment\\_financial\\_services\\_for\\_the\\_poor.pdf](https://docs.gatesfoundation.org/documents/the_impacts_of_digital_financial_services_on_womens_economic_empowerment_financial_services_for_the_poor.pdf)

<sup>3</sup> Camilo Tellez-Merchan and Tidhar Wald, “The key findings that show that financial equality is within reach in your lifetime”, Better than Cash Alliance, July 5, 2022, <https://www.betterthancash.org/news/three-key-findings-that-show-that-financial-equality-is-within-reach-in-our-lifetime>

<sup>4</sup> Kate Lauer and Timothy Lyman, “Digital Financial Inclusion”, CGAP, March 2015, <https://www.cgap.org/research/publication/digital-financial-inclusion>

integrated ecosystems exist, women are able to leverage digital payments to harness income-generating activities, access new markets, join commerce platforms, or simply benefit from important information (such as news of market-price fluctuations) for their farming or business activities.<sup>5</sup>

### **The current state of women’s financial inclusion: the gender gap**

According to the World Bank’s 2021 Global Findex database,<sup>6</sup> compared with 2017, fewer women are excluded from financial services and the gender gap in account ownership across developing economies has fallen to 6 percentage points from 9 percentage points, where it hovered for many years.

Financial access is expanding thanks to the increasing ubiquity of DFS. For example, mobile money has become an important enabler of financial inclusion in Sub-Saharan Africa—especially for women—as a driver of both account ownership and account usage through mobile payments, saving, and borrowing. In seven Sub-Saharan African economies (Cameroon, Gabon, Ghana, Kenya, Liberia, Tanzania, and Uganda)—more women than men had *only* a mobile money account in 2021, showing that in certain cases, without DFS women would be left out of the financial sector completely.<sup>7</sup>

Despite gains of around 250 million women in developing countries finally having some form of financial access, three times that many, roughly three quarters of a billion women, are still formally excluded. Even the ones who have an account may not use it. A quarter billion women who have an account admit that they have not used it for the past year.<sup>8</sup>

Additionally, while in some countries digital financial inclusion is narrowing the formal financial access gap, in others DFS are widening the gender gap. For example, in Bangladesh, men’s mobile money account ownership jumped from 3% in 2014 to 38% in 2021, but women’s jumped from 2% to only 20%. During this time the overall gender gap in account access increased in the country by 10 percentage points. Benin saw similar dynamics, with virtually no mobile money account ownership in 2014 to rates of 30% for women and 44% for men in 2021. During this time the overall gender gap in account access increased by 10 percentage points. (Findex 2021).

The Global Findex also shows that many women have active financial lives outside of the formal financial sector, presenting clear potential for formal financial services. In 18 countries, more than 25% of women reported using a savings club or person outside of the family to save money. In Sub-Saharan Africa, an average of 28% of women saved in this manner. In Mali, as much as 41% of women saved informally, compared with 19% of men. Women also have intersectional identities based on their age, location, livelihood, family status, and other factors. CGAP analysis shows that adoption of formal accounts rises quickly for both girls and boys during their late teen years but then diverges sharply and is shaped not only by age, but also income, type of employment, and goals.<sup>9</sup> Women smallholders form

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<sup>5</sup> Leora Klapper, Jean Pesme and Sophie Sirtaine, “Global Findex: Digitalization in COVID-19 boosted Financial Inclusion”, CGAP, June 22, 2022, <https://www.cgap.org/blog/global-findex-digitalization-covid-19-boosted-financial-inclusion>

<sup>6</sup> The World Bank’s Findex is the most regular, comprehensive, global data source on women’s access and use of financial services, and therefore informs much of what we know about the evolution of women’s use of digital financial services

<sup>7</sup> Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, and Saniya Ansar, “The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of Covid-19”, The World Bank, 2021, <https://www.worldbank.org/en/publication/globalfindex#sec2>

<sup>8</sup> Camilo Tellez-Merchan and Tidhar Wald, “The key findings that show that financial equality is within reach in your lifetime”, Better than Cash Alliance, July 5, 2022, <https://www.betterthancash.org/news/three-key-findings-that-show-that-financial-equality-is-within-reach-in-our-lifetime>

<sup>9</sup> Jayshree Venkatesan, Rani Deshpande, “Growing up, Growing informal: Gender differences in Financial Services”, CGAP (blog), January 4, 2022, <https://www.cgap.org/blog/growing-growing-informal-gender-differences-financial-services>

another segment that includes further nuance and who have expressed they have varied drivers for adopting DFS including input credit and market access.<sup>10</sup>

## Key issues that contribute to the digital and financial inclusion gender gap

Myriad barriers to women’s digital financial inclusion exist and have been catalogued.<sup>11</sup> In what follows, we have endeavored to present the most relevant barriers and at a high enough level so that they are applicable in varying degrees to different segments of women.

### **I. Existing gendered social norms restrict women’s opportunities to access and use financial services.**

The reasons behind women’s financial exclusion vary by country and region and are rooted in gendered social norms at all levels of the market system that affect women’s access to and uptake of financial services. For example, in places where money is viewed as the domain of men, society does not view women working outside of the home as acceptable, nor do they view women as capable of making financial decisions. Biases about women as economic actors also influence the types of products that are supplied by financial service providers, who generally perceive financial products as gender-blind or neutral. This often results in inappropriate product design and marketing or distribution channels that do not meet women’s needs. Compounding this, different treatment under the law or in customary practices can work to reinforce gender biases that limit women’s access to finance by restricting women’s ability to own, manage and control property, enter contracts, open accounts or freely access and navigate public spaces.<sup>12</sup>

### **II. The gender gap in mobile phone ownership keeps women outside the DFS ecosystem.**

Mobile phones are crucial in expanding digital access to financial services—from paying, to getting paid, to sending money. When the data collection team fielding the Findex survey asked women without mobile accounts why they remained outside the financial system, they cited **mobile phone ownership and lack of ID** as drivers of their lack of participation, among other reasons.

We know from GSMA data that among smartphone owners, the gender gap has widened. It is now 18%, up from 15% in 2021, translating to 315 million fewer women than men owning a smartphone. Similarly, while the mobile internet gender gap had been declining, progress has stalled. Women are now 16% (up 1%) less likely than men to use mobile internet, which translates into 264 million fewer women than men using mobile internet.<sup>13</sup> It also remains unclear what the future will hold now that key drivers of technology and digital finance adoption—namely pandemic-related restrictions and government support payments related to COVID-19—have waned.

### **III. Lack of official identification documentation prevents women from accessing financial products and services, especially digital ones that require remote customer on-boarding.**

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<sup>10</sup> Busara and Dalberg on behalf of Mercy Corps, “DigiFarm - Gender impact study: Final Consolidated report”, Mercy Corps, April 2021, <https://www.mercycorpsagrifin.org/wp-content/uploads/2021/05/DigiFarm-AgriFin-Gender-Impact-Study-Final-Report.pdf>

<sup>11</sup> Alexandra Fiorillo, Hamilton McNutt, Wanza Mbole and Amna Awan, “What works for Women. Unpacking Women’s Economic Empowerment Barriers & Opportunities”, FinDev Gateway, September 14, 2022, <https://www.findevgateway.org/sites/default/files/events/2022-09/WEE-FI%20Barriers%20%2B%20Opportunities%20Strategic%20Recommendations%20Finequity%20Webinar.pdf>

<sup>12</sup> “Gender and Women Empowerment: FAQs”, FinDev Gateway, <https://www.findevgateway.org/gender-and-womens-empowerment-faqs>

<sup>13</sup> Matt Shanahan, “The Mobile Gender Gap Report 2022”, GSMA, June 22, 2022, <https://www.gsma.com/r/gender-gap/>

Having appropriate identification documentation (ID) is typically a requirement for obtaining financial and mobile phone services. Furthermore, digital identity (whether linked to national ID systems or otherwise) is a key component of remote onboarding for DFS and transacting digitally. However, widespread lack of official identification in developing countries disproportionately affects women and girls, preventing many from opening a bank account, owning property or developing credit history, meaning they cannot save, build assets, secure a loan, or open or expand a business. The World Bank Group’s Identification for Development (ID4D) initiative estimates that 1 billion people are without an officially recognized means of ID, and the majority of them are women.

Women face more and higher barriers to obtaining IDs. These barriers are more common for married women, who often need to be accompanied by a male guardian when applying for identification, or provide additional information or documentation not required of married men, such as the name of the husband, the family booklet or marriage certificate.

#### **IV. Limited financial literacy and digital skills prevent women from accessing and using DFS and make them more vulnerable to digital fraud.**

On average, women have lower levels of digital and financial capabilities due to lower rates of education and access to technology. This contributes to the persistent gender gap in digital and financial inclusion. For example, the gender gap in reading and sending SMS messages is 51 percentage points in India.<sup>14</sup> Research from J-PAL shows that along with owning a mobile phone, the ability to perform phone-related tasks is an important predictor of financial account ownership for both men and women.<sup>15</sup> However, GSMA found that once women are using a mobile phone and are aware of mobile internet, one of the top barriers preventing them from adopting mobile internet is the lack of literacy and digital skills. More women than men also fear that when they use new technology they may lose their funds or send them to the wrong party without redress.

Lack of digital financial skills also makes women more vulnerable to DFS consumer risks than men.<sup>16</sup> For instance, women DFS users in Africa and South Asia are more vulnerable than men to cyber-fraud, particularly social engineering scams such as SMS and voice phishing. In rural Ghana, female mobile banking customers were relatively more likely to suffer misconduct than male customers. There is also evidence that women are twice as likely to have their identity stolen and are at a higher risk of online harassment than men.<sup>17</sup> In Côte d’Ivoire, a nationally representative survey found that women are more likely to lose money to scams (16% of women compared with 12% of men), have more difficulty navigating the menu of the digital finance offering through their phones (25% of women compared with 17% of men) and have more difficulty understanding the financial products (22% of women compared with 18% of men).<sup>18</sup>

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<sup>14</sup> “Advancing Women’s Digital Financial Inclusion”, GPFI, July 2020, [https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20\\_women.pdf](https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf)

<sup>15</sup> Lolita Moorena, Simone Schaner and Nadia Setiabudi, “Improving women’s digital literacy as an avenue for financial inclusion”, J-PAL, November 23, 2020, <https://www.povertyactionlab.org/blog/11-23-20/improving-womens-digital-literacy-avenue-financial-inclusion>

<sup>16</sup> Majorie Chalwe-Mulenga, Eric Duflos and Gerhard Coetzee, “The Evolution of the Nature and Scale of DFS Consumer Risks. A Review of Evidence”, CGAP, February 2022, [https://www.cgap.org/sites/default/files/publications/slidedeck/2022\\_02\\_Slide\\_Deck\\_DFS\\_Consumer\\_Risks.pdf](https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf)

<sup>17</sup> Majorie Chalwe-Mulenga, Yasmin Bin-Humam, Eric Duflos, “Break the Bias: Evidence Shows Digital Finance Risks HIT Women Hardest”, CGAP (blog), March, 2022, <https://www.cgap.org/blog/break-bias-evidence-shows-digital-finance-risks-hit-women-hardest>

<sup>18</sup> Lamis Daoud, “CGAP and Côte d’Ivoire’s Ministry of Economy and Finance Host Roundtable”, CGAP, June 13, 2022, <https://www.cgap.org/news/cgap-and-cote-divoires-ministry-economy-and-finance-host-roundtable>

## Recommendations for policy makers and regulators

Digital financial transformation requires a concerted effort and collaboration among all relevant stakeholders, such as financial sector policy makers and regulators, financial service providers, donors and investors, as well as consumer associations and civil society. This paper focuses on recommendations that policy makers and regulators are uniquely positioned to support to drive women's digital financial inclusion. These are not meant to be exhaustive nor are they sequential. They are, however, mutually reinforcing and crucial in unlocking digital transformation in support of SDG 5.

### **I. Support the expansion of digital payments infrastructure to increase women's accessibility to and usage of DFS.**

A key takeaway from the Global Findex data is that the most significant progress toward gender equality in financial access has been in countries where the government has made digital payments a top priority.<sup>19</sup>

During COVID-19, men and women were equally likely to digitally pay utilities or make a merchant payment for the first time. There is also strong evidence that digital payments drive usage of other financial services for men and women: the World Bank reports that receiving a digital payment can usher in active use of an account, build a digital footprint on which to access credit, and acquire insurance alongside these products.<sup>20</sup>

Despite such promise, 40 million women still receive government-to-person (G2P) payments in cash,<sup>21</sup> even more unbanked women continue to receive private sector wage payments in cash, and in many countries, digital payments are not yet widely accepted for everyday purchases. Merchants still find it challenging to accept digital payments if fees are high and the regulatory environment makes it cumbersome to formalize a business.<sup>22</sup>

For digital payments to be empowering, the larger digital ecosystem and appropriate cash-in-cash-out (CICO) avenues must be in place. In that context, governments have an important role to play in supporting digital payments that are central to women's lives through the following mechanisms:

***Digitize payments of government social benefits*** – G2P payments are an equal opportunity force for inclusion, with men and women equally likely to open an account to receive a government payment. A digitized social protection program that promotes women's economic empowerment should be reliable, accessible, flexible, secure, and accountable. It is important for governments to provide women with agency at every step, including choice of payment service providers and appropriate digital and financial capabilities. For example, introducing simplified KYC (Know your Customer) and basic or no-frills bank accounts, lifting or increasing transaction limits, facilitating the expansion of agent networks, and promoting interoperability can all help smooth the way for scaling up digital G2P payments. Tunisia, Peru

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<sup>19</sup> Camilo Tellez-Merchan and Tidhar Wald, "The key findings that show that financial equality is within reach in your lifetime", Better than Cash Alliance, July 5, 2022, <https://www.betterthancash.org/news/three-key-findings-that-show-that-financial-equality-is-within-reach-in-our-lifetime>

<sup>20</sup> Sonja Kelly, "Global Findex 2021, Women's World Banking Response. Six Insights from the 2021 World Bank Global Findex Data", Women's World Banking, June 29, 2022, <https://www.womensworldbanking.org/insights-and-impact/global-findex-2021-womens-world-banking-response/>

<sup>21</sup> Sonja Kelly, "Global Findex 2021, Women's World Banking Response. Six Insights from the 2021 World Bank Global Findex Data", Women's World Banking, June 29, 2022, <https://www.womensworldbanking.org/insights-and-impact/global-findex-2021-womens-world-banking-response/>

<sup>22</sup> Camilo Tellez-Merchan and Tidhar Wald, "The key findings that show that financial equality is within reach in your lifetime", Better than Cash Alliance, July 5, 2022, <https://www.betterthancash.org/news/three-key-findings-that-show-that-financial-equality-is-within-reach-in-our-lifetime>

and Jordan have relaxed regulations to facilitate rapid deployment of G2P through digital channels.<sup>23</sup> Leveraging the use of technology of such payments to include text messages can provide information cheaply to women and improve financial behavior. In Colombia, rural recipients of conditional financial transfers, who were mostly women, were loaned tablets pre-loaded with compelling financial literacy content and positive outcomes in financial health were still observable two years later.<sup>24</sup>

***Develop policy frameworks that encourage businesses to digitize wage payments*** - In Bangladesh, the government offered low-interest loans so garment manufacturers could pay their workers for three months while factories were closed but required that the payments be made to digital accounts. As a result, nearly 2 million digital accounts were opened within just two weeks, and the percentage of readymade garment workers being paid digitally skyrocketed from roughly 28% before COVID-19 to 76% in May 2020.<sup>25</sup>

***Incentivize and accelerate the digitization of merchant payments in a way that is responsible, inclusive, and works for women*** - Around the world, many women are already engaging in businesses that leverage digital platforms. Women own two thirds of the businesses on the Lazada e-commerce platform in the Philippines<sup>26</sup> and 51 percent of the businesses on the Jumia platform in Nigeria and Kenya.<sup>27</sup> These instances present an opportunity for women to layer digital payments onto their digital business practices.

In other cases, women-owned businesses are not yet using any kind of digital services. Of Mexico's 6.3 million micro, small, and medium enterprises, 94.2 percent are microenterprises, and over half of these are women-owned or women-led. Only 10% of microbusinesses have a digital presence.<sup>28</sup> In such cases, digital payments could be a starting point for integrating other digital tools into business practices.

In both scenarios, governments and central banks can formulate policies, incentives, and regulatory frameworks that drive the adoption of digital merchant payments by aligning all the actors toward responsibly digitizing merchant payments and offering incentives and value proposition that can make micro and small merchants adopt digital payments as a preferred mode of transaction. Examples include the Cobra Digital (CoDi) platform in Mexico, QR codes and the cash-lite framework in Ghana, and the National Financial Inclusion and Digital Payments policy in the Philippines. While many of these initiatives have been led by the central banks, the digitization of merchant payments falls under the influence of many parties within governments, such as the Ministry of Finance and bodies related to Trade, Commerce and Industry and Electronics & Information Technology, etc.

***Enable more affordable digital remittances*** - While women make up about half of the 281 million migrants living and working abroad, analysis from major remittance service providers found that women represent only 9 to 39 percent of digital remittance senders, depending on the corridor, and 22 to 43 percent of digital remittance recipients. UNCDF attributes the low digital uptake among women primarily to the persistent digital divide in mobile phone ownership.<sup>29</sup> Another barrier to gender-inclusive

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<sup>23</sup> "Digital Cash Transfers in Time of Covid-19. Opportunities and Considerations for Women's Inclusion and Empowerment", The World Bank, <https://documents1.worldbank.org/curated/en/378931596643390083/pdf/Digital-Cash-Transfers-in-Times-of-COVID-19-Opportunities-and-Considerations-for-Womens-Inclusion-and-Empowerment.pdf>

<sup>24</sup> Orazio Attanazio, Matthew Bird, Lina Cardoso, Pablo Lavado, "FreeingFi" <https://www.nber.org/papers/w25929>

<sup>25</sup> <https://www.gatesfoundation.org/ideas/articles/2021-findex-report-financial-inclusion-benefits-bangladeshi-women>

<sup>26</sup> "Women and E-Commerce in Southeast Asia", IFC, 2021, <https://www.ifc.org/wps/wcm/connect/04f295ac-172b-4c74-8957-700609c293d4/202105-digital2equal-women-and-e-commerce-southeast-asia.pdf?MOD=AJPERES&CVID=nCGTdWq>

<sup>27</sup> "Women and E-Commerce in Africa", IFC, 2021, <https://www.ifc.org/wps/wcm/connect/47361305-6ebe-431a-8dd9-db2290919823/202105-digital2equal-women-and-e-commerce-africa.pdf?MOD=AJPERES&CVID=nCGRGTr>

<sup>28</sup> "Learning Series: How to unlock the big opportunity in small merchant payments digitization" Better Than Cash Alliance, November 16, 2021, <https://www.betterthancash.org/news/learning-series-overview-how-to-unlock-the-big-opportunity-in-small-merchant-payments-digitization>

<sup>29</sup> Uloma Ogba, Houle Cao and Julie Kamau, "How do Digital Remittances contribute to Women's Financial Health", FinDev Gateway, August 18, 2022, <https://www.findevgateway.org/blog/2022/08/how-do-digital-remittances-contribute-womens-financial-health>

remittances is high fees, a particular burden since women often earn less and remit in smaller amounts and more frequently. The issue of cost structures for remittances is something that SDG target 10c<sup>30</sup> and the G20 Roadmap for enhancing cross-border payments<sup>31</sup> hope to address. Any government policies targeting these two areas (coupled, of course, with all the other enablers of digital payment ecosystems and women's digital capabilities and agency), stand to have particular impact on women's adoption of digital remittances, the potential demand for which is established.

Governments can take action by building the infrastructure needed to support mobile connectivity, facilitating competition and consumer choice, and leveraging relevant Universal Service Funds to increase women's access to broadband internet. Initiatives to distribute free or subsidized mobile devices to women should also be considered, given the barrier the cost presents to their acquiring a digital device. The World Bank, together with CGAP, Women's World Banking, and the Bill and Melinda Gates Foundation have compiled guidance for designing such programs.<sup>32</sup> The UN's Principles for Responsible Digital Payments also include recommendations for governments, among other key stakeholders, about how to ensure that digital payments work, are fair, transparent, accountable, and that they offer recourse for the most vulnerable people, including women.<sup>33</sup>

## **II. Create an enabling regulatory environment that supports women in obtaining identification documents.**

Access to a legal identity is included in SDG 16, target 9. The ability of institutions to verify the identity of prospective customers is a necessary condition for financial inclusion. Without verifiable identities, such institutions cannot adhere to KYC requirements as stipulated in Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulation. Therefore, policies and initiatives to support women in obtaining identification documents and tiered KYC requirements that allow women to open basic accounts with limited documentation are important for bringing women into the financial system.<sup>34</sup> These include:

***Removing legal barriers to obtaining identification.*** This is a critical step toward increasing women's ID coverage. For example, Mauritius made access to identification documents easier for women by equalizing procedures for married men and women. In Senegal, the overhaul of registration procedures when introducing an electronic system benefitted women by also removing gender differences in the application process.

***Policy actions to encourage women's registration,*** for example opening women-only registration counters. This has been shown to be effective in boosting application numbers and could be replicated in other economies. Likewise, mobile registration services that bring enrollment closer to women's homes can help reduce the transport and opportunity cost of registration. Creating tailored messaging on the benefits of identification and providing special incentives, such as conditional cash transfers given to female heads of household, can also support women's registration.<sup>35</sup>

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<sup>30</sup> SDG target 10.c calls for reducing the transaction costs of remittances to less than 3 percent by 2030.

<sup>31</sup> "G20 Roadmap for enhancing cross-border payments: First Consolidated progress report", FSB, October 13, 2021, <https://www.fsb.org/2021/10/g20-roadmap-for-enhancing-cross-border-payments-first-consolidated-progress-report/>

<sup>32</sup> "Digital Cash Transfers in Time of Covid-19. Opportunities and Considerations for Women's Inclusion and Empowerment", The World Bank, <https://documents1.worldbank.org/curated/en/378931596643390083/pdf/Digital-Cash-Transfers-in-Times-of-COVID-19-Opportunities-and-Considerations-for-Womens-Inclusion-and-Empowerment.pdf>

<sup>33</sup> "UN Principles for Responsible Digital Payments for Governments", October 2021, Better than Cash Alliance, [https://responsiblepayments.org/pdfs/UN-PRDP\\_Gov\\_En.pdf](https://responsiblepayments.org/pdfs/UN-PRDP_Gov_En.pdf)

<sup>34</sup> "KYC Innovations, Financial Inclusion and Integrity", AFI, DFS Group, March 2019, [https://www.afi-global.org/wp-content/uploads/publications/2019-03/KYC-Innovations-Financial-Inclusion-Integrity-Selected-AFI-Member-Countries\\_0.pdf](https://www.afi-global.org/wp-content/uploads/publications/2019-03/KYC-Innovations-Financial-Inclusion-Integrity-Selected-AFI-Member-Countries_0.pdf)

<sup>35</sup> Julia Braunmiller, "The importance of women's equal access to identification in times of a global crisis", the World Bank blogs, June 12, 2020, <https://blogs.worldbank.org/developmenttalk/importance-womens-equal-access-identification-times-global-crisis>



***Gender inclusive innovations in KYC processes and requirements*** that make it easier to identify and verify customers and citizens, thereby facilitating access to and use of financial services. These advances include regulatory adjustments such as exempting certain marginalized groups up to a certain transaction or value limit (tiered KYC) and the use of electronic documents and signatures to effect transactions (eKYC). Creating an enabling regulatory environment and infrastructure to support **biometric identity verification** has, for example, helped women engage with banking in Papua New Guinea, where low literacy rates and sparse populations make traditional banking a challenge.<sup>36</sup>

### **III. Prioritize digital financial capability and consumer protection with gender-sensitive approaches that incorporate women’s experiences.**

The terms digital financial capability and digital financial literacy are often used interchangeably and refer to the intersection of digital literacy and financial literacy that enables users to take full advantage of DFS. Investing in women’s digital financial capability is essential to support them to safely navigate increasingly digitized financial systems. At the same time, providers must be made more accountable for being transparent and diligent in preventing fraud so that consumers do not bear a disproportionate burden.

***Address women’s digital financial capability at the national level.*** For example, integrating financial capability into government cash transfer programs is a crucial way to reach women with timely and relevant training.<sup>37</sup> A national approach/strategy can provide a guide for the systematic implementation of digital financial capability with a centralized oversight for tracking progress, mobilizing stakeholders and effectively utilizing resources. Government-driven digital financial literacy interventions must be combined with discussions on social norms related to gender-based ability to access and control finances and information. The FinEquity community has outlined six enablers of digital financial literacy, together with challenges women face in each, and information on how social norms affect women’s progress.<sup>38</sup>

***National strategies should also address key aspects of consumer protection, risks and redress mechanisms.*** CGAP has identified four types of risks: fraud, lack of transparency, data misuse and inadequate redress mechanisms. CGAP is advocating a “responsible digital finance ecosystem approach” in the face of the unprecedented nature and scale of risks stemming from the spread of DFS. A key component of it is its engagement of multiple stakeholders.<sup>39</sup> This is crucial in elevating the experiences of women consumers to the attention of the regulators, through their own voices, those of their representatives, and their data trails. National consultative councils, such as in Peru, are a direct and efficient way to bring the perspective of women and other vulnerable groups into consumer protection policy making.<sup>40</sup>

International initiatives, such as the International Financial Consumer Protection Organization (FinCoNet), also have a role to play in developing, promoting, and monitoring effective approaches to consumer protection that national level supervisors can use to guide their work.

### **IV. Regulate and supervise the responsible and inclusive expansion of DFS agent networks.**

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<sup>36</sup> “Bram Peters, Pacific Financial Inclusion Programme”, FinDev Gateway, July 31, 2020,

<https://www.findevgateway.org/finequity/blog/2020/07/bram-peters-pacific-financial-inclusion-programme>

<sup>37</sup> “Integrating Financial Capability into Government Cash Transfer Program”, The World Bank, July 2018, <https://openknowledge.worldbank.org/bitstream/handle/10986/30116/128334-WP-PUBLIC-Integrating-FinCap-into-G2P.pdf?sequence=1&isAllowed=y>.

<sup>38</sup> Catherine Highet, “Enabling Women’s Financial Inclusion through digital financial literacy”, FinDev Gateway, May 2021, <https://www.findevgateway.org/paper/2021/05/enabling-womens-financial-inclusion-through-digital-financial-literacy>

<sup>39</sup> Eric Duflos, Gerhard Coetzee, “Rethinking Consumer Protection: a Responsible Digital Finance Ecosystem”, CGAP, August 17, 2022, <https://www.cgap.org/blog/rethinking-consumer-protection-responsible-digital-finance-ecosystem>

<sup>40</sup> Myra Valenzuela, “How Peru is Elevating Collective Consumer Voice”, CGAP, April 8, 2021, <https://www.cgap.org/blog/how-peru-elevating-collective-consumer-voice>

Digital financial transformation does not mean that human interaction is completely removed from the equation. This is most evident when it comes to agent networks. Rural women tend to be the most financially excluded among a population, and the front lines of such financial expansion—where brick and mortar is too costly to serve sparse populations—are agent networks for CICO services. These individuals are responsible for educating customers about financial concepts and product service terms, conducting transactions with the trust of their clients, and being available to clients for CICO and other services at convenient times and locations. Women have an important role to play in agent network expansion, both as agents, and as clients to grow the market.<sup>41</sup>

It is vital that those being licensed as agents are people women can trust with their funds and their personal information. A CGAP scan of the literature shows that agent gender matters for women’s digital financial inclusion in contexts with restrictive gender based norms.<sup>42</sup> However, agent gender is not the only driver of trust.<sup>43</sup> The policies around agent licensing also dictate accessibility of agents to women—whether they must be located in bank affiliated branches, or can be in market-places and other places women frequent, and whether they can keep hours agreeable to women with work and family care obligations.

Often when serving particular remote market segments, working exclusively as a DFS agent is not sufficiently profitable. Regulators have to make adjustments in requirements for agents that will allow them to have other sources of income, such as operating corner shops that women frequent, or providing other services that women need.

The legal framework regulating liability has a role to play in how financial service providers train their agents to engage with customers, prevent discrimination against women clients, ensure women with limited digital capabilities sufficiently understand service and fee structures, and prevent the targeting of women clients for fraud. Keeping financial service providers primarily liable for agent behavior while providing clarity on agent rewards and penalties is one way to mitigate against bad conduct and service.<sup>44</sup>

## **V. Incentivize the collection, analysis and use of sex-disaggregated data.**

The collection and analysis of demand-side and supply-side sex-disaggregated<sup>45</sup> data is essential to closing the financial inclusion gender gap.

Gender analysis enables policy makers and regulators to examine how and why gender constraints exist in the financial market system and also helps identify existing policies, laws, or regulations that contribute to exclusion. It also promotes the development of financial infrastructure, the refining and strengthening of financial consumer protection regulation and financial education, and financial literacy programs for women.<sup>46</sup> When used by providers, gender data<sup>47</sup> can quantify the market opportunity for serving more

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<sup>41</sup> “Cash-in, Cash-out for Rural Agents Network”, CGAP, <https://www.cgap.org/topics/collections/cico-rural-agent-networks/gender-dynamics>

<sup>42</sup> Rebecca Calder, Federica Busiello, “Agent Genders matter...for Customers”, FinDev Gateway, August 23, 2022, <https://www.findevgateway.org/blog/2022/08/agent-gender-matters-customers>

<sup>43</sup> Mary Katica, “Four Ways to Design Agent Networks that work for Women”, June 1, 2022, <https://www.findevgateway.org/blog/2022/06/four-ways-design-agent-networks-work-women>

<sup>44</sup> Evan Gibson, Federico Lupo-Pasini and Ross P Buckeley, “Regulating Digital Financial Services Agents in Developing Countries to Promote Financial Inclusion”, JSTOR, July 2015, <https://www.jstor.org/stable/24872271>

<sup>45</sup> Sex most often is presented as male and female. However, initiatives such as Data2Xa increasingly highlight the continued evolution of data systems to represent all individuals who identify as male, female, and other gender identities.

<sup>46</sup> Izaguirre, Juan Carlos, Denise Dias, Eric Duflos, Laura Brix Newbury, Olga Tomilova, and Myra Valenzuela. 2022. “Market Monitoring for Financial Consumer Protection.” CGAP toolkit. Washington, D.C.: CGAP.

<https://www.cgap.org/topics/collections/market-monitoring/tools>

<sup>47</sup> Gender data are collected and presented by sex as a primary and overall classification; reflect gender issues; are based on concepts and definitions that adequately reflect the diversity of women and men, and capture all aspects of their lives; and collected by methods that consider stereotypes and social and cultural factors that may induce gender bias in the data.

women as clients, incentivizing them to adjust their approaches toward greater financial inclusion for women.

Digital financial transformation has upended the amount and type of data that can be collected. Digital data trails should, in theory, be easier to aggregate due to the data already being in digital form. However, the reality is not that simple owing to the incompatibility of databases, new data privacy challenges that arise, and an overload of information, all of which complicate analysis.

Regulators and policymakers can play a key role in supporting the collection and analysis of sex-disaggregated data. They can do so by:

***Designing and sharing data reporting templates, definitions and basic taxonomy*** to collect financial and operational data disaggregated by sex in different financial sectors, including banking and non-banking financial institutions, DFS providers, insurance providers, and pension scheme providers. For example, Zambia has most recently completed a two-year initiative to promulgate guidance and templates for data collection that will give it consistent insights into women’s use of digital and non-digital financial services, among other trends. Various international efforts are also underway to harmonize definitions and standards for data collection and analysis by such organizations as the Women’s Financial Inclusion Data Partnership.<sup>48</sup>

***Mandating the regular collection and reporting of sex-disaggregated data from financial service providers*** and making it available to policy makers, practitioners and researchers. For example, in Chile, the regulator has been collecting and publishing sex-disaggregated supply-side data reports annually since 2001. The state-owned commercial bank of Chile, BancoEstado, has used this data as a starting point to develop the Crece Mujer Emprendedora—a program that targets female entrepreneurs and provides them with access to capital, education, and networking.

Wherever possible, gender data collection and analysis of data disaggregated by sex should adopt an intersectional approach and further disaggregate data by multiple dimensions to capture differences based on income, age, race, ethnicity, location (urban/rural), indigenous status, migration status, disability, and other characteristics. For example, this data can reveal potential patterns of exclusion faced by specific segments of women (e.g., widows, divorced women, women in certain age groups) and how other dimensions of social exclusion (e.g., race, ethnicity, disability, religion, caste) impact women’s access to services and assets. The Women’s Financial Inclusion Data partnership of Data2x strives to increase the production, availability and use of sex-disaggregated data in financial services.

***Funding and conducting national-level, sex-disaggregated demand surveys*** to complement international data collection. In Nigeria, the government has used demand-side gender-disaggregated data to develop programs to increase agriculture finance and micro, small, and medium enterprise (MSME) finance for women.

***Using sex-disaggregated data to evaluate, develop, and adjust policies*** to make them more gender responsive.<sup>49</sup> The National Bank of Rwanda has used sex-disaggregated data to identify barriers to women’s financial inclusion and establish initiatives that would address them. The data revealed a lack of traditional collateral as the key barrier for women who need access to funds to start or grow their businesses. In response to the findings, the bank established the Women’s Guarantee Fund for economically active women who have no collateral and no previous credit record.<sup>50</sup>

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<sup>48</sup> “Women’s Financial Inclusion data Partnership: Partnership Principles”, Data 2Xo, Global Banking Alliance for Women, April 2018, <https://data2x.org/resource-center/womens-financial-inclusion-data-partnership-partnership-principles/>

<sup>49</sup> “FinEquity Brief: Gender Data in Financial Inclusion”, FinDev Gateway, November 2020, [https://www.findevgateway.org/sites/default/files/publications/2020/FinEquity\\_GenderDataBrief\\_Final.11.06.2020.pdf](https://www.findevgateway.org/sites/default/files/publications/2020/FinEquity_GenderDataBrief_Final.11.06.2020.pdf)

<sup>50</sup> “FinEquity Brief: Gender Data in Financial Inclusion”, FinDev Gateway, November 2020, [https://www.findevgateway.org/sites/default/files/publications/2020/FinEquity\\_GenderDataBrief\\_Final.11.06.2020.pdf](https://www.findevgateway.org/sites/default/files/publications/2020/FinEquity_GenderDataBrief_Final.11.06.2020.pdf)

## Conclusion

While women stand to benefit from greater use of DFS, this will only be achieved if financial sector policy makers contribute to change by applying gender transformational approaches to shaping and regulating the digital financial ecosystem. Empowering women with greater digital financial capabilities, enabling equitable digital financial service agent network expansion, promoting access to identification documentation and mobile devices, and investing in digital payments must all be done with an awareness of restrictive social norms. In all instances, policy makers are playing a role in reinforcing or shifting gendered social norms, whether consciously or otherwise. In this larger context, gender data and analytics are crucial for informing how policy makers should proceed, as the challenges, needs, and contexts of women vary so widely.

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