THE NEED OF WOMEN'S FINANCIAL INCLUSION IN DEVELOPING ECONOMY

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Abstract: **The importance of improving financial inclusion for women is receiving an increasing amount of attention. Recent research provides solid evidence that when women - 50% of the world's population - participate in the financial system, there are significant benefits in terms of economic growth, greater equality and societal well-being. However, despite significant advances in financial inclusion for both men and women between 2011 and 2014, women still lag behind in access and usage of financial products and services. What needs to be done to close the gender gap? This study looks at the efforts of policymakers and central bankers in different countries who are fine-tuning an enabling environment for the financial inclusion of women. Evidence has shown that policy measures to increase financial inclusion need to be country- specific, based on each country's gender gap and unique challenges and opportunities. The policies featured in this paper are examples of promising policy solutions to advancing financial inclusion for women. These policies can be adapted and integrated in national financial inclusion strategies and other policy initiatives to close the persistent gender gap in financial inclusion. There are certain barriers which are hindering the growth of women for financial inclusion.The paper discusses the barriers and the policies taken to overcome them. Seven policy measures in particular could have a major impact on women's financial inclusion and, in turn, accelerate the progress of national strategies.**

Keywords: **Financial inclusion, gender gap, policy makers, national strategies, policy measures.**

Financial inclusion
Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where thoseservicesarenotavailableoraffordable.Theterm―financialinclusion‖hasgainedimportancesince the early 2000s, a result of findings about financial exclusion and its direct correlation topoverty.

What is women's financial inclusion?
There is no single accepted definition or indicator for levels of financial inclusion. But we can agree that women_s financial inclusion occurs when women have effective access to a range of financial products and services that cater to their multiple business and household needs and that are responsive to the socioeconomic and cultural factors that cause financial exclusion in women and men to have different characteristics .Financial inclusion, managed properly, can increase the empowerment of women in a number of ways. Firstly, having access to resources on their own account and to the tools that help them to earn a living can increase women's bargaining power within households and their influence over how money and other resources are used. Secondly, financial inclusion can help increase women's opportunities to earn an income or control assets outside the household. Thirdly, it can reduce women's vulnerability by, for example, allowing them to insure against risk or borrow to meet unexpected expenses, such as medical treatments. These are all key factors for economic empowerment and they can also help to empower women more broadly.

Insights From Global Policymakers
The policymakers, regulators and thought leaders interviewed for this study, many of whom are AFI members, had compelling messages for global policymakers on women's financial inclusion. While policy needs to be formulated within particular country contexts, these messages have global resonance and clear themes emerged.

Financial Inclusion Leads To Greater Economic Participation For Women
1. There are step economic costs to excluding women from participation in the economy – eliminating gender inequality would allow significant gains in GDP. Financial inclusion is key to women participating in the economy. Given the important role of women in shaping the next generation, financial inclusion will lead to greater security and prosperity for women and men, their families, enterprises and communities. Given the consequences of inequality and women's potential to contribute to the economy and transform society for present and future generations, women have to be on the global agenda as part of the Sustainable Development Goals (SDGs).

Policies Must Be Fine-Tuned To Close The Gender Gap In Financial Services
It is necessary to understand the ecosystem within which women live and formulate policies based on their economic and social realities. Expanding financial inclusion for women requires deliberate attention from policymakers: not too forceful, not too interventionist. This does not mean embracing a set of policies focused only on women, but rather fine-tuning policies to close the gender gap in financial inclusion. You don't need gender -specific policies, but rather policies that work for women. Look at the

enabling environment from the perspective of women: does a policy support/incentives or restrict women‘s financial inclusion? Policymakers need to avail themselves of data, quantitative and qualitative surveys, and other research to understand the market being served, the constraints, and inform policy.
All Stakeholders Have a Say in Policies That Will Improve Women‘s Financial Inclusion

Healthy stakeholder engagement is critical, based on a commitment to dialogue and engagement among government, central bankers, regulators, supervisors, financial consumer protection agencies and

financial services providers. Policymakers and regulators can have a say by expressing concerns, sharing data, removing additional obstacles, and listening to the market.

Introduction
―Women have to be on the global agenda…because of the consequences of inequality, because of women‘s potential to contribute to the economy and to transform society, for present and future generations.‖ there is a compelling argument for taking a closer look at what policymakers and central bankers are doing to fine-tune an enabling policy environment. Evidence has shown that policy measures to increase financial inclusion need to be country-specific, based on each country‘s gender gap and unique challenges and opportunities. This paper explores the importance of women‘s financial inclusion and lays out effective national level policies to promote financial inclusion forwomen.

This paper assesses current thinking and policies promoting women‘s financial inclusion based on recent publications in this area. At AFI‘s 2014 Global Policy Forum, 73% of participants in a session on the gender dimension of financial inclusion policymaking indicated there was a role for financial regulators in gender issues. One year later, there is clear momentum among AFI members to establish practices that promote women‘s financial inclusion, and to learn from one another, both successful innovations and challenges.

The G20 is focusing on women and finance via the priorities of the G20 Turkish Presidency (financial inclusion as part of a growth strategy) and the adoption of the cross-cutting theme of women‘s empowerment within the G20 Financial Inclusion Action Plan. The value proposition of expanding women‘s financial inclusion is receiving increased global attention. In a progress report to the G20, the World Bank and the OECD underlined the importance of financial inclusion for economic growth and poverty reduction, and identified greater financial inclusion for women as a priority. There is broad agreement that women‘s financial inclusion leads to significant benefits in terms of economic growth, equality and social well-being. Yet despite being 50% of the world‘s population, women still lag behind men in usage of financial products and services. While there were significant advances in financial inclusion for both men and women between 2011 and 2014, there is a persistent gender gap. The Global Financial Inclusion Database (Global Findex) data for 2011 shows that, worldwide, 47% of women had a bank account at a formal financial institution, compared to 54% of men. In 2014, 58% of women and 65% of men had accounts. Although this represents a significant advancement for women, the gender gap has not closed at all. While account ownership is lower overall in developing countries (low- and middle- income countries), the gap in 2011 was 9% (37% of women in developing countries have an account compared to 46% ofmen).

Three years later in 2014, the gap was still 9%, with 50% of women having an account compared to 59% of men. Globally, women are missing out on the benefits of greater financial inclusion, and nationaleconomiesarenotbenefitingfromtheirparticipation.Itisrecognizedthat―thewomen‘smarket‖ represents numerous segments of women clients, from low-income self-employed women in the informal sector, to women who work in agricultural value chains, to small- and medium-enterprise (SME) owners, tolow-incomesalariedworkers(factoryworkers,domesticworkers,etc.).Thisreportspeaksingeneral

to all of these segments of unbanked and under banked women, recognizing that further analysis and differentiation is required by market and segment. In determining what needs to be done to close the gender gap in financial services usage, there is a compelling argument for taking a closer look at what policymakers and central bankers are doing to fine-tune an enabling policy environment. Evidence has shown that policy measures to increase financial inclusion need to be country- specific, based on each country‘s gender gap and specific challenges and opportunities. The sets of policies identified here— some of the most powerful to advance women‘s financial inclusion—can be adapted as needed and integrated in national financial inclusion strategies and other policy initiatives, and have the potential to ultimately eliminate the persistent gender gap in financial inclusion.

TheSignificanceOfWomen‘sFinancialInclusion–Women,inparticular,oftenbearthebruntof poverty and limited access to economic opportunity, including unfavorable financial access…Inequality is not just a moral issue—it is a macroeconomic issue…Growth has to be more inclusive, and for this, finance has to be more inclusive…to close the gender and inequalitygap.‖

Financial inclusion offers the power to change families and societies. This section sets the stage for an assessment of the micro and macro impact of women‘s financial inclusion, the many constraints to expanding women‘s financial inclusion and the evolving opportunities, and then outlines the most promising policy measures to emerge so far.

The Macro Argument for Investing in Women‘s Financial Inclusion
The strongest arguments for women‘s financial inclusion are economic: access to finance increases access to productive assets and

increases productivity, and financial intermediation is linked to stronger economic growth. Access and usage of financial services are levers for increasing women‘s participation in the economy. For instance, International Finance Corporation (IFC) research shows that greater inclusion of women in the economy would allow gains in GDP between 2% and 3.5% in some cases. International Monetary Fund (IMF) research shows considerable evidence that when women are able to develop their full labor market potential, there can be significant macroeconomic gains. Better opportunities for women to earn and control income could contribute to broader economic development in emerging markets, such as higher levels of school enrollment for girls. Enhanced access to finance and training and better support networks among female entrepreneurs also help to raise the productivity of enterprises owned and managed bywomen.

Closing the credit gap for SMEs is a particularly promising avenue to increase economic growth and per capita incomes. It is estimated that, globally, over 70% of women-led SMEs are either financially unserved or underserved. If the credit gap is closed by 2020 in just 15 countries, including the BRIC countries, per capita incomes could on average be 12% higher by 2030. Research has shownthat alleviating different financial constraints has varied macroeconomic impacts across markets, with country contexts playing a major role in determining the linkages and trade-offs between financial inclusion, GDP and equality. IMF research shows there is no one-size-fits-all policy prescription, but an important first step is developing an appropriate legal, regulatory and institutional framework and a supportive environment.
The Micro Argument for Investing In Women‘s Financial Inclusion
―There is a strong connection between women‘s access to financial products and services and greater opportunity not only for that woman herself, her family and her community, but really for the nation as a whole. Women are far more likely than men to spend money they have under their discretion on the education of their children, the health care for their family and improving their housing. And those are the kinds of developmental changes that can really have long-term intergenerational impact.‖

Just as women play multiple roles as economic actors and caretakers of their families, women‘s financial inclusion has multiple benefits, both at the enterprise and household level. For women to invest in and grow their businesses, they need financial resources. They then tend to invest their financial resources in their homes, the nutrition and health of their families, the education of their children, and their communities. These investments in both enterprises and families can contribute to generational changes that lead to long-term prosperity and security.

Women may be slower to adopt financial services, but many studies have shown they transact more frequently and are inherent savers. Providing access to formal savings instruments allows women to increase consumption, which in turn benefits their families and increases productive investment. The 2014 Global Findex shows that, in developing countries, the gender gap in formal savings is smaller than the gender gap in account ownership overall , suggesting that women are more likely to use accounts to set aside money assavings.

Despite the macro and micro benefits of investing in women‘s financial inclusion, policymakers have not consistently integrated measures to address financial inclusion. A deep understanding of the specific constraints low-income women face in accessing and using financial products and services is necessary to create or design inclusive policy frameworks.
Barriers to Women‘s Financial Inclusion in the Financial Sector

―There are so many barriers to entry to economic activities for women outside the home, based on socio-economic attitudes. Women face challenges in coming out of the home to do business as men do. The challenge is changing the attitudes of the people. They are gradually changing.
Limited financial capability and financialliteracy

Interviewees consistently cited lack of financial literacy and awareness as a key constraint to accessing and using financial services, with many saying it was the most serious constraint to women‘s financial inclusion. Surveys conducted by the OECD indicate that, in many countries, women demonstrate less financial knowledge than men and are also less confident in their financial knowledge and skills. The challenge of improving women‘s financial capability is compounded by the fact that two- thirds of illiterate people in the world are women.

Lack of assets for collateral
Only a fraction of land worldwide is in the hands of women. Women have difficulty providing immovable collateral given existing land and property rights and cultural norms that discriminate against women. For rural women, limited access to land ownership constrains their ability to provide collateral

for loans, and therefore limits investment in agricultural inputs and equipment. The expansion of co- titling and individual titling for women is a critically important issue.

Geographic distance from a financial institution
Research sponsored by Standard Chartered Bank indicated that in Peru, distance from a financial institution, a particular problem in rural areas, was perceived as a barrier, with women citing it more frequently than men: 28% and 18.7% respectively. The research also indicates that, in Peru, traditionally vulnerable groups such as women and rural populations are less likely to use the formal financial system.

Lack of formal identification: Women are less likely than men to have formal identification.
Limited ownership of mobile phones and SIM cards: Today, 1.2 billion women in low- and middle-income countries own mobile phones out of a total 2.9 billion phone owners (41%).21 Shared usage of mobile phones is also extremely common, including borrowed phones and phones with multiple SIM cards.

Supply-Side Barriers
―Increasing women‘s financial inclusion entails changing women‘s behavior and habits as consumers. Policymakers should notice that educating women and increasing their financial literacy, bringing them into the financial system will have positive repercussions for the nation.‖

Lack of gender-disaggregated data: Financial institutions lack credible and objective gender disaggregated data. Without the data, financial institutions cannot demonstrate the business case for serving low-income women or have a clear understanding of the female market. Financial institutions are not prepared to develop products for low-income segments due to a lack of information about women‘s financial needs and financial behavior.

Risk aversion of banks: Banks are averse to lending to clients without traditional collateral, which women often lack. They are particularly risk-averse to lending to those in the SME and agricultural finance sectors, segments with large percentages of women.

Financial institutions speak a complicated language: This makes it more difficult for women to access products and services, as they are more likely to have low levels of financial education and financial literacy.

Service delivery is not adapted to women: Biases against female customers are common among loan officers, and bank branches are often not a welcoming environment for women. Women report feeling uncomfortable and that they do not belong. Banks also have limited opening hours and customer outreach does not take women‘s needs into account.

Regulatory and Infrastructure Barriers
―The provision of financial services should be tailored to all niche groups, including women, within the financial sector. In this case, appropriate policy, legal and regulatory and supervisory frameworks should be developed and employed to encourage innovation in the provision for financial services.‖
Digital financial services and distribution channels: Digital financial services (DFS) are an effective channel to reach low-income women given their preference for confidentiality, security and privacy. Regulatory authorities are actively engaged in developing a regulatory framework for DFS and distribution channels, but this has been a challenge since innovation has been outpacing regulation. An enabling interoperability environment must eventually be created for DFS to be an effective channel for women.

Know your customer (KYC) regimes: Most financial institutions are required to follow traditional KYC regimes that require identification and documentation to open accounts, which women in particular do not possess. Acceptance of discriminatory laws: Women‘s access to financial services is limited when laws disproportionately favor men, such as inheritance and family laws.

Collateral requirements and collateral registries: While limited progress is being made, regulations on collateral requirements and the absence of registries are still a key constraint for women, given the structure of ownership of women‘s assets. Credit bureaus: In many developing countries, credit bureaus are uncommon. Where they do exist, financial service providers do not tend to share gender disaggregated information with one another.
Societal Barriers

―It is important to build up a proper understanding of the barriers that women continue to face in accessing financial services or how they could achieve maximum benefit from them. This can be determined by actively studying women‘s financial needs and behavior compared to men‘s and the various contexts that affect this behavior: culture, religion, social dynamics.‖

Societal constraints codified into law: In a study entitled Women, Business and the Law: Removing Barriers to Economic Inclusion, the World Bank and International Finance Corporation found that21outof28countriesinSub-SaharanAfricadidnotgrant―equalcapacityunderthelawtowomen and men.‖ The study also revealed that married women have more legal restrictions than unmarried women. In terms of social norms codified into law, in many countries family law puts constraints on women regarding their right to work, sign contracts, open bank accounts and hold assets in their own names. Several interviewees noted a lack of ―political will‖ to address gender equality and almost all interviewees referenced these barriers as constraints to both the demand and supply sides of financial services delivery.

Internal societal constraints: Women have an abundance of family responsibilities, limited free time, lack of mobility, lower levels of education and precarious health situations (including maternity- related risks and women placing their own health needs after others).

Despite women‘s vibrant participation in society and their accomplishments, women in general lack decision-making power and confidence, and are impacted by both societal constraints and the demand and supply-side barriers identified above.
Promising Areas For Women‘s Financial Inclusion

Despite the barriers, there are opportunities to increase financial inclusion that alter, in women‘s favor, the rapidly changing landscape of financial products and service delivery. These require the right policy, legal and regulatory environment. Two market opportunities are explored here.

1. The digitization of financial products and delivery channels has the potential to greatly advance women‘s financial inclusion; this development brings risks and challenges that need to be addressed through policy. The digitization of financial products and services and delivery channels (mobile telephony and mobile transfers through mobile phones, e-money and agent banking) is still in early stages in some regions of the world and is taking off rapidly in others, such as Sub-Saharan Africa. The potential is vast, yet unrealized. Digital financial services represent a huge opportunity to expand financial inclusion for everyone, including women, and savings products can provide flexible, comprehensive coverage of women‘s financial needs, in amounts and timing that matches their ability to save. There is optimism that with the proper safeguards digitization holds tremendous potential for women: breaking down cultural barriers, addressing mobility constraints and providing the privacy women want ,and ultimately shifting economic and social power. Digital financial services are particularly relevant to women for three main reasons. First, they offer more confidentiality than traditional service providers. Evidence suggests that women especially value confidentiality, since it enables them to shield funds from community members and sometimes even their family. Second, women tend to earn and transact in smaller amounts than men. Digital financial services make it more viable for providers to offer products that accommodate this behavior. Third, women are less likely to own collateral than men and digital financial services enable them to build alternative risk assessments through their transaction history. To realize the potential of digital financial services, a number of factors need to be kept in mind: simplified and tiered KYC requirements make SIM registration and phone ownership easier for customers and create an enabling environment for low-income women to access financial services. In addition, marketing and communication channels should be more sensitive to female consumers to enhance women‘s awareness. High levels of interoperability among Telco‘s and within banks are very important elements of successful digital ecosystems because they enable not only a critical mass of users, but also a significant volume of digital transactions. A number of other conditions need to be in place to ensure the experience works for women: easy-to-use customer interfaces, reliable networks and services ; data protection, banking secrecy and confidentiality ; and financial capability and financial consumer protection, all underpinned by an appropriate regulatory framework.

2. New products, product bundling and client outreach are being designed in ways that promote women‘s financial inclusion. Financial services providers are regularly introducing new products, including credit via mobile banking, targeted insurance products, demand-oriented savings products, pension schemes, leasing arrangements, agricultural value chain financing, land acquisition loans, low-value equity investment models and other asset-building products,26 with deal flow and relationship support. Product bundling for clients is necessary to build the business case. Financial institutions are finding new ways to reach out to women via targeted marketing, branding and financial education. They begin by conducting country-specific market analysis, using market research and segmentation to understand client needs and priorities in theirrespective
socio-economic and cultural settings.

Financial institutions are moving into new areas of product development based on lessons from behavioral economics— that is, what people actually do and not do. These lessons have led to finding new ways to reach out to women, developing new products (such as commitment savings), and fine- tuning financial consumer protection measures based on a better understanding of the risks customers face and their ability to mitigate risks. Small changes in policy and product design can have disproportionate and extremely positive impacts on women‘s financial inclusion. New data analytics provide another opportunity to enhance product development. As women often lack credit history, credit risk and collateral issues can be addressed by using data from other transactions, such as cell phone usage and utility payments, replacing the use of financial transactional history to assess risk and even replace collateral requirements. Standardized measures such as credit scoring can help assess and mitigate risk and should be supplemented with analysis of formal and informal datasources.

Final Considerations

Across the board, there appears to be room for changes in both international and national policy frameworks to close the financial inclusion gender gap. Many stakeholders believe now is the time to make this happen.

[1] Authorities in many countries are investing more in gender-disaggregated data collection and research, with a significant number collecting gender disaggregateddata.

[2] Countries are working to reform legal and regulatory frameworks, creating space for innovation to allow greater financial inclusion for women. In most cases, these reforms are not explicitly tied to the goal of increasing women‘s financial inclusion, but do advance thecause.

[3] Likewise, countries are making progress in the development of related financial infrastructure, for example, establishing movable collateral registries and developing payments systems that allow digital financial services toexpand.

[4] In many countries, more attention has been placed on financial consumer protection regulation, which addresses the concerns and issues of womenclients.

[5] Likewise, financial education and financial literacy programs for women have received considerably more attention in recentyears.

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