



**POLICY BRIEF:  
ADVANCING AFRICAN  
WOMEN'S FINANCIAL  
INCLUSION**



On behalf of

**BMZ**



Federal Ministry  
for Economic Cooperation  
and Development



10000

BANK OF UGANDA

2000

BANK OF UGANDA 5000

BANK OF UGANDA 1000

ONE THOUSAND  
SHILINGI  
SHILINGI MU MOJA

10001

BANQUE CENTRALE

MAKURATI MBILI

20 F



D  
85

ONE THOUSAND NAIRA



OPERATIONS

1000

CB2199214

01534756



500

500

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## ABBREVIATIONS

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|                    |                                                                            |
|--------------------|----------------------------------------------------------------------------|
| <b>aBi Trust</b>   | Agribusiness Initiative Trust                                              |
| <b>AFAB</b>        | Association of Women Entrepreneurs of Burundi                              |
| <b>AMFIU</b>       | Association of Microfinance in Uganda                                      |
| <b>AML</b>         | Anti-Money Laundering                                                      |
| <b>ATM</b>         | Automated teller machine                                                   |
| <b>BCEAO</b>       | Banque Centrale des Etats de l’Afrique de l’Ouest                          |
| <b>BMZ</b>         | Federal Ministry for Economic Cooperation and Development                  |
| <b>CECM</b>        | Caisse Coopérative d’Epargne et de Crédit Mutuel                           |
| <b>CEDAW</b>       | Convention on the Elimination of all Forms of Discrimination against Women |
| <b>CEO</b>         | Chief Executive Officer                                                    |
| <b>CFT</b>         | Combating the Financing of Terrorism                                       |
| <b>CGAP</b>        | Consultative Group to Assist the Poor                                      |
| <b>CSFI</b>        | Center for the Study of Financial Innovation                               |
| <b>CUA</b>         | Cooperative Credit Unions Association                                      |
| <b>DFID</b>        | UK Department for International Development                                |
| <b>EAC</b>         | East Africa Community                                                      |
| <b>ECOWAS</b>      | Economic Community of West African States                                  |
| <b>FAMOS</b>       | Female and Male Operated Small Enterprises                                 |
| <b>FCB Capital</b> | First Community Bank                                                       |
| <b>FEWA</b>        | Federation of Women Entrepreneur Associations                              |
| <b>FIAS</b>        | Foreign Investment Advisory Service                                        |
| <b>FSD</b>         | Financial Sector Deepening                                                 |
| <b>GIZ</b>         | Gesellschaft für Internationale Zusammenarbeit                             |
| <b>GPFI</b>        | Global Partnership for Financial Inclusion                                 |
| <b>GSMA</b>        | Global System for Mobile Communications Association                        |
| <b>GTZ</b>         | Gesellschaft für Technische Zusammenarbeit                                 |
| <b>ICT</b>         | Information Communication Technology                                       |
| <b>IFAD</b>        | International Fund for Agricultural Development                            |
| <b>IFC</b>         | International Finance Corporation                                          |
| <b>ILO</b>         | International Labour Organization                                          |
| <b>KfW</b>         | Kreditanstalt für Wiederaufbau                                             |

|              |                                                              |
|--------------|--------------------------------------------------------------|
| <b>KWFT</b>  | Kenya Women Finance Trust                                    |
| <b>KYC</b>   | Know Your Customer                                           |
| <b>MFI</b>   | Microfinance Institution                                     |
| <b>MFW4A</b> | Making Finance Work for Africa                               |
| <b>MSME</b>  | Micro, Small and Medium Enterprise                           |
| <b>NFNV</b>  | New Faces New Voices                                         |
| <b>NGO</b>   | Non-Governmental Organization                                |
| <b>OECD</b>  | Organisation for Economic Cooperation and Development        |
| <b>OQSF</b>  | Observatoire de la Qualité des Services Financiers           |
| <b>ROSCA</b> | Rotating Savings and Credit Associations                     |
| <b>SACCO</b> | Savings and Credit Cooperative Organizations                 |
| <b>SADC</b>  | Southern African Development Community                       |
| <b>SME</b>   | Small and Medium Enterprise                                  |
| <b>SPEED</b> | Support Programme for Enterprise Empowerment and Development |
| <b>UNCDF</b> | United Nations Capital Development Fund                      |
| <b>WEDI</b>  | Women's Enterprise Development Initiative                    |
| <b>WWB</b>   | Women's World Banking                                        |



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## FOREWORD

Women's financial inclusion yields significant development impact such as more inclusive and sustainable growth through higher levels of productive investment and asset accumulation. At the household level, women are the primary financial managers in most families, ensuring intra-household resource allocation to meet ongoing basic needs and additionally saving to invest in and protect their families' future.

However, on the African continent, characterized by a low level of financial inclusion overall, the lack of access to financial services for women is acute when compared to that of men.

What can policy makers, namely Government entities, central banks and other regulatory authorities, do to promote women's financial inclusion? This Policy Brief lays out a set of recommendations designed to tackle this issue. In many cases, they are not gender-specific, but focus rather on measures that can remove various impediments that hinder women's access to finance and to opening doors where women are more likely to benefit from greater opportunities.

Alongside these financial sector specific recommendations, not to be neglected are broader policy and legal reforms, as well as cultural changes that will improve women's access to, and use of, financial services.

The preparatory work for this brief was carried out under the auspices of Making Finance Work for Africa, New Faces New Voices, the East Africa Community and GIZ on behalf of BMZ. The brief was built upon consultations with African stakeholders and development partners initiated during the Round Table held in Arusha, Tanzania, on April 16-17, 2012. This process provided the opportunity to identify women's financial needs, explore constraints and frame the set of policy recommendations.

We encourage stakeholders interested in pursuing the development objective of increasing African women's financial inclusion to explore and leverage potential policy options discussed in this brief. Gender issues deserve greater attention in the African policy sphere and have the potential to fast track economic development on the continent.

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## SUMMARY OF POLICY RECOMMENDATIONS

- » Build the awareness of policy makers and other stakeholders with regard to the financial needs of women in different market segments, bringing women leaders into policy dialogue.
- » Modify and adjust legal, regulatory and supervisory frameworks, removing impediments and allowing space for innovation to allow greater financial inclusion for African women; inform and build awareness where discriminatory legal provisions have been removed.
  - Remove discriminatory legal provisions that impede women's financial inclusion, notably with regard to land ownership and property rights.
  - Allow and expand regulatory space for innovation that supports women's financial inclusion; modify legislation to allow new product development and new distribution channels, including branchless banking.
  - Introduce regulations allowing for alternative collateral and for leasing, overcoming women's constraints of limited asset accumulation.
  - Reform the legal and regulatory framework for insurance to allow for greater development of gender-sensitive products.
- » Refine and strengthen financial consumer protection regulation that addresses the concerns and issues of women clients, balancing protection with expansion of outreach.
- » Invest in financial capability programs for women, reinforcing the ability of African women to act as informed and educated financial consumers.
- » Invest in more extensive gender-disaggregated data collection and analysis for use by multiple stakeholders; conduct policy research and market research to fill knowledge and information gaps, using a gender lens.
  - Recognize the value of data to women and men as customers, to financial institutions and to governments, central banks and regulatory and supervisory authorities.
  - Invest in policy research to underpin gender-sensitive policy development.
- » Support the development of financial infrastructure as a public good, with awareness of what is most likely to support women's financial inclusion.
  - Expand the coverage of credit reference bureaus to share information among financial service providers; broaden participation in information sharing.
  - Invest in mobile / information communication technology (ICT) infrastructure to support the development of financial products and services of particular interest to women.
- » Harness the force of women's leadership to promote policy change, stronger governance and sounder management of financial institutions.
  - Encourage the establishment and the strengthening of associations and networks for women.
  - Promote and support women's leadership and women's leadership training.
- » Expand financing for women-led SME's and for smallholder women farmers; support alternative financing windows, with careful attribution of roles of government and the private sector.





## INTRODUCTION

Increasing the access of African women to a range of financial services is a consideration of significant importance in the African development agenda. Given the development impact in terms of expansion of economic assets at the household and enterprise levels and increased household wellbeing, the case for promoting African women's financial inclusion is strong. Women's greater usage of finance yields broad development impact and development prospects, including more inclusive growth, through higher levels of productive investment and asset accumulation. At the household level, women are the primary financial managers in most families, saving to invest in and protect their families and their children's future, stretching meagre and irregular incomes to meet daily needs and to budget over the long-term for life's unexpected occurrences. Yet today, African women in both Sub-Saharan Africa and North Africa experience a disproportionate lack of access to financial services relative to African men and relative to women worldwide.

This policy brief offers to African policy makers (governments, central banks, regulatory and supervisory authorities) and other stakeholders involved in the policy making process (networks, associations and other civil society organizations, as well as donor agencies) a set of high priority policy recommendations designed to advance African women's financial inclusion. While recognizing that broad societal and economic change is fundamental to empowering women to engage fully in society and in the economy, this brief focuses on policies related to financial sector development that fosters women's access to finance, itself a sound development proposition.

*Advancing African Women's Financial Inclusion* calls for looking broadly across financial markets and across client segments and looking at the full range of products that can be delivered by sound, responsible and effective financial service providers. In examining the access issues for African women and the corresponding policy responses, both demand side (client) and supply side (financial institution) dimensions are addressed, as both dimensions require policy support to strengthen access. Among the wide variety of market segments, women-owned micro-, small and medium enterprises (MSMEs) and female smallholder farmers are of particular concern, given the current gaps between demand and usage.

Putting an accent on greater financial inclusion of women takes place in relation to broader commitments to increase

women's rights and opportunities. Nearly all African countries have committed to increasing women's rights and opportunities by signing international and Africa-wide regional commitments and protocols that recognize the correlation between gender issues and sustainable economic development. These include, amongst others<sup>1</sup>, the Convention on the Elimination of all Forms of Discrimination against Women CEDAW (1979) (ratified by nearly all African countries), and protocols specific to the Africa region, such as the Maputo Protocol to the African Charter on Human and People's Rights on the Rights of Women in Africa (2003), and African Union's and Gender Policy (2009).<sup>2</sup> The objective of increasing women's opportunities is also contained in numerous sub-regional policies and initiatives.<sup>3</sup>

Attention at the international level to women's access to finance has been further increased through the G20 commitment to financial inclusion and through the choice of gender equality and development as the theme of the 2012 World Development Report. In the context of the G20 focus on financial inclusion, the G20/Global Partnership for Financial Inclusion (GPI) has put forth a set of policy recommendations addressing challenges faced by women entrepreneurs including financial models geared to their needs (GPI, 2011). The World Bank's World Development Report 2012, entitled "Gender Equality and Development" (World Bank, 2011) explores gender differentiation and access to credit and how gender differences can be mitigated through policy reform.

This policy brief is underpinned by a multi-stakeholder process of identifying the particular demand-side and supply-side constraints to financial access that African women face and the evolving opportunities available to them to expand access to finance, bringing together central bankers, representatives of government ministries, leaders of financial institutions, academic and research bodies, women's networks and association, civil society groups and representatives of donor agencies. A high point in this process was the April 2012 Making Finance Work for Africa (MFW4A) "Round Table on Women and Access to Finance in Africa" in Arusha, Tanzania, which was co-organized by the East African Community, the Pan-African network New Faces New Voices and GIZ on behalf of BMZ. Further dialogue and consultations are planned to bring the Africa-wide perspective in this brief to the sub-regional levels.

1 - Agenda for Action (2008), Doha Declaration on Financing for Development (2008), 4th High Level Forum on Aid Effectiveness (2011).

2 - As well the Solemn Declaration on Gender Equality in Africa (2004), and the African Union's Protocol on the Rights of Women in Africa (in force 2005).

3 - Such as the EAC Gender and Community Development Strategic Plan 2009 – 2014, the SADC Protocol on Gender and Development (2008) and the ECOWAS Gender Policy (2004).



## BOX 1. ACCESS TO FINANCE FOR AFRICAN WOMEN: DEVELOPING A COMMON LANGUAGE

The focus in this brief is on financial inclusion for women in Africa (Sub-Saharan Africa and North Africa), highlighting and articulating the low level of access in Africa overall and the gap in access between women and men, as well as the distinct issues that women face, while recognizing also the particularly positive development that women's access levels have been improving. While the focus is on women, it is recognized that **positive impact of financial inclusion on women has also a positive spill over effect on men, on the entire household** as well as developments on the local community.

In the context of this brief, "women's financial inclusion" is a state in which women, as individual, members of households and entrepreneurs, have access to the full range of financial products and services from convenient responsible formal service providers, offered effectively, responsibly and sustainably and at a reasonable cost to clients. As the current reality is that informal financial services are of great importance to women in Africa, greater than formal financial services, they are taken into account in the underlying analysis. Formal financial services are however generally seen as the better proposition for clients over informal finance in terms of efficiency, sustainability and reliability; the policy recommendations address formal financial services, where governments and regulatory and supervisory agencies can have a positive impact. What is critical here is choice, i.e. having the options of accessing formal financial services. The range of financial services covered is broad: savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers, international remittances and equity (investment) finance.

## CONTEXT – WHAT THE AVAILABLE DATA SHOW

Available data show a low level of access to financial services for both women and men across Africa. Within this regional context, men's access and usage is consistently ahead of that of women, although less dramatically so in Sub-Saharan Africa than in North Africa, where the gender gap is greater.<sup>4</sup>

### Sub-Saharan Africa

- Women lag behind men in holding accounts at formal financial institutions. Overall, only 21.5% of women in Sub-Saharan Africa held accounts at formal financial institutions, compared to 26.5% of men in the region.
- Savings rates show a significant gender gap: 42.9% of men saved during the preceding 12 months, compared to 37.6% of women.<sup>5</sup> Saving for emergencies, by both men and women, was the first reason cited (33.7% and 29% respectively), ahead of saving for future expenses (27.9% and 24.1% respectively). An important consideration here is that women are saving at higher rates at informal institutions than at formal institutions, meaning that their savings rates are actually higher and that there is more opportunity to shift savings to formal institutions.
- The percentage of Sub-Saharan Africans taking a loan from a formal financial institution was only 5.2% for men and 4.3% for women, with loans coming primarily from "family or friends": 48.3% for men and 45.3% for women.
- The extent of purchases of insurance policies was very limited for both men and women, with the most striking difference registered for agricultural insurance (11.2% of men and 6.2% of women paid for crop, rainfall or livestock insurance in the previous 12 months).
- In terms of mobile money transactions in Sub-Saharan Africa, receiving money is the most often cited use, with 15.5% of men receiving funds via mobile phones as compared to 13.6% of women.

4 - [http://data.worldbank.org/data-catalog/financial\\_inclusion](http://data.worldbank.org/data-catalog/financial_inclusion)

5 - The gap is assumed to be explained in part by the proportionately greater use of informal financial services by women, not captured in the Global Findex data.

### North Africa

■ The 2011 Global Findex data on four North African countries (Algeria, Egypt, Morocco and Tunisia) provide a picture of wide differences in financial inclusion and, within all four countries, far greater gender disparity in access to finance than in Sub-Saharan Africa, with the determining factors for this disparity being business practices as well as the regulatory environment.

■ In the four countries, the percentage of women with bank accounts at formal financial institutions is consistently half that of men, ranging from 6.5% (women) and 12.8% (men) in Egypt and 26.7% (women) and 52.0% (men) in Morocco.

■ Loans are sourced primarily from family and friends, with varying gender disparity. In Morocco, 39.2% of women took loans from family or friends, whereas the corresponding figure for men was 42.6%.

■ Access to bank credit does not meet demand. 47% of Tunisian women have some bank credit, but 76% of those who sought additional financing in the past year were not successful in borrowing, the main constraints being high interest rates and lack of collateral (GPFI, 2011).

■ In the four North African countries, men are significantly more likely to save, with the least gender disparity in Tunisia and the highest in Egypt, where men are twice as likely to save. Both Egyptian men and women are the least likely to save in the region, in comparison with the other three countries.

■ North Africans rely heavily on transacting with “bricks and mortar” bank branches, with limited use of bank agents and mobile phones for financial transactions. Where mobile phones are used to pay bills, send money and receive money, men’s usage exceeds women’s usage less significantly than for other financial services.<sup>6</sup>

## WHAT DO AFRICAN WOMEN WANT IN TERMS OF FINANCE?

African women represent a highly diverse group of users and potential users of financial services, reflecting different cultural settings, different income levels, different age groups, different civil status and different roles in the economy and society. Women and men engage in different economic activities due to social roles, for example different roles along an agricultural value chain; this affects women’s demand for different financial products and services corresponding to their specific needs in relation to the niches where they are economically active.

To meet the specific challenges that they face, African women need a wide range of financial services, and in particular to finance that is tailored to better suit their specific needs.<sup>7</sup> They require finance at the household level, to protect and to plan to ensure the wellbeing of their families (generally the responsibility of women) and at the enterprise level (including agriculture), to invest profits in ways that impact positively their families and communities.

As well as demonstrating solid repayment behaviour as borrowers, African women have a solid track record as **savers**, often through informal institutions

such as unregulated Savings and Credit Cooperative Organizations (SACCOs) and Rotating Savings and Credit Associations (ROSCAs), rather than formal financial institutions. They seek safe, convenient and confidential ways to save small amounts. Women are more concerned with security and convenience of deposits and withdrawals than with interest income. This supports their role of managers of household budgets and their use of savings as part of their risk management strategies. Beyond the in-and-out short-term savings, there is expanding interest in programmed (commitment) savings to work toward a specific goal, such as children’s education. This calls for products that allow for **regular savings of small amounts**.

Most women are forced to grow their businesses using little or no formal credit facilities. The dependency on personal assets and informal sources of capital limit the amount of financing available. Most businesses remain informal and in low-value areas – with not enough emphasis on **financial products and services to help expand business** from micro to small to medium to large size. Informal sources of credit are not sufficient to bring them into the SME range (IFC, 2007 and FIAS/IFC, 2005). Women as well as men require financing for scaling up

6 - Algeria has the highest use of mobile phones by far, with 37.3% of women and 40.8% of men using mobile phones to receive money.

7 - Financial diaries in South Africa show that households used, on average, 17 different financial instruments over the course of a year. An average household portfolio has four savings instruments, two insurance instruments and 11 credit instruments. The same average household portfolio would have about 30% formal financial instruments and 70% informal financial instruments. Contrary to expectations, rural households used just as many financial instruments as urban households (Centre for Social Science Research, [www.financialdiaries.com](http://www.financialdiaries.com)).



their businesses and they call for larger loans, for longer-term loans and for adjustments in the conditionality of loans, such as the use of alternative collateral. Women value bridge loans (short-term loans used until more permanent financing is secured) and flexible lines of credit.

Women have a pressing need for appropriate **means to manage risk**; given the higher levels of vulnerability they face (lower earnings than those of men, less ownership of assets and control of property and the responsibility of ensuring the welfare and security of their families). This calls for gender-sensitive **insurance products** that incorporate an understanding of the risks poor African women face and the influence that

household dynamics have on the ways that risks are managed (ILO, 2009), complementing savings as one component of risk management strategies.

**Convenience** is a driver of the usage of formal financial services and that is more important for women. Women's transactions are smaller and generally much more frequent than men's and women are more reliant on cash transfers, calling for delivery systems that facilitate access. Based on the experience of the use of a mobile van to deliver an array of financial services on a one stop basis, research in Malawi suggests that women value geographic convenience more than their male counterparts do (Stuart, Ferguson and Cohen, 2011).

## CONSTRAINTS: WHAT ARE THE MAIN CONSTRAINTS AND BARRIERS TO EXPANDING THE FINANCIAL INCLUSION OF AFRICAN WOMEN?

African women, and the financial institutions serving them, face a wide range of constraints that impede access to and usage of financial services. Their constraints are both specific to the financial sector and overarching, across economies and societies. The focus of this brief

is on constraints, opportunities and recommendations related specifically to the financial sector. At the same time, broader political and societal factors impact women's empowerment and gender equality and weigh heavily on their access to financial services.

### BOX 2. IMPORTANT OVERARCHING STRUCTURAL ISSUES INFLUENCING AFRICAN WOMEN'S ACCESS TO FINANCE<sup>8</sup>

- Culture, norms, belief systems, customary law
- Lower levels of education
- Lack of employment opportunities
- Lower income levels
- Precarious health situations
- Obstacles to access to land
- Intra-household resource conflicts
- Family responsibilities limiting women to family and household businesses
- Time constraints; mobility constraints
- Influence of and control by other family members of women-owned businesses
- Lack of "political will" regarding gender equality, equality in access to finance
- Overall, despite the vibrancy and accomplishments of African women, lack of decision-making power and self-esteem

The analysis of women's access constraints related to the financial sector reveals that they are numerous on

both the demand and supply sides.

8 - The policy brief does not attempt to cover these broad structural factors. However, each topic is very important. While this short presentation of these factors is insufficient, it is important to keep them in mind as broad factors affecting women's economic, social and political empowerment.

### *Demand side constraints limit African women's access to finance*

In Africa, as in other regions, many women lack the financial capability and confidence to manage their finances well, particularly with regard to formal financial services. Previously unserved or underserved clients, new to the financial system, are not always in a position to take advantage of opportunities in the realm of finance without exposing themselves to undue risk. Such risk is more likely to arise in markets where consumers have little experience of using financial products and services and therefore tend to be ill equipped to make sound choices among options proposed. African women have poor access to information and, given their vulnerability, are risk averse. Improved policy support for greater information flows and financial capability would enhance usage.

Limited by time available and by customs, women lack the mobility to interact with financial service providers and to invest in their economic activities. For example, they are more limited in time than men by their care and household responsibilities, carrying the double burden of income-generating activities and women's traditional family roles.

Women are in a weaker position to take on funding for their microenterprises and SMEs. They have difficulty providing immovable collateral, given existing land and property rights and cultural rules that discriminate against women in terms of access to property. Lack of sufficient assets that can be accepted as collateral is considered a key obstacle in North Africa for accessing finance (OECD, 2011). A further constraint specific to women-led SMEs is the lack of ability to put forth strong enough credit applications to banks and to explain and defend the proposals.

In Sub-Saharan Africa, the group that faces the greatest challenges are rural women, who make up a majority of the lower income categories, with the lowest levels of income and education; the highest rates of illiteracy and maternal mortality in the overall Sub-Saharan Africa population (WWB, 2011). Women's very limited access to land constrains their ability to invest in agricultural production and to provide collateral for loans.

### *Supply side constraints limit the outreach of financial institutions*

Of the constraints from the perspective of financial institutions, a number are of particular relevance to African women. Service delivery is not adapted to women; bank branches are not an environment conducive to attracting low-income women client. Limited physical outreach of financial institutions and their limited opening hours are particularly constraining for women, as they are less mobile.

With many financial institutions not perceiving the demand for gender-tailored products and African women's credit worthiness, women are not prioritized as a business segment; there is a lack of readiness on the part of financial institutions to target marketing messages accordingly. Product features may not meet women's requirements in relation to the growth of their businesses and the management of their household's finances (e.g. loan terms, savings conditions). Risk aversion on the part of financial institutions leads to offering products with reduced risk (e.g. lower maturity investment loans). SME finance and agricultural finance for women suffer disproportionately from these constraints.

Financial institutions lack credible and objective information on women clients and their potential, both on women's needs and their performance as borrowers. Insufficient gender-disaggregated data limits market information on what women want and need. Without performance data, there is no evidence to (most likely) disprove the perception of credit unworthiness. In terms of lending to SMEs, the barriers differ in terms of level and magnitude. Commercial banks have specific collateral requirements, often being more restrictive than the actual regulations in force. Their knowledge needs are different and they do not necessarily relax them for SMEs. Banks are not able to rethink evaluation methods and risk analysis to accommodate the specificity of the women-led SME segment.

Current financial infrastructure does not provide adequate access to an effective retail payments infrastructure (including access to mobile phones). In only a few countries, financial institutions report gender-disaggregated data to a credit bureau.

There are few women in senior management positions and on boards in financial institutions able to put into effect the changes required to adjust and expand existing financial products, services and delivery methodologies to meet the needs and concerns of women. Leadership development provided in or by microfinance institutions is scarce and there is a clear gap within the sector. As a result, leadership and management quality is identified as one of the top

three risks in 2012 for the microfinance industry and many CEOs and senior leaders report receiving little or no formal management or leadership training.<sup>9</sup> MFIs rarely explicitly, or even implicitly, support the level of gender diversity that is required to ensure a pipeline of women leaders and this has led to the trend of decreasing representation of women, as a percentage of both client base and leadership positions.

## OPPORTUNITIES – MARKET LEVEL INITIATIVES THAT SIGNIFICANTLY INCREASE ACCESS TO FINANCIAL SERVICES BY AFRICAN WOMEN

Despite the numerous constraints, there are many opportunities to advance women's financial inclusion, through both "conventional" finance and finance specifically focused on women. Financial institutions and other market players are increasingly aware that women offer great business potential and they have an interest in better serving this client segment.

A number of key opportunities show us what is possible and enabling factors identified help us to see how governments, central banks and regulators can help realize the opportunities through a more conducive policy environment.

In terms of the delivery of financial services for women, there are promising innovations, such as products that fit women's needs and are appropriately segmented for markets serving African women, aligned with women's life cycle requirements, e.g. staircase products that allow women to access more sophisticated larger volume products as their businesses grow (such as Kenya-based Equity Bank's Fanikisha line of step-by-step credit products for businesses<sup>10</sup>) and insurance products that extend coverage to the whole family or that cover specifically children's needs.

Other innovative products include demand-oriented savings products that target the specific needs of

women (but also of men): programmed savings, such as school fee savings in Uganda and commitment savings accounts for small holder farmers in Malawi, bundled products, leasing arrangements and microinsurance (such as savings life products to cover education). In support of productive activities, innovations include agricultural value chain finance, land acquisition loans and low value equity investment models with deal flow and relationship support.

New delivery channels that allow "time poor" African women easier access to financial services are developed through the use of technologies (mobile telephony, mobile transfers, including use of mobile phone and e-money and agent banking). In the words of one African financial sector leader, "technology is a critical enabler in our part of the world. Because of technology, the game has changed".

Balancing the benefits offered by innovation with the necessary risk mitigation for both, financial institutions and their clients, a willingness to support innovation in favour of access to finance for African women can be effectively backed and supported by a conducive policy environment. Part II of this brief outlines eight policy recommendations of particular relevance to African women, which address the constraints and opportunities outlined above.

## POLICY RECOMMENDATIONS TO ADVANCE AFRICAN WOMEN'S FINANCIAL INCLUSION

Financial inclusion policy environments in Africa are considered not yet gender-sensitive enough, with a corresponding limited gender-sensitivity on the part

of policy makers. At the same time, African women are increasingly represented at policy decision-making levels and have increasing participation in

9 - Perhaps most importantly, without gender-sensitive leadership and management in place, product innovation to reach and serve low-income women is not possible.

10 - [www.equitybank.co.ke](http://www.equitybank.co.ke)





policy formulation, with one sixth of the central bank governors and deputy governors being women; while numbers do not ensure a commitment to advancing gender issues, indications lead to believing that this is the case where women policy makers are in the lead.<sup>11</sup>

A series of legal and regulatory issues impede African women's access to finance. These issues touch upon areas that affect women more adversely than men: property rights, ownership rights, unequal laws and regulations, discriminatory provisions and even laws that may explicitly inhibit women's access to credit. In most countries, legal frameworks that support innovation are lacking, e.g. legal and regulatory frameworks for agency banking, mobile banking and gender-sensitive product development, such as leasing.

The following eight recommendations cover policy, legal, regulatory and supervisory dimensions, financial infrastructure and institutional support, where policy makers (governments, central banks, regulatory and supervisory authorities) and other stakeholders can introduce or support shifts in policy and supporting measures that are deemed to be the most powerful in view of increasing African women's financial inclusion. Each of the recommendations calls for careful analysis of country level setting and, from this, the development of the most effective policies in the individual country context. Given the importance of the broad societal and economic change that is fundamental to the economic empowerment of African women, the related higher-level policy considerations are identified separately (see box).

### BOX 3. BROADER "HIGHER LEVEL" POLICY CONSIDERATIONS, BEYOND THE FINANCIAL SECTOR

- Support the rule of law;
- Foster economic growth through sound macroeconomic policy, on the basis of which women will have better education, higher income levels, better employment opportunities, more opportunities to be financially included;
- Increase trust in institutions through insistence on sound governance, competent management and transparency;
- Educate women, as education for women is the key to making informed decisions and managing resources at their disposal;
- Address cultural challenges and traditional barriers such as gender stereotypes, engaging both men and women in a sensitive manner, either directly or indirectly instead of head on; and
- Work wherever possible through policy and through civil society organizations to change the way families operate, building healthier relationship dynamics.

Build the awareness of policy makers and other stakeholders with regard to the financial needs of women in different market segments, bringing women leaders into policy dialogue.

A preliminary (as well as on-going) step in policy change is building awareness on the part of policy makers, regulators and supervisors, governments and other stakeholders of the opportunities and challenges for access to finance for African women and what is called for in terms of policy change.

- Conduct country specific diagnostics and include gender dimensions in financial inclusion strategies, leading to building awareness of the importance of women's access to finance and to formulating the most effective policy measures.
- Involve women's networks and associations to participate in policy dialogue with policy makers, governments and central banks, encouraging more inclusive public-private sector dialogue processes.
- Develop case studies to show successful initiatives, analyse underlying policy challenges addressed, which serve to increase understanding.

11 - Furthermore, legal reforms that support gender equality and women's emancipation are on-going and while they are beyond the scope of this brief, they should be recognized.

At the regional level, a consultative process within the East Africa Community (EAC) in 2011 underscored that financing was one of the challenges facing women entrepreneurs and encouraged women's financial inclusion initiatives in all EAC Partner States through a range of institutions, such as the development of innovative products by banks.

- Identify and endorse a policy champion for fostering women's access to finance to better understand gender finance paradigms and encourage the adoption of effective policy measures.

High-level central bank officials, such as the Governor and Deputy Governor of the Bank of Zambia, have taken on women's access to finance as a policy concern. In the case of Zambia, this has resulted in a push for better gender-disaggregated data collection and Bank of Zambia engagement with financial institutions to encourage their own audits of gender differentiation in their financial products and services.

Part of the dialogue process entails monitoring the implementation of good policies, laws and regulations that include gender dimensions. There is evidence of poor or failed implementation of good policies, based on both a lack of willingness and a lack of capacity. This includes poor performance measurement and inadequate monitoring of policy implementation milestones. Capacity and willingness to implement reforms are key issues to be address in order to register progress. One step would be to conduct gender audits at central banks and commercial banks to assess the implementation of gender policies, strategies and programmes.

Modify and adjust legal, regulatory and supervisory frameworks, removing impediments and allowing space for innovation to allow greater financial inclusion for African women; inform and build awareness where discriminatory legal provisions have been removed.

A range of significant legal, regulatory and supervisory reforms are recommended to create a policy environment that is more conducive to women's financial inclusion.

*Remove discriminatory legal provisions that impede women's financial inclusion, notably with regard to land ownership and property rights.*

Existing provisions in financial sector or other legislation and regulations may be discriminatory; some may even explicitly prohibit women's access to credit. Legal constraints to equitable land ownership are particularly onerous.

Laws that ask for a male relative's signature when women would like to open a bank account or laws that even prohibit women from opening bank accounts are example of particularly restrictive measures.

In Swaziland, progress was made in eliminating discriminatory practices in the context of the establishment of a new constitution in 2006. Before the new constitution was adopted, Swazi women had the legal status of minors, and were unable to own property or open a bank account without the permission of their husband or a male relative.

Overall, African countries have made progress in putting into place legislation to ensure that women and men have equal ownership rights to property. Of the 38 Sub-Saharan and North African countries surveyed for the World Bank's Women, Business and the Law initiative, only four countries do not provide for equality in ownership rights (World Bank/ IFC, 2011).

Results of a study of 37 Sub-Saharan countries suggest that stronger property rights are linked, via their effect on financial deepening, to narrowing income inequality and reducing poverty. Another factor identified as triggering the same effects is wider access to creditor information (Singh and Huang 2011).

Strict know your customer (KYC) regulations impede women's access, as women are less likely to have identification card and other documentation such as utility bills. While international Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) standards call for national-level regulatory regimes to require adequate customer due diligence on new accounts, adjustments can be made to permit remote access opening of accounts (through agents, rather than visiting a bank branch) and to take into account the limited

formal documents available to low-income clients, women in particular, by accepting a broad range of identification documents and other reliable identifiers based on innovative IT solutions such as biometric data. Risk-based approaches<sup>12</sup> have been adopted in Angola, Cameroon, Côte d'Ivoire, Gabon, Ghana, South Africa and Zambia. In South Africa, the Reserve Bank permits remote account opening for certain types of accounts.

Access to land is very important for African women, not only due to its value for collateral, but also for its use as a productive asset. Despite progress in removing discriminatory legal provision in this area, ownership and property rights continue to disfavour women. In many African countries, women still cannot inherit land. Addressing this issue involves tackling the question of both custom and laws and regulations; consistent progress on the latter may help evolve the former. More equitable land ownership rights lead to the expansion of women's financial inclusion; these need to be implemented and cultural rules need to be addressed e.g. through awareness raising campaigns.

Strengthening women's land ownership rights entails removing restrictions on women's ability to own and inherit land and to control resources and reforming legal frameworks. This involves, for example, inheritance laws and land titling, where in the latter case mandatory joint land titling has served to make huge progress in African women's access to land.

Women in Rwanda are more likely to own property than in neighbouring countries and they are therefore able to provide the necessary loan collateral more easily; this is of course attributable at least in part to the predominant role women have had to assume following the genocide. Rwanda changed its marital and succession law in 1999, giving women property rights, including the right to inherit land from their parents. The Inheritance and Marital Property Law enshrines the principle of non-discrimination and overrides customs that exclude women from land ownership. The Organic Land Law, adopted in 2005, lays out the framework for land relations and stipulates that women and men have equal rights to land. These changes are likely associated with the lesser gender disparity in access to credit in Rwanda than in other African countries.

Work to evolve customary law alongside statutory law is also important. In Namibia, women and men have equal ownership rights over property. Changes have also been observed in customary inheritance practice: in the north-central Ondonga region, where women acquire land essentially through inheritance, inheritance customs were changed to favour young women rather than young men. This is significant as the number of young female-headed households is on the rise (BMZ/GTZ, 2012).

*Allow and expand regulatory space for innovation that supports women's financial inclusion; modify legislation to allow new product development and new distribution channels, including branchless banking.*

Regulators are called upon to take a proportionate approach to regulation, balancing prudential regulation with openness to innovation and new products and delivery channels based on an objective and thorough assessment of risks and benefits. This approach leads to a regulatory framework that doesn't stifle innovation.

One of the critical areas is that of permissible activities, i.e. types of products that are allowed, such as basic accounts,<sup>13</sup> savings products with new delivery channels, microinsurance products, leasing arrangements and youth-controlled accounts. The issue of permissible activities related to the legal framework for banking and for insurance products and for the interface between banking and insurance products, such as savings life products.

Product development can require the coordination of regulatory authorities to allow innovative products that blur the lines of responsibility between regulators. For example, a savings life bundled product can include the ability to achieve family asset building targets (via savings) and a cushion to be sure to protect the family (insurance and the possibility of an emergency loan); the separate banking regulators and insurance regulators need to agree to allow one client contact, segmented by products, and to coordinate the supervision conducted by the respective supervisory bodies.

12 - Where there are higher risks, countries require financial institutions to take enhanced measures to manage and mitigate these risks, and, correspondingly, where risks are lower, simplified measures may be permitted.

13 - A basic account is one with either no minimum balance or a very low minimum balance. Charges applicable to such accounts are low. Service available to such account is limited.

To allow basic payment services using electronic money, the BCEAO introduced in 2006 prudential regulations for the issuance of e-money, covering e-money issuers and distributors, allowing non-bank actors to issue electronic money. In the interest of pursuing its financial inclusion agenda, the BCEAO excluded small transactions from the regulatory parameters. With several years experience under this regulation, discussions are currently underway to simplify and relax some of the measures and to examine the question of why market players did not avail themselves of the exemption from the regulation for low-value transactions, which are particularly relevant for women. As policy makers gain experience with e-money regulations and adapt them based on initial experiences, men and women clients will have access to more and more appropriate mobile banking services.

Technology is rapidly transforming the financial inclusion paradigm. Policy, legal and regulatory frameworks for mobile banking (for both banks and telecommunication providers) and for agent banking can be conducive to women's access; this includes permitting the use of agents, applying a risk-based AML/CFT approach adapted to the realities of transactions conducted through remote agents, clarifying the boundaries among retail payments, e-money and other stored value instruments and bank deposits, creating a regulatory category for electronically stored value that allows nonbank participation, creating robust consumer protection mechanisms and considering the longer term goal of interoperability among systems.

Mobile Ventures Kenya launched an innovative pilot savings product delivered through the mobile channel ("Jipange KuSave"), demonstrating that the mobile channel can be used for a combined savings and loan product that are well suited to poor women. Kenya regulators have been shown to be comfortable to develop proportionate regulation for mobile banking; in this case, the pilot operation was allowed, but in the longer term a link with a regulated deposit-taking institution, such as an agent relationship, would be required. The challenge lies in creating a regulated mobile-oriented deposit-taking institution able to take the deposits within the Kenyan regulatory framework (CGAP/FSD Kenya, 2012).

African countries are putting into place legislation and regulations for mobile banking, allowing new modes of transactions for loan disbursement and repayments, savings, payments, transfers and microinsurance. This includes defining what is allowed and under what conditions, improved regulation of competition and interoperability and improved security for money transfers.

*Introduce regulations allowing for alternative collateral and for leasing, overcoming women's constraints of limited asset accumulation.*

One of the greatest challenges for women seeking to borrow is the provision of collateral, given the low level of asset accumulation. Collateral requirements are not suited to women's asset structure; women have relatively fewer fixed assets and more moveable assets, but collateral requirements look primarily for fixed assets (notably land). Discriminatory property rights limit ability to acquire land assets to use as collateral; many regimes perpetuate gender discrimination and disparities in access to land through marital regimes, laws and land titling.<sup>14</sup>

Allowing for alternative collateral expands lending opportunities. Alternative collateral includes social pressure (via group lending), guarantees, track record and for SMEs in particular, moveable assets, asset debentures and warehouse receipts. The development of a track record of repayment performance can serve to bolster the willingness of regulators to allow alternative forms of collateral, aware of the patterns of sound repayment.

The Banque Populaire du Rwanda offers SME loans covering 80% of a business project, the remaining 20% to be covered by owner's equity. Collateral for these loans may be in the form of movable or immovable assets, the assets acquired by the loan or joint guarantees for associations/cooperatives. These collateral options are made possible by the Rwandan legal framework that allows for a range of assets to be used as loan collateral, as well as by support from the Women Guarantee Fund established by the Government of Rwanda.

Equity Bank has introduced value chain finance collateralized by contracts. Purchase order finance loans provide 90-day working capital credit to farmers' organizations, thereby extending credit without requiring land as collateral. This is possible under the streamlined Kenyan legislation on collateral.

<sup>14</sup> - For example, under the Wills and Inheritance Act in Malawi, women and men do not have equal inheritance rights over moveable and immovable property. This is also the case under that Intestate Succession Act in Zambia.



Leasing arrangement can provide access to assets for women who are not in a position to provide the necessary collateral and are an alternative to providing the collateral necessary to borrow.

In November 2011, the Rwandan parliament passed a new leasing law designed to allow businesses to access assets without having to provide collateral, introducing greater efficiency in the leasing process and clarifying roles and responsibilities.

A leasing bill was passed in Tanzania in 2008, also designed to stimulate capital investment and access to finance. This legislation allows leasing arrangements that have proven to be useful to facilitate acquisition of assets. One such enterprise is SELFINA (Sero Lease and Finance Ltd.), which leases equipment on a financial basis (where the lessee has the right to ultimately own the assets) and buys women's equipment when they need liquidity, allowing them to keep the equipment on lease.

*Reform the legal and regulatory framework for insurance to allow for greater development of gender-sensitive products.*

Given the pressing need for African women to manage risks, it is of great value to support gender-sensitive insurance products through the development of a conducive, legal and regulatory environment. A number of policy measures serve to facilitate access to insurance by African women.

- Understand the existing and potential market of insurance for women through market analysis. This implies that regulators will need to consider both formal and informal providers and the formalization challenges entailed in market development.
- Provide space for market experimentation supportive of women's needs, such as alternative distribution channels, while monitoring the potentially higher risk and responding with appropriate policy statements and policy adjustments.
- Allow within the regulatory framework for insurance the integration of agricultural insurance with other financial services for men and women farmers, taking into consideration the need for coordination between the different regulatory/

supervisory authorities for banking and insurance.

- Ensure sound supervision across entities in rural areas offering insurance products, recognizing the challenges of supervising large numbers of small entities.

"mi-Life," available through MTN's Mobile Money platform in Ghana provides users with the opportunity to buy micro life insurance via their mobile phones, an important convenience for women. Users are able to initiate claims, queries and make premium payments using their handsets. This initiative was made possible through the willingness of Ghana's National Insurance Commission to allow this innovation, while ensuring at the same time that both the customer and insurer are adequately protected.

Refine and strengthen financial consumer protection regulation that addresses the concerns and issues of women clients, balancing protection with expansion of outreach.

Many African women are still on a steep learning curve with regard to the use of financial services and may be put at a disadvantage in terms of the ability to understand product offerings and their costs, to compare alternatives and to assess risk, due to lower levels of education and fewer experiences as actors in the economy. To protect African women as they increase their access to financial products and services, strengthening financial consumer protection involves the development of concrete requirements for financial service providers to disclose key information clearly, fairly and on a timely basis. This includes, among other things:

- Obliging lenders to calculate and disclose effective interest rates and the total cost of credit;
- Setting out key information about a contract in a short key facts document;
- Insisting upon fair and clear marketing materials;
- Prohibiting unfair, deceptive or aggressive business practices;
- Requiring financial service providers to act in customers' interest;



- Implementing clear procedures for receiving, investigating and resolving complaints, including a designated timeframe; and
- Ensuring the confidentiality, timeliness, correctness and completeness of information sent to credit bureaus.

Financial consumer protection for women and for men needs to be cost-effective and proportionate (with benefits outweighing costs). Measures are more likely to be implemented effectively if they are enforceable by regulators, e.g. if they are given effect through regulations or legislation or if they are set out in guidelines enforceable by regulators – rather than if they are incorporated into industry codes of conduct.

In countries where formal financial services are not widely used, such as many Sub-Saharan African countries, consumer protection regulation and supervision should be designed in ways that increase access to financial services and strengthen consumer trust in the formal financial system.

Senegal introduced in 2010 the “Observatoire de la Qualité des Services Financiers” (OQSF) to oversee, from the financial consumer protection perspective, the products and services of banks, insurance companies, the postal system and Decentralized Financial Systems in Senegal, including the establishment of a recourse mechanism. The challenge in its application is that the OQSF is still little known by poor clients, suggesting that an information campaign is an important aspect of putting into place financial consumer protection mechanisms (Holmes and Ndambu, 2011).

Financial consumer protection is the counterpart to greater flexibility in allowing innovation in financial services. For example, a more flexible approach to financial product design, bundling of products and services and distribution requires at the same time higher standards of disclosure and strong recourse mechanisms; this is the case in South Africa, where one agency, the National Credit Regulator is responsible for policy development, registration of industry participants and enforcement (through the investigation of complaints), education and research (World Bank, 2012a and MFW4A, GIZ and DIFD, 2010).

Financial consumer protection should be reinforced and integrated with other financial inclusion and financial capability policies (See Recommendation No. 6). Together, financial capability and financial consumer protection policies should form the foundation of any regulatory and supervisory framework for protecting consumers, particularly amid efforts to expand financial inclusion by reaching “unbanked” customers, exemplified by many African women.

**Invest in financial capability programs for women, reinforcing the ability of African women to act as informed and educated financial consumers.**

Addressing constraints on the demand side begins with reinforcing the ability of African women to act as informed and capable financial consumers. Whether backed by government or private sector/civil society, gender-responsive financial literacy and financial education programs that build awareness among clients (both women and men, with particular attention to youth) can lead to better capability for clients to access finance services and a stronger client base for financial institutions (thereby lowering risk). Financial education is a critical component of inclusive finance at the bottom of the pyramid.

Financial capability programs are increasingly taking place in multi-sector frameworks. Governments formulate financial capability policy and strategy, while encouraging private sector and civil society participation. Government involvement is based on the premise that higher financial capability can increase financial inclusion, increase savings levels, thereby stimulating the economy. Overall, the objective of confident, informed and empowered clients, whether women or men, involves the efforts of policy makers, public sector entities, education system, commercial providers and NGOs. Here again, data plays a role: Zambia's third Finscope survey (foreseen for late 2012), which will serve as a baseline survey for a National Strategy on Financial Education, is expected to increase focus on measures of financial capability (FinMark Trust, 2012).

### A number of measures offer promise:

- Identify a strong champion, for the promotion of financial literacy, such as at the central bank level, who can engage a broad range of partners, reinforcing the notion of responsible financial products and services and client financial capability. The anchor point of the “champion” will differ from country to country. In some cases, awareness building is an important first step to building a platform for advocacy.
- Design or modify financial literacy campaigns to better address the needs of both women and men, using a wide range of delivery channels, clear, simple and compelling methods and high quality, clear and engaging resources. Cover formal financial services in particular and, for women entrepreneurs, the skills they require to present and defend SME loan applications. Integrate personal finance and business training into schools curricula for both girls and boys.

The Financial Education Fund was launched in 2008 with funding from DFID and supported over a three year period innovative financial education initiatives in Africa, with girls and women as one of the target groups. Its challenge fund approach allowed the sharing of risk of innovative initiatives that would not otherwise have been undertaken by the private or public sectors. The cumulative experience led to informed recommendations for future innovation in financial education in Africa (DFID, 2012).

- Support gender-sensitive information campaigns about financial services, informing both men and women how services, such as insurance, work.

SPEED Ghana (Support Programme for Enterprise Empowerment and Development Ghana) targeted the informal sector, young people, women and women's groups with a focus on consumer protection and awareness, product uptake and improved product use. It is notable for its use of diverse yet complementary channels to reach its audience, e.g. road shows, theatre plays and radio campaigns.

- Launch media campaigns, such as the use of community radio stations. Media campaigns serve to inform not only customers, but also market players and policy makers. They can be developed on the initiative of governments or civil society organizations, including public-private partnerships

for financial education bringing together government and industry.

- Promote media campaigns in rural areas (such as radio shows, posters with comics in local language) to highlight female role models and address indirectly cultural issues, encouraging the reconsideration of gender stereotypes. To ensure successful outreach to women, include both financial services experts and gender experts in the design of these programs.

In its campaign to promote consumer protection and awareness, AMFIU, the microfinance industry organization in Uganda, employs a multi-pronged mass media campaign including radio, music, dance and drama, posters, flyers, picture cards, flip charts, consumer handbooks, newspapers, TV talk shows, publications and workshops.

- Promote financial literacy through existing television programs by partnering with media and financial institutions.

**Invest in more extensive gender-disaggregated data collection and analysis for use by multiple stakeholders; conduct policy research and market research to fill knowledge and information gaps, using a gender lens.**

*Recognize the value of data to women and men as customers, to financial institutions and to governments, central banks, and regulatory and supervisory authorities.*

Improved data collection, analysis and dissemination are of value to African women as customers, to African financial institutions as market players and to governments, central bankers and regulatory and supervisory agencies as policy makers and overseers of the financial sector. Investing in data collection not only provides more information, but also allows greater transparency and better performance tracking. The availability of gender-disaggregated statistics at many levels ultimately serves the goal of greater outreach of financial services to African women; this starts with the generation of solid data by financial services providers.

Initiatives such as FinScope surveys, which collect gender disaggregated data, have been adopted as important national tools for developing market knowledge, providing input to policy formulation, providing comprehensive demand and supply information and building local capacity for future studies and initiatives.<sup>15</sup>

Policy makers often need to be convinced of the importance of gathering gender disaggregated data on financial services for a better understanding of the market and of client performance. This information backs up the policy dialogue process and contributes to a better legal and regulatory framework.

Taking data collection a step further to increase knowledge on risk profiles and performance of women as clients, the Bank of Zambia has introduced reporting to regulators by financial service providers using the FAMOS Check Tool (through a strategic partnership among the Bank of Zambia/ILO/AfDB/NFNV); this guide aims to facilitate financial institutions and other institutions and agencies to have a fresh look – and a systematic assessment – of the extent to which they target and serve women entrepreneurs, women's needs and potentialities. Currently applied on the basis of moral suasion on the part of the regulatory authorities, it has the potential to become part of required reporting to the central bank alongside the reporting under the "traditional" prudential supervision.

Data initiatives that include performance measurement and monitoring of policy implementation milestones are of particular value.

*Invest in policy research to underpin gender-sensitive policy development.*

Beyond the question of needing more data for various purposes is the further step of conducting policy research to underpin policy development. Policy analysis highlighting the gender dimension in financial inclusion, supply side analysis (stocktaking of environment, financial institutions and products), scoping ("landscaping") studies (e.g. examining the informal sector or particular sub-sectors such as insurance) and surveys addressing both women and men to learn more about the difference in demand and usage of financial products all contribute to better

policy development. This also includes the analysis of market constraints, highlighting where constraints affect women disproportionately.

Reviews of international best practice (e.g. policies, laws and regulations, approaches to governance, financial literacy and education programs), taken on with attention to country and regional applicability, provide material of relevance to promoting financial inclusion for African women.

A number of research areas are of particular interest to women's access to finance in Africa, such as advancing understanding of African women's use of mobile phones, best practices in financial consumer protection, understanding financial behaviour through behavioural economics research, impact assessments and value chain analysis.

Research in the field of behavioural economics has provided valuable insights on the financial behaviour of customers that can improve the effectiveness of financial literacy programs, including a better understanding of the failure to save, of the reasons for financial decision-making and of degrees of willingness to plan for the future (World Bank, OECD, DFID, CGAP, 2009).

A forthcoming study sizes up the market for Islamic financial products and services for men and women in Morocco, exploring deeply the demand side of the market, enabling financial institutions to build appropriate business and product strategies for both men and women.

GSMA mWomen's<sup>16</sup> forthcoming study analyses the experiences of underserved women with mobile financial services in six countries, including three in Sub-Saharan Africa, and explores the drivers of women's demand for mobile financial services.

**Support the development of financial infrastructure as a public good, with awareness of what is most likely to support women's financial inclusion.**

15 - [www.finscope.co.za](http://www.finscope.co.za)

16 - The GSMA (Global System for Mobile Communications Association) Mobile Women Programme is a global public-private partnership between the worldwide mobile industry and the international development community, whose aim is to reduce the mobile phone gender gap by 50% by 2014. [www.mwomen.org](http://www.mwomen.org)



*Expand the coverage of credit reference bureaus to share information among financial service providers; broaden participation in information sharing.*

To help overcome collateral constraints, expanding the coverage of credit reference bureaus and collateral registries by requiring gender-disaggregated information on lending, gender-disaggregated performance information, and by covering lower loan amounts can enable greater access to credit, as women's needs for alternatives to traditional collateral is higher than men's. This includes various types of lenders, such as utility companies, telephone providers and retailers. Performance information on post paid services can help build the case for permitting alternative forms of collateral.

New credit bureaus in Ghana, Mauritania and Uganda have cut in half the minimum loan amount covered, which is in favour for women as they make use of smaller loans than men (Beck, 2011).

The credit bureau in Kenya covers banks, SACCOs, utility companies, and microfinance institutions, broadening the coverage of credit bureaus to financial institutions with relatively more women borrowers. In 2010, Kenya began to issue licenses for private credit bureaus.

*Invest in mobile / information communication technology (ICT) infrastructure to support the development of financial products and services of particular interest to women.*

Across the African continent, the mobile industry is booming. While data mobile lags behind voice mobile, the emergence of mobile money transfers and mobile banking puts Africa at the forefront of the global mobile industry. Expanded use of mobile money transfers and banking has been shown to lead to women's empowerment. More developed financial infrastructure and associated new delivery channels are important enabling factors: new technology, retail payment systems and transfers that work for women.

Limited spectrum and interoperability are barriers to further growth, a more important constraint than the regulatory environment (GSMA/A.T. Kearney, 2011). What governments can do is to establish guidelines for spectrum planning, licensing and pricing, enabling operators to invest within a transparent market context.

There are many opportunities to leverage new technologies to enhance payments system development in rural areas.

The e-zwich money transfer system in Ghana, serving smaller scale financial institutions, allows customers in rural areas to use biometric cards for payment operations, distributed for this purpose, thereby removing the need for IDs. While take-up was slow at the outset, use of the system has expanded rapidly in the past two years.

Kenya Women Finance Trust (KWFT) has joined the Kentswitch payments network (a shared financial switch that comprises of a consortium of more than 20 commercial banks in Kenya); KWFT clients are now able to access financial services through any of the 800 Kentswitch branded ATMs and merchant stores countrywide. KWFT will soon be installing its own ATMs.

**Harness the force of women's leadership to promote policy change, stronger governance and sounder management of financial institutions.**

*Encourage the establishment and strengthening of associations and networks for women.*

The force of women-led associations, networks and umbrella organizations can play a highly constructive role in policy advocacy, exchanges of best practice and research (including in cooperation with universities). They serve also to better negotiate in the interest of women and to highlight successful women as role models in the financial sector. Policy makers can encourage such associations through engaging with them to build awareness and to include them in policy dialogue.

New Faces New Voices (NFNV), a Pan-African advocacy group present in 15 African countries, actively engages key stakeholders in the financial sector in order to achieve its three main goals: (1) increasing women's access to finance and a variety of financial products; (2) building the capacity and skills of women as entrepreneurs and as financial industry executives; and (3) fast-tracking the

number of women in leadership positions in the financial sector. Its specific focus on the financial sector ensures that it is a competent partner in

financial sector policy dialogue. The founder of the initiative is Graça Machel, who serves across the continent as a powerful and articulate champion of the promotion of access to finance for African women.

The EAC launched the East African Women in Business Platform in May 2012. Aimed at promoting women's participation in the EAC trade and integration process, it is one initiative under the EAC's strategic plan on gender, which underlines the importance of women's access to finance.

*Promote and support women's leadership and women's leadership training.*

The presence of women in leadership positions strengthens responses to women's (and men's) demand for financial services. This includes women's participation in governance structures and management of financial institutions. In these instances, successful women attuned to gender issues not only bring about change, but serve also as role models. Lack of sound leadership has been identified as one of the top ten risks to the growth of the microfinance industry (CSFI, 2011). Promoting the principle of requirements for women's board membership and management, supporting mentorship programs, supporting a women-focused corporate culture, greater gender diversity in the workplace and a corporate culture that fosters gender equality all contribute to advancing women's financial inclusion.

Women's World Banking's (WWB) Center for Microfinance Leadership supports senior executives of microfinance institutions to face the demands of an increasingly complex environment, including through a program focused on Sub-Saharan Africa. Critical changes in the financial sector require that leaders have both new skill sets and on-going coaching support to effectively manage the immediate and long-term challenges of advancing women's access to finance. There also needs to be continued investment in developing women leaders in the microfinance sector, such as WWB's Women in Leadership Workshop that

specifically addresses the gender gap in leadership and management in microfinance. Such leadership programs can also be built into university curricula.

**Expand financing for women-led SME's and for smallholder women farmers; support alternative financing windows, with careful attribution of roles of government and the private sector.**

Financial institutions serving African women, serving the women-led SME sector in particular, lack financial resources for on-lending. The availability of credit lines provides businesses with support in early stages and with longer term funding. While care needs to be given to avoiding market distortions through subsidized schemes, carefully designed financing mechanisms can support sustainable market development.

Setting up special gender-focused financing windows begins with considering private sector and public sector roles. In any case, independent review mechanisms, which allow for change where such programs are not working, are important.

Careful program development includes market segmentation for funding, incorporating the needs of different SME clients and investing more in understanding the array of investment options available for funding SMEs (e.g. low value equity model vs. debt financing).

Case studies from the IFC's Women in Business Program show that well designed credit lines (avoiding market distortion) for on-lending to women entrepreneurs have encouraged financial institutions to look beyond the constraints to increasing women's financial inclusion, including traditional collateral requirements, lack of credit history and market information (IFC, 2008; IFC, 2008a; IFC, 2008b).

Nigeria's Access Bank has helped redefine the financial landscape for women in Nigeria when it started its women's program there in 2006. With the support of IFC financed lines of credit dedicated to finance women-owned businesses, the Bank opened 1,000 new accounts and disbursed \$16.6 million to women entrepreneurs



in one year alone (between 2006 and 2007), exploring non-traditional collateral options (such as jewellery and equipment), new product development and best practices from the Global Banking Alliance for Women.<sup>17</sup>

The Women's Enterprise Fund in Kenya is a semi-autonomous government agency established in 2007, to provide accessible and affordable credit to support women start and/or expand business for wealth and employment creation. The initiative has been able to remove the impediments to lending to women-led SMEs (such as costs, capacity development and cultural impediments).

The Women's Enterprise Development Initiative (WEDI), based in South Africa, is a niche private equity and technical assistance programme that invests in the businesses of African women entrepreneurs. WEDI has made a substantial investment in research and development, resulting

in an innovative funding model (equity plus technical assistance) that supports wealth and job creation.

Addressing the challenge of providing agricultural finance to women, there is increasing interest in establishing and supporting agriculture value chain finance for women, where women are represented at all levels, on the demand side as well as on the supply side within a value chain finance approach.

## GOING FORWARD

Evidence suggests that the gender gap in African women's access to financial services has been narrowing, in Sub-Saharan Africa in particular, but that significant challenges remain. These challenges are due to broad economic, political and societal factors, as well as to factors specific to the financial sector. In some cases, innovation allowing greater access has been driven by market players, while others are led by forward looking policy. Both are required and one supports the other.

The challenge before us is to support the development of financial systems that provide sustainable access to African women to a broad range of personal, family and professional situations. With gender issues rarely treated explicitly in the African policy sphere, there is room for a far greater focus on gender issues across the policy spectrum, from legal and regulatory frameworks (notably for mobile banking activities) to stronger consumer protection for women, to financial literacy programs. Intensifying the focus on gender issues offers the promise of far more effective policy, which will serve not only the cause of greater financial

inclusion of African women, but will certainly have positive spill-over effects on men's financial inclusion as well.

Further dialogue and consultations are planned to bring the Africa-wide perspective in this brief to the sub-regional level. It is anticipated to have regional workshops including a workshop bringing together the member states of the EAC to guide the formulation of regional policies as well as to discuss and further promote the implementation of the recommendations of this policy brief. The partnership between MFW4A and New Faces New Voices will provide a platform for further opportunities for dialogue. This will enable the building of a greater knowledge base on what women need in terms of financial services and on policy responses thus far and will serve to develop further opportunities to identify policy solutions to support expansion of the financial inclusion of Sub-Saharan and North African women.



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## ANNEX – “WOMEN AND ACCESS TO FINANCE IN AFRICA CHAMPIONS”

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