ACET African Center for Economic Transformation

PROMOTING WOMEN AND YOUTH FINANCIAL INCLUSION FOR ENTREPRENEURSHIP AND JOB CREATION: COMPARATIVE STUDY OF SELECTED SUB-SAHARAN COUNTRIES

GLOBAL THEMES OF THE FINANCIAL INCLUSION LANDSCAPE

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TABLE OF CONTENTS

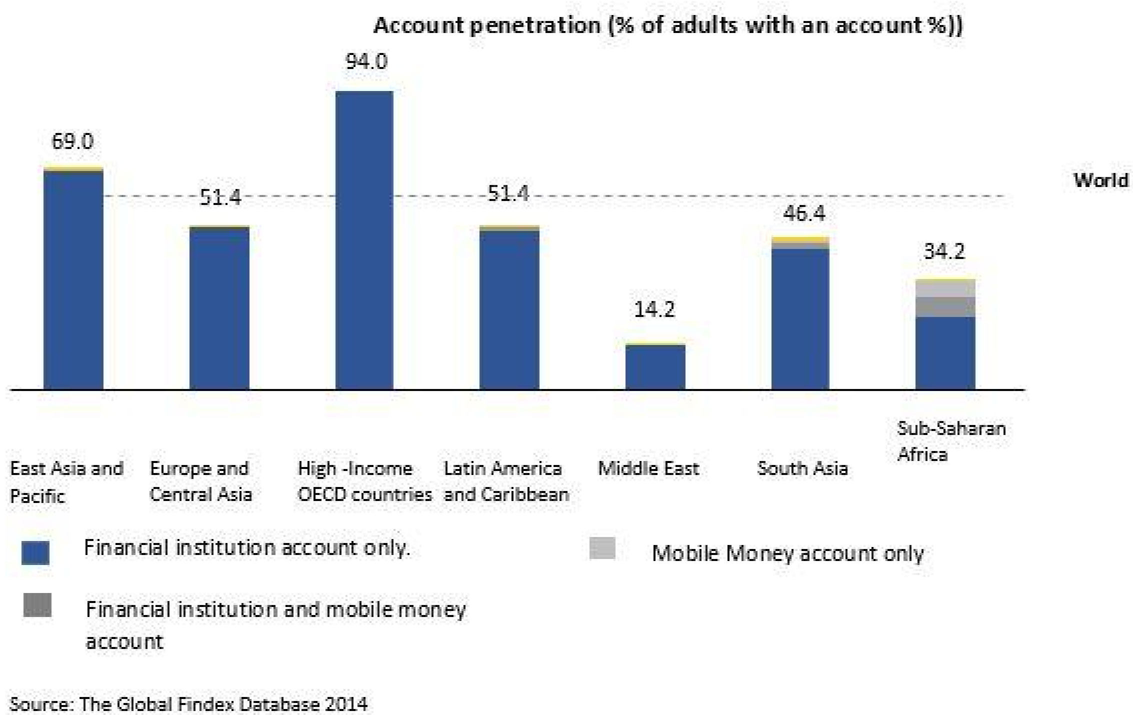
EXECUTIVE SUMMARY

The topic of financial inclusion has become an integral part of any discussion on economic development. Globally, it is generally understood and empirical evidence exists to show that there are 2 billion financially disempowered people in the world. Along with this come the complex issues of gender inequality, youth discrimination and the business case of serving this demographic sustainably. There is a clear need for collective action by governments, global development agencies and the private sector to change the status quo and ensure that there is a level playing field for everyone to access their full potential. The multi-country study being conducted by African Center for Economic Transformation (ACET), an economic policy institute supporting Africa's long-term growth through transformation, is key to ensuring that efforts to level the playing field are grounded in sound, practical research insights from key stakeholders.

This paper gives a broad overview of the financial inclusion environment and lays out the need for an inclusive financial environment that prioritizes women and youth financial needs. The key issues in the industry along with the approaches exemplar nations are taking to address them as well as the cutting-edge innovations, industry practices and regulatory developments are all examined through the lens of women's and youth's financial inclusion; the intention is to highlight the key macro issues at the world stage that should be factored into the overall design of the ACET comparative study on three Sub-Saharan countries.

SYNOPSIS OF THE GLOBAL FINANCIAL INCLUSION LANDSCAPE

The end of the year 2016 saw the total number of globally registered mobile money accounts surpass half a billion. To put this number in context, the total number of mobile money accountholders would today be the third largest country in the world. Of this staggering number, over 118 million were active accounts, meaning accounts that made or received transactions on a 30 day basis. These statistics are significant for two reasons. Firstly, it is a harbinger of the contributions the digital financial services space is making towards reducing a persistent global development challenge, which is financial exclusion. An inclusive financial environment is one in which individuals and businesses have access to relevant and affordable financial products and services – be it transactions credit, savings, insurance or pensions – delivered in a responsible and sustainable way. According to the World Bank's Global Findex Database two billion people live in such an environment, clearly indicative of a suboptimal state of affairs. The above mentioned statistics also represent a major milestone primarily because they signify access to financial services in places and with a demographic which hitherto, had none. Secondly, the continued usage and activity on user digital accounts is important because the mere existence of bank accounts does not produce financial inclusion. It is only when those accounts are used on a periodic basis that benefits are realized and the financially excluded are able to access the critical financial services they need to reach their potential and weather financial shocks.



Sub-Saharan Africa leads the pack when it comes to this digital revolution: of the 556 million global mobile money accounts registered in 2016, Sub-Saharan Africa recorded 277 million accounts, more than the total number of bank accounts in the region[1]. Financial technology is enabling financial inclusion in the region and empowering the population to transform livelihoods in a way and on a scale that supersedes what traditional banking has achieved in decades past. The most notable example in Africa has been the striking success of M-Pesa which since its launch in 2007 has helped as many as 194,000 Kenyan households (or 2% of Kenyan households) climb out of extreme poverty[2]. Women in particular showed the most gains, reflected in their increased per capita consumption levels as well as their diversified occupational choices. Despite these dramatic gains the past 10 years, challenges remain: the gender gap persists, the identity problem for the unbanked is still unsolved and access and usage costs of financial products remain largely out of reach for majority of this income group. If pressure can be exerted on the right levers, greater impact can be made in a holistic way. Two of these crucial levers are women and the youth. When one considers that over half of the financially excluded are women and young adults in developing countries form the largest part of the population (20-60% of the population) yet are the least banked, the logic becomes simple: if governments, the private sector and the development community can co-create a financial services ecosystem that is gender and youth inclusive, the goal of financial inclusion would be realized much more quickly.

The spotlight is currently on digital financial services as a key enabler of financial inclusion and with good reason. Although two billion people still lack access to formal financial services, more than one billion people in low and middle income countries have access to a mobile phone[3] and it is this fact coupled with the rapidly expanding mobile cellular signal coverage that has kindled the hope of reaching billions with quality financial services in a cost-effective way. The theory of change is that access to quality financial services and consistent usage can lead to financial inclusion which leads to financial empowerment, creates opportunities for jobs and entrepreneurship and ultimately leads to a propulsion out of poverty for millions. The UN Sustainable Development Goals (SDG) lends credence to this theory by identifying financial inclusion as a core enabler of 11 of the 17 SDGs.

SPOTLIGHT ON KENYA

16.6 million active M-Pesa customers

90% registered M-Pesa accounts as a proportion of adult population

195,000 Kenyan households transitioned out of poverty via M-Pesa

75%+ of Kenyans have access to any form of financial service compared to 27% between 2006 and 2016

71%+ of Kenyans use mobile money in Kenya

While the world is far from realizing this desired state the initial signs are evident. For example, more than 65% of account users in East Asia, the Pacific, and Sub-Saharan Africa report using their accounts at least three times a month to send or receive money, pay bills or save for the future[4]; the number of live mobile money-enabled credit products between 2011 and 2016 has shot up from seven to 52, representing over a sevenfold increase; and deployments such as M-Shwari has disbursed 40 billion shillings (US$495 million)

[1] AFDB, The Banking System in Africa: Main Facts and Challenges SSA Bank accounts per 1000 adults 334.5
[2] http://science.sciencemag.org/content/354/6317/1288
[3] Leishman, Paul.(2009)Mobile Money: A US$5 billion Market Opportunity: Mobile Money for the Unbanked – Quarterly Update
[4] http://documents.worldbank.org/curated/en/621891468329460041/The-little-data-book-on-financial-inclusion-2015

in loans to Kenyans through Commercial Bank for Africa with a non-performing loan ratio of two percent (compared to 4.3% globally and 5.4% in Sub-Saharan Africa)[5]. Many more examples abound in live products around the world such as with TigoCash in Ghana and Vodacom in Tanzania where mobile subscribers enjoy free life insurance just by remaining active on their mobile line and female and young entrepreneurs are supported financially to enable them lead sustainable ventures. The key issue however, and the theme of this paper, is to explore how financial inclusion and empowerment can be hastened by lowering and eliminating the barriers for the women and the youth through regulation, partnerships and product innovations.

WHY THE FOCUS ON WOMEN AND YOUTH?

Women Financial Inclusion

Recent evidence shows that when women – who represent 50% of the total addressable market in every country – participate in the financial system there are significant benefits in terms of economic growth and societal well-being. While the number of financially excluded has reduced globally by 500 million over a three year period, the gender gap has experienced only a modest change. McKinsey Global Institute concludes that removing the diverse obstacles confronting women and obviating their production and participation in the formal economy means adding US$28 trillion to global GDP in 10 years. This non-trivial figure clearly demonstrates that a financial inclusion programme that lacks emphasis on enhancing opportunities for women is far from achieving its target.

On a more micro level, research has also showed a strong correlation between a woman's access to financial services and the economic empowerment of the woman, her family, community and even society as a whole. As Mary Iskenderian, President and CEO of Women's World banking succinctly puts it, "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 the housing … the kinds of developmental changes that can really have long-term intergenerational impact". Despite this important observation, most digital financial services offerings or financial inclusion initiatives around the world are mass-market focused and lack a deliberate focus on the female adult. Additionally, there are cultural barriers that limit the social freedoms of women and confine them to the home, many unable to independently start their own businesses. Others are national laws and policies that limit the social and professional freedoms of women. For instance, a World Bank Group study in 173 economies measuring the legal and regulatory barriers to women's entrepreneurship and employment found that in 18 of 155 countries it is legal for men to prohibit their wives from working[6].

Too, technology barriers such as lack of access to mobile phones also limit the entrepreneurial potential and productivity of women. In early 2015, GSMA published research calculating the gender gap in mobile access and usage, which found that closing the gender gap in mobile ownership and usage could add an additional US$ 170 billion to the industry by 2020. Even how financial education is packaged and delivered,

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[5] World Bank Group. Bank nonperforming loans to total gross loans (%) . International Monetary Fund, Global Financial Stability Report

[6] The World Bank Group, Women, Business and the Law, http://wbl.worldbank.org/~/media/WBG/WBL/Documents/Reports/2016/Women-Business-and-the-Law-2016.pdf (accessed December 18, 2017)

research has proven, has a connection to female acceptance and adoption. Women tend to be less technically and financially literate than men and have lower confidence levels in using mobile money services. Additionally, a woman's access to mobile money agents is limited, owing partly to her defined role as a homemaker in many cultures, and as a result is unable to ask clarifying questions and receive assistance more readily than men. Mary Ellen Iskenderian again mentioned that poor women tend to be averse to financial language and so for example, calling PIN a "secret code" is likely to reduce a barrier[7]. Until these gaps are clearly identified, understood, and eliminated the rate of decline in financial exclusion will be limited by the total number of underserved and excluded women, who typically make up more than 50% of the economically marginalized, relegating the goal of financial inclusion to a mere dream.

Youth Financial Inclusion

Another very important disenfranchised group that holds strong promise for financial inclusion is the youth. It is an open secret that Africa has the largest youth "bulge" and is experiencing a growth spurt that exceeds that of other continents. There are currently 370 million in Sub-Saharan Africa between the ages of 15 – 24 years and undoubtedly a significant proportion of these will in a few years' time need to borrow to meet daily and unexpected needs, launch income generating activities and save for the future[8]. In many developing economies of which Sub-Saharan Africa is a part, the paucity of formal employment opportunities and turbulent economic standards is a grave challenge many young people must confront right after school. Even those who try to explore entrepreneurial options are more often than not ill-equipped to navigate the tortuous paths of raising capital, developing sound business plans, sourcing the right human capital and planning financially for the future to make it successfully through the launch phase. The failure to successfully transition out of school with the right marketable skills and capabilities may mean a youth that languishes in poverty and is unable to escape the poverty trap.

SPOTLIGHT ON NIGERIA

Nigeria is an example of a country that is making visible efforts towards reducing the gender gap in financial inclusion. Diamond Bank and Women's World Banking co-created a no-frills savings product called **BETA** account that literally brought savings to the doorsteps of women. Account opening was simple and could be done over the phone with no minimum balance and no fees. The product was designed to be affordable ad convenient for individuals engaging in frequent but low-valued deposits which is characteristic of most low income women. The product factored in emerging research showing that women tend to be less mobile than men and as a result have less access to mobile agents on a regular basis. BETA agents would typically visits women's business premises and homes to facilitate transactions. Additional features are being built into this product to provide more opportunities for individuals to use the financial services most useful to them.

Again in Nigeria, MasterCard and UN Women have partnered on an initiative which aims to provide half a million Nigerian women with ID cards enabled with electronic payments functionality. A key focus of the pilot is educating women on the benefits of a national identification program and preparing them to understand the functionalities and opportunities this electronic payments-enabled ID card can offer them.

Source: https://www.brookings.edu/blog/techtank/2016/04/01/bridging-the-financial-inclusion-gender-gap/

[7] Ernst & Young Global Limited, Empowering women: identifying financial inclusion barriers (2015), p. 17
[8] MasterCard Foundation, Boston Consulting Group; Financial services for young people: prospects and challenges, http://www.mastercardfdn.org/wp-content/uploads/2015/08/Youth-Financial-Services.pdf (accessed December 17, 2017)

Youth have traditionally been excluded from financial inclusion conversations but research conducted by the Boston Consulting Group and funded by MasterCard Foundation has revealed that the demand for financial services is real and exists among young people. It also estimates that the market for economically disadvantaged youth – those living on less than $2 a day – stands at approximately $1.1 billion in assets for Sub-Saharan Africa, a substantial figure. Until recently, few financial service providers (FSPs) such as banks, credit unions, and microfinance institutions took the pains to understand and tailor relevant solutions for the youth segment; neither were financial inclusion policies designed to be protective of youth rights right from the go. This trend however, is undergoing a reversal and improving in recent years with the UN Capital Development Fund[9] together with MasterCard Foundation launching YouthStart, a $12.2 million programme with a strong savings emphasis aimed at increasing financial and non-financial opportunities for low-income youth. The Child and Youth Finance Movement, MEDA's YouthInvest, Aflatoun and SIlatech in the Arab world are all institutions and programs that are pursuing the youth financial inclusion agenda in a variety of ways such as encouraging targeted savings, providing comprehensive financial literacy training, and supporting the startup and the growth of sustainable jobs and youth enterprises across the world.

The private sector is also waking up to the prospect of this future client base and contemplating a range of saving, credit and financial literacy packages that meet their need. They are re-examining their business models by taking a long term view of their young clients, segmenting the youth population by the level of financial access and the complexity of their need and harnessing the power of technology to attract this demographic. Policy makers and regulators are also seeking pragmatic approaches to modifying regulations so financial institutions are not overburdened by KYC costs but that both customer and institutional protections are balanced. Overall, there is an active community of key stakeholders that are supporting reforms that place the youth at the center of global financial inclusion initiatives.

KEY ISSUES IN THE INDUSTRY

Integration of financial inclusion agenda into national policy

To be effective, gender and youth financial exclusion cannot wholly be a universal effort that lacks local emphasis. It is crucial for nations to integrate the women and youth agenda into their national strategies to ensure that all stakeholders are locally coordinated and well aligned on a national goal. In 2016, the Alliance for Financial Inclusion (AFI) conducted a survey among its members and found that only 22% had an explicit focus on issues related to gender financial exclusion within their national financial inclusion strategies. AFI subsequently published a learning guide on "Integrating gender and women's financial inclusion into national strategies" and made it an integral part of their ongoing capacity building programme for its members. A good place for curious governments to start is with the Denarau Action Plan[10] shared at the 2016 AFI Global Policy Forum in Nadi, Fiji. The Denarau Action Plan is a practical document that identifies measures AFI members can take to increase the number of women with access to quality and affordable financial services globally. Its overall aim is to provide guidance to governments who want to promote an enabling environment for women's financial inclusion through the adoption of smart laws and policies. Integrating gender balance into national policy documents helps all stakeholders to begin or redefine the conversation on balancing gender and youth dynamics in access to finance.

[9] UNCDF is a UN agency responsible for alleviating poverty among the world's 48 least developed countries.
[10] Follow the link at https://www.afi-global.org/sites/default/files/publications/2016-09/Denarau%20Action%20Plan.pdf to access a copy of the action plan

Research from the World Bank Group indicates that when countries institute and commit to a national financial inclusion strategy, they tend to increase the pace and impact of their programs and initiatives.

Balancing legislation on customer and institutional protections

One of the central issues that has been gaining momentum particularly among regulators and policymakers is how they can develop legislation that balances the need for customer and institutional protections. Regulators draft regulations in an effort to protect the customer, the service provider and the marketplace in general – but these same regulations are often barriers to both women and youth financial access. FSPs by law are required to capture detailed bio data and situational data on a prospective customer before account opening, a process referred to as Know Your Customer or KYC. Credit requirements can be even more onerous for the client and can quickly disqualify the rural adult woman or youth from accessing their first loan from a bank. Women in particular are less likely to have official identification documents required to open a bank or mobile money account. In some markets, a man's signature is required for a woman to open a bank account and make domestic transfers. The youth also grapple with identity issues and age restrictions. In Ghana and Kenya for instance, children under the age of 18 cannot open a bank account on their own. These are barriers that are hewn in legislation and must be amended or relaxed to enable disadvantaged groups from readily accessing financial services.

KYC issues do not just affect the customer; the provider is also burdened by the compliance costs related to this regulation. KYC and Anti-money laundering regulations can be potentially burdensome for the FSP and reporting requirements can be both tedious and expensive. To remain profitable the prudent bank or insurance company will build this into their pricing strategy, thereby making their products prohibitively expensive for women and young people. A potential solution is for regulators to implement tiered-KYC (limited identification for limited use accounts with limited transactional/value thresholds) so that women and youth can open very basic accounts more easily without stringent identity proofs. These low value accounts can be classified as low risk and the reporting and due diligence burden reduced accordingly.

As demonstrated in the recent example, workarounds exist in many of these instances, especially if both regulator and the private sector are willing to co-create an inclusive environment. In response to the previously identified challenge, HFC Bank in Ghana allows youth to open bank accounts if the parent is the co-owner or with the supervision of a caretaker or a teacher. Uganda Finance Trust also allows in-school youth to open bank accounts using their school identification; out-of-school youth can obtain a letter from a village or church leader. Other countries use creative solutions that rely on biometrics or use group gatherings, where the identified identify the unidentified. It is important to tackle the issue of legal restrictions around identity, age and gender early as it tends to be complex, time consuming and directly influences the foundation of an inclusive finance community.

Policy flexibility towards innovation

Legislation should also be developed to allow for innovative banking through the use of non-traditional channels such as independent third/party agents, schools, mobile phones and other alternative delivery channels. These channels have the dual benefit of reaching traditionally inaccessible areas where brick-and-mortar branches are expensive to construct or does not make business sense and they allow the banks to do this in a cost-effective way. Regulators and policy makers play a big role in setting the stage for providers to experiment with new approaches to traditional banking in order to improve the business case of offering financial services to remote regions where a majority of the financially excluded women and youth reside. As an example, it is widely known that the permissive regulatory stance in Kenya towards mobile money services, which favoured a test and learn model, contributed greatly to M-Pesa's uptake today. Other nations which initially adopted a more terse and risk-led slant towards mobile money and as a result saw it languish for several years have begun exploring ways to balance both risk and innovation in the marketplace. Today the results are clear: through M-Pesa, 194,000 households have been lifted out of poverty since its inception in 2007 and this is undoubtedly a consequence of the accommodating stance regulators adopted. Agency banking in Malaysia has had a similar effect: before agent banking was introduced by the Central Bank in 2011, only 46% of the sub-districts in Malaysia had access to financial services. Exactly three years after its implementation, 97% of the country's sub-districts have access to basic financial services, a testament to the power of regulator-led reforms[11].

Technology and technical education

The role of technology and technical support is important in any conversation on women and youth financial inclusion. Barriers such as reduced phone ownership or access to even the most basic phones are pronounced particularly in low-income women and poor youth. A study undertaken by GSMA to explore the mobile access and usage of mobile phones among women in low and middle-income countries cited that women more than men tend to find cost the most important barrier overall to ownership and use of a mobile phone. Lowering costs of handset process or promoting phone installment plans can greatly benefit women, who tend to have less financial independence than men, and get them to increase their overall usage rates. Intermedia's 2015 Financial Inclusion Insight Gender Report that surveyed 4 African and 4 Far-Eastern economies reveals that phone ownership is key to driving women's financial and digital inclusion, especially in East African countries. There is an opportunity for service providers and associations to embark on initiatives to price handsets competitively, offer handset credit models and lower taxes on handsets and services that offer a socio-economic benefit. Mobile Network Operators (MNOs) and phone providers should also include local languages in their products and consider the use of text-free user interfaces such as pictures, icons, voice and videos to better serve illiterate women.

Technical support and agent issues are also a potential barrier: women generally require more interactions with agents than men before they confidently proceed to use a mobile delivered service. In Ghana for example, Tigo confirmed this by reporting that women usually require 5 to 10 interactions compared to 3 to 5 for men before they are confident enough to use the service[12]. Technical assistance, a key requirement for deepening digital financial services penetration for all involved, whether male, female or youth, may need to be more deliberate and targeted when dealing with these marginalized groups. Involving women and youth groups in training and knowledge sharing sessions can pay huge dividends and encourage adoption of technology within a trusted social group. Finally, development organizations, governments and providers have to make a calculated effort to promote and offer innovative products that are particularly relevant to women such as use of mobile money for remittances,

[11] http://documents.worldbank.org/curated/en/703901495196244578/pdf/115155-WP-PUBLIC-GFM08-68p-FIpaperwebversion.pdf

[12] https://www.gsma.com/mobilefordevelopment/programme/mobile-money/closing-gender-gap-mobile-money-regulatory-policy-outlook#footnote

savings and government payments. International remittances represent a good use case because there is empirical data that suggests that women represent half of all remittance senders globally and that they tend to send a higher proportion of their income regularly even though they typically earn less than men.[13]

Leveraging gender and age disaggregated data

A final but important theme that is garnering a lot of attention in this space has to do with providers and associations leveraging gender and youth specific data to reach more financially excluded customers. There is a growing need to be able to measure and monitor progress of women and youth financial inclusion efforts not just at a national level but also within associations and industries and globally. Once a firm commitment has been made via a policy document or declaration, the next step is to define a strategy for collecting and analyzing gender and age disaggregated data as well as any transactional data that can be segmented by demographic profiles. This strategy must include governing rules around collection, analysis, quality assurance, collection period, and dissemination strategies. The GSMA strongly recommends that its member mobile network operators include the gender composition of their subscriber base in their responses to its annual Global Adoption Survey of Mobile Financial Services and has been tracking this metric for the last five years. Malaysia's central bank (Bank Negara Malaysia) also formulated a Financial Inclusion Index from demand and supply side data to monitor its own progress in a systematic and on a regular basis and this contributed greatly to Malaysia's impressive financial inclusion rate of 92% at the end of 2015. In order to understand the gender and age dynamics of the big data that resides on providers' digital platforms there must be collective action to collect, track and critically analyze it at a detailed level; the implications for financial inclusion programs and policies as well as for product design are significant and will make the difference between interventions that work and those that do not.

TRAILBLAZING INNOVATIONS IN THE FINANCIAL INCLUSION WORLD

Agent Banking

Data from the World Bank shows that nearly 2 billion people in developing countries lack access to bank accounts and consequently miss out on the benefits that financial services provide. While providers have their eye on capturing this value there are significant hurdles that must be surmounted first. Many of these so called "unbanked" population are excluded from the reach of most banks not just because of their poverty but also because of geographical inaccessibility, poor infrastructure, perceived high risk profiles and a lack of understanding of their needs. Most significantly, establishing "brick-and-mortar" bank branches in remote areas with poor infrastructure to offer banking services at reasonable cost to the local population on a sustainable basis may be asking too much from the FSP. This is where agency banking comes in. Agency banking affords banks the opportunity to reach economically marginalized populations (rural women and youth) in a way and manner that does not "break the bank". With this

[13] https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6

banking innovation, banks are able to use humans, retail points, and designated social centers as the face of the bank to offer deposits, lending, account opening and enquiry, transfers and payments services to the public. This means the colossal capital investment banks have to confront when establishing a branch network is more than halved and the bank is able to rely on a simple network of qualified, trained human resource powered by appropriate technology to extend its reach.

The MNOs have already sped ahead on this innovation and have registered ten times more agents than bank branches in 37 of the world's mobile money markets as of 2015[14]. MNOs have also moved beyond just offering mobile money services to partnering with financial institutions in order to offer targeted financial offerings. Safaricom Kenya's partnership with Commercial Bank for Africa (CBA) culminating in the M-Shwari product offering is touted as a brilliant example of how MNOs are making inroads in the financial inclusion space. But this does not have to be limited to MNOs only; willing, capable and innovative financial institutions can with the help of sound, prudent regulation recover lost market share and extend their reach into far-flung markets with agent banking. Regulation is a necessary gating condition for the rollout of agent banking in any country and as with most national policies this typically takes time. Key issues such as the overall strategy, proposed technology platforms, agent selection due diligence, policies and procedures, intended service offering are key licensing requirements and must go typically go through multiple iterations before final enactment.

AGENCY BANKING: SPOTLIGHT ON MALAYSIA

Among middle-income countries, Malaysia has achieved one of the highest rates of financial inclusion in the world. While no silver bullet is responsible for this success story, one major reform that BNM, Malaysia's Central Bank instituted to contribute to Malaysia's turnaround in terms of financial inclusion is undoubtedly agent banking.

In 2011, before the Agency Banking initiative was operational, only 46% of the sub-districts in Malaysia had access to financial services. Three years after its implementation, 97% of the country's sub-districts had access to basic financial services through agent banks. During the first five years of this initiative, 100 million transactions in total were facilitated for a total of US$2.1 billion. BNM's Agency banking Guidelines restricted this model only to unserved and underserved regions in Malaysia, thereby encouraging providers to focus attention on the product needs of the financially excluded and designing custom-fit services.

Two of the three banks that have jumped aboard agency banking – Agrobank and Bank Rakyat – leveraged this flexibility to focus specifically on the agriculture sector and cooperatives respectively. The agriculture sector which comprises predominantly women and the youth has benefitted greatly from this model and has given both rural small and medium holder farmers access to finance to help expand their production and meet their household needs

Source: The World Bank Group (2017) Knowledge and Research: The Malaysia Development Experience Series – Financial Inclusion in Malaysia

Yet, regulators do not have to go this route every time: multiple countries such as Ghana, Uganda, Kenya and Malaysia have taken a permissive approach to this innovation and have allowed interested banks to submit no-objection proposals for consideration. PostBank Uganda and Fidelity Bank Ghana are good examples of banks that have used this approach in order to advance their financial inclusion agenda. Governments should not shy away from using this approach as an incubator of sorts to test the viability of the agent banking model before going

[14] https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/04/SOTIR_2015.pdf

through the pains of enacting policy. Governments that have already crossed this hurdle of uncertainty, like Malaysia who introduced agency banking in 2012, have quickly come to realize that if formulated and operationalized correctly, agency banking remains a key tool that can unlock financial services to underserved regions and groups and allow them to enjoy a range of financial services relevant to unique circumstance.

Digital Identity

Advances in streamlining digital identity is a potent accelerator of financial inclusion for women and the youth. A key barrier to the access of financial services lies in the inability of most to establish their identity during the account registration process. Current estimates show that there are 1.5 billion people around the world (of whom many are women and young people) who do not have a form of identification that is admissible by their governments and thus would be unable to register for a mobile SIM card. This is prompting many governments to rethink the identity process and come up with creative ways of identifying the unbanked, including biometrics. India is the trailblazer in his regard; the government issued the world's largest biometric ID system called Aadhaar using a 12-digit unique identity number issued to all Indian residents based on their biometric and demographic data. As of November 2017 a total of 1.19 billion people had been registered on the system representing over 99% of Indians aged 18 and above[15].

When identity is formalized and established (like with Aadhaar) with the financially excluded and linked to digital financial services (like a mobile-enabled government welfare transfer initiative) the likelihood of credit extension is increased and one major barrier is overcome. This should ideally go hand in hand with regulation that favours tiered KYC and relaxes the requirements for different account classes based on their use, value and accountholder.

Product bundling and Interoperability

A recurring topic among supply-side actors such as MNOs and FSPs in any discussion on financial inclusion is the cost to serve. The unbanked while viewed as an attractive opportunity are costly to serve. For instance, a study by Gateway Financial Innovations for Savings (GAFIS) notes the array of obstacles the FSPs face in the small-savers market of young adults. Providers are confronted with negative net profitability figures even in the best case when developing and marketing solutions to rural women and the youth who tend to be low but consistent savers.[16] Providers typically face low revenues, high acquisition and operating costs, and a much longer break-even period. The end result is that financial products that end up on the market are priced out of reach of this demographic. One solution to this is for providers to explore product bundling. Providers may have to conduct studies to understand the range

[15] https://en.wikipedia.org/wiki/Aadhaar

[16] Big Banks and Small Savers, A New Path to Profitability, Gateway Financial Innovation for Savings (GAFIS) project report, December 2013

of services that their women and young clients need on a day-to-day, develop and tailor products to meet their need and cross sell to boost overall profitability with a financial service offering that makes commercial sense. This may mean integrating an insurance product within a mobile wallet scheme like Tigo Ghana with MicroEnsure pioneered a few years ago or creating high interest bearing sub-accounts within a traditional bank account allowing for targeted savings like Kenya Commercial Bank did with their M-Pesa account.

THREE-YEAR CUMULATIVE COSTS AND REVENUES FOR A YOUNG ADULT CUSTOMER: A HIGH LEVEL VIEW

REVENUE PER CUSTOMER	BASE CASE		OPTIMISTIC CASE	
Float revenue, based on customer account balanc	$	4	$	4
Account transaction fees	$	7	$	7
Cross-sell of additional products (loans, etc.)	$	-	$	26
TOTAL REVENUE	**$**	**11**	**$**	**37**
COST PER CUSTOMER				
Origination cost	$	(12)	$	(5)
Cost to serve	$	(37)	$	(25)
TOTAL COST	**$**	**(48)**	**$**	**(30)**
NET PROFITABILITY	**$**	**(37)**		**7**

Source: http://www.mastercardfdn.org/wp-content/uploads/2015/08/Youth-Financial-Services.pdf (Accessed 18 December 2017), pg. 12

Initiatives like these are able to increase incremental revenue from the product and help to improve the business case.

Additionally, further reducing costs through establishing interoperability between providers can positively impact the business case. Interoperability (specifically platform interoperability) allows customers of one service or provider to transact or interact with customers of another service directly usually at a moderately low fee. While there is a lot of ongoing debate about when in the lifecycle of digital financial services development interoperability makes sense, there is generally a consensus that eventual interoperability is desirable and that facilitating financial transfers between customers regardless of which provider they are affiliated with leads to lower transaction costs for customers and providers, expands and democratizes the customer base for all involved and potentially leads to increased revenue.

The drawback is that the costs of achieving interoperability are substantial – even just from the technical viewpoint. Fortunately, this is where low cost to free open source and open architecture systems are coming to the rescue. Such systems allow the provider community along with regulators the latitude to implement interoperable systems cost-effectively once they are ready to cross this road. Mojaloop, the open source interoperability software released by the Bill and Melinda Gates Foundation in mid-October 2017 is meant to lower the high integration costs that FSPs and MNOs face when embarking on local or cross-border platform integration projects that serve the poor. This software can also be leveraged by governments as a blueprint for cost-effectively developing a national switch to facilitate transaction exchanges between the provider community in a country. This is an example of an innovation that can help improve the business case for many providers by simplifying the process and reducing the cost of developing inclusive payment platforms.

Blockchain technology

Another trending innovation quickly making the headlines is distributed file ledger technology or block chain technology, as better known, which is finding expression through virtual currencies like Bitcoin. Ever since its introduction in 2008 Bitcoin has quickly gained a loyal following and is now being strongly considered as an alternate currency in many parts of the West and increasingly in Africa as well. More than just a buzzword, blockchain has the ability to cut out intermediaries and with that eliminating most associated interchange, interconnection or cross border fees resulting in reduced costs for the provider. It is also able to address some of the challenges to affordable and usable financial access related to account opening, account usage and transactional costs for the user. Its widespread use is now mixed and has been hampered by its perceived associated risks and a lack of its understanding. One of the major attractions for the blockchain class of technologies lies in its decentralized architecture which means it is not bound by the borders of a country to be effective. Consider M-Pesa, the most impressive MNO-based deployment to tackle financial inclusion till date. Despite its raving success, M-Pesa has struggled past national borders because it is based on a single fiat currency which is limited by national or at best regional borders. Blockchain offers the opportunity to seamlessly overcome this limitation by virtue of the fact that it operates without a central national governing authority overseeing currency issuance and management. In other words, an M-Pesa based on blockchain could be accessed by anyone globally not just Kenyans.

Despite this, global reaction to blockchain has been mixed: the Philippine government has allowed the virtual currency market to grow cautiously in a test-and-learn mode like Kenya did for M-Pesa[17]; the Nigerian private sector market has begun advocacy efforts around blockchain based currencies and have reportedly traded a record $3m of Bitcoin in one week; the Kenyan central bank on the other hand has issued a cautionary note about its risks and advised the public to desist from using it; and the Bolivian government has completely banned its use. While blockchain technology is not a panacea for all of issues facing financial inclusion, it is difficult to ignore and is gradually proving to be a nascent force of change that can affect the business case for the providers who serve this segment in years to come. And until the business case for providing financial services to women and young people is improved, global interventions in this area will be limited to just donor initiatives which are at best transient and limited in size and scope.

CONCLUSIONS AND RECOMMENDATIONS FOR THE STUDY

The present state of affairs on the global financial landscape is quite clear: a sizeable proportion of the world's population is financially stunted and this has implications for all. Uprooting poverty, inequality, and discrimination on a global scale may be painstaking and slow in coming but the results are more than

[17] https://digitalchamber.org/assets/blockchain-and-financial-inclusion.pdf

worth it. The sheer scope and complexity of issues that must be addressed in an attempt to resolve the challenges that women and youth face makes the consideration of a unilateral effort completely out of the question. To be effective, the potential solutions outlined in this paper must be catholic in its approach and grounded in quality research detailing the practical experiences of women and the youth.

ACET's study to assess the extent to which financial systems in three important Sub-Saharan African countries – Guinea, Sierra Leone and Zambia – are advancing the cause of women' sand youth's financial inclusion is timely. The insights this multi-country study hopes to uncover will be key in identifying who needs to do what and why:

- On the regulatory side, to know what public policy initiatives exist that promote women and youth financial inclusion as well as the gaps in policy and regulation that leave women and youth financially disempowered;
- On the supply side, to document what exists on the ground by way of women and youth tailored products, innovations, or services offered by FSPs, MNOs, cooperatives, microfinance companies and fintechs. Also important is to understand the barriers and constraints faced by the provider community in delivering tailored solution for this segment in a cost effective and sustainable way;
- On the demand side, to note all the experiences of women and youth in the access and usage of financial services as well as their overall quality and how it contributes to their welfare and financial empowerment. Also important to note will be the opportunities that are being deliberately created by the public and private sector for the ever growing young population to ensure that their transition from school to the workforce is frictionless.

The study would benefit from a deep analysis of the following big issues from the global financial landscape:

1. Explicit policy objectives and quantitative targets for women and youth financial inclusion:

- How well represented are issues of women and youth in the national policy documents of selected countries?
- What quantitative objectives can be set to highlight the age and gender gap and to encourage stakeholders to close it?
- What gender and age-disaggregated financial data exist and how can they be leveraged for further research and to inform policy development?

2. Regulatory reforms that encourage private sector innovation targeted at women and youth financial inclusion

- What policies exist specifically to promote innovation in product development and alternative delivery channels aimed at reducing gender inequalities and unlocking financial access for the youth (e.g. agency banking, G2P initiatives)?
- How can compliance and identity restrictions be relaxed for both customers and institutions so that each is not disenfranchised in the marketplace? Can a tiered KYC model be implemented so that risk is handled in proportion to the risk profile of user?
- What is the nature of public-private partnerships like in the area of financial inclusion? How can legislation support public-private partnerships that focus on the advancement of the women and youth financial inclusion agenda in order to ensure costs are pared at least in the short run?

- How can national authorities create an enabling environment to take advantage of emerging technologies to level the playing field and expand access for the provider community?
- How can legislation ease collateral requirements for women and youth?

3. Investment in financial literacy and financial education for the youth and women

- What measures are in place to ensure women and young people receive sufficient and comprehensive financial education beginning from the school level?
- Are governments designing national financial education strategies and programs with the needs of women and the youth in mind?
- How can governments design data collection can schemes to measure the current level of financial literacy and capability of women and the youth and to evaluate financial capability programs?

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