

# Financial inclusion

## *Putting women and youth in the picture*

Financial services can help the world's poor to prosper. With access to loans, savings, and insurance, people are better able to manage risks, save money for emergencies, and invest in education or business opportunities.

A growing number of people are now benefitting from financial products and services. According to the Global Financial Inclusion Index, the proportion of adults worldwide with access to formal financial services rose from 51 percent to 62 percent in only 3 years (2011 to 2014).

Yet, more than two billion people remain without access to a financial account. Women, the poor, and youth face the greatest barriers. In developing countries, only 37 percent of women have a bank account as do less than half of the poorest 40 percent of households.

The gender gap in account ownership is not narrowing either. And globally, only 46 percent of youth between 15 and 24 have a bank account compared to 66 percent of adults aged 25 and over.

Closing the gaps in access to and use of financial services demands careful attention to their design and delivery. Financial education and consumer protection need to be enhanced to foster the use of financial services by marginalized women and youth.



KRISTINA JUST

**Access to financial products and services can help women and youth to save, invest and plan for the future.**

### Seeking evidence-based solutions

Through our Employment and Growth program, Canada's International Development Research Centre (IDRC) supports research on financial inclusion as a tool for economic empowerment and sustainable livelihoods. Focusing on the needs of women and youth, we invest in research that aims to:

- foster and scale up access to and use of financial services among marginalized groups, including through financial literacy;
- inform enabling policy frameworks and remove the constraints that

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impede access for these groups, in partnership with regulators; and

- help banks and financial service providers develop innovative products and services that better reflect the needs of women and youth.



ALLIANCE FOR FINANCIAL INCLUSION

**Millions of low-income families benefit from conditional cash transfers received through savings accounts.**

Partnership is key to our approach: supported research engages a wide range of stakeholders, including financial institutions, non-profits and social enterprises, and government and community-based organizations. In addition to investing in locally-led research which informs local policies and solutions, we support peer learning and knowledge sharing. We also facilitate links with global platforms so that supported research teams and practitioners can present evidence and share experiences to inform international debates on financial inclusion.

## Fostering demand for financial services

Millions of low-income people lack the knowledge and resources to access and use formal financial services. With little trust in institutions, the poor instead tend to rely on informal credit and savings tools. Building their financial literacy and skills can remove such barriers to access and help extend services to the poor.

In Latin America, research supported by IDRC has demonstrated the value of financial education, and of tying the use of savings accounts to the distribution of social benefits — such as conditional cash transfers (CCTs) — to low-income families. Globally, at least 33 countries use CCTs to fight poverty. By making these transfers through a savings account, governments can give millions of households access to formal financial services. Research conducted through Proyecto Capital found that linking CCTs to savings accounts brings millions of excluded individuals into the formal financial system and enhances the welfare benefits of the cash transfer programs.

In Peru, an evaluation of a savings promotion pilot program for rural highland families showed that providing financial education along with cash transfers made a significant difference in savings, investments — and self-confidence. Participants, mainly Quechua-speaking women, were 12 percent more likely to save money, 15 percent more likely to use a bank, and 11 percent more likely to purchase large livestock. The women were also



CAROLINA ROBINO

*"I'm happy, because when you don't have anything, you're sad. ... And you have to ask your husband for money. ... Now I have a little money of my own in the bank and I don't have to ask him for anything. When I need something, I go to the bank and take it out."*

— *Fidencia Navio, beneficiary of Proyecto Capital financial literacy training*

more likely to take part in community decisions. Further research supported by Proyecto Capital and through the Partnership for Economic Policy (PEP) illustrated the potential use of *telenovelas* (soap operas) as a popular education tool for financial literacy. Women who viewed the tailored *telenovelas* better understood the benefits of savings, and demonstrated more control over economic decisions within their households.

Two million people — mainly women — in 14 countries have gained access to financial services and strengthened their ability to manage their money thanks to Proyecto Capital. In its latest phase of research, supported by IDRC and the Ford Foundation, the project aims to benefit 10 million low-income Latin Americans in 16 countries by 2020.

## Spurring innovative products and services for women and youth

There is a growing evidence on the economic benefits of increasing financial services for women. However, many banks and other service providers are unaware that women constitute a unique and significant market opportunity, and lack information on how to serve and attract women as clients. Banking fees and the lack of appropriate services are key barriers to financial inclusion for women and youth.

To address these gaps and spur innovation, IDRC is collaborating with the Global Banking Alliance for Women (GBA). The partnership will raise awareness and build the capacity of financial service providers to better meet women's needs. GBA member



institutions — which include multinational, regional, and local banks in more than 135 countries — offer women access to financial products and services, markets, business information, education and networking opportunities.

In Africa, where gender gaps in access to finance persist despite the rapid growth of mobile banking and other innovations, a new IDRC partnership with Financial Sector Deepening Africa is harnessing existing financial surveys and the emerging power of “big data” to help service providers improve their offerings for women and youth. Piloted in Tanzania and Sierra Leone, this pioneering work brings together local researchers, financial experts, and private sector providers — including banks, insurers, and mobile banking operators — to make the business case for investing in data use and analysis.

*“The marginalised in underserved markets within the financial sector are no longer anonymous. The amount of information and data on these market segments has grown considerably over the years. Using data analytics to develop insights into customer preferences can be a powerful spur to financial inclusion.”*

— Mark Napier, Director of Financial Sector Deepening (FSD) Africa

The goal is to nurture innovations that will remove financial barriers limiting the productive potential of women, youth, and other marginalized groups. The project will test measures that can be scaled up to ten other countries in three years.



**Women-focused financing training and services yield important economic and social benefits. When women have control over their finances, they are empowered to make better decisions for themselves and their families.**

### Creating enabling policy frameworks

Regulations and policies are also key to creating an environment that fosters inclusion in financial services. Banks in many regions, for example, must meet rigid “know-your-client” guidelines which demand that customers provide formal identification and proof of address. While intended to increase financial stability and security, such rules can inadvertently deny services to the most vulnerable.

In 2016, IDRC and the Alliance for Financial Inclusion (AFI) launched a partnership to develop a regional peer learning platform for AFI member institutions in Latin America and the Caribbean. The resulting Financial Inclusion Initiative for Latin America and the Caribbean (FILAC) provides research, peer learning, and technical assistance to help policymakers develop more inclusive policies and regulations, with a specific focus on women’s needs. AFI members include central banking authorities and other

financial regulators and policymakers in almost 100 developing countries. Through FILAC, they are gaining expertise to inform the development of gender-sensitive National Financial Inclusion Strategies, digital financial services, and consumer protection and empowerment policies. FILAC works with members to promote the capture and use of gender-disaggregated data to better understand women’s needs. The participating Central Bank of Haiti is now weighing this approach for the first time.

*“In the Central Bank’s current training programs for financial institutions on how to treat customers, there is no element of understanding cultural differences or gender behavior. Participating in AFI and getting feedback from the peers has resulted in a greater understanding on the need to incorporate these considerations in the training programs.”*

— Mrs. Mireille Brunings-Stolz, Director, Center for Financial Education and Development, Central Bank of Suriname



**Digital innovative products are helping to improve women and youth's financial literacy and their access to financial services.**

Researchers with Proyecto Capital have worked with governments in Chile, Paraguay, and Peru to inform the development of National Financial Inclusion and Education Strategies that aim to remove barriers and enhance access and use for women, youth, and other disadvantaged groups. The project is training policy-makers so they can better address the needs of the most vulnerable.

In Francophone Africa, less than 13 percent of the adult population has a bank account. Women's concentration in the informal sector makes them even less likely than men to have access to institutional financial services. A partnership with New Faces New Voices (NFNV) – a Pan-African advocacy group – is exploring ways to tackle gender gaps in access to finance in Francophone Africa.

With chapters in 16 countries, NFNV engages with financial institutions and other decision-makers at national, regional, and global levels to increase women's access to services and expand their leadership in the financial sector. New research will explore constraints and opportunities on both the demand and supply side of the financial services sector. Through policy framework analysis and focus group discussions with male and female entrepreneurs, research will help policy-makers in Cameroon, the Democratic Republic of Congo, and Senegal address barriers in the current regulatory environment.

## Informing local practice and global debates

IDRC-supported research generates local evidence on financial inclusion and informs local policies. We also partner with international platforms so that supported research and evidence contributes to global debates on financial inclusion. Lessons and findings resulting from our partnership with AFI, for example, will feed into a series of discussions leading up to the G-20 Global Partnership for Financial Inclusion.

Supported researchers are achieving global voice and recognition. Thanks in part to the wide-scale impact of Proyecto Capital, project co-leader Yves Moury of Fundación Capital was internationally recognized as a 2017 Social Entrepreneur of the Year. Carolina Trivelli, another lead researcher, now chairs the Consultative Group to Assist the Poor, a global partnership that seeks to advance financial inclusion.

Financial inclusion is not an end in itself: it is a means of improving livelihoods for the poor and marginalized. IDRC's work will contribute to maximizing the development impact of financial inclusion to foster opportunities for women and youth.

### Employment and Growth

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