



# Demand-side review of **Financial Inclusion for Women** in entrepreneurship and smallholder agriculture

AMOLO NG'WENO, LAUREN OLDJA, MICHELLE HASSAN, AND PRIYANKA KAPOOR



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Opinions stated in this paper are those of the authors and do not necessarily reflect the views of the International Development Research Centre and the Mastercard Lab for Financial Inclusion.

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## About Mastercard Lab for Financial Inclusion

Mastercard Lab for Financial Inclusion, one of eight labs globally focused on research and development, is a partnership with the Bill & Melinda Gates Foundation with a mission to reach the underserved and underbanked in East Africa. The Lab seeks to create ground-breaking solutions that will impact more than 100 million people by helping them access financial services and therefore manage risk better and lead empowered lives.

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# Foreword

The proliferation of mobile banking and other financial sector innovations has accelerated the pace of financial inclusion worldwide. Nowhere is this more evident than in sub-Saharan Africa, which pioneered the use of mobile banking. According to the 2014 Global Findex, 12% of adults in the region use mobile money, compared to just 2% worldwide. This innovation has been instrumental in reaching those excluded from traditional banking services, particularly women. Globally, the financial inclusion gender gap remained at seven points between 2011 and 2014, and was even higher in developing economies, at 9%. Much remains to be done to close prevailing gender gaps. Many governments and private sector actors are intensifying efforts to foster financial inclusion.

Access to financial products and services is believed to be a key enabler – enhancing women’s economic empowerment and allowing them to better manage their lives. While it is widely assumed that this access will have a meaningful impact on people’s lives, social and cultural constraints conspire to prevent many women from fully utilizing financial products and services. The result can be low uptake or negligible changes in women’s economic empowerment and labour market decisions.

Evidence on the impacts of financial inclusion is scarce, but the need for it has become critical as governments, private sector actors, and donor agencies seek to enhance the developmental impact across sectors – especially for groups such as marginalized women, who lack many services in addition to suffering financial exclusion. As efforts to close gender gaps intensify, important questions emerge. Are the financial tools available to women helping them enhance their productivity and income, and more importantly, how can potential gains be realized and enhanced? It is increasingly recognized that ensuring the impact of financial inclusion on women’s livelihoods cannot be done without addressing multiple gender inequalities embedded in the entrepreneurial eco-system – including socio-cultural norms and the gendered division of labour. Another key question is whether financial inclusion is transformative by itself or needs to be coupled with other interventions to have a positive impact on women’s livelihoods.

This scoping paper makes an important contribution to our understanding of how gender intersects with financial inclusion. It is one of a series commissioned by the International Development Research Centre (IDRC) to shed light on the above questions. The papers fed into a stakeholder consultation jointly hosted by IDRC and the Nairobi-based MasterCard Labs for Financial Inclusion in June 2017. The event brought together leading experts, implementing agencies, and women to explore current evidence. Their insights, and these scoping papers, point to potential new areas of research support that will build an evidence base for practical, policy-relevant solutions.

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## Abstract

Financial inclusion that is truly transformative in terms of women's productivity, livelihoods, and economic empowerment requires uptake and continued use of relevant financial products. This paper uses a demand-side approach to understand gender barriers to financial inclusion among female entrepreneurs and smallholders. Through a literature review, secondary analysis of existing datasets, and key stakeholder interviews, it seeks to answer whether and under what conditions financial inclusion can be transformative for women's productivity, income growth, and empowerment.

## Key messages

- Microfinance and savings and loans groups have had some success in increasing women's savings and incomes, but their effects fall short of transforming livelihoods and lifting households out of poverty.
- There is limited evidence that financial services alone have a significant impact on women's productivity. Women seem to get less return than men, for reasons we don't yet understand.
- Rather than tailored "pink products", women need financial tools that are accessible and broadly useful, but well matched to their generally low and unstable incomes and their concern with protecting household consumption and wellbeing.
- New technological innovations in financial services hold promise, especially for women farmers, but development lags in terms of products tailored to small business.
- Three key areas for future research include better understanding:
  - how women can reap a return from financial services expansion
  - women's enterprise activity; and
  - the impact of financial inclusion interventions on women.

# Background

Financial services are a core enabler for consumption smoothing, risk mitigation, self-employment, business growth, asset accumulation, and wealth creation. Access to formal banking services can help individuals and households make day-to-day transactions, plan for and pay recurring expenses, finance small businesses and grow assets, safeguard savings against theft, manage irregular cash flow to smooth consumption, mitigate shocks from unforeseen expenses, and improve users' overall welfare (CGAP, 2017). Despite clear benefits, an estimated 2 billion adults remain without banking services globally (Demirgüç-Kunt, Klapper, Singer, & Van Oudheusden, 2015).

Women disproportionately face barriers to access that prevent them from participating in the economy and from improving their livelihoods. Although more women than ever have access to formal financial services, and account ownership continues to climb due in large part to adoption of mobile money, a persistent 9% gap remains between men's and women's usage of financial services in developing economies (Demirgüç-Kunt et al., 2015). Paradoxically, even when financially included, women appear to get less benefit than their male counterparts.

Agriculture is a major source of livelihoods for women. Women comprise 43% of the world's agricultural labour force. In Africa, 80% of the agricultural production comes from small farmers, who are mostly rural women (Mucavele, n.d.). Moreover, a key hindrance to agricultural development and broader growth is a wide and pervasive gender gap in agricultural productivity (O'Sullivan, Rao, Banerjee, Gulati, & Vinez, 2014). Entrepreneurship is also an important and growing source of livelihoods for women. The majority of informal enterprises are run by women in a number of countries, including Kenya, Tanzania, and Zimbabwe (FSD Tanzania, 2012; Kenya National Bureau of Statistics, 2016; Strassburg & Khumalo, 2012). In Kenya, more than 60% of the employees in informal enterprises are women (Kenya National Bureau of Statistics, 2016). Women-owned enterprises are more likely than those run by men to be informal in most countries (International Labour Organisation, 2015). These two sectors offer individuals the opportunity to increase their own productivity and self-determination by using financial services.

This paper aims to shed light on the following three questions:

- How does financial inclusion help women entrepreneurs (typically in micro, small, and medium enterprises, or MSMEs) and women smallholder farmers in terms of enhanced productivity, livelihoods, and economic empowerment?
- Is financial inclusion transformative by itself or does it need to be coupled with other interventions to have a demonstrable positive impact on the livelihoods of poor women? How will this differ across sectors?
- What financial sector innovations have the most potential to overcome gender barriers to women's economic empowerment, and how can these be scaled up?

Improving a woman's livelihood has a well-documented "multiplier effect," due to the fact that women spend 90% of their earned income on education, healthcare, and housing on average compared to 60% of equivalent spending by men (Iskenderian, 2017). The path to increasing women's financial inclusion depends on addressing the specific demand- and supply-side barriers they face, and creating an inclusive regulatory environment (Holloway, Niazi, & Rouse, 2017). Financial inclusion that is truly transformative in terms of women's productivity, livelihoods, and economic empowerment requires uptake and continued use of relevant financial products. To this end, this paper uses a demand-side approach to understand gender barriers to financial inclusion among female entrepreneurs and smallholders.

# 1 Methodology

**"We used a gender lens to undertake a new analysis of several different recent datasets to understand better how men and women are using and benefiting from financial services."**



We took a three-pronged approach, which included: 1) a desk review of published literature addressing demand-side factors for women smallholders and women entrepreneurs; 2) secondary analysis of existing datasets to identify gendered differences that may point to differentiated product design; and 3) key stakeholder interviews to verify and enhance our findings.<sup>1</sup>

## 1.1 Desk literature review

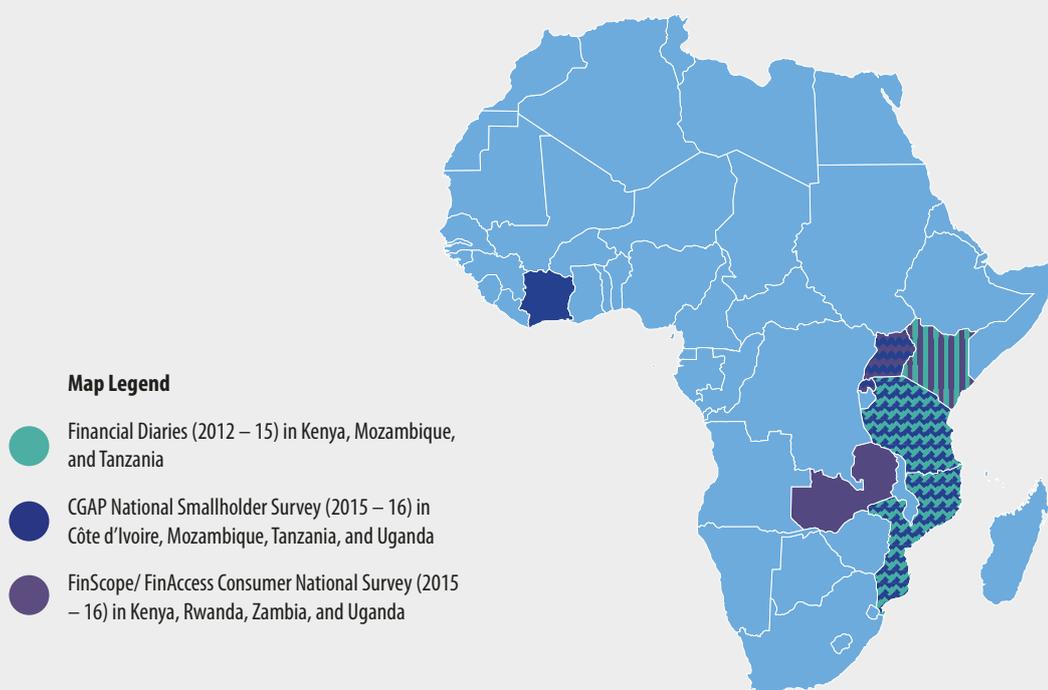
During the desk review, we reviewed the existing literature on women in agriculture and entrepreneurship, including overview publications such as The World Bank's Female Entrepreneurship Resource Point (World Bank, 2013) and The World Bank Gender in Agriculture Sourcebook (World Bank, 2009); overview publications on impact such as reviews by the Center for Global Development (Buvinic & O'Donnell, 2017) and GIZ (Miles, Wiedmaier-Pfister, & Dankmeyer, 2017); and BFA's prior analysis of gender issues in the financial diaries for Mexico, India, and Kenya (Zollmann & Sanford, 2016). These and other sources helped us identify a list of key issues that affect women in agriculture and entrepreneurship, and which could be affected, enhanced, or addressed by financial inclusion.

## 1.2 Secondary analysis of existing datasets

With these key issues in mind, we used a gender lens to undertake a new analysis of several different recent datasets to understand better how men and women are using and benefiting from financial services. The overview of datasets used is shown in **Figure 1**.

- 
- 1 A complete list of references, background information on the datasets, a list of stakeholders interviewed, and the stakeholder interview guide are available upon request.

**Figure 1.** Geography of African datasets analyzed



**Source:** Authors' elaboration, inspired by Brush et al., 2009.



### Financial diaries

The financial diaries methodology uniquely captures data on the financial lives of low-income households. Given the intensive nature of capturing every transaction made by every member of a household for up to a year, the financial diaries datasets are not statistically representative of the countries in which they are conducted. Nonetheless, the thousands of data points collected with each study offer a deep rather than broad view, presenting directions for new product innovations and illuminating paths for future research.

For this paper, we examined six financial diaries datasets for an in-depth comparison of household and individual finances:

- Financial Diaries in Kenya, India (2012 – 13); and Mexico (2013 – 15). These diaries covered low-income households (urban and rural) in each of the countries.
- CGAP Smallholder Diaries in Pakistan, Mozambique, and Tanzania (2014 – 15). These diaries covered smallholder farmers only.

### Nationally representative datasets

Additionally, we undertook analysis of the data from several major recent and nationally representative surveys focused on financial inclusion issues:

- CGAP National Survey and Segmentation of Smallholder Households in:
  - Côte d'Ivoire 2016 (Anderson, 2017b),
  - Mozambique 2015 (Anderson, Moler, & Kretchun, 2016),
  - Tanzania 2016 (Anderson, Collins, & Musiime, 2016), and
  - Uganda 2015 (Anderson, 2016)
- FinAccess National Survey in:
  - Kenya 2016 (National Bureau of Statistics; FSD Kenya, 2016)
- FinScope Consumer National Survey<sup>2</sup> in:
  - Zambia 2015 (FSD Zambia & Bank of Zambia, 2015), and
  - Rwanda 2016 (FinMark Trust, 2014)

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<sup>2</sup> We were not able to obtain data for other recent FinScope Consumer or FinScope MSME surveys.

In all cases, we performed our own analysis on raw data available from these studies using StataSE 14. Unless denoted otherwise, these surveys are the source of country-level data in all included tables and charts. In countries where the possible data source is ambiguous, the source is noted.

In addition, we used published reports from nationally representative surveys to draw additional conclusions, although we did not perform new analyses. These include:

- Finscope MSME surveys for Zimbabwe (Strassburg & Khumalo, 2012), Malawi (Finmark Trust, 2012b), and Mozambique (Finmark Trust, 2012b)
- Kenya MSME Survey 2016 (Kenya National Bureau of Statistics, 2016)
- Tanzania MSME Survey 2012 (FSD Tanzania, 2012)

### 1.3 Stakeholder interviews

Finally, key stakeholder interviews were conducted with researchers and practitioners in this field to uncover additional gaps, supplementary material, and best practice examples.

### 1.4 A note on definitions

Definitions of smallholding and of small-scale entrepreneurship vary from country to country. We followed the definitions used in the surveys and if there were inconsistencies within a given country we used the following definitions:

- *Smallholder.* A farmer who cultivates a small landholding, not a large-scale commercial holding. We use the Consultative Group to Assist the Poor (CGAP) definition from its smallholder research, which is specific for each country but follows a similar approach.<sup>3</sup>
- *Entrepreneur.* The proprietor of a business enterprise of any size, with or without employees, excluding agricultural businesses. In the financial diaries that focused on low-income households, business income was coded as “self-employment” income unless it was agricultural income.

**"We undertook analysis of the data from several major recent and nationally representative surveys focused on financial inclusion issues.**

**Key stakeholder interviews were conducted with researchers and practitioners in this field to uncover additional gaps, supplementary material, and best practice examples."**

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3 A typical definition, taken from the CGAP Tanzania Smallholder Survey, is a household where agriculture provides a meaningful contribution to the household's livelihood, income, or consumption, and which either owns up to five hectares of land or owns below a maximum number of livestock (e.g. 50 cattle, 100 goats/sheep/pigs, or 1000 chickens).

## 2 Issues affecting women's financial inclusion

**"Time poverty and family care responsibilities, legal rights, security concerns, and capacity constraints affect women more than men in both sectors."**



## 2.1 Women have different livelihood needs and purposes than men

Agriculture and entrepreneurship activities both suffer from low productivity and low incomes across Africa, despite being major components of economic production. Men and women experience these two livelihood strategies differently, with different limitations and opportunities. This desk review seeks to summarize the past analysis of these differences and the opportunities afforded by financial services to accelerate growth and productivity.

There is a substantial literature in both agriculture and entrepreneurship that documents the large gap between men's and women's productivity. Issues that affect women more than men in both sectors include:

- **Time poverty and family care responsibilities.** Childbirth, childcare, and care for other family members impose limitations on women's ability to work outside or far from home, and reduce the hours they have available for productive work.
- **Legal rights.** While laws in most countries no longer discriminate against women in financial services, there are still legal and traditional limitations on land ownership and ownership of other assets.
- **Security concerns.** Physical security is a concern to many women, especially when carrying cash or valuables.
- **Lower human capacity.** Women have less education, less experience, and less access to information. This includes less access to mobile phones.

The financial diaries provide a qualitative understanding of how gender affects women's productive abilities. A review of gender dynamics in the financial diaries undertaken by BFA in "A Buck Short" (Zollmann & Sanford, 2016) looked at households in Kenya, Mexico, and India. Although each country had its own specific aspects, some of the common issues the study identified were:

- **Different priorities.** Women prioritize household responsibilities such as children's education and housing. Men prioritize business expenses and large investments such as land.
- **Risk-avoiding.** Women are much less likely to take risks than men. Their role tends to be that of defending and protecting the household from outside shocks.
- **Life interruptions.** Women face interruptions in their business or farming enterprise to give birth and to look after family members.
- **Lower, less consistent incomes.** Women's incomes are generally lower and less consistent, which provides them with less capital to invest in their business or farming enterprise.
- **Horizontal networks.** Women tend to know other women in similar situations as themselves; this can be a source of resilience in hard times. Men tend to know other men from a range of social and economic stations, enhancing their ability to expand their enterprises.
- **Earning closer to home/ mobility.** Women are less like to travel away from home; most of their transactions and income-generating activities are close to home. This is also reflected in their lower phone ownership and lesser ability to interact with people further away.
- **Role conformity.** Women face strong societal pressure to conform to gender norms, facing judgement from family members.

These factors combined mean that women are typically less willing and less able to take on the risky investment that might yield higher returns in either agriculture or business.

One result is that women don't actually make intended investments in their enterprise or farm. Instead they divert funds into other household priorities such as education and healthcare. Although women continue to have high repayment rates on loans, this behaviour frustrates the goal of increasing productivity. For example, in an IPA study in Uganda, loans, grants and training provided to participants raised men's profits by 58% but women's not at all (Fiala, 2015). The Kenya MSME National Survey reported that unlicensed businesses (which are more frequently owned by women) were more likely to divert business loans to a non-business purpose (Kenya National Bureau of Statistics, 2016).

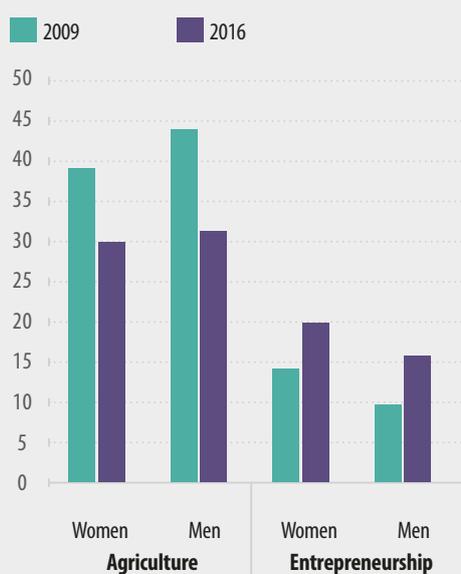
Financial institutions frequently complain about borrowers using the loan for non-business purposes, which then moves them to tie loan disbursement to only the contracted purpose. This still leaves women, however, with the dilemma of how to address other household needs which may lead them to withdraw capital from their farms or businesses.

## 2.2 Agriculture and entrepreneurship: similar but different constraints

Agriculture and entrepreneurship are livelihood strategies that confer a sense of agency over decisions and direction quite unlike that enjoyed by employees. There are, however, differences in the two sectors' trajectories at a macro level, reflecting distinct sets of decisions and conditions:

- Although the agricultural sector has traditionally employed (either formally or informally) the largest share of the workforce in African countries, its share of the active workforce is falling, whereas entrepreneurship is growing (**Figure 2**).
- Women head up the majority of enterprises, especially in the informal sector. In contrast, although women are sometimes said to be the majority of smallholder farmers, surveys show that most agricultural decisions in a family farm are taken by the male head of household (**Table 1**).

**Figure 2.** Change in share of income by industry, Kenya



**Source:** Self-reported main income source from national FinAccess survey in Kenya, 2009-2016

**Table 1. Financial decision-makers in smallholder households (male- versus female-headed)**

"Who is the decision-maker..."	Côte d'Ivoire <sup>1</sup>		Mozambique <sup>2</sup>		Tanzania <sup>3</sup>		Uganda <sup>4</sup>	
	FHH	MHH	FHH	MHH	FHH	MHH	FHH	MHH
<b>"...for purchase of farm inputs"</b>								
Husband / Boyfriend	5%	<b>71%</b>	8%	<b>38%</b>	7%	34%	6%	<b>41%</b>
Wife / Girlfriend	<b>63%</b>	1%	<b>55%</b>	12%	<b>58%</b>	5%	<b>69%</b>	13%
Both husband and wife	3%	14%	12%	37%	9%	<b>51%</b>	7%	40%
Another household member	7%	2%	5%	2%	9%	2%	8%	1%
Having Rights	6%	4%	N/A	N/A	N/A	N/A	N/A	N/A
Don't Know/ Not Applicable	16%	8%	21%	11%	0%	0%	10%	4%
<b>"...for when and where to sell crops"</b>								
Husband / Boyfriend	5%	<b>72%</b>	8%	36%	7%	30%	6%	39%
Wife / Girlfriend	<b>73%</b>	2%	<b>52%</b>	12%	<b>54%</b>	4%	<b>68%</b>	12%
Both husband and wife	3%	17%	14%	<b>38%</b>	11%	<b>55%</b>	8%	<b>43%</b>
Another household member	7%	2%	4%	2%	7%	2%	7%	1%
Having Rights	9%	4%	N/A	N/A	N/A	N/A	N/A	N/A
Don't Know/ Not Applicable	3%	2%	22%	12%	22%	9%	11%	5%
<b>"...for quantity of crops to sell"</b>								
Husband / Boyfriend	5%	<b>72%</b>	9%	<b>38%</b>	6%	29%	6%	39%
Wife / Girlfriend	<b>73%</b>	2%	<b>53%</b>	12%	<b>55%</b>	5%	<b>68%</b>	12%
Both husband and wife	3%	18%	13%	36%	11%	<b>55%</b>	7%	<b>43%</b>
Another household member	7%	3%	5%	2%	7%	2%	8%	1%
Having Rights	9%	4%	N/A	N/A	N/A	N/A	N/A	N/A
Don't Know/ Not Applicable	3%	2%	20%	12%	0%	0%	10%	4%

**Key:** FHH = Female-headed household. MHH = Male-headed household.  
Most common household decision maker is highlighted.

**Sources:**

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)

- Agriculture is not seen as a growth industry and many parents would like their children to leave it. In contrast, entrepreneurship is regarded as a good career choice by most people in many African countries (Global Entrepreneurship Monitor, 2016). Thus, while agriculture continues to represent an important productive sector, increasingly women are turning to entrepreneurship. This means the challenge of providing income and productivity growth in agriculture must be situated in a context of competing opportunities outside of agriculture, especially in the entrepreneurship space.

## Women in agriculture face more constraints to productivity than male counterparts

Since most smallholder farms are run as a family enterprise, it is somewhat difficult to disaggregate household-level survey data between individual male and female farmers. Nonetheless, there is an extensive qualitative literature indicating that women face limitations in agricultural production and commercialization. The World Bank report on agriculture in Africa confirms that female-managed farms produce less per hectare than their male-managed counterparts across a range of countries (O'Sullivan et al., 2014). This report summarizes the key issues affecting women's productivity as:

- **Land.** Women frequently do not have secure tenure or rights to farm, leading to under- or over-cultivation of their land.
- **Labour.** Women farmers have trouble mobilizing enough labour, whether their own labour (given their other household responsibilities) or that of others.
- **Non-labour inputs.** Women not only use fewer inputs but get lower returns on the inputs they do use.
- **Information.** Women don't receive as much information as men, and may get it second-hand through husbands or children.
- **Access to markets.** Women are less likely to travel long distances to markets, or to plant cash crops. Women are more likely to plant crops for home consumption or nearby markets.
- **Human capital.** The education gap remains persistent in many countries and is lately compounded by a gap in access to mobile phones as an information channel.

These are all complex issues, and only some can be addressed by financial services. Providing financial services in rural areas is clearly more expensive than in urban areas, and rural incomes are lower, offering lower potential profits to financial service providers. When combined with the risks inherent in agriculture, it is understandable that service providers have shied away from serving smallholder farmers.



## Entrepreneurship provides a more attractive option for some women, but this comes with its own set of constraints

Most informal industries, especially one-person businesses, are run by women entrepreneurs. In the Kenya financial diaries, such tiny informal businesses were a major contributor to income growth in Kenyan households between the diaries study of 2012 – 13 and an update two years later (Zollmann, 2016). In this group of 295 households, 369 businesses had started during the initial year-long study. The micro businesses had the following features:

- **Low investment, low revenue.** The median starting capital in the diaries sample was just \$6. They earned only about \$15 on average per month—not enough to sustain a family. These businesses mostly complemented another household income source.
- **No records.** Only 24% kept any type of written record and even that was intermittent and inaccurate.
- **Temporary.** The average age of business in our sample was just one year. Many went out of business because women owners had family care responsibilities. Lack of working capital was the other main reason for ending a business.
- **Low technology, low productivity.** Diaries respondents were mostly in services or trade. None were in manufacturing. Capital for larger investments came not from within the business but from other income.
- **Born of necessity, not invention.** This contrasts with more developed economies where opportunity drives entrepreneurship.
- **Useful and fulfilling.** The report states: “A low income person can move in and out of business activities with ease, turning a meaningful profit, even if in nominal terms that profit is small. This allows for an important cushion in an otherwise vulnerable circumstance.”

**“Early-stage female entrepreneurs tend to exhibit significantly higher fear of failure than male entrepreneurs.”**

While entrepreneurship seems to offer an avenue for income growth that is particularly attractive to women, the World Bank Female Entrepreneurship Resource Point highlighted the following gendered limitations (World Bank, 2013):

- **Human capital limitations.** Women entrepreneurs have not only lower education but also less experience and fewer endowments.
- **Selection of sector.** Women are over-represented in sectors with low barriers to entry and exit, low start-up costs, and those which can be operated from or near home.
- **Access to information and technology.** Social norms and affordability may limit women’s access to information and technology.
- **Access to finance.** Women are less likely to obtain capital where it’s available from the formal sector.



Social norms are a far more complex barrier to female entrepreneurship: they induce female entrepreneurs to choose socially acceptable sectors and can shape their perceptions about what they are capable of achieving (Cirera & Qasim, 2014; Oxfam, 2017). In many cases, women rank lower than men in their perceptions of opportunity, self-confidence, and fear of failure (Koellinger et al., 2007). For example, the Global Entrepreneurship Monitor (GEM) data show that across countries, early-stage female entrepreneurs tend to exhibit significantly higher fear of failure than male entrepreneurs (Minniti, 2010). The GEM dataset also estimates that subjective perceptions about one's own skills, likelihood of failure, and opportunities explain a significant portion of the gender gap in entrepreneurial activity. Croson and Gneezy find that women are more risk averse than men and less likely to engage in competitive situations (Croson & Gneezy, 2009).

The Finscope MSME surveys and the Kenya and Tanzania national MSME surveys shed light on some additional issues affecting women. Similar to the diaries, these surveys revealed women were more likely to report that they closed their business due to a pregnancy or needing to care for a family member (FSD Tanzania, 2012; Kenya National Bureau of Statistics, 2016).

Entrepreneurship, while employing a generally smaller segment of the population than agriculture, accounts for a rising share of GDP. The gender dynamic is interesting: in highly agrarian Malawi and Mozambique, men are more likely to be in entrepreneurship than women (Finmark Trust, 2012a, 2012b). But for the more diversified economies of Kenya, Tanzania, and Zimbabwe, the majority of entrepreneurs are women (FSD Tanzania, 2012; Kenya National Bureau of Statistics, 2016; Strassburg & Khumalo, 2012). We may speculate that women opt for entrepreneurship as a way to increase and stabilize their incomes, as soon as national opportunities for entrepreneurship become more available.

The Kenya MSME survey also revealed a potential reason why women's entrepreneurship is so common in that country: over 60% of licensed MSMEs belonged to a "men/women group." Since we also know that women are more likely to belong to "men/women groups" than men, it seems possible that belonging to a group is an important way for women to join and stay in formal entrepreneurship. In contrast, three quarters of unlicensed MSMEs belonged to no group at all with the remainder mostly belonging to rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs) (Kenya National Bureau of Statistics, 2016).

In Tanzania, while most MSME owners were women, management was rarely female (only 20%) with 42% having shared management between male and female. The report concludes that "male owners prefer to work on their own while women tend to involve others in running their businesses." Over 70% of men and women in Tanzania believed that opportunities for business were equal for men and women (FSD Tanzania, 2012).

### 2.3 Women have less access to basic financial inputs than men

The financial inclusion picture has been rapidly changing in Africa over the past decade, especially with the introduction of mobile money. While bank access remains low, mobile money has been growing rapidly, especially in East Africa. There remain substantial gaps in banking access between men and women, but this gap is much smaller in mobile money and shrinking (**Table 2**). Mobile money and mobile banking offer an opportunity to close the financial inclusion gap between men and women in the medium-term future.

**Table 2.** Uptake of mobile money accounts vs traditional bank accounts among smallholders and entrepreneurs

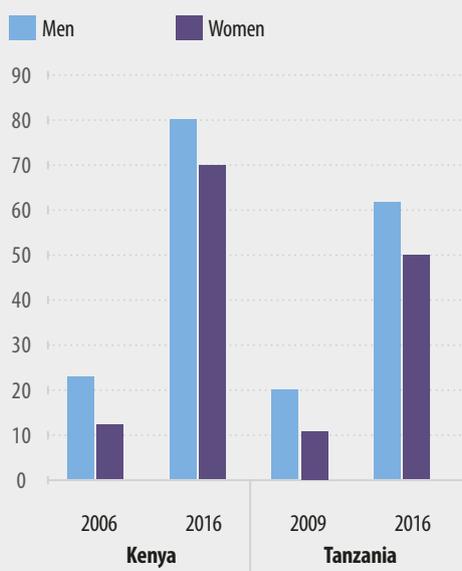
	Currently has a mobile money account				Currently has a bank account			
	Smallholders		Entrepreneurs		Smallholders		Entrepreneurs	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Côte d'Ivoire</b> <sup>1</sup>	16%	<b>34%</b>	N/A	N/A	3%	<b>7%</b>	N/A	N/A
<b>Kenya</b> <sup>4</sup>	59%	<b>67%</b>	77%	<b>84%</b>	19%	<b>34%</b>	34%	<b>53%</b>
<b>Rwanda</b> <sup>6</sup>	23%	<b>37%</b>	50%	<b>66%</b>	7%	<b>12%</b>	25%	<b>32%</b>
<b>Tanzania</b> <sup>2</sup>	43%	<b>51%</b>	N/A	N/A	7%	<b>10%</b>	N/A	N/A
<b>Uganda</b> <sup>3</sup>	15%	<b>25%</b>	N/A	N/A	7%	<b>11%</b>	N/A	N/A
<b>Zambia</b> <sup>5</sup>	26%	<b>49%</b>	51%	<b>69%</b>	6%	<b>17%</b>	14%	<b>29%</b>

Larger share of target population is highlighted.

**Sources:**

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)
4. FinAccess National Survey Kenya 2016 (National Bureau of Statistics; FSD Kenya, 2016)
5. FinScope Consumer National Survey Zambia 2015 (FSD Zambia & Bank of Zambia, 2015)
6. FinScope Consumer National Survey Rwanda 2016 (FinMark Trust, 2014)

**Figure 3.** Holders of formal accounts (bank, mobile money, and other prudentially-regulated accounts) by gender



**Sources:** Finaccess Kenya (2006, 2016); Finscope Tanzania (2009, 2016)

In East Africa, the gap between men and women’s access to formal financial products remains at about 9%, but this masks a massive gain in the share of accounts held by women (**Figure 3**). Mobile money has been the main driver of financial inclusion in East Africa, particularly among entrepreneurs.

Smallholder farmers are less likely than the general population to have mobile money or accounts with formal financial institutions (although more likely to belong to credit unions, which cover only a small share of the population—except in Francophone West Africa where cooperatives are more common). Despite facing frequent loss of crops and animals, agricultural insurance is almost unknown.

### Credit

Both agriculture and business are credit-constrained across Africa. In the smallholder financial diaries in Tanzania and Mozambique, only 2% of farmers had ever used formal sector credit; use of credit overall was limited. Pakistani smallholders had much higher usage of credit, albeit in the informal sector, along with higher agricultural productivity and family income (Anderson & Ahmed, 2016).

In the smallholder national surveys, credit was generally seen as desirable regardless of whether the household was headed by a man or a woman. Demand for credit in Tanzania and Côte d’Ivoire is clear, with over two-thirds of heads of households classifying credit as important (**Table 3**). Even in Uganda, where the largest share of respondents said credit was not important, large numbers of heads of households assigned some importance to credit access (41% of women, 53% of men).

In the smallholder national surveys, across Africa, fewer than one in four farmers currently had loans with lower rates among women, with the exception of Côte d’Ivoire (**Table 4**). This indicates there are opportunities to expand financial services both in hard-to-reach rural areas as well as in urban areas for both men and women. In some contexts (see Tanzania), rural women’s access to credit from informal groups or associations appears to be higher than for urban women or men.

**Table 3. Attitudes towards credit among heads of smallholder households**

**Regardless of whether you have it, how important is it to your household to have CREDIT?**

Country	Côte d'Ivoire <sup>1</sup>		Mozambique <sup>2</sup>		Tanzania <sup>3</sup>		Uganda <sup>4</sup>	
	FHH	MHH	FHH	MHH	FHH	MHH	FHH	MHH
<b>Very Important</b>	<b>54%</b>	<b>61%</b>	21%	21%	<b>42%</b>	<b>46%</b>	16%	24%
<b>Somewhat Important</b>	18%	22%	11%	13%	19%	24%	25%	29%
<b>Not Important</b>	18%	14%	23%	24%	37%	29%	<b>38%</b>	<b>32%</b>
<b>Don't Know</b>	11%	4%	<b>45%</b>	<b>42%</b>	2%	2%	21%	16%

Largest share of opinion held is highlighted.

Key: FHH = Female-headed household. MHH = Male-headed household.

**Sources:**

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)

**Table 4. Self-reported credit availability and uptake among smallholder farmers**

	Currently has a loan (any type, including informal)				Reports having access to loans through groups or associations			
	Rural		Urban		Rural		Urban	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Uganda<sup>4</sup></b>	18%	<b>21%</b>	18%	<b>21%</b>	<b>49%</b>	43%	40%	<b>47%</b>
<b>Tanzania<sup>3</sup></b>	11%	<b>14%</b>	8%	<b>10%</b>	<b>36%</b>	20%	<b>31%</b>	19%
<b>Côte d'Ivoire<sup>1</sup></b>	<b>8%</b>	4%	3%	<b>4%</b>	<b>14%</b>	12%	16%	16%
<b>Mozambique<sup>2</sup></b>	5%	6%	9%	<b>12%</b>	<b>19%</b>	12%	<b>9%</b>	0%

Larger share of target population is highlighted.

**Sources:**

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)

Historically, financial services interventions for smallholders have tended to focus on loans for working capital to access non-labour inputs (such as seeds, fertilizers, and pesticides) with some interventions aimed at longer-term, community-level projects such as irrigation or processing.

With overall credit access so low, it's hard to tell whether men and women have different credit needs in agriculture. With men being more likely to take the decisions about large investments, it seems likely that men have more demand for larger, longer-term loans such as for irrigation or mechanization. Farming households have a definite demand for working capital loans but these are currently being met mostly in the informal sector, if at all. When offered formal sector loans, farmers often opt to stick with informal lenders who are willing to re-negotiate the terms if farmers face a bad harvest (Anderson, 2017a).

Entrepreneurs have higher access to credit than farmers, especially from friends and family, as well as from microfinance organizations and banks. Nonetheless, only about 20% of businesses in the Kenya and Tanzania MSME surveys had taken out formal loans in the past year, whereas over 80% of Tanzania entrepreneurs said they needed credit. Where available, credit is almost exclusively for working capital; investment capital is almost impossible to source and mostly comes from personal or business savings.

Despite small businesses being a fast-growing sector, there are few new financial products available to serve them. The traditional microfinance institutions (MFIs) that provide working capital loans to women entrepreneurs retain only a small share of the credit market and their growth is limited by their labor-intensive business model and low level of digitization. Some digital financial service providers that are advertised as micro-business loan providers (Branch, for instance) have a product offering that is not appreciably different from mobile banking products like M-shwari. Innovation seems less active in small business than in agriculture, despite the higher penetration of mobile phone access and ownership among female entrepreneurs than female smallholders (Table 5).

**Table 5.** Rates of ownership of and access to mobile phones among smallholders and entrepreneurs

	Has own mobile phone				Has access to a mobile phone			
	Smallholders		Entrepreneurs		Smallholders		Entrepreneurs	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Côte d'Ivoire</b> <sup>1</sup>	80%	<b>89%</b>	N/A	N/A	89%	<b>95%</b>	N/A	N/A
<b>Kenya</b> <sup>4</sup>	69%	<b>75%</b>	84%	<b>90%</b>	N/A	N/A	N/A	N/A
<b>Rwanda</b> <sup>6</sup>	55%	<b>65%</b>	81%	<b>88%</b>	83%	<b>87%</b>	95%	95%
<b>Tanzania</b> <sup>2</sup>	76%	<b>83%</b>	N/A	N/A	95%	<b>97%</b>	N/A	N/A
<b>Uganda</b> <sup>3</sup>	53%	<b>71%</b>	N/A	N/A	92%	<b>94%</b>	N/A	N/A
<b>Zambia</b> <sup>5</sup>	40%	<b>61%</b>	67%	<b>75%</b>	71%	<b>80%</b>	83%	<b>85%</b>

Larger share of target population highlighted in yellow.

**Sources:**

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)
4. FinAccess National Survey Kenya 2016 (National Bureau of Statistics; FSD Kenya, 2016)
5. FinScope Consumer National Survey Zambia 2015 (FSD Zambia & Bank of Zambia, 2015)
6. FinScope Consumer National Survey Rwanda 2016 (FinMark Trust, 2014)

Although credit accessibility is universally dismal, women may be worse affected because they are more likely to lack formal land title to offer as collateral; may be hampered by other bureaucratic documentation with higher demands on literacy; and may be less able to travel to formal institutions to lodge documents and meet with loan officers.

## Savings

In addition to credit, savings can play a role as a key investment instrument for individuals and households to store and accumulate wealth. From the financial diaries, we see that savings are the main source of capital for enterprise and also for agricultural investment. Savings are typically kept in the house, and use of formal financial products is quite low, although people do want a safe place to save (Zollmann & Sanford, 2016). The importance of saving is reflected in attitudes towards savings accounts in the smallholder national surveys (Table 6).

In a review of the savings literature, Karlan et. al identified five types of barriers that face low-income savers. These include transaction costs of both pecuniary and non-pecuniary types (money and time costs relating to account opening fees, minimum balance requirements, withdrawal fees, and transportation costs), lack of trust and regulatory barriers, information and knowledge gaps, social constraints (including intra-household bargaining and sharing), and behavioural bias (so-called, “living-for-today” bias) (Karlan, Ratan, & Zinman, 2014).

When these barriers can be overcome, the experimental evidence is encouraging. A review of the impact literature on savings by Buvinic and O’Donnell found that women’s private savings accounts helped foster economic self-reliance and to overcome a lack of control over financial resources, especially among women who would otherwise have less financial decision-making authority within their households. Moreover, the mental allocation of strictly earmarking money into savings makes the money less fungible; this, combined with women’s preference for risk-minimization, appears to help explain savings’ positive impact on economic outcomes (Buvinic & O’Donnell, 2017).

**Table 6.** Attitudes towards savings accounts among smallholders

Regardless of whether you have it, how important is it to your household to have a savings account?								
Country	Côte d’Ivoire <sup>1</sup>		Mozambique <sup>2</sup>		Tanzania <sup>3</sup>		Uganda <sup>4</sup>	
Reported-Importance	FHH	MHH	FHH	MHH	FHH	MHH	FHH	MHH
<b>Very Important</b>	<b>70%</b>	<b>77%</b>	30%	26%	<b>76%</b>	<b>79%</b>	<b>48%</b>	<b>59%</b>
<b>Somewhat Important</b>	14%	15%	13%	14%	12%	14%	28%	28%
<b>Not Important</b>	8%	6%	20%	28%	11%	7%	14%	9%
<b>Don’t Know</b>	8%	2%	<b>38%</b>	<b>32%</b>	1%	0%	10%	4%

*Largest share of opinion held is highlighted in blue.*

**Key:** FHH = Female-headed household. MHH = Male-headed household.

### Sources:

1. CGAP National Survey and Segmentation of Smallholder Households Côte d’Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)

## Insurance and social protection

Insurance is rare among smallholder farmers and informal entrepreneurs, and even more so for women. Promising approaches such as weather index insurance for agriculture have so far failed to gain much traction (Carter, Janvry, Sadoulet, & Sarris, 2014). Where women are covered by insurance, it tends to be through a national scheme like Rwanda's Mutuelle de Santé program. This voluntary community-based health insurance system is open to all Rwandan residents for a modest fee, which can be waived for lower-income households, and covers 77% of adults (Access to Finance Rwanda, 2015). There is no comparable service in most African countries.

Women are less represented in formal employment than men and are therefore less likely to be eligible for state-sponsored protection mechanisms like India's Rashtriya Swasthya Bima Yojana (RSBY). A study by UN Women found that even where there are state-sponsored social protection programmes in India, women-headed households are less likely to access these benefits.

One innovative service that directly addresses women's dual role as both worker and caretaker is Saral Suraksha Yojna (SSY), a hospital cash insurance product developed by VimoSEWA in India. The product pays the member a fixed amount per day not only in case of her hospitalization but also in the event of a family member's hospitalization. This recognizes the fact that if a family member is hospitalized, the woman will also be in the hospital with the hospitalized family member and therefore lose her day's wages. SSY has subsequently emerged as an important add-on product for members covered by the government's RSBY scheme.

Agricultural insurance is almost unheard of, despite demand. On average, agricultural insurance penetration in developing countries is only 1 – 2% (International Finance Corporation, 2014). In the smallholder national surveys, the majority of both male and female heads of smallholder households consider it to be somewhat or very important (Table 7).

**Table 7.** Importance of insurance among smallholder heads of household

**Regardless of whether you have it, how important is it to your household to have insurance?**

Country	Côte d'Ivoire <sup>1</sup>		Mozambique <sup>2</sup>		Tanzania <sup>3</sup>		Uganda <sup>4</sup>	
	FHH	MHH	FHH	MHH	FHH	MHH	FHH	MHH
<b>Reported-Importance</b>								
<b>Very Important</b>	82%	85%	32%	31%	87%	85%	28%	36%
<b>Somewhat Important</b>	9%	9%	13%	16%	6%	10%	24%	25%
<b>Not Important</b>	4%	4%	17%	24%	5%	5%	26%	24%
<b>Don't Know</b>	5%	2%	38%	29%	1%	0%	22%	15%

*Largest share of opinion held is highlighted in yellow.*

**Key:** FHH = Female-headed household. MHH = Male-headed household.

### Sources:

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)



### Information services

With mobile phones becoming more common, the opportunity to provide information services that relate to labour, information, and market access has been identified. There are a number of experiments under way to provide comprehensive solutions for specific value chains, especially in East Africa (**Table 8**).

Some major digital financial services players in the agriculture space include Mercy Corps' AgriFin Accelerate<sup>4</sup> programme, which aims to use digital financial services to deliver higher productivity for smallholders, especially women. Technoserve's programmes in many countries also incorporate digital financial services. As yet, these experiences are still at a nascent stage and no major successes have yet been scaled up.

<sup>4</sup> More information available from: <http://mercycorpsafrica.org/>

**Table 8.** Emerging digital financial services for agriculture

Product	Description
<b>2Kuze</b>	A digital platform that connects smallholder farmers, agents, buyers, and banks in East Africa
<b>Kilimo Salama</b>	A weather-index crop insurance delivered via mobile for smallholder farmers
<b>FarmDrive</b>	A mobile platform that aggregates relevant data, generates comprehensive credit profiles for financial institutions and divulges other key indicators to help farmers better run their businesses
<b>MShamba</b>	An interactive platform for smallholder farmers and traders
<b>Ensibuuko</b>	An electronic banking infrastructure provider that enables enterprises to deliver financial services efficiently and to scale rapidly, reaching underserved communities
<b>Farmers Pride</b>	A social enterprise linking disadvantaged rural farmers and agro dealers to quality and certified agricultural inputs, services, and information through an innovative franchise model

### 3 Financial inclusion and productivity

**"There is evidence that women's financial inclusion can contribute to national economic growth and population-wide income gains."**



This paper seeks to answer whether and under what conditions financial inclusion can be transformative for women's productivity, income growth, and empowerment. Based on the desk review, data analysis, and interviews with sector stakeholders we find the following:

### 3.1 Little impact of financial services alone on productivity

At the macro level, an IMF paper has indicated positive effects of financial inclusion on GDP growth, inequality levels, and women's economic participation (Sahay et al., 2015), as well as potential benefits for macro-level financial stability. Similarly, a study conducted by Suri and Jack in Kenya over a six-year period revealed an estimated 194,000 families, or as many as two percent of Kenyan households, had moved out of poverty due to their use of the mobile money system M-PESA (Suri & Jack, 2016). Most of the gain resulted from low-income women moving from farming to participating in small business in ways that would not have been possible before M-PESA.

**“Most of the gain resulted from low-income women moving from farming to participating in small business in ways that would not have been possible before M-PESA.”**

Overall, there is evidence that women's financial inclusion can contribute to national economic growth and population-wide income gains. It has been harder, however, to match these macro-economic effects with documented household or enterprise-level improvements in productivity or income.

A recent body of work using randomized control trials by Innovations for Poverty Action (IPA) has started to highlight the complexities and indicate some directions for future experimentation and research.

#### Loans and microcredit

- In Mali, loans for agriculture increased production, but profits and household consumption did not change (Beaman, Karlan, Thuysbaert, & Udry, 2014).
- In Mexico, loans for microbusinesses increased business activity but not profits or household income (Angelucci, Karlan, & Zinman, 2015).
- In Zambia, small loans at harvest season decreased labour hours by 33%, but the effects on production were small (5.6% increase) (Fink, Jack, & Masiye, 2014).
- In Uganda, men's profits increased substantially with entrepreneurship loans and training but women's did not, in part because they felt compelled to divert the money to other household expenses (Fiala, 2015). The loan-only group showed initial, but not sustained, impact among men only (Fiala, 2014).
- In India, Banerjee et al. noted a small increase in business investment and profit from microfinance loans, but no impact on household consumption (Banerjee, Duflo, Glennerster, & Kinnan, 2015).
- Crépon et al. found an increase in business activity but no impact on consumption among Morocco microfinance clients (Crépon, Devoto, Duflo, & Parienté, 2013).



### Cash grants

- In Ghana, cash grants had no effects on women's businesses although in-kind grants (which could not be diverted to household use) did. Men's businesses benefited from both types of grants (Fafchamps, McKenzie, Quinn, & Woodruff, 2014).
- One theory for the heterogeneous impact of cash grants observed both in Ghana (Fafchamps et al., 2014) and in Uganda (Fiala, 2015) is that women divert funds in part to obscure them from their spouses, as an increase in productivity from the economic impact of those investments would be a visible sign of not spending that money on family expenses (Fiala, 2017).
- There is some evidence that the method of delivery also plays a role. A recent experiment in Niger by Aker et al. found that delivering cash transfers electronically rather than manually to women increased the likelihood that the intended recipient received the transfer. Notably, women who received electronic transfers bought more food items and diversified their diet (Aker, Boumnijel, McClelland, & Tierney, 2016).

## Insurance

- In Ghana, farmers invested more in their farms when they received insurance than cash grants, implying risk drives investment decisions (Karlan, Osei, Osei-Akoto, & Udry, 2014)
- In Senegal and Burkina Faso, women were less likely to invest in insurance, although insurance contributed to higher yields for all farmers who used it (Delavallade, Dizon, Petraud, & Hill, 2015).

These experiences highlight that financial services alone are probably not enough to transform livelihoods.

And yet, we can reasonably suspect that improved access to financial services, even in the absence of other interventions, challenges traditional social norms, and this could have both positive and negative effects. Anecdotally, access to financial services for women could increase intra-household tension, at least in the short term. On the other hand, emerging evidence from India and Kenya seems to suggest that access to financial services for women can improve their status within the household (Field, Pande, Rigol, Schaner, & Moore 2016) and that women are more likely to increase their incomes by moving from agriculture into business (Jack & Suri, 2011). This suggests that financially included women may be better empowered to take different economic pathways.

The smallholder national surveys show that this finding appears to hold for African countries both within and outside the East African context, with financially included smallholder women more likely to imagine a different economic future than their counterparts who are not (**Table 9**).

**Table 9.** Impact of financial inclusion on attitudes towards agriculture among smallholders

% Agree with "I want my children to continue in agriculture"	Female		Male	
	Is financially included <sup>5</sup>	Is not financially included	Is financially included	Is not financially included
<b>Uganda<sup>4</sup></b>	59%	<b>68%</b>	65%	65%
<b>Tanzania<sup>3</sup></b>	67%	<b>76%</b>	72%	<b>78%</b>
<b>Côte d'Ivoire<sup>1</sup></b>	41%	<b>47%</b>	45%	<b>47%</b>
<b>Mozambique<sup>2</sup></b>	50%	<b>54%</b>	<b>64%</b>	57%

*Larger population holding this opinion is highlighted.*

### Sources:

1. CGAP National Survey and Segmentation of Smallholder Households Côte d'Ivoire 2016 (Anderson, 2017b)
2. CGAP National Survey and Segmentation of Smallholder Households Mozambique 2015 (Anderson, Moler, & Kretchun, 2016)
3. CGAP National Survey and Segmentation of Smallholder Households Tanzania 2016 (Anderson, Collins, & Musiime, 2016)
4. CGAP National Survey and Segmentation of Smallholder Households Uganda 2015 (Anderson, 2016)
5. Defined as either having a formal bank account or a mobile money account in respondent's own name

### 3.2 Financial services may have more transformational impact in combination with training and financial education

#### Financial education

Women have less formal education and less experience in the market or with formal financial products. Consequently, many programmes aimed at women include financial literacy training. However, impact evaluations so far show little effect of financial education, whether aimed at personal financial management or entrepreneurship. Classroom-based learning seems in particular to have little impact (Hastings, Madrian, & Skimmyhorn, 2013).

An Innovations for Poverty Action (IPA) review of financial education evaluations demonstrates that there is usually low demand among potential customers for financial education training, and the costs of provision is high (Wagh, 2017). Nonetheless, the paper indicates that financial education programmes can be effective if they have one or more of the following characteristics:

- **Simple and actionable concepts**, such as tips on storing business and personal cash in different drawers to keep accounts separate
- **Personalized content**, tailored to individuals' particular needs or financial situations
- **Timely delivery**, coinciding with financial decisions, or soon before them, to give participants less chance to forget what they learned
- **Convenient access and an entertaining experience**, such as by bringing financial education programmes into people's homes, or integrating them into daily activities
- **Youth-targeted features**, that teach financial concepts and skills when young minds are ready to soak up information

Although these features apply to all client groups, they are likely to be even more important for women, given their relatively lower financial literacy rates. In addition, technological solutions in financial education that manage to adapt individual experiences to specific needs hold even more promise for impact at scale than any one-size-fits-all approach.



## Training and sector knowledge

A wide range of agricultural and entrepreneurship programmes combine training, materials and market access with financial services. Microfinance programmes also frequently incorporate these additional services into their programmes for farmers and entrepreneurs. Practical experience has typically shown that these elements work synergistically to improve the likelihood of results.

At the programme or national level, many of these programmes show impressive overall results. A World Bank overview of impact evaluations in 2011 showed that access to credit and insurance showed positive effects as components of agriculture projects in more than half of all evaluations. The same overview indicated that programmes targeting farmer knowledge promotion had the most impact on agricultural performance. Access to credit was associated with positive results in value chain and input access projects (Independent Evaluation Group, 2011). For other microfinance interventions, the same World Bank study noted that these evaluations focused on household income or consumption rather than agricultural production. It was difficult to identify how financial inclusion may have contributed to agricultural outcomes.

Unfortunately, the impact evaluation literature does not show stellar results on the value of training programs:

- In Peru, IPA found that adding training to a microfinance loan did not change business outcomes (revenue, profit or employment) or repayment rates. It did, however, improve client retention for the MFI, justifying its cost (Karlan, Valdivia, & Henry E Niles Foundation, 2005).
- In Colombia, IPA found that training high potential entrepreneurs (in the absence of any other intervention) did not affect key business outcomes, such as sales and profits, but helped entrepreneurs to expand their business networks (Schoar, 2012).
- A global overview of evaluations of training programmes by the World Bank showed modest effects, with only a few evaluations showing any significant benefits to profits or sales.

On the other hand, the experience of offering agriculture or entrepreneurship services without financial education usually leads to poor results and many “lessons learned.”

## A note on graduation programmes

Graduation programmes, which support the extreme poor (and especially women) through a comprehensive model of training, grants, and savings-group membership, are also based on the viewpoint that financial support (even in grant form) cannot be transformational by itself. CGAP’s website provides more information on graduation programmes,<sup>5</sup> but for the purpose of this paper, we focus on more economically-capable farmers and entrepreneurs who would be the typical target of financial institutions.

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5 See: <http://www.cgap.org/topics/graduation-sustainable-livelihoods>

## 4 Financial sector innovations for women's empowerment

**"For farmers and rural entrepreneurs, the expansion of the cellphone network offers the possibility of low-cost access to financial products."**



## 4.1 Designing financial products that meet women's needs

Financial inclusion interventions are not gender neutral, and the uptake and usage gaps would be reduced if products suited women's priorities. Nonetheless, we do not feel that "pink products" are what women need.

Instead we see that financial tools for women need to be broadly useful in a way that will allow women to take them up in large numbers. Products should:

- Cater to small incomes.
- Be simple in design, to match women's lower rates of literacy and exposure.
- Be accessible close to home.
- Work with women's social networks.
- Support life's transitions.
- Free up labour hours or at least not increase them.
- Mitigate risk and stabilize incomes.
- Complement or augment existing informal financial instruments.

**"Financial inclusion interventions are not gender neutral, and the uptake and usage gaps would be reduced if products suited women's priorities."**

**Figure 4.** *No pink products. Products for women only probably won't work*



In addition, while entrepreneurs and farmers report feeling credit constrained, the evidence so far also shows the importance of insurance (especially for farmers) and basic savings and payments products for everyone. Programmes should therefore look at the full range of financial products, including longer-term credit for investment.

The experience of Women's World Banking with finance for rural women in three Latin American institutions supports this finding. It is not enough to duplicate in rural areas what has worked in urban areas. Instead, rural women want a full suite of financial products and services, in addition to credit (Women's World Banking, 2014b).

For farmers and rural entrepreneurs, the expansion of the cellphone network offers the possibility of low-cost access to financial products. This should enable providers to enter the space with new products and services that go beyond credit to address a range of needs. A number of these initiatives are already underway, especially in Africa.

For entrepreneurs, we have yet to see a comparable flourishing of new financial products. Products for entrepreneurs often seem to depend on the businesses keeping records, which few actually do: they are not likely to do so just for the purpose of an uncertain future loan. Innovation and experimentation around products for MSMEs remains an important area for future work.

## 4.2 Lessons from MFIs and group savings and loans

There have been many initiatives over several decades that offer women financial services that improve their productivity in agriculture and informal business. In fact, these are chief missions of most MFIs, starting with the Bangladeshi MFIs Grameen and BRAC, which each have tens of millions of women members. Their innovations in the group lending methodology have spread to MFIs around the world and resulted in Mohamed Yunus, founder of the Grameen Bank, being awarded a Nobel Peace Prize. Jointly these MFIs have over 40 million members, mostly women (**Table 10**).

Despite these positive intentions and large scale, the impact of these programmes appears to have been low (Duvendack et al., 2011) (van Rooyen, Stewart, & de Wet, 2012). Until recently, there was limited rigorous evaluation, but a recent meta-analysis (Gopaldaswamy, Babu, & Dash, 2016) has shown positive effects on asset accumulation and income, as well as women's empowerment. However, the size of the effect is too low to move households out of poverty and can't be considered as transformational, except perhaps over the very long term, defined as 10 years or more (Duvendack et al., 2011).

**Table 10.** Some large MFIs that are mostly focused on women

Country	Institution name	Share of female membership	Approximate number of members (as of date)
<b>Bangladesh</b>	Grameen	97%	8.9 million (May'17)
	BRAC	87%	5.4 million (2015)
	ASA	93%	5 million (2013)
<b>India</b>	SKS (Bharat Financial Inclusion)	100%	6 million (2014)
	SEWA Bharat	100%	1.4 million (2015)
<b>Pakistan</b>	Kashf Foundation	100%	230,810 (2013)
<b>Uganda</b>	BRAC	98%	176,624 (2015)
<b>Mexico</b>	Comportamos	90%	2.5 million (2014)
<b>Kenya</b>	Kenya Women Microfinance Bank	100%	800,000 (2018)
<b>Morocco</b>	Foundation Albarka	52%	145,870 (2017)

In the past couple of decades, MFI outreach to women has been supplemented by the village savings and loan methodology (VSLA), which is an improvement on the ROSCAs or ASCAs that were used by women in many traditional societies. VSLAs reach tens of millions of women in Asia and Africa. These are also founded on the premise that small loans arising from savings within groups—not from a financial institution—can improve women’s productivity.

Rigorous evaluation of the VSLA programmes is relatively recent. Karlan et al. looked at VSLA programmes run by CARE in Ghana, Malawi, and Uganda over three years and found positive effects on business income and women’s empowerment but not on consumption (Karlan, Savonitto, Thuysbaert, & Udry, 2017). The impacts were described as positive but “unlikely to be transformative”. Financial diaries of VSLA members done by Catholic Relief Services in Zambia from 2014 – 2016 showed an increase in business activity but no increase in income (Chang, 2017).

**Table 11.** A sample of financial products aimed at women by service providers outside Africa

Country	Institution	Brief description
India	VimoSEWA	VimoSEWA is an integrated insurance programme aiming to provide social protection for Self-Employed Women’s Association (SEWA) members. VimoSEWA is used, managed and owned by female workers, and the shareholders and policy-holders are all women. SEWA is currently providing insurance protection to entire families, as long as their primary member is a woman. As of January 2013, 119,477 individuals (62,060 women, 36,258 husbands, and 21,159 children) were insured under National Insurance VimoSEWA Cooperative Ltd., in both urban and rural areas (Miles et al., 2017).
	Bhartiya Mahila Bank (merged with State Bank of India in March 2017)	Mahila Bank is an Indian financial service banking company working to not only provide accounts to women across Tribal communities but also employing these women to manage local ‘branches’ in easy-to-access locations. Local women are also employed to provide training and lead community meetings in the scattered villages across Jharkhand on the various schemes available and why banking is necessary. This community-based approach ensures the women receive both the bank accounts and a good knowledge of how to access and use them (Iskenderian, 2017).
Jordan	Ri’aya or Caregiver	“Caregiver”, created in 2010 by Women’s World Banking in partnership with Microfund for Women (MFW), is Jordan’s first health micro insurance product. A critical feature of the product is a fixed compensation for each night that a customer remains hospitalized. Caregiver was made mandatory with all new loans from MFW, which helped the product to reach scale. By 2015, MFW had reached 125,000 clients with a customer base of 96% females (Miles et al., 2017).
China	Alibaba	E-commerce platform Alibaba recently announced a partnership with the World Bank to leverage their database of online trades and behaviour to determine credit worthiness for loans to female entrepreneurs who sell on the platform (GBTimes Beijing, 2017). A key driver of the platform’s success in reaching rural villages to-date is Alipay, a third-party online payment platform linked to 108 partner banks in China as well as to VISA and Western Union globally (Shrader, 2013).

Even as these women-focused, group-based methodologies continue to expand, banks and mobile money providers are experimenting with products that meet women's needs better than their existing products (**Table 11**; **Table 12**). Many of these have more rigorous impact evaluation planned as part of their design. So far, the scale of most initiatives is small. While some are growing fast, it's difficult to tell whether they will have greater impact on productivity than MFIs and VSLAs.

**Table 12.** A sample of financial products aimed at women by service providers within Africa

Country	Institution	Brief description
Malawi	Pafupi	In 2015, NBS Bank launched a new savings account, Pafupi, meaning "close," overcoming banking barriers by offering transactions through a network of agents, such as shops in local communities, where customers can make deposits and withdrawals using a mobile phone. Pafupi accounts are opened by bank staff in rural communities using mobile technology, so customers need not travel to a branch to have an account (McDonald, 2014).
Nigeria	Diamond Y'ello	Diamond Y'ello, launched in 2014, is a mobile-based savings account initiated by Diamond Bank in partnership with MTN to make financial services readily available for individuals excluded from the formal banking ecosystem. The Diamond Y'ello account was developed as a global model for expanding women's access to and usage of digital financial services through simplified steps in account opening and banking transactions, using mobile phones. Customers with existing MTN lines could open a bank account with Diamond Bank from the convenience of their homes. Over nine million Diamond Y'ello accounts have been opened to date (Diamond Bank, 2017; Women's World Banking, 2014a).
DRC, Rwanda, Uganda	Improving cross-border trade	This project aimed to provide a safe environment for small-scale cross-border traders, two-thirds of whom are women, in the Democratic Republic of Congo (DRC), as well as neighbouring Great Lakes countries, improving their economic situation and forging closer ties between traders in the region. These efforts have resulted in 60% fewer cases of harassment like physical or verbal abuse and extortion at the border (Koroma, Nimarkoh, You, Ogalo, & Owino, 2017).
Ethiopia	Women Entrepreneurship Development Project (WEDP)	The development objective of WEDP for Ethiopia is to increase the earnings and employment of micro and small enterprises owned or partly owned by participating female entrepreneurs in the targeted cities. As of May 4, 2017, the project had reached 9031 direct project beneficiaries out of a targeted 20,000 by the end of 2017 (World Bank, 2017).

## 5 Informing the research agenda

**"Women don't seem to reap as much benefit from financial inclusion as do men. Enterprises are less likely to grow, farms are less likely to expand production, and there is little impact on household consumption. We don't fully understand the reasons for this."**



In conclusion, we see that programmes that aim to transform women's productivity in agriculture and micro-enterprise have had limited impact, while financial products specifically aimed at women have tended not to have much uptake. The reasons are complex and not always clear, but include the fact that financial services (alone) have little impact on productivity, while women may have less ability to benefit from the additional services (such as training and market access) that make financial services successful. Products are also not adapted to women's small, irregular incomes, close social networks, and home responsibilities.

Technology offers the opportunity to reach women more cheaply and effectively—allowing them to access products from the privacy of their mobile phones and providing more flexibility around the size and scale of the product. Although there are promising advances, much still needs to be done to close the gap with men's access, usage, and impact.

## 5.1 Directions for further research: How women can derive more value from financial inclusion

One of the important themes of the impact research is that women don't seem to reap as much benefit from financial inclusion as do men. Enterprises are less likely to grow, farms are less likely to expand production, and there is little impact on household consumption. We don't fully understand the reasons for this.

Three main themes emerge in considering important directions for future research into how women can derive more value from programmes and services targeting greater financial inclusion. These topics could include:

### Better understanding returns on financial services expansion

- Why do women's businesses or farms get lower returns on financial inclusion than men's? Is it solely a matter of other household responsibilities? How do risk preferences intervene? Are there other important factors we need to understand?
- Women are more likely to invest in household needs and especially health and education than men. Is there a way in which financial inclusion (in addition to social policy) can release women from these competing priorities?
- As financial inclusion reaches rural areas through mobile technology, is there a way to ensure that women can benefit equally? Trends in adoption of basic financial products (mobile money; mobile banking) are favourable, but will this translate when targeted products for agriculture become more widely available?

### **Better understanding women's enterprise activity**

- Are women's enterprises a primary household income source or supplementary? Does this affect how they (and the broader household) invest in them?
- It would be important to study the determinants of business longevity and formalization for women's and men's enterprises, and understand the role of support groups, especially men's/women's groups.

### **Better understanding impact**

- The studies that show little effect from financial inclusion are mostly short term. Follow-on studies are needed to understand longer-term effects of the same interventions.
- There should be an effort to square the agricultural impact literature (which states that microfinance interventions have impacts on household income but not on agricultural production) with the financial inclusion literature (which indicates increases in agricultural output but not in household incomes) (Fanta & Mutsonziwa, 2016).
- Are there financial products that will have an impact on business productivity for women?

## **5.2 Strengthening data collection**

### **Expand traditional survey methods**

Good, data-driven programme planning and product design starts with good data, which is the product of survey design. This includes collecting gender-disaggregated data wherever possible, and covering geographically diverse regions. National representative datasets covering West and North Africa are notably absent. Representative data at the sub-national level is another gap.

### **Plan for new data sources**

Technology provides an opportunity here. As financial services go digital, the ability to measure financial instrument usage at a more granular level may provide greater insight into how the product is, or is not, being used by groups of interest. This could ultimately feed back into better know-your-customer data, supplementing or replacing traditional collateral or identification requirements which have been a demand-side barrier to financial inclusion (Alibhai, Achew, Coleman, Khan, & Strobbe, 2017).

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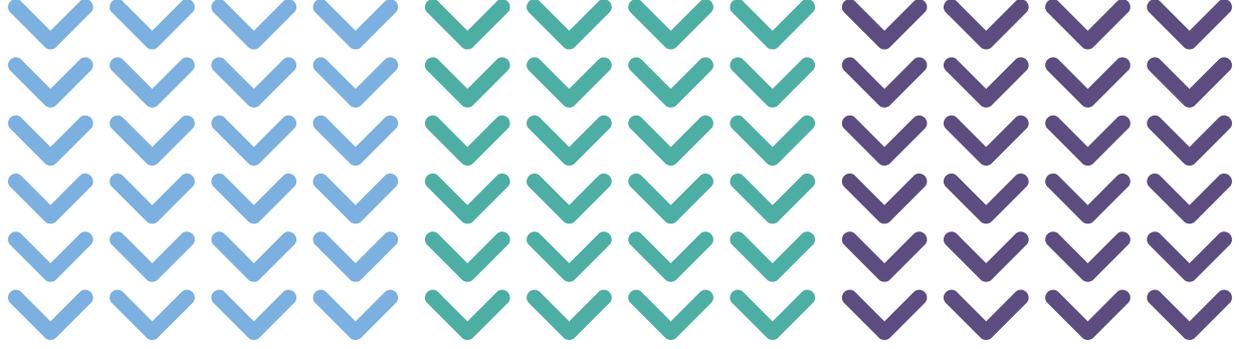
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