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Responsible digital payments:

How to prioritize women for financial equality and inclusive economies

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This policy brief outlines the power of responsible digital payments in promoting financial inclusion for women. Despite the progress in recent years, 740 million women still lack access to financial services. The factors behind this are a lack of access to formal types of ID, limited financial capability and inadequate service design, among many other constraints against women. This brief emphasizes the opportunity and the importance of removing the structural barriers to women's economic and financial participation. It offers actionable recommendations for the key steps that policymakers and other stakeholders can take to prioritize women in their efforts toward digital financial inclusion. These steps include digitizing all payments, considering the needs of women when implementing digital financial services and gathering and analysing sex-disaggregated data that are specific to women, so that products and services are designed to meet their needs.

Prioritizing women for more inclusive development

Digital payments have been shown to promote financial access and usage in a way that benefits women's lives in a variety of ways, including greater agricultural output and better business resilience, to mention just two.[2] As a result of the digitization of social safety programmes and wages in the public sector, particularly during the COVID-19 pandemic, millions of previously unbanked women have opened accounts in recent years.[3]

The 2021 Global Findex Database shows that there is now less of a gender gap in account ownership, providing women greater privacy, security and financial control.[4] For the first time in the past decade, this gap in access to financial services between men and women has narrowed to four percentage points.[5] Despite this progress, women are often excluded by systemic and organizational biases. This is damaging to the opportunities for women and for the communities in which they live. Yet their financial inclusion and independence, such as having access to personal bank accounts and being in control of their own money, has had a demonstrable and catalyzing effect on communities.[6] Examples of this ripple effect are that financially independent women can become role models for their children and can spend more on nutritious foods.[7]

Governments and businesses have been prioritizing women's economic and financial inclusion over the last decade and have cited the benefits of doing so.[8] These range from higher farming output and better climate resilience[9] to GDP growth, and businesses have seen better customer retention. Such outcomes emphasize the importance of removing the barriers that prevent women from actively participating in the formal economy.

Issues that disproportionately affect women

Globally, around 740 million women remain financially excluded.[10] Women are being left out by:

- Lack of connectivity
- Lack of access to formal types of ID
- Limited financial capability
- Financial service designs that do not meet their needs.

Social and regulatory barriers are also preventing women from financial transactions.

In emerging economies, the economic fallout from the pandemic is expected to last longer for women.[11] This is because they work disproportionately in the informal and service sectors, earn less and have less savings, shoulder more family care responsibilities and are less likely than men to qualify for government relief services. Further, women are more inclined to spend on health, nutrition and similar areas compared with men.[12] UN Women estimates suggest that around 435 million women and girls were living on less than $1.90 a day in 2021, including 47 million being pushed into poverty as a result of the pandemic.[13] In short, COVID-19 has jeopardized decades of progress for women's equality.[14]

The context of climate change is also harder on women. The Consultative Group to Assist the Poor (CGAP) noted in a recent policy brief[15] that women make up 80 percent of the people displaced by climate-related disasters in emerging economies. Furthermore, they are more likely to die as a result of natural disasters, such as droughts, floods and storms. The counter to this is that digital financial services help vulnerable people to build their resilience and to recover from major shocks, such as natural disasters and pandemics. Giving women access to financial resources, training, and climate-friendly, time-saving tools could lead to shifts in the social norms and create resilience for women through financial independence.[16] The following are some of the ways vulnerable people, including women, can become more resilient to climate change:[17]

- *Credit products* can help people with low resources to invest in risk-reduction measures like irrigation, hardier seed varieties or transition into new livelihoods and diversified sources of income.
- *Insurance* helps low-income people handle losses and rebuild their lives and livelihoods; it also makes them more resilient to the next shock.
- *Adaptive social-protection payments* from governments and humanitarian organizations help people to survive the immediate aftermath of a climate event. This is especially true for severe and large-scale shocks that vulnerable populations cannot manage on their own.

Against this background and the knowledge that such issues disproportionately affecting women, this policy brief now highlights some key recommendations. These will help policymakers, international development organizations and other key stakeholders to advance the digital financial inclusion of women.

How to prioritize women: The building blocks

While there has been a narrowing of the gender gap in access to accounts at the global level overall, the disparity in account ownership remains at six percentage points in emerging economies.[18] To close this gap and realize financial equality, women must become a top priority. The critical first step to doing this is to incorporate a 'gender lens' into responsible digitization.[19]

The key building blocks of prioritizing women through a gender lens are summarized in the following.

- *As a first step, it is important to digitize all payments*
  Ensuring women receive benefits and wages in an account in their name is a proven way[20] to boost financial inclusion. It helps women beneficiaries strengthen their household decision-making power and bolster their labour force participation. With reference to the gender gap mentioned earlier, the disparity in financial inclusion between women and men narrows to four percentage points when payments are made digitally (81 percent of women versus 85 percent of men in emerging economies).[21]
- *Sex-disaggregated data*
  It is critical to ensure that basic data (e.g. for account ownership, transaction volume, frequency of usage), demand-side quantitative and qualitative data (e.g. loyalty, satisfaction) and supply-side data (e.g. account usage, transaction volumes) are all disaggregated by sex.
  Analysing and adapting insights from gender-disaggregated data helps with tailoring product and service design and informing policy changes, ultimately accelerating women's access and usage.
  For example, Mexico's National Banking and Securities Commission has been leveraging insights from sex-disaggregated data to advance financial inclusion in the country.[22] The gender-informed Financial Reform Law of Mexico laid the groundwork for targeting women.[23] Sex-disaggregated data started to be collected in 2014, and based on the data insights, the regulation was changed in 2021 to make loans less expensive for women.[24]
  Furthermore, with new technologies such as AI, machine learning and big data platforms rapidly reshaping the financial sector ecosystem, using sex-disaggregated user and transaction data could help to mitigate the risk of built in biases in algorithms.
- *Inclusive policies for women*
  To enable women's financial independence, it is critical to revisit and eliminate discriminatory laws and policies. Examples of this include:
  - Reduce women's reliance on men for access to mobile phones and digital financial services (DFS) products by, for example, alleviating discriminatory property laws and eliminating policies that require male account signatories.
  - Develop products and services that embrace the wider availability of proof of ID for opening accounts, such as regional or local ID cards and digital IDs.

  The evidence shows that such solutions are needed. For example, according to the World Bank report, 'Women, Business and the Law 2022', in 108 of the 190 economies studied, women could not run a business as men do due to discriminatory laws and administrative procedures.[25]
- *Foundational digital infrastructure that helps women to use digital payments*
  It is critical to invest in the infrastructure and supply chains for ID cards, mobile phones, network access and other digital financial inclusion enablers.
  The private sector´s involvement in this is fundamental to ensuring expanded access to digital services and assets for women.
  Advocating and investing in financial education for girls and women is also essential, including investments in basic numeracy and literacy and the use of financial products and digital tools.
  For example, the Amader Kotha national helpline for garment workers in Bangladesh (85 percent of whom are women) enables them to report and resolve wage and safety issues.[26] Since its inception in 2014, it has served 1.5 million workers. The initiative gathered data on a variety of gender-disaggregated metrics, such as the percentage of women who are comfortable with digital payments and their preferred mode of recourse. Given that women often have less experience with digital payments and ATMs, these data insights were then used to provide women-centred offerings and communication (e.g. helpline FAQs on the basics of cash withdrawal).
- *A seat at the table for women*
  Inclusive and accountable governance means that, among other things, women have a voice in the leadership roles influencing and guiding the design and adoption of digital payment products, policies and programmes. This is achieved, in particular, by including key stakeholder groups and the voices of marginalized women.
  For example, India's leading trade union

for self-employed women (SEWA) has been successfully empowering women through a focus on their voice, visibility and viability. As a recent new member of the United Nations-based Better Than Cash Alliance, SEWA has made a commitment to increase the access to and usage of responsible digital payments.[27] This will benefit its membership of rural and urban low-income women working in the informal sector.

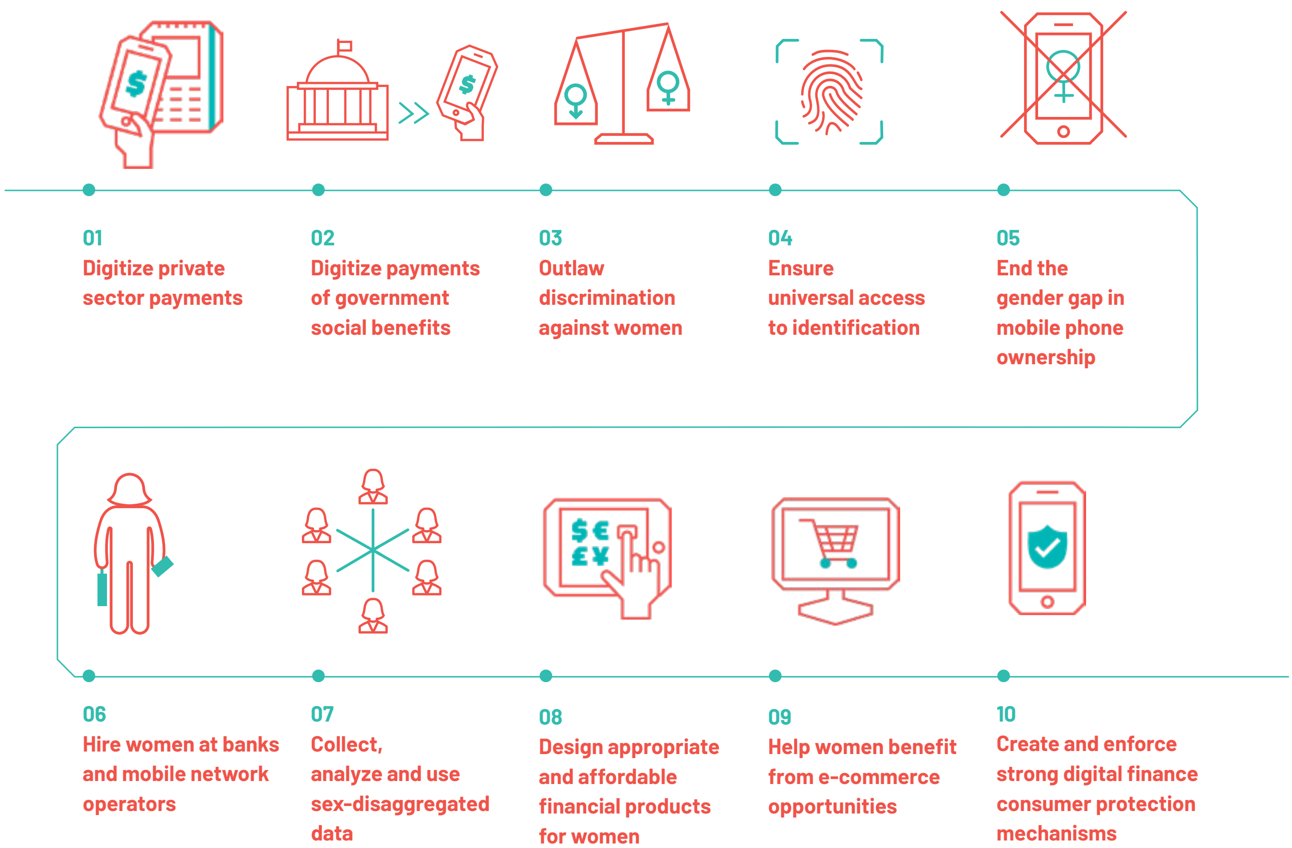
- *Women-centred offerings and communication*
  Designing and marketing products based on the needs and preferences of women can increase adoption and usage. Examples of doing this include:
  - Understanding women's diversity through an intersectional lens (e.g. their age, race/ethnicity, marital/parental status, income, geography, class/caste, disability and other factors as relevant to country contexts) to improve product design;
  - Employing sales models that are sensitive to structural barriers (e.g. using home-based consultations with women service agents to offset mobility constraints and low financial capability).

It is important to engage directly with the users who are experiencing the issues to understand these matters from their perspective, and then conduct an in-depth problem analysis through a gender lens. Products and services need to adapt to women's evolving needs and to serve women effectively throughout their lifecycles.

Policy action areas for reaching financial equality

Contingent on the specific national policy environment, social norms and the infrastructure availability, a range of policy actions may be considered to remove the barriers to women's digital financial inclusion.

The following is a ten-point call to action for governments, donors, businesses and international organizations on how to prioritize women's digital financial inclusion. This was formulated for the joint publication, 'Reaching Financial Equality', by the Better Than Cash Alliance, United Nations Capital Development Fund (UNCDF), United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), UN Women, Women's World Banking and the World Bank.[28]



Key insights to operationalize UNDP Gender Equality Strategy

Building on the ten action points, this policy brief recommends the following to operationalize the United Nations Development Programme (UNDP) Gender Equality Strategy 2022–2025.

- Throughout the world, roughly 85 million unbanked adults still receive government payments in cash, including 45 million unbanked women.[29] An opportunity exists for UNDP and the Better Than Cash Alliance to play a role in supporting Governments to integrate gender dimensions into social protection systems that can improve the performance of such programmes. Digitization supports gender inclusivity within these programmes. Gender inequality can be addressed through digitizing government-to-person (G2P) programmes, depositing payments directly into women's accounts and creating designs to meet women´s needs. Likewise, it is fundamental to target vulnerable segments of women, including women-headed households, single mothers and widows, informal-sector workers, the self-employed, women caregivers and adolescent girls or young mothers at risk, leaving no one behind.
- One hundred and sixty-seven countries have at least one law restricting women's economic opportunity.[30] UNDP can not only advocate for outlawing discrimination against women in the form of policies and regulations but also as social norms that prevent women´s access to and control over economic assets. Pursuing the direction of structural transformation and harnessing its convening power, UNDP can hold difficult conversations with private and public sectors and call them to action to remove barriers to access and usage of financial services, mobile phones, the internet and digital IDS for women and girls. In addition, UNDP could consider including measures of social norms preventing women´s access to financial products, IDs or mobile phones in the economic dimension of the Gender Social Norms Index.
- According to the Global Findex Database, approximately 200 million adults worldwide, including 85 million women, opened their first account to receive digital private sector wage payments. When companies pay wages digitally and train female employees to increase their financial capabilities, women can meet financial goals and increase intra-household decision-making power, as in the case of Bangladesh. To incentivize responsible digitization of wages among companies, UNDP, in partnership/collaboration with the Better Than Cash Alliance or other partners, can consider including a dimension on responsible digital wages and financial capabilities in the Gender Equality Seal Certification Programme.
- Paying cash transfers and wages directly to women-owned accounts can help reduce gender-based violence and other risks and constraints against women. UNDP can fund think tanks and research centres to pursue research on the effects of digital payments to prevent gender-based violence, moreover in specific contexts of humanitarian or climate crises.
- In line with Signature Solution 6, UNDP can collaborate with financial services providers (FSPs) and mobile network operators (MNOs) to increase the number of female bank employees and mobile money agents. Evidence[31] suggests that when another woman serves a female user, women use financial services more often. In addition, this ensures that digital payments are designed in line with the UN Principles for Responsible Digital Payments to safeguard that implementation mitigates risk, builds trust and drives usage.
- Through collaboration with regulators and financial service providers, UNDP can advocate for Government collecting, tracking and analysing sex-disaggregated data from digital payment partners to inform policies and financial products tailored to women and girls' preferences and needs.
- Gender inequalities and barriers to achieving inclusive economies are different for each country and thus require an understanding of the problems and barriers at the national level. When country offices design national gender policies, ensure context-specific problem analysis and active stakeholder engagement, country-specific challenges to the growth of women's digital financial inclusion are identified and tackled through concrete actions. In this context, Reaching Financial Equality, UN Principles for Responsible Payments and the SGD Compendium can serve as guides for incorporating responsible payments with a gender lens at the national level, promoting more inclusive digital economies that can achieve the SDGs.
- Lastly, resident and deputy resident representatives should establish country-level plans and allocate resources and funding to support the development of:
  - Tools that collect and analyse sex-disaggregated data (as input to product and policy design)
  - Gender-focused financial product design and communications (by working closely with providers)
  - Financial product and service innovation (while creating economic opportunities for women)

Endnotes

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