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Women's Financial Inclusion: Why Focus on Financial Capability?

Over the past two decades, Bangladesh's drive towards financial inclusion of the excluded and underserved populations has shown some interesting insights. One exciting outcome of these efforts has been on emphasising to harness the potentials on how to make digital finance work for women's economic empowerment -- a key attribute of financial inclusion. In this context, the challenge is to identify the ways to make digital finance work for women's economic empowerment through overcoming specific barriers and exploiting the opportunities of digital transformation of the microfinance sector in which women, especially the rural poor

women, are the key players in Bangladesh.

As for women's financial inclusion, the Global Findex 2021 shows that although 53 per cent of adults in the country own a financial account, the gender gap in account access between women and men has increased to 20 percentage points in 2021 from 11 percentage points in 2011. The good thing is that account ownership gaps between richer and poorer adults, and between more and less educated adults, have narrowed significantly.



The above highlights one complex social challenge: Why does gender gap in financial inclusion is so stubborn compared with income and

education gaps? The roots of this challenge may be traced to the social dynamics of financial inclusion in the country.

Available evidence overwhelmingly supports the hypothesis that mobile money has been playing the major role in bringing the financially excluded disadvantaged and vulnerable groups into the formal financial system in Bangladesh. This is supported by the fact that 29 per cent of the adults reported having a mobile money account in 2021 compared with only 3 per cent in 2014. Of these mobile money users, almost half use mobile money as their only form of financial account.

Looking from a gender perspective, it is found that women have also benefited from this rise in mobile money account ownership. Global Findex 2021 shows that 20 per cent of women owned mobile money accounts in 2021 compared with only 2 per cent in 2011. Moreover, as women's financial access has increased, their use of different financial services has risen as well — which is especially true for digital payments. Among women mobile money users, an overwhelming 82 per cent used their mobile accounts to make payments, such as bill, merchant and utility payments. Further, about a third of women payment users also used their mobile accounts to send remittances. In contrast, savings and borrowing via mobile money among women were only a few (4 per cent and 7 per cent respectively), and 11 per cent of women with a mobile money account used it to store money.

Across all socio-cultural divides, the greatest appeal of mobile money lies in its use as an efficient, affordable, and safer alternative to traditional banking institutions. For instance, by eliminating

the need to travel, mobile money accounts reduce social and administrative constraints so that women can safely receive money and transact while at home. Yet, some binding constraints keep women with mobile money accounts from benefiting as much as they could. A major factor is their loss of control over financial resources. In the Bangladesh society, multiple reasons exist as to why women may have to relinquish control over their money, either willingly or under compelling circumstances. A major culprit is the male dominated culture and norms. More specifically in the traditional rural society, smartphones are sometimes considered taboo for women and girls, and women's access to mobile banking agents—who are mostly men—might be constrained by women's hesitation to give their phone number -- necessary to access a mobile money account -- to a male agent. Taking a photo to set up an account may also be problematic for women if they are required to remove their head coverings.

Even after a woman has successfully opened a mobile banking account, additional barriers are also present that may prevent the woman from enjoying its benefits. The low levels of awareness on mobile financial services and cash flow constraints often limit the use of mobile banking by low-paid women workers. Apparently, a lack of awareness on the close links between economic empowerment with personal agency and financial decision making and similar other perceptions limits women's motivation to widen and deepen their use of mobile banking.

Aside from culture, other factors may also compel women to hand over control of their money to their husbands or other male family members. Usually, most

women digital financial service users rely on agents to complete transactions and nearly two-thirds of women with mobile money accounts need help using them. This is a major barrier for women since they have to fully rely on agents as a result of which they may be exposed to financial abuse. This forces women to rely on male members in the family.

Obviously, these challenges affect women who already have accounts. However, there are additional barriers that keep women away from account ownership in the first place. While the cost of opening and operating a financial account is a barrier for low income unbanked women, many others suffer from lack of enough knowledge about digital financial services and its advantages. Further, they also lack the confidence in handling these accounts.

The above challenges indicate that additional efforts are needed to dispel several knowledge gaps and barriers that make women less responsive to the potentials of mobile financial services. There are often misconceptions relating to the use of mobile banking covering such diverse issues as it is too expensive, mobile banking is difficult to use, and mobile banking is not for the poor women. Overall, there seems to exist a lack of confidence among the poor women especially in the rural areas that acts as a major barrier that prevents them from proactively pursuing access to and use of financial services as an essential prerequisite for economic empowerment.

An important policy response to break the vicious cycle is to install a strong consumer protection framework for building trust and furthering the cause of women's financial inclusion. Policies are needed also to motivate greater financial autonomy for women by investing in digital public infrastructure, such as biometric identification and digital financial accounts. These infrastructures which are keys to broader digitalisation across the entire economy and society would motivate women to have their own accounts and directly transact using these accounts that is the first step towards developing their capabilities that they need to increase financial autonomy.

Specifically, this will also build their financial confidence. The exposure to digital accounts, in addition to self-learning of how to use these accounts, will also lead them to use a wider range of features leading to broader empowerment and improving financial capability. The approach could be supported by further digitalising of the digital payment landscape across the country. Along with gender-informed and culturally informed policies and practices, increased digitalisation will lead to increased financial capability and inclusion of rural poor women. The key will be to adopt a more customer-centric approach, including gender-inclusive financial products and services tailored across all groups of women.



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