Unlocking the Potential: Promoting Women’s Financial Inclusion in Africa

Speaker: Geraldine Fraser-Moleketi
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Speaker: Mary Ellen Iskenderian
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Speaker: Craig Churchill
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Introduction

This document provides a summary of a meeting and questions and answer session held at Chatham House on 12 June 2014 on promoting women’s financial inclusion in Africa.

The speakers discussed the positive benefits that could be brought about by including women in Africa’s growth story. Large portions of Africa’s population remain in the informal sector, and this is especially true for women. This should be viewed by financial institutions as a new market opportunity. The speakers highlighted how the inclusion of women makes sound business sense, and described how they are good customers for banks. Women’s financial inclusion has further development benefits, with empowered women more likely to invest in their children’s education, healthcare and the upkeep of their housing.

The speakers discussed the requirement for women-specific products to be developed by financial institutions, as well as for an understanding of how women need to be treated differently as customers. Some products targeting female consumers have already been created. These often include embedded insurance. The speakers discussed opportunities within the healthcare sector. There is also a need to combine the work of formal financial institutions with informal financial systems, such as susu banking and table banking, the latter of which is popular in Kenya. Additionally, the popularity of mobile banking needs to be seen as an opportunity to develop specific products for the female market.

This meeting was held on the record. The following summary is intended to serve as an aide-mémoire for those who took part and to provide a general summary of discussions for those who did not.

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Geraldine Fraser-Moleketi

The speaker began by discussing the recently published ten-year strategy of the African Development Bank (ADB), which coincides with a ten-year period of growth on the African continent. She described how Africa has potential for consistent growth, and how the ADB’s strategy is to develop an inclusive approach to this growth. She stated that women should not be seen as the beneficiaries of the trickle-down of Africa’s growth, but must instead be incorporated within the growth. African women form the majority of the African population, yet are disproportionately more financially excluded than men. The speaker highlighted how bank account penetration among women in sub-Saharan Africa is approximately 22 per cent, compared with 27 per cent among men. The proportion of banked women ranges from less than 5 per cent in Niger, the Democratic Republic of the Congo (DRC), Guinea, the Central African Republic (CAR), Sudan and Madagascar to more than 50 per cent in the middle-income economies of South Africa and Mauritius. The speaker noted that the high percentage in South Africa is due to a specific
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public programme of cash grant transfers, which link benefits such as pensions and access to child support to women’s possession of bank accounts.

Mrs Fraser-Moleketi described how small and medium-sized enterprises (SMEs) make up 90 per cent of the continent’s business operations and contribute to over 50 per cent of employment levels and GDP. Women play an important role here, with female ownership of SMEs at 55 per cent in Tunisia, 48 per cent in Kenya, and 45 per cent in Ghana. Women’s activity in the informal sector makes up over 50 per cent of the GDP in Benin, Chad, Kenya and Mali. The speaker stated that these figures are indicative of how women form a large part of the uninsured and unbanked sectors, and she emphasized how it makes good business sense to ensure that inclusive banking takes place when looking for new markets. She clarified that the ADB is not looking at developing gender-specific products, as it wants to ensure that its products can access the broader market. However, she added that the ADB recognizes the importance of framing services to meet new markets, rather than anticipating that the market will adapt itself to products.

Mrs Fraser-Moleketi examined the gender gap in finance in Africa. She described how women have modest economic activity and borrowing patterns in Botswana, Malawi, Namibia, Rwanda, Uganda and Zambia. Women tend to have smaller businesses and operate in sectors that require little initial capital, such as retail and services. Furthermore, women are less inclined to expand their businesses rapidly, and choose to use less external capital when they do expand. They tend to be more risk-averse and more cautious about borrowing from formal financial institutions owing to fears of losing collateral. The speaker noted a widespread use of community savings systems among women, which necessitated an examination of how to incentivize women to borrow from formal institutions rather than alternative money-lending options, such as table banking in Kenya, which has no charges and higher returns. She explained that there are a number of social and legal structures that discriminate against women. She highlighted how women are often viewed as financially risky and explained that even within the ADB, which is a development financial institution, women are placed in the ten per cent risk package when credit lines for loans are provided. Under customary laws, women often do not have the right to own land or property. The ADB’s gender strategy therefore has three critical pillars. The first is women’s legal status and property rights. This fits into the second pillar of women’s economic empowerment, which is currently the main focus. The third pillar is knowledge products. Mrs Fraser-Moleketi stressed that these are not purely for women and clarified that, as a special envoy for the ADB, her focus is on financially lucrative areas, rather than women specifically.

The speaker indicated that the ADB has a role to play in using its convening power to work with partners and to ensure an impact on a large proportion of African women. While there are a number of areas of good practice in Africa, it is important that this good practice is extended across the continent. The 2063 agenda is currently under discussion in Africa, and the speaker stressed the need for the development of micro-financing systems and the financial inclusion of women to be completed by this date. Women should be leading industry across the continent, and their inclusion and equal treatment in equity and credit lines should no longer be the exception.
Mary Ellen Iskenderian

The speaker began by highlighting the huge impact that women’s financial inclusion would have on GDP growth. She indicated that there would be numerous social benefits to giving women greater access to – and control over – their finances. She noted how women tend to invest their discretionary income in the education of their children, the healthcare of their family and improving their housing to a far greater degree than men. These are all important generational changes that would result in long-term poverty reduction. Additionally, the speaker explained that women are good customers for financial institutions. In a survey of 200 emerging markets, financial institutions and mainstream banks, the institutions in which women constituted over 50 per cent of the clients outperformed the others in the portfolio quality of their loans, portfolio growth, return on assets and return on equity. This indicates that an awareness of women as good customers is good business. The speaker cautioned, though, that there are certain elements that must be taken into consideration if financial service providers wish to reach women. She highlighted three areas that are necessary for women when deciding to purchase a product. The first of these is security, as women will want to ensure that the bank will safeguard their funds. Confidentiality is also important, as women want to know that they control information about what they are saving for, how much money they have and where the money is kept. Thirdly, it is essential for women that banking is convenient.

Ms Iskenderian described how Women’s World Banking provides financial institutions with the necessary support to make products and services available to low-income women in developing countries. The organization also helps bring women working in SMEs and the informal sector to the attention of mainstream financial institutions. She highlighted the work that has been done with Diamond Bank, the fourth largest corporate bank in Nigeria. The bank worked with Women’s World Banking to design a saving product for the 56 million unbanked Nigerians. Ms Iskenderian explained that Diamond Bank has completed a six-month pilot savings programme during which 38,600 accounts were opened, 40 per cent of them by women. This was more than double the target goal.

The speaker stated that there was a notable difference in the way in which men and women save. Men save more initially, but also withdraw their savings frequently, which is expensive for the bank. On the other hand, women save smaller amounts over a more frequent period, but leave their savings in their accounts. Diamond Bank has recognized that women’s long-term savings accumulation will make this programme very lucrative. The bank revised its incentive structure for agents collecting deposits in the low-income sector, so that agents are now incentivized to bring in more deposits from women. Ms Iskenderian described how the work with Diamond Bank has indicated that savings are a good gateway product to introduce banks to this market. On the completion of the pilot programme, Diamond Bank asked Women’s World Banking to design a credit product that uses the deposits as collateral so that the bank can start lending to the market as well. Ms Iskenderian emphasized that the bank would never have reached this point had it not first been exposed to the female market through savings. The work with Diamond Bank is now a model for Women’s World Banking’s work with other banks, and Ms Iskenderian
stated that the organization was also considering developing a multi-product platform, targeting the low-income sector in Malawi with NBS Bank, and in Tanzania with the National Microfinance Bank (NMB).

Africa, and Kenya in particular, is leading the way in mobile banking. Ms Iskenderian explained that this form of banking fits the three criteria necessary for attracting women to financial products – security, confidentiality and convenience – which makes it a good opportunity for increasing women’s financial inclusion. She noted that a number of regulators in Africa are beginning to recognize the risk of ignoring the 70 per cent of financial transactions that take place outside of the formal sector, as well as the opportunities within this sector. She explained that Diamond Bank was pushed towards incorporating the informal sector by a regulator’s removal of the most onerous requirements for collecting clients’ details. The Nigerian Central Bank has also developed a project to address the issue of collateral, with a movable collateral registry being piloted. Without this pilot project, around 86 per cent of the loans made to women-owned SMEs in the United States would be impossible to obtain in Nigeria, as they are based on banks taking collateral on moveable assets, rather than only accepting land or built property.

Women’s World Banking is working on a second group of products in Africa, involving a hospital cash product that it had piloted in Jordan. Ms Iskenderian highlighted how research showed that women wait an average of nine days after the onset of an illness before seeking medical care, as opposed to three days for a child and six days for a male partner. The research also showed how women only prioritize their own health when they are pregnant. Ms Iskenderian explained that the organization realized the importance of covering maternal care when developing a product, so that women would see value in it for themselves. The Caregiver product was developed to cover both direct and indirect costs of healthcare, and for a minimum monthly premium the product entitles a woman to use cash to cover any cost relating to her hospitalization including loss of income, transport and medicine for a period of thirty to forty days.

Craig Churchill

The speaker stated that insurance is a very important area of finance. People on low incomes are particularly vulnerable to risk, and their risk management is often inefficient and costly. He discussed some of the research that has been conducted over the past five years examining whether people benefit from insurance. He highlighted how out-of-pocket expenditure is significantly lower for people who are insured. This is particularly true for healthcare, where insurance allows for more cost-effective access to healthcare and other services in the case of a shock. Additionally, insured individuals are far more likely to use formal services, such as clinics and other healthcare facilities, than traditional sources. Insurance allows for improvements in the ability to cope effectively with risk by avoiding burdensome coping strategies. Data indicate that if a shock occurs, an individual with insurance is far less likely to have to take out a large loan, take their children out of school so that they can work, reduce consumption and sell productive assets. The speaker stated that this shows how insurance is not simply a business and market opportunity, but also an important contributor to economic development. He noted that insurance also has a productive role because of its effect on peace of mind, as it allows individuals to take more risks than they otherwise would. He explained that taking business risks in a high-risk, high-return environment
helps break the cycle of poverty, and stated that it is necessary to incorporate the developmental side of insurance into conversations with policy-makers around greater access to insurance services.

Mr Churchill described the dramatic growth in micro-insurance globally. He explained that micro-insurance was previously understood as an additional financial service that micro-finance institutions (MFIs) could offer. However, MFIs are now viewed as just one of the ways in which insurance can be offered to low-income users. A number of alternative mechanisms have been recognized, allowing for the growth of micro-insurance through the addition of further distribution channels. The speaker clarified that these new distributions channels must have financial access to low-income individuals, as well as their trust. Trust is particularly important among the low-income market, women and SMEs, and he stated that this can be gained through partnerships with organizations that are already trusted. This allows consumers to develop a more positive perception of insurance. In Africa, this is taking place through cell phone companies, where insurance is offered as a loyalty benefit to customers. Mr Churchill specified that this has been a big driver of insurance in Africa.

However, he stated that this is simply a short-term intervention, and that a culture of insurance must still be developed. Giving insurance for free, however, exposes people to insurance without forcing a purchase decision, which would be difficult initially. Mr Churchill explained that voluntary insurance is quite limited even in developed countries and often focuses around life insurance. For a culture of insurance to be created, an embedded product needs to be developed to give customers an opportunity to see how insurance works. From here, insurance can start being viewed as an important aspect of people’s risk management portfolio. Insurance can also be embedded in savings, and offered as an incentive for customers to save more, with further voluntary services offered in addition to the loyalty product.

Mr Churchill explained that three things will be necessary for the market to evolve beyond the embedded product. First, client value must be enhanced, as individuals are not even aware that they have insurance coverage, how to claim it, or the value of it, owing to its embedded nature. Secondly, market development must take place, including on the provider’s side. Mr Churchill highlighted how insurers tend to be cautious in approaching the low-income market, and stated that regulators need to begin making changes to the regulatory environment so as to create a more lenient environment for micro-insurance. Insurers also need to learn how to adapt their product to the low-income market, and Mr Churchill suggested that training requirements for selling insurance to this market may be helpful. Insurers often simply reduce the price of an existing product, but this alone does not make it suitable for micro-insurance. Mr Churchill explained that products must be built from the bottom up instead, starting with a better understanding of the needs of low-income women. The third area is the emergence of public-private partnerships, and Mr Churchill stated that these are especially viable for the agriculture and healthcare sectors. Insurers can serve the low-income market by developing products that include basic benefits, such as the hospital cash product. Another way to achieve this is through governments working together with the insurance industry to achieve their public policy objectives. Mr Churchill suggested that insurance could help launch national health insurance schemes, or supplement areas that have not been covered within the basic government package.
Anna Othieno

Ms Othieno began by providing an overview of AIG’s work in Uganda. The business has partnered with micro-finance institutions over the past fifteen years, providing these institutions with insurance cover. She explained how AIG provides outstanding loan coverage in the event that the MFIs’ borrowers are unable to repay loans owing to natural or accidental death, or accidental permanent disablement. AIG currently insures over 50 micro-finance and savings and credit organizations in Uganda, and a large percentage of the micro-finance borrowers are women, some of whom are breadwinners – including widows and single parents.

The speaker discussed some of the positive impacts of AIG’s partnerships with micro-finance institutions. These partnerships, which facilitate sustainable lending by micro-insurance, enable clients to borrow with limited collateral security. There is an increase in the number of loans taken out, as the clients feel less vulnerable, and this strengthens business resilience in the event of one of the covered misfortunes occurring. The speaker stated that this also results in an investment in the future workforce. Women with greater financial independence and control over household financial resources are more likely to invest in their children’s health and education. Furthermore, the speaker noted that a culture of saving is developed among women, as the MFIs usually embed a savings product in the micro-finance service. The nature of micro-finance allows women to form networks, which the speaker said were central to bringing about positive outcomes in enterprises. She highlighted how AIG’s partnerships with MFIs have also provided women with the opportunity to improve their credit scores and obtain future financing. By making timely payments to micro-finance lenders, women increase their likelihood of gaining funding from other financial institutions. Additionally, economically empowered mothers are more likely to promote their daughters’ education, instead of training them for domestic work. This prepares future generations for financial independence. Economic empowerment of women also increases the respect they receive, and Ms Othieno indicated that this leads to a reduction in acts of violence against women. Moreover, this empowerment has helped increase women’s visibility as agents of growth. She described how micro-finance groups have sometimes formed the basis of collective action to address gender inequalities in the community, including issues of gender violence, access to resources and local decision-making.

Ms Othieno acknowledged that despite these gains, challenges to women’s financial inclusion still exist. She explained that simply increasing the number of women in the workforce is not sufficient: the poorest regions in the world have some of the highest levels of female participation in the labour force. Ms Othieno emphasized the importance of examining the underlying factors that hamper women’s access to economic opportunity, and that legal, economic and social barriers to women’s financial inclusion remain. She explained that research has shown that the difference in usage of financial services between men and women diminishes considerably at higher levels of education. However, early marriages and higher adolescent fertility rates among women hamper their access to higher education. Ms Othieno proposed that this can be mitigated through legislation and the facilitation of the use of contraception.
Another impediment for women is their lack of property ownership. Ms Othieno explained that although legislation in many African countries gives women the right to own property, customary practices favour men’s access to real estate, which in turn affects their access to higher levels of credit and their ability to find business premises. Over 70 per cent of land in African countries is held under a customary tender system that favours men. Ms Othieno stated that allowing alternative collateral security in the form of moveable property would be a positive step. There is an additional problem arising from the lack of financial consumer protection policies and public awareness of consumer rights and responsibilities. This is important for enhancing trust and transparency between financial institutions and clients, and the speaker urged that regulators should intervene here. She highlighted Uganda’s Insurance Regulatory Authority (IRA), where clients can lodge a complaint should insurers not pay claims. She explained that this was a good solution, as it provided an alternative to going to court, for which most clients lack the financial resources. She proposed that it would also be beneficial for central banks to intervene to establish consumer protection policies. Furthermore, the creation of effective credit reference bureaus would be helpful in mitigating banks’ difficulties in assessing creditworthiness. If banks are unable to assess risk effectively, they simply increase the interest rates. Financial illiteracy presents a further challenge. This is especially prevalent in rural areas and among the urban poor. Illiteracy rates are higher among women owing to boys’ preferential access to education. This has led to a lack of knowledge on how to manage formal financial products, and Ms Othieno stated that training activities for women in rural areas must be developed to counteract this. Such activities must be accessible, given the burden and time constraints that women face in housework. She suggested that educated women in positions of power could act as role models to help foster women’s confidence in obtaining loans from banks.

The speaker stated that financial institutions have limited outreach, and noted that areas of low population density and high poverty rates tend to be neglected by institutions because of the challenges of expanding into such areas. She stressed the importance of MFIs establishing a physical presence, either as a place of direct contact with clients, or as a base from which field officers can interact with clients. She suggested that products such as mobile banking would be able to assist here. A further issue is caused by the lack of suitable products available for women. Products tend to be developed in line with the strategic direction of the financial institutions, instead being tailored towards different gender requirements. AIG’s product has embedded hospital cash, providing a limited amount of money in the case of hospitalization or a funeral service. It would be additionally beneficial for women if children’s school fees could be included as an embedded product.

Summary of Questions and Answers

Comment

Table banking has been adopted successfully in Kenya. Members of Parliament have introduced the concept in their communities and have helped put together women groups which can access money through the table banking system. The Kenyan government has also developed a new programme as part
of the Uwezo Fund, whereby 30 per cent of any government procurement must go to women, persons with disabilities and young people. This fund allows women to access credit without going through excessive bureaucracy. However, there remains a need for skills development among Kenyan women so that they can learn how to manage their businesses and how to access government tenders. The development of entrepreneurial skills is highly important, and financial institutions working in Africa need to focus on establishing women-specific training, in a way which does not inconvenience women’s daily routines.

Safiye Ozuygun

Kenyan regulators have always been very progressive, and it is positive to hear that such initiatives are taking place in the country.

Comments

In Nigeria, despite official statistics, the majority of children in primary school are illiterate. The rate of illiteracy is as high as 90 per cent in rural areas. Education should be the primary focus, and banks and insurance companies should be more involved in establishing literacy programmes. This would increase the effectiveness of education, and educated individuals are more likely to use formal financial institutions.

There are two areas that require development. The risk capital provisions should be reviewed to ensure that these support the entrance viability of businesses, as well as to ensure that the risk is judged fairly in recognition of women's superior repayment performance. Secondly, the sensitization, training and leadership of bank staff needs to be fostered. Trained staff can better maintain consistent relationships with clients, which will help ensure that female entrepreneurs are treated as individuals, instead of becoming the victims of preconceived generalizations about women representing a greater financial risk. Leadership within the bank on these issues is necessary, both at branch level and at the top of the organization. Debates about women’s financial inclusion and women in leadership roles need to be addressed in conjunction with such measures.

Mary Ellen Iskenderian

Ms Iskenderian agreed that leadership development is necessary to bring financial institutions into a market that was previously invisible to them. She stated that the best determinant as to whether or not a product will succeed is whether there is leadership behind it. Women’s World Banking developed a women’s leadership programme for high-potential women in financial institutions serving low-income populations. This has been running for ten years, and in the last three years has been conducted in conjunction with the Wharton School of Business in the United States to develop it for CEOs and staff who report directly to them. The speaker explained that gender sensitization is a critical part of the training, as this is important for understanding that women need to be approached in a different way;
that women are not necessarily synonymous with risk and could potentially be the most reliable customers. The speaker clarified that the biases against female customers exist among both male and female loan officers and managers. She stressed that financial institutions will not be successful in reaching these new markets unless their employees’ perceptions change.

Anna Othieno

The Bank of Uganda is working on two areas in particular. The first is women’s ease of doing business. Secondly, as the regulator, the bank is ensuring that financial institutions do not simply develop products for women, but also train their staff to be sensitive to different gender requirements.

Comments and questions

Although table banking is doing well in Kenya, greater capacity-building is required before table banking can be extended further. This is essential for the future success of table banking, so more time and resources should be spent on capacity development. Role models are also very important, and women living in rural areas should be helped progress so that they can become role models at the local level.

Young Cameroonian have adapted the traditional financial systems to more modern structures and linked them to credit unions. These links should be developed by financial institutions, while the advantages of the traditional systems, which are used throughout all levels of society, should at the same time be maintained.

Over the past five years there has been a lot of criticism of micro-finance, as well as a growing critique of micro-insurance. There is no evidence that micro-finance alleviates poverty levels among women. Instead it has increased women’s poverty, particularly for poorer women; 80 per cent of micro-finance is used for consumption, not business purposes. Furthermore, micro-insurance does not reduce out-of-pocket expenditure for women owing to the high cost of the premium. What evidence do the speakers have that supports the theory that micro-insurance and micro-finance makes women better off, and what proportion of women?

Could the speakers elaborate on whose livelihoods are being displaced by these formal financial institutions, given that many individuals make their livelihoods running indigenous micro-credit organizations and funeral societies?

Craig Churchill

The speaker emphasized that it is important to keep the conversations on micro-credit and micro-insurance separate. He acknowledged that there has been a lot of research questioning whether micro-credit has the impact that it is purported to have. However, there are a number of problems with the research. The studies all had short time-frames, and he explained that it would be unrealistic to expect dramatic changes in six months or a year. These are long-term projects, and they must be implemented
for a while before their impact will be seen. Additionally, although the variables on income and job creation are not as positive, they are positive in terms of consumption smoothing and ensuring that individuals do not have to go through periods of reduced consumption.

**Question**

Is it like a credit card?

**Craig Churchill**

It helps people manage their cash flows better. In terms of insurance, results from rigorous studies indicate that there is a positive trend in lowering out-of-pocket spending. The speaker acknowledged that if an individual pays a premium and the risk does not occur they are not better off, but he highlighted how insurance creates a peace of mind effect. This means that individuals who are insured are more willing to take greater risks and will receive greater returns, which leave them better off.

The speaker stated that the leveraging of informal mechanisms is one of the most exciting evolutions for financial institutions. He highlighted the example of burial societies in South Africa and suggested that the services of the informal funeral societies can be combined with the reliability of insurance payouts.

**Mary Ellen Iskenderian**

The longest of the studies was eleven months, so the speaker stressed that dramatic life changes could not be anticipated. She explained that institutions within the network do not report seeing any measurable changes for at least three loan cycles, which is two-and-a-half years. She indicated that most Women’s World Banking’s partners pointed out how there was a move from a mud floor to a wood floor, or a move from a thatched roof to a metal roof, and these changes have a large impact on the health, security and stability of the household. However, these were disregarded and not fully understood by the researchers, who only measured changes in consumption. The speaker stressed that it is important to examine the quality of this research closely before removing an entire range of financial opportunities.

Women’s World Banking is incorporating techniques from the traditional Susu collectors as part of its saving products. The speaker specified that Diamond Bank uses Susu collectors as agents for collecting deposits. She stated that the organization has also learnt that aspects of traditional saving systems should be incorporated into savings programmes, and that there are many opportunities for combining the very successful traditional methods with the formal methods.

**Anna Othieno**

One the Bank of Uganda’s pillars of financial inclusion is data measurement and collection, as it has recognized a gap here. The speaker highlighted a study that showed how Ugandan micro-credit borrowers were more resilient during poor weather conditions in 2009. This was because the MFIs’ products
included insurance through agricultural loans, allowing the borrowers to improve their yields and restart growing crops much faster than farmers not using micro-credit.

**Geraldine Fraser-Moleketi**

The speaker highlighted the challenge of incentivizing women to move to formal banking and micro-finance institutions when there is already money circulating through informal systems such as table banking and Susu accounts. Understanding the longer-term benefits would be helpful in dealing with this. She noted that the ADB is also addressing the need for more data measurement and collection. Additionally, there needs to be an emphasis on ensuring that women graduate from micro-finance into the more formal economy and financial system. The ADB is aware that there is not a perfect solution, but the speaker stated that it is necessary to better understand some of the underlying issues, and research on this should be taken into account.