



Women's World Banking

Submission by Women's World Banking for consideration by DFAT for the development of its first International Gender Equality Strategy

Women's World Banking welcomes the opportunity to make a submission on Australia's new International Gender Equality Strategy. Our submission focuses on the link between financial inclusion and women's economic empowerment as one of the most effective ways to achieve gender equality. To this end, we highlighted the various ways in which financial inclusion leads to economic empowerment, point out the most urgent gender gaps in financial inclusion, and include recommendations on which focus areas should be especially considered for the new International Gender Equality Strategy based on our work and experience.

Why women's economic empowerment is important to achieve gender equality

Gender equality is a multi-faceted issue and empowering women economically is one of the most effective pathways to a more equal world for women. Supporting women's economic empowerment means challenging gender norms and stereotypes by affording women the means to earn, save, and invest their resources. When women gain control over their financial lives, they simultaneously gain a say in household decision-making, education choices, and family planning. Globally, it has become increasingly evident that fostering the economic autonomy of women is not only a matter of social justice but also a catalyst for broader societal progress. Economic empowerment being part of the solution to gender equality is also mentioned in Sustainable Development Goal 5 –Gender Equality - through target 5.5 to 'Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, **economic** and public life'.¹ Enabling women to participate actively in the economy can increase their resilience, increase their income, and lift them out of poverty.

The current gender gap

Despite the improvements that have been made in the last decades when it comes to gender equality, there is still a long way to go until we reach parity. Furthermore, the Covid-19 pandemic has slowed or even reversed wins in the last years. At this moment, it will take 286 years to close gender gaps in legal protection and remove discriminatory laws against women, 140 years for equal representation in positions of power and at least 40 years to achieve gender parity in national parliaments.² Women in many countries face challenges in obtaining formal identification, which restricts their property ownership, ability to build credit histories, and expand businesses, as well as limiting access to financial services like bank accounts and loans. Limited access to basic resources like mobile phones further exacerbates the issue. Additionally, financial service providers often fail to recognize the business case for women as a

¹ <https://sdgs.un.org/goals/goal5>

² <https://www.un.org/en/desa/we-must-achieve-it-now-current-and-future-generations>



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customer segment and therefore do not make sufficient investments in products, services, and channels that address women's needs.

It is estimated that in Southeast Asia alone, the economic cost of discriminatory social institutions amounts to around USD 200 billion. Discriminatory social institutions include laws, social norms and practices that hinder women in participating in all aspects of society, such as gender segregation in tertiary education, or limited access to productive assets such as land and financial services. This accounts for 7.5% of the regional gross domestic product (GDP), which translates into a loss of USD 1,853 per capita.³

From Financial Inclusion to Women's Economic Empowerment

True financial inclusion embraces a holistic approach that encompasses a comprehensive range of financial products and services such as loans, savings, insurance, payments, pensions and more. It goes beyond access alone, providing individuals with the necessary tools, resources, and knowledge to actively engage in the formal financial system. This allows women to make informed decisions and utilize affordable and responsible financial services that cater to their specific needs, which in turn enables women to build assets, protect themselves from financial shocks, recover from crises, start and grow businesses, and invest more broadly in their financial security and prosperity. Women often bear the brunt of crises, whether it be war, climate change, or other disruptions, as they face disproportionate vulnerabilities and impacts. In such contexts, financial inclusion can serve as a critical tool to bolster their resilience and speed up recovery efforts. By extending access to financial services, women can be empowered to better prepare for and respond to crises.

At Women's World Banking, demonstrating the link between women's financial inclusion and economic empowerment is core to our strategy and our work, and we have continuously built the evidence base to support this over our 40+ year history.

The International Center for Research on Women (ICRW) defines the concept of women's economic empowerment as: "A woman is **economically empowered** when she has both the ability to succeed and advance economically and the power to make and act on economic decisions"⁴ Based on this definition and following Martha Chen's approach, Women's World Banking has developed a framework of four change dimensions to measure economic empowerment: material, cognitive, perceptual, and relational change.

- **Material change focuses on change in income, assets, ability to meet basic needs and earning capacity;**
- **Cognitive change refers to changes in awareness, knowledge, and skills;**
- **Perceptual change is focused on women's self-awareness and confidence, as well as perceived financial security and vision for the future;**

³ <https://www.oecd-ilibrary.org/sites/236f41d0-en/index.html?itemId=/content/publication/236f41d0-en>

⁴ https://www.icrw.org/wp-content/uploads/2018/04/ICRW_MeasuringWomensEconomicEmpowerment_v4_WebReady.pdf



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- **Relational change includes decision-making on financial spending, control over resources and assets, participation, visibility, and respect.**

Following these dimensions of change, there are several pathways through which financial inclusion can enhance women's economic empowerment, depending on the financial products, channels and knowledge women access and use. There is a host of evidence from the literature making the connection between being financially included and the different dimensions of empowerment as defined above. As an example, in the Philippines, the opening of a goal-based commitment savings account increased saving by 81 percent and resulted in greater bargaining power for women within the household, as well as increased expenditure on female-oriented consumer durables.⁵ A study conducted at our partner Kashf Foundation in Pakistan showed that women who had received loans over longer periods were more likely to be financially empowered, e.g. making decisions on household assets and on the usage of loan money.⁶ Indicating more bargaining power for women on household spending decisions, a study in Indonesia found that the advent of new access to credit increased child weight gain an average of 3 percentage points over a seven-year period compared to communities without access to microfinance institutions.⁷

From decades of experience, we have seen first-hand the positive effects that financial inclusion can have on women's economic empowerment. In Cambodia, we worked with a financial service provider to enable women to manage household expenses like paying utility bills through a convenient app, saving time and effort. During the pilot, women used their account to save (28% of the sample), send remittances to relatives (61% of the sample) or pay recurring bills such as utilities, education, and phone top-ups (73% of the sample).

In our work with BNI in Indonesia, we implemented a solution for women customers that led to a threefold increase of average savings balances (from \$2.1 to \$7). As evidenced in work with another partner in Indonesia, BRI, respondents felt that a formal savings place is important as it helped families plan their finances and women saved more when saving towards a specific target. In the pilot, this led to an increase in the amount of savings of beneficiaries from \$1.6 to \$27.1—seventeen times as high.

During our pilot with Bank of Baroda in India, where the focus was on increased account usage, account balances of participants increased 1.5 times. Similar outcomes are reported for our program with Ujjivan in India, where account balances of the treatment group increased by 14 percent, and clients reported feeling increased decision-making power on spending.

"I don't depend on anyone for advice. I'll make my own decisions." – client, Ujjivan India

⁵ Hendriks, S. (2019) 'The role of financial inclusion in driving women's economic empowerment', *Development in Practice*, 29(8), pp. 1029–1038

⁶ Weber, O. and Ahmad, A. (2014) 'Empowerment through microfinance: The relation between loan cycle and level of empowerment', *World Development*, 62, pp. 75–87.

⁷ DeLoach, S.B. and Lamanna, E. (2011) 'Measuring the impact of microfinance on Child Health Outcomes in Indonesia', *SSRN Electronic Journal*



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Recommendations from our work

Women's World Banking is part of a global movement to bridge the gender gap in accessing and utilizing financial services, to accelerate women's economic empowerment. At the end of 2022, Women's World Banking reached 20.6 million women through our innovative financial solutions, investments, and policy advocacy. Based on our work, we would like to share the following recommendations for the development of DFAT's new International Gender Equality Strategy.

a. Creating an enabling policy environment for women's financial inclusion

We strongly recommend that DFAT prioritizes policies, legislation, regulation and government initiatives that promote a gender focus in financial inclusion. In many countries, women encounter legal obstacles, such as restrictions on accessing credit in their name and spousal consent requirements for accessing financial products, which limit their financial independence. Policies that support women's financial inclusion can include: national financial inclusion frameworks or strategies, implementing financial education or digital financial capability programs or awareness campaigns, digitizing social welfare payments, introducing tiered KYC requirements to make bank accounts more accessible, supporting regulation around agent banking, including supporting women's inclusion in priority sector lending, and promoting collection and use of gender-disaggregated data, among many others. By directing resources and attention towards policy reforms that focus on women's access to and usage of financial services, we can create an environment where women have equal opportunities to participate in the formal financial sector.

b. Championing for collection and use of gender-disaggregated data by Financial Service Providers and policymakers

Only what gets measured will get changed. As such, having comprehensive gender-disaggregated data is crucial to improve gender equality within financial service providers, customers, and the market overall. By reporting and analyzing gender, FSPs can understand differences in uptake and use of different products and channels and design services that meet women's financial needs. For example, analyzing men and women's user patterns on e-commerce platforms in Indonesia revealed that women sell different products and are more likely to get feedback from their peers compared to men, making their financial needs different. The research further revealed that using these findings to close the gender gap in e-commerce access would result in an additional USD 11 billion in GDP in Indonesia over the next nine years.

c. Supporting Financial Service Providers to develop financial services that meet women's needs

Supporting Financial Service Providers (FSPs) in crafting financial services tailored to women is a critical step towards advancing financial inclusion and gender equality. While many FSPs share a commitment to serve low-income women, they need technical support to understand low-income women's needs and how to speak their language. These tailored



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offerings can encompass flexible savings and credit solutions, user-friendly digital platforms, and educational programs designed to empower women to manage their finances effectively. Working with FSPs to design gender-sensitive products has the potential to significantly enhance women's economic independence and contribute to gender equality on a larger scale.

d. Building the digital financial capabilities of women

As the financial services sector becomes increasingly digital, it is critical to ensure women are not left behind. In our work, we often see that women are less comfortable with using digital platforms for making financial transactions compared to men. In Cambodia, in-person trainings and guided learning-by-doing approaches for women factory workers to use their phone for mobile banking led to greater financial autonomy and an increase their decision-making power vis-à-vis their bank account and overall finances.⁸ Instead of focusing on financial education only, it is critical to strengthen digital financial capabilities more broadly, ensuring that women have the knowledge, trust and skills to actively use digital financial services. Only then will women be economically empowered, supporting gender equality.

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Women's World Banking is dedicated to economic empowerment, through financial inclusion for the nearly one billion women in the world with no or limited access to formal financial services. We design and invest in financial solutions, institutions and policy environments in emerging markets to create greater economic stability and prosperity for women, their families, and their communities. Using our sophisticated market and consumer research, we turn insights into real action to design and advocate for policy engagement, digital financial solutions, workplace leadership programs, and gender lens investing. To date, we've helped provide more than 25 million women in emerging markets – targeting 100 million by 2027 - access and use of financial products and services that are transforming women's lives, households, businesses and communities, and driving inclusive growth globally.

We applaud DFAT's efforts to advance gender equality, are grateful for the opportunity to share our recommendations for DFAT's International Gender Equality Strategy and remain available to address any questions or provide additional guidance.

⁸ <https://www.womensworldbanking.org/insights/accelerating-adoption-of-digital-financial-services-replicating-a-digital-account-usage-solution-for-factory-workers-in-cambodia/>