

WORKING PAPER

LEVERAGING DIGITAL FINANCE FOR GENDER EQUALITY AND WOMEN'S EMPOWERMENT



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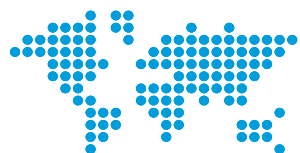
For more information contact: gender.innovation@unwomen.org

Editor: Andy Quan

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ACRONYMS

AI	Artificial Intelligence
CEO	Chief Executive Officer
CEOP	CEO Partnership for Economic Inclusion
CSOs	Civil society organizations
DLT	Distributed Ledger Technology
EU	European Union
G2P	Government-to-person
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GFLEC	Global Financial Literacy Excellence Center
GIIN	Global Impact Investing Network
GSMA	Global System for Mobile communications Association
IC	Investment committee
ICT	Information and communications technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IPV	Intimate partner violence
LDCs	Intimate partner violence
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SMS	Short Message Service
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNSG	United Nations Secretary General
USSD	Unstructured Supplementary Service Data
VC	Venture Capital
WEF	World Economic Forum

EXECUTIVE SUMMARY

For women and girls, the digital revolution represents one of the biggest opportunities and threats to gender equality. In recognition of this critical dichotomy, the *UNSG Task Force on Digital Financing for the SDGs* has selected gender as one of the main themes of its work. This working paper provides a basis to review the barriers, risks and opportunities related to gender and the accessibility and utilization of digital finance and help identify pathways that could be leveraged for potential impactful investment returns for women.

Facts and figures

Although some progress has been made, gaps remain for women to fully benefit from the digitalization of finance.

The global Internet gender gap is growing wider and is the largest in the world's Least Developed Countries:

31%

\$1.3 billion

was invested in gender bonds in 2017, much less than the \$187 billion invested in climate finance bonds

The global gender gap in financial inclusion has not changed since 2011. In developing countries, this gap reaches

9 percentage points

Less than 2%

of banks' CEOs are women and less than 20 per cent of board seats at banks are held by women

“An industry that intends to serve women but has very few women in its leadership or technical positions will miss complementary perspectives and will likely invest in the development of services that will not meet the diverse needs of women.”

Barriers faced by women trying to access and benefit from digital finance

- **Infrastructure:** On average, women are 10 per cent less likely to own a mobile phone than men and 26 per cent less likely to use mobile Internet. Bringing an additional 600 million women and girls online could boost global gross domestic product by as much as US\$18 billion.
- **Costs:** The high price of Internet access is one of the greatest barriers for women. This results in inequitable gains from technology access and

leads to more investments that benefit men, as they are the largest group of customers.

- **Laws:** In too many countries, laws still discriminate against women and prevent them from accessing credit and property rights, and getting the official identification documents required to open a mobile account.
- **Education:** Lack of knowledge and digital skills deter new female users from accessing mobile Internet and inhibit existing users from using mobile Internet on their own. Low financial knowledge is also an important barrier, with the younger generation of women showing even less interest in making their own financial decisions.
- **Social norms:** Owning a phone or exchanging information online can increase risks for women of enduring gender-based violence. Gender stereotypes have a profound impact on the digitalization of finance and women worldwide are systemically under-represented in financial-technology (fintech) jobs.

How to mitigate the major risks associated with digital finance from a gender perspective

<p>Preventing a widened gender, economic and geographical divide</p> <p>Women are already struggling with a deficit in all areas which prevent them to keep up with the progress made by men who had earlier and easier access to finance and technology.</p> <p>We need to further support women living in areas with low connectivity or inadequate laws and regulatory frameworks, as they are the most at risk of being left behind and disconnected from the new digital financial services currently being developed in more favourable locations.</p>	<p>Addressing the technology knowledge gap</p> <p>Whether we are looking at the world population connected to the Internet or without access, very few people understand the risks associated with new technologies with regard to data transfer, privacy, AI and digital identities.</p> <p>Without a clear understanding of key concepts, the use of digital financial services can create new risks for women to be treated unfairly and new legal barriers for women's economic participation and lead to a lack of trust in the services offered.</p>
<p>Fixing gender bias and discrimination in service provision</p> <p>The design of AI systems involves human inputs at various stages, which if left unchecked are all opening the door to reinforcing the risk of bias and discrimination for women.</p> <p>This raises many legal and ethical issues for policy-makers, to make sure that digital finance services providers using AI for credit scoring, client or service selection and more can be held accountable and that their decisions are transparent.</p>	<p>Redirecting investment towards gender-responsive solutions</p> <p>The digitalization of finance must address the systematic way in which women are undervalued and lead to the development of services that help women exercise their economic power.</p> <p>The gender imbalance in the digital, financial and emerging fintech workforce prevent women from taking an active role in creating and sharing their vision for new digital financial services.</p>

What are the pathways to unlock the benefits of digital finance for women?

Evidence showing the positive impact of the digitalization of finance for women

Expanding access to mobile money accounts: Global Findex data reviewing eight African countries show that in six of them, there is no gender gap in mobile money account ownership. Even though women face more barriers to equal men as early adopters, they often catch up once services are more widely available.

Expanding use of mobile money account for payments, loans and savings: A study in Kenya shows

that mobile money services enabled women-headed households to increase their savings by more than a fifth, allowed 185,000 women to leave farming and develop business or retail activities, and helped reduce extreme poverty among women-headed households by 22 per cent.

Expanding use of mobile money accounts for government payments and remittances: Digitizing payments from government to people has a positive effect in increasing account ownership and providing women with independent access to predictable income streams and greater control over how money is used. Remittances are another area where digitization can be a driver for women's financial inclusion.

Increasing interest for investing with a gender lens:

The digitalization of finance gives access to more sex-disaggregated data and builds a compelling business case for investing with a gender lens. The trend is growing and 87 funds deploying capital with a gender lens have been identified in 2018, compared to 58 in 2017.

Interventions that can create and boost demand for digital finance services

- **Improving awareness and understanding**
Develop capacity-building initiatives and financial education to help women be more aware that diverse digital financial services exist, understand how to access these services, gain confidence in using them and be able to make informed financial decisions.
- **Meeting women's unique financial needs**
Improve sex-disaggregated data collection to better understand how costs and individual preferences can impact women's demand for and use of various digital financial services and what criteria women prioritize when choosing to adopt new services.
- **Using targeted incentives**
Avoid mechanisms based on stereotypes or misconceptions to better understand how women customers process information, make choices for preferences and act on their choices, in order to design incentives that not only target increase in access but also in utilization of services.

Interventions that can improve the supply of digital finance services

- **Developing value propositions for women**
Put the specific needs and preferences of women at the centre of the design of digital financial services, to disrupt the current digital market which considers women as receivers and men as senders of digital payments and offer innovative features, products and customer service to address existing barriers.
- **Adopting enabling environment regulations**
Adopt the promotion of women's financial and digital inclusion as a specific policy objective to encourage open, interoperable and interconnected systems that expand opportunities to access new products and review new and changing risks through a gender lens to ensure financial consumer protection.
- **Integrating a gender strategy in investment portfolios**
Provide practical guidance to investors on how they can incorporate gender in their strategy to channel capital towards the improvement of women's access to entrepreneurship, leadership opportunities and products and services that enhance their economic participation and financial inclusion.

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