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FLETCHER LEADERSHIP PROGRAM FOR FINANCIAL INCLUSION

# Policy Memoranda

2024

# THE FLETCHER SCHOOL

## Leadership Program for Financial Inclusion

Policy Memoranda 2024

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## Foreword

The policy memos contained herein are the capstone achievements of the 12th fellowship class of the Fletcher School Leadership Program for Financial Inclusion (FLPFI). We are proud of the great work this fellowship class has completed to now join our community of over 200 FLPFI fellowship alumni.

The 2024 fellows joined the fellowship from sub-Saharan Africa, the Middle East, Asia, Eastern Europe, Latin America, and the Caribbean. This passionate group of inclusive finance champions works at central banks, ministries of finance, insurance regulators, and other institutions that design and implement financial policy. This year, the FLPFI fellows grappled with important and diverse financial inclusion challenges, including expanding access to credit for women in Georgia, Nigeria, Cote d'Ivoire, Tanzania, and Eswatini; strengthening access to digital financial services for those living in rural Bangladesh, Ethiopia, and The Bahamas; improving consumer protection issues in Ghana and Uganda; and increasing financial resilience against climate change in Mexico.

The policy memos in this publication are the culmination of the FLPFI fellowship, an intensive executive certificate program that supports policymakers to design and implement policies that advance financial inclusion. The fellowship creates a space where expert policymakers are encouraged to ask questions and be curious and, above all, to stay mindful of the potential client, think critically, and look for evidence to guide decision-making at every step of the policy process.

At the heart of the fellowship curriculum is the Eight Question Method for Policy Development (8QM)—an adaptive framework that guides fellows sequentially through critical steps related to problem identification, solutions development, policy formulation and selection, stakeholder analysis, negotiation, persuasion, implementation, and monitoring and evaluation. Each problem and policy solution must be substantiated with evidence and focused on the needs of the target population. Policy options are weighed against key criteria such as institutional priorities and capacities, existing evidence, and gaps in the policy landscape. Our fellows quickly become experts at using the 8QM to analyze and design policy.

Each fellow is addressing a current pressing financial inclusion challenge in their country, a problem that has yet to be solved in their context. For example, the fellow from Brazil is tackling overindebtedness among the elderly, while the fellow from Kenya is working on enhancing access to affordable health insurance. Fellows from Bangladesh and Namibia are tackling how to stimulate growth for MSMEs and informal and microbusinesses, respectively. Fellows from Ghana, Jordan, and Tanzania are working on policies that encourage the use of digital wallets, and the fellow from Egypt is working on access to finance in rural areas. These are just a few examples of the work the FLPFI fellows are doing. Based on careful analysis of the unique context, each fellow has designed a different policy tool. As their policies roll out, the fellows continue to learn from each other and from others working in these spaces to adjust course and design complementary policies. In many cases, there are few analogous contexts from which fellows can draw relevant lessons; they are at the vanguard and are prepared to learn and share lessons as they go.

The best evidence of a policy's efficacy comes from the results of trial, error, and commitment by policymakers to continuous improvement. Our fellows inspire us with their unrelenting passion to improve financial inclusion in their countries. We admire their ability to evaluate problems critically and develop solutions creatively. We hope that the skills honed, knowledge gained, and community fostered through their fellowship may serve them well in their endeavors for years to come.

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# Overindebtedness among Elderly Consumers in Brazil: Regulations and Financial Education

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*Keywords:* Overindebtedness, consumer credit, consumer protection, regulation

## Executive Summary

After an increase of 30 million loan borrowers in Brazil over the last five years, more individuals became overindebted and then experienced more mental health issues. This financial problem is concentrated on consumers over 60 years old who use payroll loans.[1] A mix of a large surplus of credit offered to these consumers and inadequate behavior from both borrowers and financial institutions worsens the situation for older individuals. Proposed policy solutions focus on the supply side, by regulating financial consumer protection and payroll lending, and on the demand side, by conducting campaigns focused on financial education.

## Problem Statement

The Central Bank of Brazil (CBB) has a measure of risky indebtedness, which is a measure of overindebtedness that uses only administrative data. In March 2023, there were 15.1 million risky indebted borrowers in Brazil, or 14.2% of the total borrowing population.[2] These borrowers are concentrated among the elderly: 15.3% of the population over 65 years old are considered to be risky debtors. The elderly have double the debt-to-service ratio of the young and, proportionally, more complaints about some types of loans, such as payroll credit, than younger borrowers.[3] This scenario worsens financial well-being, causing anxiety, depression, stress, and insomnia in this population.

## Key Causes and Context

Currently, in Brazil, financial inclusion is less a matter of credit access (almost all adults have at least one current account) than of appropriate usage and adequate quality. Brazil's 35 million older people (aged 60 or over) represent 16% of the total population and have unique financial issues.[4]

According to the Credit Information System of the CBB, the number of people using payroll credit (when an individual uses their own wage or pension as collateral) increased 25% in the last 5 years. By the end of 2023, approximately 12 million elderly people were using this kind of loan. Since the monthly pension guaranty is considered strong due to trust in the government, financial institutions see these borrowers as low-risk and have strong incentives to offer them a high credit limit. In Brazil, it's usual for a pensioner who is head of the family to obtain a loan not only for themself but also for their children, grandchildren, or other relatives. This is so because the interest rates for payroll loans are lower than those for other credit types, and the duration of the loan is longer.

This problem gets more complex because of misunderstandings about payroll loans. They can be taken out online or by phone, and the rules are not always clear to the elder borrower. Elderly people tend to have more knowledge than the average person about inflation but less about interest rates.[5] Approximately 55% of payroll loan borrowers are over 60 years old, and the concentration of this type of loan falls with people between 65 and 70 years of age.[6]

Literature on overindebtedness tells us that the heavy burden of debt, a subjective feeling, is particularly relevant because it influences an individual's well-being.[7] With an elevated debt-to-service ratio, an elderly consumer may suffer from anxiety, depression, or stress arising from having opted for an inadequate loan. In such a case, they may see their disposable income unexpectedly reduced (after paying the loan directly from their wages), and their financial health may be affected negatively after securing the loan.

The number of monthly complaints related to payroll loans from consumers over 60 years old increased from 2,000 to 7,000 after the COVID-19 pandemic.[8] The main issues are interest rates and insufficient explanation of how the loan works.

## Complementary Policy Solutions and Key Stakeholders

This study offers policies to both the supply and demand sides to avoid overindebtedness of elderly people.

## Financial Education for the Elderly

On the demand side, our proposal is to provide better financial education for the elderly. This can be achieved with campaigns and advertisements in the media about the consequences of taking out a loan. A partnership with the Ministry of Pensions, which can support a massive national campaign, and an effective dialogue with consumer protection organizations can target this population and influence their behavior.

## Consumer Protection: Define and Protect the Elderly Population as a Vulnerable Group

On the supply side, change will be based on two policies. One can be addressed inside the CBB, and the other must be addressed outside the CBB. The first is concerned with improving financial consumer protection regulations to change financial institutions' behavior. The CBB has already conducted studies of vulnerable populations, but these were informal. Our proposal is to formally define the elderly population as a vulnerable group and set specific guidelines and sanctions for financial institutions. For example, a bank that provides unclear credit terms to a retired customer will incur a penalty for it. It's necessary that we, the CBB's Financial Citizenship Department, engage in a dialogue with the Conduct Department toward constructing a joint proposal to influence the Regulation Department so that it publishes rules defining who are the financially vulnerable groups in Brazil.

## Improve Payroll Loan Law

This policy consists of improving the payroll loan law.[9] There is already a cap on the debt-to-service ratio of payroll loans, but it is more based on a risk approach than a people-centered approach.[10] Our proposal is for this cap to decrease depending on the elderly borrower's age. We suggest that the current cap—45% of the pension—could be reduced by 5% every five years starting at 60 years old. The main reason for this is that it is not fair to treat a recently retired woman and an 80-year-old man equally, since they face different financial and emotional needs. Consumers over 70 years old tend to use less credit but are at greater risk of financial fraud.

The process of implementing this policy is more challenging because there are three stakeholders with considerable influence. The Ministry of Finance and the Ministry of Planning can be great partners, since they already work together with the CBB on the National Monetary Council. So the CBB's Board of Governors should be assured that this problem can be mitigated by regulation before exploring such a partnership. On the other hand, the Federation of Banks, which includes the main financial institutions in Brazil, may work in the opposite direction. Thus, dialogue is crucial.

## Assumptions

On the demand side, our assumption is that the proposed campaigns can improve the financial literacy of elderly consumers and change their behavior related to financial products, stopping them from taking out loans for their relatives and teaching them the difference between a payroll loan and a current account. A survey can investigate if this assumption is valid.

On the supply side, our assumption is that will be more costly for financial institutions to provide inadequate loans to their customers—mainly if they are older—if financial consumer protection includes specific, effective sanctions considering each vulnerable group. Another assumption is that elderly people will not seek more expensive loans if there are more restrictions on getting a payroll loan, which can be monitored by the secondary data mentioned below.

## Key Indicators of Change

Using monthly secondary data, we can monitor the number of cases of fraud and the number of complaints, focusing on consumers over 60 years old, before and after the improvements to financial consumer protection rules. On the other hand, to evaluate causality of the policy, we can investigate the year-by-year threshold of debt-to-service ratio given a consumer's age using a regression discontinuity design. Other credit outcomes can also be analyzed by the Credit Registry System, such as loan duration, nonperforming loans, amount of savings, and number of transactions.

Using surveys, we can monitor the demand side of these policies with questions about financial literacy and consumers' feelings about the heavy burden of their debts, before and after the campaigns suggested above.

## Notes

1. For the purpose of this policy memo, we define *payroll loan* as credit using an individual's wage or pension as a collateral; loan payments are directly deducted from the borrower's payroll check.
2. *Risk-indebtedness in Brazil*, 2nd ed., 2023, https://www.bcb.gov.br/content/cidadaniafinanceira/documentos_cidadania/serie_cidadania/serie_cidadania_financeira_8_endividamento_risco_2ed.pdf (Portuguese only).
3. *Risk-indebtedness in Brazil*, 1st ed., 2020, https://www.bcb.gov.br/content/cidadaniafinanceira/documentos_cidadania/serie_cidadania/serie_cidadania_financeira_6_endividamento_risco.pdf (Portuguese only); *Financial Citizenship Report 2021*, 104, https://www.bcb.gov.br/en/publications/repfincitizenship.
4. *Financial Citizenship Report 2021*, 94.
5. Anbima, X-Ray of Brazilian Investors survey, 3rd edition, 2020.
6. Credit Information System (SCR) of the CBB.
7. See Giovanni D'Alessio and Stefano Iezzi, "Over-Indebtedness in Italy: How Widespread and Persistent Is It?" Bank of Italy Occasional Paper No. 319 (March 2016); Giovanni D'Alessio and Stefano Iezzi, "Household Over-indebtedness Definition and Measurement with Italian Data," printed by the Printing and Publishing Division of the Bank of Italy, no. 149 (February 2013); Richard Disney, Sarah Bridges, and John Gathergood, "Drivers of Over-indebtedness: Report to the Department of Business, Enterprise and Regulatory Reform," Center for Policy Evaluation, University of Nottingham (June 1, 2008).
8. Consumidor.gov.br platform.
9. Law 10820/2003.
10. Law 14431/2022.

# Policy Memo on Cyberattacks on Mobile Money Wallets

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*Keywords:* Financial inclusion, digital financial services, mobile money fraud, consumer protection, financial literacy

## Executive Summary

The term *financial inclusion* refers to an environment where individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit, and insurance—delivered in a responsible and sustainable way.[1] In Ghana, the financial inclusion index, which measures access, usage, quality and welfare, has increased from 58% to 96%, primarily due to the uptake of mobile money for financial transactions.[2]

This progress, however, is under threat, as many mobile money wallet holders are losing their funds as a result of cyberattacks, low digital financial literacy, and inadequate consumer complaint mechanisms.

There is a regulatory framework in place to address this challenge, yet it is implemented under the different mandates of diverse authorities who work in silos. Consequently, various efforts are undertaken by a number of regulatory bodies, creating a state of confusion and regulatory arbitrage.

This policy memo is aimed at the consolidation of all the different regulatory mandates into a single document, to be adopted by all stakeholders, to ensure a standardized process for handling complaints, increasing financial literacy, and addressing cyberattacks.

## Problem Statement and Context

According to the GSMA, "Between 2013 and 2022, the total gross domestic product (GDP) in countries with a mobile money service was $600 billion [USD] higher than it would have been without mobile money."[3] In Ghana, there are 68 million registered mobile money accounts with a total transaction value of 202.95 billion GHS.[4]

An analysis of the monthly returns data submitted by payment service providers (PSPs) to the Bank of Ghana (BOG) indicated that in 2022, 12,166 cases of fraud amounting to 27 million GHS were reported, most of which involved predominantly vulnerable people who were unable to read, lacked cybersecurity awareness, and thus had fallen prey to fraudsters.

It has also been identified, per the monthly returns data, that most Mobile Money (MoMo) users do not usually change their PIN. They are not conversant with the MoMo architecture as a result of their lack of digital financial literacy and thus often give their mobile phone to another person to make transactions on their behalf.The case of Amina illustrates the point.

Amina, a head porter in the Makola Market who carries goods for traders from one point to another, receives payments to her mobile money wallet.[5] She's fallen prey to fraudsters who first sent her a fictitious MoMo credit and subsequently gained access to her MoMo wallet by impersonating a MoMo provider official.

The root causes of the problem identified manifest in three key components, namely: (1) cyberattacks, which succeed as a result of low cybersecurity awareness; (2) the absence of relatable information on cybersecurity; and (3) intentional omissions by service providers in disseminating cybersecurity information. Also, this problem is attributable to lack of awareness of consumer complaint channels and low digital financial literacy.

It was, however, discovered that cyberattacks in the form of fraudulent transactions by bad actors is the most prevalent root cause.[6]

## Potential Objectives

By introducing this consolidated policy, we wish to achieve the following objectives:

1. **Eliminate cyberattacks on mobile money wallets**
   This objective has been selected as a core component of the proposed policy because it will give us the opportunity to address the root cause through a consolidated approach by all key stakeholders.

2. **Promote high digital financial literacy for users of mobile money wallets**
   This is a core element of the proposed policy, to provide an abundance of deliberately customized digital financial literature, running in parallel, for different segments of MoMo users. This objective will also provide incentives to MoMo operators to curate literature targeted to specific segments that should be a priority for them. This objective is geared towards mitigating fraud by promoting literacy among mobile money users.

3. **Promote adequate awareness of consumer complaints channels among mobile money users**
   It is part of our core objectives to ensure provision of adequate information by MoMo operators about customer complaint channels, through targeted marketing campaigns incentivized by dedicated budget lines and management approval.

## Policies

This policy memo seeks to introduce the consolidation of existing legislative frameworks within the various stakeholder regulatory institutions and have the same published by all key stakeholders, representing the accepted guidelines in Ghana addressing the issues of loss of funds from MoMo wallets as a result of cyberattacks, inadequate knowledge of consumer complaint channels, and low levels of digital financial literacy. These consolidated guidelines will be legally enforceable and binding on the key actors.

The policy will be developed by the key leaders of the various regulatory bodies, who will form a high-level working group to agree on the consolidation of their respective policies on the same subject.

The consolidated guidelines, when completed, will be launched by all stakeholders, sending a strong signal to the ecosystem to engender trust, focus, and commitment towards resolving this problem.

This approach is proposed due to its feasibility and the resources available for its implementation, as well as the existing inherent commitment of all stakeholders to solving this problem.

## Stakeholders

This policy memo posits two categories of stakeholders, namely a lead stakeholder and allied stakeholders. The lead stakeholder will be the BoG, led by its governors via their designated officers. Allied stakeholders will be engaged through stakeholder meetings for the consideration of their respective policies aimed at addressing the identified problem. Part of this process will be the execution of an MOU that will dictate the level of engagement and expected outcomes. Allied stakeholders will include:

1. The director general of the Cyber Security Authority
2. The director general of the National Communications Authority
3. Office of the Attorney General and Ministry of Justice
4. Ghana Chamber of Electronic Money Issuers

## Assumptions

1. That all heads of stakeholder agencies will agree to this proposal
2. That consolidated guidelines will lead to a standardized mechanism for consumer complaints
3. That MoMo operators will commit resources towards promoting digital financial literacy, making it a priority
4. That consumers' increased digital literacy will reduce the number of cyberattacks

## Key Indicators of Change

1. Issuance of the consolidated directive by all stakeholders, led by the BoG
2. Reduction in the number of cybersecurity attacks on MoMo wallets, deciphered from the monthly returns data submitted by MoMo operators to the BoG
3. Number of customized campaigns by MoMo operators promoting digital financial literacy
4. The speed with which mobile money fraudsters are prosecuted, measured by tracking reports of fraudulent incidents to law enforcement agencies and comparing the total number of reports to the number of cases that have been prosecuted over a 12-month period

## Notes

1. Ministry of Finance, Government of Ghana, *Ghana Financial Inclusion Report 2022*, vol. 1.
2. Ministry of Finance, Government of Ghana, *Ghana Financial Inclusion Report 2022*, vol. 1.
3. GSMA, *The State of the Industry Report on Mobile Money 2024*, https://www.gsma.com/sotir/wp-content/uploads/2024/03/GSMA-SOTIR-2024_Report.pdf.
4. GSMA, *State of the Industry Report*; Bank of Ghana, "Charts: Summary of Economic and Financial Charts—May 2024," https://www.bog.gov.gh/econ_fin_data/charts-summary-of-economic-and-financial-charts-may-2024.
5. Nancy Arhinfuwaa Imadi, people centered policy research, unpublished, Ghana, April 2024.
6. BoG report on cyberattacks, unpublished.

# Improving the Complaint-Handling Mechanism and Consumer Protection Issues in the Banking Sector of Uganda

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*Keywords:* Financial inclusion, complaint-handling mechanism, consumer protection

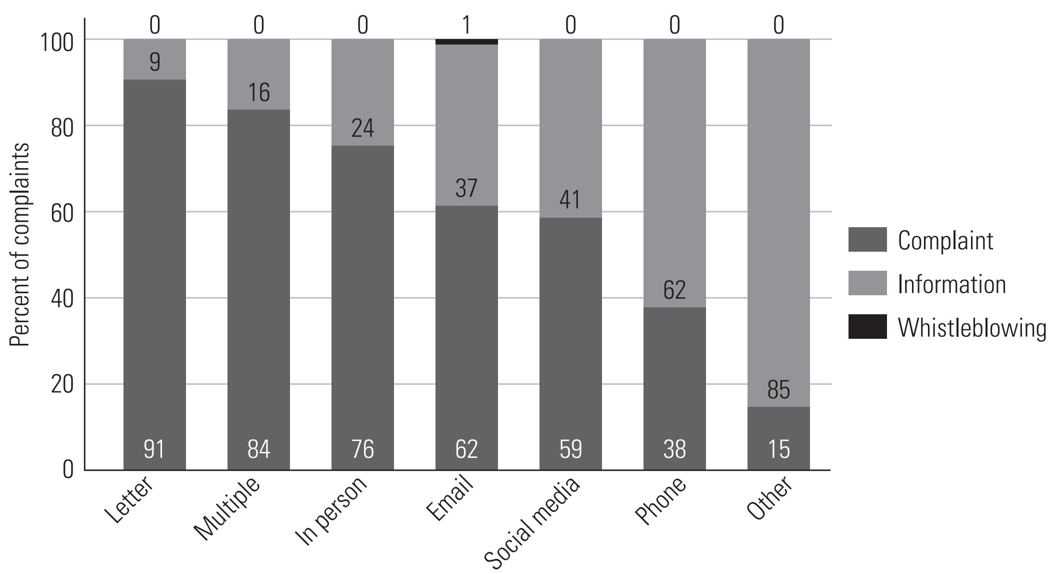
## Executive Summary

The global adoption of financial services and digital financial services (DFS) has enhanced access, affordability, and individuals' ability to build livelihoods and manage financial shocks. Uganda has made notable progress through mobile money services, boosting formal financial inclusion from 58% in 2018 to 68% in 2023.[1] Despite this progress, risks such as fraud, cybercrime, and inadequate consumer protection practices persist. The complaint-handling process frustrates many Ugandans, as financial service providers in the banking sector take up to 48 days to resolve a local complaint and 68 days for an international one. In 2011, the Bank of Uganda (BoU) issued Financial Consumer Protection (FCP) Guidelines for institutions licensed under the Financial Institutions Act, but these lack uniform application and legal enforceability.[2] To address these challenges, a phased policy approach is proposed, starting with improving the complaint-handling mechanism. Ultimately, our goal is to enhance the legal and regulatory framework to strengthen financial consumer protection.

### Problem Statement

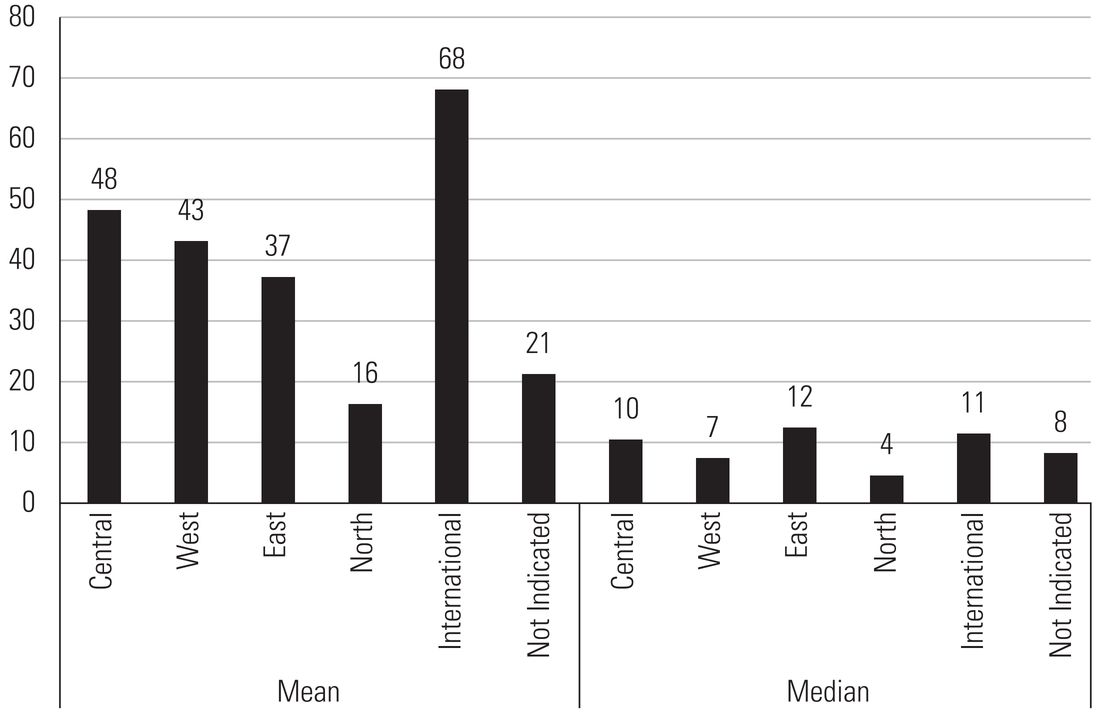
The majority of Ugandan bank customers face frustrations with the complaint-handling process. According to a recent study, only 15.1% of people would formally complain to a financial service provider and, if they were not helped, escalate to its regulator, while 20% stated that they would report directly to the relevant regulator.[3] Innovations for Poverty Action (IPA) assisted the BoU in analyzing existing complaints, as shown in the following graphs using two data sets: complaints collected by the BoU and complaints collected by supervised financial institutions (SFIs).

**Figure 1.** Type of Complaint by Channel




*Source:* Bank of Uganda complaints database

**Figure 2.** Complaint Processing Time by Region




*Source:* Bank of Uganda complaints database

According to the World Bank Group technical note *Complaints Handling within Financial Service Providers: Principles, Practices, and Regulatory Approaches*, "a complaint should be resolved immediately if possible; otherwise, prompt evaluation of the complaint should be conducted and a concluding decision made within 10 or 15 business days. For complex complaints, this deadline may be prolonged to a maximum of 20 or 30 working days."[4] Complaint-handling mechanisms are "especially important for low-income and vulnerable financial consumers, for whom timely and effective recourse processes can have a decisive influence over their trust in their financial service provider (FSP) and in the financial sector in general. Increased trust contributes to consumers' uptake and sustained usage of financial services and, consequently, their economic livelihoods."[5]

However, primary data indicates some issues. For instance, a customer who continued to repay a loan after its scheduled date of completion stated that they were not properly informed. Additionally, two customers whose accounts were debited without their knowledge had to contact the regulator when their original complaints were not resolved. Although the customers' money was eventually returned to them, they were dissatisfied because they were not given reasons for the debits. These examples highlight the need for more robust consumer protection and effective complaint-handling mechanisms to build and maintain trust in the financial sector.

The United Nations General Assembly, in its resolution on consumer protection of December 22, 2015, recognized that "consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and that traditional regulatory and supervisory frameworks adopted by oversight bodies contribute to the protection of consumers," as well as that "the recent financial crisis placed a renewed focus on consumer protection."[6]

## Key Causes

The BoU, in its 2011 FCP guidelines, states that financial service providers (FSPs) should issue a key fact document to all customers. However, CGAP points out that consumers do not always make decisions based solely on financial information.[7] Financial institutions may comply with disclosure rules yet still present a biased picture of a product's features during the sales process by obscuring certain terms or overemphasizing others. Some of the key causes of the problem stated earlier are as follows.

1. **Failure by SFIs to resolve customer complaints within the international standard of 15 days.** This is caused by several issues, including communication gaps in cases where inter-departmental coordination is required, such as between the fraud prevention, legal, and customer service departments, leading to delays. Additionally, lack of information, such as incomplete or unclear details from the customer, can slow down the resolution process. Resource limitations also play a role, with staff shortages in customer service departments leading to longer response times and technical issues with internal systems causing further delays in processing and resolving complaints.
2. **Inadequate regulatory consumer protection framework and enforcement measures.** A recent technical review of the BoU's 2011 FCP guidelines by the United Nations Capital Development Fund (UNCDF) identified significant gaps. The FCP guidelines are obsolete and not legally binding. Furthermore, existing enforcement measures are not strong enough, as there are no appropriate sanctions. This has resulted in increased financial vulnerability and higher rates of fraud and cybercrime, as well as inadequate redress mechanisms. The guidelines do not address issues related to agents or cybercrime, and the regulatory body does not conduct on-site visits for accountability as an oversight mechanism.
3. **Lack of awareness.** Some customers may not be aware of the complaint mechanisms available to them or may not know how to file a complaint. The Financial Capability Survey 2020 indicated that 54% of Ugandans did not know where to go when they faced issues with a financial service or product. When individuals were asked what they do when they have a financial issue, they stated that they tell a friend, report it to the local authorities, or go to the police. It is worth noting that empowering consumers to make more informed financial decisions via the provision of information, education, and effective avenues for redress should be one of the pillars of consumer protection.[8]

## Policy Solutions

Although there are plans to review the FCP guidelines and potentially turn them into regulations, the legislative process can be lengthy. But the BoU can start with quick wins, especially by improving the complaint-handling mechanism, since it plays an important role in keeping FSPs publicly accountable and ensuring continuous development of consumer protections. Addressing consumer issues promptly may lead to positive results such as increased consumer trust and satisfaction. The proposed solution is, therefore, for the BoU to streamline the complaint resolution process by designing and automating a standardized form with which the public can easily report issues and to work towards fully automating the complaint-handling mechanism for enhanced market conduct supervision.

Standardized templates ensure consistent complaint submission, simplifying complaint processing and analysis. Automation routes complaints to the appropriate departments, reducing manual handling time and speeding up resolution. These tools lead to better consumer protection, improved regulatory compliance, and more informed decision-making, contributing to a more robust and trustworthy financial system.

The National Bank of Rwanda established a centralized system, INTUMWA, to manage financial services consumers' complaints, whereby all complaints lodged to FSPs can be managed, processed, monitored, and escalated.[9] Since its launch in 2021, it has been deployed in 591 financial institutions and handled more than 4.5 million messages.

## Key Stakeholders and Engagement

These policy solutions will be presented to BoU internal stakeholders, including the Communications Department, which oversees the complaint-handling mechanism; the Commercial Banking Department; the National Payment Systems Department, which oversees the activities of FSPs; and the Information and Technology Department, which will help with the automation process. External stakeholders will include IPA and UNCDF, which will provide the bank with technical support on consumer protection issues.

## Important Assumptions in the Theory of Change

- Customers will gain trust in the banking sector.
  - This can be monitored by conducting periodic customer satisfaction surveys.
- Complaints will be investigated quickly and timely resolutions provided due to the automation of the complaints process, increasing customer satisfaction.

## Key Indicators of Change

To monitor the progress and effectiveness of the policy proposal, on the supply side, SFIs will provide quarterly data, and on the demand side, periodic surveys will be carried out.

The following key indicators of change will be monitored:

- Number of complaints resolved in a timely manner.
- Percentage of individuals who registered a complaint with a bank and had it resolved.
- Percentage of adults who are aware of their rights (such as to information, fair treatment, and redress) and responsibilities (such as to protect personal and account details, especially PINS and passcodes; to meet financial obligations; and to report issues promptly).
  - This can be measured through customer satisfaction surveys, as well as through gathering data, such as reporting time of issues, number of unresolved or late-reported issues, repayment rates, delinquency rates, credit scores, etc.
- Number of SFIs that comply with the complaint-handling mechanism.
- Percentage of complaints received through the automated complaint-handling mechanism.
- Number of on-site visits conducted by regulators.
- Percentage of financially included individuals relying on financial institutions for guidance on financial decisions, product information, and financial planning.

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# Enhancing Financial Access in Rural Communities through Central Bank Digital Currency Adoption

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*Keywords:* Access points, stakeholder, working group

## Executive Summary

The Bahamas' geography limits access to financial services in remote and underserved areas, particularly in the outlying islands. Eliminating physical cash dependence through the mass adoption of The Bahamas' central bank digital currency (CBDC), SandDollar, was envisaged in order to provide financial access to these underserved communities. However, the CBDC is 0.4% of currency in circulation, and the usage rate is low compared to other payment methods.[1] Through education and greater stakeholder engagement, SandDollar will be more widely adopted. This will provide more efficient, affordable, and nondiscriminatory access to financial services nationwide and more inclusive economic growth.[2]

## Problem Statement and Context

The Bahamas is comprised of approximately 700 islands and cays, stretching across nearly 100,000 square miles of the North Atlantic Ocean.[2] The archipelago is home to approximately 400,000 persons, most of whom live on New Providence Island, the capital.[3] With the exception of Grand Bahama, the remaining islands are mostly rural and collectively called the Family Islands or Out Islands.[4]

The nation's geography and population distribution contribute to 17.9% of the population being unbanked. The majority of adult residents of rural islands must travel long distances to reach a bank access point. Furthermore, financial institutions are reluctant to bear the operating cost of maintaining traditional bank branches in these communities.[5]

During the 2020 SandDollar Exuma Island pilot phase, a craft vendor shared that following the closure of her local branch, she must fly to New Providence to deposit cash to satisfy mortgage obligations. The average airfare for this round trip is $250 USD, which is 9.38% of the average monthly household income in The Bahamas.[6] A middle-aged Andros resident described how work commitments make banking trips to the capital challenging.[7] Locals on the island also reported that the only ATM in North Andros, after being replenished, usually runs out of cash within hours—even before the bank technician's return flight to New Providence.[8] These and similar stories expose the unaffordability and unsustainability of reliance on traditional bank access points, physical banknotes, and coins.

**Figure 1.** The Bahamas: Population and Access Points by Island[9]


## Key Causes

While a number of causes have been identified, this policy memo will address the key causes impacting the low adoption level of digital currencies. Insights gained from secondary data analysis and PCP research highlight three leading causes.

1. Lack of trust in the CBDC

Peoples' increasing mistrust of governments, banks, and related systems following the 2008 financial crisis and the COVID-19 pandemic compounds the challenge of improving financial inclusion through the nationwide adoption of a CBDC. "In Latin America and the Caribbean, about a third of unbanked adults said they do not have an account because they distrust the banking system."[10] Those unbanked who might still trust traditional institutions find banking services too costly.[11] Of Latin American and Caribbean respondents, 60% share this view.[12]

2. Insufficient education about the CBDC and digital payments

Consumers and merchants have questioned the high fees digital wallet providers charge for wallet-to-bank account transfers.[13] These fees are necessary as banks assess wallet providers at merchant rates. Wallet providers have not fully adopted the Central Bank's automated clearing house (ACH) solution to allow feeless transfers in and out of wallets, nor are these providers incentivized to educate customers on the fee-free wallet offered by the Central Bank to support CBDC adoption.

3. Inadequate use cases to make the CBDC attractive
A limited number of merchants accept digital currency, for reasons similar to their customers'. The CBDC is not accepted for the payment of government services. Nor does the central government use the digital dollar for mass distribution. Some Bahamians have misinterpreted the delayed adoption of SandDollar by commercial banks and the government as hesitancy and evidence of these organizations' mistrust of the CBDC.[14]

## Priority Policies

In order to increase the number of access points in rural communities through CBDC adoption, a number of potential measures may be taken. However, some are outside the Central Bank's capacity. A digital public infrastructure is not a budgetary priority for the country. The Central Bank will continue supporting the central government's long-term goal of CBDC receipt and disbursement as part of its cashless payments initiative.

The following solutions and related policies are feasible and top priority.

1. **Create a national financial inclusion working group (NFIWG).** This group's mandate will be to advance financial inclusion in the country by developing and maintaining a national financial inclusion strategy. It will advise the government of The Bahamas on financial inclusion matters and offer potential solutions to promote wider adoption of the CBDC. The Central Bank should establish a financial inclusion unit to support the development and the ongoing administrative and policy contributions of the NFIWG. The unit will require cross-department collaboration and enterprise-level authority. Therefore, it should report directly to the Central Bank's governor. Chile, Paraguay, and Swaziland are a few countries that have taken this approach to further their financial inclusion goals.[15]
2. **Develop a comprehensive CBDC educational and incentive program.** Merchants will be encouraged to access the program's content for ongoing staff training. Merchants and wallet providers will be rewarded with marketing dollars; the amount will be determined by a scorecard rating CBDC user experience at the point of sale. The franchise industry is experienced in developing similar programs, whereby franchise holders are rewarded in predetermined customer experience categories.[16] Individuals who complete the training will receive certificates, which can be used to strengthen résumés.
3. **Issue guidelines to clearing banks encouraging these entities to provide clients digital currency services.** This means these institutions will become full-service SandDollar providers, issuing digital wallets (proprietary apps or the Central Bank's) and allowing fund transfers between these wallets and bank accounts.

## Critical Stakeholders and Responsibilities

To ensure timely implementation of the proposed policies, the Central Bank must engage its critical partners to spotlight each stakeholder in resolving this problem.

## Internal Stakeholders

**The Central Bank's governor and deputy governor** will champion the policy. They will lead initial internal stakeholder meetings and receive regular updates on each team's progress. They will engage external stakeholders and work closely with these organizations' leadership to identify representatives for the NFIWG.

**The Research Department's Payments Oversight Unit (POU) and financial inclusion officers** will draft the NFIWG's terms of reference (TOR).

**The Domestic Financial Institutions Unit** (DFIU) of the Bank Supervision Department will work with the POU to begin drafting guidelines. The DFIU will begin the conversation with the entities it supervises to determine roadblocks and necessary incentives to promote the adoption of these guidelines.

**The Office of the Financial Services Ombudsman** will work with the DFIU to regulate the customer service requirements and establish response time key performance indicators for all client-facing domestic financial institutions.

**The SandDollar Adoption Unit** (SDAU) will create the CBDC educational program, offering initial incentives. The NFIWG will suggest additional incentives.

## External Stakeholders

These external stakeholders are critical to the NFIWG's success. As a group, they will finalize the NFIWG's TOR and will work to develop the framework and policies aimed at advancing financial inclusion in the country. The group includes primary and affiliate members.

- Ministry of Finance
- Treasury Department
- Clearing Banks Association
- Ministry of Social Services
- National Insurance Board
- Insurance Commission of The Bahamas
- Grand Bahama Port Authority
- Utilities Regulation and Competition Authority
- The Bahamas Chamber of Commerce and island affiliates
- Retailer and wholesalers associations
- Family Island local government representatives
- Civil society

## Next Steps

| Date | Task | Responsible Party |
|---|---|---|
| 2024 | | |
| August | Pitch to senior executives and establish policy proposal support. | A. Middleton |
| | Complete the development of merchant and wallet provider scorecards. | SDAU |
| August–December | Hold discussions between NFIWG and external stakeholders. | Governor |
| | Complete development of CBDC educational content. | SDAU |
| | Discuss commercial bank incentives and concerns. | DFIU |
| | Develop and approve FIU framework, job descriptions, budget, and TOR. | Research Department, Governor's Office (Advisors) |
| September | Hold initial internal stakeholder meetings and communicate expectations, deliverables, and timelines. | Governor |
| October | Hold SandDollar Ambassador train-the-trainer sessions.<br>Publish 18-month training and events calendar.<br>Create online educational repository for self-paced learning population. | SDAU |

| Date | Task | Responsible Party |
|---|---|---|
| November | Create initial draft of NFIWG TOR.<br>Obtain deputy governor's approval. | A. Middleton |
| 2025 | | |
| January | Launch FIU. | Governor |
| | Develop draft CBDC guidelines for banks. | DFIU |
| | Launch SandDollar University. | SDAU |
| February | Hold NFIWG's initial meeting. | FIU |
| April | Approve NFIWG's meeting TOC, framework, membership, and 12-month working plan. Discuss CBDC guidelines for banks. | FIU |
| June | Publish commercial bank CBDC services guidelines. | DFIU |

## Key Indicators of Change

The FIU will monitor the following variables and report to the NFIWG to evaluate whether the intended changes are occurring.

Quarterly

- In-circulation SandDollar and transaction volume will be used to determine increased usage.
- The increase of preference for using SandDollar will be evaluated through regular conversations with Family Island locals.
- CBDC adoption rate (which is not currently being tracked) will be tracked island by island.

Semiannually

- Reduction in the number of complaints about access points in rural communities.
- Reduction in the number of requests for a physical bank from rural communities.
- Fraud reports will be monitored to assess mitigation measures against unintended negative consequences.

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# Digital Merchant Payments for Mobile Money Users in Tanzania

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*Keywords:* Digital merchant payments, incentives, awareness, usage

## Executive Summary

The majority of mobile money users in Tanzania incur high costs when paying for goods at retail merchants. These high costs are fundamentally due to the practice of first withdrawing funds from mobile money agents and then making purchases in cash. This practice is more expensive than paying for goods directly through digital means. The proposed solutions include a review of Tanzania's Electronic Money Regulations to offer financial incentives for mobile money providers to recruit more retail merchants, as well as conducting awareness campaigns about digital merchant payments. Additionally, a research proposal will identify scalable adoption strategies, followed by a funding proposal for the implementation of these recommendations, ultimately increasing awareness and expanding merchant networks for affordable digital payments.

## Problem Statement and Context

Mobile money has revolutionized financial transactions in Tanzania, offering convenient and secure methods of transferring money and paying bills. The subsector has experienced remarkable growth, with the number of transactions reaching 5.3 billion in 2023 and the number of mobile money accounts soaring to 52.8 million in the same year.[1] However, despite the widespread adoption of mobile money accounts, the use of mobile money for purchasing goods remains surprisingly low. In fact, according to the FinScope Tanzania 2023 survey, nearly 60% of Tanzania's population is unaware of mobile money merchant payment solutions.[2] Furthermore, only 13% of mobile money users have used their accounts to purchase goods in the past month.[3] This disparity highlights a substantial gap between the high number of people with mobile money accounts and the low levels of awareness and usage of mobile money merchant payment services among consumers.

## Key Causes

Interviews with mobile money users revealed that many of them withdraw funds from mobile money agents to make retail purchases in cash, due to their lack of awareness that they can use mobile money for making such purchases, the perceived high costs associated with mobile money payments, and the low number of merchants accepting digital payments.[4] This practice leads to additional expenses.

On the supply side, merchants reported that customers prefer using cash over mobile money to make payments.[5] Interviews revealed that many merchants haven't been approached by mobile money service providers offering digital payment solutions and are unaware that they can accept payments from a number of mobile money providers.[6] Additionally, merchants incur high costs when withdrawing cash from mobile money accounts to pay suppliers, given that 95% of merchant-supplier transactions in Tanzania conducted are in cash.[7]

To encourage digital payments, mobile money service providers must charge low fees and invest heavily to achieve a critical mass of merchants. This long-term strategy focuses on future profit while conflicting with immediate profitability pressures.[8] On the demand side, without a robust network of merchants accepting digital payments, users rely on cash for daily transactions. The digital merchant market faces a cross-side network effect: consumers value digital payments only if widely accepted by merchants, who, in turn, adopt them only if a large percentage of their customers use them.[9] For widespread adoption of mobile money merchant payment services, the challenge is to scale both sides, supply and demand, simultaneously to create the necessary momentum and critical mass.[10]

## Potential Solutions

1. Provide financial support, through incentives, to mobile money service providers to recruit and support more merchants, aiming to reach a critical mass.
2. Ensure comprehensive awareness campaigns are conducted to educate both customers and merchants about the benefits and cost savings of digital payments.
3. Develop a research proposal to identify scalable solutions for increasing adoption and usage of digital merchant payment services.
4. Develop a funding proposal for implementation of research recommendations aimed at expanding merchant networks and increasing awareness.

## Priority Solutions Bundles

We propose bundling solutions into two categories, immediate and long term, in order to promote the use of digital merchant payment services while ensuring their sustainable adoption and scaling.

The immediate solution includes a review of the Electronic Money Regulations to allow the use of part of the interest accrued from trust accounts held in commercial banks to sponsor incentives for mobile money service providers. Service providers will then use these financial incentives for the recruitment and support of more retail merchants and for conducting awareness campaigns to educate customers and merchants about digital merchant payment services.

The long-term sustainable solution involves developing a research proposal to identify and implement scalable strategies for increasing adoption and usage of digital merchant payment services. The research will identify key obstacles, propose effective incentive models, devise strategies to increase awareness, and recommend policies that align with the needs of providers, merchants, and customers. Following this, a funding proposal will be developed to request grants for testing and implementing research recommendations.

Implementing these solutions will raise awareness among customers and merchants and support mobile money service providers in expanding their merchant networks. This will, in turn, offer customers the opportunity to affordably pay for goods using digital merchant payment solutions.

## Policy Stakeholders

Implementing these policy solutions requires the Bank of Tanzania to engage mobile money service providers to secure their support. These policies also assume that mobile money service providers will actively recruit merchants, that merchants will adopt digital merchant payment solutions, and that the proposals for research and funding will be accepted. Additionally, the review of the Electronic Money Regulations is expected to be successful, and mobile money providers are anticipated to use the financial incentives as planned.

To ensure effective implementation of these policies, building a collaborative framework is essential. This involves working closely with stakeholders including the Ministry of Finance

(MOF), Ministry of Industry and Trade (MIT), Ministry of Transport (MOT), Tanzania National Business Council (TNBC), Tanzania Revenue Authority (TRA), Tanzania Private Sector Foundation (TPSF), donors, Tanzania Bankers Association (TBA), Tanzania Mobile Network Operators Association (TAMNOA), and Tanzania Fintech Association (TAFINA).

These stakeholders will be engaged sequentially, starting with the Bank of Tanzania (BOT) and the Ministry of Finance as the main policymakers. Thereafter, through workshops, the rest of the stakeholders will be engaged.

## Next Steps

The timeline for the implementation of these policies will span 36 months, beginning with immediate solutions and followed by long-term strategies. The following table outlines the high-level implementation plan and sequence of activities.

| | Activity | Policy Solution Bundle | Implementation Timeline | Responsible |
|---|---|---|---|---|
| 1 | Submit the policy proposal to BOT management for approval | Immediate | Oct.–Dec. 2024 | Mutashobya,<br>BOT |
| 2 | Prepare matrix of changes to the Electronic Money Regulations | Immediate | Oct.–Dec. 2024 | BOT |
| 3 | Develop a research proposal to identify and implement scalable digital merchant payment solutions and submit to the Bank Research Committee/ donor(s) | Long term | Jan.–Mar. 2025 | BOT,<br>donor(s),<br>research firm |
| 4 | Incorporate the changes in the regulations and submit to BOT's Legal Department | Immediate | Jan.–Mar. 2025 | BOT |
| 5 | Obtain approval of the research proposal and grant award | Long term | Apr.–June 2025 | BOT/donor(s) |
| 6 | Submit the regulations for review and approval by BOT management | Immediate | Apr.–June 2025 | BOT,<br>research firm |
| 7 | Conduct research | Long term | July 2025–Sep. 2026 | BOT,<br>research firm,<br>MoF, MIT, MoT, TNBC, TRA, TPSF, TBA, TaMNOA, TaFINA |
| 8 | Conduct workshop(s) with stakeholders for comments on the regulations | Immediate | July–Sep. 2025 | BOT, TBA, TaMNOA |
| 9 | Incorporate stakeholders' comments on the regulations and request BOT management's approval | Immediate | July–Sep. 2025 | BOT |
| 10 | Approve and issue revised Electronic Money Regulations | Immediate | Oct.–Dec. 2025 | BOT |

| | Activity | Policy Solution Bundle | Implementation Timeline | Responsible |
|---|---|---|---|---|
| 11 | Develop a grant proposal to test and implement research recommendations | Long term | July–Dec. 2026 | BOT |
| 12 | Submit the grant proposal for review and approval by BOT Management | Long term | Jan.–Mar. 2027 | BOT |
| 13 | Approve the grant | Long term | Apr.–June 2027 | BOT, donor(s) |

## Key Indicators of Change

The monitoring and evaluation framework will track key indicators disaggregated by gender. It will also track geographical spread of merchant adoption to measure rural and urban impact. The following table provides a detailed monitoring plan.

| | Indicators | Frequency | Data Source |
|---|---|---|---|
| 1 | Number of registered digital merchants (gender-disaggregated) | Monthly | Mobile money providers |
| 2 | Customer-to-merchant transaction volume and values (gender-disaggregated) | Monthly | Mobile money providers, Tanzania Instant Payment System (TIPS) |
| 3 | Agent withdrawals volume and values | Monthly | Mobile money providers |
| 4 | Number of active merchants (gender-disaggregated) | Monthly | Mobile money providers |
| 5 | Merchant-to-supplier transaction volume and values (gender-disaggregated) | Monthly | Mobile money providers, banks |
| 6 | Average transaction cost | Quarterly | Mobile money providers |
| 7 | Geographical spread of digital merchant adoption | Quarterly | Financial Services Registry |

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# Policy for Activating and Managing Wallet Functionality on Digital ID Cards in Ghana

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*Keywords:* Digital identification, digital public infrastructure, disaster response, digital wallet, poverty index

## Executive Summary

In emergency situations, it can take weeks or months for social interventions and aid to reach low-income families and people in rural areas in Ghana, due to the lack of branch networks and adequate payment infrastructure. To overcome this challenge, local officials are provided with funds, visit rural localities, and disburse the funds to eligible persons. This approach to provid-ing support to communities affected by natural disasters is fraught with fraud and tainted with delays. To enhance financial inclusion and ensure timely distribution of government aid during national emergencies, the government should implement a policy that mandates citizens to activate a digital wallet feature on the Ghana Card. This feature will enable all Ghanaians, espe-cially those in rural and low-income areas, to receive and access cash transfers directly; facilitate seamless financial transactions; and improve overall access to financial services.

## Problem Statement and Context

Rural low-income Ghanaians cannot receive timely government cash transfers during national emergencies. According to the 2017 Ghana Living Standard Survey (GLSS), 3.2 million house-holds in Ghana are located in rural areas (comprising rural coastal, savannah, and forest areas) versus 4 million households located in urban areas. These numbers indicate that approximately 44% of households have limited access to financial services. In 2017, only 42% of adults had bank accounts, with lower rates for rural and low-income populations. This financial exclusion hinders efficient government cash transfers during emergencies, which are crucial in the event of pandemics, floods, and Ghana's frequent northern droughts. Delayed transfers exacerbate poverty, restrict access to essentials, harm health, disrupt education, and increase social unrest. Natural disasters are occurring with greater frequency and intensity due to the accelerating impacts of climate change (World Bank 2017, Ghana Meteorological Agency 2017, UNICEF Ghana 2021, UNDP Ghana 2020). With increasing numbers of national emergencies, it is cru-cial to establish an effective system for the timely disbursement of funds without delays caused by logistical issues, especially in rural areas lacking banking infrastructure. Integrating a digital wallet feature into the Ghana Card can expedite fund disbursement, directly benefiting affected Ghanaian citizens. This feature will overcome frictions derived from using intermediaries, ensuring swift delivery of aid to target persons and groups, which is important during crises like the COVID-19 pandemic. Despite the potential of the national ID card to overcome the challenge of emergency fund disbursement, a large number of rural dwellers are yet to register for and be issued with a Ghana Card, underscoring the need to intensify registration efforts.

## Recommended Policy Solution

The proposal entails activating a wallet feature on the near-field communication (NFC)–enabled Ghana Card. This approach leverages existing digital infrastructure, making it a cost-effective initiative aimed at enhancing financial inclusion and digital payments in Ghana.

The National Identity Register Act of 2008 authorized the collection of personal and biometric data to protect Ghanaians' right to privacy. For this purpose, the National Identification Secretariat, established in 2003, manages an automated fingerprint identification system (AFIS), which is fast and 99.9% accurate. Although the Ghana ID card can hold 14 applets, its digital wallet feature isn't enabled due to discrepancies in card payment lifespans. Furthermore, enhanced security layers for wallets are needed. The wallet should ensure secured transactions for essential services, utilizing NFC technology to work offline. Integrating financial services will save the government costs associated with printing and distributing additional cards by leveraging existing infrastructure. A functional wallet feature on the Ghana Card will enhance banking access for unbanked and underbanked populations, particularly in rural and low-income areas, by utilizing NFC technology to bypass limited Internet connectivity. The card's built-in security features, like its unique identifier, ensure safe digital transactions, reducing the risks linked to cash handling and traditional financial systems. For added security, the government, with support from accredited financial service providers (FSPs), will be the sole source of funding for the wallet-enabled cards, and the funds on these cards will be permitted for use only at hospitals and provision shops. Additionally, the government will provide incentives to encourage savings and improve the overall financial health of vulnerable citizens, ultimately aiming to wean them off government aid and lift them above the poverty threshold. The integration of financial services in the NFC-enabled card will promote financial inclusion and secure, accessible banking services.

## Key Stakeholders and Implementation

Operationalization of the policy requires collaboration among key stakeholders, including the following:

**Ministry of Finance (MoF)**
Ensure funding and fiscal policy alignment.
Oversee the integration of the digital wallet feature into national financial systems.
Coordinate with financial institutions for seamless implementation.

**Bank of Ghana (BoG) Payment Systems Department and Fintech and Innovation Office**
Perform oversight of stakeholders' compliance with the regulatory framework of the digital wallet ecosystem.
Monitor acceptance of and promote the public's confidence in the digital wallet.
Continue to drive innovation by encouraging the development of new technologies that will improve digital wallet functionality.

**National Identification Authority (NIA)**
Lead the technical upgrade of the Ghana Card to include the digital wallet feature.
Ensure nationwide distribution and accessibility of upgraded cards.
Maintain database integrity and security.

**Ghana Statistical Service (GSS)**
Provide demographic data to identify target groups for pilot and phased rollout.
Develop poverty index.
Monitor and report on the impact of financial inclusion efforts.
Offer data analytics and insights to guide continuous improvement of the project.

**National Disaster Management Organization (NADMO)**
Enhance human and institutional capacity.
Promote disaster risk reduction—including climate change–related events.
Strengthen disaster response mechanisms.

**Ministry of Gender, Children and Social Protection**
Enhance human capacity.
Establish key indicators for poverty index in collaboration with GSS.

**Local Champions**
Create grassroots public awareness campaign to facilitate adoption of Ghana Card.

| **Phase 1** | | |
|---|---|---|
| **Activity** | **Description** | **Timeline** |
| Initial planning and stakeholder engagement | • Send out invitation letters to MoF, GSS, and NIA, including an overview of the digital wallet feature. Discuss benefits and anticipated challenges.<br>• Define each stakeholder's role.<br>• Establish implementation timeline.<br>• Outreach partners and partnership candidates.<br>• Assign preliminary list of tasks and responsibilities. | 1 week |
| **Phase 2** | | |
| Draft policy for BoG management's approval | • Hold internal BoG meeting with Economics Research and Payments Systems Department to draft policy on enabling the digital wallet feature on the Ghana Card. | 1 week |
| **Phase 3** | | |
| Technical development | • Technical upgrade and integration (led by NIA).<br>• Remote upgrade of the Ghana Card.<br>• Testing and quality assurance of the digital wallet feature.<br>• Coordinate with MoF for system integration. | 2 weeks |
| Management rollout | • GSS leads data analysis and targeting to analyze demographic data to identify pilot groups.<br>• GSS publishes poverty index score.<br>• Usage patterns are monitored, and feedback provided for adjustments. | 1 month |
| **Phase 4** | | |
| Final policy approval | • Management meeting for discussion and approval of policy. | 2 months |
| **Phase 5** | | |
| Public awareness campaign | • Hold public education campaigns.<br>• Set up registration booths in remote areas.<br>• Use local influencers to improve uptake and registration of Ghana Card. | 6 months |
| **Phase 6** | | |
| Issuance of publication and full implementation | • Issue publication in collaboration with BoG's Communications Department.<br>• Launch educational programs and workshops in nationwide rollout (collaborative effort).<br>• Gradually expand from pilot to full national rollout.<br>• Ensure all regions have access to the upgraded Ghana Card.<br>• Utilize media channels to inform the public about the benefits and usage of the Ghana Card's digital wallet feature. | 6 months |

## Key Indicators of Change

One of the key indicators of change will be the integration and upgrading of existing financial and technological infrastructure, involving the establishment of a robust security framework that includes multilayered authentication processes, given the biometric nature of the ID card, to ensure secure transactions.

A critical indicator of change will be the adoption of globally recognized best practices in card payment systems, modified to accommodate the 10-year shelf life of the Ghana Card. Additionally, setting up a seamless interface between the ID card system and financial institutions for real-time transaction processing will indicate progress and readiness for deploying the wallet feature.

Another key indicator will be the regulatory and policy adaptations necessary to support the introduction of the wallet feature. This includes creating legal standards and guidelines to govern the use and limits of the digital wallet, such as programming payments to be used specifically for essential services like groceries and transportation to minimize misuse and fraud. Tracking the effectiveness of and compliance with these regulations will help measure the preparedness and success of the policy initiative.

Furthermore, public awareness and training campaigns to educate the general populace and relevant stakeholders about the secure use of the digital wallet will also serve as a critical metric for the policy's implementation success.

Finally, when the time comes, the NIA must implement measures for the timely replacement of cards.

## Theory of Change Assumptions

1. Technological infrastructure readiness
   a. The existing technological infrastructure can support the new wallet feature without significant overhauls.
   b. The biometric data encoded on the digital ID cards is secure and compatible with new payment systems.
2. Regulatory and policy environment
   a. Adequate regulatory frameworks and policies will be developed and enacted promptly to support the new wallet feature.
   b. Government agencies and financial institutions will collaborate effectively to ensure compliance and integration.
3. Stakeholder engagement and training
   a. Stakeholders, including government agencies, financial institutions, and the public, will be willing to adopt the new system.
   b. Effective training programs will be conducted to educate all users on the secure use of the wallet feature.
4. Security and fraud prevention
   a. Sufficient security measures, including multifactor authentication, will be implemented to protect against fraud and misuse.
   b. There will be continuous monitoring and updating of security protocols to address emerging threats.
5. Integration with essential services
   a. Service providers (e.g., grocery stores, transportation services) will integrate smoothly with the digital wallet system.
   b. Payments through the wallet will be restricted to essential services as intended, and mechanisms will be implemented to monitor usage.

6. Public trust and acceptance
   a. The populace trusts the government's initiative and is willing to adopt and use the digital wallet.
   b. There is transparency in the implementation process, fostering public confidence.
7. Financial sustainability
   a. Implementing and maintaining the wallet feature is economically feasible for the government.
   b. Funding and resources will be consistently available to support the initiative over time.
8. Performance monitoring and evaluation
   a. There will be ongoing monitoring and evaluation to measure the effectiveness and impact of the wallet feature.
   b. Feedback loops will be established to make data-driven adjustments to the system as needed.

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# Women-Owned MSMEs in Rural Tanzania Are Denied Opportunities to Expand

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*Keywords:* Women-owned MSMEs, rural areas, credit access, self-regulation, microfinance service providers

## Executive Summary

In Tanzania, women account for approximately 51% of the population of rural areas.[1] In general, these women have limited knowledge of financial products and services, lack collateral, and experience exorbitant credit-related fees and charges, thus limiting their trust and confidence in the financial system and derailing the potential for expansion of their businesses.

To address this challenge, a policy solution for establishing an industry self-regulatory approach, by issuance of a code of conduct for microfinance service providers predominantly located in rural areas, will assist in leveraging the network and extending regulatory compliance to facilitate increasing affordability of and access to credit for this segment.

## Problem Statement and Context

With 65% of the population in Tanzania living in rural areas, of which 51% are women, the issue of this segment's access to formal finance is paramount.[2] The self-evaluation report of the National Financial Inclusion Framework showed that rural SMEs continue to have a challenge in bridging the financing gap, predominantly relying on small savings groups.[3] Furthermore, the FinScope Tanzania 2023 survey showed the existence of barriers caused by lack of collateral and affordability (high fees and charges) in accessing formal financing for credit: over 67% of the adult population relies on family and friends for credit in small quantities, thus limiting opportunities for expansion. A similar study showed that community groups (CMGs) are perceived to have more reasonable fees and charges and offer greater ease of access due to having self-regulation as a key part of their operations, by design.[4] On the other hand, Tanzania has over 2,000 microfinance service providers that are scattered across the country, servicing the rural population, the majority of which is the underserved segment (rural women), who have to pay exorbitant fees and accept rigorous lending practices, distorting their confidence in utilizing formal financial services.[5]

Narrowing down, this policy focuses on addressing the challenges faced by microfinance service providers (MFSPs). The findings of people centered policy (PCP) interviews denoted that—despite the challenges of consumers accessing credit through rigorous lending practices, with lack of collateral and limited understanding of appropriate financial products—regulatory compliance and high operating costs associated with MFSPs are still a barrier, leading to high costs (interest rates, fees, and charges) that limit access to rural women-owned MSMEs, as shown by MFSP respondents 4–6.[6]

## Key Causes

There may be various causes for women-owned MSMEs having limited access to credit, which denies them the opportunity to expand their businesses. Insights from secondary data and the PCP research conducted narrowed these down to three major causes:

1. **High costs for accessing credit (interest rates, fees, and charges):** The PCP research conducted on the supply side showed that high fees and charges are mainly due to high compliance costs for the microfinance institutions that can reach rural communities, as well as high operating costs.[7]
2. **High collateral requirements:** Banks and MFSPs continue to insist on borrowers providing collateral, as rural women lack traceability due to limited historical information, hence derailing rural women-owned MSMEs' appetite for accessing formal credit.[8]
3. **Limited knowledge of credit-related financial products and services:** The PCP research, as well as the evaluation of the National Inclusion Framework 2018–2022, revealed that limited knowledge of financial matters also hinders access to credit, therefore derailing MSMEs' expansion.[9]

## Potential Solutions

I acknowledge that many solutions would work to address both supply and demand side concerns; however, the potential solutions proposed will address affordability, limited knowledge of products and services, and rural women-owned MSMEs' trust and confidence in accessing credit through MFSPs.

1. **Issue a guide for a code of conduct:** For the self-regulation of MFSPs, the Bank of Tanzania is to issue a guide that, among other guidance, will stipulate how to address the issue of affordability of access to credit for consumers.[10]
2. **Develop a shared information management system:** Establish a centralized database of consumer credit history for consumers, MFSPs, and regulators, to reduce compliance costs by sharing these costs between MFSPs and to ensure data accuracy.[11]

## Priority Solution

My priority bundle solution is to introduce an industry self-regulatory approach, as it will be able to address the challenge of supervising a large number of MFSPs while leveraging existing networks of associations that complement supervision and facilitate outreach to rural segments of the population, like women who own MSMEs.

This will be implemented through associations where members agree to adhere to a code of conduct that details lending best practices, financial literacy and training programs, and regulatory compliance and complaints resolution mechanisms. This will address not only the challenge of compliance costs but also consumer protection matters that are prevalent and derail trust and confidence in accessing credit in this sector.[12] It will be a regulatory requirement for all MFSPs to be part of the association as well as adhere to the code of conduct.

## Stakeholders

This policy design may require many stakeholders to implement, of which the Bank of Tanzania and the microfinance associations are expected to lead the process, with the President's Office, Regional Administration and Local Government Tanzania (PO-RALG), MFSPs, and development partners as implementors.

## Next Steps

| | Activity | Time | Responsible |
|---|---|---|---|
| 1. | Convene a stakeholder engagement meeting | Aug. 2024 | Bank of Tanzania, microfinance associations, PO-RLAG |
| 2. | Issue a directive for MFSPs to join associations | Sept. 2024 | Bank of Tanzania |
| 3. | Finalize the guide for the code of conduct | Oct. 2024 | Bank of Tanzania, microfinance associations |
| 4. | Provide technical support to microfinance associations to develop their own codes of conduct | Dec. 2024 | |
| 5. | Train associations to certify them in financial literacy | Jan. 2025 | Bank of Tanzania, microfinance associations, PO-RLAG |
| 6. | Design a customized financial literacy program for rural women-owned MSMEs | Feb. 2025 | |
| 7. | Design a monitoring and evaluation framework for code of conduct implementation | Mar. 2025 | |

## Potential Risks

1. Conflicts of interest could undermine the objectivity and effectiveness of self-regulatory measures.
2. Assessment of MFSPs' reputations, while preventing malpractice, could erode trust among consumers.
3. Insufficient enforcement could make it challenging to ensure all MFSPs adhere to the stipulated guidelines.

## Key Indicators of Change

| | Indicators | Frequency | Submission Format | Responsible |
|---|---|---|---|---|
| 1. | Number of designated microfinance associations | Quarterly | Template | BOT |
| 2. | Number of MFSPs that have joined the microfinance associations | Quarterly | Template | Microfinance associations |
| 3. | Number of MFSPs extending credit to rural women-owned MSMEs | Quarterly | Template | Microfinance associations |
| 4. | Lending rate offered when accessing credit | Quarterly | Template | Microfinance associations |
| 5. | Number of loans issued to rural women-owned MSMEs | Quarterly | Template | Microfinance associations |
| 6. | Level of compliance with responsible lending criteria | Quarterly | Template | Microfinance associations |
| 7. | Number of financial literacy programs offered to rural women-owned MSMEs | Quarterly | Template | Microfinance associations |
| 8. | Number of MFSPs with financial complaint mechanisms | Quarterly | Template | Microfinance associations |

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# Women's Limited Access to Credit in Rural Areas in Côte d'Ivoire

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*Keywords:* Women's empowerment, financial inclusion, financial literacy, microcredit, stakeholders

## Executive Summary

The limited access of rural women to financial services in Côte d'Ivoire constitutes a major obstacle to their economic empowerment and rural development. Despite their crucial role in agriculture and the local economy, these women are often excluded from banking services and credit. This exclusion is due to factors such as distance from financial institutions, restrictive sociocultural norms, and low levels of financial literacy. To overcome these obstacles, developing tailored products like savings, microloans, and micro insurance for women and establishing a strong collaboration framework with stakeholders of the ecosystem through creating working groups is recommended.

## Problem Statement and Context

The problem that this memo discusses and attempts to address is the limited access to credit for women in rural areas in Côte d'Ivoire. According to the World Bank's Global Findex Database, in Côte d'Ivoire, the financial inclusion rate improved from 41% in 2017 to 51% in 2021—but with a gender gap. Indeed, during the same period, men's financial inclusion grew significantly, from 47% to 64%, while women's increased only from 36% to 37%. This gap also affects rural areas, which have a financial inclusion rate of 46% compared to 58% in urban ones.

In Côte d'Ivoire, the rural economy is largely based on subsistence agriculture and small income-generating activities carried out by women. Women play an important role in the country's agriculture. Indeed, according to data from AFD, women represent 65% of the agricultural workforce in rural areas and produce 60–80% of the food in the country, but 75% of them are affected by poverty.[1] Women hold only 18% of agricultural concessions, and they spend 15–22% of their time on domestic work, 3 to 7 times more than men, or between 8 to 10 hours of additional work per week compared to men (according to the World Bank Gender Database).[2]

## Key Causes

The obstacles faced by women in accessing credit are:

- Geographic barriers, including access to financial resources like banking and microfinance services and loans
  - According to the Global Findex Database, in sub-Saharan Africa, only about 5% of rural adults have access to a bank account, and in Côte d'Ivoire, only 15% of rural women have an account at a financial institution, compared to 28% of urban women. The majority of bank branches are concentrated in urban areas, leaving rural regions underserved.
  - Reports from the African Development Bank indicate that only about 20% of rural roads in Côte d'Ivoire are in good condition, making access to financial institutions challenging.

- Technological barriers
  - Access to mobile phones: Data from the Global System for Mobile Communications (GSMA) shows that only about 30% of rural women in Côte d'Ivoire own a mobile phone, compared to 55% of rural men.
  - Digital literacy: According to a study by the International Telecommunication Union (ITU), less than 25% of rural women in Côte d'Ivoire have the skills to use digital financial services effectively.
- Low level of education and training programs, causing low literacy rates
  - UNESCO data shows that the literacy rate among rural women in Côte d'Ivoire is around 38%, significantly lower than the national average of 47%. This gap contributes to difficulties in understanding and using financial services.
- Economic factors
  - Income levels: According to a report by the International Fund for Agricultural Development (IFAD), rural women in Côte d'Ivoire typically earn less than $1.25 per day. Their low income makes it hard to meet the minimum balance requirements for many bank accounts.

## Potential Solutions

Addressing these barriers requires a multifaceted approach:

- **Developing products tailored to the needs of women:** To reduce the gender gap in accessing financial services, banks and microfinance institutions should design products that meet the specific needs of women, including savings, microloans, and micro insurance. Expanding mobile banking services can facilitate women's access to financial services.
- **Implementing training programs in financial management and entrepreneurship and financial education:** The Agency for the Promotion of Financial Inclusion (APIF CI), along with financial institutions, should implement programs to improve financial literacy and awareness among rural women.
- **Policy reforms:** The Central Bank and the Ministry of Finances and Budget should implement policies that encourage financial institutions to provide microloans tailored to the needs of rural women, as well as financial and business management training.

## Priority Solutions Bundle

We will focus our priority solutions bundle on developing savings and microloans for women. Our data-collecting method, focused on phone conversations and face-to-face discussions, found that the main obstacles faced by women in accessing credit are the low presence of banks and microfinance institutions in rural areas and restrictive guarantees and documentation requirements.

## Policies and Stakeholders

Realizing this project and achieving its objectives requires establishing a strong collaboration framework with the main stakeholders of the ecosystem by creating two working groups and a monitoring and assessment committee.

- **Working Group 1: Banks, microfinance institutions, and micro insurance companies**, to develop suitable savings, microloan and micro insurance products for women aimed at improving their living conditions. WG1 should also include fintechs and electronic money issuers (EMIs), to digitalize the credit process.

- **Working Group 2: Regulators**, to supervise all the activities undertaken by the above stakeholders in order to ensure consumer protection.
- **Monitoring and assessment committee (MAC):** This committee, to include the stakeholders of the two working groups, shall hold periodic meetings to monitor the implementation of proposed activities and take evaluative and corrective measures as needed to ensure improvement.

## Next Steps

- Firstly, presentation of our strategy to the Ministry of Finances and Budget for the minister's opinion and approval.
- Identify the main stakeholders who can participate in the project and form the working groups.
- Write the terms of reference for the launch of the project.
- Undertake work to assess and identify the needs of the target concerned (rural women).
- Engage in advocacy with financial service providers to develop products and services adapted to the needs of women in rural areas.

## Key Indicators of Change

- Loan access and usage: banks and microfinance institutions (WG1 and MAC)
  - Number of loans issued: Track the number of loans issued to rural women.
  - Loan amounts: Monitor the average size of loans given to rural women.
  - Purpose of loans: Assess the distribution of loans by purpose (e.g., agricultural, business, education).
  - Repayment rates: Measure the repayment rates of loans to rural women.
- Financial literacy and education (WG1 and MAC)
  - Participation in financial literacy programs: Track the number of rural women participating in financial literacy and education programs.
  - Knowledge improvement: Measure improvements in women's financial literacy and economic empowerment through pre- and post-program assessments.
  - Income levels: Monitor changes in the income levels of rural women who have received loans.
  - Business growth: Track the growth of businesses owned by rural women who have accessed loans (e.g., increased revenue, number of employees).
- Accessibility and reach (WG1 and MAC)
  - Geographical coverage: Measure the geographical distribution of loan access points (e.g., bank branches, mobile banking agents) in rural areas.
  - Mobile banking usage: Track the number of rural women using mobile banking services for loans.
- Institutional support (WG1 and MAC)
  - Number of financial institutions: Track the number of financial institutions providing services to rural women.
  - Availability of loan products: Monitor the availability and diversity of loan products tailored to rural women.
- Regulatory and policy environment (WG2)
  - Policy changes: Monitor changes in policies and regulations that impact rural women's access to loans.
  - Government and NGO programs: Track the number and impact of government and NGO programs aimed at improving loan access for rural women.

- Collateral and credit history (WG1 and MAC)
  - Collateral requirements: Monitor changes in collateral requirements for loans issued to rural women.
  - Credit history development: Track the number of rural women developing formal credit histories as a result of accessing loans.
- Barriers and challenges (WG1, WG2, MAC)
  - Survey data: Collect survey data on the challenges and barriers rural women face in accessing loans (e.g., distance to financial institutions, sociocultural barriers, administrative hurdles).
  - Feedback mechanisms: Establish mechanisms for rural women to provide feedback on their experiences with accessing loans.

The role of the working groups will be to achieve results and serve as focal points for data collection and monitoring activities. Thus, meetings will be held periodically at frequencies to be defined jointly in order to evaluate the implementation of the project, to share data and information, and to facilitate their transmission.

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# Designing an Awareness Campaign for the Eswatini Government's Credit Guarantee Scheme to Promote Its Usage by Women-Led MSMEs in Rural Areas

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*Keywords:* Women-led MSMEs, creditworthiness, credit guarantee scheme

## Executive Summary

Women-led MSMEs in Eswatini are failing to grow due to lack of access to finance. The gender gap in access to finance for MSMEs in Eswatini is persistent due to cultural norms governing ownership of assets that can be used as collateral, such as land. The government of Eswatini has put in place a credit guarantee scheme for MSMEs, a risk-sharing mechanism that allows formal lenders to extend credit to MSMEs with no collateral. However, utilization of the scheme by women-led MSMEs is limited because most women are not aware of it. This memo proposes the creation of a working group to develop an awareness campaign to mobilize utilization of the government's credit guarantee scheme by women-led MSMEs, so that women may access loans, expand their businesses, and improve their livelihoods.

## Problem Statement

MSMEs play a vital role in the growth of economies, creating more than 80% of jobs in the African region (Runde, Savoy, and Staguhn 2021). However, MSMEs can only reach their potential if they have access to the finance necessary to start and grow, creating jobs and generating economic growth. Women-led MSMEs in rural areas of Eswatini face the greatest difficulties in expanding. According to the FinScope MSME Survey Eswatini 2017, 74% of women are independent entrepreneurs (have no employment), against 26% of men. However, formal businesses are dominated by men, with 60%, 67%, and 61% of men in micro, small, and medium business—against 40%, 33%, and 39% of women, respectively. This suggests disparities between the growth and maturity of men's and women's businesses.

One of the key challenges to women-led MSMEs' growth that has come up in different forums and research is lack of access to finance. Financial inclusion of women has improved in Eswatini from 13% in 2014 to 35% in 2018, compared to 30% of men (Thom et al.; FinMark Trust 2019). This progress is mainly due to access to transactional products like bank accounts and mobile money services. Access to credit for women-led MSMEs remains lower than men's.

## Key Causes

Various contributing factors to lack of access to credit for women-led MSMEs in Eswatini were cited by business owners in interviews. These factors include failure to meet credit conditions, such as collateral requirements, and lack of proper documentation of business performance, both of which are required for loan applications. Additionally, absence of a written business plan and financial records discourage women from applying for credit. AFI (Ssettimba et al. 2020) and Ajetomobi et al. (2022) attribute women's lack of access to credit to the fact that financial institutions do not offer suitable credit products for women-led MSMEs. Financial institutions view women-led MSMEs as high-risk customers due to women's perceived lack of business management skills and failure to provide sufficient documentation of business performance, leading to high default rates of loans.

## Potential Objectives

We have identified three possible objectives to address the challenge of women-led MSMEs' failure to expand:

1. **Increase creditworthiness of women-led MSMEs.** Creditors assess women-led MSMEs as risky due to their lack of access to collateral.
2. **Enhance women's financial literacy.** Financial literacy helps individuals and businesses manage their finances. This objective will include teaching women how to save for their businesses and equipping them to keep their businesses sustainable.
3. **Enhance women's business skills.** Business skills will assist women in better managing their businesses. This objective will include teaching women how to develop and follow a business plan and how to record their business's income and expenditures to document financial records.

The Central Bank of Eswatini (CBE) has a mandate to drive financial inclusion in the country, and one of its responsibilities is to ensure access to finance. Thus, the potential objective that has been identified to address this challenge is increasing the creditworthiness of women-led MSMEs in Eswatini, due to the existence of political will in the CBE to support this measure, the existence of implementation capacity, and the measure's potential significant impact.

## Proposed Policy

The primary challenge hindering MSMEs' growth is lack of collateral, which often renders MSMEs ineligible for credit. To address this, the Eswatini government introduced the Export Credit Guarantee Scheme (ECGS) and the Small-Scale Enterprise Loan Guarantee Scheme (SSELGS). These initiatives aim to enhance MSMEs' access to credit, particularly those focused on the domestic market. By mitigating collateral risks, the schemes aim to simplify operational procedures for MSMEs.

The CBE is tasked with administering these schemes. However, research indicates low awareness of these government programs, especially among women-led MSMEs. Data shows that 69% of MSME owners benefiting from the scheme learned about it through banks, only 13% through friends and family, and a mere 0.7% through the media, highlighting the limited reach of these schemes beyond those already engaging with banking services (Zwane 2019). Furthermore, according to the Central Bank of Eswatini's database, the schemes' beneficiaries are predominantly male, constituting 60% to women's 40%. Three women MSME owners interviewed also confirmed that many women who own MSMEs remain unaware of the schemes.

To ensure the widespread awareness and beneficial effects of the ECGS policy initiative among MSMEs, especially those led by women in rural areas, the CBE, as the scheme's administrator, should establish a working group. This group will comprise stakeholders committed to empowering women-led MSMEs. Its primary function will be to develop an awareness campaign targeting rural women. To guide its operations, the working group will create comprehensive terms of reference.

## Steps to Implementation of the Policy Objective

| Activity | Time | Responsible Party |
|---|---|---|
| Conduct meeting with Financial Regulation Department (FRD) director | August 2024 | Market Conduct Division (MCD) lead specialist |
| Conduct meeting with Development Finance Division (DFD) director | August 2024 | FRD director, MCD lead specialist |
| Draft concept paper for CBE's internal stakeholders | August 2024 | MCD lead specialist |
| Present concept paper to CBE's executive for buy-in and approval | August 2024 | DFD management, MCD management |
| Conduct meeting with stakeholders to present the concept paper for buy-in and request their participation in the working group | August 2024 | DFD management, MCD management, NGOs, Centre for Financial Inclusion (CFI) |
| Create working group with stakeholders interested in participating in the campaign | September 2024 | DFD, MCD, CFI, NGOs |
| Develop terms of reference for the working group | September 2024 | DFD, MCD, CFI, banks, NGOs |
| Develop guidelines for the awareness campaign | September 2024 | DFD, MCD, CFI, banks, NGOs |
| Develop the awareness campaign | October 2024 | DFD, MCD, CFI, banks, NGOs |
| Implement the campaign | November 2024 | DFD, MCD, CFI, banks, NGOs |
| Begin monitoring the delivery of the campaign | February 2025 | DFD, MCD, CFI, banks, NGOs |

## Stakeholders

The main stakeholder involved in the working group will be the CBE, which will lead the implementation process, working together with:

Internal stakeholders:

1. The Development Finance Division (DFD), which is responsible for administering the Eswatini government's guarantee schemes at the CBE.
2. The Market Conduct and Consumer Protection (MCCP) Unit, which is responsible for financial literacy at the CBE.

External stakeholders:

1. The Center for Financial Inclusion (CFI), which is responsible for coordinating financial inclusion initiatives in the country.
2. NGOs working with MSMEs, assisting them with business management skills. The CBE can leverage the networks of NGOs that are already working on empowering MSMEs at the grassroots level and complement their work by providing financing alternatives.
3. Banks, which are the main providers of loans and are responsible for financial intermediation in the country.

## Monitoring and Evaluation

To measure the effectiveness and impact of the awareness campaign, the working group will consider the following indicators:

1. Number of women MSME owners who submitted loan applications after seeing the campaign, compared to the total number of women MSME owners who have seen the campaign.

2. Number of loan applications received from rural women-led MSMEs, compared to the number of approved and disbursed loans to rural women-led MSMEs.
3. Feedback from beneficiaries about the campaign's effectiveness and impact on their businesses.

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# Facilitate Financial Access for Rural Households in Ethiopia by Prioritizing Them in the National Digital ID Program

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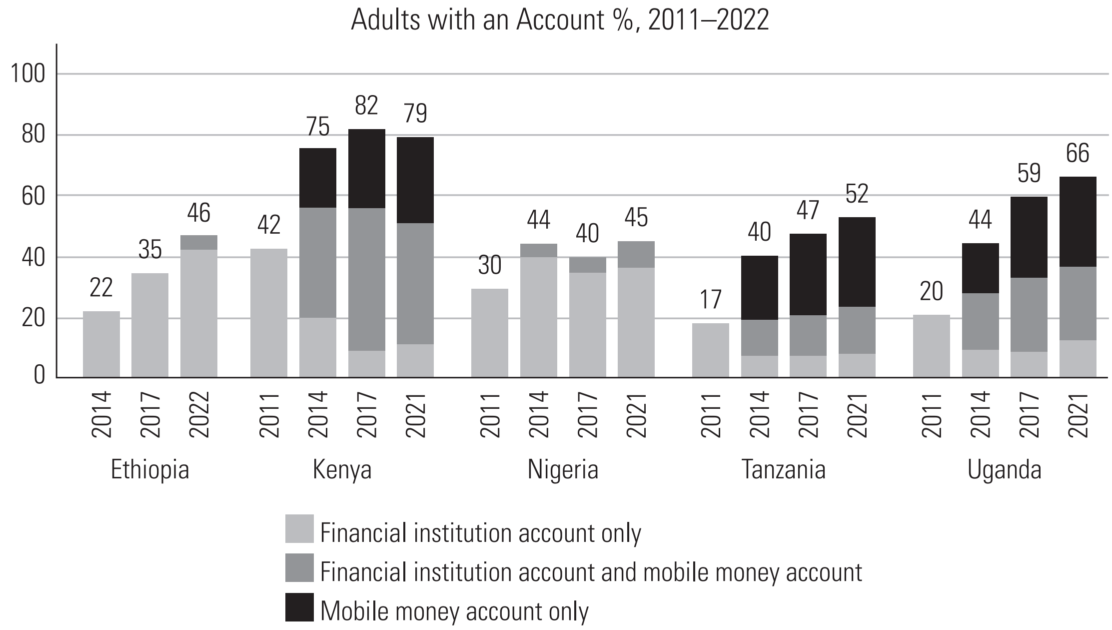
*Keywords:* Access to finance, digital ID, rural households, financial services

## Problem Statement and Context

The World Bank's Global Findex Database 2021 report highlights that only 46% of adults in Ethiopia have access to financial accounts. In Ethiopia, unlike other countries in the region, most adults open their accounts at bank branches, which are expensive to operate and expand across the country.

**Figure 1.** Forty-Six Percent of Adults in Ethopia Have an Account.

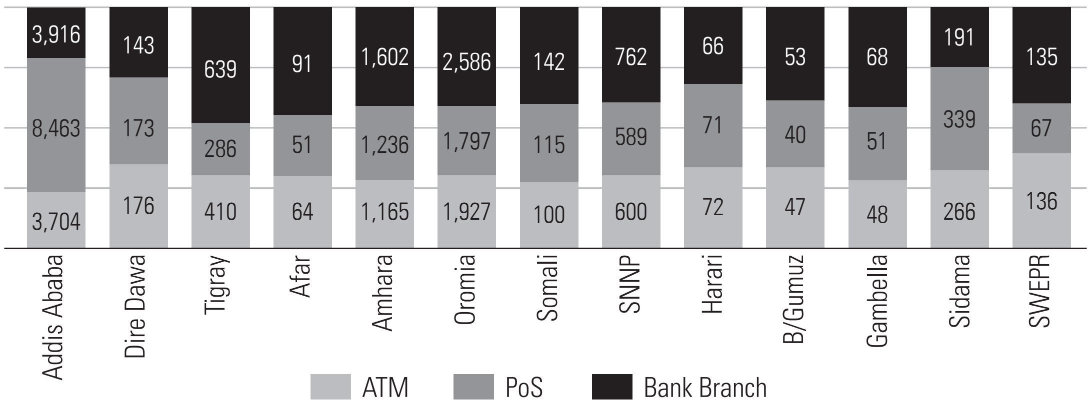



*Source:* Global Findex Database 2021

As of December 2023, there were 343,647 financial access points in Ethiopia, including branches of financial institutions, ATMs, points of sale (POS), and mobile money agents. Over 90% of these access points were represented by mobile money agents. Ethiopia's ATM penetration rate is 15.3 per 100,000 adults, 61% lower than the global average. The numbers of branches, POS, and mobile agents per 100,000 people are lower than the global average, which is 23.57, 15.3, and 607.6, respectively.

The disparity in financial access points between Ethiopia and other countries is clear. Ethiopia has fewer than 1.24 branches and 99 active mobile money agents per 100,000 people. In contrast, Kenya, Uganda, and Ghana have more than 4.39 branches and 2,392.15 active mobile agents per 100,000 people.

**Figure 2.** Geographical/Regional Distribution of Access Points in Ethiopia




*Source:* National Bank of Ethiopia

The majority of financial access points in Ethiopia are located in the largest towns and cities, where only 10% of the population lives. Addis Ababa, the capital, has the majority of financial access points, hosting over 43% of the ATMs, 64% of the POS, 33% of the bank branches, and 28% of the total mobile money agents in the country despite having fewer than 7% of the country's total population. Conversely, more than 80% of the Ethiopian population resides in rural areas with limited access to financial services, meaning that they lack adequate financial access points for opening accounts and accessing basic financial services. As a result, people in rural areas of Ethiopia must travel approximately six hours to access basic financial services, such as opening accounts, sending and receiving remittances, and making payments.

## Key Causes

The decision of banks, microfinance institutions, and mobile money operators to open branches and recruit agents is greatly influenced by the appeal of the business model, the challenges of regulatory compliance, and the availability of infrastructure. In Ethiopia, banks are obligated to open branches in buildings with adequate security facilities, which makes it costly for them to establish branches in rural areas. Data from the National Bank of Ethiopia (NBE) indicates that there are no more than 400,000 borrowers in Ethiopia's banking sector. Bank products, such as credit, are primarily utilized by a small number of customers, especially businesses and a few individuals. Consequently, financial institutions are not particularly incentivized to open branches in rural areas due to the low demand for financial products and services. These areas typically have low-income and underdeveloped business activities. Additionally, inadequate infrastructure—such as lack of electricity, Internet, and road access—acts as a hindrance. A major challenge is the absence of security. In addition, mobile money service providers are hesitant to recruit agents in rural areas due to low demand and to the tax regime that requires agents to pay income tax from their mobile money business revenue. This makes the business model less attractive to potential agents, dissuading them from signing up.

The significance of digital identification (ID) in facilitating financial institutions' remote onboarding of customers via eKYC is widely recognized. Yet in Ethiopia, digital ID is a relatively new concept and has not yet been widely implemented across the country. Presently, only 5.7 million people are enrolled in the National ID Program, which is primarily concentrated in the capital, leaving rural areas underserved. Per National Bank regulations, the national digital ID is one of the eligible forms of ID for account opening; however, the lack of digital ID among rural households presents challenges for financial institutions in onboarding rural customers and providing banking and financial services to these households remotely. Furthermore, low financial and digital literacy also contribute to the underutilization of digital financial services in rural areas. Another hurdle is the limited availability of digital financial services in local languages, as most services are offered only in English or Ethiopia's three major languages, despite the country having over 80 active languages.

## Objectives

Several policy objectives can be considered and implemented to address the challenge of limited access points in rural areas of Ethiopia and its key causes and enable rural customers to open bank accounts and access financial services easily and quickly.

A. Roll out digital ID programs in rural areas to create the infrastructure required for rural customers to open bank accounts and for financial institutions to offer financial services remotely. It is crucial to prioritize rural areas in implementing digital ID programs.
B. Revise the NBE's regulatory framework for opening bank branches with the aim of reducing the requirements and easing the criteria that make it expensive for financial institutions to open branches. These requirements include secure buildings and highly equipped offices.
C. Exempt agent services from the current value-added tax of 15% to significantly increase their revenue, thereby encouraging potential agents to engage in mobile money services.

## Priority Objective and Proposed Solution

Given the logistical and economic challenges of establishing physical bank branches in every corner of the country, exploring alternative methods of reaching rural areas with essential financial services is imperative. In this context, leveraging digital banking platforms—for example, expanding the network of agents and offering financial services through mobile phones—emerges as a crucial and viable solution. To effectively implement and ensure the reliability of these digital banking solutions, there is a critical need to roll out the current National ID Program across rural areas. This initiative would empower rural householders to obtain a digital ID, laying the foundation for them to easily establish bank accounts and access financial services from remote locations.

The use of digital public infrastructure such as digital ID as part of an aggressive financial inclusion program is a proven solution in other countries. India effectively used its digital public infrastructure, the Aadhaar system, to achieve 80% financial inclusion within six years, starting in 2008, by integrating it with various financial systems and government benefit programs. The use of digital ID in financial services significantly reduces the cost and time required to access financial services. In India, for example, the Aadhaar system has reduced the eKYC compliance cost by 50%. Thus, expanding Ethiopia's existing digital ID program to rural areas and integrating it with financial service providers, instant payment systems, essential government services such as rural segment programs, and rural community health programs would significantly facilitate the reach of financially excluded rural households, offering them affordable and easy access to financial services.

To accomplish this, it is imperative to form two task forces. The first will be mandated to register households in the National ID Program. Most rural households lack awareness of the digital ID program and its benefits. To prevent misunderstandings about digital ID arising from cultural and traditional norms, the primary responsibility of this group will be to advocate for registration and to raise awareness about the benefits of digital ID. This task force will be led by the National ID Program and include local authorities, telecom operators, financial institutions (particularly microfinance institutions), Ethiopia's Ministry of Finance, and donors.

The second task force will be responsible for seamlessly integrating the digital ID system with the financial system, enabling financial institutions to perform eKYC with the use of digital ID to onboard customers and provide financial services digitally and remotely. This task force should also look into alternative ways to integrate the digital ID system with other essential government services that would increase the use cases for financial services by rural households. This group will be led by the National Bank of Ethiopia and comprise the national switch, Ethswitch; banks; microfinance institutions; mobile money providers; the National ID Program; and telecom providers.

In order to achieve the proposed solution, it is crucial to obtain sufficient financial support from development partners and a strong commitment from the Ethiopian government. A well-prepared proposal demonstrating the positive impact of expanding the digital ID program to rural households should be submitted to development partners for their funding consideration.

## Key Indicators of Change

To effectively monitor and evaluate the progress of the implementation of the proposed solution, the following key indicators will be applied.

| Key Indicator | Frequency of Data Collection | Responsible Institution |
|---|---|---|
| Number of households registered with the National ID Program | Quarterly | National ID Program office |
| Number of households opening accounts using their digital ID | Quarterly | Financial service providers and NBE |
| Number of households accessing financial services remotely | Quarterly | NBE |
| Number of financial institutions providing digital financial services | Quarterly | NBE |
| Types of digital financial services provided by financial service providers | Quarterly | NBE |

The aforementioned data will be collected and analyzed, taking into account different population groups, such as age and gender. The NBE, as part of its regular data collection, will collect this data quarterly from reporting participants.

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# Expanding Banking Access Points in Disadvantaged Governorates in Egypt through Issuance of Regulations Proposing New Types of Bank Branches

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*Keywords:* Banking services, points of presence, digital financial services, financial literacy

## Executive Summary

The low-income population in Egypt's disadvantaged governorates has limited access to banking services, proximity to access points being considered one of the main barriers. The Global Findex Database 2021 revealed that only 23% of the adult population in rural areas in Egypt owns an account at a financial institution, compared to 26% in urban areas, with a gender gap of 12%. Even though 14% of the population above the age of 25 has savings, only 5% keep their savings in a financial institution (World Bank Group 2021b). Moreover, according to the World Bank, the number of bank branches allocated per 100,000 individuals in Egypt is less than the worldwide average by 40% (World Bank Group 2021a).

In the Egyptian context, banks represent 92.6% of the financial system in terms of total assets, and most Egyptians have no alternatives to banking services (Central Bank of Egypt 2023). Therefore, banks should enhance their presence in all Egyptian governorates to fulfill their role of providing services, especially incentivizing savings.

This policy memo recommends addressing the challenges related to the proximity of bank branches and financial literacy relating to digital financial services (DFS) through issuance of enabling regulations for points of presence (PoPs), a simple type of bank branch. The purpose of PoPs is to facilitate spreading of banking services to disadvantaged governorates with lower costs, as well as to provide greater access to banking services and to raise awareness of DFS among individuals and micro and small businesses.

**Problem and context**

The majority of Egypt's low-income population, especially those located in disadvantaged areas, has limited access to banking services. According to the World Bank, in 2021, the ratio of bank branches to 100,000 individuals in Egypt was 6.8, while the average global ratio was 11.2. Average bank-to-individuals ratios remain relevant even when comparing Egypt to peer countries, although some of these countries have concrete and solid access to and usage of digital financial services (DFS) (World Bank Group 2021a).

Despite the fact that Egypt is working on boosting DFS and has networks of agents for some banking services, barriers to DFS access still exist, including:

1. Low rates of Internet users and computer access in rural areas. The Egyptian census conducted in 2017 revealed that 71% of the total population does not have Internet access: 79% in rural areas compared to 57% in urban areas (CAPMAS 2017).
2. Lack of digital financial literacy.
3. Low level of customers' awareness of DFS.

In addition, some banking services must be conducted in a bank branch, such as cashing out personal remittances in foreign currency (5.9% of Egypt's total GDP, which is considered high compared to the global rate of 0.8%) (World Bank 2022).

Initial insights from qualitative research conducted through in-depth interviews with a small group of high-level representatives from the banking sector (both private and state-owned banks) revealed the challenges banks—especially private banks—face when it comes to diversifying into rural areas. These include factors such as low-income populations not being a target segment for banks, because this segment is not profitable—and therefore, banks offer a limited number of products tailored to this segment's needs (Elhosary 2024). In addition, banks prefer to open branches in areas where there's high traffic of banking services. Moreover, the interviewees confirmed that the main barrier to opening a new branch is cost, which includes operational costs and the capital allocation required from the Central Bank of Egypt (CBE).

Consider the story of Gamila, a 62-year-old lady who lives in a small village in Upper Egypt and whose only source of income is the remittances she receives from her sons, who work in Arab Gulf countries. To cash out these remittances, Gamila needs to travel for one and a half hours to reach the nearest bank branch and stay there all day. Not only are agents located more than an hour away from Gamila's residence, but there are also no guarantees that she'll be able to cash out a given remittance, due to availability of money at the branch. Gamila and other interviewees do not want to open a bank account: they don't see the value in it; they believe that opening such accounts incurs high costs; and they often have negative experiences with bank employees who don't treat them very well (Elhosary 2024).

When considering both demand and supply side factors, we identify the following causes of the aforementioned problem:

- Banks, especially private banks, are not incentivized to provide their products and services to the low-income segment because it is not a lucrative one.
- Banks have limited presence in rural areas and slums due to (1) the high cost of establishing and running new branches and (2) their lack of interest in providing banking services to low-income populations.
- Cultural barriers result from people's high dependence on daily cash-based transactions; thus, they don't see the value of having a bank account.
- In Egypt, only 27% of the population is financially literate (Klapper, Lusardi, and Oudheusden 2014).
- Potential customers lack awareness of the banking sector's use of DFS and e-channels.
- Among low-income people, ownership of smartphones, which are required to conduct mobile wallet transactions, remains low: only 10.7% of the Egyptian population owns a smartphone (Amwal Al Ghad 2021).

## Potential Solutions

While solving this problem entails different solutions, the recommended policy, under CBE's jurisdiction, aims at solving the problems of (1) bank branches' proximity to people and, partially, (2) people's financial literacy, especially regarding DFS. Nevertheless, other policy solutions will be required to address the root causes of the problem. These include developing a financial literacy strategy that includes intensive education programs on digital financial literacy and the promotion of DFS through campaigns and infographics. This is in addition to revising agent banking regulations that would help in expanding the outreach of banking services.

## Recommended Policy

This policy memo proposes tackling the challenge of bank branches' proximity to people in Egypt, especially in deprived governorates, through issuance of enabling regulations for new types of PoPs. These PoPs will be mandated to (1) conduct financial literacy programs to raise awareness of DFS and (2) provide basic banking products and services (remittances, credit applications from individuals and MSMEs, debit cards, mobile wallets, cash in cash out networks). Transactions conducted at these PoPs should be capped at certain amounts to mitigate risks related to cash deposits.

The following table lays out the proposed types of PoPs and services that should be provided:

| Points of Presence | Definition |
|---|---|
| Mobile branches[1] | A moveable banking PoP that is not bound by one physical location, where clients can access basic banking services (ATMs, cashless transactions, collecting documents, opening accounts/loans/cards, delivering cards) |
| Community branches<br>• Containers<br>• Areas at cooperatives<br>• Pods/kiosks | A standalone, immoveable (fixed) banking PoP with minimal infrastructure that provides the same services as a mobile branch |
| Community pop-ups | A temporary setup where banks' representatives provide only financial literacy assistance, through guidance and support for access to banking services |
| Banking hubs | A service shared between subscribing banks (mainstream banks) that operates similarly to a standard branch, where customers can withdraw and deposit cash and make bill payments |

Different types of PoPs have succeeded in a number of countries (India, Jordan, Pakistan, the Philippines, South Africa, the UK, the US). Note that while some of the aforementioned PoPs were based on private sector initiatives (such as in the UK and the US), others were supported by central banks through the issuance of circulars or regulations (such as in India, Jordan, and Pakistan).

In this regard, the proposed enabling regulations would incentivize the banking sector to open any of the aforementioned types of PoPs by (1) exempting banks from capital allocation required to open a new bank branch, (2) exempting banks from CBE's licensing fees, and (3) decreasing operational costs—as the proposed PoPs won't require the high costs of established bank branches, such as security measures, IT infrastructure, etc.

## Key Stakeholders and Implementation

CBE will play a pivotal role, by issuing the proposed enabling regulations. Banks are another key stakeholder, as this policy will introduce exemptions from or decreases in the capital allocation required, as well as waive licensing fees. Meetings with CBE's top management should be conducted before proceeding with consultation with banks. Meetings should be led by CBE to (1) draw banks' attention to the opportunities of targeting low-income segments, (2) explain the proposed function of new types of PoPs, and (3) highlight the incentives mentioned in the section above.

Capitalizing on the contributions of other stakeholders, such as civil society and the National Council for Women, would offer added value in raising financial awareness.

To measure the impact of the proposed regulations, CBE should collect data from banks, such as number of PoPs, number of new customers, etc.

## Note

1. CBE issued regulations in 2007, but these regulations should be modified.

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# The Majority of Informal and Micro Business Owners in Windhoek, Namibia, Cannot Access Credit to Grow

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*Keywords:* Informality, micro businesses, credit, alternative data, fintech

## Executive Summary

Informal and micro businesses are, collectively, the largest employer in Namibia, but the majority of them struggle to access credit to grow.[1] Access to credit enables individuals and small businesses to invest in productive activities, leading to increased economic output and job creation. But borrowers' loan applications are denied because they do not have sufficient information to prove their creditworthiness. Informal and micro business owners often lack the necessary documentation, assets, and credit history required by traditional creditors, such as banks. Despite the lack of credit data, informal and micro businesses generate a vast amount of nonfinancial data in their daily operations. This policy memo aims to promote the development of a policy framework that advances the use of alternative data to develop alternative credit scores and build customer profiles for unserved and underserved customers.

## Problem Statement and Context

The majority of informal and micro businesses in Windhoek, Namibia, are unable to access credit to grow. Lack of access to credit has been identified as one of the key constraints to growth for many businesses in developing countries (Ogbokor and Ngeendepi 2012; World Bank 2015). The 2018 Labor Force Survey revealed that, in Namibia, the informal sector contributes about 57% of employment. Despite this significant contribution, the majority of these enterprises lack the necessary information and track record to prove their creditworthiness and hence are unable to access credit to grow.

Meyer and Schweitzer (2022) highlighted that access to credit is crucial to businesses: it facilitates business expansion, enables new product development, and contributes to the acquisition of new technology. During emergencies, access to credit also helps households manage risks and smooth consumption, leading to improved food security, especially in informal and rural areas.

## Key Causes

Qualitative research was conducted with informal and micro traders, regulators, and financial service providers to understand the challenges faced by borrowers when applying for credit and by lenders when approving credit. This research revealed that most borrowers' applications are denied by financial service providers, while lenders also confirmed that these applications are denied for the following reasons:

- **Borrowers do not have a transaction history.** Our research found that 75% of respondents who have a bank account do not use it. These users' accounts are dormant (not active), and lack of usage after opening the account has generated a negative balance, resulting in a low credit score. Furthermore, account holders reported that they do not use their savings accounts because they are charged administrative fees, as well as fees on transactions, withdrawals, etc.

- **Borrowers do not have a bank account.** Of the respondents, 25% indicated that they were required to present a pay slip/proof of income when opening an account. Informal and micro businesses predominantly transact in cash and have no formal documentation to prove their existence.
- **Borrowers do not have a financial profile.** According to the 2017 Namibia Financial Inclusion Survey (NFIS), 62% of Namibians prefer to receive their salaries or payments in cash. Because they predominantly transact in cash, they do not have formal financial data, such as information on savings, health and life insurance, etc. Therefore, it is not possible to develop financial profiles for these potential borrowers.
- **Borrowers are not formally registered or identifiable.** They operate their businesses as sole traders, often in their individual capacity, with no business identity.

## Potential Solutions

Given that the informal and micro business sector consists of mostly unserved pockets of the population who are currently underbanked, unbanked and unidentified, the Bank of Namibia (BoN) should create an enabling environment for alternative finance solutions, such as digital lenders and fintech companies operating in the digital lending space. Specifically, the regulator should issue guidance on how alternative data may be sourced and processed to facilitate the issuance of alternative credit scores and the development of customer profiles. According to Njuguna and Sowon (2021), the use of alternative data and machine learning has made it possible to analyze patterns of consumer behavior that have not traditionally been used in credit scoring algorithms.

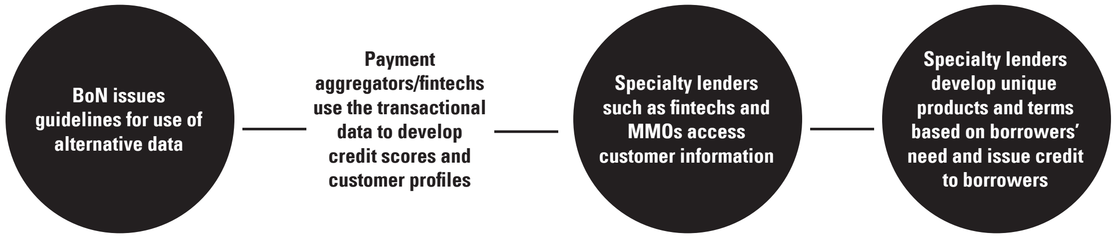
Furthermore, the BoN recently launched the Instant Payment Programme (IPP), with the aim of facilitating the digitization of financial services and enhancing access to and usage of financial services. This platform will enable financial institutions to integrate and offer a wide range of services. Through the IPP, information about customer usage of embedded financial services will further aid in the creation of profiles or digital footprints for customers, which can then be used to develop alternative credit scores (ExtractAlpha2024).

## Proposed Solution

This memo proposes the development of a policy framework to guide and permit the use of alternative data to develop alternative credit scores for borrowers. According to Peterheria (2024), the use of alternative data such as payment records, telecommunications data, utility payments, and mobile wallet behavior has the potential to enhance financial inclusion of unbanked and underbanked customers. Countries such as Kenya, Tanzania, and Uganda have made great strides in extending credit through fintechs and specialized lenders by allowing them to use alternative data. Creditinfo Kenya offers alternative scoring models that incorporate nontraditional data sources. Through Creditinfo, Kenyans without a bank account can have their credit applications approved online, swiftly and conveniently, without having to leave their businesses to go and apply in person (Creditinfo Kenya 2022).

To advance this proposed solution, the BoN should identify a fintech in the ecosystem focused on solving the problem of informal and micro businesses' financial inclusion problems. This provider should be suited to registering informal traders and providing embedded financial products and services that collect data and build a personalized data profile for each customer—by issuing stored value assets, such as digital wallets, which do not incur fees and charges. This will allow the customer to transact, receive money, send money, and pay bills, thereby building data that then enables the fintech to develop an alternative credit score based on the customer's behavior.

**Table 1.** Theory of Change




## Policies

In most countries, alternative data providers are regulated through data protection laws (Yu 2021); however, given that Namibia does not have a data protection law, the BoN should issue guidance on how alternative data may be sourced and processed to facilitate the issuance of alternative customer credit scores. The guidelines should specify what types of alternative data are considered permissible, as well as data privacy and protection measures for the protection of consumer data. The guidelines will be more permissive than prescriptive in nature. Data will be stored and managed by payment aggregators in a cloud system. These providers will be required to seek customer consent before capturing, using, and sharing customer data with third parties.

Furthermore, the BoN and the nonbank regulator NAMFISA (the Namibia Financial Institutions Supervisory Authority) should identify and give priority to fintechs that have the potential to address the identified challenges and extend the required support, such as piloting of models and issuing standards and guidelines where necessary.

## Stakeholders

Under the leadership of the BoN's Department of Research and Financial Sector, the bank has identified the following critical stakeholders. The first group of stakeholders to be engaged are fintechs and MFIs, since they have the potential to cater to the unique needs of this market. The second group will consist of the informal traders association and Namibia Consumer Trust, to obtain information about their members' needs and ensure these are taken into account in the design of solutions. The third group includes the BoN's regulating departments, such as the Banking Supervision Department and the National Payment System and Financial Surveillance Department, as well as BoN's Innovation Hub and NAMFISA; they will have a critical role during the research phase, providing key insights, facilitating testing and piloting of solutions, and issuing guidelines where necessary.

## Next Steps

**Table 2.** Roadmap for the Development of a Policy Framework

| Nov. 2024–Feb. 2025 | March 2025 | April 2025 |
|---|---|---|
| Undertake a diagnostic to identify types of alternative data to be considered in the development of the guidelines | Present findings and recommendations to BoN's Management Committee (MC) | Draft the guidelines on the use of alternative data |

| May 2025 | June 2025 | July 2025 |
|---|---|---|
| Issue guidelines on the use of alternative data | Present revised draft guidelines to MC for approval | Hold consultations with stakeholders for input on the draft guidelines |

**Table 3.** Timeline for the Fintech Pilot Project

| June 2025 | July 2025 | Aug. 2025 | Sep. 2025 | Oct. 2025 | Nov. 2025 |
|---|---|---|---|---|---|
| Invite fintechs to apply to BoN's Innovation Hub | Select fintech and refine project concept | Source funding and support for pilot project | Commission a pilot exercise with selected fintech | Test and learn process | Go live with the solution |

## Key Indicators of Change

The BoN's Research and Financial Sector Development Department is responsible for monitoring and evaluation of national financial inclusion initiatives. As such, the department will include the following indicators in the data collection templates used to gather data from industry through the regulating departments and institutions.

**Table 4.** Indicators

| Indicator | Disaggregated by | Frequency | Mode of Collection | Agency |
|---|---|---|---|---|
| **Share of loans issued to informal and micro businesses** | Gender<br>Rural/urban | Annually | Returns/data collection template | BSD* |
| **Loan approval rates for informal and micro businesses** | Gender | Annually | Returns/data collection template | BSD |
| **Number of business/fixed assets purchased in a 3-year period** | Gender | Every 3 years | Structured surveys | RFSDD |
| **Number of businesses that have graduated from informal/micro businesses to small and medium enterprises over 5 years** | Gender | Every 5 years | Structured surveys and MSME surveys | RFSDD, MIT, BIPA |

*BIPA: Business and Intellectual Property Authority; BSD: BoN's Banking Supervision Department; MIT: Ministry of Industrialisation and Trade; RFSDD: BoN's Research and Financial Sector Development Department.

## Note

1. 57% of Namibians are employed in the informal sector.

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# Easing the Business Registration Process for Enhanced Usage of Formal Financial Services in Bangladesh

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*Keywords:* Gender gap, business registration, women entrepreneurs, **temporary trade license**

## Executive Summary

Though overall financial inclusion is on the rise in Bangladesh due to the strong commitment of the government, the country still faces a significant gender gap in the ownership of micro, small, and medium-sized enterprises (MSMEs). Most of the country's businesses are small and medium-sized, but only 7.2% of these are owned by women, and they tend to operate informally, without a trade license or business registration (UN.ESCAP 2021). Although both men and women entrepreneurs experience many constraints, women entrepreneurs face greater challenges in the business registration process than their male counterparts, which limit their access to formal business financing and hinder their businesses' growth. Easing the business registration process through introducing a temporary trade license can enhance access to formal financial services for women entrepreneurs.

## Problem Statement and Context

To accelerate inclusive economic growth, adequate access to a range of formal financial services for small and medium-sized businesses must be ensured. Small and medium-sized businesses must be registered in order to access formal financial services. But among women entrepreneurs, the level of business registration remains low. Lack of business registration documents has been identified as a challenge for increasing access to finance for women entrepreneurs (AFI 2017). Research showed that of a sample of 150 social media–based women entrepreneurs, 77% were not registered in any form and only 19% had an active trade license (UN.ESCAP and DNET 2021).

Informal businesses lack access to both formal finance and government COVID stimulus packages, which are implemented through formal financial institutions. Therefore, women entrepreneurs are forced to borrow from informal sources, increasing production costs, reducing profit margins, and hindering the growth of their businesses. On the other hand, formalizing and expanding women's entrepreneurship has consequences for the broader economy: it can potentially confer societal, economic, and development returns for the country. For example, increasing women's participation in the economy in the Asia-Pacific could add $4.5 trillion to the total regional GDP in 2025, a 12% increase over the business-as-usual trajectory (Woetzel et al. 2018). Thus, registering informal businesses owned by women will not only expedite the usage of formal financial services but also contribute to the expected economic growth of the country.

## Key Causes

In Bangladesh, business registration falls within the scope of the Ministry of Commerce. Specifically, the Bangladesh Investment Development Authority (BIDA) helps prospective investors and promoted firms obtain the official permits and documents required for conducting business (SMEF and UN.ESCAP 2022). There are no legal differences in the way in which women and men can register a business (World Bank Group 2021). But there are multiple reasons why women entrepreneurs are likely to face different and more severe barriers than men in formalizing and running their businesses. These include:

A. **Physical location in a commercial zone.** To be registered, women-led businesses must have a physical location in a commercial zone. This is hard to implement not only because it is costly but also because many women entrepreneurs lack family support.
B. **Identification documents and customer due diligence (CDD) for opening a bank account.** Because women often lack national identity documents (NID), tax identification numbers (TIN), and other documents banks require for ensuring CDD, women entrepreneurs face challenges in opening a bank account.
C. **Costs of business registration.** At different stages of business registration, women entrepreneurs must pay different amounts, which is sometimes difficult for them to manage. Research suggests that the trade license fee, including yearly renewal fees, may be unaffordable for small women entrepreneurs (UN.ESCAP and DNET 2021).
D. **Low level of financial education and awareness of business procedures.** Generally, women have been found to have lower levels of access to information and less awareness of business registration procedures compared to men. Business associations identify women entrepreneurs' lack of knowledge about obtaining trade licenses and TIN certificates as a constraint on formalizing their businesses (Singh, Asrani, and Ramaswamy 2016).

**Cultural limitations on travel, domestic commitments, and the absence of women-specific environments.** International evidence suggests that women generally have less time available for completing business registration procedures due to the burden of their domestic responsibilities. They also face greater difficulty accessing registration facilities due to cultural factors restricting their mobility and interactions with male officials in business registration offices (SMEF and UN.ESCAP 2022).

## Potential Solutions

Potential solutions to address the challenges faced by women entrepreneurs in registering their business include:

A. Undertaking initiatives to increase women's awareness of the benefits of business registration;
B. Engaging with men and communities to address the social norms hindering women's business ownership and asset ownership more generally;
C. Building up a comfortable environment for women at business registration offices; and
D. Simplifying the business registration procedure by introducing a temporary trade license.

## Priority Solutions Bundle and Theory of Change

From the aforementioned solutions bundle, the first three potential solutions require significant investment and are not directly related to the mandate of Bangladesh Bank (BB). Thus, we identify the fourth one—easing the business registration process through introducing a temporary trade license—as the priority solution, since it doesn't require significant investment and it is in line with the mandate of BB.

The National Financial Inclusion Strategy (NFIS) was launched by the government of Bangladesh in 2021 (BB 2021). In line with the action of the government, to take the necessary steps to implement the objectives, strategic goals, and targets of the NFIS, BB has also established an NFIS Administrative Unit (Ministry of Finance 2024). The NFIS is being implemented to achieve the target of "empowering women with greater control over personal and commercial finances" under Goal 5 of the UN's Sustainable Development Goals (SDGs): "Achieve gender equality and empower women and girls" (United Nations Bangladesh 2024).

The proposed policy solution is to waive the business registration requirements of (1) a physical location in a commercial zone, (2) a TIN certificate, and (3) registration fees and introduce a temporary trade license, requiring only NID, for small women entrepreneurs, for a maximum of two years and only once in a lifetime. Using this temporary trade license, women will be able to access formal business financing from banks at much lower interest rates than in the informal sector. As a result, production costs will be lower, profits will be higher, and businesses will be able to grow. After two years, small women entrepreneurs should be able to rent or buy physical shops, pay the required registration fees, submit tax statements, and, consequently, obtain a permanent trade license.

## Stakeholders and Implementation

The aforementioned priority solution is not directly under the jurisdiction of Bangladesh Bank. Therefore, both internal stakeholders (BB's Financial Inclusion Department, NFIS Administrative Unit, and SME Department) and external stakeholders (Ministry of Local Government, Rural Development and Co-operatives; Ministry of Commerce; Bangladesh Investment Development Authority; National Board of Revenue; Ministry of Finance; Bangladesh Women Chamber of Commerce and Industry; commercial banks; and small women entrepreneurs) will have to engage in intensive negotiations.

**First**, share and discuss this policy memo with internal stakeholders and draft a concept note on how women entrepreneurs will benefit from a temporary trade license.

**Second**, present the concept note to the higher authority of Bangladesh Bank for approval.

**Third**, conduct a meeting with external stakeholders and present the concept note to persuade them to issue the necessary gazettes regarding waiving the physical location, TIN certificate, and registration fee requirements.

**Fourth**, conduct a separate meeting with Bangladesh Women Chamber of Commerce and Industry and small women entrepreneurs to persuade them to put pressure on the concerned ministries and authorities.

**Fifth**, maintain communication with external stakeholders through sending letters and holding a follow-up meeting.

**Sixth**, for the Ministry of Local Government, Rural Development and Co-operatives to issue gazettes on the temporary trade license.

**Seventh**, for Bangladesh Bank to issue a circular informing financial service providers of the acceptance of the temporary trade license as a charge document in the credit approval process.

## Key Indicators of Change

A. Issuance of gazette regarding the temporary trade license by the Ministry of Local Government, Rural Development and Co-operatives.
B. Number of temporary trade licenses issued and published quarterly by the Ministry of Local Government.
C. Number of women entrepreneurs who are using the temporary trade license to access business credit from banks.
D. Number of small women entrepreneurs who are able to obtain a permanent trade license after two years.
E. Conduct research to identify the impact of formal credit on the growth of businesses owned by small women entrepreneurs.

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# Enhancing Health Insurance Access for Rural Women in Kenya

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*Keywords:* Health insurance, access, rural women, affordability

## Executive Summary

This policy memo aims to address the problem of lack of access to health insurance among adult rural women in Kenya, which worsens their risk of deprivation of timely and affordable healthcare. According to the FinAccess Household Survey 2021, only 19.5% of adult women have insurance, with the rural population more excluded than the urban (CBK, KNBS, and FSD Kenya 2021). In 2021, about 13.1 million women lived in rural areas, contending with vulnerability, poverty, inequality, and poor health outcomes (NGEC 2021). Affordability and lack of awareness are key barriers to insurance access. In this memo, we make a multifaceted policy proposition to address these barriers; it includes reviewing the regulatory framework to leverage social networks for insurance distribution, with provisions for payment of premiums in installments, and developing a framework for focused consumer education programs. Comprehensive research and benchmarking will be undertaken to inform development of responsive regulatory and consumer education frameworks.

## Problem Statement and Context

Despite Kenya's efforts to prioritize equity in health and access to healthcare services, persistent disparities exist. The universal health coverage (UHC) scheme launched in 2018 has not fully addressed the healthcare needs and challenges faced by households, and citizens continue to incur out of pocket expenses for drugs (Office of the Auditor General 2022).

Evidence from the FinAccess Household Survey 2021 in Kenya shows that only 19.5% of adult women use/have health insurance, compared to 25.9% of men (CBK, KNBS, and FSD Kenya 2021). Furthermore, the survey established that the rural population suffers from greater exclusion from insurance usage/access than the urban population; 22.7% of the rural population uses insurance, compared to 34.4% of the urban population. In 2021, about 13.1 million women lived in rural areas (NGEC 2021). The implication of these findings is that more adult women in rural Kenya are at risk of deprivation of timely, high-quality, affordable healthcare compared to those in urban areas.

Lack of access to health insurance potentially increases household vulnerability and the likelihood of poor health outcomes, aggravates poverty, and promotes inequality. Conversely, access to health insurance provides women with health empowerment, social well-being for their families, and economic empowerment and fosters more equitable societies (Vértesy and Gutama 2023).

## Key Causes

The FinAccess Household Survey 2021 showed that the key barriers to having insurance include the perceived prohibitive cost of insurance (65.4%), lack of knowledge of insurance (14.3%), not knowing where to get insurance (9.8%), and not seeing the benefits of insurance (3.1%)

(CBK, KNBS, and FSD Kenya 2021). Exploratory research conducted to understand the gender disparity in access to health insurance confirmed that affordability is a key barrier to accessing insurance for women. Most women labor in the informal sector with little disposable income, making private health insurance unattainable, as most medical insurance providers demand lump-sum premium payments. Other barriers established by the research include unavailability of insurance products that meet women's unique needs, negative perceptions about insurance, and religious and cultural beliefs. From the supply-side perspective, insurance distribution via traditional channels (i.e., insurance agents and brokers) is a key contributor to the high cost of insurance (Oino 2024).

## Potential Solutions

Potential solutions to address the barriers to insurance access include reducing the cost of insurance through a regulatory framework, conducting focused consumer education, building insurers' technical capacity to enable them to develop customer-centered products, promoting fair competition through regulation, and enhancing market conduct regulation.

## Priority Objectives

Our choice of priority solutions bundle is based on the criteria of effectiveness, feasibility, and equity. For effectiveness, we will assess the effects of each policy option on enhancing health insurance access for rural women. By feasibility, we mean the likelihood of the Insurance Regulatory Authority (IRA) adopting the proposed policy and the expected level of technicality required to implement it. Equity entails the effects of each policy on different social groups. The priority objectives are affordability, focused consumer education, and research.

## Policies

A multifaceted policy approach aligned with the policy solutions bundle is proposed. To enhance affordability, it is proposed that the insurance regulatory framework be reviewed to enable leveraging social networks like self-help groups, community-based health organizations, and NGOs to distribute insurance—more specifically, microinsurance. This will entail review of the requirements for licensing microinsurance agents. Currently, one must have a certificate of proficiency (COP) in insurance to be licensed as an agent. The IRA may consider training leaders of rural social networks as champions who can then become licensed agents and be exempted from the COP requirement. In addition to regulatory review, there is the need to develop a microinsurance policy framework.

As noted in Kenya's draft National Insurance Policy, the current insurance distribution channels are concentrated in urban areas and have not been effective in reaching the largely underserved markets (TNT 2021).

Leveraging social networks will enhance insurance reach to underserved populations, reduce insurance distribution costs, and enhance trust in insurance itself. Similar mechanisms have been implemented in Ghana, India, and the Philippines, among others.

The envisaged regulatory framework should incorporate provisions to facilitate the payment of insurance premiums in installments, akin to the mechanism employed by Kenya's National Health Insurance Fund (NHIF). Currently, medical insurance premiums for private health insurance are paid once annually. In parallel to the regulatory framework, the development of a framework for conducting focused consumer education among rural communities is proposed. This will increase insurance awareness and foster a positive perception of insurance.

Prior to development of the regulatory framework, comprehensive research will be undertaken. This will include analyzing the structure and dynamics of rural social networks in Kenya, with the aim of identifying key influencers and communication channels that can be leveraged for the effective distribution of insurance. Additionally, benchmarking with other jurisdictions that have leveraged social networks to distribute insurance will be undertaken—to identify successful models and best practices, understand the enabling ecosystem and regulatory framework, gain insights into effective engagement and trust-building strategies, understand technological enablers and digital innovations, and identify possible partnership opportunities and collaborative models. This will help develop a robust framework for effectively utilizing rural social networks to enhance insurance distribution.

## Stakeholders

The key stakeholders will be engaged at different levels of policy implementation. The first key stakeholder is the CEO of the IRA, for approval of the policy proposals. The CEO is a key enabler because he oversees the strategic direction of the industry. He has the capacity to influence key stakeholders and provide considerations of key resources for policy development and implementation. He will require a concept paper detailing the case for the proposed policy solutions.

Insurance companies are critical to the success of the proposed policies. They will be engaged during the development of the regulations for their input during a workshop. However, they may be hesitant to implement the regulations if they do not see a business case for engaging with rural communities. During the engagement phase, a long-term view of the benefits of adopting the proposed frameworks will be presented. The other key stakeholder is the public, especially rural women. They will be engaged during the development of the regulations and during consumer education programs to enhance awareness and insurance literacy among them. During development of the regulatory framework, a grassroots forum with them will be held.

## Next Steps

To inform the proposed regulatory framework, research will be undertaken as tabulated, considering the IRA's budget cycle.

| | Activity | Responsible | When |
|---|---|---|---|
| 1. | Present policy solutions to IRA's CEO for approval | Assistant manager, policy and strategy | June 2024 |
| 2. | Develop concept paper for research and submission to IRA's CEO for approval | Assistant manager, policy and strategy | Aug. 2024 |
| 3. | Submit the proposed research budget in the IRA's 2025/2026 budget proposals for approval by the National Treasury and Economic Planning | Assistant manager, policy and strategy | Nov. 2024 |
| 4. | Develop a detailed research proposal for the IRA CEO's approval | Assistant manager, policy and strategy | May 2025 |
| 5. | Undertake the research upon approval of the IRA's budget | Manager, policy and strategy | Sep. 2025 to Feb. 2026 |
| 6. | Develop an implementation plan for the research recommendations and submit for approval | Manager, policy and strategy | Mar. 2026 |

## Key Indicators of Change

Implementation of the proposed policies will contribute to adult rural women getting timely and affordable health care, reducing household vulnerability, and reducing inequalities. It is also expected that insurance penetration will increase as more women take up insurance. The key indicator for measuring change in insurance penetration is the penetration ratio obtained from the insurance industry annual reports developed by the IRA. The trend of a smaller proportion of adult women not using insurance/health insurance due to affordability is another indicator that will be obtained from the FinAccess household surveys.

Focused consumer education is expected to enhance insurance awareness, and the insurance awareness index will be measured through impact assessment surveys.

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# Empowering Women and Decreasing the Gender Gap in Digital Payments in Jordan through Customer-Centric Products

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*Keywords:* Financial access, digital payments, customer-centric products

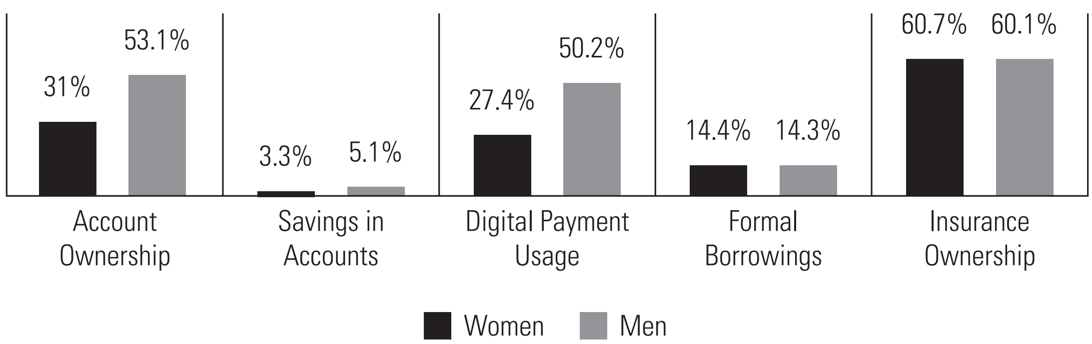
## Executive Summary

Despite advancements in increasing financial access for women in Jordan, a significant gender gap of 22.8% in the use of digital payments persists. Our people centred policy (PCP) research on both the supply and demand sides has shown that the lack of tailored products is among the key causes of women's inability to control their use of digital payments. This policy memo outlines our recommendations for promoting equitable financial access for women and enhancing their control over financial resources, through developing customer-centric financial products, increasing financial awareness, and expanding access in rural areas.

## Problem and Context

Despite recent progress in increasing Jordanian women's access to and usage of financial services and products, a significant gender gap persists in the use of digital payments: in 2022, women's account ownership rate was 31%, while men's was 53.1%, indicating a gender gap of 22.8%. It's important to note that lower digital payment rates for women are linked to lower account ownership.

**Figure 1.** Insights into the Gender Gap in Financial Inclusion in Jordan




*Source:* Financial Inclusion Diagnostic Study (2022)

The gender gap in digital payments is part of the broader issue of gender disparity in financial inclusion. Jordan's National Financial Inclusion Strategy 2023–2028 aims to reduce this gap from 22% to 12%. We conducted our people centred policy (PCP) research on both the demand and supply sides, examining digital payment usage disparities in Jordan.[1] One of the cases our research revealed is that of Suha, a home-based business owner facing challenges in receiving payments digitally due to her lack of access to digital payment services, as she depends on her husband to make all her digital transactions. To be self-sufficient, she is forced to rely on cash transactions, which is not only inconvenient for her but also limits her ability to save and reinvest in her business. Suha's case is illustrative of the numerous women in Jordan who face similar barriers to managing their financial resources.

Our research highlights the challenges women face in managing digital payments, emphasizing the need for targeted interventions to empower them financially and promote their socio-economic development.

## Key Causes

Our research has shown that the lack of tailored products is among the key causes of women's inability to control their finances and use digital payment systems. Several factors contribute to this issue:

**A. Dependence on men in using digital payment systems.**

1. **Social norms:** In Jordanian society, traditional gender roles often assign financial decision-making to men, while women may have limited authority over household finances. This can discourage women from actively managing their own finances, including making use of digital payment systems.[2]
2. **Fear of financial mistakes:** The fear of making financial mistakes, stemming from the absence of financial education and confidence, can discourage women from attempting to use digital payment systems. Their fear often results in them avoiding financial decision-making. Women interviewed for our study expressed their fear of making mistakes, such as entering incorrect amounts, during financial transactions.

**B. Limited access to financial products and digital payments systems in rural areas.** In Jordan's rural areas, several factors contribute to limited access to financial products for both genders. The main cause is lack of awareness about available financial products and the limited presence of financial institutions and their agents, making accessing financial products and services in these areas difficult.

**C. Restricted access to financial resources.** Jordanian women face financial independence challenges due to their limited access to resources, including lower income levels and lower employment rates—14% for women, compared to 62.8% for men, according to World Bank data from 2023. In addition, social norms favor men's employment over women's, limiting women's savings and investment opportunities. These factors create challenges for women in accessing financial services and digital payment systems, preventing them from managing their finances independently.

## Potential Solutions

This policy memo seeks to address potential solutions to decrease the gender gap in the use of digital payments in Jordan, which are elaborated as follows.

**Developing custom products for women.** Encourage banks and payment service providers (PSPs) to design financial products tailored to the unique needs of women, considering the differences between women in rural and urban areas and paying particular attention to the needs of women in rural areas who may face additional barriers.[3] These products could be, for example: (1) specified savings accounts like the ones offered by Bharatiya Mahila Bank (BMB) in India with features tailored to women, such as lower balance requirements and higher interest rates—taking into consideration that some banks in Jordan already offer saving accounts for women, (2) specialized credit cards like the Ladies First Debit Card, offered in several countries, which cater to the financial needs and lifestyles of women and provide various benefits such as rewards, discounts, and insurance specifically tailored to female cardholders, and (3) mobile savings accounts with flexible terms and conditions for women in rural areas.

**Empowering women in financial independence.** Transform the perception of women, from dependent on male relatives to self-reliant and confident about using digital payments without fear of making mistakes. Changing societal perceptions and increasing women's confidence in utilizing digital financial services is crucial for fostering women's financial independence. When women are more confident and capable of managing their finances, then they are more likely to engage with the formal financial system and make informed financial decisions. Their empowerment can be facilitated by targeted financial literacy programs and support systems that encourage women to take control of their financial futures, created through partnerships with financial institutions (banks, PSPs, microfinance entities), NGOs, and civil society organizations. Such financial literacy programs can start by training women to use mobile payment systems and conduct digital financial transactions. An example of this approach is the SHE CAN with ICT (Sustaining Her Enterprise, Career and Network) initiative in Nigeria, which aims to educate young women in underserved communities, including rural areas, on digital literacy and entrepreneurship.

**Encouraging the use of formal financial services.** Promote the use of formal financial services among women, particularly in rural areas. This can be achieved through policies and initiatives that address the unique barriers women face in accessing these services, such as geographic isolation, lack of financial education, and socio-cultural constraints. Encouraging the adoption of formal financial services will not only improve women's financial inclusion but also contribute to broader economic development in Jordan. A first step could be connecting with women throughout Jordan who are influential in their community or tribe (Jordan has many tribes) to examine the impediments they face and then to educate them about their financial rights and how these both affect and can improve their lives. To develop this campaign, along with collaborating with civil society organizations on a regular basis, establishing agent networks in rural areas—whereby women can access banking services through local representatives—will encourage women to use formal financial services.

## Priority Solutions Bundle

The priority solution is issuing customer-centric products guidelines. This entails developing and issuing principles to banks and PSPs that these companies must implement when designing and developing products aimed at meeting women's needs and tailored to their requirements—considering the differences between rural and urban areas. These guidelines fall under the CBJ's mandate, and their implementation will require collaboration among various stakeholders, which the CBJ can facilitate.

## Policy Recommendations

To achieve this goal and significantly enhance financial inclusion and economic empowerment for women, particularly for those who may be facing additional barriers in using suitable products that are aligned with their needs, the CBJ should oblige financial institutions to develop customer-centric financial products and services aimed at reducing the gender gap in digital payments. This measure can be achieved through the issuance of a circular to mandate compliance with customer-centric products guidelines.

## Stakeholders and Implementation

The recommended policy solution will be implemented through consultation with the CBJ's Financial Consumer Protection and Oversight Departments, financial sector representatives, and the CBJ's governor for issuance.

Key stakeholders to engage in this process include: the governor and the deputy governor; the CBJ's Financial Consumer Protection (FCP), Oversight on National Payments, and Legal Departments; PSPs; and banks.

Stakeholders' involvement in the guideline development and approval process will ensure comprehensive alignment with industry needs and regulatory standards.

**Implementation**

Phase 1:

- Conduct a comprehensive study aimed at exploring and analysing financial products tailored to women. Undertaking this study will involve examining existing products and their features. The data will be gathered on the supply side.
- Present the study's results to FCP department management, including an outline of the research methodology and key findings.

Phase 2:

- Present the study's results to the CBJ governor and deputy governor by summarizing its findings, highlighting areas where existing financial products align with strategic goals, and identifying areas that may require further policy development.
- Draft the customer-centric products guidelines.

Phase 3:

- Undertake a consultation phase with both internal and external stakeholders to gather their insights and practical considerations for implementing the guidelines, including cost and operational requirements, to ensure their smooth adoption and implementation.
- Issue a circular to mandate that banks and PSPs apply the guidelines.

## Key Indicators of Change

1. Number of developed financial products aligned with the customer-centric products guidelines.
2. Number of new e-wallets and bank accounts owned by women.
3. Number and volume of digital transfers made by women.
4. Number and volume of women's digital received transactions.
5. Numbers and volume of digital payments made by women.

## Notes

1. Our PCP research showed that some Jordanian women depend on male relatives to handle payment transactions. This finding was consistent across different age groups and socio-economic backgrounds and included cases where women held their own jobs or undertook their own projects.
2. According to the World Bank report *Empowering Women through Digital Financial Inclusion* (March 2024), societal norms and cultural constraints often discourage women from utilizing financial products.
3. The CGAP publication *Addressing Gender Norms to Increase Financial Inclusion* (October 2021) emphasizes the importance of understanding and addressing gender norms to promote financial inclusion globally. It highlights how traditional gender roles and societal expectations can limit women's access to and use of financial services.

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# Policy for Increasing the Financial Inclusion of Women Entrepreneurs in Georgia Using Savings and Start-Up Loans

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*Keywords:* Women's financial needs, financial inclusion, financial literacy

## Executive Summary

Georgia faces challenges in women's empowerment, especially for entrepreneur women who own a small business. According to the Global Findex Database 2021, in Europe and Central Asia, only 3% of women apply for loans for business purposes.[1] Factors contributing to this problem include inadequate financial education and lack of suitable products that meet women's financial needs, such as deposits and loans. To tackle this issue, the proposal is to create a pilot loan product, without fixed collateral, that meets the needs of women and then assess the nonperforming loans (NPL) ratio after a certain period of time. A comprehensive survey on women's financial education needs will identify shortfalls, enabling the development of tailored financial education activities with various stakeholders.

## Data

To define the problem statement, a small survey of Georgian women was undertaken, which revealed that while women have many business ideas, the majority of them don't have the financial resources to implement them.[2] The study revealed that start-ups face challenges such as fixed collateral requirements, high interest rates, and small loan amounts, among other issues. For example, according to information provided by the National Bank of Georgia (NBG) credit registry, approximately 750,000 men have loans, while approximately 820,000 women are current borrowers.[3] However, the value of women's loans is approximately 40% less than the value of loans taken out by men, including consumer loans, meaning that women have less access to credit. Also, the types of loans are different: women take out more consumer and pawnshop loans and men more business loans.

A financial literacy study demonstrated that the financial education level in Georgia is low, particularly when it comes to saving practices.[4] A survey conducted by UN Women showed that women tend to use savings to finance their start-ups; however, many women have no savings because of their low financial educational level.[5]

## Problem Statement and Causes

Based on the evidence presented, the problem statement is that entrepreneur women in Georgia who lack funding are unable to invest in or grow their small businesses. For example, a rural woman struggles to develop sales points due to lack of savings and onerous collateral requirements. This example highlights the main causes that contribute to women's financial challenges:

1. Taking out start-up loans is not easy.
2. Women lack savings.
3. Women can't attract alternative financial resources.
4. Women lack the knowledge and expertise to manage a business.

Each of these causes has its own reasons for existing:

In the case of the first root cause, most start-up loans require fixed collateral, which is a problem for the majority of Georgia's female population because, for the most part, they don't own real estate. Furthermore, according to information provided by some of Georgia's commercial banks, financial organizations don't consider women's particular needs when designing financial products.

Grounds for the second cause are different. Firstly, women's lack of financial education, especially evident in the absence of savings habits, contributes to this problem. Secondly, women have low incomes and, as proven by the National Statistics Office of Georgia, endure high everyday costs.[6]

As for the third cause, because women in Georgia have more family duties, they have less time to research alternative sources of funding. Also, women tend to have less experience in business negotiation, which, in turn, gives rise to communication problems with donors and stakeholders.

And finally, women tend to lack business to client (B2C) knowledge as well as technological knowledge, due to the very low number of women in higher education studying technical subjects.

## Priority Objectives and Proposed Solutions

Several policy objectives should be adopted to address the key causes and concerns underlying the problem statement. There are several primary objectives to address the issue:

- Make start-up financing more accessible to women entrepreneurs
- Increase women's savings within the banking sector
- Improve women's level of financial education and their time management and business management skills

Though many solutions already exist, this memo suggests two complementary approaches:

**1. Design suitable products for entrepreneur women.** Potential solutions to address the aforementioned objectives include developing deposit and loan products tailored to the needs of women and providing financial education programs to help women improve their financial and business management skills.

**2. Offer a better loan for women business owners.** A pilot start-up loan without fixed collateral should be offered with a duration of up to 12 months. At the end of that period, NPL ratios for this pilot loan should be assessed. Some loans have a specific amortization schedule, especially business loans. So in 12 months, it should be clear how women manage their businesses and what their attitude is toward loan repayment. Also, in Georgia, the NPL ratio for loans is up to 3%; based on this ratio, if the NPL ratio for the pilot loan without collateral is no higher than 3%, this financial product could be then made available on the market.

## Supporting Women's Capacity and Knowledge

To increase women's financial education and business management skills, a more in-depth survey should be undertaken so as to determine the real challenges women face and to inform the development of guidelines and various activities, such as trainings, etc.

In addition, NBG's innovation office can encourage women's education programs in fintech, allowing them to become more involved in fintech enterprises.

## Implementation Plan

In order to operationalize the policy solutions, several meetings and steps should be conducted with both NBG's internal and external stakeholders.

| Meeting | Activities | Timeline | Goal |
|---|---|---|---|
| Meeting with NBG's retail credit risk division and banking supervision department | Assess responsible lending regulations and discuss launching the pilot version of the proposed loan product without fixed collateral | 2 months | To create a regulatory environment for start-up loans that are suitable for entrepreneur women |
| Meeting with donor organizations and NBG's financial education department | Discuss the need for conducting a study aimed at increasing financial and business management education of entrepreneur women | 2 months | To plan activities that will increase the financial and business education level of entrepreneur women |
| Meeting with commercial banks | Discuss the process of creating the pilot loan and saving products that are suitable for entrepreneur women | 4 months | To ensure women have access to loans and other financial products |
| Meeting with NBG's fintech regulation department | Discuss opportunities to promote women's fintech start-ups within the innovation office | 6 months | For more women to start fintech businesses |

## Key Stakeholders

The market conduct supervision division at NBG will lead the policy implementation process, with key stakeholders including the banking supervision, credit risk, financial education, and fintech regulation departments, which will be in charge of creating suitable regulations for developing loan products for entrepreneur women. The policy will be approved by NBG's governor and vice-governor, while external stakeholders, including commercial banks and donor organizations, will aid NBG in conducting the aforementioned survey and developing educational activities in financial and business management.

## Key Indicators of Change

- Number of entrepreneur women using suitable loan and saving products
- Number of successful fintech businesses led by women
- Women's financial literacy rates
- Women's business management education level
- Economic impact, such as job creation, investments, and sector growth

Data will be based on information provided by the credit bureau and the financial reports provided by commercial banks. In addition, the effects of financial literacy activities will be measured with new surveys.

## Notes

1. Permanent Parliament Gender Equality Council, *Report*, 20.
2. Chkonia, people centered policy research.

3. National Bank of Georgia, "Credit Registry."
4. National Bank of Georgia and European Fund for Southeast Europe, *Study Report*.
5. UN Women and the ILO, *Survey*.
6. National Statistics Office of Georgia, "Adjusted Gender Pay Gap."

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# Challenges Faced by Rural Women Entrepreneurs in Gishiri, Nigeria: Barriers to Business Growth and Access to Loans

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*Keywords:* Rural women, financial literacy, financial inclusion: access to credit, empowerment, entrepreneurial

## Executive Summary

Rural women face significant challenges in accessing credit, which affects their ability to invest in agricultural activities, start businesses, and improve their economic status. According to Moniepoint, in Nigeria, these women are largely part of the informal economy, making up 37.1% of the labour force (men equate to 62.9%), which is crucial for their economic empower-ment. This memo focuses predominately on the unique challenges women living in the Gishiri community of Nigeria face and proposes a strategic roadmap, which involves conducting a local survey and organising focus groups to better understand the specific needs, concerns, and aspi-rations of rural women. Additionally, a capacity-building training that includes literacy courses, vocational training, and financial literacy workshops will be essential in lifting these women out of poverty and allowing them to access small and medium-sized loans to grow their businesses and incentivize new start-ups.

## Problem Statement and Context

In sub-Saharan Africa, only 10% of rural women have access to formal credit due to many interrelated factors, such as sociocultural barriers, lack of financial literacy, limited income and savings, and the high cost of credit. According to recent data from Enhancing Financial Inno-vation & Access, in Nigeria, the majority of women depend on informal sources such as family, friends, or community groups for financial support.[1] The data indicates that key barriers to accessing formal credit include lack of collateral (mentioned by 35% of respondents), the high cost of credit (28%), and lack of financial literacy (25%).

As part of our primary research into this subject matter, six interviews were conducted with rural women in the Gishiri area aged between 25 and 40.[2] All six women ran small businesses that specialized in food, clothing, or provisional items and worked long hours to support their families. The interviews provided valuable insight into their experiences and viewpoints regard-ing financial services. Sociocultural barriers were apparent, especially the traditional gender roles that limit women's economic activities and decision-making, leading them to believe they don't need or can't obtain credit. These rural women also expressed a lack of the knowledge and skills needed to navigate financial systems and understand the terminology and processes asso-ciated with credit terms and conditions. Many of the women were eager to grow their businesses but could not do so, due to limited and irregular savings and lack of access to credit facilities. The cost of credit (26.25% MPR) can be prohibitively high, especially when rural women do not have stable cash flows to manage the repayments.[3] Insufficient documentation, including lack of a National Identity Number (NIN), also makes it difficult to obtain credit. Amplifying the voices and experiences of these women would not only underscore their perseverance and ingenuity but also emphasize the critical necessity for policies and services to be tailored to their unique needs. Overall, their experiences gave insight into their rural lifestyle and accentuated the indispensable role they play within their communities.

## Objectives Bundles

The key objectives that this policy statement will explore are:

A. Removing cultural and religious barriers so as to provide rural women with opportunities equal to those of men to explore different income avenues, enabling them to expand their businesses and accumulate savings.
B. Facilitating rural women's access to formal banking services through simplification of processes and reduction of documentation required.
C. Increasing rural women's access to loans from both formal and informal sources, such as microfinance institutions, savings groups, family, and friends, to enhance their opportunities for income diversification.
D. Enhancing rural women's entrepreneurial skills to enable them to effectively manage and grow their businesses.

All these objectives are important and address some of the multifaceted challenges rural women face when they do not have access to credit.

In objective A, eliminating cultural and religious barriers will expand economic opportunities and participation. Women will have greater self-belief in their potential, leading to economic independence and stability for themselves and their families.

In objective B, financial literacy courses and vocational education are extremely important. The more community-based and flexible trainings are, the higher the likelihood of their success. Therefore, banking for rural women needs to fit into the circumstances and reality of rural women. It needs to be bespoke.

Objective C allows rural women to expand their small businesses and enhance their economic independence within their families. Informal loans come with more flexible repayment terms and lower interest rates.

Objective D empowers rural women to effectively utilize their resources and strengthen their financial management, budgeting, accounting, and financial planning skills. It also sharpens their critical thinking, which is vital for overcoming the challenges of business ownership.

## Policies

To improve the economic and social conditions of rural women, in this policy memo, we identify some of the policy solutions adopted by the World Bank and propose three key policy solutions:

1. Develop a framework for microfinance banks that focuses on providing financial literacy training for rural women. This framework would require all rural women to undergo a four-month training course covering modules such as budgeting and savings, credit and loans, debt management, financial planning and goal setting, and the basics of investment.
2. Expand access to microloans and savings accounts tailored to meet the specific needs of rural women through microfinance programs. This will allow women to expand their businesses and achieve greater independence to support their families.
3. Implement credit guarantee schemes to reduce the risk to lenders and introduce more flexible repayment terms and lower interest rates.

For the purposes of this policy memo, no. 1 will be prioritized, since we envisage that it will provide women with the knowledge and skills necessary to make informed decisions.

## Proposed Implementation Plan and Stakeholders

This policy will be implemented through a framework that emphasizes capacity building. Such a framework will involve providing literacy courses, vocational training, and financial literacy workshops over a period of six months. Surveys will be conducted to assess the literacy levels of and identify the specific challenges faced by rural women. Collaboration with local non-governmental organisations (NGOs) and community leaders will be sought to gather data and insights. The proposed policy will leverage Nigeria's current National Financial Literacy Framework to promote financial education. This will involve strategies and resources aimed at improving financial knowledge and skills across different demographics and also the digital SabiMONI platform, which is aimed at educating users on financial management, savings, and investment through interactive modules and tools. Lusardi (2019), Lusardi and Mitchell (2014), and Atkinson and Messy (2012) all cite the importance of financial literacy and the impact it has on society.

Internal departments: The Central Bank of Nigeria's Consumer Protection Department, which is responsible for safeguarding the interests of consumers of financial services. Whereas the Other Financial Institutions and Supervision Department is tasked with the supervision and regulation of non-bank institutions, the Financial Inclusion Delivery Unit will lead the process and hold monthly engagement meetings with the two key departments.

External stakeholders: Microfinance banks, the Ministry of Industry, business development centres, NGOs, and community leaders. The Financial Inclusion Delivery Unit will attend monthly engagement meetings with all these stakeholders.

## Key Indicators of Change

To ensure that the proposed solutions are adhered to, we will establish a monthly monitoring and evaluation framework. Templates will be designed to track the number of rural women who have participated in the training programs. The key indicators will be:

- Number of rural women that have completed the training program, tallied through an attendance registry.
- Number of rural women that are being habituated by NGOs to financial education and financial literacy on a monthly basis.

## Conclusion

Rural women having access to finance is essential since it not only empowers them economically but also encourages them to be more entrepreneurial and invest in education, health, and agriculture. Access to finance increases their ability to contribute to household income while also promoting gender equality and providing more women with the means to participate in economic activities. A critical part of ensuring women have access to finance is improving their capability; to do so, promotion of financial literacy must be embedded in financial inclusion efforts. Women being able to make informed decisions enhances their economic activities. In essence, facilitating improved access to finance for rural women is key to sustainable development and alleviating poverty in rural areas.

## Notes

1. Central Bank of Nigeria, *National Financial Inclusion Strategy*.
2. Central Bank of Nigeria, *Framework for Advancing Women's Financial Inclusion*.
3. Central Bank of Nigeria, Monetary Policy Rate.

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# Building Financial Resilience against Climate Disasters in Mexico: A Research Agenda

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*Keywords:* Inclusive green finance, financial resilience, climate-related shocks

## Executive Summary

This policy proposal addresses the problem of small business owners' vulnerability to climate disasters due to insufficient access to adequate financial services in Mexico. It advocates for the development of a research agenda aimed at understanding how financial services can enhance resilience against climate disasters among low-income families. The goal is to provide evidence to inform policymaking, improve financial service delivery, and empower vulnerable populations to better withstand and recover from climate-related shocks.

## Problem Statement and Context

The central problem is the vulnerability of small business owners to climate disasters in Mexico due to insufficient access to adequate financial services, which hinders their ability to build resilience and recover from such events.

Consider the 12,800 small business owners in Guerrero, Mexico, who lost their merchandise and shops due to Hurricane Otis in October 2023. The hurricane also disrupted supply routes, causing essential food prices to spike by over 60%, as well as loss of tourism (Meza Rodríguez 2023).

This scenario is common among millions of small business owners worldwide, as they are particularly vulnerable to climate disasters due their localized supply chains, centralized infrastructure, and dependency on the communities in which they operate—highlighting the urgent need for improved financial services to build their resilience against climate disasters (Jouven 2023).

## Key Causes

While there are many causes that may explain the problem, some of the key causes are briefly discussed here.

A. Mexico faces significant exposure to climate and environmental risks, including severe air and water pollution, overexploitation of natural resources, soil erosion, and solid waste. The economic consequences of these negative impacts are estimated to be over 4% of GDP (Banco de México 2020).

B. Access to financial services remains a challenge in Mexico, as shown by the following data. Approximately 35% of adults have never possessed a savings account. Half of adults lack access to formal credit, and almost half of all loans are acquired by informal means, such as family (22%), friends (13%), informal credit unions (6%), and pawnshops (3%). The percentage of individuals with insurance in Mexico has declined consistently: the most recent data shows that only 21% of adult Mexicans own insurance and 11% once had it, which means that roughly 7 out of 10 individuals have never had insurance (Comisión Nacional Bancaria y de Valores 2022). This is relevant because various financial services are crucial at different stages of climate-related extreme weather events (Miller, Krishnan, and Álvarez 2023). Additionally, access to financial services enables vulnerable communities to bolster their resilience to the effects of climate change by diversifying their income sources, insuring against risks, and making investments that enhance their adaptive capacities (Chamberlin and Wright 2024).

C. While it is clear that there is a need to promote green finance, there are various barriers, such as: inadequate knowledge and experience, the lack of mechanisms to align sustainable investments and supportive regulatory frameworks, the high cost of sustainable products and data, the lack of international assistance, low investment due to a high-risk environment, and limited access to sustainable financial instruments (Comité de Finanzas Sostenibles 2023).

D. One of the primary challenges for inclusive green finance policies is the scarcity of data. This challenge encompasses data availability, reliability, and comparability, as well as methodological issues (Alliance for Financial Inclusion 2022a and Consejo Mexicano de Finanzas Sostenibles 2022).

## Potential Solutions

It is necessary to develop a financial system that facilitates the deployment of necessary resources by creating innovative financing instruments and identifying, evaluating, and managing risks associated with climate change and biodiversity (Comité de Finanzas Sostenibles 2023).

To achieve this, participants in the financial system require accurate, verified, and accessible information to make better-informed decisions and develop more effective strategies. This can enable the design of new financing methods, innovation in product development, and the diversification of service offerings (Consejo Mexicano de Finanzas Sostenibles 2023). It is also important to raise awareness of climate change mitigation and adaptation strategies; to enhance knowledge sharing and capacity building; to facilitate the incorporation of climate-related and financial inclusion data; and to encourage the creation of funding and intellectual partnerships (Alliance for Financial Inclusion 2022b).

Therefore, I propose the development of a research agenda aimed at understanding how financial services can enhance resilience against climate disasters among low-income families with the aim of providing evidence to inform policymaking, improve financial service delivery, and empower vulnerable populations to better withstand and recover from climate-related shocks.

## Priority Solutions and Proposed Policy

My proposal is intended to make impactful progress toward the goals of the Sharm el-Sheikh Accord related to raising awareness, enhancing knowledge sharing and capacity building, and the incorporation of climate-related and financial inclusion data. Furthermore, the signing states of the Sharm el-Sheikh Accord have committed to encouraging current and potential funding and intellectual partners to actively support and contribute to this initiative and its success. Thus, my proposal aligns with Mexico's national pledge in Sharm el-Sheikh (Alliance for Financial Inclusion 2022b).

As mentioned before, one of the primary challenges in establishing and overseeing inclusive green finance policies is the scarcity of data. Therefore, this policy proposal advocates for the development of a research agenda aimed at understanding how financial services can enhance resilience against climate disasters among low-income families.

This will address the following goals: understanding the specific barriers low-income families face in accessing credit, savings, and insurance; assessing how different financial services contribute to resilience against climate disasters; investigating new financial products and technologies that can aid in climate disaster resilience; examining the need for capacity building among low-income populations; studying how low and variable income affects the ability of families to make long-term financial decisions that enhance their resilience in addressing climate disasters; and formulating actionable policy recommendations based on research findings.

This research agenda will be led by Tecnológico de Monterrey, a private, nonprofit educational institution with 26 campuses in Mexico that serves around 96,000 students, supported by nearly 11,000 faculty and researchers.

Specifically, this policy proposal will be deployed by the FAIR Center for Financial Access, Inclusion and Research, a strategic center within Tecnológico de Monterrey whose purpose is to bring families and small businesses in Latin America to a state of good financial health, where income and expenses are in balance, so that families and small businesses are sustainable over time and achieve a higher level of resilience, cushioning them against various external shocks.

## Stakeholders

For the purposes of this policy, I call for the participation of several stakeholders. For instance, I propose to seek funding from public and private organizations, such as the Mastercard Center for Inclusive Growth, the Bill & Melinda Gates Foundation, and Mexican governmental institutions. For the deployment of the research, I seek to partner with KIT Royal Tropical Institute as a knowledge partner and with Solidaridad Network as an implementation partner. For dissemination efforts, I invite the participation of the Inter-American Development Bank and the World Bank for the organization of seminars and roundtables, as well as other public and private institutions.

## Next Steps:

A. Gather a team of experts and key stakeholders interested in taking part in this research. Initially, this team is built together with experts from Tecnológico de Monterrey, KIT Royal Tropical Institute, and Solidaridad Network.
B. Develop a concept note that will guide research and dissemination efforts.
C. Consolidate funding by sharing the concept note with potential funders, such as the Mastercard Center for Inclusive Growth, the Bill & Melinda Gates Foundation, and Mexican governmental institutions.
D. Carry out literature review and data collection.
E. Publish findings in an extended report.
F. Hold dissemination events, such as seminars, roundtables, and workshops. For steps E and F, I invite the collaboration of the Inter-American Development Bank and the World Bank.

Some of the stakeholders mentioned in this policy memo have already expressed their interest in taking part in this initiative and are currently working on complementary agendas. However, I call for the involvement of more institutions to escalate and increase the impact of our work.

## Key Indicators of Change

Our key indicators of change will include the dissemination of applicable knowledge aimed at improving policymakers' and service providers' understanding of how different financial services contribute to resilience against climate disasters. These dissemination efforts will be quantified by the number and impact of publications and events, the number of new financial products and technologies offered that can aid in climate disaster resilience, and the number and quality of actionable policies based on research findings. The progress of the development of the research agenda will be seen through:

- MOU signed by key stakeholders.
- Concept note finished.
- Funding granted.
- Literature review and data collection completed.
- Report published.
- Dissemination events held.

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# Enhancing Digital Financial Literacy in Rural Areas

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*Keywords:* Digital financial literacy, cashless, capacity building

## Executive Summary

The majority of adults in rural areas of Bangladesh must travel significantly to make day-to-day financial transactions. The use of digital financial services (DFS) would allow rural people to make transactions even from home, reducing the negative human impact of extensive travel. However, rural people do not have adequate awareness or the literacy required to use DFS. This policy memo proposes introducing a capacity-building program for financial service providers (FSPs) so that they can empower rural people with the required digital financial literacy.

## Problem Statement and Context

Let's consider a situation where a rural mother wants to buy daily necessities to cook lunch for her family, but she does not have cash at home. There is money in her bank account, but she has to travel for more than four hours to reach the nearest bank branch and withdraw the cash she requires. So although she is financially included, she cannot easily use financial services. This is the story of the majority of the adult population in rural areas of Bangladesh: they must withdraw cash or transfer money at bank branches that are situated far away from them. The lack of DFS usage in rural areas contributes to this problem.

The government of Bangladesh's target is for 30% of transactions to be cashless by 2025 and 100% by 2031 (*Daily Star* 2024). Accordingly, the country's central bank, Bangladesh Bank (BB), aims to facilitate 75% cashless transactions by 2027.

However, the volume of transactions through DFS in rural areas is very low—less than 5% (Hussain 2024). Lack of digital financial literacy (DFL) is one of the major challenges in enhancing DFS usage, because the more policymakers focus on technology-driven financial services, the greater the gap between people with and without adequate DFL will be. Women and the extremely poor segment of the population have especially low levels of digital financial literacy.

As technology evolves, DFS has been greatly assisting financial inclusion. However, for people to get the full benefit of DFS, it is necessary to close gaps in gender equality. According to the Global Findex Database 2021, in Bangladesh, the gender gap in financial inclusion is 20%. Furthermore, the overall financial literacy rate in Bangladesh is only 24.2%, and a gender gap exists in terms of financial literacy also (BRAC Business School 2022).

Women face several barriers in accessing financial services, including inadequate financial literacy, absence of ID, and constraining social and cultural norms (Appaya and Abbas 2024). Lack of knowledge and digital skills have also been identified as barriers preventing new female users from accessing DFS (Molinier 2019).

It can be concluded that to achieve the target of increasing cashless transactions, BB must overcome the challenge of inadequate digital financial literacy. This will reduce the negative human impact—i.e., the time and effort needed to make financial transactions—by providing easy access to financial transactions.

## Key Causes

Some of the key causes of the problem include:

**Absence of access points nearby.** Although the number of access points for financial services seems to be adequate considering the demographics of Bangladesh, the access points in rural areas are mainly concentrated in big bazaars and markets. Additionally, many villages and remote areas still do not have any access points. The underlying causes of this situation include the low profitability and high operating costs associated with setting up bank branches in rural areas.

**People cannot make transactions digitally at their convenience.** Another reason why rural people need to travel significantly to make financial transactions is that they do not use digital means. Low DFL in rural areas is one of the major obstacles to people using DFS (Hussain 2024). Rural people either do not know about or do not know how to use DFS. There is not adequate DFL content available to them due to the lack of initiatives by FSPs to reach rural people. The root cause of this problem is that FSPs do not have the expertise to conduct DFL programs and empower rural people with adequate DFL.

**Key Objectives**

One solution to reduce the negative human impact may be for banks to establish more physical branches in rural areas. However, this may not be a plausible solution due to the high operating costs and low profit margins of such branches, as per the low income level of rural people.

Alternatively, rural people can use digital means to make day-to-day transactions. This will enable them to make financial transactions at home, at work, or wherever they need to.

Therefore, the key objective of this policy memo is to empower rural people with DFL so that they may use DFS and not have to travel to make financial transactions.

## Proposed Policy Solution

To achieve the objective of this policy memo, we recommend introducing a capacity-building/ToT program for FSPs. Currently, FSPs are conducting financial literacy programs as per the financial literacy guidelines issued by BB, but these programs are quite generic in nature. Providing effective training in using DFS to rural people requires special focus and personalized content delivery. The proposed ToT program will build expertise among FSPs so that their trainers can go to rural areas and empower people with an adequate level of DFL. This can be accomplished through several policy actions:

A. Design the structure and contents of the ToT program in collaboration with various stakeholders, including experts from academia, FSPs, officials from BB, etc. This program will include modules about how to reach women and extremely poor segments of the population in rural areas with customized approaches and appropriate content;
B. Issue directives for FSPs to participate in the ToT program; and
C. Launch the ToT program through the training academy of BB and conduct training sessions at regular intervals.

## Stakeholders

The policy action will involve several key stakeholders, including rural people, FSPs, experts from academia, officials from relevant departments of BB, etc. The central bank's Financial Inclusion Department will lead the commencement of the program, and then the training academy will undertake the necessary actions to conduct training sessions regularly. The roles of various stakeholders are as follows:

A. FSPs: Officials from banks and financial institutions will participate in the ToT program and learn how to conduct DFL training sessions for rural people. Experts from FSPs will also contribute to content development for the ToT program.
B. Experts from academia: These expert consultants will contribute to content development for the ToT program and also participate in the program as resource persons.
C. Officials from relevant departments: Officials from BB's Banking Regulation and Policy Department, Payment Systems Department, Financial Integrity and Customer Services Department, Financial Inclusion Department, and others will contribute to structuring the program, developing content, conducting sessions, and overall monitoring and coordination of the program.
D. Rural people, both men and women: This is the target segment who will benefit from DFL training as the final outcome of this policy action. They will also provide feedback after participating in the digital literacy trainings offered by the FSPs.

## Assumptions

To make this policy effective, several assumptions must be addressed.

- There is already technology and infrastructure available for rural people to use DFS.
  - In rural areas, 74.2% of adults (age 15+) have mobile phones (Bangladesh Bureau of Statistics 2022).
- To conduct the digital literacy trainings in rural areas, FSPs are at liberty to use corporate social responsibility (CSR) funds.
- If there is more competition in the market, the cost of DFS will also be reduced, making them more affordable for rural people.
- The government and the central bank need to monitor and incentivize merchants so that the counterparties are willing to accept digital payments.

## Key Indicators of Change

The variables that need to be monitored and evaluated include:

- The number of transactions made using DFS compared to the number of cash transactions.
- Peoples' level of digital financial literacy.
  - Pre- and post-training feedback forms are to be filled in by participants to evaluate their level of DFL.
- The number of trainings arranged by FSPs in rural areas and the number of participants attending those trainings.

The quantitative data should be disaggregated by gender and location. FSPs should collect and preserve the qualitative and quantitative data and report to BB on a half-yearly basis.

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