

# Redeeming the pledge on gender equality

## Designing better financial products for poor women

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This note is an outcome of *MicroSave's* long-running and continuing research and consulting on developing financial services for women, drawing insights in multiple sectors including microfinance, digital financial services, direct benefit transfers, MSMEs, agent networks etc.



Marketers from a growing range of industries have gone to great lengths to create consumer markets that are segmented along gender lines - from soaps to two-wheel vehicles to vacation packages. However, financial services providers (FSPs) remain largely oblivious to the needs of women. In today's world, only a handful of financial products are designed specifically for women customers.

A variety of factors shape women's needs, across the globe, in distinct ways. These include biological differences, as women bear children, socio-economic hurdles, as women bear the sole, unpaid burden of domestic chores, and local cultural contexts, as women encounter barriers to employment and even movement, among other factors. These challenges are exacerbated for poor women, who lack in literacy and face constraints in access or control over physical and financial assets. As per Findex 2017, in India, the gender gap in access to accounts has decreased to 6% from 20%, however, 35% of women are active users compared to 47% of men.

It was perhaps the microcredit movement that attempted to recognise, for the first time, poor women as a distinct segment within financial services. It brought those women into the formal financial fold with loans and passbooks issued in their names. The approach taken, however, was of incremental progress. Policymakers and donors did not necessarily consider poor women to be active consumers of financial services, rather just as a conduit to push credit into households with a hope to eventually lift people out of poverty.

There is limited evidence on the scale-up and success of women-led enterprises financed by microcredit. In fact, many women who avail such microcredit often end up living hand-to-mouth to meet the next instalment of their loan cycle.

In a similar vein, a number of developing countries had institutionalised conditional cash transfers (CCTs) two decades ago. The idea was to link government social transfer payments to women's bank accounts. These transfers were based on certain criteria that the recipients had to meet. These criteria included school attendance of their children, institutional child deliveries, girl child protection, among others. Broadly, CCTs have been built with an emphasis on the social welfare of the family, rather than the economic benefit of individual women beneficiaries.

In this model, women are conflated with 'family' and are treated as an avenue to pursue social welfare. Financial service providers are the channel for delivery of CCTs and microfinance. They have surprisingly been lackadaisical and unimaginative in sensing a business opportunity around the millions of poor women who have bank accounts at their retail branches.

## What do FSPs overlook when designing financial products for poor women?

The social, economic, and psychological barriers that poor women face prevent them from participating effectively in the financial services ecosystem. These women desire to be independent economic actors while fulfilling their caregiving role. The barriers prevent these women from fulfilling their desires. We list down some of these challenges below:

1. One of the most under-researched and consequently under-reported aspects of financial service design is the high prevalence of orality among poor women. Innumeracy and illiteracy act as cognitive barriers and hinder them from developing familiarity with FSPs or their agents.

Often, men take advantage of this handicap. They use it as a pretext to deal with FSPs on 'behalf' of the women in the household, who they claim, "would get duped or would be unable to transact". This has resulted in these women experiencing limited exposure compared to men. Consequently, these women lack confidence in their ability to access financial and non-financial services, including the use of digital platforms, compared to their male peers.

2. The presence of women agents triggers a higher uptake of digital financial services among women customers. These women customers find women agents more trustworthy and better at maintaining confidentiality

when compared to their male counterparts - which FSPs seem to ignore. Evidence from India suggests that FSPs neither build dedicated female agent networks nor support individual women agents as much as they support men.

Additionally, poor women are price-sensitive to the fees charged by agents and take more time to develop trust in a particular agent. This requires them to interact more with agents than men. However, existing social practices like the pardah system and restrictions on women's mobility limit access to financial services for women, especially in remote rural areas.



3. The financial independence and overall socio-economic well-being of a poor woman depend, in part, on having an individual personal identification document. The lack of a valid proof of identity makes it difficult to satisfy Know-Your-Customer (KYC) requirements, even while accessing digital financial services. The Bhamashah scheme in Rajasthan, India, is an example of a useful first step that aims to provide digital identity to women. Still, digital interfaces need to ensure privacy and security for women as well.
4. Women-led micro and small enterprises not only struggle to access capital but also to formally register their enterprises. This restricts their business development activities and engagement with e-commerce distribution channels. This is a significant business opportunity that FSPs fail to utilise.

With sustained support, women micro-entrepreneurs have the potential to scale-up their operations. Studies have shown that women-owned enterprises have stronger repayment records with non-performing loans being 30-50% lower than male entrepreneurs and are likely to avail more products (up to three times) than men. This makes them an ideal customer segment to cross-sell to.

5. When dealing with FSPs, female entrepreneurs expect much more than the delivery of financial products. They expect business advisory support in managerial capacity-building, bookkeeping, skill development, and legal procedures to scale-up their businesses for which they had sought capital from the FSPs.

### Designing financial products for poor women: broad contours

Across the globe, a billion women still remain financially excluded, while a gender gap of 9% persists stubbornly in developing countries. There is a strong case and an urgent need for FSPs to innovate by developing products for poor women that solve or address these challenges. The diverse needs of various female mass market segments should be incorporated into product design.

The success of the microcredit movement rested primarily on its approach of group solidarity. Poor women prefer or derive comfort in working with peers. A collaborative approach reduces financial risk within a peer group and helps pool resources like assets, time, and labour, among others. FSPs must make use of this critical element, given the strong influence it has on the uptake of personal financial services by poor women.

Engaging men to champion women's autonomy (economic and otherwise) builds the critical mass that creates a momentum of change. This is especially true in areas where social norms force a status quo of stringent controls on women. Further, the promotional campaigns that FSPs use to drive the usage of formal financial services by poor women should make potential benefits to both households and individuals salient.

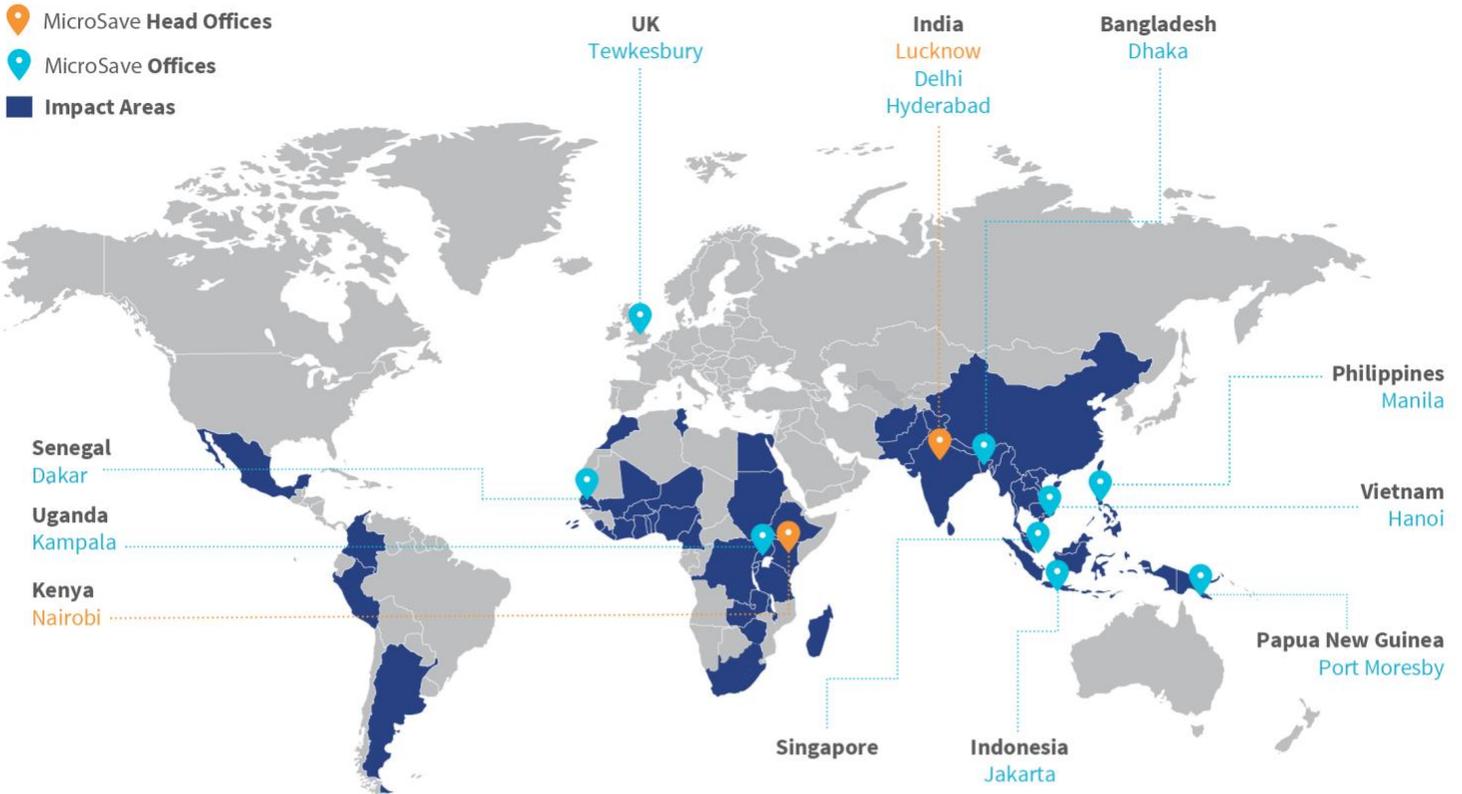
Other aspects that merit the attention of FSPs while designing financial services for poor women include:

- Consider poor women as a customer segment for their individual benefit and not merely as a medium to reach a household. This would require a wide product mix, ownership of identity, and gender-responsive delivery to overcome the constraints of mobility that this segment faces. It would also require additional non-financial service offerings, such as technological upgrades, skill development, accounting, and bookkeeping training, among others.
- Tailor digital financial services around the needs of poor women. This involves actively employing imagery from their routine lives in digital interfaces so that they are able to associate with the product design and interface intuitively. Also, there is a need to develop gender-sensitive delivery channels.
- Support women agents - who are also micro entrepreneurs in their own right - consequently expanding the female customer base.
- Provide financial tools for the growing number of women employed across the value chains of major corporations and provide gender-responsive solutions to them - such as business advisory services and networks.
- Bring gender-centricity as a lens and a mindset to the forefront of product design, while being mindful of the impact that each design attribute will have on the lives of poor women. For example, using data from CCTs, a formal credit product could be developed for women beneficiaries. This would use proxies like adherence to cash transfer schemes as a measure of financial discipline and stable cash flows.
- Use big data analytics to make sense of gender-disaggregated data points. Specifically:
  - i. Assess and track the benefits of providing financial services to poor women, both in terms of repayment and social benefits to households;
  - ii. Capture the flow of capital into women's MSMEs across asset classes and investment vehicles, and correlate these to tangible financial and social benefits that accrue to individuals and households;
  - iii. Use data to illustrate how finance can be a tool to transform the lives of poor women and girls, positioning FSPs as engineers of social change for good.



If we fail to consider poor women as a distinct segment with specific needs, we will end up disguising male-focussed products as gender-neutral or give a vener of women-centricity in otherwise generic products. To enable this change, we would need to study the myriad customer journeys of low-income women and use this knowledge to design customised financial product offerings.

The twin advantage of pursuing this course will be to transform poor women's lives and offer a business value proposition for FSPs. A customer base of over a billion women, as yet not connected to financial services and vastly underserved, awaits.



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