Women's Financial Inclusion in Africa
Barriers, Costs and Opportunities

By Nomsa Daniels

The financial exclusion of women is a global problem with ‘more than 1.3 billion women in the world operating outside the formal financial system’ (Demirgüc-Kunt, Klapper & Singer, 2013: 2). This situation is mirrored in Africa where more than 70 percent of women are financially excluded and where women’s access to finance and financial services is consistently behind that of their male counterparts (MFW4A, GIZ & New Faces New Voices, 2012). Accelerating women’s financial inclusion thus requires bold and sustained action to advance women’s economic opportunities and rights and to ensure that they can meaningfully participate in the economy without undue constraints and barriers that limit their progress.

There is plenty of compelling evidence that women are a powerful driver of economic growth. We know that women make a significant economic contribution to African economies through their entrepreneurial activities and involvement in the labour market. We also know that women are good savers and that they plough back most of their income into improving the well-being of their families. To increase their economic opportunities, women need a level playing field with a sound educational foundation, more and better jobs, a business and legal climate that supports their economic pursuits, a financial sector that gives them access to affordable financial services tailored to their needs as well as the recognition of their importance as a market segment which should be cultivated because it makes good business sense.

This paper examines the persistent challenges women face in accessing finance and financial services, why gender-specific barriers exist and what they are, factors that will contribute to removing these barriers and why women require more innovative support from the financial sector to transcend these barriers and harness their full economic potential.

Women’s Unrecorded Economic Contributions

The role women play as important economic agents is largely obscured by the fact that the majority work in the informal sector where their contribution is not adequately quantified or measured. As Jerven argues in his book on the problem with African statistical data, the ‘unrecorded economy’ in Africa, to which women contribute significantly, continues to be undervalued and underappreciated because of the unavailability of reliable and credible data (Jerven, 2013). Nevertheless, some data is worth mentioning. On average, women have high rates of labour force partici-
It found that ‘as many as 70 percent of women-owned SMEs in the formal sector in developing countries are unserved or under-served by financial institutions,’ leading to a financing gap of around US$285 billion (Goldman Sachs Research Division, 2014: 3). In Sub-Saharan Africa, the financing gap for women is estimated at around US$20 billion but is probably higher given the large number of women business owners in the informal sector. Although micro-lending programmes are widely available for women throughout the region, a preliminary review of funding institutions that target SMEs instead of micro-enterprises suggests that the barriers for accessing finance for this segment of the market may be even greater. In short, women entrepreneurs continue to receive only a small fraction of the total capital available for SME investment across Africa.

**Barriers Women Face in Accessing Finance**

So what are the barriers that women face in accessing finance? Women business owners face a wide spectrum of challenges, many of which have been documented in numerous studies and reports. These include, but are not limited to, lower levels of education and financial literacy, lower income levels, lack of collateral, legal constraints, time and mobility constraints, socio-cultural constraints, and a lack of market exposure. Some of these challenges are also faced by men but women are disproportionately affected or, in some instances, are uniquely discriminated against because of their gender. Some of these sociocultural constraints go a step further in weakening women’s confidence as they seek to enter male-dominated spaces in business and finance that are not considered part of their traditional domain.

Researchers have begun to explore the lack of legal parity between men and women when it comes to inheriting property and restrictions that limit their ability to engage in economic activity. A direct impact on the ability of women to access finance because it deprives them of...
acquiring assets that can be used as collateral to obtain loans from financial institutions. In a study entitled ‘Women, Business and the Law: Removing barriers to economic inclusion’ the World Bank and International Finance Corporation examined the legal regimes in 128 countries and found that 21 out of 28 countries in Sub-Saharan Africa did not grant ‘equal capacity under the law to women and men’ (World Bank & IFC, 2012). Interestingly, the study reveals that married women have more legal restrictions than unmarried women.

In Zambia, for example, a 2009 Finscope survey found that 56% of people living in rural areas require more than one hour to reach the nearest bank, compared to only two percent of people in urban areas who travel the same distance.
In Zambia, a surprising finding is that women were more regular users of formal and informal financial services than men, even though the statistics show that women are less banked (Bank of Zambia, 2014). What is also noteworthy is the limited range of financial services used by women, even where more services are available. Despite the existence of six financial providers’ categories in Zambia – banks, microfinance institutions, savings and credit institutions, leasing companies, building societies and insurance companies – the study found that only banks and MFIs are used by women (Bank of Zambia, 2014: 7).

This points to the need to educate women more widely about the range of products that are available on the market and how these products and services can serve their needs.

Both studies are also useful in understanding the impact of mobile banking which has the potential to massively expand banking services to the poor and previously unbanked, especially in rural areas. Although cell phone penetration in Africa is very high, women lag behind men in cell phone usage and access to cell phones in general. In Mozambique, the uptake of mobile banking is low, even though it has been shown to be quicker and more reliable in sending remittances and transferring funds (ICC, 2014).

A high percentage of women still prefer to give money to bus drivers who travel between cities and towns to take to family members rather than use mobile money transfers which are quicker and safer (ibid). This shows that adopting new technologies is a slow process that requires education and training from mobile companies as well as banks.

In summary, both studies provide a fascinating glimpse into how women make important financial decisions, how they save and plan for important purchases and how they constantly juggle household and business priorities to find the best financial solutions to meet their individual and family needs whether
they are in the formal economy or not. From these findings, it is clear that financial institutions need to do a better job in reaching out to women to increase their knowledge on the range of financial products and services they can access. It also requires banks to change their mindset and misperceptions about women and start recognising them as an important market segment. Even though there are 19 commercial banks in Zambia, only one bank offers product specifically for women, which shows that most banks are not really targeting this market (Bank of Zambia, 2014).

**Recommendations**

In conclusion, there is a need for bold and concerted action on the part of regulators, policymakers and other stakeholders in the financial sector to address the many obstacles that keep women financially excluded despite their energy, talent and resourcefulness. A critical imperative is the need for funding institutions to review their investment mandates in light of their failure to adequately penetrate this segment of the SME market. This also illustrates the need to find more innovative funding models that are adaptable to where women are instead of where banks expect them to be. Similarly, getting more capital into the hands of women must be a priority for governments, development finance institutions and commercial banks. This will ultimately lead to stronger, more sustainable businesses, provided they also receive the necessary training and business development support to make them more ‘bankable’.

In a continent where literacy levels are low and women’s education levels are lower than men’s, the need for financial literacy training cannot be underestimated in increasing financial inclusion levels. Coupled with this is better quality education for girls from an early age to expose them to how financial institutions operate and the challenges of entrepreneurship. This goes hand in hand with the need for better consumer protection laws to ensure that new entrants into the financial system are not misinformed or abused.

Finally, there also exists a need to improve data collection at a national, regional and continental level to more accurately measure the size and impact of the female economy. Data on how women as consumers and business owners are accessing finance and financial services is scarce and more research and data disaggregation must be conducted in order to provide the public and private sectors with information that will ultimately change this picture.

**References**


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