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' (Demirguc-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.


Women's unrecorded economic contributions

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 and 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 participation, above 60 percent in many sub-Saharan African countries. Most women tend to work in the agricultural sector and produce most of the food that feeds our families, communities and nations. However, when it comes to accessing credit and other forms of agricultural finance, the share of women's access to resources drops precipitously with some researchers estimating that women 'receive under ten percent of all the credit going to small farmers and only one percent of the total credit for the agricultural sector' in Africa (Clark, 2010: 1).

Within the non-agricultural sector of the informal economy, women are also very active in informal cross-border trade, where they are involved in a large volume of the goods moved across borders. According to a recent study by UN Women, 'official sources report an average of informal cross border trade in the SADC Region of US$ 17.6 billion per year' (UN Women, 2010: 1). Moreover, 'the contribution of informal traders to national GDP amounts to 64 percent of value added trade in Benin, 46 percent in Mali and 41 percent in Chad' (UN Women, 2010: 1). However, this report is also quick to point out the struggles informal traders face in accessing credit and finance, largely because they continue to 'suffer from invisibility, stigmatization, violence, harassment, poor working conditions and lack of recognition of their economic contribution' (UN Women, 2010: 2).

Although the percentage of female entrepreneurs in the formal economy is smaller in Africa, relative to other parts of the world, as a continent, Sub-Saharan Africa has high levels of entrepreneurship with the proportion of male-owned businesses to female-owned businesses being roughly the same (Herrington & Kelly, 2012). In Uganda, 48 percent of all small and medium-sized enterprises (SMEs) are owned by women. In Kenya, the corresponding figure is 49 percent. Two notable exceptions are Ghana and Nigeria where the number of female entrepreneurs exceeds that of men (Herrington & Kelly, 2012). Highlighting the dynamism of this sector, a recent article that cites World Bank data found that the world's fastest growth in women entrepreneurs is in Africa (Muhumuza, 2014).

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Yet, women entrepreneurs maintain that inadequate access to finance is one of their main barriers. An attempt to measure the global credit gap faced by women was recently undertaken by the International Finance Corporation (IFC). 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 tangible assets or collateral, legal constraints, time and mobility constraints, socio-cultural constraints, inter-role conflicts from juggling domestic and professional roles 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 inheritance laws, laws that govern their ability to register and run a business, their ability to work and laws that regulate land and property ownership. Legal restrictions on women's ability to inherit property and restrictions that limit their ability to engage in economic activity have 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.

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In a more recent version of the study that was published in 2014, we find many African women continuing to face legal barriers in terms of unequal property rights, rights to economic activity and rights to act in their own capacity without their husband's permission (World Bank & IFC, 2014). In Niger, for example, the Family Code 'only allows women to open bank accounts to deposit funds that their husbands gave them if banks first notify the husbands' (World Bank & IFC, 2013). In the Ivory Coast, until the law was reformed in 2013, 'only husbands could decide on the family residence and could legally stop their wives from working if they deem it against family interests' (World Bank & IFC, 2014: 13). In the DRC, the Family Code decrees that women are required by law to obey their husbands. As such, married women must receive authorisation from their husbands to sue in civil matters and even to have a bank account (World Bank & IFC, 2014).

Even where legal barriers have been removed, women are still subject to discrimination based on customary law or cultural practices. A requirement in some cultures that a woman must marry a man from the family of her deceased husband limits a woman's right to inherit her deceased husband's property. In some cultures, following the death of a husband, wives must share the running of the household with a male relative of the deceased or widows can be chased from their homes by relatives of their deceased husband. These cultural practices are often difficult to change even when the Constitution says otherwise. Thus, 'removing discriminatory aspects of legal and regulatory frameworks, particularly with reference to land and property ownership, will be an important factor in improving women's financial inclusion in Africa' (MFW4A et al., 2012: 10).

Lack of education is another serious hindrance that affects women's financial inclusion levels and the growth of women-owned enterprises as it deprives them of the necessary skills, experience and judgment to properly manage their business, analyse the competition and take advantage of opportunities. Lack of market exposure is a symptom of such poor education which disproportionally affects women. Women business owners have less work experience, in general, than their male counterparts. They are less likely to have been employed prior to starting a business and have less wage sector experience than men. They are also less likely to be employers and are generally self-taught when it comes to managing their businesses (Herrington & Kelly, 2012). This gap in analysing and seizing business opportunities due to poor business training and exposure is a serious limiting factor for women business owners in terms of productivity and competitiveness.

Time and mobility constraints are more likely to weigh on women living in rural areas, more so than those living in urban areas, due to a lack of infrastructure which makes women's work particularly burdensome. Another time and mobility constraint is proximity to a bank or financial institution which inhibits access to financial services. The percentage of adults in rural areas who are formally 'banked' is consistently lower than adults in urban areas due to the time and distance they have to travel to reach banks. Women are more likely to suffer in this regard since the majority live in rural areas. In Zambia, for example, a 2009 Finscope survey found that 56 percent 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 (Zambia Finscope Survey, 2009). The combined effect of these constraints keeps women back and operating on the margins of society rather than in the economic mainstream.

Lessons Learned in Advancing Women's Financial Inclusion

Although financial inclusion levels are very low for both men and women in Africa, a one-size-fits-all approach that fails to take into account differences between men and women will only impede progress. Besides being gender blind, this type of approach will inhibit the design and implementation of more targeted policy interventions and will also hinder the ability to measure progress from year to year if men and women are lumped together.

Two qualitative studies recently undertaken in Mozambique by the International Capital Corporation (ICC, 2014) and Zambia (Bank of Zambia, 2014) that researched women's access to financial services provide interesting findings that can change the way financial institutions engage with women and their perceptions of women as a high-risk group. Both studies consider the landscape of financial access for women in an attempt to understand how women from different occupations, income groups and geographic areas use financial services and where the gaps and opportunities lie in increasing women's access to financial services.

In both Mozambique and Zambia, women were found to be more active users of informal financial services than men, which is not entirely surprising (ICC, 2014; Bank of Zambia, 2014). In Mozambique, the study found that rotational savings groups (called 'xitique'), family, friends and accumulated savings and credit associations (ASCAS) are the three main sources of finance preferred by women. The main reason for this is that women value the ease of access, transparency and minimal costs involved (ICC, 2014). Women also place a high value on the communal aspect of these informal savings groups which thrive on relationships built on trust since the members are often friends or people who live in the same community. This is one reason why informal savings clubs are so successful. Another reason is that they are often more responsive to women's needs than products designed by banks and other financial institutions which are often difficult to understand and expensive to access (ICC, 2014).

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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.

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