28 CASE STUDY: DIGITAL PAYMENTS ENABLING FINANCIAL INCLUSION

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ABSTRACT

Digital financial services offer a gateway to financial inclusion, but women face barriers to accessing and using them. Digitising payment of public sector wages and social protection benefits has prompted millions of previously unbanked women to open accounts in recent years, a trend that accelerated during the COVID-19 crisis with the digital payment of emergency relief and private sector wages. As governments and companies take steps to recover from the economic impacts of the pandemic, prioritising women's digital financial inclusion will ensure stronger, more resilient economies that recognise and advance the strengths of women. Development co-operation providers should share good practices and learnings on responsible digital payments to strengthen data protections and build inclusive digital ecosystems to reach the still substantial numbers of unbanked and underserved households in low- and middle-income countries.

Key messages

- **Approximately 1 billion women around the world are currently financially excluded, facing persistent barriers across digital value chains and without equal access to identification and digital devices.**
- **The COVID-19 pandemic accelerated the use of digital payments for emergency and social benefits that were fair, transparent and accountable and protected client data and funds.**
- **To increase women's digital financial inclusion, development actors should support the collection and analysis of sex-disaggregated data to inform policy, design appropriate and affordable financial products for women, and enforce anti-discrimination and consumer protection laws.**

The COVID-19 pandemic introduced tens of millions of people worldwide to digital payments through digital social benefits, digital emergency relief and digital wages. There is now a great opportunity to build on this momentum to broaden financial inclusion, particularly for women, as social benefit payments are one entry point to other financial services. Women face formidable barriers to access and to use digital financial services. Responsible digitisation will help overcome barriers of mistrust and the perception of risk by ensuring that data and funds are protected. Key features of responsible digitisation of payments are providing effective grievance redressal mechanisms with accountability between provider and client, and interoperability across providers with regard to products and services. International actors, including development co-operation providers, can contribute by sharing insights, experience and guidance from their interventions to better reach the still substantial numbers of unbanked and underserved households in low- and middle-income countries.

COVID-19 digital payment initiatives may lead to greater financial inclusion

Digital payment programmes were instrumental in delivering pandemic relief and wages in at least 222 countries and territories during the COVID-19 crisis. A study for the World Bank found that in many instances, digital payment systems were used to disburse social protection benefits quickly and securely (Gentilini et al., 2021[1]). The impact of these new payments was especially important for women even prior to the pandemic. Between 2014 and 2017, 35 million women opened their first account to receive public sector wage payments and an additional 80 million women opened their first account to collect government social benefits (Demirgüç-Kunt et al., 2018[2]).The following examples show the continuation of this trend through COVID-19 response payments:

- Bangladesh's government package of support for workers in the ready-made garment sector mandated for the first time that transfers be paid digitally during the lockdown (Chowdhury, 2020[3]). In just 25 days, approximately 2 million digital accounts were opened for workers to receive their payments (Poutiainen and Rees, 14 May 2021[4]). Many of the workers, especially women, were first-time users of digital payments. Grievance redress mechanisms designed with leading apparel companies have also helped ensure that payments are made reliably and safely (Better Than Cash Alliance, 2017[5]).
- Early in the pandemic, Colombia rolled out the Ingreso Solidario (Solidarity Payment) programme.[1] This innovative public-private collaboration transferred emergency relief payments to 2.5 million households affected by the pandemic, 60% of them headed by women (Prieto, 26 October 2020[6]). Among the financial beneficiaries were 1 million previously unbanked households, reached using an app and helplines to explain and build trust in digital payments. Preliminary data show that people receiving transfers

through traditional accounts are more likely to cash out than are those who receive transfers via mobile wallets (81% versus 71%). Further, 22% of recipients via mobile wallets used the account to make deposits, which further highlights the potential for digital transfers to deepen financial inclusion and increase the uptake of e-commerce (Davico-Thaler and Tellez-Merchan, 8 November 2021[7]).

- Building on this experience, the United Nations Children's Fund, the High Commission for Refugees and the World Food Programme are working with the Colombian government to better understand the needs of the 2.2 million Venezuelan migrants in the country, more than half of whom are women, and the barriers to their digital financial inclusion (Government of Colombia, 2021[8]; Better Than Cash Alliance, 2021[9]).

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Remove barriers to financial inclusion, especially for women

Digital payments have well-documented advantages over cash (Better Than Cash Alliance, 2021[10]):

- They are efficient (Better Than Cash Alliance, 2018[11]).
- They offer a transparent method of conducting financial transactions (GAO, 2015[12]).
- They are a key driver of financial inclusion, particularly for women (Better Than Cash Alliance, Women's World Banking and the World Bank Group, 2020[13]).
- Broadening financial inclusion fosters inclusive growth and development gains (UN, 2018[14]).

Yet, cash remains the dominant means of payment for more than 1.7 billion people in the world (Demirgüç-Kunt et al., 2018, pp. 35-41[2]). Indeed, nearly 15% of the adults in developing economies who are paid for agricultural products receive cash payment (World Bank Group, 2017[15]). While digital payments are an important step towards financial inclusion, it is important to address other barriers to full access to financial systems and products.

For digital payments to increase financial inclusion, they must prioritise reaching the approximately 1 billion women around the world who are currently excluded (Better Than Cash Alliance, Women's World Banking and the World Bank Group, 2020[13]). Overcoming the persistent barriers across the digital value chain calls for providing women equal access to identification and digital devices, more appropriate financial products and services, consumer protection for women, and an enabling environment that precludes discrimination and encourages better incorporation of women in the financial and digital labour force (Better Than Cash Alliance, 2021[16]). To rebuild stronger after COVID-19, the Better Than Cash Alliance (2021[16]) has issued a ten-point call to action to reach financial equality for women. The associated advocacy campaign featured more than 20 Ministers of Finance and chief executive officers committing to one or more of the ten actions to advance women's digital financial inclusion. The call to action also includes clear and compelling indicators to track progress on each of the actions for reaching financial equality.

The COVID-19 crisis has prompted action to remove barriers and increase payment digitisation. Since the pandemic, 60% of financial authorities worldwide have noted an increase in digital transactions and FinTech is cited by nearly 70% of financial regulators as a priority (ITU, 2021[17]). Regulators have started to align their COVID-19 measures with efforts to strengthen financial inclusion. For instance, identification requirements for opening an account have been eased and digital payment transfer fees reduced (IMF, 2021[18]). There are more opportunities to use these emergency payment programmes and the acceleration of digital financial activity as stepping stones to further develop inclusive digital payments ecosystems (Better Than Cash Alliance, 2017[19]), and the Bangladesh and Colombia programmes discussed above are great examples. These, in turn, have the potential to sustainably increase financial inclusion (Eriksson von Allmen et al., 1 July 2020[20]) as well as to foster inclusive growth (UN, 2018[14]).

Invest in systems that build trust, mitigate risk and drive inclusive growth

The pandemic offers important lessons for development co-operation and other actors to spur further financial inclusion. Specifically, it has shown that action on payment digitisation can be taken quickly while incorporating essential safeguards so that digital payments are fair, transparent and accountable and that client data and funds are protected.

Systems also should offer clear avenues for recourse when they fail to provide these protections, as such efforts can break down the distrust on the part of potential users of digital payments. Amader Kotha, the trusted national helpline for Bangladeshi garment workers, is an example.[2] Its success is attributed to responsible practices, including a gender-intentional design to address women's needs, the early forging of complex but powerful partnerships and the pioneering use of sex-disaggregated data. Distrust was found to be the main reason people in Latin America avoided e-commerce (Mastercard, 2019[21]). The new United Nations Principles for Responsible Digital Payments[3] aim to ensure that by focusing on user needs and prioritising women, responsible practices will help create trust in digital payments, mitigate risk and drive inclusive growth.

To further promote and advance responsible digital payments systems, development co-operation providers should:

Since the pandemic, 60% of financial authorities worldwide have noted an increase in digital transactions and FinTech is cited by nearly 70% of financial regulators as a priority.

- Champion the implementation of responsible and transparent digital payments that are gender intentional by bringing together digital and financial inclusion stakeholders, both public and private, at national, regional and global levels.
- Share guidance, good practices and the experience of users on responsible practices. This will require gathering insights from grants and learnings from research on the needs of the financially excluded and underserved.
- Immediately invest in better understanding the implications of increased use of artificial intelligence, machine learning and big data. This should inform and spur actions by development partners and providers to avoid discriminatory bias in areas such as coding and marketing (Kelly and Mirpourian, 2021[22]; UNESCO, 2021[23]).
- Promote all responsible forms of interoperability to drive enrolment and usage at scale so platforms can plug into national payments infrastructure to improve inclusion (Omidyar Network India and Boston Consulting Group, 2021[24]; Cook, Lennox and Sbeih, 2021[25]).
- Work collaboratively to build a future for women and men that is digital and inclusive and helps achieve all the Sustainable Development Goals.

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NOTES

1. For more information, see: https://ingresosolidario.prosperidadsocial.gov.co.
2. For more information, see: https://amaderkothahelpline.net.
3. For more information, see the United Nations Principles for Responsible Digital Payments at: https://responsiblepayments.org

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