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Assessing the role of digital finance for gender equality

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Digital financial technology, or fintech, facilitates access to financial services for those excluded from mainstream finance. Digital financial inclusion has become a central policy tool to achieve the UN Sustainable Development Goals (SDGs), including gender equality (SDG 5). Access to digital financial services is said to provide women living in poverty or on a low income with autonomy, safety, and entrepreneurial opportunities. While these services have included more female users in the formal financial system, they perpetuate the gendered structural causes of financial exclusion and can create additional vulnerabilities, especially for women at the lower end of the global income distribution. This policy brief examines the proposed benefits of digital financial services for gender equality regarding accessibility, security and autonomy, and assesses them against the potential risks.

POLICY BRIEF #7

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What are digital financial technologies?

Digital financial services facilitate financial transactions. These services are enabled via digital technologies such as mobile phones, point-of-sale devices in retail outlets, or electronic cards, and permit users to reach financial facilities virtually (so-called branchless banking).

The mobile phone-enabled money transfer system M-Pesa, launched in Kenya in 2007, is considered one of the most successful to date and it is now used by about 80% of Kenyan adults.

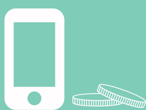
Digital financial technologies tend to be regulated as payment services and benefit from a more lenient regulation than traditional financial providers, such as banks.

Key features of digital financial technologies

Facilitate the transfer of money, overcoming infrastructural and regulatory barriers.

Rely on existing infrastructure, e.g. kiosks, grocery stores, petrol stations and local shops.

Require an ID but do not necessitate minimum balance and credit history.



Enable people to transfer small amounts of money for a lower fee than mainstream finance.

Gender equality as a development goal

The success of digital financial technologies has been measured in relation to different development goals, including gender equality (see SDG 5 below). The UN Millennium Development Goals (MDGs) formalised gender equality as an international development goal in 2000 and this has been reaffirmed in the UN SDGs in 2015.

As part of the growing international interest in gender equality, in 2006 the World Bank adopted the framework of 'gender equality as smart economics' which considers gender equality as instrumental to growth and development, and prompted funding for projects that would contribute to women's economic inclusion and entrepreneurship, including access to financial services.
This efficiency argument has been criticised for increasing the responsibility of women for development, without adopting policies that would address the causes and not just the symptoms of women's exclusion and gender inequality.

SDG 5 Gender Equality

"Ending all discrimination against women and girls is not only a basic human right, it's crucial for a sustainable future; it's proven that empowering women and girls helps economic growth and development."

Benefits and issues associated with digital finance for gender equality

Accessibility

Assumed benefits

Digital finance provides more accessible, affordable, and broadly available financial services than mainstream banking.

In practice

Digital financial services are less accessible than local or traditional informal finance (e.g. rotating credit and savings associations) as they require access to ID and an electronic device such as mobile phone, or in some cases an internet connection. This can create disadvantages on grounds of gender, race, geographical location, socio-economic and legal status.

Consequences

Policies focusing solely on facilitating the expansion of financial services shift attention away from the structural reasons of financial exclusion, i.e. lack of stable living income caused by limited availability of waged employment and labour rights; lack of social security caused by privatisations and cuts to public spending; lack of collateral caused by gendered disadvantage in property and inheritance; limited bargaining power both within the public and domestic spheres caused by discriminatory gender norms.

Security

Assumed benefits

Digital finance is more secure than informal finance as it addresses the limitations of cash and keeps track of transactions.

In practice

Fintech poses new risks in terms of fraud, predatory and extractive financial products, and commercialisation of data. Digital financial platforms and the data they produce are being used to create new lending products and services that target people living in poverty or on a low income. They include digitally-enabled very short-term small loans, micro-insurance, and water or healthcare credit that can be repaid in small instalments – all subject to a fee. Regulation of digital finance prioritises financial access at the expense of proper oversight of these products.

Consequences

In digital finance, resources are not redistributed within the community as in informal finance: fees that were paid to members of the community are now paid to providers (often linked to Western transnational corporations). Providers argue that this is a reasonable price to pay for the improved security, safety and traceability, however the proliferation of financial products and services risks reducing already limited resources available to more vulnerable communities (limiting access to basic needs such as food) with generational impact.

Autonomy

Assumed benefits

Digital finance helps to achieve the goal of gender equality as it allows women to use their money free from interference and/or coercion from male members of the family. Digital financial services offer women living in poverty or on a low income the opportunity to be more entrepreneurial and juggle paid and unpaid work.

In practice

Autonomy in money management depends on having a reliable source of income. Expanding access to finance without providing a living income does not address gender inequality. The argument that access to finance will encourage women to start an income-generating activity in the form of micro-entrepreneurship – such as hairdressing, selling flowers, unprocessed food or second-hand clothes – and as a result improve their status has been disputed in practice. Studies have consistently shown how micro-entrepreunership has low productivity and returns and a high rate of market exit. Many of these activities allow the coexistence of paid and unpaid work, but represent an over-reliance on women's labour without providing them with support. Moreover, digital financial services are not designed and regulated to facilitate long-term savings that could support autonomy.

Consequences

Access to digital financial services does not address gendered disadvantage that hinders autonomy. It even increases responsibility and expectations on women to manage paid and unpaid work. Interventions to provide a regular living wage as well as welfare support and public social services such as housing, healthcare, education and childcare would contribute more to women's autonomy than mere access to digital financial services.

RECOMMENDATIONS FOR DIGITAL FINANCIAL INCLUSION POLICIES:

1. Policy, regulation and funding should address the gendered reasons of financial exclusion i.e. lack of regular income, subsistence and social security. Financial exclusion should be addressed with measures to tackle inequality in land distribution, income, employment, healthcare, education and access to social services.

2. Research to inform policymaking should focus not just on the benefits of digital finance for the 'financially excluded' but also on those who truly profit from the digital financial business.

3. Local informal financial practices and the needs of grassroots communities should be a starting point to develop strong community-owned financial institutions accessible by everyone, without interference from Western governments, multinational corporations, financial institutions and philanthrocapitalist foundations.

4. Fintech should be regulated in the public interest and could be used to build and facilitate social security and gender justice.

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Dr Natile's research and teaching interests lie in the areas of gender studies, international economic law, labour law, finance and digital technologies. In her work, Serena brings together socio-legal enquiry, critical political economy analysis and feminist and decolonial methods to examine issues relating to coloniality, social reproduction and maldistribution and, more generally, the relationship between law and socioeconomic injustice. More about her research and publications can be found here: *https://warwick.ac.uk/fac/soc/law/people/serena_natile/.*

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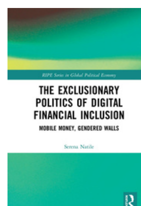

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