

THE ROLE REGULATORS PLAY IN CLOSING THE FINANCIAL INCLUSION GENDER GAP: A CASE STUDY OF EL SALVADOR



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ABOUT THE AFI GENDER INCLUSIVE FINANCE MAPPING PROJECT

54%

Around the world, about **740 million women still do not have bank accounts** – representing 54 percent of all unbanked adults, as of 2021.¹

9-6%

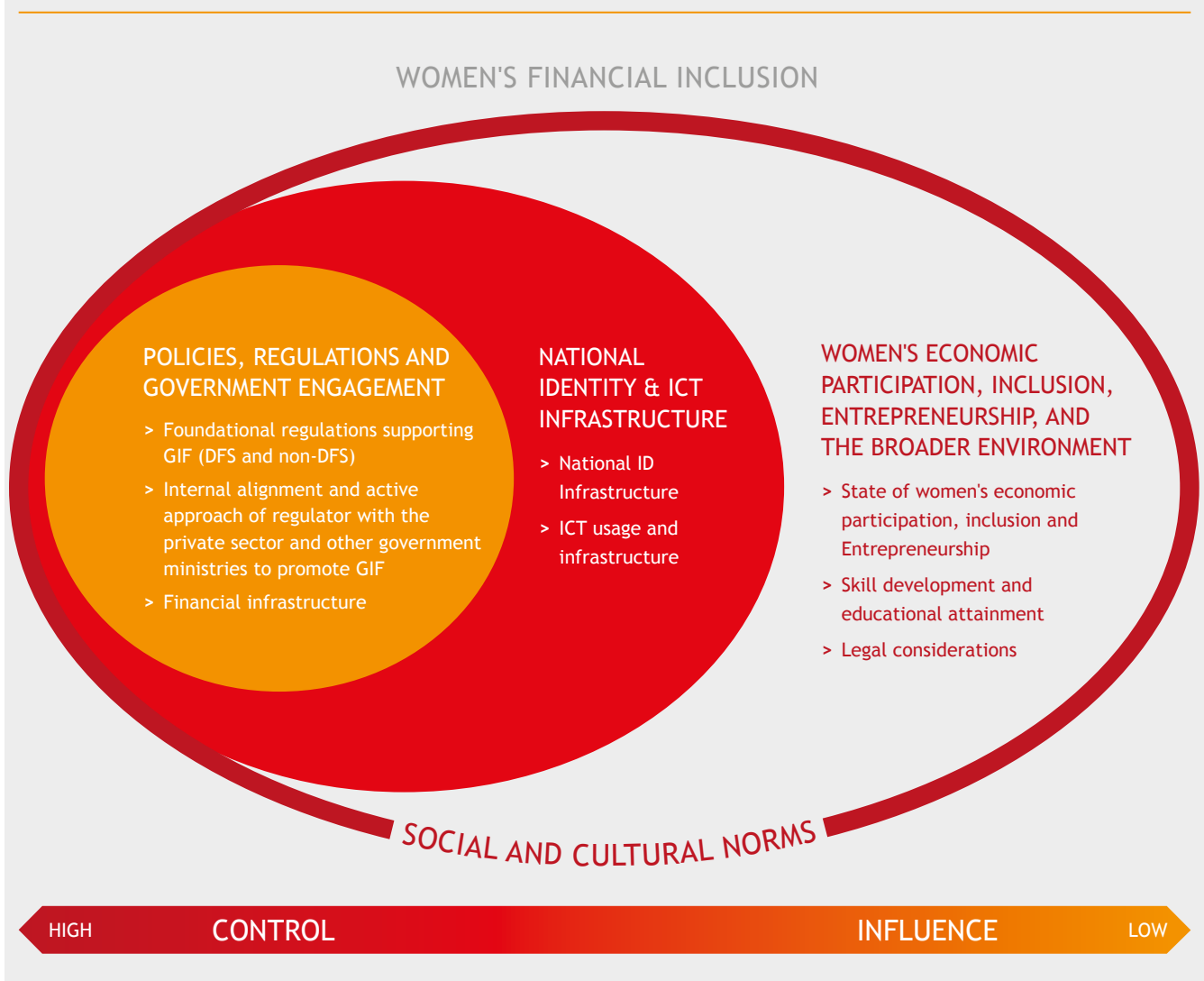
The efforts to narrow the finance-gender gap have been paying off since 2017, with a **gap reduction of nine percent to six percent in developing and emerging countries.**²

It is clear, however, that more must be done to address this persistent financial inclusion gender gap which is more than simply the right thing to do: It also makes good business sense, with estimates suggesting that advancing women’s equality could add USD12 trillion to global gross domestic product by 2025. Women-led small and medium enterprises (WSMEs) already make significant contributions to the economies in which they operate, accounting for a third of all SMEs, and a much higher percentage in many countries, and being a segment that has long been recognized as an important engine of growth and job creation but one that suffered from high levels of informality and significant gender gap in access to credit.

1 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

2 Ibid.

FIGURE 1: GENDER INCLUSIVE FINANCE ANALYTICAL FRAMEWORK: INFLUENCERS OF INCLUSION WHERE REGULATORS CAN HAVE IMPACT ON WOMEN'S FINANCIAL INCLUSION



This case study offers an overview of the current state of women’s financial inclusion in El Salvador. It takes stock of the government’s progress in advancing women’s financial inclusion. It delves into the specifics of the national financial regulatory environment, highlighting the key strategies and initiatives that have contributed to closing El Salvador’s gender gap in access to finance. And it also provides detail on factors influencing women’s financial inclusion outside of the regulator’s remit. The case studies are designed to be stand-alone documents, but readers may also be interested to review the Project’s Landscape Study, which provides a full picture of WFI and GIF across the AFI network, as well as the summary report, which synthesizes key findings from the research.

There is no single reason why women cannot access or use financial services. Rather, it is a complex blend of regulatory factors, suitable products and services, access to education and ID documents, suitable infrastructure available in places where women can use it and products and services that meet their needs, lastly social and cultural barriers play a significant part.

The Alliance for Financial Inclusion (AFI) Financial Inclusion Gender Gap Mapping project is designed to increase understanding about the barriers and enablers of women’s financial inclusion (WFI), with the goal of helping financial sector regulators and policy makers identify highly specific and concrete actions that will drive greater inclusion in their countries.

The holistic research breaks new ground by identifying specific factors and areas over which financial regulators have direct influence: policies, regulations, and government engagement to advance WFI. But instead of looking at the financial regulators’ landscape in isolation, the research also explores other spheres of influence within the broader context of women’s economic participation and inclusion, providing nuanced insight into women’s place in society and the economic fabric of their countries. Figure 1 illustrates this interplay, delineating the various factors that can contribute to increased WFI. It highlights the specific role financial regulators can play in advancing progress, as well as the degree to which they can influence other critical factors. The graphic also portrays the overarching impact that social and cultural norms have on the entire WFI ecosystem – and women’s equality in general.

Figure 1 shows that many factors fall outside the financial regulators’ direct remit. However, they are essential for enabling women’s financial inclusion environment—and advancing the regulatory women’s financial inclusion agenda. For instance, just because there is a regulatory policy to encourage increased lending to women entrepreneurs, it does not mean there will be a significant uptick in a bank’s WSME loan portfolio—unless other changes in financial infrastructure and bank approaches have occurred. The research findings are clear: without aligned and coordinated action across all the spheres of control and influence, progress toward gender parity in financial inclusion will only go so far.

In essence, the project is a call to action for financial regulators on two fronts: are they doing everything within their mandate and sphere of influence to advance progress on women’s financial inclusion? And, after addressing all the factors in their sphere of influence, what else can they do outside their direct remit to support the broader WFI ecosystem?

By providing financial sector policy makers and regulators with a deeper knowledge base about specific regulatory solutions that are having an impact – as well as pathways that will advance other drivers of inclusion – these critical stakeholders can enhance the effectiveness of their interventions and maximize their role in closing the financial inclusion gender gap in their nations. In turn, these efforts will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), specifically SDGs 1 (No poverty), 5 (Gender equality), and 8 (Decent work and economic growth).

Although the case studies are designed to be stand-alone documents, readers may also be interested in reviewing the Project’s Landscape Study, which provides a full picture of WFI and Gender Inclusive Finance (GIF) across the AFI network, as well as the summary report, which synthesizes key findings from the research. Other case studies from the region include Dominican Republic, Egypt, Fiji, Ghana, Honduras, Jordan, Kenya, Mongolia, Nigeria, Pakistan, Peru, Solomon Islands, Tunisia, and Uganda.

EXECUTIVE SUMMARY

El Salvador is the smallest country in Central America, with less than seven million individuals; however, women represent 53.3 percent of the population and are an important market.

Data from the World Bank Global Findex reveals a jump in financial inclusion from 2011 to 2014, especially that of women.

29%

As of 2021, 29 percent of women and 45 percent of men owned an account, representing a gender gap of 16 percentage points, which is well above the regional and peer income group averages.

70%

Nevertheless, 70 percent of women still do not have a bank account, and even fewer have access to credit and insurance.

Financial inclusion barriers in El Salvador are complex and relate to both the demand and supply sides.

According to the 2017 national survey of micro and small enterprises (MSEs) conducted by the National Commission for Micro and Small Enterprises (“Comisión Nacional de la Micro y Pequeña Empresa” or CONAMYPE) highlights that 74.8 percent of MSEs are developed in the informal sector in El Salvador. This means that individuals have unpredictable and irregular incomes.

In addition, the population lacks knowledge about some financial products, identifying an opportunity to implement financial education mechanisms that allow for greater trust in financial institutions.

On the supply-side, formal financial institutions have historically offered ill-suited products to the realities of low-income, informal workers and women; only banking cooperatives and savings and loan associations are serving these populations, if at all.

Mobile money and digital financial services (DFS) hold promise in El Salvador, and several solutions have emerged since the 2015 law to regulate the space. Tigo Money is the only company in its field and its growth has been remarkable, but still, only 10 percent of women and 12 percent of men own a mobile money account.³

³ World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>



A young salvadoran woman embroils necklaces to sell to tourists. (edfuentesg/iStock)

Forward looking, El Salvador's financial regulator focuses on creating the necessary infrastructure for DFS, including a robust agent network, and encouraging the emergence of e-wallets and digital solutions that leverage the prevalence of feature phones.

El Salvador's financial inclusion efforts are driven by the Banco Central de Reserva El Salvador (BCR), the coordinator of the National Council for Financial Inclusion and Education ("Consejo Nacional de Inclusión y Educación Financiera" or CNIEF). The CNIEF includes public actors to promote financial inclusion and is responsible for implementing the National Financial Inclusion Policy ("Política Nacional de Inclusión Financiera" or PNIF) from 2021 to 2024.

Women are a priority segment of the PNIF despite the lack of gender targets in the strategy, and efforts are focused on improving the collection and analysis of sex-disaggregated data, financial education, and the provision of tailored products and services that better meet users' needs.

The BCR has made great progress in establishing a system for collecting, aggregating, and reporting supply and demand-side sex-disaggregated data since the start of the PNIF in 2021.

Within November 2022, results from the second iteration of the National Survey on Access to and Use of Financial Services were published. The last quinquennial survey consisted of a sample size of about 5,200 adults, 50 percent of which were women. At the end of 2022, the BCR launched a new repository database that centralizes and consolidates all data, from regulated financial institutions (commercial banks, financial cooperatives, and savings and loan associations), BCR has begun collecting Payment System information and pretend to complete the implementation by the third quarter of 2023. To allow a more periodic visualization of the Financial Inclusion and Payment Systems indicators, this last one segregates information not only by sex but also by geographic area, and age.

In October 2022, the government launched the first National Financial Education Strategy ("Estrategia Nacional de Educación Financiera" or ENEF), which details efforts to increase financial capabilities. Women will be reached through collaboration with local, women-focused organizations. While women are not an explicit segment, and no specific target is set on women directly, gender equality and the principle of no discrimination is a core focus of the ENEF.

BCR is coordinating with various financial institutions to promote financial service providers (FSPs) to launch products tailored to women and the un- and underbanked. For example, BCR is supporting commercial banks to develop and launch a basic savings account that can be opened without a starting balance, due to the recent reform of the Law to Facilitate Financial Inclusion (June 2022); normally, a minimum deposit is required to open an account, to the Internal Policies of each financial institution. Additionally, the two state banks and the development bank have recently launched product lines dedicated to women and MSMEs owners.

Despite their high level of education, women face disparities when it comes to employment, which severely impacts their access to and usage of financial services. Many women work informally, which results in lower opportunities to access formal services. Moreover, they are often found running businesses and are over-represented in sole proprietorship and microenterprise segments and certain economic sectors (such as retail).

Therefore, there is a huge opportunity for FSPs to support women to expand their business through credit and non-financial services such as business skills training, marketing, financial record, and bookkeeping.

Last but not least, all institutional and national efforts focusing on Salvadoran women must consider gender norms and how they affect women's agency and role in society and in the household.⁴ Indeed, women consistently face violence and discrimination that affects their ability to further their lives and families. FSPs must understand these dynamics as they design products to reach women, for example, ensuring confidentiality, non-discriminatory treatment, and ease of access through digital channels. Policymakers can collaborate with national players, male community leaders, and representatives to advance the overall gender equality agenda and support women's empowerment.

4 <https://www.spotlightinitiative.org/news/my-role-building-violence-free-society-how-positive-masculinity-taking-root-el-salvador> and <https://repository.usfca.edu/cgi/viewcontent.cgi?article=2282&context=thes>

STATUS OF WOMEN'S FINANCIAL INCLUSION IN EL SALVADOR

Financial inclusion has been a priority for the Salvadoran government. The World Bank's Findex data is the best sex-disaggregated financial services data available in El Salvador, given the lack of supply-side data and continuous collection of demand-side data (carried out in 2016 and 2022).

Findex account ownership data reveals a tripling of women with accounts from 2011 to 2014; however, 2014 marks the highest percentage of women with accounts: 31 percent.

Since that year, women's account ownership has decreased slightly, with the 2021 Findex revealing that 29 percent of women in El Salvador have accounts. The number of men with accounts similarly increased significantly from 2011 to 2014 and then decreased from 2014 to 2017, but as of 2021, 45 percent of men owned a bank account.

As a result of the disproportionate rate of increase for the inclusion of men, the gender gap in account ownership has steadily increased from just seven percentage points in 2011 to 16 percentage points in 2021. Reversing this trend is something the new PNIF is looking to address.

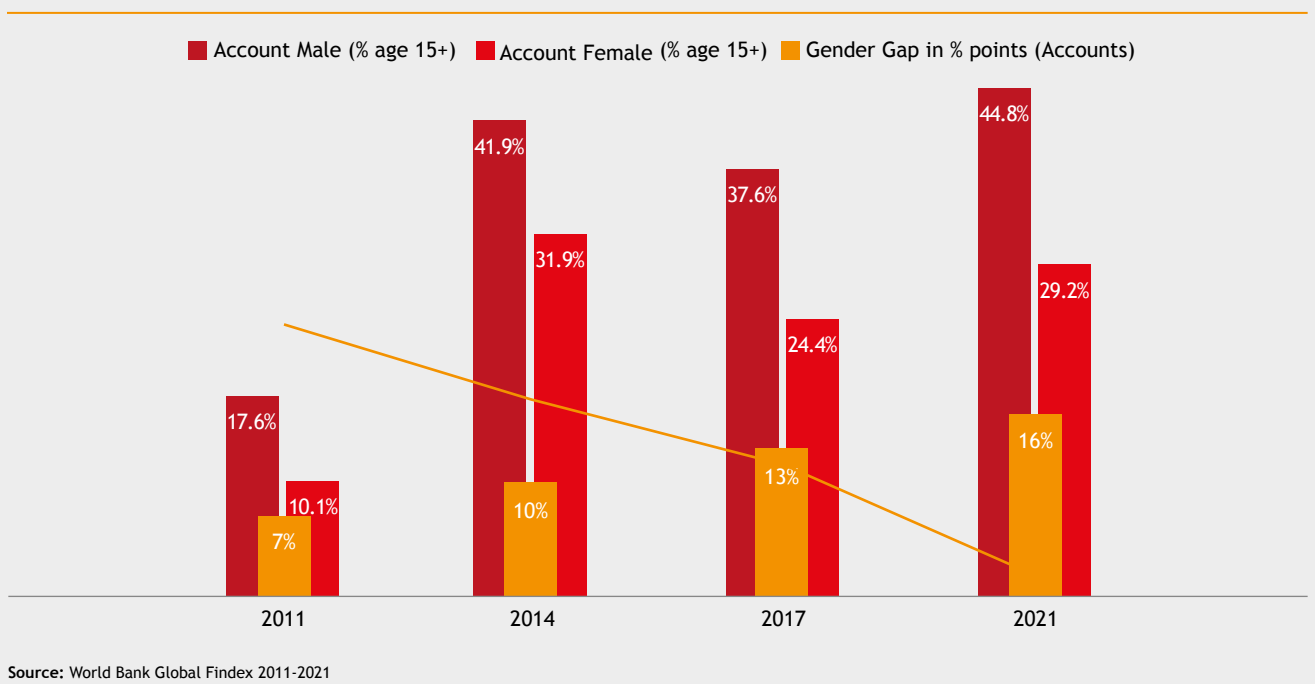
The sex-disaggregated data that BCR collected in 2022 revealed more nuances than Findex, especially around which financial institutions women are interacting with and how, and as it is known from Findex is that very few women save or borrow from a formal financial institution.⁵ In 2021, only five percent of women (12 percent of men) saved at a financial institution, while 11 percent borrowed from a formal financial institution. Instead of saving in accounts, most individuals hoard money at home, according to the BCR, with all the risks that it entails.

Furthermore, instead of turning to financial institutions to borrow money, most rely on friends and family (17 percent of women report borrowing from friends and family).⁶

⁵ World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

⁶ Ibid7

FIGURE 2: ACCOUNT OWNERSHIP FOR MEN AND WOMEN IN EL SALVADOR AND THE GENDER GAP IN ACCESS TO FINANCIAL SERVICES 2011-2021



Beyond informal methods, many Salvadoran use cooperatives as well as savings and loans associations, and likely a disproportionate number of women, but without the soon-expected supply-side database, it is impossible to see the full picture.

The main reasons for low levels of account ownership and usage of products provided by financial institutions are related to both the demand and supply sides. El Salvador has very high levels of informality, especially among women: 49 percent of women and 42 percent of men in urban areas work informally.^{7,8}

For individuals working informally, income is often irregular and unpredictable, and often these individuals lack the documentation and collateral required to access loans and more complex products. Furthermore, women in El Salvador earn less than men, meaning they have less disposable income and a lower opportunity to save.

On the supply side, there is a shortage of products accessible to the average, low-income and informal working population, and formal financial institutions cater mainly to the financially included middle and salaried classes, especially those in urban areas. The BCR is encouraging institutions to implement simpler products, such as savings accounts that do not require an opening balance and have lower fees. This is taking time while there is widespread distrust in FSPs due to their (high) costs and business practices. Generally, formal financial services are viewed as an option intended for well-to-do people, thus fostering the use of cash throughout the majority of the Salvadoran population.

The availability of mobile money has yet to translate into progress on financial inclusion in El Salvador, likely due to resistance to utilizing digital channels and a preference for cash and physical interactions.

10%

According to Findex, 10 percent of women and 12 percent of men will have a mobile money account in 2021.⁹

Tigo Money, launched in 2011, has gained the most traction and reports one million users as of 2018.¹⁰ This user base is notable but could be higher given the total population of slightly above six million individuals, 11.07 million mobile phone subscriptions¹¹, and that registering for Tigo Money can be done remotely or at service points in 90 percent of the municipalities.¹²

Digital financial service (DFS) providers will need to focus on educating the general population to overcome preferences for cash, fear of fraud, and the lack of trust in digital channels and formal financial institutions for mobile money and DFS to become more ubiquitous. The regulator could motivate financial service providers (FSPs) to develop educational materials and services.

7th

Globally, El Salvador has the seventh highest rate of remittances as a share of gross domestic product (GDP)¹², yet remittances still need to be viewed as an avenue for financial inclusion.¹³

According to the Survey of the Salvadoran population in the United States 2022 BCR in collaboration with IOM, 95 percent of all remittances are used for consumption in combination with other uses, leaving only and 10 percent potentially saved. Urban households are more likely to be recipients of remittances (22 and 18 percent urban/rural households receiving any remittances, respectively), and the average amount received is also higher in the urban areas, by about 31 percent.¹⁴

7 Most Salvadorans live in urban areas: 74 percent according to the World Bank (2021).

8 La Oficina Nacional de Estadística y Censos. (2020). Estadísticas de Igualdad de Género. (n.d.). Retrieved 29 September 2022. Available at: http://aplicaciones.digestyc.gob.sv/observatorio.genero/igualdad/boletin_2020.aspx

9 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

10 Estrategia y Negocios. (2018). Tigo Money El Salvador tien un millón de clientes que realizan un promedio de 22 millones de transacciones al año. Available at: <https://www.estrategiaynegocios.net/empresasymangement/tigo-money-el-salvador-tien-un-millon-de-clientes-que-realizan-un-PYEN1210168>

11 Sava, J.A. (2022). Smartphone user penetration as a share of mobile phone users in Central America in 2017, by country. Available at: <https://www.statista.com/statistics/942186/percentage-mobile-phone-users-who-use-smartphone-central-america/>

12 Tigo Money. (2021). Memoria de Labores. Available at: https://assets.tigocloud.net/j1bxozgharz5/5C6RHU0CPZeRcHw7AGmUF/c132d0a2c41a21e678b395f48a1708a3/Memoria_de_Labores_Tigo_Money_2021.pdf

13 Theglobeconomy. Remittances, percent of GDP in Low- and middle-income countries (World Bank classification). Available at: https://www.theglobeconomy.com/rankings/remittances_percent_GDP/WB-low-mid/

14 International Organization for Migration (2017). Encuesta Nacional de Migración y Remesas El Salvador 2017. Available at: <https://infounitna.iom.int/document/encuesta-nacional-de-migracion-y-remesas-el-salvador-2017/>

Furthermore, according to Statistic report of family remittances January - December 2022, 31 percent of all remittances are paid to the bank account higher than what was registered in 2019, which was 25 percent therefore there is a growing trend in the use of savings accounts for the payment of remittances.¹⁵ While El Salvador's National Financial Inclusion Policy does define migrants as a key segment, remittances are not a focus due to these factors.

Based on the available data from the National Survey on the Access to Financial Services of 2022, only 13 percent of the overall adult population reported having some type of insurance, mainly life insurance (nine percent) and health insurance (two percent).¹⁶

In terms of gender, significantly fewer women than men reported having some insurance (17 vs. 10 percent). This low uptake was associated with the cost as the main constraint to acquiring insurance products, as the need for such products is very present. As the top reason to save, 28 percent of the adult population reported saving for emergency and unforeseen expenses, and more men than women save for this reason (29 vs. 26 percent).

According to the above survey, when it comes to retirement funds, only 18 percent of respondents saved or contributed to a pension in the last twelve months, with a significant gap between men (25 percent) and women (12 percent), and the pension fund administrator being the main form (74 percent).

18%

According to the above survey, when it comes to retirement funds, only 18 percent of respondents saved or contributed to a pension in the last twelve months, with a significant gap between men (25 percent) and women (12 percent), and the pension fund administrator being the main form (74 percent).

¹⁵ BCR, 2022.

¹⁶ Results of National Survey on Access and Usage of Financial Services and Products, 22." Bank of Reserve, data taken from 2022. The sample of the survey was composed of women and men aging 18 years and above. <https://app.powerbi.com/view?r=eyJrljoiYzJlYWnkNGEtZTcxNy00MGQxLWlxOTYtNTA0NTc2MDE5YjhiliwidCI6ImOGM2MDFmLWWM2OGUtNDg5YS1hNmM0LWnkMWE0ZTc4MDg5MilsImMiOjR9&pageName=ReportSection-9629c9435b278477207e>.



Salvadoran woman stands outside her house next to the vegetables she grows. (Alexandre Laprise/Shutterstock)

FINANCIAL INFRASTRUCTURE

For a small country, El Salvador has a robust financial system consisting of commercial banks, cooperatives, and savings and loan associations. Of the 12 commercial banks, 10 are private, and two are state-owned.¹⁷ The top four leading private banks account for above 70 percent of the banking sector (ranking as of 31 March 2023 in terms of assets, loans, and deposits), and the two state-owned banks account for around 11 percent.¹⁸

Only six of the country's 587 banking cooperatives are regulated by the Central Bank, and 28 belong to the Federation of Savings and Credit Cooperatives.¹⁹ The Salvadoran Institute for Cooperative Development ("Instituto Salvadoreño de Fomento Cooperativo" or INSAFOCOOP), authorizes and monitors financial cooperatives. In addition, there are four regulated savings and loan associations in El Salvador.²⁰

Cooperatives as well as savings and loan associations tend to focus on lower-income segments, historically reaching more women than commercial banks.

52%

By the end of March 2022, INSAFOCOOP reports that out of a total of 1,367 active cooperatives, 45 percent (610) are Saving and Credit Cooperatives, with a total of 635,013 members, the majority of which are women (52 percent).²¹

However, private commercial banks have recently become more attuned to the women's market and are beginning to design strategies, products and services tailored to different segments of women, including women business owners. In addition, state-owned banks have loan products focused on women who are informal workers, including: line for domestic employees, housing loans, loans for micro-entrepreneurs and micro-producers offering preferential interest rates.

El Salvador's banks and cooperatives together provide a robust network of Automated Teller Machines (ATMs) and commercial banks that are accessible enough to the

general population, 74 percent of whom live in urban areas.²² As of 2021, El Salvador had 36 ATMs per 100,000 adults, a figure that has remained fairly consistent for the past five years.²³ The commercial bank branch infrastructure has contracted in the last five years, from 15 per 100,000 adults in 2017 to nine in 2021.²⁴ Over this period, the number of credit unions and cooperative branches has remained steady, with less than two per 100,000 adults in 2021.²⁵

El Salvador's agent banking network has expanded recently, delivering on the promise of easy access to as many Salvadorans as possible:

- > The number of mobile money agent outlets grew by eight percent from 2020 to 2021, with 125 per 100,000 adults in 2021.²⁶
- > The use of mobile money has skyrocketed during this COVID-19 period: the number of mobile money transactions per 1,000 adults increased 12-fold to 2,243 in 2021 despite not as notable growth in the agent network.²⁷

17 Privacy Shield. El Salvador – Banking Systems. Available at: <https://www.privacyshield.gov/article?id=El-Salvador-Banking-Systems>

18 Ibid and SSF - Estados Financieros de entidades supervisadas database

19 El Salvador | coops4dev.coop. El Salvador. Available at: <https://coops4dev.coop/en/4devamericas/salvador> and Privacy Shield. El Salvador – Banking Systems. Available at: <https://www.privacyshield.gov/article?id=El-Salvador-Banking-Systems>

20 Privacy Shield. El Salvador – Banking Systems. Available at: <https://www.privacyshield.gov/article?id=El-Salvador-Banking-Systems>

21 Transparencia. INSAFOCOOP Salvadoran Institute for Cooperative Development Portal de Transparencia—El Salvador. Available at: <https://www.transparencia.gob.sv/instituciones/insafocooop/documents/estadisticas>

22 World Bank. Rural population (% of total population) – El Salvador. Available at: <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=SV>

23 International Monetary Fund. Financial Access Survey (FAS) Database. Data. Available at: <https://data.imf.org/regular.aspx?key=61063966>

24 Ibid

25 Ibid

26 Ibid

27 Ibid

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) INFRASTRUCTURE

Data on women’s mobile phone ownership is unavailable as the National Telecommunication Regulator (“Superintendence of Electricity and Telecommunications” or SIGET) or other stakeholders do not publish sex-disaggregated data. In total, there were 11.1 million registered mobile phone subscriptions in 2021, which is immense considering the total population.

This equates to 175.3 mobile cellular subscriptions per 100 inhabitants, up from 153.4 the year before.²⁸ However, only 37 percent of mobile users own a smartphone as of 2017, which limits opportunities for internet and app-based products and services.²⁹ To achieve further reach, digital financial service providers must deploy simple technology using USSD, SMS, or interactive voice response, so that those without smartphones can transact.

55%

Fifty-five percent of the Salvadoran population used the internet as of 2020, more than double the number five years before.³⁰

The Affordability Report 2021 reveals that El Salvador has relatively affordable internet, which explains the increased connectivity in recent years.³¹ However, it is not known what share of the population connects via smartphone (versus computer) and the breakdown by sex. This data would help stakeholders determine and address gaps in digital connectivity to lay the necessary infrastructure for digital financial services. It is also generally known that internet accessibility in rural areas is a challenge and will pose a barrier to further financial inclusion in remote areas.

ID INFRASTRUCTURE

A national ID is required to open a bank or mobile money account in El Salvador. However, this is not a barrier to women’s financial access given that 90.6 percent of Salvadoran women have a national ID.³² In fact, the share of women with a national ID is greater than that of men.

With the passage of the 2021 Bitcoin Law (described in detail in the Regulations section), the Salvadoran government implemented measures to enable the digital identification of individuals. These include using biometric records, unique identity document scanning, geolocation, and IP recognition, among other rigorous techniques or alternative technological methods.³³ Financial service providers (FSPs), like Banco Promerica, are beginning to deploy these technologies to digitally verify the identity of customers when opening a bank account.³⁴

This makes it easier for individuals to open an account, as instead of visiting a branch or agent in person, they can do so remotely.

28 Sava, J.A. (2022). Smartphone user penetration as a share of mobile phone users in Central America in 2017, by country. Available at: <https://www.statista.com/statistics/942186/percentage-mobile-phone-users-who-use-smartphone-central-america/>

29 Ibid

30 World Bank. Individuals using the Internet (% of population) – El Salvador. Available at: <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=SV>

31 Alliance for Affordable Internet. (2021). The Affordability Report 2021. Web Foundation. Available at: <https://a4ai.org/report/2021-affordability-report/>

32 World Bank. ID4D Data. Available at: <https://id4d.worldbank.org/global-dataset>

33 Campillo, R. (2021). Identifying customers with the new Bitcoin Law in El Salvador – Mobbeel. Available at: <https://www.mobbeel.com/en/blog/identifying-customers-with-the-new-bitcoin-law-in-el-salvador/>

34 Ibid

THE ROLE OF GOVERNMENT AND FINANCIAL REGULATOR IN DRIVING GENDER-INCLUSIVE FINANCE

El Salvador's history of tackling women's barriers to financial inclusion began in 2012 when the Central Reserve Bank of El Salvador (BCR) became a member of the Alliance for Financial Inclusion (AFI).

The BCR established goals within the framework of the Maya Declaration to promote financial inclusion, which was linked to the provision of mobile financial services, developing a financial education strategy, and analyzing and defining actions and solutions for low-income populations. The BCR further committed to working towards reducing gender disparities in financial inclusion, specifically by signing the Denarau Action Plan in 2017.

The Law to Facilitate Financial Inclusion³⁵ was approved by the Legislative Assembly in 2015, and

the following year, regulations around mobile money and savings accounts with simplified requirements were implemented. Moreover, El Salvador launched in 2016 its first National Survey of Demand for Access to Financial Services, a quinquennial survey that includes sex-disaggregated indicators.³⁶ The recent survey was disclosed in Q4 2022.

In 2019, the National Council for Financial Inclusion and Financial Education (Consejo Nacional de Inclusión y Educación Financiera or CNIEF) was formed, serving as the governing and implementing body of the country's financial inclusion and financial education agenda. The BCR is the coordinator of the CNIEF. Two technical support groups are composed of various institutions; one group tackles financial inclusion (called GATIF or Support Group on Financial Inclusion Issues), and the other financial education (called GATEF or Support Group on Financial Education Issues). Recently, in the first quarter of 2023, a Subgroup of Financial Inclusion of Women was created by the CNIEF, which leads GATIF.

35 Superintendencia del Sistema Financiero. (2011). Ley para facilitar la Inclusión Financiera. Available at: <https://www.ssf.gob.sv/descargas/Leyes/Leyes%20Financieras/Ley%20para%20facilitar%20la%20Inclusi%C3%B3n%20Financiera.pdf>

36 The 2022 results of the survey were released in November 2022.

FIGURE 3: NATIONAL FINANCIAL EDUCATION AND FINANCIAL INCLUSION COUNCIL IN EL SALVADOR



All this led up to the creation of the National Policy on Financial Inclusion (PNIF) in 2021, which was approved by the President Nayib Bukele.³⁷ The PNIF covers the years 2021-2024 and aims to define general guidelines to promote an inclusive financial system in which low-income people, women, and micro and small enterprises (MSEs) can access and use financial products and services in better conditions of security, efficiency, and transparency.

The PNIF does not include concrete gender targets, but women are a focus segment. Specifically, the BCR outlines four key priorities relating to women's financial inclusion:

- > Generate sex-disaggregated statistical information and indicators.
- > Identify barriers and limitations women face in accessing the financial system, focused on savings, insurance, and pensions.
- > Empower women through financial education, taking advantage of the infrastructure of social programs.
- > Promote the design of financial products suited to the needs of women entrepreneurs and business owners.

Therefore, while there has been some progress on women's financial inclusion in the last decade, stakeholders are hopeful that the PNIF will provide the extra push as well as the coordination, accountability, and actions required to really progress on women's access and usage of formal financial services.

Lastly, in August 2022, the President Nayib Bukele approved the National Financial Education Strategy, launched in late October 2022. The Strategy details coordinated actions to be taken by the stakeholders of the GATEF technical group as well as the wider industry to improve financial education from the baseline of 10.3 percent in 2016. The strategy is focused on improving individuals' ability to develop balanced budgets and monitor expenditure control, as well as face contingencies for any unexpected expenditures. The strategy executors ensure that the financial education programming reaches women as individuals and entrepreneurs by coordinating efforts with women's organizations.

FOUNDATIONAL REGULATIONS THAT ENABLE GENDER-INCLUSIVE FINANCE

Recently, the Salvadoran government has implemented several regulations that set the foundation for further financial inclusion of women through digital and non-digital channels.

Among the poorest and smallest countries in the Western Hemisphere, El Salvador conveys how AFI members can shape an enabling environment for improved women's financial inclusion and join a handful of pioneering countries on gender data, even in a challenging context.

DIGITAL FINANCIAL SERVICES REGULATION

Mobile money in El Salvador has recently become more widespread, partly due to legislation passed in the last decade to regulate the industry and its providers. The 2015 Law to Facilitate Financial Inclusion regulates the mobile money industry in El Salvador. The law imposes disclosure requirements and consumer protection standards and allows for the authorization of banks to issue their own mobile money services. The law also provides some oversight for agent banking networks, including defining the cash-in and cash-out services and setting transaction limits and disclosure standards.

The only electronic wallet provider in El Salvador is Tigo, which was launched in 2011 by the mobile-network operator Millicom and in August 2018, it was authorized by the Superintendence of the Financial System (SSF) as the first Electronic Money Provider in El Salvador.

Tigo Money accounts can be opened with just an ID card, either online or in-person, at Tigo service points, and by the end of 2021, the company reported more than 2,410 agents that enable access to Mobile Money users to around 90 percent of the country municipalities.

37 Banco Central de Reserva de El Salvador. (2020). Política Nacional de Inclusión Financiera Para el Salvador (PNIF-SLV). Available at: <https://cdn.inclusionfinanciera.gob.sv/wp-content/uploads/2021/01/El-Salvador-PNIF-Version-VFinal-Nov-2020.pdf>

38 Inclusión y Educación Financiera. Estrategia Nacional de Educación Financiera. Available at: <https://inclusionfinanciera.gob.sv/educacion-financiera/#enef>

39 Tigo Money. (2021). Memoria de Labores. Available at: https://assets.tigocloud.net/j1bxozgharz5/5C6RHl10CPZeRChw7AGmUF/c132d0a2c41a21e678b395f48a1708a3/Memoria_de_Labores_Tigo_Money_2021.pdf

The e-wallet allows users to deposit or withdraw cash into their Tigo account, send money to friends, pay bills, and receive remittances. Today, Tigo has more than one million users (as of 2018), is accepted at most retailers across the country, and can be used to pay most utility, telecommunications, and insurance bills. There is great potential for Tigo Money and potentially other new e-wallet providers to catalyze women's financial inclusion, provided that there is a parallel emphasis on a robust agent infrastructure and education campaigns to increase the unbanked population's comfort with digital payments.

Most recently, in 2021, El Salvador passed the Bitcoin Law, which recognizes Bitcoin as a valid digital currency. Soon after, Chivo Wallet was created, an e-wallet for Bitcoin and dollars.^{40,41} Today, between two to three million Salvadoreans own a Chivo Wallet, although its users tend to come from the highest income and education population, given the complex nature of cryptocurrency and that a smartphone is needed to open and operate an account.⁴²

Chivo is becoming increasingly accepted in stores throughout the country; however, it is a process of adaptation that involves education processes that promote confidence in its use in small businesses.

Together, the Bitcoin Law and the Law to Facilitate Financial Inclusion broadly regulate the financial sector

in terms of innovative technologies. However, beyond the mentioned mobile money and Bitcoin, there have been limited FinTech innovations coming out of El Salvador.

For FinTech to become an avenue for increased financial inclusion, solutions must consider the unique realities and needs of unbanked populations and women, and leverage delivery mechanisms that these populations access. A regulatory sandbox is one way many countries promote FinTech innovation for financial inclusion and could be leveraged by the BCR to catalyze the sector.

In December 2021, the BCR and the SSF launched the Financial Innovation Office ("Oficina de Innovación Financiera" or OIF) to provide services to FinTech ventures that are developed in El Salvador both by institutions and individuals subject to financial supervision and regulation, as well as by individuals and entities that are not currently subject to such powers but are owners of companies whose business model

40 Gobierno de El Salvador. (2021a). Diario Oficial. Ministerio De Gobernación y Desarrollo Territorial, Republica De El Salvador En La America Central. Available at: <https://cdn.inclusionfinanciera.gob.sv/wp-content/uploads/2021/06/Ley-Bitcoin.pdf>

41 <https://www.chivowallet.com/index.html>

42 Gobierno de El Salvador. (2021b). Más de 142 usuarios nuevos por minuto de la Chivo Wallet confirman el potencial de inclusión financiera y modernización con el bitcóin en el país. Presidencia de La República de El Salvador. Available at: <https://www.presidencia.gob.sv/mas-de-142-usuarios-nuevos-por-minuto-de-la-chivo-wallet-confirman-el-potencial-de-inclusion-financiera-y-modernizacion-con-el-bitcoin-en-el-pais/>



Women lining up to pay others during a community saving group meeting. (Alexandre Laprise/Shutterstock)

represents an innovation in financial matters, in order to guide them in understanding and complying with the existing legal and regulatory framework.⁴³

The Financial Innovation Office encourages the development of the financial technology industry and provides a confidential space for free dialogue. Its purpose is to facilitate the development of financial and technological innovations aligned with the regulatory objectives of the financial sector, such as improving financial inclusion, market functioning, financial consumer protection, financial stability, and risk control through assistance and provision of information on the regulatory and supervisory framework, to strengthen and support the development, security, and stability of the Salvadoran financial system.

The work from the regulator and supervisor's side in 2022 focuses on drafting the National FinTech Strategy (ENF) as a key initiative to promote a digital ecosystem and promote FinTech to enable development, stability, and financial inclusion. Through innovation, by various public and private organizations agree to work to meet financial needs and improve the welfare of the Salvadoran population both inside and outside the country. This strategy will recognize advances in technology, as well as changes in business models that will have the potential to transform the provision of financial services in the Digital Financial Ecosystem based on FinTech.

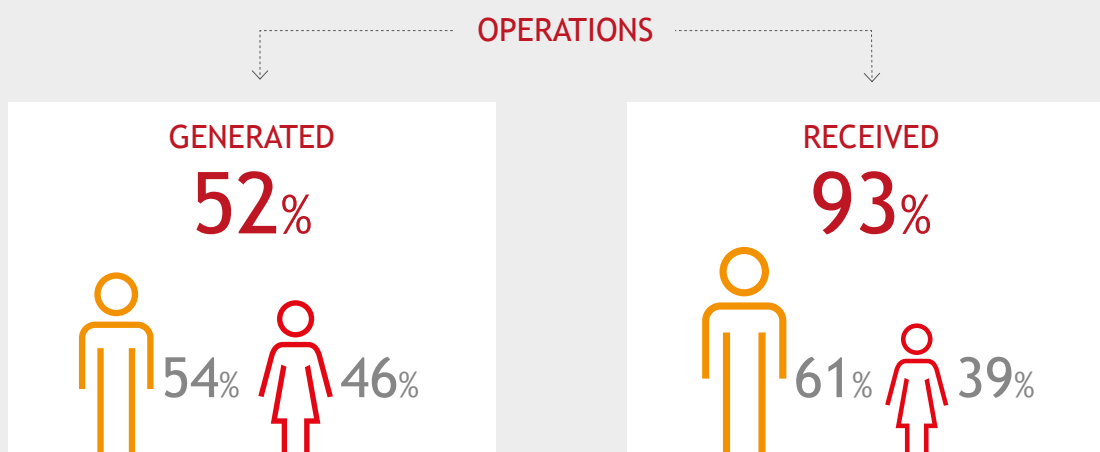
Interoperability is important to facilitate the use of digital financial services (DFS) and traditional banking, allowing customers real-time access to their funds and transfer between accounts and providers. This is especially important in a country where comfort with DFS is low and the unbanked are generally wary of formal financial services. The Central Reserve Bank of El Salvador has ensured interoperability through the launch of Transfer365 in 2021:

- > Payments and interbank transfers can be made on non-business days and hours, representing 24.1 percent and 35.8 percent, respectively.
- > It is the only payment system in the country with which the Salvadoran population can make payments and transfers on non-business days and hours.
- > From June 2021 to April 2023, the population has carried out 14.1 million interbank transactions for fund transfers, loan payments, credit cards and payroll payments free of charge, for a total of USD17,377 million.
- > Promoting modernization and innovation in the area of payment systems.
- > Since its launch in June 2021, Transfer365 has saved Salvadorans around USD31.9 million in transfer fees (average cost of two dollars per transfer plus VAT), which has benefited people's pockets.

43 Oficina de Innovación Financiera. Available at: <https://www.oif.gob.sv/>

FIGURE 4: TRANSFER365

Transfer365 has facilitated the financial inclusion of women through the sending and receiving of transfers, as shown in the following chart:



The BCR have implemented a series of laws and reforms to enable tiered Know-Your-Customer (KYC) and the provision of simplified account opening procedures in an effort to encourage increased access to bank accounts.

The 2015 Law to Facilitate Financial Inclusion paved the way for the provision of tiered KYC, and in June 2022, amendments to article 20 of the law were approved to simplify the requirements for Salvadorans when opening a bank account. This latest reform eliminates the requirement to fill out a “client profile” form for a certain type of simplified account, which asks customers to explain the source of their savings. Instead, the law allows customer profiling to be done digitally, such as through mobile apps. For example, last year, Banco Promerica teamed up with a local partner of Mobbeel, a KYC, digital onboarding, digital signature, and biometric authentication company to launch Cuenta Inicia, which can be opened fully remotely through the bank’s app, without the need to visit a bank branch.

Along with efforts to increase financial inclusion, data protection is essential to ensure a secure financial system. This is especially true in a country like El Salvador where there is widespread distrust and a belief that formal financial services are “not for me”.

Furthermore, the financial system must protect financial data. In 2021, Congress passed the Personal Data Protection Law. However, the law was vetoed and has not been updated or reintroduced since then. The only law that exists is the Law for the Regulation of Information Services on the Credit History of Individuals, which aims to ensure the proper handling of users’ and clients’ credit history data.

TRADITIONAL BANKING REGULATION

Similar to data protection, consumer protection regulations and functioning redress mechanisms are key to ensure trust in the financial system. Users must understand their rights and how to file a complaint, and the national agency responsible for consumer protection should monitor and analyze complaints, ideally by gender, to determine gender implications.

El Salvador has a Consumer Protection Act that applies to the financial system. The law explicitly prohibits sex discrimination in lending and has provisions for a ban on misleading advertising targeting women that may cause them to make injudicious financial decisions.

Micro and small enterprises (MSEs) are an important driver of economic growth in El Salvador, and women are responsible for creating and managing a large

share of the total enterprises, as described in detail later in the report. For decades, the government of El Salvador has worked to support the sector’s growth through financial access and skill building. The National Commission for Micro and Small Enterprises (“National Commission for Micro and Small Enterprises (“Comisión Nacional de la Micro y Pequeña Empresa” or CONAMYPE) was established in 1996 under the Ministry of Economy, and the latest reforms on the Law on Micro and Small enterprises of November 2017 give CONAMYPE an autonomous legal status and will be related through the Ministry of Economy to the other executive authorities.⁴⁴ CONAMYPE sets the national infrastructure around MSMEs in general and coordinates efforts of all stakeholders to support MSMEs, yet the country lacks a proper definition of women MSMEs.

CONAMYPE supported the National Program for Women’s Entrepreneurship⁴⁵, a public policy that seeks to achieve the autonomy and economic empowerment of women entrepreneurs in the country through the reduction of gender impediments that women face in the creation and development of their enterprises and the delivery of specialized tools for entrepreneurial and business development services. The Program has three specific mechanisms:

- > **Women and Business**, providing specialized training on entrepreneurship skills and innovation;
- > **Micro and Small Business Development Centers** (12 centers throughout the country), many operating on a public-private partnership basis, which provides business and financial consulting services most free of charge as well technical assistance to business led by women co-financed with government funds;
- > **Women’s Entrepreneurship Windows** (six in the country), to facilitate information on how to access various consulting services, training programs and funds or projects with a direct focus on women-led enterprises.

44 Comisión Nacional de la Micro y Pequeña Empresa. Available at: <https://www.conamype.gob.sv/>

45 Comisión Nacional de la Micro y Pequeña Empresa. (2017). Encuesta Nacional de la Micro y Pequeña Empresa. Available at: <https://www.conamype.gob.sv/download/encuesta-nacional-de-la-mype-2017/>

Movable collateral registries and robust credit bureaus are important to enabling women's access to finance, as women are less likely to have traditional collateral and need to be able to build credit history easily. In 2014, El Salvador established a movable collateral registry that is one of the five national registries that the National Registry Center houses.⁴⁶ The International Finance Corporation (IFC) has since highlighted the registry as the cause of a rapid improvement in legal rights for women and indigenous peoples. Fees are minimal, and the requirements to register collateral are simple. The law of movable collateral describes what can be accepted as collateral⁴⁷, such as tangible or intangible assets and goods, intellectual property rights, deposit accounts of money and investment or similar accounts, shares, and equity interests representing the capital of commercial companies. In general, any other property, right, contract, or share to which the parties attribute economic value is susceptible to alienation and is not prohibited by law from being encumbered.

El Salvador has three private credit bureaus: Transunion, Equifax, and Infored. The bureaus are regulated by a 2011 law aimed at guaranteeing the rights of consumers with respect to the reliability and proper handling of data related to their credit history.

Moreover, in 2021 a law was reformed that requires the bureaus to open their databases to the BCR for observation and authorizes the Consumer Ombudsman's Office and Superintendency of the Financial System to fine credit bureaus for any unethical use of citizen data or credit rating strategies, as well as the elimination of payment records related to credit card memberships that affected people's credit record.

INTERNAL ALIGNMENT AND ACTIVE PROMOTION OF VIBRANT ECOSYSTEM FOR GENDER-INCLUSIVE FINANCE

Beyond regulations and laws, a country needs to ensure clearly defined, coordinated actions and accountability for implementing financial inclusion. In El Salvador, the BCR is the main stakeholder driving financial inclusion, defined in this role through the PNIF and the National Council for Financial Inclusion and Financial Education (CNIEF), which was created in 2019. Through the CNIEF, the BCR coordinates and aligns with public and private stakeholders to drive the financial inclusion agenda and actions outlined in the PNIF.

As described, women are a critical segment of the national financial inclusion agenda, and therefore the BCR's activities often focus on women or integrate women into the dialogue. For example, in 2020, the BCR carried out technical workshops on financial inclusion for women to analyze the private sector's awareness of the women's market and the provision of financial products that promote the financial inclusion of women. Representatives from banks, savings and loan associations, financial cooperatives, and other stakeholders were involved in these roundtable events, and insights were used to implement the PNIF.

As mentioned, historically, commercial banks in El Salvador have not focused on unbanked, low-income, and women segments; instead, if formally served at all, these individuals tend to turn to cooperatives and savings and loan associations. The dearth of products and services tailored to these segments is considered a critical hindrance to inclusion in El Salvador. The government and BCR prioritize the need for products

⁴⁶ Based on the Law on Movable Guarantees, Decree 488 of 14 October 2013, article 6, in order to guarantee all present and future obligations, foresee to register all tangible and intangible property, rights on future goods, terms deposits etc.

⁴⁷ Centro Nacional de Registros. Ley y Reglamento de Garantías Mobiliarias. Available at: <https://www.cnr.gob.sv/servicios/ley-y-reglamento-de-garantias-mobiliarias/>

tailored to the realities of women and the unbanked, considering the high levels of informality (resulting in unpredictable and irregular incomes) and lesser incomes. This is clearly stated as a priority area in the PNIF and National Financial Education Strategy (NFES), and while still nascent, the tide has started to shift.

The BCR works directly with the industry through public-private approaches to promote financial products and services that meet the needs of the unbanked population, women and SMEs.

In 2022, the Law to Facilitate Financial Inclusion was reformed, establishing lower documentation requirements for the opening of a Simplified Requirement Savings Account (CARS), not requiring a minimum opening amount and promoting the development of financial education programs among institutions, with the objective of encouraging financial inclusion.

BCR recognizes the need to combine a product with financial education to overcome barriers of fear and confidence, as well as low financial literacy.

Specifically, for women MSMEs, banks are beginning to design products that account for irregular income flows and provide non-financial services like support formalizing business and operational processes. And the two state banks now have special credit lines for women and women MSMEs and have seen an increase in the share of women in their lending portfolio.

In 2022, 1,178 loans were granted in the formal sector for a total of USD71.1 million while 33,489 loans were granted in the informal sector for a total of USD128.2 million. In addition, 3,898 people benefited from the "Inclusión Mujer" credit line, and 180 small entrepreneurs received support through a line of credit for entrepreneurship. Also noteworthy were the loans granted through the "Usura Cero" and "Vivienda Mujer" lines of credit, as well as a seed capital competition for entrepreneurs.

Also, the national development bank launched its Banca Mujer program in 2014 to promote the economic empowerment and financial inclusion of women MSME owners.

33,641

The program has had immense success: as of December 2020, 33,641 businesswomen had benefitted from credits, guarantees, and training.

In 2022, the Salvadoran Guarantee Fund ("Fondo Salvadoreño de Garantía" or FSG) was promoted among entrepreneurs and MSE businessmen, the Ibero-American Guarantee Forum was organized, and a diagnosis of existing credit guarantee schemes was initiated.

Grassroots strategies like fairs and mobile buses have been deployed by financial cooperatives and savings and loan associations to provide financial information and encourage account uptake by underserved and unbanked populations for decades, but more and more banks are following suit. On International Women's Day, the BCR organized events in the countryside with FSPs that specifically targeted women, providing a comfortable space for women to start interacting with FSPs and consider opening an account. The BCR has ongoing dialogues with financial cooperatives and savings and loan associations that provide financial education to support their activities and ensure a gender angle and focus on women.

Robust sex-disaggregated data on the provision of financial services is necessary to identify gaps and track progress on women's financial inclusion. As mentioned, El Salvador has some track record of collecting demand-side data through the National Survey on Access to and Use of Financial Services. The first iteration of the survey was completed in 2016 with support from AFI, and will be executed with a 5-year frequency, and the results of the most recent survey were released in November 2022. Demand-side data helps reveal from the customers' perspective their experiences with financial products and services and can describe the factors behind a lack of access or usage.

Supply-side data, collected and aggregated from financial service providers, complete the story around financial inclusion, and can further help financial regulators set their policy agenda. The BCR has been working to implement a new database that will obtain sex-disaggregated payments and account data from all regulated FSPs every quarter. The database is expected to go live in 2023. Up until now, FSPs remit information to the BCR in a decentralized way. This database will centralize all data and enable easier aggregation and analysis regularly, allowing providers to quantify how they are reaching women through certain products and services and policymakers to promote regulations that are better adjusted to women.

Public and private stakeholders widely recognize low financial education as a barrier to inclusion in El Salvador. There is a widespread lack of trust in financial institutions that is not as much about the institutions' stability but rather their practices and costs.

Formal financial services are viewed as being accessible only by people with money and the mass market still prefers cash and physical interactions. To overcome these barriers, FSPs need to couple financial products and solutions with financial awareness and education messages.

At the government level, El Salvador implemented its first Financial Education program in 2011 to promote financial decision-making through improving financial skills. In 2016, the first National Survey on Financial Capabilities was conducted, which resulted in the determination of the baseline indicator of 10.3 percent financial capabilities with a slight gender gap of 0.5 percentage points lower for women.⁴⁸ The National Strategy for Financial Education (“Estrategia Nacional de Educación Financiera” or ENEF) was launched in 2022, which details five priority segments for increased financial education, among them women are prioritized by including them in the segment of “vulnerable populations.”

11.7 Based on data obtained from the El Salvador Financial Capabilities National Survey 2022, the El Salvador Financial Literacy Index 2022 is 11.7 points as a result of its three components (financial knowledge, financial behavior, and financial attitude).

The Index reflects gaps in terms of the geographic area in which people reside, gender, age, and income level. Thus, people residing in rural areas show a score slightly lower than those in urban areas (12.2). Women, on the other hand, have a score of 11.5 versus 12.0 points for men.

Some of the most recent efforts of government and other public institutions to boost the overall digitization of their services to citizens and enterprises include Simple.sv, which is a unique online portal that facilitates more than 2,000 procedures of different public entities for citizens and enterprises, or the National Registry Center has an integrated platform that allows it to receive digital payments from the population for some of the services it provides.^{49,50} However, the degree to which women are a target still needs to be determined.

El Salvador has an important legal framework that highlights the importance of protecting women and not generating differences that limit their personal and professional development.

With the purpose of knowing the level of participation of women in management positions in supervised financial institutions, the Central Reserve Bank of El Salvador conducted in 2022 the Survey on Corporate Governance and Financial Inclusion of Women directed to the supervised financial institutions of the country to inquire about the percentage of women who manage an institution, who are part of management positions, or the Board of Directors, among other aspects.

The results of this survey show a gap in the level of participation of women in management positions with respect to men, since only 14 percent of supervised financial institutions are presided by women, while the Boards of Directors are represented by 18 percent of women, and 40 percent of the Senior Management Positions are held by women.

The above trend is reversed for middle management and staff positions in supervised financial institutions, where women represent 54 and 55 percent, respectively.

48 This indicator is the result of the sum of the scores obtained from three components, i.e. financial knowledge, financial behavior, and financial attitude; obtaining a national level score of 10.29, based on a range established by the OECD between zero to 20 points.

49 <https://simple.sv/>

50 <https://www.e.cnr.gob.sv/ServiciosOL/portada/pagos-online.htm>

WOMEN'S ECONOMIC PARTICIPATION, INCLUSION, AND ENTREPRENEURSHIP

Despite relatively equal educational attainment, women face structural barriers to employment, severely impacting their access to and usage of financial services.

47%

As a result, women's labor force participation rate is only 47 percent, compared to around 80 percent for men.⁵¹

Adult women spend, on average, almost three times more daily hours on unpaid household tasks than men.⁵² Furthermore, 66 percent of economically inactive women cite household tasks as the key reason why they are not working or looking for a job.⁵³

Key insights from the 2021 household survey regarding employment include:

- > The primary occupation of both women and men is salaried, yet there are fewer women than men under this category: only 40 percent of women compared to 47 percent of men are salaried workers.
- > The second most common occupation is self-employment without a permanent location, which women are more likely than men to report (32 percent versus 20 percent). Without a permanent location, access to finance from the formal sector is likely unattainable.
- > Many Salvadorans work informally, especially women. In urban areas, 49 percent of employed women and 42 percent of employed men work informally. Higher degrees of informality result in lesser access to formal financial services, thus disadvantaging women.

Women play an important role in creating and managing enterprises in El Salvador, especially sole proprietorship and micro enterprises.

A study by BCR in 2019 reveals that women-owned businesses are often informal microenterprises that lack business records and rely on internal financing rather than outside capital.⁵⁴

Moreover, data published by CONAMYPE in 2017 reveals that women own 60 to 64 percent of sole proprietorship or micro enterprises and 26 percent of small enterprises as of 2017.⁵⁵ Microenterprises represent 97 percent of the business landscape and contribute between 24 and 36 percent of the GDP, which means women micro-entrepreneurs and business owners are an important focus segment for financial inclusion efforts.⁵⁶

Despite these figures, women consistently earn less than men. A study by the International Labor Organization (ILO) reveals that despite only a marginal difference in the years of schooling between women and male business owners (6.7 versus 6.9 years), men make USD235 more real monthly profits than women.⁵⁷

16.2%

The largest profit gaps between men and women employers are observed in medium-sized enterprises, where the differential is equivalent to USD2,134 per month, which means women employers make only 16.2 percent of what men make.⁵⁸

On average, based on the latest household survey of 2021, women are paid USD325, whereas men make USD379.

Unsurprisingly there is a gender disparity in the ownership of land and property, which means women are less able to access finance due to a lack of acceptable collateral: only 11,491 women own

51 BCR. Encuesta de Hogares de Propósitos Múltiples (EHPM). Available at: <https://onec.bcr.gob.sv/encuesta-de-hogares-de-propositos-multiples-ehpm/>

52 La Oficina Nacional de Estadística y Censos. (n.d.). Observatorio De Estadísticas de Género. (n.d.). Retrieved 29 September 2022. Available at: <http://aplicaciones.digestyc.gob.sv/observatorio.genero/ods/index.aspx>

53 La Oficina Nacional de Estadística y Censos. (n.d.). Publicaciones— DIRECCION GENERAL DE ESTADISTICA Y CENSOS. (n.d.). Retrieved 29 September 2022. Available at: <http://www.digestyc.gob.sv/index.php/temas/des/ehpm/publicaciones-ehpm.html>

54 Banco Central de Reserva de El Salvador. (2019). Resultados de la "Encuesta Nacional de Acceso al Financiamiento de las Micro, Pequeñas y Medianas Empresas (MIPYMES)". (2019). Available at: <https://www.bcr.gob.sv/bcrsite/uploaded/content/category/1153132213.pdf>

55 Comisión Nacional de la Micro y Pequeña Empresa. (2017). Encuesta Nacional de la Micro y Pequeña Empresa. Available at: <https://www.conamype.gob.sv/download/encuesta-nacional-de-la-mype-2017/>

56 Comisión Nacional de la Micro y Pequeña Empresa. Programa de Empresariedad Femenina. Available at: <https://www.conamype.gob.sv/servicios/guia-de-servicios/ventanillas-de-empresariedad-femenina-de-conamype-en-ciudad-mujer/>

57 International Labour Organization (2019). Women in Business and Management: Four case studies on women in business in Central America. Bureau for Employers' Activities (ACT/EMP), Working Paper No. 16. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_732546.pdf

58 Ibid

agricultural land in El Salvador, representing 13 percent of all agricultural landowners.⁵⁹

Similarly, women are 18 percent less likely than men to own property, with only 482,601 female owners.⁶⁰ This calls on financial service providers (FSPs) to get creative in the acceptance of other forms of collateral, including alternative data like cell phone and utility bill payments and movable collateral to secure loans so that women can access the capital they need to grow their businesses and achieve life milestones.

Women's equality in the law has been a focus of the Salvadoran government and relevant non-government stakeholders for decades, which has resulted in a legally level playing field for men and women.

In 1996, the government created the Salvadoran Institute for the Advancement of Women (ISDEMU), which is the main authority responsible for:

- > coordinating the legal framework on women
- > formulating, directing, executing, and monitoring compliance with the National Policy for Women
- > encouraging the comprehensive development of women through compliance with legal provisions
- > promoting draft laws and reforms that improve the legal situation of women⁶¹

In 2011, the Government pushed forward the Law on Equality, Equity and Eradication of Discrimination

Against Women, which improved the legal framework for protecting women's rights.⁶² As a result, the latest Women, Business, and the Law 2022 has El Salvador scoring 88.8 out of 100, a score higher than the Latin America and Caribbean regional average (80.4).⁶³

88.8%

As a result, the latest Women, Business, and the Law 2022 has El Salvador scoring 88.8 out of 100, a score higher than the Latin America and Caribbean regional average (80.4).⁶³

The areas for potential improvement that the report points to are: women's pay, constraints related to marriage, laws affecting women's work post maternity leave, and laws affecting the size of a woman's pension.⁶⁴

59 La Oficina Nacional de Estadística y Censos. (2020). Estadísticas de Igualdad de Género. (n.d.). Retrieved 29 September 2022 Available at: <http://www.digestyc.gob.sv/index.php/temas/des/ehpm/publicaciones-ehpm.html>

60 Ibid

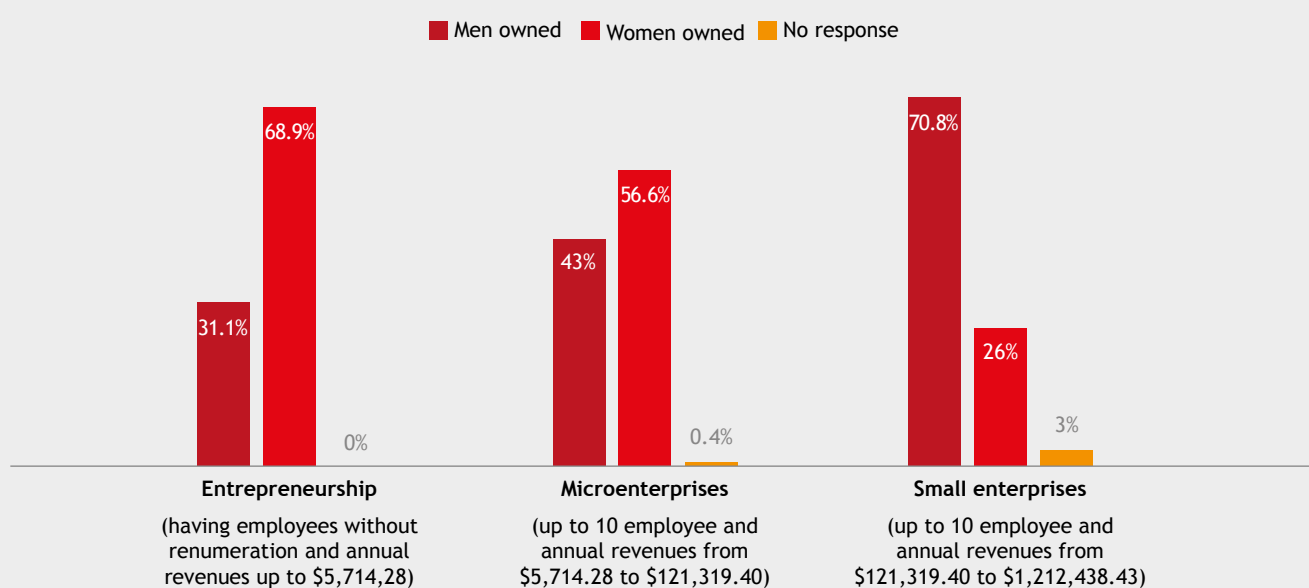
61 Instituto Salvadoreño para el Desarrollo de la Mujer. (2020). Ley de Igualdad, Equidad y Erradicación de la Discriminación contra las Mujeres LIE. Available at: <https://isdemu.gob.sv/wp-content/uploads/2020/10/LIE.pdf>

62 Ibid

63 World Bank. (2022). Women, Business and Law 2022. El Salvador. Available at: <https://wbl.worldbank.org/content/dam/documents/wbl/2022/snapshots/El-salvador.pdf>

64 Ibid

FIGURE 5: MICRO AND SMALL ENTERPRISE CLASSIFICATION BY GENDER OF THE PROPRIETOR.



Source: CCX elaboration of CONAMYPE: "Encuesta Nacional de la Micro y Pequeña Empresa, 2017"

SOCIAL AND GENDER NORMS

Gender norms in El Salvador are like those in other Central American countries: machismo culture regards women as lesser-than, leaving them with less agency and control over household decisions, including finances. In most communities, women are treated as the subservient class whose primary duty is to remain in the home, serving their male relatives and sacrificing on behalf of their children.⁶⁵ This is especially true in deprived and remote communities.

The current El Salvador President implemented widespread initiatives that have resulted in less criminality.⁶⁶ Gang violence has been largely controlled and the homicide rate has fallen between 2015 and 2020 and is now the lowest in two decades (less than 8 homicides per 100,000 people).⁶⁷

In countries rooted in traditional gender norms and a history of violence, women and girls are often vulnerable to abuse throughout their lives.⁶⁸ As such, two-thirds of Salvadoran women have suffered from some form of violence in their lifetime, including sexual assault, intimate partner violence (IPV), and abuse by family members.⁶⁹ But most fear repercussions for speaking out, cannot access public services to report violence or consider violent treatment usual, with only six percent of victims reporting abuse to authorities.⁷⁰

As a result, El Salvador has one of the world's highest rates of femicides, many of which are suicides of women and girls under the age of 24. This grim reality caused the government to be one of the first countries to enact a specific law aimed at curbing violence against women: the 2012 law makes the crime of driving a woman or girl to suicide by abusing them (called femicide-suicide) a punishable crime.⁷¹

Such laws help penalize perpetrators, but more needs to be done to break traditional gender norms and allow women to rise as equals. Until then, these dynamics will continue prohibiting women from the financial agency, resulting in lesser demand and access to formal financial services.

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FUTURE OUTLOOK

The BCR and financial stakeholders have been jump-starting efforts directed at increasing women's financial access and usage, but with the PNIF just launching in 2021, progress will take time.

The importance of continued focus and coordination cannot be highlighted enough. As the coordinator of the PNIF, the BCR aims to build a network of public and private stakeholders dedicated to WFI and continue to boost the profile of women's financial inclusion as a priority for the country. The BCR and stakeholders have been working towards the regular collection and reporting of sex-disaggregated supply- and demand-side data; this will be important to mobilize the sector around how to increase women's financial access and usage and to track progress over time.

There is an imminent need for a financial system with a range of products designed for women, and this is a priority area of current PNIF and BCR efforts. The BCR is studying how to reform regulations to encourage financial service providers (FSPs) to implement financial and non-financial solutions tailored to the realities of the unbanked, informal workers and women, while the National Council for Financial Inclusion and Education is working on the implementation of a roadmap to promote women's financial inclusion. Such strategies

will be designed around the realities of these segments: they tend to have low financial capability, distrust formal financial products and services, have lower and irregular incomes, and prefer cash.

To leverage DFS and mobile money as a means of inclusion, digital financial literacy and trust in digital services need to be improved, along with stronger agent and internet infrastructure and the offering of easily accessible products such as Tigo Money.

Finally, programs to digitize government-to-person (G2P) payments like social transfers and person-to-government (P2G) payments (like utility payments) could increase account ownership and possibly usage if low-barrier accounts are used, and individuals are educated and incentivized to continue using the account. As described in the sections above, in this regard, as well as a response to the latest COVID-19 pandemic situation, the government has taken a proactive role in digitizing most public services to their citizens and enterprises. However, the outreach to women still needs to be made clear.

Given the large number of women that still do not have a bank account (76 percent of the female population, BCR 2022), an even larger number of women without credit or insurance, and the persistent barriers to women's financial inclusion, the government and financial regulator will need to keep their focus on gender inclusive finance to drive the PNIF and gender efforts forward in the coming years.



Decorated palm fronds during the flower & palm festival in Panchimalco, El Salvador. (Kobby Dagan/Shutterstock)

ACRONYMS

AFI	Alliance for Financial Inclusion	PNIF	National Financial Inclusion Policy (“Política Nacional de Inclusión Financiera”)
ATM	Automated Teller Machine	SDGs	Sustainable Development Goals
BCR	Central Reserve Bank of El Salvador (“Banco Central de Reserva de El Salvador”)	SIGET	National Telecommunication Regulator (“Superintendencia de Electricidad y Telecomunicaciones”)
CNIEF	National Council for Financial Inclusion and Education (“Consejo Nacional de Inclusión y Educación Financiera”)	SMEs	Small And Medium Enterprises
CONAMYPE	National Commission for Micro and Small Enterprises (“Comisión Nacional de la Micro y Pequeña Empresa”)	SSF	Superintendence of the Financial System
DFS	Digital Financial Service	WFI	Women's Financial Inclusion
ENEF	National Financial Education Strategy (“Estrategia Nacional de Educación Financiera”)	WSMEs	Women-owned or -led Small and Medium Enterprises
FinTech	Financial Technology		
FSG	Salvadoran Guarantee Fund (“Fondo Salvadoreño de Garantía”)		
FSP	Financial Service Provider		
G2P	Government-to-Person		
GATEF	Support Group on Financial Education Issues (“”)		
GATIF	Support Group on Financial Inclusion Issues (“Grupo de Apoyo en Temas de Inclusión Financiera”)		
GDP	Gross Domestic Product		
GIF	Gender Inclusive Finance		
ICT	Information And Communications Technology		
IFC	International Finance Corporation		
ILO	International Labor Organization		
INSAFOCOOP	Salvadoran Institute for Cooperative Development (“Instituto Salvadoreño de Fomento Cooperativo”)		
ISDEMU	Salvadoran Institute for the Advancement of Women		
KYC/e-KYC	Know-Your-Customer/electronic Know-Your-Customer		
MSEs	Micro and Small Enterprises		
MSMEs	Micro, Small and Medium Enterprises		
NFES	National Financial Education Strategy		
NFIS	National Financial Inclusion Strategy		
OIF	Financial Innovation Office (“Oficina de Innovación Financiera” or OIF)		
P2G	Person-to-government		

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