UPSCALING AND INTEGRATING GENDER SAVINGS GROUPS INTO THE FORMAL FINANCIAL SYSTEM

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GUIDELINE NOTE

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Madris Nginya displays contents of the savings and loans women's group savings box, Kenya. (Photo by Gary Moore)

1. INTRODUCTION: GENDER AND SAVINGS GROUPS

Since 2011, 1.2 billion people have gained access to a bank account or e-money provider, yet over 1.7 billion adults worldwide still do not have access – over 80 percent of these are women[1] and the global gender access to finance gap remains static at nine percent.[2]

In Sub-Saharan Africa, less than 30 percent of women have an account with a formal financial institution and this is amplified for poor rural, young women and other marginalized populations, who are mostly operating in the informal sector.[3] This limits their ability to interact with markets and their ability to invest in their livelihood, as well as their family's livelihood, health, education and nutrition.

Closing the financial inclusion gender gap is a key enabler to sustainable economic growth and stability that is much needed in the COVID-19 recovery phase. It is also vital that the progress made over the last ten years is not lost and financial inclusion for women goes forward, not backwards.

Savings Groups (SGs), sometimes called informal savings mechanisms, Village Loans and Savings Associations (VLSAs), Savings for Change (SfC) groups or Savings and Internal Lending Communities (SILCs) can be a pathway for women towards formal financial inclusion. It is estimated that there are nearly 14 million members of informal savings mechanisms (SGs) across 75 countries holding total assets of between $430 million and $1.2 billion and 80 percent of the membership of these groups are women.[4]

Research and experiences from practitioners show that SGs are effective at mobilizing women to expand their access to financial resources and serve as a platform for women's financial inclusion, economic empowerment, social and political empowerment, maternal and child health, nutrition, education and other development objectives. When women are active members of SGs, it can enable them to take a more prominent role within the groups, it can also enhance their influence both within their home and within the wider community. This is expanded upon in the CARE International Women's Empowerment Framework.[5]

They aggregate demand among low-income women and can offer marginalized communities an entry point to financial services. More and more, governments are seeing the positive impact that SGs can have on women's social and economic empowerment, financial sector development and economic growth. Therefore, there is a growing level of interest from Governments, Ministries of Finance, Regulators and financial institutions in seeking to understand SGs, how to provide paths to the formalization of these groups[6] and looking at possibilities to integrate innovative technology solutions.

Formalization or digitization of SGs, which is particularly being driven in response to the COVID-19 pandemic and the need to socially distance, is not without its risks, since benefits of informal SGs can be lost through formalization or digitization. In particular, functions of informal SGs, such as acting as a platform to address gender exclusionary social norms and provide first point of contact access to markets may be lost.

Therefore, the formal financial system in any member jurisdiction looking to formalize SGs needs to be able to, on the one hand, offer a gender-sensitive and enabling policy and regulatory landscape and on the other hand provide SG's with choices (remain informal, formalize, transition to mobile money/continue to use cash) if SGs are to be effectively integrated and women offered a level playing field. The financial services market also needs to be able to support women's access to and more importantly, usage of appropriate and cost-effective financial services and products that have been tailored to the specific needs of savings groups and their members.

1 SEEP, Women Empowerment and Savings Groups, what do we know, 2018.

2 https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows

3 FSD Africa, Focus nots: Savings Groups and Women Financial Inclusion, 2018.

4 SEEP, Care, MasterCard Report "Delivering Formal Financial Services to Savings Groups", 2016.

5 https://www.care.org/our-work/womens-empowerment/gender-integration/womens-empowerment-framework

6 Formalization in this context means linking the Savings Groups members (which employ informal savings mechanisms) with the formal financial system.

2. PURPOSE AND TARGET OF THE GUIDELINE NOTE

AFI[7] initiated this study to underscore the role of Savings Groups in enabling and sustaining the access, use and overall quality of financial services by women, which is now even more relevant because of the effects of the COVID-19 pandemic. Members are increasingly carrying out gender-focused policy and regulatory reforms, reflecting their commitment to the Denarau Action Plan.[8]

AFI members are prioritizing policies aimed at narrowing, or even eliminating, the gender gap in their respective jurisdictions, as they drive their financial inclusion agendas forward. There is a growing commitment to meeting the Sustainable Development Goals, particularly Goal 5, Gender Equality, through financial inclusion by members. This focus of this activity is to present the AFI network with unparalleled opportunities for AFI members and partners, to improve livelihoods for women and girls in communities around the world.

Against this backdrop, the technical subgroup on Gender Savings Groups, within the Financial Inclusion and Strategy Peer Learning Group (FISPLG) of AFI and supported by CARE International, has undertaken a multi-country study to develop a series of case studies on good practices across the network to support the sustainable development of Savings Groups and where appropriate, their formalization and/or digitization.

The lessons drawn from these case studies will then form the basis for the development of a Policy Framework exploring how the establishment of SGs can reduce or eliminate the financial inclusion gender gap and support the post-COVID-19 economic recovery.

3. WHAT IS A SAVINGS GROUP?

In 1991, CARE supported women to harness the ancient practice of savings groups and set up Village Savings and Loans Associations (VSLAs), which have had a proven impact on women's financial inclusion, economic and social empowerment.[9]

SGs are generally comprised of individuals who save together in a central pot and can then take small loans from those savings. At the end of a set period, normally 9-12 months, the contents of the pot are divided amongst participants, based on how much they have saved.

Efficiently run SGs are, by design, financially and institutionally sustainable. SGs can also include Self Help Groups (SHGs) that follow the same methodology of contributing a set amount and providing small loans (with the exception that there is no share-out at the end of the cycle).

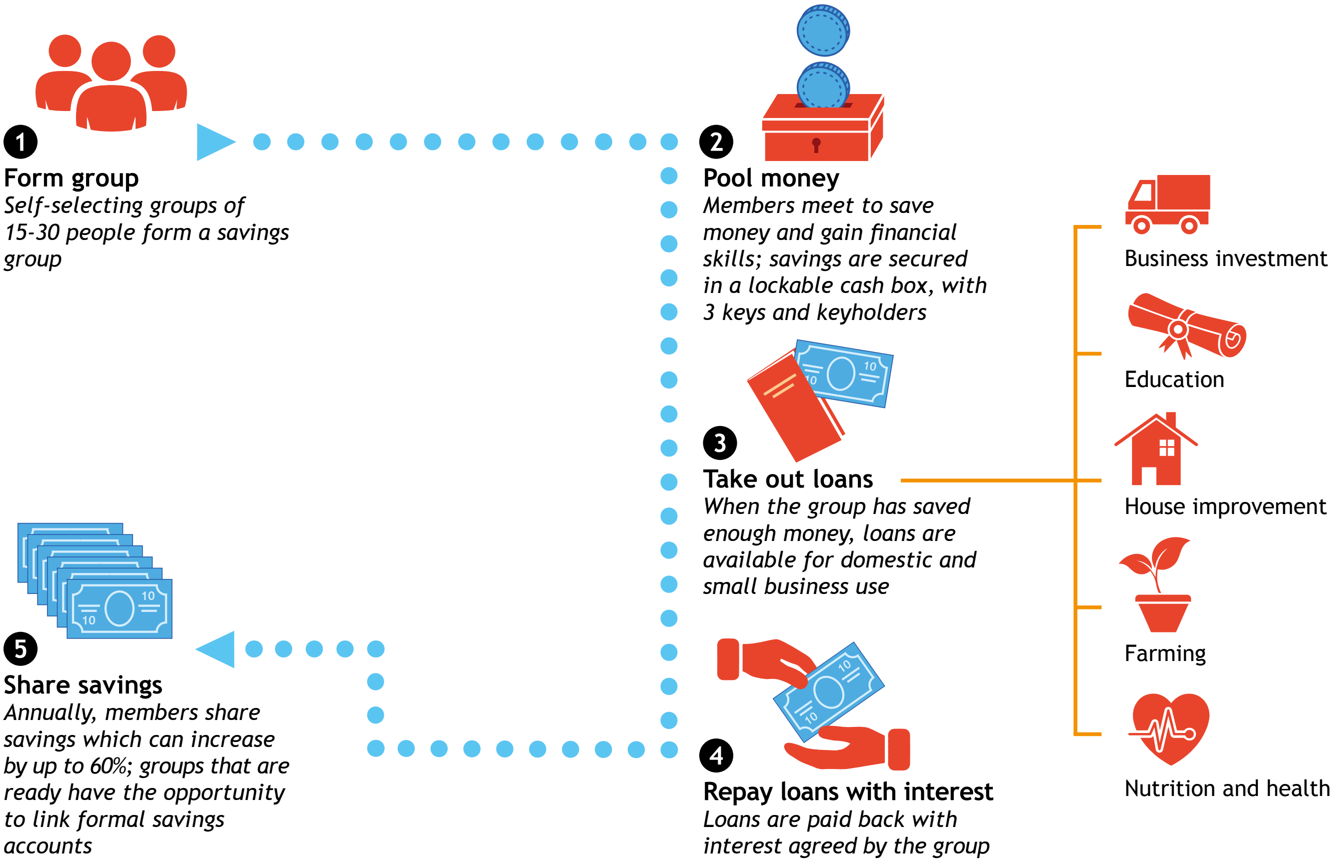
SGs are fundamentally different from traditional Rotating Savings and Credits associations (ROSCAs), in that the money is not given to each member on a revolving basis but kept in a central pot.

Depending on the cultural context, these groups may or may not include the payment or charging on interest on credit balance or loans. It is important to note that these groups are all adapted to suit the local situation across many jurisdictions.

7 AFI is a network of one hundred financial regulators and policymakers from eighty nine countries, , whose mission is to encourage the adoption of inclusive financial policies in developing and emerging economies, integrating the 1.7 billion humans who are currently unbanked into the formal economy, which helps to alleviate poverty, make the poor less vulnerable to financial shocks, raise living standards for all, and reduce economic inequality. The AFI membership have also made a commitment to their desire to close the gender gap in access to finance. This commitment is entitled the Denarau Action Plan and is a ten-point plan for policy makers and regulators to utilize in their gender focused work.

8 The Denarau Action Plan is a ten-point plan adopted by the AFI membership to enhance women's financial inclusion and reduce the gender gap in access to finance https://www.afi-global.org/sites/default/files/publications/2019-07/Denarau_FS19_AW_digital.pdf

9 https://insights.careinternational.org.uk/publications/curiosity-collective-evidence-of-social-changes-for-women-in-savings-groups?highlight=YTo0OntpOjA7czo0OiJ2c2xhIjtpOjE7czo2OiJ2c2xhJ3MiO2k6MjtzOjU6Im5pZ2VyIjtpOjM7czo3OiJuaWdlcidzIjt9



SAVINGS GROUPS OPERATIONS:

- Consist of 15 to 30 self-selected members from within a community who meet regularly (weekly, fortnightly, or monthly) to save. They develop a group constitution that codifies policies, governing structures and procedures.
- Savings are used to capitalize a loan fund from which members can borrow.
- Members can borrow as needed and repay, with interest (this is culturally dependent on the country where the SGs are based and in Islamic countries, interest will not be charged), up to three times their savings, payable over a period of one to three months. Members determine the share price, loan interest rate, maximum loan duration, loan priorities, Social Fund contribution, and a system of fines for infractions of group policies.
- A Social Fund is a simple form of insurance to cover the costs of small emergencies and social needs. Social Fund payments are fixed, agreed- upon small contributions made at each meeting by every member.
- Community-based SGs are organized and trained in the basics of saving and extending loans, over a set operating cycle of 9-12 months.
- Member savings and loan transactions are typically recorded in individual passbooks, or a central ledger, though some groups operate with paperless, memory-based, record-keeping systems.
- Surplus cash and records are kept in a lockbox with 3 keys, each held by a different, elected 'key-holder' to prevent unauthorized cash movements.
- At the end of a cycle, most groups will distribute the entire fund to members according to the amount each has saved. Some groups choose to roll over a proportion of their funds to the next cycle and recapitalize the fund, in which case, the starting pot will be larger with each new cycle.
- Savings groups' members often borrow to invest in productive activities businesses, so as to increase their income to support livelihoods and basic household needs.

RISKS OF PHYSICAL CASH BASED SAVINGS GROUPS

- Safety of cash kept in physical cash boxes.
- Potential for money laundering as the group grows.
- Members of well-structured groups no longer borrowing from Financial Services Providers (FSP).

IMPACT OF SAVINGS GROUPS ON WOMEN[10]

In Uganda

> VSLA members' monthly household income rose from $60 to $95.

> 42 percent of women said they could solve problems themselves, compared to the 31 percent at baseline, while 63 percent indicated their husbands respected and valued their role, compared to only 48 percent at baseline.

In Rwanda

> In Rwanda, members' spending on household assets increased by 300 percent.

> VSLA members running small businesses grew from 19 percent at baseline to 43 percent at the end of the project, and business investment grew by 339 percent.

> The average number of meals per day eaten by VSLA members rose from 2.1 to 3.2. The average amount members spent annually on healthcare increased from $5.60 to $10.30.

In Tanzania

> VSLA Members increased their spending on children's school fees by 76 percent.

10 https://insights.careinternational.org.uk/development-blog/vslas-the-three-keys-to-financial-security

4. SAVINGS GROUPS AND GENDER EQUALITY: A DEEP DIVE

There is a consensus that effective participation in SGs provides a level of empowerment to the participants. Since the majority of SG participants are women, this can have a significant positive effect both for the individual and for their wider family and community. There are some specific gender benefits that can be brought about by SGs and these include:

Economic Empowerment

> Wider opportunity to access both informal and formal financial services and products, which can assist in closing the gender gap in access to finance;

> Increased opportunity to gain higher levels of financial literacy, particularly digital literacy;

> New opportunities for employment or starting/expanding a business;

> Greater control over physical assets and income; and

> Enhanced access to markets and value chains.

Enhanced Mobility

> Improved opportunities for internal or intercommunity mobility and travel.

Physical Empowerment

> Increased control over one's own body and health needs, including both physical and mental wellbeing;

> Access to healthcare or a wider range of healthcare services, including reproductive, maternal, neonatal and child healthcare; and

> Increased confidence and self-esteem.

Enhanced Voice

> Increased intrahousehold bargaining power, including over economic, health, education and household decisions;

> Increased confidence to speak in public and take a leadership role;

> Participation in new social and economic groups; and

> Greater control over use of time for paid and unpaid activities.

SGs can also increase resilience and support women to be more adaptive in times of crisis. New markets and opportunities can be explored collectively, while labour and resources can be pooled. It is also important to note that the collection of disaggregated data is vitally important because within the women's population segment there are a wide variety of different needs depending on where in her lifecycle a women is and also other intersectional factors, such as if she is in a rural or urban environment, if she is living with a disability or if she has dependents.

A drawback of SGs is the time burden for women who participate, and the additional costs incurred to travel to group meetings, the need for additional support with their domestic burden and ensuring children still attend school. This can be overcome through community engagement and the SGs providing value-added activities to diversify women's income sources, access new technologies and increase their own and their family's levels of education, including financial and digital literacy.

MEN AND SAVINGS GROUPS

Effective engagement with male community members and leaders is a key enabler at the outset, especially if couples engage in the joint setting of saving's goals, and men can be involved and educated. The benefit of such participation to their families is that it reduces men's resistance to women's involvement in SGs. Early and effective engagement is important since a male backlash can stop women from being able to travel or participate in savings groups. Gender-based violence (GBV) can also potentially increase and women can suffer a social stigma from being economically active.[11]

> There are also many excellent examples where marginalized men have also been greatly supported by joining SGs and have been able to access additional support, including in areas such as reducing gender-based violence and household conflict. This is particularly pertinent now, as all rates of gender-based violence have increased during the COVID-19 pandemic, in some cases calls to helplines have risen by over 33 percent.[12]

SAVINGS GROUPS, THE DEVELOPMENT OF A GENDER TRANSFORMATIVE STRATEGY AND THE ROLE OF REGULATORS

Regulators and policy makers have an opportunity to ensure that they develop a gender-sensitive and enabling environment for the establishment and growth of SGs that move from being gender-aware to being fully gender-transformative. The gender transformative strategy, highlighted in the box below, is the key to closing the gender gaps and bringing women into formal economic participation, where they are not just economically empowered but are empowered as equal members of society, with equitable right and opportunities.

GENDER-AWARE

> Acknowledges and minimizes differences in roles, rights, entitlements, responsibilities, and obligations associated with being male and female.
> Acknowledges and minimizes power dynamics between men and women, boys and girls.

GENDER-TRANSFORMATIVE

> Fosters critical examination of gender norms and dynamics.
> Strengthens or creates systems that support gender equality.
> Strengthens or creates equitable gender norms and dynamics.
> Changes inequitable gender norms and dynamics.

GOAL

Gender equality and better development outcomes

Source: Adapted from the Interagency Gender Working Group

11 Conversely GBV can be reduced where women and their partners engage in a discussion and men's education program, in addition to the weekly savings group meeting. This reduction in GBV is an additional and sometimes unseen benefit of SGs https://www.issuelab.org/resources/21105/21105.pdf

12 https://reliefweb.int/sites/reliefweb.int/files/resources/undp-gender-GBV_and_COVID-19.pdf

5. INTEGRATION OF SAVINGS GROUPS IN GOVERNMENT POLICIES: FINANCIAL INCLUSION POLICIES AND GENDER STRATEGIES

> SGs: Key to economic security for women and families;
> Access to formal financial services as a pathway to economic prosperity for women; and
> Financial Inclusion of SGs as a pathway to women's empowerment.

In many countries, the initial development and implementation of SGs has been through development partners, who can provide valuable insight both conceptually and practically around how SGs have the potential to offer large-scale impact.

In recent years, governments, particularly those in Africa, have deepened their engagement with SGs, recognizing the potential of the model to contribute to financial inclusion strategies and development, including meeting the Sustainable Development Goals (SDGs).

This integration is based on a recognition by governments on the role of SGs in extending basic financial services within low-income markets and providing economic security to women and families. Governments recognize their role in facilitating the scaling up SGs by:

> Creating an enabling environment for them to operate; this environment needs to be gender-transformative and consider the needs of all population segments;

> Improving sector coordination peer learning;

> Develop of products and services appropriate to the life-cycle needs of the various female population segments;

> Collecting more reliable and valid data and evidence, especially sex-disaggregated data;

> Facilitating access to formal financial services and providing financial education and literacy, especially digital literacy to support usage of services; and

> Prioritizing SGs within governments interventions.

In the past decade, many governments across the AFI network have adopted SGs within National Financial Inclusion Strategies (NFIS), with the objective to extend financial services to mostly rural, low-income populations, in particular women, as they are most likely to be excluded from formal employment or formal financial services. These are some of the groups who face the highest levels of financial exclusion, along with the youth, those who are living with a disability and those who are forcibly displaced people.

NFIS can be particularly beneficial if they have specific gender targets, timelines, and targeted gender-sensitive monitoring to evaluate whether the actions, which have been taken, are effective at closing the gender gap in access to finance.

ACCESS TO FORMAL FINANCIAL SERVICES

As SGs mature and grow, the need for new and diverse financial services becomes stronger. In addition, mature SGs have a higher demand for credit, particularly at the beginning of the savings cycle when group savings are low. They also face security issues regarding their savings. Fund security is the most articulated need across SGs since accumulating cash, typically kept in a locked box, poses a serious risk and causes high anxiety for those responsible for safeguarding it.

Combining the need for security, as well as accessing other financial products from formal financial institutions can be a solution to meet the needs of members who require such services.

This is when groups start to look to a formal financial service provider to access bank accounts, microfinance institutions (MFIs) and/or mobile network operators (MNOs) to keep their funds safe. The bank account can also help the SG develop a financial identity and access other financial products offered by the financial institution such as credit. As some of the members start developing their micro-enterprises, they save more, and their credit needs become larger and more complex and these needs cannot be met by their Savings Group.

Once linked to a bank the average savings per member increases by between 40 and 100 percent and the

13 Banking on Change: Breaking the Barriers to Financial Inclusion, 2013

average profit per member doubles. Data from Banking on Change shows that the average Savings Group member saves US $58 per year, indicating that the world's 11.5 million active Savings Groups members could accumulate over US $660 million in savings annually.[13] As an individual, maintaining a bank account can be quite expensive due to relatively high transactions costs in relation to the amounts deposited. However, accessing an account as a group spreads the transaction costs across the group members, making it much more affordable. Individuals also graduate into the formal financial system - about 13 percent of group members open individual accounts, once they have been linked as a group.

Savings groups, therefore, offer a stable and cost-effective springboard from which poor individuals can start their journey into formal financial inclusion. For women, they are a good pathway to aggregate demand among low-income women. Over the past decade, about 1 million girls and women in underserved markets of sub-Saharan Africa have gained access to formal financial services through Savings Groups.[14]

FINANCIAL INCLUSION OF SGS AS A PATHWAY TO WOMEN EMPOWERMENT

In general, SGs provide multiple benefits to women. By meeting the needs of women for improved access to finance, they not only allow women to manage basic household needs and/or develop small businesses, but they also provide a space for women to grow their confidence, and a forum for women to discuss on matters of shared interest. To a certain extent, we also observe gains in decision-making and leadership, with women taking leadership positions in the groups or communities.[15]

We will now dive deep into the case study examples, which highlight how different members across the AFI network have supported the development and growth of SGs in their jurisdictions. They are sharing some of the good practices that can be replicated or adapted to be equally effective in other economic or cultural settings.

The following countries provide examples of how differing national contexts and cultures have been accounted for in the development of SGs.

6. CASE STUDIES

6.1 ZAMBIA CASE STUDY

1. BARRIERS FACED BY WOMEN

There are more women than men over the age of 16 years in Zambia (51 percent compared to 49 percent) but women have a significantly lower participation in the labor force than men (26.6 percent vs 44.8 percent).[16] The female adult population also has a lower level of financial access at 57.4 percent compared to 61.2 percent for the male adult population.

Even though according to the 2015 FinScope survey, financial inclusion increased quite significantly to 59.3 percent in 2015[17] from 37.3 percent in 2009. The survey also showed an increase in the uptake of informal services[18] to 37.9 percent from 22.2 percent of adults during the same period. Similarly, the amount of loans from formal institutions (bank and microfinance institutions) was lower for women, averaging 29.1 percent compared to men at 70.9 percent for men during the period 2018-2019.

Culture, social norms and customary law impacting financial inclusion of women

Culture and social norms in Zambia shape women's access to and control over resources, and consequently their ability to use financial products and services. Women spend most of their time doing household chores and looking after children, so they have little or no time to engage in income generating activities.

'Customary law' and the lack of bargaining power within the household also limit Zambian women from owning property (and therefore, lack the opportunity to use property as collateral) and independently accessing financial services. Even in cases where some women may have inherited assets such as land, their husbands assume control and use it as collateral for obtaining

14 FSD, SEEP, Savings Groups and Women Financial Inclusion, 2018

15 SEEP, Women Empowerment and Savings Groups: What do we know?, 2018

16 Labour force Survey, First Quarter 2019, Central Statistical Office, Zambia.

17 A Ministry of Gender has been operational since 2012 and the current NFIS targets to increase the financial inclusion (formal and informal) of women to 80 percent by 2022.

18 This was mainly driven by the higher uptake of informal savings mechanisms and informal credit. Females showed a higher usage of informal services at 40.2 percent compared to males (35.5 percent). This conforms with the recent data (2019) from SaveNet, which indicates that the majority of its members (78 percent) comprise of women.

loans. Compounded by inadequate exposure to financial knowledge, women lack financial confidence and have a lack of trust in financial institutions and therefore, this acts as a barrier to financial inclusion.

Infrastructural financial inclusion challenges for women

Commercial banks and MFIs are required by law to capture detailed biographical and situational Know-Your-Customer (KYC) data on prospective customers before account opening. This is a challenge to peri-urban and rural women as they have difficulties in obtaining the right documents, largely because of high illiteracy rates and the informal nature of their occupations so this restricts their ability to engage with formal financial services.

Low product uptake by clients is also linked to poor communications and weak publicity of products by Financial Service (FSPs). This may be partly due to the way financial products or services are communicated and inadequate provision of financial education. Few FSPs communicate in local languages or use community leaders as product ambassadors.

Similarly, the high bank service charges and failure to communicate in a timely manner about changes in tariffs, commissions or fees to agents or end users has negatively affected women's trust in the providers and the usage of their products. These negative experiences are discussed and shared by women consumers, with knock-on negative effects on prospective users, particularly in rural areas where income and education levels are generally lower.

From the FSPs perspective, the relatively high costs of service provision, inadequate gender-specific product design and marketing; low appreciation of the business case for women; and the perceived high risk of lending to SMEs, are the reasons for exclusion of the majority of the population from financial services. The high costs are due to geographical inaccessibility, poor infrastructure and generally low population densities, making it hard to set up "brick-and-mortar" branches or even agency outlets to offer banking services at reasonable cost.

2. SAVINGS GROUPS/COMMUNITY-BASED FINANCIAL INSTITUTIONS IN ZAMBIA

The Savings Groups (SGs) concept was initially introduced in Zambia's rural communities around 2004/2005 by International Non-Governmental Organizations (NGOs) such as Plan International Zambia, the Catholic Relief Services (CRS) and Care International.

Between 2007 and 2013 the Government of the Republic of Zambia (GRZ), through the Ministry of Finance (MoF) worked together with the International Fund for Agricultural Development (IFAD) to design and implement the Rural Finance Programme (RFP[19]),which was aimed at improving rural livelihoods by increasing the use of sustainable financial services in rural areas.

Under the RFP, SGs came to be known as Community-Based Financial Institutions (CBFIs). CBFIs are basically an improved form of the traditional ASCA (Accumulating Savings and Credit Associations) or Chiluba. The development of CBFIs was aimed at improving the access of commercially active poor rural households to community-based financial services through the promotion of rural self-owned and managed institutions. At the same time, they also played a role in furthering financial inclusion, social protection and empowerment.

Benefits of CBFI's include:

- **Financial benefits:** Members can combine informal access to credit and savings, as well the opportunity to borrow securely in small amounts and on flexible terms.
- **Social benefits:** Access to a social fund offering affordable basic Social Fund insurance that serves a variety of emergency and social purposes. It is also a way for community problems to be discussed and for other forms of community updates and education to take place, some of which can support women in challenging restrictive social norms.

TABLE 1: SHARE-OUT UTILISATION SURVEY[20]

Share-out utilisation	Urban	Peri-Urban	Rural
60% invested in business	41	35	24
33% paid for school fees	51	30	19
16% immediate consumption	43	39	18
17% purchased household assets	34	37	28

Source: FSD Zambia, Back to office notes, Savings Groups and Financial Inclusion-lessons from the field, www.fsdzambia.org

According to a monitoring survey undertaken by FSD Zambia: 84 percent borrow from savings groups for

19 The RFP was implemented through a consortium of local non-governmental organizations (NGOs), micro-finance institutions (MFIs) and two government parastatals, the Development Bank of Zambia (DBZ) and the National Savings and Credit Bank (NSCB).

20 Back to Office Notes, Savings Groups and Financial Inclusion -lessons from the field, Financial Sector Deepening Zambia, www.fsdzambia.org

ACCESS TO SOCIAL FUND

- 65 percent of respondents had accessed their group's social fund.
- 10 percent used SF for medical expenses of a family member.
- 23 percent used SF for an emergency other than their medical expenses.
- 23 percent for school fees.

productive investment; 10.7 percent have claimed from the social fund; and 86 percent said their welfare had improved due to being part of the group.

According to 2019 Statistics from SaveNet Zambia,[21] 78 percent of CBFI's members were women. Savenet Zambia's strategic objective is to service 600,000 individuals across the Country by 2023 to facilitate economic and social empowerment of communities.

TABLE 2: ZAMBIA: GROUP SAVINGS STATISTICS (2019)

Total number of members	Number of CBFIs/SGs	Number of women	Value of cumulative (ZMW)	Loan value (ZMW)
372,210	18,671	290,324	56,233,567,00	61,746,431,00

Source: SaveNet Zambia

3. OVERCOMING CONSTRAINTS AND LINKING SAVINGS GROUPS TO THE FORMAL FINANCIAL SYSTEM

As discussed earlier, informal cash-based SGs face several constraints which can be overcome by all the Zambian stakeholders collaborating to develop a positive and gender-sensitive ecosystem for SGs across Zambia. These are now discussed in more detail below.

3.1 INITIATIVES AT THE NATIONAL LEVEL

a. Zambia's National Financial Inclusion Strategy
The National Financial Inclusion Strategy (NFIS) for Zambia[22] was launched in November 2017 and is to be completed by 2022. It recognizes women amongst the vulnerable population (together with youth and rural communities). The Zambia NFIS targets to increase overall financial inclusion (formal and informal) to 80 percent by 2022 from 59.3 percent in 2015. This includes raising formal financial inclusion to 70 percent from 38.2 percent recorded in 2015 and reducing the gender gap through enablers such as Digital Financial Services (DFS) and financial products tailored to suit women.

Under the National Strategy on Financial Education Phase II, 2019-2024,[23] women have been beneficiaries of training on entrepreneurship and personal financial management. A financial education curriculum has been developed and incorporated in selected subjects of the school syllabi in both primary and secondary schools.

The Bank of Zambia 2016 – 2019,[24] Strategic Plan prioritized women and gender through two (2) objectives:

- Strategic Objective #3 to 'increase formal financial inclusion by 16 percentage points in order to contribute to enhanced living standards; and
- Strategic Objective #4 to entrench Gender Mainstreaming within the Bank and the financial sector so as to contribute to gender equality in Zambia.

To operationalize these objectives, the Bank has undertaken capacity building for staff; facilitated product development for banks to provide financial services to women; and adopted the Female and Male Operated Small Enterprises (FAMOS) tool[25] in its supervisory functions to enable evaluation of how well they serve the MSME market and to develop appropriate products.

b. Creation of an enabling regulatory environment
In Zambia there exists an enabling regulatory environment regarding DFS and credit infrastructure, supporting women by overcoming some of the constraints they face in access to finance.

- **Through the National Payments Systems Act and Electronic Money Directives, 2018,**[26] the Central Bank has fostered the growth and deployment of DFS by banks, payments systems providers and Financial Technologies (FinTechs) through payment systems, savings products, mobile money, remittances, agent networks, point of sale devices and automated teller machines. These DFS have been significant enablers for financial inclusion and access to finance for women due to the accessibility, affordability, convenience, safety and privacy they accord users. The Bank has

21 SaveNet Zambia is a network organization that brings together individuals and institutions promoting financial inclusion through community-based financial institutions (Savings groups).

22 https://www.boz.zm/National-Financial-Inclusion-Strategy-2017-2022.pdf

23 https://www.boz.zm/Zambia_NSFE_II_2019_24.pdf

24 https://www.boz.zm/StrategicPlan2016to2019.pdf

25 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_116094.pdf

26 https://www.boz.zm/CBCircularNo.012018NATIONALPAYMENTSYSTEMSDIRECTIVESONELECTRONICMONEYISSUANCE2018.pdf

27 http://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Movable%20Property%20%28Security%20Interest%29%20Act%2C%202016.pdf

partnered with the FSP and payment systems providers to undertake sensitization campaigns to drive uptake and usage of DFS.

> **The Movable Property (Security Interest) Act**[27] was enacted in 2016 and enabled the establishment of the Collateral Registry. This is to support SME finance by enabling FSPs to conduct secured lending transactions using movable assets as collateral.

> **The Credit Reporting Act of July 2018**[28] provides for the licensing and regulation of credit reporting agencies by Bank of Zambia (BoZ) and data protection for borrowers. It was enacted to improve the quality of credit decisions made by FSPs and overcome the challenge of information asymmetry faced by lenders.

c. Partnerships to enhance women's financial inclusion
The Bank of Zambia has been working with Partners such as Savings Banks Foundation for International Cooperation (SBFIC) in a project aimed at enhancing financial inclusion among women who sell products in the market (marketeers). The project was first piloted in collaboration with the Zambian Federation of Women in Business (ZFAWIB) in 2017 to:

> Deliver hands on simulation training for micro and medium-scale women entrepreneurs.

> Increase awareness on the importance of saving to marketeers.

> Provide knowledge about record-keeping and how to run a business successfully.

> Make the marketeers aware of the different products and services offered by various financial institutions and assist them to gain confidence to approach financial institutions.

Currently the training program has reached 620 women in the Copperbelt and Central province. The SBFIC has continued to support financial education by developing and implementing countrywide campaigns for savings.

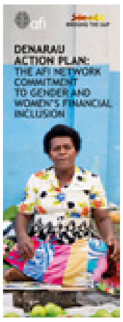
The Government is working with cooperating partners such as FSDZ and World Bank under various initiatives to provide financial literacy, business skills, financial capabilities, digital fluency and financial resources to women across the country.

In addition, capacity building to financial institutions on design and pilot of moveable asset-based lending products, as well as creating an enabling environment for FinTech-based credit products.

3.2. INITIATIVES AT THE INTERNATIONAL LEVEL

a. Zambia's endorsement of international protocols to address women's financial inclusion

The Government and the Central Bank have also endorsed several international protocols on women's financial inclusion:



> The Bank has endorsed the Alliance for Financial Inclusion (AFI) Denarau Action of Women's Financial Inclusion[29] and committed to halving the gender gap for formal financial services from 10 percent (recorded in 2015) to 5 percent by 2022.

> As a member of the Southern African Development Community (SADC), the Bank is working with the Ministry of Finance to implement the SADC Financial Inclusion Strategy.[30] A gender component has been included in the strategy and Zambia is aiming to address access to finance for women through initiatives on overcoming negative social and cultural norms, strengthening utilization of the collateral registry and the collection and analysis of valid and reliable sex-disaggregated data.

4. LINKING SAVINGS GROUPS TO THE FORMAL FINANCIAL SYSTEM THROUGH TECHNOLOGY

The Government has continued to invest in ICT infrastructure aimed at extending coverage and enhancing reliability of ICT services across the country. The government through the SMART Zambia initiative[31] is scheduled to install up to 1009 communication towers across the country[32] by the year 2020, to support mobile phone technology and network access across the country.

Other interventions include:

> The removal of customs duties on smart phones by the government to encourage the uptake of the devices;

> At the same time, several providers of ICT services have continued to invest in new technologies, in order to extend their coverage and improve quality of service;

28 http://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Credit%20Report%20Act%2C%202018.pdf

29 https://www.afi-global.org/sites/default/files/publications/2016-09/Denarau%20Action%20Plan.pdf

30 https://www.finmark.org.za/system/documents/files/000/000/207/original/FI-strategy-SADC.pdf?1601978334

31 More info about the SMART Zambia Initiative can be found at: https://openknowledge.worldbank.org/handle/10986/33806

32 2018 National Survey on Access and Usage of Information and communication Technology by Households and Individuals, ZICTA, 2018 www.zicta.zm

- There have also been some noted changes related to affordability of ICT services arising from more innovative pricing strategies (internet bundles and airtime) by all MNOs - Airtel, MTN and Zamtel;
- The introduction of compulsory ICT subjects in schools by the government (in 2015) is likely to reduce barriers related to ICT literacy in the medium to long term; and
- The initiative by the Ministry of Agriculture to facilitate access to farming inputs for targeted farmers using electronic platforms. This is quicker and enables micro farmers to access inputs without having to travel long distances to collect funds, or inputs, thus reducing costs and non-productive time.

The following are examples of how technology can be the link between informal Savings Groups and the formal financial system.

The Savings Groups or CBFIs model can be nurtured to a stage where members can be linked to formal financial service providers without disrupting the social comfort within which they exist.

- **MNOs – MTN:** The Chilimba product is available on MTN and is accessible with USSD code *303#. It allows for the creation of a mobile wallet and account for a group to use towards a common goal. However, this service only works for facilitated groups. MTN Mobile Money and Jumo Financial Services Zambia have partnered to provide credit (called 'Kongola') to women-SMEs via mobile money. SMS messages are sent to the women-SMEs advising that the loan amounts can increase gradually if they have a good credit track record by repaying loans on time. This enables the women-SMEs to grow their businesses;
- Some banks are offering special accounts for Savings Groups, such as Barclays Bank, Zambia National Commercial Bank (ZANACO), Stanbic Bank; and
  - A pilot project is being undertaken by a commercial bank - ZANACO and SaveNet to develop an appropriate product and facilitate the linking of a few savings groups to the bank.
- The Micro Finance Institution, Vision Fund is working with an NGO - Savings at the Frontier to come up with a savings product for savings groups. The product development has reached an advanced stage though overcoming challenges with the three-pin system that mirrors the three-lock system[33] used by savings groups.

6.2 EGYPT CASE STUDY

1. EGYPT GENDER DATA AND BARRIERS WOMEN FACE

a. Egypt Gender data

Egypt has a population of 100 million, of which 48.5 million are women, and about 5.8 percent of the population are aged 65 or above. In Egypt, 18.1 percent of women are heads of households with a participation of 23.1 percent[34] in the labor force.

40.9 percent of women's total non-agricultural employment are in the informal sector.
33.9 percent of women's employment are vulnerable employment.
6.7 percent of women employed are within the industrial sector.
36.4 percent of women's employment are in agriculture.
56.8 percent of female employment are in services.
70 percent of the workforce in the paid care sector are Egyptian women (mainly teachers, health and social workers).

In addition, according to FINDEX 2017, the growth of women's account ownership has tripled between 2014 to 2017 from 9 percent to 27 percent, while the men's account ownership remained lower with an increase from 19 percent to 39 percent. On the hand, regardless of the significant growth in account ownership, the gender gap remains an issue.

b. Barriers women face

Several barriers hinder women's financial inclusion, including financial illiteracy, cultural perception of financial institutions (especially in rural areas) and lack of financial products and services that suit women's needs. A recent study on financial literacy in the Arab Region puts the overall rate of financial capability in Egypt at 27 percent (25 percent among men and 30 percent among women). On the supply side, the lack of collaterals, especially for low-income women in rural areas, has made it unappealing for financial institutions to offer a range of lending products, as well as other products and services, On the other hand, the lack of financial institutions in proximity, especially in rural

33 To prevent the risk of the treasurer or members of a group colluding to steal residual funds between meetings, lock boxes typically have three separate locks and keys, each of which is entrusted to a different member.

34 http://documents1.worldbank.org/curated/en/861491551113547855/pdf/134846-WP-PUBLIC-march-2-WB-Women-Study-EN.pdf

areas, makes it difficult for women to access them. Moreover, women living in rural areas are usually less socially mobile than their male counterparts.

2. SAVINGS GROUPS AS ENABLER TO ACHIEVE ECONOMIC/SOCIAL EMPOWERMENT, FINANCIAL LITERACY, AND FINANCIAL INCLUSION FOR WOMEN

According to Egypt's Vision 2030,[35] the Egyptian women will be key players in the process of sustainable development in a country that guarantees full rights, grants full protection, and provides - without discrimination - economic, social and political opportunities that enable women to promote their capabilities and achieve self-fulfillment, thus performing their role in Egypt's development.

> **Women Economic Empowerment:**
> SGs enable members to save regularly in small, flexible amounts; access credit for consumption, investment and emergencies; manage risks through a basic solidarity fund; and access a periodic lump sum to pay for school fees, run a Nano-business,[36] or repair their home.

> **Promote Financial Literacy**
> Engaging female members of SGs from rural areas is essential in promoting financial literacy, expanding women's understanding on the benefits and risks of using financial services and products.

SGs enable Egypt to achieve the National Strategy for the Empowerment of Egyptian Women 2030[37] and to tackle several main pillars such as economic and social empowerment.

By economically empowering women and financially educating women, Egypt aims to tackle different SDGs, such as:
- SDG #1 NO poverty; and
- SDG #5 Reduce inequalities Gender Equality.

The Central Bank of Egypt (CBE) has also endorsed several international protocols on women's financial inclusion:

The Bank has endorsed the Alliance for Financial Inclusion (AFI) Denarau Action Plan[38] of Women's Financial Inclusion and committed to facilitate a 50 percent reduction in the gender gap for formal financial services inclusion from a gap of 10 percent (recorded in 2015) to 5 percent by 2022.

Commitments have also been made as part of the Maya Declaration,[39] including:
- Sex disaggregated data that will be reported by the end of 2020; and
- Development of a set of supply-side indicators on women's access to and use of financial services.

At the regional level, CBE is a member of the Council of Arab Central Banks Governors of the Arab Monetary Fund (AMF), as well as a member of the Financial Inclusion Taskforce (FITF) since its inception.

3. SAVINGS GROUPS IN EGYPT

a. Background

The SGs methodology was introduced in Egypt in 2009 through the Banking for Change program in some of the poorest districts and governorates of Upper Egypt, Menia, Sohag, and Assuit. In 2013, UN Women collaborated with CARE, an international NGO, to implement SGs in Assuit, Menia, and Beni Suef, as part of the 5-year program funded by the EU and entitled "Securing Rights and Improving Livelihoods of Women", which reached more than 18,000 members (92 percent of which were women).

All SGs members received trainings on social empowerment and financial literacy and female members managed to informally save more than EGP4.5 million (equivalent to USD278k) during the 5-year project.

Plan International Egypt, an international development and humanitarian organization, has been also implementing the SGs model, mainly in Cairo, Giza, and Qalyoubiya governorates. In 2016, they reported a total number of over 9000 groups with 112,460 members (76 percent of which are women), with a total savings of EGP15,591,340 (equivalent to USD966k). On average each group has 13 members and they saved 1,732EGP (equivalent to USD107) on average per group.

Following the signing of an MoU between CBE and the National Council for Women (NCW) on the margins of the Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF) 2017 hosted in Sharm El Sheikh, Egypt, a high-level committee was established to proceed with the implementation and monitoring of the identified areas of cooperation. This included "Endorsing a national project to promote savings and women's

35 https://cabinet.gov.eg/e371_8e49/GovernmentStrategy/pages/egypt%E2%80%99svision2030.aspx

36 A nano-business is a business that is smaller than a micro-business. Definitions of a micro-business may differ depending on the geographical location.

37 http://ncw.gov.eg/wp-content/uploads/2018/02/final-version-national-strategy-for-the-empowerment-of-egyptian-women-2030.pdf

38 https://www.afi-global.org/sites/default/files/publications/2016-09/Denarau%20Action%20Plan.pdf

39 https://www.afi-global.org/maya-declaration

entrepreneurship building on the Saving Groups (SGs) project", where the CBE plays an essential role in terms of setting the regulatory framework to facilitate digitization of the Saving Groups Model.

Capitalizing on the successful model, and in line with the CBE critical coordination role, whereby all relevant stakeholders, whether internal or external, were called for a series of meetings and workshops to discuss the current SGs model and to ensure that all the main aspects of the model are preserved in the newly developed financial product. The main stakeholders for the pilot project include:

- Central Bank of Egypt
- National Council for Women
- Alex Bank
- UN Women
- CARE
- Vodafone Egypt
- Anti-Money Laundry Unit (AML)
- National Telecom Regulatory Authority (NTRA)

b. Integrating Savings Groups into the formal financial system

Saving Groups represent a promising pathway for the delivery of formal financial services in new and underserved markets; regulators and financial institutions are interested in formalizing SGs through innovative technology solutions. SGs offer an entry to isolated communities and efficient access to many individuals; they are organized, experienced and disciplined, and they have identified needs that financial service providers can address. The business opportunity for FSPs is to leverage the resources and established processes of SGs to offer a suite of individual and group-based financial services within new and underserved markets.

Formalizing SGs in turn creates an opportunity for rural women to access finance through the banking sector. The formal financial product for the saving groups will enable the bank to assess the saving and repayment behavior of the SGs members, which can facilitate their transition into microfinance clients at a later stage.

To assure that the customer needs are properly considered in the developed project, the CBE conducted several field visits to SGs members and conducted interviews with several group members, to gain a better understanding of women's knowledge and perception regarding dealing with the banking system, and to carefully listen to their concerns regarding the formalization of the SGs model.

After many consultations with all involved stakeholders, including Anti-Money Laundry and National Telecom Regulatory Authority (NTRA), and taking all the insights and information into consideration, the CBE embarked on the journey of formalizing the saving groups through the utilization of a DFS solution, and capitalizing on the existing mobile wallet regulations and simplified KYC.

> Digitizing the SGs model posed some challenges to the infrastructure at the mobile network operator's (MNO) wallet, as the digital solution needed to have the same aspects of the original model.

The first challenge was related to the security and who can access the group wallet. In the original model, the physical savings box has 3 keys, each kept with a different group participant, to ensure that the box can only be opened during their weekly meeting when all group participants are present. Since the group wallet has only one password, it was decided that the 6-digit password would be divided between the three authorized signatories, thus any transaction from the group wallet had to take place when the three participants are together during the SGs weekly meeting. However this six digit number was not applicable to all MNOs so a second solution was chosen, where the SIM is with one member while the phone set is with another member and the pin holder is a 3rd member, all 3 members have to be together for any transaction to take place.

Furthermore, in order to ensure security, the group wallet is linked to the individual wallets of the group members, and an SMS is sent to all group members whenever a transaction takes place from the group wallet.

Another very important challenge was identifying the incentives offered to the SGs members to encourage them to use the newly developed digital solution. Interventions from both the bank and the MNO came in place, where the bank offered a free health insurance scheme for the SG members, and the MNO offered top ups and free promotions with every transaction that takes place on the SGs members' individual wallets.

Digitizing SGs has the potential to increase the number of users across Egypt and facilitate access to financial services to women in rural areas, while maintaining the essence of the original model. It's worth mentioning that the incentives provided by the new model have encouraged women to participate. These incentives were provided by the bank and the MNO, including the usage of the mobile wallet product in their daily lives, free health insurance, free top-ups with every transaction that takes place on the SGs members' individual wallets

It is essential to maintain the weekly meetings of the SGs members despite the digital nature of the financial product because an important aspect of the SGs model takes place during the weekly meetings, which is the financial literacy conducted throughout the SGs cycle (9-12 months). Moreover, the weekly meetings are of great social value for the women and it is also when they update the ledger of their saving books, request the loans, and take decisions regarding the saved money.

Maintaining the "no transactions cost" for the SGs was also a critical success factor for the digital model, where the bank and the MNO waived all associated cash-in and cash-out costs, as well as zero cost for transactions between the individual wallets and the group wallet.

AN ENABLING REGULATORY ENVIRONMENT IS A KEY FACTOR TO THE SUCCESS OF THE MODEL.

In 2016, the CBE issued regulations governing mobile payments and mobile wallets, which clearly specified that there were two types of mobile wallets: individual and enterprise wallets. The individual wallet could be created using only the national ID of the individual, while the enterprise wallet was related to merchants and required a commercial register to create. It became evident that within the current framework of the mobile payments, the group wallet could not exist and thus, the CBE had to enact new regulations to allow for a third type of mobile wallet to be created for the sake of formalizing the SGs.

After internal consultation and deliberation with the legal and supervision departments, as well as approvals from the AML-CFT CU and the National Telecommunication Regulatory Authority (NTRA), there was a consensus for creating a group wallet in the same form as a joint bank account. The joint account is an account created by two or more individuals who agree on the authorized signatory entitled to transact on the account and what procedures will be taken in case of dispute.

The existing simplified KYC regulations for mobile wallets will then apply to opening the individual group members' wallets, which are linked to the group wallet.

4. RESULTS

For the first year, CBE is committed to target around 8,000 women located mainly in two of the poorest governorates in Egypt: Assuit and Beni Suef. Currently, The CBE along with the relevant stakeholders have successfully accomplished the first pilot with three saving groups. Each group constitutes around 20 women. Moreover, the first lending session took place in one of the groups in Beni Suef and another one is expected to follow up.

According to the initial model, featured phones were freely provided to the savings groups' members. Nevertheless, in order to proceed with the remaining groups and ensure the project sustainability, a cost-sharing mechanism for the mobile phones between Alex Bank and the group members has been proposed and pending for implementation feedback.

SGs have a significant social impact on women. Firstly, 25 percent of the women of the first SGs pilot did not have national IDs, which prevented them from participating in the groups. Nevertheless, NCW efforts helped provide national IDs for these women. Secondly, the social impact extended to numerical literacy sessions that aim to educate these women, enabling them to use the feature phones. In addition, CARE will be providing weekly financial literacy sessions in order to support the women to efficiently and productively use the amount saved. Through these sessions, we aim to further enhance the women's entrepreneurial skills, which will empower them economically and prepare them to start their own businesses.

6.3 RWANDA CASE STUDY

Introduction

Rwanda is a landlocked country located in Sub-Saharan Africa and part of the East African Community, COMESA, and Economic Community of Central African States regional blocks. The country is known for its leadership, green and clean cities, ease of doing business[40] and, above all, gender equality, including world highest female representation in Parliament[41] and laws that allow women to own land in solo or co-ownership with their husbands and equal rights to inheritance for girls and boys.

Inclusive policies implemented in all sectors of the economy have resulted in making Rwanda one of fast-developing African economies. The country grew by 9.4 percent in 2019. Due to the COVID-19 pandemic, growth rate is projected to decelerate.

Rwanda continues to close the gender gap in financial inclusion. Financial exclusion reduced for all, to 8 percent in women and 7 percent in men, with one percentage point gender gap. Unlike in many parts of the world where the gender gap on formal inclusion has been sticky, Rwanda managed to halve theirs from 15 percent in 2012 to 7 percent in 2020. Savings groups continue to play a significant contribution as an entry point to formal finance or an avenue to deepen financial health for many, especially women.

TABLE 3:
CLOSING THE GENDER GAP IN FINANCIAL INCLUSION

Indicator of financial inclusion	**2012**	**2016**	**2020**
Rwanda's total financial inclusion	72	89	93
Women's total financial inclusion	68	87	92
Gender gap on total inclusion	4	2	1
Rwanda's formal inclusion	42	68	77
Women's formal inclusion	36	63	74
Gender gap on formal inclusion	15	11	7
Rwanda's informal only inclusion	30	21	16
Women's informal only inclusion	32	24	19
Gender gap on informal only	(5)	(7)	(7)

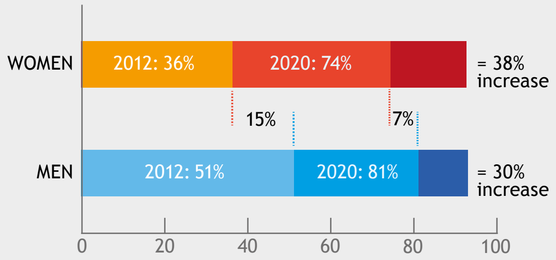
Source: Rwanda FinScope Surveys

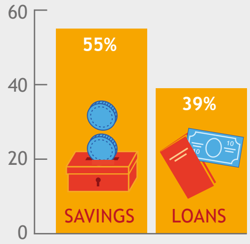
40 Ranked 2nd in Africa and 27th globally — and 3rd globally on "getting credit" indicator.

41 The World Economic Forum "Global Gender Gap Report" 2020 ranks Rwanda 9th most gender equal economy while McKinsey Global Institute "The Power of Parity: Advancing Women's Equality in Africa" 2019 puts it on the 3rd position in Africa.

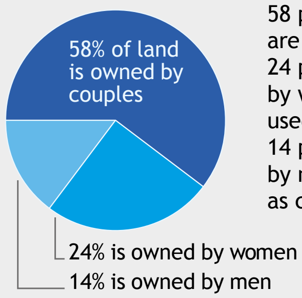
FIGURE 1: GENDER FACTS

Gender gap in formal financial inclusion dropped from 15 percentage points in 2012 to 7 percentage points in 2020. (Source: FinScope 2012, 2020).





High appetite for savings groups: 55 percent of adults use them for saving; 39 percent of adults use them for borrowing; both of which, women represent about 80 percent. (Source: FinScope 2020)



Land ownership:
58 percent of land pieces are jointly-owned by couples; 24 percent are owned only by women (46.8 percent used it as collateral); and 14 percent are owned only by men (47 percent use it as collateral).

Gender, Savings Groups, and Access to Finance in Rwanda: Challenges and Opportunities

As highlighted in the table above, the 2020 FinScope survey revealed that 92 percent of women are financially included, compared to the 93 percent of men, which means that gender gap is only 1 percent. It is worth mentioning that, between 2012 and 2020, women made a bigger leap in formal financial inclusion, of 38 percentage points (from 36 percent to 74 percent) compared to 30 percentage points in men (from 51 percent to 81 percent), thereby more than halving the gender gap, from 15 percent to 7 percent.

Despite the good progress, gaps still exist in usage and quality of the formal products. More efforts are needed to increase women's financial literacy, while reaching out to those still excluded, especially in rural areas. Other challenges cited by women include the cost of money, biased practices on the side of financial institutions, and other institutional gaps in the system.

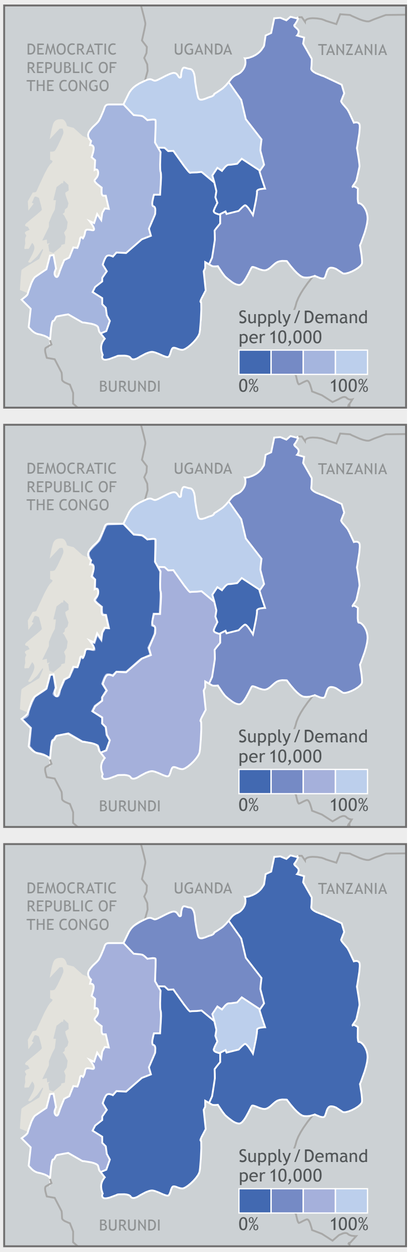
SGs are used as an alternative and/or complementary channel to counter some of the challenges just highlighted. They offer a quick, easy, and local access for people to manage their financial needs, and in some instances, nurture, console and grow each other as members. FinScope 2020 reveals that 59 percent (4.2 million Rwandan adults) use savings groups, 55 percent (3.9 million adults, from 3.3 million in 2016) have actually saved with them, while 39 percent (2.8 million adults, from 2.6 million in 2016) have borrowed from them. Around 80 percent of adult women belonged to a savings group or used informal channels to manage their financial needs and 19 percent of adult women compared to 12 percent men depended solely on informal channels, chiefly, savings groups.

FIGURE 2:
IMPACT OF SAVINGS GROUPS ON ACCESS TO FINANCE

ACCESS INCLUDING SAVINGS GROUP

ACCESS EXCLUDING SAVINGS GROUP

ACCESS THROUGH SAVINGS GROUP



Source: Mix Market Finclusion Lab.

SGs also offer opportunities to link their members to formal providers. This, however, requires increasing access to transactional accounts – a bank or mobile account (today at 66 percent overall; 62 percent for women versus 71 percent for men) and creating conditions for financial service providers to understand and appreciate tenants of the market segment served by the SGs.

Despite SGs' popularity among Rwandans, women in particular, they face a number of challenges. SGs face issues of limited security and protection of members' savings (safety of the physical boxes), limited products available, limited size of loans/limited liquidity, losing track of the credit history of members, frauds, lack of sustainability after graduation, and failure to transact remotely. The latter was most felt during COVID-19.[42] Steps have been taken to address these challenges and unlock SGs potential.

Policy Initiatives Geared to Unlocking Savings Groups Potential in Rwanda

The National Financial Inclusion Strategy for Rwanda (NFISR) that is about to be tabled for Cabinet approval, features SGs as key contributors to the resilience and money management of households and eventually to the macroeconomic indicators for the country. Actions geared to unlocking SGs' potential are:

1. Build on their success to reach the excluded, especially women;
2. Link them with formal providers to diversify the offerings and address the liquidity issue;
3. Increase and deepen the reach of SGs in areas not yet well served, in collaboration with NGOs and other players;
4. Digitalize SGs to encourage uptake of transactional accounts, digital payments and tracking credit history of members;
5. Diversify SG's offerings meeting needs of rural communities (micro-insurance, informal pension schemes, financial literacy programs, agriculture insurance, etc.);
6. Ensure SGs sustainability (graduation process, business model that reduces dependency on donor funding, etc.).

42 AFR (Access to Finance Rwanda) 2020, Effects of COVID-19 on Group Based Financial Services in Rwanda. Focus Note of a Rwanda Savings Group Practitioners' Forum meeting held on 3 April 2020. https://mangotree.org/files/galleries/Effects_of_Covid_19_on_Group_Based_Financial_Services_in_Rwanda.pdf

In addition to this, the other government initiatives and legal framework to support financial inclusion include:

The National Strategy for Transformation (2017-2024)[43] has a key strategic intervention (under priority 5) to bring financial services closer to the people by increasing the percentage of adult Rwandans financially included to 100 percent by 2024. This shows the government's commitment to leave no one behind.[44]

The government of Rwanda has put in place other laws that support women financial inclusion. For example, Law No. 27/2016 of 08/07/2016 Governing Matrimonial Regimes, Donations and Successions:[45] Provides equal rights and responsibilities over the management of family properties and allows both boys and girls to inherit their parents' properties. Law No. 43/2013 of 16/06/2013 Governing Land in Rwanda:[46] Guarantees equal rights on land access, ownership and utilization for both male and female.

Key achievements in enhancing the role of SGs so far:

- **SGs Practitioners Forum:** A coordination mechanism was devised to align all efforts around SGs. A SGs Practitioners Forum was created, comprising Ministry of Finance, National Bank, Ministry of Local Government, Access to Finance Rwanda, NGO promoters of SGs, financial institutions working with/interested in SGs, and the Credit Bureau.
- **Savings Groups Electronic Map:** One in four SGs have been mapped in an electronic map maintained by the National Bank of Rwanda and available on its website (https://sgmap.bnr.rw). 47,000+ groups, 1.1+million members of which 76 percent are women, with USD 32 million in savings and USD 25 million in loans. National Bank of Rwanda has started promoting the map to banks, insurers, and other financial institutions for consideration of possible linkages. In addition to microfinance institutions traditionally offering group-based financial services, 4 banks, 2 microfinance institutions, a credit reference bureau and an investment unit trust have picked interest and engaged with the FinTechs working on the digitalization of the groups.

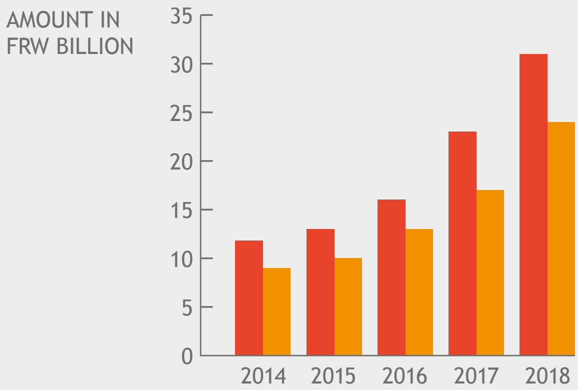
43 http://fonerwa.org/sites/default/files/Rwanda%20National%20Strategy%20for%20Transformation%202017-2024.pdf

44 http://www.minecofin.gov.rw/fileadmin/user_upload/MINECOFIN_Documents/NST_A5_booklet_final_2.04.19_WEB.pdf

45 https://minijust.gov.rw/fileadmin/Law_and_Regulations/Official_Gazette_no_31_of_01.08.2016.pdf

46 http://www.gmo.gov.rw/fileadmin/user_upload/laws%20and%20policies/Law_N_______43-2013_of_16-06-2013_governing_land_in_Rwanda.pdf

FIGURE 3: GROUP SAVINGS AND OUTSTANDING LOANS



	2014	2015	2016	2017	2018
Total savings (FRW billion)	11.8	13	16	23	31
Total outstanding loans (FRW billion)	9	10	13	17	24

Note that 1USD is equivalent to 950.3 (www.bnr.rw visited on 12.10.2020).

- **SGs Digitization/Digitalization:** A pilot sponsored by Access to Finance Rwanda was completed and is undergoing evaluation to assess its performance. Results of the evaluation are expected in the month of November 2020 and will inform the scale-up process.
- **Resilience during Covid-19:** It was noted that SGs that had digitalized their processes were able to continue operating and serving their members during lockdown. A case in point was where one FinTech has digitized 1604 groups, and from 10 digitally active groups just before Covid-19, the usage sky-rocketed to 170 in June (roughly 170 groups (4,257 members) and is still increasing. In another part of Rwanda where a second FinTech operates, 133 savings groups have been digitalized, of which 43 digitalized saving groups were active before COVID-19, and 22 continued to transact during lockdown. Today, 51 groups in that network are digitally active.

FIGURE 4: TOTAL SAVINGS GROUPS

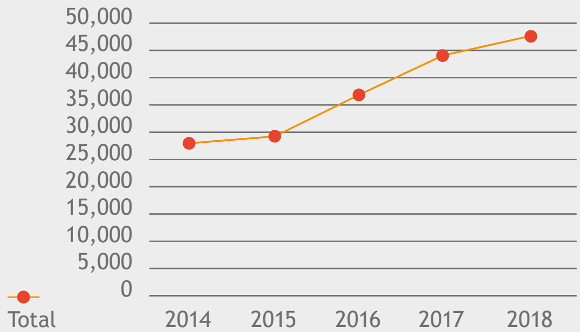


FIGURE 5: TOTAL MEMBERSHIP

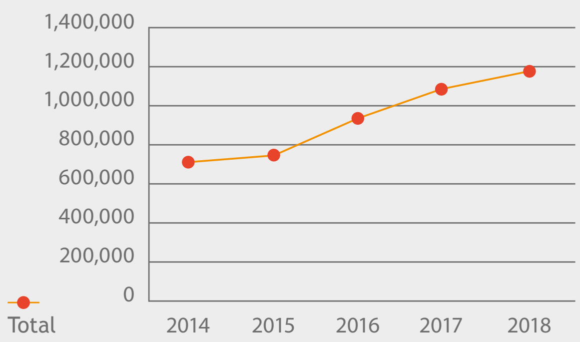
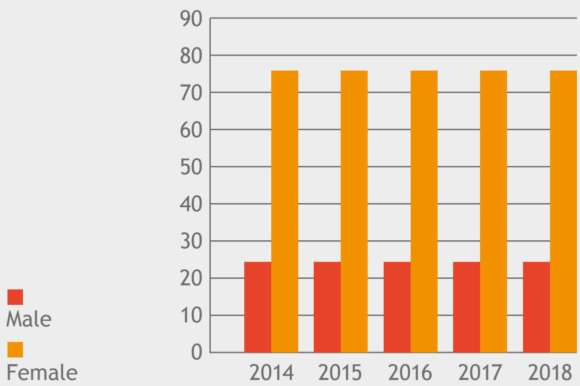


FIGURE 6: % OF SAVINGS GROUP MEMBERS BY SEX



Source: BNR savings groups map as updated in 2019
https://sgmap.bnr.rw

Recommendations

Going forward, the focus is on fast-tracking digitization/digitalization of the groups while ensuring compliance to regulatory frameworks (data protection, business continuity, end-to-end process to be in the hands of the group rather than the FinTech, thereby avoid fiduciary risks, etc.). Another key priority is to find a sustainable business model to reduce/remove reliance on sponsor funding. NBR shall also continue to market the map to inspire FSPs to create linkages.

6.4 ECUADOR CASE STUDY

1. ECUADOR GENDER DATA AND BARRIERS WOMEN FACE

a. Ecuador Gender Data

According to INEC's population projections for 2020, in Ecuador there are more women than men (50.51 percent women vs 49.49 percent men) but women are disadvantaged on many levels:

> Women's salaries are 39 percent lower than their male peers.[47]

> Women in rural areas work in average 25-23 hours longer per week than men do.[48]

> Meanwhile, 28 percent of women in Ecuador are heads of household, which means that they are more vulnerable and are more likely to be in a situation of poverty.[49]

> Women, especially in rural areas, are disproportionately affected by poverty. Women are more likely to be unemployed. Poverty and malnutrition are most likely to affect women, as well as young children and indigenous populations. Discrimination based on ethnicity interacts with discrimination based on sex, resulting in very high levels of poverty for indigenous and black women.

> The literacy rate in urban areas is higher than in rural areas (96.7 percent vs 88.2 percent). The rural literacy figure represents a challenge for the country, especially when there are high rates of poverty and malnutrition.

b. Barriers women face

Women in Ecuador gained the right to vote in 1929, the first country in Latin America to grant this, and in 1967 voting for men and women became obligatory, previously it had been obligatory only for men. By 1979, discrimination based on race or sex was also forbidden. Although there are now quotas for women's parliamentary representation, which have yet to be met, women still receive only 65 percent of the pay, compared to men, they work longer hours in the home and suffer from high levels of domestic violence.

Progress is still being made and since 1987 women have also had equality in respect to inheritance rights, divorce

47 https://lac.unwomen.org/en/donde-estamos/ecuador

48 https://lac.unwomen.org/en/donde-estamos/ecuador

49 http://www.fundacionmicrofinanzasbbva.org/revistaprogreso/en/10153

rights and property rights. They now own 51 percent of the land and 48 percent of the land wealth (White & Case). However, only 25 percent of the land dedicated to production in Ecuador is in the hands of women.

The cultural norms and the role of machismo, around women's roles as homemakers and the raising of children limit their opportunities to engage in the formal workplace and formal entrepreneurship[50] and when they do, 60 percent state they have to self-fund their business compared to only 55 percent of men.[51] Their access to funding gap is currently US$15.6 billion, or 15 percent of gross domestic product.[52]

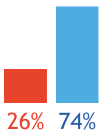
Ecuador has the highest rate in Latin America of entrepreneurship by necessity followed by Peru and Brazil.

With regard to women's financial inclusion and access to finance, the following facts can be stated:

> The female adult population showed a lower level of financial access with 54.5 percent compared to 55.6 percent for the male adult population.

> According to ENEMDU 2017 survey,[53] 55.3 percent of the population has a savings or checking account 54 percent of the women who answered the survey affirm that they would not like to have a financial product because they do not need the position, as they do not have enough money to save. In addition, one of the main access barriers is the required requirements, as well as the fact of not having a nearby financial institution, and inadequate interest rates.

> Only 8 percent of women have a joint savings account with a man and 43 percent of poor women do not have their own income.



> Even though 43.1 percent of women have access to (micro)credit the proportion of women who obtain microcredits is lower than that of men (26 percent, compared to 74 percent of men). The opportunity to access the economic resources with which they finance their companies is critical for 48 percent of the businesses owned by a woman.

> Only 28 percent of Ecuadorian women formally save and only 16 percent have saved over the five-day threshold of consumption expenditure, which reduces their ability to be resilient and makes them particularly vulnerable to income shocks. (Google Scholar)

> Women's savings are disproportionate to the level of credit they can access because they do not have sufficient credit guarantees, as well as insufficient free time, which they have to allocate to household activities due to the level of education, as well as the male-dominated culture. Although 53 percent of the balance of deposits are women's savings, only 39 percent of loans go to women, compared to 61 percent of loans given to men. This is especially true at lower levels of education. At higher levels of education, there is a smaller gap between men and women.

When all these factors are combined, they limit women's opportunity to fully participate in the economic system and to be financially independent. Hence, the national and regional stakeholders have a role to play in developing a gender-sensitive and enabling environment for appropriate regulation and policy measures, to overcome these barriers and ensure equality of opportunity for all.

2. NATIONAL POLICIES AND INTERNATIONAL PROTOCOLS TO ADDRESS WOMEN'S FINANCIAL INCLUSION.

On May 10, 2011, Ecuador's "Law[54] of Popular and Solidarity Economy"[55] ('Law') entered into force. This Law aims to support formal businesses and organizations that deliver services, generate knowledge or produce goods, pursuing social and economic goals. The Law also focuses on vulnerable and excluded sections of the population, including women.

50 http://www.revistaespacios.com/a20v41n03/a20v41n03p15.pdf

51 The Future of Business Survey - https://eu.futureofbusinesssurvey.org

52 https://ifcextapps.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/D6B5A12B3C2A0901852583C4004BECC1

53 https://www.ecuadorencifras.gob.ec/documentos/web-inec/EMPLEO/2018/Septiembre-2018/ENEMDU_Metodologia%20Encuesta%20Nacional%20de%20Empleo%20Desempleo%20y%20Subempleo.pdf

54 This Law defines the Popular and Solidarity Economy as: "The form of economic organization, where its members, individually or collectively, organize and develop processes of production, exchange, marketing, financing and consumption of goods and services, to meet needs and generate income, based on relationships of solidarity, cooperation and reciprocity, privileging work and the human being as a subject and end of its activity, oriented to good living, in harmony with nature, over appropriation, profit and capital accumulation".

55 https://www.economiasolidaria.gob.ec/wp-content/uploads/downloads/2014/04/RO_LOEPSSFPS.pdf

56 https://lac.unwomen.org/en/donde-estamos/ecuador

57 https://web.archive.org/web/20090320002938/http://www.asambleaconstituyente.gov.ec/documentos/constitucion_de_bolsillo.pdf

Ecuador has a solid legal framework[56] that enforces the validity, application and claiming of women's rights, supported by two main pillars:

a. The Ecuadorean Constitution,[57] which specifically addresses gender equality under its chapters 1 and 2; and
b. the international binding instruments ratified by the Ecuadorean State, such as:

> The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW);[58]

> The Beijing Platform for Action (BPA) (1996);[59]

> Security Council Resolution 1325[60] and its six additional resolutions on women, peace and security UNSC 1820 (2008); UNSC 1888 (2009); UNSC 1889 (2009); UNSC 1960 (2010); UNSC 2106 (2013) and UNSC 2122 (2013); and

> The Millennium Declaration and Millennium Development Goals (2000).[61]

The 'Superintendencia de la Economia Popular y Solidaria de Ecuador' (SEPS)[62] is currently developing *Ecuador's National Strategy for Financial Inclusion*, which will cover the areas policy and cross-cutting axes to boost financial services to reach the entire population, especially rural areas and the most vulnerable. SEPS, with support of the World Bank Group, is developing the NFIS in coordination with:

> the ECB, the Superintendency of Banks;

> the Superintendency of Companies;

> the Ministry of Finance and the Board of Policy; and

> Monetary and Financial Regulation.

Finally, the SEPS has endorsed AFI's Denarau Action Plan[63] to increase Women's Financial Inclusion and make public Maya Declaration Commitment in November 2019 to develop the necessary regulations to ensure women's financial inclusion.

58 https://www.ohchr.org/en/professionalinterest/pages/cedaw.aspx

59 https://www.un.org/en/events/pastevents/pdfs/Beijing_Declaration_and_Platform_for_Action.pdf

60 https://www.un.org/womenwatch/osagi/wps/

61 https://www.who.int/topics/millennium_development_goals/about/en/#:~:text=The%20United%20Nations%20Millennium%20Declaration_have%20specific%20targets%20and%20indicators

62 https://www.seps.gob.ec/

63 https://www.afi-global.org/sites/default/files/publications/2016-09/Denarau%20Action%20Plan.pdf

3. SAVINGS GROUPS IN ECUADOR

The existence of cooperatives in Ecuador dates back approximately a century. However, it is in the Constitution of the Republic of Ecuador of 2008, that the economic method of the popular and solidarity sector is fully recognized as part of the economic system and is then integrated through the forms of public, private, mixed, popular and solidarity economic organizations, and the others determined by the Constitution.

The objective of the creation of the SPSE is the formalization of the sector through the control of the entities that make up this sector, that is, the registration and control of SGs, communal banks, communal funds and cooperatives of savings and credit for vulnerable groups. In May 2020, there were 530 entities registered as Savings and Credit Cooperatives in Ecuador, which ranks them third in Latin America only surpassed by Brazil and Mexico.

Currently, regulated entities in the SPSE include saving and credit cooperatives. These non-profit entities seek social benefits for members and their communities through offering a range of products and services. Savings and credit cooperatives work with the partner's own resources/funds to provide financial products and services to them, unlike other types of entities.

Each member has one vote, regardless of the level of contributions they have and management of the popular and solidarity economy is framed by cooperative principles, including open and voluntary membership, democratic control of members, economic participation of members, autonomy and independence, education, training and information, cooperation between cooperatives and commitment to the community (ACI-Americas, 1995).

Savings and credit cooperatives seek the financial inclusion of women and other vulnerable groups through the services provided, such as opening savings accounts, deposits, withdrawals through windows in their agencies, branches or banking agents, as well as ATMs or mobile points to reach rural areas with difficult access. Cooperatives also make the payment of government bonds and subsidies, collection of basic services, electronic transfers, transfers of funds for payroll payments and remittance payments of local and foreign remittances. Currently, Savings and Credit Cooperatives are venturing into the issuance of credit cards, as well as digital wallets.

TABLE 4: NATIONAL FINANCIAL SYSTEMS STRUCTURE

MAY 2020

TYPE OF ENTITIES	NO. OF ENTITIES	ASSETS (THOUSANDS OF USD)	LIABILITIES (THOUSANDS OF USD)	EQUITY (THOUSANDS OF USD)	LOAN PORTFOLIO (THOUSANDS OF USD)
Government Banks	3	7.856.637	5.091.518	2.803.828	5.016.086
Private Banks	24	43.882.370	38.862.736	4.894.090	28.993.906
Mutualists	4	1.020.803	933.342	88.685	675.628
Saving And Credit Cooperatives	530	15.231.400	12.907.637	2.281.479	11.319.372
Total Financial System		67.991.210	57.795.233	10.068.082	46.004.991

Source: Superintendence of Popular and Solidarity Economy. Data: May 2020

In accordance with the principle of free access to financial services, the requirements to be a member of a Savings and Credit Cooperatives are minimal:

> An identification card;
> A basic service form (water, electricity or telephone); and
> A minimum amount of contribution certificates.

In relation to the principle of free membership, it is important to emphasize that cooperatives are voluntary organizations, open to those who are willing to use their services and accept the responsibilities associated with membership, such as active participation in decision-making.

Free membership allows, among other things, the access to a transactional account, which is one of the main strategic objectives of the World Bank Group for Universal Financial Access (UFA)[64] by 2020, which was proposed to work together with the World Institute of Savings Banks and Retail Banking (WSBI).

Savings and credit cooperatives are part of the wider financial sector together with private banks, as well as government banks and not all these entities are part of the PSE.

In Ecuador, saving and credit cooperatives are distributed throughout the Country in such a way that at least 85 percent of the national population lives in parishes with at least one access point to the popular and solidarity financial sector.

Saving and credit cooperatives are primarily focused on microcredit, particularly for agri workers, 1,326 service points (37 percent of total service points) are in high rural areas, while only 16 percent of the points are in areas considered less than 25 percent rural. In contrast to private banking, the presence of agencies of the financial entities of the popular and solidarity economy, in areas of greater rurality is 13 percent. This highlights the important role they play in providing financial services for those not served by the mainstream financial system.

Additionally, the popular and solidarity economy has 54 percent of its access points in areas where poverty is greater than 50 percent. That means that this sector is focused on serving the poor, which is corroborated when financial intermediation is analyzed and contrasted with the approach of private banking.

4. RESULTS AND IMPACT

After the formalization of the PSE sector, a rapid growth of the loan portfolio was observed. It went from 3 billion USD in 2012 to 11.2 billion U SD in 2019, a growth of 269 percent in 7 years. The highest growth in the portfolio is those in the population with poverty levels above 75 percent, where the indicator rose to 328 percent.

As for the population that accesses credit, the growth is 138 percent, and at a poverty level greater than 75 percent, it is 182 percent. However, the most notable increase occurs in areas classified as less than 25 percent rural where the growth rate is 201 percent.

Although in previous years the role of women in the economy was not recognized, since the introduction of the PSE, 48 percent of members are women, showing an increase in their economic participation.

64 https://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020

Additionally, it is evident that the savings rate of women in cooperatives with a higher level of assets and mutual funds exceeds the savings rate of men: women generally are saving about 10 percent more than men. The biggest gap in savings between men and women is for women in the poorest 25-49 percent of the population. That is also the group with the largest amount in savings. 52 percent of women are saving, compared to 48 percent of men.

On the other hand, women focus on long term savings, while men on short term savings. As for age groups, both in men and women, deposits are concentrated in people over 50 years of age.

In terms of poverty levels, the population that exceeds 50 percent of poverty accounts for 39.15 percent of total deposits in saving and credit cooperatives, of which 20.26 percent corresponds to women. There is a 5 percent difference between depositors with poverty below 50 percent, between the recruitments made by women and men, since in this level of poverty, women's savings correspond to 52.54 percent compared to 47.56 percent of men. In addition, it is evident that the savings of women at this level represent 32 percent of the total deposits, compared to 29 percent that men with poverty below 50 percent contribute to all of the catchments.

On the other hand, in the last 3 years, the deposits have grown by 20.10 percent in urban areas where the increase was 16.07 percent, while in areas with rurality greater than 50 percent, the savings have grown 18.79 percent. If the behavior of women is specifically analyzed, a growth of 24.48 percent is evident, where the population with rurality below 50 percent increased their savings by 50.87 percent. This phenomenon can be attributed to the formalization of the sector, the security provided because the Saving and Credit Cooperatives are regulated and supervised by the SPSE, as well as the trust generated by Deposit Insurance.

Women who are older than 50 years have a bigger participation in contrast with other groups, by range of ages that means that it is necessary to involve young women in the cooperatives.

Finally, in relation to the visualization of the role of women in the PSE based on the registration of SGs, communal banks, communal savings banks and saving and credit cooperatives, it is important to highlight that 32 percent of these entities are legally represented by a woman. Women have gained leadership space in cooperatives, women are partners, and they have empowered themselves to become an important part of board of directors.

TABLE 5: EVOLUTION OF SAVINGS BY RURALITY AND STRUCTURE

DEC 2016

RURALITY LEVEL	MEN	WOMEN	TOTAL
From 25% to 50%	2.532.754.862	2.610.667.596	5.143.422.458
From 50% to 75%	857.222.483	927.175.578	1.784.398.061
Greater than 75%	369.773.005	363.017.114	732.790.119
Less than 25%	542.393.948	514.930.893	1.057.324.841
Total	4.302.144.298	4.415.791.181	8.717.935.479

MAY 2020

RURALITY LEVEL	MEN	WOMEN	TOTAL	GROWTH FROM 2016	GROWTH WOMEN FROM 2016
From 25% to 50%	3.043.159.053	3.426.508.050	6.469.667.103	25,79%	31,25%
From 50% to 75%	920.580.540	1.071.919.051	1.992.499.591	11,66%	15,61%
Greater than 75%	380.586.792	400.037.886	780.634.679	6,53%	10,20%
Less than 25%	611.316.017	615.968.343	1.227.284.359	16,07%	19,62%
Total	4.955.642.402	5.514.433.330	10.470.075.732	20,10%	24,88%

Source: Superintendence of Popular and Solidarity Economy. Data: May 2020

Their role of the board of directors of these administration and surveillance councils is now visible; they are contributing to strategic decisions for the formulation of policies, statutes, regulations, as well as the approval of the proposals of the legal representative. The boards are also responsible for planning and evaluating the objectives of the entity and exercise audit functions. Currently women occupy 44.6 percent of the members of the boards of administration and surveillance. Women chair 27 percent of the boards of directors and 40 percent of the surveillance boards.

In summary, the Table 6 shows some gender indicators related to intermediation in saving and credit cooperatives:

TABLE 6: INDICATORS BY GENDER

INDICATOR	MEN	WOMEN
Financial intermediation	1,39	0,8
Average credit portfolio balance	6951	5924
Participation of number of credit operations	57%	43%
Higher level of instruction of credit subjects	Secondary	Secondary
Age group with the highest indebtedness	30-39 years	30-39 years
Share of credit portfolio balance	61%	39%
Participation of credit subjects by cantons of greater poverty	58%	42%
Participation of credit subjects by cantons of greater rurality	57%	43%
Average amount of deposits (USD)	762	857
Age group with the highest linkage	50-65 years	50-65 years
Deposit Balance Participation	47%	53%
Participation of the number of accounts	50%	50%

Source: Superintendence of Popular and Solidarity Economy. Data: May 2020

5. CONCLUSIONS

> An effective way to combat poverty is the formalization of the PSE Sector through gender-sensitive constitutional and legal reforms, which has directly influenced the financial inclusion of women through cooperatives.

> There are many real barriers to the financial inclusion of women that must be eliminated, including the lack of credit guarantees, the level of education, the distance from financial institutions, the level of women's income, and the culture of the society. These barriers are expected to be removed or reduced by the creation and enforcement of inclusive regulations that facilitate DFS.

> Savings and credit cooperatives enable the financial inclusion of those living in rural areas and areas with higher levels of poverty, due to the wide coverage of their access points distributed throughout the country.

> Women, especially in the areas with less rurality, contribute mostly to fundraising, so that 52 percent of the balance of deposits is concentrated in women. However, this behavior is not replicated in the availability of credit since the gap between the credits granted to men compared to women is 21.7 percent, and men receive 60.86 percent of the credits.

> There is a gap that should be bridged in terms of the type of role women have in the management of the entities, which is currently mainly secretarial. However, it is important to highlight that female representation in PSE entities (communal banks, savings groups, community savings banks and saving and credit cooperatives) stands at 32 percent.

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