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What Financial Diaries Tell Us About Building Financial Services That Matter to Low-Income Women

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Report by

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I Executive Summary

"Mariela's husband has been without work for over a month, unable to find anything ... For now, it is Mariela who continues to support the family alone, in addition to managing everything in the house."—*qualitative journal entry, Mexico Financial Diaries*

This report draws on Financial Diaries[1] data from India, Kenya, and Mexico to enhance the field's understanding of women's financial lives, and to highlight provider-led opportunities to better serve this important market segment.

The barriers to women's financial inclusion are inherently complex and multifaceted, ranging from deep-seated social norms to regulatory hurdles and supply-side challenges. This report builds on an important and growing body of work aimed at tackling the persistent gender gap between men's and women's access and usage of financial products. Throughout, we highlight demand-side insights with compelling product design implications, recognizing that this is just one element of the comprehensive solution set needed to fully address the gender divide.

This work leverages a unique Financial Diaries data set developed Bankable Frontier Associates (BFA)[2] between 2012-2015. Although Financial Diaries have relatively small sample sizes, this methodology collects rich stories and detailed cash flows over time, offering a nuanced view of household finance and behavioral insights that surveys often miss.

Using this approach, we find tangible evidence that helps us understand why it is even more difficult to serve financially excluded women than the generally excluded population. We also explore some of the broader contextual

Access to basic financial services is expanding rapidly worldwide, connecting many millions of users to new money management tools and economic opportunities. But the spread of these services, their attractiveness, and their impact are not the same for all. Around the world women—half of this newly opening market of low-income individuals—are unserved and underserved.

An estimated 1.1 billion women are left out of the formal financial system. World Bank Global Findex data reveal that 55 percent of the global unbanked are women.[5] In developing countries, 59 percent of men have an account, compared with 50 percent of women. In South Asia, the gap in account ownership is the largest of all the surveyed regions, cascading 18 percentage points from 55 percent for men to 37 percent for women.[6] And yet, we know women tend to be active savers and to have better repayment rates than men for certain types of credit.[7]

This is not just bad for women. This is bad business. Women as a segment represent an important market opportunity.

Financial institutions today do not appear to discriminate or intentionally exclude female clients. Rather, small barriers, signals, and incentives coalesce to make formal finance unappealing and impractical for many women in developing countries. We believe we can begin to close the gap with imaginative service design and delivery that account for the economic and social realities that are common among—but not exclusive to—women.

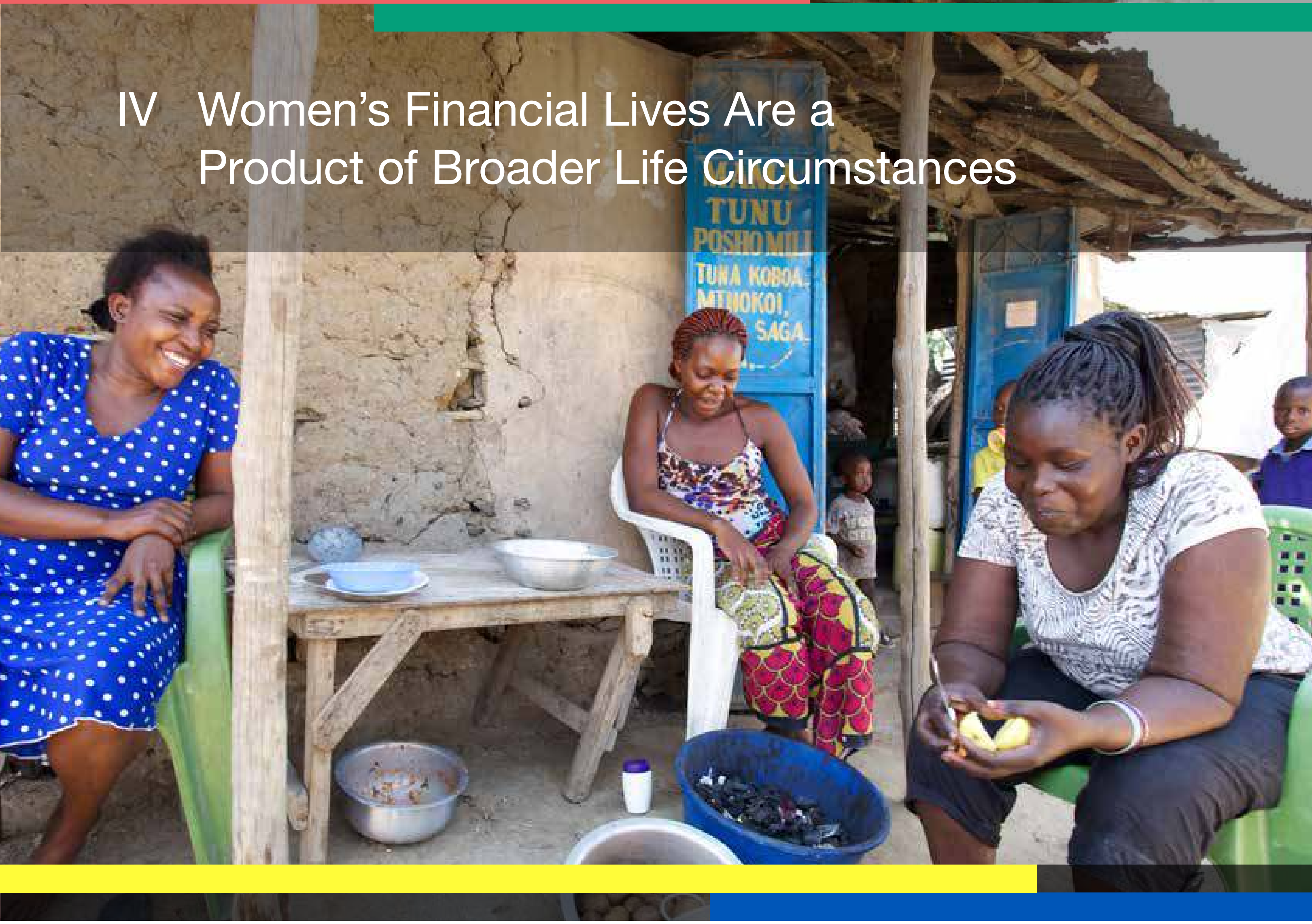
III About the Research: Applying a Gender Lens to Financial Diaries Data from Kenya, India, and Mexico

In this note we draw on gender-disaggregated cash flow data from three Financial Diaries research projects to offer up insights into women's particular financial needs.[8] Based on this data, we also present a number of ideas around how providers could serve female clients better. As the research lead on Financial Diaries covered in this note, BFA is uniquely positioned to offer a view of women's financial behavior observed across these projects.

This research builds upon and complements existing quantitative data sources, such as the Global Findex,[9] local FinScope and FinAccess surveys, the Inter-American Development Bank's Data2X,[10] and the Global Banking Alliance for Women's gender-disaggregated supply-side data.[11] These initiatives have helped us understand the scale of the challenge of reaching women and some of the important drivers of existing gaps. Additionally, qualitative studies, such as work done by Dr. Susan Johnson, have helped us understand the importance of relationships—within the household and between institutions and clients—in money management.[12] And, of course, organizations on the frontlines of providing financial services to low-income women around the world are also a rich source of information backed by experience about how financial services can be relevant for women.[13]

We hope to supplement this information with Financial Diaries data. Diaries data is distinct in the way that it is both deep and systematic. Financial Diaries attempt to build a detailed understanding of households' financial behavior over time by following a small, non-representative sample of families over many months.[14] Following initial questionnaires that capture demographics, income sources, and financial instruments of all household members, field researchers track every income, expense, and financial cash flow in formal and informal financial instruments using a customized

IV Women’s Financial Lives Are a Product of Broader Life Circumstances

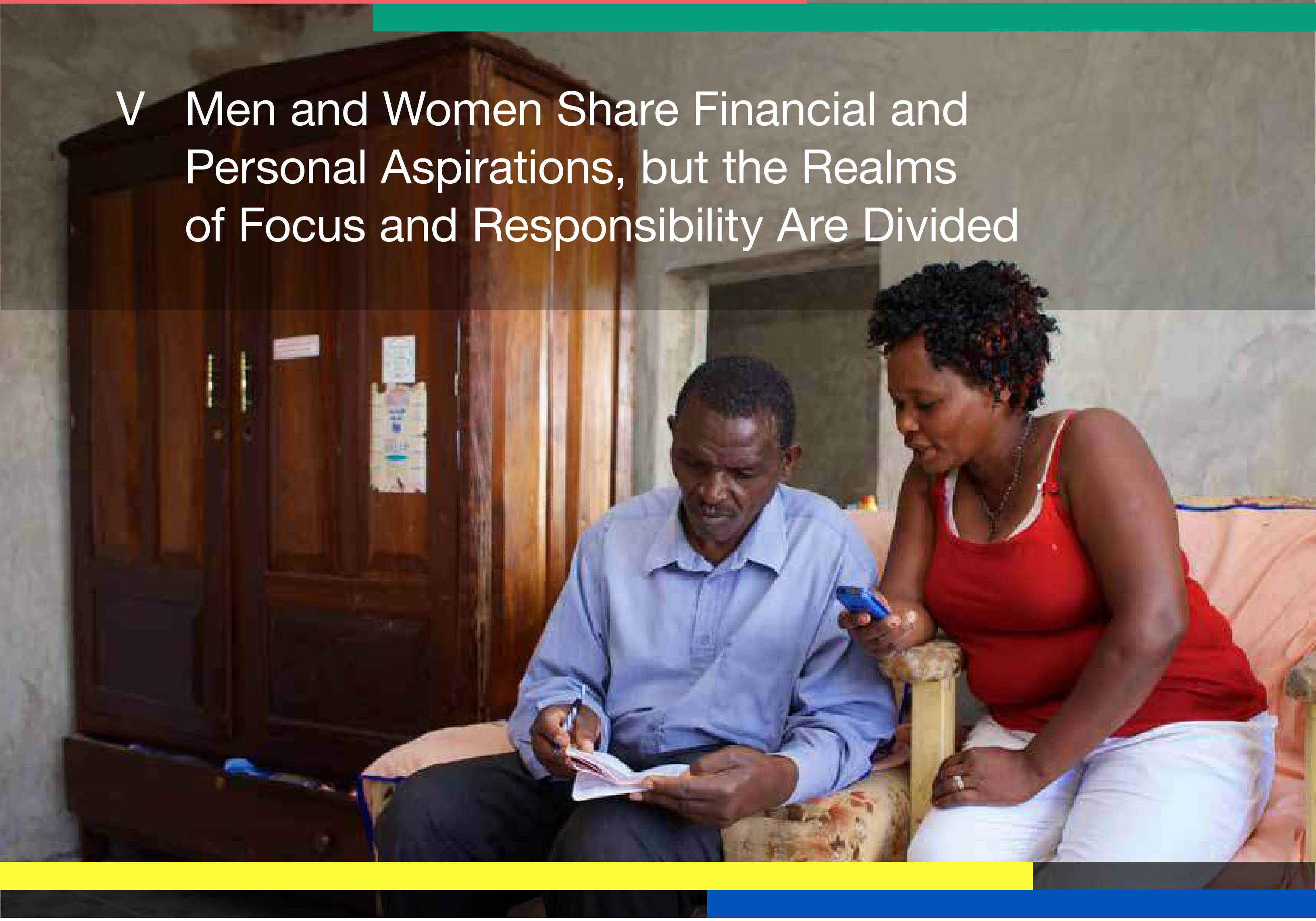


A. WOMEN’S LIVELIHOOD PATTERNS—AND THE RELATED MONEY NEEDS—DIFFER FROM MEN’S.

Women’s economic needs are inherently embedded in broader socio-cultural contexts. To understand women’s financial lives, we have to understand how women’s life journeys, financial priorities, social networks, and family hardships differ from those of men. When we talked with Diaries respondents about their life histories, we noticed some important differences between men and women. Men had fewer moments of major life and livelihood transitions. Upon entering adulthood, they would begin working, trying to increase that income from work outside the home after marriage and having children. They might migrate for work and change jobs, but there were far fewer moments of major transition.

For women, though, we saw that the general course of their lives was often set in their teenage years, marrying or having a child before having the opportunity to finish high school. Throughout their adult lives, women’s livelihoods were frequently interrupted while they attended other family responsibilities: caring for aging parents and relatives, bearing and caring for children, tending family farms, and organizing family cultural affairs, such as funerals and weddings (Figure 1). In each of the three countries, pregnancies come with interruptions in women’s work. It is difficult to get a job when showing, and women need to take time off after delivery and typically while breastfeeding.

V Men and Women Share Financial and Personal Aspirations, but the Realms of Focus and Responsibility Are Divided



A. GENDERED PRIORITIZATION OF SHARED ASPIRATIONS.

We do not believe that men's and women's financial strategies are wildly divergent because they care about very different things. Instead, when we listened to our respondents talk about their financial goals and aspirations, we tended to hear a convergence around a largely shared vision. This differed from country to country, but often focuses on secure earnings, important physical assets—like housing—and the welfare of children, most notably through their education.

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Where we do observe a gender difference, however, is in prioritization. For example, in Kenya, Dr. Susan Johnson conducted a series of qualitative interviews with male and female Diaries respondents listening for differences in aspirations. She found that women tended to place more emphasis on their aspirations for a permanent house (brick walls, metal roof, cement floor) and their children's educations in their financial narratives, while men placed more importance on investments in their businesses and land (Figure 2).[18]

planning horizons. Keeping barriers to account reactivation low can encourage women to return to your service after a major change or interruption—like taking a year off of their business after having a new child. Providers may even consider how they can support the many moments in a woman's life when she will economically be starting over.

One idea would be introducing "new family" funds, in which savings, such as from wedding gifts, mature five to 10 years after marriage, or with milestones such as the birth of the first child. Providers might also think of new ways to overcome the risks of lending to women starting a new business. Yes, this is often riskier than expanding existing businesses, but being able to start from zero multiple times throughout one's life is key to supporting women's resilience after disruptions. Starting a business in many markets need not require a huge upfront investment, with most starting with small-scale trading often requiring less than $50, the kind of loan that could be offered on platforms like M-Shwari and Kenya Commercial Bank M-PESA.

5. Be accessible and welcoming to women.

Achieving the less-tangible goal of being welcoming will probably take a different blend of ingredients in different kinds of markets, but the Diaries suggest that providers take stock of the gender balance of frontline staff and consider women's economic geographies when planning the expansion of physical presence. Providers should recognize that effectively communicating with existing and potential female clients may look different than communications that work with men. Since women spend more time interacting within horizontal networks, they may naturally be less-exposed to "first movers" and wary of trying new things on their own. Introducing new products through groups—where the horizontal networking is an asset—may be a better way to encourage women to try something new for the first time and to learn to use product features effectively.