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AUTHOR
Harriet Kamashanyu

Centre for Development Alternatives
www. cda.co.ug

Youth 4 Policy
www.youth4policy.org

Konrad Adenauer Stiftung
www.kas.de/uganda/en

Policy Options for Fostering Financial Inclusion of Disadvantaged Girls and Women in Uganda

Harriet Kamashanyu

Women's empowerment has taken centre stage in the present development agenda. The study examines disadvantaged women groups[1] that are excluded from the financial system in Uganda and the role of financial inclusion in supporting women's empowerment in Makindye division, Kampala district, central Uganda. Using both purposive and simple random sampling, a sample of 82 respondents was selected and a response rate of 95 per cent was realised. The study found that financial support appeared to be sparse, and that most key informants acknowledge that financial inclusion includes the wider capacity of everyone to tap into the financial systems. However, a number of considerations for some groups like marginalised women is not yet up to the standards, causing many women to still lag behind in gaining access to financial products and services. The study, therefore, recommends that the government should design programmes that address both the demand and supply side constraints on economic participation by disadvantaged women in Uganda. The programmes should support capability development, create and increase productivity, thus increasing sustainable demand (as opposed to supply) for financial services and products, and reduce poverty.

Although many researchers have reported the supply of financial services to be good, this does not depict women's financial inclusion. Financial inclusion of women is about expanding women's asset base and capabilities to participate in, negotiate with, influence, control and hold accountable the institutions that affect their lives. Economically empowering women through financial inclusion is key to reducing poverty, growing economies, and building healthy and safe communities.

1. Introduction

Empowering women is seen as one of the central issues in the process of sustainable development for many nations worldwide. Governments and different organisations strive to increase women's empowerment by implementing different interventions, such as offering access to microfinance services to promote sustainable development and human rights (Huis, Hansen, Otten, & Lensinka, 2017). Although several financial institutions have tried to offer financial products that resemble alternative financial services to consumers, there is still delineation between financial inclusion and the financial empowerment of women, particularly in Makindye division, Kampala district, Uganda.

The strategy behind financial inclusion efforts has been to get more people to use mainstream financial products (and use fewer alternative financial services). This includes bringing the 'unbanked' and 'under-banked' consumers into the regulated financial service system to access affordable and safe financial products (Niki et al., 2015; Morgan & Pontines, 2014). The unbanked population includes the vulnerable groups such as weaker sections and low-income groups. The success of mobile money, for example, illustrates the transformative potential of technical progress and innovation to promote financial inclusion. Mobile money, for example, which is a form of branchless banking, has allowed people who are otherwise excluded from the formal financial system to perform financial transactions in a relatively cheap, secure and reliable manner.

Although several financial institutions have tried to offer financial products that resemble alternative financial services to consumers, there is still delineation between financial inclusion and the financial empowerment of women, particularly in Makindye division.

This paper aims to address the public problem of disadvantaged women groups that are excluded from the financial system in Uganda.[2] This kind of financial exclusion presents a major challenge as it worsens their already disadvantaged position in society.

The study conducted was based on a cross-sectional survey design. This design was chosen to ensure that the study accurately described the true nature of the existing conditions at that time. Data was collected from Makindye division, Kampala district, central Uganda. Using both purposive and simple random sampling, a sample of 82 respondents was chosen from among the respondents and the response rate was 95 per cent. The questionnaire was tested for validity and the results were credible and reliable.

The study targeted disadvantaged women who were clustered as single mothers, female commercial sex workers, widows, housemaids, market vendors etc., in relation to access to financial services and products, and also established the role of financial inclusion in their empowerment. The findings indicated a significant association between the financial inclusion and financial empowerment of women. The findings support Head, Zweimuller, Marchena and Hoel's (2014) observation that access to economic opportunities on women's part increases their cash earnings, which boosts their self-esteem and bargaining power within the household.

Despite significant advances in financial inclusion for both men and women between 2014 and 2018, most women in Uganda still lag behind in access to and usage of financial products and services.[3] The number of affected women is estimated at 45 per cent. Of these, women of weaker socio-economic status are facing this problem more severely.

According to the Uganda Bureau of Statistics (UBOS) – Uganda National Household Survey 2016/17, the national poverty level has increased from 19.7 per cent in the financial year 2012/13 to 21.4 per cent in 2016/2017, and women account for 15 per cent of this.[4] According to UBOS statistics, this puts the total number of poor Ugandans who cannot afford three meals a day at eight million. This group of persons has close to zero chances of financial inclusion (UBOS – National Household Survey 2016/2017)[5].

Access to financial services is highly unequal, with poor people – and particularly poor women – frequently the least served by existing institutions and systems. Accordingly, they cannot enjoy the individual and household benefits of financial inclusion. As a result, disadvantaged women have no access to finances and, thus, are entirely dependent on their male relatives. This not only hinders them from being able to become financially literate, but it also deprives them of the ability to make their own expenses. In numerous cases, this constrains women to hand over their small incomes and, thereby depriving them of the possibility to be self-reliant. This reinforces the high levels of gender disparity.

According to Alliance for Financial Inclusion[6], the importance of improving financial inclusion for women is receiving an increasing amount of attention. Recent research by Alliance for Financial Inclusion provides solid evidence that when women – who constitute 50 per cent of the world's population – do not participate in the financial system, there will be no significant benefits in terms of economic growth, greater equality and societal well-being because women will not be able to save securely, borrow for investment or consumption, insure against risk, and send and receive money safely.

Women's financial exclusion undermines women's economic and broader empowerment and, therefore, the reduction of poverty. Such exclusion is also highly relevant to the achievement of Sustainable Development Goal 5 – Gender Equality. Moreover, financial exclusion infringes on SDGs 2 to 7, as it both undermines the opportunities for individuals and households to benefit from and contribute to economic growth, and also impedes households from managing the money needed to access health and education services.

Financial inclusion, on the other hand, could increase the empowerment of women in a number of ways. First, having access to resources on their own account and to the tools that help them to earn a living increases women's bargaining power within households and their influence over how money and other resources are used. Second, financial inclusion helps increase women's opportunities to earn an income or control assets outside the household. Third, it reduces women's vulnerability by, for example, allowing them to insure against risk or borrow to meet unexpected expenses, such as medical treatment. These are all key factors for economic empowerment and they can also help to empower women more broadly. Studies show that access to savings schemes can improve women's confidence and decision-making power in the household, improve their purchasing power, and reduce vulnerability. This is according to UBOS – Women and Men in Uganda, Facts and Figures 2016.[7]

The financial inclusion of women, especially disadvantaged women, is at the core of moving towards gender equality and eradicating poverty. These two goals, which are addressed in regional, national as well as international development plans, will not be achieved if disadvantaged women are not financially included. Accordingly, the risk goes far beyond just affecting this target group directly but may have severe repercussions for the socio-economic development of the nation as a whole. Even worse, the affected group may socio-economically fall farther behind, making them vulnerable to extreme poverty, which will possibly affect their very livelihoods.

In Uganda, 40 per cent of smallholder farms are run by women, yet women receive only 10 per cent of MSME (micro, small and medium enterprises) credit (IFC). Fifty-eight per cent of SMEs (small and medium enterprises) are run by women. Yet, only 43 per cent of women who run small businesses have bank accounts compared to 52 per cent of their male counterparts[8] (FinScope, 2010).

Moreover, women are informationally disadvantaged with smaller and less diverse networks, and are less likely to receive referrals from people within their networks. They are also more difficult to reach through the usual channels that target men, including wage payments and remittance channels as well as savings accounts. This challenge has not been addressed as providers have less incentive to cater to women because the margins are smaller and because women require more upfront investment to be brought on board as customers.

Additionally, women often prefer informal products, particularly for savings, and reaching them with formal products entails higher costs as, through lack of experience, they statistically demand more information on products. Moreover, human and financial capital is needed to influence men in their surroundings, to whom women turn for advice and affirmation.

To further complicate this, social norms constrain women's demand for financial services. Oftentimes, women are not expected or encouraged to have financial independence or access to land. Sometimes they also have mobility constraints that make it difficult to engage with financial institutions.

Finally, women also have less access to technology, which is accompanied by high levels of illiteracy and lack of confidence. With mobile phones being touted as the latest game changer that could radicalise rates of financial inclusion, the gender gap is at risk of increasing if women are not specifically targeted. This policy research is, therefore, undertaken to generate policy options for fostering financial inclusion of disadvantaged girls and women in Uganda.

The remainder of this paper is structured as follows: The next section discusses women as users of financial services and the gaps identified in the existing financial policies of Uganda. The section after that provides evidence on the role of financial inclusion on women's empowerment .The final section concludes the paper and generates policy recommendations as well as references.

2. Analytical Framework

According to Financial Sector Deeping Uganda (FSD Uganda)[9], financial Inclusion in Uganda has gained significant recognition through the recently launched National Financial Inclusion Strategy (NFIS) 2017-2022, whose major focus area is to enhance the financial sector to be more robust to enhance inclusion. There has been an opportunity for more Ugandans to access a broader range of affordable, high-quality financial services and products.

Interventions like the Uganda Women's Entrepreneurship Programme (UWEP)[10] – a Government of Uganda credit and entrepreneurship skills development facility for women – highlight women's effectiveness in utilising financial resources, which is against the assumption of banks that women are not 'bankable'. This can be an eye-opener towards financial institutions to re-think their policies around women's access to financial services.

As much as the purpose of NFIS is to develop a consolidated definition and, in line with a vision and strategy, to improve financial inclusion in Uganda (with the ultimate goal of families being financially secure), this policy has a number of gaps that need to be filled:

- It focuses a lot on financial infrastructure with an emphasis on the institutions that the Bank of Uganda (BOU) supervises. However, more people having accounts does not reduce poverty or enhance the economic security of families through usage of affordable financial services.
- Much as Savings and Credit Cooperative Organisations (SACCOs) remain a major potential source of financial services and inclusion of most

populations, they are less regulated, causing a trust deficit and providing challenges like lack of oversight and capacity, poor book-keeping and inadequately skilled staff and boards. This could have significant adverse socio-economic impact on the financial sector and hinder financial inclusion.

- There is also a trend in many studies to either focus on qualitative 'empowerment' variables or quantitative variables to measure women's financial inclusion, but not to measure both at the same time. The effects of economic strengthening interventions are often mediated through such 'empowerment' variables, so it is important to measure both.
- Though there is a great deal of policy research on the role of microfinance on women's empowerment, there is very little research done on savings-led approaches for disadvantaged women. Similarly, inconclusive data on the impact of vocational training demands further investigation, particularly with regard to its effects when combined with microfinance.
- Excluded women are harder to identify as household surveys are expensive and time-consuming, but they are the only mechanism to identify people who are outside the banking system. Banks can survey their clients and study their transactions, but this limits them to people who already have financial access.
- Promoting greater access to financial services for low-income households and firms is a core part of the overall strategies for economic and financial development. However, there remains uncertainty as to whether financial inclusion results in financial stability.

The study investigated the role of financial control on women's empowerment. The findings indicated a significant association between financial inclusion and the financial empowerment of women. The findings noted that access to economic opportunities on women's part increases their cash earnings, which boosts their self-esteem and bargaining power within the household. Relatedly, increasing women's access to economic resources, such as savings and control over productive assets, expands their assets and capabilities to negotiate with and influence the institutions that affect their lives.

Despite evidence of benefits to individuals and society as a whole, financial inclusion often proceeds on an isolated track – more social policy than macro policy. It is critical to avoid such a 'silo mentality'. Financial inclusion – including greater access to and use of financial services by women – is an integral part of inclusive growth strategies and should be closely integrated into macroeconomic and financial policies. When financial systems become more inclusive, they help broaden financial markets and can make monetary policy more effective. By bringing more sections of the population into the formal sector – such as including more women – the tax and expenditure effects of fiscal policy can be broadened.

Mounting evidence shows that financially empowered women are more likely to improve their family's welfare. Financial services help women shape household spending decisions, make investments, and manage economic risk. Specifically, access to insurance helped women farmers in Burkina Faso and Senegal increase yields and better manage food security (Delavallade et al., 2015). Women in the Philippines who used a savings account reported greater control over household decisions and increased spending on items they needed, such as washing machines and kitchen appliances (Ashraf, Karlan, & Yin, 2009). In Kenya, women merchants who received a basic account invested more in their businesses (Dupas, & Robinson, 2013). Women-headed households in Nepal spent 20 per cent more on education and 15 per cent more on meat and fish after receiving a savings account (Prina, 2015). More broadly, surveys of the micro literature suggest that women's financial inclusion enhance the growth-promoting potential of finance, help reduce income inequality, and benefit the next generation by improving the health and education of children.

3. Conclusions

The primary objective of this paper is to generate policy options for fostering financial inclusion of disadvantaged girls and women in Uganda.

A sense of urgency is present regarding financial inclusion. While financial inclusion is an important goal in itself, new evidence suggests that greater inclusion of women as users of financial services has generally positive macroeconomic outcomes as well. Greater access to and use of accounts for financial transactions, savings and insurance can help increase long-term macroeconomic growth. In line with results observed for financial inclusion more broadly, the marginal benefits for economic growth wane as financial depth increases. The clock is ticking on financial inclusion and a focus on disadvantaged women can help!

The foundation for financial inclusion stands on three pillars – access, trust and comfort. But this foundation cannot be built through a single government policy or a development agency in isolation. Instead, it will entail a range of partnerships across technology, banking, the private sector and government departments, especially those addressing both the demand and supply constraints.

The study also advocates the need for macroeconomic policymaking to integrate financial inclusion and stability to ensure better economic and financial outcomes. Despite evidence of benefits to individuals and society, financial inclusion often proceeds on a separate track, more as a means to address social goals than mainstream macroeconomic goals.

More broadly, the findings strengthen the case for financial inclusion for women to enhance economic growth, reduce income inequality and foster financial stability. Further research will allow us to draw stronger causal links, discerning which of the possible hypotheses could be driving the results.

4. Recommendations

The government should design programmes that address both the demand and supply side constraints on the economic participation of disadvantaged women in Uganda. The programmes should support capability development, create and increase productivity, thus increasing sustainable demand (as opposed to supply) for financial services and products, and reduce poverty.

Several studies have raised concern about how collateral security impedes financial use and access. The government should establish buffers to serve as collateral security for women who intend to secure financial credit.

Financial service providers should lower the costs of operating accounts for the financial inclusiveness of women, particularly disadvantaged women.

The government should tighten the monitoring, regulating and supervisory policies of financial service providers to restore public trust in financial institutions in Uganda. Women appeared to shun formal accounts owing to ignorance and the dearth of information on financial management.

Financial services providers, the government and other development partners should continue offering both formal and informal business education training.

A macroeconomic policy should be made to integrate the financial inclusion of disadvantaged women and stability to ensure economic and financial outcomes.

Policymakers and financial regulators should spur banks to collect sex-disaggregated client data as well as supply-side financial services data and then act on that data to provide products and services that work for women. The Central Bank of Uganda should encourage commercial banks to sex-disaggregate their data and grow the women's market sector. Closing the financial inclusion gap will only happen when banks and mobile money providers treat women fairly and as a distinct market segment, collect sex-disaggregated data on their portfolios, and use that data to design products for women clients. When banks collect sex-disaggregated data, products become more women-friendly.

Women should leverage the promise inherent in savings. Savings are crucial, especially for women entrepreneurs – self-employment being the norm in Uganda. Disadvantaged women will want and use their bank accounts if they are linked with secure savings products.

The critical roles of the IMF and the World Bank. They are respected international leaders in the financial sector, and have a unique opportunity, through their regular policy dialogue with client countries like Uganda and their lending and technical assistance work, to lead and champion financial inclusion for women in their core economic sector lending to bring women on board.

An integrated digital financial ecosystem for women should be created. Unless women reliably find value in using their bank accounts, no initiative can spur their financial inclusion. The active usage of accounts through credit-debit transactions is a critical success factor for catalysing financial inclusion, and is also the necessary first step for women to adopt digital mediums for conducting financial transactions. A large number of women's accounts remain dormant owing to negligible credit and debit activity. By identifying the prevalent income-generating activities or value chains among women customers and connecting these income streams to their accounts, greater account usage can be activated. This will also form the first link of a sustainable digital financial transaction chain. To complete the integrated digital financial transaction ecosystem, data generated from digital incomes, savings and spending can be utilised to build the digital financial profiles of the women, which can then enable improved financial access for them.

Endnotes

1. Disadvantaged is an adjective (of a person or area) in unfavourable circumstances, especially with regard to financial or social opportunities – lacking in the basic resources or conditions (such as standard housing, medical and educational facilities, and civil rights) believed to be necessary for an equal position in society..
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3. The National Financial Inclusion Strategy, 2017-2020
4. Uganda Bureau of Statistics – Uganda National Household Survey, 2016/17
5. Uganda Bureau of Statistics – National Household Survey, 2016/2017
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8. FinScope, 2010
9. Financial Sector Deeping (FSD) Uganda, 2017
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KONRAD-ADENAUER-STIFTUNG
UGANDA & SOUTH SUDAN OFFICE

51 A, Prince Charles Drive, Kololo
P.O.Box 647 Kampala, Uganda

T: +256 312 26 20 11/2
E: info.kampala@kas.de

www.kas.de/uganda

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