



## Information Availability & Capability

# Financial literacy

This barrier refers to concepts ranging from financial awareness and knowledge—including of financial products, institutions, and concepts—to financial skills, such as the ability to calculate compound interest payments, and to financial capability more generally and in terms of money management and financial planning.

### Why is this barrier important?

Although there remains a significant gender gap in financial literacy, especially for women entrepreneurs, evidence shows women develop workarounds to financial literacy, and can still use financial products without having high financial literacy levels. Evidence shows financial literacy was more relevant for women-owned MSMEs due to the necessity in learning more about budgeting and financial management. While some financial literacy topics can be important, their absence does not necessarily impact a woman's decision to use a digital financial service, but rather their confidence when using DFS. Lack of more advanced financial literacy becomes a barrier to more advanced usage of DFS, especially for women entrepreneurs in Segments 2, 3 and 4.

## Connected Barriers



### Social Norms

All barriers in this category



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Lack of peers/family/network who use DFS

Unclear or unavailable information about products/uses

Digital literacy

Basic literacy and numeracy



### Cost

Perceived and/or lack of money

Non-transparent fee structures / hidden costs



### Consumer Protection

Over-charging

Frauds and scams

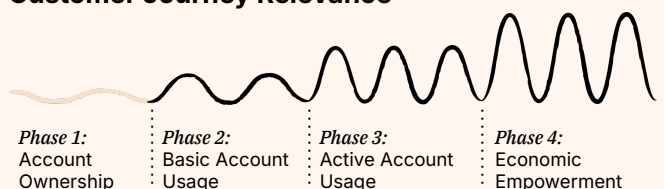
Fear of making mistakes

Predatory lending

## Most Relevant Segments

1	2	3	4
Excluded, marginalized	Excluded, high potential	Included, underserved	Included, Not underserved

## Customer Journey Relevance





### Key evidence relevant to this barrier

- At the global level, 30% of women are financially literate, compared to 35% of men ([GFLEC, 2017](#)).
  - Low financial literacy is the second highest barrier to women-owned MSME lending in multiple countries, including Indonesia, Costa Rica, Ghana, Bangladesh, Mexico, Fiji, Tajikistan, Timor-Leste, Tonga, Samoa and Palestine ([AFL, 2017](#)).
  - 25% of MSMEs surveyed in India, Indonesia, Bangladesh, Philippines, Uganda, Kenya, and Ghana cite lack of, poor business development skills and/or market awareness as a key constraint in growing their business ([MSC, 2021](#)).
  - “Women are three times more likely than men to be unable to afford retirement savings and they also have significantly lower rates of financial literacy due to their lack of financial exposure. However, financial literacy is one of the most commonly adopted interventions for making the population financially included. Regulators are increasingly employing smart financial education techniques to reach out to a wider audience.” ([AFL, 2020](#)).
  - According to the [S&P Global Financial Literacy Survey \(2014\)](#), financial literacy is significantly lower among women. However, this continues to change as “more countries include women’s financial inclusion among policy objectives in national financial inclusion strategies and countries address women’s financial capability at the national level.” ([GPFI, 2020](#)).
  - According to the [Global Financial Inclusion and Consumer Protection Survey \(2017\)](#), 35% of responding jurisdictions (124 total) report having a national strategy in place for financial capability.
  - An RCT conducted in Ecuador illustrates how women’s unpaid work can negatively impact their financial and business literacy.—
- “A sample of 2,408 microentrepreneurs were randomly assigned to three different groups with about 800 people per group: traditional training, heuristic training, and the control group (which did not receive any training). Women represented 68% of the sample... The promising results of the heuristic approach seem to be driven by women entrepreneurs, who were more likely than men to adopt best practices and consequently experienced larger gains in both sales (10%) and profits (10%) in comparison to women in the control group. Again, when looking only at women who actually completed the heuristic training, both average sales and profits increased by 17%. These findings may partly be explained by women doing worse at baseline, and then catching up with the men later. But the data also tells another story. **Women in the sample reported devoting significantly more time than men to household chores (3 hours vs. 1 hour) and to child and elder care (2.9 hours vs. 1.5 hours). Women also dedicated the same amount of time to their businesses as men (12 hours per day and 6.7 days per week). This evidence suggests that women could be more cognitively taxed than their male counterparts**, making the simpler nature of the heuristic training better suited to their needs... The results show that simpler training, based on rules of thumb rather than excessive information, is a more effective method for microentrepreneurs, especially women, whose mental bandwidth is already overtaxed by the demands of work, home, and in many cases, the daily struggles of life in low-income communities.” ([Arraiz, 2019](#))
- **Women deploy workarounds to transact in their day-to-day lives.** In Tanzania and Northern Kenya, women pair their income streams with discrete expenses as a tool for budgeting and accounting. For example, earnings from selling crops are used to pay school fees pairing a large amount of income (selling crops) with a large expenditure (school fees). Daily earnings from eggs and poultry go towards daily expenses. This “mental—



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- accounting” method is used by women and men with low literacy, and, with women having lower literacy rates, this method is more prevalent among women. These analog workarounds prove more difficult to replicate with digital financial services. For example, the [Women & Money Report \(2019\)](#), tells the story of Nuria—a woman in Northern Kenya—who taught herself how to recognize numbers and the specific placement of options on her phone to complete mobile transactions even though she cannot read ([IDEO and BMGF, 2019](#)).
- 94% of respondents (n=4000) in Bangladesh that received financial literacy training were likely to be confident in making financial decisions, when compared to 13% of respondents feeling confident if they did not receive training. A mix of users and nonusers received financial literacy training ([World Bank, 2018](#)).
  - Percent of rural men and rural women who have knowledge of advanced financial concepts ([IDEO and BMGF, 2019](#)):
    - Tanzania: 18% women vs 24% men
    - Kenya: 20% women vs 29% men
    - Nigeria: 13% women vs 18% men
    - Bangladesh: 24% women vs 33% men
    - India: 13% women vs 15% men
    - Pakistan: 11% women vs 15% men



The following Exemplar represents one evidence-based interventions that has shown success in addressing this particular barrier. There may be other Exemplars for this barrier in the larger [Barriers & Exemplars Analysis compendium deck](#).

## Exemplar

### *Mobile Financial Services for Female Entrepreneurs (MFS) Program*

The Government of Indonesia passed a law to support the development of branchless banking services for a large unbanked rural population. As a result of this new law, this intervention sought to increase the utilization of saving and other financial services by women business owners in Indonesia. The trial was conducted in 400 selected rural and semi-urban villages in five districts of East Java province in which branchless banking services (including basic savings accounts accessible through mobile phones) were made available.

“The randomized interventions supported by this trial included both supply-side treatments (higher agent incentives) and demand-side treatments (training and mentoring of female business owners)... As part of the experimental design the participating bank agreed to make a special effort to recruit female agents with 47% of the recruited agents being female... The data analyzed include both baseline and midline survey data on female and male business owners and branchless banking agents.” (Knowles, 2019).

#### Key Activities

- Supply-side interventions: recruitment and training of branchless banking agents on marketing to the underbanked, how to use branchless banking online software, and features of branchless banking products/services
- Demand-side interventions: Four business owners in each village were trained and mentored by Mercy Corps Indonesia on financial and digital literacy, as well as given descriptions of branchless banking products and services.
- Impact evaluation: analyzing baseline and midline survey data for business owners and banking agents using statistical models

—for women that was largest and statistically significant (+0.25, compared to an adjusted control value of 2.13) in the case of the total current savings balance... The results show consistently positive and significant effects of the demand- and supply-side treatments on the likelihood that a female business owner is the sole decision-maker in decisions about work outside the home, on whether to support other family members, on whether to save for the future, or on whether to sign up for a new banking product. The analysis also finds significant positive effects of the demand-side treatment on women business owner's self-confidence, as measured by indices of women business owners' assertiveness and positive attitudes.” The number of people opening and saving in branchless banking accounts in the past month is positively and significantly related to female agents (Knowles, 2019).

#### Outcomes/results

Female business owner training and mentoring had a significant positive effect on six of the summary outcomes (knowledge of mobile money, relationships with mobile money agents, household decision-making, spousal roles, saving and general welfare). The training/mentoring of women business owners had a highly significant positive effect on their knowledge of mobile money in general, and of digital wallet products and mobile saving products. “Both the demand-side and supply-side treatments had a positive estimated effect on total savings—

#### Key enabling environment factors for intervention

“To promote financial inclusion, the Government of Indonesia recently passed a law to encourage large banks to develop branchless banking services, including basic savings accounts that are supported by village-based agents and that can be accessed using mobile phones... Five large Indonesian banks had already been approved to provide branchless banking (at the time of this study), and more are expected to be approved in the future.” (Knowles, 2019).—



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—The intervention also took place in villages that have access to the internet, are not located in disaster-prone areas, have safe living conditions, and no potential for communal conflict.

### Key design elements and principles that led to successful outcomes

- The program bundled different types of training together (financial literacy, digital literacy, information about products).
- The program included interventions for both supply- and demand-side barriers to WEE-FI.
- The program was designed to be gender-intentional through an effort to recruit women agents.

### Potential for scale/replicability

This intervention has the potential to be replicated, but only in environments conducive to the needs of the program design, such as in markets with strong internet connectivity and ICT infrastructure, as well as markets with robust agent networks. Due to the challenges encountered with recruiting agents, scaling up the intervention may take considerable time and effort.

### Challenges encountered during the program

One of the main challenges encountered during the program was the lack of consistent access to reliable and affordable internet connectivity in rural areas. "Access to stable and affordable internet connectivity was needed to ensure that agents and customers could reliably use digital-based financial services. This issue affected a range of activities from the agent selection process, to the training of agents, to the training of women entrepreneurs, and to the point of time where agents and customers started making transactions." (Mercy Corps, 2021)

### Recommendations from the research

The research and design team identified several lessons learned from the MFS program. First, robust agent management strategy involving digital solutions is necessary for both the FSP and the customer experience. The team also suggests to de-prioritize financial criteria as the main component for the selection of agents. Rather, agents with strong literacy levels, large social networks, laptop owners, and those with disposable time should be chosen as agents.

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### Additional Exemplars

- Savings for Change Program
- Interest Rate Sensitivity Among Village Banking Clients in Mexico
- Kenya's Rules on Mobile Money Price Transparency Are Paying Off
- Regulations Drive Success of Digital Finance in Côte d'Ivoire
- DigiFarm
- Business Women Connect Program
- Women Citizenship Initiative
- Reducing Bank Overdraft Usage through Price Discounts and SMS Reminders
- Digitizing payroll for factory workers in Bangladesh
- Digitizing Rural Women's Savings Groups in Tanzania
- The Role of Information on Retirement Planning
- Less is More: Experimental Evidence on Heuristic-Based Business Training in Ecuador

GRID Impact and SIA's analysis revealed that this barrier along with 11 others require further research and examination as to how they affect the customer experience, other barriers and overall WEE-FI. More in-depth analysis can be found in the larger Barriers & Exemplars Analysis compendium deck.