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Global Governance

Leveraging Digital Financial Inclusion: How G7’s “Build Back Better” Can Promote Gender Equality in Africa

Tapiwa Chinembiri

The COVID-19 pandemic and regional lockdown measures aiming to contain it have had disastrous repercussions on global economies. The crisis has exacerbated existing challenges to widespread financial inclusion, with African women being disproportionately impacted. Already high levels of poverty and inequality have worsened around the world, globally exposing structural vulnerabilities in social, economic, and political systems. In June 2021, the Group of 7 (G7) gathered in Cornwall, United Kingdom with an agenda promoting a robust, sustainable, resilient, and inclusive recovery as part of their mission to “Build Back Better.” As stated in the Summit Communiqué, the appeal to action focused on health, economic recovery and jobs, free and fair trade, future frontiers, climate and the environment, gender equality, and lastly, global responsibility and international action. This article aims to address the gender equality component of their agenda as it pertains to Africa. More specifically, how can representatives from the G7 Partnership can effectively leverage digital financial platforms to engage women entrepreneurs in rebuilding the economy from the damage wrought by COVID-19? The first section of the article explores the state of digital financial inclusion in sub-Saharan Africa prior to COVID-19. The following section highlights women's marginalization in key economic indicators that are vital to digital financial inclusion. Context to the G7 Partnership's proposed intervention to “Build Back Better” follows. The conclusion offers pertinent policy recommendations.

Due to health and safety concerns of in-person contact during the pandemic, Digital Financial Services (DFSs) have become more crucial than ever before. Now, as economies recover from the devastating impacts of COVID-19, fully digital financial inclusion (DFI) plans will be required to ensure that countries remain competitive. Even prior to the pandemic, female entrepreneurs in sub-Saharan African faced limited access to funding. Women were less likely to own bank accounts and hold credit cards. Coupling this lack of access to finance with gender digital inequity illuminates even more concerning trends. Data from Research ICT Africa's 2017–2018 After Access survey reveals that the gender digital divide has manifested itself in a variety of areas, including internet access and mobile or smartphone ownership. Yet, these digital tools have grown increasingly important as the world has moved...
to remote work and accessing services through online platforms. Inasmuch as the G7’s recovery efforts following the COVID-19 pandemic are welcome in Africa, the group must ensure they are actively collaborating with African think tanks such as Research ICT Africa, based in South Africa, which focuses on development of policies that advance digital gender equity in Africa. Women, the rural poor, young people, and other vulnerable groups should not have to bear the brunt of the pandemic’s socio-economic implications.

First introduced in Kenya in 2007, the digital payment service “M-Pesa” has grown rapidly, becoming the most common mode of payment for goods and services in the East African region. Basking in the service’s success facilitating payment transactions, Kenya has risen to the top of regional rankings in both the supply of mobile money services and bank account ownership (Figure 1). The widespread use of mobile money has pushed Kenyans to find innovative ways to compete and collaborate in the digital financial services market. Most recently, however, many mobile money agents have been forced to cease operations due to the pandemic, further hurting the economy. This poses adverse effects to the progress that has been made towards financial inclusion, as well as building sustainable transactional solutions during and after COVID-19.

The figure above shows that Kenya, South Africa, and Ghana are the only countries where more than half of the population had both a bank account and a mobile money account. According to the 2017 Findex Report, the global trend of bank account ownership in middle to low-income countries stood at 63 percent in 2017. In comparison to the global trend of adults between 2011, 2014 and 2017, the bank account ownership has increased from 51 percent, 62 percent and 69 percent respectively. Of the bank account ownership shown above, most African countries fall below the global share of adults who own an account (69 percent) though South Africa performs particularly well. Africa has, however, shown a striking increase in these trends over a short period of time, creating room for improvements in digital payment system adoption. This trend gives a background of the state of digital financial services in Africa pre-COVID and how this affects post-COVID economic reconstruction. Pushing women further away from access and use of digital financial platforms in particular prevents them from

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**Figure 1.** Account ownership in selected African countries

*Figure 1 Source: RIA After Access Survey, 2017/2018*
LEVERAGING DIGITAL FINANCIAL INCLUSION

participating in bringing the economy back on track in a way that is sustainable for the future.

Women’s marginalization related to financial inclusion and digitalization

Given the pandemic’s push towards a more digital global landscape, it is evident there is a critical need to increase efforts to expand internet access, especially given Africa’s currently low levels of internet penetration. While RIA After Access survey found that South Africa has more than half of its population linked to the internet (53 percent), access rates vary widely across the continent. Rwanda and Mozambique have the lowest rates at 9 percent and 10 percent, respectively. For policy formulation and significant approach towards building resilient economies, the differences in data across countries indicate that there are significant infrastructure gaps that need to be attended at country level to measure the impact of information communication technologies in economic growth. For example, South Africa is expecting to auction spectrum in early second quarter of 2021, which will cause a significant decrease in data prices.

Above is a high-level review of the most critical factors influencing access to digital financial inclusion before the pandemic in selected African countries. The pre-COVID gender gap in internet usage means that women entrepreneurs would enter the COVID-19 lockdown period already at a disadvantage in utilizing digital financial platforms in which internet use is a pre-requisite. Mobile phones are a primary tool for internet access and banking in Sub-Saharan Africa, with the highest level of mobile phone penetration in South Africa (85 percent) and the lowest level in Mozambique (40 percent). Despite this large disparity, most countries’ internet usage exceeds the critical mass of 20 percent. Countries such as Mozambique and Uganda will need a different approach that targets bringing more people online in the first place. This can be done by addressing key inhibitors of internet use such as the cost of devices and, in the case of Mozambique, allowing more women in marginalized areas to participate in economic activities. Often new online banking services focus on leveraging this increase in mobile phone usage to reach underserved people including women, youth, and those living in areas with few financial resources. In the last column of Figure 2 above, there is clear evidence that Rwandan, Mozambican, and Nigerian women (with internet usage gaps of 62, 50 and 46 percent, respectively) are left behind in utilizing digital financial platforms. Relatively, it is better in South Africa which has the least gap of 12 percent, even though the gap should be reduced further with the aim of ultimately eliminating it to achieve equality in the usage of the internet. This is important given the fact that lack of

<table>
<thead>
<tr>
<th>Country</th>
<th>Mobile Phone Ownership (%)</th>
<th>Internet Use (%)</th>
<th>Gender gap in internet use (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>85</td>
<td>53</td>
<td>12</td>
</tr>
<tr>
<td>Nigeria</td>
<td>65</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Ghana</td>
<td>75</td>
<td>26</td>
<td>34</td>
</tr>
<tr>
<td>Kenya</td>
<td>87</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Tanzania</td>
<td>61</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Rwanda</td>
<td>50</td>
<td>9</td>
<td>62</td>
</tr>
<tr>
<td>Mozambique</td>
<td>40</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

Figure 2. Mobile phone ownership, internet use, and gender gap in internet use in Africa

Figure 2 Source: RIA After Access Survey, 2017. World Bank, 2018.
smartphones and digital literacy are associated with poverty and are the main barriers to getting online.\textsuperscript{14} According to Research ICT Africa's Retail Africa Mobile Pricing (RAMP) Index, price is another barrier, since data is still quite expensive in many African countries.\textsuperscript{15}

**Financial inclusion during COVID-19**

According to an International Finance Institution (IFC) study of thirteen countries in sub-Saharan Africa, women-owned micro, small, and medium-sized firms (MSMEs) were most adversely affected by COVID-19, due to their smaller size and high concentration of ownership.\textsuperscript{16} Many of these female owners indicated that their companies had lost more than half of their revenues and that they had experienced an increase in the cost of their operations due to the pandemic. The majority of these respondents owned enterprises in trade, hospitality, and manufacturing.\textsuperscript{17} Given that women were already at a disadvantage in terms of financial inclusion before the pandemic as evidenced in Figure 2 above, an improvement in the provision of digital financial solutions and innovative technology has the chance to empower small businesses and low-income households particularly well.\textsuperscript{18}

Social protection should also be considered when developing policy in Africa. Due to the loss of revenue experienced by micro, small and medium-sized enterprises (MSMEs) in Nigeria, for example, the government introduced a loan facility for individuals and businesses that could demonstrate that their earnings had been significantly affected by the pandemic. According to the Research ICT Africa's phone survey,\textsuperscript{19} 58 percent of those who received the facility were individuals and women-owned small and medium-sized enterprises (WOSME).\textsuperscript{20} This demonstrates that women, particularly those working in the informal sector and small business owners, were more likely than men to meet the scheme's conditions (demonstrating their significant level of need). Thus, though women dominate ownership of hard-hit companies, targeted policies have the ability to easily improve their conditions.

The use of online platforms for local remittances, as well as sending and receiving money online, has been explored in both South Africa and Nigeria. The results indicate that in Nigeria 38 percent of those who either sent or received money online were women compared to 62 percent who were men, a further confirmation of how women tend to utilize online platforms less than men. In South Africa, more than half (53 percent) of those who sent or received money online were women, giving a desirable result of equitable access and use of online payment systems. However, there were very low proportions of both men and women (6 percent of both men and women) who were able to generate income online during lockdown. The same can has been found in Nigeria where only 6 percent of women and 5 percent of men were able to generate some income online during the pandemic, confirming the need to upscale the utilization of online advertising, payments, and delivery of goods and services.

**Build Back Better?**

Gender equality, as declared in the G7 communiqué, is at the heart of an open, inclusive, and just society.\textsuperscript{21} The G7 recognizes that the advancement of gender equity and equality is a central pillar of its plans to rebuild a better world, with an emphasis on educating girls, empowering women, and ending violence against females.\textsuperscript{22} To achieve women's digital financial inclusion goals, the Gender Equality Advisory Council (GEAC) should collaborate extensively with local women's empowerment organizations in Africa to develop a decentralized approach that includes all women. African women must be included in decision-making processes at the local level so that their voices are reflected in larger G7 initiatives. As the globe still grapples with the COVID-19 pandemic and vaccination drives, robust, long-term, and inclusive economic solutions are necessary to build a better world.\textsuperscript{23}
Considering the favorable promises made by the G7 partnership, it is critical to concentrate on areas that enable African policymakers to engage in leveraging digital financial platforms while also achieving gender equality. Evidence from Research ICT Africa’s After Access survey confirms that most African countries have a poor internet penetration rate. All countries should aim to reach the critical mass of internet penetration rate and grow telecommunication infrastructure investments in order to realize aggregate economic growth. It is also important to support already well-established organizations such as J-PAL Africa, a global research center which works to reduce poverty in order to engage policymakers across Africa. J-PAL is currently implementing a new project called “DigitFi Africa” on behalf of the G7 Partnership for Women’s Digital Financial Inclusion in Africa. The program was established to assist African banks, financial institutions, and governments in developing more equitable digital economic systems. Interoperability, digital identity, regulation, assessment of digital preparedness, and gender-specific research are the important topics mentioned in the growth of digital financial inclusion for women across the continent.

However, the policies must describe what is needed in Africa on a country by country approach due to differences in level of ICT use and provide practical guidance on how to solve those deficiencies should the resources promised by the Partnership arrive in the continent’s capital.

Moving forward: policy recommendations
The following are recommendations that the G7 should consider when expanding infrastructure development for post-COVID recovery. They focus on the need to decrease the gender inequality gap while being mindful not to exacerbate it:

First, the G7 Partnership should persuade African governments and policymakers to leverage policies that focus on tailoring product design and implementation to more specific groups as there is currently little consideration of how such products will be received. The G7 should also sponsor gender research institutions and their partners that examine how digital services foster inclusion and economic recovery from the effects of COVID-19 in different countries to better target country-specific digital development problems.

Second, the G7 must ensure that they are creating an environment that empowers women to actively engage in local development and political and economic affairs. This includes solutions to both supply and demand-side challenges that women currently face. Such solutions involve both helping service providers improve broadband coverage and spectrum distribution, and increasing regulation that encourages competition in the mobile market. Increasing competition should lower data prices, increase internet speeds, and provide public Wi-Fi. On the supply side, COVID-specific regulations that favor women in business models should be implemented. Women’s labor-force participation rates must rise so that employment can be used as collateral for loans, allowing women to acquire funding for their enterprises.

Third, the G7 Partnership should speed up the collection of gender-disaggregated data needed to develop digital financial inclusion programs. Some of these policies include expanding digital identification, which would improve women’s access to remote banking services.

Finally, the G7 should encourage more women to lead start-ups in digital financial services. This would specifically lead to more women being able to save and invest through
innovative digital financial means. There is also a need to provide more education that increases digital fluency among women, given their immense investment potential.

**Conclusion**

Access to digital financial tools is instrumental in the current digital revolution as the world seeks to leverage these technologies for post-COVID-19 economic recovery. As reflected in the given statistics on the generally low level of ICT infrastructure in Africa, a full comeback requires the use of the potential of all of the population, which necessitates promoting gender equity. This is what it means to “Build Back Better.” The gender digital divide is one of the main challenges in the access of these tools such as internet access, mobile money, and account ownership at a financial institution. The G7 Partnership, researchers, and policymakers alike in Africa need to effectively leverage digital financial platforms to achieve local gender equity by creating an environment that empowers women, collecting gender disaggregated data on financial inclusion, and investing in women’s digital literacy education. The G7 partnership should use African approaches that adequately suit the African context while financially supporting economic recovery which is inclusive for all. The post-COVID-19 rebuilding and the necessity of using this moment to more fully incorporate women’s contributions into the market economy is likely to remain critical in the near future.

**Notes**

5. After Access Surveys are a nationally representative study for ten African countries which were conducted by Research ICT Africa between 2017 and 2018.
7. Ibid.
11. Ibid.


17. Ibid.


19. In early 2021, Research ICT Africa conducted a phone survey by applying the Random Digit Dialing technique in South Africa and Nigeria to understand digital substitution during lockdown periods.


22. Ibid.


26. Ibid.

27. Ibid.