



USAID
FROM THE AMERICAN PEOPLE

USAID WEE COP March 2023 LEARNING EVENT

BEYOND INCLUSION:
USER PROTECTION FOR WOMEN
IN THE DIGITAL ECONOMY

AGENDA

Welcome and Overview

- **Morgan Mickle**, Senior Program Officer, USAID WEE CoP, Banyan Global

Remarks and Presentation

- **Jamille Bigio**, Senior Coordinator for Gender Equality and Women's Empowerment, USAID
- **Eric Duflos**, Consumer Protection Lead and Senior Financial Sector Specialist, Consultative Group to Assist the Poor (CGAP)

Moderated Panel Discussion & Questions

- **Paul Nelson**, Senior Digital Finance Advisor and Acting Team Lead, Digital Finance, USAID
- **Pallavi Madhok**, Vice President Advisory Services - South Asia, Women's World Banking
- **Eric Duflos**, Consumer Protection Lead and Senior Financial Sector Specialist, CGAP

Wrap-Up and Announcements

- **Morgan Mickle**, Senior Program Officer, USAID WEE CoP, Banyan Global

USAID WOMEN'S ECONOMIC EMPOWERMENT COMMUNITY OF PRACTICE

Currently 1,200+ members



Gather and share evidence



Facilitate learning among
members



Foster engagement
opportunities

LEARNING OBJECTIVES

1. Build awareness of the digital ecosystem and the opportunities and barriers to digital financial inclusion
2. Share existing evidence and data gaps related to digital-related risks and user protections, particularly for women
3. Provide promising approaches to closing the gender digital divide through enhancing the enabling environment for financial service access and uptake

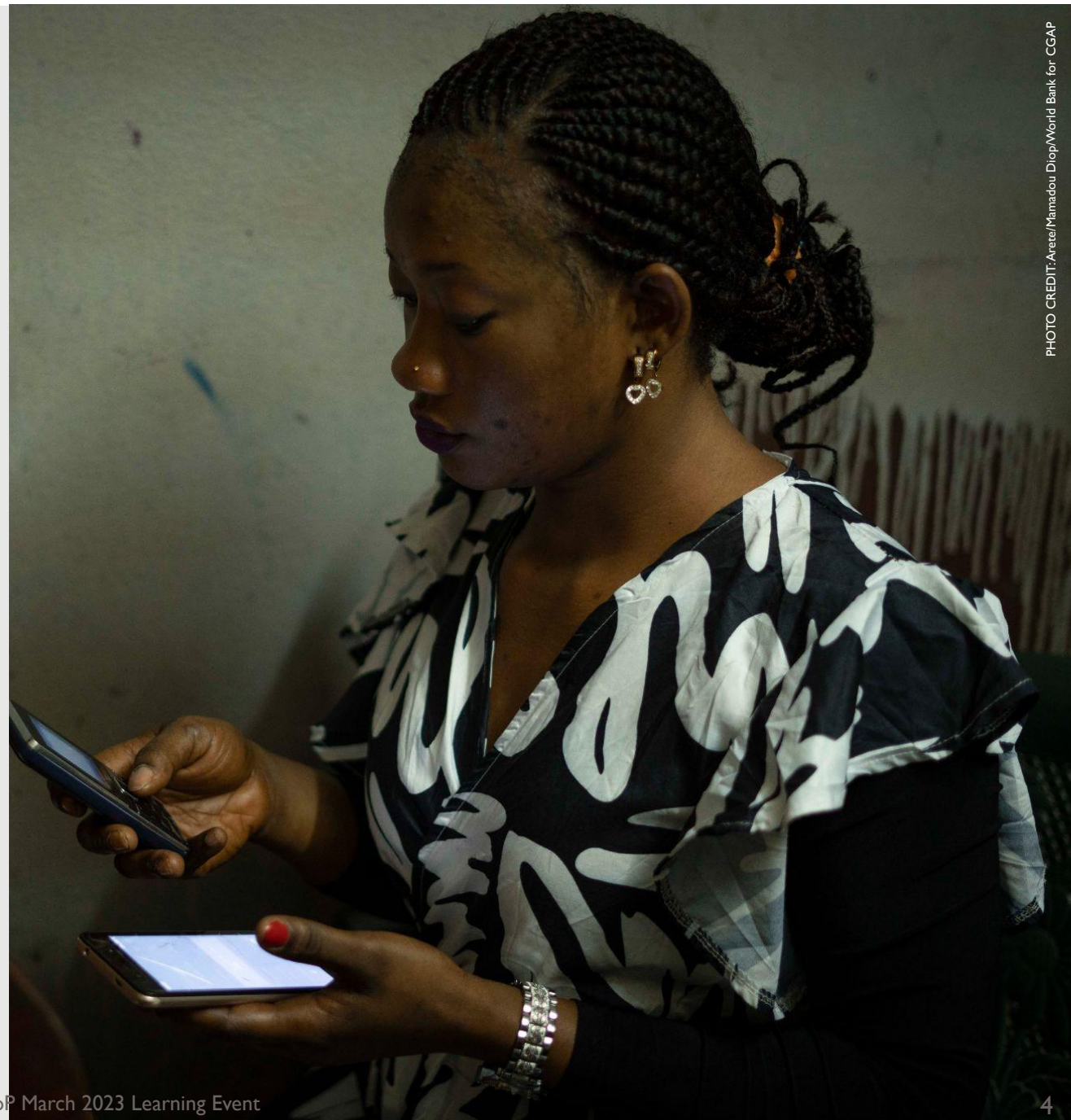


PHOTO CREDIT: Areste/Mamadou Diop/World Bank for CGAP

— USAID REMARKS



SPEAKER



Jamille M. Bigio

Senior Coordinator for Gender Equality
and Women's Empowerment

USAID

— THE EVOLUTION OF THE NATURE AND SCALE OF DFS CONSUMER RISKS



PRESENTER



Eric Duflos

Consumer Protection Lead and Senior Financial Sector
Specialist

Consultative Group to Assist the Poor (CGAP)

Outline

1. Definitions
2. Why is Financial Consumer Protection (FCP) increasingly important for digital finance users?
3. What are some implications of a lack of protections on women's economic empowerment?



Definitions

Financial inclusion means that adults use formal financial services in a way that improves their lives and contributes to an inclusive and sustainable society

Financial Services need to be:



convenient



responsibly
delivered



meet the
needs of
customers

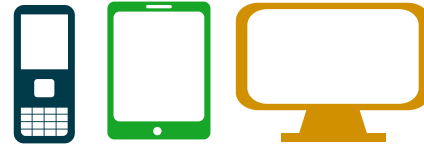


affordable
for customers



sustainable
for providers

Digital financial services (DFS) are financial services accessed through digital devices and delivered through digital channels



Products and services include:



Payments
and transfers



Credit (disbursement and
repayments)



Deposits
and savings



Investments (money
market funds,
government bonds)



Insurance (payment of premia and
payout of insurance proceeds)

etc

And many other
products and services

Four characteristics of digitally-driven financial inclusion



Customer profile

Financially excluded and underserved customers are first-time users of financial services, which makes them vulnerable



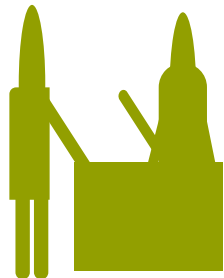
New providers & business models

Services are provided by new financial institutions such as: non-banks, FinTechs and BigTechs. The services are provided through new business models, such as: crowdfunding, ICOs, and lenders using BigData analytics



Intensive use of digital technology

Financial service providers extensively rely on technology to improve speed, convenience, accuracy, access, affordability, and security



Use of agents

Agents represent a significant distribution channel and physical point of contact (compared to traditional branches and ATMs)

What do we mean by financial consumer protection (FCP)?

“Financial consumer protection refers to laws, regulations, and other measures generally designed to ensure **fair and responsible treatment of financial consumers** in their purchase and use of financial products and services and their dealings with financial services providers.”

–G20/OECD High Level Principles on Financial Consumer Protection

Why is effective consumer protection rooted in building a “responsible digital finance ecosystem”?

A responsible digital finance ecosystem approach takes a **holistic** and less piecemeal approach to protecting consumers. It means that all of the **key actors** in the digital finance ecosystem—consumers, providers, policy makers, market facilitators—interact in a way that protects and **ensures positive outcomes** for customers using financial services, especially **women and vulnerable consumers**.

Source: <https://www.cgap.org/blog/rethinking-consumer-protection-responsible-digital-finance-ecosystem>



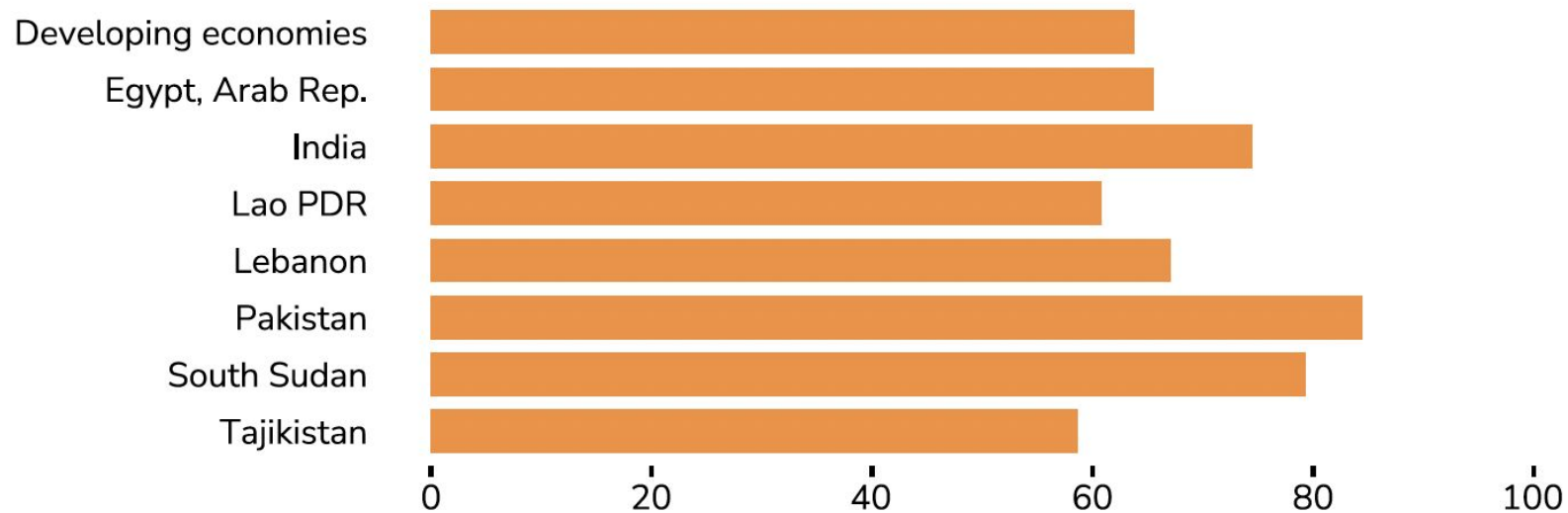
Why is Financial Consumer Protection increasingly important?

Reading Findex Data: the experience of 24% of adults still unbanked

FIGURE 1.2.10

Unbanked adults lack the confidence to manage an account by themselves

Adults with no account who said they could not use a financial institution account without help (%), 2021



Source: Global Findex Database 2021.

Low trust:

Among the unbanked, almost 1/4 do not trust the financial system.

High costs:

In Latin America, nearly 60% of unbanked adults indicated high costs of financial services as a reason for not having an account.

Vulnerable adults - most likely to be unbanked:

54% are women.

Almost 1 in 2 of the unbanked belong to the poorest 40% of households.

Almost 2 in 3 have only primary education or less.

Experience of existing financial customers

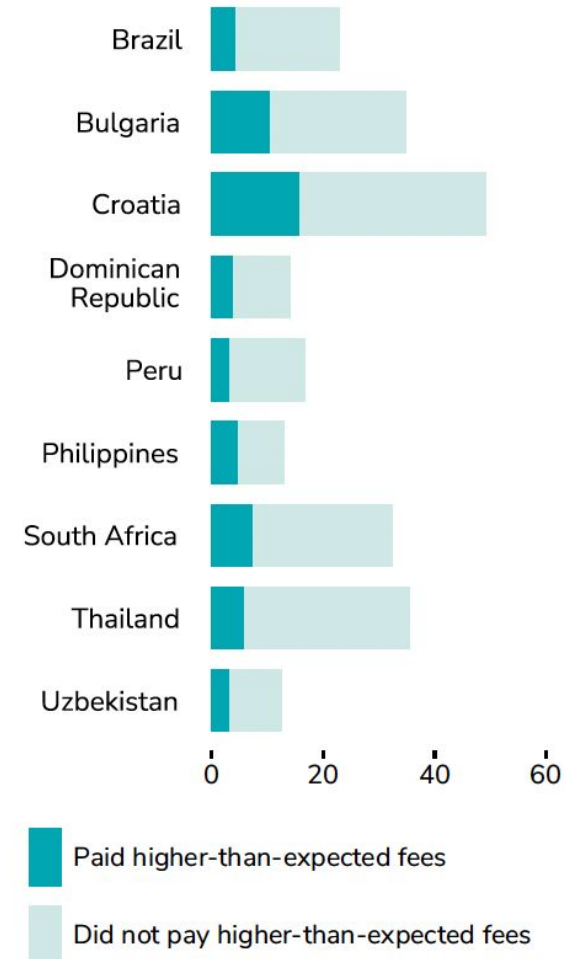
9%
Adults in developing economies who have an account but don't use it

- Lack of trust and need for help in using an account re-appear as major causes of inactivity:
 - India: ~50% of people who have an account and don't use it cite lack of trust as a reason and ~30% cite discomfort using an account on their own.
 - Sub-Saharan Africa: 31% of mobile money account holders can't use their account without help from family or an agent.
- This need for external assistance indicates potential customer exposure to risks, e.g.:
 - Person helping may offer misleading information on fees or in the worst case, steal their data or money.
 - Indicates low digital finance capability of customers.
- First time that Findex collected data on unexpected fees collected from workers receiving wages through a formal account – see chart.

FIGURE 3.3.2

In developing economies, one in five wage recipients, on average, paid higher fees than expected to receive their wages directly into an account

Adults receiving a wage payment into a financial institution account (%), 2021



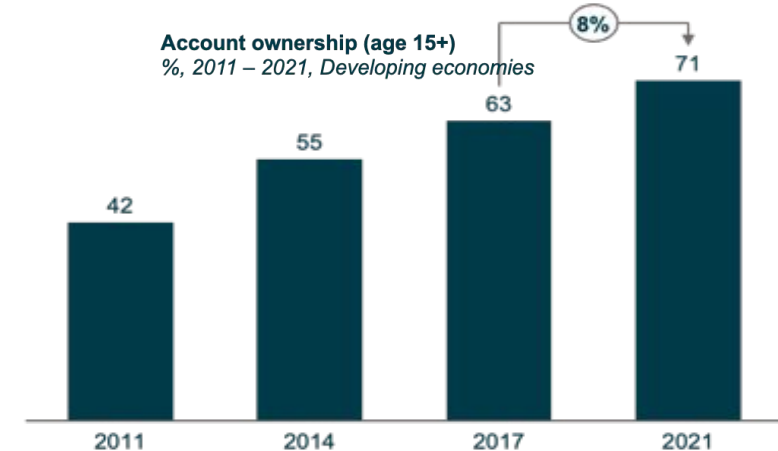
Source: Global Findex Database 2021.

Digital finance is creating new opportunities and challenges

- Findex 2021 showed a major increase in the number of people in developing countries who have access to a formal financial account, in great part thanks to digital finance.
- There have been many improvements in terms of regulatory frameworks as well as key initiatives to make digital finance responsible.
- But there is no strong evidence that the quality of financial services has increased.
- Recent CGAP research shows that the nature of existing DFS risks is evolving and growing in number and scale
- Multiple DFS providers are joining the ecosystem, bringing new opportunities and risks.
- While new regulators have emerged, there is often a lack of effective regulation and supervision of new providers.

Source: *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP, 2022

Figure 1. Account ownership in EMDEs












Source: Global Findex 2021

Figure 2. Some risks are outgrowing DFS adoption



Source: Outseer Fraud and Payments Report, Q1 2018 and Q2 2021.

We see increase in scale for most DFS risks

Risk type	Global	Regions*	Country
1. Fraud*			
2. Data misuse			
3. Lack of transparency			N/A
4. Inadequate redress mechanisms**	N/A	N/A	

Red arrow: Available data show an **overall** increase in value or volume.

Orange arrow: Literature suggests an increase in value or volume without supporting data.

N/A: Reliable information and data are not available or sufficient to determine increase or decrease of the risk.

*Regions: Africa, East Asia & Pacific, Europe & Central Asia, Latin America & the Caribbean, Middle East & North Africa, South Asia.

**In some countries, there is evidence of improvements after government intervention (e.g. China and India).

Source: *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP, 2022



Implications for women's economic empowerment

3/30/2023

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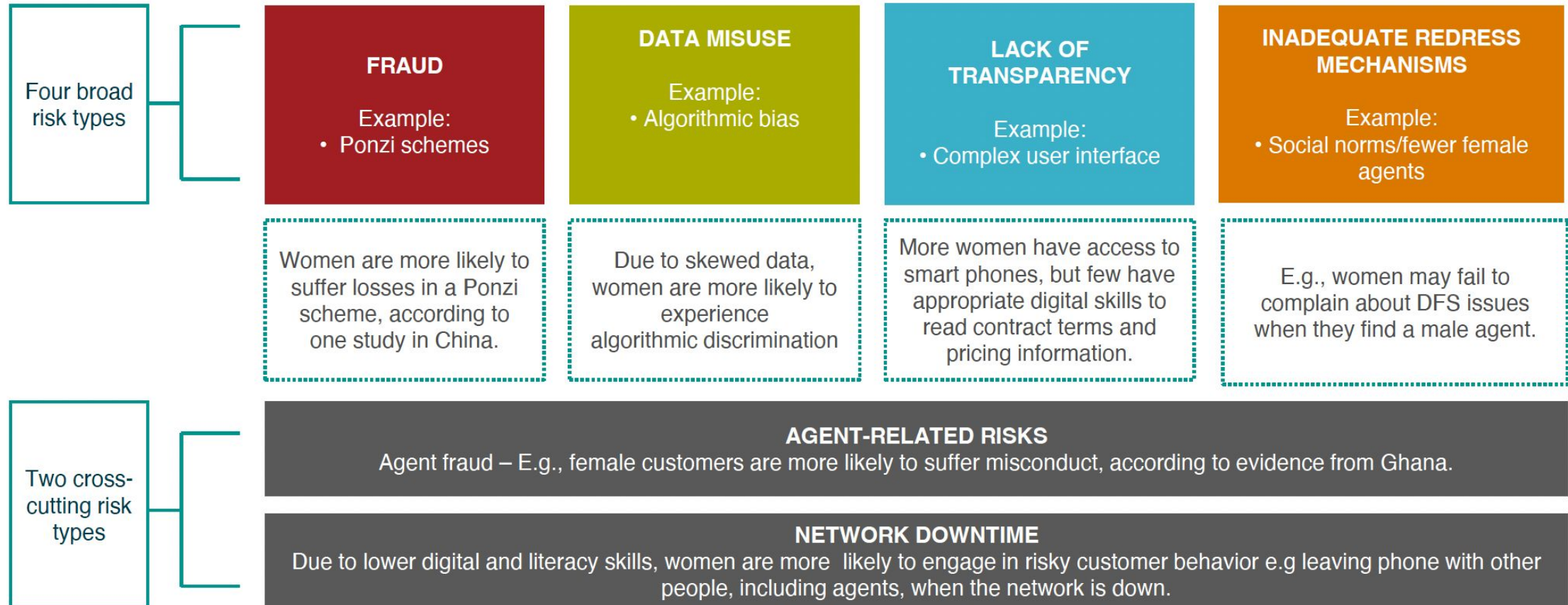


Women's financial inclusion can be a pathway to women's economic empowerment

- DFS help consumers save, borrow, and receive remittances – reducing negative coping mechanisms.
- One study found that women who received a microfinance loan on their mobile money account experienced 15% higher business profits and 11% higher levels of business capital (Riley 2019).
- In Mexico, when the Oportunidades program (which targets poor female heads of households) switched its payment system from cash to electronic disbursements, remittance reception frequency increased and participation in informal saving decreased. The change also reduced the use of negative coping strategies such as reduced food consumption (Masino and Niño-Zarazúa 2014).

CGAP research on the evolution of DFS consumer risks: low-income women are more likely to be exposed

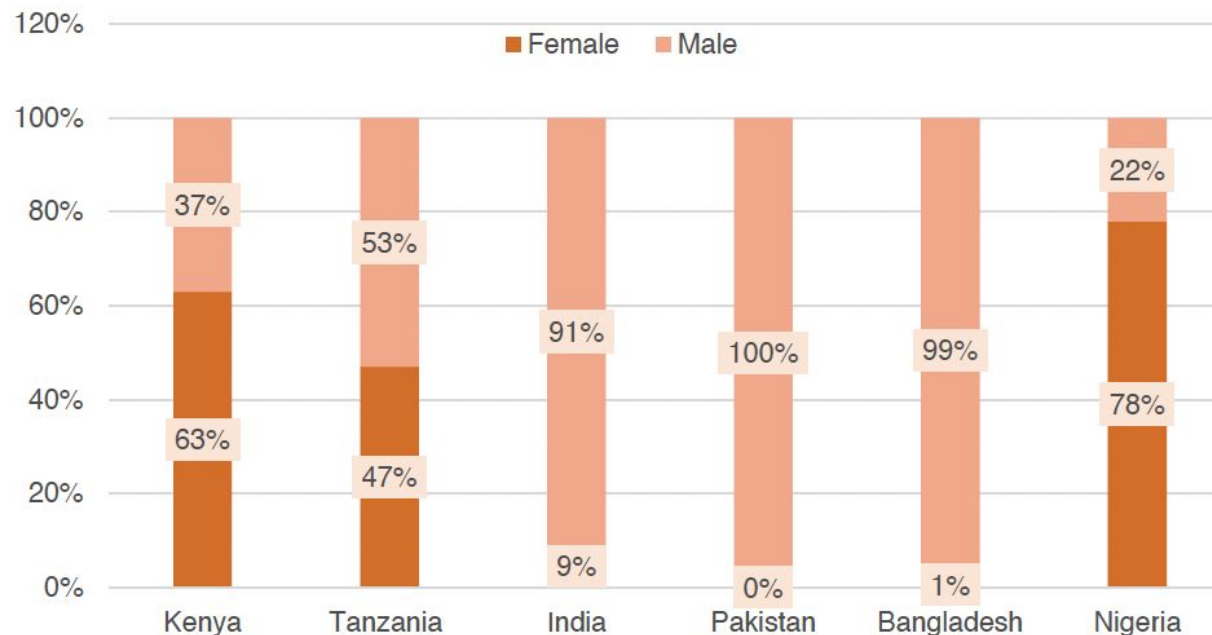
CGAP has identified **66 risks** and grouped them into four broad risk types and two cross-cutting risks.



Source: *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP, 2022

Social norms and agent misconduct pose challenges for women

Proportion of female and male agents



Source: IDEO.org and the Bill & Melinda Gates Foundation, 2019, Women and Money: Insights and a Path to Close the Gender Gap.

Source: *The Evolution of the Nature and Scale of DFS Consumer Risks*, CGAP, 2022

- **Social norms:** In many countries, social norms discourage women from engaging freely with male agents, preventing them from asking questions about product features.
 - In Bangladesh, the IFC found that 52% of women expressed a clear preference for female agents despite a 99% chance of finding male agents.
- **Agent misconduct:** In Ghana, based on a census of the mobile money market across 166 low-income communities, female agents are 37% more likely to overcharge both male and female clients.

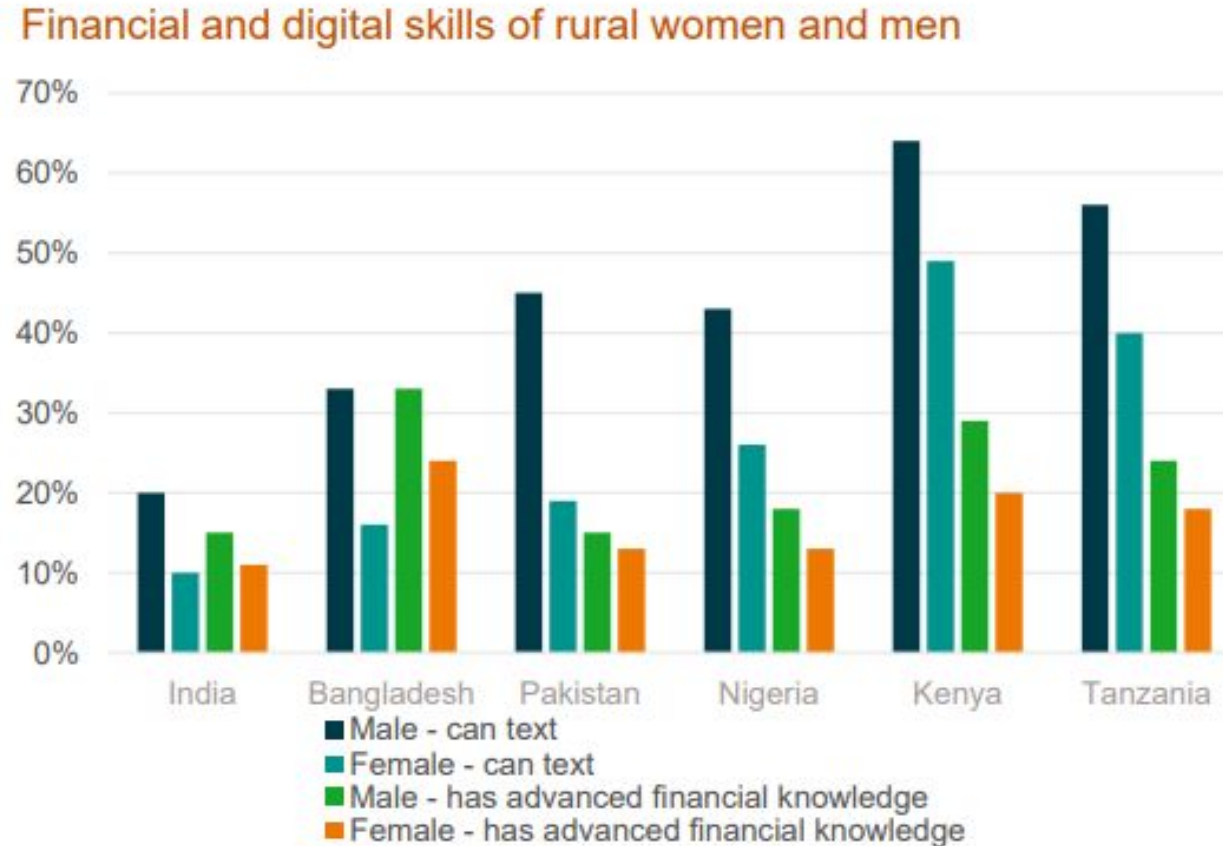
Women are targets of fraudulent schemes and online abuse

Anecdotal evidence reveals that women are more likely to experience social shaming and higher losses in Ponzi schemes:

- **Female DFS users may be asked to provide “naked collateral”:** In 2016 and 2017, media reports in China indicated that female students were told to submit images of themselves naked or performing lewd acts as collateral for app-based digital loans. The lenders then threatened to post the photos on social media if the women failed to repay their debt.
- **Female Ponzi investors are more susceptible to investor affinity:** A 2021 study in China found that female investors who are introduced into a Ponzi scheme by other female investors are more likely to suffer losses when the scheme –whether digital or not –collapses.

Source: The Evolution of the Nature and Scale of DFS Consumer Risks, CGAP, 2022

Women could be more exposed to DFS risk due to low digital finance literacy



Source: IDEO.org and the Bill & Melinda Gates Foundation, 2019, Women and Money: Insights and a Path to Close the Gender Gap.

Source: The Evolution of the Nature and Scale of DFS Consumer Risks, CGAP, 2022

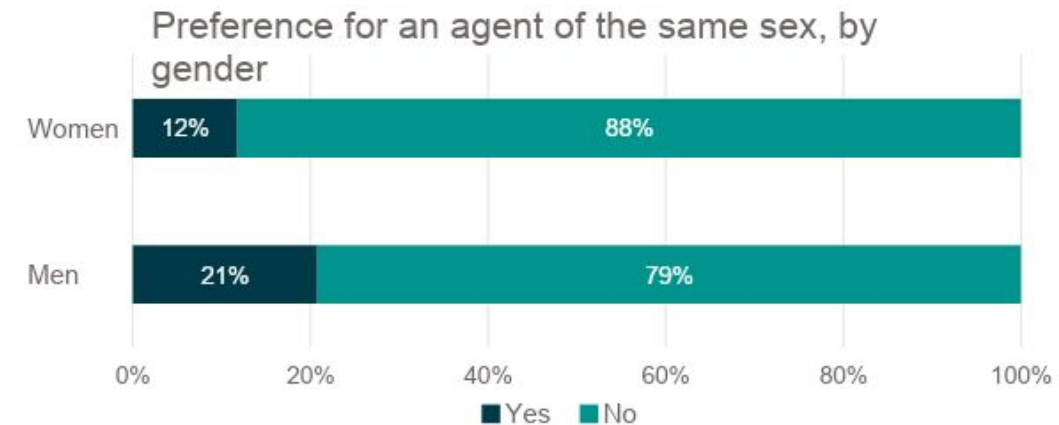
Women experience higher DFS risks— what does CGAP's latest research in Côte d'Ivoire show?



Women are more likely to:

- Face difficulties **navigating** a DFS menu (25% v 17%)
- Have issues **understanding** a DFS offer (22% v 18%)
- **Lose** money following a scam (16% v 12%)
- **Not contact** the provider when there is a problem (73% v 63%)
- **Not know** how to contact the provider (16% v 11%)
- Have an **agent** not act on a complaint (20% v 11%)

*We also found that female customers do not necessarily prefer female agents



Source: CGAP survey on DFS risks in Côte d'Ivoire (n=1045), 2022. People who have used DFS with an agent (n=340)

Thank you

To learn more, please visit
www.cgap.org



— PANEL DISCUSSION



PANEL DISCUSSION

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CGAP

— QUESTIONS & ANSWERS



WRAP UP AND ANNOUNCEMENTS



Participant Poll



Call for Member Spotlights

Want to feature your activity in a future USAID WEE CoP monthly communication?

Email Banyan Global at fundcop@banyanglobalgita.com



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<https://www.linkedin.com/groups/12501152/>



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