



Improved Welfare for Women and Youths in Gambia Through Access to Finance

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Key Messages

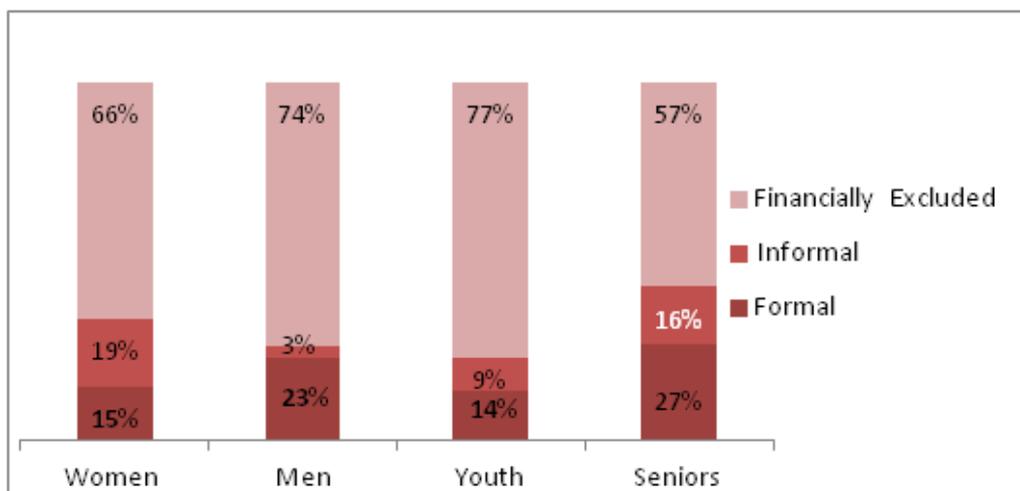
- Access to finance typically improves welfare for women and youth households especially in terms of non-food consumption expenditure and income.
- To improve welfare of women and youths in The Gambia, there is need to discourage marginalization of the financial products by changing from the 'one-size-fits-all' approach in credit policy to more diversified portfolios.
- Promote financial literacy among the women and youth population.
- Formal financial institutions need to rework their collateral arrangements, and provide a more diverse portfolio of financial products to have consumption-friendly products.

Context and importance of the problem

Access to finance, and more broadly financial inclusion, is one of the key challenges faced by households in the Gambia, in the face of an underdeveloped financial sector. Financial services in the Gambia are both formal and informal. Yet access to both formal and informal finance is very low in The Gambia with only 31 percent of individuals being financially included; 19 percent of which have access to formal finance and 12 percent to informal finance.

In addition, there is a challenge of marginalization in terms of access to the various forms of finance across various works of life. This divide is even more pronounced by gender and age as women and youths have been observed to make less resort to the formal sources than to the informal sources, which tend to attract high rates of interest. Particularly, only 15 percent of women accessed formal finance compared to 23 percent for men. Yet, women are more informally included than men. By age, youths are more financially excluded than seniors with only 14 percent formally included and 9 percent informally included. To reduce the low participation rate of women and youths in finance will encompass setting evidence based policies that promote easy access to finance in order to achieve the 2nd priority of 2018-2021 now extended to 2022 National Development Plan (NDP) of the country.

Figure 1: Financial Access among Women, Men, the Youth and Seniors (%)



Data Source: Gambia Finscope Survey (2019)

Results and implications

Summary of the evidence

Generally, access to formal and informal credit improves welfare of women and youth households in terms of increased income and non-food consumption expenditure. However, the results show that access to formal finance reduces food consumption expenditure for women, but improves that of the youths. In agreement, all types of finance are welfare enhancing for men. For women and youth households, access to any type of finance improves household welfare.

Critique of policy options

There should be a firm effort by all parties to ease the barriers of access to finance in order to promote financial inclusion. As shown by evidence, several huddles pose to restrict access to finance thus limiting its full effect on welfare. To mention, among the main reasons is the 'one-size-fits-all' approach to credit portfolio coupled with the lack of trust among women and youths on financial institutions that needs to be discourage. The lack of trust is due to the low financial literacy and the lack of a financial inclusion strategy that guides all shareholders to operate efficiently.

It is apparent to mention the supply side huddles to financial inclusion which includes efficiency-constrained, mainly due to underdevelopment of the existing credit referencing system. These challenges include financial providers having less incentive to cater for the groups and exercising gender bias in targeting women and youths lacking assets for collateral. Therefore, to effectively direct policy, there is a need to go beyond the general picture so as to magnify the impact of access to finance on welfare for women and youths in The Gambia.



Source: <https://theculturetrip.com/africa/the-gambia/articles/9-inspiring-women-to-know-from-the-gambia/>

Policy recommendations

- Based on the results, in a bid to improve welfare of women households, there is need for formal credit-suppliers to diversify their portfolios of financial products to fit the various groups of the population in terms of gender, age and geography to replace the existing 'one-size-fits-all' credit approach which seems to discourage women and youths from accessing funds especially from financial institutions as reportedly only a small percentage of women and youths are formally included. Thus to improved welfare more women and youths need to be formally on board in the financial sector.
- There is need to discourage high collaterals and have more food-friendly products, as it was found that formal credit impinges on food consumption expenditure.
- There is need to encourage financial literacy education to both women and youths to eliminate information gap between the suppliers and demanders of finance to promote efficiency. Thus it is necessary to include finance or financial literacy as a separate course or subject for everyone in school and also train the Village Development Committees (VDCs) to further educate their respective communities as well as finalize on the financial inclusion strategy to guide every stakeholder.

References

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