



POLICY BRIEF

Bank Competition, Digital Finance and Gender Parity in East Africa

KBA

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Key Messages

- Competition in the banking sector is driving digitization of financial services and the innovative delivery of financial products at affordable costs.
- Digitization of financial services by banks is expanding access to financial services to underserved segments and accelerating gender parity in financial inclusion.
- Gender disparity in the use of digital financial services persists, with women utilizing these services less than men. Women engaged in agriculture or trade, those in rural areas, and dependents have particularly lower access and utilization levels compared to their male counterparts.
- Priority areas to enhance gender parity in utilization of financial services are:
 - Removal of regulatory impediments to competition in the banking and telecommunication sectors to provide incentives for innovations.
 - Incentivizing electrification of women-led households and the supply /provision of smart cell phones to women.
 - Encouraging schooling for girls and adult education for women.

What is the Issue?

Persistence of gender inequality in the utilisation of digital financial services despite general significant improvement in financial inclusion in the EAC.

East African countries have vibrant telecommunications and banking sectors that have encouraged innovation and digitization of financial services. As a result, the cost of financial services has declined, making them more affordable and accessible to more segments of the population. The relevance of financial services has also improved, thereby contributing to increased uptake of services. Increased access and utilization of relevant financial services contributed to alleviating poverty, growth in incomes and gender parity in wealth.

Despite East African countries having a competitive banking sector and strong synergy between telecommunications, banks, and financial technology firms, as well as achieving gains in digital financial inclusion, gender inequalities persist. Despite increasing competition in the banking sector, the gender gap in access to and utilization of financial services remains, particularly among women in rural areas, those engaged in farming or trade, and dependents,

who together form the majority in East Africa. Women with lower educational attainment and those living in poverty have significantly less access to digital financial services compared to men.

Impact of gender inequality

The lag in access to financial services among females, particularly digital financial services such as mobile money, internet banking, and mobile banking, is curtailing their income growth and expansion of their businesses.

Policy interventions

Policy makers in Kenya, Uganda, and Tanzania should consider gender differences in the policies that promote financial inclusion programs and products. There is a need for more decisive affirmative action for women engaged in farming, the service industry, and trade, as well as for dependents and those in retirement, who are relatively more disadvantaged. By doing so, equity would be promoted in the expanding rollout of digital financial services in the region; otherwise, women would be disproportionately underserved.

Encouraging competition in the mobile and banking industries to motivate firms to innovate and digitize, thereby developing affordable and relevant financial products for women, will increase gender parity in the utilization of digital financial services. Notably, access and utilization of digital financial services require access to electricity and smart cellphones. Programs promoting rural electrification, expanding mobile network and internet coverage, and increasing access to smartphones will be instrumental in enhancing the reliability of financial services and boosting digital financial service utilization. This impact will be further amplified if incentives for women are integrated into the provision of these services. This will help in closing the existing gender gaps in access and use of emerging digital financial services.



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