POLICY BRIEF

# Kenya Bidding Bye to Gender Inequality in Uptake of Digital Financial Services

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# Key Messages

- The Gender Gap in the uptake of Digital Financial Services stands at 4%. To close this gap, policies and socio-economic factors affecting gender inclusivity in DFS must be addressed.
- **Four policy approaches** are essential to achieve this:

**We must strengthen, sensitize and fully operationalize** regulations governing Digital Financial Services (DFS)

**We must adopt** a consumer led approach in designing DFS products and policies, especially products tailored for women.

**We must address** infrastructural gaps and promote affordable DFS devices and connectivity.

**We must provide** education for all, particularly in financial literacy and digital skills.

# What's the issue?

Kenya is one of the countries in Africa where digital financial access has tremendously grown. Digitalization of the financial sector and the recent increase of Digital Financial Services (DFS) brings new opportunities to help build inclusive economic infrastructure that offers new services to marginalized populations and underserved communities worldwide. DFS can bridge the gender gap by increasing women's financial autonomy and improving their economic participation.

Digitalization of the finance sector in Kenya increased access to formal financial services to 84 percent in 2021 as shown below.

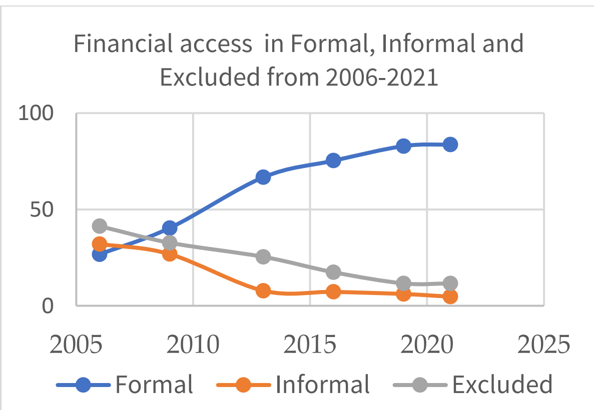


Figure. 1: Financial Inclusion trend in the Formal and Informal sector
Source: Fin Access survey 2006-2021

Despite the increase, there is still a 4.2 percent gender gap in the access to formal financial services (including DFS) and more women are in the informal sector as compared to their male counterparts. Stakeholders should come up with measures that will close the gender gap in DFS. This will foster better economic participation among women who are most vulnerable for reasons such as their place of residence and cultural norms.

# Why is this important?

In Kenya, the gender gap in digital financial inclusivity stands at 4% based on the FinAccess survey of 2021. A study using the FinAccess 2021 dataset to explore the causes of gender differences in digital financial services (DFS) uptake shows that socio-economic factors are the primary drivers of this gap. Notably, the major contributors to the gender gap in uptake of DFS are education, phone ownership, internet use, income and weak regulations governing DFS. Policymakers must implement measures to address these issues, in order to promote economic growth, reduce inequalities, and advance gender equality.

# What should policy makers do?

In order to fully realize digital financial inclusivity and close the gender gap, policy makers need to address the issues that contribute to this gap by employing the following:

**Strengthen, sensitize and fully operationalize regulations governing DFS**: Regulations governing DFS should be made clear and supportive enough to promote innovation, protect consumers, and foster a competitive environment. Stakeholders should develop guidelines and standards that address issues related to customer protection, disclosure, comparative disclosure, data privacy, and interoperability among various DFS platforms and providers. Regulators should fully implement existing regulations; Central Bank of Kenya should move in to fully license and regulate all Digital Credit Lenders in Kenya, the Office of Data Protection Commissioner, should increase sensitization and awareness efforts on data protection. These regulations will encourage women participation in DFS since they will be assured of their protection.

**Adopt consumer led approach to designing DFS products and policies especially products tailored for women:** The introduction of government DFS credit lending platform, the *hustler fund* needs continuous review of policy framework based on consumer insights on use. This approach should be adopted by other DFS providers. DFS providers should develop products tailored specifically for women, as this could attract more female users and enhance inclusivity, particularly in areas where cultural norms limit women's financial participation.

**Address infrastructural gaps, promote affordable DFS devices and connectivity:** Utilization of DFS requires accessibility to reliable and affordable internet connectivity. Policy makers should prioritize investing in expansion of internet coverage, particularly in rural and underserved areas in Kenya. More efforts should be geared towards promotion of affordable data plans and mobile devices such as feature-phones which can last long between charges.

**Provide education for all in particular financial literacy and digital skills:** The government should ensure that all citizens acquire basic education. Digital skills should be regarded as part of basic education. People from the under-developed areas may lack the knowledge and skills to effectively use DFS platforms. The stakeholders should provide training programs on digital skills and mobile technology usage. Similarly, they should invest in comprehensive financial literacy programs to educate the general public on the benefits, risks, and operations of DFS. By doing these, individuals can make informed decisions, mitigate risks, and fully access the benefits of DFS.

# Source

Tamba, C. L., & Murithi, I. K. (2023). Promoting Gender Inclusion in Digital Financial Services: Evidence on Policies and Socio-Economic Factors in Kenya. *(AERC Working Paper)*

KNBS, 2021. Finaccess Household Survey 2021

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