POLICY BRIEF

Gender and Household Welfare Through Financial Inclusion in Liberia

Francis F.B. Mulbah, Vida Mantey,
Dennis Etemesi Olumeh and *Ipara Billy Okemer*

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Key Highlights

- Financial inclusion through the use of mobile money services is low (12%) in Liberia
- Mobile money is preferred and used more by female-headed households compared to their male counterparts.
- Financial inclusion had a positive and significant effect on food security for Liberian households.
- The impacts of the use of mobile money services on food security are heterogeneous based on the socio-economic characteristics of the household.

Context and significance of the problem

Financial inclusion (FI) is critical to achieving the Sustainable Development Goals (SDGs), particularly no poverty, gender equality, and reduced inequalities (GSMA, 2021). However, there is limited evidence of its impacts on household welfare in fragile and post-conflict countries (FPCCCs). FPCCCs such as Liberia, have an underdeveloped financial sector and limited financial inclusion resulting in very low access to financial services in the country (Sile, 2013). Although there are efforts to improve financial inclusion in Liberia, there is evidence that suggests the persistent gender gap in terms of access to financial services. For instance, only 12% of Liberian women have a bank account, compared to 21% of men and only 24.4% of women use their mobile phones for financial transactions, compared to 30 percent of men (LISGIS, 2020)

While determinants and impacts of FI in SSA have received significant attention in the literature, the role of financial inclusion on household welfare in FPCCs remains largely neglected. Also, information on how gender affects FI and its effectiveness on household welfare is scarce. In this study, we cross-examine the role of gender in improving household welfare in Liberia through financial inclusion. Access to formal financial services improves financial inclusion. Existing literature has shown that countries with strong financial systems have relatively good financial inclusion. However, this is different from FPCCs which have weak institutional frameworks and poor infrastructure. Therefore, this cannot be replicated in FPCCS like Liberia which has limited financial capabilities and financial literacy.

Mobile money increases access to financial services


Source: Alliance for Financial Inclusion (AFI) 2020 Report)

The low access to financial services has been attributed to the lack of documentation requirements for opening accounts, centralization of financial institutions that require long distances and time in accessing, minimum bank balance costs to open accounts, and low level of education, especially among poor and rural households.

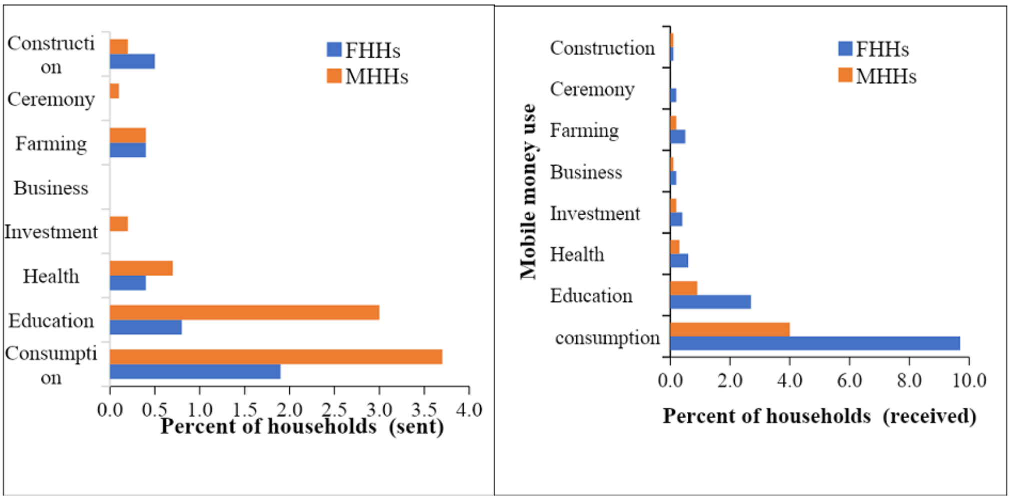
Mobile money, a new channel for accessing money through mobile phones, has reduced these barriers. Mobile money is the most used option for internal transfer by households in Liberia. It has the highest access point (93%) and has helped improved financial inclusion in Liberia.

Key Insights

The main uses of money received or sent through mobile money services are for household consumption, education, and health purposes (see Figures 1 & 2). We find clear gendered patterns in mobile money expenditures as female headed households (FHHs) spent a lot of the remittances they received on household consumption. While the majority of male headed households (MHHs) sent money for consumption, education, and health purposes

Figure 1: Use of money sent through mobile money

Figure 2: Use of money received through mobile money



There is a link between financial inclusion through the use of mobile money services and food security. Households that had access to mobile money services were more food secure among households headed by both men and women.

There are positive and significant effects of mobile money services on household welfare regarding gender, but the impact is higher for FHHS. Both the MHHs and FHHs that had access to mobile money services were more food secure than similar households that were non-users of mobile money services.

The impacts of the use of mobile money services on household welfare are heterogeneous based on their socioeconomic characteristics

The impacts of mobile money use on months of adequate household food provision (MAHFP) were stronger for MHHs, whereas the impacts. For household dietary diversity score (HDDs) and food consumption score (FCS) were stronger for FHHs

Policy recommendations

There is evidence that financial inclusion through the use of mobile money services improves household welfare in fragile and post-conflict countries. This calls for different stakeholders to motivate households in taking up mobile money services. For instance, rigorous awareness of the significance and usage of mobile money services.

- The effectiveness of the impacts of using mobile money services on household welfare is not consistent across all users but dependent on socioeconomic characteristics. This calls for more targeted policies even within the group of households that are using mobile money.

- Policy interventions aimed at increasing household food security may also consider promoting mobile money among households. This can be accomplished by encouraging the use of mobile money to pay for food and agricultural inputs.

- The results also build a case for the government and the private sector to mobilize investments into other financial inclusion platforms that are cost-effective and efficient for citizens in FPCCs. This may have a positive effect in increasing the proportion of financially included households, which may in the long run improve their household welfare

Suggested for further reading

GSMA (2021). "State of the Industry Report on Mobile Money 2021," Technical Report, 2021. www.gsma.com/mobilemoney

LISGIS. (2020). Liberia Demographic and Health Survey 2019-20.

Sile, E. (2013). Financial inclusion in fragile states. *Financial inclusion in Africa*, 94-104.

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Contact Us
African Economic Research Consortium
Consortium pour la Recherche Economique en Afrique
Middle East Bank Towers,
3rd Floor, Jakaya Kikwete Road
Nairobi 00200, Kenya
Tel: +254 (0) 20 273 4150
communications@aercafrica.org