



# Improving Women's Welfare in Burundi through Inclusive Finance

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## Key highlights

- To improve the welfare of women in Burundi, the level of financial inclusion among women must be increased significantly.
- Access to mobile money accounts had the single biggest impact on the welfare of women.
- Microfinance account ownership is limited among women in Burundi and exhibited no impact on the welfare of women.

- There is the need to establish a framework to enhance access to credit through mobile money platforms.
- There is an urgent need for restructuring the institutional framework governing microfinance institutions in to improve women's participation.

## Context and Importance of the problem

Inclusive finance continues to receive global attention due to its relevance in the attainment of SDGs 1, 5, 8, and 10 (see appendices for SDGs). However, the level of financial inclusion among women in fragile and post-conflict countries such as Burundi continues to be extremely low even by subregional standards. Numerous efforts made to improve financial inclusion among women in Burundi have largely been unsuccessful due to unstable institutions arising from the troubling history of Burundi. The persistently low level of financial inclusion among women in Burundi, therefore, cast doubt on the welfare-enhancing impact of inclusive finance. Establishing the relationship and possible effect of financial inclusion on the welfare of women is essential to reducing poverty and inequality in Burundi. This is especially important in light of the fact that there is a widening gender gap in financial inclusion in a fragile and post-conflict environment like Burundi where women are under greater threat of conflict.

Without deliberate government actions to promote financial inclusion among women in Burundi, ownership, and access to a bank account, microfinance account, and mobile money accounts will continue to lag behind sub-regional and regional targets. However, improving financial inclusion can ensure greater levels of savings, increase capital for investment, promote entrepreneurship, and ultimately the improve welfare of women. Moreover, drawing inferences from studies of other countries to formulate policy in the Burundian context may lead to policy failure because of the decreasing market opportunities that have resulted from decades of conflict.



Source: SME Finance Forum

## Results and policy implications

### *Summary of the evidence*

Three out of every five women reported having access to a mobile money account compared to a little over one in every five women having access to either microfinance or bank account. This revealed that a mobile money account is the most preferred form of financial inclusion among women in Burundi. Contrary to existing literature, microfinance account ownership which has been heralded as a panacea to poverty reduction among women was unpopular among Burundian women. Improved financial inclusion significantly enhances the accumulation of household assets by women which goes a long way to improve their welfare. Specifically, mobile money account ownership exerted a greater impact on the welfare of women than bank account ownership, while ownership of microfinance account had no effect on women's welfare. Additionally, the effect of improved financial inclusion on the welfare of women was more pronounced in urban areas compared to rural areas. This reveals a locational disparity in effect among women in Burundi.

## Policy options

Policymakers are therefore urged to restructure the policy framework guiding microfinance institutions in order to attract more women. This has become necessary due to the low patronage of products by microfinance institutions by women in Burundi. Such restructuring should include reducing the stringent requirements put in place by such institutions which makes it difficult to distinguish them from commercial banks. Also, policymakers should ensure that mobile money operators institute a small loan structure to make women have access to credit through their mobile money accounts. This has become necessary because mobile money is the most preferred channel of financial inclusion utilised by women in Burundi. This will help overcome the stringent need for collateral by traditional banks which hampers women's access to credit. Moreover, policymakers are urged to incorporate infrastructure development as part of financial inclusion policy in order to breach the gap between rural and urban access to finance. There is a need to make a conscious effort to improve infrastructure as part of the government's financial inclusion policy as this will help overcome the challenges previous financial inclusion policies faced due to poor infrastructure mostly in rural Burundi.

## Policy recommendation

Based on our evidence we recommend that the best policy option to be pursued is laying out a framework to ensure mobile money operators institute a small loan structure as this will encourage more women to become financially included and enhance their access to credit.

- SDGs – United Nations Sustainable Development Goals.
- SDG-1 – No poverty
- SDG-5 – Gender equality
- SDG-8 – Decent work and economic growth
- SDG-10 – Reduced inequality



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