

Promoting Digital Financial Inclusion for Marginalized Populations

DID Intervention Framework 2020



Desjardins

Développement international

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"We have an historic opportunity to accelerate and expand the transformative impact of digitalization. In particular, digital finance, which in this [COVID-19] crisis became the lifeline for millions across the world, extends the boundaries of financial inclusion by empowering citizens as savers, investors, borrowers, lenders and tax-payers in a way that gives them choice and power over their money."

Maria Ramos, Co-Chair of the United Nations Secretary-General's Task Force on Digital Finance

Background

For individuals without a bank account, digital finance increases access to financial services and accounts by overcoming geographic restrictions, reducing transaction costs related to the use of financial services and enhancing transparency and trust in financial systems.

Digital financial inclusion is about giving everyone access to affordable, efficient and secure financial services. Inclusive digital financial services include mobile money, online banking, payments, electronic insurance and credit, various combinations of these services and new fintechs.

In a context where 1.7 billion adults still do not have a bank account¹, digital finance has the potential to reach 1.6 billion more people. Digital financial services are built on digital transaction platforms and rely on mobile phone communications, which is the primary way to access the Internet. Thanks to digital technology, a country such as Kenya was able to successfully raise its financial inclusion rate from 26% to 83% in only 12 years².



The barriers to digital financial inclusion are linked to (i) limited access to mobile internet (and capacity of use), information and networks and limited mobility among individuals; (ii) lack of familiarity with financial institutions, unsuitable financial products and services and collateral requirements; (iii) unfavourable social and legal standards (property, inheritance, etc.) and the difficulty in obtaining formal proof of identity.

Women are penalized more because they are 10% less likely than men to own a mobile phone and 23% less likely to have mobile internet access³.

At the government level, there are three prerequisites for setting up an effective digital financial inclusion strategy :

- Reliable infrastructure for the phone and internet network, interoperable payment systems and digital identification;
- Investments and policies that support digital technologies and infrastructures;
- Financial regulations that encompass digital products and services.

1 The Global Findex Database 2017, Measuring Financial Inclusion and the Fintech Revolution, Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar and Jake Hess
2 Kenya Economic Report 2020, Creating an Enabling Environment for Inclusive Growth in Kenya, © 2020 Kenya Institute for Public Policy Research and Analysis (KIPPRA)
3 GSMA, Connected Women, The Mobile Gender Gap Report 2019, © 2019 GSM Association

Our vision

Développement international Desjardins (DID) believes that digital services, whether in the financial or non-financial sectors (agritech, online learning, etc.), are an important development driver. Digital finance is an accelerator of financial inclusion, for women in particular. The benefits are numerous: providing services (payment, savings, credit and insurance) efficiently and affordably, overcoming geographical limitations, reducing transaction costs and enhancing transparency and trust in financial systems.

Inclusive digital financial services also help achieve multiple sustainable development goals (SDGs):



Access to affordable tools and practices that can increase economic opportunities for the most vulnerable



Access by farmers to the funds they need to increase yields and overall agricultural productivity while reducing their risks

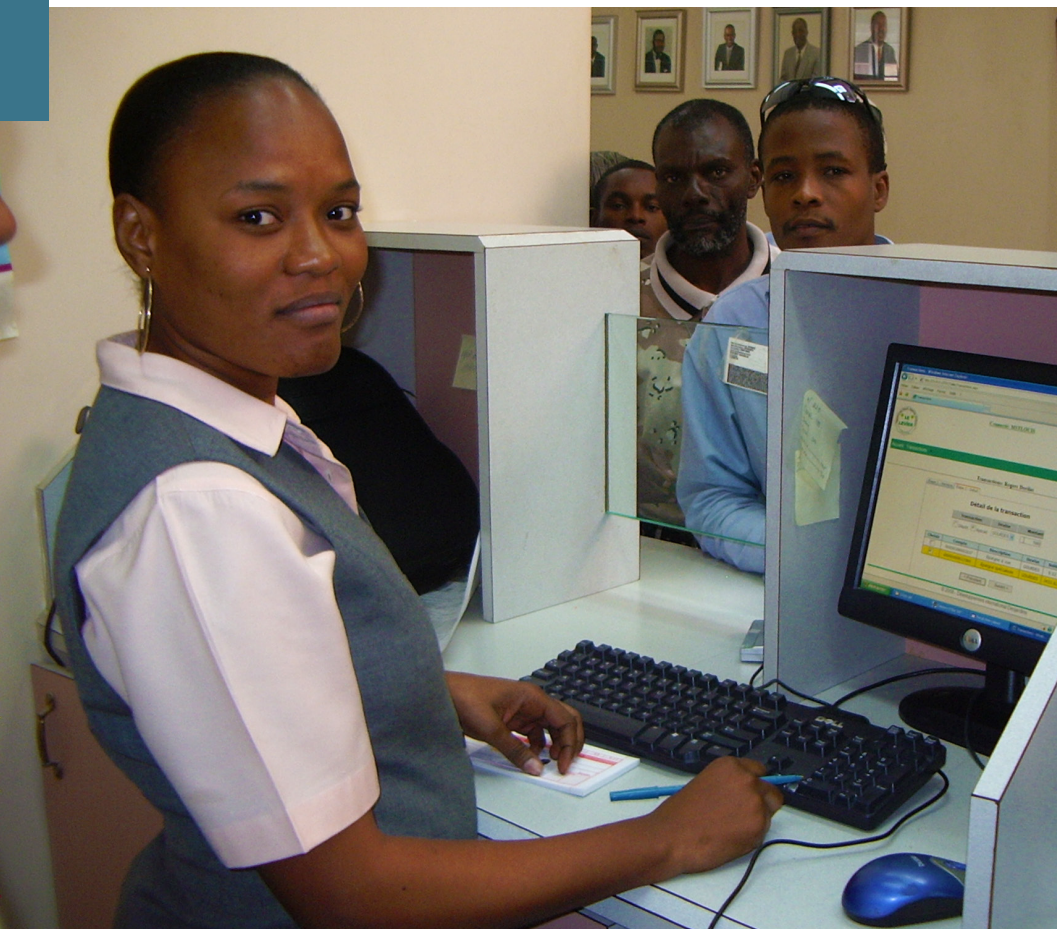


Greater financial control for women and in particular secure, practical and confidential access to their bank accounts



Access to digital savings, credit and insurance services to strengthen the climate change resiliency of vulnerable populations

To achieve those benefits, access to digital financial services must be combined with better access to knowledge and decision-making.



In Mali, DID analyzed the **training** assistance needs of groups that bring together women farmers. That analysis revealed a need for a better understanding of mobile banking and the process for opening a bank account and transferring money through a mobile phone operator. An explanatory video and comprehension questions were developed for use during a forum on the topic. That training is now part of the financial literacy program led by each group's representatives.

Our approach

DID applies a systemic approach to digital finance and undertakes to guide financial institutions in their digital transformation, clients and members in the use and control of digital financial services and public structures in establishing favorable standards, legislation and policies.

This systemic approach is designed to strengthen demand, supply and the environment at the same time.

Demand

Strengthen the economic power of beneficiaries, especially women and young people, through a digital financial inclusion strategy that is consistent, accessible and easy to apply and that enables them to access financial services digitally. Assist beneficiaries by strengthening their digital and financial literacy.



Users

Promoting the use and control of financial services by building knowledge, power and the capacity to act

Supply

Assist financial institutions in transforming their financial service offerings into digital services in order to better meet their clients' needs.



Financial institutions

Improving access to digital financial services while supporting digital transformation

Environment

Advise and influence financial institutions in terms of financial inclusion and gender equality so that they can then encourage public structures to create standards, laws and policies conducive to digital financial inclusion among their populations, especially women and young people.



Public structures

Building a healthy environment for digital financial inclusion by creating favourable conditions

The services we offer

Our services are for financial institutions, national and local government structures, and people who use digital financial services. Depending on the context and needs, digital advisory services may be offered alone or in combination with other DID support services.

For financial institutions

DIAGNOSIS



Technology environment analysis



Technological maturity assessment



IT and organizational diagnosis



Security and cybersecurity audit

STRATEGY



Digital strategy and business needs



Proof of concept



Feasibility analysis



Functional analysis

IMPLEMENTATION



Request for proposal (RFP), Request for information (RFI)



Business continuity plan



Skill-strengthening



Operational efficiency, solution performance



Support, change management, communications

For users

- Analyze the barriers and constraints preventing the target population from accessing digital services
- Analyze training needs (assessing digital knowledge and skills)
- In cooperation with identified partners and support structures, deploy action strategies (awareness and training) to improve the target population's access to digital services
- Monitor and evaluate the implemented strategies

For public structures

- Identify points that could be negative for digital finance in legislation, regulations and public standards
- Present risks to partner institutions so they in turn can reach out to public structures to influence them and mitigate risks
- Gather data to measure the impact of decisions on the target population
- Analyze the impact of measures and present results to public structures
- Announce the results of key actions in terms of financial inclusion

Our theory of change



IF microfinance institutions offer digital financial services geared to the needs of their clients (men, women and young people), in an accessible and secure manner;

IF users are digitally and financially literate, and empowered to act;

IF local public institutions establish standards, laws, policies and the infrastructures conducive to gender-sensitive, digital financial inclusion;

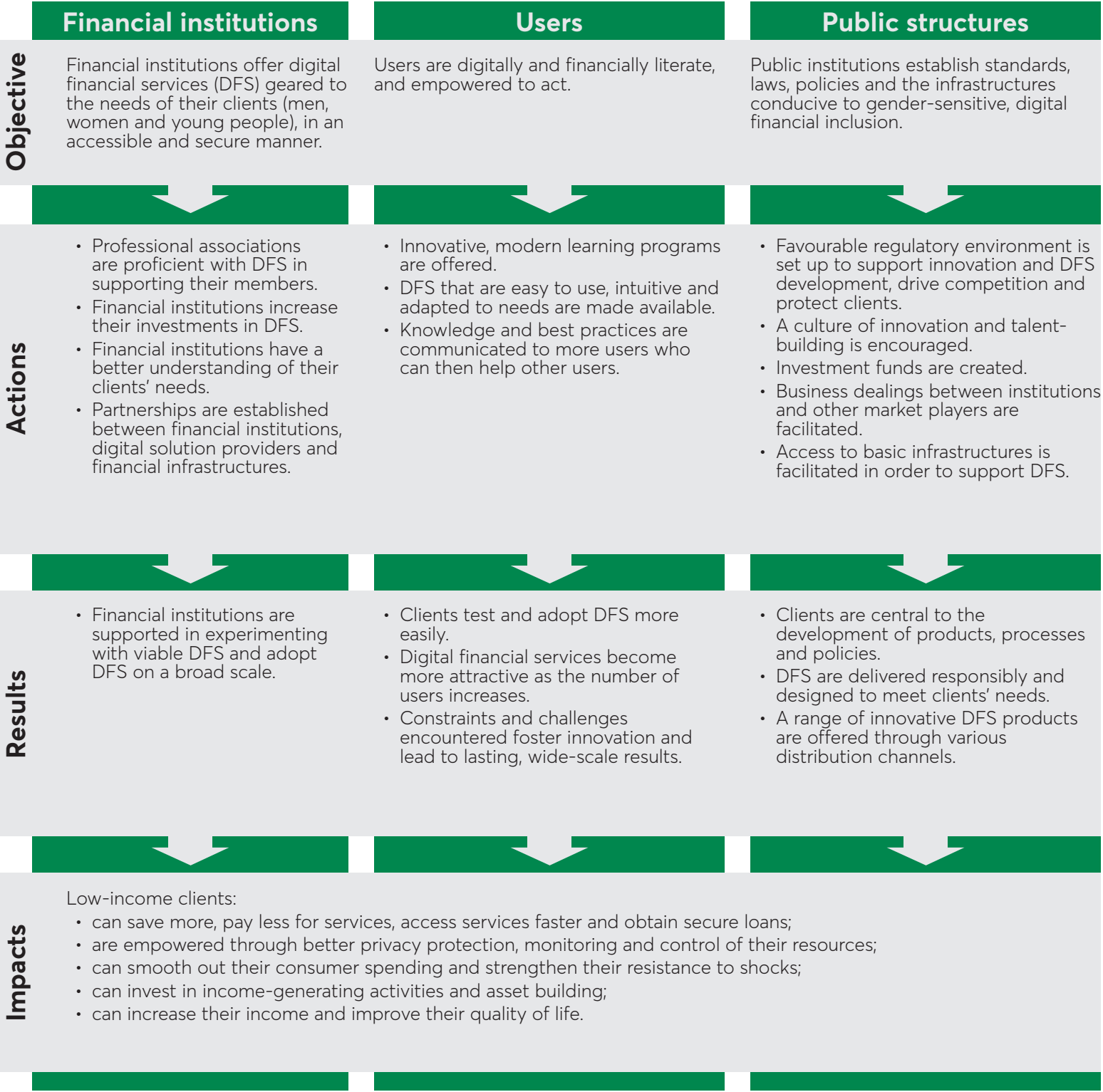
THEN the digital financial inclusion strategy is more likely to financially empower individuals (women and young people in particular) and reduce poverty.

In Mali and Benin, tontine savings has been the main way to save for the vast majority of the population for decades but this manual collection method can lead to errors and fraud. DID therefore worked with various local financial institutions to develop and oversee the business processes involved in setting up digital savings deposits. Thanks to **digital savings deposits**, members and clients can save with confidence and the financial institution can offer local services at a lower cost.



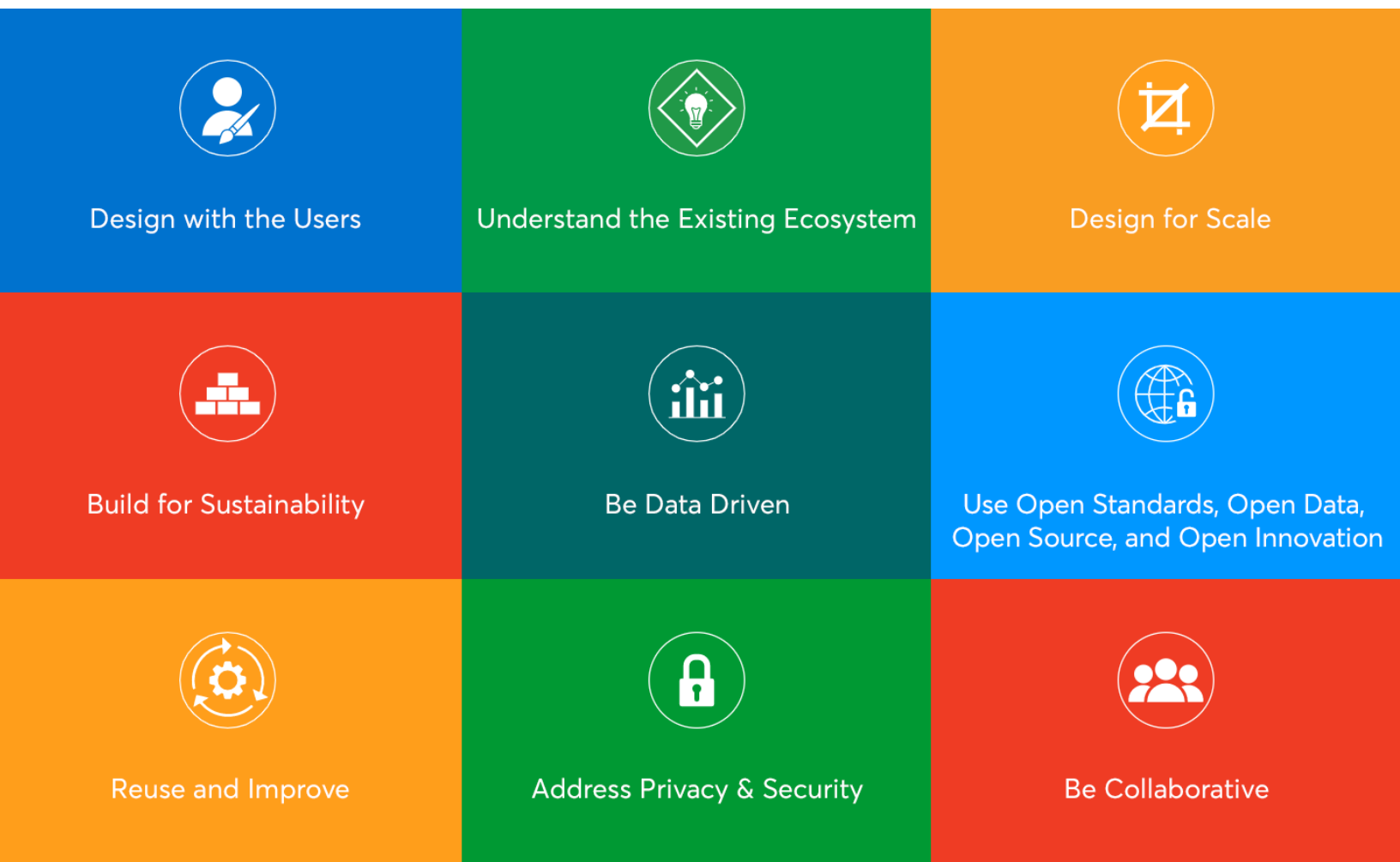
Moving from theory to action

DID's initiatives aim to enable marginalized populations, especially women and young people, to have greater control over their lives.



Our process

To ensure the development of sustainable digital solutions that meet the needs of target populations, especially women and young people, and address their constraints, DID has adopted the nine "Principles for Digital Development"⁴:



Based on these nine principles, DID has deployed a rigorous process to ensure that its actions have a concrete impact in terms of boosting the economic empowerment of populations such as women and young people.

- All of DID's initiatives are based on **extensive knowledge** obtained through on-site analyses of the dynamics operating in the ecosystem where the target populations live. For DID, analyzing the technological environment is an essential step in any project planning process.
- DID **systematically consults** with the most marginalized groups, especially organizations serving women and young people, when designing and planning its projects. Those consultations may be in the form of brainstorming or proof of concept to test an innovation and correct its shortcomings before scaling it up so that it effectively meets the needs of disadvantaged clientele.
- DID identifies and establishes **innovative partnerships**, particularly with financial institutions, fintechs, e-money operators, organizations that work with women and young people, community players, private companies, government players, and the local and international NGO community. Whether as beneficiaries or implementing partners, they are involved in project design from the outset.
- DID assists beneficiaries and implementing partners in **managing change** during digital transformation projects or when introducing new technologies.
- DID supports **skill-strengthening** by deploying strategies and measures such as learning environment design, hybrid training programming, e-learning or practical workshops, by providing support in managing the learning paths, by offering strategic advice or coaching and by delivering specialized instrumentation such as user manuals, evaluation tools or digital-adapted policies.
- In its initiatives, DID promotes the **participation of men and boys as well as women and girls** so that the changes made help reduce, rather than increase, inequality.
- DID tracks and measures its results. The progress made by DID when it comes to digital financial inclusion can only be achieved by **monitoring and assessing** targets and outcome indicators on an ongoing basis.

In Colombia, DID partnered with a number of financial institutions to design the DECISION app⁵, which allows mobile phones to be used to complete credit applications directly at farmers' locations. DID applied the nine Principles for Digital Development throughout the DECISION app design process and even beyond, as the app is being adopted more widely. Users have therefore been central to the thought process behind the app's development, which has made it possible to zero in on the constraints encountered in the field, such as the low quality of internet access in rural areas. The experts behind DECISION reviewed the entire existing ecosystem so as to clearly identify the structures in place and the specific needs of the target communities. As a result, DID and its partners were able to develop a sustainable digital solution that can be integrated into day-to-day practices and user workflows.



In Tunisia, DID conducted a security audit of the Entrepreneur Financial Centre (EFC), with particular attention to **information security** and **cybersecurity**. As a result, we proposed changes to the organization's security policy for information resources. That security policy was based on three pillars: information confidentiality, integrity and availability. By integrating those pillars, the Tunisia EFC ensures that its clients can count on better data security and therefore increases the level of trust in their financial institution.

⁴ Principles for Digital Development (digitalprinciples.org)
⁵ Developed by Développement international Desjardins

