Promoting Digital Financial Inclusion for Marginalized Populations

DID Intervention Framework 2020
Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>2</td>
</tr>
<tr>
<td>Our vision</td>
<td>3</td>
</tr>
<tr>
<td>Our approach</td>
<td>4</td>
</tr>
<tr>
<td>The services we offer</td>
<td>5</td>
</tr>
<tr>
<td>Our theory of change</td>
<td>6</td>
</tr>
<tr>
<td>Moving from theory to action</td>
<td>7</td>
</tr>
<tr>
<td>Our process</td>
<td>8</td>
</tr>
</tbody>
</table>

“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
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 16 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.


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):

1. **No Poverty**

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

2. **Zero Hunger**

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

5. **Gender Equality**

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

13. **Climate Action**

   - 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.
**Promoting Digital Financial Inclusion for Marginalized Populations**

**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

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

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.

### Supply

**Financial institutions**
Improving access to digital financial services while supporting digital transformation.

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

### Environment

**Public structures**
Building a healthy environment for digital financial inclusion by creating favourable conditions.

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

**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.

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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.

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<tr>
<th>Objective</th>
<th>Financial institutions</th>
<th>Users</th>
<th>Public structures</th>
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<tr>
<td>Users are digitally and financially literate, and empowered to act.</td>
<td>Financial institutions offer digital financial services (DFS) geared to the needs of their clients (men, women and young people), in an accessible and secure manner.</td>
<td>Users are digitally and financially literate, and empowered to act.</td>
<td>Public institutions establish standards, laws, policies and the infrastructures conducive to gender-sensitive, digital financial inclusion.</td>
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<tr>
<th>Actions</th>
<th>Financial institutions</th>
<th>Users</th>
<th>Public structures</th>
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<tr>
<td>• Professional associations are proficient with DFS in supporting their members.</td>
<td>• Innovative, modern learning programs are offered.</td>
<td>• Favourable regulatory environment is set up to support innovation and DFS development, drive competition and protect clients.</td>
<td>• Access to basic infrastructures is facilitated in order to support DFS.</td>
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<tr>
<td>• Financial institutions increase their investments in DFS.</td>
<td>• DFS that are easy to use, intuitive and adapted to needs are made available.</td>
<td>• A culture of innovation and talent-building is encouraged.</td>
<td>• Investment funds are created.</td>
</tr>
<tr>
<td>• Financial institutions have a better understanding of their clients' needs.</td>
<td>• Knowledge and best practices are communicated to more users who can then help other users.</td>
<td>• Business dealings between institutions and other market players are facilitated.</td>
<td>• A range of innovative DFS products are offered through various distribution channels.</td>
</tr>
<tr>
<td>• Partnerships are established between digital institutions, digital solution providers and financial infrastructures.</td>
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<th>Results</th>
<th>Financial institutions</th>
<th>Users</th>
<th>Public structures</th>
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<tr>
<td>• Financial institutions are supported in experimenting with viable DFS and adopt DFS on a broad scale.</td>
<td>• Clients test and adopt DFS more easily.</td>
<td>• Clients are central to the development of products, processes and policies.</td>
<td>• Access to basic infrastructures is facilitated in order to support DFS.</td>
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<td></td>
<td>• Digital financial services become more attractive as the number of users increases.</td>
<td>• DFS are delivered responsibly and designed to meet clients’ needs.</td>
<td>• A range of innovative DFS products are offered through various distribution channels.</td>
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<td></td>
<td>• Constraints and challenges encountered foster innovation and lead to lasting, wide-scale results.</td>
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<th>Impacts</th>
<th>Low-income clients:</th>
<th>financial institutions</th>
<th>Public structures</th>
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<tr>
<td>• can save more, pay less for services, access services faster and obtain secure loans;</td>
<td>• can save more, pay less for services, access services faster and obtain secure loans;</td>
<td>• Favourable regulatory environment is set up to support innovation and DFS development, drive competition and protect clients.</td>
<td>• Access to basic infrastructures is facilitated in order to support DFS.</td>
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<tr>
<td>• are empowered through better privacy protection, monitoring and control of their resources;</td>
<td>• are empowered through better privacy protection, monitoring and control of their resources;</td>
<td>• A culture of innovation and talent-building is encouraged.</td>
<td>• Investment funds are created.</td>
</tr>
<tr>
<td>• can smooth out their consumer spending and strengthen their resistance to shocks;</td>
<td>• can smooth out their consumer spending and strengthen their resistance to shocks;</td>
<td>• Business dealings between institutions and other market players are facilitated.</td>
<td>• A range of innovative DFS products are offered through various distribution channels.</td>
</tr>
<tr>
<td>• can invest in income-generating activities and asset building;</td>
<td>• can invest in income-generating activities and asset building;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• can increase their income and improve their quality of life.</td>
<td>• can increase their income and improve their quality of life.</td>
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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.
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":

- 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 clienteles.
- 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.

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.

- 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.

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

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