



## Briefing Paper to the United Nations High Level Panel on Women's Economic Empowerment Working Group on Financial, Digital Inclusion and Property

More than a billion women around the world lack access to formal financial services. To tackle this challenge, CARE recommends:

1. The United Nations High Level Panel on Women's Economic Empowerment support the creation of a **global partnership** of private sector, government and development sector actors for coordinated action to **scale up transformative savings and loan groups and link them to formal financial services**.
2. That the HLP recognise in their final report **that scaling transformative savings and loan groups provides an effective, proven savings-led approach to advancing the financial inclusion of poor women**.

Optimistic projections suggest there will not be universal access to formal financial services by 2020, and that the gender access gap will remain a challenge<sup>1</sup>. **Access to savings (not credit)** is one of the only interventions proven to accelerate the economic empowerment of all women regardless of their context<sup>2</sup>. Our experience with partners – Barclays, Equity Bank, MasterCard Foundation, UNCDF, Visa, Gates Foundation, DfID and many others – has proven that forming and training savings groups (more than 75% are women) and then linking them to formal financial services is an effective two-step strategy to enable poor and excluded women to benefit from formal financial inclusion.

### What's proven

Village Savings and Loan Associations (VSLA) are proven to support women to grow businesses and increase financial discipline, respond to economic shocks, increase household and community level decision-making power and connect to the formal financial system<sup>3</sup>. This platform demonstrates the potential to grow women's financial inclusion through access to both informal and then, formal financial services.

There are at least 95 financial service providers already offering 106 group savings and credit products in 27 countries to savings groups<sup>4</sup>. East Africa is leading the way, where banks anticipate \$15 million annual revenue from banking groups in 2017 and expect to 'break-even' within a year. Once linked to a bank the average savings per member increases between 40% to 100% and the average profit per member doubles<sup>5</sup>. In East Africa alone groups are mobilising \$450m per year.

CARE's Village Savings and Loan Associations addresses underlying constraints by supplementing savings and loans with financial and business training, development of positive gender attitudes toward women and increased access to the formal financial sector. They comprise 10-30 mostly female members.

### The potential

In response to the United Nations call to action to leave no one behind, CARE and Accenture undertook research to assess the benefits of taking this model to scale. We have estimated what the impact would be if a coordinated partnership could scale to reach 125 million of the poorest unbanked women who are projected on current trends to still be financially excluded by 2020, and link them to formal financial services:

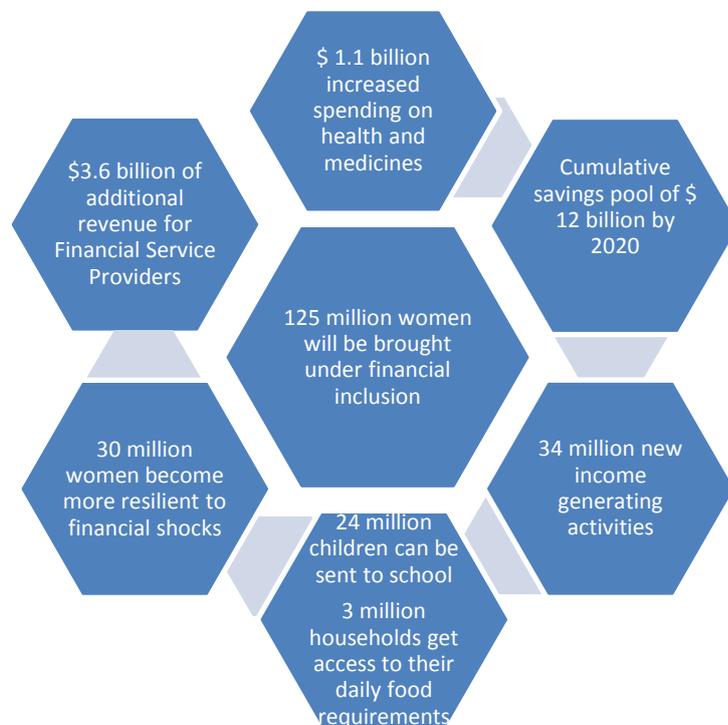
<sup>1</sup> New research from CARE and Accenture estimates by 2020 there will still be 600 million unbanked women and the gender access gap to formal financial services will remain at 9% in developing countries

<sup>2</sup> [http://www.womeneconroadmap.org/sites/default/files/WEE\\_Roadmap\\_Report\\_Final.pdf](http://www.womeneconroadmap.org/sites/default/files/WEE_Roadmap_Report_Final.pdf)

<sup>3</sup> CARE's VSLA members report increase contributions to spending on health, education, housing, food, businesses, feeling respected and able to influence community and household decisions (Banking on Change, 2015). CARE's VSLA reach 5 million members in 35 countries and 85% of groups continue to operate five years after we exit

<sup>4</sup> State of Linkage Report, 2016

<sup>5</sup> State of Linkage Report 2016. Trained groups who have linked to a bank have a 246% higher savings balance than untrained groups and are twice as likely to start productive income-generating activities (CARE VSLA project data, 2016).



This savings led approach to financially including poor women is estimated to generate a \$12 billion savings pool, which would have a multiplier effect with major impacts on health, education, GDP growth, livelihoods, job creation and massive revenue outcomes for the financial service sector<sup>6</sup>.

### What needs to be done to achieve scale

CARE believes that through coordinated **global action** it is possible to scale transformative VSLAs to reach the poorest unbanked women and link them to formal financial services. CARE recommends the HLP on WEE support the creation of a **global partnership** of private sector, government and development sector actors for coordinated action to scale up VSLAs and link them to formal financial services to realise impacts.

**Formal financial services** providers (FSPs) are increasingly realising the business opportunity for banking savings groups<sup>7</sup>. In order to reach the necessary scale, FSPs should offer low or no cost savings and credit products, offer a digital and field agent platform to overcome supply and demand side costs to serve, and work with development partners to design products tailored to group needs.

**Donors** can fund the scale up of cost-effective systems that deliver high-quality groups and support the coordination and cross-learning of a global partnership

**Development partners** can ensure women fully enjoy the benefits of access to financial services via financial literacy training and linkage, and work with the community to tackle restrictive gender attitudes

**Governments and central banks** can implement policies that support group registration with simpler Know Your Customer requirements, support and fund the scale up of group formation and linkage via their national financial inclusion strategies and ensure supportive bank balance sheet and liquidity measures.

In partnership with **CARE, Equity and Equitel** developed a mobile-based solution that allows savings groups to make deposits and withdrawals via Equity agents while maintaining the security features associated with the group's traditional cash box. The solution allows members to seamlessly transfer funds between group and individual accounts at no cost. The increased reliability of the network has attracted new groups to open accounts by substantially reducing their total cost in travel and fees. CARE and Equity Bank have now co-piloted a group credit product.

**Banking on Change partnership** with CARE, Barclays and Plan supported over 750,000 people living on less than \$2 a day to form 35,000 savings and loan groups across 11 countries. It was the first partnership between a global bank and international NGOs to successfully link informal savings groups to the formal banking sector and four banking products were co-created in five African markets. By December 2015 Barclays Uganda made savings and loan groups part of their target customer market and developed a commercial strategy to reach them.

<sup>6</sup>CARE and Accenture Policy Paper: Envisioning the cost effective impact from scaling up Gender Transformative Savings and Loan Groups to serve the world's 1.1 billion under banked women, 2016

<sup>7</sup> East Africa banks report the two key reasons for banking savings groups are to grow their customer base and for the savings deposits groups provide (East Africa Linkage Summit, 2016)