

Navigating COVID-19: African women and digital financial access in South Africa and Nigeria

- ❖ **Not unlike the rest of the world, COVID-19 related socioeconomic shocks in South Africa and Nigeria are disproportionately experienced by women due to persistent pre-pandemic gender inequalities that affect access to economic opportunities.**
- ❖ **Digital financial services (DFS) have been lauded as a powerful solution to build post-COVID 19 macroeconomic resilience by ensuring that basic financial services as well as financial assistance are available to mitigate the ongoing triple crisis (health, economic and societal) created by the pandemic.**
- ❖ **But there are vulnerabilities to consider when deploying digital solutions, including other dimensions of inequality that cannot be mitigated solely by digital financial inclusion or the introduction of new digital technologies. These inequalities are multidimensional and have a decisive impact on who actually benefits from DFS.**
- ❖ **There needs to be well planned holistic interventions in Africa that are fit for purpose, contextually relevant, and facilitate greater cooperation across seemingly unrelated policy areas to make a difference in African women's lives, including and especially regarding financial inclusion.**

Introduction

In many African countries, the impact of the COVID-19 pandemic has exacerbated the already high levels of poverty and inequality and exposed systemic and structural vulnerabilities in social, political and economic systems (Corruption Watch, 2020; Schipani et al., 2020; UNDP, 2020). The looming debt crises in many African countries highlights the multidimensional impacts of the pandemic, as many governments struggle to enact effective policies to fight the health crises while also preserving macroeconomic stability in the region (Economist, 2020; Zeufack et al., 2020). Pandemic mitigation measures have simultaneously amplified the digitalisation of human activity and underscored the importance of robust digital financial inclusion (DFI) strategies.

Even in pre-pandemic times, leveraging digital mediums, such as scaling national digital identity programs and other digital infrastructure like interoperable payment and lending systems, were considered crucial to enhance access to meaningful financial services in

sub-Saharan Africa (SSA) (Sy et al., 2019). During the ongoing pandemic, digital financial services (DFSs) have:

- (i.) Provided crucial cash alternatives to navigate current social distancing anti-contagion measures such as contactless and electronic payments (including remittances);
- (ii.) Where available, facilitated large-scale state fiscal support packages and social protection by operationalising mobile money and digital vouchers for individuals and households; and
- (iii.) Ultimately, acted as a buffer against rising fiscal uncertainty by offering relief for large corporations and formal micro small and medium enterprises (MSMEs).

" On their own, product-based solutions, such as formal transaction accounts, do not highlight other factors that exacerbate digital financial exclusion."

These DFS' have been lauded as powerful solutions to ensure that basic financial services are available to moderate the current three-pronged (health, economic and societal) predicaments created by the coronavirus and to build post-COVID 19 macroeconomic resilience (Ahmed, 2020; Sahey et al, 2020; Parehk and Hare, 2020, Miller 2020). However, there are vulnerabilities to consider. While DFI can have a wide range of macroeconomic and social welfare benefits, such as enhancing financial development and addressing poverty and inequality (Pazarbasioglu et al, 2020; Sahey et al 2015; Demirgüc-Kunt et al., 2018), there are other dimensions of inequality that cannot be diminished solely by DFI or only the introduction of new digital technologies (Vossenburb et al., 2018).

The nexus between ICTs and financial inclusion

Access and use of information and communication technologies (ICTs) are a prerequisite for digital development and DFS. This suggests that in order for financial service providers (FSPs) to provide a platform on which to scale DFS much faster and facilitate appropriate banking and financial services for underserved and unbanked African consumers, many other factors need to be in place (Sahay et al 2020; Vossenburb et al, 2019). Amongst others, these include:

- Access to adequate and quality foundational digital infrastructure¹ (mobile devices, Internet coverage, trusted digital payment systems, digital identity (ID) etc.);
- Greater financial and digital capability²; and
- Relevant regulatory reform and standard setting for an interoperable payments and data governance ecosystem.

¹ Broadly refers to technologies across many activities that include digital elements, broadband networks, data centres and cloud services, all electronic hardware, and software and digital applications that are available on the Internet.

² <https://www.centerforfinancialinclusion.org/what-is-financial-capability>

A related matter of concern is the growing critique on whether financial inclusion propagated through capitalist (profit based) incentives are in the best interests of marginalised populations and can truly boost social welfare and economic development efforts, particularly for women (Mader, 2018; Ozili, 2021; Prabhakar, 2019; Demirgüç-Kunt et al, 2017; Banerjee et al, 2015). Further analysis on this concern is beyond the scope of this brief.

The pandemic has revealed that economic welfare losses are not equitably distributed and are in fact intensified by pre-existing intersectional inequality gaps. As a result, many women have suffered more than their male counterparts—they have less support to build future resilience and will most likely experience far-reaching effects on their current and future lives from COVID-19 related disruptions (World Bank, 2020). The COVID-19 crisis has also exposed weaknesses in the dominant private sector revenue led corporate governance model in many markets, which has arguably exacerbated the neglect of structural and systemic social challenges that can arguably be mitigated through more inclusive fiscal and macroeconomic policies (Mazzucato, 2020; Davoodi et al., 2021).

How do broadband markets impact Internet access in South Africa and Nigeria?

"Supply-side dynamics are necessary proponents to facilitate data driven digital financial products and services that reduce digital financial institutional barriers...."

Mobile related e-money solutions and agent banking have arguably facilitated pathways to financial inclusion, transforming the payments and lending landscape on the continent, significantly increasing affordable, instant and reliable payments as well as broader opportunities to access savings, credit and insurance for the underserved and unbanked (BIS, 2020; Sahey et al 2015). Given the interaction between mobile devices, broadband access and DFI (Sy et al., 2019 ; Gillwald et al., 2019), on its own, a product-based solution such as a formal transaction account, does not highlight other factors that exacerbate digital financial exclusion.

Beyond traditional finance barriers, it is also critical to assess ICT supply-side dynamics influenced by the level of Internet access—as these are also necessary proponents to facilitate (data driven) digital financial products and services that reduce DFI barriers and enhance the payments landscape (BIS, 2020). Table 1 below provides an overview of Internet access in Nigeria and South Africa. In both economies, the market share of the dominant network operator is below the 60% standard threshold for significant market power (SMP) at which regulatory intervention to address potential abuse of market dominance is usually prescribed. However, the Herfindahl–Hirschman Index (HHI), a commonly accepted measure of market concentration reveals that in both markets, the HHI is in excess of 2,500 points. Thus, both markets are highly concentrated, suggesting that price pressures for other competing operators are more intense in markets where the single operator is essentially a price maker. This impacts market competition and innovation, including the pricing of data.

Despite the fact that South Africa has higher individual Internet penetration, faster mobile download speeds than Nigeria, with parts of South Africa's major metropolitan areas offering access to public Wi-Fi, as well as subsidised data, the average price of 1GB of data

in South Africa is almost double that in Nigeria (as measured in the last quarter of 2020). This suggests that there are (supply side) inefficiencies in the South African market that make the cost of data high, and ultimately impacts end users.

Table 1: Overview of Internet Access (supply-side) dynamics in Nigeria and South Africa

Country	Internet access (%) (AA, 2019)	Intl. bandwidth (Kbits/s) (World Bank, 2016)	Mobile Down load Speeds (Mbps) ³	HHI (AA 2019)	Dominant Network Operator (RAMP ⁴)	USD Q4, 2020 1GB (RAMP)	Data Subsidy	Public Wi-Fi
Nigeria	30	3.15	18.63	2803	MTN (44%)	2.63	No	Yes ⁵
South Africa	50	149.54	38.09	3495	Vodacom (42.4%)	6.09	Yes	Yes
Bench mark	51	151.1	46.74	2500				

Source: Various sources

Understanding supply side dynamics is critical, amongst other factors, Internet speed, bandwidth are proxies for Internet quality and the market structure determines whether there is a fair competitive market, which ultimately benefits end-users. All of the above are factors that impact a mobile network operators (MNO) product offering, including pricing of data—faster, lower priced data implies that quality internet will be more affordable for the majority of customers. According to RIA’s After Access survey one of the reasons that many individuals do not use the internet is because it is too expensive. Consequently, supply side dynamics contribute to the inclusion/exclusion dynamics of Internet access and hinder the full benefits that are associated with digitalisation of financial products and services. It is therefore not sufficient to address the challenges faced by those connected to the internet, but instead, there should be robust efforts to bring more people online.

³ <https://www.speedtest.net/global-index>

⁴ Private sector led

⁵ Research ICT Africa’s Retail African Mobile Pricing Index; available at: https://researchictafrica.net/ramp_indices_portal/

What hinders women's digital financial access?

Over and above the supply side dynamics that impact internet access and use there are also demand side dynamics that exacerbate the digital divide. Generally, African women face additional barriers in terms of access and use of technology (mobile phones and Internet) to improve their livelihoods (Gillwald et al., 2019). Mobile phones have not only led to increased access and use of the Internet in SSA, they have also revolutionised banking and enabled underserved consumers to access bank accounts, transfer money and perform other financial operations remotely. Despite increased access to financial products and services over the years, women are overrepresented among the unbanked, are more likely to have lower savings and credit, and still face unequal economic participation (Demirguc et al., 2018).

Table 2: Gender gaps in ICT access and financial inclusion (%)								
	NIGERIA				SOUTH AFRICA			
	National	Male	Female	Gender gap	National	Male	Female	Gender gap
Mobile phone	63	70	57	20	72	83	85	2
Feature phone	45	44	46	4	8	7	10	35
Smart Phone	23	26	19	31	47	50	43	15
Internet access	30	37	20	60	53	57	50	13
Bank account	40	47	28	51	60	58	56	4
Use Mobile money	6	7	4	55	19	19	19	0
Saved at formal institution	21	27	13	70	22	26	19	31
Credit card	3	3	2	40	9	10	8	22

ownership⁶

Source: RIA After Access, 2018; World Bank Findex 2018

Note: Mobile phone, feature phone, smart phone and internet access figures are from After Access Survey (2018), while bank account, mobile money, saved at formal institution and credit card ownership are from the Findex (2018), the latest figures available.

Table 2 highlights the gender gaps in demand side ICT access and financial inclusion between South Africa and Nigeria. In terms of formal account ownership in SSA, South Africa (60%) and Nigeria (40%) have relatively higher levels of financial inclusion, and conversely have the lowest mobile money uptake (8% for South Africa and 3% for Nigeria).

There is a positive correlation between smartphone use and Internet penetration, where countries with higher smartphone penetration have more Internet access (Gillwald et al., 2019). Furthermore, the relationship between DFI and ICT industries are increasingly connected and simultaneously dynamic and complex since innovations in digital financial products and services through mobile phones are most likely to have greater reach to the user base. Yet in both Nigeria and South Africa, women are less likely to own a smartphone. Women own more feature phones in both Nigeria and South Africa, which also contributes negatively towards their access to the internet. The higher mobile phone ownership in South African women relative to men needs to be supported with more women having smartphones. Other factors that hinder women's access to digital financial services include a lack of digital identification documents, lower financial independence, little control over resources, a lack of digital and financial capability, greater risk aversion, and socio-cultural norms (Demirgüç-Kunt, 2013). In both Nigeria and South Africa, there are gender gaps in the ownership of credit cards. However, credit card use is extremely low in Nigeria in general, and relative to South Africa. This suggests that while there are innovations in financial products, there are structural economic barriers that impact uptake of these innovations and limit potential opportunities for people in these countries to truly benefit from new product offerings.

Offering credit and a formal transactional account does not automatically bring transformative welfare change in the lives and businesses of the poor, particularly for women who are more likely to be employed in the informal sector (ILO, 2017). The strategy of simply including more low-income individuals, households and MSMEs into existing and formal economic market systems, as a conduit to inclusive development and enhanced social welfare fails to fully capture the context of markets in which new technology, financial products, and services are introduced. The manner in which women and men access and benefit from digitally mediated mediums, such as digital financing, is shaped by existing gender exclusions and other inequalities (Gupta et al., 2015) because markets are often characterised by existing embedded systemic and structural inequalities, which overlap with discrimination based on other social markers such as gender, age, and location, to name a few. (Ozili, 2020; Mader, 2018; Vossenburb et al, 2018;

⁶ Findex 2014

Garikipati et al., 2017; Kabeer, 2017; Kabeer 2015). Thus, there should also be consideration for multidimensional barriers that limit women's digital financial capability.

Recommendations

The pandemic presents an opportunity to change the fundamental ways in which multiple stakeholders and systems interact to leverage the developmental impact of ICTs by radically restructuring exclusionary systems for a more sustainable and inclusive post COVID-19 recovery. To engineer a better kind of capitalism that prioritises systemic change for a more transversal, sustainable, and inclusive approach to “build back better” requires the following:

Leverage big data to develop evidence-based policies, through better data collection.

There is an urgent need for gender-disaggregated demand-side data that reflects the intersecting inequalities (age, residence (urban/rural), race, education, physical ability. etc), and other characteristics to inform policymakers, governments, decision-makers, and researchers on factors that impact ICT access and DFI. Increased datafication and digitalisation creates pathways for better, (big) data-driven decision-making efforts, to better understand gender barriers, measure trade-offs required, and mitigate factors that impact women's economic agency. Policy responses need to be developed from gender-disaggregated data that allows for concerted efforts to alleviate the unequal gender implications of COVID-19 and build future resilience for women.

Collection as well as reporting of data disaggregated by various variables could facilitate more inclusive responses to the pandemic by answering critical questions: What is the magnitude of gender inequality? Why do policies or programs succeed or fail? How do intersectional inequalities affect women and girls?

Enhance the state's research capacity for a fast-paced evolving digital landscape.

There is limited understanding of data science, ICT value chains and value creation in the digital economy among many African public sector representatives. This is exacerbated by a lack of quality researchers in many state entities, including those that focus on improving intersectional inequalities. Contrary to this, in the private sector (including academia and civil society), beyond typical data science professionals, experts like sociologists, economists and climate change scientists understand the (technical) value of data and are able to contribute better to the discussions on the so-called Fourth Industrial Revolution. There should be better incentives to attract quality digital economy researchers into state entities.

Enhance policy coherence of overlapping priorities. It has become abundantly clear that offline education, gender, income, public service delivery and spatial inequalities are simply mirrored online. Thus, the COVID-19 pandemic has highlighted the fact that addressing digital inequality isn't just an ICT sector problem, but a general development challenge. Meanwhile, structural economic deficiencies are arguably amplified, as the economic and social value of being digitally networked increases exponentially. The current siloed policy approach in many African countries has proved to be ineffective. There needs to be well planned multidimensional interventions in Africa that are fit for

purpose, contextually relevant, and facilitate greater cooperation across seemingly unrelated policy areas to make a difference in African women's lives, including and especially regarding financial inclusion. This requires a transversal unified approach to policy making across different state departments.

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