



# BANKING ON TECHNOLOGY

## Digital accounts bring financial services to the poor

According to The World Bank Global Findex Database, the number of people without a bank account dropped by 20 percent, to 2 billion, between 2011 and 2014. It's an encouraging sign, as financial inclusion has the power to change lives.

When individuals participate in the financial system, they gain the ability to securely save money and to insulate themselves from unexpected events like illness and unemployment. "It is far more than a convenience," says Leora Klapper, Lead Economist of Finance and Private Sector Development for the World Bank.

Technology also helps bridge the financial services gap as mobile money, electronic payments and remittances are reaching people who were previously unable to participate in the financial system.

However, 38 percent of the world's adult population doesn't have a bank account, and only 4 percent of those people say that they don't need one. Among adults living on less than \$2 a day, only 20 percent have a formal account with a financial institution, says a 2014 report prepared for the G20 Global Partnership for Financial Inclusion, *The Opportunities of Digitizing Payments*.

Enhancing access to digital banking could have a particularly significant impact on women in developing economies, as the electronic services have been found to give women more control over their money and their household spending.

### More Security

The majority of unbanked individuals live in remote areas, where a trip to the bank often requires a day or more of travel. Storing cash at home is risky, particularly for women, who often rely on informal "savings collectors" to hold their money for a fee.

"Women in Sub-Saharan Africa tell us that they are fearful to keep their money at home for even one night or some other family member might take it," says Klapper.

Digital bank accounts provide an empowering alternative to women in that region. The service enables users to create accounts online and load money onto them through a local vendor. The accounts provide holders with a secure place to store their money, and in some cases the opportunity to earn interest. The accounts don't require minimum balances, either.

### More Privacy

Worldwide, 400 million people receive their wages or government transfers in cash. This can be a problem for women in particular, says Klapper, who recently interviewed garment workers in Bangladesh about the hazards of cash payments.

"Women have told me 'My mother-in-law waits outside the gate on payday to take all of my money,'" says Klapper.

When workers receive payments electronically, they gain privacy and control over their salaries and overtime pay. The G20 Global Partnership report states that women's economic power is associated with improved child health and a greater share of household income spent on nutritious food.

### Real Resilience

In a worldwide Findex survey, 76 percent of adults said it would be possible for them to access "emergency funds" through family and friends. But these funds are equal to 1/20th of their country's gross national income per capita (only \$2,600 USD in the United States).

Formal bank accounts can help individuals build a financial cushion for unanticipated events, such as illness or crop failure. In addition, digital remittances enable the poor to send and receive money over long distances with more security and at a lower cost. This enables them to receive help from friends and relatives when the need arises.

“A key benefit of financial inclusion is that it can help prevent people from slipping into poverty. Storing savings in an account or quick access to electronic payments can be a critical buffer in an emergency,” says Klapper.

## What is Needed

In order for people in the developing world to reap the full benefit of these technologies, municipalities and companies need to develop the infrastructure to support digital banking. Equally important, individuals must be educated about how the services work and why they can be trusted. Account holders need to understand how to create a PIN number, how to withdraw a portion of their wages rather than the entire payment, and what to do when problems arise.

“We hear terrible stories of women giving people their ATM cards with a pin number taped, asking people to get money for them,” says Klapper.

With regards to both banking services and technology, there is still a substantial gender gap. The World Bank reports that in developing economies 9 percent more men

than women hold accounts with formal financial services. A report commissioned by Intel, *Women and the Web*, says that nearly 25 percent fewer women in the developing world are online than men, and in many areas, such as Sub-Saharan Africa, the gap goes up to nearly 45 percent.

The Intel report, which was developed in consultation with the U.S. State Department’s Office of Global Women’s Issues, UN Women and World Pulse, also found that women who have spent more than five years online are twice as likely to seek information about banking or financial services than those who had been using the Internet for less than a year.

In response to the report, Intel created [She Will Connect](#), which aims to help women harness the power of technology through a combination of digital literacy training, an online peer network, and gender-relevant content on topics that include finance, employment and entrepreneurship.

“We all benefit when women around the world are informed, connected, educated, and able to contribute their maximum toward economic and social development,” says Shelly Esque, President of the Intel Foundation and Vice President of Corporate Affairs for Intel. “With rapid technological and demographic change afoot, now is the time for cooperative action and impact.”

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### Sources:

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