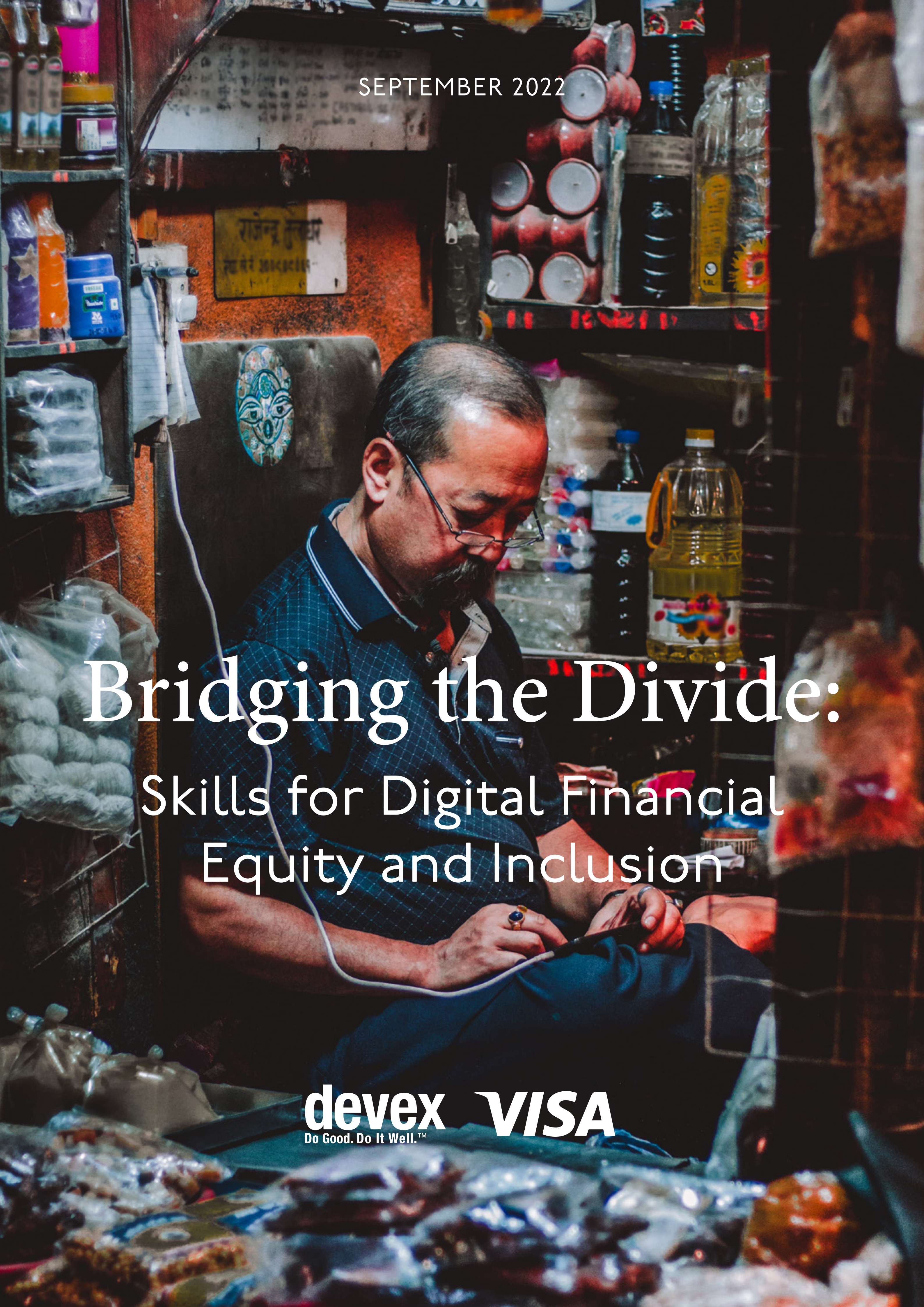

SEPTEMBER 2022

Bridging the Divide:

Skills for Digital Financial Equity and Inclusion

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ABBREVIATIONS

CGAP
Consultative Group to Assist the Poor

FSD Kenya
Financial Sector Deepening Kenya

ICT
Information and Communication Technology

ITC
International Trade Center

IVR
interactive voice response

LMICs
Low- and middle-income countries

NGOs
Non-governmental organizations

SIA
Strategic Impact Advisors

UNCDF
United Nations Capital Development Fund

UNDESA
United Nations Department of Economic and Social Affairs

USAID
United States Agency for International Development

Overview

In 2022, Devex and Visa embarked on a partnership to drive global conversations on how digital equity and inclusion can be advanced. Based on an online survey of 1,193 global development professionals and insights from 31 thought leaders in digital financial inclusion, this report explores the challenges and opportunities to achieve equitable and inclusive participation in the digital economy, particularly to create or enhance livelihood opportunities. Among the insights gained, findings indicate that while infrastructure and access remain crucial to meeting digital financial inclusion goals, initiatives must also go further to also tackle the knowledge, confidence and trust needed for individuals to more effectively use the technology and services at their disposal. In particular, building digital financial skills is essential for folding more people into the digital economy, while issues of trust and safety must be addressed in parallel. Initiatives are stronger and more sustainable when they leverage local networks and are driven by an understanding of community contexts and on-the-ground needs. Finally, initiatives that bring together diverse stakeholders foster long-term sustainability and scale, but require an understanding of the role that each partner can bring to the table.

Introduction

According to the World Economic Forum, about 70% of new value created in the economy over the next decade will be based on digitally enabled business models.

As more people gain access to digital financial technologies, their opportunities to earn, save, invest, borrow, receive emergency support and insure themselves against shocks will grow.

But how do we ensure that populations are able to take advantage of these opportunities and reap the benefits of participation in the digital economy?

In an effort to understand these nuances and drive a global conversation on the way forward, Devex and Visa conducted a survey of over a thousand international development professionals to learn what digital financial inclusion looks like on the ground, as well as what would be needed to fully include underserved communities in the digital economy. We complemented these findings with in-depth interviews and workshop discussions with thought leaders and program implementers in the digital financial inclusion space, representing a range of sectors and organizations.

We learned that almost **two-thirds of survey respondents observe that more people in their target communities are now creating or enhancing their livelihoods through the digital economy than five years ago**. Access to the digital economy is already making a difference in livelihoods, helping expand economic opportunities to underserved groups such as refugees, women and rural communities.

At 81%, the lion's share of survey respondents identify digital and mobile payments as the top innovation for facilitating greater participation in the digital economy. E-commerce comes second, with a little over half of respondents indicating these business platforms to be key, followed by digital cash transfers from governments and aid organizations.

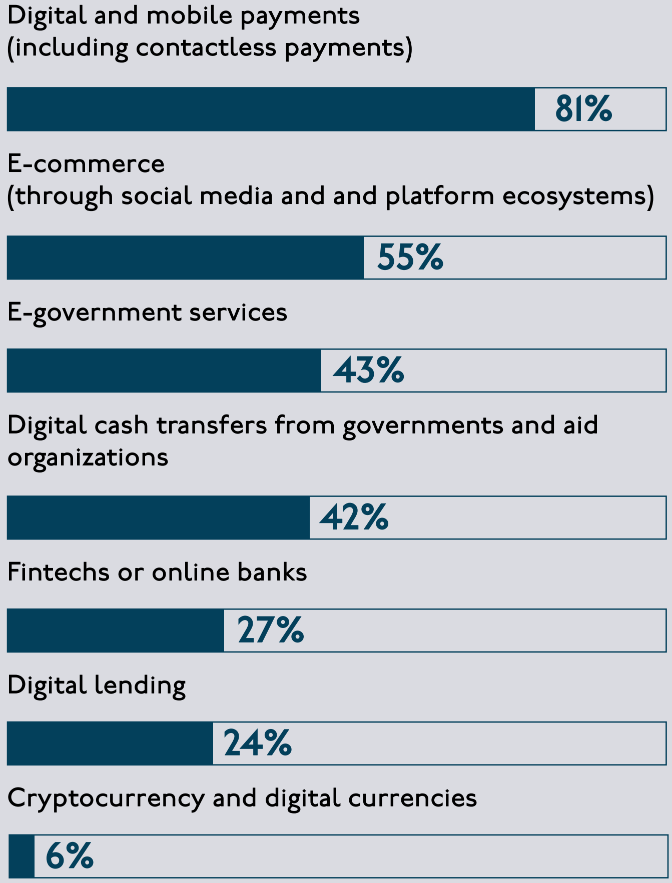
The benefits are, however, neither being fully realized nor widespread enough. Some 45% of respondents describe the degree to which their focus communities create or enhance livelihoods through the digital economy as moderate, while 42% also say it results in only a moderate increase in their incomes. Only 14% say their target communities have enjoyed a big increase in income due to participation in the digital economy.

There is a huge opportunity to provide all individuals and communities with the ability to benefit from the digital economy, with 95% of respondents agreeing that digital finance has the potential to advance socio-economic inclusion and equity. The digitization of finance creates paths to achieve broad-based financial inclusion, benefiting unbanked segments of the population and enabling entrepreneurs to exit the informal sector – provided they have the necessary skills. But how do we scale skills and knowledge as quickly as the digital economy is expanding, to ensure that no-one is left behind?

This report dives into the importance of skills, capabilities and trust to help bridge the remaining divide and ensure that more people participate more meaningfully in the digital economy. We hope to spark a broader conversation and offer some ideas on how different stakeholders can tangibly accelerate progress on this agenda at scale.

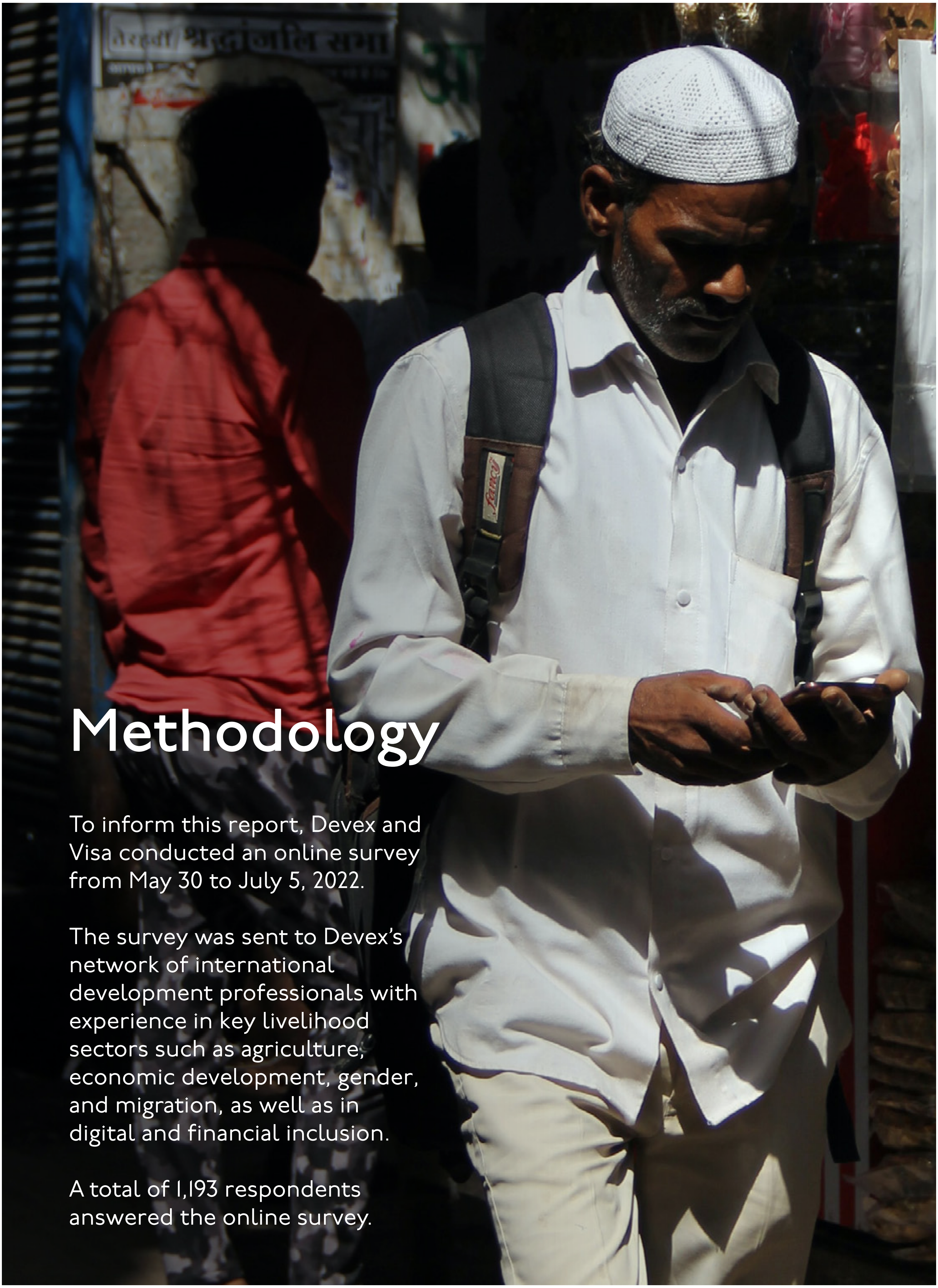
66% of survey respondents observe that more people in their target communities are now creating or enhancing their livelihoods through the digital economy than five years ago.

Top innovations that facilitate greater participation in the digital economy and enhance livelihood opportunities:



95%

of respondents agree that digital finance has the potential to advance socio-economic inclusion and equity



Methodology

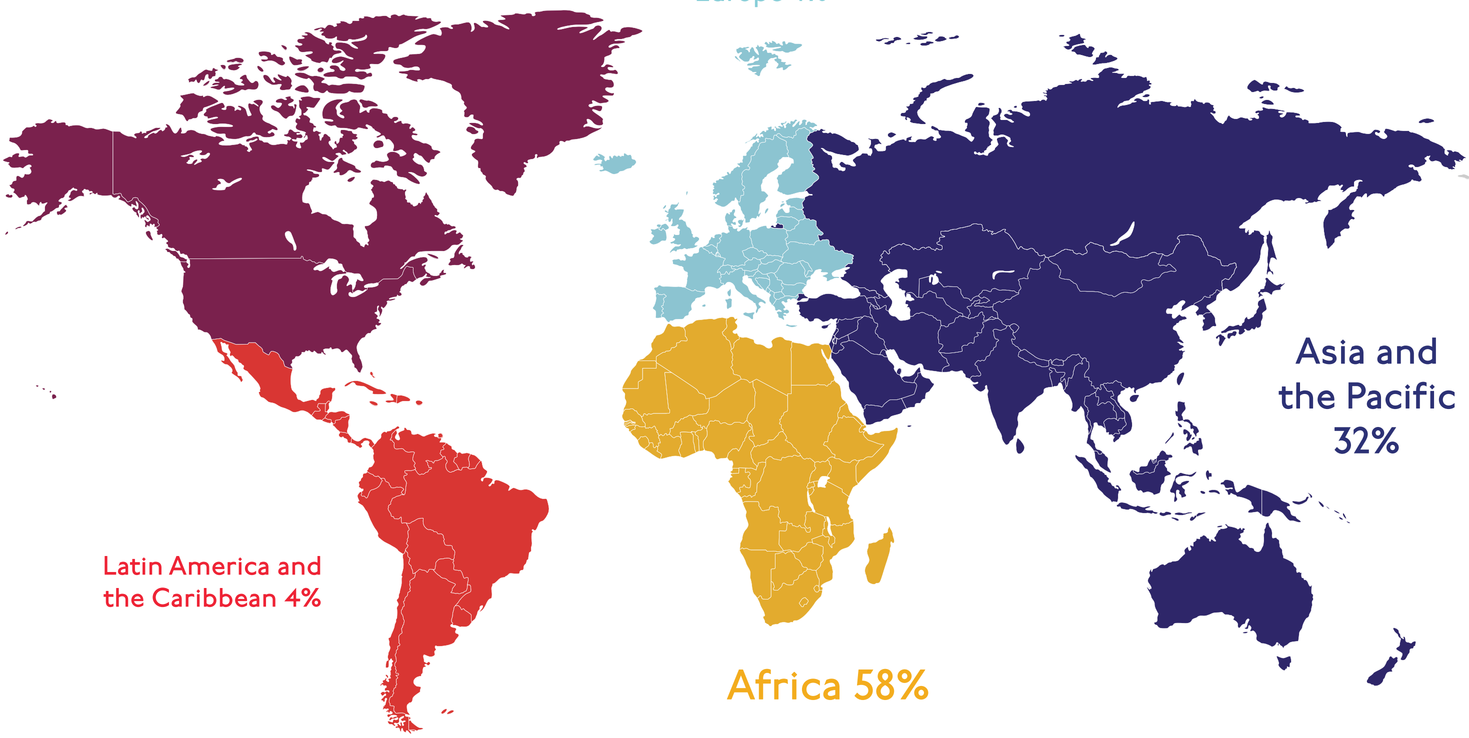
To inform this report, Devex and Visa conducted an online survey from May 30 to July 5, 2022.

The survey was sent to Devex's network of international development professionals with experience in key livelihood sectors such as agriculture, economic development, gender, and migration, as well as in digital and financial inclusion.

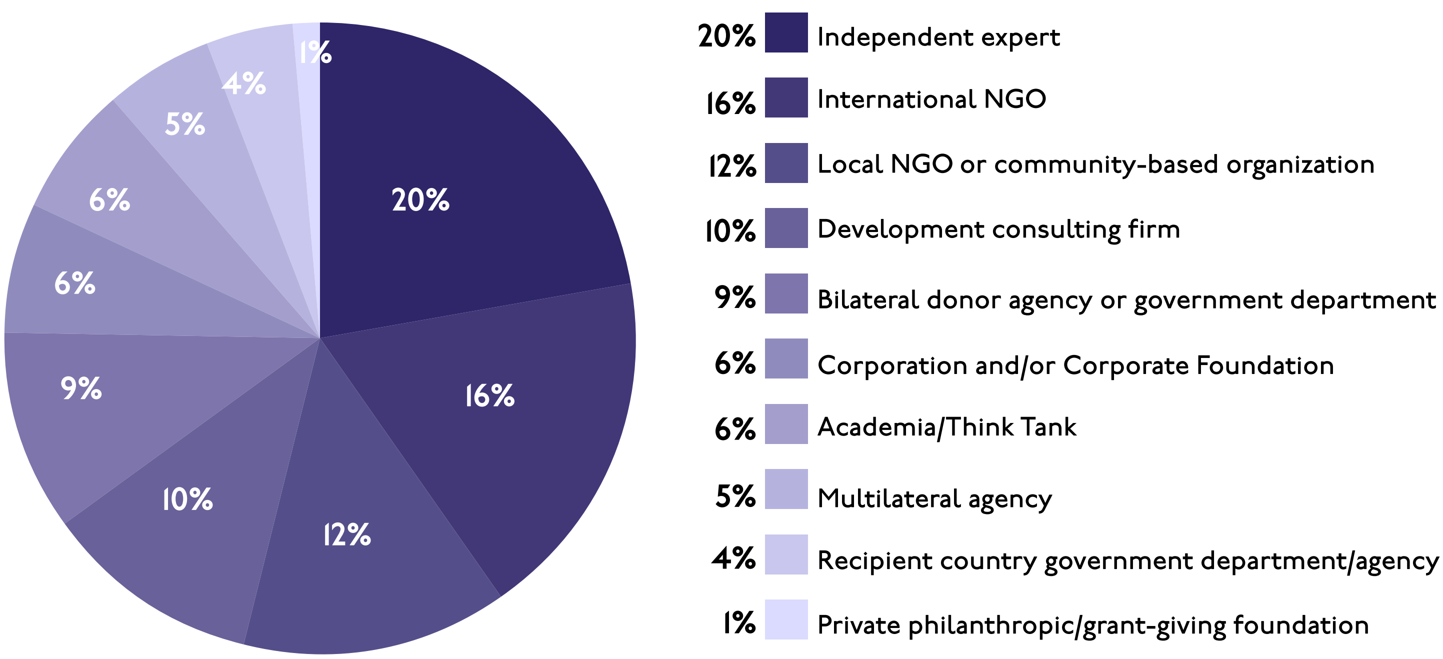
A total of 1,193 respondents answered the online survey.

To further support the survey findings, Devex conducted in-depth interviews with 15 experts working in the digital financial inclusion and literacy space between June 17 and July 21, 2022. On July 13, 2022, Devex and Visa gathered 16 leaders and experts in the digital financial space at an in-person workshop in Washington, D.C. to discuss the research findings and identify steps to further increase participation in the digital economy. These interviewees and participants represented NGOs, international organizations, think tanks and fintechs. Find out more about our participants in the Acknowledgements section.

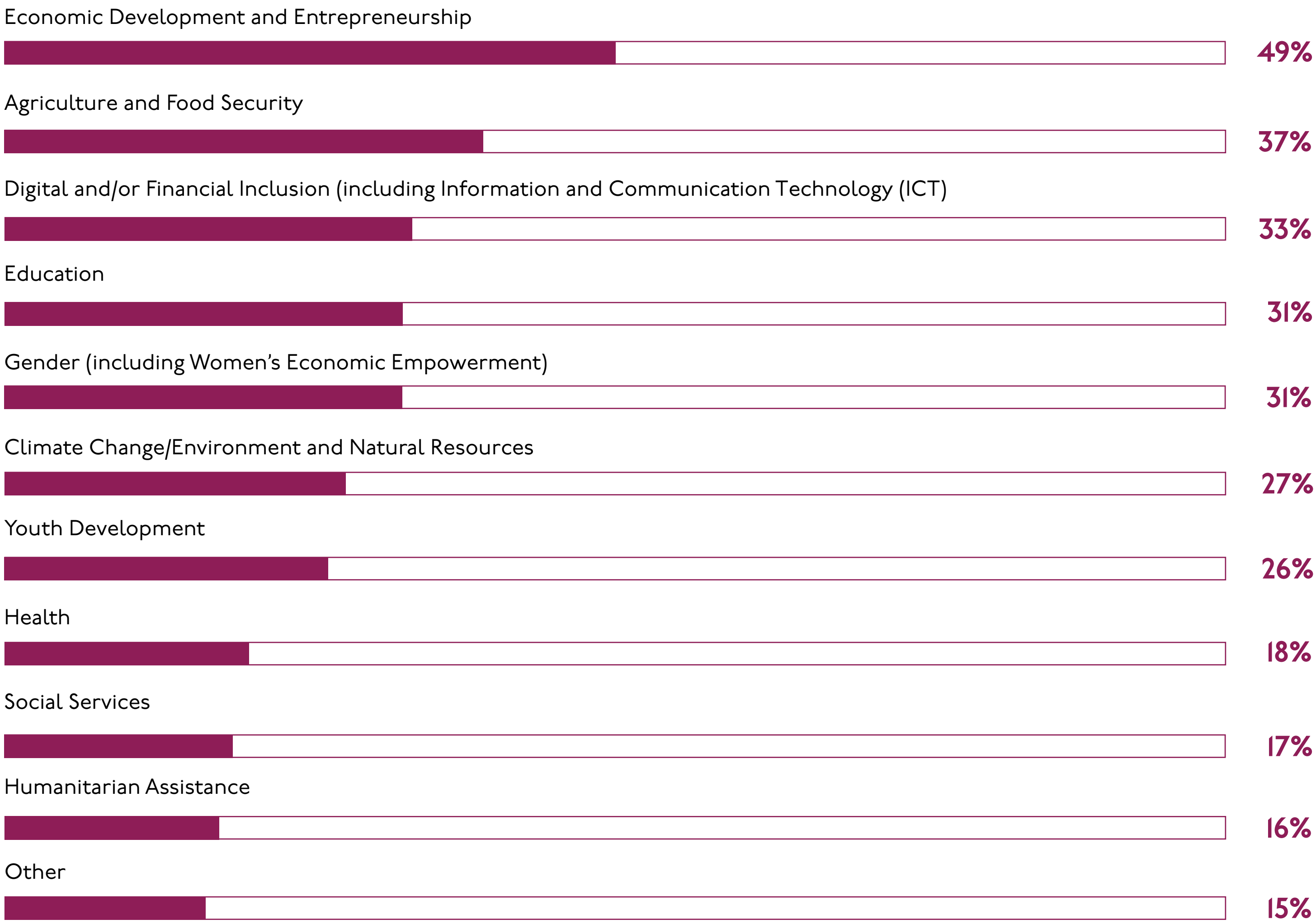
In which regions do they have the most extensive experience?



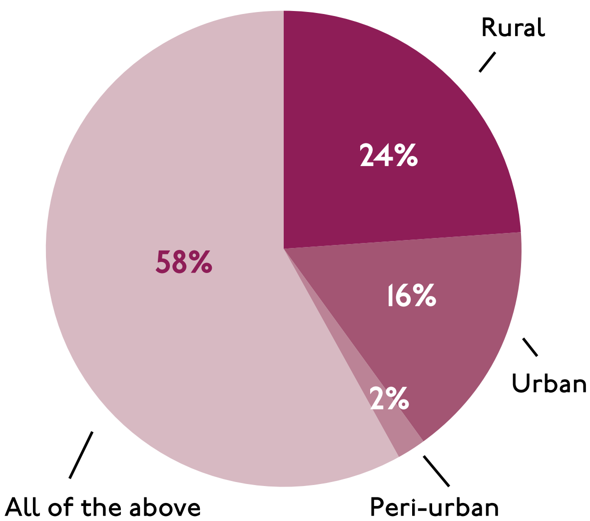
With which organizations do they work?



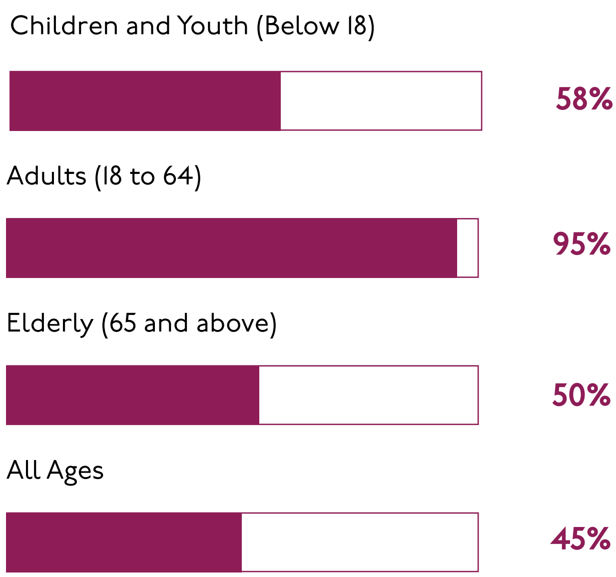
What are their focus sectors?



What type of area does their work focus on?



Which age demographic does their work focus on?



Key Findings

1. Look beyond infrastructure and access

Survey results confirm that the digital divide exacerbates existing social and economic equalities, with 95% of respondents flagging the issue.

According to the U.N. Secretary General's Roadmap for Digital Cooperation in 2020, digital divides – or gaps between those who have access to and benefit from digital technologies and those who do not – reflect and amplify existing social, cultural, and economic inequities.

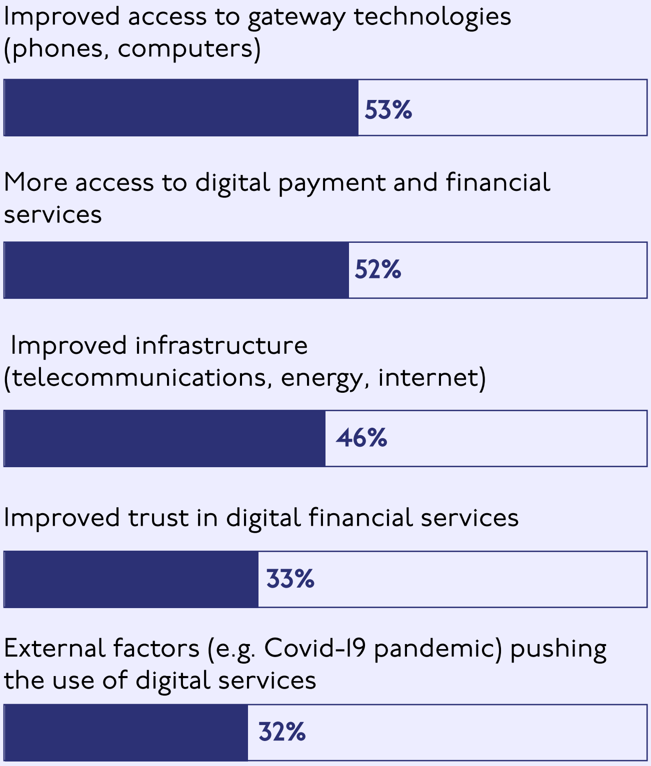
At a time when the COVID-19 pandemic has already deepened the digital divide for many, vulnerable populations who are not digitally literate are at risk of further exclusion as digital transformation accelerates.

When considering an inclusive approach to enhancing livelihoods through the digital economy, infrastructure and access often come to mind first. As a large portion of the global population is still unable to access technologies that could improve their lives, addressing their needs remains a critical first step. For example, **46% of survey respondents identify improved telecommunications, energy or internet infrastructure as key enablers for creating or enhancing livelihoods through the digital economy.** An even higher proportion – **53% – see access to gateway technologies as vital.** This is especially resonant among respondents with a focus on rural communities, who cite limited access to gateway technologies and a lack of infrastructure as top barriers to enhancing their livelihoods through the digital economy.

According to interviewees, affordability is a key component. For instance, smartphone owners use the internet for a much broader range of livelihood-enhancing activities, including financial services, but handsets and associated data remain less affordable for women than men, and for users in lower-income countries. Although average global data costs have fallen significantly over the past decade, in 2021 they increased in low- and middle-income countries, where two gigabytes of mobile data were six times more expensive than in high-income countries.

Similarly, 52% of survey respondents view better access to digital payment financial services as an essential enabler. Digital financial products should also be designed to meet the needs of women, youth and low-income people, who are too often viewed as benefactors of aid rather than viable customers. In an effort to address this gap, the U.S. Agency for International Development's Digital Invest initiative aims to mobilize $335 million of private capital to support digital finance and internet service providers serving underserved consumers, such as women, in emerging markets.

Top 5 enablers to creating or enhancing livelihoods through the digital economy:



Infrastructure and access to solutions are important elements that cannot be overlooked, but they should also be designed and implemented with nuance, rather than through a one-size-fits-all approach. The way people use digital financial products – rather than just whether they use them at all – should also be examined more closely to gauge their economic participation and skills needs, interviewees say. According to the Alliance for Affordable Internet, internet users with meaningful connectivity (i.e., regular access to the internet on an appropriate device with sufficient data and a fast connection) are more likely to be economically active; more likely to have used the internet to buy or sell something, find a job or make a payment; and are more confident with opening a mobile money or bank account.

Internet connectivity and the penetration of digital financial products in remote parts of the world should also be supported by policymakers and regulators. A regulatory environment that enables the creation and protection of digital identities, and supports traditional and alternative credit-scoring mechanisms for underserved consumers is also critical for digital financial inclusion. The U.N. Department of Economic and Social Affairs recommends governments and stakeholders develop a commonly agreed framework for closing the digital divide and supporting the inclusion of disadvantaged and marginalized groups. This should cover access, affordability, skills and awareness.

"Trust is the apex of the mountain – that's where we're trying to get to. But skills are necessary to get to that apex and infrastructure is necessary to get to skills." – Michael Spencer, SmartMoney International

TAKE A CLOSER LOOK

Tackle social norms sensitively

Social norms around gender can be a persistent barrier to women's digital financial inclusion and must be addressed as part of a holistic approach.

"If a woman lives and works in an environment with limited agency, she may not be able to realize the benefits of a mobile phone if she isn't allowed to use it or doesn't know how to use it," notes Bryce Hartley at GSMA.

In some communities, there are misconceptions that financial products are not suitable for women or that women will not benefit from using mobile phones and gaining digital skills. There is often "a convoluted set of expectations or assumptions around what a woman can and cannot do or should and should not do in relation to using digital tools," says Nisha Singh, FinEquity Technical Lead. "Because when resources are scarce and you have to prioritize, often women are expected to take a back seat."

Recognizing these norms and attitudes can be a key to success for initiatives aiming to build financial inclusion among women. In rural Pakistan, mobile operator JazzCash observed particularly low numbers of women opening digital bank accounts due to strong cultural gender norms preventing them from transacting with mobile money agents composed almost completely of men. To address these restrictions, the organization partnered with Women's World Banking and Unilever to launch a female community influencer program called Guddi Baji, which aimed to recruit and train rural women as agents.

For example, the U.S. government's Affordable Connectivity Program – which stipulates that low-income households receive discounted broadband services, and the Digital Equity Act that requires that states invest in digital equity and inclusion – could provide a model for other countries, says Heather Gate at Connected Nation. "When deploying broadband infrastructure, it is imperative to also prioritize digital equity and inclusion so that nobody is excluded because of issues related to affordability."

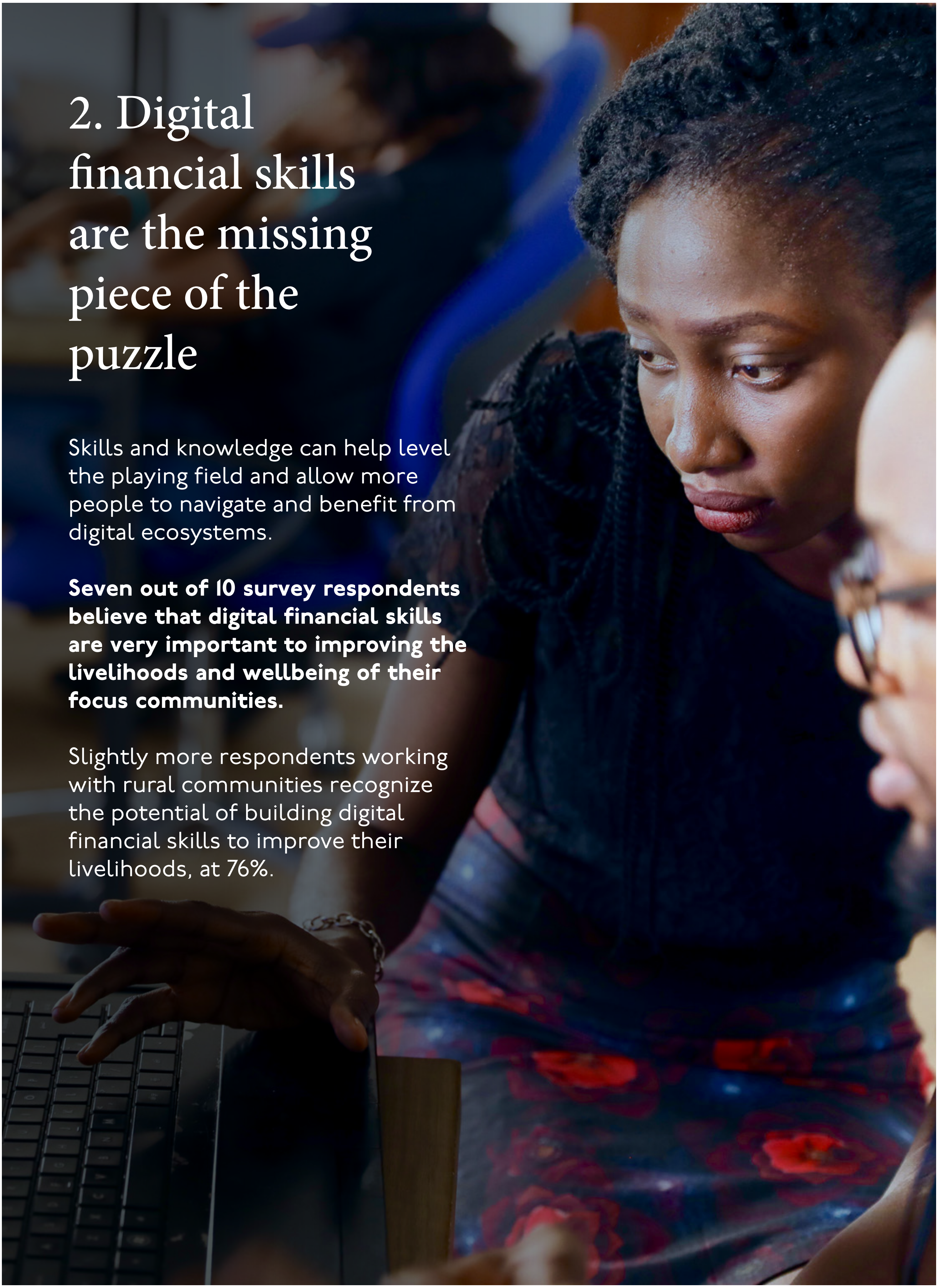
While infrastructure, access and the policy environment are important for achieving digital financial inclusion, investment in skills, confidence and trust is crucial to empower people to take fuller advantage of the tools, products and services available to them. Survey results show that one third of respondents consider **trust in digital financial services to be a major enabler to effectively creating or enhancing livelihoods through the digital economy.** Respondents with a focus on rural development place even greater weight on the role of improved trust as an enabler to digital financial inclusion (40%), underscoring the weaker levels of buy-in among rural communities.

Meanwhile, a lack of digital financial skills (62%) is seen as the top barrier to effectively creating or enhancing livelihoods through the digital economy. Insufficient financial literacy, exacerbated by inadequate digital literacy, together represent twin barriers to equitable and sustainable use of digital financial services, despite growing uptake of mobile and other digital technologies. There's growing recognition of the need to address this issue, with UNDESA proposing that $40 billion – nearly 10% of the $428 billion cost of achieving universal internet connectivity by 2030 – should be spent on developing ICT skills and content.

Without complementary efforts to address the physical and economic barriers with strengthening the know-how and confidence to use digital payments and technology, achieving full digital financial equity and inclusion will remain out of reach.

62% of respondents cite a lack of digital financial skills as the biggest barrier to creating or enhancing livelihoods through the digital economy.

"Once you have the infrastructure in place and affordable products that people are comfortable using and understand their added value, there has to be a level of skills and confidence to build trust in the financial system."
– Mariana Lopez, United Nations Capital Development Fund



2. Digital financial skills are the missing piece of the puzzle

Skills and knowledge can help level the playing field and allow more people to navigate and benefit from digital ecosystems.

Seven out of 10 survey respondents believe that digital financial skills are very important to improving the livelihoods and wellbeing of their focus communities.

Slightly more respondents working with rural communities recognize the potential of building digital financial skills to improve their livelihoods, at 76%.

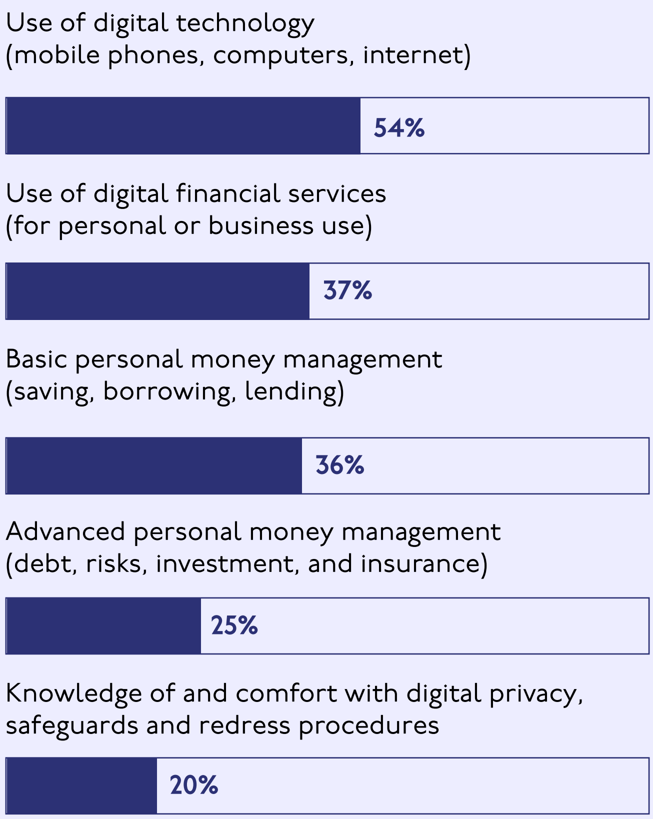
Despite the wide recognition of the importance of digital financial literacy, **63% of survey respondents note that there is limited proficiency in digital financial skills in their focus communities.** But what specific skills do communities lack, which do they need most, and what are some of the most impactful ways of building on their existing knowledge?

63% of survey respondents find that there is limited proficiency in digital financial skills in their focus communities.

Survey results found that **skills that relate to digital technology – such as phones, tablets, laptops and desktops – are seen as the most utilized** within low-income communities, at 54%. This plummets to 41% among respondents who work in agriculture or in rural communities – in contrast, respondents whose work focuses on urban areas find that proficiency in the use of digital tech increases to 65%. Likewise, competencies around the use of digital financial services and basic personal money management (saving, borrowing, lending) tend to be higher among urban communities and lower among rural communities.

"Skills are the gateway to other opportunities. You need skills to understand problems and then to decide what solutions are good for you, how they're going to help, and how to use them."
– Juan Carlos Thomas, TechnoServe

Most applied skills in survey respondents' focus communities:



On the other hand, **skills relating to more advanced money management, and to risk and redress mechanisms, are the least utilized in respondents' focus communities,** with only one quarter and one fifth of respondents observing these skills to be practiced, respectively. Skill levels in these areas are particularly low among respondents whose work emphasizes gender.

Awareness about the various tools that are available in the digital ecosystem to support small businesses represents another gap, according to Juan Navarrete at Fundación Capital. To address this, the organization developed the Con-Hector virtual assistant app to provide practical advice and recommendations to small retailers and other entrepreneurs on useful products and services, including those related to digital finance.

In spite of the skills gaps, developers and implementers of digital financial literacy initiatives should not underestimate the capabilities and resourcefulness of the communities they work with. Interviewees assert that many are skilled at tapping their networks for support or finding workarounds when faced with knowledge gaps, infrastructural limitations, or other hurdles – many as simple as asking their children for help with mobile money transactions.

Training providers should cultivate discussions on these workarounds so that the curricula can be tailored accordingly. Some workarounds – such as routing ecommerce payments via family members' bank accounts in other countries if a financial service provider's compliance rules prevent direct payments from a certain country – can expose learners to legal or other risks that they should be alerted to. Feeding these anecdotes back to financial service providers, mobile operators or policymakers can also help them identify areas where more supportive regulations or customer-friendly product designs are needed. Leveraging the communities' resourcefulness in this manner helps maximize the digital and financial opportunities that already exist.

TAKE A CLOSER LOOK

Numeracy and literacy

Building digital financial skills can mean different things for different groups. For example, **62% of respondents cite insufficient basic literacy and numeracy skills in their focus community as the biggest barrier to implementing digital financial skills initiatives.**

The correlation between numeracy and financial literacy is clear, with those unable to calculate percentages, for example, less likely to feel confident about borrowing. In most developing contexts, men are more likely to be numerate than women, although the gap is narrowing. A lack of literacy also impacts people's ability to understand the terms and conditions of financial products, both digital and traditional, or to access training materials.

Global literacy and numeracy rates vary dramatically by country, gender, age and more. This calls for a highly tailored approach to digital financial literacy training. For example, initiatives that use tools that are not linked to text and deliver curriculums through audio, such as radio and interactive voice response or IVR, can work best for less literate groups. Smartphones – where available – can also be useful in building digital financial skills among less literate populations, because they are less reliant on text and allow for the use of images and sounds. However, these solutions work best if they use less storage space due to the cost of digital data for many users.

Financial service providers should also factor literacy and numeracy skills into how they design and promote their products. Rather than making literacy and numeracy a prerequisite to using digital financial services, effective customer centric design puts in the extra effort to make the transaction and overall customer journey more inclusive. An example is ATMs with voice assistance and in local dialects, which are more accessible and non-intimidating for low-literate users.

Case Studies

Digital financial literacy through user-friendly and demand-driven learning

There are many ways to approach digital financial skills-building in a way that is unintimidating, customer-centric and engaging. Below are some ways organizations teach the skills to enable more inclusive participation in the digital economy:

- **Hey Sister! Show me the Mobile Money** is a digital financial literacy campaign aimed at economically improving the lives of rural women in LMICs. A project of USAID and Strategic Impact Advisors, Hey Sister! comprises **25 audio lessons on gaining digital financial skills ranging from opening a mobile money account to setting up a business ID to avoiding scams.** The lessons – hosted on IVR platforms in 16 languages – are designed so that most women learners can relate to a variety of livelihood types, family set-ups, digital financial product availability and levels of skill. Hey Sister! episodes are focused on conceptual topics rather than specific products, ensuring that their content stays relevant to women in multiple contexts and as the digital ecosystem evolves. As participants hear and discuss more episodes, their knowledge and confidence around digital financial services grows, as does their uptake of new behaviors – like increasing their use of mobile money, keeping PINs secret, and taking new actions when seeing something suspicious. The audio lessons and accompanying facilitator guides are available online for anyone to use.

- **LISTA** is an edutainment application developed by Fundación Capital to help low-resource communities in Latin America and the Caribbean and Africa build financial skills. Delivered via tablet, the app seeks to be user-centric and promote behavioral change through **gamifying skills-building through interactive games, simulators, videos, and stories.** Learning is on-demand, does not require an internet connection or traditional literacy skills, and can take place at home or in community spaces, without learners needing to travel or miss work. Topics – ranging from budgeting and saving to avoiding over-indebtedness – are divided into modules to make the app more easily adapted to different contexts.

- **Shujaaz** is a Nairobi-based network of social ventures that aims to educate, empower and connect young people through **social media, comic books and radio shows in local slang.** To tackle low financial inclusion among young people, Shujaaz launched a personal digital literacy program delivered through a blend of in-person sessions and online tools and peer-to-peer videos. Shujaaz Biz is a digital and real-world learning community that provides access to more than **750 peer-to-peer training videos on running a micro-business successfully,** including through their Hustla MBA program. Over 250,000 young people had engaged with its first phase by April 2021.

3. Digital financial skills and trust in digital financial services are intertwined

Gaining digital financial skills is observed by **56% of survey respondents to be the most effective way to build trust in digital financial services,** which in turn is seen as a major enabler for participation in the digital economy.

In the Philippines, for example, 39% of adults cite lack of trust as a reason for not transacting financially online – something the government believes can be overcome by improving financial and digital literacy.

“The bottom line in any financial transaction is trust. If I am part of the informal sector and something happens in the middle of a transaction, where can I go? Can I reclaim the money, or is there some remedy available for me in case there’s a problem or a dispute? Less privileged people experience more challenges in terms of being able to find these remedies.”
– Anatoly Gusto, Philippine Central Bank

Lack of buy-in or trust from the community is also seen by survey respondents as a major barrier to implementing digital financial skills initiatives. This creates a chicken-and-egg challenge, which requires the sponsors, developers and implementers of skills initiatives to gain a nuanced understanding from the outset of what methods, tools and sources of information will have the most impact on their target community.

Providing product information that is easier to understand is considered most effective for building trust by 57% of all survey respondents. In addition, sector experts consulted pointed to the value of grassroots, higher touch practical education on how to use specific products to participate more deeply in the digital economy. Learning how digital financial services work can also help cultivate trust. For instance, Fundación Capital created an ATM simulator housed in the LISTA app to support the government-to-person cash transfer program in Colombia. Intimidated by ATMs and challenged by low literacy levels, program beneficiaries often asked others to withdraw the money for them, putting them at risk for theft and resulting in high levels of distrust. Being able to practice transactions such as withdrawals, bank transfers, or viewing their balance on the app helped improve users’ trust in digital financial services and the ability to use them safely.

Top 5 ways to build more trust in digital financial services in your focus community:

“Trust is built through recurring micro interactions – as users transact with small amounts of money, checking balances and getting used to a digital service. Clear communications and predictability in the service help users know what to expect and feel they have agency to solve issues if they arise.”
– Xavier Faz, Consultative Group to Assist the Poor

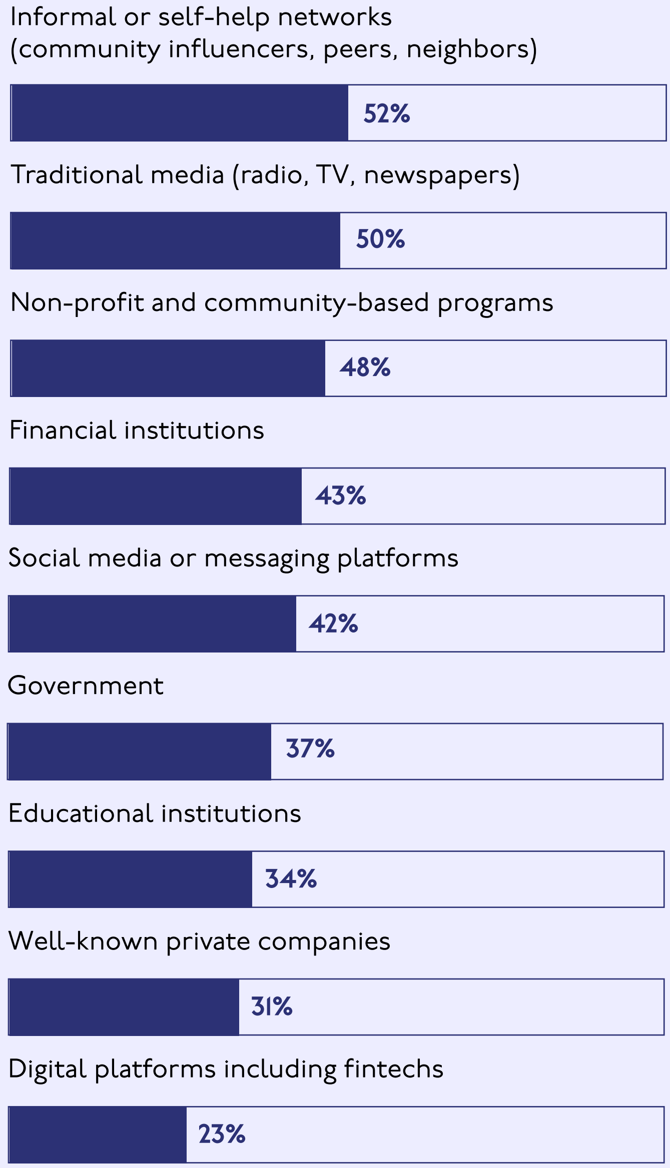
Success stories and positive leadership from the community are impactful for building trust among rural groups, with 53% of survey respondents who work in rural areas saying this is crucial compared with 47% of respondents overall. Older people and minority communities also have legitimate concerns about digital financial services, as some have been targeted by cyber criminals or predatory lenders in the past. Training, including on how to recognize phishing emails, can give them the confidence and skills to interact online safely. "With minority communities, you have to partner with trusted local champions – individuals that have a deep understanding of local experiences," notes Heather Gate at Connected Nation.

In terms of sources of information on digital financial services, traditional media (such as radio, TV, newspapers) trumps social media for trust and scale, though this trend varies by region. Survey respondents with extensive experience working in Africa more closely observe this trend, with 60% citing traditional media to be the most trusted source of information in their communities, compared to 41% for social media. But respondents with extensive experience in Asia tend to observe the opposite – 39% say traditional media is less trusted, while social media is viewed as a more reliable source of information on digital financial technologies, at 46%.

Social media can be a powerful tool for raising awareness about digital financial products and services, including how they work and what users can do to mitigate any risks. Peer groups that are formed on social media can be a trusted source of information on digital financial services for many, particularly as these platforms become a viable source of income as well. Financial institutions can also use it to empower marginalized groups, such as women, who may otherwise struggle to access information on such topics. However, social media is increasingly the medium of choice for financial scammers, and misinformation via social media can undermine efforts to educate and upskill communities on digital financial services.

In deep rural locations where internet and even television penetration is low, enhancing digital financial literacy through social media can be very ineffective. In these areas, local radio remains the best and most trusted channel for consumer education and awareness. Community radio stations can be particularly useful for targeted messages, such as warning consumers of scams occurring in their area.

Most trusted sources of information on digital financial technologies in developing communities:



60% of survey respondents who work in gender observe that gaining better knowledge and skills is the best way of building women's trust in digital financial services.

Gaining trust in digital financial services is more challenging with groups that are marginalized or at higher risk of exploitation and abuse. Tailored approaches are also required, as different groups vary in the kind of information sources they trust. For example, women with limited resources, vulnerable social positions and heavy household responsibilities tend to be more wary of new technologies, which contributes to them adopting digital financial services more slowly than men. Women's reticence is rational. Digital finance risks hit women harder than men and cyber violence is more common, with women 27 times more likely to be harassed online. Strengthening women's digital skills – including how to identify and respond to attempted fraud, or create and protect a digital identity – is key to making women safer and more confident with digital financial tools.

Survey respondents whose work emphasizes helping women and girls are even more likely to consider community influencers, peers and neighbors as the most trusted sources of information on digital financial services, at 59% versus 52% overall. Some 60% of these respondents also observe that women are most likely to trust NGOs and community-based organizations most, compared with 48% of all respondents. Interviewees find that using female trainers also helps gain women's trust in digital financial skills initiatives, and engaging them through informal or self-help networks is even more impactful than with men – creating opportunities to gain scale. Similarly, a key recommendation of GSMA's Mobile Gender Gap Report 2022 is for development practitioners to use trusted local community and peer networks to deliver digital skills training to women.

"Women have a different way of assessing risk. I wouldn't say they're risk averse – they are just more risk aware. When you have less, you have more to lose."
– Nisha Singh, FinEquity

TAKE A CLOSER LOOK

COVID-19: A double-edged sword

The COVID-19 pandemic continues to impact communities' trust in digital financial services, as well as their skills needs.

Digital financial inclusion has mostly improved as social distancing forced populations to shop and transact online and governments delivered financial relief to citizens via digital channels. Being forced to use the internet for telehealth and other services has triggered a mindset shift among populations previously mistrustful of digital financial services.

Financial literacy training has contributed to more beneficiaries of conditional cash transfers through the Philippines' Pantawid Pamilyang Pilipino Program or 4Ps switching during the pandemic to digital transactions accounts rather than receiving the aid instantly as cash, notes Sarah Padilla from the Philippine Central Bank. People's digital financial skills also improved from exposure to electronic payments and learning by doing.

However, a simultaneous increase in online fraud and cyber scams threatens to reverse gains in trust.

"Women tend to trust their social network more than they trust their financial institution, whereas men are more likely to trust their financial institution"
– Tamara Cook, Financial Sector Deepening Kenya

Creating a safe environment

A safe environment is key to people trusting digital financial services. This requires action by regulators, providers and knowledgeable and enabled users. The digital economy can exacerbate information asymmetries between service providers and consumers, particularly those who are vulnerable – an example is in online purchases, where consumers may have limited knowledge about the provider, including where it is located, the quality of its products, or its responsiveness to complaints.

This increases the need for the responsible provision of safe products, as well as robust consumer protection policies covering everything from fair practices and dispute resolution mechanisms to data privacy and appropriate disclosure. According to USAID's Fernando Maldonando, "it's not enough to invest in and promote innovation if the appropriate safeguards and regulations are not in place that meet the specific needs of those newly engaged in the digital economy."

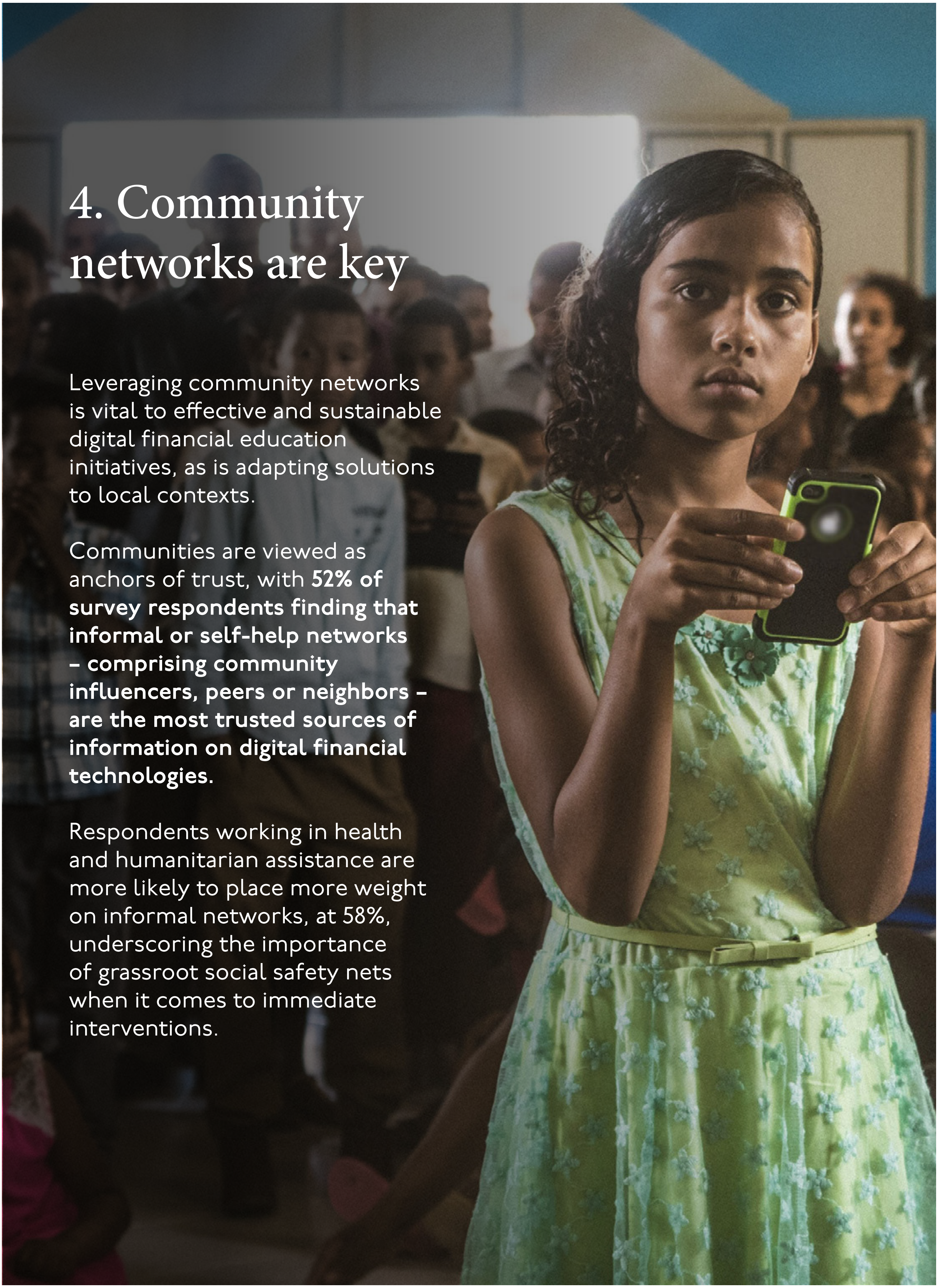
Here are some ways in which certain countries embed policies to protect consumers and support digital financial inclusion:

- South Africa recently adopted its Protection of Personal Information Act, which lays out when it is legal for a company or other entity to process the personal information of another entity, such as an individual. The country's Treating Customers Fairly policies require regulated financial institutions to demonstrate that they deliver six clearly set-out fairness outcomes for customers, including that customers are provided with clear information at all times, and that they do not face unreasonable post-sale barriers to switching providers, submitting a claim or making a complaint.

- The Philippines' National Strategy for Financial Inclusion 2022-2028 sets out a roadmap for strengthening the market conduct and supervisory capabilities of financial regulators, including for cybersecurity. It also serves as a mechanism for stakeholders to talk to each other and work towards creating a common standard. The strategy acts as an anchor for the bank's financial education programs implemented in partnership with over 10 other government agencies to facilitate access to lower-income and unbanked segments of the population. These include the Agricultural Credit Policy Council, which extends government loans to small farmers, the Overseas Workers Welfare Administration, to reach overseas Filipino workers, the Department of Social Welfare Services, for the country's conditional cash transfer program, and the Department of Trade and Industry to target micro-, small- and medium-sized enterprises.

- The Competition Authority of Kenya offers a positive example of how a regulator can boost transparency, persuading financial service providers from 2016 to display on customers' handsets how much a transaction will cost before they authorize it. "It used to be that you didn't know how much your mobile money transaction cost until after you were done, unless you had looked it up or remembered it," notes FSD Kenya's Tamara Cook.

"Smart regulation can grow businesses. If people trust new products, they will be more open to trying things out. Businesses will actually benefit from clearer and stronger regulation if it breeds trust in the digital world." – Michael Schlein, Accion



4. Community networks are key

Leveraging community networks is vital to effective and sustainable digital financial education initiatives, as is adapting solutions to local contexts.

Communities are viewed as anchors of trust, with **52% of survey respondents finding that informal or self-help networks – comprising community influencers, peers or neighbors – are the most trusted sources of information on digital financial technologies.**

Respondents working in health and humanitarian assistance are more likely to place more weight on informal networks, at 58%, underscoring the importance of grassroot social safety nets when it comes to immediate interventions.

According to Sarah Padilla of the Philippine Central Bank, "word of mouth can be stronger than any well-meaning marketing campaign. The testimonial of a familiar person, a friend or a family member is more convincing and believable because you already know and trust the person." Working with local organizations or trusted community members such as traditional leaders or municipal councilors can help establish credibility for stakeholders that are less known, which sometimes even include the government departments and agencies, says Lyndwill Clarke from the Financial Sector Conduct Authority of South Africa. "But once you've gone into the community, you then have to build and maintain that relationship."

Survey results also indicate that **learning through peer groups and community or business networks is considered the most effective way to build digital and financial skills,** according to 64% of respondents. This is even more apparent among respondents who work for NGOs or whose focus communities are in Africa, of whom 70% believe peer groups and community networks are the best way to approach digital financial skill-building. Some 72% of respondents who work in gender also observe that this approach is most effective.

64%

of survey respondents believe that learning through peer groups and community or business networks is the most effective way to build digital and financial skills.

For example, working through community youth networks – with young people trained to become digital champions for their communities – underscores the value that the more digitally-savvy youth population brings to the rest of their family. Respondents who work with the youth sector also place more weight than average on peer learning (68%), as well as express a preference for in-person specialized training (48% vs. 40% overall) and integrated learning within formal education (37% vs. 30% overall).

"Services need to be relevant and viable for communities in order to really stick and scale. Working through networks, such as smallholder farming cooperative groups, women's groups or other community-based organizations can be really helpful."
– Fernando Maldonado, USAID

Local context – including everything from cultural norms and language to infrastructure availability and livelihood opportunities – should also drive any initiative. **One third of survey respondents consider comprehensive research into community needs to be a top enabler for scaling up digital financial skills initiatives.**

52%

of survey respondents cite a failure to adapt digital financial literacy training to cultural contexts as the main barrier to implementing such initiatives.

Identifying and understanding pain points within a community is a critical first step when designing any initiative, and should further take a people-centric approach. When designing initiatives aimed at onboarding specific groups in the digital economy, financial service providers and their partners can be prone to focusing on the capabilities of the financial products they offer, rather than the problems would-be users face. For example, digital financial skills initiatives aimed at women are too often based on assumptions about women's needs, barriers and economic aspirations rather than direct feedback from the women about what they want to know and why.

To ensure that training and associated products and policies address the needs of targeted populations, UNCDF seeks insights from consumer groups and NGOs, then shares them with policymakers and financial service providers. While many organizations lack sufficient resources to conduct this kind of research, strategic partnerships with like-minded stakeholders can potentially overcome this hurdle.

TAKE A CLOSER LOOK

Incentivize mentors and trainers

Engaging and retaining local trainers in digital financial skills initiatives, and sustaining the momentum behind mentor and peer networks can be challenging. Successful entrepreneurs are time-poor, women juggle multiple responsibilities, and young people with the strongest digital skills often leave rural communities for the city.

Therefore, development practitioners and their partners need to find effective, fair and innovative incentive models. Upskilling female mobile money agents to also deliver training in their community is one model that already works. Since there is added value for the women by growing their business, there is also an element of sustainability. Partnering with mobile network operators to compensate mentors with free data or related rewards is another solution that could work for young people.

SmartMoney has developed a negative incentive system for the network of young, local trainers it pays a daily wage to via their SmartMoney accounts. After discovering that some trainers were using the motorcycle and fuel it provides for side businesses rather than visiting target communities, the program employs monitors to check if the trainers delivered the agreed number of sessions and docks wages if they had not. "If you have a system that is fair, can be monitored and is immediate, it has tremendous effect and actually gets trainers into the field," says SmartMoney's Michael Spencer.

Case Studies
Localizing approaches

Peer networks and adapting to the local contexts are central to the model of the following examples:

- International Trade Centre's **ecomConnect** program helps small businesses in LMICs develop the connections and digital capabilities they need to succeed in e-commerce. As well as delivering online and in-person training on handling online payments, creating digital content and undertaking market research, ecomConnect maintains a network of 5,000 active members who share business tips with peers across industries and locations. It encourages networking through profiling members' brands on its Market page and is exploring creating local hubs for physical meetings and networking events.

- U.S.-based non-profit **Connected Nation** takes a data-driven and community-led approach to digital inclusion and skills delivery. The organization helps communities assess local broadband access, adoption, and use. Using data gathered from the study, the organizationhelps them design local technology plans addressing the gaps. If developing digital skills is identified as a need, communities are encouraged to work with local anchor institutions to develop local digital skills training initiatives.

- **SmartMoney** is a digital neobank that helps African people and businesses increase their income. The company offers a free-of-charge save-to-invest training program for customers in rural African communities, where communities facing unique economic constraints, including limited income opportunities, limited financial training opportunities, poor roads and other infrastructure, limited electricity supply, patchy mobile coverage and weak or non-existent internet connectivity. The company trains customers weekly in three-month cycles on how to accumulate capital through savings and direct it towards a livelihood-enhancing investment such as livestock or agricultural equipment. SmartMoney's digital banking platform allows customers to save via SMS-based app technologies from their own simple feature phones. Customers learn by doing, working with their handsets and tracking their investments on worksheets. Although literacy tends to be limited, most customers are numerate. SmartMoney acquires customers with an astonishingly low $3 customer acquisition cost because training is delivered to groups at places and times where the community already gathers, such as straight after church, using local trainers recruited from within the region.

5. Meaningful partnerships can maximize impact

When digital financial literacy initiatives are unable to reach long-term sustainability and scale, a key factor is the piecemeal approach that different actors tend to take, resulting in replication of efforts and fragmented results.

Nurturing meaningful partnerships among stakeholders is vital, with **two-thirds of survey respondents citing partnerships to be the most impactful step towards scaling digital financial literacy programs.**

Program implementers such as NGOs and development consulting firms place even more emphasis on the importance of partnerships, as do donors (bilateral and multilateral agencies, and philanthropic foundations), at 71%.

Key informants agree that a multi-faceted problem like digital financial inclusion needs a joined-up approach, with no single entity entirely responsible for leading digital financial inclusion initiatives or ensuring inclusive participation in the digital economy. Because digital financial inclusion creates benefits for multiple stakeholders, they each have an incentive to contribute to the infrastructure or skill-building needed to make that happen. **Partnerships can help make digital financial skills initiatives more scalable and sustainable by helping foster demand for services** that are proven to have an immediate impact on communities, such as mobile money, PAYGO solar solutions or government-led social protection payment programs. They also enable service providers to receive insights on how to better design products and services that are relevant to underserved customers.

Digital financial inclusion can be viewed as an interconnected set of interdependent problems that all must be solved. But what do effective partnerships look like, and what are the elements of a successful coordinated effort to build and scale digital financial literacy initiatives?

Our research suggests that partnerships should be as diverse as possible – including private-sector players, policymakers, research institutions, and industry investors – and include mechanisms for listening to and factoring in the needs of customers. Successful partnerships plug gaps in stakeholders' capabilities. For example, Fundación Capital is working to take a more data-driven approach to all its initiatives, both to learn more about target populations and improve its tools. It has therefore partnered with data.org to apply data mining and a machine-learning powered recommendation system that delivers labor market insights to informal workers in Mozambique to improve their job opportunities and income.

66% of respondents see partnerships across stakeholders as the most important factor in scaling digital financial skills initiatives.

"Solutions have to be designed so they're both profitable for businesses and have social impact. We need to understand the core issues and challenges to design solutions. A big part of partnerships is to make sure that everybody's interests are aligned, then translating these interests for all stakeholders to speak their language."
– Beth Hurvitz, Visa

It is very important that any pilot project on digital financial skills gets designed as sustainably as possible, to responsibly serve the needs of users. This means they need to be a priority of the government or company and backed up by a solid financially viable model and reliable partners who can run with it at scale. Global alliances, such as the Better than Cash Alliance, based at the U.N., offer a valuable foundation to create multi-stakeholder partnerships, particularly around frontier issues in the digital economy. Program funders, including bilateral donors and multilateral agencies, for example, can leverage their expertise and convening power to support research, advocacy, and the implementation of inclusive policies, in particular for adoption of digital services by women and women-owned businesses. These partnerships will facilitate governments, international organizations and companies to implement their priorities of responsible and financially viable digital financial services.

A pressing question among participants is the funding of these skills initiatives. Interviewees also flag that one of the biggest challenges in digital financial skills initiatives is deciding how they should be funded and by whom. The right partnership structure can help overcome this obstacle, although the issue does prevent some partnerships from getting off the ground, they acknowledge.

It is also important to develop an understanding of the roles best suited to each actor. For example, **NGOs are among the most trusted sources of information on digital financial technologies (48%), while government (37%), private companies (30%) and fintechs (23%) are among the least trusted in the community.** Among respondents with a focus on rural and agricultural communities, non-profit organizations and community-based organizations are the most highly trusted sources of information.

“The solutions offered have to be in the business, not in the foundation or CSR activities. Business interests have to be fully aligned with positive social impact to make it sustainable. Speaking the language of the stakeholders you’re trying to engage is crucial.”
– Mary Ellen Iskenderian, Women’s World Banking

“This is one of the key questions – whose job is it to build digital financial literacy, or who has an interest in it?”
– Sarah Sitts, Strategic Impact Advisors

When it comes to implementing digital financial skills initiatives, different players in a partnership can play to their strengths and leverage their counterparts to plug in gaps. For example, there are huge synergies between fintech companies and traditional banks, according to Ratna Sahay of the International Monetary Fund, adding "one of the biggest advantages of the local fintech companies is that they really understand, design, and tailor their products to the needs of local populations."

When approached in this manner, partnerships across these different groups marry unique and complementary capabilities (such as community insights, technical know-how, and geographic reach), and can address the challenge of scaling community-based solutions. Such partnerships are also vital to raise the necessary resources, capacity to localize the content, or finding the right digital technology.

But an important first step is to bring them to the same table to make sure that interests are aligned and secure commitments to engage with each other. They can then co-design solutions that align a solid business case with the desired long-term social impact. These should be informed by the right insights, so that whenever there is a discussion it is informed by the reality on the ground and not driven by agendas.

TAKE A CLOSER LOOK

Stakeholder strengths in the delivery of digital financial skills

Being embedded in communities and directly interfacing with end-client beneficiaries, **NGOs** are well equipped to understand the local context and provide governments, donors and actors with valuable market intelligence, interviewees noted. NGOs' greatest strength is their commitment, and their ability to mobilize other stakeholders, but they are under-resourced.

Donors and multilateral agencies can play an "honest broker" role to address asymmetries between underserved populations and the large public and private institutions that have the potential to serve them, one interviewee argues. But while the funds that donors provide are immensely valuable, their focus on key performance indicators can put fundees under pressure to exaggerate the positive impact of digital financial skill projects, added another. This reduces the opportunity to learn from mistakes.

Governments have a strong vested interest in reaching populations, but they can be slow-moving and old-fashioned, sometimes focusing skills initiatives or broader policies on digital financial tools that are outdated or even obsolete.

Financial institutions bring innovation, ideas and solutions, investment, and a clear commercial incentive to improve digital financial literacy. Commercial entities that thrive in the long run often focus beyond easy wins to also target lower-income or rural customers.

Case Studies

Partnerships for digital financial skills

- UNCDF's **Policy Accelerator** aims to spur the creation of inclusive policies for digital financial services through multi-stakeholder partnerships that amplify women's voices. The Policy Accelerator created a Central African Economic and Monetary Community Panel, which brings together nearly 40 women and men from civil society groups, financial service providers, telecommunication companies, and the development community in Central Africa to debate digital financial inclusion. The panel has made 23 proposals to policymakers, broadly focused on improving women's access to digital financial services, improving financial and digital education for women, and protecting women as consumers of digital financial services. Among their recommendations are to develop a regional financial education program strategic framework document, set up a digital literacy program for the general public, set up a communication and awareness strategy, and involve women managers or leaders in the promotion of financial inclusion.

- Cambodia-based digital lender **Boost Capital** offers microfinance technology that enables loans through smartphones in Southeast Asia. Working together with USAID, UNCDF, Women's World Banking, and other NGOs, the company hopes to kickstart a "virtual cycle," whereby businesses that engage with its financial education offerings are rewarded with easier access to its smartphone-enabled loans. Through partnerships with organizations such as Pact and SHE Investments, Boost Capital is able to offer free online classes on topics tailored to customers' needs, ranging from budgeting to debt management. These are delivered live, and customers can ask questions via chat and receive real-time feedback. These partnerships help integrate education in product delivery so that skills-building can become more scalable and sustainable, and can be one of the most effective ways to engage private sector companies in digital financial skills partnerships.

- In Latin America and the Caribbean, **Visa** partners with community-focused networks and providers, governments and nonprofits. It offers a variety of entry-level payment products and services and financial education to hundreds of local banks, credit unions, trade unions and financial institutions that work with underserved people and businesses. The World Council on Credit Unions, USAID and Visa are together providing financial and business education and loans to 100,000 entrepreneurs in Ecuador and Peru, including migrants from Venezuela. Visa partners with the NGO Fundes to provide Enko, an on-demand digital skills platform, so far reaching 100,000 micro and small business owners in nine countries.

Conclusion and the way ahead

As this report demonstrates, numerous programs around the world are already delivering life-changing skills to communities that are doubly impacted by digital and financial exclusion. The results are impressive, and the insights gained are valuable. But as the digital divide continues to expand and new challenges emerge, further resources, innovation and collaboration are required to ensure initiatives are effective, sustainable and scalable.

Experts believe the following three action areas will help us achieve this:

1. Explore new roles and partnership models for the private sector

The **private sector is integral to the success of digital skills initiatives,** with much to gain and much to give. Financial service providers, mobile network operators, logistics companies, agribusinesses and e-commerce marketplaces have been among the first to recognize this. But as digitization expands into almost every corner of the economy, **untapped sectors that have an interest in supporting skills plus bring fresh expertise and perspectives to partnerships should be identified.**

Incentivizing private-sector partners to transform small pilots into economically sustainable programs that can be scaled to different locations or population groups will require the **exploration of new commercial models and opportunities for collaboration.**

For example, local communities might be best served by a joined-up approach that leverages complementarities between big banks – which typically have big footprints and deep pockets but are less nimble due to heavy regulation – with local fintechs, which have more understanding of the needs of local populations. The result could be more customizable solutions that adapt faster to markets.

2. Innovate for resilience and scale

As advances in technology accelerate, tools and applications are at increased risk of becoming obsolete mid-project. Developers and implementers must **therefore find ways to keep training agile, modular, and responsive** so that new developments in technology offer fresh learning opportunities for existing digital financial skills initiatives, rather than threatening their relevance.

> "Poverty reduction is a matter of scale. Technology offers the possibility of being able to serve more people more efficiently, and for a lower cost per user." – Rodrigo de Reyes, Fundación Capital

While the most impactful digital financial skills initiatives are neatly tailored to the needs, existing skills and local contexts of communities, achieving scale also requires a model that is easily repeatable. One approach that has been replicable and scalable is offering standardized but easily adapted learning resources complemented with in-person touch points, as in SIA's Hey Sister! Program.

Funding models for digital skills initiatives must also be rethought, to bolster stakeholders' ability or willingness to pay for them amid an uncertain global economic outlook. Exploring ways to share or reduce the costs of developing and delivering programs could help make them more scalable, sustainable and even profitable.

3. Design user-centric programs

To engage and motivate users, **digital financial skills training must be relevant and relatable, with skills offering immediate and tangible value to their lives and livelihoods.** Experts advocate for understanding the user journey for each skill needed in different use cases, as well as users' motivation to learn.

"It's challenging to build skills in the abstract because people are driven by necessity. I hate just in time planning, but we need the option of skills building in the moment - skills building as needed." – Mercina Tillemann Perez, Circle

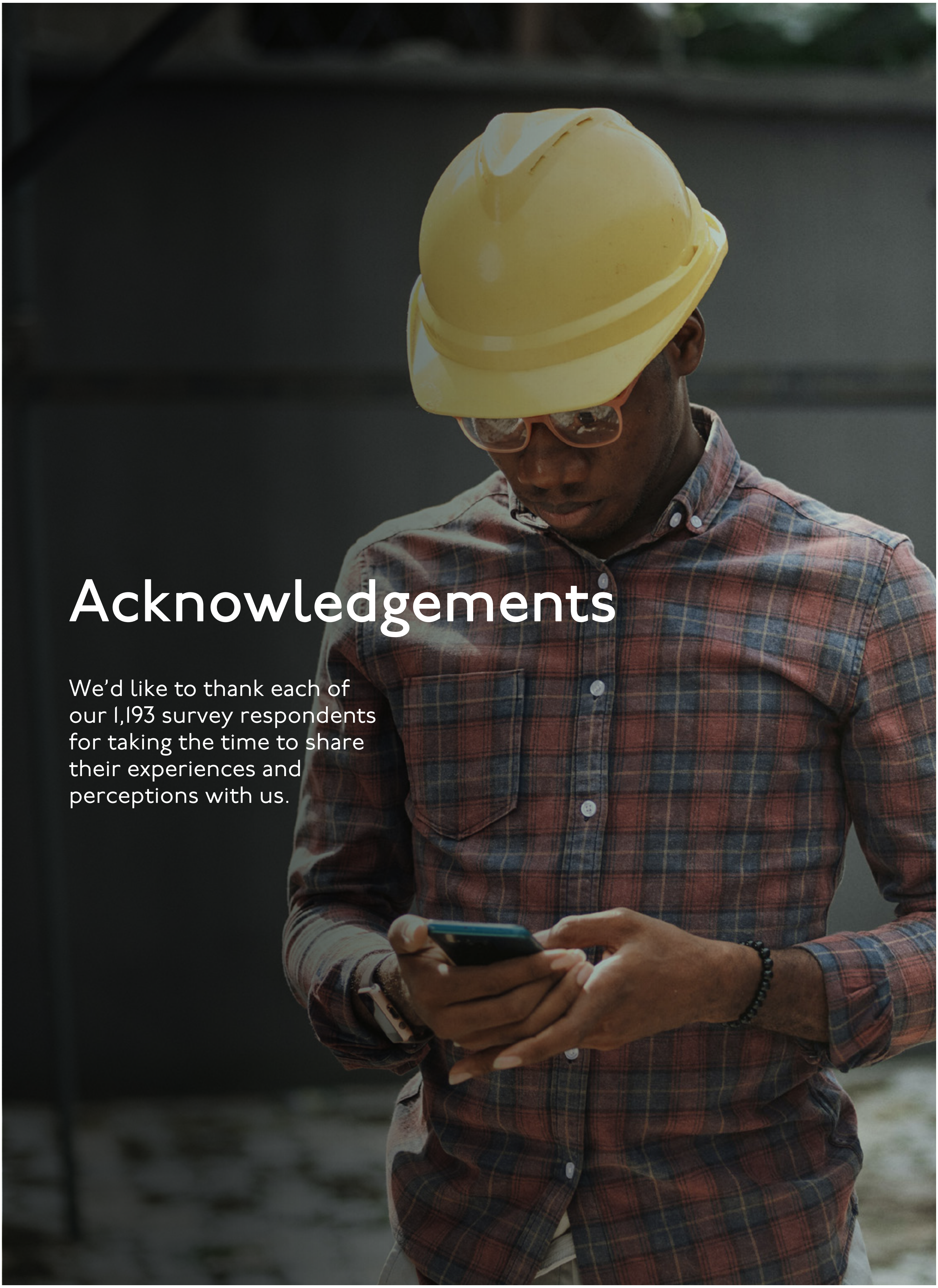
Linking learning opportunities to specific products or services can help **customize learning according to needs and make it as demand-driven and interactive as possible.** Delivering training in tandem with a broader transformation in a payment system or value chain – such as when a government, employer or trading partner is shifting their benefit payments, payroll or procurement to digital – offers users opportunities to understand or apply skills that will help them shift to digital in other contexts too. Training should be regular, frequent and hands-on, giving users the chance to learn by doing, or at least to practice new skills soon after training sessions finish.

When delivering digital financial skills initiatives, a blend of online and in-person is ideal. Personal interaction builds trust, motivation and engagement, while online resources are convenient and help users build confidence with digital tools. TymeBank, a fully digital bank in South Africa, has already embraced this on a basic level by opening kiosks at supermarkets and other stores where ambassadors guide customers through the process of opening an online account. Experts also recommend that programs deliver training where people already gather and avoid taking too much of their time. This is especially important for groups that are less mobile, are in remote locations, or have heavy work and/or family obligations.

That said, not all communities are local or even physical, so the developers of capacity-building initiatives should **keep digital communities in mind.** Organizations can explore ways to harness the power of social media, such as dispensing bite-sized financial advice from verifiable and trusted sources of information through platforms like YouTube or TikTok. Taking advantage of channels that people already trust – such as celebrities, influencers, or religious institutions – to deliver accessible digital financial lessons and tips, also aligns with survey findings that people learn best from trusted peers.

Using learners' existing knowledge of digital technologies and financial services can serve as a foundation or gateway to incrementally introduce more complex products and services, including those specifically tailored towards livelihoods.

Coordinated action on all three fronts is vital to help the world's most marginalized and underserved communities take advantage of the digital economy and shrink a digital divide that benefits no one. Our hope is that this report stimulates further debate on a topic that becomes more pressing every year, and will encourage the development community, private-sector partners and other stakeholders to co-create new strategies as fresh challenges emerge.



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NOTE
*Fernando Maldonado was the head of the USAID Digital Finance team at the time of this interview.