Stepping Up: Including Women in “Inclusive Fintech”
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The Center for Financial Inclusion (CFI) is an independent think tank housed at Accion that works to better serve, protect and empower clients. We learn, test and share insights; promote concrete solutions; and advocate for inclusive, responsible finance that helps — not harms — individuals. We collaborate with stakeholders globally to achieve our goal of enabling 3 billion people who are left out of — or poorly served by — the financial sector to improve their lives.

Authors

Maha Khan
and Carrie Ruh
Fintech startups have transformed the financial services landscape in recent years by leveraging technology to lower transaction costs and reach underserved populations. These technologies can expand financial services to women, who are often excluded from formal financial services. The COVID-19 pandemic makes it even more critical to address gender equity, as evidence indicates women have been disproportionately impacted by the virus. While fintechs can play an important role in designing accessible and meaningful solutions for marginalized populations, they can also run the risk of exacerbating the digital divide, including the mobile gender gap.

This brief explores data from Inclusive Fintech 50 (2019) and Results of the Fintech Benchmarks Proof-of-Concept to shed light on the current gender disparities in the fintech industry—both at the management level and in their customer base. MIX, a unit within the Center for Financial Inclusion, provides initial insights and recommendations for investors and fintechs on overcoming some of these challenges. We hope the research community digs deeper into the disparities we highlight. More research is needed to understand the nuanced and sometimes intertwined barriers that female founders face, as well as how fintechs can serve the needs and preferences of female clients.

Two key insights emerge from the data focusing on early-stage fintechs:

(1) Female-led fintechs face unique challenges when raising funds, but when they do, they demonstrate greater revenue generating potential compared to fintechs without women in leadership positions; and

(2) Perhaps not surprisingly, there is a gender gap in the customer base served by fintechs, and there is significant room for them to grow by addressing this gap.

I. Exploring female-led early-stage fintechs’ investment landscape and performance

1. Women are underrepresented among fintech CEOs and founders.

Female-founded companies are traditionally underrepresented in venture capital funding, and the fintech industry is no exception. According to a report by Pitchbook and All Raise In, in 2019, companies with a female CEO represented 11 percent of all venture capital deals made globally (this increases to 20 percent if a female founder is included). However, only 7 percent of fintech VC deals had a woman in a CEO position.
The 2019 Inclusive Fintech 50 data present a similar trend: 19 percent of the 400 applicants are female-led, as defined by at least one female founder or executive. Women are particularly underrepresented in fintechs founded in certain regions – Middle East & North Africa (MENA) has the lowest share of female-led fintechs (only 8 percent), while Latin America & Caribbean and Sub-Saharan Africa stand marginally better at 15 percent and 11 percent, respectively. Furthermore, the data does not examine founders by country of origin, and female founders from developing countries may face unique barriers. As one female fintech founder from Sub-Saharan Africa explained: “A lot of the funding goes to foreign male founders. That’s one of the biggest challenges.”

It’s important to put this data in the broader context of women’s representation in the workforce. Financial services have long been dominated by men. There is a misconception and unconscious bias that women do “better” in ‘softer’ roles and sectors like HR, marketing and implementation versus strategy and innovation. For instance, according the World Economic Forum (2018), women make up about 26 percent of workers in data and AI roles, 15 percent of workers in engineering roles and 12 percent of workers in cloud computing roles, whereas women make up 40 percent in marketing, 37 percent in sales, and 35 percent in product development.

It’s also no secret that women – particularly women of color—are underrepresented in educational programs, like MBAs, that can provide them a stepping stone into the financial services industry. While 2019 noted an increase in the number of female MBA
applicants, socio-cultural values and norms can influence a woman’s ability and decision to attend higher educational programs. Programs like Girls who Code and Girls in Tech are working towards eliminating the gender gap in technology and recruiting/encouraging young women to enter the tech industry.

2. **Female-led fintechs generate higher revenues than those without women in leadership positions.**

   The 2019 Inclusive Fintech 50 data did not survey fintechs on revenue per customer, but preliminary evidence from the Fintech Benchmarks Proof-of-Concept reveals that female-led fintechs generate higher revenues. Among the sample of 45 fintechs, female-led fintechs had nearly three times the revenue per customer of non-female-led fintechs, but also three times the cost per customer. This year’s Inclusive Fintech 50 data will examine whether this trend holds true in a larger sample. It would be prudent to also understand why it might be that female-led fintechs’ customer acquisition costs are higher.

   These findings add to the evidence of the strong relative performance of female-led fintechs, and are consistent with research across sectors demonstrating the revenue potential of female-led companies. For example, research from BCG finds that female-founded startups generate 10 percent higher revenue than their male peers over a five-year period. Similarly, a study of 3,000 top global companies by Credit Suisse shows that female leadership is associated with higher profitability and superior financial returns.

3. **Female-led fintechs are able to raise funds at similar rates to their counterparts, but disparities persist in certain regions, namely, those with wide financial inclusion gender gaps.**

   The BCG study also revealed that female-founded startups raise less than half of what male-founded startups raise. A Harvard Business Review piece echoes the same conclusion—female founders are asked more challenging and skeptical questions during pitches, which leads to lower funding. This practice may be traced back to the stereotypes women face of not being the “right fit” for the role/sector.

   The data from Inclusive Fintech 50 in 2019 presents a more optimistic picture. At the median, female-led inclusive fintechs raise 24 percent more than non-female-led startups. This trend is largely driven by funding in formal investment rounds, echoing research in the United States from the Center for American Entrepreneurship that once a female-founded startup is funded, it receives similar funding to male-founded startups in additional fundraising rounds.
However, we again see that there are stark differences across geographies. The median female-led fintech raises approximately three-quarters as much as non-female-led fintechs who do not have a female in leadership positions in Latin America, two-thirds as much in East Asia & Pacific, and nearly one-third as much in South Asia. In Sub-Saharan Africa and North America, female-led fintechs raise more at the median than non-female-led fintechs, though they raise 74 percent as much in Sub-Saharan Africa when measuring the average rather than the median, as noted in this white paper. In Europe & Central Asia, there is no observed gap in funding.

Perhaps it is not surprising that these regions also have a large gender gap in broader financial inclusion. For instance, the gender gap in mobile money usage is 25 percent in Latin America, 21 percent in East Asia & Pacific, and 75 percent in South Asia. In these regions, the same regulations and social norms that prevent women from opening bank accounts may also discourage and provide additional hurdles for female entrepreneurship in a male-dominated industry.

4. Female-led fintechs have less funds available to get started but receive a boost from angel investors.

During the initial stage, female-led fintechs have less capacity to invest personal funds into their ventures than non-female-led fintechs—they can put in only 19 percent of what a non-female-led fintech does (see figure below). As a result, many female founders and CEOs can fail to make it to formal funding rounds, thereby reducing the number of female-led fintechs from the start.
These findings are consistent with a study by Goldman Sachs that found that female entrepreneurs in emerging markets often do not seek external financing due to challenges of navigating the process or perceptions of likelihood of success.

Female-led fintechs have performed particularly well with angel investors. A recent study found that female entrepreneurs have greater success receiving funding from angel investors than from early-stage and late-stage VCs. The Inclusive Fintech 50 data show a similar trend, with the median female-led fintech raising 80 percent more than non-female-led fintechs at the angel investor stage.

5. **The network effect is weaker for female-led fintechs.**

Fintechs that are “networked” – part of a fintech hub, incubator, accelerator, or award – raise more funding than non-networked fintechs. However, female-led fintechs managed to raise only 8 percent more if they were networked. Meanwhile non-female-led fintechs raised 43 percent more if they were networked. This trend is consistent with a report which found that accelerators widen the equity financing gap, with male-led startups experiencing a 2.6 times increase in funding raised post-acceleration relative to female-led startups.

Additionally, a study that employed network analysis to assess the collective impact of entrepreneurship communities found that start-ups that received experience,
mentorship, or investment from an entrepreneur who has led a company to scale were approximately two times more likely to achieve top performance. It would be prudent to explore further what this means for female entrepreneurs who may face barriers accessing entrepreneurship communities that may be male dominated.

II. The gender gap in fintechs’ customer base

In this section, we look more closely at early-stage fintechs’ customer base, whose aim is to be inclusive.

1. There is a gender gap in the customer base served by fintechs.

The Inclusive Fintech Benchmarks data reveals a gender gap in the customer base served by inclusive fintechs. Given the social aim of these fintechs, gathering critical demographic information is paramount to product design and meeting customer needs. However, only 20 out of 45 fintechs recorded sex-disaggregated data on their customer base.
Among these 20 fintechs that recorded female customers, the median fintech had only 36 percent female customers. This again drives home the need for such data, to understand whether women were specifically targeted, and if so, which strategies were most effective. It would be interesting to understand if women were specifically targeted in fintechs’ onboarding efforts, and if not, exploring effective strategies to recruit more female customers.

Perhaps it is not surprising that these fintechs have a low female customer base. Women in developing economies are seven percentage points less likely to have a bank account than men, 10 percentage points less likely to own a mobile phone than men, and seven percentage points less likely to be literate compared to men. These gaps in financial and digital literacy are much wider in certain regions, such as South Asia and East Africa.

Access to financial services is a key enabler for women to achieve financial independence and economic empowerment. However, women face unique and often intertwined barriers in accessing financial services, including but not limited to regulatory constraints (i.e. registrations requiring national ID cards), the aforementioned low financial and digital literacy levels compared to men, and social norms that may restrict their mobility and financial decision-making autonomy. One of the biggest barriers women face in accessing financial services is the lack of money or regular income.

However, mobile money has the potential to narrow the gender gap in financial inclusion. An analysis of the Findex 2017 data by GSMA finds that countries with high mobile money usage have indeed narrowed the gender gap in financial inclusion. By transacting digitally, women do not need to travel to inconvenient locations or where they feel unsafe, and they can make payments securely and privately. A study conducted on the International Rescue Committee’s (IRC) mobile money cash-aid programs in rural Sindh, Pakistan found that IRC’s consistent financial and digital literacy trainings played a crucial role. Female clients were not only able to use mobile money to receive their cash-aid, but appreciated the convenience, privacy and speed of mobile money.

Globally, however, women are still 33 percent less likely than men to own a mobile money account, mainly attributed to lower rates of mobile phone ownership and lack of access to identity documents. Some state governments in India, for example, have initiated programs to subsidize phone ownership, which helps to address the access gap but not the usage gap. Efforts to overcome women’s barriers to accessing financial services need to be coordinated, recognizing that women are not a homogenous group or customer segment. Fintechs are uniquely positioned to help close the gender gap in
financial inclusion while also serving an untapped market that represents a large potential revenue source.

2. **Female-led fintechs are more likely to target female clients and other underserved populations.**

The 2019 Inclusive Fintech 50 data reveals that female-led fintechs target different markets. The Inclusive Fintech Benchmarks sample of 20 fintechs shows that female-led fintechs appear more likely to serve female clients. The median female-led fintech had a customer base that was 58 percent female, compared to 35 percent female for fintechs that did not have women in leadership positions.

Diverse organizational leadership provides numerous benefits. For fintechs, female leaders can play a pivotal role in designing and marketing financial products to meet the needs of women. Although female-led and non-female-led fintechs in the Inclusive Fintech 50 2019 data target broadly defined “underserved” customers at similar rates, female-led fintechs are more likely to support micro, small & medium enterprises (MSME), as well as farmers and rural households. Fintechs that do not have women in leadership positions are more likely to instead target their products to the general public, which may not produce as great an impact on financial inclusion.

Additionally, segmenting customers and targeting more female customers represents a market growth opportunity for fintechs. Much like sex-disaggregated client data, segmentation also forces providers to understand the specific needs of their target customers and the unique barriers they face. For instance, JazzCash Pakistan wanted to improve women’s usage of the mobile wallet. Their research partners, Women’s World Banking and ideas42, found that the real problem was not usage — female customers used JazzCash accounts in very similar ways when compared to males — but acquisition. Female customers accounted for only 15% of new account openings likely due to marketing campaigns aimed at men. With further research, the team was able to design solutions to accelerate the acquisition of new female customers.

### III. How can investors and fintechs help to close the gender gap?

This brief has demonstrated the urgency for investors to understand and employ data on female-led fintechs’ challenges to make strategic decisions that can support these women in the future. It is also prudent for researchers to dig into the nuanced and sometimes intertwined challenges that female-led fintechs face. Below, we present recommendations for investors, fintechs and researchers.

**For Investors**

- Investors have the potential to address underrepresentation of women in fintech leadership by investing in more female-led, early-stage fintechs, particularly in regions
such as Asia and Latin America. Investors can not only seek out fintechs with strong programs that support female leadership, but also screen out those that do not. Our data provides evidence that female-led fintechs produce higher revenues.

- In order to address funding disparities for female-led fintechs in early stages, investors can adopt gender lens investing, particularly when providing grant funding. This will build upon work done by DFS Lab, Flourish Ventures, FinEquity, and Women’s World Banking, who have sponsored a female-focused fintech competition.
- Incubators and accelerators can also support early-stage, female-led fintechs by actively recruiting female startups and supporting them in raising funding and assessing whether their programs themselves are female-friendly.
- Gender-diverse hiring practices and implicit bias training are vital for investors and incubators/accelerators to reach these goals. Moreover, while we were not able to distinguish between women of color founders and white women, evidence on the institutional barriers and discrimination that people of color face likely apply to the fintech space. Implicit bias trainings play an important role in raising awareness on lending practices.

**For Fintechs**

- In order to ensure that they include female customers, fintechs must gather data on the gender makeup of their customer base. Among the 45 fintechs in the Inclusive Fintech 50 Benchmarks report, only 20 could report a number of female customers, indicating a data gap. This data will enable fintechs to track their contribution to female financial inclusion and identify areas for growth.
- Fintechs must be intentional about including female customers when designing products. They would benefit from thinking about whether their product is designed in a way that excludes women, even if it is unintentional. This can only be accomplished by conducting market-centric research on female customer segments to better understand their needs, preferences and barriers. It’s imperative that providers design compelling use cases to meet women’s financial needs. Addressing this gender gap can also represent a commercial opportunity. For instance, if mobile operators could close the gender gap in mobile ownership and use in low and middle-income countries by 2023, this would provide an estimated additional $140 billion in revenue to the mobile industry.
- Fintechs should also consider gender when marketing and selling fintech products. For instance, JazzCash Pakistan recently tested behaviorally informed text messages to encourage current JazzCash users to send more referrals to women. Forthcoming data from RELAY, a fintech data solution developed by MIX, will examine the share of female agents among fintechs that rely on an agent network.

**For Researchers**

- Research organizations can provide valuable evidence to build a case for investment in female-led fintechs and the nuanced barriers that female-led fintechs face. Building upon work by organizations such as Women’s World Banking, researchers can
demonstrate that female-led fintechs produce strong financial returns while also making unique contributions to financial inclusion.

- Additional research is needed to examine the challenges faced by female fintech founders. Inclusive Fintech 50 data sheds light onto funding amounts received by female fintechs, but it does not address potential disparities in the likelihood of receiving funds, or other discrimination that female founders—particularly women of color—may face.

- Further research should examine the role of fintechs in serving women. Some questions to explore further can include: how to monitor the performance of fintechs; how to co-create products and solutions with female customers; effective marketing strategies to onboard women; the relationship between fintech and the SME credit gap; and whether credit scoring algorithms introduce gender bias.

- Lastly, additional research is needed on the intersection between female financial inclusion and the societal and regulatory constraints that women face. Fintech products alone will not produce meaningful change in the lives of women without addressing broader disparities in digital and economic inclusion.

We are excited to delve deeper into the 2020 Inclusive Fintech data to answer some of the questions we were not able to address in this brief. We hope that by presenting these initial findings investors and fintechs use the insights to better support closing the gender gap in financial inclusion and organizational leadership.
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