

THE ROLE REGULATORS PLAY IN CLOSING THE FINANCIAL INCLUSION GENDER GAP: A CASE STUDY OF HONDURAS



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ABOUT THE AFI GENDER INCLUSIVE FINANCE MAPPING PROJECT

54%

Around the world, about **740 million women still do not have bank accounts** – representing 54 percent of all unbanked adults, as of 2021.¹

9-6%

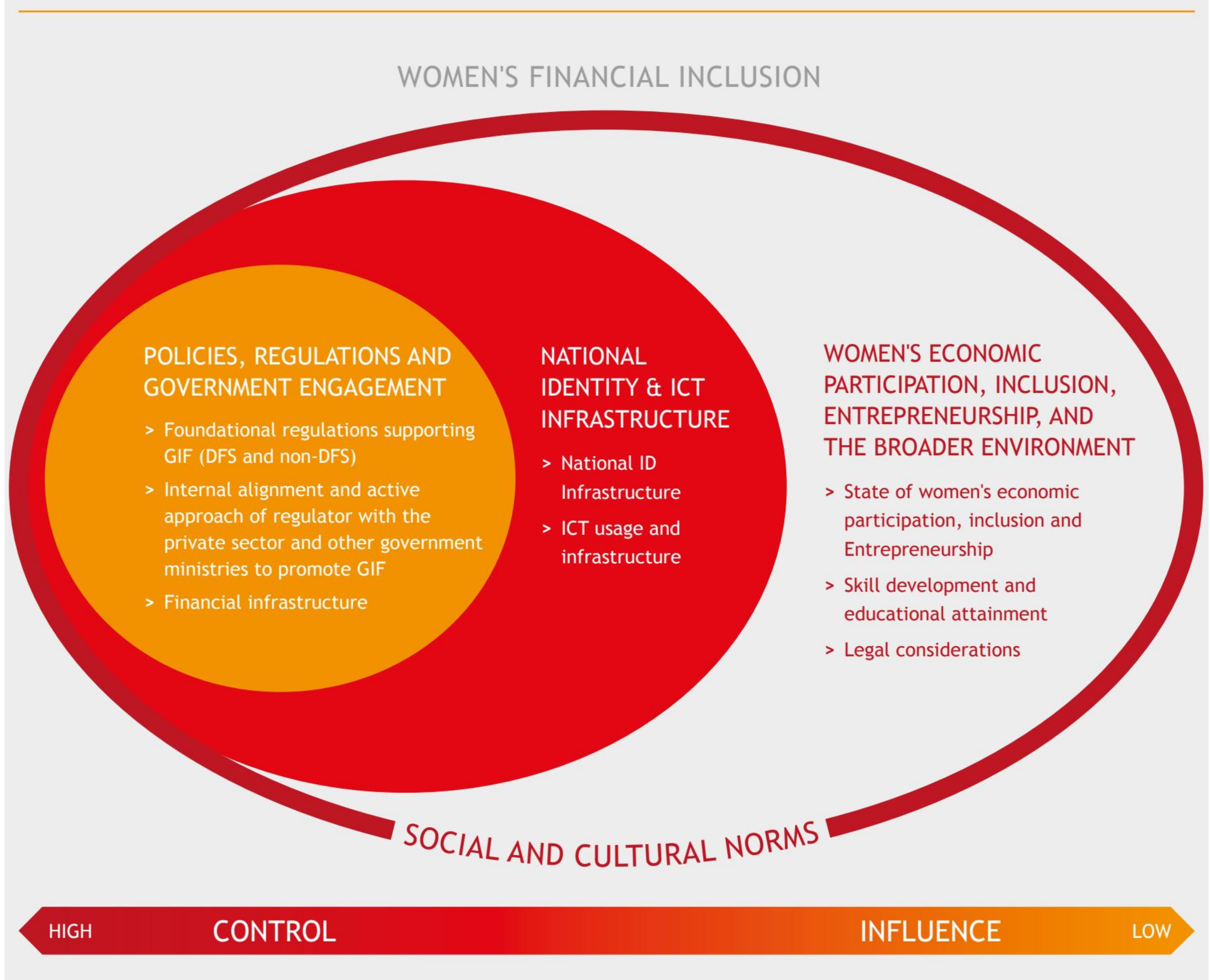
The efforts to narrow the finance-gender gap have been paying off since 2017, with a **gap reduction of nine percent to six percent in developing and emerging countries.**²

It is clear, however, that more must be done to address this persistent financial inclusion gender gap which is more than simply the right thing to do: It also makes good business sense, with estimates suggesting that advancing women’s equality could add \$12 trillion to global gross domestic product by 2025. Women-led small and medium enterprises (WSMEs) already make significant contributions to the economies in which they operate, accounting for a third of all SMEs, and a much higher percentage in many countries, and being a segment that has long been recognized as an important engine of growth and job creation but one that suffered from high levels of informality and significant gender gap in access to credit.

1 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

2 Ibid.

FIGURE 1: GENDER INCLUSIVE FINANCE ANALYTICAL FRAMEWORK: INFLUENCERS OF INCLUSION WHERE REGULATORS CAN HAVE IMPACT ON WOMEN'S FINANCIAL INCLUSION



There is no single reason why women cannot access or use financial services. Rather, it is a complex blend of regulatory factors, suitable products and services, access to education and ID documents, suitable infrastructure available in places where women can use it and products and services that meet their needs, lastly social and cultural barriers play a significant part.

The Alliance for Financial Inclusion (AFI) Financial Inclusion Gender Gap Mapping project is designed to increase understanding about the barriers and enablers of women’s financial inclusion, with the goal of helping financial sector regulators and policy makers identify highly specific and concrete actions that will drive greater inclusion in their countries.

The holistic research breaks new ground by identifying specific factors and areas over which financial regulators have direct influence: policies, regulations, and government engagement to advance GIF. But instead of looking at the financial regulators’ landscape in isolation, the research also explores other spheres of influence within the broader context of women’s economic participation and inclusion, providing nuanced insight into women’s place in society and the economic fabric of their countries. Figure 1 illustrates this interplay, delineating the various factors that can contribute to increased women’s financial inclusion. It highlights the specific role financial regulators can play in advancing progress, as well as the degree to which they can influence other critical factors. The graphic also portrays the overarching impact that social and cultural norms have on the entire GIF ecosystem—and women’s equality in general.

Figure 1 shows that many factors fall outside the financial regulators’ direct remit. However, they are essential for enabling women’s financial inclusion environment—and advancing the regulatory women’s financial inclusion agenda. For instance, just because there is a regulatory policy to encourage increased lending to women entrepreneurs, it does not mean there will be a significant uptick in a bank’s women SME loan portfolio—unless other changes in financial infrastructure and bank approaches have occurred. The research findings are clear: without aligned and coordinated action across all the spheres of control and influence, progress toward gender parity in financial inclusion will only go so far.

In essence, the project is a call to action for financial regulators on two fronts: are they doing everything within their mandate and sphere of influence to

advance progress on women’s financial inclusion? And, after addressing all the factors in their sphere of influence, what else can they do outside their direct remit to support the broader women’s financial inclusion ecosystem?

By providing financial sector policymakers and regulators with a deeper knowledge base about specific regulatory solutions that are having an impact—as well as pathways that will advance other drivers of inclusion—these critical stakeholders can enhance the effectiveness of their interventions and maximize their role in closing the financial inclusion gender gap in their countries. In turn, these efforts will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), specifically SDG 1 (No poverty), SDG 5 (Gender equality), and SDG 8 (Decent work and economic growth).

This case study offers an overview of the current state of women’s financial inclusion in Honduras. It takes stock of progress of the National Banking and Insurance Commission (CNBS) and the government in advancing women’s financial inclusion. It delves into the specifics of the national financial regulatory environment, highlighting key strategies and initiatives that have contributed to closing Honduras’ gender gap in access to finance. And it also provides detail on factors influencing women’s financial inclusion outside of the regulator’s remit.

Although the case studies are designed to be stand-alone documents, readers may also be interested in reviewing the Project’s Landscape Study, which provides a full picture of women’s financial inclusion and gender inclusive finance across the AFI network, as well as the summary report, which synthesizes key findings from the research.

EXECUTIVE SUMMARY

In the last decade, Honduras has made great strides on women's financial access. By 2017, the country had achieved a 2.7 times growth in women's account ownership and 41 percent of women owned a bank account, up from just 15 percent in 2011.³

Nevertheless, men's financial inclusion has outpaced that of women and the country's gender gap in financial access remains significant: women lag 20 percentage points behind men in account ownership according to 2021 World Bank Findex Data.⁴

Honduras is now able to translate the slight gains in terms of access to bank accounts into extensive and sustainable usage and, at the same time, work on resolving the issue of access for its unbanked clients.

In 2015, the Honduran government launched its first National Financial Inclusion Strategy (NFIS). However, authority for its implementation was only partially vested in CNBS who is the principal financial sector's regulator, which limited the advancement of financial inclusion. The 2015 strategy also lacked a gender inclusive finance (GIF) angle and gender targets.

As a result, CNBS deliberately launched a Women's Financial Inclusion Plan (WFIP) in 2019 to advance the utilization of a gender lens internally and in the engagement of financial service providers (FSPs). The focus of the WFIP has been mostly on sex-disaggregated data collection (supply- and demand-side) as a key enabler for data-driven, evidence-based policymaking, and making a business case to FSPs. Since the launch of the WFIP, insights from supply-side data on the extent and evolution of gender gaps and women's access and usage are shared via annual reports.

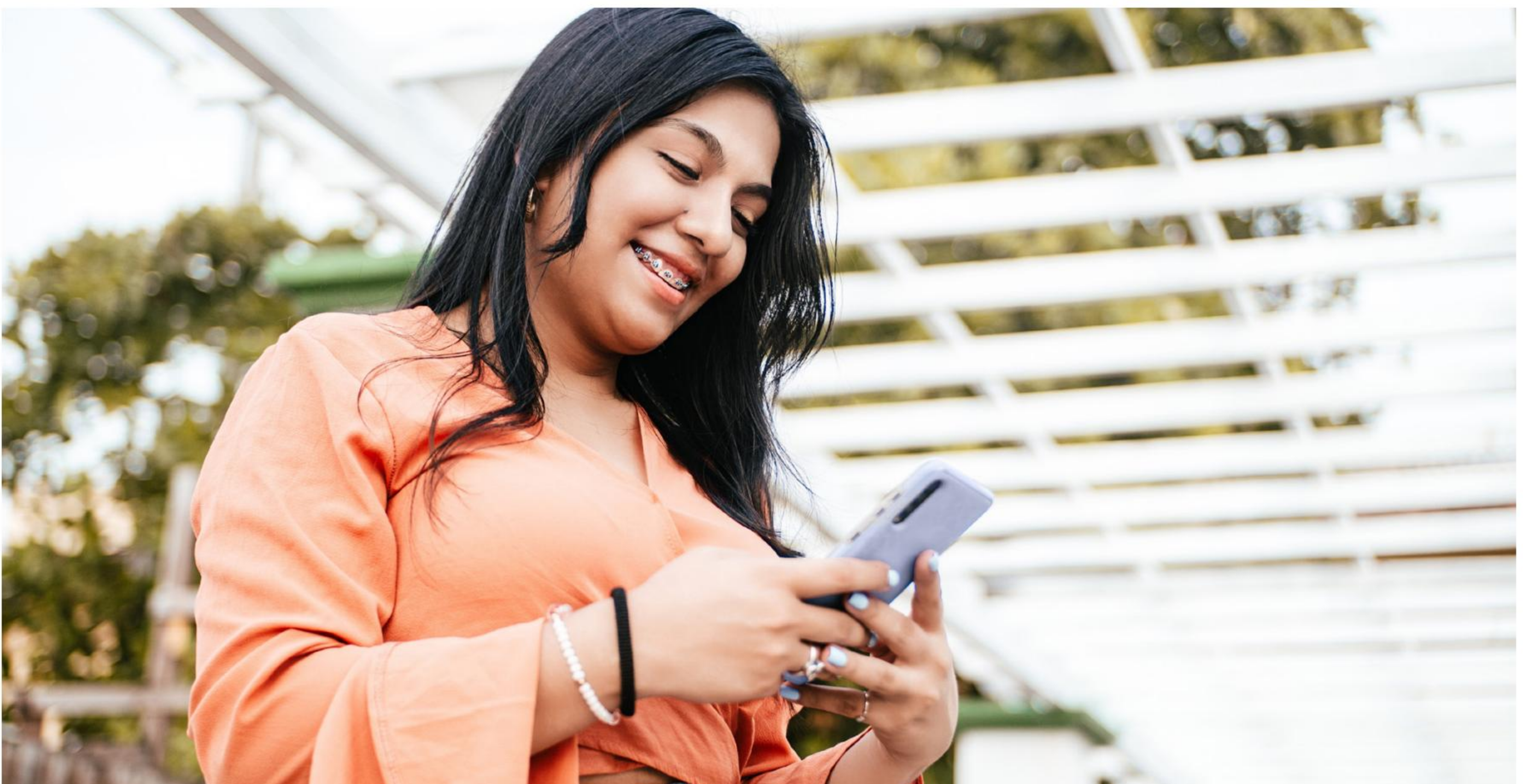
The COVID-19 pandemic opened many opportunities for the innovative development and use of digital financial services (DFS) and mobile money which are supported by the 2016 regulation.

53% Today, e-money solutions are both bank- and mobile operator-led. The growth in mobile money usage over the past five years has been substantial with 1.22 million registered e-wallets, 53 percent of which are women-owned.⁵

3 World Bank. 2017. Global Findex Database 2017: Measuring Financial Inclusion and the FinTech Revolution. Available at: <https://openknowledge.worldbank.org/handle/10986/29510>

4 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

5 Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>



Young female using digital technology. (Djavan Rodriguez/iStock)

Barriers to mobile money solutions persist for the remainder of the population, most notably the high cost of Internet, low digital literacy, design choices that favor smartphones compared to feature phones, and women being less likely to own a smartphone compared to men.

Digital financial services (DFS) may provide an avenue for increased women's financial inclusion with an intentional focus on women's access and design of tailored and sustainable solutions. With a set of microfinance institutions (MFIs) and cooperatives that have critical scale, the country should identify champions for DFS and GIF, even if banks remain focused on deepening rather than expanding inclusion.

8%

With only eight percent of women and 13 percent of men borrowing from a formal financial institution, Honduras' financial regulator has the opportunity to focus on facilitating capital access to both women and men.⁶

The creation of a national movable collateral registry could enable women to better access credit and gender inclusive consumer protection and measures to ensure awareness of redress mechanisms can help protect women creditors.

Beyond regulation, Honduras' financial regulator promotes an environment that supports women's financial inclusion by increasing private sector awareness and engagement around GIF, digitizing government to person (G2P) payments and encouraging FinTech innovation. Financial education has been another long-standing focus area for CNBS, which it addresses by collaborating with private players, public institutions, like SENPRENDE (Servicio Nacional de Emprendimiento y de Pequeños Negocios), Ciudad Mujer, the Chamber of Commerce and Industry, and international organizations, like the German Sparkassenstiftung for International Cooperation.

With a government change in 2021, there is opportunity to re-activate the momentum for financial inclusion and position women's economic empowerment as a key element of the new national strategy.

The new NFIS should position CNBS as the strategic leader and detail coordination and collaboration through gender-balanced governance structures. Honduras is well positioned for translating readiness and seriousness of purpose into renewed dynamism of

women's financial inclusion, with increasing availability and use of sex-disaggregated data and improved awareness of the business case for women's financial inclusion.

6 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

STATUS OF WOMEN’S FINANCIAL INCLUSION IN HONDURAS

Honduras is a lower-middle-income country located in Central America counting 9.6 million habitants, 51 percent of which are women.⁷ Poverty is pervasive with more than 60 percent of the population living in poverty, the second highest rate in the region. A large portion of the population (41.3 percent) lives in rural areas and depends strongly on agriculture.⁸ Besides agriculture, the informal sector dominates, comprising about 73 percent of non-agricultural employment.⁹

With this context in mind, it comes as little surprise that Honduras has historically been marked by low financial inclusion. In 2011, only 15 percent of women owned a bank account, compared to 26 percent of men.¹⁰ Despite this low starting point, the country has made great strides in the last decade on improving women’s bank account access. According to the World Bank Global Findex survey, from 2011 to 2017, women’s account ownership increased by 173 percent while men’s account ownership grew by 92 percent.

However, Findex data reveals a significant decrease in women’s account ownership from 2017 to 2021, which is partly reflective of the gendered impact of both the COVID-19 pandemic and natural disasters occurring in this period, to fully understand the holistic set of reasons though more research needs to be undertaken.

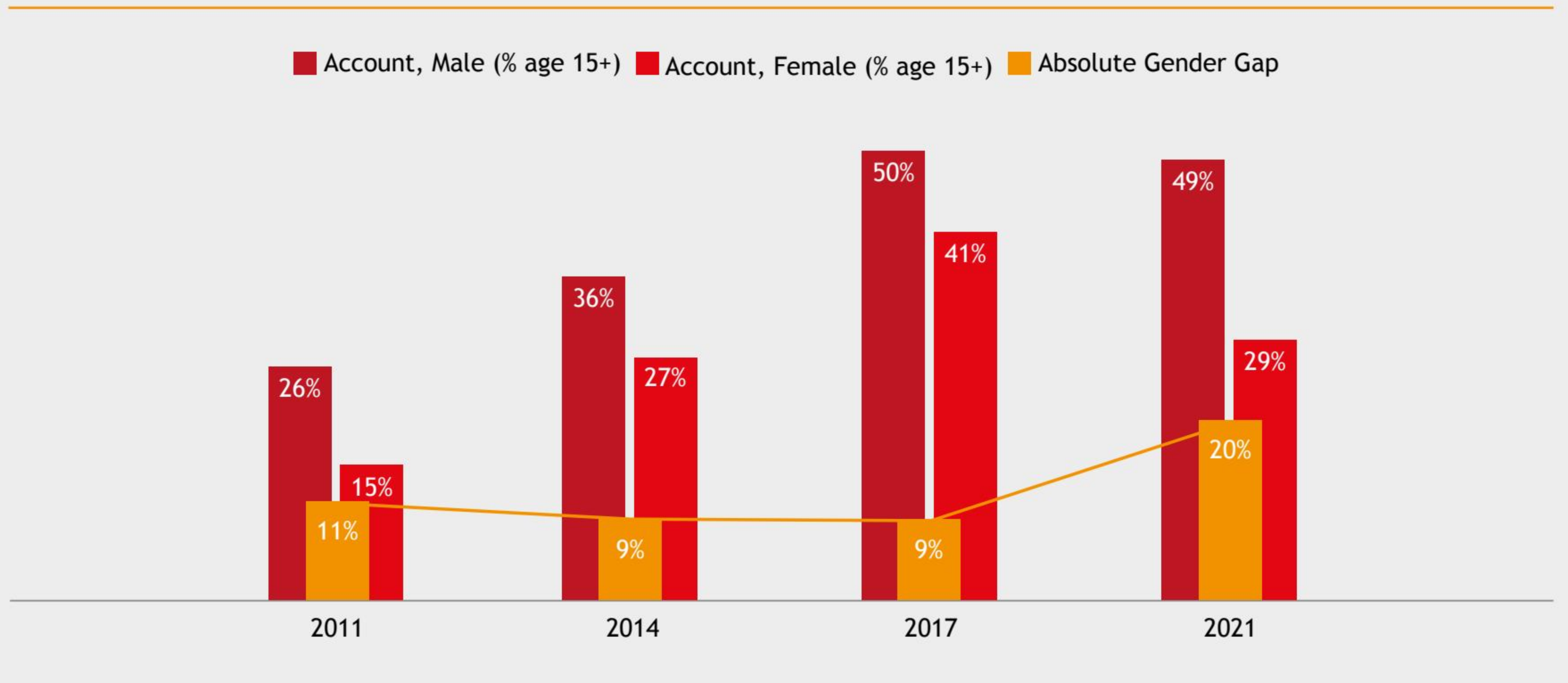
From 2017 to 2021, Findex reports a 12-percentage point decrease in women’s account ownership compared to only a single-percentage point decrease for their male counterparts.

20% The absolute gender gap in 2021 is 20 percent, which is significantly higher than the nine percent gap seen in both 2014 and 2017.

Therefore, despite the past decade’s progress, vast swaths of women remain unbanked or underserved by financial services, many of them being unemployed or lower-income working in the informal economy.¹¹

7 Instituto Nacional de Estadística Honduras. 2022. Información Estadística. Available at: <https://www.ine.gob.hn/V3/>
 8 DataReportal. Digital 2021: Honduras. Available at: <https://datareportal.com/reports/digital-2021-honduras>
 9 ConsumerCentrix (CCX) and Women’s Financial Inclusion Data (WFID). 2022. Towards Women’s Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf
 10 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>
 11 ConsumerCentrix (CCX) and Women’s Financial Inclusion Data (WFID). 2022. Towards Women’s Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

FIGURE 2: ACCOUNT OWNERSHIP AND GENDER GAP (FINDEX)



6%

Honduran women who save money through a financial institution demonstrate strong saving behavior, having about six percent higher account balances than men.¹²

74.4%

In 2020, 74.4 percent of women depositors were 31 to 50 years of age and 27.2 percent were over 51; in contrast, 38.5 percent of male depositors were 31 to 50 and 38.5 percent were over 51.¹³

This strong savings culture among younger Honduran women represents an opportunity for financial institutions: suitable products that enable women to accumulate savings for their projects and messaging that is clear and resonates with women can help bridge the gap.

Very few Hondurans have loans with formal financial institutions and women are under-represented in loan portfolios despite their strong history of repayment. Findex 2021 data shows that only eight percent of women borrowed from a financial institution in the past 12 months, compared to 13 percent of men.¹⁴ As of 2020, there were less than a million debtors in the Honduran formal financial market (including commercial banks, financial societies, and Financial Development Organizations or, or regulated deposit-taking microfinance institutions). Women represented 45.5 percent of those depositors, but only received 36.5 percent of the total credit disbursed in the financial system.¹⁵ This trend applies to women-led businesses too: only 33.7 percent of women-led SMEs have a bank loan or line of credit and there is a 14.8 percent gender gap.¹⁶ CNBS data reveals that female borrowers have consistently lower non-performing loan ratios compared to male peers, making a strong case for financial institutions to better target women individuals and businesses as they are currently missing out on a market opportunity.

In the last decade, Honduras has seen the rise of e-wallets and mobile solutions. As of 2020, there were 1.06 million Tigo Money e-wallets, 55 percent of which were owned by women, and 158,000 Tengo e-wallets, 44 percent of which were women-owned.¹⁷ The fact that women own a greater share of Tigo Money e-wallets than men is promising and indicates the utility of DFS for Honduran women, in principle. Registering

and using the Tengo wallet requires a smartphone and digital connectivity, which is out of the grasp of many lower-income women, and likely explains its lower uptake. Nonetheless, overall uptake of mobile wallets and DFS has been low, due to the prohibitive cost of mobile phones and Internet as well as low digital and financial literacy.

Unlike Latin America at large, Hondurans largely use digital wallets for peer-to-peer transfers, where bill payments and other third-party transactions have been strong.¹⁸ Thus, there is opportunity to expand not only digital wallet uptake but also e-money use for retail, bill pay, and other third-party transactions. Women as household financial managers are likely to be key agents for achieving such an evolution in Honduras. Furthermore, women receive 68 percent of all remittances in Honduras, yet because these funds are immediately paid out in cash, this activity has not helped facilitating financial inclusion. Regulatory and private-sector led efforts to digitize and mobilize remittances into e-wallet or financial institution accounts could have a significant positive impact on women's financial inclusion.¹⁹

12 Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>

13 Ibid.

14 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

15 Comisión Nacional de Bancos y Seguros. 2019. Actividades que la CNBS ha realizado de acuerdo al plan de Inclusión Financiera de las Mujeres en Honduras. Available at: <https://gpuf.cnbs.gob.hn/blog/2020/01/24/actividades-que-la-cnbs-ha-realizado-de-acuerdo-al-plan-de-inclusion-financiera-de-las-mujeres-en-honduras/>

16 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

17 Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>

18 Center For Financial Inclusion. 2016. Mobile Money and Honduras' Financial Inclusion Landscape. Available at: <https://www.centerforfinancialinclusion.org/mobile-money-and-honduras-financial-inclusion-landscape>

19 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

FINANCIAL INFRASTRUCTURE

Honduras' financial infrastructure remains centered around bank branches. Legislation enabling agents has not yet unfolded its potential for (women's) financial inclusion, as commercial banks have deployed agents mostly for denser coverage in already served areas

Honduras counts 18.7 bank branchers per 100,000 adults, compared to the AFI lower-middle-income country average of 14.2.²⁰ The agent banking network increased more than four-fold in the past four years: by 2020 there were 5,230 banking agents compared to just 1,262 in 2016.²¹ Yet, the majority of financial service points are located in urban regions of Cortés (24 percent) and Francisco Morazán (23 percent), while rural regions have significantly less coverage.²²

A diverse and widespread agent network remains critical to enable Honduran women's access: women are busy, facing many responsibilities within and outside the home, and gender-based violence (GBV) and crime make it harder for them to travel far. Honduras' financial regulator should proceed to incentivize the expansion of the agent banking network alongside efforts to increase DFS for un- and under-served women.

²⁰ Ibid.

²¹ Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>

²² Ibid.

²³ Comisión Nacional de Telecomunicaciones. 2020. Informe Anual Del Sector De Telecomunicaciones En Honduras. Available at: [https://www.conatel.gob.hn/doc/Informes/2021/Informe Anual del Sector de Telecomunicaciones 2020.pdf](https://www.conatel.gob.hn/doc/Informes/2021/Informe%20Anual%20del%20Sector%20de%20Telecomunicaciones%202020.pdf) & Instituto Nacional de Estadística Honduras. 2022. Encuesta Permanente de Hogares de Propósitos Múltiples. Available at: <https://www.ine.gob.hn/V3/ephpm/>

²⁴ Global System for Mobile Communications. 2015. Unlocking digital inclusion in Honduras: Reforming taxation on the mobile sector to support economic and social development. Available at: [https://www.gsma.com/latinamerica/wp-content/uploads/2016/04/report-inclusion-taxation_Honduras-onepager-EN.pdf](https://www.gsma.com/latinamerica/wp-content/uploads/2016/04/report-inclusion-taxation-Honduras-onepager-EN.pdf)

²⁵ Ibid and ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

²⁶ Instituto Nacional de Estadística Honduras. 2022. Encuesta Permanente de Hogares de Propósitos Múltiples. Available at: <https://www.ine.gob.hn/V3/ephpm/>

ICT INFRASTRUCTURE

Women's mobile phone ownership data is unavailable as the national telecommunications regulator (Comision Nacional de Telecomunicaciones or CONATEL) or other stakeholders do not publish such sex-disaggregated data which can give greater insights into women's access and usage of mobile services.

According to CONATEL, there are a total of 6.96 million mobile phone lines, and data from the National Institute of Statistics (Instituto Nacional de Estadística or INE) suggests mobile penetration is as high as 98 percent.²³ Nevertheless, only one-third of the population owns a smartphone, largely because the high-cost devices are outside the reach of the average low-income households.²⁴ To achieve further reach, digital FSPs must deploy simple technology using USSD, SMS, or interactive voice response.

Furthermore, the mobile data cost in Honduras is among the highest in the world: 100 MB of data costs almost 10 percent of the average monthly income while only 20 percent of the population can afford entry-level broad band services.²⁵ Therefore, reducing the mobile and broadband Internet cost barriers constitutes an important area for policy, outside of the remit of CNBS in order to make DFS more accessible and affordable to the average Honduran.

56%

Sex-disaggregated data on access to the internet is available through the INE's annual household surveys which reveal that as of 2021, **56 percent of women and 52 percent of men have access to Internet.**²⁶

Given the low penetration of smartphones and high cost of mobile data, most are likely to connect via computers but future released sex-disaggregated data from the telecommunications regulator may triangulate this.

ID INFRASTRUCTURE

Honduras' national ID system is managed by the National Civil Registry (Registro Nacional de las Personas or RNP) and some 98 percent of adults have national IDs, implying that this should not be a barrier to women's financial access.²⁷

Every national ID has an embedded barcode and biometric details, but most features are unused by market participants when undertaking verification. The National Banking and Insurance Commission (CNBS) and government might issue a regulation requiring FSPs to use biometric identification.

There is currently no public discourse about future digital IDs, which would further enable digital account opening and verification. Currently, financial institutions confirm the ID number and information that an individual presents through the national registry; for mobile money, this can be done through the respective providers' smartphone app by uploading a photo of the ID. However, informality (as represented by not obtaining a dedicated tax registration) seems to explain why many micro and small businesses are not fully captured in Honduras's financial system.

GOVERNMENT AND FINANCIAL REGULATORS' ROLE IN DRIVING GENDER INCLUSIVE FINANCE

CNBS is responsible for monitoring compliance with rules issued by the Central Bank of Honduras (Banco Central de Honduras or BCH) as well as regulating and supervising a variety of formal financial institutions, including commercial banks, financial companies, and OPDFs.

Financial cooperatives have a dedicated supervisory entity titled the National Supervisory Council of Cooperatives (Consejo Nacional Supervisor de Cooperativas or CONSUCOOP), through which CNBS acts for key regulatory principles and high-level data collection.

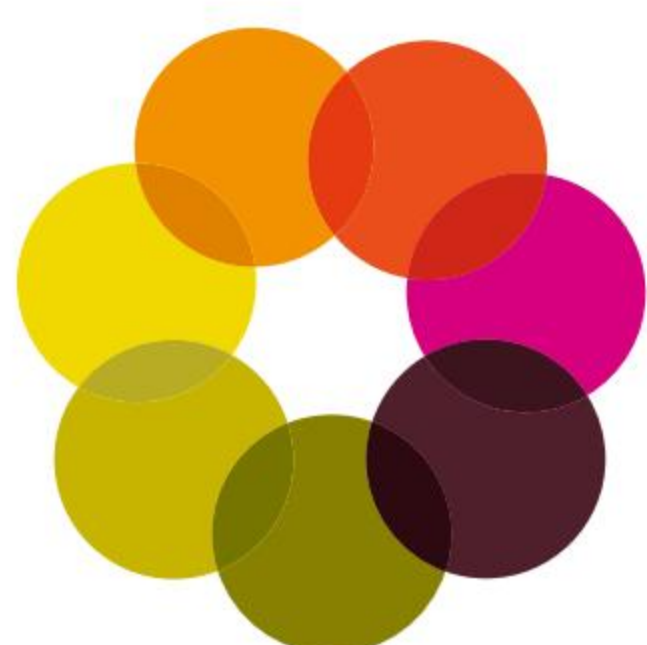
²⁷ United States Agency for International Development (USAID). 2017. The Ecosystem for Digital Finance and Financial Inclusion in Honduras. Market Landscape and Analysis. PPT.



Village community group. (Wirestock/iStock)

In the last decade, the Honduran government and its financial sector regulator and commissioners have shown commitment to increasing financial inclusion and since 2019, this has included a dedicated focus on women as their financial inclusion started decreasing in 2017.

Among CNBS' primary functions are the "creation of a favorable environment for the financial inclusion of the majority and improving financial inclusion rates and the quality of products and services offered in the country".²⁸ Women's financial inclusion is a CNBS's priority, which believes that greater women's financial access and usage will generate a more stable financial system thanks to a more diversified financial system, more efficient use of resources, and a greater resilience of households to vulnerabilities and economic shocks. BCH is not involved in women's financial inclusion efforts but operates in the background to establish monetary policy and basic regulation and overseeing the country's payments system.



In September 2014, CNBS led the Honduran government's commitment to Alliance for Financial Inclusion's (AFI) Maya Declaration

A global initiative for responsible and sustainable financial inclusion, and shifted focus to the country's 2015 National Financial Inclusion Strategy (NFIS) and implementing mobile financial services regulations. While women are critical drivers to several of these 2015 strategy's priority segments (including micro/small businesses and remittance recipients), the strategy did not specify a focus on women, nor did it set forth gender targets. Indeed, upon completion of the five-year strategy term, it was concluded that despite strong intent, the strategy proved less effective than it could have been because of under resourcing, low stakeholders' capability, and lack of coordinated and sustained efforts. It is anticipated that the government will devise a new financial inclusion strategy in the coming year(s) and that CNBS and stakeholders will advocate for a clear gender inclusive finance angle and incorporation of women as a priority for the country's financial inclusion goals to address the previous strategy's challenges.

Indeed, incorporation of a gender lens into the update of the NFIS was a key activity identified in a dedicated

plan of women's financial inclusion activities that emerged from CNBS' initiative in 2019. With technical assistance by the Toronto Center, CNBS purposefully addressed women's financial inclusion as a policy priority, defining a range of internal and external-facing activities in a National Women's Financial Inclusion Plan. Aimed at improving and strengthening the supervisory and regulatory capacities of CNBS to effectively improve the financial inclusion of Honduran women, the Plan detailed three phases from 2019 to 2021:

1. collection of data and reporting of gender gaps by segment
2. determination of factors impacting the quality of women's financial inclusion
3. design of political interventions aimed at increasing women's financial inclusion

The first year of the Plan resulted in consultations between public and private industry stakeholders and a defined process for sex-disaggregated supply-side data collection. However, the onset of the COVID-19 pandemic in 2020 disrupted the Plan's implementation and the involvement of the Toronto Center. With the sex-disaggregated data systems, process in place, and data collected, stakeholders will move on to phases 2 and 3.

The Honduran Commercial Banks Association (Asociación Hondureña de Instituciones Bancarias or AHIBA) actively engages CNBS on financial inclusion efforts on behalf of the banking sector. The Association, which counts Honduras' 15 commercial banks, plays a pivotal role in raising awareness on women's financial inclusion, initiating change, and convening the sector through ongoing dialogues with the CNBS and stakeholders around gender inclusive finance. As an example, AHIBA supported in the data collection for the 2020 Gender Gap Report.

28 Banhcafe. Comisión nacional de bancos y seguros (CNBS). Available at: <https://www.banhcafe.hn/usuario-financiero/comision-nacional-de-bancos-y-seguros-cnbs/>

1.5

Honduras' financial cooperative and microfinance markets are important pieces in the greater picture of women's financial inclusion with an estimated 1.5 million Honduras using them.

51%

Honduras has 87 cooperatives with a balance sheet in excess of USD 1 million. 51 percent of the members are women.²⁹

Present among lower-income populations as well as in rural areas without a bank presence, cooperatives are at the frontier of expanding women's financial inclusion. These larger cooperatives and 306 smaller credit unions are regulated by the CONSUCOOP. With financial and technical support for financial cooperatives, CONSUCOOP, and especially the industry association FACACH (Federación de Cooperativas de Ahorro y Crédito de Honduras Ltda.), has recently helped to build up the organizational capacities of cooperatives to effectively promote women's financial inclusion. IT systems were installed or upgraded, and access to the national payments platform facilitated via a cooperative-owned commercial bank which means that female cooperative members can also use their savings to pay for purchases and handle money transfers. This presents several opportunities to scale across other institutions.

The microfinance sector in Honduras, including both deposit taking MFIs (OPDFs, Organización Privada de Desarrollo Financiero) and non-deposit taking MFIs, is small, representing two percent of the total credit in Honduras.³⁰ Hondurans tend to prefer the cooperatives' association function and low-interest loan rates than microfinance institutions. Despite its small size, the microfinance sector is important to the national financial inclusion agenda, as its activities primarily focus on providing finance to excluded populations, including low-income and underserved individuals and microenterprises. CNBS regulates OPDFs and a law governs their operations; however non-deposit taking MFIs are unregulated, which presents increased risks for those who use them. The microfinance industry convenes via a national association called REDMICROH (La Red de Microfinancieras de Honduras), which has a dedicated gender committee and collects sex-disaggregated data from members, which the regional microfinance association REDCAMIF (Red Centroamericana y del Caribe de Microfinanzas) publishes half-yearly for both types of MFIs. There is

an opportunity to collect and publish such data more regularly to support sectoral decision making.

Coordination between the public and private sector is mostly routed through industry associations including AHIBA and REDMICROH, but there are no formal coordination mechanisms between the regulators and the regulated entities other than on a supervisor basis.³¹ There remains an opportunity to strengthen public-private collaboration by incorporating these industry associations into the national financial inclusion coordinating structures and ensuring regular collaboration.

When it comes to DFS, the National Telecommunications Commission (Comisión Nacional de Telecomunicaciones or CONATEL) is another key player. CONATEL executes telecommunications policy in Honduras through regulation and coordination. Since 1995, it has been the only authority to extend authorization and permits to mobile operators and to regulate the operations based in national and international convenings.³² MNOs are overseen by the central bank, in coordination with CNBS; since 2016, they can obtain licenses as non-bank e-money providers (Institución no Bancaria que Brinda Servicios de Pago Utilizando Dinero Electrónico or INDEL), whereas bank-affiliated mobile wallets are subject to banking regulation.

Currently, CNBS and CONATEL do not work together on DFS regulation and promotion. Moreover, gender and women's ICT and digital access is not a priority for CONATEL which did not include sex-disaggregated indicators in its trimestral sector reports.³³ As a result, it is not possible to know women's access to and usage of mobile phones, landlines, or Internet, all of which is important to understand the opportunity for DFS

29 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

30 Ibid.

31 Ibid.

32 United States Agency for International Development. 2020. Regulatory Technology ("RegTech") Readiness in Honduras. Available at: https://www.rtachesn.org/wp-content/uploads/2020/03/RTAC_Regtech-Readiness_Final-Report_03302020_FINAL.pdf

33 Comisión Nacional de Telecomunicaciones. 2021. Informe Trimestral Del Sector De Telecomunicaciones En Honduras. Available at: <https://www.conatel.gob.hn/doc/Informes/2021/DESEMPE%20C3%91O%20DEL%20SECTOR%20DE%20TELECOMUNICACIONES,%204T2021.pdf>

to benefit the financial inclusion of women. However, data from the two mobile wallet providers reported to CNBS does show strong women's interest: as mentioned, women make up more than half of Tigo's clients, the largest operator. There is a significant opportunity to improve coordination and alignment between the two organizations.

Other public stakeholders that are part of the greater environment of women's financial inclusion include the Secretary of State in the Office of Women's Affairs and SENPRENDE (Servicio Nacional de Emprendimiento y de Pequeños Negocios). The National Institute of Women (Instituto Nacional de la Mujer or INAM) was formed in 1999 and has since been absorbed by the Secretary of State in the Office of Women's Affairs and serves as the rector of public policy and its function is to formulate, develop, promote, and coordinate the execution and monitoring of all National Women's Policies, including those related to women's economic empowerment and financial inclusion.³⁴

On the other hand, SENPRENDE is the National Service on Entrepreneurship and Small Business created in July 2019 by the Honduran president. It is an umbrella organization under which all government programs and projects decided for MSMEs are consolidated and coordinated. For example, SENPRENDE runs a training module on economic self-sustainability, which was previously run by Ciudad Mujer, and provides a smartphone solution that guides small businesses (with a focus on women-owned ones) through the required steps to formalize their businesses. There is an opportunity to improve coordination and alignment between all these bodies.

34 SEMUJER. Available at: <https://semujer.gob.hn/>



Female MSME cleaning coffee beans. (Marco Vasquez/iStock)

FOUNDATIONAL REGULATIONS THAT ENABLE GENDER INCLUSIVE FINANCE

In recent years, the government of Honduras has implemented several regulations, a number of which are highlighted below, that set the foundation for further women's financial inclusion through digital and non-digital channels.

Among the poorest countries in the Western Hemisphere, Honduras conveys a sense of how AFI members can shape an enabling environment for improved women's financial inclusion and join a handful of pioneering countries on gender data even in a challenging context.

DIGITAL FINANCIAL SERVICES REGULATION

Formed in 2014, Tigo Money was the first and is one of the largest e-money providers. Signing up for Tigo Money requires a registered Tigo SIM card, but payments can be made and received through USSD technology, authorized Tigo Money agents, website, or smartphone applications. Tigo has a network of 4,200 agents around the country that allow users to cash in and out and conduct other transactions like remittance payments (through an agreement between Tigo and a local bank).

On the other hand, Tingo, the other major e-money provider, requires a smartphone application, which restricts the potential user base to those with a smartphone and mobile Internet connectivity and as thus is likely to build in a gender bias towards serving men from the start.



Female student with digital technology. (Djavan Rodriguez/iStock)

Without the availability of adequate sex-disaggregated data, it is not possible to have a fully expanded picture of this phenomenon. Nevertheless, as a bank-affiliated product, regular bank transactions, e-commerce payments, and remittances are all possible and clients can use the network of 1,340 agents and ATMs for cash in and cash out and other transactions. Each e-money provider has agreements with local banks to ensure interoperability between the e-wallet and bank account. However, Tingo and Tigo Money have yet to enter into an agreement to establish interoperability amongst themselves. In addition, neither Tigo Money nor Tingo have a specific focus on women, and as mentioned, due to the application-based nature of the services and smartphone and mobile Internet requirements, these solutions have not yet been to reach scale. If there were able to better serve the various women's market segments, they would be able to capture a significant business opportunity.

As new FinTech companies emerge in Honduras (including other e-wallet providers) there is an increasing need for full interoperability across the banking sector, rather than individual mutual agreements between the FinTech or e-money providers and banks. The country's Automatic Clearing House (ACH) allows for instant payments between and to bank accounts. But the industry stakeholders are discussing how to enable access to the ACH by other FinTech and mobile financial services stakeholders. This topic, in addition to open banking, are being discussed and studied at the Financial Innovation Table, which is run by the BCH and CNBS. There are also plans to establish a FinTech Law to better guide and regulate FinTech innovation and the sector at large.

In 2016, the Central Bank of Honduras implemented regulation around agency banking and mobile money: the Acuerdo No. 01/2016 further defines and regulates the industry. CNBS is responsible for implementing the regulation but should play a more active role in promoting the growth of an agent network that reaches all corners of the country.

As a channel, agency banking in Honduras has seen rapid expansion; however, on its own, it is unlikely to drive uptake of formal financial services by women.³⁵ Acuerdo No. 01/2016 defines two players in the mobile money distribution network – agencies and authorized transactional centers (ATCs) – which are regulated by CNBS.³⁶ Agencies in Honduras are what other markets consider super-agents: they have the ability to own a network of ATCs. Honduran ATCs must be formal businesses and CNBS requires full documentation on

selected agents, which means small, unregistered merchants are immediately excluded from acting as mobile money agents. This limits the ability to reach customers, particularly women, in rural areas and benefit from the convenience of mobile money.³⁷ Banking agents have seen rapid expansion, but they do not constitute an infrastructure that promotes (women's) financial inclusion. Banking agents are exclusive to just one bank contracting their services, are deployed principally for cost-saving purposes, and are mostly present in already-served urban areas. Addressing some of these limitations to the current agent set up would be beneficial to increasing women's access.

Honduran financial regulation has established a tiered KYC system. The country's Basic Account (Cuenta Básica) was introduced to increase access to bank accounts, especially in the context of social transfer programs; the account opening process requires minimal documentation, excluding verification of residence. This makes the accounts particularly accessible to women, who tend to struggle with onerous documentation requirements due to lack of availability of documents, knowledge, understanding, and time. E-wallets are also simple to register: all one needs is a mobile number/SIM card and national photo ID, which can be uploaded through the mobile application. It is important to note that about 98 percent of adults in Honduras have a national ID, so this should not be a barrier to women's financial access, although access to a smartphone might be more of a barrier.³⁸ Business accounts are not accessible to unregistered micro- and small- businesses: a tax ID (or RTN, Registro Tributario Nacional Numérico) is required to open an account. However, there are several reasons women tend to not register their businesses, including avoiding higher taxes as well as the time and hassle of getting to one of the five RTN centers in the country. Simplifying the business registration process and lowering the cost burden to the smallest businesses could increase the number of women who register their businesses.

35 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

36 Global System for Mobile Communications. 2016. Regulation in El Salvador and Honduras: On the Brink of Enabling. Available at: <https://www.gsma.com/mobilefordevelopment/country/honduras/regulation-in-el-salvador-and-honduras-on-the-brink-of-enabling/>

37 Ibid.

38 United States Agency for International Development (USAID). 2017. The Ecosystem for Digital Finance and Financial Inclusion in Honduras. Market Landscape and Analysis. PPT.

TRADITIONAL BANKING REGULATIONS

CNBS considers consumer protection a critical element of financial inclusion and has dedicated resources to ensuring transparency and avenues for recourse. CNBS established an internal Office of Financial User Protection (Gerencia de Protección al Usuario Financiero or GPUF), which is responsible for ensuring transparency and respect for the rights of financial users as well as promoting financial education among citizens.³⁹

GPUF hosts a portal that provides information on interest rates, benefits, and requirements of products and services offered by banks and other financial institutions. CNBS approved the mandatory national regulatory framework that includes rules for transparency, financial culture, and attention to the financial user.⁴⁰ Nevertheless, there is still work to be done to ensure consistency throughout the entire sector (including cooperatives) and to raise awareness of consumer protection recourse mechanisms. Wider dissemination of information about client protection mechanisms and how to use them is being integrated into the country's financial education efforts, described below. Continuing to promote consumer protection awareness and to strengthen the mechanisms can raise trust levels among women and lead to increased women's financial inclusion.

The government of Honduras has long since formalized a strategy to strengthen the micro and small enterprise sector. In 2008, the government published a law outlining the public plan for the promotion and development of the MSMEs sector.⁴¹

However, the law lacks specificity and focus on women. For example, there is no national definition of a women-owned MSME (WMSME), and therefore collecting data on them is challenging. The current government is petitioning for modification and compliance with the law, but mostly with the lens of supporting MSMEs to recoup losses and recover from the pandemic, still with no explicit focus on women.⁴² Separately, CNBS formed an alliance with Ciudad Mujer on the empowerment and development of women-owned businesses (activities which were since moved to SENPRENDE) and the

Commission also collaborates with the Chamber of Commerce and Industry on MSMEs development, with an explicit focus on women. So, while the government has programs to support WMSMEs, there is no national coordinated strategy or effort focused on this segment specifically. Developing a WMSME action plan presents a great opportunity to better coordinate and focus activities on supporting women and their businesses.

Financial service providers do not disaggregate MSME customers by sex, which means CNBS, or any other stakeholder cannot collect and report on financial access and usage of WMSMEs. CNBS recognizes this as problematic and is working on a solution to be implemented at the beginning of 2023 to enable the industry to better assess how it is serving WMSMEs and what gaps exist.⁴³

When it comes to access to credit by women and WMSMEs, lack of collateral is the main challenge and may explain why only eight percent of women have a loan from a financial institution.⁴⁴

43%

43 percent of all informal businesses, 41 percent of medium and large businesses and 38 percent of micro and small businesses report lack of collateral as the main reason for not obtaining a loan.⁴⁵

39 Banhcafe. Comisión nacional de bancos y seguros (CNBS). Available at: <https://www.banhcafe.hn/usuario-financiero/comision-nacional-de-bancos-y-seguros-cnbs/>

40 Comisión Nacional de Bancos y Seguros. 2012. Circular CNBS No. 140/2012. Available at: https://www.cnbs.gob.hn/files/circulares/CNBS2012/C140_2012.pdf

41 Secretaría de Desarrollo Económico (SDE). 2017. Ley para el Desarrollo de la Competitividad de la Micro, Pequeña y Mediana Empresa. Available at: <https://sde.gob.hn/wp-content/uploads/2017/07/LEY-PARA-EL-FOMENTO-DE-DESARROLLO-DE-LA-COMPETITIVIDAD-DE-LA-MICRO-PEQUE%C3%91A-Y-MEDIANA-EMPRESA-1.pdf>

42 La Prensa. 2022. Ley para el Fomento y Desarrollo demandan las mipymes. Available at: <https://www.laprensa.hn/premium/ley-fomento-desarrollo-demandan-mipymes-honduras-FC4576106>

43 More on sex-disaggregated data and CNBS' efforts are included in the following section.

44 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>

45 Consejo Hondureño de la Empresa Privada and International Labour Organization. 2017. Encuesta empresarial de honduras 2017: Análisis de resultados & ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

In 2010, the Honduran government established a law around movable collateral as well as a national registry, which allows Hondurans to register assets like cars and jewelry to be used as loan collateral.⁴⁶ As loan rates to women are still very low, there is an opportunity to raise awareness of the moveable collateral registry and increase its effectiveness so as to increase women's access to finance.

Credit bureaus are also essential to women's access to credit as they enable women to build credit history and financial institutions to offer terms that reflect the actual (lower) risk of women having access to credit instead of the perceived risk. CNBS has a central credit registry, but only covers loans that are USD 200 and above and is only updated at the end of the month.⁴⁷ This is a source of sex-disaggregated data on current borrowing patterns that is readily available and has allowed CNBS to document consistent gender differences in loan sizes, interest rates, and non-performing loans. Importantly, the data reveals that despite notably lower non-performing loans, women pay higher interest rates than men, due to inherit bias in the system against women and lower-income customers, regardless of their ability to pay.

There is an opportunity to better sensitize credit providers to the benefits of serving the women's market segments better. They can have better diversification of their loan portfolio and an increased repayment rate, thus increasing the stability of the sector. This public credit registry is complemented by two private sector credit bureaus.

46 Camara de Comercio e Industrias de Tegucigalpa. 2010. Ley de Garantías Mobiliarias. Available at: https://www.ccit.hn/_files/ugd/7ccb0d_31ef38e4ea7b499b8992920a1cf25205.pdf

47 Center For Financial Inclusion. 2011. Client Protection in Honduras. Available at: <https://www.centerforfinancialinclusion.org/client-protection-in-honduras>



Sunday market in La Esperanza. (giovannibussu/iStock)

INTERNAL ALIGNMENT AND ACTIVE PROMOTION OF A VIBRANT ECOSYSTEM FOR GENDER INCLUSIVE FINANCE

Beyond regulation, key stakeholders and regulators in Honduras need to coordinate to promote a supportive environment for women's financial inclusion by aligning and coordinating internally, collecting and reporting sex-disaggregated data, promoting women's financial literacy and understanding, digitizing Government-to-Person (G2P) payments, and encouraging FinTech innovation.

Internal alignment around the importance of GIF and coordination between the financial regulators on initiatives in place is essential to implement national GIF efforts. The Women's Financial Inclusion Plan established the creation of a National Women's Committee, which consists of members of Superintendents and Managers and Directors of CNBS.⁴⁸ The National Women's Committee is tasked with implementation of the Plan. To align internally, CNBS launched an internal communications campaign with informative materials on GIF and conducted a training on gender equality, the state of GIF, and regulatory best practices to increase women's financial inclusion with personnel of CNBS.

Sex-disaggregated data is central to CNBS' 2019 Women's Financial Inclusion Plan and the Commission has made notable progress on data collection, aggregation, and reporting. CNBS developed a process to collect anonymized sex-disaggregated data from commercial banks via the CEPROBAN (Centro de Procesamiento Interbancario) processing center for interbank transactions, jointly owned by AHIBA members. CNBS had provided an important impetus for the usability of supply-side sex-disaggregated data by aiming for collection of anonymized data at the level of individual clients. A step taken only by few pioneering regulators, so far, CNBS plans would permit to move from reporting on numbers of accounts to identifying unique clients across the financial system – and thereby to a true picture of formal financial inclusion, made available regularly by supply-side (sex-disaggregated)

data. For its two annual publications that share insights from supply-side sex-disaggregated data (one Financial Inclusion Report and a Gender Gap Report), CNBS up until now had to still extrapolate from account-level data, however, as a solution that overcomes privacy concerns still needs to find the agreement of Honduran banks.

CNBS is working on an electronic financial inclusion information system for reporting to be rolled-out in the coming year. As a result, regulated FSPS will be required to report a greater range of customer-level sex-disaggregated data points, enabling the industry to better understand women's financial access and usage. It is important to note, however, that formal providers (non-deposit taking MFIs and financial cooperatives) that are not regulated by CNBS, but account for about a third of clients, are not part of the national sex-disaggregated data reporting and aggregating.

Furthermore, there is a lack of demand-side data in Honduras, beyond that published every three years by the Findex, which means the extent of women's exclusion and the barriers preventing access and usage are less known. To solve this, CNBS has worked to incorporate a financial inclusion section with sex-disaggregated indicators in the national Permanent Survey of Multi-Purpose Households (EPHPM).^{49,50} It will also be important that CNBS solves the lack of data on WMSMEs' access and usage of financial services, specifically by establishing a national definition, including a definition for women-owned and -led MSMEs, assisting financial institutions to track gender across their business customers, and requiring the reporting of that data. Whilst national level household and SME surveys are expensive and time consuming, they do provide excellent granular level data which is highly beneficial for evidence-based policy making.

Beyond gender-focused data, CNBS considers financial literacy a critical element to women's financial inclusion and the regulator implements several financial education initiatives in collaboration with other industry stakeholders.

48 Comisión Nacional de Bancos y Seguros. Available: <https://www.cnbs.gob.hn/>

49 The financial section of the EPHPM has not yet been implemented and remains on standby, largely due to the pandemic and natural disasters of the past two years.

50 Instituto Nacional de Estadística Honduras. 2022. Encuesta Permanente de Hogares de Propósitos Múltiples. Available at: <https://www.ine.gob.hn/V3/ephpm/>

Under the first year of the 2019 Women's Financial Inclusion Plan, in partnership with the Toronto Center, several financial education initiatives were launched including:

- > a month of in-person educational activities for youth and adults
- > training of trainers for staff from the Ministry of Development & Social Inclusion, Ciudad Mujer, and other government entities
- > an agreement to train more than 150,000 employees of the Honduran Association for Factory Workers

In 2016, CNBS signed an agreement with Sparkassen Foundation to improve the financial capabilities of Hondurans, with a focus on rural women and women business owners. Together they have launched several initiatives including a course tailored for WMSMEs on separating business from personal finances and access to banking products and services.

Recently, CNBS has started to play a more active role in promoting awareness and action on women's financial inclusion throughout the ecosystem. At the start of the national WFIP, CNBS identified within the financial system the key players to successfully implement GIF efforts and what existing initiatives are making an impact on women's access and usage.⁵¹ CNBS later launched "Women's Financial Inclusion Conversations" with the banking sector as well as more in-depth meetings with regulated financial institutions and public sector players to present the WFIP and discuss execution.⁵² However, while the intent was to generate awareness and action around women's financial access and usage, actions thus far have mostly focused on sex-disaggregated data. Implementation of the plan was also initially halted due to the pandemic and the inability to continue with in-person meetings and conventions.

CNBS plays an active role in promoting awareness of women's financial inclusion and the financial opportunity among the private sector. As part of the Women's Financial Inclusion Plan, CNBS regularly meets with FSPs to garner interest and action and has participated in several gender-related peer learning opportunities, including the Financial Alliance for Women's All-Stars Academy and the IFC/Norfund Sustainable Banking Initiative at AHIBA. Nevertheless, the growing interest among FSPs in the women's market is driven by FSP management gender specific technical assistance and funding from international donors (such as the Interamerican Development Bank or IDB, IDB Invest, and IFC) and exposure to use cases and success stories from peers in the region by way of the All-Stars

Academy and participation in the Financial Alliance for Women.⁵³

Except for two leading FSPs, the majority of Honduran FSPs do not consider unbanked women customers to be aligned with their priorities or business models and instead continue to focus on banked women. Furthermore, only three out of 15 banks have clear focus on WMSMEs, which should be a key target group of national financial inclusion efforts.⁵⁴ CNBS can play a more active role in sensitizing and enabling the private sector to implement specific solutions tailored to women, including using financial incentives like a capital guarantee fund to direct private sector investment in the women's market.

Financial technology and innovation have been on the rise in Honduras, although most solutions focus on payments and transfers and there have yet to emerge products and services that target women. In 2019, CNBS established with the IDB a FinTech and Technical Innovation Committee of key stakeholders to promote regulatory and supervisory innovation, with an approach on increasing financial inclusion.⁵⁵ The BCH and CNBS' Financial Innovation Table events (previously mentioned) have resulted in creating a Honduran FinTech association, which allows for the collective power of established FinTechs. However, it is believed that regulation needs to be improved to support the entrance of new FinTech players, especially to encourage the innovation of solutions beyond payments and transfers. To better reach women, FinTechs will need to be intentional about how their business models overcome women's limited access to finance and digital services, including smartphone ownership and Internet connectivity. With a comparably small market, Honduras may face a comparative uphill challenge in attracting or generating FinTechs that address financial inclusion. The forum provided by the Mesa in this sense has helped catalyze such development well above what could otherwise have been expected.

51 Comisión Nacional de Bancos y Seguros. Available: <https://www.cnbs.gob.hn/>

52 Comisión Nacional de Bancos y Seguros. 2019. Actividades que la CNBS ha realizado de acuerdo al plan de Inclusión Financiera de las Mujeres en Honduras. Available at: <https://gpuf.cnbs.gob.hn/blog/2020/01/24/actividades-que-la-cnbs-ha-realizado-de-acuerdo-al-plan-de-inclusion-financiera-de-las-mujeres-en-honduras/>

53 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf

54 Ibid.

55 Comisión Nacional de Bancos y Seguros. Available: <https://www.cnbs.gob.hn/>

Digitizing government payments, including social support programs, is seen as an avenue to increased financial access, especially if the payments are made directly to an individual's bank account. In 2015, as part of the NFIS, Honduras launched its Cuenta Básica deposit accounts, which are provided by five local banks with reduced KYC and no maintenance fees. Digitization of the government's conditional cash transfers was a primary goal of the introduction of these accounts. As of 2021, there were 405,334 registered Cuenta Básica accounts, an increase of 10 percent from 2020.⁵⁶ However, data suggests most accounts are inactive, mostly used for immediate cash out (the average account balance sits at USD 4.68).⁵⁷ The government has a new pilot program to digitize G2P payments and it is believed that the program will be mainstreamed in the coming years. As in other AFI member countries, though, for DFS to lead to sustained financial inclusion, the digitization of ubiquitous everyday use cases for payments at small retail merchants is likely required as a complement.

These initiatives have created an enabling environment for increased women's financial inclusion. However, more could be done to ensure the flow of capital to women and women-led businesses, support financial institutions to design strategies and offerings tailored to specific women segments and promote internal gender diversity across the financial services sector.

56 Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>

57 ConsumerCentrix (CCX) and Women's Financial Inclusion Data (WFID). 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Honduras. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Honduras.pdf



Group of female and male friends using smartphones. (Djavan Rodriguez/iStock)

WOMEN'S ECONOMIC PARTICIPATION, INCLUSION, ENTREPRENEURSHIP, AND THE BROADER ENVIRONMENT

The Honduran financial regulator has played a notable role in implementing regulations and initiatives that promote gender inclusive finance and women's financial inclusion. However, to fully understand the nuances around women's financial access, usage, and the lack thereof, one must understand women's role in the economy and society.

Overall, Honduran women have less opportunities to complete their education than men and women in other peer countries and they mostly work in the informal sector, frequently being self-employed. These factors are not necessarily barriers to financial access and usage but are important to understand in order to design regulatory policies and products and services that effectively meet women's needs.

48%

Honduran women's labor force participation rate is significantly lower than that of men (48 percent versus 75 percent, respectively) and it is lower than the low-middle income AFI peer country average of 51 percent.

43%

Most working women reside in the informal sector (81 percent) and there is a strong reliance on self-employment (43 percent of all women).⁵⁸

This is largely due to cultural expectations of women to uphold household and care responsibilities, which some women can manage in conjunction with informal income-generating activities.

Women's role in the microenterprise sector is significant but women MSMEs struggle to operate in a male-dominated society. Women account for 52 percent of non-agricultural MSMEs, representing

66,632 in total.⁵⁹ Most women-owned businesses are micro in size, but the wide majority are profitably run, formally registered (76 percent) and operated outside of the home (84 percent).⁶⁰ Women business owners struggle to operate on an even playing field in a persistently machismo environment, which affects their relationships with vendors, suppliers, and peers. Women are often discounted in their business role and not taken seriously or treated equally. Women-led businesses also report business licenses, labor regulations, and corruption as greater obstacles than men.⁶¹ Women have ambitious goals for their businesses but are being held back by structural barriers and negative social and cultural norms.

Women's attainment of tertiary education in Honduras has increased two-fold since 2000; however still, on average, women's educational attainment is one and a half to two years less than peer countries.⁶² This is largely due to poverty and cultural norms that expect women to uphold household and care responsibilities, even from an early age. Women in rural areas are especially disadvantaged, with only six years of schooling compared to nine years in urban areas.⁶³

33%

Women's lower access to education and financial literacy is a significant obstacle to financial inclusion, both digital and non-digital: only a third of women with primary education own a bank account, versus 83 percent of women with post-secondary education.⁶⁴

This goes to show that government investment in education and tackling restrictive social and cultural norms will likely translate to increased financial inclusion over time.

58 Ibid.

59 Ibid.

60 Ibid.

61 Ibid.

62 Ibid.

63 Ibid.

64 Ibid.

SOCIAL AND GENDER NORMS

The Honduran legal system does not explicitly restrict women in their work, family, or society, however social norms and widespread violence make life harder for women. Gender-based violence (GBV) have been prevalent in Honduras, despite a law protecting women from domestic abuse and several national action plans. High levels of gang-related and criminal violence affect women's ability to safely travel outside of their home and access financial institutions in both urban and rural areas.

Similarly, the Honduran law (Ley de Igualdad de Oportunidades para la Mujer) prohibits discrimination in access to credit based on gender, but, in practice, interest rates for women are 1.9 to 2.9 percentage points higher than those for men, depending on the type of financial institution.⁶⁵

This is despite women's lower non-performing loan rates, as proven by data published by CNBS and may be suggestive of gender bias embedded in the financial system.⁶⁶ Addressing this will be an significant areas of opportunity for increasing women's access to credit and reducing the existing credit gap.

CNBS can leverage its role in the financial ecosystem to advocate for increased women's educational attainment, invest in and support women entrepreneurs and business owners, and use its voice to bring the ecosystem together to stand for women's safety and equality. This is outside of the mandate of the regulator but an area where they can bring positive influence.

65 Comisión Nacional de Bancos y Seguros. 2021. Informe De Brecha De Género En El Sistema Financiero De Honduras. Available at: https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Informe_Brecha_de_Genero_Mayo2021-1.pdf

66 Comisión Nacional de Bancos y Seguros. 2021. Reporte de Inclusión Financiera en Honduras. Available at: <https://www.cnbs.gob.hn/wp-content/uploads/2021/05/Reporte-de-Inclusion-Financiera-2021.pdf>



Female stallholder. (XiFotos/iStock)

FUTURE OUTLOOK

Honduras is due for a new NFIS that must mainstream gender objectives and set targets around women's financial access and usage. The NFIS should clearly define the role of CNBS as the leader of the strategy and inclusion efforts and the governance structures that intended to be established as part of the 2015 NFIS and 2019 WFIP should be established.

There needs to be mechanisms for coordination between the FSPs and the regulator, which could include industry working groups or direct contact between CNBS and the managers of financial inclusion within each FSP. CNBS can play a role in raising private sector awareness of the strategic relevance and attractiveness of the women's market and how to effectively address it and promote advancements in internal gender diversity and inclusion across the banking sector.

For DFS to expand and provide an avenue for increased women's financial inclusion in Honduras, there needs to be focus on awareness, digital literacy, Internet affordability, and the entrance of new solutions that are intentional about how they reach women. Open banking and full interoperability will support the financial ecosystem to communicate smoothly and seamlessly serve customers. A growing sector of textile exporters with large female workforces also holds further opportunities for inclusion in the form of wage digitization efforts seen in South and Southeast Asia.

CNBS is already working on sex-disaggregated data, which will be important to the bigger picture of data-driven policy and quantifying the business case for GIF. CNBS should continue working on the collection of sex-disaggregated data at the individual-level and MSMEs. Developing a national level definition for a woman-owned or -led MSME is also needed. Collection of household financial data will help understand the demand side barriers and gaps.

Women's lower opportunities to gain proper financial literacy and education are serious obstacles to their financial inclusion, both digital and traditional. Private and public sector players have implemented solutions like mobile apps for budgeting and financial management, but their reach has been limited thus

far. In general, the sector should collaborate to deploy widespread financial education messaging and tools tailored to the financial and digital literacy gaps of women and unbanked individuals. Furthermore, high level of violence and crime in Honduras serve as additional barriers to women's access of traditional banking services and support the need for accessible digital solutions.

However, despite these challenges, there is a strong desire from the regulator to drive forward progress not only with the institutions under their direct supervision but across the whole financial sector. The regulator is in a unique position to bring stakeholders together and coordinate national financial inclusion efforts to ensure all women in Honduras can reach their full economic potential in a safe and sustainable manner.

ACRONYMS

AFI	Alliance for Financial Inclusion
AHIBA	Asociación Hondureña de Instituciones Bancarias
ATC	Authorized Transactional Centers
BCH	Banco Central de Honduras Inicio
CNBS	Comisión Nacional de Bancos y Seguros
CONATEL	Comision Nacional de Telecomunicaciones
CONSUCOOP	Consejo Nacional Supervisor de Cooperativas
DFS	Digital Financial Services
EPHPM	Encuesta Permanente de Hogares de Propósitos Múltiples
FACACH	Federación de Cooperativas de Ahorro y Crédito de Honduras Ltda.
G2P	Government to Person
GIF	Gender Inclusive Finance
GPUF	Gerencia de Protección al Usuario Financiero
IDB	Interamerican Development Bank
IFC	International Finance Coporation
INDEL	Instituciones No Bancarias de Dinero Electrónico
INAM	Instituto Nacional de la Mujer
INE	Instituto Nacional de Estadística
MFI	Microfinance Institutions
NFIS	National Financial Inclusion Strategies
OPDF	Organización Privada de Desarrollo Financiero
REDMICROH	La Red de Microfinancieras de Honduras
RNP	Registro Nacional de las Personas
RTN	Registro Tributario Nacional Numérico
SDG	Sustainable Development Goals
SENPRENDE	Servicio Nacional de Emprendimiento y de Pequeños Negocios
WMSME	Women-owned Micro, Small, and Medium Enterprise

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