Risk-Based Supervision for Inclusive Digital Financial Services

TRANSCRIPT: Using Gender-Disaggregated Data

DFS supervisors collect a wealth of data to build indicators that support a range of analyses for prudential and conduct supervision. The data is also used to monitor financial inclusion. Such data is collected via regulatory reports sent periodically by financial services providers. Unfortunately, this data often lacks a gender dimension, which means it is not gender-disaggregated. And, even when part of this data is gender-disaggregated, supervisors often fail to make full use of the gender dimension in their analyses.

Not taking gender into consideration limits the ability of DFS supervisors in several ways. Gender-blind supervisors are less likely to identify specific risks that financial services providers face, have less understanding of customer vulnerabilities, and are unable to fully explore financial inclusion gaps. Ultimately, data that is not gender disaggregated limits the ability of supervisors to find the right solutions.

Gender-disaggregated data is data that is collected and analysed with the intention of identifying differences across males, females, and non-binary genders. The main sources of gender-disaggregated data are the regulatory returns that financial services providers send periodically to supervisors. Many of the datasets in these traditional regulatory returns, such as those on credit, deposits, payments, insurance, and pensions, could include gender variables.

Supervisors in Mexico and Rwanda are seen as leaders in this area, as they are already collecting gender-disaggregated data and performing rich gender-informed analysis for financial inclusion.

How do Supervisors Gain Access to Gender-Disaggregated Data?

The first step is to get the financial services providers themselves to collect this data from their customers, using the following methods:

- **Visual assessment**, where a staff member or an automated facial recognition AI system makes a visual assessment about an individual's gender.
- **ID-based assessment**, where a staff member or an automated system records the gender indicated on the individual's official ID.
- **Self-reported assessment**, where the individual confirms their gender directly with a staff member, or selects it when completing a form or registering for a platform.

If they have chosen to do a visual or self-reported assessment, the financial services provider can validate given gender information with the national ID database. However, it is important to note that not all FSPs can access national ID systems, and some ID systems only have sex-at-birth data, rather than gender. This means that the information recorded on the ID system may conflict with the information produced via visual assessment and self-reporting.

The second step is for supervisors to gain access to the gender-disaggregated data held by the financial services providers. There are a few ways to obtain this information.

For aggregated data, supervisors need to use the **direct method**, which requires the FSPs to fill out a gender data field in the reporting template.

For disaggregated data, there are two methods:
First, the **indirect method**, when financial services providers do not report the gender variable but report another variable like the ID number. The ID number is used by supervisory authorities to collect gender and other demographics in another database, such as the national ID database.

An example of this is the Central Bank of Brazil. The Central Bank collects each customer's tax number and accesses other variables about each client when needed from external databases, including tax authority and the Ministry of Social Development.

Second, the **inference method**. This is when the individual's name or ID number is used to infer their gender.

The National Bank of Rwanda collects the customer ID for a range of datasets including granular account data. In many countries, including Rwanda and Malaysia, part of the ID number indicates whether a person is recorded as male or female.

Scope of Data Collection

Although customer gender data is usually the main focus for supervisors and regulatory reports, the genders of other subjects in digital finance are also relevant. The gender of investors, credit guarantors, FSP employees, agents, insurance intermediaries, and even board members also provide key insights into financial inclusion and the current digital finance environment.

The Brazilian securities regulator, for instance, collects gender information about retail investors to identify and report high-level market trends.

It is also important to recognise that gender is no longer considered a binary option of sex-assigned-at birth: female or male, or woman or man. Gender is much broader than that and supervisory authorities should strive to include more options such as 'other' in their categorisation and reporting.

The State Bank of Pakistan includes a category for 'other gender' for some datasets, and Colombia is starting to collect data about 'other' genders, in addition to 'woman' or 'man' for its ID system.

Is Gender-Disaggregated Data Enough?

It must be said that gender disaggregation alone is not sufficient for truly rich analysis. The volume of data available about customers is greater and more granular than ever before. Analysing additional demographics is crucial to understanding and improving financial inclusion, as different groups within gender classifications experience unique challenges and opportunities. These groups vary in their financial behaviour according to other characteristics, such as age, income, geographic locations, education, and employment status. As a supervisor, it is important that you know how these additional demographics may impact your analyses. Wherever possible, you should include these demographic details in your regulatory returns to further financial inclusion.