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FINANCIAL INNOVATION, GENDER, AND CREDIT ACCESS: EVIDENCE FROM GHANAIAN MICROENTERPRISES

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Small businesses in developing countries often face significant barriers to accessing credit and financial services, with women-owned enterprises experiencing even greater challenges. These businesses tend to be smaller, have limited credit histories, and often operate on a cash basis, making financial documentation difficult. Recent innovations, particularly the rise of mobile money, have transformed financial landscapes across Africa. In Ghana, mobile money adoption has surged, driven by smartphone penetration, supportive regulation, and widespread agent networks. This paper investigates whether mobile money serves as a substitute or complement to traditional banking services for small enterprises. While mobile money can function independently of bank accounts, integration with formal banking may enhance financial inclusion. We explore three key questions: (1) Are there gender-based differences in mobile money usage among entrepreneurs? (2) Does mobile money usage influence engagement with traditional financial services? (3) What impact does access to formal financial services have on the performance of women-owned businesses? Preliminary evidence suggests that women in Ghana lag men in adopting digital financial technologies, potentially exacerbating existing inequalities. However, policy efforts aimed at closing the gender gap in financial access may be amplified by mobile money innovations. Understanding whether these technologies empower women entrepreneurs or reinforce existing barriers is critical for designing inclusive financial systems. This paper uses data from the World Bank Enterprise Surveys. Microenterprises, those businesses with 1-4 employees were surveyed in Ghana in 2024. A unique aspect of this paper is that it is focused on very small businesses, it makes a good sample for understanding the degree of financial inclusion among the most disadvantaged in Ghana. To determine the effect of gender and financial innovation of credit access, this paper uses descriptive statistics and probit analysis. Of the firms surveyed, approximately a third had female ownership. Mobile money was used by 90% of businesses, which women owned businesses using it slightly more frequently than businesses owned by men. Despite this widespread use of mobile money, the use of loans from *traditional financial institutions are much more limited. Only 16% of female owned businesses had a line of credit or a loan from a bank. However, the percentage of male owned businesses that had loans was even lower at 12.5%. These small firms are to a great extent unlinked to the traditional financial sector and this delinking does not appear to be related to gender.*

The goal of this paper is to further our understanding of the role of financial innovation, gender and access to credit. The adoption of mobile money is remarkable in its speed and scale. However, the preliminary evidence does not show a widespread adoption of credit from traditional financial institutions. The results suggest that targeted efforts are needed to help small businesses access formal financial services.

Keywords: Financial Innovation, Mobile Money, Women Owned Business, Access to Credit