



Institutional Norms & Practices

Low digital capability of financial institutions

This barrier refers to the limited ability of financial institutions to adopt and effectively use technology due to outdated systems, low investment, and gaps in technical capacity. **These constraints slow innovation, increase the cost of service delivery, and limit the use of data to design customer-centered solutions.** Women are more likely to rely on innovative, accessible, and tailored financial services and are therefore disproportionately disadvantaged by products that fail to meet their needs.

Why is this barrier important?

Modernizing systems and leveraging data more effectively for digital transformation will enable financial institutions to expand their reach, enhance efficiency, and deliver more personalized services. Women are disproportionately affected when institutions cannot implement user-friendly platforms, offer digital financial literacy content, or provide reliable support through digital channels. Strengthening institutional digital capabilities is crucial to reaching women at scale and delivering tailored, cost-effective solutions that improve inclusion and resilience.

Connected Barriers



Digital & Physical Infrastructure

Lack of diversity in distribution channels



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Lack of strategic focus on women



Product & Market Design

Poor user interface & navigability

Low utilization of gender-disaggregated data (GDD)

Low scalability of products



Policy & Regulation

Policies that discourage healthy financial sector competition

Lack of gender-intentional NFIS

Most Relevant Segments

1

Excluded, marginalized

2

Excluded, high potential

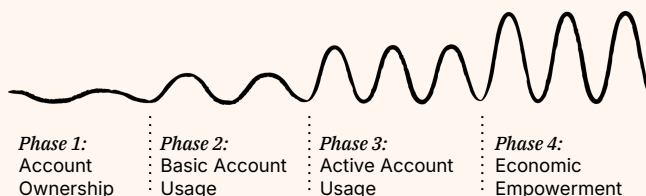
3

Included, underserved

4

Included Not underserved

Customer Journey Relevance





Key evidence relevant to this barrier

Financial institutions face structural and financial barriers to digital transformation.

Many financial institutions struggle to modernize due to high costs, legacy systems, and competing priorities that limit investment in innovation. These structural constraints slow the adoption of new technologies and reduce institutions' ability to keep pace with growing demand for digital financial services.

- Since the global financial crisis, banks have deprioritized digital innovation, focusing instead on regulatory compliance and repairing balance sheets. As a result, they have struggled to meet the rising demand for digital services, creating space for fintechs and big techs to lead the delivery of modern financial solutions. ([Liu, 2021](#))
- Outdated legacy systems, high initial investment costs, and weak balance sheets have significantly hindered banks' ability to embrace digital transformation. Despite efforts to modernize, many banks remain constrained. ([Liu, 2021](#))
- A World Bank report argues that adopting a new technology may involve not only R&D but also investment in physical machinery, training, and upgrading management skills. Financial institutions may not know how to leverage technology due to the absence of these critical complementarities. ([World Bank, 2017](#))
- A 2025 survey of financial services providers found that many institutions face budget constraints that limit their ability to leverage technology effectively. As a result, they struggle to optimize digital tools and support customer adoption, particularly among women, who may have limited access to digital financial services. (Women's World Banking, 2025)

Gaps in technical capacity and organizational readiness hinder effective use of technology.

Institutions often lack the skilled staff, data systems, and internal alignment needed to leverage technology effectively. Organizational resistance to change and weak data infrastructure further limit the ability to design, deliver, and scale customer-centered digital solutions.

- Many microfinance institutions still operate on outdated, low-tech models with heavy reliance on manual processes, limiting their ability to scale and digitize. Poorly organized customer data further hampers efforts to adopt digital solutions and personalize services. To remain competitive, these institutions must modernize their systems and leverage data more effectively for digital transformation. ([Accion, 2021](#))
- Traditional microfinance providers often face barriers to digital transformation due to difficulty attracting and retaining technical talent. Additionally, deep-rooted institutional cultures resistant to change hinder their ability to adapt to the fast-paced, innovation-driven environment of digitally native financial firms. These challenges slow the progress toward more efficient, technology-enabled service delivery. ([Accion, 2021](#))

Emerging technologies create both opportunities and risks without adequate capacity and oversight.

While technologies like AI and advanced analytics offer potential to improve services and efficiency, many institutions lack the expertise and governance frameworks needed to deploy them responsibly. Without intentional safeguards, adoption can introduce new risks, including poor decision-making, bias, and weakened consumer protection.

- The integration of AI technologies, such as machine learning, natural language processing, generative AI (GenAI), and advanced data analytics, offers financial institutions powerful



Key evidence relevant to this barrier

tools to optimize operations, improve customer experiences, design innovative products, and strengthen risk management. However, without adequate expertise, institutions and regulators risk relying too heavily on algorithmic outputs without applying critical human oversight. This can undermine consumer protection and increase systemic vulnerabilities, particularly if biases, errors, or opaque decision-making processes within AI systems go unchecked. ([CGAP, 2025](#))

- One study finds that women-centric projects led by the ten largest FSPs in a country are more likely to succeed, likely due to their stronger capacity, better infrastructure, skilled staff, and greater resources to invest in and deploy technology. ([Women's World Banking, 2025](#))
- While AI can significantly enhance operational efficiency, its implementation is constrained by several barriers. The most critical challenge is the absence of clear AI guidelines, which creates uncertainty around adoption. Other major obstacles include concerns over privacy and security, a lack of trust in AI-driven systems, and a shortage of skilled workers. ([Bansal et al., 2024](#))

clear milestones for upgrading legacy systems, digitizing manual processes, and improving data management.

- Strengthen internal digital skills and capacity through training for all staff on digital tools, data management, and digital channels for customer engagement.
- Create a task force involving multiple levels of seniority, from C-suite to the working-level, to monitor capacity development. Institutions working to increase their digital capabilities can monitor progress and pivot their strategy when interventions are not achieving their goals.
- Leverage partnerships such as industry alliances and knowledge-sharing networks to stay informed on best practices, cost-effective solutions, and emerging technologies.

FSPs must adopt a structured, organization-wide approach to build digital capacity and achieve sustainable transformation.

Financial institutions can strengthen their digital capabilities by combining clear strategic planning with targeted investments in skills, systems, and accountability. Coordinated efforts supported by internal leadership and external partnerships can help ensure that digital transformation is deliberate, measurable, and responsive to evolving customer and market needs. Recommendations include:

- Conduct an internal digital capability assessment to identify gaps in infrastructure, systems, and skills and develop a digital transformation roadmap. Include a phased modernization plan with