

A close-up photograph of a person's hands stitching a piece of light-colored fabric. The fabric is decorated with colorful floral and leaf patterns in shades of orange, green, and brown. The person is wearing a vibrant, patterned garment in shades of teal, pink, and purple. The background is slightly blurred, focusing attention on the hands and the stitching process.

BUSINESS HER OWN WAY

Creating Livelihoods Through
Informal Online Commerce

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EXECUTIVE SUMMARY

A **CROSS THE DEVELOPING WORLD, MILLIONS OF ENTREPRENEURS –** most of them women – are engaged in a hybrid form of e-commerce that enables them to make money from local businesses conducted through social media, selling anything from clothes to food to baby goats. A series of in-depth interviews by CGAP with online entrepreneurs in Bangladesh, Myanmar, and Pakistan has helped build a clearer picture of this largely hidden but significant form of digital commerce that runs parallel to formal e-commerce: a system known as *informal online commerce (IOC)*.

In traditional or formal e-commerce, the entire transaction, from matching buyers and sellers to determining payment mechanisms and customer service, happens on an e-commerce platform (think of Amazon). Since such platforms require sellers to have a registered business and a formal financial account, they are out of reach for many women with low incomes or who are socially or financially excluded.

IOC occurs when individuals and largely unregistered businesses sell goods over social and communication platforms, such as Facebook and WhatsApp, that mainly exist to facilitate social connections, not commerce. Predominantly women or women-owned businesses are engaged in this practice. Typically, IOC sellers connect with buyers on the platforms and conduct payments, delivery, and customer service elsewhere. It is a practice that emerged organically as women independently developed solutions for themselves and filled in gaps where traditional, formal products came up short. IOC has allowed them to pursue livelihoods and become empowered, often in the face of systemic and normative constraints.

CGAP research shows that this peer-to-peer, informal method of conducting business online appeals to many women—including low-income women—because of its low barriers to entry, the flexibility it gives them to earn income while managing household responsibilities, and the ability to customize every step of the transaction to fit their and their customers' needs.

An important dimension of this customizability is the ability to select a payment method that suits the seller and buyer. Whereas formal e-commerce platforms generally steer customers toward a particular type of electronic payment, IOC sellers are free to use whatever payment method suits them. Cash-on-delivery remains a popular payment method in contexts where women are financially excluded. However, for many women IOC is proving to be a valuable use case for digital wallets and other financial services.

Funders that are committed to women's economic empowerment and financial inclusion should view IOC as an opportunity to advance their goals. While formal e-commerce is growing rapidly and transforming many people's livelihoods, it is not accessible to many women. In our interviews, it was clear that IOC was an important part of many women's livelihoods and that,

for many, financial services became increasingly important tools as they progressed through their IOC journey. Moreover, IOC sellers are just one link in IOC value chains that are seemingly dominated by women. Supporting them may have cascading positive impacts down the chain.

Interventions to help women maximize the benefits of IOC should be based on a clear understanding of the different types of women who become IOC entrepreneurs, as they have different backgrounds, goals, and needs. In this report, we categorize them into six personas based on our interviews.



- **Digital newcomers** usually have some kind of traditional skill but are new to social media.
- **Unexpected social sellers** are adept at navigating social media platforms but begin (and then increase) selling in response to opportunity, rather than following an established plan.
- **Supplemental social sellers** are relatively advanced because they conduct IOC to supplement incomes from brick-and-mortar businesses.
- **Experimenting youth** combine family funds with their social media savvy to earn money while they complete their education or work toward careers.
- **Affluent entrepreneurs** are higher-income and educated, running larger businesses with the ability to handle risk.
- **Established converts** are older women with work or business experience, financial independence and high levels of skill and confidence.

IOC merits attention from funders because of its unique value proposition for small female entrepreneurs and their customers, its spillover effects on communities, and its impact on the livelihoods of low-income women. IOC gives women and their customers a clear motivation to first engage and over time deepen and broaden their usage of financial services. There are numerous ways that funders can support the development of IOC livelihood opportunities,

including incorporating IOC into their gender strategies, supporting further research, funding local organizations that can build the capacity of women in IOC, supporting policies that enable IOC, engaging with financial services providers to improve services for IOC sellers, and monitoring how social media platforms respond to the growing IOC phenomenon. Of course, it will also be important to research and monitor the potential risks of IOC for women.

While many communications and social media platforms see an opportunity to monetize IOC and are working to add e-commerce features to their platforms, essentially formalizing IOC, it is likely that IOC will persist given the low barriers to entry, flexibility, and customizability it offers to those prevented from engaging in formal e-commerce.

INTRODUCTION

E-COMMERCE CONDUCTED THROUGH PLATFORMS SUCH AS AMAZON, Taobao, and Jumia is rapidly transforming the way goods are bought and sold around the world, including in emerging markets.¹ In the type of digital commerce that is familiar to most people—what we refer to as *formal e-commerce*—a digital platform facilitates the entire e-commerce process, from matching supply and demand through to determining payment and fulfillment mechanisms. However, a parallel type of online commerce has emerged in which goods are bought and sold via social media platforms rather than on e-commerce platforms; we are calling this *informal online commerce* (IOC).

CGAP explored IOC by interviewing nearly 60 online entrepreneurs across Bangladesh, Myanmar, and Pakistan. The three countries were selected because each provided a unique angle. In Myanmar the internet is nearly synonymous with Facebook, making it an extreme example of rapid social media penetration. Pakistan has one of the largest gender divides in terms of both digital and financial inclusion. Bangladesh, a country with a strong entrepreneurial streak, presented a middle ground where women are increasingly joining the workforce. By looking at three different scenarios we were able to get a sense of the similarities and differences across contexts. We pursued a qualitative approach in order to be able to probe deeply into the nature of the businesses and women’s experiences, allowing us to appropriately define and categorize what we were witnessing. This is a necessary step to lay the foundation for any future quantitative research.

We found that individuals and unregistered businesses—predominantly women and women-owned enterprises—are selling goods in an unregulated manner over communication platforms, such as Facebook and WhatsApp, that mainly exist to facilitate social connections, not commerce.² **IOC could be characterized as e-commerce without the e-commerce platform.** This approach to online commerce is giving many women a compelling use case for digital financial services and creating the potential to further augment their livelihoods.

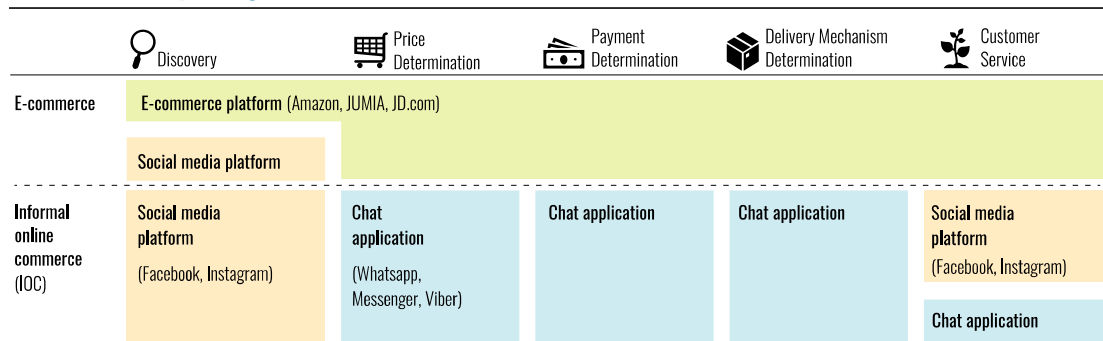
1 Taobao is a Chinese e-commerce website owned by the Alibaba Group.

2 Social commerce is superficially connected with IOC. IOC is distinct from social commerce in that IOC describes an end-to-end approach to conducting online commerce, while social commerce narrowly describes a customer engagement strategy using social media. The point of overlap is that IOC and social commerce rely on social media to engage with their customers. However, IOC goes further in describing how those engagements are converted into real world sales without the intervention of an e-commerce platform.

What is informal online commerce?

IOC differs from formal e-commerce in important ways at each step of the typical online commerce transaction (see Figure 1).³ While formal e-commerce platforms offer streamlined, end-to-end solutions that enable sellers to transact with customers at scale, IOC is essentially peer-to-peer and offers small-scale buyers and sellers greater flexibility to customize transactions to meet their needs. In other words, IOC is essentially human-centered while e-commerce offers standardized solutions that are built for scale. For this reason, IOC operates where formal e-commerce does not reach. Therefore, IOC and formal e-commerce differ on almost all the specifics of each step, largely due to their differing focus on volume and standardization.

FIGURE 1. **Comparing IOC and formal e-commerce**



DISCOVERY

Compared to formal e-commerce sellers, IOC sellers offer a more limited range of products sourced from a smaller range of informal suppliers. These sellers are often located in close proximity to their buyers. Unlike e-commerce sellers, IOC sellers offer these products through social media platforms, often Facebook, instead of through a dedicated and branded website. The products are not promoted or advertised in a traditional sense. Rather, IOC sellers display them in the groups set up for conducting commerce or advertise products within their personal networks on Facebook and WhatsApp. Not only is the product on display, so are the profiles and histories of the buyer and seller which can be investigated to ensure trustworthiness. This is not unlike how product reviews function in e-commerce.

PRICE DETERMINATION

In formal e-commerce, buyers click on a button inside the e-commerce platform to initiate a purchase. In IOC, however, once the buyer conveys their purchasing intention to the seller, the conversation generally moves to a chat application like WhatsApp or Facebook Messenger. Whereas in e-commerce, the price is fixed, haggling commences and there may be changes to aspects of the deal such as the item's features, price, or delivery conditions.

Sellers can be reticent about posting prices publicly on social platforms as pricing competition can be intense and buyers incur barely any switching costs. As a result, some sellers find their customers being "stolen" directly in the comments threads of "their" product posts.

³ CGAP research identified clothing sales, food, and cosmetics as the frequent focus of women's IOC engagement.

PAYMENT

This step differs greatly between the two approaches. In e-commerce, the means of payment is set by the platform and is generally an electronic payment. Cash on delivery (COD) is also an option on many platforms which the buyer can select at checkout, without the need for additional engagement with the seller off-platform.⁴ IOC on the other hand, leaves it to the buyers and sellers to sort out based on their respective circumstances.

COD, mobile money, and bank transfers were IOC payment options in each of the three countries we researched. However, COD was the most common, with electronic payments increasingly coming to the fore as payment systems develop.

“I don’t use mobile money because I just don’t feel comfortable going out . . . to do all the verifications, especially when I have to take my children. If someone wanted to use Jazz Cash, I would ask them to send it to my friend and she will put it into my bank account.”

—Samer, Pakistan

Particularly in emerging markets, buyers and sellers often lack a bank or electronic wallet through which to transmit or receive funds so the transaction defaults to cash. That is not the only reason why COD dominates. Buyers are often wary about purchasing online, and COD ensures they only hand over their funds when they have had a chance to receive and inspect the goods.

The best payment option depends on the situation and differs markedly between markets. Mobile money is attractive in Bangladesh where Bkash is pervasive.⁵ In Pakistan mobile money is complicated for female buyers as it contravenes prevalent social norms by necessitating an interaction with an agent who tends to be male. In Myanmar buyers report preferring mobile money but are put off by the fees they incur.

Despite these frictions, there are clear advantages to paying electronically before the seller dispatches the goods, such as in Myanmar, where up to a quarter of goods are rejected at the buyer’s doorstep. This is costly for sellers and adds to the pressure to conduct these transactions remotely and therefore, electronically. In Bangladesh bank transfers were sometimes preferred because women who did not have their own accounts could use their husband’s account to pay or receive funds. In

Pakistan buyers reported a certain prestige being attached to buying through internet banking as a marker of elevated status. Women, due to social norms, were prevented from visiting ATMs or branches where they might have to interact with males.

DELIVERY

Like payment, delivery under IOC occurs more informally and in a greater variety of ways than within the confines of an e-commerce platform. The seller generally determines how the product is to reach the buyer and a hiccup here will reflect poorly on the seller rather than a third-party platform.

⁴ Cash on Delivery (COD) is when a recipient pays for a good or service at the time of delivery.

⁵ Bkash is a mobile financial services firm operated as a subsidiary by BRAC Bank in Bangladesh.

We observed delivery methods ranging from local, informal options, where a family member is dispatched or an arrangement is made with a local delivery firm, to IOC sellers contracting with platform delivery services, to rare cases of international deliveries requiring shippers such as DHL.

IOC sellers frequently have special delivery requirements, such as needs around transporting perishable goods. Some sellers reported taking care of fulfillment themselves because of bad experiences with formal delivery companies spoiling the delivery and not taking responsibility.

While COVID-19 has been a boon to online transactions such as IOC, the attendant rise in demand for delivery services from formal e-commerce has raised the prices on IOC sellers, cutting into their margins and forcing them to pass these costs onto their customers.

CUSTOMER SERVICE

For the IOC seller, ensuring the buyer does not leave a negative comment in the group is crucial. These types of groups are interconnected, and any negative feedback can have an outside effect. In IOC the seller's online reputation is pivotal to the ability to sell. A negative comment in a crucial group (or market) can irrevocably poison a group that a seller has assiduously cultivated.

In e-commerce a range of near-automated customer services are generally available such as returns, exchanges, and refunds. These tend not to be possible within IOC without extensive re-engagement between buyers and sellers.

Related research

All three countries we investigated in depth hosted some form of IOC. Because of its informal nature, and diffusion over multiple platforms, IOC is hard to quantify globally but CGAP has encountered it in multiple countries, markets, and sectors leading us to believe it is a global phenomenon. Practices range from conducting IOC as a sole form of commerce to conducting IOC in parallel with e-commerce, to simply leveraging social media for the promotion of an e-commerce operation (a practice more commonly referred to as "social commerce"). In many instances, participants explore IOC in conjunction with the use of more formal e-commerce platforms, while in other instances it is deployed as an additional tool by online or brick-and-mortar businesses. Women's World Banking has explored widespread adoption of similar behaviors to IOC in India and Indonesia through interviews with over 1,000 women (Women's World Banking 2019). And, CGAP has witnessed IOC in Kenya (Deshpande, Kibe, and Kaaria 2020). For an example of IOC and formal e-commerce happening in parallel, IFC's exploration with Jumia in Côte d'Ivoire, Nigeria, and Kenya found that more than half of women entrepreneurs sampled on Jumia supplemented formal e-commerce with selling to customers through social media, in effect maintaining multiple separate business models at one time (IFC 2021). Similarly, in surveys of women entrepreneurs using the e-commerce platform Lazada, IFC found that the majority of women entrepreneurs sampled in Indonesia and the Philippines pursued selling via social media in conjunction with e-commerce on Lazada (IFC 2021). In more fluid approaches that demonstrate the potential for IOC to evolve, amongst a sample studied by

FIGURE 2. **Contrasting e-commerce with IOC^a**

Discovery: Matching supply and demand					
	Product range	Sourcing	Location	Promotion	Suppliers
E-commerce	Large	Suppliers, large to small	E-commerce website	Algorithm and paid promotion	Formal businesses, with licenses and tax registration
Informal online commerce	Limited	Typically small, informal suppliers	Social media (Facebook, Instagram, Whatsapp, etc)	In chat group based on relationships and networks	Mix of formal and informal businesses

Price: Determining the price		Payment: Paying for the goods		Delivery: Transporting goods		After care: Resolving issues and reviews	
	Prices	Payment modality	Timing	Participants	Queries		
E-commerce	Fixed, displayed on website	Many options, e-commerce payment partner, bank, mobile money etc.	In full	Formal companies	Dedicated helpdesk		
Informal online commerce	Often variable & open to negotiation. Happens in parallel in chat app	Electronic payments (like mobile money) preferred but often cash on delivery	Delayed (COD) or half up front and the rest on delivery	Personally conducted, largely informal. Highly variable: from personally delivered to formal arrangements with delivery companies	Personally conducted		

- a The social media platforms mentioned here happen to be the ones we encountered during our research. However, any social media platform that only hosted the matching of supply and demand would qualify.

Caribou Digital in Kenya, nine out of 10 MSEs which use digital tools rely on personal consumer apps such as Facebook and WhatsApp to carry out key business functions (Caribou Digital 2020). Arguably, the creation of Facebook Shops, which allows merchants to create stores on Facebook that are integrated with WhatsApp and Instagram, is a reflection of the growing prevalence of IOC and represents a move to formalize this market into something more akin to integrated e-commerce platforms.

The focus of this study is the definition of IOC and exploration of personas engaged in it. Should funders require detailed analysis of the enabling infrastructure, subsequent research would need to be undertaken.

WHY SHOULD FUNDERS SUPPORT INFORMAL ONLINE COMMERCE?

THERE ARE THREE MAJOR REASONS WHY FUNDERS SHOULD support IOC even as formal e-commerce is expanding rapidly and attracting most of the attention: its unique value proposition for female small entrepreneurs and their customers, its spillover effects on communities, and its impact on the livelihoods of low-income women.

IOC offers a unique value proposition for small entrepreneurs and their customers

An e-commerce platform facilitates the entire transaction chain efficiently in addition to providing an extensive marketplace for buyers and sellers to meet. But for smaller entrepreneurs and their customers, IOC offers several advantages over formal e-commerce:

1. **Monetizing a seller's networks.** Sellers generally find buyers in their social media groups. These groups may be personal networks of friends and neighbors or they may have been formed to buy and sell particular types of items. In effect, the IOC sellers are leveraging their group membership for commerce.⁶ We found evidence that some women customers felt intimidated by e-commerce and would only buy through the groups they were already part of on social platforms. Instead of the anonymous buying experience of e-commerce, IOC begins as a social experience and membership in a group.
2. **Monetizing a seller's standing within those networks.** Sellers maintain a reputation within groups, often developed over many years, and their desire to safeguard that standing works to ensure they deliver on their commitments. If they violate these commitments, buyers have immediate recourse in the group, where the sellers are most vulnerable. This dynamic engenders trust in buyers.

⁶ This is exemplified by transactions where IOC sellers sell their products through smaller sellers within their own networks (for a fee). In effect, the smaller sellers are selling access to the market they have created.

3. **Operating at lower cost.** Running a business on an e-commerce platform has associated business costs, whether in the form of registration fees, taxes, subscriber packages, or cuts taken in digital payments. For IOC entrepreneurs with smaller profit margins, these costs often prove prohibitive.
4. **Using groups to improve targeting and increase sales.** Unlike e-commerce, where everyone is working within the same interface, IOC groups pre-select for similar or like-minded participants. This means that products are being presented to an audience more likely to be positively disposed to them.

IOC has positive spillover effects on communities and beyond

IOC creates spillover effects in the form of jobs within and beyond the communities where sellers are based. Most IOC sellers source goods from people they know or who live in their communities, creating employment opportunities for them. IOC sellers also often hire assistants, enlist family members to help with the business and hire delivery people. Female sellers in Bangladesh and Pakistan also tend to prefer dealing with other women.

IOC has even created entirely new business models. Firms specialized in facilitating IOC delivery have emerged in Pakistan and full-spectrum IOC-support businesses are appearing in Bangladesh. These spillover effects can go beyond the community and link rural and urban areas. In Bangladesh, aggregators have emerged that connect rural producers to urban markets and facilitate payment and delivery. IOC can even facilitate international trade. In some cases, expatriates purchase goods from their home countries and have them shipped to them (which we saw among expatriates from Bangladesh and Pakistan). In other cases, IOC sellers who are not expatriates import goods from abroad. For example, Myanmar has a thriving trade in goods that are bought in China on Taobao and then transported and sold locally through IOC channels.

IOC has an impact on women's livelihoods

It is no coincidence that women dominate IOC. The relatively low barriers to entry make it an attractive option in contexts where social norms and other obstacles make it more difficult for women than men to start a formal business or engage in e-commerce.

Formal e-commerce platforms typically require sellers to have a registered business and bank account and the digital savvy to navigate the various back-end features of the platform. However, in many countries it is more difficult for women than men to obtain these things. In contexts where social norms dictate that the husband should be the primary breadwinner, women are unlikely to get community or institutional support to start a formal business or to attract investment. Obtaining a bank account may be no easier. The formal financial sector has a poor track record on inclusivity for women, especially poor women.

IOC offers women a way to circumvent these challenges and earn an income. As with informal work, IOC does not require a business license and it requires little upfront investment. IOC sellers can get started with little more than a data-enabled phone. Sellers need not invest in stock since they can on-sell from other IOC sellers within their network, in a model akin to dropshipping.⁷ And because IOC offers flexibility in payment methods, sellers and their customers can use whatever methods are available to them and meet their respective needs.

IOC can improve women's livelihoods, but it can also be a gateway to larger economic opportunities. In many contexts, boys' education is prioritized over that of girls, and women might not have the education, financial savvy, or confidence to launch a formal business when they are just starting out. Often women have to prove to those around them that they are capable of running a business before their families are willing to support them in ventures that might carry not just financial, but also reputational, risk. IOC can be a great way to get started, earn some money and learn new skills, putting women in a stronger position to ultimately open a brick-and-mortar location or a larger virtual business with social and financial support.

Flexibility is also a benefit for women, and e-commerce platforms do not afford as much control over one's engagement with the platform, rather optimizing for scale. Globally, women are primary caregivers for immediate and often extended family. In our research, sellers reported appreciating the flexibility IOC gave them to adjust their engagement while working from home and balancing it with their household responsibilities. Many brought in family members or others to assist with production or delivery. For some it was a temporary activity, such as the women in Bangladesh who engaged in it during their pregnancies to create a temporary source of income with the expectation of dropping it later.

Many women also appreciated IOC for allowing them to shape their engagement with males from outside the family. In some markets, women struggle to enter the formal job market due to restrictive social norms. In others, they struggle to break class boundaries. In the virtual space, these norms exert less power and IOC then becomes a means to earn for all social classes.

7 Dropshipping is a retail fulfillment method where a store does not keep the products it sells in stock. Instead, when a store sells a product using the dropshipping model, it purchases the item from a third party and has it shipped directly to the customer. As a result, the seller does not have to handle the product directly.

INFORMAL ONLINE COMMERCE'S IMPORTANCE FOR WOMEN'S LIVELIHOODS

THE ORIGIN OF IOC IS A TESTAMENT TO ITS IMPORTANCE TO WOMEN'S livelihoods. IOC seems to have emerged organically and independently in each country. No process of top-down product development by a firm brought it about. Instead, it has come into existence as a result of women independently developing solutions for themselves and filling in gaps where traditional, formal products come up short.⁸ That is the story of IOC: women empowering themselves.

As described earlier, IOC works particularly well for women given its low barriers to entry, flexibility, and customizability. Across Bangladesh, Myanmar, and Pakistan, we observed higher female participation in informal social commerce than in e-commerce, as both buyers and sellers. The women we interviewed clearly preferred IOC, while men generally preferred formal e-commerce.

IOC may be having a larger impact on women's livelihoods than might be apparent at first glance. Many women report working with largely female suppliers, meaning that female IOC sellers may be just one link in female-dominated value chains. Crucially, it is not only upper-class women who participate in these IOC value chains.

IOC provides opportunities for low-income women to improve their livelihoods using financial services

Our research suggests that IOC cuts across socioeconomic classes. We came into contact with a range of women—from wealthy, highly educated women to low-income women who had only recently ventured online—and all were drawn to IOC because of its accessibility, flexibility, and customizability. These features make IOC especially attractive to low-income women who have been excluded from financial and business environments.

⁸ Examples include e-commerce platforms that require sellers to have a business license coupled with a bank account, both of which are frequently beyond the reach of women.

In addition to creating new economic opportunities for women, IOC often becomes a pathway to their financial inclusion when women use financial services to conduct or grow their business. Because IOC is an active use case, it both *broadens* and *deepens* women's engagement with financial services.

Broadening occurs when women gain access to various financial services for the first time. For example, online commerce necessarily entails engaging in payment activity, which increasingly happens electronically. For many women IOC entrepreneurs, this represents their first use of electronic financial services. Payment services do not just facilitate sourcing and client-facing financial transactions for IOC entrepreneurs. They are tools that women can use for many purposes. For example, payments services have been linked to increased resilience in times of crisis as households are likely to draw on friends and family for support. And households with mobile money accounts have been shown to have higher savings rates (Parekh and Hare 2019).

Deepening occurs when people actually use financial services in ways that improve their lives. Most women we interviewed started their IOC businesses largely if not solely from their own savings. As their businesses started to generate more profit, many increased their use of accounts for savings for their business or to meet personal financial goals. While some IOC entrepreneurs had taken loans before they started an IOC business, many low-income women had not. Expanding their IOC business motivated a number of our respondents to take credit from bank and non-bank financial institutions or to express a desire to do so. In some instances, businesses that cater to IOC sellers, like Meesho in India, have recognized this opportunity by adding credit to their stock sourcing and delivery offerings.⁹

We also detected an enormous demand for digital and financial skills once IOC sellers got going with their businesses. One IOC seller, Ananna, described to us how she trained her partner to take digital photographs and track orders. "She used to not be able to do the online things, but now she can see when orders come in. We share the page and both can see the messages as they come in. My partner now manages the accounts and the log sheet," Ananna said.

CGAP has documented the potential for fintech to serve poor customers.¹⁰ With IOC creating compelling use cases of regular payments, cash flow management, and short- and long-term credit, many opportunities exist for fintechs to serve IOC merchants. Providers should understand that deepened engagement with financial services also makes women savvy, more discerning customers who demand real value from new offerings.

9 Meesho recruits suppliers who offer their wares within their social networks. Meesho takes care of the platform and delivery and provides credit to its suppliers. It represents yet another example of the attraction of formalizing IOC and could be thought of as a hybrid between formal and IOC, where an informal social media front end is coupled with a separate formalized solution that facilitates the remainder of the transaction.

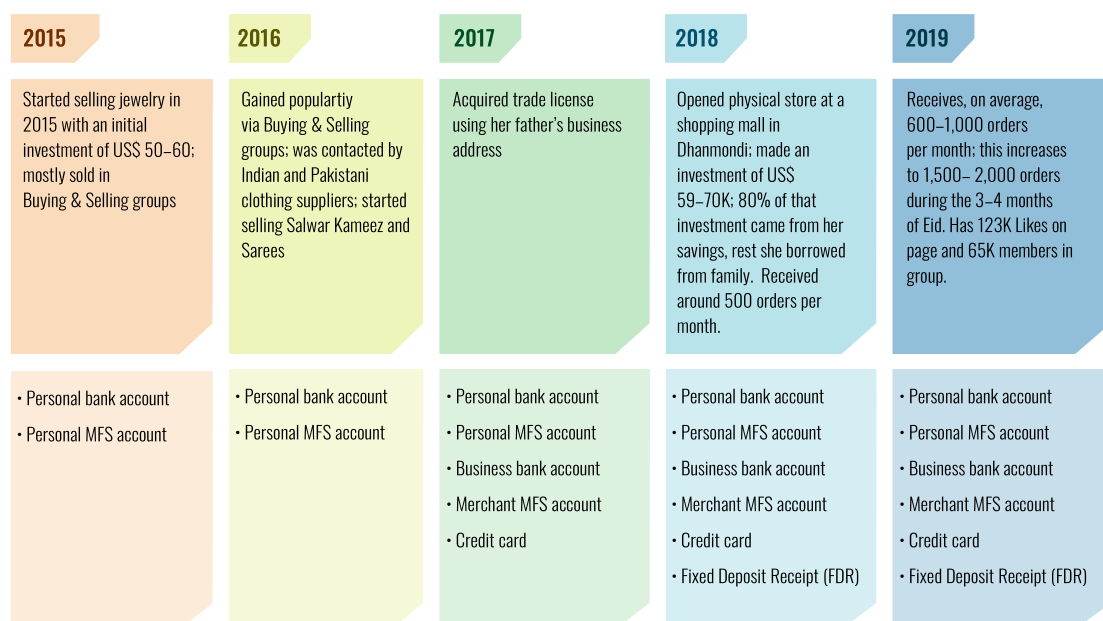
10 See: <https://www.cgap.org/research/publication/fintechs-and-financial-inclusion>

IOC is suited to covid context

The COVID-19 pandemic has generally been a boon to IOC sellers, as many types of commerce have moved online. IOC's low barrier to entry allowed new sellers, some of whom had lost jobs due to lockdowns, to start up and capitalize on the new conditions — for example, by selling masks and offering food delivery. Existing sellers were able to rapidly shift their offerings to capitalize as well. Initially global supply chains were disrupted by COVID-19. Larger players such as e-commerce providers faced shortages. However, IOC sellers generally fared well as the majority of participants were small local businesses and benefited from their ability to source close by.

In Bangladesh we met with Taposhi, who perfectly illustrates how financial inclusion can broaden and deepen as women use financial services to start and grow their IOC businesses. Taposhi's account is typical in that IOC was the catalyst for engagement in digital financial services. She started her online jewelry business with a personal bank account and mobile money account. As the needs of her IOC business grew, she obtained and began to use other services, such as credit cards, business accounts, and a fixed deposit account. IOC introduces women like Taposhi to financial services in the context of a use case, which helps to demystify what they are for and how they work. This helps overcome some of the difficulties financial education is meant to address but often fails to. (See Figure 3 for timeline).

FIGURE 3. **Timeline of IOC seller Taposhi in Bangladesh**



WOMEN ENTREPRENEUR PERSONAS IN INFORMAL ONLINE COMMERCE

WOMEN COME TO IOC WITH DIVERSE NEEDS, CONSTRAINTS, AND skills. To support and enable IOC, development must be carefully tailored to the women who conduct IOC. Formulating personas can be a helpful approach in addressing this diversity. The personas reflect archetypes and allow funders to view women not as one homogenous demographic, but as segments with layered identities, diverse backgrounds, and varying financial needs. By analyzing personas, however, stakeholders who aim to promote women's livelihoods can better conceive of and target their interventions.

Even though IOC varies between and within countries, we were able to identify six personas among the 60 online entrepreneurs we interviewed across the three countries. Below, we present these personas along with insights into their needs and ideas on how they can be met. It is important to acknowledge that a market systems approach is required for determining how women entrepreneurs engaged in IOC can thrive.¹¹ This type of approach necessitates investments in infrastructure, regulatory frameworks, and attendant support services. These topics are developed below in the section on potential entry points.

Low- and middle-income personas

Three of the personas apply primarily to women from low- and middle-income backgrounds.

1. DIGITAL NEWCOMERS

Do not be misled by the word “newcomer.” Digital newcomers are often experienced micro-entrepreneurs with patience for gradual growth and high confidence in the future. However, they are new to digital services. They tend to display a higher risk appetite stemming from their business experience. Digital newcomers rely on friends and family to help them navigate the digital world, make products and handle deliveries. When it comes to digital services, they are

¹¹ For more on the market systems approach, see: <https://www.cgap.org/topics/collections/market-systems-approach>

dependent on the enablers around them.

Needs of digital newcomers. Relying on friends and family for digital support can only get digital newcomers so far. It is important for them to learn about online safety, how to protect one's privacy, identify scams, and other important aspects of digital engagement. Financial education is best rooted in the context of a use case like IOC selling. For digital newcomers IOC presents a reason to expand the use of financial services because a real need exists for maintaining savings, facilitating payments, and accessing credit. But if a business is to succeed it takes more than financing and because they are scaling up from modest beginnings, digital newcomers stand to benefit immensely from elements such as basic business skills. Support to digital newcomers may be transformative at an individual level but may also bring about positive

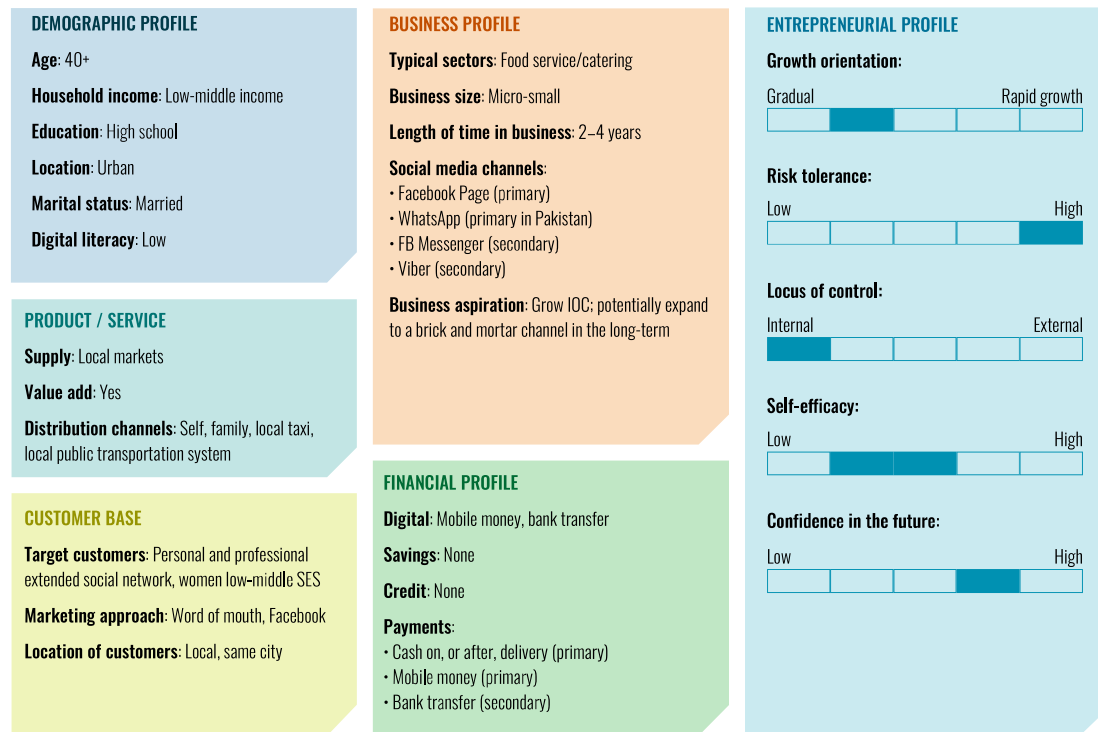
Naing Naing's story - independence and stability

At 46 years old and desiring more financial independence, Naing Naing set up a catering business at the urging of her son. Building on the initial success of orders placed by phone and Viber and with the help of family, Naing Naing turned to Facebook. Orders jumped from 25 to 85 per month, placed in Facebook comments and via Messenger.

Since she started her business, Naing Naing's family has shown more confidence, admiration, and trust in her. While her husband and son worry about the stress of running a business, Naing Naing is determined. Recently, when her husband fell too ill to work, she was proud that the household could live modestly on her earnings. She feels more secure and stable than ever, knowing that if something were to happen to her husband, she would be able to make her own way.

She still has room for development. Naing Naing hires neighbors and friends to help her if she receives a large order. Despite feeling incapable of managing finances, Naing Naing now wants to take out a loan to expand her businesses into a restaurant, but she needs someone to help her register her business and then apply for the bank loan.

impacts in the community because their supply and labor sourcing, as well as their client network, tend to be quite local.

FIGURE 4. **IOC seller profile: Digital newcomer**

2. UNEXPECTED SOCIAL SELLERS

Unlike digital newcomers, unexpected social sellers tend to be relatively inexperienced entrepreneurs who never intended to engage in digital commerce. They are active social media users, however, and begin to dabble in selling products on these platforms. When their strong social networks provide them with early encouragement and success, they expand their online activities. They are highly skilled at navigating social media platforms. They convert a deep knowledge of their local context into tailored offerings to local customer bases. However, their self-efficacy is hampered by the need for support in product delivery and in business management, in which they have limited experience and expertise.

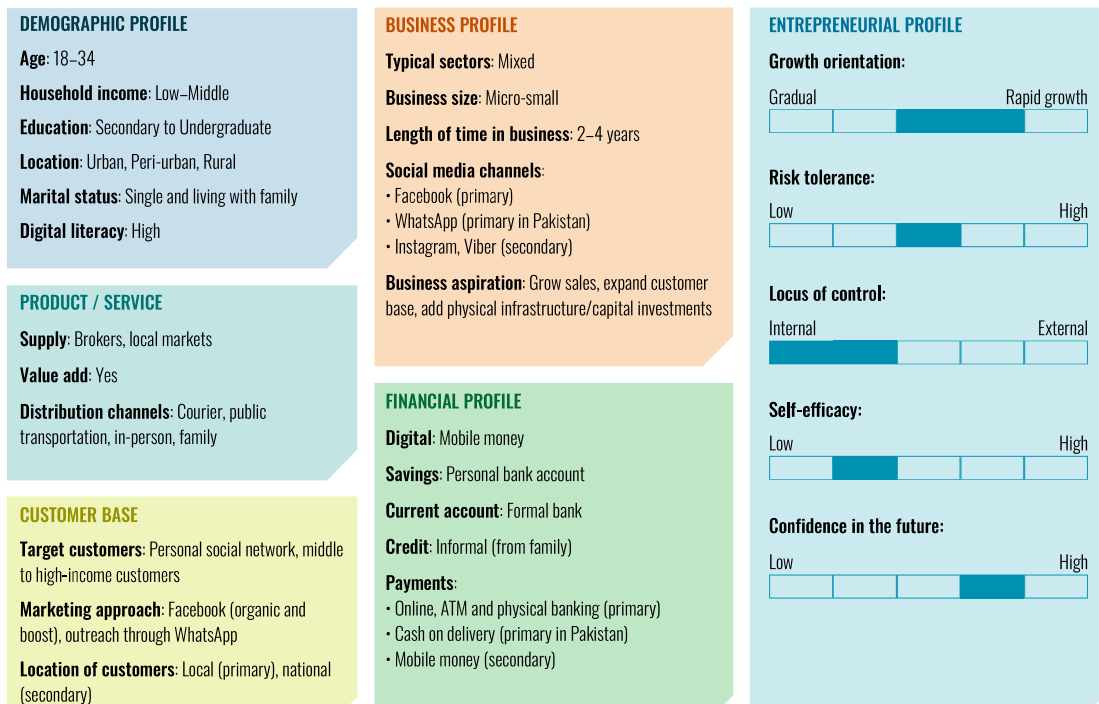
Needs of unexpected social sellers. Being new to entrepreneurship, unexpected social sellers would likely benefit from targeted financial and business training support in a similar vein to digital newcomers. Such entrepreneurs are in need of a similar suite of financial services as digital newcomers—from savings, to payments, to credit and insurance—coupled with the requisite business training, though their learning curve for digital financial services is likely to be less steep. Support for unexpected social sellers will likely have a big impact on their future livelihood trajectories in the digital space because the initial foray is less intentional, but their strong online networks and keen interest in digital engagement provide promising starting points for future digital engagement.

Shani's story – the family breadwinner

As a 29-year-old transgender woman in Multan, Pakistan, Shani's career options are limited. Upon her father's death in 2012, as the oldest of three siblings she assumed the role of family breadwinner. In 2016 she unexpectedly made the first step toward online entrepreneurship when after purchasing a goat she posted its picture to her Facebook page and was flooded with purchase offers. She pursued goat sales as a business. Shani is diligent in navigating issues of trust in online spaces, using video chat functions, and engaging with buyers via WhatsApp groups in which she has greater confidence compared with Facebook. Shani requests partial up-front payments via mobile money transfer and has family members help her with delivery.

When Shani's younger sister got married, Shani was able to pay for a significant portion of the wedding from her earnings and then qualified for support from Pakistan's National Rural Support program to re-ground her business. Shani plans to rent a farm close to her house and feels confident her business will double in the coming years. In addition to supporting her own family, Shani is proud to serve as an example to other transgender individuals. "I want to show that dancing and begging aren't the only way they can earn money. They can make successful businesses wherever they are," she said.

FIGURE 5. **IOC seller profile: Unexpected social seller**



3. SUPPLEMENTAL SOCIAL SELLERS

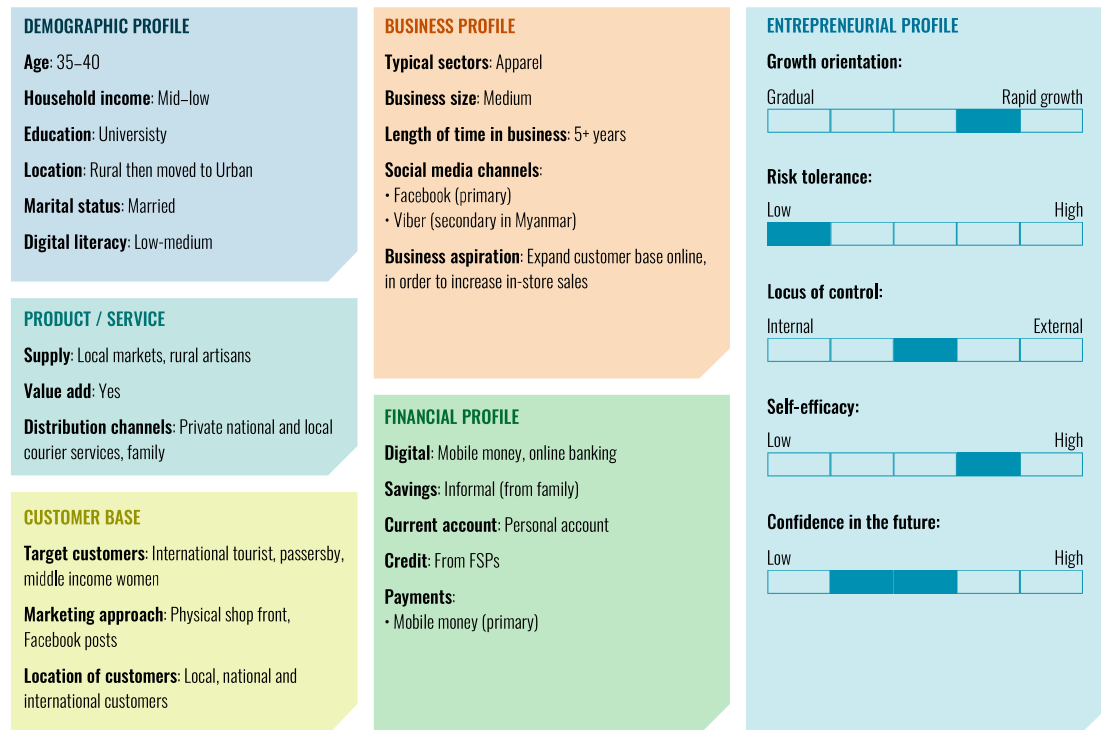
Supplemental social sellers are established business owners who have a physical location they augment with IOC to run a hybrid business model, with IOC expanding their reach to new customers. Highly self-sufficient and with a more expansive customer base than digital newcomers and unexpected social sellers, supplemental social sellers have a much lower risk tolerance because their entire livelihood depends on their business which they have spent years building. Often already connected to formal credit and a financial institution, supplemental social sellers are primed for more sophisticated financial services and business management tools.

Needs of supplemental social sellers. Supplemental social sellers likely already have a good level of financial inclusion but can benefit from additional service offerings available to larger businesses. Since the impact comes from livelihood expansion rather than new livelihood development, support with digital training and integration into business operations is what such entrepreneurs require. Support for supplemental social sellers will likely make their businesses more resilient and enable them to grow into what might be called *small enterprise*. This growth is likely to have spillover effects for those they already employ or source from as their business needs grow.

Naznin's story – a mother's perseverance

As a single divorcee with a child to support, Naznin worked relentlessly to succeed in the face of prejudice and mishap. Naznin began working as an employee in a clothing store and eventually opened her own clothing shop with her sister. Financial ruin struck when a manager she employed embezzled funds, forcing her to close the store. She began selling clothes to mothers at her son's school but faced a second setback when her village home was swept away by floods. Determined to continue, she set up a cooperative with local women and went to work in a shop run by Joyitha, a state-run foundation supporting women entrepreneurs. After four years, in 2015 Naznin successfully applied for a shop of her own, helped by a loan from her brother.

Naznin had already been supplying her products to people who were selling online, but with the help of family and Joyitha she was able to set up a Facebook presence of her own and expand her customer base. She said the lack of support for women trying to earn money outside the home meant it was easier to operate online but to her, maintaining a physical store allowed her to engage more closely with her customers, reflect on their feedback and refine her product offering. "I suffered a lot as a woman entrepreneur," she said. "Some people thought what I was doing was a bad thing and would talk rubbish about me." Naznin's success has allowed her to independently support her family and empower the many women she works with.

FIGURE 6. **IOC seller profile: Supplemental social seller**

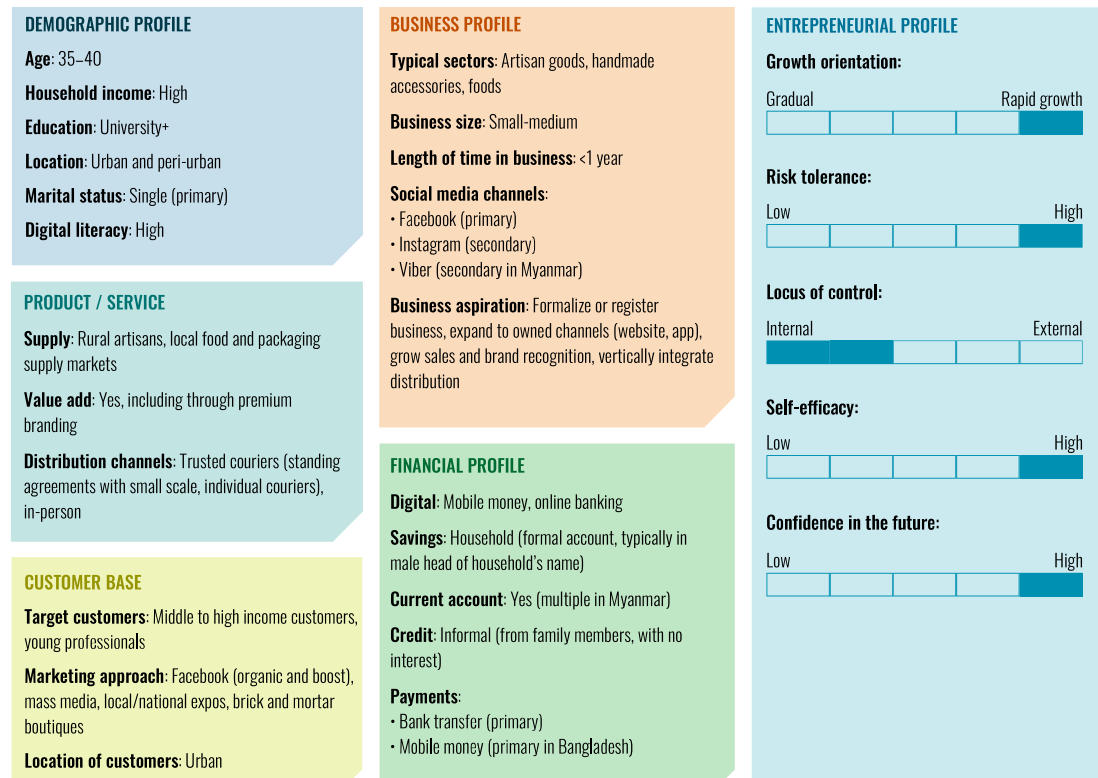
Higher-income personas

While some funders may want to focus their efforts on supporting low- and middle-income IOC sellers, they should be aware of the types of higher-income women who are drawn to IOC. This is particularly important because their business models can have positive spillover effects for the women they source from, employ, and sell to.

4. AFFLUENT ENTREPRENEUR

Affluent entrepreneurs are the wealthiest and most educated of the personas engaged in IOC. Driven, with a high-risk appetite, they run the largest IOC businesses, relying on family money rather than formal credit to start their operations.

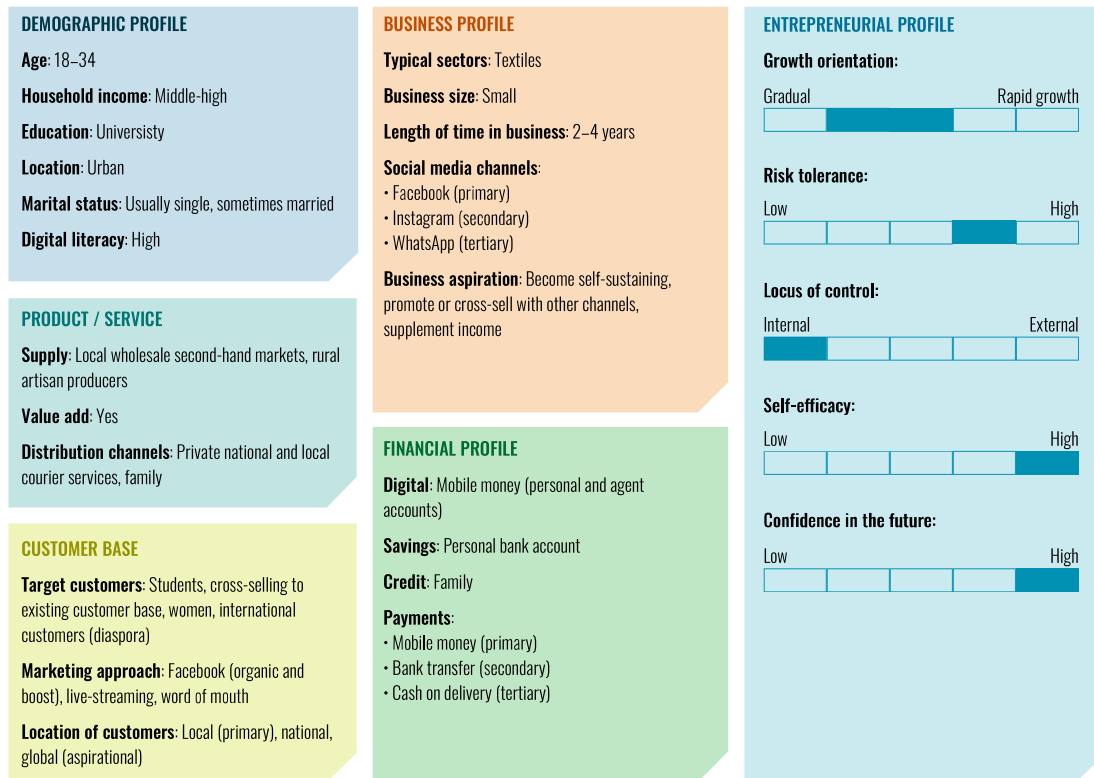
Supporting affluent entrepreneurs. Affluent entrepreneurs are already functioning at a high level of entrepreneurship and are likely to benefit from broader interventions targeted at making the ecosystem more gender inclusive, such as promoting greater gender diversity in fintech, lending based on movable asset registries or alternative credit scoring, and extending internet access to women-dominated spaces. While the impact of IOC on their own lives is not to be undervalued, for funders more focused on women at the lower end of the income pyramid, strengthening supply chains for affluent entrepreneurs would likely benefit the lower income women they employ and source from as they tend often to work with female value chains.

FIGURE 7. **IOC seller profile: Affluent entrepreneur**

5. EXPERIMENTING YOUTH

Much like affluent entrepreneurs, experimenting youth are highly educated, confident with social media platforms, and supported by their families to access lines of credit. However, they see IOC as an opportunity to earn money as a side-hustle while they complete their education or work toward a career.

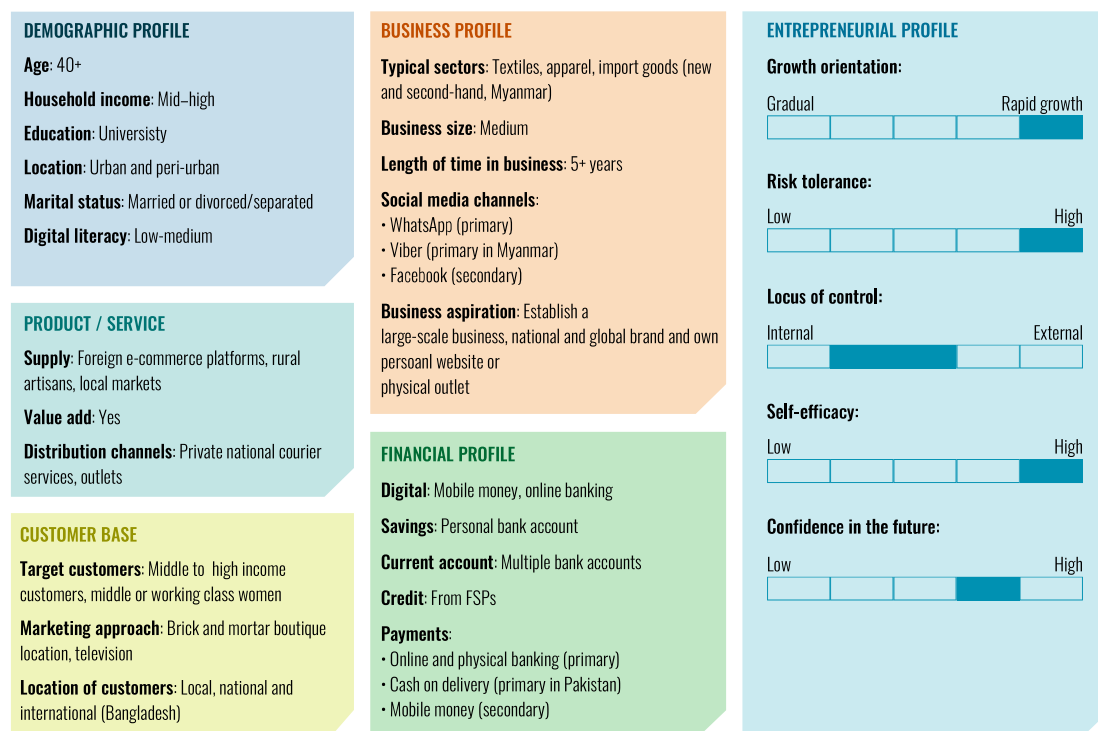
Supporting experimenting youth. Because experimenting youth are often on other livelihood tracks, IOC can be viewed as an opportunity to give them effective financial education tied to use cases. The gender gap in financial inclusion begins very early and targeting young, economically active women would be important for setting them, together with their professional and social networks, on a long-term path to effective financial inclusion.

FIGURE 8. **IOC seller profile: Experimenting youth**

6. ESTABLISHED CONVERTS

Established converts are the most accomplished women engaging in IOC. They are highly educated, often older women, who have risen to high levels in their past careers but have now decided to focus their time and energy on IOC. They are hardworking and completely self-sufficient within the bounds of their local contexts. They are confident they can make a success of any business they turn their hand to.

Supporting established converts. Supporting business growth of established converts helps to boost the number of women-owned enterprises in the medium size enterprise bracket. Such women might serve as inspiring role models for other women looking to seriously venture into entrepreneurship, so giving them visibility would have spillover effects for women's economic empowerment. Supporting them further would likely best be achieved by providing advanced financial services including larger credit facilities and insurance products, and by incentivizing formalization.

FIGURE 9. **IOC seller profile: Established converts**

Potential risks to IOC participants

The nature of the IOC transaction generates risks for both buyer and seller. Informality, so central to IOC, strips certain protections from the participants in return for flexibility and customizability. These include the risk to the seller of having their delivery spoiled in transit through no fault of their own or rejected by the customer at the doorstep. With thin margins, a few of these cases is enough to make IOC unprofitable for the seller. Buyers too find themselves exposed to the risks associated with IOC's informality with no formalized processes for grievance redress such as refunds. In many ways they are dependent on the seller's willingness to accommodate them and possibly the seller's fear of negative reviews or brand damage on social media from an irate customer.

While in most instances IOC represents a broadening of economic opportunity for women, there is an attendant risk that in certain contexts IOC consigns women to more socially acceptable home-based businesses instead of other career options they would rather pursue or grow into. This is particularly acute in contexts where women's mobility and ability to engage with others outside of the household are restricted by social norms.

Reliance on friends and family networks can be a boon or a drawback, depending on the individual context. Family members are often trustworthy and readily available but in cases where women have low levels of agency and bargaining power to begin with, siblings, spouses, mothers-in-law, or other extended family can take advantage of a woman's increasing wealth or can hinder and even sabotage her success for a variety of unrelated reasons.

For these reasons it is imperative to conduct social norms diagnostics to understand the nature of how IOC is impacting various segments of women who experience social norms differently. Increasingly such tools are being developed (Scarampi, AlBashar, and Burjorjee 2020).

As outlined earlier, IOC represents a new avenue to livelihood creation largely because of its low barriers to entry and the strong control that entrepreneurs have over the pace at which to take on new orders. IOC is inherently customizable and flexible so vendors can keep costs low, control the acceptance of orders from clients, and customize product offerings to localized clientele. However, as holistic solutions begin to be developed by market actors who see a business opportunity to serve IOC merchants, there is a risk that this will be at the sacrifice of IOC's flexibility, and the close control and client customization that merchants are currently able to exert over their business operations. The success and ensuing formalization of IOC may introduce the risk of dependency or financial exclusion if the newly formalized services are too expensive for low-income women, just as many e-commerce platforms are today. As women become ever more reliant on their IOC income and as companies increasingly cater to this segment through formalization, the women entrepreneurs will find themselves ever more vulnerable to the providers. This is a dynamic that has played out several times for gig workers such as those engaged in ride-hailing.

WHAT ARE THE PROSPECTS FOR INFORMAL ONLINE COMMERCE— WILL IT PERSIST?

GIVEN THE SIZE AND UBIQUITY OF IOC, COMMUNICATIONS AND social media platforms are working to fully absorb and monetize it. For them, IOC represents somewhat of a missed opportunity. The platforms enable the discovery and sale of goods but they are cut out of the potentially lucrative and data-rich payment, delivery, and customer services steps in the subsequent process that generally moves off-platform. In the future, we are likely to see more platforms offer in-platform payment options, robust identification protocols so that buyers have recourse against sellers, and grievance redressal mechanisms. As a result, platforms may reap transaction fees, further integrate their platforms into users' financial lives and livelihoods, and obtain monetizable insights into their users' lives.

We also came across businesses that catered to IOC sellers by assisting sellers with activities such as delivery, credit, and sourcing for a fee. As with the platforms, they are attracted by the size of the segment and the potential profits from offering them credit. These types of IOC-facilitating businesses are also likely to grow. In time, some may even be incorporated into the platforms themselves. How such intermediaries will leverage and share client data, determine terms of credit, and protect the intellectual property of informal businesses are all consumer protection matters that need to be taken into consideration when developing programs to facilitate IOC.

Such formalization of IOC activity would bring it closer to e-commerce. Despite this, we are convinced that IOC's unique attributes, such as its low barriers to entry and flexibility, will make it an important part of many women's livelihoods for the foreseeable future. As long as women face significant barriers in business and financial inclusion, there will be a place for forms of IOC that circumvent the formalization that platforms may introduce. The exact nature of IOC will likely evolve and adapt, but it is a phenomenon born of the creativity and resourcefulness of the women who use it, not the platforms or tools they use.

The growth of IOC is also being driven by a number of other factors. Just as COVID-19 has been a boon to electronic commerce, IOC has also grown throughout the pandemic as physical distancing, lockdowns, and other COVID-19-protection measures have been introduced. We

have also seen an increase in the use of electronic payments in correlation with the growth of IOC, suggesting the two may be positively linked. Lastly, we predict that women's experience of IOC is itself a driver of further IOC activities as engagement with IOC increases participants' familiarity with its positive attributes and the opportunities to grow their livelihoods.

For funders who aim to support women's economic empowerment through entrepreneurship, IOC shows promising signs of positively impacting women's livelihoods. Its size, ubiquity and global reach make it a phenomenon that merits systematic attention. Most telling is that it has emerged unaided in a bottom-up fashion as women have figured out how to buy and sell things online in a way that works for them. E-commerce obviously was not the answer for many women, so they figured out what we have dubbed IOC. As IOC drives deeper relationships with a broader set of financial services, it will be crucial for funders to support responsible outreach to this segment by financial services providers.

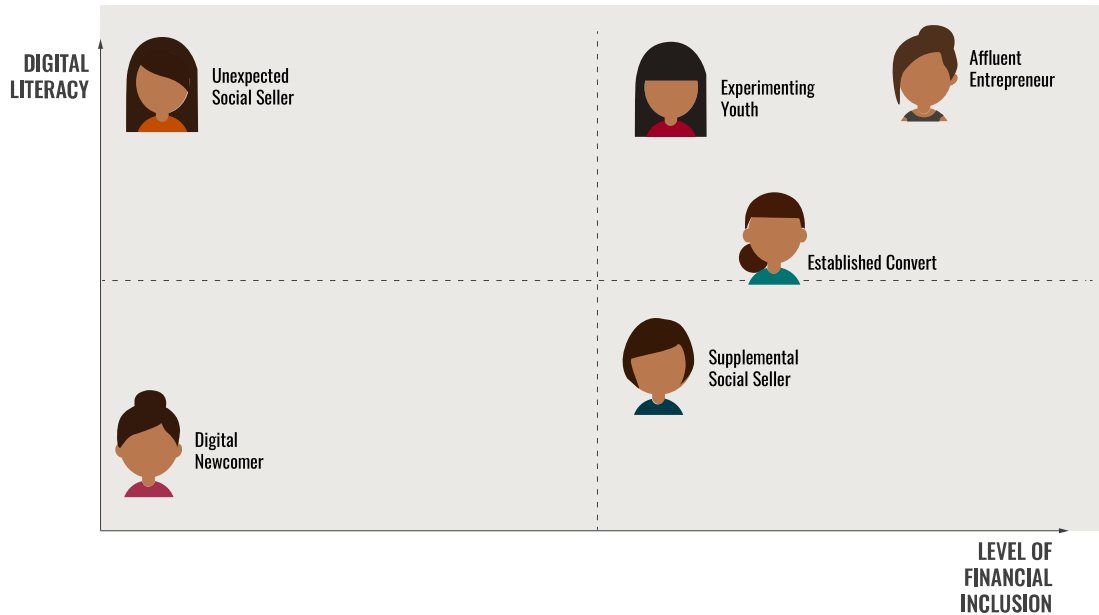
Determining entry points for funders

While multiple stakeholders including financial services providers and policymakers can use these insights, this Focus Note specifically highlights ways in which funders can further support women's financial inclusion and economic empowerment by leveraging IOC. They can use these personas to determine how and where to focus their support for IOC sellers in ways that align with their goals and a market systems development approach. Personas with low financial inclusion and low digital literacy levels need the most support to unlock the full potential of IOC for their livelihoods. As shown below, unexpected social sellers and digital newcomers are two personas that merit significant support according to these criteria.

Entry points are laid out below to provide a starting point for supporting IOC. Most funders have already developed gender strategies and internalized the need to promote women's economic empowerment in order to further gender equality and other development goals. Because IOC is likely to be a feature of every market, it may be a significant entry point for supporting local economic opportunities for women.

INCORPORATE IOC INTO GENDER STRATEGIES

Funders' gender strategies regularly identify themes such as digital access and skills, entrepreneurship development, and enhancing women's agency. IOC is relevant to all of these themes. By acknowledging these connections and including support to IOC-enabling infrastructure and interventions in their strategies, programs can support and measure the impact of a type of online commerce already embraced by many women, rather than focusing wholly on more top-down approaches of introducing women to new digital livelihoods.

FIGURE 10. **Personas by levels of digital literacy and financial inclusion**

PROMOTE RESEARCH ON IOC AND ITS IMPACT ON WOMEN'S LIVELIHOODS

Our research was limited to three countries in Asia. While we are confident that a clearly identifiable IOC method is discernible across all three markets, important national differences exist. Funders could study the contours of IOC in their focus countries to understand the specific local characteristics and build out the knowledge base on the topic so that they can design context-specific interventions. In particular, since IOC is rapidly evolving and spreading, funders and national development practitioners should include a focus on exposing potential risks and designing mitigating interventions.

IOC buyers, sellers and their wider ecosystem are evolving and there would be value in studying their trajectories over time. This would allow funders to identify the extent to which IOC has helped women develop and maintain their livelihood, exposed them to risk or enhanced their financial inclusion. Our research focused largely on IOC sellers but there are many players beyond them in the IOC ecosystem that might be examined. These include the value chains IOC sellers are using and the delivery players they are interacting with. We believe IOC sellers are only the tip of the iceberg to a deeper opportunity to improve women's livelihoods.

SUPPORT LOCAL INSTITUTIONS THAT CAN BUILD THE CAPACITY OF WOMEN IN IOC

Beyond financial services, we found that IOC sellers in particular needed financial skills such as budgeting and accounting to help them manage their growing IOC businesses. Financial education and inclusion work best when combined with an active use case. But to empower women, we must also work with those around them. The enabling infrastructure for IOC provides various touchpoints for women to engage with individuals and institutions outside their comfort zone. The stigma of failure and the financial risk to family members beyond the women entrepreneurs can be a stumbling block to even starting in the first place.

SUPPORT RESPONSIBLE POLICY DEVELOPMENT

As governments increasingly commit to advancing financial inclusion, supporting enterprises struggling under COVID-19 conditions, and closing the gender gap, IOC offers an opportunity to advance these goals. Building on IOC country assessments, governments should review which policies and regulations are likely to impact IOC practitioners, such as those regulating social media platforms, digital financial services, fintech development, data privacy and use, and microenterprise formalization. Already, policies that get in the way of formal female account ownership and impede women's access to credit are increasingly coming under scrutiny by governments committed to women's financial inclusion and which are signatories to the Denarau Action Plan.¹² Supporting ongoing policy efforts in this vein will ensure women entrepreneurs can leverage financial services in IOC.

PROVIDE TECHNICAL ASSISTANCE, GRANTS, AND FUNDING TO BUSINESSES THAT ENABLE IOC

IOC is an onboarding opportunity for financial services providers (FSPs) targeting women engaged on social media platforms. We believe that IOC buyers and sellers are a significant enough market segment to warrant FSP attention. Supporting FSPs to address the following needs could yield the following impacts:

- The payment leg of the IOC transaction still comes with a great deal of friction. FSPs are perfectly positioned to remove these barriers. Mobile payments in particular hold great promise and are sure to become the preferred means of payment as they continue their march and become increasingly ubiquitous among IOC participants.
- The lack of trust in the transaction is something to be overcome. FSPs could develop payment products that facilitate the transaction and are coupled with a grievance redress mechanism and transaction reversibility.
- Secure payments are not the only thing IOC sellers need. Access to credit for growing IOC businesses is another as well as business skills training. FSPs could consider researching what IOC sellers need and developing bundled products that target them. With an ever-increasing digital footprint, alternative data for credit assessments is ripe for exploration among this segment.
- Working with players that develop full-service offerings like ShopUp and Meesho could offer a fuller set of financial services to their clients.¹³

12 See the AFI website: <https://www.afi-global.org/publications/denarau-action-plan-the-afi-network-commitment-to-gender-and-womens-financial-inclusion/>

13 Meesho recruits suppliers who offer their wares to be sold within the social networks of resellers. Meesho takes care of the platform, delivery and provides credit to its suppliers. ShopUp provides IOC entrepreneurs a set of business facilitation services such as an online presence, sourcing, delivery, inventory management, marketing, and financing.

CONTINUALLY ENGAGE WITH SOCIAL MEDIA PLATFORMS AS THEIR OFFERINGS EVOLVE

Social media platforms are keen to bring the off-platform parts of the IOC transaction under their umbrella and monetize them via the data generated, marketing opportunities, or transaction fees. Social media platforms are likely to increasingly integrate the other features of the IOC transaction into the platform, in a way “formalizing” them. This could include adding payment functionality, grievance redress and delivery to the platform, thereby bringing IOC in house and mimicking other platforms originally designed for e-commerce. As the platforms and their usage evolve, it will be important for funders to engage in research with platforms, and consumer protection groups when possible, to understand how these developments affect IOC sellers and buyers.

ANNEX

RESEARCH PROCESS

How was this study conducted?

CGAP conducted one-on-one in-depth interviews and small group discussions with 57 IOC participants. These sessions included semi-structured qualitative interviews using a human-centered design (HCD) methodology.

- Most participants were sellers and buyers
- Approximately 20% were men
- Almost half were in rural or peri-urban areas
- Participants were almost evenly distributed between Myanmar, Bangladesh, and Pakistan
- Participants were in a range of socio-economic classes
- A significant number were well-educated, with some undergraduate or higher level of study

Our methodology included a range of participatory research activities, including ecosystem mapping, customer journey mapping, and value chain mapping. Most research in Myanmar was conducted before the COVID-19 pandemic outbreak, with some follow-up research taking place during the pandemic shutdowns, largely over the ZOOM video platform. Research in Bangladesh and Pakistan was conducted only through ZOOM. In all three countries, our core research team worked closely with local research personnel who assisted in recruiting, facilitated qualitative interviews in local languages, and contributed to data synthesis with a focus on contextual and cultural dynamics.

Caveats on data and methodology

Our research into IOC only took in goods, not services, because goods comprised the overwhelming majority of IOC transactions. It may be that in time, services will be widely sold too, as in “social selling.” Extrapolating from research in three countries from Asia and making assertions about a parallel form of online commerce is risky. However, we are confident in our findings because the three countries we researched are very distinct and still exhibit core similarities when it comes to IOC and the personas involved in it. The fact that we were able

to formulate personas in the first place is significant. When we looked beyond the three markets globally, we found IOC in every context we looked for it.

Women's economic engagement decisions are shaped by the social norms within which they operate. While engaging in IOC women can also come up against challenges and barriers arising as a result of social norms. This study did not probe norms-based motivations or challenges as there was no scope to do social norms diagnostics. However, where possible we have alluded to norms-based insights arising naturally from the HCD methodology.

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