FINANCIAL INCLUSION AND WOMEN’S ECONOMIC EMPOWERMENT

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The Panel members note that those who represent international organizations have expressed commitments to take action against constraints facing women within the scope of, and consistent with, their respective institutions’ mandate.
1. **Introduction**

Financial inclusion means that formal financial services – such as bank accounts, loans, and insurance – are readily available to people, and that they are actively and effectively using these services to meet their needs. Such services must be provided responsibly and sustainably in a well-regulated environment (GPFI 2011). A basic way to measure financial inclusion is to look at the share of adults who have access to a formal account that can be used for savings and payments. According to the World Bank's Global Findex database (Demirguc-Kunt et al. 2015), 62 percent of adults worldwide have an account, up from 51 percent in 2011. The vast majority of accounts are provided by banks, microfinance institutions, or other formal financial institutions. The sole exception is Sub-Saharan Africa, where 12 percent of adults have an account through a mobile money provider.

Account ownership is nearly universal in high-income OECD economies, but women in the emerging world are less likely than men to have an account, and by some measures, women who do have accounts use them less frequently. Most of the 2 billion adults worldwide who lack an account also are women. The gender gap in financial access exacerbates economic inequality and reinforces women's economic subordination. Unbanked adults save money and make payments, but in the absence of formal financial services, they are forced to transact in ways that are often dangerous and inefficient. Women who lack a bank account often keep their savings at home, where cash is easily stolen by relatives. Many people in advanced economies use automatic deductions to pay their monthly bills. Unbanked adults lack that option and often have no choice but to travel long distances to make cash payments – and such duties often fall to women.

Financial inclusion plays an increasingly prominent role in development efforts globally. Many of the Sustainable Development Goals refer to the importance of financial services as a catalyst for development. The World Bank aims for universal financial access by the year 2020, and emerging world governments are constantly rolling out policies to expand financial access.

Underpinning the policy consensus is a body of research showing the potential of financial inclusion to drive development and strengthen women's economic standing (Karlan et al. 2016; Klapper et al. 2016). Financial services help women make the investments they need to climb out of poverty. In Nepal, women who were given free savings accounts increased their spending on education and nutritious foods (Prina 2015). When market women in Kenya got savings accounts with no opening fees, they increased private expenditures by 38 percent and food expenditures by 13 percent (Dupas and Robinson 2013). There is some evidence that, by providing an incentive to work, interest-bearing savings accounts ultimately lead to higher income (McIntyre 2016). Formal financial services also strengthen women's ability to control their money (Ashraf et al. 2010), and when women set the household budget, more money is spent on necessities like health, education, and food (Duflo 2012). When a drought hit Niger, women in 96 villages were selected to receive monthly support payments through cash or mobile money transfers. A study showed that women who received the mobile transfers had more financial autonomy and decision making power; they also were more likely to cultivate crops, earn money, and increase their labor force participation (Aker et al. 2015). By making it easier to cope with unanticipated expenses, accounts and digital payments services can also help prevent women from falling into poverty to begin with (Kast and Pomeranz 2014; Jack and Suri 2014). Some evidence suggests
that women farmers who buy insurance get higher yields and do better managing food shortages and income shocks (Delavallade et al. 2015).

Drawing on the Global Findex database, this note measures the financial inclusion gender gap in developing economies. It also identifies obstacles to women's financial access and explores ways they can be overcome. The note concludes by proposing actions governments, businesses, and donors can take to reduce the gender gap.

2. **What We Know**

2A) **Women are less likely than men to access and use formal financial services**

A standard gauge of financial inclusion is having an account – at a bank, another formal financial institution, or through a mobile money provider – which can be used for payments and savings. Globally, 58 percent of women have an account, up from 47 percent in 2011 (figure 1). Although women's account ownership has significantly increased in every developing region except the Middle East, the gender gap in account ownership has not narrowed. Worldwide, men are 7 percentage points more likely than women to have an account; in developing economies, the gender gap is 9 percentage points. Both numbers are unchanged since 2011. The size of the gender gap varies from 4 percentage points in East Asia and the Pacific to 18 percentage points in South Asia, but it is statistically significant in every emerging region. In relative terms, the largest gap is found in the Middle East, where men are twice as likely as women to have an account.

**Figure 1 Women less likely than men to have an account**

Adults with an account (%), 2014

![Figure 1: Women less likely than men to have an account](source: Global Findex database.)
There size of the gender gap varies across countries. Some countries have eliminated gender inequality in account ownership. In 2011, Mexico and South Africa each had statistically significant gender gaps; three years later, those gaps were virtually closed. A few countries went the other way: There was no gender gap in Thailand or Uruguay in 2011, but by 2014, the gap reached 6 percentage points in Thailand and 10 percentage points in Uruguay. There also are countries where more women than men have an account, such as Philippines and the Russian Federation, as well as countries that did not have a gender gap in 2011 or 2014, including Belarus and Serbia, each of which maintained gender parity despite rapid increases in account ownership. Some major emerging economies have seen their financial inclusion progress crippled by huge gender gaps, including Turkey, where 69 percent of men have an account, against just 44 percent of women, as well as India, where 63 percent of men and 43 percent of women have an account.

Although accounts provide a first entry point to the formal financial system, the development benefits of financial inclusion are only achieved when people actively use their accounts to make payments, save money, and invest in the future. The gender gap in account ownership extends to usage. Even among adults who have an account, women are often less likely than men to make deposits, withdrawals, and payments (figure 2). In South Asia and the Middle East, men use their accounts for deposits or withdrawals twice as often as women. Women also use their accounts less frequently for direct payments over a mobile phone, through a debit card, or through a credit card. Among account owners in Europe and Central Asia, 35 percent of men make such a payment, against just 25 percent of women. There is virtually no such gap in East Asia and the Pacific.

**Figure 2 Men use accounts more actively than women**

*Adults with an account by its use for deposits, withdrawals, and direct payments (%), 2014*

![Figure 2: Men use accounts more actively than women.](image)

Source: Global Findex database.

Note: The height of the bar is the percentage of adults with an account.

Note: "Made at least one deposit or withdrawal" includes accounts which are used to receive wage payments, government transfers, or cash deposits; as well as accounts which are used to withdraw cash.

"Made electronic payment directly from account" includes accounts which are used with a debit card or credit card; and financial institution accounts which are used to make purchases via mobile phones.
Another important dimension of financial inclusion is savings. When people save money, they are better able to invest in business, health, and education. They are also less likely to fall into poverty when hit with large, unexpected expenses. There are different ways to save, and many savers use a combination of different techniques. In the developing world, 22 percent of adults save money at a formal financial institution. Others prefer to entrust their savings to a relative, or use a semi-formal savings group. One example from Sub-Saharan Africa is the ROSCA, in which members pool their deposits and disburse the entire sum to a new member each week. But some other way of saving -- such as buying livestock or jewelry, or simply stuffing cash under a mattress -- is the most popular option, used by about 46 percent of savers in developing economies.

Compared to women, men are generally more likely to save and have greater access to formal savings (figure 3). In South Asia, for example, men are 8 percentage points more likely than women to save money, and almost twice as likely to use formal savings. Gender inequality is less pronounced in East Asia and the Pacific, which boasts the highest overall savings rate in the developing world as well as the largest share of savers who use formal methods. Semi-formal savings groups are most widespread in Sub-Saharan Africa, especially popular among women: About a quarter of women in the region use such methods, compared to about a fifth of men.

**Figure 3** Many adults save - but not at a bank
Savings methods among adults (%), 2014

The 2014 Global Findex survey tracks three reasons for saving: for old age, for education expenses, and to start, operate, or expand a business. The most popular reasons vary across developing regions. In East Asia and the Pacific, most savers report saving for old age. Everywhere else, education is the most popular savings goal. The exceptions are Europe and Central Asia, where adults save for education and old age in equal numbers, and Sub-Saharan
Africa, where the percentages of adults saving for business and saving for education are virtually the same.

Credit can help people start businesses, invest in education, and manage their finances when economic times are tough. Many development practitioners once hoped microcredit would dramatically increase entrepreneurship and lift people out of poverty, but the results have been more modest. Rigorous randomized studies show that microcredit can help entrepreneurs, including women, increase business ownership. Yet microcredit rarely leads to substantially higher profits and tends to have limited impacts on welfare and women's empowerment (Loiseau and Walsh, 2015).

Looking at credit more broadly, the Global Findex shows women are less likely to borrow money than men in some developing regions, especially South Asia (figure 4). Use of formal credit is low in the developing world and there are generally no major differences among men and women. In East Asia and the Pacific, Europe and Central Asia, and Latin America and the Caribbean – the regions where formal borrowing is most common – about 10 percent of women borrow from a financial institution, as do roughly 14 percent of men, give or take a few percentage points.

**Figure 4 Few people borrow from formal financial institutions**

*Sources of borrowing among adults (%), 2014*

<table>
<thead>
<tr>
<th>Region</th>
<th>Men Borrowed</th>
<th>Women Borrowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>South Asia</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>30%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Source: Global Findex database.*

*Note: The height of the bar is the percentage of adults who borrow money.*

By a wide margin, borrowers in developing regions are most likely to turn to friends and relatives, not formal financial institutions, when they need money. Other possible sources of funding include private informal lenders and retail stores. In the Middle East, nearly a fifth of adults take out credit at stores – about three times the developing world average. About 11 percent of adults in South Asia borrow from informal lenders, which is roughly twice the share in the emerging world as a whole. In every developing region, people most often borrow money
for health or medical purposes, while education and business are the second most popular reasons.

**Figure 5 In G7 economies, women trail men in formal credit access**

*Adults borrowing from a formal financial institution (%), 2014*

There are big gender gaps in access to formal credit in the major advanced economies – the so-called G7 (figure 5). In the United Kingdom, 26 percent of men borrow from a formal financial institution, compared to 16 percent of women. Except France and Japan, each of the other G7 economies have gender gaps of about 6 percentage points. Credit card ownership also tends to be much higher among men. In Italy, 46 percent of men have a credit card, against 27 percent of women. In France, 51 percent of men have a credit card, compared to just 38 percent of women.

2B) **Women's financial inclusion is weakened by poverty, discriminatory laws, and technology gaps**

Half of women in the emerging world – about 1.1 billion women – still lack an account despite worldwide progress toward financial inclusion. Most unbanked adults give two reasons for not having an account, and there are few differences between men and women (figure 6). Cited by 59 percent of unbanked adults in the emerging world, poverty is by far the most frequently mentioned barrier in each of the developing regions. When it comes to secondary factors, however, there are some regional differences. In Europe and Central Asia, where memories of bank failures and hyperinflation are fresh, 30 percent of unbanked adults say they do not have an account because they do not trust financial institutions – compared to just 12 percent of unbanked adults in the developing world as a whole. Religious concerns are cited by 15 percent of unbanked adults in the Middle East, which is three times the developing world average. Yet religious factors do not appear to be a major obstacle to financial inclusion in the region. At 77 percent, poverty is more commonly cited in the Middle East than the rest of the developing world. And the share of unbanked adults in the Middle East who list poverty as the only barrier to account ownership – 28 percent – is significantly larger than the developing world average of 17 percent. Nearly a fifth of unbanked women in the emerging world say they do not have the
documentation necessary to open a bank account, which can include an official identification card or birth certificate.

**Figure 6 Most unbanked women say they do not have enough money for an account**

*Adults without an account reporting a barrier as a reason for not having one (%), 2014*

![Bar chart showing the reasons for not having a bank account among adults without an account, broken down by gender. The chart shows the following reasons: Too far, Too expensive, Lack of documentation, Lack of trust, Insufficient funds, Religious reasons, and Family has one. The chart displays the percentage of women and men who cited each reason.](image)

Source: Global Findex database.

Note: Multiple answers permitted. "Insufficient funds" is reported if only answer given.

Sexist laws restrict women's access to formal financial services. The World Bank found that 155 economies out of 173 surveyed had at least one law blocking women's economic opportunities (World Bank 2015). Research shows that women's account ownership is lower in places where their legal rights to work or own property are restricted (Demirguc-Kunt et al. 2013). Cultural norms that discourage women's independence also result in lower account ownership. When women are unable to travel to bank branches, use mobile phones, or log onto the internet, it is more difficult for them to access financial services. Sixty four percent of working women in 11 emerging economies – Niger, India, the Democratic Republic of the Congo, Mexico, Indonesia, China, Turkey, Kenya, Colombia, Egypt, and Jordan – said mobile phones gave them greater access to business and employment opportunities. Yet 200 million fewer women than men in developing economies own a mobile phone (GSMA 2015). Recent data from the Gallup World Poll shows the gaps are largest in the Middle East, South Asia, and Sub-Saharan Africa (figure 7).
3. **Promising Ways to Boost Women's Financial Inclusion**

As financial inclusion moves up the policy agenda and digital technology remakes the financial landscape, new savings, credit, and insurance products are emerging. Financial diaries show that women's financial needs are distinct from men's financial needs, yet service providers often fail to accommodate them (Zollmann and Sanford, 2016). Just half of women worldwide are in the labor force, compared to nearly 80 percent of men. In many developing countries, a majority of women work in the informal sector, without labor protections or social benefits (UN Statistics Division, 2015). When tailored to their specific needs, formal financial services can help women improve their finances.

Agent banking -- providing financial services through retail shops or post offices -- is an increasingly popular way to reach women who lack access to traditional bank branches. In partnership with Women's World Banking, Malawi's NMB Bank offers savings accounts to women through a network of agents. Customers can make deposits or withdrawals at local shops using a mobile phone. NMB employees also lower barriers to account ownership by visiting customers in their homes or workplaces and helping them set up accounts digitally (Saho 2016). Nigeria's Diamond Bank uses bank agents to offer women mobile savings accounts with no fees or minimum balance requirements; as of 2015, it has opened more than 220,000 such accounts. In Pakistan, the Kashf Foundation has helped more than 600 unbanked women get an account since 2011 (Klapper and Dutt 2015).

Reducing the cost of opening and maintaining a savings account has been shown to increase adoption of formal savings. When researchers offered women in Kenya and Nepal free savings accounts, more than 80 percent accepted (Dupas and Robinson 2013; Prina 2015). Another study in Kenya gave men and women access to savings accounts with temporary interest rates up to 20 percent. Two and a half years after the interest rates expired, participants had significantly more
income and assets than the control group (Schaner 2016). There are also proven ways to increase use of savings accounts without use of financial incentives. As part of a study in Afghanistan, employees at a large firm had part of their pay wired into a savings account. Most chose not to opt out, and the average participant ended up saving the equivalent of 37 percent of the typical monthly salary (Blumenstock et al. 2015). A study involving Bolivia, Peru, and the Philippines found that when people received simple text messages reminding them to put away money, they were more likely to reach their savings goals, and ended up saving 6 percent more (Karlan et al. 2016).

Female entrepreneurs often struggle to get access to credit. They are more likely to be unbanked and therefore lack the credit history needed to qualify for loans. Since they are over-represented in the ranks of the poor, women also have fewer assets to offer as collateral. A range of new digital credit services offer automated loan services that could help ease these constraints. Using a mobile phone, borrowers file a request for a loan. An automated set of algorithms digs through the applicant's digital data history – such as mobile money transactions, data top-ups, and use of mobile airtime – and quickly issues a decision, often within seconds or at most 24 hours. Loan denominations tend to be small and oriented toward personal spending, and interest rates are high. Currently, most of these offerings are available only in Sub-Saharan Africa, particularly Kenya and other economies where mobile money is widespread (Hwang and Tellez, 2016). Women also can seek credit from for-profit online lenders – so called "peer-to-peer" platforms. In India, Faircent increasingly lends to women so they can invest in businesses or pay for personal expenses such as weddings. Other examples are Afluenio in Latin America and Kubo Financiero in Mexico (Noor and Faz 2015). It remains to be seen if digital services can narrow the gender gap in credit access, as women are less likely than men to have the digital tools needed to use them.

4. **The Way Forward**

Governments could ramp up women's account ownership by moving cash payments of social benefits into accounts. This is a proven way to expand account ownership: Of the adults in developing economies who receive government transfers digitally, 36 percent opened their first account specifically for that purpose. In Brazil and South Africa, 10 percent of women got their first account to receive social subsidies. There are many opportunities to build on this progress. About 80 million unbanked women in developing economies receive government transfers in cash. Moving these payments into accounts could help women join the formal financial system for the first time. In addition to expanding financial access, digital payments could also ease pressure on strained public budgets. The government of Mexico has saved about $1.27 billion annually since switching to digital payments of wages and social benefits (Babatz 2013). By reducing possibilities for theft and corruption, digital payments can reduce demand for kickbacks and increase the amount of money collected by recipients (Duryea and Schargrodsky 2008; Muradliharan et al. 2014). India saved $2 billion after digitizing payments of fuel subsidies, which reduced the amount of funds that are stolen during the distribution process (Janis and Shah 2016).

Another way to increase account ownership is digitizing wage payments. In the developing world, a third of adults who get paid digitally opened their first account to collect wages, and in the Russian Federation, 15 percent of women got their first account this way. Digital wage
payments may benefit women more than men. Although wage employment is more common among men in developing economies, working women are more likely to use their account to receive their earnings: 44 percent of female wage earners do so, against 39 percent of their male counterparts (figure 8). Regional exceptions include Latin America and the Caribbean, where men are more likely than women to get paid digitally, and the Middle East, where few women receive digital wage payments. In the developing world as a whole, 100 million unbanked women receive wage payments in cash, making this a great opportunity to expand women's financial inclusion through digital payments.

**Figure 8 Most working women are paid in cash**
*Adults who receive wage payments by method (%), 2014*

![Figure 8](image_url)

Source: Global Findex database.
Note: The height of the bar is the percentage of adults who receive wage payments.

Governments and businesses could also encourage women's use of formal financial services by accepting digital payments for routine expenses. In developing economies, about 585 million women who have an account still pay utilities bills in cash, while 225 million pay school fees in cash. Moving these payments into accounts would have benefits that go beyond convenience. Women in rural areas frequently need to spend time and money travelling long distances to pay their bills. Digitizing payments could eliminate these costs and allow women to devote their resources to more productive tasks. The challenge is to make these payments as convenient and easy as cash.

In addition to increasing their use of digital payments, governments should adopt policies to support financial inclusion. Regulations for interoperable financial systems – in which users of different digital networks can interact with each other – can help consumers benefit from new products. Financial services providers should have access to information held by credit bureaus, and banks looking to expand into mobile payments should have fair use of telecommunications networks. As increasingly complex financial services become more widely available, strong consumer protections are needed to defend the interests of customers and preserve popular trust in the financial system. Governments also can roll back the laws and policies that block financial
inclusion. "Know your customer" requirements for accessing financial services should be tiered according to the likely risks posed by customers. Since poor people make small transactions and maintain low balances, they should face fewer burdens in accessing simple accounts (Center for Global Development 2016). When governments move away from cash payments, they must ensure that digital transfers are preferable to the alternatives. Poor product design, inability to transact due to poor infrastructure, and allegations of fraud hurt public confidence in digital social payments. Dealing with such concerns helps recipients benefit from the financial inclusion possibilities offered by digital transfers (Zimmerman and Baur, 2016).

Businesses should address the factors that prevent women from accessing formal financial services. Many providers are unaware of women's specific financial needs. As a result, the products they design often have little relevance to women. Financial institutions should be more intentional about understanding women's financial lives and designing services that are easy for women to access and use. New models of credit scoring which consider mobile phone transaction history could help women qualify for credit. Businesses must also cooperate with consumer protection regulations to ensure female customers are treated fairly. Redress mechanisms that provide clear information and allow customers to dispute charges can help shore up trust in businesses (Klapper and Dutt 2015).

International donors also have a role to play in expanding financial inclusion. Since commercial banks typically shun unbanked women as unprofitable customers, donors can help services providers design and test products that are tailored to the needs of the unbanked. Donors can also help governments and businesses transition to digital payments. At the policy level, donors should continue underwriting research on financial inclusion and advocating for strong consumer protection frameworks as new financial products enter the market (Klapper and Dutt 2015).
References


