WOMEN AND FINANCIAL INCLUSION: Results from the Global Findex

Global Findex

Asli Demirguc-Kunt, Leora Klapper, & Dorothe Singer

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

BILL & MELINDA GATES foundation

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Goal to collect comparable cross-country data on financial inclusion by surveying individuals around the world:

- Measure the use of formal and informal financial services, using consistent methodology across economies and time
- Identify the segments of the population with greatest barriers to access to finance: poor, woman, youth, and rural residents.
- Motivate and track policies to expand financial services to the poor
- Design a questionnaire to harmonize financial inclusion questions across economies

Funded by a 10 year grant from the Bill & Melinda Gates Foundation (through 2020)

Added questions on the use of financial services - *payments, savings, credit, and insurance* - to the 2011 Gallup World Poll

Currently in the field collecting data for 2014, which includes expanded payments module; data will also be collected for 2017

Why do we care about financial inclusion for women?

More than 1.3 billion women worldwide remain largely outside the formal financial system (Demirguc-Kunt and Klapper, 2013).

Growing evidence that financial inclusion has significant beneficial effects for women and female-owned firms

- General role for addressing income inequality and promoting economic growth widely recognized
- Providing individuals access to savings instruments increases female empowerment (Ashraf et al., 2010), productive investment for female entrepreneurs (Dupas and Robinson, 2009), and consumption, particularly of healthcare and education (Dupas and Robinson, 2009 and Ashraf et al., 2010)

*Our study is motivated by new cross-country data on legal discrimination against women (*World Bank Women and Law Database*) and cultural norms (*OECD Gender, Institutions, and Development database*) that allow us to examine their relationship with financial inclusion*

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Who are financially included?

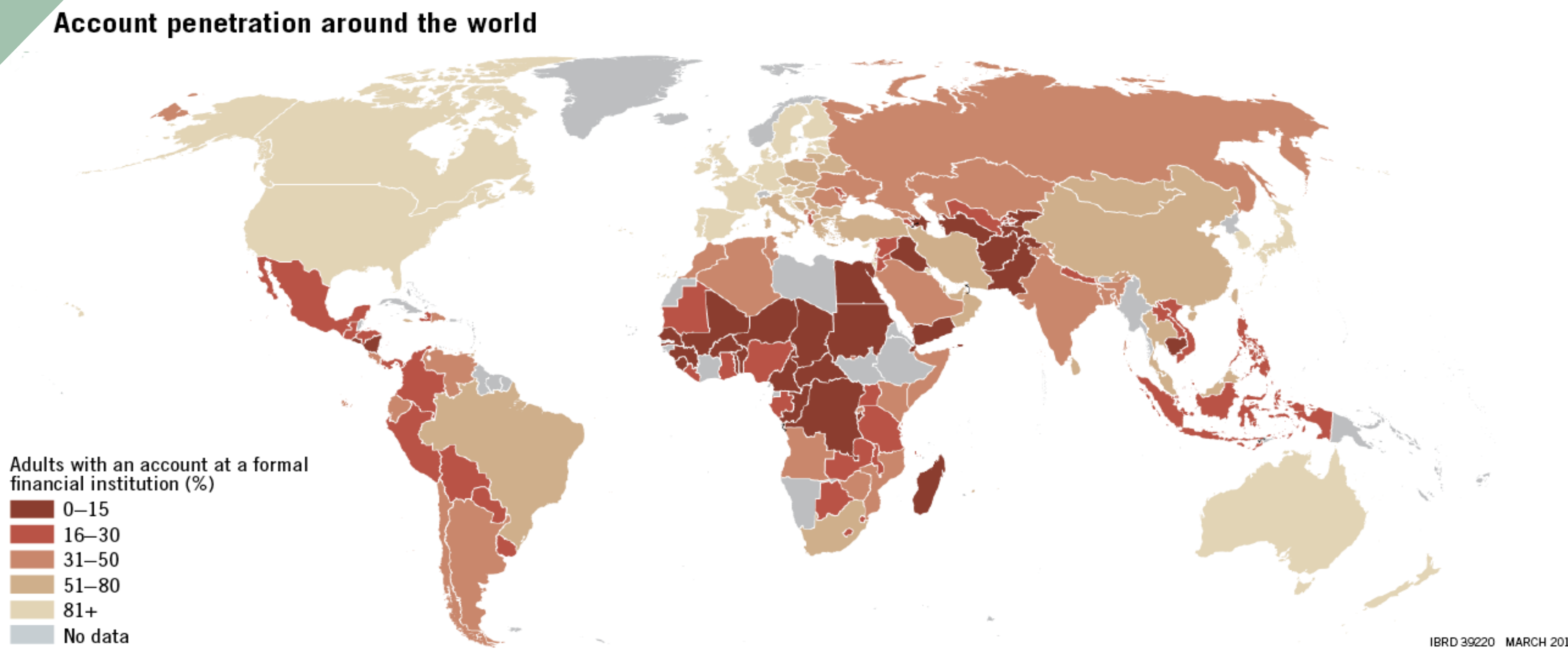
- Financial Inclusion refers to the use of financial services
- Importantly, we do not include women that report "indirect" access to financial services through someone else's account

Who are the excluded? (not mutually exclusive)

- *The Self-Excluded:* Adults who truly don't need or choose not to use financial services, for reasons other than market failures
- *The Involuntarily Excluded:* Anyone who does not use services due to barriers (such as distance, high-cost, etc.*)* that arise as a result of market failures (like asymmetric information, inadequate contract environment, etc.)

The role of policy is to broaden financial inclusion to reach those that are excluded due to market failures

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team



Source: Demirguc-Kunt and Klapper 2012.

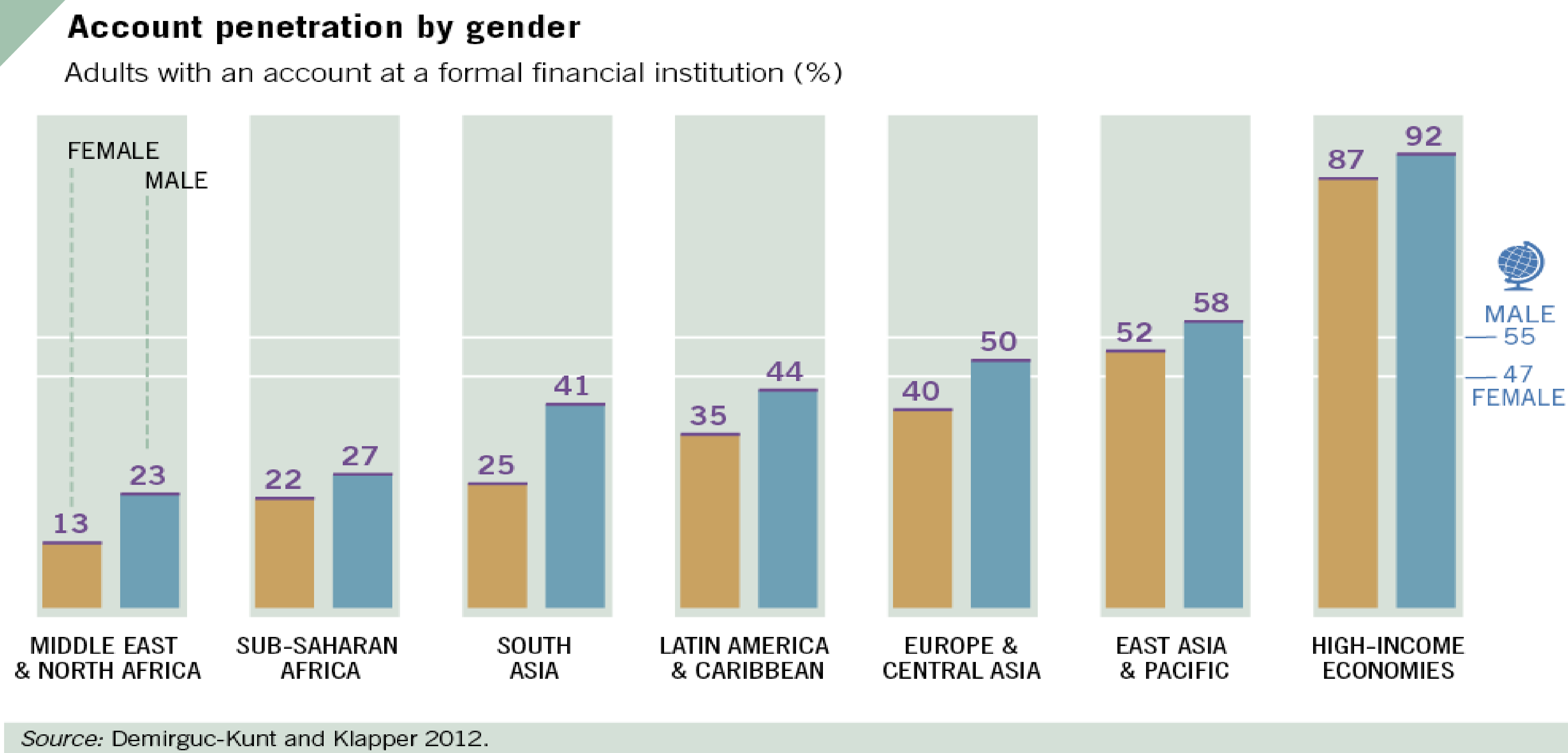
Over 2.5 billion adults do not have an account — **53%** or **over 1.3 billion of whom are women**

41% of adults in developing economies are banked—compared to 89% of adults in high-income economies

37% of women in developing economies are banked—compared to 46% of men

23% of adults living below $2 per day have a formal account —a group in which women 28% less likely than men to have account

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team



Globally, 47% of women are banked —compared to 55% of men

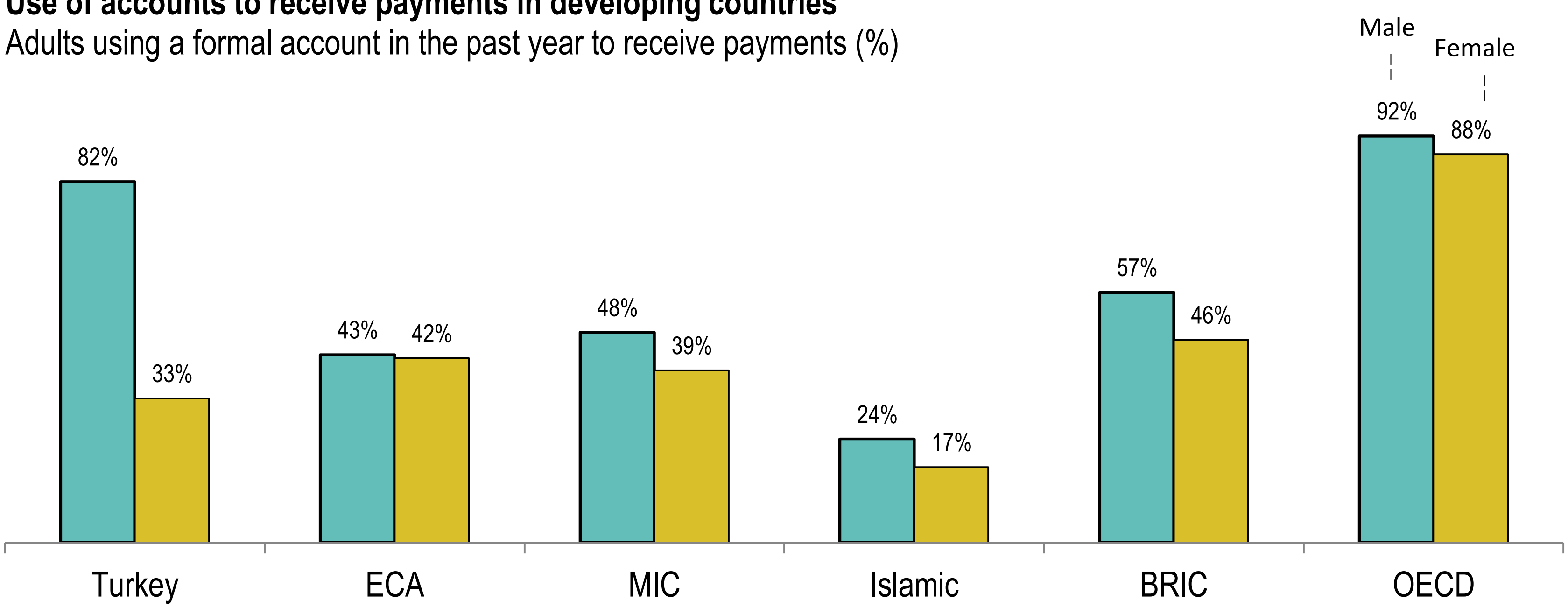
In every region, women have a lower account penetration compared to men

Largest gender gap in SA and MENA —women are 40% less likely than men to own account

In Turkey, 58% of adults but only 33% of women are banked—compared to 82% of men

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Use of accounts to receive payments in developing countries
Adults using a formal account in the past year to receive payments (%)

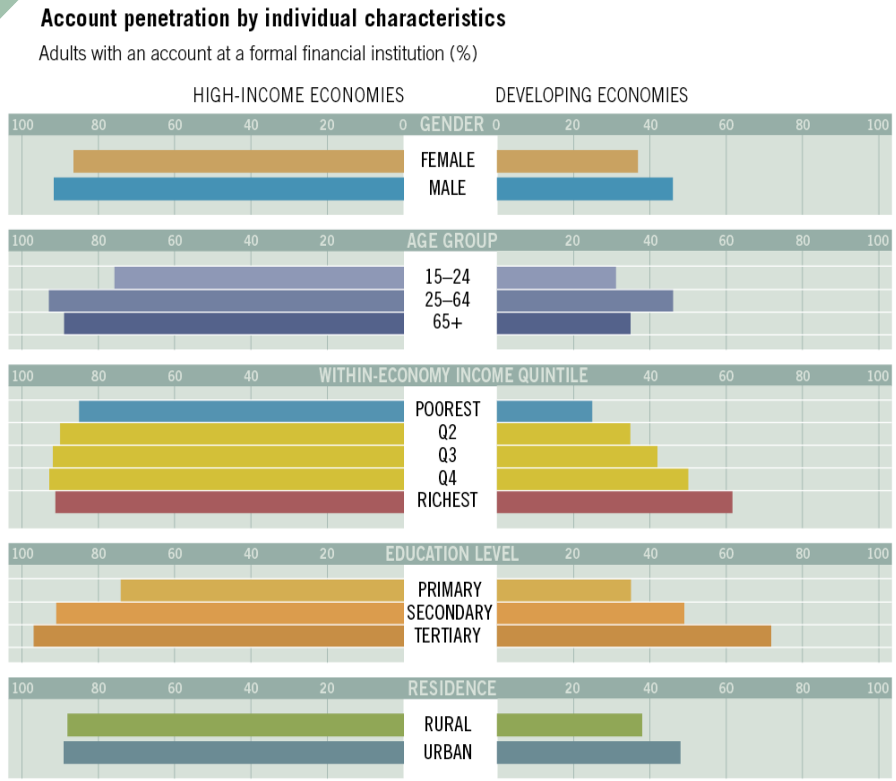


In Turkey, 33% of women are banked—compared to 82% of men

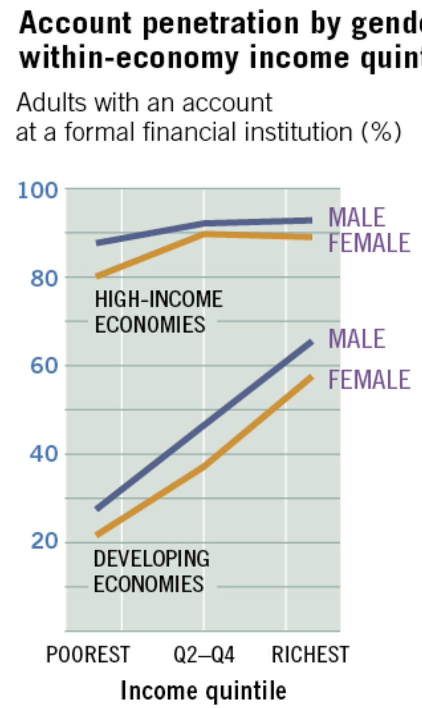
Gender gap significantly larger in Turkey than in all other comparison groups

GLOBAL FINDEX ACCOUNTS AND PAYMENTS

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team



Source: Demirguc-Kunt and Klapper 2012.



Source: Demirguc-Kunt and Klapper 2012.

Women, youth, the poor, and rural residents are the least likely to have a formal account

Adults in the poorest income quintile in developing economies are half as likely to be banked as adults in the richest quintile

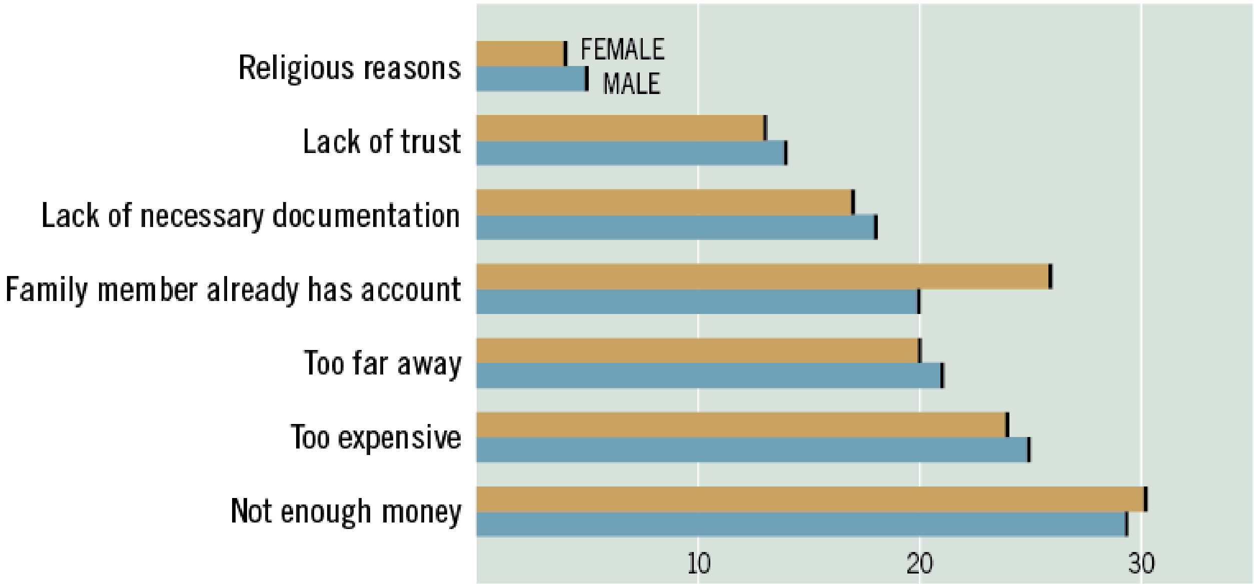
A 6-9 percentage points gender gap persists across income groups in developing economies

In Turkey, gender gap is smallest **in the richest income quintile but still 30 percentage points**

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Self-reported barriers to use of formal accounts

Non-account-holders reporting barrier as a reason for not having an account (%)



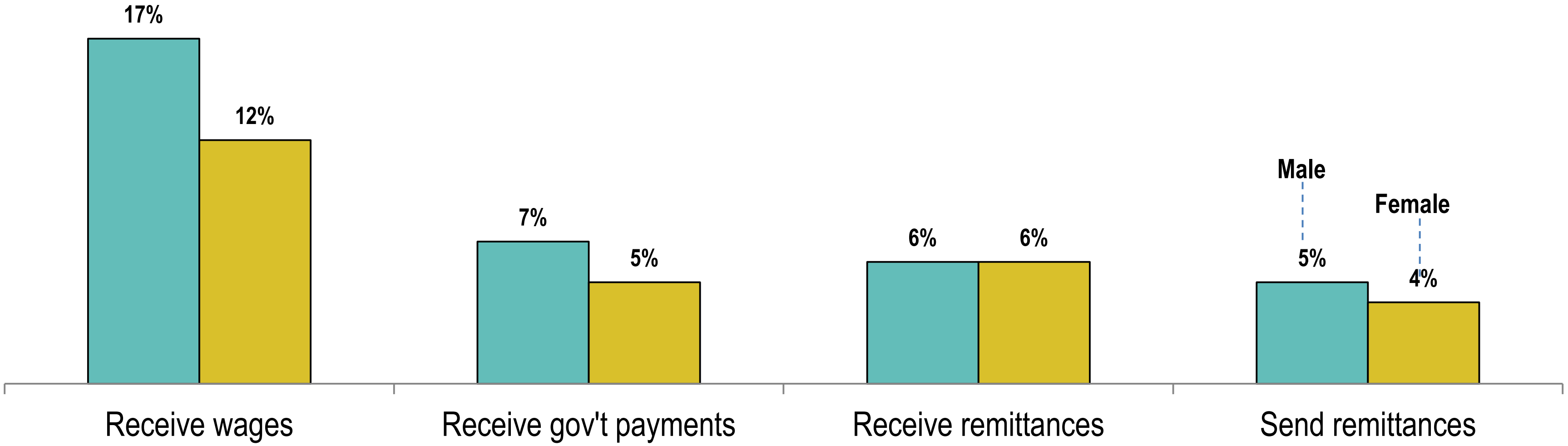
Note: Respondents could choose more than one reason. The data for "not enough money" refer to the percentage of adults who reported this as the only reason.
Source: Demirguc-Kunt and Klapper, forthcoming.

26 % of unbanked women report that another family member already has one, compared to 20 % of men. In Turkey, 21% of unbanked women compared to 18% of unbanked men do so.

The gender gap narrows from 8% to 3% when we include 'indirect' access to a bank account through a family member.

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Use of accounts to receive payments in developing countries
Adults using a formal account in the past year to receive payments (%)



Source: Demirguc-Kunt and Klapper, 2012.

38% of account holders in SSA use their account to receive money from family living elsewhere

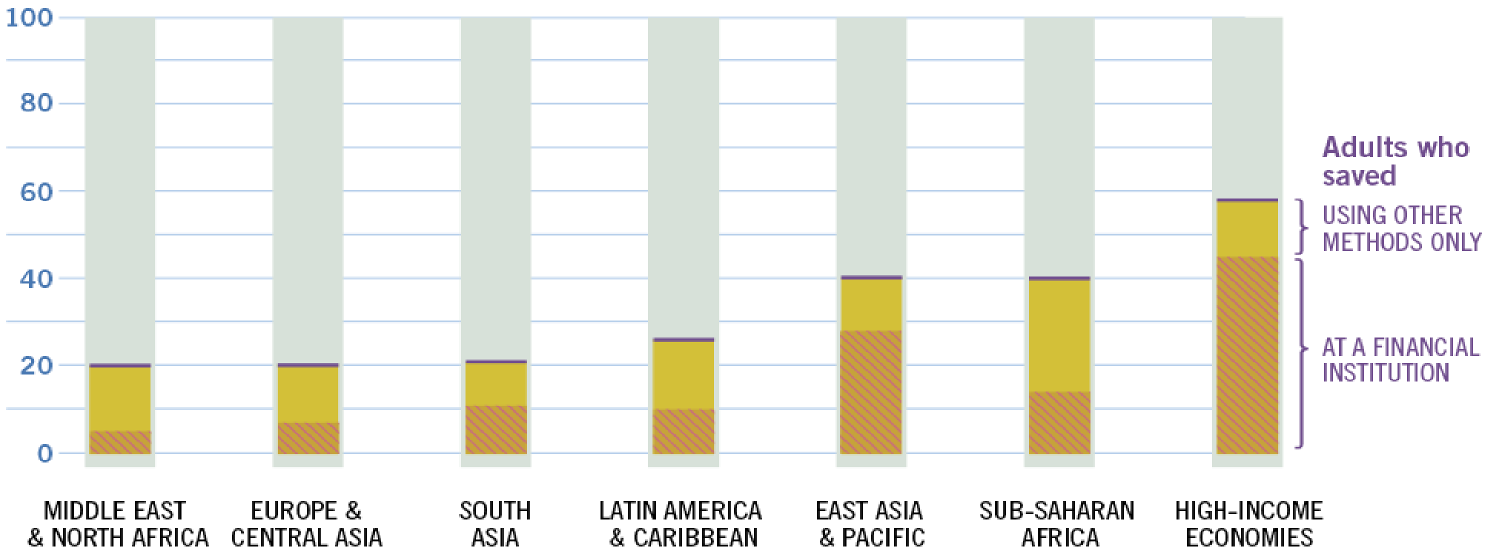
61% of account holders in ECA use their account to receive wages—compared to 34% of all account holders in developing economies and 56% of account holders in high-income economies

26% of account holders in LAC use their account to receive payments from the government—compared to 15% of all account holders in developing economies and 47% of account holders in high-income economies

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Formal and informal saving

Adults saving any money in the past year (%)



Source: Demirguc-Kunt and Klapper 2012.

34% of women saved in the past year, compared to 38% of men

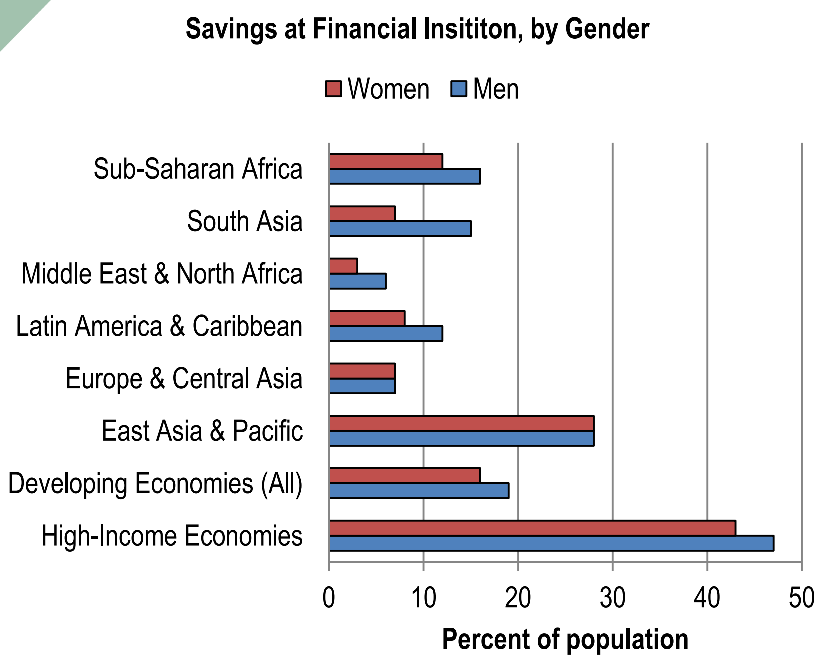
55% of female savers in developing economies saved using a formal financial institution, compared to 58% of men

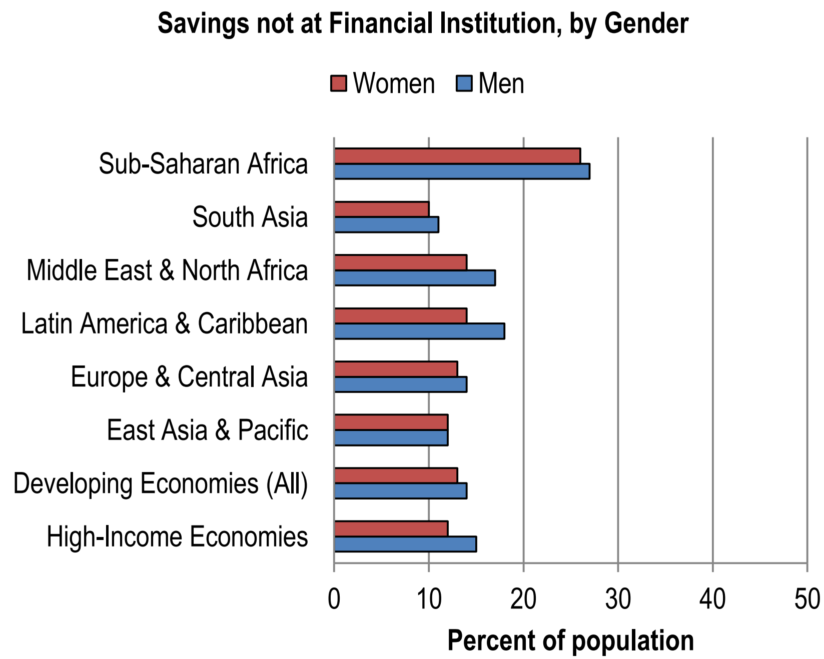
53% of female savers in developing economies saved using a community savings group, compared to 42% of men

In Turkey, 10% of adults saved in the past year – 8% of women and 11% of men

GLOBAL FINDEX SAVING

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team



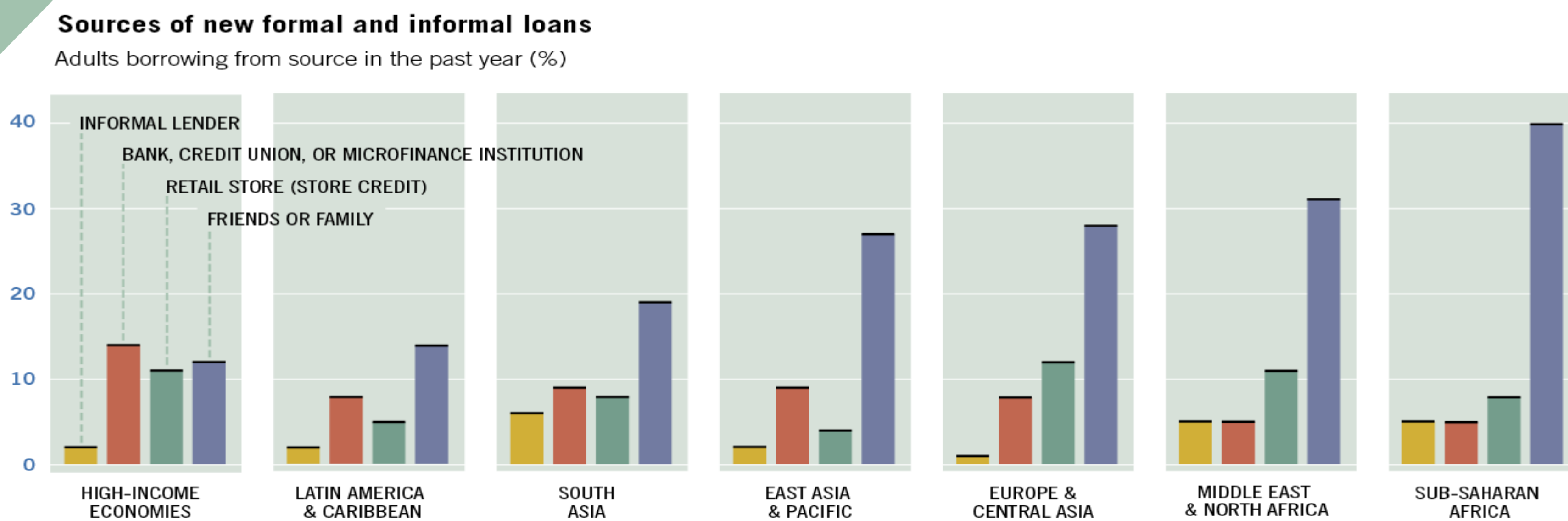


A lower fraction of women saves compared to men in all regions except EAP and ECA

In EAP and ECA we observe no gender gap in formal nor informal savings

GLOBAL FINDEX CREDIT

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team



Note: Respondents could report borrowing from more than one source.
Source: Demirguc-Kunt and Klapper 2012.

7% of adults in developing economies have a credit card—compared to 50% of adults in high-income economies

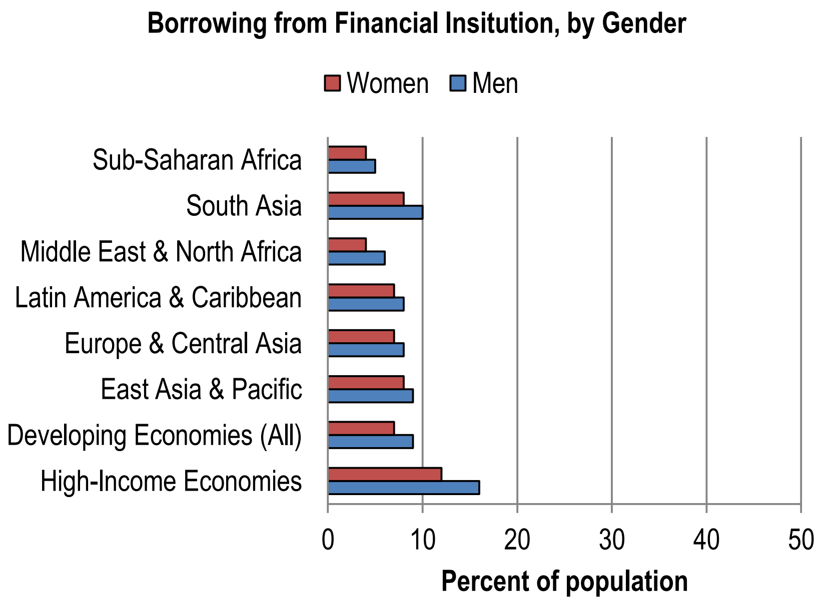
In Turkey, 45% of adults have a credit card and 5% have borrowed from a financial institution

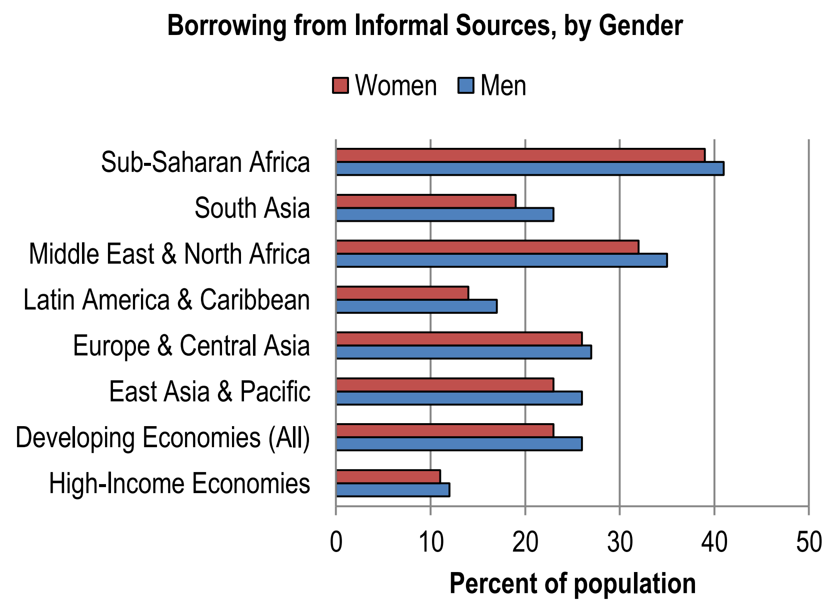
8% of women borrowed money from a formal lender in the past year—compared to 10% of men

22% of women borrowed money from family or friends in the past year—compared to 24% of men

GLOBAL FINDEX CREDIT

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team





A 4 percentage point gender gap exist in high income economies for borrowing from a financial institution

A 3 - 4 percentage point gender gap exist for borrowing from informal sources in developing economies

In Turkey, men are more than twice as likely as women to use formal credit than women.

What explains the gender gaps?

We explore econometrically what factors determine

— Account ownership
— Savings behavior (none, informal only, formal)
— Borrowing behavior (none, informal only, formal)

Sample: Up to 98 developing countries (including Turkey)

(I) Financial Inclusion and Individual Characteristics

— Gender gap exists even after controlling for individual characteristics (including income, education, employment status, urban vs rural residence, and age) and country characteristics

— Gender also affects measures of financial inclusion indirectly through gender differences in income, education, and employment status

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

What explains the gender gaps?

(II) Financial Inclusion and Legal Discrimination / Gender Norms

As a result of differential treatment under the law or by custom, women may have less ability then men to own, manage, control or inherit property which in turn might affect women's demand for financial services.

- Using data from **the World Bank's Women, Business and the Law database** we show **women are less likely then men to own an account and to save and borrow** in countries where women face **legal discrimination in**
  - **the ability to work**
  - **head a household**
  - **choose where to live**
  - **inherit property**
  - **are required by law to obey their husband**
- Using data from the **OECD's Gender, Institutions, and Development database** we show that attitudes towards women quantified in measures such as **incidence of early marriage for women** and the **level of violence against women** also **help explain difference in the use of financial services**

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Conclusion

- Data show a **persistent gender gap** in the use of financial services
  - Gender affects financial inclusion **directly**
  - Gender also affects financial inclusion **indirectly** through gender differences in income, education, and employment status
  - Greater **legal discrimination** and negative **gender norms** reduce likelihood of women owning an account and saving and borrowing
- **Specific policy actions will vary by country**, but include:
  - More equitable treatment of women under the law
  - Promoting more equitable treatment of women in all areas of society
  - New products, processes, and technology

THE WORLD BANK
Development Research Group
Finance and Private Sector Development Team

Global Findex Suite of Products

— Financial Inclusion Data Portal

— World Bank eAtlas of Financial Inclusion

— Global Financial Inclusion Microdata Databank

— Research Papers and Findex Notes

Reference citation for the paper:

Asli Demirguc-Kunt, Leora Klapper, and Dorothe Singer. 2013. “Financial Inclusion and Legal Discrimination Against Women: Evidence from Developing Countries.” World Bank Policy Research Paper 6416.

www.worldbank.org/globalfindex