NOTE NUMBER 09

APRIL 2013

FINDEX NOTES

The Global Findex Database

Women and Financial Inclusion

Asli Demirguc-Kunt

Leora Klapper

Dorothe Singer

Women make up a disproportionately large share of unbanked adults worldwide, according to new data from the Global Financial Inclusion (Global Findex) database. The data show that in developing economies women are 20 percent less likely than men to have an account at a formal financial institution and 17 percent less likely to have borrowed formally in the past year. These gaps persist across regions and within-country income categories. New research finds that legal discrimination against women and gender norms can explain some of the cross-country variation in access to finance for women. The database can be used to develop a deeper and more nuanced understanding of how women worldwide save, borrow, make payments, and manage risk.

WWW.WORLDBANK.ORG/GLOBALFINDEX

BILL & MELINDA GATES foundation

THE WORLD BANK

Access to the formal financial system can increase asset ownership and serve as a catalyst to greater economic empowerment among women. Even a basic financial tool such as a deposit account at a formal financial institution can be of great value. A formal account provides a safe place to save and creates a reliable payment connection with family members, an employer, or the government. It can also open up channels to formal credit critical to investing in education or in a business. Yet more than 1.3 billion women worldwide remain largely outside the formal financial system. Efforts to improve gender parity in the formal financial system have been hindered by the lack of systematic indicators on the use of different financial services—both formal and informal—in most economies.

The Global Findex database provides such indicators, measuring how people in 148 economies around the world save, borrow, make payments, and manage risk. These new indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults age 15 and above. The survey was carried out over the 2011 calendar year by Gallup, Inc. as part of its Gallup World Poll. This note explores gender differences in financial behaviors among adults worldwide.[1] All reported global and regional statistics are weighted by country-level adult population, and all reported gender gaps are statistically significant, even when controlling for education, age, income, rural or urban residence, and country-level characteristics.[2]

How Big Is the Gender Gap in Account Ownership?

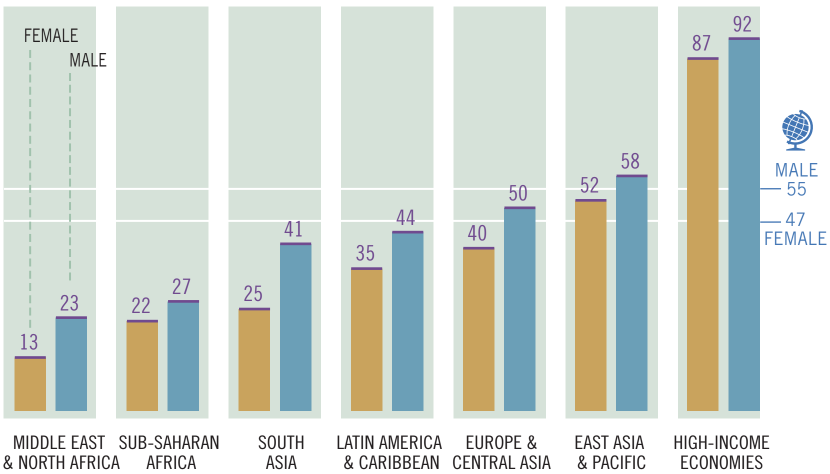
For many people a basic deposit account serves as an entry point into the formal financial system. Yet ownership is distinct from use, and to provide an accurate picture of economic empowerment Global Findex data on account penetration measure the individual or joint ownership of formal accounts. This is in contrast to many earlier surveys, which measured account penetration at the household level and thus tended to capture use, not ownership, and to overstate account penetration among women.

According to the Global Findex data, 47 percent of women and 55 percent of men worldwide have an account at a formal financial institution—a bank, credit union, cooperative, post office, or microfinance institution. When analysis is restricted to the developing world, the gender gap grows larger—and it is larger still among adults living below the $2-a-day poverty line, a group in which women are 28 percent less likely than men to have a formal account.

FIGURE 1

Account penetration by gender

Adults with an account at a formal financial institution (%)

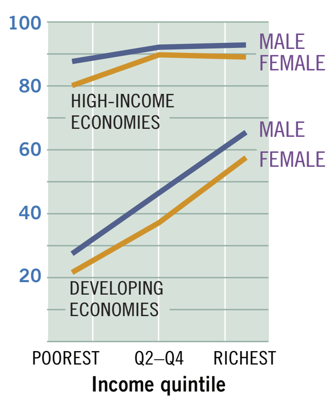


Source: Demirguc-Kunt and Klapper, forthcoming.

FIGURE 2

Account penetration by gender across within-economy income quintiles

Adults with an account at a formal financial institution (%)



Source: Demirguc-Kunt and Klapper, forthcoming.

The gender gap also varies widely across economies and regions. In a few economies—such as Slovenia, Thailand, and Uruguay—there is essentially no gender gap in account penetration. But in some—such as Guatemala, Jordan, and Pakistan—women are only half as likely as men to have an account. Among regions, South Asia and the Middle East and North Africa have the largest gender gaps, with women about 40 percent less likely than men to have a formal account (figure 1). But the gender gap is statistically significant in all regions.

On average, the gender gap in account penetration persists across all within-economy income quintiles. In developing economies women are less likely to have a formal account than men across all income quintiles, with the differences in account penetration averaging between 6 and 9 percentage points (figure 2). In high-income economies, however, the gender gap exceeds 4 percentage points only for women in the poorest income quintile.

What Are the Barriers to Account Ownership for Women?

Why do more than 1.3 billion women have no formal account? Globally, among both men and women, the most frequently cited reason for not having a formal account is lack of enough money to use one (figure 3). This is the response given by 65 percent of adults without a formal account, with 30 percent citing this as the only reason (multiple responses were permitted).

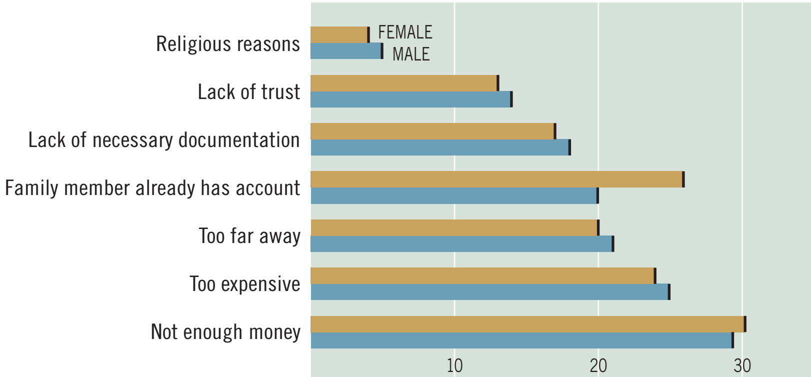
Among men, the next most commonly cited reason for not having an account is that accounts are too expensive. Among women, however, the second most common reason is that another family member already has one (a reason cited by 26 percent of women without an account but 20 percent of men without one).[3] While indirect use of an account increases access, widespread indirect use may be of concern to policy makers. Recent studies have shown that lack of account ownership (and of personal asset accumulation) limits women's ability to pursue self-employment opportunities.[4] And field experiments have demonstrated that expanding account ownership among female entrepreneurs can lead to significant increases in savings and productive investment.[5]

When the definition of account ownership is relaxed to also include indirect access through a family member, the observed worldwide gender gap narrows from eight percentage points to three (the data do not distinguish the gender of the family member who already has an account). Thus even when the analysis accounts for indirect account

FIGURE 3

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.

use, a gender gap remains. And the fact that a larger share of women than men cite indirect access through a family member as a reason for not having an account can be interpreted as another manifestation of the gender gap.

Beyond indirect access, however, men and women report other reasons for not owning a formal account (cost, distance, lack of necessary documentation, lack of trust in banks, and religious reasons) in roughly equal proportions.

How Do Saving and Borrowing Behaviors Differ by Gender?

The gender gap in financial behavior extends to saving and borrowing activities. A significantly smaller share of women than men report having saved in the past year (34 percent compared with 38 percent), though men and women appear to differ little in their savings goals. About 76 percent of both men and women who save report doing so for future emergencies. And about 67 percent of both groups report saving with an eye toward future expenses, such as education or a wedding. But male savers in the developing world are significantly more likely than their female counterparts to save formally: among those who save, 58 percent of men but only 55 percent of women report doing so at a formal financial institution.

In general, women are significantly more likely to report saving using a community-based method such as a rotating savings and credit association, known as a *susu* in West Africa, an arisan in Indonesia, and a *pandero* in Peru. In Sub-Saharan Africa, for example, 53 percent of female savers report using a community-based method to save, compared with 42 percent of male savers. The high use of these "semiformal" products—where users commit to regular saving—might suggest a missed opportunity to provide safe, affordable financial products to people without formal accounts, particularly women.

Worldwide, there is also a significant gender gap in borrowing behavior: 10 percent of men report having borrowed from a formal financial institution in the past year, compared with 8 percent of women. Among both men and women, the most commonly reported purpose of outstanding formal and informal loans is emergency or health reasons, cited by 11 percent of all adults.[6]

What Explains the Gaps?

Going beyond simple comparisons of averages by gender, a new analysis by Demirguc-Kunt, Klapper, and Singer explores econometrically what factors explain the observed gender gap in the use of financial services in developing economies.[7] The results indicate that even after controlling for a host of individual characteristics (including income, education, employment status, rural or urban residence, and age) and country characteristics, gender remains a significant determinant of account ownership and saving and borrowing behavior. Moreover, the results show that gender affects measures of financial inclusion not only directly but also indirectly, through gender differences in income, education, and employment status.

The analysis also explores the degree to which economy-wide legal discrimination against women and gender norms can explain this gender gap, after controlling for individual and other country characteristics. As a result of differential treatment under the law or by custom, for example, women may have less ability than men to own, manage, control, or inherit property, which in turn might affect women's demand for financial services.[8] Using data from the World Bank's Women, Business and the Law database,[9] the analysis shows that in countries where women face legal discrimination in the ability to work, head a household, choose where to live, or inherit property or are required by law to obey their husband, women are less likely than men to own an account and to save and borrow.

We also consider gender norms as quantified by the Organisation for Economic Co-operation and Development's Gender, Institutions and Development Database,[10] such as the level of violence against women, the incidence of early marriage for women, and women's rights. The results confirm that gender norms help explain differences in the use of financial services.

Conclusion

The Global Findex database documents persistent gender gaps worldwide in account ownership and other financial behaviors. As the first public database of indicators that consistently measure people's use of financial products across economies and individual characteristics, the Global Findex database fills a big gap in the financial inclusion data landscape. The data set can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how women around the world save, borrow, make payments, and manage risk. By enabling policy makers to identify segments of the population excluded from the formal financial sector, the data can help them prioritize reforms accordingly and, as future rounds of the data set become available, track the success of those reforms.

WWW.WORLDBANK.ORG/GLOBALFINDEX

1. The complete country- and micro-level database is available online.
2. The regional and worldwide aggregates omit economies for which Gallup excludes more than 20 percent of the population in the sampling either because of security risks or because the population includes non-Arab expatriates. These excluded economies are Algeria, Bahrain, the Central African Republic, Madagascar, Qatar, Somalia, and the United Arab Emirates. The Islamic Republic of Iran is also excluded, because the data were collected in that country using a methodology inconsistent with that used for other economies.
3. This difference is statistically significant.
4. Hallward-Driemeier and Hasan 2012.
5. Dupas and Robinson 2013.
6. Respondents chose from a list of reasons for borrowing, including to purchase a home; to purchase materials or services to build, renovate, or extend a home; to pay school fees; for emergency or health purposes; and for funerals or weddings. It is possible that reasons not listed (borrowing to start a business, for example) are also common.
7. Demirguc-Kunt, Klapper, and Singer 2013.
8. World Bank 2012.
9. Available at http://wbl.worldbank.org.
10. Available at http://www.oecd.org/dev/poverty/genderinstitutionsanddevelopmentdatabase.htm.

References

Demirguc-Kunt, A., and L. Klapper. Forthcoming. "Measuring Financial Inclusion: The Global Findex Database." *Brookings Papers on Economic Activity.*

Demirguc-Kunt, A., L. Klapper, and D. Singer. 2013. "Financial Inclusion and Legal Discrimination against Women: Evidence from Developing Countries." Policy Research Working Paper 6416, World Bank, Washington, DC.

Dupas, P., and J. Robinson. 2013. "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya." *American Economic Journal: Applied Economics 5* (1): 163–92.

Hallward-Driemeier, M., and T. Hasan. 2012. *Empowering Women: Legal Rights and Economic Opportunities in Africa.* Africa Development Forum Series. Washington, DC: World Bank.

World Bank. *2012. World Development Report 2012: Gender Equality and Development.* Washington, DC: World Bank.

The reference citation for the Global Findex data is as follows:

Demirguc-Kunt, A., and L. Klapper. Forthcoming. "Measuring Financial Inclusion: The Global Findex Database." *Brookings Papers on Economic Activity.*