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FINANCIAL INCLUSION FROM A GENDER PERSPECTIVE

S. Jyolsna
Research Scholar, Manonmaniam Sundaranar University, Thirunelveli
Assistant Professor, PG Department of Economics, NSS College, Pandalam

Dr. M. Janarthanan Pillai
Assistant Professor, Department of Economics, Alagappa Govt. Arts College, Karaikudi

Abstract

Women's narrower access to resources-caused by the limited spaces assigned to them through the sexual division of labour and to the social hierarchies built up on the basis of their division- translates into deprivation in various social spheres, fundamentally in closely connected systems, the labour market, the welfare or social protection system and the household. This paper analyses gender differences in financial behavior among worldwide based on new data from the Global Financial Inclusion (Global Findex) database. The Global Findex database provides systematic indicators on measuring how people in 148 economies around the world save, borrow, make payments and manage risk. These indicators on the use of different financial services are constructed with survey data from interviews with more than 1, 50, 000 national representative samples and randomly selected adult age 15 and above. According to the data women make up a disproportionately large share of unbanked adults worldwide.

Key words*: Financial inclusion, Gender gap, Global Findex database, Account, Savings, Borrowings*

Introduction

Financial inclusion is one of the biggest challenges in the world of economics. It is enabling the delivery of banking and other financial service at an affordable cost to the vast sections of disadvantaged and low income groups. Banking services are essential for welfare of the public. It is imperative that the availability of banking and payment services to the entire population without discrimination should be the prime objective of public policy. Thus banking is perceived as a public good. Since 1793 attempts have been made to provide financial services, especially banking facilities and credit, to the rural people.

It is however emerging that a lot of ground remains to be covered in understanding the reaching of the financial sector, and especially the degree to which vulnerable groups such as the poor, women and youth are excluded from formal financial systems. Availability of systematic indicators of the use of different financial services needs to be improved in most economies and consequently, at the global level. The World Bank database, known as the Global financial Inclusion database (Global Findex), provides survey based data as part of the annual Gallop World Poll survey. It is the first public database of indicators that consistently measure people's use of financial products across economies over time. Thus it fills a big gap in the financial data landscape.

The Global Findex database provides systematic indicators on measuring how people in 148 economies around d the world save, borrow, make payments and manage risk. These new indicators are constructed with survey data from interviews with more than 1,50,000 national representatives samples and adults selected at random in 148 economies covering over 97% of the world adult population. The Global Findex data show sharp disparities in the use of financial services between high income and developing economies and across individual characteristics. The data highlights the existence of significant gender gaps in ownerships of accounts and usage of savings and credit products.

Objectives of the Study

The main objectives of the study are to analyse the gender differences in financial behavior using individual level data from 98 developing countries.

Women and Access to Formal Financial System

Compared to men women are victims of poverty and marginalization to a greater extent, since the condition of being women results in the phenomenon of exclusion. The social and political exclusion is a corollary of economic deprivation and economic poverty. It is necessary to encourage an agenda which places social and gender equity at the centre of the development paradigm. In this process banks must play a critical role as they channel credit to entrepreneurs and poorer sections. Banks can and do facilitate economic growth by ensuring removal of liquidity constraints in production by providing capital to start new ventures or adapting new technology and help producers assume production risk. In recent years, finance is increasingly being used as an anti poverty tool. Finance helps the unemployed to gain employment thereby increasing income and consumption and reducing poverty.

Gender concerns are a pivotal element of the microfinance poverty alleviation strategy. Across microfinance assisted projects, women have proved to be a driving force in achieving project success and reducing poverty. In South Asia, the Gender Development Index and Gender Empowerment Index do not favour women. Poverty concentrated among women is intractable. Microfinance ensures that in projects and activities gender specifies at the household and community levels are taken into account. These projects also enable them to address the household food security and nutrition goals. The feminization of credit is a process which has demonstrably established that a loan extended to a poor woman is a loan which helps to uplift the entire family, as women prioritize family. Thus, increasing the economic resilience of the poor is largely about enabling women to realize their socio-economic potential and improve the quality of their lives. Empowering women economically first makes it easier to empower them socially.

Access to 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 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 (Demirgue - Kunt and Klapper, 2013). 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.

Measuring Gender Gap

Global Findex data

The study has been carried out by collecting and analyzing a data set published by the Global Findex database in 2011. The Global Findex data was collected in conjunction with the annual Gallup World Poll Survey. The Data are based on interviews with more than 1,50,000 national representative samples and adults selected at random in 148 economies covering over 97% of the world population. This database was released in April 2012. The Global Findex dataset includes 41 indicators on the use of financial services around the world. In this paper we focus on gender differences in financial behaviors among adults worldwide.

The global Findex data is particularly well-suited to measure the Gender Gap in access to finance as the definition of account penetration includes only individual or joint accounts and not the use of someone else's account. The use of savings and credit refers to individual behavior as well. This is in contrast to other demand side data on financial behavior that measure account penetration savings behavior and credit use at the household level.

Data Analysis

We start our analyses by documenting ownership and use of financial services around the world by gender. In particular, we provide descriptive statistics on three key dimensions of financial services; account ownership, savings and credit. 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.

Account Ownership

According to Global Findex data, worldwide, 50 percent of adults report having an account at a formal financial institution. For most people, having such an account serves as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances and government payments. It can also encourage saving and open access to credit. These benefits accrue to account holders around the world. But beyond these commonalities are many differences across regions, income groups and individual characteristics- in the prevalence of accounts, in potential barriers to their use, in the purpose of their use etc and especially in the developing world many people rely on alternatives to formal account.

Not surprisingly, there is enormous variation in the use of financial services between high income and developing economies. Account penetration is close to universal (90 percent) in high income countries while only 43 percent adults in developing countries report having an account at a formal financial institution. The Global Findex shows ¾ of the world's poor do not have a bank account, not only because of poverty, but also due to costs, travel distance and paper work involved.

Account ownerships also differ in important ways by individual characteristics such as gender, education level, age and rural or urban residence. There are significant disparities in account penetration along gender lines. According to the Global Findex data, 47 percent of women and 55 percent of men worldwide have an account at a formal financial institution. Although the gender gap is universal, it is more pronounced in developing countries. The gap is almost twice as wide (9 percentage points) in low and middle income economies as in high income countries (5 percentage points). It is still 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.

The gender gap also varies widely across economies and regions. Regionally the gender gap is largest in south Asia where 41 percent of men report having an account compared to only 25 percent of women. In Sub-Saharan Africa, the gap is relatively small; 27 percent of men and 22 percent of women report that they have an account. The gender gap is statistically significant in all region s except East Asia and the Pacific even after controlling for education, age, income and country level characteristics. 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 a likely as men to have an account.

The gender gap in account penetration persists across relative income groups within countries as well. 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. In high –income countries, the gender gap exceeds 4 percentage points only for women in the poorest income quintile.

Barriers to Access

The Global Findex shows ¾ of the world's poor do not have a bank account. By far, the most frequently self reported reason for not having an account is the lack of enough money to use one. 65% of both men and women cite this as a reason for why they do not have an account. Multiple responses were permitted (men and women give on average 1.7

reasons each) but even if we only consider those men and women that cite lack of enough money as the only reason it remains the most commonly cited reason with 30 percent for both men and women.

Among men, the next most commonly cited reason for not having an account is that accounts are too expensive. Among women, the second most common reason is that another family member already has an account. Globally, 26 percent of women report this as the reason they do not own one account compared to only 20% of men. For men this reason comes in fourth, after "too expensive" and "too far away". 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 (Hallward-Driemeier and Hassan, 2012). Field experiments have demonstrated that expanding account ownership among female entrepreneurs can lead to significant increase in savings and productive investment (Dupas and Robinson, 2013).

When we relax the definition of account ownership to include indirect access through a family member the observed gender gap in account ownership actually narrows from eight percentage points to three. Thus even when the analysis accounts for indirect account use, a gender gap remains. Yet, the fact that relatively more women compared to men cite indirect access through a family member as a reason for having an account could also be interpreted as another manifestation of the gender gap in economic empowerment. Beyond indirect access, however men and women report other reasons such as cost, distance, lack of necessary documentation, lack of trust in banks and religious reasons, in roughly equal proportions, for not owning a formal account.

The Gender Gap in Saving and Borrowing Behavior

Saving and Borrowing behavior also differ by Gender. Adults universally save to cover future expenses-education, wedding or a big purchase- or to insure for possible emergencies or a time when they are not working. A significantly smaller share of women than men report having saved in the past year-38 percent of men and 34 percent of women-though men and women appear to differ little in their savings goals. Interestingly, the gender gap in savings is larger in high income countries at 7 percentage points (62 percent of men save compared to 55 percent of women) than is the 4 percentage point that exist in developing countries (33 percent of men save as compared to 29 percent of women). Overall, however, adults in high-income countries are almost twice as likely to save compared to adults in developing countries.

Globally about 76 percent of both men and women who save report doing so for future emergencies. And about 67 percent of both men 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.

Adults across the world save using different methods. Individuals may save using an account at a formal financial institution. Others including those who have a formal account may use alternative methods of savings such as community savings clubs or saving under the mattress. As for savings behavior in general, there are often gender differences in the modes of saving. In general, women are significantly more likely to report saving using a community based method such as rotating savings and credit association, known as 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 suggests a missed opportunity to provide safe, affordable financial products to people without formal accounts, particularly women. A higher fraction of men, compared to women saved or set aside money by using an account at a bank, credit union, or institution in the past 12 months in all region s of the world except for East Asia Pacific and Europe and Central Asia. A similar pattern holds for savings using methods other than a formal account; except for East Asia and the Pacific and Europe and Central Asia we observe a gender gap in all other regions. However the gender gap is markedly smaller ranging from 1 to 4 percentage points.

Worldwide, there is also a significant gender gap in borrowing behavior. Most people borrow money for a house, school fees, a healthy emergency or to pay for a wedding. They may turn for credit to a formal financial institution like a bank or MFI, or to family member or informal lender. Globally, 34 percent of adults report having borrowed money in the past 12 months. Globally 36 percent of men and 32 percent of women borrowed in the past year- from sources including formal financial institutions (banks, credit union or microfinance institution), store credit, family or friends, an employer or an informal lender/. The gender gap of 4 percentage points in borrowing remains consistently across high income and developing countries. In developing countries, a slightly larger percentage of adults report having borrowed money in the past year (37% Vs 32% in developing countries). In high-income countries, 33 percent of men reported borrowing as compared to 29 percent of women. The relatively low share of adults with loan in high income countries might be explained by the widespread ownership of credit cards (40 percent Vs only 7 percent in developing countries) that give adults access to short term loans as needed.

Globally 10 percent of male report having borrowed from a formal financial institution in the past year, compared with 8 percent of women. Not surprisingly the highest fraction of adults (14 percent) with formal loans can be found in high income countries. In east Asia pacific Europe and Central Asia, Latin America and Caribbean, and south Asia, between 8 and 9 percentage of the population reports having loans from formal financial institutions. The gender gap in the use of formal credit is most pronounced in high income economies at 4 percentage points. In the developing world, the gender gap with respect to formal credit is only around 1 percentage point or insignificant. However, in developing countries, the overwhelming number of loans originates from informal sources and the gender gap for those loans ranges between 3 and 4 percentage points. 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.

Conclusion and Discussion

The Global Findex database documents persisting gender gaps worldwide in account ownership and other financial behaviors. The database explores what factors explain the observed gender gap in the use of financial services in developing economies. The result 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 mot only directly but also indirectly, through gender differences in income, education, and employment status

Thus the Global Findex database documents persistent gender gaps worldwide in account ownership and other financial behavior. New research fills a big gap in the financial inclusion data landscape. The database can be used to develop a deeper and more nuanced understanding of how women worldwide save, borrow, make payments and manage risk.

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