Access to formal financial services

Key points

- Since 2011, while levels of financial inclusion have been increasing at a steady rate for both men and women around the world, women's level of access was still behind that of men by 7 percentage points in 2017. This gender gap is more pronounced in developing regions, particularly in Western Asia and in Northern Africa, where the gap stands at 21 percentage points.

- Data collected through the Evidence and Data for Gender Equality (EDGE) project reveal that women entrepreneurs are less likely than men to fulfil their productive and innovative potential for a variety of reasons, including, notably, lack of access to formal financial services.

- In 2017, 45% of women 15 years and above worldwide had saved money in the past 12 months, compared with 52% of men in the same age group. Savings patterns of women and men also differed, with men saving formally and women in alternative ways.

Background

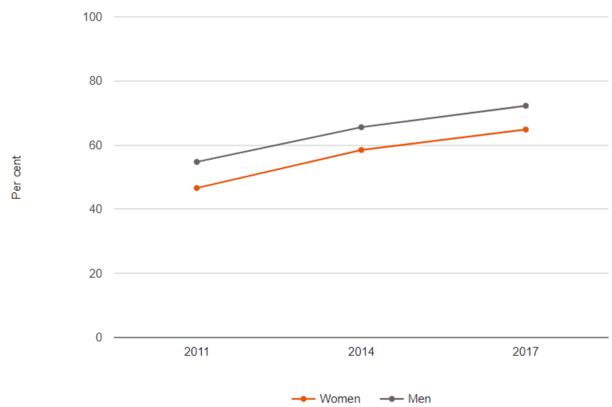
An account at a financial institution or through a mobile-money service gives people access to the formal financial systems and thus to an array of banking services and instruments. Addressing the persistent gender gap in account ownership would boost women's economic empowerment and improve gender parity in other dimensions. [1]

Current situation

The global gender gap in financial or mobile-money-account ownership persists

Women are lagging behind men in making use of financial services. In 2017, 65% of women worldwide had an individual or joint account at a financial institution, a bank, credit union, microfinance institution, cooperative or post office, or through a mobile-money service, compared to 72% of men. Despite the overall upward trajectory in financial inclusion for both women and men since 2011, a 7 percentage point gender gap has persisted globally (see figure I).

Figure I: Proportion of women and men aged 15 years or older with an account at a bank or other financial institution or with a mobile-money-service provider: 2011-2017 (Percentage)



Source: World Bank, Global Findex Database 2017 (last accessed on 26 June 2020) (https://globalfindex.worldbank.org/).

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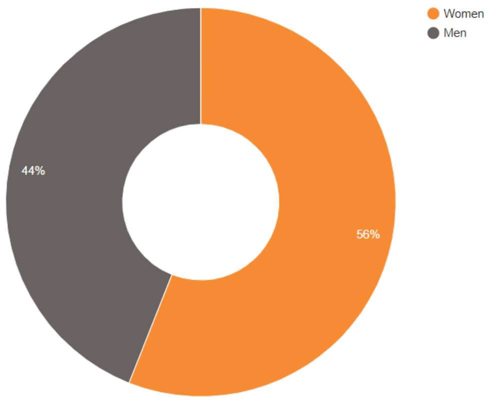
Women constitute–a disproportionate share of unbanked individuals compared with men in 2017 (56% versus 44%, respectively) (see figure II).

Figure II: Share of women and men without access to formal financial services: 2017 (Percentage)



Source: World Bank, Global Findex Database 2017 (last accessed on 26 June 2020) (https://globalfindex.worldbank.org/).

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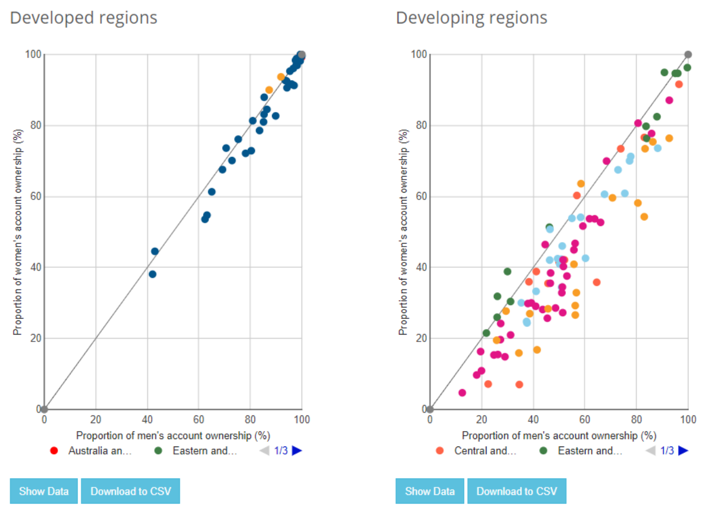
The gender gap in financial or mobile-money account ownership is larger in developing regions

In 2017, the proportion of women in developing regions with financial or mobile-money accounts was lower than the proportion of men. Differences in account ownership between women and men were the highest in Western Asia (21 percentage points)[2] and Northern Africa (21 percentage points),[3] with a wide disparity among countries in those regions. Among countries in developing regions, the highest gender gap was observed in Jordan, where 27% of women and 56% of men had banking or mobile-money accounts, a difference of 30 percentage points. In developed regions, there was a less discernable gender gap in account ownership, on average (see figure III).

Figure III: Percentage point difference in account ownership between women and men in developing and developed regions: 2017



Source: Calculated by the United Nations Department of Economic and Social Affairs (UNDESA), Statistics Division, based on data retrieved from the Global Findex Database 2017 (last accessed on 26 June 2020) (https://globalfindex.worldbank.org/).

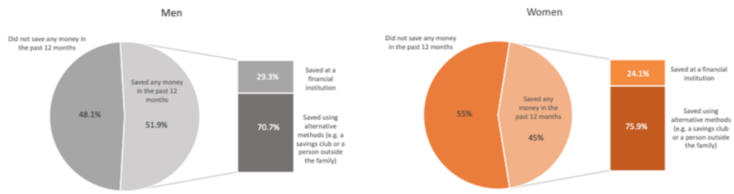
A bank account provides a secure avenue to save and borrow money, which opens up formal channels for women to invest in capital for their businesses and entrepreneurial activities, and for themselves, their families and their children. Findings of the Evidence and Data for Gender Equality (EDGE) project[4] reveal that women entrepreneurs are less likely than men to fulfil their productive and innovative potential due to a variety of factors, including lack of account ownership (including financial asset accumulation and ownership) and reduced access to external financing through formal channels. In Mongolia, where the proportion of women with financial or mobile-money accounts was four percentage points higher than that of men, data collected in 2016 under the EDGE project revealed that women entrepreneurs were more likely than men to register their businesses in public records (47% versus 32%, respectively)[5] and were exposed to less economic vulnerability as a result.

In addition, having a financial or mobile-money account increases women's economic freedom and decision-making power in the home, including managing the flow of earnings from employment and/or the stock of owned assets and deciding on major purchases. Furthermore, having a banking account connects women with far more agents in the economy, giving them access to and control over information, networks and payments, such as remittances, installments, wages, taxes and government cash transfers, through reliable and affordable payment systems.

Saving patterns vary among women and men

Account ownership enables women to safeguard their savings in banks and other financial institutions, increasing their resilience to withstand possible exogenous shocks during different stages of the life cycle and to escape poverty. Globally, it is estimated that 45% of women aged 15 and above saved money in 2017, compared with 52% of men in the same age group. While a relatively higher proportion of men saved formally at financial institutions (29%), women tended to save money in alternative ways, including through semi-formal savings clubs or by entrusting savings to an individual outside the family (see figure IV).

Figure IV: Proportion of women and men aged 15 years or older who saved (or did not save) money in the past 12 months, by method of savings: 2017



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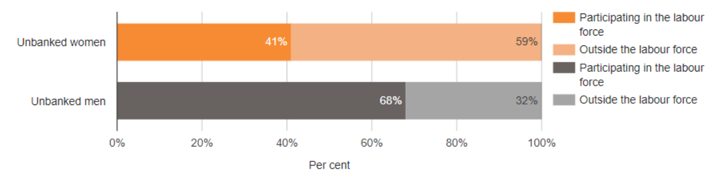
Source: Calculated by UNDESA, Statistics Division, from the World Bank Global Findex Database 2017 (last accessed on 26 June 2020) (https://globalfindex.worldbank.org/).

In addition to the legal barriers that may restrict women's ability to have a banking account, structural differences can also help explain the gender gap in account ownership. The effect of gender on bank account ownership remains significant in developing regions, even after controlling for income, education, employment status, rural residency and age.[6] Furthermore, in 2017, among adults without an account worldwide, women were less likely than men to participate in the labour force (41% versus 68%, respectively) (see figure V). In a study conducted in the State of Madhya Pradesh in India, it was found that boosting women's bargaining power by helping them to open bank accounts and understand the basic principles of banking and by advising them to deposit their public workfare programme wages into their own accounts rather than into those owned by male household heads, increased women's labour force participation rate in both the public and private sectors, particularly in the case of women who were least involved in the labour force prior to the State intervention and whose husbands were most opposed to them working.[7]

Figure V: Participation level in the labour force of women and men aged 15 and above without an account at a bank or other financial institution: 2017 (Percentage)



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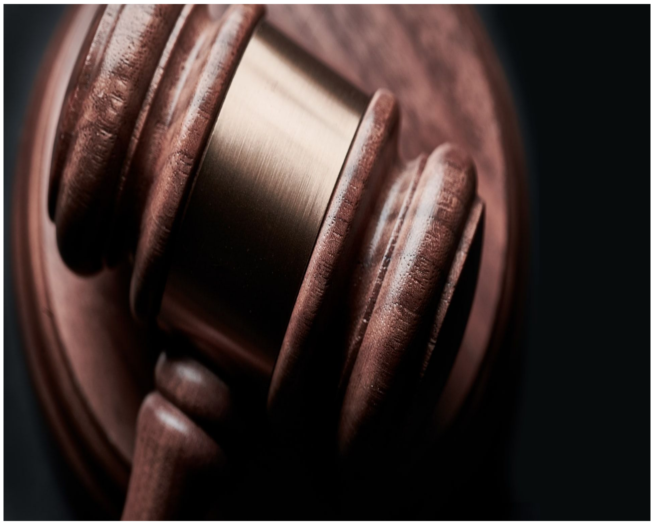
Source: World Bank, Global Findex Database 2017 (last accessed on 26 June 2020) (https://globalfindex.worldbank.org/).

Country in focus: Turkey

Adult women with accounts at a bank or other financial institution may still face a gender bias in the use of financial services and instruments. In 2017, the gender gap in account ownership in Turkey remained considerable, at 29 percentage points. In a controlled experiment, fictional women-owned businesses received, ceteris paribus and independent of their credit riskiness, owing to a gender bias on the part of loan officers, 10% less in loan amounts, on average, compared to fictional men-owned businesses.[8]

Legal frameworks

Women in Cameroon, Chad, Gabon, Guinea-Bissau and Niger cannot legally open a bank account in the same way as men do. In addition, women in 16 countries (10 in Western Asia) cannot legally travel outside their homes in the same way as men and may face obstacles to going into banks or other financial institutions.[9]



About the data

Definition

- Proportion of women and men aged 15 and above with an account at a bank or other financial institution or with a mobile-money-service provider: **This indicator provides information on access to formal financial services. It measures the percentage of adult women and men aged 15 and above who report having an individual or joint account at a bank or other type of financial institution or using a mobile-money-service provider in the past 12 months. Other types of financial institutions include credit unions, microfinance institutions, cooperatives or post offices.**

Coverage

Women and men aged 15 and above.

Footnotes

1. Holloway, K., Niazi, Z., and Rouse, R., "Women's Economic Empowerment through Financial Inclusion", Policy Brief, Innovations for Poverty Action, New Haven, 2017 .

2. Unweighted average for the region calculated by the United Nations Department of Economic and Social Affairs (UNDESA), Statistics Division.

3. Ibid.

4. Outputs and findings of the Evidence and Data for Gender Equality (EDGE) project, implemented by UNDESA, Statistics Division, in collaboration with the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

5. Results of the EDGE survey piloted in Mongolia in 2015 to measure entrepreneurship from a gender perspective.

6. Demirg��-Kunt, A., Klapper, L.F., and Singer,D., "Financial inclusion and legal discrimination against women: evidence from developing countries", Policy Research Working Paper, No. 6416, World Bank, 2013 .

7. Field, E., Pande, R., Rigol, N., Schaner, S. and Troyer, C.,"On Her Own Account: How Strengthening Women's Financial Control Impacts Labor Supply and Gender Norms", Discussion Paper No. 2201, Cowles Foundation for Research in Economics, Yale University Press, 2019 .

8. Source: World Bank, Project appraisal document on a proposed loan, report No. PAD2768 .

9. Source: World Bank, Women, Business and the Law 2020, Washington, D.C., 2020 .