Helpdesk Research Report: Evidence on Women's Access to Financial Services
04.03.11

Query: Is there any evidence to indicate (i) that a lack of access to financial services in LICs is worse for women than men; and (ii) how a lack of access to financial services constrains women's economic empowerment?

Enquirer: DFID

Contents

1. Overview

This report offers a brief survey of evidence on women's access to financial services - specifically, evidence on access to financial services in developing countries disaggregated by gender, and a consideration of how a lack of access to financial services constrains women's economic empowerment. Both issues entail considerable methodological issues concerning measurement, data collection, and attribution which need to be heeded when assessing the literature. Overall, the evidence considered here (which represents a sample of that which is available) suggests that women do lack access to particular financial services; and that accessing financial services has the potential to lead to economic empowerment.

While general data on levels of financial service access is available, this data is often not disaggregated by those who collect data (e.g. banks, rural savings organisations), pointing to a need to mainstream gender considerations in private sector development. Some of the evidence is skewed towards a project appraisal or case study, offering a positive outlook for women's access to financial services (e.g. the Grameen Bank, of which 92% of its clients are women). Further, measuring "access" presents difficulties and varies according to who is collecting the data. This has meant that attempts to aggregate data are lacking (Kneiding et al, 2009). Access can be measured on the basis of supply (i.e. asking financial service providers about their clients) or demand (asking a sample of people about their use of financial services). Use of financial services is not, however, tantamount to access: it is possible to possess access but not use a financial service.

The evidence on the difference between men and women's access to financial services does indicate that men have better access to formal services such as formal credit loans or formal savings accounts (UNDESA, 2009; Johnson and Nino-Zarazua, 2008). In the most extreme case, nearly twice the number of men in Zambia were found to access insurance than women, and 0.8% of women have bank credit, compared with 2.2% of men (FinMark Trust and Africa Heights, 2010). Women are thought to have difficulty obtaining loans when they want, with men being 1.6 times more likely to obtain a loan than a woman in Kenya (Johnson and Nino-Zarazua, 2008). However, there is strong evidence indicating that women access different types of financial services: In Zambia, more women than men were found to have used a bank product in their lifetime (FinMark Trust and Africa Heights, 2010), while one global study found that women made up 79% of the membership of village "banks" (UNDESA, 2009). Informal services are therefore potentially accessed by more women than men – in Nicaragua it was found that women are more likely to hold their balances "at home" (24.7 percent in comparison to 13.4 percent for men) and in "other" types of institutions, possibly micro-finance groups (8.2 percent vs. 1.6 percent for men) (Deere and Twyman, 2007).

The literature on women's economic empowerment generally assumes that women lack access to financial services, but this assumption is often not supported with reference to specific studies or statistics. A key point to emerge from this literature is that women have greater access to microfinance due to the proliferation of microfinance services and projects in developing countries. Milford Bateman (Overseas Development Institute) argues that:

> *"My understanding is that women have no problem at all accessing microfinance, and in fact there is almost saturation in this market and dangerous problems of over-indebtedness arising, particularly in South Africa. Men have less access to microfinance"*

On the other hand, women do have a big problem accessing loans for small businesses. Women's access to financial services, therefore, varies according to the type of financial service on offer. In some cases women's access is higher than that of men; in others it is not.

On the issue of evidence of how a lack of access to financial services acts as a barrier to women's economic empowerment, finding evidence specifically addressing this question is difficult. There is evidence that accessing financial services leads to higher levels of particular indicators which could be understood as indications of 'empowerment', such as raised income and higher spending power. In the two randomised control trials presented (Ashraf et al, 2008; Dupas and Robinson, 2011) overall findings suggest that the 'treatment' groups were thought to be more economically empowered than the control groups. On this basis, it could be inferred that a lack of access to financial services constrains women's economic empowerment.

However, it should be noted that the process of economic empowerment should not be understood as only constituting interventions that increase a woman's access to financial services, such as microfinance. Addressing microfinance, Mayoux (2002), for instance, warns that such interventions cannot be implemented without addressing the wider context in which women live: financial access is one strategy to improve women's economic empowerment, but is not the only one.

2. Women and men's access to financial services

United Nations Department for Social and Economic Affairs (UNDESA), 2009, '2009 World Survey on the Role of Women in Development – Women's Control over Economic Resources and access to Financial Services, including Microfinance', United Nations, New York.
http://www.un.org/womenwatch/daw/public/WorldSurvey2009.pdf

Legal, institutional and sociocultural barriers often act to limit women's access to these services. This report synthesises some of the evidence on women's access to financial resources. Two strands of evidence can be identified, indicating that women have more access to financial services, and conversely that in some instances they have less.

Evidence cited to suggest women's access is similar or higher than that of men includes:

- In 2007, such microfinance organisations reached 154.8 million clients. Of these, 106.6 million were among the poorest when they took their first loan with women making up 83.4 per cent of the latter group (Daley-Harris, 2009).

- In Indonesia, only 18 per cent of the Bank Rakyat's borrowers are women, despite offering loans to individuals at rates which allowed full cost recovery and contributed to profits.
- A survey of 147 microfinance organisations around the world found that women made up 46 per cent of individual borrowers, 73 per cent of solidarity groups—with group guarantees—and 89 per cent of those participating in "village banks".

However, there is also evidence on the contrary. This includes:

- In South Africa, women made up only 5 per cent of clients in the Black Economic Empowerment Equity Fund of a major bank in the country after two years of operation (Naidoo and Hilton, 2006).
- In one study in Uganda, women were found to have access to just 9 per cent of the available credit, declining to 1 per cent in rural areas (Ellis and others, 2006).
- In Bangladesh, deposits by women made up 27 per cent of total formal-sector deposits but their share in formal credit was 1.8 per cent (Choudhury and Raihan, 2000). A more recent study in Bangladesh found that women-led small enterprises represented less than 2 per cent of the loans of formal institutions (Narain, 2006).

Johnson, S., and Nino-Zarazua, M., 2008, 'Financial Exclusion in Kenya: An Analysis of Financial Service Use', FSD Kenya, Nairobi.
http://www.fsdkenya.org/pdf_documents/09-11-20_Financial_exclusion_in_Kenya.pdf

This Financial Sector Deepening report maps financial access in Kenya. Key findings relating to gendered differences in access include:

- Older people, those with more education and men are more likely to use formal financial services, while women are more likely to use informal services.
- Women are significantly less likely to use banks and SACCOs. They are more likely to use MFIs and group-based informal mechanisms than men. Because they are much more likely to use group-based informal systems they are less likely than men to be excluded from all services
- 61 per cent of men are banked, compared with 39 percent of women.
- Women are 1.3 times less likely to have a bank savings account than men.
- When accessing a loan from a bank being a woman lowers the likelihood of being granted a loan by 1.6.

In order to overcome these barriers in Kenya it is advised that banks increase their understanding of how product design differentially affects women and men, and whether their products can be accessed by both women and men. Property ownership is cited as a key constraint for women in putting down collateral for a loan.

FinMark Trust & Africa Heights, 2010, 'FinScope Zambia 2009: Topline Findings', Report prepared for the Government of Zambia, Lusaka.
www.mfw4a.org/.../2010-09-13_15-25-49_finscope_zambia_2009.html

The FinScope surveys are part of the Government of Zambia's commitment to expanding financial inclusion in the country. At the same time, FinScope has provided private service providers with valuable market information that they can, and have, used to improve service delivery and pursue greater outreach. The FinScope survey tool has been developed by FinMark Trust as a nationally representative survey of consumer perceptions about financial services and issues. The survey is conducted among adults, who are defined as all individuals aged 16 and above. To date, it has been rolled out in 14 African countries.

The findings of the 2009 survey indicate the following:

- Using the financial access strand (FAS) tool, it was shown that while 13.9% of people have used a bank product, this figure was 10.6% for women compared with 17. 3% for men.

- Further, significantly fewer men (59.2%) than women (66.1%) of Zambians had never used a financial product.
- Using the Financial Access Landscape (FAL) tool, it was shown that usage of financial products is 'generally skewed towards males' (p. 38) with the amount of men using insurance services almost double that of women (5.1% and 2.8% respectively).
- The figures for credit, transaction, and savings services were not that different (19.6% compared with 16.3%; 19% and 16%; and 21.1% and 13.3%). The last figure is thought to buck a trend within other FinScope surveys, in which savings tend to be skewed more towards women than men.
- 0.8% of women have bank credit, while 2.2% of men are able to access credit through a bank.

European Savings Bank Group (ESBG) & World Savings Bank Institute (WSBI), 'Who are the Clients of Savings Banks? A Poverty Assessment of the Clients Reached by Savings Banks in India, Mexico, Tanzania and Thailand', CGAP, Washington D.C.
http://www.wsbi.org/uploadedFiles/Publications_and_Research_(WSBI_only)/CGAP%20ESBG-WSBI%20Study%20-%20complete.pdf

This study attempts to establish the link between inclusive financial services and the poorest households in four countries. The study considers the clients of four banks - National Savings Institute (India), Banco Nacional de Ahorro y Servicios Financieros – BANSEFI (Mexico), Tanzania Postal Bank and Thai Government Savings Bank – who are all WSBI members. The report finds that all the savings banks surveyed serve more women than men from the poorest third of households even where they service more male clients overall. The contrast in gender structure is particularly clear in India and Tanzania. Women significantly outnumber men among clients drawn from the poorest households. However, in both these cases penetration of poorer households is much lower than penetration of better off households (see Table 1, p. 7). However, Bansefi in Mexico and GSB in Thailand both have a broad outreach across the socioeconomic spectrum particularly among women, with Bansefi serving 5% of adult females compared with less than 2% of males.

Table 1 Female~Male split of client base – all client households and those in the poorest third compared

	All h'holds	Poorest
NSI, India	29:71	85: 15
TPB, Tanzania	30:70	55:45
Bansefi, Mexico	76:24	77:23
GSB, Thailand	68:32	66:34

Majahan V., and Ramola, B.G., 1999, 'Financial Services for the Rural Poor and Women in India: Access and Sustainability', Report for the India Department's Agricultural Division (SA2AG), Asia Technical Department's Human Resource and Social Development Division (ASTHR).
http://www.microfinancegateway.org/gm/document1.9.24472/2147_file_Financial_Services_f.pdf

This study, carried out by PriceWaterhouse Cooper and commissioned by the World Bank, aims to identify access for potential financial services to be provided to the rural poor in India. The study covered a range of financial service providers (banks, cooperatives, insurance companies, private financiers, moneylenders, self-help groups, NGOs, etc) and covered 600 rural people (300 women, 300 men).

The study was not able to obtain statistics for women participating in rural credit schemes, although information from sample branches of the commercial bank indicated that only 10 percent of the borrowers were women. This accounted for 9 percent of loan amounts advanced. This lack of access was partly attributed to not owning land, which could be offered as collateral.

A survey of bankers' attitudes indicated that although there was a favourable attitude towards lending to women, 'they did not think the rural poor had much potential as savers and also thought of them as slightly undesirable clients for banks'. In effect, 'a large majority believed that [the rural poor and] women are either not getting adequate credit or not getting it for appropriate purposes' (p. 9).

Ehlerman-Cache, N., 2011, 'Women's Access to Finance in the Middle East and North Africa', Draft Report, Women's Business Forum, OECD, Tunis.
http://www.oecd.org/dataoecd/19/17/47246008.pdf

This draft report is part of the OECD's ongoing work to promote women in business in the MENA region. Although it has been argued that access to finance for business start-ups are similar for both men and women, with a World Bank report arguing that the only significant gender difference in access is found in Yemen (Chamlou, 2008). The authors of the report, however, only considered well-established firms with multi-year records, making their sample unrepresentative of the business ventures many women are involved in.

While the report lacks statistical information, it argues that "it is believed that female entrepreneurs face gender-specific difficulties accessing finance and that finance is indeed a main constraint affecting women's ability to start and expand their business" (p. 6) and therefore considers the key factors that result in women having a lower access to financing for businesses than men. These include:

- Low employment rates for women: At 28 percent compared with 77 percent for men, the employment rate for women in the MENA region is the lowest in the world. (World Bank, 2007). This has made funding entrepreneurship difficult.
- Women are less likely to own property, adding to the difficulties faced in using existing capital as collateral.
- Even when women apply for loans, it has been argued that women are often required to include their husband as a co-signer in order to access bank loans (Chamlou, 2008).
- In terms of demanding financial services, women face barriers relating to education and access to information, as well as a different way of doing and managing business to men (McKinsey & Company, 2007).

Isern, J, Agbakoa, A., Fleming, M., Pellegrini, G., and Tarazi, M., 2009, 'Access to Finance in Nigeria: Microfianance, Branchless Banking, and SME Finance', CGAP/World Bank, Washington D.C.
http://www.cgap.org/p/site/c/template.rc/1.26.10102/

This report maps access to financial services in Nigeria using available literature. The report presents two key findings relating to women's access to financial services:

- 74 percent of the adult population has never banked. This figure is higher for women, of which 85 percent have never banked (cited in Soludo, 2008)
- 'Men have better access to finance; only 15 percent of women currently have bank accounts' (p.2 cited in FinScope Nigeria, 2008).

However, women are often targeted by initiatives to promote access to finance, such as loans to female entrepreneurs (Bank of Industry) and the Life Above Poverty Organization (LAPO) which provides small loans. It should also be noted that much of the information is not disaggregated by gender, and that the availability of information on informal financial services is lacking.

Deere, C.D., Alvorado, G., and Twyman, J., 2007, 'Gender Inequality in Asset Ownership in Latin America: Female Ownership vs. Household Heads', Centre for Latin American Studies, University of Florida.
http://econ.tulane.edu/seminars/Deere_Assets.pdf

This paper analyses the results of household surveys conducted in Latin America and the Caribbean in order to ascertain the differential between women and men's asset ownership. One of the variables considered was ownership of bank accounts within the household. This data was only available from surveys in Guatemala (2000) and Nicaragua (1998). The data showed different patters: In Nicaragua the share of female owners exceeded that of male owners (48.5% compared with 44.4%), while the opposite holds true in Guatemala where women accounted for 26.2% of bank accounts owned and men 51%. Moreover, it was much more common for Guatemalan households to report that a couple owned the account than was the case in Nicaragua.

In both countries the great majority of both male and female account owners report that these are savings accounts. In Nicaragua, a larger share of men (59.3 percent) than women (47.6 percent) report a private bank. Women are more likely to hold their balances "at home" (24.7 percent in comparison to. 13.4 percent for men) and in "other" types of institutions, possibly micro-finance groups (8.2 percent vs. 1.6 percent for men).

Related resources:

Kneiding, C., Al-Hussayni, E., and Mas, I., 2009, 'Multi-Country Data Sources for Access to Finance: A Technical Note', CGAP, Washington D.C.
http://www.cgap.org/p/site/c/template.rc/1.9.9535/

This note offers a survey of the methodological issues involved in measuring access to finance.

3. Lack of access to financial services and economic empowerment

Cheston, S., and Kuhn, L., 2003, 'Empowering Women Through Microfinance', Opportunity International/Women's Opportunity Fund.
www.microcreditsummit.org/papers/empowerment.pdf

In this overview paper the authors consider a case study of the Sinapi Aba Trust (SAT) programme in Ghana. The case study is based on Opportunity International's qualitative research, which examines the circumstances under which microfinance can empower women.

93 per cent of the SAT's clients in Ghana were women, with its primary lending mechanism being the Trust Bank comprising 20 to 30 women living and/or working in the same area and sector. The loans are subject to orientation, with elected group leaders are elected playing an important role in the management of loan disbursement and repayment as well as in arranging the programme at the weekly meetings. Loans to individuals are guaranteed by the other group members, and repayments are made weekly.

Interviews were conducted in two rounds: first, an initial survey of ten women; and second, a follow-up study involving over 1200 people. The major findings of the research were:

- "All 10 of the women from the November study and 76 percent of the women from the follow-up studies indicated that their working capital had increased as a result of their loans from SAT. For half of them, their loans and earnings have been enough to break their dependency on supplier credit, and the rest were able to purchase more stock using a combination of cash and credit.
- 42.9 percent of mature clients are now able to buy directly from wholesalers and producers, compared with only 31 percent of nonclients.
- 33 percent of mature clients now employ other people, compared with only 24 percent of new clients. In almost all cases, the increase in capital has given women more options and greater control over their businesses—and their lives" (p. 32)
- "Ninety-three percent of the women interviewed for the empowerment study reported feeling that they are now accorded much respect and are more accepted in their communities. In many ways, the women interviewed have been able to capitalize on the increased respect they have received as successful businesswomen and breadwinners to increase their influence in community and household affairs" (p. 33).

This evidence indicates a change in levels of empowerment, which are directly attributable to access to credit.

Hutchens, A., 2008, 'Women in Business in Papua New Guinea: Key Findings from the October 2008 Scoping Study', AusAID, Canberra.
regnet.anu.edu.au/program/.../Women_in_Business_in_PNG_Oct-Nov08.pdf

This report is based on a scoping study undertaken by AusAID in order to profile women's businesses and highlight issues for female entrepreneurs. The report found that barriers to women's economic development reflected broader gender inequalities in the country, which serve to limit women's access to productive resources (in particular land). Further, women have been displaced and devalued by the introduction of market exchange. Based on qualitative interviews with key informants the key findings relating to financial service access are as follows:

- According to numerous women entrepreneurs, women in Papua New Guinea must operate in 'a man's world' which makes doing business difficult. In particular, they face problems in accessing finance for their businesses, which hinders their development.
- PNG ranks poorly (at 131 out of 181 countries) on the World Bank Doing Business indicator 'Getting Credit' and women entrepreneurs are thought to face more significant hurdles than men. For instance, while salaried women can get loans through formal banks in their own right, unsalaried women require a salaried husband as guarantor. This is an issue for women entrepreneurs who are unmarried or widowed, and those married to unemployed husbands.
- Service providers noted that women tend to face greater pressure from *wontoks* (those with whom a woman shares familial, ethnic or linguistic ties) for money which makes it difficult for them to save and/or meet loan repayments, implying that women find it more difficult to access loans.
- Women's economic empowerment is further hindered by a lack of microfinance programmes which are found in other Pacific countries. The best example is the

Kokopo Savings & Loans scheme, which is thought to have tapped latent demand by delivering financial literacy training and outreach to remote rural areas.

The report suggests that a lack of access to financial services is a major barrier to women's business development in Papua New Guinea. The problem is compounded by a lack of both gender mainstreaming in the country's private sector development and gender disaggregated data, e.g. from rural banks on their clientele.

Dupas, P., and Robinson, J., 2011, 'Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya', Economics Department, University of California.
http://www.econ.ucla.edu/pdupas/SavingsConstraints.pdf

This paper presents the findings of a research project which asked whether a lack of access to formal financial services impede business growth in poor countries. Using a randomly selected sample of 279 self employed men and women in Kenya. The sample was split into treatment and control groups, with the latter being provided with access to an interest-free bank account. The major findings to emerge from this research are:

- First, bank accounts had large positive impacts on the total amount saved by market women in our sample. The fact that these women voluntarily saved in their accounts at negative interest rates suggests that women vendors face negative private returns on the money they save informally.
- Second, four to six months after being offered bank accounts, the market women in the treatment group reported significant impacts on their business investment. A conservative estimate is that the women were able to increase their daily investment by 45%.
- Third, four to six months after having gained access to the account, the daily private expenditures of market women in the treatment group were 27% to 40% higher than those of market women in the comparison group. This increase could come from two potential channels: a) market women in the treatment group might have been better able to shield their income from others, thus spending a higher share of their income themselves; b) the higher business investment level observed among market women in the treatment group might have led to higher incomes.

Overall, the research suggests that informal savings mechanisms in Kenya are ineffective due to present-biased preferences (i.e. they spend the money the hold) and due to demands for money from others. The formal savings account allowed the market women in the treatment group to save as individuals, leading to increased investment and spending.

Ashraf, N., Karlan, D., and Yin, W., 2008, 'Female Empowerment: Impact of Commitment Savings Product in the Phillipines', Social Sciences Research Network Paper.
http://people.hbs.edu/nashraf/FemaleEmpowerment.pdf

This research paper presents the findings of a randomised control trial which aimed to examine whether access to an individually-held savings product called SEED (Save, Earn and Enjoy Deposit) led to an increase in female decision—making within the household. The strongest results related to married women assigned to the treatment group, who displayed a significant increase (Standard Deviation of 0.014) in the research project's decision making index. This change was not observed within the married men in the treatment group. A further finding to emerge was that access to a savings account positively impacts women's self-perception of savings behaviour, with time-inconsistent females reporting increased discipline with regards their savings. Thus, possessing a savings account could encourage a woman to save.

Mayoux, L., 2002, 'Microfinance and Women's Empowerment: Rethinking 'Best Practice', Development Bulletin 57, pp. 76-80.
http://devnet.anu.edu.au/online%20versions%20pdfs/57/1957Mayoux.pdf

The key argument here is that microfinance programmes have the potential to empower women through 'virtuous spirals' of empowerment arising from an increased income, which create greater opportunities to obtain more income. However, the author argues that these 'spirals' are not an inevitable consequence of accessing microfinance. Evidence on the impact of microfinance programmes suggests that contribution to *actual* economic empowerment is limited for the following reasons:

- "Most women remain confined to a narrow range of female low-income activities.
- Many women have limited control over income and/or what little income they earn may substitute for former male household contributions, as men retain more of their earnings for their own use.
- Women often have greater workloads combining both production and reproductive tasks.
- Women's expenditure decisions may continue to prioritise men and male children, while daughters or daughters-in-law bear the brunt of unpaid domestic work" (p. 76).

Further, microfinance can entail a form of disempowerment:

- Credit is also debt. Savings and loan interest or insurance payments divert resources which might otherwise go towards necessary consumption or investment.
- Putting the responsibility for savings and credit on women may absolve men of responsibility for the household.
- Where group meetings focus only on savings and credit, this uses up women's precious work and leisure time, cutting programme costs but not necessarily benefiting women.
- Repayment pressures may increase tensions between women and/or lead to the exclusion of the most disadvantaged women who may then be further disadvantaged in markets and communities.

Attempts to empower women should not be restricted to microfinance interventions: gender-mainstreaming in all programmes and policies and female participation in programme design is crucial. Further, microfinance interventions need to be supported by complementary services, such as business training. Without these the impact of an intervention may be limited.

5. Additional information

This query response was prepared by **Emma Broadbent, emma@gsdrc.org.**

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Selected websites visited
International Center for Research on Women, Social Sciences Research Network, IFAD, UN Women, GSDRC, Overseas Development Institute, Positive Women's Network, Genfinance.info, Center for Micro-Finance Research (Chennai), Womankind Worldwide, Self-Employed Women's Association (SEWA), Microfinance Women's Association, South Asian Microfinance Network, Grameen Bank, Eldis, Gender Entrepreneurship Markets Programme, CGAP, Making Finance Work for Africa, CEPA, Microfinance Africa, Institute for the Economic Empowerment of Women, 3ie, Global Savings Forum

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