

How Can Financial Inclusion Help Women and the Poor?

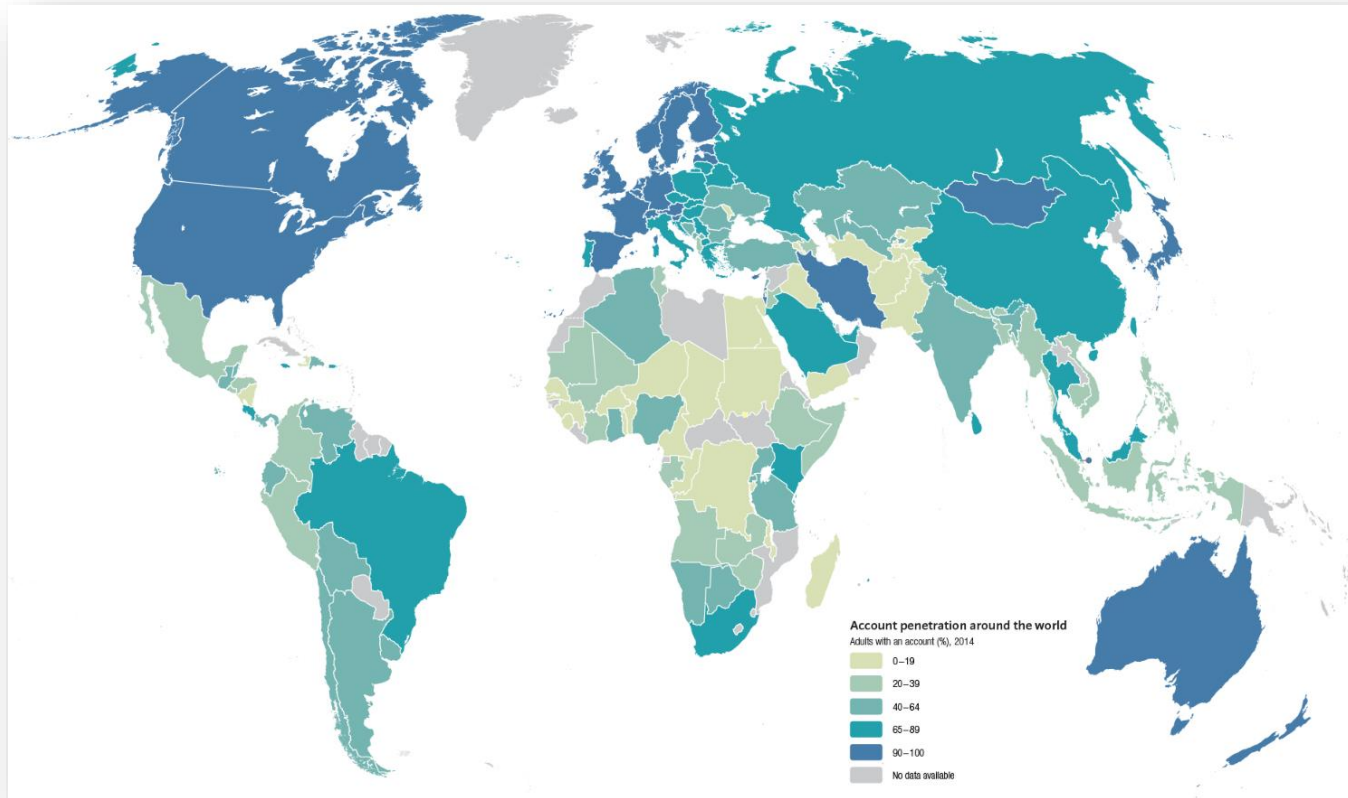
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How Can Financial Inclusion Raise Income?

- Financial inclusion means that households have access and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably in a well regulated environment
- Financial inclusion can help reduce poverty in two ways:
 - Helping poor people climb out of poverty by making it possible to invest in education and business—and small enterprises pursue promising growth opportunities
 - Providing ways to survive economic disasters like unemployment, drought/floods, or the loss of a breadwinner, financial inclusion also prevents people from falling into poverty in the first place
- *For example,*
 - *In India, an effort to set up accounts for rural farmers reduced the rate of rural poverty between 14-17 percentage points* (Burgess and Pande, 2005)
 - *In Niger, digital payments for agricultural wages resulted in time savings that were equivalent to a cash amount large enough to feed a family of five for a day* (Aker, et al., 2015)

Account Ownership Around the World

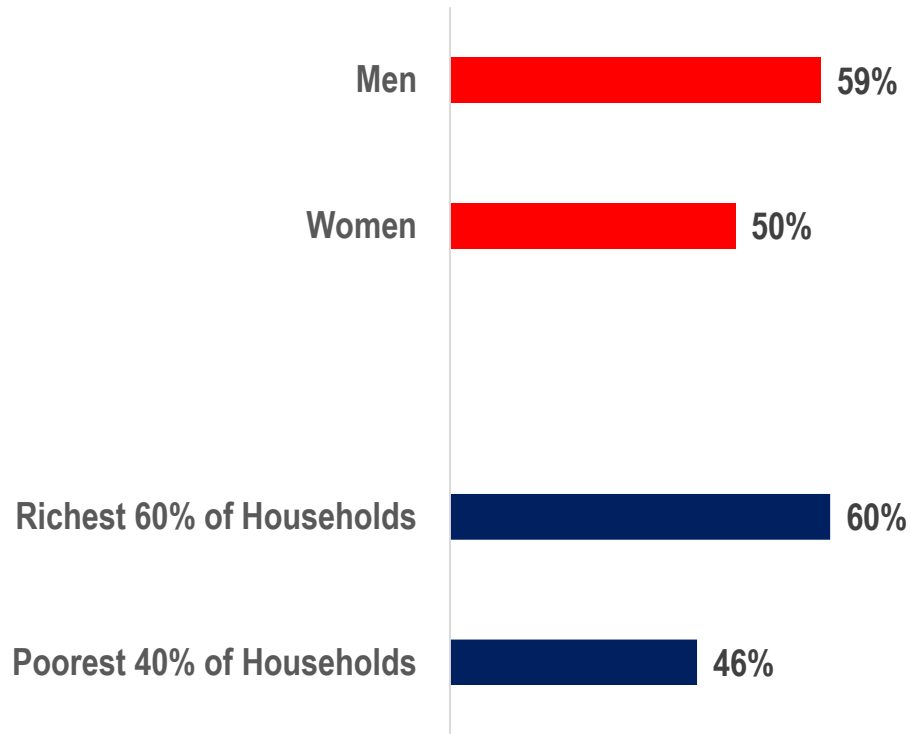


Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

In 2014, the World Bank -- with funding from the Bill & Melinda Gates Foundation and in partnership with Gallup, Inc. -- updated and expanded the Global Findex dataset, an unprecedented study of financial inclusion based on interviews with almost 150,000 adults in over 140 countries worldwide.

Gaps in Account Ownership Around the World

Account Ownership in Developing Countries
Total Percentage of Adults, 2014



Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

The percent of unbanked adults in the poorest 40% of households dropped by 17 percentage points – but more than half in developing countries are still without accounts

In India, men are more than 20 percentage points more likely than women to have an account

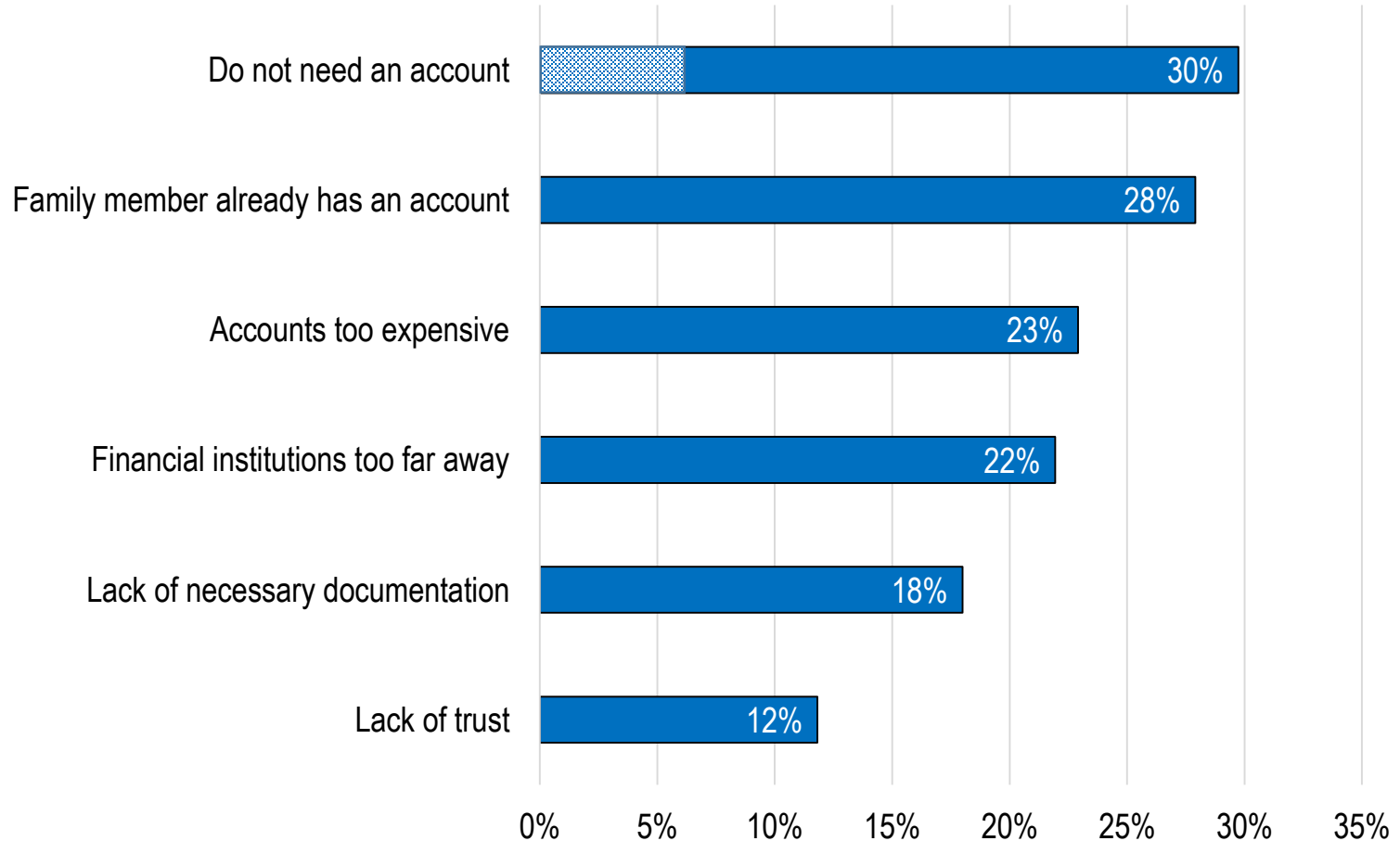
In the Middle East older adults are twice as likely as younger adults to have an account

234 million adults in China remain unbanked and 71% of them live in rural areas

Barriers to Account Ownership Around the World

Barriers to Account Ownership

Total Percentage of Adults



How Can Digital Payments Raise Income?

Digital payments can facilitate wage, transfer and remittance payments and has the potential to increase income by allowing households to smooth consumption and accumulate savings

- **Lower cost and time to send and receive payments** (Aker et al., 2013; CGAP, 2011b; Babatz, 2013; Lindert, et al., 2007)
- **Increased security of payments and lower associated crime** (McKenzie and Yang, 2014; Ashraf, et al., 2014; Wright et al., 2014)
- **More transparency and thus lower leakage between sender and receiver** (Muralidharan et al., 2014)
- **Increasing the security, privacy and control over the funds received, especially for women** (Docquier, Lowell and Marfouk, 2009; Dupas and Robinson, 2009; Morawczynski and Pickens, 2009; Duflo, 2012)
- **Helps people meet unanticipated expenses** (Jack and Suri, 2011; Blumenstock et al., 2012)
- **Provides a first entry point into the formal financial system; Encourages savings; Builds transaction history which can improve credit access** (Allen et al., 2013; Li et al., 2014; Aportela, 1999; Prina, 2012; Masino and Nino-Zarazua, 2014; Batista and Vicente, 2013)

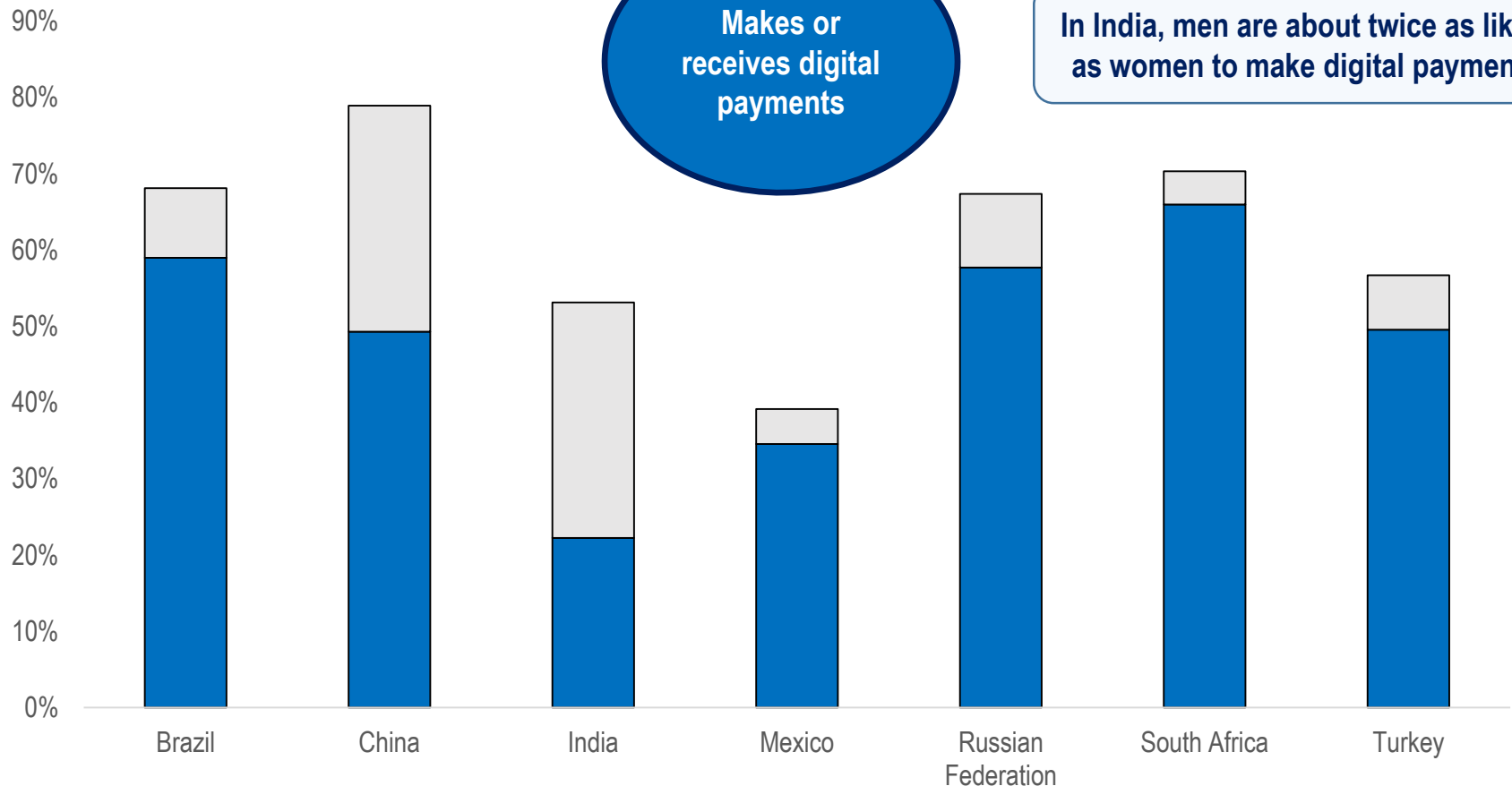
Digital Payments via Accounts

Two-thirds of adults in South Africa use digital payments

In China and South Africa wealthier adults are more than 20 percentage points more likely than poorer adults to make digital payments

Makes or receives digital payments

In India, men are about twice as likely as women to make digital payments



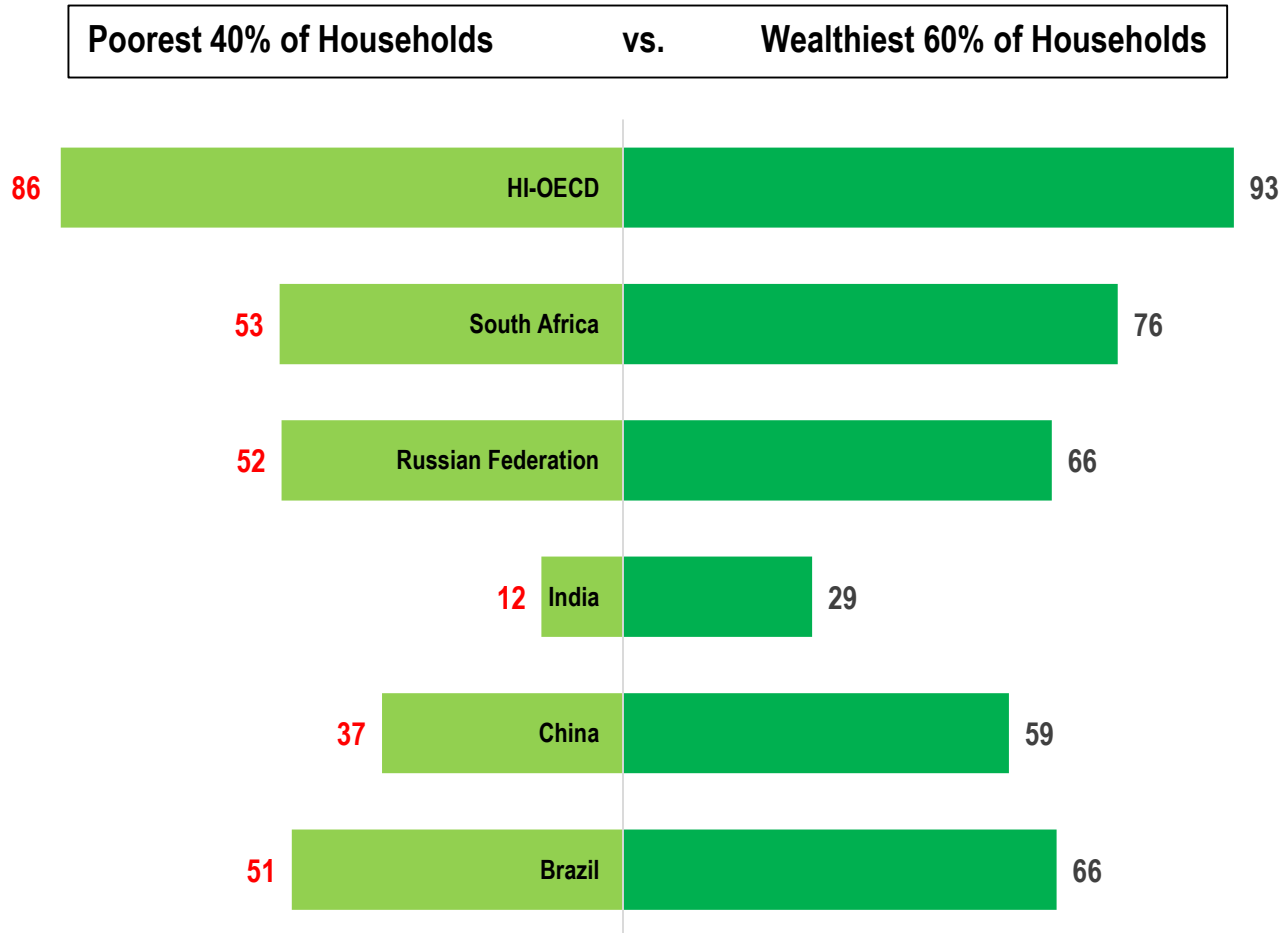
Note: The height of the bar is the percentage of adults with an account.

Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

The Income Gap in Digital Payments

Digital Payments

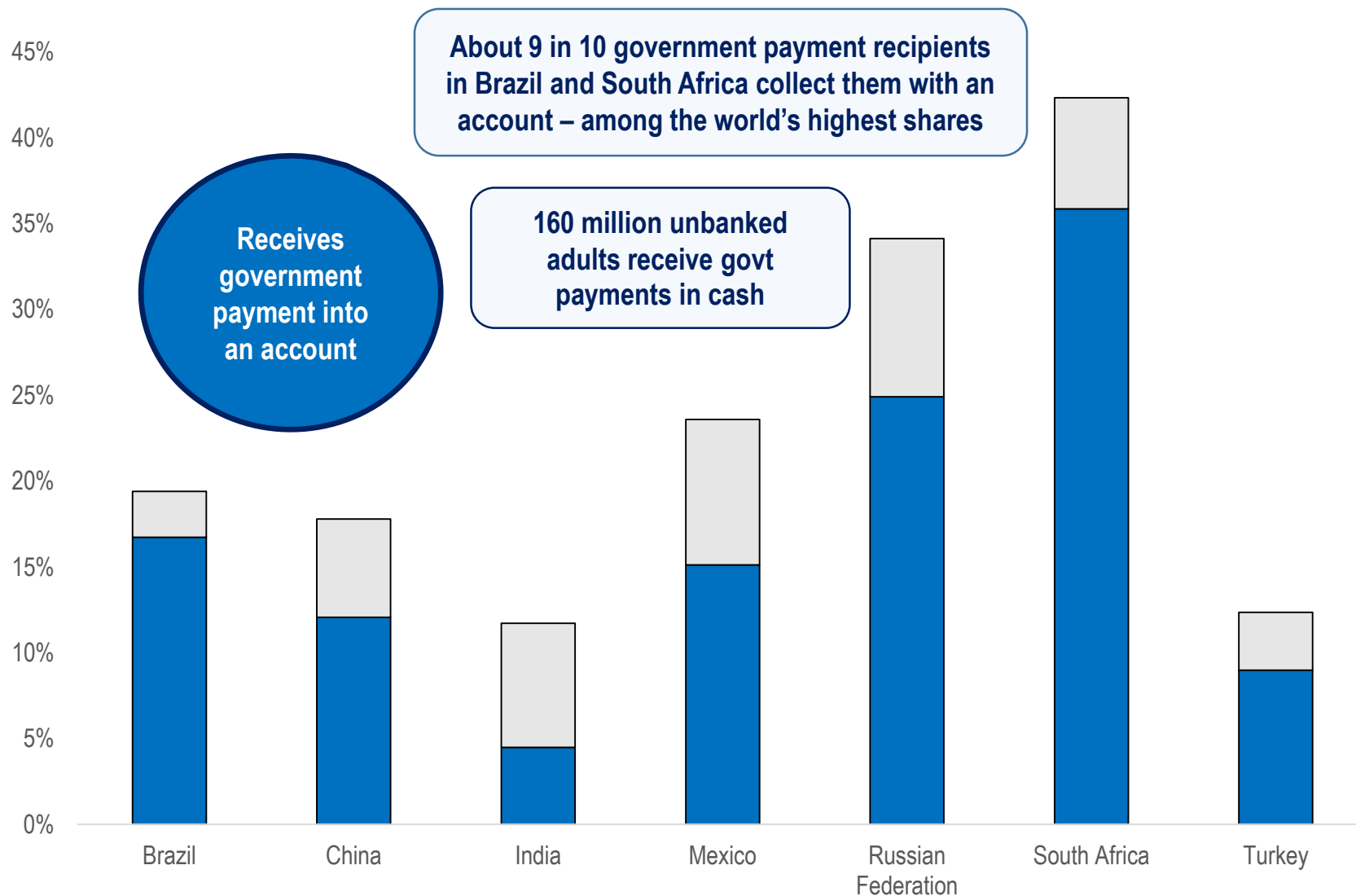
Total Percentage of Adults



Note :Green bars show percentage of adults that use an account to make or receive a digital payment in the poorest 40% of households as compared to the richest 60% of households, as measured by household income.

Source: Global Findex (2014); <http://www.worldbank.org/globalindex>

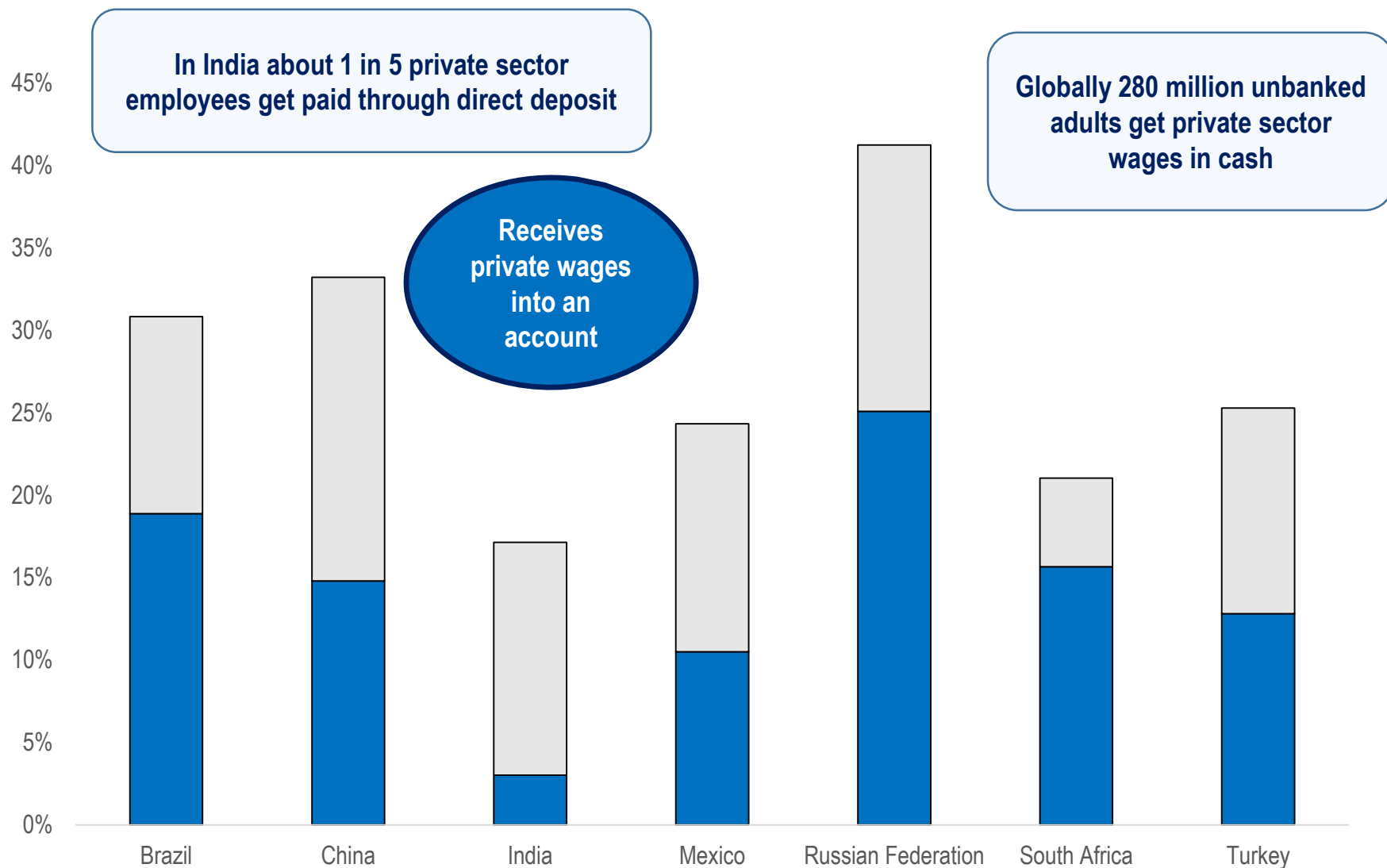
Receiving Government Transfers or Public Wages



Note: The height of the bar is the percentage of adults receiving government transfers or public wage payments.

Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

Receiving Private Sector Wages



Note: The height of the bar is the percentage of adults who receive private sector wage payments.

Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

Digital Payments for Small Businesses

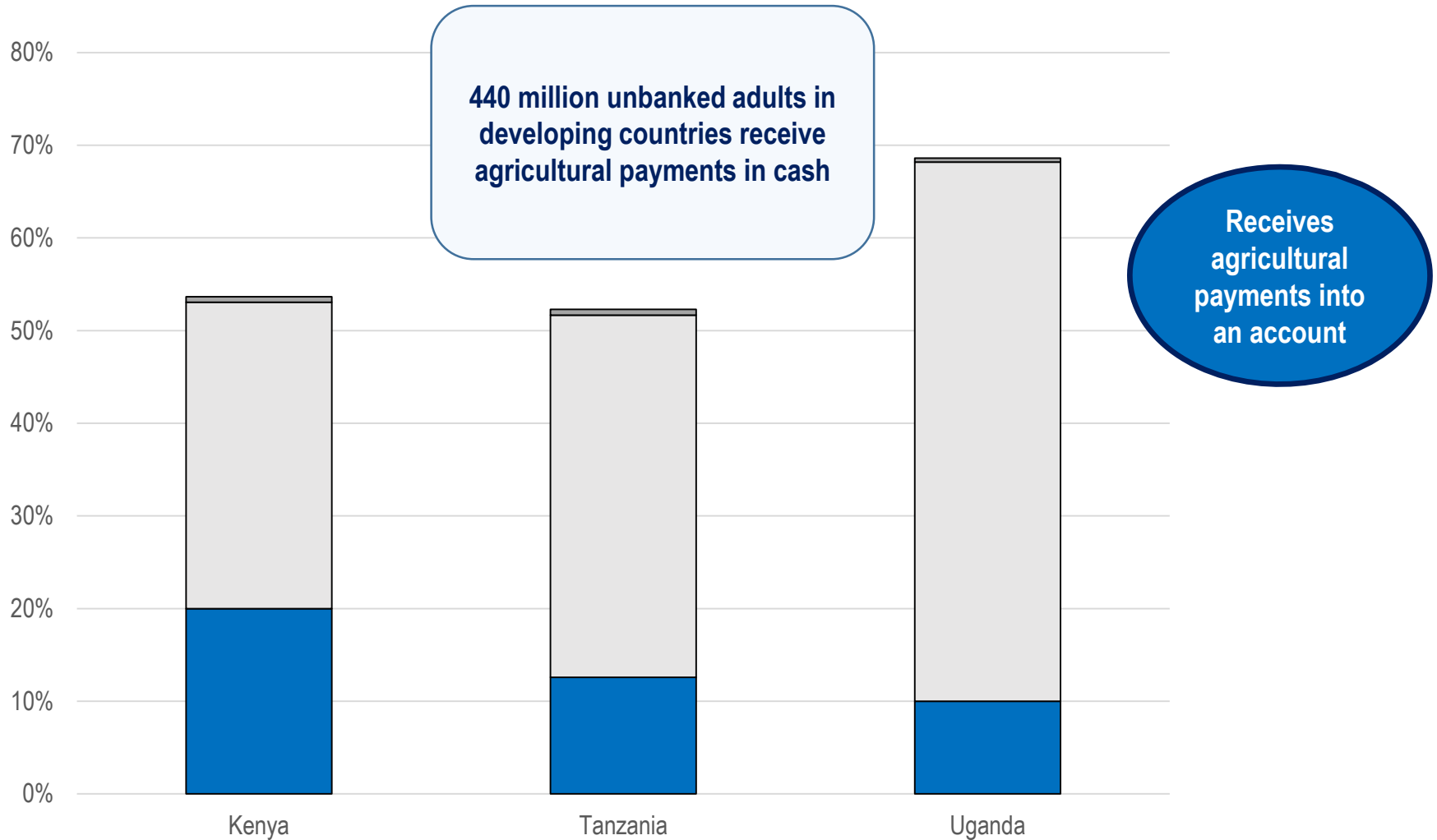
What is the impact of moving to digital payments on entrepreneurship?

- ***Speeds-up business registration & payments for business licenses and permits*** (Klapper et al., 2007; Daye, Serna et al, 2014)
- ***Increases participation in e-commerce and improves interaction with clients, vendors and financial institutions*** (Hejazi, 2014; Adractas et al, 2015, Denecker et al. 2014)
- ***Improves operational efficiency by improving supply chain management and risk management*** (Rai, Patnayakuni, Seth, 2006., Manfre & Nordehn, 2013)
- ***Provide ways to reduce gender gap in business ownership by improving access to formal financial products, market place*** (Salma, 2014; Malhotra, Kanesathasan & Patel, 2012)
- ***For medium-to large sized businesses, digital applications like e-filing and e-payment of taxes can help reduce the cost of tax compliance*** (Che Azmi et al, 2012; Handbook for Tax Simplification, IFC, 2009; Yilmaz and Coolidge , 2013)
- ***Can help build credit history***

Receiving Agricultural Payments

Agriculture payments

Total Percentage of Adults



Note: the height of the bar is the percentage of adults receiving agriculture payments

Source: Global Findex (2014); <http://www.worldbank.org/globalfindex>

How Can Formal Savings, Credit, & Insurance Raise Income?

Formal savings products can increase income by allowing households to accumulate assets; Some evidence suggests that access to formal credit and insurance can increase income and/or smooth consumption for rural farmers

Savings (Aportela, 1999; Dupas and Robinson, 2009; Ashraf et al., 2010).

- Higher investments in business and agriculture
- Easier to cope with income shocks
- Increased women's economic empowerment through greater confidentiality and control over savings

Credit (Murdoch, 1999; Banerjee et al. 2015; Angelucci et al., 2015; Attanasio et al., 2015; Karlan & Zinman, 2010)

- Access to credit is associated with higher agricultural incomes and increase and/or smoother consumption for rural farming populations
- But ambiguous impact of credit on personal welfare like income and consumption

Insurance (Karlan and Morduch, 2010; Cole et al., 2013; Karlan et al., 2014)

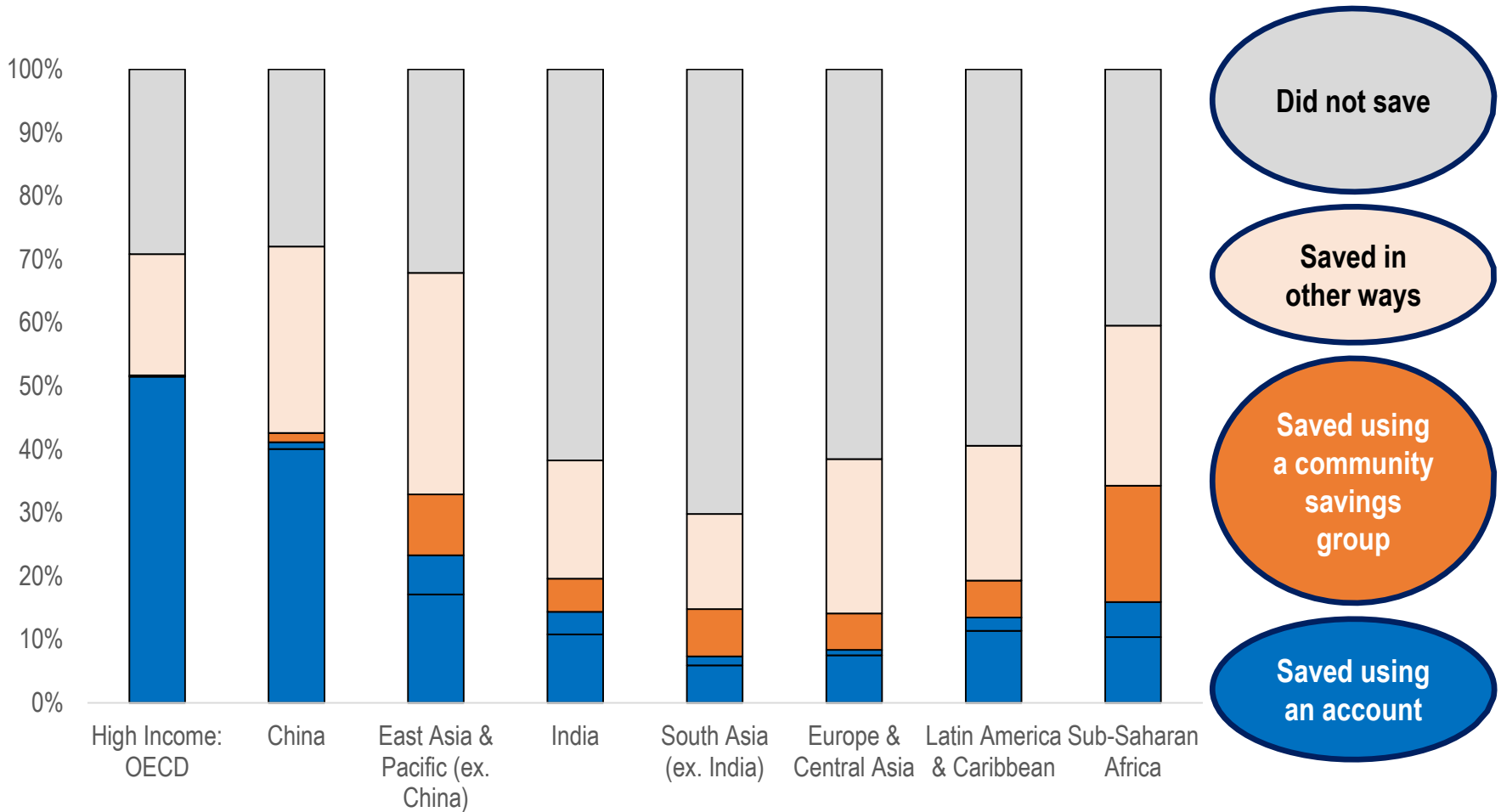
- Agricultural insurance can encourage farmers to invest in riskier crops and lead to higher yields

The Use of Financial Services

Savings behavior

Total Percentage of Adults

Formalizing savings could double account ownership in Ethiopia



Closing the Gender Gap

How Can Financial Inclusion Help Women?

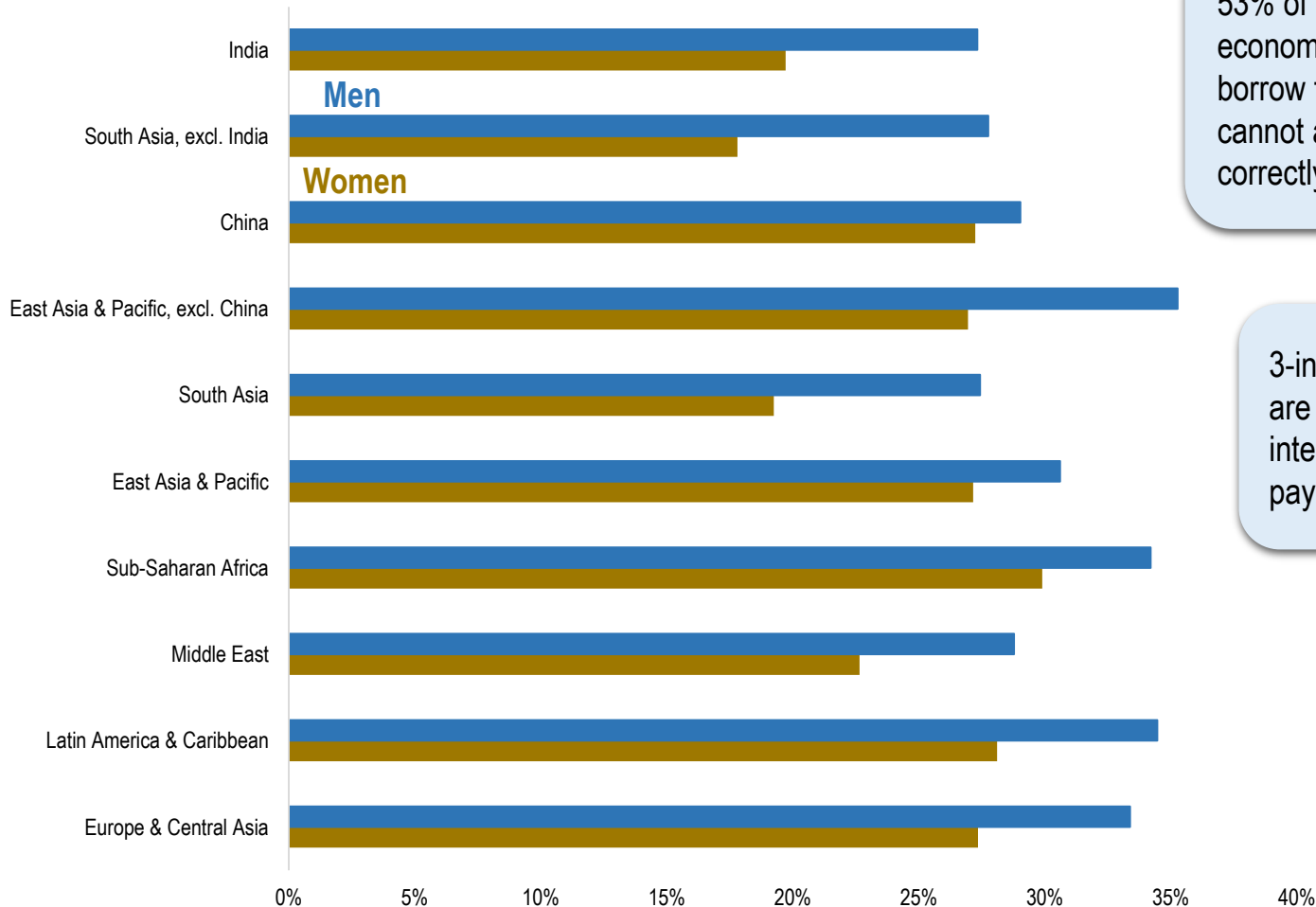
Financial services help women shape household spending decisions, make investments, and manage economic risk.

- *Access to insurance helped women farmers in Burkina Faso and Senegal increase yields and better manage food security (Delavallade et al., 2015)*
- *In Niger, mobile cash transfers strengthened women's bargaining power, boosted spending on nutritious foods, and allowed women to spend more time on productive tasks by reducing the need to travel to receive cash payments (Aker et al., 2015)*
- *Women in the Philippines who used a savings account reported greater control over household decisions and increased spending on items they needed, such as washing machines and kitchen appliances (Ashraf et al., 2010)*
- *In Kenya, women merchants who received a basic account invested more in their businesses; they also spent 13% more on food and 38% more on private expenses (Dupas and Robinson, 2013)*
- *Women-headed households in Nepal spent 20% more on education and 15% more on meat and fish after receiving a savings account (Prina, 2015)*

Challenges in Closing the Gender Gap

Women Trail Men in Financial Literacy

Adults answering three out of four answers correctly (%), 2014



53% of adults in major emerging economies who use a credit card or borrow from a financial institution cannot answer three questions correctly

3-in-10 adults with a housing loan are unable to perform basic interest calculations on their loan payments

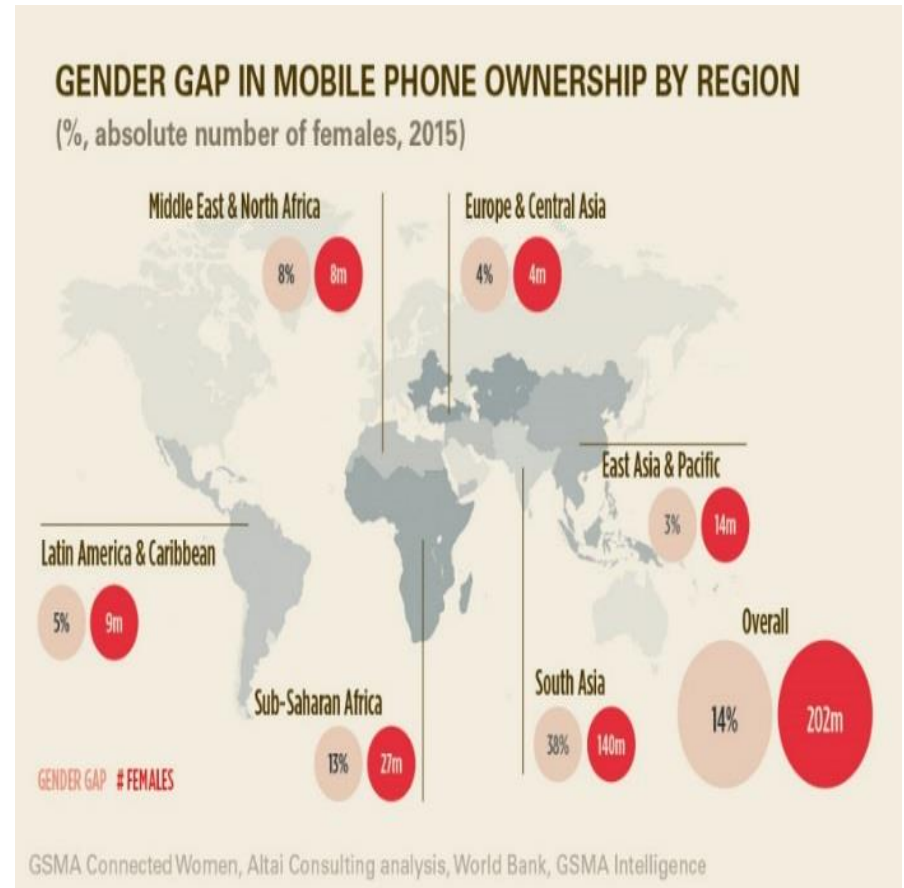
Challenges in Closing the Gender Gap

Technology gaps

1.7 billion women in low- and middle-income countries do not own a mobile phone

Women across 11 countries reported poor network quality and coverage as the second highest barrier to ownership and use of mobile phones

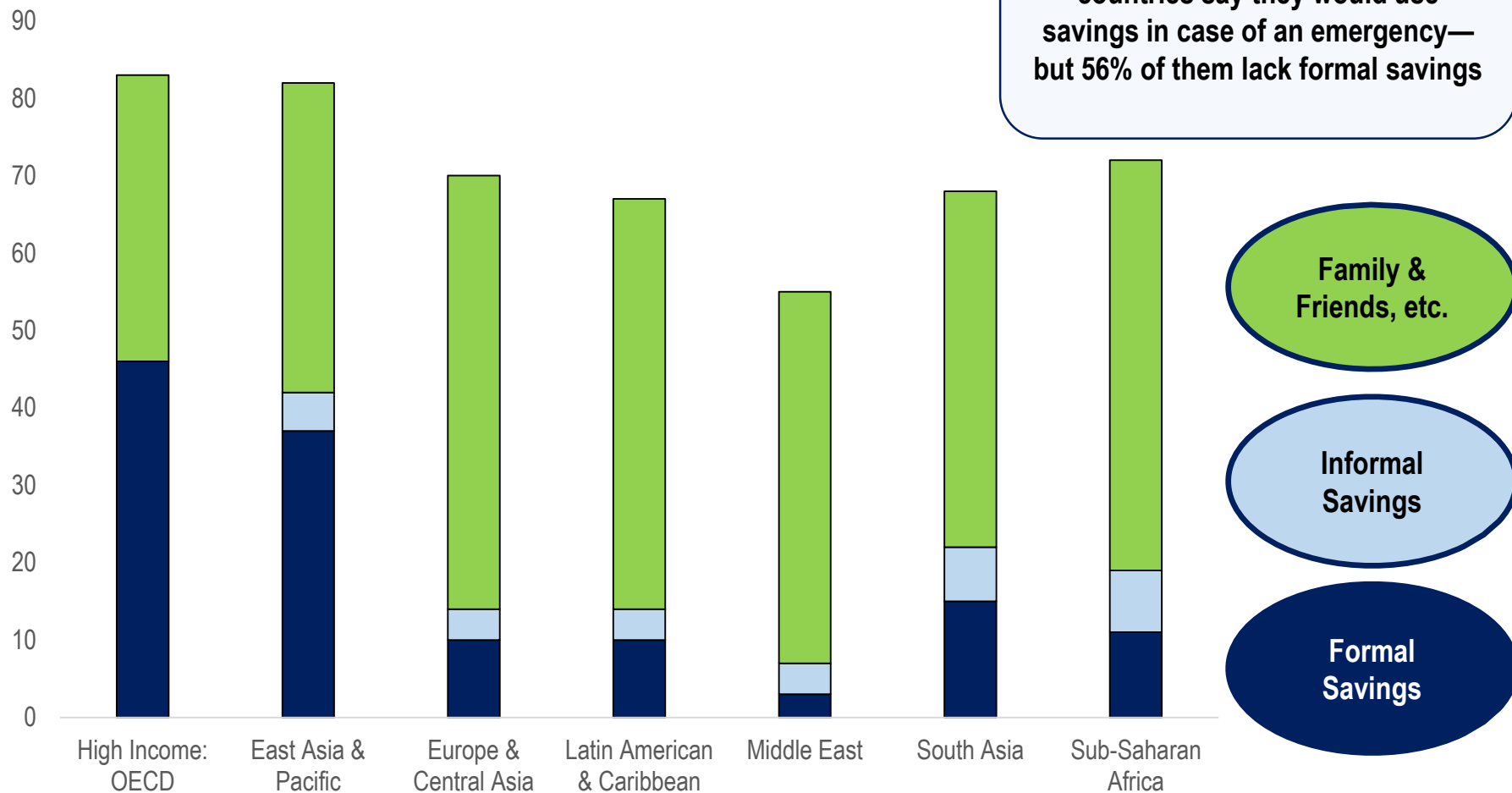
In South Asia women are half as likely as men to have Internet access in their home



Managing Financial Health

Financial Resilience: Source of emergency funds

Total Percentage of Adults



Note: the height of the bar is the percentage of adults that report being able to come up the equivalent of 1/20th of GNI in a month.

Source: Global Findex (2014); <http://www.worldbank.org/globalindex>

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