KERALA ECONOMY
2023, VOL. 4, NO.2. pp 75-84.
ISSN : 2583-4436

Gender disparity in financial access and use: Trends and patterns

Lekshmi Prasad[1] Kiran Kumar Kakarlapudi [2]

[1] Research Scholar, Gulati Institute of Finance and Taxation, Thiruvananthapuram

[2] Assistant Professor, Gulati Institute of Finance and Taxation, Thiruvananthapuram

Gender equality defined as the equality in opportunities or resources, rights and voice rather than the equality of outcomes between men and women (World Bank, 2001) has been at the centre of development discourses for promoting inclusive and sustainable growth outcomes. Gender inequality has proved to have a positive correlation to household poverty in the developing world (World Bank, 2001; Strauss and Thomas, 1995) while has a positive correlation to economic growth via returns to education (Schultz, 2002) and increased savings (Seguino and Floro, 2003; Stotsky, 2006). Thus, gender equality is a legitimate policy goal (Morrison et al., 2007) which was got manifested in Millennium Development Goals (MDGs) as the third one and later in the Sustainable Development Goals (SDGs) as the fifth one. The goal has multiple targets, including encouraging reforms to ensure women equal rights to resources.

Among the various opportunities, studies have shown that access to financial resources is critical for women's empowerment and gender equality as it could influence other economic decisions. To attain higher levels of financial inclusion, a large number of policies and programs were implemented all over the world, and some policies are particularly focusing on the financial inclusion of women. In the Indian case, the self-help group-bank linkage program was the world's largest microfinance program in terms of client base and outreach, starting in the early 1990s. Transferring the benefits of the government workfare program directly into the bank accounts of the women and not into the account of the male household head proved to have to empower impact on women compared to those who paid in cash

(Field et al., 2021). Further, implementing Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 also envisaged access to a formal banking system for all, irrespective of social and gender identities. This has resulted in account growth never seen before in history. India had performed at par with the high-income OECD countries regarding the percentage of the adult population owning bank accounts (Prasad and Kakarlapudi, 2023).

Notwithstanding various efforts to achieve universal financial inclusion, the evidence suggests that there exists a clear gender disparity in access to formal financial services in favour of men (Demirguc-Kunt, 2018; Allen et al., 2015; Trivelli et al., 2018). Antonijevic et al., (2022) reaffirm with the evidence from 144 economies that a statistically significant difference exists between men and women in all seven segments they considered for measuring financial inclusion. Using the microdata Ghosh and Vinod (2017) found that on average, female-headed households are less likely to have access to and use both formal and informal financial services in India when compared to their male-headed counterparts. The existence of the gender gap has been further proved by Kaur and Kapuria (2020) that the female headed-households are showing less probability to access both formal and informal sources of finance and comparatively male-headed households are better off in terms of their higher accessibility to institutional finance. Women are more likely than men to be unbanked due to many barriers such as lack of proper identity documents, and inaccessibility to mobile phones or other technology and lower financial capability (Findex Report, 2021). The key question in this context is how far the policy initiatives towards accelerating the process of financial inclusion have helped bridge the gender gap in formal banking services.

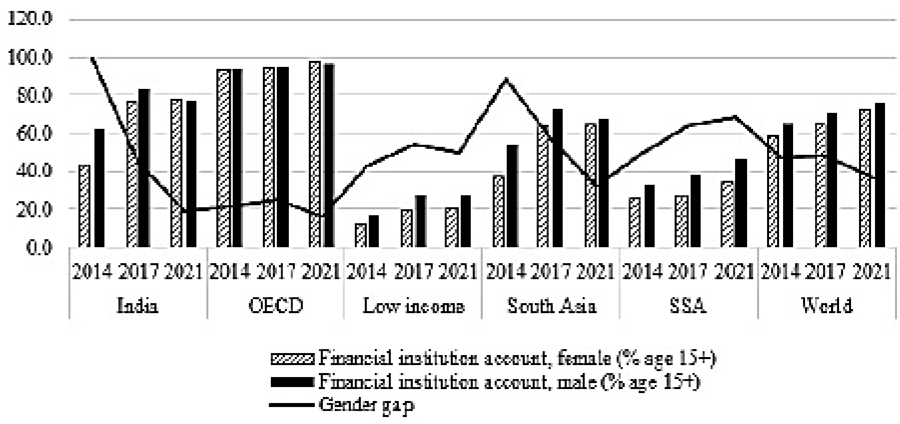
Against this backdrop, the study tries to analyse the extent to which the financial inclusion programs and policies addressing the gender gap beyond the general matrix of bank account growth in India when compared to other country groups using the Global Findex Data published by the World Bank. The paper focuses on how the achievements in financial inclusion have been distributed among the two genders in absolute as well as comparative terms.

The Findex data published by the World Bank allow us to delve into the problem in detail as it has the data pertaining to various components of financial access and use by individuals across 148 economies of the world and the gender divide is one of the many dimensions in which the data Findex provide information. The remainder of the paper broadly discusses the access component of financial inclusion and how gross achievement is divided among male and female adults. The second section deals with the achievements in the usage dimension and what is happening to the gender gap there in using two indicators.

Access

The incidence of financial inclusion starts with ownership of accounts with formal financial institutions. It is an indicator of access to the formal financial system as it is the first point of contact for the user to the same (Prasad and Kakarlapudi, 2023). The world as a whole witnessing consistent growth in the percentage of the adult population owning an account. Despite the progress, there is a clear gender divide in access to formal financial services (Figure 1). However, it is encouraging to note that the gap is narrowing over the years across all the country groups. The same is getting reflected in a continuously falling gender gap in the ownership of bank accounts at the world level from 6.9 percentage points in 2014 to 4.1 percentage points in 2021. Nevertheless, the story is quite different across various country groups. The negative sign of the gender gap in India indicates preference in favour of women compared to men owing to overall account ownership growth. A fall of more than 20 percentage points in less than eight years and taking a turn in favour of women is a significant achievement in financial inclusion considering its access dimension and the achievement can be attributed to PMJDY which is primarily focusing on enabling accessibility to a formal bank account to hitherto unbanked or under banked population. The high-income OECD countries are the comparator to India in this attainment where the gender gap recorded is hovering around zero. South Asia as a country group also witnessed a steady fall in the gender gap between the years under consideration. On the other hand, overall account ownership growth is leading to the widening the gender gap in SSA countries and low-income economies. The low-income and Sub-Saharan African countries. They are showing a similar trend of widening the gender gap in terms of account ownership. The curve is steeper in the case of SSA. In low-income economies, there is a slight fall in the gap between 2017 and 2021 and with respect to SSA, the gap is expanding (Figure-1).

Figure 1: Gender Gap in Account Ownership



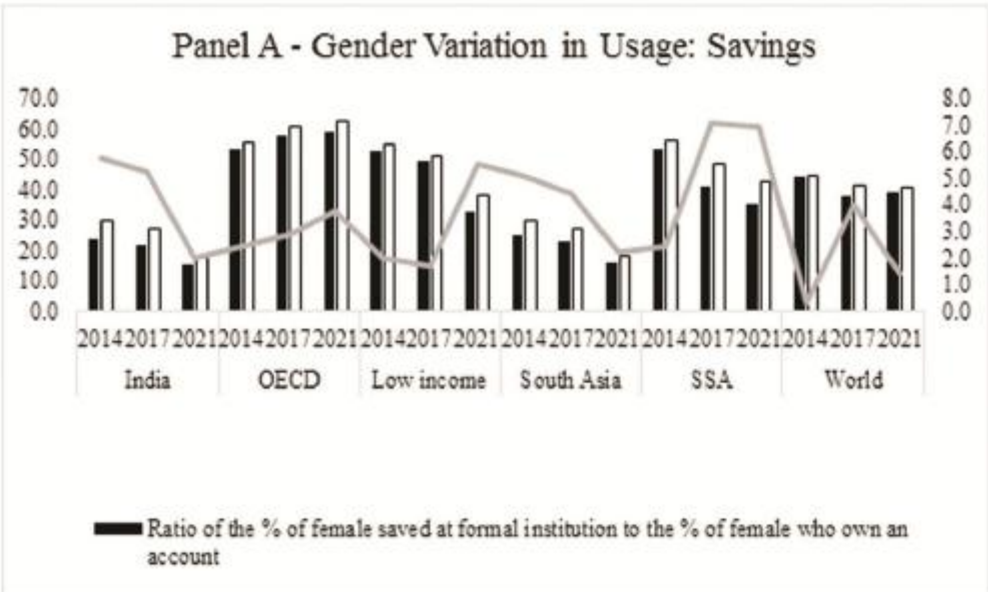
So even though the world witnessing an overall growth in account access and a corresponding convergence in the access to the formal financial system by women and men, there are exceptions when considering country groups separately. In some regions, the growth of access is aggravating the issue of the gender divide.

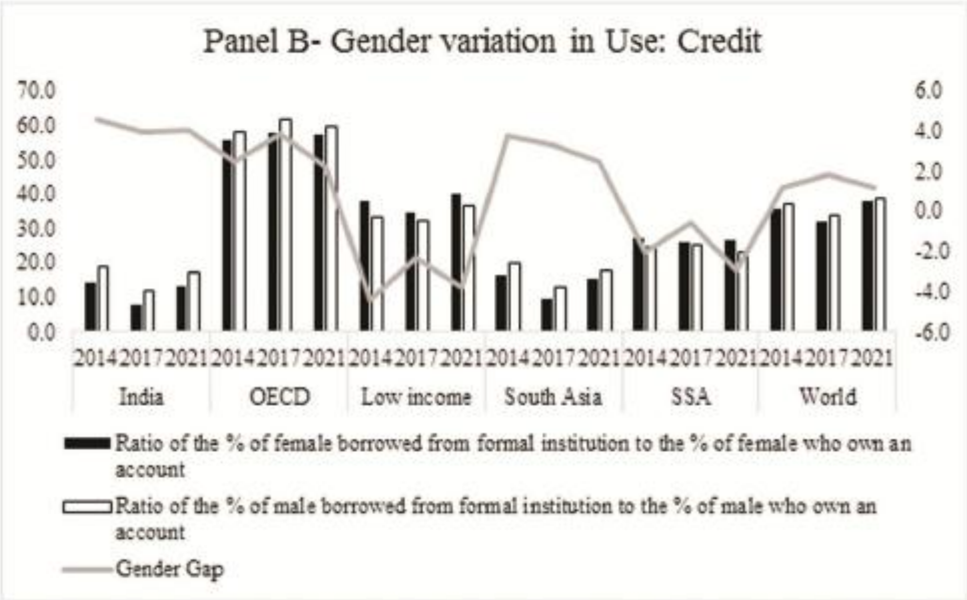
Use

The ownership of a bank account is not an end in itself but is necessary because it provides the opening to the formal financial system. But financial inclusion in its true sense lies in its usage dimension, as the aim of financial inclusion is the ability to use necessary financial services from the formal financial system at affordable cost and at the right time. So, it is important to take it forward to consider the measures of usage dimension of financial inclusion. The basic services provided by the banking institutions are the facility for deposits and the distribution of credit. Thus, at the very base, we consider these two indicators to measure the usage dimension of financial inclusion.

The dependence on the formal financial system for basic banking services such as deposit and credit has shown in panels A and B of Figure 2, respectively. The extent of the use is measured in terms of the ratio of the percentage of females and males who use formal institutions to save and borrow from to the percentage of females and males who own an account in a formal financial institution and the denominator of both the percentages is the adult female and male population. Figure 2 depicts a different scenario from the access dimension. When account growth was on a perpetual increase, it is evident that the growth momentum was, in fact not getting translated into the use of the services provided by a banking system. At the world level, the ratio of the percentage of people who saved at an institution among the percentage of the population who own account is on a decline in the period under consideration but the gender gap is oscillating from a low point of 0.3 to 4 and then to 1.4 in 2014, 2017 and 2021 respectively (Figure 2 - Panel A). Considering India, the ratio is comparatively lower than in SSA countries and low-income countries and is on a continuous decline but corresponded with a decline in the gender gap from 5.7 to 2 percentage points between 2014 and 2021. All the country groups exhibit the same declining ratio of saving with formal institutions except high-income OECD countries where the gender gap is also widening. Low-income countries and the SSA countries are pulling the world trend as they are showing a pattern of declining dependence on formal institutions but fluctuating gender gaps. But all the distortions pertaining to the use of financial institutions to save might be attributed to the availability of alternatives that are more convenient to the users such as semi-formal options and informal options like saving clubs or simply keeping cash at home or in the form of assets such as livestock, jewelry or real estate or can be in the form of financial assets (Findex Report, 2021).

Figure 2: Gender gap in uasage in terms of the extent of the percentage of population depending on formal financial institutions for their saving and credit needs





When considering credit as the measure of use, the dependence on the formal banking sector witnessed a fall between 2014 and 2017 succeeded with a rise between 2017 and 2021 except for OECD countries (Figure 2 - Panel B). The years between 2017 and 2021 witnessed a decline in the gender gap in the availability of credit terms. That is a positive signal that the financial inclusion policies are implemented in the right direction as it is not only improving the overall financial access and use but also catering to solving the problem of level differences in access and use across gender groups. But there are glaring cross-country differences. The ratio of the percentage of females and males who avail credit to the percentage of females and males those who own accounts is lower in India when compared to low-income economies and SSA. More importantly, the gender gap is also considerably high when compared to the same and is higher than the world average. Thus if the trend in the growth of access to banking is not getting translated into the utilisation of various services provided by the formal financial system, especially the basic services like deposit and credit, the programs' focus should be shifted to intensifying the usage dimension. Further, the intensification should be at par across different classes and groups of people.

Inactive accounts

The ownership account doesn't mean it is being used, the other possibility is it can be dormant or inactive. A person with an account cannot be counted in as an active participant and financially included until and unless he uses the services provided by the formal financial sector. That is an important limitation of the metric of account ownership as a measure of financial inclusion.

Figure 3: Percenatge of Female and Male has an Inactive Account

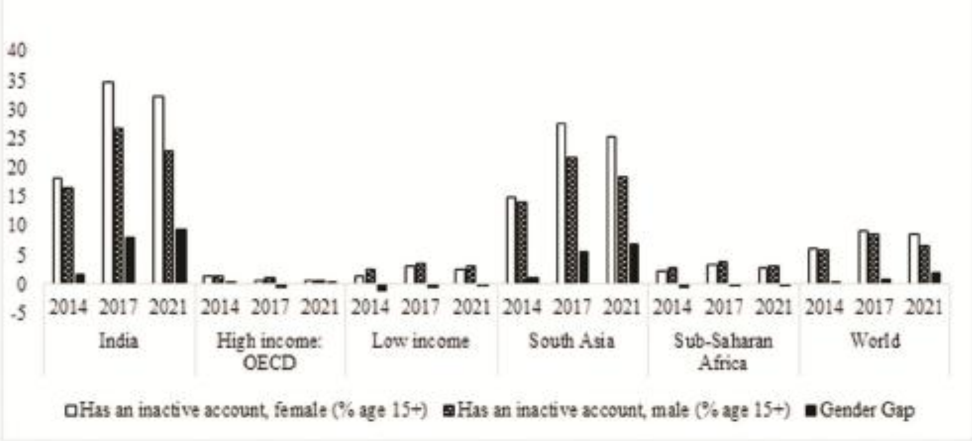
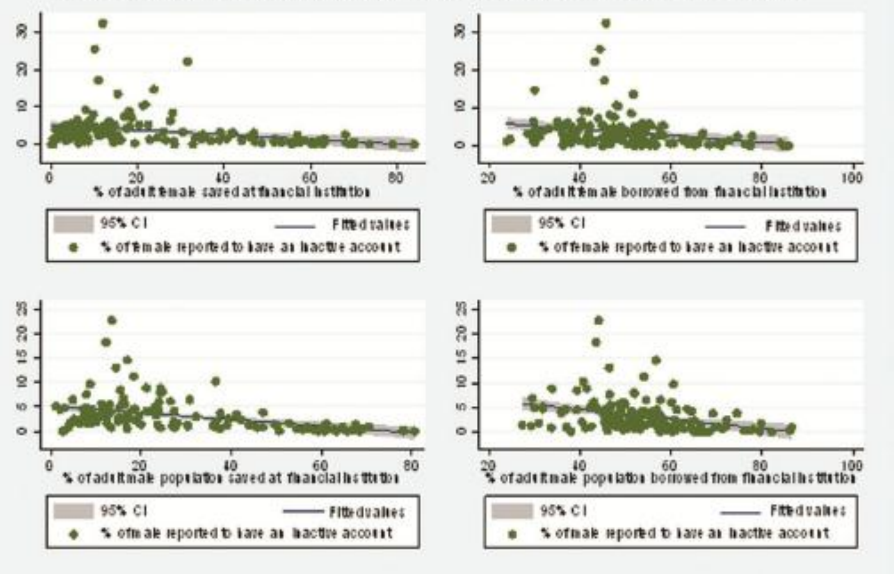


Figure 3 represents the percentage of females and males self-reporting that they have an inactive account. India has the highest percentage of inactive accounts among the comparators and it was on a rise till 2017 and witnessed a slight decline thereafter. Another alarming fact is that the percentage of females having inactive accounts is growing at a higher than proportionate rate when compared to men which is leading to widening gender gap. In all other countries, the share of inactive accounts is very low and the gender gap is either negligible or negative, means that a higher percentage of men having an inactive account than women. From this, it is clear why the high growth rate in access is not getting translated into use in at the same rate in India. A considerable percentage of accounts opened under PMJDY remain inactive or dormant (Sinha and Azad, 2018). But the evidence does not talks about the gender disparity in the inactive accounts. Further , as per the 2021 Findex survey another 38 percentage of the respondents in 2021 in India reported that they opened their first financial institution account to receive payments from government. This also may indicate that they are not using the account for either deposit or credit, rather they simply use it for making withdrawals of the transfers made by the government. It is important to note that even though earlier evidence suggests the persistence of account dormancy, the women hold the majority of it and it is growing. This raises serious questions about womens' command over resourecs and opportunities.

Figure 4: Relationship between Inactive Accounts and Usage Indicators across Gender - 2021*



Source: Global Findex databse, 2021.
*138 countries and 21 country groups

Figure 4 depicts the relationship between inactive accounts and the intensity of use the accounts for deposit or credit purpose across gender ctaegories. It is clear that there exsists a negative association between the two. So it can be argued that one of the reason for achievements in the access indicator is not getting translated into use is the presence of inactive accounts. As the percentage of inactive accounts increases, the gap between access and use will increase and vice versa. Eventhough gender wise responses for the reason for not using the inactive acccounts is not available from the survey, 49 percent of the account holding adults reported that the distance to the bank as the hindernace and another 46 percent reported that they do not neeed an account.

Conclusion

The call for financial inclusion grounded on the need for equal opportunity and inclusive growth has achieved positive impacts in terms of bringing more people into the ambit of formal financial institutions which is getting reflected in the growing percentage of adult population owning bank account. But the quality of the impact may be gauged upon the equality of the distribution of the achievements across different groups of people. Ensuring equal opportunity for men and women is also an inbuilt agenda of the financial inclusion programs and polices implemented all over the world.

India's policy initiative can be considered as a success as it lead to minimizing the gender gap in account ownership over and above achieving massive increament in the percentage of adults who own bank account. But the issue which can defeat the purpose is the growing share of inactive accounts with a higher weight to female account holders. Considering the usage dimension, the gender gap in the share of people who use the account for savings among those who have an account has come down drastically in India, but this has not been reflected in credit side. Rather the gap has widened. There is an absolute decline in the percentage of the population depending on formal institutions for saving and the fall is resulting in reducing the gender gap around the world and this is true for India. This may be indicating that the availability of alternative methods for savings but requires further inquiry to substantiate the same. The dependency on the formal institution for credit is on the rise but the intensity of availability of credit in India is nowhere near SSA or low-income economies India and the world as a whole witnessing a reduction in the gender gap in terms of credit use between 2017 and 2021.

The effectiveness of India's policy raises a question as it leads to a massive rise in the number of bank accounts but translating it into use faces impediments as a large share of accounts remains dormant and the share is higher for women in India and further it is on a rise. So for India, it is time to shift the focus to sustainable ways to improve financial inclusion with a stress on those who are less privileged and more prone to exclusion when compared to others by ensuring the delivery of services rather than depending on the matrix of bank account growth. The reasons cited for not using the bank accounts should be taken care with suitable policy interventions as they are mainly supply bottlenecks.

References

Allen, F., Demirguc-Kunt, A., Klapper, L., & Peria, M. S. M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. *Journal of financial Intermediation*, 27, 1-30.

Antonijevic, M., Ljumovic, I., & Ivanovic, D. (2022). Is there a Gender Gap in Financial Inclusion Worldwide?. *Journal of Women's Entrepreneurship and Education*, (1-2), 79-96.

Aterido, R., Beck, T., & Iacovone, L. (2013). Access to finance in Sub-Saharan Africa: is there a gender gap?. *World development*, 47, 102-120.

Demirguc-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2018). The Global Findex Database 2017: *Measuring financial inclusion and the fintech revolution*. World Bank Publications.

Demirguc-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2022). The Global Findex Database 2021: *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19.* World Bank Publication.

Dipa, S., & Rohit, A. (2018). Can Jan Dhan Yojana Achieve Financial Inclusion?. *Economic and Political Weekly*, 53(13).

Ghosh, S., & Vinod, D. (2017). What constrains financial inclusion for women? Evidence from Indian micro data. *World development*, 92, 60-81.

Kaur, S., & Kapuria, C. (2020). Determinants of financial inclusion in rural India: does gender matter?. *International Journal of Social Economics*, 47(6), 747-767.

King, E., & Mason, A. (2001). Engendering development: *Through gender equality in rights, resources, and voice.* The World Bank.

Moore, D., Niazi, Z., Rouse, R., & Kramer, B. (2019). Building resilience through financial inclusion: A review of existing evidence and knowledge gaps. *Innovations for Poverty Action.*

Morrison, A., Raju, D., & Sinha, N. (2007). Gender equality, poverty and economic growth. *World Bank Policy Research Working Paper,* (4349).

Lekshmi.P., Kakarlapudi, K. K. (2023). Global agenda of financial inclusion: Where does India stand? *Kerala Economy,* 3(04).

Schultz, T. P. (2001). Women's roles in the agricultural household: bargaining and human capital investments. *Handbook of agricultural economics,* 1, 383-456.

Seguino, S., & Floro, M. S. (2003). Does gender have any effect on aggregate saving? An empirical analysis. *International Review of Applied Economics*, 17(2), 147-166.

Stosky, Janet G. (2006). *Gender and its relevance to macroeconomic policy: A Survey.* IMF Working Paper No. 06/233. IMF.

Strauss, J., Barbosa, M., Teixeira, S., Thomas, D., & Junior, R. G. (1991). Role of education and extension in the adoption of technology: a study of upland rice and soybean farmers in Central?West Brazil. *Agricultural Economics*, 5(4), 341-359.

Trivelli, C., Marincioni, M., Pels, F. J., & Di Tella, E. N. I. (2018). Financial inclusión for women: a way forward. *Gender economic equity: An imperative for the* G20, 88.