GENDER AND FINANCIAL INCLUSION THROUGH THE POST

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UN WOMEN

Smriti Rao
Assumption College and Brandeis University.

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SMRITI RAO
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GENDER AND FINANCIAL INCLUSION

Women form a disproportionately large share of the world's unbanked population (Karlan and Morduch 2009). Gender inequalities in employment and earnings mean that women have lower incomes, making them less able to open accounts in formal financial institutions (FIs) (Chen et al. 2005; Fletschner and Kenney 2011). Due to legal and cultural restrictions on their access to property, women often do not have the collateral necessary to seek out loans from the formal financial sector (Agarwal 1995; Johnson 2004; Deere and Doss 2006). These factors, combined with discrimination against them in financial markets, mean that women are far less likely than men to have checking or savings accounts in their own names (Johnson and Nino-Zarazua 2011; Demirgüç-Kunt et al. 2013).

The development community has increasingly recognized the need for women to have better access to the formal banking sector in order to build wealth through saving as well as borrowing (Beck et al. 2008; World Bank 2012). Research suggests that expanding female access to formal financial institutions can improve both equity and growth by increasing household income and wealth as well as the economic position of women within and outside those households (Seguino and Floro 2003; Claessens 2006). Research also suggests that increasing women's abilities to generate, save and control income and wealth can have positive impacts on child nutrition and schooling outcomes (Quisumbing and Maluccio 2000; Hazarik and Guha-Khasnobis 2008). Thus there may be considerable positive social benefits to expanding financial access for women.

Women's microcredit and savings and loans groups have become important components of the development agenda in many countries (Matin et al. 2002). However, these groups have not been able to build the long-lasting linkages to formal FIs necessary to scale up their access to funds and grow independently of non-governmental and aid organizations (Cull et al. 2009). The record of commercial FIs, both public and private, is weak in this regard. Indeed, a recent study found evidence of bias against women on the part of FIs across the world (Demigurc-Kunt et al. 2013). Some of this bias stems from broader legal and social contexts, but FIs seem to act in ways that further reinforce such biases rather than undermining them.

The role of post offices in banking women has, however, gone unnoticed in this debate. Posts in 51 countries have banked over 1 billion people (Berthaud and Davico 2013) and, as we show in this paper, over half of these clients are women. A recent study of the impact of financial service provision through posts found that postal operators were much more likely to bank relatively economically marginalized populations (Ansón et al. 2013). In particular, those who were banked at posts were more likely to be relatively poor, relatively young and living in rural areas than those who were banked only with FIs or with both FIs and the post. While this particular study found that gender was a statistically insignificant determinant of which institution people were banked at, gender was not its primary focus. Given the historical exclusion of women from the financial sector, it seems worthwhile to ask whether indeed posts can be a more effective medium for the inclusion of women.

Our paper investigates the extent to which financial services offered through posts may serve women in the developing world better than FIs. In those countries where postal operators already offer financial services, we find evidence that posts do seem to include women to a greater extent than FIs. Our empirical analysis suggests that this is partly a function of widely distributed postal networks (and the associated lower transaction costs) and cheaper services. We also find some evidence that this outcome may be a result of greater statistical discrimination against women by FIs rather than systematic outreach to women by posts. We conclude that a more deliberate attempt at the financial inclusion of women by postal operators has the potential to yield even more success in this regard. We argue that given the potential growth, development and equity impacts of expanded female financial inclusion, there is a strong case for more countries to offer basic financial services through the post and to design those services to meet the needs of potential female clients.

WOMEN AND FINANCIAL EXCLUSION

The literature on women and financial access proposes both 'demand-side' as well as 'supply-side' reasons for why women are less likely to be banked than men.

Income and property

The primary demand-side explanations are based on women's relative inability to acquire and control income and property and thus 'demand' financial services. Gender gaps in paid employment are pervasive. In 2010, the average female-to-male labour force participation ratio was 79 per cent for all countries, with the ratio falling to 71 per cent for developing countries alone (World Bank 2014a). Women tend to be concentrated in low-paying jobs, often in the rural agricultural sector. Lack of access to education and training, cultural constraints on women's mobility that restrict occupational choices as well as discrimination on the part of employers all contribute to gender wage gaps in employment and earnings (Beneria 2003).

Furthermore, where women do work, this is more likely to be in the informal sector. They are more likely to perform home-based 'putting out' work or work in family businesses or small enterprises unregulated by the state (Chen et al. 2005). They are thus much less likely to be covered by labour laws and be offered benefits or protections of any kind. Their work is more 'precarious' and they have fewer opportunities for increases in wages or rank (Floro and Meurs 2009; World Bank 2012).

Women's property rights are also highly circumscribed in many countries. According to the World Bank's Women, Business and Law database (World Bank 2014b), 27 of 143 countries do not grant women even *de jure* equal rights to inherit parental or spousal property. In 44 of the 143 countries, the default marital regime is 'separation of property'. This is a legal regime that usually discriminates against women by failing to recognize wives' contribution to the formation of marital property through domestic labour or child-rearing and other caregiving duties (Deere et al. 2013). Of course even in countries where women have the same legal rights as men, de facto female control over property is lower as women are often unable to claim those rights in the face of social and economic pressures (Agarwal 1995; Deere and Doss 2006). The inability to control property means that women have little ability to build or retain wealth (other than jewellery), making them less able to access the formal financial sector.