

# Financial Inclusion: Assessing Gender Disparity in Account Ownership in West Africa

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## Abstract

The main purpose of this study is to assess gender disparity in account ownership in West Africa. According to the World Bank 2018 report on financial inclusion, about 1.7 billion adults worldwide (31% of adults) do not have a basic transaction account and almost half of these unbanked people are women from poor households in rural areas. This study uses secondary data from the Global Findex Database to analyze 13 West African countries who were surveyed in 2011, 2014 and 2017 out of the 16 West African Countries. T-Test (Two-Sample Assuming Unequal Variances) is used to test the null hypothesis ( $H_0$  = There is no significant gender disparity in account ownership in West Africa). Base on the fact that the p-value < 0.05 (0.005139596) and the t Stat > t Critical two-tail (2.785070432 > 2.063898562) we reject the null the hypothesis. Therefore there exist gender disparity in account ownership in west Africa.

**Keywords:** Financial Inclusion, Gender Disparity, Account Ownership, West Africa, Global Findex Database, Grameen Model, Financial Institutions

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## 1. Introduction

The World Bank (2018) defines financial inclusion as “Individuals and businesses have access to useful and affordable financial products and services that meet their needs like transactions, payments, savings, credit, insurance which are delivered in a responsible and sustainable way.” According to the Global Findex database report of 2017, there has been an improvement in financial inclusion as 515 million adults worldwide have opened an account at a financial institution between 2014 and 2017 (World Bank Group, 2018). This report reveals that the percentage increase has moved from 15% in 2011, 62% in 2014 to 69% in 2017. This present day difference is reflected in the figures between developed and developing countries. That is, while the developed countries have 95% banked adults, developing nations are at 63% (Demircuc-Kunt, Klapper, Singer, Ansar, & Hess, 2018). Despite this increase in worldwide financial inclusion, there still exist persistent inequality. There has been a persistent inequality gap of 7% between banked men and women since 2011, 2014 and 2017. Whereas, 72% of men are banked, only 65% of women are banked. More so, there exist a noticeable disparity between the rich and the poor. There is a gap of 13% between the banked poor and the banked rich. Currently, there are 1.7 billion unbanked adults worldwide (Demircuc-Kunt et al., 2018). Virtually all of this figure reside in the developing part of the world, half of which live in Bangladesh, China, India, Indonesia, Mexico, Nigeria and Pakistan. Women make up more than half of this unbanked population (56%) while the poorest people likewise account for this figure (Demircuc-Kunt et al., 2018).

Regardless of the growth in account ownership since 2011 as portrayed by Global Findex database 2017 report, it has not benefited all groups equally. Women remain less unbanked than men worldwide. The banked gender disparity rate is at 7% (men 72% and women 65%). This same gap prevails even among the developing nations (men at 67% and women 59%). Developing nations like Bangladesh, Pakistan and Turkey have gender disparity of almost 30% while economies like Morocco, Mozambique, Peru, Rwanda and Zambia have a double digit gender disparity (Demircuc-Kunt et al., 2018).

## 2. Problem statement

According to the World Bank (2018) report, 1.7 billion adults worldwide (31% of adults) do not have a basic transaction account and almost half of unbanked people include women from poor households in rural areas. This report also suggests that gender inequality in account ownership remain stuck at 9% points in developing countries, hindering women from being able to effectively control their financial lives. Despite the Universal Declaration of Human Rights assertion that every individual has a right to ‘ a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and necessary social services,’ poverty is yet to be eradicated (Yunus, 1999). Yunus (1999) suggest that in a world where over 3 billion people live on less than \$2 per day, access to the basic level of financial service is a vital element in alleviating poverty. Thus, the World Bank classifies this as a problem because the absence of access to financial services prohibits the poor and low-income earners from making everyday decisions that most people around those ‘dinner tables’ take for granted (Helms, 2006).

### 3. Objective / Question / Hypothesis

#### Objective

The purpose of this study is to assess gender disparity in account ownership in West Africa using data from the Global Findex Database

#### Research Question

- Does gender disparity exist in formal account ownership in West Africa?

#### Hypothesis

- $H_0$  = There is no significant gender disparity in account ownership in West Africa
- $H_1$  = There is significant gender disparity in account ownership in West Africa

### 4. Theoretical Framework: The Grameen Model

The Grameen Model is based on the philosophy that *'credit is a fundamental human right, is brilliantly simple: lend to poor people on terms that are suitable to them, teach them a few sound financial principles and they will help themselves'* (Muhammad Yunus, 1999). Yunus (199) believes that, *'charity only makes the poor dependent and vulnerable'* than a loan which they would have to pay back. This model deviates from traditional banking system. It turned the banking system up-side-down. Grameen which means 'rural' provides loans solely to the poor who possess not more than half acre of land or assets that do not surpass the value of an acre of minimum quality cultivable land (Wahid, 1994). Unlike regular banking system, Grameen Bank does the opposite as summarized in the following table

Table 1: Traditional Bank Versus Grameen Bank

Ordinary Banking Model	Grameen Banking Model
Provide services to the rich	Provide services to the poor
Men are dominant customers	Women are dominant
Potential Customers come towards the bank	They go towards potential customers
Require collateral for loan	Do not require collateral for loan
Owned by the rich, majority of whom are men	Owned by the poor women customers (97%)

The Grameen model is like a rescue ship that has come to the aid of stranded individuals who now own the ship. This ship will only take them as far into prosperity as they wish to go (Bornstein, 1996). The model suggest that the poor are credit worthy and will repay their loan. Grameen model believes that poor people are bankable. Therefore, focus should be on their cashflow and repayment history than on physical collateral. The repayment of loans is remarkable due to good methodology and rigorous discipline in the system (Joshee, n.d.). It is on this premises that the Grameen bank gives out uncollateralized loan, most of which targeted women as a start-up capital for self-employment (Bornstein, 1996).

### 5. Literature Review

Demirgüç-Kunt, Klapper, and Bank (2012) conducted a research on financial inclusion in Sub-Saharan Africa using data from Global Findex database (formal and informal financial service users) and World Bank Enterprise Survey data. These authors found out that not up to a quarter of Africans possess formal accounts and most Africans use informal methods of saving and borrowing. More so, African countries are more financially excluded than other developing countries.

Zins and Weill (2016) examined the determinants of financial inclusion in Africa using data from the World Bank's Global Findex database. These authors found out that Africa has the lowest rate of financial inclusion worldwide. Their finding also suggests that those who are more financially included are men, older people, educated persons and high income earners; income and education play the greatest role in financial inclusion. Equally, gender and education are the fundamental cause for exclusion.

Kairiza, Kiprono and Magadzire (2016) examined gender differences in financial inclusion in Zimbabwe base entrepreneurs and they found out that females are less financially included than their males counterparts within the formal financial sector. More so, Karmakar, Banerjee and Mohapatra (2011) suggest that the expansion of branches by financial institution and the elimination of obstacles to account ownership are solutions to financial exclusion. On the other hand, Grohmann and Menkhoff, (2017) argue that ensuring financial literacy among the general population will promote financial inclusion.

### 6. Methodology

This study is based on raw data retrieved from the Global Findex database, which was launched by the Bill & Melinda Gates Foundation and has been published every three years since 2011 (World Bank Group, 2018). This study's population is West African Countries (16 countries) and the sample size is limited to those West African Countries (13 countries) included with the Global Findex database for 2011, 2014 and 2017. This database has been used by various authors to study various variables of financial inclusion in Africa (see Demirgüç-Kunt, Klapper, & Bank, (2012); Zins & Weill, (2016) for more details) given that it is one of the scarce database

containing several variables on financial inclusion. The t-Test: Two-Sample Assuming Unequal Variances is used to test the null hypothesis.

## 7. Results and Interpretation

Table 2: Gender Distribution in Account Ownership in West Africa from Global Findex Database

Survey Year	Country Code	Country	Account, Male (% Age 15+)	Account, Female (% Age 15+)	Difference
2011	BEN	Benin	11%	10%	1%
2014	BEN	Benin	20%	14%	6%
2017	BEN	Benin	49%	29%	20%
2011	BFA	Burkina Faso	16%	11%	5%
2014	BFA	Burkina Faso	16%	13%	3%
2017	BFA	Burkina Faso	51%	34%	17%
2014	CIV	Cote d'Ivoire	39%	29%	10%
2017	CIV	Cote d'Ivoire	47%	36%	11%
2011	GHA	Ghana	32%	27%	5%
2014	GHA	Ghana	42%	39%	2%
2017	GHA	Ghana	62%	54%	8%
2011	GIN	Guinea	4%	3%	2%
2014	GIN	Guinea	10%	4%	6%
2017	GIN	Guinea	27%	20%	8%
2011	LBR	Liberia	23%	15%	8%
2017	LBR	Liberia	44%	28%	15%
2011	MLI	Mali	10%	7%	3%
2014	MLI	Mali	26%	15%	11%
2017	MLI	Mali	45%	26%	20%
2011	MRT	Mauritania	23%	12%	11%
2014	MRT	Mauritania	25%	21%	4%
2017	MRT	Mauritania	26%	15%	11%
2011	NER	Niger	2%	1%	0%
2014	NER	Niger	9%	4%	5%
2017	NER	Niger	20%	11%	9%
2011	NGA	Nigeria	33%	26%	7%
2014	NGA	Nigeria	54%	34%	20%
2017	NGA	Nigeria	51%	27%	24%
2011	SEN	Senegal	6%	5%	1%
2014	SEN	Senegal	20%	11%	9%
2017	SEN	Senegal	47%	38%	8%
2011	SLE	Sierra Leone	18%	13%	5%
2014	SLE	Sierra Leone	19%	12%	6%
2017	SLE	Sierra Leone	25%	15%	9%
2011	TGO	Togo	11%	9%	2%
2014	TGO	Togo	21%	15%	6%
2017	TGO	Togo	53%	38%	15%

Source: Adapted from Global Findex Database 2017

The above table clearly shows that there still exist gender disparity in account ownership in all West African countries. Surprisingly, the figures show that as the year go by, the gap becomes even wider, with men having greater access to formal accounts than women.

Figure 1: 2017 Gender Disparity in Account Ownership in West Africa



Source: Authors Calculation Adapted from Global Findex Database 2017

A close look at just 2017 figures, it is clear that there is gender disparity in account ownership in West Africa. More males are financially included than their female counterparts. Nigeria has the highest disparity (24%) while Ghana, Guinea and Sierra Leone have the least gender disparity (8% each). However, Ghana (58%) has the most number of account owners while Niger (16%) has the least number of formal account owners.

### Hypothesis Testing

$H_0$  = There is no significant gender disparity in account ownership in West Africa

Table 3; Hypothesis Testing Results

t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	0.42065549	0.285379892
Variance	0.016981806	0.013687921
Observations	13	13
Hypothesized Mean Difference	0	
df	24	
t Stat	2.785070432	
P(T<=t) one-tail	0.005139596	
t Critical one-tail	1.71088208	
P(T<=t) two-tail	0.010279193	
t Critical two-tail	2.063898562	

Source: Authors Calculation Adapted from Global Findex Database 2017

From the above results based on 2017 statistics, given that the p-value < 0.05 (0.005139596) and the t Stat > t Critical two-tail (2.785070432 > 2.063898562) we reject the null hypothesis. Therefore there exist gender disparity in account ownership in west Africa.

### 8. Conclusion

Despite the growing wave of discussions on the promotion of gender equality over the years, inequality has rather been growing especially in developing countries as shown by our table. This study suggest that (1) there exist gender inequality in account ownership; (2) Women are less financially included than their male counterparts in all West African Countries; and (3) this gap in formal account ownership gets wider as the year goes by. However, this study is limited to just gender as a variable in accessing disparity in account ownership and it is limited to just West African countries. Further research can include income disparity in account ownership and can concentrated on other regions of Africa.

From the above results, a proper recommendation will be to employ certain aspects of the Grameen Bank Model such as: increase financial literacy among the female Africans, encourage opening of microfinance institutions in remote areas of Africa where most of the poor could be reached. Also, formal banking should be encouraged as opposed to hoarding money, through affordable banking charges and requirements. Financial institutions should be encouraged to provide more affordable loans to female Africans. However, financial

institutions trying to ensure rural financial inclusion should manage such petty loans effectively so that they do not default and harm their survival and growth (see Mbah & Wasum, (2019) for more details)

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