INSIGHT NOTE

Women's World Banking

March 2024

A Gender Lens on Financial Well-Being

Women's financial well-being requires agency, and a gender lens to any framework for financial well-being is critical to ensuring it is a relevant outcome for women.

Introduction

The concept of 'financial well-being' is gaining prominence as an objective of financial inclusion among the international community of practitioners and policymakers. This term, and related concepts like financial health, financial security, and resilience are important contributions to our understanding of the outcomes of financial services access and use. As the financial inclusion community works to define and operationalize financial well-being, we must recognize that financial, emotional, and material aspects of life are inter-connected. Getting these interconnected aspects of financial well-being right is critical for adapting financial services to the felt needs and experiences of the most financially vulnerable populations, women among them.

There are a number of definitions of financial well-being, and most include a core set of elements:

- Able to meet ongoing financial needs and obligations
- Can cope with negative financial shocks and emergencies
- Can pursue financial aspirations and goals
- Feel satisfied and secure about their financial lives

Yet, for women to experience financial well-being, there are important components of agency that are missing from many of these common definitions. Aspects of agency relevant to financial well-being include capability, confidence, choice, and control. As global, regional, and national policymakers and practitioners develop and deploy conceptual frameworks on financial well-being that work for both men and women, it is critical that agency be included.

Why a gender lens?

Women's experience of financial well-being may look different from men's for many reasons.

Unequal legal rights to property, inheritance and financial resources disadvantages women in the accumulation of assets. This gender bias in asset ownership is exacerbated by discriminatory practices in employment and wage disparities, limiting women's ability to acquire property or build wealth independently. Consequently, women are disproportionately affected by economic downturns or life transitions, such as divorce or widowhood, leaving them with limited assets and diminished financial stability. Worldwide, about 23 percent of countries employ biased inherence laws, discriminating against widows and daughters specifically.

Social and cultural norms in many parts of the world dictate that women are responsible for taking care of household expenses such as food, utility bills, and school fees. Globally, women are more worried about paying for routine monthly expenses, with nearly 73% of women saying they are worried about not having enough money for routine monthly expenses (as compared to 69% of men). Also, on average, women spend 2.4 hours a day more on unpaid care work than men, limiting their time they can spend on paid work.

Macroeconomic trends affect women differently. Economic downturns may disproportionately impact industries where women are overrepresented, such as healthcare or hospitality. High inflation rates can lead to higher interest rates for business loans, affecting women entrepreneurs especially hard as they face tighter credit markets and more expensive loan payments, while simultaneously experiencing less demand for their goods. In many contexts, women are more likely to be employed informally, and may be more vulnerable to economic shifts.

During Covid-19, 40% of employed women worldwide were at risk of losing their employment and income as they were working in the sectors with the highest risk of income and job losses.

Climate change is a risk factor that disproportionately affects women. Women in sectors like agriculture face increased risks from climate impacts, threatening their income and food security. Women produce 60% to 80% of the food in developing countries, and as such, their livelihoods are more vulnerable to reduced crop yields. Women's caregiving responsibilities during disasters limit their participation in income-generating activities, exacerbating their economic vulnerability. At the same time, they have less access to financial tools such as climate risk insurance and credit, which can mitigate the effects of a disaster. Women also have to bear higher healthcare costs and risks from climate-related health impacts, further straining their economic resources.

Lower digital and financial capabilities are common among women. This digital divide can stem from various sources, including lower levels of education, limited access to technology, and cultural barriers discouraging women from engaging with financial technology. Worldwide, only 30% of women are financially literate, compared to 35% of men.

All these experiences are linked to fact that **women often have less agency** in their households and communities. They are less likely to be the primary decision-makers on household and business financial decisions, and women often have a feeling of lower financial security and control over their finances.

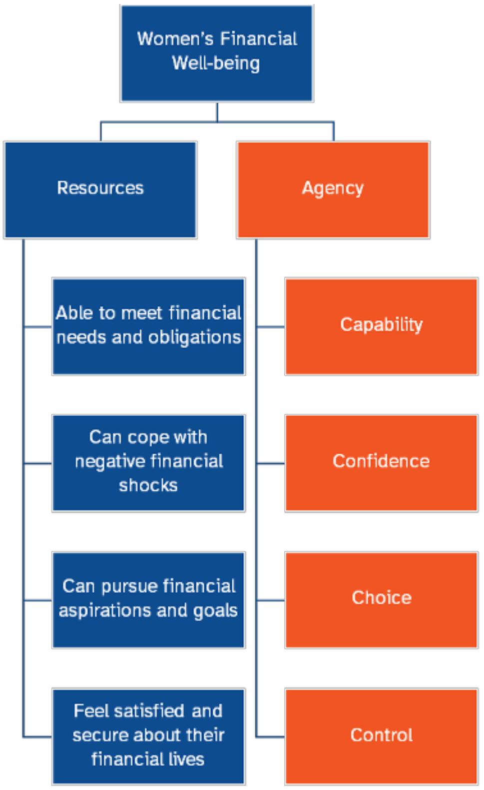
Bringing agency into financial well-being

There are many aspects of current definitions of financial well-being that address women's distinct needs and barriers, such as ability to meet daily household expenses, having a reliable social network to cope with emergencies, a vision for the future and awareness of rights and protections.

However, any concept of financial well-being that does not address women's agency cannot truly reflect women's lived financial experiences. Specifically, these four key components of agency are currently missing from most existing frameworks:

- **Capability**: Women need knowledge about financial concepts, awareness of tools available and the skills to use them, in order to make the best, informed financial decisions for her.
- **Confidence**: Women need confidence in her ability to use digital and financial tools, and confidence in her ability to manage income and household assets.
- **Choice**: Women need choice of financial services, and choice around how she wants to participate in business and household financial decisions.
- **Control**: Women need control over her income and assets, and control over her financial goals and future.

These aspects of women's economic empowerment are essential to women's financial well-being.



What does this look like in practice?

As global, regional and national policymakers and practitioners develop and deploy conceptual frameworks on financial well-being, it is critical that a gender lens is included.

Definitions of financial well-being must include components of capability, confidence, choice and control, and metrics to measure financial well-being should address these key components. This includes gender-disaggregated data to monitor all existing indicators of financial well-being, as well as bespoke indicators to measure agency, such as:

- Change in knowledge, awareness or skills
- Change in perceived abilities to utilize financial services
- Change in confidence to manage income
- Change in confidence in one's financial future
- Change in perceived safety/ confidentiality of assets
- Change in participation in household/ business decisions

This data will allow for a more accurate assessment of the impact of financial inclusion policies and programs on women's financial well-being. It will also facilitate benchmarking progress over time and across different demographic groups, helping to identify areas where further action is needed. Women's World Bank uses these types of indicators to understand women's financial well-being, such as in this report, where we looked at the economic empowerment of women in the creative industry in Indonesia and found a statistically significant relationship between financial inclusion and women's ability to enact her preferences and bargaining power.

Moving Forward

Women's World Banking believes that financial well-being is an important outcome of financial inclusion, and one that we should all be working toward. However, any framework for financial well-being requires a gender lens in order to ensure it is a relevant outcome for women. By including a focus on agency and adding language to working definitions that focus on capability, confidence, choice and control, we can ensure that women's unique circumstances are included in the discussions moving forward. If we ignore women's agency, we miss the mark on women's financial well-being.

Measuring Women's Financial Well-being

Women's World Banking deploys research to understand the outcomes experienced by women who receive financial solutions designed with them in mind. Our research to date has demonstrated strong evidence on the financial well-being outcomes women experience, including key indicators of agency, such as participation in financial decisions.

Case Study: Mobile Wallets in Cambodia
Women's World Banking partnered with WING in Cambodia to develop a solution for women factory workers that incentivizes them to use a mobile wallet for more purposes than just receiving their salary. The solution was built on gender-sensitive marketing, incentives and in-person training to build awareness and confidence among customers.

After implementing the solution, we found that women who received the solution were more confident in making different types of transactions such as transferring money, for which the likelihood increased by 20 percentage points. The financial well-being of participants increased as they were better able to meet their financial obligations, and cope with negative financial shocks. Women were 15 percentage points more likely to say they have a savings fund large enough to cover unplanned expenses. They were also more likely to be the sole decision-maker on financial decisions (increased by 8 percentage points).

Case Study: Savings in India
Women's World Banking partnered with one of the largest public sector banks in India to develop the Jan Dhan plus scheme, encouraging customers to save regularly for at least five months by incentivizing them with access to an overdraft facility. It also included a training component for banking agents, as well as marketing collateral, games and direct communications with customers.

We found that women were more likely to make at least one deposit in the last 90 days (increasing from 35% to 41%), and as a result, they were able to grow their account balances. By the end of the pilot, women enrolled in a Jan Dhan plus scheme had 51% higher balances than the overall portfolio. Women who were actively saving also increased uptake of other financial instruments such as overdraft and different types of insurance and pensions, indicating better coping mechanisms for financial shocks. Furthermore, 72% percent indicated they could come up with emergency funds within seven days. Women who received the solution were also 34% more likely to say they did their transaction independently, and the likelihood that they participated in savings decisions increased by 21 percentage points.

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Acknowledgments

This brief was a collaborative effort amongst Women's World Banking staff including Ajit Agarwal, Jaclyn Berfond, Rebecca Hausberger, and Sonja Kelly.