CSW 68 Gender and Poverty Brief

Financial Institutions and Infrastructure Perpetuating Poverty

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Financial institutions and infrastructure intended to promote economic growth and alleviate poverty in fact contribute to perpetuating and exacerbating the problem of poverty, especially for women. Exposing systemically generated poverty is essential to understanding the intersectionality of infrastructure and mindsets on poverty. The UN SDGs # 1 and # 8 both address eradication of poverty and highlight the causal linkages with inhibitive financial policies. This brief urges exponentially improved access to financial services as a foundation for economic growth and effective social protection systems for the poor, particularly women. Absence of gender-disaggregated data promulgates bias in the financial system. Unbanked women cite lack of sufficient monies, distrust of banks, cost, and financial illiteracy as reasons for avoiding the banking system.

Fast Facts

- 46.1% of heads of households in the US are women, responsible for major life expenses of housing, health, education, and food. Creditworthiness is critical to their survival, economic independence, and security.[1]
- Women are 18% less likely than men to have loan applications approved. Banks lost an average of 23% on a median size loan of $7500 in foregone profit by rejecting applications due to gender bias.[2]
- It was not until 1974 that women were given the right to own a credit card in their own name.[3]
- Until 2012, women were charged half a percent more in interest on credit cards than men.[4]
- In 2021, 15.9% of single mother households were unbanked, higher by 2% than married couple households. While race and income data are gathered by financial institutions, there is an unacceptable absence of data disaggregated by gender, pointing to significant embedded gender discrimination in banking and loans.[5]
- Women default less than men, yet pay 8-13 basis points higher in interest rate than men.[6]

Financial Exclusion and Discrimination

1. In 2021, the World Bank declared that globally 2.5 billion people remain unbanked, with limited access to formal financial services, excluded from participating in the economy and denied access to save, invest, and accumulate assets, perpetuating the cycle of poverty.
2. Nearly 22% of U.S. households deemed unbanked turn to extortionist predatory lenders as costly alternative financial services for payday loans and high-interest credit cards. Low-income families become vulnerable targets, further driven into debt and poverty, with food, health, and housing insecurity.
3. Inequality in wealth distribution means that wealth created by financial systems and regulations benefits the wealthy and exacerbates income inequality, limiting economic mobility and keeping people in perpetual poverty.
4. Financial institutions tend to concentrate their services in urban areas, thus making access to banking, loans, and financial services more challenging for rural populations.
5. Limited, weak infrastructure creates gaps that impact economic opportunities, impeding economic growth and exacerbating poverty. Inadequate transportation networks, energy grids, and digital connectivity further isolate women from economic opportunities, markets, and public services.

6. Lack of financial literacy in women hinders their ability to save, invest, and make informed financial decisions. This reinforces poverty cycles and increases their vulnerability to predatory financial practices.
7. Financial institutions often exacerbate systemic inequality by disproportionally impacting marginalized communities. Discriminatory practices of redlining, limiting access to credit and housing loans for low-income racial groups, result in significantly higher mortgage denial rates compared to whites, perpetuating racial wealth gaps.

Recommendations

Governments, financial institutions, the private sector, and civil society are urged to collaborate and take aggressive action to ensure the elimination of prohibitive practices and the inclusion of women in high financial and political decision-making bodies for equitable leadership in influencing economic security and development.

1) **Promote gender equity measures through governmental legislation and private sector regulation** to eliminate gender discrimination in employment, financial sector lending, and credit practices and to mandate gender-responsive budgeting, financial inclusion initiatives, financial literacy education, and technology for digital banking services and online protections.
2) Expand financial inclusion through collaborative efforts to **ensure universal access to financial services for women** with policies that enable affordable banking options, innovative mobile banking solutions, and financial education programs for women in marginalized and rural communities.
3) **Regulate predatory lending practices,** that disproportionately affect low-income women, with stricter regulations and increased consumer protections. **Increase transparency** in lending decisions, penalties for discriminatory practices, and incentives for financial inclusion for underserved women.
4) **Prioritize infrastructure development** by governments and international institutions in impoverished and underserved regions. By improving transportation, energy, and digital connectivity, opportunities for economic growth, poverty reduction, and women's economic security can be fostered.
5) Coordinate global efforts to **share best practices for wealth distribution** and infrastructure re-framing policy.

Resources

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[4] Trujillo, Noelia 2023. 13 Surprising Things That Cost More for Women.
[5] Federal Deposit Insurance Corporation. 2021 FDIC National Survey of Unbanked and Underbanked Households.
[6] Soocial 2023. 15 Shocking Mortgage Discrimination Statistics.