Public Policy for Women´s

FINANCIAL INCLUSIÓN

Patricia López
Report Author

Enrique Díaz-Infante Chapa / Gustavo del Ángel Mobarak
Project Coordinators

Centro de Estudios®
Espinosa Yglesias
PRO**MOVEMOS** LA IGUALDAD
DE OPORTUNIDADES

PUBLIC POLICY FOR WOMEN'S FINANCIAL INCLUSION AND SOCIAL MOBILITY IN MEXICO

CEEY EDITORIAL

Abasolo 152, Del Carmen, Coyoacán,
C.P. 04100, Ciudad de México
www.ceey.org.mx

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List of Experts:

Isabel Cruz, Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)
María Eugenia Butler, Unión de Instituciones Financieras Mexicanas, A.C. (UNIFIMEX)
Sara Castellanos, Banco de México (Banxico)
Carola Conde Bonfil, Universidad Autónoma Metropolitana, Xochimilco (UAM-X)
Ursula Heimann, Constructing Opportunities for Solid Livelihoods, S.C. (SOLLIV) and independent consultant
Pilar Campos, independent consultant
Maria O'Keefe, independent consultant
Laura Mendez, Fideicomisos Instituidos en Relación con la Agricultura (FIRA)
Juliette Bonnafé, UN Women
Marco del Río Chivardi, Comisión Nacional Bancaria y de Valores (CNBV)

Patricia López Rodríguez, Author

Roberto Vélez, Roundtable Moderator
Enrique Díaz-Infante, Report Coordinator
Gustavo del Ángel Mobarak, Report Coordinator
Paula Acosta, Research Assistant

FOREWORD

The Espinosa Yglesias Study Center (CEEY) brought together a group of experts to formulate public policy for women's financial inclusion as a means to increase their social mobility. Their analysis took place in roundtable working groups from October to December 2018 at the Espinosa Rugarcía Foundation. Participants included officials from the financial sector, representatives of financial entities, CSOs, academics, and private consultants. The analysis was complemented with private interviews with members of the roundtable working groups, and with statistical analyses of various data sources.[1]

1. Discussions were carried out using an adapted version of the Chatham House method, where the identity of participants is known, but the source of individual comments is not identified.

INTRODUCTION

According to the World Bank (2018), financial inclusion consists of people "having access to useful and affordable financial products" that meet their needs, including transactions, payments, savings, credit, and insurance. These financial services must be provided responsibly, in a way that can be maintained."[2] Access is related to the physical or virtual proximity and accessibility of financial products and savings, credit, insurance, financial education, mobile banking, and other services. The use of financial services includes the rate and frequency of use and the period in which they are used.

In Mexico, analysis shows that women have less access to financial products and services than men. This gender gap contributes to unequal opportunities and low social mobility. According to Global Findex, seven out of 10 women lack access to a formal financial institution, only one in 10 save in a financial institution, and only two out of 10 use the internet to manage bank accounts.[1] Although, there has been a decrease over the years in the gender gap, especially in rural areas, it is still approximately seven percentage points.[3]

Women's financial inclusion is measured by various indicators. One, the number of bank accounts in women's names, is a simple indicator, but it provides one index of women's access to the financial system. Still, it is also necessary to analyze the quality of this access. It has been observed that financial institutions do not yet have effective products that meet women's needs. The services they provide are minimal, irrelevant, or low-quality, because their design has not considered

2. By comparison, six out of 10 men lack access to a formal financial institution.
3. The 2018 National Survey of Financial Inclusion (ENIF) shows that the gender gap in bank accounts is 2.6 percentage points, and the gender gap in having at least one financial product is 6.6 percentage points. This last figure differs from that of Global Findex (2017).

the needs, the economy, or the financial objectives of women, especially those who live in poverty.

The life cycle has more influence on women than on men, particularly in their reproductive years, when participation in the labor market is interrupted. During pregnancy, many women lose formal employment, which affects them financially. Their intermittent employment and income affects their ability to save and their access to credit. In losing their regular income, women are no longer potential customers of financial institutions. They may shift to informal employment, with wages that are usually low and irregular. Once they do so, it is extremely difficult to return to formal employment.[2]

These considerations have various consequences for women's financial inclusion. With less opportunity to save, financial institutions will not consider them for loans. This creates a cycle that is difficult to break: they generally do not have assets in their name, so they do not have the collateral to obtain credit. They are not usually financially independent, and, in many cases, they are not free to make household financial decisions. These inequalities are accentuated by the fact that women receive less education than their male counterparts, including less financial education.

Women have been consistently excluded from the labor market. In addition, they have been assigned almost exclusively to the role of caring for children and other household members who require special care. This leads to what is known as "time poverty" and "high organizational costs," which will be discussed below.[3] These factors affect all aspects of women's lives: they have fewer educational opportunities than men, which also results in a lack of financial education, and they have fewer assets (Demirgüç-Kunt et al. 2013). They also have less access to financial services that meet their needs as women.

Women receive less income from formal employment than men. According to the National Household Income and Expenditure Survey (ENIGH 2016), only 43.8% of women participate in the labor market, as compared to 77.5% of men. Of those women who are in the formal labor market, many of them receive the lowest wages, which affects their ability to save, invest, purchase capital goods, as well as the pos-

2. For more on this problem, see A. Cuecuecha, "Socioeconomic origin, informality and intergenerational social mobility," Working Document 10/2019, Centro de Estudios Espinosa Yglesias.

3. Chant 2003, Kabeer 2003, Godoy 2004, Blackden y Wodon 2006; Folbre 1994, Kleven et al. 2019, UN Women 2018; y Vélez Grajales, et al. 2018

sibility of access to credit and financing.[4] In addition, few have managerial positions.

To close gender gaps across the financial spectrum, government action is required. The government should facilitate access, not only to banking products and services, but also to greater financial education for women, as well as to institutions that meet the demands of caregiving. An effort should also be made to equalize the contribution of men and women to these tasks, and to the unpaid work that affects women, directly and indirectly, from an early age. However, these are issues not just for the government: they require a joint effort of society, government, and financial institutions. The latter, it is argued here, should work together to generate relevant products, more efficient mechanisms of interconnectivity, and closer physical proximity to their customers, and contribute to the financial education of the population in general, but specifically of women.[5] Economic empowerment, the conditions for inclusion in the formal labor market, social protections, and support to free up the time that women allocate to household caregiving are tasks the government must carry out for the financial inclusion of women (Orozco 2018).

Healthy interaction with the financial system has a positive relationship with social mobility. If women participate more actively in this area, they will be in a better position to decide on the use of their resources. This goes beyond what they can contribute to their families: it can be reflected in the investment of their own human capital.[6] In order that women have mechanisms of social mobility for themselves and their children, they need tools to use their financial assets to meet their goals. This is possible if financial products are tailored to their needs.

Women have different financial preferences and needs than men. The challenge for institutions lies in understanding the dynamics of how they use financial products: the reasons why they do or do not use available products and services, and how they use them. In promoting financial inclusion from a gender perspective, it is essential to

4. Traditional bank accounts are often incompatible with low and unstable income. Given their cost, women often prefer to store their savings informally. See “A Buck Short. What Financial Diaries Tell Us About Building Financial Services That Matter to Low Income Women,” by Julie Zollman and Caitlin Sanford.

5. A Mexico Financial Diaries study found that 82% of women carry out their economic activities within their communities, while men tend to move further away from home. Men have economic interactions in geographic areas that are closer to bank branches.

6. In general, women manage their household spending to meet family needs. However, although they are the ones who manage these resources, they are not the ones with control over income (Ashraf et al. 2010, Dupas and Robinson 2013b) or major purchases.

have information on what works for women and what does not. This also means designing public policies that consider the factors that limit women's access to the financial system.[7] If women participate in the financial system like men, their opportunities and the use of their productive skills will be enhanced (Dupas and Robinson 2013b).

The present report shows how, although the financial inclusion of women has increased, the gender gap persists. Banking products have not adapted to the difficult conditions of the labor market in which most women find themselves, which is usually informal employment. This has consequences that go beyond the possibilities of empowerment, with effects on women's social mobility.

To better address the problem of women's financial inclusion, its measurement and estimation must be improved. Women should have greater access to the formal labor market, which would facilitate their opening of bank accounts in their own names rather than those of men. Banking institutions should make their requirements more flexible and offer products tailored to women's needs, so that more women have formal savings and credit instruments.

This report also recommends addressing problems such as women's lack of time, as well as issues related to the high transaction costs they face in making use of the financial system. It recommends encouraging businesses to accept electronic payment and to expand the use of banking correspondents to reduce administrative costs for affiliated businesses.[8]

FinTech and banking correspondents can be natural allies in solving the problem of women's lack of time. Part of the task is to identify areas where financial services are difficult to access and find service providers to cover those areas. However, there must first be better internet interconnectivity, with fiber optics. This would facilitate the use of electronic payments via CoDi through the SPEI. There should also be improved financial literacy education for the entire population, and specifically for women.

Women's income tends to be volatile and generally low, and their financial situation is precarious. For this reason, not only the nature

7. Women and men have different forms of economic behavior. For example, women save "horizontally." Instead of keeping their savings in formal institutions, they prefer to save with people they know, who are usually also women and live nearby. Popular resources such as tandas are more efficient for women than banks in terms of time and transportation, and they create feelings of community and support (Mexico Financial Diaries 2016).

8. A banking correspondent is a commercial establishment, authorized by the CNBV to provide certain banking services in association with a financial institution. A banking correspondent administrator is a company that manages various banking correspondents on behalf of a financial entity.

of banking products, but also the requirements for obtaining them, such as those regarding collateral, must change. In particular, banking products must be adapted to the needs of women in the informal sector. Both banking institutions and FinTech must offer them quality innovative products.

This report describes the importance of financial inclusion to the social mobility of women themselves, and thus for their families. It recommends financial education for women and the construction of channels to gradually transition from financing informal activities to financing formal activities, within the framework of the National Policy for Financial Inclusion 2020-2024 (PNIF, CNIF, and CEF 2020).— The emphasis is on creating state mechanisms of social protection to avoid their current practice of using credit to complement spending on education and household social protection that should be provided by the government.

This report proposes the exploration of alternatives to correct the information asymmetry. To increase the use of real estate as collateral, federal regulations regarding registries of deeds should be reviewed to facilitate the formalization of property titles in women's names. For women without assets that can be used as collateral, information from their social networks and their payment of basic services should be used to establish their creditworthiness. Another recommendation is for banks to send customers text messages on their cell phones to help them remember to save and improve their financial health. To improve voluntary savings for pensions, remittances received through electronic transfers could be linked to savings accounts for women's retirement. This report also recommends considering women's life cycles and goals in the design of savings products to ensure that their needs are met. Finally, it proposes the creation of a universal contributory pension for women who are not in the formal labor market.

The report concludes with an agenda for women's increased financial inclusion. Some of these recommendations fall outside the scope of the financial system, but would help women's incorporation into the formal labor market and their social protection in adulthood. One is the creation of a comprehensive system of caregiving for children, the elderly, and people with disabilities, to reduce the time costs of this labor. It also proposes pensions and insurance to alleviate the financial pressures on women associated with aging.

This report is structured as follows. Chapter 1 presents different approaches to financial inclusion: it describes the current situation of the financial sector and that of women in an international context, mainly in Mexico. Chapter 2 presents the barriers faced by Mexican women in accessing formal credit. It shows structural differences by gender in assets, employment, time poverty, organizational costs, and other characteristics. The third chapter describes the financial products used by women and the characteristics of informal financial products that can be employed to improve the design of financial products for women. Chapter 4 introduces the dimension of social mobility, examining the use of women's formal and informal savings and credit products, and describing the relationship between social mobility and financial inclusion. Finally, the report offers proposals for public policy in the development of financial products, FinTech,[9] connectivity, banking correspondents, and financial education, as well as needed research on the relationship between financial inclusion and social mobility.

9. FinTech is the name given to the application of technological design to financial services, currently one of the engines of change in the financial system.

CHAPTER 1

THE FINANCIAL SECTOR, ITS CONTEXT, AND ITS PROBLEMS

1.1 APPROACHES TO FINANCIAL INCLUSION

Women's financial inclusion can be analyzed from different perspectives. From the supply side, inclusion is associated with the profitability of services, from the demand side, with the needs of their users. The factor of formality versus informality also plays an important role. Formality allows easier access to regulated and supervised financial services accredited by the tax authorities and registered with social security. Informality consists of people's everyday practices—here we will focus on women—to provide themselves with financial services outside of the formal system.

There are four channels of access to the formal financial system that show significant differences in use between women and men:

a. Bank branches
b. ATMs
c. Banking correspondents
d. Point of sale (POS) terminals

Demand refers to the proportion of people with bank accounts or access to financial products and services. In Mexico, although there has been an increase in the number of bank accounts among the population traditionally excluded from the financial system—including women and people in rural communities—there are still important gaps. The increased number of accounts in these populations is due mainly to social programs whose payments are made to women through transfers to basic bank accounts.

Both supply and demand explain access failures and gender inequalities in financial inclusion. On the one hand, there are deficiencies in the sufficiency and accessibility of bank branches, as well as of products that are adapted to the needs of women. On the other hand, women show little interest in using the available products. There are several possible reasons for this lack of demand, ranging from lack of information to women's lack of financial education and lack of confidence in dealing with banks.

The problem of financial inclusion has various dimensions. One is that even the most basic financial services are completely neglect to the lower part of the income distribution. Another is that it cannot be analyzed by measuring only the openings and activity of new accounts.

People seek out financial products only when they are useful. Those at the lowest socioeconomic level usually need products to cushion their expenses. Lower-income women generally do so to deal with household expenses. The suppliers of financial products seek immediate profitability and not the benefits of having long-term customers, especially in the case of women.

The formal financial system includes services regulated and supervised by the Secretary of Finance and Public Credit (SHCP), the Banco de México, the National Commission for the Protection and Defense of Financial System Consumers (CONDUSEF), and the National Securities and Banking Commission (CNBV). Informal practices are those that are not supervised by the regulatory bodies of the financial system, an example of which are tandas.[1]

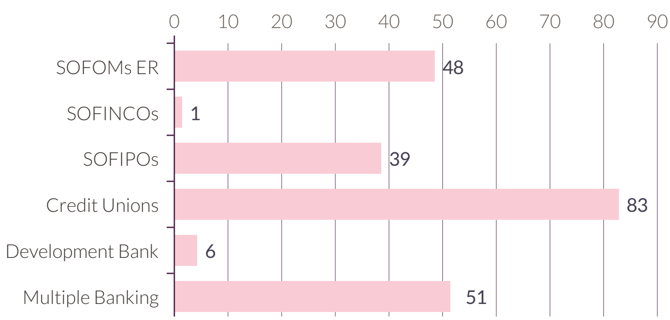
There has been a debate over whether the financial inclusion of women should consider formal or informal financial services (World Bank 2018). The literature indicates that a large proportion of women use informal financial services, and most women would thus have access to at least one product. In this sense, the term financial inclusion of women would be irrelevant (WEF 2014). On the other hand, not including informal services would be to disregard women's financial habits and customs (Demirgüç-Kunt and Klapper 2012).

1. Tandas are accessible and convenient mechanisms for the majority of women in remote areas, an alternative to the complex requirements for opening a savings account or applying for a loan. Tandas carry lower transaction costs for women: they are close to the places where women carry out their economic activities, and their convenient schedules reduce the costs of traveling to a bank branch during working hours. Tandas do not require legal advice regarding complicated procedures and their loans are immediately available. They are used by women with low levels of education, with monthly incomes of less than 800 Mexican pesos, who live in localities with less than 2500 inhabitants. Despite these advantages, tandas do not provide security for their users' resources, their interest rates are high, and they allow for the possibility of excess debt. See Campos (1998).

1.2 THE CURRENT MEXICAN FINANCIAL SYSTEM

The financial system in Mexico, which meets the demand for services, is made up of multiple banking institutions, development banks, credit unions, savings, and loan cooperative societies (Socaps), popular financial societies, multiple objective financial societies (Sofomes), and community finance societies (Sofincos). In 2018-24, the development banks included Nafin, Bancomext, Banco del Bienestar (formerly Bansefi), Banjército, Sociedad Hipotecaria Federal, and Banobras.[2] [3]

Figure 1. Number of Financial Institutions by Sector[4]



Source: Author's elaboration based on the CNBV Register of Supervised Entities and the CONDUSEF Register of Financial Service Providers, June 2019

The financial ecosystem that drives financial inclusion of women living in poverty, contributing to its penetration into the vulnerable population, is made up mainly of multiple banking institutions, development banks, and the Popular Savings and Credit Society (SACP, including Socaps, Sofipos, and Sofincos). Commercial banking does not serve rural or low-income communities, as there is little interest in assuming the cost of ATMs or bank branches in these areas. Some

2. Data from the end of June 2017. Source: CNBV (2017), Financial Inclusion Report 9.

3. See https://www.gob.mx/cnbv/acciones-y-programas/banca-de-desarrollo-bd. There are other non-bank development institutions related to financial inclusion, such as the National Finance Agency for Agricultural, Rural, Forestry, and Fisheries Development (FND), which is in the process of merging with the Shared Risk Trust (FIRCO), the Rural Capitalization and Investment Fund (FOCIR), and the Agricultural and Government Assets Insurance Authority (Agroasemex) to form a new agency to complement financing such as that provided by the Established Agriculture-Related Trusts (FIRA). For further details about the ongoing transformation of FIRA.

4. This figure includes the entities reported by the CNBV. Only Sofomes and Sofincos are supervised or regulated by the CNBV.

banking correspondents, such as Yastás, have managed to reduce these costs by developing cards used at POS terminals, in corner stores, or at some banks that have ATMs for checks and cash deposits.[5]

There is increasing migration toward more accessible business models, such as banking correspondents, but the challenge is the barrier of technological infrastructure that makes connectivity difficult in many places. Especially in rural areas, where there is limited infrastructure, it is not possible to establish banking correspondents. Electronic banking has grown in importance in recent years, and the use of cash may gradually decrease to make way for electronic transactions. However, the basic tool for these transactions is the internet connection, which is limited or non-existent in rural areas.

FinTechs have helped companies expand: they provide financial services through the use and implementation of technology, using applications and social networks to simplify processes and speed up service. These applications could work in favor of financial inclusion, not only for women but for the entire disadvantaged population. However, FinTechs have also shown little interest in covering rural areas, let alone serving women in these areas.[6]

1.3 THE CURRENT STATE OF WOMEN'S FINANCIAL INCLUSION

In Mexico, women's use of financial products is below that of other Latin American countries. At the national level, 33% of women over the age of 15 have an account in a financial institution, as compared with 39% of men. According to Global Findex (2017), 56% of women in other Latin American economies have accounts, and in highly developed countries the percentage is 99%.[7]

5. According to the CNBV, in seven Sofipos, three out of four customers are women, and in five Socaps, there are twice as many women as men. The Caja Popular Mexicana, one of the largest Socaps, serves 2.3 million customers; of these, 55% are women (CNBV 2018). The commercial banks that serve the low-income population and women in vulnerable conditions are Compartamos, Banco Azteca, and Banco Famsa (now in judicial liquidation process); however, the development banks have the greatest share of these customers.

6. Among FinTech customers, 92% are located in urban areas, and 64% need a bank account to use their services but do not have digital abilities. Among FinTech companies, 39% describe insufficient broadband coverage or speed of and more than half indicate that regulatory and supervisory burdens account for more than 35% of their costs (Salas de la Peña, "Financial Services the promotion of rural financial inclusion through transversal collaboration," https://fundacionsparkassen.org/wp-content/uploads/Servicios-Financieros-Digitales.pdf).

7. World Bank, Global Findex data, http://datatopics.worldbank.org/financialinclusion/.

Table 1. Comparison of Women's Financial Inclusion in Mexico and Other Countries

Indicator	Region					
	Mexico		Average of 5 Latin American countries close to Mexico in the HDI		Average of 5 countries with high HDI	
	Women (%)	Men (%)	Women (%)	Men (%)	Women (%)	Men (%)
Has an account in financial institution (% age 15+)	33	39	56	67	99	98
Saves in finacial institution (% age 15+)	8	12	13	21	59	63
Has a debit card (% in age 15+)	21	29	42	53	91	90
Has a credit card (% in age 15+)	8	11	13	22	57	63
Has a loan from financial institution (% age 15+)	6	6	8	12	19	22
Has savings for retirement (% in age 15+)	12	15	9	16	51	57
Used the internetto pay bills last year (% age 15+)	8	11	12	17	61	65

Source: Author's elaboration based on the World Bank Global Findex (2017).

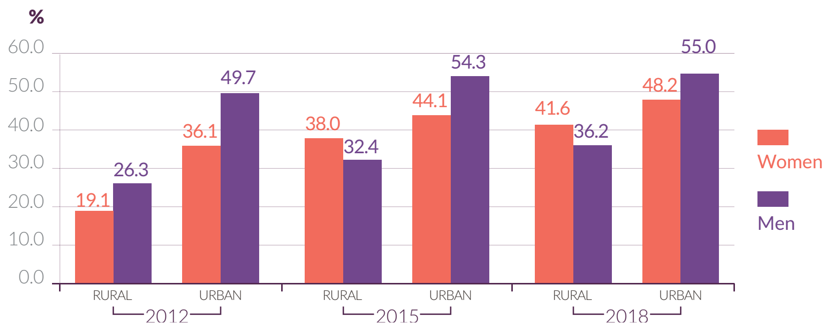
Note. Latin American countries included are Costa Rica, Panama, Venezuela, Brazil and Ecuador; high HDI countries included are Norway, Switzerland, Australia, Ireland, and Germany. Cuba is excluded from the list of Latin American countries, despite having an HDI close to that of Mexico because there is no data available for the indicator in question.

Comparisons with other countries show Mexico's lag in financial inclusion indicators. For example, only 8% of women have savings in a financial institution (12% of men), while in Latin America as a whole, the figure is 13% (22% of men). In countries with a high human development index, the figure is 59% (63% of men). Only 8% of women in Mexico use the internet to pay for services (11% of men), while for Latin America the figure is 12% (17% of men) and in countries with developed economies it is 61% (65% of men).

According to the 2017 Global Findex report, women living on less than two dollars a day are 28% less likely than similarly situated men to have a bank account. It is not surprising that women living in poverty, with low, volatile incomes, decide to make use of informal saving methods. Some of these can result in losses, theft, and exploitation, which can reinforce the conditions of poverty in which they find themselves (López-Rodríguez 2013). If they do resort to loans, they usually face very high interest rates.

Living outside the financial system, women fall into so-called "poverty traps." It becomes more difficult for them to participate in productive projects, since financial services are a central resource for investing in small companies and accumulating assets (UN Women 2015).

Figure 2. Adults with a Bank Account (% adults by sex)

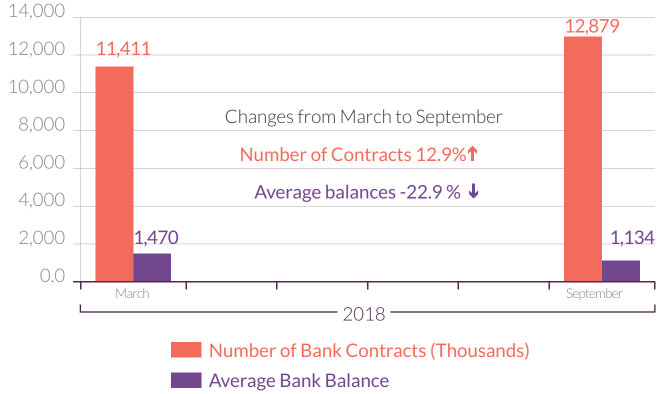


Source: Author's elaboration based on the ENIF (2012, 2015, and 2018).

The gender gap in financial inclusion in rural areas of Mexico has narrowed in recent years, as the result of an increase in public transfers from government programs such as the now-discontinued Prospera. Other programs have replaced Prospera, and accounts to receive the transfers that are given to women. In rural areas, more women than men have such accounts (Figure 2),[8] but these accounts generally have low or zero balances, so they may not be indicative of real financial inclusion. The number of accounts held by women to receive public transfers increased by 12.9% from March to September 2018, but the average balance decreased by 22.9%.

8. However, at the national and urban levels, the figures are different. The ENIF 2018 reports that the percentage of women with a bank account is lower than that of men (45.9% versus 48.5%).

Figure 3. Government Transfer Bank Accounts and Average Balances



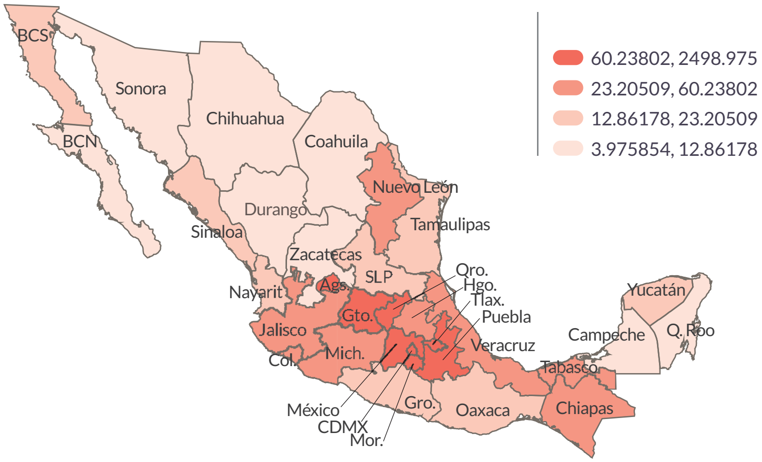
Source: CNBV regulatory reports, second quarter 2018.

Figure 4. Population Growth by Sex and Age
Population Pyramid, 1970, 2010, and 2015

Note: Population pyramid for 1970, above left; for 2010, above right; for 2015, below.

In regions with higher densities of adult women, the gender gap in financial inclusion is greater; that is, more men than women use financial products and services. The greatest gap is found in the north-central part of the country. In Mexico City, the gender gap is negative.

Map 1. Number of Women Age 15 Years and Over per Square Km, by State



Source: Author's elaboration based on CNBV regulatory reports, financial inclusion database, March 2018.

Localities with fewer than 15,000 inhabitants tend to have few or no financial institutions, and the Popular Savings and Credit System (SACP) serves this population, including women (López-Rodríguez and Fischer 2018). Development banks, through the Banco del Bienestar, also have a presence in these towns, providing savings and credit products through 15,000 service points and 500 branches. According to the CNBV, in 2016, government transfers were made to 15 million people in Mexico, mostly women, every two months.

Development banks have little influence on credit in remote communities given their limited possibilities for reaching them, and commercial banks have very little presence; it is the popular savings banks that have the greatest connection and largest number of access points. There are some banks, such as Compartamos, that manage to reach these areas using correspondents.[9]

9. Yastás is the correspondent used by Compartamos. Up to April 2017 38.3% of women and 41.5% of men have withdrawn money, deposited cash, made loan payments, or paid for services such as electricity and water through correspondents. Women who do not use correspondents prefer to use an ATM, a branch, or another financial institution (21.8%), because another person carries out the transaction for them (20.6%), because they were not aware of this option (10.9%), or for other reasons (ENIF 2018). From January to December 2018, more than 3.047 million payments were made

Although the SACP is representative of the economy of the most vulnerable regions, not all of its programs contribute to the financial inclusion of the poorest women: Sofipos, for example, are in more urban areas and do not reach towns with fewer than 15,000 inhabitants. Socaps play an important role in getting loans to rural communities, but they do not reach communities with fewer than 5,000 inhabitants.[10]

Financial education is fundamental to achieving greater financial inclusion: learning how to keep records of expenses, make budgets, recognize safe mechanisms for savings, and make responsible use of credit.[11] Financial education generates skills that provide women with ways to manage their resources safely and securely, and take advantage of opportunities for savings and investment.

with bank cards in traditional and online stores. Payments to online stores represented 9.36% of total payments. Source: CONDUSEF, https://www.condusef.gob.mx/gbmx/?p=estadisticas.

10. There is only one Sofinco, but importantly, it is designed to reach highly marginalized rural areas and towns with fewer than 5,000 inhabitants. Development banks help channel credit to the primary and agricultural sectors: six out of every ten pesos in these sectors come from Established Agiculture-Related Trusts (FIRA) or from Financiera Rural.

11. CONDUSEF, https://www.condusef.gob.mx/Revista/index.php/usuario-inteligente/277-la-educacion-financiera-es-para-ti

CHAPTER 2

BARRIERS TO WOMEN'S FINANCIAL INCLUSION

The reasons women give for not using bank branches or services, and that represent a barrier for them, include not having an account or bank card, having insufficient or unstable income, preferring other means of keeping their assets, and the distance, safety, and poor quality of banking services. Table 2 shows a comparison of reasons given by men and women for why they do not use bank branches or services. One important finding is that women are more likely than men not to have a bank account or a bank card.

Table 2. Main Reasons for Not Using Bank Branches or Services

Reason	Main reason for not using branch		Main reason for not using ATM	
	Women (%)	Men (%)	Women (%)	Men (%)
Has no account or bank card	50.4	50.1	56.2	64.5
Insufficient or unstable income	11.2	9.2	7.3	7.3
Prefers other methods (ATMs, stores, etc.)	14.7	19.5	9.9	5.1
Unsafe or mistrusts	3.8	2.6	10.3	11.6
It is insecure or distrustful	2.8	3.3	5.5	2.8
Someone else does their banking/payments	5.9	3.6	2.6	2.8
Bad service (long lines, bad customer service, etc.)	0.9	1.9	2.5	1.6

Note: The "other" option is excluded.

Source: Author's elaboration based on the ENIF (2018).

Most of the restrictions faced by women in access to banking institutions are related to their life cycle. The barriers in the lowest socioeconomic levels are diverse. Women's employment (which is usually informal), their burden of household care, their lack of assets, land ownership, credit histories, their inability to control the use of assets, and the lack of collateral are all both causes and consequences of their inability to use the formal financial system. They are the result of a lack not only of maternity and paternity leave, but also of care services and policies, regulations, and law. Women are the ones responsible for caring for children and people in vulnerable or dependent conditions, as well as providing other support activities within the home.

These circumstances have a negative impact on women's opportunities in the formal labor market. They are thus more likely to engage in informal economic activity, which leads to low and unstable income. The result is a cycle, difficult to break, that prevents women from accessing formal, quality financial products. Poor women's income is usually used to pay for daily household expenses—that is, for food, health, and children's education—and is not a source of savings.

These are not the only barriers women face to formal financial inclusion. Others have to do with their effective use of resources within the home. As women usually do not own household assets, they depend on someone else within the household to make decisions regarding their sale or rental. If they do own these assets, which is rare in poor communities, it is highly probable that local practices and customs will prevent them from exercising such decisions. The proportion of women who must consult with another person to make use of their assets is 10.4%, as opposed to only 2.3% of men (see Table 3).

Table 3. Decision Making on the Use of Financial Assets (Percentages of women and men)

Decision	Women (%)	Men (%)
Others make decisions about household spending or saving (including one or more other household members)	10.4	10.1
Must consult with another about selling, renting, or lending their home or department	5.1	2.3
Must consult with another about selling, renting, or lending their car, van, truck, or motorcycle	5.3	2.1
Must consult with another about selling, renting, or lending their land	8.5	4.9

Note: Percentage of the population age 18-70.

Source: Author's elaboration based on the ENIF (2018).

The expert participants in the roundtable discussions said that women's barriers to access and use of formal financial services are related to their inability to provide proof of income, their inadequate management of spending, their preferences for informal financial products, their lack of financial education, their lack of awareness of banking products offered by banks, and their lack of training in managing technology.

2.1 BARRIERS LINKED TO WOMEN'S EMPLOYMENT STATUS

Inequality in labor force participation and the characteristics of women's paid work are the main conditions that affect their access to the formal financial market. At the national level, the labor force participation rate of women is much lower than that of men (43.8% versus 77.5%), but their rate of participation in unpaid domestic labor is substantially higher (96.1% versus 65.4%). According to the ENIF (2018), 39.9% of women said they performed unremunerated domestic labor, including housework, childcare, and caring for household members in vulnerable situations, whereas only 0.4% of men did so.[1] This unremunerated labor limits women's possibilities for participation in the economic sphere. It means that a smaller proportion of women earn income, which affects their ability to save, invest, and accumulate capital and assets. It is, of course, very difficult for women to obtain loans for housing or a pension in old age.

Women's labor force participation is significantly lower than that of men. For example, the labor force participation rate of women aged 15 years and over is 43.8%, as compared to 77.5% for men (Table 4). The differences are also perceived in wage gaps. According to the ENIF (2018), 30.5% of women, but only 11.4% of men, earn less than 3000 pesos per month; 65.9% of women, but 88.6% of men, earn more than 3000 pesos a month. In addition, there is little flexibility in hours, which directly affects women, since they are the ones who dedicate the most time to household care (Nussbaum 2000).

1. Data from the National Survey on the Use of Time (ENUT) 2014, INEGI.

Table 4. Differences in Economic Characteristics Between Men and Women in Mexico

Characteristic	Women (%)	Men (%)	Gap and Distribution (percentage points and percentages)
Labor force participation rate, age 15+, by sex[2]	43.8	77.5	33.7
Domestic participation, by sex[2]	96.1	65.4	-30.7
Unemployment rate, by sex[2]	3.3	3.4	0.1
Average hourly wage for employed population, by sex[2]	38.0	37.7	-0.3
Average weekly hourly worked for employed population, by sex [2]	37.9	45.8	7.9
Proportion retired, age 60+, by sex[2]	11.5	27.3	15.8
Percent employed without contract[1]	51.7	54.4	2.7
Percent employed part-time[1]	38.6	16.5	-22.1
Percent employed full-time[1]	61.4	83.5	22.1
Distribution (%) of employed population with social security[1]	38.3	61.7	100 %
Distribution (%) of employed population with private health insurance[1]	47.9	52.1	100 %
Distribution (%) of household monetary income[1]	33.8	66.2	100 %

Note: The last three items in this table refer to a percentage distribution between men and women.
Sources: 1. CONEVAL estimates based on the ENIGH (2016); 2. INMUJERES (2018) http://statistics.inmujeres.gob.mx/formas/panorama_general.php?IDTema=6&pag=1

In Mexico, more than half of women's jobs are informal; they are not protected by labor laws and do not receive social benefits (CGAP 2018). According to data from the ENIF (2018), the percentage of women who are self-employed (28.6%) is higher than that of men (24.3%). The percentage of women with part-time employment is also higher (38.6%) than that of men (16.5%).

2.2 BARRIERS LINKED TO WOMEN'S EDUCATIONAL LEVEL

Low educational levels represent an obstacle for women living in poverty. They limit women's interaction and familiarity with the basic terms and concepts for using banking products. Nussbaum (2000) describes the educational gap between men and women: data from the ENIF 2018 indicate that 26.9% of women in Mexico finished junior high school, 15% finished high school, and 18.8% have a bachelor's degree. Even though the gender gap is not large, education is a general problem that also affects women, mainly at the junior high, high school, and undergraduate levels.

Table 5. Differences in Education by Sex, 2018

Education	Women (%)	Men (%)	Gap (percentage points)
Nome	4.3	3.2	-1.1
Preschool or kindergarten	0.2	0.2	0.0
Elementary school	22.5	21.9	-0.6
Junior high school	26.9	27.6	0.7
Technical school with junior high diploma	3.7	1.3	-2.4
Normal school	0.6	0.2	-0.4
High school	15.3	17.8	2.5
Technical school with high school diploma	5.9	5.4	-0.5
Bachelor's degree	18.8	20.4	1.6
Master's or doctoral degree	1.8	2.0	0.2
Unknown	0.1	0.0	-0.1

Source: Author's elaboration based on the ENIF (2018).

Women's low access to higher educational levels affects their financial skills and abilities, which affects in turn their ability to accumulate significant savings and their financial health. The expert participants in the roundtable working groups commented that women often request informal loans from different lenders, which results in excessive levels of debt. Their loan obligations generally exceed their ability to pay, which makes them "high-risk, low-profit customers," because they make very small payments. Participants also noted that women have high participation rates in the group loans promoted by most microfinance companies. This scheme allows women to seek financing possibilities outside the family, without the need for collateral. However, by taking out multiple loans, they generate more long-term debt.

2.3 BARRIERS LINKED TO WOMEN'S POVERTY

According to the UN Women report "The Progress of Women in the World, 2015-2016," women are more likely to live in poor households, which constitutes a barrier to access to the formal financial system. Of the 120 million inhabitants of Mexico in 2015, 51.4% were women.[2] Of these, more than 14 million lived in rural areas,[3] and six out of ten in poverty.[4] Rural areas are the ones that lack financial infrastructure. If women decide to use bank branches, they must travel long distances, which they are unable to afford.

2.4 BARRIERS LINKED TO WOMEN'S LIFE CYCLE

Women's life cycle is essential to understanding their intermittent participation in the formal labor market, the instability of their income, and their limited access to financial products (Bazan 2008). The expert participants in the roundtable groups commented that the most complex parts of women's life cycle are youth and old age, ages at which women participate little or not at all in the formal financial system. When they are young, many women form families and have few alternatives to caring for their children and home; when they reach retirement age, they will not have a pension because they have not had formal employment.

At the beginning of their productive life, women need savings and financial mechanisms to get started. Before and after having children, they need security and financing to take care of themselves and their children. Older women need pensions and health insurance to cover the expenses of old age. Because they participate less in the formal labor market and dedicate many hours to the unpaid labor that has been socially assigned to them, women have less access to pensions. According to data from INMUJERES (2018), shown in Table 4, the reti-

2. INEGI.

3. CONAPO.

4. CONEVAL.

rement rate of the population aged 60 years and over is higher for men (27.3%) than for women (11.5%). Data from the ENIGH (2016) shows that 38.3% of people with insurance are women and 61.7% are men. As expected, fewer women than men have private insurance: 47.9% are women and 52.1% are men.

2.5 BARRIERS LINKED TO WOMEN'S ASSETS

According to the ENIF (2015), only 30.7% of women own a home in their own name (compared to 40.5% of men), only 6.2% own land or farmland (compared to 14.5% of men), and only 12.8% own their own car (compared to 34.2% of men). Expert participants in the roundtables commented that gender stereotypes in the collective imagination still associate men with large businesses and women with small businesses. In other words, women are associated with the micro and men with the macro. In this view, women decide on small and immediate things at home, while men make decisions on investment in capital goods or purchases of major assets. For this reason, it is men who decide on housing or real estate and are the owners of household property. Participants noted that although women living in poverty invest in housing, and do so progressively to accumulate wealth, this asset cannot be used as collateral for loans, since it is generally not in their name.

2.6 BARRIERS LINKED TO WOMEN'S USE OF TIME

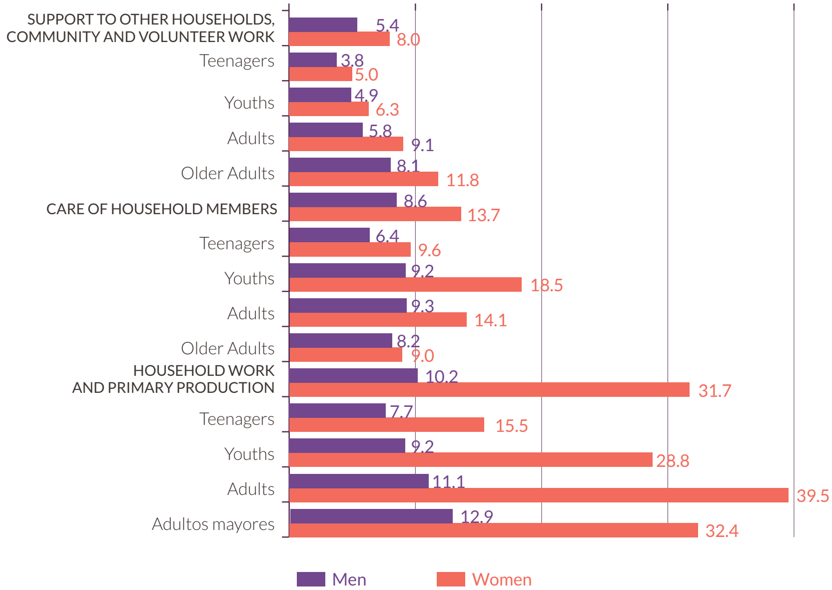
The expert roundtable participants commented that women's time poverty and organization costs represent barriers to accessing financial services, since domestic tasks have historically been delegated disproportionately, indeed almost exclusively, to women.[5] This is an issue that calls for public policy to free women from these burdens. The need to dedicate a large part of their time to such unpaid labor prevents women from carrying out transactions in financial institutions that are far from their homes and workplaces. According to financial newspapers,

5. Time poverty refers to the experience of individuals whose work, whether paid or not, places them under extreme pressure, and who thus lack sufficient time for important activities. They are forced to make difficult decisions about how to allocate their time, with negative implications for their well-being. Some of these important activities are rest and recreation (see Kes and Swaminathan 2006 and Blackden and Wodon 2006, cited in Merino and Arce 2005).

women carry out most such transactions within a radius of no more than half an hour: if there is no financial infrastructure within that distance, women will not use it.[6]

The delegation of household care to women means that they are usually in charge of their dependents at home. Indeed, 37.8% of women take care of children under 11 years of age and 29.6% take care of persons over 65, according to data from the ENIGH (2016). This situation excludes women not only from paid employment, but also from having time for themselves. Nussbaum (2000) notes that women with the "double shift" of work and responsibility for housework and childcare often have few opportunities to learn and work at paid employment, and Orozco (2019) describes how the sexual division of labor keeps women from public life and the paid labor market.

Figure 5. Average Hours per Week Dedicated to Unpaid Labor, by Sex, 2009



Source: Author's elaboration based on INMUJERES. Estimates based on INEGI-INMUJERES, ENUT (2009).

6. U.S. Financial Diaries: An Invisible Finance Sector – How Households Use Financial Tools of Their Own Making (2015).

Women's time poverty and organization costs are a result of the unequal distribution of household tasks and the care of dependents, but they are aggravated by the insufficiency of care services (Orozco 2018, 2019). All of these differences between men and women—access to and type of employment, levels of poverty, income, and property ownership, educational level, and access to social security—widen the gender gap in financial inclusion.

A narrower gender gap would reflect women's ability to manage their own finances and make their own financial decisions. Reducing the gender gap in financial inclusion would allow women to face challenges and carry out their productive activities in conditions of greater equality with men (Demirgüç-Kunt et al. 2015).

CHAPTER 3

FINANCIAL PRODUCTS AND SERVICES FOR WOMEN

For several reasons already discussed in this report, the financial products used by women and men are different. Women tend to prefer informal financial services, not only because they are better adapted to their working conditions, but also because they feel more confidence saving with relatives—who are often also women—than with banking institutions. Women also function within the economy differently than men. Their income is often compartmentalized: they organize their resources for each item according to their needs.

Formal financial institutions have not been able to create savings and credit products adapted to these differences in functioning within the economy, especially for those who are most vulnerable.

3.1 GENDER GAPS IN THE USE OF FINANCIAL PRODUCTS AND SERVICES

Neither bank transfers from public programs, nor the kind of group, community, or solidarity loans available from Compartamos mean that there is sustainable financial inclusion that is beneficial to the social mobility of borrowers and their households. The fact that women have more of these accounts than men does not mean that they make greater use of the financial system. In some segments of the population, the gaps in the use of financial services are negative, such as the case of women who have an account or bank card in a financial institution where they receive government transfers, or where they have insurance from a government program such as Prospera or Madres Jefas de Familia.

Table 6. Gender Gap by Financial Product

Financial Product	Woman (%)	Men (%)	Gap (percentage points)
Has an account or payroll, savings or pension card in a bank of financial institution.	35.2	45.9	10.7
Has an account or card in a bank or financial institution where they receive goverment aid.	16.4	4.7	-11.7
Has an account or payroll, savings or pension card in a bank or financial institution where they receive goverment aid.	45.9	48.5	2.6
Has a bank loaa, or a credit card from a bank, store, or other financial institution	26.5	28.1	1.6
Has a Fonacot consumer loan or a mortage loan from infonavit, fovissste, or other financial institution	3.7	7.3	3.6
Has a mortgage loan (Infonavit, Fovissste), or loan from a bank or other institution	17.5	26.4	8.9
Has a bank loan, or a credit card from a bank, store, or other financial institution (Infonavit, Fovissste, Fonacot).	29.2	33.3	4.1
Has a auto, home, life, health, or other insurance (not including Seguro Popular, IMSS, or ISSSTE).	20.0	27.7	7.7
Has a goverment-provided insurance such as a Prospera or Madres jefas de Familia.	3.9	0.4	-3.5
Has auto, home, life, health, or goverment-provided insurance such as Prospera, Seguro Popular, IMSS or ISSSTE.	23.1	28.0	4.9
Has a retirement account or Afore.	31.0	49.0	18.0

Note: Refers to the percentage of the population age 18-70.

Source: Author's elaboration based on the ENIF (2018).

Most financial products are tied to employment, which widens the gender gap. Retirement accounts are an example: the gap between women and men is 18 percentage points. There is also a substantial gap for ATM payroll cards (10.7 percentage points) and for mortgage loans (8.9 percentage points). As might be expected, the gap for auto, home, life, and medical insurance is also large (4.9 percentage points). Men have twice the access to credit for housing as women, since such credit is linked to formal employment. With credit cards, the story is no different: the gap between men and women is 7.1 percentage points. Banks require credit card applicants to document their income, and many women cannot do so. More women than men have department store or convenience store credit cards. It is mainly in urban areas, where women make purchases in such stores, that they acquire this type of credit.

Women's financial inclusion differs by region. Their most extensive inclusion is in north-central and northern Mexico. In the south, with the largest proportion of people living in poverty, government transfer programs mean that more women have bank accounts than men. However, this does not mean that women make full use of them.[1]

Mexico lags behind other countries in the use of technology, including in the financial sphere. According to the 2017 Global Findex, only 6% of women in Mexico use a cell phone or the internet to access a bank account, and men use cell phones for financial services more than women. Even with efforts to promote digital finance, gender gaps persist.

1. It will be necessary to analyze how women's use of bank accounts changes with the new social programs of the López Obrador government. However, it should also be considered that more women (21.1%) receive international remittances than men (13.4%). Remittances are usually received through Western Union or MoneyGram (25.5%), or in stores such as Coppel, Elektra, and Famsa (39.4%). Only 15.5% of women receive remittances electronically or at a bank branch (ENIF 2015), meaning that there is no real financial inclusion in this segment of the population. This low utilization of the banking system means losses for women, since they cannot be certain they are receiving all of the money or even all of the remittances sent.

Table 7. Gender Gap in the Use of Technology to Perform Financial Transactions

Technology	Women (%)	Men (%)	Gap (Percentage points)
Cell phone	75.9	81.5	5.6
Banking App	23.9	29.1	5.2
Uses a physical or virtual token device to use a banking app or for banking transacctions	71.5	75.8	4.3

Note: Refers to the percentage of the population age 18-70.

Source: Author's elaboration based on the ENIF (2018).

Among women who have at least one financial product, most reported being married or being a partner of the household head and having one to three financial dependents. Most live in northwest Mexico or Mexico City, and they are mainly in the age range of 30-44 years old. A substantial majority also have formal employment, with a steady income ranging from 13,000 to 20,000 pesos per month, and a high level of education. Among these women who make use of the financial system are retirees and pensioners, as well as those who receive their payments or wages by direct deposit or ATM payroll card, or in the form of vouchers or an ATM grocery card. In addition, these women have social security.

The Consultative Group to Assist the Poor (CGAP) notes that to identify the women excluded from the banking system, a clear profile of their conditions must be established. Women who do not use financial products are 18-29 years old, tend to have a low level of education, and are low-level or unskilled laborers. Most women who do not use financial products work in the informal sector: they receive a variable income of less than 1500 pesos per month, paid usually in cash, and they do not have social security.[2]

2. These calculations were made with the ENIF 2018.

3.2 CHARACTERISTICS OF INFORMAL FINANCIAL PRODUCTS

A large proportion of women in Mexico use informal financial services. Informal credit mechanisms lack the sustainability and security of formal services. The expert roundtable participants commented that women in vulnerable conditions prefer to have their money "set aside" somewhere in their home rather than invest it. Doing so gives them the certainty that they can use it quickly when necessary. Many of the financial products on the market do not allow women to access their money when they need it.

Among the informal savings mechanisms, the *tanda*[3] is worth highlighting. Its success lies in the fact that it adapts to immediate needs, although it does not provide a return. Unfortunately, banks have not replicated this model to offer products tailored to women's different needs.

Roundtable participants commented that women prefer financial products that allow them to observe spending and saving of their resources over time. For example, those who use department store credit cards can identify the purpose of the expense, which cannot be done so easily with other types of credit cards. The same is true with a *tanda*: the purpose of the investment can be identified a priori.

Microcredits also tend to be popular with low-income women. The problem with these is that almost without exception they generate over indebtedness. They are usually given without the need for collateral, but the costs are very high. The same is true for group loans, where non-payment by members of the group also affects the group's social capital: the social networks built in the group are weakened, since the debt of one member of the group falls to the rest (López- Rodríguez 2013).

The roundtable participants noted that from a regulatory point of view, it is not easy to move from a group microcredit to an individual one because providers of individual credit must maintain reserves.

3. Tandas are a group savings and credit mechanism. Each member makes small contributions for collective savings. The recovery time of the resources by the participants is short (usually less than two months) and the contributions are revolving. The amount collected is passed from member to member. For those who receive it at the beginning of a cycle, without having made a major contribution, it represents a credit mechanism without interest, commissions, a credit history, or paperwork. For those who receive it at the end, it is a savings mechanism. The problem is that, being informal, everything depends on trust among the participants and that no one betrays this trust by failing to contribute or repay.

3.3 FINANCIAL PRODUCTS FOR WOMEN

Financial products must consider different service channels. The roundtable experts suggested that they should be offered in locations with high population densities, where there are more women, in order to reduce travel costs.

There is a demand for financial products from women farmers in rural areas that have not been fully covered, with appropriate conditions for women doing this kind of work. Rural financial services should consider a variety of activities that include not only loans to finance agricultural production and consumption, but also agricultural business loans, savings deposits, and other financial services, such as insurance.

Women save more than men, although not necessarily using formal financial products (Fidelity 2017).[4] They have more cautious attitudes and tend to be more risk averse. This could generate advantages for banks: for example, if women have more savings than loans, it means that fewer reserves are needed, which translates into higher profits. However, financial institutions have not taken this possibility into account.

Experts at the roundtables noted that although a large percentage of poor women in rural communities have bank cards to access public transfers, they do not have financial infrastructure nearby with which they can use these cards. FinTech could be a great ally in this regard, but it has shown no interest in approaching this segment of the population.

Electronic payment is not yet in common use in Mexico. Women in rural areas do not use POS or mobile banking. Financial transactions are carried out in cash and even formal businesses use cash to maintain their profit margins. Technology can provide higher quality services, with greater efficiency and lower cost, but it has not yet reached rural areas with a greater presence of women.

4. Fidelity (2017). See https://www.fidelity.com/about-fidelity/individual-investing/better-investor-men-or-women.

CHAPTER 4

WOMEN’S FINANCIAL INCLUSION AND SOCIAL MOBILITY

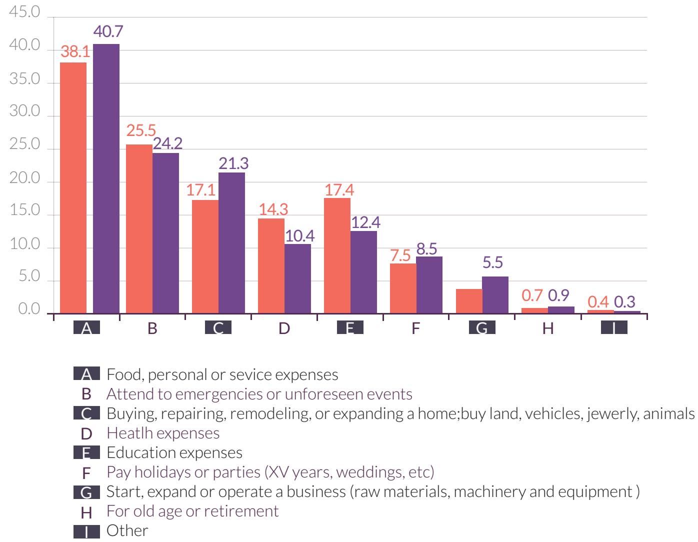
There is a positive relationship between women’s financial inclusion and social mobility. Del Ángel (2018) finds that the financial system can contribute in a concrete way to social mobility through two channels. The first is that it allows investment in human capital to be generated through savings, asset accumulation, and finance. The second is that it enables entrepreneurship and the formation of wealth. Both human capital and entrepreneurship are factors that drive social mobility.

Qasim and Naeem (2012) also note that household finances have an impact on social mobility by providing parents with resources to generate better opportunities for their children.

4.1 WOMEN'S USE OF FINANCIAL PRODUCTS

When women participate in the financial system, they can start or invest in a business, better manage risks, and protect themselves against adverse shocks. In addition, they have more and better elements to empower themselves economically, achieve social mobility, and finance expenses such as education, health, and home improvements. Authors such as Ashraf et al. (2010), Dupas and Robinson (2013b), and Cull et al. (2014) show that women direct their spending toward their homes. Chiapa et al. (2015) suggest that access to the financial system for female heads of household has generated an increase in their daughters’ educational levels. Women’s use of bank accounts has helped them respond better to health emergencies, to cover household education and health expenses (Dupas et al. 2016), and to buy food (Prina 2015). The figures for Mexico provide evidence that women channel financial assets to cover health, emergencies, or education expenses.

Figure 6. Question: Considering the money you saved in the last year, what did you use it for, or what do you plan to use it for? (percentages)



Source: Author's elaboration based on the ENIF (2018), the CNBV, and the INEGI.

Note: Percentages may total more than 100%, since informants could describe more than one option.

Women use 17.4% of their savings for education expenses, while men use 12.4%; women use 14.3% for health expenses and men 10.4%. This use of savings has a positive intergenerational impact. However, it should be noted that women's ongoing spending is also channeled to their own education, to contingencies, and to investment in housing, which has a greater impact on social mobility.

Women's savings products play an important role in human capital formation. However, as workshop participants noted, the use of savings depends on women's needs at specific times in their life cycle (Bazan et al. 2012). For example, a pregnant woman might need to save for pre-natal care, while a teenage girl might save to cover education expenses. An important positive aspect of women's savings is that they tend to be more risk-averse than men (Conde 2009); in the absence of insurance, they have a need to save to mitigate income shocks.

Women in Mexico use loans mainly to start, expand, or operate businesses (with the purchase of raw materials, machinery and equipment), to pay another debt, or to pay for health and education expenses. Together, these three items represent more than half the destination of women's credit (57.2%), as compared to 41.3% for men (ENIF 2018).

Only 20% of women in Mexico have systems of insurance, and those living in poverty generally use remittances to cover risks. According to data from the ENIF (2018), 5.2% of remittances are used for insurance and education, as well as to buy, repair, expand, or remodel a house. Platteau et al. (2017) note that women usually have more demand for savings to cover emergencies than to meet their productive needs. Delavallade et al. (2015) note that households with bank accounts see smaller decreases in income after health shocks than those without accounts.

Men allocate a greater proportion of their financial resources to productive investment than women, whose prioritization of education has an effect on employment. Kabeer (2012) notes that the effects of growth are positive when they are accompanied by increases in educational attainment and women's employment.[1] In addition, he emphasizes that policies that promote access to financial resources, land ownership, and home ownership are the most important. In this sense, women's financial resources are an instrument to achieve their personal goals.

4.2 THE EFFECT OF WOMEN'S FINANCIAL INCLUSION ON SOCIAL MOBILITY

The financial system can contribute to social mobility by generating investment in human capital through savings, asset accumulation, and finance, because it facilitates investments in entrepreneurship and the human capital development of future generations, both of which drive social mobility (Del Ángel 2018, Ceballos 2012, and Lemus 2018).

Financial inclusion acts as a mechanism that expands women's opportunities to invest in themselves and the human capital of future generations. López-Rodríguez (2021b), in a study on women's financial inclusion and social mobility, found that the children of women with

1. Kabeer, N. (2012). Women's Economic Empowerment and Inclusive Growth: Labour Markets and Enterprise Development. UK Department for International Development (DFID) and the International Development Research Centre (IDRC).

access to the financial system had higher levels of educational mobility, because their mothers were able to invest in their education.

Table 8. Relationship of Financial Inclusion and Educational Mobility, by Sex

Educational level of children relative to parents	Financial inclusion, mother main economic support	Financial inclusion, father main economic support
	Percentages	
Increased	57.08	54.60
Not increased	42.92	45.40

Source: Author's elaboration based on data from the CEEY ESRU-EMOVI survey (2017).

Note: "Increased" refers to children reaching a higher educational level than their parents. "Not increased" refers to children reaching the same educational level or lower than their parents.

The effect of mothers' financial inclusion on the educational mobility of their children is greater than the effect of their fathers' inclusion. The proportion of mothers whose financial assets improve their children's educational mobility is 57.1%, while that of fathers is 54.6%.[2] The study on financial mobility and financial inclusion of women found that women's greater investment in human capital affects intergenerational social mobility.

These mobility results may vary by region and the size of the locality. When women have financial assets and invest in education, children's greatest upward educational mobility (63.7%) occurs in medium-sized towns of 15,000 to 100,000 inhabitants and the lowest (46.6%) in those with fewer than 2500. It is greatest in the central region (61.1%) and lowest in the southern region (52.6%).[3] Children's social mobility is lower when their mothers use informal forms of savings and credit.

2. "Financial asset" refers to whether one of the interviewee's parents had a savings account or a bank or department store credit card when the interviewee was 14 years old. "Mother" or "father" refers to whether the interviewees' main economic support when they were 14 years old came from their mother or father.

3. The central region includes the states of Guanajuato, Querétaro, Hidalgo, Estado de México, Morelos, Tlaxcala, Puebla, and Mexico City. The southern region includes the states of Guerrero, Oaxaca, Chiapas, Veracruz, Tabasco, Campeche, Yucatán, and Quintana Roo.

CHAPTER 5

CORE ELEMENTS AND PUBLIC POLICY PROPOSAL

The core elements of CEEY's proposal to improve women's financial inclusion and social mobility are presented below. They are not based exclusively on the premises above; they also include a series of recommendations resulting from the expert roundtable discussions, from individual interviews with experts, and, in some cases, from CEEY's own research.

5.1 DID WOMEN'S FINANCIAL INCLUSION INCREASE?

Women's financial inclusion has increased through the opening of bank accounts, but not because of the number of transactions. The number of bank accounts where women receive government transfers has declined. A broader definition of financial inclusion should include noy only access and use but also the quality of financial products and services.

Increased use of these accounts requires greater inclusion of women in formal labor, increased flexibility of the requirements for savings and credit services, and expanded financial education. The availability of banking correspondents and the use of POS should also be expanded to provide women with greater access to different financial instruments and reduce their transaction costs.

Portability of Accounts

- • To increase the use of public transfer accounts, the beneficiaries of government transfers should be able to choose the financial institution where they receive these resources. This option would increase the supply of products and services and allow for a greater number of competitors in the market for distributing these transfers. It would benefit account holders and reduce the cost of services for women.

Measurements and Estimates

In order to measure and estimate women's financial inclusion more broadly, obtain adequate data to measure the lag in financial inclusion by sex, and make evidence-based decisions, we recommend the following:

- Produce measurements that allow an estimate of women's rate of use, rate of repayment, and the quality of the financial products they use, in order to improve the data on gender gaps in financial inclusion.
- Strengthen the statistics, disaggregated by sex, both on the supply side and the demand side; construct indicators to evaluate the state of financial inclusion over time.
- Obtain data through the use of behavioral science techniques.
- Carry out impact evaluations to measure the effect of financial inclusion on various aspects of the well-being of women and their families, such as intergenerational social mobility.
- Make the issue of women's financial inclusion an ongoing area of research.

5.2 WOMEN EXPERIENCE "TIME POVERTY," AND FINANCIAL PRODUCTS DO NOT COVER THEIR TRANSACTION COSTS

Women experience "time poverty," and the financial products at their disposal do not cover their transaction costs. They perform both paid and unpaid labor, as well as domestic and home care, that demand most of their time. These activities limit the time available for self-care, education, or recreation. An effective way to improve women's financial inclusion more sustainably could be the consolidation of the figure of banking correspondents, and the strengthening of non-bank intermediaries such as Socaps and Sofipos.

Promoting women's financial inclusion also means considering their context, situation, habits, and attitudes towards saving. Women save more than men, although not necessarily in formal products or high-value assets (Fidelity 2017), and they tend to be more cautious and risk-averse. This caution could be an advantage for banks: for example, if women have more savings than loans, banks would need fewer reserves, which translates into greater profits. However, banks have not considered this possibility.

Any initiative to promote women's financial inclusion must also consider women's "multiactivity": the carrying out of various activities that obscure the sources and proportions of household income and make women's income indistinguishable from their partners' income. As one of the roundtable experts noted, "men, women, children and the whole family work on the land, but only the income of the head of the family, who is a man, is considered." Failure to consider this aspect of women's income affects their access to credit and their possibility of investing in high-yield assets.

To improve women's access to financial products and services, as well as orientation in the concepts of consumer banking, we recommend addressing the following issues.

a. *Improve women's access to financial services through banking correspondents.*

- Generate strategies to expand the offer of financial services through banking correspondents to women in rural and remote areas, especially in those with more difficult access.
- Create a payment ecosystem so that women can use bank cards in the areas where they live and receive government support.

The following recommendations were formulated in interviews with the roundtable experts:

- Create tax incentives for businesses to accept electronic payments.
- Make use of the infrastructure of banking correspondent administrators to reduce administrative costs for affiliated businesses.
- Increase flexibility on the part of the CNBV for the authorization of banking correspondents, with emphasis on the role of correspondent administrators.
- Promote alliances between FinTech's and correspondent administrators to identify providers of financial services for hard-to-reach areas.
- • Review the regulation of FinTech's to address regulatory barriers, especially in PLD (money laundering and terrorism laws).[1]

b. *Create better interconnectivity mechanisms with fiber optic internet.*

- Achieve greater connectivity in municipalities where women live who do not have electronic means of payment, particularly by facilitating the use of the CoDi platform through the SPEI.
- Ensure that a greater number of Socaps and Sofipos have access to the SPEI.
- Promote access and use of digital technology among women, as well as the opportunity to make use of digital financial services.[2]
- Develop cash-in/cash-out points to promote digital adoption, through public-private alliances for the generation of digital infrastructure.
- Create greater competition in the clearinghouse sector to counteract the high user fees of the SWITCH oligopoly.
- Finalize contracting for 50,000 km of fiber optics to bring internet to the entire country.[3]

1. PLD or LD risk: the possibility of loss, damage, or exposure to sanctions of an entity whose operations are prone to be used directly or indirectly for money laundering or for the realization of terrorist activities.

2. Only 6% of women in Mexico use a mobile phone or the internet to access a bank account. In Kenya this percentage is 68%. In Mexico, 12% used the internet to pay bills or buy something online in the last year; in Kenya, this percentage was 20% (Global Findex).

3. This is a general recommendation to promote the inclusion of the entire population.

- Create tax incentives for businesses that accept electronic card payments. One possibility would be a tax discount for each transaction, or a subsidy to purchase terminals.

c. Provide financial education and literacy to help women become familiar with the use of financial services.

Financial education is fundamental to achieving greater inclusion: how to keep a record of expenses, how to create a budget, understanding safe savings mechanisms, and how to make responsible use of credit. Financial education provides women with skills so that they can manage their financial resources safely and recognize savings and investment opportunities. The framework of the PNIF should be implemented as follows:

- Use experiential, didactic, simple methods adapted to the conditions of women's lives.
- Orient financial education to women's understanding of the benefits of financial products.
- Carry out public and private activities in support of women's financial education.
- Carry out research on content, didactics, and methods of financial education aimed at women.
- Carry out impact evaluations to improve the content and methodology of women's financial education to obtain the best results.
- Increase trust in financial service providers and knowledge of financial services through strategies of communication, education, and protection. Increase trust in digital financial providers through user testing.

5.3 MOST WOMEN ARE EMPLOYED IN THE INFORMAL SECTOR; FINANCIAL PRODUCTS ARE NOT ADAPTED TO THEIR WORKING CONDITIONS

To meet the conditions of formal financial institutions, it is necessary to innovate and develop financial products designed for women, particularly for those who are not in the formal labor market. The following is a list of recommendations to this end:

- Take advantage of the methods of informal financial arrangements to design products that are familiar to women -that are not tied to group credit- to being registered with the tax authorities, or to the formal labor market, since these impose additional costs on women and exclude them from the formal financial system.
- Explore alternatives to the traditional forms of collateral to solve the problem of asymmetric information. The use of information from women's social networks and the frequency of payment methods for basic services are among the methods that can help to ascertain the reliability of a borrower and help mitigate adverse selection issues.
- • Use of" nudges" to channel part of public program transfers to women's savings. This would increase the percentage of voluntary contributions.[4]
- Link remittances received through electronic transfers to women's retirement accounts.[5]
- Consider women's life cycle and goals in the design of savings products to cover their needs more comprehensively.
- Create savings mechanisms linked to housing loans and technical assistance. A system of programmed and staggered savings would facilitate women's financial planning.
- Incorporate important elements of informal financial practices into formal financial products, so that women from the lowest economic levels identify with the product.

4. "Nudges," as previously described, are commitments put in place by financial entities to help their clients save and improve their financial health.

5. According to the Banco de México, in April 2018, Mexico received USD $2.716 billion in remittances. Women received 62.7% of these (ENIF 2015).

- Design product packages that can meet a diversity of women's needs in accessible, flexible, and simple ways.
- Create a universal contributory pension for women who are not in the formal labor market, as proposed by the CEEY. These savings would be added to the universal minimum pension.
- Review the operation of registries of deeds and applicable regulations to facilitate the formalization at the national level of property titles in women's names (Soto and Cheneval 2012).

5.4 WOMEN'S FINANCIAL INCLUSION INFLUENCES SOCIAL MOBILITY

Women channel their financial assets mainly to investing in their own and their families' human capital (Del Ángel 2018). This type of investment creates greater opportunities that translate into social mobility (Orozco, Espinosa, Fonseca, and Vélez 2019; Vélez, Campos, and Huerta 2013). Through these investments, women can rise above their initial socioeconomic status and children can rise above that of their parents. In this way, women's greater financial inclusion generates social mobility for themselves and their families. We therefore recommend the following actions:

- Promote financial education for women, since they are in preschool and high school levels. Investment in education at these levels has the greatest impact on the social mobility of women.
- Build channels to gradually transition from financing women's informal labor to formal employment.
- Create social protection mechanisms for users of financial services to avoid borrowing to cover household spending on education and social welfare.

5.5 FUTURE AGENDA

Additional suggestions were made at the expert roundtables and interviews that could strengthen women's financial inclusion. These included:

- Create a department in CONDUSEF in charge of advising, protecting, and defending the rights of women in the financial sector.
- Create women's institutions associated with development banks, which could serve as channels of targeting and attention to provide greater opportunities for women in the financial sector.[6]
- Create a comprehensive system of care, including childcare, senior care, and care for people with disabilities, to relieve this burden on women's time (Orozco 2018).
- Create pensions or insurance to help ease the financial pressures on women associated with aging.

6. IMFBlog (2018). https://blogs.imf.org/2018/09/19/women-in-finance-an-economic-case-for-gender-equality/?cid=sm-com-TW.

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ACRONYMS

BANSEFI: National Savings and Financial Services Bank
BANJÉRCITO: National Bank of the Army, Air Force and Navy
CAF: Development Bank of Latin America, formerly Andean Development Corporation
CEEY: Espinosa Yglesias Study Center
CEF: Financial Education Committee
CNBV: National Banking and Stock Commission
CNIF: National Council for Financial Inclusion
CGAP: The Consultative Group to Assist the Poor
CODI: Digital Code
CONACYT: National Council for Science and Technology
CONAPO: National Population Council
CONDUSEF: National Commission for the Protection and Defense of Users of Financial Services
CONEVAL: National Council for the Evaluation of Development Policy
Social
COPARMEX: Employers' Confederation of the Mexican Republic
EMOVI: Social Mobility Survey
ENIF: National Survey of Financial Inclusion
ENIGH: National Survey of Household Income and Expenditure
ENUT: National Survey on Time Use
ER: Regulated Entity
ENR: Unregulated Entity
ESRU: Espinosa Rugarcía Foundation
IDH: Human development Index
INEGI: National Institute of Statistics and Geography
INMUJERES: National Institute of Women
FAO: Food and Agriculture Organization of the United Nations
FIRA: Trusts Established concerning Agriculture

FONACOT: National Fund for Workers' Consumption
FOVISSSTE: Housing Fund of the Institute of Social Security and Services for State Workers
IMSS: Mexican Social Security Institute
INFONAVIT: Institute of the National Housing Fund for Workers
ISR: Income tax
ISSSTE: Institute of Social Security and Services for State Workers
MIPYME: Micro Small and Medium Enterprise
ONU: United Nations
OSCs: Civil Society Organizations
PYME: Small and Medium Business
PNIF: National Policy for Financial Inclusion 2020-2024
SACP: Popular Savings and Credit Sector
SHCP: Secretariat of Finance and Public Credit
SPEI: Interbank Electronic Payment System
SOCAPS: Savings and Loan Cooperative Societies
SOFIPO: Popular Financial Societies
SOFOME: Multiple Purpose Finance Company
SOFINCO: Community Financial Societies
SOCAP: Savings and Loan Cooperative Societies
TPV: Point of Sale Terminal
WB: World Bank
WEF: World Economic Forum

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