

Women in finance, leading innovation in the capital markets

Kevin Cowan, CMF Commissioner

Gender Gaps in Chilean Financial Markets

Women's gaps in financial markets show continuous signs of closing. Likewise, women's financial behaviour is observed to be better than that of men.

- Available data show an increase in women's access to financial services:
 - In terms of access to credit, we observe that it has increased from 56 percent 2002 of women compared to men that hold a debt to 107 percent December 2021, closing the gap.
 - In terms of account holding, the gap has also closed, mainly driven by sight accounts, more than checking accounts.
 - In terms of savings, there is also a trend of more women holding savings, with a preference of long term saving.
- Moreover, women consistently exhibit lower arrears than men. However, the effects of the pandemic on arrears were more significant for women.
- In spite of the better payment behavior of women, there is evidence of higher interest rate charged to women and lower access (credit approval or the amount), under the same conditions than a man.
- CMF has issued a Gender Report for over 20 years. This report helps to raise awareness of these differences and calls for action.

Low participation of women in executive positions and boards, specially in the financial sector

- More women are joining Corporate Boards in Chile; however this is happening at a very slow pace.
- As of June 2022, female participation in IPSA Companies Boards was 19.4%, a significant increase compared to 2018 (8.9%), but still very low.
- Boards in the banking industry have the lowest female participation (8%). With the current trend, it will take 38 years to reach gender parity in that industry. For insurance companies is significantly higher women participation, with 22%.
- Participation of women might help to promote an inclusive financial sector. Different perspectives that might stand out the need of new services or changes in the design that would enhance women participation.
- Interestingly recent research shows a large share of green lending in banks with more a large share of female participation.

More Women on Boards: More work is still needed.

- A Law which establishes a female quota in corporate boards is currently being discussed in Chilean Parliament.
- Benefits of women / diversity in corporate boards
 - Would foster the design of products more **suitable** to some groups (e.g., credit and insurance aimed to women).
 - Diversity reduces groupthink, impacting **governance and risk management**
 - Greater female representation would reduce the frequency of **misconduct**: there is evidence that where women are incorporated they tend to participate in monitoring committees and increase monitoring.
 - There is some discussion on **risk aversion**. Are women more or less risk averse than men. After the GFC there was some hypothesis that things would have been different. But indeed there is some evidence that the few women that participate in the financial sector are even more risk takers than men! But in general women tend to be more risk averse – cultural barriers might even change women's behavior.
 - **Long term perspective** and empathy distinguish women, which is specially important nowadays.

More Women on Boards: More work is still needed.

- In general there is agreement in terms of the value of diversity at the board and executive levels.
- This might be achieved by disclosing information so that awareness moves to action, or a comply or of explain requirement with an explicit target, or a compulsory quota.
- There is some evidence that shows that countries that impose a quota or a comply and explain regulation exhibit behaviors that reduce the real impact of this type of policies, where companies (IOSCO):
 - Increase the number of board members only to comply
 - It tends to be that the same women in many boards with now increase in total women participating
 - or women family members getting into boards not necessarily appointed for their skills or knowledge.
- What ever is the mechanism, it needs to overturn cultural barriers and inertia.

Final Remarks

- Despite showing trends of decreasing gaps, more work is needed to close the bias against women in financial markets. This is important for financial consumers and as part of the decision making processes, and integral to financial development.
- As the financial regulator and supervisor, we must provide clear data that allows the supervised institution to take the right decision when granting financial access when deciding on the services and products supply and, maybe, more important, when hiring and appointing high executives and directors.
- Understanding the environment and having a long term perspective is now more important than ever, diversity at the board level helps to be aware of decision making impact on different stakeholders.
- An inclusive financial sector is critical when thinking of development and social welfare.

Women in Finance

Annexes

Chile Day 2022

December, 2022

Annex I: Female Participation in Chilean Financial System during 2021

Sector	Female Participation	Average growth (3Y)	Time to reach parity (years)
Banks	8	4.9	38
Bank subsidiaries / SAG	9	-2.8	-
Savings and Credit Cooperatives	26.4	5	13
Non-Bank Credit Card Issuers	8.6	-3.7	-
Insurance Companies	22.1	22.4	4
IPSA Companies	15.3	21	6
Companies listed in Exchanges	12.6	12.2	12

Annex II: Relevant References

- CMF (2022), Report on Gender in the Financial System https://www.cmfchile.cl/portal/estadisticas/617/articles-52460_recurso_1.pdf
- FSI (2022), Diversity and inclusion – embracing the true colours in financial supervision <https://www.bis.org/fsi/publ/insights42.pdf>
- IAIS (2022), Stocktake on diversity, equity and inclusion in the insurance sector <https://www.iaisweb.org/uploads/2022/12/IAIS-Stocktake-on-diversity-equity-and-inclusion-in-the-insurance-sector.pdf>
- Palvia, A., Vähämaa, E., & Vähämaa, S. (2015). Are female CEOs and chairwomen more conservative and risk averse? Evidence from the banking industry during the financial crisis. *Journal of Business Ethics*, 131(3), 577-594. <https://link.springer.com/article/10.1007/s10551-014-2288-3>
- Arnaboldi, F., Casu, B., Gallo, A., Kalotychou, E., & Sarkisyan, A. (2021). Gender diversity and bank misconduct. *Journal of Corporate Finance*, 71, 101834. <https://www.sciencedirect.com/science/article/abs/pii/S0929119920302789>
- IADB (2022). *Fintech in LAC A consolidated system for recovery*. <https://www.iadb.org/en/financial-markets/cmf-publications-Fintech>
- B. Loko, Y. Yang (2022). *Women in Fintech as leaders and users*. IMF Working Paper WP/22/140 <https://www.imf.org/en/Publications/WP/Issues/2022/07/15/Women-in-Fintech-As-Leaders-and-Users-520862>
- European Parliament (2022). Statement on Gender Equality: *The EU is breaking the glass ceiling thanks to new gender balance targets on company boards*. https://ec.europa.eu/commission/presscorner/detail/en/statement_22_7074