GENDER INEQUALITY, FINANCIAL DEVELOPMENT AND FINANCIAL GROWTH IN KENYA

Abstract

Closing the gender gap is one of the Millennium Development Goals. Because of this, and due to many benefits of closing the gender gap, the role of gender inequality on economic growth has received a lot of attention in empirical work. Gender in Kenya is seen in many areas including distribution of resources within households, division of labor between paid and unpaid labor, access to public services and power structure of the country. This paper analyzes the relationship among gender inequality, financial development and economic growth using time series data of the period 1980-2012 of Kenya. Gender inequality affects the income and children’s education negatively. The results for this paper will assist development policy makers set gender development policies that reduce gender gaps and those that develop the financial sector. Different from most of the earlier studies this paper used econometrics approach to study the relationship among the variables. The study used the Autoregressive distributed lag model to investigate long-run relationship among the variables. Secondary data was used covering the period 1980 to 2012. The results of the study show that there is a long-run relationship among gender inequality, financial development, government expenditure, investment, economic growth and trade openness. The findings also revealed that gender inequality impacts negatively on economic growth while financial development impacts positively on economic growth. If gender inequality increases by one percent, per capita income of Kenya reduces by approximately 10.2 percent. Further results indicate that government expenditure, investment and trade openness impacts positively on economic growth. The results give evidence that wider gender gaps reduce economic growth while financial development enhances economic growth. The results suggest that increased government expenditure on promotion of social economic status of women, will increase the country’s economic growth.

Key words: Gender inequality, economic growth, financial development, Autoregressive distributed lag model, Kenya