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WORLD BANK GROUP

FinData
FINANCIAL DEVELOPMENT DATA

Global Progress, Evolving Gaps: The Financial Divide Between Advanced and Developing Economies

The importance of financial development for shared prosperity

Well-developed financial systems are essential not only for long-term growth and job creation, but also for economic resilience. By mobilizing savings, allocating capital, facilitating payments, and diversifying risks and sources of finance, they help firms and households invest and expand in normal times and better withstand periods of stress. In a global economy increasingly exposed to overlapping shocks, understanding the depth, accessibility, efficiency, and stability of financial systems has become especially important. Measuring financial development is therefore central to the World Bank Group's jobs agenda and to the broader question of how the financial sector supports private investment, firms, farmers, and households.

Why FinData—and why now?

Financial Development Data (FinData) is a new, annually updated financial-sector database created by the World Bank Group to support financial sector policy makers, regulators, researchers, and other stakeholders. FinData brings different aspects of financial development together through a 4×4 framework spanning four segments of the financial system—banks, non-bank financial institutions (NBFIs), equity markets, and debt markets—and four dimensions—depth, access, efficiency, and stability. This integrated framework provides a comprehensive view of financial systems and a consistent basis for measuring financial development across economies and over time.

Within this framework, FinData offers 34 core financial indicators and 16 composite indices that provide different levels and cuts of financial development covering 147 economies over the period 2000–2024. Stability is covered among FinData's core indicators but does not enter the composite indices, which are constructed from depth, access, and efficiency.

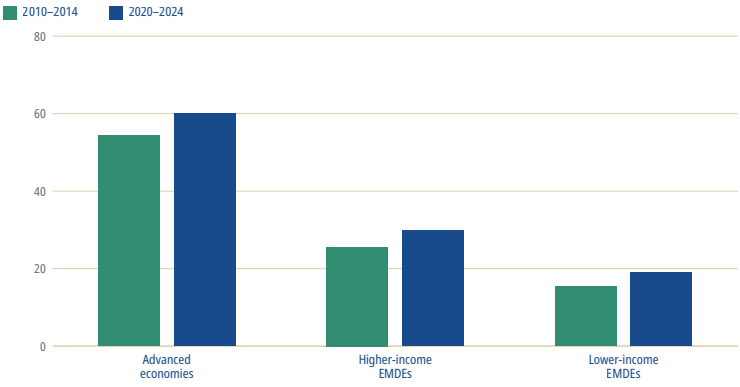
FinData's financial development indices and the underlying core indicators are available on the FinData website at https://data.worldbank.org/collections/FinData.

Three findings from the first release

Over the last decade, FinData indices point to broad improvement in financial development across the world, but also to persistent structural differences across economy groups. Emerging market and developing economies (EMDEs) continue to lag advanced economies by a wide margin, constraining their ability to mobilize and channel finance toward productive investment. Within EMDEs, financial institutions are substantially more developed than financial markets; and the largest dimensional gaps are concentrated in depth and access. The comparatively low levels of financial development in many EMDEs point to substantial scope for financial systems to further deepen and become more accessible.

1. Financial development has improved globally, but EMDEs continue to lag advanced economies

Figure 1. OVERALL FINANCIAL DEVELOPMENT INDEX BY ECONOMY GROUP



Source: Financial Development Data (FinData), World Bank.

Note: Bars report median index scores for available economy-year observations in each group over 2010–2014 and 2020–2024. The index ranges from 0 to 100, with higher values indicating greater financial development. Higher-income EMDEs comprise high- and upper-middle-income EMDEs; lower-income EMDEs comprise lower-middle and low-income EMDEs.

Differences in overall financial development remain substantial across economy groups. Advanced economies recorded considerably higher levels than EMDEs in both the early 2010s and 2020–2024, while lower-income EMDEs lagged furthest behind. Nevertheless, overall financial development increased across all three groups between 2010–2014 and 2020–2024. The gains in EMDEs, however, were not sufficient to substantially narrow the gap with advanced economies. The overall pattern is therefore one of progress without substantial convergence.

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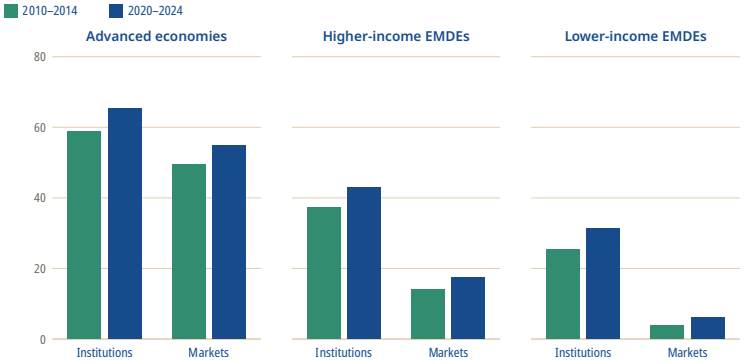
https://data.worldbank.org/collections/FinData

2. Financial institutions are more developed than financial markets globally, but the gap is considerably larger in EMDEs

Figure 2. FINANCIAL INSTITUTIONS AND FINANCIAL MARKETS INDICES BY ECONOMY GROUP



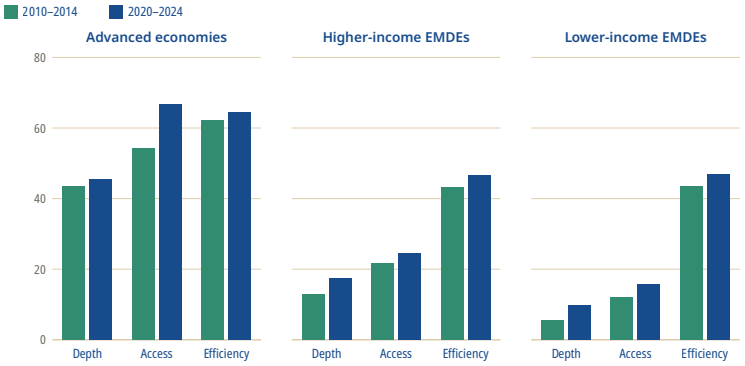
Source: Financial Development Data (FinData), World Bank.

Note: Bars report median index scores for available economy-year observations in each group over 2010–2014 and 2020–2024. Financial Institutions comprise banks and NBFIs; Financial Markets comprise equity and debt markets. Economy groups are defined as in Figure 1.

Financial institutions are more developed than financial markets across all three economy groups, but the gaps are considerably larger in EMDEs. In lower-income EMDEs, markets remain particularly underdeveloped despite some progress over the past decade. Banks remain the dominant segment of the financial system, limiting the diversity of financing channels available to firms, particularly during periods of tighter credit. Deeper and more diversified financial systems can help address these constraints by expanding firms' financing options as they invest, grow, and mature. In particular, well-developed capital markets can complement bank financing by mobilizing a broader range of investors and funding sources.

3. Financial system depth and access remain low in EMDEs despite recent gains

Figure 3. FINANCIAL DEPTH, ACCESS, AND EFFICIENCY INDICES BY ECONOMY GROUP



Source: Financial Development Data (FinData), World Bank.

Note: Bars report median index scores for available economy-year observations in each group over 2010–2014 and 2020–2024. Economy groups are defined as in Figure 1.

Across EMDEs, financial depth, the overall scale of financial institutions and markets, and financial access, the extent to which individuals and firms can obtain and use financial services, remain considerably below levels in advanced economies. These gaps limit access to finance throughout the economy. For firms, shallow financial systems constrain the availability of bank credit and capital market financing, curbing long-term investment, growth and job creation. For households and small enterprises, limited access to formal financial services increases reliance on informal mechanisms to manage risk and smooth consumption. By contrast, gaps in financial efficiency—the ability of financial institutions and markets to intermediate resources at low cost and with high speed—are noticeably smaller. Lower-income EMDEs show particularly low levels of financial depth and access. Nevertheless, all three dimensions have improved over the last decade.

Monitoring Progress and Informing Policy

The first FinData release shows a global financial system that has advanced, but not converged. Persistent gaps in financial markets, depth, and access continue to limit the financing options available to firms and households in many EMDEs. By tracking these gaps consistently across segments and dimensions, FinData can help policy makers identify priorities for building financial systems that better support investment, jobs, inclusion, and resilience.