

## CHAPTER 3

# Financial Well-Being



- 3.1 Financial resilience
- 3.2 Financial worrying
- 3.3 Opportunities to support financial well-being through the financial system



# Introduction

As highlighted in the introductions to chapters 1 and 2, the growth in ownership and usage of accounts could have positive impacts in the form of lower poverty rates, higher consumption, and more spending on education, health, and income-generating opportunities. Development goals also include improvements in well-being, which is related to a person's financial resilience (the ability to deal with an unexpected financial event), level of stress generated by common financial issues, and level of confidence in using financial resources. Financial inclusion can support well-being by helping people feel secure in their financial future.

The Global Findex 2021 survey assessed financial resilience by asking respondents whether they could come up with extra money if they had a significant unexpected expense and where they would get the money.

## Global Findex 2021 survey headline findings on financial well-being

### Financial resilience

- Fifty-five percent of adults in developing economies could access emergency money within 30 days without much difficulty.
- Family and friends are the first-line source of emergency money for 30 percent of adults in developing economies, but nearly half of those say the money would be hard to get. Reliance on family and friends is as high as 50 percent in the Middle East and North Africa.
- Women and the poor are less likely than men and richer individuals to successfully raise emergency money, and they are more likely to rely on family and friends as their go-to source.
- Adults in developing economies who save formally and use savings as their first-line source of money in an emergency are most likely to get money when they need it.

### Financial worrying

- Sixty-three percent of adults in developing economies are very worried about one or more common financial expenses; the share for high-income economies is 33 percent of adults.
- About 50 percent of adults in developing economies are very worried about covering health expenses in the event of a major illness or accident, and over 36 percent say health care costs are their biggest worry.
- In Sub-Saharan Africa, worry over school fees is much more common than in other regions—54 percent of adults in Sub-Saharan Africa say they worry about it, and about 30 percent say it is their biggest worry.
- In developing economies, 82 percent of adults are very worried (52 percent) or somewhat worried (30 percent) about the continued financial toll of the COVID-19 pandemic.

## Opportunities to support financial well-being

- One-third of mobile money account holders in Sub-Saharan Africa cannot use their account without help from a family member or an agent.
- One in five adults in developing economies who receive a wage payment into a financial institution account paid unexpected fees on the transaction.

These findings collectively point to a key area of concern related to financial inclusion: poor and financially inexperienced users may not be able to benefit from account ownership if they do not understand how to use financial services in a way that optimizes benefits and avoids consumer protection risks such as high and hidden fees, overindebtedness, fraud, and discrimination.<sup>1</sup> For example, inexperienced account owners who must ask a family member or a banking agent for help using an account may be more vulnerable to financial abuse. Consumer safeguards are also important for building public trust in the financial system.

Clear and easy-to-understand product terms may be especially important for adults with limited financial experience and capability. A mystery shopper audit of 1,000 microfinance firms in Uganda found that information on account costs was inconsistent; inexperienced borrowers received less information than experienced borrowers; and printed materials with product specifications were missing or in violation of regulatory guidelines.<sup>2</sup> A similar multicountry mystery shopper study evaluating financial institutions in Ghana, Mexico, and Peru found that when actors posed as potential customers, they were rarely offered the cheapest product or given the correct cost. The reason may be that bank and microfinance institution staff are often paid more when they sign up customers for more expensive products, which gives them an incentive to withhold information or mislead potential customers.<sup>3</sup>

Developing and enforcing clearer guidelines about effective disclosure and pricing transparency could help build trust in the financial system and help account holders recognize the difference between legitimate fees that are part of the price of service and illicit fees or overly high interest rates. Lab experiments in Mexico and Peru found that presenting participants with simplified statements of key facts about credit and savings products was strongly correlated with choosing a financial product that best fit their needs. By contrast, financial literacy had a much weaker impact on good financial decisions.<sup>4</sup>

Traditional classroom-based financial education has yielded mixed results,<sup>5</sup> whereas evidence suggests that financial training structured as learning-by-doing during financial account onboarding may lead to regular use of accounts and help users become savvier financial customers.<sup>6</sup> The evidence also points to the importance of real-time information to increase trust and usage—for example, through functionality that allows users to check balances using a card, phone, or the internet.<sup>7</sup>

This first section of this chapter on financial well-being presents the findings from the Global Findex 2021 survey related to financial resilience in the face of an unexpected expense. Specifically, the section presents answers to survey questions about the ability to access emergency money and where it would come from. Section 3.2 then examines financial stress and its causes, and section 3.3 explores opportunities to more effectively leverage financial products and the enabling infrastructure to help improve resilience.

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1. For a discussion of consumer financial protection, see Garz et al. (2020).

2. Atuhumuza et al. (2019).

3. Giné and Mazer (2022).

4. Giné, Martínez, and Mazer (2017).

5. Bruhn et al. (2016); Bruhn, Ibarra, and McKenzie (2014); Doi, McKenzie, and Zia (2014); Fernandes, Lynch, and Netemeyer (2014).

6. Breza, Kanz, and Klapper (2020); Lee et al. (2021).

7. Bachas et al. (2021).





## 3.1 Financial resilience





### 3.1 FINANCIAL RESILIENCE

Every year, adults around the world face a significant financial repercussion stemming from, for example, job loss, ill health, crop failure, new caring responsibilities, or an essential repair to a vehicle or home. Failure to cope with these events can cause short-term harm and have long-lasting consequences. The ability of adults to cope financially when faced with a sudden drop in income or an unavoidable expense is known as financial resilience.

There are many ways to build financial resilience, and people may adopt different approaches, depending on the cause of the financial event, the size of the impact, how long-lasting it is likely to be, and other factors. Common approaches include calling on family and friends to bridge a finance gap, working additional hours to boost income, drawing down savings, taking out a formal loan, or selling an asset.

Yet these strategies may not be easy to deploy when a person needs them. For example, adding work hours may not be possible if the person's employer or informal labor market is in a slow season. A systemic shock that causes widespread economic damage across a community, such as the COVID-19 pandemic or an extreme weather event, can affect the ability of close family and friends to help. Savings committed to a community group, such as a rotating savings and credit association (ROSCA), may be inaccessible in the time frame needed.

Personal circumstances also affect financial resilience. Individuals' income level, whether they have an account, and how they use it all increase the probability that they have savings or the ability to receive an outside payment. Other factors, such as where individuals live and the size and diversity of their social network, also play a role because larger and more diverse social networks increase the chance that friends are not exposed to the same risks at the same time. There are also personal factors that go beyond income or social networks that influence individual choices—for example, how willing an individual is to negotiate for help with family members or concern about social status.

Rather than identify specific factors of the broader context and their importance in accounting for how people manage their financial challenges, the Global Findex 2021 survey findings presented in this chapter report on how respondents around the world evaluate their ability to manage financial shocks that fall outside routine and expected living costs.

**To gauge financial resilience, the Global Findex 2021 survey asked respondents three questions:**

1. Imagine that you have an emergency, what would be the main source of money you would use to come up with an amount equal to 5 percent of gross national income (GNI) per capita in local currency within the next 30 days? This is equivalent to about US\$3,300 in the United States or US\$320 in India.
2. How difficult would it be for you to come up with this money in the next 30 days?
3. And how difficult would it be for you to come up with this money in the next seven days?

## People can often access emergency money, but it is not always easy, and it takes time

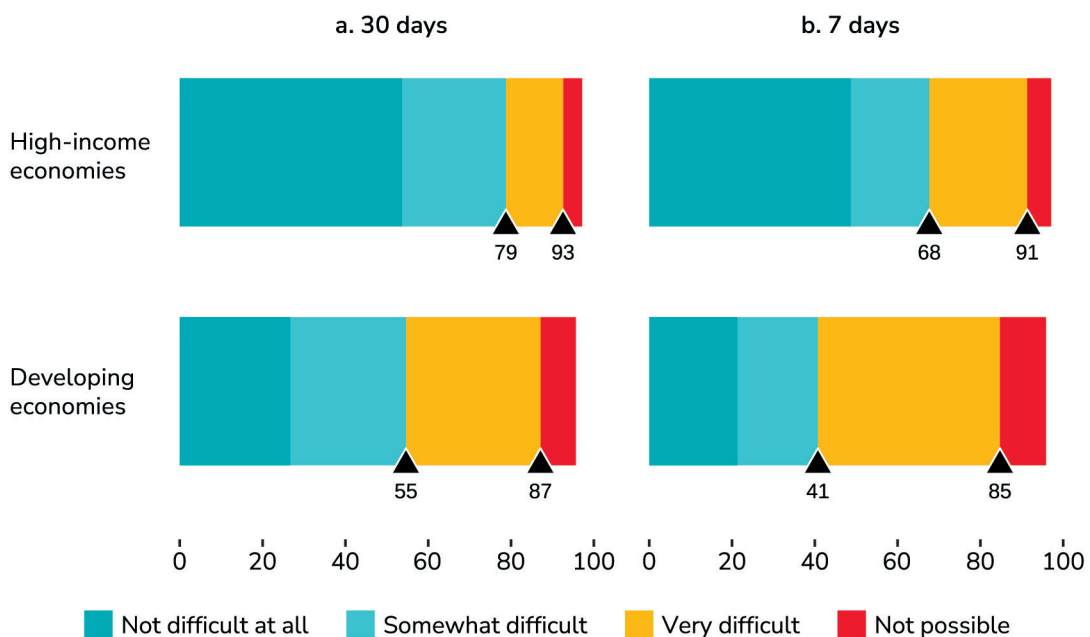
In developing economies, 87 percent of adults said they could access one of several sources of emergency money within 30 days, including savings, formal borrowing, money from family or friends, work, or the sale of assets (figure 3.1.1). However, nearly one in three adults said it would be very difficult to come up with those funds. As a result, a much smaller share, 55 percent, was confident they could access the money when needed. In high-income economies, 79 percent of adults said they could raise emergency money with no or only some difficulty in 30 days. When asked about the difficulty of getting the emergency money in a week rather than a month, more adults responded by saying that the money would be very difficult to come up with. In developing economies, 85 percent of adults said they could come up with the money in a week, but only 41 percent could do so without significant difficulty.

All of the economies in which at least three in four adults feel confident about their ability to cover the costs of an emergency are high-income ones, except China and Ukraine.<sup>1</sup> National income per capita does not always correlate with financial resilience at the level of the economy, however. In high-income Chile, for example, 57 percent of adults said they could come up with emergency money without major difficulty, or roughly the same share as in upper-middle-income Ecuador, which has less than half of Chile's GNI per capita. In Mongolia, a lower-middle-income economy, 68 percent of adults can reliably raise emergency money, while in South Africa, an upper-middle-income economy, only 40 percent can (figure 3.1.2).

**FIGURE 3.1.1**

*In developing economies, 55 percent of adults could access emergency money in 30 days with little or no difficulty*

Adults assessing how difficult it would be to access emergency money in 30 and 7 days (%), 2021



Source: Global Findex Database 2021.

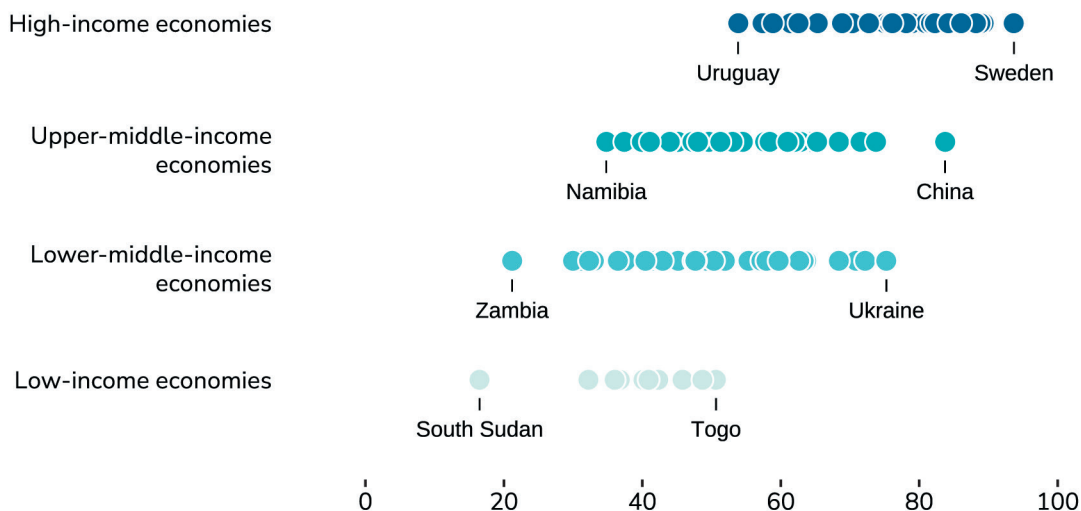
Note: A small share of adults did not know or refused to disclose the level of difficulty they would face obtaining emergency money.

1. The data on China showed that a large share of adults in the country depended on savings to cover an emergency. By contrast, a dominant share of adults in Ukraine would have turned to family and friends.

**FIGURE 3.1.2**

*Among economies, income group is not the sole driver of financial resilience*

Adults who could come up with emergency money in 30 days with some or no difficulty (%), 2021



Source: Global Findex Database 2021.

These examples highlight the point made at the opening of this chapter that beyond differences between individuals (such as income, preferences, and behaviors), differences in financial resilience across economies are likely to be strongly influenced by country context (such as culture, policies, and financial development). This context could include differences in the financial infrastructure that shapes whether people have access to and use formal financial products (see chapter 2), government policies and social safety nets, and cultural factors that influence how optimistic people are and the types of emergencies people imagine when asked this question.

## The source of emergency money varies among high-income and developing economies

Adults in different economies and income groups vary in how likely they are to turn to certain sources of emergency money. In high-income economies, savings is the preferred source of financing in an emergency: nearly 50 percent of adults say they would mainly use savings to come up with emergency money in 30 days (figure 3.1.3). In developing economies, by contrast, the two most common sources of funds are money from family or friends and earnings from work—nearly 60 percent of adults would rely on one of these as their main source of emergency money.

However, reliance on a certain source of emergency money is a separate issue from reliability. In developing economies, more than 50 percent of adults who say they would borrow or sell assets in an emergency also say that coming up with the money would be very difficult. Savings and earnings from work, on the other hand, are perceived as more reliable. On average, only 16 percent of adults who would use savings and 33 percent of adults who would work more also say it would be difficult to come up with the money.

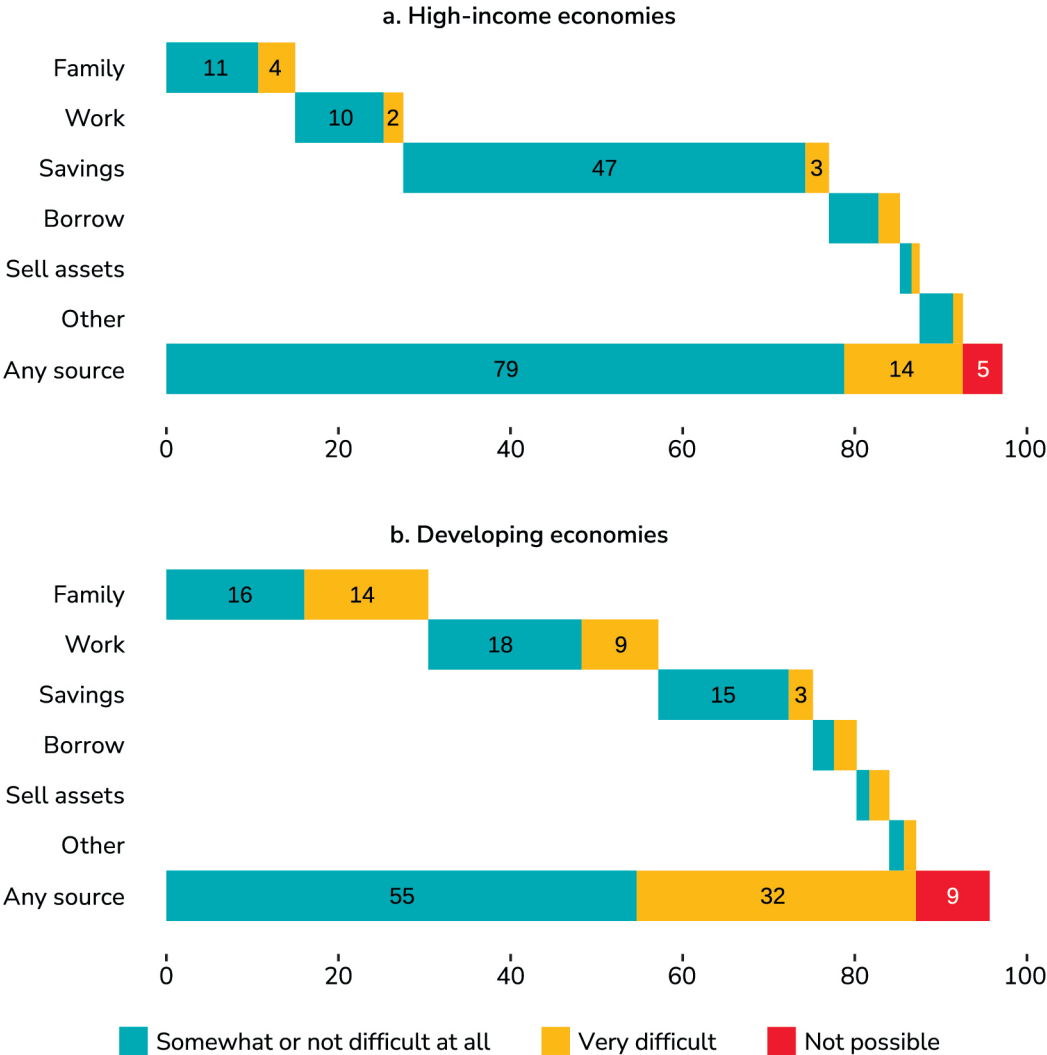
**Family and friends are the most common source of emergency money in developing economies but are often unreliable**

Digging deeper into the data from developing economies reveals that 30 percent of adults, on average, rely on their personal social network of family and friends for money in an emergency (figure 3.1.3). Four of the top five economies with the greatest dependence on family and friends for emergency financial assistance have had recent or ongoing episodes of violent conflict (Afghanistan, Iraq, Kosovo, and the West Bank and Gaza).

**FIGURE 3.1.3**

*In developing economies, work and social networks are the most common sources of emergency money, but they are not as reliable as savings*

Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021



Source: Global Findex Database 2021.

Note: A small share of adults did not know or refused to disclose their main source of emergency money.

More than half of adults depend on family in emergencies in the Middle East and North Africa (figure 3.1.4)—a region that also has relatively lower account ownership and usage of savings and borrowing (see chapters 1 and 2).

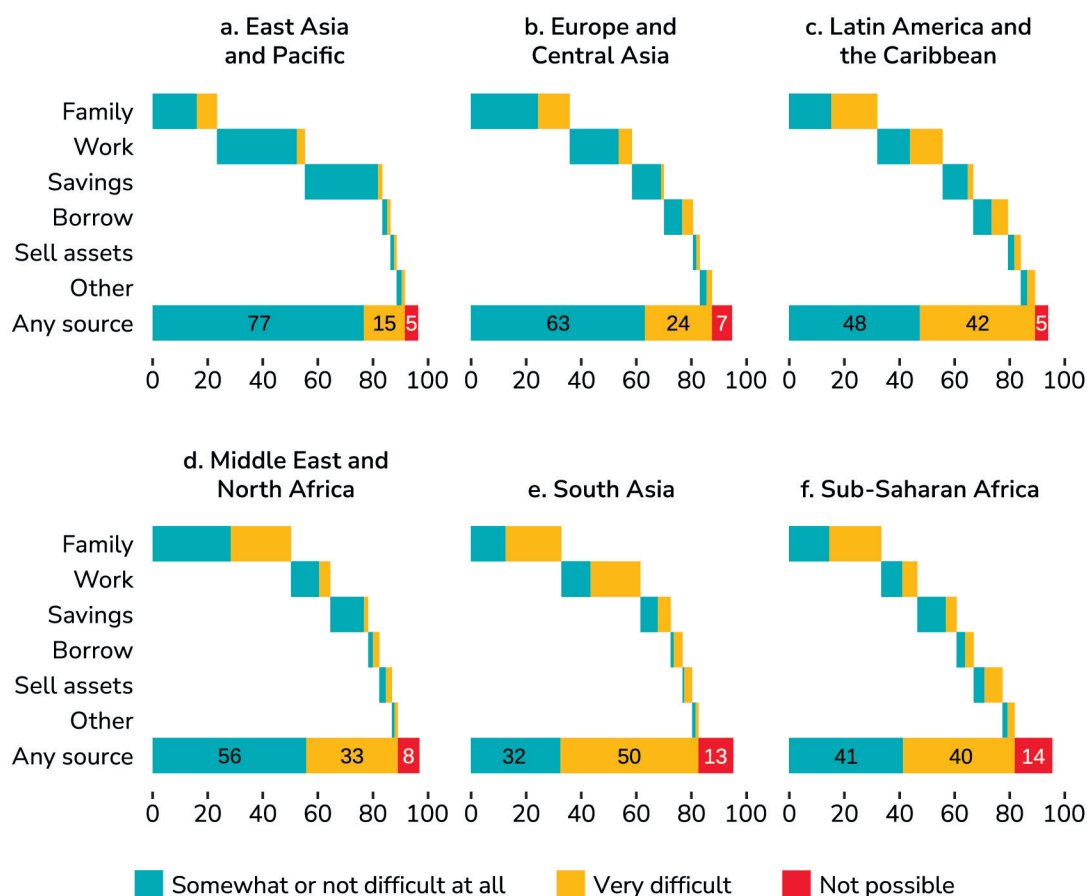
Even though social networks are the most common source of emergency money in developing economies, nearly half of adults who depend on their family and friends to navigate unexpected financial challenges say it would be very difficult to come up with the money. That number is higher, at 60 percent or more of the adults, in eight Sub-Saharan African economies (Kenya, Liberia, Mali, Namibia, Senegal, South Africa, South Sudan, and Zambia). In India, where a third of adults (33 percent) would mainly use family or friends to raise emergency money, two-thirds of those adults say it would be very difficult to get the money.

The challenges associated with raising money from family may in part reflect the fact that the data were collected during the COVID-19 pandemic, when many members of the same family or community lost jobs or income

**FIGURE 3.1.4**

*Adults in different regions prioritize different sources of emergency money—and see wide variations in resilience*

Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021



Source: Global Findex Database 2021.

Note: A small share of adults did not know or refused to disclose their main source of emergency money.

simultaneously, making it difficult to help friends or relatives. The same dynamics may be in play during natural disasters or extreme weather events that affect an entire community—events that are becoming more frequent in the developing world.

Social networks are particularly important, and particularly unreliable, for adults living in the poorest 40 percent of households in an economy and for women (figure 3.1.5).

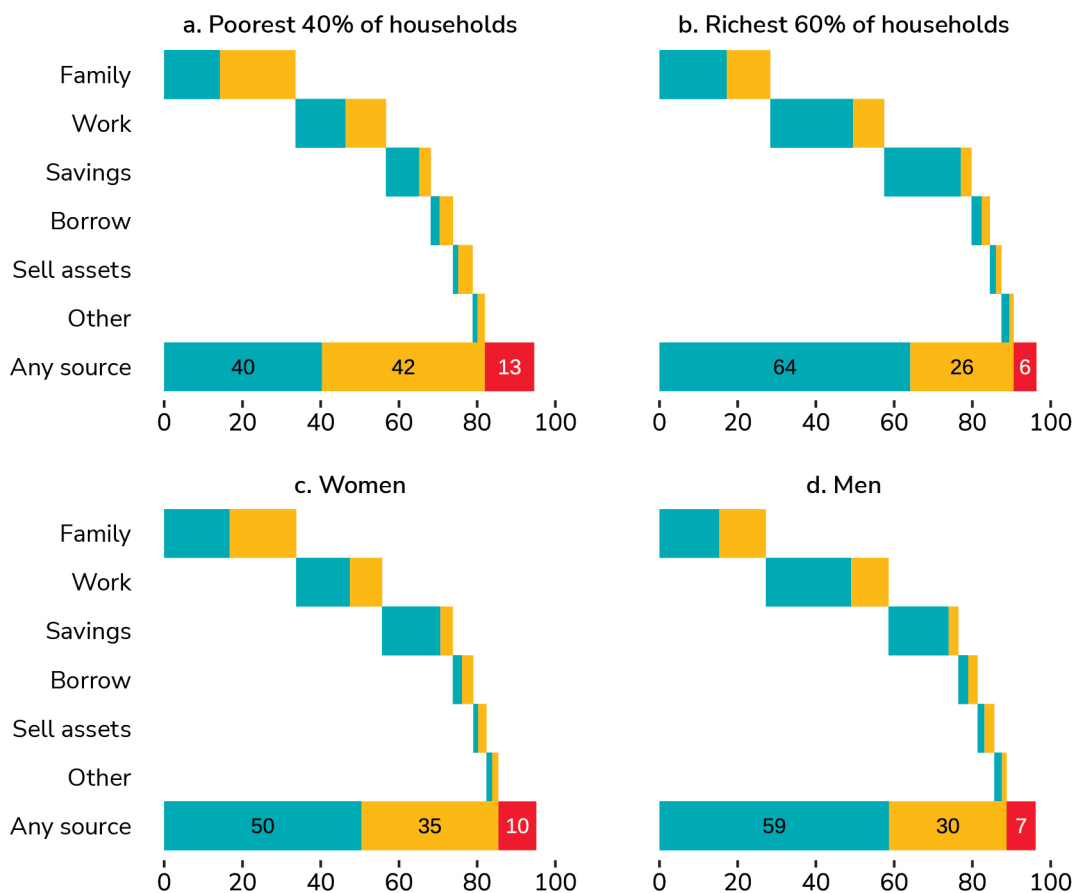
In both high-income and developing economies, the poorest 40 percent of households are less able to cover the costs of an emergency than those in the richest 60 percent. Adults in lower-income households are less likely to use savings and more likely to rely on family support than adults in higher-income households, and they are more likely to find it very difficult to get the money.

Women are also more likely than men to say it would be very difficult to access emergency money. In developing economies, 50 percent of women said they could reliably come up with emergency money, compared with

**FIGURE 3.1.5**

*In developing economies, women and the poor are less resilient than men and the rich*

Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021



Source: Global Findex Database 2021.

Note: A small share of adults did not know or refused to disclose their main source of emergency money.

59 percent of men. Gender differences in financial resilience are largest in Latin America and the Caribbean, where the resilience gender gap is 16 percentage points—that is, 39 percent of women say they can reliably access emergency money, compared with 56 percent of men.

One reason women may struggle to access emergency money is that their most popular source of funds in an emergency is family, which, as noted earlier, can be unreliable. In developing economies, women seem to have a harder time getting those funds from family as well: 50 percent of women who rely on family as their main source of emergency money say it would be very difficult, compared with 44 percent of men. These differences may also have to do with the composition of men's compared to women's social networks. Since men are more likely to work outside the home, they have greater opportunities to establish wider networks.

### In developing economies, leveraging wages is more difficult for the self-employed than for the employed

Labor income is another common source of emergency money in developing economies. In some cases, adults facing an unexpected expense might work additional hours for a known employer or try to pick up additional, short-term work. In others, it could mean waiting for a paycheck or getting an advance from an employer.

In developing economies, 27 percent of adults, on average, would use labor earnings in an emergency. This share is higher in some East Asian economies and lower in the Middle East and North Africa and in Sub-Saharan Africa. For example, in China and Mongolia about 40 percent of adults would use labor income in an emergency. In Bangladesh, Brazil, and India, over 30 percent would do the same.

The difficulty encountered in raising money from work varies dramatically from one economy to the next. In Bangladesh, Brazil, and India, for example, over half of adults who would rely on work also said that it would be very difficult to raise the money in 30 days. Only 5 percent of adults in China who would use work said the same.<sup>2</sup>

In developing economies, adults who receive wage payments from an employer, when compared with adults who are self-employed, are significantly more likely either to use income from work in an emergency and to say raising money from work is not difficult. Regional or economy-level factors might also drive differences in the propensity to rely on work as a source of emergency money. These factors could include labor formality or informality or the amount of labor demand in relation to supply, both of which could influence how reliable wage work is compared with casual work and how easy it is to find additional work when needed.

### In developing economies, formal savings is the most reliable source of emergency money, although less relied on

Among developing economies, the share of adults who primarily use savings as a source of emergency funds is between 1 percent in Afghanistan and 40 percent in Malaysia. Savings is the third most common source of emergency funds. On average, savings is perceived to be a more reliable source of emergency funds than other sources.

In developing economies, 18 percent of adults say they would rely on savings, and over 80 percent of adults who rely on savings say they could reliably get the money. In several developing economies, the share of adults who would rely on savings in an emergency is substantially higher. These economies include upper-middle-income economies such as China and Malaysia, where 33 percent and 40 percent of adults, respectively, say they would use savings to finance an emergency. Almost 90 percent of these adults also say they could reliably get the money. This finding is not surprising because about half of all adults in these two economies save formally.

2. In East Asia, wage and salaried workers make up 61.4 percent of total employment, compared with 25.1 percent of total employment in South Asia. In Europe and Central Asia, wage and salaried workers make up 82.4 percent of total employment, compared with 63.4 percent in Latin America and the Caribbean. These estimates correspond to data sourced from the International Labour Organization and compiled by the World Bank (<https://datatopics.worldbank.org/jobs/topic/employment>).

The reliability of formal savings in an emergency is also evident in Sub-Saharan Africa, where 14 percent of adults say they would rely on savings in an emergency. Seventy-two percent of these adults have an account, and 77 percent say it would not be difficult to get the money.<sup>3</sup>

## Financial accounts could be used more consistently to boost resilience

Because richer individuals are more likely to own an account and have disposable income to save, determining the role of accounts in financial resilience is not straightforward. However, studies in developing economies that control for income and other factors find evidence linking account ownership to greater financial resilience, including increases in liquid savings or more effective risk sharing through social networks.

Among adults living in both the poorest 40 percent of households and the richest 60 percent, owning an account is associated with an increase in the likelihood of using savings as a primary source of emergency money and in the reliability of savings. These differences are amplified among richer individuals. For example, in low-income economies adults living in the poorest 40 percent of households with an account are more than twice as likely as adults without an account to say they would use savings in an emergency, whereas adults living in the richest 60 percent of households with an account are three times more likely to use savings than adults without one. Globally, people in developing economies who save formally and use savings as their first-line source of money in an emergency are most likely to get money when they need it.

Yet most adults in developing economies with accounts are not using them for emergency savings. In high-income economies, 96 percent of adults own an account, and 48 percent of account owners said they would use savings and not find it difficult to come up with the money to cope with an unexpected shock. But in developing economies, 71 percent of adults own an account, yet only 19 percent said they would use savings to cope with an emergency and that they would not find it very difficult to come up with emergency money. As discussed in chapter 2, digitalizing payments, expanding bank and mobile money agent networks, offering commitment savings accounts (which have features to discourage withdrawals), and leveraging technology (such as auto-deposit of savings) may help adults build stronger financial resilience.

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3. See section 2.2 in chapter 2 for data and analysis on how adults around the world use formal, semiformal, and other forms of savings.





## 3.2 Financial worrying





## 3.2 FINANCIAL WORRYING

The previous section on financial resilience focused on the ability to access financial resources to deal with an emergency expense or loss of income. Another dimension of financial well-being is the anxiety or worry that people feel about their financial lives. Not having sufficient protection from shocks, having trouble paying for basic family needs, or falling behind on personal financial goals influence how financially secure or stressed people feel. Of course, real-life circumstances have a huge impact on all of these factors. When people are barely meeting their living expenses with the income they have—and with no extra money for unexpected expenses—they are likely to worry more than people who have an income buffer. For that reason, it is logical to assume that poor people—and, in particular, poor people with limited or no savings and limited access to appropriate credit—are, on average, more likely to worry about money. That assumption is borne out in the findings from the Global Findex 2021 survey.

Beyond the objective reality of simply not having enough money, people also have subjective perceptions about their financial lives. These are complicated by personality traits, cultural norms, the economic context, social dynamics, available information about financial needs, and the social support programs available to people. The likely timing of an expense and how far away it is in the future are another major factor in worrying. For example, younger people may be more likely to worry about school fees and less likely to worry about old age. That does not mean that youth do not care about having enough money when they are older, but rather that they have more immediate concerns.

All of these factors influence how respondents answered the questions posed in the Global Findex 2021 survey intended to highlight the financial worries that prevail in a society. The answers can shed light on challenges that may not be clearly reflected in the data on account ownership and usage. Yet for all of the reasons just given, it is important when using the data in this section not only to have a concept of what worry means for an individual, but also to contextualize it in order to identify potential gaps that policies, financial access, product design, or user experience could address.

This section specifically examines responses to questions in the 2021 Global Findex survey asking respondents whether they were worried about their finances, how worried (somewhat worried or very worried) they were about four common issues that can lead to financial anxiety, and which issue they worry about the most. The specific issues are:

- Living expenses for old age
- Medical costs arising from a serious illness or accident
- Monthly bills and expenses
- School or education fees.

### **Adults in developing economies are more likely to worry about finances than adults in high-income economies**

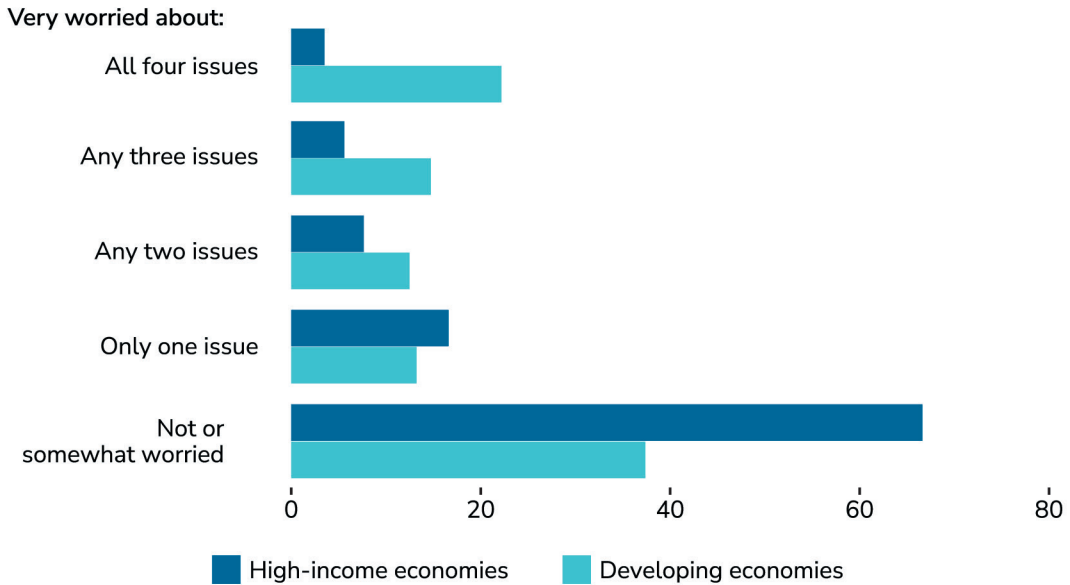
Adults in developing economies are considerably more worried about their financial lives than adults in high-income economies. In developing economies, more than two-thirds of adults say they are very worried about any one of the four specified financial issues, whereas in high-income economies 21 percent or less say they are very worried about any one of these issues.

Nor do adults in developing economies worry about only one thing. Instead, 22 percent of adults are very worried about all four of the specified issues. In high-income economies, the share of adults very worried about all four financial concerns is only 4 percent (figure 3.2.1).

**FIGURE 3.2.1**

*Adults in developing economies were much more likely to be very worried about all four financial issues than adults in high-income economies*

Adults assessing their level of worry (%), 2021



Source: Global Findex Database 2021.

Note: Survey respondents were asked to assess their level of worry about four common sources of financial stress: (1) money for old age; (2) paying for medical costs in the event of a serious illness or accident; (3) money to pay for monthly expenses or bills; (4) paying school or education fees.

**In developing economies, medical costs are the most common financial worry**

In developing economies, the largest share of adults—52 percent—say they are very worried about not being able to pay medical bills in case of a serious illness or accident. Although paying medical bills is a common financial concern, the Global Findex 2021 survey was fielded in 2021 during the COVID-19 pandemic, and, as a result, health and medical expenses may have been more on the mind of respondents. Responses may also reflect the quality and affordability of local health care providers.

Concerns around medical expenses are highest in Sub-Saharan Africa and South Asia, where about 64 percent of adults are very worried about them, and lowest in East Asia and the Pacific, where 38 percent of adults are very worried about them. In East Asia, there is considerable variation, however. For example, in China, Malaysia, and Thailand (all upper-middle-income economies), fewer than 40 percent of adults are very worried about medical expenses. In the lower-middle income economies of Cambodia, Indonesia, and the Philippines, by contrast, nearly two in three adults (64 percent) are very worried about medical expenses. In low-income economies, over 70 percent of adults are very worried about medical expenses.

As for the common worries in high-income economies, one in five adults (20 percent) are very worried about paying for health care, and an equal share (21 percent) is very worried about finances in old age.

### In developing economies, medical costs also stand out as the issue adults worry about the most

Respondents who worry about more than one financial issue were also asked which one they worry about the most. Including those who are only worried about a single issue (which is assumed to be their most significant worry), 36 percent of adults in developing economies say that medical costs is their biggest financial worry. Not having enough money for medical bills is the top financial concern in 71 of the 80 developing economies surveyed—again, not surprising because of the recent impact of the COVID-19 pandemic.

When broken down by region, worry about health costs remains the biggest worry for the largest share of adults in every developing region of the world (figure 3.2.2). Significant health events can force a person to stop working, creating both an income shock and an expense shock. It is therefore logical that worry about medical costs ranks so highly. This is, then, an opportunity for better financial protection related to health risks that require hospitalization or specialist care.

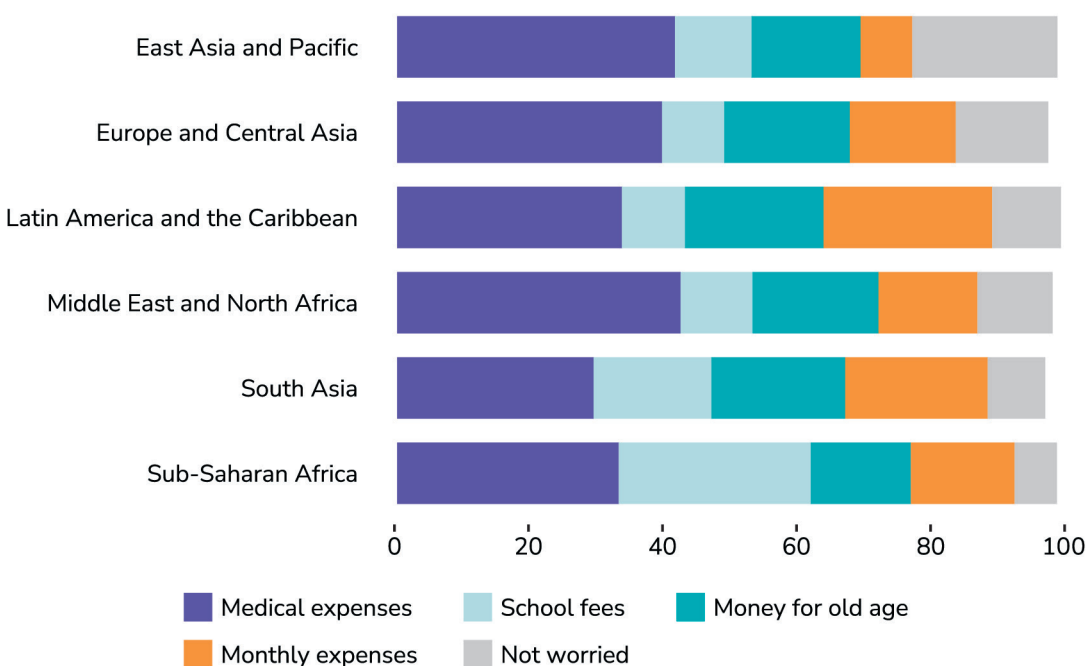
### Adults in Sub-Saharan Africa worry about school fees

Paying for education is a close second-biggest source of worry in Sub-Saharan Africa, where over half of adults (54 percent) are very worried about school financing, and 29 percent of adults name school fees as the issue of most concern. In part, this finding reflects demographics: 52 percent of the population in the region is below the age of 25, and so a large share of the adult population has school-age children.<sup>11</sup> The financial stress

**FIGURE 3.2.2**

*In developing economies in every world region, adults named medical expenses as their biggest financial worry*

Adults identifying their biggest financial worry (%), 2021



Source: Global Findex Database 2021.

Note: A small share of adults did not know or refused to disclose their main cause of worry.

11. United Nations (2019).

around education may also reflect the high out-of-pocket spending on school fees common in the region. Even families that use public schools are required to pay fees for uniforms and books in many Sub-Saharan African economies. Depending on whether the school in question requires a one-time payment for the entire school term or allows families to spread payments over months, the expense can put a significant dent in household finances. Meanwhile, fees can be higher for families that enroll their children in private schools. In Liberia, for example, 48 percent of primary school enrollment and 58 percent of secondary school enrollment are in private schools, and over 80 percent of adults are very worried about school financing.<sup>12</sup>

### Some worry about paying for old age

Concerns around making ends meet in old age are most common in Sub-Saharan Africa and South Asia—over half of adults are very worried about old age in both regions. But frequently old age is not the biggest worry. Because adults typically have concerns about more than one area of financial life at the same time and because old age can seem further away than the medical bills or school fees due today, old age rarely ranks as the biggest financial worry. In Sub-Saharan Africa and South Asia, only 15 percent and 20 percent of adults, respectively, put old age at the top of their worry list.

The region with the smallest share of adults who worry about old age is East Asia, where 28 percent of adults are very worried about old age. China pulls down this average because only one in five adults there are very worried about paying for old age. High savings rates in China may play a role in reducing concerns about retirement funding. In some of East Asia's lower-middle-income economies (such as Cambodia, Indonesia, the Lao People's Democratic Republic, and the Philippines), over half of adults are very worried about old age.

## The financial impacts of COVID-19 are a significant source of worry

The COVID-19 pandemic has been both a major public health crisis and an economic crisis because of the financial impacts of public health measures such as lockdowns and restrictions on business operations. Financial worries related to the pandemic bridge the gap between concerns about medical bills and concerns about having sufficient income to meet day-to-day expenses.

When asked, over half of adults in the developing world feel very worried about the potential for continued financial hardship because of COVID-19 (figure 3.2.3). In South Asia and Sub-Saharan Africa, some two out of three adults (67 percent and 65 percent, respectively) say they are very worried about the personal financial toll of COVID-19. Women, the unemployed and self-employed, and adults in the poorest 40 percent of households are more likely than men, wage employed workers, and adults in the richest 60 percent of households, respectively, to say they are very worried about facing continued financial hardship because of the pandemic.

Overall, these data provide one perspective on the toll the pandemic has taken on financial well-being, especially in low-income and lower-middle-income economies. The data confirm the regressive impact of the pandemic on more vulnerable populations. And this micro-level evidence on the experiences of individuals is consistent with the macro-level reality of a slower recovery in low-income economies.

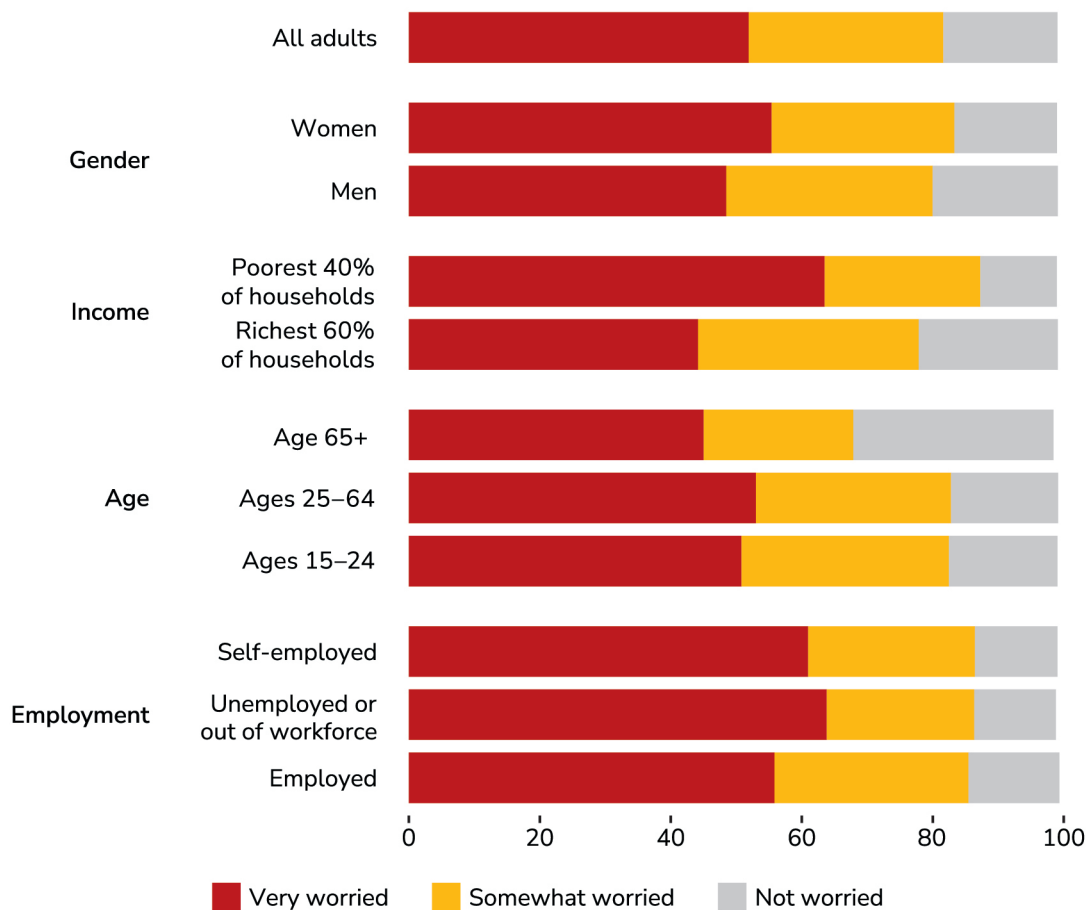
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12. School enrollment data are from World Bank, World Development Indicators (SE.PRM.PRIV.ZS and SE.SEC.PRIV.ZS), <https://databank.worldbank.org/source/world-development-indicators>; United Nations (2019).

**FIGURE 3.2.3**

*In developing economies, women, the poor, and working-age adults were worried about the ongoing financial impacts of COVID-19*

Adults assessing their worry about severe financial hardship due to COVID-19 (%), 2021



Source: Global Findex Database 2021.

Note: This question was only asked in developing economies. A small share of adults did not know or refused to disclose their level of worry.

## Not surprisingly, poor adults worry more than higher-income adults about having enough money to pay monthly bills

The relationship between income and worry is also apparent for issues beyond COVID-19. Adults living in households in the poorest 40 percent of their economy’s income distribution are about 20 percentage points more likely to be very worried about each of the four financial issues than adults in the richest 60 percent. In some economies, the differences are more extreme. In Brazil, for example, 72 percent of adults in the poorest 40 percent of households are very worried about not having enough money for monthly expenses, compared with the 35 percent of adults in the richest 60 percent of households. In Sri Lanka, 53 percent of the adults in the poorest 40 percent of households are very worried about not having enough money for old age, compared with only 19 percent of adults in the richest 60 percent of households.

In high-income economies, there are also differences in financial worrying between adults living in the poorest 40 percent of households and in the richest 60 percent of households. For example, in the United States, a third (33 percent) of adults in the poorest 40 percent of households are very worried about not being able to pay monthly bills, compared with 6 percent of adults in the richest 60 percent of households. In Greece, two-thirds (66 percent) of adults in the poorest 40 percent of households are very worried about not having enough money in old age, compared with 37 percent of adults in the richest 60 percent of households.

### **Globally, women and the poor are more likely than men and adults with higher incomes to worry about money**

On average, women are moderately more worried about money issues than men. In developing economies, for example, 44 percent of women say they are very worried about not having enough money for routine monthly expenses or bills, compared with 39 percent of men. This difference of about 6 percentage points holds for other financial issues as well.

Both men and women tend to rank the same financial issues as the most pressing in both developing and high-income settings. However, men and women in a specific economy may rank their biggest financial concerns differently. For example, in India and Kenya women are over 10 percentage points more likely than men to say school fees are their biggest financial worry. Men in India and Kenya, on the other hand, are more likely to say that medical expenses worry them the most.

These findings are worth considering in light of recent research on intrahousehold bargaining between women and men, which has highlighted the different roles that household members play in generating and managing household finances.<sup>13</sup> These roles interact with social norms in a given economy and with the specific roles adopted in a given household, which may help put the gender-based differences in worrying in some context.

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13. For a review of recent approaches to intrahousehold analysis, see Gomes, Haliassos, and Ramadorai (2020).





### **3.3 Opportunities to support financial well-being through the financial system**





### 3.3 OPPORTUNITIES TO SUPPORT FINANCIAL WELL-BEING THROUGH THE FINANCIAL SYSTEM

The previous sections in this chapter highlighted two financial outcomes distinct from financial account ownership and usage that nevertheless matter for individuals and families: (1) their ability to come up with money to cover an extra or unexpected expense, and (2) their subjective concerns related to four common sources of potential financial stress. As those sections describe, unlike account ownership and account usage—which can be directly influenced by the financial sector by making products available, accessible, and helpful—financial well-being outcomes such as resilience and stress are influenced by many factors outside the financial system.

Meanwhile, within the financial system, financial service institutions and supportive regulators can play a role in driving financial well-being outcomes for consumers. The key question for financial service providers and policy makers is how can financial products and services, and the regulatory environment in which they operate, effectively help people achieve financial well-being? One answer is to create incentives for service providers to design and deliver products and services with demonstrated benefits to consumers. Another is to prevent and mitigate consumer risk and harm by identifying and weeding out bad actors and bad practices. Both are critical for improving resilience and reducing financial stress.

#### In developing economies, many adults need help using an account, which makes them vulnerable to bad information

The marketplace for retail financial services can be inherently complex to navigate. Furthermore, the speed with which technological advances and other innovations enter the market can create challenges for the regulators tasked with ensuring a stable, safe, and equitable financial system, and for the consumers to whom new products and services appeal. Mobile devices, agent networks, and software applications have transformed how people move and manage their money in every region of the world. Although millions of people have been able to take advantage of these offerings, the ability to use them requires access to a mobile device, enough income to afford mobile network access costs, and digital skills such as the ability to activate a digital wallet or account, navigate user interfaces, manage passwords, and use authentication services. For example, a recent study in Malawi found that digital loans taken out in response to a text message–driven mass marketing campaign were less likely to be repaid.<sup>14</sup> And in Mexico, the speed with which internet-based loans can be arranged is associated with lower loan repayment.<sup>15</sup>

Atop these challenges are risks for consumers, including lack of transparency about fees and other terms of service, aggressive marketing, poor dispute resolution, data or identity theft, mobile app fraud, and other threats.<sup>16</sup> Many of these risks are not new, but they can be amplified given the reach and convenience of digital technologies. Women, who often have less prior financial experience, may be more exposed to financial abuse. For example, a nationally representative survey in Côte d’Ivoire found that women are less likely to understand the financial products offered through their phones (22 percent of women, compared with 18 percent of men) and more likely to lose money to scams (16 percent of women, compared with 12 percent of men).<sup>17</sup>

Responses to Global Findex 2021 survey questions reveal the ways in which respondents may be ill-equipped to use financial account functionality or, in the case of credit, to pay back a loan. As for a consumer’s capacity to use digital financial services, the survey asked respondents about their ability to use their account and found that in Sub-Saharan Africa, one in three (31 percent) mobile money account holders cannot use their account without help. This finding is instructive for the way it quantifies the share of adults who could be vulnerable to certain forms of consumer risks (figure 3.3.1). In some economies, this share is substantially higher.

14. Brailovskaya et al. (2021).

15. Burlando et al. (2021).

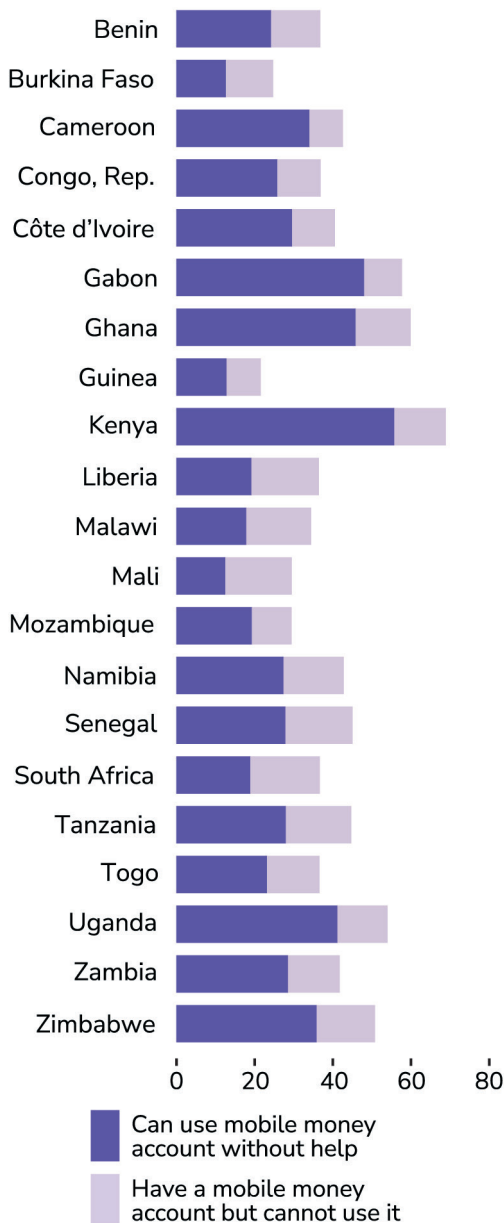
16. Chalwe-Mulenga and Duffos (2021).

17. CGAP (2022).

**FIGURE 3.3.1**

*In Sub-Saharan Africa, about 30 percent of mobile money account owners, on average, need help to use their account*

Adults with a mobile money account (%), 2021



Source: Global Findex Database 2021.

For example, in Liberia, Malawi, and South Africa more than 50 percent of mobile money users need help using their account. Women are more likely than men to need assistance and therefore are at higher risk. For example, one study of government-to-person (G2P) mobile payments found that women were significantly more likely than men to send a representative to cash out government transfer payments.<sup>18</sup> Women are also more likely to report that their transfer was spent by another family member and to say they had to pay a fee or a tip to an agent to get their money when, officially, there should have been no charge. A proven way to improve financial skills is by encouraging use of accounts, such as by making payments directly into an account, as discussed in chapter 2. Research has shown the benefits of “learning by doing”—for example, factory workers in Bangladesh paid into an account also learned to use their account without assistance.<sup>19</sup>

As for consumer risks, the Global Findex 2021 survey asked adults in developing economies who reported receiving a wage payment into an account whether they paid higher fees than expected to receive it (figure 3.3.2).<sup>20</sup> Although the responses do not reveal whether a bank or an agent charged illicit fees, or whether recipients did not understand the established fee schedule for their account, they do indicate that one in five adults in developing economies who received a private or public sector wage payment into a financial institution account paid higher fees than expected. In several Europe and Central Asia economies such as Bulgaria, Moldova, North Macedonia, and Serbia, where wages are typically paid into financial institution accounts, more than one in four adults receiving a wage payment into a financial institution account paid unexpected fees.

Unexpected fees were also reported for wage payments put directly into a mobile money account (figure 3.3.3). For example, in Uganda over 40 percent of adults receiving wage payments reported unexpected fees, as did almost one in four wage

18. Glynn-Broderick and Koechlein (2021).

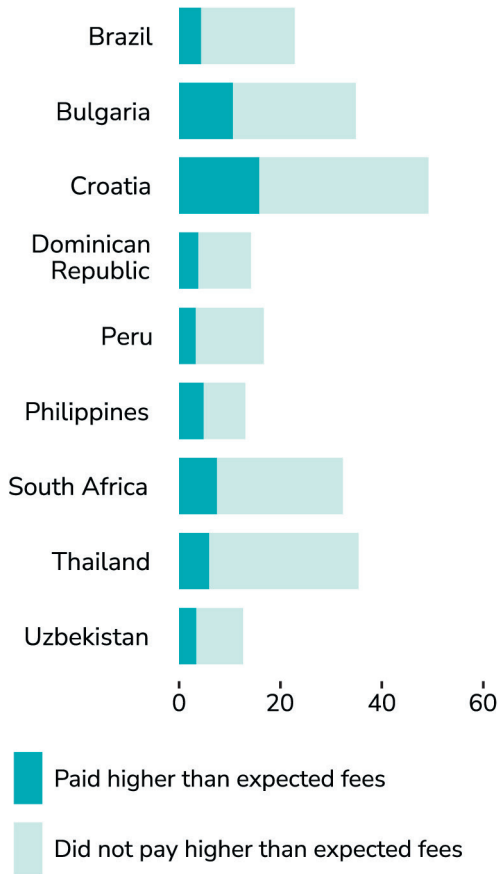
19. Breza, Kanz, and Klapper (2020).

20. A caveat is that it is not known whether the payment was recently digitalized because research shows that digital payment recipients build financial capability over time. It may be that adults who recently received their first digital payments, such as a pandemic relief payment, were less familiar with related fees.

**FIGURE 3.3.2**

*In developing economies, 1-in-5 wage recipients, on average, paid higher fees than expected to receive their wages directly into an account*

Adults receiving a wage payment into a financial institution account (%), 2021

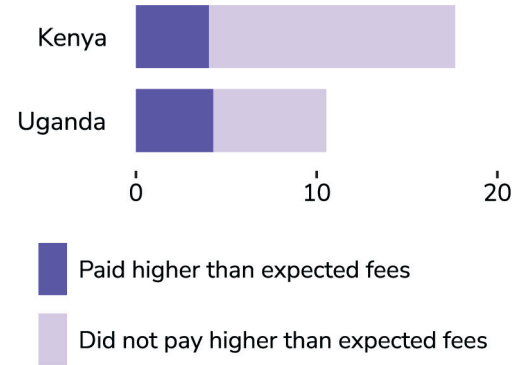


Source: Global Findex Database 2021.

**FIGURE 3.3.3**

*In certain economies, the share of wage recipients paying unexpected fees to receive their money into an account was as high as 40 percent*

Adults receiving a wage payment into a mobile money account (%), 2021

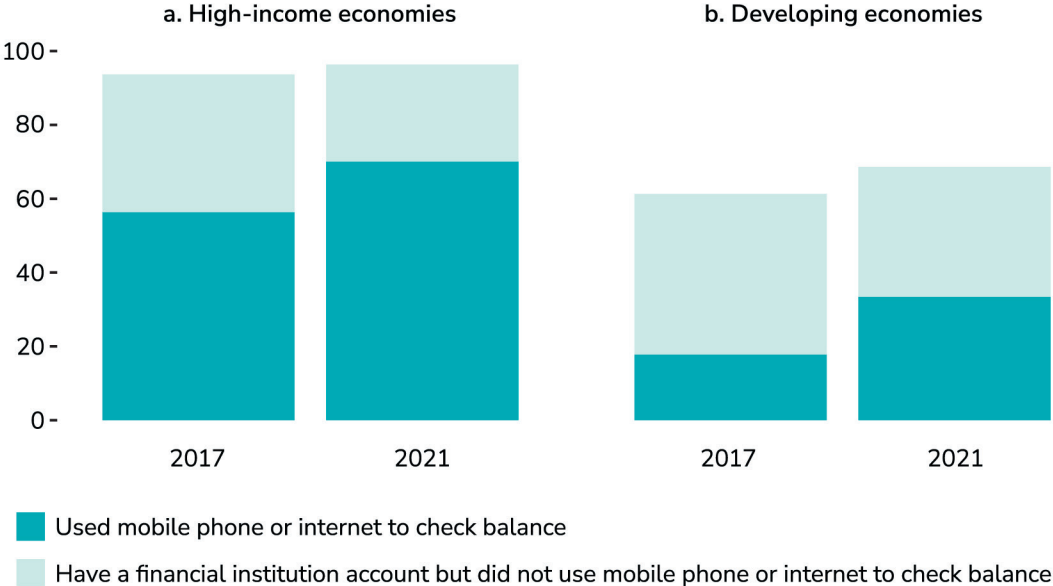


Source: Global Findex Database 2021.

payment recipients in Kenya. Several studies cited in the introduction to this chapter reveal inconsistencies in account disclosures and transparency related to transaction prices, either of which could explain these real-world experiences shared by respondents. In many cases highlighted in the literature, the true costs of digital transactions were inconsistent with the prices published in tariff guides or reported by an agent. Some fees, such as Unstructured Supplementary Service Data (USSD) charges, which allow people without a smartphone or data or internet connection to use mobile banking, were hidden and therefore completely unexpected by users.<sup>21</sup>

These examples highlight the large asymmetries of information that can be used to take advantage of consumers. Digital technology can also help bridge those asymmetries, however, and empower consumers with the information needed to build trust and greater confidence in the financial system.<sup>22</sup> Product functionality and design can help. Between 2017 and 2021, the share of adults with an account at a financial institution who used a mobile phone or the internet to check their balance went up from 18 percent to 33 percent in developing economies and from 56 percent to 70 percent in high-income economies (figure 3.3.4). Brazil, China, the Russian Federation, and South Africa saw substantial gains in the share of adults using mobile devices or the internet to check account balances. Other economies with high rates of account ownership, such as India and Indonesia, still have room to increase the share of account holders that use digital channels to look up account information (figure 3.3.5).

**FIGURE 3.3.4**  
*In developing economies, a third of adults used digital channels to check account balances*  
 Adults with a financial institution account (%), 2017–21



Source: Global Findex Database 2021.

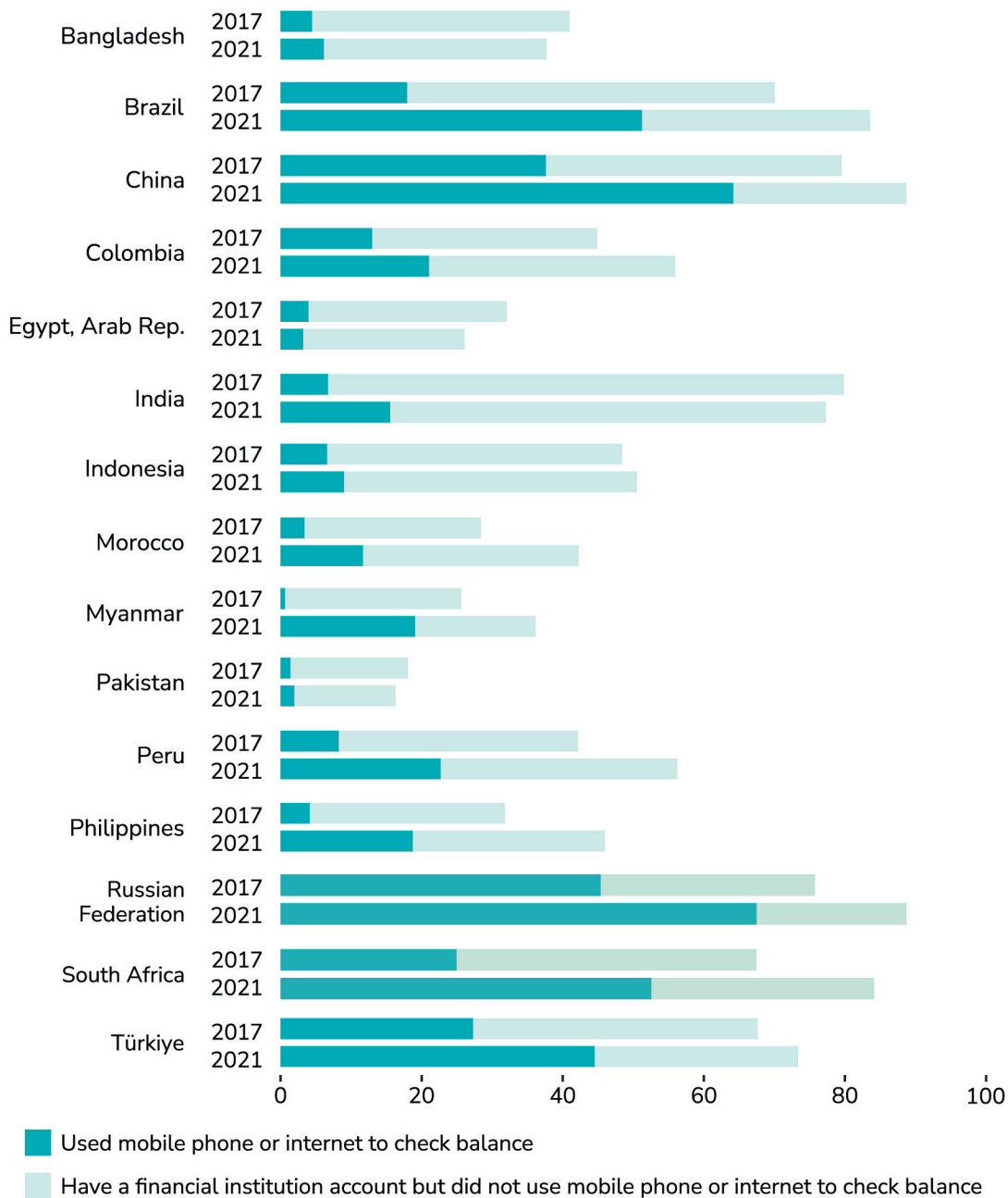
21. See, for example, Annan (2022); Annan and Giné (n.d.); Gwer et al. (2019).

22. For a discussion, see Feyen et al. (2021).

**FIGURE 3.3.5**

*In some developing economies with high account ownership, many used digital channels to check account balances*

Adults with a financial institution account (%), 2017–21



Source: Global Findex Database 2021.

## Sharing the responsibility for financial well-being among consumers, regulators, and financial institutions

There is growing recognition that financial well-being should not fall exclusively on the shoulders of consumers but should be a shared responsibility. As the financial industry and consumers shift to digital financial services, financial regulators and supervisory agencies should develop better supervisory monitoring systems to identify the types of financial risks in the market and measure their frequency and impact.<sup>23</sup> Frauds, scams, and pricing and marketing practices can evolve quickly using technology and as a result require more diligent monitoring by supervisors.

Meanwhile, it is also important to require financial providers to take steps to ensure that users of digital financial services fully understand providers' disclosures about product features and fees. Although disclosures are important for all financial products and much of the same information will apply, expanded disclosures for digital and fintech offerings may be necessary. For example, financial product terms and conditions may be harder to review using digital channels (such as a mobile phone) and thus require different approaches to the disclosure of basic features and key terms.<sup>24</sup> Although consumers understand that financial institutions must charge fees to cover operational costs, they often complain about the lack of transparency about when and how much they will be charged. Research in the United States has found that consumers became significantly more attentive to expense ratios and short-term performance after a 2012 reform mandating fee and performance disclosures for the investment options in individual retirement plans.<sup>25</sup> A possible remediation approach might be to establish clear guidelines for financial institutions about disclosures and transparency, as well as sound enforcement practices to ensure compliance.

Although the idea is to hold financial institutions accountable for harmful practices, preventing harm also includes informing consumers about the risks of predatory financial practices and what they look like. Because of the growing use of digital financial services by less educated adults and other vulnerable groups, it is important that financial service providers offer this information in plain language and in a format that users can easily understand.

Financial service providers can also invest in and draw on behavioral insights and design research. Examples include incorporating product design features that help people act on pre-established intentions, such as building savings for an emergency or for a specific goal. Behavioral insights can also help financial institutions communicate more effectively with customers, provide clear and complete information about costs, highlight salient details, and ensure that the benefits and risks of financial products and services are understood by customers.

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23. For additional information, see Consultative Group to Assist the Poor, "Market Monitoring for Financial Consumer Protection," <https://www.cgap.org/topics/collections/market-monitoring/tools>.

24. Boeddu and Chien (2018).

25. Kronlund et al. (2021).

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