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Article

The Global Findex Database 2017: Measuring Financial Inclusion and Opportunities to Expand Access to and Use of Financial Services

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Abstract

Financial services can help drive development. They help people escape poverty by facilitating investments in their health, education, and businesses. And they make it easier to manage financial emergencies—such as a job loss or crop failure—that can push families into destitution. A growing body of research reveals many potential development benefits from financial inclusion—especially from the use of digital financial services, including mobile money services, payment cards, and other financial technology (or fintech) applications. Although the evidence is somewhat mixed, even studies that do not find positive results often point to possibilities for achieving better outcomes through careful attention to local needs.[1] Many poor people around the world lack the financial services that can serve these functions, such as bank accounts and digital payments. Instead, they rely on cash—which can be unsafe and hard to manage. That's why the World Bank has made it a key priority to promote financial inclusion—access to and use of formal financial services.

Measurement is key to understanding financial inclusion and identifying opportunities to expand it. In 2011 the World Bank launched the Global Findex database, the world's most comprehensive database on how adults save, borrow, make payments, and manage risks. Compiled using nationally representative surveys in of more than 150,000 adults age 15 and above in over 140 economies, the 2017 Global Findex database includes updated indicators on access to, and use of, formal and informal financial services. It has additional data on the use of financial technology, including the use of mobile phones and the Internet to conduct financial transactions. The 2017 Global Findex is the third survey round, following the initial one and a second one in 2014.[2]

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1 For overviews of how financial inclusion can drive development, see Karlan et al. (2016); and Demirgüç-Kunt, Klapper, and Singer (2017).

2 The complete individual-level and economy-level databases feature indicators disaggregated by gender, household income, education, age group, labor force status, and rural residence. They are available for free online (see World Bank (2017)).

1. Continued Growth in Account Ownership

The Global Findex database shows that 1.2 billion adults worldwide opened an account at a financial institution or through a mobile money provider between 2011 and 2017, including 515 million adults since 2014. This means that 69 percent of adults now have an account, up from 62 percent in 2014 and from 51 percent in 2011. In high-income economies, 94 percent of adults have an account; in developing economies 63 percent do. There is also wide variation in account ownership among individual economies (fig. 1).

The vast majority of account owners have an account at a bank, a microfinance institution, or another type of regulated financial institution. Sub-Saharan Africa is the only region where the share of adults with a mobile money account exceeds 10 percent. This was also true in 2014. At that time East Africa was the region's mobile money hub. But mobile money accounts have since spread to new parts of Sub-Saharan Africa (fig. 2). The share of adults with a mobile money account has now surpassed 30 percent in Côte d'Ivoire and Senegal—and 40 percent in Gabon.

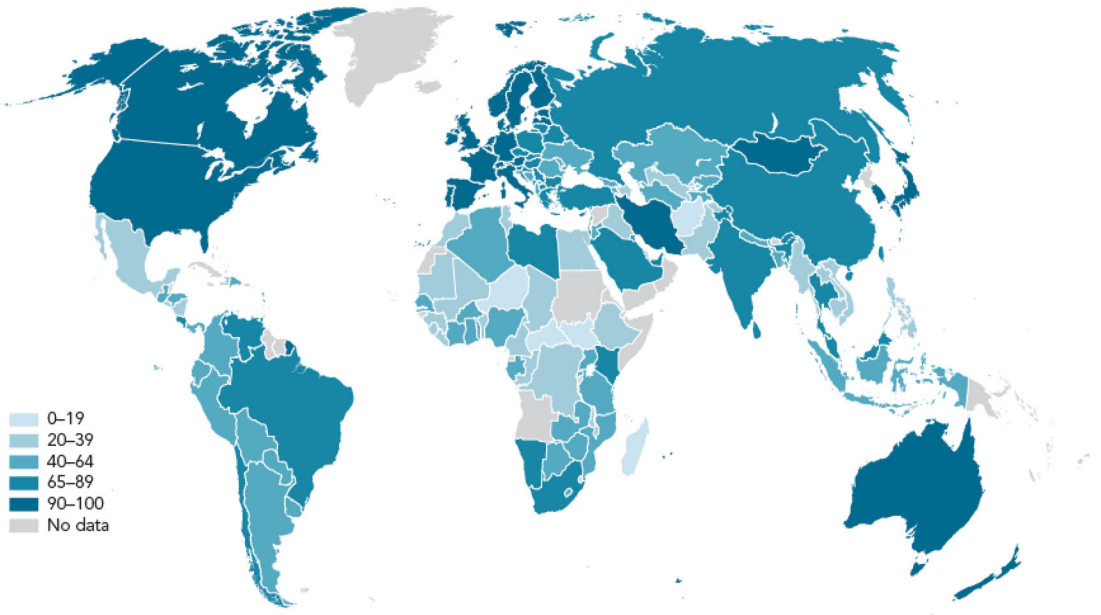
Mobile money accounts have also taken root in economies outside Sub-Saharan Africa. In some, the share of adults with a mobile money account has reached about 20 percent or more—including Bangladesh, the Islamic Republic of Iran, Mongolia, and Paraguay.

2. Persistent Inequality in Account Ownership

Even as account ownership continues to grow, inequalities persist. While 72 percent of men have an account, only 65 percent of women do. That gender gap of 7 percentage points was also present in 2014 and 2011. In developing economies the gender gap remains unchanged at 9 percentage points.

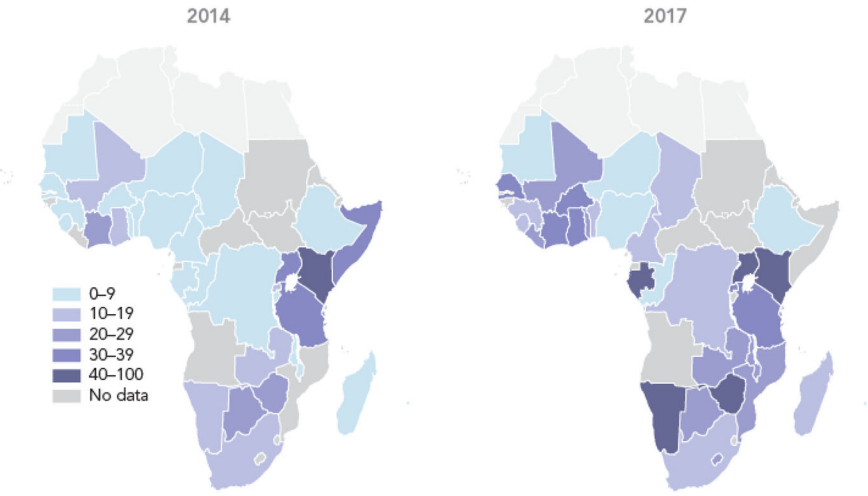
Nor has the gap between richer and poorer narrowed. Among adults in the richest 60 percent of households within economies, 74 percent have an account. But among those in the poorest 40 percent,

Figure 1. Account Ownership Varies Widely Around the World
Adults with an account (%), 2017



Source: Global Findex database.

Figure 2. Mobile Money Accounts have Spread More Widely in Sub-Saharan Africa Since 2014
Adults with a mobile money account (%)



Source: Global Findex database.
Note: Data are displayed only for economies in Sub-Saharan Africa.

only 61 percent do, leaving a global gap of 13 percentage points. The difference is similar in developing economies, and neither gap has changed meaningfully since 2014. Account ownership is also lower among young adults, the less educated, and those who are out of the labor force.

3. Increasing Financial Inclusion through Digital Technology

Since being launched in 2011, the Global Findex database has provided insights into ways to increase financial inclusion. The 2017 edition, for the first time, features data on mobile phone ownership and access to the Internet, revealing unprecedented opportunities to reduce the number of adults without an account and to help those who have one to use it more often.

Of course, digital technology alone is not enough to increase financial inclusion. Ensuring that people benefit from digital financial services requires a well-developed payments system, good physical infrastructure, appropriate regulations, and vigorous consumer protection safeguards. And whether digital or analogue, financial services need to be tailored to the needs of disadvantaged groups such as women, poor people, and first-time users of financial services, who may have low literacy and numeracy skills.

Having a simple mobile phone can potentially open access to mobile money accounts and other financial services. Having access to the Internet as well expands the range of possibilities. These technologies could help overcome barriers that unbanked adults say prevent them from accessing financial services. Mobile phones could eliminate the need to travel long distances to a financial institution. And by lowering the cost of providing financial services, digital technology might increase their affordability.

Increasing the Ownership of Accounts

Globally, about 1.7 billion adults remain unbanked—without an account at a financial institution or through a mobile money provider. Yet among adults without an account at a financial institution only 3 percent cited not needing one as their only reason for not having an account.

How many unbanked adults have a mobile phone? Globally, about 1.1 billion—or about two-thirds of all unbanked adults. Fewer unbanked adults have both a mobile phone and access to the Internet in some form—whether through a smartphone, a home computer, an Internet café, or some other way. Globally, the share is about a quarter. But just as for accounts, access to digital technology—whether a mobile phone or both a mobile phone and the Internet—tends to be lower among women, poorer adults, the less educated, and other traditionally disadvantaged groups.

By moving routine cash payments into accounts, governments and businesses could help dramatically reduce the number of unbanked adults. Governments make several types of payments to people—paying wages to public sector workers, distributing public sector pensions, and providing government transfers to those needing social benefits. Digitizing these payments could reduce the number of unbanked adults by up to 100 million globally. Many of these adults have the basic technology needed to receive these payments in digital form. Of the 60 million unbanked adults worldwide who receive government transfers in cash, two-thirds have a mobile phone.

Even bigger opportunities are available in the private sector. Globally, about 230 million unbanked adults work in the private sector and get paid in cash only; 78 percent of these wage earners have a mobile phone.

Unbanked farmers could benefit from the security and convenience of digital payments for agricultural sales. About 235 million unbanked adults worldwide receive cash payments for the sale of agricultural products—and 59 percent of them have a mobile phone. Digitizing agribusiness supply chains could also build payment histories and help expand access to credit and insurance for small farmers.

Increasing the Use of Accounts

Owning an account is an important first step toward financial inclusion. But to fully benefit from having an account, people need to be able to use it in safe and convenient ways—for saving money, for managing risk, for making or receiving payments. Global Findex data point to many opportunities to help people who already have an account make better use of it.

Globally, 52 percent of adults—or 76 percent of account owners—reported having made or received at least one digital payment using their account in the past year. In high-income economies the share was 91 percent of adults (97 percent of account owners), in developing economies 44 percent of adults (70 percent of account owners).

Mobile phones and the Internet increasingly offer an alternative to debit and credit cards for making direct payments from an account. In high-income economies 51 percent of adults (55 percent of account owners) reported making at least one financial transaction in the past year using a mobile phone or the Internet. In developing economies 19 percent of adults (30 percent of account owners) reported making at least one direct payment using a mobile money account, a mobile phone, or the Internet.

But not all people who have an account actively use it. Globally, about a fifth of account owners reported making no deposit and no withdrawal—in digital form or otherwise—in the past 12 months and therefore have what can be considered an inactive account. The share with an inactive account varies across economies but is especially high for many economies in South Asia. In India, the share is 48 percent—the highest in the world and about twice the average of 25 percent in developing economies.

Global Findex data suggest several ways to further increase the use of accounts among all account owners. This is not simply a matter of account owners choosing to use accounts rather than cash. Financial service providers need to offer safe, affordable, and convenient products that make using accounts more appealing than using cash. Globally, a billion adults who have an account still use cash to pay utility bills. If more utility providers offered an attractive option for paying bills digitally, both sides could benefit from greater efficiency.

Many adults who are employed and have an account still get paid in cash. About 300 million account owners worldwide work in the private sector and get paid in cash, while roughly 275 million account owners receive cash payments for the sale of agricultural products.

And roughly 280 million account owners in developing economies use cash or an over-the-counter service to send or receive domestic remittances—including 10 million in Bangladesh and 65 million in India.

4. Patterns in Saving, Credit, and Financial Resilience

Global Findex data also show how and why people save and borrow, and shed light on their ability to meet unexpected expenses.

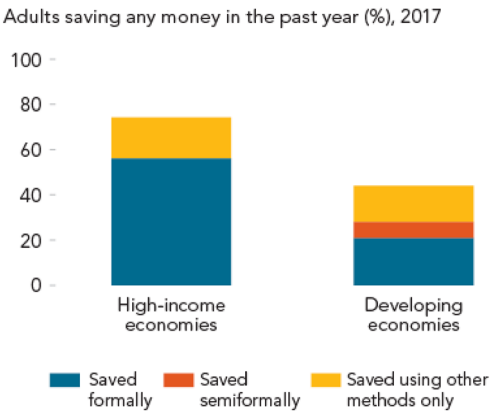
Saving for the Future

About half of adults worldwide reported saving money in the past year. In high-income economies 71 percent reported saving, while in developing economies 43 percent did (fig. 3). People save money in different ways. Many save formally, such as by using an account at a financial institution. In high-income economies more than three-quarters of savers (55 percent of all adults) save using this method; in developing economies just under half of savers (21 percent of all adults) save this way. A common alternative is to save semiformally, by using a savings club—particularly common in Sub-Saharan Africa—or by entrusting savings to someone outside the family. And some save in some other way. This may include simply saving in cash at home ("under the mattress") or saving in the form of livestock, jewelry, or real estate. Other methods may also include using investment products offered by equity and other traded markets or purchasing government securities.

Borrowing Money

About half of adults worldwide reported borrowing money in the past year. A higher share did so in high-income economies, where most borrowers rely on formal credit, extended by a financial institution or through a credit card. By contrast, borrowers in developing economies are most likely to turn to family or friends (fig. 4).

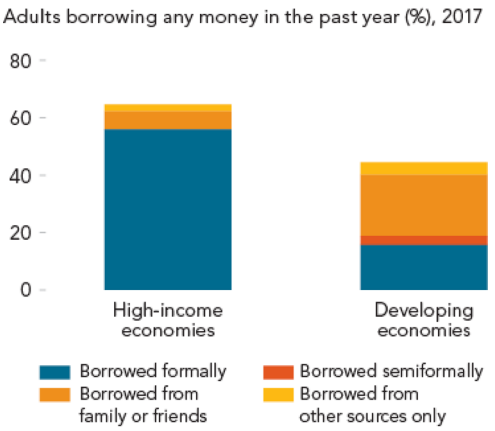
Figure 3. Globally, More than Half of Adults who Save Choose to do so at a Financial Institution



Source: Global Findex database.

Note: People may save in multiple ways, but categories are constructed to be mutually exclusive. *Saved formally* includes all adults who saved any money formally. *Saved semiformally* includes all adults who saved any money semiformally but not formally. Data on semiformal saving are not collected in most high-income economies.

Figure 4. Borrowers are More Likely to Rely on Formal Credit in High-Income Economies than in Developing Ones

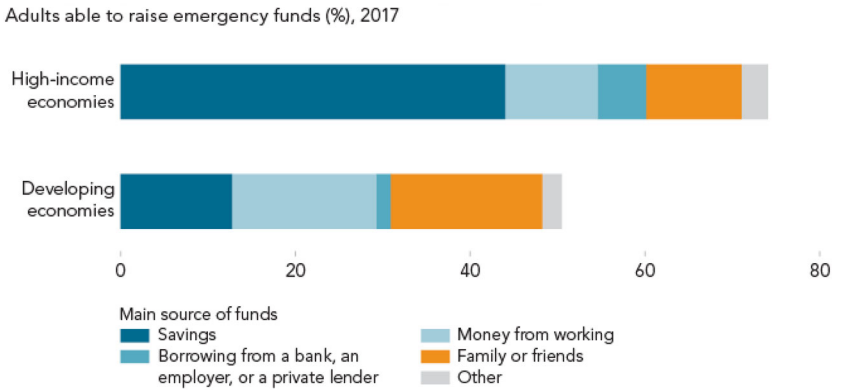


Source: Global Findex database.
Note: People may borrow from multiple sources, but categories are constructed to be mutually exclusive. *Borrowed formally* includes all adults who borrowed any money from a financial institution or through the use of a credit card. *Borrowed semiformally* includes all adults who borrowed any money semiformally (from a savings club) but not formally. *Borrowed from family or friends* excludes adults who borrowed formally or semiformally.

Coming Up with Emergency Funds

Ultimately, financial services should help people prepare for unexpected income shocks, such as health expenses or loss of a job. To measure financial resilience, the 2017 Global Findex survey asked respondents whether it would be possible to come up with an amount equal to 1/20 of gross national income (GNI) per capita in local currency within the next month. It also asked what their main source of funding would be. Those in high-income economies were far more likely to say they could raise emergency funds (fig. 5). Among the respondents saying they could come up with funds, most in high-income economies said they would rely on savings, while most in developing economies said they would turn to family or friends, or use money from working. Among those in developing economies who cited savings as their main source of funding, 85 percent have an account, but only 50 percent reported having saved at a financial institution.

Figure 5. People in High-Income Economies are More Likely to do Able to Raise Emergency Funds—and to do so through Savings



Source: Global Findex database.
Note: Other includes all respondents who chose “selling assets,” “other sources,” “don’t know,” or "refuse" as their response for main source of emergency funds.

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