Measuring Financial Inclusion: The Global Findex Dataset

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Development Research Group
World Bank
## Why collect Global Findex data? Sources of Financial Inclusion Data

<table>
<thead>
<tr>
<th>Supply side surveys</th>
<th>Demand side surveys</th>
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<tbody>
<tr>
<td><strong>In depth data... but less coverage</strong></td>
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<tr>
<td>• Various institution-specific administrative data</td>
<td>• LSMS financial modules</td>
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<td>• FinScope</td>
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<td>• EFI\textsc{NA}</td>
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<td>• Fin\textsc{clusion} (\textsc{Intermedia})</td>
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<td>• WB Financial Literacy surveys</td>
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<td>• OECD SME Scorecard</td>
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<td><strong>Limited headline numbers... but broader coverage</strong></td>
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<td>• IMF Financial Access Survey</td>
<td>• WB Enterprise Surveys</td>
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<td>• GSMA</td>
<td>• Gallup World Poll, World Value Survey, Pew Research,</td>
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<td>• WB Global Payment Systems Survey</td>
<td>etc.</td>
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<td></td>
<td>• Global Findex</td>
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In 2014, the World Bank – with funding from the Bill & Melinda Gates Foundation and in partnership with Gallup, Inc. – updated and expanded the Global Findex dataset, an unprecedented study of financial inclusion based on interviews with almost 150,000 adults in over 140 economies worldwide.

54% of adults in developing economies had an account in 2014, up from 41% in 2011 – but 2 billion adults remain unbanked.
How Can Financial Inclusion Increase Financial Resilience?

Financial inclusion can increase resilience in two ways:

- Helping poor adults climb out of poverty by making it possible to invest in education and business—and small enterprises pursue promising growth opportunities.

- Providing ways to survive economic disasters like unemployment, drought/floods, or the loss of a breadwinner, financial inclusion also prevents people from falling into poverty in the first place.

For example,

- In India, an effort to set up accounts for rural farmers reduced the rate of rural poverty between 14-17 percentage points.
- In Kenya, merchants who received a basic account invested more in their businesses.
- Access to insurance helped farmers in Burkina Faso and Senegal increase yields and better manage food security.
- In Niger, digital payments for agricultural wages resulted in time savings that were equivalent to a cash amount large enough to feed a family of five for a day.
- In Kenya, adults that use mobile money receive greater financial support in emergencies.
What country-level factors explain the wide variations in account ownership across emerging economies?

- Differences in the legal, regulatory, and tax environment (financial & telecom)
- Impact of reforms, such as new laws/regulations permitting agents, mobile money accounts (technology), and tiered KYC

Economic Activity and Financial Inclusion

Account Ownership and GDP Per Capita

- What country-level factors explain the wide variations in account ownership across emerging economies?
- Differences in the legal, regulatory, and tax environment (financial & telecom)
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Barriers to Account Ownership Around the World

Total Percentage of Adults

- Do not need an account: 30%
- Family member already has an account: 28%
- Accounts too expensive: 23%
- Financial institutions too far away: 22%
- Lack of necessary documentation: 18%
- Lack of trust: 12%

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
Financial Inclusion in Developing Countries
Total Percentage of Adults, 2014

The percent of unbanked adults in the poorest 40% of households dropped by 17 percentage points – but more than half in developing countries are still without accounts.

In India, men are more than 20 percentage points more likely than women to have an account.

In the Middle East older adults are twice as likely as younger adults to have an account.

234 million adults in China remain unbanked and 71% of them live in rural areas.

Challenges: Inequality in Access

Poorest 40% of Households: 46%
Richest 60% of Households: 60%
Women: 50%
Men: 59%
The Benefits and Risks of Digital Financial Services

- Over half of all account owners in Latin America use their debit card to make direct payments.
- About 9 in 10 government payment recipients in Brazil and South Africa are paid into an account.
- Nearly a quarter of adults in Turkey report using a credit card.
- Over 400 million unbanked adults receive government transfer or wage payments in cash.
- 30% of adults in China make payments from their account using their mobile phone.

Makes or receives digital payments

Note: The height of the bar is the percentage of adults with an account.
Savings behavior

Total Percentage of Adults

- **Did not save**
- **Saved in other ways**
- **Saved using a community savings group**
- **Saved using an account**

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<tr>
<th>Region</th>
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<tr>
<td>High Income: OECD</td>
<td>50%</td>
<td>20%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>China</td>
<td>50%</td>
<td>20%</td>
<td>10%</td>
<td>20%</td>
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<tr>
<td>East Asia &amp; Pacific (ex. China)</td>
<td>50%</td>
<td>20%</td>
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<td>India</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>50%</td>
<td>20%</td>
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<td>20%</td>
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Formal Credit
Total Percentage of Adults

Origination of new formal loans around the world
Adults borrowing from a financial institution in the past year (%), 2014

- 0–4
- 5–9
- 10–14
- 15–19
- 20–100
- No data available

Source: Global Findex database.
Borrowing behavior, including credit card payments

High Income: OECD
- Total Percentage of Adults: 35%
  - Used credit card: 18%
  - Borrowed formally: 17%

Turkey
- Total Percentage of Adults: 16%
  - Used credit card: 20%
  - Borrowed formally: 6%

Brazil
- Total Percentage of Adults: 22%
  - Used credit card: 12%
  - Borrowed formally: 10%

Argentina
- Total Percentage of Adults: 18%
  - Used credit card: 8%
  - Borrowed formally: 10%
Challenges to Financial Stability: Financial Literacy and Use of Formal Credit

Financial Literacy

Total Percentage of Adults who used a credit card or borrowed from a financial institution in the past year

Credit card ownership has doubled in China since 2011 – to 16%. Yet only 58% percent of credit card owners understand interest compounding.

Source: S&P Global FinLit Survey and Global Findex database
Note:
The height of the bars is the percentage of adults that used a credit card or borrowed from a bank
Major advanced economies include: Canada, France, Germany, Italy, Japan, United Kingdom, United States
Major emerging economies include: Brazil, China, India, Russian Federation, South Africa
1.2 billion adults in developing countries say they would use savings in case of an emergency—but 56% of these adults do not save at a financial institution.

Financial Resilience: Source of emergency funds
Total Percentage of Adults

Note: the height of the bar is the percentage of adults that report being able to come up the equivalent of 1/20th of GNI in a month.
www.worldbank.org/globalfindex

@GlobalFindex