The role of demand-side data – measuring financial inclusion from the perspective of users of financial services

Leora Klapper and Dorothe Singer,
World Bank
The Role of Demand-Side Data

Measuring Financial Inclusion from the Perspective of Users of Financial Services

Leora Klapper1 and Dorothe Singer2

Abstract

This paper provides an overview of sources of financial inclusion indicators and highlights the importance of collecting measures of financial inclusion from the perspective of users of financial services – also known as demand-side data. The paper illustrates the important role of collecting demand-side data on financial inclusion by providing insights from the 2014 Global Findex database on borrowing. Developing more inclusive financial systems remains a key issue on policy agendas around the world. Measurement is key to understanding financial inclusion and identifying opportunities to remove barriers that may be preventing people from using financial services. The Global Findex database, launched in 2011 by the World Bank, has made it possible for the first time to measure financial inclusion in a systemic and comparable way for adults around the world from the perspective of the users of financial services.

Keywords: Consumer Finance; Financial Inclusion; Financial Institutions; Government Policy and Regulation

JEL classification: D14, G02, G28

1 Lead Economist, Finance and Private Sector Development, Development Research Group, The World Bank (lklapper@worldbank.org)

2 Economist, Finance and Private Sector Development Team, Development Research Group, The World Bank (dsinger@worldbank.org)
Contents

The Role of Demand-Side Data

Measuring Financial Inclusion from the Perspective of Users of Financial Services

1. Introduction

2. Motivation to collect global demand-side indicators of financial inclusion

3. The Global Findex database

   Map 1: Account ownership around the world

   Uses of the Global Findex database

   Global Findex methodology

4. Insights from the 2014 Global Findex on borrowing

   How and why people borrow

   Map 2: Origination of new formal loans around the world

   What is the role of credit cards?

   What are the main purposes for borrowing?

   Saving or borrowing for business?

   Financial literacy and borrowing

   Map 3: Financial literacy around the world

5. Conclusion

References

The Role of Demand-Side Data
1. Introduction

Financial inclusion means that households have access to and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably in a well-regulated environment. Studies show that when people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk and absorb financial shocks.3

The rise of financial inclusion as an important policy goal is due in part to mounting evidence that access to financial products can make a positive difference in the lives of the poor. Field evidence shows that when financial services are available to poor households, the poor are eager to both access services and to maintain access by frequent repayments. The results of the worldwide Financial Diaries Project4 show how dependent the poor are on various financial instruments, both informal and formal, to manage what little money they have on a day-to-day basis. Furthermore, an increasing number of academic studies show that granting the poor access to financial services can make a difference in their lives in various ways. There is also a clear understanding that for poor households, credit is not the only – or in many cases, the principal – financial service they need: good savings, payments services and insurance may rank higher (World Bank, 2008).

Measurement is key to understanding financial inclusion and identifying opportunities to remove barriers that may be preventing people from using financial services. The Global Findex database, launched in 2011 by the World Bank, has made it possible for the first time to measure financial inclusion in a systemic and comparable way for adults around the world from the perspective of the users of financial services.

This paper provides an overview of sources of financial inclusion indicators and highlights the importance of collecting measures of financial inclusion from the perspective of users of financial services – also known as demand-side data. The paper illustrates the important role of collecting demand-side data on financial inclusion by providing insights from the 2014 Global Findex database on borrowing.

The remainder of this paper is organized as follows. Section 2 provides the motivation to collect global demand-side indicators of financial inclusion. Section 3 discusses the Global Findex database in more detail, including its uses and methodology. Section 4 presents insights from the 2014 Global Findex database on borrowing, highlighting the detailed information demand-side data on financial inclusion can provide. Section 5 concludes.

---

3  See, for example, Aportela (1999); Ashraf, Karlan, and Yin (2010); Beck, Demirguc-Kunt, and Martinez Peria (2007); Bruhn and Love (2014); Burgess and Pande (2005); Dupas and Robinson (2013a, 2013b); Prina (2012); and Ruiz (2013). See also World Bank (2014a) and Karlan and Morduch (2010) Cull, Ehrbeck, and Holle (2014), and Demirguc-Kunt, Klapper and Singer (2017) for an overview of the literature on financial inclusion.

4  For more information see “Portfolios of the Poor”. by Collins, et al., (2009).
2. Motivation to collect global demand-side indicators of financial inclusion

Developing more inclusive financial systems remains a key issue on policy agendas around the world. Yet the access dimension of financial development has often been overlooked, mostly because of serious data gaps on who has access to which financial services, and a lack of systematic information on the barriers to broader access. Although large, cross-country, comparable data sets are collected annually on the supply-side, i.e. from the point of view of institutions, the data collection efforts for the demand side, i.e. from the point of view of the household or individual, are limited and generally uncoordinated. However, individual-level surveys are necessary to collect data on the demographic characteristics of financial services users to identify segments of the population with the greatest barriers to access to finance, such as women, rural residents and the poor. In 2011 the World Bank launched the Global Findex database to fill this data gap. Updated and expanded in 2014 (and forthcoming in 2017), it is the first global, comparable, demand-side set of indicators of financial inclusion, which is of value to policymakers, researchers, donors and practitioners.

As summarized in Table 1, there have been numerous previous efforts to collect both supply-side and demand-side indicators of financial access. On the supply-side, indicators of financial outreach, such as number of bank branches and ATMs per capita and per square kilometer as well as the number of loan and deposit accounts per capita, were collected from 99 country regulators for the first time in 2004 (see Beck, Demirgüç-Kunt, and Martinez-Peria, 2007). This data and analysis was prominently featured in the World Bank (2008) Policy Research Report, “Finance For All?”, which discussed policies to expand financial access and emphasized the need for more comprehensive and consistent data to measure it. Currently, the IMF collects the annual Financial Access Survey data directly from over 170 financial regulators and providers of digital financial services globally. Descriptive information is also collected through voluntary reporting of microfinance institutions (Mix Market and Microcredit Summit Report) and savings banks (World Savings and Retail Banking Institute (WSBI)). These supply-side datasets are successful in captivating the attention of policymakers, researchers and donors by highlighting the importance of measuring and tracking financial inclusion.

Yet, while these datasets are important sources of basic cross-country indicators at a relatively low cost, supply-side indicators have many important limitations. First, data collected by the IMF is only collected from regulated financial and telecommunication institutions and hence provides a fragmented view of financial access. Second, and most importantly, this approach does not allow disaggregation of financial service users by income or other characteristics; hence, policymakers are unable to identify segments of the population with the greatest barriers to access to finance, such as woman or youth.

On the demand-side, however, survey-based data are quite limited, both in terms of the number of countries that are covered, and the amount of information collected about respondents. In addition, the data are often not comparable across countries because the surveys use different definitions. For instance, only a handful of the World Bank Living Standard Measurement Surveys (LSMS) ask questions on the use of financial services, and even these provide limited financial information. An ambitious multi-country effort to measure access of individuals to a wide range of financial services was launched by Finmark Trust in South Africa and four neighbouring...
countries in 2002 and has since been extended to several other African and Asian countries, yet this is limited to these regions. In this way, the lack of cross-country comparability between survey instruments prevents drawing conclusions that are robust across countries and regions.

Table 1: Review of supply-side and demand-side financial inclusion indicators

<table>
<thead>
<tr>
<th>Supply-side</th>
<th>Demand-side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emphasis</td>
<td>Data sources</td>
</tr>
<tr>
<td>In-depth data, but less coverage</td>
<td>- Information gathered from multiple stakeholders</td>
</tr>
<tr>
<td>- Annual surveys</td>
<td></td>
</tr>
</tbody>
</table>

It is important to note another challenge in comparing data from different demand-side surveys: surveys of individuals cannot easily be compared directly with surveys of households. The use of financial services can differ considerably between different household members, and it would be a mistake to assume that one randomly selected household member’s use is representative of the access and behavior of the other members.

3. The Global Findex database

The Global Findex database (Demirguc-Kunt et al., 2015) is the first global, comparable database of financial inclusion indicators: how adults around the world save, borrow, make payments and manage risk. The database complements existing supply-side data by providing individual-level survey data on the demographic characteristics of users of financial services. The Global Findex data are based on interviews with about 150,000 adults in over 140 developing and high-income countries around the world. First launched in 2011 by the World Bank, the database was updated in 2014 and provides more than 100 indicators on financial inclusion, including by gender, age group, and household income.

The database’s headline indicator measuring financial inclusion reveals that between 2011 and 2014, 700 million adults worldwide became account holders. The
number of adults without an account—the unbanked—dropped by 20 percent to 2 billion.

Map 1: Account ownership around the world

![Map 1: Account ownership around the world](https://www.worldbank.org/globalfindex)

Globally, 62 percent of adults reported having an account in 2014, up from 51 percent in 2011. The share of adults with an account increased in nearly every country. Not surprisingly, however, the extent of account ownership continues to vary widely around the world. In high-income OECD countries, account ownership is almost universal: 94 percent of adults reported having an account in 2014. In developing countries, only 54 percent did. There are also enormous disparities among developing countries within regions, where account penetration ranges from 14 percent in the Middle East to 69 percent in East Asia and the Pacific.

Uses of the Global Findex database

The Global Findex database of financial inclusion indicators is used by a wide range of users for many purposes. The list includes:

1. **Benchmarking and motivating policy-makers to expand financial inclusion:** Spotlighting the global and country-level financial access situation helps policymakers assess their relative performance (e.g. to their region and income-group), and has encouraged greater action to increase access. Policymakers are motivated to engage in deeper data gathering activities (such as finance modules introduced by LSMS and Finscope) to diagnose problems identified in the aggregate.

2. **Tracking progress:** The data is used to track the effectiveness of reforms to close the gap in financial access and monitor if reforms improve financial inclusion for some but not others (e.g. women, youth)

3. **Identifying priorities:** The Global Findex data has helped development organizations and donors identify countries and population segments within countries. For example, the World Bank 2020 Universal Financial Access goal targets the 25 countries with the highest levels of unbanked adults.
4. *Providing a baseline for researchers:* The data can identify who are the unbanked, and how they differ from the banked. The cross-sectional panel database has been used to study the relationship between financial access, growth, inequality and poverty.

Table 2 outlines some of the potential uses of the Global Findex database across for different potential categories of users.

**Global Findex methodology**

The key characteristic of a dataset used for measurement, benchmarking, and tracking of financial inclusion around the world is cross-country comparability to show the relative dimensions of financial access across geographical regions and national income levels. Moreover, an important role that these datasets play is helping users understand which parts of the population financial services reach. Therefore, to build a profile of inclusion and to set policy priorities, the database must include demographic covariates, such as gender, income, age, and level of education. Lastly, being able to have regular measurement across the entire set of countries over identical time periods is useful not only to track progress, but also to distinguish the impact of global trends on different countries.

It is also important that the data be collected from a wide range of countries to show how financial access indicators compare across different geographic regions and national income levels. Although the focus is to collect data from a broad sample of low- and middle-income countries, it is important to add a sample of developed countries, across regions, cultures, and legal origins, for countries to benchmark their development and set goals. Furthermore, including a comparative set of developed countries has increased the value and use of the data by researchers, the robustness of the empirical analysis, and the credibility and visibility of the final dataset and Flagship Report.
Table 2: Potential uses of the Global Findex database

<table>
<thead>
<tr>
<th>Category of user</th>
<th>Questions they may ask of the data</th>
<th>Decisions they may take, based on the data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International users</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multilateral agencies/donor agencies</td>
<td>- Within this group of countries, or region, what accounts for observed differences?</td>
<td>- Prioritization (or de-prioritization) of new initiatives</td>
</tr>
<tr>
<td></td>
<td>- Which countries need additional survey work the most?</td>
<td>- Evaluations of inclusion initiatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Whether or not to undertake detailed survey or country diagnostics</td>
</tr>
<tr>
<td>International Researchers</td>
<td>- What appears to guide cross-country differences in financial access over time?</td>
<td>- Which country-level data sets and variables might usefully yield new insights</td>
</tr>
<tr>
<td>Multinational financial service providers</td>
<td>- Where are conditions most similar?</td>
<td>- Prioritization of market entry, based on opportunity and cost</td>
</tr>
<tr>
<td></td>
<td>- Which markets are most ripe to be served?</td>
<td></td>
</tr>
<tr>
<td><strong>Domestic users</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy makers</td>
<td>- How does financial access in my country compare to what I consider to be my peer group? (regionally or level of income)</td>
<td>- Whether further resources are needed to promote increased financial access</td>
</tr>
<tr>
<td></td>
<td>- Which segments of my population are most at risk, compared to my peers?</td>
<td>- Prioritization of populations and financial service types to be promoted</td>
</tr>
<tr>
<td></td>
<td>- What targets should I set for access which I can measure credibly?</td>
<td>- Choice of financial inclusion targets</td>
</tr>
<tr>
<td>Domestic researchers</td>
<td>- What questions are most relevant to study for my country?</td>
<td>- What questions are most relevant to study for my country?</td>
</tr>
<tr>
<td>Domestic financial service providers</td>
<td>- How large is the un-served market?</td>
<td>- Business case justifying opportunity among unserved</td>
</tr>
<tr>
<td></td>
<td>- What are the individual demographic and income characteristics of the unbanked?</td>
<td></td>
</tr>
</tbody>
</table>

An important explanation for the limited availability of comprehensive demand-side surveys is that household level surveys of financial inclusion are very costly. The Global Findex database is an alternative approach to collecting comparable, cross-country, indicators. The data is collected by Gallup, Inc. in conjunction with the Gallup World Poll Survey, which since 2006 has interviewed adults in up to 160 countries over the calendar year. All survey instruments and translations, sampling and data quality control are centralized.

Surveys are conducted face-to-face in countries where telephone coverage reaches less than 80 percent of the population. In most countries, the fieldwork is completed in two to four weeks. In economies where face-to-face surveys are conducted, the first stage of sampling is the identification of primary sampling units.
These units are stratified by population size, geography, or both, and clustering is achieved through one or more stages of sampling. Where population information is available, sample selection is based on probabilities proportional to population size. Otherwise, simple random sampling is used. Random route procedures are used to select sampled households. Unless an outright refusal occurs, interviewers make up to three attempts to survey the sampled household. To increase the probability of contact and completion, attempts are made at different times of the day and, where possible, on different days. If an interview cannot be completed at the initial sampled household, a simple substitution method is used. Respondents are randomly selected within the selected households by means of the Kish grid. In economies where cultural restrictions dictate gender matching, respondents are randomly selected through the Kish grid from among all eligible adults of the interviewer’s gender.

In economies where telephone interviewing is employed, random digit dialing or a nationally representative list of phone numbers is used. In most economies where cell phone penetration is high, a dual sampling frame is used. Random selection of respondents is achieved by using either the latest birthday or Kish grid method. At least three attempts are made to reach a person in each household, spread over different days and times of day.

Data weighting is used to ensure a nationally representative sample for each economy. Final weights consist of the base sampling weight, which corrects for unequal probability of selection based on household size, and the poststratification weight, which corrects for sampling and nonresponse error. Poststratification weights use economy-level population statistics on gender and age and, where reliable data are available, education or socioeconomic status. More information on the data collection period, number of interviews, approximate design effect, and margin of error, as well as sampling details for each economy, can be found in Demirguc-Kunt et al. (2015).

4. Insights from the 2014 Global Findex on borrowing

The Global Findex database provides in-depth data showing how people save, borrow, make payments and manage risks. This section, however, will focus on a slice of the data: how and why adults borrow. This analysis highlights the role of demand-side data on credit and the importance of complementing data on bank borrowing with data on informal sources of credit, its use in conjunction with other financial products, reasons for borrowing and the financial literacy of borrowers.

How and why people borrow

Globally, 42 percent of adults reported having borrowed money in the past 12 months. The overall share of adults with a new loan—formal or informal—was fairly consistent across regions and economies, with Latin America and the Caribbean at the low-end with 33 percent, and Sub-Saharan Africa at the high-end with 54 percent. However, the sources of new loans varied widely across regions.

In high-income OECD economies a financial institution was the most frequently reported source of new loans, with 18 percent of adults reporting that they had borrowed from one in the past 12 months (map 3). In all other regions, family and
friends were the most common source of new loans. Overall in developing economies, 29 percent of adults reported borrowing from family or friends, while only 9 percent reported borrowing from a financial institution. In several regions, more people reported borrowing from a store (using installment credit or buying on credit) than reported borrowing from a financial institution. Less than 5 percent of adults around the world reported borrowing from a private informal lender. Between 2011 and 2014, the share of adults with a new loan from a financial institution remained relatively steady around the world.

Map 2: Origination of new formal loans around the world

![Map of global origination of new formal loans](https://www.worldbank.org/globalfindex)

What is the role of credit cards?

Credit cards are a payment instrument. They also serve as a source of short-term credit when credit card holders do not pay off their balance in full each statement cycle. As a result, their introduction may have affected the demand for and use of short-term formal credit.

In high-income OECD economies, 53 percent of adults reported owning a credit card in 2014. In developing economies, despite recent growth in credit card ownership, only 10 percent on average reported owning one. Just two developing regions, Latin America and the Caribbean and Europe and Central Asia, have a rate of credit card ownership exceeding 15 percent.

In high-income OECD economies the high rate of credit card ownership may help explain why the share of adults with a new loan from a financial institution is not particularly high. Indeed, if adults who reported having used a credit card in the past 12 months are included with those who originated a new loan from a financial institution, this would increase the share with a new formal loan by up to 35 percentage points. Many people use credit cards as a payment instrument and carry no credit balances, however, so this measure overstates the use of credit cards as a source of credit.

Among developing economies, three stand out for their relatively high credit card use: Argentina, Brazil, and Turkey, where more than 20 percent of adults reported having used a credit card in the past 12 months. Including these adults with those
who originated a new loan from a financial institution would increase the share with a new formal loan in these three countries by between 16 and 22 percentage points. By comparison, the increase in other developing economies would typically be less than 10 percentage points.

What are the main purposes for borrowing?

For what purposes are people most likely to borrow? One common reason is to buy land or a home, the largest financial investment that many people make in their life. In 2014, 26 percent of adults in high-income OECD economies reported having outstanding formal housing finance from a bank or another type of financial institution. In contrast, the share was less than 10 percent in all developing regions. Even among high-income OECD economies, there is much variation in the share of adults with a formal housing financing from a financial institution. While half of adults in Norway reported having one, for example, less than 15 percent did in Italy, Greece, and Poland (map 3.3).

Such differences may in part reflect differences in housing finance systems across economies, including differences in types of lenders, housing finance funding, and the degree of government participation, all of which have been shown to affect the availability of loans to individuals. Collateral and bankruptcy laws that define legal rights of borrowers and lenders have also been shown to affect housing finance. To develop in the first place, a housing finance market requires formal property rights and an efficient framework to record ownership of property. As noted, family and friends are the most common source of new loans across all developing regions, and they are likely an informal source of credit for buying land or a home for many people in developing economies.

Survey respondents were also asked whether they had borrowed in the past 12 months for any of three other reasons—for health or medical purposes, for education or school fees, or to start, operate, or expand a business. In developing economies, 14 percent of adults reported borrowing for health or medical purposes. 17 percent of adults in the poorest 40 percent of households reported borrowing for this reason, compared with 12 percent in the richest 60 percent. The gap was largest in East Asia and the Pacific, where those in the poorer group were twice as likely to borrow for this reason, but absent in Latin America and the Caribbean. Borrowing for education and borrowing to start, operate, or expand a business were each reported by 8 percent of adults in developing economies. In high-income OECD economies, about 5 percent or fewer adults reported having borrowed in the past 12 months for health, for education, or to start, operate, or expand a business.

5 IMF 2011.
6 Warnock and Warnock 2008.
7 De Soto 2000.
8 Borrowing for a business also includes borrowing to start, operate, or expand a farm.
**Saving or borrowing for business?**

When people make investments, they have two basic ways to finance them: they can save the money up front, or they can borrow the money and then make periodic payments to pay off their credit. Data from the 2014 Global Findex survey shed some light on how people around the world finance investments in business.

Globally, 17 percent of adults around the world reported having either saved or borrowed in the past 12 months to start, operate or expand a business. And of those who did, the overwhelming majority reported that they had saved: 79 percent saved—with 59 percent only saving and 20 percent both saving and borrowing—and only 21 percent borrowed.

Business owners were more likely than the general population to report having saved or borrowed for business purposes—almost half reported doing so. But again across all regions, even the majority of this group reported that they had saved: 82 percent saved—with 54 percent only saving and 28 percent both saving and borrowing—and 18 percent only borrowed. This result is in line with research findings that in the United States entrepreneurs have a higher savings rate than the general population, contrary to the expectation that they would be likely to take financial risks and pay more for credit. In part, these numbers might also reflect people who save for many years in anticipation of starting a business, then borrow only once the business is established.

**Financial literacy and borrowing**

In 2014, four questions were added to the Global Findex questionnaire to assess basic knowledge of four fundamental concepts in financial decision-making: knowledge of interest rates, interest compounding, inflation and risk diversification (for additional information see Klapper, et al., 2015). “Financially literate” adults were identified as those answering three out of four question correctly. Worldwide, only one in three adults were financially literate. Not only is financial illiteracy widespread, but there were big variations among countries and demographic groups. Not surprisingly, financial literacy differed enormously between major advanced and emerging economies in the world. On average 55 percent of adults in major advanced economies\(^9\) were financially literate compared to only 28 percent of adults in major emerging economies\(^10\). In terms of demographic groups, women, the poor, and lower-educated respondents were more likely to suffer from gaps in financial knowledge. This was true not only in developing economies, but also in countries with well-developed financial markets.

How financially literate are users of formal credit? As documented above, access to formal credit in the form of borrowing from a financial institution or using a credit card is common in high-income economies but limited in developing economies. But credit cards are gaining popularity in some emerging countries, although knowledge of related financial concepts is not always keeping up. Indeed, many short-term credit users did not fully understand the speed at which interest compounding can inflate total amounts owed. For instance, 32 percent of adults in Brazil had a credit card, yet

---

\(^9\) Canada, France, Germany, Italy, Japan, United Kingdom, and United States.

\(^10\) Brazil, Russian Federation, India, China, and South Africa -- the so-called BRICS countries
only 40 percent of them were financially literate and only half correctly answered the compound interest question. In Turkey, 33 percent of adults had a credit card, yet just 29 percent of these users were financially literate and only half understood compound interest. In comparison, in major advanced economies, where 53 percent of adults reported owning a credit card, 6 out of 10 credit card users understood compound interest.

Map 3: Financial literacy around the world

The financial literacy rate among adults with a housing loan was at a similar level in major advanced economies. In these economies, 26 percent of adults had an outstanding loan at a financial institution to purchase a home or an apartment. Since paying for a home requires complex calculations, one would expect homeowners to have stronger financial skills than the average person. This was, indeed, the case. Nevertheless, some homeowners still suffered from gaps in financial knowledge and may not have understood how quickly their debt can accumulate. For example, in the United States, almost a third of adults had an outstanding housing loan, and 70 percent of them were financially literate and correctly answered the compound interest topic. Put differently, three in ten adults with a housing loan were unable to perform basic interest calculations on their loan payments. Since the global financial crisis was triggered in part by mortgage defaults in the United States, this should concern policymakers, not just homeowners. This is not a problem just for the United States. In Japan, nearly one fifth of adults had an outstanding housing loan, but only half of them were financially literate, and just 37 percent of them correctly answered the compound interest question.
5. Conclusion

Developing more inclusive financial systems remains a key issue on policy agendas around the world. Yet the access dimension of financial development has often been overlooked, mostly because of serious data gaps on who has access to which financial services, and a lack of systematic information on the barriers to broader access. In 2011 the World Bank launched the Global Findex database to fill this data gap: it is the first global, comparable, demand-side set of indicators of financial inclusion, which is of value to policymakers, researchers, donors and practitioners.

The database complements existing supply-side data by providing individual-level survey data on the demographic characteristics of users of financial services. Insights from the 2014 Global Findex database on borrowing illustrate the importance of collecting demand-side data to understand how people borrow beyond their use of loans from banks or other regulated financial institutions, including informal sources of credit, its use in conjunction with other financial products, reasons for borrowing and the financial literacy of borrowers.

References


Prina, S. 2012. “Do Basic Savings Accounts Help the Poor to Save? Evidence from a Field Experiment in Nepal.” Weatherhead School of Management, Case Western Reserve University, Cleveland, OH.


Marrakech, Morocco, 14 July 2017

The role of demand-side data – measuring financial inclusion from the perspective of users of financial services

Leora Klapper and Dorothe Singer,
World Bank

1 This presentation was prepared for the meeting. The views expressed are those of the authors and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting. The paper’s findings, interpretations, and conclusions are entirely those of the authors. They do not necessarily represent the views of the International Bank for Reconstruction and Development/World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.
Measuring Financial Inclusion: The Global Findex Dataset

Leora Klapper
Lead Economist
Development Research Group
World Bank
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.
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

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
Barriers to Account Ownership Around the World

Barriers to Account Ownership
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

Men: 59%
Women: 50%
Richest 60% of Households: 60%
Poorest 40% of Households: 46%

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.

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
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.

30% of adults in China make payments from their account using their mobile phone.

Over 400 million unbanked adults receive government transfer or wage payments in cash.

Nearly a quarter of adults in Turkey report using a credit card.

Makes or receives digital payments

Source: Global Findex (2014); http://www.worldbank.org/globalfindex

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

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
Access to Credit

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.

April 2015
Access to Credit

Borrowing behavior
Total Percentage of Adults

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
Access to Credit

Borrowing behavior, including credit card payments
Total Percentage of Adults

- **High Income: OECD**: 35%
  - Used credit card: 18%
  - Borrowed formally: 17%
- **Turkey**: 16%
  - Used credit card: 20%
  - Borrowed formally: 6%
- **Brazil**: 22%
  - Used credit card: 12%
  - Borrowed formally: 10%
- **Argentina**: 18%
  - Used credit card: 8%
  - Borrowed formally: 10%

Source: Global Findex (2014); http://www.worldbank.org/globalfindex
Financial Literacy

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

- **WORLD**
- **MAJOR ADVANCED ECONOMIES**
- **MAJOR EMERGING ECONOMIES**

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.

Source: Global Findex (2014); http://www.worldbank.org/globalfindex

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