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The Global Findex Database 2014

Financial Inclusion in Sub-Saharan Africa

Mobile money is powering financial inclusion in Sub-Saharan Africa: 34 percent of adults have an account at a financial institution or through a mobile money provider, up from 24 percent in 2011. This includes the 12 percent of adults who have a mobile money account. The region also boasts strong use of digital payments and formal savings among account owners. Still, two-thirds of adults remain unbanked. Drawing on new data from the 2014 Global Financial Inclusion (Global Findex) database, this note measures the extent of account ownership in Sub-Saharan Africa and documents how mobile technology can help increase financial inclusion. It concludes by outlining ways governments and businesses can help bring the region's 350 million unbanked adults into the financial system and encourage more active use of accounts.

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Financial inclusion—access to and use of financial services—is critical in reducing poverty and achieving shared economic growth. When people can participate in the financial system, they are better able to start and expand businesses, invest in their children's education, and absorb financial shocks. Before 2011, little was known about the financial system's global reach, including how many people owned accounts and the extent to which such groups as women and the poor were excluded. The first Global Findex database was a landmark, delivering unprecedented insights into how people in more than 140 economies were saving, borrowing, making payments, and managing risk.

Three years later, the second edition provides an update on the indicators collected in 2011 while adding new data on mobile money and domestic payments. As in the first edition, indicators are constructed with survey data from interviews with nationally representative and randomly selected adults age 15 and older—about 150,000 people were surveyed in 143 economies during the 2014 calendar year.

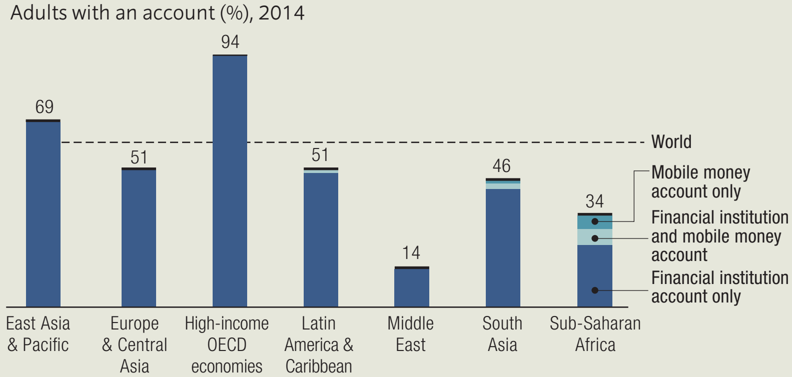
Mobile Money Drives Account Ownership Increase

Financial inclusion is on the rise globally: 62 percent of adults have an account at a financial institution—such as a bank, credit union, cooperative, or microfinance institution—or through a mobile money provider, up from 51 percent in 2011. Nearly everyone who has an account uses a financial institution, while just 1 percent has both types of account and an additional 1 percent has a mobile money account only.

FIGURE 1

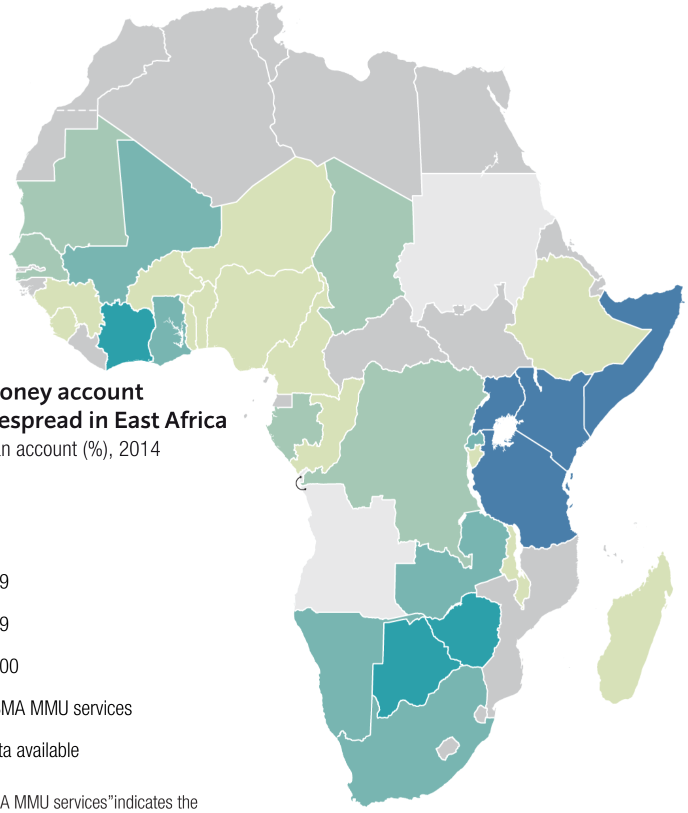
Sub-Saharan Africa has world's largest share of mobile money accounts

Adults with an account (%), 2014



Source: Global Findex database.

Sub-Saharan Africa defies this global picture: 34 percent of adults there have an account, and about a third of account holders—or 12 percent of all adults—has a mobile money account (figure 1). About half of this group has both a mobile money account and a financial institution account, while the other half has a mobile money account only. The definition of a mobile money account is limited to services that can be used without an account at a financial institution. Peo-



MAP 1
Mobile money account most widespread in East Africa
Adults with an account (%), 2014

- 0–4
- 5–9
- 10–19
- 20–29
- 30–100
- No GSMA MMU services
- No data available

Note: "No GSMA MMU services" indicates the absence of mobile money account services included in the GSMA MMU database.

Source: Global Findex database.

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ple using a mobile money account linked to their financial institution are considered to have an account at a financial institution.

Mobile money is particularly popular in East Africa, where 20 percent of adults have a mobile money account and 10 percent a mobile money account only (map 1). But these figures mask wide variations within the sub-region. Kenya has the world's highest share of adults with a mobile money account, at 58 percent, followed by Somalia, Tanzania, and Uganda, with about 35 percent each. In southern Africa, penetration of mobile money accounts is also relatively high, at 14 percent, but just 2 percent of adults there have a mobile money account only.

Sub-Saharan Africa is home to all 13 countries in the world where mobile money account penetration is 10 percent or more.[1] In five of those countries—Côte d'Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe—more adults reported having a mobile money account than an account at a financial institution.

The spread of mobile money helped boost account ownership in Sub-Saharan Africa by more than a third, to 34 percent from 24 percent in 2011. Tanzania saw account ownership double—to 40 percent—entirely because of new mobile money accounts. Growth in financial institution accounts or a combination of the two fueled increases in other economies, including Botswana, where account ownership rose by 22 percentage points to 52 percent, and the Democratic Republic of Congo, where it quadrupled to 17 percent.

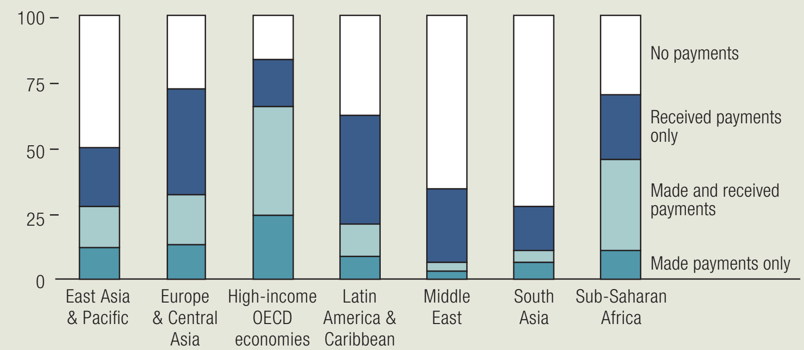
Despite this progress, women remain excluded from the financial system in large numbers. Thirty percent of women in Sub-Saharan Africa have an account compared with 39 percent of men. This 9 percentage point gender gap is also found in the developing world as a whole, where 59 percent of men and 50 percent of women have an account. Several economies in the region suffer from worse gender inequality, such as Senegal and Sudan, where women are half as likely as men to have an account. But the picture is not totally bleak: In a few economies women are as likely as men to be financially included, including Burkina Faso, Ethiopia, and Ghana, while account ownership among women nearly doubled in Gabon, Mali, and Mauritania.

Poor people continue to trail the rich in account ownership. A quarter of adults living in the poorest 40 percent of households have an account compared with 41 percent of those in the richest 60 percent. The divide is basically the same in the developing world, where 46 percent of poorer adults and 60 percent of richer adults have an account. But in several economies account ownership is three or four times higher among the rich, including Angola, Rwanda, and Zimbabwe. Although the vast majority of the region's poorest adults are excluded from the financial system, certain economies have experienced rapid account ownership growth at the bottom of the income ladder, including Botswana, Nigeria, and Zambia.

FIGURE 2

Widespread digital payments in Sub-Saharan Africa

Adults with an account by its use for payments in the past year (as % of account owners), 2014



Source: Global Findex database.

Strong Use of Digital Payments and Formal Savings among Account Owners

Account ownership is a first step toward financial inclusion. But the benefits really come from people actively using their accounts to save and make payments. The Global Findex provides the world's most detailed measure of how people make payments for things like school fees and utility bills. It also tracks public and private sector wage payments as well as transfers of government social benefits. In Sub-Saharan Africa, 64 percent of account holders have what the Global Findex describes as a high-use account—one used for cash management, making payments, or saving money in the past year—compared with 57 percent of account owners in the developing world overall. This puts the region in the same range as East Asia and the Pacific, Europe and Central Asia, and Latin America and the Caribbean.

In the developing world as a whole, accounts are mostly used to receive payments only. But in Sub-Saharan Africa, 35 percent of account holders both make and receive payments using their account, by far the largest share of any developing region and close to the percentage in high-income OECD economies (figure 2). Saving formally is also popular: 42 percent of account holders in the region save money in their account, with especially high figures in Nigeria (54 percent) and Rwanda (60 percent). Only East Asia and the Pacific has a stronger regional average, at 50 percent.

Poverty Main Barrier to Financial Inclusion

Worldwide, 2 billion adults lack access to an account, and by asking these adults why they are unbanked, the Global Findex survey exposes barriers to financial inclusion. On average, unbanked adults give two reasons for not having an account. The most common is lack of enough money to use one. Globally, 59 percent cited this as a reason for being unbanked, although only 16 percent cited it as the sole reason. Poverty is an even bigger factor in Sub-Saharan Africa, cited by 72 percent as one reason and 28 percent as the only one. Next is distance: 27 percent of unbanked adults said financial institutions are too far away for them to sign up. However, the percentage citing distance as the sole reason never breaks into double digits.

Digitize Payments and Formalize Savings to Increase Account Ownership

Two-thirds of adults in Sub-Saharan Africa—about 350 million adults—remain unbanked. The path to greater financial inclusion starts with digital payments: Businesses and governments could help millions of people get an account by abandoning cash as a payment method in favor of automatic deposits.

Wages are one place to start. Currently, about 7 percent of unbanked adults in the region receive private sector wage payments in cash. If businesses paid them through accounts instead, about up to 25 million unbanked adults could get an account. Regionally, digitizing transfers of government social benefits could cut the number of unbanked adults by up to another 9 million.

But one of the biggest opportunities in Sub-Saharan Africa is in payments for the sale of agricultural goods. Across the region, 36 percent of unbanked adults receive such payments in cash; moving them into accounts could help up to 125 million adults join the formal financial system, including up to 16 million in Nigeria. Some countries already are moving in this direction, such as Kenya, Tanzania, and Uganda, where more than 10 percent of adults—and as many as 30 percent of those who receive agricultural payments—receive payments for farm goods into accounts, often mobile money accounts.

Domestic remittances also hold huge potential for expanding financial inclusion, because tens of millions of unbanked adults still send cash to relatives or friends living in other parts of the country. Others rely on commercial money transfer services. Shifting these payments into accounts could help bring up to 80 million adults into the financial system. In Cameroon, the Democratic Republic of Congo, the Republic of Congo, and Senegal, for example, account ownership could more than double, to about 35 percent, if all unbanked adults who now send or receive remittances through a commercial money transfer service used an account instead.

Another way to expand financial inclusion, especially among women, is to shift savings into accounts. About 60 percent of adults in Sub-Saharan Africa save money, but only 16 percent of these people use a financial institution to do so. The others rely on less secure methods, like stuffing cash under a mattress or joining an informal savings club. One example of informal savings is a rotating savings and credit association, which pools member deposits and disburses the entire sum to a different member each week. About 70 million unbanked adults in the region use informal groups to save, including about 40 million women.

Despite widespread use of accounts for savings and payments in the region, there are still opportunities to ramp up account use. Nearly 30 million adults with an account use informal savings methods, while 60 million pay utility bills in cash and 40 million do the same for school fees.

Digitizing payments could have many benefits for both senders and receivers. It could improve the efficiency of payments by increasing their speed and reducing the cost of sending and receiving them. Digitizing payments could also enhance the security of payments and thus lower the incidence of associated crime. And it could reduce possibilities for corruption by making payments more transparent.

Conclusion

Account ownership in Sub-Saharan Africa is 34 percent, up from 24 percent in 2011. Much of this increase is due to the widespread use of mobile money accounts. Digital payments and formal savings are also widespread. But 350 million adults still lack an account. By presenting detailed data on how adults save, borrow, make payments, and manage risk, the Global Findex database reveals ways that governments and businesses can help people in the region more fully benefit from financial services.

1. This group of 13 excludes 2 other countries where 10 percent or more adults reported having a mobile money account, Cambodia (12 percent) and the United Arab Emirates (11 percent). Cambodia is excluded because of a concern that users of a popular over-the-counter transaction service might have incorrectly responded that they used an account when in fact they only made over-the-counter transactions. The United Arab Emirates is excluded because the sample in that country includes only Emiratis, Arab expatriates, and non-Arabs who were able to participate in the survey in Arabic or English.

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The reference citation for the 2014 Global Findex data is as follows:

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