NOTE NUMBER 01

APRIL 2012

FINDEX NOTES

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The Global Findex Database

New Data on Accounts and Payments

New data from the Global Financial Inclusion (Global Findex) database show that 50 percent of adults worldwide have an account at a formal financial institution. The data also show deep disparities across regions, economies, and individual characteristics in how people use financial services. The database can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people around the world save, borrow, make payments, and manage risk.

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For most people, having an account at a financial institution serves as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage saving and open access to credit. Through broad access to affordable accounts, an inclusive financial system can help reduce income inequality and support economic growth.

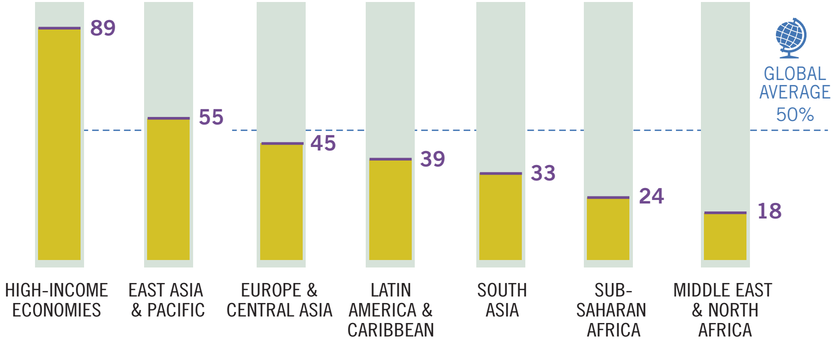
Yet until now little had been known about the global reach of the financial sector—the extent of financial inclusion and the degree to which such groups as the poor, women, and youth are excluded from formal financial systems. Systematic indicators of the use of different financial services had been lacking for most economies.

The Global Findex database provides such indicators, measuring how people in 148 economies save, borrow, make payments, and manage risk. These new indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults age 15 and above. The survey was carried out over the 2011 calendar year by Gallup, Inc. as part of its Gallup World Poll. This note features Global Findex data on the prevalence and use of formal accounts, barriers to account use, and alternatives to formal accounts.

FIGURE 1

Account penetration

Adults with an account at a formal financial institution (%)



Source: Demirguc-Kunt and Klapper 2012.

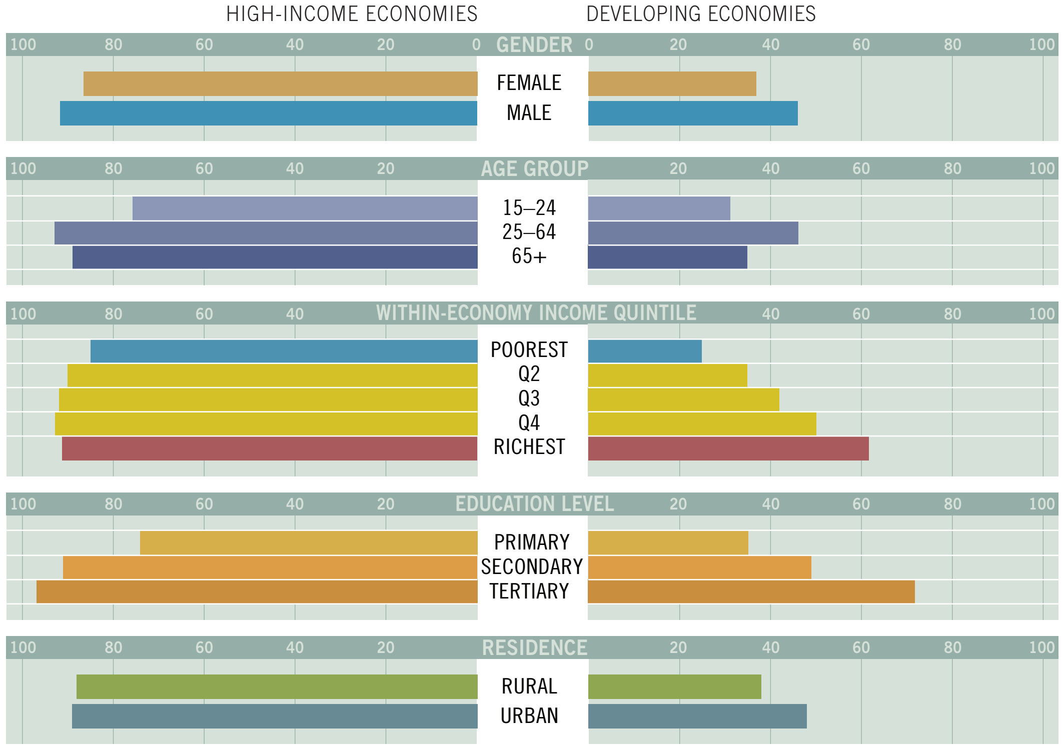
Account Penetration

Worldwide, 50 percent of adults report having an account at a formal financial institution—a bank, credit union, cooperative, post office, or microfinance institution.[1] Not surprisingly, account penetration differs enormously between high-income and developing economies: while it is nearly universal in high-income economies, with 89 percent of adults reporting that they have a formal account, it is only 41 percent in developing economies (figure 1).[2]

FIGURE 2

Account penetration by individual characteristics

Adults with an account at a formal financial institution (%)



Note: Primary includes those with less than a primary education; *tertiary* includes those with more than a tertiary education.
Source: Demirguc-Kunt and Klapper 2012.

What explains the large variation in account penetration around the world? Without a doubt national income, proxied by GDP per capita, explains much of it. Yet among the bottom 50 percent of the income distribution in the sample (economies with a GDP per capita below $2,200), the relationship between GDP per capita and account penetration is much weaker. Nor is financial depth the critical factor—there can be large amounts of commercial and consumer credit in a financial system without delivering access for all. This suggests room for policy interventions to increase financial inclusion.

At the individual level, household income—both absolute and relative—plays an important part in explaining the variation in account penetration. Worldwide, only 23 percent of adults living on less than $2 a day report having an account at a formal financial institution. And within developing economies adults in the richest income quintile are on average more than twice as likely to have an account as those in the poorest.

Financial inclusion also differs in important ways by individual characteristics such as gender, education level, age, and rural or urban residence (figure 2). In developing economies 46 percent of men report having an account at a formal financial institution, while only 37 percent of women do. This gender gap, averaging 6–9 percentage points, persists across within-economy income quintiles in the developing world.

In developing economies adults with a tertiary or higher education are on average more than twice as likely to have an account as those with a primary education or less. In both high-income and developing economies people ages 25–64 are more likely to report having an account at a formal financial institution than both younger and older adults. And in all developing regions adults living in cities are significantly more likely than those living in rural areas to have a formal account.

FIGURE 3

Self-reported barriers to use of formal accounts

Non-account-holders reporting barrier as a reason for not having an account (%)

Note: Respondents could choose more than one reason. The data for “not enough money” refer to the percentage of adults who reported only this reason.
Source: Demirguc-Kunt and Klapper 2012.

Barriers to Formal Account Ownership

By asking more than 70,000 adults without a formal account why they do not have one, the Global Findex survey provides insights into where policy makers might begin to make inroads in improving financial inclusion. Globally, the most frequently cited reason for not having a formal account is lack of enough money to use one (figure 3). This is the response given by 65 percent of adults without a formal account, with 30 percent citing this as the only reason (multiple responses were permitted). This segment of the population is less likely to be bankable.

The next most commonly cited reasons for not having an account are that banks or accounts are too expensive and that another family member already has one, a response identifying indirect users. The other reasons reported (in order of importance) are banks being too far away, lack of the necessary documentation, lack of trust in banks, and religious reasons.

How and Why Are Formal Accounts Used?

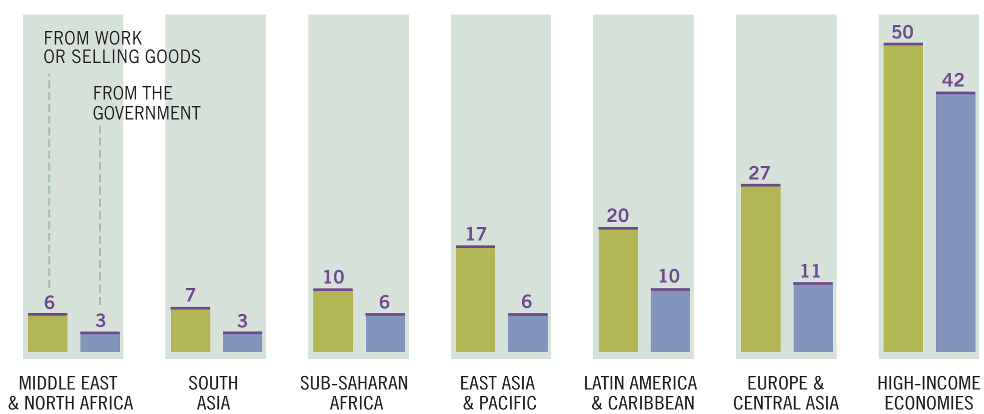
Beyond the simple ownership of formal accounts, how frequently people access those accounts, and the methods they use to do so, mark a stark difference in the use of financial services between high-income and developing economies.

In developing economies 10 percent of adults with a formal account—more than 150 million people—maintain what can be considered an inactive account: they make neither withdrawals from nor deposits into their account in a typical month (although they may keep a positive balance). In high-income economies only 2 percent of account holders have an inactive account.

FIGURE 4

Use of accounts to receive payments

Adults using a formal account in the past year to receive payments (%)



Source: Demirguc-Kunt and Klapper 2012.

The majority of adults with a formal account in developing economies make deposits or withdrawals only one to two times in a typical month. They may access their accounts only to withdraw monthly or semimonthly wages (deposited by an employer). In high-income economies, by contrast, more than half withdraw money from their accounts six or more times in a typical month.

People have myriad reasons for maintaining an account at a formal financial institution. Using a formal account to receive wages is most common in high-income economies, Europe and Central Asia, and Latin America and the Caribbean (figure 4). Relying on an account to receive money or payments from the government is most common in high-income economies, where 42 percent of all adults (and 47 percent of account holders) report having used an account for this type of transaction in the past year. In developing economies 8 percent of adults (and 19 percent of account holders) used an account in the past year to send money to or receive it from relatives living elsewhere.

Mobile Money

Although people who do not have an account at a formal financial institution may lose out on the security and reliability that such a relationship provides, they often employ fairly sophisticated methods to manage their day-to-day finances and plan for the future. A growing number are using new alternatives to traditional banking made possible by the rapid spread of mobile phones.

The recent growth of mobile money—sometimes a form of "branchless banking"—has allowed millions of people who are otherwise excluded from the formal financial system to perform financial transactions relatively cheaply, securely, and reliably. Mobile money has achieved the broadest success in Sub-Saharan Africa, where 16 percent of adults report having used a mobile phone in the past 12 months to pay bills or send or receive money. The share using mobile money is less than 5 percent in all other regions.

Conclusion

As the first public database of indicators that consistently measure people's use of financial products across economies and over time, the Global Findex database fills a big gap in the financial inclusion data landscape. The data set can be used to track the effects of financial inclusion policies globally and develop a deeper and more nuanced understanding of how people manage their finances. By making it possible to identify segments of the population excluded from the formal financial sector, the data can help policy makers prioritize reforms accordingly and, as future rounds of the data set become available, track the success of those reforms.

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1. This includes respondents who report having a debit card.
2. The regional and worldwide aggregates omit economies for which Gallup excludes more than 20 percent of the population in the sampling either because of security risks or because the population includes non-Arab expatriates. These excluded economies are Algeria, Bahrain, the Central African Republic, Madagascar, Qatar, Somalia, and the United Arab Emirates. The Islamic Republic of Iran is also excluded because the data were collected in that country using a methodology inconsistent with that used for other economies.

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

Demirguc-Kunt, A., and L. Klapper. 2012. "Measuring Financial Inclusion: The Global Findex Database." Policy Research Working Paper 6025, World Bank, Washington, DC.