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NOTES

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The Global Findex Database 2014

Financial Inclusion in Europe and Central Asia

Europe and Central Asia has made progress in financial inclusion: 51 percent of adults there have an account at a financial institution or through mobile money provider, up from 43 percent in 2011. Although people, governments, and businesses in the region make strong use of digital payments, a lack of trust in banks is a major obstacle to higher account ownership. Drawing on new data from the 2014 Global Financial Inclusion (Global Findex) database, this note measures the extent of account ownership in Europe and Central Asia, and explores how people use their accounts. It concludes by outlining ways governments and businesses can help the region's 105 million unbanked adults gain access to financial services, and encourage people to use their accounts more actively.

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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.

Account Ownership Increasing

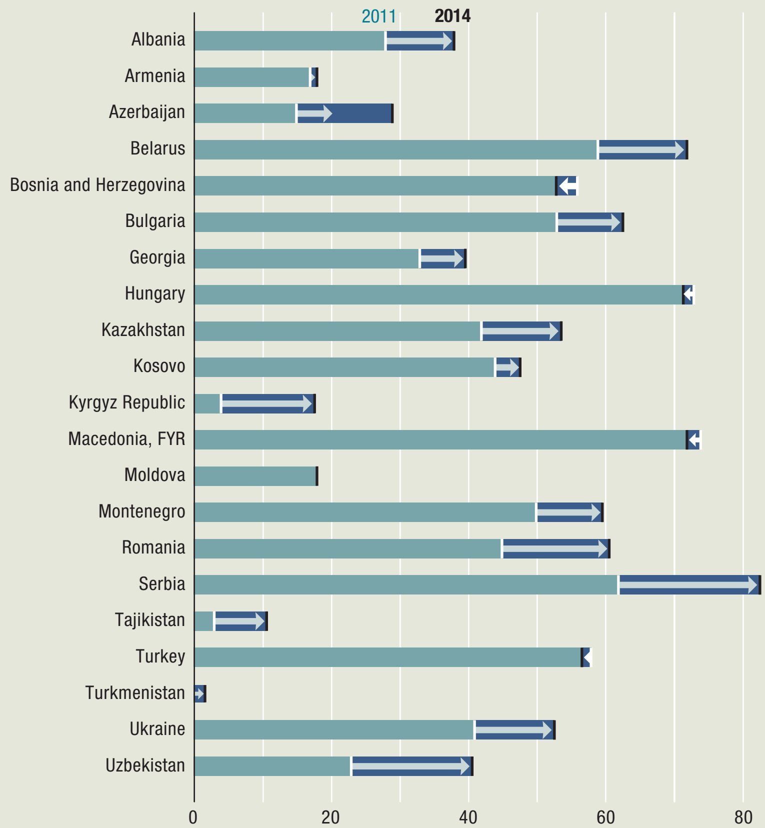
Europe and Central Asia has witnessed steady growth in account ownership. Fifty-one percent of adults have an account at a financial institution—such as a bank, credit union, cooperative, or microfinance institution—or through a mobile money provider, up from 43 percent in 2011. This puts the region close to the 54 percent account ownership rate in developing economies overall, up from 41 percent in 2011. Globally, 62 percent of adults have an account, an increase from 51 percent. Some economies within Europe and Central Asia experienced especially big gains in account ownership, including Romania, Kazakhstan, and Albania (figure 1). But account ownership stagnated in other countries—notably Hungary, Armenia, Macedonia, Moldova, and Turkey.

Like the rest of the developing world, Europe and Central Asia suffers from gender inequality in account ownership. Within the region, 56 percent of men have an account compared with 47 percent of women. This 9 percentage point gender gap is also found in developing economies, where 59 percent of men have an account compared with 50 percent of women. While certain economies in the region have no significant gender gap—including Belarus, Georgia, and Uzbekistan—the gender gap stands at roughly 10 percentage points in Albania, Bosnia and Herzegovina.

FIGURE 1

Rising account ownership in Europe and Central Asia between 2011 and 2014

Adults with an account (%)



Source: Global Findex database.

Although the rich and poor both benefitted from Europe and Central Asia's account ownership gains, the gap between them barely budged. Today, 44 percent of adults in the poorest 40 percent of households in the region have an account. By comparison, 56 percent of adults in the richest 60 percent of households have an account. This 12 percentage point income gap is virtually unchanged from 2011. And it is comparable to the 14 percentage point gap in the developing world as a whole. While a few economies have no noticeable income gap—including Azerbaijan and Hungary—the rich are about twice as likely as the poor to have an account in Albania and Armenia.

Widespread Use of Digital Payments

Account ownership is a first step toward financial inclusion. But the real benefits come from people using their accounts actively. 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.

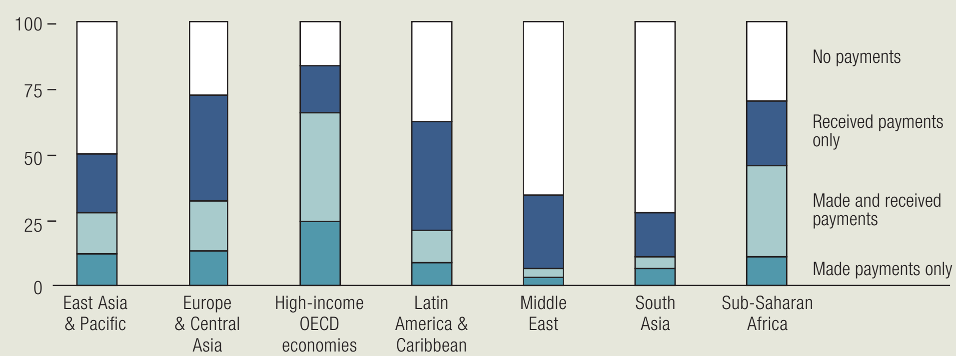
Digital payments have caught on in Europe and Central Asia. Seventy-two percent of account owners make or receive payments through their account—the highest such figure among all developing regions except Sub-Saharan Africa (figure 2). This reflects the popularity of card-based payment methods in the region, with 15 percent of adults using credit cards and 23 percent using debit cards. Among developing regions, only Latin America and the Caribbean has comparable figures.

Employers are also making good use of digital payments: Of the 37 percent of adults in the region who work for wages, 60 percent receive it into an account at a financial institution. That is the highest share in any developing region. Government transfer payments are another type of payment. In Europe and

FIGURE 2

Strong use of accounts for digital payments in Europe and Central Asia

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



Source: Global Findex database.

Central Asia, 15 percent of adults receive government some kind of social benefit payments; of those who do, roughly half receive those payments into an account. Both figures are close to the developing world average. In Bulgaria, by contrast, the use of digital government payments is especially strong, with 66 percent of recipients there using an account.

Although digital payments are popular in Europe and Central Asia, only about 15 percent of account owners save money at a formal financial institution—well below the developing world average. Fifty-five percent do not save at all. A lack of savings is the norm for the region›s entire population—not just people with an account. Only 38 percent of adults in the region save money, well below the developing world average of 54 percent. And just 8 percent of adults save at a formal financial institution. That is about a third of the developing world average, and the lowest figure among all developing regions except the Middle East.

Low Trust in Financial Institutions

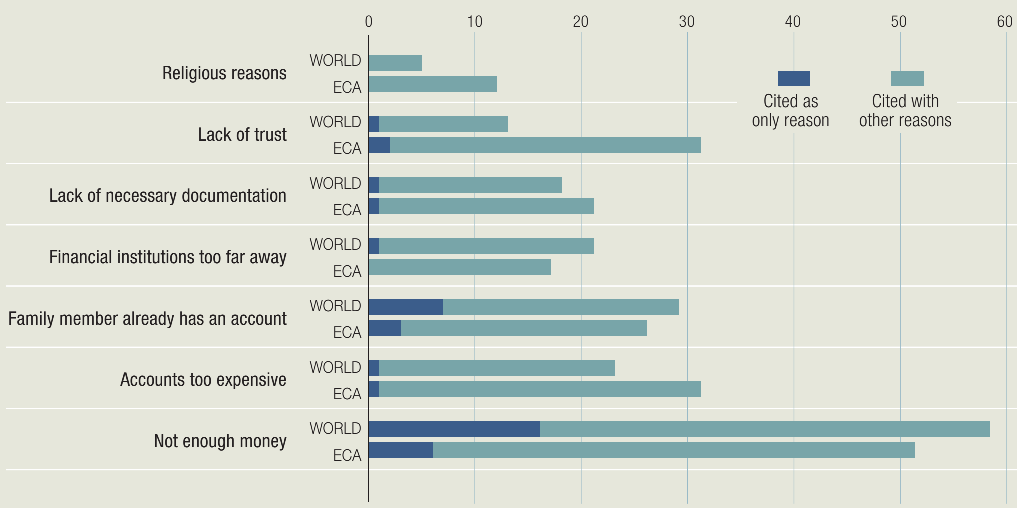
Worldwide, 2 billion adults lack access to an account. By asking these adults why they are unbanked, the Global Findex survey exposes barriers to financial inclusion. On average, they give two reasons. The most common is lack of enough money to use an account (figure 3). Globally, 59 percent of adults cited this as a reason for being unbanked—although only 16 percent cited it as the sole reason. Lack of money is also a major obstacle to account ownership in Europe and Central Asia. Fifty-one percent of adults there mentioned this as a reason, while 6 percent cited it as the only reason.

Europe and Central Asia is distinct in that a lack of trust in financial institutions is a major factor behind financial exclusion. Thirty percent of unbanked adults cited this as a reason for not having an account—compared with 13 percent globally. This is unsurprising, given the region's history of bank failures and currency devaluations. Religious factors were also cited almost three times as often in Europe and Central Asia compared with the world as whole. This is primarily because of the large and predominantly Muslim populations of Turkey and Uzbekistan, where about a quarter of unbanked

FIGURE 3

Lack of trust undermines financial inclusion in Europe and Central Asia

Adults without an account reporting barrier as a reason for not having one (%), 2014



Source: Global Findex database.

adults cited religion as a reason for not having an account. Within the region, 13 percent of respondents mentioned religious factors, compared with 5 percent worldwide.

To Expand Financial Inclusion, Abandon Cash

Europe and Central Asia is home to 105 million unbanked adults. The path to greater financial inclusion starts with digital payments: Businesses and governments could help millions of people get an account simply by abandoning cash as a payment method.

Wages are one place to start. Currently, about 15 percent of unbanked adults in the region receive private sector wage payments in cash. If businesses could instead pay those wages directly into an account, up to 16 million unbanked adults could get an account—including up to 4 million in Ukraine alone. Regionally, digitizing public sector wage payments could reduce the number of unbanked adults by another 4 million.

Payments for the sale of agricultural products offer another opportunity. Across the region, 16 percent of unbanked adults receive such payments in cash. Moving those payments into accounts could help up to 17 million adults join the formal financial system.

Digitizing these payments could yield many potential 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

Europe and Central Asia has seen account ownership rise to 51 percent from 43 percent in 2011, and the use of digital payments is widespread. But savings rates are low compared with the rest of the world, and 105 million adults in the region remain unbanked. 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.

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

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