

Financial Inclusion Hype vs. Reality

Deconstructing the 2017 Findex Results

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AUTHORS

Elisabeth Rhyne and Sonja E. Kelly

Acknowledgements

This report was made possible by the generous support of our work by CFI Founding Partner Credit Suisse and CFI 10th Anniversary Partner Citi Foundation. As we approach our 10th anniversary this fall, CFI is thinking about “Getting Financial Inclusion Right.” This report kicks off this thought experiment.

All of the figures in this report rely on the Global Findex, the world’s most comprehensive database on how people access and use their financial services. We are grateful for the World Bank for making the dataset publicly available. While referenced throughout the text as “Findex 2018,” the full reference for these figures is: Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank.

All errors are our own.

Cover image: Geographic Distribution of 3 Billion People Without Active Accounts, 2017. For country information and image explanation see page 4.

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INTRODUCTION

Reflect, Recalibrate and Re-engage

The global financial inclusion movement has been gathering steam for about a decade. Policy leaders and financial authorities everywhere are striving to construct the enabling conditions for inclusion. Their efforts are complemented by the experimentation of service providers—banks, non-banks, fintechs, telcos, payments companies and, increasingly, major internet platforms. The collective goal is to provide historically excluded populations access to financial services they can use to improve their lives.

This global momentum explains why, for the third time since 2011, all eyes turned toward the World Bank in April 2018 for the release of the [2017 Global Findex](#) survey. The Findex is the most comprehensive and authoritative demand-side picture of global financial services use. It allows the world to assess the success of the financial inclusion endeavor.

In 2011, the first Findex survey established that half of all adults in the world had a financial account (41 percent in developing countries), leaving 2.5 to 3 billion adults still excluded. Shortly thereafter, the World Bank President Jim Kim set a target of universal financial access (UFA) by 2020, in partnership with a host of public and private signatories.

Encouragingly, the 2014 Findex showed dramatic progress: 61 percent of adults had accounts. In three years, 700 million people had gained accounts. The Center for Financial Inclusion at Accion (CFI) celebrated this progress in, "[By the Numbers: Benchmarking Progress toward Financial Inclusion](#)."^{**} At that pace, we estimated, 82 percent of the world's adults and 79 percent in developing countries would have an account by 2020, and the UFA movement would accomplish its goal by the mid-2020s.

Unfortunately, the latest Findex data shows a less rosy picture. The report puts global account access at 68 percent, suggesting continued progress. But, if financial inclusion is to matter to end users and be profitable for financial service providers, the accounts must be used and built upon. The growing number of inactive accounts, especially in India, means that a more realistic figure of account access, corrected for dormancy, would be 55 percent of adults globally and only 48 percent in developing countries.

In light of these results, the financial inclusion community needs to take time to reflect, recalibrate and re-engage. This analysis offers some initial food for thought.

CFI defines financial inclusion as state in which everyone who can use them has access to a full suite of quality services at affordable prices, delivered by a range of providers in a competitive market, with convenience, dignity and consumer protections to financially capable clients. Account-holding is only a beginning. To validate progress, we need to see not only more active accounts, but also greater use of all four major types of financial services: payments, savings, credit, and insurance. With the exception of payments, the picture of financial inclusion is not as encouraging as we had hoped.^{**}

In payments, there is positive news about digital transformation. More people are using mobile phones (especially in Africa), bank cards, and the Internet to receive income, transfer funds, and pay for goods and services. Large gaps remain, however, with 44 percent of adults in developing countries making some form of digital payment, compared to 91 percent in high income countries.

* Sonja E. Kelly and Elisabeth Rhyne, "By the Numbers: Benchmarking Progress Toward Financial Inclusion." Washington, DC: CFI, 2015.

** The Findex does not capture information on insurance, and so insurance is not discussed here.

In savings and credit, however, the Findex results are quite disappointing.

Shifting payments from cash to digital is an important step, but to bring about real life improvements, we would expect changes in savings and credit to follow or accompany new accounts and payment mechanisms. In savings and credit, however, the Findex results are quite disappointing. Saving overall (in any form) actually decreased in the past three years, falling to 48 percent of adults worldwide, as did saving in financial institutions, with only about a quarter of adults (27 percent) saving in a financial institution in the past year. If greater access to accounts does not lead to more active saving in financial institutions, the new accounts are likely being used primarily as means to receive income rather than as financial management tools. Credit indicators increased very slightly, but the data does not provide evidence that the new and much-lauded forms of digitally-delivered and big data-based credit have given substantially more people access to credit. Nor is there evidence of increasing financial resilience among survey respondents. This is especially concerning, as increasing families' ability to weather shocks should be one of the chief goals of offering them financial services.

In this report, CFI begins to come to terms with the latest Findex results. As with the earlier "By the Numbers," we display Findex data in graphic form, using both regional and global aggregates and with a look at a handful of noteworthy countries. The depth and richness of the Findex survey offers many more insights than can be assembled in this short piece. We want to acknowledge the value of the Findex and thank the Findex team who put extraordinary care and skill into creating

this resource for the whole sector and making it so accessible.

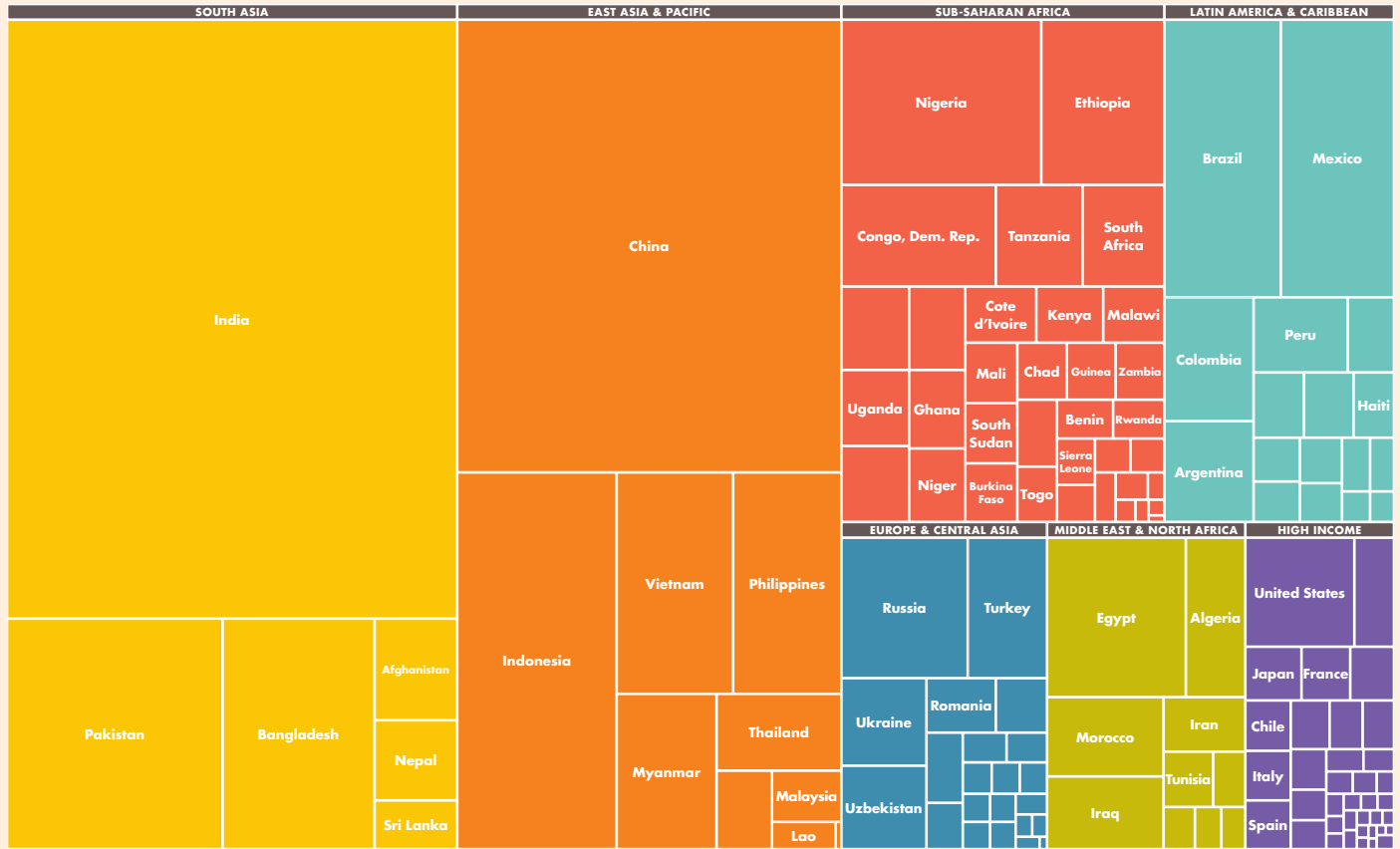
This report looks first at accounts, then at product use, and finally at customer outcomes. The commentary is limited, allowing the data to speak for itself.

We hope the insights presented here will provoke the reflection and dialogue we believe they warrant. The 2017 results suggest a need for the financial inclusion community to reconsider assumptions about the levers of change and recalibrate expectations to a somewhat more modest level. Analysts will need to dig deeper to understand the causes of the relatively tepid performance in the past three years, and that may lead us to question some of the hypotheses that underpin financial inclusion efforts. For one thing, it will be important to consider the broader context in which change is occurring, recognizing that deliberate efforts to increase inclusion are not the only forces creating change, and possibly not even the most important. Another avenue of investigation will be analysis of the interplay of broad forces (political, economic, technological) and specific inclusion efforts in individual countries where the story is playing out. Most importantly, we will need to think critically about what drives usage and how financial services offer value to customers.

These messages are sobering ones for all of us working toward financial inclusion. If we use them to create a serious conversation about how financial inclusion initiatives are affecting usage, products and financial well-being, the 2017 Findex will provide the impetus to re-engage with eyes open as we continue pursuing common goals.

COVER FIGURE

Geographic Distribution of 3 Billion People Without Active Accounts, 2017



COUNTRIES WITH SMALLER EXCLUDED POPULATION (NOT LABELED)

EAST ASIA & PACIFIC	Senegal, Zimbabwe, Congo, Rep., Central African Republic, Mauritania, Liberia, Botswana, Madagascar, Mozambique, Cameroon	LATIN AMERICA & CARIBBEAN	Paraguay, Panama, Costa Rica, Venezuela, Ecuador, Guatemala, Bolivia, Honduras, Dominican Republic, El Salvador, Nicaragua	EUROPE & CENTRAL ASIA	Kazakhstan, Azerbaijan, Tajikistan, Kyrgyzstan, Turkmenistan, Bulgaria, Serbia, Moldova, Belarus, Albania, Bosnia and Herzegovina, Georgia, Armenia, Croatia, Kosovo, Macedonia, Montenegro	MIDDLE EAST & NORTH AFRICA	Jordan, Lebanon, Libya, West Bank and Gaza, Germany, United Kingdom, South Korea, Taiwan, Hungary, Greece, Czech Republic, United Arab Emirates, Portugal, Uruguay, Slovakia, Kuwait	HIGH INCOME	Saudi Arabia, Poland, Australia, Canada, Israel, Netherlands, Lithuania, Hong Kong, China, Belgium, Switzerland, Austria, Trinidad and Tobago, Singapore, Ireland, Bahrain, Slovenia, Cyprus, Latvia, New Zealand, Denmark, Sweden, Finland, Norway, Estonia, Malta, Luxembourg
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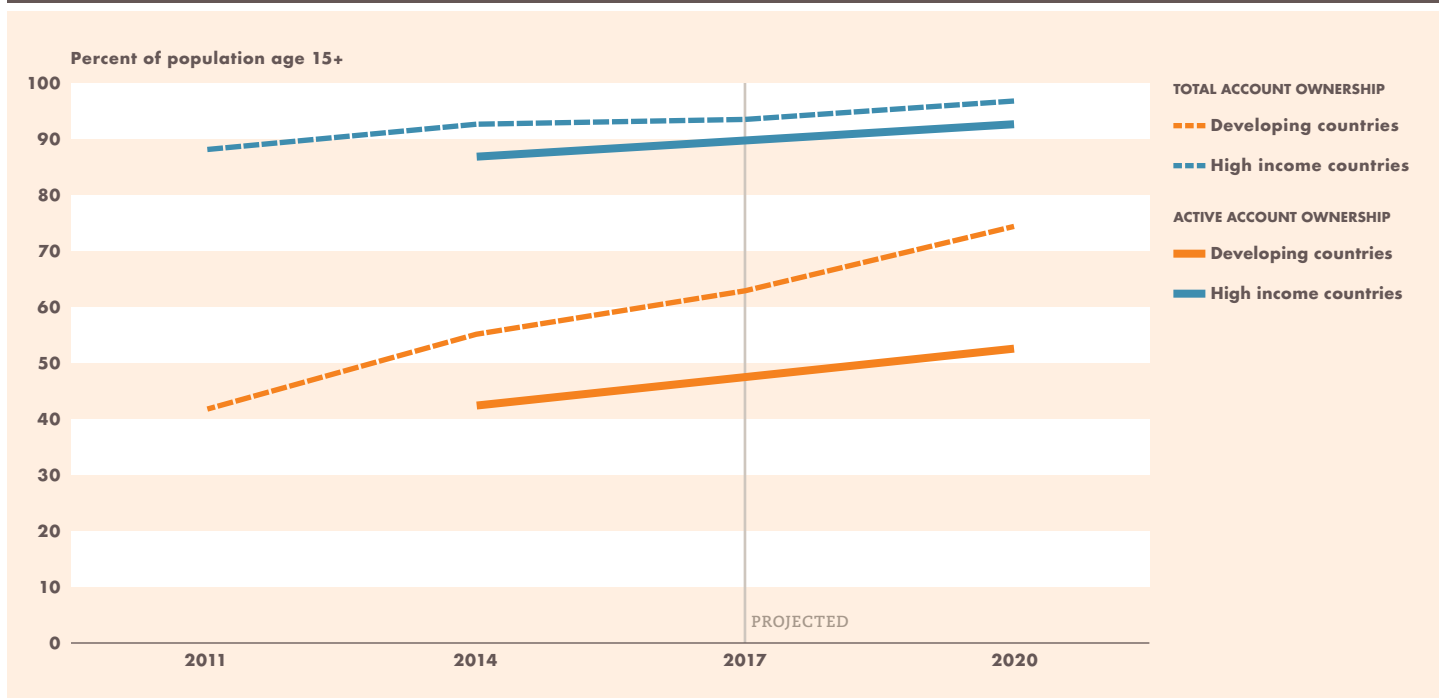
Source Global Findex 2018. Figure shows the relative size of the still-excluded population. It combines all adults with no account and those with only an inactive account. An active accountholder is one that has made a deposit or withdrawal from an account in the past year. Countries with small populations were not included.

About 3 billion people in the world either have no account or have an account that sits unused. The countries with the largest number of financially excluded people are also the highest population countries: India

and China. This picture has changed little in the past three years. Accounts access has grown more slowly and the access-use gap has increased. In the coming pages we explore these and other trends.

FIGURE 1

Total and Active Account Ownership, 2011–2017, Projected to 2020



Source Global Findex 2018. Data for 2020 projected using a line of best fit through available years of data.

Glass half empty: The developing world faces a substantial financial access shortfall, and the access-usage gap is growing. Globally, active account holders only increased by 393 million in the last three years.

The 2017 Findex reports that 69 percent of all adults in the world had an account at a financial institution, a mobile money account, or both. That headline is the most optimistic of several measures of the state of global financial access today, but possibly not the most meaningful.

In the developing world (low and middle income countries), only 63 percent of all adults had an account. And counting only active accounts (with at least one transaction during the past year), fewer than half of all adults in the developing world, 48 percent, had a “live” account. This number tells a less sanguine but more realistic story about the state of financial access as measured in 2017.

Since the Findex began in 2011, account ownership in the developing world has risen

significantly — from 42 to 63 percent. The scale of change those numbers represent is enormous, demonstrating the success of the global financial inclusion effort. However, most of that growth took place between 2011 and 2014. Since then, the pace has slowed.

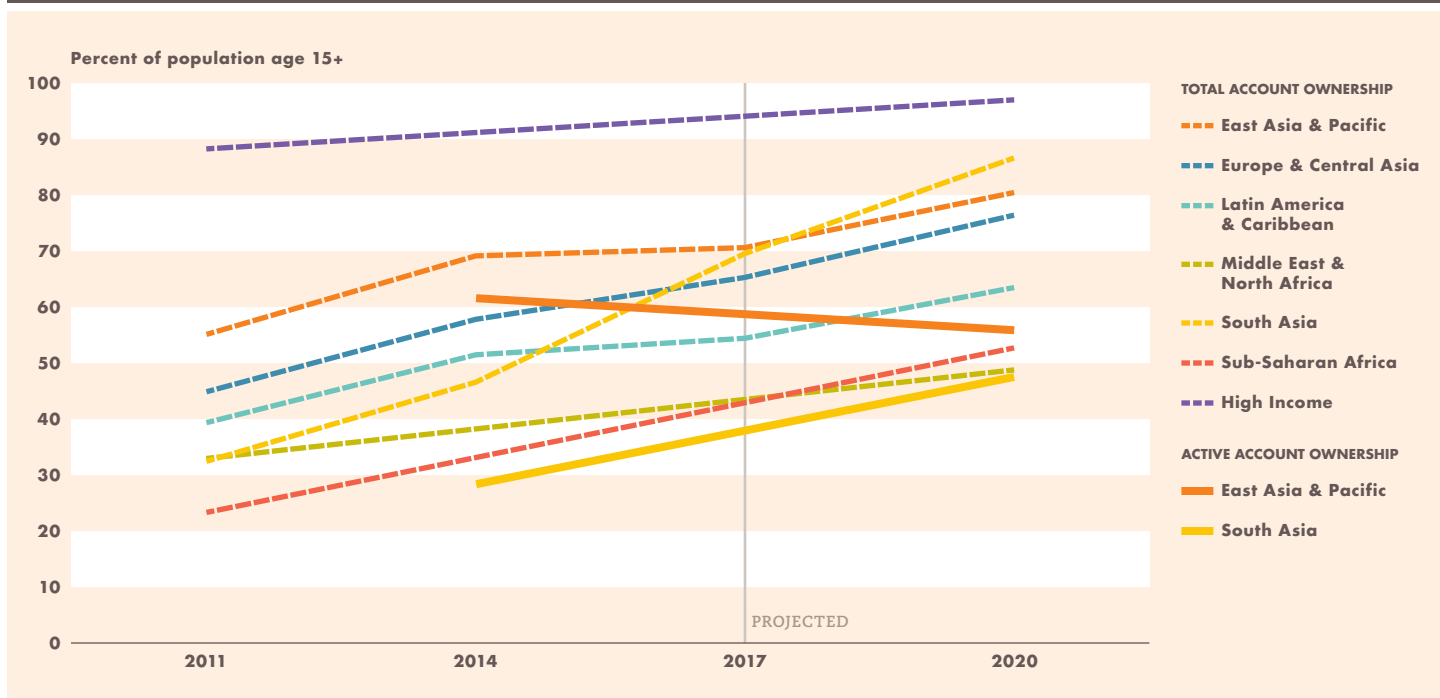
Moreover, for increased financial access to create the desired benefits for account holders, usage is required. A dormant account, unless it has a substantial balance, is of little value to either financial service provider or customer. Unfortunately, when we examine the Findex data by tracking account dormancy, we see that the percentage of people with dormant accounts has actually grown—from 12 percent in 2014 to 13 percent in 2017. Globally, there were 736 million people who reported having a dormant account in 2017 compared with 604 million in 2014.

In short, usage is not keeping pace with access, and the access-usage gap is larger today than in 2014.

Note: The graph above reflects a correction from an earlier version in the number of active accounts in 2014 and 2017. This change affects the following numbers cited in the text, which have also been corrected. The affected numbers are 1) estimated total increase of active account holders between 2014 and 2017 (393 million), and 2) percent of adults with dormant accounts in 2014 (12 percent) and percent of adults with dormant accounts in 2017 (13 percent).

FIGURE 2

Total and Active Account Ownership by Region, 2011–2017, Projected to 2020



Source Global Findex 2018. Data for 2020 projected using a line of best fit through available years of data.

By 2020, in terms of active account holders, we can expect to be only halfway to the goal of universal financial access in the developing world.

In “By the Numbers,” our previous analysis based on progress between 2011 and 2014, we projected that 80 percent of adults in developing countries would have accounts by 2020. In all regions, account growth from 2014 to 2017 was slower than in the previous period. When we revise our projections to incorporate the 2017 results, the 2020 projection shifts down to about 74 percent.

Even that number is optimistic. We find it more accurate to correct for the increased inactivity in South Asia and East Asia

and the Pacific, where dormancy rates are 31 percent and 12 percent, respectively. Some account access growth remains after this correction. With inactive accounts removed from South and East Asia and the Pacific, the percentage of adults with active accounts across the developing world in 2020 is projected to remain just under 50 percent.

In short, by 2020 we can expect to be only halfway to the goal of universal financial access in the developing world, with important differences persisting across regions.

In 29 countries, more than one in five people have an account but have not used it in the past year. Inactivity has increased in the past few years.

Across the world as a whole, nearly 740 million people have accounts they have not used in a year. While the largest number of these inactive accounts are in India (roughly 300 million) and China (roughly 100 million), significant account dormancy appears in many countries. In 29 countries, the accounts of more than 20 percent of the population sit completely idle. No information is available on whether these accounts have balances, but it is suspected that the vast majority are empty or have only a few dollars in them.

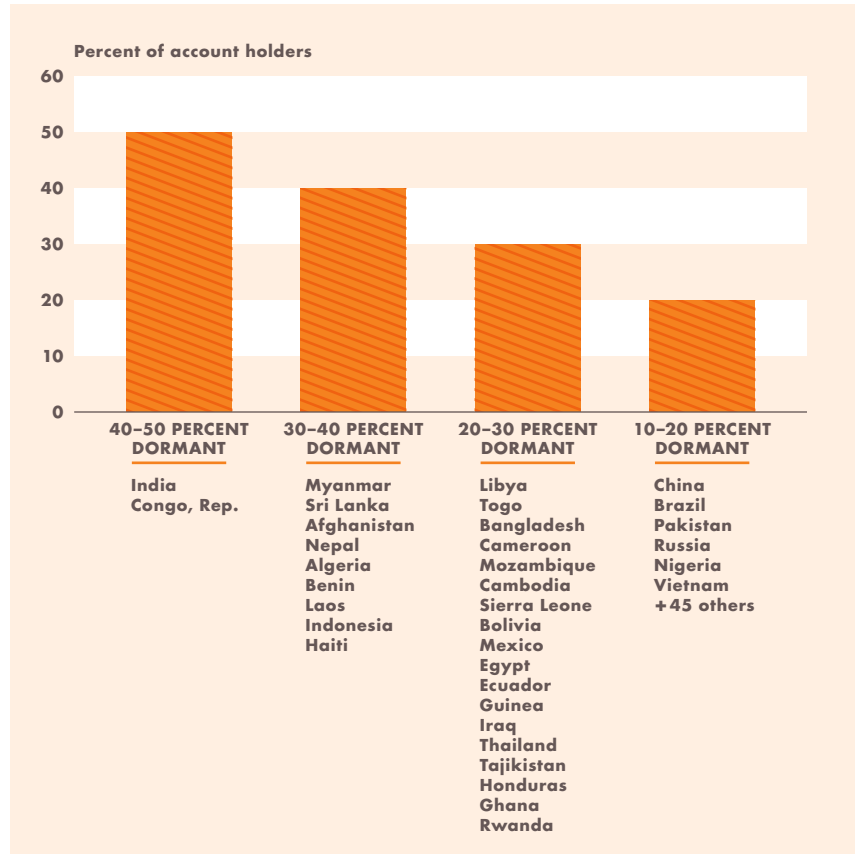
While account dormancy is not inherently problematic, the inclusion of dormant accounts in access figures contributes to inflated assessments of progress toward financial inclusion, as discussed above. It also calls into question the efficacy of massive pushes for account opening that seek to raise inclusion numbers.

To get a deeper understanding about how people use their accounts, we would have hoped to see more detailed data on usage, as was available in previous editions of the Findex. The marker of dormancy in 2017 is no withdrawal or deposit in the past year, and this is certainly a valid outer bound. However, the two earlier versions of the survey also asked about frequency of account use on a one-month basis, with questions about deposits and withdrawals one, two, three or more times per month. This data allowed us to describe a [range of levels of account usage](#) (see *By the Numbers*, p. 19). For example, it revealed a distinction between accounts used primarily to receive salary or benefit payments (1–2 deposits per month with 1–2 withdrawals), from accounts used as money management hubs (more than 3 deposits and withdrawals per month). This year’s Findex did not include these questions.

We are disappointed in the decision to discontinue these questions. We also note that in many segments of the financial inclusion industry, markers of usage focus on significantly shorter time periods than one year.

FIGURE 3

Percent of Account-Holding Population with an Inactive Account, 2017



Source: Global Findex 2018. Excludes countries with a population of fewer than 3 million adults.

In most countries, access to accounts continues to expand, often rapidly; however, a significant number of countries are experiencing setbacks.

In every region of the world, some countries are rapidly expanding access to accounts. In 25 countries, more than a quarter of the population has moved from excluded to included since 2011, in terms of account ownership. We congratulate five countries—Croatia, Iran, Malaysia, Mauritius and Mongolia—for approaching full inclusion, with over 85 percent of adults having accounts. Of course, these countries already had relatively high inclusion in 2011.

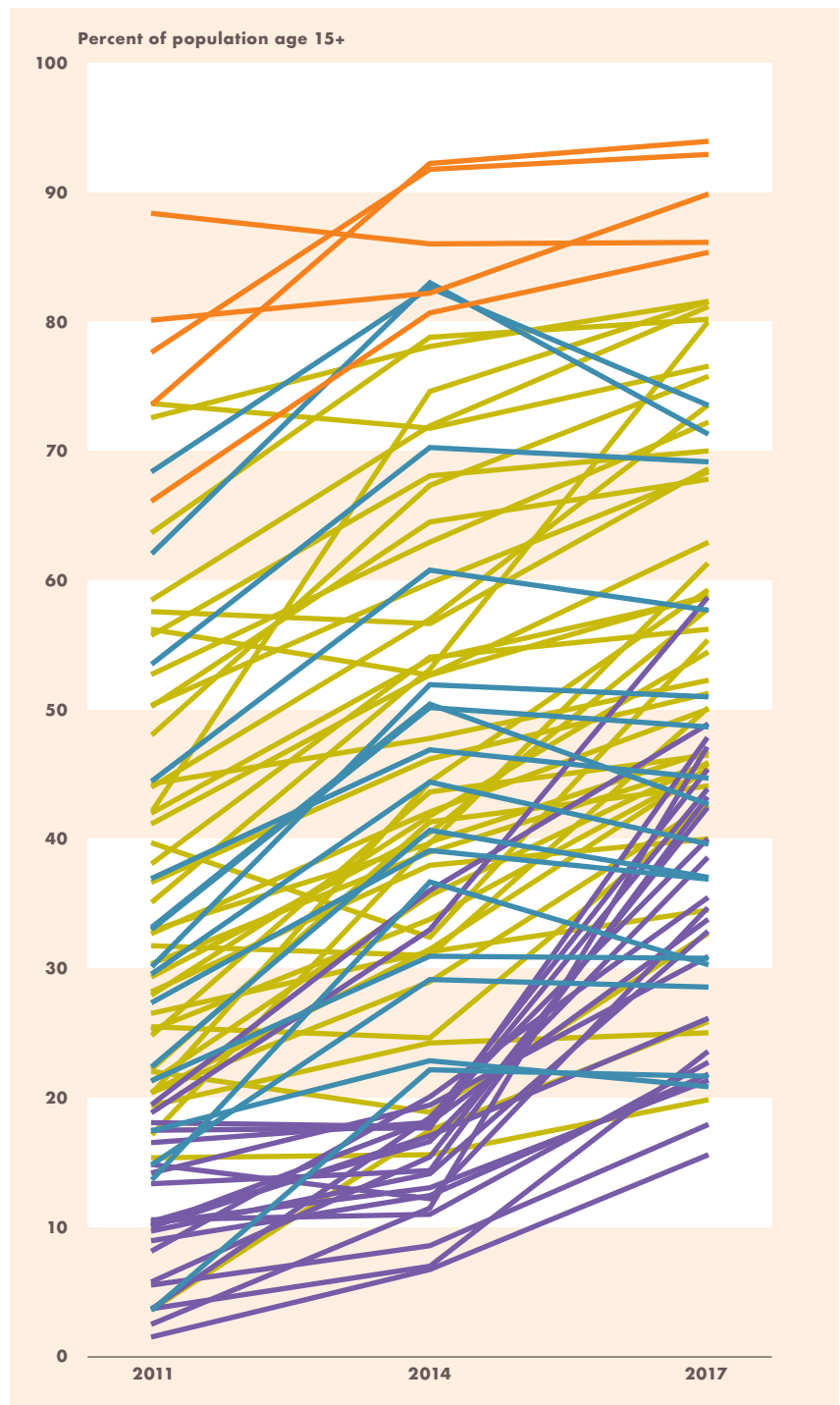
A more encouraging trend is the surge in account ownership among a number of previously very low-inclusion countries, many of them in South and Central Africa and in Central Asia. In Senegal, as an example, account ownership only moved from 6 to 15 percent between 2011 and 2014. But by 2017, that number had shot up to 42 percent. In Tajikistan, the 2011 figure was only 2.5 percent, rising by 2017 to 47 percent, an astonishing increase that resulted in part from government conversion of pension payments to electronic form and promotion of digital payments.

Other low-inclusion countries exhibiting this pattern of recent acceleration include: Burkina Faso, Chad, Democratic Republic of Congo, Egypt, Gabon, Guinea, Kyrgyzstan, Madagascar, Niger, Pakistan and Togo. The increase in Africa reflects the recent penetration of mobile accounts into smaller or lower infrastructure markets.

On the other hand, we see slower growth and even in some instances a reversal among many countries that had rapid account growth between 2011 and 2014, especially in Latin America. In part, these countries may have plucked the “low-hanging fruit” during the earlier period and are now finding it more difficult to reach other segments of the unserved population. Cases where account ownership actually decreased are not easy to explain, however.

FIGURE 4

Access to Accounts by Country, 2011–2017 (Developing Countries)



Source Global Findex 2018. Includes only developing countries with data for all three years (2011, 2014, and 2017). We define “High inclusion” as countries with 85 percent or higher account ownership in 2017. Countries with “reversed progress” saw a decrease in account ownership between 2014 and 2017. “Surge countries” had account ownership below 20 percent in 2011, and saw high growth in account ownership, especially in the 2014–2017 period.

FIGURE 4

Access to Accounts by Country, 2011–2017 (Developing Countries) (continued)

HIGH INCLUSION COUNTRIES

COUNTRY	2011	2014	2017
Croatia	88.4%	86.0%	86.1%
Mauritius	80.1%	82.2%	89.8%
Mongolia	77.7%	91.8%	93.0%
Iran	73.7%	92.3%	94.0%
Malaysia	66.2%	80.7%	85.3%

SURGE COUNTRIES

COUNTRY	2011	2014	2017
Indonesia	19.6%	36.1%	48.9%
Gabon	18.9%	33.0%	58.6%
Moldova	18.1%	17.8%	43.8%
Armenia	17.5%	17.7%	47.8%
Malawi	16.5%	18.1%	33.7%
Cameroon	14.8%	12.2%	34.6%
Nicaragua	14.2%	19.4%	30.9%
Burkina Faso	13.4%	14.4%	43.2%
Iraq	10.6%	11.0%	22.7%
Benin	10.5%	16.6%	38.5%
Pakistan	10.3%	13.0%	21.3%
Togo	10.2%	18.3%	45.3%
Congo, Rep.	10.0%	17.1%	26.1%
Egypt	9.7%	14.1%	32.8%
Chad	9.0%	12.4%	21.8%
Mali	8.2%	20.1%	35.4%
Senegal	5.8%	15.4%	42.3%
Madagascar	5.5%	8.6%	17.9%
Kyrgyzstan	3.8%	18.5%	39.9%
Guinea	3.7%	7.0%	23.5%
Tajikistan	2.5%	11.5%	47.0%
Niger	1.5%	6.7%	15.5%

REVERSED PROGRESS COUNTRIES

COUNTRY	2011	2014	2017
Sri Lanka	68.5%	82.7%	73.6%
Serbia	62.2%	83.1%	71.4%
South Africa	53.6%	70.3%	69.2%
Romania	44.6%	60.8%	57.8%
Lebanon	37.0%	46.9%	44.8%
Algeria	33.3%	50.5%	42.8%
Argentina	33.1%	50.2%	48.7%
Botswana	30.3%	52.0%	51.0%
Nigeria	29.7%	44.4%	39.7%
Mexico	27.4%	39.1%	36.9%
Uzbekistan	22.5%	40.7%	37.1%
Vietnam	21.4%	31.0%	30.8%
Mauritania	17.5%	22.9%	20.9%
Azerbaijan	14.9%	29.2%	28.6%
El Salvador	13.8%	36.7%	30.4%
Cambodia	3.7%	22.2%	21.7%

ALL OTHER COUNTRIES

COUNTRY	2011	2014	2017
Macedonia	73.7%	71.8%	76.6%
Thailand	72.7%	78.1%	81.6%
China	63.8%	78.9%	80.2%
Belarus	58.6%	72.0%	81.2%
Turkey	57.6%	56.7%	68.6%
Bosnia and Herzegovina	56.2%	52.7%	58.8%
Brazil	55.9%	68.1%	70.0%
Bulgaria	52.8%	63.0%	72.2%
Montenegro	50.4%	59.8%	68.4%
Costa Rica	50.4%	64.6%	67.8%
Russia	48.2%	67.4%	75.8%
Kosovo	44.3%	47.8%	52.3%
Venezuela	44.1%	57.0%	73.5%
Kenya	42.3%	74.7%	81.6%
Kazakhstan	42.1%	53.9%	58.7%
Ukraine	41.3%	52.7%	62.9%
Zimbabwe	39.7%	32.4%	55.3%
Dominican Republic	38.2%	54.1%	56.2%
Ecuador	36.7%	46.2%	51.2%
India	35.2%	53.1%	79.9%
Georgia	33.0%	39.7%	61.2%
Rwanda	32.8%	42.1%	50.0%
Bangladesh	31.7%	31.0%	50.0%
Colombia	30.4%	39.0%	45.8%
Ghana	29.4%	40.5%	57.7%
Albania	28.3%	38.0%	40.0%
Bolivia	28.0%	41.8%	54.4%
Philippines	26.6%	31.3%	34.5%
Jordan	25.5%	24.6%	42.5%
Nepal	25.3%	33.8%	45.4%
Panama	24.9%	43.7%	46.5%
Guatemala	22.3%	41.3%	44.1%
Haiti	22.0%	18.9%	32.6%
Zambia	21.4%	35.6%	45.9%
Honduras	20.5%	31.5%	45.3%
Uganda	20.5%	44.4%	59.2%
Peru	20.5%	29.0%	42.6%
West Bank and Gaza	19.4%	24.2%	25.0%
Tanzania	17.3%	39.8%	46.8%
Sierra Leone	15.3%	15.6%	19.8%
Congo, Dem. Rep.	3.7%	17.5%	25.8%

Source See previous page for explanation of categories. Countries are sorted by their starting level of account access.

FIGURE 5

Reasons for Not Having Accounts by Region, 2017

	EAST ASIA & PACIFIC	EUROPE & CENTRAL ASIA	LATIN AMERICA & CARIBBEAN	MIDDLE EAST & NORTH AFRICA	SOUTH ASIA	SUB-SAHARAN AFRICA
No account because financial institutions are too far away	24	15	27	9	21	27
No account because financial services are too expensive	20	27	52	19	24	27
No account because of lack of necessary documentation	18	14	25	12	19	25
No account because of lack of trust in financial institutions	9	29	29	12	17	14
No account because of religious reasons	4	6	6	6	8	6
No account because someone in the family has an account	29	30	31	12	34	11
No account because of no need for financial services ONLY	4	7	1	8	3	1
No account because of insufficient funds	63	48	58	71	56	73

Source Global Findex 2018. Most frequently cited reasons by region are shaded. All figures represent % without a financial institution account, age 15+. Multiple responses to this question were permitted, so totals add up to more than 100 percent.

The biggest reason for not having an account is lack of money, but trust, cost and access also matter.

The Findex survey asked non-account-holders about the reasons behind their exclusion. The answers differed widely by region, and they offer hints about issues that the financial inclusion community needs to address.

As expected, by far the most popular reason people give for opting out—in every region—is lack of money, and a few more say they just don’t need an account.

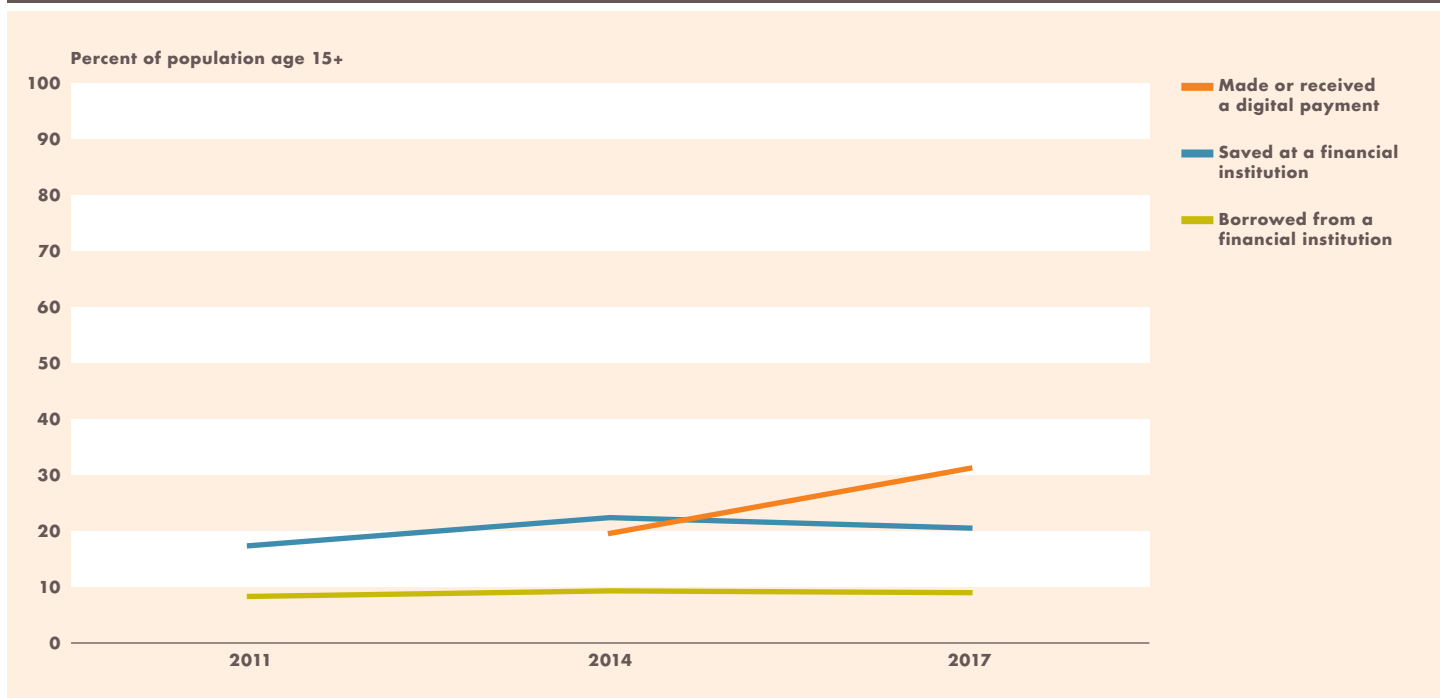
Other responses indicate supply-side issues, including both access and quality concerns. Physical access still plays a role in several regions, especially Latin American and the Caribbean (LAC) and Sub-Saharan Africa (SSA). Documentation, too, remains a challenge, despite

advances in national identification in a number of countries. With regards to quality, many people complained about the high cost of accounts, which was noted more frequently in LAC than elsewhere. Trust in financial institutions was also worse in LAC, probably a legacy of past crises, and it was an issue in Europe and Central Asia (ECA) as well.

In South Asia, East Asia and the Pacific and ECA, up to a third of people do not have accounts because they cede banking activities to another member of the family. This response speaks to the complexity of intra-household financial arrangements. The percentage of people giving this reason in SSA and the Middle East and North Africa (MENA) was much lower—a surprising result, given that the account ownership gender gap is larger in those two regions than elsewhere. It might have been expected that wives rely on accounts held by husbands.

FIGURE 6

Saving, Borrowing, and Digital Payments, 2011–2017 (Developing Countries)



Source Global Findex 2018. Activity period is the past year.

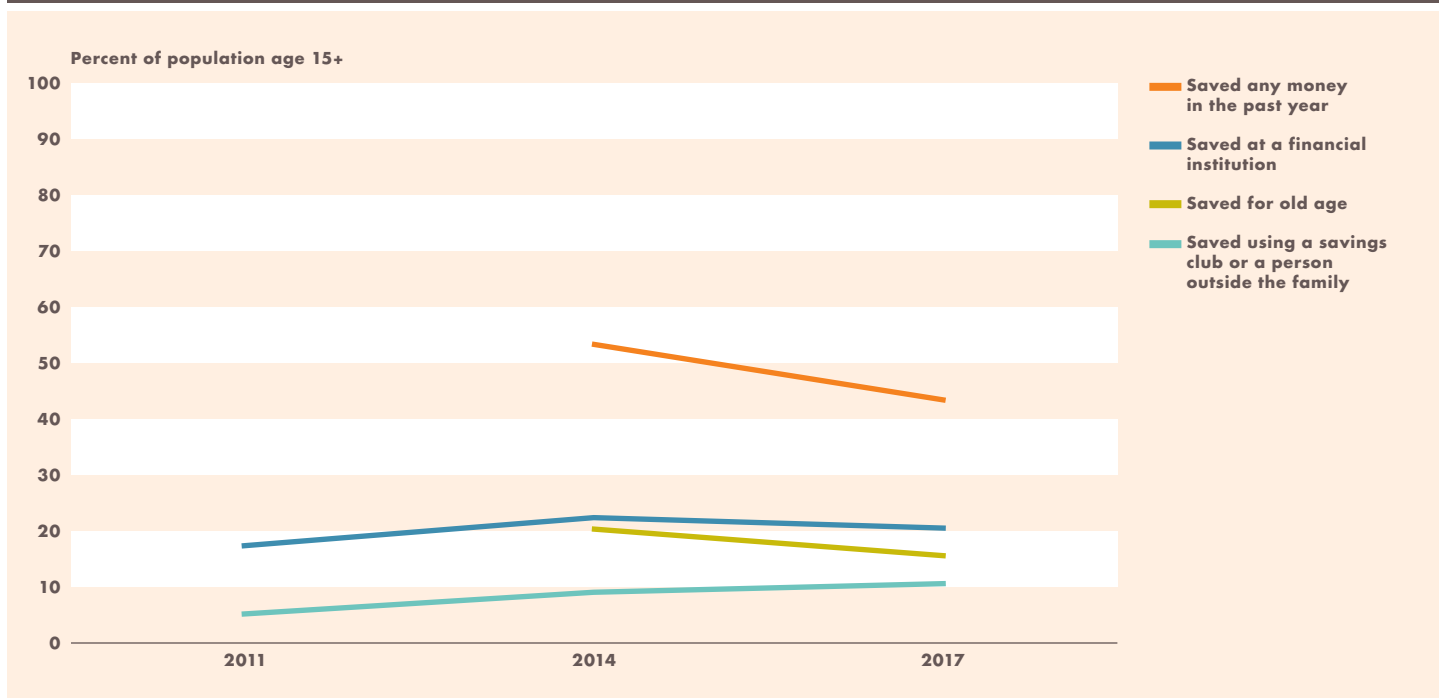
Credit is flat, and savings is declining, even as digital payments make significant gains.

Financial inclusion involves access to multiple services: payments, savings, credit and insurance. Unfortunately, the Findex does not cover insurance, but it does provide extensive information on the other three services. Account access should lead to more activity in each of these areas, but in the past three years the only growth has been in digital payments.

The next few figures explore savings, credit and payments in more depth.

FIGURE 7

Savings Activity, 2011–2017 (Developing Countries)



Source Global Findex 2018. Activity period is the past year.

An unwelcome and worrying decline in savings activity.

Savings is a cornerstone of [financial health](#) and one of the most important uses of financial accounts. Thus, if access to accounts rises, a rise in savings in financial institutions or mobile wallets would be both expected and desired. However, the data shows that savings behavior has changed very little during the past three years.

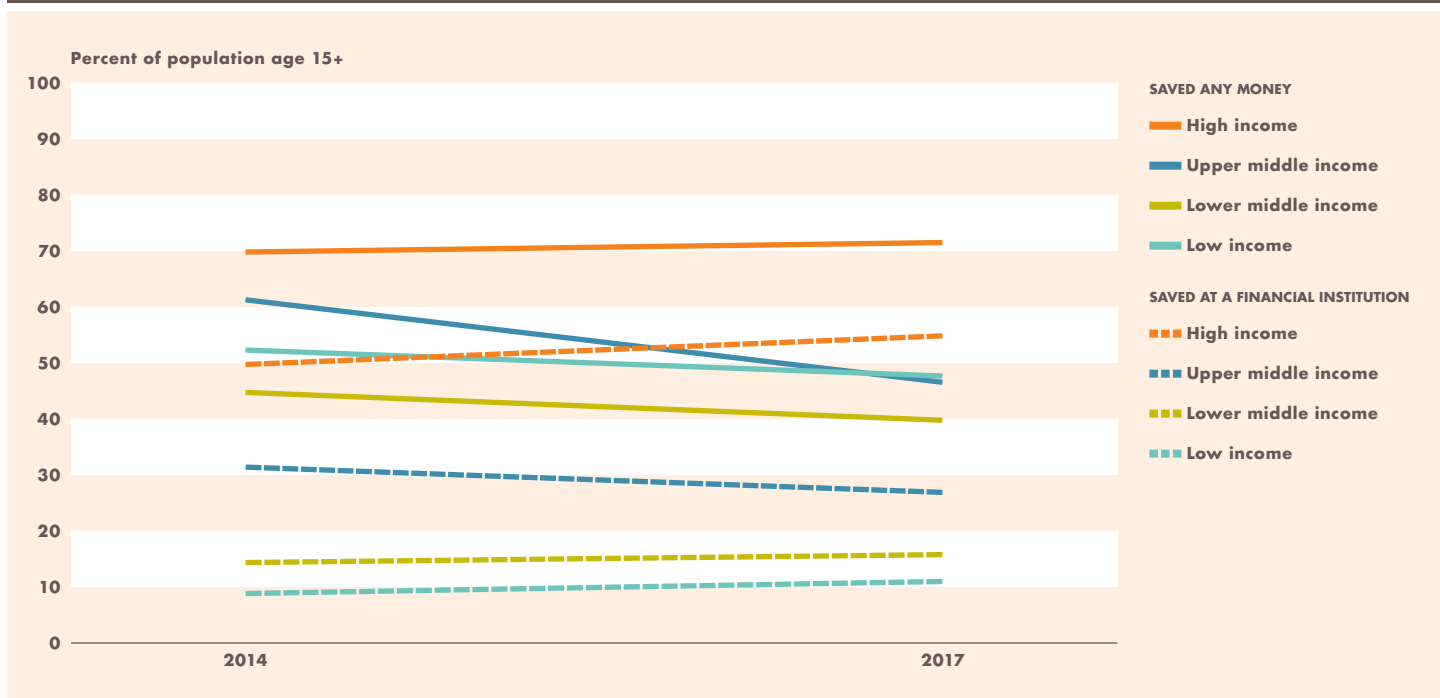
Across developing countries in the aggregate, savings went up from 2011 to 2014 and down from 2014 to 2017, both in terms of saving at a financial institution and saving at all. Among savings indicators, only informal saving using a savings club or savings keeper went up slightly.

The global numbers are influenced by a sizeable shift in savings in China. The percentage of people saving in a financial institution in China fell from 41 to 35 percent, and the percentage of those reporting any kind of saving fell from 72 to 51 percent. Saving for old age also fell. The reasons for these sharp drops are not clear.

The lackluster performance of the savings indicators is cause for serious questions to be raised about the pathways from access to value for customers. We need to know whether people are not saving because they lack good savings options, prefer other forms of investment, or simply have no surpluses to save.

FIGURE 8

Savings Activity by Country Income Groups, 2011–2017



Source Global Findex 2018. Activity period is the past year.

When people from rich and poor countries save, they do so in different ways. Those in lower income countries still prefer to save informally.

In about half of all countries, the number of people reporting saving, including saving in a financial institution, went up slightly between 2014 and 2017, and in about half, it went down slightly. In most countries, the changes in savings fall within the margin of error of the survey, however, so the bottom line is that not much is happening in either the manner or level of savings.

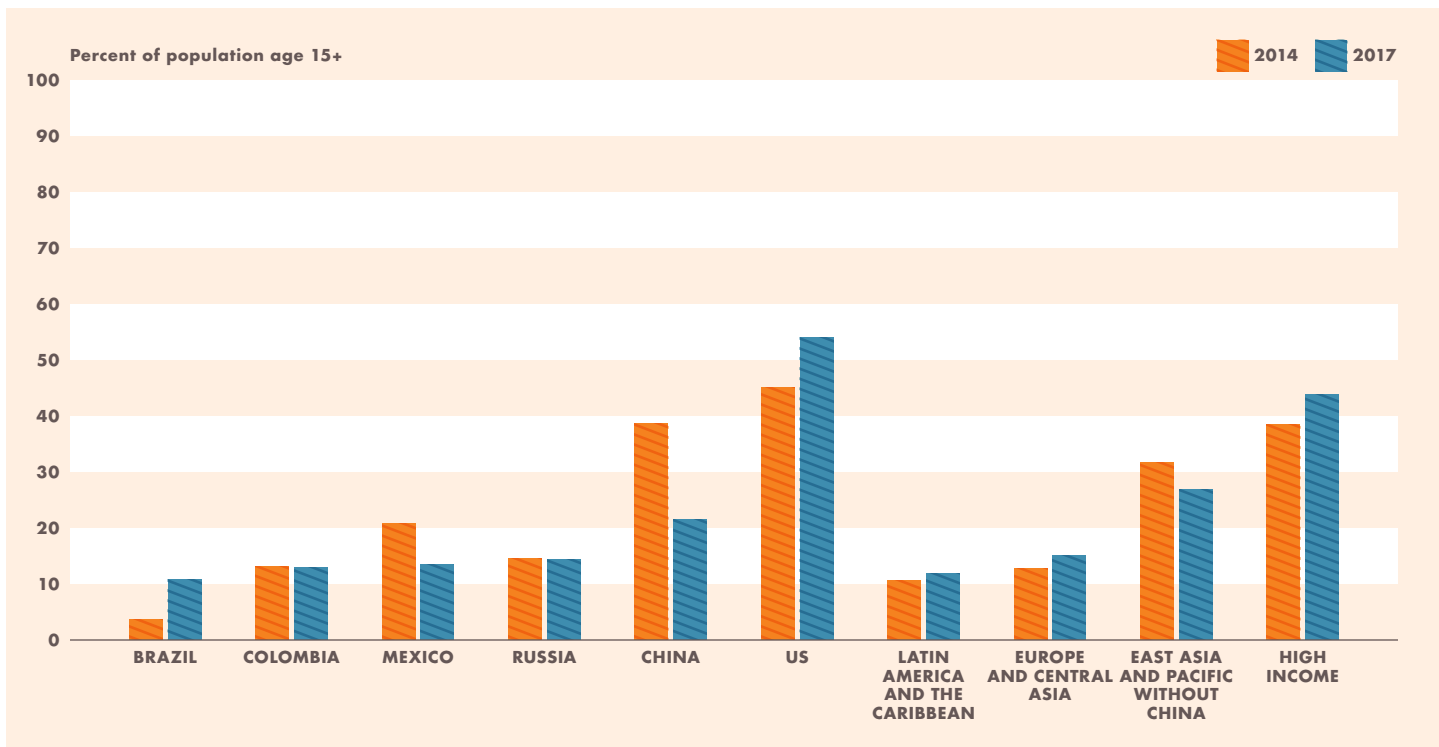
Beyond the lack of savings progress, another important message to glean from these numbers is the persistent gap when it comes to saving in financial institutions.

Many more people in lower income countries save than do so in financial institutions. Informal methods, including savings and credit groups, continue to be the main ways people in these markets save.

The gap between saving at all and saving in a financial institution signals a potential market opportunity, because it shows that many people are already saving. Capturing those savings, however, requires overcoming a series of barriers on both provider and consumer side, including some of the factors relating to account access shown in Figure 5.

FIGURE 9

Percent of People Saving for Old Age, 2014 and 2017 (Selected Countries and Regions with Rapidly Aging Populations)



Source Global Findex 2018. Regional groupings exclude high income economies. Activity period is the past year.

Cause for concern: Far too few people are saving for old age.

Across the world, only one in five people say they save for old age. This low figure signals a major public policy challenge in the many countries and regions where older people are a fast-growing population segment, as CFI explored in, “Aging and Financial Inclusion: An Opportunity.”* Since everyone needs to make some provision or plan for their older years, a finding that 80 percent of people do not put money aside for that purpose should spark policy makers and the financial inclusion community to action.

In rich countries, many people reported saving for old age, and on top of that, many in those countries already have both government-supported social security programs and employer-based pensions. However, both government and employer-

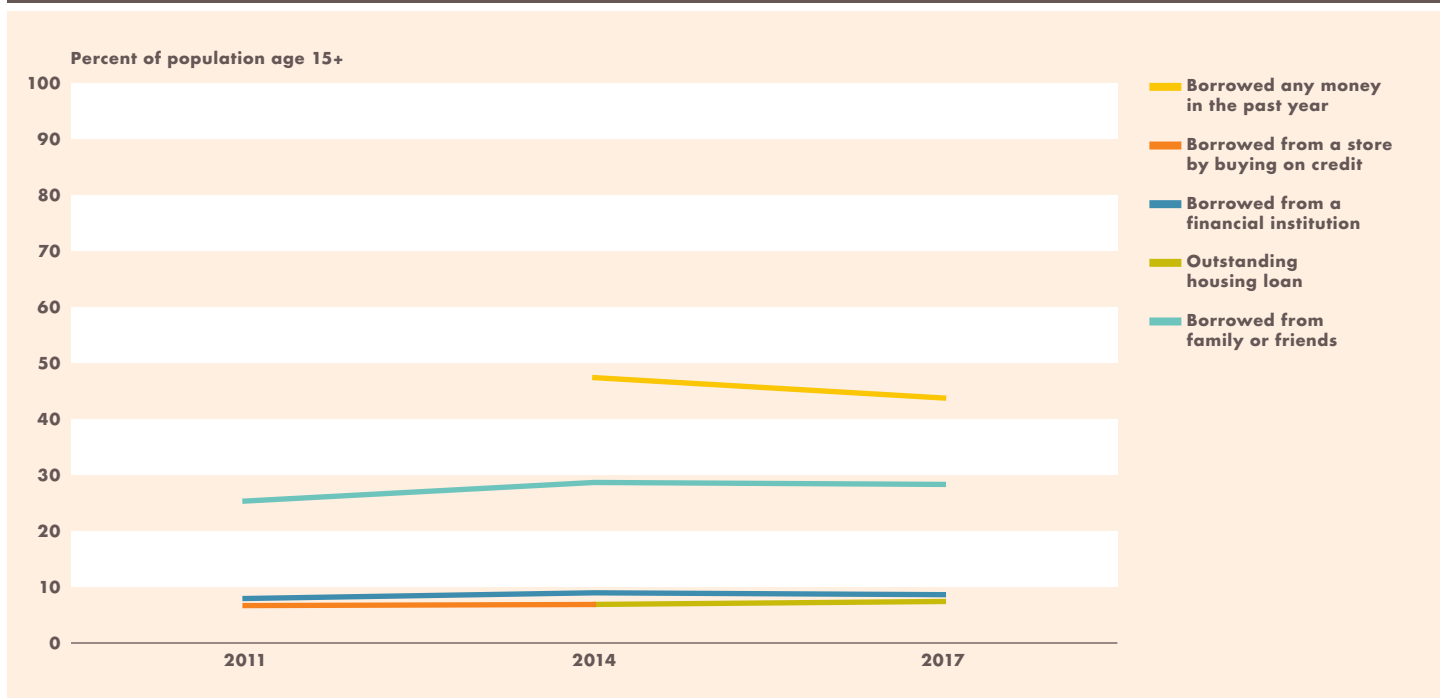
based systems are under stress, shifting the burden of saving for old age, often dramatically, to individuals. Recognition of this burden shift may help explain why the percentage of people saving for old age in high income countries in the past three years rose from 37 to 44 percent. Concerns arise that the amounts individuals are able to save will not be sufficient to see them through increasingly long retirements.

In the rest of the world, where government and employer-based pensions offer minimal incomes or cover a small fraction of the population, the picture is even more concerning. Individual saving for old age remained low for the past three years with only one out of six adults saving for that purpose. Low savings, coupled with the decline in the numbers of children available to take care of aged parents, create a worrying prospect that millions of older people may live out their last years in poverty.

* Rosario Baptista, Pilar Contreras, Sonja E. Kelly, et al, “Aging and Financial Inclusion: An Opportunity.” Washington, DC: CFI, 2015.

FIGURE 10

Borrowing Activity, 2011–2017 (Developing Countries)



Source Global Findex 2018. Activity period is the past year.

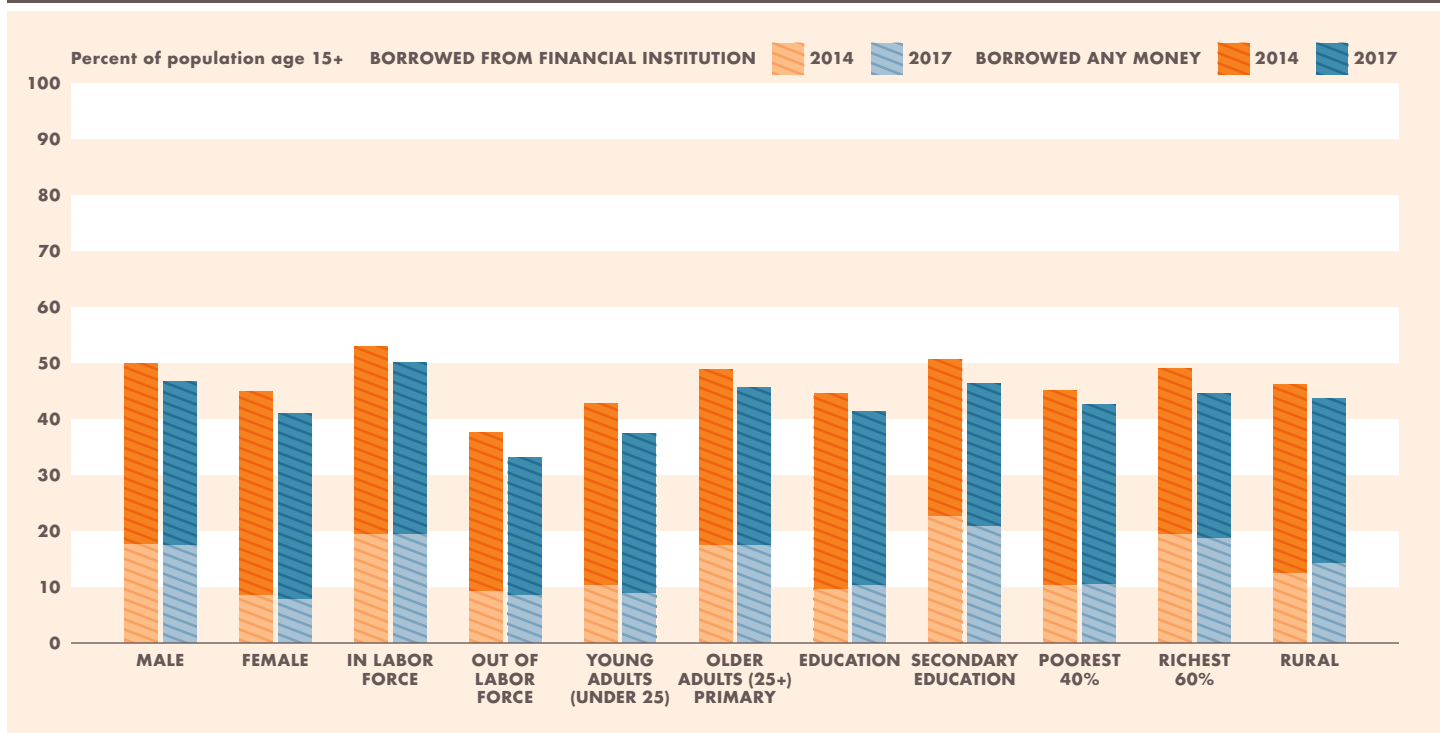
Despite the excitement about big data and algorithm-based credit, borrowing has hardly changed since 2011.

While nearly 44 percent of all adults in developing countries report borrowing in the past year, fewer than 10 percent borrowed from financial institutions, nearly the same percentage as in 2011. Informal sources continue to prevail: the percentage of people borrowing from family and friends is 29 percent. By contrast, in high income countries, only 13 percent borrowed from family and friends. These numbers may suggest that people prefer formal sources once they gain access to them. Therefore, the data may also indicate that low formal borrowing in developing countries reflects lack of access more than borrower preference.

Through an analysis of borrowing patterns in the Findex data, which are otherwise nearly stagnant, we uncovered one phenomenon that, while still incipient, may indicate that mobile accounts are leading to increased credit. In a number of smaller African countries where mobile accounts are making inroads, the percent of people borrowing from a financial institution rose substantially, generally from a very low base. For example, in Zambia, the percentage of formal borrowers rose from 6 percent of adults to 10 percent. We identified no other grouping of countries with so much relative change in borrowing behavior. Explanations could include the rise of mobile credit, or simply economic growth underpinning both mobile account and credit growth.

FIGURE 11

Borrowing by Demographic and Socioeconomic Group, 2014 and 2017 (Developing Countries)



Source Global Findex 2018. Activity period is the past year.

Fewer people in all groups—young, old, rich, poor, men and women—borrowed in 2017 than in 2014. Higher status groups were more likely to borrow from financial institutions.

All specially identified demographic and socioeconomic groups were less likely to “borrow any money” in 2017 than in 2014. However, there was little change in the percentages borrowing from financial institutions.

Relative access to financial institution credit tracks in a predictable way with status indicators. People with secondary education are more than twice as likely to borrow from a financial institution as those with primary

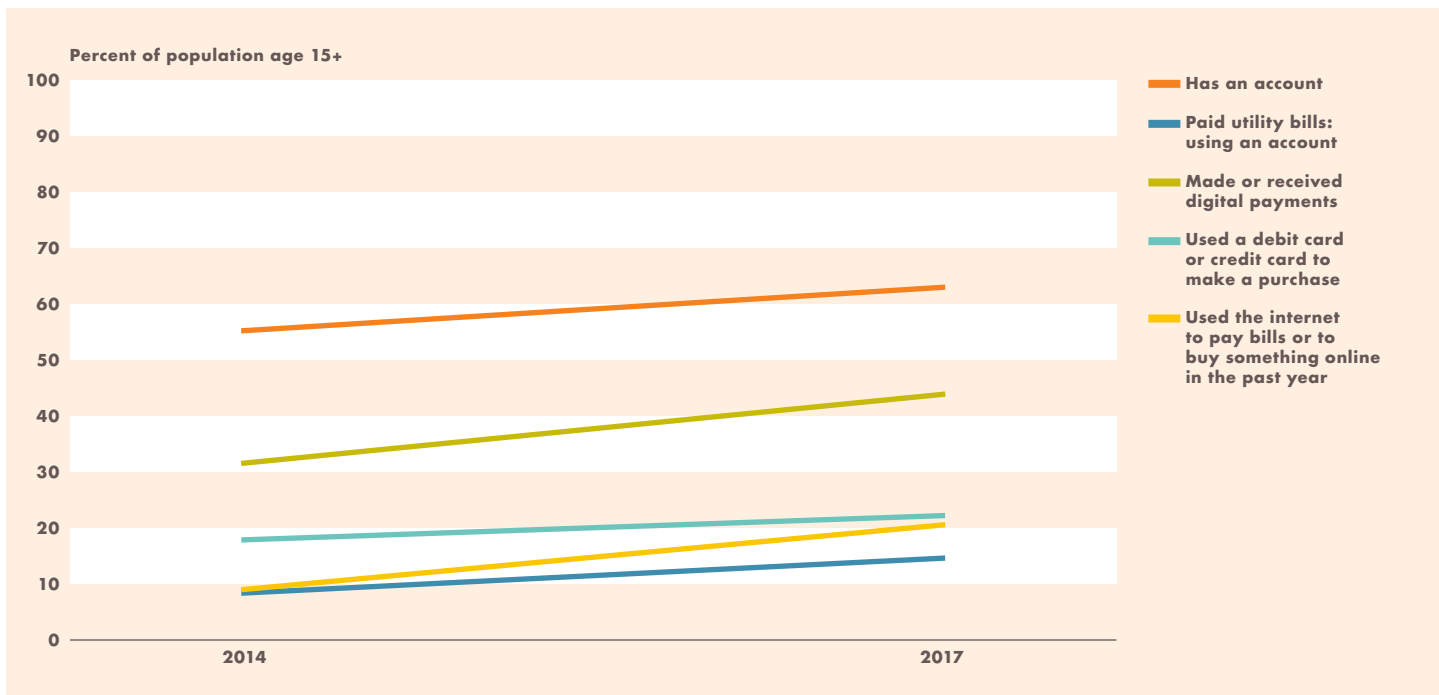
education or less. This is about the same gap as between those in the labor force and those out of it, and a bit larger than the gap between the poorer 40 percent of the population and the richer 60 percent.

The gender gap in borrowing grew slightly between 2014 and 2017.

Young adults and people out of the labor force were the least likely groups to borrow from financial institutions.

FIGURE 12

Percent of People Using Digital Payments, 2014–2017 (Developing Countries)



Source Global Findex 2018. Activity period is the past year.

Digital payments are gaining traction, but no single model dominates. A variety of payment models and use cases show increases.

In the developing world most payments are still done the old-fashioned way: in cash. Over half of all adults (56 percent) still did not make or receive a digital payment last year. This contrasts sharply with high income countries, where only 10 percent used no digital payments.

But change is afoot. From a relatively low base, the number of people using digital payments jumped from 32 to 44 percent from 2014 to 2017—a nearly 40 percent increase. About 550 million more people used digital payments in 2017 than three years before.

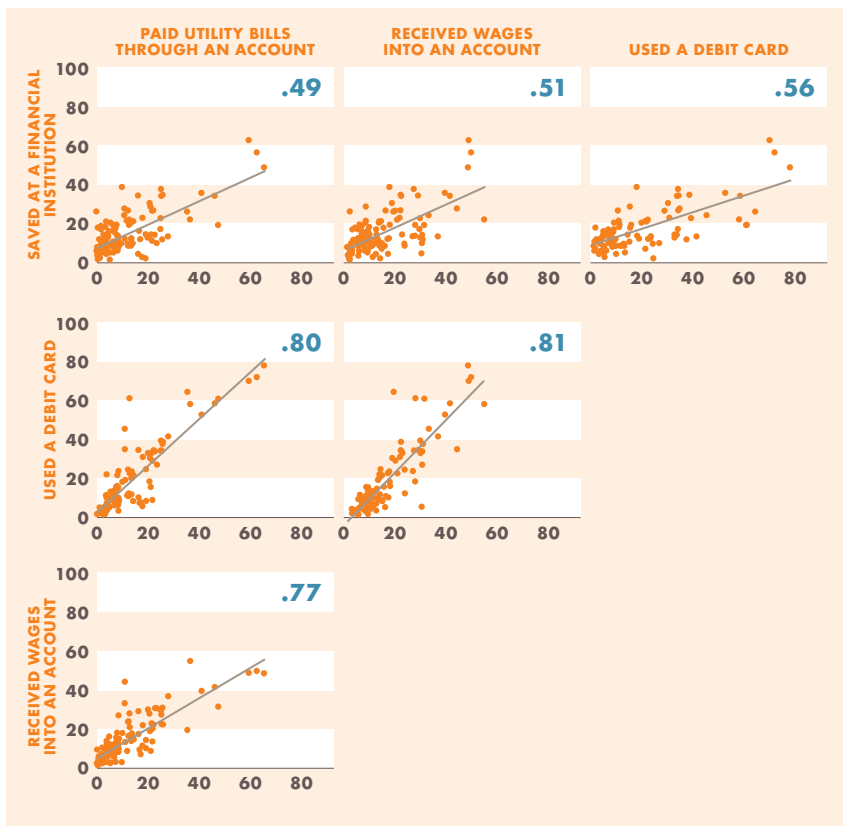
Digital payments are diverse at this stage, with various models—card-based, internet-based, mobile-based and others—and a growing array of use cases. The number of

people shopping or paying bills online has more than doubled in the past three years. The increase in paying for purchases through debit or credit cards is more gradual. Card payments at point of sale still involve more people than online payments (22 percent, versus 21 percent), but if we extend the trend lines, they would cross in 2018—perhaps they already have. And of course the various models are difficult to separate clearly, as online payments often involve debit or credit cards, and in many countries, online purchases are paid in person upon delivery—often in cash.

Penetration of internet-based payments differs dramatically according to country income level: 38 percent of people in the upper middle income countries (including China, where such payments have surged to 49 percent), compared with only 7 percent in lower middle income countries (including India, where use is still minimal) and only 5 percent in low income countries.

FIGURE 13

Correlations Among Digital Payment Use Cases, 2017



Source Global Findex 2018. Activity period is the past year, with each dot representing a developing country. Correlation used is Pearson's R Squared.

Digital usage behaviors cluster, revealing clues for financial inclusion strategy.

Correlations among indicators of use are very high, striking evidence of linkages between various behaviors enabled by accounts. In short, one use begets other uses.

One likely explanatory narrative begins with wages. People who receive wages in an account, and whose accounts feature debit cards, are very likely to save in those accounts and use them to pay utility bills and make other purchases. This narrative suggests that efforts to have wages, government transfers and other income deposited into accounts may be the key to higher usage, provided also that accounts offer the debit cards that make transacting easier.

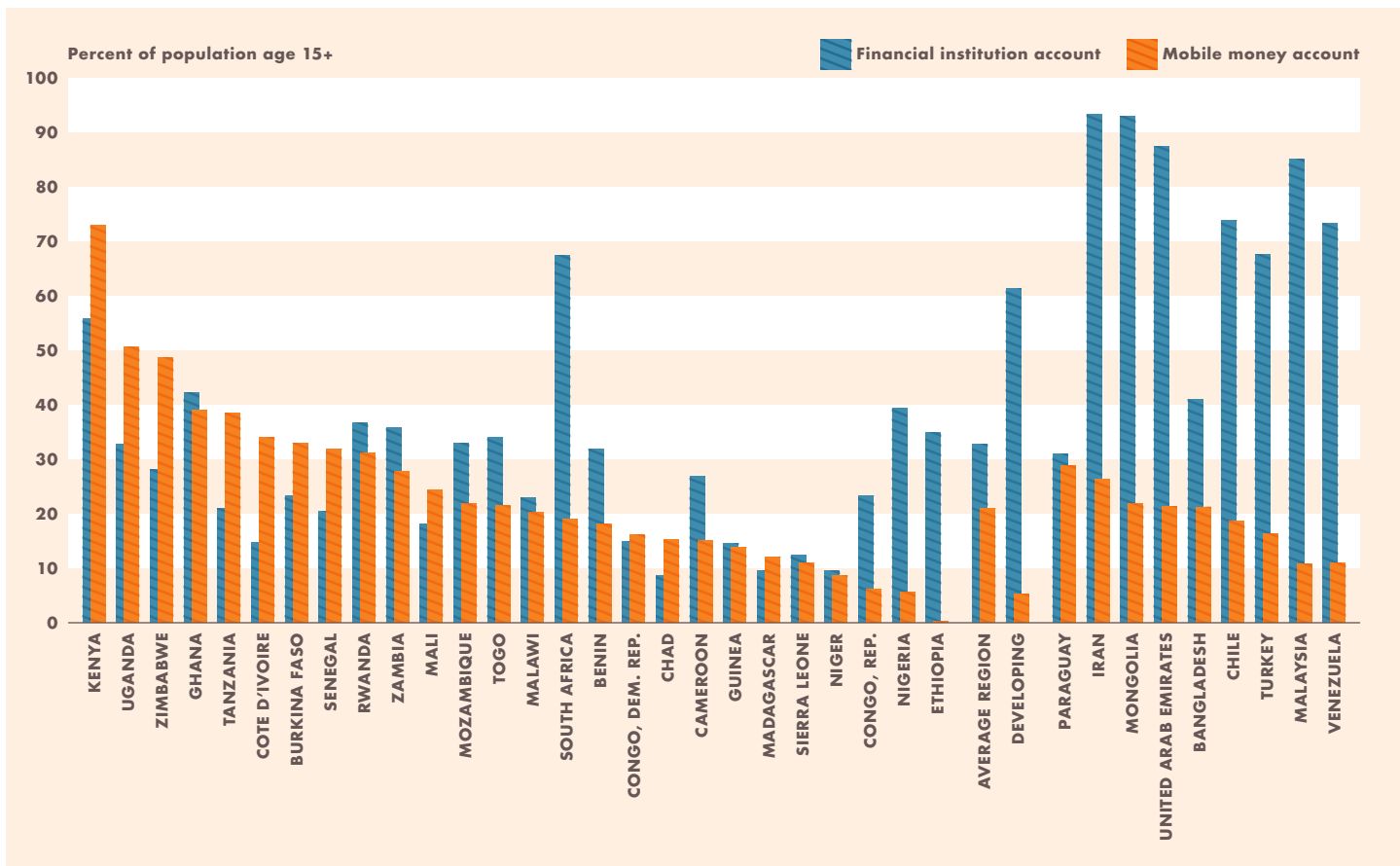
Unfortunately, the percentage of people with financial institution accounts is much higher than the percentage of people with debit cards (63 percent of adults report having an account compared with 40 percent of adults reporting having a debit card), suggesting that many account-holders can transact only through branch office tellers or checks, and hinting that adding debit cards to existing accounts would help turn those accounts into more active and useful tools for customers. This might be a relatively easy win in the drive to reduce the access-usage gap.

The high correlation between saving in an account and other usage indicators suggests that strategies to increase saving in financial form may begin with getting customers comfortable using their accounts to perform other tasks.

On the other hand, the low and negative correlations between account usage and remittances suggests that remittance senders and receivers may occupy a different segment of the market from those who receive wages into accounts. This bears further exploration, especially when the Findex micro-data on individual respondents becomes available.

FIGURE 14

Financial Institution Accounts Compared to Mobile Accounts, 2017 (Sub-Saharan Africa and Selected High-Mobile Money Markets)



Source Global Findex 2018. Activity period is the past year. Does not include countries with adult populations less than 3 million.

The relationship between mobile and financial institution accounts differs by country; often, both grow together.

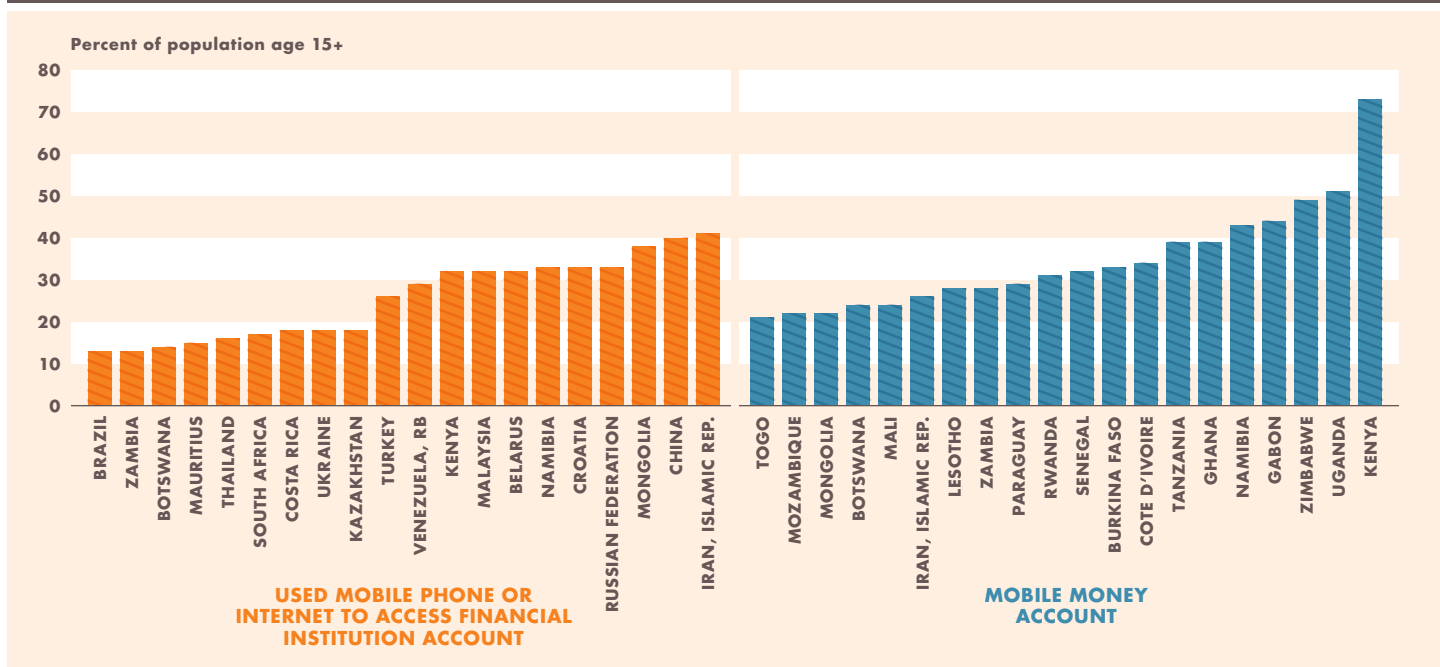
In some countries in Africa, mobile accounts are growing fast and have already outstripped financial institution accounts. In others, financial institution accounts still dominate. This is particularly true in the several countries outside Africa with high mobile money penetration.

While mobile access generally grew faster in the past three years, financial institution account access has also grown, and there

is a clear positive relationship between growth in both types of accounts. In countries where both types of accounts are gaining penetration, this may arise from broadly conducive economic and policy environments. Or it may be that growth in mobile and financial institution accounts are intertwined—for example if mobile network operators link mobile wallets with banks to offer savings and credit.

FIGURE 15

Top 20 Countries for Use of Mobile Phone/Internet to Access Accounts and Ownership of Mobile Money Accounts, 2017



Source Global Findex 2018. Activity period is the past year.

The mobile financial services revolution has multiple facets. In Africa, it's mobile accounts; in others, it's using phones to access bank accounts.

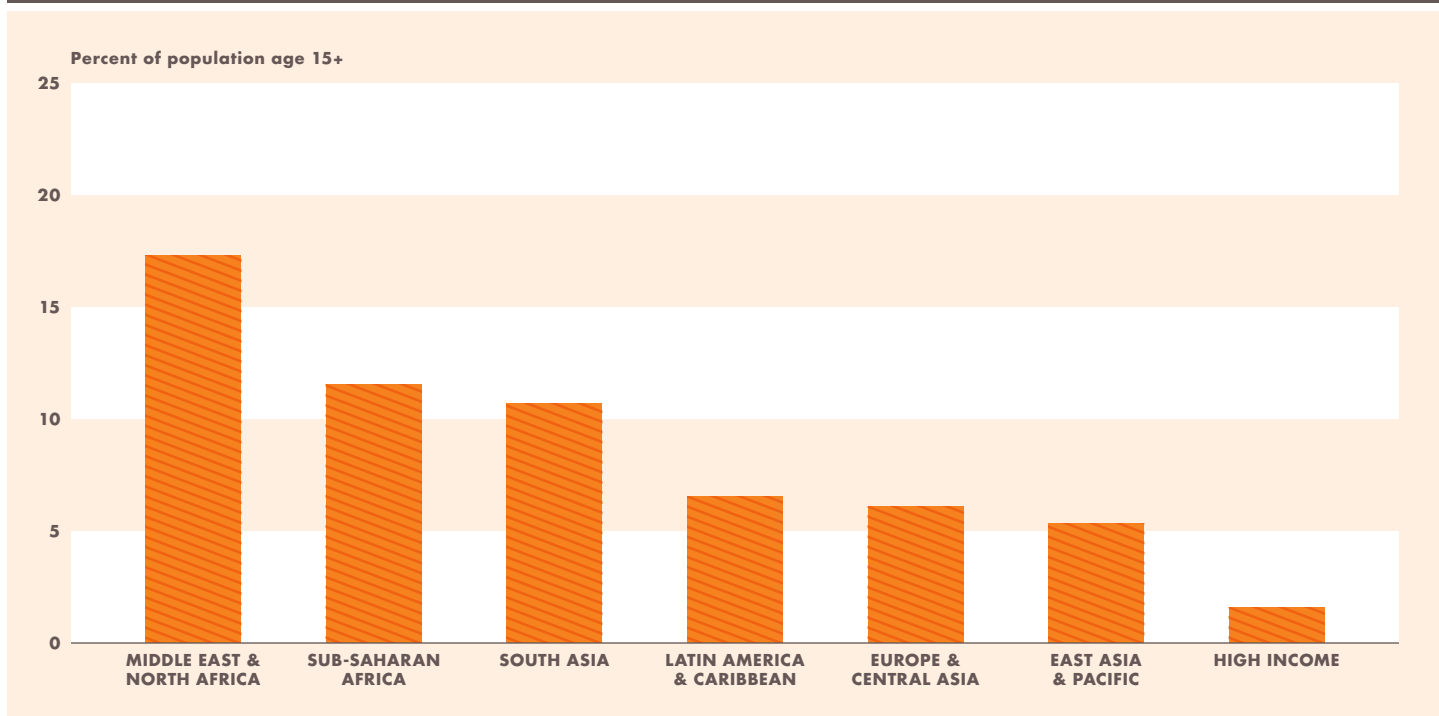
The story of mobile banking in Africa is well-known. Starting with Safaricom's creation of M-Pesa in Kenya over a decade ago, mobile network providers spread mobile money and banking services first to East Africa and then across the continent. Most recently, mobile banking grew dramatically in smaller countries in West and Central Africa such as Guinea and Burkina Faso, which had very little mobile banking before 2014. Today, mobile accounts reach more than 10 percent of adults in all but a handful of Sub-Saharan countries (the most notable exception being Nigeria). Along with spreading geographically, mobile accounts are widening their array of services. They are increasingly linking to financial institutions and becoming vehicles for other providers—such as digital lenders—to offer value added products. All these models have been built upon the broad availability of feature phones

with limited internet connectivity, although today, many providers have added smartphone-based versions.

Most of the rest of the world bypasses this African model. Only three countries with mobile banking penetration above 20 percent are outside Africa: Paraguay, Iran and Bangladesh. This does not mean that mobile phones are irrelevant for financial services. In other parts of the world, the phone may be used as widely, but the access model differs. The prevailing models in the rest of the world combine traditional financial institution accounts with smartphone access. Banks offer internet-based access, and customers use smartphones as just one way to access their accounts. This pattern is captured in this year's new Findex question, "Have you used a mobile phone or internet to access a financial institution account?" More than half of adults in high income countries respond positively to this question, and so do 40 percent of adults in China and Iran. In about 25 developing countries beyond Africa, over 10 percent of adults use mobile or internet to access financial institution accounts.

FIGURE 16

Absolute Gender Gap in Accounts by Region, 2017



Source Global Findex 2018. Bar shows percentage of men with accounts minus percentage of women with accounts.

The persistent gender gap is concentrated in three regions: Middle East & North Africa, Sub-Saharan Africa, and South Asia.

A greater percentage of women own accounts (not correcting for dormancy) than when the Findex surveys began: 59 percent in 2017 versus 37 percent in 2011. But the gap in accounts between men and women persists stubbornly at 9 percentage points, virtually unchanged over this period. The international development industry is focused on closing this gap through creative ways to ensure that services are available to women and designed with their needs and preferences in mind.

In directing resources toward the gender gap, it is helpful to recognize that the disparity

is concentrated in certain regions and within regions in certain countries. The Middle East/ North Africa region has the largest gap, 17 percentage points, with substantial gaps also in Sub-Saharan Africa (11 percent) and South Asia (11 percent). Among individual countries, several have gaps above 25 percentage points, including Jordan, Pakistan and Algeria. East Asia and the Pacific, Latin America and the Caribbean, and high income countries have much smaller gaps. Efforts to provide women greater access might sensibly be focused toward the economies where gaps are greatest.

Closing the gender gap is not straightforward: Countries with high gender gaps in account access tend to have gender gaps in many facets of life.

The scatterplot shows the relative gender gap (women’s account access as a percentage of men’s) against the findings of the most recent United Nations Gender Inequality Index (GII). The GII measures gender gaps on multiple indicators grouped into three categories: health, empowerment and labor force participation. The gap in account access tracks closely with this index (with a correlation of $-.62$ —a strong, inverse relationship), demonstrating that in most of the countries with a large account gap, women face multiple barriers, not just financial access barriers. The disparities appear to be interlinked in complex ways. This suggests that multi-faceted strategies in a range of development areas will be needed to overcome these disparities. It also suggests the presence of deeply held societal norms that may be resistant to change.

FIGURE 17

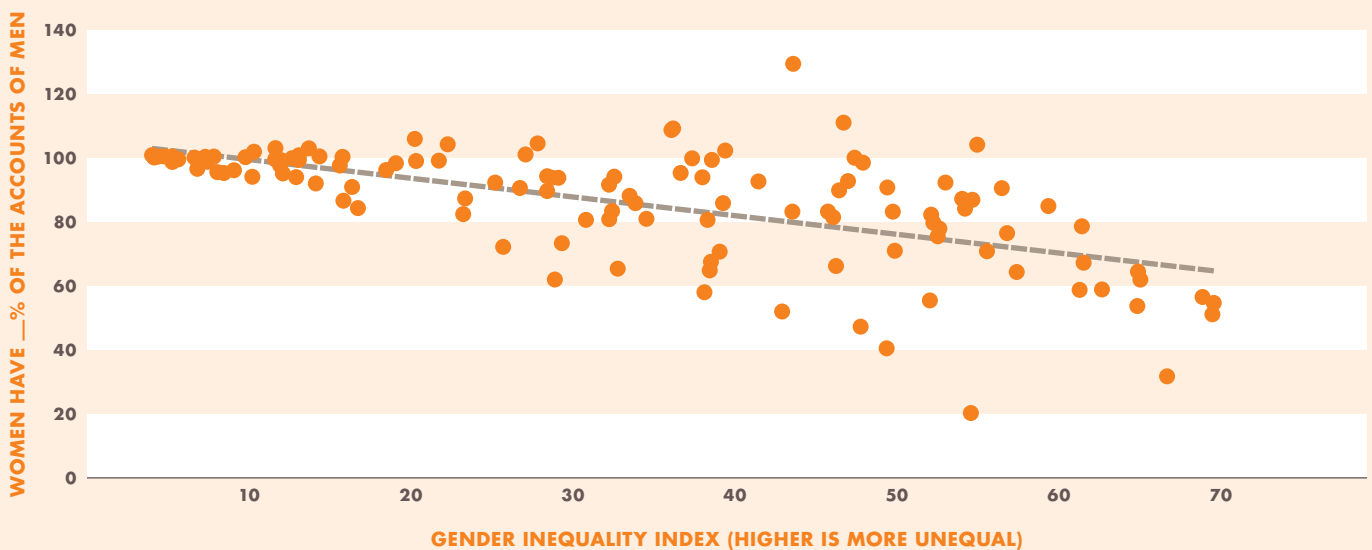
Countries with the Highest Gender Inequality, 2017

	% MEN WITH AN ACCOUNT	% WOMEN WITH AN ACCOUNT	WOMEN HAVE ___% OF THE ACCOUNTS OF MEN	NUMBER OF MEN PER ONE WOMAN
Pakistan	35	7	20	5
Afghanistan	23	7	32	4
South Sudan	13	5	38	3
Morocco	41	17	41	2
West Bank and Gaza	34	16	46	2
Jordan	56	27	47	2
Chad	29	15	51	2
Algeria	56	29	52	2
Nigeria	51	27	53	2
Central African Republic	18	10	54	2

Source Author calculations using Global Findex 2018.

FIGURE 18

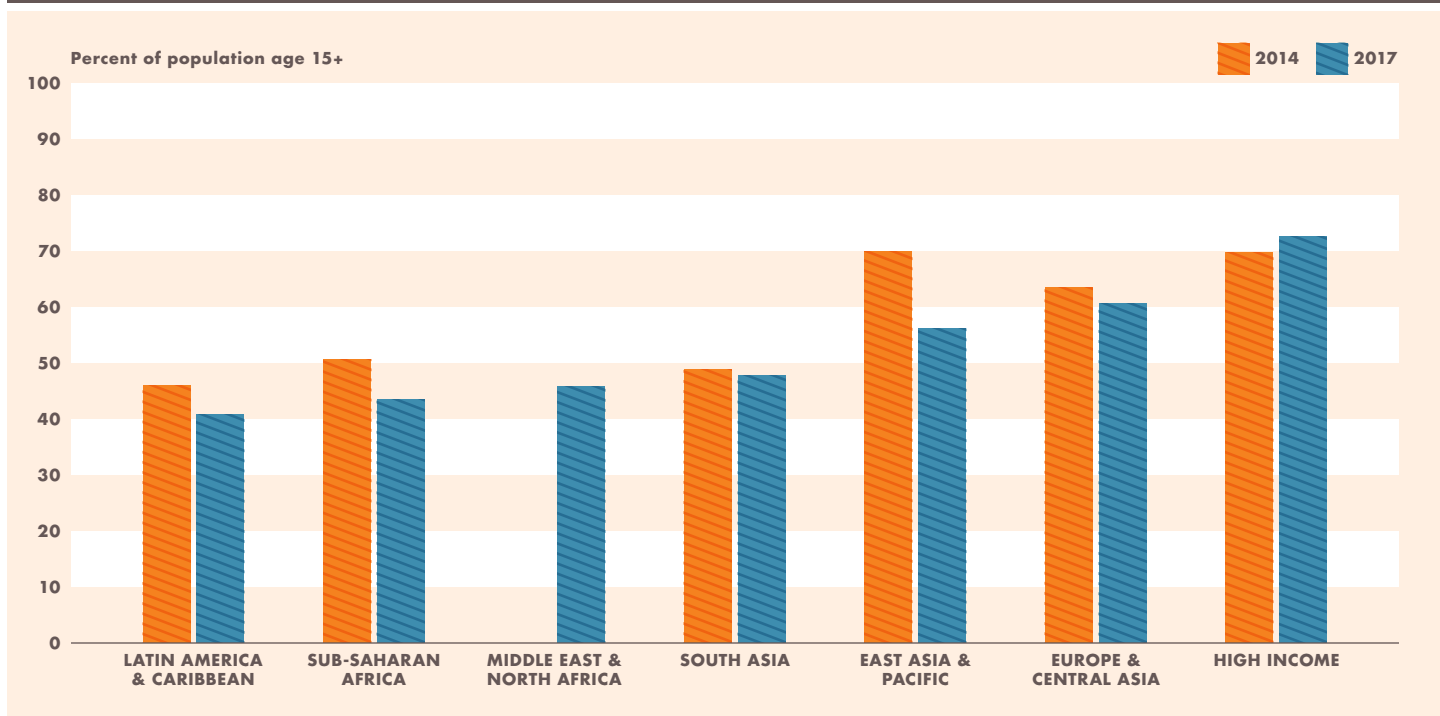
Gender Inequality Index (2014) vs. Relative Account Inequality by Gender (2017)



Source Global Findex 2018, UN 2015. Each dot represents a country.

FIGURE 19

Possibility of Coming Up with Emergency Funds by Region, 2017



Source Global Findex 2018. No data available for Middle East & North Africa in 2014.

Across the developing world, respondents signaled lower resilience than in 2014.

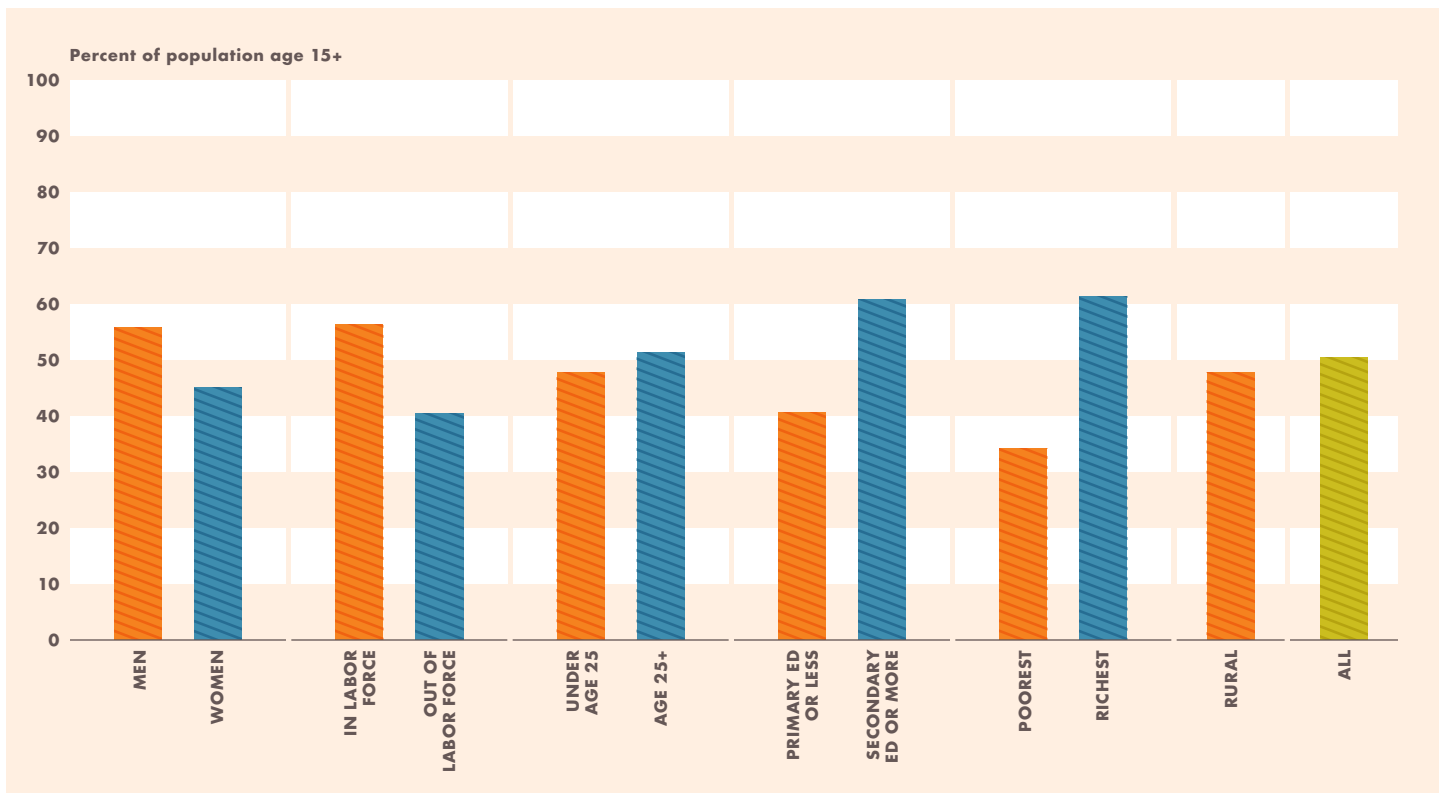
When asked the resilience questions—whether they could come up with one twentieth of gross national income (GNI) per capita if needed for an emergency—people in developing countries were slightly less positive in 2017 than they had been in 2014.

While most of the Findex asks factual questions about past behavior, the resilience question asks how a person might behave in a hypothetical situation. As such, the question not only incorporates a person’s assessment of his or her current objective situation, it also contains a subjective element possibly reflecting a person’s confidence about their future. It is not clear why respondents’ own views of their financial resilience declined throughout the developing world, especially given that it actually increased slightly in high income countries.

It is important to note that while more people in high income countries say they are financially resilient, responses do not vary directly by regional income level. After the high income countries, the region with the highest average per capita income (\$8,000) is Latin America and the Caribbean, but this region scores lowest on the resilience question. Responses were higher in both Africa and South Asia, even though their per capita incomes are much lower (\$1,500 and \$1,600, respectively). While the reasons for these disparities are subjects for more research, it may be telling that 54 percent of people in Africa report saving money, while only 37 percent of people in Latin America report that they save.

FIGURE 20

Possibility of Coming Up with Emergency Funds by Population Subgroup, 2017 (Developing Countries)



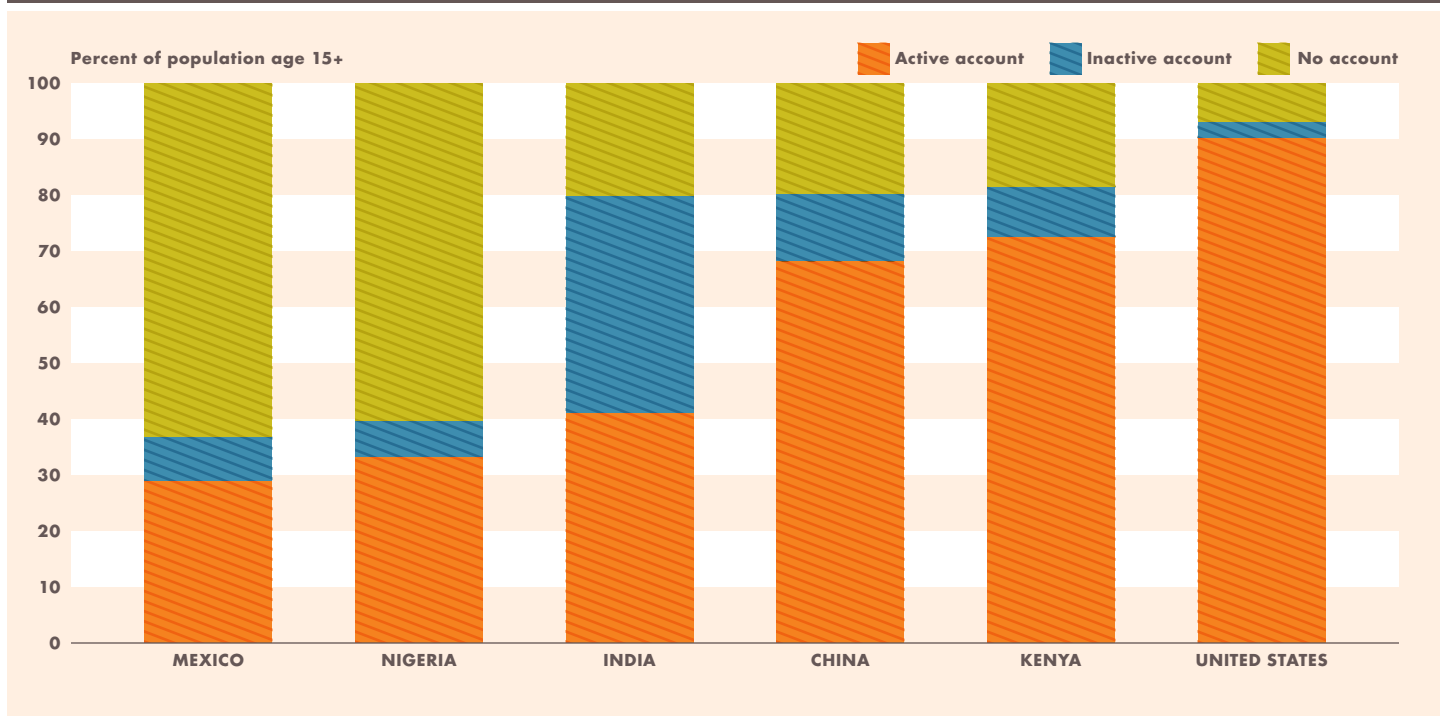
Source Global Findex 2018.

Resilience varies predictably with socioeconomic status.

Women, the unemployed, youth, less educated, poor and rural dwellers all tend to be less resilient—less able to come up with emergency funds—than average. Income appears to have by far the biggest influence on resilience, with about 25 percentage points between the poorer 40 percent of the population and the richer 60 percent.

FIGURE 21

Account Status, 2017 (Selected Countries)



Source Global Findex 2018. Inactive accounts are those with no deposit and no withdrawal in the past year.

Paths to inclusion—and success in reaching inclusion—vary widely by country.

In the next section we briefly profile the selected countries shown in this figure. The countries were selected for regional diversity, relative prominence and to illustrate the very different paths and levels of success around the world. Each country has a unique journey to inclusion.

FIGURE 22

India Financial Inclusion Snapshot, 2011–2017

India: Government-Driven Change

The biggest story for India in the 2017 Findex data is the dramatic rise in account ownership, from 35 percent in 2011 to 80 percent in 2017, with very high numbers among underserved segments: women, the poor, the unemployed and rural residents. The recent jump is due largely to the government’s PMJDY program mandating banks to offer accounts to every citizen, in conjunction with the Aadhaar national biometric ID program.

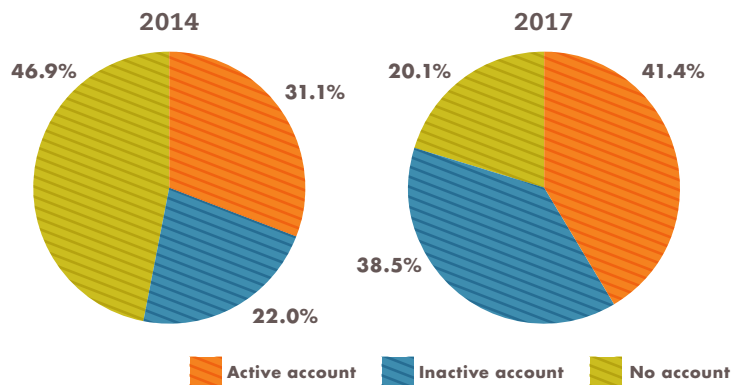
But the leap is partly an illusion: nearly half of the people obtaining new accounts do not use them. Correcting for dormancy, only 41 percent of Indian adults have active accounts, which is a creditable rise from 31 percent in 2014, but not the dramatic leap that has garnered headlines. Meanwhile, approximately 366 million people have accounts but don’t use them. The number is so large that it skews the global data on account activity.

Another change that may have been brought on by a government initiative is the increase in people who have made digital payments (from 19 to 29 percent), together with an increase in the percentage saving in a financial institution (from 14 to 20 percent). These shifts may reflect India’s demonetization policy, initiated at the end of 2016, a few months before the 2017 Findex survey. By declaring most of India’s currency invalid, demonetization required people to deposit cash in banks and then to make payments electronically.

INDIA

Government-driven change yields massive increase in account access, but usage remains low

Account Access in India, 2014 and 2017



Source Global Findex 2018. Inactive accounts are those with no deposit and no withdrawal in the past year. Figures represent percent of population age 15+.

	2011	2014	2017
Accounts (% age 15+)	35.2	53.1	79.9
Active accounts		31.1	41.4
Made or received digital payments		19.3	28.7
Saved in a financial institution	11.6	14.4	19.6

FIGURE 23

China Financial Inclusion Snapshot, 2011–2017

China: A Revolution in Digital Payments

The biggest story in China is the rapid rise of mobile payments. Evidence of the growth of digital payments is seen throughout the data, with over two thirds of Chinese adults making digital payments—well above the developing country average (43.9 percent). However, despite the global attention to China’s digital payments revolution, many Chinese still do not participate or do so in a limited way. While many indicators of digital finance have jumped, such as using digital means to receive income, make payments and purchase things, the total proportion of people using these services for essential financial transactions is still surprisingly low—generally, fewer than half of respondents used any given source. This may reflect regional and rural/urban disparities.

China’s already high level of account ownership grew between 2011 and 2014, but changed very little during the past three years. While the level of inactive accounts is significant, at 12 percent of all adults, representing 77 million people, this level may be an ongoing phenomenon, rather than, as with India, a result of a specific initiative.

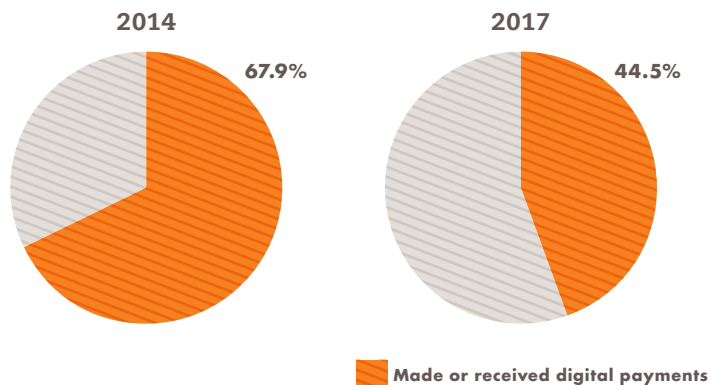
Also, despite the rise of internet-based credit in China, the percentage of people borrowing from a financial institution rose only modestly.

All savings indicators in China decreased between 2014 and 2017—a larger drop than in most other countries. We are not sure why.

CHINA

Substantial growth in digital payments, but many still do not participate

Made or Received Payments in the Past Year in China, 2014 and 2017



Source Global Findex 2018. Figures represent percent of population age 15+.

	2011	2014	2017
Accounts (% age 15+)	63.8	78.9	80.2
Active accounts		70.7	68.2
Made or received digital payments		44.53	67.9
Saved in a financial institution		41.2	34.8
Borrowed from a financial institution	7.3	20.6	22.7

FIGURE 24

Mexico Financial Inclusion Snapshot, 2011–2017

Mexico: Stalled Progress

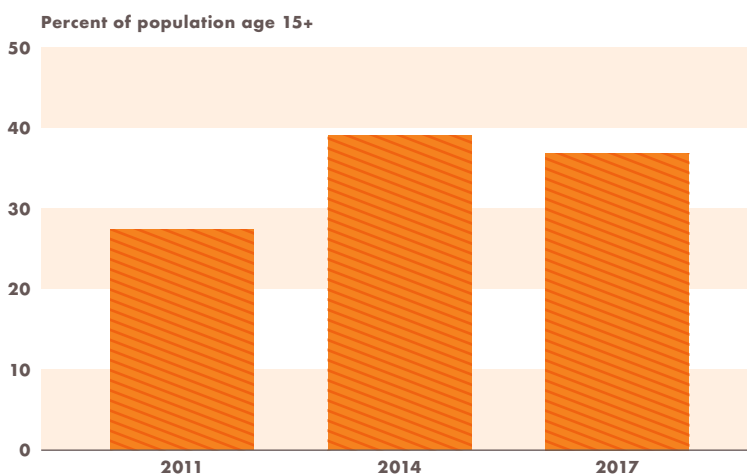
Mexico is perhaps an extreme example of the stagnation in financial inclusion observed in many Latin American countries between 2014 and 2017. The percentage of adults stating that they have accounts decreased (though this decrease may be within the margin of error of the Findex survey). Savings at financial institutions also went down, after increasing during the previous three years (2011–2014). In fact, all forms of savings and borrowing dropped substantially, with “saved any money” falling from 58 to 41 percent and “borrowed any money” from 51 to 32 percent. These decreases may reflect broader economic issues rather than issues specific to financial system development.

A slight increase can be seen in the use of digital means to transact, with mobile money appearing to gain a toehold in the country, and online purchasing and bill payment doubling.

MEXICO

Like several other Latin American countries, financial inclusion in Mexico has stalled

Account Ownership in Mexico, 2011–2017



Source Global Findex 2018.

	2011	2014	2017
Accounts (% age 15+)	27.4	39.1	36.9
Active accounts		34.8	29.4
Mobile money account		3.4	5.6
Saved in a financial institution	6.7	14.5	9.8
Borrowed from a financial institution or used a credit card		18.3	11.8
Used internet to pay bills or make a purchase		6.0	13.2

FIGURE 25

Kenya Financial Inclusion Snapshot, 2011–2017

Kenya: Still Progressing, Still Unique

Kenya continues to be the only country in the world where over half of adults have a mobile money account, and the penetration of mobile money continued during the past three years, reaching an astonishing 73 percent. Very few of these accounts are dormant, and it is notable that the coverage in rural areas is nearly as high as in urban areas. The gender gap, at 4 percent, is smaller than the global average.

Account usage in Kenya more closely resembles account usage in high income countries than in other countries of its income level (GNI per capita of \$1,380). Most Kenyans make digital payments and use electronic means to access accounts. On use of electronic payments, Kenya scores higher than all but a handful of high income (mainly Scandinavian) countries.

Kenya’s achievement in connecting so many people actively to digital financial services, despite their low incomes, continues to create an extremely compelling “business case” for digital financial inclusion. But it is also clear that countries cannot simply copy Kenya’s model. Neighboring Uganda and Tanzania, despite ongoing efforts, remain well behind Kenya on most of these indicators.

The changes in payments in Kenya, however, are slow to lead to changes in other financial behaviors. As in many other countries during the past three years, saving in financial institutions—and saving any money—fell back somewhat. And the preference for informal savings continues to be strong, with 70 percent of people saving, but only 27 percent saving in a financial institution.

Borrowing from a financial institution ticked up somewhat, possibly due to the spread of digital lenders offering “nano” loans.

KENYA

High account usage and mobile money penetration distinguish Kenya as a financial inclusion success story

Mobile Money Access in Kenya, 2017



Nearly 3 in 4 Kenyans have a mobile money account

Source Global Findex 2018.

	2011	2014	2017
Accounts (% age 15+)	42.3	74.7	81.6
Mobile money account		58.4	72.9
Made or received digital payments		69.1	79.0
Used phone or internet to access an account			71.8
Saved in a financial institution	23.3	30.2	26.8
Borrowed from a financial institution	9.7	16.0	19.2

FIGURE 26

Nigeria Financial Inclusion Snapshot, 2011–2017

Nigeria: Missing the Mark

The Nigerian government has worked to set ambitious goals, develop policies and drive initiatives to support financial inclusion. Unfortunately, these efforts did not translate into higher access and usage in the past three years at a scale that the Findex survey could discern. All three Findex headline indicators—adults with accounts, saving in a financial institution, and/or borrowing from a financial institution—actually shrunk during the past three years.

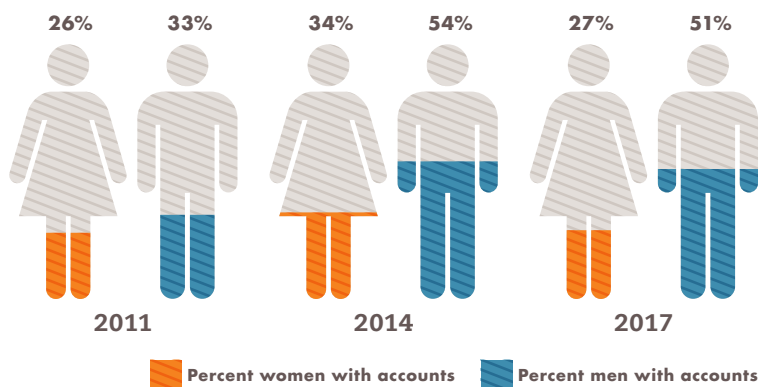
Nigeria is the only sizeable country in Africa that has not cracked the mobile account nut. Mobile accounts have in fact backtracked slightly. The 6 percent of people with mobile accounts is well below the 21 percent average for the Sub-Saharan Africa region.

One focal point for examining the lack of progress in financial inclusion in Nigeria is the low inclusion of women. Nearly twice as many men as women in Nigeria have accounts, and the gap is much larger in 2017 than it was in 2014 and 2011. While account ownership among men has increased significantly, account ownership among women has largely stagnated. Nigeria today is one of the largest countries in the world with such a significant gender gap.

NIGERIA

A quickly-widening gender gap in account ownership despite national attention to inclusion

Gender Inequality in Accounts in Nigeria, 2011–2017



Source Global Findex 2018. Figures represent percent of female/male population age 15+.

	2011	2014	2017
Accounts (% age 15+)	29.7	44.4	39.7
Mobile money account	–	2.3	5.6
Saved in a financial institution	24.6	27.1	20.6
Borrowed from a financial institution or used a credit card		7.0	5.3
Used a mobile phone or the internet to access an account			7.7
Gender gap	7.3	20.3	24.1

FIGURE 27

United States Financial Inclusion Snapshot, 2011–2017

United States: High Income, High Inclusion

The Findex findings for the United States are very similar to those of other high income countries—so much so that we can regard the U.S. case as something of a proxy for the high income group.

The number of people with accounts in the U.S. has not grown during the past three years, in part because nearly every adult already has an account. And they actively use these accounts: only a few (3 percent) reported dormant accounts. Mobile accounts do not exist, but most people use phones or computers to access their accounts through the internet. Nearly everyone has been involved in digital payment transactions and most have participated in e-commerce. Most people also save and borrow with financial institutions, and in contrast to the average developing country, the number of savers has grown significantly in the past three years. The gender gap, at less than 1 percent, is well within the margin of error of the survey—in other words, there is no discernable gap.

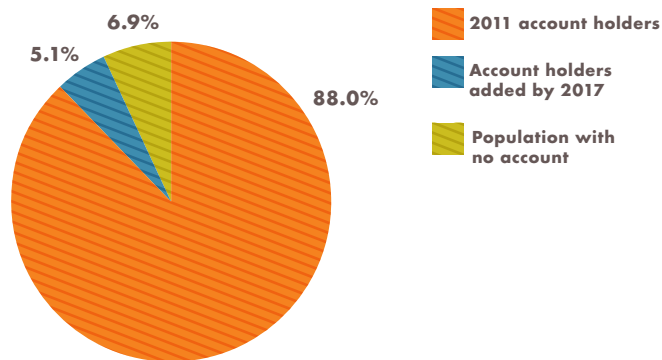
This brief profile of financial inclusion in the U.S. serves to illustrate the profound differences that persist in the way people use financial services today in developing versus high income countries.

While there are important financial services challenges in the U.S. market, for the most part these challenges are not the access issues addressed in the Findex. Instead, they relate to the financial health of American families. The digital transformation is well-advanced in the U.S., as in other high income countries. The question today is whether the services Americans and their counterparts in high income countries receive are of high quality and contribute toward their financial well-being.

UNITED STATES

As in most high income countries, the overwhelming majority of Americans have active financial institution accounts

Account growth in the US, 2011–2017



Source Global Findex 2018. Percent is out of total population age 15+.

	2011	2014	2017
Accounts (% age 15+)	88.0	93.6	93.1
Mobile money account	–	–	–
Saved in a financial institution	50.4	54.1	62.2
Borrowed from a financial institution or used a credit card		64.6	68.4
Used a mobile phone or the internet to access an account			67.3

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank that engages and challenges the industry to better serve, protect, and empower clients. We develop insights, advocate on behalf of clients, and collaborate with stakeholders to achieve a comprehensive vision for financial inclusion. We are dedicated to enabling 3 billion people who are left out of—or poorly served by—the financial sector to improve their lives.

www.centerforfinancialinclusion.org

www.cfi-blog.org

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