

Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19

Executive Summary

Financial services such as payments, savings accounts, and credit are a cornerstone of development. Accounts—whether they are with a bank or regulated institution such as a credit union, microfinance institution, or a mobile money service provider—allow their owners to safely and affordably store, send, and receive money for everyday needs, plan for emergencies, and make productive investments for the future, such as in health, education, and businesses. People without an account, by contrast, must manage their money using informal mechanisms, including cash, that may be less safe, less reliable, and more expensive than formal methods.

Evidence shows that households and businesses that have access to financial services are better able to withstand financial shocks than those that do not.¹ In Chile low-income women who were members of microfinance institutions and received free savings accounts were able to reduce their reliance on debt and improve their ability to make ends meet during an economic emergency.² Digital financial services such as mobile money let users safely and inexpensively store funds and transfer them quickly and affordably across long distances, which lead to higher remittances and consumption and more investments. In Kenya, for example, mobile money users who experienced an unexpected drop in income were able to receive money from a more geographically disbursed social network of family and friends and so did not have to reduce household spending.³ In Bangladesh, very poor rural households with family members who had migrated to the city received higher remittance payments when they had a mobile money account, and so spent more on food and other items, were able to reduce borrowing, and were less likely to experience extreme poverty.⁴

For women, accounts can enable financial independence and strengthen economic empowerment. In the Philippines, women who used commitment savings products that encouraged regular deposits into a personal bank account increased their household decision-making power and shifted their spending to household goods relevant to their needs, such as washing machines.⁵ In India, a government workfare program that reached over 100 million people showed that paying women their benefits directly into their own account (and not into the account of a male household head) increased women's financial control, influenced gender norms preventing women from working, and incentivized women to find employment, compared with those paid in cash.⁶ In another study in Kenya, women-headed households spent 15 percent more on nutritious foods after receiving free savings accounts.⁷

1. Moore et al. (2019).
2. Kast and Pomeranz (2022).
3. Jack and Suri (2014).
4. Lee et al. (2021).
5. Ashraf, Karlan, and Yin (2010).
6. Field et al. (2021).
7. Prina (2015).

The receipt of payments such as wages and government support directly into an account can help achieve development goals. For example, studies have found that workers who received their wages through direct deposit had higher savings than workers who were paid in cash.⁸ In Bangladesh, factory workers who received their wages directly into an account also learned to use their account without assistance and avoid illicit withdrawal fees.⁹ Moreover, digitalizing government payments can reduce administrative costs and leakage (payments that do not reach the intended beneficiaries).¹⁰

Such evidence on the benefits of financial inclusion has spurred efforts to expand account ownership and productive usage. Since 2011, the Global Findex survey has documented growth—at times incremental and at times dramatic—in account ownership across more than 140 economies. The Global Findex 2021 survey was conducted during the COVID-19 pandemic—a crisis that further mobilized financial inclusion efforts across the world through several mechanisms, including the emergency relief payments that governments sent to accounts.¹¹ This and other factors have contributed to the following key findings:

Worldwide, account ownership has reached 76 percent of adults—and 71 percent of adults in developing economies.

Globally, in 2021, 76 percent of adults had an account at a bank or regulated institution such as a credit union, microfinance institution, or a mobile money service provider. Account ownership around the world increased by 50 percent in the 10 years spanning 2011 to 2021, from 51 percent of adults to 76 percent of adults. From 2017 to 2021, the average rate of account ownership in developing economies increased by 8 percentage points, from 63 percent of adults to 71 percent of adults. In Sub-Saharan Africa, this expansion largely stems from the adoption of mobile money.

Recent growth in account ownership has been widespread across dozens of developing economies. This geographic spread is in stark contrast to the growth seen from 2011 to 2017, which took place mostly in China or India.

Despite continued gaps in financial services for typically underserved adults, such as women, the poor, and the less educated, progress has been made. For example, the gender gap in account ownership across developing economies has fallen to 6 percentage points from 9 percentage points, where it hovered for many years.

Receiving payments into an account is a catalyst for using other financial services, such as relying on an account to save, borrow, and store money for cash management.

In developing economies, the share of adults making or receiving digital payments grew from 35 percent in 2014 to 57 percent in 2021. In high-income economies, the share of adults making or receiving digital payments is nearly universal (95 percent). Receiving a payment directly into an account is a gateway to using other financial services. Indeed, 83 percent of adults in developing economies who received a digital payment also made a digital payment, up from 66 percent in 2014 and 70 percent in 2017. Almost two-thirds of digital payment recipients also used their account to store money for cash management; about 40 percent used their account for saving; and 40 percent of payment recipients borrowed formally.

Payments may pave the way for wider adoption of financial services when it is easier to leave transferred money in an account until it is needed and then make a payment directly. Similarly, once money is in an account it is relatively easier to keep it there for savings. Receiving a payment into an account—especially if the payment can be used to document a regular income stream over time—can also ease the process of borrowing money formally.

8. Blumenstock, Callen, and Ghani (2018).

9. Breza, Kanz, and Klapper (2020).

10. Aker et al. (2016); Muralidharan, Niehaus, and Sukhtankar (2016).

11. Gentilini et al. (2020); GPFI (Global Partnership for Financial Inclusion) and World Bank (2021).

Mobile money has become an important enabler of financial inclusion in Sub-Saharan Africa—especially for women—as a driver of account ownership and of account usage through mobile payments, saving, and borrowing.

In Sub-Saharan Africa in 2021, 55 percent of adults had an account, including 33 percent of adults who had a mobile money account—the largest share of any region in the world and more than three times larger than the 10 percent global average of mobile money account ownership. Sub-Saharan Africa is home to all 11 economies in which a larger share of adults only had a mobile money account rather than a bank or other financial institution account. The spread of mobile money accounts has created new opportunities to better serve women, poor people, and other groups who traditionally have been excluded from the formal financial system. Indeed, there are some early signs that mobile money accounts may be helping to close the gender gap.

Although mobile money services were first launched so that people could send remittances to friends and family living elsewhere within the country, adoption and usage have spread beyond those origins. Such services are still a powerful tool for sending domestic remittances, but the Global Findex survey revealed that in 2021 about three in four mobile account owners in Sub-Saharan Africa used their mobile money account to make or receive at least one payment that was not person-to-person. Mobile money accounts have also become an important method to save in Sub-Saharan Africa, where 15 percent of adults—and 39 percent of mobile money account holders—used one to save—the same share that used a formal savings account at a bank or other financial institution. Seven percent of adults in Sub-Saharan Africa also borrowed using their mobile money account.

COVID-19 catalyzed growth in the use of digital payments.

In developing economies in 2021, 18 percent of adults paid utility bills directly from an account. About one-third of these adults did so for the first time after the onset of the COVID-19 pandemic. The share of adults making a digital merchant payment also increased after the outbreak of COVID-19. For example, in India more than 80 million adults made their first digital merchant payment during the pandemic. In China, 82 percent of adults made a digital merchant payment in 2021, including over 100 million adults (11 percent) who did so for the first time after the start of the pandemic. In developing economies, excluding China, 20 percent of adults made a digital merchant payment in 2021. Contained within that 20 percent are the 8 percent of adults, on average, who did so for the first time after the start of the pandemic, or about 40 percent of those who made a digital merchant payment. These data point to the role of the pandemic and social distancing restrictions in accelerating the adoption of digital payments.

Despite promising growth in account ownership and use, only about half of adults in developing economies could access extra funds within 30 days if faced with an unexpected expense, and about two-thirds of adults were very worried about at least one area of financial stress.

Only 55 percent of adults in developing economies could access extra funds within 30 days without much difficulty. Friends and family were the first-line source of extra funds for 30 percent of adults in developing economies, but nearly half of those said the money would be hard to get. Furthermore, women and the poor were less likely than men and richer individuals to successfully raise extra funds and more likely to rely on friends and family as their go-to source.

About 50 percent of adults in developing economies were very worried, in particular, about covering health expenses in the event of a major illness or accident, and 36 percent said health care costs were their biggest worry. In Sub-Saharan Africa, worry over school fees was more common than in other regions; 54 percent of adults worry about them and for 29 percent it is their biggest worry. Eighty-two percent of adults in developing economies were very worried (52 percent) or somewhat worried (30 percent) about the continued financial toll of the COVID-19 pandemic.

Governments, private employers, and financial service providers—including fintechs—could help expand financial access and usage among the unbanked by lowering barriers and improving infrastructure.

Lack of money, distance to the nearest financial institution, and insufficient documentation were consistently cited by the 1.4 billion unbanked adults as some of the primary reasons they did not have an account. Yet there are clear opportunities to address some of these barriers. Enabling infrastructure has an important role to play. For example, global efforts to increase inclusive access to trusted identification systems and mobile phones could be leveraged to increase account ownership for hard-to-reach populations. The chief actors in this effort, such as governments, telecommunications providers, and financial services providers, must also invest in regulations and governance to ensure that safe, affordable, and convenient products and functionality are available and accessible to all adults in their economies.

Findings from the Global Findex 2021 survey likewise reveal new opportunities to drive financial inclusion by increasing account ownership among the unbanked and expanding the use of financial services among those who already have accounts—in particular, by leveraging digital payments. For example, hundreds of millions of unbanked adults received payments in cash—such as for wages, government transfers, or the sale of agricultural goods. Digitalizing some of these payments is a proven way to increase account ownership. In developing economies, 39 percent of adults—or 57 percent of those with a financial institution account (excluding mobile money)—opened their first account (excluding mobile money) at a financial institution, specifically to receive a wage payment or receive money from the government.

Financially inexperienced users may not be able to benefit from account ownership if they do not understand how to use financial services in a way that optimizes benefits and avoids consumer protection risks.

About two-thirds of unbanked adults said that if they opened an account (excluding mobile money) at a financial institution, they could not use it without help. One-third of mobile money account holders in Sub-Saharan Africa say they could not use their mobile money account without help from a family member or an agent. Women are 5 percentage points more likely than men to need help using their mobile money account. Inexperienced account owners who must ask a family member or a banking agent for help using an account may be more vulnerable to financial abuse. Also, 1-in-5 adults in developing economies who receive a wage payment into an account paid unexpected fees on the transaction. Together, these issues point to the fact that less experienced financial customers may be more vulnerable to fraud. Thus investments are needed in numeracy and financial literacy skills, product design that takes into account customer usage patterns and capabilities, as well as strong consumer safeguards to ensure that customers benefit from financial access and to build public trust in the financial system.

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