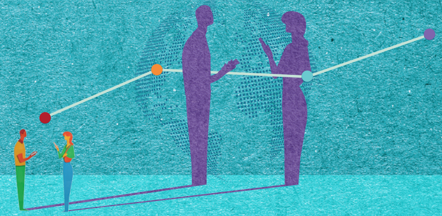
Data from the Global Findex 2021

Financial Inclusion in Sub-Saharan Africa

REGIONAL NOTE



Sub-Saharan Africa has shown significant growth in financial inclusion over the past decade, much of it driven by mobile money account adoption. The region continues to work on promoting more overall account access and usage as well as more equal access based on gender, income, education, and age. Moreover, digital payments are increasingly common in Sub-Saharan Africa, yet millions of adults still receive or make common payments in cash. This points to opportunities to increase financial inclusion through payment digitalization.

This note is the first in a series on financial inclusion in Sub-Saharan Africa. It provides an overview of the state of financial account ownership and use in the region through the lens of four economies: ***Kenya, Mali, Senegal,*** *and* ***South Africa.***[1] *Other notes in the series focus on the impact of mobile money on account ownership and usage; share data on financial wellbeing, including perspectives on financial resilience, financial stress, and building financial capability; explore the impact of having a government-issued ID; and share opportunities to expand financial inclusion through agricultural payment digitalization.*[2] *Visit the* Global Findex Africa *page to acess them all.*

Account ownership has more than doubled in Sub-Saharan Africa since 2011

In Sub-Saharan Africa, 49 percent of adults own an account, a rate that has more than doubled since 2011.[3] When viewed from the perspective of individual economies, however, there is a great deal of variation in account ownership, ranging from 6 percent in South Sudan to 91 percent in Mauritius. In 16 of the 36 economies surveyed in 2021-2022, well over 50 percent of adults have an account. They include Kenya (79 percent), Senegal (56 percent), and South Africa (85 percent) (figure 1).

There is no single financial inclusion pattern that defines all economies in the region. In the five years between 2017 and 2022, 9 out of 36 surveyed economies experienced double digit account ownership growth, driven in most places by mobile money adoption. These include Senegal and South Africa, each of which saw growth of around 15-percentage points. In contrast, some economies, including Kenya, showed no growth in account ownership in that time, and some saw declines. These variations reflect supply-side and demand-side variables, potentially including geopolitical stability, financial sector policy and regulation, competition among financial providers, the broader financial ecosystem, effects from the COVID-19 pandemic, and so on.

Mobile money has gained a significant amount of worthy attention in Sub-Saharan Africa over the past decade due to the way it has helped expand access and usage. Yet mobile money is not the only story, particularly in economies where mobile money adoption has happened on top of already higher-than-average account ownership at banks or in parallel with increased bank account ownership. This is the case in both Kenya and in South Africa.

Kenya is famously known for its robust and pioneering mobile money market. In 2014, the first year the Global Findex captured mobile money ownership rates, 58 percent of adults in Kenya already had a mobile money account. By comparison, 55 percent of adults in the country had a bank account, a rate that was almost twice the regional account ownership average of the time. More than half of the early mobile money adopters had both a mobile money account and a bank account, bringing the average account ownership rate up to 75 percent as of 2014. Account ownership has plateaued at around 80 percent since 2017.

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South Africa also had a relatively high bank account ownership rate for the region as of 2014 at 69 percent. Mobile money adoption was more modest at 14 percent, but these services were entirely additive—nearly 100 percent of mobile money account owners also had a bank account. The country has continued to increase the share of adults with bank (84 percent as of 2021) and mobile money (37 percent) accounts, and mobile money continues to be a mostly additive service.

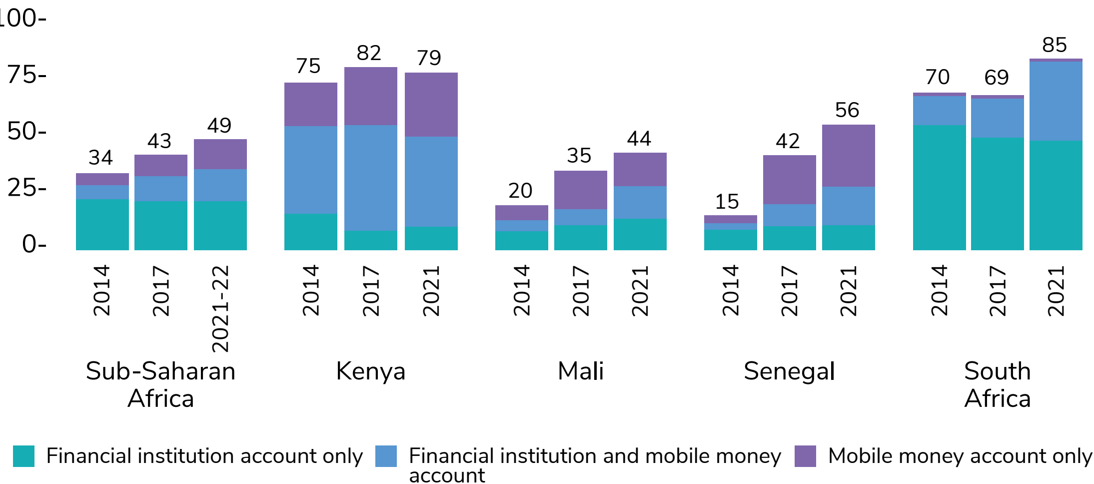
Mali and Senegal, in contrast, show a pattern that is more common among economies that had very low bank account ownership rates in 2011. Since the introduction of mobile money, both economies have seen steady increases of account ownership, such that 44 percent and 56 percent, respectively, now have an account of any kind, up from 8 percent and 6 percent in 2011. In both economies, mobile money account adoption rates grew faster between 2014 and 2017 than bank account growth rates did, but between 2017 and 2022 the growth rates for the different account types were more even.

For an analysis of the role played by mobile money alone, see the accompanying note in this regional series, *Data from the Global Findex 2021: The Impact of Mobile Money in Sub-Saharan Africa*.

FIGURE 1

Account ownership growth in Sub-Saharan Africa

Adults with an account (%), 2014-2022



Source: Global Findex 2021

Equity gaps remain for underserved groups in Sub-Saharan Africa

Despite overall progress in promoting financial inclusion across the continent, there are significant gaps in access to accounts for women, as well as for poorer adults, less educated adults, rural adults, and young adults (figure 2).

As it relates to gender, the account ownership gender gap for the region is twice the developing economy average, at 12 percentage points. Yet individual economies have made great strides to drive equitable gender access. Mali, for example, has dramatically reduced its gender gap from 20 percentage points in 2017 to just 5 percentage points as of 2021. South Africa's gender gap has been insignificant since 2014. In neither of these economies did mobile money by itself account for a narrowing of the gender gap. Instead, both Mali and South Africa have seen both women and men gain account ownership of both mobile money accounts and bank accounts.

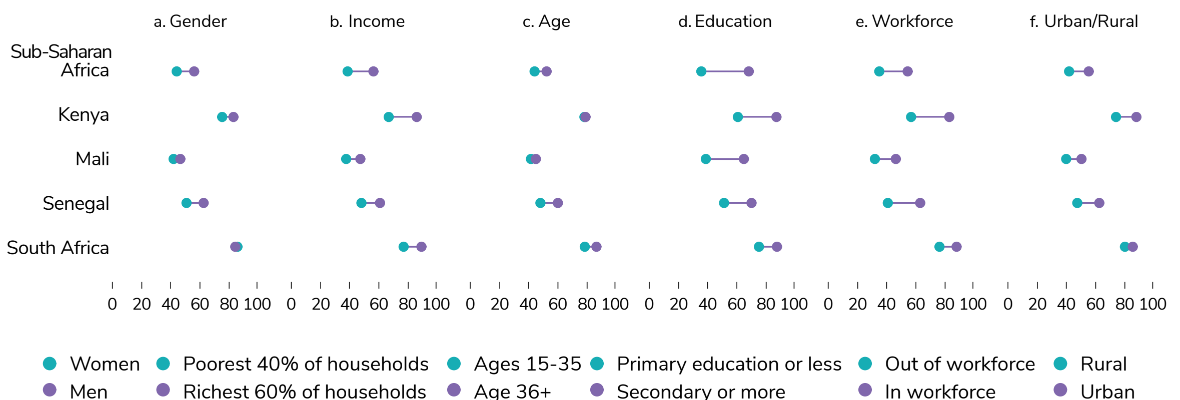
In the case of Kenya, where the gender gap has remained unchanged since 2011, mobile money has brought a larger share of women into the formal financial system than banks have. In the years between 2014 and 2021, the rate of bank account ownership among women declined by 7 percentage points to 45 percent. The rate of mobile money account ownership among women, in contrast, reached 66 percent. Finally, Senegal's gender gap has increased to 12 percentage points, yet account ownership in the country overall has increased nearly ten-fold in the past decade—a success story, despite that growth happening more slowly for women than for men. A larger share of women in Senegal have mobile money accounts (38 percent) than have bank accounts (24 percent).

Double-digit gaps in access based on income are even more common than gender gaps. Twenty-seven out of the 36 economies have one, meaning that adults from the richest 60 percent of households are more than 10 percentage points more likely than those from the poorest 40 percent to have an account. As with the gender gap, there is wide country-by-country variation in changes to income gaps over time. The same is true for education gaps and age gaps.

FIGURE 2

Unequal access to financial accounts based on gender, education, and income is common in Sub-Saharan Africa

Adults with an account (%), 2021/2022



Source: Global Findex 2021

Lack of money, lack of documentation, and distance act as barriers to financial inclusion

The Global Findex 2021 survey asked unbanked adults why they do not have a bank account (we asked the same question separately for those who do not have a mobile money account and report the answers in our note on mobile money). The most common reason they gave specific to bank, credit union, or microfinance accounts was that they did not have enough money for it, though "lack of money" was often only one reason given among multiple (respondents were asked to name as many as were relevant).

Other common reasons include a lack of documentation required to open an account, such as an official government-issued ID, proof of residence, and other Know Your Customer (KYC) documents. In some economies, women were more likely than men to cite lack of documentation as a barrier when answering this question. Distance to a brick-and-mortar branch and the expense of financial services were also common reasons, implying there could be a market for more cost efficient and digitally accessible products. Finally, some unbanked adults say they do not have an account because a family member has one; here too, women are more likely than men to cite this reason.

These barriers might be addressed by technology-enabled accounts, which local agents typically provide according to a price structure more appropriate for low-denomination and high-frequency transactions. Of course, other barriers arise in the context of digital financial services. For example, adults in Sub-Saharan Africa without a mobile money account most commonly cite not having a phone and lack of documentation as the most significant barriers.

Understanding the dominant barrier for a given economy can help policymakers, financial institutions, and financial inclusion advocates develop programs for specific underserved groups based on their financial needs and constraints.

Adults in Sub-Saharan Africa increasingly use accounts for a wide range of services

Though a smaller share of adults in Sub-Saharan Africa has accounts compared with the average for all developing economies, the share of banked adults that use their accounts to receive or make payments or to formally save is higher here than in other developing economies. Storing money and formally borrowing through a bank account remain less common, however.

Payments

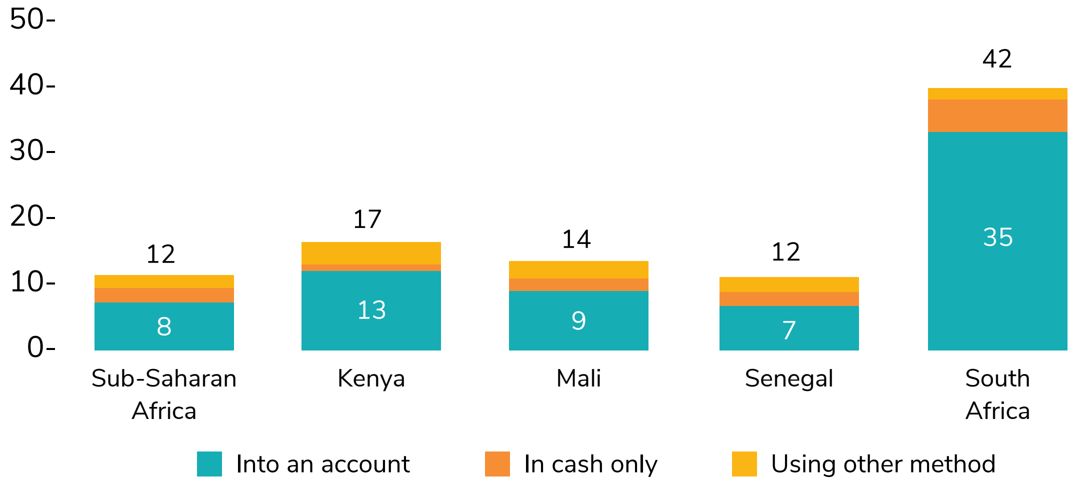
In Sub-Saharan Africa, most account owners have received or made one or more digital payments, meaning that the money went directly into or from an account. Digital payment usage rates are as high as 95 to 98 percent of account owners in economies such as Kenya and South Africa. Women and men account owners are equally likely to make or receive a digital payment in many economies. The most received digital payment types include government payments, private sector wage payments, or payments for the sale of agricultural goods.

Some economies have invested in digitalizing government payments, which include government transfers, pensions, or public-sector wage payments. As a result, around 75 percent or more of government payment recipients in Kenya and South Africa received them into an account; in Mali and Senegal, that share is 66 percent and 60 percent, respectively. There is, however, a gender gap in the receipt of digital government payments in 19 of the 36 economies for which the Global Findex has data, in that women were at least 10 percentage points less likely than men to receive their government payment digitally.

FIGURE 3

Many economies in Sub-Saharan Africa have digitalized their government payments

Adults receiving government payments in the past year (%), 2021/2022



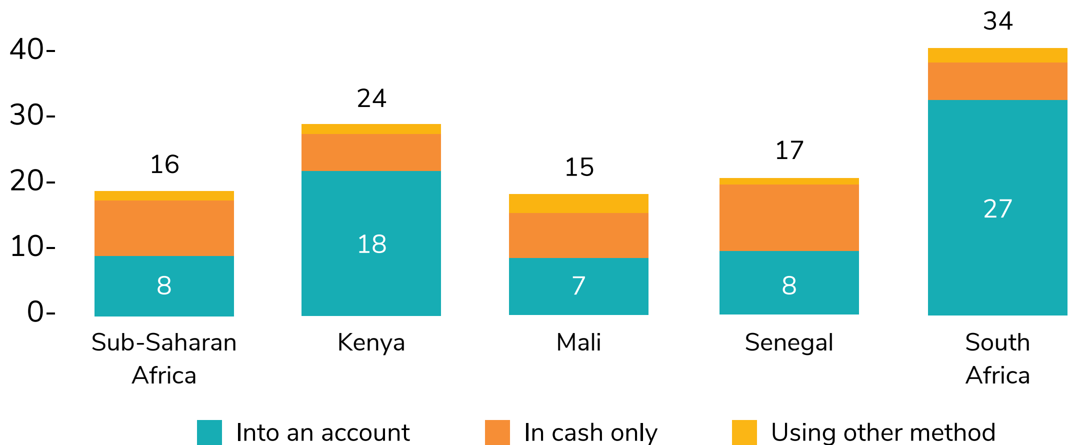
Source: Global Findex 2021

Regarding wage payments, Kenya and South Africa are among four Sub-Saharan African economies in which more than 75 percent of private sector wage earners received their funds directly into an account; in Mali and Senegal, that share is just shy of 50 percent (figure 4). In most economies in the region, cash is the primary way to receive wage payments.

FIGURE 4

Economies where nearly half or more of private sector wage recipients get paid into an account

Adults receiving private sector wages in the past year (%), 2021/2022



Source: Global Findex 2021

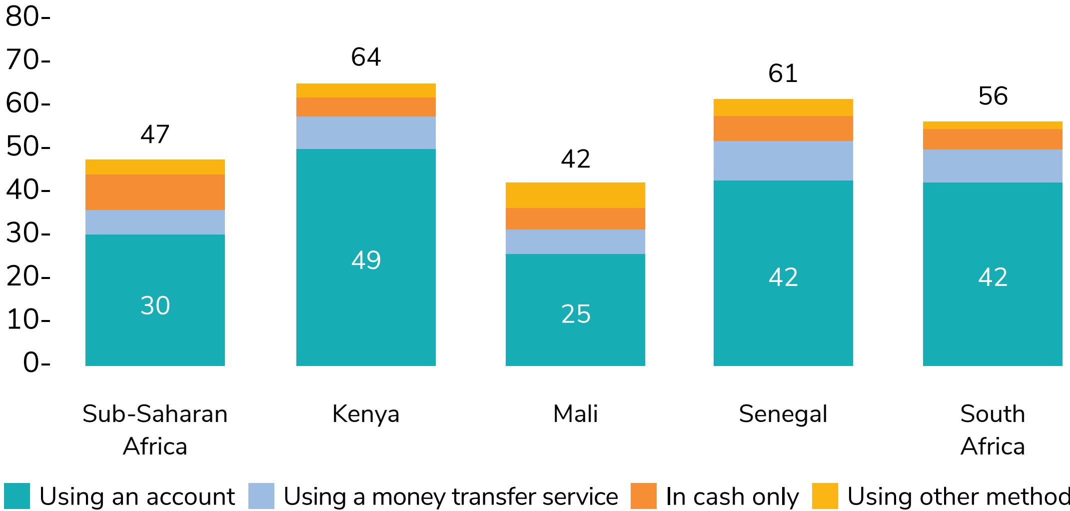
In contrast to the momentum toward payment digitalization for government and wage payments, most adults working in the agricultural sector receive payments in cash. Among the few exceptions is Kenya, where 25 percent of agriculture payment recipients receive them into a bank account and 54 percent accept them through mobile money.

Digitalization has also enabled remittance senders and recipients to transact digitally. Kenya and South Africa, among others, have between 70–80 percent of their remittances senders and recipients transacting digitally. In Mali, 49 percent of senders use digital methods and 61 percent of recipients do; in Senegal, those rates are 70 percent and 66 percent, respectively.

FIGURE 5

In every country in Sub-Saharan Africa save four, a larger share of domestic remittance senders and recipients used digital transfers from or into an account versus cash or other methods

Adults sending or receiving domestic remittances in the past year (%), 2021/2022



Source: Global Findex 2021

Beyond receiving payments, adults in Sub-Saharan Africa use digital methods to make other types of payments, in part motivated by the COVID-19 pandemic. For instance, 13 percent of adults on average across the region made a digital merchant payment either in store or online, more than 40 percent of them for the first time after the start of the COVID-19 pandemic. Some economies saw much higher digital merchant payment adoption, including Kenya, where 37 percent of adults made them, and South Africa, where 54 percent did; in both economies about a third made their first digital merchant payment after the start of the pandemic. A similar trend appears related to utility payments, in that more than a third of those who made utility payments from an account did so for the first time after the start of the pandemic. This rate is even higher in Senegal, where more than half of those who paid for utilities digitally did so for the first time post-COVID-19.

Saving, storing money, and borrowing using an account

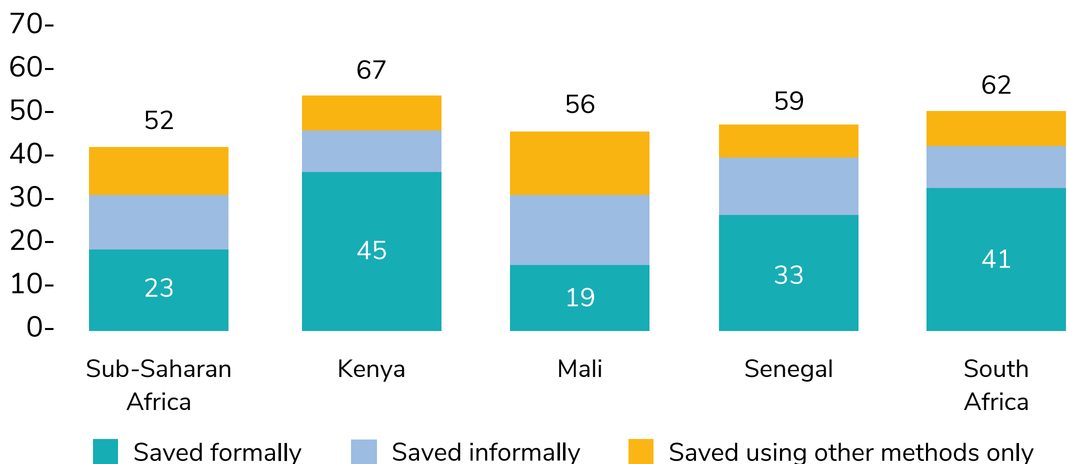
In Sub-Saharan Africa, 52 percent of adults saved in some way—a higher share than the developing economy average of 42 percent. Adults went about saving in diverse ways, including using an account (i.e., “formal” saving) as well as using other methods such as saving at home or with a Rotating Savings and Credit Association (ROSCA). On average, 44 percent of savers in the region used an account to save, the first time that formal saving exceeded other methods in popularity. Mobile money savings played a significant role in that increase (see accompanying note on mobile money for more details).

Using an account to store money for cash management purposes is even more common than saving. In Kenya, 59 percent of adults use their account to store money compared to 45 percent of adults who use it to save, a typical pattern in many Sub-Saharan African economies.

FIGURE 6

Mobile money is motivating a growing share of adults to save in an account

Adults with any savings (%), 2021/2022



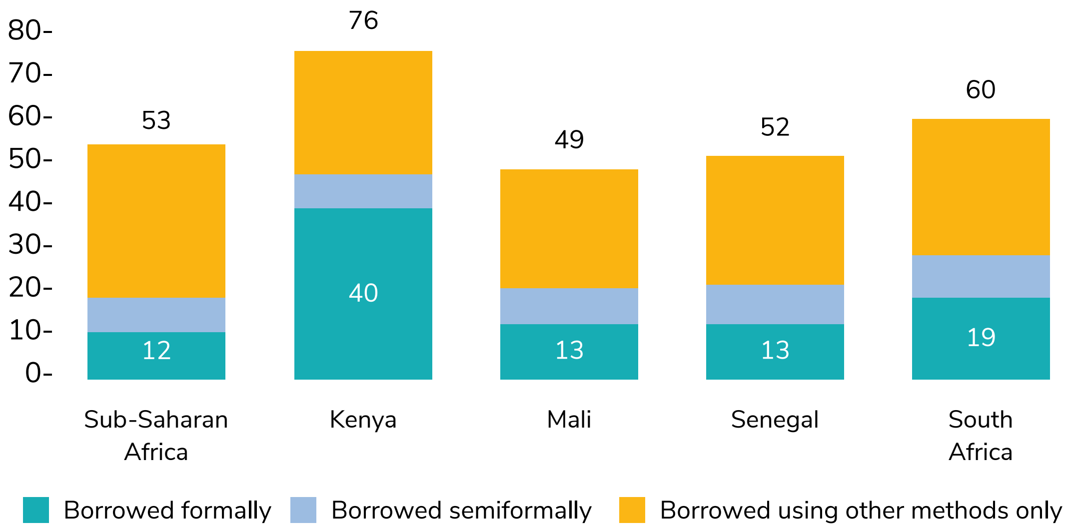
Source: Global Findex 2021

Borrowing is another financial service that has changed significantly since 2017. More than half of adults across the region borrowed money in the year prior to the 2021 survey, though informal borrowing from friends and family is the most common source of credit in the region, and borrowing semiformally from a community savings group remains an important source of credit for a relatively small share of borrowers. Access to credit is nonetheless slowly beoming more formalized on a country-by-country basis. About 47 percent of account owners in Kenya borrowed formally, an increase of 24 percentage points since 2017. Here, too, mobile money is playing a key role in motivating more access to credit. As the lending ecosystem continues to grow in the region, it is critical for policymakers and financial regulators to design and enforce a supportive consumer protection framework.

FIGURE 7

Mobile money is enabling a growing share of adults to borrow

Adults who borrow in any way (%), 2021/2022



Source: Global Findex 2021

Digitalization of cash payments and access to documentation present opportunities to expand financial inclusion in Sub-Saharan Africa

The trends in adoption and usage, combined with the continued challenges economies face delivering financial services equitably, point to two opportunities to expand financial inclusion in the region: payment digitalization and access to documentation.

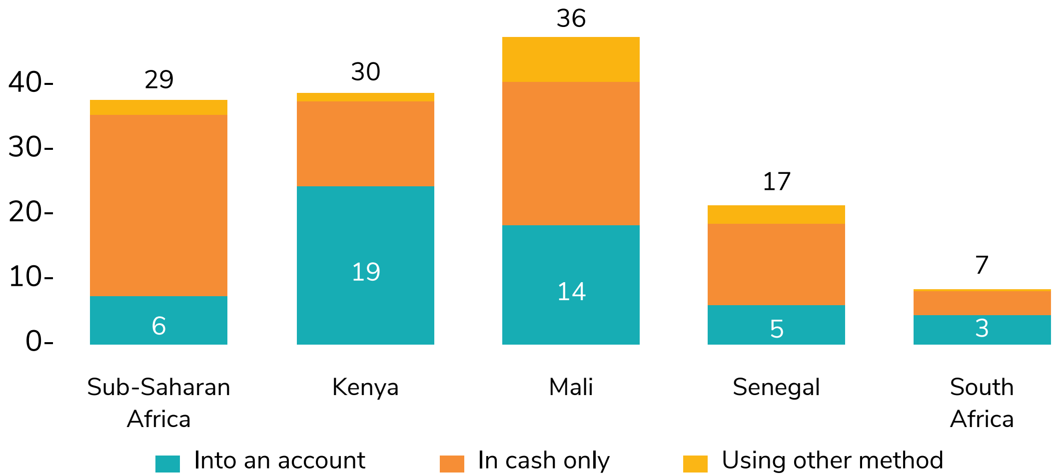
Digitalized government and wage payments play a role in financial access, based on Global Findex 2021 data showing that a significant share of banked adults opened their first account to receive one of those payment types. For government payments, that share is as high as nearly a quarter of account owners in South Africa. There is a minimal gender gap related to opening first accounts to receive government payments. Wage payments have also motivated first account opening, especially in economies like South Africa, where more than 60 percent of banked adults opened their first account to receive one.

There may be even greater opportunities to promote account ownership through agricultural payment digitalization. More than 80 million unbanked adults in Sub-Saharan Africa receive payments for agricultural goods in cash. Digitalizing those payments could motivate a share of unbanked adults to adopt formal accounts, leading to an increase in financial inclusion. Making agricultural payments through mobile phones—which 45 percent of unbanked agricultural payment recipients have—could be especially helpful for unbanked farmers living in remote rural areas.

FIGURE 8

Digitalizing agricultural payments could help increase financial inclusion for unbanked adults who currently receive these payments in cash

Adults receiving payments for agricultural products in the past year (%), 2021/2022



Source: Global Findex 2021

Joint efforts to provide digital government IDs and formal accounts could also increase financial inclusion among unbanked adults, given the large share of the unbanked who name a lack of documentation as a major barrier to account ownership. Programs such as these have been successful in economies such as China and India at increasing account ownership.

All efforts to increase financial access and usage must be undertaken in a way that accounts for the financial capabilities and needs of the customer. The growth in financial access has brought millions of adults into the formal financial system. Yet many less experienced users are vulnerable to fraud and account misuse. Consumer protection policies as well as programs to improve consumer awareness and financial capability can go a long way to protecting new financial consumers and helping them leverage financial services to improve their wellbeing.

Endnotes

1. In this regional note, we use the term "bank" to refer to any financial institution that offers similar services to traditional banks, including credit unions, cooperatives, and microfinance institutions (MFIs) where applicable. These financial institutions have historically operated through primarily physical channels but may now offer banking apps that allow customers to access traditional banking products through the internet or using a mobile phone. This is in contrast to mobile money operators and other fintechs who offer accounts that are supported by a network of mobile money agents independent of the traditional banking network. Typically, 100% of the cash in mobile money is held in a fully prudentially regulated institution such as a bank.
2. This note includes data from African economies surveyed in 2021 (which are included in regional, developing economy, and global averages reported in the Global Findex 2021 report and related deliverables) as well as 11 surveyed in 2022 due to COVID-19 related delays. The 2022 economies include Botswana, Chad, Comoros, the Democratic Republic of Congo (DRC), Eswatini, Ethiopia, The Gambia, Lesotho, Madagascar, Mauritania, and Niger. In total, this regional note includes data from 36 Sub-Saharan African economies.
3. The Global Findex defines account ownership to include accounts offered by a traditional financial institution (such as a bank, a microfinance institution, or a credit union) and those with a mobile money service provider.

About Findex

Since 2011, the Global Findex Database has been the definitive source of data on the ways in which adults around the world use financial services, from payments to savings and borrowing, and manage financial events such as a major expense or a loss of income. The 2021 edition is based on nationally representative surveys carried out in 2021 and 2022 of about 145,000 adults in 139 economies representing about 97 percent of the world's population. The database, the full text of the report, and the underlying economy-level data for all figures—along with the questionnaire, the survey methodology, and other relevant materials—are available at http://www.worldbank.org/globalfindex.