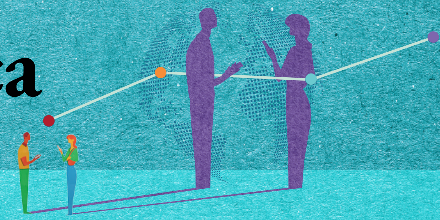
Data from the Global Findex 2021

Financial Wellbeing 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 part of a series on financial inclusion in Sub-Saharan Africa. It focuses on financial wellbeing, including perspectives on financial resilience, financial stress, and building financial capability.[1] We explore those subjects using details about four economies: ***Côte d'Ivoire****,* ***Ethiopia****,* ***Ghana****, and* ***Zambia****. Other notes in the series present the state of financial account ownership and usage; explore the impact of mobile money on financial inclusion; highlight the impact of having a government-issued ID; and share opportunities to expand financial inclusion through agricultural payment digitalization. Visit the* [Global Findex Africa]() *page to acess them all.*

Financial resilience

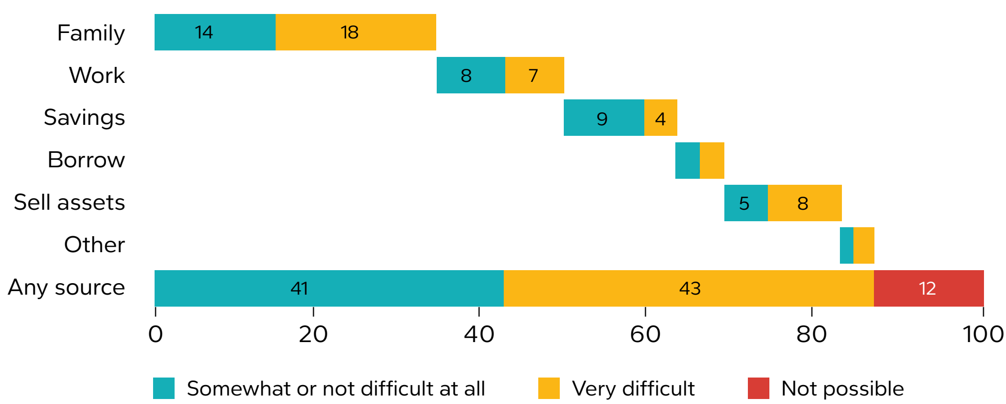
One of the key goals of financial inclusion is to improve the ability of households to deal with common though difficult-to-anticipate events that have financial costs. These include a sudden loss of income, an illness, and property damage—all of which are more frequent in climate-vulnerable economies. The ability to come up with extra money equal to 5 percent of gross national income per capita within 30 days is one measure of financial resilience. That total is about 2000 Ethiopian birr or 640 Ghanaian cedi, equal to $35 and $52 USD, respectively.[2]

In Sub-Saharan Africa, only 41 percent of adults are financially resilient (see Figure 1). South Asia is the only developing world region with a lower share of resilient adults. An even smaller 35 percent share of women are financially resilient compared with the 46 percent of men who are. This resilience gender gap is similar to the 12-percentage point gender gap in account access for the region.

FIGURE 1

Only 41 percent of adults in Sub-Saharan Africa are financially resilient

Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021/2022



Source: Global Findex 2021/2022
Note: The length of the bar in each row is the share of adults that reported using the specified source of money. A small share of adults did not know or refused to disclose their main source of emergency money.

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A country's income level does not necessarily correlate with the share of its population that is financially resilient. Côte d'Ivoire, Ghana, and Zambia are all lower-middle income countries, for example, yet 49 percent of adults in Côte d'Ivoire and Ghana are financially resilient while only 21 percent of Zambians are. Even low-income Ethiopia has a higher resilience rate than Zambia at 37 percent of adults.

Nor does a higher rate of account access correlate with a higher share of financially resilient adults in an economy. Côte d'Ivoire's account ownership rate is 51 percent to Ghana's 68 percent, despite both countries having the same share of financially resilient adults. Ethiopia, furthermore, has a slightly lower account ownership rate than Zambia at 46 percent compared with 49 percent, yet its share of financially resilient adults is 16 percentage points higher.[3]

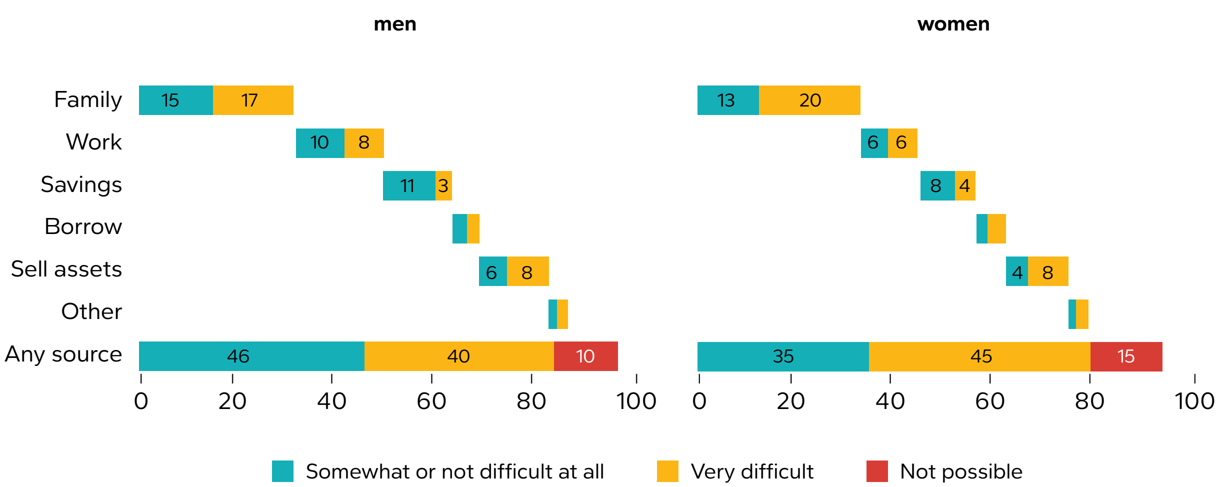
One factor that does influence financial resilience is the source of funds. People commonly explore a fixed set of options when they need to come up with extra money. These include borrowing from friends and family, taking on extra work, tapping into savings, or selling an asset. In Sub-Saharan Africa, 32 percent of adults would turn to family and friends for extra money, a larger share than would rely on any of the other sources. The challenge is that family and friends are one of the least reliable sources of extra money—more than half of adults in the region who would turn to them for help say the money would be very difficult to get. This dynamic affects woman more than men for two reasons: First, a slightly larger share of women than men rely on friends and family for extra money; Second, a larger share of the women's social networks are unable to help (see Figure 2).

In contrast, savings is the most reliable source of extra money in Sub-Saharan Africa, as it is in every world region. Only 13 percent of adults in the region would use savings in an emergency, however. That share varies widely by economy and does not seem to be related to overall savings rates. For example, as much as 22 percent of adults in Ghana would use savings to manage an unexpected expense. This seems consistent with the higher-than-average share of Ghanaians who save at all (69 percent of adults) and who save in an account (46 percent of adults). Yet a similar 19 percent of adults in Côte d'Ivoire would rely on savings in an emergency, despite lower-than-average savings rates. In Ethiopia and Zambia, only 9 percent and 4 percent of adults would rely on savings, even though both countries have formal savings rates in line with the regional average of 23 percent of adults.

FIGURE 2

Women are less likely to be resilient than men, and are more likely to rely on social sources for extra money

Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021/2022



Source: Global Findex 2021/2022

Note: The length of the bar in each row is the share of adults that reported using the specified source of money.
A small share of adults did not know or refused to disclose their main source of emergency money.

The Global Findex survey does not ask about savings balances, nor does it ask respondents to answer the resilience questions in the context of a lived experience. The apparent lack of relationship between the share of adults who save and the share willing to use savings to manage an adverse event does not therefore discount the value of emergency savings for low-income households. On the contrary, the disconnect may have more to do with the nature and size of the emergencies they tend to face, whether the savings balances they have would help, and whether the savings were earmarked for a specific purpose, among other contextual and social issues.

Financial worrying

A lack of financial resilience likely contributes to the large amount of worrying people do about common sources of financial stress, such as paying for medical expenses, for school fees, for monthly expenses, or for expenses related to old age. About 95 percent of adults in Sub-Saharan Africa worry about one or more of these issues—a larger percentage than in any other world region.

Medical expenses are the most common financial worry. Eighty-five percent of adults in the region are at least somewhat worried about them. Medical expenses are also the biggest financial worry for the largest share of adults in Sub-Saharan Africa, as they are in every world region. Thirty-eight percent of adults put them at the top of their worry list, a larger share than any other source of financial stress (see Figure 3).

Worrying over school fees runs a very close second on average across the region. Over half (52 percent) of adults in Sub-Saharan Africa are very worried about paying school fees or related expenses, such as uniforms and textbooks, and 27 percent name school fees as their biggest financial worry. Worry over school fees widely overtake worry over medical expenses in a dozen economies, including Zambia, where 53 percent of adults name them as the biggest worry compared with 22 percent of adults who name medical expenses.

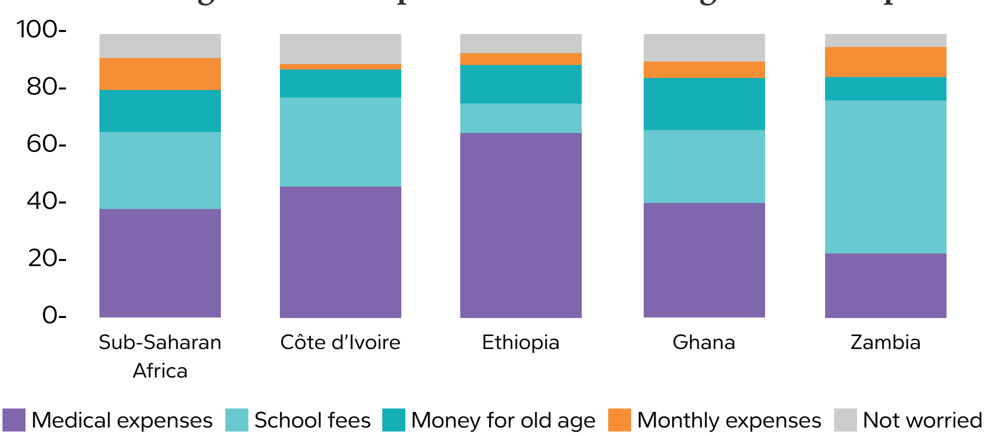
This may be explained in part by private school enrollment. In some economies, a large percentage of primary school children—even very low-income students—attend private schools. Even in economies which offer free primary education, parents still have ancillary school expenses for uniforms, exam fees, school upkeep, books. Women are often more likely than men to cite school fees as their greatest financial worry, though not in Zambia, where an equal percentage of men and women list them as their top source of financial stress.

FIGURE 3

Medical expenses and school fees as the biggest sources of financial worry

Adults identifying their biggest financial worry (%), 2021/2022

Formal savings and responsible borrowing can help increase



Source: Global Findex 2021/2022

Financial wellbeing

Savings are consistently shown to be the most reliable source of extra money for those who have them for weathering a financial emergency or addressing the expenses that cause financial stress. To increase financial wellbeing, therefore, adults in Sub-Saharan Africa need a safe and affordable place to save. Accounts provide that safe place. Mobile money accounts in particular are motivating more savings to transition from less formal methods, such as saving at home or with a rotating savings and credit association (ROSCA), to saving with an account. As of 2022, slightly half of all savers were using accounts to do so, the first time that formal savings dominated over less formal methods.

The increased safety of accounts coupled with the greater availability of mobile money accounts suggests an opportunity not only to grow mobile money account ownership but also to build incentives into these accounts to promote resilience (see the accompanying note on mobile money in Sub-Saharan Africa for details on the data). Further benefits could come from adding design features that make saving easy and rewarding, so that even people with very low incomes will save.

Financial providers can also design savings accounts to address specific sources of financial stress. For example, 12 percent of adults in Sub-Saharan Africa already save specifically to prepare for old age. That share is higher in Ghana at 22 percent of adults, and much lower in Zambia at just 6 percent. Specially designed "retirement" savings accounts offering higher interest rates or matching rewards could encourage this type of savings. Mobile money accounts can also be leveraged to offer auto-deposit into a mobile or bank savings account.

Borrowing is also an option for increasing resilience when used appropriately and with proper controls to avoid exploitation or borrower over-indebtedness. Given the high amount of worrying over medical expenses, for example, it should come as no surprise that 20 percent of adults in the region on average have borrowed to pay for medical bills. That is just slightly above the developing economy average of 17 percent. In some economies such as Côte d'Ivoire, where 20 percent of adults have borrowed to pay for medical expenses and 46 percent say medical bills are their biggest source of financial stress, the rate of borrowing makes sense given the share of adults who worry about it. In other places, such as Zambia, 23 percent of adults have borrowed to pay for medical bills, and medical bills are biggest worry for only 22 percent of adults. These discrepancies suggest that complex factors are likely at play in borrowing habits related to medical bills, such as the availability of credit and health insurance, and the structure of the public health system.

Such complexity is the norm when talking about resilience and worrying, which can be influenced not only by the social support systems in place within an economy, but also by cultural practices around social resource sharing and about expressing worry.

Endnotes

1. 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.
2. Gross national income per capita 2020, Atlas method (World Development Indicators). Dollar amounts based on foreign exchange rates on February 7, 2024.
3. The Global Findex defines an account as any transactional account with a bank or similar financial provider, such as a credit union, a cooperative, or a microfinance institution (MFI), or with a mobile money provider. Throughout 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). 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.

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.