

FINANCIAL ACCESS SURVEY

2019 Trends and Developments

CELEBRATING

10
YEARS



STATISTICS

FAS OVER A DECADE

This year marks the 10th anniversary of the IMF's Financial Access Survey (FAS)—a global annual database on access to and use of basic financial services. Over time, FAS has been enhanced to keep up with changes in the financial services landscape (for example, mobile money services) and policy priorities (for example, monitoring provision of credit to women and to small and medium-sized enterprises (SMEs)). Given the digital transformation in finance and the growing importance of micro-savings for women's financial inclusion in recent years, the 2019 FAS has introduced new data series on mobile and internet banking and gender statistics for deposit-taking microfinance institutions.

This anniversary edition of FAS Trends and Developments illustrates what the latest FAS database offers—after a decade of evolution and refinement—in four key areas of FAS data collection: (i) mobile money; (ii) traditional banking; (iii) use of financial services by women; and (iv) credit to SMEs.

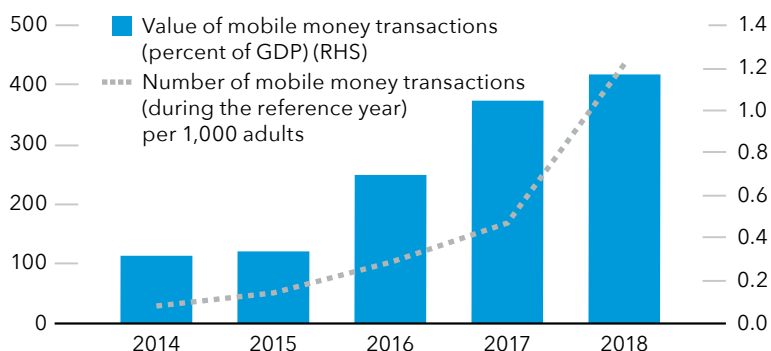
MOBILE MONEY BOOM CONTINUES

Mobile money is often described as one of the most exciting and successful innovations in financial services—a game changer for financial inclusion. It offers a novel way to access financial services, especially for individuals without access to traditional banking. A good understanding of its unique role requires granular data—which is what FAS offers—such as country-level mobile money data with historical series dating back to 2007.

Case study: Growing mobile money use in Afghanistan

The greatest appeal of mobile money is that users require only a basic mobile phone and access to “agents”—typically small, local retail stores—which are present even in remote areas where traditional financial service providers have limited reach. In Afghanistan, where less than 200 out of 1,000 adults have bank accounts, but more than 80 percent of the population has access to a cellular phone, mobile money has significant potential. With the support of the United States Agency for International Development (USAID), mobile money access is slowly picking up. There are now, on average, three mobile money agents compared to one or less ATM or commercial bank branch every 1,000 square kilometres. Indeed, in the past five years, the value of mobile money transactions has grown fourfold to reach 1.2 percent of GDP in 2018 (Figure 1). These services are being used not only to pay bills or to make peer-to-peer transfers, but also for government outlays (for example, to pay salaries of teachers and the police force). However, sustaining the growth of mobile money usage will depend on the spread of financial and information technology infrastructure, including reliable broadband and mobile connectivity.

Figure 1. Mobile money: Creating easier access to financial services in Afghanistan

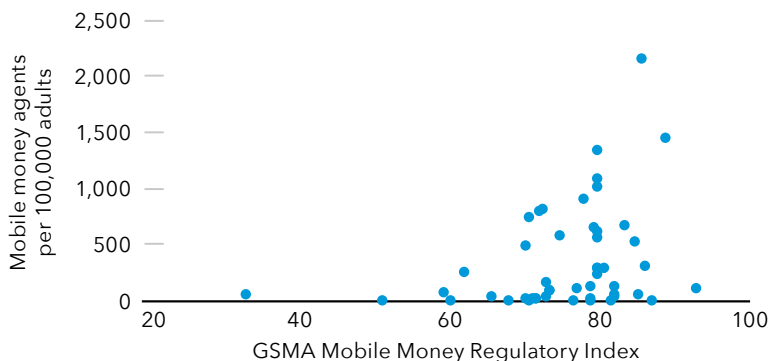


Sources: Financial Access Survey, World Development Indicators database, and IMF staff calculations.

Enabling regulatory framework for mobile money usage

Countries with a high score on the GSMA¹ Mobile Money Regulatory Index—a higher score is associated with more enabling regulation—also seem to have better agent networks, an important prerequisite for mobile money use (Figure 2). The Index captures countries' regulatory frameworks, comprising six dimensions: authorization, know your customer, consumer protection, agent networks, transaction limits, and investment and infrastructure (GSMA 2018).

Figure 2. Positive correlation between mobile money access points and an enabling regulatory environment



Sources: Financial Access Survey, World Development Indicators database, GSMA Mobile Money Regulatory Index, and IMF staff calculations.

Notes: Data for mobile money agents is from 2018 or the latest data in the past five years. The GSMA Mobile Money Regulatory Index, released in 2018, ranges from 0 to 100, with a higher score implying more enabling regulation.

Mobile money is starting to disrupt traditional banking: Evidence from Kenya

Sub-Saharan African countries have started leveraging the growing mobile money footprint to make inroads into traditional banking. For example, in late 2012, the Commercial Bank of Africa (CBA) and Safaricom in Kenya launched M-Shwari, a bank account with both savings and credit facilities accessed entirely through M-PESA, the mobile money platform. M-Shwari offers two major benefits to its customers who were previously unbanked. They can move their mobile money funds on M-PESA to their M-Shwari account and earn interest on their savings. They are also eligible to apply for loans even without any previous credit history as their mobile money usage history is used to develop a proxy credit score to assess credit-worthiness.

The growth of mobile money and associated innovations has given rise to the need for regulations to monitor the exposure of customer funds to default and liquidity risks—loss of stored funds and inability of the service providers to return funds on demand (GSMA 2016, IMF 2019a).

TRADITIONAL BANKING IS CHANGING

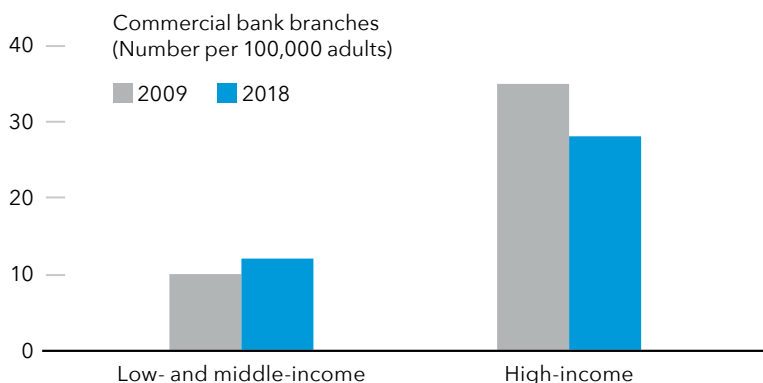
Plateauing growth in bank branches may mask the progress in financial inclusion

In the last decade, globally, the number of commercial bank branches per 100,000 adults grew only by around 1 percent. The muted growth is a result of the decline in the number of commercial bank branches in the advanced economies of North America and Europe even though low- and middle-income countries experienced growth close to 19 percent (Figure 3). This is indicative of two trends. First, access to banks is growing in countries that have the greatest need—that is, in

¹ Global Systems of Mobile Communications Association (GSMA).

low- and middle-income countries where there is unmet demand for banking services. Second, the decline in high-income countries where banks are reportedly closing branches to cut costs may not mean declining access but rather suggest a changing mode of accessing banking services—the shift towards mobile and internet banking.

Figure 3. Bank branches are declining in high-income countries



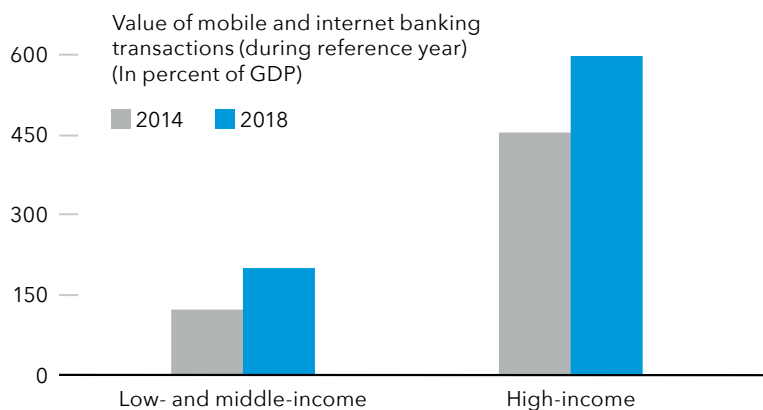
Sources: Financial Access Survey, World Development Indicators database, and IMF staff calculations.

Note: Trend extrapolation is used for countries that regularly report data but have not reported for 2018.

Mobile and internet banking is on the rise

During the same period when high-income countries experienced a drop in the number of bank branches, mobile and internet banking continued to grow at an impressive rate. Mobile and internet banking is also growing in low- and middle-income countries, although it is not as widespread as in high-income countries (Figure 4).

Figure 4. Changing mode of accessing banking services: Mobile and internet banking



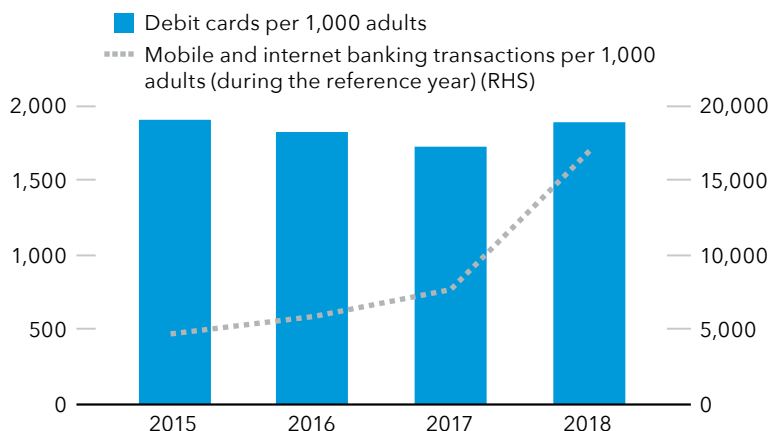
Sources: Financial Access Survey, World Development Indicators database, and IMF staff calculations.

Notes: Weighted average by GDP, based on 32 countries for 2014 and 59 countries for 2018.

Case study: Mongolia relies on mobile and internet banking to expand financial access

Banks in low- and middle-income countries such as Mongolia are leveraging mobile and internet banking to provide greater financial access in remote and rural areas. In Mongolia, the volume of mobile and internet banking transactions increased fourfold between 2015 and 2018 (Figure 5). Other modes of accessing banking remotely like debit cards are also popular in the country—there are about 1,800 debit cards per 1,000 adults, which is similar to ratios in high-income countries.

Figure 5. Debit cards and mobile and internet banking thrive in Mongolia



Sources: Financial Access Survey, World Development Indicators database, and IMF staff calculations.

Banks have sought to expand financial access through other innovative models

Banks in many low- and middle-income countries have also turned to low-cost business models like retail agent outlets or banking agents to deepen financial access in areas not reached by bank branch networks. These agents have made substantial inroads in South Asia, Latin America, and East Asia and have benefitted from government support (see IMF 2018 for more detail). For example, the growth of retail agents in East Asia is driven primarily by Indonesia, where the *Laku Pandai* regulations passed in 2014 by the Financial Services Authority allowed banks to use agents for branchless banking services (OJK 2016).

Innovations in financial services gives rise to new risks

The increasing use of digital financial services has led to concerns regarding data privacy and security, underscoring the need for stronger consumer protection regulations. Another important aspect is the need to strengthen transactions security to minimize fraud and ensure secure, affordable, and convenient digital financial services.

GENDER GAP PERSISTS IN USE OF FINANCIAL SERVICES IN LOW- AND LOWER MIDDLE-INCOME COUNTRIES

The FAS data suggests that there are major disparities in the use of financial services between men and women, especially in low- and lower middle-income countries. In countries such as Pakistan, Uganda, and South Sudan, less than 30 percent of borrowers at commercial banks are women. In contrast, the high-income countries in Europe, including Denmark and Poland fare better, with close to 50 percent of borrowers being women (Table 1).

The promise of regulatory reforms to promote women's financial inclusion

While there are several underlying reasons for women's exclusion from the financial system, including women's limited labor market participation, studies suggest that discriminatory laws can be a major hindrance (World Bank 2018). FAS data for select countries in Table 1 seems broadly in line with those findings. Countries where there are laws prohibiting financial service providers from discriminating against borrowers based on gender tend to have higher shares of female borrowers.

Box 1. Gender data in the IMF's FAS

After successful pilots in 2016 and 2017 to collect data on the gender-breakdown of users of financial services, the IMF made gender statistics an integral part of the FAS in 2018. In the 2019 round of the FAS, gender breakdowns have been expanded to cover not just commercial banks and microcredit institutions but also deposit-taking microfinance institutions.

The number of countries providing gender data has increased from 35 last year to 47 in the current round, with new reporters including Mexico, Romania, and Zimbabwe. Close to half of the gender data reporters in the FAS are low- and lower middle-income countries, including ten fragile states—suggesting the growing availability of these data to inform policy making.

Table 1. Use of financial services by women-borrowing and discriminatory laws

Income group	Country	Percentage of female borrowers	Law prohibits discrimination by creditors based on sex or gender in access to credit
High-income	Denmark	48	Yes
	Poland	51	Yes
Upper middle-income	Peru	47	Yes
	Kosovo	31	Yes
Lower middle-income	Pakistan	8	No
	Moldova	49	Yes
Low-income	South Sudan	25	No
	Uganda	29	No

Sources: Financial Access Survey, World Bank's Women, Business and the Law 2019, and IMF staff calculations.
Note: Based on 2018 data or the latest data in the past five years for borrowers at commercial banks.

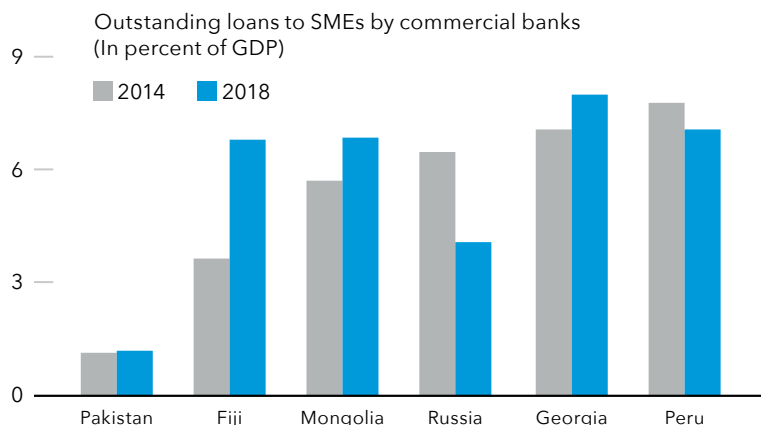
SME FINANCE REMAINS SUBDUED IN MANY LOW- AND MIDDLE-INCOME COUNTRIES

The latest FAS data tell a familiar story for SMEs in low- and middle-income countries. SMEs have limited access to borrowing despite the fact that SMEs contribute up to 40 percent of national income, creating 70-95 percent of new jobs (World Bank 2019). Bank lending to SMEs in has remained stagnant at around 6 percent of GDP over the past five years in low- and middle-income countries.²

At the same time, FAS data reveal large cross-country variations in the growth of SME lending (Figure 6). The improvement in SME financing in countries such as Georgia, Mongolia, and Fiji may in part be due to effective and targeted SME policies, which include the 2016-20 SME Development Strategy in Georgia, and the SME Credit Guarantee Scheme Guidelines in Fiji under which the central bank guaranteed to pay 50 percent of the principal of outstanding SME loans (Government of Georgia 2015, Reserve Bank of Fiji 2016). International development agencies have also been instrumental—in Mongolia, USAID's Reach Project partnered with the government to provide credit guarantees of up to 60 percent of SME loan amounts (USAID 2016).

² Based on 2018 data or the latest data in the past five years for 55 low- and middle-income countries.

Figure 6. Growth of SME lending varies across low- and middle-income countries



Sources: Financial Access Survey, World Development Indicators database, and IMF staff calculations.
Notes: The countries were selected based on availability of data.

LOOKING FORWARD: THE NEXT DECADE OF FINANCIAL INCLUSION STATISTICS

While the FAS has evolved over the past decade to keep pace with rapid financial innovation, reporting gaps remain. At the same time, the FAS faces increased demand for additional data. There is a need to capture other important aspects of financial inclusion, including a better understanding of costs and obstacles to financial access as well as knowledge-sharing of financial inclusion policy initiatives adopted by countries. The need to improve the FAS by further disaggregating data as well as addressing other data needs must be balanced with the reality of constraints in statistical capacity. FAS regional workshops, started in 2018, will continue to play a key role in improving data collection through peer learning.

ABOUT IMF'S FINANCIAL ACCESS SURVEY

The Financial Access Survey, launched in 2009, is a unique supply-side dataset that enables policymakers to measure and monitor financial inclusion and benchmark progress against peers. The FAS is based on administrative data collected by central banks or financial regulators from financial institutions and service providers.

The dataset covers 189 jurisdictions spanning more than 10 years and contains 121 time-series on financial access and use (for example, the number of ATMs and depositors). To facilitate meaningful comparison, the FAS also publishes 64 indicators that are normalized relative to the size of the adult population, land area, and gross domestic product.



FAS 2019 is supported by the IMF's Data for Decisions (D4D) Fund. Under the D4D, the IMF's Statistics Department organized a regional workshop on Financial Access Data Collection in Mauritius in March 2019 to provide a platform for national authorities to share experiences in collecting supply-side financial access data and improve data reporting.

REFERENCES

1. Government of Georgia. 2015. SME Development Strategy of Georgia 2016-2020.
2. Global System for Mobile Communications Association (GSMA). 2016. Safeguarding Mobile Money: How providers and regulators can ensure that customer funds are protected.
3. Global System for Mobile Communications Association (GSMA). 2018. The Mobile Money Regulatory Index.
4. International Monetary Fund (IMF). 2018. FAS Trends and Development.
5. International Monetary Fund (IMF). 2019. Mobile Money Note 2019.
6. International Monetary Fund (IMF). 2019a. The Rise of Digital Money, Fintech Notes.
7. Otoritas Jasa Keuangan (OJK). 2016. Press Release: OJK Promotes Branchless Banking Program to Boost Financial Inclusion in West Sumatra.
8. Reserve Bank of Fiji. 2016. Small and Medium Enterprises Credit Guarantee Scheme Guidelines.
9. United States Agency for International Development (USAID). 2016. Reach project—Small and Medium Enterprise Access to Credit.
10. World Bank. 2018. Women, Business and the Law.
11. World Bank. 2019. Small and Medium Enterprises (SMEs) Finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital.

This content was prepared under the supervision of Kazuko Shirono, by Esha Chhabra, Bidisha Das, and Yingjie Fan of the Financial Institutions Division of the IMF's Statistics Department.

INTERNATIONAL MONETARY FUND

700 19th Street, NW

WASHINGTON, DC 20431 USA

stafas@IMF.org

data.IMF.org/FAS