Universal Financial Access

Global Payment Systems Survey 2015
ACCOUNTS & ACCESS

OVERVIEW

During the 2013 World Bank–International Monetary Fund Annual Meetings, the World Bank Group (WBG) President Dr. Jim Yong Kim announced that the WBG envisions that adults worldwide will have universal financial access (UFA) by 2020. That is, adults will be able to have access to a transaction account to store money, and make and receive payments as the basic building block to manage their financial lives. In the 2015 Spring Meetings, Dr. Kim announced that the WBG will help enable reaching 1 billion financially excluded adults via transaction accounts. For this purpose, the WBG has scaled up its investment, financial, advisory, knowledge, and convening resources, and focuses on 25 focus countries in which over 70% of the world's unbanked reside. As one of the tools to monitor progress towards the UFA goal, the Global Payment Systems Survey (GPSS) – a bi-annual survey of central banks to collect information on the status of payment systems worldwide – was expanded to include a data module on transaction accounts and diversified access points as key drivers of financial access. This report uses data provided by national central banks and/or other publicly available sources to analyze progress towards the UFA goal for the focus countries.

Key Findings

- 1.43 billion new transaction accounts were created in 2015. Of these, over 85% were created in China and India, where 30% of the unbanked population resides. In 18 UFA focus countries that account for 50% of the world's unbanked, one transaction account was created for every 6 unbanked adults in 2015.
- Deposit transaction accounts are the main gateway to financial access, whereas e-money accounts represent 12% of total transaction accounts created in 2015. E-money accounts have a lot of traction in specific regions: in 16 UFA focus countries of which half in Sub-Saharan Africa, e-money represents one third of new transaction accounts created in 2015.
- Access points per 100,000 adults increased by 18% in 2015 globally. In UFA focus countries, growth in access points was slightly faster at 25%. In 2015, one access point served fewer than 100 adults in UFA focus countries.
- From a usage perspective, the gap between high income countries and the rest of the world is slowly narrowing. Cashless transactions for UFA focus countries rose 5 times faster than high income countries in 2015, reaching 20 cashless transactions per capita.

1. Background

During the 2013 World Bank–International Monetary Fund Annual Meetings, the World Bank Group (WBG) President Dr. Jim Yong Kim announced that the WBG envisions that adults worldwide will have universal financial access by 2020: "Universal access to financial services is within reach-- thanks to new technologies, transformative business models and ambitious reforms. As early as 2020, such instruments as e-money accounts, along with debit cards and low-cost regular bank accounts, can significantly increase financial access for those who are now excluded." That is, adults will be able to have access to an account or an electronic instrument to store money, send payments and receive deposits as the basic building block to manage their financial lives by 2020. In the 2015 Spring Meetings, Dr. Kim reiterated the WBG commitment, and announced that the WBG will help enable reaching 1 billion financially excluded adults via transaction accounts.

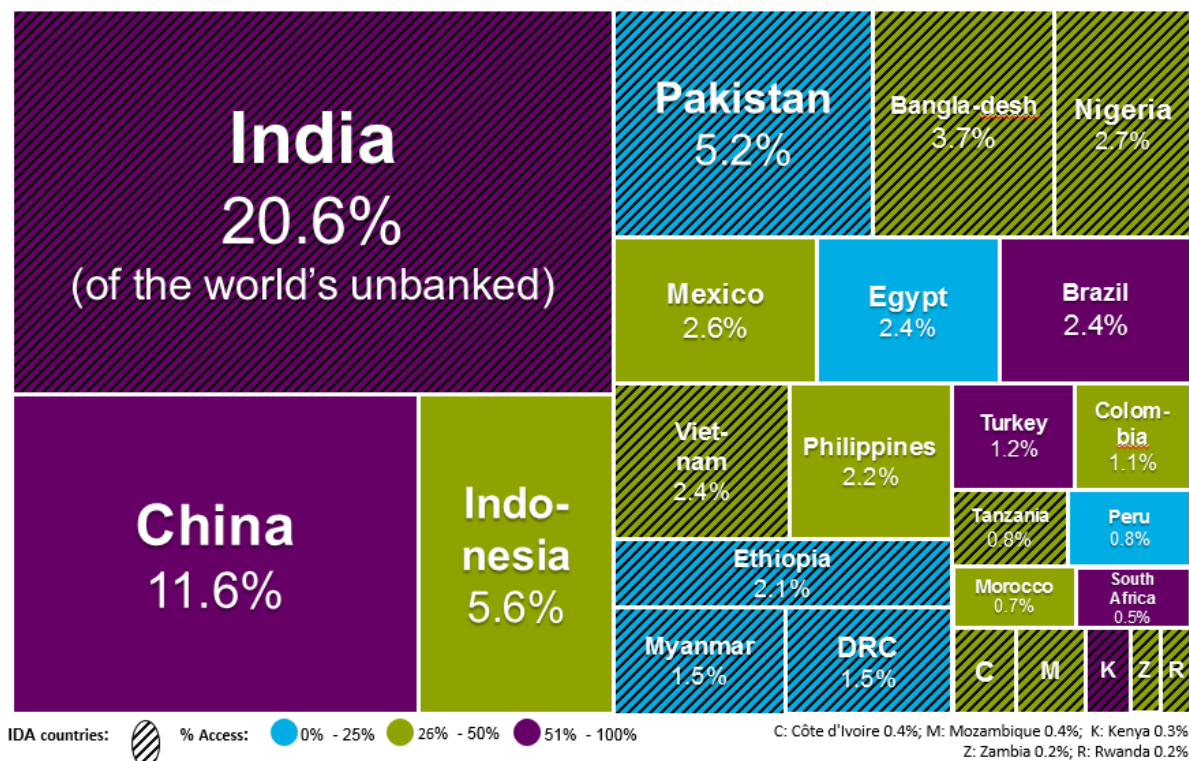
The Universal Financial Access 2020 (UFA 2020) Goal:

Global: By 2020, adults globally have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives.

World Bank Group: The World Bank Group (WBG) will help enable 1 billion previously unbanked adults to be reached with transaction accounts.

Financial access is a stepping stone for broader financial inclusion which entails a wider more tailored range of financial services being used, that are provided in a responsible manner.

Financial access is the first step toward broader financial inclusion, where individuals and firms can safely use of a range of appropriate financial services, including savings, payments, credit and insurance. Extending access to financial services is thus often the first building block for people to build a better life. Not only does it help individuals plan for long-term goals and emergencies, it also yields benefits that go beyond individuals in the form of reduced inequality and accelerated growth. However, an estimated 2 billion adults lack access to a transaction account.

Figure 1: Twenty-five focus countries for UFA

India 20.6% (of the world's unbanked)

Pakistan 5.2%

Bangla-desh 3.7%

Nigeria 2.7%

Mexico 2.6%

Egypt 2.4%

Brazil 2.4%

China 11.6%

Indo-nesia 5.6%

Viet-nam 2.4%

Philippines 2.2%

Turkey 1.2%

Colom-bia 1.1%

Tanzania 0.8%

Peru 0.8%

Ethiopia 2.1%

Morocco 0.7%

South Africa 0.5%

Myanmar 1.5%

DRC 1.5%

C | **M** | **K** | **Z** | **R**

IDA countries: 〰 % Access: ● 0% - 25% ● 26% - 50% ● 51% - 100%

C: Côte d'Ivoire 0.4%; M: Mozambique 0.4%; K: Kenya 0.3%
Z: Zambia 0.2%; R: Rwanda 0.2%

For the purpose of reaching the Universal Financial Access (UFA) goal, the WBG has been scaling up its investment, financial, advisory, knowledge, and convening resources, including through increased engagement with key partners. The WBG UFA strategy is organized around the UFA Framework for Action, which is consistent with the Committee on Payments and Market Infrastructures (CPMI) – WBG *Payment Aspects of Financial Inclusion* (PAFI) framework, and focuses on 25 countries in which over 70% of the world's unbanked population reside (Figure 1).

Monitoring Progress

Progress towards the UFA 2020 goal is measured at two levels: (i) global monitoring, and (ii) WBG engagement-level progress monitoring toward the target of enabling reach to 1 billion previously unbanked adults. Global monitoring focuses on the collective outcomes of the work by the WBG, partners, governments, private sector, and development institutions to advance financial access. WBG engagement-level monitoring is for progress toward the WBG goal, and aims to understand the progress in financial access enabled by WBG engagements.

The main tool used for global monitoring purposes is the World Bank's Global Findex database[1], complemented by the Global Payment Systems Survey (GPSS).[2] The Global Findex database has individual-level data collected from about 150 countries in a consistent and comparable way (through the Gallup World Poll). Global Findex provides a rich dataset on account ownership by individuals, along with payment, savings and credit services, and usage of accounts, which can be disaggregated

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[1] http://www.worldbank.org/globalfindex
[2] http://www.worldbank.org/paymentsystems

by gender, age, education level, income group, and urban/rural. The dataset is updated every three years.[3]

Other WBG and IMF databases (including notably the GPSS) are also used for global monitoring purposes, in order to have a full picture of both demand-side (users of financial services) and supply-side (providers of financial services) data and perspectives. Supply-side data complement demand-side data from Global Findex in three ways:

1. It provides critical insights into product uptake. These data can be used to gauge the extent of the supply of transaction accounts in a given country (e.g. number of transaction accounts) and the pace of new account creation. On the other hand, supply-side data do not allow determining the distribution of financial services, nor can be analyzed by the full range of individual characteristics, which limits insights into the reach of transaction accounts. For example, if the number of a country's transaction accounts is equal to (or exceeds) its adult population, it cannot be assumed that all adults have access to (at least) one transaction accounts, due to double counting across providers or even across transaction account products offered by the same provider. Similarly, supply-side data do not allow identifying dormant accounts.

2. Usage of transaction accounts can be more easily measured and compared across countries and in time by using supply-side data on payment transactions volumes and values (e.g. cashless transactions per capita).

3. Supply-side data on access points (e.g. branches, agents, automated teller machines (ATM), and point of sale (POS) terminals) are used to provide indicators of the physical reach of the financial system and payments infrastructure.

4. Finally, it provides qualitative information on the enabling environment for financial access. For example, improvements in the legal/regulatory framework that increase completion and ensure a level-playing field, and improvements in the underlying ICT and payments infrastructure, explicit public and public sector commitment, etc. can be captured using qualitative supply-side information from financial sector regulators and providers / operators.

Global Payment Systems Survey

Launched for the first time in 2007, the Global Payment Systems Survey by the World Bank Group collects information on the status of payment systems worldwide, covering legal and regulatory framework, large value and retail payments infrastructure, payment instruments and services, oversight arrangements, etc. The GPSS has allowed authorities and policy makers to make meaningful cross-country comparison and assess progress in payment systems development, and has facilitated dissemination of best practices.

In 2015, the GPSS was expanded to collect information to help assess the readiness of the country's payments system to underpin the UFA goal and strategy. Its focus was broadened to include

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[3] Global Findex data are currently available for 2011 and 2014. The next iteration of Findex data is expected for 2017. See http://www.worldbank.org/en/programs/globalfindex

transaction accounts, and analysis was deepened to cover payment product and business model innovation to enable access. The "accounts & access" collects data for 2010-2015, facilitating trend analyses. The complete database from the most recent GPSS data collection round will be published by end-2016, with the "accounts & access" component available in October for some countries.[4]

The rest of this note provides results of the analysis of the quantitative data collected by the GPSS as of September 2016. The purpose of the analysis in the remaining sections of this note is to show the recent trends in the growth of transaction accounts, access points, and cashless transactions with a focus on the priority countries for UFA 2020.

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[4] http://ufa.worldbank.org

2. Transaction accounts[5]

A transaction account is an essential financial service in its own right, and can also serve as a gateway to other financial services.[6] For the purposes of this note, transaction accounts are defined as accounts (including e-money/prepaid accounts) held with banks or other authorized and/or regulated payment service providers (PSPs), which can be used to make and receive payments and to store value. The number of transaction accounts is obtained by adding the number of deposit transaction accounts and e-money accounts.[7]

A total of 1.43 billion new transaction accounts were created in 2015. Of these, over 85% were created in China (857 million) and India (275 million). According to Global Findex data (2015), these two countries together account for over 30% of the world's unbanked. The supply of new accounts created between 2014 and 2015 in China exceeded the size of the country's unbanked population. In India, two new accounts were opened for every three unbanked. However, for 18 UFA focus countries[8] representing over 50% of unbanked adults worldwide, only one transaction account was created for every six unbanked adults. As mentioned above, the number of transaction accounts does not relate one-on-one to the number of adults with a transaction account. Nonetheless, it provides a measure of the improvements in financial infrastructure and financial services industry in countries faced with the challenge of banking larger number of excluded populations to achieve universal access.

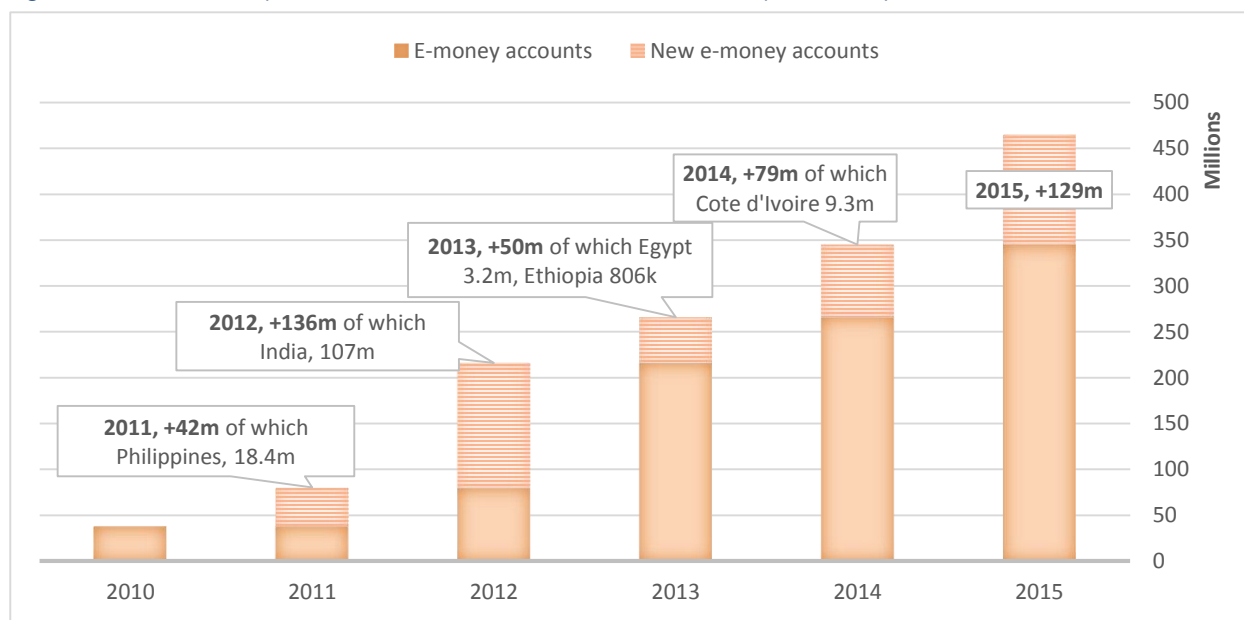*Figure 2: New deposit transaction account created in UFA focus countries (2011-2015)*

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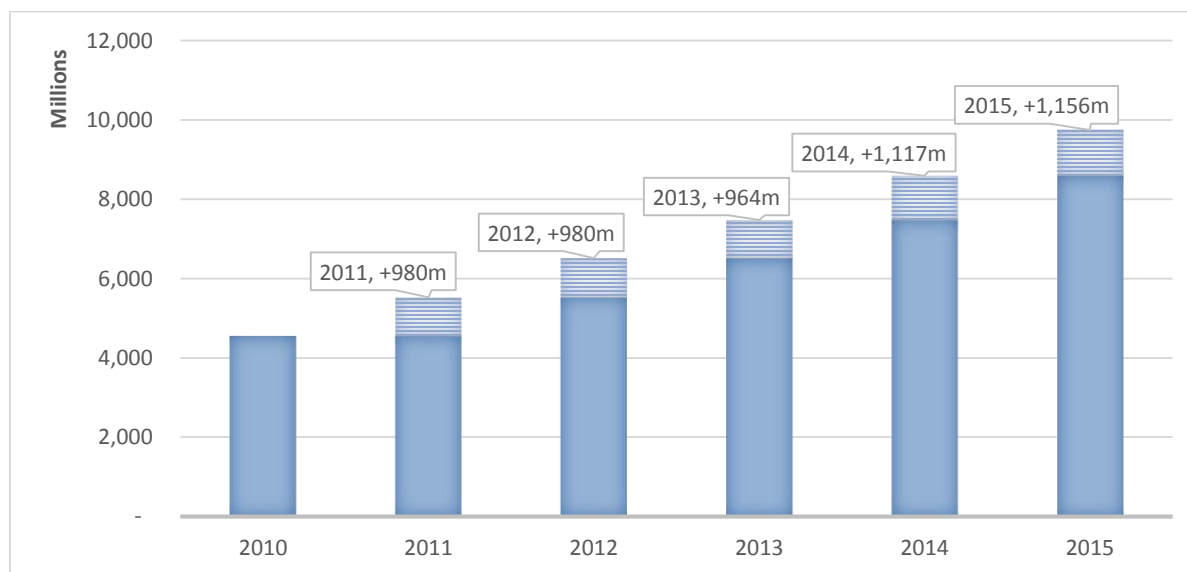
[5] This analysis is based mainly on the GPSS "accounts and access" data module. Throughout this section, qualitative information obtained from the GPSS main module is used to complement the analysis of transaction account data. The final GPSS results will be published in December 2016.

[6] CPMI—WBG "Payment Aspects of Financial Inclusion" report, April 2016.

[7] Values are extrapolated for missing years in time series. If no deposit transactions accounts data are available for the country, debit cards are used as a proxy.

[8] For which both Findex and GPSS data is available.

Figure 3: New e-money accounts created in UFA focus countries (2011-2015)

Legend: ■ E-money accounts ■ New e-money accounts

Annotations:
- **2011, +42m** of which Philippines, 18.4m
- **2012, +136m** of which India, 107m
- **2013, +50m** of which Egypt 3.2m, Ethiopia 806k
- **2014, +79m** of which Cote d'Ivoire 9.3m
- **2015, +129m**

Deposit transaction accounts are the main gateway to financial access, representing over 90% of total transaction accounts globally as of 2015. These are functionally defined as deposit accounts held with banks and other authorized deposit-taking financial institutions that can be used for storing value, and for making and receiving payments. Deposit transaction accounts are often referred to as current accounts, but they are not limited to current accounts. However, they normally exclude time deposits. Figure 2 displays trends in deposit transaction accounts over 2010-15 in UFA focus countries. These data were collected for the first time as part of the 2015 GPSS survey to monitor progress towards the UFA goal. Additional efforts are needed to ensure that qualifying accounts share certain basic functionalities for comparability across jurisdictions, the full range of regulated deposit-takers is included. For example, if postal network accounts were systematically included in the statistics provided for the UFA focus countries, we estimate that the total number of deposit transaction accounts would increase by at least 2%.[9] Postal network accounts, in fact, do play a greater role in certain regions; if the 165 million accounts maintained by the India Post[10] were taken into consideration, the number of deposit transaction accounts in the country would increase by 12%.

While less prominent than deposit transaction accounts on a global level, e-money accounts, particularly mobile money accounts, have been gaining ground in certain regions, especially Sub-Saharan Africa. In Tanzania, Zambia and Rwanda (all UFA focus countries), mobile money accounts made up the majority of all transaction accounts in 2015 (87%, 62% and 60%, respectively). In 16 UFA focus countries that report e-money accounts and deposit transaction accounts,[11] the latter represent over one third of new transaction accounts created in 2015. Overall, about half-a-billion new e-money accounts were created in UFA focus countries between 2010 and 2015 (Figure 3). The

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[9] As a result of including postal network accounts in Bangladesh, India, Pakistan, and Turkey.

[10] Based on 2015 annual reports of post offices in selected countries.

[11] Bangladesh, Brazil, Colombia, Egypt, Ethiopia, India, Indonesia, Kenya, Mozambique, Nigeria, Pakistan, Philippines, Rwanda, Tanzania, Vietnam, and Zambia. For Cote d'Ivoire, 2015 data is not yet available.

GPSS definition of an e-money account encompasses payment cards with an e-money function, mobile money, and online money, irrespective of where the record of funds is stored, and regardless of whether the issuer is a bank or a non-bank institution. Breakdown by type of e-money account, where available, indicates that over half (55%) of total e-money issued in UFA focus countries is represented by mobile money (with higher percentages across Sub-Saharan Africa).

Figure 4: Annual growth of transaction accounts per 1,000 adults (2011-2015)
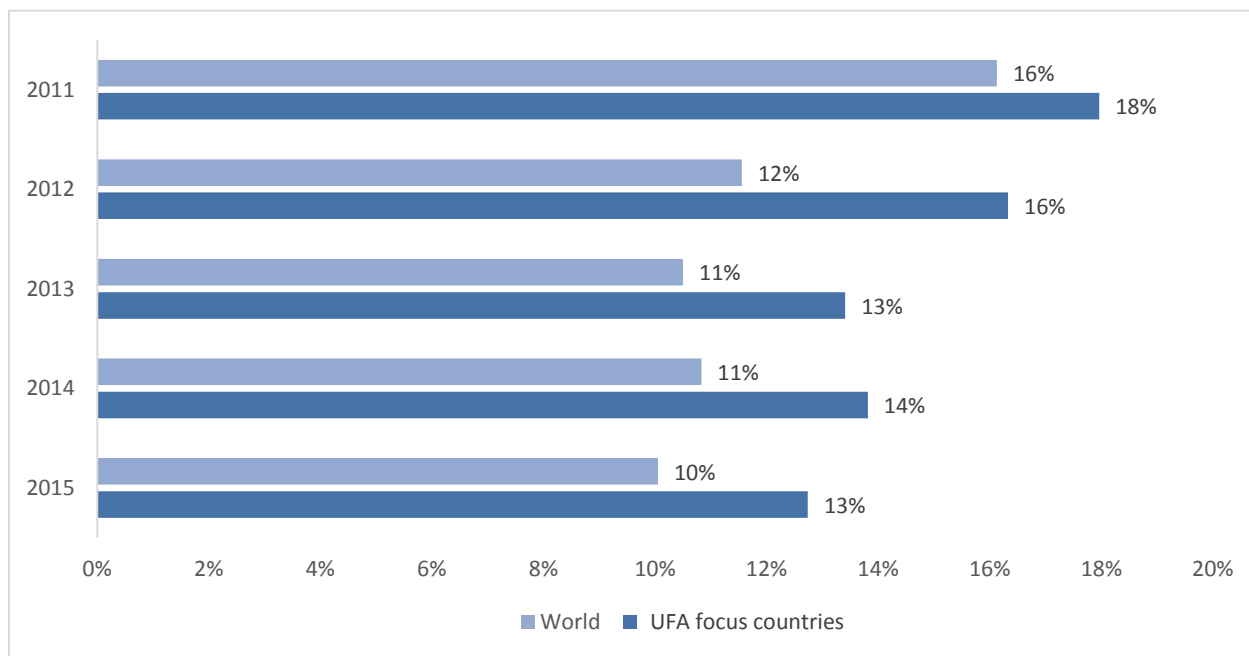
The average growth in the number of transaction accounts per adult in UFA focus countries outpaced the global average during 2010-15: 14.8% and 11.8%, respectively (Figure 4). In 2015, the number transaction accounts in low-income UFA focus countries increased by 18%, (from 763 to 938 per 1,000 adults). In the same period, the number of accounts in lower-middle income UFA focus countries has grown by 11%, (from 1,096 to 1,217 per 1,000 adults). In the context of lower-middle income countries, Zambia's 2015 transaction account growth rate is remarkable (43%) and driven mainly by mobile money accounts. Among upper-middle income countries, China's number of transaction accounts has grown by 13% in 2015 (per 1,000 adults). Growth for this income group is otherwise characterized by more modest rates. In 2015, after excluding China, the number of transaction accounts in upper-middle income UFA focus countries increased by 3%, bringing the number of transaction accounts per 1,000 adults to 1,395.

3. Access points[12]

Transaction accounts are more useful when coupled with a broad network of access points with wide geographical coverage, and by offering a variety of interoperable access channels.[13] GPSS collects data on a range of access points grouped into four main categories: automated teller machines (ATMs), point of sale (POS) terminals, branches of payment services providers (PSPs), and agents of PSPs.

In 2015, the number of access points per 100,000 adults increased by 19% globally; in comparison, access points in UFA focus countries grew by 25%. Growth in UFA focus countries has been consistently stronger then global trends: the average annual growth rate for UFA focus countries for 2010-2015 was 24%, as compared to 14% for world (Figure 5). By end-2015, UFA focus countries had 1,183 access points per 100,000 adults while there were 1,214 access points per 100,000 adults globally.[14] It is worth noting that this indicator provides a trend rather than an exact measure of individual access points, as double counting may occur across PSPs (e.g. agents) as well as types of access points (e.g. POS terminals and agents in certain countries).[15]

Figure 5: Annual growth of access points per 100,000 adults (2010-2015)
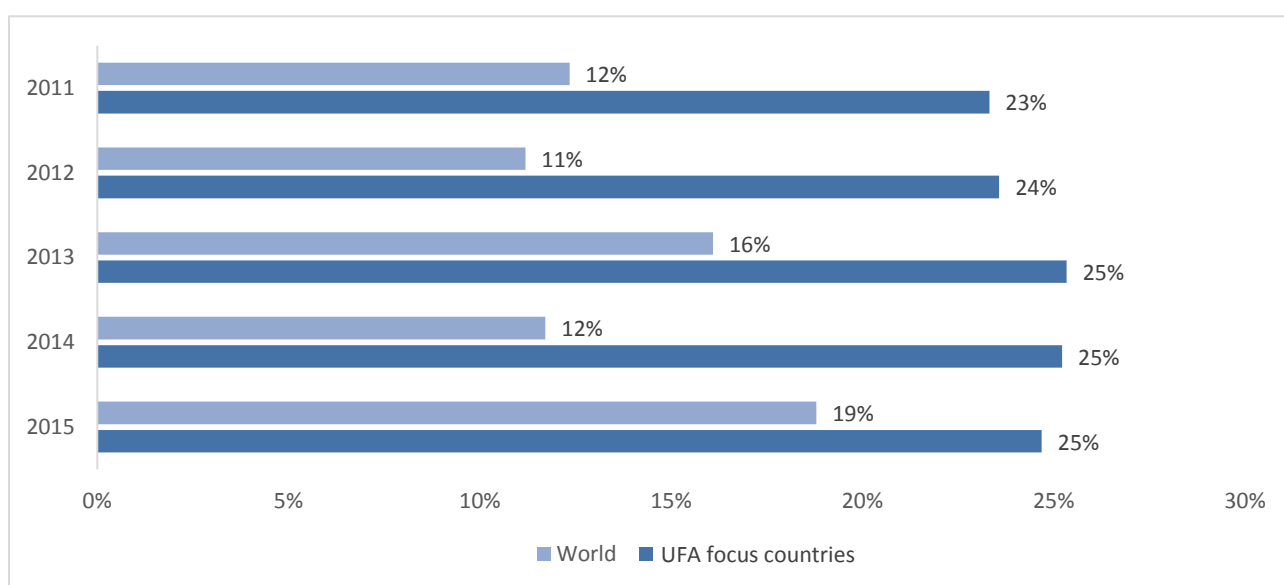
In 2015, POS terminals increased by 9 million globally; as a result, for the first time, there is now more than one POS terminal for every 100 adults (Figure 6). Of the 9 million new POS terminals, 6.9 million or 77% have been added in China alone. Despite the growth in POS terminals,

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[12] This analysis is based mainly on the GPSS "accounts and access" data module. Throughout this section, qualitative information obtained from the GPSS "main module" and annex on "agent-based models" is used to complement the analysis of access point data. The final GPSS results will be published in December 2016.

[13] CPMI-WBG, PAFI Report, April 2016.

[14] While the data seem to suggest that there is a convergence of number of access points in UFA focus countries to the global average, in fact these figures may disguise the fact that – in addition to any double-counting of access points– in many middle and low income countries access points more often lack interoperability. Therefore, we are cautious in drawing general conclusions on UFA focus countries "catching up" with global trends.

[15] It is international guidance and WBG advice that exclusivity conditions in the use of access points (e.g., agents) by PSPs should be discouraged, and interoperability fostered.

interoperability remains a concern. When POS terminals are fully interoperable, all locally-issued payment cards can be used seamlessly at any POS terminal in the country. According to reports from central banks, this is true in over half of UFA focus countries and is in line with the global average, as compared to 70% of high income countries.[16] In Mexico, POS terminals per 100,000 adults increased by 19% for two consecutive years, concomitantly with regulatory measures to increase competition in cards acquiring and the market in general.

Figure 6: Number of ATMs and POS terminals per 100,000 adults in UFA focus countries
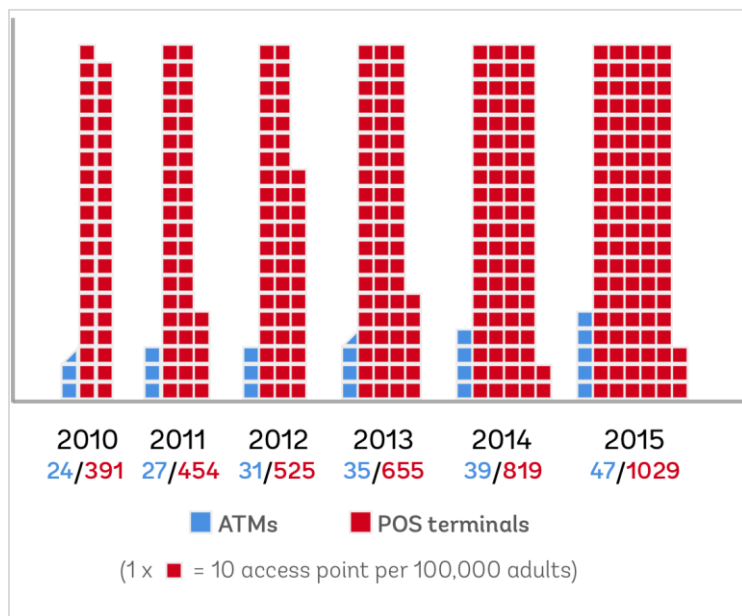
ATMs per 100,000 adults grew three times more slowly than POS terminals over the period 2010-2015 (Figure 6). Yet, in UFA focus countries, ATMs per 100,000 adults increased by 14% on average every year, which is twice the global rate. In addition to more "traditional" services (e.g. cash withdrawals and deposits, account inquiries) ATM functionality is expanding to make it possible for customers to perform a broader range of transactions. In fact, ATM users in four UFA focus countries (Brazil, China, India, and Indonesia, together accounting for over 80% of total ATMs in the UFA focus countries group) can also pay their bills, initiate intrabank and interbank credit transfers, and issue checks (Brazil). However, as in the case of POS terminals, ATM interoperability remains an issue. International experience suggests that market conditions will eventually lead to ATM interoperability, which is defined as a situation whereby locally-issued payment and cash withdrawal cards can be used seamlessly (though probably at a cost) at all ATMs in the country. In this respect, UFA focus countries are aligned with global trends, with slightly over half reporting full ATM interoperability.

In 2015, the number of branches of payment service providers (PSPs) per 100,000 adults globally and for UFA focus countries increased by 3% and 7%, respectively. To the extent that new branches are set up, to cover more territory, the costs (e.g. time-based and travel costs) that customers incur to reach the closest branch location and wait in line are likely to decrease. On the other hand, infrastructure and maintenance costs, security costs, and other costs for supporting activities incurred on the supply side in providing services at the branch location can make it unviable to extend branch coverage to certain locations. Within the UFA focus group, South Asian countries appear to be characterized by a relatively stronger ATM and branch growth than other regions.

Agents of banks and, where applicable, other deposit-taking institutions and non-bank PSPs, have spread across certain regions including UFA focus countries as a business model

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[16] In addition to creating inefficiencies and uneven / overlapping coverage, low interoperability also makes it more difficult to compare POS statistics across countries, i.e. the same merchant can have multiple POS terminals.
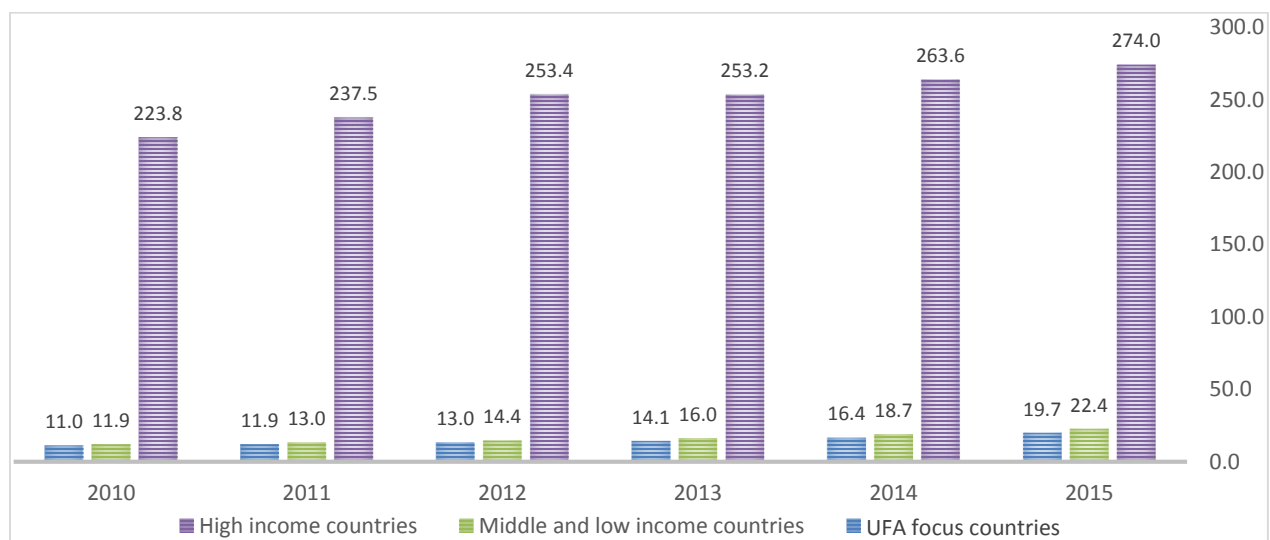
innovation that allows serving hard-to-reach, otherwise unprofitable geographical areas or target populations. In 2015, more than half-a-million new PSP agents were established in UFA focus countries. This resulted in the number of agents per 100,000 adults (84) exceeding the number of PSP branches per 100,000 (40) adults for the first time in 2015. Agent functionality varies significantly across countries based on permitted activities by regulations and business models. In India and Pakistan, biometric ID verification technology allows agents to capture and verify customer ID and other credentials to meet know-your-customer (KYC) requirements and open customer accounts. Agent network expansion is strongest in Peru, where the number of agents per 100,000 adults increased by 42% in 2015.

4. Cashless transactions[17]

The previous rounds of the Global Payment Systems Survey concluded that the largest difference between higher and lower income countries exists in retail payment systems, evidenced by a gap in the volumes of non-cash payments or "cashless transactions". Dependency on cash can disproportionately affect the poor: if the poor are not provided with efficient cashless payments methods, they are forced to rely on expensive cash-out facilities and unregulated channels, while their transaction accounts remain underutlized. The number of non-cash payments in the economy is therefore a measure of financial inclusion that is as important as the number of accounts and access points. The GPSS has been tracking the number of cashless transactions, taking into account the number of credit transfers, direct debits, payment card transactions[18], and e-money transactions[19], as well as the number of cleared checks.

Survey data suggest that the gap between high-income countries and the rest of the world is slowly narrowing. In 2010, an average person ina middle or low income country conducted 11.9 cashless transactions, while an average person in a high income country would do almost 19 times more (Figure 7). Five years later, the difference narrowed down to 12 times. Over the same time period, UFA focus countries have followed the trends for all low- and middle-income economies, with their number of per capita cashless transactions almost doubling from 11 in 2010 to nearly 20 in 2015. Nonetheless, there are significant differences within the UFA focus countries group. In 2015, Brazilians made the largest number of cashless transactions (140 per person), while three countries recorded less than one transaction per person.[20] The median UFA focus country in 2015 recorded 5.1 cashless transactions per person per year.

Figure 7: Cashless transactions per capita per year (2010-2015)

	High income countries	Middle and low income countries	UFA focus countries
2010	223.8	11.9	11.0
2011	237.5	13.0	11.9
2012	253.4	14.4	13.0
2013	253.2	16.0	14.1
2014	263.6	18.7	16.4
2015	274.0	22.4	19.7

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[17] This section's analysis is based on preliminary transaction data collected as part of the GPSS main module. The final results including qualitative information will be released in December 2016.

[18] Includes payments by debit and credit cards, excluding cash withdwals at ATMs.

[19] Includes payments by card-based e-money instruments, mobile money, and online money, excluding card loading/top-up and cash out.

[20] For which data for at least three payment instruments were provided.

In majority of the UFA focus countries, cards are the most popular cashless payment method (Figure 8). Out of 17 countries that provided sufficient breakdown figures, in 11, payment cards were the most frequently used cashless payment instrument. In four— China, Colombia, Mexico and Turkey — card payments accounted for more than half of all cashless payments. E-money transfers were the most popular instrument in Tanzania and Zambia,[21] while credit transfers are most frequently used by Indians and Nigerians. Pakistan is the only UFA focus country where most cashless payments are made by check, which can be attributed to limited bulk retail payments infrastructure and scarce penetration of POS terminals.

Figure 8: Relative importance of cashless payment instruments by volume (2015) in selected UFA countries
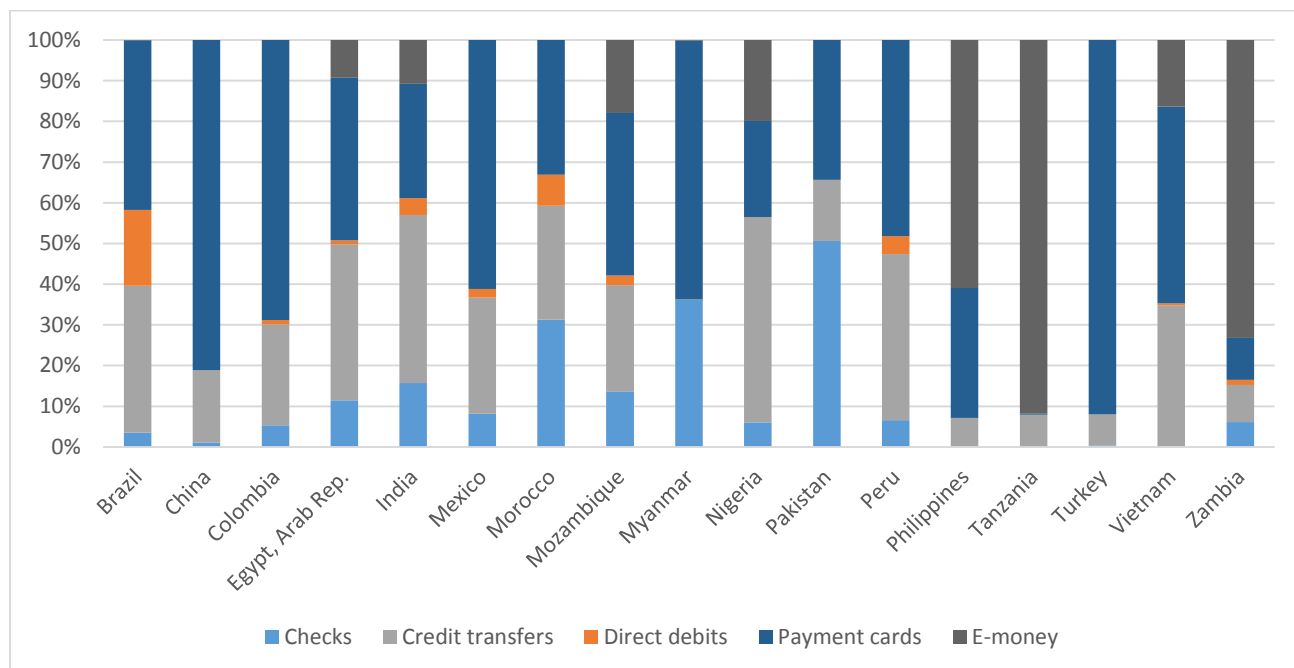
Cards are increasingly used for cashless payments as opposed to cash withdrawals at the ATM. The number of cashless card payments per person across the UFA focus group rose by 28% in 2015, for the first time exceeding 50 billion. On the other hand, the number of ATM cash withdrawals in the same group decreased by 3% over the same period. This is a long-term trend: the average annual growth in per capita cashless card payments between 2010 and 2015 averaged 19%, which led to the volume of cashless payments surpassing that of cash withdrawals in 2014 and 2015 (Figure 9). However, only a few UFA focus countries with well-developed card payment infrastructures contributed to this shift. Outside of Brazil, China, Mexico, South Africa, and Turkey, payment cards continue to be used mostly for ATM withdrawals.

Growth in cashless transactions is driven by access points; however, the link between the number of accounts and cashless transactions is less prominent. The number of POS terminals per adult is closely associated with the number of cashless payments per capita.[22] The right panel of

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[21] At the time of publication of this note, the number of payments made by e-money instruments (i.e. excluding top-up / cash-out) for 2015 was not available for Bangladesh, Colombia, Cote d'Ivoire, Kenya, Pakistan, Philippines, and Rwanda.
[22] Some low income countries, such as Tanzania, record higher numbers of cashless transactions than explained by the size of their POS terminal network, owing to their more developed mobile money markets.

Figure 10 shows that lower middle income countries (marked green) have relatively low numbers of card-accepting terminals and report correspondingly low numbers of cashless transactions. Both numbers are much greater for upper middle income (purple) and high income (red) economies. The chart on the left demonstrates that a certain level of transaction account coverage is essential for the cashless economy—few cashless payments are recorded in countries with fewer than 800 accounts per 1,000 adults. However, there is little relationship between accounts and cashless transactions above that threshold.

Figure 9: Number of cashless card payments and ATM cash withdrawals (2010-2015)
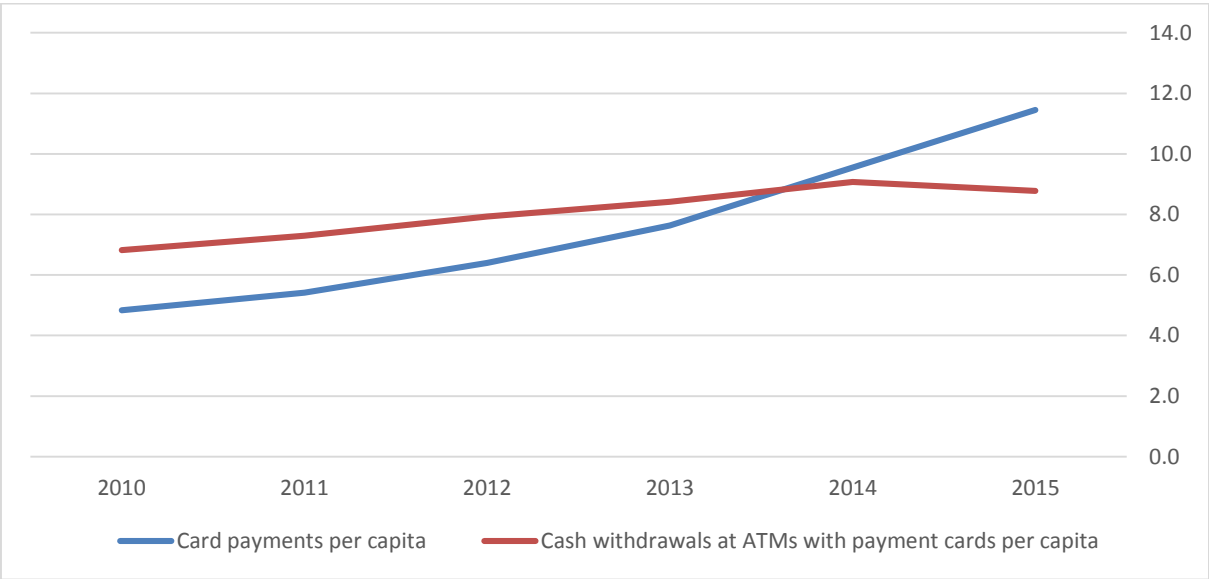

Figure 10: Relationship between the number of cashless transactions, the number of accounts and the number of POS terminals