

# Financial Access

Measuring Access to  
Financial Services  
around the World

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# Table of contents

<b>Acknowledgments</b>	<b>vii</b>
<b>Overview</b>	<b>1</b>
<b>1 Measuring financial access</b>	
What data are available from regulators?	6
Improving data collection for measuring access	9
Notes	10
<b>2 Savings and payments</b>	
Measuring access to deposit services	11
Policies to promote deposit account ownership	18
Notes	23
<b>3 Credit</b>	
Measuring access to credit	25
Policies to support access to credit	29
Notes	36
<b>4 Delivering financial services</b>	
Measuring outreach	37
Policies to improve banking outreach	40
Notes	48
<b>Methodology</b>	<b>49</b>

## Figures

1	Developing countries have a third the deposits per person of developed countries	2
2	Developing countries have a quarter of the loans per person of developed countries	3
3	Developing countries have narrower outreach	4
1.1	The main financial regulator supervises nonbank financial institutions in half the countries surveyed	7
1.2	Data are limited on the number of deposits and loans, especially for nonbanks	7
1.3	For cooperatives, few countries provide data on access	8
1.4	In almost half of countries specialized state financial institutions are regulated by the main bank regulator	9
1.5	In more than 40 percent of countries microfinance institutions are regulated by the main bank regulator	9
2.1	The majority of deposit accounts are in commercial banks, but nonbanks play a significant role as well	13
2.2	Countries with higher poverty rates have the lowest account penetration	14
2.3	In countries with higher incomes and greater availability of deposit services, average deposit size is smaller relative to average income	14
2.4	Average account size relative to income in nonbank institutions is lower than in commercial banks	15
2.5	Nonbank institutions—important in delivering deposit services	16
2.6	Income, deposit insurance, and population density correlate with deposit account penetration	17
2.7	Information requested as part of “know your customer” requirements	19
2.8	Only 20 countries promote basic accounts	20
2.9	Forty countries offer government-to-person payments through bank accounts	21
2.10	Availability of retail payment system and prevalence of government-to-person payments	22
2.11	Promoting savings schemes	23
3.1	Change in perceptions of access to credit is not correlated with a change in use of credit	26
3.2	In higher income countries loans to individuals account for a greater share of the total volume	27
3.3	Loan sizes are large relative to income in poorer countries, where there are few borrowers	28
3.4	Cooperatives, specialized state financial institutions, and microfinance institutions are an important source of credit in many countries	29
3.5	Loan sizes in cooperatives, some specialized state financial institutions, and microfinance institutions are smaller than in commercial banks	30
3.6	Countries with more comprehensive credit information systems have more bank loans to individuals	31
3.7	Private credit bureaus cover a broad range of regulated and unregulated credit providers	32
3.8	More countries use disclosure and not usury ceilings as the main consumer protection	32
3.9	The share of countries with requirements to disclose loan rates ranges from 50 percent in South Asia to 91 percent in high-income countries	33
3.10	Requirements to disclose effective interest rates are widespread	33
3.11	Interest rates are lower in countries with more competitive and less concentrated financial markets, but there is no relation to usury ceilings	35
4.1	Having more “touch points” is correlated with a greater deposit and loan penetration	38
4.2	There are fewer rural branches per rural resident in developing countries than in developed countries	39

4.3	As branch networks expand, more rural branches open, and the ratio of rural branches to population catches up with urban branches	39
4.4	Cooperatives, specialized state financial institutions, and microfinance institutions are widespread in rural areas	40
4.5	Better infrastructure and less corruption are associated with greater branch penetration	41
4.6	Countries requiring branch approval are also more likely to have additional restrictions on branch operations	42
4.7	Exceptions to the security requirements are not widespread	42
4.8	Requirements for branch approvals are associated with lower branch penetration	43
4.9	Africa and the Middle East have the most restrictive regulations for agent banking	44
4.10	Many countries permit only payment services by agents	44
4.11	What can agents do?	45
4.12	Customer acquisition is a key constraint for agents to improve financial inclusion	45
4.13	Credit approval by agents is widely restricted	46
4.14	Who provides financial services through the postal system?	46
4.15	Participation of private sector in provision of financial services through posts increases with income	47
4.16	Operation of private financial institutions through the postal system is associated with higher deposit penetration	47

## Maps

2.1	Number of deposit accounts in banks and regulated nonbank financial institutions per 1,000 adults	12
3.1	The number of bank loans per 1,000 adults is correlated with economic development	27
4.1	Africa and South Asia have fewer than 10 bank branches per 100,000 adults	38

## Tables

### *Statistical tables*

S1	Financial access: commercial banks	54
S2	Financial access: cooperatives	57
S3	Financial access: specialized state financial institutions	59
S4	Financial access: microfinance institutions	61

### *Policy tables*

P1	Documentation required to open an account	62
P2	Policies to promote savings	65
P3	Transparency and consumer protection	68
P4	Branch banking regulations	71
P5	Using existing retail networks to provide financial services	74

## References 77





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# Overview

Financial inclusion—providing access to financial services for all—has gained prominence in the past few years as a policy objective for national policymakers, multilateral institutions, and others in the development field. The United Nations designated 2005 the International Year of Microcredit, adopting the goal of building inclusive financial systems.<sup>1</sup> To assist policymakers in designing effective policies and tracking global progress in financial inclusion, the World Bank collected the first set of indicators of financial access in countries around the world in 2005<sup>2</sup> and updated these indicators for selected countries in 2008.<sup>3</sup>

Building on this work, *Financial Access 2009* introduces new data from a survey of financial regulators in 139 countries. It presents indicators of access to savings, credit, and payment services in banks and in regulated nonbank financial institutions—reviewing some policy initiatives that support financial inclusion. As the first in an annual series documenting access to financial services around the world, it is intended for a broad audience of

policymakers, researchers, practitioners, and multilateral and bilateral investors.

## **Measuring access—getting more and better data on regulated financial institutions is a first major step**

To guide monetary policy and monitor systemic risks, financial regulators in all countries collect information on the values of deposits and credit. But the Financial Access Survey indicates that fewer than 70 percent of countries collect information on the number of bank deposit accounts. And even fewer countries have information on regulated nonbank institutions—only 30 percent of countries could provide information on the number of deposit accounts in cooperatives, specialized state financial institutions, and microfinance institutions. Data on the number of loans are even more limited.

Policymakers need reliable information on access to financial services to design effective policies, set priorities for actions, and

monitor progress. The first step is to start regularly collecting a set of standardized indicators for all regulated financial institutions in a country. These indicators include the number of deposit accounts and loans, the number of deposit clients and borrowers, and the number of financial access points, such as branches, agents, and automated teller machines.

Regulators can facilitate data collection by setting clear guidelines for reporting key access data and weighing the benefits of better data with the costs of compliance. Similar to the approach for monitoring systemic risks, a focus on larger institutions is justified, especially among nonbank financial institutions, which often lack necessary systems to report the data. Where different regulators supervise various types of financial institutions, better coordination is needed to gather the data on access in the entire regulated system.

### Increasing access to saving and payment services—policies successful only if financial institutions are on board

Estimates in this report indicate that there are as many bank deposit accounts as people in the world today. But these accounts are concentrated in developed economies (figure 1). In poor countries few lower income people use bank deposit accounts, reflected in the higher average account balances in

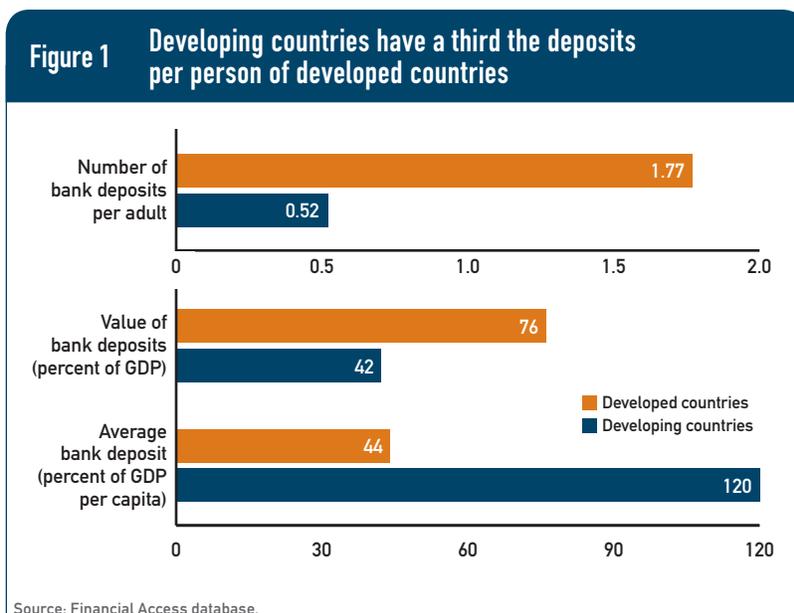
relation to average income. Lower income clients are served mainly by nonbank financial institutions, including cooperatives, specialized state financial institutions, and deposit-taking microfinance institutions, where average deposits are smaller. Banks remain the main holder of deposits worldwide, but in some countries nonbank deposit service providers hold more deposits than banks and serve a broader segment of the market.

Financial inclusion policies—such as offering basic accounts, transferring government payments to individual accounts, and encouraging saving through matched and tax-advantaged savings accounts—are concentrated in high-income countries, far from widespread. When implemented in developing countries, they usually work only if participating financial institutions see them as a viable business proposition and if

they address a binding constraint, be it cost or distance. Basic banking aims to reduce the cost of using savings accounts, but it has little effect if a bank branch is too far away and no other access point is available nearby. Transferring government payments to deposit accounts can significantly reduce the costs of delivering government transfers and increase access to deposit services. But such transfers require a developed retail payment system and carefully designed deposit service products to improve access. To be effective, financial inclusion policies should be comprehensive, addressing the main barriers to financial inclusion that individuals face.

### Increasing access to credit—consumer protection is key

Large-scale bank lending to individuals, small enterprises, and



microenterprises is fairly new, even in developed countries. Unregulated lenders and regulated nonbank financial institutions remain a major credit provider in many countries, though the lack of data makes precise estimates difficult. Based on available bank data, there are nearly four times more loans per adult in developed countries than in developing countries (figure 2). As with deposit services, banks cater to richer clients, reflected in higher ratios of average loan size to average income. Regulated nonbank financial institutions cater to poorer clients than banks and provide smaller loans. In some countries nonbank financial institutions evolve into dominant regulated credit providers.

Lending to individuals and small entrepreneurs requires processing many small loans to people who generally lack a credit history or

official income records. By generating information that helps lenders assess risk and allocate credit more efficiently, comprehensive credit registries contribute to the development of credit markets. As more people enter the financial system and credit products become more complex, rules and regulations to protect consumers and overcome information and power imbalances need to be put in place.

This report reviews three interventions: disclosure requirements, interest rate caps, and methods to address excessive lending that can result in consumer overindebtedness. Improved transparency and disclosure allow borrowers to make informed choices and can facilitate competition in financial markets, eventually leading to lower prices and improved products. Policies to restrict interest rates or credit quantity, especially

in consumer credit, seem to have limited effect but require further analysis.

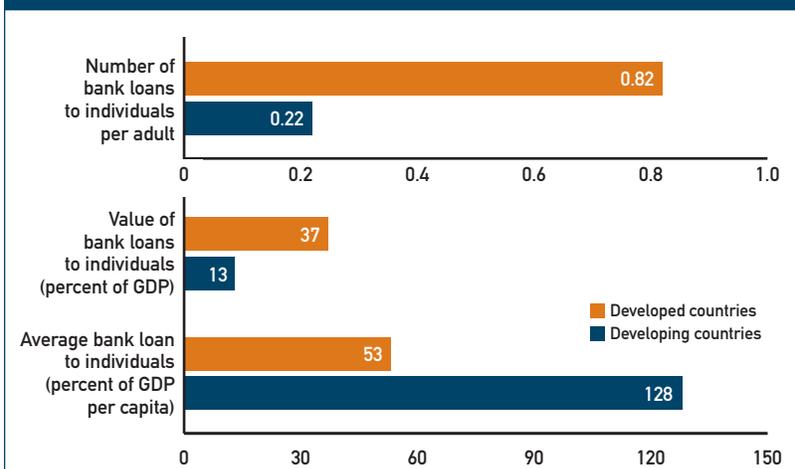
### Extending the reach of financial services—new technologies and simplified branch regulations hold promise

Bringing financial services to rural clients is the biggest challenge in the quest for broad-based financial inclusion (figure 3). Often the main barrier to financial inclusion in rural areas is the great distances that rural residents must travel to reach a bank branch. Poor infrastructure and telecommunications, and heavy branch regulation, also restrict the geographical expansion of bank branch networks. In many developing countries there are fewer bank branches per rural resident than per urban resident. Nonbank financial institutions help fill this gap, with half the countries reporting more nonbank branches per rural resident than bank branches.

Better geographic outreach can remove distance as a barrier to financial access for both lenders and borrowers, perhaps allowing banks to be more responsive and less intimidating to their customers.

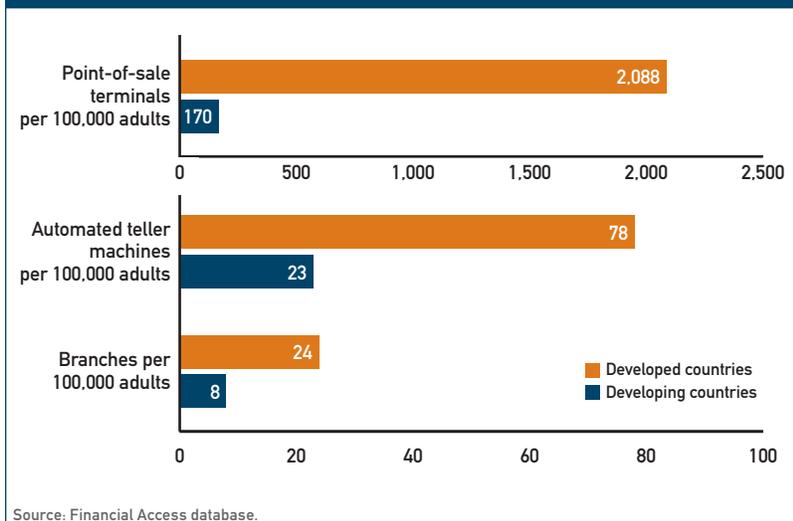
Simplifying the branch approval process can facilitate geographical expansion of branches. But the cost of building physical

**Figure 2** Developing countries have a quarter of the loans per person of developed countries



Source: Financial Access database.

**Figure 3** Developing countries have narrower outreach



infrastructure or the combination of low income and low population density may make some areas unprofitable as branch locations. Allowing banks to operate through agents, including partnerships with postal networks and retailers, reduces the fixed costs associated with geographical expansion and holds great promise for

improving access to financial services, especially in poor and remote areas.

### Notes

1. UNCDF 2006.
2. Beck, Demirgüç-Kunt, and Martinez Peria 2007.
3. World Bank 2008a.



# 1 Measuring financial access

To design effective policies and track progress policymakers need to measure financial access. While a growing number of countries collect data on the availability and use of financial services, there is no consistent set of global financial access indicators to allow comparison across countries and over time. Building on earlier work by the World Bank, this report presents the most recent and comprehensive set of global financial access indicators collected through a regulator survey in 139 countries. The first in an annual series, it discusses the challenges in collecting comprehensive global indicators and describes the access to financial services in countries around the world.

A basic challenge in measuring financial access is differentiating between the *access to* and *use of* financial services. Individuals may choose not to open a bank account or to borrow even if these services are available, reducing use relative to access. Such voluntary exclusion is difficult to measure, however, because it is not directly observable. So, researchers rely on indicators of use as an approximation

for access.<sup>1</sup> This report uses *access* and *use* interchangeably.

What are the best indicators of financial access? In a perfect world they would be the numbers of people, households, and firms saving, receiving credit, making payments, and using other financial products from various sources, both formal and informal. These indicators would allow a breakdown by income, firm size, and location. And if they were collected regularly using a consistent methodology, they could be compared across countries and time. But such global indicators do not exist today.

For several countries some access indicators are available from country-level household and enterprise surveys. These surveys provide a wealth of information on household and firm behavior and are indispensable for setting and evaluating policies for improving access to finance at a national or subnational level. Indeed, a growing number of countries implement national household surveys that now include questions about financial access.

But it is difficult or impossible to compare survey results across countries because of differences in questions and methods.<sup>2</sup> There are other limitations as well. Most national surveys are not conducted regularly and may not be comparable from year to year, because questions and household samples change over time. Household surveys are costly, often requiring interviewers to travel across the country to collect the data. They can take a year or more to implement. And there are concerns about sampling and the representativeness of results, especially in large countries.

An alternative is to collect information on the use of financial services through regular reporting by financial institutions to the financial regulator, so-called supply-side data. Many financial regulators collect information on the number of deposit accounts and the number of loans. Closely correlated with the data from household surveys,<sup>3</sup> such data can be a good basis for indicators of access to financial services. Indeed, a growing number of countries collect these data regularly as part of standard reporting. This is the approach used in this and earlier World Bank reports.<sup>4</sup>

There are several advantages to using data collected by regulators as a basis for global financial access indicators. First, the approach helps ensure data consistency over time because the data are collected monthly or

quarterly by the regulator using a consistent methodology and can be cross-checked with other databases available to the regulator, such as credit registries. Second, it is not subject to potential sampling biases, because data collection through standard reporting covers the entire regulated financial system. Third, regulators gather data on actual financial obligations, reducing potential inaccuracies related to mistakes and omissions by survey respondents. Fourth, the cost of collecting such data is relatively small because it leverages existing data collection processes. The basic financial access indicators are fairly easy to compute and report for institutions using standard information systems.

But supply-side data have limitations. They cover only the regulated financial system, excluding informal financial services, which can have a larger number of clients, especially in low-income countries. In addition, the number of accounts in the financial system often overstates the number of account holders by a factor of two or more due to multiple accounts. Even in countries that count the number of depositors and borrowers, it is usually impossible to avoid double-counting individuals with accounts and loans in multiple institutions<sup>5</sup> or counting a large number of dormant accounts. Moreover, many regulators do not collect financial access data, or do so only on an ad hoc basis.

Overall, however, using household surveys in combination with regulatory data can improve data consistency and quality. By systematically collecting regulatory data using a consistent methodology, regulators can routinely monitor developments in financial access. Harmonizing the methodology for key financial access indicators would also allow for a more precise international comparison and analysis.

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## What data are available from regulators?

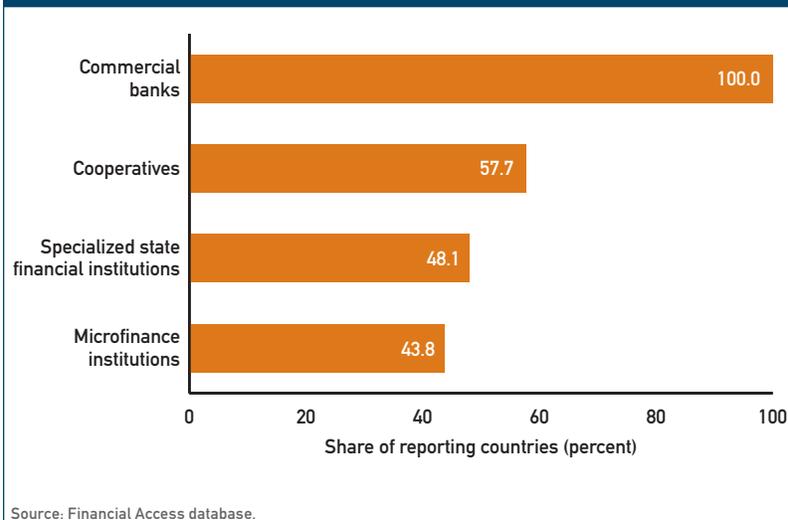
Modern financial systems are complex, featuring great variety in regulated and unregulated financial service providers. Few countries have a single central supervisor or coordinating entity for all financial institutions. But the main financial authority, usually a central bank or bank supervisory agency, regulates nonbank financial institutions along with banks in about half the world's countries (figure 1.1). The Financial Access Survey collected information on a broad range of regulated financial institutions in 139 countries through a questionnaire to the main financial regulator, such as a central bank or a bank supervisory agency. When possible, the main financial supervisor also provided the data on regulated nonbank financial institutions supervised by other agencies in the country.

There are often many types of regulated financial institutions in a country. To facilitate international comparison, the survey asked regulators to provide data grouped in four broad types of regulated institutions: banks (including state-owned banks), cooperatives and other member-owned organizations, specialized state financial institutions, and microfinance institutions. It collected information on selected financial inclusion policies and statistics on the number of deposit and loan accounts, the number of depositors and borrowers, and the value of deposits and loans (figure 1.2).<sup>6</sup>

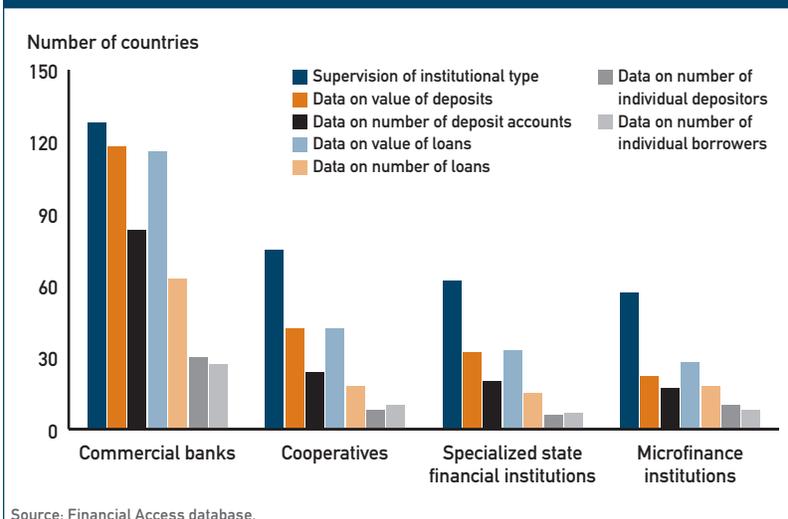
## Commercial banks

The Financial Access Survey indicates that the data on use of financial services are not always available, even for banks, and much less for regulated nonbank financial institutions. Data on values of loans and deposits in commercial banks are the most comprehensive, available for more than 90 percent of countries (see figure 1.2). This information, part of standard reporting, collected from bank balance sheets, is used to monitor systemic risks and guide monetary policy—the core objective of a central bank. Information on the number of deposits is collected in only 64 percent of countries, and that on loans in only 50 percent. Developing countries collect these data more often than developed countries do.<sup>7</sup>

**Figure 1.1** The main financial regulator supervises nonbank financial institutions in half the countries surveyed



**Figure 1.2** Data are limited on the number of deposits and loans, especially for nonbanks



The best indicator for measuring access to financial services is the number of depositors and borrowers. But only about 20 percent of countries surveyed have data on the number of depositors or the number of borrowers. Even when collected, the data for the total number of depositors double-counts those with accounts in multiple banks. For credit the double-counting can be solved by extracting data from credit registries, where available. Credit registries that merge information at the loan level to provide the consolidated debt for each borrower can provide the total number of unique borrowers and their respective debt.

## Cooperatives

Financial cooperatives, an important provider of financial services around the world, are regulated by a financial regulator in only half the countries surveyed (figure 1.3). In the other half they are either not regulated (25 percent) or are regulated by other ministries (17 percent), such as ministries of cooperatives. These ministries supervise all types of cooperatives, and few have the capacity to supervise all of them. In developed countries financial cooperatives evolved into mainstream financial institutions, and regulators seldom differentiate between the supervision of cooperatives and banks. In 76 percent of high-income countries the bank regulator also supervises cooperatives, compared with 53 percent in developing countries.

Even where financial cooperatives are regulated, few countries

can provide data on financial access (see figure 1.2). Where they are supervised by the main financial regulator, fewer than 60 percent have data on the values of deposits and loans, and just a third on the number of accounts and loans. The significant difference in data availability by region reflects varying levels of sophistication among cooperatives. Latin America has the best data coverage, with 80 percent of countries collecting data on values and 60 percent on numbers of loans and deposits. In Sub-Saharan Africa only 3 of 15 countries where the financial authority regulates cooperatives had data on numbers of deposits and loans. Many cooperatives are small, some struggle with basic accounting, and few have a management information system. It may not be possible to collect comprehensive data on all cooperatives, but many large cooperatives in most countries can provide data.

## Specialized state financial institutions

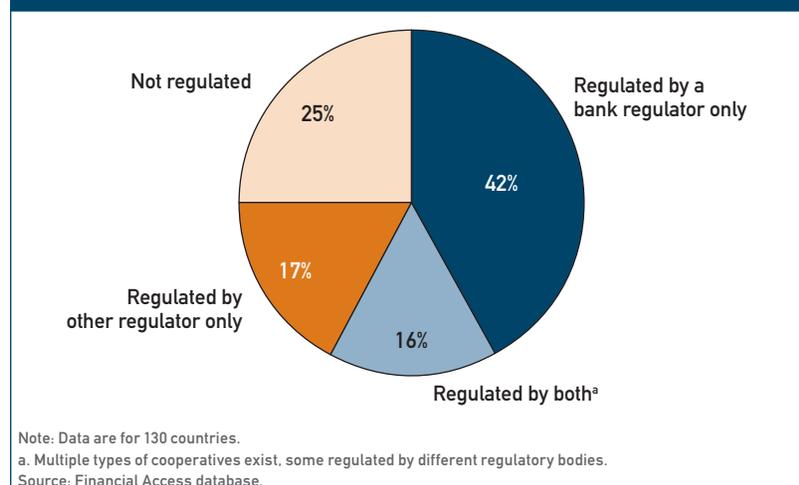
Specialized state financial institutions operate in more than 60 percent of the countries surveyed and range from non-deposit-taking wholesale lending facilities to nonlending postal banks. In 48 percent of these countries the main bank regulator supervises specialized state financial institutions (figure 1.4). In 14 percent these institutions are supervised by other government agencies, such as ministries of finance for development banks and ministries of post and communications for postal banks. Even though specialized state financial institutions are an important provider of services, very few countries can provide data on the outreach of these institutions (see figure 1.2).

## Microfinance institutions

A specific challenge in measuring microfinance is that it is defined not by the type of institution but by the market segment served. For example, many cooperatives operate in rural and poor areas and provide microfinance services. In some countries banks enter the space traditionally served by microfinance, such as ICICI in India, Equity Bank in Kenya, and BRI in Indonesia.

In 57 countries microfinance institutions, usually deposit-taking, are defined for regulation purposes as a separate institutional type and regulated by the main

**Figure 1.3 For cooperatives, few countries provide data on access**



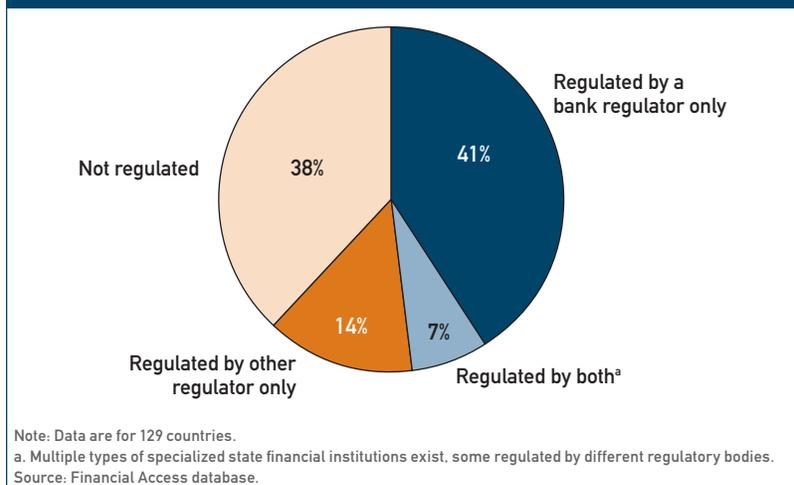
financial authority (figure 1.5). In at least 10 countries multiple forms of microfinance institutions exist, with at least one form regulated by another authority, such as the ministry of finance. Microfinance institutions are supervised by the main financial authority in more than 40 percent of developing countries. An exception is Africa, where central

banks supervise microfinance institutions in 80 percent of countries.<sup>8</sup> Fewer than 10 percent of high-income countries regulate or even have microfinance institutions as a category within the regulatory framework.

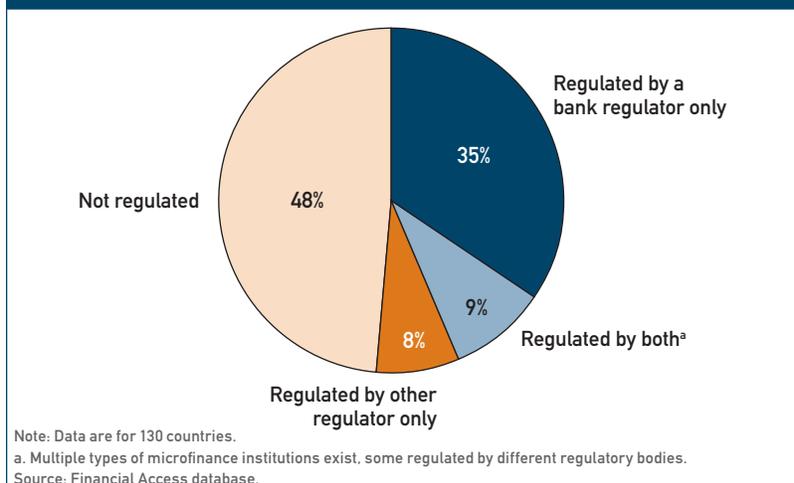
Data on the number and value of loans and deposits are much less available for microfinance

institutions than for other regulated institutions. Only a third of countries had data on the number of loans. Given the social focus of most microfinance institutions and their objective to improve outreach, they usually monitor the numbers of their borrowers and savers, as demonstrated by their self-reporting of such data to the Microfinance Information Exchange. Asking microfinance institutions to routinely report these data to the regulator could be valuable for monitoring access to financial services for the poor. But as for cooperatives, the regulator's ability to collect comprehensive data on microfinance institutions is constrained by limited resources and capacity.

**Figure 1.4** In almost half of countries specialized state financial institutions are regulated by the main bank regulator



**Figure 1.5** In more than 40 percent of countries microfinance institutions are regulated by the main bank regulator



## Improving data collection for measuring access

There is no substitute for reliable data. Collecting country information on the use of financial services is essential to track progress and set priorities for action for national and international bodies. Regulators can facilitate data collection by setting clear guidelines for reporting key financial access data and by weighing the benefits of better data with the costs of compliance for different financial institutions. Similar to the approach for monitoring systemic

risks, a focus on larger institutions in terms of the number of clients is justified, especially among non-bank financial institutions, which often lack systems to report the data. Where different regulators supervise various types of financial institutions, better coordination is needed to gather the data on access in the entire regulated system.

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## Notes

1. Barr, Kumar, and Litan 2007.
2. Some of the differences include household and individual

surveys, definitions of formal and informal financial institutions, and availability and use of service. For an in-depth discussion, see Barr, Kumar, and Litan (2007).

3. Demirgüç-Kunt, Beck, and Honohan 2008.

4. Beck, Demirgüç-Kunt, and Martinez Peria 2007; World Bank 2008a.

5. For credit this problem can be solved by extracting data from credit registries. A credit registry merges information at the loan level to provide the consolidated debt for each borrower and can provide the total number of unique borrowers and their respective

debt. Such aggregation is not possible for deposits, because information on deposits in most countries is protected by strong bank secrecy provisions, making it impossible to collect data on individual deposits and deposit holders.

6. See methodology appendix for more detail.

7. This is due in part to the fact that the financial systems in many developing countries are smaller and regulators are able to obtain necessary data on an ad hoc basis when requested.

8. Member countries of the Central Bank of West African States did not respond to the survey.



## 2 Savings and payments

In most developed economies more than 90 percent of households use bank accounts to save and to make payments.<sup>1</sup> The ubiquity of such services speaks to their critical role in daily life. But where they are not available, as in many poorer countries around the world, individuals are denied a basic service and forced to rely on informal savings and payment techniques that may be of inferior security, liquidity, and return. Recent research shows that low-income entrepreneurs given access to a formal bank account invest more in their businesses, consume more, and are less prone to sell business assets to deal with health emergencies.<sup>2</sup>

Despite many challenges, there are promising signs that the poor can profitably be offered savings and payments services in great numbers. Perhaps most promising are the developments in branchless banking—the use of innovative technologies (such as smart cards and mobile phones), coupled with the use of nonbank agents, to provide banking services to areas previously difficult to serve profitably. In addition, many microfinance institutions have begun to take

as given their transformation into deposit-taking institutions. And many governments and financial regulators have placed financial inclusion somewhere on their list of priorities, some nearer the top than the bottom.

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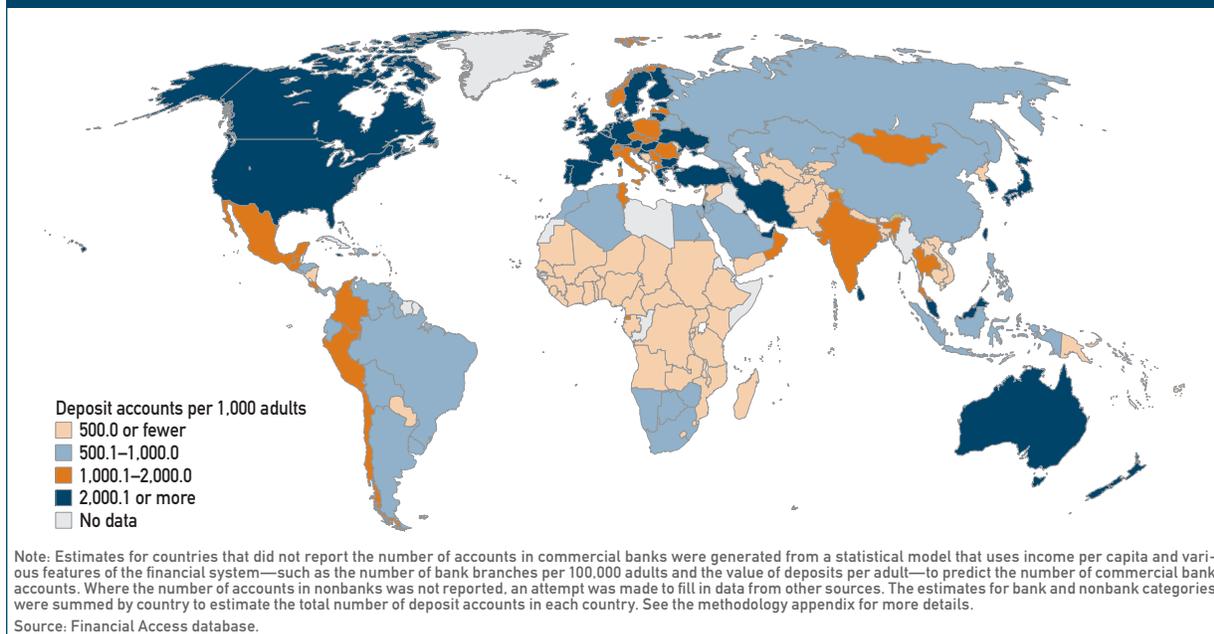
### Measuring access to deposit services

The most appropriate measure of the use of deposit services is the number of unique depositors in a country. But few regulators have these data. This report uses the number of deposit accounts per 1,000 adults, including saving, checking, and time, as the proxy measure for access to financial services (map 2.1).<sup>3</sup>

Rates of deposit account ownership in formal institutions vary greatly around the world. Of the seven countries that have fewer than 100 bank accounts per 1,000 adults, five are in Africa—Burundi, Democratic Republic of Congo, Ethiopia, Madagascar,

Map 2.1

## Seven countries have fewer than 100 deposit accounts in banks and regulated nonbank financial institutions per 1,000 adults



and Mauritania. High-income countries exhibit the greatest deposit penetration, with an average of more than 2,000 accounts per 1,000 adults.

Underlying the wide variation in rates of account ownership are large differences in poor households' access to formal savings. In recent household surveys Malawi, Pakistan, Rwanda, and Uganda<sup>4</sup> all reported fewer than 20 percent of households saving through formal institutions, and Financial Access Survey data show them to have fewer than 225 bank accounts per 1,000 adults. In contrast, the European Commission calculates that in Belgium and the Netherlands more than 98 percent of households have bank accounts, and survey data show them to have more than 1,500

accounts in commercial banks per 1,000 adults.<sup>5</sup> Higher rates of bank account ownership thus equate to more banked individuals in the population.

### There are more deposit accounts than adults in the world, concentrated in the rich countries

Adding all the predicted and reported values puts the global number of bank and nonbank accounts at approximately 6.2 billion, or more than one for each adult on the planet.<sup>6</sup> While there are more than enough accounts to go around, they are not distributed equally. In developed countries there are an estimated 3.2 accounts per adult, but in developing countries, less than 0.9 account per adult.<sup>7</sup>

How many people use the formal financial system? Regulators do not have data on the number of unique depositors, but a rough estimate is possible by combining information on the number of accounts from the Financial Access Survey with the data from recent comparable household surveys. Data on the total number of adults with a bank account come from 17 comparable household surveys conducted in both developing and developed countries since 2003. Dividing the reported numbers of bank accounts in these countries by the number of adults with an account gives the number of accounts per banked adult—estimated between 2.2 and 3.8.<sup>8</sup> Assuming three accounts per banked adult on average puts the number of unbanked adults at about 160 million (19 percent of adults) in developed countries and

2.7 billion (72 percent of adults) in developing countries.<sup>9</sup>

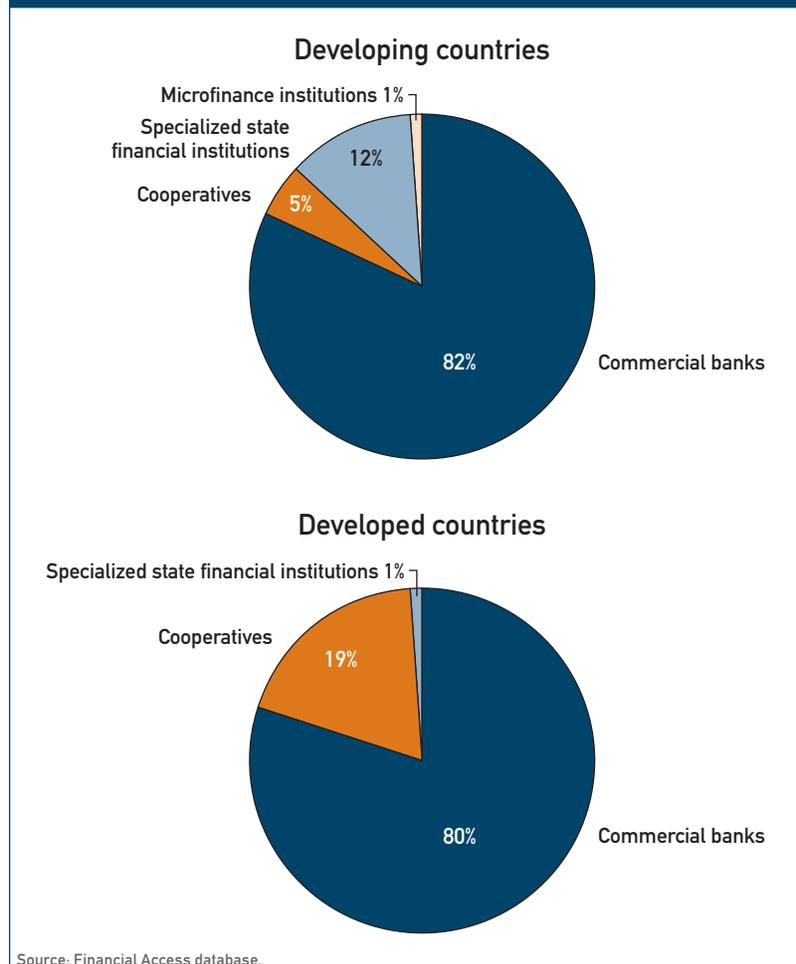
Banks are the main providers of deposit services, holding more than 80 percent of all deposit accounts (figure 2.1). At least 20 percent of accounts are held outside commercial banks in cooperatives, specialized state financial institutions, and microfinance institutions. This estimated ratio likely understates the true coverage of nonbanks, especially in developing countries. Few countries

reported data on the number and value of deposits, even when regulated by the main financial authority, which makes robust statistical estimates difficult. The estimates here include only the number of accounts for countries that reported the number of accounts in the survey or where additional data sources were available. Even where data were reported, they are not always complete because not all institutions report to the regulator. Due to these data limitations, the estimate of the number

of accounts in nonbank institutions likely is more conservative than the one for banks, understating the true size of the nonbank deposit-taking sector.

In developed countries nearly 19 percent of accounts are held with cooperatives, credit unions, and other institutions with a mutual ownership structure, four times the estimated 5 percent in developing countries (though, again, the true share of cooperatives in developing countries is likely to be underestimated). Public institutions such as postal banks and specialized state financial institutions are also important providers of savings services in developing countries, holding 12 percent of total deposits. Microfinance institutions, as a separate regulated type of institution, hold only about 1 percent of deposits, concentrated in developing countries.

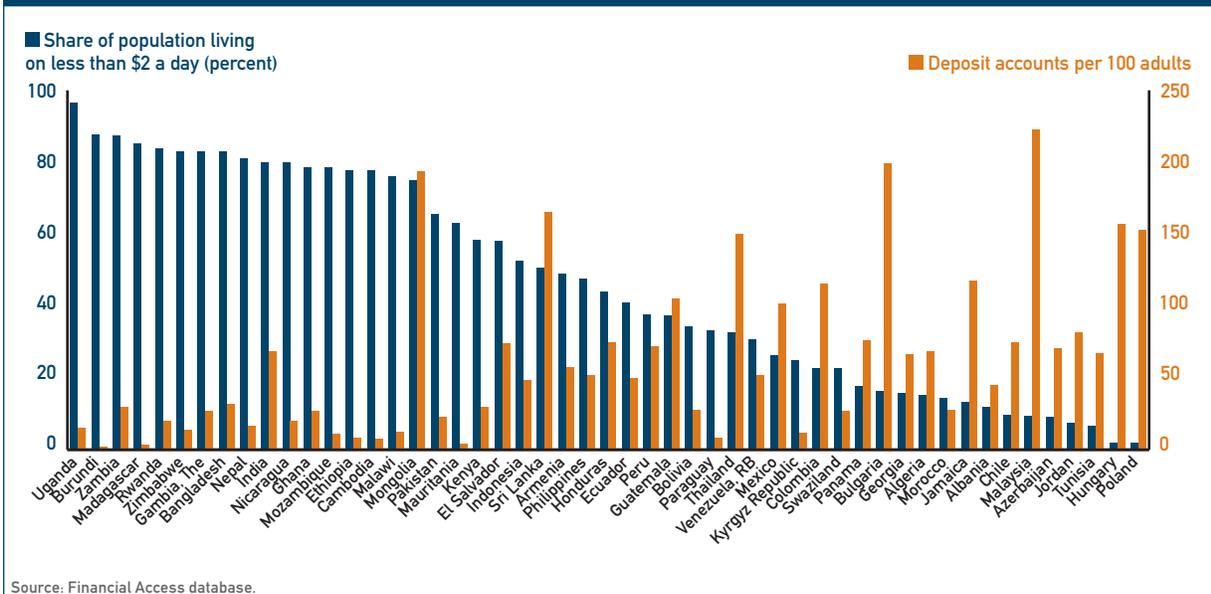
**Figure 2.1** The majority of deposit accounts are in commercial banks, but nonbanks play a significant role as well



### As a rule, bank accounts are for the well off, with exceptions

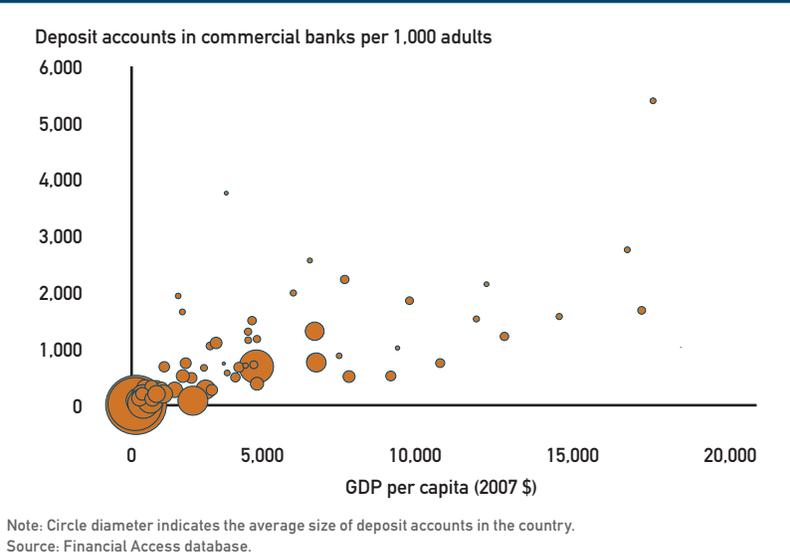
Financial access is not a problem for the rich, even in poorer countries. Countries with the highest numbers of households below the international poverty line often have the lowest deposit account penetration (figure 2.2). Their banking sectors target mainly the richest inhabitants, leaving the more numerous poor with few options. Worldwide, an “access gap” excludes the world’s poorest from the formal financial sector, leaving the majority of accounts owned by the rich.

**Figure 2.2 Countries with higher poverty rates have the lowest account penetration**



Does higher account penetration translate into more access for the poor? In the absence of direct data on incomes, average deposit size gives a rough proxy for the average income of the account holders.<sup>10</sup> Banks usually reach high-income clients before they reach poor ones. When financial access improves and more people use banking services, the new clients tend on average to be poorer than the existing ones, and thus to hold smaller accounts (figure 2.3). For countries with higher incomes and greater deposit penetration, the ratio of account size relative to income is lower. The average deposit account in commercial banks in developing countries holds funds worth more than twice the average yearly income in those countries. In Democratic Republic of Congo, for instance, there are only 6 accounts per 1,000 adults.

**Figure 2.3 In countries with higher incomes and greater availability of deposit services, average deposit size is smaller relative to average income**



The average yearly income is \$224, one-twenty-fourth the average Congolese account balance of \$5,200. Very few Congolese hold accounts, and the few who do are wealthy.

For countries with similar incomes, there is still a strong relationship between deeper account penetration and smaller average balances relative to income. This relationship also holds when bank accounts are

decomposed into checking, savings, and time accounts. Based on these facts, it seems that in countries with higher bank deposit penetration, a higher proportion of lower income individuals have access.

### Nonbank suppliers of deposit services reach poorer clients

If not from commercial banks, where do lower income households get their deposit services? The users of deposit services in cooperatives, specialized state financial institutions, and deposit-taking microfinance institutions tend to have smaller balances than do those using commercial banks within the same country (figure 2.4). One interpretation is that the clients of these nonbank providers, making smaller size deposits, are on average poorer than customers at commercial banks within the same country.

Many nonbank financial institutions cater to poorer clients, but what is the scope for their serving large numbers of clients? While banks dominate deposit markets in most countries, in 7 of 48 countries with data, nonbank financial institutions hold more deposits than banks (figure 2.5). In Spain cooperatives have more than twice the deposit accounts held in the Spanish commercial banking sector. Chile and India both have very large postal banking networks. In India, the state-run postal bank, Indiapost, is one of the world's broadest depository institutions, with more than 172

million deposit accounts spread over 155,000 post offices.<sup>11</sup>

When microfinance institutions are allowed to take deposits, they

can become a significant player. In Bolivia, Ethiopia, and Madagascar microfinance institutions claim nearly half the number of deposit accounts as the banking

**Figure 2.4** Average account size relative to income in nonbank institutions is lower than in commercial banks

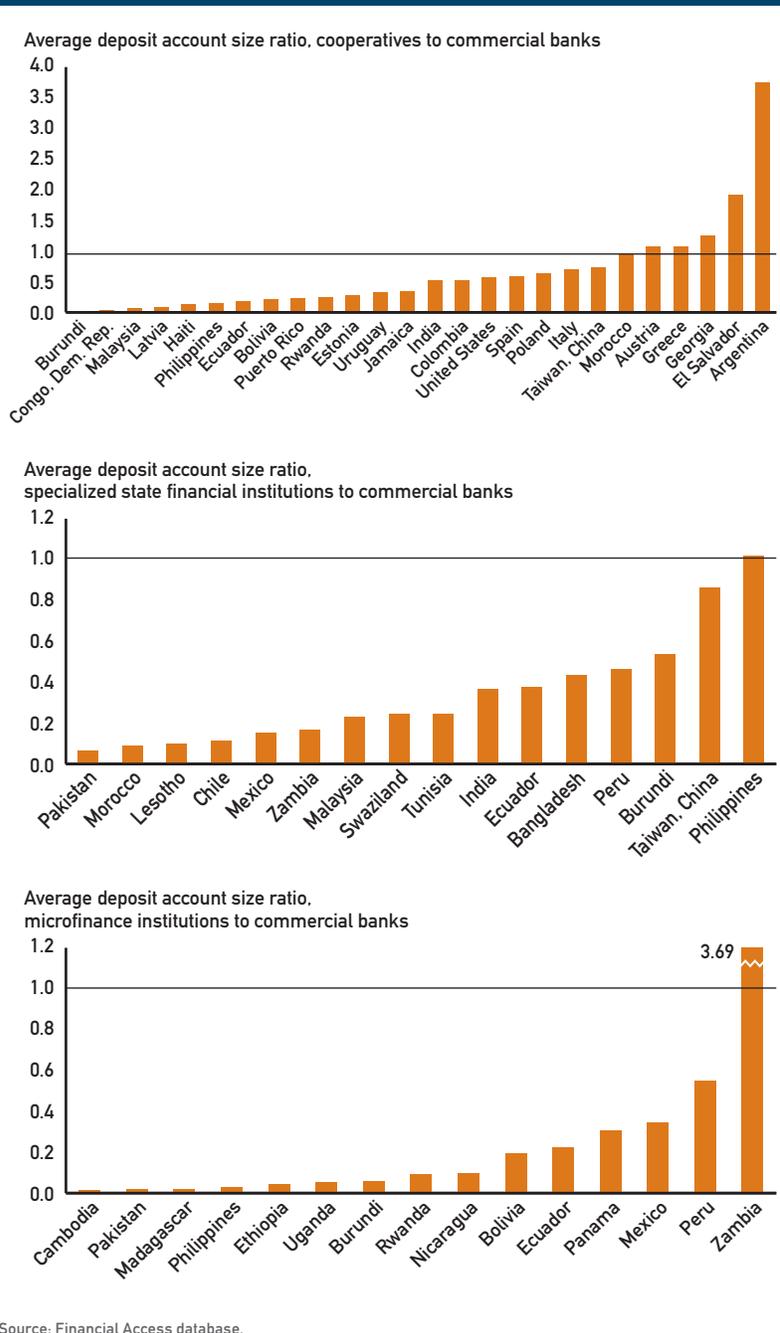
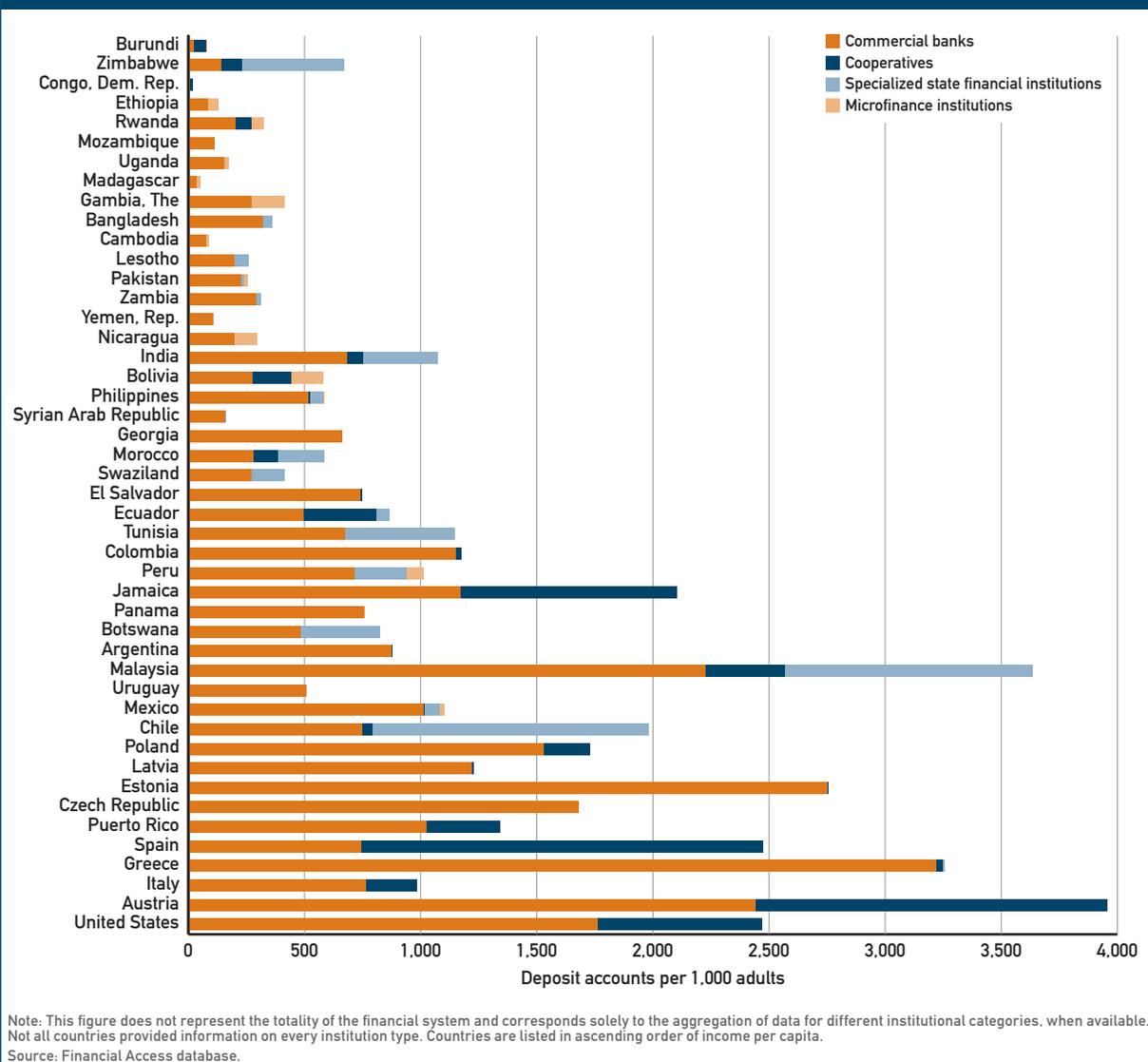


Figure 2.5 Nonbank institutions—important in delivering deposit services



sector. In Bolivia, the Philippines, and Rwanda they have roughly three-quarters of the number of deposit accounts of the regulated cooperative sector.<sup>12</sup> Under the right circumstances nonbank deposit-taking institutions, including cooperatives, specialized state financial institutions, and microfinance institutions, could reach many poor clients. The large

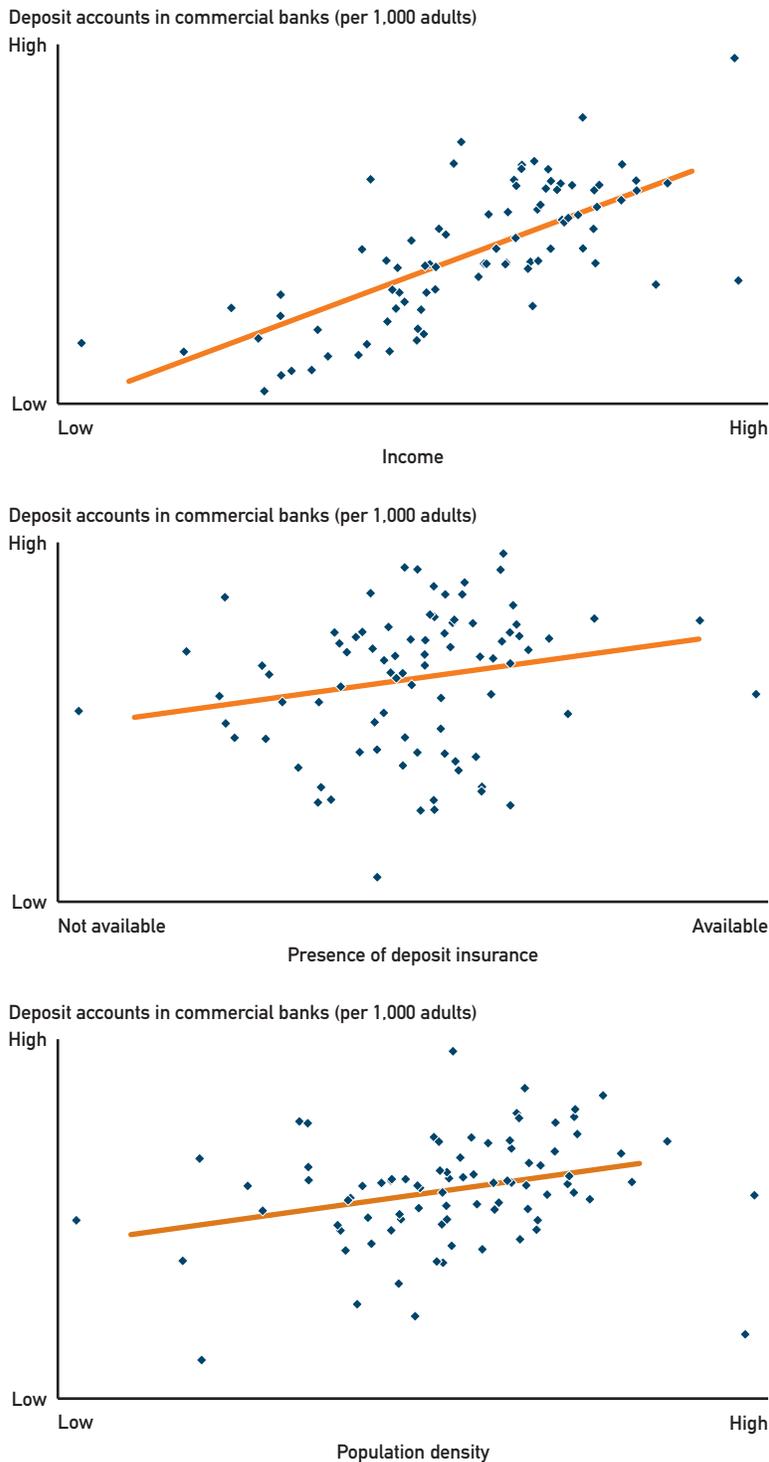
number of clients served by these institutions in some countries also highlights the need for proper supervision and regulation.

### Features of countries with higher account penetration

The availability of deposit services in a country is influenced

by a broad set of factors including overall level of economic development, trust in the financial system, distance, and competition. Cross-country analysis using data for countries with information on the number of bank deposit accounts shows a strong correlation between bank deposit account penetration and income per capita (figure 2.6). This relationship

**Figure 2.6** Income, deposit insurance, and population density correlate with deposit account penetration



Note: Correlations control for income per capita, whether the country is an offshore financial center, population density, crisis occurrence, and availability of deposit insurance. The relationships are significant at the 5 percent level. Source: Financial Access database.

reflects the fact that financial systems are generally more developed in richer countries, and higher income individuals are more desirable customers for banks.

Trust in the financial system is a precondition for individuals to give their money to banks. In the Russian Federation, Ukraine, and other Eastern European countries it took years before people returned to banks after losing their life's savings to high inflation and bank collapses in the 1990s. A deposit insurance scheme, which can increase confidence in the banking system, is also strongly correlated with deposit account penetration (see figure 2.6).<sup>13</sup>

Countries with higher population density tend to have greater deposit penetration (see figure 2.6). This relationship results from the fact that a greater population can be served by fewer branches in densely populated areas. Physical distance is often cited in household surveys as a reason for not opening a bank account. In Zambia half of those who are not banked and not extremely poor do not open an account because the nearest bank branch is too far. (Geographic outreach is discussed in chapter 4.)

Competitive pressure can improve the efficiency of banks and increase the benefits they provide the economy.<sup>14</sup> Anecdotally, the competition in the banking system is a major factor in determining how active banks are in reaching out to

lower income clients. But competition is very difficult to measure consistently across countries. Various proxies for competition (such as concentration and banks' cost-to-income ratio) are positively correlated with the deposit penetration indicators in the Financial Access Survey, but not statistically significant. Also affecting the availability and use of deposit services are such factors as product design, cost structure, and financial literacy, not discussed in this report.

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## Policies to promote deposit account ownership

Financial inclusion is a goal declared in many countries around the world, rich and poor. In addition to broad economic policies ensuring financial stability, fostering competition, and promoting economic growth, governments have tried specific policies to improve access to deposit services. This report reviews four of them. The first set of policies balances increasingly strict “know your customer” requirements with the fact that many poor find it difficult to produce adequate identification documents. The second aims to reduce the cost barrier by introducing “basic accounts” with mandated lower fees and low minimum balances. A third

channels government payments directly to individual deposit accounts, which has the potential to simultaneously achieve greater efficiency and financial access. And the fourth covers tax advantages, matched savings, and other incentives to promote savings.

### Rational “know your customer” norms require flexibility

Governments around the world have put in place strict “know your customer” requirements to verify the identity of bank clients. The rules are designed to ensure that the financial system is not misused for illicit purposes such as money laundering and terrorist financing. An unintended consequence, however, is that such requirements may restrict access to financial services for people without a valid identification document. In addition, governments often impose documentation requirements (such as proof of address) and other requirements (such as record keeping) that are more restrictive than those required by international standards, often limiting financial access.<sup>15</sup>

The poor in developing countries can find it a challenge to pay the costs in time, money, and bureaucratic hassle to get a government identification card, and many do not have other supporting documents or even an address. In Zambia 17 percent of people do not have an official identification document.<sup>16</sup> In Kenya only 5 percent

of the population can produce an electricity bill—a standard proof of address in many high-income countries.<sup>17</sup> Moreover, some countries do not have reliable identification issuance systems. In Indonesia, Nigeria, and other countries an individual can have several valid forms of identification with very different versions of their name on each. Most important, the costs of collecting “know your customer” data, and reporting it and other transaction data, are large in relation to the small size of the account, making such accounts and transactions unprofitable. In light of these challenges, policymakers face a real dilemma in setting “know your customer” norms without disadvantaging the poor.

Based on Financial Access Survey results, almost all countries require some form of government-issued identification, and more than half request proof of address and legal status in the country (figure 2.7). Requirements to show proof of income, proof of employment, or some secondary form of identification are much less frequent in high-income countries. Low-income countries tend to have the most demanding requirements but are also more likely to have exceptions to the “know your customer” norms to assist poorer applicants.

In some countries “know your customer” norms feature exceptions that reflect the local reality. For example, in jurisdictions where many clients do not have an official identification card, regulators

permit alternative forms of identification, including letters from local authorities in rural villages attesting to the client's identity.<sup>18</sup> In South Africa an estimated third of households (mostly low income) do not have formal addresses.<sup>19</sup> "Know your customer" regulations originally required new clients to provide proof of residential address, along with a proof of date of birth and identification number. This rule precluded many from opening accounts despite the fact that the government had simultaneously partnered with banks to promote basic accounts for low-income clients. A year later South African regulators took advantage of the flexibility permitted by international standards and relaxed the rules by permitting customers to open accounts with less stringent identification requirements as long as withdrawals did not exceed a threshold. Other

governments adopted similar risk-based approaches.<sup>20</sup>

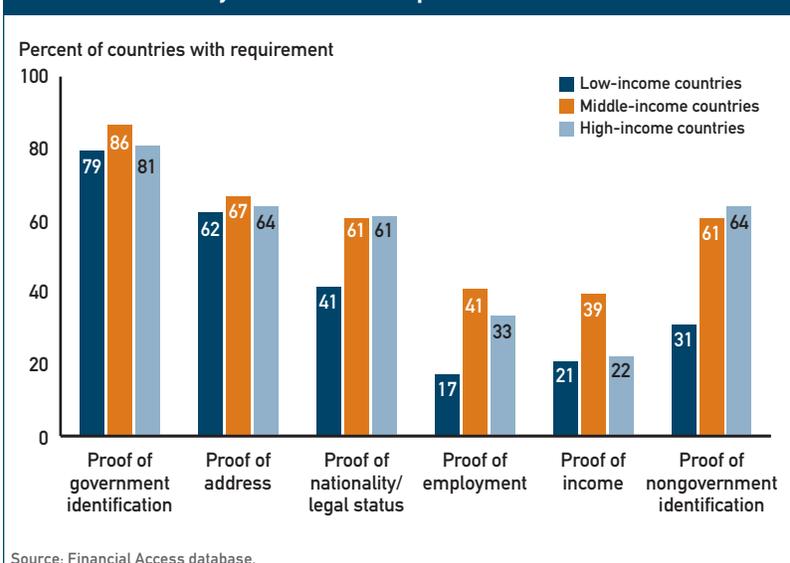
The only long-term solution to identification is to build a standardized infrastructure to properly identify individuals and make sure it is accessible to low-income citizens. In the meantime, policymakers need to take into account such domestic realities as the lack of formal addresses, identification, and supporting documents, as well as the compliance costs for banks implementing "know your customer" regulations. Flexibility, including tiered requirements for low-value accounts and transactions, can go a long way to reducing the impact of "know your customer" norms on bank costs and client barriers to access. Advancing technologies, such as smart cards and biometrics, also hold promise for identifying customers at lower cost.

## Policies to promote basic accounts have potential, but only if banks are on board

Banks often target higher income customers and in so doing tend to design products whose features are not very attractive to the poor. They may even screen out poor customers with high fees and minimum balances. In Rwanda the typical monthly maintenance fee for a bank account is equivalent to 3 percent of the average worker's monthly wage, and at some banks the minimum balance can be a multiple of local per capita income.<sup>21</sup> To enable poor people to save, some countries introduced regulations requiring banks to offer basic banking accounts. Such accounts may feature no or low fees, no minimum balance requirement, and a small number of free automated teller machine (ATM) transactions or withdrawals. These accounts are viewed as an entry product with the eventual goal of "graduating" to full-scale banking. For example, Mzansi accounts in South Africa have no monthly fee and no minimum balance but allow only one free monthly cash deposit and a maximum account balance of 15,000 rand (\$1,875), beyond which customers must graduate to regular savings accounts.<sup>22</sup>

Basic banking regulation is not widespread. Only 20 of 139 surveyed countries, half of them high income, reported a requirement for financial institutions to offer a basic deposit services package

**Figure 2.7** Information requested as part of "know your customer" requirements



(figure 2.8). In the United States lifeline banking was introduced in several states, with low minimum balances and low fees.<sup>23</sup> Similar programs target the small percentage of households that are not banked in Canada, France, Germany, Sweden, and the United Kingdom, all high-income countries. Argentina, Chile, Colombia, and Mexico in Latin America, and India, Malaysia, and Pakistan in Asia, have basic accounts targeting a much larger unbanked segment.

Survey data do not show a significant difference in the number of accounts per person in countries with and without basic banking. But cross-country analysis may not be able to capture their impact, especially since basic banking has been introduced in only a small number of predominantly high-income countries. Country studies report mixed results.

In India the government directed banks to promote no-frills savings accounts. According to one study in India, many branch managers expressed reluctance to open the accounts and seem to have even gone so far as to purposefully confuse potential clients into signing forms that refused their participation in the program. But even without such tricks, when banks went to potential clients' homes to offer a basic account, many residents refused, citing distance and other factors unrelated to the direct costs of account ownership. In a year after opening basic accounts, only 15 percent of those who signed up used them.<sup>24</sup>

Basic accounts were more successful in South Africa, where in 2004, under threat of legislative action, a consortium of South African banks developed Mzansi basic accounts. By December 2008 more

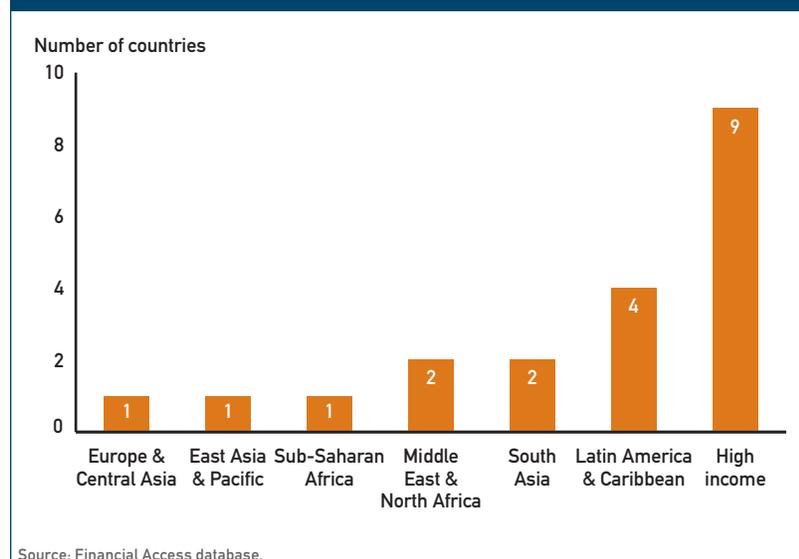
than 6 million Mzansi accounts were opened, and today more than 1 South African adult in 10 has a Mzansi account. Two-thirds of the accounts were opened by previously unbanked individuals, and the accounts fall inactive at no greater rate than regular accounts, indicating a real increase in financial access.<sup>25</sup> Two critical factors explain the success. First, though banks were prodded by politicians, the accounts were designed and implemented by the banks, which expected to profit in the long term. Second, South Africa has a well developed banking infrastructure, with many access points, and large unmet demand for basic banking, constrained primarily by the cost of the service.

Financial inclusion policies targeting a single barrier to access, such as fees, will succeed only if that barrier was a binding constraint in the first place. Basic accounts may not prove effective if distance and a lack of financial literacy deter their uptake and use. The behavior of the banks is another common theme: many policies mandating that banks behave in a way seen as unprofitable will fail. To achieve financial inclusion, political mandates to banks should be aligned with incentives.

### Government transfers to deposit accounts have the potential to make banks, government, and clients better off

An estimated 155 million poor people around the world receive

**Figure 2.8 Only 20 countries promote basic accounts**



regular payments from their governments for pensions, food assistance, cash payments related to social programs, and other transfers.<sup>26</sup> The majority of government-to-person payments are in person and in cash, posing such drawbacks as security risks and high transaction costs for payers and beneficiaries.

Fewer than 25 percent of government beneficiaries around the world receive their monthly payments in a bank account where they can also save.<sup>27</sup> In addition to the potential cost savings for governments, this gap presents an opportunity to increase financial access for the most vulnerable groups of people. Government-to-person deposit programs can provide recipients with the ability to save and to make payments safely, cheaply, and conveniently.<sup>28</sup> The main actors in government-to-person

payments—banks, beneficiaries, and governments—all have something to gain if the proper conditions are met and the programs are well executed. But some early experiences, outlined below, highlight the hurdles to realizing the true potential of government-to-person payments for financial inclusion.

Of the 139 countries surveyed, 40 reported encouraging or mandating conducting government transfers through the banking system, including 14 high-income countries and 10 countries in Latin America.<sup>29</sup> Few countries in other regions are promoting such transfers (figure 2.9).

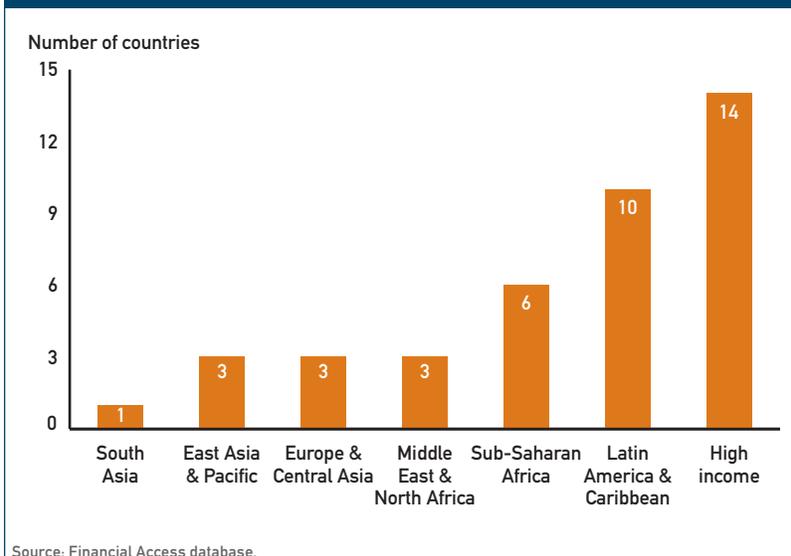
Early attempts to use electronic transfers to reach poor beneficiaries of government programs have met with some success but also illustrate the challenges

in implementing government-to-person programs. After Argentina's Ministry of Social Development switched from cash payments to a prepaid debit card, the number of participants who said they paid a bribe to access their benefits dropped 12-fold. Recipients also reported an 83 percent reduction (from 251 minutes to 43) in the time it takes to collect their payments, and a 51 percent increase in the number of people who no longer need to take public transport to collect their payments.<sup>30</sup> In Brazil the switch to electronic delivery of Bolsa Familia grants also resulted in an 82 percent drop in proportional administrative costs between 2001 and 2006, from 14.7 percent of the grant value disbursed to 2.6 percent.<sup>31</sup>

The programs in Argentina and Brazil featured high uptake and satisfaction from even the poorest recipients. But neither program has much potential to improve families' ability to save. In both cases the electronic debit cards issued by the program are reloadable only by the government, and funds must be emptied within a few months or clients lose them.

Some countries have linked government transfers to deposit accounts, with limited success. In Mexico's Oportunidades program 1 million of the 5 million recipients voluntarily chose to receive their payments into an account, though most likely they are previously banked households. India's National Rural Employment

**Figure 2.9** Forty countries offer government-to-person payments through bank accounts



Guarantee Scheme provides evidence that the suitability of accounts offered matters greatly for whether poor government-to-person recipients use them. A recent assessment showed that although 96 percent of benefits recipients are regularly saving at home through informal means, more than half of those who opened a formal bank account did not make additional deposits of their own. Distance, time, and poor marketing were major causes, as most recipients had not been informed of the account's functions beyond receiving their payments. And four people in five would need to spend half a day's wages and an entire day to reach a bank branch and make a transaction.<sup>32</sup>

Converting transfer payments into direct deposits in active bank accounts could hold promise for financial inclusion. Most programs in developing countries are still in a pilot phase or have yet to show they can convert previously unbanked customers into active savers. As with basic accounts, careful research must be done to understand the needs of clients. If no thought is given to the barriers keeping the beneficiaries from having an account in the first place—such as high account maintenance fees or long distances to bank branches and ATMs—policymakers run the risk of not succeeding in improving access. Data from the Financial Access Survey show that countries implementing government-to-person programs tend to have a more

effective retail payment system and a large number of cash-in and cash-out points, such as ATMs and point-of-sale terminals (figure 2.10).

As for basic banking, if the banks participating in government-to-person programs lack the prospect of higher revenue, they are unlikely to make the effort to attract and serve clients.

### Matched and tax-advantage savings are largely a high-income country phenomenon, yet to prove themselves as a tool for financial inclusion

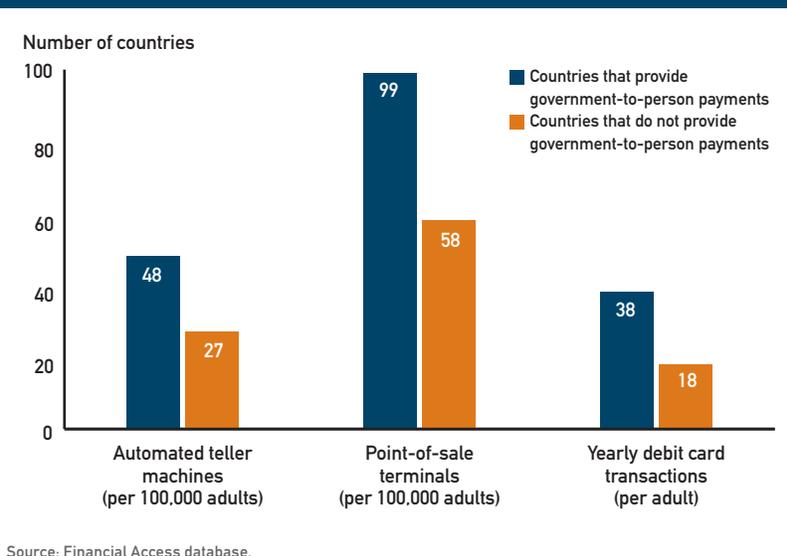
A very direct way of encouraging the poor to save is by matching their savings with government funds. Matched savings plans require governments to contribute to private savings in some agreed

proportion, either through direct contributions or tax incentives. Matched savings programs are mostly used to increase savings, encourage asset building, and enhance the financial capability of low-income participants.<sup>33</sup>

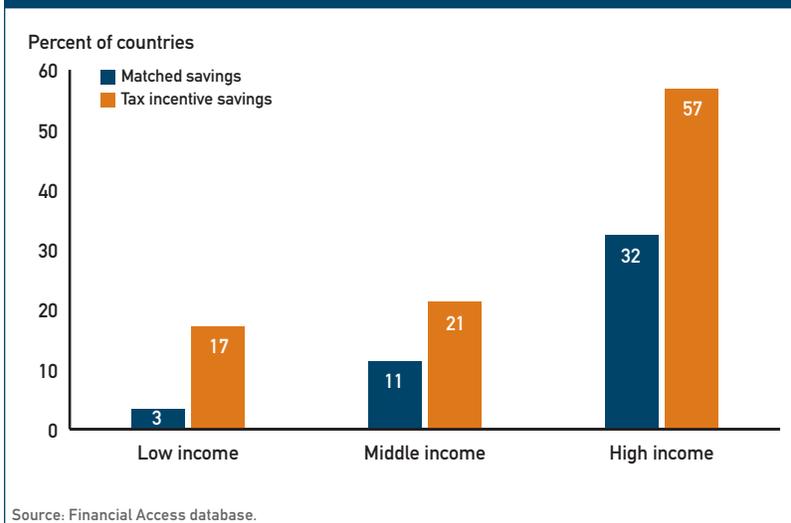
Forty-one countries in the survey have regulations facilitating tax-incentive savings schemes, twice the 21 with matched savings schemes. Because tax breaks often pass through the political process more easily than direct subsidies, this difference could reflect political factors. It could also explain the prevalence of these programs in richer countries, where more individuals pay taxes (figure 2.11).

Programs in richer countries often target social goals, such as owning a home or saving for health, education, and retirement.<sup>34</sup> But several programs for lower income

**Figure 2.10** Availability of retail payment system and prevalence of government-to-person payments



**Figure 2.11 Promoting savings schemes**



households in developing countries aim to increase awareness of the benefits of saving. In Peru more than 7,000 women were paid interest averaging 3–5 percent for their deposits and were granted three complementary monetary incentives: matching the first deposit, matching subsequent deposits, and providing supplements for emergency withdrawals.<sup>35</sup> Women used their accounts to save, but not as intensively as expected given the generous incentives.

Some studies in developed countries—including Australia, the United Kingdom, and the United States—have shown that matched savings schemes have changed the savings habits of low-income families somewhat. For example, 70 percent of participants in an Australian matched savings program reported they are still saving the same amount or more 12–24 months after completing the program.<sup>36</sup> But a

long-term study of individual development accounts in the United States found that about half the participants (48 percent) failed to become “savers.”<sup>37</sup>

Although these case studies indicate that paying people to save increases their savings rate, two questions remain: is there a cheaper way to achieve the same results? And do customers continue saving after the program ends? The answers are unclear.

## Notes

1. European Commission 2008.
2. Caskey, Duran, and Solo 2006; Dupas and Robinson 2009.
3. For countries with no data, the map uses estimates; see the methodology appendix.
4. FinScope 2006, 2008a,b, 2009.
5. Belgium has 3,724 accounts per 1,000 adults, and the Netherlands

has 1,772 (European Commission 2008).

6. These numbers are necessarily rough and likely have a wide margin of error.

7. These accounts also include accounts held by businesses and government agencies. The Financial Access Survey did not ask for the breakdown of deposit account data by individuals and businesses.

8. The average number of bank accounts per banked adult does not appear to vary significantly between developing and developed countries.

9. CGAP (2004) estimates the number of savings and loan account holders in nonbanks to be 500 million, leaving 2.5 billion poor people around the world who do not get services from nonbanks. Those numbers are not directly comparable to the ones here because they do not include commercial banks and because they add loan and deposit accounts. Even so, the estimate of 2.5 billion unbanked poor is similar to the estimate here of 2.7 billion adults in developing countries (some of whom may not be poor).

10. It is assumed that the average deposit size reflects the income of the average depositor. Various factors may cause the relationship between account size and income to break down, including the facts that many large or dormant accounts may move the average, that account-holding patterns reflect other financial options that vary from country to country, that the composition of business

and government accounts varies in the total, and that the average number of accounts a person owns varies.

11. Indiapost holds approximately 3 percent of the world's estimated 5.7 billion deposit accounts. Some of Indiapost's accounts may not be active, and some account holders may hold multiple accounts, so 172 million does not represent active customers.

12. Data that allow cooperatives and microfinance institutions to be compared are available for only a few countries, so comparison of these categories for many other countries is not possible.

13. The measure of deposit insurance is a binary variable for the presence of deposit insurance formally guaranteed by the government. However, a growing body of research has shown that overly generous deposit insurance schemes may lead to greater instability and lower levels of financial development in the long run; see Demirgüç-Kunt, Kane, and Laeven (2006).

14. Demirgüç-Kunt and Huizinga 1998.

15. The Financial Action Task Force is the intergovernmental body that sets global standards for anti-money laundering and combating the financing of terrorism, assesses member compliance with those standards, and promotes global compliance with the standards.

16. FinScope Zambia 2005.

17. Genesis Analytics 2008.

18. Isern and Porteous 2005.

19. Isern and Porteous 2005.

20. Genesis Analytics 2008.

21. World Bank 2008a.

22. The average account balance in South African commercial banks is \$11,000.

23. For example, New York State mandates basic accounts in which initial deposits need not exceed \$25, the minimum balance is no more than \$0.10, allowing at least eight free withdrawals and unlimited free deposits; see Doyle, Lopez, and Saldenberg (1998).

24. Thyagarajam 2008.

25. Genesis Analytics 2008.

26. Pickens, Porteous, and Rotman forthcoming.

27. This number excludes India and South Africa; see Pickens, Porteous, and Rotman (forthcoming).

28. Pickens, Porteous, and Rotman forthcoming.

29. There is a lot of heterogeneity among different types of government-to-person programs, ranging from conditional cash transfers to unemployment benefits, social security payments, and pensions.

30. Duryea and Schargrodsky 2007.

31. Consolidating several social benefits into one payment also accounts for a portion of the savings seen by Bolsa Familia; see Lindert and others (2007).

32. Ramji 2009.

33. Russel 2008; Sherraden 2006.

34. Dufflo and others 2006.

35. Trivelli 2007.

36. Russell, Harlim, and Brooks 2008.

37. Sherraden 2008.

## 3 Credit

For millennia civilizations have used credit to grow crops, finance trade, and invest in production and construction. Economic development is impossible without credit, a fact that modern empirical studies confirm.<sup>1</sup> Just as businesses need credit to grow, individuals need credit to smooth consumption, be it borrowing for education to get a job in the future or paying bills before the paycheck arrives. And at the extreme borrowing can mean survival for the poor with unstable incomes. In a recent study in South Africa most poor borrowers used loans to buy food and pay bus fares to get to work.<sup>2</sup> Those able to borrow were 11 percent more likely to keep a job, 7 percent less likely to be below the poverty line, and 6 percent less likely to experience severe hunger.

Many small firms and low-income individuals lack access to credit in developing countries.<sup>3</sup> Most emerging markets have a developed corporate credit sector, but formal retail credit, including lending to small businesses and individuals, is only starting to take shape. Lending to individuals and small businesses is different

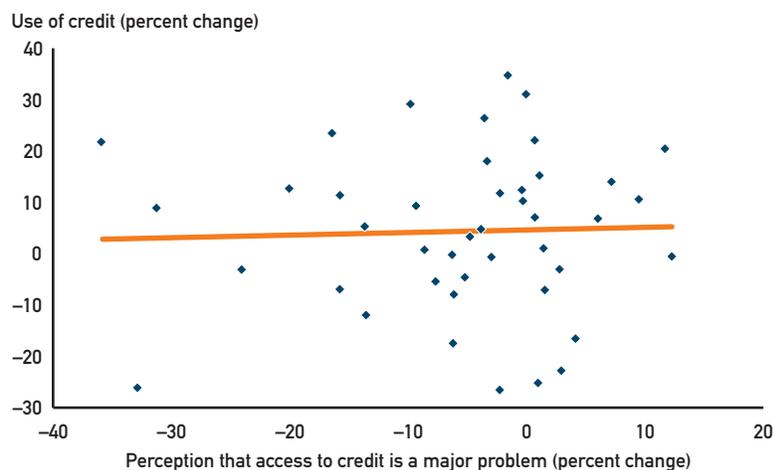
from lending to corporations. It requires processing a large number of small loans, increasing the lender's operating cost per loan. In addition, many small businesses and individuals lack collateral, a credit history, and official records of income and operations. So, lenders are reluctant to finance this market segment, and if they do, the price can be high.

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### Measuring access to credit

Measuring access to credit poses a challenge, because not all individuals and businesses should be able to access credit, only those able to repay their loans. The challenge is to distinguish between those who can repay loans and those who cannot. When asked about access to credit in surveys, households and enterprises often provide conflicting answers, making perception indicators unreliable. A change in the use of finance and changes in perceptions of access to finance as a problem, as reported in enterprise surveys,

**Figure 3.1** Change in perceptions of access to credit is not correlated with a change in use of credit



Source: Financial Access database.

are not correlated (figure 3.1). In the former Yugoslav Republic of Macedonia the number of firms receiving a loan increased 10 percent between 2002 and 2005, while the number of firms reporting that obtaining financing is a major problem also increased 10 percent. Is access to credit in Macedonia more available now or less? Hard to say. But the use of finance definitely increased. Given the difficulty of estimating access, most studies focus on measuring the use of credit.<sup>4</sup>

The number of borrowers is the most appropriate indicator for use of finance, but that number is hard to get. First, unlike deposit takers, many credit providers are not regulated. Second, even among regulated institutions, information on the number of borrowers is rarely available at the country level. In the survey for this report only 25

regulators of 139 provided information on the number of bank borrowers.<sup>5</sup> Even fewer data are available on borrowers in regulated cooperatives, specialized state financial institutions, and micro-finance institutions. Information on the number of loans is available more widely, with 70 countries reporting numbers for banks.

### Numbers of loans to individuals are the most available measure of the use of finance by small enterprises and individuals

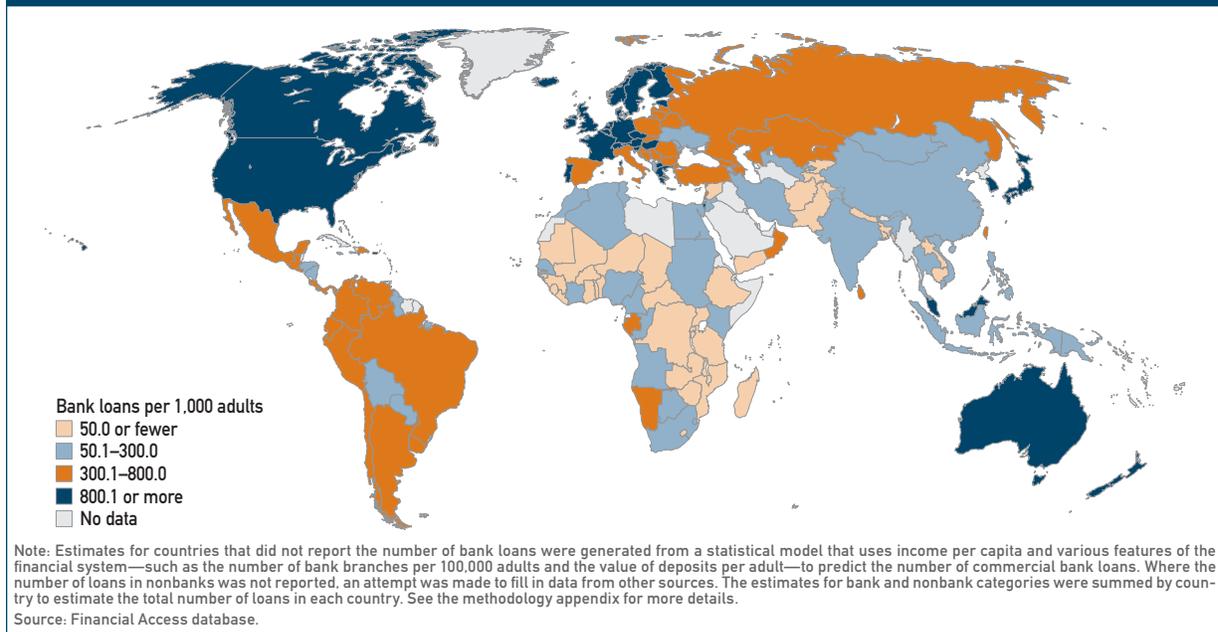
Most financial regulators have separate statistics on loans to individuals and businesses, but they rarely have data on small and medium-size enterprises as a category. What is the most appropriate proxy measure for access to finance for small businesses?

Many small businesses and entrepreneurs in developing countries are not registered and borrow as individuals, not as firms. Moreover, small business owners and entrepreneurs tend to mix their own finances with business finances, using personal loans to bridge financing gaps. The number and value of loans to individuals are thus appropriate proxies for measuring access and use of formal financial services by individuals and small firms.

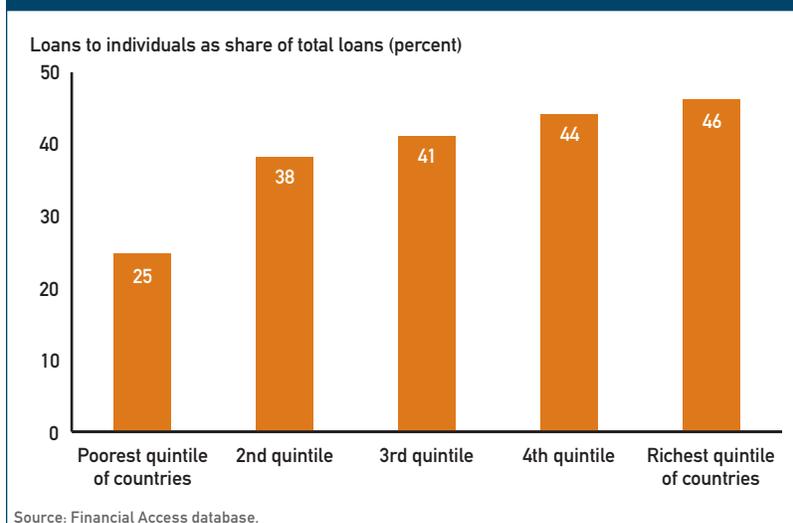
What is the status of access to credit in countries around the world? The penetration of loans, measured by the number of bank loans per 1,000 adults, varies widely across countries and is closely correlated with economic development (map 3.1). Developed economies have the largest number of loans per 1,000 adults.<sup>6</sup> In Estonia and Greece there is one loan for every adult. Eastern Europe and Central Asia experienced record credit growth in the past decade and now average 367 loans per 1,000 adults. Sub-Saharan Africa has the lowest loan penetration. At the extreme, in Burundi and Ethiopia, there is 1 bank loan per 1,000 adults.

Loans to individuals dominate commercial bank lending by number of loans. In 85 percent of countries loans to individuals account for more than 80 percent of the total number of bank loans. But loans to individuals represent less than half the credit portfolio by value on average, with wide variation

**Map 3.1** The number of bank loans per 1,000 adults is correlated with economic development



**Figure 3.2** In higher income countries loans to individuals account for a greater share of the total volume



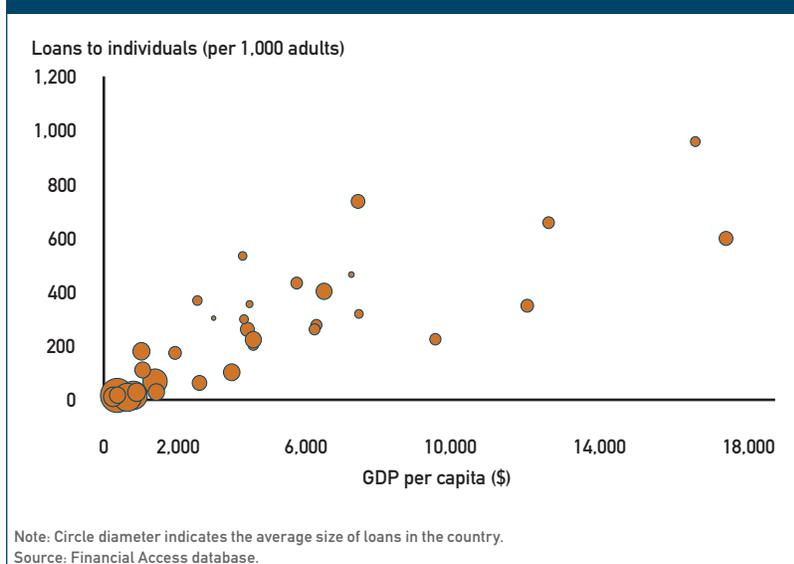
across regions and incomes (figure 3.2). Loans to individuals account for more than 40 percent of the portfolio in middle- and high-income countries. But in Sub-Saharan Africa—the region with the lowest average income—loans

to individuals represent less than 20 percent of the portfolio. For the Central African Republic and Democratic Republic of the Congo loans to individuals represent less than 5 percent of the value of total bank lending.

### Banks serve mostly high-income borrowers in developing countries

Low bank loan penetration suggests that banks do not serve low-income customers, a large part of the population in poor countries. Loans granted to individuals in poorer countries are large relative to per capita income (figure 3.3). In Uganda the average loan is seven times the average annual income. Lenders take into account the borrower's capacity to repay, with income being one of the main factors. The large average loan size relative to income implies that the few borrowers who do have loans in poorer countries are richer. As markets develop and more people get access to credit, the size of the average loan relative to the country's per capita income gets smaller. In Estonia the

**Figure 3.3** Loan sizes are large relative to income in poorer countries, where there are few borrowers



average loan is 62 percent of the average income. This trend mirrors the historical transition in developed countries from banking focused on commerce and high-net-worth individuals to broad-based banking dominating retail markets.

### Cooperatives, specialized state financial institutions, and microfinance institutions are important in delivering credit services

If small businesses and low-income individuals cannot borrow from banks, where do they borrow? Relatives, friends, vendors, money lenders, and savings clubs are still the most common sources of credit for the poor, as they were for most people in the world until 100 years ago.<sup>7</sup> These informal sources have obvious limitations.

Relatives and friends, often poor themselves, may not have funds to lend, and savings clubs may fall apart, making both an unreliable source of funds. Moneylenders, although sometimes quick and convenient, may charge high interest rates and use controversial collection tactics. So, poor borrowers would benefit greatly from access to formal financial institutions providing reliable financial services at reasonable rates.

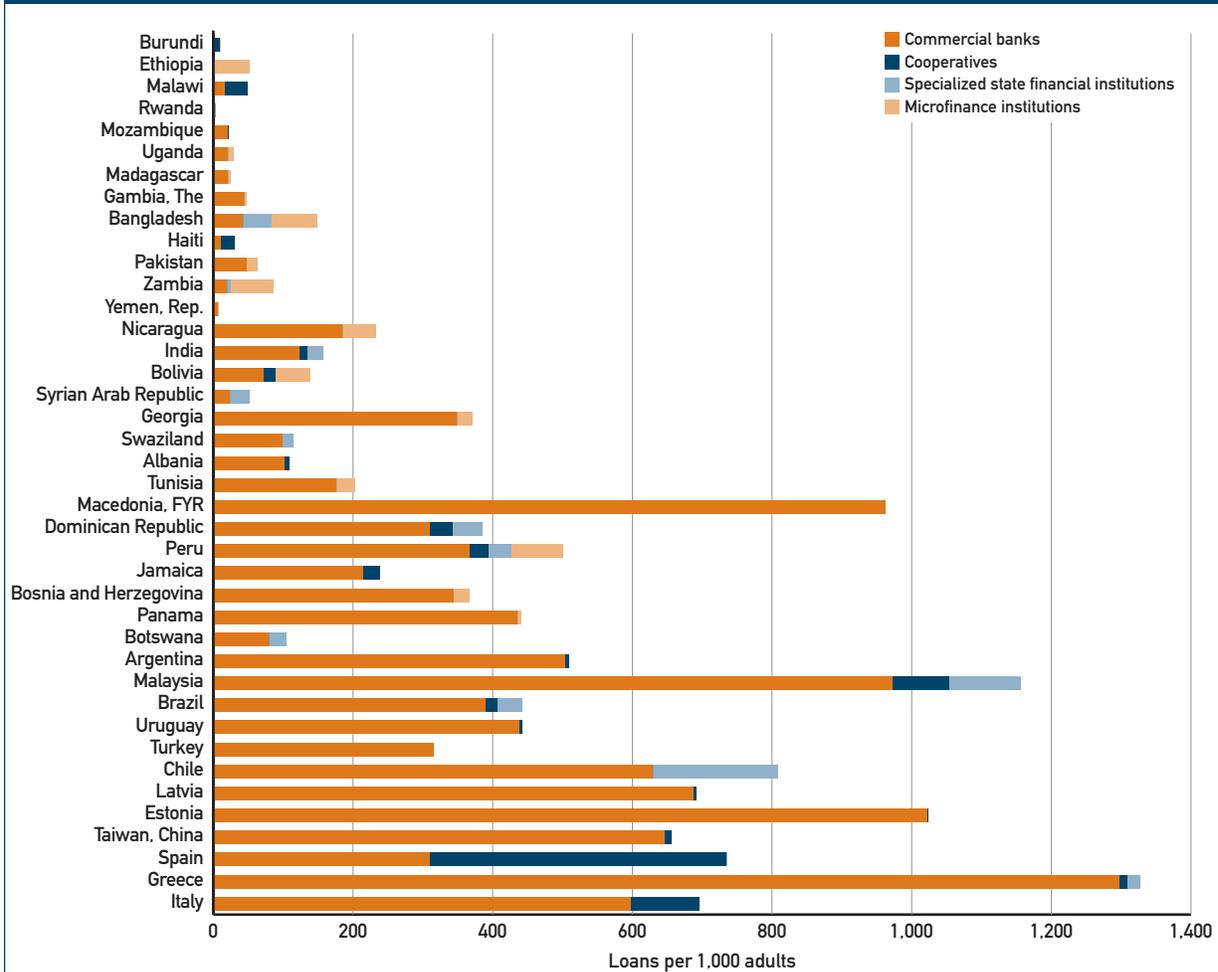
As in Europe and North America in the early 20th century, cooperatives, specialized state financial institutions, and microfinance institutions are important sources of retail credit for low-income individuals in many developing countries. These institutions have become the main providers of formal credit (figure 3.4). In Bangladesh regulated microfinance institutions dominate the market

with nearly 7 million outstanding loans, compared with 4.4 million from banks. In Zambia, where commercial microfinance has a recent history, microfinance institutions have overtaken banks in the number of clients and now have three times more borrowers than banks. In Bolivia, Peru, and Nicaragua regulated microfinance institutions provide a significant portion of the loans in the market.

In general, nonbank institutions tend to provide smaller loans than banks, reflecting their focus on low-income people (figure 3.5). For cooperatives the average loan size in 13 of 18 countries with data is smaller than that for commercial banks. For microfinance institutions the average loan size in 13 of 15 countries with data is half the size of the average bank loan.

Many countries have promoted access to long-term credit for small businesses and farmers by establishing specialized state financial institutions. In the former Yugoslav Republic of Macedonia, Spain, and Turkey specialized government lenders are strictly wholesale, channeling funding through commercial credit institutions, with a total number of loans representing less than 0.01 percent of the number of loans in banks. But in Bangladesh, Brazil, India, Malaysia, and Peru development finance institutions provide direct financing and represent more than 10 percent of the number of loans in banks.

**Figure 3.4** Cooperatives, specialized state financial institutions, and microfinance institutions are an important source of credit in many countries



Note: This figure does not represent the totality of the financial system and corresponds solely to the aggregation of data for different institutional categories, when available. Not all countries provided information on every institution type. Countries are listed in ascending order of income per capita. Source: Financial Access database.

Banks in most countries are still the main regulated provider of credit, but nonbanks in some countries have become an important source of credit for the poor. In 8 of 40 countries with data, nonbanks provided more loans than commercial banks did. But few countries provided data on the number of loans in nonbank institutions, making it difficult to assess their reach on a global basis.

## Policies to support access to credit

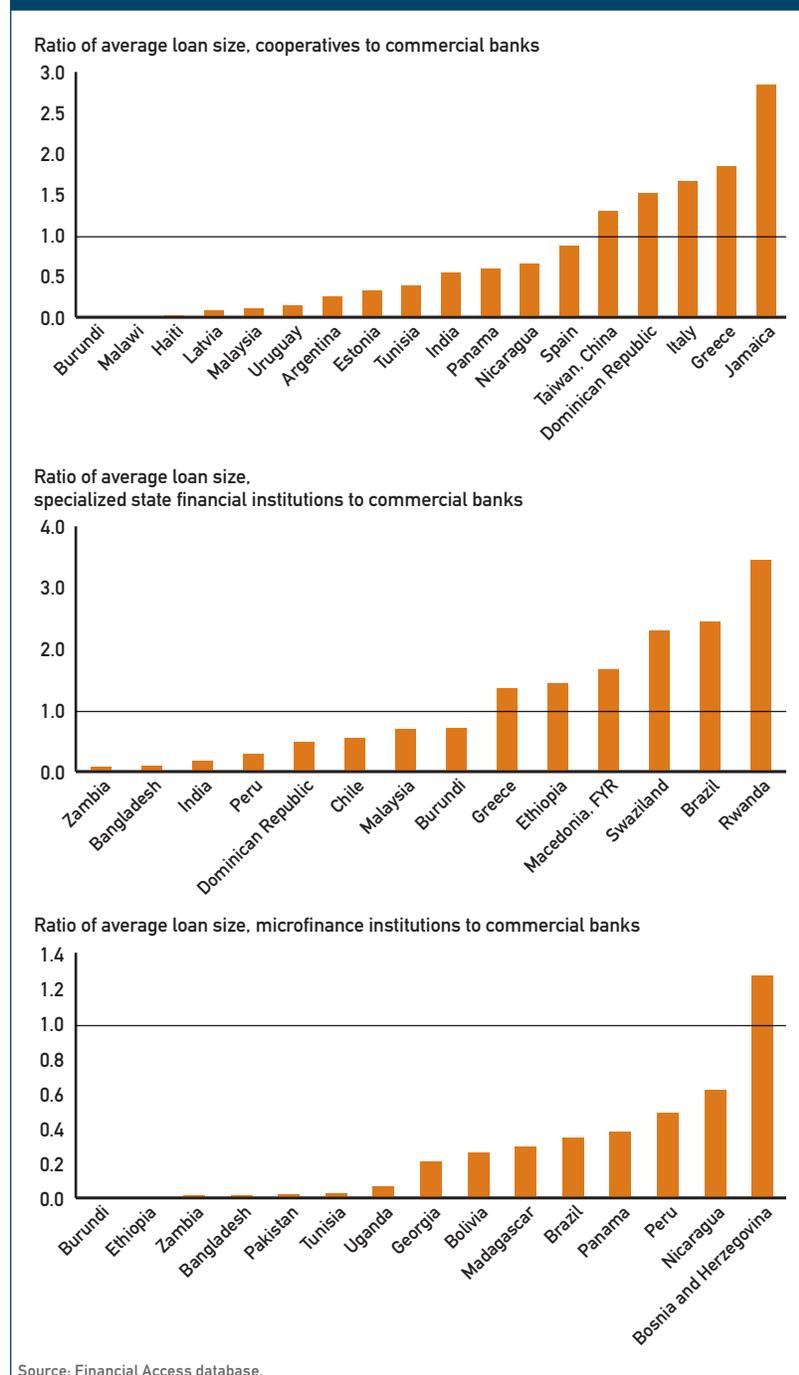
Governments do many things to improve access to credit. Effective supervision ensures financial stability—a precondition for finance. Better creditor rights and contract enforcement enable credit to flow.<sup>8</sup> Governments also

provide funding and risk mitigation through various programs and funds to facilitate flows of credit to underserved segments. This report focuses on two broad types of policy interventions that are especially important for lending to individuals and small businesses—credit information and consumer protection.<sup>9</sup> Credit bureaus and credit registries allow lenders to screen borrowers and make better lending

decisions. As more people enter the financial system and credit products become more complex, rules and regulations need to be in place in order to protect consumers.

## Information sharing can reduce risks and increase access

**Figure 3.5** Loan sizes in cooperatives, some specialized state financial institutions, and microfinance institutions are smaller than in commercial banks

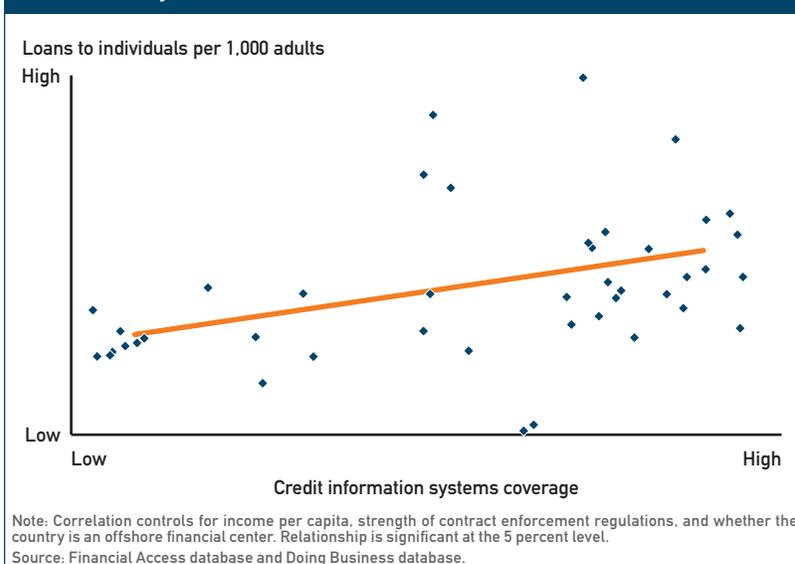


Credit bureaus collect information from various sources and provide such records as the repayment behavior of individuals and firms for a variety of uses.<sup>10</sup> By reducing information asymmetries, they allow lenders to screen borrowers at a lower cost. As a result, lenders can make credit decisions faster and reduce risk, increasing lending.<sup>11</sup> Countries with better credit information systems provide more loans to individuals, even after controlling for income per capita and contract enforcement (figure 3.6).

Despite the benefits, credit information systems are still in their infancy in many countries, and information sharing among lenders remains weak, for fear of client poaching. If a credit bureau does not have complete and accurate information on performing and nonperforming loans, the lender using it cannot accurately assess the borrower's indebtedness. The credit card markets in the Republic of Korea and Hong Kong, China, in 2003, and the consumer credit market in Bosnia and Herzegovina more recently, suggest that lenders relying on credit bureaus with limited information are likely to overextend credit.<sup>12</sup>

In a growing number of countries financial regulators encourage or require information

**Figure 3.6** Countries with more comprehensive credit information systems have more bank loans to individuals



sharing through either private or public credit registries.<sup>13</sup> Private credit bureaus are particularly important because they collect data from both regulated and unregulated entities, unlike public registries, which focus exclusively on regulated credit providers (figure 3.7). Because many creditors are not regulated, especially those serving low-income clients, developing comprehensive credit bureaus is essential to facilitate safe access to credit for the poor.

A comprehensive credit information system requires a partnership between the public and private sectors.<sup>14</sup> First, a regulatory framework is needed to enable information sharing between regulated and unregulated entities and to protect the data. Second, financial regulators should encourage or require regulated financial institutions to use credit information in

their risk assessments. Third, public registries need to partner with private bureaus to build comprehensive systems. Good examples of such partnerships are credit information systems in Ecuador and Peru, where bank supervisors provide the full database from the public registries to approved credit bureaus. These credit bureaus complement regulators' data with information from nonregulated entities, including many cooperatives and microfinance institutions, building more comprehensive credit information.

### Consumer protection

Credit is a commercial transaction where the bargaining position of borrowers is generally weak, especially if they are poor. The need to protect borrowers from creditor deception or abuse has been recognized since ancient times. In

Babylon, where the fate of a bad debtor was slavery, the first consumer protection tool was debt forgiveness by the king, usually when a debt crisis risked stirring public discontent.<sup>15</sup> Policymakers now use a variety of approaches to overcome these information and power imbalances—to protect consumers, promote transparency in the market, and ensure fair treatment. This report reviews three interventions: disclosure requirements, interest rate caps, and measures to address excessive lending that result in consumer overindebtedness.

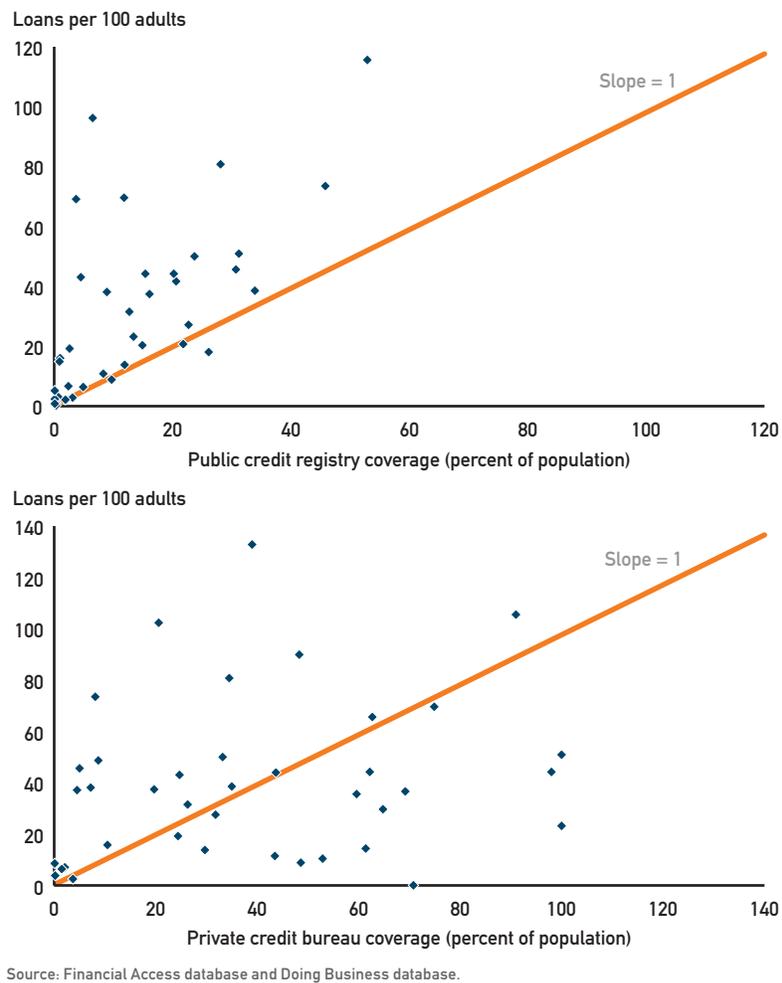
*Transparency and disclosure.* Free market economic theory holds that the most effective way to reduce credit prices is through competition. For credit markets to be competitive, borrowers would need to be able to compare the true cost of credit across providers and shop for the best terms. The 1968 Truth in Lending Act in the United States aimed to facilitate this process through mandatory disclosure of a loan's annual percentage rate and finance charges using a standardized calculation method. In the early 1960s many Americans had access to retail credit, but lenders used different methods to calculate interest rates and fees, leaving borrowers confused. A survey in 1964 showed that borrowers greatly underestimated the cost of borrowing, putting it at a third of the actual cost. Disclosure requirements, particularly for credit prices (interest, fees, and commissions), have since

emerged as a cornerstone of consumer protection and spread to a large number of countries.

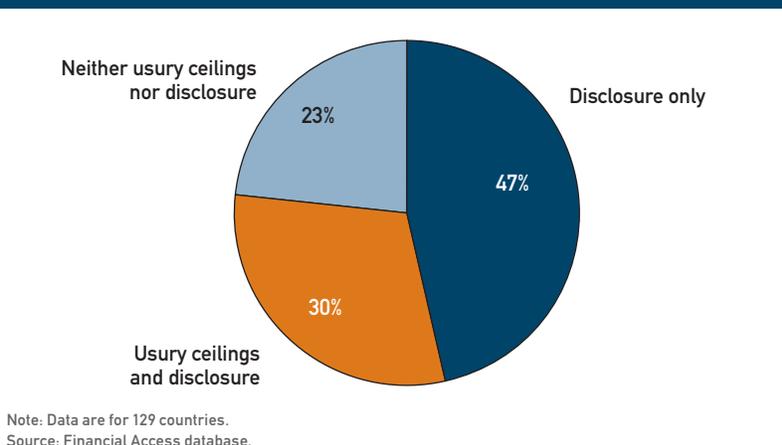
According to the Financial Access Survey, disclosure requirements on loan interest rates exist in 109 countries. In all, 47 percent of countries have disclosure requirements rather than usury ceilings, while 30 percent of countries use both (figure 3.8). The prevalence of disclosure requirements appears to track the growth in consumer lending. More than 90 percent of high-income countries have put in place loan disclosure regulation, mostly in the 1970s (figure 3.9). A large number of countries in Latin America, East Asia, and (more recently) Eastern Europe also mandate disclosure. In Africa and South Asia, where formal lending to individuals is in its infancy, only about half the countries have disclosure requirements.

Beyond credit prices, financial regulators may require lenders to disclose other features of the lending contract, such as fees, key loan terms and conditions, penalties, reasons for denial of a loan, and changes in terms (figure 3.10). While requirements to disclose effective interest rates are widespread (76 percent of the countries surveyed), fewer countries mandate other truth-in-lending disclosures. “Plain language” requirements can be especially useful for consumers with less formal education, literacy, and financial experience. Fewer than half the surveyed countries

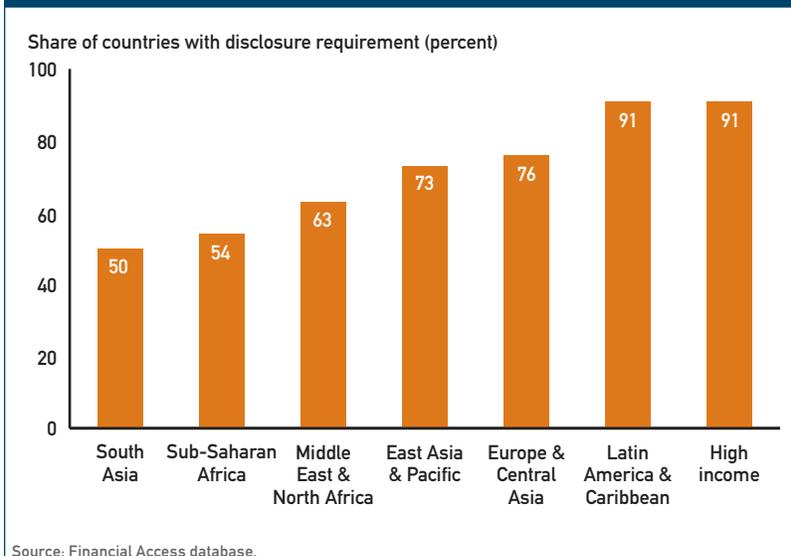
**Figure 3.7** Private credit bureaus cover a broad range of regulated and unregulated credit providers



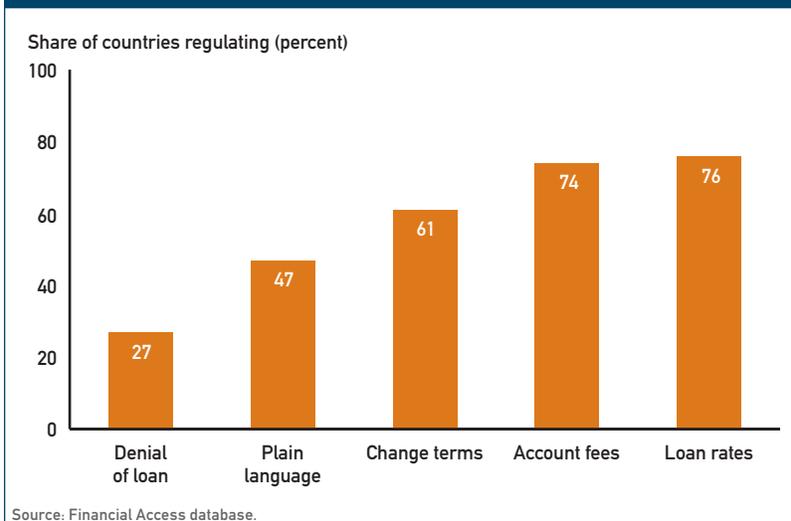
**Figure 3.8** More countries use disclosure and not usury ceilings as the main consumer protection



**Figure 3.9** The share of countries with requirements to disclose loan rates ranges from 50 percent in South Asia to 91 percent in high-income countries



**Figure 3.10** Requirements to disclose effective interest rates are widespread



reported requirements to inform borrowers about the reasons for denying a loan and plain language requirements. Mandatory disclosure of changes in contractual terms after a loan has been made is present in 61 percent of the countries. Countries with

more developed markets require more disclosure.

Does disclosure work? In the 40 years since disclosure rules were introduced, there is strong evidence that they improve the transparency in credit markets more than

the financial decisions of borrowers.<sup>16</sup> The three main challenges in implementing disclosure rules are lender resistance and noncompliance, enforcement difficulties, and limited borrower understanding and use of the information.

Enforcing disclosure rules has proven difficult even in countries with effective supervisory structures, especially as more complex and diverse products test the limits of a single standardized price formula. In the first 10 years of implementing the U.S. Truth in Lending Act, regulators had to issue many clarifications and guidelines on acceptable disclosure practices. Despite best intentions, disclosure forms can become long and complicated, with confusing disclaimers.<sup>17</sup> In the United States mounting confusion, penalties, and legal actions eventually led to a substantial reform of the law, with the standard format for disclosure defined and penalties rationalized.<sup>18</sup> As credit products change, regulating disclosure is an ever-evolving process.

For disclosure to be most effective, borrowers have to understand what is disclosed to them. Low financial literacy, in both developed and developing countries, poses the greatest challenge.<sup>19</sup> There is emerging evidence from around the world that consumers find it especially difficult to understand and calculate percentage rates. When microfinance borrowers in India were asked about the interest rates on their loans, only

15–20 percent could answer correctly, but fully 90 percent could correctly state the size and duration of the loan.<sup>20</sup>

Initiatives by government, financial service providers, and civil society to improve financial literacy and “capability” (a concept that extends beyond basic knowledge and skills to actual behavior change) can help make disclosure more meaningful and effective. Regulators can help by requiring easy-to-understand disclosure templates—such as “Key Facts” formats that aid comparisons of loan prices, terms, and conditions—and by promoting financial capability. In Peru new regulations require lenders to post tables of sample loan repayment schedules at their premises to facilitate comparison across loan sizes and maturities. Lenders can go beyond minimum compliance with disclosure rules, by taking extra care to make their forms and information straightforward and user-friendly, as well as by actively educating consumers.<sup>21</sup>

**Usury ceilings.** Sometimes, to limit or reduce credit prices, regulation goes beyond disclosure. Interest rate ceilings or usury rates are the oldest form of consumer protection. Introduced in Babylon in 1750 B.C.E., they are still in use in many countries. Throughout history, however, enforcement has proven problematic, with actual interest rates consistently exceeding the ceilings, sometimes by many multiples.

A second weakness of usury ceilings that restrict what legitimate lenders can charge for loans is the unintended consequence that borrowers may lose access and be pushed to moneylenders or other informal providers charging much higher interest rates. This may be especially so for categories of borrowers or prospective borrowers perceived by lenders as higher risk—by virtue of their lack of collateral, steady income, or a prior track record.

In the Financial Access Survey 39 countries have usury limits, 97 do not. There is no clear pattern across regions and income groups in regulating interest rates. The overall interest rate in countries with usury ceilings does not differ systematically from that in countries without usury ceilings. As theory would predict, however, countries with more competitive banking sectors have lower interest rates (figure 3.11).

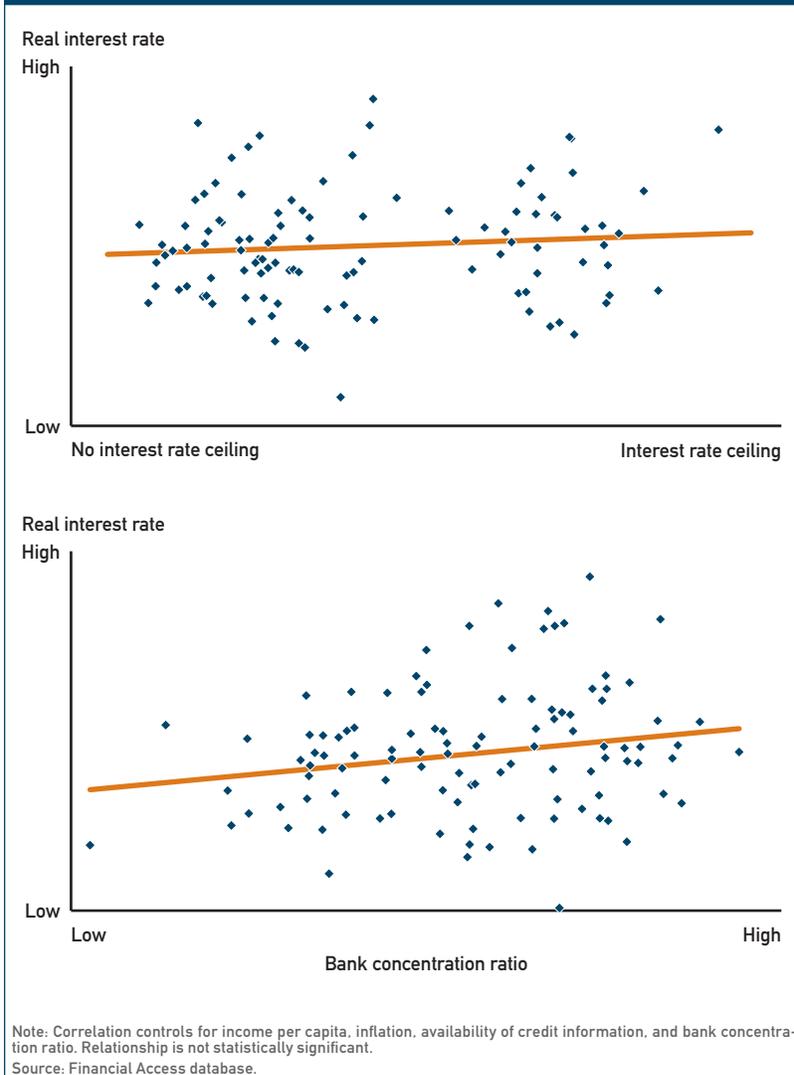
Usury laws disproportionately affect marginal borrowers, including the poor. In developing countries the renewed debate on interest rate caps has been sparked in part by the concern over the relatively high interest rates charged by microfinance institutions. Recent analysis has found that interest income for sustainable microfinance institutions is 26.4 percent of outstanding loans.<sup>22</sup> To remain sustainable while lowering interest rates, microfinance institutions would need to raise cheaper funds, reduce loan losses,

or bring down operating cost.<sup>23</sup> When faced with usury ceilings that do not allow full cost recovery for microfinance institutions and other providers serving low-income and more remote populations, they may retreat from the market, grow more slowly, or reduce their work in rural areas or other more costly market segments because they cannot cover their costs.<sup>24</sup> So, the poor may find their options limited to higher cost informal lenders.

Although designed to protect consumers, interest rate caps may inhibit the expansion of credit and increase actual costs paid by consumers priced out of the formal market.<sup>25</sup> Plain language disclosure requirements—effectively enforced and combined with measures to increase consumer awareness and financial capability—seem more likely than interest rate caps to improve credit market competitiveness and the choice and value for low-income consumers.

**Measures to contain excessive lending.** Overindebtedness is a thorny issue for policymakers and regulators. Effective disclosure can help ensure that borrowers understand the actual cost of credit, the periodic payment amounts, and the consequences of delinquency and default. Behavioral studies provide new clues about why rational people make seemingly irrational choices, such as taking on unsustainable levels of debt, but the answer is far from clear.

**Figure 3.11** Interest rates are lower in countries with more competitive and less concentrated financial markets, but there is no relation to usury ceilings



Traditionally, overindebtedness and the defaults that result have been attributed to unexpected life events, such as sickness, divorce, or job loss. But the picture has grown more complex in recent years, as individuals not experiencing unexpected life events have increased their loans from banks, microlenders, and credit retailers.

There are clear factors on the supply side as well, including deceptive marketing, product designs ill-suited to most consumers' needs, and perverse incentives for lenders (and commissioned loan brokers) to overlend. Many consumers were tempted by teaser rates, payroll deductions, direct marketing campaigns, or fixed payment schemes. Whatever the

reasons, the reality in many markets is that some consumers, including low-income people, find themselves with more debt than they can handle.

In recent years concern about overindebtedness in Europe, South Africa, and some other countries prompted policymakers to consider policies going beyond disclosure, with some going so far as to place quantitative restrictions on the debt that can be extended relative to a borrower's income. These policies, still taking shape, are a subject of heated debate.

Standard risk management procedures require banks to establish a borrower's capacity to repay. But many factors may induce lenders to grant a loan to a person with inadequate capacity to repay. First, there is the question of incentives, as the subprime mortgage crisis in the United States has shown. If loan officers and brokers are compensated for origination volumes and lenders do not carry the risk of the loans they grant, there is little reason to be prudent during approval. Second, the lender may not care whether the loan is repaid on time and in full. Minimizing default and maximizing customer profit are not always the same. Instead, late fees and compounding interest can make late payers the most desirable customer. Third, banks may overestimate the capacity to repay if there is no credit bureau to check information on the borrower's existing debts or reliable means to verify income.

In the Financial Access Survey 30 countries reported having quantitative restrictions on consumer credit. The most prevalent approach is to indirectly limit the loan size so that monthly repayments do not exceed 30–50 percent of net monthly income. The limit can be explicit or implicit. In Serbia there is no explicit requirement, but if loan repayments exceed 30 percent of the borrower's income, loans must be provisioned at a much higher level. In Macedonia the limit works through contract enforcement law, where only a portion of an individual's income can be enforced under the court decision. In Malawi, where loan repayments are often deducted from one's paycheck at the source, the limit is found not in financial regulation but in the Employment Act. The law forbids any lender from granting a loan if the individual's take-home pay would end up less than 50 percent of the after-tax salary.

In East Asia quantitative restrictions came after credit card crises, focusing not on debt-to-income ratios for monthly payments but on the overall amount of credit. Singapore sets the aggregate maximum credit limit for all unsecured credit and credit cards at four times the borrower's monthly income for higher income individuals and at two times for lower income borrowers. In Thailand the credit line cannot exceed five times the average monthly income.

The South Africa National Credit Act, passed in 2005, takes a different approach. The law does not prescribe the exact debt-to-service ratio. It stipulates that if the loan granted by the bank was not affordable to the borrower when made, the bank risks not being allowed to collect in case of default. The law requires banks to conduct affordability assessments before granting the loan, evaluating both income and expenses, including existing debt payments.

There have been no comprehensive evaluations of these policies, making it difficult to assess their effectiveness. But experience with other consumer protection policies suggests that basic quantitative restrictions are hard to enforce and fairly easy for lenders to circumvent. Carefully assessing the impact of these policies will help judge their effectiveness in reducing overindebtedness without constraining essential access.

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## Notes

1. King and Levine 1993; Levine, Loayza, and Beck 1999; Beck and Levine 2004.
2. Karlan and Zinman 2007.
3. Demirgüç-Kunt, Beck, and Honohan 2008.
4. Demirgüç-Kunt, Beck, and Honohan 2008.
5. To calculate number of borrowers, it is necessary to aggregate for borrower all the borrowings across the system. This is possible

only if a credit registry or credit bureau is available in the country.

6. This figure likely underestimates the true amount of loans in these countries because of the large number of highly developed unregulated lenders.

7. Collins and others 2009; FinScope 2003, 2006, 2008a,b, 2009.

8. Many countries have passed reforms in this area in recent years; see World Bank (2004, 2005, 2006a,b, 2007b, 2008b).

9. While consumer protection regulation covers a broad range of financial services, the Financial Access Survey asked questions only on consumer protection regulation in relation to credit services.

10. IFC 2006; Miller 2003; World Bank 2004.

11. See Djankov, McLiesh, and Shleifer 2007.

12. Bailey and Wong 2003.

13. World Bank 2007b.

14. IFC 2006; Mylenko forthcoming.

15. Peterson 2003.

16. Godfrey and others 2008.

17. U.S. GAO 2006.

18. Rubin 1992.

19. Lusardi and Tufano 2009.

20. Tiwari, Khandelwal, and Ramji 2008.

21. See the Campaign for Client Protection in Microfinance at [www.cgap.org](http://www.cgap.org).

22. Rosenberg, Gonzalez, and Narain 2009.

23. Rosenberg, Gonzalez, and Narain 2009.

24. Helms and Reille 2004.

25. Bowsher 1974.

## 4 Delivering financial services

In most countries opening a bank account or receiving a loan still requires going to the bank branch. Unsurprisingly, there are more deposit and loan accounts in countries with more branches, automated teller machines (ATMs), and point-of-sale terminals (figure 4.1). A poor client who must travel far to the nearest branch to deposit a few dollars is likely to opt out of the financial system. And banks not near their clients have a more difficult time lending to small and rural firms.<sup>1</sup> Better geographic outreach can remove distance as a barrier to financial access for both lenders and borrowers, perhaps allowing banks to be more responsive and less intimidating to their deposit customers.

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### Measuring outreach

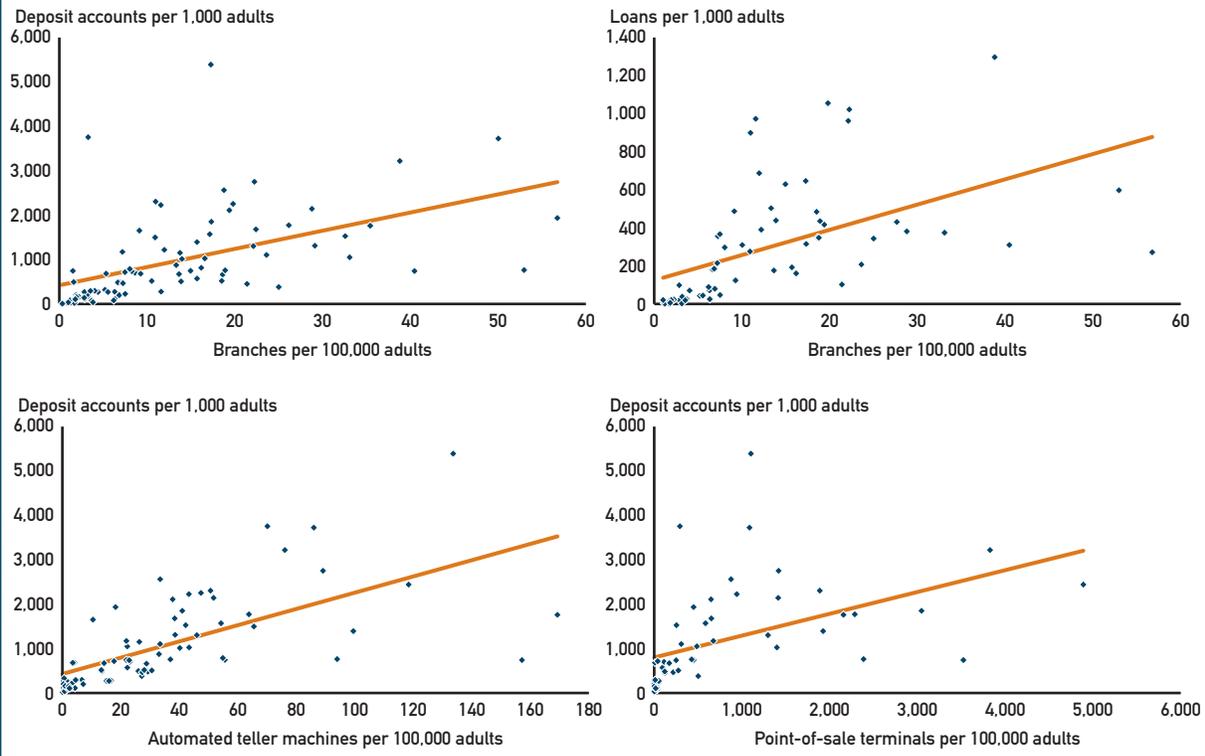
The Financial Access Survey data show that the availability of financial access points, such as financial institutions' branches, ATMs, and point-of-sale terminals, varies

greatly around the world. Regional averages for Africa and South Asia are well below 10 branches per 100,000 adults, compared with more than 25 in high-income countries (map 4.1). In Madagascar there are 1 bank branch, 1 ATM, and 2 point-of-sale terminals per 100,000 adults. With no bank branch around, Malagasies face an obvious disadvantage in access to financial services through banks, and the percentage of Malagasies with a bank account has been estimated at fewer than 2 percent.<sup>2</sup>

### Few banks operate in rural areas

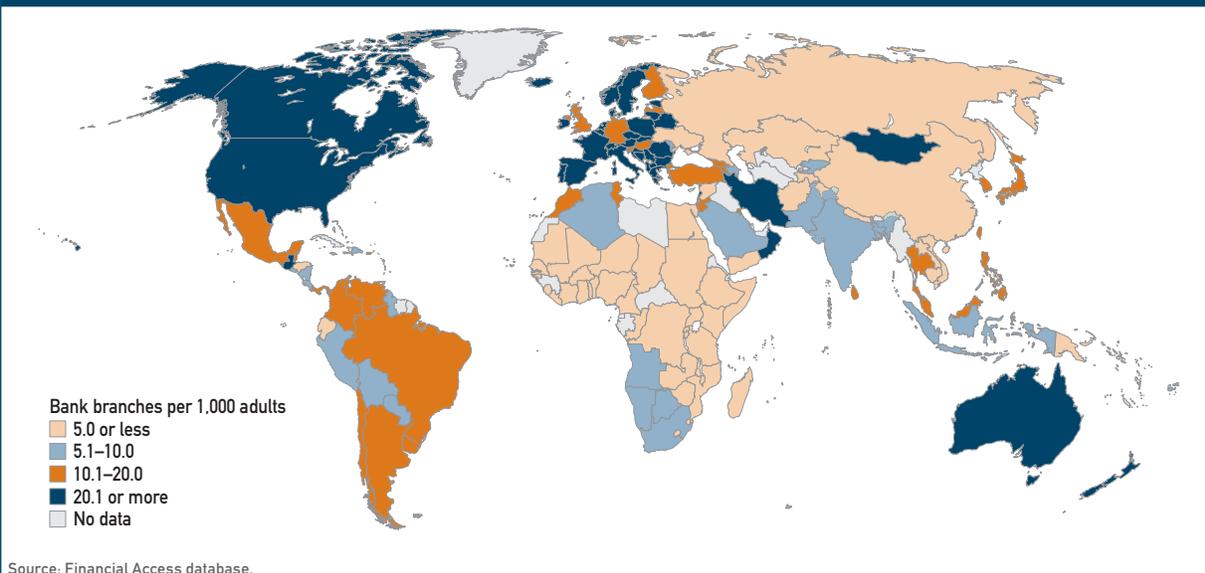
Bringing financial services to rural clients is one of the biggest challenges in the quest for broad-based financial inclusion. In the Madagascar countryside there is one bank branch for 1.4 million rural residents. The situation is much better in cities, with one branch for every 50,000 urban residents. More than 90 percent of bank branches in Madagascar operate in urban areas, where about 30 percent of Malagasies live.

**Figure 4.1** Having more “touch points” is correlated with a greater deposit and loan penetration



Source: Financial Access database.

**Map 4.1** Africa and South Asia have fewer than 10 bank branches per 100,000 adults



Source: Financial Access database.

Among the countries that provided data on rural and urban branches in the Financial Access Survey, there are more bank branches per person in urban areas than in rural ones. To reach rural clients, banks need to build more branches as populations are dispersed over large areas and cannot be served from one location. This implies that, to serve rural populations adequately, there should be more branches per person in rural areas than in urban ones. This is the case in the only three high-income countries that provided data on the split of rural and urban branches in the survey—Australia, Israel, and the United States (figure 4.2). But in most developing countries, there are many more branches per person in urban areas than in rural areas.

For the least banked countries, branches are in urban areas almost exclusively, and as bank branching develops, banks branch into rural areas at a greater rate (figure 4.3). This likely reflects the fact that as urban markets become more competitive and rural areas develop and display greater profit potential, banks seek greater outreach to rural clients.

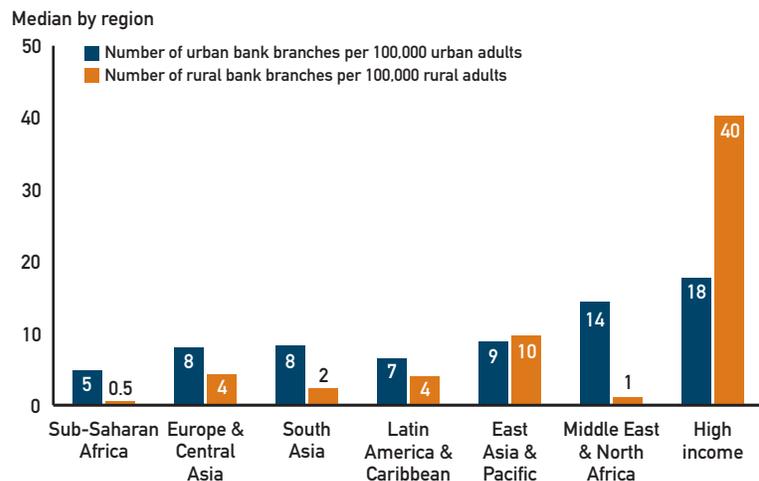
Are nonbank branches more prevalent in rural areas than bank branches? Only 20 countries provided information on both bank and nonbank branches (figure 4.4). In half of them, bank branches are more prevalent in rural areas, but in the other half nonbank branches are. In Tunisia

microfinance institutions and the postal bank together have 20 times more branches in rural areas than banks do. In Madagascar there are 10 times more microfinance institution branches in rural areas than there are bank branches.

## Poor infrastructure and red tape limit geographical expansion

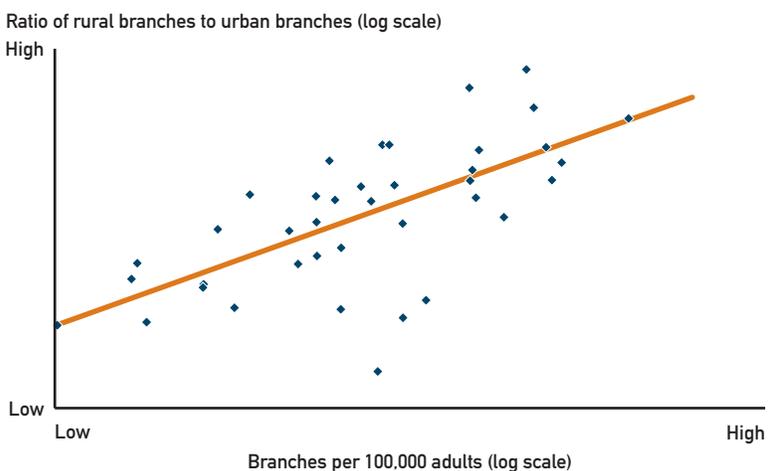
In countries with a low population density, distance remains one of the main obstacles in access to

**Figure 4.2** There are fewer rural branches per rural resident in developing countries than in developed countries



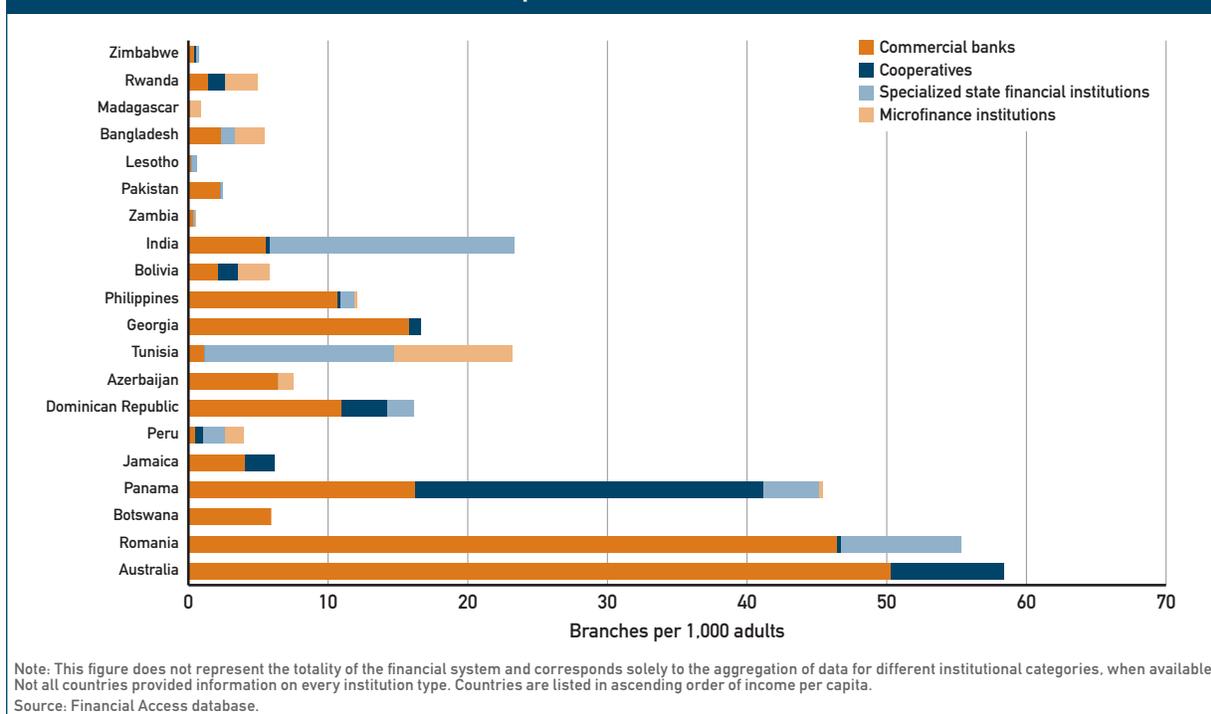
Note: Sample is limited to 48 countries, three of them high income.  
Source: Financial Access database.

**Figure 4.3** As branch networks expand, more rural branches open, and the ratio of rural branches to population catches up with urban branches



Source: Financial Access database.

**Figure 4.4** Cooperatives, specialized state financial institutions, and microfinance institutions are widespread in rural areas



financial services. There is little policymakers can do to change geography or demographics. For these countries, branchless banking—the use of nonbank agents and the use of information technologies (such as mobile phones)—can potentially bridge the geographical gap and bring financial services to isolated communities.

Even when demand for banking services exists, the branch may not be financially viable if the cost of opening and operating it is high. A lack of adequate infrastructure is a major impediment to branch expansion (figure 4.5). In some countries it is common for a branch to own a backup electricity generator in case power goes out. But in Sierra

Leone, where electricity is rarely available and businesses run on power generators for long periods, branch managers report that a branch needs two generators—a backup generator and a backup for the backup, significantly increasing costs. Reliable electricity, roads passable the year round, and good communications networks are necessary for a viable branch infrastructure.

Red tape, bureaucracy, and corruption can also increase the costs of doing business, including the costs of opening and operating bank branches. Establishing a clear framework for opening branches and reducing red tape can facilitate geographical expansion.

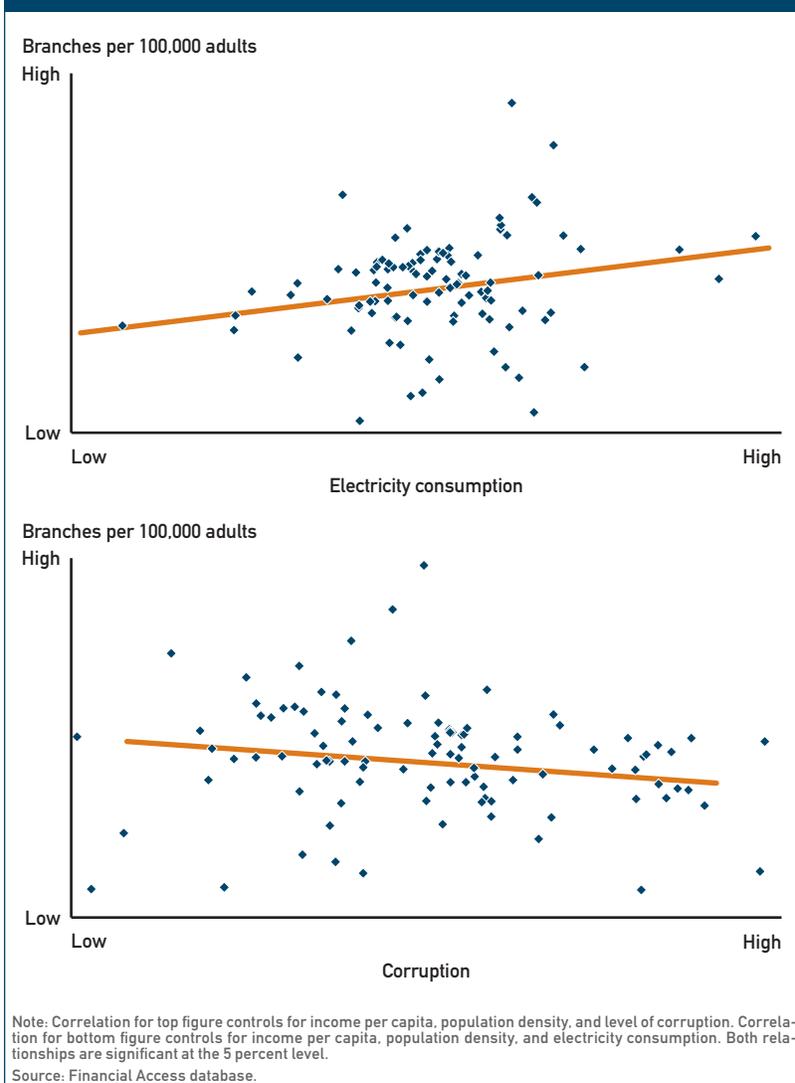
## Policies to improve banking outreach

This report reviews three broad areas of policies and institutions to improve outreach. The first aims to reduce the cost of opening branches through simplified branching regulation. The second enables banks to provide financial services through agents. The third leverages the existing postal network to provide financial services.

### Making branching easier through regulation

In the Financial Access Survey, 90 of 139 countries, nearly 65 percent,

**Figure 4.5** Better infrastructure and less corruption are associated with greater branch penetration



require formal approval for each new branch. Obtaining approval is a mere formality in some countries. But in others approval requires a long application process, submission of a feasibility study, and additional clearances by multiple government entities. In some cases multiple clearances and delays result in months of waiting, not to mention costs—official and otherwise—that can deter banks

from setting up branches. When the cost of complying with the branch approval process is too high, banks might reconsider building branches that are only marginally profitable—such as many branches in poor or rural areas.<sup>3</sup>

Countries requiring approval for opening each branch are also more likely to impose requirements to keep the branch open during

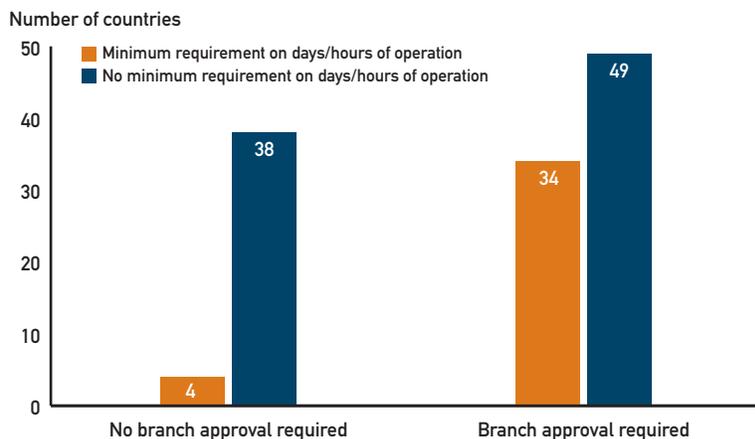
certain days of the week and hours of the day (figure 4.6). This requirement is often motivated by the desire to ensure that branch working hours are convenient for clients. In practice, this can make it impossible for a bank to provide service in an area one or two days a week, which may be the only profitable way to serve the area.

Strict security requirements dictating operational procedures and construction details are another hurdle to opening branches. Since banks handle money, security concerns are well justified. But not all branches are the same, and banks should be given some leeway to manage security to match local conditions. Some may need armed guards, but others may not. Those holding significant amounts of cash may need more frequent cash pick-ups or more secure vaults than those holding small amounts.

Only a few countries provide regulatory exemptions for certain types of branches (figure 4.7). In Argentina and Brazil branches with lower levels of deposit collection have lower security requirements than those with high numbers of deposits. Yet exceptions to the security requirements are rare. Of 79 countries requiring branch approval, only 12 provided for security exceptions in a tiered requirement, allowing branches meeting certain conditions to have lower security.

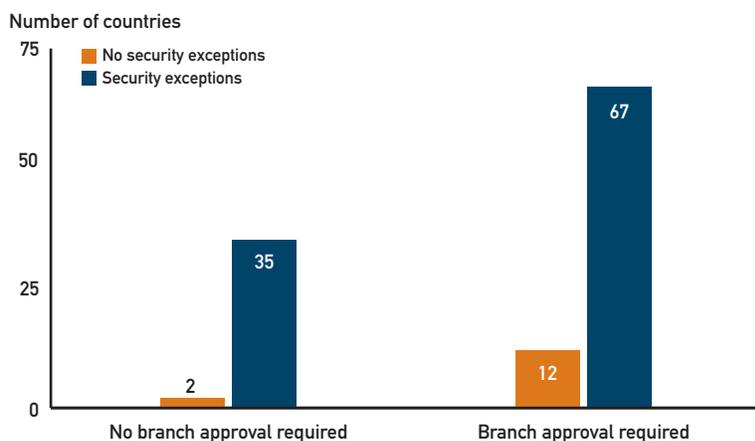
This wide variety of requirements on branch opening and operation

**Figure 4.6** Countries requiring branch approval are also more likely to have additional restrictions on branch operations



Source: Financial Access database.

**Figure 4.7** Exceptions to the security requirements are not widespread



Source: Financial Access database.

can create disincentives for banks to expand. Oversight by the regulator is important, but excessive approval requirements can impede branching.<sup>4</sup> Replacing the approval requirement for opening a branch with a notification requirement is one way to make branching easier. This allows the

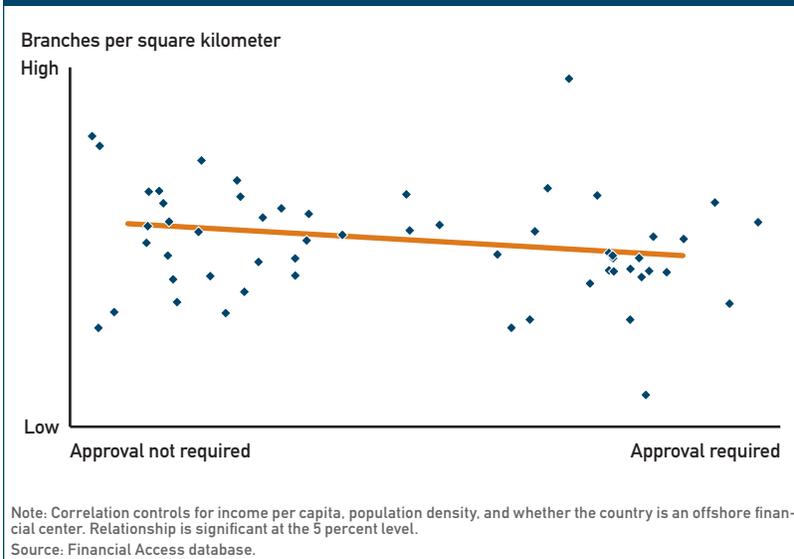
regulator to monitor activity and intervene if concerned. It also enables banks to expand based on their own commercial models. For example, in Argentina, Honduras, and Hungary banks must notify the supervisor of their intention to open a branch but do not need explicit approval.

Higher income countries are less likely to require branch approval.<sup>5</sup> Cross-country analysis among richer countries shows that requiring branch approval is correlated with lower branch penetration (figure 4.8). This relationship is statistically significant even after controlling for income, population density, and other factors.

In addition to simplifying the regulations for opening a bank branch, some regulators allow for mini-branches or “windows,” as in Honduras, the former Yugoslav Republic of Macedonia, and Mexico. These mini-branches provide only limited services, such as accepting payments and taking credit applications. Often staffed by one person, they are cheaper to open and operate than full branches.

Simplifying regulation for traditional bank branches, while important, may still not be enough to enable expansion to remote or sparsely populated areas. To address this, a growing number of countries allow mobile branches—the use of vans, boats, or other moving vehicles that circulate among communities and provide the services of standard bank branches.<sup>6</sup> According to the Financial Access Survey, 77 of 139 countries (55 percent) allowed some form of mobile branch. Since clients find it hard to go to a bank, the bank literally comes to them, and the results are encouraging. When Equity Bank opened mobile bank operations in Kenya in 2003, it gained more than 12,000 new clients in 30 rural communities.<sup>7</sup>

**Figure 4.8** Requirements for branch approvals are associated with lower branch penetration



Regulation of mobile branches varies, but approvals are often granted case by case using existing regulation for bank branches. In Kenya and Mozambique mobile branches are allowed as long as they operate as part of a licensed bank branch. Thai regulations permit the operation of mobile bank branches in areas where traditional bank branches had recently been closed, in rural areas, or in an area where banking services have to be temporarily provided. Overall, flexibility in regulating branch opening and operation has the potential to expand the outreach of financial services.

### Banking agents have great potential to expand outreach

Extending financial services through agents can be a cheaper alternative to traditional branching,

especially for banking poor and remote populations. “Agents” may or may not be agents in the legal sense of being able to legally bind the institution they represent (and making such institution liable for their actions). Some agents are independent third parties to whom services have been outsourced. Regardless of the legal relationship, working with agents can reduce the costs of providing financial services by obviating the need for investing in new infrastructure, such as branch construction and staffing. With agents, reaching the unbanked rural and poor population can, under the right conditions, become a viable business proposition.<sup>8</sup>

The question of who can act as an agent can affect financial outreach. In many Latin American countries agents can be a wide array of nonbank entities, including retail stores, gas stations, lottery

kiosks, and pharmacies. In Brazil, where regulators permit a wide array of actors to act as bank agents, there are more than 115,000 agents, and outreach extends to every municipality in the country. In India, by contrast, the number of agents (known as business correspondents) is considerably lower, since the ability to act as an agent is restricted to nonprofits, post offices, and cooperatives.<sup>9</sup>

To enable agent banking, a clear regulatory framework is required to address questions of liability to the customer (agent or bank?), what agents are permitted to do, agent security, liquidity management, and general consumer protection, such as pricing transparency and other disclosures.<sup>10</sup> Without clear regulatory guidance on what banks can and cannot do, banks are often hesitant to outsource activities to third parties, especially in jurisdictions where enforcing contracts (such as an agency contract) is difficult.

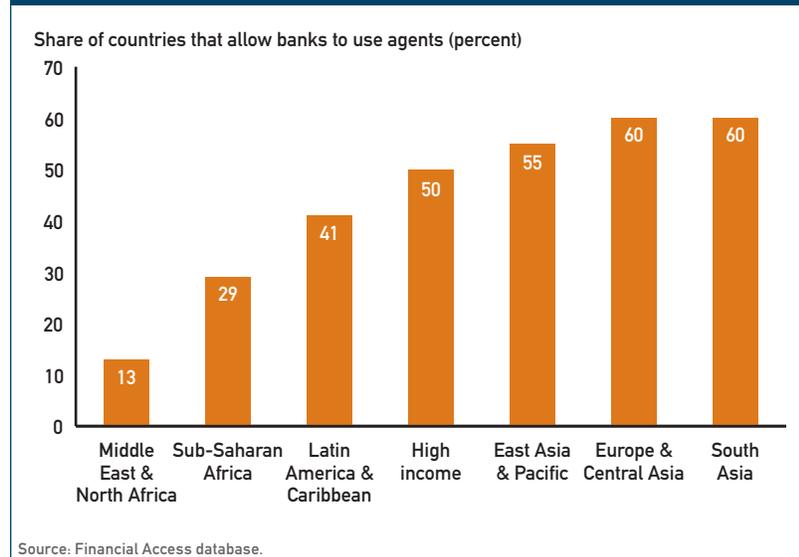
According to the Financial Access Survey, regulators in 40 percent of countries allow banks to formally contract with companies to act as banking agents to provide financial services. Africa and Middle East have the most restrictive regulations for agent banking (figure 4.9). Conversations with respondents reveal that, even in countries where laws do not forbid agent banking, it often does not take place. With no clear precedent to guide banks, they are reluctant to contract agents.

Although the data collected for this report focus only on agents used by banks, agents are also being used successfully by nonbank actors (such as mobile telephone companies) in Kenya and the Philippines. The use of agents by

nonbank actors to provide financial services raises questions about level playing fields between nonbanks and banks. In Kenya Safaricom uses approximately 9,000 agents to provide primarily cash-in and cash-out services to nearly

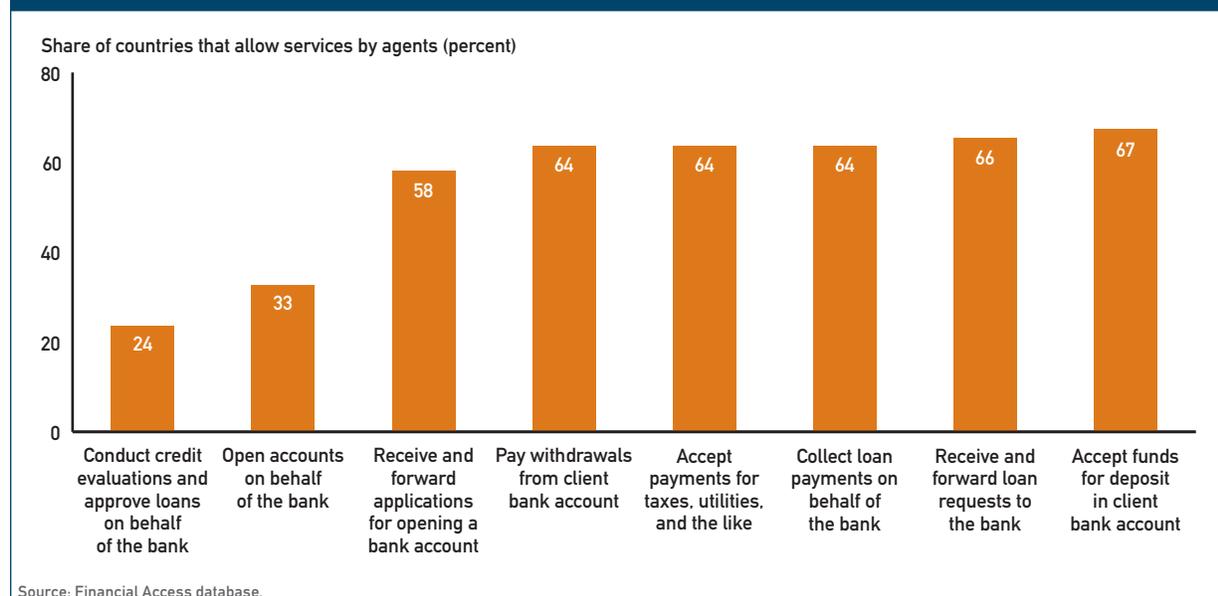
6.5 million M-Pesa money transfer customers. But banks in Kenya are not permitted to use agents to provide financial services, raising arguments that nonbank actors are given a competitive advantage in providing financial services. Kenyan authorities are working on draft regulations to permit banks to use agents.

**Figure 4.9 Africa and the Middle East have the most restrictive regulations for agent banking**



Payment-related services—including deposits and withdrawals from one’s account, payment of utility bills, and loan repayments—are allowed in more than 60 percent of countries where regulations permit agent banking (figure 4.10). A majority of agents are also allowed to accept loan applications. At the other end of the spectrum, the services least often authorized are loan approval and account opening on behalf of the bank. These activities may pose

**Figure 4.10 Many countries permit only payment services by agents**



greater risks in the view of regulators because they involve originating loans and identifying deposit account owners, with the associated “know your customer” procedures and guidelines.

### What agents can do varies greatly by region

What are agents permitted to do? Regulation varies widely, with patterns reflecting the structure of the financial and payment systems and the policy focus of the regulator (figure 4.11). India, Pakistan, and Sri Lanka—the three countries in South Asia that reported allowing banking agents—permit the broadest set of activities. Agent regulation in South Asia focuses on the policy goal of financial inclusion, enabling a broad set of saving and deposit-taking functions, including permission to open accounts on behalf of the bank in India and Sri Lanka. The only activity not permitted in the three countries is loan approval, though all allow agents to receive loan applications and forward them to the financial institution.<sup>11</sup> In contrast, agents in 8 of 15 high-income countries (53 percent) are permitted to conduct credit evaluations and approve loans, higher than in any other region (12 percent in developing countries). Japan and New Zealand have the most flexible regulation, allowing all types of transactions in figure 4.10.

Latin America leads in enabling payments through agents,

following the success of Brazil, where the number of agent outlets is 10 times the number of branches. Countries that permit agents also allow the agent to accept funds into a customer’s deposit account, critical in determining whether agents can

increase access to formal savings services. Latin America also has the highest share of countries allowing withdrawals from deposit accounts, bill payments, and loan repayments through an agent. As in South Asia, loan approval is the only activity not permitted in

Figure 4.11 What can agents do?

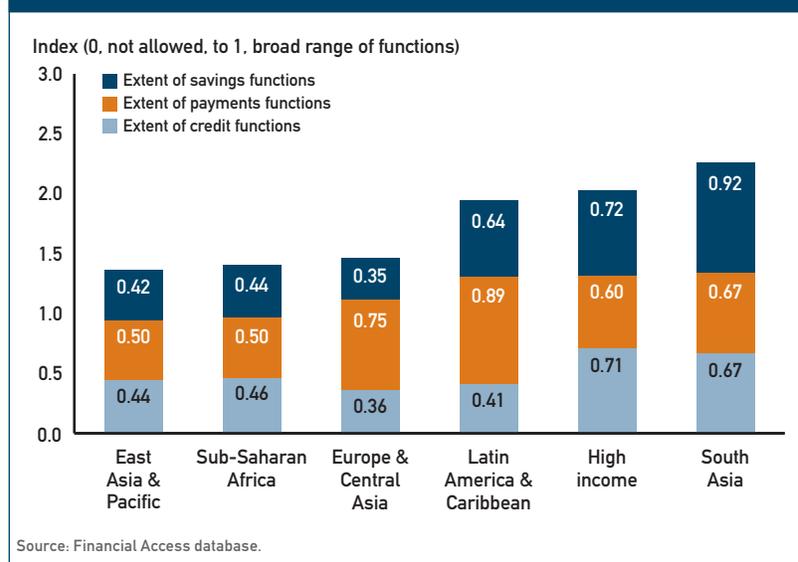
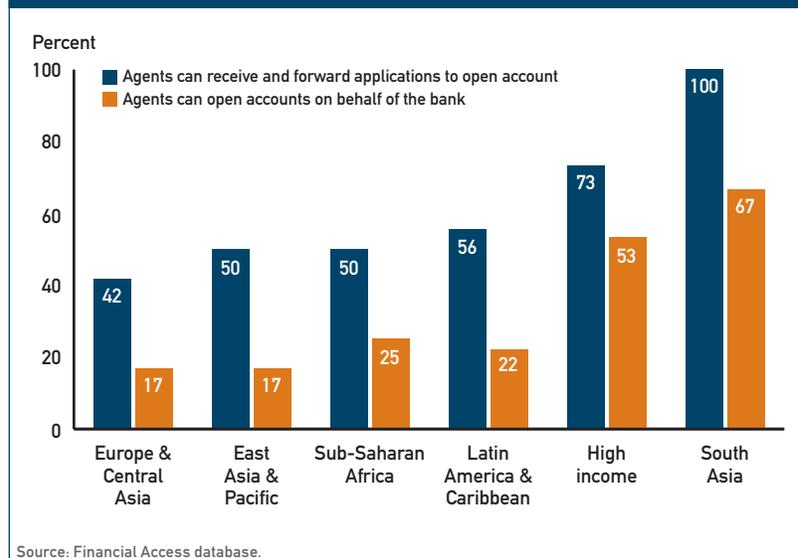


Figure 4.12 Customer acquisition is a key constraint for agents to improve financial inclusion



Latin American countries that allow agents.

East Asia, Europe and Central Asia, and Sub-Saharan Africa are more restrictive in what banking agents can do. In Kyrgyz Republic they can only transfer payments, while in Macedonia and Serbia they are permitted only to accept loan applications.

Customer acquisition is a key feature allowing agents to draw new clients into the formal banking system. For agents to expand access to finance, they must be able to open bank accounts. Although about 67 percent of countries allow agents to receive and forward applications to open bank accounts, only 24 percent of countries permit banking agents to open accounts on behalf of the bank (figure 4.12). A shared concern from the regulator point of view is the implementation of “know your customer” requirements. But some countries have enabled agents to open accounts on the agent’s premises. In all cases, banks remain responsible for ensuring adequate “know your customer” requirements for their agents.

While many countries allow agents to receive and pass loan applications to the bank, only a few allow them to evaluate applications and make lending decisions (figure 4.13). Most regulators are concerned about the risks in loan origination outside banks. In reality, most banks are unlikely to delegate credit approval to an agent

even if allowed, especially for significant loan sizes.

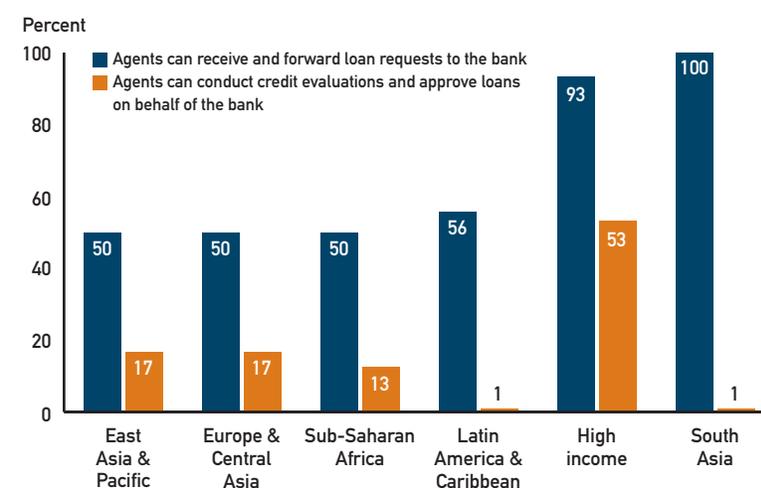
Overall, then, agents are restricted to performing only payment-related functions in many countries. Regulations enabling agents to provide a broader range of banking services could expand

access in rural and remote areas at low cost.

## Banking through post offices

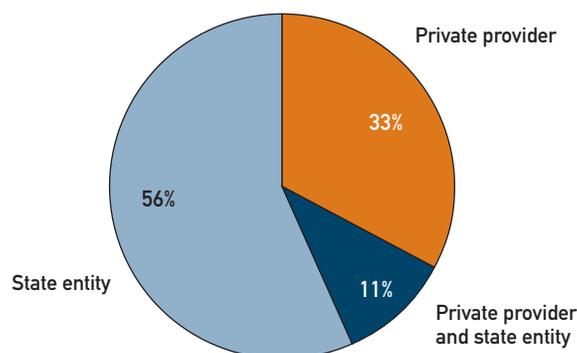
With more than 665,000 post offices worldwide, postal systems are one of the most extensive retail

**Figure 4.13 Credit approval by agents is widely restricted**



Source: Financial Access database.

**Figure 4.14 Who provides financial services through the postal system?**



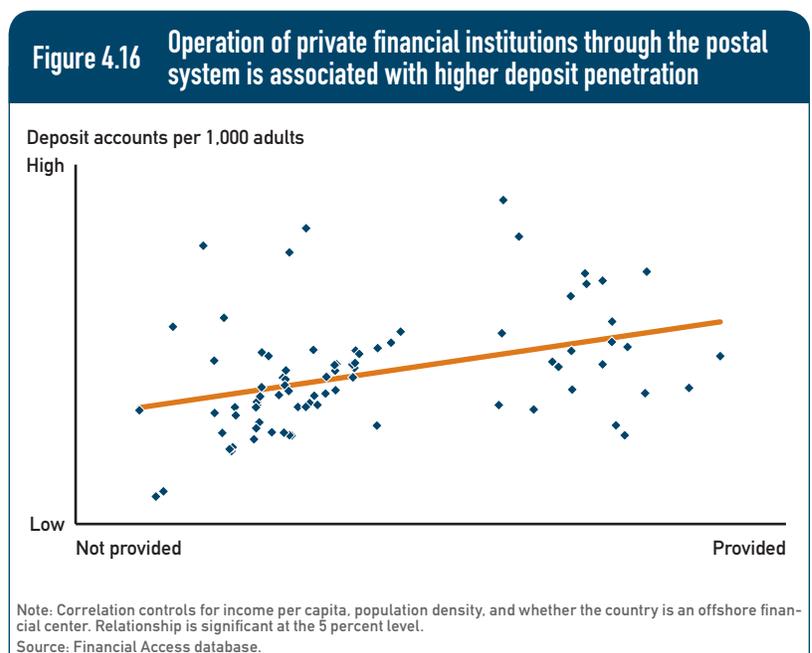
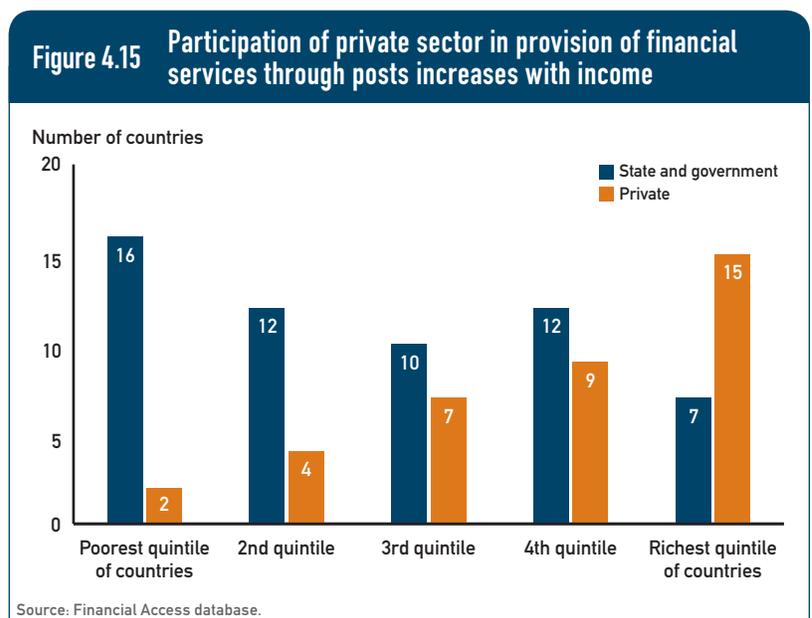
Note: Data are for 85 countries.  
Source: Financial Access database.

networks.<sup>12</sup> Developing countries have twice as many post offices as bank branches.<sup>13</sup> The postal system's wide network can be a powerful distribution channel for financial services, especially in rural areas. More than 70 percent of countries use post offices to deliver financial services, according to the Financial Access Survey. India's Post Office Savings Bank has one of the largest retail networks, providing payment and saving services through 155,000 branches, 90 percent of them in rural areas. But despite the long history of providing financial services through the postal network, there are few success stories.

Many countries view the provision of payment and saving services through the postal network as part of public infrastructure and as an instrument to improve financial access. For many countries the postal network was the first national payment system, where one could transfer funds by telegraph to be disbursed at the post office. In the Russian Federation the postal system still processes 80 percent of all payments.<sup>14</sup> Maintaining the postal network's physical infrastructure is expensive, and many postal operators face chronic deficits. Introducing payment and then saving services can increase postal revenue. For example, in Hungary financial services represent a third of all the postal network's revenues.<sup>15</sup> Savings collected by the posts also provide an inexpensive source of funding for the government.

Government ministries or specialized state-owned companies provide financial services through the postal system in more than half the countries (figure 4.14). In some cases postal operations and financial services are provided by the same legal entity, even though

these activities require different skills and management structures. Mismanagement, lack of transparency, and poor governance of some public postal systems has resulted in substantial financial losses, requiring government bailouts and refinancing. But in



Namibia, Pakistan, Tunisia, and several other countries postal banks do not fall under the supervision of the main bank supervisory agency, even when postal banks take deposits. While there is no one-size-fits-all model for postal banking, the role of these institutions in mobilizing deposits requires adequate supervision by the bank supervisory authority and separation of financial service activities from the core postal operations.

More countries are enacting postal banking reforms, including those permitting partnerships with the private sector. According to Financial Access Survey data, commercial banks or other financial institutions provide services through the postal network in about one-third of countries, with higher income countries more likely to do so (figure 4.15). Several countries also have public-private solutions, where the post provides financial services on behalf of a financial institution. Brazil granted a concession to Bank Bradesco to operate payment and saving services exclusively through the postal service, generating 1.5 million new accounts in five years.<sup>16</sup>

Reforming postal banking presents numerous challenges, and

solutions will vary widely from one country to the next. Enabling professional financial service providers to use the postal branch network is associated with greater deposit account penetration and holds great potential for improving access (figure 4.16). Financial institutions can reduce the cost of geographical expansion by using post offices rather than investing in new branches, giving the postal network revenue from fees and the customers a broader range of services.

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## Notes

1. Guiso, Sapienza, and Zingales 2002; Petersen and Rajan 2002; Mian 2006.
2. IMF 2006.
3. Requirements to seek approval to close a branch are also problematic.
4. While the survey did not ask questions about restrictions to close a branch, interviews with practitioners suggest that some restrictions on closing a bank branch once opened might also prevent a bank from opening a branch.
5. Among 67 countries in the survey with income per capita below the median, 80 percent had a requirement for opening a branch.

Only 50 percent of countries with incomes above the median had such requirement.

6. Mobile branches should not be confused with mobile phone banking (the use of mobile phones to access bank accounts).

7. CGAP 2005.

8. For a fuller discussion on the benefits of working with agents; see Ivatury, Lyman, and Staschen (2006).

9. Recent developments in India indicate that the Reserve Bank of India may soon expand the array of actors who can act as agents, thereby expanding the outreach of the agent model.

10. For a fuller discussion of regulating agents and other aspects of branchless banking, see Lyman, Pickens, and Porteous (2008).

11. Although India has fairly permissive rules on the types of activities agents (or business correspondents, as they are referred to by the Reserve Bank of India) can engage in, it has set much more restrictive rules on who can become an agent, which is limited to nongovernmental organizations and former public employees.

12. See the Universal Postal Union website at [www.upu.int](http://www.upu.int).

13. World Bank 2007a.

14. World Bank 2006c.

15. World Bank 2006c.

16. World Bank 2006c.



# Methodology

*Financial Access 2009* introduces new data from a survey of financial regulators in 139 countries. It presents indicators of access to savings, credit, and payment services in banks and regulated non-bank financial institutions. Building on earlier work, it is the first in a series of annual reports documenting access to financial services around the world.<sup>1</sup>

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## Survey design

Data were collected through a survey sent to countries' main financial supervisors, such as central banks or bank supervisory agencies. The survey questionnaire consisted of two parts: statistical tables and policy questions.

### Statistical tables

The survey collected data on the numbers and volumes of deposit accounts and loans; number of bank branches, automated teller machines, and point-of-service terminals; and other measures of use of financial services by banks and formal regulated nonbank financial

institutions. A formal financial institution is a registered business whose primary activity is provision of financial services. Formal financial institutions can be regulated or nonregulated. A financial institution is considered regulated when it is subject to regulation or supervision by a state regulator. The regulatory requirements that apply to such institutions can be prudential or nonprudential. Data were collected for commercial banks and for regulated nonbank financial institutions, adding value to other studies that have come before it. To make the cross-country comparison of the services provided by the different types of financial institutions possible, respondents were asked to classify existing types of regulated institutions into four broad categories:

- *Commercial banks*—banks with a full banking license. Majority state-owned banks are included in this category when they perform a broad set of retail banking functions.
- *Cooperatives*—institutions with a mutual ownership structure, including credit unions.

- *Specialized state financial institutions*—specialized financial institutions fully owned by the state or extensions of the government whose main purpose is to lend in support of economic development or to provide savings, payment, and deposit services to the public. This group includes postal banks, government savings banks, small and medium-size enterprise lending facilities, agricultural banks, and development banks.
- *Microfinance institutions*—financial institutions whose primary business model is to lend to and possibly take deposits from the poor.

The data collected using this institutional classification necessarily understates the scale of microfinance because many banks, cooperatives, and specialized state financial institutions provide microfinance services as well.

## Policy questions

The second part of the survey contains questions on regulations relating to access to financial services, including:

- Financial services provided through post offices.
- Use of agents and correspondents.
- Bank account management.
- Bank branch regulations.
- Collateral and lending.
- Transparency and consumer protection.

- Promotion of access to finance.

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## Survey sample

Questionnaires were sent to 144 countries: 13 in East Asia and Pacific, 27 in Europe and Central Asia, 21 in Latin America and the Caribbean, 14 in Middle East and North Africa, 6 in South Asia, 40 in Sub-Saharan Africa, and 23 in high-income Organisation for Economic Co-operation and Development countries. For practical reasons most small island and conflict-affected countries were not included. The sample covers more than 94 percent of the world's population and nearly 98 percent of world GDP.

The questionnaires were sent directly to the governors' offices of central banks. When appropriate, they were also sent to monetary authorities or banking supervisory agencies. Depending on the country and the structure of its regulatory authority, questionnaires were filled out by one or more of the following departments: research, statistics, supervision, and foreign relations. Of 162 questionnaires sent, 139 countries responded.

The data passed several robustness checks. First, the numbers of deposit and loan accounts for banks were compared with those collected in recent cross-country surveys.<sup>2</sup> Numbers for *Financial*

*Access 2009* were larger, reflecting growth in the years between surveys. The loan values are also closely correlated with domestic credit in *International Finance Statistics*.

Multiple checks for internal consistency and rationality were also conducted. When anomalies were found, the respondents were asked to provide clarifications. In the absence of adequate clarity, the data points were dropped (which occurred in only a few cases).

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## Main limitations

The survey collects information on regulated financial institutions only, leaving out nonregulated providers of financial services. This is likely to understate significantly the scale of credit services, which are often not regulated, unlike deposit services. Even though the main financial regulator was asked to provide data on all regulated financial institutions, when some financial institutions are regulated by other regulators, these data are rarely available. As a result available data understate the true scale of financial services provided by regulated financial institutions.

Data on the number of borrowers and depositors are available in only a few countries. Instead, the number of deposit and loan accounts is used as a basis for core access indicators, double-counting

clients with multiple accounts. Another imperfection stems from differing treatment of dormant accounts—some banks close dormant accounts after six months of inactivity, while others keep such accounts open for many years.

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## Global estimates and maps

Maps for deposit and loan account ownership use data from the Financial Access Survey where available. Where data were not available, number of deposit and loan accounts from previous World Bank surveys were used.<sup>3</sup> For countries where no data were available, estimates were derived using simple regression framework.

For deposit accounts a margin of error was calculated, in the form of a conservative estimate, a preferred estimate, and a high estimate to give a sense of the range of values that may apply. To generate the map for deposit accounts, the preferred estimate for commercial banks, based on actual data and predictions from regression model, was added to the conservative estimate for cooperatives, specialized state financial institutions, and microfinance institutions, based on data from the Financial Access Survey and other sources.<sup>4</sup> The confidence interval for the global estimate of the total number of deposit accounts (the high estimate minus the conservative estimate) is 15 percent of the preferred estimate. To generate the map for loan accounts, only the number of commercial bank loans was estimated, not loans from other institutions, whose data

are much less comprehensive than those for deposits.<sup>5</sup>

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## Notes

1. Beck, Demirgüç-Kunt, and Martinez Peria 2007; World Bank 2008a.
2. Beck, Demirgüç-Kunt and Martinez Peria 2007; World Bank 2008; CGAP 2004.
3. Beck, Demirgüç-Kunt and Martinez Peria 2007; World Bank 2008a .
4. CGAP 2004; World Council of Credit Unions website ([www.woccu.org](http://www.woccu.org)); Microfinance Exchange website (<http://microfinanceexchange.com>).
5. For further detail, see Kendall, Mylenko, and Ponce (forthcoming).





# Statistical and policy tables

**Table S1 Financial access: commercial banks**

Country	Deposits			Loans			Outreach		
	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
							Total	Urban	Rural
Afghanistan	..	..	..	4.0	..	..	1.1	..	..
Albania	451.4	..	..	102.2	..	..	21.4	..	..
Algeria	682.9	565.1	1,154.4	..	..	..	5.3	..	..
Angola	..	32.2	..	..	..	..	5.5	..	..
Anguilla	4,527.6	..	..	980.3	..	..	55.1	36.7	18.4
Antigua and Barbuda	2,960.5	130.2	60.1	650.3	114.2	240.0	27.1	..	..
Argentina	875.3	20.7	31.9	503.3	17.5	46.9	13.3	..	..
Armenia	571.8	16.0	34.7	192.4	22.0	141.5	15.7	..	..
Australia	..	93.6	..	..	145.1	..	31.8	24.4	7.3
Austria	2,441.8	58.5	28.3	..	70.1	..	..	..	..
Azerbaijan	701.9	15.8	29.4	..	27.4	..	8.6	4.6	4.0
Bangladesh	318.7	49.0	235.1	42.4	38.1	1,374.6	5.2	2.6	2.6
Belarus	..	27.4	..	..	46.8	..	44.9	..	..
Belgium	3,724.6	164.3	52.9	..	165.9	..	50.0	..	..
Bolivia	273.7	42.5	247.2	71.6	28.5	632.9	6.3	5.1	1.2
Bosnia and Herzegovina	380.4	53.9	170.7	343.6	65.9	230.9	25.0	..	..
Botswana	481.4	..	..	79.7	..	..	6.9	3.1	3.8
Brazil	..	28.7	..	390.1	33.6	119.1	12.2	..	..
Bulgaria	1,987.3	66.8	38.8	456.4	91.2	230.9	88.1	..	..
Burundi	21.5	34.6	2,893.1	1.3	20.4	28,309.8	1.7	0.8	0.9
Cambodia	75.5	29.4	605.0	24.8	27.9	1,743.2	3.7	..	..
Cameroon	..	21.3	..	..	14.3	..	..	..	..
Canada	..	73.5	..	..	74.9	..	23.7	..	..
Cape Verde	1,103.2	92.0	135.5	207.3	63.2	495.4	23.6	17.5	6.1
Central African Republic	..	9.7	..	..	11.3	..	..	..	..
Chad	..	8.5	..	..	7.0	..	..	..	..
Chile	746.3	46.0	80.5	629.4	57.2	118.9	15.0	..	..
Colombia	1,151.4	37.2	45.7	..	34.7	..	13.7	..	..
Congo, Dem. Rep.	6.1	11.6	3,611.0	..	0.01	..	0.3	0.3	..
Congo, Rep.	..	17.5	..	..	5.9	..	..	..	..
Costa Rica	..	..	..	..	50.8	..	..	..	..
Croatia	..	97.8	..	..	99.7	..	33.2	..	..
Czech Republic	1,679.6	87.9	60.8	..	66.1	..	22.4	..	..
Denmark	..	96.1	..	..	127.3	..	46.7	..	..
Dominica	1,651.1	137.4	109.6	207.1	80.2	510.2	12.7	10.9	1.8
Dominican Republic	..	31.5	..	309.7	22.6	108.6	10.0	4.6	5.4
Ecuador	494.0	29.8	88.3	..	21.7	..	1.6	..	..
El Salvador	737.4	4.9	9.9	..	..	..	8.2	..	..
Equatorial Guinea	..	17.7	..	..	9.5	..	..	..	..
Estonia	2,751.9	81.5	34.8	1,021.9	141.9	163.0	22.2	..	..
Ethiopia	81.6	30.7	669.3	1.3	16.9	23,453.0	1.2	..	..
Finland	..	35.6	..	..	70.6	..	18.5	..	..
France	..	..	..	..	..	..	23.0	..	..
Gabon	..	20.7	..	..	13.5	..	..	..	..
Gambia, The	268.9	..	..	44.1	..	..	5.5	4.8	0.7
Georgia	661.1	25.3	46.7	349.0	56.1	195.6	18.6	9.5	9.1
Germany	..	23.8	..	..	27.6	..	16.3	..	..
Ghana	269.6	..	..	..	..	..	4.4	4.4	..
Greece	3,219.2	121.1	43.8	1,296.9	77.6	69.6	38.8	..	..
Grenada	2,636.5	151.9	85.4	336.8	121.5	535.0	34.3	16.5	17.8
Guatemala	1,050.1	38.5	63.6	374.4	30.2	139.8	33.1	15.0	18.1
Guyana	..	92.2	..	..	40.5	..	6.3	2.2	4.1
Haiti	330.3	34.0	163.8	11.2	13.0	1,836.0	..	..	..
Honduras	744.2	54.2	119.1	..	53.3	..	1.5	1.5	..

**Table S1**  
continued

**Financial access: commercial banks**

Country	Deposits			Loans			Outreach		
	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
							Total	Urban	Rural
Hong Kong, China	..	374.4	..	..	198.5	..	24.4	..	..
Hungary	1,570.8	51.4	38.8	..	84.1	..	17.1	..	..
India	680.5	51.0	110.0	123.8	38.2	453.2	9.3	3.5	5.8
Indonesia	484.3	41.8	119.6	180.6	29.7	227.7	6.7	1.7	..
Iran	..	64.5	..	..	54.5	..	28.8	..	..
Ireland	..	101.6	..	..	222.1	..	34.1	..	..
Israel	2,253.6	60.9	37.5	1,055.0	120.3	157.9	19.8	16.6	3.2
Italy	763.2	48.4	73.8	597.3	65.3	127.0	53.0	..	..
Jamaica	1,172.4	42.7	52.7	214.6	31.5	212.3	7.2	4.4	2.8
Japan	..	161.8	..	..	91.7	..	12.5	..	..
Jordan	814.2	..	..	160.5	..	..	16.2	..	..
Kenya	296.2	44.0	259.1	70.4	32.6	806.7	4.0	..	..
Korea, Rep.	..	63.9	..	..	75.0	..	12.6	..	..
Kuwait	..	63.9	..	..	68.7	..	15.1	..	..
Kyrgyz Republic	114.7	18.1	224.8	25.2	20.0	1,127.7	6.3	4.6	1.7
Lao PDR	..	..	..	..	..	..	1.7	..	..
Latvia	1,218.6	74.9	71.2	687.1	122.8	207.2	12.0	..	..
Lebanon	1,310.3	328.4	347.3	..	98.5	..	29.1	15.9	13.3
Lesotho	199.3	35.5	296.0	18.1	10.8	988.7	1.9	1.7	0.2
Lithuania	2,142.4	42.3	23.4	381.2	79.0	245.8	28.8	..	..
Luxembourg	..	196.2	..	..	104.0	..	25.7	..	..
Macedonia, FYR	1,302.1	57.0	53.9	962.1	52.7	67.5	22.1	..	..
Madagascar	33.8	17.8	925.5	20.7	7.6	641.8	1.0	0.9	0.1
Malawi	124.1	16.1	244.4	16.9	11.2	1,250.6	1.8	1.0	0.8
Malaysia	2,226.7	110.4	71.0	972.9	119.1	175.3	11.6	9.7	1.9
Mauritania	37.1	..	..	..	..	..	3.8	3.8	..
Mauritius	2,109.9	..	..	416.9	..	..	19.4	9.7	9.6
Mexico	1,013.6	13.6	19.0	..	16.6	..	14.0	..	..
Moldova	..	57.6	..	..	54.2	..	9.7	9.5	0.2
Mongolia	1,935.1	43.8	31.1	271.5	58.1	293.5	56.7	13.4	43.3
Montserrat	3,683.3	..	..	241.3	..	..	54.2	54.2	..
Morocco	277.4	73.8	377.3	..	91.2	..	11.6	11.1	0.5
Mozambique	111.8	..	..	20.4	..	..	2.9	..	..
Namibia	466.2	..	..	355.9	57.4	258.2	7.3	..	..
Nepal	165.4	52.3	510.5	38.3	..	..	3.2	..	..
Netherlands	1,772.1	247.1	170.7	..	307.5	..	26.1	..	..
New Zealand	..	73.9	..	..	150.6	..	31.7	..	..
Nicaragua	198.2	42.3	336.4	185.0	36.1	307.6	6.8	..	..
Norway	..	109.5	..	..	120.3	..	35.0	..	..
Oman	..	60.8	..	..	65.7	..	22.1	..	..
Pakistan	226.1	37.6	258.9	47.1	26.9	889.1	7.5	5.2	2.3
Panama	757.2	199.1	374.7	435.4	101.3	331.4	18.9	12.1	6.8
Papua New Guinea	..	61.2	..	..	28.1	..	2.8	..	..
Paraguay	80.1	45.6	874.3	88.7	29.7	514.2	6.2	..	..
Peru	716.4	31.1	62.5	366.8	25.2	98.9	7.5	7.3	0.2
Philippines	516.9	55.7	167.2	..	30.4	..	10.5	4.4	6.2
Poland	1,527.4	48.6	37.6	..	58.3	..	32.6	..	..
Portugal	..	77.2	..	..	144.5	..	55.9	..	..
Puerto Rico	1,025.6	0.1	0.1	..	0.1	..	16.6	..	..
Romania	..	..	..	430.7	..	..	27.6	2.3	25.3
Russian Federation	..	18.4	..	..	62.0	..	2.9	..	..
Rwanda	201.8	19.1	165.5	2.4	10.2	7,562.4	3.1	1.2	2.0
Serbia	..	55.4	..	..	47.3	..	44.9	..	..
Singapore	2,305.1	307.5	162.7	899.1	245.8	333.4	11.0	11.0	..

**Table S1** Financial access: commercial banks  
continued

Country	Deposits			Loans			Outreach		
	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
							Total	Urban	Rural
Slovak Republic	..	47.6	..	..	39.6	..	25.7	..	..
Slovenia	1,393.6	..	..	..	..	..	15.7	..	..
South Africa	788.1	103.7	192.8	296.9	101.0	498.2	8.0	..	..
Spain	741.4	51.8	81.7	309.8	72.7	274.6	40.5	..	..
Sri Lanka	1,651.8	44.5	35.1	487.0	41.5	110.7	9.1	..	..
St. Kitts and Nevis	4,405.9	173.3	53.3	484.1	153.7	430.7	57.4	50.7	6.8
St. Lucia	2,562.6	47.5	25.4	348.0	54.6	215.0	18.8	..	..
St. Vincent & the Grenadines	1,551.2	96.1	86.6	243.6	83.9	481.0	13.9	5.8	8.1
Swaziland	270.3	20.7	124.8	98.3	11.3	187.6	2.9	2.1	0.7
Sweden	..	119.0	..	..	156.1	..	22.8	..	..
Syrian Arab Republic	157.4	..	..	23.3	..	..	2.2	..	..
Taiwan, China	5,390.2	156.0	34.7	646.3	143.9	267.3	17.3	17.0	0.3
Tajikistan	..	10.9	..	..	18.3	..	3.9	1.2	2.7
Tanzania	..	..	..	..	..	..	1.8	..	..
Thailand	1,498.0	86.0	72.8	275.6	92.2	424.3	10.9	3.6	7.3
Tunisia	672.0	52.1	102.6	175.8	56.6	425.6	13.6	13.1	0.5
Turkey	1,851.2	82.3	61.3	315.2	42.5	185.7	17.3	..	..
Uganda	153.7	24.3	311.7	20.8	16.7	1,580.3	1.9	1.9	..
Ukraine	3,755.0	48.6	15.0	..	99.1	..	3.3	..	..
United Kingdom	..	113.0	..	..	142.9	..	..	..	..
United States	1,760.8	39.8	28.5	..	46.9	..	35.4	25.7	9.7
Uruguay	507.3	55.0	141.4	438.8	30.0	89.3	13.9	13.9	..
Venezuela, RB	518.4	36.1	100.2	484.1	26.2	77.9	18.5	10.8	7.7
Vietnam	..	..	..	..	105.0	..	3.3	..	..
Yemen, Rep.	105.7	..	..	5.7	..	..	1.8	..	..
Zambia	293.1	28.7	179.3	19.4	25.0	2,354.6	3.5	3.2	0.4
Zimbabwe	139.1	..	..	..	..	..	2.8	2.4	0.4

.. is not available.

Source: Financial Access database.

**Table S2 Financial access: cooperatives**

Country	Under regulation agency supervision?	Deposits			Loans			Outreach		
		Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
								Total	Urban	Rural
Argentina	Yes	0.1	0.0	119.5	5.9	0.1	12.0	0.0	..	..
Australia	Yes	..	5.7	..	..	5.2	..	7.3	6.1	1.2
Austria	Yes	1,515.0	38.8	30.3	..	38.5	..	..	..	..
Azerbaijan	Yes	..	..	..	3.0	0.1	25.4	..	..	..
Belgium	Yes	..	0.0	..	..	..	..	..	..	..
Bolivia	Yes	169.1	5.5	51.8	17.0	4.4	413.9	2.1	1.3	0.8
Bosnia and Herzegovina	Yes	..	..	..	..	0.0	..	..	..	..
Brazil	Yes	..	0.8	..	17.0	0.9	70.0	1.9	..	..
Burundi	Yes	54.8	1.4	46.4	7.2	0.9	233.0	..	..	..
Canada	Yes	..	11.6	..	..	11.5	..	12.4	..	..
Chile	Yes	47.5	..	..	..	0.8	..	1.4	..	..
Colombia	Yes	24.1	0.4	23.7	..	0.0	..	0.7	..	..
Congo, Dem. Rep.	Yes	11.5	0.7	116.3	5.1	0.6	217.8	0.2	0.2	..
Costa Rica	Yes	..	..	..	..	7.9	..	..	..	..
Croatia	Yes	..	0.1	..	..	0.1	..	..	..	..
Czech Republic	Yes	..	0.2	..	..	0.2	..	0.2	..	..
Denmark	Yes	..	0.7	..	..	0.6	..	1.9	..	..
Dominica	No	..	..	..	..	..	..	27.2	5.4	21.7
Dominican Republic	Yes	..	4.6	..	32.2	3.5	164.1	2.9	1.2	1.6
Ecuador	Yes	313.7	3.4	15.6	..	3.4	..	0.4	..	..
El Salvador	Yes	8.9	0.1	18.9	..	..	..	0.7	..	..
Estonia	No	1.3	0.0	9.6	1.3	0.1	52.3	1.6	0.5	1.1
Finland	Yes	..	22.2	..	..	23.9	..	18.2	..	..
France	Yes	..	..	..	..	..	..	23.8	..	..
Georgia	Yes	0.1	0.0	58.2	..	0.0	..	0.5	..	0.5
Germany	..	..	16.4	..	..	15.8	..	19.4	..	..
Greece	Yes	29.7	1.2	47.0	11.3	1.2	128.3	1.2	..	..
Haiti	No	41.6	0.6	22.6	19.4	0.5	40.1	..	..	..
Hungary	Yes	..	5.5	..	..	2.8	..	20.6	..	..
India	Yes	70.3	2.7	56.8	10.4	1.7	247.6	1.0	..	0.3
Italy	Yes	223.0	9.9	51.5	98.7	17.9	210.7	13.9	..	..
Jamaica	Yes	929.1	11.9	18.6	23.4	9.7	602.9	2.5	1.0	1.5
Japan	Yes	..	28.7	..	..	16.1	..	7.9	..	..
Korea, Rep.	Yes	..	18.4	..	..	15.2	..	6.0	..	..
Latvia	Yes	9.4	0.0	5.6	4.3	0.1	16.8	..	..	..
Lithuania	Yes	..	0.7	..	..	0.7	..	5.8	..	..
Luxembourg	Yes	..	..	..	..	..	..	13.5	..	..
Malawi	No	..	0.2	..	31.5	0.2	12.5	..	..	..
Malaysia	No	341.6	1.3	5.4	81.1	1.0	17.6	..	..	..
Mexico	Yes	0.4	0.2	636.8	0.6	0.2	536.3	0.3	0.3	..
Montserrat	No	..	..	..	..	..	..	27.1	27.1	..
Morocco	No	106.0	26.7	356.8	..	..	..	2.8	..	..
Mozambique	Yes	1.2	..	..	1.1	..	..	0.1	..	..
Nepal	Yes	..	0.4	..	..	..	..	..	..	..
New Zealand	Yes	..	1.5	..	..	1.4	..	..	..	..
Panama	No	..	..	..	..	..	..	17.3	6.9	10.4
Papua New Guinea	Yes	..	1.9	..	..	1.2	..	..	..	..
Peru	Yes	..	0.6	..	27.2	0.7	37.5	1.2	1.0	0.2
Philippines	Yes	7.3	0.1	24.8	..	0.1	..	0.1	..	0.1
Poland	Yes	202.0	4.1	24.0	..	3.2	..	11.2	..	..
Portugal	Yes	..	11.3	..	..	13.5	..	14.0	..	..
Puerto Rico	No	315.1	0.0	0.0	143.9	0.0	0.1	..	..	..
Romania	Yes	..	..	..	..	..	..	0.8	0.7	0.1
Rwanda	Yes	71.0	1.7	42.2	..	1.8	..	2.1	0.3	1.8

**Table S2** Financial access: cooperatives  
continued

Country	Under regulation agency supervision?	Deposits			Loans			Outreach		
		Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
								Total	Urban	Rural
Spain	Yes	1,732.5	71.0	47.9	425.0	86.8	238.9	76.9	..	..
Sri Lanka	No	..	9.2	..	..	6.3	..	50.3	..	..
St. Kitts and Nevis	No	..	6.5	..	..	6.4	..	13.5	13.5	..
Taiwan, China	No	188.5	4.0	25.4	9.8	2.8	346.8	1.6	1.3	0.2
United Kingdom	No	..	18.7	..	..	20.7	..	..	..	..
United States	Yes	710.9	9.2	16.3	..	11.7	..	..	..	..
Uruguay	Yes	0.8	0.0	46.6	3.3	0.0	12.1	0.0	0.0	..
Zimbabwe	Yes	92.2	..	..	..	..	..	1.9	1.8	0.1

.. is not available.

Source: Financial Access database.

**Table S3 Financial access: specialized state financial institutions**

Country	Under regulation agency supervision?	Deposits			Loans			Outreach		
		Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
								Total	Urban	Rural
Antigua and Barbuda	No	..	..	..	..	..	..	0.2	..	..
Austria	Yes	..	0.1	..	..	2.4	..	..	..	..
Bangladesh	Yes	41.4	2.8	102.8	39.9	3.1	117.0	1.3	1.2	1.2
Botswana	Yes	342.2	..	..	24.6	..	..	1.2	..	..
Brazil	Yes	..	6.3	..	35.0	7.4	290.1	1.5	..	..
Burundi	Yes	0.8	0.7	1,549.8	0.2	2.5	19,813.1	..	..	..
Canada	Yes	..	1.3	..	..	3.1	..	0.6	..	..
Cape Verde	No	..	..	..	..	..	..	..	0.9	..
Chile	Yes	1,186.1	8.2	9.1	178.3	8.8	64.2	2.7	..	..
Colombia	Yes	0.01	0.3	33,132.2	..	4.7	..	0.01	..	..
Congo, Rep.	Yes	..	..	..	..	..	..	..	1.8	..
Costa Rica	Yes	..	..	..	..	0.4	..	..	..	..
Czech Republic	Yes	0.7	1.5	2,488.4	..	1.0	..	0.1	..	..
Dominica	No	..	..	..	..	..	..	1.8	..	..
Dominican Republic	Yes	..	1.3	..	43.7	1.5	51.7	1.8	..	1.0
Ecuador	Yes	57.5	1.3	33.2	..	3.4	..	1.0	..	..
El Salvador	Yes	..	..	..	..	0.2	..	..	..	..
Equatorial Guinea	Yes	..	..	..	..	..	..	..	0.1	..
Ethiopia	Yes	0.1	0.3	6,086.0	0.2	3.1	33,711.6	0.1	..	..
Germany	..	..	28.5	..	..	43.5	..	20.6	..	..
Greece	No	7.8	2.2	325.6	19.8	1.6	93.9	0.04	..	..
Honduras	Yes	..	0.3	..	..	3.4	..	0.1	..	..
Hong Kong, China	No	..	..	..	..	..	..	..	4.0	..
Hungary	Yes	..	0.2	..	..	3.0	..	..	..	..
India	Yes	325.3	8.9	40.3	23.6	1.3	79.8	22.3	..	18.3
Iran	Yes	..	9.2	..	..	13.0	..	5.8	..	..
Ireland	Yes	..	..	..	..	..	..	28.4	..	..
Jordan	No	..	..	..	..	..	..	..	6.8	..
Korea, Rep.	Yes	..	17.9	..	..	33.7	..	3.8	0.5	..
Kuwait	Yes	..	..	..	..	..	..	0.05	..	..
Lesotho	Yes	59.7	1.0	28.8	..	..	..	1.1	..	0.5
Luxembourg	Yes	..	..	..	..	..	..	19.1	..	..
Macedonia, FYR	Yes	..	..	..	0.1	0.01	112.6	..	..	..
Malaysia	Yes	1,064.4	12.1	16.3	102.0	8.7	122.0	4.4	..	..
Mexico	Yes	67.1	0.1	2.9	..	3.2	..	0.9	..	..
Morocco	Yes	200.1	4.7	33.6	..	..	..	8.1	..	..
Nepal	Yes	..	3.0	..	..	..	..	0.7	0.1	..
Netherlands	No	..	..	..	..	..	..	..	0.3	..
Nicaragua	Yes	..	..	..	..	..	..	..	0.3	..
Norway	No	..	..	..	..	9.9	..	..	1.4	..
Oman	Yes	..	0.04	..	..	1.6	..	1.3	..	..
Pakistan	Yes	12.5	0.1	16.7	..	..	..	0.5	..	0.2
Panama	No	..	..	..	..	..	..	1.9	..	1.7
Peru	Yes	222.1	4.5	28.9	32.6	0.6	27.6	2.1	..	0.7
Philippines	Yes	53.8	5.9	170.0	..	3.1	..	0.7	3.0	0.6
Poland	No	..	..	..	..	..	..	..	0.1	..
Puerto Rico	Yes	..	0.01	..	..	0.01	..	..	..	..
Romania	Yes	..	..	..	..	..	..	7.7	..	4.7
Rwanda	Yes	..	..	..	0.1	1.0	26,050.3	0.1	..	..
Singapore	No	..	..	..	..	..	..	..	1.3	..
Slovak Republic	Yes	..	..	..	..	0.5	..	0.2	..	..
South Africa	No	..	0.5	..	..	1.3	..	..	..	..
Spain	No	0.01	0.2	32,850.1	0.1	1.0	11,767.1	0.003	..	..
Sri Lanka	Yes	..	9.1	..	..	3.8	..	12.3	..	..

**Table S3** Financial access: specialized state financial institutions  
continued

Country	Under regulation agency supervision?	Deposits			Loans			Outreach		
		Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
								Total	Urban	Rural
St. Kitts and Nevis	No	..	..	..	..	..	..	6.8	..	..
St. Vincent & the Grenadines	No	..	..	..	..	..	..	..	0.2	..
Swaziland	Yes	143.1	2.7	30.7	16.4	4.3	430.5	1.3	..	..
Sweden	No	..	..	..	..	..	..	..	7.0	..
Syrian Arab Republic	Yes	2.5	..	..	28.6	..	..	0.8	6.5	..
Taiwan, China	No	1,476.9	36.9	30.0	..	..	..	6.9	..	0.4
Tunisia	No	476.0	9.1	25.3	..	..	..	13.3	..	6.2
Turkey	No	..	..	..	0.02	0.8	62,724.0	0.04	..	..
United States	No	..	..	..	..	3.2	..	..	..	..
Venezuela, RB	Yes	..	..	..	..	..	..	..	0.1	..
Zambia	Yes	18.7	0.3	30.4	5.5	0.5	164.2	0.4	..	0.2
Zimbabwe	Yes	438.7	0.001	0.003	..	..	..	0.4	..	0.2

.. is not available.

Source: Financial Access database.

**Table S4 Financial access: microfinance institutions**

Country	Under regulation agency supervision?	Deposits			Loans			Outreach		
		Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Accounts per 1,000 adults	Value (% of GDP)	Average account value (% of income per capita)	Branches per 100,000 adults		
								Total	Urban	Rural
Azerbaijan	No	..	..	..	25.6	0.6	31.0	0.8	0.1	0.7
Bangladesh	Yes	..	1.4	..	66.7	1.0	21.9	2.4	..	2.4
Bolivia	Yes	136.4	4.1	47.8	49.4	5.1	163.6	3.9	2.6	1.3
Bosnia and Herzegovina	Yes	..	..	..	22.7	5.5	292.4	14.5	..	..
Botswana	Yes	3.0	..	..	0.1	..	..	0.2	0.1	0.1
Brazil	Yes	..	..	..	0.04	0.001	40.9	0.03	..	..
Burundi	Yes	0.5	0.04	164.4	1.8	0.1	74.1	..	..	..
Cambodia	No	11.7	0.1	8.4	..	3.2	..	..	..	..
Congo, Dem. Rep.	No	..	..	..	..	..	..	0.03	0.03	..
Ecuador	Yes	0.8	0.01	19.6	..	0.1	..	..	..	..
Ethiopia	Yes	47.9	0.8	29.3	50.4	2.2	77.8	0.9	..	..
France	No	..	..	..	..	..	..	0.1	..	..
Gambia, The	No	143.5	..	..	3.5	..	..	..	..	..
Georgia	No	..	..	..	22.3	0.7	40.6	0.7	0.7	..
Ghana	No	..	..	..	..	..	..	0.9	..	0.9
Guyana	No	..	..	..	..	0.6	..	..	..	..
Honduras	Yes	..	0.03	..	..	0.2	..	1.8	1.8	..
Madagascar	No	20.0	0.2	19.0	2.9	0.3	188.8	1.3	0.3	1.0
Malaysia	Yes	..	..	..	..	0.2	..	1.6	..	..
Mexico	Yes	21.0	0.1	6.5	..	0.1	..	0.5	..	..
Morocco	Yes	..	..	..	66.8	1.0	20.6	7.2	..	..
Mozambique	No	0.04	..	..	0.004	..	..	0.7	..	..
Nepal	Yes	..	0.4	..	..	..	..	1.9	..	..
Nicaragua	Yes	98.4	2.0	32.7	47.0	5.7	189.4	2.5	..	..
Pakistan	Yes	16.7	0.05	4.3	16.9	0.2	17.9	1.5	..	..
Panama	No	3.0	0.2	114.9	4.3	0.4	124.1	0.3	0.2	0.1
Papua New Guinea	No	..	0.3	..	..	0.1	..	..	..	..
Peru	Yes	73.9	1.8	34.2	73.5	2.5	48.2	3.5	2.9	0.6
Philippines	Yes	5.4	0.02	5.0	..	0.02	..	0.1	0.01	0.1
Puerto Rico	Yes	..	..	..	..	0.005	..	21.0	..	..
Rwanda	Yes	52.4	0.4	15.0	..	0.6	..	4.2	0.8	3.4
South Africa	No	..	0.1	..	..	0.5	..	..	..	..
St. Lucia	No	..	..	..	..	0.1	..	..	..	..
Tajikistan	No	..	0.1	..	..	0.04	..	..	..	..
Tunisia	No	..	..	..	27.5	0.2	10.7	4.4	0.5	3.9
Uganda	No	20.2	0.2	15.9	8.2	0.4	103.3	0.4	0.3	0.1
Yemen, Rep.	Yes	1.9	..	..	2.5	..	..	..	..	..
Zambia	Yes	0.3	0.1	662.0	60.7	1.1	33.1	1.2	1.1	0.03
Zimbabwe	Yes	..	..	..	..	..	..	2.5	..	..

.. is not available.

Source: Financial Access database.

**Table P1 Documentation required to open an account**

Country	Proof of identity through government-issued identification	Proof of identity through any identification	Proof of nationality/legal status in country	Proof of address	Proof of income	Proof of employment	Exception from requirements for low-income applicants or small accounts
Afghanistan	✓	✓	✓	✓	✓	✓	
Albania	✓	✓	✓	✓	✓	✓	
Algeria	✓			✓			
Angola	✓		✓				✓
Anguilla	✓		✓	✓	✓	✓	
Antigua and Barbuda	✓		✓	✓	✓	✓	
Argentina	✓		✓				✓
Armenia							
Australia	✓						
Austria	✓						
Azerbaijan	✓						
Bangladesh							
Belarus	✓			✓			
Belgium	✓						
Bolivia	✓		✓	✓			
Bosnia and Herzegovina	✓	✓	✓	✓	✓	✓	✓
Botswana	✓	✓	✓	✓	✓	✓	
Brazil	✓		✓	✓			✓
Bulgaria	✓		✓	✓	✓		
Burundi							
Cambodia	✓	✓	✓	✓			
Cameroon	✓						
Canada	✓		✓				
Cape Verde	✓						
Central African Republic	✓						
Chad	✓						
Chile	✓			✓	✓		✓
China		✓					
Colombia	✓						✓
Congo, Dem. Rep.	✓			✓			
Congo, Rep.	✓						
Costa Rica	✓	✓	✓	✓	✓	✓	✓
Croatia	✓	✓					
Czech Republic	✓		✓	✓			
Denmark	✓		✓	✓			
Dominica	✓	✓	✓	✓	✓	✓	
Dominican Republic	✓	✓	✓	✓	✓	✓	
Ecuador							
El Salvador	✓		✓	✓			
Equatorial Guinea	✓						
Estonia	✓		✓				
Ethiopia	✓	✓	✓	✓	✓	✓	
Finland	✓		✓	✓			
France	✓						
Gabon	✓						
Gambia, The	✓	✓	✓	✓	✓	✓	
Georgia	✓						
Germany	✓		✓	✓			
Ghana	✓		✓	✓	✓	✓	✓
Greece	✓		✓	✓	✓	✓	
Grenada	✓		✓	✓	✓	✓	
Guatemala	✓			✓			
Guyana		✓		✓			
Haiti	✓			✓			

**Table P1**  
continued **Documentation required to open an account**

Country	Proof of identity through government-issued identification	Proof of identity through any identification	Proof of nationality/legal status in country	Proof of address	Proof of income	Proof of employment	Exception from requirements for low-income applicants or small accounts
Honduras							
Hong Kong, China	✓		✓	✓			✓
Hungary	✓		✓	✓			
India	✓	✓		✓			✓
Indonesia	✓	✓	✓	✓	✓	✓	
Iran	✓		✓	✓	✓	✓	
Ireland	✓			✓			✓
Israel	✓		✓	✓			
Italy	✓						
Jamaica	✓		✓	✓	✓	✓	
Japan	✓			✓			
Jordan	✓	✓		✓	✓	✓	
Kazakhstan							
Kenya	✓		✓	✓	✓	✓	
Korea, Rep.	✓		✓				
Kuwait	✓	✓	✓	✓	✓	✓	
Kyrgyz Republic	✓		✓	✓		✓	
Lao PDR	✓	✓	✓	✓		✓	
Latvia	✓			✓			
Lebanon							
Lesotho	✓	✓	✓	✓	✓	✓	
Lithuania	✓	✓		✓			
Luxembourg		✓					
Macedonia, FYR		✓	✓	✓			
Madagascar	✓		✓	✓	✓	✓	
Malawi	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓		✓	✓			
Mauritania				✓		✓	
Mauritius	✓		✓	✓	✓	✓	
Mexico	✓		✓	✓			
Moldova	✓		✓	✓	✓	✓	
Mongolia							
Montserrat	✓	✓	✓	✓	✓	✓	
Morocco	✓		✓	✓		✓	
Mozambique	✓		✓	✓	✓	✓	✓
Namibia	✓	✓	✓	✓	✓	✓	
Nepal	✓	✓	✓	✓			✓
Netherlands		✓					
New Zealand							
Nicaragua	✓		✓	✓			
Norway	✓			✓			
Oman	✓			✓	✓		
Pakistan	✓						
Panama	✓			✓	✓	✓	
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓
Paraguay	✓	✓	✓	✓	✓	✓	
Peru	✓						
Philippines	✓		✓	✓	✓	✓	✓
Poland							
Portugal	✓		✓	✓		✓	
Puerto Rico	✓		✓	✓	✓		
Romania		✓	✓	✓		✓	
Russian Federation	✓		✓	✓			
Rwanda	✓		✓				

**Table P1** Documentation required to open an account  
continued

Country	Proof of identity through government-issued identification	Proof of identity through any identification	Proof of nationality/legal status in country	Proof of address	Proof of income	Proof of employment	Exception from requirements for low-income applicants or small accounts
Serbia	✓		✓	✓			
Singapore	✓		✓	✓			
Slovak Republic	✓	✓	✓	✓			✓
Slovenia							
South Africa	✓			✓	✓	✓	✓
Spain	✓		✓				
Sri Lanka	✓	✓	✓	✓	✓	✓	
St. Kitts and Nevis	✓		✓				
St. Lucia							
St. Vincent & the Grenadines	✓		✓	✓	✓	✓	
Swaziland	✓		✓	✓	✓	✓	✓
Sweden		✓	✓	✓			
Switzerland	✓		✓	✓	✓	✓	
Syrian Arab Republic	✓	✓	✓	✓	✓	✓	
Taiwan, China	✓	✓	✓	✓			
Tajikistan	✓			✓			
Tanzania	✓	✓	✓	✓	✓	✓	
Thailand	✓						
Tunisia	✓		✓	✓			
Turkey	✓		✓	✓		✓	
Uganda							
Ukraine	✓		✓	✓			
United Kingdom							
United States	✓	✓		✓			
Uruguay	✓			✓	✓	✓	
Uzbekistan							
Venezuela, RB	✓	✓	✓		✓	✓	
Vietnam	✓	✓		✓			
Yemen, Rep.	✓		✓			✓	
Zambia	✓		✓				
Zimbabwe	✓	✓	✓	✓	✓	✓	✓

Source: Financial Access database.

**Table P2 Policies to promote savings**

Country	Offer basic or low-fee account for low-income clients	Encourage recipients of government transfers to open accounts	Matched savings schemes	Tax incentive savings scheme
Afghanistan				
Albania				
Algeria		✓	✓	
Angola		✓		
Anguilla				
Antigua and Barbuda				
Argentina	✓	✓		
Armenia		✓		
Australia		✓		✓
Austria				
Azerbaijan		✓		
Bangladesh				
Belarus				
Belgium	✓	✓		✓
Bolivia				
Bosnia and Herzegovina				
Botswana				
Brazil		✓		✓
Bulgaria				
Burundi				
Cambodia				
Cameroon				
Canada	✓	✓	✓	✓
Cape Verde				
Central African Republic				
Chad				
Chile	✓		✓	✓
China				✓
Colombia	✓	✓		✓
Congo, Dem. Rep.				
Congo, Rep.				
Costa Rica		✓		✓
Croatia			✓	
Czech Republic			✓	✓
Denmark				✓
Dominica				
Dominican Republic				
Ecuador		✓		✓
El Salvador				
Equatorial Guinea				
Estonia		✓	✓	✓
Ethiopia				
Finland		✓	✓	✓
France	✓	✓		
Gabon				
Gambia, The				
Georgia				
Germany				
Ghana		✓		
Greece				
Grenada				
Guatemala				
Guyana				
Haiti		✓	✓	✓

**Table P2** Policies to promote savings  
continued

Country	Offer basic or low-fee account for low-income clients	Encourage recipients of government transfers to open accounts	Matched savings schemes	Tax incentive savings scheme
Honduras		✓	✓	✓
Hong Kong, China		✓		
Hungary	✓		✓	✓
India	✓	✓		
Indonesia				
Iran	✓			
Ireland	✓	✓	✓	✓
Israel			✓	✓
Italy				✓
Jamaica				
Japan				
Jordan				
Kazakhstan				
Kenya				✓
Korea, Rep.				
Kuwait				
Kyrgyz Republic				
Lao PDR				
Latvia				✓
Lebanon				
Lesotho				
Lithuania		✓	✓	✓
Luxembourg			✓	✓
Macedonia, FYR				
Madagascar		✓		✓
Malawi				
Malaysia	✓	✓	✓	✓
Mauritania				
Mauritius				
Mexico	✓	✓	✓	✓
Moldova		✓		
Mongolia		✓		
Montserrat				
Morocco	✓	✓		✓
Mozambique				
Namibia		✓		✓
Nepal				✓
Netherlands				
New Zealand		✓	✓	✓
Nicaragua				
Norway				✓
Oman				
Pakistan	✓			✓
Panama				
Papua New Guinea				
Paraguay				
Peru		✓	✓	
Philippines				
Poland				✓
Portugal	✓			
Puerto Rico	✓	✓	✓	✓
Romania				
Russian Federation				
Rwanda				

**Table P2** Policies to promote savings  
continued

Country	Offer basic or low-fee account for low-income clients	Encourage recipients of government transfers to open accounts	Matched savings schemes	Tax incentive savings scheme
Serbia				
Singapore		✓	✓	✓
Slovak Republic				
Slovenia			✓	✓
South Africa				
Spain		✓		✓
Sri Lanka				
St. Kitts and Nevis				
St. Lucia				
St. Vincent & the Grenadines				
Swaziland				
Sweden	✓			✓
Switzerland	✓			
Syrian Arab Republic		✓		
Taiwan, China		✓		✓
Tajikistan				
Tanzania		✓		
Thailand				
Tunisia				
Turkey		✓		✓
Uganda				
Ukraine				
United Kingdom		✓		
United States		✓		✓
Uruguay				
Uzbekistan				
Venezuela, RB		✓		
Vietnam				
Yemen, Rep.				
Zambia				
Zimbabwe	✓	✓		

Source: Financial Access database.

**Table P3 Transparency and consumer protection**

Country	Rate and fee limits			Disclosure				
	Limit on maximum interest rate	Limit on maximum late payment penalty	Limit on maximum maintenance fees	Effective interest rate on loans must be disclosed	Debit/credit account fees must be disclosed	Reasons for denial of loan must be disclosed	Change in terms unfavorable to account holder must be disclosed	Plain language requirement must be disclosed
Afghanistan								
Albania				✓	✓	✓	✓	✓
Algeria				✓	✓			✓
Angola								
Anguilla				✓				
Antigua and Barbuda				✓				
Argentina	✓		✓	✓	✓			
Armenia	✓			✓	✓	✓	✓	✓
Australia	✓			✓	✓		✓	
Austria	✓	✓	✓	✓	✓		✓	
Azerbaijan					✓	✓	✓	✓
Bangladesh				✓	✓	✓	✓	✓
Belarus				✓	✓	✓	✓	
Belgium	✓			✓	✓		✓	✓
Bolivia	✓	✓		✓	✓	✓	✓	✓
Bosnia and Herzegovina		✓		✓	✓	✓	✓	
Botswana				✓	✓		✓	✓
Brazil								
Bulgaria		✓		✓	✓		✓	✓
Burundi								
Cambodia								
Cameroon								
Canada	✓			✓	✓		✓	✓
Cape Verde		✓		✓	✓	✓	✓	✓
Central African Republic								
Chad								
Chile	✓	✓		✓	✓		✓	✓
China	✓	✓	✓	✓	✓		✓	✓
Colombia	✓	✓		✓	✓	✓	✓	✓
Congo, Dem. Rep.				✓	✓			
Congo, Rep.								
Costa Rica				✓	✓			✓
Croatia	✓	✓		✓	✓		✓	✓
Czech Republic				✓	✓	✓	✓	✓
Denmark				✓	✓	✓	✓	✓
Dominica				✓				
Dominican Republic				✓	✓			
Ecuador	✓	✓	✓	✓	✓	✓	✓	✓
El Salvador				✓	✓	✓	✓	✓
Equatorial Guinea								
Estonia				✓	✓		✓	
Ethiopia								
Finland		✓		✓	✓		✓	
France	✓		✓	✓	✓		✓	✓
Gabon								
Gambia, The				✓	✓		✓	
Georgia	✓	✓	✓					
Germany				✓	✓		✓	
Ghana				✓	✓		✓	✓
Greece		✓		✓	✓		✓	✓
Grenada				✓				
Guatemala				✓	✓			
Guyana								
Haiti				✓	✓	✓	✓	✓

**Table P3**  
continued

**Transparency and consumer protection**

Country	Rate and fee limits			Disclosure				
	Limit on maximum interest rate	Limit on maximum late payment penalty	Limit on maximum maintenance fees	Effective interest rate on loans must be disclosed	Debit/credit account fees must be disclosed	Reasons for denial of loan must be disclosed	Change in terms unfavorable to account holder must be disclosed	Plain language requirement must be disclosed
Honduras	✓			✓	✓			
Hong Kong, China	✓			✓	✓		✓	✓
Hungary			✓	✓	✓		✓	✓
India	✓			✓	✓	✓		
Indonesia				✓	✓		✓	✓
Iran		✓	✓	✓	✓		✓	✓
Ireland				✓	✓	✓	✓	✓
Israel		✓	✓	✓	✓		✓	
Italy	✓	✓		✓	✓		✓	✓
Jamaica				✓	✓	✓	✓	
Japan	✓	✓	✓	✓	✓	✓	✓	✓
Jordan								✓
Kazakhstan								
Kenya								
Korea, Rep.				✓	✓	✓		✓
Kuwait	✓	✓	✓	✓	✓		✓	✓
Kyrgyz Republic				✓	✓			
Lao PDR	✓	✓	✓	✓	✓	✓		
Latvia				✓	✓		✓	✓
Lebanon								
Lesotho								
Lithuania					✓	✓	✓	✓
Luxembourg				✓	✓		✓	✓
Macedonia, FYR	✓	✓		✓	✓		✓	
Madagascar								
Malawi								
Malaysia	✓	✓	✓	✓	✓	✓	✓	
Mauritania	✓	✓	✓	✓	✓	✓	✓	✓
Mauritius				✓	✓		✓	✓
Mexico				✓	✓			
Moldova				✓	✓		✓	✓
Mongolia		✓		✓			✓	
Montserrat				✓				
Morocco	✓		✓	✓	✓		✓	✓
Mozambique				✓	✓			✓
Namibia	✓	✓		✓	✓	✓	✓	✓
Nepal	✓			✓	✓			
Netherlands								
New Zealand		✓		✓	✓		✓	
Nicaragua		✓		✓	✓		✓	
Norway				✓	✓			
Oman	✓			✓				
Pakistan								
Panama	✓			✓	✓	✓	✓	✓
Papua New Guinea								
Paraguay		✓	✓	✓	✓		✓	✓
Peru				✓	✓		✓	✓
Philippines				✓	✓		✓	✓
Poland	✓	✓	✓	✓	✓	✓	✓	✓
Portugal		✓		✓	✓		✓	✓
Puerto Rico				✓	✓	✓	✓	✓
Romania								
Russian Federation				✓	✓		✓	
Rwanda				✓	✓	✓	✓	✓

**Table P3** Transparency and consumer protection  
continued

Country	Rate and fee limits			Disclosure				
	Limit on maximum interest rate	Limit on maximum late payment penalty	Limit on maximum maintenance fees	Effective interest rate on loans must be disclosed	Debit/credit account fees must be disclosed	Reasons for denial of loan must be disclosed	Change in terms unfavorable to account holder must be disclosed	Plain language requirement must be disclosed
Serbia				✓	✓			
Singapore				✓	✓		✓	
Slovak Republic	✓	✓		✓	✓			
Slovenia		✓		✓	✓		✓	✓
South Africa	✓	✓	✓	✓	✓	✓	✓	✓
Spain				✓	✓		✓	✓
Sri Lanka								
St. Kitts and Nevis				✓				
St. Lucia				✓				
St. Vincent & the Grenadines				✓				
Swaziland	✓			✓	✓			
Sweden				✓	✓		✓	✓
Switzerland	✓	✓	✓	✓	✓		✓	✓
Syrian Arab Republic				✓	✓		✓	
Taiwan, China	✓			✓	✓	✓	✓	✓
Tajikistan		✓	✓	✓		✓		
Tanzania				✓	✓	✓	✓	
Thailand				✓	✓		✓	
Tunisia				✓	✓	✓	✓	
Turkey	✓	✓		✓	✓		✓	✓
Uganda								
Ukraine		✓		✓	✓		✓	
United Kingdom								
United States	✓			✓	✓	✓	✓	
Uruguay	✓	✓		✓	✓		✓	✓
Uzbekistan								
Venezuela, RB	✓			✓	✓	✓	✓	✓
Vietnam								
Yemen, Rep.								
Zambia				✓	✓		✓	
Zimbabwe	✓			✓	✓	✓	✓	✓

Source: Financial Access database.

**Table P4 Branch banking regulations**

Country	Supervisor approval needed to open new branch	Branches must operate a minimum number of working days per week	Exceptions from requirements of bank security for poor areas	Mobile branches permitted
Afghanistan	✓	✓		
Albania	✓		✓	
Algeria				
Angola				
Anguilla	✓	✓		✓
Antigua and Barbuda	✓	✓		✓
Argentina	✓	✓	✓	✓
Armenia	✓		✓	✓
Australia				✓
Austria				✓
Azerbaijan	✓			
Bangladesh	✓		✓	✓
Belarus				✓
Belgium				
Bolivia	✓	✓		✓
Bosnia and Herzegovina	✓	✓		
Botswana	✓	✓		✓
Brazil	✓	✓	✓	✓
Bulgaria	✓			
Burundi	✓	✓		
Cambodia	✓			
Cameroon	✓			✓
Canada				
Cape Verde		✓		
Central African Republic	✓			✓
Chad	✓			✓
Chile	✓	✓		✓
China	✓		✓	✓
Colombia	✓			
Congo, Dem. Rep.				
Congo, Rep.	✓			✓
Costa Rica				✓
Croatia				✓
Czech Republic	✓			
Denmark				✓
Dominica		✓		✓
Dominican Republic	✓	✓		
Ecuador	✓	✓		
El Salvador	✓	✓		
Equatorial Guinea	✓			✓
Estonia				✓
Ethiopia	✓			
Finland				✓
France			✓	
Gabon	✓			✓
Gambia, The	✓	✓		
Georgia	✓			
Germany				✓
Ghana	✓			
Greece	✓			✓
Grenada	✓	✓		✓
Guatemala		✓		
Guyana	✓			✓
Haiti	✓			

**Table P4** Branch banking regulations  
continued

Country	Supervisor approval needed to open new branch	Branches must operate a minimum number of working days per week	Exceptions from requirements of bank security for poor areas	Mobile branches permitted
Honduras				✓
Hong Kong, China	✓			
Hungary				
India	✓			✓
Indonesia	✓			✓
Iran	✓	✓		✓
Ireland				✓
Israel	✓	✓		
Italy				✓
Jamaica	✓	✓		
Japan				
Jordan	✓	✓		✓
Kazakhstan				
Kenya	✓			✓
Korea, Rep.				
Kuwait	✓	✓		✓
Kyrgyz Republic				
Lao PDR	✓			✓
Latvia				
Lebanon	✓			
Lesotho	✓			
Lithuania				
Luxembourg	✓			
Macedonia, FYR	✓			
Madagascar				✓
Malawi	✓		✓	✓
Malaysia	✓			✓
Mauritania	✓	✓		
Mauritius	✓	✓		✓
Mexico	✓			✓
Moldova	✓			
Mongolia	✓			✓
Montserrat	✓	✓		✓
Morocco				✓
Mozambique	✓			✓
Namibia	✓	✓	✓	
Nepal		✓		✓
Netherlands				
New Zealand				✓
Nicaragua		✓		
Norway				✓
Oman	✓	✓		✓
Pakistan	✓	✓		✓
Panama	✓			✓
Papua New Guinea	✓	✓		
Paraguay	✓			
Peru	✓	✓		✓
Philippines	✓	✓	✓	
Poland				✓
Portugal				
Puerto Rico	✓		✓	✓
Romania	✓			
Russian Federation	✓			✓
Rwanda	✓			✓

**Table P4** Branch banking regulations  
continued

Country	Supervisor approval needed to open new branch	Branches must operate a minimum number of working days per week	Exceptions from requirements of bank security for poor areas	Mobile branches permitted
Serbia				
Singapore	✓			
Slovak Republic				
Slovenia				✓
South Africa				✓
Spain			✓	✓
Sri Lanka	✓			✓
St. Kitts and Nevis	✓	✓		✓
St. Lucia	✓	✓		✓
St. Vincent & the Grenadines	✓	✓		✓
Swaziland	✓			
Sweden				✓
Switzerland	✓			✓
Syrian Arab Republic	✓	✓	✓	✓
Taiwan, China	✓	✓		
Tajikistan	✓			
Tanzania	✓	✓		✓
Thailand	✓	✓		✓
Tunisia				
Turkey	✓			✓
Uganda	✓			
Ukraine				
United Kingdom				
United States	✓	✓		✓
Uruguay	✓	✓		✓
Uzbekistan				
Venezuela, RB				
Vietnam	✓			✓
Yemen, Rep.				
Zambia	✓	✓		✓
Zimbabwe	✓	✓	✓	✓

Source: Financial Access database.

**Table P5 Using existing retail networks to provide financial services**

Country	Services provided by agents									
	Private operators can provide financial services at post offices	Banks can formally contract companies as banking agents	Receive and forward applications to open accounts	Open accounts on behalf of bank	Receive payments for taxes, utilities, and the like	Accept funds for deposits to client accounts	Pay withdrawals from client accounts	Receive and forward loan requests	Evaluate credit and approve loan requests on behalf of bank	Collect loan payments on behalf of bank
Afghanistan										
Albania	✓									
Algeria										
Angola										
Anguilla										
Antigua and Barbuda										
Argentina										
Armenia										
Australia	✓	✓	✓		✓	✓	✓	✓	✓	✓
Austria	✓	✓						✓		
Azerbaijan										
Bangladesh										
Belarus		✓			✓	✓	✓			
Belgium	✓	✓	✓	✓	✓	✓	✓	✓		✓
Bolivia		✓	✓	✓	✓	✓	✓	✓		✓
Bosnia and Herzegovina										
Botswana										
Brazil	✓	✓	✓		✓	✓	✓	✓		✓
Bulgaria	✓	✓			✓				✓	✓
Burundi										
Cambodia										
Cameroon										
Canada										
Cape Verde	✓	✓	✓			✓	✓			
Central African Republic										
Chad										
Chile		✓			✓	✓	✓			✓
China										
Colombia		✓	✓		✓	✓		✓		
Congo, Dem. Rep.										
Congo, Rep.										
Costa Rica										
Croatia		✓	✓	✓	✓	✓	✓	✓	✓	✓
Czech Republic	✓	✓	✓			✓	✓	✓		
Denmark										
Dominica										
Dominican Republic										
Ecuador		✓			✓	✓				✓
El Salvador										
Equatorial Guinea										
Estonia										
Ethiopia										
Finland		✓								
France	✓	✓				✓	✓	✓		✓
Gabon										
Gambia, The										
Georgia										
Germany	✓									
Ghana										
Greece	✓									
Grenada										
Guatemala										
Guyana										
Haiti										

**Table P5**  
continued

**Using existing retail networks to provide financial services**

Country	Services provided by agents									
	Private operators can provide financial services at post offices	Banks can formally contract companies as banking agents	Receive and forward applications to open accounts	Open accounts on behalf of bank	Receive payments for taxes, utilities and the like	Accept funds for deposits to client accounts	Pay withdrawals from client accounts	Receive and forward loan requests	Evaluate credit and approve loan requests on behalf of bank	Collect loan payments on behalf of bank
Honduras		✓			✓	✓	✓			
Hong Kong, China										
Hungary	✓	✓	✓	✓		✓	✓	✓	✓	✓
India		✓	✓	✓		✓	✓	✓		✓
Indonesia	✓	✓								
Iran										
Ireland	✓									
Israel										
Italy										
Jamaica	✓									
Japan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jordan										
Kazakhstan										
Kenya										
Korea, Rep.										
Kuwait										
Kyrgyz Republic	✓	✓			✓					
Lao PDR										
Latvia	✓									
Lebanon										
Lesotho		✓								
Lithuania	✓	✓	✓		✓			✓		
Luxembourg	✓									
Macedonia, FYR	✓	✓						✓		
Madagascar		✓	✓	✓	✓	✓	✓	✓	✓	✓
Malawi	✓									
Malaysia	✓	✓	✓		✓	✓	✓	✓		✓
Mauritania		✓								✓
Mauritius	✓	✓	✓		✓	✓	✓	✓		✓
Mexico		✓	✓		✓	✓	✓	✓		✓
Moldova										
Mongolia										
Montserrat										
Morocco		✓	✓	✓		✓	✓	✓	✓	✓
Mozambique										
Namibia										
Nepal										
Netherlands	✓									
New Zealand		✓	✓	✓	✓	✓	✓	✓	✓	✓
Nicaragua		✓	✓	✓		✓	✓	✓		
Norway	✓	✓						✓		
Oman										
Pakistan		✓	✓		✓	✓	✓	✓		✓
Panama										
Papua New Guinea		✓	✓	✓	✓	✓	✓	✓	✓	✓
Paraguay										
Peru		✓			✓	✓	✓			✓
Philippines		✓	✓					✓		✓
Poland		✓	✓	✓	✓	✓	✓	✓		✓
Portugal	✓	✓								
Puerto Rico										
Romania		✓	✓					✓		
Russian Federation	✓	✓	✓		✓	✓	✓			✓
Rwanda										

**Table P5**  
continued

## Using existing retail networks to provide financial services

Country	Services provided by agents									
	Private operators can provide financial services at post offices	Banks can formally contract companies as banking agents	Receive and forward applications to open accounts	Open accounts on behalf of bank	Receive payments for taxes, utilities, and the like	Accept funds for deposits to client accounts	Pay withdrawals from client accounts	Receive and forward loan requests	Evaluate credit and approve loan requests on behalf of bank	Collect loan payments on behalf of bank
Serbia	✓	✓						✓		
Singapore	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Slovak Republic	✓									
Slovenia	✓	✓	✓		✓	✓	✓	✓		
South Africa		✓	✓	✓	✓	✓	✓	✓		✓
Spain		✓	✓	✓	✓	✓	✓	✓	✓	✓
Sri Lanka	✓	✓	✓	✓	✓	✓	✓	✓		✓
St. Kitts and Nevis										
St. Lucia										
St. Vincent & the Grenadines										
Swaziland	✓									
Sweden	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Switzerland		✓	✓	✓	✓	✓	✓	✓	✓	✓
Syrian Arab Republic										
Taiwan, China										
Tajikistan		✓			✓					
Tanzania		✓			✓			✓		✓
Thailand	✓	✓			✓	✓	✓			✓
Tunisia										
Turkey										
Uganda		✓								✓
Ukraine		✓			✓	✓	✓			✓
United Kingdom	✓									
United States										
Uruguay										
Uzbekistan										
Venezuela, RB										
Vietnam		✓								
Yemen, Rep.										
Zambia										
Zimbabwe										

Source: Financial Access database.



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