



The G20 Basic Set of Financial Inclusion Indicators

Using the G20 Basic Set of Financial Inclusion Indicators, this note brings together demand- and supply-side data to provide a snapshot of the penetration of basic financial services around the world. The data show large disparities across regions and country income groups in the use of and access to financial services. For example, while 89 percent of adults in high-income economies report having a formal account, only 41 percent do in developing economies. And middle-income economies have less than a third as many commercial bank branches per 100,000 adults as high-income economies do. The G20 Basic Set can serve as a useful starting point for measuring financial inclusion and monitoring progress worldwide. It can be complemented by other data sets and eventually will be augmented by more indicators of the use and quality of basic financial services.

Following the global financial crisis, policy makers at national and global levels have accorded greater importance to building inclusive financial systems. Why is financial inclusion important? Having a formal account or access to credit can help both individuals and firms manage cash flows, build assets, and mitigate and manage risks. There is also growing evidence that deep financial systems can contribute to economic growth and help reduce poverty.

Indicators on the use of and access to financial services help policy makers, private sector actors, and researchers make decisions that advance responsible financial inclusion and, over time, measure the progress and effectiveness of reforms. Recognizing the importance of such indicators, G20 leaders endorsed the G20 Basic Set of Financial Inclusion Indicators (“the Basic Set”) at the Los Cabos Summit in June 2012.

What Is the G20 Basic Set?

Designed to lay a strong foundation for measuring and monitoring financial inclusion, the Basic Set was brought forward by the Global Partnership for Financial Inclusion’s (GPII) Data and Measurement Sub-Group and its implementing partners—the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), the International Finance Corporation (IFC), and the World Bank. It builds on AFI’s Core Set of Financial Inclusion Indicators, developed by leading policy makers from developing countries. It integrates existing, robust global data efforts to track global and national progress in extending financial inclusion.

The Basic Set captures elements of two of the three dimensions of financial inclusion—access to financial services and use of financial services—as a useful starting point (the third dimension is quality of products and delivery). While ideally every country would collect and

monitor data for its own financial inclusion indicators, the Basic Set comes with a list of appropriate data sources for cases where country-level data are unavailable (table 1).

These existing global data sources provide both supply- and demand-side data. A source of supply-side data is the International Monetary Fund’s (IMF) Financial Access Survey, which collects data directly from participating governments—mainly central banks. Sources of demand-side data are the World Bank’s Global Financial Inclusion (Global Findex) database, built from a survey of individuals that is integrated into the Gallup World Poll (and funded by the Bill & Melinda Gates Foundation), and the World Bank Enterprise Surveys, which collect data from firms.

What Is the State of Basic Financial Inclusion?

The Basic Set contains indicators of financial inclusion for both firms and individuals. For firms, the focus is on small and medium-size enterprises (SMEs), which play an important role in driving economic growth, in part through job creation and investment.

FIRMS’ USE OF FINANCIAL SERVICES

The Basic Set captures two key dimensions of financial inclusion for SMEs: account penetration and access to credit. Account penetration among SMEs is consistently high across regions. In all regions except the Middle East and North Africa 80 percent or more of SMEs report having a formal account (figure 1). In the Middle East and North Africa, however, only 38 percent do. Account penetration among SMEs is also consistently high across country income groups. The share of SMEs reporting that they have an account is 80 percent in low-income economies, 83 percent in lower-middle-income economies, and 91 percent in upper-middle-income and high-income economies.

TABLE 1 THE G20 BASIC SET OF FINANCIAL INCLUSION INDICATORS

Category	Indicators	Global or multicountry data source	Dimension measured
Formally banked adults	% of adults with an account at a formal financial institution	World Bank Global Findex database	Use
	Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults	IMF Financial Access Survey	
Adults with credit from regulated institution	% of adults with at least one loan outstanding from a regulated financial institution	World Bank Global Findex database	Use
	Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults	IMF Financial Access Survey	
Formally banked enterprises	% of SMEs with an account at a formal financial institution	World Bank Enterprise Surveys	Use
	Number of SMEs with deposit accounts/ number of deposit accounts OR number of SME depositors/number of depositors	IMF Financial Access Survey	
Enterprises with outstanding loan or line of credit from regulated institution	% of SMEs with an outstanding loan or line of credit	World Bank Enterprise Surveys	Use
	Number of SMEs with outstanding loans/ number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	IMF Financial Access Survey	
Points of service	Number of branches per 100,000 adults	IMF Financial Access Survey	Access

Access to finance is critical for the growth of SMEs. Yet only 32 percent of SMEs in developing (low- and middle-income) economies report having an outstanding loan or line of credit from a formal financial institution (figure 2). In high-income economies, by contrast, 52 percent do. Within the developing world, firms are most credit-constrained in the Middle East and North Africa, where only 5 percent of SMEs report having outstanding credit, and in Sub-Saharan Africa, where 18 percent do.

INDIVIDUALS' USE OF FINANCIAL SERVICES

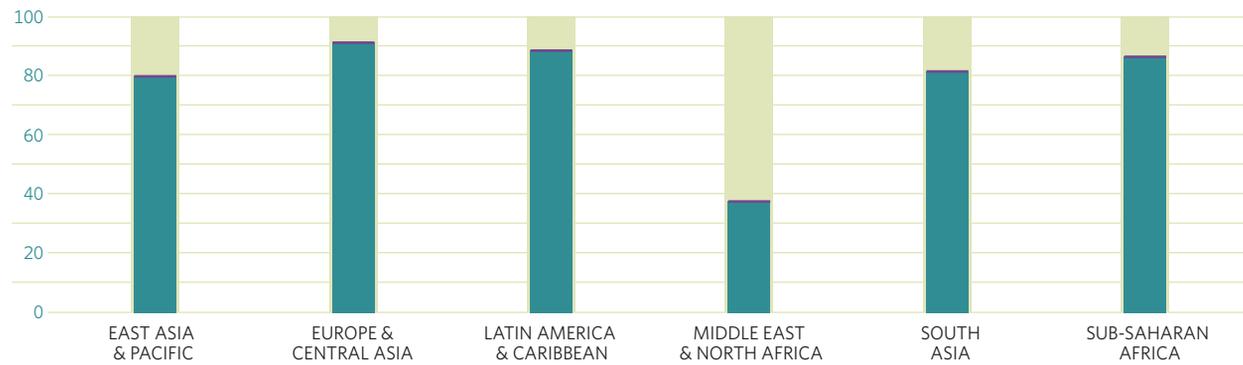
Globally, 50 percent of adults have an account at a formal financial institution—a bank, credit union, cooperative, post office, or microfinance institution. But there are large differences in individual account ownership across country income groups. While 89 percent of adults in high-

income economies report having a formal account, only 41 percent do in developing economies (figure 3). There is also great variation within the developing world—57 percent of adults in upper-middle-income economies report having an account, but only 23 percent do in low-income economies.

The Basic Set also contains information on individual credit. Globally, 9 percent of adults report having had a formal loan in the past year. But again there are large disparities across regions and income groups. While 14 percent of adults in high-income economies report having had a formal loan, only 8 percent do in developing economies. Adults in East Asia and the Pacific and South Asia are more likely than those in other regions to borrow, with almost 9 percent of adults in each of these regions reporting that they had a formal loan (figure 4).

FIGURE 1 ACCOUNT PENETRATION AMONG SMES BY REGION, MOST RECENT VALUE

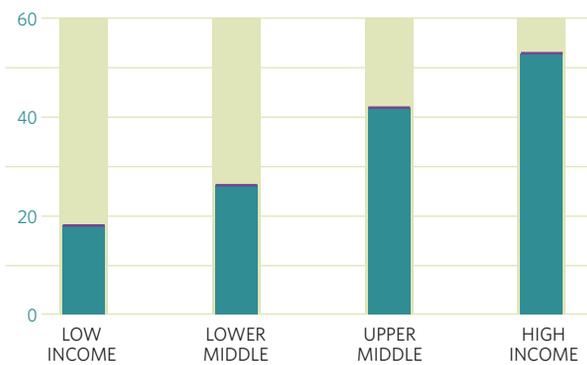
SMEs with an account at a formal financial institution (%)



Note: Data cover firms with 5-99 employees. Weighting by firm size is used to calculate regional aggregates.
Source: World Bank Enterprise Surveys.

FIGURE 2 SMES WITH CREDIT BY COUNTRY INCOME GROUP, MOST RECENT VALUE

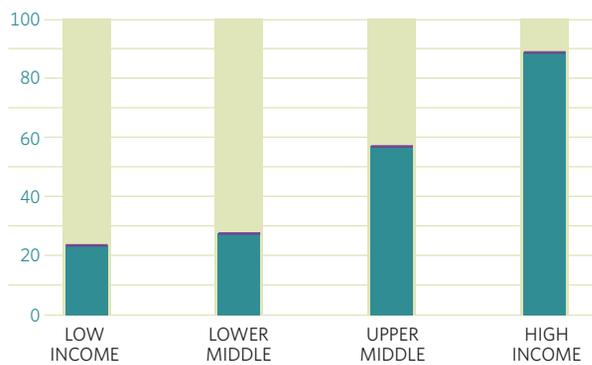
SMEs with an outstanding loan or line of credit (%)



Note: Data cover firms with 5-99 employees. Weighting by firm size is used to calculate income group aggregates.
Source: World Bank Enterprise Surveys.

FIGURE 3 ACCOUNT PENETRATION AMONG INDIVIDUALS BY COUNTRY INCOME GROUP, 2011

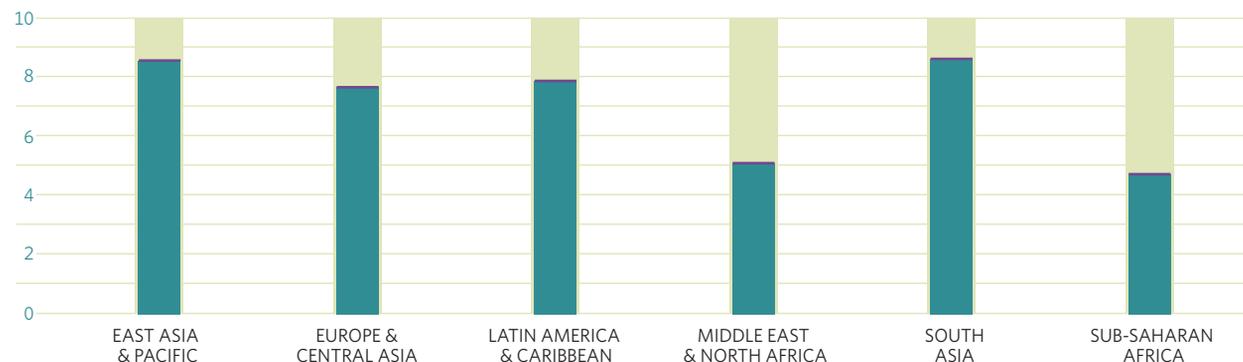
SMEs with an outstanding loan or line of credit (%)



Note: Data cover firms with 5-99 employees. Weighting by firm size is used to calculate income group aggregates.
Source: World Bank Enterprise Surveys.

FIGURE 4 INDIVIDUALS WITH CREDIT BY REGION, 2011

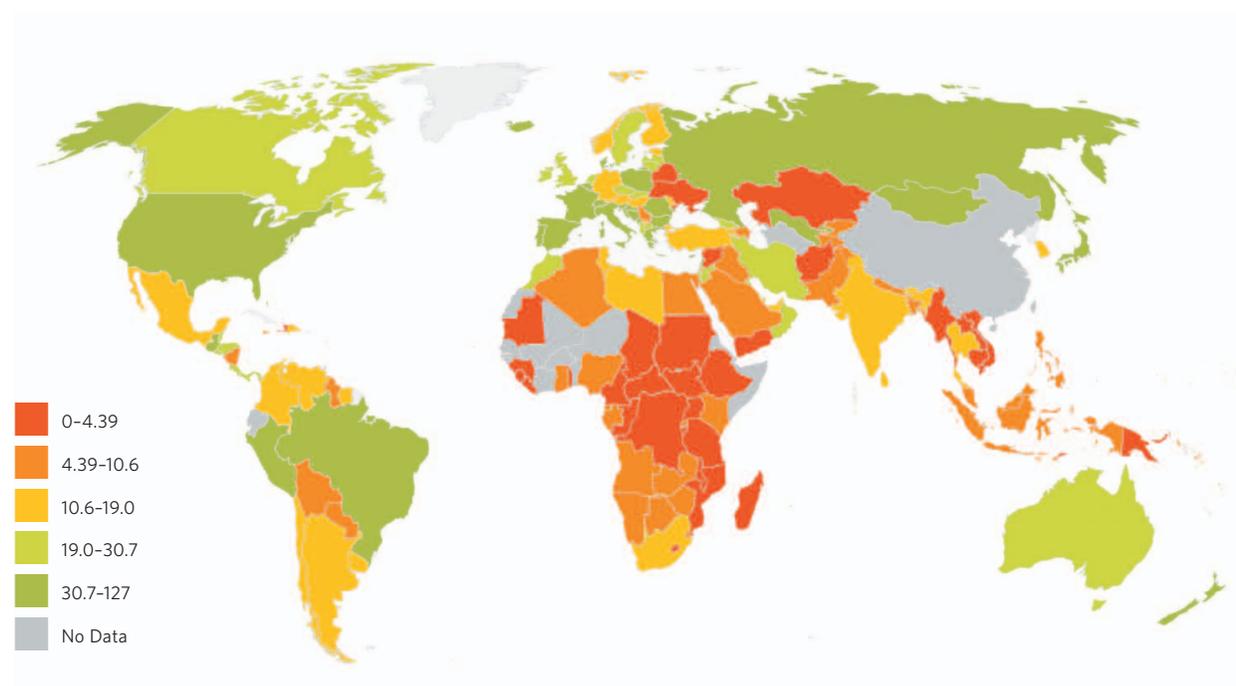
Adults with an outstanding loan or line of credit in the past year (%)



Note: Data cover firms with 5-99 employees. Weighting by adult population is used to calculate income group aggregates.
Source: Demircuc-Kunt and Klapper 2012.

MAP 1 COMMERCIAL BANK BRANCH PENETRATION AROUND THE WORLD, 2011

Commercial bank branches per 100,000 adults



ACCESS TO FINANCIAL SERVICES

Supply-side data on the geographic or demographic coverage of financial services highlight the prevalence or scarcity of financial institutions. The Basic Set captures points of service through the number of commercial bank branches per 100,000 adults. In this measure too there is much variation by region and income group (map 1). High-income economies have 37.1 bank branches per 100,000 adults; developing economies have 13.6. Among developing regions, Latin America and the Caribbean has the highest level of penetration, with 28.8 bank branches per 100,000 adults, followed by Europe and Central Asia with 25.4. Sub-Saharan Africa has only 4.3 bank branches per 100,000 adults.

Conclusion

Despite significant financial sector growth in recent years, large disparities in the level of financial inclusion persist across countries and regions. Armed with better data on the demand for and supply of financial services in their countries, policy makers can prioritize reforms and work with the private sector on strategies for further expanding access.

The Basic Set is intended to serve as a reference point for national data collection efforts and to help identify information needs for specific policy interventions. To provide a more detailed picture of financial inclusion, the GPFI Data and Measurement Sub-Group is developing an additional set of indicators covering different products, refined measures of use, physical and electronic access, and the quality of financial services and delivery.



The Basic Set is available online at <http://www.gpfi.org> (under the “Data” tab) and at datatopics.worldbank.org/g20fidata.