



The Global Findex Database 2021

For Prelims: Financial Inclusion, Digital Banking, Formal Banking

For Mains: Global Findex Database 2021, World Bank

Why in News?

Recently, the [World Bank](#) has released 'The Global Findex Report 2021'.

- The Global Findex surveys over 125,000 adults in 123 economies during Covid-19 to better understand **how people use formal and informal financial services and digital payment.**

What are the Findings?

- **Account Ownership:**
 - The account ownership worldwide increased by 50 % to reach 76 % of the global adult population.
 - Recent growth in [account ownership](#) has been widespread across dozens of developing economies and **most of the newly account opened in India and China.**
- **Access of Formal Banking:**
 - Large shares of the **global population without formal banking (130 million and 230 million, respectively) lives in India and China** because of their size.
 - Women are **often excluded from formal banking services because they lack official forms of identification, do not own a mobile phone** or other forms of technology and have lower financial capability.
 - 74 % of men had an account in developing countries whereas women are six points behind, accounts for 68 %.
- **Unbanking:**
 - 24 % of adults are unbanked globally. Lack of money is one of the multiple reasons. Distance is a barrier for 31 % of unbanked adults.
 - People without an account at a financial institution or a mobile money service provider have been classified as unbanked.
 - Globally, 64 % of unbanked adults have primary education or less.
 - Worldwide, 36 % of unbanked adults said that financial services are too expensive.
- **Covid-19 and Digital Payments:**
 - [Covid-19 pandemic](#) catalyzed growth in the use of digital payments.
 - In developing countries in 2021, 18 % of adults paid utility bills directly from an account. About one third of these paid bills online for the first time.
- **Mobile Money:**
 - [Mobile money](#) has become enabler of financial inclusion in [Sub-Saharan Africa](#), especially for women.
 - Sub-Saharan Africa is home to all **11 economies in which a larger share of adults-only had mobile money account** rather than a normal bank account.

- **Financial providers helped expand financial Access:**
 - Government, private employers and financial providers helped expand financial access and usage among the unbanked by lowering barriers and improving infrastructure.
 - Financial inclusion has become a cornerstone for both short-term relief and sustainable recovery efforts since the Covid-19 pandemic.
- **Financial Worries:**
 - Adults in developing countries are more likely to worry about finances than adults in high-income countries.
 - Concerns around medical expenses **are highest in Sub-Saharan Africa and South Asia**, where 64 % of adults are very worried and the lowest in East Asia and the Pacific, where 38 % of adults are very worried.

What are the Recommendations?

- As to move out of the pandemic and as governments seek to consolidate the momentum and expand access to digital banking services, **policies must factor in protections for the most vulnerable**, including women, the poor and those with limited educational attainment or financial literacy.
- The gender gap in mobile access must be addressed to ensure equitable progress on financial inclusion.

Source: DTE

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