FINANCIAL ACCESS SURVEY

2023 Trends and Developments

STATISTICS

FINANCIAL ACCESS SURVEY: RESILIENCE AND REMAINING CHALLENGES IN THE POST PANDEMIC WORLD

Daily lives in many parts of the world began to normalize in 2023 as the COVID-19 global health crisis ended. Yet, the global economic climate remains uncertain, as the world is confronted with new challenges from persistently high inflation to geoeconomic fragmentation (IMF 2023a). The 2023 Financial Access Survey (FAS) serves as a crucial lens to understand recent trends and challenges in financial accessibility amidst these upheavals.

Progress in financial access reporting

The 2023 FAS added two new data reporters—Andorra and Nauru—increasing the coverage of economies in the FAS to 191. Overall data reporting remains strong, with 163 economies submitting data as of September 2023.[1] The country coverage for digital financial services is gradually improving, with the number of mobile and internet banking reporters reaching 104, a jump of over 50 percent since its introduction to the FAS in 2019. The number of reporting countries of gender-disaggregated data remains the same at 82 as for the last round.

Main findings

The 2023 FAS paints a picture of resilience—the overall level of financial access remained steadfast throughout the COVID-19 pandemic years (2020-2022).[2] Notably, greater use of digital financial services played a key role in supporting access to and use of financial services during the pandemic, particularly with mobile money reaching underserved populations. At the same time, the number of bank account holders continued to rise. Microfinance institutions were important in providing financial services to the most vulnerable segments of the population. However, with the unwinding of the policy measures adopted at the height of the pandemic, some indicators are showing a declining trend. This includes the outstanding value of deposits and loans at commercial banks, including loans to small and medium enterprises (SMEs), which suggest their ability to access financing may be more constrained and/or demand for credit might have weakened due to tighter financial conditions. In addition, the gender gap in financial access persists.

FINANCIAL ACCESS AND USE TRENDS

Usage of digital financial services continues to make gains

The means to access finance have been rapidly changing in recent years, with traditional financial access points such as ATMs and bank branches gradually declining while non-traditional access points such as retail agents and mobile money agents are growing rapidly. For example, in middle-income economies, the number of retail agents and mobile money agents combined more than doubled between 2019 and 2022 while the number of ATMs and bank branches declined by nine percent over the same period.

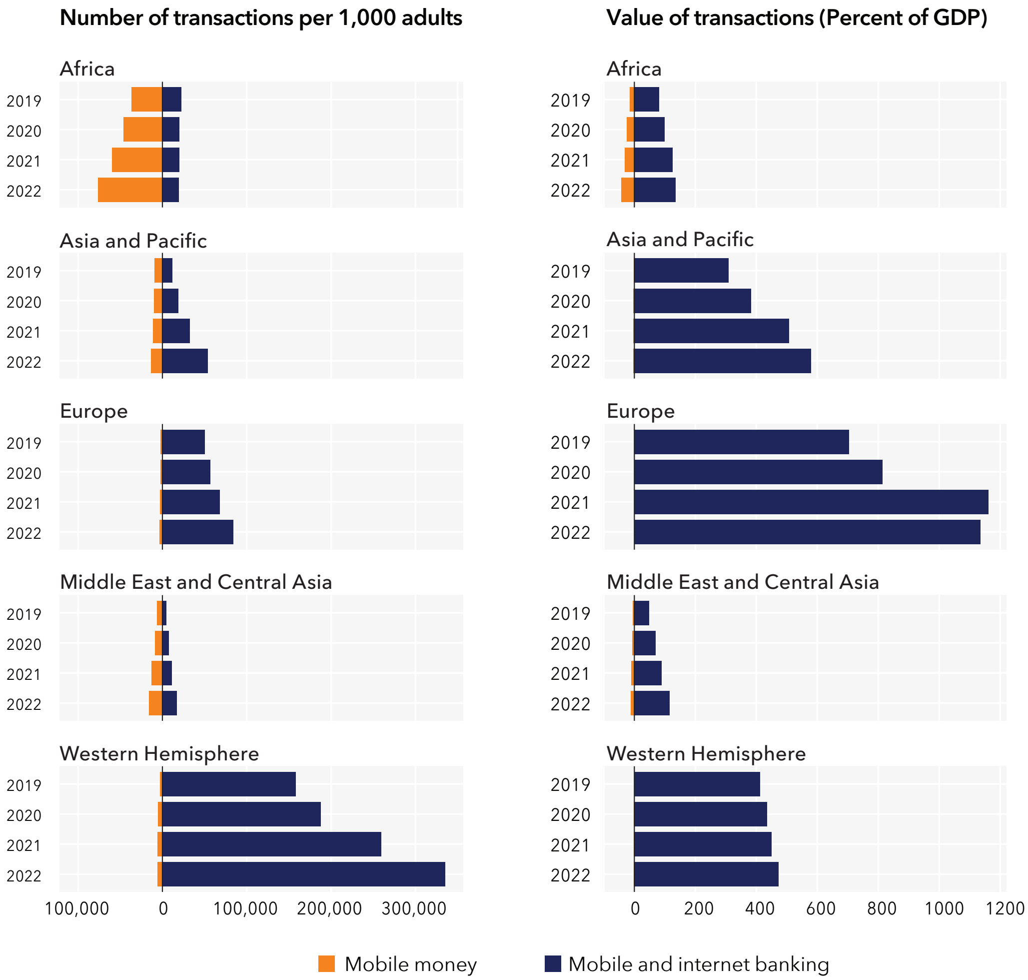
The continued growth in access points to digital financial services has naturally been accompanied by an increase in their usage, as measured by the number and volume of digital financial transactions (Figure 1). Between 2021 and 2022, the number of mobile money transactions per

1 Most non-reporters are fragile and conflict-affected states (FCS).
2 For the trends in earlier periods, see the past editions of the FAS Trends and Developments at the FAS data portal.

1,000 adults increased by 28 and 24 percent in Africa and Asia and Pacific regions, respectively. Similarly, the value of mobile money transactions increased from 26 percent to 35 percent of GDP in Africa while in Asia and Pacific, it was broadly stable at a low level of 4 percent of GDP in 2022.

The use of mobile and internet banking tends to be more pronounced in Europe and Western Hemisphere, where the number of mobile and internet banking transactions per 1,000 adults increased by 24 percent and 29 percent, respectively, in 2022. The value of mobile and internet banking transactions also continued to rise in 2022 in Western Hemisphere while in Europe, the value of these transactions remained broadly stable albeit at a higher level after a large increase in 2021.

Figure 1: Digital financial services expand in most regions



Source: Financial Access Survey and IMF staff calculations.
Note: Mobile money is a digital medium of exchange and store of value using mobile money accounts, facilitated by a network of mobile money agents. A bank account is not required to use mobile services. Mobile and internet banking is the use of an application on a mobile or another electronic device to execute banking services. See IMF (2019a). These charts show the weighted average by region for countries whose data are available for 2019-2022. Country coverage differs across indicators depending on data availability. These services may not necessarily exist in all economies. The United States and Canada are not included in Western Hemisphere in the charts as they do not report these data to the FAS.

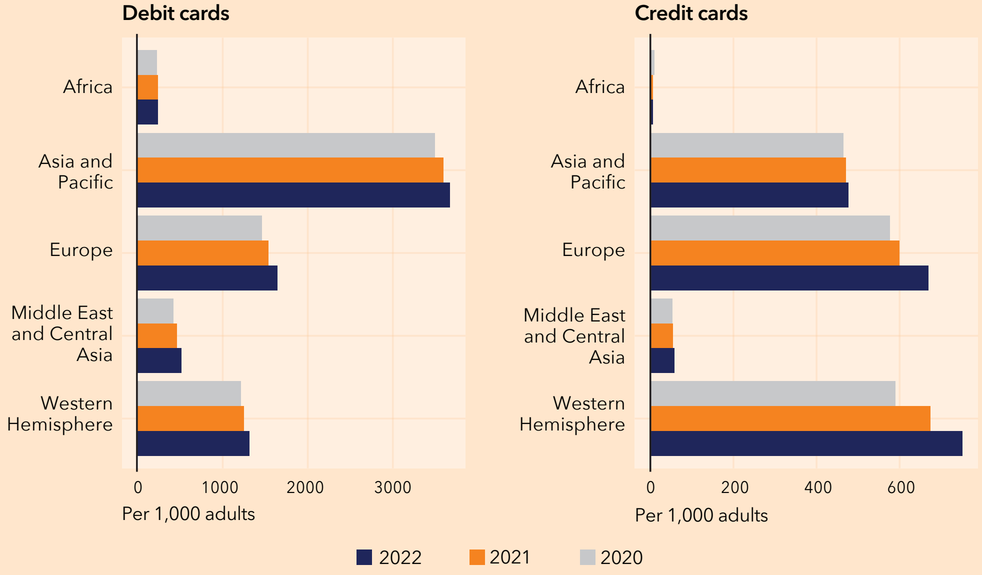
Box 1. Debit and Credit Cards

The FAS collects data on debit and credit cards for which 153 and 139 economies report data, respectively (as of September 2023). Indicators on debit and credit cards offer an additional insight into the interaction between traditional and digital financial services as digitalization can affect the demand for debit and credit cards in both directions.

The latest FAS data show that the prevalence of debit and credit cards varies across regions. The number of debit cards is rising over time in all regions, in line with the trend of deepening bank penetration. On the other hand, while the number of credit cards increased rapidly in the Western Hemisphere region,[1] the uptake of credit cards remains limited in Africa, likely reflecting the popularity of mobile money in the region.

The greater adoption of digital financial services such as mobile and internet banking and payment platforms that are directly linked to bank accounts can potentially decrease the demand for debit and credit cards. On the other hand, the introduction of mobile wallets such as Apple Pay combined with contactless payment platforms makes it easier and more secure to use debit and credit cards, increasing demand for them. The ways in which debit and cards are used will continue to evolve with increasing digitalization in the financial sector (Ernst & Young 2021).

Figure B1: Growing number of debit and credit cards in circulation



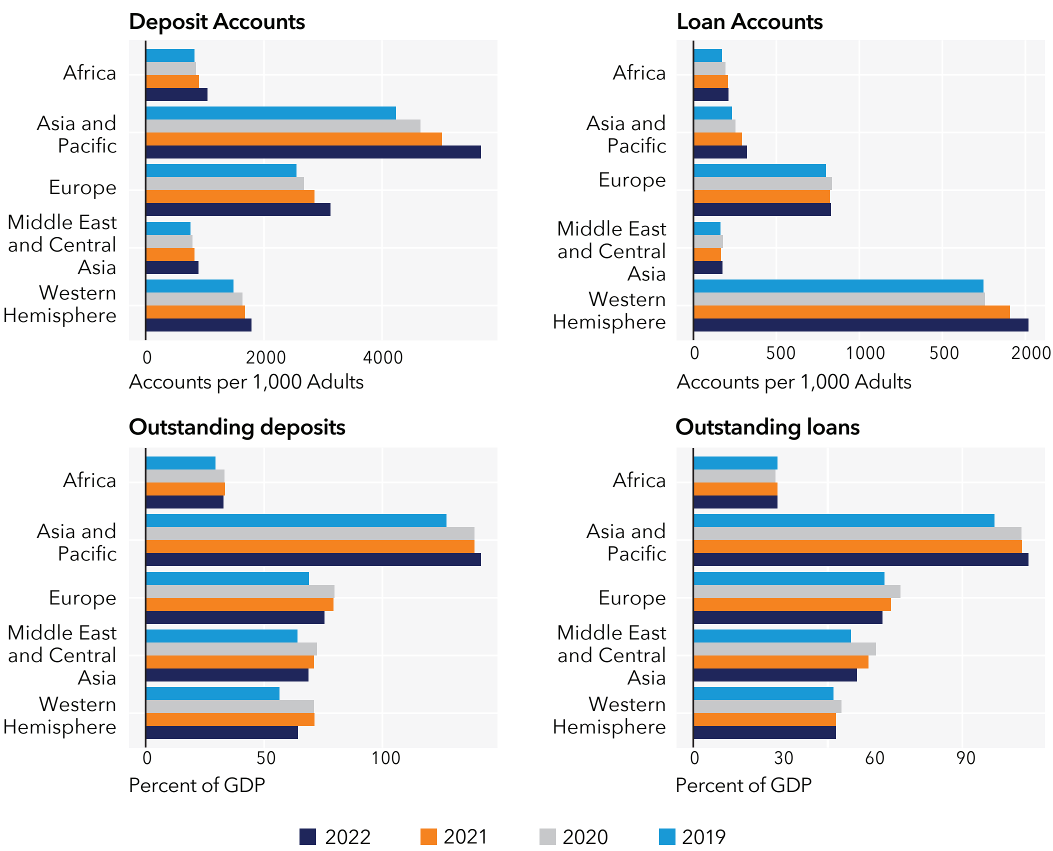
Source: IMF Financial Access Survey and IMF staff calculations.
Note: These charts show the weighted average of the total number or debit and credit cards in circulation by region for countries whose data are available for 2020-2022. Country coverage differs across indicators depending on data availability. Debit cards may be more common than credit cards in some economies. The United States and Canada are not included in Western Hemisphere as they do not report data on credit and debit cards to the FAS.

1 The adoption of mobile wallets is growing rapidly in the Western Hemisphere region (GlobeNewswire 2021), which may in part account for the faster growth in the number of credit cards in the region. The relatively higher debit card adoption in Asia and Pacific may in part be reflecting the popularity of mobile wallets in the region.

Increasing bank account uptake

Bank account uptake has been increasing globally in recent years (Figure 2). Between 2021 to 2022, the number of deposit accounts at commercial banks grew across all regions, with a significant increase in some cases.[3] For example, in the Asia and Pacific region, the number of deposit accounts increased by 13 percent in 2022, mostly driven by China, Nepal, and Indonesia. In China, the increase may partly reflect households' seeking to maximize returns on deposits in a falling interest rate environment given that depositors tend to be price sensitive. In Nepal, the reported 15 percent increase in deposit accounts was driven by increasing interest rates, a greater inflow of remittances, and expansion in banking outreach, supported by a more extensive use of information technology (Nepal Rastra Bank 2023). On the other hand, the number of loan accounts at commercial banks has remained broadly stable across most regions during 2020-2022, except in Western Hemisphere, where the number of loan accounts has risen in countries such as Brazil and Paraguay, in part due to a carry-over effect from the measures introduced in 2020-2021 to support credit (KPMG 2020, IMF 2021, and IMF 2022a).

Figure 2: Bank account uptake continues to increase while the value of outstanding deposits and loans relative to GDP has declined in some regions



Source: Financial Access Survey and IMF staff calculations.
Note: These charts show the weighted average by region for countries whose data are available for 2019-2022. Country coverage differs across indicators depending on data availability. All indicators cover both households and firms. The United States and Canada are not included in the charts for deposit and loan accounts per 1,000 adults as they do not report these data to the FAS. The United States and Canada are included in Western Hemisphere for the remaining charts. Without these two countries, the values of deposits and loans for Western Hemisphere would decrease in magnitude but show the same trend.

[3] However, bank account penetration remains significantly lower among low-income economies than middle- and high-income economies.

The aggregate value of outstanding deposits and loans as a percent of GDP decreased slightly across all regions except for Asia and Pacific, which saw a small increase driven mostly by China and Timor-Leste. In the case of Timor-Leste, the central bank introduced a requirement in November 2021 to facilitate credit access, mandating banks to increase their loan-to-deposit ratio (LDR) to a minimum of 35 percent, or alternatively gradually increase the share of loans to micro, small, and medium enterprises (MSMEs) by December 2023 (IMF 2022b).

The overall decrease in loans in all other regions can be partly attributed to tighter monetary policy in response to higher inflation (Natal and Barrett 2023) and the unwinding of COVID-19 policy measures supporting bank lending.[4] In Middle East and Central Asia, outstanding loans as a percent of GDP decreased from 59 to 55 percent between 2021 and 2022, largely driven by Kuwait, United Arab Emirates, and Georgia. Kuwait reported the largest decrease in outstanding loans, dropping from 100 to 83 percent of GDP, as the Central Bank of Kuwait gradually unwound COVID-19 pandemic policies, restoring regulatory requirements on liquidity, capital, and bank lending to pre-pandemic levels (Central Bank of Kuwait 2021).

FINANCIAL ACCESS FOR WOMEN AND VULNERABLE GROUPS

In addition to overall trends in financial access, the FAS's granular data provide insights on financial access of more vulnerable groups such as SMEs, microfinance customers, and women. The FAS contains statistics on SMEs, microfinance institutions, and women for 112, 107, and 82 economies, respectively. This section provides a brief overview of financial access developments for these vulnerable groups in 2022.

Outstanding loans to small and medium enterprises are declining

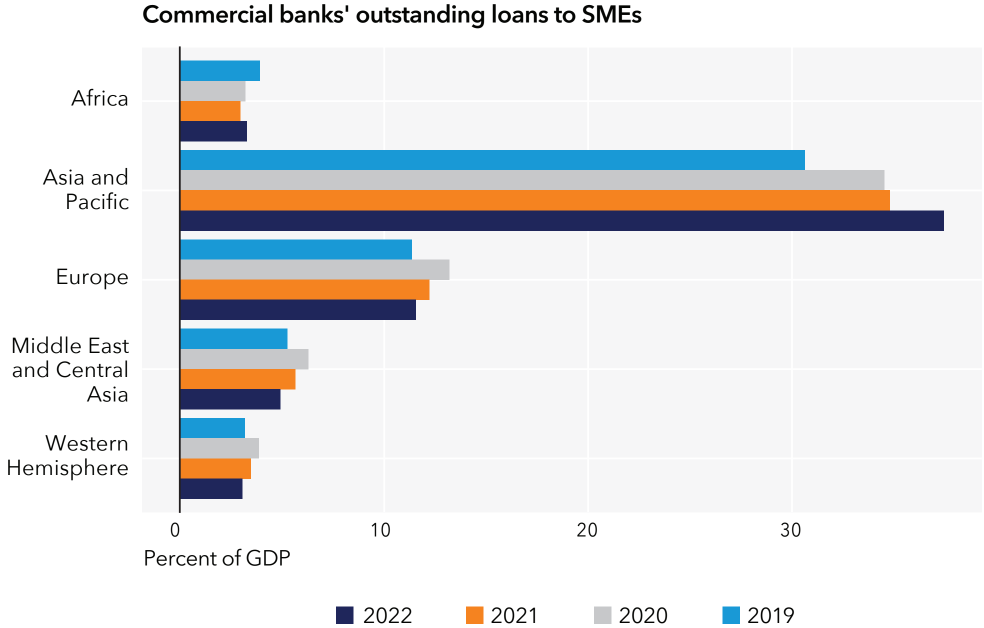
After an initial surge at the onset of the COVID-19 pandemic, the outstanding amount of SME loans as a share of GDP has consistently declined throughout 2022 in several regions (Figure 3). Among the 61 economies that reported data on SMEs for the past four years (2019-2022), 46 experienced a reduction in 2022, most notably among high-income economies (e.g., New Zealand and Portugal).

This reduction partly reflects the unwinding of support measures such as credit guarantees, moratoriums on debt repayments, and direct lending through public banks, implemented in 2020 to meet increased liquidity needs and prevent bankruptcies and employment losses across SMEs (OECD 2022). The global tightening financial conditions are also likely to have played a role in the decline of SME loans in 2022 (IMF 2023a).

On the other hand, 15 countries reported an increase in the outstanding commercial bank loans to SMEs in 2022, including China, Georgia, Jordan, and Moldova, among others. In the case of China, a slowdown in economic growth in 2022 resulted in expansionary macroeconomic policies, including a series of tax relief measures and increased credit to SMEs (IMF 2023b).

[4] See IMF (2022d) for an analysis which also includes pre-pandemic trends of financial access.

Figure 3: Outstanding SME loans relative to GDP are in decline in some regions



Source: Financial Access Survey and IMF staff calculations.
Note: These charts show the weighted average of outstanding loans to SMEs (as percent of GDP) by region for countries whose data are available for 2019-2022. Country coverage differs across indicators depending on data availability. The United States and Canada are not included in Western Hemisphere since they do not report SME data to the FAS.

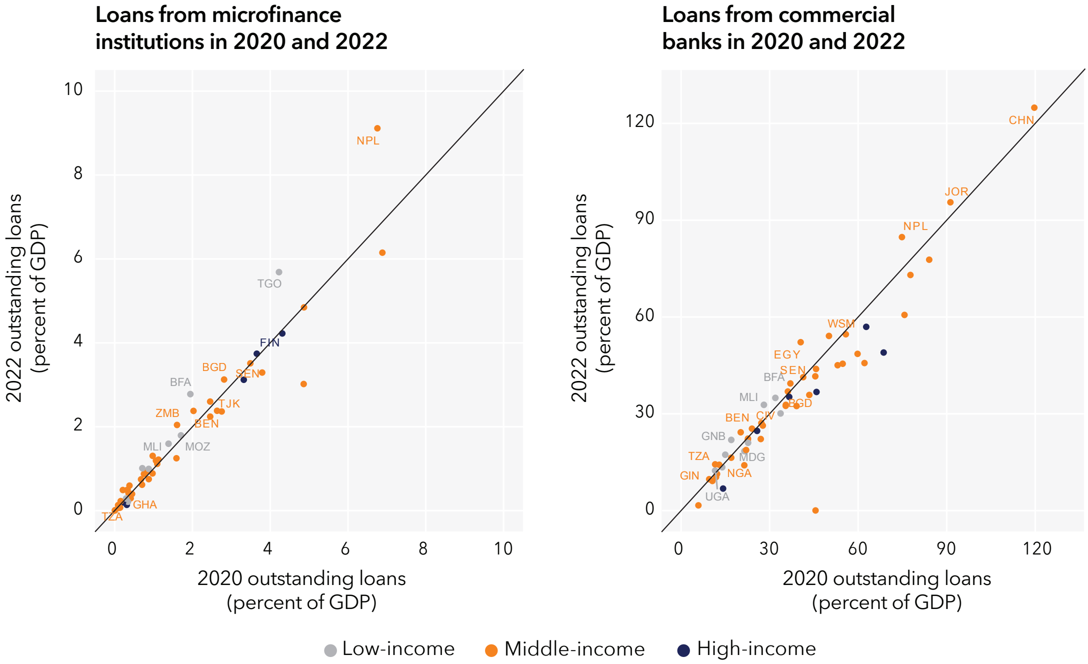
Microfinance institutions continue to support micro loans and deposits

The microfinance[5] market has remained resilient amid the global economic and health crises in recent years, including in 2022. The number of microfinance deposit accounts increased in most middle-income economies between 2020 and 2022. In addition, the number of microfinance loan accounts increased by more than commercial bank loan accounts in countries such as Albania, Bangladesh, and Georgia during the same period. Some of the key drivers for the growing use of microfinance services include the greater availability of microfinance in digital and mobile-based payment platforms, substantial demand for short-term and small-scale financing among low-income customers and SMEs; and government initiatives encouraging the use of microfinance services (Research and Markets 2023 and 2022, ADB 2021, and CGAP 2020 and 2021a).

The FAS data also show that the outstanding value of microfinance deposits and loans in low- and middle-income economies have risen since 2020 in contrast to the overall reduction in commercial bank deposits and loans (Figure 4). The outstanding amount of microfinance loans as a share of GDP increased in more than 50 percent of economies in the sample while commercial bank loans declined in almost 70 percent of the economies in the sample between 2020 and 2022. In Africa, many microfinance institutions have expanded their credit portfolio to serve MSMEs, supported by the resilience of the sector despite tightening financial conditions (Africa Financial Industry Summit 2023).

[5] Microfinance institutions offer small-scale loans typically to self-employed or informally employed low-income individuals and microenterprises. Some of them also take deposits.

Figure 4: Microfinance loans have increased in many low- and middle-income economies



Source: Financial Access Survey and IMF staff calculations.
Note: The sample is based on data availability for 2020-2022. The straight line corresponds to a 45-degree line. The figure shows ISO codes for countries whose outstanding loans in percent of GDP increased between 2020 and 2022. The observations above the 45-degree line indicate increases in the value of loans in 2022 relative to 2020. The figure uses the World Bank's income group classification.

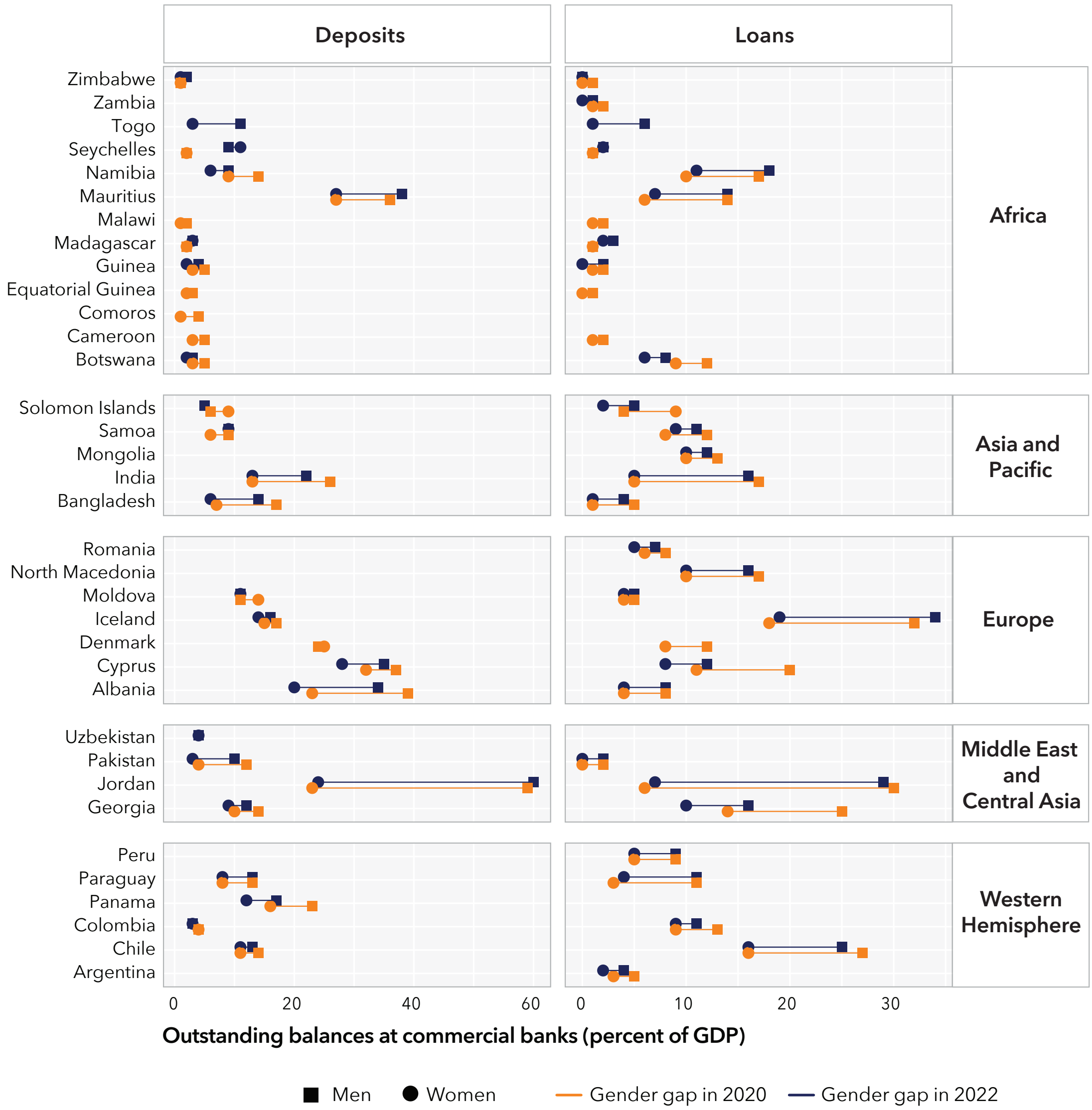
Persistent gender gap in financial access

Women's financial inclusion is key for women's economic empowerment (Women's World Banking 2023, CGAP 2021b). Having access to financial services enables women to have more control over their resources, leading to improved social and economic outcomes. Nevertheless, the gender gap in financial access is persistent, reflecting a number of gender-based barriers, including structural ones, such as legal and regulatory constraints, social norms, and lower labor market participation by women (Innovations for Poverty Action 2017). Gender-disaggregated FAS data in part reflect women's financial exclusion levels as a result of these persisting barriers.

While available FAS data suggest that more men and women had access to bank accounts in many economies in 2022, the degree of bank account penetration among women remains significantly lower than that for men in some economies such as Bangladesh, Jordan, Pakistan, and Zambia.

In terms of the outstanding value of deposits as a share of GDP (Figure 5, left panel), women hold significantly lower deposits relative to men in some economies, and the gender gap is substantial and persistent (e.g., Albania, Bangladesh, and Jordan). While some countries saw a slight narrowing in the gender gap, it does not always correspond to improved financial access and use for women. For example, in India, the gender gap in the outstanding deposit value declined in 2022, but this was largely due to a decline in male-owned deposits, rather than an increase in female-owned deposits.

Figure 5: Greater gender gap in outstanding loans than deposits



Source: Financial Access Survey and IMF staff calculations.
Note: The sample is based on data availability for 2020-2022 for different country-income level groups (36 countries). The small circle measures outstanding values of deposits and loans for women while the square measures those for men. The line between the circle and square captures the gender gap.

The gender gap as reflected in the outstanding amount of loans tends to be even larger (Figure 5, right panel)—in about 70 percent of the countries in the sample where gender-disaggregated data are available, the gap is higher than that for outstanding deposits as a share of GDP. Various factors, including the lack of collateral available to women, algorithm biases, and higher interest rates faced by women (Rizzi et. al 2021), explain the persistent gender gap and potentially constrain women from engaging in productive activities and smoothing consumption.

This analysis is based on a small sample, which may not necessarily capture the full extent of the financial access gender gap. It is important to continue to monitor these developments, and greater availability of granular gender-disaggregated data is essential in this regard.

ABOUT THE IMF'S FINANCIAL SURVEY

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

The dataset covers 191 economies spanning the period 2004 to 2022. It contains 121 time series on the use of and access to financial services (such as the number of ATMs and depositors). To facilitate meaningful comparisons, the FAS also disseminates 70 indicators that are normalized relative to the size of the adult population, land area, and gross domestic product.

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