WORKING PAPER

Financial Inclusion Measurement in the Arab World

January 2017

This paper is jointly published by CGAP (Nadine Chehade, Antoine Navarro) and the Arab Monetary Fund (Yisr Barnieh, Habib Attia) in collaboration with the Arab Monetary Fund's Financial Inclusion Task Force. The authors thank all those who provided comments during the writing and editing of the document.

Contact the authors for a copy of an Excel spreadsheet containing country-level information used in this paper: cgap@worldbank.org or financialmarkets@amfad.org.ae.

EXECUTIVE SUMMARY

Following the request of the central banks of the region, **the Arab Monetary Fund's (AMF) Financial Inclusion Task Force (FITF) was established in 2012 to identify ways to improve financial inclusion in the Arab world**. Financial inclusion refers to a state where individuals, including low-income people, and companies, including the smallest ones, have access to and make use of a full range of formal quality financial services (payments, transfers, savings, credit, and insurance) offered in a responsible and sustainable way by a variety of providers operating in a suitable legal and regulatory environment.

The financial inclusion cause has been embraced globally by central banks and international standard-setting bodies for its impact on any country's economy: supporting economic growth through the development of the financial sector, improving the financial sector's stability, or decreasing Anti-Money Laundering/Combating the Financing of Terrorism risks through higher formalization of the economy, are a few of the many tangible virtues of high financial inclusion rates. Organizations such as the G20, the United Nations, and the World Bank have thus committed to advance financial inclusion globally.

In the race toward full financial inclusion, the Arab world lags behind other regions. Nearly 70 percent of adults (168 million) report no account ownership. This figure goes up to 80 percent in the developing countries of the region, constituting the largest area of exclusion from formal financial services. Similarly, access to formal credit is less than half the global average.

Low levels of financial inclusion in the region are the result of unserved demand, in the absence of a suitable formal offer. This is notably evidenced by the massive use of informal credit by at least 92 million borrowers. Women, low-income people, and youth are the most excluded.

Detailed and accurate data are necessary to identify priorities and measure progress. While the general diagnosis is undeniable, better understanding financial inclusion patterns in each country will require market studies that analyze the demand for financial services. In the meantime, FITF has taken a preliminary step to improve the quality of data collected from financial services providers.

Data will reflect progress only when actual change happens in the Arab markets. Here, public policies aiming at fostering financial inclusion and appropriate legal frameworks play a key role, and central banks are well-positioned to drive such policies.

Central banks usually have both the mandate and the skill set that allow them to champion and coordinate the process toward effective national financial inclusion strategies, though they are not always in charge of all aspects related to financial inclusion.

It is in this context that the AMF and its task force will be working closely with CGAP, the Alliance for Financial Inclusion, and GIZ, among others, to advance measurement of financial inclusion in the Arab world, thereby allowing member countries to accurately measure their progress to financial inclusion when they wish.

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The following color code is applied to country groups in all graphs:

- Regional peer groups
- Income-level peer groups
- Arab countries

ACRONYMS

AMF	Arab Monetary Fund
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
FAS	Financial Access Survey, database collected from financial service providers
Findex	Global Financial Inclusion database, collected from individuals through survey
FITF	Financial Inclusion Task Force
GCC	Gulf Cooperation Council
IMF	International Monetary Fund
MSME	Micro, Small, and Medium Enterprise
OECD	Organization for Economic Co-operation and Development
UAE	United Arab Emirates

1. FINANCIAL INCLUSION IS ON THE GLOBAL DEVELOPMENT AGENDA

Financial inclusion refers to a state where individuals, including low-income people, and companies, including the smallest ones, have access to and make use of a full range of formal quality financial services (payments, transfers, savings, credit, and insurance) offered in a responsible and sustainable way by a variety of providers operating in a suitable legal and regulatory environment.

Globally, central banks have embraced financial inclusion because several of its elements fall within the scope of their mandates. Indeed, financial inclusion leads to economic growth through the development of the financial system (e.g., increasing the number and total value of formal financial transactions) and to financial stability through a greater diversification of risks (e.g., large deposit bases and portfolios of small loans, both proven to be less vulnerable to shocks). In addition, financial *exclusion* has been demonstrated to actually increase anti-money laundering/combating the financing of terrorism (AML/CFT) risks, on top of having negative consequences on economic and social stability.

It is, therefore, not a coincidence that financial inclusion has caught the attention of some of the most prominent institutions and standard-setting bodies (SSB) globally. In 2010, the G20 recognized financial inclusion as one of the main pillars of the global development agenda, setting up the Global Partnership for Financial Inclusion (GPFI), which released the G20 set of financial inclusion indicators (see Annexes A and C). That same year, the Basel Committee released its "Guidelines for the application of core principles for effective banking supervision to microfinance activities," followed in 2015 by the "Range of practice in the regulation and supervision of institutions relevant to financial inclusion." Even the Financial Action Task Force (FATF) has put in place measures to expand definitions of low-risk and lower-risk transactions, updating its "Guidance on AML/CFT and financial inclusion" in 2013. Finally, the evolving financial inclusion landscape, captured in GPFI's 2016 white paper, has led SSBs to broaden their scope of action. As such, the 2016 update of the G20 financial inclusion indicators now includes a range of indicators on digital services, mobile phones, and agent banking.[1]

Improving financial inclusion in the Arab world requires a better understanding of the current level of access to financial services. In light of this, over the past year, the AMF FITF, with the support of CGAP,[2] decided to collect and analyze the globally established G20 set of financial inclusion indicators[3] for Arab countries. These indicators are essential for member countries to formulate a preliminary financial inclusion diagnostic, with the final goal of developing relevant policies to enhance financial inclusion.

[1] This paper does not explore data related to digital financial services given the limited number of data points available.

[2] Housed at the World Bank, CGAP is a global consortium of more than 30 international donors and investors aiming to advance financial inclusion.

[3] There is a basic and a full set of indicators. Data are collected across 24 categories comprising 2–3 indicators each and covering three dimensions: access, usage, and quality. There is some but not full overlap with the Alliance for Financial Inclusion (AFI) core set of indicators (see annexes).

2. FINANCIAL INCLUSION IN THE ARAB WORLD LAGS BEHIND OTHER REGIONS

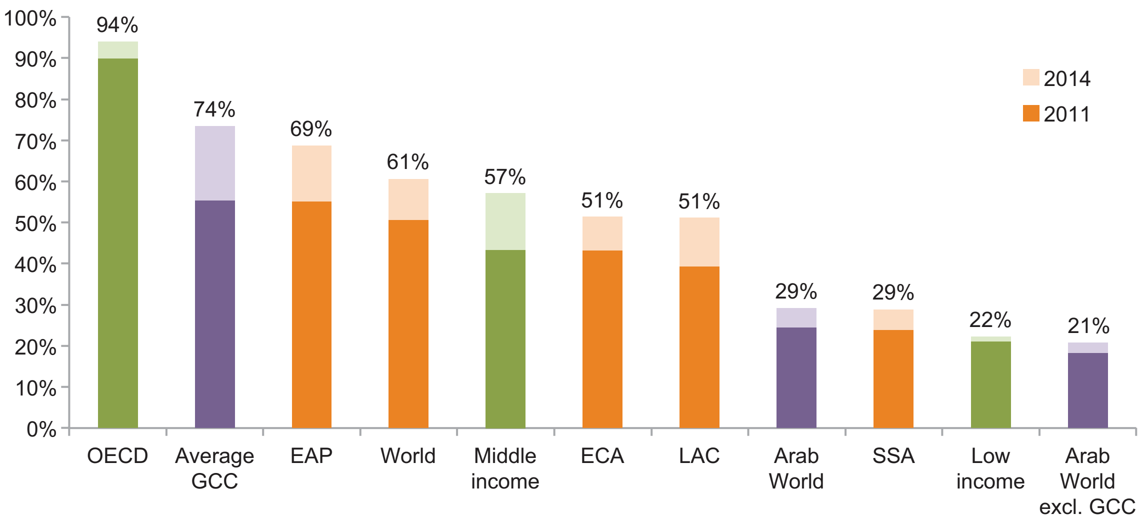
All available data suggest that there is a great potential to deepen financial inclusion in the Arab world. Existing datasets on financial inclusion, whether regarding demand or supply, all point toward the same analysis in terms of the relative position of countries and regions compared to one another.

a. Account Ownership

Launched in 2011, the World Bank's Global Findex survey has become widely accepted as a benchmarking tool that can be applied across countries and regions, with account ownership being the primary indicator of financial inclusion (see Section 4.c for more details on the Global Findex).

- According to these figures, **the outreach of formal financial services in the Arab world stands at only 21 percent when excluding the Gulf Cooperation Council (GCC) countries**, the lowest worldwide (see Figure 1).
- At 74 percent account ownership, GCC countries[4] are above the global average of 61 percent account ownership, although they are still below the 94 percent Organization for Economic Co-operation and Development (OECD) average.
- Given the relatively small population of GCC countries, account ownership in the entire Arab world remains low at 29 percent.

FIGURE 1. Account at a Formal Financial Institution (age 15+), By Region

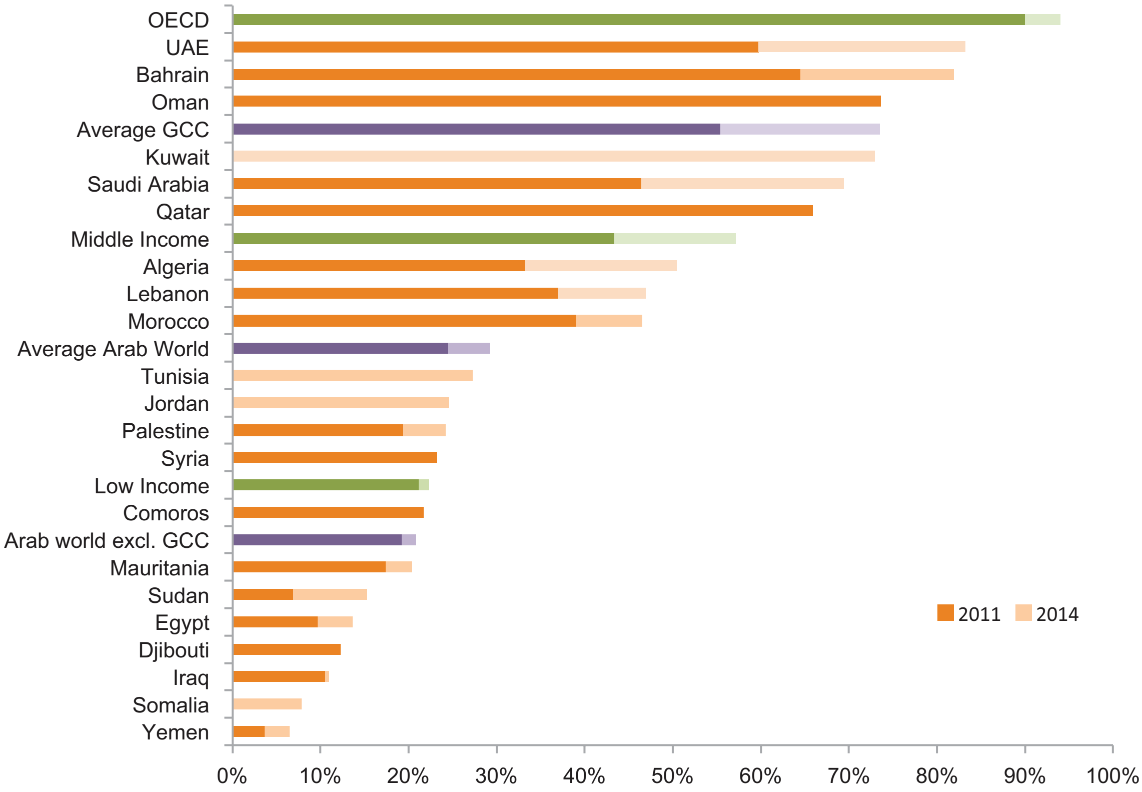


Source: Findex 2011 and 2014 data, except for bars in purple, computed based on the Findex data.

Note: Findex reports an average of 14% for "Middle East developing countries," including Egypt, Iraq, Jordan, Lebanon, Palestine, and Yemen. Other figures for the Arab world are calculated as averages weighted by the population aged 15+. GCC countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates. The Arab world includes all AMF member countries, namely GCC countries and Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Palestine, Somalia, Sudan, Syria, Tunisia, and Yemen.

[4] Findex samples in GCC countries include nationals, Arab expatriates, and non-Arabs who were able to answer the survey in Arabic or English.

FIGURE 2. Account at a Formal Financial Institution (age 15+) in the Arab World



Source: Findex 2011 and 2014 data, except for Morocco (estimated by applying to the 2011 Findex data the growth rate reported by Bank Al Maghrib on the number of accounts as collected from financial service providers).

Note: Only 2011 data are presented for countries where no data for 2014 are available (Comoros, Djibouti, Morocco, Oman, Qatar, Syria).

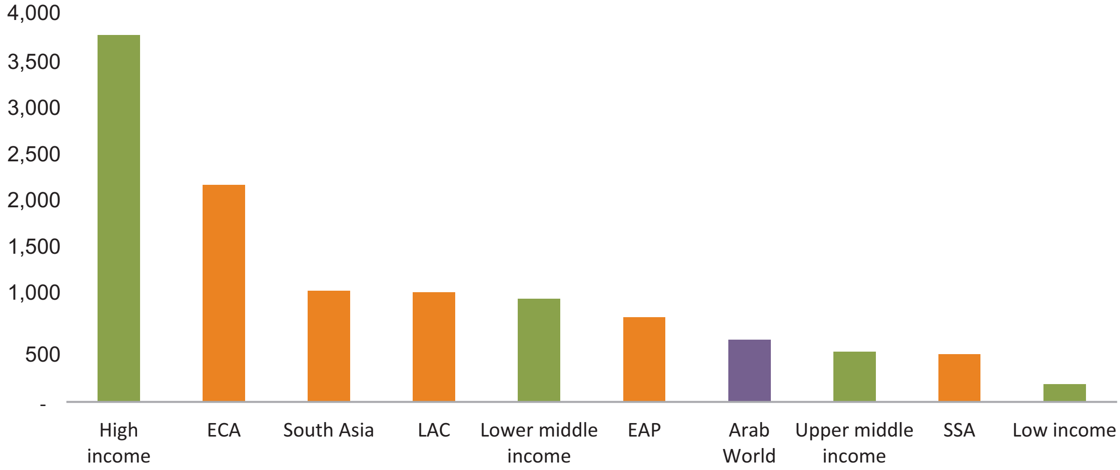
Non-GCC countries can be grouped in two categories (see Figure 2).

- Countries, such as Algeria, Lebanon, or Morocco, that have active financial markets yet are slightly below the global average.
- Other countries that are much lower.

While the Global Findex might have some shortcomings,[5] **these differences among regions, subregions, and pools of countries are also reflected in the aggregated data from financial service providers** that are reported to the International Monetary Fund's Financial Access Survey (IMF FAS) (see Figure 3, Figure 6, and Section 4.b for more details on the IMF FAS).

[5] The first Findex surveys were conducted in 2011, coinciding with times of unrest in several Arab countries. Data are not available for the exact same set of countries in 2011 and 2014, with a maximum of 20 countries covered, and only 14 presenting two sets of data.

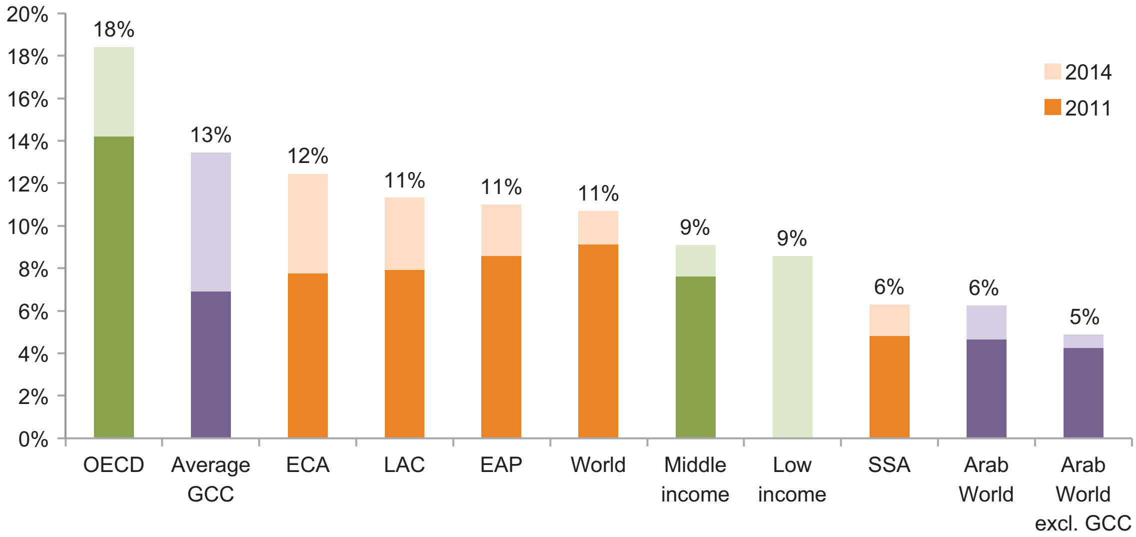
FIGURE 3. Deposit Accounts with Commercial Banks, per 1,000 Adults, by Region



Source: IMF FAS 2014 data for 111 countries and 2013 data for 13 countries.

Note: "Deposit accounts" used instead of "number of depositors" because more data points are available. Regional and income group averages computed based on IMF FAS averages weighted by the population over 15 years old.

FIGURE 4. Loans at a Formal Financial Institution (age 15+), by Region



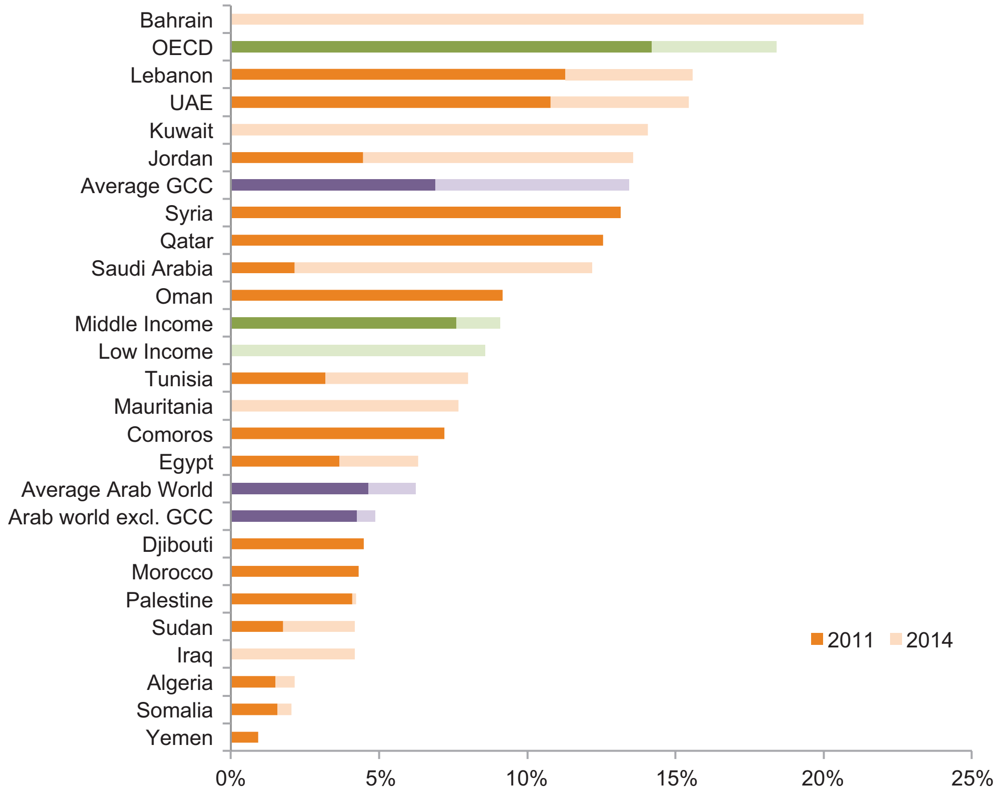
Source: Findex 2011 and 2014 data.

Note: Findex reports an average of 5.6% for "Middle East developing countries."

b. Borrowings from Formal Financial Institutions

Similar to account ownership, **the Arab world lags behind other regions in terms of access to credit from formal financial institutions** (see Figure 4). Although 44 percent of adults reported having a loan according to the Global Findex survey, only 6 percent of them are borrowing from a formal financial institution. Credit outreach in the region, when excluding GCC countries, is less than half of most other developing regions globally.

FIGURE 5. Loan at a Formal Financial Institution (age 15+) in the Arab World



Source: Findex, 2011 and 2014 data.

Note: Only 2011 data are presented for countries where no data for 2014 are available (Comoros, Djibouti, Morocco, Oman, Qatar, Syria). Only 2014 data are presented for countries where Findex reports a decrease between 2011 and 2014 (Bahrain, Iraq, Kuwait).

GCC countries, as well as Lebanon and Jordan, have a deeper outreach of formal credit when compared to other countries (see Figure 5).

c. Insurance

Global information on insurance outreach is currently limited because the topic is not covered by the Findex survey, and data are usually not reported in the IMF FAS. The latter is likely due to the limited involvement of central banks in the topic, since insurance services in most countries fall under the supervision of ministries of finance, ministries of economy, or nonbank financial regulators.

Despite the lack of systematic data on the subject, punctual studies have evidenced a **limited penetration of insurance services**, especially to low-income populations.[6]

[6] According to World Bank (2010), only three countries have a ratio of nonlife insurance premiums exceeding 1.5 percent of GDP, significantly smaller than OECD countries.

3. DIFFERENT DATASETS ALLOW FOR A BETTER UNDERSTANDING OF FINANCIAL INCLUSION

Our current knowledge of financial inclusion is based on two distinct categories of datasets, namely supply-side data (reported by financial service providers) and demand-side data (collected through market studies). The following subsections describe the collection process of both datasets, highlight possible areas for improvement to increase their reliability, and introduce other tools that can be used to gather additional information at the country level.

a. Demand-Side Data

Demand-side data are reported by end users of financial services, and are collected through a population survey, usually nationally representative. For the first time in 2011, this type of information has been gathered globally in a systematic and consistent way, leading to the release of the Global Findex database. Funded by a 10-year grant from the Bill & Melinda Gates Foundation, with data collected by the World Bank in partnership with Gallup World Poll, Findex covers over 140 countries. It was updated in 2014, and its next set is expected in 2017.

In addition to information on people's reported access to financial services, Findex has provided unique information on users' financial behavior that cannot be captured by institutional data from providers, such as the purpose of financial services being used, the usage of informal services, and the perceived barriers to accessing financial services. Because of its poll-based methodology, Findex data are extrapolated from a surveyed sample, but present the advantage of being uniformly collected across countries. According to the Findex Note on Financial Inclusion in the Middle East (Demirguc-Kunt et al. 2015), account ownership is the lowest, most notably for women, low-income people, and youth.

While the Findex dataset is excellent for cross-country comparisons, it does not provide the kind of in-depth data at the country level that would be needed to develop appropriate public policies aimed at enhancing financial inclusion (e.g., it does not provide information per region within a country). However, the analysis of Findex data is expected to shed light on each country's relative access to financial services. Additional insight may be obtained through a variety of other national demand-side research tools that provide a better understanding of the qualitative aspects of financial inclusion (see Table 1 for an overview of these tools).

A combination of one-off in-depth studies and regular monitoring of key demand-side indicators will help stakeholders understand demand. One-off in-depth studies can be conducted less frequently because they are complex, require specific expertise, and can be relatively costly. Regular monitoring of key demand-side indicators can be collected more frequently as part of national households' surveys. **FITF has found that developing common survey tools are key for its member countries** to track the progress of financial inclusion and to measure the effects of financial inclusion policies through the evolution of clients' access to and use of financial services. As such, FITF will be involved in designing tools to provide both regional comparability and customization to each country's financial inclusion goals. It plans to build on the work initiated in Morocco, Palestine, and Qatar, among others.

TABLE 1. Demand-Side Data Landscape

	Description	Quantitative or qualitative	Frequency	Scope	Sample size	Countries covered	Subnational data
Global Findex	Global trends and **cross-country** comparison	Qualitative	3 years (2011, 2014, 2017)	Individual	1,000+	148	No
World Bank Enterprise survey/IFC Enterprise finance gap database	Quality of the **business** and investment climate across countries	Quantitative + Qualitative	Every 3–4 years since 1998	Firm	Varies ~1,000	135	No
Financial Inclusion Insights Surveys (FII)	Individual perception and behavior regarding **digital** financial services	Quantitative + Qualitative	1 year (over 2–3 years)	Individual	5,000–60,000	10[a]	Yes
Finscope/FinAccess	**Individuals**' financial management; perceptions regarding financial services	Quantitative + Qualitative	4 years	Individual, some household conclusions	1,000–21,000	17	Yes
Financial Inclusion Tracker Survey (FITS)	Trends in **households**' financial behavior; trends in poverty levels of mobile money users	Quantitative + Qualitative	1 year + quarterly	Household (panel)	3,000–5,000	3[b]	Regional
Living Standards Measurement Study	**Household** welfare and behavior	Quantitative (limited qual.)	Varied (1985–2012)	Household (panel)	800–36,000	38	Yes

a. Bangladesh, Ghana, India, Indonesia, Kenya, Nigeria, Pakistan, Rwanda, Tanzania, Uganda.
b. Uganda, Pakistan, Tanzania.
Source: Broens Nielsen 2014.

b. Supply-Side Data

Supply-side data are reported by financial service providers and are collected by national authorities (central banks, relevant ministries), by industry bodies (banking association, insurance association), or through surveys sent to financial service providers.

A main global source of supply-side data is the IMF FAS. Initiated in 2009 with first results released in 2010, FAS aims to collect and disseminate internationally comparable data from financial service providers. It comprises over 150 indicators for 189 countries and focuses on access (or availability) and actual use of financial services, measured relative to population size to allow for cross-country comparison.

Despite comprehensive quality checks by the FAS team, the reliability of the FAS indicators largely depends on the **availability and comprehensiveness of each country's data** and each reporting entity's **ability to detect and report significant deviations** between their own indicators and FAS definitions.

FITF has identified three ways to improve the quality of FAS data for the Arab world.

- **Improve response rate.** Only 19 percent of the data points collected by the IMF FAS are reported by Arab countries, on average. Some FITF members (e.g., Egypt, Palestine, United Arab Emirates) are working with the IMF FAS team to improve the quality of the information collected or reported.
- **Improve the process.** Designate a dedicated and active financial inclusion data contact point in the reporting countries that would be in charge of liaising with other institutions, if needed. Central banks are not always in charge of collecting all data pertaining to financial inclusion, but they could liaise with other entities (e.g., insurance supervisor or association, microfinance professional associations, postal networks).
- **Improve content.** Data can be improved by analyzing the reasons behind the major differences between supply- and demand-side data (e.g., counting an individual with several accounts as a single account holder, identifying dormant accounts, collecting missing information from financial service providers).

There are other supply-side datasets such as the GSMA Mobile Money Adoption Survey (for mobile money accounts), the World Bank's Global Payment Survey, the Microfinance Information Exchange (MIX) Market map, and FSPMAPS.com (see Table 2 for more details).

c. Comparing Different Sources and Understanding Data Gaps

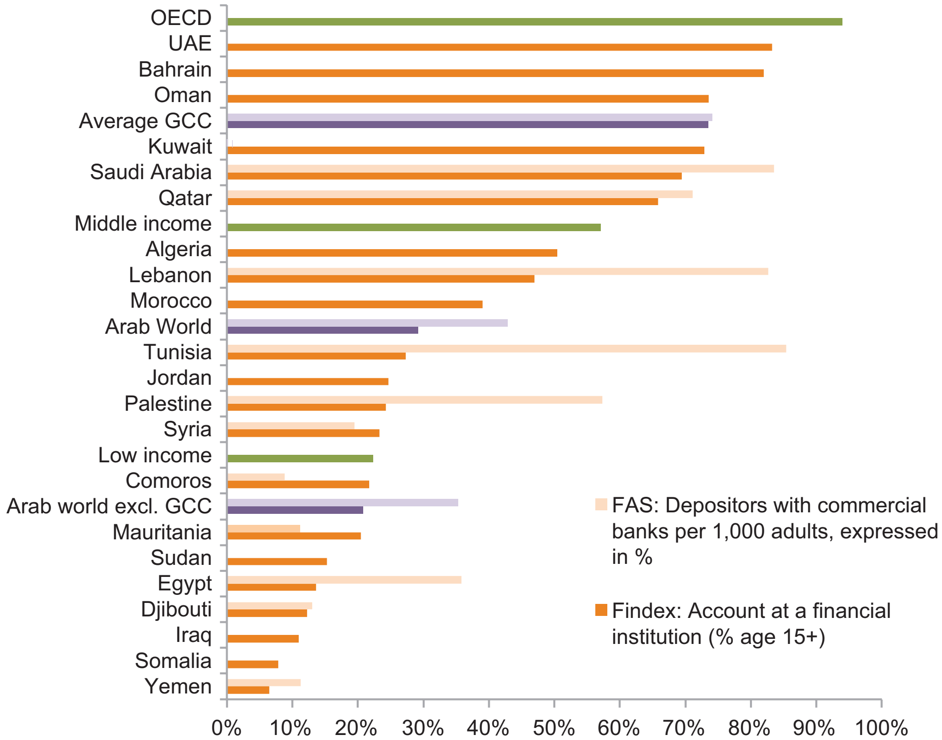
In comparing demand- and supply-side data in more detail for similar indicators, FITF has identified important gaps in some countries, even regarding basic indicators such as number of account holders or number of borrowers (see Figure 6 and Figure 7). Taking a closer look at the most significant gaps would help in analyzing financial inclusion patterns, as the two indicators complement each other.

TABLE 2. Supply-Side Data Landscape

	Information source	Frequency	Analytical tools	Geospatial, subnational	Examples of "access" indicators
IMF FAS	Central Banks in 189 countries	Annually since 2004	No	No	■ Banks per 1,000 Km^2 ■ ATMs per 100,000 adults
GSMA Mobile Money (MM) Adoption Survey	MM providers, telcos	Annually	Benchmarking	No	■ No. of registered MM users ■ No. of active MM agents ■ Value and volume of transactions
World Bank Global Payment Survey	Central banks	2008, 2010, 2012, next report expected in 2017	Benchmarking	No	■ Volume of transactions ■ No. of countries with consumer protection legislation
MIX FINclusionLab	Microfinance institutions; increasingly other financial services providers and regulators	Quarterly; depends on country and providers	Benchmarking	Yes	■ No. of financial institutions by type or region ■ Locations per 100,000 adults ■ Locations per 1,000 Km^2
fspmaps.com	Third-party providers; georeferencing providers in-country; spatial development host data	1 round; sustainability plans under discussion	Yes	Yes	■ Proximity to financial access points, e.g., number of (poor) people living within 5 Km of a financial access point (urban/rural divide)

Source: Broens Nielsen 2014.

FIGURE 6. Formal Account Ownership, Demand vs. Supply-Side Data in the Arab World

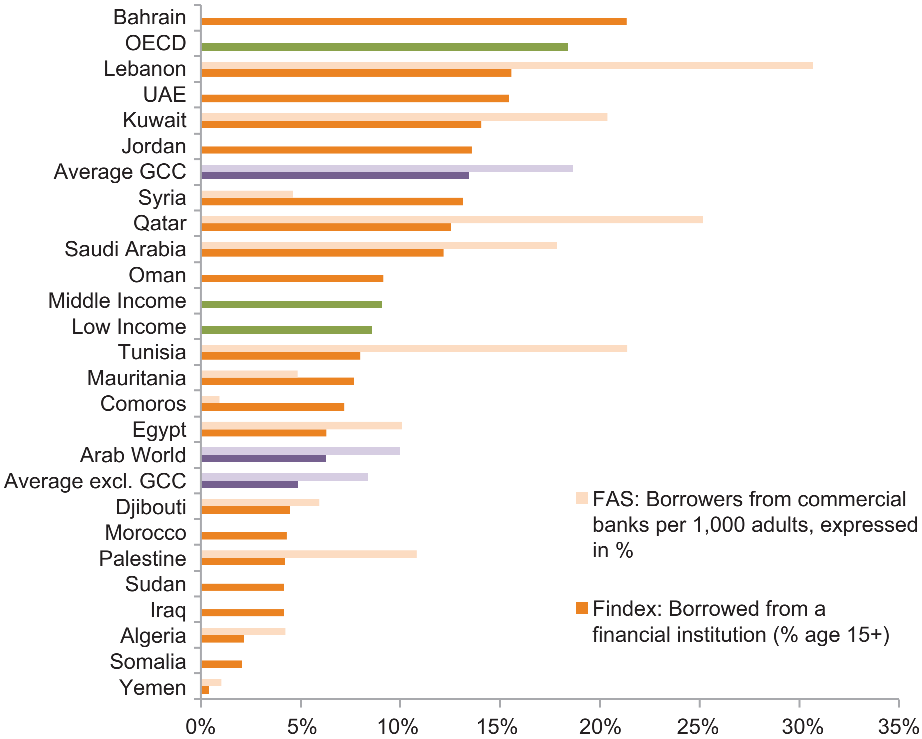


Source: Findex and FAS 2014, where possible. Findex 2011 data are used for Comoros, Djibouti, Morocco, Oman, Qatar, and Syria. FAS 2013 data are used for Syria and Yemen. There are no recent FAS data for Bahrain, Iraq, Jordan, Libya, Morocco, Oman, Somalia, Sudan, and UAE for the two indicators, and no recent data for Algeria. Other regions' averages for FAS are not included due to the limited number of data points.

Such an analysis would not be easy because demand- and supply-side **indicators are different in nature. However, several of the indicators can be compared with a reasonable level of confidence,** keeping in mind that needed adjustments cannot always be applied because of missing information. Information may be missing for a variety of reasons, including the following:

- Difficulties in reporting supply-side data, e.g., in removing duplicates to report a *unique* number of depositors/borrowers.
- Unavailable information for supply-side data, e.g., gender-disaggregated data.
- Unwillingness to report account ownership in demand-side data.
- Surveys being carried out on adults age 15+ on the demand side, where the minimum age for account ownership could be as high as 21 in some countries.

FIGURE 7. Formal Credit Penetration, Demand vs. Supply-Side Data in the Arab World



Source: Findex and FAS 2014, where possible. Findex 2011 data are used for Comoros, Djibouti, Morocco, Oman, Qatar, and Syria. FAS 2013 data are used for Syria and Yemen. There are no recent FAS data for Bahrain, Iraq, Jordan, Libya, Morocco, Oman, Somalia, Sudan, and UAE for the two indicators. Other regions' averages for FAS are not included due to the limited number of datapoints.

4. LOW FINANCIAL INCLUSION IN THE ARAB WORLD RESULTS FROM UNATTENDED DEMAND

The weakness of financial inclusion indicators in the Arab world is not because of a lower demand for financial services. On the contrary, the region shows equal or higher financial activity, but lower outreach of formal financial services, be it for account ownership or for credit (see Box 1).

Indeed, on the account ownership front, the Arab world, in general, and non-GCC countries, in particular, is the only region, after Sub-Saharan Africa (SSA), where the number of people who declare that they have saved money significantly exceeds the number of people having an account at formal institutions (see Figure 8). This suggests that **saving takes place outside of formal channels.** In addition, barely one-third of formal account holders are intensive users,[7] suggesting that supply might not be adapted to users' needs. Another possible reason could be poor infrastructure.

On the credit front, **the region shows a more active borrowing behavior compared to most others**, with 44 percent of adults borrowing money over a year compared to a 42 percent global average and 40 percent average of OECD economies (see Figure 9).

BOX 1. Focus on Low-Income People and Micro- and Small Enterprises

This report reflects broad evidence that poor families live active financial lives, saving, borrowing, and lending to others, and transferring money, but only a few use formal financial services. Indeed, while demand is present, **supply remains limited and/or not adapted**.

In the Arab world more specifically:

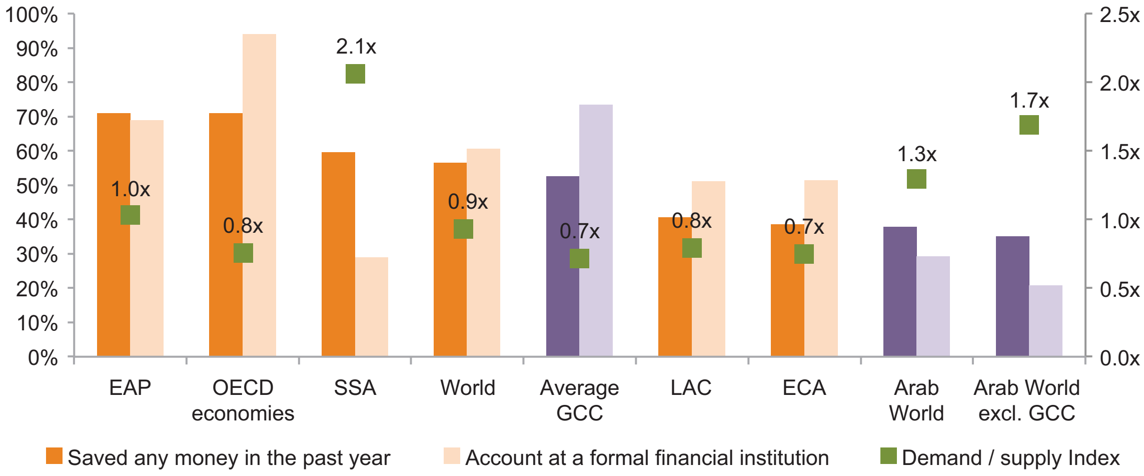
- In some countries, **postal networks are the main provider of savings** and payments services, notably because of their extensive geographic outreach, but they have no lending activities.
- **Microfinance institutions (MFIs)**, banks, nonbank financial institutions, and nongovernmental institutions (NGOs) **are the main providers of credit** to low-income households and micro- and small enterprises. In some countries, MFIs fall under the scope of Central Bank regulation and their data may be reported to FAS, although supply-side data for this segment is limited.[a]
- **Direct involvement of commercial banks remains scarce**, as is the case globally. In some countries though, state banks are significant providers of financial services for low-income households and micro- and small enterprises.

a. At the time this report was written, only Comoros, Djibouti, Palestine, Syria, and Yemen reported some information on depositors and/or borrowers with MFIs to FAS.

[7] "Intensive users" is defined by Findex as account holders at a formal financial institution who report that money is withdrawn from their account three or more times in a typical month.

However, where 11 percent of adults (or 25 percent of borrowers) borrowed from a formal financial institution globally, only 6 percent did so in the Arab countries, leaving 85 percent of the credit supply to informal players. In effect, 30 percent of adults borrowed from families or friends who represent nearly 70 percent of the credit supply. This is one of the biggest gaps in the world (8.5 times more adults borrow informally), second only to SSA.

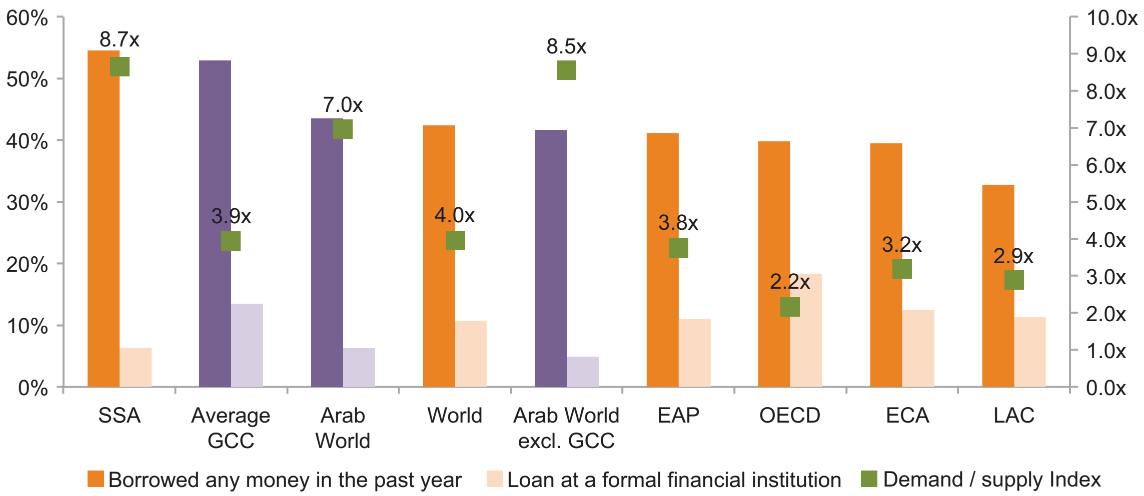
FIGURE 8. Savings vs. Formal Account Ownership (age 15+), by Region



Source: Findex 2014.

Note: Using these two indicators as a comparison of supply and demand vastly approximates—and probably underestimates—demand, because there are more uses for accounts than saving (e.g., receiving wages and payments, supporting payment tools, such as cards).

FIGURE 9. Loans vs. Formal Loans (age 15+), by Region



Source: Findex 2014.

5. GOING FORWARD: ANALYZING POLICY AND REGULATORY FRAMEWORKS

Gathering and analyzing quality financial inclusion data is only the first step toward addressing the structural bottlenecks in financial access. Today, **over 60 countries worldwide have launched reforms aimed at improving financial inclusion**, including large countries such as Brazil and Mexico.

In the Arab world, progress has been made over the past few years with some notable regulatory improvements in place (see Table 3). However, change focused on microcredit and, more specifically, on microcredit to individual entrepreneurs, which is now reaching more than 3 to 4 million people in the region.[8] Nonetheless, this figure is far from rivaling the estimated 92 million who report borrowing through informal channels,[9] and **access to formal savings**

TABLE 3. Microfinance Regulations in the Arab World (GCC Excluded)

Year	Country	Law	Savings	Credit	Insurance[a]	Regulator
1999	Morocco	Law n°18.97, updated in 2004, 2007, and latest in 2013 with law n°41.12	✗	✓	✓	Bank Al Maghrib (BAM)
2007	Syria	Microfinance Decree n°15	✓	✓	✓[b]	Credit and Monetary Council (CMC)
2009	Yemen	Microfinance Banks Law n°15	✓	✓	✓	Central Bank of Yemen (CBY)
2011	Sudan	Microfinance Institutions Instructions	✓	✓	✓	Central Bank of Sudan (CBoS)
2011	Tunisia	DL-117	✗	✓	✓	Microfinance Control Authority (AMC)
2011	Palestine	Specialized Credit Institutions Regulation n°132	✗	✓	✗	Palestinian Monetary Authority (PMA)
2014	Egypt	Microfinance Law n°141	✗	✓	✓	Egyptian Financial Supervisory Authority (EFSA)
2015	Jordan	Microfinance Companies Regulation n°5	✗	✓	✓	Central Bank of Jordan (CBJ)

a. MFIs are permitted to offer insurance as agents and/or on behalf of licensed insurance companies.
b. Only insurance connected with credit (e.g., credit life insurance).

[8] CGAP, based on data reported to MIX and CGAP research; 2.3 million total borrowers in the region as reported to MIX as of December 2015.

[9] Global Findex 2014 (borrowed any money in the past year *minus* borrowed from a financial institution). The 2011 figure is used for Comoros, Djibouti, Morocco, Oman, Qatar, and Syria in the absence of data for 2014. The result may be biased because borrowers from formal financial institutions may also borrow at the same time from informal sources.

is still missing for 68 percent or 168 million adults in the Arab world (Global Findex 2014).[10] Much more needs to be done to provide full access to formal financial services.

Improvements in financial inclusion indicators will come only from significant changes in the actual outreach of formal financial services, which in turn require changes in the financial sector architecture. Recently, selected countries have made legal changes authorizing mobile wallets deployment, which is a promising way forward. Morocco, the country that has made the most progress toward financial inclusion, has proactively changed its policies to embrace financial inclusion, notably by (*i*) granting a banking license to the postal network in 2009, leading to the creation of Al Barid Bank where over 500,000 new accounts were created during the first years of operation, (*ii*) making it compulsory for commercial banks to offer low-income banking products, and (*iii*) allowing the establishment of payment institutions.[11]

Priorities and solutions will no doubt vary across countries.[12] However, enhancing financial inclusion cannot go without also analyzing the legal and regulatory framework, as financial regulators and supervisors have a critical say in expanding financial inclusion opportunities while overseeing market conduct. This is why FITF is planning an exercise to take stock of existing laws, regulations, and mandates related to financial inclusion across its member countries. By doing so, it expects to identify regulatory or institutional bottlenecks that can be corrected to significantly improve access to finance.

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Contact the authors for a copy of an Excel spreadsheet containing country-level information used in this paper: cgap@worldbank.org or financialmarkets@amfad.org.ae.

[10] The 2011 figure is used for Comoros, Djibouti, Morocco, Oman, Qatar, and Syria in the absence of data for 2014.

[11] Such products are not necessarily offered for free.

[12] Demirguc-Kunt et al. (2015) notably recommends digitizing wage payments, 80 percent of which are made in cash, as one option to improve financial inclusion in the region. To increase account use, it also recommends finding alternatives to bill and school fees payments.

6. ANNEXES

a. G20 Basic Set of Financial Inclusion Indicators

	Categories	Indicators	Sources	Dimension
1	Formally banked adults	% of adults with an account at a formal financial institution	Global Findex	Usage
		Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults (%)	IMF FAS	
2	Adults with credit by regulated institutions	% of adults with at least one loan outstanding from a regulated financial institution	Global Findex	Usage
		Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults (%)	IMF FAS	
3	Formally banked enterprises	% of SMEs with an account at a formal financial institution	WBG Enterprise Survey	Usage
		Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors	IMF FAS	
4	Enterprises with outstanding loan or line of credit by regulated institutions	% of SMEs with outstanding loan or line of credit	WBG Enterprise Survey	Usage
		Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	IMF FAS	
5	Points of service	Number of branches per 100,000 adults	IMF FAS	Access

b. Alliance for Financial Inclusion (AFI) Core Set of Indicators

AFI #	Indicator	Type	Dimension	G20 equivalent or proxy
1.1	Number of access points per 10,000 adults at a national level, segmented by type and administrative unit	Supply	Access	Proxy: Number of branches/automatic teller machines/point of sale per 100,000 adults (indicators n°11 to 13 in Annex 6.c)
1.2	Percentage of administrative units with at least one access point	Supply	Access	n/a
1.3	Percentage of total population living in administrative units with at least one access point	Supply	Access	n/a
2.1	Percentage of adults with at least one type of regulated deposit account	Demand	Usage	Formally banked adults (indicator n°1 in Annex 6.c)
2.2	Percentage of adults with at least one type of regulated credit account	Demand	Usage	Adults with credit at a regulated institution (indicator n°2 in Annex 6.c)

Note: AFI does not indicate a specific source for the indicators, although some may be part of existing national or international datasets. AFI, however, provides methodological advice on the way to collect these indicators, in particular mentioning that usage indicators may be collected through the supply side in countries where supply-side data are linked to a robust national identity system.

c. G20 Full Set of Financial Inclusion Indicators

Indicators of the G20 Basic Set are highlighted in **bold**.

							2011			2014		
G20 #	Category	Indicator	Source and coverage	Dimension	Aspect	Type	Average	Average excl. GCC	Average GCC	Average	Average excl. GCC	Average GCC
1	Formally banked adults	**% of adults with an account at a formal financial institution**	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	24%	18%	55%	29%	21%	74%
		Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults (%)	IMF FAS (current, 187 countries)			Supply	53%	44%	93%	60%	50%	104%
		Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults (%)	IMF FAS (current, 187 countries)			Supply	40%	35%	73%	43%	37%	80%
2	Adults with credit at regulated institutions	**% of adults with at least one loan outstanding from a regulated financial institution**	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	5%	4%	7%	6%	5%	13%
		Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults (%)	IMF FAS (current, 187 countries)			Supply	12%	10%	24%	15%	12%	30%
		Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults (%)	IMF FAS (current, 187 countries)			Supply	9%	8%	18%	10%	9%	19%

3	Adults with insurance	Number of insurance policy holders per 1,000 adults, segregated by life and nonlife insurance	IMF FAS (current, 187 countries)	Usage	Individuals	Supply	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP Suggested proxy: Insurance corporations: of which: Life insurance policies					3%	4%	3%	5%	5%	n/a
		CGAP Suggested proxy: Insurance corporations: of which: Nonlife insurance policies					26%	20%	29%	29%	21%	33%
		CGAP Suggested proxy: Life insurance premium volume as % of GDP	World Bank (citing Sigma Reports, Swiss Re)	Usage	n/a		0.2%	0.3%	0.1%	0.2%	0.3%	0.1%
4	Cashless transactions	Number of retail cashless transactions per capita *Cashless transactions are defined as the number of payments by check, credit transfers, direct debits, and payment with credit and debit cards.*	WB Global Payments Systems Survey (2009 data)	Usage	Individuals	Supply	12.3	12.3	12.1	n/a	n/a	n/a
5	Mobile transactional use	% of adults who use their mobile device to make a payment	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	n/a	n/a	n/a	13%	12%	18%
		CGAP suggested proxy: Mobile phone used to pay bills (% age 15+)	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	5%	4%	14%	n/a	n/a	n/a

(Continued)

							2011			2014		
G20 #	Category	Indicator	Source and coverage	Dimension	Aspect	Type	Average	Average excl. GCC	Average GCC	Average	Average excl. GCC	Average GCC
6	High frequency of account use	% of adults with high frequency use of formal account *High frequency is defined as having taken money out of a personal account(s) 3 or more times in a typical month. This includes cash withdrawals, electronic payments or purchases, checks, or any other type of payment debit, either by account owner or third parties.*	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	29%	23%	66%	13%	7%	37%
7	Saving propensity	Saved at a financial institution in the past year. *Institutions include banks, credit unions, cooperatives, and MFIs.*	WB Global Findex (current, 148 countries)	Usage	Individuals	Demand	7%	5%	20%	9%	6%	21%
8	Remittances	% of adults receiving domestic and international remittances	Gallup World Poll	Usage	Individuals	Demand	7%	7%	5%	7%	7%	5%

9	Formally banked enterprises	**% of SMEs with an account at a formal financial institution**	WB Enterprise Surveys (current, 119 countries). Latest available data (2007–2013).	Usage	Enterprises	Demand	73%	73%	n/a	n/a	n/a	n/a
		Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors	IMF FAS (current, 187 countries)			Supply	0.01%	0.01%	n/a	0.01%	0.01%	n/a
10	Enterprises with outstanding loan or line of credit at regulated institutions	**% of SMEs with outstanding loan or line of credit**	WB Enterprise Surveys (current, 119 countries). Latest available data (2007–2013).	Usage	Enterprises	Demand	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP Suggested proxy: Percentage of firms with a bank loan/line of credit	WB Enterprise Surveys (current, 119 countries). Latest available data (2007–2013).			Demand	22%	22%	n/a	n/a	n/a	n/a
		Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	IMF FAS (current, 187 countries)			Supply	0.0%	0.0%	n/a	0.3%	0.3%	n/a

(Continued)

							2011			2014		
G20 #	Category	Indicator	Source and coverage	Dimension	Aspect	Type	Average	Average excl. GCC	Average GCC	Average	Average excl. GCC	Average GCC
11	Points of service (POS)	**Number of branches per 100,000 adults**	IMF FAS (current, 187 countries)	Access	Physical POS	Supply	14.9	15.5	10.8	15.3	16.0	10.9
12		Number of ATMs per 100,000 adults OR number of ATMs per 1,000 km²	IMF FAS (current, 187 countries)			Supply	16.5	9.9	58.1	21.4	13.1	66.7
13		Number of POS terminals per 100,000 inhabitants	WB Global Payments Systems Survey (2009 data)			Supply	157	83	499	n/a	n/a	n/a
14	E-money accounts	Number of e-money accounts for mobile payments	WB Global Payments Systems Survey (2009 data)	Access	Mobile POS	Supply	n/a	n/a	n/a	n/a	n/a	n/a
15	Interoperability of POS	Combined index of: Interoperability of ATMs. *Takes the value 1 if MOST or ALL ATM networks are interconnected and 0 if they are NOT interconnected.*	WB Global Payments Systems Survey (2009 data)	Access	Interoperability of POS	Supply	1.3	1.4	1.1	n/a	n/a	n/a
		Interoperability of POS terminals. *Takes the value 1 if MOST or ALL POS terminals are interconnected and 0 if they are NOT interconnected.*				Supply	1.3	1.4	1.3	n/a	n/a	n/a

16	Financial knowledge	Financial knowledge score: *Arithmetic score that sums up correct responses to questions about basic financial concepts, such as (a) inflation, (b) interest rate, (c) compound interest, (d) money illusion, (e) risk diversification, (f) main purpose of insurance.*	WB Financial Capability Surveys & OECD National Financial Literacy and Inclusion Surveys (current, 34 countries combined, estimated 70 countries in 2 years)	Quality	Financial Literacy & Capability	n/a	64	64	n/a	n/a	n/a	n/a
17	Financial Behaviour	Source of emergency funding *Response: If you had an emergency that required [$10 or 1/25 of GDPPC] urgently, where would you get the money? (a) borrow from friends/relative; (b) work more; (c) sell assets; (d) use only savings; (e) loan from savings club; (f) loan from bank; (g) would not be able to find it.*	WB Global Findex (forthcoming, 148 countries)	Quality	Financial Literacy & Capability	Demand	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP suggested proxy: Saved for emergencies in the past year (% age 15+)					18%	16%	29%	n/a	n/a	n/a
		CGAP suggested proxy: Outstanding loan for health or emergencies (% age 15+)					16%	17%	10%	0%	0%	0%
		CGAP suggested proxy: Coming up with emergency funding: not at all possible (% age 15+)					n/a	n/a	n/a	33.0%	33.7%	29.5%

(Continued)

							2011			2014		
G20 #	Category	Indicator	Source and coverage	Dimension	Aspect	Type	Average	Average excl. GCC	Average GCC	Average	Average excl. GCC	Average GCC
18	Disclosure Require-ments	Disclosure index combining existence of a variety of disclosure requirements: *(1) Plain language requirement (e.g., understandable, prohibition of hidden clauses), (2) Local language requirement, (3) Prescribed standardized disclosure format, (4) Recourse rights and processes (5) Total rate to be paid for a credit (basic costs plus commission rates, fees, insurance, taxes).*	WB Global Financial Consumer Protection Survey (current, 102 countries) 2013 data	Quality	Market Conduct & Consumer Protection	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP suggested proxy: Count of 6 pricing disclosure requirements					3.7	3.9	3.2	3.7	3.9	3.2

19	Dispute Resolution	Index reflecting the existence of formal internal and external dispute resolution mechanisms: *(a) Internal dispute resolution mechanism indicator: law or regulation setting standards for complaints resolution and handling by financial institutions (including timeliness, accessibility, requirements to implement complaints handling procedures)* *(b) External dispute resolution mechanism indicator: System in place that allows a customer to seek affordable and efficient recourse with a third party (supervisory agency, a financial ombudsman or equivalent institution)*	WB Global Financial Consumer Protection Survey (current, 102 countries) 2013 data	Quality	Market Conduct & Consumer Protection	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP suggested proxy: Count of internal mechanisms + count of external mechanisms					n/a	n/a	n/a	n/a	n/a	n/a

(Continued)

							2011			2014		
G20 #	Category	Indicator	Source and coverage	Dimension	Aspect	Type	Average	Average excl. GCC	Average GCC	Average	Average excl. GCC	Average GCC
20	Cost of Usage	Average cost of opening a basic current account	WB Global Payments Systems Survey (2009 data)	Quality	Barriers to use	Supply	n/a	n/a	n/a	n/a	n/a	n/a
21		Average cost of maintaining a basic bank current account (annual fees)					n/a	n/a	n/a	n/a	n/a	n/a
22		Average cost of credit transfers					n/a	n/a	n/a	n/a	n/a	n/a
23	Credit Barriers	% of SMEs required to provide collateral on their last bank loan (reflects the tightness of credit conditions)	WB Enterprise Surveys and OECD SME Scoreboard (Latest available data (2007–2013).	Quality	Barriers to use	Demand	n/a	n/a	n/a	n/a	n/a	n/a
		CGAP suggested proxy: Proportion of loans requiring collateral (%)					81%	81%	n/a	n/a	n/a	n/a
24		Getting credit: Distance to frontier *Measures the extent of informational barriers in credit markets*	WBG Doing Business (current, 185 countries)	Quality	Barriers to use	n/a	34	29	46	38	33	52