

Patterns of Financial Access in OIC Member Countries



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This report offers an analysis of financial access by individuals in OIC countries, as well as barriers to it, based on the 2012 version of the World Bank's Global Financial Inclusion (Global Findex) Database and through a set of indicators which measure how adults in OIC countries save, borrow, make payments, and manage risk, in comparison to other country groups. The data show that only 28% of adults in OIC countries have an account at a formal financial institution, as compared to 51% worldwide. In addition, only 11% and 8% of adults in OIC countries report having saved at a formal financial institution and having taken out a new loan from a financial institution in the past year, respectively. The data also reveal patterns of informal saving and borrowing in OIC countries. An analysis of the individual-level self-reported barriers to using financial services, on the other hand, shows that the lack of enough money to use an account is the most prevalent reason, whereas the expensiveness of financial service is the second most frequently cited barrier. More surprisingly, only a small portion of the respondents in OIC countries cite religious reasons for not having a formal account.

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I. OVERVIEW

A well-functioning financial system can serve an important goal by offering savings, borrowing, payment, and risk management products to people with a broad spectrum of needs. Inclusive financial systems can allow broad access to financial products and services, and are especially likely to benefit poor people and other disadvantaged groups. Without inclusive financial systems, poor people must rely on their own limited savings to invest in their education or become entrepreneurs, and small enterprises on their limited earnings to pursue promising growth opportunities. This, on the other hand, can contribute to persistent income inequality and lead to a sluggish economic growth.

Until now little had been known about the global reach of the financial sector, i.e., the extent to which certain segments of the population are excluded from formal financial systems. Systematic indicators of the use of different financial services had been lacking for most economies. The World Bank’s Global Financial Inclusion (Global Findex) Survey database, in this regard, filled a significant gap by measuring how adults in 148 economies save, borrow, make payments, and manage risk. The indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults of age 15+ in those 148 economies during the 2011 calendar year.

The Global Findex data show sharp disparities in the use of financial services between OIC, other developing and developed economies, and across individual characteristics. To illustrate, the share of adults in developed economies with an account at a formal financial institution is more than three times that in OIC countries. And around the world and in OIC countries, men, more educated, wealthier, and older adults (of age 25+) make greater use of formal financial services.

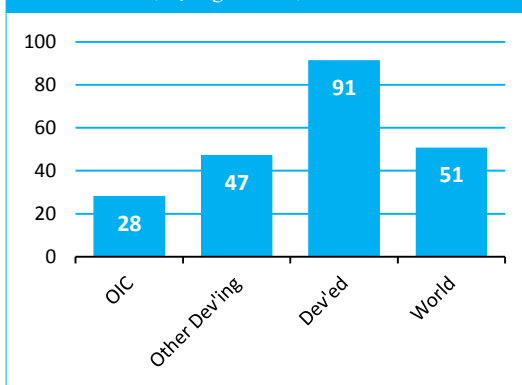
II. ACCOUNTS

Worldwide, 51% of adults report having an account at a formal financial institution, which can be a bank, credit union, cooperative, post office, or microfinance institution. In OIC countries, however, this rate is as low as 28%, compared to 47% in other developing and 91% in developed countries (Figure 1). For most people, having a formal account serves as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage savings and access to credit. These benefits accrue to account holders around the world. But many people in developing countries, including those in OIC membership, rely on alternatives to formal accounts.

Among OIC regions, the Sub-Saharan Africa (SSA) has the lowest account penetration, with only 21 of adults reporting a formal account (Figure 2). Europe and Central Asia (ECA), on the other hand, has the highest account penetration among the OIC regions, with 40%.

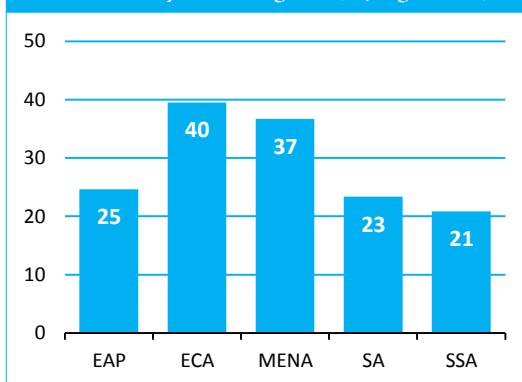
Without inclusive financial systems, the poor must rely on their own limited savings, and small enterprises on their limited earnings to pursue promising growth opportunities.

Figure 1
Account at a formal financial institution (% age 15+)



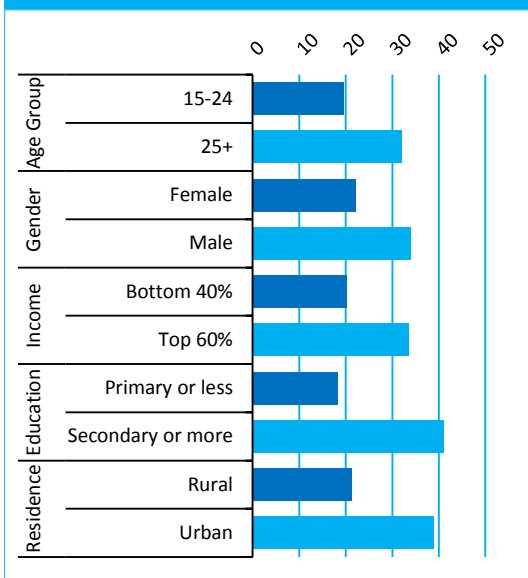
Source: The World Bank Global Findex database

Figure 2
Account at a formal financial institution by OIC region (% age 15+)



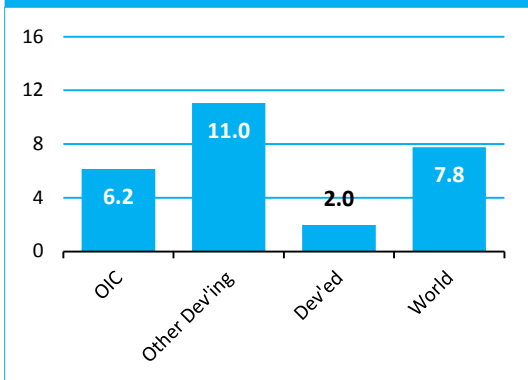
Source: The World Bank Global Findex database

Figure 3
Account at a formal financial institution by individual characteristics (OIC, %, age 15+)



Source: The World Bank Global Findex database

Figure 4
0 deposits/withdrawals in typical month by age group (% of those with an account, age 15+)



Source: The World Bank Global Findex database

Financial access also differs in important ways by individual characteristics (gender, education, income, age)

Comparing account penetration across different demographic segments sheds light on the role of relative income (Figure 3). Account penetration among the top 60% by income is 14% higher on average than among the bottom 40% in OIC countries (34% versus 20%).

Financial access also differs in important ways by individual characteristics such as gender, education level, age, and rural or urban residence. There are significant disparities in account penetration along gender lines. In OIC countries, 34% of men report having an account at a formal financial institution, while only 22% of women do so (Figure 3).

Education level also helps explain the large variation in the use of formal accounts. In OIC countries, adults with a secondary or higher education are on average more than twice as likely to have an account as those with a primary education or less (41% versus 18%). This gap underscores the importance of education, particularly financial literacy, in expanding financial inclusion – an issue that is receiving growing recognition.

Age is another characteristic that matters for the likelihood of having an account in OIC countries. Those of ages 25+ (older adults) are 12% more likely to report having an account at a formal financial institution than those of ages 15-24 (young adults) (32% versus 20%).

The urban-rural divide also figures prominently in the use of formal accounts in OIC countries. In all regions adults living in cities are almost twice more likely than those living in rural areas to have a formal account (39% versus 21%).

FREQUENCY AND TYPE OF ACCESS

Beyond the simple ownership of formal accounts, how frequently people access those accounts, and the methods they use to do so, mark a stark difference in the use of financial services between developed and developing countries.

While in developed countries only 2% of adults with a formal account maintain what can be considered an “inactive account” (i.e., they make neither withdrawals from nor deposits into their account in a typical month although they may keep a positive balance), this number is 10% in developing countries. In OIC countries, however, on average 6% of account holders report having an inactive account, compared to 11% in other developing countries (Figure 4).

The majority of adults with a formal account in OIC countries (69% for deposits and 56% for withdrawals) make deposits or withdrawals only one to two times in a typical month (Figures 5-6). They may access their accounts only to withdraw monthly or semi-monthly wages (deposited by an employer). In developed countries, by contrast, almost one-third (36%) and more than two-thirds (74%), respectively, deposits with and withdraw money from their accounts three or more times in a typical month.

On the other hand, ATMs and electronic payment systems (debit cards, electronic bill payments, and the like) facilitate more frequent

access to accounts. However, adults with a formal account in OIC countries report most commonly using over-the-counter tellers in their bank or financial institution branches while depositing (64%), followed by ATMs used by 22% of the adults (Figure 7). The gap, i.e. difference between the shares of adults reporting the branches and ATMs as the main mode of deposit, is largest in other developing countries where 73% of adults visit mainly branches for depositing money but only 13% primarily use ATMs. As for the withdrawals, adults with an account in OIC countries report most commonly using ATMs for withdrawals (49%), followed closely by with a teller (42%). In other developing countries, bank teller in a branch is the most commonly used method for withdrawing (Figure 8).

Yet, few account holders across the world report relying on bank agents - who often operate out of retail stores, gas stations, or post offices and offer a more cost-efficient way of expanding financial access - as their main mode of withdrawal or deposit.

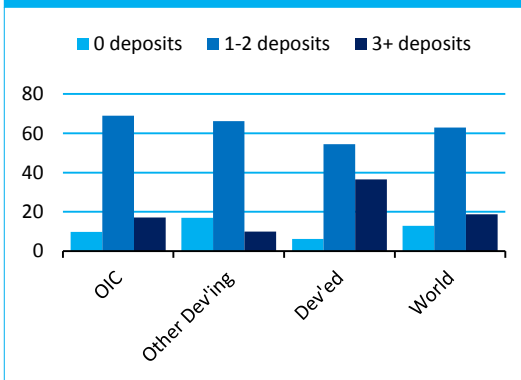
The use of credit and debit (ATM) cards, another vehicle for carrying out financial transactions, is far more common in developed than in developing countries, in general, and OIC countries, in particular. Only 5.9% and 16.1% of adults in OIC countries report using credit and debit cards, respectively, compared to 52.5% and 63.2% in developed countries (Figure 9). Globally, 15% and 31% of adults report using a credit and debit card, respectively.

Just as the most common methods that account holders use for making withdrawals and deposits differ between developing and developed countries, so do the payment systems they use. As might be expected, checks and electronic payments are far more commonly used in developed countries than in OIC countries and other developing countries. Figure 10 reflects this fact. Adults in developed countries are 7 and 10 times as likely to report having used a check to make a payment (or to buy something) in the past 12 months, when compared to those in OIC countries and other developing countries, respectively. In OIC countries, only 5% of adults report using checks for payment, compared to 37% in developed countries. In the developing world, use of electronic payments, such as wire transfers or online payments, is also rare, again with OIC countries being no exception. Only 5% and 6% of adults in OIC and other developing countries, respectively, report having used any type of electronic payment to make payments on bills or to buy things in the past year, as compared to 58% in the developed world. To put it differently, the use of electronic payment in an average developed country is 10 times likely as compared to an average developing country.

PURPOSE AND BENEFITS OF USE

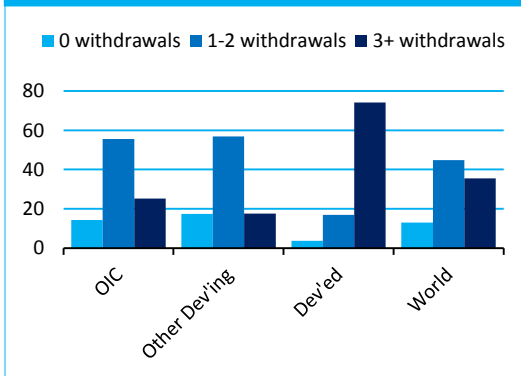
People have plenty of reasons for maintaining an account at a formal financial institution. Some use their account to do little more than receive wage payments. Others see their account as an essential tool for transferring financial support to or from relatives living elsewhere. And still others are interested mainly in having a safe place to save. The purposes and benefits of having an account vary

Figure 5
of deposits in a typical month by age group, adults (% of those with an account, age 15+)



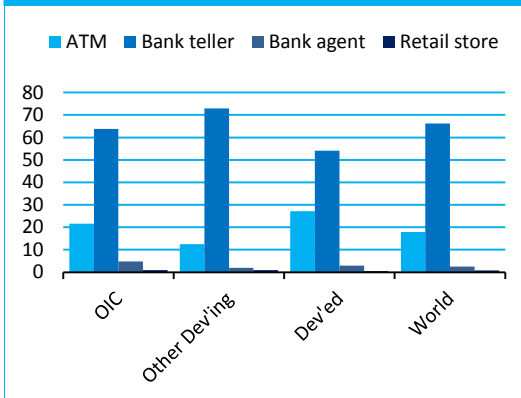
Source: The World Bank Global Findex database

Figure 6
of withdrawals in a typical month by age group, adults (% of those with an account, age 15+)



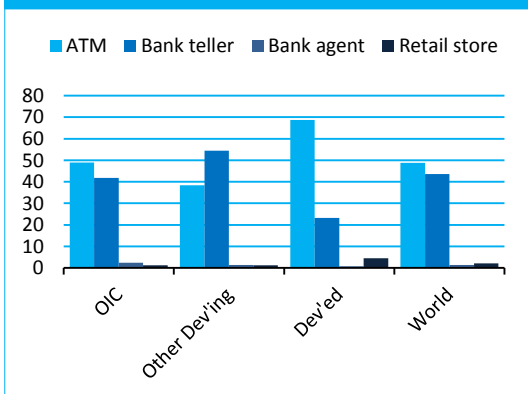
Source: The World Bank Global Findex database

Figure 7
Main mode of deposit (% of those with an account, age 15+)



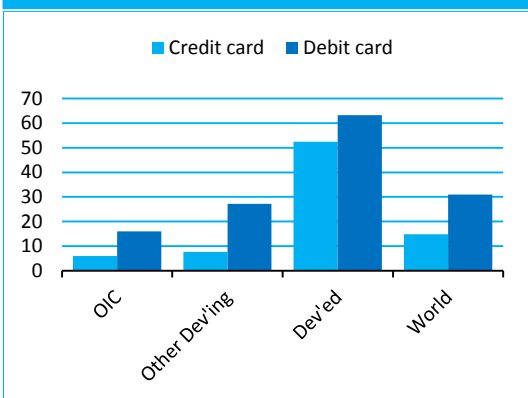
Source: The World Bank Global Findex database

Figure 8
Main mode of withdrawal (% of those with an account, age 15+)



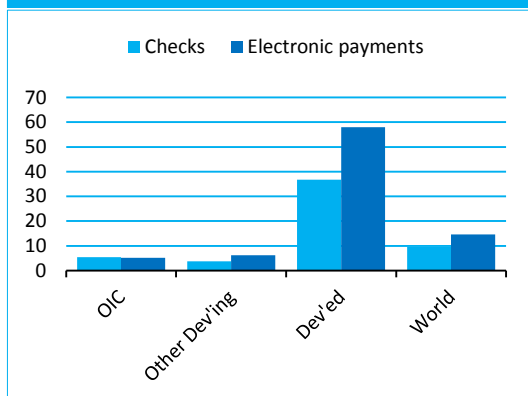
Source: The World Bank Global Findex database

Figure 9
Card use (% age 15+)



Source: The World Bank Global Findex database

Figure 10
Method of payment (% age 15+)



Source: The World Bank Global Findex database

just as much across country groups as do other aspects of account use which were analysed earlier.

Worldwide, only 16% of adults with a formal account report using it for business purposes, which can be considered low (Figure 11). Majority of people use their accounts for personal purposes. In developed countries, almost one-third (29%) of adults with an account report using their accounts for business purposes. Interestingly, in OIC countries, this ratio is 21% and significantly higher than that observed in other developing countries (only 8%). There are notable examples in the OIC region. In Niger, Senegal, Qatar, Oman, Syria, Tajikistan, Uganda and Morocco, for instance, more than one-third of account holders report using their account for business purposes. Therefore, the contrast between developed and OIC countries in terms of the account use purpose is found to be less consistent with the one observed in overall account penetration and, apparently, with the relatively small number of formally registered businesses in OIC countries (which is beyond the scope of analysis here).

Another noteworthy observation from the Figure 11 is that, in all cases, older adults (of age 25+) are significantly more likely to use their accounts for business purposes than young adults (of age 15-24).

Wages and Government Payments

Using a formal account to both receive wages and receive payments from the government is most common in developed countries, where respectively 56% and 49% of all adults with a formal account report having used their account for these two types of transaction in the past year (Figure 12). In OIC countries, on the other hand, receiving wages is the most popular use of formal accounts (37% of adults with a formal account), followed by receiving government payments (27%) and receiving remittances (24%). In Iran, for example, where the account penetration among adults is much higher than the OIC average (73%), two-thirds (67%) of the account holders (or 49% of all adults) use their formal accounts to receive government payments - as compared to 11% of account holders (or 7% of all adults) in Malaysia where the account penetration is also high (66%). Similarly, in Kuwait (with 87% account penetration), as much as 59% of account holders (or 51% of all adults) use accounts to receive wages, whereas in countries such as Oman and Bahrain (also with high account penetrations of 74% and 65%, respectively) only 22% and 15% of account holders (16% and 10% of adults) do so. Thus, the purpose of account activity presents a mixed relationship with the level of account penetration in some member countries.

Remittances

According to the World Bank (2014b), in 2012, remittance payments of more than \$350 billion were sent around the world. While sending financial support to - or receiving it from - relatives living elsewhere often does not require having an account, accounts do frequently help facilitate this worldwide transfer of wealth. Worldwide, the use of formal accounts to receive remittances is most common in OIC

countries (24% of account holders during the past 12 months), compared to both other developing and developed countries; whereas the use of formal accounts to send remittances is most common in OIC and developed countries (20% and 21% of account holders, respectively) (Figure 12). Fragile states are interestingly among those with the highest reported use of accounts to receive remittances. In Somalia, for example, 66% of account holders report using their accounts to receive remittances, whereas 53% do so in Nigeria, and 33% in Sudan. Use of a formal account to receive remittances is also common among account holders in some other OIC countries, including Sierra Leone, Iran and Kyrgyzstan where more than one-third of the account holders again use their accounts to do so. Steady receipt of remittances is argued in the literature to ease access to credit in some cases, because banks view regular remittance payments as a reliable source of income (*cf.* Aggarwal et al., 2006). Use of a formal account to send remittances is, on the other hand, most common in countries such as Somalia, Qatar, Sudan, Niger, Iran, Nigeria and Mauritania where, again, more than one-third of the account holders use their accounts to do so.

MOBILE MONEY

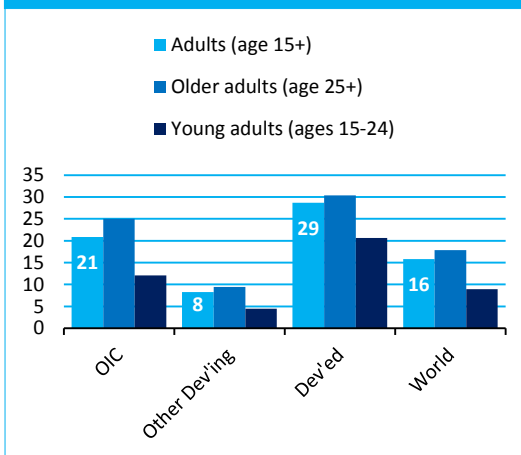
Although people who do not have an account at a bank, credit union, or microfinance institution may lose out on the security and reliability that a relationship with a formal institution provides, they often employ fairly sophisticated methods to manage their day-to-day finances and plan for the future. A growing number of people are using new alternatives to traditional banking made possible by the rapid spread of mobile phones.

The recent surge in mobile money use as a form of branchless banking has allowed millions of people who would otherwise be excluded from the formal financial system to perform financial transactions relatively at lower cost, as well as securely and reliably. Those using mobile money maintain a type of account allowing them to make deposits and withdrawals through cash transactions at a network of retail agents. They can then transfer money or pay bills using text messaging.

Mobile money has achieved a relatively more significant success in the OIC region, compared to the rest of the developing countries and to the world in general. On average, 6% and 4% of the adults in the OIC region report having used a mobile phone in the past 12 months to receive and send money, respectively, vis-à-vis only 3% and 2% in other parts of the developing world (Figure 13). On the other hand, 7% of the adults in the developed countries pay their bills through mobile phones, whereas only 2% of the adults in OIC and other developing countries do so. A few OIC economies are notable exceptions to the general trends in the OIC, including, for example, Somalia and Albania, where consistently more than one-fifth of the adults use mobile phones to pay bills, receive money and send money.

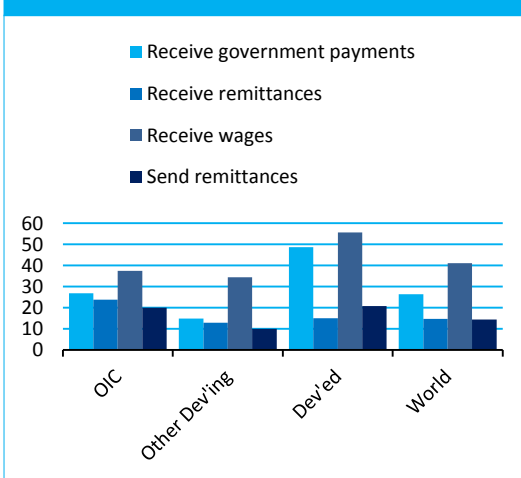
Although many of those who use alternative banking tools might be using formal financial services, a growing share of people, especially

Figure 11
Account used for business purposes (% of those with an account)



Source: The World Bank Global Findex database

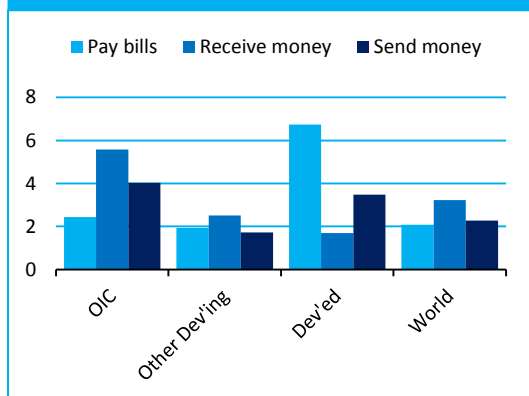
Figure 12
Account use purpose (% of those with an account)



Source: The World Bank Global Findex database

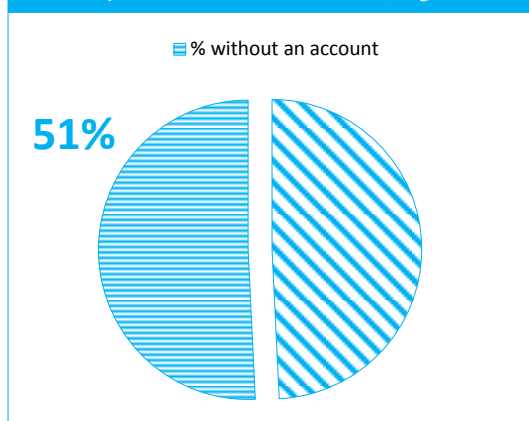
Steady receipt of remittances can ease access to credit as banks view regular remittance payments as a reliable source of income

Figure 13
Mobile phone used to (% age 15+)



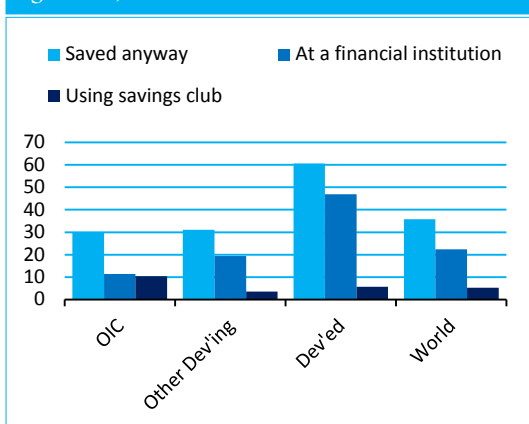
Source: The World Bank Global Findex database

Figure 14
Mobile phone users in OIC (% age 15+)



Source: The World Bank Global Findex database

Figure 15
Method of saving in the past year (% age 15+)



Source: The World Bank Global Findex database

in the developing world, rely solely on systems outside the formal banking sector. In this context, to which degree the mobile money is capturing the non-banked is another interesting question. Calculations on micro-level data show that, in OIC countries, as much of 51% of adults who report having used mobile money in the past 12 months do not have a formal account (Figure 14). This implies a significant potential for increasing access to finance in OIC countries if one considers that currently only 12% of OIC population use mobile banking (one way or the other), and 72% of OIC population still does not hold a formal account.

III. SAVINGS

Saving to cover future expenses, such as education, a wedding, and a big purchase, or to provide against possible emergencies is a human tendency. Globally, 36% of adults report having saved or set aside money in the past 12 months. Adults in developed countries are the most likely to do so, with 61%, followed by those in other developing and OIC countries, with 31% and 30%, respectively (Figure 15).

More interestingly, there are marked differences in how people save. Many who save do so using an account at a formal financial institution. Many others, including some who have a formal account, turn to alternative methods of saving, such as savings clubs which are rather informal in nature.

FORMAL OR INFORMAL SAVING

Worldwide, 22% of adults report having saved at a financial institution in the past 12 months, be it a bank, credit union, or microfinance institution. This figure ranges from 47% of adults in developed countries to 19% in other developing countries, and to only 11% in OIC countries. At the individual country level, in Kuwait, Malaysia, Qatar, Nigeria and Oman, more than one-fifth of adults report having saved at a formal financial institution in the past year, whereas in Central Asian member countries such as Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan, this ratio is less than 1%.

Having a formal account does not necessarily imply formal saving; as even among account holders there is great variation in the use of formal accounts to save (Figure 16). Worldwide, about 44% of account holders report having saved or set aside money at a formal financial institution in the past 12 months. In developed countries, about half (51%) of account holders report having done so. In OIC countries and other developing countries, however, the tendency among account holders to use their accounts for savings purposes is lower: 40% and 41%, respectively. Yet, these figures suggest that the ability to save in a secure location may be an important reason why people open and maintain a formal account. In Sierra Leone, Uganda, Nigeria, Indonesia, Niger and Chad, for example, more than 75% of account holders report having saved or set aside money at a financial institution in the past 12 months, although account penetration in these countries is in most cases less than 20% and, even as low as 2% in the case of Niger.

Many adults, despite having a formal account, save solely using other methods. They may do so because the costs of actively using their account are prohibitive – as a result of barriers such as balance and withdrawal fees and physical distance. It is also possible that wage accounts set up by employers cannot easily be used to save. New products that target existing account holders could be used to encourage adults to save in formal financial institutions (Demirguc-Kunt and Klapper, 2012).

In developed countries, savers can generally choose from a wide spectrum of complex investment products offered by equity and other capital markets, buy and hold government securities or commodities such as gold, or simply hold cash. However, in the developing part of the world, particularly in OIC countries, a large portion of people who save are clearly choosing alternatives to financial institutions to do so. Among adults who report having saved or set aside money in the past year, only about 38% did so using a formal account in OIC countries, compared to 63% in other developing countries and 77% in developed countries.

While many savers in the developing world blend formal and informal methods, an even larger portion uses only community savings clubs. Community-based savings clubs are most common in OIC countries when compared to other country groups (recall Figure 15). In OIC region 10.3% of adults used a savings club or person outside the family to save in the past 12 months. This meant, when saved, about one-third (34%) saved with savings clubs in the past year (Figure 17). In other developing and developed countries, respectively, only 11.1% and 9.3% of adults who reported saving have done so using savings clubs.

The popularity of savings clubs is partly due to their advantages, though these arrangements also have downsides. Their essential characteristic, i.e., informality, is accompanied by risks of fraud and collapse. Formal accounts, however, are not fully immune to these risks as explicit government-run deposit insurance is sometimes absent or inadequate, as it is the case in many developing countries (Demirguc-Kunt and Klapper, 2012; SESRIC, 2013).

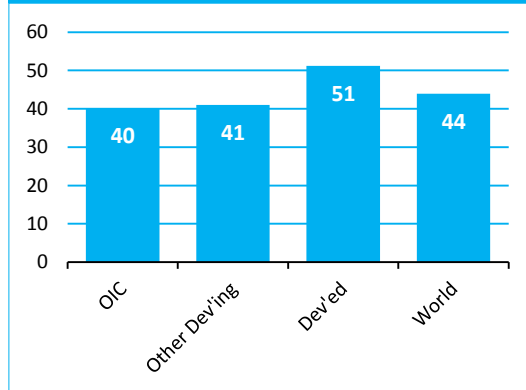
Community-based savings methods and formal financial institutions are not the only options for saving. A large share of adults globally who report having saved money in the past 12 months do not report having done so using a formal financial institution, informal savings club, or person outside the family. These other options might include savings through asset accumulation (such as gold or livestock) and saving “under the mattress.” According to Demirguc-Kunt and Klapper (2012), these adults account for almost one-third of savers worldwide. This suggests a potential market for financial products that are catered to specific savings goals, such as the education savings bonds that are common in many developed countries.

MOTIVATIONS FOR SAVING

Worldwide, 67% of savers report having saved for future expenses such as an educational degree, a wedding, or a big purchase (Figure 18). In comparison, 76% among the savers report having saved for

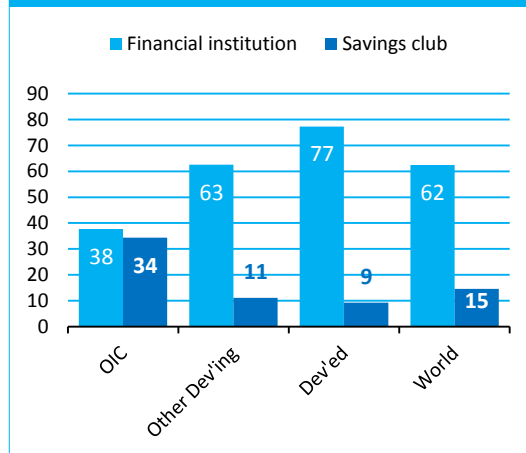
When saved, almost one-third of adults in OIC countries saved with an informal savings club, as compared to only one-tenth in other developing countries

Figure 16
Saved at a financial institution in the past year (% of those with an account, age 15+)



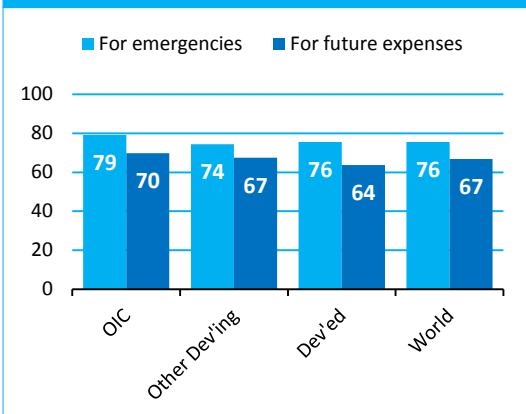
Source: The World Bank Global Findex database

Figure 17
When saved, saved formally or informally? (% of those who saved, age 15+)



Source: The World Bank Global Findex database

Figure 18
Saved money in the past year: purpose
 (% , age 15+)

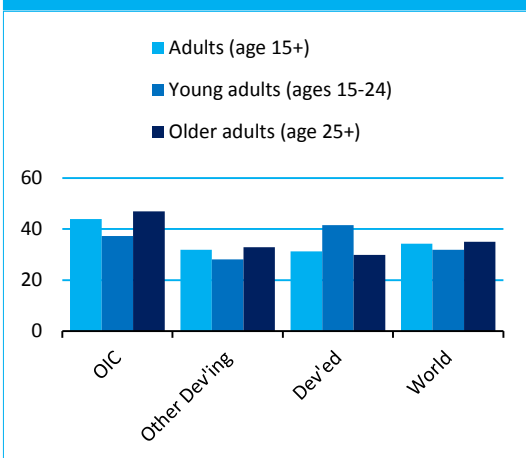


Source: The World Bank Global Findex database

“Having an account encourages people to save toward a specific purchase or investment”

Dupas and Robinson
 (2009 & 2011)

Figure 19
Loan in the past year (% of those with age 15+)



Source: The World Bank Global Findex database

emergencies or a time to come when they expect to have less income. However, the data do not allow us to construct a link between savers and formal account owners and, thereby, examine whether people with certain savings goals are more likely to open a formal savings account or vice versa. It is argued in the literature, however, that having an account encourages people to save toward a specific purchase or investment (Dupas and Robinson, 2009 & 2011).

IV. CREDIT

Most people need to borrow money from time to time. They may want to purchase a home, to invest in their education, or to pay for a wedding. When they lack the money to do so, they turn to someone from whom they can borrow. i.e., a bank, a cousin, or another informal lender. And in some parts of the world many people may rely on credit cards for short-term credit.

According to the Global Findex survey results, the overall rate of the origination of new loans, both formal and informal, is fairly steady across country groups (Figure 19). On average, globally, 34% of adults report having borrowed money in the past 12 months. Compared to other developing and developed countries, where 32% and 31% of adults used a loan in the past year, borrowing seems to be a more common practice in OIC countries as the share of adults who report having taken out a loan, either formally or informally, is 44.0% in the member countries. One notable observation from Figure 19 is that older adults (of age 25+) show greater tendency to borrow than young adults (of age 15-24) in all but developed countries. As older adults are more likely to be employed in a regular-income job, this offers a reverse relationship between income and access to loans in developed countries. But, as we'll see, this reverse relationship will turn to a regular one as far as the formal loans are concerned in Figure 21.

The introduction of credit cards, on the other hand, has had a big effect on the demand for and use of short-term formal credit as well as patterns of borrowing. In developed countries, for example, as much as 52% of adults report having used a credit card in the past year (recall Figure 6). Credit card ownership in developing economies, especially in OIC countries, still lags far behind despite a surge in recent years. Only 6% and 8% of adults in OIC and other developing countries, respectively, report having one. The share of adults who report having a credit card is high in some OIC countries, such as Kuwait (58% of adults), Turkey (45%), Qatar (32%), UAE (30%) and Oman (27%). But the credit card market is virtually non-existent in such OIC economies as Pakistan, Indonesia, Senegal and Bangladesh, where only 2% or less report having one.

Extensive ownership of credit cards, particularly in the case of developed countries, may lead to a lower demand for short-term loans from financial institutions. This may help us understand why the share of adults in developed countries who report having received a loan in the past year from a formal financial institution (such as a bank, cooperative, credit union, or microfinance institution) is not particularly high (Figure 20). Indeed, only 14% of

adults in developed countries report having taken out loans from a formal financial institution.

Despite similarities in the overall rate of borrowing, both the sources of new loans and the reasons for borrowing tend to vary widely across country groups, as we'll see next.

SOURCES OF LOANS

Family and friends are apparently the most commonly reported source of new loans in all but developed countries (Figure 20). In OIC countries, 33% of adults report family or friends as one of their most important sources for new loans in the past year. It is also interesting to note that, in OIC countries, adults are more likely to borrow from a store (using instalment credit or buying on credit) than from a formal financial institution (12% versus only 8%). In developed countries, however, formal financial institutions are the most commonly cited source of new loans (14% of adults).

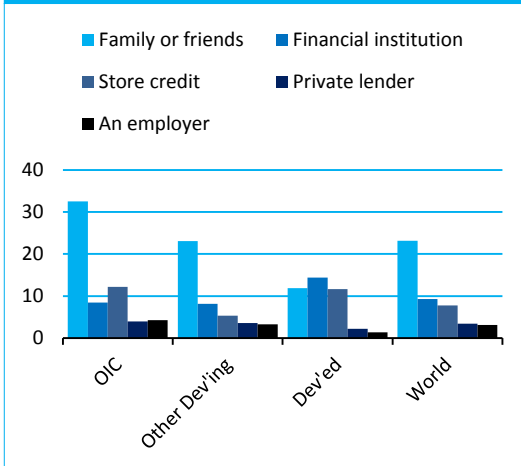
A few OIC countries stand out for the reported use of formal loans: in Iran, Bangladesh, Bahrain and Kuwait, for example, more than one-fifth of adults report having borrowed from a financial institution in the past 12 months.

As for borrowing by individual characteristics, in both developed and developing countries, a significantly larger portion of men than women report having originated a new loan from a formal financial institution in the past 12 months (Figure 21). New formal loans are most common among those of age 25+. Disparities among income groups are much larger on average in developed than in OIC and other developing countries. While there is almost no increase in the origination of new formal loans between the bottom 40% and top 60% income groups in OIC and other developing countries on average, in developed countries those in the top income group are much more likely on average than those in the bottom group to originate a new formal loan in the past year. A cursory look at the origination of new formal loans by education level also reveals interesting patterns. While the share of adults who report having originated a new formal loan in the past year remains fairly steady across two education levels in other developing countries, the relationship between education level and likelihood of taking out a formal loan is more pronounced in the case of OIC countries and most pronounced in that of developed countries. The difference may indicate lower creditworthiness or less demand for loans among less educated adults. Or it may suggest that less ability to understand complex loan terms and navigate the loan process could be a barrier to the use of formal credit. Residing in an urban or rural area, on the other hand, interestingly seems to have almost no effect on the likelihood of borrowing from a financial institution.

PURPOSES OF LOANS

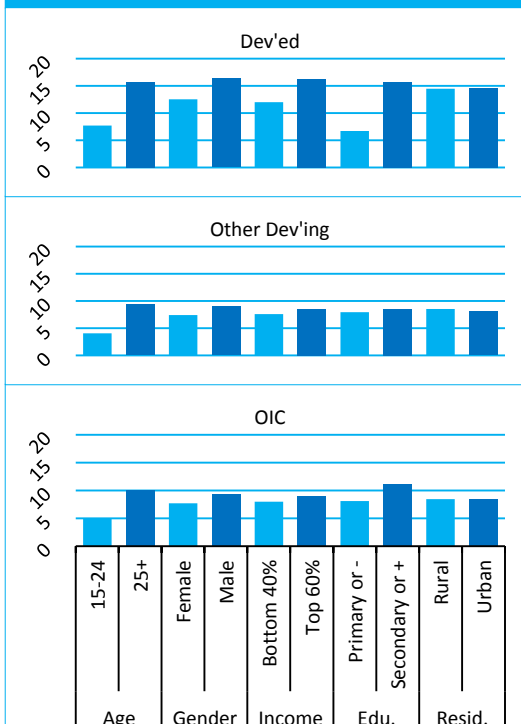
Data show that emergency or health purposes are the most commonly cited reason for having an outstanding loan in OIC and other developing countries, as well as the world as a whole (Figure 22). In developed countries, however, one quarter of adults report

Figure 20
Source of loan in the past year (% age 15+)



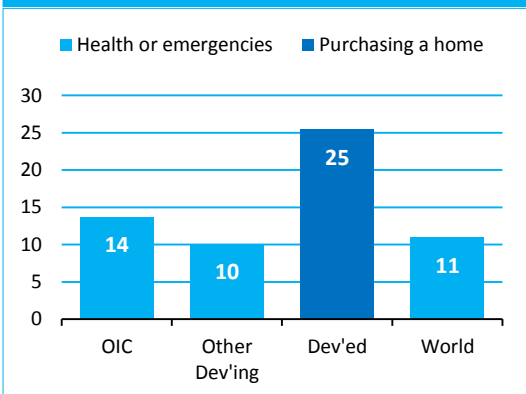
Source: The World Bank Global Findex database

Figure 21
Formal loan in the past year by individual characteristics (% 15+)



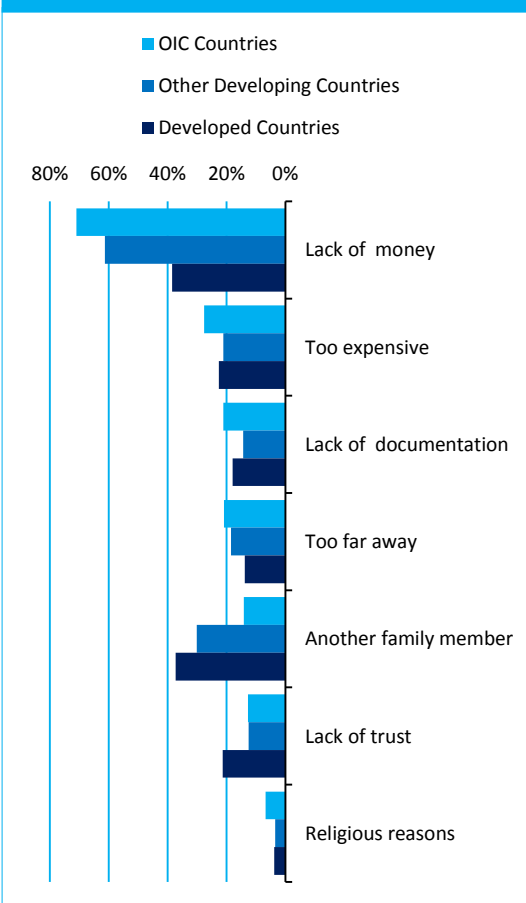
Source: The World Bank Global Findex database

Figure 22
Purpose of outstanding loan (% , age 15+)



Source: The World Bank Global Findex database

Figure 23
Self-reported barriers to financial access (% of those without an account)



Source: The World Bank Global Findex database

having an outstanding loan to purchase a home or apartment (i.e., a mortgage), while only 4% do so in OIC countries.

Even within the OIC group there is a certain degree of variation in the purpose of loans. For example, in GCC countries such as Kuwait, Qatar and UAE, purchasing a home is the most cited purpose of loans (more than 15% of adults). In Yemen, Sudan, Afghanistan and Iraq, on the other hand, more than one quarter of adults report having outstanding loans for health and emergencies. Loans for school fees are most common in Sudan, UAE and Palestine (more than 20% of adults).

V. SELF-REPORTED BARRIERS

Responses to Global Findex survey also provide indicative, if not causal, insights into where policy makers in OIC countries can focus on in minimizing, if not eliminating, barriers to financial access.

Worldwide, by far the most common reason for not having a formal account, cited by almost 60% of adults without an account, is lack of enough money to use one. The picture in OIC countries is gloomier: 71% of adults without an account cite this reason for not doing so. This also speaks to the fact that having a formal account is not costless in most parts of the world and may be viewed as unnecessary by a person whose income stream is small or irregular. And, this segment of the population is less likely to be bankable. In OIC regions such as East Asia & Pacific (EAP) and Sub-Saharan Africa (SSA), the latter rate is even as high as 80%. Other two common reasons reported for not having an account in OIC countries are that banks or accounts are too expensive (cited by 28% of adults without an account in OIC countries and 23% in the world) and that the potential clients do not have necessary documentation such as ID or wage slip (cited by 21% in OIC countries and 16% in the world). Again in OIC countries in EAP and SSA, diverging from the OIC average, respectively 39% and 35% of respondents said that formal accounts were too expensive to maintain, whereas again respectively 28% and 33% of them said they lacked necessary documentation.

Physical distance, as opposed to what one might expect, is not the most cited reason for not having access to financial services as only 21% of respondents report physical distance as a barrier. In a similar vein, being devout and religiously sensitive to financial services and products offered, is a less frequently cited reason for not having a formal account in OIC countries than one can expect (cited by only 7% in 48 OIC countries with available data). Yet, this corresponds to a significant number of people (about 50 million) given that a large portion of OIC population (72%) is still excluded from financial services and considering that the marginal benefit for those people of accessing finance could be instrumental in terms of increasing their self-employment and self-sufficiency while decreasing poverty. The percentage of people citing religious reasons for resisting the use of financial services is even more than a quarter of adults in member countries like Afghanistan, Iraq, Morocco, Palestine and Tunisia. One noteworthy observation from Figure 23 is the apparent differences between developed and developing country groups when it comes to

trusting the financial institutions. 21% of adults without an account in developed countries cite lack of trust for not having one, as compared only 12-13% in OIC and other developing countries. The last financial crisis, which originated from the large financial institutions in developed countries, might probably have had an impact here.

VI. CONCLUSION AND POLICY ISSUES

The World Bank brings novel evidence to the argument that better access to finance by individuals can reduce and boost shared prosperity (2014a). Recognising the importance of the interplay between financial access and poverty, the present report analysed the patterns of financial access among individuals in OIC countries, as well as the self-report barriers to it, based on individual level survey data extracted from the 2012 version of the World Bank's Global Findex Database.

Currently, it is widely argued that financial systems are far from being easily accessible. Globally, almost half of adults are deprived of even the most basic form of accessing financial services, which is through having a formal account. The picture is gloomier in OIC countries as only 28% of adults in OIC countries report having an account at a formal financial institution, compared to 47% in other developing countries and 91% in developed countries. And even if they have one, they rarely use their accounts, that is, 1-2 times in a typical month. Only 30% of adults in OIC countries report having saved during the past year and, when saved, a significant portion of them saved informally. Although, taking out a loan is more common in OIC countries than in other country group, again, it is largely informal as only 8% of adults borrow from a financial institution and bulk of them from family and friends. The use of debit and credit cards by individuals in OIC countries to meet their short-term financial needs is not as common as in developed countries: only 6% and 16% of adults report having used debit and credit cards in the past year, respectively. The penetration of alternative payment methods such as checks and electronic payment is also nascent in the OIC region: around only 5% of adults use these methods. Use of mobile phone for financial transactions, on the other hand, is quite promising whereas 51% of mobile money users do not have a formal account.

An analysis of the individual-level self-reported barriers to accessing financial services shows that the lack of enough money to use an account is the most prevalent reason, whereas the expensiveness of financial service is the second most frequently cited barrier. More surprisingly, only a tiny portion of the respondents in OIC countries cite religious reasons for not having a formal account. Box 1 summarizes a number of policy actions identified to help policy-makers in producing policies to overcome these problems. All in all, one issue to keep in mind while prioritizing and designing policy interventions is that, since individuals without any or adequate access to financial services often face multiple barriers to do so, a multidimensional approach, where a multiple of barriers are targeted at the same time, might be required to improve financial access.

7% of adults in OIC countries (about 50 million people) resist using financial services due to religious reasons

Box 1

Recommended Policy Actions

- Put in place policies and incentives to promote formal saving and borrowing culture and through, inter alia, decreasing the cost of maintaining an account;
- Increase the role of, and leverage more effectively on, information and communication technology (ICT), such as mobile money, to increase financial inclusion especially among those without a formal account;
- Ensure greater access by young adults to financial services through, inter alia, decreasing regular income related barriers;
- Eliminate inequalities in accessing financial services, especially among men and women, and financially empower women;
- Eliminate barriers in front of less-educated individuals in accessing financial services by increasing financial literacy and financial capability among them through, inter alia, effective community-based capacity building programmes on basic financial services and products;
- Ensure greater access to finance and credit by those with small, or no regular, income streams, inter alia, through costless accounts and microcredit;
- Encourage financial service providers to embrace new technologies and products by providing a strong legislative and regulatory framework, effective information flow and fair competition;
- Enhance physical infrastructure to increase outreach of financial services in both rural and urban areas;
- Encourage, through appropriate regulatory and legislative playing field, alternative financial systems, such as Islamic finance, to address religious sensitivities.

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