A Changing Landscape:
What the 2017 Findex Tells Us About Mobile Money,
Women’s Financial Inclusion and Savings in Vulnerable Households
Authored by Scott Graham

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About FINCA International

FINCA International was founded in 1984 on a radical notion: giving small loans to the poor has the power to transform entire communities in a sustainable way. After impacting tens of millions of lives with responsible financial services, we are widening our focus to catalyze further economic growth and alleviate poverty in underserved markets around the world. We remain boldly committed to market-based solutions, and are supporting the rise of social enterprises delivering basic service and financial innovation to help low-income families and communities achieve a better standard of living. For more information, visit www.FINCA.org or follow on Twitter @FINCA.

About FINCA Impact Finance

Many figures in this paper cite “FINCA Countries” or “FINCA Regions.” These refer to the operations of FINCA Impact Finance, a global network of 20 microfinance institutions and banks that provides socially responsible financial services to low-income individuals. FINCA International is the founder and majority shareholder of FINCA Impact Finance. For more information, visit www.FINCAImpact.com.

About the Global Findex Database 2017

All the figures in this paper rely on the Global Findex, the world’s most comprehensive dataset on how adults save, borrow, make payments and manage risk. Overseen by the World Bank and launched with funding from the Bill & Melinda Gates Foundation, the Global Findex has been published every three years since 2011. The data are collected in partnership with Gallup, Inc., through nationally representative surveys of more than 150,000 adults in over 140 economies. The 2017 edition includes updated indicators on access to and use of formal and informal financial services. And it adds new data on the use of financial technology (fintech), including the use of mobile phones and the internet to conduct financial transactions. For more information, visit GlobalFindex.WorldBank.org.

Acknowledgements

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**About this Paper**

Since its founding in 1984, FINCA International has been a catalyst for economic growth and financial inclusion for the poor. As the founder and majority shareholder of FINCA Impact Finance, a global network of microfinance intuitions and banks, FINCA International is enabling access to responsible finance for unbanked and underbanked families.

In April 2018, the World Bank released the “Global Findex Database 2017,” a report that provides unique insight into how adults save, borrow, make payments and manage risk. Given the topic of financial inclusion is central to FINCA International’s mission, Scott Graham, Director of Customer Research and Field Data Services, wrote four articles that explored different aspects of the Findex data. Each article was originally published on NextBillion and cross-published on the FINCA.org Newsroom. Combined, these four articles shed light on what the World Bank’s latest Global Findex report reveals about the state of financial inclusion and the challenges ahead as we strive for a more fully inclusive world.

This paper is a collection of all four published articles, including a summary of the key takeaways. Individual articles may be viewed online using the following links:

3) [https://www.finca.org/blogs/fewer-poor-people-are-saving/](https://www.finca.org/blogs/fewer-poor-people-are-saving/)
4) [https://www.finca.org/blogs/what-separates-savers-from-non-savers/](https://www.finca.org/blogs/what-separates-savers-from-non-savers/)

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*A Changing Landscape:*
*What the 2017 Findex Tells Us About Mobile Money, Women’s Financial Inclusion and Savings in Vulnerable Households*
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Summary

Since the release of the World Bank’s Global Findex in April, our organization, FINCA International, has been looking closely at the data to refresh our perspective on the challenges of universal financial access. This is a topic that interests us deeply, as the founder of a global network of microfinance institutions and banks, FINCA Impact Finance. From an initial reading of the data, we came away with four key takeaways.

First, we saw that, despite all the hype, mobile money has yet to displace traditional banking in most of the world. Even in parts of Africa where mobile money is becoming ubiquitous, it still often goes hand-in-hand with traditional banking and microfinance accounts, as shown in the chart below. The challenge for financial institutions is to create compelling use-cases for customers, centered on savings and credit, while using mobile channels to stimulate account activity.

Second, we noticed the uneven impacts of mobile money on closing the gender gap in financial inclusion. In some places, mobile money is helping to narrow the divide between men’s and women’s rates of account ownership—in this respect, Africa stands out. But in countries like Pakistan and Haiti, men are adopting mobile money faster than women, who lack access to mobile phones and the digital literacy to use them. If these disparities are not addressed, digitization of financial services can create another barrier to equality.
Third, we explored the worrying decline in savings rates around the world. If our goal is to improve the financial wellbeing of economically vulnerable people, then access to and use of savings should be on an upward swing. Unfortunately, it seems that the tasks of saving money and coping with emergencies, like borrowing from friends and family, are getting harder for those who live in developing countries.

Percentage of Adults Who Have Saved any Money in the Last Year

- High-Income Countries: 71% (2014), 73% (2017)
- Developing Countries: 43% (2014), 53% (2017)
- FINCA Worldwide: 45% (2014), 50% (2017)
- FINCA in Eurasia: 27% (2014), 32% (2017)
- FINCA in Latin America: 40% (2014), 44% (2017)
- FINCA in Africa: 33% (2014), 56% (2017)
- FINCA in MESA: 31% (2014), 33% (2017)
Finally, we dove deeper into the issue of savings and observed how the declining savings rate impacts the most vulnerable. While savings are down across the board, the biggest drops in savings are on the side of vulnerable populations, such as women, the poor, the unemployed and those with limited education.

Percentage of People Who Have Saved any Money in the Past Year (20 FINCA Countries)

Combined, these four insights—(1) mobile money has yet to displace traditional banking, (2) mobile money has had uneven impacts on closing the gender gap, (3) savings rates are declining across developing countries and (4) the declining savings rate is especially pronounced among vulnerable populations—paint a picture about the current state of financial inclusion and the challenges ahead as we strive for a more fully inclusive world.
Don’t Throw the Banks Out with the Bathwater: Why the 2017 Findex Shows Opportunity for Microfinance Institutions

Though it was eagerly awaited by everyone in the financial inclusion space, the World Bank’s 2017 Global Findex report has prompted some earnest reflection about the progress of financial inclusion. As we noted soon after the report’s release, there are signs that financial inclusion is slowing down in many places. Actual banking services, such as credit and savings, are not really growing in the wake of digital payments, which are driving inclusion in certain markets, particularly in Africa. Based on the report’s findings, it seems clear that universal financial access by 2020 is unlikely. This glass-half-empty viewpoint is vividly illustrated by Elizabeth Rhyne and Sonja Kelly in their recent publication, Financial Inclusion Hype vs. Reality: Deconstructing the 2017 Findex Results.

Among the tough questions prompted by the report is the question of how regulated microfinance institutions should respond to the emergence of mobile money. FINCA, together with many of our peers, has been working-through the role of digital payment channels and their implications for our clients and the future of our work. Bluntly stated, we have asked whether digital payments and fintechs are gradually making regulated financial service providers irrelevant.

Looking at Findex data on ownership and usage between financial institution and mobile money accounts, however, a more nuanced picture emerges. Amidst the very mixed signals that it sends about financial inclusion overall, the latest Findex also contains data that shows it is far too early to dismiss banks as dinosaurs that will be wiped out by mobile banking. There certainly are a few countries in Africa where mobile money is gaining as an independent service outside of the banking system. But for the most part, regulated financial institutions still play a defining role—not only as banks, but also as providers of these digital services.

Mobile Money is Driving Financial Inclusion in Africa, but the Region is an Outlier

We can start by looking at the types of accounts that people own. The Findex survey asked people whether they have any kind of account, whether they own a financial institution account, and whether they had conducted a mobile money transaction in the preceding 12 months. These results can be treated algebraically to separate those who have only one type account or another, and those who have both a financial and mobile money account, as shown below.
In most of the developing world, the use of financial institution accounts completely dwarfs mobile money, which is in the low single-digits. Moreover, most people who have a mobile money account also have a bank account.

The situation in sub-Saharan Africa is very different. Overall, the total share of mobile money customers is on par with those who have an account at a financial institution. However, slightly more than half of all mobile money users are also owners of bank accounts. For these customers, mobile money is not the sole form of financial inclusion—it is a supplemental service that they use in tandem with traditional banking. That means that, even in Sub-Saharan Africa, three out of every four account holders are served by a financial institution. The countries in FINCA’s worldwide footprint present a similar picture. As a stand-alone form of financial inclusion, mobile money reaches about 6 percent of the population, but a much greater share of adults is served by banks, either alone (22 percent) or in combination with mobile money (6 percent).

At a Local Level, Microfinance Institutions and Banks Still Have an Important Role to Play
The real story, however, is local. Here the role of banks is even more evident. The following graph shows the country-level breakdown for FINCA, focusing only on adults who have an account outside a financial institution. Unsurprisingly, the African countries are all clustered at the top, with two huge stand-outs: Tanzania and Uganda. Outside of Africa, however, Haiti and Pakistan are the only FINCA countries where more than 2 percent of adults have a non-financial institution account—out of the 20 countries across five continents where FINCA operates.
Several factors could explain why non-bank financial services are not as widespread outside of Africa. In many places, local banking laws still restrict mobile money to regulated financial institutions. In others, the business model and use cases for non-bank mobile money may not yet be compelling enough to gain scale. Change can come fast, of course. But when we talk about digital financial inclusion today, it isn't all about M-Pesa and fintechs. Financial institutions still have an important role to play. Whether they will continue to do so in the future depends on how the regulatory environments evolve with respect to non-bank service providers and further technological change—in areas like credit scoring and blockchain, for example. More importantly, it also depends on whether banks can leverage their core competency in financial intermediation to design products that add more value than payment services alone, by driving use cases that tangibly improve their clients' financial wellbeing.

Mobile Money Customers Still Rely on Microfinance Institutions and Banks

Along with gathering information on the types of accounts they own, the 2017 Findex also asked directly whether people had conducted a mobile money transaction in the preceding 12 months. This question revealed that there is a significant overlap between bank accounts and mobile money usage. For example, in Uganda, the Findex shows that 26 percent of adults have only used a mobile money account. But a nearly equal number of adults (24 percent) are using both mobile money and banking accounts. Seen another way, about half of all the mobile money users in Uganda are also bank account holders. A similar pattern holds true in Malawi, while in Zambia, the share of people using both services is nearly double those who only use mobile money.
Across the global FINCA network, the only countries where mobile money has a significant penetration beyond traditional banks are Uganda, Tanzania, Zambia, Malawi and the Democratic Republic of the Congo. More commonly, mobile money customers are a subset of banking customers.

**True Financial Inclusion Occurs When Account Access and Usage Rise Together**

The task of financial inclusion is not complete once people have access to an account; in fact, that might not even be the hardest part. The real challenge is to create services that people actually use. The best evidence of success is an account with a healthy volume of activity, and the latest Findex data shows that mobile services can help achieve that.

“The task of financial inclusion is not complete once people have access to an account; in fact, that might not even be the hardest part.”
The following chart compares the percentage of accounts that are *dormant* (no activity in the last year) for financial institution accounts.

**Inactive Accounts**

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRC</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Uganda</td>
<td>34%</td>
<td>32%</td>
</tr>
<tr>
<td>Zambia</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Haiti</td>
<td>29%</td>
<td>25%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>0%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Three countries had very high rates of account dormancy in 2014: Malawi, Tanzania and Haiti. Here, more than a quarter of all accounts are inactive, and there was no change in 2017. Kyrgyzstan, which had the next-highest rate of dormancy, is the only country to show a significant improvement, dropping from 22 to 16 percent in 2017. The remaining countries—DRC, Uganda and Zambia—show an opposite trend. Inactive accounts, which were relatively low in 2014, have dramatically shot up. In the case of DRC and Uganda, they have more than doubled in the last two years.

This presents a clear challenge to financial institutions on several fronts. First, inactive accounts represent a drain on their businesses and threaten sustainability. Acquiring new customers is one of the most expensive activities of a bank. In developed financial systems, it can take up to two years for a financial institution to break-even on a new customer. This equation can be deadly when a quarter of customers become inactive, and it only becomes worse when the maintenance and security costs of dormant accounts are considered.

More fundamentally, since customer benefits drive usage, an inactive account is a sign that the service is not providing any meaningful value to its owner. At FINCA, we know first-hand that it is challenging to get unbanked people to sign-up for a new account. It turns out, however, that the bigger challenge is driving-home the use-case that motivates people to actually use their account, for mobilizing savings or otherwise improving their financial conditions.
The 2017 Global Findex Points Toward a ‘Both/And’ Approach

The latest Findex shows that both financial institution and mobile money accounts have vital roles to play in achieving universal financial access. Going forward, microfinance institutions and banks should be focused on digitizing their services to reduce costs, improve efficiencies and extend reach. They should also be using mobile money as a way to engage customers and to develop use-cases that add value beyond payment services. By integrating digital finance tools in truly impactful ways, these traditional institutions can remain relevant drivers towards meaningful financial inclusion.
A Shifting Frontier: How Mobile Money is Reshaping the Gender Gap in Financial Inclusion

Discriminatory policies and cultural norms around property rights, unfair treatment in the job market and an enormous burden of unpaid work are just a few of the disadvantages that make it harder for women to achieve equality with men. On top of these challenges, women are more likely than men to be shut out from financial services, which can be damaging for the hundreds of millions of women with little disposable income. Many organizations supporting microfinance, including FINCA International, are dedicated to addressing this gender gap by finding more efficient ways of reaching women and delivering financial tools that can improve their lives.

Using Findex Data to Dive Deeper into Women’s Financial Inclusion

With the release of the World Bank’s 2017 Global Findex, we are offered a fresh look at women’s financial inclusion. Can financial technologies (“fintech”) help women break the cycle of poverty and financial exclusion? Innovations like mobile money and agency banking promise to dramatically lower transaction costs, while making it possible to extend services far beyond the reach of a traditional bank branch. But is that really happening? Also, how are fintech innovations changing the way women interact with banking services and are these changes narrowing the gender gap in financial inclusion—or making it worse?

Sizing Up the Gender Gap in Financial Inclusion

According to the most recent survey results, women’s financial exclusion is a global phenomenon. Men with access to a bank account (through financial institutions and/or mobile money services) outnumber women by about 200 million. Inequality is somewhat worse in the developing world, where 67 percent of men have access to an account, versus 59 percent of women.
Our organization, FINCA International, and the network of 20 community-based microfinance institutions and banks collectively known as FINCA Impact Finance, are working at the epicenter of women’s financial inequality. In the countries where we work, the difference in account ownership between men and women is 18 percent—more than double that of the developing world overall. At the regional level, Eurasia is actually a bit less unequal than the world at large, but there are striking disparities elsewhere, especially in Africa and the Middle East and South Asia (MESA) regions.

Is the Gender Gap Getting Bigger or Smaller?
Mobile money and agency banking services have expanded rapidly in the last few years, especially in sub-Saharan Africa. Comparing the gender gap in 2017 and 2014, however, it is disappointing to observe that inequality hasn’t changed very much, and in some places, it’s even gotten worse.
Small variations in Eurasia, Latin America and Africa are within the margin of error. But the MESA region shows a clear and worrying upswing in inequality. In the three FINCA countries—Afghanistan, Pakistan, and Jordan—the gap in the rate of male and female account-holders has increased from 16 percent to 26 percent in just the last three years. During this period, the percentage of men who own accounts has grown from 21 percent in 2014 to 33 percent at present, while women have only grown three points from 5 to 8 percent.

Bright Spots and Red Flags
A 2016 study generated some exciting headlines: mobile money services in Kenya had reduced poverty, especially for female-headed households, while creating greater occupational choice for women. If other countries want to achieve the same impact from mobile technology, they may need to replicate some of the underlying conditions, starting with widespread adoption of mobile money services among both men and women.
As published in an article for NextBillion, there are only a few countries in the FINCA Impact Finance network where a significant number of people rely only on mobile banking as their sole source of financial services. Traditional bank accounts are still the norm, with mobile banking being used as an additional service. There are, however, some countries where mobile banking plays an important role in expanding financial access, mostly in Africa, and a few others (like Haiti and Pakistan) where it is emergent. Here, we can compare the gender gap between financial institution and mobile money accounts to see what effect mobile banking services are having on women’s financial inclusion.

The Gap Between Men and Women by Account Type

This graph zooms-in on the gender gap among account holders, not the population at large. As seen at far left, inequality in Kenya is concentrated in financial institution accounts, where there are 18 percent more men than women. But the gap is reversed in mobile money accounts, where women outnumber men by about 22 percent. The same holds true in Malawi and Zambia: women’s use of mobile banking services is outpacing men. In these countries, the use-case for mobile banking, which rests heavily on personal transfers and payments, is very relevant for women, who play an active role in managing their family’s finances. As these services grow and evolve, women’s financial equality will improve.

Haiti and Pakistan show the opposite tendency. Pakistan is one of the most financially excluded countries in the world, with a gender gap so big that it needs its own scale. At financial institutions, men outnumber women account holders by 68 percent. And mobile banking, which could theoretically improve women’s financial participation, is not reducing the overall disparity in financial services, as it is in Africa. In fact, the gender gap is slightly higher in mobile banking (78 percent) than in financial institutions. Because the overall representation of mobile banking clients is still very small in Pakistan, this observation is not as statistically strong as it is in Africa. It is, however, consistent with other data, including a recent GSMA report showing that the gender gap in mobile-based internet services is 70 percent in South Asia—the highest in the world.
Seen from the demand-side, this gender gap suggests that the use-cases for mobile banking are much less visible for women outside of Africa. It also shows what can happen when technology barriers—like lack of access to a compatible device and data services—are layered on top of the existing obstacles to financial inclusion. Access is not the only issue. Women, who are already struggling with a deficit in financial literacy, now need to gain digital literacy in order to keep up with men. And while mobile services can enhance women’s privacy and security, they are not without downsides, such as exposure to theft and fraud.

Gender-Focused Strategies Are Needed to Close the Gap

The cost savings and other benefits of mobile banking can clearly benefit women, as seen in Kenya and other countries in Africa. But we cannot rely on technology alone to close the gender gap. Complementary efforts are needed to ensure that women are connected, engaged and actively benefitting from these services. FINCA and other institutions that are dedicated to women’s inclusion and empowerment can play an important role by designing gender-responsive products and delivery channels and holding themselves accountable for results. Otherwise, the digitization of financial services can become one more obstacle on the road to women’s financial equality.

Jane Wanjiku Njuguna in Kawangware, Kenya uses her mobile phone to transact and access life-enhancing services, like digitally-delivered education courses.

Photo: Alison Wright
Fewer Poor People are Saving: What Does This Mean for Microfinance and Mobile Money?

Take a moment to picture this: Less than half of all adults on the planet have saved anything in the last year. That’s one surprising takeaway from the 2017 Global Findex: Throughout the world, the share of people who have saved money, whether through formal or informal means, has fallen from 56 to 48 percent in the last three years. This includes bank deposits, savings clubs, jewelry and cash stuffed in drawers.

This development cuts to the heart of one of the most cherished goals of financial inclusion, which is to provide people with safe and convenient forms of saving. Luring cash out from under the mattress should help the poor manage their savings, while providing banks with a source of less-expensive, local funding for on-lending. But if fewer people are able to set aside small amounts of money even informally, what are the chances that formal savings mobilization will succeed, either for low-income clients or for the financial institutions that serve them?

Sizing Up the Issue
As the founder and majority shareholder of a global network of microfinance institutions and banks, the declining rate of savings around the world is something we deeply care about at FINCA International—particularly since, as shown in the following chart, the drop in savings is limited to developing countries.

![Percentage of Adults Who Have Saved any Money in the Last Year](chart.png)

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© 2018 FINCA International
Some changes are close to the margin of error, but the overall downward trend is unmistakable. Among the regions served by FINCA Impact Finance, the biggest relative decline since 2014 happened in Africa. Outside of FINCA’s footprint, East Asia and the Pacific fell the most, from 71 percent to 53 percent.

Roughly speaking, savings is the result of income minus consumption. From that perspective, an economist could see the drop in savings as a positive sign that consumption opportunities are expanding. Poor countries have a higher propensity to consume than richer countries, because there are so many unmet needs. As more households have electricity, for example, they will prefer to purchase a television than to hold savings. In other instances, though, falling savings can reflect a drop in real income, especially when there isn’t a lot of fat to trim from the family budget. The explanation will lean one way or the other depending on the circumstances.

It’s worth repeating that we are not just talking about formal savings at a bank account, which is only a fraction of total savings. As seen in the chart below, the rate of formal savings at a financial institution is abysmally low in all regions, but it has not really changed outside the margins of error anywhere except in Africa. Instead, among all regions and categories, the biggest drop is in “any savings”—and again, Africa stands out.

**Percentage of Adults Who Have Saved any Money in the Last Year by Type of Savings**

(FINCA Regions)

- **Any Savings - 2014**
  - Africa: 18%
  - Eurasia: 14%
  - Latin America: 13%
  - MESA: 3%

- **Financial Institution - 2014**
  - Africa: 56%
  - Eurasia: 27%
  - Latin America: 40%
  - MESA: 31%

- **Any Savings - 2017**
  - Africa: 4%
  - Eurasia: 7%
  - Latin America: 12%
  - MESA: 6%

- **Financial Institution - 2017**
  - Africa: 67%
  - Eurasia: 32%
  - Latin America: 44%
  - MESA: 33%
What Does This Mean for Microsavings?

There could still be an opportunity for financial institutions to capture more of people's informal savings, but it is proving difficult—perhaps more so than we expected. The last decade has seen a multitude of efforts to transform microlenders into deposit-taking institutions and to get banks to “downscale” their savings business, often by linking-up to informal savings groups. There have been some successes, including FINCA Pakistan. But unfortunately, Findex data tells us that, on a global scale, these supply-side interventions are not bearing a lot of fruit.

From the bankers' side, the economics of small-scale savings mobilization are still hard to overcome. Agency banking can substantially lower the front-end costs, like tellers, cameras and bank vaults. (See, for example, this study of FINCA Express agents in Tanzania.) But the back-end outlays, including the core banking infrastructure and marketing costs, are still substantial. Evaluating the results of a seven-year downscaling project funded by the Gates Foundation, the World Savings and Retail Banking Institute concluded that in the poorest markets, a viable savings program, using a combination of tellers and banking agents, requires up to 1 million active customers—a threshold that very few microfinance institutions in these markets can likely cross.

If such massive scale is needed to make microsavings work, what are we to make of the fact that a declining number of people are actually saving in any form? For one thing, the microsavings job is getting harder, not easier—whether the drop in savings is a result of rising consumption or falling incomes.

Customers Under Duress

FINCA’s mission is focused on reaching customers at the base of the pyramid, where meeting basic needs is still a struggle, and where unforeseen events can upset the fragile balance between income and expenses. In this light, another worrisome result of the 2017 Findex is that fewer people are able to mobilize resources to cope with an emergency.

“The microsavings job is getting harder, not easier—whether the drop in savings is a result of rising consumption or falling incomes.”
The most common strategy for handling an emergency is drawing on friends and family. While this approach might seem less than ideal, it is flexible, enduring and vital to low-income people around the world. These informal support systems are holding strong in Latin America, where many people have access to remittances from relatives working abroad. But they are clearly coming under pressure, especially in Africa and Eurasia.

FINCA Guatemala client, Marcelina Concepción Vasquez, with her husband, Carlos Martin De Leon Us, in Santa Cruz del Quiché. Marcelina was introduced to FINCA by her mother. The family looks out for one another.

Photo: Dawn Deeks
The Implications of Mobile Money for Microfinance Institutions and Savings

For microfinance institutions and banks, the case for switching from tellers to mobile money agents is as strong as ever, even though new costs, like agent recruitment and compliance, will offset some of the gains. Beyond cost, however, the strongest argument for agency banking is that it is the only viable way of bringing banking services within physical reach of most people, especially in rural areas. In Uganda, for instance, there are 200 mobile money agents for every bank branch. More than half of adults now live within 1 kilometer of a mobile money agent, versus 15 percent for banks. Nobody can doubt that this is the most effective way to reach and serve the unbanked, especially where easy access is a key driver of value.

But the Findex data should temper our expectations about the impact that this transformation will have on savings mobilization. In roughly the same period that Uganda was dramatically scaling up its mobile agents, the number of people saving money dropped by 6 percent. Every market is a function of supply and demand; when the evidence suggests that the demand for savings is decreasing, then supply-focused efforts are swimming against the current.

Mobile money will ultimately provide the infrastructure for savings, but its value for customers today revolves around sending and receiving money. Customers are using mobile services to effect personal and government transfers, to purchase airtime, and to pay utilities – not to save or borrow money. Nevertheless, as users become adept with the technology, financial intermediation—through credit and savings—can gain traction. Data from last year shows that 14 percent of adults in Uganda were using their mobile wallets to store savings—more than twice the number of people who have a savings account. Building on this trend, microfinance institutions and banks can use mobile banking to engage their customers and promote healthy financial habits, which will cultivate the demand for savings services in the future.

FINCA Uganda and BrightLife client, Joweria Nalwadda, uses mobile money on her phone to conduct financial transactions, like paying energy loans for an improved cookstove.

Photo: Alison Wright
Diving into the Gap: What Separates Savers from Non-Savers?

We have already explored the worrying decline in savings rates around the world. Now, let's dive deeper into the issue of savings, given its importance for financial inclusion and for the resilience of economically fragile households. We’ll do so by looking through the lens of FINCA’s mission, exploring how the declining savings rate impacts the most vulnerable—especially women, the poor, the unemployed and those with limited education.

Looking Deeper into the Declining Savings Rate

The falling savings rate extends beyond the purview of microfinance institutions and banks, because it includes both informal and formal means of savings. Whether money is saved in a jar or in a bank account, it would be captured in the Findex indicator, “saved any money in the past year.” From the perspective of household welfare, how a family saves money is less important than if they can save at all.

To delve into this issue, the Findex database allows us to explore data by gender, income, labor force participation and education, which are key vectors of inequality. This enables us to explore different forms of social and economic vulnerability, such as the difference in savings between the bottom 40 percent of income-earners versus the top 60 percent, or between people of lower and higher levels of education. With two full waves of data (2014 and 2017), we can also see whether these gaps are growing or shrinking, as shown in the following chart.

FINCA Pakistan client, Rashid Ali, with his children. Legally blind, Rashid used FINCA loans to operate his own factory producing specialty wire brushes used in the construction trade, creating jobs in his community.

Photo: FINCA Staff
The first thing that jumps out is that savings are down across the board, among both vulnerable and non-vulnerable groups. This is consistent with the findings we have already discussed, which described the challenge this trend presents to financial institutions. Unsurprisingly, however, the biggest drops in savings are on the side of vulnerable populations, such as women and the poor. (Note: The geographies included in this analysis are the 20 countries in the FINCA Impact Finance network, but these results are representative of all low-income, developing countries.)

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### Percentage of People Who Have Saved any Money in the Past Year (20 FINCA Countries)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Vulnerable</th>
<th>Difference</th>
<th>Non-Vulnerable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Women</td>
<td></td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>2017 Men</td>
<td></td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>2014 Bottom 40%</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>2017 Top 60%</td>
<td></td>
<td>-14%</td>
<td></td>
</tr>
<tr>
<td>Labor Force Participation</td>
<td>2014 Inactive</td>
<td>-21%</td>
<td></td>
</tr>
<tr>
<td>2017 Active</td>
<td></td>
<td>-19%</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>2014 Primary</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>2017 Secondary+</td>
<td></td>
<td>-14%</td>
<td></td>
</tr>
</tbody>
</table>

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The first thing that jumps out is that savings are down across the board, among both vulnerable and non-vulnerable groups. This is consistent with the findings we have already discussed, which described the challenge this trend presents to financial institutions. Unsurprisingly, however, the biggest drops in savings are on the side of vulnerable populations, such as women and the poor. (Note: The geographies included in this analysis are the 20 countries in the FINCA Impact Finance network, but these results are representative of all low-income, developing countries.)
In the chart, numbers in red represent the difference between the savings rate of the vulnerable and non-vulnerable populations for the given year. Going back to 2014, women were 8 percent less likely to save money than men. The biggest gap that year—a whopping 21 percent difference—was between people who were active in the job market and those who were not.

Looking at 2017, labor force participation is still the primary driver of whether or not someone has saved any money. Likewise, the gender gap is unchanged from three years ago, at 8 percent in the 20 countries where FINCA is engaged in microfinance. One might conclude that industry efforts to promote women’s financial inclusion have yet to bear much fruit. However, while gender inequality has stayed the same, other forms of vulnerability have gotten considerably worse.

Inequalities in income and education are now more significant in dividing savers and non-savers. An 8 percent gap in 2014 between the poorest 40 percent and the richest 60 percent became a 14 percent gap in 2017. Similarly, the gap between primary and secondary school graduates doubled from 7 to 14 percent. That means gender, as a driver of inequality in savings rates, has fallen to the bottom among these factors.

This is not to diminish the continued need to focus on women’s equality as a principal goal of economic and social inclusion, because gender itself cuts across the other categories of vulnerability. Women have lower labor force participation rates, for example, and are more likely to be unemployed. But customer characteristics, such as being poor or uneducated, are higher obstacles to savings than they were three years ago, and they have passed gender per se as drivers of different outcomes.

Regional Differences
Changes in the savings rate between vulnerable and non-vulnerable groups also vary a lot by region, as shown in the chart below. In Eurasia, savings is driven mainly by income, which even surpasses labor force participation as a factor: The poor are 19 percent less likely to save than anyone else. In the Middle East and South Asia (MESA), no particular form of inequality stands out, which is striking given that this region has one of the highest rates of gender disparity. In Latin America, the real inequalities arise in education. People with only a primary education are 24 percent less likely to save, which is the biggest gap among all forms of inequality in the world.

The influence of education on savings is also very strong in Africa, though the biggest driver of inequality is labor force participation, which generates a gap three times higher than gender, the least influential factor. Education is the next biggest driver, followed by income. The relatively small influence of gender on savings behavior is easy to understand, since African women tend to have better access to informal savings mechanisms, like rotating savings and credit and associations (ROSCAs).
Percentage of People Who Have Saved any Money in the Past Year  
(By FINCA Region)

<table>
<thead>
<tr>
<th>Region</th>
<th>Vulnerable</th>
<th>Non-Vulnerable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurasia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottom 40%</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>Income-Earners</td>
<td>-5%</td>
<td>-19%</td>
</tr>
<tr>
<td>Inactive in Labor Force</td>
<td>-11%</td>
<td>-14%</td>
</tr>
<tr>
<td>Primary Education</td>
<td>-7%</td>
<td>-14%</td>
</tr>
<tr>
<td>MESA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top 60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income-Earners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active in Labor Force</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary Education+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
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<tr>
<td>Africa</td>
<td></td>
<td></td>
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<tr>
<td>Europe</td>
<td></td>
<td></td>
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<tr>
<td>Middle East</td>
<td></td>
<td></td>
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<tr>
<td>Latin America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Eurasia: Armenia, Azerbaijan, Georgia, Kosovo, Kyrgyzstan and Tajikistan
MESA: Afghanistan, Jordan and Pakistan
Latin America: Guatemala, Haiti, Honduras, Nicaragua and Ecuador
Africa: DR-Congo, Nigeria, Malawi, Tanzania, Uganda and Zambia

Most of the financial behavior represented in these graphs—saved any money in the last year—takes place outside of formal institutions. So, these trends do not tell us whether regulated financial services have become more or less accessible, or to whom. Instead, they reflect the financial behaviors of consumers, by showing who is saving money in any form, and who is not. In that respect, these results portray the division between savers and non-savers in basic social terms.
A Final Problem: Declining Savings Alongside Declining Poverty

How do we reconcile this picture of a growing gap in savings with the fact that, in general, poverty is falling throughout the world? A commenter from one of our published articles observed that very poor people consume after saving enough money to cover contingencies. As they grow past subsistence, their preference shifts from savings towards consumption. If the bottom 40 percent are better off today than they were three years ago—and, thus, more likely to consume their income—then that would partially explain why there is a growing gap in savings rates by income level. At the same time, however, it is possible that poverty overall may be falling even while conditions for those at the very bottom are getting worse, to the point that savings is simply not an option for more people.

Considering all the evidence, the less optimistic scenario seems more likely. For one thing, the persistent and overwhelming influence of labor force activity (or inactivity) clearly points to a population whose financial behavior is more likely shaped by a lack of resources than a preference for consumption. In the same vein, the spread of secondary education will clearly grow the pool of potential savers…but it leaves an even bigger gap for those who don't make it past primary school.

Education instills cognitive skills, such as basic numeracy, that are fundamental for achieving financial health. But it also lays the groundwork for more advanced skills, like the ability to operate in a digital environment, that are increasingly needed to be financially competent. Reversing inequalities in education and labor will build a stronger customer base for savings mobilization and strengthen the foundations of a more inclusive financial system, especially one that is increasingly based on technology. Otherwise, the gap between savers and non-savers is likely to keep growing.

“How do we reconcile this picture of a growing gap in savings with the fact that, in general, poverty is falling throughout the world?”