FINANCIAL ACCESS SURVEY

2020 Trends and Developments

INTERNATIONAL MONETARY FUND

STATISTICS

THE FINANCIAL ACCESS SURVEY IN THE TIMES OF COVID-19

This round of the Financial Access Survey (FAS) takes place in the midst of the global COVID-19 pandemic. Impressively, despite containment measures including lockdowns and social distancing, 155 jurisdictions have reported data to the FAS as of October 26, 2020. This is testament to the importance authorities place on the collection and dissemination of FAS data. Indeed, in some areas, data reporting to the FAS has improved. In the 2020 round, which collected data through 2019, the number of jurisdictions reporting gender-disaggregated data increased to 60, compared with 49 last year. Six additional jurisdictions have also started to report data on mobile money, increasing the FAS mobile money data coverage to 78 jurisdictions among more than 90 countries where mobile money services are available.

To supplement country authorities' efforts to support financial access and to share peer experiences regarding financial access policies to meet the pandemic, the IMF recently launched the Financial Access COVID-19 Policy Tracker (Box 1), documenting policy measures enacted to facilitate financing for small and medium-sized enterprises (SMEs) and the use of digital financial services across the world.

This edition of FAS Trends and Developments showcases financial access conditions under which countries were first exposed to the COVID-19 pandemic and takes a closer look at some of the policy responses to the crisis with a special focus on SMEs and digital financial services.

FINANCIAL ACCESS AND USE: A PRE-PANDEMIC SNAPSHOT

Financial inclusion is a multifaced concept, encompassing various dimensions, including access to and use of financial services as well as other aspects such as affordability and quality of financial services and products (Espinosa-Vega et al. 2020). Access and usage are the most commonly used concepts to monitor the progress made by countries in furthering financial inclusion. The newest edition of the FAS, an annual supply-side database collecting data on these two facets both for traditional and digital financial services, offers a pre-pandemic snapshot of the levels of financial access and use around the globe.

Traditional Banking Services

In general, access to and use of traditional financial services, as measured by the FAS indicators, has deepened over time in low- and middle-income economies. The latest data from 2019 indicate that the number of ATMs per 100,000 adults and the number of deposit and loan accounts per 1,000 adults grew for the past years in these economies (Figure 1).[1] In contrast, the number of commercial bank branches was at a similar level to 2013 for both low- and middle-income economies. These trends reflect the recent rise of mobile money and non-branch retail agent outlets (IMF 2018; and IMF 2019).[2] For high-income and some upper middle-income economies, the number of bank branches declined over this period. This declining trend likely reflects two factors: on the one hand, cost-cutting measures by banks to improve efficiency; on the other, the growing popularity of digital financial services (Espinosa-Vega et al. 2020; and IMF 2019).

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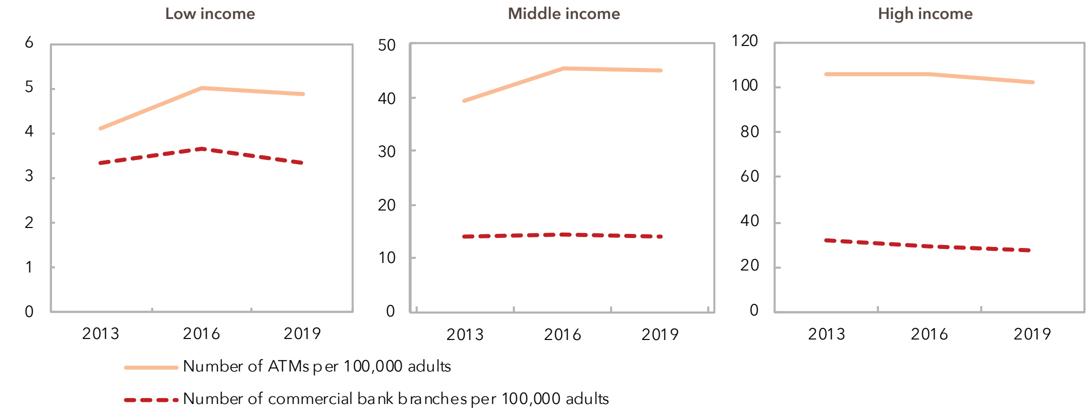
[1] The two FAS access indicators—the number of ATMs per 100,000 adults and the number of commercial bank branches per 100,000 adults—are designated as indicators to monitor UN Sustainable Development Goals Target 8.10, which is to strengthen the capacity of domestic financial institutions to expand access to banking, financial services, and insurance for all.

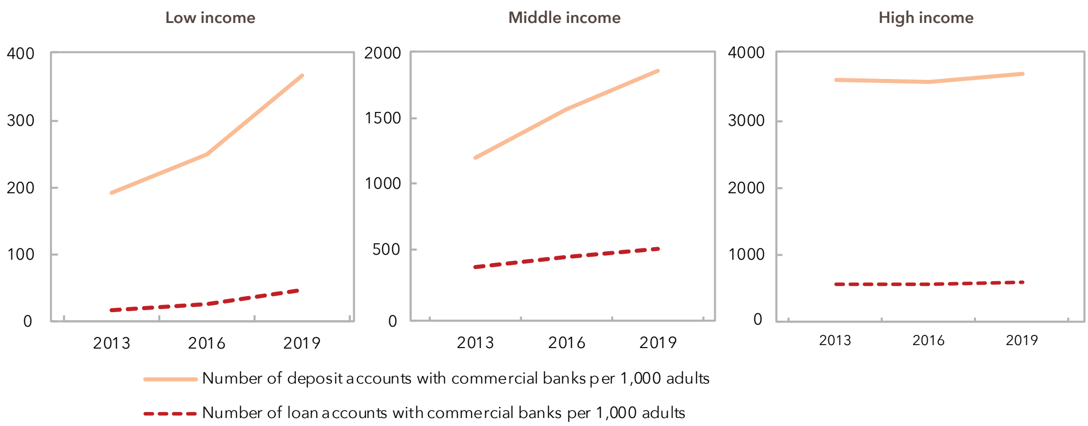
[2] Non-branch retail agent outlets typically include retail stores, post offices and small businesses acting on behalf of the banks to carry out financial transactions.

Figure 1. Access to and use of traditional financial services has deepened in low- and middle-income economies

Commercial bank branches and ATMs



Deposit and Loan accounts



Sources: Financial Access Survey and IMF staff calculations.
Note: Samples are based on data availability for the three years shown in the charts.

Digital Financial Services

The progress made in getting people into the folds of the financial system, especially in low- and middle-income economies, has been made possible, in part, through innovations such as digital financial services, including mobile money.[3] Mobile money has taken deep root in both sub-Saharan Africa and Asia, providing financial services to the underbanked and unbanked populations in these regions. A sample of select economies shows a significant increase in the number of registered mobile money accounts per 1,000 adults (Table 1). The latest FAS data also suggest continued high usage of mobile money in some economies. For instance, the value of mobile money transactions in 2019 is close to 70 and 90 percent of GDP in Ghana and Cambodia, respectively. In addition, the value of mobile and internet banking transactions grew faster in low- and middle-income economies since 2015 (Figure 2).[4]

[3] Mobile money, as defined by the FAS, is a financial service offered by a mobile network operator (MNO) or another entity that partners with an MNO, facilitated by a network of mobile money agents. See IMF (2019a) for more details.

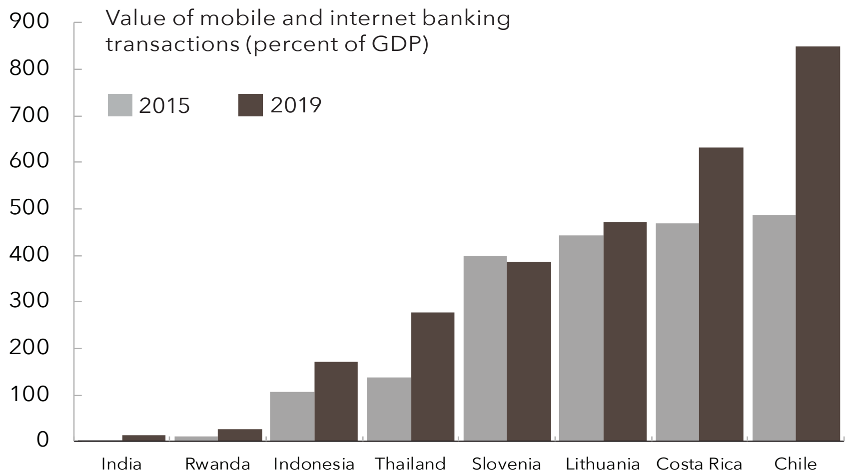
[4] Mobile banking, as defined in the FAS, is the use of an application on a mobile device to access and execute banking services, such as check deposits, balance inquiry, and payment transfers.

Table 1: Mobile money has helped increase access to financial services

The number of registered mobile money accounts per 1,000 adults			
		2015	**2019**
Europe and Central Asia	Armenia	118	428
	Romania	18	11
Middle East and North Africa	Egypt	63	224
	Qatar	98	228
Latin America and Caribbean	Guyana	22	87
	Mexico	84	437
East Asia and Pacific	Cambodia	42	459
	Fiji	991	2250
South Asia	India	73	1265
	Pakistan	120	328
Sub-Saharan Africa	Burkina Faso	224	1049
	Kenya	1129	1859

Sources: Financial Access Survey and IMF staff calculations.

Figure 2. Mobile and internet banking continues to grow in low- and middle-income economies



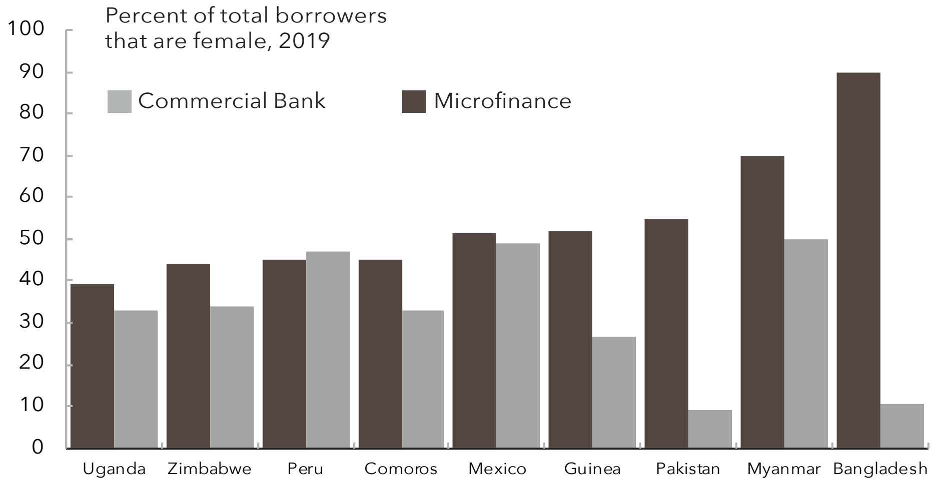
Sources: Financial Access Survey and IMF staff calculations.
Notes: Samples are based on data fixed throughout time with the same number of countries.

Women's Financial Inclusion

Women have often been excluded from the financial system. The latest FAS data suggest that the progress made in advancing women's financial inclusion has varied across countries over the past years. In Chile and Moldova, the financial access gender gap has been reversed with the number of commercial bank deposit accounts held by women exceeding those held by men. However, usage indicators, such as outstanding loans and deposits remain mixed. In Angola and Bangladesh, while progress has been made in recent years to include women in the financial system, the number of deposit accounts held by women are less than half of those held by men. Newly reported gender-disaggregated data, including from Côte d'Ivoire and Paraguay, also point to the importance of continued monitoring of the developments in financial access gender gaps.

Microfinance institutions have been serving an important role in meeting the unmet demand for financial services by women (Espinosa-Vega et al. 2020). Gender-disaggregated data from the FAS highlight this trend continued in 2019 (Figure 3). For example, in Bangladesh, one of the countries that pioneered microfinance, 90 percent of the borrowers at microfinance institutions were women.

Figure 3. Microfinance institutions have gained ground among women

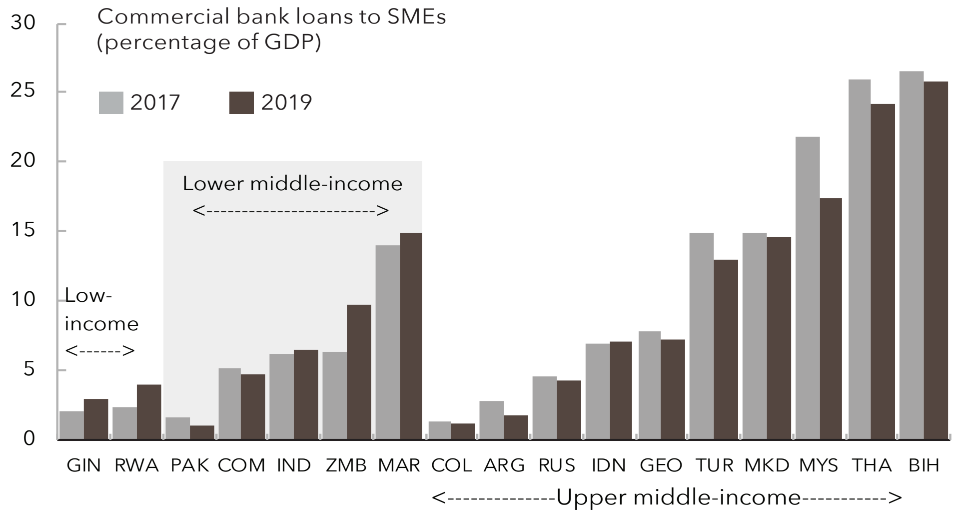


Sources: Financial Access Survey and IMF staff calculations.
Note: Microfinance Institutions include both deposit taking and non-deposit taking microfinance institutions.

SME Finance

SMEs often face greater constraints accessing finance than larger firms. Bank lending to SMEs in low- and middle-income countries has been stagnant at about 6 percent of GDP over the five years spanning from 2014-2018 (Espinosa-Vega et al. 2020). Lending to SMEs continues to be constrained in 2019 (Figure 4). This highlights the potential role of policies in enabling easier access to credit and loans to SMEs affected by the current pandemic. The next section presents some of the policy responses taken by country authorities to aid SME finance, drawing on the Financial Access COVID-19 Policy Tracker.

Figure 4. Funds available to finance SMEs continue to stagnate



Sources: Financial Access Survey and IMF staff calculations.

SMES AND COVID-19

SMEs represent about 90 percent of businesses and more than 50 percent of employment worldwide, contributing up to 40 percent of national income (GDP) in emerging economies (World Bank 2019). At the same time, lockdowns and social distancing measures are expected to significantly impact SMEs in the current environment. In a recent study carried out in 132 countries, nearly two-thirds of micro and small firms reported that the COVID-19 induced crisis has affected their business operations and one-fifth of SMEs confirmed they face risks of closing down permanently within three months (ITC 2020). Against this background, country authorities have put in place measures to help SMEs weather the current pandemic. According to the Financial Access COVID-19 Policy Tracker (Box 1), these policy measures can be classified into the following five main categories (Figure 5).

- **Debt moratoriums:** In order to provide financial relief to SMEs affected by the pandemic, countries have announced temporary delays in debt repayment. In Indonesia, for example, as part of a stimulus package issued by the government, principal and interest payments have been deferred by 6 months. Similarly, commercial banks in Malawi and Botswana have also announced a three-month moratorium on SME debt service.
- **Loan guarantees:** Public guarantees on loans can incentivize banks to lend to SMEs, especially in the current environment where there is increased uncertainty about credit quality. In Albania, for example, a loan guarantee programme has been announced, which provides all businesses, including SMEs, with 11 billion lek (approx. $100 million) as a sovereign loan guarantee for payments of wages and salaries and another 15 billion lek (approx. $140 million) to guarantee working capital loans.
- **Lower interest rates:** To help SMEs with liquidity, several countries adopted measures to reduce interest rates on lines of credit. In Egypt, for example, the preferential interest rate on loans for SMEs was reduced from 10 to 8 percent. Also, with the objective to support and maintain employment in Russia, the interest rate on central bank loans aimed at supporting lending to SMEs was reduced from 4.0 to 3.5 percent.

- **Tax relief:** Tax relief, in the form of reduced tax rates or delayed tax filing, has been one of the tools for alleviating the financial burden of SMEs. In Eswatini, for example, the measures undertaken by the government include up to SZL 90 million (approx. $5 million) in tax refunds for SMEs that have complied with tax obligations, retained employees, and continued paying them during the pandemic. In Chad, the presumptive tax for SMEs has been reduced by 50 percent for 2020, and in Peru, the government approved a three-month extension of income tax declaration for SMEs, offering flexibility to enterprises and households in the repayment of their tax liabilities.
- **Financial assistance:** Many countries have also provided support via the distribution of financial assistance to the most vulnerable sectors of the economy. In the case of Armenia, grants were given to entrepreneurs and firms, and lump-sum transfers were provided to individuals, including SME employees, who were unemployed after the COVID-19 outbreak.

Box 1. Financial Access COVID-19 Policy Tracker

Complementing FAS data collection effort in the pandemic environment, the Financial Access COVID-19 Policy Tracker documents and tracks policy measures implemented across the world, focusing on measures to (i) assist SMEs in counteracting the economic distress caused by the pandemic; and (ii) facilitate a move away from cash to digital financial services, especially mobile money transactions.

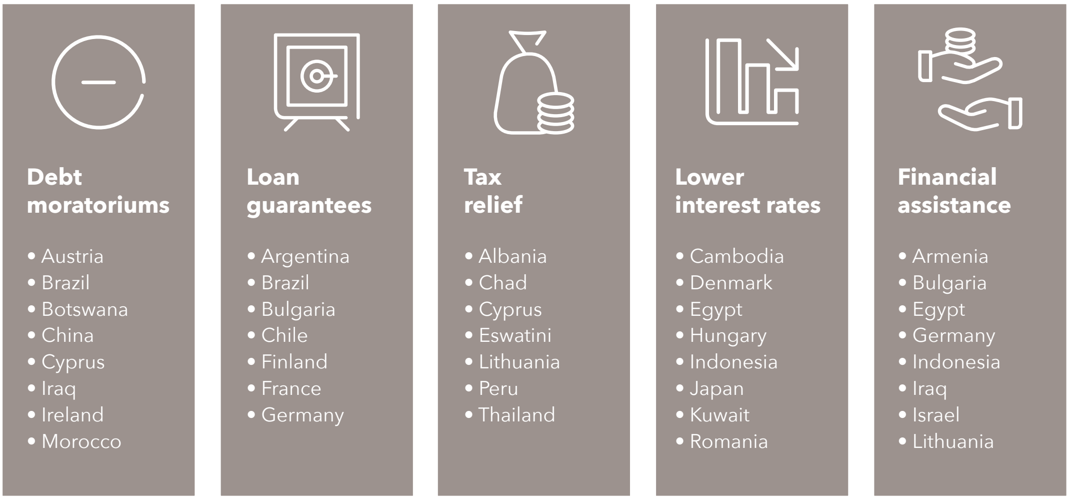
The Financial Access COVID-19 Policy Tracker aims to facilitate information exchanges and peer learning among country authorities about the measures taken during the pandemic to enable SME financing and greater use of digital financial services. It is compiled using information from publicly available sources, inputs from other IMF departments as well as information and feedback received from country authorities. So far, the tracker includes information for 117, 18, and 28 jurisdictions regarding SME finance, mobile money, and other digital financial services, respectively. To make the information documented in the tracker accessible and user friendly, the policy measures have been classified into categories (see the figure below).

Classification of different policy measures

SME Finance	• Debt moratorium • Loan guarantee • Financial assistance	• Lower interest rates • Tax relief
Mobile Money	• Reduced transaction fees • Increased balance and transaction limits	• Flexible know your customer (KYC) onboarding
Other Digital Financial Services	• Reduced transaction fees • Increased balance and transaction limits	• Flexible KYC onboarding • Simplified transaction processes

Source: Financial Access COVID-19 Policy Tracker, IMF.

Figure 5. Key policy responses: SMEs



Source: Financial Access COVID-19 Policy Tracker, IMF.
Note: The list of countries in the figure above is only a subset of those included in the tracker. Country examples are for illustration purposes only.

DIGITAL FINANCIAL SERVICES DURING COVID-19

Digital financial services, both mobile money and mobile and internet banking, have two key features that can support undisrupted financial transactions during the current pandemic. First, high levels of market penetration of mobile money in low- and middle-income countries and mobile and internet banking in high-income countries, provide a readily available substitute to move away from in-person cash transactions. Second, the ability to transact with no or almost minimal physical contact is key in these times of social distancing.[5]

In addition to these features that lend themselves seamlessly in the current environment, country authorities across the globe have enacted emergency measures to encourage the use of these digital financial services. The measures—documented in the Financial Access COVID-19 Policy Tracker—can be classified into four broad categories: (i) person-to-person (P2P) transaction fee cuts; (ii) increased balance and transaction limits; (iii) easing of know your customer (KYC) requirements; and (iv) simplified transaction processes (Figure 6).

Several economies introduced—often in collaboration with service providers—transaction fee waivers or higher transaction limits for both mobile money (e.g., Lesotho and Mozambique) and mobile and internet banking (e.g., Kuwait and Portugal). A few economies also eased KYC onboarding requirements to encourage more people to start using digital financial services (e.g., Ghana for mobile money and Egypt for mobile banking). Some country authorities simplified account opening procedures and eased requirements to accept mobile payments by merchants (e.g., Morocco and Bolivia).

[5] See Agur et al. (2020) for a broader discussion on the role of digital financial services in the current pandemic environment.

Figure 6. Key policy responses: Digital financial services

Transaction fee cuts
- Bangladesh
- Cameroon
- Ghana
- Kenya
- Lesotho
- Liberia
- Malawi
- Mozambique
- Rwanda

Increased limits
- Bangladesh
- Botswana
- Ghana
- Kenya
- Lesotho
- Liberia
- Mozambique
- Myanmar
- Rwanda

Flexible KYC onboarding
- Egypt
- Ghana
- Guinea
- Kuwait
- Qatar

Simplified processes
- Bolivia
- Morocco
- Mauritius
- Netherlands
- Qatar
- Ukraine

Source: Financial Access COVID-19 Policy Tracker, IMF.
Note: The list of countries in the figure above is only a subset of those included in the tracker. Country examples are for illustration purposes only.

While digital financial services may provide opportunities in the pandemic context, these newly introduced measures may also pose some risks. For example, the suspension of mobile money transaction fees may decrease profits for mobile network operators (MNOs) as these fees are an important revenue source for them. Increasing transaction limits while relaxing KYC requirements could expose countries to higher risks of illicit financial flows. Bazarbash et al. (2020) discuss more details on the COVID-19 response measures related to mobile money and its associated risks.[6]

[6] See also Sahay et al. (2020) which highlights the risks of new forms of financial exclusion and financial stability associated with fintech. See also Eriksson von Allmen et al. (2020).

ABOUT THE IMF'S FINANCIAL ACCESS SURVEY

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

The dataset covers 189 jurisdictions spanning from 2004 to 2019 and contains 121 time series on financial access and use (such as the number of ATMs and depositors). To facilitate meaningful comparison, the FAS also publishes 70 indicators that are normalized relative to the size of the adult population, land area, and gross domestic product.

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