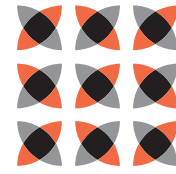


A Global Snapshot of Financial Exclusion

2014



CENTRE
for **SOCIAL**
IMPACT

**A research report for National Australia Bank
by Centre for Social Impact**

This report is a study of global levels of financial exclusion across 23 jurisdictions. The report includes a comparative analysis of the nature and prevalence of predatory lending, and government and community responses to financial exclusion.



Contents

| | |
|--|----|
| Foreword | 3 |
| Executive Summary | 4 |
| Introduction | 6 |
| Data | 8 |
| How the countries were selected | 9 |
| Access to bank accounts | 10 |
| Access to formal savings | 12 |
| Access to credit | 14 |
| Main Findings on the Impact of Financial Exclusion | 16 |
| Main Findings on the Responses of Financial Exclusion | 20 |
| Appendix 1: Comparative Tables | 22 |
| Appendix 2: Country Reports | 26 |
| Australia | 27 |
| Bangladesh | 28 |
| Brazil | 29 |
| Canada | 30 |
| China | 31 |
| France | 32 |
| Germany | 33 |
| India | 34 |
| Indonesia | 35 |
| Italy | 36 |
| Japan | 37 |
| Kenya | 38 |
| Malaysia | 39 |
| Netherlands | 40 |
| New Zealand | 41 |
| Pakistan | 42 |
| Poland | 43 |
| Russia | 44 |
| South Africa | 45 |
| Sweden | 46 |
| Uganda | 47 |
| United Kingdom | 48 |
| USA | 49 |
| Appendix 3: References | 50 |
| Appendix 4: Global Ranking Summary | 52 |

Foreword

When I am asked why NAB is involved in microfinance, the answer can be a long one. At the heart of it is our desire to help all Australians have a healthy relationship with money. A big part of this is ensuring people have access to the appropriate financial products and services they need to get by.

But it's about more than that. We also want to help individuals, businesses and the community prosper and grow stronger together. The flow on impact to our economy creates a strong and compelling case for microfinance.

NAB has led the industry in making banking more accessible and affordable for all Australians, however, the issue of financial exclusion in Australia remains a significant one. We know more than three million people don't have access to basic financial products from mainstream institutions.

When it comes to credit needs, the fringe or informal lending sector including 'predatory' lenders are filling this market-gap. National regulations for the sector were introduced in 2013, yet events including class actions, ASIC legal proceedings and ACCC sanctioned investigations highlight a level of concern with some operators and practices.

This report takes a look at the proportion of formal and informal lending in 23 countries around the globe, and the regulatory response in each. As a nation, we are able to learn from the varied global experiences and these findings demonstrate why we must remain vigilant on the issue.

We congratulate the Australian Government for supporting financial inclusion initiatives and putting regulatory frameworks in place that help ensure formal credit is accessible.

We believe it is important that the effectiveness of existing policy and regulations be reviewed regularly to ensure inclusion remains a top priority. We need to make sure informal lending practices are not detrimental to the wellbeing of Australians, and we continue to invest in microfinance initiatives that create positive opportunities.

Growing our programs and finding new and innovative ways of supporting the financial needs of all Australians is critical to the social and economic wellbeing of our nation.

Paula Benson
General Manager, Corporate Responsibility
National Australia Bank

Executive Summary



Executive Summary

There is a growing interest in measuring, understanding and tackling financial exclusion around the world. The World Bank has recently opened access to a global data set (Findex) that measures financial exclusion in 148 countries. The data shows how people access banking, savings and credit, and also reveals the type of credit available.

This report leverages the latest World Bank data to provide a global snapshot of financial exclusion. By examining access to banking, savings and credit in key countries we can gain an insight into some of the causes and impacts of financial exclusion, and the relationship between policy and regulation and levels of financial exclusion.

This report summarises data in just 23 countries, making the analysis more manageable than a study of all 148 countries. We are also able to exclude countries where tax systems, recent revolutions or retail banking collapses might bias the data. The 23 countries selected cover a sizeable proportion of the world's population and the world's economic activity, while still providing a diverse selection of economic development and political systems.

The report includes detailed individual country studies, complemented by numerous comparative tables and graphs, and a discussion of the key findings and trends.

The key lessons that we can learn from the countries examined in this study include:

- Access to financial products does not always align with levels of wealth or economic development of a country. Some countries are outperforming or underperforming their economic peers. The link between access to products and national income is strongest for access to banking, but is surprisingly weak for access to credit.

- There is a link between poor levels of access to formal lending and high levels of access to private lending (including short-term, high-cost lending such as payday loans and informal moneylending), that can often be predatory in nature.

- There is an even clearer link between the regulation of credit and the quality of credit (the ratio of formal to informal loans) in each of the 23 countries in the study. Three quite distinct regulatory approaches have emerged in relation to short-term, high-cost lending:

- No regulation: With a few exceptions, countries that have adopted this approach have a very poor ratio of formal to informal lending;

- Moderate to strict regulation complemented by a medium cap on the costs of credit: Countries that have adopted this approach have a moderate ratio of formal to informal lending; and

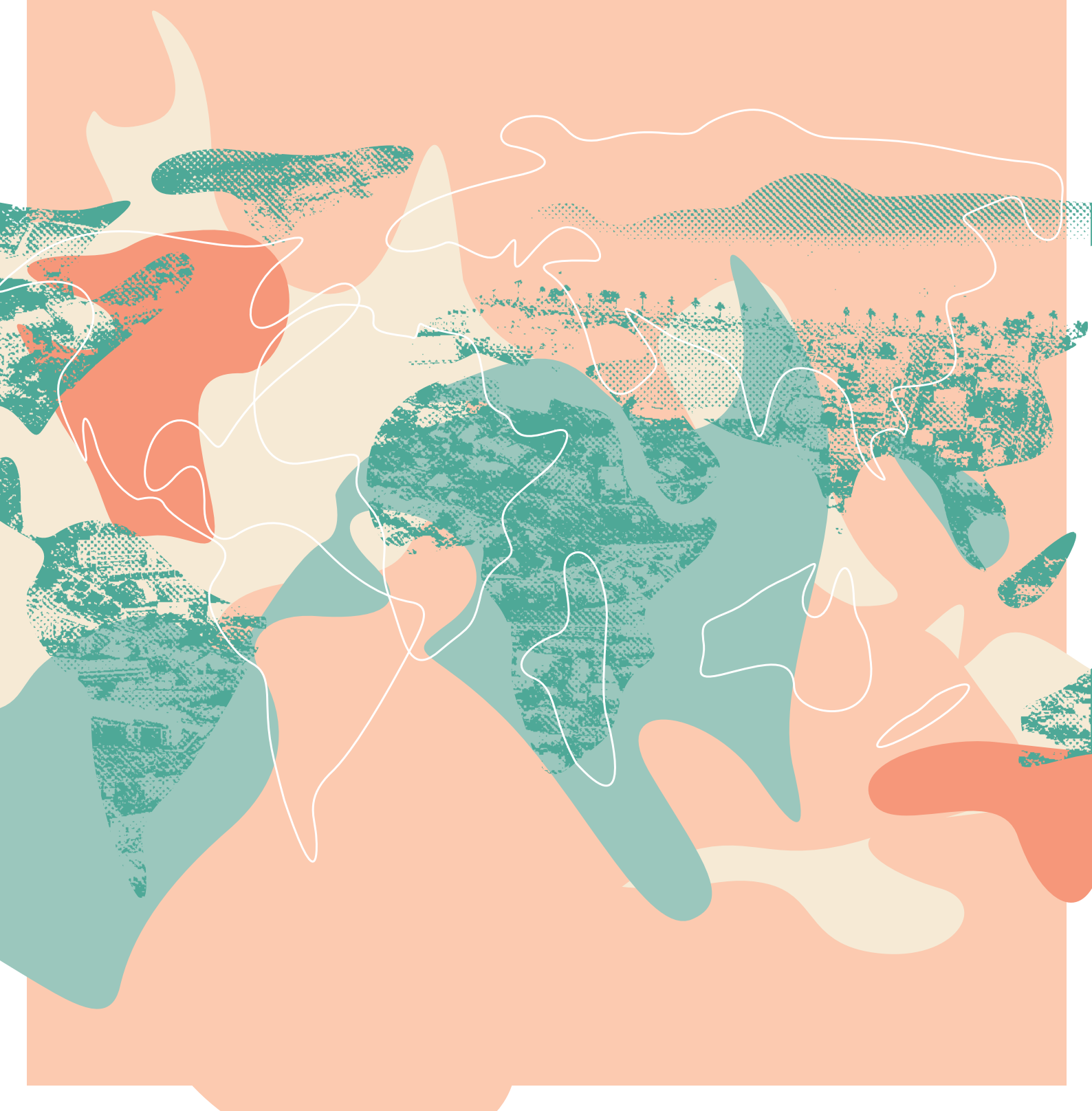
- Strict regulation accompanied by low caps on the costs of credit: Countries that have adopted this approach have an excellent ratio of formal to informal lending.

- There may also be an emerging link between financial inclusion initiatives (particularly the provision of microfinance) and improved quality of credit (evidenced by a better ratio of formal to informal lending), however, such cases remain rare. Most financial inclusion initiatives are still too recent or too small in scale to assess their results at this stage.

This report provides a useful insight into the challenges of financial exclusion around the world. The next step is to dig deeper into some of the issues to try and understand why some countries are outperforming their peers in providing access to financial services. It will also be important to assess the emergence of new financial inclusion initiatives, and new regulation, to see what impact they have on overall levels of financial exclusion.

Chris Connolly
Centre for Social Impact
March 2014

Introduction



Introduction

Financial exclusion exists where individuals lack access to appropriate and affordable financial services and products.¹ There is ongoing debate about which services and products are required, but transaction accounts, formal savings and access to a moderate amount of credit are all recognised as important.

The World Bank has recently issued the following guidance on financial exclusion:

- Financial inclusion is crucial for reducing poverty and boosting shared prosperity. The poor benefit greatly from basic payments, savings, and insurance services;
- Financial systems are far from inclusive. Half of the world's adults have no bank account;
- Policy should focus on fixing market and government failures, not on promoting inclusion for inclusion's sake; and
- Policy makers should provide an environment of strong laws and regulations, good information, and healthy competition.²

Extensive literature is available on financial exclusion³ and it is not the role of this report to repeat or summarise the vast amount of information that has already been published. Instead, it concentrates on the difficult challenge of measuring financial exclusion, complemented by a discussion on some of the impacts and responses to financial exclusion that can be seen in many countries around the world.

The key objective of this report is to develop a 'snapshot' analysis of the levels of financial exclusion across a small selection of jurisdictions, as a first step towards understanding the global financial exclusion landscape.

The study is based on measurement of access to mainstream financial products (transaction accounts, formal credit and formal savings). This has become a widely accepted method for measuring levels of financial exclusion.⁴

The study finds wide variation in national levels of access to these mainstream financial products, with most jurisdictions having low levels of access in at least one product category. Access rates appear to be influenced by a combination of economic conditions, regulatory settings (particularly in relation to short-term, high-cost lending) and the effectiveness and maturity of financial inclusion initiatives (particularly microfinance programs).

The study also includes a brief comparative analysis of the key impacts for those people who are excluded, primarily examining the nature and prevalence of short-term, high-cost lending in each jurisdiction, usually provided by 'payday lenders'. This type of lending has emerged as one of the biggest risks facing financially excluded individuals, with many operators adopting what are arguably predatory practices. However, the scope and costs of payday lending are different in each jurisdiction, and it is useful to examine payday lending data against the backdrop of the rate of financial exclusion in each country.

Finally, the report includes a brief analysis of responses to financial exclusion in each jurisdiction, including relevant government legislation and policy, plus business and community responses. This includes an examination of the availability of microfinance in each country, and the different approaches to the regulation (if any) of short-term, high-cost lending in each country.

¹ For a detailed discussion of the definition of financial exclusion, see: Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2011, for National Australia Bank. www.csi.edu.au

² World Bank, *Global Financial Development Report: Financial Inclusion*, 2014, www.worldbank.org

³ See for example Elaine Kempson and others, *In or out? Financial Exclusion: A Literature and research review*, Personal Finance Research Centre, for the Financial Services Authority, Bristol UK, 2000, www.bristol.ac.uk/geography/research/pfrc/themes/finexc/in-or-out.html

⁴ See for example Asli Demircuc-Kunt and Leora Klapper, *Measuring Financial Inclusion: The Global Findex Database*, World Bank Policy Research Paper 6025, 2012, http://data.worldbank.org/data-catalog/financial_inclusion

Methodology

Data

This report is primarily based on the collection and analysis of existing data and does not include significant new or unique data collection. The main source for information on the level of access to mainstream financial products is the World Bank's Global Findex database.⁵

The Global Findex database measures access to financial services based on surveys conducted in each country. The samples are randomly selected and representative of the national population size. Some of the sample sizes are small, but this is the most comprehensive collection of data of this type.⁶

To measure access to a bank account we only included active transaction accounts held at a mainstream financial institution. The Global Findex database defines an active bank account as one which has at least one deposit or withdrawal in a typical month. Information on inactive bank accounts is noted briefly in Appendix 1.

Access to credit was measured using both access to a credit card and access to formal lending. It is important to note that this second test (access to formal lending) requires the consumer to have had a loan with a mainstream financial institution (or a microfinance institution) within 12 months of the survey, while access to a credit card may include access to a card with a zero balance at the time of the survey. Information on access to other types of credit (e.g. borrowing from family and friends) is noted briefly in Appendix 1.

The report also includes information on access to 'informal lending' or 'private lending'. The concept of informal lending does not yet have a consistent global definition so the data faces some initial challenges, but it is a useful reflection of the level of short-term, high-cost lending in each country. In this report we call this category 'informal lending,' however it is based on the data collected by the World Bank under the heading 'private lending'.

The World Bank survey asks:

'Have you borrowed any money from a private lender (including informal moneylenders) in the past 12 months?'

To measure savings we included access to a savings account held at a formal, mainstream financial institution. Access to informal savings is noted briefly in Appendix 1.

Other data included in the report on the impact of financial exclusion and on government and community responses, is sourced from public data as noted in the references.

⁵ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

⁶ Note that *supply side* data is also available, although it is not discussed in the current report. See for example the International Monetary Fund Financial Access Survey at <http://fas.imf.org/>

⁷ World Bank Global Findex – Glossary and Questionnaire, <http://go.worldbank.org/5XL9LXK6B0>

Methodology

How the Countries Were Selected

The 23 countries included in this report have been selected to provide a broad introduction to financial exclusion around the world. Together they cover a sizeable proportion of the world's population and the world's economic activity, while still providing a diverse selection of economic development and political systems.

The countries in this report were selected based on the following criteria:

1. Recent, reliable data on access to financial products is available in each country;
2. The country has no recent history of revolution or collapse in the retail banking system that might bias the results; and
3. Access to financial products is not overly influenced by the tax system in each country, as this may also bias the results.

High income countries are over-represented in the sample of 23 countries used in this report. For additional information on a broader range of countries, readers can access the World Bank Global Findex data online.⁸ Appendix 4 of this report also includes a summary of the global rankings for 148 countries, including their World Bank income category. The four income categories are based on Gross National Income (GNI) per capita. They are:

- Low income: \$1,035 or less;
- Lower-middle income: \$1,036 - \$4,085;
- Upper-middle income: \$4,086 - \$12,615; and
- High income: \$12,616 or more.⁹

⁸ The full data for 148 countries is available at: <http://datatopics.worldbank.org/financialinclusion/>

⁹ The methodology for dividing countries according to 2012 GNI per capita is available at: <http://data.worldbank.org/about/country-classifications>

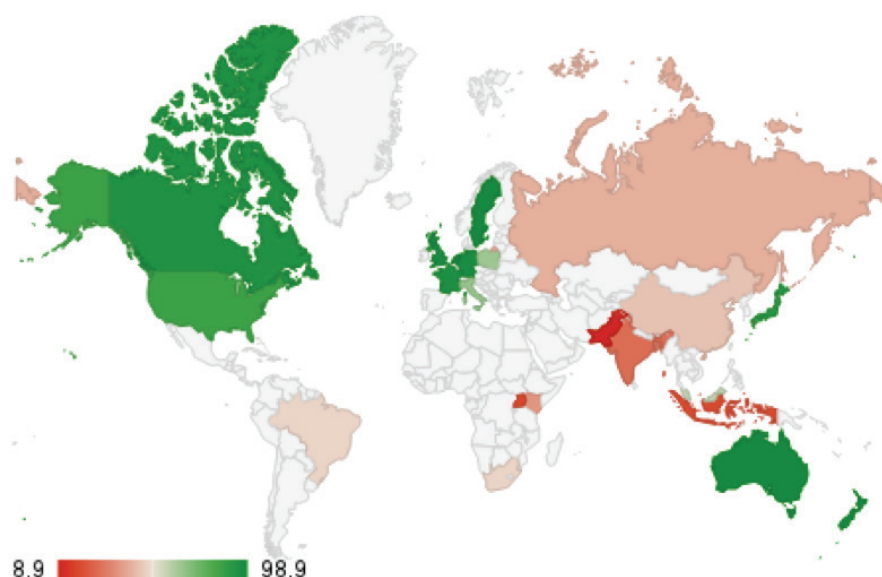


Figure 1: Access to active bank accounts from the 23 selected countries (% of population aged 15+)
Source: World Bank Global Findex 2012.

Main Findings on Levels of Financial Exclusion

In this study we are only able to report on the level of access to individual products. In future studies we hope to be able to drill down into the data and report on combined access to products, as this has been a very powerful tool in measuring levels of financial exclusion in other jurisdictions where such data is available.¹⁰

Access to Bank Accounts

Access to a bank account was defined by having an active transaction account at a mainstream financial institution. An account is active if financial deposits or withdrawals are being made in any given month.

The heatmap in Figure 1 shows the percentage of individuals with access to an active bank account in each country (countries that are shaded grey are not included in this study). The data for each country is included in Appendix 1).

| Country | Bank account (active) |
|----------------|-----------------------|
| Australia | 98.8 |
| Bangladesh | 36.6 |
| Brazil | 53.4 |
| Canada | 94.3 |
| China | 53.4 |
| France | 94.9 |
| Germany | 96.6 |
| India | 32.8 |
| Indonesia | 19.5 |
| Italy | 69.2 |
| Japan | 92.1 |
| Kenya | 40.5 |
| Malaysia | 62.7 |
| Netherlands | 98.1 |
| New Zealand | 98.7 |
| Pakistan | 10.2 |
| Poland | 67.9 |
| Russia | 45.9 |
| South Africa | 52.5 |
| Sweden | 98.9 |
| Uganda | 20.1 |
| United Kingdom | 96.9 |
| USA | 86.9 |

¹⁰ See for example, Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2011, 2012 and 2013, for National Australia Bank. <http://www.csi.edu.au>

Main Findings on Levels of Financial Exclusion

Access to Bank Accounts

Access to bank accounts tracks reasonably closely against the economic status and stage of development in each country. A group of 10 high income countries (based on Gross National Income (GNI) per capita) have access rates in the 80 to 100% range. A group of six countries have access rates below 41%, falling to just 10.2% in Pakistan. These six countries are all in the World Bank low income or lower-middle income bands. Between these two extremes there is a much wider variety of countries, including upper-middle income countries like China (53.4%) and high income countries like Italy (69.2%) that might be expected to have a greater level of access to a bank account.¹¹

Figure 2 presents national income against access to bank accounts.

Figure 2: National Income / Access to active bank accounts.

Source: World Bank Global Findex 2012.



¹¹One analysis across a larger set of countries estimates that 'national income explains about 70 percent of the variation among the world's economies in the share of adults with a formal account.' See: Asli Demirguc-Kunt and Leora Klapper, *Measuring Financial Inclusion: The Global Findex Database*, World Bank Policy Research Paper 6025, 2012, http://data.worldbank.org/data-catalog/financial_inclusion (page 3).

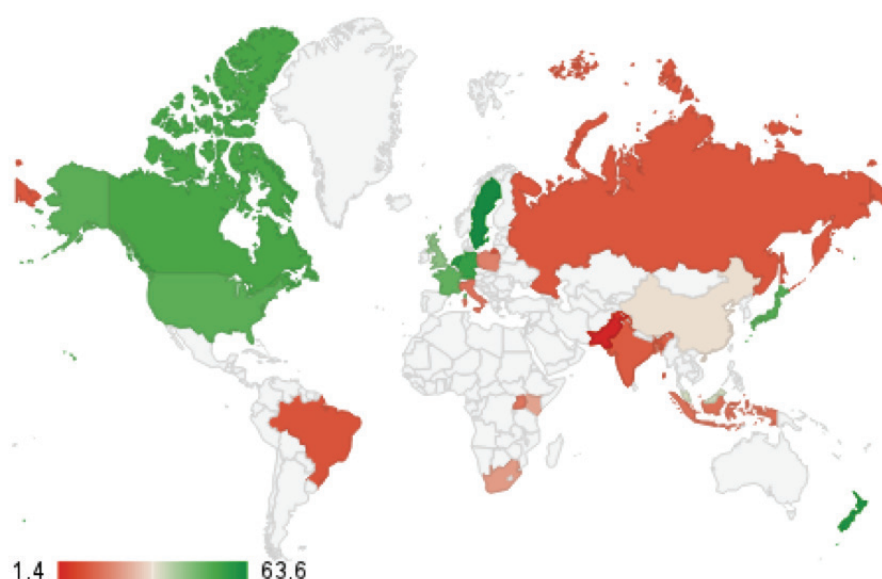


Figure 3: Access to formal savings of the 23 selected countries (% of population aged 15+)

Source: World Bank Global Findex 2012.

Main Findings on Levels of Financial Exclusion

Access to Formal Savings

The heatmap at Figure 3 shows the level of access to savings held at a formal, mainstream financial institution (full details are available in Appendix 1).

Access to formal savings also aligns with the economic status and stage of development in each country, although not as closely as access to banking. A group of nine high income countries have access rates in the 50% to 65% range. This is roughly the same group that had high levels of access to bank accounts, although the UK has dropped out of the group in this category, as its rate of access to formal savings is only 43.8%.

However, below this group there is no real pattern in relation to savings. The 14 remaining nations have a diverse range of savings rates — from a high of 43.8% in the UK to a shocking low of just 1.4% in Pakistan. Countries like Poland who did well in relation to access to bank accounts have very poor access to savings (18%). It is surprising to see some upper-middle income economies with very low levels of formal savings, including Italy (15.5%) and Russia (10.9%).

| Country | Savings (formal) |
|----------------|------------------|
| Australia | 61.9 |
| Bangladesh | 16.6 |
| Brazil | 10.3 |
| Canada | 53.2 |
| China | 32.1 |
| France | 49.5 |
| Germany | 55.9 |
| India | 11.6 |
| Indonesia | 15.3 |
| Italy | 15.5 |
| Japan | 51.3 |
| Kenya | 23.3 |
| Malaysia | 35.4 |
| Netherlands | 57.8 |
| New Zealand | 60.4 |
| Pakistan | 1.4 |
| Poland | 18.0 |
| Russia | 10.9 |
| South Africa | 22.1 |
| Sweden | 63.6 |
| Uganda | 16.3 |
| United Kingdom | 43.8 |
| USA | 50.4 |

Main Findings on Levels of Financial Exclusion

Access to Formal Savings

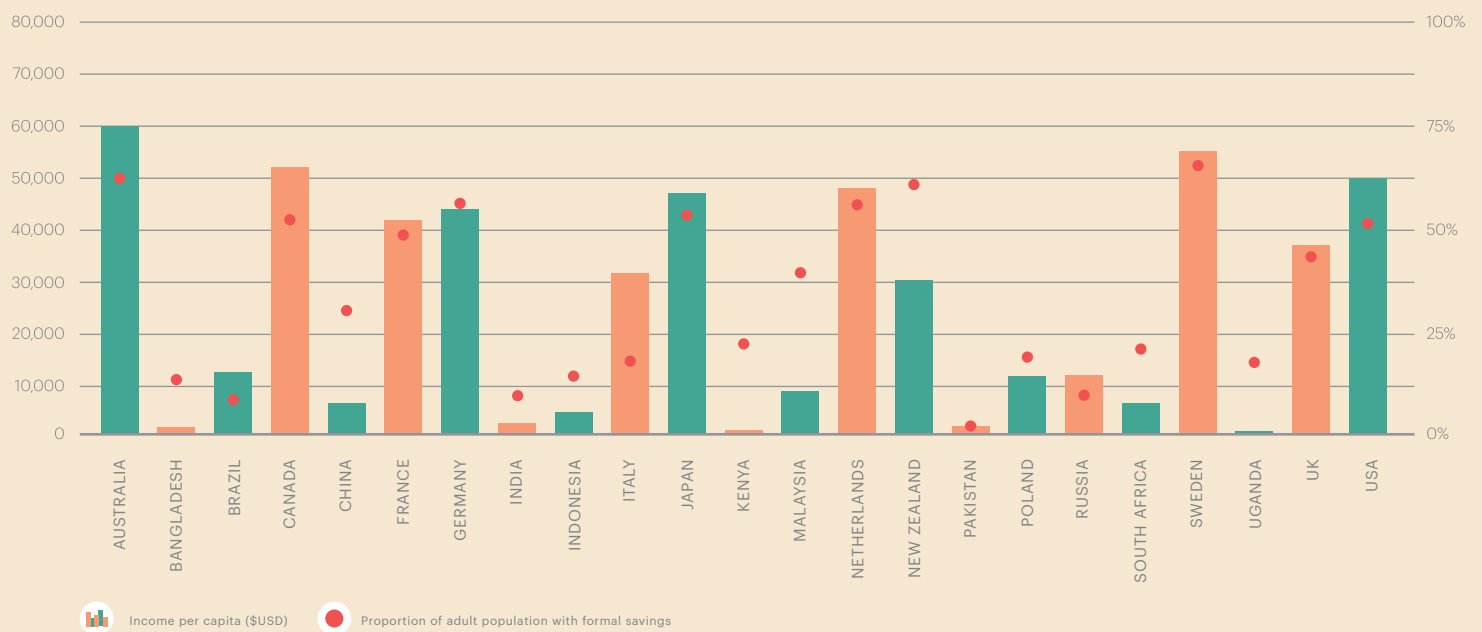


Figure 4: National Income / Access to formal savings.
Source: World Bank Global Findex 2012.

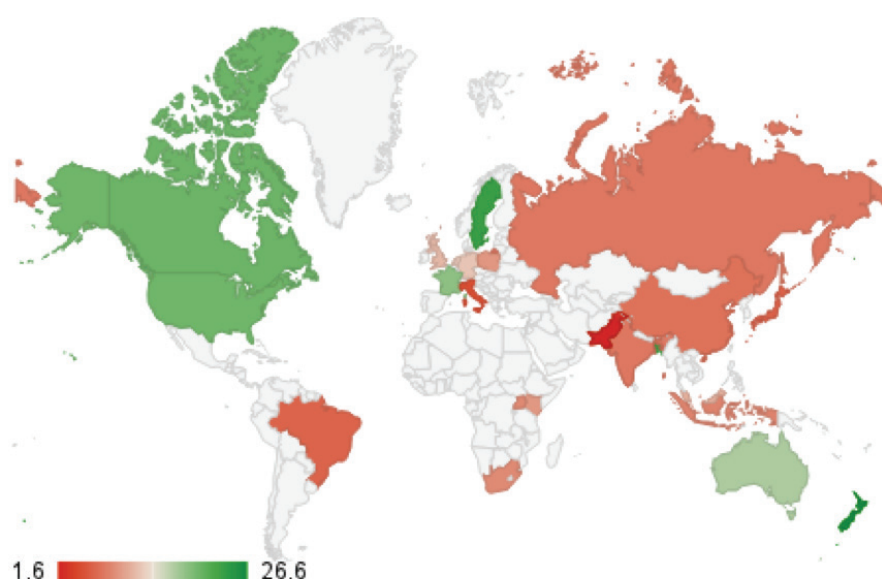


Figure 5: Access to formal lending (% of population aged 15+ who have borrowed from a formal lending institution in the last 12 months).

Source: World Bank Global Findex 2012.

Main Findings on Levels of Financial Exclusion

Access to Credit

For the measurement of access to credit we have included both access to formal lending and access to a credit card.

The heatmap in Figure 5 shows the rate of access to formal lending, which in this study includes loans from banks, credit unions and legitimate microfinance institutions.

The formal lending data diverges from the (strong) pattern we have seen for access to banking and the (weaker) pattern for access to savings.

A much smaller group of just seven nations have high rates of access to formal lending, in a tight range between 17% to 27%. Six of these countries are high income economies, but the surprising member of the group is Bangladesh (23.3%). Bangladesh is actually in the lowest World Bank income band. Their inclusion at the top of the lending category may be the result of the large-scale and mature microfinance programs in Bangladesh. This is potentially a rare success story in the financial inclusion landscape.

| Country | Loan (formal) |
|----------------|---------------|
| Australia | 17.0 |
| Bangladesh | 23.3 |
| Brazil | 6.3 |
| Canada | 20.3 |
| China | 7.3 |
| France | 18.6 |
| Germany | 12.5 |
| India | 7.7 |
| Indonesia | 8.5 |
| Italy | 4.6 |
| Japan | 6.1 |
| Kenya | 9.7 |
| Malaysia | 11.2 |
| Netherlands | 12.6 |
| New Zealand | 26.6 |
| Pakistan | 1.6 |
| Poland | 9.6 |
| Russia | 7.7 |
| South Africa | 8.9 |
| Sweden | 23.4 |
| Uganda | 8.9 |
| United Kingdom | 11.8 |
| USA | 20.1 |

Main Findings on Levels of Financial Exclusion

Access to Credit

A large and diverse group of 12 countries have formal lending rates of less than 10%. This is not a particularly surprising result, as promoting access to formal lending is the hardest challenge in addressing financial inclusion, and access to credit typically lags a long way behind access to a bank account and access to savings. The bottom two countries in the group are Italy (4.6%) and Pakistan (1.6%), showing just how difficult access to credit has become across a wide variety of economies.

For many people, access to a credit card provides a useful buffer for emergencies or smoothing income. Not all credit card holders in the survey carry a current debt, but access to credit cards is a useful measure for assessing whether individuals qualify for other types of mainstream credit.¹² The credit card data appears in Appendix 1.

Appendix 1 also includes data on other types of credit, including store credit, and borrowing from family, friends and employers. The data shows that Indonesia (42.3%), Kenya (58.2%) and Uganda (46.5%) have extremely high levels of borrowing between family and friends, masking an overall deficiency in access to mainstream credit.

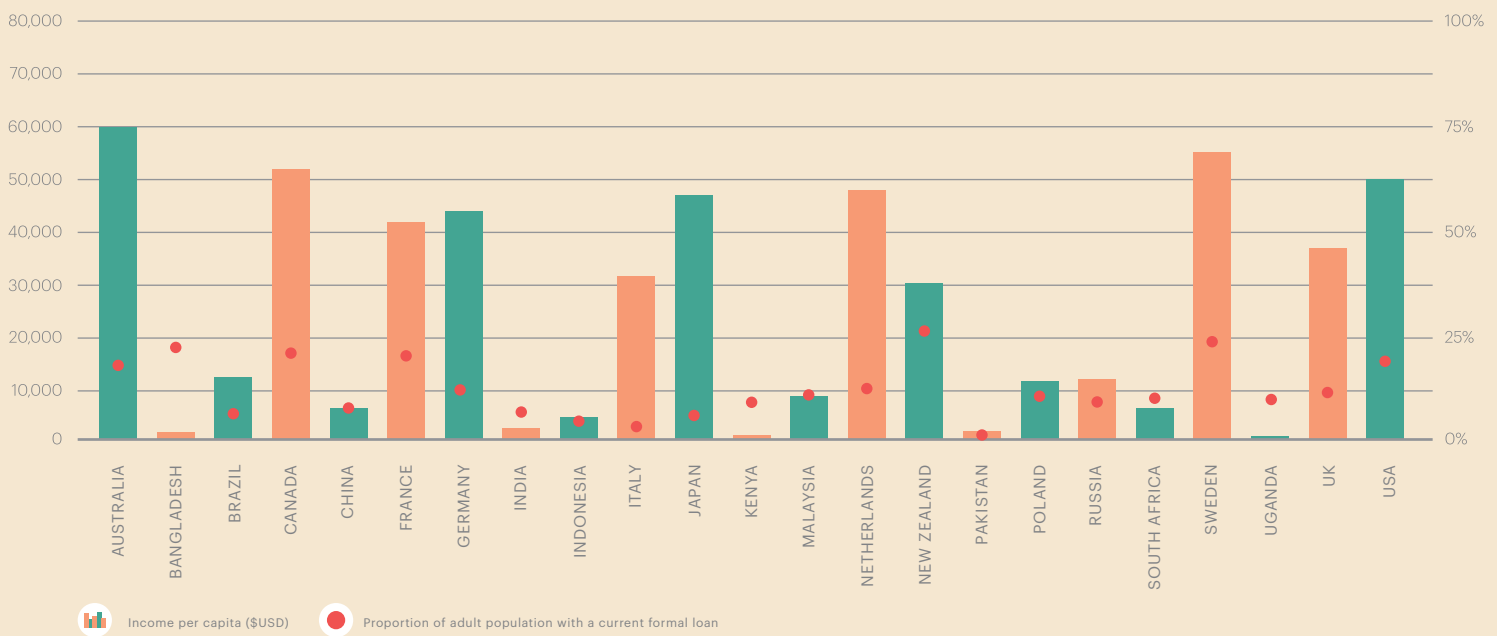


Figure 6: National Income / Formal lending.
Source: World Bank Global Findex 2012.

¹² See for example the chapter on credit in: Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2012, for National Australia Bank. <http://www.csi.edu.au>

Main Findings on the Impact of Financial Exclusion



Main Findings on the Impact of Financial Exclusion

This study has assessed the level of financial exclusion in 23 countries. It is important to assess the potential impact of financial exclusion on consumers in these jurisdictions. There have been many studies on the impact of financial exclusion on individuals, and a vast wealth of data has been published on this topic.¹³ It is not the role of this report to repeat or summarise all of the known impacts of financial exclusion.

Instead, this study concentrates on the risk of exploitative lending faced by individuals who are financially excluded from access to mainstream credit. The best way to display this in the data is to compare the rate of formal lending (which is likely to have a positive impact on financial inclusion) against the rate of informal lending (which is likely to have a negative impact on financial inclusion, as it often exacerbates financial stress and other issues).

The World Bank data identifies multiple categories of lending data, including formal lending from a financial institution or a microfinance provider, private lending (payday loans and informal moneylenders), loans from family and friends, loans from employers, store credit, credit cards and mortgages. All of this data is summarised in Appendix 1.

In this section we concentrate on the ratio of formal lending to private lending. The tables below display the proportion of combined lending that has been obtained from private lenders (payday loans and informal moneylenders) in each country.

As the tables show, Pakistan, India and South Africa have the least favorable ratio of formal lending to informal lending, as their large populations are exploited by aggressive predatory lenders, and their microfinance programs have not yet grown to a reasonable scale.¹⁴ This is in contrast to Bangladesh, which has a very high rate of formal lending (mainly from microfinance providers), despite sharing many economic characteristics with the other nations.

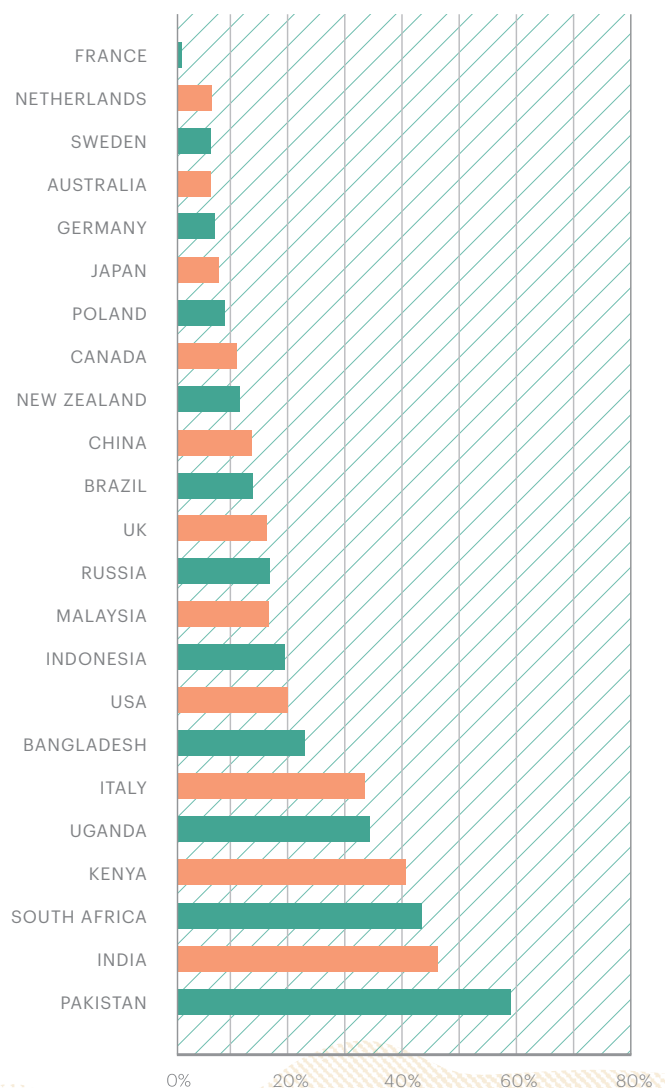


Figure 7: Proportion of combined formal and informal lending that is obtained from informal lenders. Source: World Bank Global Findex 2012.

Proportion of total lending that is obtained from informal moneylenders

¹³ See for example: Bernard Bayot, *Social, economical and financial consequences of financial exclusion*, Working Paper, Réseau Financement Alternatif, 2007.

¹⁴ For more information on individual countries see Appendix 2. The European Financial Inclusion Network also publishes detailed country reports at: <http://www.fininc.eu/index.en.html> and the European Microfinance Network publishes country profiles at: <http://www.european-microfinance.org/>

Main Findings on the Impact of Financial Exclusion

The penetration of private lending (payday loans and informal moneylenders) in each country appears to be affected by the regulation of credit. A wide variety of regulatory approaches has been adopted in the 23 countries in this study (the full details are contained in the country reports in Appendix 2).

The link between rates of informal lending, and local regulation of interest rates and / or specific regulation of payday lending can also be demonstrated in the following table.

Figure 8: Regulatory responses to payday lending.

Source: Lending data extracted from World Bank Global Findex 2012. Regulatory summary sourced from a variety of sources - see Appendix 2 Country Reports for further details.

| Country | Loan (formal) | Regulation of payday lending | Interest rate caps (approx.) |
|--------------|---------------|------------------------------|------------------------------|
| Pakistan | 59% | None | Unrestricted |
| India | 46% | None | Unrestricted |
| South Africa | 43% | Weak | Moderate cap (recent) |
| Kenya | 40% | None | Unrestricted |
| Uganda | 34% | None | Unrestricted |
| Italy | 33% | Moderate | Low cap |
| Bangladesh | 23% | None | Unrestricted |
| USA | 20% | Moderate (state based) | Moderate cap (state based) |
| Indonesia | 19% | None | Unrestricted |
| Malaysia | 16% | None | Unrestricted |
| Russia | 16% | None | Unrestricted |
| UK | 16% | Weak | Unrestricted |
| Brazil | 14% | None | Unrestricted |
| China | 13% | None | Unrestricted |
| New Zealand | 11% | None | Unrestricted |
| Canada | 11% | Moderate (provinces) | Moderate cap (provinces) |
| Poland | 9% | Strict | Low cap |
| Japan | 8% | Strict | Low cap |
| Germany | 7% | Strict | Low cap |
| Australia | 6% | Strict | Moderate cap |
| Sweden | 6% | None | Unrestricted |
| Netherlands | 6% | Strict | Low cap |
| France | 1% | Strict | Low cap |

Main Findings on the Impact of Financial Exclusion

Bans or severe regulatory restrictions on aggressive lending, particularly payday lending, appear to have a marked influence on the ratio of formal to informal lending.

Six countries in the study have adopted a strict interest rate cap on either all lending, or specifically for payday lending. It appears that many payday lenders struggle to operate below a cap of around 30%. Many countries in this group have extremely low levels of informal lending, and excellent ratios of formal lending to informal lending, for example France and Japan.

The next group of countries have introduced reasonable limits on the maximum costs that can be charged by payday lenders. Interest rates are not unrestricted, but they are capped at a rate that allows moderate interest and some fees. This group includes South Africa, Australia, some provinces in Canada and some US states. The resulting Annual Percentage Rates (APR) are typically between 60% to 200%. In this group, informal lending rates are slightly higher, but the ratio of formal to informal lending is moderate. (Informal lending rates remain very high in South Africa because the restrictions are very recent, and enforcement is patchy. The USA remains 'mid-table' because not all states have adopted restrictions on payday lending).

This group of countries are attempting to steer a middle ground; restricting the worst excesses of the payday lending sector while allowing some sustainable (and profitable) short-term, small amount lending to operate. This approach is backed by several international studies that have found the sustainable interest rate required to service small amount short-term loans is around 70% to 102%.¹⁵

The remaining group of countries do not place restrictions on the costs of payday lenders, and with one exception, they all have poor ratios of formal to informal lending. The exception is Sweden, which does not impose a firm cap on interest rates but does have criminal laws and contract laws which curb excessive costs in lending.

Where there are no restrictions in place this usually translates into exceptionally high rates of interest for desperate borrowers. In the UK, APRs advertised by most payday lenders are between 4000% and 6000%. In Russia they are between 600% and 800%. This group of countries have very high rates of informal lending. The only exception in this group is Bangladesh, where financial inclusion has been tackled through microfinance rather than through regulation.¹⁶

On a positive note, a recent European Union study concludes that 'there is no obvious correlation between the existence of interest rate restrictions and the aggregate volume of consumer credit relative to the country's GDP.'¹⁷ Therefore, imposing specific restrictions on payday lenders is unlikely to have a direct negative impact on overall access to credit. There are so many other factors affecting general access to credit, that tighter regulation of payday lending only appears to impact the type of lending available.

¹⁵ Sharon Collard and others, *Affordable credit : Lessons from overseas*, A report prepared for Consumer Focus by the Personal Finance Research Centre (PFRC) University of Bristol, 2013, <http://www.bristol.ac.uk/geography/research/pfrc/themes/credit-debt/affordable-credit-lessons.html>

¹⁶ Brigit Helms and Xavier Reille, *Interest Rate Ceilings and Microfinance The Story So Far*, Consultative Group to Assist the Poor, (CGAP) Occasional Paper 2004, <http://www.cgap.org/sites/default/files/CGAP-Occasional-Paper-Interest-Rate-Ceilings-and-Microfinance-The-Story-So-Far-Sep-2004.pdf>

¹⁷ iff/ZEW, *Study on interest rate restrictions in the EU*, Final Report for the EU, Commission DG Internal Market and Services, Project No. ETD/2009/IM/H3/87, Brussels/Hamburg/Mannheim, 2010, http://ec.europa.eu/internal_market/finservices-retail/docs/credit/irr_report_en.pdf (Page XI).

Main Findings on the Responses to Financial Exclusion



Main Findings on the Responses to Financial Exclusion

The 23 countries in the study group have responded to the issue of financial exclusion in numerous ways, which represent just a small slice of global efforts to combat financial exclusion. The main response is regulatory intervention in relation to small amount, short-term, high-cost lending, as discussed in the previous chapter.

The other major response has been the promotion and provision of alternative, fair sources of credit. There are three main categories of initiatives observed in the countries in the study group:

- 1.** Microfinance programs aimed at small business or entrepreneurial opportunities – often called microenterprise lending.
- 2.** Cheap or free community finance programs aimed at addressing specific needs of disadvantaged consumers, often for the purchase of white-goods, cars or education. These schemes are often heavily subsidised by government, corporate or charitable funding.
- 3.** Small, more expensive, but still affordable loans that can be used for any purpose. They are primarily designed to help a consumer in financial stress, but they also have the potential to disrupt payday lending business models and to divert consumers away from predatory lending to fairer providers.

Other responses were observed:

- 1.** Improved policies and products offered by mainstream financial institutions, designed to better target groups who are usually excluded. In some jurisdictions this includes cheaper, simpler products (Australia, New Zealand). In other countries, particularly African nations, the focus has been on the development of innovative mobile banking products (Brazil, Kenya, India, South Africa, Uganda).

- 2.** In some jurisdictions efforts have been focused on the translation of product documentation into simpler language or into multiple community languages (Indonesia, UK, US).

- 3.** Special assistance to vulnerable groups is provided in some countries. For example, the NAB Indigenous Money Mentors program provides a specialist advice and support service for indigenous Australians. Many of these schemes are delivered by government, and they are sometimes developed and delivered in partnership with corporate providers (Australia, Canada, Sweden, UK).

- 4.** Improvements in financial literacy and capability are being sought by numerous countries, with projects and programs ranging from ambitious attempts to include financial literacy in school curricula (Australia, Russia, UK, some US states), to smaller community programs (most countries in the study).

- 5.** Direct regulatory intervention is rarer, but in some European countries access to a bank account is considered to be a human right, and this has gradually led to improvements in access.

- 6.** A huge range of hardship programs, welfare payment advances, and financial counselling services are available for people suffering financial stress, although these services tend to be restricted to more developed countries.

- 7.** Some limited, but growing interest in the development of micro-insurance and matched savings programs to fill other gaps in the market (these are not covered in detail in this report).

Most initiatives in this field are very new and it is difficult to assess their impact. It is important to remember that most microfinance projects are still in their infancy and even where they have been operating for some time, they may have only reached a significant scale in recent times.

Appendix 1: Comparative Tables

The background features a complex abstract design. It includes large, overlapping organic shapes in shades of orange, teal, and light beige. A prominent feature is a large, textured area in the lower-left and center, filled with a dense pattern of small red dots. White, hand-drawn style lines meander across the composition, overlapping the colored shapes and the dotted area. The overall aesthetic is modern and artistic.

Appendix 1: Comparative Tables

| Indicator | Australia | Bangladesh | Brazil | Canada | China | France | Germany | India | Indonesia |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Banking % | | | | | | | | | |
| Bank account (total) | 99.1 | 39.6 | 55.9 | 95.8 | 63.8 | 97.0 | 98.1 | 35.2 | 19.6 |
| Bank account (inactive) | 0.2 | 7.5 | 4.5 | 1.5 | 16.4 | 2.1 | 1.6 | 7.0 | 0.6 |
| Bank account (active) | 98.8 | 36.6 | 53.4 | 94.3 | 53.4 | 94.9 | 96.6 | 32.8 | 19.5 |
| Debit card | 79.1 | 2.3 | 41.2 | 88.0 | 41.0 | 69.2 | 88.0 | 8.4 | 10.5 |
| Savings (total) | 68.3 | 26.8 | 21.1 | 65.5 | 38.4 | 61.8 | 67.3 | 22.4 | 40.5 |
| Savings (formal) | 61.9 | 16.6 | 10.3 | 53.2 | 32.1 | 49.5 | 55.9 | 11.6 | 15.3 |
| Credit % | | | | | | | | | |
| Loan (total) | 44.5 | 37.3 | 23.8 | 41.9 | 29.4 | 24.6 | 25.3 | 30.6 | 49.1 |
| Loan (formal) | 17.0 | 23.3 | 6.3 | 20.3 | 7.3 | 18.6 | 12.5 | 7.7 | 8.5 |
| Loan (informal) | 1.1 | 6.8 | 1.0 | 2.4 | 1.1 | 0.2 | 0.9 | 6.6 | 2.0 |
| Loan (employer) | 2.6 | 0.7 | 1.1 | 1.3 | 1.5 | 0.1 | 0.7 | 5.4 | 3.9 |
| Loan (store credit) | 23.7 | 14.2 | 3.6 | 14.9 | 2.1 | 4.1 | 11.5 | 6.6 | 3.5 |
| Loan (friends and family) | 12.6 | 10.5 | 15.6 | 16.0 | 25.0 | 4.8 | 8.6 | 19.7 | 42.3 |
| Credit card | 64.2 | 0.9 | 55.9 | 72.3 | 8.2 | 37.5 | 35.7 | 1.8 | 0.5 |
| Mortgage | 37.2 | 2.4 | 1.3 | 28.5 | 5.0 | 26.7 | 20.8 | 2.3 | 0.7 |

Appendix 1: Comparative Tables

| Indicator | Italy | Japan | Kenya | Malaysia | Netherlands | NZ | Pakistan | Poland | Russia |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Banking % | | | | | | | | | |
| Bank account (total) | 71.0 | 96.4 | 42.3 | 66.2 | 63.8 | 97.0 | 98.1 | 35.2 | 19.6 |
| Bank account (inactive) | 2.6 | 4.4 | 4.4 | 5.3 | 16.4 | 2.1 | 1.6 | 7.0 | 0.6 |
| Bank account (active) | 69.2 | 92.1 | 40.5 | 62.7 | 53.4 | 94.9 | 96.6 | 32.8 | 19.5 |
| Debit card | 35.2 | 13.0 | 29.9 | 23.1 | 41.0 | 69.2 | 88.0 | 8.4 | 10.5 |
| Savings (total) | 26.4 | 63.3 | 40.1 | 51.0 | 38.4 | 61.8 | 67.3 | 22.4 | 40.5 |
| Savings (formal) | 15.5 | 51.3 | 23.3 | 35.4 | 32.1 | 49.5 | 55.9 | 11.6 | 15.3 |
| Credit % | | | | | | | | | |
| Loan (total) | 11.1 | 17.7 | 67.4 | 32.5 | 29.4 | 24.6 | 25.3 | 30.6 | 49.1 |
| Loan (formal) | 4.6 | 6.1 | 9.7 | 11.2 | 7.3 | 18.6 | 12.5 | 7.7 | 8.5 |
| Loan (informal) | 2.3 | 0.5 | 6.6 | 2.2 | 1.1 | 0.2 | 0.9 | 6.6 | 2.0 |
| Loan (employer) | 0.4 | 0.0 | 6.2 | 4.8 | 1.5 | 0.1 | 0.7 | 5.4 | 3.9 |
| Loan (store credit) | 2.0 | 10.0 | 10.2 | 6.8 | 2.1 | 4.1 | 11.5 | 6.6 | 3.5 |
| Loan (friends and family) | 3.3 | 5.1 | 58.2 | 19.9 | 25.0 | 4.8 | 8.6 | 19.7 | 42.3 |
| Credit card | 30.5 | 64.4 | 6.1 | 11.9 | 8.2 | 37.5 | 35.7 | 1.8 | 0.5 |
| Mortgage | 10.2 | 16.0 | 0.9 | 12.7 | 5.0 | 26.7 | 20.8 | 2.3 | 0.7 |

Appendix 1: Comparative Tables

| Indicator | South Africa | Sweden | Uganda | UK | USA |
|---------------------------|--------------|-------------|-------------|-------------|-------------|
| Banking % | | | | | |
| Bank account (total) | 53.6 | 99.0 | 20.5 | 97.2 | 88.0 |
| Bank account (inactive) | 2.2 | 0.1 | 1.9 | 0.3 | 1.2 |
| Bank account (active) | 52.5 | 98.9 | 20.1 | 96.9 | 86.9 |
| Debit card | 45.3 | 95.5 | 10.3 | 87.6 | 71.8 |
| Savings (total) | 31.5 | 82.8 | 44.4 | 56.7 | 66.8 |
| Savings (formal) | 22.1 | 63.6 | 16.3 | 43.8 | 50.4 |
| Credit % | | | | | |
| Loan (total) | 44.1 | 42.3 | 52.8 | 28.8 | 44.6 |
| Loan (formal) | 8.9 | 23.4 | 8.9 | 11.8 | 20.1 |
| Loan (informal) | 6.8 | 1.5 | 4.6 | 2.2 | 4.9 |
| Loan (employer) | 2.9 | 0.3 | 4.2 | 0.5 | 2.9 |
| Loan (store credit) | 10.8 | 17.7 | 9.4 | 7.8 | 16.9 |
| Loan (friends and family) | 34.3 | 12.2 | 46.5 | 13.9 | 17.2 |
| Credit card | 7.8 | 53.5 | 1.6 | 51.6 | 61.9 |
| Mortgage | 4.3 | 53.5 | 1.0 | 31.0 | 31.2 |

Appendix 2: Country Reports



Appendix 2: Country Reports

Australia

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 98.8 | 2 |
| Formal savings | 61.9 | 2 |
| Loans (total) | 44.5 | 6 |
| Loan (formal) | 17.0 | 7 |
| Loan (informal) | 1.1 | 16 |
| Credit card | 64.2 | 7 |



Australia ranks well in terms of access to bank accounts, savings and credit in the World Bank data.¹⁸ Some additional, more detailed data is available in the latest Centre for Social Impact (CSI) report: *Measuring Financial Exclusion in Australia 2013*.¹⁹ That report includes more recent data taken from a much larger sample size, reaching a broader range of low income, disadvantaged and remote consumers. It shows slightly lower rates of access to bank accounts (96.9%) and credit cards (43.4%), although these rates are still high by global standards.

Australian stakeholders have been very concerned about the risks faced by financially excluded individuals, especially their potential exploitation by payday lenders.²⁰ The 2011 CSI research showed that financially excluded individuals are four times as likely to use a payday loan than financially included consumers.²¹

Australia has a relatively new regulatory approach to small amount, short-term loans. This includes the imposition of a cap on costs for loans under \$2000 that run for less than two years. Costs are capped at a maximum one-off establishment fee of 20% of the amount loaned and a maximum monthly account keeping fee of 4% of the amount loaned. This roughly equates to a 200% interest rate for a typical loan. (Prior to these regulations, payday lenders charged 600% to 800% interest on typical loans).

A range of other responses to financial exclusion have been in place for some time in Australia. For example, the Government welfare system requires individuals to open a bank account to receive benefits. This has helped Australia achieve a high rate of financial inclusion amongst welfare recipients. However, access to a bank account falls sharply for the 'working poor', who do not receive government benefits.²²

The Government, banks, charities and community organisations have all introduced measures to promote financial inclusion. These include the No Interest loans Scheme (NILS), low interest loans, matched savings programs and free access to financial counselling. Some very limited micro-enterprise pilot schemes have been undertaken, but that sector remains tiny in comparison with other nations in the study.

The largest and most successful financial inclusion scheme in Australia is NILS, which provides interest free loans to low income consumers for specific purposes (usually white-goods, cars and education, although a wide range of items can be considered). These programs often receive a mix of government, corporate and community resources.²³ Australia has a national financial literacy plan in place, and recently introduced financial literacy into the national school curriculum.

Overall, these responses have shown positive results, and have displayed innovation and commitment in tackling the issue. But the scale of these programs is dwarfed by the number of people in Australia who are still excluded from mainstream financial products, and the scale and growth of payday lending.

¹⁸ See Appendix 4 for a summary of the World Bank rankings for 148 countries against key financial exclusion criteria.

¹⁹ Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2011, 2012 and 2013, for National Australia Bank. <http://www.csi.edu.au>

²⁰ Zac Gillam, *Payday Loans: Helping hand or quicksand? An examination of high-cost short-term lending in Australia, 2002-2010*, Consumer Action Law Centre, September 2010 and RMIT University & the University of QLD, *Caught Short: Exploring the role of small, short-term loans in the lives of Australians*, Final Report, 2012.

²¹ Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2011, for National Australia Bank. <http://www.csi.edu.au> (page 27).

²² Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2011, 2012 and 2013, for National Australia Bank. <http://www.csi.edu.au>

²³ For a more detailed discussion of these programs, see Chris Connolly, *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, 2013, for National Australia Bank. <http://www.csi.edu.au> (page 38).

Appendix 2: Country Reports

Bangladesh

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 36.6 | 19 |
| Formal savings | 16.6 | 16 |
| Loans (total) | 37.3 | 10 |
| Loan (formal) | 23.3 | 3 |
| Loan (informal) | 6.8 | 1 |
| Credit card | 0.9 | 21 |



Bangladesh has a very low level of access to bank accounts and a moderate level of access to savings. However, it has a surprisingly healthy level of access to credit. Although credit cards and mortgages are rare, 23.3% of the population have access to a formal loan.

This remarkable rate is the result of the sustained provision of microfinance in Bangladesh. While the sums involved in each loan may be small, they are reaching an impressive number of consumers. In fact, the rate of access to formal lending in Bangladesh is comparable with access to formal lending in developed economies.

Bangladesh is one of a very small number of low income countries in the broader World Bank study of 148 countries where formal lending rates are high:

A few economies stand out for the reported use of formal loans: Bangladesh, where 23 percent of adults report having borrowed from a financial institution in the past 12 months, and Bolivia, Sri Lanka, and Thailand, where more than 15 percent report having done so.

This may reflect the broad coverage in these economies of community-based models (such as cooperatives, village banking, credit unions, and self-help groups) that make small formal loans to the poor.

The success of microfinance through formal institutions and community partnerships in Bangladesh has resulted in a lower level of access to informal loans. Informal loans have higher costs and greater risks of exploitation – they can often increase rather than reduce financial stress, so this is a good result in a developing country.

While there are no firm regulations or interest rate caps in place at this time, Bangladesh is now going through a period of debate and discussion regarding the appropriate level of costs for microfinance. Microfinance remains the key tool for promoting financial inclusion in Bangladesh. Other programs relating to financial literacy, savings and insurance are yet to have a significant impact.

²⁴ See: Asli Demirgüç-Kunt and Leora Klapper, *Measuring Financial Inclusion: The Global Findex Database*, World Bank Policy Research Paper 6025, 2012, <http://data.worldbank.org/data-catalog/financial-inclusion> (page 38).



Appendix 2: Country Reports

Brazil

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 53.4 | 15 |
| Formal savings | 10.3 | 22 |
| Loans (total) | 23.8 | 20 |
| Loan (formal) | 6.3 | 20 |
| Loan (informal) | 1.0 | 18 |
| Credit card | 55.9 | 6 |

Brazil has a moderate level of access to bank accounts and a very low level of access to savings. Access to credit is mixed, with a very high level of access to credit cards, but an extremely low rate of current access to formal loans.

Brazilian stakeholders have expressed some concerns about exploitation by short-term, high-cost informal lenders, although their rate of penetration remains relatively low.

There is no formal regulation of payday lenders in place in Brazil at this time, although some limited regulation of 'usury' and exploitation exists in Brazilian law.

In 2003, Brazil introduced the 'Programa de Crédito Popular (PPCP)', including significant funding for organisations engaged in microcredit. In practice, microcredit programs are still quite limited in Brazil and the Government and community groups are discussing ways to kick start the sector.²⁶

²⁵ T Anjali Kumar, *Access to Financial Services in Brazil*, World Bank Publications, 2005

²⁶ See the Brazil case study in: Brigit Helms and Xavier Reille, *Interest Rate Ceilings and Microfinance The Story So Far*, Consultative Group to Assist the Poor, (CGAP) Occasional Paper 2004, <http://www.cgap.org/sites/default/files/CGAP-Occasional-Paper-Interest-Rate-Ceilings-and-Microfinance-The-Story-So-Far-Sep-2004.pdf>

Appendix 2: Country Reports

Canada

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 94.3 | 8 |
| Formal savings | 53.2 | 6 |
| Loans (total) | 41.9 | 9 |
| Loan (formal) | 20.3 | 4 |
| Loan (informal) | 2.4 | 8 |
| Credit card | 72.3 | 1 |

Canada has a high rate of access to all financial products, although the rate of access to bank accounts is slightly lower than some other developed countries.

Canada has quite a high rate of informal lending and there has been a lengthy debate in Canada about the risk of payday lending. In Canada's federal legislation there is a 60% per annum cap across the credit sector, which includes all charges and expenses (such as fees, fines, penalties and commissions).²⁷

Some provinces also specifically regulate payday lending where the amount of the loan is less than \$1500 and the term of the loan is less than 62 days. These provinces typically cap the cost of payday loans at around \$20 to 30 per \$100 borrowed each short loan. Other protections include a mandatory cooling off period and prohibitions on rollovers (including using a new loan to pay out a previous one).

To date, the regulation of payday lenders has been the main response to financial exclusion in Canada. They are active in areas such as financial literacy and the provision of financial counselling.

²⁷ An Act to Amend the Criminal Code (Criminal Interest Rates) 2006

Appendix 2: Country Reports

China

| Product | Access | Rank (out of 23) |
|------------------------|--------|------------------|
| Bank account | 53.4 | 14 |
| Formal savings | 32.1 | 12 |
| Loans (total) | 29.4 | 14 |
| <i>Loan (formal)</i> | 7.3 | 19 |
| <i>Loan (informal)</i> | 1.1 | 16 |
| Credit card | 8.2 | 16 |

China has been experiencing very rapid rates of growth in access to financial services, which means the current data available for China (2012) will date quickly.

Access to bank accounts is moderate at 53.4%, and savings rates are healthy. However, access to formal credit is poor.

The World Bank recently concluded that 'basic banking services in China are not yet accessible to all, and there is still a sizeable gap between demand for and supply of loans to rural households and SMEs.'²⁸

There is no specific regulation of interest rates or payday lenders in China, although state control of many aspects of the financial system acts as a defacto control on credit costs.

Microfinance programs in China are in their infancy, and other government and community efforts to address financial exclusion are very limited at this stage.

²⁸ *Financial Inclusion in the People's Republic of China An analysis of existing research and public data*, A joint publication of CGAP and the Working Group on Inclusive Finance in China, 2012, <http://www.cgap.org/sites/default/files/CGAP-WMFG-Financial-Inclusion-in-China-Aug-2012.pdf>

Appendix 2: Country Reports

France

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 53.4 | 14 |
| Formal savings | 32.1 | 12 |
| Loans (total) | 29.4 | 14 |
| Loan (formal) | 7.3 | 19 |
| Loan (informal) | 1.1 | 16 |
| Credit card | 8.2 | 16 |

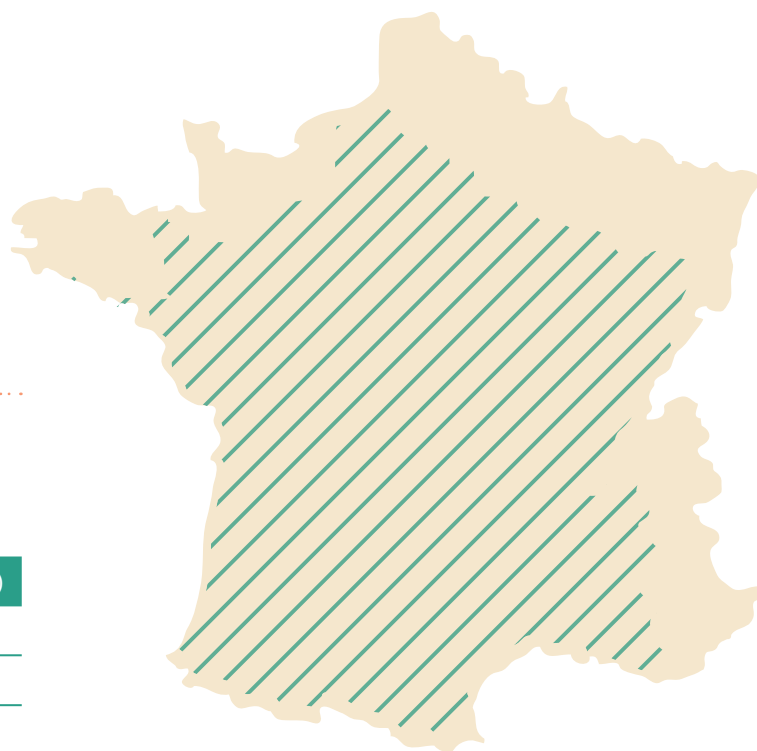
France has very high levels of access to bank accounts and formal savings, and moderate levels of access to credit.

Like many European countries, France has strict controls on the provision of credit. Legislation limits interest rates to a 'floating rate' set above a central rate.

The rates differ for different types of loans (there are three categories) but the highest rate in any category in any recent year was less than 28% per annum.²⁹

Informal lending is at very low levels in France. In fact France has the lowest level of informal lending out of the 23 countries in the current study.

France has legislation in place to promote access to basic financial services. French residents have the 'right to an account' established in France in 1998, enabling a person rejected by a bank to turn to the French National bank which in turn forces a bank to open an account for them.



²⁹ Udo Reifner, Michael Schröder, *Usury Laws: A legal and economic Evaluation of Interest Rate Restrictions in the European Union*, 2012

Appendix 2: Country Reports

Germany

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 96.6 | 6 |
| Formal savings | 55.9 | 5 |
| Loans (total) | 25.3 | 18 |
| Loan (formal) | 12.5 | 9 |
| Loan (informal) | 0.9 | 19 |
| Credit card | 35.7 | 11 |



Germany has very high levels of access to bank accounts and formal savings, and moderate levels of access to credit.

Germany has no statutory requirements relating to interest rate ceilings, however the Federal Court of Justice imposes a defacto ceiling of 'twice the national average rate' to all credit. A loan with a higher rate can be found 'excessive'. This approach has been described as a 'Discomfort zone' rather than a fixed cap, but in practice German lenders have not charged in excess of 25% in any recent period.

As a result of these restrictions, levels of informal or exploitative lending are very low.

²⁹ Udo Reifner, Michael Schröder, *Usury Laws: A legal and economic Evaluation of Interest Rate Restrictions in the European Union*, 2012

Appendix 2: Country Reports

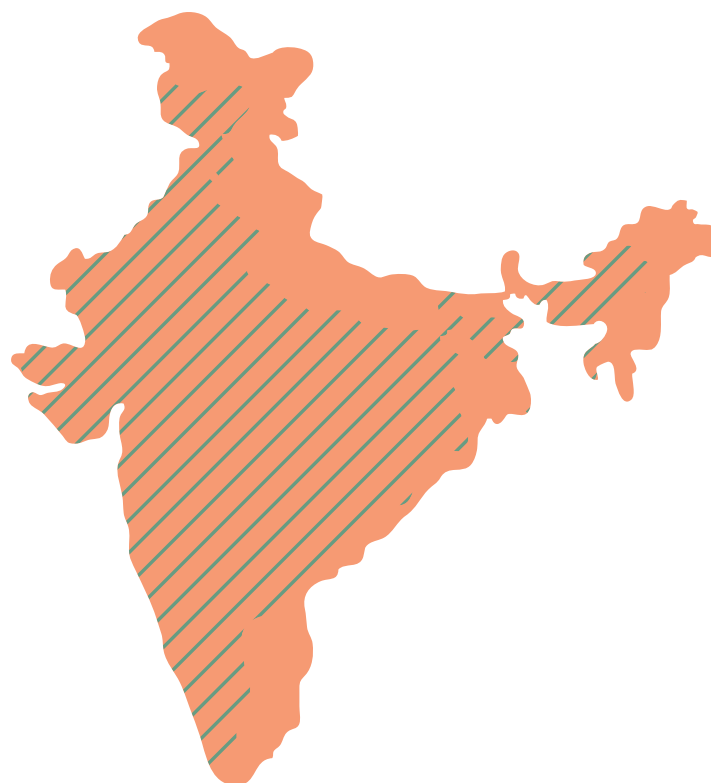
India

| Product | Access | Rank (out of 23) |
|------------------------|--------|------------------|
| Bank account | 32.8 | 20 |
| Formal savings | 11.6 | 20 |
| Loans (total) | 30.6 | 13 |
| <i>Loan (formal)</i> | 7.7 | 18 |
| <i>Loan (informal)</i> | 6.6 | 3 |
| Credit card | 1.8 | 19 |

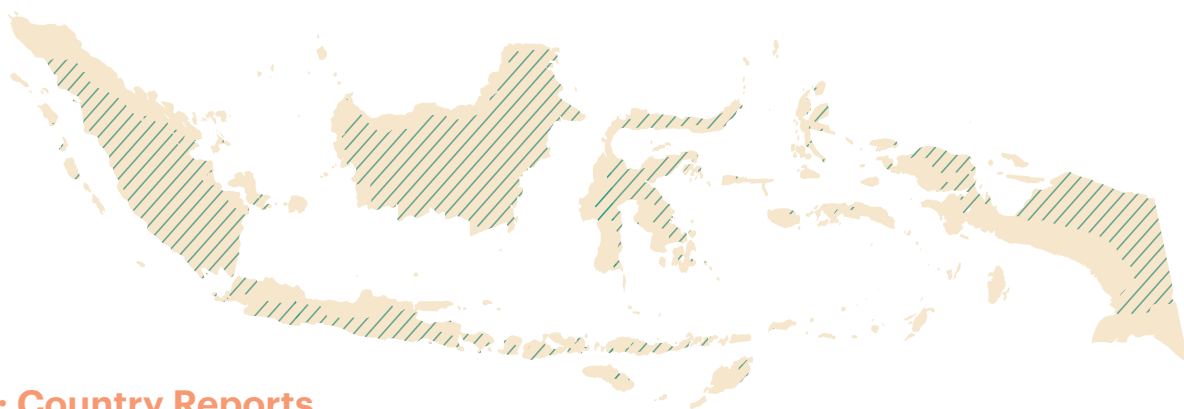
India has low levels of access to all financial products. Informal borrowing, especially between family, friends and employers is quite high, but formal credit is very scarce.

Unfortunately, microfinance programs and fair credit programs that have worked well in other countries (such as Bangladesh) have not yet reached the same levels in India. These programs now have to compete with a growing payday lending sector that has aggressively expanded in recent years.

India has one of the least favourable ratios of formal lending (7.7%) to informal lending (6.6%) out of the 23 countries in the study.



²⁹ Udo Reifner, Michael Schröder, *Usury Laws: A legal and economic Evaluation of Interest Rate Restrictions in the European Union*, 2012



Appendix 2: Country Reports

Indonesia

| Product | Access | Rank (out of 23) |
|------------------------|--------|------------------|
| Bank account | 19.5 | 22 |
| Formal savings | 15.3 | 19 |
| Loans (total) | 49.1 | 4 |
| <i>Loan (formal)</i> | 8.5 | 16 |
| <i>Loan (informal)</i> | 2.0 | 13 |
| Credit card | 0.5 | 23 |

Indonesia has low levels of access to all formal financial services, with particularly low levels of access to formal loans and credit cards.

Fortunately, Indonesia has not been the subject of aggressive high-cost lenders to date, and their level of informal lending remains very low. Instead, Indonesia has an extremely high level of alternative credit, including borrowing from friends, family and employers. Indonesia has the third highest rate of borrowing from friends and family in the study.

Microcredit and financial literacy programs are in the early stages of development in Indonesia.³⁰

³⁰ Aditya Goenka and David Henley, *Southeast Asia's Credit Revolution: From Moneylenders to Microfinance*, Routledge, 2013.

Appendix 2: Country Reports

Italy

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 69.2 | 11 |
| Formal savings | 15.5 | 18 |
| Loans (total) | 11.1 | 23 |
| Loan (formal) | 4.6 | 22 |
| Loan (informal) | 2.3 | 9 |
| Credit card | 30.5 | 12 |

Italy has a surprisingly poor level of access to bank accounts for a developed economy – 69.2% is moderate by global standards, but quite low in comparison with its peers. Access to savings and credit is also low, but it is the level of access to banking that is of most concern.

Italy regulates maximum interest rates by reference to a central rate that is published every three months. There are 23 different ceilings, but generally lending cannot exceed 28%.³¹

This regulation has helped Italy to restrict informal lending to a modest 2.3%, but this rate is not as low as in other European countries that have a stronger approach to consumer protection enforcement.



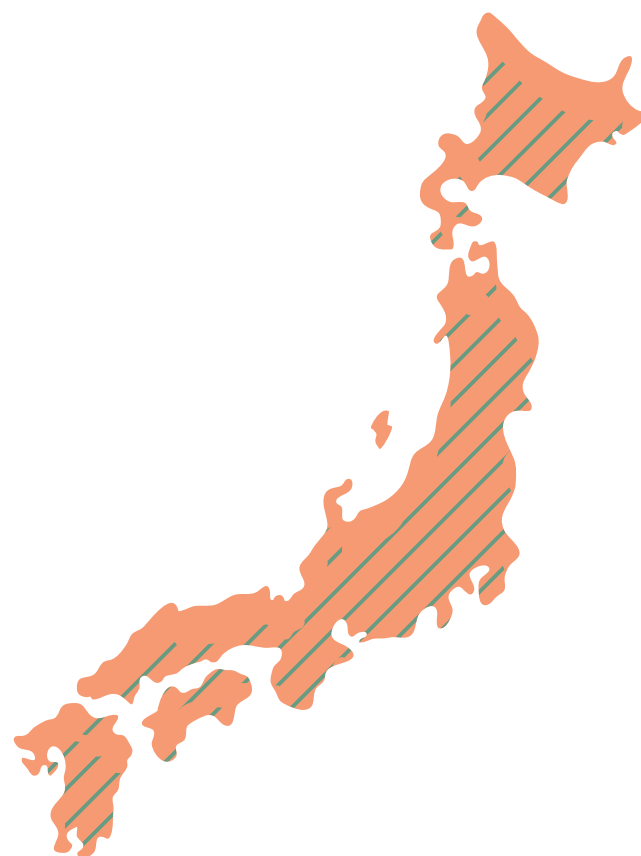
³¹ European Financial Inclusion Network, Italy country report: <http://www.fininc.eu/country-report/en/53,95,2,IT,9.html>

Appendix 2: Country Reports

Japan

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 92.1 | 9 |
| Formal savings | 51.3 | 7 |
| Loans (total) | 17.7 | 22 |
| Loan (formal) | 6.1 | 21 |
| Loan (informal) | 0.5 | 22 |
| Credit card | 64.4 | 2 |

Japan has a high, but not outstanding, rate of access to banking, and a very high rate of savings. Access to credit is high, especially when the rate of access to credit cards (64.4%) is taken into account.



In 2006, Japan introduced the Money Lenders Law that comprised a package of measures including the reduction of the legal interest rates that money lending companies can charge to just ¥20 for every ¥100 borrowed. The limitation on total money lending to individuals at any one time was restricted to one third of the borrower's gross income.

Japan now has one of the lowest rates of informal lending in the study.

The microfinance sector is relatively small in Japan, and is focused on micro-enterprise schemes.

²² Damon Gibbons, *Taking on the money lenders: lessons from Japan*, Centre for Responsible Credit, 2012, <http://www.responsible-credit.org.uk/uiimages/File/Taking%20on%20the%20money%20lenders%20lessons%20from%20Japan%20final.pdf>

Appendix 2: Country Reports

Kenya

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 40.5 | 18 |
| Formal savings | 23.3 | 13 |
| Loans (total) | 67.4 | 1 |
| Loan (formal) | 9.7 | 12 |
| Loan (informal) | 6.6 | 3 |
| Credit card | 6.1 | 18 |

Kenya has an impressive rate of access to banking and savings compared with other nations in a similar economic position, and a low but reasonable rate of access to credit.



The credit rates are dominated by borrowing between family and friends, which may mask problems with access to mainstream credit.

There is a current debate in Kenya about the risks posed by high-cost credit providers. Kenya has a very high proportion of informal lending compared with formal lending. The Government has proposed legislation that would apply interest rate ceilings across the board on many types of lenders.³³ However, the Government has been urged to take a cautious approach, as the local microfinance sector has concerns that it will not be able to sustain its efforts if the legislation restricts some of their own business models.³⁴

³³ See for example: The Standard (an online Kenyan newspaper), *New law to cap high interest rates in the offing*, 9 December 2013, <http://www.standardmedia.co.ke/business/article/2000099782/new-law-to-cap-high-interest-rates-in-the-offing>

³⁴ See for example: Djibril Maguette Mbengue, *The Worrying Trend of Interest Rate Caps in Africa*, Consultative Group to Assist the Poor (CGAP), 11 November 2013, <http://www.cgap.org/blog/worrying-trend-interest-rate-caps-africa>



Appendix 2: Country Reports

Malaysia

| Product | Access | Rank (out of 23) |
|------------------------|-------------|------------------|
| Bank account | 62.7 | 13 |
| Formal savings | 35.4 | 11 |
| Loans (total) | 32.5 | 11 |
| <i>Loan (formal)</i> | <i>11.2</i> | <i>11</i> |
| <i>Loan (informal)</i> | <i>2.2</i> | <i>11</i> |
| Credit card | 11.9 | 14 |

Malaysia has a moderate rate of access to banking (the rate is very impressive compared with its economic peers), and healthy access to savings and credit. Access to credit cards is quite low.

Malaysia outperforms most other nations in the study when its rate of financial inclusion is compared with its relatively low Gross National Income per capita.

However, there is very little data or information available at this time on how Malaysia has achieved such high rates of access to financial products in comparison with its economic peers, and it could make a fascinating future case study.

Appendix 2: Country Reports

Netherlands

| Product | Access | Rank (out of 23) |
|------------------------|--------|------------------|
| Bank account | 98.1 | 4 |
| Formal savings | 57.8 | 4 |
| Loans (total) | 19.8 | 21 |
| <i>Loan (formal)</i> | 12.6 | 8 |
| <i>Loan (informal)</i> | 0.8 | 21 |
| Credit card | 41.4 | 9 |

The Netherlands has excellent rates of access to banking and savings, with one of the highest rates of access to banking in the study. They also have high rates of access to formal loans and credit cards.

The Netherlands has strict controls in place on lending, including a maximum APR ceiling that is based on a margin above centrally set rates. The ceiling rarely exceeds 20%. Not surprisingly, the Netherlands has an extremely low level of informal lending.



Appendix 2: Country Reports

New Zealand

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 98.7 | 3 |
| Formal savings | 60.4 | 3 |
| Loans (total) | 50.3 | 3 |
| Loan (formal) | 26.6 | 1 |
| Loan (informal) | 3.3 | 7 |
| Credit card | 59.2 | 5 |

New Zealand has excellent rates of access to banking and savings, and is right at the top of the group of countries included in the current study. It has very high rates of access to formal loans and credit cards.

The one negative feature of the New Zealand data is the high rate of informal lending. There is no regulation in place in New Zealand regarding interest rate caps or payday lending restrictions, although a debate is beginning to emerge on these topics.³⁵

The promotion of financial inclusion in New Zealand has primarily been focused on better basic banking products. Attention is now turning to schemes such as the No Interest Loans Scheme.



³⁵For example, see the official Parliamentary Debate regarding the *Credit Contracts and Financial Services Law Reform Bill*, 17 September 2013 at: www.parliament.nz

Appendix 2: Country Reports

Pakistan

| Product | Access | Rank (out of 23) |
|------------------------|------------|------------------|
| Bank account | 10.2 | 23 |
| Formal savings | 1.4 | 23 |
| Loans (total) | 28.9 | 15 |
| <i>Loan (formal)</i> | <i>1.6</i> | <i>23</i> |
| <i>Loan (informal)</i> | <i>2.3</i> | <i>9</i> |
| Credit card | 0.7 | 22 |



Pakistan has very low levels of access to all financial products, and faces significant challenges in relation to financial exclusion. Access to banking is the lowest in the study. Access to formal savings, at just 1.4%, is extremely concerning.

Alarmingly, Pakistan is the only country in the study where the rate of informal lending is higher than the rate of formal lending. A small microfinance sector is emerging, but it must compete with an aggressive informal lending sector that is highly exploitative.

Appendix 2: Country Reports

Poland

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 67.9 | 12 |
| Formal savings | 18.0 | 15 |
| Loans (total) | 26.4 | 17 |
| Loan (formal) | 9.6 | 13 |
| Loan (informal) | 0.9 | 19 |
| Credit card | 17.7 | 13 |

Poland has moderate access to all financial services, with no real strengths or weaknesses. While it is slightly behind its European peers, Poland is still an emerging economy.



Poland has strict regulations on credit. There is a maximum APR on all consumer credit agreements, equal to four times the Central Bank Lombard Rate, which is reset monthly. This floating rate means that the cap is typically set at between 20% and 25%. In addition, Poland has a ceiling on fees and additional charges (not included in the APR), which may not exceed 5% of the amount of the loan.

Payday lending is not a significant problem in Poland, and informal lending rates are very low at just 0.9%.³⁶

³⁶For more information on credit regulation and the current debate on payday lending in Poland see: Ewa Łosiewicz-Dniestrzańska, *Impact of Regulations on the Development of Consumer Credit Market in Poland*, Wrocław University of Economics, Poland, 2013, <http://www.iises.net/wp-content/uploads/Losiewicz-Dniestrzanska.pdf>



Appendix 2: Country Reports

Russia

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 45.9 | 17 |
| Formal savings | 10.9 | 21 |
| Loans (total) | 31.9 | 12 |
| Loan (formal) | 7.7 | 18 |
| Loan (informal) | 1.5 | 14 |
| Credit card | 9.7 | 15 |

Russia is experiencing a rapid economic transformation, and access to financial services is still very patchy. Access to banking is poor, and access to savings and credit is moderate.

Russia also has to deal with an aggressive payday lending sector that exploits gaps in the mainstream access to credit, and currently charges between 700% and 2800% on short-term loans.³⁷

The Government is attempting to promote the microfinance sector, and microfinance organisations are governed by a detailed legal framework adopted in 2010. The Federal Service for Financial Markets (FSFM) established and maintains a federal register of microfinance organisations.

Russia is one of a few countries in the study that has a formal financial inclusion strategy in place. In 2010 the Ministry of Economic Development advised the Government on ways to increase access to financial services, which set priorities for further work on advancing financial inclusion.³⁸

³⁷ Olga Tomilova, *Interest Rates on Microloans in Russia: How Much Is Too Much?*, Consultative Group for Assisting the Poor (CGAP), 2012, <http://www.cgap.org/blog/interest-rates-microloans-russia-how-much-too-much>

³⁸ Timothy Lyman, Stefan Staschen, Olga Tomilova, *Landscaping Report: Financial Inclusion in Russia*, Consultative Group for Assisting the Poor (CGAP), 2013 <http://www.cgap.org/publications/landscaping-report-financial-inclusion-russia>

Appendix 2: Country Reports

South Africa

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 52.5 | 16 |
| Formal savings | 22.1 | 14 |
| Loans (total) | 44.1 | 7 |
| Loan (formal) | 8.9 | 14 |
| Loan (informal) | 6.8 | 1 |
| Credit card | 7.8 | 17 |

South Africa has a moderate level of access to bank accounts and formal savings. Access to formal credit and credit cards is quite low by comparison, but is still at a reasonable level for a country in South Africa's economic position.

South Africa has a high level of informal lending – 6.8% of survey respondents had a current loan with an informal lender, which is the equal highest result in the study.

There is an ongoing legal debate in South Africa regarding the appropriate regulation of credit, including caps on interest rates. The South African framework is complex, relying on a mix of legislation and common law. An interest rate of 28% per annum applies to most mainstream lending, and a special rate of 5% per month plus a reasonable administration fee applies to short-term lending (these loans must not exceed about US\$800 and must be repayable within six months).

The APR on a typical short-term loan can therefore be in the 60% to 80% range.³⁹ South Africa is an interesting example of a country that tolerates a reasonable, but not unrestricted level of costs for short-term lending.

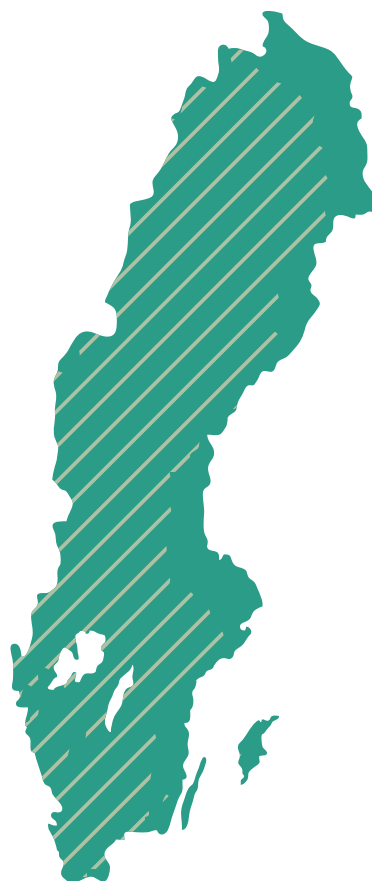
There are a number of new initiatives in South Africa to address financial exclusion, including microfinance and financial literacy programs.

³⁹ African Dawn Property Finance 2 (Pty) Ltd v Dreams Travel and Tours CC and Others [2011] ZASCA 45; 234/10; 2011 (3) SA 511 (SCA).

Appendix 2: Country Reports

Sweden

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 98.9 | 1 |
| Formal savings | 63.6 | 1 |
| Loans (total) | 42.3 | 8 |
| Loan (formal) | 23.4 | 2 |
| Loan (informal) | 1.5 | 14 |
| Credit card | 53.5 | 7 |



Sweden has very high levels of access to all financial products, with the highest rate of access to bank accounts and the highest rate of access to formal savings in the current study. Access to formal credit and credit cards is also very high.

Sweden has a very good proportion of formal lending to informal lending. Access to mainstream credit is so high that payday lending is not seen as a significant problem in Sweden.

Sweden has no explicit interest rate cap on credit, but the courts have imposed some restrictions on excessive lending costs using general criminal laws and contract laws. The key provision is a restriction on exploitation in contract law.⁴⁰

To complement these high levels of mainstream access, Sweden also has a range of small microfinance programs aimed at disadvantaged groups including the unemployed and women.⁴¹

⁴⁰ If/ZEW, *Study on interest rate restrictions in the EU, Final report*, (Institut für Finanzdienstleistungen e.V. (IfF), and Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW) 2010. http://ec.europa.eu/internal_market/finservices-retail/docs/credit/irr_report_en.pdf

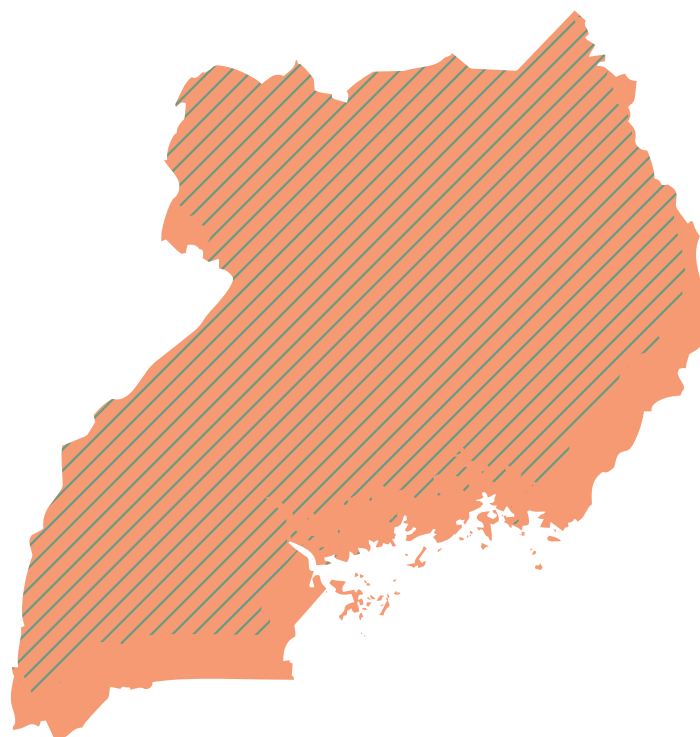
⁴¹ European Microfinance Network, *Country Profile: Sweden*, (last updated September 2013); <http://www.european-microfinance.org/>

Appendix 2: Country Reports

Uganda

| Product | Access | Rank (out of 23) |
|------------------------|--------|------------------|
| Bank account | 20.1 | 21 |
| Formal savings | 16.3 | 17 |
| Loans (total) | 52.8 | 2 |
| <i>Loan (formal)</i> | 8.9 | 14 |
| <i>Loan (informal)</i> | 4.6 | 6 |
| Credit card | 1.6 | 20 |

Uganda has low levels of access to financial services, but the rate of access to bank accounts (20.1%) is promising for a country in its economic position.



Overall access to credit is high in Uganda, but this is nearly entirely comprised of borrowing between family and friends. Access to formal credit is low at 8.9% and credit cards remain scarce.

The proportion of formal lending (8.9%) to informal lending (4.6%) is worrying, and puts Uganda in the bottom five countries in the study on these criteria.

Appendix 2: Country Reports

United Kingdom

| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 96.9 | 5 |
| Formal savings | 43.8 | 10 |
| Loans (total) | 28.8 | 16 |
| Loan (formal) | 11.8 | 10 |
| Loan (informal) | 2.2 | 11 |
| Credit card | 51.6 | 8 |

The UK has a very high level of access to bank accounts, formal savings and credit cards. Access to formal lending is moderate, especially compared with its economic peers.

The UK has a surprisingly high level of informal lending. This is reflected in a current national debate about the role and regulation of payday lenders, who have expanded aggressively in the UK high street (and also online).

The Competition Commission is in the early stages of a comprehensive review of payday lending in the UK.⁴² This follows an earlier review by the Office of Fair Trading (OFT) which highlighted numerous poor practices in the sector.⁴³

The OFT review found that there were around 7 to 8 million payday loans in a typical year, representing debt of more than £2 billion. Around 28% of these loans were rolled over, often many times. Multiple loans were common, and 34% of loans were repaid late or were not repaid at all.

⁴² Competition Commission, *Pay Day Lending Market Investigation, 2013-2014*, <http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/payday-lending>

⁴³ Office of Fair Trading (OFT), *Payday Lenders Compliance Review, 2012-2013*, <http://www.offt.gov.uk/OFTwork/credit/payday-lenders-compliance-review>



The new Financial Conduct Authority takes over regulation of consumer credit in April 2014. It has issued a consultation paper on how they propose to regulate credit, including payday lending.⁴⁴

The UK has no current restrictions on interest rates that can be charged by credit providers (apart from credit unions, who are a very small sector in the UK). Payday lenders in the UK openly promote products with a staggering APR of 4,000% to 6,000%, and higher APRs are found on some products. The UK Government has recently announced that it intends to cap the total costs of payday loans by 2015. The size of the cap is not yet known.⁴⁵

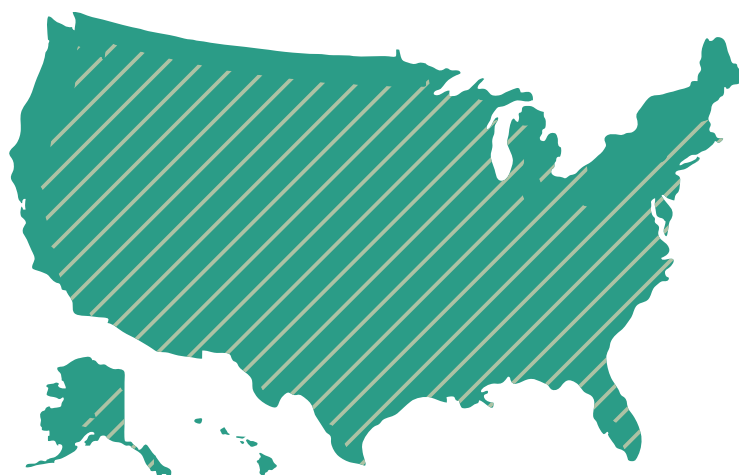
The UK has also developed a range of financial inclusion initiatives, including financial literacy programs and improved access to financial counselling services. However, some innovative programs, including the Savings Gateway and several microfinance programs have closed in recent years due to resource constraints.

⁴⁴ Financial Conduct Authority, *Detailed proposals for the FCA regime for consumer credit*, Paper: CP13/10, 2013, <http://www.fca.org.uk/your-fca/documents/consultation-papers/cp13-10>

⁴⁵ For an overview of the various UK reforms and changes in Government policy see: UK Parliament Library, *Payday loans: regulatory reform*, Standard Note: SN/BTS/6676, 30 December 2013, <http://www.parliament.uk/briefing-papers/SN06676.pdf>

Appendix 2: Country Reports

USA



| Product | Access | Rank (out of 23) |
|-----------------|--------|------------------|
| Bank account | 86.9 | 10 |
| Formal savings | 50.4 | 8 |
| Loans (total) | 44.6 | 5 |
| Loan (formal) | 20.1 | 5 |
| Loan (informal) | 4.9 | 5 |
| Credit card | 61.9 | 4 |

The US has a high rate of access to banking, although the rate remains below its economic peers. Within the rate there are significant variations based on the demographic profile of consumers, particularly race.

Formal saving rates and access to credit are excellent, with access to formal lending and credit cards at very high rates compared with other countries in the study. However, the rate of informal lending is also very high, and this is reflected in national and state debates regarding the regulation of payday lenders.⁴⁶

Regulation of credit in the US is largely state based. The regulations are complex and changes rapidly.⁴⁷ At the time of writing, around 19 jurisdictions prohibit extremely high cost payday lending. Another 32 states authorise payday lending, but impose some restrictions, including interest rate caps of between 16% to 36%. Other rules include cooling off periods and restrictions on the number of loans that can be taken out at any one time in some states. In 2007 the Federal government also intervened in the payday lending market by imposing a 36% interest rate cap on loans to US military personnel.

⁴⁶ US Federal Deposit Insurance Corporation (FDIC), *National Survey of Unbanked and Underbanked Households*, 2011. http://www.fdic.gov/householdsurvey/2012_unbankedreport_execosumm.pdf

⁴⁷ Consumer Federation of America, *Legal Status of Payday Loans by State*, (web resource), <http://www.paydayloaninfo.org/state-information>

⁴⁸ For an overview of the current US policy debate regarding the regulation of payday lending see: Safe Small-Dollar Loans Research Project, *Payday Lending in America: Policy Solutions*, Pew Charitable Trust, October 2013, http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_Payday_Policy_Solutions_Oct_2013.pdf

Appendix 3: References

The background of the page is a complex, abstract composition. It features a palette of warm colors: various shades of orange, terracotta, and beige, along with muted teal and light pink. The design is layered with organic, flowing shapes and textures. A prominent feature is a large, irregular area filled with a fine, repeating pattern of small red and orange dots. Overlaid on these are solid-colored shapes and thin, white, hand-drawn outlines that meander across the page, creating a sense of movement and depth. The overall aesthetic is modern and artistic, typical of contemporary graphic design.

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Appendix 4: Global Ranking Summary



Appendix 4: Global Ranking Summary

The following table summarises the global rankings for 148 countries in key financial exclusion categories. The rankings are based on data from the World Bank's Global Findex database 2012.

The table also includes the World Bank income category for each country. The four categories are based on Gross National Income (GNI) per capita. They are:

- Low income: \$1,035 or less.
- Lower-middle income: \$1,036 - \$4,085.
- Upper-middle income: \$4,086 - \$12,615.
- High income: \$12,616 or more.

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|--------------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Afghanistan | 1 | 133 | 131 | 94 | 32 | 45 | 132 |
| Albania | 2 | 90 | 66 | 93 | 90 | 124 | 94 |
| Algeria | 3 | 80 | 128 | 143 | 103 | 65 | 121 |
| Angola | 3 | 72 | 50 | 81 | 42 | 55 | 66 |
| Argentina | - | 78 | 41 | 100 | 129 | 134 | 123 |
| Armenia | 2 | 117 | 111 | 15 | 65 | 39 | 144 |
| Australia | 4 | 4 | 5 | 22 | 118 | 113 | 2 |
| Austria | 4 | 9 | 23 | 78 | 143 | 141 | 11 |
| Azerbaijan | 3 | 121 | 107 | 20 | 73 | 51 | 135 |
| Bahrain | 4 | 44 | 45 | 8 | 8 | 75 | 63 |
| Bangladesh | 1 | 73 | 130 | 7 | 25 | 125 | 60 |
| Belarus | 3 | 52 | 78 | 27 | 98 | 28 | 105 |
| Belgium | 4 | 12 | 13 | 58 | 134 | 143 | 23 |
| Benin | 1 | 128 | 143 | 121 | 17 | 38 | 103 |
| Bolivia | 2 | 91 | 92 | 24 | 62 | 131 | 59 |
| Bosnia Herzegovina | 3 | 54 | 61 | 36 | 120 | 97 | 110 |
| Botswana | 3 | 85 | 64 | 112 | 38 | 8 | 61 |
| Brazil | 3 | 56 | 34 | 103 | 123 | 99 | 86 |
| Bulgaria | 3 | 59 | 67 | 86 | 113 | 72 | 119 |
| Burkina Faso | 1 | 123 | 132 | 129 | 63 | 41 | 99 |
| Burundi | 1 | 135 | 138 | 139 | 6 | 15 | 130 |
| Cambodia | 1 | 145 | 146 | 13 | 4 | 27 | 145 |
| Cameroon | 2 | 124 | 115 | 119 | 20 | 12 | 88 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

Appendix 4: Global Ranking Summary

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|--------------------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Canada | 4 | 14 | 3 | 11 | 77 | 96 | 9 |
| Central African Republic | 1 | 144 | 137 | 147 | 40 | 76 | 133 |
| Chad | 1 | 131 | 85 | 104 | 11 | 43 | 104 |
| Chile | 4 | 70 | 39 | 87 | 126 | 129 | 78 |
| China | 3 | 55 | 77 | 95 | 121 | 64 | 29 |
| Colombia | 3 | 88 | 69 | 44 | 31 | 87 | 91 |
| Comoros | 1 | 103 | 122 | 96 | 102 | 62 | 85 |
| Congo, Dem. Rep. | 1 | 140 | 120 | 142 | 26 | 46 | 136 |
| Congo, Rep. | 2 | 132 | 91 | 131 | 60 | 52 | 113 |
| Costa Rica | 3 | 60 | 59 | 59 | 107 | 135 | 45 |
| Croatia | 4 | 25 | 28 | 30 | 125 | 82 | 80 |
| Cyprus | 4 | 28 | 17 | 2 | 136 | 118 | 31 |
| Czech Republic | 4 | 30 | 37 | 66 | 117 | 89 | 26 |
| Denmark | 4 | 2 | 20 | 16 | 146 | 115 | 6 |
| Djibouti | - | 129 | 93 | 117 | 45 | 88 | 129 |
| Dominican Republic | 3 | 76 | 58 | 32 | 3 | 102 | 65 |
| Ecuador | 3 | 75 | 70 | 55 | 46 | 103 | 70 |
| Egypt, Arab Rep. | 2 | 137 | 123 | 126 | 101 | 63 | 146 |
| El Salvador | 2 | 122 | 84 | 123 | 92 | 139 | 76 |
| Estonia | 4 | 11 | 31 | 90 | 116 | 66 | 33 |
| Finland | 4 | 1 | 6 | 5 | 124 | 104 | 7 |
| France | 4 | 13 | 25 | 17 | 145 | 146 | 15 |
| Gabon | 3 | 112 | 105 | 133 | 36 | 50 | 93 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

Appendix 4: Global Ranking Summary

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|--------------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Georgia | 2 | 79 | 74 | 52 | 33 | 108 | 141 |
| Germany | 4 | 8 | 27 | 42 | 130 | 130 | 8 |
| Ghana | 2 | 89 | 112 | 110 | 54 | 48 | 64 |
| Greece | 4 | 33 | 47 | 82 | 127 | 78 | 46 |
| Guatemala | 2 | 100 | 81 | 33 | 64 | 126 | 87 |
| Guinea | 1 | 142 | 125 | 132 | 14 | 33 | 134 |
| Haiti | 1 | 99 | 117 | 76 | 53 | 30 | 50 |
| Honduras | 2 | 106 | 86 | 97 | 71 | 123 | 96 |
| Hong Kong SAR | 4 | 27 | 9 | 83 | 89 | 116 | 22 |
| Hungary | 3 | 42 | 52 | 67 | 119 | 128 | 56 |
| India | 2 | 77 | 116 | 88 | 27 | 81 | 83 |
| Indonesia | 2 | 107 | 142 | 72 | 94 | 19 | 68 |
| Iran, Islamic Rep. | - | 46 | 38 | 1 | 28 | 6 | 47 |
| Iraq | 3 | 126 | 118 | 80 | 18 | 24 | 114 |
| Ireland | 4 | 16 | 12 | 28 | 97 | 121 | 13 |
| Israel | 4 | 20 | 1 | 23 | 91 | 79 | 38 |
| Italy | 4 | 40 | 30 | 115 | 81 | 148 | 67 |
| Jamaica | 3 | 48 | 80 | 84 | 83 | 74 | 32 |
| Italy | 4 | 18 | 4 | 107 | 139 | 144 | 12 |
| Jamaica | 3 | 94 | 99 | 118 | 112 | 57 | 97 |
| Japan | 3 | 65 | 75 | 35 | 59 | 40 | 106 |
| Jordan | 1 | 66 | 83 | 63 | 29 | 1 | 40 |
| Kazakhstan | 3 | 65 | 75 | 35 | 59 | 40 | 106 |
| Kenya | 1 | 66 | 83 | 63 | 29 | 1 | 40 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

Appendix 4: Global Ranking Summary

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|-----------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Korea, Rep. | 4 | 21 | 11 | 25 | 135 | 94 | 16 |
| Kosovo | 2 | 64 | 76 | 108 | 87 | 95 | 118 |
| Kuwait | 4 | 24 | 10 | 10 | 75 | 86 | 24 |
| Kyrgyz Republic | 1 | 143 | 135 | 49 | 110 | 59 | 142 |
| Lao PDR | 2 | 101 | 102 | 18 | 43 | 98 | 48 |
| Latvia | 4 | 26 | 43 | 98 | 78 | 84 | 75 |
| Lebanon | 3 | 74 | 63 | 50 | 85 | 117 | 58 |
| Lesotho | 2 | 114 | 109 | 130 | 35 | 4 | 100 |
| Liberia | 1 | 113 | 106 | 101 | 10 | 23 | 72 |
| Lithuania | 4 | 38 | 55 | 111 | 52 | 61 | 44 |
| Luxembourg | 4 | 15 | 2 | 21 | 109 | 142 | 10 |
| Macedonia, FYR | 3 | 37 | 49 | 56 | 72 | 68 | 101 |
| Madagascar | 1 | 139 | 147 | 134 | 137 | 2 | 138 |
| Malawi | 1 | 119 | 124 | 68 | 39 | 14 | 98 |
| Malaysia | 3 | 47 | 60 | 51 | 86 | 80 | 27 |
| Mali | 1 | 134 | 139 | 125 | 74 | 67 | 120 |
| Malta | 4 | 22 | 15 | 60 | 148 | 145 | 18 |
| Mauritania | 2 | 115 | 90 | 85 | 12 | 34 | 109 |
| Mauritius | 3 | 35 | 53 | 31 | 144 | 140 | 30 |
| Mexico | 3 | 95 | 57 | 92 | 67 | 106 | 107 |
| Moldova | 2 | 116 | 110 | 102 | 51 | 20 | 126 |
| Mongolia | 2 | 34 | 114 | 4 | 41 | 100 | 41 |
| Montenegro | 3 | 58 | 54 | 9 | 70 | 32 | 128 |
| Morocco | 2 | 84 | 88 | 120 | 96 | 25 | 79 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

Appendix 4: Global Ranking Summary

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|--------------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Mozambique | 1 | 68 | 98 | 109 | 88 | 31 | 54 |
| Nepal | 1 | 93 | 140 | 54 | 1 | 36 | 89 |
| Netherlands | 4 | 6 | 22 | 40 | 133 | 133 | 5 |
| New Zealand | 4 | 5 | 8 | 3 | 58 | 93 | 3 |
| Nicaragua | 2 | 125 | 108 | 91 | 68 | 147 | 108 |
| Niger | 1 | 147 | 144 | 145 | 19 | 18 | 139 |
| Nigeria | 2 | 86 | 134 | 136 | 76 | 13 | 39 |
| Oman | 4 | 39 | 36 | 69 | 30 | 37 | 42 |
| Pakistan | 2 | 127 | 136 | 140 | 82 | 71 | 137 |
| Panama | 3 | 97 | 65 | 62 | 15 | 91 | 77 |
| Paraguay | 2 | 108 | 73 | 37 | 55 | 105 | 90 |
| Peru | 3 | 109 | 71 | 39 | 57 | 107 | 95 |
| Philippines | 2 | 92 | 101 | 57 | 5 | 26 | 69 |
| Poland | 4 | 43 | 46 | 64 | 128 | 110 | 51 |
| Portugal | 4 | 31 | 33 | 77 | 131 | 137 | 36 |
| Qatar | 4 | 45 | 29 | 41 | 16 | 44 | 37 |
| Romania | 3 | 69 | 62 | 75 | 147 | 85 | 92 |
| Russian Federation | 4 | 62 | 72 | 89 | 108 | 70 | 84 |
| Rwanda | 1 | 83 | 104 | 74 | 50 | 49 | 52 |
| Saudi Arabia | 4 | 61 | 48 | 135 | 13 | 54 | 57 |
| Senegal | 1 | 138 | 133 | 127 | 114 | 56 | 124 |
| Serbia | 3 | 49 | 40 | 43 | 104 | 47 | 131 |
| Sierra Leone | 1 | 120 | 113 | 105 | 37 | 16 | 71 |
| Singapore | 4 | 17 | 26 | 61 | 100 | 101 | 4 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>

Appendix 4: Global Ranking Summary

| Country | Income group | Active bank account (Rank) | Credit card (Rank) | Formal loan (Rank) | Private loan (Rank) | Loan from family / friends (Rank) | Formal savings (Rank) |
|----------------------|--------------|----------------------------|--------------------|--------------------|---------------------|-----------------------------------|-----------------------|
| Slovak Republic | 4 | 32 | 42 | 48 | 132 | 90 | 25 |
| Slovenia | 4 | 10 | 24 | 38 | 142 | 111 | 34 |
| Somalia | - | 81 | 121 | 141 | 21 | 53 | 73 |
| South Africa | 3 | 57 | 79 | 71 | 24 | 35 | 43 |
| Spain | 4 | 19 | 21 | 47 | 141 | 119 | 28 |
| Sri Lanka | 2 | 51 | 97 | 19 | 61 | 112 | 35 |
| Sudan | 2 | 136 | 141 | 137 | 9 | 7 | 127 |
| Swaziland | 2 | 87 | 56 | 46 | 7 | 5 | 53 |
| Sweden | 4 | 3 | 14 | 6 | 111 | 114 | 1 |
| Syrian Arab Republic | 2 | 96 | 103 | 34 | 2 | 77 | 116 |
| Taiwan, China | - | 29 | 18 | 65 | 99 | 136 | 17 |
| Tajikistan | 1 | 146 | 127 | 114 | 56 | 60 | 147 |
| Tanzania | 1 | 118 | 96 | 99 | 34 | 10 | 81 |
| Thailand | 3 | 41 | 87 | 14 | 79 | 132 | 21 |
| Togo | 1 | 130 | 129 | 124 | 95 | 83 | 125 |
| Trinidad and Tobago | 4 | 36 | 51 | 73 | 115 | 122 | 19 |
| Tunisia | 3 | 82 | 89 | 128 | 93 | 73 | 117 |
| Turkey | 3 | 53 | 19 | 116 | 140 | 17 | 122 |
| Turkmenistan | 3 | 148 | 148 | 148 | 69 | 58 | 148 |
| Uganda | 1 | 105 | 119 | 70 | 47 | 9 | 62 |
| Ukraine | 2 | 67 | 44 | 79 | 106 | 29 | 115 |
| United Arab Emirates | 4 | 50 | 32 | 53 | 80 | 69 | 49 |
| United Kingdom | 4 | 7 | 16 | 45 | 84 | 109 | 20 |
| United States | 4 | 23 | 7 | 12 | 44 | 92 | 14 |

⁴⁹ The original data is available at: <http://datatopics.worldbank.org/financialinclusion/>



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