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The Global Findex Database

Financial Inclusion and the Role of the Post Office

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With a widespread presence in rural and poor areas, post offices can play a leading role in advancing financial inclusion. Yet little is known about the types of clients that post offices reach through their financial service offerings and how they might differ from those of traditional financial institutions (such as commercial banks). The Global Findex database can be used to help understand the characteristics of clients who bank at post offices worldwide and develop a deeper and more nuanced understanding of how post offices can increase financial inclusion.

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Post offices (or "posts") can play a leading role in advancing financial inclusion. In Brazil more than 10 million accounts were opened between 2002 and 2011 after Banco Postal formed a partnership with an existing financial institution.[1] Yet little is known about the types of clients that post offices reach through their financial service offerings and how they might differ from those of traditional financial institutions (such as commercial banks). Moreover, the role of the post office may vary depending on the business model that a government pursues in providing financial services through the postal network.

The lack of systematic data has hindered efforts to understand the role of the post office in providing financial services in most economies. The Global Findex database provides such indicators, measuring how people in 148 economies around the world save, borrow, make payments, and manage risk. These new indicators are constructed with survey data from interviews with more than 150,000 nationally representative and randomly selected adults age 15 and above. In 60 economies in which post office savings accounts are offered, the questionnaire includes a question on ownership of an individual or joint account at a post office. The survey was carried out over the 2011 calendar year by Gallup, Inc. as part of its Gallup World Poll. This note features Global Findex data based on interviews with more than 65,000 adults in economies with postal banking systems worldwide.

What Types of Formal Accounts Do People Have?

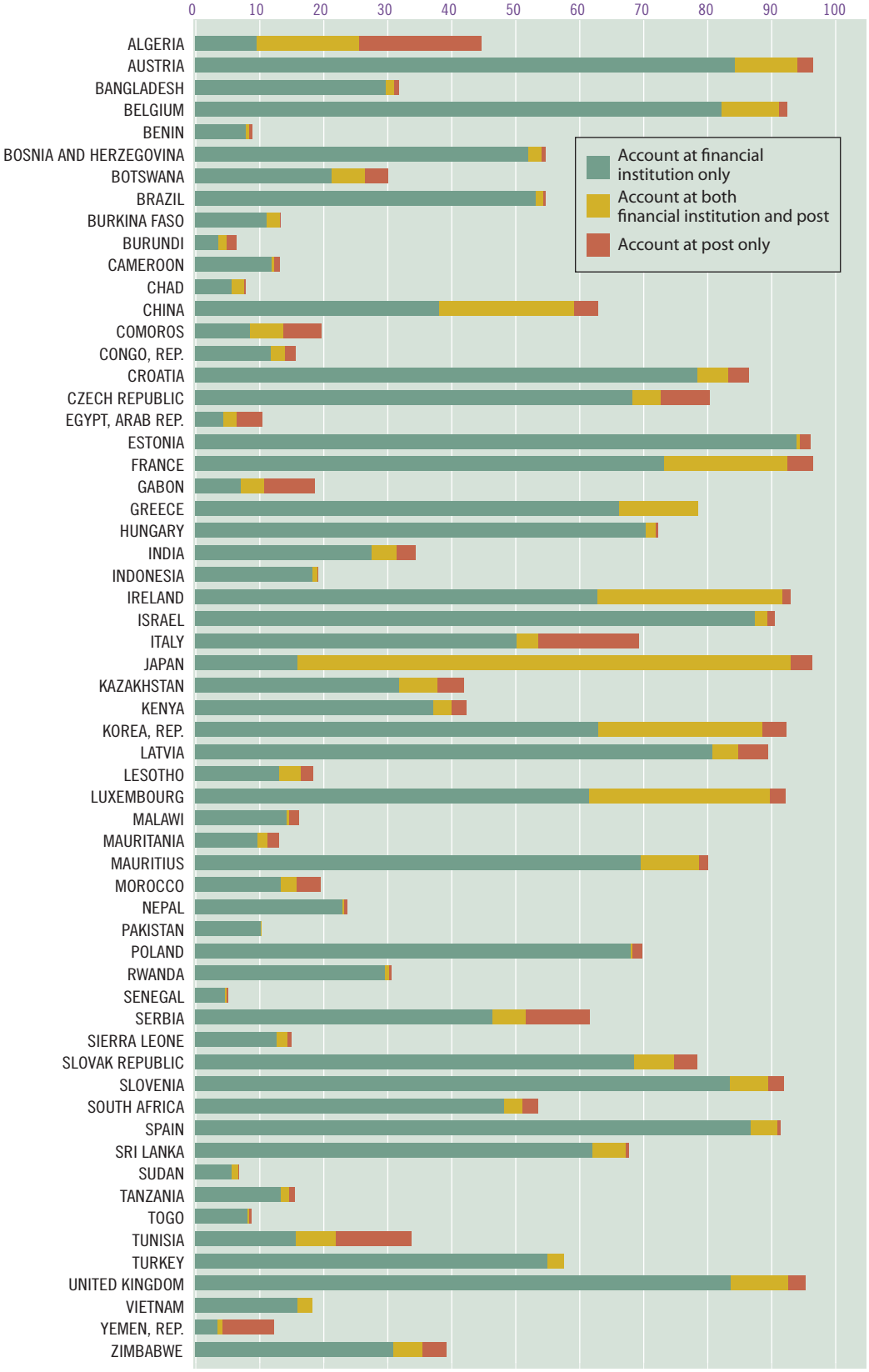
Overall account ownership differs greatly between high-income and developing economies. While account penetration is close to universal (90 percent) in high-income economies that offer postal financial services, on average only 44 percent of adults in developing economies that do so report having an account.[2] Beyond account penetration, however, policy makers are also interested in the types of accounts owned by individuals. The Global Findex data make it possible to distinguish between three types of account ownership: an account at a financial institution only, accounts at both a financial institution and the post office, and an account at the post office only. Within the sample of economies that offer postal accounts, 50 percent of adults have an account at either or both institutions, 12 percent have an account at the post office, and 3 percent (6 percent of all account holders) have an account at the post office only.

In many economies in the sample, account ownership at a formal financial institution only is the most common type of account ownership, followed by account ownership at both a financial institution and the post office. Having a post office account only is typically the

FIGURE 1

Account ownership by type and economy, 2011

Share of adults with an account at a formal financial institution (%)



Source: Demirguc-Kunt and Klapper, forthcoming.

least common (figure 1). One exception to this general pattern is Japan, where 80 percent of adults report owning an account at the post office. Japan is also the only economy in which owning an account at both a financial institution and the post office is the most common type of account ownership. In most economies fewer than 10 percent of adults have an account at the post office. Italy stands out with 16 percent of adults reporting owning an account at the post office only. In contrast, in most other economies less than 5 percent of adults report having an account at the post office only.

Who Is Most Likely to Have an Account at the Post Office?

In general, women, poor adults, and rural residents in developing economies are significantly less likely than their counterparts to have a formal account.[3] Among account holders, those who have an account at the post office tend to be significantly poorer, older, less educated, and less likely to be employed than those who have an account at a financial institution or both a financial institution and the post office. This suggests that post offices may play an important role in providing financial services to segments of the population that are particularly likely to be financially excluded.

What Types of Business Models Do Posts Pursue?

Not all posts are the same. Post offices in different economies have adopted different business models and offer different types of financial services. The Universal Postal Union—a United Nations specialized agency that is the primary forum for cooperation between governments and postal sector players—has built a database on post office business models around the world as part of its Global Panorama on Postal Financial Inclusion report. According to its classification, the posts in 7 economies in the sample have a postal bank license and are under the supervision of the banking supervisor,[4] those in 29 economies provide unlicensed postal savings (these are usually referred to as post office savings banks),[5] and those in 24 economies offer financial services through a partnership with a financial institution (table 1). In high-income economies the most common business model involves a partnership with a financial service provider. In contrast, in developing economies unlicensed postal savings banks are the most common business model.

In addition, in many economies the post also offers cash merchant services. In 43 economies (72 percent) the post offers cash services on behalf of remittance service providers, and in 40 economies (67 percent) the post offers services to facilitate government payments. While the postal service in nearly all high-income economies acts as a cash merchant for remittance service providers, it does so in only 61 percent of developing economies (25 economies).

TABLE 1

Economies offering postal financial services by postal business model used, 2011

	All economies		High-income economies		Developing economies	
Business model	Number	Share (%)	Number	Share (%)	Number	Share (%)
Licensed postal financial services	7	12	3	16	4	10
Unlicensed postal savings	29	48	5	26	24	59
Partnership with a financial service provider	24	40	11	58	13	32
Total	**60**	**100**	**19**	**100**	**41**	**100**
Cash merchant						
For remittances	43	72	18	95	25	61
For government payments	40	67	11	58	29	71

Source: Berthaud and Davico, 2013.

What Explains Differences in Account Ownership Type?

A new analysis by Ansón, Berthaud, Klapper, and Singer (2013) explores what factors determine an individual's choice of the type of account owned. The regression results confirm that posts may be comparatively better at providing accounts to segments of the population that are often most likely to be financially excluded, such as poor people or those who are less educated, unemployed, or out of the labor market.[6] The results also suggest that posts could play a role in bridging the gap in account penetration between rural and urban areas that is typically observed in the literature.

The analysis explores the degree to which different postal business models and the size of the postal network help explain differences in account ownership patterns, after controlling for individual characteristics and GDP per capita. Regression results suggest that while partnership models are less likely than licensed or unlicensed postal banks to increase account ownership at the post office, partnerships increase account ownership overall. Whether posts offer financial services on their own (as a licensed or unlicensed institution) or in a partnership with a financial institution, the results suggest that post offices can boost account ownership by acting as a cash merchant for transactional financial services, such as electronic government and remittance payments.

The analysis also controls for the size of the postal network, as measured both by the number of post office branches relative to the sum of post and financial institution access points and by the number of post offices per 1,000 inhabitants. As expected, the results confirm that the larger the postal branch network—especially relative to the network of traditional financial institutions—the more likely it is that adults have an account at the post office.

Conclusion

The Global Findex data highlight the role that post offices can play in increasing financial inclusion. But more research is needed to better understand under which circumstances and under which business models posts can best expand financial inclusion. Beyond account ownership, it would also be valuable to understand whether there are any differences in banking behavior between those with an account at the post office and those with an account at a financial institution.

1. Ansón and Bosch Gual 2008.
2. This compares with account penetration of 89 percent in high-income economies and 41 percent in developing economies for the full sample in the Global Findex database. The data are population weighted.
3. Allen and others 2012.
4. In most economies the central bank is the banking supervisor.
5. *Unlicensed* here refers to the fact that the posts are not licensed by the banking supervisor, typically the central bank. Instead, postal savings banks fall under the supervision of their line ministry or the postal regulator.
6. Allen and others 2012.

The reference citation for the Global Findex data is as follows:

Demirguc-Kunt, A., and L. Klapper. Forthcoming. "Measuring Financial Inclusion: The Global Findex Database." *Brookings Papers on Economic Activity.*

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