3 PAYMENTS

Most people make payments—such as for utility bills or domestic remittances. And most receive payments—such as wages, other payments for work, or government transfers. The 2017 Global Findex survey asked people what kinds of payments they make and receive and how they carry out these transactions—whether using an account or in cash.

The Global Findex survey asked questions about nine types of payments that can be grouped into five broad categories: *payments from government to people* (public sector wages, public sector pensions, and government transfers); *payments from businesses to people* (private sector wages); *other payments for work* (payments for the sale of agricultural products and payments from self-employment); *payments from people to businesses* (utility payments); and *payments between people* (domestic remittances, both those sent and those received). In developing economies the survey collected data on all nine types of payments. But in most high-income economies, because of time limits on interviews conducted by phone, the survey collected data only on government payments, private sector wage payments, payments from self-employment, and utility payments.[1]

This chapter distinguishes mainly between payments using an account and payments in cash only.[2] For domestic remittances it also distinguishes one additional payment channel: using an over-the-counter (OTC) service. This involves a transaction completed in cash at a financial service provider, which transfers the money digitally on behalf of the sender and recipient.

Some people who reported sending or receiving a payment, when asked about the payment channel used, provided a response of "no," "don't know," or "refuse" to all possible options. These respondents, typically representing only a small share of adults in any economy, are reported as those using some other method. This category could include people making or receiving payments by check.

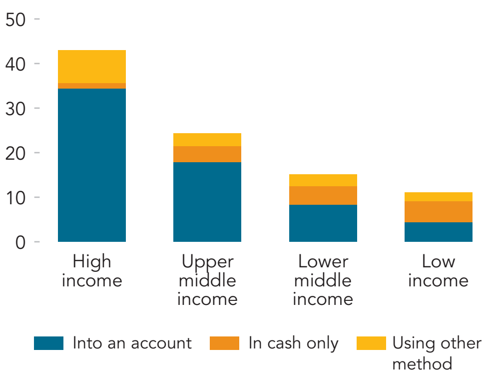
Payments from government to people

Globally, 23 percent of adults reported having received at least one payment from the government in the past year—in the form of public sector wages, a public sector pension, or government transfers. Government transfers include any kind of social benefits—such as subsidies, unemployment benefits, or payments for educational or medical expenses. Not surprisingly, the share of adults receiving government payments is about twice as high in high-income economies (43 percent) as in developing ones (19 percent). And among developing economies, the share in upper-middle-income economies (24 percent) is about twice the share in low- and lower-middle-income ones.

FIGURE 3.1

Except in low-income economies, most people getting government payments receive them into an account

Adults receiving government payments in the past year (%), 2017



Source: Global Findex database.

How do people receive government payments?

In high-income economies the overwhelming majority (80 percent) of those getting government payments receive them into an account (figure 3.1). Another 21 percent reported receiving such payments in some other way than into an account or in cash, probably in the form of either checks or vouchers.[3] Among developing economies, the most common way of receiving government payments varies by income classification. In upper-middle-income economies 74 percent of recipients reported receiving government payments into an account—a majority almost as large as that in high-income economies. In lower-middle-income economies just over half (55 percent) reported receiving the payments this way, and in low-income economies 39 percent did.

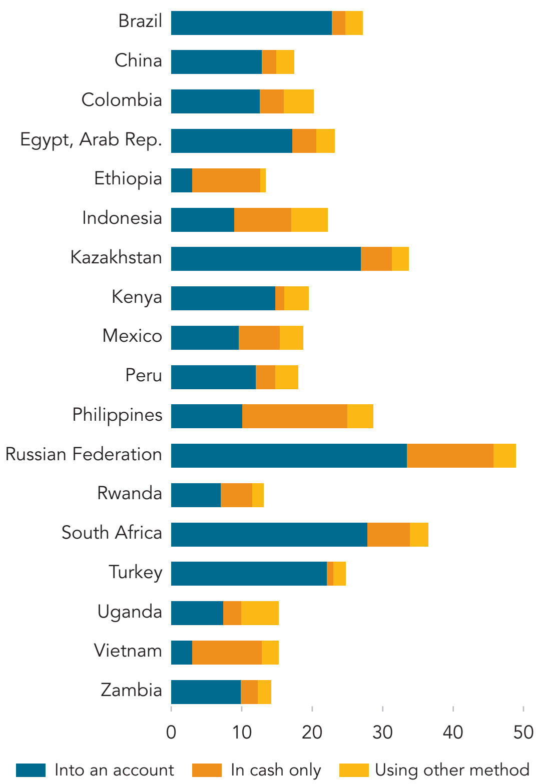
Among developing regions, Europe and Central Asia has a particularly high share of adults receiving government payments. Indeed, this share is about twice the average for developing economies, driven by the large numbers receiving public sector wage or pension payments. In Kazakhstan and the Russian Federation, for example, more than 30 percent of adults reported having received government payments, and more than two-thirds of them said that they received the payments into an account (figure 3.2).

Government payments to people play an important part in other developing economies as well. These include Brazil, Indonesia, the Philippines, and South Africa, where 20 percent or more of adults reported receiving such payments. But while about 80 percent of the recipients in Brazil and South Africa receive the payments into an account, those in Indonesia are about equally likely to receive them into an account or in cash. And in the Philippines the majority

FIGURE 3.2

In most developing economies governments make payments to people primarily into accounts

Adults receiving government payments in the past year (%), 2017



Source: Global Findex database.

receive the payments in cash. The same is true in Ethiopia and Vietnam, for example. In most developing economies, however, government payments to people are made primarily into accounts.

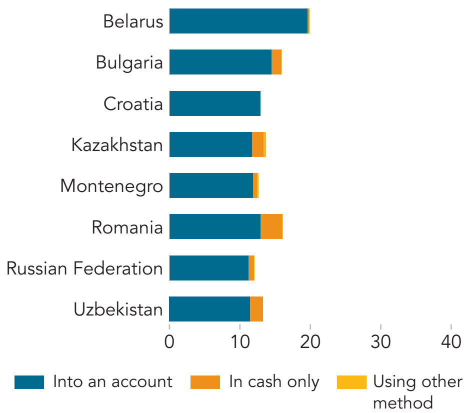
What are the patterns for different types of government payments?

The focus so far has been on overall government payments to people. What does a more detailed look at the data reveal? In developing economies on average, 4 percent of adults reported having received public sector wages in the past 12 months, 7 percent a public sector pension, and 12 percent government transfers. (Because people may receive more than one type of government payment, the sum of these percentages is larger than the overall share who reported having received government payments in the past year.) The corresponding averages in high-income economies are 11 percent for public sector wages, 18 percent for public sector pensions, and 23 percent for government transfers.

FIGURE 3.3

Some European and Central Asian economies have a particularly high share of adults receiving public sector wages

Adults receiving public sector wages in the past year (%), 2017

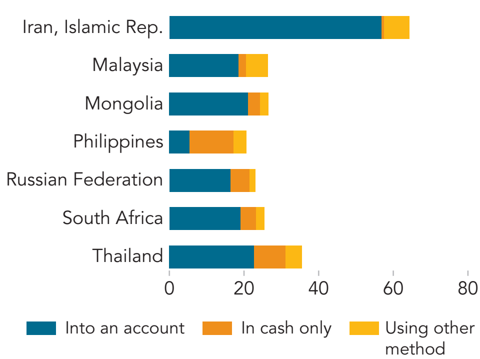


Source: Global Findex database.

FIGURE 3.4

Government transfers are important in some developing economies—and paid mostly into accounts

Adults receiving government transfers in the past year (%), 2017



Source: Global Findex database.

Among high-income economies, Norway and Sweden both have a notably high share of adults (up to 25 percent) reporting public sector wage payments. Beyond high-income economies, some of the highest shares can be found in Europe and Central Asia (figure 3.3).[4] In Russia 12 percent of adults reported having received public sector wage payments, and in Belarus 20 percent did so. Public sector wages are paid almost exclusively into accounts in these economies. This pattern holds across economies: globally, less than 1 percent of adults reported having received public sector wages only in cash.

With the high share of adults in public sector employment in high-income economies and many European and Central Asian economies, it is no surprise that these economies also have a particularly high share receiving a public sector pension. In Russia 29 percent of adults reported having received a public sector pension in the past 12 months. Among other major developing economies, a much smaller share did so in Brazil, China, and India, only 6–7 percent. But in South Africa 19 percent of adults reported having received a public sector pension in the past 12 months—one of only six economies outside Europe and Central Asia and the high-income group where the share exceeds 10 percent.[5] Unlike for public sector wages, about a third of those receiving a public sector pension in Russia reported receiving the payments in cash. Globally on average, 16 percent of those receiving a public sector pension said that they received it in cash.

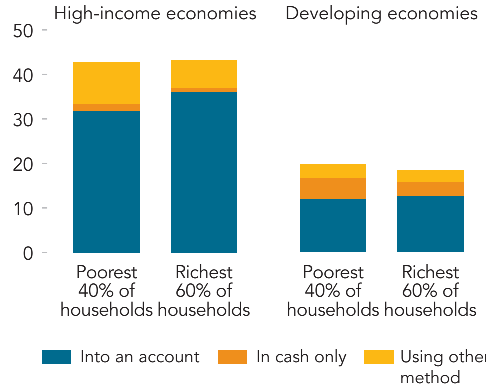
Government transfer payments play an important part in many economies around the world. The share of adults receiving government transfers is predictably large in high-income economies, 23 percent on average. Among developing economies the share ranges from less than 5 percent in some to as high as 64 percent in the Islamic Republic of Iran, which has a national unconditional cash transfer program (figure 3.4). In a handful of developing economies about 20 percent or more of adults receive such payments. And while most transfer recipients receive the payments into an account, the Philippines is among the few economies where most receive the payments in cash.

What do the data show about government payment recipients within economies? Notably, poorer and richer adults are about equally likely to receive government payments, in high-income and developing economies alike (figure 3.5). Moreover, they are equally likely to receive such payments into an account. And for all three types of government payments—public sector wages, public sector pensions, and government transfers—poorer and richer adults are about equally likely to be recipients.

FIGURE 3.5

Poorer adults are as likely as richer ones to receive government payments—and to do so into an account

Adults receiving government payments in the past year (%), 2017



Source: Global Findex database.
Note: Data for the poorest 40 percent and richest 60 percent of households are based on household income quintiles within economies.

Payments from businesses to people—private sector wages

Globally, 28 percent of adults reported having received at least one wage payment from a private sector employer in the past year—46 percent of adults in high-income economies and 24 percent in developing ones. In high-income economies 85 percent of these wage earners reported receiving their wage payments into an account, while in developing economies only about half did so (46 percent).

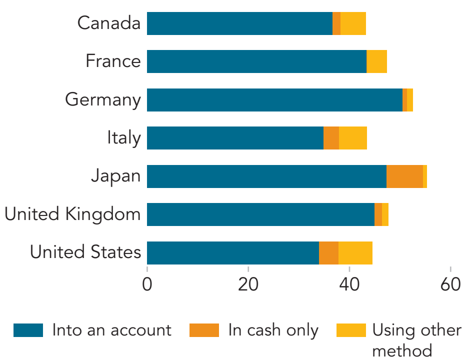
But these averages mask variation within these two groups of economies. Among high-income economies, while the overwhelming majority of adults earning private sector wages reported receiving the payments into an account, there are still some differences. Take the Group of Seven (G-7) economies, for example. In Germany and the United Kingdom virtually all those receiving private sector wages reported being paid directly into an account (figure 3.6). In Japan, by contrast, 13 percent of private sector wage earners—or 7 percent of all adults—reported being paid in cash. And in Canada, France, Italy, and the United States about 5 percent of all adults reported receiving private sector wages in some other way—probably by check.

Not surprisingly, there are even more pronounced differences among developing economies, both in the share of adults receiving private sector wages and in how they receive these payments. For example, in Brazil, China, Russia, and South Africa—all upper-middle-income economies—between 60 and 70 percent of private sector wage earners reported receiving their wage payments into an account (figure 3.7). In Kenya, a lower-middle-income economy, a similarly large share

FIGURE 3.6

In most G-7 economies virtually all private sector wage earners are paid into an account

Adults receiving private sector wages in the past year (%), 2017



Source: Global Findex database.

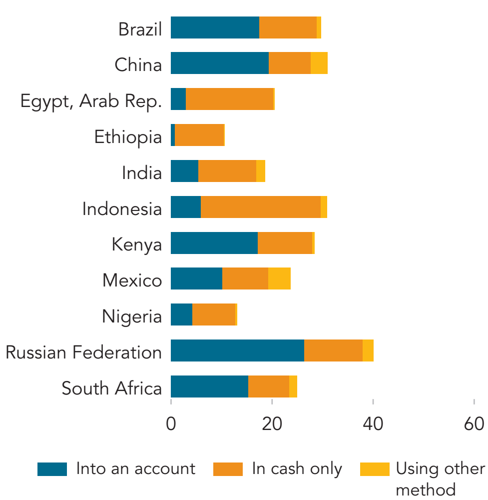
reported being paid into an account. By contrast, in four other lower-middle-income economies—the Arab Republic of Egypt, India, Indonesia, and Nigeria—where the average share of adults receiving private sector wages is smaller, most reported being paid in cash, much as in Ethiopia, a low-income economy. And in Mexico, despite its being an upper-middle-income economy, private sector wage earners were about equally likely to report receiving wage payments into an account or in cash, while about 20 percent reported receiving them in some other way.

In developing economies women were about half as likely as men to report receiving private sector wages (figure 3.8). In high-income economies, by contrast, women were only moderately less likely than men to do so. But in developing and high-income economies alike, women earning private sector wages were just as likely as their male counterparts to report receiving their wage payments into an account.

FIGURE 3.7

How private sector wage earners are most likely to receive their pay varies across developing economies

Adults receiving private sector wages in the past year (%), 2017

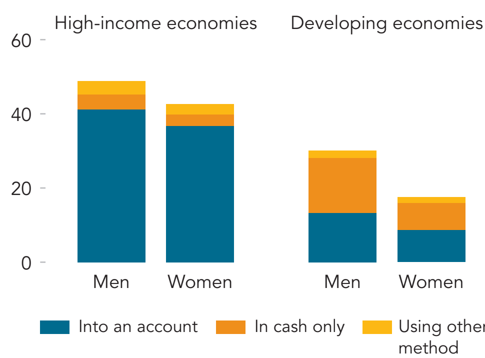


Source: Global Findex database.

FIGURE 3.8

Women are as likely as men to receive their private sector wages into an account

Adults receiving private sector wages in the past year (%), 2017



Source: Global Findex database.

Other payments for work

Around the world, most people getting paid for their labor receive the payments in the form of a salary or wages from an employer, whether in the public or private sector. But some receive other payments for work, such as from the sale of agricultural products or from self-employment.

How do people receive payments for agricultural products?

About 15 percent of adults in developing economies reported having received payments for the sale of agricultural products in the past 12 months. Most said that they received these payments in cash—on average across developing regions, only one in five recipients of agricultural payments reported receiving them into an account. But in Sub-Saharan Africa, where the share receiving agricultural payments is about twice the average for developing economies, a much higher share of recipients reported receiving such payments into an account in some economies. Indeed, in Ghana, Kenya, and Zambia about 40 percent of recipients, and in Uganda 32 percent—more than 10 percent of all adults in these countries—reported receiving agricultural payments into an account, in most cases a mobile money account (figure 3.9).

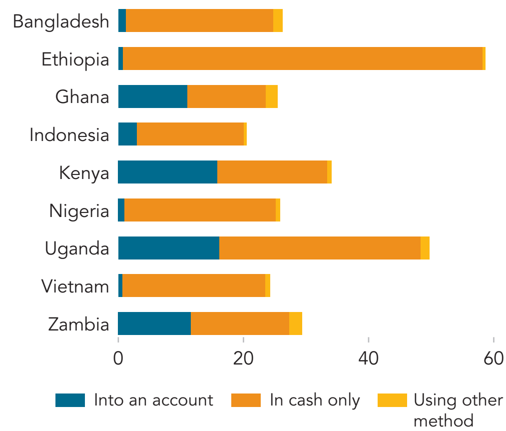
How do people receive payments from self-employment?

In 2017, for the first time, the Global Findex survey asked respondents who reported receiving neither wage payments nor agricultural payments whether they had received payments from self-employment in the past 12 months. These include payments from their business, from selling goods, or from providing services, including part-time work. About 8 percent of adults in both high-income and developing economies reported having received such payments in the past year. But while about two-thirds of recipients in high-income economies reported receiving the payments into an account, only about a quarter did so in developing economies. Still, there are some exceptions. In Kenya, Mongolia, and South Africa, for example, about half of those receiving payments from self-employment said that they received them directly into an account (figure 3.10).

FIGURE 3.9

In most developing economies, though not all, agricultural payments are received mainly in cash

Adults receiving payments for agricultural products in the past year (%), 2017

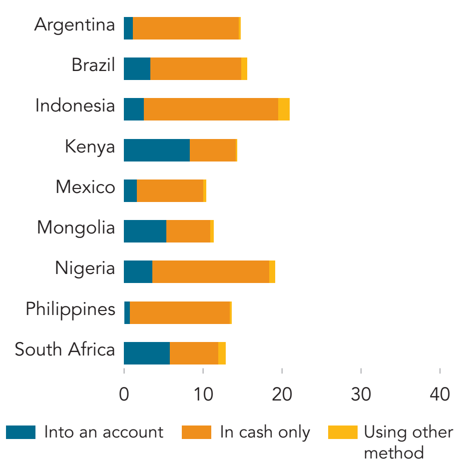


Source: Global Findex database.

FIGURE 3.10

Those earning money from self-employment in developing economies are paid mostly in cash

Adults receiving payments from self-employment in the past year (%), 2017



Source: Global Findex database.

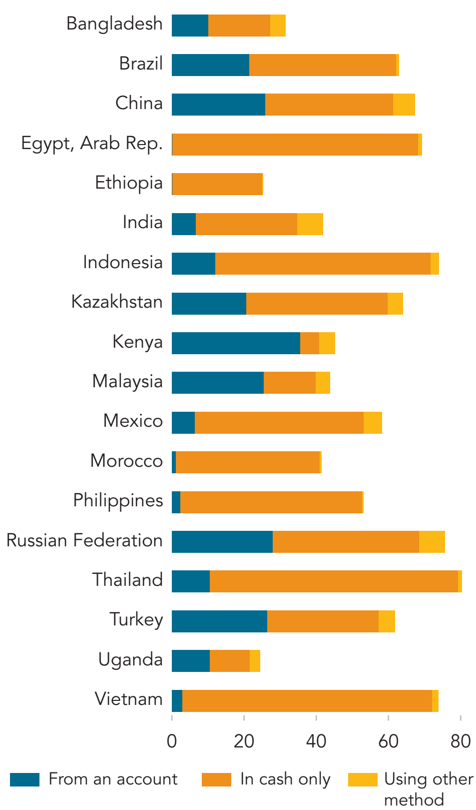
Payments from people to businesses—utility payments

Worldwide, 57 percent of adults reported having made regular payments for water, electricity, or trash collection in the past 12 months. In high-income economies 77 percent reported making such payments. In developing economies 53 percent did so, with the share ranging from 28 percent in Sub-Saharan Africa to around 70 percent in East Asia and the Pacific and Europe and Central Asia.

FIGURE 3.11

One in four people paying utility bills in developing economies does so directly from an account

Adults paying utility bills in the past year (%), 2017



Source: Global Findex database.

In high-income economies the vast majority of those making utility payments reported doing so directly from an account; in developing economies only about a quarter said this (figure 3.11). Yet there is wide variation across developing economies. In Egypt, Ethiopia, Morocco, the Philippines, and Vietnam, for example, virtually everyone making utility payments does so in cash. But a majority of those in Kenya and Malaysia pay directly from an account—as do about 40 percent in China, Russia, Turkey, and Uganda.

Payments between people—domestic remittances

Domestic remittances are an important part of the economy in many places.[6] In developing economies on average, 27 percent of adults reported having used domestic remittances in the past 12 months—either sending money to or receiving it from a relative or friend living in another area of their country.[7] Domestic remittances are particularly important in Sub-Saharan Africa, where 45 percent on average reported having sent or received such payments.[8] Gabon, Ghana, Kenya, Namibia, and Uganda have the highest shares of adults using domestic remittances, about 60–70 percent (figure 3.12). Outside Sub-Saharan Africa, only Cambodia, the Dominican Republic, Mongolia, the Philippines, and Thailand have shares exceeding 40 percent.

People send and receive domestic remittances in different ways, including by using an account and in cash only. In addition to these payment channels, this section also considers the use of an over-the-counter service, such as at a money transfer service like Western Union. OTC services for domestic remittances are also offered by financial institutions and mobile money operators. Payments are classified as OTC if the sender or recipient did not use an account but instead transacted in cash at the service provider, which transferred the funds electronically on his or her behalf. Domestic remittances are therefore considered to have been sent or received through an OTC service if the sender or recipient reported either using a money transfer service or using a financial institution or mobile money operator but did not report having an account.

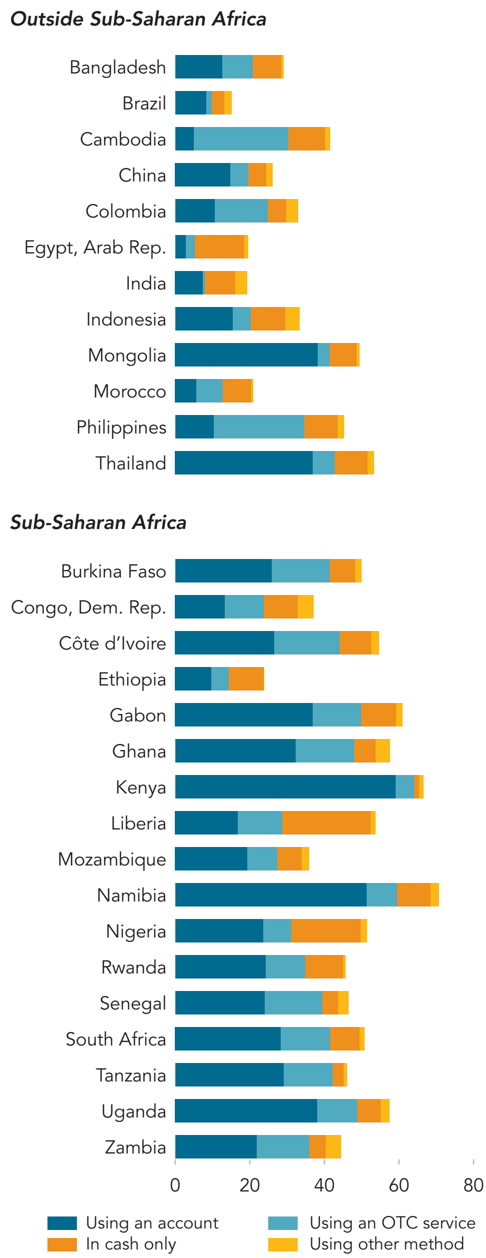
In developing economies the most common way of sending or receiving domestic remittances is by using an account. On average in these economies, 46 percent of adults who reported having sent or received domestic remittances in the past year said that they used this method—while 27 percent reported using cash only, 19 percent using an OTC service, and 8 percent using some other method.[9] This pattern generally holds, including on average for economies in Sub-Saharan Africa. But in some economies people are most likely to use cash, and in still others they are most likely to use an OTC service.

Kenya has the highest share using an account: among adults sending or receiving domestic remittances in the past year, 89 percent reported having used an account to do so, in most cases a mobile money account. This should come as no surprise—because when the mobile money operator M-PESA launched its business in Kenya in 2007, it specifically targeted the domestic remittances market, promoting its services with the slogan "send money home." Indeed, among those sending or receiving at least one domestic remittance payment in Sub-Saharan Africa, most reported having done so through a mobile phone—through either a mobile money account or an OTC service. But in some economies, including Ethiopia, Namibia, Nigeria, and South Africa, people sending domestic remittances through an account are most likely to do so using an account at a bank or another type of financial institution. In Cambodia and the Philippines, by contrast, the most common way to send or receive domestic remittances is by using an OTC service. And in Egypt and India the most common way is by using cash only.

FIGURE 3.12

In Sub-Saharan Africa domestic remittances are particularly important—and are sent and received mainly by using an account

Adults sending or receiving domestic remittances in the past year (%), 2017



Source: Global Findex database.

Notes

1. Gallup, Inc., imposes a time limit on phone interviews, the typical survey method used in high-income economies, which limits the number of Global Findex survey questions that can be added to the Gallup World Poll core questionnaire. In 13 high-income economies included in the 2017 Global Findex database, however, Gallup, Inc., conducts face-to-face rather than phone interviews, and in these economies data were collected for all nine types of payments. And in 4 developing economies included in the database, Gallup, Inc., conducts interviews by phone, similarly limiting the number of questions that could be added.
2. Payments are considered to have been received into an account if the respondent reported receiving them directly into an account at a financial institution; into a card, which is assumed either to be linked to an account or to support a card-based account; or through a mobile phone—and they are considered to have been sent from an account if the respondent reported sending them directly from a financial institution account or through a mobile phone. However, a payment to or from a mobile phone is considered a payment into or from an account only if the respondent lives in an economy where mobile money accounts are provided by a service that was in the GSM Association's Mobile Money for the Unbanked (GSMA MMU) database at the time of the survey.
3. Less than 1 percent of adults in both high-income and developing economies reported having received government payments both into an account and in cash. The reason could be that they received more than one type of government payment, with one being paid into an account and another being paid in cash. Because these adults reported having received at least one payment into an account, they are included in the category of those receiving payments into an account. (A similar principle applies to other types of payments discussed in this chapter.)
4. Outside Europe and Central Asia, the only developing economies with a comparable share of adults receiving public sector wages are the Dominican Republic (11 percent), Libya (13 percent), Mauritius (12 percent), and Namibia (16 percent).
5. The other five economies are Costa Rica (11 percent), the Islamic Republic of Iran (11 percent), Jordan (12 percent), Mauritius (22 percent), and Namibia (11 percent).
6. The Global Findex survey does not cover international remittances. While international remittances are economically important for some economies, the share of adults in developing economies who reported sending or receiving them is on average 4 percent (Gallup World Poll 2017).
7. In developing economies 17 percent of adults reported having sent domestic remittances in the past 12 months, and 20 percent having received them; 9 percent of adults reported having both sent and received domestic remittances.
8. In Sub-Saharan Africa 28 percent of adults reported having sent domestic remittances in the past 12 months, and 33 percent having received them; 17 percent of adults reported having both sent and received domestic remittances.
9. Respondents who reported sending or receiving domestic remittances in multiple ways are assigned to categories as follows: *using an account* if they reported having sent or received domestic remittances through an account; *using an OTC service* if they reported having sent or received domestic remittances through an OTC service but did not report having done so through an account; *in cash only* if they reported having sent or received domestic remittances only in cash; and *using other method* if they provided a "no," "don't know," or "refuse" response to all categories.