



## Financial Inclusion in Poland

### Executive summary

#### 1. Introduction

The project is the first initiative in Poland to comprehensively assess the financial inclusion. The aim of the project is to review the state of knowledge on financial inclusion and access to financial products and services, and in particular the evaluation of:

- the actual level of usage of various financial products and services
- access the conditions of access to financial services of banks and non-bank financial institutions

The project was conducted through a review of secondary data, statistics, research reports, articles from domestic and international sources.

#### 2. Methodology

##### Usage of Financial Services

The first step in the evaluation of financial inclusion was the analysis of the current level of use of various financial services. This is the basis and starting point for more detailed analysis of access to financial services products.

Total Financial Inclusion index (TFI-1) measures the level of inclusion in the financial system. The indicator presents the percentage of the population using at least one voluntary financial product. People not using any financial services are considered to be financially excluded.

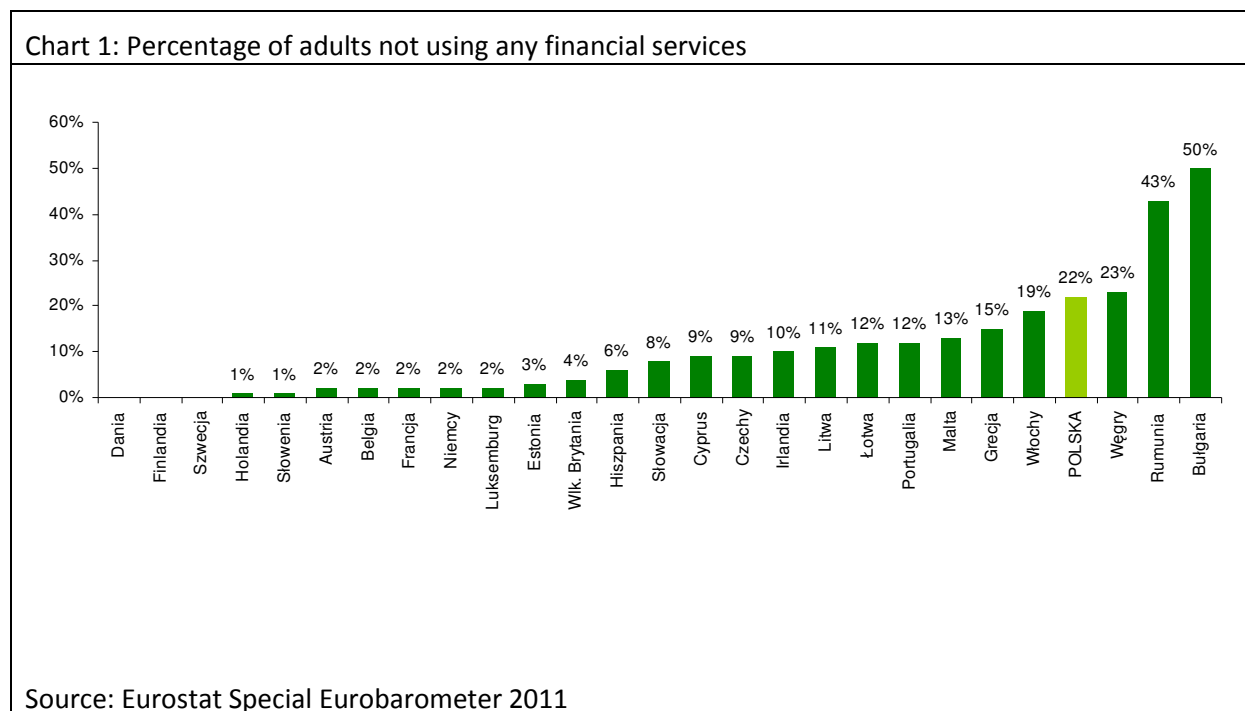
##### Access to Finance Scorecard (AFS Scorecard)

AFS methodology evaluates the conditions to access to financial services in three main areas: the supply side (financial services providers), the demand side (consumers / recipients of financial services), regulatory side (financial inclusion policies and regulations governing the financial market). The Index of Financial Inclusion (IFI Index) is a summary measure of the availability of financial services and shows how the current access to services differs from the target - the ideal level of accessibility in the sphere of finance supply, demand and regulatory. The index takes values ranging from 0 to 1, wherein the higher the value, the closer to the target level.

### 3. Results

#### Financial inclusion/exclusion

Poland is in fourth place in the European Union in terms of the number of financially excluded people - one in five adult Pole does not use any financial services.



#### Accounts and payments

Poland has a lower percentage of people using bank accounts than most countries in the European Union, but it has been steadily increasing from year to year. According the latest research from 2014 73% of adults hadve at least one bank account.

Surprising popular is acessign the bank account via internet to – approximately 40% of adults access the account via the internet to check the account alance and / or make transfers online. Mobile payments are still a novelty - only 6% of adults transfers money through a mobile phone.

#### Savings and investments

Although approx. 40% of adults declares saving, a very small percentage of Poles keep their money in a savings account (9%) or time deposits (6%). Only a marginal percentage of adults (4%) have pension savings accounts. Even fewer people use investment instruments.

#### Credit

Credit use in Poland is still far less common than in other European Union countries, especially the mortgage credit, but also credit cards. However, in the last few years, the share of people with consumer credit increased significantly, which is a growing concern especially in case of people who use consumer credit to cover daily living expenses.

#### Insurance

More than half of Poles insure their lives (60%) and health against accidents (64%). However, property insurance is far less common - only ¼ insures your Poles house or apartment.

## Access conditions

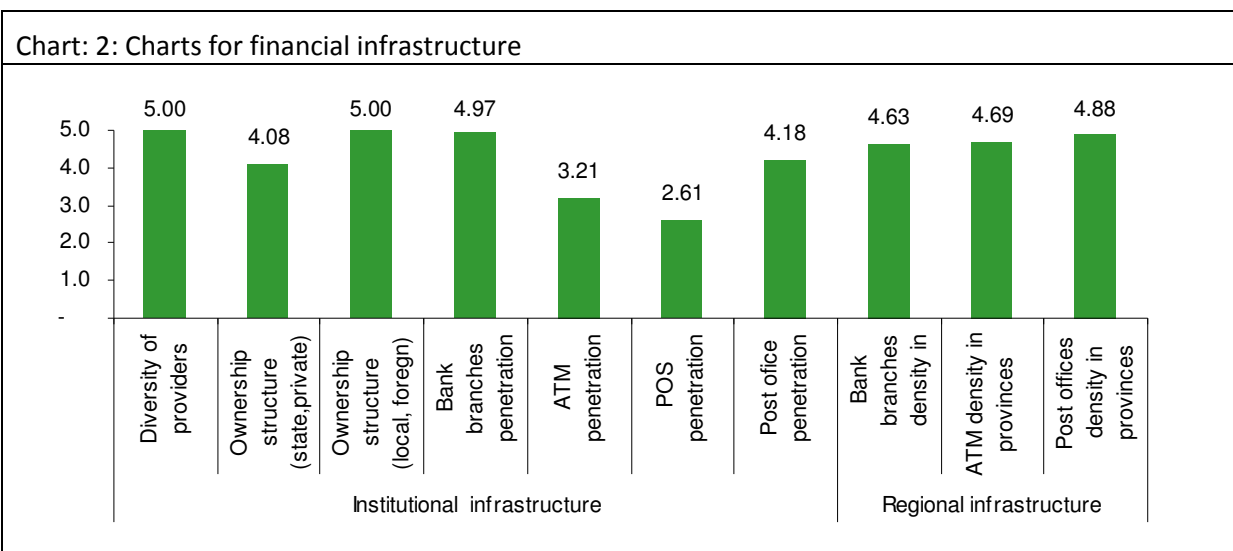
### Supply side

There is a large variety of types of financial institutions. The number of access points in Poland differs from the European average. The penetration of POS and ATMs is low, while the number of bank branches per 100,000 adults is close to the EU average. The analysis of the distribution of access points in provinces reveals the substitution of bank branches with branches of credit unions. The provinces with the highest density of bank branches ( Mazowieckie, as well as northern provinces) have low density of credit union outlets, while in Opolskie and Świętokrzyskie a reverse situation is seen – high density of credit union branches with a small number of bank branches.

### Supply side indicators

Comparing the values of the indicators of infrastructure of financial institutions in Poland with the average values of these indicators in the euro area countries, we conclude that in Poland the development of the banking system is at a similar level. However, Poland is still behind with the density of POS terminals and ATMs.

The infrastructure is fairly evenly developed throughout the country with only slight variations in the density of bank branches, post offices, ATMs in different provinces.



## Demand side

### Quality of access

Quality of the financial products and services in Poland is relatively poorly studied, lacking a detailed analysis of the various aspects of the availability of financial products and quality of service. Only one publicly available study shows that cost-effectiveness of banks services is evaluated low, but the improvement of the availability, quality is observed.

Different information is provided in the study out for the European Commission in the Consumer Markets Scoreboard where different groups of products and services are analyzed in terms of comparability of offers, consumer confidence in service providers, number of problems with the product, availability of complaints mechanisms and in terms of overall satisfaction with the product. A comparative analysis of the European Union countries shows that the quality of banking and

insurance products are on an even level in most countries. Poland only slightly differs from the European average in the case of banking products.

### **Trust**

Trust in financial institutions in Poland is monitored by the research institutes, the banking sector and by the National Bank of Poland. Unfortunately, different studies raise different results, but what is common is that banks rank second, just after the NBP. According to recent study for the Polish Bank Association 50% of adult Poles bestows trust banks. Compared with the other countries, confidence in the banks in Poland is well above the European Union average.

### **Consumer Confidence Index**

The index is calculated from the results of surveys in which respondents assess the economic situation in the country, unemployment, inflation, their own financial situation and the propensity to buy durable consumer goods as well as the level of savings in the past 12 months, and make predictions of these phenomena for the next year. According to the survey of 2013, Polish society is characterized by higher pessimism in the assessment of the past and coming year, compared to the European average.

### **Attitudes towards saving**

According to a study conducted in 2013 61% of people thought it worth saving. However, the percentage of people actually admitting to save was much lower - only 44% of respondents declared saving. Similar results were obtained in a study conducted by CBOS in March 2014, as well as the Social Diagnosis 2013.

Although international studies of the World Bank (Global Findex) from 2011 show a weaker result for the Poland, they allow for the comparison with other EU countries. Polish society has a much lower propensity to save - Poland occupies 8th place from the end in terms of the percentage of adults who accumulated savings in the 12 months preceding the survey.

### **Financial Education**

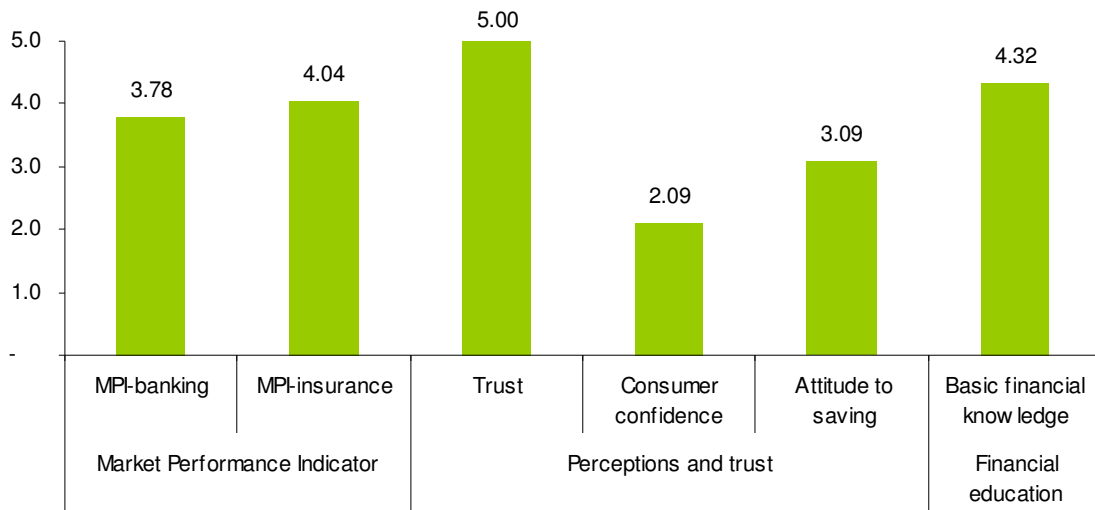
The level of economic and financial knowledge has been repeatedly tested over the last few years. However, the results of the studies are difficult to compare because each one is carried out using a different methodology and a different set of questions. However, comparing some general conclusions can be drawn from the comparisons - the level of knowledge is rather average, low knowledge is more characteristics for people 55+ , with basic education, very low income and living in the eastern regions. The positive impact of participation in lessons, training, courses in finance and economics on the level of knowledge is seen.

The financial knowledge of Poles can be compared with the average of 14 other countries than to the research conducted by OECD in multiple countries using the same methodology. The results show that the Poles do not differ too much from the average. Only the ability to calculate the rate of return and investment risk was lower among the Poles. In the case of financial behavior Poles do not differ much from the average.

### **Demand side indicators**

In comparison with the countries of the Eurozone access conditions on the demand side are generally below the average, especially in the category of consumer confidence and the propensity to save. Only high confidence in the banks positively distinguishes Poland, which is a very good sign for the future.

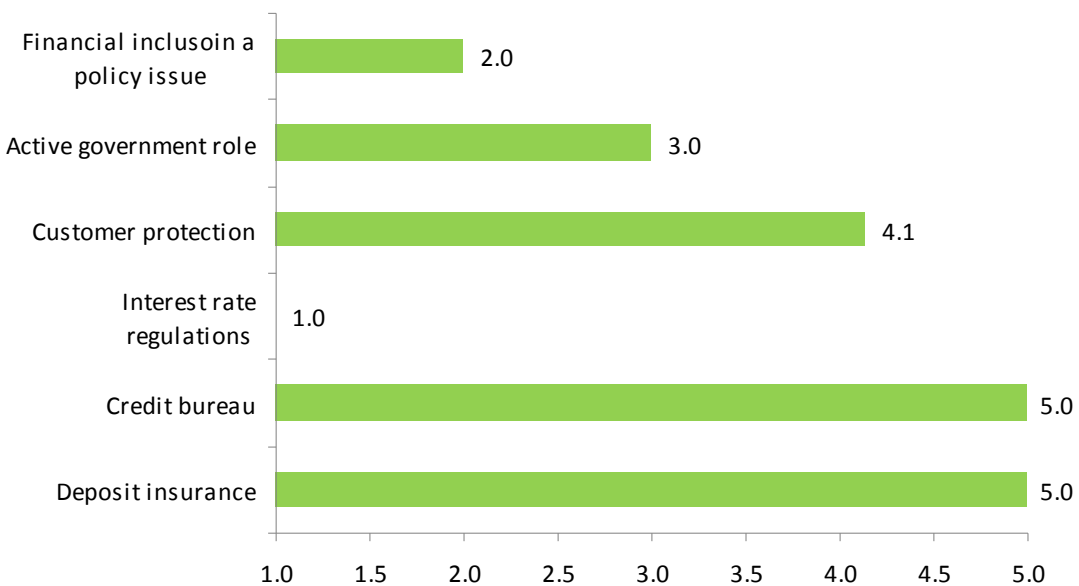
Chart 3: Scores for demand-side indicators



**Regulatory side**

An analysis of the regulations in terms of their impact on the financial inclusion in Poland shows that although there is no consistent policy aimed at improving financial inclusion, some regulations fully promote access to financial services.

Chart 4: Scores for the policy side



**Index of Financial Inclusion (IFI)**

The IFI index value which is based on the distance from the ideal point shows how far the country is from the point of ideal conditions for the full financial inclusion (1,1,1).

In Poland, the total value of the IFI index is 0.7611 - it can be concluded that the current conditions of access to financial services are ¾ of the ideal. The most advanced institutional infrastructure (the supply side) is the most advanced, while the demand side (consumer attitudes and preparation for the reception of financial services) is a bit weaker. The regulatory side is the farthest from the ideal.

Table 1: Calculation of the IFI index

	Dimension score [a]	Target (benchmark) [b]	Normalized dimension score [a/b]
Supply side	4.44	5	0.89
Demand side	3.88	5	0.78
Regulatory side	3.36	5	0.67
<b>IFI index value</b>			
IFI =			<b>0.7611</b>
$DUF = 1 - \frac{\sqrt{(1-0.89)^2 + (1-0.78)^2 + (1-0.67)^2}}{\sqrt{3}}$			

#### 4. Conclusions

There have been numerous studies conducted on the use of financial services, although they are mainly focused on the banking and non-cash payments. The usage of savings and insurance products are the least explored, although saving behaviors are examined annually. However, these are only sample surveys of the population, which may under- or overestimate the actual usage level. Unfortunately, there is no system for reporting on the number of users by the financial institutions. In the case of insurance products, insurance companies regularly report the number of the insured which allows you to get to know the actual number of people included in the insurance. As for the conditions of access, there is a lot of information available about the financial infrastructure, but there is lack of detailed regional data.

In the case of the demand side, a lot of studies have been conducted on the level of financial education, behavior, consumer attitudes, but there is no in-depth analysis of the impact of the level of knowledge on financial inclusion.

However, all the data that we managed to collect in this study provide a fairly good picture of the level of financial inclusion and access conditions in Poland. We can see that a total of 75% of Poles use of financial services, although still 1/5 of Poles are financially excluded. Saving and investment products are the least often used.

In terms of access conditions in Poland the infrastructure of financial institutions is very well developed, although there are still relatively few access points outside the bank branches. In addition, consumers are poorly prepared for the reception of financial services - despite the high confidence in banks they have rather low expectations as to improvement of the economic and living conditions and weaker financial knowledge.