



# Enhancing Financial Capability and Inclusion in Uzbekistan

A Demand-side Assessment  
Uzbekistan, June 2020

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# Acronyms

<b>ATM</b>	Automatic Teller Machine
<b>CAFINC</b>	Central Asia Financial Inclusion Project
<b>CAPI</b>	Computer-Assisted Personal Interview Methods
<b>CBU</b>	Central Bank Of Uzbekistan
<b>CGAP</b>	Consultative Group To Assist The Poor
<b>ECA</b>	Europe And Central Asia
<b>FCCP</b>	Financial Capability and Consumer Protection
<b>FX</b>	Foreign Currency
<b>GDP</b>	Gross Domestic Product
<b>IFC</b>	International Finance Corporation
<b>MFI</b>	Micro Finance Institution
<b>NFIS</b>	National Financial Inclusion Strategy
<b>NGO</b>	Non-Governmental Organization
<b>NPL</b>	Non-Performing Loan
<b>OECD</b>	Organisation For Economic Co-Operation And Development
<b>PCA</b>	Principle Component Analysis
<b>POS</b>	Point Of Sale
<b>PPS</b>	Proportional-Probability Sample
<b>PSU</b>	Primary Sampling Units
<b>SECO</b>	Swiss State Secretariat for Economic Affairs
<b>UZS</b>	Uzbek Sum
<b>UzStat</b>	State Committee Of The Republic Of Uzbekistan On Statistics
<b>WBG</b>	World Bank Group

# Preface

**Financial capability, as defined by the World Bank Group (WBG) and in this report, is the capacity to act in one's best financial interest,** given socioeconomic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills, and behavior of consumers with respect to understanding, selecting, and using financial services that fit their needs.

**Financial capability has become a priority for policy makers seeking to promote beneficial financial inclusion and to ensure financial stability and functioning financial markets.** Today people are increasingly required to take responsibility for managing a variety of risks. Those who make sound financial decisions and effectively interact with financial services providers are more likely to achieve their financial goals, hedge against financial and economic risks, improve household welfare, and support economic growth. Boosting financial capability has therefore emerged as a policy objective that complements governments' financial inclusion and consumer-protection agendas. To this end, policy makers are increasingly using surveys as diagnostic tools to identify financial capability areas that need improvement and vulnerable segments of the population that could be targeted with specific interventions.

**The Uzbek authorities have been implementing an extensive financial sector-reform program, partly supported by the World Bank Group (WBG).** The development of a National Financial Inclusion Strategy (NFIS) is a key goal of these reforms, part of which will focus on financial capability and consumer protection (FCCP). FCCP is a critical element in building a trusted formal inclusive financial system and Uzbek authorities are seeking to identify sustainable methods of delivering financial education through effective partnerships. The Central Bank of Uzbekistan (CBU), especially, sees FCCP as a base element for inclusion and further interaction between financial institutions and their clients.<sup>1</sup>

**IFC has conducted a financial capability and inclusion survey in preparation for the development of the NFIS and potential financial capability activities in Uzbekistan.** The survey can be seen as an important diagnostic tool that will guide the NFIS's action plan and help the authorities and future WBG initiatives to deploy effective financial capability activities.

**This report provides key findings of the survey and recommendations across three main areas:**

**1. Financial Inclusion, 2. Financial Capability, and 3. Financial Consumer Protection.** The other sections of the report provides a detailed overview of the results of the financial capability survey, summarizes key findings of the report (Executive Summary), introduces the methodology of the survey (chapter 1), and focuses on the overall level of financial inclusion in Uzbekistan (chapter 2). Chapter 3 is an overview of the levels of financial capability in Uzbekistan, specifically financial knowledge, attitudes, and behaviors of respondents. Chapter 4 explores the relationship between financial inclusion and financial capability. The final chapter looks into financial consumer protection practices in the country.

<sup>1</sup> <https://www.af-global.org/blog/2020/02/financial-inclusion-agenda-central-bank-uzbekistan>

# Executive Summary

**Table 1: Summary of Key Recommendations**

	Recommendations	Responsible	Priority
<b>Financial Inclusion</b>	Adopt an evidence-based approach to the development of financial products that meet the needs of consumers, particularly those at the bottom of the pyramid.	CBU, banks, and MFIs	High
	Achieve scale by improving availability, product design, and consumer choice for social transfer and remittance- payment products that can boost financial inclusion.	CBU, Association of Banks of Uzbekistan, banks	Medium
	Develop a National Financial Inclusion Strategy to help align and unite initiatives pursued by various agencies in Uzbekistan, including the public sector, financial and non-financial institutions, and other stakeholders. This is currently underway.	CBU, WB, banks, Ministry of Education, Ministry of Communications	High
<b>Financial Capability</b>	The Financial Literacy department established by the Central Bank can play a big role in defining policy aimed at increasing the level of financial capability and a consequent uptake of financial services.	CBU, banks, consumer associations	High
	Mass media, and edutainment in particular, can be an effective channel to deliver financial education to adults. This can be done in collaboration with the private sector and NGOs.	CBU, banks, Ministry of Education, Ministry of Communications, Youth Union, Entrepreneurship Development Agency, other stakeholders	Medium
	Initiate youth development associations, mobile applications, and social media websites to reach a larger population, especially young adults.	CBU, Ministry of Education, Youth Union	Medium
	Scale up initiatives for school-based financial education programs over the medium to long-term.	Ministry of Education	Medium
	Go beyond financial capability-enhancing programs and evaluate possibilities around the use of nudges and reminders, as well as smart product design.	CBU, banks, MFIs, MNOs	Medium
	Financial knowledge and capability-enhancing programs could be combined with available financial products to enable financially-included Uzbeks to benefit from the products they use.	CBU, banks, MFIs, MNOs	Medium
<b>Consumer Protection</b>	Strengthen the existing financial consumer protection framework, including the minimum requirements to meet internal complain handling standards set by the central bank.	CBU, consumer rights protection agency	High
	Identify concerns faced by individuals when attempting to report a conflict with a financial services provider.	CBU, banks, MFIs	High
	Mystery shopping and focus-group discussions with consumers can be useful tools to gain additional insights into whether banks and other service providers satisfy their clientele.	CBU	Medium

## Financial Inclusion

**According to the 2020 Financial Capability Survey, 36 percent of surveyed adults in Uzbekistan report owning an account<sup>2</sup> at a formal financial institution.** As compared to other lower-middle income economies (World Bank classification), Uzbekistan is in the middle in terms of financial inclusion, although it does lag behind the average levels of account ownership when compared to other Europe and Central Asian (ECA) economies. The Global Findex survey shows a nearly 14-percent growth in financial inclusion in the country over the last decade, from 23 percent in 2011 to 37 percent in 2017. Among the respondents having transaction accounts, 32 percent reported using some type of debit, credit, or salary card (the most widely used payment card was UZCard at 86 percent, followed by Humo card at 21 percent) and 23 percent reported using mobile payment service applications like Click or PayMe.

**The gender gap in transaction account ownership is fairly low among the respondents, but there is significant variation in financial inclusion across regions and rural/urban lines:** 43 percent of respondents in urban areas reported to owning an account, while only 27 percent of respondents from rural areas reported the same. The highest level of financial inclusion, at 80 percent, was seen in the industrial region of Navoi and the lowest, at 17 percent, in the Surkhandarya region, which is largely agrarian. Remaining regions reported varying access to financial products and services, ranging from 20 to 55 percent.

**Informal saving by keeping money at home is the most commonly cited behavior, reported by 78 percent of respondents. Only around 10 percent reported saving in formal financial institutions.** Other methods of savings reported include informal clubs or saving with family and friends (22 percent), purchasing assets (18 percent), or buying financial investment products (4 percent). Primary reasons cited for saving or setting aside money, as reported by respondents, were health and medical reasons (14 percent), followed by future emergencies (11 percent). This was fairly consistent across age groups, gender, and locations. Unsurprisingly, respondents from higher-income quartiles had more funds to set aside for saving. They primarily saved it for future emergencies (32 percent) and education (26 percent).

**There is limited awareness of risk-management products like insurance and there are significant differences across income categories in the degree to which respondents invested in it.** Only 14 percent of respondents reported being aware of the various insurance products and services and from those, 24 percent reported using some form of insurance to manage risks. Men (32 percent) were much more likely to invest in insurance when compared to women (17 percent). Those in rural areas (26 percent) were also slightly more likely to invest in risk-mitigating products when compared to their counterparts in urban Uzbekistan (23 percent).

**Sixty percent of respondents reported to being aware of formal and informal credit services and products being offered, but only 21 percent reported using loans, credit lines, or overdrafts to cover their consumer needs in the last 12 months.** The prevalence of informal borrowing (that is, borrowing from family, friends, or work colleagues) is considerably higher at 36 percent than the average in other lower middle-income economies and other Europe and Central Asian economies (26 percent and 24 percent, respectively). None of the respondents reported to exclusively opting for formal credit products like bank loans or microfinance loans to borrow money when their households experienced shortages of money or unexpected expenses. The reasons cited for this were: high interest rates (14 percent), ineligibility (10 percent), or lack of trust in the system (4 percent).

<sup>2</sup> This is a combined value of deposit and transaction account ownership at a bank, payment card ownership (Humo, UZCard etc.), and mobile payment service application-account ownership (Click, PayMe etc.). As this is a demand-side indicator, it might differ from supply-side data as it also takes into account usage and general understanding of account ownership.

**Click and PayMe are the primary payment-service applications for mobile financial services in Uzbekistan** and enjoy relative success in adoption with 23 percent of respondents reporting to using them. Urban residents are more likely to use these services compared to their rural counterparts (29 percent vs. 16 percent). This is possibly due to better internet access, speed, and overall awareness. Male respondents also reported to using mobile payment-service applications more frequently than their female counterparts (26 percent vs. 20 percent). Higher income-level segments were more likely to use mobile financial services: only 16 percent of respondents from the lowest-income quartile (less than \$167) had Click or PayMe accounts when compared to around 42 percent from the highest-income quartile (greater than \$837).

**Remittances play an important role in Uzbekistan's economy. The World Bank estimates that international remittances account for about 15 percent of its GDP.<sup>3</sup>** Approximately 31 percent of respondents have heard about money-transfer services and 42 percent of those respondents have used it over the last 12 months. Female respondents (43 percent) and those residing in urban areas (48 percent) were more likely to use the services in comparison to their male (40 percent) and rural (36 percent) counterparts.

**The most commonly reported obstacles to formal account ownership are lack of enough money to use one, and lack of need for an account** reported by 30 and 26 percent of respondents respectively. Other traditional barriers such as distance (3 percent) and lack of documentation (2 percent), while relevant, were not as common. Notably, almost a fifth of respondents did not have any specific reasons as to why they did not have bank accounts or found it difficult to answer the question. This could be indicative of low financial literacy rates among respondents.



<sup>3</sup> World Bank staff estimates based on IMF balance of payments data, and World Bank and OECD GDP estimates

## Recommendations:<sup>4</sup>

**Public and private sector actors should take an evidence-based approach to developing financial products that meet the needs of consumers, particularly those at the bottom of the pyramid.** Despite banks' efforts to extend products and services to low-income clients,<sup>5</sup> the survey indicates a lack of suitable products that address the needs of large parts of the population. The barriers to financial inclusion cited by respondents also reflects a cost-benefit analysis on their part and demonstrates that many adults perceive banking services to be of little value, not in absolute terms, but for their levels of income and the quality of banking products. This could be due to the nontrivial costs associated with owning a formal account, from explicit costs like minimum balance requirements and withdrawal charges to implicit costs such as transportation costs. It also suggests that for many adults, formal institutions do not offer sufficiently valuable services for day-to-day transactions or savings, particularly when involving small amounts.

**The achievement of scale through improving availability, product design, and consumer choice for social transfer and remittances-payment products can boost financial inclusion.** For example, broadening the scope of mobile financial services to include savings and credit may improve the value proposition for lower-income adults. Electronic transfer of social benefits might prove to be another method to increase adoption of e-money services by lower-income quartiles. This is likely to be more effective with appropriate consumer-protection measures in place.

**The National Financial Inclusion Strategy (NFIS), being put together by the CBU and other stakeholders in collaboration with the World Bank, can further help in aligning and uniting initiatives pursued by various agencies in Uzbekistan, including the public sector, financial and non-financial institutions, and other stakeholders.** This document can promote a more effective and efficient process to achieve significant improvements in financial inclusion and help set ambitious but achievable quantitative targets. Well-defined, publicized, and monitored targets can be a powerful tool to translate goals into practice outcomes. Tracking progress against targets can provide valuable insights into barriers and/or opportunities for financial inclusion. Embedding financial inclusion modules into regular household surveys can be a critical element of a monitoring and evaluation framework for financial inclusion.

<sup>4</sup> It should be noted that the recommendations provided in this report mainly arise from this demand-side assessment and can therefore not be seen as being exhaustive.

<sup>5</sup> Uzbekistan is going through a process of opening up its financial sector. As part of this initiative, the large state-run banks are being reformed to offer more agile and cheaper services allowing them to expand to remote and rural areas.

## Financial Capability:

**Knowledge of basic financial concepts is still a challenge in Uzbekistan.** On average, respondents were able to answer just a little over half (4.09 of 7) of financial literacy-related questions correctly. Although, the largest proportion of respondents were able to answer between 4 to 5 questions correctly (20 to 23 percent), only a meager proportion of the sample (5 percent) answered all 7 questions correctly. Respondents were most comfortable performing simple divisions and calculations (84 percent), but lacked the specific knowledge required to diversify risks (38 percent); to understand that holding stocks from different companies is associated with less risky returns than holding stocks from a single company. Around two-third of respondents were comfortable with calculating compound interest (69 percent), and solving simple numeracy tasks needed to compare bargains (64 percent), insurance (61 percent), and inflation (58 percent). Interestingly, the working of simple interest appears to be the most difficult to understand and only 25 percent managed to answer the question correctly, which can have implications on their ability to make decisions on borrowing, loan offers, and loan repayment.

**The survey also included a specific set of questions to assess respondents' knowledge about financial institutions and products.** According to the survey, most respondents were aware of commercial banks (82 percent), while credit organizations were relatively unheard of (22 percent). Other financial organizations like exchange offices, insurance companies, and payment and settlement organizations were also relatively unfamiliar, only 10 percent reported being aware of them. This is also in line with the dominance of banks in the Uzbek financial sector. When analyzing across gender, age, and locations, the differences were very minor between groups. Loans, money transfers, debit cards (or cards linked to funds in a personal account like a salary card) were the most popular products and services among respondents, with 60 percent claiming to have heard of them. Digital services including online and mobile banking, electronic trade, financial leasing, and sale and purchase of securities were found to be the least known, with less than 10 percent of respondents claiming to have heard about them. The results were consistent when analyzed across gender, age, location, and income levels.

**When faced with complex financial situations and difficulties, a majority of respondents reported having sought financial advice.** According to the survey, more than half of respondents (52 percent) preferred consulting with other family members or asking a friend for advice on financial issues. Thirty-eight percent reported seeking advice from "spouse or partner". Female respondents were much more likely to ask partners for advice compared to their male counterparts (52 vs. 27). Male respondents, on the other hand, preferred seeking advice from other members of the family or their friends. Urban-dwelling respondents were less likely to seek financial advice from someone as compared to their rural counterparts. Thirteen percent of respondents reported to not consulting with anyone or seeking any financial advice.

**Some mechanisms used to cope with shortage of household funds included borrowing, finding additional work, and reducing household expenses.** According to the survey, 35 percent of respondents experienced an unexpected reduction of income, almost equal to their monthly income, during the previous year. Furthermore, 51 percent of respondents reported to running short of money from time to time and 9 percent on a regular basis. This was mainly attributed to insufficient/low incomes (48 percent), unreliable income streams (22 percent), unexpected expenses/events (21 percent), and unemployment (6 percent). In such times, 27 percent of respondents reported borrowing money from family members, relatives, and friends to meet expenses. Another 27 percent reported finding additional work, while 33 percent reported reducing household expenditures.

**The survey respondents showed relative strengths in terms of budget planning.** About 68 percent of respondents had an exact plan for distribution of resources received and only 4 percent reported not having a plan at all. Furthermore, 63 percent reported adhering to their intended spending plans. Male respondents and those residing in rural areas were more likely to stick to budget plans, as per the survey. This could be due to them having larger control over household income and expenses and the overall household budget. Respondents also showed relative strengths in terms of their ability to cover planned expenses. Most of the money left over is saved for known major expenditures (29 percent) or a planned future purchase (21 percent). Twenty-one percent allocated to covering emergencies or fluctuations in income. Fifty-five percent of respondents expected a major expense or bill that might be at least equal to their monthly income in the next 12 months and more than half of them (53 percent) could cover such expenses in full without borrowing money. Urban households found it harder to cover these major expenses (47 percent) without borrowing money when compared to the rural households (59 percent).

**The survey showed that respondents planned for their children's future, but were not as invested in planning for old-age expenses.** More than half of respondents (56 percent) stated having no strategies for covering old-age expenses. This was especially the case for those residing in rural areas: 62 percent vs. 50 percent in urban areas. About 22 percent of respondents, mainly from urban areas (27 percent vs. 17 percent in rural areas) hoped to get their pensions from the government, and 3 percent relied on financial support from the family, village, or clan. On the other hand, 76 percent of respondents planned the future of their children by providing them with an education and 24 percent by saving money to pass on to them. A fifth of respondents also reported planning for their children's future by investing in land and buildings to pass on to them.





## Recommendations:

**The Financial Literacy department established by the Central Bank can play a big role in defining policy aimed at increasing the level of financial capability and a consequent uptake of financial services.** This will allow all stakeholders to be informed on policy priorities and planned next steps and help scale up and maximize effectiveness of various financial education interventions. This is especially helpful in promoting cooperation between relevant stakeholders, avoiding duplication of efforts, and minimizing gaps and overlaps in addressing the challenges identified through this survey. The department can outline a set of priority programs to enhance financial capability levels of the overall population and specific subgroups. Priorities could be based on a number of criteria, including need, goals, costs, and availability of resources. Other essential elements to be considered include the roles and responsibilities of all involved, the main groups to be targeted, and a framework for monitoring and evaluation.

**Mass media, and edutainment in particular, can be an effective channel to deliver financial education to adults. This can be done in collaboration with the private sector and NGOs.** The field of behavioral economics has documented a plethora of behavioral biases that can prevent people from translating intentions into action. For instance, people tend to be biased towards status quo and choose the default option. They may also suffer from self-control issues, procrastination, overconfidence, or systematically underestimate the time it takes to complete tasks.<sup>6</sup> These behavioral biases may explain why the farsightedness of Uzbeks does not translate into sound long-term decision-making and why they are more challenged while covering for old-age expenses.

**Other possible channels that can be effective in reaching out, especially to young adults, include youth-development associations, mobile applications, and social media websites.** This can also include briefings, docu-dramas, e-newsletters, handbooks, and classroom exercises. Over 70 percent of Uzbekistan's population has mobile-phone subscriptions, hence mobile applications could be another promising outreach channel. A good example is the mobile budget app-Mobile Financial Assistant-maFin, developed for young adults by the Polish Financial Supervision Authority. This mobile app is designed to help monitor and analyze personal spending and facilitate budget planning. It is available free for mobile phones users.

**Scaling up initiatives for school-based financial education programs over the medium to long-term is recommended.** People who form sound habits on how to manage their money from a young age are more likely to adhere to them throughout their lives. International evidence is mixed on the effectiveness of school-based financial education programs in changing student behavior. Nevertheless, there are lessons to be learned from other countries that have implemented such programs. High-quality material or textbooks are required, and teachers need to be well-trained on the content and techniques. The central bank can collaborate with the Ministry of Education to develop lessons on financial education and integrate them into the elementary curriculum.

**It is also a good idea to go beyond financial capability-enhancing programs and evaluate the possibilities around the use of nudges and reminders and smart product design.** Studies in Bolivia and Peru show that simple, timely text messages reminding people to save can boost savings rates in line with earlier established goals.<sup>7</sup> Periodic reminder messages could induce them to save regularly and put money aside for old-age expenses. Commitment devices can also have a strong and positive effect on people's financial behavior.

<sup>6</sup> Buehler et al. 2002

<sup>7</sup> Karlan et al. 2010

# Relationship between Financial Inclusion and Financial Capability

**Financially excluded respondents were, on the whole, less familiar with financial services providers.**

The difference is most pronounced in payment and settlement organizations like UZCard with only 5.2 percent of the financially excluded reporting to knowing about the product as compared to 15 percent of the financially included. Commercial banks, on the other hand, observed a difference of 5.2 percentage points between the two groups (84.5 percent for the included and 79.3 percent for the excluded). Insurance and exchange offices observed a difference of 7 to 8 percent between the financially included and excluded.

**Data from the survey indicates, however, that differences in financial literacy levels among those using only formal and those using only informal financial products and services were not huge as long as they had access to some form of financial product or service.**

According to the financial literacy quiz discussed in Section 3.1, respondents surveyed scored 4.09 out of 7. Those who had access to some form of formal or informal financial products were much more likely to have a financial literacy score between 6 and 7 than those who had no access to financial products, who were more likely to score between 1 and 3. Notably, the difference in the financial literacy score between respondents who had access to only formal products and those who had access to only informal products was not much, indicating that financial capability by itself is not the main driver for financial exclusion from the formal financial system. Nevertheless, other factors such as cost, availability and usefulness are bigger drivers of financial exclusion. Thus, when considering financial capability initiatives to increase financial inclusion, the focus should not be on only capability, but must also take into account other aspects.

## Recommendations:

**Financial knowledge and capability-enhancing programs could be combined with available financial products that most people can access to enable financially-included Uzbeks to benefit from the products they use.**

Financial education programs could be tied to existing formal financial products that most people can access and use, for example, when opening a bank account, taking out a loan, or taking an insurance policy.

Research shows that financial education works best when delivered to adults during teachable moments,<sup>8</sup> when they are more likely to be receptive to new information. These education programs will not only help reduce existing gaps in customer understanding of financial concepts, but also inform about the need to build up savings for unexpected financial shocks and old-age expenses. However, the educational materials must be informative, clear, impartial, free from marketing, and needs to be monitored.

<sup>8</sup> Koonce, Joan & Mimura, Yoko & Mauldin, Teresa & Rupured, Michael & Jordan, Jenny. (2008). Financial Information: Is It Related to Savings and Investing Knowledge and Financial Behavior of Teenagers?. *Journal of Financial Counseling and Planning*. 19.

## Financial Consumer Protection

**The survey results suggest that bank-account owners, users of mobile payment-service applications like Click and PayMe, and respondents who took out loans, are all largely satisfied with the quality of service provided by their banks.** About 87 percent of those who use bank accounts and/ or debit, credit, or salary cards are satisfied with the quality of service they receive from their banks, of whom 66 percent reported to be completely satisfied. A closer look into bank satisfaction rates among different user profiles reveals that satisfaction was fairly uniform across gender (87 percent for both men and women), and location (88 percent for urban and 85 percent for rural).

**Approximately 92 percent of payment service-application users are satisfied with the quality of service they receive,** 67 percent of whom were completely satisfied. Only 2 percent reported losing money due to fraud or technical errors in their accounts in the last 12 months. The levels of satisfaction with Click and PayMe were also distributed fairly uniformly among users regardless of gender, age, education, and income levels. Similarly, about 90 percent of those who took loans from banks were satisfied with the quality of services and fully understood the interest, commissions, and fees associated with the loans they took. Only 8 percent claimed they were charged fees they did not expect.

**To determine respondents' understanding of unsafe activities, they were asked questions about possible fraudulent behavior when using cards and possible consequences of bankruptcy for depositors.** According to the study, the vast majority (96 percent) of respondents do not know the maximum amount that the government will return to a depositor in case his bank goes bankrupt. Currently, this covers the total amount deposited at a financial institution, no matter the size of the deposit. Two-thirds of respondents do not know or find it difficult to answer how not to behave when using bank cards or conducting digital payments. This suggests that most citizens have limited knowledge about preventing fraud when using cards and are vulnerable to fraud. Less unsafe activities, according to respondents, include transfer of information on credit/debit cards by phone or SMS (2 percent), internet payments on unsecured websites (3 percent), and exchange of login information on the internet and/or mobile banking (3 percent). Lesser awareness and access to mobile and internet banking services is likely the reason for lower awareness in this regard.

**A very small proportion (4 percent) of respondents reported to having conflicts with financial service providers over the last three years.** But the low numbers are not necessarily indicative of fewer conflicts. Delving deeper into the characteristics of those who encountered conflict, the survey results suggest that the sick and disabled, and those who hadn't completed any form of formal education, were among the groups most vulnerable to having faced financial disputes. Other vulnerable segments, including low-income individuals or the unemployed, who were less likely to report conflicts, were also less likely to have accounts at formal financial institutions. In the event of a conflict, they had lesser trust in the system being able to resolve their concerns.

**In terms of actions being taken to resolve conflicts, 34 percent reported submitting complaints to the appropriate state agency, and 31 percent reported submitting grievances to the company that sold the product. Only 4 percent of respondents took the legal route.** The other actions that were taken include: approaching the provider through friends and family (7 percent), or via local powerholders (6 percent), or simply stopping the use of their services before contract expiration (12 percent). Thirty percent of those who reported conflicts with their financial service providers over the past three years did not take any action to resolve them. The main reasons cited for not taking action include: lack of awareness of which government agency to approach for help (17 percent), the view that financial institutions are simply too powerful (16 percent), and lack of confidence in the law to adequately protect the consumer (9 percent).

**Respondents were asked to express their levels of trust in various financial institutions.** More than half the respondents (57 percent) had full trust in the Central Bank of Uzbekistan, while the trust in commercial banks and credit organizations was slightly lower at 34 percent each. A fairly large proportion trusted pension funds (66 percent), payment-settlement organizations like UZCard (51 percent), and suppliers of digital financial services (45 percent). Insurance companies on the other hand, were not as trusted (31 percent).

## Recommendations:

**The findings emphasize the need to complement financial capability-enhancing efforts by measures to strengthen existing financial consumer-protection framework, including minimum requirements to meet internal complaints-handling standards set by the central bank.** Legal and regulatory provisions should require financial institutions to provide customers with information on internal complaints-handling procedures (including contact information and time limits). This information should not only be disclosed in their products' terms and conditions, but also be visibly posted online and at branches.

**In addition, customers should be informed about formal redress systems and legal aspects to increase awareness levels of government agencies** that can be approached for help in the event of a dispute with a financial service provider—as a large proportion of respondents, who reported not doing anything in case of conflict, said this was because of “not knowing which government agency to approach.” Additional efforts need to be made to also promote the deposit-insurance scheme in Uzbekistan.

**Identify concerns faced by individuals when attempting to report a conflict with a financial service provider.** Only 4 percent of respondents reported to having faced conflicts with financial service providers in the last three years. It would be helpful to understand if these numbers are actually reflective of fewer conflicts or if the affected entities were not in a position to report it and/or do something about it; or if it was because most respondents did not have access at all to a financial service provider. This exercise can help identify if the concerns are related to access to or trust in the financial/legal/government agencies and can inform further supervisory and regulatory actions.

**Mystery shopping and focus-group discussions with consumers can be very useful tools to gain additional insights into whether banks or other service providers satisfy their clients.** Mystery shopping can be used to test a bank's compliance with specific requirements, to determine the quality of information consumers receive, and if suitable advice is given. However, to be effective, it needs to be well structured. The shoppers need to ask the same questions at each provider, based on simple and plausible scenarios, and a reasonable sample of providers must be covered. Focus-group discussions with consumers of bank services are another effective tool to delineate attitudes, motivations, and opinions around the most important issues and concerns they have with financial services and products.

# 1. Background on Uzbekistan Survey

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# 1 Background on Uzbekistan Survey

## 1.1 Methodology

**The financial capability questionnaire used for this survey has been extensively tested in the context of middle and low-income countries.** The survey instrument used is based on a questionnaire developed with support from the Russia Financial Literacy and Education Trust Fund. It is tailored to measure financial capability in low and middle-income countries, but can also be used in high-income countries. Extensive qualitative research techniques were used to develop this survey instrument, including about 70 focus groups and more than 200 cognitive interviews in eight countries to identify concepts relevant to middle and low-income settings and to test and adapt the questions to ensure they are well understood and meaningful across income and education levels. The instrument has currently been tested by the World Bank Group (WBG) in over 14 countries in Latin America, Africa, the Middle East, and East Asia and the Pacific.

**The survey instrument used allows financial capability, financial inclusion, and consumer-protection issues to be assessed and measured.** Financial capability is measured by knowledge of financial concepts and products, and by attitudes, skills, and behavior related to day-to-day money management, planning for the future, choosing financial products, and staying informed. To jointly analyze financial capability and inclusion, the survey instrument captures information on usage of different kinds of financial products and providers. The financial consumer-protection section gathers information on incidences of conflicts with financial service providers and levels of satisfaction with financial products offered by different financial institutions. The survey instrument was customized to the policy priorities and context of Uzbekistan and specific questions on topics such as the use of certain digital-financial services and on financial inclusion and consumer-protection issues pertaining to Uzbekistan were added to the survey.

**The survey in Uzbekistan is representative of the financially active population of the covered regions and comprises a sample of 2,480 adults.** Accounting for a non-response rate of 33 percent, the target sample was set to 3,720 households. The following stratifications were considered in constructing the survey sample: regional stratification, location population sizes, and urban/rural delineations. However, the COVID-19 pandemic during survey implementation prevented certain regions from being fully covered due to lockdown/social-distancing measures in place. Hence, the sample of households interviewed was reduced from 2,700 to 2,480.

**To ensure a scientifically robust sample, a multistage sampling design was applied using a proportional probability sampling approach.** The Uzbekistan census data collected in 2019 was used as a sampling frame that included:

- **The macro-stratum**, top-level administrative units (oblasts)
- **The rural substratum** containing the list of all rural locations in all macro-strata
- **The location's** population size.

**PSUs (Primary Sampling Units) were selected from each stratum via PPS based on rural locations in all substrata, excluding capitals and major cities and voting precincts in Tashkent.** A random walk method was used to select households in the selected locations. Within each household, eligible respondents, responsible for either personal or household finances, were randomly drawn by means of the Kish grid. Proper individual weights were calculated using population distributions by region, type of location (rural/urban delineations), age, and gender and used in the analysis to adjust for varying probabilities of selection.

**The survey company, M-Vektor, implemented the survey between February and April 2020, using computer-assisted personal interview methods (CAPI).** Due to extensive efforts such as extensive training of enumerators on refusal conversion strategies, letters sent in advance to inform respondents about the surveys' objectives, five contact attempts, etc.) the total non-response rate was around 67 percent of the total targeted households.

## 1.2 Sociodemographic Portrait

**The survey covered 2,480 respondents and showed the following key characteristics:** Respondents were adults over age 18, 49.5 percent were male and 50.5 percent, female. Three of four respondents were married, one in ten was widowed. The urban-rural divide was almost evenly split, with 46.8 percent of respondents living in metropolitan areas and 53.2 percent in more rural settings. Additional socio-demographic and methodological details are provided in annex 2.

**As seen in table 2, the Uzbek financial capability survey matches with the 2019 census data** provided by the State Committee of the Republic of Uzbekistan on Statistics (UzStat), showing only minor differences between survey samples.

**Table 2: Key Sociodemographic Data, Uzbekistan Financial Capability Survey**

Indicators	Uzbekistan Census	Financial Capability Survey
<b>Population distribution</b>		
Less than 15 years old	28.9%	0%
Between 15 to 64 years old	66.5%	90.7%
More than 64 years old	4.6%	9.3%
<b>Gender distribution</b>		
Male	50.2%	50.5%
Female	49.8%	49.5%
<b>Area distribution</b>		
Urban	50.5%	46.8%
Rural	49.5%	53.2%

Source: Uzstat, 2019

## Education

**The majority of respondents did have at least a tertiary degree, including vocational education.** Forty-two percent had completed vocational school and 15 percent finished university, having obtained at least a bachelor degree. Of the remaining respondents, at least 37 percent had completed secondary education. Seventy percent of respondents had up to 12 years of education (including 60 percent with 10 to 12 years, and 10 percent with up to 10 years of education).

## Income profile

**In most cases, the average monthly household income received from all sources did not exceed UZ\$2 million (\$209).<sup>9</sup>** Specifically, when ranking individuals into separate income groups, 29.2 percent of households received less than UZ\$1.6 million (\$167 ) per month. The second lowest category, from UZ\$1.6 million to 3 million (\$167-313), accounted for 29.1 percent of respondents. Twenty percent of households had a monthly income from UZ\$3 to 6 million (\$313-628) and only 2.9 percent had incomes higher than UZ\$6 million (\$628) per month.

**Furthermore, income for the majority of households (67 percent) is highly seasonal and may vary over the year.** For almost 30 percent of respondents, the primary source of personal income depended on agricultural products ( livestock, crops, etc.) or self-employment in their own enterprise/farm. The single highest source of income with 24 percent was pensions or other state transfers. The private and public/government sector was represented by equal proportions of respondents (15 percent each), who rely on them as their main source of personal income.

**Most respondents are not formally employed or work at home without wages.** Specifically, only 23 percent were formally employed and 17 percent self-employed. Among those who stayed at home without wages were those who are retired (23 percent), engaged in housework (19 percent), or were seasonal workers (4 percent), as well as students, the unemployed, and people with disabilities.



<sup>9</sup> Conversion rate used: \$1= 9554.2 (March 2, 2020) <http://cds.worldbank.org/Pages/CurrMain.aspx>



## **2. Financial Inclusion**

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## 2 Financial Inclusion

### 2.1 Introduction

**Financial inclusion, defined as the uptake and use of a range of appropriate financial products and services by individuals, has become a policy priority for the CBU since 2017.** Over the past years, the Uzbek authorities have been cooperating with the WBG extensively and are currently planning to launch a NFIS for the whole country. Furthermore, the country is a member of the Alliance for Financial Inclusion, which it joined in August 2018,<sup>10</sup> and a co-signatory of the Maya declaration, which focuses on a clear set of financial inclusion targets. While a lot has been achieved over the years, Uzbek authorities agree that a majority of Uzbeks are still financially excluded and additional drives and reforms are needed.

**This section serves to strengthen the understanding of the state of financial inclusion in Uzbekistan and provide valuable context to interpret the results on financial capabilities.** Collecting survey data from individuals—that is, from the demand side—can provide valuable insight into the use, value, and limitations of existing financial services. Demand-side survey data also facilitates analysis of how financial inclusion varies across different population segments and the degree to which financial behaviors like saving, borrowing, and making payments may overlap. The data and analysis presented below can be used to identify priority populations, set national financial inclusion targets, and design reforms and interventions to advance financial inclusion in Uzbekistan. Future surveys will shed light on the degree to which the financial inclusion landscape is shifting in Uzbekistan, and to what extent progress is evenly distributed across different population segments and regions.

### 2.2 Overview of Financial Inclusion in Uzbekistan

**The Uzbek financial sector is bank dominated by state-owned institutions playing a key role.** The thirteen state-owned banks accounted for 86 percent of total sector assets and 90 percent of overall credit in 2019.<sup>11</sup> An additional 17 private banks also provide financial services, but have limited market share. Non-bank financial institutions (NBFIs) also play a limited role. Accounting for only 1.5 percent of the market, regulation of this sector is underdeveloped and overall good practices are lacking. Lastly, there are 57 microcredit organizations and 59 pawnshops operating and more than 100 leasing companies.

**Overall financial inclusion remains limited in Uzbekistan.** With a population of 33.6 million, Uzbekistan represents the largest Central Asian country, but only 37 percent of respondents reported having access to bank accounts in 2017<sup>12</sup> (see table 3). This is well below the average of lower middle-income countries (58 percent) and is stagnating when compared to the 2014 Global Findex survey, when 40.7 percent of individuals reported owning an account. Nevertheless, the country has seen considerable account-ownership growth since the start of FINDEX data collection in 2011, when 22.5 percent reported owning an account. The low rate of financial inclusion is more pronounced in rural areas, as financial institutions concentrate their operations in or around urban centers.

<sup>10</sup> <https://www.findevgateway.org/news/central-bank-uzbekistan-joins-alliance-financial-inclusion>

<sup>11</sup> Uzbekistan Industry Research-Banks, RAexpert, November 2019

<sup>12</sup> Global Findex Data 2017

**Table 3: Key Financial Inclusion Indicators for Uzbekistan**

Indicator	2014	2017
Account (% age 15+)	40.7	37.1
Borrowed any money in the past year (% age 15+)	17.4	20.0
Borrowed any money in the past year, income, poorest 40% (% age 15+)	20.1	19.7
Borrowed any money in the past year, income, richest 60% (% age 15+)	15.5	20.2
Borrowed from a financial institution (% age 15+)	1.3	2.1
Saved any money in the past year (% age 15+)	43.5	38.5
Saved any money in the past year, income, poorest 40% (% age 15+)	37.7	28.2
Saved any money in the past year, income, richest 60% (% age 15+)	47.3	45.4
Saved at a financial institution (% age 15+)	1.8	2.3

Source: Global Findex, 2017

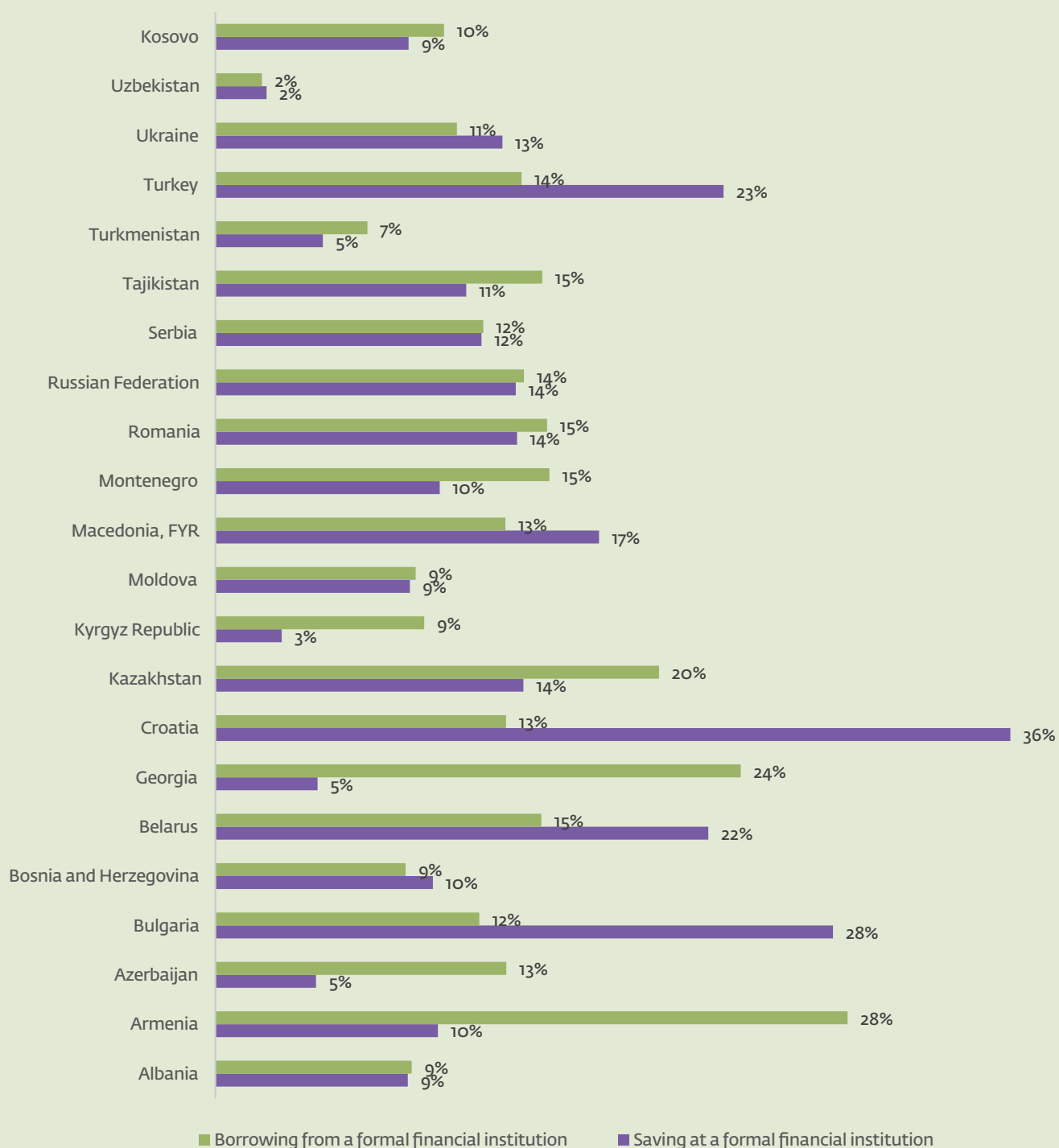
**While growth in account ownership has stagnated, access to physical access points has increased considerably since 2015.** There were only 8.48 ATMs per 100,000 adults in Uzbekistan in 2014; this number had increased to 28.04 in 2018.<sup>13</sup> Similarly, the number of commercial bank branches per 100,000 adults increased from 31.06 to 36.44. This number is growing as the bank-dominated financial sector is opening up and become more competitive. According to the Uzbek financial capability survey, urban residents are more likely to have access to the aforementioned payment channels than their rural counterparts: ATMs (23.6 vs. 19 percent), bank branches (12 vs. 9 percent), cash offices (16 vs. 10.7 percent), infokiosks (11 vs. 5.6 percent), mobile phones (12 vs. 7.7 percent), and Internet banking (4 vs. 2.4 percent).

**The majority of households saves and borrows informally, rather than use formal financial services.** Low-income households have less access to formal finance than their peers in high-income groups. Although most households are increasingly using bank accounts, few borrow/save with formal financial institutions. Figure 1 illustrates formal saving and borrowing in Europe and Central Asian economies. It shows that Uzbekistan lags considerably behind in the use of formal financial institutions. This can be associated with the prominent role of state-owned banks and slow implementation of reforms in the sector since independence. Additionally, in Uzbekistan, use of digital-financial service offerings is low. According to FINDEX data, just 34 percent of the adult population report having made or received a digital payment in the past year, with the vast majority of such payments conducted via card and account transfers. Moreover, only 7 percent of adults use mobile phones to make financial transactions, most likely due to the low smart-phone penetration in the country (45 percent in 2018).<sup>14</sup>

<sup>13</sup> Financial Access Survey, IMF, 2018

<sup>14</sup> The mobile economy Russia & CIS 2019, GSMA, 2019

**Figure 1: Saving and borrowing at a formal financial institution in Europe and Central Asian economies<sup>15</sup>**



Source: Global Findex, 2017

<sup>15</sup> Global Findex 2017

**Financial inclusion has been on the reform agenda since 2017 due to the role it can play in improving financial sector resilience to shocks and boosting productivity of firms.** The Central Bank of Uzbekistan has been given a clear mandate to facilitate financial inclusion. New laws such as the law on *Payments and Payment Systems*<sup>16</sup> have been designed to facilitate the uptake of digital financial services. The central bank is cooperating with the World Bank Group to develop the country's first NFIS, to be adopted in 2020.

**The following sub-sections explore specific financial products and services that adults in Uzbekistan have access to and use, both within and outside the formal financial system.** Increasing availability of banking services through better awareness among citizens as consumers of financial products and services, diversification of banking services, and the use of digital channels are among the current financial sector development priorities.



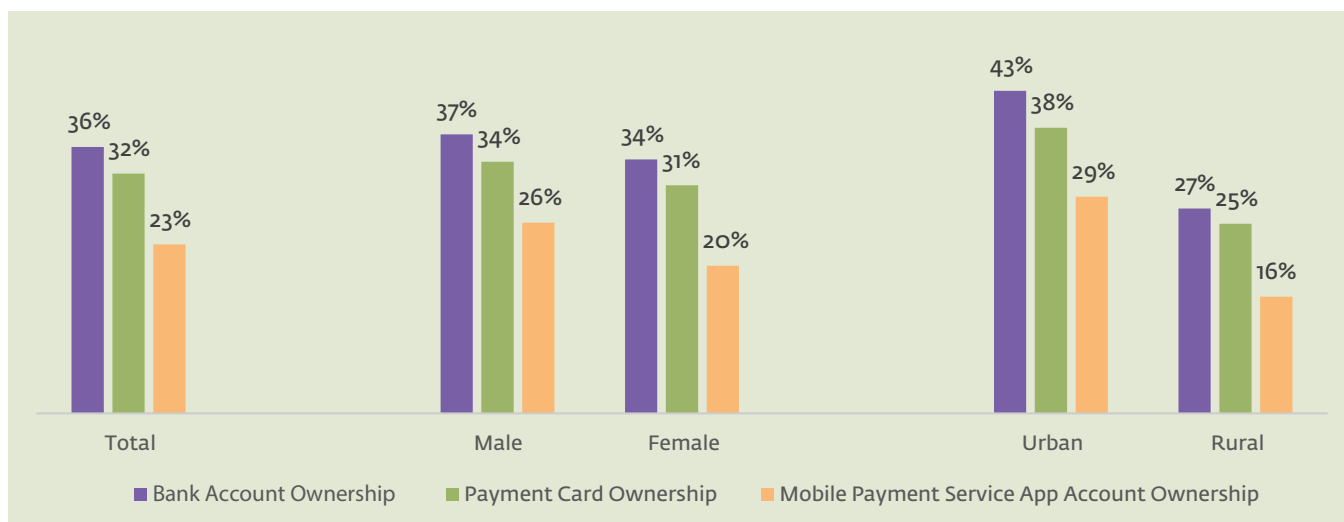
<sup>16</sup> Law On Payments and Payment Systems; Uzbekistan; 7 November 2019, ZRU-5784, (entered into force February 3, 2020)

## 2.3 Financial Inclusion Survey Results

According to the 2020 Financial Capability Survey, 36 percent of surveyed adults in Uzbekistan report owning an account<sup>17</sup> at a formal financial institution (see figure 2). As compared to other lower middle-income economies, (World Bank classification) Uzbekistan is in the middle in terms of financial inclusion, although it does lag behind the average levels of account ownership among Europe and Central Asian economies. Nevertheless, the survey data is in line with other demand-side studies such as the Global Findex. According to the Findex data, Uzbekistan showed a nearly 14-percent growth in financial inclusion over the last decade, from 23 percent in 2011 to 37 percent in 2017.

Furthermore, per the 2020 Financial Capability survey, 32 percent of respondents reported using some type of debit, credit, or salary card (Humo, UZCard, etc.), and 23 percent used payment service applications like Click or PayMe. The most widely used payment card was UZCard at 25 percent, followed by Humo card at 6 percent.

Figure 2: Transaction account ownership (including payment cards, mobile payment service application accounts)



Source: IFC Financial Capability Survey, 2020

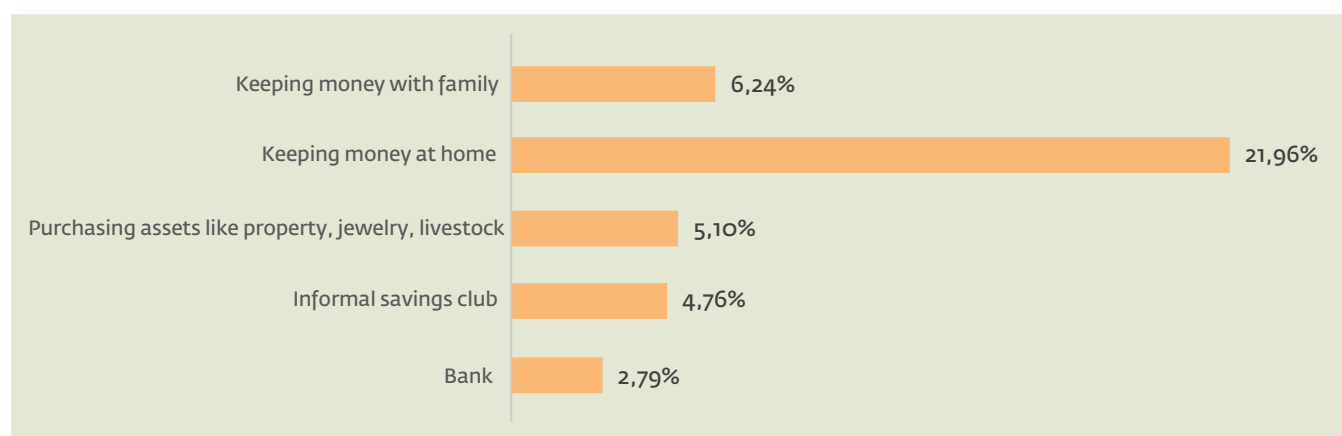
**There is significant variation in financial inclusion across regions and rural/urban lines within Uzbekistan.** Forty-three percent of respondents residing in urban areas reported owning an account, while only 27 percent from rural areas reported the same. The highest levels of financial inclusion were seen in the industrial region of Navoi, at 80 percent, and the lowest of 17 percent in the Surkhandarya region, which is largely agrarian. The remaining regions reported comparatively low access to financial products and services ranging from 20 to 55 percent.

<sup>17</sup> This is a combined value of deposit and transaction-account ownership at a bank, payment-card ownership (Humo, UZCard etc.), and mobile payment-service application account ownership (Click, PayMe etc.). As this is a demand-side indicator, it might differ from supply-side data as it takes also into account usage and general understanding of account ownership.

## 2.3.1 Savings

**Informal saving (for example, saving at home) is the most commonly cited behavior, reported by 22 percent of respondents. Only around 3 percent reported saving in formal financial institutions.** The other methods of savings included informal clubs (4.8 percent), saving with family and friends (6 percent), or purchasing assets (5 percent), as seen in figure 3 below.

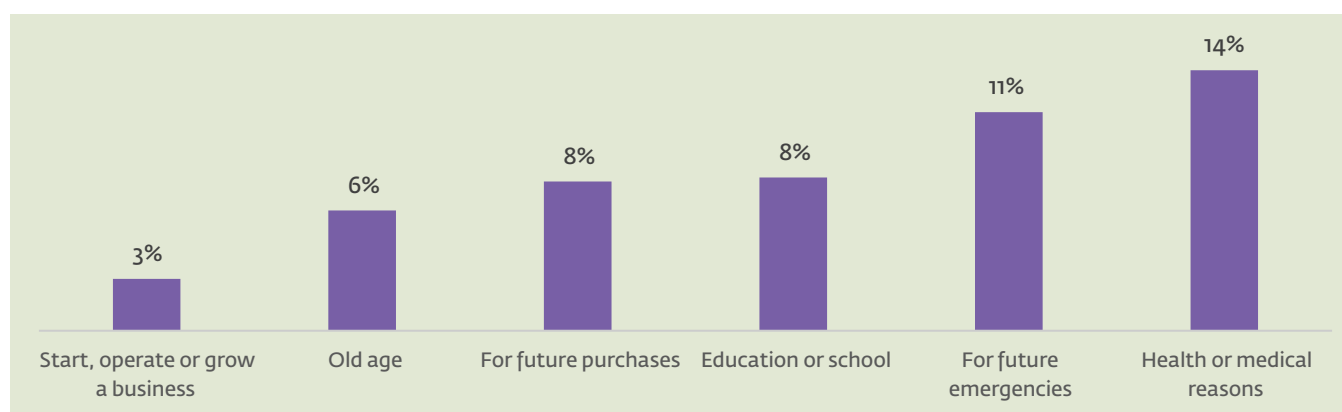
Figure 3: Methods of saving over the last 12 months



Source: IFC Financial Capability Survey, 2020

**The primary reasons cited for saving or setting aside money by respondents were health and medical reasons (14 percent), followed by future emergencies (11 percent) (see figure 4).** Respondents were less likely to save for the purpose of starting, operating, or growing a business (3 percent), or old age (6 percent). The reasons for saving were fairly consistent across age groups, gender, and locations. Unsurprisingly, respondents from higher-income quartiles had more funds to set aside for saving, and they primarily saved it for future emergencies and education.

Figure 4: Reasons to save or set aside money, N=2480



Source: IFC Financial Capability Survey, 2020

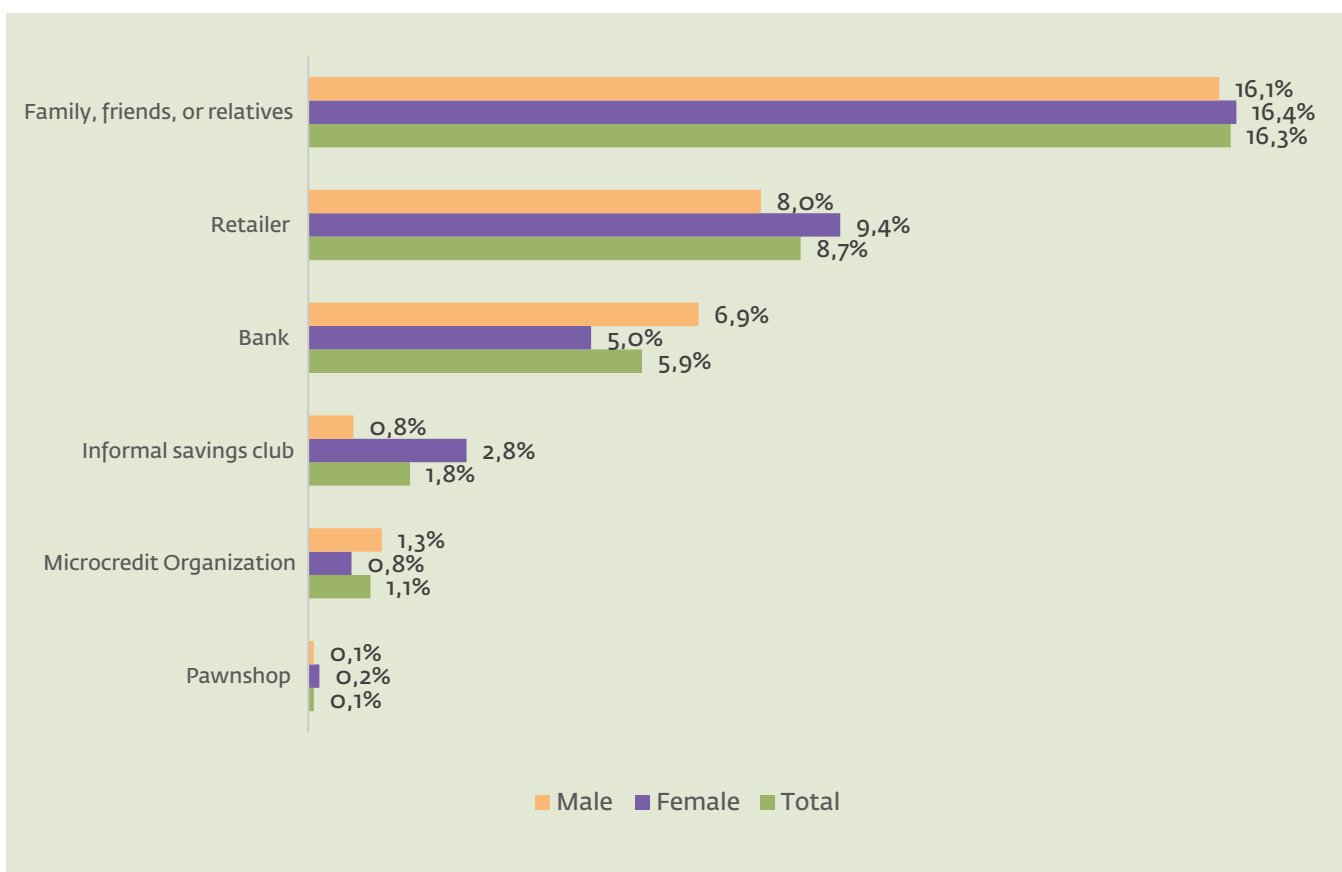
**According to official data on the consolidated balance sheet of commercial banks in Uzbekistan, the share of deposits of total bank liabilities is about 40.2 percent.**<sup>18</sup> But only 6 percent of respondents reported to depositing money in the last 12 months. This is possibly because a majority of deposits belong to legal entities, while the general population prefers keeping their savings as cash or investing in movable and immovable property. Women (8 percent) and people living in urban areas (10 percent) were more likely to deposit money in banks than men (5 percent) and rural residents (3 percent).

<sup>18</sup> <https://cbu.uz/ru/statistics/bankstats/134866/>

## 2.3.2 Credit and Borrowing

Over the past year, only 12.6 percent of respondents reported to using formal loans, credit lines, or overdrafts. As seen in figure 6, the most common method of accessing credit was borrowing from family, friends, and relatives (~16 percent), followed by credit from retailers (~9 percent). Banks (~6 percent) and microcredit organizations (~1 percent) were not as commonly used by respondents to access credit.

Figure 5: Access to credit from formal and informal sources in Uzbekistan in 2020

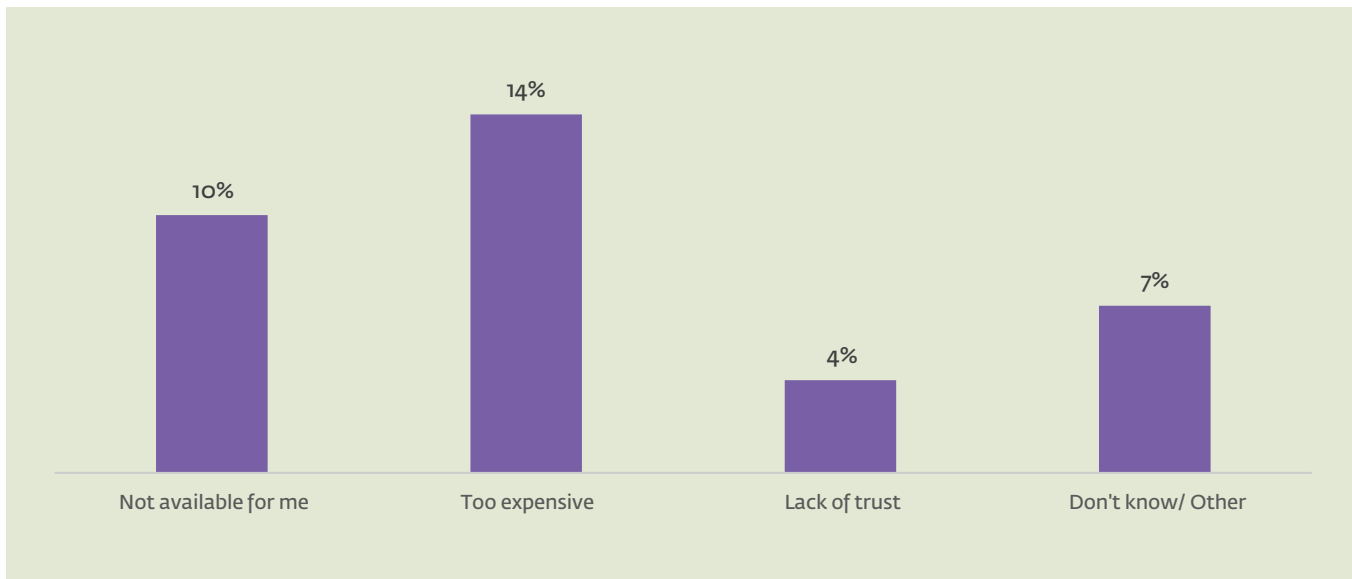


Source: IFC Financial Capability Survey, 2020

None of the respondents reported to exclusively opting for formal credit products like bank loans or microfinance loans to borrow money when their households experienced shortage of funds or unexpected expenses. The reasons for this were: high interest rates (14 percent), ineligibility (10 percent), or lack of trust in the system (4 percent), as seen in figure 7 below.



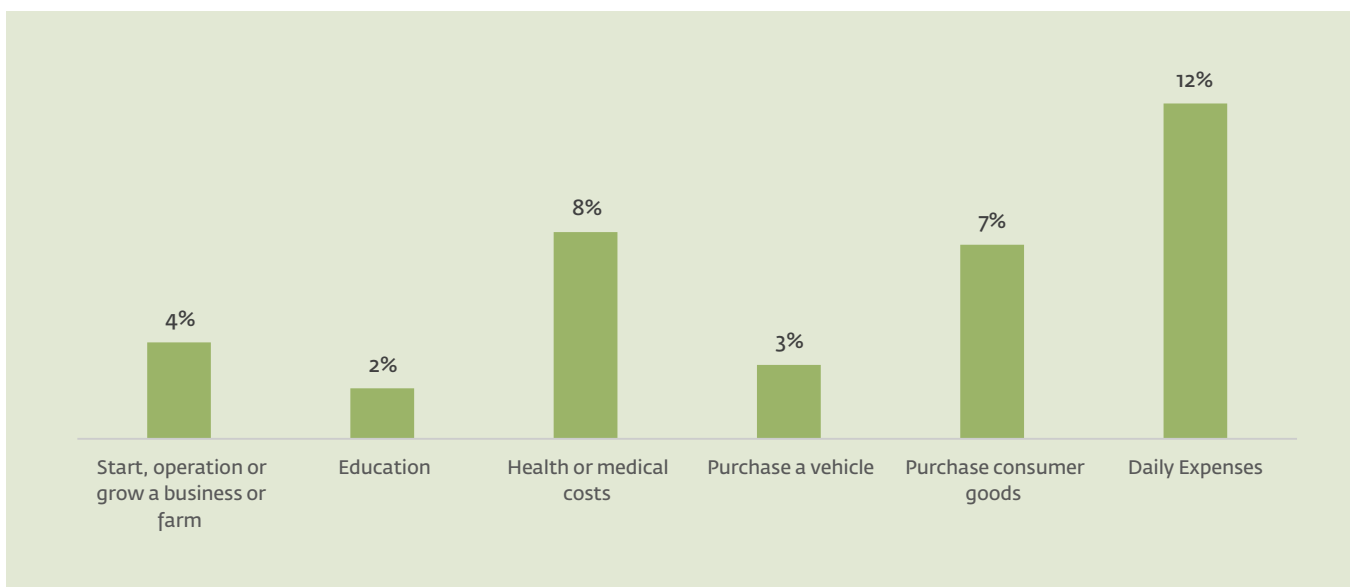
**Figure 6: Reasons of not using a loan/credit line/overdraft**



Source: IFC Financial Capability Survey, 2020

The main reasons for borrowing money was to cover daily expenses (12 percent), health and medical costs (8 percent), or to purchase consumer goods (7 percent) as seen in figure 8. Urban residents were more likely to borrow for these reasons than their rural counterparts, but the difference between the two wasn't very significant.

**Figure 7: Reasons for borrowing over the last 12 months**



Source: IFC Financial Capability Survey, 2020

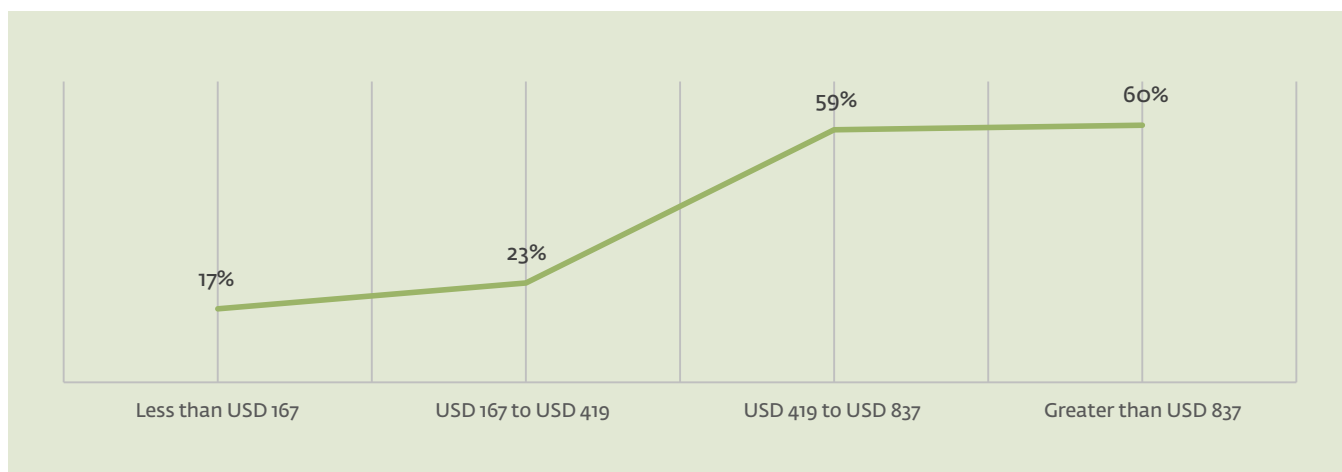
**Leasing as a form of borrowing was fairly low at 6 percent, and was primarily observed among business owners.** This was for the acquisition of fixed assets (such as cars, special machinery or equipment). Respondents from urban areas were significantly more likely to use leasing than their rural counterparts (14 percent vs. 1 percent).

## 2.3.3 Insurance

**There is limited awareness of risk-management products like insurance and there are significant differences across income categories in the degree to which respondents have invested in it.** Around 14 percent of respondents reported being aware of insurance services, and only 3.4 percent reported using some form of insurance to manage risks. Men (32 percent) were much more likely to invest in insurance compared to women (17 percent). Interestingly, those in rural areas (26 percent) were also found to be slightly more likely to invest in risk-mitigating products compared to their counterparts in urban Uzbekistan (23 percent). This could be because insurance companies are slightly more active in rural areas and go door to door selling insurance products, as opposed to urban areas where people have to visit offices to purchase insurance. Furthermore, reduced public transport in rural areas translates to increased car ownership and purchasing of car insurance. Additional research on risk-management behavior among respondents might be necessary to explain this finding.

**Income quartiles were broken down as: less than \$167, \$167 to 419, \$419 to 837, and greater than \$837.** The following exchange rate (\$1= 9,554.2 UZS)<sup>19</sup> was used to convert the values to U.S. dollars. The poor, who arguably are most in need of tools to help protect against income shocks and ensure smooth consumption, were considerably less likely to invest in risk-management activities. Seventeen percent of the poorest-income quartile invested in risk management compared to 60 percent of the richest quartile (see figure 5). Deviations can be expected due to the small sample size.

**Figure 8: Usage of insurance services disaggregated by monthly household income quartiles, n=347**



Source: IFC Financial Capability Survey, 2020

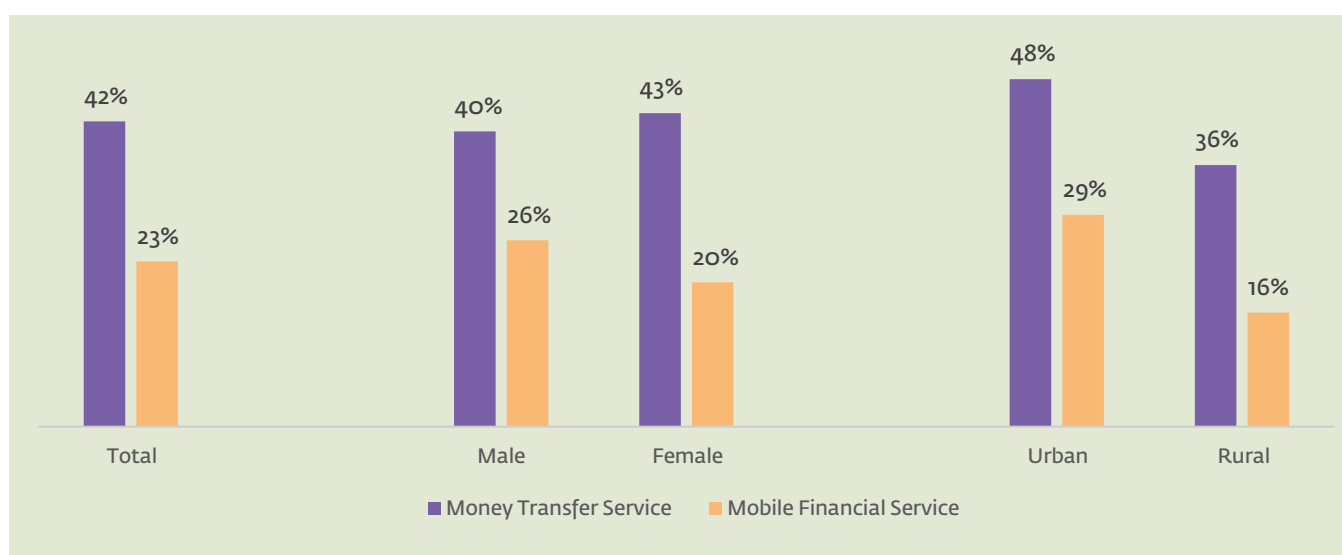
**Fourteen percent of respondents cited a lack of trust in insurance service companies as their main reason for not investing in insurance.** Trust concerns were amplified in older age groups: only 5 percent in the age group of 18 to 24 listed lack of trust as a major concern, while about 40 percent of individuals age 65 or more indicated this.

<sup>19</sup> Reuters, as of March 31, 2020

## 2.3.4 Money Transfers and Mobile-Financial Services<sup>20</sup>

**Approximately 31 percent of respondents had heard about money transfer services, and 12.7 percent had used it over the last 12 months.** Remittances play an important role in Uzbekistan's economy. According to estimates, international remittances accounted for about 15 percent of the country's GDP in 2018. From those who reported having transaction accounts, 20 percent received money or in-kind payments from their family, friends, or other individuals via money-transfer services. Female respondents (43 percent) and those residing in urban areas (48 percent) were more likely to use these services compared to their male (40 percent) and rural (36 percent) counterparts. Only 3.5 percent of respondents reported using internet banking over the last 12 months.

**Figure 9: Use of Money Transfer and Mobile Financial Services in the last 12 months (percentage of financial services users)**



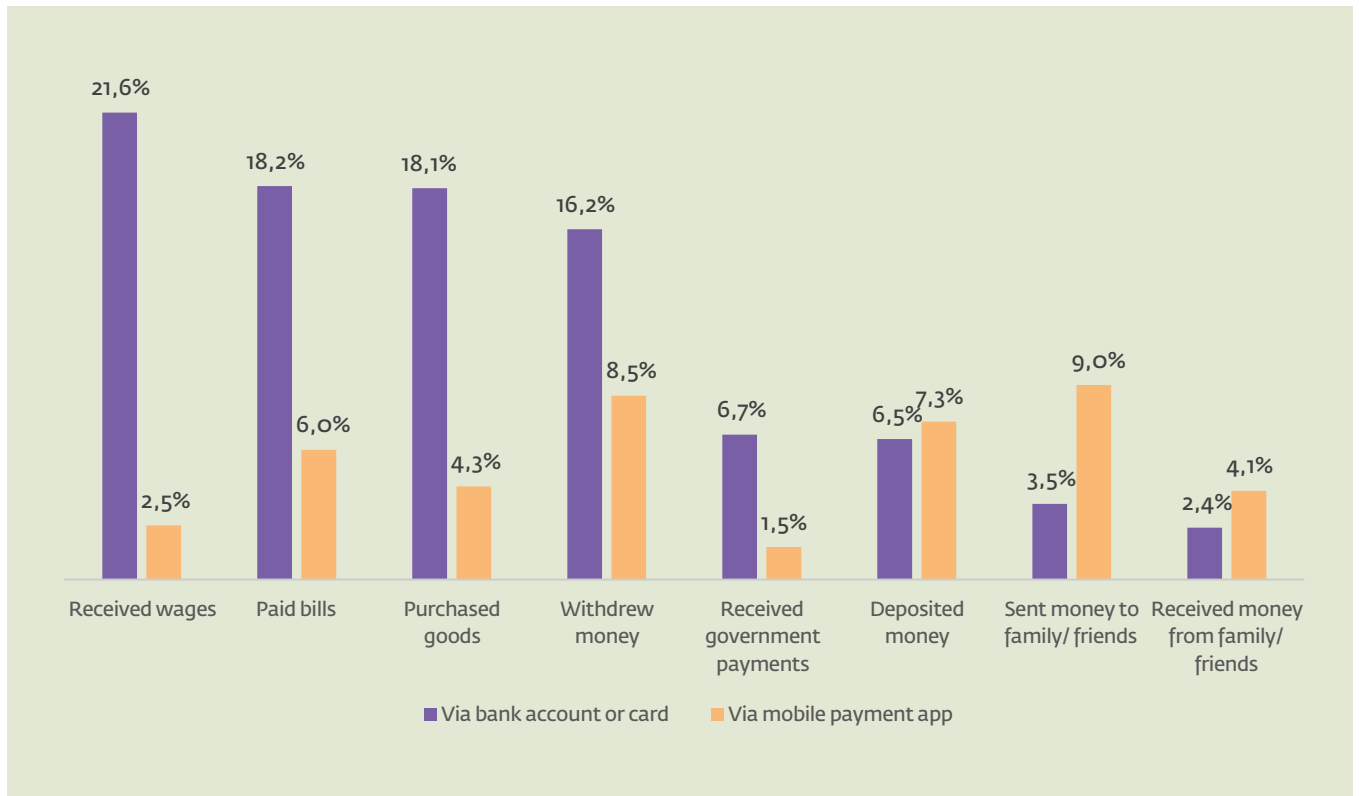
Source: IFC Financial Capability Survey, 2020

**Click and PayMe are the primary payment-service applications representing mobile-financial services in Uzbekistan** and enjoy relative success with 23 percent of respondents using them (see figure 9). Urban residents were more likely to use these services compared to their rural counterparts (29 percent vs. 16 percent), possibly due to better internet access and speed. Male respondents also reported using mobile payment-service applications more frequently than their female counterparts (26 percent vs. 20 percent).

**Mobile-payment applications are primarily used to withdraw money (8.9 percent) or send money to family and friends (8.6 percent).** A fairly small proportion reported to receiving wages (2.5 percent) or government transfers (1.5 percent) via mobile-payment platforms. Moving salary and government payments to these platforms could potentially help increase its uptake. Urban areas were more likely to use Click or PayMe than their rural counterparts to deposit money (8 vs. 5 percent), withdraw money (10 vs. 7 percent), or send money to friends and relatives (10 vs. 6 percent). Bank accounts were more likely to be used overall for: paying utility bills (18.2 percent), purchasing goods (18.1 percent), and receiving wages (21.6 percent) in both rural and urban areas, as can be seen in figure 10.

<sup>20</sup> All data related to money transfer and, especially, remittances were collected prior to the COVID-19 crisis, which has considerably affected Uzbekistan and Russia, the main originating country for its remittances.

**Figure 10: Reasons listed for using bank accounts and mobile-payment apps**

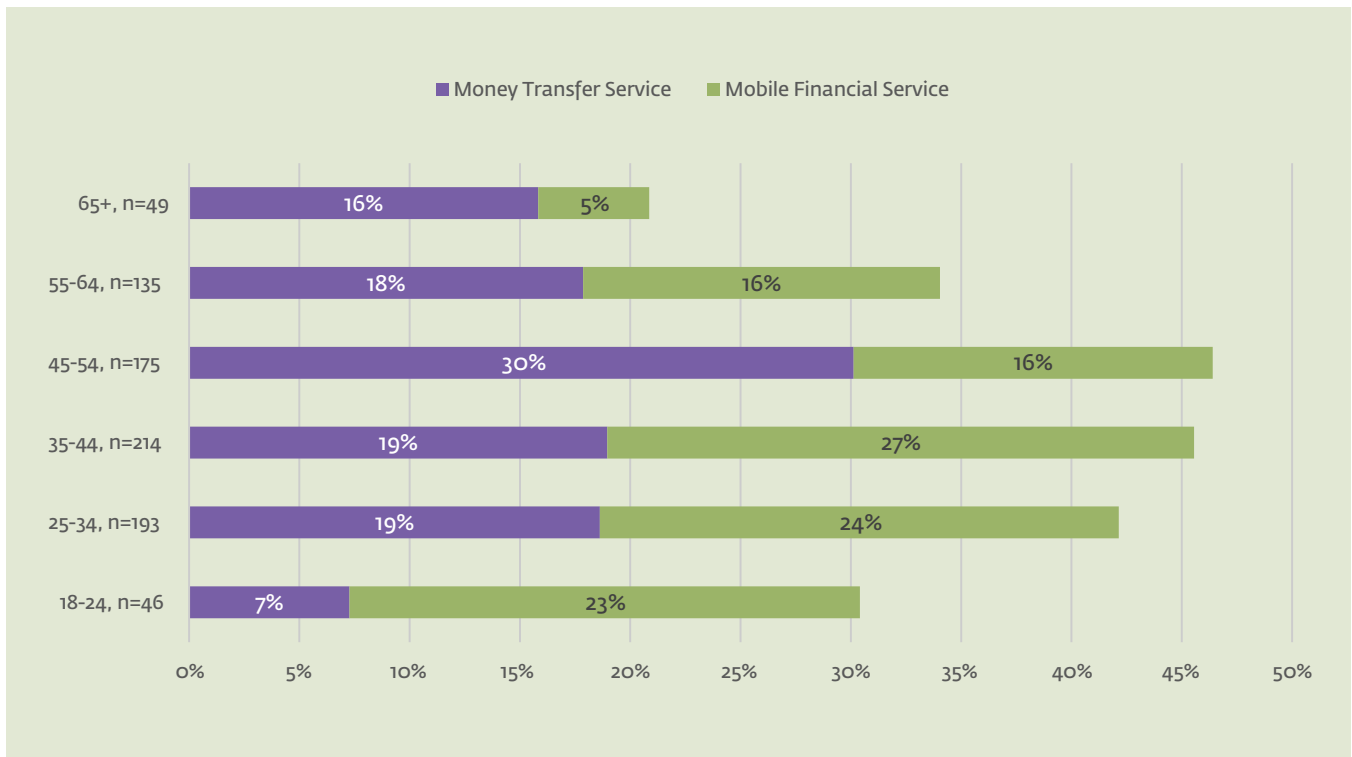


Source: IFC Financial Capability Survey, 2020

**Higher-income segments were more likely to use mobile-financial services.** Approximately 16 percent of respondents from the lowest-income quartile (<\$167) had Click or PayMe accounts compared to around 42 percent from the highest-income quartile (>\$837). Broadening the scope of mobile-financial services to include savings and credit may improve the value proposition for lower-income adults. Electronic transfer of social benefits might be another method of increasing adoption of e-money services by lower-income quartiles.

**There were significant differences in the use of money-transfer services and mobile-payment services applications across age groups.** Respondents from age groups 18 to 44 were much more likely to use mobile-financial services like Click and PayMe, compared to the older age groups (45 and above), probably due to better awareness of payment-service application technologies. Use of money-transfer services was fairly consistent across respondents aged 25 and above, with most transfers in the age group of 45 to 50 years, at 30 percent. Younger adults (18 to 24 years) were less likely to use money-transfer services, with only 7 percent reporting to using them (see figure 11).

**Figure 11: Funds sent to family/friends/other individuals via money-transfer services or mobile-financial services in the last 12 months disaggregated by age groups**



Source: IFC Financial Capability Survey, 2020

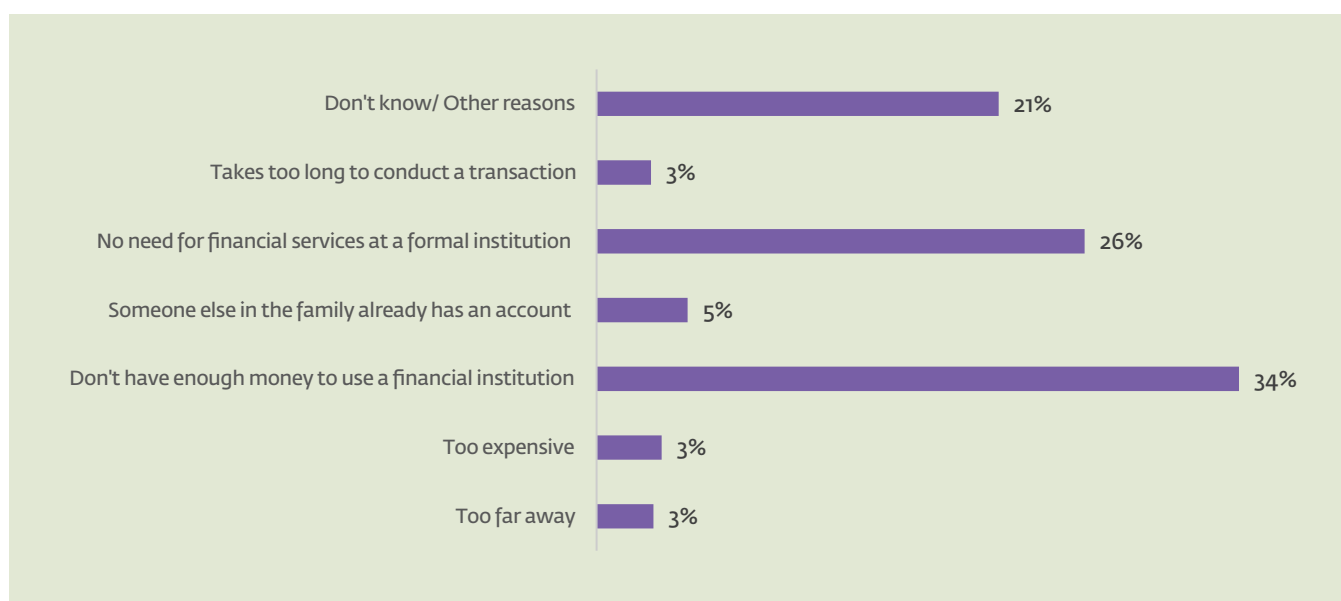


## 2.3.5 The Unbanked and Barriers to using Financial Services and Products

More than 20.76 million adults in Uzbekistan do not use formal financial accounts, according to the Global Findex 2017 survey. This unbanked population is largely from lower-income quartiles, less-educated groups, and those living in rural areas. Yet, as stated in the Global Financial Development Report 2014,<sup>21</sup> low or no usage of financial products does not necessarily mean lack of access. While some people may have access to financial services at affordable prices and decide not to use them, others may lack access because of constraints such as high costs or unavailability of services due to regulatory barriers or other factors. The Financial Capability Survey in Uzbekistan asked respondents without formal account why they did not own one.

The most commonly reported barriers to formal account ownership are lack of money (34 percent) and lack of the need for an account at formal institutions (26 percent). Notably, almost a fifth of respondents did not have specific reasons as to why they did not have bank accounts, or it was difficult for them to answer the question. The main reasons cited have been listed in figure 12.

Figure 12: Barriers to using a bank account (percentage of Uzbek people without a bank account)



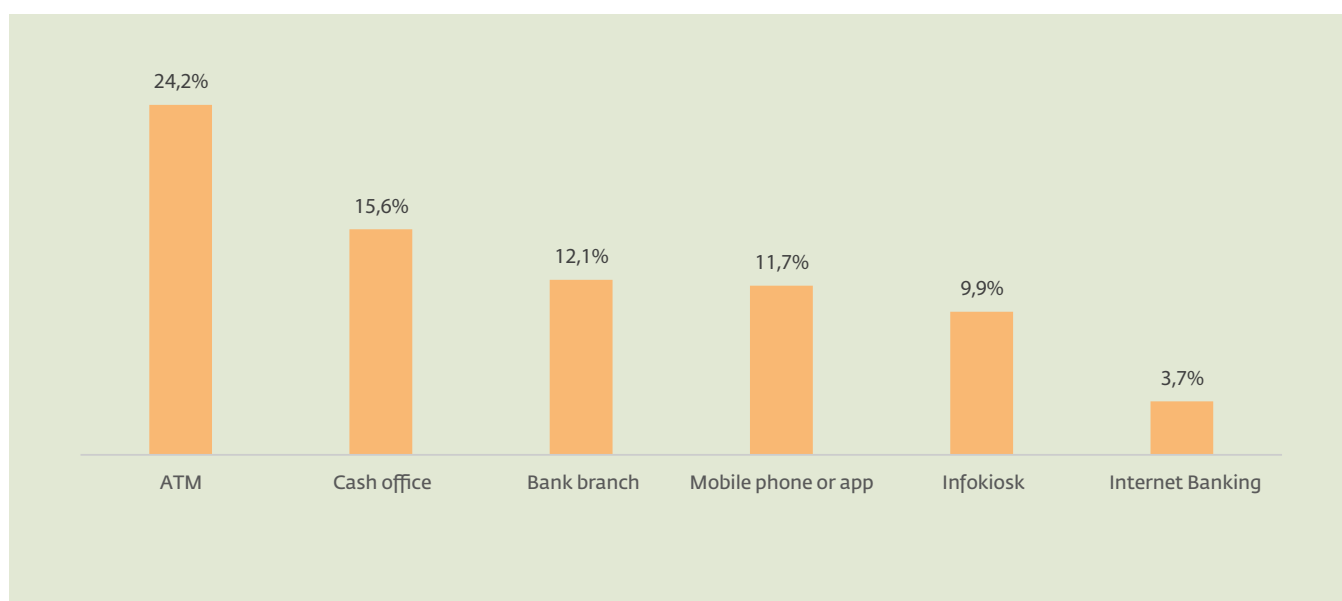
Source: IFC Financial Capability Survey, 2020

<sup>21</sup> Global Financial Development Report, World Bank, 2013

**Not surprisingly, respondents who reported lacking money to use an account are disproportionately poor:** 47 percent of individuals in the lowest-income quartile without bank accounts reported lack of funds as a barrier, while only 20 percent with income above average (>\$300) said the same. While these answers could suggest voluntary exclusion from the formal financial sector, it does not necessarily imply that these adults are unbankable. Instead, it may reflect a cost-benefit analysis on the part of the respondents and demonstrates that many adults perceive banking services to be of little value, not in absolute terms, but because of their levels of income and the quality of banking products. This could be because of the nontrivial costs associated with owning a formal account – from explicit costs like minimum balance requirements and withdrawal charges to implicit costs such as transportation. But it suggests that for many adults, formal institutions do not offer sufficiently valuable or the right services for day-to-day transactions or savings. Particularly for the poorest individuals, it seems there are no right products available to meet their needs.

**Other traditional barriers such as distance (3 percent) and lack of documentation (2 percent), while relevant, were not so common for respondents.** For most people, getting to the nearest bank branch, cash office, or ATM does not take too long and they have done it fairly frequently over the last year, as can be seen in figure 13 below. For 29 percent of respondents, it takes under 10 minutes to get to the nearest bank branch, and for 53 percent, it takes 10 to 30 minutes. That is, 82 percent of respondents could get to a bank branch or ATM in under half-a-hour.

**Figure 13: Access channels used in the last 12 months**



Source: IFC Financial Capability Survey, 2020

## 2.4 Recommendations

**Public and private sector actors should take an evidence-based approach to the development of financial products that meet the needs of consumers, particularly those at the bottom of the pyramid.** Despite banks' efforts to extend products and services to low-income clients, the survey data indicates a lack of suitable products that address the needs of large parts of the population, especially the lower-income category.

**Achieving scale by improving availability, product design, and consumer choice for social transfer and remittances-payment products can boost financial inclusion.** For example, broadening the scope of mobile-financial services to include savings and credit may improve the value proposition for lower-income adults. Electronic transfer of social benefits might prove to be another way to increase adoption of e-money services by lower-income quartiles. This is likely to be more effective with appropriate consumer-protection measures in place.

**The National Financial Inclusion Strategy being put together by the CBU and other stakeholders in collaboration with the World Bank can further help align and unite initiatives** pursued by various agencies in Uzbekistan, including the public sector, financial and non-financial institutions, and other stakeholders. The strategy can promote a more effective and efficient process to achieve significant improvements in financial inclusion and help set ambitious but achievable quantitative targets. Well-defined, publicized, and monitored targets can be a powerful tool to translate goals into practice outcomes. Tracking progress against targets can provide valuable insights into barriers and/or opportunities for financial inclusion. Embedding financial inclusion modules into regular household surveys can be a critical element of a monitoring and evaluation framework for financial inclusion.





# 3. Financial Capability



# 3 Financial Capability

This chapter provides an overview of the respondents' understanding of financial concepts, product awareness, and provides overall financial capability scores for the country. To give a better understanding of the score and the overall results key definition of key concepts related to financial capability as well as compares the results to previous surveys conducted globally.



## Box 1: Key Definitions

**Financial Capability** is the internal capacity to act in one's best financial interest, given socioeconomic environment conditions. It therefore encompasses the knowledge, attitudes, skills, and behaviors of consumers with regard to managing their resources and understanding, selecting, and making use of financial services that fit their needs.

**Financial Education** is a tool to increase financial capability. According to the OECD, it is "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of (financial) risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being."

**Financial Literacy** is a person's understanding of key concepts required for managing her/his personal finances.



## 3.1 Financial Literacy in Uzbekistan

**Financial knowledge and skills or Financial Literacy, refers to consumers' ability to fully understand the financial products and services they invest in and the risks they are exposed to.** This is even more important in an environment where financial products are increasingly complex and are delivered through new distributions channels. As a result of the launch of mobile-banking services such as Click and PayMe, financial products and services are becoming increasingly available to formerly disconnected segments. While these developments provide benefits, they also bear risks that may be unfamiliar to existing and new customers. A certain level of financial knowledge is required to benefit from these new opportunities without being exposed to undue risks.

**In line with global trends, policy makers in Uzbekistan recognize the importance of financial literacy for people to be able to take informed financial decisions and to benefit from the financial services they use.** There are several reasons for that. First, banks are re-orienting their business models towards an expanded retail customer base, including bringing the previously unbanked into the formal system. Secondly, financial capability has been selected as a priority for the country and as one of the five policy areas<sup>22</sup> covered by the National Financial Inclusion Strategy. Data from this survey will inform the National Financial Inclusion Strategy and will help identify gaps and develop interventions aimed at users and potential users of formal financial services. The Central Bank has also established a Financial Literacy department that is responsible for defining policy aimed to increase the level of financial capability and the consequent uptake of financial services. This will allow all stakeholders to be informed on policy priorities, on the planned next steps, and expected results.

**This chapter focuses on gaps in financial knowledge that need policy attention and identifies vulnerable groups with limited knowledge and understanding of financial concepts that need to be targeted with tailored programs.** Seven questions were added to the 2020 Uzbekistan Financial Capability Survey to evaluate respondents' financial knowledge and their basic numeracy skills. This covered basic calculations and financial concepts such as simple interest rates, inflation, compound interest, risk diversification, and the purpose of insurance products. These questions captured financial concepts and skills that are crucial for making informed savings and borrowing decisions, be able to mitigate risks more effectively, or take advantage of investment opportunities. A financial literacy score was awarded based on the correct responses provided by each respondent to the seven questions. This score ranged from 0 to 7—an all-correct score indicated that the respondent has a good understanding of fundamental financial concepts and was able to perform simple mathematical calculations. Lower scores indicated less understanding of financial concepts.

<sup>22</sup> The five policy areas are: Access to Basic Products, Digital and Fintech Innovation, SME Finance and Microfinance; Financial Consumer Protection and Financial Capability



## Box 2: Knowledge of Financial Concepts

**E1. Imagine that five brothers received a gift of UZS1,000,000. If you divide the money equally, how much does each one get?**

1. \_\_\_\_\_

**E2. Now imagine if five brothers have to wait a year to get their share of UZS1,000,000, and inflation stays at 10 percent. In a year they will be able to purchase:**

1. More than today
2. The same amount
3. Less than today
4. Depends on the types of things that they want to buy

**E3. Suppose you put UZS1,000,000 in a savings account with a guaranteed interest rate of 2 percent per year. You do not make any additional payments to the account and do not withdraw the money. What amount will be in the account at the end of the first year after the payment/accrual of interest?**

1. \_\_\_\_\_

**E4. What amount will be in the account after five years? Will it be:**

1. More than UZS1,020,000
2. Exactly UZS1,020,000
3. Less than UZS1,020,000
4. It is impossible to say with the information given

**E5. Suppose you saw a TV set of the same model available in two different stores. The initial retail price was UZS4,000,000. One shop offered a discount in the amount of UZS600,000, and the other a 10 percent discount. Which is more profitable?**

1. Discount UZS600,000
2. They are the same
3. 10 percent discount

**E6. Suppose you took a loan in dollars. Then the Uzbek Sum exchange rate depreciates against the dollar. How does it change the amount in Uzbek Sum needed to repay the loan?**

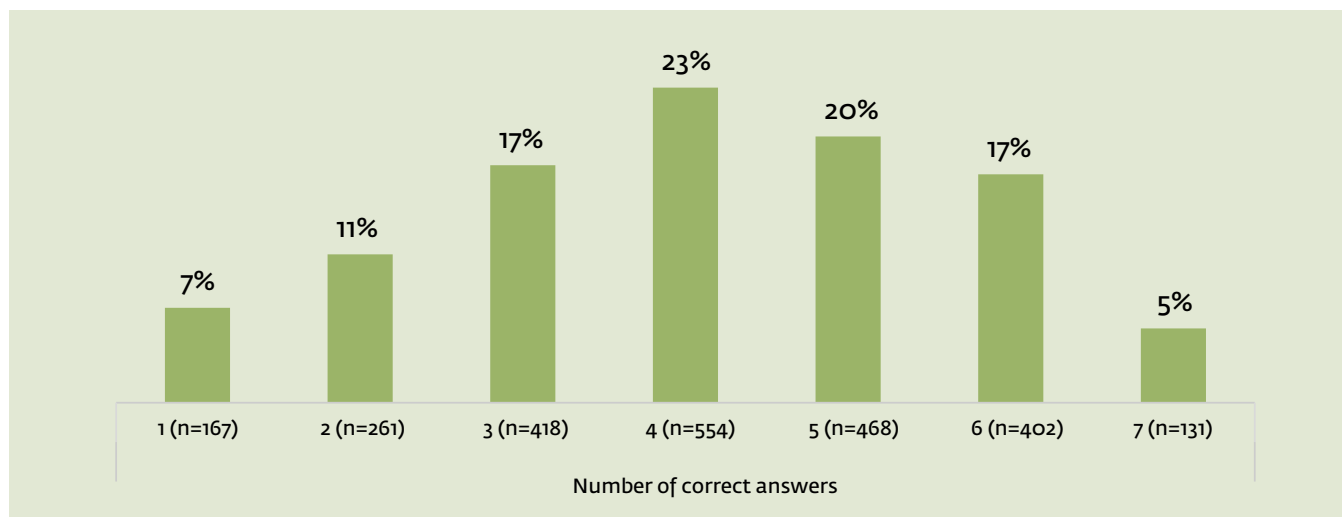
1. Installment increases
2. Remains the same
3. Installment decreases

**E7. Suppose you have money to invest. Is it safe to buy shares of a single company or shares of many companies?**

1. Buy shares of a company
2. Buy shares of many companies

The survey results suggest that, on average, Uzbek adults were able to answer 4 out of 7 financial literacy-related questions correctly, with a financial literacy score of 4.09. Although, the largest proportion of respondents were able to answer between 4 to 5 questions correctly (20 to 23 percent), only a meager proportion of the sample population (5 percent) answered all 7 questions correctly (see figure 14).

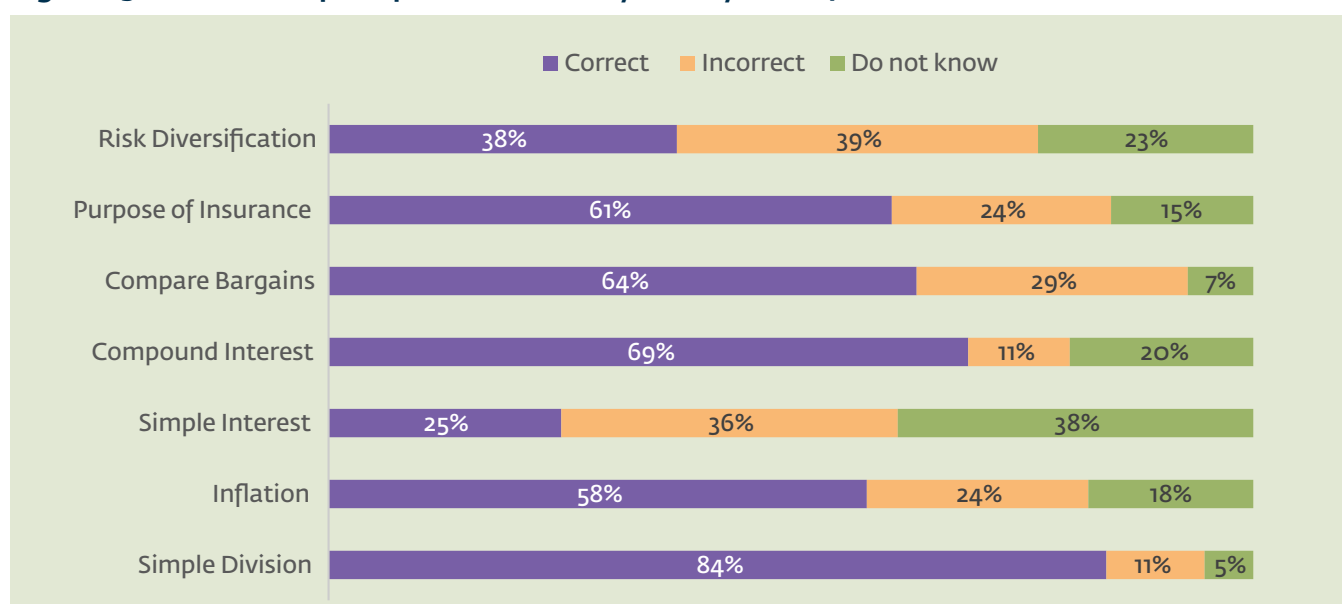
Figure 14: Financial literacy score distribution (N=2,480)



Source: IFC Financial Capability Survey, 2020

A deeper exploration into the type of basic financial concepts assessed revealed that respondents were most comfortable with performing simple divisions and calculations (84 percent), but lacked specific knowledge required to diversify risks (38 percent). They understood that holding stocks from different companies can usually be associated with less risky returns than holding stocks from a single company. Around two-third of respondents appeared to be comfortable with calculating compound interest (69 percent) (see figure 15). A similar proportion of the sample had a good grasp of solving simple numeracy tasks needed to compare bargains (64 percent), insurance (61 percent), and inflation (58 percent). Interestingly, the working of simple interest appeared to be the most difficult to understand and only 25 percent of the sample managed to answer the question correctly. The fundamental misunderstanding of the concept of simple interest can have far-reaching consequences, in particular when looking to borrow and repay loans.

Figure 15: Overview of the financial literacy survey, N=2,480



Source: IFC Financial Capability Survey, 2020

**Comparing the results internationally, Uzbekistan scores close to the average in half of the categories.** Surprisingly, as table 4 below shows, the survey shows above average understanding of compound interest while the understanding of simple interest remains way below the average.

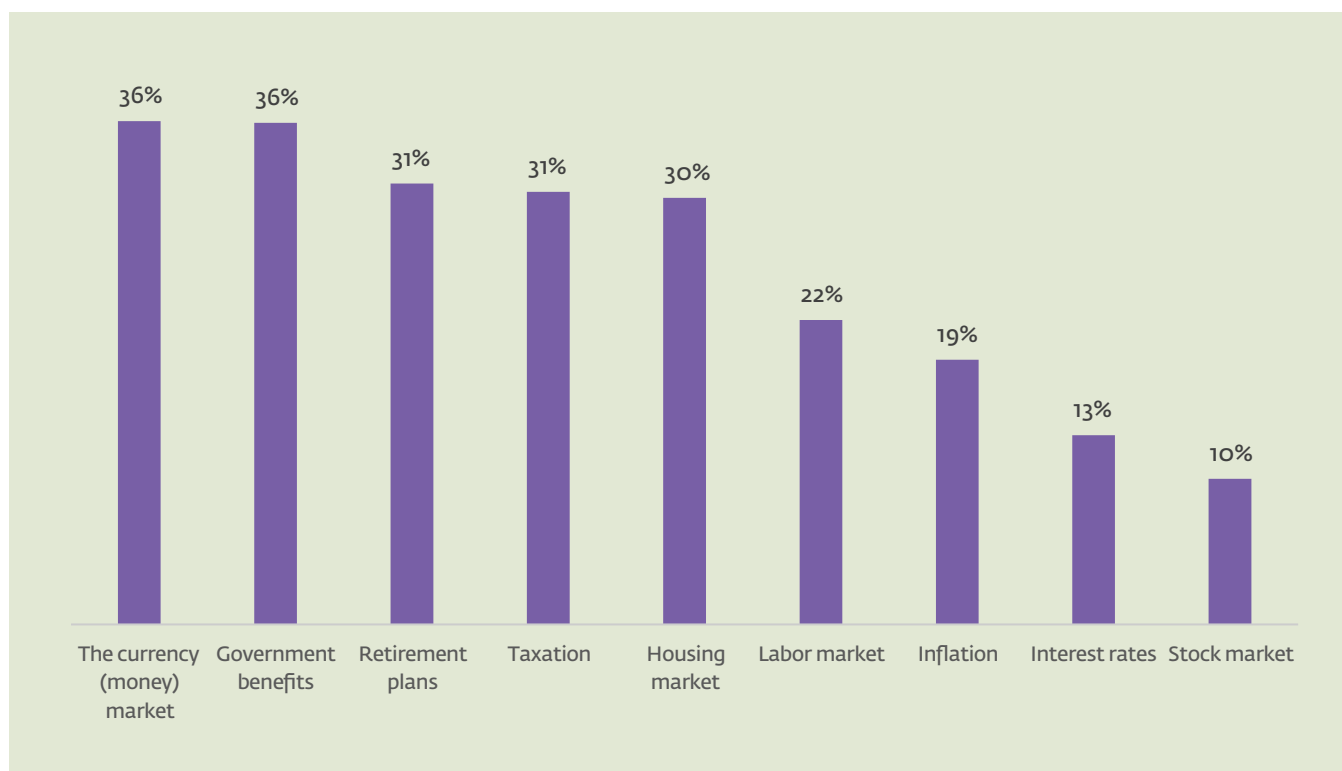
**Table 4: Cross-country Comparison of Different Financial Literacy Scores**

Country	Inflation	Simple Interest	Compound Interest	Simple Division
Albania	61	40	10	89
Armenia	83	53	18	86
Azerbaijan	67	35	46	90
Colombia	69	19	26	86
Czech Rep	80	60	32	93
Estonia	86	64	31	93
Germany	61	64	47	84
Hungary	78	61	46	96
Ireland	58	76	29	93
Lebanon	69	66	23	88
Malaysia	62	54	30	93
Mexico	55	30	31	80
Mongolia	39	69	58	97
Morocco	43	50	31	90
Mozambique	28	78	28	93
Philippines	49	51	29	77
Peru	63	40	14	90
Poland	77	60	27	91
Senegal	47	45	28	92
South Africa	49	44	21	79
Turkey	46	28	18	84
Uruguay	82	50	NA	86
Uzbekistan	58	25	69	84
Zambia	65	46	28	91
<b>Average 2010-2020</b>	<b>61</b>	<b>50</b>	<b>31</b>	<b>89</b>

**The financial knowledge gaps identified through the objective financial literacy quiz were largely confirmed by the participants' subjective self-assessment of their levels of awareness and understanding of financial concepts.** To compare objective findings of the quiz with subjective education needs, respondents were also asked to self-assess their understanding of basic concepts such as interest rates, insurance products, exchange rates, and their knowledge of updates pertaining to government benefits, the housing market, the stock market, the labor market, taxation, and inflation. Respondents reported being aware of updates on exchange rates (36 percent), government benefits (36 percent), retirement plans (31 percent), taxation (31 percent), housing markets (30 percent), and labor markets (22 percent) (see figure 16).

**But, unlike the findings of the objective financial literacy quiz, knowledge on interest rates and inflation was reported to be relatively low at only 13 and 19 percent respectively in the self-assessed quiz.** When looking into the reasons behind this discrepancy, the survey results indicated that even among those who answered the inflation quiz question correctly (58 percent) and therefore understand the underlying mechanics of how inflation affects their savings, around 80 percent seemed to lack familiarity with the term inflation. The lowest score was for "changes in stock market" at 10 percent. This is likely due to the insufficient development of the securities market and a lack of familiarity with the concept, especially among respondents from the lower-income quartiles.

**Figure 16: Keeping an eye on financial matters (multiple answer options)**



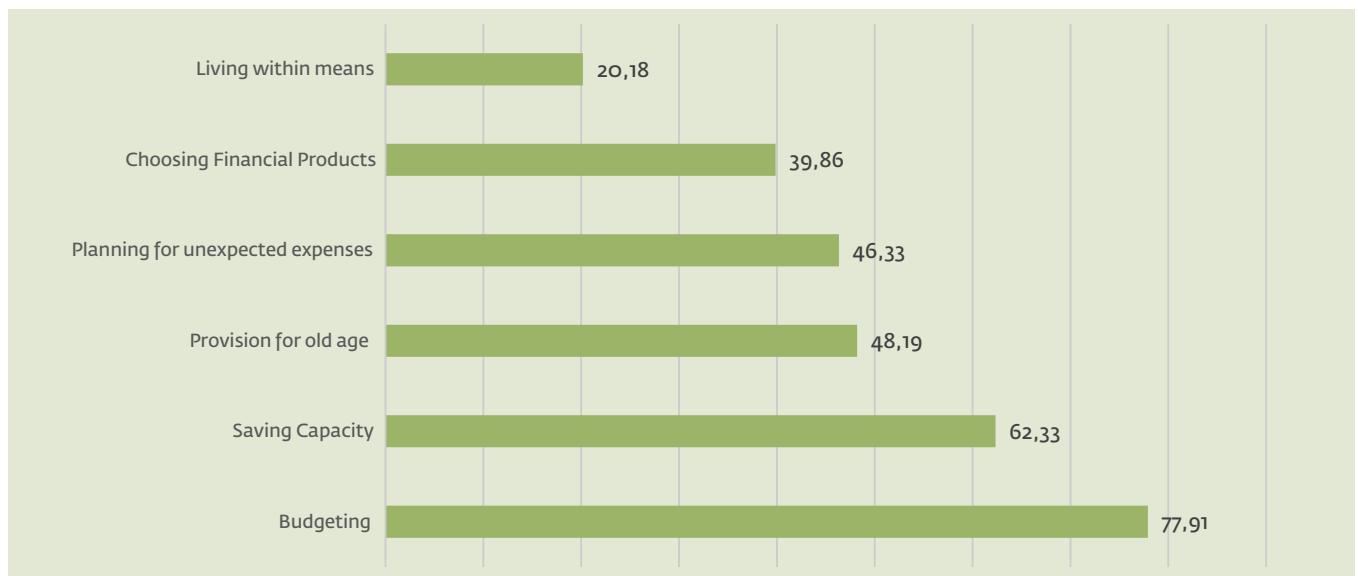
Source: IFC Financial Capability Survey, 2020

## 3.2 Financial Capability in Uzbekistan

**Even if people possess knowledge of basic financial concepts, they may struggle to translate it into adequate action.** To identify the role that attitudes play in shaping individuals' financial decisions and to see if and how attitudes translate into financial behavior, the survey contained questions on different aspects of financial capability that can reflect attitudes/motivations and behaviors. This section gives an overview of strengths and areas for improvements that surveyed Uzbeks showed regarding relevant financial behaviors, attitudes, and patterns of planning.

**Six main components of financial capability were identified in the Uzbekistan data set, some of which refer to behaviors and others to attitudes or motivations.** Each financial capability component is measured through a combination of relevant questions. These are identified by using a statistical technique called principal component analysis (PCA). PCA is a data-reduction method that finds a small number of linear combinations of those variables that explain most variances in the data. The method is used to aggregate the variables that measure different nuances of the same component to obtain a single indicator (or score) for that component. Each component score ranges between 0 (lowest score) and 100 (highest score) (see figure 17).

Figure 17: Average financial capability scores



Source: IFC Financial Capability Survey, 2020

**The survey attempted to measure behaviors, attitudes, and motivations related to financial capability such as budgeting, saving capacity, living within one's means, planning for unexpected expenses, making provisions for old age, and choosing financial products.** To elaborate:

- Budgeting' measures: the extent to which people plan on how to use their money and whether they adhere to the plan;
- Saving capacity: whether people have money left over after buying essential items and, if yes, do they refrain from spending it on non-essentials;
- Living within one's means: whether adults run short of money after buying essentials, their level of borrowing, and whether people borrow to buy food or repay other debts;
- Planning for unexpected expenses: Whether people could cover an unexpected expense equivalent to a month's income and whether they worry about it;
- Planning for old-age expenses: Whether people have strategies in place that allow them to cover for expenses in old age;
- Choosing financial products: Whether people search for alternatives, check terms and conditions, get information before selecting financial products, and search until they found the best products for their needs.



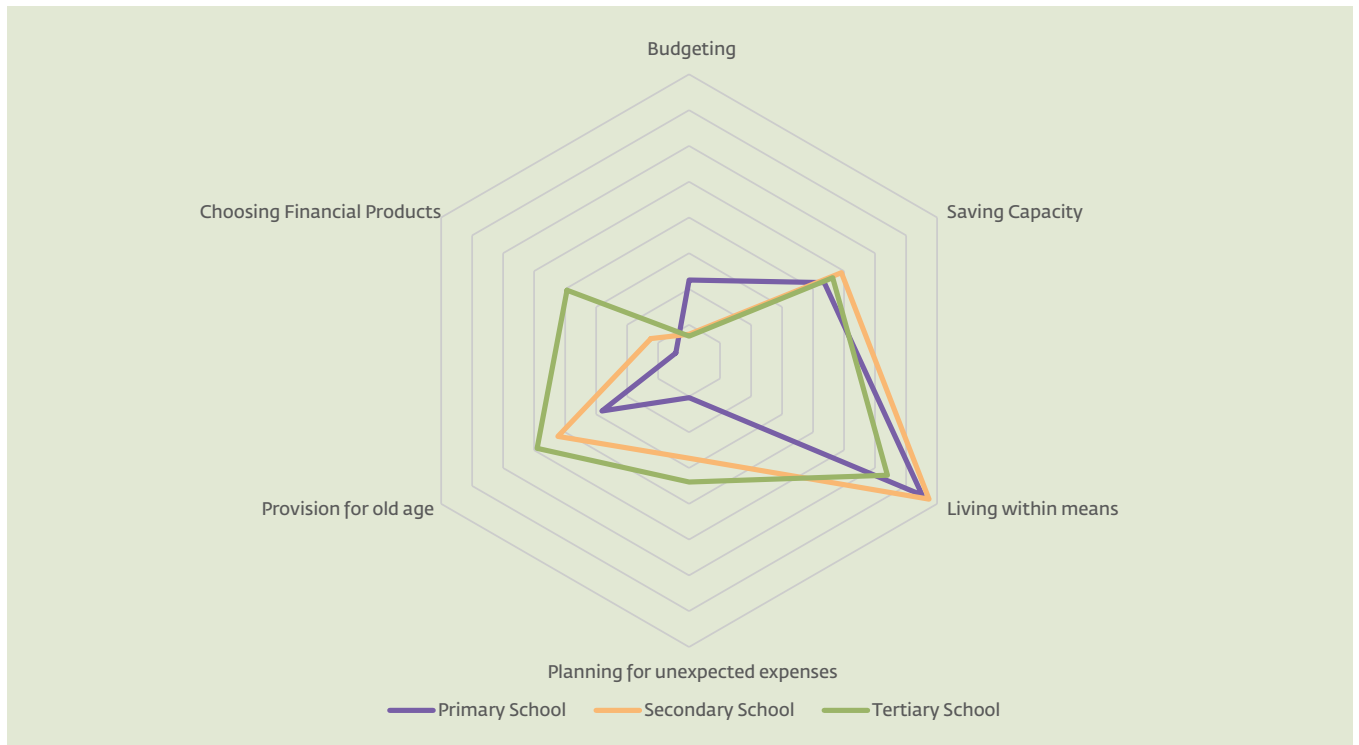
**Table 5: Cross-country Comparison of Different Financial Capability Scores**

Country	Controlled budgeting	Planning for unexpected expenses	Living within one's means	Planning for old age	Choosing financial products
Armenia	74	64	68	100	59
Azerbaijan	35	NA	NA	21	59
Colombia	80	59	75	67	57
Lebanon	40	73	82	71	63
Mexico	52	64	78	65	59
Mongolia	52	64	78	65	59
Morocco	38	67	57	6	89
Mozambique	74	45	NA	40	34
Nigeria	78	71	82	NA	NA
Philippines	44	67	43	29	51
Senegal	66	NA	73	70	20
Tajikistan	81	NA	83	NA	NA
Turkey	60	68	68	72	52
Uruguay	71	55	81	60	NA
Uzbekistan	78	46	20	48	40
Zambia	51	67	87	46	43
<b>Average</b>	<b>61</b>	<b>62</b>	<b>70</b>	<b>54</b>	<b>53</b>

Source: IFC Financial Capability Survey, 2020

**Respondents with secondary or tertiary education were more likely to provide for old-age expenses,** and to look up information and alternatives before choosing financial products and services, as seen in figure 18. Education levels did not have much of a role to play in respondents' ability to save, live within their means, or budget.

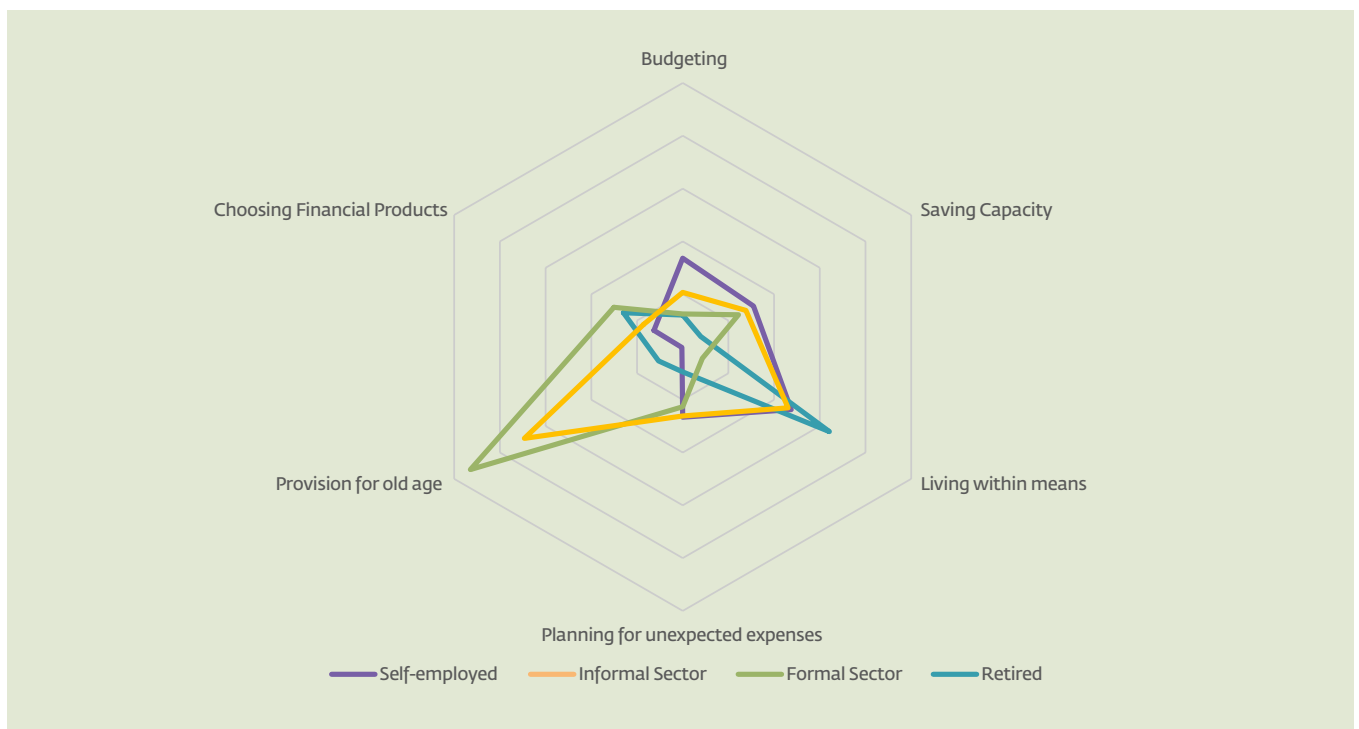
**Figure 18: Average financial capability scores by education levels**



Source: IFC Financial Capability Survey, 2020

**Those working in the formal sector were most likely to provide for old-age expenses.** Those working in the informal sector were more likely to live within their means and not borrow beyond their ability to repay. The self-employed group of respondents reported to being most likely to have a budget and stick to it.

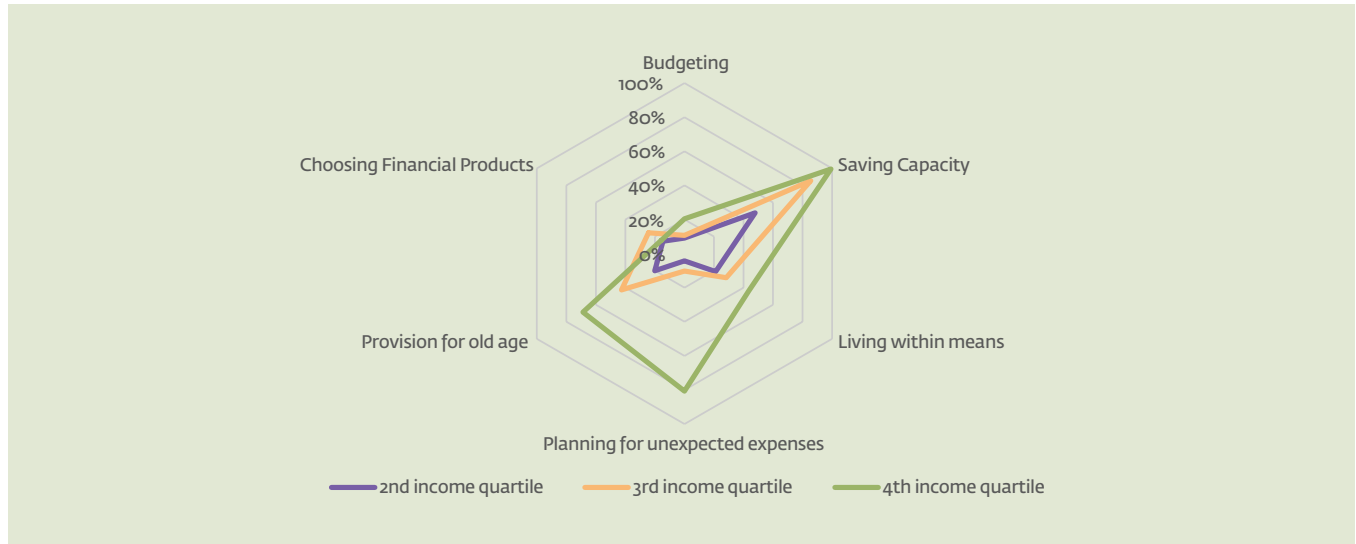
**Figure 19: Average financial capability scores by employment type**



Source: IFC Financial Capability Survey, 2020

Respondents from the upper-income (third or fourth) quartiles were more likely to be able to plan and cover unexpected expenses, cover old-age expenses, save after buying essential items, and plan and stick to a budget, compared to respondents from the lower income quartiles.

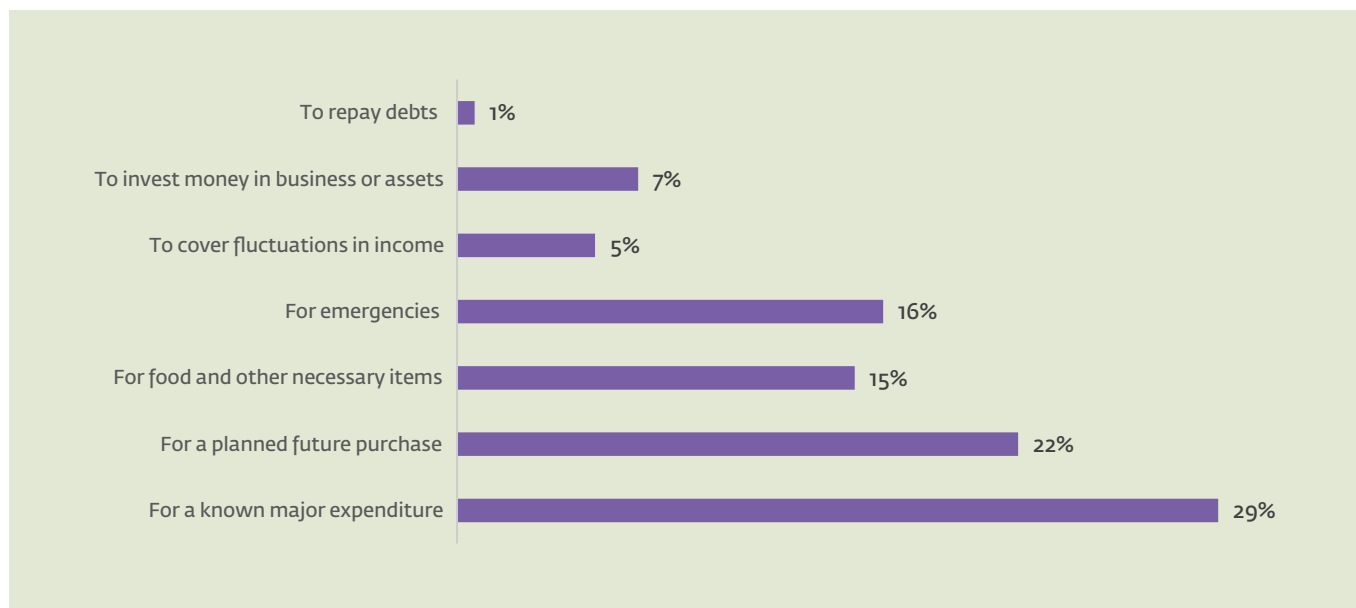
**Figure 20: Average financial capability scores by income quartiles**



Source: IFC Financial Capability Survey, 2020

**Uzbek adults showed relative strengths in terms of their ability to plan for major expenses when compared to other aspects of financial capability.** Most of the money left over is saved for known major expenditures (29 percent) or a planned future purchase (21 percent), and 21 percent was allocated to covering emergencies or fluctuations in income. Around 7 percent reported to being invested in business and assets, and only 1 percent towards repaying debts (see figure 21).

**Figure 21: Allocation of money left over, N=1865**



Source: IFC Financial Capability Survey, 2020

**In contrast, financial behaviors related to day-to-day money management appear to be a challenge:** 51 percent of respondents reported running short of money from time to time and 9 percent on a regular basis. This was mainly attributed to insufficient/low incomes (48 percent), unreliable income streams (22 percent), unexpected expenses/events (21 percent), and unemployment (6 percent) (see figure 22).

**Figure 22: Reasons household run short of money for necessary items, N=1475**

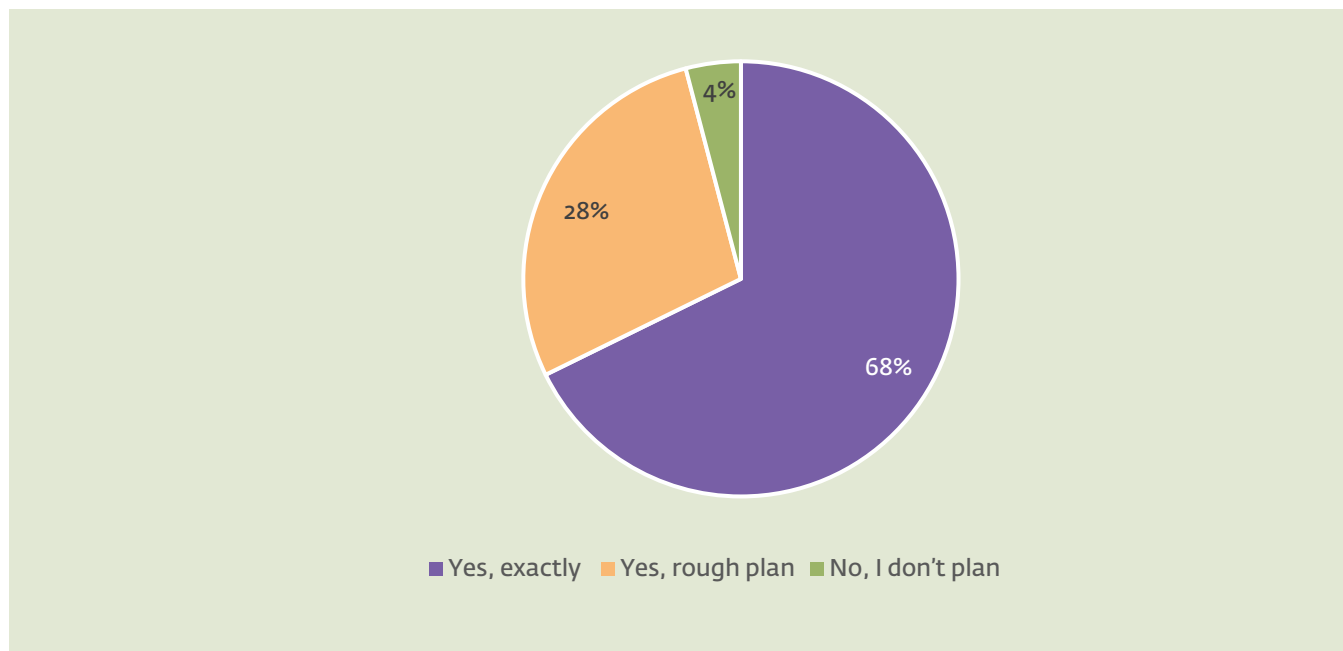


Source: IFC Financial Capability Survey, 2020

**Borrowing, finding additional work, and reducing household expenses are some mechanisms to cope with shortage of funds.** According to the survey, 35 percent of respondents experienced an unexpected reduction of income, equal to almost their monthly income, during the previous year. In such instances, 27 percent of respondents reported borrowing money from family members, relatives, and friends to meet expenses. Other methods to cope with a shortage of funds were: finding additional work or sources of income (27 percent) – observed primarily among male respondents (33 vs. 20 percent), or reducing household expenditures (33 percent) – an option chosen more often by female respondents (28 vs. 38 percent).

**Respondents showed relative strengths in terms of budget planning when compared to other aspects of financial capability.** About 68 percent of respondents reported having an exact plan for the distribution of resources received, and only 4 percent reported not having a plan at all (figure 23).

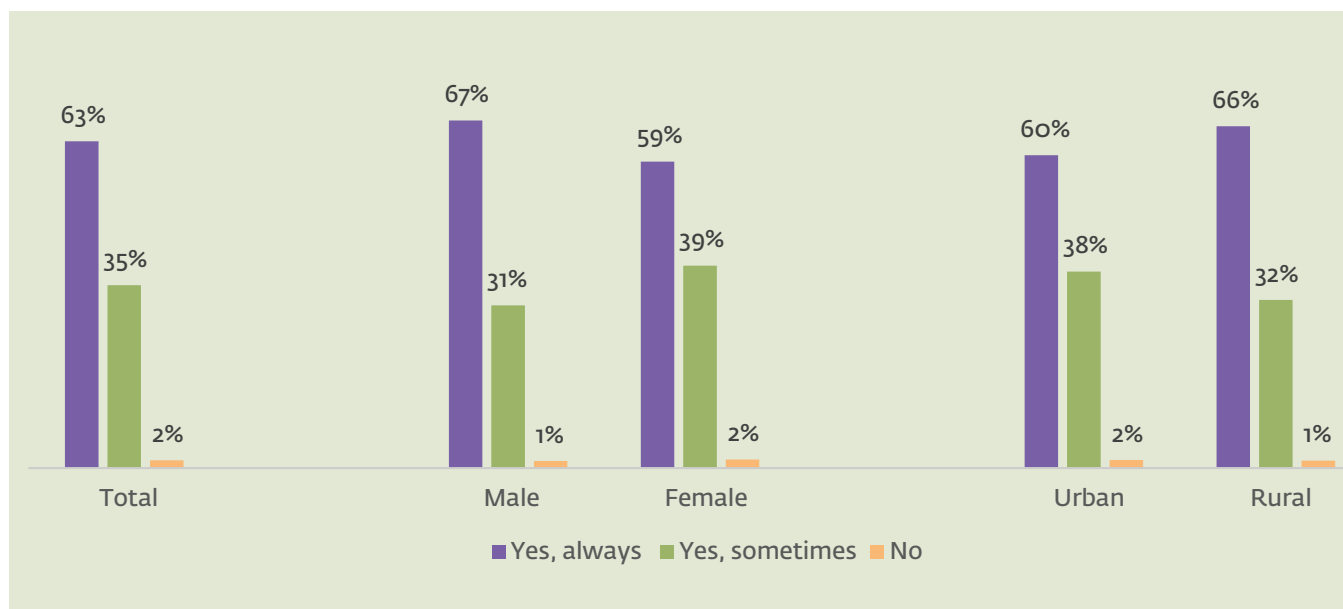
**Figure 23: Household budget planning, N=2480**



Source: IFC Financial Capability Survey, 2020

**Sixty-three percent of respondents adhere to their intended spending plans** (figure 24). Male respondents and those residing in rural areas were more likely to stick to budget plans. This could be due to them having larger control over household income and expenses and the overall household budget.

**Figure 24: Keeping to a budget plan**



Source: IFC Financial Capability Survey, 2020

**Daily financial planning is important to ensure that income received is sufficient for everyday needs and, moreover, part of it remains for savings.** 41 percent of respondents reported to keeping daily records of their money. The remaining 59 percent had either a rough idea or no idea at all.

**Some respondents, who experienced unexpected drops in income, had to borrow from family, relatives, and friends, but most were better equipped to handle planned expenses equal to at least a month's income without having to borrow.** Fifty-five percent of respondents expect a major expense or bill that might be at least equal to their monthly income in the next 12 months and more than half (53 percent) could cover these future expenses without borrowing money. Urban households found it harder to cover these expenses (47 percent) without borrowing when compared to rural households (59 percent).

**Respondents are relatively less invested in planning to cover for old-age expenses despite their ability to cope with expected expenses and income shocks equivalent to their monthly incomes.** More than half of respondents (56 percent) stated having no strategies for covering old-age expenses; about 22 percent hoped to get pensions from the government, and 3 percent relied on financial support from family, village, or clan. Notably, 46 percent claimed not to be worried at all about being able to cover expenses when they are no longer working due to old age.

**Planning for their children's future seems to be well considered.** Respondents that had dependent children (77 percent) planned for the future of their children by providing them with an education (76 percent) and saving money to pass on to them (24 percent). A fifth also reported planning investing in land and buildings to pass on to their children.



## 3.3 Recommendations

**The Financial Literacy department established by the Central Bank can play a big role in defining policy aimed at increasing the level of financial capability and a consequent uptake of financial services.** This will allow all stakeholders to be informed on policy priorities and planned next steps and help scale up and maximize effectiveness of various interventions on financial education. The department is especially helpful in promoting cooperation between relevant stakeholders, avoiding duplication of efforts, and minimizing the gaps and overlaps identified through this survey. The department can outline a set of priority programs to enhance financial capability levels of the overall population and specific subgroups. Priorities could be set based on a number of criteria, including the need, goals, costs, and availability of resources. Other essential elements to be considered include the roles and responsibilities of all involved, the main groups to be targeted, and a framework for monitoring and evaluation.

**Mass media, and edutainment in particular, can be an effective channel in delivering financial education to adults.** This can be done in collaboration with the private sector and NGOs. The field of behavioral economics has documented a plethora of behavioral biases that can prevent people from translating intentions into action. For instance, people tend to be biased towards the status quo and to choose the default option. They may also suffer from self-control issues, procrastination, overconfidence, or systematically underestimate the time to complete tasks. These behavioral biases may explain why the farsightedness of Uzbek adults does not translate into sound long-term decision-making and why they are more challenged in covering for old-age expenses.

**Other possible channels that can be effective in reaching out, especially to young adults, include youth development associations, mobile applications, and social media websites.** This can also include briefings, docu-dramas, e-newsletters, handbooks, and classroom exercises. Over 70 percent of Uzbekistan's population has mobile phone subscriptions, hence mobile applications could be a promising outreach channel. A good example is the mobile budget app – Mobile Financial Assistant – maFin, which was developed for young adults by the Polish Financial Supervision Authority. This mobile app is designed to help monitor and analyze personal spending and facilitate budget planning. It is available free to mobile phones users.

**Scaling up initiatives for school-based financial education programs is recommended over the medium to long-term.** If people form sound habits on how to manage their money from a young age, they are more likely to adhere to them throughout their lives. International evidence on the effectiveness of school-based financial education programs in changing student's behaviors is mixed. Nevertheless, there are lessons to be learned from other countries that have implemented such programs. High-quality material or textbooks are required, and teachers need to be well-trained on content and techniques. The central bank can collaborate with the Ministry of Education to develop lessons on financial education and integrate them into the elementary curriculum.

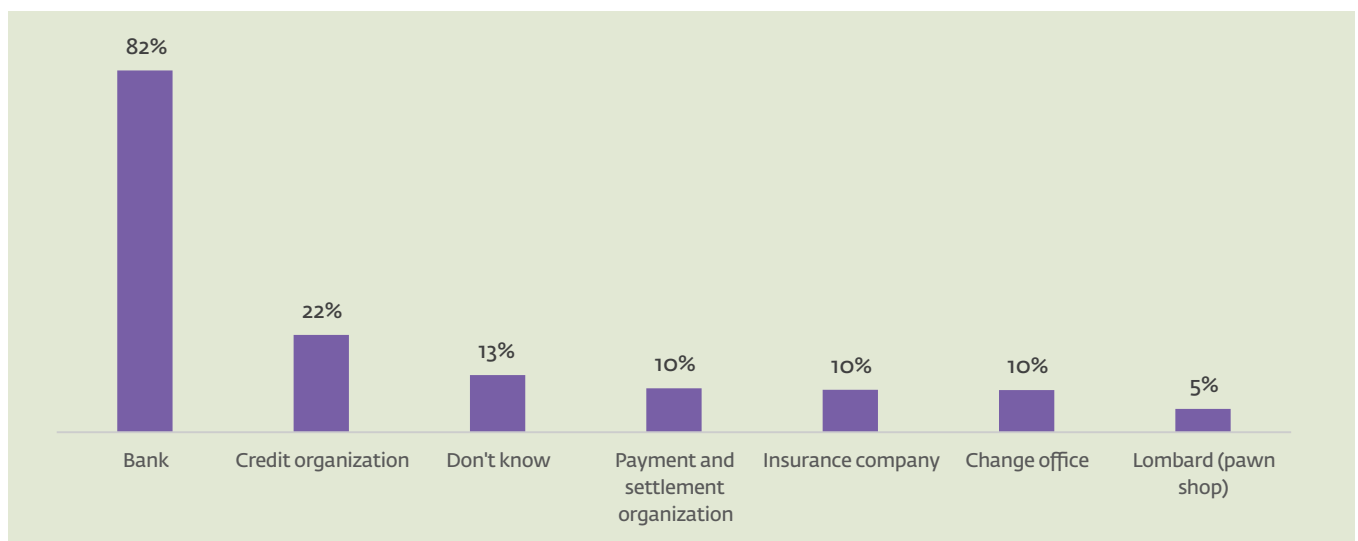
**It is also a good idea to go beyond financial capability-enhancing programs and evaluate the possibilities around the use of nudges and reminders and smart product design.** Studies in Bolivia and Peru show that simple, timely text messages reminding people to save can boost savings rates in line with earlier established goals. Periodic reminder messages could induce them to attend to the benefits and tasks of saving regularly and putting money aside for old-age expenses. Commitment devices can also have a strong and positive effect on people's financial behavior.

## 3.4 Financial Product Awareness in Uzbekistan

**The survey included a specific set of questions to assess respondents' knowledge about financial products and institutions.** In particular, respondents were asked whether they were aware of organizations such as banks, credit organizations, pawnshops, payment and settlement organizations (that is, systems that provide electronic services for receiving and/or making payments for goods and services, such as HUMO, Uzcard, Click, and PayMe),<sup>23</sup> change offices, investment and insurance companies, and a list of 15 financial products and services they provide—bank accounts, deposits, loans, overdrafts, insurance, financial leasing, money transfers, sale and purchase of foreign currency, ATMs and POS terminals, online (Internet) banking, debit cards, electronic trade, payment terminals, and funded pension pillars. A product awareness score was calculated based on the respondents' knowledge of these products and services to see if financial inclusion had an impact on awareness levels. This has been discussed in more detail in the next section that looks at the relationship between financial inclusion and financial capability.

**According to the survey, a majority of respondents were aware of commercial banks (82 percent), while credit organizations were relatively unheard of (22 percent) (see figure 25).** This was also the case with other financial organizations like exchange offices, insurance companies, and payment and settlement organizations, where only 10 percent of respondents reported being aware of them. Interestingly, only 5 percent of respondents claimed to have heard of moneylenders or pawn shops, which was thought to be commonly used by lower-income and informally employed populations. This could be due to lesser accessibility to pawn shops, especially in rural areas, or the fact that the respondents were not probed about pawn shops in particular by the interviewers. When analyzing across gender, age, and location, the differences were very minor between the groups.

**Figure 25: Knowledge of organizations that deliver financial services (N=2,480)**



Source: IFC Financial Capability Survey, 2020

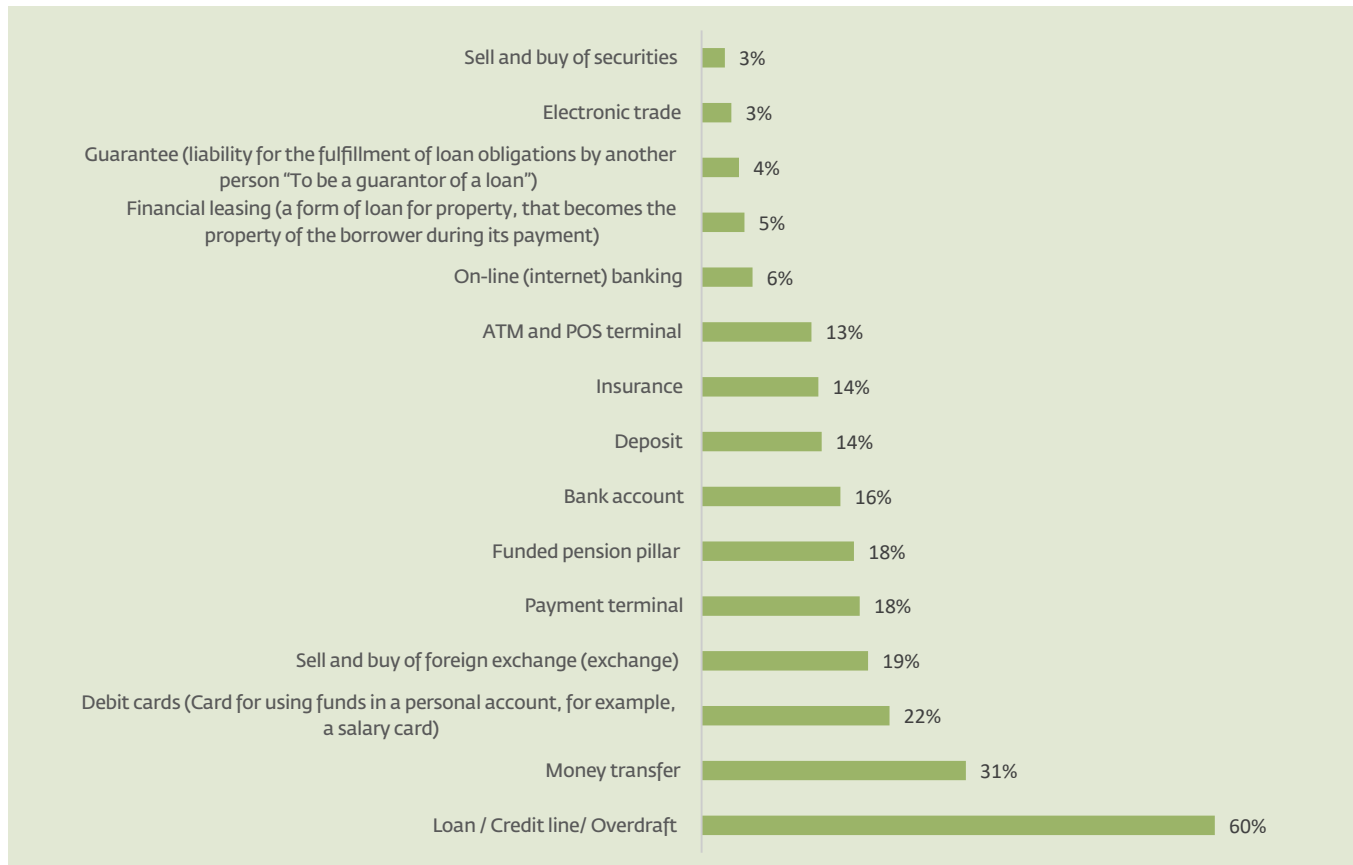
**A majority of respondents associate financial organizations only with banking and exchange activities,** while concepts such as insurance, online banking, deposits, leasing, and electronic trade are still largely unknown to the population, showcasing a relatively conservative and one-sided knowledge of financial institutions and the services they provide despite increasing digitization over the last few years.

**Loans, money transfers, debit cards (or cards linked to funds in a personal account like a salary card), were the most popular products and services in terms of being known to the respondents** as seen in figure 18. Digital services including online and mobile banking, electronic trade, financial leasing, and sale and purchase of securities were found to be the least known among respondents. These results were consistent when analyzed across gender, age, location, and income levels.

<sup>23</sup> UZCard and Humo Card are payment cards issued in Uzbekistan. Click and PayMe are mobile payment-service applications wherein users can create an account on the application to pay businesses or transfer money to one another by linking it to their payment cards or local bank accounts.



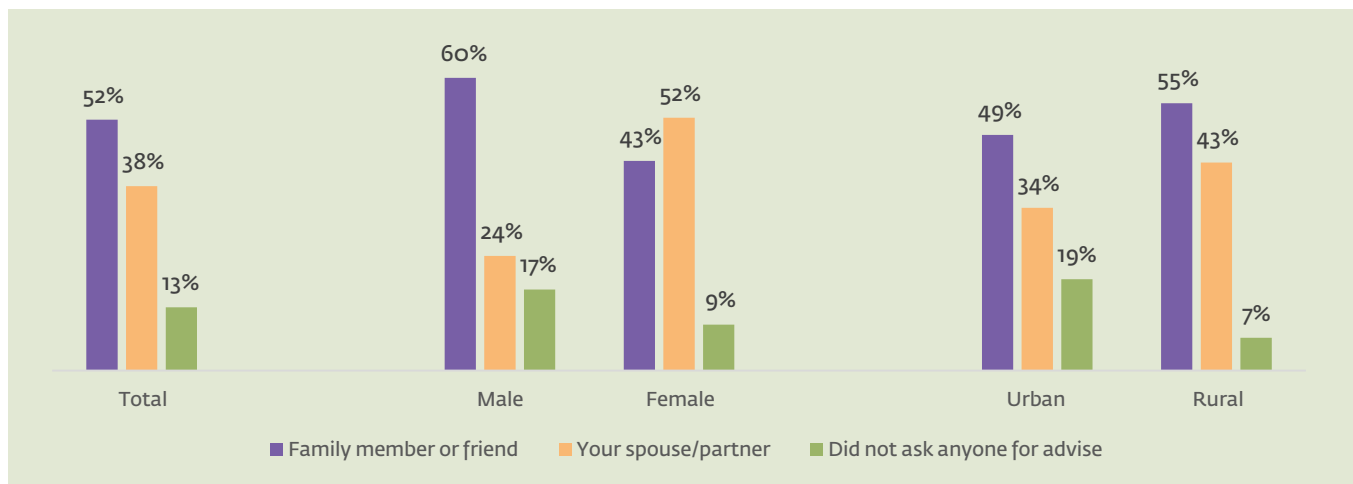
**Figure 26: Knowledge and financial products and services (N=2480)**



Source: IFC Financial Capability Survey, 2020

**When faced with complex financial situations and difficulties, a majority of respondents reported to seeking financial advice.** According to the survey, individuals in Uzbekistan preferred to consult with other family members or ask a friend for advice on financial issues. Figure 27 shows that consulting with “someone else in your family or a friend” is the most popular source of financial advice, with a share of 52 percent. Thirty-eight percent reported seeking advice from their “spouse or partner”. While 52 percent of female participants asked their spouse for financial advice, only half as many (24 percent) male respondents consulted with their partners. Male respondents, on the other hand, preferred seeking advice from other members of the family or their friends. Urban-dwelling respondents were less likely to seek financial advice from someone when compared to their rural counterparts. Thirteen percent of respondents said they did not consult with anyone or seek any financial advice.

**Figure 27: With whom respondents usually consult for financial advice**



Source: IFC Financial Capability Survey, 2020

# **4. Relationship Between Financial Inclusion and Financial Capability**



## 4 Relationship Between Financial Inclusion and Financial Capability

**Financial capability and financial inclusion influence each other.** While lack of knowledge about financial products may hinder their use, it may also be that as people begin using financial services, they become more familiar with and knowledgeable about them. While disentangling a causal link between financial inclusion and financial capability is beyond the scope of this report, this chapter presents an overview of those who are financially included and how their financial knowledge, attitudes, and behaviors compare to financially excluded segments of the population.

### 4.1 Financial Inclusion vs. Financial Literacy and Knowledge of Financial Products and Services

**Financial illiteracy is usually cited as a reason for the limited demand for financial services in developing countries.** If people do not understand financial concepts and lack basic numeracy skills, they may not feel comfortable choosing financial products and hence will not demand them or, worse, they may choose products that do not fit their needs best or use them in the wrong way. For instance, a study in India,<sup>24</sup> found that, in rural areas, lack of understanding of insurance products was the second most stated reason for households not purchasing rainfall insurance. Evidence from these studies suggests that lack of use of products stems from a lack of awareness about them.

**Data from the survey indicates that in Uzbekistan, differences in financial literacy levels among the financially included and excluded are not huge.** The data presented in figure 28 shows that those who use formal financial products perform slightly better than those who have no financial products at all. This is based on the financial literacy score and categorizing respondents into five groups according to the number of financial literacy questions they answered correctly. The difference between the two groups was the largest for those who scored between 1 and 3, and 6 and 7. Breaking down the overall financial literacy score of 4.09, the financially included had an average literacy score of 4.2 (with 66.8 percent scoring above average) and the excluded had an average score of 3.9 (with 59.7 percent scoring above average). This indicates that financial capability by itself is not the main driver for financial exclusion from the formal financial system. Other factors such as cost, availability, and usefulness are bigger drivers of financial exclusion.

<sup>24</sup> Giné and others (2011)

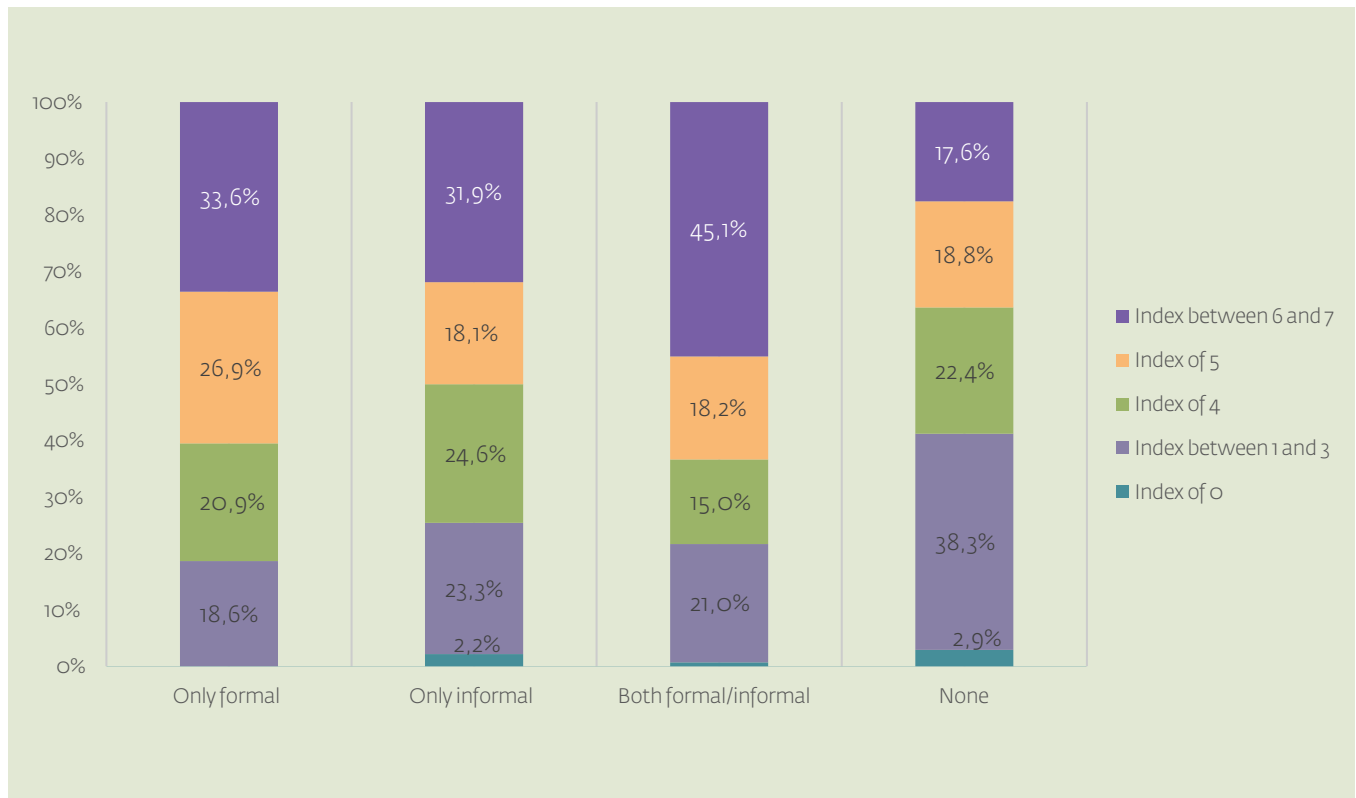
**Figure 28: Distribution of financial literacy score by formal/informal financial products and service ownership a) financial inclusion**



Source: IFC Financial Capability Survey, 2020

**Furthermore, the use of formal or informal financial products and services did not play a huge role in financial literacy as long as respondents had access to some type of financial product or service.** Those who had access to some form of formal or informal financial products were much more likely to have a financial literacy score between 6 and 7 and much less likely to score between 1 and 3, when compared to those who had no access to financial products and those who had access to only informal products. This indicated that inclusion in the formal financial system did not play a huge role in financial literacy levels of respondents as long as they had access to some type of financial product or service. The financial literacy index of respondents for each of the categories were as follows: Of the respondents using only formal financial products and services (4.79), only informal financial products and services (4.52), both formal and informal financial products and services (4.9), none (3.86). 81 percent, 74.6 percent, 78.3 percent, 58.8 percent have a score above or equal to the overall financial literacy score (4.09) respectively (see figure 29).

**Figure 29: Distribution of financial literacy score by formal/informal financial products and service ownership b) type of products**



Source: IFC Financial Capability Survey, 2020



## 4.2 Financial Inclusion vs. Financial Attitudes and Behavior

**Attitudes and behaviors are a relevant factor when analyzing financial inclusion.** In developed and developing countries, households and firms are frequently excluded from accessing financial products because of inadequate credit history, irresponsible financial behavior, and poor business and accounting records, to name a few. Using financial products without fully understanding them could do more harm than good.<sup>25 26</sup>

**The financially excluded are 26 percent more likely than the financially included to have a product awareness score of 1, and alternatively, 24 percent less likely than the latter to have a score of 3 or more** (figure 30). The product awareness score was calculated based on respondents' knowledge of a list of 15 financial products and services, including bank accounts, deposits, loans/credit lines/overdrafts, insurance, financial leasing, money transfer, sale and purchase of foreign exchange, ATM/ POS terminals, internet banking, debit/ salary cards, sale and purchase of securities, electronic trade, payment terminals, and funded pension pillars.

**Figure 30: Distribution of financial product-awareness score by financial inclusion**



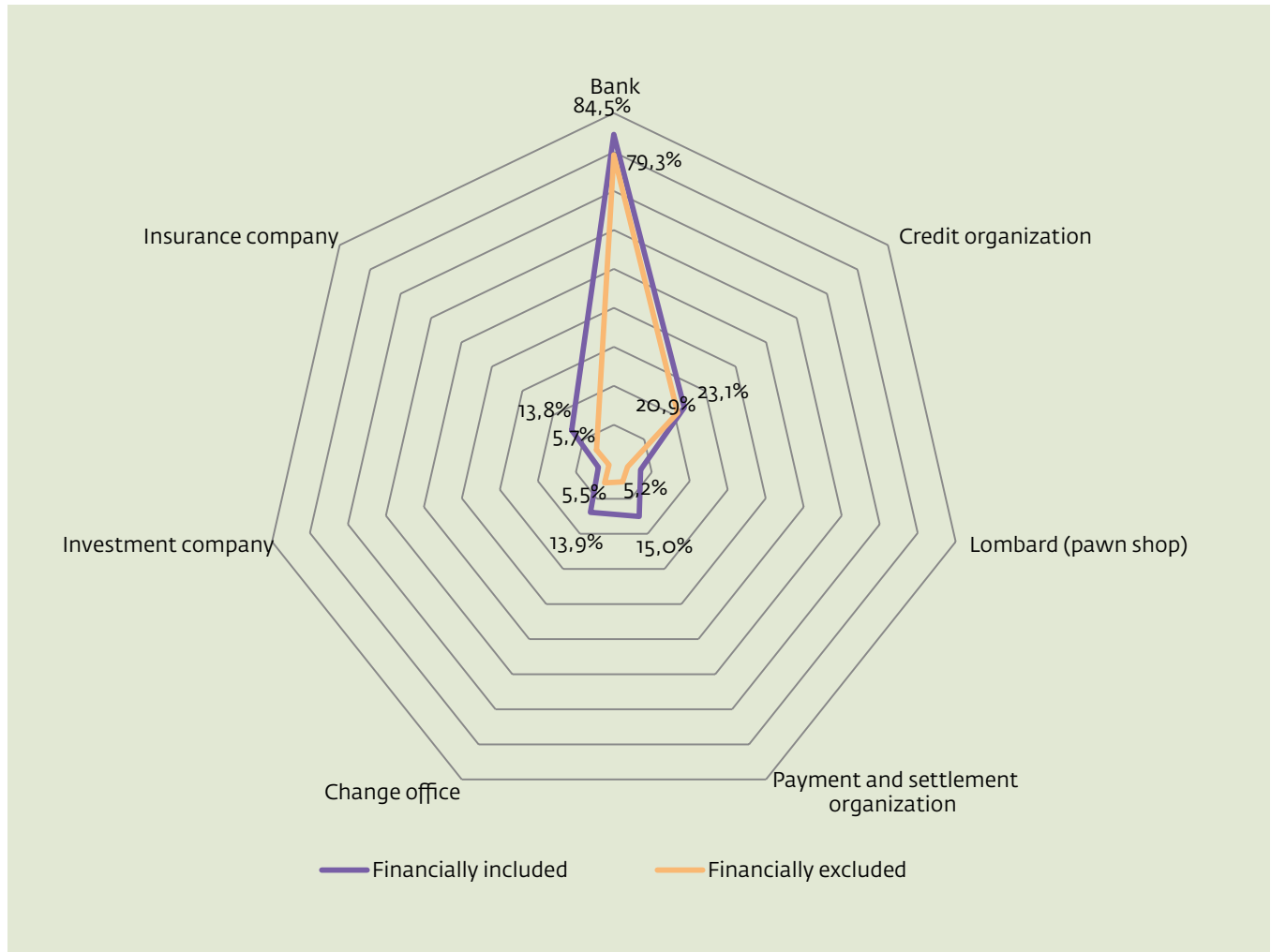
Source: IFC Financial Capability Survey, 2020

<sup>25</sup> Most evidence on the effects of financial literacy on debt comes from studies in developed countries. In the U.S., Lusardi and others (2009) found that debt literacy (measured by questions evaluating debt-related concepts) is on average low, and is positively associated with higher debt loads, fees, and borrowing costs. Perry (2008) found that in the U.S., a substantial number of people (32 percent) tend to overestimate their credit ratings, being also less financially literate, less likely to plan their expenses, save, or invest.

<sup>26</sup> "Morocco microcredit crisis in 2009, during which sector-wide credit risk soared to 14 percent and reached as high as 38 percent for one leading MFI. This highlighted the importance of market infrastructure and collective efforts to promote services related to information, research, coordination, advocacy, and capacity building." CGAP: What did we Learn from the Moroccan Microcredit Crisis? <http://www.cgap.org/blog/what-didwe-learn-moroccan-microcredit-crisis>

**Financially excluded respondents were on the whole less familiar with financial services and products offered.** But the difference in product-provider awareness between the two groups was not large, as seen in figure 31. The difference is most pronounced in payment and settlement organizations like UZCard, with only 5.2 percent of the financially excluded reporting to knowing about the product as compared to 15 percent of the financially included. Commercial banks, on the other hand, observed a difference of 5.2 percentage points between the two groups (84.5 percent for the included and 79.3 percent for the excluded). Insurance and change offices observed a difference of 7 to 8 percent between the financially included and excluded.

**Figure 31: Financial institutions awareness by financial inclusion and services ownership**



Source: IFC Financial Capability Survey, 2020

## 4.3 Recommendations

**Financial knowledge and capability-enhancing programs could be combined with financial products that most people can access to enable financially included Uzbeks to benefit from the products they use.** Financial education programs could be tied to existing formal financial products that most people can access and use, for example, when opening a bank account, taking out a loan, or taking out an insurance policy. Research shows that financial education works best when delivered to adults during teachable moments,<sup>27</sup> when they are more likely to be receptive to new information. These education programs will help reduce existing gaps in customer understanding of financial concepts and also inform about the need to build up savings for unexpected financial shocks and old-age expenses. However, the educational materials must be informative, clear, impartial, free from marketing, and need to be monitored.



<sup>27</sup> Yoko et al 2012



# 5. Financial Consumer Protection



## 5 Financial Consumer Protection

**Financial consumer protection is about ensuring a fair interaction between providers and consumers of financial services.** An effective financial consumer-protection regime is essential to counterbalance the inherent disadvantage of financial service consumers vis-à-vis the power, information, and resources of their providers. Without basic protective measures, consumers may find it difficult or costly to obtain sufficient information or adequately understand the financial products they use.

**Effective financial consumer-protection frameworks are also critical for instilling trust in the formal financial system and to ensure that expanded financial sector outreach benefits consumers and the overall economy.** A high incidence of conflicts with financial service providers or low levels of satisfaction with financial products could undermine trust in the formal financial system. Apart from making existing consumers worse off, it can also discourage potential new consumers from entering the market. Financial consumer protection in Uzbekistan is governed under the law on Banks and Banking Activities, which has a section covering “the protection of the rights and legitimate interests of financial services consumers” and goes hand in hand with Uzbekistan’s increased focus on financial inclusion since 2017. While inconsistencies remain, authorities have introduced relevant disclosure requirements in 2019, started risk-based supervision of financial services providers, and introduced mechanisms to help with financial consumer complaints.

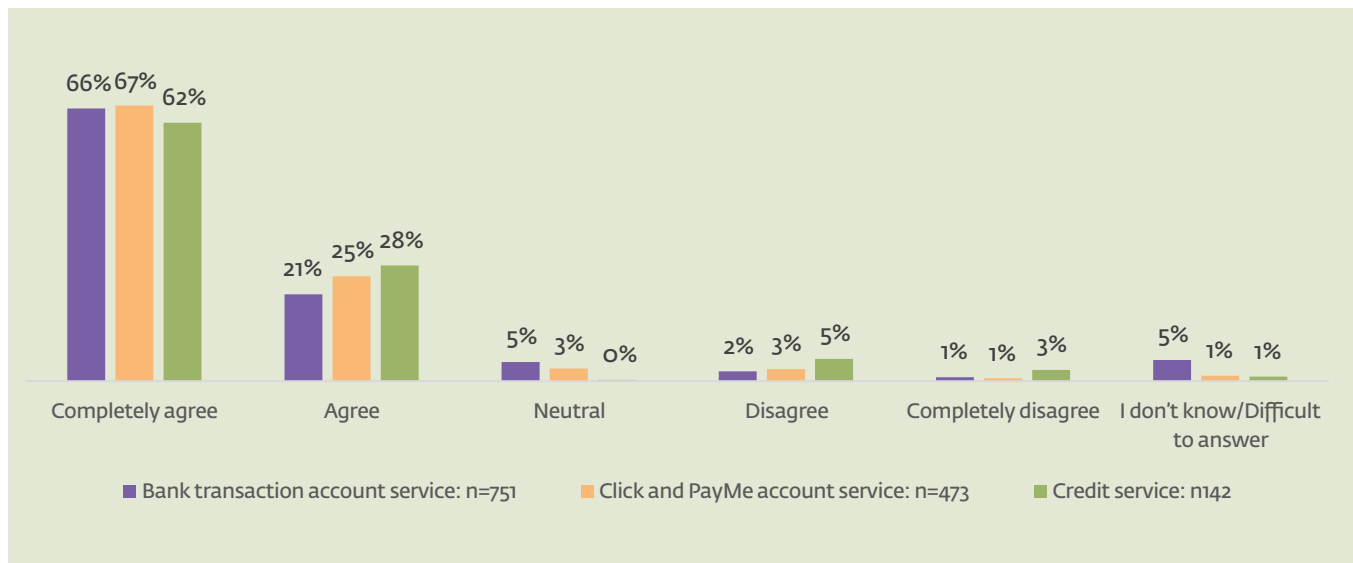
**This chapter assesses the effectiveness of the financial consumer-protection regime from a demand-side perspective, with a focus on consumer satisfaction with financial products and services, consumer redress, and dispute resolution.** The financial capability survey sought to capture the overall satisfaction of consumers with the most common types of providers and their products and services to measure whether these products and services meet consumer needs. The survey asked users of financial services to share their experiences with existing redress mechanisms to examine the effectiveness of existing consumer-redress mechanisms and identified segments of the population that are more likely to have encountered a conflict with a financial service provider.



## 5.1 Customer Satisfaction with Financial Products and Services

**The survey results suggest that bank-account owners are largely satisfied with the quality of services provided by their banks.** About 87 percent of those who use bank accounts and/ or debit, credit, or salary cards are satisfied with the quality of service they receive from their banks, of which 66 percent reported to be completely satisfied. A closer look into bank satisfaction rates among different user profiles reveals that the satisfaction was fairly uniform across gender (87 percent for both men and women), and location (88 percent for urban and 85 percent for rural).

**Figure 32: Satisfaction with the quality of bank account service, Click and PayMe account service, credit service (percentage of respective users)**



Source: IFC Financial Capability Survey, 2020

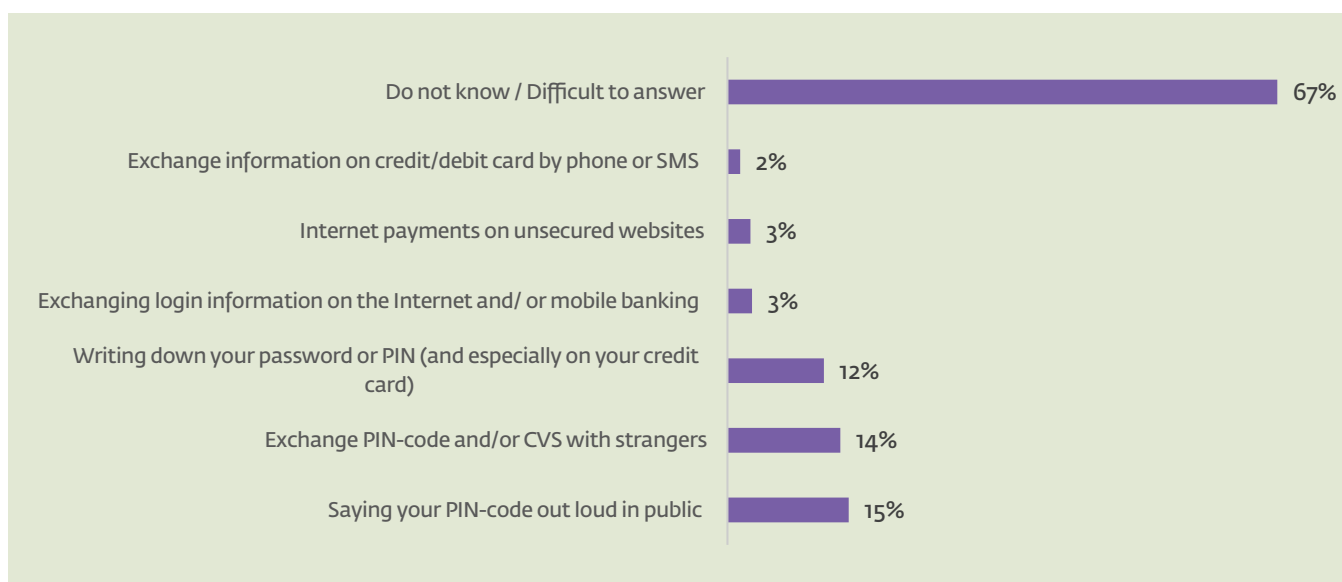
**Respondents who used mobile financial service applications like Click or PayMe were also largely satisfied with the services in meeting their needs (figure 32).** As with bank accounts, the level of satisfaction was distributed fairly uniformly among users regardless of gender, age, education, and income levels. Approximately 92 percent of payment service application users are satisfied with the quality of service they receive, 67 percent of whom were completely satisfied. Only 2 percent of clients reported to losing money due to fraud or technical errors in their accounts in the last 12 months.

**With regard to credit lines, about 90 percent of those who took loans from banks were satisfied with the quality of services provided and fully understood the interest, commissions, and fees associated with the loans they took.** Only 8 percent claimed to be charged fees they did not expect. Notably though, only 6 percent of respondents borrowed money from banks and 60 percent of these loans were granted on preferential terms within the framework of a state program.

## 5.2 Fraud, Dispute Resolution Mechanisms, and Trust in Financial Institutions

Respondents were asked questions regarding possible fraudulent behavior when using cards to determine their understanding of unsafe activities. Questions on the possible consequences of bankruptcy of the bank for depositors were also asked. According to the study, the vast majority (96 percent) of respondents do not know the maximum amount that the government will return to a citizen in case his/her bank goes bankrupt. Currently, this covers the total amount deposited at a financial institution regardless of deposit size. Two-thirds of respondents do not know or find it difficult to answer how not to behave when using bank cards or digital payments. This suggests that most citizens have limited knowledge of preventing fraud when using cards and are therefore vulnerable to fraud. Less unsafe activities, according to respondents, include transfer of information on credit/ debit card by phone or SMS (2 percent), internet payments on unsecured websites (3 percent), and exchange of login information on the Internet, and/or mobile banking (3 percent). Lesser awareness and access to mobile and internet banking services is likely the reason for lower awareness in this regard. Figure 33 illustrates the knowledge of respondents on activities deemed unsafe when using card and digital payments.

**Figure 33: Knowledge of unsafe activities when using cards and digital payments among respondents**

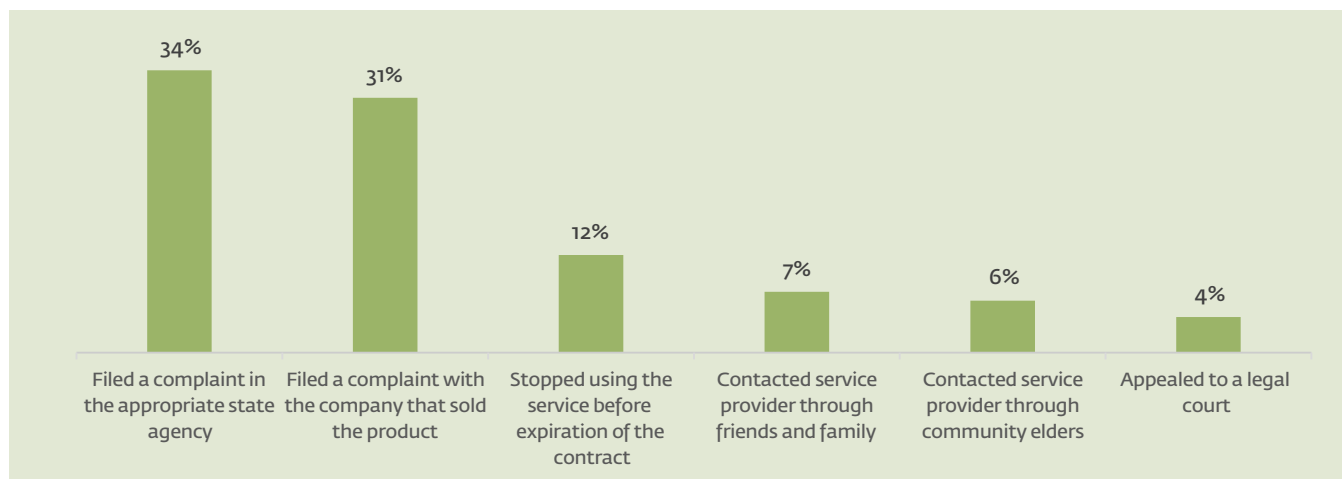


Source: IFC Financial Capability Survey, 2020

**Consumer-dispute resolution refers to being aware of and having access to the resources to report or file a complaint, as well as the actual process of resolving the disputes legally or out of court.** A very small proportion (4 percent) of respondents reported to having a conflict with a financial service provider over the last three years. But the low numbers are not necessarily indicative of fewer conflicts. Delving deeper into the characteristics of those who encountered conflict, the survey suggests that the sick and disabled, and those who hadn't completed any form of formal education, were among the groups most vulnerable to facing financial disputes. The other vulnerable segments of the group included low-income individuals or the unemployed, who were less likely to have conflicts but also less likely to have accounts at formal financial institutions; in case of conflicts, they had lesser trust in the system being able to resolve their concerns.

**In terms of the actions taken by those who faced conflicts with financial service providers in the past three years,** 34 percent reported submitting a complaint to the appropriate state agency and 31 percent reported submitting a grievance to the company that sold the product. Only 4 percent of respondents took the legal route (figure 34). Other actions included: approaching the provider through friends and family (7 percent) or via local powerholders (6 percent) or simply stopping the use of their services before contract expiration (12 percent).

**Figure 34: Action taken to redress conflicts with financial service providers, n=44<sup>28</sup>**

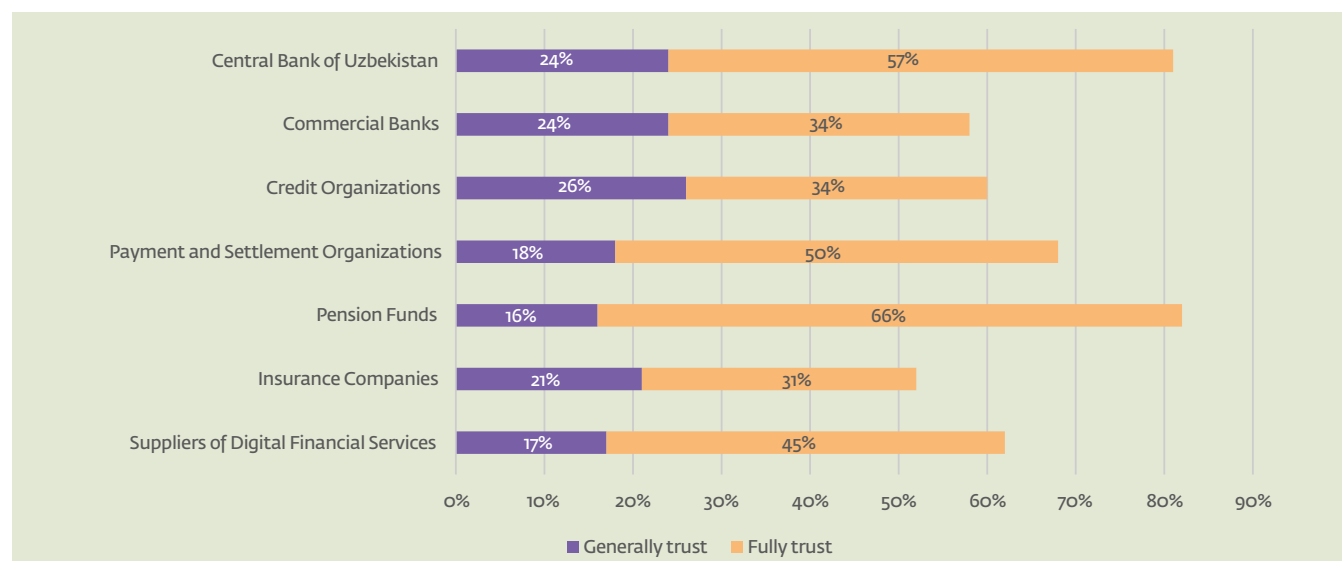


Source: IFC Financial Capability Survey, 2020

**Thirty percent of those who reported facing conflicts with their financial service providers over the past three years did not take action to resolve it.** The main reasons cited for not trying to solve a dispute include: lacking awareness of which government agency to approach for help (17 percent), the view that financial institutions are simply too powerful (16 percent), and a lack of confidence in the law to adequately protect the consumer (9 percent).

**Consumer trust in institutions – both in the financial systems to be financially included and in the government and legal systems to clarify concerns and resolve disputes – is essential to ensure financial consumer protection and inclusion.** Respondents were asked to express their levels of trust in the various financial institutions (figure 35). More than half the respondents (57 percent) had full trust in the Central Bank of Uzbekistan, while trust in commercial banks and credit organizations was slightly lower at 34 percent each. A fairly large proportion trusted pension funds (66 percent), payment-settlement organizations like UZCard (51 percent), and suppliers of digital-financial services (45 percent). Insurance companies on the other hand, were not as trusted among respondents (31 percent).

**Figure 35: Trust degree in financial institutions, N=2480**



Source: IFC Financial Capability Survey, 2020

Reasons for distrust of financial service providers can vary: it could be simply due to lack of appropriate awareness of the service or due to specific concerns the consumers faced when using the services. The survey did not specifically delve into the reasons for distrust towards the financial service providers.

<sup>28</sup> Part of the population who encountered any conflicts with financial providers (4 percent) and took measures to resolve them

## 5.3 Recommendations

**The findings emphasize the need to complement financial capability-enhancing efforts by measures to strengthen the existing financial consumer-protection framework**, including minimum requirements to meet internal complaints-handling standards set by the central bank. Legal and regulatory provisions should require financial institutions to provide customers with information on internal complaints-handling procedures (including contact information and time limits). This information should be disclosed in their products' terms and conditions and also be visibly posted online and in branches. In addition, customers should be informed about formal redress systems and legal options to increase awareness levels of government agencies that can be approached for help in the event of a dispute with a financial service provider. This is because a large proportion of respondents, who reported not doing anything in case of conflict, cited their reason as not knowing which government agency to approach.

**Identify concerns faced by individuals when attempting to report a conflict with a financial service provider.** Only 4 percent of respondents reported to having faced a conflict with a financial service provider in the last three years. It would be helpful to understand if these numbers are actually reflective of fewer conflicts, or if the affected entities were not in a position to report it and/or do something about it, or if it was because most respondents did not have access to a financial service provider altogether. This exercise can help identify if the concerns are related to access to or trust in the financial/legal/government agencies and can inform subsequent supervisory and regulatory actions.

**Mystery shopping and focus-group discussions with consumers can be very useful tools to gain additional insights into whether banks or other service providers satisfy their clientele.** Mystery shopping can be used to test a bank's compliance with specific requirements, to determine the quality of information consumers receive, and if suitable advice is being given. However, to be effective, it needs to be well structured. The shoppers need to ask the same questions for each provider based on a simple and plausible scenario and the exercise needs to cover a reasonable sample of providers. Focus-group discussions with consumers of bank services are another effective tool to identify attitudes, motivations, and opinions regarding the most important issues and concerns they have with financial services and products.



# 6. Annex



# 6 Annex

## 6.1 Methodology

The Uzbekistan financial capability survey was conducted through face-to-face interviews. A multistage sampling design was applied with specific stratifications by population size, geography (urban/rural delineations) between February and April 2020. Further sampling design was applied using proportional probability sampling. Household selection was done using a random route procedure with three attempts to reach a household, with substitution to be made at different times of the day. Finally, a household selection was done via a Kish grid.

The survey itself was conducted by M-Vector, a research company with over 20 years of experience in research and consulting in Central Asia. The company has implemented over 1000 evaluation, research, consulting, and training projects for diverse clients in such areas as banking and finance, economy and business environment, private and public sector, health care, infrastructure, agriculture and processing, telecommunications, and international donor and non-profit programs.

Below is a more detailed description of the survey methodology.

A multistage sample design was applied including the **Proportional-Probability Sample (PPS)** approach, using the following techniques:

Census data of Uzbekistan to construct sampling frames. The sampling frames are the lists of each location (village, town, city) with the following information included:

- **The macro-stratum**, which included top-level administrative units (oblasts)
- **The rural substratum** containing the list of all rural locations in all macro-strata
- **The location's** population size.

**PSUs** (Primary Sampling Units) were selected from each stratum via PPS. The following units were used for PSUs:

- Rural locations in all substrata excluding the capitals and major cities.
- Voting precincts in Tashkent.

**Target Population:** Population of Uzbekistan aged 18+ Sample: National Statistic Agency 2018



**Table 6: Sampling Parameters**

Parameter		Sample size
1	Sample Size	2480
2	Cluster size (starting point)	18 <sup>29</sup>
3	Number of Starting Points	141

The survey's face-to-face sampling design was developed in four stages:

**Step 1:** The sample was stratified by 13 regions and one major city (Tashkent). The 13 regions were then stratified by urban/rural delineations, resulting in a total of 27 strata.

Cluster size (number of interviews per sampling point) was set at 18 interviews. Each region's proportional allocation of interviews to urban or rural strata was divided by 18 and rounded to the nearest whole number to determine the proportional to size allocation of clusters for each of the 27 strata.

**Step 2:** Determination of starting points.

The starting point was randomly selected for each sampling point in the locations. The starting point can be the center (local administration building, schools, crossroads), a prominent worship structure (mosque or church), or a notable landmark.

**Step 3:** Random-walk sampling was used to select households. Interviewers were instructed to attempt to conduct an interview with every third household in neighborhoods consisting of one-household buildings. For multi-housing sectors, every fifth household was selected.

**Selection of the first house:** Interviewers selected the first house located next to the starting point if they could see private houses at the point of departure and/or in the direction of the route (to the right of the starting point).

**The selection of subsequent houses:** Following the first house, interviewers selected every third house after the first in the defined direction (to the right of the starting point). In this case, three is the "step of selection." When approaching an equivalent crossroad, interviewers always turned to the right:

**Step 4:** Interviewers used a programmed Kish grid to select individual respondents within an eligible household. If the selected respondent was not available, the interviewer returned twice to attempt to complete the interview in the household (three visits in total).

<sup>29</sup> Due to the COVID-19 outbreak, only 2480 of the planned 2700 were conducted. Each starting point was supposed to have 18 interviews. However, due to the lockdown it wasn't possible to conduct the remaining interviews, thus some starting points may have less than 18 interviews. 141 starting points were attempted against a planned 150.

**Table 7: Sample by Regions**

Region/oblast	Planned	Collected
Karakalpakstan	180	180
Andijan oblast	288	288
Buhara oblast	162	141
Jizak oblast	144	106
Qashqardaryo oblast	324	324
Navoi oblast	54	31
Namangan oblast	90	90
Samarkand oblast	270	270
Surhondaryo oblast	270	228
Syrdaryo oblast	108	36
Tashkent oblast	234	210
Fergana oblast	90	90
Khorezm oblast	180	180
Tashkent city	306	306
<b>Total</b>	<b>2700</b>	<b>2480</b>

In total 2480 interviews were collected against 2700 planned; due to the COVID-19 outbreak, conducting surveys was not possible for nearly a month.

Prior to data analysis, the dataset was weighted against the population distributions by regional distribution, type of location (rural/urban delineations), age, and gender.

## 6.2 Additional Sociodemographic details

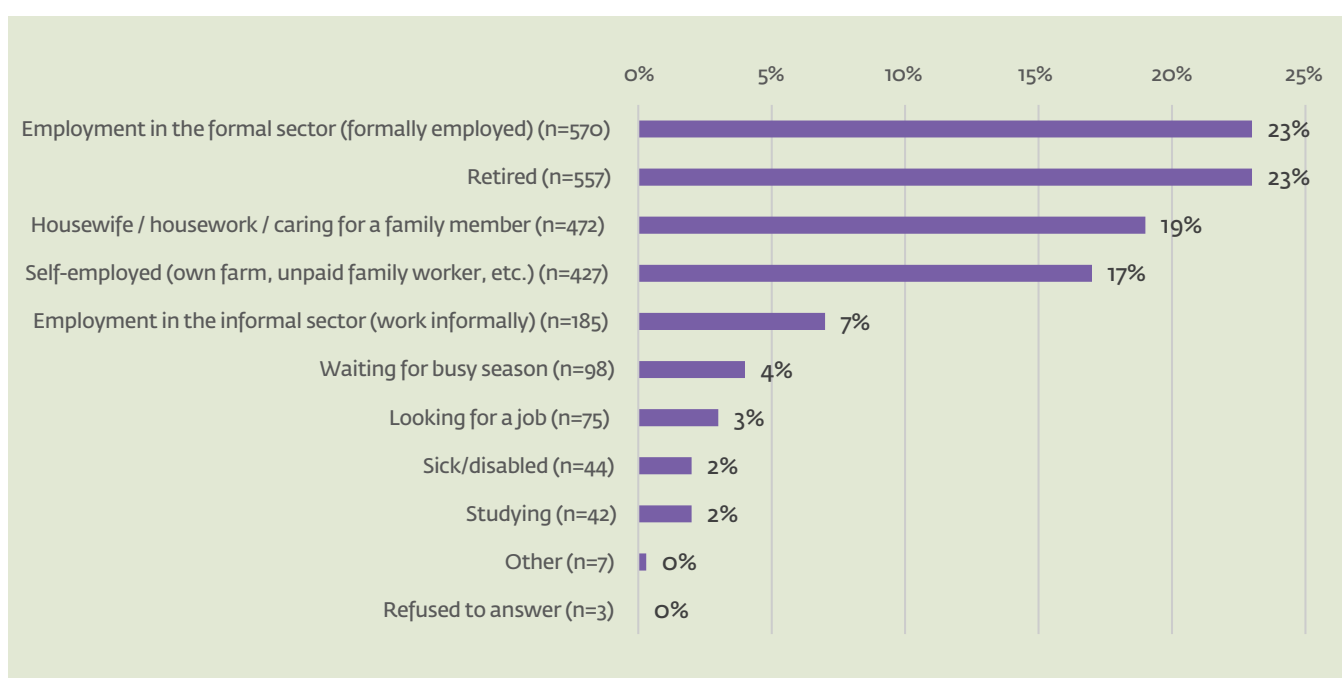
**Table 8: Level of Education**

How many years did you spend on education (including school days, excluding repeated years)?	Frequency	Percent
Up 10 years	257	10%
10 to 12 years	1476	60%
13 to 15 years	578	23%
More than 15 years	169	7%
<b>Total</b>	<b>2480</b>	<b>100%</b>
Highest level of schooling completed	Frequency	Percent
Incomplete school (n=71)	71	3%
Complete school (n=907)	907	37%
Incomplete vocational school (n=84)	84	3%
Complete vocational school (n=1048)	1048	42%
Incomplete higher education (n=51)	51	2%
Complete higher education (n=314)	314	13%
No education (n=4)	4	0%
Do not know	1	0%
<b>Total</b>	<b>2480</b>	<b>100%</b>

**Table 9: Level of Education of Respondents**

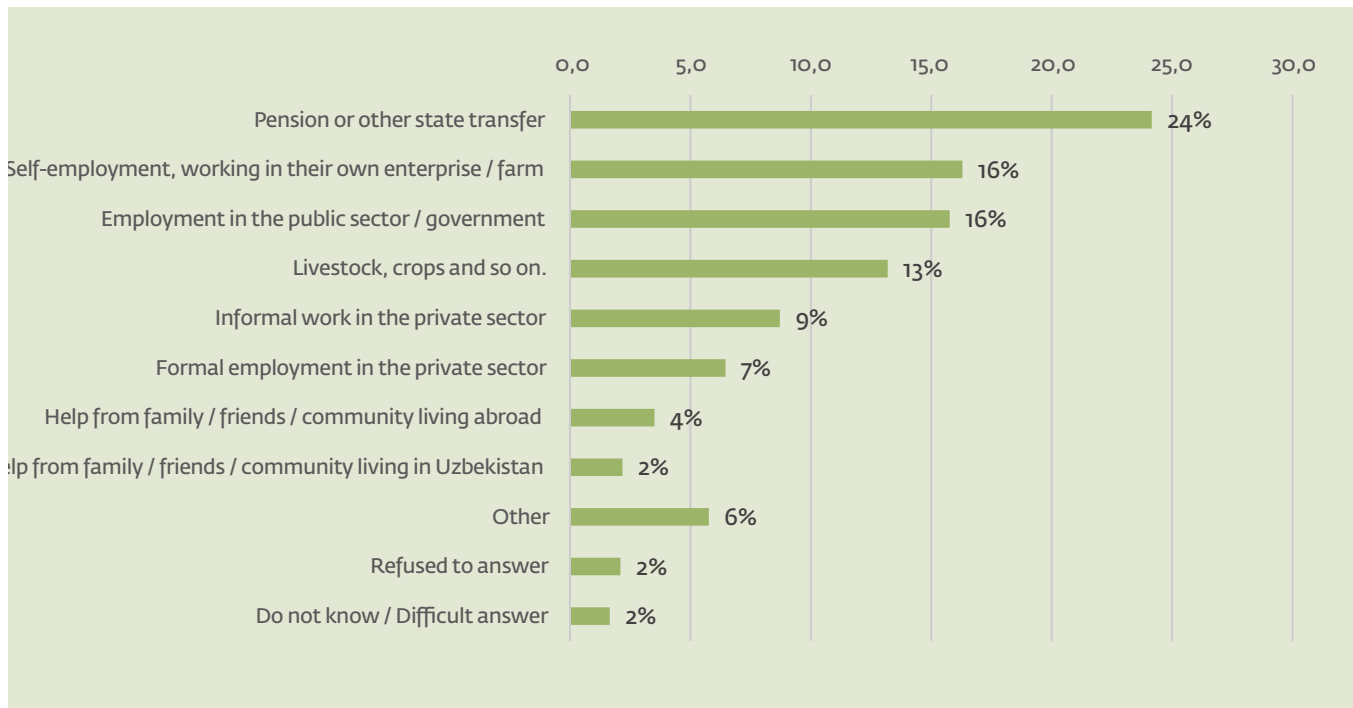
What is your main work status over the past four weeks?	Frequency	Percent
Employment in the formal sector (formally employed) (n=570)	570	23%
Retired (n=557)	557	23%
Housewife/housework/caring for a family member (n=472)	472	19%
Self-employed (own farm, unpaid family worker, etc.) (n=427)	427	17%
Employment in the informal sector (work informally) (n=185)	185	7%
Waiting for busy season (n=98)	98	4%
Looking for a job (n=75)	75	3%
Sick/disabled (n=44)	44	2%
Studying (n=42)	42	2%
Other (n=7)	7	0%
Refused to answer (n=3)	3	0%
<b>Total</b>	<b>2480</b>	<b>100%</b>

**Figure 36: Employment of respondents (N=2480)**



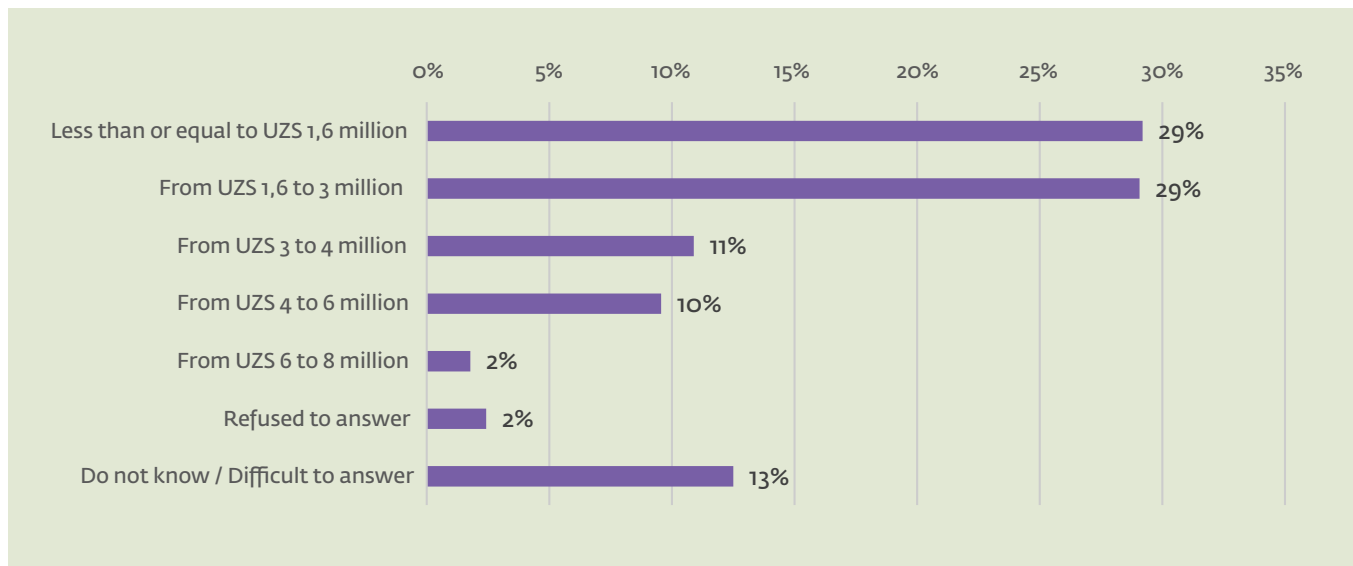
Source: IFC Financial Capability Survey, 2020

**Figure 37: Main source of personal income of respondents (N=2480)**



Source: IFC Financial Capability Survey, 2020

**Figure 38: Total monthly household incomes (N=2383)**



Source: IFC Financial Capability Survey, 2020

## 6.3 Regression Table

Table 10: Financial Capabilities by Social and Demographic factors:

VARIABLES	Budgeting	Saving capacity	Living within means	Planning for unexpected expenses	Provision for old age	Choosing financial products
	(0.0024)	(0.0025)	(0.0034)	(0.0034)	(0.0027)	(0.0032)
Age	0.0049***	-0.0041	0.0044	0.0004	-0.0068**	0.0047
Gender	(0.0514)	(0.0527)	(0.0704)	(0.0712)	(0.0571)	(0.0673)
Female	-0.0035	-0.0412	0.0302	-0.0013	0.1620***	0.0524
Location	(0.0496)	(0.0507)	(0.0668)	(0.0680)	(0.0547)	(0.0651)
Rural	0.2255***	0.1578***	-0.0709	0.0798	-0.0168	-0.0770
No schooling as baseline	(0.1427)	(0.1471)	(0.1914)	(0.1894)	(0.1689)	(0.2128)
Primary school	0.2251	0.4364***	-0.7521***	0.1033	-0.2814*	0.0428
	(0.1432)	(0.1477)	(0.1918)	(0.1904)	(0.1685)	(0.2127)
Secondary and vocational school	0.0739	0.4914***	-0.7742***	0.2726	-0.4234**	0.1232
	(0.1582)	(0.1633)	(0.2158)	(0.2155)	(0.1872)	(0.2250)
Tertiary school	0.0683	0.4635***	-0.6401***	0.3391	-0.4901***	0.3938*
Out of labor force as baseline	(0.0739)	(0.0754)	(0.1024)	(0.1046)	(0.0747)	(0.1029)
Self-employed	0.1681**	0.1551**	-0.2374**	0.1332	-0.0017	0.0628
	(0.0993)	(0.1021)	(0.1326)	(0.1377)	(0.1008)	(0.1393)
Informal sector	-0.0606	0.0395	-0.3207**	0.0472	-0.0528	0.1296
	(0.0704)	(0.0720)	(0.0957)	(0.0943)	(0.0720)	(0.0871)
Formal sector	-0.0626	-0.1219*	-0.0431	-0.1132	-0.4645***	0.1504*
	(0.0881)	(0.0903)	(0.1166)	(0.1183)	(0.1160)	(0.1178)
Retired	0.1034	-0.1383	-0.2306**	-0.1307	-0.3462***	0.0855
First quartile as baseline	(0.0527)	(0.0539)	(0.0708)	(0.0709)	(0.0581)	(0.0716)
Second quartile	0.0909*	0.4786***	-0.2110***	-0.0424	-0.2015***	0.1455**
	(0.0773)	(0.0799)	(0.1218)	(0.1189)	(0.0871)	(0.0960)
Third quartile	0.1067	0.8558***	-0.2828**	-0.1028	-0.4266***	0.2434**
	(0.1848)	(0.1922)	(0.3042)	(0.4330)	(0.2090)	(0.2044)
Fourth quartile	0.2039	0.9923***	-0.4361	0.8070*	-0.6871***	0.1560

Standard error in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

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