



PRESS RELEASES

The purposes of personal saving and borrowing

MARIJANA BADUN, PHD, Institute of Public Finance, Zagreb

In 2011, The World Bank launched its database on global financial inclusion (*Global Findex*), providing an insight into how people around the world save, borrow, make payments and manage risks. The main finding of the 2014 edition of the **database, published in April 2015, is that 62% of adults worldwide have an account at a bank or another financial institution, or use mobile money accounts, which represents an increase of 700 million from 2011¹. However, two billion adults have no accounts. This article refers to only a small portion of the database relating to the purposes of saving and borrowing, and makes a comparison between Croatia and other EU Member States and Croatia's neighbours.**

The database. The 2014 *Global Findex* consists of over 100 indicators, further broken down by age, gender, education level and income. The data have been collected in partnership with the Gallup World Poll, with the financial support of the Bill & Melinda Gates Foundation. The database is based on interviews (live or by phone), conducted during 2014 with about 150,000 nationally representative and randomly selected adults (age 15+) in over 140 countries. As the questions from the questionnaire mainly relate to the "past 12 months", the data generally represents the situation in 2013. The indicators can be roughly organised into five thematic groups: (1) accounts; (2) payments; (3) saving; (4) borrowing; and (5) financial preparedness for unexpected expenses. This article only deals with saving and borrowing.

The purpose of saving. Fifty-six percent of respondents around the world save money. The World Bank was further interested in the main reasons for saving. Hence, respondents were asked whether, in the past year, they saved for (1) old age; (2) education; or (3) starting, operating or expanding a business. There are substantial differences among regions in this respect. Globally, almost 25% of respondents report saving for old age, about the same proportion of them for education and 14% for business purposes. However, in high-income OECD economies, as well as East Asia and Pacific countries, about 40% of respondents save for old age, while the average for the rest of the world is 10%. Similarly, in East Asia and Pacific countries, as well as Sub-Saharan African countries, about 20% of respondents report saving for business purposes, twice as many as in the rest of the world.

The purpose of saving in EU Member States. Savings behaviour varies widely within the EU as well (Table 1), although the EU was not in the focus of the World Bank's research.² About half (51.8%) of respondents in Croatia reported having saved in the past year (the EU average is 60.2%). Leaders in saving were Sweden and Denmark, while Greece and Bulgaria were at the bottom of the list. About one third (34%) of respondents in Croatia reported having saved for old age (the EU average was slightly lower, 30.6%).

¹ Demircuc-Kunt, A. [et al.], 2015. The Global Findex Database 2014: Measuring Financial Inclusion around the World. *Policy Research Working Paper*, No. 7255, Washington: World Bank, 15 April 2015.

² The focus has rather been on underdeveloped, particularly African countries.

As concerns saving for education expenses (including school fees), Croatia was again close to the EU average (16.3% vs. 15.9%). The largest shares of respondents having saved for education were reported in Spain and Ireland, the smallest in Greece and Hungary. Spain was again a leader in saving for starting, operating or expanding a business, followed by Austria. The worst savers for this purpose were Greece and Italy. In Croatia, the share was equal to the EU average, 6.8%. In the neighbouring countries (Bosnia and Herzegovina, Montenegro and Serbia), savings rates were about half the EU average in all categories, but generally not lower than those in Greece.

The purpose of borrowing. Globally, 42% of respondents reported having borrowed in the past 12 months (excluding through the use of credit cards). The purposes of borrowing offered in the World Bank's questionnaire were: (1) buying real estate; (2) health or medical purposes; (3) education; and (4) starting, operating or expanding a business. As in the case of saving, there is much variation in this respect across regions. In the highest-income OECD economies, 26% of respondents reported having an outstanding loan for real estate purchases (less than 10% in developing countries). By contrast, less than 5% of respondents in the highest-income OECD economies reported having borrowed for health or medical reasons (about 20% in East Asia and Sub-Saharan African countries).

The purpose of borrowing in the EU. More than half of respondents in Croatia (56.1%) borrowed money in the past 12 months. Croatia thus became a leader in the EU, but also among the observed non-EU Member States (Table 2). Within the EU, it was followed by Sweden and Spain. The least likely to borrow were respondents from Malta, together with those from Greece, which ranked last on the list. The EU average was 36.4%. Borrowing for education purposes was reported by 8.7% of respondents in Croatia, making this country the second-placed country behind Cyprus (the EU average was 4%). Greece and Austria were at the bottom of the list.

Romania held a leading position in borrowing for health or medical purposes. Croatia was again above the EU average (5.9% vs. 4.5%), while Malta ranked last. Croatia ranked first in terms of borrowing for starting, operating or expanding a business (4.2%), right after Spain, while the EU average was 2.3%. Portugal ranked last. About one-fifth (23.4% of Croatian respondents reported having an outstanding loan for the purchase of real estate, which equals the EU average of 23.6%. Sweden ranked first and Lithuania last on the list. Table 2 also contains data for the neighbouring countries, showing that Montenegro performed above and Bosnia and Herzegovina and Serbia below the EU average in all categories.

Differences in saving and borrowing behaviour among adults in Croatia. There are, of course, differences within the country as well, depending on the age, gender, education level and income of respondents. This article deals only with differences by income in Croatia. Respondents are divided into two groups: (1) adults in the lower-income 40% of households; and (2) adults in the higher-income 60% of households. There are minor differences regarding the purpose of saving, but saving for old age stands out (29.1% of lower-income and 38.9% of higher-income respondents reported saving for that purpose). Higher-income respondents saved more than lower-income persons in all categories, which did not apply in the case of borrowing. Lower-income respondents borrowed 3-4 percentage points more for education, health or medical purposes, as well as for starting, operating or expanding a business. However, 19.4% of lower-income and as much as 26.3% of higher-income respondents reported having an outstanding loan for real-estate purchases. Moreover, higher-income respondents were more inclined to borrow money in the past 12 months (57.1%) than the lower-income ones (54.5%).

Conclusions. The *Global Findex* database is a valuable source of information. The small portion of data presented in this article reflects economic differences across countries, as well as differences in the education, health care and housing financing systems. When it comes to saving for old age, demographic aging, but also differences across pension schemes, seem to be important factors. Bearing in mind the EU average, it is a positive thing that the share of savers is twice as large as the share of borrowers. Saving also exceeds borrowing in the cases of education, as well as starting, operating or expanding a business.

Saving behaviour in Croatia is roughly in line with the EU average. However, Croatia performs above the EU average in borrowing for all purposes, except for real estate purchases. Particularly striking is the fact that almost half of respondents in Croatia report having borrowed money (the EU average is slightly over one third). Croatia, Bulgaria, Romania and Greece are the only EU Member States with the

shares of respondents who save exceeding those who borrow. This is also true for Montenegro and Serbia, but not for Bosnia and Herzegovina (Graph 1).

Table 1 Saving (as % of all respondents)

	Savers	Purpose of saving		
		Old age	Education	Starting, operating or expanding a business
Austria	79.6	48.4	18.0	13.9
Belgium	74.7	46.6	20.3	6.0
Bulgaria	27.3	11.5	7.5	5.6
Croatia	51.8	34.8	16.3	6.8
Cyprus	41.2	12.9	16.3	4.5
Czech Republic	62.6	38.8	15.6	6.4
Denmark	81.2	45.0	13.9	3.3
Estonia	51.8	28.1	10.3	9.5
Finland	71.0	32.7	10.1	5.4
France	67.1	29.5	17.9	7.3
Germany	79.8	55.1	17.1	10.7
Greece	23.7	9.3	4.3	1.2
Hungary	38.2	17.6	5.8	4.0
Ireland	69.7	30.8	25.9	10.9
Italy	56.6	25.1	23.7	2.4
Latvia	44.3	16.0	9.0	4.2
Lithuania	53.7	26.8	8.9	5.2
Luxembourg	77.8	36.4	25.2	8.6
Malta	71.4	37.0	23.7	5.8
Netherlands	74.5	31.0	23.9	4.9
Poland	46.6	15.8	11.6	8.3
Portugal	53.3	27.7	19.8	7.2
Romania	36.5	15.1	9.4	4.6
Slovakia	62.5	34.6	15.4	4.7
Slovenia	65.7	32.0	21.1	10.0
Spain	67.2	26.8	26.7	14.0
Sweden	84.5	50.9	13.7	5.8
United Kingdom	71.3	40.6	13.4	10.2
EU average	60.2	30.6	15.9	6.8
Bosnia and Herzegovina	25.6	10.0	7.8	2.6
Montenegro	26.8	6.8	8.6	2.9
Serbia	27.7	12.0	6.9	3.8

Note: Respondents could report saving for more than one purpose.

Source: The Global Findex database 2014.

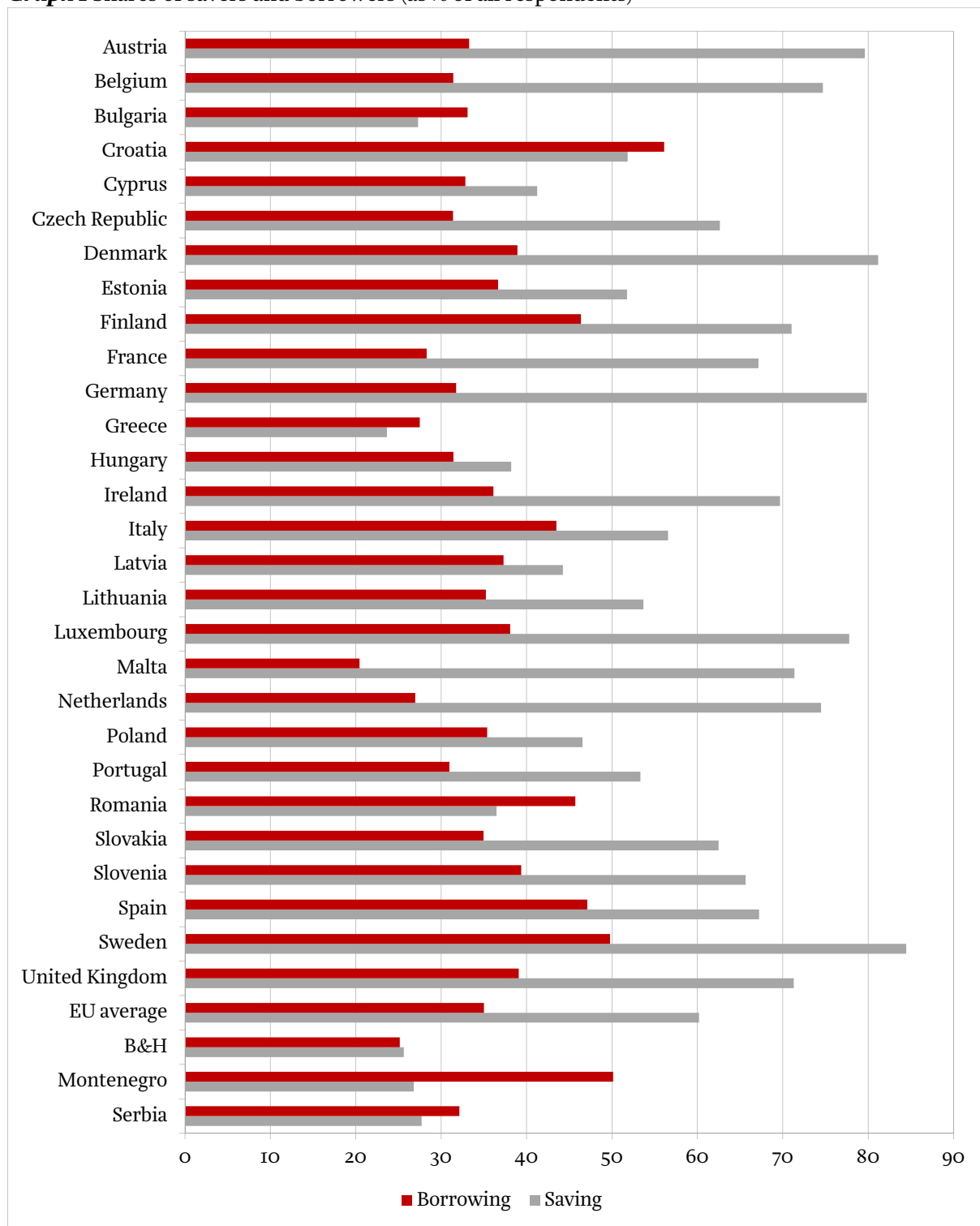
Table 2 Borrowing (as % of all respondents)

	Borrowers	Purpose of borrowing			
		Education	Health or medical purposes	Starting, operating or expanding a business	Real estate
Austria	33.3	1.7	5.2	3.6	18.3
Belgium	31.4	2.0	3.9	3.0	30.3
Bulgaria	33.1	2.1	5.0	1.6	14.7
Croatia	56.1	8.7	5.9	4.2	23.4
Cyprus	32.8	9.7	7.1	1.7	28.4
Czech Republic	31.4	2.7	1.8	1.5	21.5
Denmark	38.9	4.4	3.3	1.4	38.2
Estonia	36.7	3.3	4.3	1.5	26.8
Finland	46.4	6.0	1.1	2.1	30.6
France	28.3	3.2	2.1	2.1	25.9
Germany	31.8	2.2	2.2	3.6	21.1
Greece	27.5	1.3	3.9	1.1	14.1
Hungary	31.4	2.0	3.7	1.1	17.4
Ireland	36.1	8.4	4.9	3.3	26.3
Italy	43.5	6.5	5.8	1.1	11.2
Latvia	37.3	3.4	6.4	1.9	16.6
Lithuania	35.2	2.5	8.1	2.7	9.8
Luxembourg	38.1	5.9	6.5	2.5	31.9
Malta	20.4	2.1	0.7	1.0	19.0
Netherlands	27.0	4.1	3.1	1.1	38.9
Poland	35.4	1.8	4.4	1.4	14.6
Portugal	31.0	3.1	5.9	0.6	22.8
Romania	45.7	5.4	13.3	2.0	10.3
Slovakia	35.0	2.0	3.1	1.7	25.4
Slovenia	39.4	4.2	4.0	3.6	17.6
Spain	47.1	6.3	5.1	6.1	36.0
Sweden	49.8	4.8	3.2	2.0	41.7
United Kingdom	39.1	3.3	2.9	3.5	29.0
EU average	36.4	4.0	4.5	2.3	23.6
Bosnia and Herzegovina	25.1	1.6	4.1	2.3	16.7
Montenegro	50.1	8.0	7.0	3.6	23.9
Serbia	32.1	2.6	4.1	2.3	8.5

Note: Respondents could report borrowing for more than one purpose.

Source: The Global Findex database 2014.

Graph 1 Shares of savers and borrowers (as % of all respondents)



Source: The *Global Findex* database 2014.