# Postal savings accounts benefit women, the poor, and rural people the most

Putting savings to work is crucial for Asia's developing economies. In developing Asia, however, access to credit, savings and payment services remains limited. In 2014, only 36 percent of adults in East Asia and the Pacific had formal savings accounts and only 11 percent had access to formal credit.

With more than 600,000 branches worldwide, post offices provide an alternative to rural people to access services that traditional financial institutions cannot provide. So developing postal savings may be good for increasing financial inclusion, reducing poverty and achieving higher economic growth.

Postal savings systems date back to 1861 when policy makers in the United Kingdom recognized the difficulty of including the less wealthy. Allowing the post office to take deposits was an affordable way to include more people in the financial system.

In Japan, the post office began offering savings accounts and money orders as early as 1875. By 2015, the number of post branches providing financial services was nearly double that of all other Japanese financial institutions. Japan Post is now one of the biggest financial institutions in the world, holding more deposits than every other private bank in Japan.

In India, government-backed postal banks emerged in 1882. After independence in 1947, the government began integrating postal finance services under a National Savings Organization targeting small savers. Out of 150,000 post offices, over 130,000 service rural areas—four times the number of rural banking branches of traditional financial institutions. In terms of number of accounts, India Post's 238 million outnumber any other institution by far.

Around 48 percent of post offices in the world—roughly around 320,000—are in Asia. On average, every 72 square kilometers are served by a branch, far greater than other parts of the world. In economies where postal accounts are offered, roughly 12 percent of the population uses the service.

In general, women, the poor and those who live in rural areas are most likely to use postal finance. Indeed, postal accounts are the second greatest contributor to financial inclusion, with over 1.6 billion people worldwide holding some form of postal account.

There is room for growth. Postal bank accounts are generally more prevalent in wealthier economies. The presence of extensive postal finance tapers off in lower economic rungs, signifying the untapped potential for developing both the postal and financial systems.

Postal services in developed markets are mainly provided by partnerships between post offices and other financial institutions. In contrast, most postal finance in developing countries is provided by post office savings banks or post banks.

Under a postal savings bureau model, units in a post department handle small savings accounts and other financial products. These institutions can contribute to state development through lending and may be a source of stability, as in the Republic of Korea during the Asian financial crisis of 1997. They can also provide full financial services. In some countries, this means becoming a public corporation as in the Philippines.

Since the 1990s, alternative models have emerged with private sector participation due to falling mail volumes, increasing use of information technology and regulatory developments. It is important to avoid favoring one private institution over another and to be aware of how relationships benefit each partner. Terms that favor the government excessively limit the incentive for the private sector. But favoring private institutions risks distorting competition and neglecting the public service rationale of postal finance.