
Key issues in design and implementation of surveys on financial inclusion

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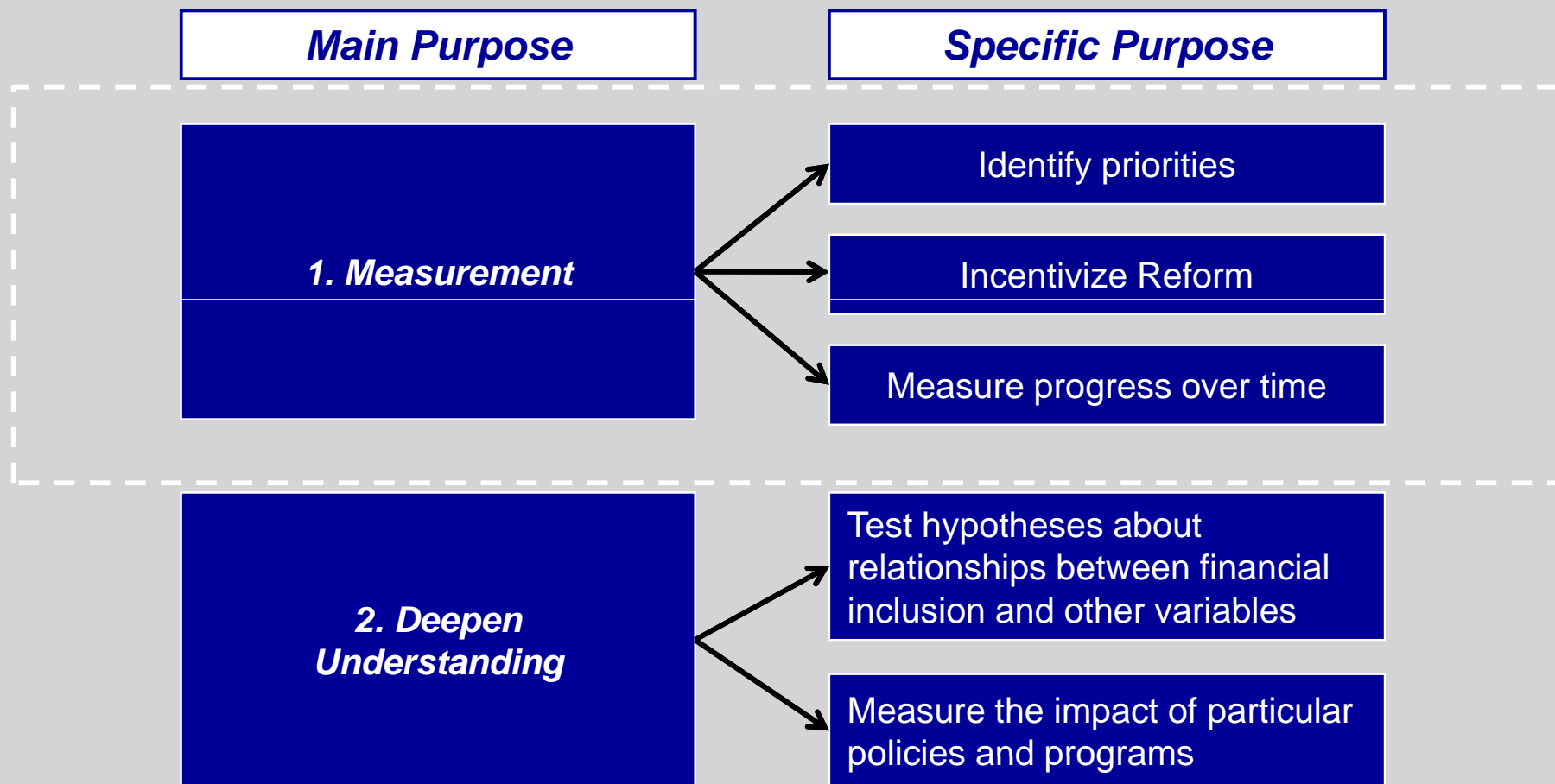
Bankable Frontier Associates

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Why measure financial inclusion?



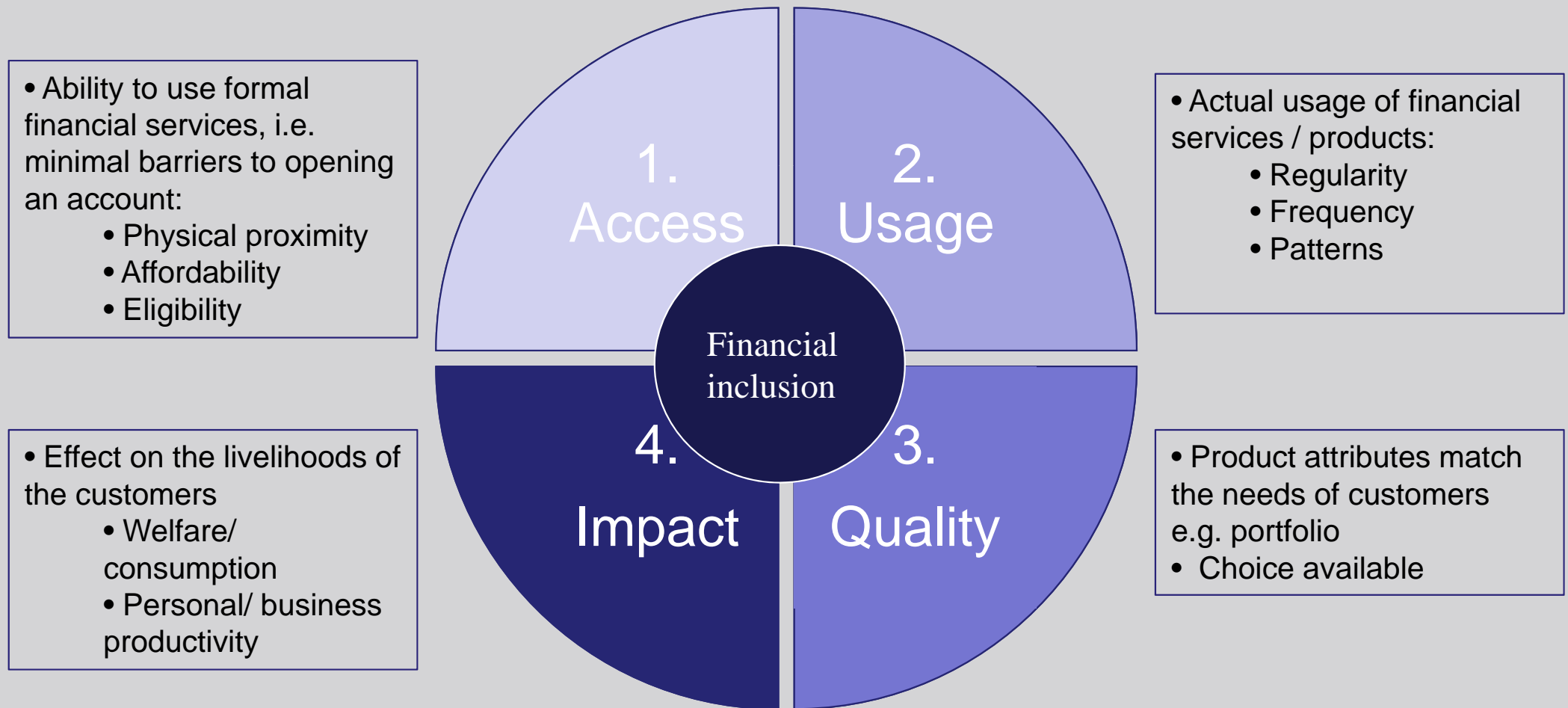
Outline: understanding survey design and implementation

1) Define financial inclusion

2) Select the appropriate approach

3) Understand the costs and options for implementation

There are multiple ways to define financial inclusion, with varying degrees of complexity



More complex definitions require additional measurement resources

Financial inclusion goals need clear definition to be measurable



UNCDF - Vision of Inclusive Finance

With a view to significantly increase outreach... each developing country should have a continuum of financial institutions that... would be characterized by:

- a) access at a **reasonable cost** of all **households** and **enterprises to the range of financial services for which they are “bankable,”** including **savings, credit, leasing and factoring, mortgages, insurance, pensions, payments and local and international transfers;**
- b) **sound institutions,** guided by **appropriate internal management systems,** industry performance standards and performance monitoring by the market, as well as by **sound prudential regulation** where required;
- c) **financial and institutional sustainability** as a means of providing access to financial services over time; and
- d) Multiple providers of financial services, so as to bring **cost-effective and a wide variety of alternatives to customers.**



Vision must be translated to actionable standards at country level

SA Financial Sector Charter

Effective Access means:

- a) Being within a distance of 20 kms to the nearest service point at which *first-order retail financial services* can be undertaken, and includes ATM and other origination points ...
- b) Being within a distance of 20 kms to the nearest accessible device at which an electronic (other than ATM) service can be undertaken
- c) A **sufficiently wide range** of first-order retail financial products and services ... which are **aimed at and are appropriate** for individuals who fall into the All Media Product Survey (AMPS) categories of LSM 1-5...

First order retail products and services means:

- a) Transaction products and services... for day to day purposes
- b) Savings products and services
- c) Credit for low-income housing (definition provided)
- d) Insurance products and services



Specific standards provide benchmarks against which to measure progress

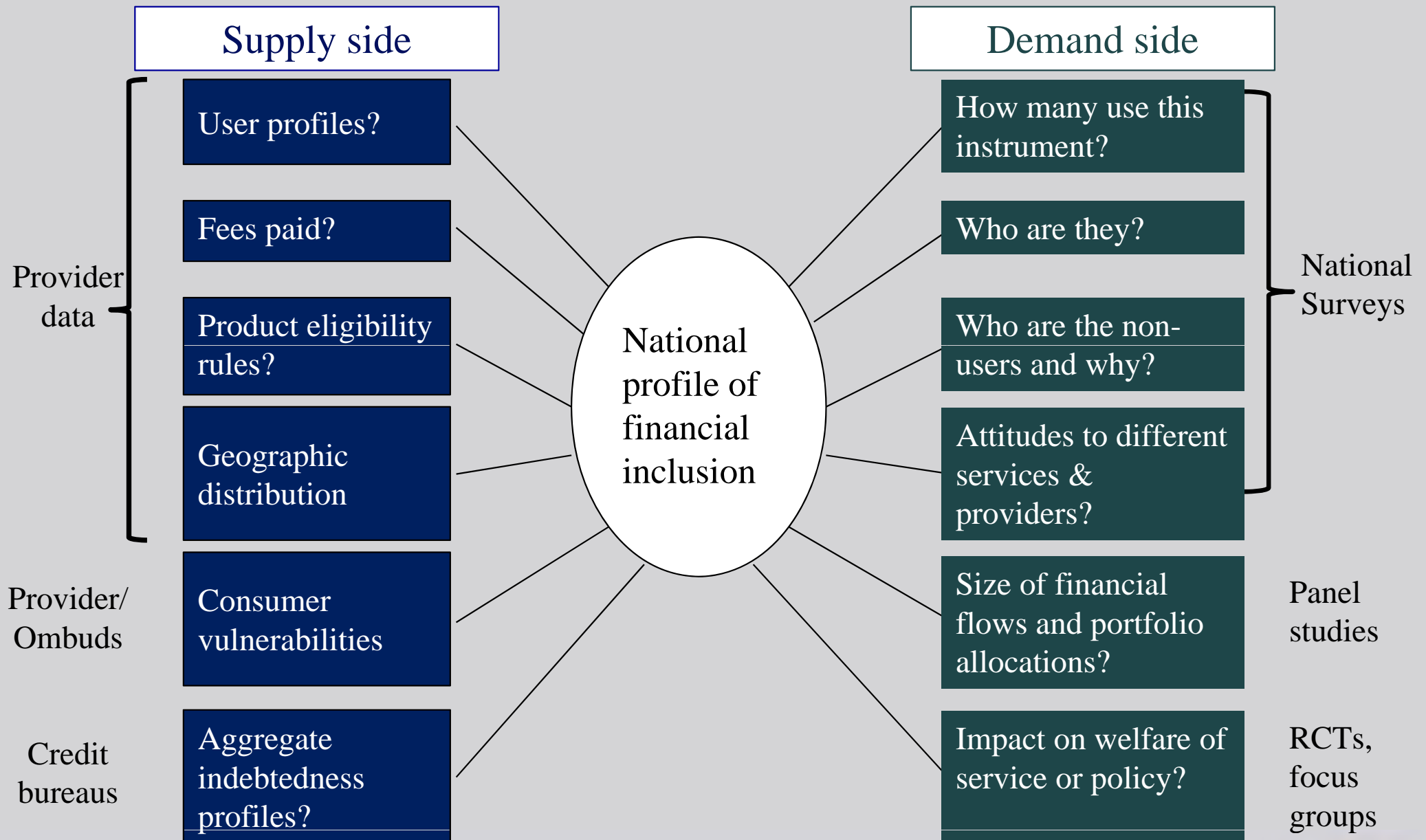
Three-Step Process

1) Define financial inclusion

2) Select the appropriate approach

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What questions can data answer?



Aggregating supply-side information from regulated entities

Design

Questions	Considerations
What types of institutions should be tracked?	-Banks -MFIs -Insurance Providers
Which non-service providers may have information?	-Credit Bureaus -Umbrella outfits
What data should be tracked?	-# of accounts -Geographic distribution of touch points -Product cost -Account opening procedures

Implement

Questions	Considerations
What data is already being collected?	-Existing regulatory reporting requirements
What data can be made public?	-Customer confidentiality -Market bias
Will institutions require incentives to participate in the study?	-Access to data -Enhanced regulatory reporting requirements

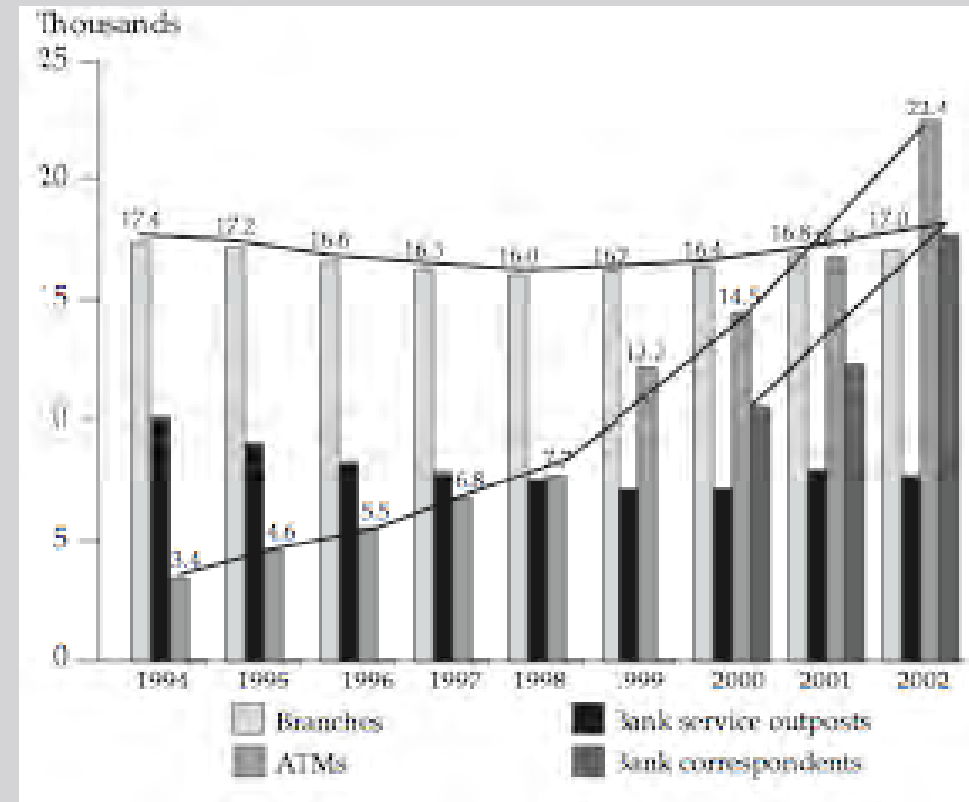
Output analysis

Questions	Considerations
What conclusions can be drawn from supply-side data?	-Estimation of population with bank accounts -Hypotheses of potential barriers to access -Understanding of geographic access to financial institutions
What are the limitations of the data?	-No demographic background of account holders -Different products across institutions

Example: access to financial services in Brazil, World Bank, 2005





	<u>Year</u>	<u>Number</u>
↓ # of Banks (-27%)	1993	267
	2002	194
↓ # of Bank Branches (-8%)	1994	17,400
	2002	17,000
↑ # of ATMs (+543%)	1994	3500
	2002	22,500
↑ # of Microfinance Orgs (+333%)	1999	6
	2002	26

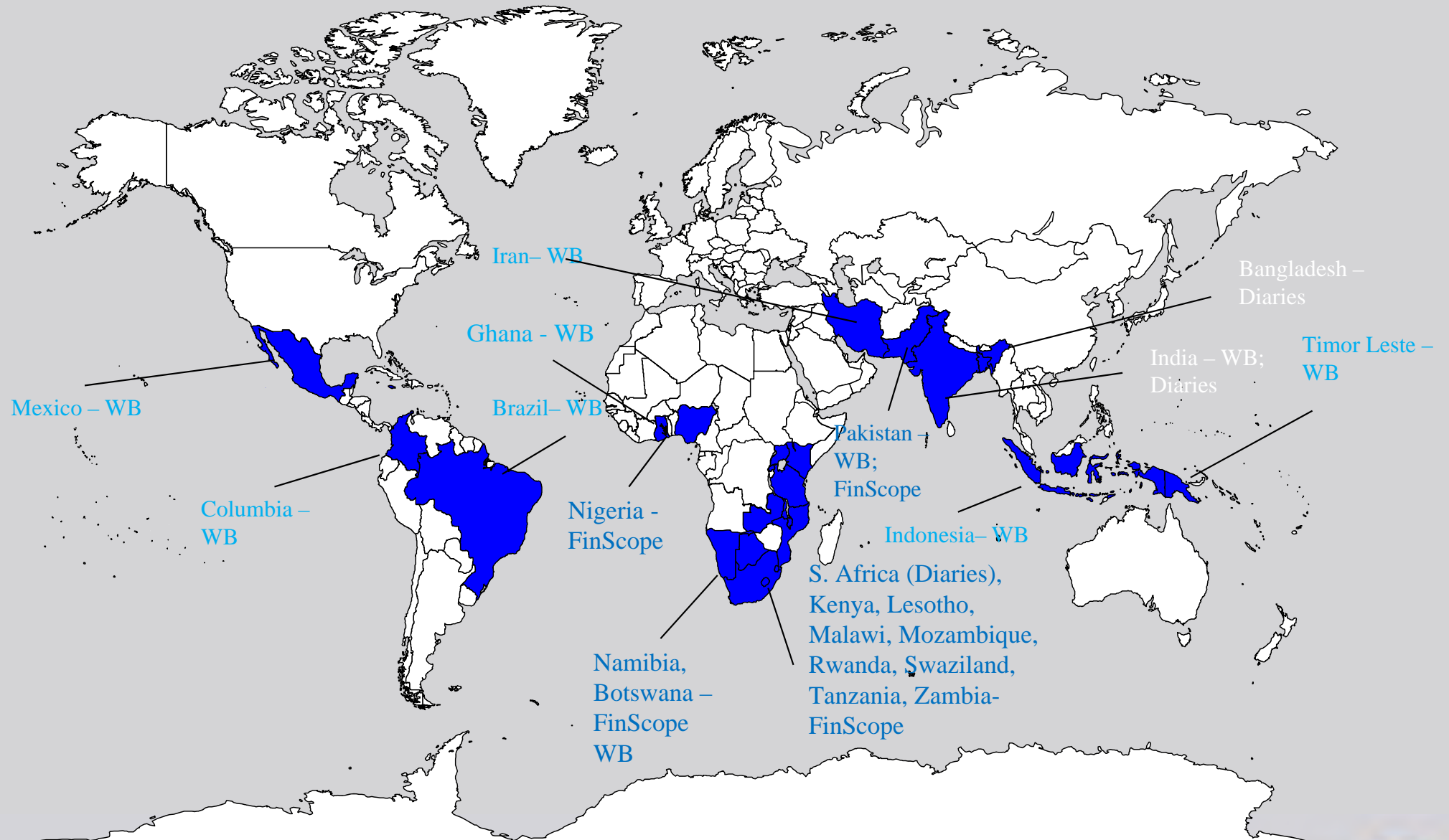


The data showed that, despite a decline in number of banks and branches, there has been no marked decline in overall geographic access to financial services because of rise of correspondents

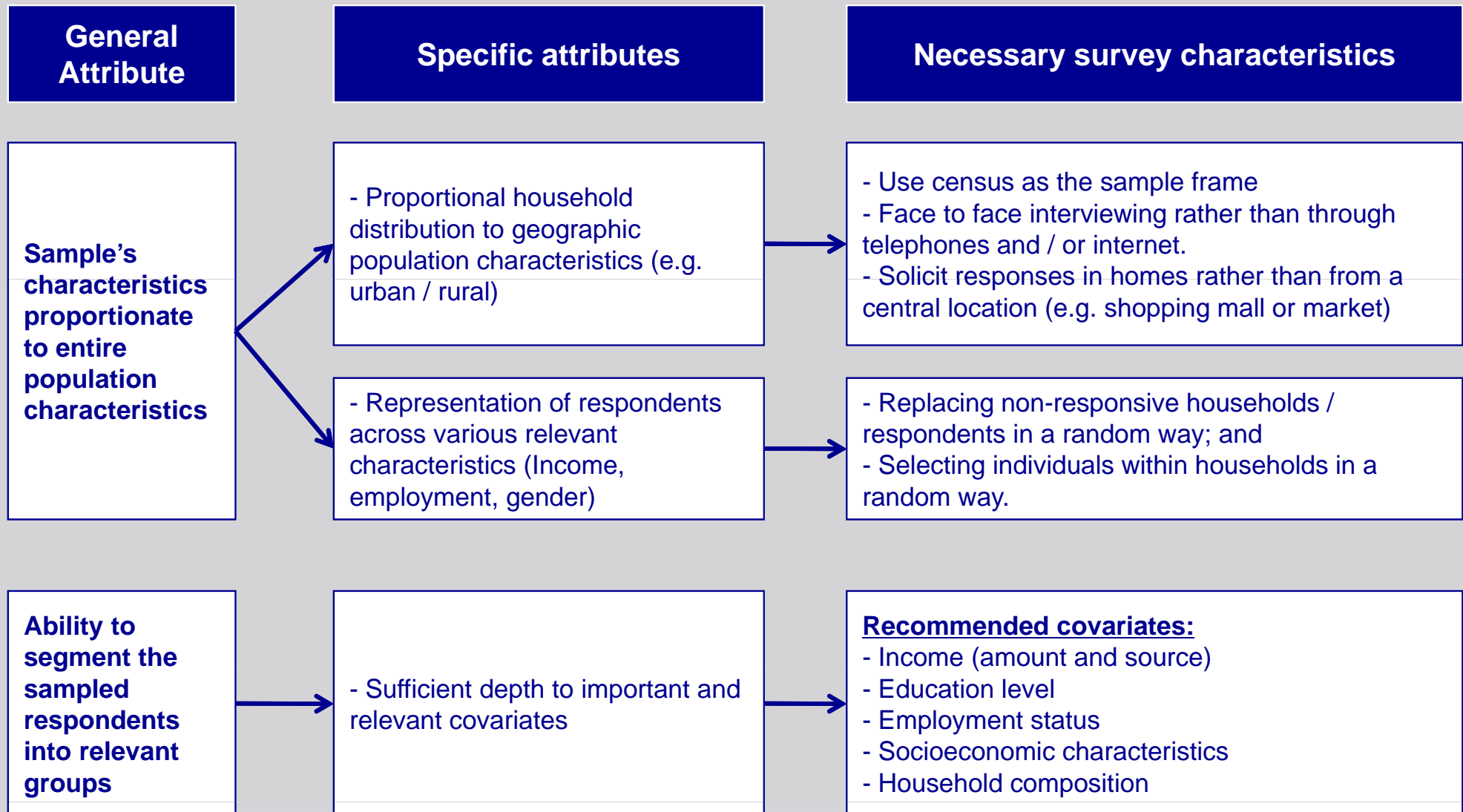
Various cross country supply side efforts are gathering pace...

Survey Name	Institution	# of countries	Frequency	Data collected
CGAP Global Survey on Accessing Financial Services (ff Banking the Poor)		135 countries this year.	Annual	Number of accounts in regulated institutions, ATM cards, machines and loans as well as data on costs, collateral and disclosure.
International Financial Statistics (Upcoming)		190 countries.	Annual	8 indicators using number of all financial institutions, including branches, ATMs, number of depositors and borrowers, and financial services (deposits, loans, insurance technical reserves).

National surveys have been completed in more than 25 countries in recent years



Sampling of national demand-side surveys must be carefully designed in order to achieve robust representation



Different demand side survey techniques are available to meet different objectives

Type of survey	Definition	Survey Objective	Examples
One time cross - section	Cross section of the population is randomly selected and interviewed once	Snapshot of current level of financial access	- FinScope - World Bank Access to finance
Repeated cross section	As above, but subsequently another cross section of the population (resembling the first sample) is randomly selected and interviewed once using same or similar instrument.	Monitor progress of financial access across time.	- FinScope – South Africa, Kenya - Survey of Consumer Finances (SCF)
Panel	The same households/individuals are interviewed multiple times at regular intervals.	Can be used to show a causal impact of changes in policy if combined with other factors.	-Financial Diaries - ENNViH (Family life survey)

Seeking international comparability of headline indicators



- To date: only supply side data or synthetic estimators based on supply-side data
- Proposed: Global Financial Access Snapshots (GFAS) of high-level regular comparable financial access indicators from demand side add-on.

GFAS: Attributes

- Multi-country outreach (130+ countries)
- Individual-level surveys to be conducted in household
- Standardized questionnaire to be added onto an already existing survey
- Ability to segment by demographics

GFAS: Potential Content

- Current / Past Bank Usage (Frequency, Type of account, timing functionality)
- Savings
- Credit
- Insurance
- Payments
- Demand for Financial Services

Example: US Federal Reserve uses mixed data sources to monitor use of electronic banking

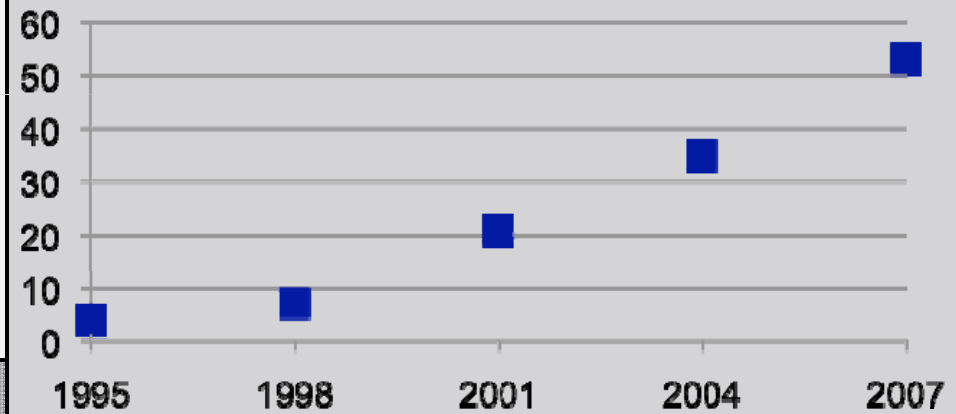


Two different compatible surveys used for analysis:

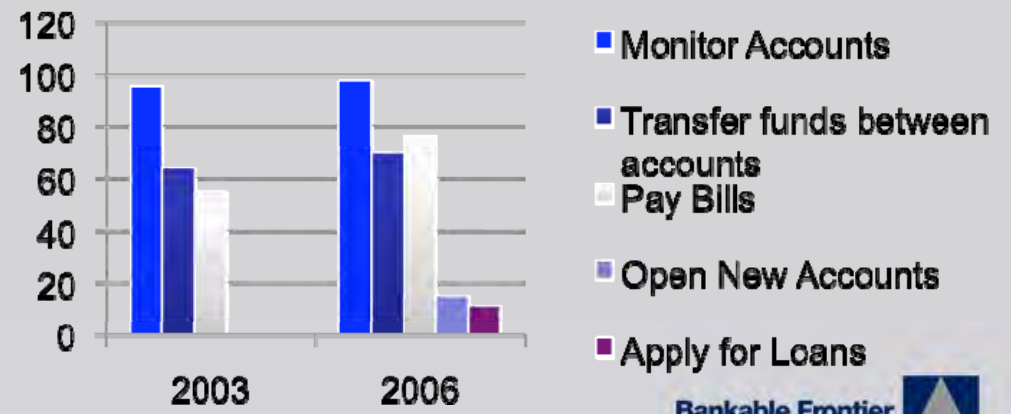
	SCF*	UofM SOC**
Frequency	Triennial	Monthly
Objective	Detailed information on US families' balance sheets, use of financial services, demographics, and labor force participation	Measure changes in consumer attitudes and expectations with regard to consumer finance decisions
Sample Frame	Restricted to those households that reported having an account with a bank, thrift institution, or credit union.	Restricted to households that reported having an account with a bank, thrift institution or credit union
Representation	National	National

Data from the two surveys were not combined, per se, but rather analyzed separately and merely discussed together.

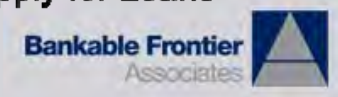
% Households that use online banking (SCF)



% of online bankers using various services (UofM SOC)



- Monitor Accounts
- Transfer funds between accounts
- Pay Bills
- Open New Accounts
- Apply for Loans



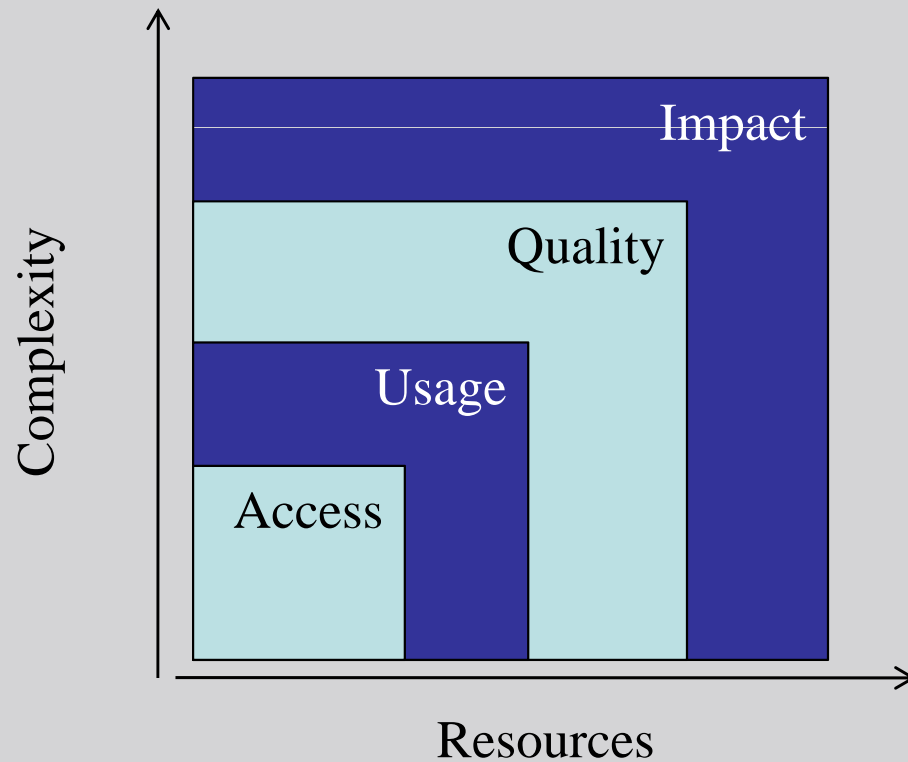
*Survey of Consumer Finances
 ** University of Michigan Surveys of Consumers

Three-Step Process

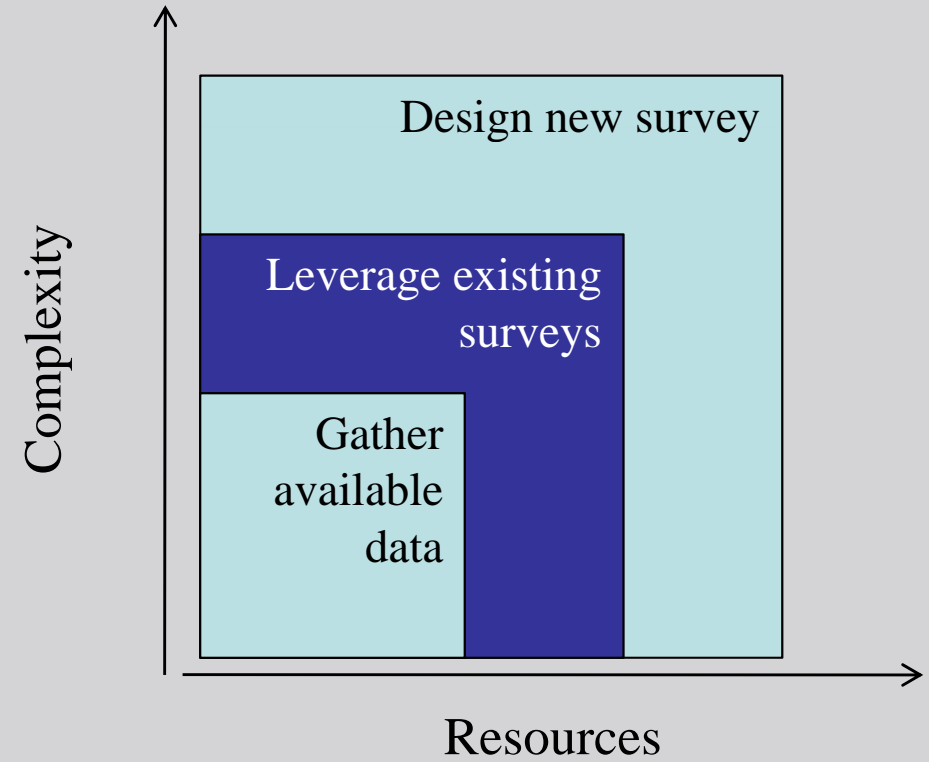
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Survey objective and survey approach are closely related

Survey Objective



Survey Approach



Timeline for creating a survey

Indicative timeline drawn from FinScope SA process, which spans 10 months developing, implementing, analysing and launching an annual demand-side survey

Number of Months

1

2

3

4

5

6

7

8

9

10

Build user/funder consortium

: Determine which institutions (e.g. commercial banks but could be donors or govt agencies) will join the research effort as syndicates

Finalize

Questionnaire:

Collect input from syndicates members and pilot

Field Work

(2 months) - contracted by a large survey house

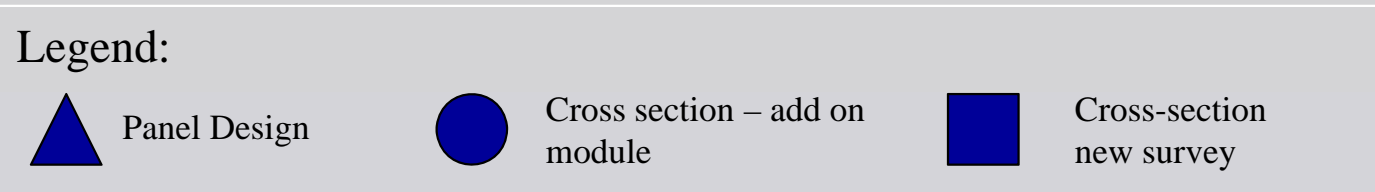
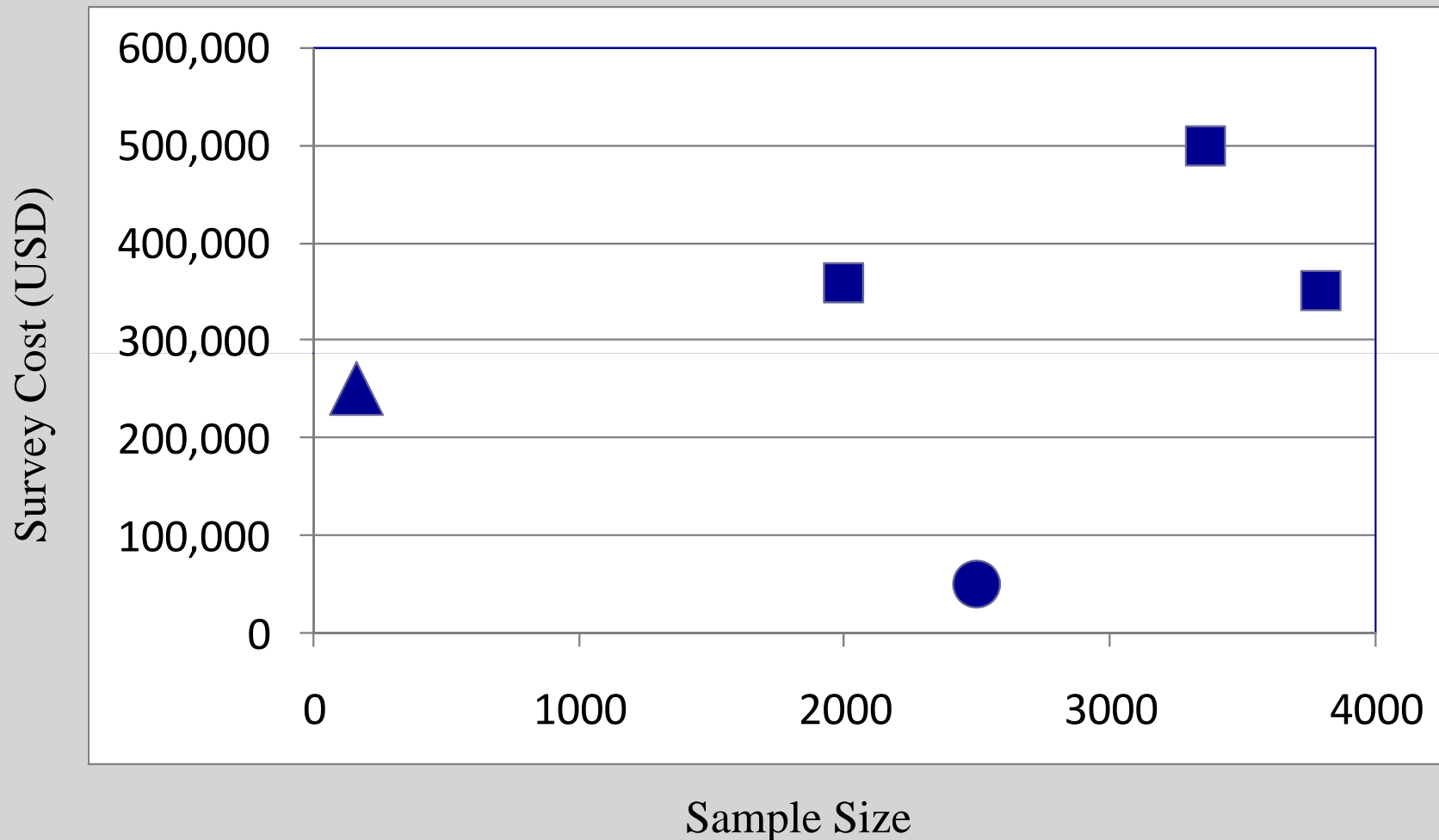
Analysis and Verification

(2 months) - Done by the market research team as well as in house analysts

Dissemination:

high profile event

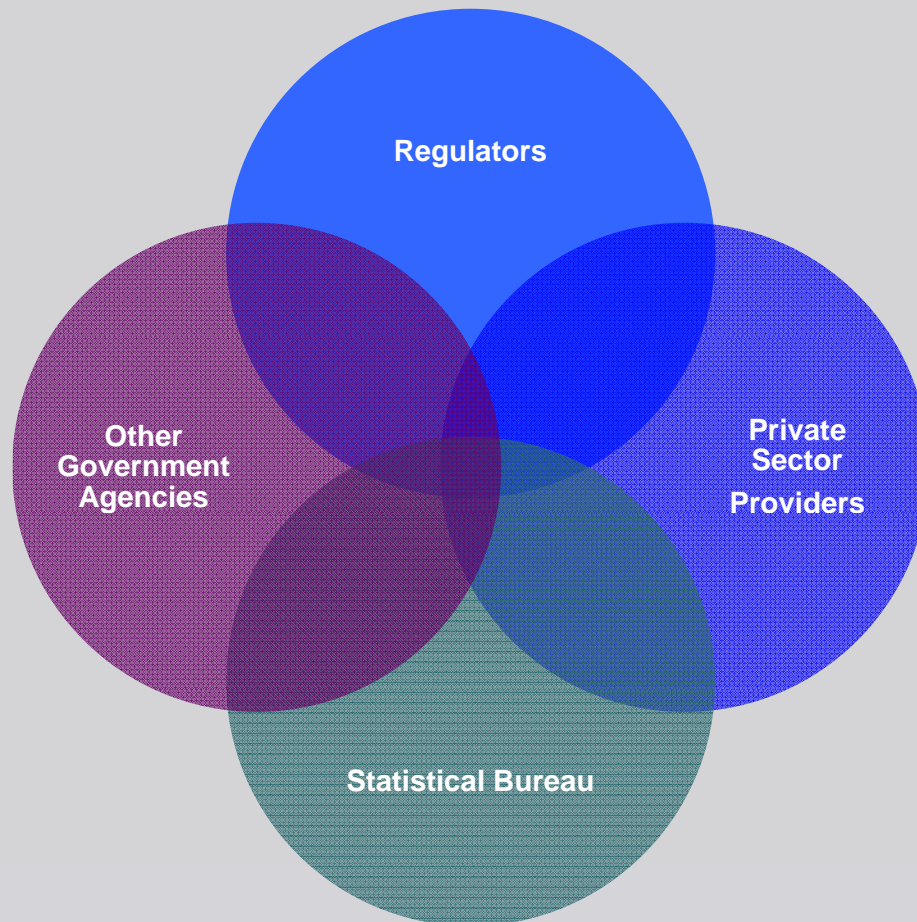
Survey costs vary with sample size and complexity



Other stakeholders have an interest in the data, and may support/ benefit from survey efforts



Many data needs across stakeholders will overlap...






















Example: Finscope in Zambia

In Zambia, a number of banks have responded positively to headline data provided by a FinScope survey.

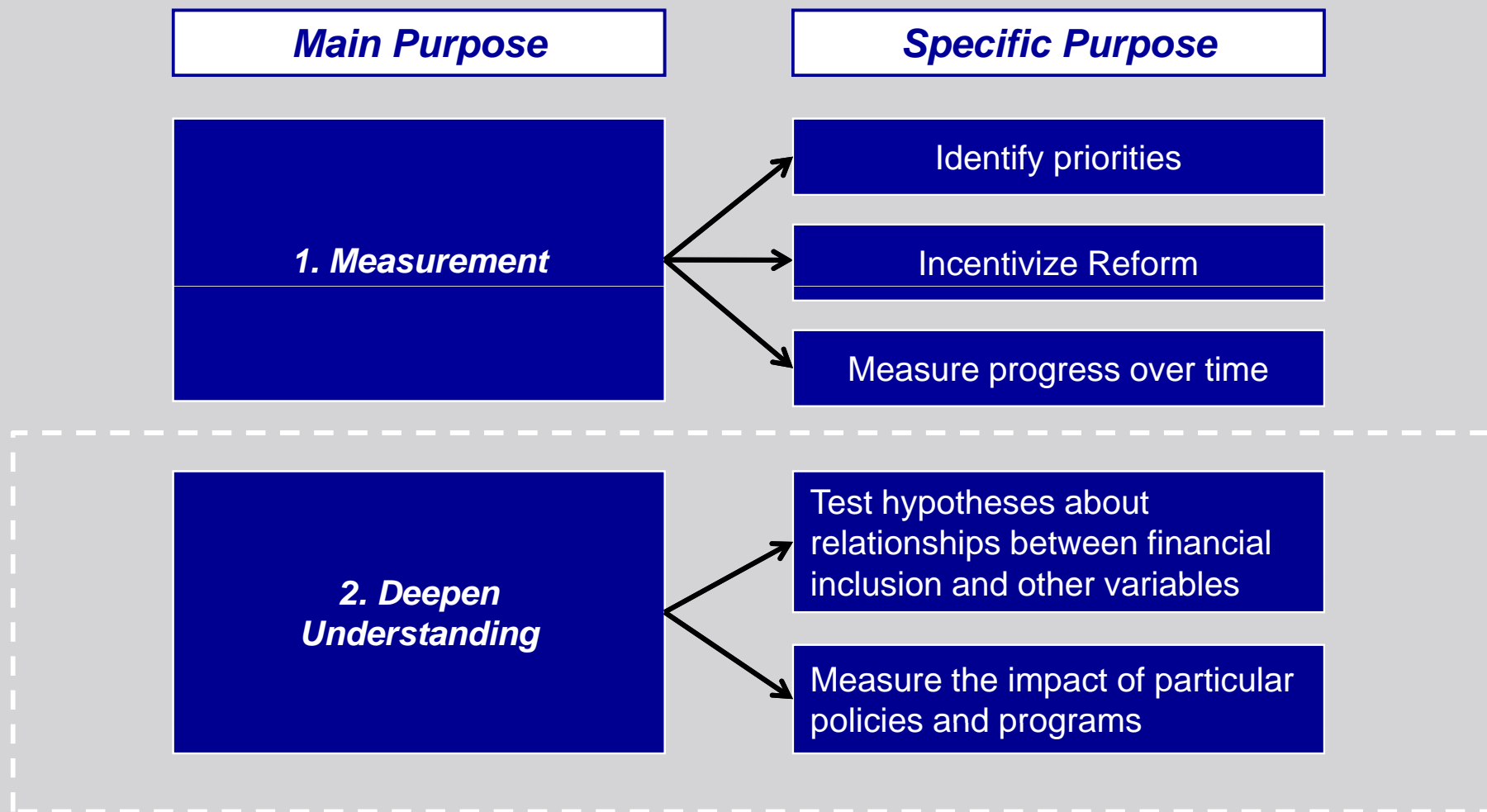
Institution	Initiative
Barclays	Justified the re-opening of a number of branches and service centres in non-urban areas.
ZANACO	Created a new brand and business model specifically focused on the unbanked
Dunavant	Launched a mobile banking venture similar to Wizzit
	Created a mobile payment linkage for 150,000 of its cotton-growers

The role of regulators in surveys varies widely

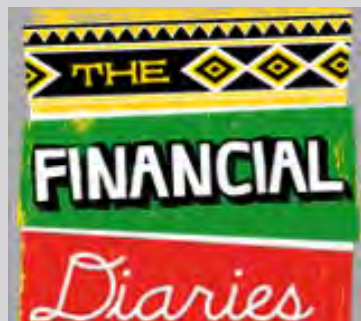
	Regulators			
	Zambia	Kenya	US Fed	Indonesia
Design				
Fund				
Analyze				
Disseminate				
Publicly available data	Y	Y	Y	N

	Fully responsible
	Partially responsible
	No responsibility

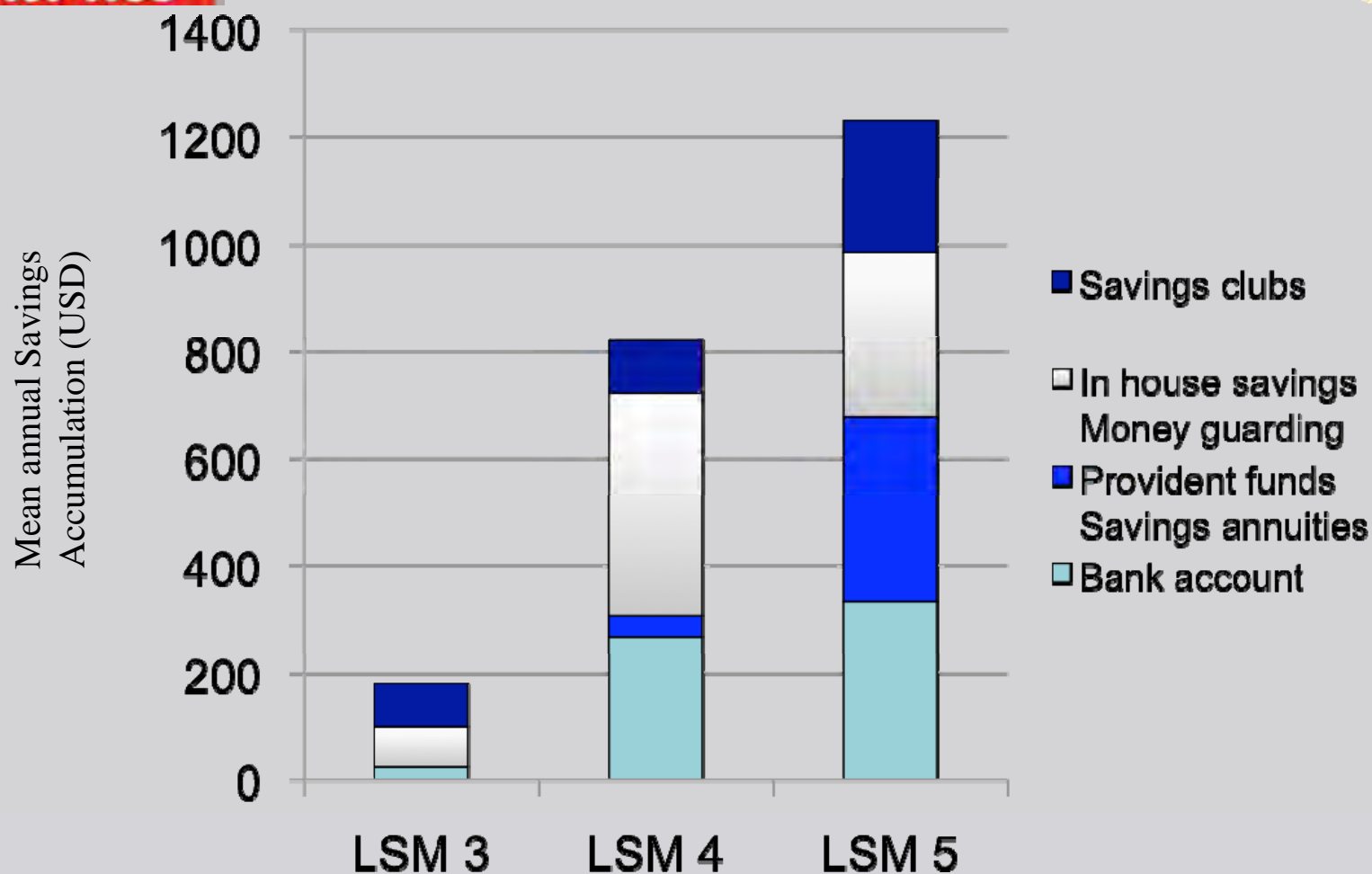
Beyond measurement, surveys can also be used to deepen understanding of financial inclusion



Example: going deeper...



The Financial Diaries approach seeks to understand the usage of financial instruments by poor households at a detailed level. Diaries can track cash flows accurately in ways that other surveys do not. In this way, the portfolios of the poor can be better understood.



Conclusion

- ❖ Measuring the dimensions of financial inclusion is both feasible and desirable
 - An increasing range of robust measurement approaches and instruments is available
 - These must be tailored according to objective and resources available.
- ❖ The regulators' role may not always be to provide demand side data but at least to support its collection and use it, together with supply side information to measure and understand.
 - Most countries concerned about inclusion need a credible national financial survey repeated at suitable intervals.
- ❖ If financial inclusion cannot be clearly defined, it cannot be clearly measured. Equally, measurement can inform evolving definitions.

THANK YOU!

Annex 1: Selected References

Bankable Frontier Associates. 2009. “Global Financial Access Snapshots: Exploring Feasibility and Potential Risks.” *Report for the Gates Foundation*.

Bell, Catherine J. and Jeanne M. Hogarth. 2009. “U.S. Households’ Access to and Use of Electronic Banking, 1989-2007.” *Federal Reserve Bulletin*, July, A99-A121.

Kumar, Anjali, 2005. “Access to Financial Services in Brazil.” Washington D.C.: The World Bank.

World Bank. 2008. *Banking the Poor: Measuring Banking Access in 54 Economies*. Washington D.C.: World Bank.

Annex 2: Useful links

- ❖ Financial Diaries: <http://www.financialdiaries.com/>
- ❖ FinScope: <http://www.finscope.co.za/index.asp>
- ❖ MECOVI: http://www.iadb.org/sds/POV/site_19_e.htm
- ❖ World Bank Access to Finance Surveys:
[http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTR
ESEARCH/EXTPROGRAMS/EXTFINRES/0,,contentMDK:2166
8967~menuPK:4730256~pagePK:64168182~piPK:64168060~th
eSitePK:478060,00.html](http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTR
ESEARCH/EXTPROGRAMS/EXTFINRES/0,,contentMDK:2166
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eSitePK:478060,00.html)

Annex 1: Summary of policy levers and the subject matter required to conduct appropriate evaluation

Core Topics	Demand side subjects	Supply side subjects
Inclusion of the Individual in the Financial System	<ul style="list-style-type: none"> - Holder of an account - Recent and past usage patterns - Wealth accumulation - Eligibility 	<ul style="list-style-type: none"> - Number of accounts
Segmentation of the Market According to Covariates	<ul style="list-style-type: none"> - Level of income - Gender - Geography - Number in household - Source of income 	<ul style="list-style-type: none"> - Geographic distribution of banks, branches, ATMs, etc, into low-income or rural areas - Biographical information collected by the bank about account holders (gender, address, etc)
Usage of Payment Systems	<ul style="list-style-type: none"> - Bill Pay - Remittances - Salaries / Wages - Mobile - Debit / credit / POS 	<ul style="list-style-type: none"> - Account information from third-party vendors - Number of direct depositors - Number of credit card accounts, debit cards issued, etc
Transaction Costs of Reaching and Using Financial Service Providers	<ul style="list-style-type: none"> - Transportation - Time Expenditures (Waiting in Line, Travel, Requirements) - Product Features - Convenience 	<ul style="list-style-type: none"> - Product features
Profile of Indebtedness	<ul style="list-style-type: none"> - Debt Service - Total Debt Stock - Assets - Duration of Debt - Informal Sources 	<ul style="list-style-type: none"> - Summary of loan accounts - History of default of loan payments