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# Strategy for Measuring Financial Inclusion in Mexico

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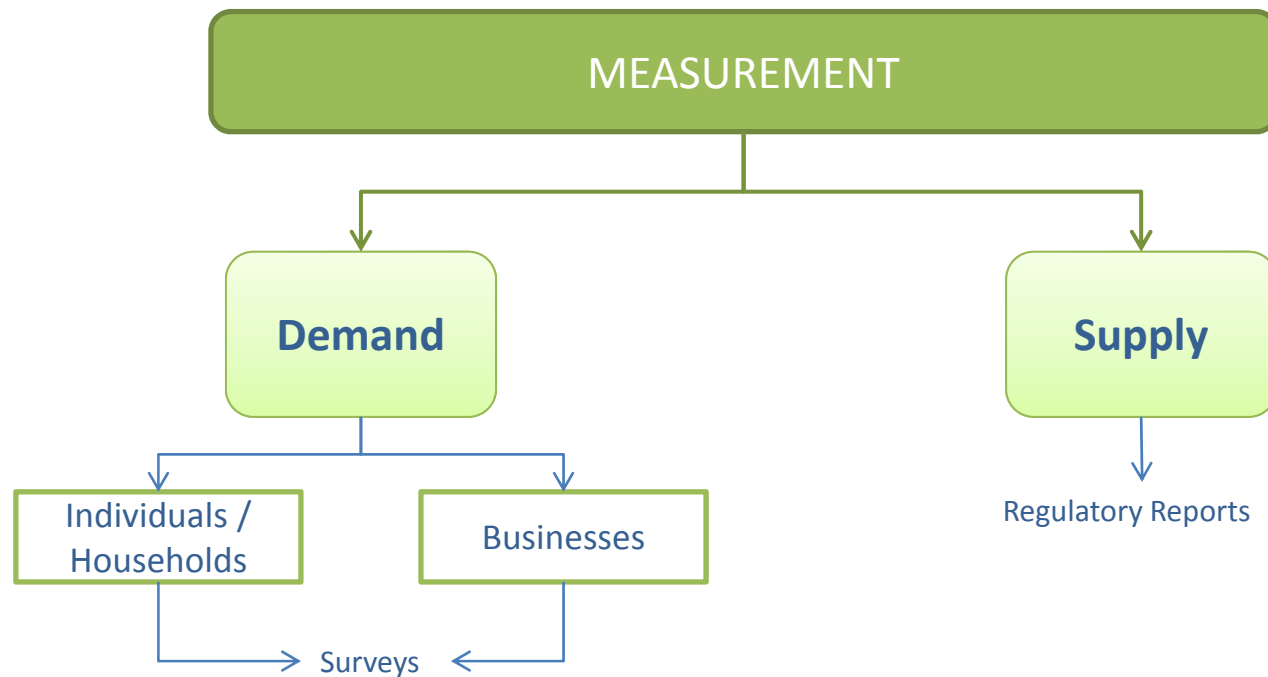


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# 1. Financial Inclusion and Measurement



In recent years financial inclusion has become an important item on the development agenda. Policy makers around the globe are working to identify the key policy areas that shape access to and use of financial services. However, countries which wish to promote financial inclusion must first define the concept and then measure and monitor it over time.



To build a complete picture of financial inclusion, data must originate from both provider and demand side sources.



## What we expect from data?



Information that could be used to:

- ✓ provide inputs for the ***design of public policy*** aimed at promoting financial inclusion
- ✓ ***measure the impact*** of financial inclusion policies developed by different government areas, using ex-ante and ex-post evaluations
- ✓ ***incentivize the private and public*** financial sectors to design financial products and business models which service the population lacking access to financial services.

## 2. Current status of data in Mexico

Mexico has at least five surveys that cover the demand size. However, they are not totally related to the use of financial services or they are only for specific purposes.



Demand  
Side

Survey	Characterization	Institution	Scope	Benefits & Limitations
1. <b>ENIGH</b> (Income & expenditure)	Income and Consumption	INEGI	National 2008	<ul style="list-style-type: none"> <li>• Reputable source</li> <li>• Largest sample</li> <li>• Cross-sectional design</li> </ul>
2. <b>ENNViH</b> (Mexican Family Life Survey)	Household Flows and Financial Product Access, particularly Credit	Public and private donors, Mexican Family Life Survey	National 2006	<ul style="list-style-type: none"> <li>• Panel design allows for impact measurement</li> <li>• Public data set</li> <li>• Funding only for medium-term</li> </ul>
3. <b>ENUSF</b> (Use of financial services)	Opinions and Perceptions of Financial Use	Ministry of Finance (SHCP)	Specific 2009	<ul style="list-style-type: none"> <li>• Only semipublic data</li> <li>• Small sample size prevents conclusiveness</li> </ul>
4. <b>ESACPMR</b> (Financial Popular sector)	Financial Access and Use within the Informal / Popular Sector	Bansefi, SAGARPA	Specific 2007	<ul style="list-style-type: none"> <li>• Panel design allows impact measurement</li> <li>• Extensive content coverage</li> <li>• Targeted to popular sector</li> </ul>
5. <b>Agricultural Census</b> (rural sector)	High-Level Rural Financial Product Usage	INEGI	Specific 2008	<ul style="list-style-type: none"> <li>• Public data set</li> <li>• Targeted to rural sector</li> </ul>

## 2. Current status of data in Mexico

Supply data offers insight primarily into the “access” lens of financial inclusion because banking infrastructure penetration and account adoption contain geographic and account indicators only.



Supply  
Side

Regulatory Report Institution	Purpose	Type of Information Collected
CNBV	Number of Accounts	<ul style="list-style-type: none"> <li>• Savings</li> <li>• Debit</li> <li>• Credit Cards</li> </ul>
CNBV	Penetration of Banking Infrastructure	<ul style="list-style-type: none"> <li>• Branches</li> <li>• ATMs</li> <li>• Point of Sale (POS) Terminals</li> </ul>
CNBV	Activities of Banking Correspondents	<ul style="list-style-type: none"> <li>• Presence</li> <li>• Entries and Exits</li> <li>• Operations</li> </ul>
Banxico	Level of Outstanding Credit	<ul style="list-style-type: none"> <li>• Consumer</li> <li>• Commercial</li> <li>• Housing</li> </ul>
Banxico	Total Level of Savings	<ul style="list-style-type: none"> <li>• Consumer</li> <li>• Commercial</li> <li>• Targeted</li> </ul>
Banxico	Payment Transactions	<ul style="list-style-type: none"> <li>• POS</li> </ul>

### 3. Conceptual map of Indicators



#### Macroeconomic Indicators

<u>Private Credit</u> GDP	<u>Total Deposits</u> GDP	<u>Average credit</u> GDP per capita	<u>Average deposit</u> GDP per capita
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#### Access Indicators

Variable	Type	Level
➤ Branches	Geographic (per 1,000 km <sup>2</sup> )	National
➤ ATM's		State
➤ POS	Demographic (per 10,000 inhabitants)	Municipality
➤ Correspondents		

#### Use Indicators

Products	Type	Level
➤ Deposit	Demographic (per 1,000 inhabitants)	National
➤ Credit	Socio-economical level	
➤ Insurance	Rural and urban	State
➤ Securities	Age and sex	Municipality
➤ Transactions		

#### Barriers Indicators

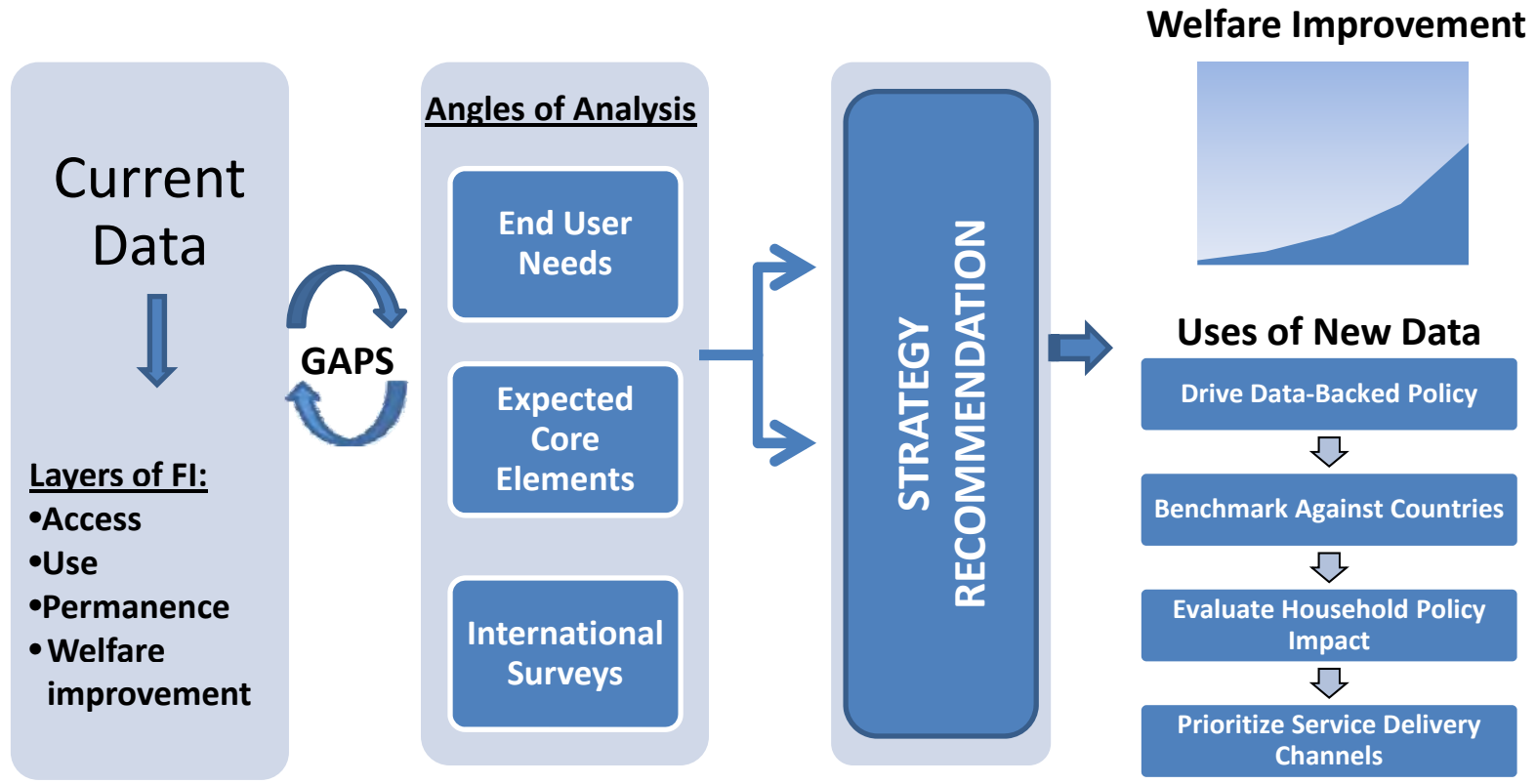
Transaction Costs	Distance	Documentation
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# 4. Strategy for measuring Financial Inclusion in Mexico



## Workflow

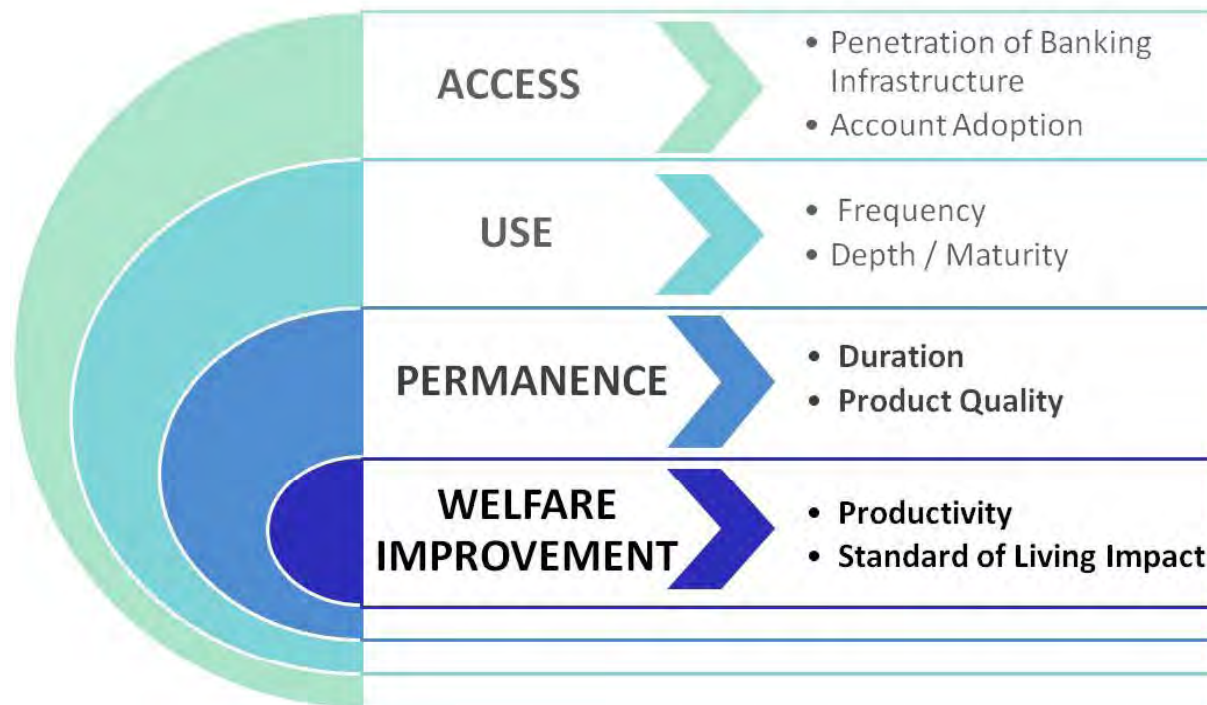
- A. LAYERS
- B. DATA ANALYSIS
- C. OPTIONS
- D. OUTCOMES



## A. Layers of Financial Inclusion



Measurements of financial access often provide only a surface-level view of financial inclusion and can be saturated with inconclusive data.



To build a complete assessment for Mexico, the deeper layers of financial service, use, permanence and impact, as well as the means to promoting financial inclusion, whether through financial literacy, consumer protection or regulation, must also be included in a broader and deeper definition of financial inclusion.



## 4. Gap analysis of missing survey information



Creating a strategy to measure financial inclusion required an analysis of the gap between information already collected in Mexico and information required to accomplish institutional stakeholder objectives.



There are multiple angles from which to assess the extent of missing information. Together, they provide a picture of the content needed to fill in the gaps of information and inform a detailed measurement of financial inclusion.



### ***THREE CRITICAL ANGLES OF ANALYSIS:***

- A. The End User***
- B. The Expectational Gap***
- C. The International Gap***

## 4. Gap analysis – A) The end user

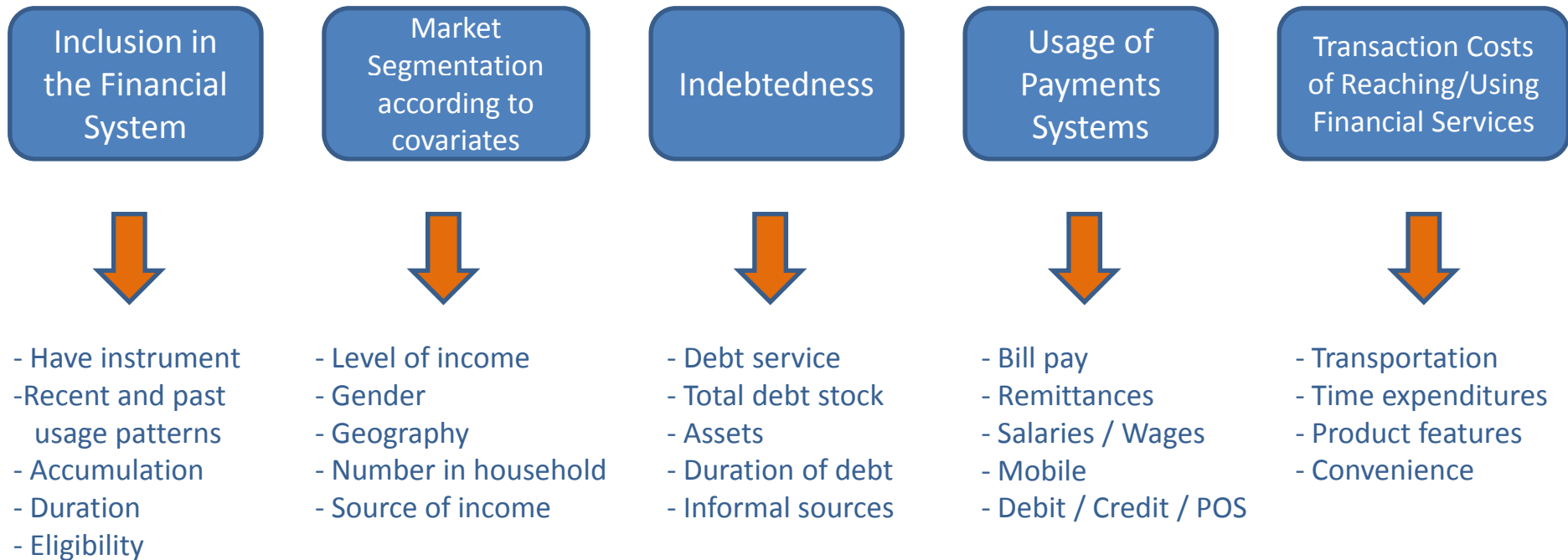


Level of Data Desirability	Desired <i>Supply-Side</i> Survey Content
<p><b>Desired by the Majority of Stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Geographic gaps in banking presence</li> <li>• Customer and portfolio information on informal competitors</li> <li>• Identification of institutions either in need of technical assistance or with capacity constraints in expanding financial inclusion and how others justify targeting the unbanked</li> <li>• Identification of regulatory barriers that inhibit innovation of products specifically designed to address financial access</li> </ul>



## B) The Expectational Gap

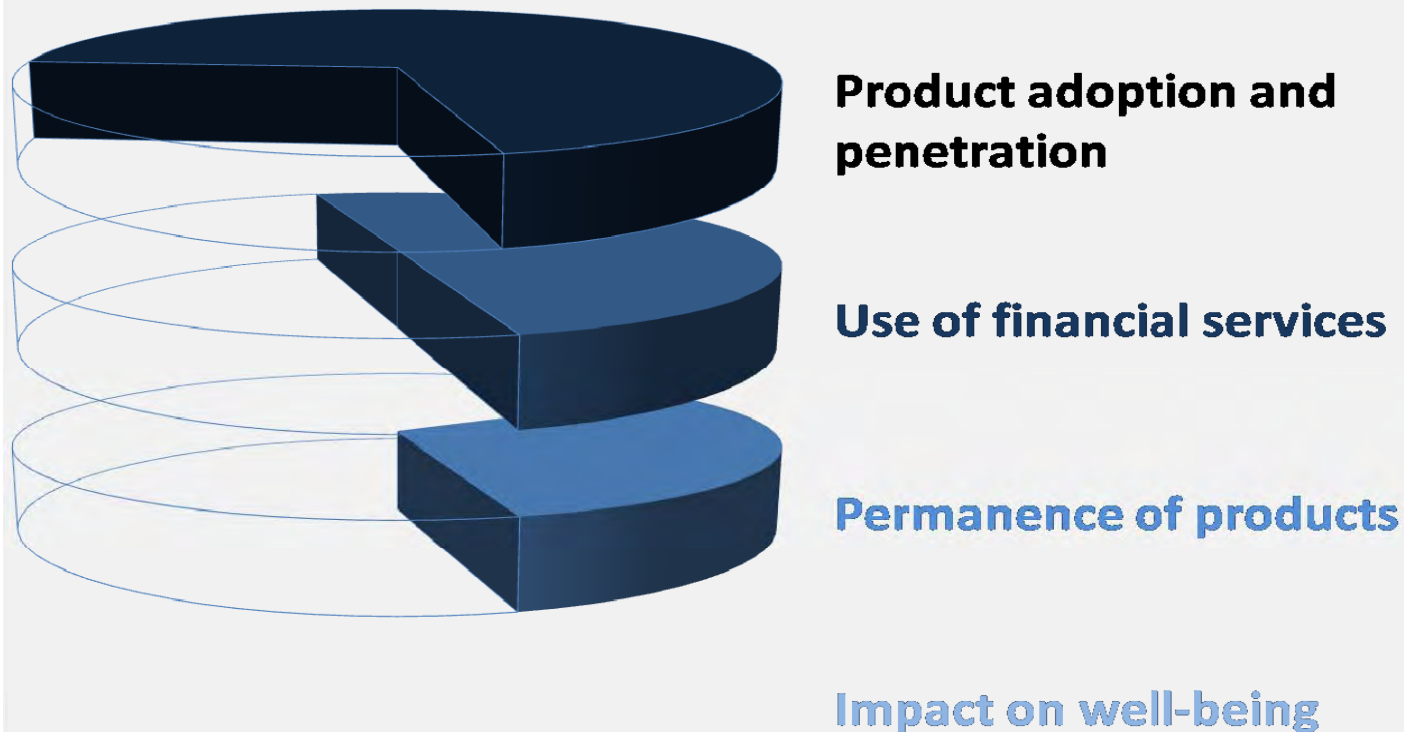
Identifies the essentials that must fit into a baseline financial inclusion survey and assesses how well they were addressed in existing demand-side surveys



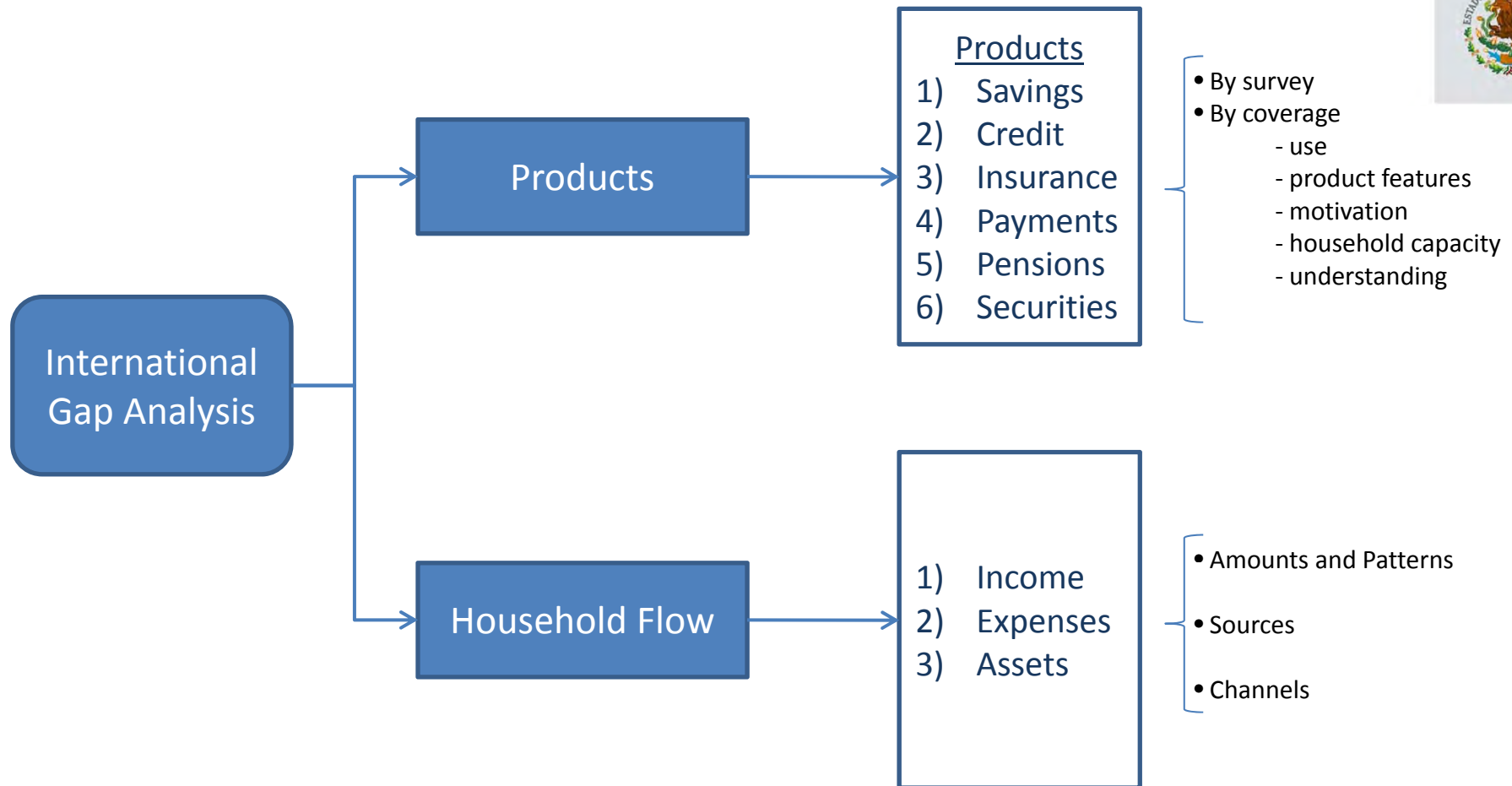
**The International Gap:** measures the disparity between current Mexican surveys and the content in benchmark financial access surveys found internationally.



### Degree of knowledge in each of the layers of financial inclusion from existing surveys



## C) The International Gap





# C) The International Gap



	Product Coverage	ENIGH (INEGI)	ENNVIH (MxFLS)	ENUSF (SHCP)	ESACPMR (Bansefi)	Ag Census (INEGI)	International
1 SAVINGS	Use	X	X	X	X		FinScope
	Product Features				X	X	World Bank
	Motivation		X		X		Both
	Household Capacity		X	X	X		World Bank
	Understanding				X		World Bank
2 CREDIT	Use	X	X		X	X	Both
	Product Features	X	X		X	X	Both
	Motivation		X	X	X		Both
	Household Capacity		X	X	X		FinScope
	Understanding		X	X	X		World Bank
3 INSURANCE	Use	X	X	X	X	X	Both
	Product Features	X			X		FinScope
	Motivation				X		Both
	Household Capacity				X		FinScope
	Understanding			X	X		World Bank
4 PAYMENTS	Use	X	X	X	X	X	Both
	Product Features				X		World Bank
	Motivation		X		X		FinScope
	Household Capacity				X		FinScope
	Understanding		X	X	X		World Bank
5 PENSIONS	Use	X	X	X	X		Both
	Product Features						FinScope
	Motivation			X			FinScope
	Household Capacity		X				Both
	Understanding						FinScope
6 SECURITIES	Use	X					Both
	Product Features						FinScope
	Motivation						FinScope
	Household Capacity						FinScope
	Understanding						Both

	Household Flow Coverage	ENIGH (INEGI)	ENNVIH (MxFLS)	ENUSF (SHCP)	ESACPMR (Bansefi)	Ag Census (INEGI)	International
1 INCOME	Amounts and Patterns	X	X		X		Both
	Sources	X	X		X	X	Both
	Channels						FinScope
2 EXPENSES	Amounts and Patterns	X	X		X	X	Both
	Product/Service Provider	X			X		Both
	Methods of Payment	X	X		X		FinScope
3 ASSETS	Worth		X		X	X	Both
	Sources of Financing		X		X	X	FinScope
	Use for Shock Mitigation		X		X		Both



## 5. Options for Measurement

There are four distinct options for filling in the missing information gaps and carrying out a robust measurement of financial inclusion in Mexico, each with varying benefits and drawbacks. The strategy could combine various aspects of these options into a multi-pronged approach.



1. Analyze existing surveys in greater depth to achieve geographic and product detail
2. Add more relevant content on to existing surveys where sample methodologies are appropriately matched
3. Carry out small, targeted surveys focused on a singular policy or product in question
4. Design a repeated, national survey which provides demand-side information on the state of financial inclusion across populations and layers of financial inclusion in Mexico.

## 5. Options for Measurement



### Option 1:

“Analyze Existing Surveys in Greater Depth”

#### Pros:

1. Can begin now
2. Data could provide insight into targeted facets of financial inclusion, depending on the intent

#### Cons:

1. Extremely difficult to overlay different samples
2. Gaps may make data incomparable to international sources

### Option 2:

“Supplement Existing Surveys with Additional Questions or Modules”

#### Pros:

1. Share design effort with key stakeholders and reputable institutions
2. Lower cost for national scale

#### Cons:

1. Must wait for next round of data collection
2. Must work within pre-defined survey samples and methodologies

### Option 3:

“Carry Out Small, Focused, Experimental Measurement Instruments”

#### Pros:

1. Rapid response to a targeted question
2. Adaptability since these surveys need not be repeated or national

#### Cons:

1. Being so specific may prevent use of this data by other players
2. May not be academically rigorous

### Option 4:

“Create a New *Medición de Inclusión Financiera* National Survey”

#### Pros:

1. Can design policy and measure impact
2. An internationally comparable benchmark
3. Process institutionalized

#### Cons:

1. Long process to design a rigorous tool
2. Most costly
3. Still may not be used by private sector

## 6. Recommendations



The desire to measure and monitor financial inclusion in Mexico stems from a lack of quality demand-side information needed to drive policy-making, product design and impact analysis. To fill in those information gaps, a multi-survey approach is recommended, headlined by a repeated cross-section national study that spans the layers of financial inclusion, and supported by targeted surveys that assess context and time-specific policies and impact measurements.

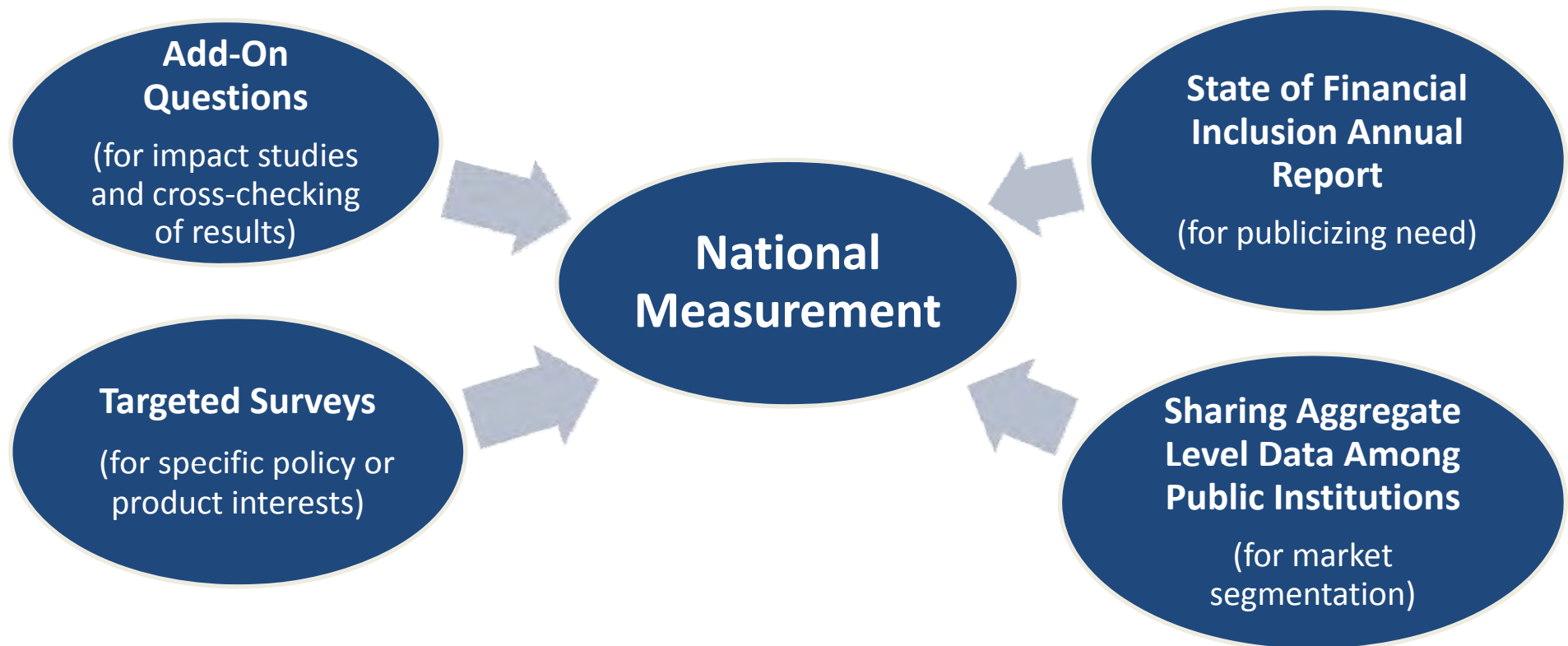
### A National Survey to Measure Financial Inclusion

Characteristic	Recommendation
Need	➤ New
Representation	➤ National
Methodology	➤ Cross-sectional
Confidence Interval	➤ +/- 3%
Unit of Analysis	➤ Household
Time Before Results Available	➤ 6-11 months
Implementing Partner	➤ INEGI / National Institute for Statistics
Content	➤ 5 essential topics from the expectational gap, 6 product categories, plus precise usage patterns, trends of account adoption, product features, motivation behind use / non-use, household capacity, barriers to access & impact assessments of financial education programs



## 6.2 Supplementary Measurements in the Multi-Survey Approach

*“The national Measurement should be supported by a range of smaller, singular surveys that test market appetite and look for targeted outputs as needed.”*

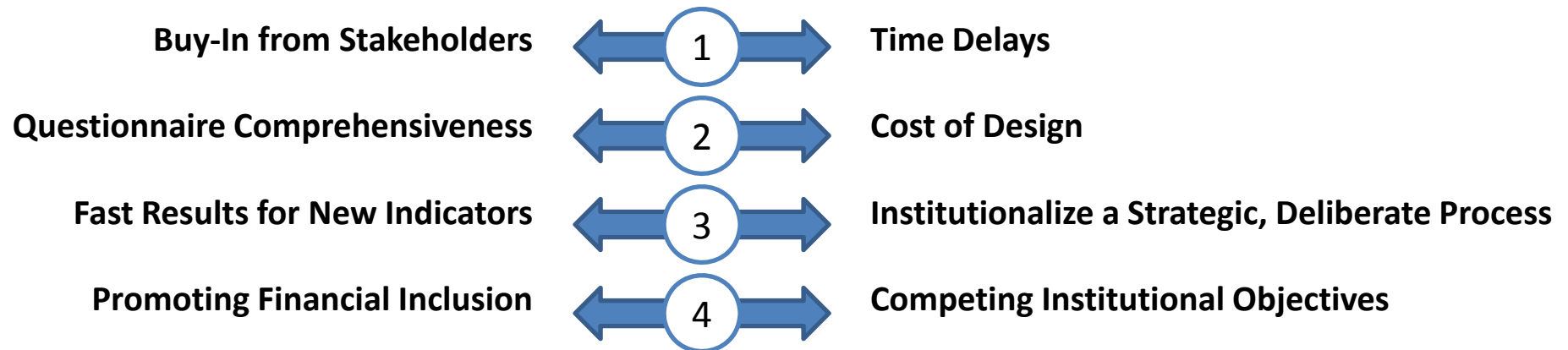




## Tradeoffs and Risks

*“By identifying tradeoffs and risks beforehand, the probability of achieving the intended goals with the new data increases”*

### TRADEOFFS





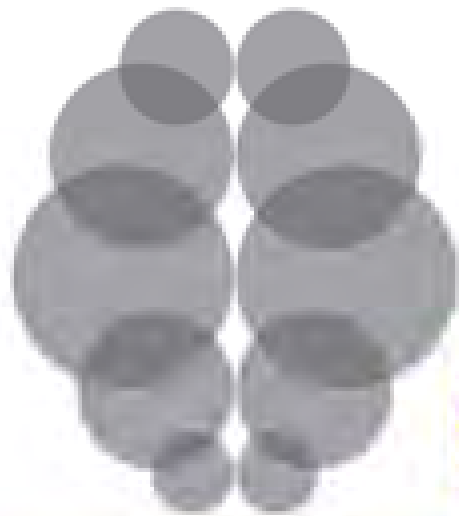
COMISION NACIONAL  
BANCARIA Y DE VALORES



Thank you for your attention

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*Mark Younger & Alejandro Vazquez contributed to this presentation*



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