Statistical challenges related to Financial Inclusion

Statistical Indicators for Monitoring and Achieving the Sustainable Development Goals

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Highlights

1. Financial inclusion and sustainable development
2. Data collection frameworks
3. Statistical challenges
4. Filling data gaps
5. Policy monitoring
6. Towards an analytical framework

1. Financial inclusion and sustainable development

- **The concept of financial inclusion (FI)**
  - Access to formal financial services
  - Multiform concept: quality of the services (NGOs)
  - Services delivered in stable and properly regulated environment (public authorities)
- **A key policy area**
  - FI can reduce poverty and increase well-being
  - Economic development: allocation of resources & development of the financial system
  - The FI "trinity": complementing FI with financial literacy and consumer protection
  - Balancing FI and financial stability
- **International initiatives**
  - "Sasana accord" (Kuala Lumpur, 2013)
  - Ongoing work by the Irving Fisher Committee on Central Bank Statistics (IFC)

2. Financial inclusion data collection frameworks

- **Several dimensions**
  - Accessibility / usage / quality / economic impact of financial inclusion
  - Supply-side, top-down
  - Demand-side, bottom up
- **Micro versus Macro**
  - Micro aspects (granular data)
  - Macro perspective (public policy implications)
- **Several exercises, including**
  - G20 / Global Partnership for Financial Inclusion (GPFI)
  - Global Financial Inclusion (Global Findex) Database - Gates Foundation
  - IMF Financial Access Survey
  - …
- **Main issues:** affordability (eg costs and other factors) / distance / eligibility

3. Statistical challenges

- **Supply-side**
  - Measure services and not individual access
  - Lack of granularity
  - Potential demand vs. actual observations
- **Usage of financial services**
  - Sampling-type issues, costs
  - Various audiences
- **Cross-country comparisons**
  - Benchmarking needs & trade-offs
  - FI indices (interpretation, coverage, relative meaningfulness)
  - Quality of the underlying data is a prerequisite
  - Temporal consistency

➔ *Good policies require good data*

4. Filling data gaps

- **Population coverage**
  - Households (inc. those engaged in production)
  - SMEs
- **Demand-side**
  - Consumer vulnerabilities
  - Suitability of the services offered
  - Potential usage
- **Interactions and vicious cycles**
  - Miss-selling of products ➔ High fees ➔ Lower demand
  - Puts a premium on qualitative assessments

5. Policy monitoring

- **Preventing vulnerabilities**
  - Excessive risk-taking & financial innovation
  - Literacy
  - Transparency
- **Financial Deepening**
  - Monetary policy transmission
  - Credit expansion and mobilisation of savings
  - Leverage: level and speed
- **Regulatory issues**
  - Light requirements?
  - New providers of financial services
  - Safe payment systems

    ➔ *Regulation and proportionality: good calibration requires data*

6. A framework for assessing financial inclusion

- **Calibrating public initiatives**
  - Diagnose
  - Design
  - Monitor
  - Evaluate
  - Refine
- **Combining micro information and macro issues**
- **Best practices & quality aspects**
  - Cross-sectional
  - Over time

➔ *Good policies require good data*

Thank you

Questions?

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Selected BIS references:

- Irving Fisher Committee on Central Bank Statistics (IFC, 2015): *Proceedings of the workshop on Financial Inclusion Indicators*, IFC Bulletin no 38.
- Mehrotra A and J Yetman (2015): "*Financial inclusion – issues for central banks*", BIS Quarterly Review, March.