

Access to financial services in Argentina: a national survey

Gastón Luis Repetto¹ and Andrés Denes²

Introduction

Most of the recent studies about financial access use data provided by the “supply side” of financial markets as input for their analysis. Amounts of deposits and credits and numbers of accounts, financial institutions, branches and ATMs, are some of the considered variables. Statistics of this kind are frequently gathered and regularly published by financial regulators. Most of the core indicators of financial access, depth and coverage are produced by combining this information with economic and socio-demographic data from the geographical region under study. The analysis of these indicators leads to general conclusions about how broad, deep and accessible financial markets are. Nevertheless, this sort of information is not sufficient when we attempt to narrow the information gap mentioned in the abstract.

Technical notes on the household survey methodology

A stratified random sample of 2,415 households from 94 districts was interviewed during the second quarter of January 2007. This statistically representative sample – on the national and regional levels – for districts with more than 20,000 inhabitants covered at least one district of every province in Argentina, representing approximately 86% of the Argentinean population. However, we should proceed carefully when arriving at conclusions, since districts with a low population present a more pronounced lack of financial infrastructure.

The unit of analysis of the survey is the household, and the unit of response is the head of the household or his/her spouse answering on behalf of all the members of the family unit. The questionnaire is made up of 52 questions that can be subdivided into five thematic groups: (i) experience, preferences and usage of financial services; (ii) perception of the financial system and its agents; (iii) barriers and reasons for the existence of financial (self-) exclusion; (iv) needs and interests that can expand the access and usage of financial services; and (v) profile of the household and its members.

The duration of each interview was, on average, close to 40 minutes and the non-response rate was 32%, which is within the standards for this kind of survey. Considering that answers on households' general income are only occasionally sincere or reliable, some questions on certain variables – (eg education, assets and employment) were included in the questionnaire so that the socio-economic status (SES) of the household could be validly inferred.

¹ Central Bank of Argentina (e-mail: grepetto@bcra.gov.ar).

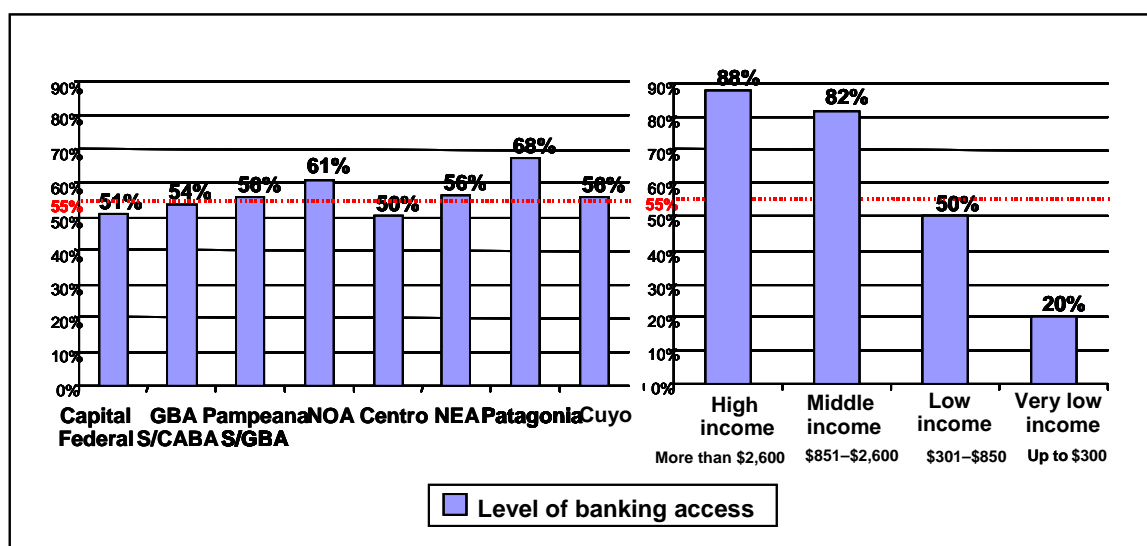
² Central Bank of Argentina (e-mail: Andres.denes@bcra.gov.ar).

General results: regional and socio-economic status analyses

One of the main purposes of the survey is to measure households' level of access to financial services, in particular to bank services. Therefore, the indicator which shows the percentage of households that have or use any financial product or service provided by a bank – “Level of banking access” or LBA – is central to our analysis. In this case, the Argentine LBA reached 55% of the households located in districts with more than 20,000 inhabitants. An interesting approach regarding the behaviour of this variable is to observe how it performs by region, on the one hand, and through different socio-economic statuses, on the other. Box 1 illustrates these topics.

Box 1

Level of banking access by region and SES



The LBA oscillates between 50% and 68% among the regions. Patagonia is the region with the highest percentage, and Centro is, in contrast, the region with relatively fewer households having or using bank products or services.

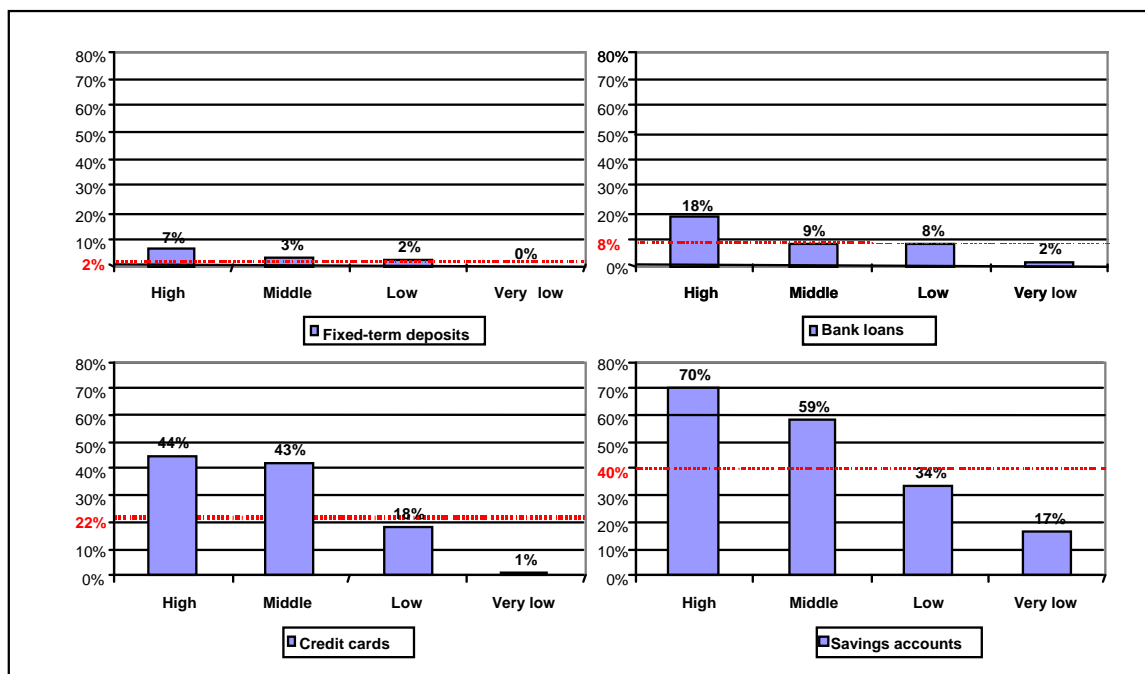
The indicator presents a clear pattern among different socio-economic statuses. As could be expected, a very significant percentage of high- and middle-income households (88% and 82%, respectively) use banking services. The percentage falls below the average (55%) when we analyse low-income households (50%), and plummets dramatically for the very low-income households (20%). This means that 80% of such households are excluded from the banking system.

After quantitatively identifying the households that have or use banking services or products, it is important to explore which services or products are being used by these households. From the information presented in Box 2 we can derive a significant conclusion. Middle-income households show dissimilar behaviour depending on the product used for the analysis. In the case of bank loans and fixed-term deposits, the levels of usage among middle-income households are quite similar to the figures of low-income households, but differ sharply from the percentages of high-income households – for both products, the high-income household figures are double those of the middle-income households. When we use savings accounts and credit cards to compare behaviour between different socio-economic statuses, we see that middle-income household levels of usage approach those of high-income households, and are significantly different from low-income household levels. The

figures for very low-income households, for all four products, are lower than the average, markedly lower than for low-income households.

Box 2

Access to particular financial products by SES



The main obstacles that hinder the access of households to financial services are: (i) the lack of confidence in banks (41% of households); (ii) not having money to save (32%); (iii) not needing a bank account (21%); (iv) the complexity of banks (18%); and (v) their preference for handling their money privately (15%). Moreover, the aspects that would most encourage households to begin using banking products or to use them more frequently were: (i) faster cashiers (67% of households); (ii) kinder treatment by bank employees (64%); (iii) quicker answers to enquiries (64%); (iv) confidentiality (64%); and (v) consideration for customer mistakes (63%).

Although this initial approach to the issue clarifies some aspects of the current situation of the Argentinean financial system, a more detailed analysis is required if we want to design effective policy actions to broaden financial access. In this connection, the segmentation of homogeneous groups will be presented in the next section.

Segmentation methodology

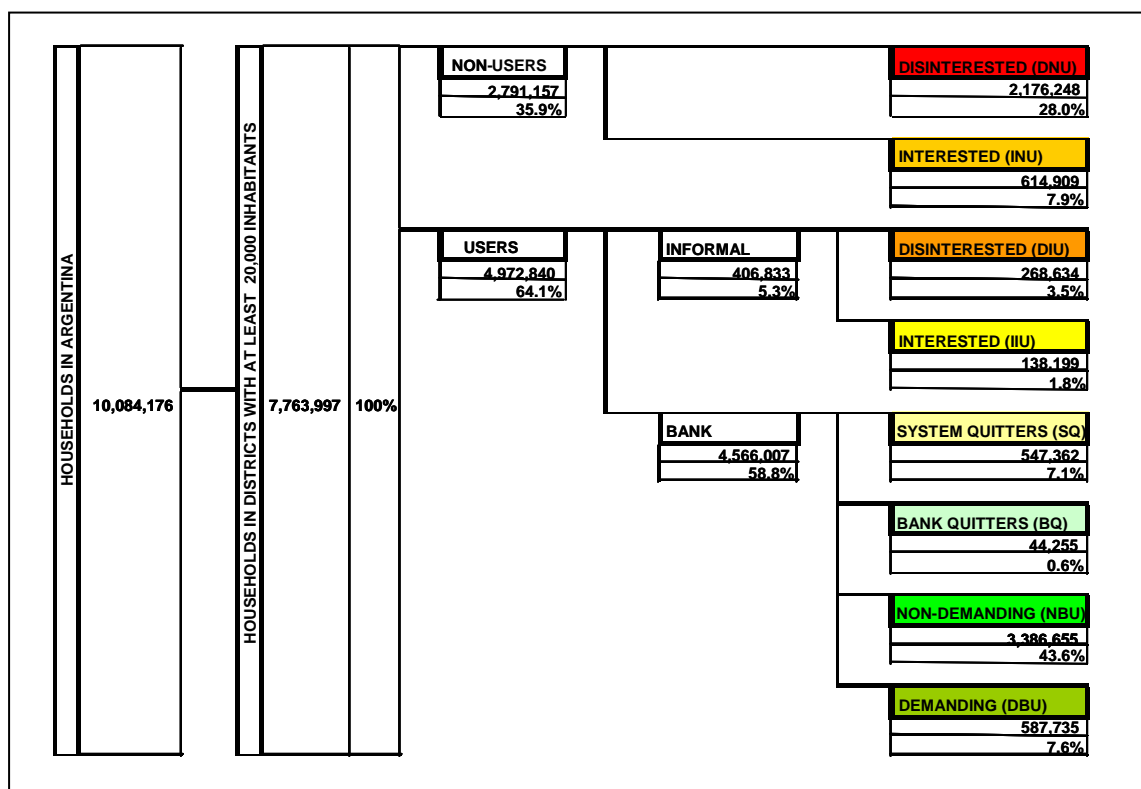
The segmentation of homogeneous groups is based on four major aspects: (i) effective access to financial services of households; (ii) the nature of the supplier of these services; (iii) the households' declared interest in using banking services; and (iv) the expressed future actions that can change the financial conditions of households.

As shown in Box 3, starting from a total of 7,763,997 households – representing the total number of Argentinean households in districts with more than 20,000 inhabitants – we have identified eight exclusive groups. The first big division is between households that use financial services and households that do not. The non-user households are subsequently

divided into two groups, taking into account their interest in using banking services: “disinterested non-users” (DNU) and “interested non-users” (INU).

Box 3

Box 3: Household segmentation



Households that use financial services are separated by considering the provider of the services –BCRA-regulated or non-regulated. The subgroup of households served by non-regulated (informal) institutions is also subdivided according to their interest in using banking services, leading to two new groups “disinterested informal users” (DIU) and “interested informal users” (IIU). Households that currently use banking services are divided into the last four groups. Those that stated their desire to stop using banking services within a three-month period were called “system quitters” (SQ). Households that stated their willingness to change the bank currently providing the financial services they use were called “bank quitters” (BQ). Finally, the last two groups of households using banking services are separated according to their desire to use a greater number of services or add a new provider. Households that will stay with the same bank and not sign up for new products were called “non-demanding banking users” (NBU). Conversely, households that stated their wish to use a greater number of services or start banking with a new bank were called “demanding banking users” (DBU).

Econometric exploration

We can explore how different factors affect the inferred probability of a household belonging to each of the groups discussed above by using a series of MLOGIT (multinomial logit) models. The factors considered are related to the household’s characteristics (such as region of residence, number of household members, number of members with positive income,

saving capacity, and SES), the head of the household (labour market participation), and the interviewed member of the household (gender, age, access to health insurance, nationality, willingness to make bank deposits, bank loan requests, usefulness of VAT refunds for debit card owners, perception regarding the degree of control of his/her financial situation, degree of risk aversion, reception of bank offers). We also include controls for the number of banks and the number of bank branches available in the district of residence.

These “core” variables define our base model. Moreover, we incorporate, in three subsequent models, the answers given to the following questions: (i) Why don't you use banks/or use banks more?; (ii) Which of the following factors can a bank offer you so that you will be interested in starting to use its services/or use its services more?; and (iii) What are the three main issues that you would carefully analyse if you were considering asking for a bank loan? Box 4 summarises the econometric results.

A plus sign (+) indicates that a positive and statistically significant relationship between the variable and the probability of belonging to the particular group dominates through the four models. A minus (–) sign reflects the opposite relationship. If there is no sign attached to the pair of variables/group, this indicates that the estimated signs alternate between pluses and minuses when they are statistically significant or are statistically insignificant at the 1% level of significance. Moreover, we highlight in light green or light blue those pairs for which there exists a complete dominance of a plus or minus sign, respectively, across all four models. The interpretation of the box is, thus, very straightforward. Hence, we leave the analysis of the box below to the readers and the actual presentation in IPM72.

Box 4

Estimated signs and statistical significance of the main variables

Number	Group	Variable Description	1st to 4th models							
			DNU	INU	DIU	IU	SQ	BQ	NBU	DBU
1	Household	NOA	+	+	-	-	+	+	-	+
2		Centro	+	-	+	-	-	+	-	-
3		NEA	+	+	-	-	-	+	-	+
4		Patagonia		+		-		+		
5		Cuyo	+	-	-	-	+	-	+	
6		# of members	-	+	+	+	-	-	-	+
7		# of members with positive income	-	-	-	-	+	+	+	+
8		Saving capacity	-		-	+	-	-	+	+
9		Middle income	-	+	+	+	+	+	-	-
10		Low income	+	+	+	+	+	+	-	-
11		Very low income	+	+	+	+	-	+	-	-
12	Head of Household	Unemployed	+	-	-		+	-	-	-
13		Retired	-	+	+		-		+	+
14		Self-employed	+	+	-	+	+	+	-	-
15	Interviewed Member of the Household	Male	-	+	+	-	+	+	-	+
16		Age	+	-		+	+		+	-
17		Health insurance	-	+	-	+	-	+	+	-
18		Foreigner		+		+	+	-	-	-
19		Willing to deposit in a bank account	-	+	+	+	-	+	+	+
20		Asked for bank loan	-	-	-	+	-	+	+	+
21		Finds VAT refund useful	-	+	-	+	+	-	+	+
22		Keeps financial situation under	-	-	+	-		-	+	+
23		Risk aversion	-	-	-	+			+	
24		Received bank offer	-	+	-	-	+	+	+	+
25	RFIs	# of RFIs	-	-	-	-	+	-	-	-
26		# of RFI branches per 1,000 adults	+	+	+	+	+	+	+	+

Regarding the goodness of fit, the base model successfully predicted 63.6% of the cases and the other three models succeeded in more than 70% of the cases. The prediction of the DIU group in the base model is the poorest, with a success rate of 10.6%. In the model that included the main obstacles, the percentage rises to 71%, and the best predicted group was NBU when considering the model that controlled for obstacles, with a hit rate of 86%.

Another criterion to determine the appropriateness of the model is to consider that, out of a total of 208 coefficients – one for each pair of variables/group – 152 (73%) contained a full sign coincidence among the four models, in 37 (18%) one sign is dominant over the other and over non-significance, and only in 19 cases (9%) is there no dominance or statistical significance.

The core variables included in our base model help us to understand the expected effects of some specific factors that impact on households' access to financial services in general, and to bank services in particular. Nevertheless, financial access also depends, at least in theory, on subjective perceptions regarding the past, present and future of the economic context, the financial system, and the socio-economic situation of the respondent. These aspects can be addressed by adding to the base model the answers given to the previously introduced questions as explanatory variables. In particular, the inclusion of these variables allows us to explore the impact – in terms of change in predicted probabilities – of the main obstacles to, and boosters for, financial inclusion.

Rather than reporting estimated coefficients or analytically computed partial effects, we have decided to present, instead, standardised coefficients in Boxes 5 and 6. The first box shows the standardised coefficients for the model that includes the answers to the question: “Why don't you use banks/or use banks more?”, and the second box contains those corresponding to the question: “Which of the following factors can a bank offer you so that you will be interested in starting to use its services/or use its services more?”. We have two main reasons to report standardised coefficients instead of estimated coefficients or analytically computed partial effects.

First, even though it is convenient for public policies to explicitly define their target population, most central banks act through financial instruments that, in general, have a multi-group impact. Hence, if we report marginal effects, it will be more difficult to indicate the group in which the expected relative effects of a certain policy are more significant. Moreover, the estimated coefficients or analytically computed partial effects are associated with groups that have very different relative participation in the population. Thus, a group with a small participation in the population can have a very small – relative to the estimated coefficients or analytically computed partial effects for larger groups – but highly (statistically) significant estimated coefficients or analytically computed partial effects.

Second, and considering the estimated coefficients or analytically computed partial effects within each group, the relevance, in terms of having a substantive impact, depends on the rest of the same group's estimated marginal effects. If the estimated values for variables beyond the influence of central banks, such as gender or age, are much larger than those estimated for the variables within our area of direct or indirect influence, the impact of a policy instrument that has statistically significant estimated coefficients or analytically computed partial effects, but a small relative value, will be almost inessential.

To standardise the coefficients, we have proceeded as follows: (i) within each group we have calculated the absolute value of the estimated coefficients for each variable in the relevant model specification; then (ii) we have calculated the ratio between the absolute value of the estimated coefficient for each obstacle or booster and the value obtained in step (i); and finally (iii) we have added a negative sign to the ratios obtained from step (ii) if the estimated partial effect was negative. Hence, the larger the standardised reported coefficient, the larger the positive impact of removing the particular obstacle or of advancing the particular booster for the reference group.

In Box 5 we have grouped the potential obstacles in nine main categories: (i) lack of interest/self-exclusion; (ii) income-related (low or volatile); (iii) distrust; (iv) requirements; (v) financial literacy; (vi) proximity/geographical convenience; (vii) costs; (viii) quality of services; and (ix) rejection (feeling of being discriminated against). In Box 6 we have grouped the potential boosters in five main categories: (i) products; (ii) costs; (iii) delivery channels; (iv) quality of services; and (v) information.

Box 5

Standardised effects of removing particular obstacles

Type	Description	Group							
		DNU	NBU	DIU	BQ	IU	SQ	DBU	INU
DISINTEREST	I don't need a bank account	0.57	0.55	0.00	0.00	0.00	-0.02	-0.26	-0.64
	I prefer to save at home	DNU	NBU	INU	IU	BQ	DIU	SQ	DBU
	I prefer to handle money by myself	DNU	INU	IU	BQ	DIU	SQ	DBU	NBU
	A family member has a bank account	1.21	0.39	0.00	0.00	0.00	-0.02	-0.19	-0.27
INCOME	I don't have enough money to save	DNU	NBU	SQ	DIU	IU	BQ	INU	DBU
	I don't have a regular income	DNU	INU	DBU	SQ	IU	BQ	DIU	NBU
	I'm unemployed	NBU	DNU	INU	DBU	SQ	IU	BQ	DIU
DISTRUST	Banks kept my money in the 2001 crisis	DNU	NBU	INU	DBU	SQ	DIU	BQ	IU
	Nobody is responsible if my bank keeps my money	1.34	DNU	DBU	INU	DIU	SQ	BQ	IU
	I don't trust banks	DNU	INU	DIU	BQ	IU	SQ	NBU	DBU
	Banks don't guarantee confidentiality	NBU	DNU	SQ	DIU	IU	INU	DBU	BQ
	Banks don't respond to their mistakes	DNU	NBU	INU	SQ	DIU	IU	BQ	DBU
	I don't fulfil the bank's requirements	1.12	0.77	0.52	0.00	0.00	0.00	0.00	-1.21
REQUIREMENTS	I don't have ID	DBU	DIU	IU	BQ	DNU	SQ	INU	NBU
	I don't know how to open an account	0.27	0.00	0.00	0.00	-0.30	-0.32	-0.33	-1.47
FINANCIAL LITERACY	I don't know how to use a bank account	NBU	DNU	INU	SQ	DIU	IU	DBU	DBU
	I don't know how to use a bank account	4.35	2.29	1.30	0.00	0.00	0.00	0.00	-30.18
PROXIMITY	There is no bank near my house/work	NBU	DBU	INU	SQ	IU	BQ	DIU	DNU
	Using a bank is too expensive	7.52	2.10	0.87	0.04	0.00	0.00	-0.06	-23.63
QUALITY OF SERVICES	Banks offer a poor service	DNU	DBU	NBU	IU	BQ	DIU	SQ	INU
	Banks are too complicated	0.18	0.05	0.04	0.00	0.00	0.00	-0.01	-0.17
REJECTION	Banks don't want me as a client	SQ	IU	DIU	DBU	DNU	BQ	INU	NBU
	Banks have never offered me anything	0.02	0.00	0.00	-0.05	-0.17	-0.45	-0.55	-1.83
	Banks don't want me as a client	0.39	0.10	0.01	0.00	0.00	0.00	-0.32	-0.81
REJECTION	Banks don't want me as a client	NBU	DNU	INU	DIU	SQ	BQ	DBU	IU
	Banks have never offered me anything	1.13	0.66	0.25	0.00	-0.01	-0.03	-0.70	-1.68
REJECTION	Banks don't want me as a client	DNU	INU	DIU	BQ	IU	SQ	DBU	NBU
	Banks have never offered me anything	0.61	0.45	0.00	0.00	0.00	-0.12	-0.66	-1.32
REJECTION	Banks don't want me as a client	NBU	DBU	DNU	INU	SQ	DIU	IU	BQ
	Banks have never offered me anything	1.47	0.46	0.38	0.37	0.01	0.00	0.00	0.00

Box 6

Standardised effects of advancing particular boosters

Type	Description	Group							
		DIU	IU	DBU	BQ	INU	SQ	DNU	NBU
PRODUCTS	Savings account easy to open	2.02	1.78	0.03	-0.02	-0.12	-0.15	-0.95	-1.24
	Automatic debit system to pay services	NBU	DNU	DIU	INU	BQ	SQ	IU	DBU
	Fixed-term deposits with convenient interest rates	1.81	0.70	0.62	0.43	0.16	0.03	-0.64	-0.75
	Credit card with benefits and discounts	NBU	BQ	INU	IU	DIU	DNU	DBU	SQ
	Loan with low payments	0.33	0.03	-0.09	-0.14	-0.17	-0.17	-0.21	-1.10
	Loan with basic requirements	IU	DBU	BQ	DIU	SQ	INU	NBU	DNU
	Automatic loan at ATM	2.36	1.10	0.32	0.32	0.28	0.21	0.18	-0.94
	Crisis insurance	DIU	DNU	BQ	INU	NBU	IU	SQ	DBU
	Low maintenance fees	1.56	1.03	0.16	0.00	-0.15	-0.16	-0.35	-0.47
COSTS	Low transaction fees	DBU	IU	DNU	NBU	INU	BQ	SQ	DIU
	Bank branches near the house or work	2.59	2.30	0.47	0.21	-0.03	-0.04	-0.07	-0.30
DELIVERY CHANNEL	ATMs near the house or work	SQ	BQ	INU	DIU	IU	DBU	NBU	DNU
	Simple ways to operate	0.22	0.00	-0.20	-0.21	-0.40	-0.51	-1.24	-1.30
	Kindness of bank employees	DBU	BQ	INU	SQ	DIU	DNU	IU	NBU
QUALITY OF SERVICES	A helpful advisor	1.61	0.00	-0.88	-1.01	-1.57	-1.91	-2.02	-2.45
	Quick response to enquiries and questions	SQ	NBU	DBU	DNU	BQ	INU	DIU	IU
	Consideration of customer errors	2.13	1.15	0.85	0.45	0.17	-0.08	-0.20	-0.69
	Quick and good services of bank cashiers	NBU	DNU	SQ	DIU	INU	DBU	BQ	IU
	More security when handling money	2.14	2.11	1.13	0.85	0.16	0.08	-0.12	-0.57
	Confidentiality of customer information	0.43	0.09	-0.01	-0.15	-0.60	-0.82	-1.73	-1.79
INFORMATION	Transparency in bank statement	SQ	IU	NBU	DIU	DBU	INU	BQ	DNU
	Kindness of bank employees	1.89	1.49	1.42	0.36	0.22	0.11	0.02	-0.84
	A helpful advisor	DBU	DNU	INU	DIU	BQ	SQ	IU	NBU
	Quick response to enquiries and questions	1.26	0.58	0.06	0.05	0.01	-0.49	-0.90	-1.67
	Consideration of customer errors	IU	DIU	DNU	BQ	SQ	INU	NBU	DBU
	Quick and good services of bank cashiers	1.36	0.75	0.31	0.04	-0.23	-0.32	-0.93	-1.03
QUALITY OF SERVICES	More security when handling money	DBU	SQ	IU	DNU	NBU	BQ	INU	DIU
	Confidentiality of customer information	0.76	0.35	0.31	0.16	0.15	0.05	0.05	-0.34
	Transparency in bank statement	SQ	NBU	DBU	INU	DNU	IU	BQ	DIU
INFORMATION	Confidentiality of customer information	2.06	0.80	0.55	0.42	-0.12	-0.42	-0.43	-0.56
	Transparency in bank statement	IU	DNU	DIU	BQ	INU	NBU	SQ	DBU
	Confidentiality of customer information	0.61	0.46	0.18	0.02	0.00	-0.08	-1.78	-4.60
INFORMATION	Transparency in bank statement	DBU	IU	INU	SQ	BQ	NBU	DNU	DIU
	Confidentiality of customer information	1.03	0.75	-0.39	-0.47	-0.75	-1.24	-1.59	-2.63
INFORMATION	Confidentiality of customer information	IU	INU	BQ	DIU	DBU	SQ	DNU	NBU
	Transparency in bank statement	0.42	0.20	0.12	0.10	-0.22	-0.74	-0.91	-1.19
INFORMATION	Confidentiality of customer information	DIU	IU	SQ	DNU	NBU	INU	BQ	DBU
	Transparency in bank statement	1.57	1.55	0.97	0.75	0.53	0.30	0.01	-0.37
INFORMATION	Confidentiality of customer information	IU	SQ	DBU	NBU	DNU	INU	BQ	DIU
	Transparency in bank statement	4.12	1.07	1.05	0.81	0.29	0.24	-0.39	-0.40

In both boxes, we have highlighted in light blue the group/obstacle and group/interest pairs that exhibit a standardised coefficient larger than one. As before, the interpretation of both boxes should be straightforward. Hence, we leave their analysis to the readers and the actual presentation in IPM72.

Conclusions

The main conclusion of this paper is that relevant information for central banks may come from surveys such as the one we have summarised in this document. Moreover, when combined with appropriate analytical tools, and an open discussion to improve interpretation, this information could facilitate the decision-making process aimed at improving the regulation and supervision of financial institutions.

Some examples of regulation that has benefited from the findings of the survey are the authorisation/adaptation/adoption of: (i) transitory/mobile branches; (ii) credit lines oriented towards the characteristics of micro-entrepreneurs; (iii) credit scoring and screening techniques; (iv) a new type of regulated financial institution called Cajas de Crédito Cooperativas; (v) a transparency regime; (vi) a financial literacy programme; and (vii) a simplified savings account, among others.

Due to the success of the survey, and the significance of the conclusions we have reached, we have been instructed by the Board of Directors to implement a second wave of the survey. We are currently doing the field work for this second wave. This survey contains, additionally, a separate subsample that will be collected in districts where there is no financial infrastructure provided by institutions that are regulated and supervised by the BCRA. With this new addition, our aim is not only to gain a better understanding of how non-users think, feel and behave where they at least have geographical access to a bank, but also to explore in detail how people deal with their financial needs where it is not physically possible to become a bank client.

Luck is always considered an important variable when making policy decisions. But luck is not enough when the final purpose is to build an inclusive financial system, a system that aims to gain scale, to reduce unitary costs, to improve reach (serving those who already use banking services is not enough – the challenge is to include those who lack access), to provide better coverage (a wide spectrum of products and services tailored to the needs of current and potential customers), to promote institutional diversity – this means to allow or, even further, to promote experimentation, to achieve sustainability (weak and inefficient social and economic actions/institutions must be prevented), to be transparent (educated and informed customers are not an option, but a requirement), and permanency – as policymakers, we must avoid short cuts or transitory solutions regarding financial inclusion.

At the start of this paper, we stated that access to financial services is important for individual and social well-being. One of our goals is to reduce the information gap that we face when designing and developing policies to maintain price and financial stability. After reading this paper, we hope that the reader will feel, as we do, that information has a key role to play in the process of understanding a subject as complex as financial behaviour, that understanding is a precondition for designing appropriate policy instruments, and that well-tailored policy instruments are essential when developing effective actions to promote inclusive financial systems.