



IFC Workshop on Financial Inclusion Indicators
Co-hosted by Bank Negara Malaysia
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Financial Inclusion and its measurement in Brazil¹

Central Bank of Brazil

¹ This presentation was prepared for the workshop. The views expressed are those of the author and do not necessarily reflect the views of the BIS or the central banks and other institutions represented at the workshop.

Financial Inclusion and its measurement in Brazil

Highlights

- Macroeconomic stability contributed directly to FI, allowing the government to advance on the social development agenda
- The government has promoted FI in many ways: improving distribution channels, adopting targeted social programs, increasing transparency, and adapting regulation of financial services to low income customers
- FI has become a strategic objective for BCB
- We are now reaping the benefits of these policies:
 - All 5,565 municipalities are financially served
 - Individuals with active relationship with FIs grew 31% to 121 million over the last five years

Synergies Between Financial Inclusion and Social Programs

Financial inclusion initiatives and social programs are fully integrated policies

- Poverty Reduction – innovative distribution channels enable cash transfer programs to reach remote communities such as “Brasil sem Miséria” and “Bolsa Família”
- Social Finance Programs – innovative distribution channels enable access to subsidized credit programs such as:
 - Low income farmers program (Pronaf)
 - Microcredit programs (PNMPO, “Crescer”)
 - Social housing loan program (“Minha Casa Minha Vida”)

Complementary Distribution Channels

Financial System in Brazil is highly spread out. Three alternative channels were fostered by BCB to complement the traditional ones:

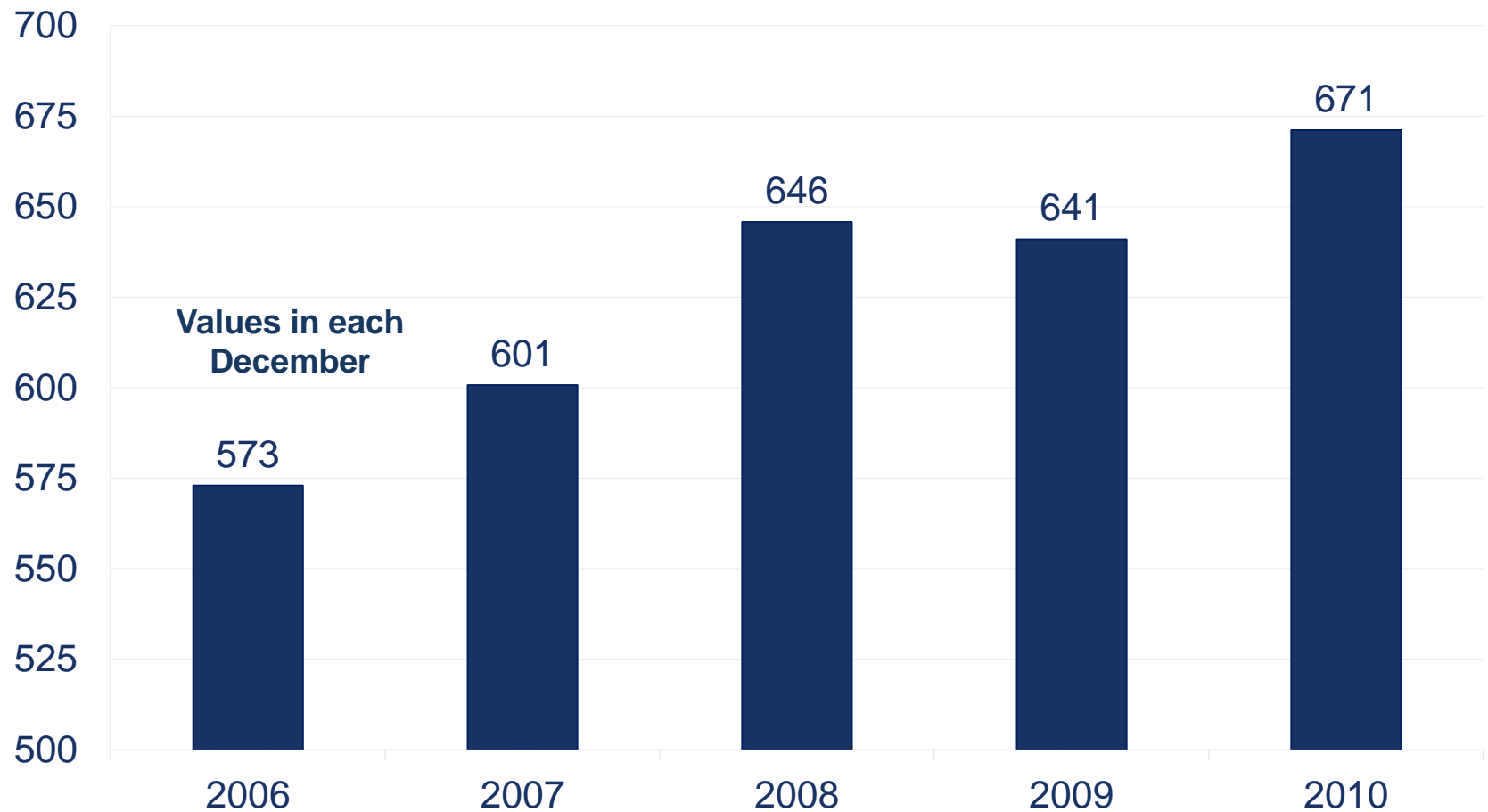
- Correspondents - Non financial firms hired by FIs to provide services in remote regions and more convenient access in metropolitan areas
- Credit Cooperatives - Relevant for specific activities and social sectors
- Bank Services Outposts - Bank satellite with smaller staff and infrastructure for unassisted municipalities

Tools and Initiatives

- **Transparency** – regulation directed at enhanced transparency in prices and services, standardized and simpler contracts to support clients' decision-making
- **Switching costs reduction** – regulation creating automatic inter-bank procedures to transfer accounts, loan balances, and personal data
- **Simplified accounts** – targeted at low income clients, they are exempt of fees, require simpler procedures and limit balances
- **Payroll-guaranteed loans** – legal framework that ensures repayment favoring access to credit for workers and pensioners, with adequate safeguards
- **Mandatory FI staff certification**, including correspondents

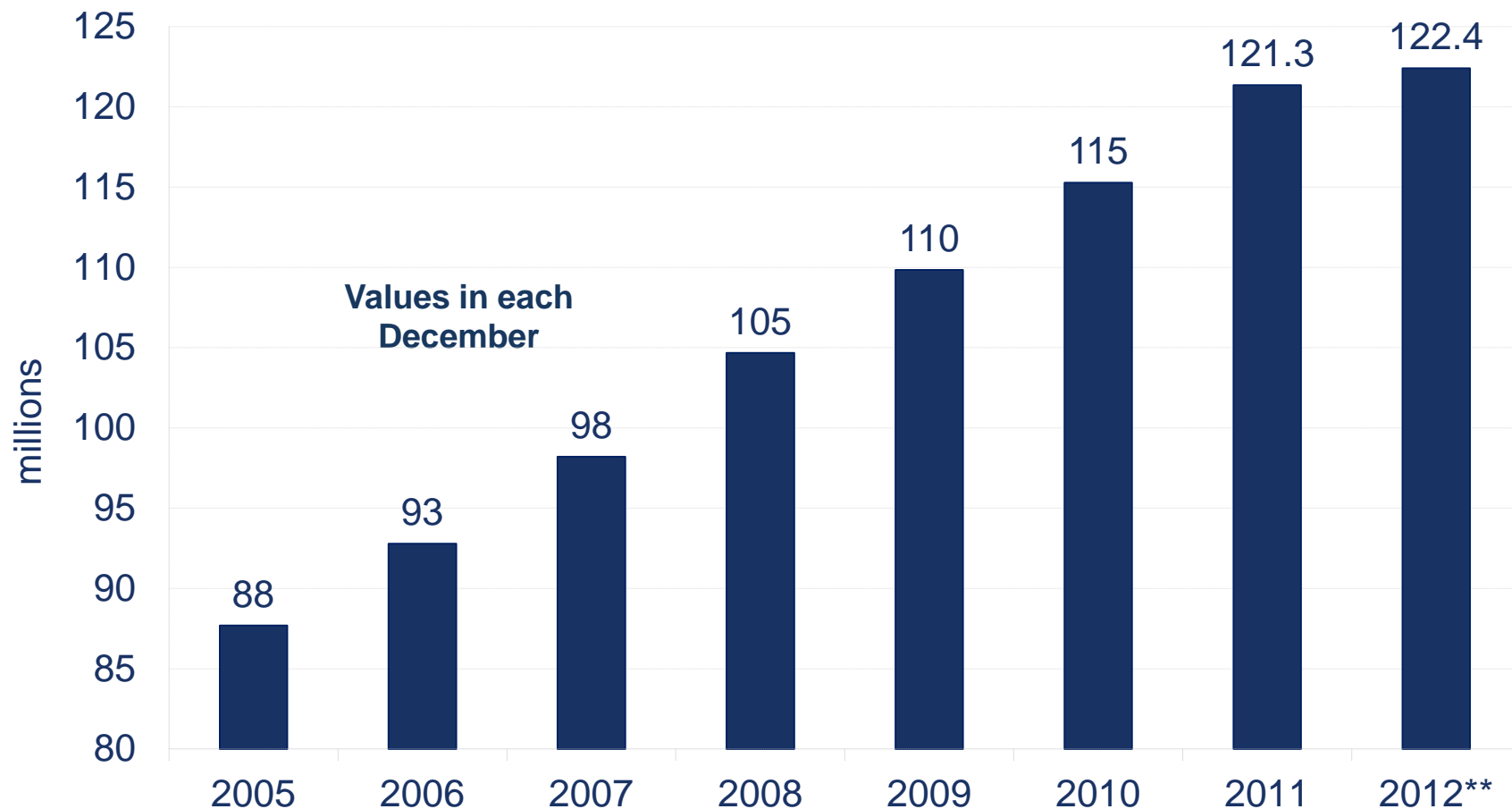
Savings accounts penetration has grown

Clients with savings accounts per 1,000 adults



New clients are active users of financial services

Individuals with active relationship with FIs*

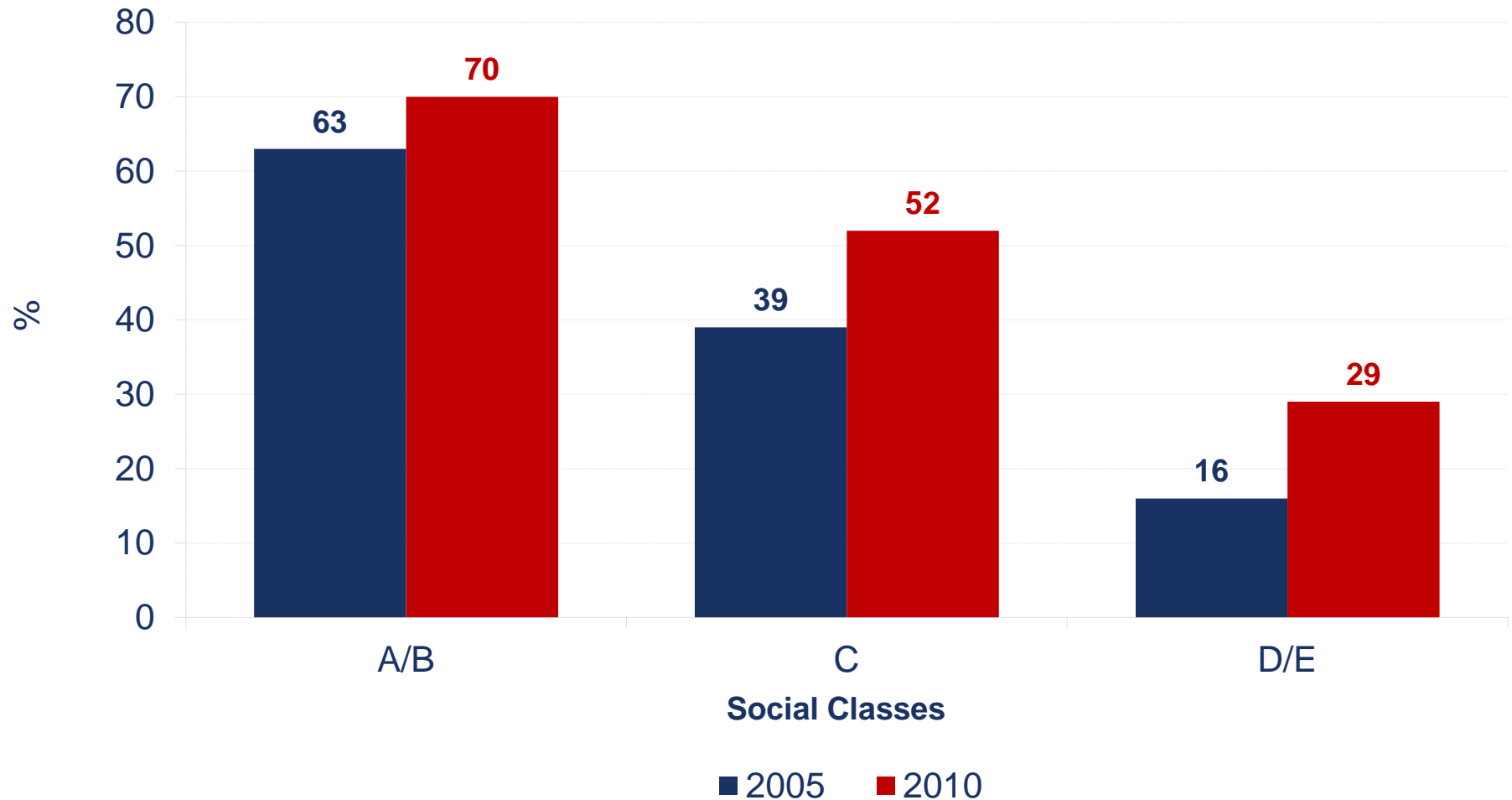


* BCB General Registry of the National Financial System (CCS) – Identifies FIs and their clients for demand deposits, savings deposits, fixed-term deposits and other assets and values

** Feb 12

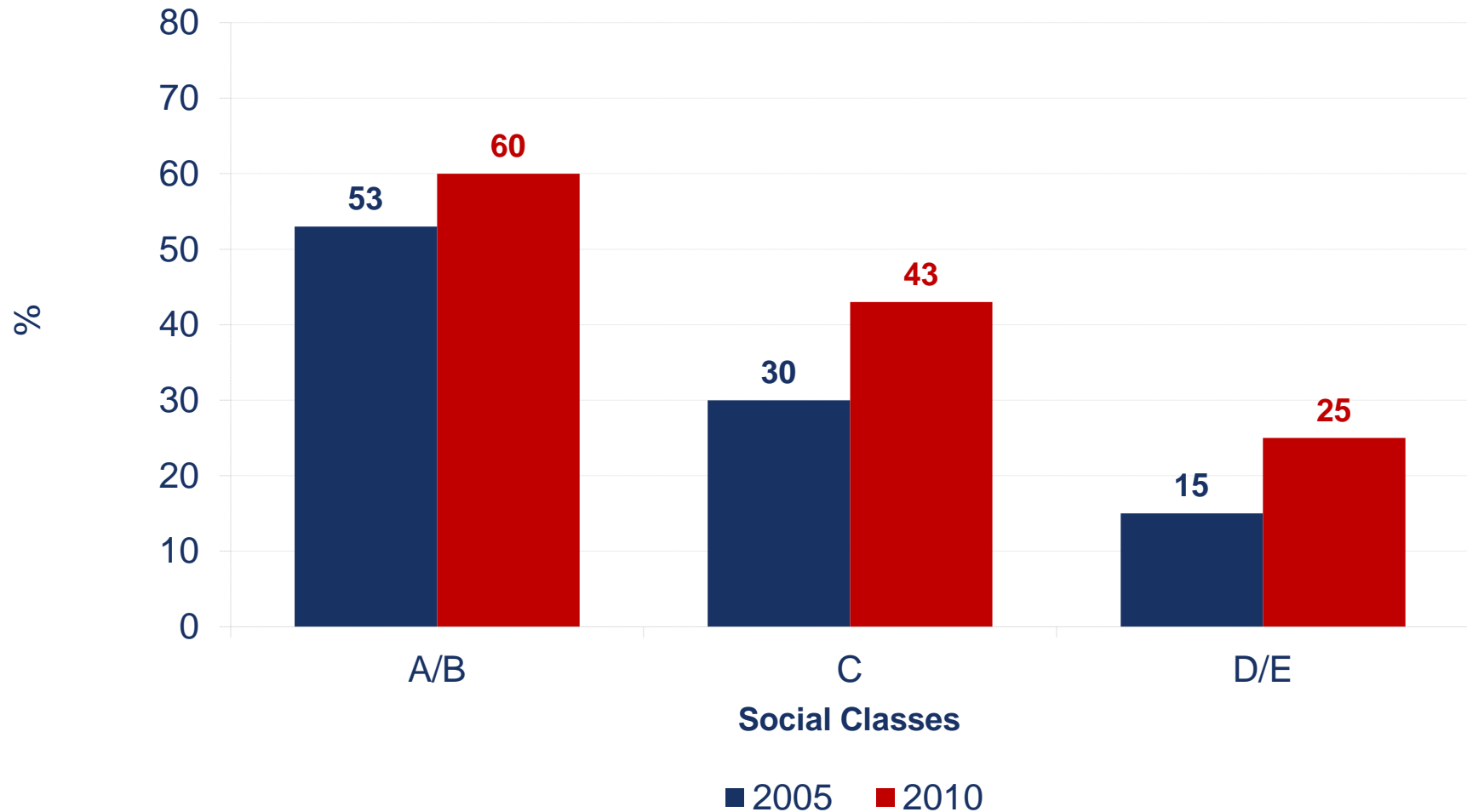
Access grew most in low income classes (1)

Individuals with demand deposits account



Access grew most in low income classes (2)

Individuals with credit card



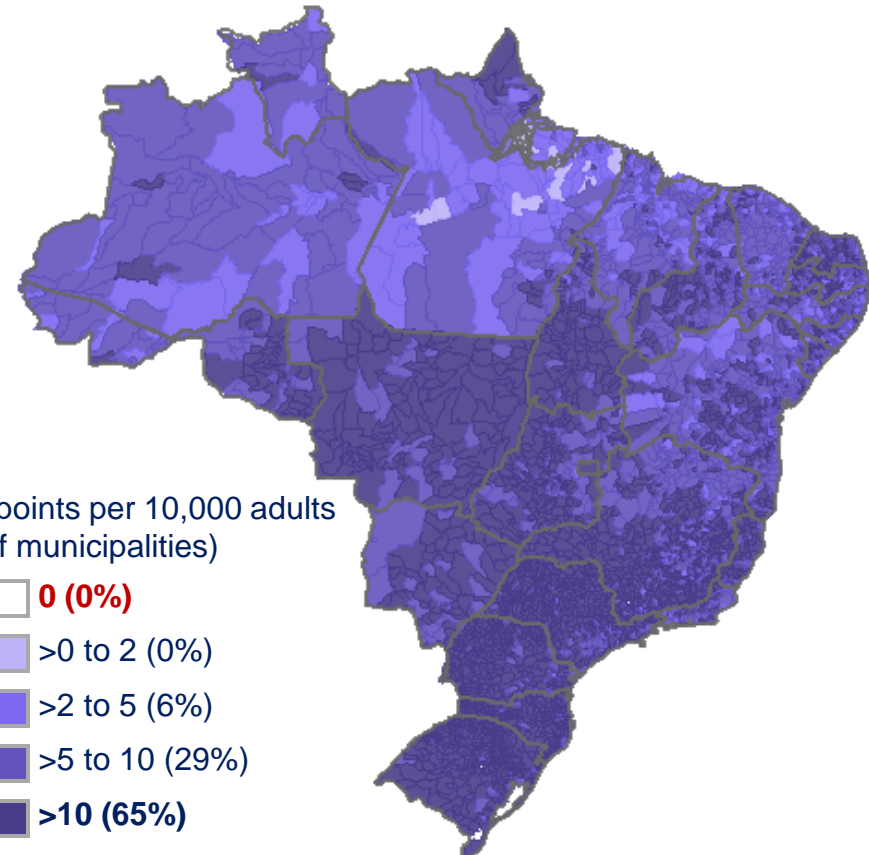
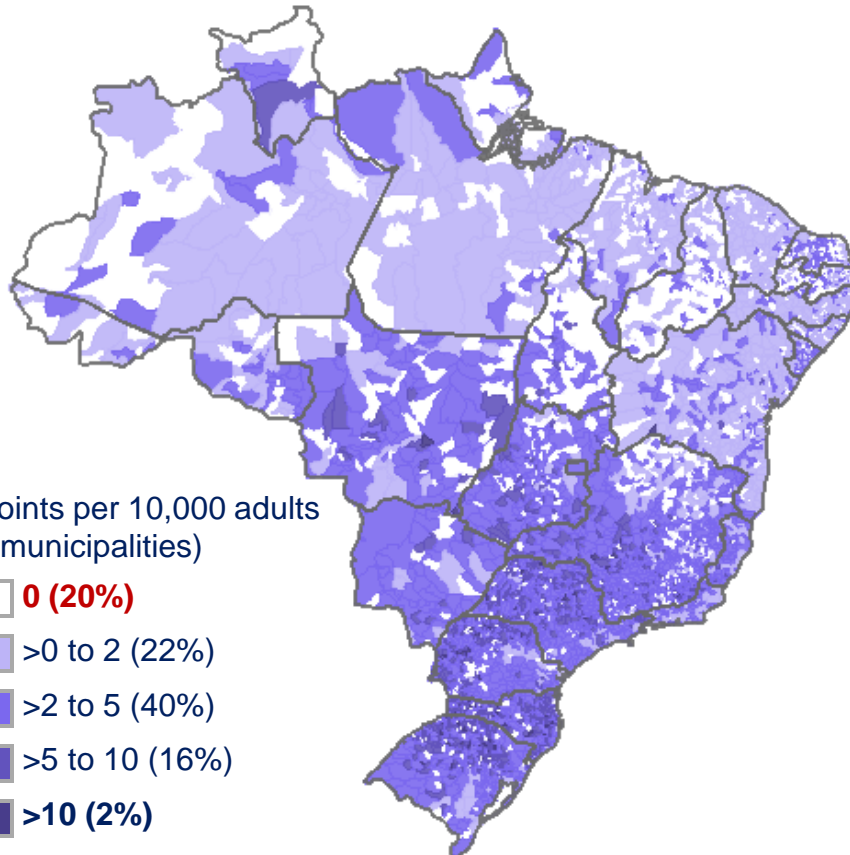
Geographic coverage increased

82% of municipalities had less than 5 points per 10,000 adults in 2000.

In 2010, 94% were above this level.

2000

2010

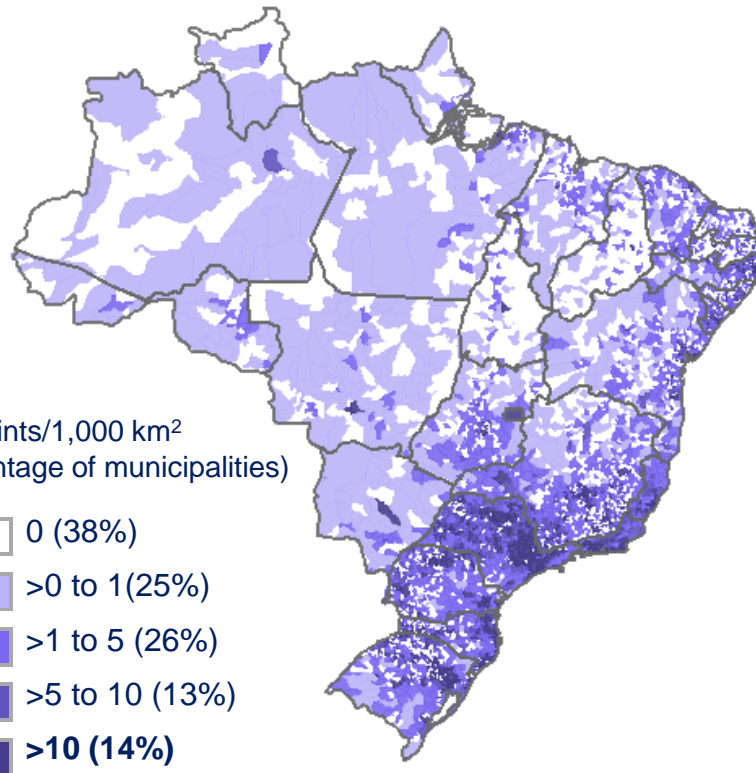


Bank branches, bank advanced outposts (PAA), credit cooperatives (headquarters and outposts) and correspondents

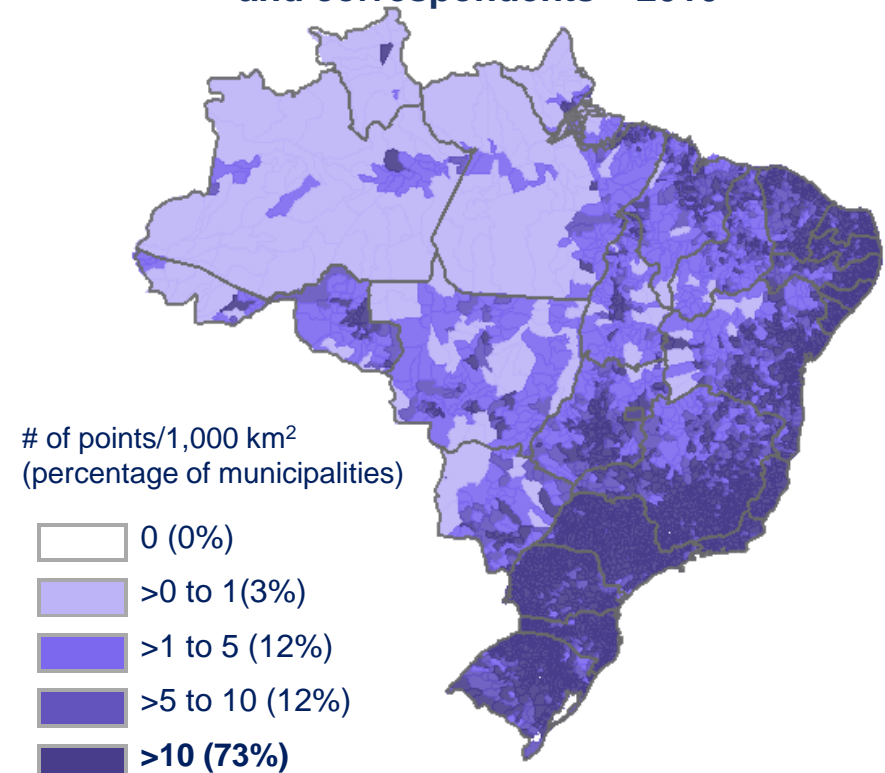
Complementary channels are important

All municipalities have at least one bank branch, outpost or correspondent.
Correspondents contribute to network density.

Bank branches – 2010

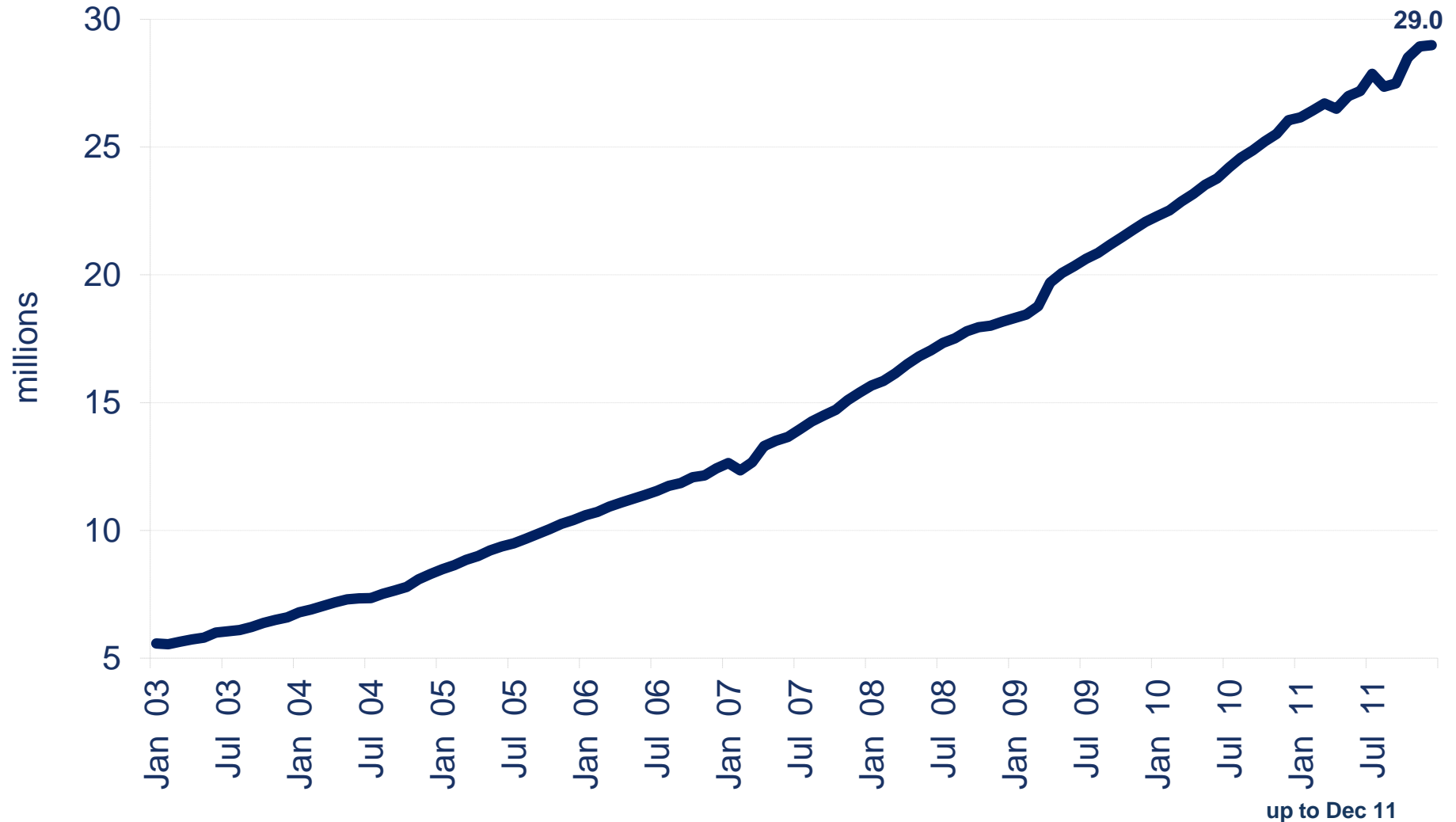


Bank branches, outposts, credit cooperatives and correspondents – 2010



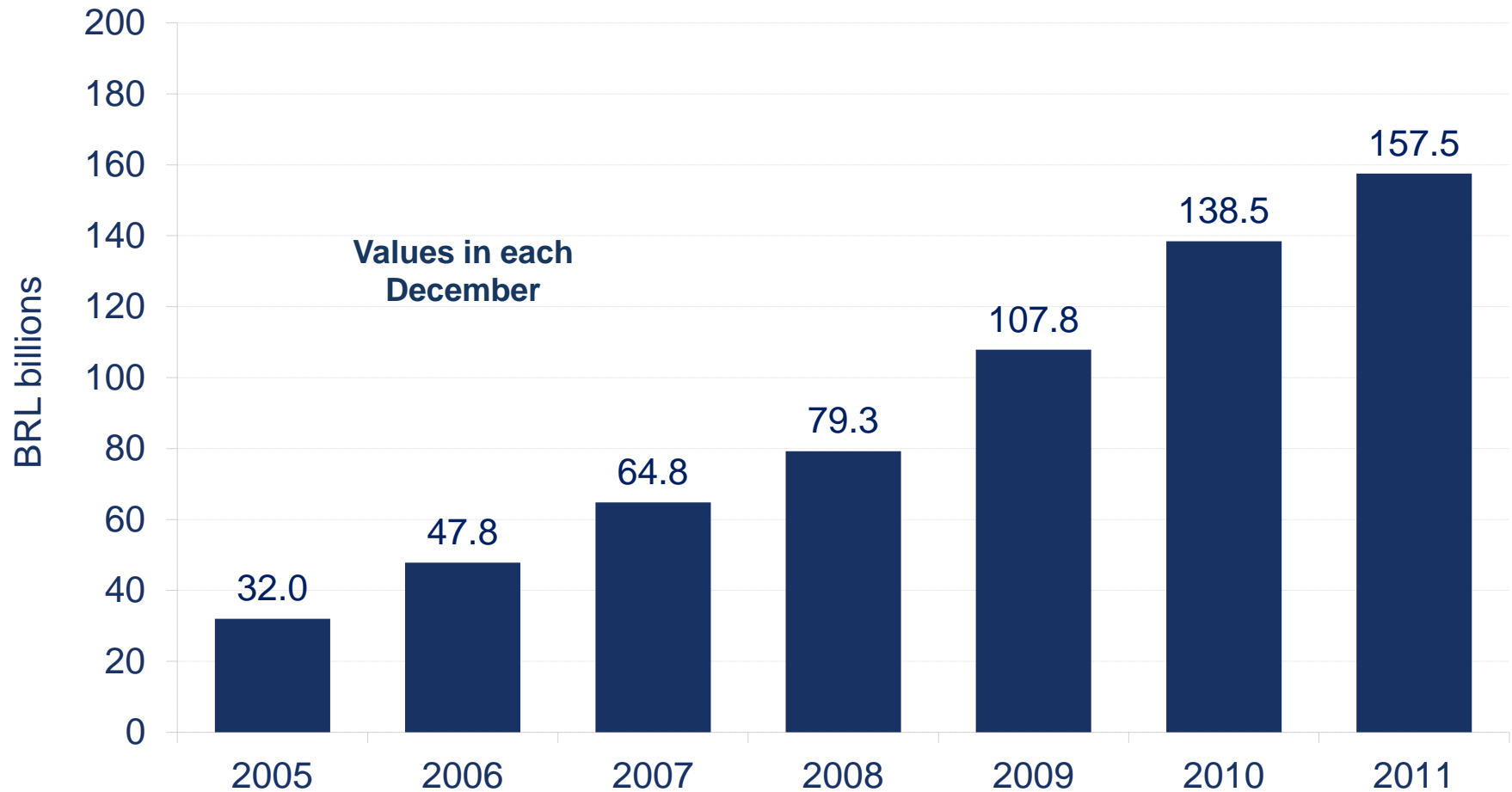
Broader access to credit (1)

Clients with loan balances over BRL 5,000



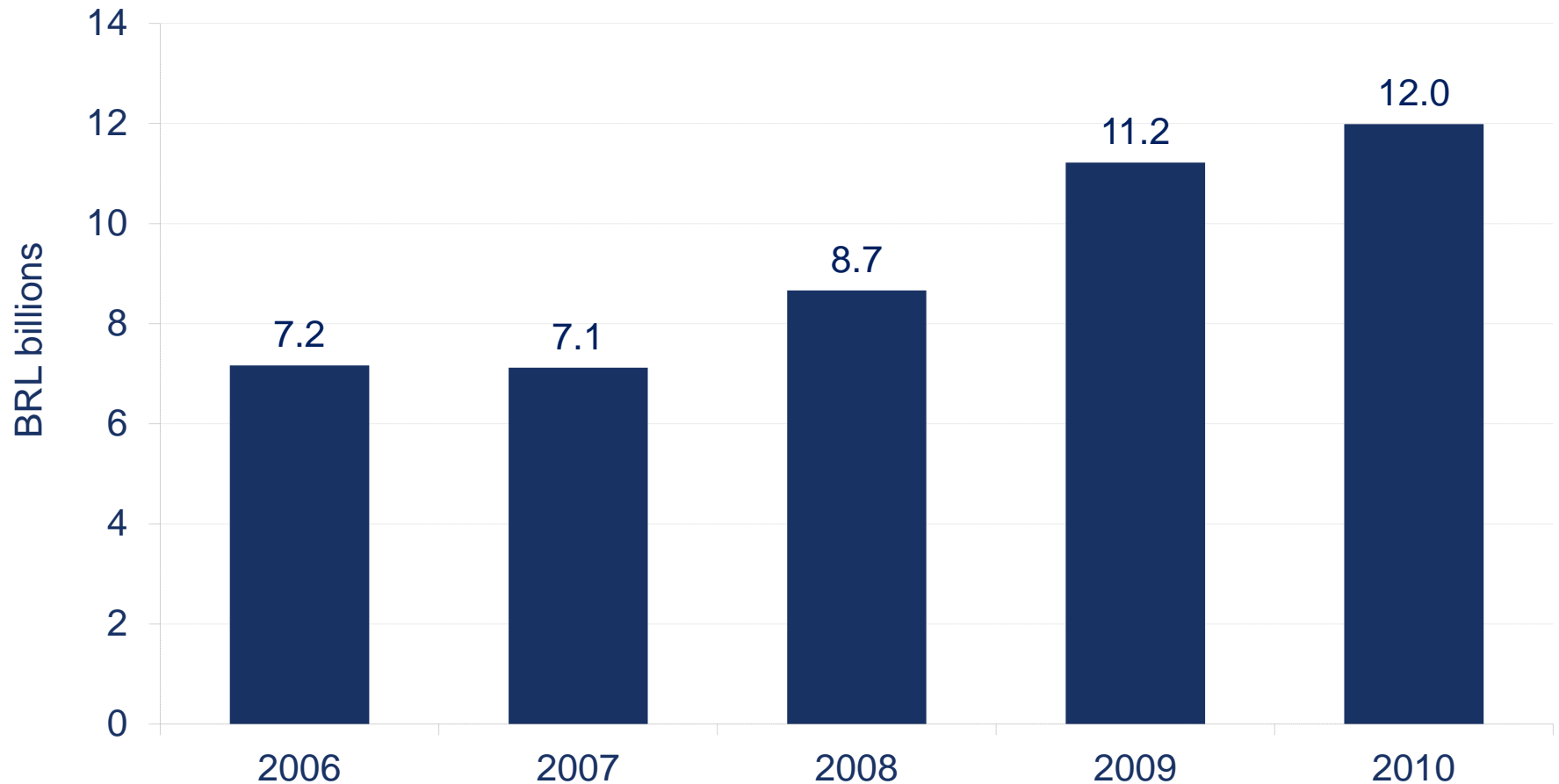
Broader access to credit (2)

Payroll-guaranteed loans



USD = 1.709 BRL (Feb 12)

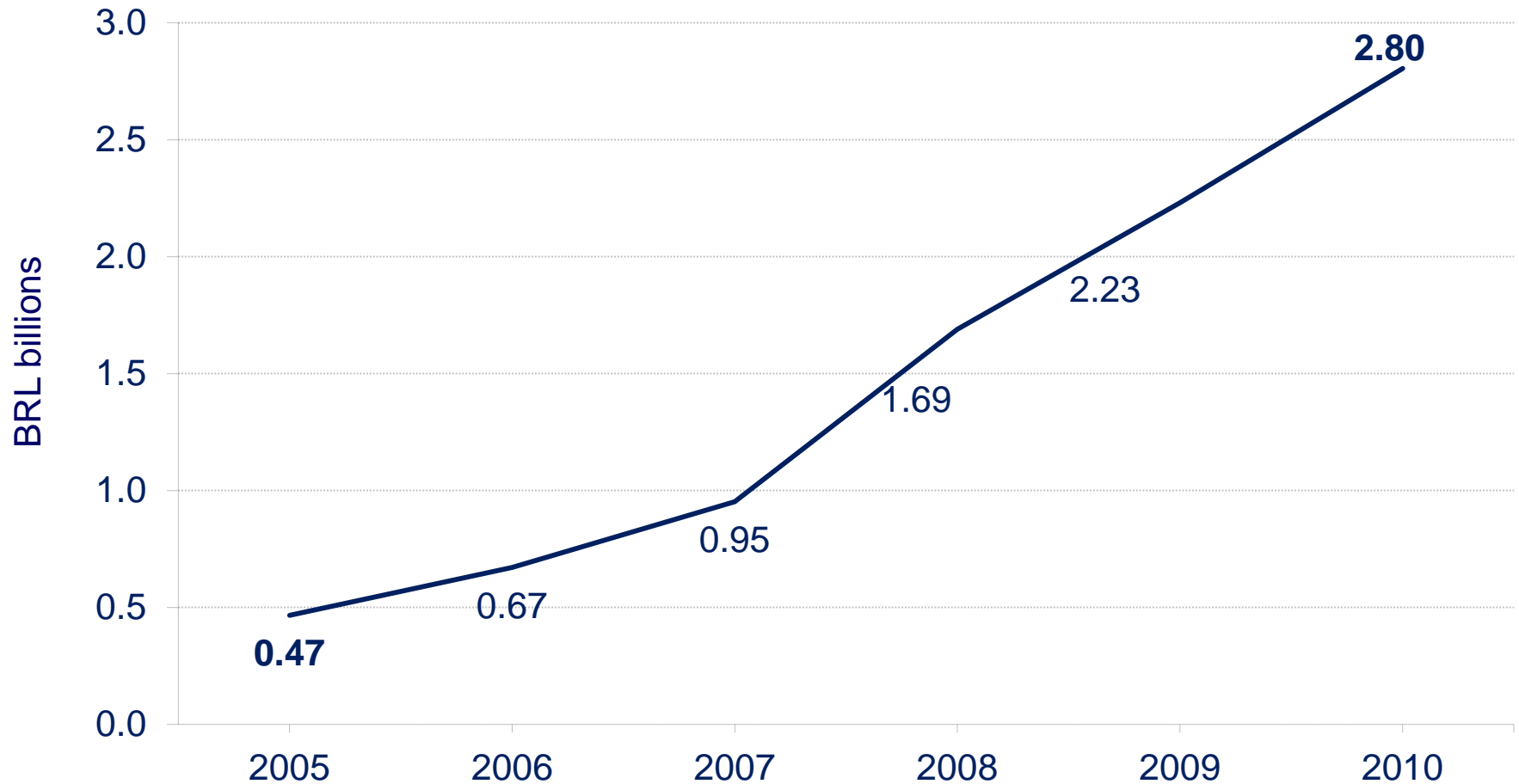
Low Income Farmers Finance Program*



* Pronaf

USD = 1.709 BRL (Feb 12)

Microcredit Program*



* PNMPO

USD = 1.709 BRL (Feb 12)

Financial Inclusion Indicator

- **Financial Inclusion is multidimensional**
- The FII developed by BCB aggregates different dimensions
- It takes as reference the inclusion index proposed by Sarma & Pais (2010), which is based on the distance of each variable from the benchmark (the benchmark is the maximum score in all the dimensions considered)
- Sarma & Pais uses 3 dimensions (bank penetration, availability and use)

Financial Inclusion Indicator

- The FII uses 18 indices, aggregated in 3 dimensions:
 - 7 indices for geographical availability: the ratio between bank branches, credit cooperatives, 4 types of bank service outposts, and correspondents, to 1,000 km²
 - 7 indices for demographic availability: the ratio between bank branches, credit cooperatives, 4 types of bank service outposts, and correspondents, to 10,000 adults inhabitants;
 - 4 indices for use: credit to GDP ratio; credit to 1,000 adults ratio; deposits to GDP ratio; deposits to 1,000 adults ratio
- The indices for all dimensions were calculated for all states in Brazil and aggregated for major geographic regions

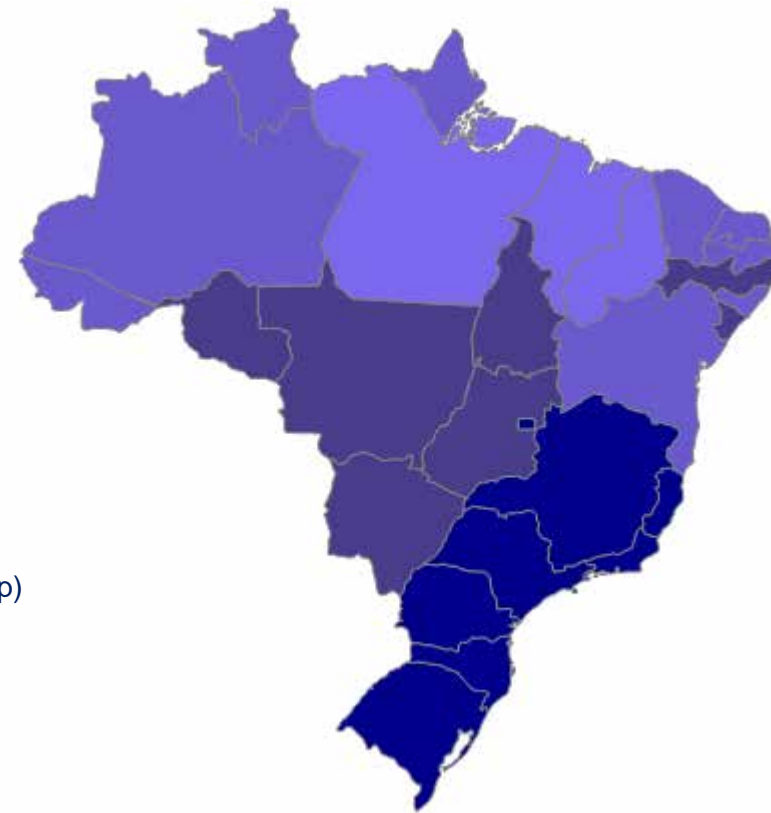
Financial Inclusion shows relevant evolution

Financial Inclusion Indicator*

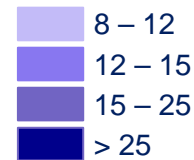
2000



2010



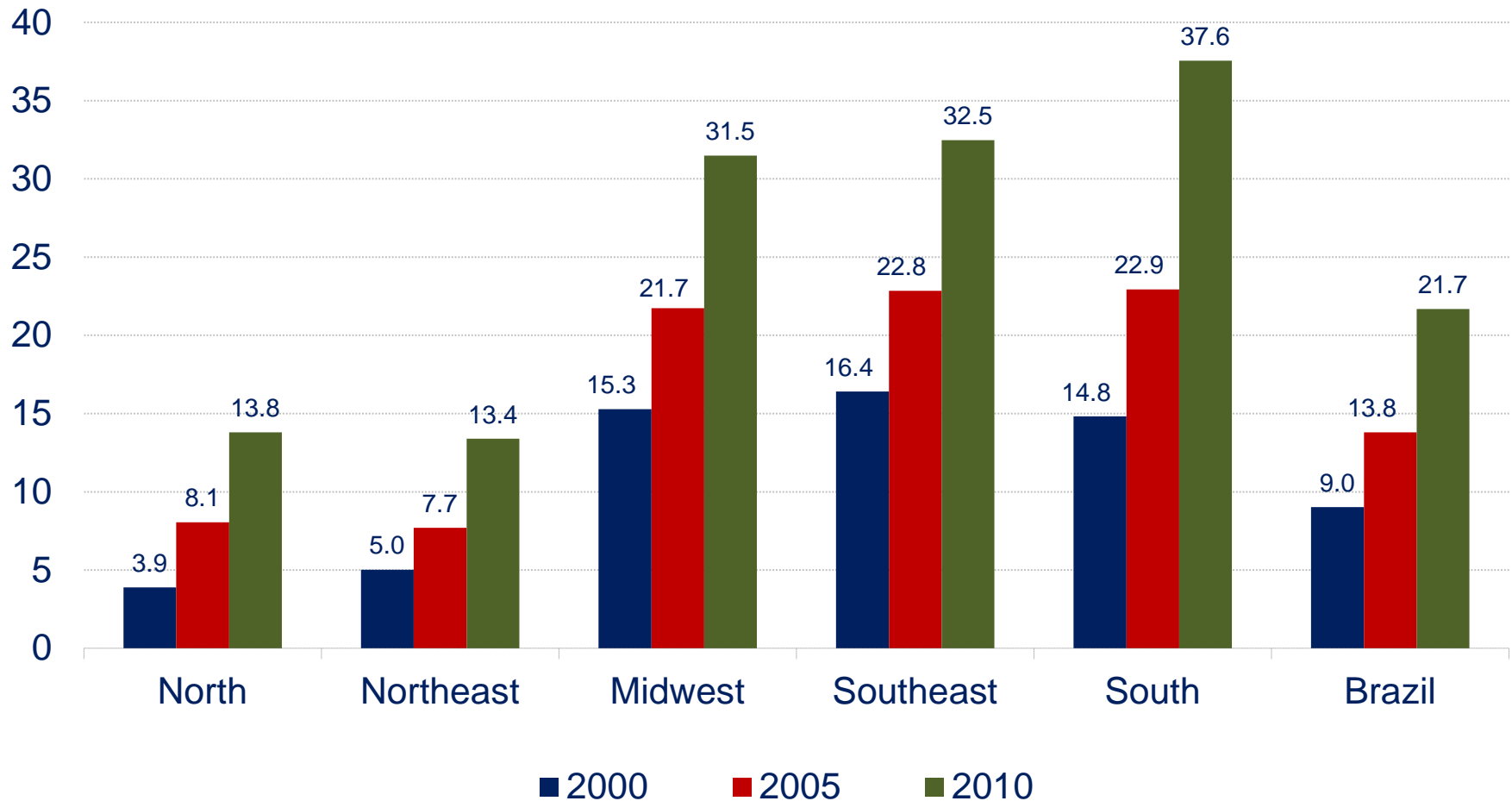
Indicator Ranges (pp)



* BCB's Financial Inclusion Indicator combines 18 access and usage measures

Less well-served regions benefited most

Financial Inclusion Indicator* - Region Average



* BCB's Financial Inclusion Indicator combines 18 access and usage measures

Access to Banking Services

	2002	2009	2011
Accounts (for the banking sector)	55,708,468	83,308,800	91,944,421
Customers	87,630,527	151,102,765	174,791,126
Branches			
For the banking sector	17,049	20,046	21,278
For all financial institutions	17,756	21,287	22,628
Posts of service (for the banking sector)	32,769	53,628	60,375
ATM's	129,913	165,567	174,920
Domestic correspondents	78,539	151,351	177,925
Municipalities			
Without banking services	222	-	-
With banking services	5,337	5,565	5,565
Municipalities banking services coverage	96%	100%	100%