Assessing financial inclusion in Portugal from the central bank’s perspective

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Motivation

Financial inclusion – the ability of individuals or enterprises to **obtain formal financial services appropriate to their needs**

- There are still more than two billion adults that do not have access to formal financial services (ATISG*, 2010)

*ATISG: Access through Innovation Sub-Group of the G-20 Financial Inclusion Experts Group*
How can the *Banco de Portugal* help policymakers in addressing this challenge?

- The *Banco de Portugal* publishes statistics on:

  1. Main indicators
  2. Monetary and financial statistics
  3. Balance of payments statistics
  4. International investment position statistics
  5. International consolidated banking statistics
  6. Public finance statistics
  7. National financial accounts statistics
  8. Debt of non-financial sector
  9. Central Balance-Sheet Database statistics
  10. Foreign exchange rate statistics
  11. Payment systems statistics
  12. Banking system statistics
  13. General statistics
  14. Inflation
  15. Currency issuance statistics
  16. SDDS Plus - Special Data Dissemination Standard
How can the Banco de Portugal help policy-makers in addressing this challenge?

- The Banco de Portugal publishes statistics on:

  - Payment systems statistics
    - Overall characterisation of the Portuguese payment system
    - Interbank clearing and settlement systems in Portugal
    - Payment instruments in the interbank clearing and settlement systems
    - Transactions processed through European clearing and settlement systems

These data can be used to monitor the provision of financial services in Portugal.
The evolution of the provision of financial services in Portugal

ATM demographic coverage
(Number of ATMs per million inhabitants)

2011 | 2012 | 2013 | 2014 | 2015
---|---|---|---|---
Europe | Portugal

European Union | Portugal
The evolution of the provision of financial services in Portugal

ATM demographic coverage in 2015
(Number of ATMs per million inhabitants)
And why is that? ... The role of MULTIBANCO

- A sophisticated network shared by every bank operating in the economy that fully integrates ATMs and EFTPOS
- In addition to cash operations, it offers a wide range of more than 60 different services (e.g., money transfers, payments for utilities bills, payments to the State and the Social Security, mobile phone top-ups, transport ticketing, event booking and ticketing, ...)

“Portugal’s ATMs are among the most high functional of Western Europe. A wide range of unusual facilities are also available (...). ATMs are also advanced in terms of hardware features.”

RETAIL BANKING RESEARCH BULLETIN

“Portugal’s MULTIBANCO system is acknowledged to be one of the most sophisticated and comprehensive in the world.“

EUROBUSINESS

“... the example of the Portuguese system, SIBS, suggests that greater innovation may arise out of a system where all the processing for a number of payment methods is carried out centrally.”

THE OFFICE OF FAIR TRADING
The evolution of the provision of financial services in Portugal

POS demographic coverage
(thousands per million inhabitants)

2011  2012  2013  2014  2015

European Union  Portugal
The evolution of the provision of financial services in Portugal

Number of institutions offering payment services per million inhabitant in 2015

- Luxembourg
- Malta
- Ireland
- Cyprus
- Austria
- Finland
- Lithuania
- Portugal
- Estonia
- Germany
- Denmark
- Czech Republic
- Latvia
- Sweden
- Poland
- Euro area total
- Netherlands
- Hungary
- Slovenia
- Italy
- Belgium
- Croatia
- France
- Slovakia
- Spain
- United Kingdom
- Bulgaria
- Greece
- Romania
Assessing financial inclusion in Portugal from the central bank’s perspective

2. The evolution of the provision of financial services in Portugal

The evolution of the provision of financial services in Portugal

Number of offices of institutions offering payment services per million inhabitants

- Euro area
- Portugal

<table>
<thead>
<tr>
<th>Year</th>
<th>Euro area</th>
<th>Portugal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td>800</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>700</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>600</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>500</td>
</tr>
</tbody>
</table>
Assessing financial inclusion in Portugal from the central bank’s perspective

2. The evolution of the provision of financial services in Portugal

The evolution of the provision of financial services in Portugal

Number of offices of institutions offering payment services per million inhabitant in 2015
2. The evolution of the provision of financial services in Portugal

The evolution of the provision of financial services in Portugal

Transactions per type of payment service: Portugal 2000-2015

- Card payments
- Credit transfers
- Direct debits
- Cheques
- Others

Year | Card payments | Credit transfers | Direct debits | Cheques | Others |
--- | --- | --- | --- | --- | ---
2000 | 50% | 5% | 12% | 33% | 0% |
2005 | 62% | 9% | 12% | 17% | 0% |
2010 | 68% | 11% | 14% | 7% | 0% |
2015 | 70% | 14% | 12% | 4% | 0% |
The role of the Banco de Portugal as a provider of financial services

Banking conduct supervision

• Advertising

• Complaints

Bank Costumer Portal
cliente bancario.bportugal.pt
The role of the *Banco de Portugal* as a provider of financial services

The Central Credit Register (CCR)

- Database managed by *Banco de Portugal*. Registers information supplied by reporting institutions (institutions that grant loans) concerning the credit liabilities of their clients (individuals and organizations).

- Main purpose: To support credit institutions when evaluating the risk of granting credit to the economic agents, allowing them to obtain information on the aggregated indebtedness of their clients or any individual or organization asking for a loan.

- Data reported include, *inter alia*: Loans outstanding granted to households and corporations by type and purpose; potential loans and securitised loans; type and value of collateral or guarantee; original and residual maturity; credit defaults and the number of days the loan is past due; country where the loan was granted.
The Portuguese Central Credit Register – some figures

23 Million records monthly

7,1 Million private individuals

448 Thousand corporations

188 Reporting Agents

15 different types of loans

50€ threshold

6 Working Days deadline for reporting 16h/7 days a week
Assessing financial inclusion in Portugal from the central bank’s perspective

3. The role of the Banco de Portugal as a provider of financial services

The Portuguese Central Credit Register – Some figures

Central Credit Register coverage rate (as % of adult population)

Portugal has been leading this ranking for a long time

The Portuguese CCR – The way forward

1978
Beginning of CCR (on a debtor-by-debtor basis)

2005
Bilateral exchange of credit data with other EU CCR (MoU)

2018
New system (on a loan-by-loan basis; AnaCredit)
The Portuguese CCR – The way forward


Integrated Management of Information

- Credit Institutions
- Statistics Department (new CCR)
- Including MIR on loans

New CCR (2018)

- 179 variables
- Previous +51, AnaCredit +62, other +42

CCR (2016)

- 24 variables

AnaCredit

- Financial Stability Department
- Banking Conduct Supervision Department
- Banking Prudential Supervision Department
- Markets and Reserve Management Department
Measuring financial inclusion in Portugal

- To acquire information on the financial attitudes, behaviours and on the levels of understanding of financial matters by the population, Banco de Portugal conducted a survey on the financial literacy of the Portuguese population.
Measuring financial inclusion in Portugal – Results of the survey

11% of the Portuguese population did not have a bank account in 2010
Measuring financial inclusion in Portugal – Results of the survey

The main reason for not having a bank account was not having enough income to justify it.
Measuring financial inclusion in Portugal – Results of the survey

• For the individuals who have a bank account...

How many current accounts do you hold?

- 66%
- 26%
- 6%
- 2%

1 account
2 accounts
3 accounts
4 or more accounts
Measuring financial inclusion in Portugal – Results of the survey

- For the individuals who have a bank account...

### FREQUENCY OF USE OF THE BANK ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>More than once a week</th>
<th>More than once a month</th>
<th>Almost never over the year</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>61%</td>
<td>33%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Undergraduate or</td>
<td>82%</td>
<td>18%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>graduate education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary education</td>
<td>76%</td>
<td>21%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Elementary education</td>
<td>67%</td>
<td>29%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Primary education</td>
<td>51%</td>
<td>41%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Without primary</td>
<td>21%</td>
<td>60%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- More than once a week
- More than once a month
- Almost never over the year
- Never
- Not every month
Measuring financial inclusion in Portugal – Results of the survey

• For the individuals who have a bank account...

**WHAT FINANCIAL PRODUCTS DO YOU HOLD?**

- Insurance: 37%
- Credit card: 32%
- Term deposits: 31%
- Mortgage loan: 26%
- Bank overdraft: 25%
- Other credit: 16%
- Saving plans: 16%
- Other: 15%
- Saving certificates: 5%
- Shares: 4%
- Investment funds: 3%
- Bonds: 1%
- Does not know: 1%
- None: 29%
Measuring financial inclusion in Portugal – Results of the survey

• **Minimum banking services:** An initiative taken by *Banco de Portugal* to promote financial inclusion

### WHAT IS REQUIRED IN ORDER TO ACCESS THE MINIMUM BANKING SERVICES?

- 53%: Not have a bank account
- 25%: Have a low income
- 16%: Be unemployed
- 5%: Does not know
- 1%: Does not answer
Measuring financial inclusion in Portugal — Results of the survey

- Minimum banking services accounts have more than tripled since 2013!

Evolution of the number of minimum banking services accounts
Conclusions

- **Payment statistics** are increasingly **more relevant** in evaluating the degree of financial inclusion of an economy and, thus, **critical for policymakers and central banks**

- The development of **comprehensive central credit registers**, such as the Portuguese CCR, are key to **foster financial inclusion**, by supporting credit institutions in the assessment of credit risk

- Central banks also play an important role as **conduct supervisors**, by **advertising best practices** and **managing complaints** that encourage credit institutions to promote financially inclusive actions

- Despite that the **current results are encouraging**, the challenges ahead demand that policymakers and central banks keep **financial inclusion high in the agenda**
Thank you for your attention!

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