Measures of financial inclusion – a central bank perspective

Bruno TISSOT
Head of Statistics and Research Support, BIS
Head of Secretariat, Irving Fisher Committee on Central Bank Statistics (IFC)

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Financial inclusion and central banking - Overview

1. Introduction
2. Definitions
3. Central banks’ mandates
4. Central banks’ objectives
5. Data issues
6. International collaboration
1. Introduction: central banks’ interest in financial inclusion

- Economic welfare & development
- Monetary & financial stability
- Payments systems
- Impact of financial inclusion policies

Irving Fisher Committee on Central Bank Statistics (IFC) 2015 survey of member central banks

see: http://www.bis.org/ifc/publ/ifc_finan_inclu.pdf
2. Financial inclusion definitions

- Broadly defined as population’s access to financial services
- Main current focus:
  - Supply and demand dimensions
  - Effective use & quality of financial services
- Lower focus on:
  - Financial literacy
  - SME financing
  - Quality of infrastructure (legal, financial, telecom etc.)
3. Half of central banks have no financial inclusion mandate

What type of mandate does your institution have to focus on financial inclusion?
Several answers possible

- Part of a national financial inclusion strategy
- Legal mandate
- Requirement in the statutes of the central bank/monetary authority
- Policy resolution of the Board
- Other prerogative/mandate
- There is no mandate to focus on financial inclusion

Source: IFC survey on financial inclusion, 2015.
4. Most CBs have objectives related to financial inclusion

Major central bank objectives relating to financial inclusion

Several answers possible

- Promoting economic welfare, reducing inequality
- Safeguarding financial stability
- Protecting consumers and users of financial services
- Promoting efficient payment systems
- Strengthening the transmission of monetary policy
- Improving the functioning of the financial system
- Promoting innovation in financial services
- Boosting the mobilisation of savings; providing stable funding to banks
- Supporting economic welfare, reducing inequality

Source: IFC survey on financial inclusion, 2015.
4. (cont’d) Financial inclusion and stability: virtual cycle.

Sound and efficient financial system → Greater access to financial services
4. (cont’d)... versus financial stability dilemma

Lower financial standards?  vs.  Unsustainable credit creation?
Data issues

- Central Banks are often primarily responsible for data collections
- Main gaps:
  - Quality of financial services
  - Selected supply-side indicators (e.g., non-bank providers)
  - Assessing policy implementation
- Synthetic indicator versus dashboard?
International collaboration

- Clear benefits:
  - Benchmarking
  - Best practices
  - Data-sharing

- Yet definitions and measures not fully harmonised...

... not least because of the need to capture local characteristics
Conclusion – IFC Report recommendations

1. No standard **definition** of financial inclusion
2. Importance of **central bank** contributions
3. Need for **coordination** of financial inclusion policies
4. **Data gaps** remain (access, usage, quality, SME financing, policy implementation)
5. Benefits of cross-country **cooperation**
6. Scope for international **data-sharing**
Thank you!!

Questions?

bruno.tissot@bis.org
IFC.secretariat@bis.org

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