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Measures of financial inclusion – a central bank perspective

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Contents

Measures of financial inclusion – a central bank perspective[1]

1. Background

Financial inclusion, broadly defined as access to financial services, is expanding globally but remains a key issue for policymakers worldwide. In particular, it is an important public policy goal that directly relates to central banks' key objectives and activities (Mehrotra and Yetman (2015)). Financial inclusion can contribute to sustaining economic welfare and to reducing poverty. It also supports economic, monetary and financial stability, by making saving and investment decisions more efficient, enhancing the transmission of monetary policy and facilitating the functioning of the economy.

The international standard-setting bodies (SSBs), especially those hosted by the BIS, have been actively engaged with financial inclusion policies for more than a decade. From a payments perspective, the current focus is on facilitating financial inclusion and access through payment systems, particularly through transaction accounts (CPMI (2016)). From a supervisory perspective, the initial focus was on the microfinance activities of banks and other deposit-taking institutions. Since then the focus has shifted to the full range of financial products and services that low-income and poor households could access to strengthen their economic conditions (BCBS (2015)).

A key issue for central banks is the need for effective monitoring of the impact of financial inclusion policies. The IFC workshop on financial inclusion indicators held in 2012 at Sasana Kijang, Kuala Lumpur, Malaysia, highlighted the crucial role of measurement of financial inclusion as a guide to developing effective policies.[2] Adequate indicators are a prerequisite for properly assessing financial inclusion, and for formulating, implementing and monitoring public policy designed to enhance it. Good statistics can also help to strike a balance[3] between encouraging innovation and the growth of financial services on the one hand, and ensuring that financial stability is preserved on the other.

A number of international initiatives, undertaken by various public and private sector organisations[4] and SSBs, have helped to set up common frameworks for

1 This report benefited from comments by Karl Cordewener and Tamara Gomes (BCBS), Hans Genberg (SEACEN), Marc Hollanders and Kaushik Jayaram (BIS), Raúl Morales (CEMLA) and Hock Chai Toh (Central Bank of Malaysia). The views expressed in this document reflect those of the contributors and are not necessarily the views of the institutions they represent. Assistance by Alan Villegas with the preparation of the graphs is gratefully acknowledged.

2 See IFC (2015), in particular the Sasana statement (www.bis.org/ifc/publ/ifcb38v.pdf) and Tissot (2015).

3 See Box 1 for a discussion of the dilemma between financial inclusion and financial stability, as reflected in the literature and in the current work agenda of international SSBs.

4 The main organisations promoting these initiatives are the Alliance for Financial Inclusion, the Global Partnership for Financial Inclusion (GPFI), the OECD, Finmark/Finscope, the Microfinance Information Exchange (MIX) and the Bill & Melinda Gates Foundation. The IMF's Financial Inclusion Survey and

developing financial inclusion indicators and informing policymakers about them. But despite many and encouraging improvements, measurement of financial inclusion remains work in progress.

For its part, the Irving Fisher Committee on Central Bank Statistics (IFC) has been tasked with facilitating central bank discussions on data issues related to financial inclusion. As part of this endeavour, the IFC has surveyed its member central banks on national policies and practices for financial inclusion, together with the implementation of international data initiatives and related challenges. Conducted in the fourth quarter of 2015, the survey covered 47 countries, of which 17 are advanced economies, and 30 emerging economies in Asia, eastern Europe and Latin America.[5] The questionnaire solicited information on national practices and projects in the area of financial inclusion. Specifically, the objective of the survey was to compare financial inclusion policies along the following four dimensions:

- definitions;
- central bank mandates, policies and governance structures;
- data types and sources;
- collaboration with global forums, and contributions to international initiatives.

2. Executive summary and key messages

The survey confirmed that there is no standard, universally accepted **definition** of financial inclusion (IFC (2015), BCBS (2015)). Official definitions of financial inclusion are not widespread, let alone harmonised across countries. Where they exist, formal definitions typically include the availability and use of financial services as the main dimensions of financial inclusion; but there are other aspects as well. One particular challenge is to differentiate the specific issues faced by firms and households in this area. That difficulty is compounded by the usual lack of clarity when defining small and medium-sized enterprises (SMEs)[6]and distinguishing them from households.

Key message 1 – Definitions: Central banks that do not currently use an official definition of financial inclusion should consider the merits and drawbacks of having one. In addition, work would be desirable to clarify the definition of SMEs (and to distinguish them from households) in the specific context of financial inclusion.

The survey also revealed that most central banks had some form of direct or indirect remit to promote financial inclusion. More than half of reporting central banks have some type of formal **mandate** to focus on financial inclusion. Even in the absence of an explicit mandate, they often take specific action to directly promote

the World Bank's Global Findex are relevant sources of statistical information on financial inclusion. See Appendix 1 for further details.

5 The survey was completed by 47 institutions (see the list in Appendix 4), so that it reflects the views of two thirds of IFC member countries. This might lead to a bias when analysing the survey results, for instance, if it is suggested that financial inclusion is a lower priority policy issue in some countries.

6 While small and medium-sized businesses often do have access to financial services, in many countries micro (one-person) enterprises are likelier to have more difficulty in obtaining such access (CPMI (2016)).

financial inclusion, eg by fostering financial education and literacy, by pursuing consumer protection, by being involved in the supervision or oversight of financial institutions and services. More indirectly, they may also promote universal access to payment systems, knowing that these can serve as a gateway to other financial services.

But first and foremost, central banks emphasised that they make indirect contributions to financial inclusion by pursuing their traditional objectives of price and financial stability. Respondents saw little or no conflict in reconciling the objectives of financial inclusion on the one hand and financial stability on the other. One issue, however, is the inadequate recognition or insufficient awareness by national authorities and by the public at large of central banks' key contributions to financial inclusion through the pursuit of their "traditional" policy objectives. That may in turn raise false expectations or perceptions about the role of central banks.

Key message 2 – Central bank contributions: The central bank community, and the IFC in particular, could clarify and communicate more on the wide range of central banks' contributions to improving financial inclusion. Central banks should consider the pros and cons of having an explicit financial inclusion mandate from this perspective. Even in the absence of an explicit mandate, monetary and supervisory authorities could further explain and communicate on how they contribute to financial inclusion by pursuing their traditional policy objectives.

Although most central banks report formally or informally on their activities in the area of financial inclusion, operations in this domain are often **decentralised**. Different organisational units such as payments systems or supervisory departments, rather than one central unit, typically manage different aspects of financial inclusion products or services.

Key message 3 – Internal coordination: Central banks should address logistical and organisational challenges to enhance the internal coordination of their financial inclusion work. This effort should cover the various functional areas in charge of monitoring and implementing the different aspects of financial inclusion policies, and in particular also data-gathering and analysis. Adequate governance structures may have to be put in place, especially when units are involved both within and outside the central bank.

Although **data** on financial inclusion are widely collected, significant gaps still exist. In particular, much information is missing on the usage and quality of financial services and financial infrastructure, as well as on SME financing. Statistics are also scarce or inadequate on access to finance, such as how many people have a bank account or a mobile bank account; most statistics in that regard are estimates. Importantly, data often do not allow for a meaningful assessment of policy implementation. There are gaps in coverage as well: alternative (non-bank) financial service providers are typically not within the purview of the supervisory umbrella and are therefore often left out of data collection. Not only does that represent a gap in the assessment of financial inclusion, it may also result in risks to financial stability going undetected. Last, lack of granularity, low frequency and – to a lesser extent – confidentiality restrictions pose additional challenges.

Key message 4 – Data collection: Work to improve data availability in the following areas would be desirable: (i) data on access, usage and quality of financial services and of financial infrastructure, on SME financing and on non-bank financial service providers; and (ii) data that allow policy implementation in the area of financial inclusion to be directly assessed.

The survey also confirmed that central banks view **collaboration with international groupings** in the area of financial inclusion as bringing clear benefits. Indeed, many of them already engage with such forums. The main benefits include access to data, technical assistance, experience-sharing, forming partnerships, as well as conducting joint work on methodologies, concepts or survey questionnaires. Exposure to benchmarks of international best practice is also viewed as positive.

Key message 5 – International cooperation: Collaboration between central banks and interaction with international groupings should be further enhanced, especially in order to favour an effective exchange of views and best practices when defining, measuring and analysing financial inclusion.

Most survey participants saw a clear need for **international data-sharing** and cross-country harmonisation of financial inclusion definitions and measures. However, such harmonisation should not lead to national specificities being overlooked, as every country's experience with financial inclusion is different. Moreover, the consensus view is that leveraging current international collaboration efforts, rather than launching new initiatives, is a good way of further coordinating the development of financial inclusion measures internationally.

Key message 6 – International data-sharing and coordination: Ongoing efforts to internationally harmonise definitions and measurements relating to financial inclusion should be encouraged, not least to facilitate data-sharing among countries and international bodies. However, enhanced data harmonisation should leave room for capturing country specificities. Furthermore, efforts to enhance data-sharing and harmonisation should primarily leverage existing international collaboration initiatives.

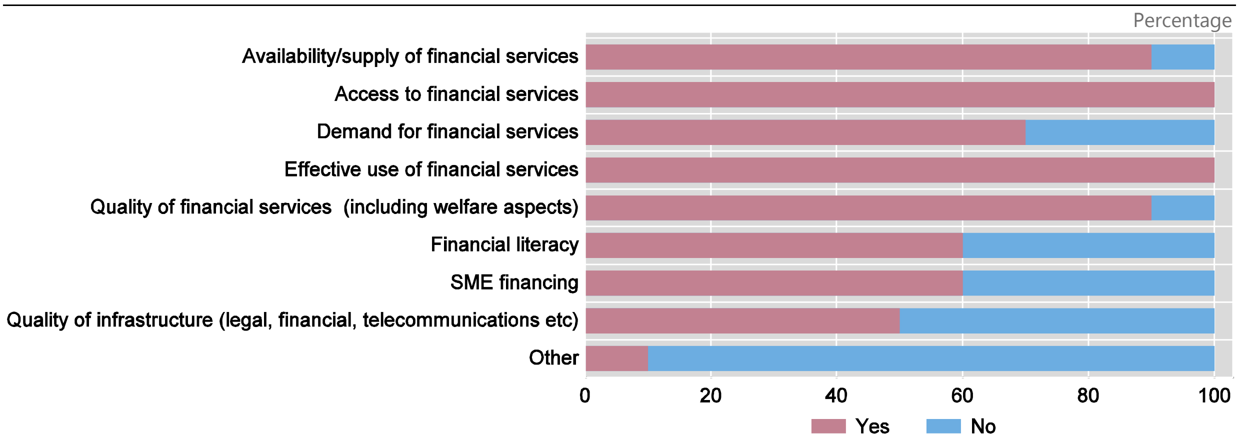
3. Definitions of financial inclusion

Official definitions of financial inclusion are neither widespread nor harmonised across countries. Only one fifth of reporting central banks (mainly from EMEs) rely on an official definition. Among this group, almost all reported that *access* and *effective use* of financial services were the most important elements of their definitions (Graph 1). In addition, and with limited exceptions, the *availability* and *quality* of financial services are other important dimensions being considered. In contrast, the *quality of financial infrastructure* is taken into consideration by only half of those central banks that rely on a formal financial inclusion concept.

Almost all reported definitions of financial inclusion refer to *access* to financial services. This relates to the ability of firms and households to use financial products and services, given in particular the constraints of time and distance. Relevant measures include the proximity of access points, the variety of access channels ("bricks and mortar" branches, ATM (automated teller machine) and POS (point-of-sale) networks, agent banking, mobile banking etc), as well as socio-economic barriers limiting such use. In a broader sense, the pricing and other terms and conditions of financial products and services can also be relevant factors limiting the scope for access to financial services for segregated groups.

Does your institution's definition include any of the following dimensions of financial inclusion?

Graph 1



Source: IFC survey on financial inclusion, 2015.

Another widely used dimension is the *effective use* of financial products and services, eg whether deposit accounts, payment services, microcredit schemes and insurance products are actually used by the population. Measuring this concept is done by looking at the observed consumption of financial products, their usage patterns and customer behaviour. Examples of indicators would include the percentage of adults or firms with at least one type of regulated deposit account, savings account, credit line or credit card; the number of credit lines for a given number of adults; the ratio of credit or the value of deposits relative to GDP.

A slightly lower proportion (around 90%) of reported definitions incorporates the *supply* and *quality* dimensions. *Supply* (or *availability*) of financial products and services relates to the various types of such products and services offered to potential customers (households and firms). For instance, there will be a prime focus on the limited number and type of savings products, credit, payment and insurance services offered by various providers (financial markets, network of banks and other financial institutions) to financially excluded groups. Pricing and other terms and conditions can also be captured to complete this assessment, in particular to ascertain whether the targeted populations can afford the products on offer. Also monitored are the various constraints on the supply of financial products and services, which may include administrative/regulatory prescriptions, a lack of interest on the part of providers in serving certain customer segments, business models, unaffordable costs and inadequate product design (eg when the product mix supplied does not cater for the needs of the financially excluded). Appropriateness and suitability to users' needs are also an important aspect of the *quality* dimension of financial services. Various concepts can be mobilised in this perspective, such as the pricing of products (is it commensurate with risk?), their convenience and security, as well as the quality of customer relationship management and the degree of consumer protection.

Other dimensions are also viewed as important by surveyed central banks when defining financial inclusion. Two thirds of respondents took into consideration *financial literacy* and *SME financing*. *Financial literacy* encompasses people's knowledge about financial concepts, inflation and investment risk, their financial numeracy and behaviour regarding money management and savings, as well as their awareness of financial products and services. Equally important to survey respondents is the *SME financing* dimension of financial inclusion. That covers SMEs' access to an account at a formal financial institution as well their ability to obtain adequate funding. A key indicator in this respect is the relative importance of SME customers among financial institutions' total customers. However, one challenge often mentioned is the lack of clarity in the definition of SMEs; in particular, it is not always easy to distinguish them from households, especially in the case of micro (one-person) enterprises.

Last, only about half of the central banks that have a formal definition of financial inclusion take into consideration the dimension of *financial infrastructure*. This dimension relates to the various elements that support the functioning of the financial system. For instance, robust, safe, efficient and widely accessible information and communication technology infrastructure is a key factor underpinning the provision of transaction account services and broader financial products (CPMI (2016)). The quality of infrastructure can be determined by various logistical, geographical, political and environmental, as well as legal factors. Logistical factors would cover technical reliability, such as the error rate on executing payment orders, and how failed orders are handled or corrected. Geographical, environmental and political factors can also play an important role: for instance, national policies regarding regional autonomy may determine the extent to which far-flung regions of a country are within easy reach of telecommunications or other infrastructure networks. Last, the legal aspects of financial infrastructure relate to the ease with which financial claims can be enforced in court – for microfinance-type loans, this could consist of the small claims courts. In the area of payment services, a sound legal infrastructure should include a user-friendly and effective recourse and dispute resolution mechanism to address consumer claims and complaints (CPMI (2016)).

To capture these various dimensions when defining financial inclusion, central banks take a variety of financial, economic and social criteria into account. Financial measures such as household income and wealth, economic indicators such as the type of activity, and social factors such as education levels are often used. In half of the reporting countries, legal criteria (eg households barred from having a bank account because of their lack of requested documentation or credit history) are also applied when defining financial exclusion.

4. Central bank mandates, governance structures, contributions and objectives in the area of financial inclusion

4.1 Half of central banks have an explicit financial inclusion mandate

More than half of the central banks surveyed have some sort of mandate to focus on financial inclusion (Graph 2). This responsibility is often a part of a national financial inclusion strategy (mentioned by 23% of respondents), a policy resolution of the

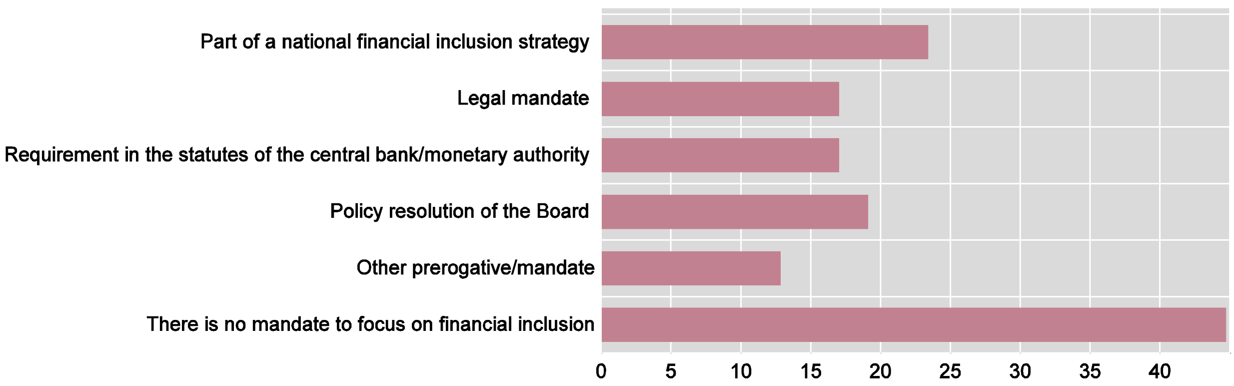
Board (19%), a legal mandate (17%), and/or is written into the central bank statutes (17%).[7]

Many survey respondents believe that it is important to explicitly set out financial inclusion strategies in a central bank's mandate. For instance, in roughly half of the countries where there is no explicit national financial inclusion strategy, respondents felt that there was a need to have one (Graph 3).

Nevertheless, in practice central banks can intervene at various levels of the financial inclusion policy agenda. Even among central banks without an explicit mandate, many reported being at least somewhat involved in assessing and measuring financial inclusion in their respective countries, formulating strategies or policies to improve financial inclusion, and subsequently implementing and monitoring such policies.

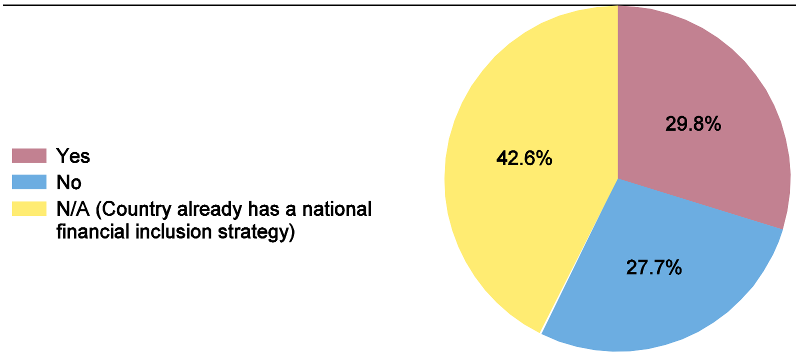
What type of mandate does your institution have to focus on financial inclusion?

Several answers possible — Graph 2



Source: IFC survey on financial inclusion, 2015.

If your country does not have a national financial inclusion strategy, is there, in your view, a need to have one? — Graph 3



Source: IFC survey on financial inclusion, 2015.

[7] Multiple answers were possible.

4.2 The governance of central banks' financial inclusion activities

Accountability is a key element for consideration in the area of financial inclusion, especially as regards the conduct of related public policies (Gadanecz and Tissot (2015)). Indeed, most central banks perform some direct or indirect reporting of their financial inclusion activities. Two fifths of the survey respondents explicitly report on this topic either to the government, the parliament or some kind of national financial inclusion committee or council. In other cases, even when there is no explicit reporting, some disclosure of information takes place in the form of periodically published reports – most often comprising data and policy analysis as well.

Another important governance aspect is the organisation of the central bank financial inclusion function itself. In half of the central banks surveyed, activities related to financial inclusion are decentralised, ie several departments and units deal with different aspects of it. Nevertheless, the fact that 38% of respondent institutions report to their respective boards on financial inclusion should provide a certain degree of policy consistency, even when various central banks units are involved. Some countries have also set up some sort of collegial structure, eg a formal committee in charge of financial inclusion issues located within the central bank, or a committee comprising representatives of the central bank and other institutions interested in financial inclusion. Not only can such a collegial structure serve as a useful coordination vehicle among the different internal entities working on financial inclusion; it can also help to provide the necessary impetus and buy-in from various stakeholders, including central banks' senior management.

4.3 How do central banks directly support financial inclusion?

Even in the absence of an explicit mandate to focus on financial inclusion, central banks may nevertheless directly contribute to it in three major ways: by promoting financial education; by acting as financial supervisors and overseers; and by supporting ad hoc initiatives targeted at financially excluded population segments.

In many instances monetary authorities have a mandate to promote *financial education and literacy as well as consumer protection*. They can, for instance, achieve this by publishing financial literacy standards, together with clear information that serves to protect consumers of financial services. That, in itself, is a key element for supporting financial inclusion. Indeed, as individuals increase their financial literacy, they gain knowledge of the benefits of adopting transaction accounts, using those accounts effectively for payments and storing value, and for accessing other financial services (CPMI (2016)).

Central banks are often involved in the *supervision and oversight of financial services, products, institutions and/or payment systems*. This supervisory role can contribute to financial inclusion to a great extent, notably by fostering a clear framework for delivering financial services and ensuring sound market practices. A case in point is the situation in Europe, where several central banks are currently in the process of implementing the European directive on the comparability of fees relating to payments accounts and services. This is likely to improve universal access to basic payment services for the financially excluded segments of the population. Another example is the mobile payments system in Kenya, which can serve as a gateway to other financial services and enhance financial inclusion. Yet another illustration is the promotion by a number of central banks of innovative payment and remittance mechanisms; this is often seen as instrumental in facilitating access to, and reducing the costs of, payment and settlement services.[8]

Some central banks are themselves actively involved in *facilitating the delivery of financial services* to the population. For instance, they promote microfinance programmes and/or help provide subsidised funding to commercial banks to support their lending to priority borrower groups.[9] Such activities are usually conducted with a view to fostering economic growth and reducing poverty more generally; they also contribute to reducing inequalities in accessing financial services as well.

4.4 Central banks' indirect support for financial inclusion

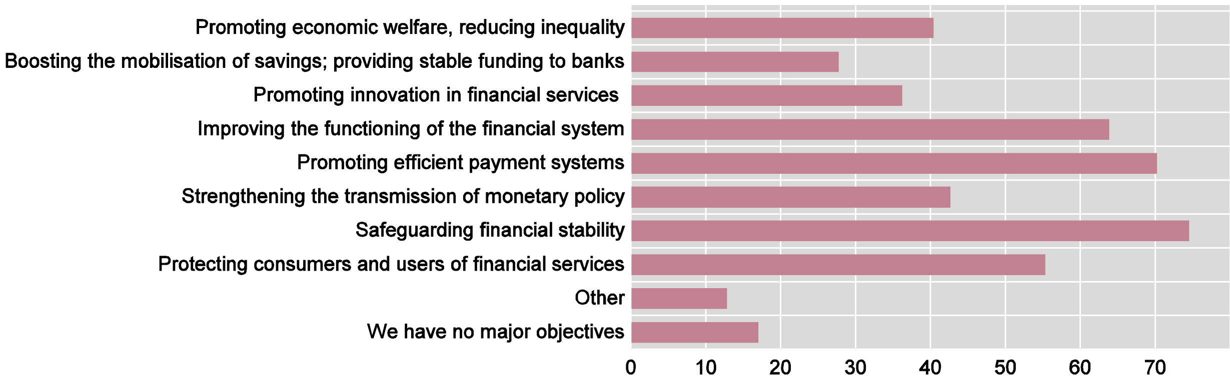
Financial stability mandates

In a more indirect way, three fourths of responding central banks see their financial stability role as their most important contribution to financial inclusion (Graph 4). For a large majority, this role often requires central banks to work on promoting sound and efficient payment systems,[10] improving the functioning of the financial system and protecting consumers and users of financial services.

Major central bank objectives relating to financial inclusion

Several answers possible

Graph 4



Source: IFC survey on financial inclusion, 2015.

8 In addition, see CEMLA (forthcoming) for an overview of payment system policy initiatives in the context of financial inclusion in the Latin American region.

9 For instance, SMEs or households belonging to specific income brackets.

10 Smoothly functioning payment systems contribute to financial inclusion by allowing households and firms to perform most of their payment needs and to safely store savings (CPMI (2016)). They also serve as a gateway to other financial services, such as funding and insurance products. Central banks have traditionally sought to ensure efficient and safe national payment systems, services and payment instruments as a key factor underpinning the stability of the financial system. They typically fulfil this role by playing an operational and a catalytic as well as a supervisory/regulatory role in retail payments. The catalytic role of payments has traditionally stemmed from their ability to serve as a gateway to financial services, in particular by providing universal access to a transaction account at little or no cost for financially excluded populations. More recently, many central banks have also been increasingly involved in fostering competition in the payments market while enhancing customer access and protection.

Central bank efforts to safeguard financial stability can potentially contribute significantly to financial inclusion. A smoothly functioning, efficient and stable financial system is likelier to engage with financially excluded households or firms than a system where financial instability or stress prevails. Likewise, financially excluded parties are likelier to access formal financial services when a minimum level of consumer protection is offered. In turn, a higher level of financial inclusion is beneficial not only for those directly affected, but also for the national payments infrastructure, financial system and ultimately, the economy (CPMI (2016)). Thus, a virtuous circle can be created.

A dilemma may exist between financial inclusion and financial stability. One view is that greater financial inclusion enhances financial stability, for instance, by offering banks a means of diversifying their loan portfolios, or providing them with a more stable source of funding. Another is that improving financial inclusion can be detrimental for financial stability if, say, expanding the pool of borrowers lowers lending standards. This dilemma has been extensively studied in the academic literature, sometimes with opposite conclusions, and figures prominently on the current work agenda of international SSBs (see Box 1). Interestingly, this IFC survey suggests that central banks see little or no conflict at all in reconciling their "traditional" policy objectives (eg price or financial stability) on the one hand, and the promotion of financial inclusion on the other.

Box 1: Does financial inclusion reduce or enhance financial stability? Answers from the literature and current policy initiatives

One view formulated in the academic literature is that financial inclusion influences financial stability in a positive way. Khan (2011) notes that, when banks write a large number of small loans, this can contribute to lowering the overall riskiness and volatility of their loan portfolios, by reducing the size of the exposure to any single borrower. The risk of interconnectedness between borrowers is also diminished. Morgan and Pontines (2014) provide evidence that an increased share of lending to SMEs fosters financial stability, mainly by reducing non-performing loans (NPLs) and thereby financial institutions' default risks. Hannig and Jansen (2010) argue that, on balance, while financial inclusion may pose some risks, these are not systemic in nature: small and vulnerable clients at the bottom of the financial market borrow limited amounts and transact small volumes.

The positive influence of financial inclusion on financial stability can also exert itself through the greater stability of banks' funding sources. Indeed, low-income savers and borrowers tend to keep their financial behaviour stable throughout financial crises, and their deposit balances do not tend to be volatile. Khan (2011) and Han and Melecki (2013) note that access to the deposits of this clientele can make bank funding more resilient in times of financial stress. In turn, the greater mobilisation of the savings of previously financially excluded customers enhances banks' capacity to extend financing, which again improves financial inclusion, thereby creating a virtuous circle.

On balance, according to this stream of the literature, the potential costs of financial inclusion are more than compensated for by the important benefits resulting from a deeper and more diversified financial system, which enhances financial stability over time.

Another, opposite, view is that increasing access to financial services – a desirable goal in itself – could result in unsustainable credit booms and financial system fragilities (see Hannig and Jansen (2010), Sarma and Pais (2011), and Mehrotra and Yetman (2015)). First, expanding the pool of borrowers could lead to a reduction in lending standards (Khan (2011)), putting at risk some financial institutions and potentially increasing systemic risk. Besides, greater financial inclusion can be accompanied by undetected fragilities if the financially excluded avail themselves of services provided by unregulated institutions. For example, new specialised entities may offer deposit-like services and simple insurance or financial products outside the realm of the financial regulatory umbrella; fraudulent activities may also emerge more easily, for instance with the development of "base-of-pyramid" saving schemes. Financial transactions made through cost-effective transmission channels such as mobile networks may offer little customer protection.

In view of this dilemma between financial inclusion and financial stability, authorities have promoted legal and regulatory frameworks that foster financial inclusion. The focus has been on effectively addressing all relevant risks and by protecting consumers, while at the same time underpinning innovation and competition (CPMI (2016); Khan (2011)). One important initiative to properly discuss these issues has been the launch of regular Meetings on Financial Inclusion with SSBs and stakeholders organised at the Bank for International Settlements (see Caruana (2014)). Such meetings have helped to better recognise the contribution that non-traditional service providers can make to improving financial inclusion, while recognising the new questions they pose for supervisors. That highlights the importance of a coordinated approach among SSBs.

Another challenge for SSBs is to find a balance between ensuring a level playing field in supervision and allowing for country-specific measures to promote financial inclusion. On the one hand, it is essential to ensure a consistent implementation of globally-agreed supervisory standards across jurisdictions, not least for governing the activities of internationally active financial institutions. On the other hand, so-called "proportionate" regulatory standards need to be developed, so as to support financial inclusion activities that often have jurisdiction-specific features, especially in emerging market economies (Muhammad (2015)).

A final issue relates to the unintended consequences of regulatory measures. One example is banks' "de-risking" behaviour, which consists in turning away low-income customers, closing existing accounts or exiting specific business lines in order to reduce regulatory compliance costs or possible litigation risks. Attention has, in particular, focused on the potential implications of the international framework for anti-money laundering (AML) and combating the financing of terrorism (CFT) for financial service providers working with low-income people (CGAP (2005)). The risk is that such unintended consequences may adversely affect the impact of financial inclusion policies in both advanced and emerging economies.

Monetary stability mandates

The traditional monetary stability objective of central banks is also reported to be a key element in facilitating financial inclusion. Price stability is seen as instrumental in anchoring inflation expectations, in turn allowing individuals to make better-informed saving and investment decisions. As such, this is likely to make households and SMEs avail themselves of financial services to a greater extent than they would otherwise do, alleviating financial exclusion.

In turn, as more households and firms are financially included, monetary policy tools can become more effective. For instance, when the saving, spending and investment decisions of a larger number of households and firms are influenced by commercial bank interest rates, policy rates can be transmitted more broadly to the economy as a whole. Indeed, survey respondents have clearly identified financial inclusion as a useful means of strengthening monetary policy transmission – even though that is not considered to be the most important outcome, in particular in comparison with the financial stability benefits of greater financial inclusion (see Graph 4).

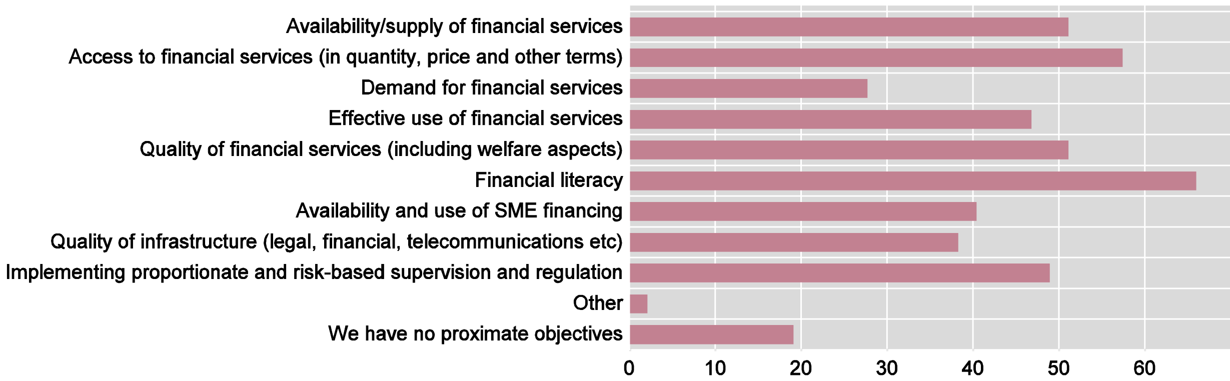
4.5 Central banks' immediate financial inclusion objectives

In working towards improving financial inclusion, what are central banks' operational objectives? Interestingly, central banks' responses suggest that their primary focus is on improving financial literacy, which is the most widely reported objective (Graph 5).

Not surprisingly, the broad demand- and supply-side aspects of financial inclusion come next among the central banks' priority objectives. *Demand* for financial services reflects the nature and quantity of such services and products required to satisfy firms' and households' needs when managing their personal finances or running their businesses (eg loans, various types of accounts, payment services). Demand is also an important element because it defines the pricing and other terms and conditions that the financially excluded are prepared to accept. Demand is primarily determined by firms' and households' degree of financial literacy, income and trust in financial institutions,[11] but cultural, socio-economic, demographic and other factors also play a role. For their part, *supply* factors – eg the quantity, price and other terms of financial services – determine the potential use of various types of product and service by financially excluded segments of the population.

Central banks' proximate objectives – dimensions of financial inclusion perceived as priority areas for improvement

Several answers possible | Graph 5



Source: IFC survey on financial inclusion, 2015.

Another important area for central bank action is promoting the quality of financial services (appropriateness to customers' needs). They can do so by ensuring the effective use of available financial services, and implementing proportionate risk-based regulation. This objective aims to calibrate the intensity of regulation to the risk profile and systemic importance of the products, services, channels and/or institutions being regulated and supervised (see BCBS (2015)). The idea is to refine the regulatory approach so as to address the wide spectrum of institutions being supervised – say, by treating large internationally active banks differently from the

[11] As recognised by standard-setting bodies, the public's confidence in financial institutions is also influenced by the existence and scope of deposit insurance schemes. Where such confidence is lacking, some households or firms may prefer to risk hoarding cash.

small, non-complex deposit-taking institutions that are key to supporting financial inclusion.

There are, however, a number of reported challenges that constrain central banks in pursuing their immediate financial inclusion objectives. These include the lack of reliable information in some areas (including data that allow the impact of financial inclusion policies to be measured (see Section 5 below) as well as the difficulty of interacting and coordinating with many different stakeholders (such as other authorities and commercial banks).

5. How well do currently available data allow financial inclusion to be measured?

Data on financial inclusion are widely collected, as reported by 70% of countries surveyed. In the vast majority of countries that collect data, the central bank or the monetary authority is primarily responsible for this task. In half of the countries, however, data also come from other sources, such as the supervisory authority, the statistical office, various ministries, or private organisations such as the Bill & Melinda Gates Foundation.

In most countries, financial inclusion data and the accompanying analysis are published by the relevant national authorities (often by the central bank). The most frequent publication cycles are quarterly and annual, but there are also more irregular publications.

5.1 Types and sources of information on financial inclusion and related data gaps

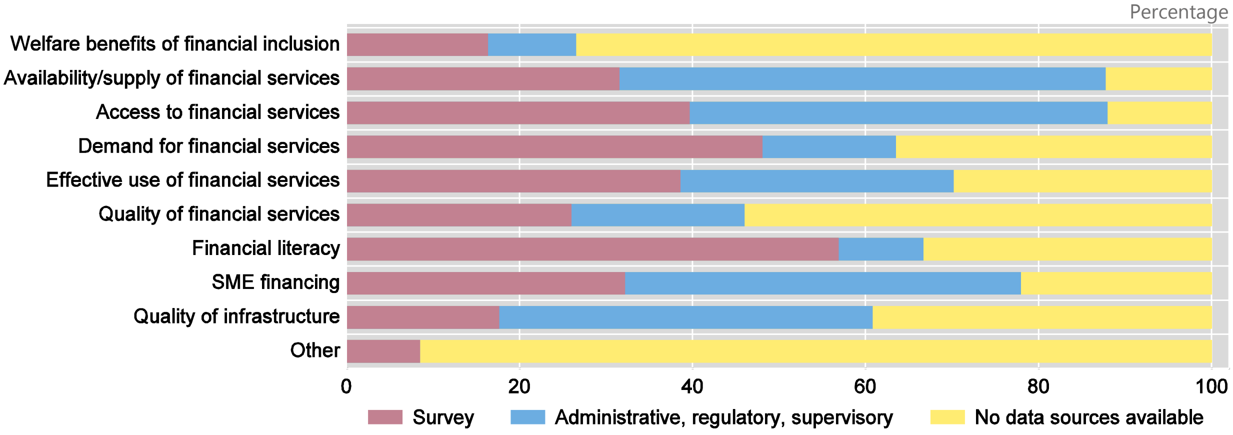
Graph 6 shows, for the various dimensions of financial inclusion, the main data types and sources available in the countries that responded to the survey. Not surprisingly, the most widely available data are supply side indicators (eg availability and access to financial services), which are relatively well covered. Most of these data come from administrative, regulatory and supervisory sources (marked in blue). Typically, as part of their oversight mandates, central banks and supervisory authorities have access to information on financial institutions' supply of services to specific segments of the population. As overseers or operators of national payment systems, they often also have payment data at their disposal.

Turning to the demand and use of financial services, data are significantly less available: over 60% of respondents reported data availability for these aspects of financial inclusion, with surveys being the main data source (marked in pink). In this context, the main shortcoming noted was that the quality of micro data to assess the number of account holders is often compromised by double-counting. Indeed, it is common practice to count the number of accounts, rather than the number of (different) account holders. Moreover, the cost of demand-side surveys is often high, and response rates and/or response incentives can be low.

What sources of data are available to measure the various dimensions of financial inclusion in your country?

Several answers possible

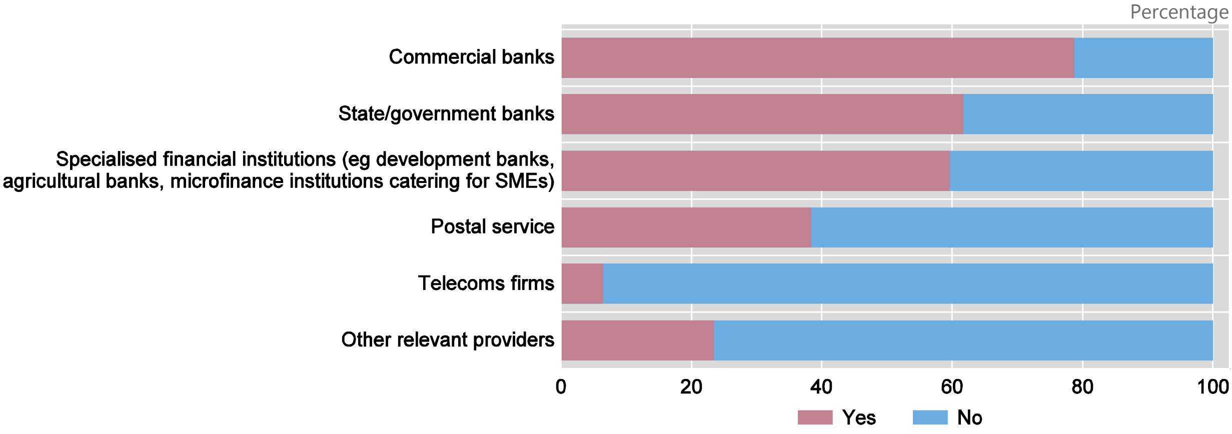
Graph 6



Source: IFC survey on financial inclusion, 2015.

Do your national data on financial inclusion cover any of the following financial service providers?

Graph 7



Source: IFC survey on financial inclusion, 2015.

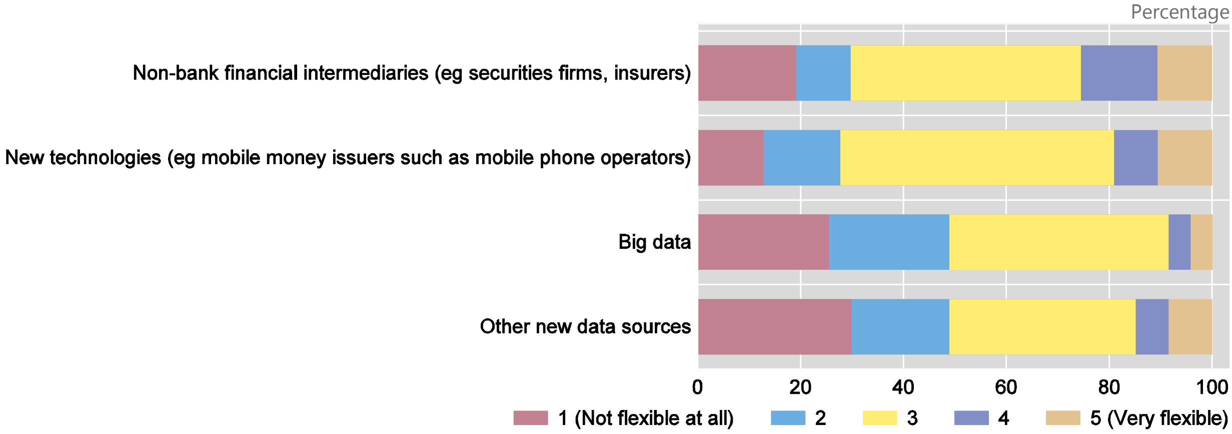
As regards the main data gaps, marked in yellow, information is often insufficiently available to assess the implementation of financial inclusion policies, in particular to measure the related welfare benefits. Only 27% of respondents reported that existing data collection frameworks are designed to directly assess whether policy targets in the area of financial inclusion are being met. To a lesser extent, data are also scarce regarding the quality of financial services and of financial infrastructure (gaps were reported by around one half of the respondents).

The availability of financial inclusion data differs for various segments of financial services and products. In general, the activities of commercial banks as suppliers of financial services are relatively well covered (Graph 7). Perhaps more surprisingly, supply side indicators related to state-owned banks, specialised financial institutions and even more so post offices are significantly less available. Turning to alternative financial providers such as non-bank financial intermediaries, cooperative and charitable organisations, lending and savings associations and bureaux de change, information is even scarcer. Last, almost no indicators were reported to be available on the supply of financial services by telecom firms.

How flexible is your data collection and analysis framework to deal with new data sources becoming available?

Graph 8

Percentage



Source: IFC survey on financial inclusion, 2015.

Some survey participants noted that their data collection systems were relatively flexible to cope with the advent of new non-bank financial intermediaries that may be relevant for financial inclusion (Graph 8). But an almost equal number of respondents had the opposite view. Moreover, half of the respondents felt that their existing collection frameworks were not flexible enough to cope with alternative new data sources (eg big data) that are becoming available to measure financial inclusion.

The most common frequency with which financial inclusion information is available is annual, although some data are also collected more often. Information on the availability of and access to financial services is often produced on a quarterly basis, and monthly data are sometimes collected on SME financing. When information breakdowns are available, they mostly relate to specific sectors (eg for SME financing), income brackets (eg for household inclusion and its welfare effects) and regions within the countries. Some respondents also mentioned the availability of financial inclusion data broken down by age, gender and education level of households.

5.2 Aggregated financial inclusion indicators

Two thirds of respondents produce regional or sectoral aggregated indicators of financial inclusion, using the base-level financial inclusion data that they collect. In the majority cases, this is done without carrying out any specific transformation of the raw data. Nevertheless, some respondents reported applying some statistical treatments (such as removing outliers, making seasonal adjustments or extrapolating to a larger sample based on subsamples).

There has been a public debate about whether countries should produce specific indices synthesising the various dimensions of financial inclusion, such as access and usage.[12] Such indices do have analytical merits, for instance by providing a useful way of synthesising various aspects of the topic for analytical purposes, As noted by one survey respondent, a single indicator capable of charting general trends and facilitating comparison between geographic units can prove very useful for mapping policy progress in the area of financial inclusion for identifying advances and/or barriers. In some countries, a synthetic index may be used in the context of the national strategy for financial inclusion.

Despite the advantages of financial inclusion indices the results of the survey are not conclusive regarding the adoption of such indices by central banks. First, only a minority (ie seven of the reporting countries) currently produce, or have plans to introduce, a financial inclusion index. Of these countries, only Latvia, Malaysia and the Philippines publish the index (it is available usually on an annual frequency). Second, while several aspects of financial inclusion (availability, access, usage) are usually incorporated into these indices, important dimensions are often missing: in particular, data on the quality of services, SME financing, financial literacy and the financial infrastructure are often lacking. Third, for a number of respondents, indices appear to be less meaningful than a dashboard of individual indicators, which may in addition be easier to communicate to the public than a composite index. Last, indices may also suffer from poor cross-country and temporal comparability.

5.3 Main data challenges

As shown in Graph 9, two thirds of respondents view the financial inclusion data collection process as being supported by adequate resources. But in a majority of a cases, the process is not sufficiently integrated with national statistical frameworks. Perhaps more worryingly, the various indicators are typically not collected by a single independent authority (that is only the case for one fifth of the respondents).

Not having data collated in one place – in such a way that they give a comprehensive picture – may be a corollary of the decentralised fashion in which most central banks conduct financial inclusion work. But this may result in inefficient or incomplete data access and could limit the scope of any analytical work. This puts a premium on adequate data-sharing arrangements within countries.

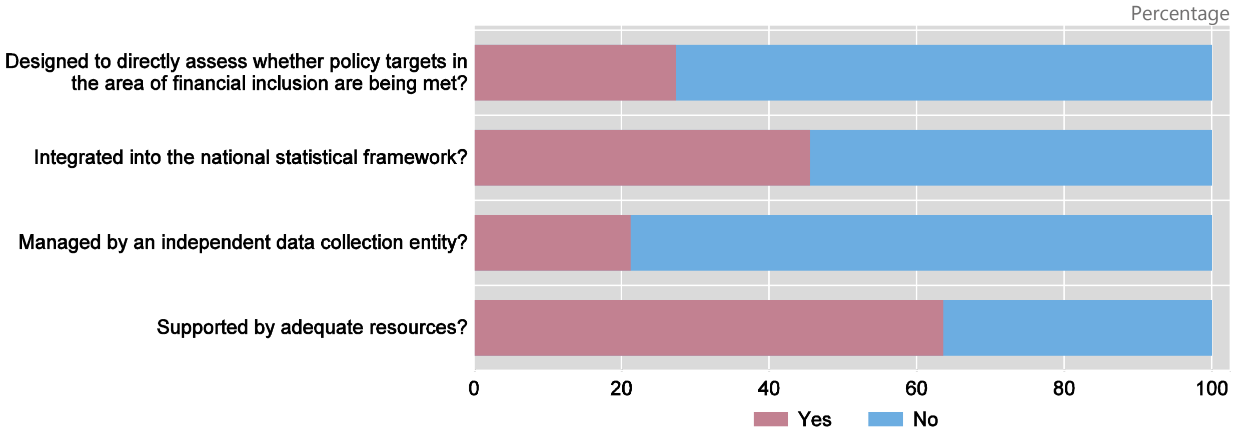
Other data collection challenges pertain to the cost and non-response aspects of demand-side surveys. Often, the survey population has insufficient incentives to respond, and data may suffer from double-counting. Conducting a cost-benefit analysis before launching such surveys was thus seen as important. Turning to supply side data, they fail to adequately cover alternative providers such as non-bank

12 For instance, the composite index set up by the Central Bank of Malaysia covers four dimensions: the convenient accessibility of financial services, the take-up of such services by financially excluded segments of the population and the extent to which such customers make responsible use of the services, as well as their level of satisfaction with them. In the Philippines, the index covers access and usage and the methodology follows the approach in the development of well known indices for well-being such as the Human Development Index (HDI) and the Human Poverty Index (HPI); this index is computed at the national, regional and provincial level using supply side data. Last, an important point is that most central banks that have an index use some sort of weighting scheme to aggregate the individual components into one number. When they are not equal, weights can be based on judgment or reflect the priority of various policies relating to specific aspects of financial inclusion.

financial intermediaries, telecoms firms, cooperative and charitable organisations, lending and savings associations and bureaux de change.

Is the data collection framework:

Graph 9



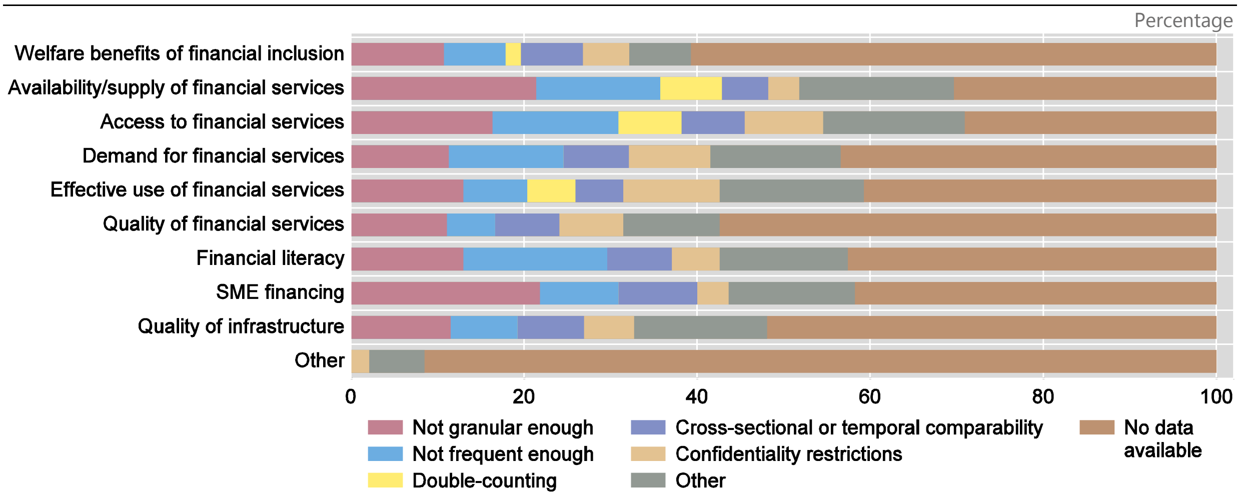
Source: IFC survey on financial inclusion, 2015.

Concerning the data, as discussed above in Section 5.1, there are insufficient data available to assess the implementation of financial inclusion policies (and to a lesser extent to gauge the quality of financial services and of financial infrastructure). This is compounded by the fact that the data collection framework is very rarely designed to assess whether policy targets in the area of financial inclusion are being met. In other words, more attention could be paid to the need to adequately measure the effects of measures or policies implemented to develop financial inclusion, and their impact on general welfare.

What challenges arise with respect to the various data sets?

Several answers possible

Graph 10



Source: IFC survey on financial inclusion, 2015.

As shown in Graph 10, lack of granularity (marked in pink), low frequency (blue) and – to a lesser extent – confidentiality restrictions (beige) were cited as additional difficulties. As regards granularity, having more breakdowns of the data was seen as an important objective, as it would allow central banks to conduct more detailed regional analysis and to better measure correlations between the various dimensions of financial inclusion. Meanwhile, financial inclusion data are often collected too infrequently to allow policymakers to make an adequate and timely assessment of the impact of their actions. Turning to the issue of confidentiality, it is particularly important to be able to guarantee to households and firms that respond to demand-side surveys that their answers will be protected and that surveying authorities will strictly adhere to their commitments. Confidentiality issues may also arise for the suppliers of services to the financially excluded, when their (restricted) supervisory data are mobilised for financial inclusion policies – for instance, if account- or customer-level data are involved.

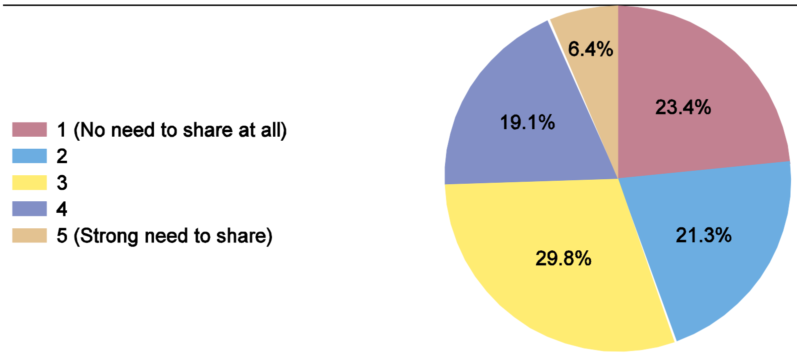
6. International collaboration

Survey participants' feedback suggests that important benefits can be derived from collaboration with international groupings in the area of financial inclusion. Between one fifth and one third of them already contribute to international data collection frameworks and initiatives, such as those of the World Bank (Global Findex Initiative), the OECD (International Network on Financial Education), the IMF (Financial Access Survey), the Alliance for Financial Inclusion, the Global Partnership for Financial Inclusion and the Consultative Group to Assist the Poor.[13] In addition, they often participate in the financial inclusion-related activities of regional organisations such as the Centro de Estudios Monetarios Latinoamericanos (CEMLA), the South East Asian Central Banks (SEACEN), regional development banks, as well as in the household finance and consumption surveys of the Eurosystem.

The benefits of engaging with these international forums listed by the respondents are manifold. They include access to other countries' or cross-country data; sharing experience in developing related methodologies, concepts and survey questionnaires; forming partnerships; as well as benefiting from capacity-building and technical assistance in the area of financial inclusion. International collaboration also provides exposure to benchmarks of best practices. In fact, interaction with international organisations was mentioned by 75% of survey respondents as conducive to exchanging views regarding the definition, measurement and analysis of financial inclusion. A smaller number of central banks – 60% of respondents – listed interacting with other domestic policymakers, regulators or supervisors as providing a useful platform for such an exchange of views. Engaging with other central banks and academics was seen as providing this type of benefit by 57% and 38% of respondents, respectively. This suggests that strengthening central bank collaboration in this area may be desirable.

13 See Appendix 1 for a description of these groupings and their activities.

How much need is there for your central bank to share data on financial inclusion with other central banks, supervisors and standard setters? Graph 11



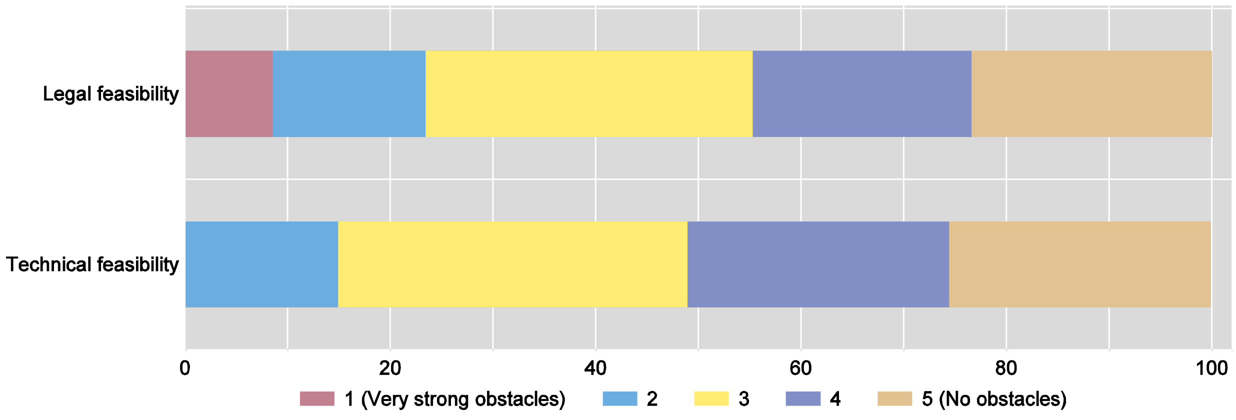
Source: IFC survey on financial inclusion, 2015.

Sharing data on financial inclusion brings clear benefits. When data is shared between different authorities of the same country, it can be leveraged to conduct financial inclusion policies, especially when those policies are a coordinated effort between different administrations. Over half of survey participants see at least some need for sharing data on financial inclusion with other central banks, supervisors and standard setters (Graph 11). There seem to be no major obstacles precluding such sharing: only 23% and 15% of respondents noted the presence of strong or very strong technical or legal obstacles, respectively (Graph 12).

International data-sharing allows the full benefits of international collaboration on financial inclusion to be reaped. In addition, internationally harmonised data on financial inclusion can be a key input for national policymakers when they benchmark themselves on assessing financial inclusion as well as on developing, designing, implementing and reviewing policies to improve it. Last, harmonised cross-county data are essential to conduct meaningful analyses and to support global public and private organisations working on financial inclusion to better target their resources geographically.

How feasible is it (legally and technically) to pass on financial inclusion data to third parties? Graph 12

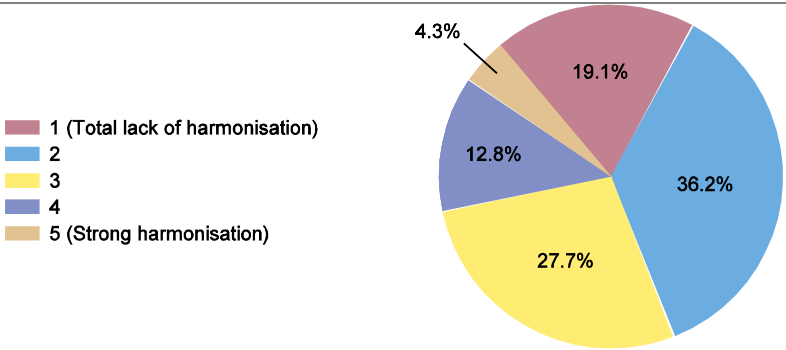
Percentage



Source: IFC survey on financial inclusion, 2015.

A majority of respondents were of the view that definitions and measures of financial inclusion are currently not well enough harmonised to allow such effective cross-country comparisons. As shown on Graph 13, there is a total or a marked lack of harmonisation according to 55% of respondents. Indeed, a number of central banks explicitly mentioned the need to harmonise definitions and measures as an important objective. Coming up with a uniform set of indicators across countries for the various dimensions of financial inclusion is thus a key challenge.

In your view, how harmonised are current measures of financial inclusion to allow cross-country comparisons? Graph 13



Source: IFC survey on financial inclusion, 2015.

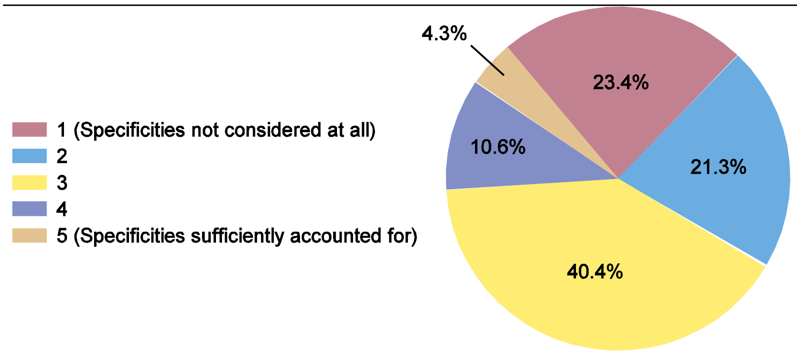
Yet, each country's experience with financial inclusion is determined by its own domestic circumstances. These include the level of economic development, the specificities of its financial system, the relative importance of the agricultural, manufacturing and service sectors that are the mainstays of the economy, economic inequalities, as well as social, demographic and cultural factors. In this sense, there can be no "one size fits all" measure to gauge financial inclusion universally. In particular, the nature of financial exclusion issues faced by advanced economies may significantly differ from those experienced by emerging markets.

To be sure, there is a clear trade-off between international data harmonisation and the need to adequately capture local characteristics.[14] From this perspective, only a minority of respondents (15%) saw the way in which country specificities are taken into account by currently available statistics as totally or somewhat satisfactory (Graph 14). The implication is that further harmonisation of definitions and measures of financial inclusion is warranted but should not happen at the expense of accounting for national specificities.

[14] See also the discussion on key performance indicators in CPMI (2016, Section 5.1.2, p 62).

Do current measures of financial inclusion sufficiently capture country specificities?

Graph 14



Source: IFC survey on financial inclusion, 2015.

Dealing with this trade-off is certainly no easy task. According to central bank respondents, the way forward is to leverage existing international collaboration efforts as a good way to further coordinate the development of financial inclusion measures that are both comparable internationally and meaningful domestically. Of particular relevance is the work of the Alliance for Financial Inclusion, the Global Partnership for Financial Inclusion, the OECD/INFE project and the World Bank's Findex initiative. A number of central banks also see a need to deepen international outreach, technical assistance, knowledge-sharing, financial support and capacity-building; this puts a premium on the work of international forums in general, and of the IFC Committee of central banks in particular. In any case, and as acknowledged by the G20,[15] international collaboration can serve as a useful impetus for the advancement of policy for financial inclusion.

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Appendix 1: Summary overview of international initiatives to measure financial inclusion

AFI: the Alliance for Financial Inclusion aims at developing a common framework among its members for measuring financial inclusion. It shares lessons learned on survey methodologies, analysis, target-setting and usage of data to inform policymaking. It also promotes the adoption of the framework in a broader international context.

BIS/Basel Committee on Banking Supervision: the BCBS organises regular meetings with standard-setting bodies (SSBs) and stakeholders, in coordination with the UN Secretary General's Special Advocate for Inclusive Finance for Development.

BIS/Committee on Payments and Market Infrastructures (CPMI): financial inclusion is considered in relation to various aspects of payments systems and market infrastructures.

GPFI data group: the Global Partnership for Financial Inclusion (GPFI) is a platform for G20 and other countries and relevant stakeholders, to conduct work on financial inclusion, identify the existing data landscape, assess data gaps and develop key performance indicators.

OECD: the Organisation for Economic Cooperation and Development has a number of networks and projects in the area of financial inclusion, including:

- Financial Literacy Network.
- Financing SMEs and Entrepreneurs.
- Handbook on Constructing Composite Indicators.
- OECD/INFE pilot survey 2010/11 on measuring financial literacy. This was a demand side survey which identified consumer vulnerabilities and education issues.
- Evidence-based initiatives to enhance financial literacy and promote financial inclusion.

International Association for Research on Income and Wealth: this association promotes the furthering of research on national and economic and social accounting, and has in particular encouraged related work on financial inclusion issues.

Microfinance Information Exchange (MIX): a Washington-based non-profit international organisation that collects, validates, and analyses microfinance data. It has various private sector partner organisations.

Finmark/Finscope

- FinMark Trust is an independent trust set up in 2002 with initial funding from the UK Department for International Development.
- Finscope surveys are demand and supply side surveys conducted on consumers and small businesses.

Center for Financial Inclusion: a New York-based group of key industry participants.

Various regional initiatives: such as FinScope studies in the Southern African Development Community (SADC) or Association of Southeast Asian Nations (ASEAN) regions.

Various donor organisations: eg the Bill & Melinda Gates Foundation.

Appendix 2: Survey questionnaire

IRVING FISHER COMMITTEE ON CENTRAL BANK STATISTICS

BANK FOR INTERNATIONAL SETTLEMENTS

Central bank survey on measures of financial inclusion

Background and purpose

Following the Third Meeting on Financial Inclusion with standard-setting bodies and stakeholders in October 2014, the Irving Fisher Committee (IFC) Executive Committee endorsed a proposal to conduct a survey among IFC member central banks on the topic of financial inclusion.

This survey solicits information on national practices and projects in the area of financial inclusion, including the implementation of international data initiatives and any challenges faced by each country. It is meant to serve as input into future work to improve and harmonise data on financial inclusion. Specifically, the purpose is to compare across central banks the following aspects of financial inclusion:

- mandates, policies and governance
- structures; definitions, measurement and
- analysis; data types and sources;
- collaboration with international fora; contributions to international initiatives.

The Appendix posted on eBIS contains additional explanations regarding the various dimensions of financial inclusion in the context of this survey.

Please submit your responses to this survey by Friday 27 November 2015. Note that it is possible to pause the survey and return to it a a later date. Clarification questions can be e-mailed to ifc.secretariat@bis.org.

Thank you for taking the time to complete this survey.

1. Your contact information

Central Bank or Monetary Authority of (country): ____

Name: ____

Job title ____

E-mail address (for queries): ____

Telephone number (for queries): ____

A. Mandates, policies and governance structures

2. **What type of mandate does your institution have to focus on financial inclusion?**

Please tick all that apply

- ☐ 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 (please specify below)
- ☐ There is no mandate to focus on financial inclusion

____

3. **If your country does not have a national financial inclusion strategy, is there, in your view, a need to have one?**

- ○ Yes
- ○ No
- ○ N/A (country already has a national financial inclusion strategy)

4. **Please provide any additional comments on the mandate of your institution to focus on financial inclusion**

What are the main areas of focus of your institution regarding financial inclusion policies?

5. **Major objectives**

(Please indicate all that are relevant)

- [ ] Promoting economic welfare, reducing inequality
- [ ] Boosting the mobilisation of savings; providing stable funding to banks
- [ ] Promoting innovation in financial services (for the purpose of this survey, financial products and services are meant to cover savings products, credit, payment services and insurance; please refer to the Appendix for further details)
- [ ] Improving the functioning of the financial system
- [ ] Promoting efficient payment systems
- [ ] Strengthening the transmission of monetary policy
- [ ] Safeguarding financial stability (eg credit extension to the financially excluded may result in unsustainable debt burdens for borrowers and increase costs and risks for financial institutions)
- [ ] Protecting consumers and users of financial services
- [ ] Other (please specify below)
- [ ] We have no major objectives

6. **Of these major objectives, which are the most important ones for your institution?**

Please list up to three objectives.

7. **Proximate objectives – seeking to improve the following dimensions of financial inclusion**

(please refer to the Appendix for guidance notes on the various dimensions of financial inclusion and indicate all that are relevant)

- [ ] Availability/supply of financial services
- [ ] Access to financial services (in quantity, price and other terms)
- [ ] Demand for financial services
- [ ] Effective use of financial services
- [ ] Quality of financial services (including welfare aspects)
- [ ] Financial literacy
- [ ] Availability and use of SME financing
- [ ] Quality of infrastructure (legal, financial, telecommunications, etc)
- [ ] Implementing proportionate and risk-based supervision and regulation
- [ ] Other (please specify below)
- [ ] We have no proximate objectives

8. **How much of a policy conflict is it for your institution to reconcile the objectives of financial innovation and inclusion on the one hand, and financial stability and consumer protection on the other?**

- ( ) 1 (no issue at all)
- ( ) 2
- ( ) 3
- ( ) 4
- ( ) 5 (very strong conflict)

9. **How involved is your institution in each of the following aspects of policymaking in the area of financial inclusion?**

	Not involved at all 1	2	3	4	Strongly involved 5
Assessing and measuring financial inclusion	○	○	○	○	○
Formulating the country's national financial inclusion strategy (if such a strategy exists)	○	○	○	○	○
Designing policies to improve financial inclusion	○	○	○	○	○
Implementing such policies	○	○	○	○	○
Giving directives to the financial sector regarding such policies	○	○	○	○	○
Monitoring/adjusting such policies	○	○	○	○	○
Supervising the financial sector (where relevant for financial inclusion)	○	○	○	○	○
Communicating on the topic of financial inclusion	○	○	○	○	○
Promoting financial education initiatives	○	○	○	○	○

10. **What are the key issues faced by your institution with regard to all or any of these activities?**

How is the governance of activities related to financial inclusion organised in your country?

11. **To whom does your institution report on its activities related to financial inclusion?**

Please tick all that apply

- ☐ to the government
- ☐ to parliament
- ☐ to a national financial inclusion council/committee
- ☐ other (please specify below)
- ☐ there is no explicit reporting on these matters

12. **Governance of activities related to financial inclusion inside the central bank or monetary authority:**

	Yes	No
There is direct reporting to the Board on these matters.	○	○
There is a dedicated committee, department or unit dealing with financial inclusion.	○	○
Activities related to financial inclusion are decentralised, ie several departments and units deal with different aspects.	○	○
There is no explicit internal reporting on these matters.	○	○

13. **How effective are these arrangements? Please elaborate on proposed actions to make improvements, if any.**

B. Definitions, measurement and analysis

14. **Does your institution use an official definition of financial inclusion?**

- ○ Yes
- ○ No (you will be routed to question 20)

15. **What is the official definition of financial inclusion and which organisation introduced it?**

16. **Does the definition identify specific characteristics of households or firms that are “financially excluded”?**

- Yes
- No (you will be routed to question 18)

17. **Are these characteristics defined in terms of:**

	Yes	No
Financial criteria?		
Economic criteria?		
Social criteria?		
Legal criteria (eg households barred from having a bank account)?		

18. **Does the definition used relate financial inclusion to economic welfare?**

- Yes
- No

19. **Does the definition include any of the following dimensions of financial inclusion?**

Please refer to the Appendix for guidance notes on the various dimensions of financial inclusion.

	Yes	No
Availability/supply of financial services		
Access to financial services		
Demand for financial services		
Effective use of financial services		
Quality of financial services (including welfare aspects)		
Financial literacy		
SME financing		
Quality of infrastructure (legal, financial, telecommunications, etc)		
Other (please specify below)		

20. **Are there any challenges or difficulties with respect to your country’s definition of financial inclusion (eg difficulty of distinguishing, or difference in treatment, between households and small firms), and what actions are being taken to address them?**

21. **Are data on financial inclusion collected in your country?**

- Yes
- No (you will be routed to question 24)

22. **Which institution collects data on financial inclusion in your country?**

- [ ] the central bank or monetary authority
- [ ] another national authority (please specify which institution below)

23. **Is the collection framework:**

	Yes	No
Designed to directly assess whether policy targets in the area of financial inclusion are being met?	○	○
Integrated into the national statistical framework?	○	○
Managed by an independent data collection entity?	○	○
Supported by adequate resources?	○	○

24. **What challenges does your institution face in respect of data collection on financial inclusion (eg cost of demand-side surveys)?**

25. **What types of data are available to measure the various dimensions of financial inclusion in your country?**

Please refer to the guidance notes on the various dimensions in the Appendix, and tick all that apply below.

	Micro	Macro	No data available
Welfare benefits of financial inclusion	☐	☐	☐
Availability/supply of financial services	☐	☐	☐
Access to financial services	☐	☐	☐
Demand for financial services	☐	☐	☐
Effective use of financial services	☐	☐	☐
Quality of financial services	☐	☐	☐
Financial literacy	☐	☐	☐
SME financing	☐	☐	☐
Quality of infrastructure	☐	☐	☐
Other (please specify below)	☐	☐	☐

26. **What sources of data are available to measure the various dimensions of financial inclusion in your country?**

Please refer to the guidance notes on the various dimensions in the Appendix, and tick all that apply below.

	Survey	Administrative, regulatory, supervisory	No data sources available
Welfare benefits of financial inclusion	☐	☐	☐
Availability/supply of financial services	☐	☐	☐
Access to financial services	☐	☐	☐
Demand for financial services	☐	☐	☐
Effective use of financial services	☐	☐	☐
Quality of financial services	☐	☐	☐
Financial literacy	☐	☐	☐
SME financing	☐	☐	☐
Quality of infrastructure	☐	☐	☐
Other (please specify below)	☐	☐	☐

27. **If the data are published, please also provide the links, where available**

	Link(s)
Welfare benefits of financial inclusion	
Availability/supply of financial services	
Access to financial services	
Demand for financial services	
Effective use of financial services	
Quality of financial services	
Financial literacy	
SME financing Quality of infrastructure	
Other (please also specify):	

28. **With what frequency are data available in your country?**

Please refer to the guidance notes on the various dimensions in the Appendix, and tick all that apply below.

	Higher than monthly	Monthly	Quarterly	Semi-annual	Annual	Lower than annual	Other/irregular frequency	N/A (no data available)
Welfare benefits of financial inclusion								
Availability/supply of financial services								
Access to financial services								
Demand for financial services								
Effective use of financial services								
Quality of financial services								
Financial literacy								
SME financing								
Quality of infrastructure								
Other (please specify below)								

29. **With what detailed breakdowns are data available in your country?**

Please refer to the guidance notes on the various dimensions in the Appendix, and tick all that apply below.

	Regional	Sectoral	Firm size	Household income	Other (please specify below)	No breakdown available
Welfare benefits of financial inclusion						
Availability/supply of financial services						
Access to financial services						
Demand for financial services						
Effective use of financial services						
Quality of financial services						
Financial literacy						
SME financing						
Quality of infrastructure						
Other (please specify below)						

30. **Are any of these data aggregated?**

For instance, adding up information on individual households, firms or financial service providers to provide a comprehensive picture of financial inclusion at the regional or country level.

- Yes
- No

31. **Are any of these data transformed? Examples include removing outliers, making seasonal adjustments or estimates for a larger sample based on a subsample.**

- Yes
- No

32. **Are any of these data published or disseminated?**

- Yes, data only
- Yes, data with analysis
- No (you will be routed to question 35)

33. **If they are published/disseminated, by which institution?**

- By the central bank or monetary authority
- By another institution (please specify below)

34. **... and with which frequency?**

- Higher than monthly
- Monthly
- Quarterly
- Semi-annual
- Annual
- Lower than annual
- Other/irregular frequency

35. **Do the various types and sources of data available in your country allow to improve the various dimensions of financial inclusion?**

Please refer to the guidance notes on the various dimensions in the Appendix.

	Yes	No
Welfare benefits of financial inclusion		
Availability/supply of financial services		
Access to financial services		
Demand for financial services		
Effective use of financial services		
Quality of financial services		
Financial literacy		
SME financing		
Quality of infrastructure		
Other (please specify below)		

36. **What challenges arise with respect to the various datasets?**

Please refer to the guidance notes on the various dimensions in the Appendix, and tick all that apply below.

	Not granular enough	Not frequent enough	Double counting	Cross-sectional or temporal comparability	Confidentiality restrictions	Other (please specify below)	N/A (no data available)
Welfare benefits of financial inclusion	☐	☐	☐	☐	☐	☐	☐
Availability/supply of financial services	☐	☐	☐	☐	☐	☐	☐
Access to financial services	☐	☐	☐	☐	☐	☐	☐
Demand for financial services Effective use of financial services	☐	☐	☐	☐	☐	☐	☐
Quality of financial services	☐	☐	☐	☐	☐	☐	☐
Financial literacy	☐	☐	☐	☐	☐	☐	☐
SME financing	☐	☐	☐	☐	☐	☐	☐
Quality of infrastructure	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
Other (please specify below	☐	☐	☐	☐	☐	☐	☐

How comprehensive and flexible is your data collection framework?

37. **Do your national data on financial inclusion cover any of the following financial service providers:**

	Yes	No
Commercial banks	○	○
State/government banks	○	○
Specialized financial institutions (eg development banks, agricultural banks, microfinance institutions catering for SMEs)	○	○
Postal service	○	○
Telecoms firms	○	○
Other relevant providers (please specify below)	○	○

38. **How flexible is your data collection and analysis framework to deal with new data sources becoming available?**

	1 (not flexible at all)	2	3	4	(very flexible)
Non-bank financial intermediaries (eg securities firms, insurers)	○	○	○	○	○
New technologies (eg mobile money issuers such as mobile phone operators)	○	○	○	○	○
Big Data	○	○	○	○	○
Other new data sources, (please specify below)	○	○	○	○	○

39. **Does your institution currently compile/analyse, or is it planning to introduce a composite indicator of financial inclusion?**

○ Yes

○ No (you will be routed to Section C)

40. **Please briefly describe how the composite indicator is constructed (including the formula used, if any).**

41. **Is the index published?**

- Yes
- No (you will be routed to question 43)

42. **Please indicate the frequency with which the index is available:**

- Higher than monthly
- Monthly
- Quarterly
- Semi-annual
- Annual
- Lower than annual
- Other/irregular frequency

43. **Which dimensions of financial inclusion does the composite indicator include?**

(please refer to the Appendix for guidance notes on the various dimensions of financial inclusion)

	Yes	No
Availability/supply of financial services		
Access to financial services		
Demand for financial services		
Effective use of financial services		
Quality of financial services (including welfare aspects)		
Financial literacy		
SME financing		
Quality of infrastructure (legal, financial, telecommunications, etc)		
Other (please specify below)		

44. **What weighting scheme is applied, if any?**

What is the level of challenges or difficulties that arise with respect to the index?

45. **The index is less meaningful than a dashboard of individual indicators.**

1 (much less meaningful) 2 3 4 5 (very meaningful)

46. **There is insufficient cross-sectional and time comparability when analysing the index.**

1 (very insufficient) 2 3 4 5 (very satisfactory)

47. **Interpretation and communication issues**

1 (not an issue) 2 3 4 5 (very important issue)

48. **Other (please specify below**)

1 (not an issue) 2 3 4 5 (very important issue)

C. International collaboration

49. **Does your institution contribute to the international data collection frameworks/initiatives on financial inclusion of any of the following institutions or groupings?**

	Yes	No
Global Partnership for Financial Inclusion	○	○
Consultative Group to Assist the Poor	○	○
Alliance for Financial Inclusion	○	○
Finmark/Fintrust	○	○
Eurosystem household finance and consumption survey	○	○
ASEAN	○	○
Asian Development Bank	○	○
CEMLA	○	○
OECD	○	○
International Network on Financial Education (INFE)	○	○
Committee on Trade and Financial Services (WTO)	○	○
World Bank	○	○
Other (please specify below)	○	○

50. **If yes, please briefly describe the nature of the contribution (eg data reporting, conceptual work, etc), outline the benefits gained and list any outstanding issues/challenges for each.**

	Nature of contribution	Benefits gained	Issues / challenges
Global Partnership for Financial Inclusion			
Consultative Group to Assist the Poor			
Alliance for Financial Inclusion			
Finmark/Fintrust			
Eurosystem household finance and consumption survey			
ASEAN			
Asian Development Bank			
CEMLA			
OECD			
International Network on Financial Education (INFE)			
Committee on Trade and Financial Services (WTO)			
World Bank			
Other (please also specify)			

51. **Does your institution benefit from an international exchange of views with other parties regarding defining, measuring and analysing financial inclusion?**

	Yes	No
With other central banks	○	○
With other policymakers, regulators or supervisors	○	○
With international organisations	○	○
With academics	○	○
With other relevant parties (please specify below)	○	○

52. **How much need is there for your central bank to share data with other central banks, supervisors and standard setters?**

- 1 (no need to share at all)
- 2
- 3
- 4
- 5 (strong need to share)

53. **How feasible is it (legally and technically) to pass on such data to third parties?**

	Very strong obstacles			No obstacles	
	1	2	3	4	5
Legal feasibility					
Technical feasibility					

54. **In your view, how harmonised are current measures of financial inclusion to allow cross-country comparisons?**

- 1 (total lack of harmonisation)
- 2
- 3
- 4
- 5 (strong harmonisation)

55. **Conversely, do they sufficiently capture country specificities?**

- (specificities not considered at all)
- 2
- 3
- 4
- 5(specificities sufficiently accounted for)

56. **In your view, which international initiatives would contribute to a better assessment and better policymaking in the area of financial inclusion, nationally and internationally?**

57. **What type of assistance (if any) coming from the various international organisations would your institution would find helpful?**

58. **Please provide any additional information or explanations pertaining to your national experience with financial inclusion that you deem relevant for the purposes of this survey.**

Appendix 3: Guidance notes on the various dimensions of financial inclusion

Financial inclusion may be broadly understood as meaning that households and businesses have access to and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably, in a well regulated environment. While each country may use a different definition of financial inclusion, and focus on aspects specific to its own circumstances, this Appendix may be useful when thinking about the topic's various dimensions. Specifically, the following guidance notes are meant to help answer Questions A2, B1, B3, B4, B5 and B7 of the survey.

To gauge the **availability and supply** of financial products and services in a given country in the context of financial inclusion, one must take stock of the various types of such products and services offered to population segments (households and firms) that are likely to be financially excluded. Examples include savings products, credit, payment services and insurance, offered by various providers (financial markets, banks and other financial institutions).[16] Quantities, pricing and other terms and conditions can be captured to complete the assessment of supply. Constraints to the supply of financial products and services may include regulation, the lack of providers' outreach to certain customer segments, business models, high costs and poor design (meaning that the product mix does not cater for the needs of the financially excluded). Legal obstacles may also exist, for instance when people fulfil the economic or financial criteria set by financial service providers for their customers, and yet are legally barred from holding a bank account based on their previous credit history.

Access to financial services refers to the ability of firms and households to use financial products and services, given time and distance constraints. Measures of access include the proximity of access points, the variety of access channels (bricks and mortar branches, mobile banking etc), as well as socio-economic barriers limiting such use. In a broader sense, the pricing and other terms and conditions of financial products and services may also be relevant.

Gauging **demand** for financial services and products in the context of financial inclusion means understanding the nature and quantity of such services and products required to satisfy firms' and households' needs when managing their personal finances or run their businesses. For instance, how many and what type of current account, credit line or payment service would be needed for the regular functioning of a group of small family firms in a given region? Pricing and other terms and conditions are also relevant: what price can the owners afford to pay for such services? Demand is determined by households' and firms' awareness, knowledge and understanding of financial products, their income streams, their need for transactions or business volumes, their risk aversion and their level of trust in banking institutions. Cultural, religious, socio-economic and demographic factors also play a role.

[16] The choice of a product to measure financial inclusion may depend on the level of financial sophistication of the country analysed, and on the frequency of use of cash versus a bank account for simple everyday transactions.

Effective use of financial products and services means the actual use of deposit accounts, payment services, microcredit schemes and micro-level insurance products. Measuring actual use involves looking at products, usage patterns and behaviours. Examples of indicators would include: number of payments made through an account, balance in a savings account, use of credit lines, number of micro-insurance products sold.

The **quality of financial services** reflects how well such services fit customer needs. It includes concepts such as appropriate pricing (commensurate with risk), convenience, security, the quality of customer relationship management and consumer protection. Providing quality financial services can contribute to increasing social welfare.

Financial literacy encompasses the population's knowledge about financial concepts, inflation and investment risk, financial numeracy, the ability to make informed judgments and to take effective decisions regarding the use and management of money, as well as its awareness of financial products and services.

Examples of measures of **SME financing** include: the percentage of SMEs in a given country with an account at a formal financial institution; the number of SMEs with deposit accounts; the number of SME deposit accounts or SME depositors relative to the total number of deposits or depositors; the percentage of SMEs with an outstanding loan or line of credit; the number of outstanding loans granted to SMEs relative to total loans in the economy.

Last, the quality of the legal, financial and telecommunications **infrastructure** could cover the following aspects: Does the country have a system to enforce legal claims, to ensure that payment services or credit can be provided to the financially excluded with a minimum level of guarantees? Are telecommunications systems sufficiently reliable and payment systems sufficiently developed to ensure that payment services can be safely executed?

Appendix 4: List of countries that responded to the survey

1. Algeria
2. Argentina
3. Armenia
4. Brazil
5. Bulgaria
6. Chile
7. Estonia
8. Finland
9. France
10. Germany
11. Greece
12. Hungary
13. Iceland
14. India
15. Ireland
16. Italy
17. Japan
18. Korea
19. Latvia
20. Lebanon
21. Lithuania
22. Luxembourg
23. Macedonia
24. Malaysia
25. Mauritius
26. Morocco
27. The Netherlands
28. New Zealand
29. Norway
30. Pakistan
31. Peru
32. The Philippines
33. Poland
34. Portugal

35. Romania
36. Russian Federation
37. Saudi Arabia
38. Serbia
39. Slovakia
40. South Africa
41. Spain
42. Suriname
43. Sweden
44. Turkey
45. Ukraine
46. United Kingdom
47. United States