The Measurement Challenge

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Despite the potential of savings accounts to improve lives, very few of the poor have them. Rough estimates indicate that more than half of the world's adults are unbanked, and more than 90 percent of them are in low- and middle-income countries. However, these estimates are based on very limited data.[1] The truth is, we don't know the actual state of financial inclusion in the world and we don't know whether we are making progress on expanding financial access to the poor. We believe that better data can increase awareness around the problem of financial exclusion and motivate policymakers to enact market-expanding reforms. Data can also give the private sector the information it needs to grow and develop new products and can stimulate new research into the drivers and impacts of financial inclusion. Based on the belief that better data and evidence make for better outcomes, FSP has funded a new global survey of financial access conditions to generate a consistent, periodic set of headline financial access indicators across 150 countries around the world.

Better Data Lead to Better Policy and Market Growth

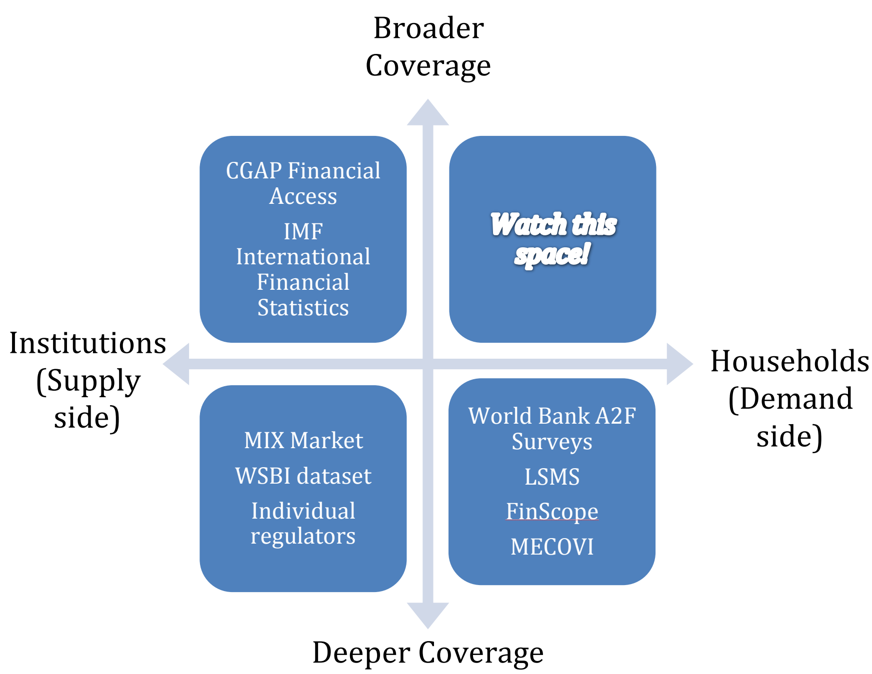
At AFI's 2009 Global Policy Forum in Nairobi, Gerald Nyoma, director of the Central Bank of Kenya (CBK), stated that the first FinAccess survey in 2006 showing only 14 percent of Kenya's population was banked had significantly influenced CBK's decision to allow Safaricom to launch the M-PESA product. M-PESA now reaches 55 percent of all Kenyan adults. After release of the first FinScope-Zambia data in 2005, several institutions in Zambia reported being motivated to launch new ventures. Barclays reopened a number of its rural branches; Zambia National Commercial Bank launched a mobile banking venture; and Dunavant, a cotton company, created a mobile payment linkage for 150,000 of its growers. Similar reports have come from policymakers and market players in other countries.

Current Financial Access Data Is Limited

CGAP recently published its *Financial Access 2010* report, the second in an annual series that collects data on the aggregate number and value of checking, savings, and time deposit accounts, as well as the number and value of loans to individuals and businesses from a survey of financial regulators in 139 countries. Separately, the IMF *International Financial Statistics* publication will now report regularly on six key financial access indicators for all 186 member countries, including the number of bank branches, ATMs, deposit accounts, and loan accounts, as well as the total value of these accounts. These "supply-side" efforts that collect data generated by financial institutions offer extensive country coverage and are cost effective enough to be repeated annually, but they suffer from several limitations: 1) The data is collected primarily from banks, so the reports exclude many institutions that focus on expanding access, such as MFIs, credit unions, and cooperatives. 2) The reports count accounts rather than people, leading to serious problems of double-counting as many individuals hold multiple accounts. 3) They do not shed any light on the socio-economic characteristics (e.g., income, education level, livelihood segment) of those with and without financial access, so policymakers are unable to identify where the problem of financial exclusion is particularly acute.

Some “demand-side” surveys exist, but they are not repeated regularly and are not comparable across countries. For example, FinScope, the World Bank, and some national government agencies conduct national demand-side surveys of households that incorporate a nationally representative sample and ask a broad set of questions on financial and nonfinancial characteristics of a population—enabling richer segmentation. However, due to their high cost ($300,000-$600,000 per survey), they cover too few countries to generate a *global* picture of financial access and are not repeated often enough to be useful in tracking changes over time.[2] Additionally, they are difficult to compare, since they each use fundamentally different survey methodologies (i.e., the former is an individual survey and the latter is a household survey) and often feature questions that vary in subtle but important ways.

Figure 1: Conceptual Map of International Access to Finance Data



A New Global Survey Is Needed

The current data landscape is limited because we have no comparable, cross-country survey that tracks top-level financial inclusion data. As shown in Figure 1 above, what is entirely missing in the financial inclusion space is a dataset that measures access to financial services from the demand side across a broad number of countries and over time.

In response, FSP has partnered with DECRG and Gallup to fund a new global survey instrument that addresses the limitations to the existing supply- and demand-side surveys by adding 10 questions to the Gallup World Poll. This survey, which will be repeated in 150 countries every three years, will generate cross-country comparable headline financial inclusion indicators on household use of formal and informal savings, credit, insurance, and payment services. Because the financial inclusion "mini-survey" would be attached to an extensive omnibus survey, we will be able to map banked and unbanked populations to a broad set of covariates, including age, income, education level, livelihood segment (e.g., farmers, casual laborers), and location. It is designed to hit the "sweet spot" of achieving coverage of 150 countries while still retaining the most impactful elements of more detailed demand-side surveys. This survey will be a big step forward for the field of development and will bring to the field of financial inclusion the cross country comparable data other fields have had for years.

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[1] Jake Kendall, Nataliya Mylenko, Alejandro Ponce, "Measuring Financial Access Around the World," Policy Research Working Paper 5253, The World Bank. (March 2010).

[2] FinScope and the World Bank combined have completed surveys in only 27 countries.