



صندوق النقد العربي
ARAB MONETARY FUND

Financial Inclusion in the Arab Region Demand Side Survey Tool

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Financial Inclusion in the Arab
Region
Demand Side Survey Tool

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Introductory comments
on financial inclusion and
data collection

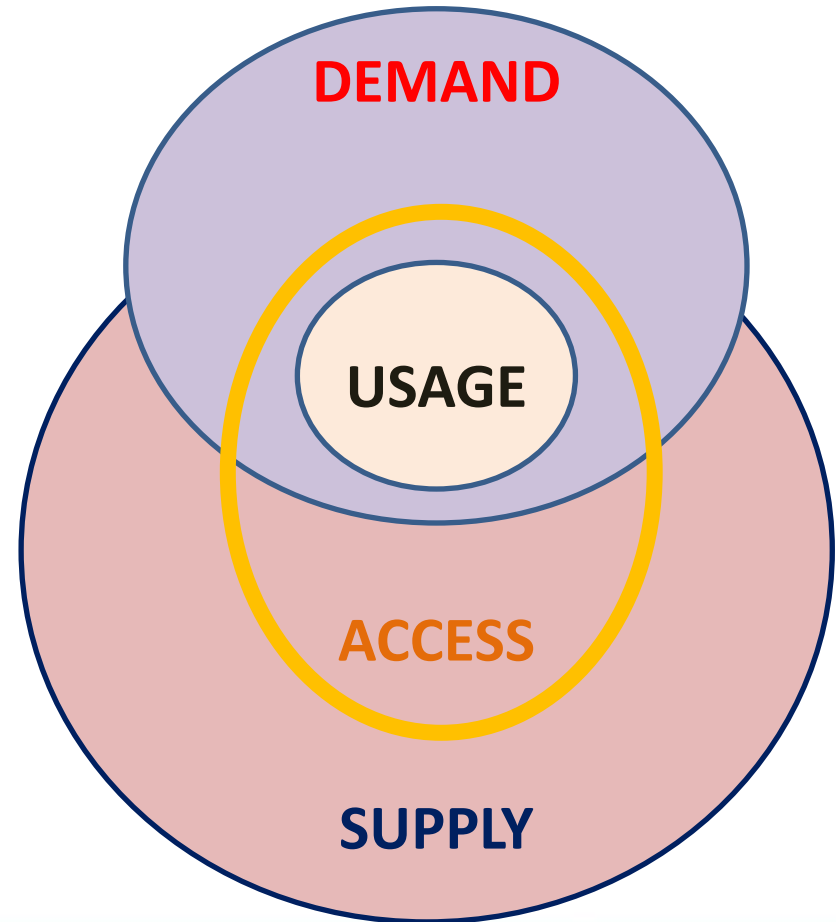
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Policy objectives: **why** we are doing this

- **Deepen current usage**
 - Active vs. passive use, intensity / sophistication of usage
- **Promote inclusion among the non-users (involuntarily excluded)**
 - Uninformed potential users, not recognizing the value of financial services
 - Stimulate / modify supply of services
- **Reduce voluntary exclusion**
 - Discouraged borrowers
- **Recognize the limits of financial inclusion**
 - Not everyone can be included

Access, demand and usage

- Existence of financial services (supply) does not automatically mean access and usage
- Individuals and small businesses seek different services at different times and quantities (demand)
- Difference between supply (access) and usage shows demand barriers for consumers



Demand factors: individuals

- Individual situation, such as income level, gender, education and occupation
- Financial behaviors and money management
- Geographical variables with respect to location (urban / rural) and the size of the community in which the individual lives
- Financial capability and attitude to money
- Trust and consumer protection
- Preference for the informal versus financial market in relation to their ability to respond to exogenous shocks of poor households

Demand factors: small businesses

- Size of the business / stage of their development
- Complexity of financial management and transacting
- Financial management competencies
- Geographical variables with respect to location (urban / rural) and the size of the community in which the individual lives
- Trust and consumer protection
- Need for banking services versus needs for non-bank financing, such as quasi-equity or factoring

Data gaps in financial inclusion

- Data availability and consistency is key for financial inclusion monitoring, measuring progress and formulating pro-inclusion policies
 - Supply data offer only a partial view of the usage of financial services, limited to current users, and often not able to provide the number of unique users
 - Gaps in depth and coverage of existing country-level demand-side surveys provide limited support for national policy making, and lack of harmonization of the surveys across countries allow only for broad country comparisons

Usefulness of demand surveys

- Deepen the understanding of user needs and behavioral issues related to financial decision-making
- Provide evidence to effectively design financial services to meet client needs in low-income settings
- Analyze and evaluate the effectiveness of financial products
- Understand the opportunities and challenges for both product design and regulation
- Balance the objectives of different actors, including clients, financial institutions, regulators and donors
- Provide insights to devise regulatory policies that enhance the benefits of financial access for the poor

Demand surveys: typology

	International	National
Specialized	<ul style="list-style-type: none"> ▪ Findex ▪ Finscope ▪ AFI 	<ul style="list-style-type: none"> ▪ Ad hoc national surveys
Combined	<ul style="list-style-type: none"> ▪ World Bank / IFC surveys of financial education and consumer protection 	<ul style="list-style-type: none"> ▪ Household surveys including financial services

Indicators vs indicators

- **Do the indicators ...**
 - allow us to make sense of the whole financial inclusion situation in a country?
 - Or capture only fragments without telling the story about the whole?
- **Data and results matter: different story and different policy decisions based on the numbers presented**

	Survey One	Survey Two
Accounts	14%	32%
Savings	4%	8%
Total usage (individuals)		47%
Households		~ 60-70% ?

- **Define access / inclusion /usage on the level of customers' needs: "good enough" and "normal" range / level**
 - Current indicators are 'absolute' not 'relative' to the reasonable needs of groups

Beyond indicators

- **Inclusion is not just more accounts.... Should not be reduced to a formula or index**

- **Inclusion must be**
 - Welfare improving for individuals and households
 - Growth enhancing for enterprises

- **A story of financial inclusion and exclusion**
 - Understanding the barriers to the adoption of financial products / financial behaviors is a critical issue in financial inclusion
 - What is important for and valued by customers (from the point of view the users and the role that financial services play in their lives)
 - Too much economics, too little marketing ...

Comparisons vs. national policy application

- **Comparisons across the region and internationally**
 - Absolute comparisons
 - Relative comparisons

- **Focus on national policies**
 - What is important for national inclusion situation?
 - Institutional focus
 - Product focus
 - Demand factors
 - Regulatory constraints

Common toolbox for demand side data

- There is a need for a more comprehensive common toolbox for financial inclusion demand-side surveys across Arab countries, for:
 - Domestic data collection, monitoring and analysis for developing national policy priorities and reaching stated financial inclusion goals
 - Cross-country comparison and analysis to provide continuity with the existing domestic and international demand-side surveys, while allowing customization to reflect the national specificity and needs to reach the stated goals.

Survey Structure

2

General financial inclusion

- **Simple survey to assess the current use or lack of use of financial services by individuals, households and small businesses**
- **Benefits:**
 - Use of services and exclusion (map of financial inclusion)
 - Segmentation of users and non-users by socio-economic characteristics - Deeper market segmentation possible
 - Data for designing financial products and services
 - Evidence to support pro-inclusive policies and regulation
- **Outcome:**
 - Total financial inclusion (or exclusion) measures that can be disaggregated by user segments, products, etc.
 - More elaborate measures of financial inclusion, including measures of financial behaviors, financial literacy, money attitudes and trust
- **Frequency:**
 - Can be done every 4-5 years

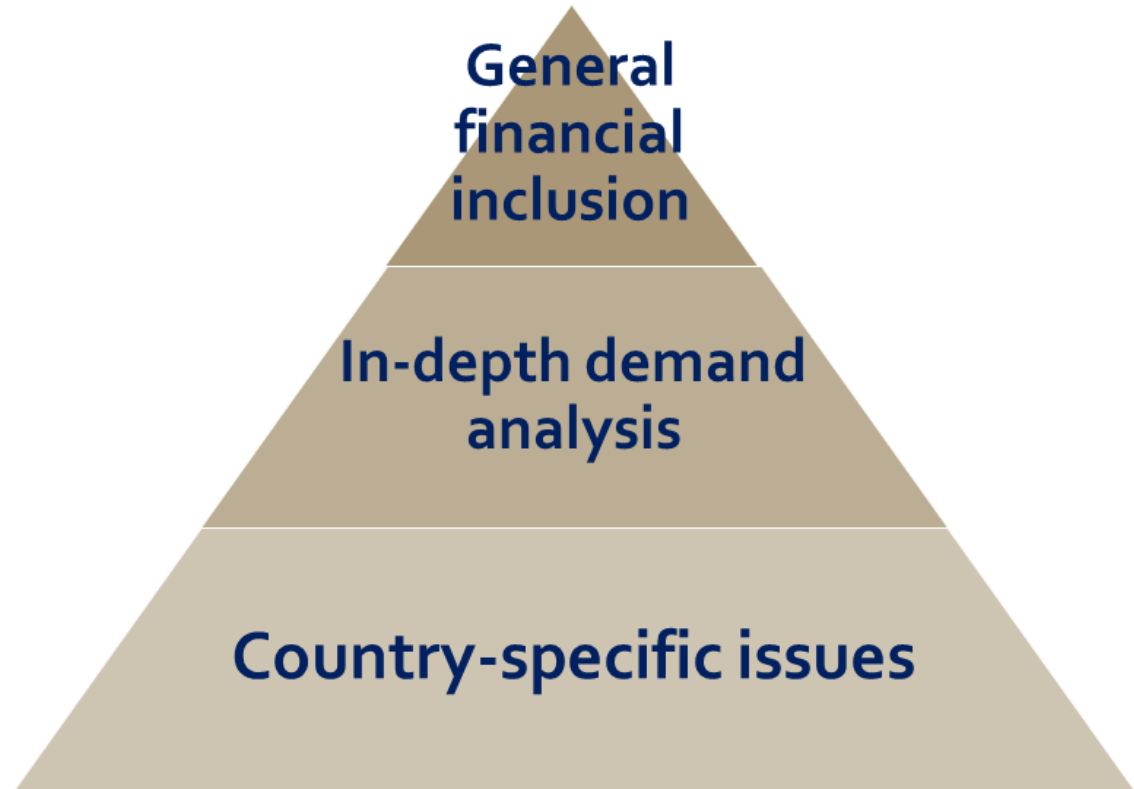
Toolbox: components

- Harmonized modular survey instrument
- Common implementation methodology
- Glossary of terms and definitions
- Common set of indicators
- Coordinated frequency and timing of various national surveys across the Arab region

Design criteria for the harmonized survey

- **Content**
 - Simple, comprehensive and inclusive based on best practices
- **Structure**
 - Modular design and flexible structure of the instrument
- **Harmonization**
 - Comparable across countries
 - Customizable at the country level
 - Compatible with global surveys
- **Methodology**
 - Uniform sample procedures and data collection

Demand survey:
overview



In-depth demand survey

➤ **Detailed data on usage of financial services by specific groups of services :**

- Payment and money transfers
- Credit
- Saving
- Insurance and protection

➤ **Data on factors that stimulate or limit the demand for and use of financial services :**

- Financial behaviors
- Financial competencies
- Money attitudes
- Trust and consumer protection

The Structure of the Harmonized Financial Inclusion demand Side Survey

Common part for all countries	General Financial Inclusion				Simple survey on use of financial services
	Payments/ Money Transfers	Credit	Savings	Insurance	In-depth survey on the demand conditions related to the use of financial services
	Financial Behaviors	Financial Competencies	Money Attitudes	Trust / Consumer Protection	
Country-specific part	Customized survey options at the country level				Additional topics of interest

Country specific modules

- **Additional menu of options to allow deep dive into specific issues / topics that may not be relevant or a priority for other countries, or where the specific country situation makes the core harmonized survey difficult to apply**

- **Two options:**
 - Menu modules on topics that are likely to be of interest, for example, mobile money, Islamic finance, gender aspects of financial inclusion, youth accounts, etc.
 - Open ended custom-designed modules to reflect the specific needs and situation of a country's financial system

Additional thematic surveys

1. Microfinance
2. Informal finance
3. Retirement finance
4. Investing behavior
5. Discouraged borrowers
6. Islamic finance
7. Financial literacy - adults
8. Financial literacy and financial socialization – youth
9. Digital finance
10. Gender aspects of financial inclusion
11. Microenterprise financial inclusion
12. Youth financial services
13. Over-indebtedness
14. Remittances
15. Insurance
16. Quality of financial services and customer satisfaction
17. Financial well-being

Simple survey (HH)

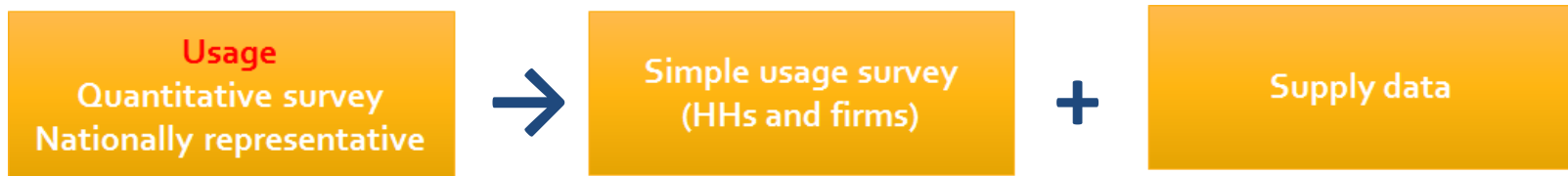
➤ Two questions

- Do you have or had in the past 12 months any of the following financial services or products?
- Does anyone else in your household currently has or had in the past 12 months any of the following financial services or products?

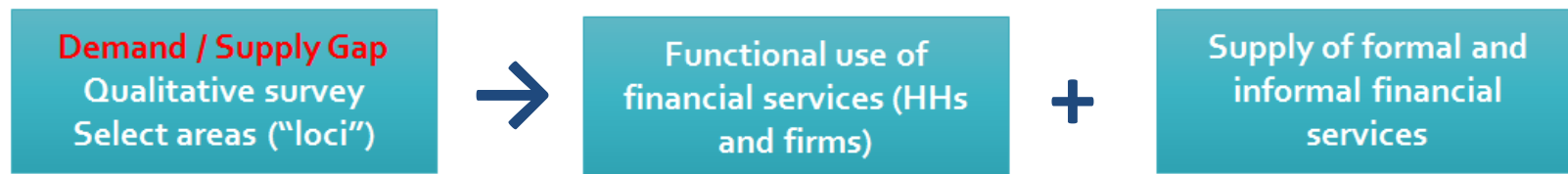
➤ Demographic data

- Gender
- Age
- Educational achievement
- Marital status
- Ethnicity
- Social class
- Religion
- Settlement type
- Employment status
- Average monthly income
- Number of people in the household
- Housing tenure

Different framework



- Usage / non-usage by HHs and firms
- Supply side map / geography of inclusion
- Indicators / comparability



- Actual use of finance by HHs and firms (formal and informal) in a given areas
- Local supply of financing (formal and informal) in a given area)

In-depth demand survey

3

Introduction

- **A few general questions testing the interest and satisfaction with financial services (1.1 – 1.5)**
- **Unbiased by the survey questions when asked at the beginning**
- **Can offer a general indicator of:**
 - Satisfaction
 - Confidence in accessing services
 - Usefulness
 - Contribution to well-being

Payments

- **Ownership and use of accounts (2.1 – 2.11)**
 - Usage / non-usage / past usage
 - Personal / business / mixed use
 - Interaction with a financial institution

- **In-depth questions about various types of accounts (2.12 – 2.25)**
 - Types of accounts
 - Issue about money wallets / e-money / e-wallets vs mobile banking

- **Quality of services and customer satisfaction (2.26 – 2.35)**
 - Location / distance
 - Features of financial services
 - Switching providers
 - Rejection for services

Borrowing

- Borrowing mapping (3.1 – 3.8)
- Success in borrowing (3.9 – 3.11)
- No borrowing (3.12)
- Credit card (3.13)
- Borrowing for emergencies (3.14 – 3.15)
- Debt burden / over-indebtedness (3.16 – 3.20)
- Outlook for the future borrowing (3.21 – 3.22)

Savings

- Saving in general (4.1 – 4.8)
- Saving in a financial institution (4.9 – 4.20)
- Ability to save in the future (4.21)

Insurance

- **Insurance usage (5.1 – 5.7)**
 - Includes ability and willingness to pay for insurance

- **Risks and priorities for insurance (5.8 – 5.10)**

Financial management

- **Financial behaviors found to be highly correlated to with good financial management and use of financial services**
- **Option 1: A list of desired financial behaviors (6.1 – 6.10)**
- **Option 2: [New G20 question]: Source of emergency funding (6.11)**

Financial literacy

- **General orientation in financial matters (7.1 – 7.3)**
- **Financial knowledge – technical questions (Lusardi) (7.4 – 7.10) to provide information for the New G20 Indicator**

Trust

- **General level of trust (8.1 and 8.5)**
- **Change in trust (8.2)**
- **Confidence in policies (8.3 – 8.4)**

Financial Position

- **Sources of income (9.1 – 9.9)**
- **Types of expenditures (9.10 – 9.12)**
- **Financial stress and outlook for the future (9.13 – 9.15)**

Socio-economic characteristics

- **Key characteristics describing an individual / allowing segmentation (10.1 – 10.8)**

Indicators and Comparability

4



Comparability

- **Financial inclusion indicators (G20 list)**
 - Item by item comparison of various dimensions
 - Supply side, usage and market conditions (mix of inputs and outputs)

- **Total Financial Inclusion (TFI) Index (I and II)**
 - Comparison of usage and non-usage with market segmentation
 - No supply side and market conditions (outputs)

- **Composite Index of Financial Inclusion (CIFI)**
 - Unique measure of financial inclusion for each country

- **Financial Inclusion Score (FIS)**
 - Endogenous benchmarking of financial inclusion as a system

- **Weighted Financial Inclusion (WFI) score**

Indicators

➤ Existing

- G20 indicators (old and expanded version)
- Findex indicators
- Local indicators

➤ Customized

- Developed based on the needs and expectations of AMF members

G2o Indicators: Individuals

Demand

1. Formally banked adults
2. Adults with credit at regulated institutions
5. Mobile transactional use
6. High frequency of account use
7. Saving propensity
8. Remittances
16. Financial Knowledge
17. Financial Behavior

Supply

11. Points of Service
12. Points of Service
13. Points of Service
14. E-money accounts
20. Cost of Usage (opening account)
21. Cost of Usage (maintaining a basic bank)
2. Adults with credit at regulated institutions
3. Adults with insurance
4. Cashless transactions

G2o Indicators: Enterprises

Demand

- 9. Formally banked enterprises
- 10. Enterprises with outstanding loan or line of credit at regulated institutions
- 23. Credit Barriers

Supply

- 9. Formally banked enterprises
- 10. Enterprises with outstanding loan or line of credit at regulated institutions

G2o Indicators: Market

- 9. Formally banked enterprises
- 15. Interoperability of Points of Service
- 18. Disclosure Requirements
- 19. Dispute Resolution
- 24. Credit Barriers

Financial Inclusion Index

- **Total Financial Inclusion Index I**
 - Total Financial Inclusion I (%) = 100% - No Use (%)
- **Total Financial Exclusion Index I**
 - Total Financial Exclusion (%) = Individuals / Households Not Using any Financial Service (%)
- **Total Financial Inclusion (TFI) Index II**
- **Composite Index of Financial Inclusion (CIFI)**
- **AFI's Financial Inclusion Index**

AMF is currently developing model to calculate Financial Inclusion Composite Index for the Arab Region.

Thank you!

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