



Measuring microfinance access: Building on existing cross-country data

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Prepared for UNDP/World Bank/IMF Workshop

Washington DC, October 26, 2004

Outline

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 - Provider
 - Household users
 - Business users
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- Moving Forward

Summary

Who has access to what financial services?

- We know surprisingly little
 - Even “how many households use formal finance?”
- Deposits / credit / insurance / modern payments technologies
- Main international databases don't cover
 - HDR
 - WDI
 - GDDS (not a database but a standard)

Who needs it?

- Financial service providers
 - Help design better ways of delivering better services profitably on a larger scale
 - Need to know market size, product and service needs, price sensitivity
- Policymakers (national, bilateral, multilateral)
 - Effectiveness of interventions in achieving wider policy goals

A convergence of information needs

- Whether the user in public or private sector, understanding current usage properly requires info on both demand and supply aspects
- Demand side
 - Willingness to pay
 - Household wellbeing and productivity
- Supply side
 - Cost conditions
 - Other barriers to access

Outputs

- Basic indicators
 - For each country
 - Limited in number
 - Comparable across countries
 - Updated every few years
- National microeconomic databases
 - Allowing for detailed research including market research

Concepts

Usage data is key

- But design of data collection needs to be informed by a conceptual framework
- Supply and demand determine usage
- Demand: what are the benefits of various financial services?
 - As it is these that will determine both private and public policy demand
- Supply: what are the cost and other barriers?

Elements of the demand side

- Payments
 - E.g. inland and international remittances – crucial for families dependent on migrant income
- Savings mobilization
 - E.g. deposits
- Allocation of capital funds
 - Conditions for access to credit
- Monitoring users of funds
 - Mechanisms for building creditworthiness
- Transforming risk
 - Insurance, etc

(based on Levine's
functions of finance)

Elements of the supply side - Barriers to access

- Price barriers
 - Cost of supply, mark-up, additional user costs
- Information barriers
 - How to build creditworthiness
 - Improving information
 - or reducing the need for it
- Product and service design barriers
 - Repayment terms, frequency
 - Convenience of points of service
 - Minimum balance requirement etc
 - Simple vs. multipurpose but risky products
(e.g. checking a/cs)

Sources -- provider surveys

Example (1): why do we not know “what % of households have access to FS?”

- (Christen et al. (2004) go quite a distance but:)
- Different types of FI
 - banks, postal savings, agric banks, credit unions as well as specialized MFIs
 - keep different types of record and many focus on accounts rather than customers
- Inactive accounts, accounts at multiple institutions, etc.
- Regulatory agencies’ first concerns (e.g. inflation control, stability) have meant priority for aggregates & big borrowers, not numbers (access)

Example (2): alternative question “how widespread is MF?”

- Is no easier
- Dividing line: what is MF?
 - Types of provider
 - Types of user
 - Types of financial service
- And is less interesting than holistic approach
 - looking at financial services industry as a whole
 - and characteristics of small-scale & low-income users

Provider surveys (1)

- Provider surveys are thus problematic for penetration data
- Need to be complemented with user surveys
- But can be improved, and also useful for other dimensions.

Provider surveys (2)

- Cost structures (The Mix - for MFIs)
- Pricing (e.g. international remittance work)
- New inquiries 60-70 countries (WB-DECRGFI)
- (a) Regulators
 - Branch numbers, ATMs
 - Average size of deposit/loan
 - No. & value payments transactions
- (b) Banks
 - Product and process technology

Sources -- household surveys

Household surveys (1)

- General surveys: LSMS
 - 25 countries (1985→) have borrowing & saving module
 - plus a few others which have relevant questions
 - borrowing: how much, why, from whom, terms, refused?
 - savings, formal and informal, how much
 - lots of control variables
 - limited geographical variation
- Other general surveys -- not many known in LDCs
 - Limited but key questions (e.g. “has savings a/c”)

LSMS surveys with FS data

(cf appendix table for details)

| | | |
|----------------------|---------------------|--------------|
| Albania | Guatemala | Nicaragua |
| Armenia | Guyana | Pakistan |
| Bosnia & Herzegovina | India - UP & Bihar | Panama |
| Brazil | Kosovo (Yugoslavia) | Peru |
| Bulgaria | Jamaica | Romania |
| China | Kazakhstan | Russia |
| Côte d'Ivoire | Kyrgyz Republic | South Africa |
| Ecuador | Morocco | Tajikistan |
| Ghana | Nepal | Viet Nam |

Household surveys (2)

- Stand-alone finance surveys -- several recent examples, e.g.
- Details: motivation for product choice/reasons for credit refusal (Brazil, India etc. World Bank 2004)
- Psychometric variables (Southern Africa, Finmark Trust, 2003-4)
- Financial diary approach

Household surveys (3)

- Finance-only *versus* module in general survey?
- Cost per 1000 surveyed?
- Need for control variates (region, education, family status, occupation, etc.)?
- Frequency?

Sources -- business surveys

Business surveys (1)

- Public reporting for listed companies
- Synthetic use of public info (Amadeus)
- Official surveys (FRB Survey of Small Business Finances, every 5 years)
- WBES/PICS (World Bank)

Business surveys (2)

- PICS coverage: 49 countries 2002-4
- PICS asks 82 investment climate etc questions
- PICS finance questions:
 - sources of financing;
 - existence and utilization of a line of credit;
 - collateral, interest and duration of most recent loan;
 - currency denomination of total borrowing;
 - speed and cost of payments system; whether accounts audited;
 - whether land owned or leased.

PICS countries to date

| | | | |
|----------------------|---------------|-------------|------------|
| Albania | Czech | Latvia | Slovakia |
| Algeria | Ecuador | Lithuania | Slovenia |
| Armenia | Estonia | Moldova | Tajikistan |
| Azerbaijan | Ethiopia | Montenegro | Tanzania |
| Bangladesh | Macedonia FYR | Nicaragua | Turkey |
| Belarus | Georgia | Nigeria | Uganda |
| Bosnia & Herzegovina | Guatemala | Pakistan | Ukraine |
| Bolivia | Honduras | Peru | Uzbekistan |
| Brazil | Hungary | Philippines | Yugoslavia |
| Bulgaria | India | Poland | Zambia |
| Cambodia | Kazakhstan | Romania | |
| China | Kenya | Russia | |
| Croatia | Kyrgyzstan | Serbia | |

Business surveys (3)

- Sample size (several hundred) is small given heterogeneity
- Coverage of micro enterprises...better done through household?
- Reliability of financial data?

Sources -- expert surveys

Expert surveys

- Low cost, but reliability?
- Useful for complementing other sources for facts that are locally well-known to experts
- *Good for* prices, time delays, institutions
- *Not good for* numbers of customers, total values

Moving forward

Four different sources of data

- Providers (often collected through national regulators)
- Households
- Enterprises
- Experts

Outputs -- next steps

- Basic indicators
 - Choosing them and defining in greater detail
 - (Guided by the demand/supply discussion of Table 2)
 - Deciding how best to coordinate collecting them
 - Assigning responsibilities
 - Budget
- National microeconomic databases
 - Collection of the basic indicators allows opportunities for accelerating these
 - Stand-alone or part of general survey?