

*Data on Access of Poor and Low
Income People to Financial Services*

Credit Policy and Household Level Data

Kinnon Scott
DECRG
World Bank

11/1/2004

1

Why Credit?

- ③ **Gains**
 - » Inter-temporal Trade
 - » For Households
 - Productivity
 - Consumption Smoothing
- ③ **Market Imperfections**
 - » Imperfect Information
 - » Contracts/Legal Structure
- ③ **Government Interventions**
 - » Contradictory Results

Why Household Surveys?

③ Description of Credit Markets

- » Sources of Credit
- » Types of Credit
- » Universe of Lenders
- » Use of credit by type, size

③ Testing for Imperfections

- » Number of Lenders
- » Power Relationships
- » Knowledge
- » Interest Rates
- » Liquidity Constraints

Why Household Surveys?

- ③ Link to welfare levels
- ③ Link to other household and individual characteristics
- ③ Details on informal provision of credit
- ③ Use of credit for household businesses / informal sector businesses

What type of Household Survey?

Specialized Financial Survey

- ③ Detail
- ③ Depth
- ③ Control

Add to Existing Survey

- ③ Loss of detail
- ③ Lower costs
- ③ Sustainability
- ③ Breadth- linkages to key characteristics and welfare

Which Household Survey?

- ③ Labor force survey (**LFS**)
- ③ Demographic and Health Surveys (**DHS**)
- ③ Multiple Indicator Cluster Surveys (**MICs**)
- ③ Household Budget or Income and Expenditure Surveys (**HBS/IES**)
- ③ Living Standards Measurement Study Surveys (**LSMS**)

Which Household Survey?

	Detailed Information	Measure Welfare	Link to other charact.	Provide Sources	Quality-Direct Informant
FINAN.	●	◐	◐	●	●

Advantages: Depth, detail, control

Disadvantage: Cost, limited ability to link to other characteristics, limited ability to measure welfare (impact) → need prior survey for welfare measurement

Which Household Survey?

	Detailed Information	Measure Welfare	Link to other charact.	Provide Sources	Quality-Direct Informant
FINAN.	●	◐	◐	●	●
Uni-topic *	○	○	○	○	○

*For example: LFS, DHS

Advantage: Large samples, frequency

Disadvantage: Very specific focus- hard to add new topics, often very short questionnaires

Which Household Survey?

	Detailed Information	Measure Welfare	Link to other charact.	Provide Sources	Quality-Direct Informant
FINAN.	●	◐	◐	●	●
LFS	○	○	○	○	○
HBS	◐	●	◐	◐	○

Advantage: Often can measure welfare, can be detailed, have (limited) other characteristics

Disadvantage: Welfare tricky, long, high refusal rates

Measuring Welfare in HBS

- ③ Scott, Kinnon. (2003) "Generating Relevant Household Level Data: Multi-topic Household Surveys" in F. Bourguignon and Luiz A., Pereira da Silva eds., *The Impact of Economic Policies on Poverty and Income Distribution: Evaluation Techniques and Tools*, Washington D.C.: Oxford University Press.
- ③ Olson-Lanjouw, Jean and Peter Lanjouw, 2001. "How to Compare Apples and Oranges: Poverty Measurement Based on Different Definitions of Consumption", *Review of Income and Wealth*, Series 47, Number 1, March 2001: pp. 25-42.

Which Household Survey?

	Detailed Information	Measure Welfare	Link to other charact.	Provide Sources	Quality-Direct Informant
FINAN.	●	◐	◐	●	●
LFS	○	○	○	○	○
HBS/IES	◐	●	◐	◐	○

Advantage: Often can measure welfare, can be detailed, have (limited) other characteristics

Disadvantage: Welfare tricky, long, less depth, high refusal rates, one respondent/2004

Which Household Survey?

	Detailed Information	Measure Welfare	Link to other charact.	Provide Sources	Quality-Direct Informant
FINAN.	●	◐	◐	●	●
Uni-topic	○	○	○	○	○
HBS	◐	●	◐	●	○
LSMS	◐	●	●	●	●

Advantage: Measures welfare, characteristics, household businesses, quality

Disadvantage: Small sample, less depth on credit issues

Selected References on LSMS

- ③ LSMS Web Site: <http://www.worldbank.org/lsm>
- ③ Scott, Kinnon, Diane Steele, Tilahun Temesgen (forthcoming). “Living Standard Measurement Study Surveys” in *U.N. Technical Report Statistics Division*, United Nations, New York.
- ③ Grosh, Margaret and Paul Glewwe (2000). *Designing Household Survey Questionnaires for Developing Countries: Lessons from 15 years of the Living Standards Measurement Study*. World Bank, Washington, D.C.
- ③ Grosh, Margaret and Juan Munoz (1996), “A Manual for Planning and Implementing the Living Standards Measurement Study Surveys” LSMS Working Paper, No. 126.

Having your cake and eating it

- ③ Do a sub-sample of a national, multi-topic survey for in-depth financial survey
 - » Specialized team
 - » Identify respondents
- ③ Piggy-back on end of survey
- ③ Use determinants of poverty from previous poverty survey

Key Measurement Issues

- ③ Individual
- ③ Exhaustive coverage of sources and types of credit
- ③ Access to credit: physical vs perceived
- ③ Collateral ownership
- ③ Total cost of credit
- ③ Panel

Modules in an LSMS

- ③ Demographics
- ③ Housing, utilities
- ③ Education
- ③ Health
- ③ Migration
- ③ Credit
- ③ Labor
- ③ Fertility
- ③ Agriculture
- ③ Non-Agricultural Businesses
- ③ Consumption
- ③ Other Income Hhld
- ③ Anthropometrics

Credit Module

- ③ Demographics
- ③ Housing, utilities
- ③ Education
- ③ Health
- ③ Migration
- ③ Credit
- ③ Labor
- ③ Fertility
- ③ Agriculture
- ③ Non-Agricultural Businesses
- ③ Consumption
- ③ Other Income Hhld
- ③ Anthropometrics

Credit Module

- ③ **Demographics**
- ③ **Housing, utilities**
- ③ **Education**
- ③ **Health**
- ③ **Migration**
- ③ **Credit**
- ③ **Labor**
- ③ **Fertility**
- ③ **Agriculture**
- ③ **Non-Agricultural Businesses**
- ③ **Consumption**
- ③ **Other Income Hhld**
- ③ **Anthropometrics**

Further information

- ③ Scott, Kinnon (2000). “Credit” in Margaret Grosh and Paul Glewwe, eds., *Designing Household Survey Questionnaires for Developing Countries: Lessons from 15 years of the Living Standards Measurement Study*. World Bank, Washington, D.C.

Complementarities

③ Household Level Data:

- » Identify universe of lenders → lender surveys
- » Identify household enterprises → enterprise surveys

③ Enterprise level data:

③ Lender level data

- » Identify costs and criteria → household level
→ enterprise level

③ Legal System → all

③ Other Studies: Qualitative, anthropology, sociology

- » Improve quality of data collection all levels, validation