CAUSE AND EFFECT OF FINANCIAL ACCESS
Cross-country Evidence from the Finscope Surveys

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“Measurement, Promotion, and Impact of Access to Financial Services”
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Sub-Saharan Africa: Access to Finance by Households

Synthetic measure
(Honohan, 2008)
Sub-Saharan Africa: Access to Finance by Households

The Finscope countries so far

- < 20%
- 20-30%
- 30-40%
- > 40%
Access to Finance
Distribution of countries in each region

Africa not so far behind

Honohan, 2008
What is asked?

Financial
• Types of product used;
• Types, identity of financial service providers used;
• Reasons for not using
• Awareness of products and providers.

Characteristics of respondent…
…as customer (not a rounded profile of economic activities):
Age, level of education,
Sources of income and nature of occupation
Economic wellbeing (income, housing quality and tenure, deprivation),

Financial literacy
Attitudes to money, savings and investment
Psychological profile.
The core question

Does respondent have an account at a formal or semi-formal financial service provider?

What is formal or semi-formal?

Finscope specifies FSP identities

What is “an account”?

Finscope specifies products used

From the modernist perspective, Finscope’s “Financially excluded” concept – maybe not much different to “informally served”? 
Probing questions

Income
   Nigeria: 39% refused or declared zero income
   Rwanda: <2% refused, 1% zero

Intrusiveness:
   “I feel I am a failure”,
   “I feel anxious, tense and a sense of panic; I am constantly worried and unsettled”,
   “I don't feel I really belong - I want to be more accepted”
   “I don't really have a close relationship with anyone”
   “I feel like my life is emotionally empty”,
   “I experience feelings of depression or hopelessness”.

Not a single refusal!

Understanding
   0.2 per cent in Zambia claimed they formerly used RTGS but no longer
   2.3 per cent likewise for Swift transfer (0.6 per cent said they used it now)
Penetration of financial services increases with mean income

Finscope surveys
Formal fs penetration

Gender

Botswana
Kenya
Namibia
Nigeria
Rwanda
South Africa
Tanzania
Uganda
Zambia

Female
Male

Gender
Formal fs penetration

Urban

Rural

Botswana

Kenya

Namibia

Nigeria

Rwanda

South Africa

Tanzania

Uganda

Zambia
Formal fs penetration

Botswana
Kenya
Namibia
Nigeria
Rwanda
South Africa
Tanzania
Uganda
Zambia

Third level educ
No quals

Education
Formal fs penetration

Age

Botswana
Kenya
Namibia
Nigeria
Rwanda
South Africa
Tanzania
Uganda
Zambia

60+
50-59
40-49
30-39
16-29
Education and Predicted Banked

- Pr(BankedNew) Fitted values
Access vs. usage: the buckets approach

Finance for All?
Access vs. usage: the buckets approach

FFA / Claessens etc

- Insufficient income / high risk
- Discrimination
- Contractual / informational framework
- Price / product features

Involuntary exclusion

Finscope

- Occupation, income, price too high, no need
- Distance from service point, no docs
- Products not relevant, safe; no respect, don’t speak language
- Psychographic

At best informally served
Access vs. usage: the buckets approach

**FFA / Claessens etc**

- Involuntary exclusion
  - Insufficient income / high risk
  - Discrimination
  - Contractual / informational framework
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**Finscope**

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*Analytical perspective from outside the provider-customer relationship*
Access vs. usage: the buckets approach

FFA / Claessens etc

- Insufficient income / high risk
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Finscope

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- Psychographic

Analytical perspective from outside the provider-customer relationship

How the customer perceives the relationship with provider
Influences approach

**Individual**
- Occupation, income level and risk, price too high, no need
- National wealth / infrastructure
- Psychographic

**Individual’s Usage**
- Distance from service point

**Access Policy**
- Contractual / informational framework / prudential regulation / taxation
- Banker prejudice / Discrimination / Lack of business model
- Products not relevant to customer needs; no respect, don’t speak language; no docs

**Banks/FSPs**
Influences approach

Individual

Psychographic

Occupation, income level and risk, price too high, no need

Individual’s Usage

Distance from service point

Products not relevant to customer needs; no respect, don’t speak language; no docs

National wealth / infrastructure

National

Banks/FSPs

Contractual / informational framework/ prudential regulation/ taxation

Banker prejudice/ Discrimination/ Lack of business model

Access Policy

Individual

Influences approach
Influences approach -- aggregates

Penetration rates

Access Policy

Contractual / informational framework/ prudential regulation/ taxation

Banker prejudice/ Discrimination/ Lack of business model

National wealth / infrastructure

National

Banks/FSPs
Warranted from national conditions

- Nigeria
- Rwanda
- Kenya
- Tanzania
- Zambia
- Uganda
- Pakistan
- Namibia
- Botswana
- South Africa

Legend:
- Finscope
- Warranted from national conditions
- Mark Ille est
### Explaining banked

<table>
<thead>
<tr>
<th>Controls</th>
<th>Finance-specific Location Controls</th>
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</thead>
<tbody>
<tr>
<td>Bank Trust</td>
<td>0.68*** 0.59*** 0.22*** 0.55*** 0.55*** 0.54***</td>
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<tr>
<td>Risk Aversion</td>
<td>0.05 0.00 0.01 -0.03</td>
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<tr>
<td>F S Knowledge</td>
<td>-0.03*** 0.11***</td>
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<tr>
<td>Mobile</td>
<td>0.68*** 0.71*** 0.63*** 0.46*** 0.51*** 0.51***</td>
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<tr>
<td>Time to Store</td>
<td>-0.05***</td>
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<tr>
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<td>0.10* 0.07 -0.08** 0.07 0.14*** 0.16***</td>
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<td>Income (log)</td>
<td>0.12*** 0.11*** 0.16*** 0.07*** 0.06*** 0.10***</td>
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<td>Education</td>
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<tr>
<td>Age</td>
<td>5.47*** 5.33*** 4.59*** 6.06*** 5.97*** 5.04***</td>
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<tr>
<td>Age Squared</td>
<td>-3.73*** -3.87*** -3.35*** -4.94*** -4.91*** -4.18***</td>
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<td>Gender</td>
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<tr>
<td>Constant</td>
<td>-3.87*** -3.68*** -3.83*** -3.69*** -3.58*** -3.33***</td>
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<tr>
<td>Observations</td>
<td>5444 6153 11711 5444 6153 11711</td>
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</tbody>
</table>

Country fixed:
- BA, NA, SA, ZA
- BA, NA, SA, UG, ZA
- BA, NA, SA, ZA, TZ, UG, Z

Probit; ***→p<0.001
Explaining banked – to do list

- Capture local financial environment better (easier with a single country’s data)
- Role of informal access: is it a complement or a substitute? (will do soon)
- Explaining formal access (including nonbank) (will do soon)
- Drill down on services accessed – credit, deposit, insurance
- Interaction terms
- Robustness
### Explaining income

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<td>0.85***</td>
<td>1.01***</td>
<td>1.03***</td>
<td>1.81***</td>
<td>0.38***</td>
<td>0.56***</td>
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<td>0.15*</td>
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<td><strong>Time to Store</strong></td>
<td>-0.09***</td>
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<td>-3.11**</td>
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<td>-4.05***</td>
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### Notes
- **Significance Levels**: ***p < 0.01, **p < 0.05, *p < 0.1
- **Countries**: BA (Bangladesh), NA (Nigeria), SA (Senegal), ZA (South Africa), RW (Rwanda), TZ (Tanzania), UG (Uganda)
Explaining income – to do list

- Additional controls
- Credit vs access
- Southern Africa vs the rest?
- Interaction terms
- Robustness -- instruments
Conclusion

Cross-country usage conceals much of the potential of the Finscope surveys:

There is much more to be obtained from individual country analyses