Financial Inclusion: What are we learning?

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To learn more about the GFI Initiative

Please visit:

http://www.poverty-action.org/financialinclusion
## E.g. Savings deposits – state of the world

<table>
<thead>
<tr>
<th></th>
<th>Deposit accounts per 1000 adults</th>
<th>Value of deposits as % of GDP</th>
<th>Average account value as % of p.c. income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All figures for Commercial Banks</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>--</td>
<td>206.9</td>
<td>--</td>
</tr>
<tr>
<td>India</td>
<td>747.29</td>
<td>55.03</td>
<td>107.86</td>
</tr>
<tr>
<td>Kenya</td>
<td>381.62</td>
<td>38.99</td>
<td>178.49</td>
</tr>
<tr>
<td>Malawi</td>
<td>163.44</td>
<td>27.94</td>
<td>319.05</td>
</tr>
<tr>
<td>USA</td>
<td>2021.89</td>
<td>43.91</td>
<td>27.30</td>
</tr>
</tbody>
</table>

Financial Inclusion – Theory of Change

Access (price, distance, KYC)

- Accumulate more wealth; less shrinkage of wealth
- Consumption improves (‘frivolous’ consumption dampened)
- Investment in life goals and assets improves
- Face shocks better (without asset liquidation)

Overcoming behavioral & social constraints

- Consuming food, clothes, shelter, and other goods & services better
- Own and family’s stock of capital grows (health, education, material, business)
- Able to weather shocks better and grow family income faster

Limitations in information, knowledge and understanding
Key notes to keep in mind....

(1) A portfolio view
(2) Adoption, Usage, and Optimal Usage
(3) Impact – on welfare outcomes
(4) Impact – on different kinds of people
(5) Understanding Mechanisms – key for scale
(1) A portfolio view

- Suite of products, tools, and services
- Balancing liquidity requirements with growth opportunities
(2) Adoption, Usage, and Optimal Usage

• Some products require improving access and adoption – e.g. why is the renewal rate for health insurance low among the poor?

• Some products require understanding why we see low usage, even after adoption – e.g. why is there high dormancy and low balances in no-frills savings accounts?

• Some products require a focus on optimal usage – e.g. how much debt can I take and sustain, even if it's available?
(3) Impact – on welfare outcomes

• Financial outcomes are intermediary outcomes

• What we really care about is what the finance is used to achieve (consumption, health, education, assets, houses, enterprise growth, etc.)

• Need to assess net outcomes – interaction between formal and informal financial instruments; individuals and networks
(4) Impact – on different kinds of people

• Clear that there are heterogeneous treatment effects in many cases

• How can people self-select into using products that are right for their specific requirements?

• What variation is product design is required to suit all kinds of clients?
(5) Understanding Mechanisms – key for scale

• Mechanisms help us distinguish function from form for barriers
  – Time inconsistency & self-control
  – Inattention

• Then we can replicate and scale solutions to barrier mechanisms
Today’s line-up

- Impact of Credit
- Access to Savings
- Improving Financial Capabilities (2 sessions)
- Managing Risk
- New Payment Channels

- Countries: Mexico, Bosnia & Herzegovina, Mongolia, Bangladesh, Ghana, Uganda, Malawi, Nepal, China, Qatar, India, Egypt, Kenya, Rwanda
Invitation to engage with the results

• What was the take-up rate of the product or program?
• What were the outcomes measured?
• How does usage of this financial product or program translate into measured welfare gains?
• What is the mechanism of change, i.e. what existing constraint is relaxed and how?
• How might these effects persist or diminish over time?
• How does this match or overturn my existing assumptions on this topic?
• What do these results mean for service providers? How can the results be replicated and/or scaled?
• What can I or my institution do with these new findings? How can we apply them?
Thanks!
ADB, Citi Foundation, JPAL, GFII, IPA Conference team, IPA Communications team

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