

# 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

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

Data source: CGAP Financial Access 2010,  
url: <http://www.cgap.org/p/site/c/template.rc/1.9.47743/>

# Financial Inclusion – Theory of Change

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Access (price,  
distance, KYC)

Overcoming  
behavioral &  
social  
constraints

Limitations in  
information,  
knowledge and  
understanding

- 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)

- Consuming food,  
clothes, shelter, and  
other goods &  
services better

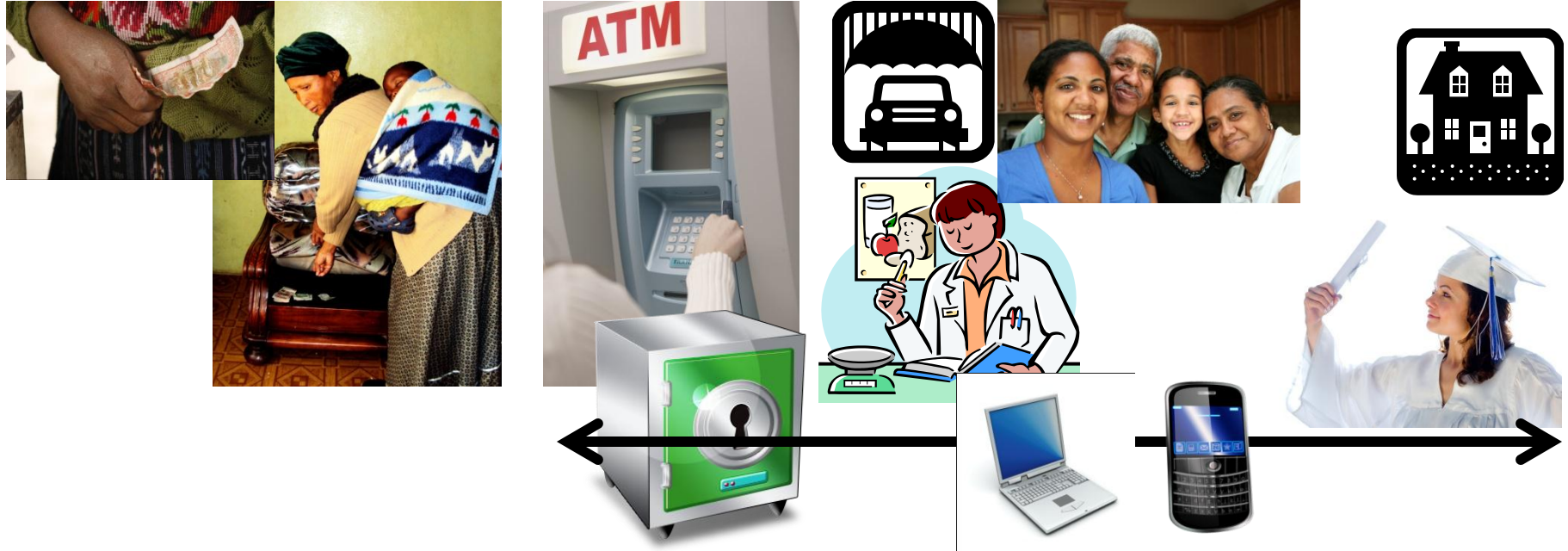
- Own and family's  
stock of capital grows  
(health, education,  
material, business)

-Able to weather  
shocks better and  
grow family income  
faster

# 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

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- 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 its available?**

# (3) Impact – on welfare outcomes

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- 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



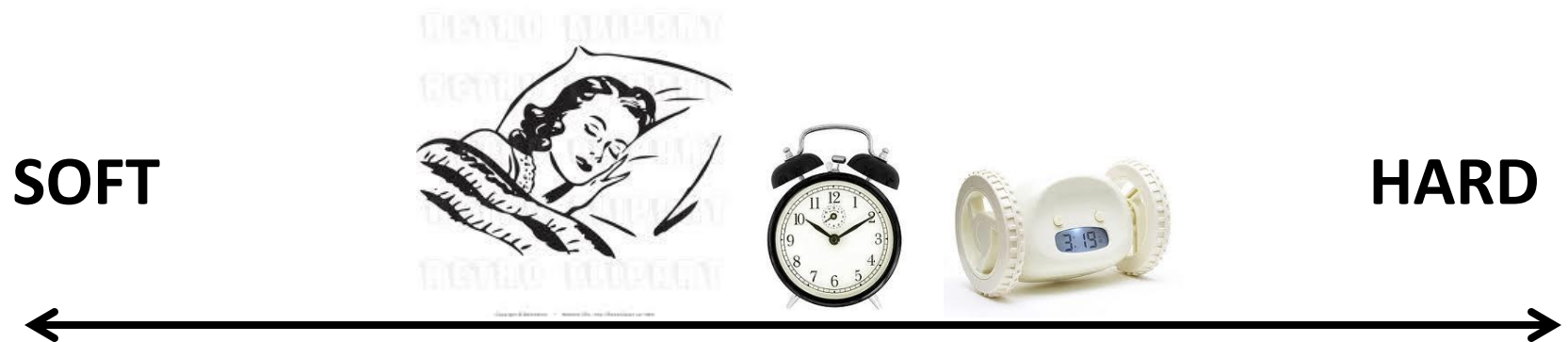
## (4) Impact – on different kinds of people

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- 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 in product design is required to suit all kinds of clients?

# (5) Understanding Mechanisms – key for scale

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- 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

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- Impact of Credit
  - Access to Savings
  - Improving Financial Capabilities (2 sessions)
  - Managing Risk
  - New Payment Channels
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- Countries: Mexico, Bosnia & Herzegovina, Mongolia, Bangladesh, Ghana, Uganda, Malawi, Nepal, China, Qatar, India, Egypt, Kenya, Rwanda

# Invitation to engage with the results

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- 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

[www.poverty-action.org/financialinclusion](http://www.poverty-action.org/financialinclusion)

