The World Bank
Financial Sector Vice-Presidency

INDICATORS OF FINANCIAL ACCESS

Household - Level Surveys

As part of the International Year of Microcredit, spearheaded by UNCDF, many organizations have been reviewing the policy and research agenda surrounding access to financial services of low income households and enterprises. The World Bank has accelerated its collection and publication of relevant data, and its research based on such data and, together with the International Monetary Fund, the UK Department for International Development (DFID) and other development partners, has been developing a clearer framework for data collection in this area. This note defines in detail an agreed minimum set of core concepts which it is felt that any household survey on financial service usage should attempt to measure.

There is a growing recognition that increasing access to formal financial services has both private and social benefits. Extending the breadth of financial service availability in a given population causes economic growth and can improve income distribution. And the poor benefit disproportionately from financial development. Monitoring and measuring levels of access to formal financial services can therefore contribute to achieving goals of growth and poverty alleviation. In addition to helping policy makers, practitioners, researchers and the private sector more fully understand the current and potential supply and demand for financial services, more comparative data will also serve to provide lessons on enhancing access and motivate countries to reform their financial systems to encourage greater access.

Such measurement has to date been limited by scarcity of data as well as the lack of standardized tools for measurement. Measures of access fall into two broad categories, those based on the providers' information, such as banks and other service providers, and those based on users' information – individuals, households or firms. Recent data collection efforts on financial access at the household level, undertaken by the World Bank, DFID and Finmark Trust proved instructive at the country level but illustrated the difficulties of international comparability due to the lack of a standardized approach. A joint working group was therefore established to prepare proposals for international standardization of core measures. An overview of a broad set of indicators was presented in June 2005, to an international group, based on prior workshops and background papers.[1] The present note is focused primarily on the provision of additional details to proposals presented in June, to enable the construction of a minimum set of indicators, for the purpose of constructing an internationally comparable database of one dimension of financial access, for individuals and households.

These indicators would form a core component of more extensive surveys of household financial access. The note explains how the concepts underpinning such indicators are defined, what indicators are selected and why, and how they may be measured.

Information from household surveys is nevertheless only one potential source for data on access indicators, and households constitute only one segment of users of financial services. Additional work is under way within the World Bank for the construction of measures of individual and household financial access, based on regulators' data on bank clients.[2] Measures of access for firms and establishments, based upon other survey instruments developed within the World Bank, can also be constructed to parallel the household indicators proposed in this note.[3]

[1] June 14th and 15th 2005, London and Washington DC, and June 21st, 2005, Paris. These followed upon an earlier conference on measuring access held in Washington DC in October 2004. A complete set of background papers is at the World Bank website. http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/EXTFSECON/0,,menuPK:1063272~pagePK:64168427~piPK:64168435~theSitePK:1063256,00.html

[2] Beck, et. al (2005), Honohan (2004), and a companion note to the present one, World Bank (2005).

[3] Financial access indicators for firms and establishments can be constructed from sources such as the Investment Climate Assessment database. Separate proposals are under preparation for these.

1. Underlying Concepts for the Construction of Indicators

The construction of the indicators discussed below rests upon at least four core concepts embedded in the following questions. First do we distinguish between the usage of financial services and access to such services? Second, do we measure access in terms of financial institutions, financial services distinguished by functional type, or specific financial products – i.e., in what dimension do we measure access? Third, how do we differentiate between lower and higher levels of access? And fourth, for whom do we measure access - the individual or the household?

Access and Usage

It is often pointed out that people may have access to financial services but may not wish to use them. Such voluntarily excluded persons it is argued should be included in measures of access even if they do not use financial services. However, the relationship is complex. Even among the 'voluntarily excluded', who claim to not want services, this may in reality be because such services are unaffordable, unsuited to their needs, or because the potential users fear that they will be rejected upon request. And among the 'involuntarily excluded' from services such as credit, some represent such poor credit risk that lenders cannot prudently serve them.

Due to the ambiguity and complexity in defining concepts of access that differ from usage, it is proposed that current users provide the basis for defining core indicators of access, defined with the objective of identifying and tracking the boundaries of exclusion.

Unit of Response - Individual or Household?

Another core concept concerns the boundary of the individual versus the household as a measure of response. While much theory and practice on household incomes and expenditures is centered on the household as a unit, the intra household power structure can often be complex and opaque and access cannot be assumed for all in the household if any one member has access. Using only the household as respondent also leads to the risk of losing valuable demographic data, on the users of financial services.

Indirect access through another household member may be as important as direct access. Even if the individual is the unit of response, it is desirable to measure both direct as well as indirect access to financial services through other family members. This prompts the incorporation of a sub index to measure indirect access.

It is recognized that especially in poorer countries, it is sometimes difficult to isolate a single household member from the rest of the family unit, as a user of financial services. Although in some respects more difficult to measure, the proposed indicators below adopt the adult individual as the appropriate unit of response for survey data on financial access.

Measuring Access: Institutions, Services or Products?

Access to finance can be measured in terms of access to certain institutions, such as banks, insurance companies, or microfinance institutions; or in terms of access to the functions that such institutions perform, or the services that they provide, such as payments services, savings or loans and credits. Yet another approach would be to look at details on the uses of specific financial products, e.g., debit cards, credit cards, life insurance, home mortgages, etc., but these are highly country specific and do not lend themselves to easy comparability.

The first three core access indicators described below, including the headline indicator, are based on institutional distinctions concerning specifically the degree of formality of the providing financial institutions. This is proposed for a number of reasons: most financial systems are described in institutional terms by regulators and policy makers and information is more readily available on this basis. Second, different institutional groups often have distinct legal foundations, which makes it easier to make distinctions. By contrast, distinctions between product categories are more difficult to define and information classified on this basis is scarce. Another reason is that there is a large constituency of observers of financial access, who take a particular interest in these institutional segments, whether among policy makers, among NGOs and microfinance providers or within the private sector.

The next three core indicators focus on key services: payments, savings and credit, rather than on distinctions between institutional segments such as banking, insurance, securities, etc. The economic analysis of finance increasingly emphasizes the functions performed by financial service providers rather than institutional distinctions based on regulatory arrangements or inherited legal forms. The proposed headline indicator has functional dimensions as well as institutional dimensions as it explores access to multifunction service providers.

Degrees of Access

Access covers a spectrum of institutions, from the more formal to less formal. (Appendix Table A1 provides definitions).

At one end of the spectrum are banks or near banks which for the present purpose we define as formal financial institutions which can provide multiple financial services to their clients, including deposits, payments and credit services. The attributes of banks and near banks are broadly comparable across countries. These entities operate on relatively standard terms and typically have access to the national payments network. They are normally registered under Banking or Financial Services legislation and as such are subject to formal prudential surveillance. All countries' regulators have information on institutions registered as banks, as well as on other formal financial institutions which offer similar services.

Other formal financial service providers are all other legal entities licensed to provide financial services. They are registered and subject to some reporting requirements. These institutions may be more narrow and specialized in function and may vary across countries in terms of structure, form, oversight, and hence, comparability. Thus in the case of credit, this may include consumer finance companies, credit card companies or credit unions. And many entities which are seemingly not financial service providers but provide financial service, such as store credit, are backed by a financial service provider, such as a consumer finance company. This second group of institutions would also include, importantly, microfinance institutions (many of which are not deposit taking) and credit cooperatives.[4]

Informal providers of financial services are other organized providers of financial services that are not registered as financial intermediaries and not subject to any oversight. These are likely to vary greatly between countries, although in some cases generic features can be identified – e.g. rotating savings schemes, etc. Moneylenders, pawnshops and check cashing outlets which are not regulated financial institutions would belong in this category. Such informal provision of services excludes intra family transactions (where the definition of the family itself is as broad or narrow as is customary in the country concerned).

2. Core Indicators and a Headline Indicator

The first set of simple and compelling household access indicators proposed below aims to give a broad overview of who has access to what financial services. These indicators place a given population along a continuum of access, depending on its usage of formal, semi formal, and informal financial services, and those excluded from the use of financial services. A simplified graphical representation of this below describes, in four segments:

– The proportion of the adult population that **uses a bank or bank like institution (B)**
– The proportion of the adult population which **uses service from non-bank 'other formal' financial institutions**, but does not use bank services **(FO).**
– The proportion of the adult population which only uses **informal** financial service providers **(FI).**
– The proportion of the adult population which uses **no financial services** at all **(FE).**

As defined above, the sum of the four strands would add up to the total adult population.[5]

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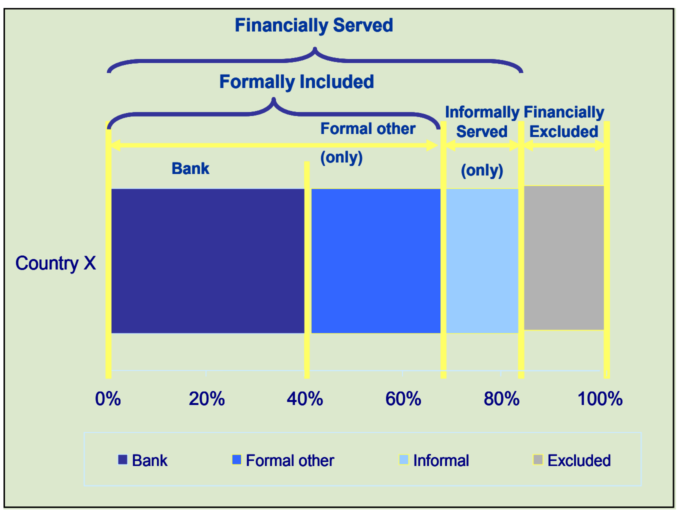
[4] In some countries, services such as store credit may not be included in formal consumer credit financial services, due to the limited scope of formal regulation. Given that such entities are formal financial service providers in most countries, they would be included under this definition.

[5] An alternative depiction of the different segments of the strand is provided in the diagram in Annex 3.

One additional category has been considered – a separate identification of microfinance. However, microfinance services may be provided by a range of different institutions across the access strand. As defined by CGAP, "microfinance is the supply of loans, savings, and other basic financial services to the poor...Providers of financial services to the poor include donor-supported, non-profit non-government organizations (NGOs), cooperatives; community-based development institutions like self-help groups and credit unions; commercial and state banks; insurance and credit card companies; wire services; post offices; and other points of sale."[6] Therefore an exclusive segment for microfinance is not feasible.[7]

The Access Strand: Financial Access in the Institutional Dimension from Formal to Informal Provider



These segments, and combinations of these segments, enable the construction of core indicators for household access. Proposed core indicators are:

A1. The banked – the first segment alone is the proportion of the adult population which uses a bank or bank-type institution

A2. The formally included – represented by the first two segments is the proportion of the adult population which uses financial services provided by banks or by other formal financial service providers

A3. The financially served – the first three segments (A3) is the formally included plus those who use only informal financial service providers.

Financial exclusion: The remainder of persons on the access strand are the financially excluded, whether voluntarily or involuntarily, and are the residual group. Thus a separate indicator would not be necessary.

A headline indicator: If a single headline indicator is to be selected from this group, the suggested choice is indicator A2, the formally included. This gives the broadest measure of formal financial inclusion. While the use of the banked, i.e., A1, as a headline indicator would offer more reliable cross country comparability and greater conceptual simplicity, it would be very narrow in scope. Using all formal financial service providers ensures for example that specialized non-bank financial institutions, including for example microfinance institutions, are included in the headline measure of financial inclusion.

3. Additional Core Indicators: From Institutions to Services

The second group of core indicators looks in greater detail at the ***kinds of financial services offered***. This *functional perspective* enables a focus on specific service needs and their gradation in order of priority from less to more developed financial environments. The additional three core indicators chosen are intended to augment our understanding of the nature and depth of financial services provided by the three primarily institutionally focused core indicators above. The financial service functions identified to be used as the basis for indicators are (i) transactions or payments services, (ii) savings (deposit) and investment services and (iii) loan or credit services. Risk transformation services, such as insurance, could arguably be added, however, it is conceptually similar to a sophisticated savings and credit product.

Based on traditional constructs of the demand for money, moving away from a barter economy, the transactions demand for money (to be able to draw funds, cash cheques and make and receive

[6] The Consultative Group to Assist the Poor. http://www.cgap.org/about/faq01.html
[7] These data are being separately assembled by the CGAP through its Microfinance Information Exchange data; the 'MIX', which is desribed at http://www.themix.org/en/index.html .

payments), is usually accepted to be its first and most important use, demanded by virtually all persons including the very poor. This would therefore occupy a place of prime importance among indicators. Following transactions demand, the next function of money is as a store of value; i.e. for the preservation and possibly for the augmentation of wealth, through savings and investment. Realization is growing that demand for a safe store of value may be the most valuable formal financial service needed by the poor. Finally, credit services are used by a smaller proportion of the population than savings services, especially among the poor, but are important in the first place for meeting needs for emergency shocks, and beyond this, for borrowing for productive investments, i.e., as a factor of production, whether in human or physical capital – education, homes or productive enterprises.[8] These considerations suggest the following additional indicators described below. As we have selected formal financial institutions as the headline indicator, these additional core indicators also look at service provision only by formal financial institutions.

Access to Transactions and Payments Services – i.e., whether it is possible to make or receive simple (non-barter) payments–constitutes the first service. Looking first at the simplest transaction need, if a respondent has an account at a bank, (s) he also has the capacity to convert checks into cash, draw money, and send money. Moving up from the concept of cash access, the extent to which persons can make other frequent but more complex transactions through the payments network provide the next level of indicators – e.g., paying bills or receiving payments (public or private). The suggested indicator is therefore:

A4. The proportion of the adult population which receives money regularly through a formal financial instrument

Receipt of money here refers to income, public or private money transfers such as pensions, social grants or welfare payments, as well as remittances, etc. Such receipts could be by check or by electronic means, such as direct deposit. This is not the same as the numbers of persons with a bank account, as it would include, e.g., persons who do not have a bank account but are receiving remittances through formal channels, such as a remittance service company. The indicator is therefore a measure of the use, by the adult population, of the formal payment system. Regularly would imply with a fixed periodicity, such as weekly, fortnightly or monthly, over the course of the past 12 months, and at least 4 times over the last 12 months.

Access to Savings Services: The lowest form of cash savings is having a safe store of value, abstracting from savings in the form of goods such as gold or cattle. Any persons who have a bank or bank like account would enjoy this service, together with those who have accounts in deposit taking microfinance institutions and credit cooperatives. Higher degrees of access would involve examining, whether persons are able to earn returns on their saving, either through a (remunerated) transactions or savings account, or through financial investments. The savings indicator would therefore be:

A5. The proportion which keeps money in formal financial instruments which allows them to safeguard and accumulate money

Whether through transactions accounts, savings accounts, time deposits /CDs, bonds, stocks, funds, voluntary pension plans, etc. This measures the percentage of persons with financial savings.

Access to Loan and Credit Services: Credit assumes special importance as it provides a means to smooth consumption, protect against shocks and in some cases, make productive investments which lead to higher future income. Credit offers the means to make intertemporal financial decisions – e.g., spend money productively now in order to be able to earn better later. In addition to loans, credit facilities such as overdrafts or lines of credit are increasing in importance. Product distinctions may also serve as indicators of levels of access, e.g., whether loans are available for longer duration needs, such as mortgages, education, or vehicle finance. For the present purpose, the simplest measure of the use of credit services has been adopted and would be:

[8] These choices are also derived from the fact that the survey here pertains to individuals or households. If the questionnaire was intended to cover firms, the relative importance of various services would alter.

A6. The proportion of adult persons who have obtained or have outstanding a loan or credit facility from a formal financial institution, now or over the past 12 months

Additional Definitions: A standard reference time period suggested for services which extend beyond the present time is **one year.** Note also that definitions of the **adult population** vary between countries with both 16 and 18 being frequently used.[9] The threshold age suggested here is **18**. If an alternative definition is more convenient in a given national context, at a minimum a scale factor would be needed on the proportions between 16 and 18, to permit international comparability.

4. Sub Indicators

In addition to the core indicators discussed above, additional indicators can be constructed to measure other dimensions of financial access. These could for example incorporate additional institutional segments, for example incorporating more measures specific to informal financial service providers, such as those receiving savings or credit services through informal financial service providers. They could also incorporate more differentiated or *sophisticated dimensions* of financial functions, for example, the percentage of the population with access to remunerated savings, or savings in the form of certain financial investment products.

One group of desirable sub indicators are presented below. The first is a measure of financial access for the poor, based on similar indicators constructed in the forthcoming World Bank World Development Report (2006), which incorporates such indicators for a number of economic services. The second incorporates a measure of indirect or household financial access. Especially in poorer societies, many individual household members may have financial access through another household member and this can be an important dimension of access.

Adding a poverty dimension

The broad access strand, as illustrated above, does not explicitly correlate the proportions of the population along the strand to measures of income, or poverty. The difficulty with the incorporation of poverty based measures is that this requires the measurement of income, in some form, in addition to finance related variables. Measuring income is notoriously difficult, due to conceptual issues concerning what constitutes income as well as sociological problems, including reticence on the part of the respondent. But the measurement of access for policy makers and for popular outreach would be greatly enhanced by the inclusion of such a dimension. Moreover, poverty dimensions have been added to a number of other socio economic indicators including, e.g., indicators of infrastructure, etc. It is suggested that standard good practice be followed in the construction of income measures, elaborated in other contexts.[10] The easiest form of incorporation of the poverty dimension is to calibrate in terms of quintiles of the population, in terms of income. An additional recommended indicator is therefore:

[9] In many countries it is not necessary to be an adult to have a bank account; eg minors of 10 and above can have bank accounts in India.

[10] See Grosh and Glewwe (eds.) (2000), for example, on the construction of income measures. The core caveat is that these should be constructed on the basis of an aggregation of different sources of income rather than on the basis of a single question. The poverty dimension could be incorporated in a number of ways, e.g., (i) measuring access to persons below the poverty line, as defined for any country, (in terms of monthly income); as suggested by Finmark (June 2005); (ii) the minimum wage, as defined for any country, as used extensively eg by Caskey, Solo, et. al., or (iii) standard benchmarks, such as the proportion earning less than, e.g., $1 per day or $10 per day; or (iv) the bottom quintile of the sampled population. Of these, the first two are externally defined parameters, and must be specified for each country, and in some cases there are multiple poverty lines defined for each country, based on family size, community or ethnic group, etc. The second concept, of the minimum wage, is difficult to apply to the self-employed. The third is not country specific but will have very different implications depending on average per capita income. The fourth abstracts from additional external parameters and is proposed here. Note however that in the poorest countries, the bottom quintile may capture an insignificant proportion of formally included among the adult population. Robustness checks may be needed to see whether a higher threshold, e.g. bottom third or lower half, would be more meaningful.

Indicators of Access to Finance through Household Surveys

1. The Banked:

A1 = Percentage of total adult population with a bank account

= B/∑P, where **∑P** is the total adult population, and **B** is the number of persons with a bank account

2. Headline Indicator: The Formally Included:

A2 = Percentage of total adult population which uses the services of any formal financial institution

= (B + FO) / ∑P where **FO** is the number of persons **who exclusively use** services of other formal financial institutions.

3. The Financially Served:

A3 = Percentage of total adult population which uses any formal and / or informal financial institution

= (B + FO +FI) / ∑P where **FI** is the number of persons **who exclusively use** services of informal financial institutions.

4. Payments:

A4 = The percentage of adults **receiving money regularly** through formal financial instruments

= FORMAL RECEIPTS / **∑P**

5. Savings:

A5 = The percentage of adults **who keep money in formal financial instruments which allow them to safeguard and accumulate money** whether through transactions accounts, savings accounts, time deposits / CDs, bonds, stocks, funds, voluntary pension plans, etc.

= SAVINGS / ∑P

6. Loans and Credit:

A6 = Loan/ ∑P, where **Loan** is the percentage of **persons who have obtained / have outstanding a loan or credit facility** from a formal financial institution now or over the past 12 months.

= LOAN/ ∑P

S1. The proportion who are '*formally included*' *among the poor*, where the poor are defined as those in the bottom quintile income group.

Note that in practice this indicator merely implies the separate calculation of the 'headline' indicator, A2, for the bottom quintile, by income, of the sample or population. Income here would be defined over the past 30 day period.

Adding a household dimension

The enumeration of financial access in terms of adult individuals is a desirable measure of access for many reasons, including the need to capture differentials based on personal characteristics, the opacity of intra family transactions, etc. But survey administrators especially in the poorest countries point out that indirect access may be much more widespread than direct access and urge the association of a household dimension to core indicators. This would also enable the 'scaling' of results obtained here from those obtained in other contexts where exclusively household information is available – e.g., the LSMS surveys. Therefore, we suggest the addition of another sub indicator, also derived from the headline indicator:

S2. The proportion persons "*formally included*" with direct access or indirect access, through other household members

The household dimension would be captured by asking persons whether they have indirect access to the use of a formal financial institution through any other household member, even if not in their own name. Those who have indirect access through a household member would then be added to the group of persons deemed to have direct access, to construct the numerator of this indicator. Note however that this is not the same as the construction of the number of household members with direct access.

Proposals for additional indicators based on household surveys, and for standardized questionnaires are under currently under discussion in the joint working group on household indicators. Such measures based on household surveys can be complemented by additional financial access indicators based on regulators' data indicators, and firm level indicators, to provide for a full set of Financial Access Indicators for an assessment of an economy.

Indicators of Access to Finance Using Household Surveys:
Examples of Desirable Sub Indicators

The Poverty Dimension: The Formally Served in the Bottom Quintile

S1 = Percentage of adult population in the bottom income quintile (based on sample) which uses the services of any formal financial institution divided by the total adult population in that quintile, in the sample, as a percentage

= **(B5+FO5)/ ∑P5**

Individuals vs Households: Direct and Indirect Access

S2 = The percentage of adult population formally served either directly or indirectly through another household member

(Bd+i + FOd+i)/ ∑Phh

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Annex Table 1: Core Indicator Definitions

Terms	Definition	Additional Information
Part I: The Institutional Dimension		
Banks and bank like institutions: (**B**)	Financial institution authorized to provide multiple financial services to their individual clients, including at least deposits, payments, credits and loans.	Comment: Banks and bank-like institutions have a series of known and broadly comparable attributes across countries. All countries' regulators will have information on institutions registered as banks, as well as other formal financial institutions which offer similar services. These entities operate on relatively standard terms, typically have access to the national payments network and are subject to formal prudential surveillance by the Central Bank or other financial regulator. Such institutions would be registered under a Banking Act, Financial Services Act or Special Acts e.g., for broad spectrum credit unions This would include: all broad spectrum formal financial institutions such as commercial banks, post office banks where these are allowed credit functions, and savings and loan banks, whether established as corporations or mutuals. It would *not* include credit-only MFIs, hire purchase or leasing firms or savings banks that do not lend to their clients.

Terms	Definition	Additional Information
Formal Financial Institutions: (**FO**)	Registered financial institutions licensed to provide the financial services.	Comment: This adds to the previous category those limited service entities which do not provide the full spectrum of functions provided by banks and near banks. They are likely to be more specialized in terms of the functional spectrum and would include transaction and deposit only entities (such as savings banks, or, in many countries, Postal Banks), credit only entities (such as some microfinance organizations) and payments only entities (such as Western Union agents). The range of such institutions will vary by country and by service introducing a tradeoff of comparability and comprehensiveness across countries. Most of these institutions will be registered under financial services legislation, such as a Financial Services Act, or Special Acts, such as a Microfinance Act, Insurance Act, Postal Bank Act or Credit Cooperative Act. Most will also be subject to some form of reporting to a financial surveillance authority – Central Bank *or*, eg, Commissioner of Cooperatives, Microfinance Supervisor, Credit Union Authority, etc. Includes: finance/ credit companies, leasing companies, (including credit card providers), financial trust companies, insurance companies, formal remittance or money transfer agents, as well as store credit provision (which is usually backed by a finance company or credit card company). Thus it would also include: eg in South Africa, funeral parlors and burial societies as they are registered under the Financial Advisory and Intermediary Services Act. Includes: Credit cooperatives, other than full service bank-like credit unions; postal banks which only provide transactions and deposit services. Includes: Microfinance institutions (NGO or other), provided they are licensed to provide services of financial intermediation. Formal financial services such as those cited above which would normally be regulated (eg the provision of consumer credit through stores) may be omitted in some countries' legislation if it is not very comprehensively defined. In such cases, obtaining services from such financial service providers would still be included.
Informal Financial Institutions: (**FI**)	Other organized providers of financial services who could be registered as commercial entities under the commercial code, or other forms of civil society organizations offering financial services, or NGOs providing financial services and other entities, not registered, providing financial services.	Comments: They key criterion is that these are civil, commercial or non profit providers of finance not formally licensed to provide financial intermediation services. They are not required to report their financial service activities to a financial surveillance authority. They may be registered commercial entities, such as pawn brokers, check cashing outlets, unregistered money lenders, ROSCAs, ASCAs (rotating / accumulating savings and credit associations), etc. Illegal providers would also be included. This category does not include family and friends.
Part II: The Functional Dimension		
Transactions:	Financial services using cash or other means (cheque, cards, electronic means) to make or receive payments, domestic or international	At a basic level, obtaining cash for personal use, withdrawing cash, converting checks or vouchers to cash. At a more complex level, making or sending domestic payments through the financial network, receiving domestic funds through the financial network. Regular receipt of funds would imply with a fixed periodicity, such as weekly, fortnightly or monthly, over the course of the past 12 months, and at least 4 times over the last 12 months. At a higher level, sending or receiving cross border payments
Savings	Safeguarding wealth and accumulating wealth for future use	Primary purpose is to safeguard wealth. High degree of liquidity required in case funds are needed immediately, and high risk aversion. At a more complex level, earn a return on savings and increase their amount, for future use. May involve some reduction in immediate liquidity, in exchange for a higher return. At a higher level, try to increase returns on savings through investment vehicles with some trade off in terms of liquidity / riskiness.

Terms	Definition	Additional Information
Credit/Loan	Obtaining funds from a third party with a promise of repayment of principal, and in most cases with interest and arrangement charges in exchange for use of the money.	Basic credit services would be short term loans for small amounts, and more complex services would be for longer durations and larger sums. Lines of credit / overdraft facilities which make funds available on a more flexible basis are more complex than basic loans.
Insurance	Payment of premium for risk of an event happening, where payout is made if the event occurs, or when the event occurs.	The primary purpose of the service is to manage risk around a specific event that may occur (fire, theft, damage, loss of crop, business failure) or will occur (death, illness).

Annex 2: From Indicators to Surveys – Complementary Issues

To ensure comparability, homogenous treatment is also needed for the ***reference time period*** which questions cover. At present these refer variously from the past 30 days to the past 3 years, in existing surveys. In some, actual use has been substituted by hypothetical questions (would you use?). To standardize it is suggested that a one year frame of reference be used for variables such as credit, which are only contracted occasionally, and the past 30 days be used as a measure of income. Most other services refer to the present time exclusively.

Existing household and individual level surveys run the gamut of ***geographic coverage***, such as only rural, only urban or national surveys. Given differences in resources likely to be available for such surveys, it is suggested that information from less than national coverage cannot be eliminated. However, strong efforts should be made to ensure **at least that a representative sample is constructed**. Extrapolation up to nationally representative indicators could be attempted by incorporating 'supply side' information on quantities of services provided with national indicators on factors such as local economic activity, population density and income, etc. However the interpretation of such hybrid indicators would have considerable limitations, and would be particularly problematic if one were to try to scale up from say rural samples to a mixed rural and urban population.

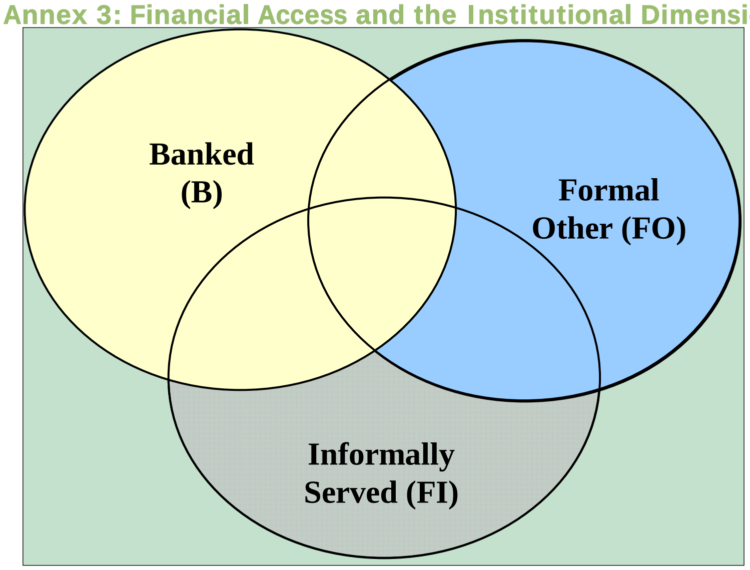
In association with specific questions regarding financial access, ***demographic information*** on persons and households providing data is needed. As indicated above, including some measure of ***income or wealth*** is essential for the construction of poverty related core measures. Most surveyors recommend against direct questions on income and instead support the building up of income estimates based on incomes from different sources. Wealth measures include first of all variables related to home ownership, which are core to credit concepts in financial access.

Additional core characteristics include information on ***age, gender, education and employment status***. Younger persons will have lower demand for savings and a population with a high proportion of young persons would likely have a different profile of access from one with a more narrow based age distribution. Equally, male and female profiles of access would be expected to differ – with some convergence as societies develop. Education and literacy affect not only awareness, and hence, voluntary exclusion, but also, provider discrimination. And employment has also been shown to be an important discriminator for access, especially in terms of opening an account at a bank. Finally, ***social status, rank, ethnicity or race*** can also affect access, as highlighted, e.g., in the USA.

Geographical identifiers at the level of the neighborhood are related to the concept of the dwelling place, and beyond the neighborhood, refer to the ***region of the country*** (or state, or municipality, depending on details available) where the respondent lives, and, especially, the ***distinction between urban and rural regions***.

This note and the proposed indicators have been prepared by a team including Anjali Kumar (World Bank) and Anne-Marie Chidzero (Finmark Trust), with inputs from Karen Ellis (DFID), Patrick Honohan, Stijn Claessens, Priya Basu and Asli Demirguç-Kunt (World Bank), September 2005.

Annex 3: Financial Access and the Institutional Dimension:



Notes: ∑P : The box represents the Total Adult Population.
B: The top left shape represents the Banked. All persons who are Banked are included within this definition.
FO: The top right shape represents those who use Other Formal Financial Institutions. However, the definition of this group on the Access strand omits those who also have bank accounts.
FI: The bottom shape represents those who use Informal Financial Institutions. It omits all persons who are either Banked or who use Other Formal Financial Institutions.

The Formally Included comprise the top two shapes (B+FO)
The Financially Served comprise all three shapes ((B+FO+FI)

The World Bank Financial Sector is working to strengthen and develop financial systems in client countries in order to create access to financial services for all levels of society. For more information, visit: www.worldbank.org/finance, email: financial_sector@worldbank.org, or contact Neesham C. Kranz, Communications & Knowledge Coordinator, The World Bank Financial Sector Vice Presidency, tel +1 202 458 9774 fax +1 202 614 1271.

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