



Financial Capability and Inclusion in Haiti

Result of a Demand-side Survey



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The survey was prepared by a team led by Juan Buchenau (Senior Financial Sector Specialist) and Luis Trevino (Financial Sector Specialist) from the World Bank Group’s (WBG) Finance and Markets Global Practice. The survey was adapted to the Haitian context by Luis Trevino and Fares Khoury (Economist and President of the Economic Study Council [*Étude Économique Conseil*], EEC Canada) and tested in the field by the Canadian survey firm EEC Canada. EEC also launched the final survey between September 2016 and March 2017 in Haiti. The analysis of the results and preparation of the report was done by Ilka Funke (Financial Inclusion Specialist, Consultant, GFMDR) and Fares Khoury. The graphic design of this document was performed by Aichin Jones and Amy Quach.

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Acronyms and Abbreviations

AML/ CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automated Teller Machine
BRH	Central Bank of Haiti (Banque Centrale de la République d'Haïti)
CAPI	Computer-assisted Personal Interview
EA	Enumeration Area
FC	Financial Cooperative
FIRST	Financial Sector Reform and Strengthening Initiative
FIU	Financial Inclusion Unit (within the Central Bank of Haiti)
FSP	Financial Service Provider
GSMA	Global System for Mobile Communications
HTG	Haitian Gourdes
IFAS	Inclusive Finance Advocacy Staff
IHSI	Haitian Institute of Statistics and Informatics (L'Institut Haïtien de Statistique et d'Informatique)
KYC	Know Your Customer
LAC	Latin America and the Caribbean
MFI	Microfinance Institution
MFS	Mobile Financial Services
MTO	Money Transfer Operator
NFIS	National Financial Inclusion Strategy
NGO	Non-governmental Organization
NSCI	National Saving and Credit Institution
PAP	Port-au-Prince
PCA	Principal Component Analysis
PPS	Probability Proportional to Size
PSU	Probability Sampling Unit
RN	National Road Network (Route Nationale)
WBG	World Bank Group





Preface

Financial capability, as defined by the World Bank Group (WBG) in this report, is the capacity to act in one's best financial interest, given socioeconomic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behavior of consumers with respect to understanding, selecting, and using financial services that fit their needs (World Bank 2013a).

Improving financial capabilities has become a priority for policy makers seeking to promote financial inclusion, financial stability and the smooth functioning of financial markets. Today people are required to take increasing responsibility for managing a variety of risks over their life cycle. Those who make sound financial decisions and who effectively interact with financial service providers are more likely to achieve their financial goals, hedge against financial and economic risks, and improve their household's welfare. All of this supports economic growth. Boosting financial capability has therefore emerged as a policy objective that complements governments' financial inclusion and consumer protection agendas. To this end, policy makers are increasingly using surveys as diagnostic tools to identify financial capability areas that need improvement, as well as vulnerable segments of the population that could be targeted with specific interventions.

In response to a request from the Central Bank of Haiti (*Banque Centrale de la République d'Haïti*) (BRH), the World Bank has conducted a Financial Capability and Inclusion Survey. The BRH has identified the low levels of financial capabilities and financial inclusion as priority areas for reform. This survey constitutes a key diagnostic tool that aims to guide the authorities in developing a detailed implementation action plan for improving financial capability and inclusion levels. Moreover, it will help the authorities set quantifiable and concrete targets to update the National Financial Inclusion Strategy, evaluate supply side reforms, and assess the effectiveness of future financial capability enhancing programs.

The report covers three main areas: Chapter 1 provides a brief overview of the methodology used and the composition of the sample. Chapter 2 then assesses the level of financial inclusion in Haiti, including a more detailed look at the uptake of individual products, and Chapter 3 assesses various aspects of financial capability in Haiti. This includes the population's knowledge of financial service providers, their level of financial literacy (that is, their understanding of financial concepts such as inflation, interest rates and risk diversification), as well as underlying skills and attitudes that influence the financial behavior of the population. Finally, Chapter 4 summarizes the findings and makes recommendations for the development of an action plan for financial education. This plan would be developed and implemented as part of the National Strategy for Financial Inclusion, and will take ongoing financial education measures into account.

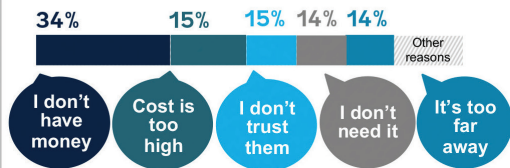
Key Findings

How Financially Included are the Haitians?

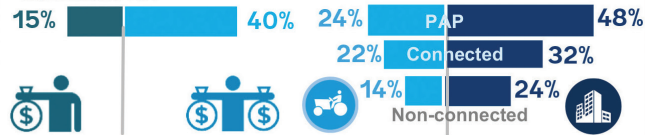


27 % of surveyed Haitians adults have a formal account in a financial institution.

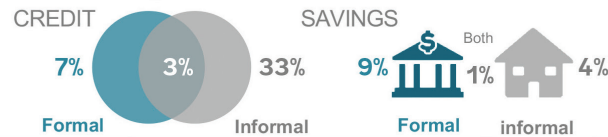
Not enough money, high account fees, lack of trust were cited as the main reasons for not having a formal account.



40% of high income earners use a formal account compared to 15% of low income earners. 48% of Haitian adults living in PAP-urban areas (UA), 32% in Connected-UA, 24% in Non-Connected-UA use a formal account compared to 24% of those situated in PAP-rural areas (RA), 22% in Connected-RA and 14% in Non-Connected-RA

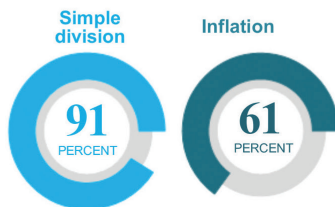


57% of respondents don't use credit products. 85% don't save money. Informal credit and formal saving are the most common channels among those who borrow and save .



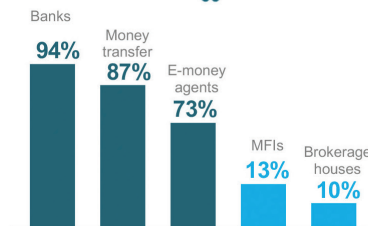
How Financially Capable are the Haitians?

On average, adults were able to answer 3.6 out of 7 financial literacy-related questions correctly.



91% were able to perform simple divisions and 61% understand inflation. Only 25% were able to correctly estimate compound interest.

On average, adults are familiar with products from 3.9 providers.



Respondents are familiar with banks (94%), money transfer institutions (87%) and E-money agents (73%). Only 10% are familiar with brokerage houses.

Respondents scored low in behaviors related to discipline, not overspending and planning for old age expenses but showed strengths in other areas:

- Living within one's means (89)
- Planning for unexpected expenses (66)
- Controlled budgeting (54)
- Non-impulsiveness (47)
- Monitoring and working (42)
- Choosing financial products (41)
- Saving (30)
- Planning for old age expenses (43)
- Not overspending (21)
- Discipline (13)

Source: World Bank Financial Capability and Inclusion Survey, Haiti (2017)
 Note: MFI = microfinance institution; PAP = Port-au-Prince.



Executive Summary

The government of Haiti has a strong focus on expanding the breadth and depth of financial inclusion. In 2013, it launched a National Financial Inclusion Strategy with the objective of increasing access to responsible financial services. The strategy is currently under implementation.

This Financial Capability and Inclusion Survey aims to inform the implementation of the National Financial Inclusion Strategy and to support the development of targeted financial education measures. The survey was launched between September 2016 and March 2017. The sample of 3,000 Haitian adults is nationally representative with regard to gender, urban / rural, and level of connectivity to national roads. The survey includes questions to measure the actual level of financial inclusion of the population, and to assess their financial capabilities with regards to knowledge, skills, attitudes and behaviors. Through this, it aims to (i) provide baseline data for the implementation of the Financial Inclusion Strategy, (ii) identify gaps in financial capabilities that need to be addressed through financial education measures, and (iii) verify supply side gaps that need to be tackled.

Level of financial inclusion in Haiti

Account ownership has increased in the last few years, with 27.5 percent of Haitian adults having a financial account in 2017. Based on the survey results, 21.5 percent of Haitian adults have a savings or checking account at a bank or financial cooperative, and

14.3 percent have a mobile account through which they can conduct financial services from their cell phones. Those who are not financially included say that the main reason is that they are not able to afford a financial account, with 34 percent of Haitian adults indicating not having enough money for an account, and another 15 percent indicating that an account is “too expensive”.

Financial account ownership is generally correlated with people’s income level, type of employment and location. Adults with a savings or checking account live mostly in urban areas (36.8 percent for Port-au-Prince compared to 12.1 percent for rural, non-connected areas) and belong to the highest income bracket (30.3 percent compared to between 12.9 to 21.8 percent for the other income brackets). Women are less likely to have an account (with 18.5 percent compared to 24.3 percent for men). Similar results were obtained for mobile accounts. Few people confirm being able to save, with only 15 percent of Haitian adults reporting the ability to do so. The savings of urban residents are usually held in formal accounts. By contrast, informal methods still play an important role in rural areas.

Around 35 percent of the adult population confirm sending or receiving remittances, with remittances being channeled mostly through money transfer operators (MTOs). Overall, 17 and 22 percent of Haitians report periodically sending and receiving remittances, respectively. Remittance senders are usually located in Port-au-Prince and locations connected to the national road system, whereas remittance receivers

¹ The Global Findex Database for 2014 indicates that 18.9 percent of the population has a financial account, of which 17.5 percent are with a bank or financial cooperative. However, the data is not fully comparable, as the Global Findex Dataset uses as a base adults aged 15 and older, whereas the Financial Capability Survey is based on a sample of adults aged 18 years and older.

mostly live in rural and unconnected areas of Haiti. Whether financially included or not, most people still send or receive remittances via money transfer operators (with 62 percent for senders, and 53 percent for receivers). In rural areas, informal methods for receiving the funds also play a large role (for 40 percent of receivers).

Although almost half of the Haitian population currently has some form of loan, only 10 percent of adults have a loan from a formal financial service provider. Borrowing money is particularly prevalent in rural and unconnected areas, where over 60 percent of adults report having a loan. Debt levels appear elevated. For example, 37 percent of people in the lowest income quartile report debt equivalent to 2-12 months of income, and another 23 percent report debt equivalent to over 12 months of income. The borrowing needs are mostly met through informal sources. Regarding formal loans, banks mostly cater to people in urban areas and with higher income levels, whereas financial cooperatives and microfinance institutions tend to reach people with lower income levels in peri-urban and rural areas.

Uptake of insurance and investment products is low. It is largely limited to people with a higher income and those living in urban areas, particularly in Port-au-Prince.

Financial capabilities

Ascertaining adequate financial capabilities among the Haitian population is important for increasing access to financial services in a responsible way. New and existing clients need to have knowledge about service providers and their products. They also need to have an understanding of basic financial concepts, as well as appropriate attitudes and financial behavior to select and use financial services in a responsible manner. In this context, the survey identifies substantial gaps in all dimensions of financial capabilities in Haiti.

The Haitian population's awareness and experience with financial service providers varies greatly. People are mostly aware of commercial banks, MTOs and mobile payment service providers (at 94, 87 and 73 percent, respectively). However, there is a lack of knowledge about financial cooperatives, microfinance

institutions (MFIs), insurance companies and brokerage houses (at 40, 13, 20 and 10 percent, respectively). People who have a higher awareness are predominantly adults with a higher income, residing in Port-au-Prince.

Although two-thirds of users report being satisfied with the received financial services, the survey reveals important shortcomings in terms of quality of service, liquidity management and availability of information from service providers. Satisfaction with the received service is the lowest for MFIs and MTOs (at 51 and 59 percent, respectively), whereas financial cooperatives and insurance companies both reach client satisfaction levels of over 90 percent.

The level of financial literacy among Haitian adults also shows substantial gaps. Haitian adults generally know about interest and exchange rates (96 and 84 percent, respectively). However, people in rural areas with lower income levels admit to not being familiar with concepts such as insurance, inflation and stock shares (35, 26, and 26 percent, respectively). However, the perceived knowledge and de facto understanding of concepts vary markedly. When given a standard financial literacy test, people were only able to correctly answer 3.6 of the 7 questions, with vast gaps noted in the ability to calculate simple interest or compare bargains. Low levels of financial literacy are prevalent in rural and unconnected areas of the country and among people with lower incomes. Yet, many people did understand the impact of inflation. It should also be noted that even those financially included adults still lack basic skills, with over one-third showing vast gaps in knowledge, as well as differences in their perceived and de facto knowledge.

There are also substantial deficiencies regarding attitudes and behaviors toward financial management and services. Although many people monitor their expenses and plan how to spend their available funds, the level of detail about the planning and the adherence to the plan is uneven. Gaps in planning and adherence are more visible in urban and connected areas and among people with a higher income level, where people have more spending choices and options to generate additional income. Overall, though, people do not feel that they can put money aside for future expenditures

² These are service providers who offer mobile accounts.

because they struggle to cover the basic needs. This is particularly the case in rural areas, where people lack additional income-generating sources and are subject to volatile incomes. At the same time, people admit to a lack of discipline when it comes to managing money and controlling expenditures. Sixty-two percent of adults report occasionally buying unnecessary items before having covered their essential expenses. As a result, less than one-third of adults who had an upcoming large expenditure were prepared to cover it, and few have put any funds aside to support themselves in old age. Thus, despite a general, positive attitude toward savings and

a tendency to plan expenditures, people have a strong inclination to live for today and not plan for the future.

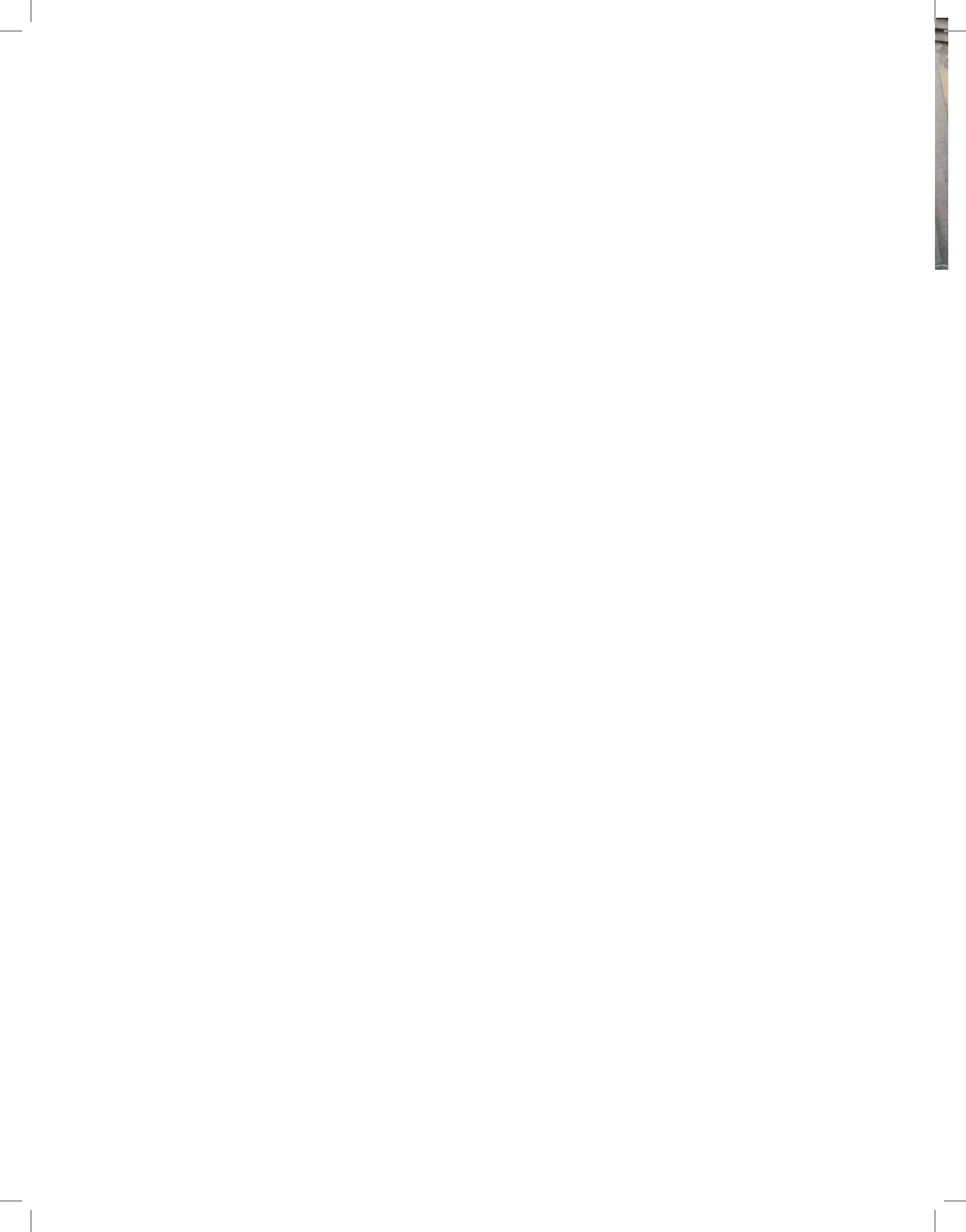
Finally, the survey also reveals a passive attitude toward dispute handling and information seeking. Only 25 percent of users of financial services who had a problem with the service actually tried to resolve it. The remainder did not trust the available dispute resolution mechanisms, or they lacked information about where to go. A similar passive attitude was noted among those who did not yet experience a problem.

Core recommendations that emerge from the survey results:

	Recommendations	Responsible*	Time Frame**
Supply-side reforms	Conduct supply-side mapping.	BRH (FIU)	ST
	Build the capacity of non-bank agents and employees of financial institutions to enhance service quality.	Financial Service Providers	On an ongoing basis
	Enhance transparency of information at financial service points.	Financial Service Providers	On an ongoing basis
	Strengthen the availability of information about dispute resolution mechanisms.	Financial Service Provider, BRH	MT
Demand-side reforms	Conduct focus groups to complement quantitative research with qualitative information.	BRH, donors	ST
	Develop core messages for financial education that can be used across programs.	BRH (FIU), donors	ST
	Develop a Financial Education Strategy.	BRH (FIU), stakeholders	ST / MT
Regulatory reforms	Mandate regular reporting to the BRH by service points and publish information.	BRH (FIU)	MT
	Issue consumer protection regulations to foster disclosure and transparency of information about financial services, as well as responsible market conduct.	BRH	MT
Donors and NGOs	Support the development of a Financial Education Strategy.	Donors, NGOs	ST / MT
	Integrate financial education measures into ongoing work programs.	Donors, NGOs	MT
	Where possible, channel financial support through the financial system.	Donors, NGOs	MT

Note: * FIU = Financial Inclusion Unit (within the BRH); FSP = Financial Service Provider; NGO = non-governmental organization;

** LT = long term (over 2 years); MT = medium term (6 months to 2 years); ST = short term (within 6 months).





1. Survey Background and Methodology

Expanding the breadth and depth of financial inclusion is a priority in Haiti. In recent years, Haitian authorities have made considerable efforts to develop and implement measures to increase access to financial services among the Haitian population. The efforts are carried out as part of the National Financial Inclusion Strategy (NFIS), which the Haitian government formulated in 2013 with World Bank support. The NFIS focuses on five main pillars: (i) the availability of responsible financial services to facilitate inclusion and poverty reduction; (ii) access to credit to foster economic growth; (iii) improved geographic access to financial services; (iv) enhanced financial education and consumer protection; and (v) strengthened financial infrastructure and institutions. In particular, the NFIS targets vulnerable groups such as smallholder farmers, women, migrant workers, and Haitians living in remote areas.³ The National Financial Inclusion Strategy is currently being updated.

The Haitian Financial Capability and Inclusion Survey aims to shed light on the level of financial inclusion in Haiti, as well as constraints to financial capabilities that hinder the uptake of financial services from the demand side. National Financial Inclusion Surveys allow for the analysis of the level of financial inclusion in a population; how the uptake of financial products varies across population segments; and the degree to which saving, borrowing, and making payments is being channeled through formal financial

service providers. Regarding demand-side reforms, the financial capability-related questions also help to further the understanding of: (i) the population's knowledge of financial concepts and products; (ii) attitudes, skills and behaviors related to financial services and their providers; and (iii) the day-to-day management of resources, planning for the future, and staying informed. As for supply-side reforms, the survey provides valuable insights into the usage, value and limitations of existing financial services from a customer's perspective. It also reveals general perceptions about financial institutions and products in a given country. Taken together, the findings from financial capabilities and inclusion surveys help to: (i) identify population segments that are currently not adequately financially included; (ii) design reforms and projects to address the gaps from both the supply and demand sides; and (iii) set national financial inclusion targets using the survey results as a baseline.

The questionnaire used for this survey has been tested in the context of middle- and low-income countries, and customized to fit the specific context of Haiti. The survey is based on a questionnaire originally developed for low- and middle-income countries with support from the Russia Financial Literacy and Education Trust Fund.⁴ Where necessary, the list of financial products or service providers was adapted to the local context of Haiti. Furthermore, personal and household income ranges were adapted to Haitian levels, and the main status of household members considers three new options

³ Central Bank of Haiti, National Strategy of Financial Inclusion (Banque de la République d'Haïti, "Stratégie Nationale D'inclusion Financière"), 2013.

⁴ Extensive qualitative research techniques were used to develop this general survey instrument, including about 70 focus groups and more than 200 cognitive interviews in eight countries. These research techniques were used to identify the concepts that are relevant in middle- and low-income settings, and to test and adapt the questions to ensure that they are well understood and meaningful across income and education levels. The instrument has been or will be used in 14 countries in Arica, East Asia, Latin America, Africa, the Middle East and the Pacific.

to differentiate farm employees or self-employees from those whose main activities are not related to the agricultural sector. Since remittances play a considerable role in Haiti, the Haitian questionnaire also includes four new segments to record remittance trends (including the frequency of sending and receiving remittances, purposes, channels and levels of satisfaction with these channels).

The survey is representative of the active population, and was applied to 3,000 adults between September 2016 and March 2017.⁵ Probability-sampling techniques were used to select the 3,000 surveyed adults, using data from the Haitian Institute of Statistics and Informatics (IHSI).⁶ The population was divided into 6 strata. Communal sections were identified as rural or urban according to the IHSI and then characterized by their degree of connectedness to the national road network (RN) in Haiti (Connected (RN) and Not-connected). Port-au-Prince remained in a category of its own and formed a separate stratum. The survey itself was implemented through computer-assisted personal interview methods (CAPI). To ensure high data quality and avoid common errors associated with paper-and-pencil surveys, an electronic version of the questionnaire (including internal consistency tests) was programmed, and the survey was administered using power personal computers (PCs). The non-response rate was low at around 5.1 percent of the total sampled households due to extensive efforts and strategies used.⁷

The individual respondents within households were selected through a three-stage cluster sampling. The communal sections were randomly selected as primary sampling units (PSUs) with probability proportional to size (PPS, that is, the number of households) at the first stage. They consisted of a selection of 200 primary sampling units to reach the sample target. In

each selected PSU, a listing of households was taken, from which 15 households were randomly drawn and targeted for surveying at the second stage. This choice of having 15 randomly drawn respondents instead of 20 per Enumeration Area (EA) reduced the possible clustering effect even further. Finally, within each selected household, eligible adults either responsible for personal or household finances were randomly drawn by means of the Kish grid. Individual weights were then calculated and used in the ensuing analysis to adjust for varying probabilities of selection (design weights).

The respondents of the survey have the following key demographic characteristics (see also Annex C): 40 percent of the surveyed adults live in urban areas, with the remaining 60 percent living in rural settings. Slightly less than half of the respondents are female (48 percent). All individuals were also ranked by their reported household income and divided into four groups: 25 percent of the population fall within the lowest income segment (up to 10,000 Haitian Gourdes [HTG] per month); 25 percent in the second-lowest quartile (between 10,001 HTG and 19,200 HTG); 25 percent in the second highest (between 19,201 HTG and 35,700 HTG); and 25 percent in the highest income quartile (more than 35,700 HTG). Forty-seven percent of the surveyed adults are younger than 35 years of age, 37 percent are between 35 and 55 years of age, and 16 percent are older than 55 years of age. In terms of educational attainment, less than 1 percent of the respondents have some or have completed tertiary education (including other higher education); about 23 percent have some or have completed secondary schooling; 53 percent have some or have completed primary or informal education; and around 24 percent of the surveyed adults have no schooling at all. The average number of adults per household is two, whereas the average sized household is comprised of four people.

⁵ This includes the population aged 18 and older.

⁶ The sampling frame for the Financial Capability and Inclusion Survey in Haiti was extracted from the report entitled "Total Population, Population 18 Years and Older, Households and Estimated Densities in 2015" published by the Haitian Institute of Statistics and Informatics. (note de bas de page: la formation des agents de recensement, par exemple, sur le refus de stratégies de reconversion, la communication avec les répondants pour les informer de l'enquête à venir mais également pour expliquer les objectifs de l'enquête, allant jusqu'à 5 tentatives de prise de contact à différents moments pendant la période de l'enquête, etc.) ("Population Totale, Population de 18 ans et plus, Ménages et Densités Estimés en 2015" published by the "Institut Haïtien de la Statistique et d'Informatique. (IHSI).") This report used results from the 9th Haitian Census of Population and Housing as well as short- (2014), medium- (2000 to 2015) and long-term (1950 to 2050) population projections from IHSI and the Economic Commission for Latin America and the Caribbean. This information was used to estimate total population (by gender), the adult population, density and the number of households by communal section. A presentation on the survey methodology can be found in Appendix E.

⁷ This includes the training of enumerators on refusal conversion strategies, communication with respondents to inform them of the coming survey, as well as explaining the survey's objectives. Up to 5 contact attempts were made at different moments during the survey period.

As shown in Annex C, 39 percent of the respondents live in households with one to three members; 43 percent of households are comprised of four to six members; and 18 percent live in households with 7 or more members. About 33 percent of respondents live in the metropolitan zone of Port-au-Prince; 34 percent live in zones with access to national roads; and the remaining 33 percent live in non-connected zones.

The survey results of the Financial Capability and Inclusion Survey were extrapolated to match the key characteristics of Haiti’s population. As Table 1 presents, there are minor differences between Haiti’s population distribution and the extrapolated population from the survey (all household members are considered). The analysis uses the term “respondents” whenever the survey results were not extrapolated.

Table 1: Comparison between Key Census Characteristics and the Financial Capability Survey Profile

Country Demographic	IHSI	Financial Capability Survey
Gender distribution		
Male	49.6%	49.3%
Female	50.4%	50.7%
Area distribution		
Urban	51.9%	51.4%
Rural	48.1%	48.6%
Households per Stratum		
Rural - Port-au-Prince (PAP)	0.9%	0.9%
Urban - Port-au-Prince (PAP)	24.2%	24.3%
Rural - Connected (RN)	17.6%	17.7%
Urban - Connected (RN)	16.5%	15.9%
Rural - Non-connected	29.9%	30.0%
Urban - Non-connected	11.0%	11.2%

Sources: Republic of Haiti, Ministry of Economy and Finance, Haitian Institute of Statistics and Informatics, Total population 18 years and over, households and densities estimated in 2015 (*République d’Haïti, Ministère de l’Économie et de Finances, Institut Haïtien de la Statistique et d’Informatique, Population totale de 18 ans et plus, ménages et densités estimés en 2015*), and WBG Financial Capability and Inclusion Survey, Haiti (2017).

Note: The variables used to generate the indicators included in the Tables and Figures of this report are extracted from the survey questionnaire presented in Appendix F. They are listed by Table and Figure in Appendix G.





2. Financial Inclusion in Haiti

2.1 Concepts to Measure Financial Inclusion

Financial Inclusion, as defined by the World Development Report 2014 (World Bank 2013a), relates to the share of individuals and firms that use financial services. As Financial Capability and Inclusion Surveys focus only on individuals, the report uses as its definition for financial inclusion “the share of individuals that use financial services”.

To assess the level of financial inclusion, the World Bank Group generally uses two concepts:

- As a *narrow financial inclusion indicator*, the share of the population with a formal financial account is used. This includes checking and/or savings accounts at commercial banks and financial cooperatives, as well as mobile accounts.⁸ Through these accounts, people can carry out transfer and bill payments, receive payments, as well as store/save funds for future expenses or emergencies. This indicator is used as a core indicator in the Global Findex Survey of the World Bank, and allows for the comparison of account ownership across countries worldwide.

- As a *broad financial inclusion indicator*, the share of the population with a formal account or a loan from a formal financial service provider is used. In addition to the narrow indicator, this also includes those people who have a credit card or a loan/mortgage from a formal financial institution such as licensed banks, financial cooperatives, microfinance institutions, and other formal lenders.

The measurable level of financial inclusion is not identical to the share of the population that could access financial services. As highlighted in the Global Financial Development Report (2014), people can have access to affordable financial services, but decide not to use them for cultural or religious reasons, or because they do not see a need for them. The share of the population that voluntarily excludes itself from using financial services is difficult to measure, but financial capability assessments can shed some light on underlying misperceptions about financial products and cultural issues. On the other hand, there are those that are restricted in their access to financial services because (i) they do not have a financial services provider in reach (lack of geographical access); (ii) they cannot afford the available products (lack of affordability); and/or (iii) they cannot bring the necessary documentation or fulfill other requirements (lack of eligibility). Where possible, the discussion about the uptake of financial services will try to shed light on voluntary exclusion and de facto gaps in financial access.

⁸ In the Haitian context, “mobile accounts” refers to mobile wallets, such as “Mon Cash” of Digicel / Sogebank, and “Lajan Cash” launched by the National Bank of Credit (Banque Nationale de Credit), as well as other existing mobile accounts that are being used to pay bills or make financial transactions via cell phones.

2.2 Headline Measure for Financial Inclusion

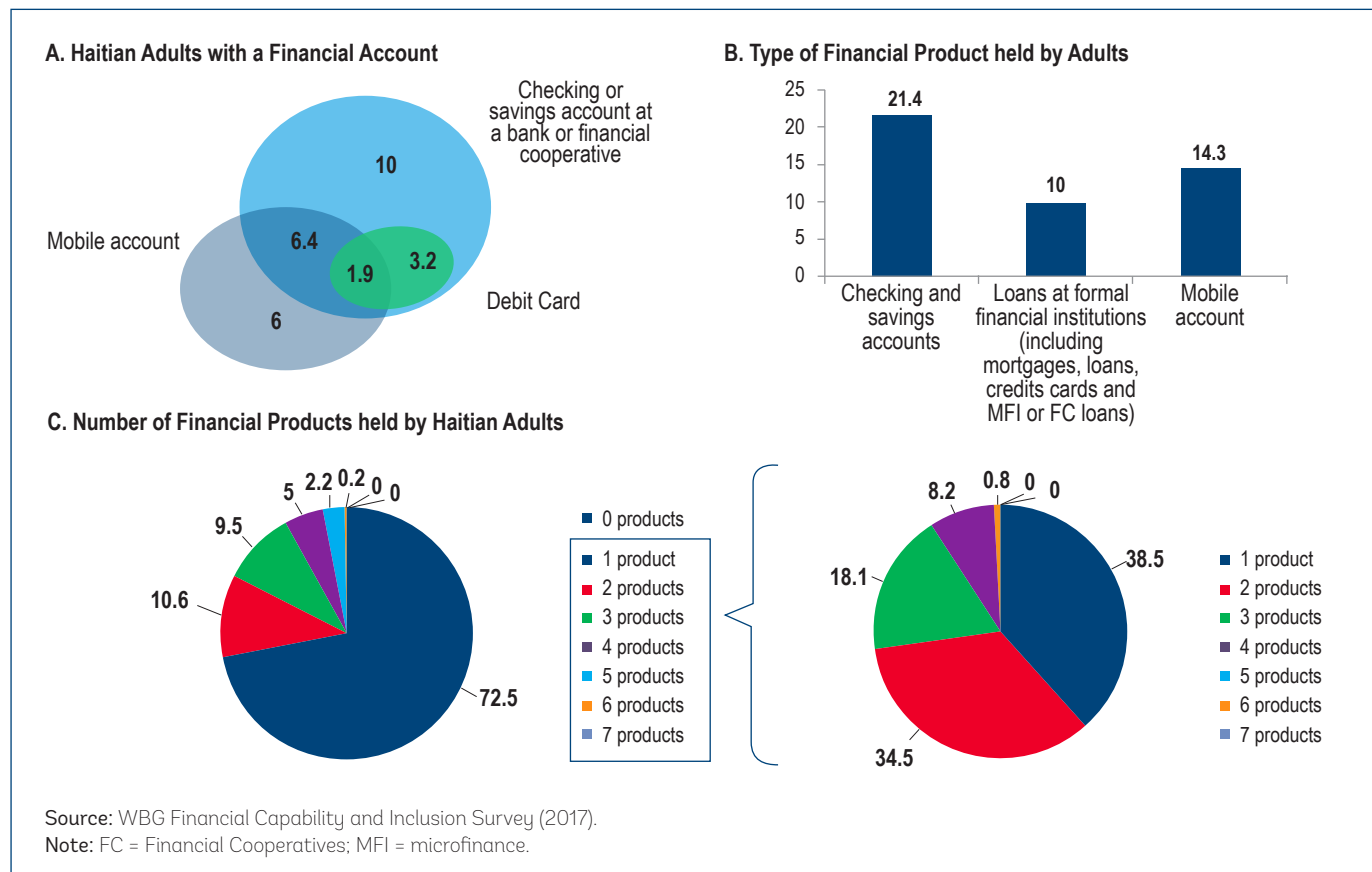
Based on the survey results, 27.5 percent of the population currently has a financial account.⁹ In terms of type of account, 21.5 percent of Haitian adults reveal having a savings or checking account at a bank or a financial cooperative. Figure 1A shows that a small fraction of these account holders also has a debit card (5.1 percent of Haitian adults), and over one-third of the people with a savings/checking account also indicate having a mobile account (8.3 percent of Haitian adults). Another 6 percent of Haitian adults reveal having a mobile account, but no checking or savings account at a bank or financial cooperative. This indicates that mobile accounts have helped to reach hitherto unbanked segments of the population.

The level of financial inclusion in Haiti does not deviate between the narrow and broad financial

inclusion indicator, as all respondents with a lending product also have a savings, checking or mobile account. Figure 1B shows that 10 percent of Haitian adults indicate having a loan, mortgage or credit card from a financial institution. As a loan in Haiti usually requires cash collateral, all borrowers are required to have a formal financial account in which the cash collateral is stored. The uptake of individual products will be assessed in more depth in the next chapter (2.3)

With regard to the number of financial products used by Haitians, 10.6 percent of adults have one financial product, 9.5 percent have two, and 7.4 percent have more than two financial products (see Figure 1C). None has more than 5 financial products. Those with only one financial product are mostly holders of a mobile account (6 percent of Haitian adults “only” have a mobile account), again reiterating the important role that mobile accounts can play in fostering financial inclusion.

Figure 1: Financial Inclusion in Haiti



⁹ Financial accounts in this report refers to checking, savings or mobile accounts held at formal financial institutions.

Given the recent increase in the level of financial inclusion, Haiti is now in line with the average level of financial inclusion in other low-income countries.

A comparison of the results of the Financial Capability and Inclusion Survey (2018) and the Global Findex Survey (2014) shows that the share of the Haitian population with a formal account has increased over the last 3 years (see Table 2). This is in part due to an increase in the share of the population with a checking or savings account, as well as an increase in the uptake of mobile accounts. Although the data from the Financial Capability and Inclusion Survey and the Global Findex Survey are not fully comparable,¹⁰ the difference between the two results is large enough to reveal an increase in financial inclusion over the years. Haiti is now on par with other low-income countries in terms of overall financial account ownership. However, in comparison with the Latin America and Caribbean region, Haiti is still considerably behind, despite showing a stronger uptake of mobile financial services.

2.3 Usage of Individual Financial Products

2.3.1 Usage of Accounts

As is typical in low-income countries, the high level of informality in the Haitian economy and the elevated poverty levels likely affect the overall demand and need for checking and savings accounts.

- **Less than 10 percent of Haitian adults report having formal employment as their main source of income, or receiving a government transfer/pension that could be directly transferred into a financial account to save on cost and time.** The vast majority of respondents (more than three-quarters) indicate being self-employed or relying on agricultural income, with likely limited cash flows. Roughly one-fourth of Haitians reveal periodically sending or receiving remittances (within or outside of

Table 2: Financial Account Ownership in Selected Countries and Regions (2014, 2017)

	Haiti		Comparator Regional Countries (age 15+)				Comparator Countries by Income Level (age 15+)			
	FinCap (2017, age 18+)	Global Findex (2014, age 15+)	LAC (emerging only)	Bolivia	Dom. Rep.	Honduras	Low-income	Ghana	Tanzania	Uganda
Account (aggregate)	27.5	18.9	51.4	41.8	54.1	31.5	27.5	40.5	44.4	39.8
Account at a financial institution	21.4	17.5	51.1	40.7	54.0	30.0	22.3	34.6	27.8	19.0
Account, female	18.5	16.1	48.6	38.0	56.0	27.0	23.9	39.4	36.6	34.3
Debit card	5.1	4.1	40.4	23.1	22.6	14.2	6.6	9.8	17.8	11.5
Mobile account	14.3	3.8	1.7	2.8	2.3	3.4	10.0	13.0	35.1	32.4
Mobile account (female)	15	3.8	1.3	0.9	0.8	3.0	8.8	11.8	29.0	26.6

Sources: WBG Financial Capability and Inclusion Survey for Haiti (2017), and WBG Global Findex Survey for Haiti (2014).

Note: The Financial Capability and Inclusion Survey for Haiti (2017) was applied to adults aged 18+ years, whereas the Global Findex Survey used as its cut-off age 15+ years. Thus, the figures are not fully comparable.

LAC = Latin America and the Caribbean.

¹⁰ The Global Findex measures ownership for adults aged 15 and over, whereas the Financial Capability Survey in Haiti excludes the segment between 15 and 17 years of age, as they generally tend to be less financially included.

Haiti), which could be channeled through and/or be kept in financial accounts (see also 2.3.2.).

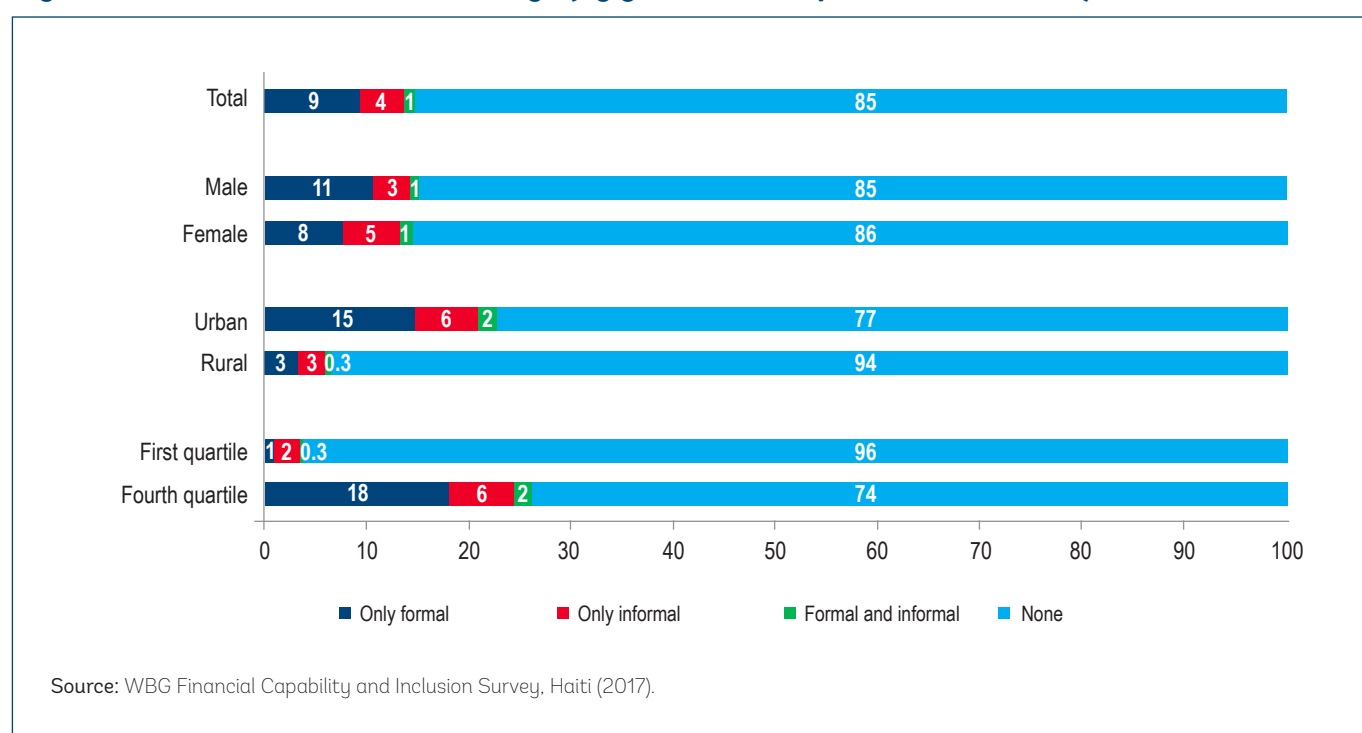
- **With regard to keeping funds in a financial account, most people indicate not being able to put money aside or save.** Only 28 percent of the population has money left after paying for food and other necessary items. In line with this, only 15 percent of the population has some savings, with the remaining 85 percent of Haitian adults not having money to set aside (see Figure 2). Particularly less well-off segments of the population, such as those living in rural areas and those not connected to the national road system, do not have savings (for example, 96 percent of people in the lowest income quartile).

The urban population mostly puts their savings into formal financial accounts, whereas in rural areas and among people with lower income levels, informal forms of savings prevail. Figure 2 shows that 71 percent of those with some form of savings report putting their funds into a formal financial product. Formal financial products are the preferred choice for savings in urban areas and among people with higher income levels. For the rural population and people with limited income, informal savings continues to play a larger role, albeit with a much lower overall incidence of savings.

As shown in Figure 3, financial account ownership is positively linked with people’s income level, type of employment, as well as with living in Port-au-Prince or areas connected to national roads. Mobile account holders live in mostly urban areas (23.2 percent compared to 4.8 percent in rural areas) and belong to the highest income bracket (25.1 percent in the highest income quartile have a mobile account compared to 3 to 12 percent for the other income quartiles). The distribution is similar for people with a checking and/or deposit account. However, women are slightly more likely to have a mobile account, with 15 percent of women reporting having one as compared to 13.7 percent of men. This is a marked difference to checking and deposit accounts, where women have a much lower incidence of having such accounts (24.3 percent for men as compared to 18.5 percent for women).

Lack of affordability is the most frequently cited reason for Haitian adults who do not have a checking or savings account. This points to a need to assess the adequacy of available products. Overall, 34 percent of Haitian adults reveal not having enough money for an account, and another 15 percent state that an account is “too expensive”. Thus, close to 50 percent of Haitian

Figure 2: Formal and Informal Savings (by gender, urban/rural, and income)



adults feel that they cannot afford an account. Another 14 percent of the population states that they are geographically excluded from financial services (“too far away”). This is surprisingly low given the dearth of financial service points in rural and non-connected areas — an indication that the more pressing issue is the lack of affordability. Given the high share of people who claim that they cannot afford a financial account, an assessment of available products should be conducted to identify potential gaps in the supply of financial services.

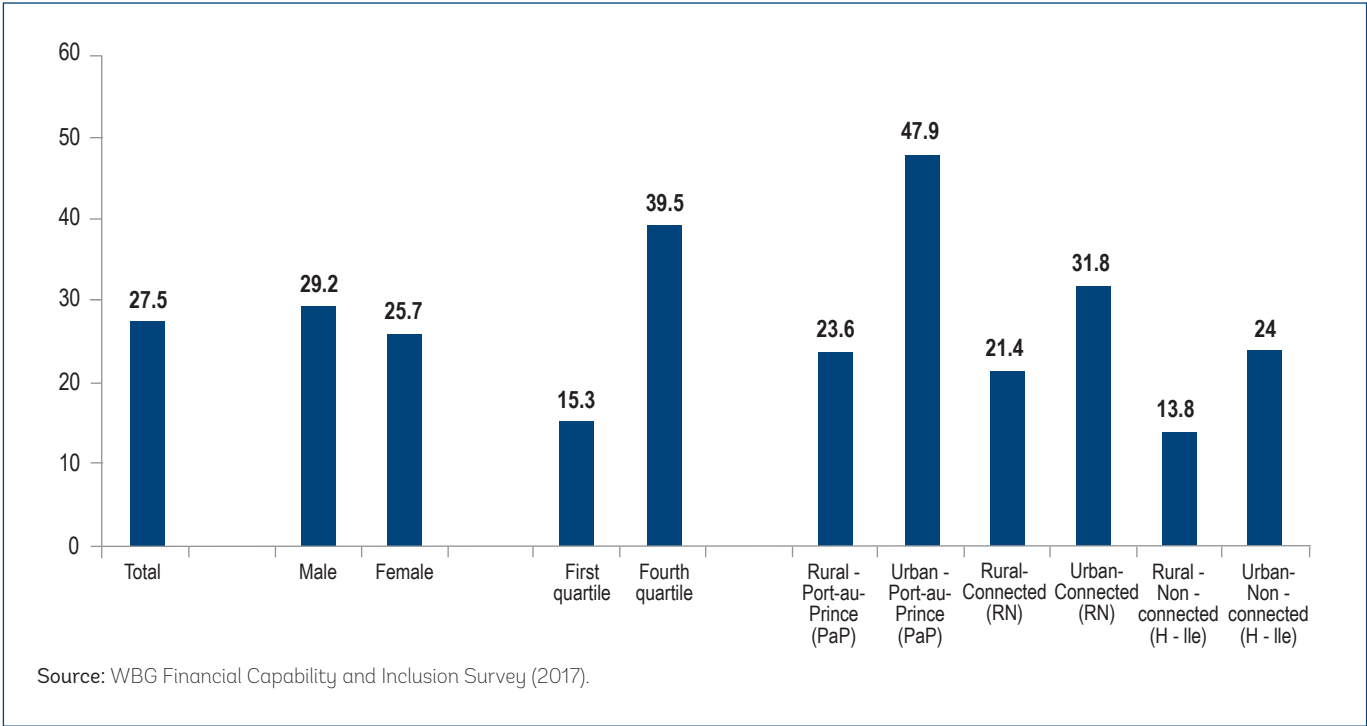
The data also points to underlying gaps in financial capabilities that negatively impact the uptake of financial accounts. Thirty-six percent of Haitian adults voluntarily refrain from having a financial account. Fourteen percent claim to not need an account, 7 percent reveal a preference for using cash, and 15 percent state that they do not trust financial institutions. This high level of voluntary exclusion points to the existence of attitudes and behaviors in the population that need to be overcome to include them financially. Furthermore, the results regarding the stated lack of affordability of financial services do not vary much between income levels, which indicates potential gaps in financial capabilities, specifically budgeting and financial planning. For example, only 23 percent of those who

claim to regularly or sometimes have money left over actually have an account. Forty-six percent of people in the highest income quartile reveal that they lack funds to cover their basic needs, thus being unable to save. Similarly, the feedback on geographic proximity of financial services does not deviate much by geographic location or between urban and rural areas. In Port-au-Prince, 18 percent of people consider financial services to be too far away, compared to 13 percent in non-connected areas. All this points to gaps in financial capabilities, which will be discussed in more depth in Chapter 3.

2.3.2 Remittances and Other Financial Transfers

A number of questions in the survey shed light on remittance patterns and how these funds are channeled. This covers all remittances, independent of whether they are within Haiti or involve another country. As remittance payments are financial transfers, the findings can serve as a proxy for how other financial transfers and bill payments are made in Haiti, as well as the extent to which they involve formal financial services.

Figure 3: Aggregated Financial Account Ownership (by gender, urban/rural, and income level)



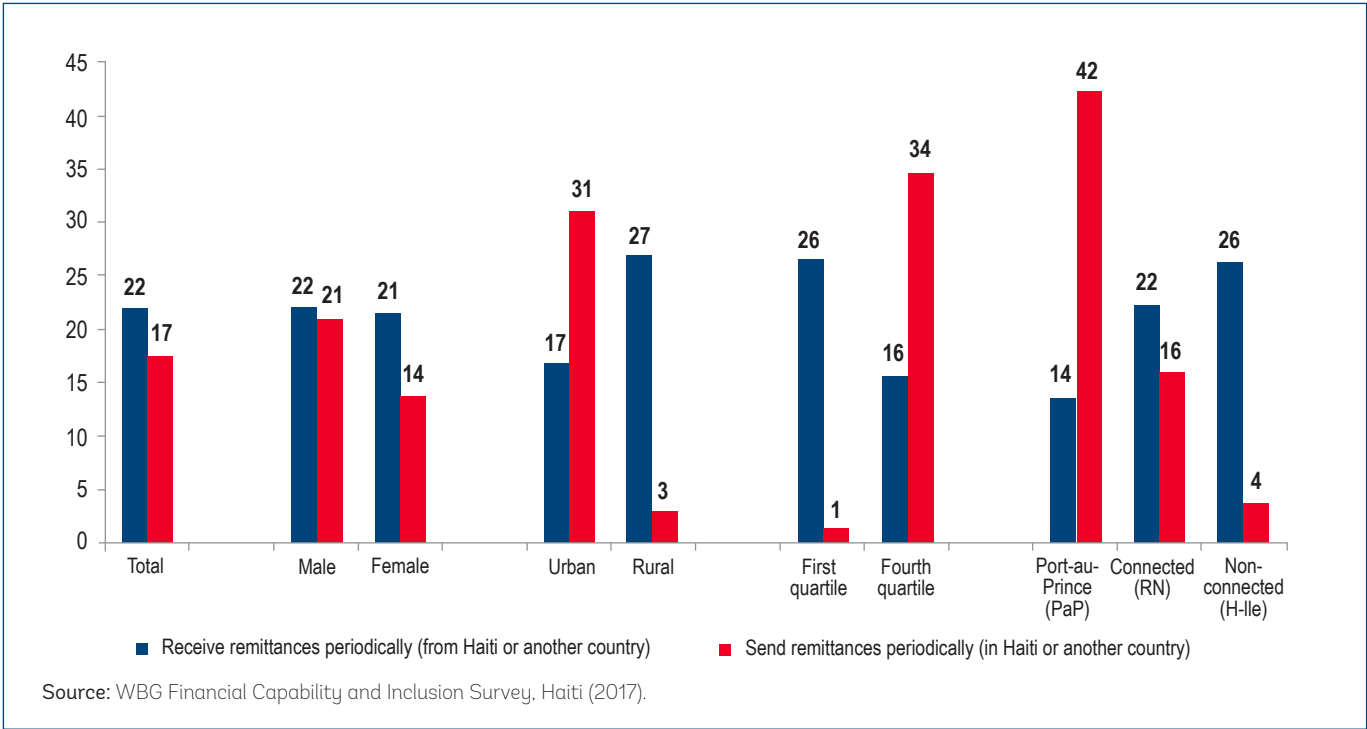
The data reveal the different socioeconomic and demographic characteristics of remittance senders and receivers. Figure 4 shows that 17 percent of Haitians reveal periodically sending remittances, and 22 percent confirm periodically receiving remittances. As is to be expected, Haitian remittance senders are predominantly from the higher income quartile, whereas the incidence of receiving remittances is much higher for the lower income quartiles. Furthermore, remittance senders are predominantly located in Port-au-Prince and other connected urban areas, whereas those who receive remittances are located in unconnected urban or connected / unconnected rural areas. The data also reveals some differences in terms of gender, with fewer women sending remittances compared to men. Although the survey results are not representative of the department level, the data shows that the two departments of Ouest and L'Artibonite have a higher incidence of people sending remittances, whereas people living in departments such as Centre and Grande Anse mostly receive remittances; in fact, up to 31.6 percent of respondents from the former group send remittances regularly as compared to as low as 4.4 percent in the latter. The departmental differences point to the existence of remittance corridors between departments. In this context, financial service providers could explore developing adequate financial

products and investigating the type of financial service points to be used.

Less than a third of remittances are channeled through formal financial accounts. The vast majority of remittances are sent / received via money transfer operators (62 and 53 percent respectively) (see also Figure 5). In rural areas, 40 percent of remittances are received via informal channels (family, friends or over the counter in stores), compared to only 8 percent in urban areas. Overall, only 24 percent and 12 percent of remittance senders and receivers, respectively, channel remittance funds through an account at a formal financial institution. Mobile accounts are used by only 12 percent of senders and 8 percent of receivers. For example, 39.5 percent of respondents with a mobile account still use Money Transfer Operators (MTO) to send the funds, whereas 18 percent of respondents with a bank account use MTOs. Using the mobile account for sending / receiving funds is more frequently done in urban areas, where mobile account penetration is higher.

While most people appear to be satisfied with the quality of the remittance transfer services received, the level of satisfaction is lower for recipients of remittances. In terms of sending remittances, the

Figure 4: Remittance Trends (by gender, urban/rural, income, zone and strata



surveyed adults were the most satisfied using informal channels and sending funds through their mobile accounts (see Figure 6). In terms of receiving remittances, MTOs are ranked first in satisfaction (84 percent) followed

by informal channels (79 percent), mobile accounts (78 percent) and banks/MFIs (76 percent). The level of satisfaction with each service provider will be discussed in more depth in Chapter 3.1.

Figure 5: Remittance Channels (by gender and urban/rural)

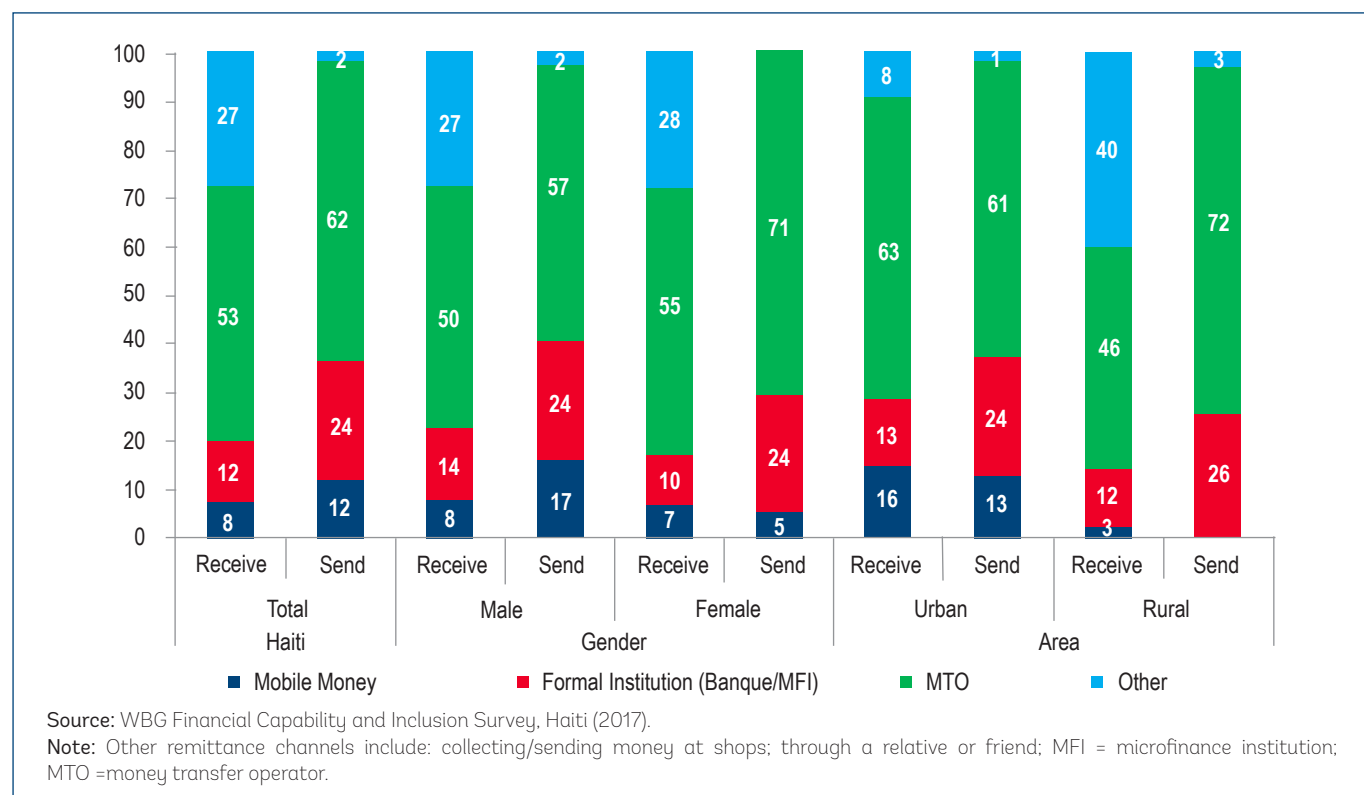
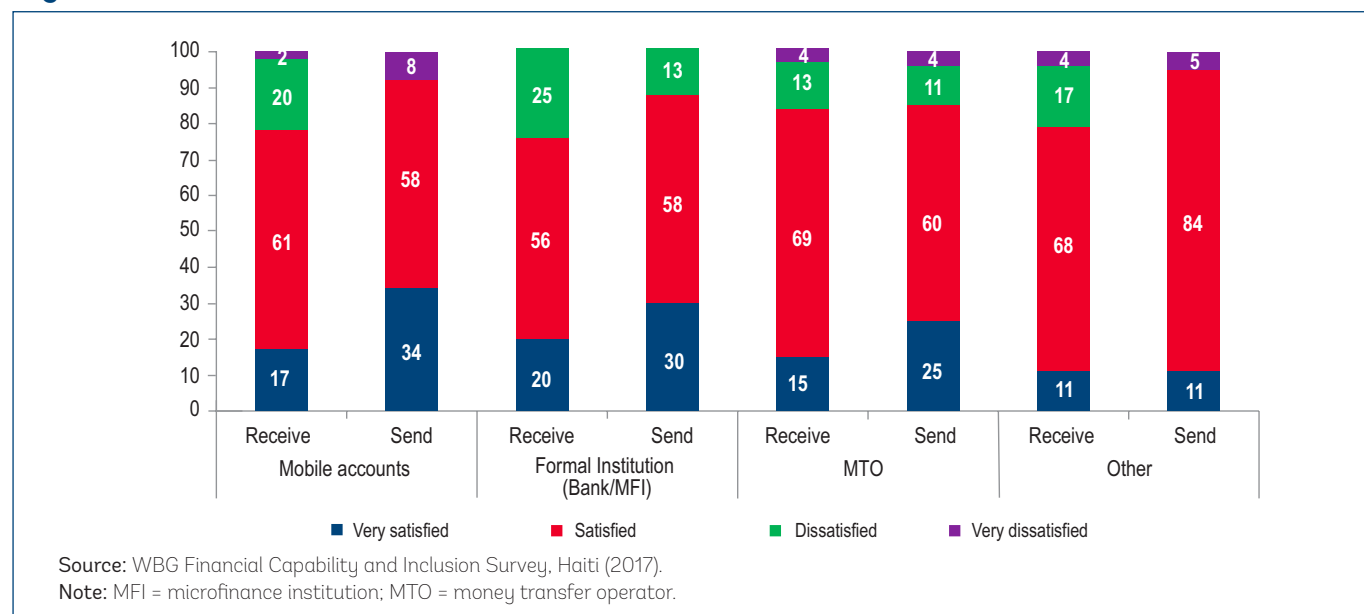


Figure 6: Client Satisfaction with Remittance Services



2.3.3 Usage of Loan Products

Almost half of the adult population in Haiti currently borrows money. Borrowing money is particularly prevalent in rural and non-connected areas, where 64 and 62 percent of adults, respectively, reveal having a loan (compared to 28 percent in urban areas and 24 percent in Port-au-Prince). As shown in Figure 7, the data also suggests strong differences between income levels, with the incidence of borrowing decreasing steadily from the lowest income quartile (61 percent currently borrow) to the highest income quartile (27 percent currently borrow). In line with this, regions with higher poverty levels and a more rural population have a higher share of adults with debt.

Debt levels appear elevated, particularly among people living in rural areas. Overall, 43 percent of Haitian adults have debt equivalent to more than 2 months of income. Twenty-six percent of Haitian adults report having debt levels equivalent to 2-12 months of income, and another 17 percent have debt equivalent to more than 12 months of income. Higher debt levels are particularly widespread in rural and non-connected areas, as well as

among the lowest income quartile, where incomes are tighter and more volatile. For those population groups, a staggering 37 percent estimate having debt equivalent to 2-12 months of income, and 23 percent have debt equivalent to over 12 months of income. Despite these elevated debt levels, no respondent indicated having borrowed more than he/she could afford, and few people feel that they are at their limit with regard to borrowing (see Figure 8). Almost all are confident that they could borrow more if needed.

The high demand for debt is mostly met through informal credit from neighbors and friends, self-help groups and/or solidarity groups. Figure 9 shows that 36 percent of the population reveals having such an informal loan. The usage of informal sources of borrowing is particularly high in rural areas (58 percent compared to 16 percent in urban areas, and 9 percent for Port-au-Prince). Furthermore, the use of informal credit is also high for people in the lowest income quartile (with 57.8 percent compared to 15.8 percent for the highest income quartile). Women show a slightly lower tendency to borrow.

Figure 7: Level of Debt among Haitian Adults

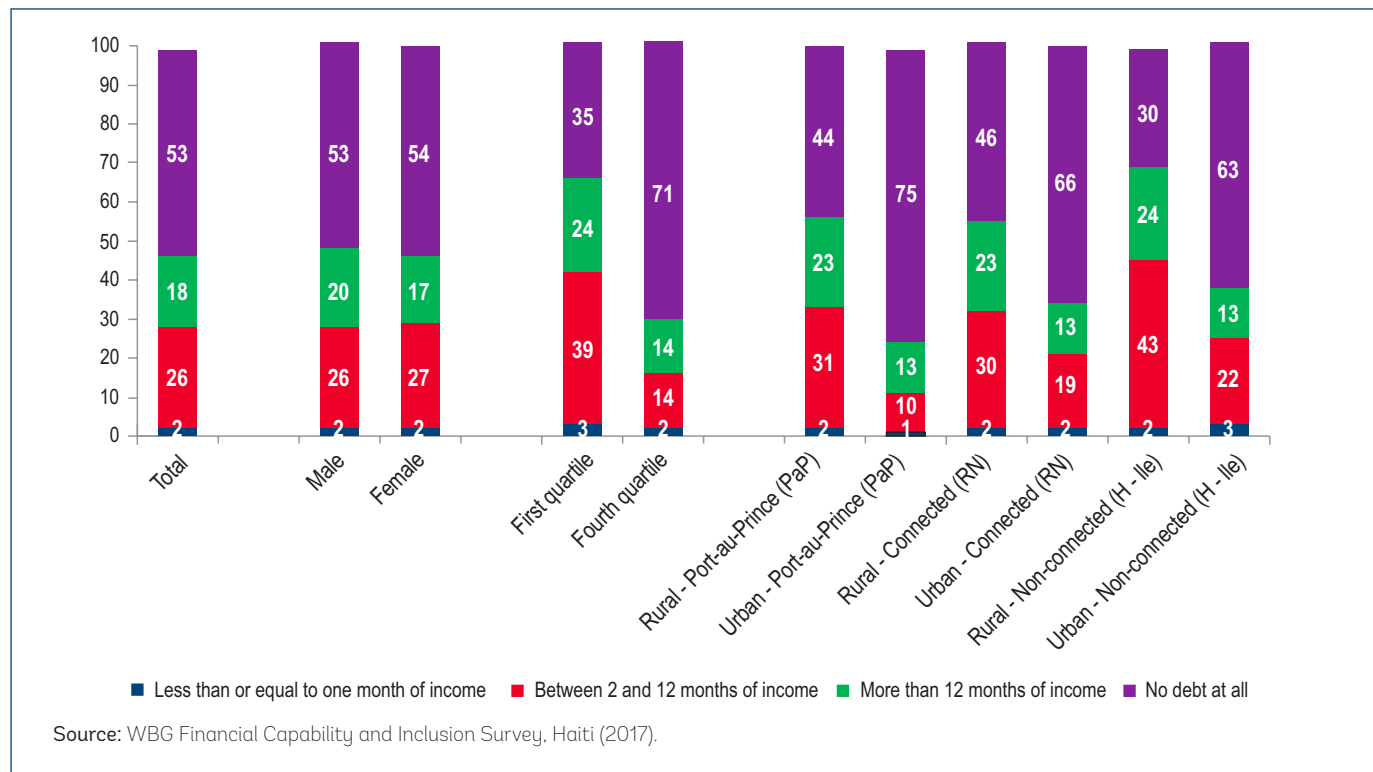


Figure 8: Level of Confidence in Repaying Debts (% of respondents with debt)

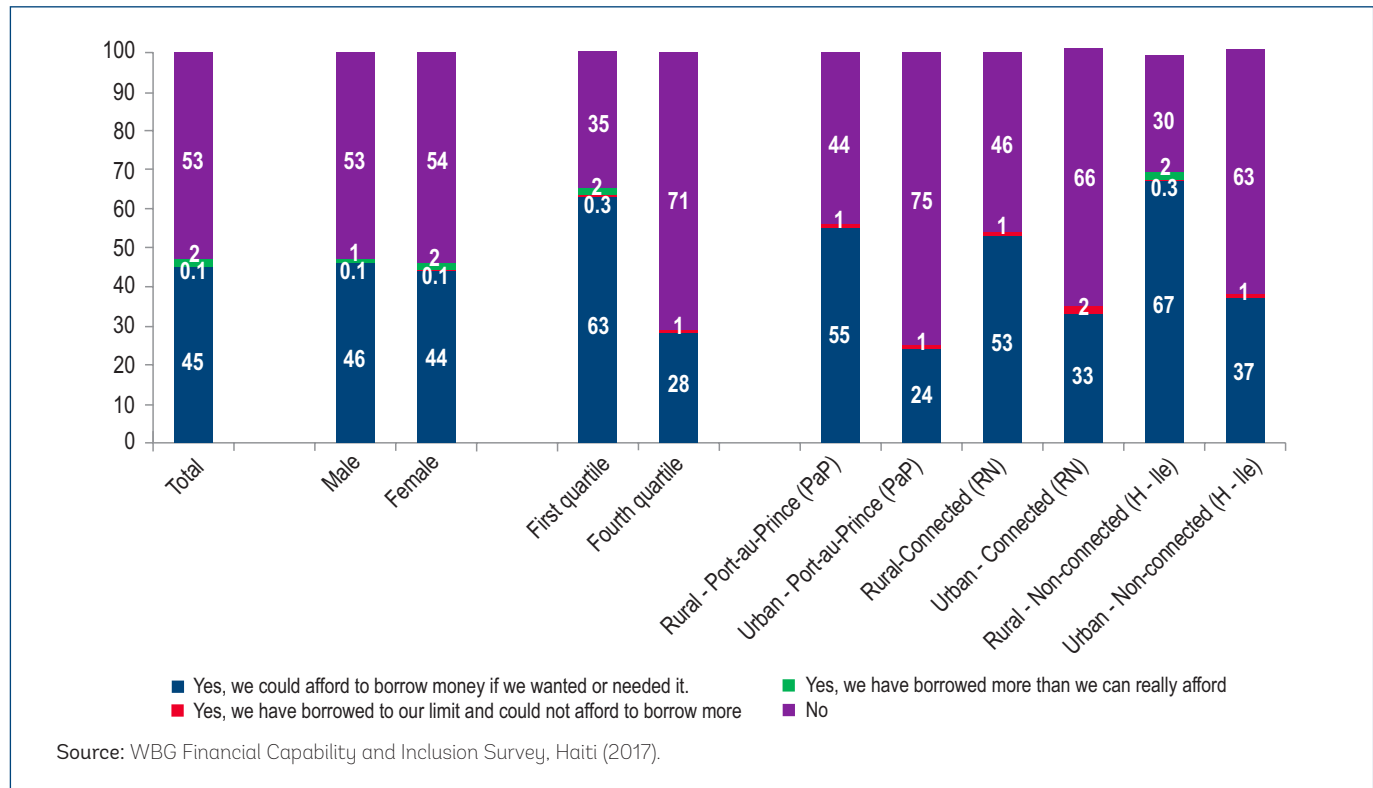
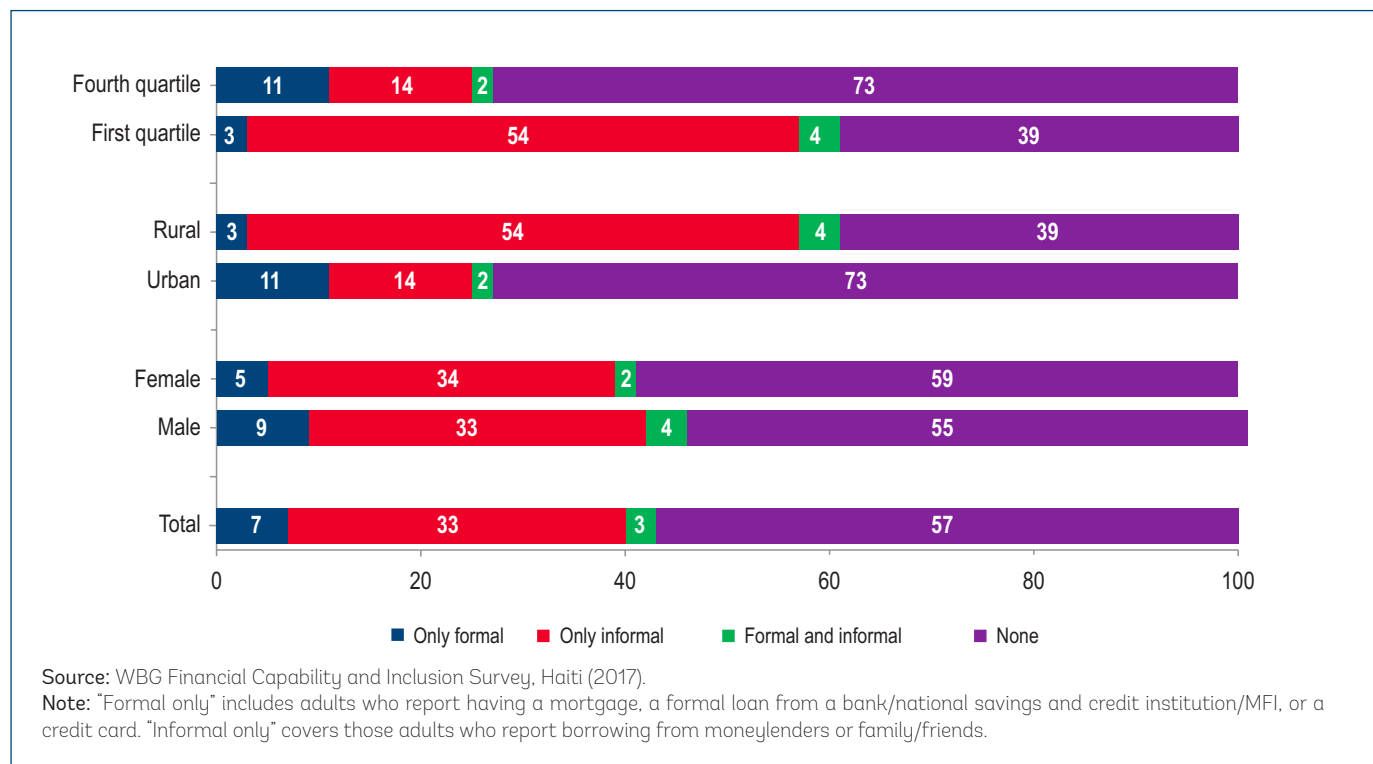


Figure 9: Debt Forms and Levels among Haitian Adults



Loan products offered by formal financial institutions are only used by around 10 percent of the population, with some visible segmentation by population groups and locations. As described in Annex A, 4.7 percent of the population currently have a loan at a bank, 2.8 percent have a mortgage and 3.5 percent have a loan from a microfinance institution or financial cooperative. Furthermore, 2.8 percent of the population has a credit card. In accordance with the stronger presence of banks in urban areas, loans and mortgages are predominantly used in urban areas and by people with higher levels of income. On the other hand, loans from microfinance institutions and financial cooperatives have a stronger prevalence in rural areas and among people with lower income levels. Around 30 percent of the borrowers using formal institutions reveal having more than one credit (mostly 2 credits) — particularly among those with a credit card who also have a formal loan (50 percent of respondents). Some overlap between loans from microfinance institutions and loans / mortgages from banks is also evident (25 percent of respondents reported having a microloan and a bank loan).

The analysis suggests a large unmet need and potential for formal credit in Haiti. As will be discussed in Chapter 3, the lack of uptake is in part due to

a lack of knowledge and understanding about available products, as well as gaps in overall financial capabilities. However, the analysis also points to supply-side gaps, particularly in rural and non-connected areas.

2.3.4 Other Financial Products

Only people from the highest income quartile living in Port-au-Prince use investment products. Overall, 0.3 percent of the population confirms having an investment product.

The share of the population with insurance products is also small. Only 2.7 percent of the population has a health or life insurance product, and 3 percent have a general insurance policy covering their car, household items or other possessions. Regardless of type of insurance, the uptake of insurance products is highest in Port-au-Prince and other urban connected areas (4.4 percent and 7.2 percent, respectively). Regarding geographic coverage, respondents in the departments of *Ouest*, *Sud*, and *L'Artibonite* more frequently report having a life or health insurance policy, whereas general insurance was comparatively frequently mentioned in the departments of *Centre*, *Nord-Est* and *Ouest*.



3. Financial Capability

Financial capability, as defined by the World Bank Group (WBG) in this report, is the capacity to act in one's best financial interest, given the socioeconomic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behavior of consumers with respect to understanding, selecting, and using financial services that fit their needs (World Bank 2013a).

3.1 Knowledge of and Experience with Financial Service Providers

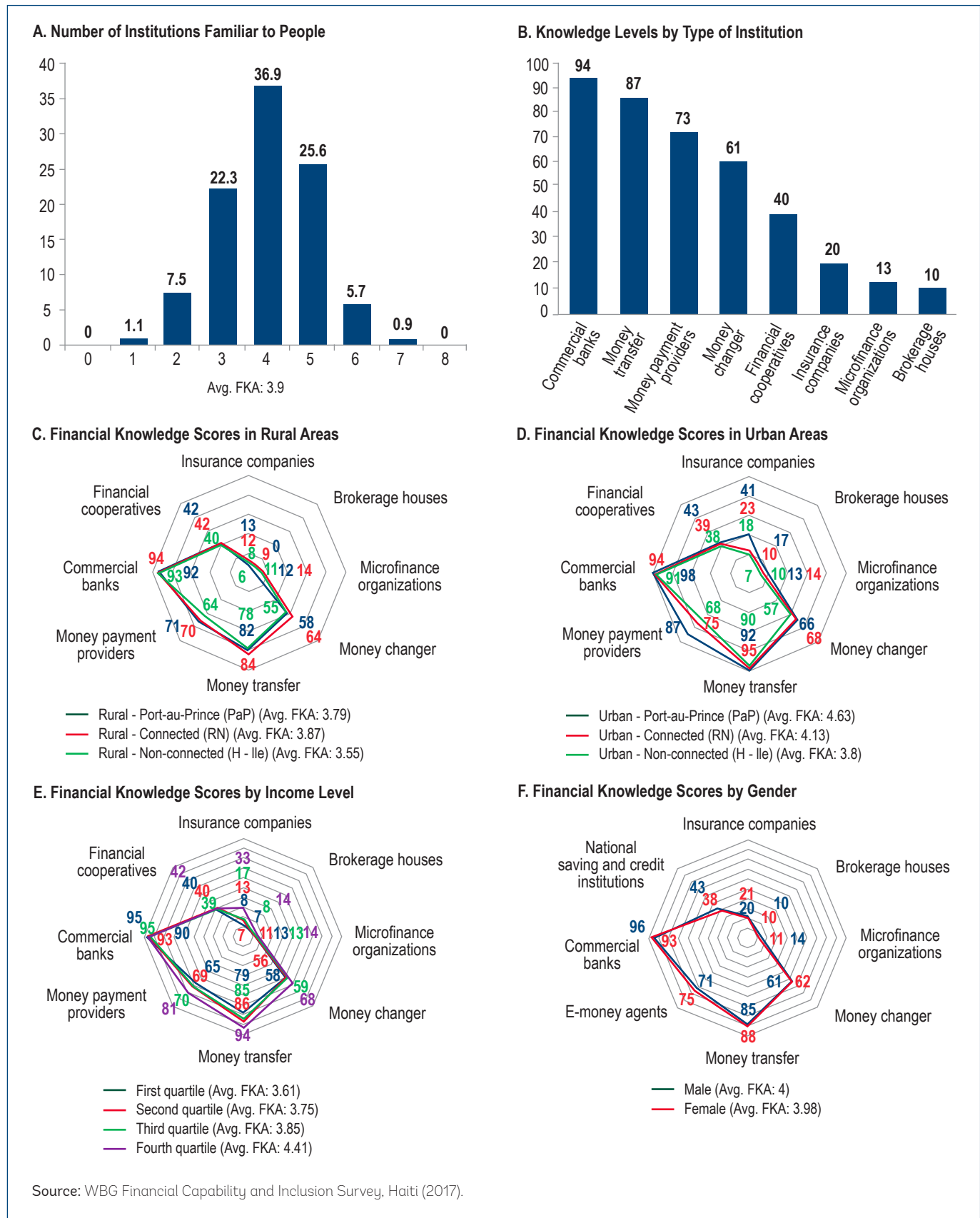
Adequate knowledge of and attitudes about financial service providers and their products are important elements of financial capability. If people do not know about service providers or have misperceptions about what to expect, they are more likely to exclude themselves from using the available services or to make inadequate choices. To gauge the knowledge and previous experience of the population for each type of institution, the survey sought feedback about: (i) the population's self-reported awareness of individual service providers and their products; (ii) whether the people had already tried a service of a provider; and (iii) the level of satisfaction with the received service. Furthermore, the survey asked remittance receivers and senders, who reported being dissatisfied with the services they received, about the reasons for their dissatisfaction. Based on the survey results, a financial institution awareness index was constructed, in which the knowledge of providers was summarized for different segments of the population.

This index ranges from 0 to 8, with 0 for those respondents who were not familiar with any service provider and 8 for those who were familiar with all of them. The results for each financial service provider are discussed separately.

The population's awareness about service providers varies greatly, as will be described in more detail for each type of service provider. People are mostly aware of commercial banks, MTOs and mobile payment service providers.¹¹ However, they lack knowledge about financial cooperatives and microfinance institutions (Figure 10). Furthermore, the feedback received about mobile payment providers indicates gaps in understanding how to operate the mobile accounts. These are important knowledge gaps because they relate to those service providers who have a retail focus and who target the currently excluded segments of the population, particularly those with a lower income living in peri-urban and rural areas. People who have a higher awareness of providers are predominantly the urban rich residing in Port-au-Prince.

¹¹ Service providers include those who offer mobile accounts.

Figure 10: Self-reported Knowledge of Financial Institutions and Products



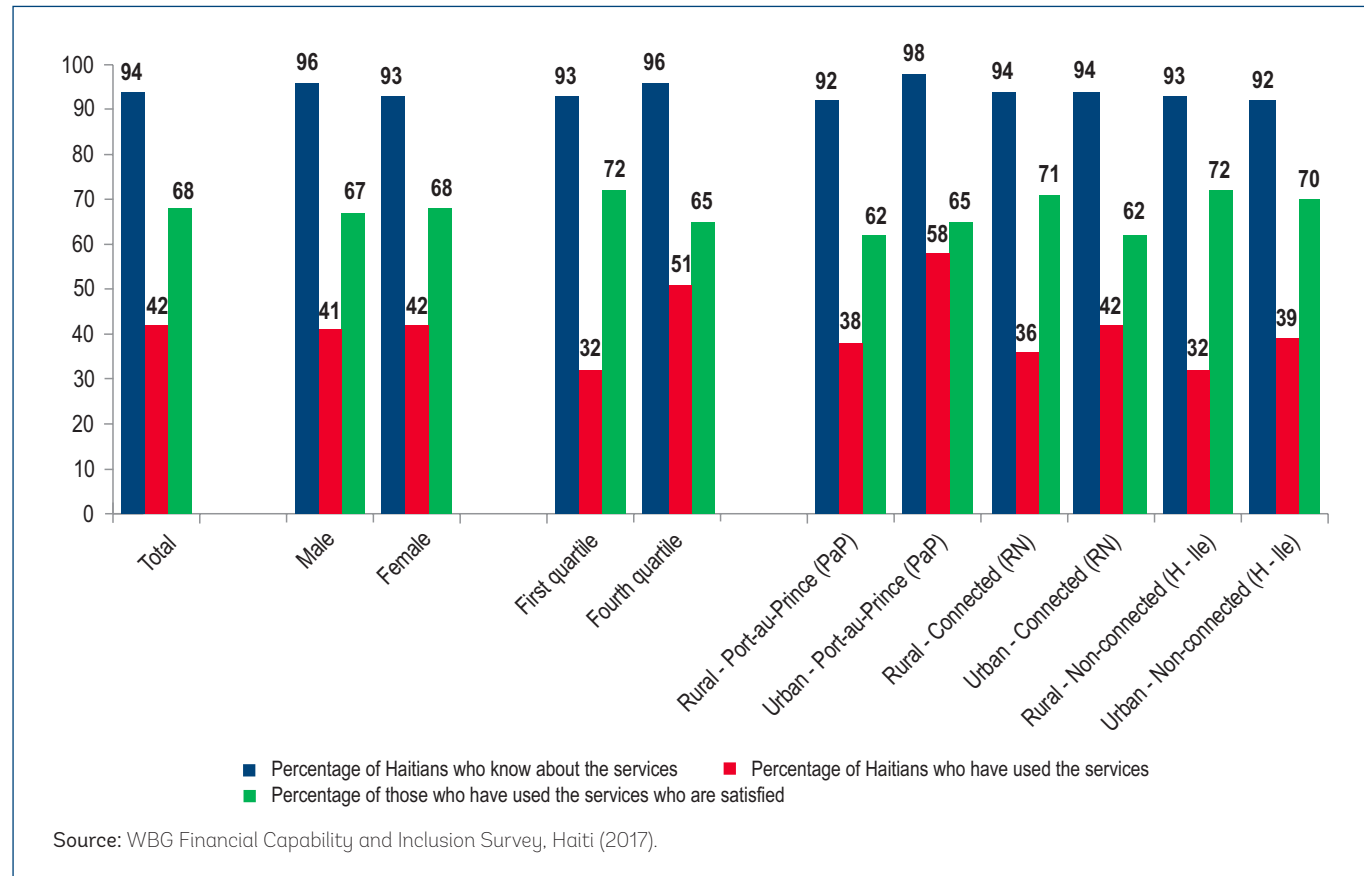
Although two-thirds of users report being satisfied with the services of their service providers, the survey reveals important shortcomings in terms of quality of service, liquidity management and available information. Satisfaction is the lowest for MFIs and MTOs (at 51 percent and 59 percent, respectively), whereas satisfaction with financial cooperatives and insurance companies both reach 90+ percent. Fewer people in urban areas and with a higher incomes express being satisfied, regardless of service provider. As shown in various sections of the survey, these are segments of the population that have higher financial capabilities who make greater use of financial services. As such, they are likely to have more exposure to services and have more knowledge to compare and judge the services received. The feedback from recipients/senders of remittances also reveals issues in the quality of services, indicating a need to improve customer service, increase transparency of fees and costs, and enhance the product design. Furthermore, the feedback also points to issues with availability of liquidity (cash) at service points and that some consider the distance to the next service

an issue (lack of geographic proximity). As concluded in Chapter 2, the low levels of satisfaction point to a need to revisit the services offered, as well as the quality of service delivery by the banks, MFIs and MTOs. Furthermore, the data shows that people need more guidance and support from mobile payment service providers to feel comfortable making transactions from their mobile accounts.

3.1.1 Commercial Banks

Most people are aware of financial services offered by banks, but this does not necessarily translate into an uptake of banking services. Figure 11 shows that 94 percent of the population is aware of commercial banks and their services. This high level of awareness only deviates slightly by location, gender, income, and education level. However, only 44 percent of Haitians indicate having already used a banking service. The uptake increases with level of income and urban location / connectivity to roads. However, it remains low overall.

Figure 11: Awareness of and Experience with Financial Services Offered by Commercial Banks



Regarding satisfaction with the received services, slightly more than two-thirds of the users of bank products were satisfied, although feedback highlighted dissatisfaction with the bank’s non-transparent nature or high fees. The level of satisfaction is lower among people in urban areas, as well as those with a higher level of income and education. Regarding remittances, 13 percent of senders and 25 percent of receivers who use banks for transfers report being unsatisfied (Figure 12). They mostly complain about the lack of transparent fees. Further research should be carried out to assess this in more depth, particularly because the population segments that form the core banking clients are among the least satisfied.

3.1.2 Financial Cooperatives

There is a broad gap in the awareness about financial cooperatives and their services; however, those who are aware of financial cooperatives are more likely to try their services. Only 40 percent of the population is aware of the services offered by financial cooperatives. The gap in awareness does not fluctuate much in terms of location, gender, income, and education level. Of those who report being aware of financial cooperatives, 60 percent already used their services (compared to 44 percent for banks). In particular, people with a lower income and living in rural areas show a much higher incidence of having already used services from financial cooperatives.

People who used financial cooperatives report being satisfied with the experience. Figure 13 shows that the level of satisfaction with services used is 91 percent, regardless of gender, location, income and level of connectivity. This is the highest level of satisfaction with any service provider in Haiti.

3.1.3 Microfinance Institutions

Most Haitians do not know about microfinance institutions, and few have experience using them. Figure 14 shows that only 13 percent of the population reveals being aware of microfinance institutions, with the level of awareness deviating slightly in terms of gender and level of connectedness. Of those with awareness, 30 percent had already used a service from microfinance institutions (that is, 4 percent in terms of Haitian adults). As microfinance institutions focus on providing credit, the comparatively low level of uptake of services could in part be due to the much more limited range of financial services offered.

The reported level of satisfaction with the services offered by microfinance institutions is the lowest among all service providers. Only 51 percent of users report having been satisfied, with satisfaction higher among female adults, those in the lowest income quartile, and adults in non-connected areas. Regarding MFI remittance services, the few remittance receivers or senders who report having used microfinance institutions

Figure 12: Client Reasons for Dissatisfaction with Bank Remittance Services

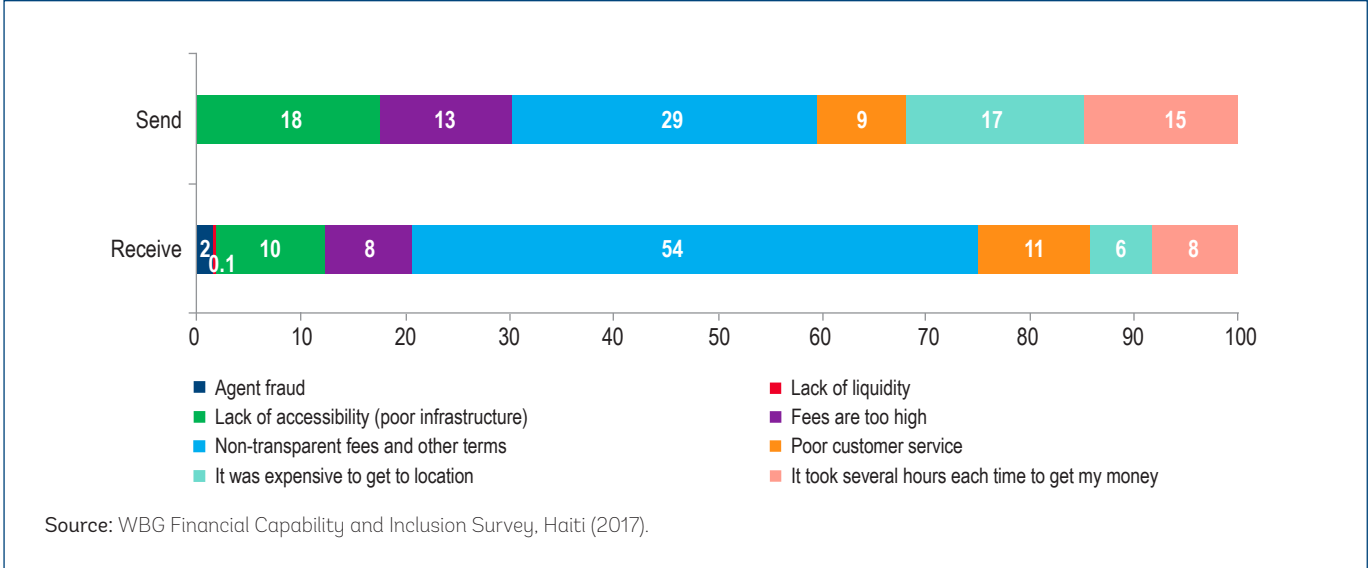


Figure 13: Awareness and Experience with Financial Services Offered by Financial Cooperatives

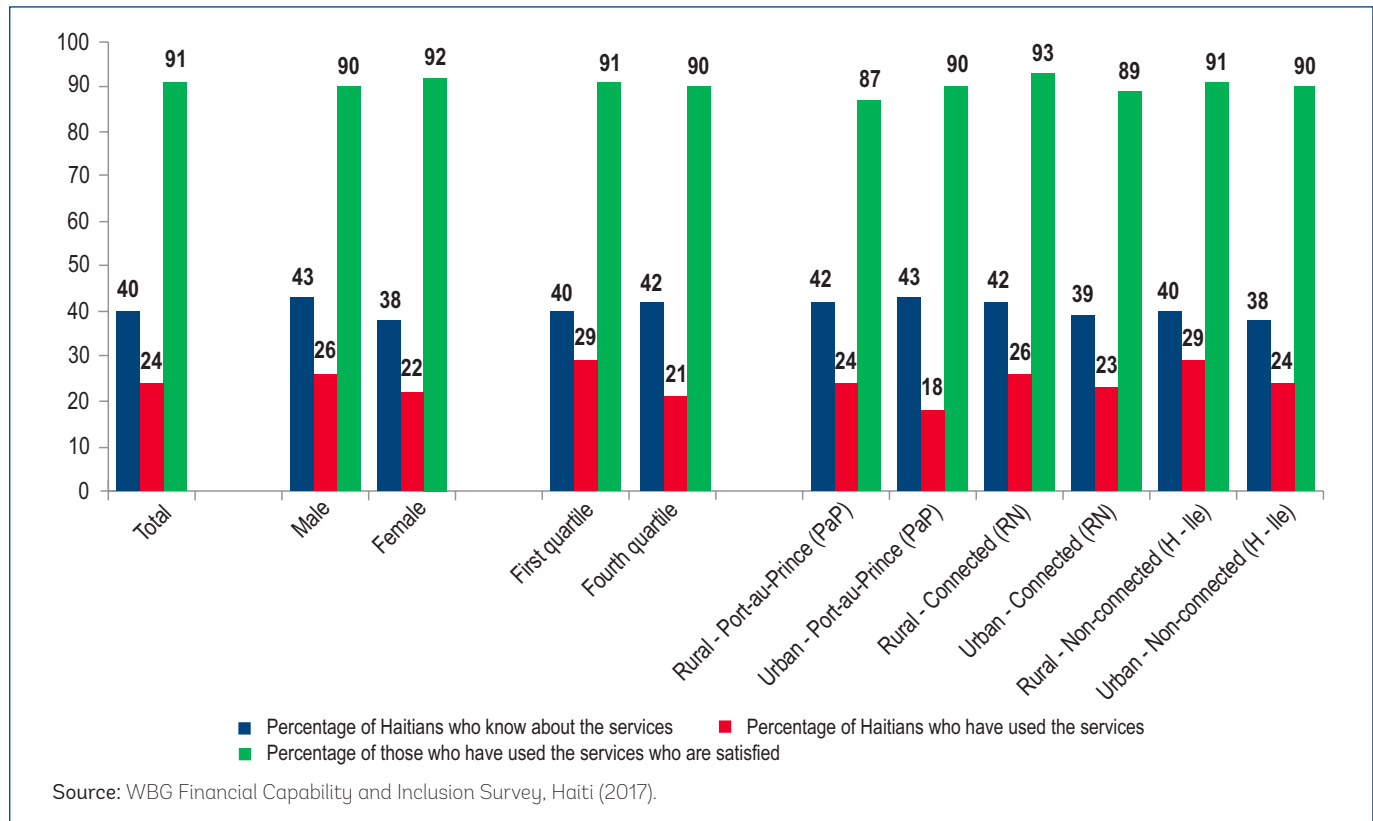
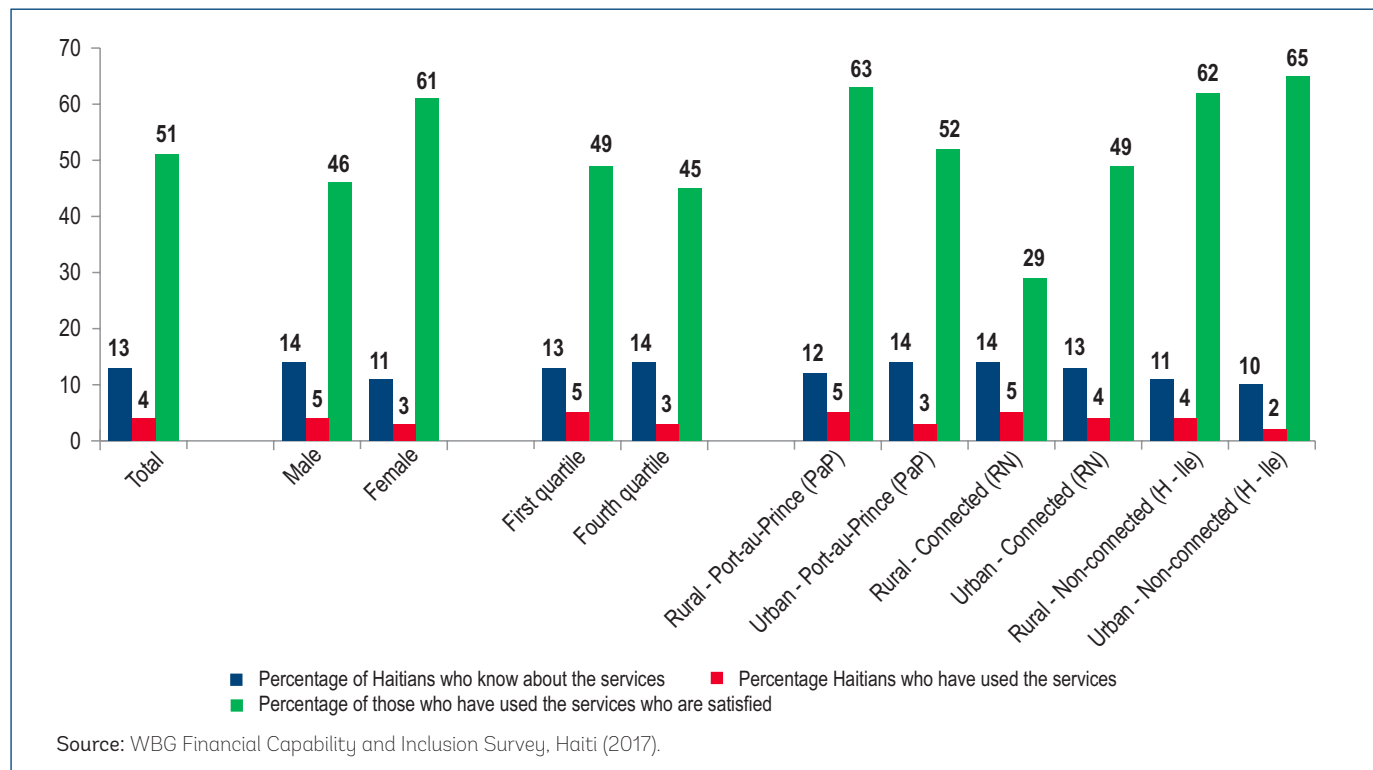


Figure 14: Awareness of and Experience with Financial Services Offered by MFIs



mostly point to problems related to the lack of pricing transparency.

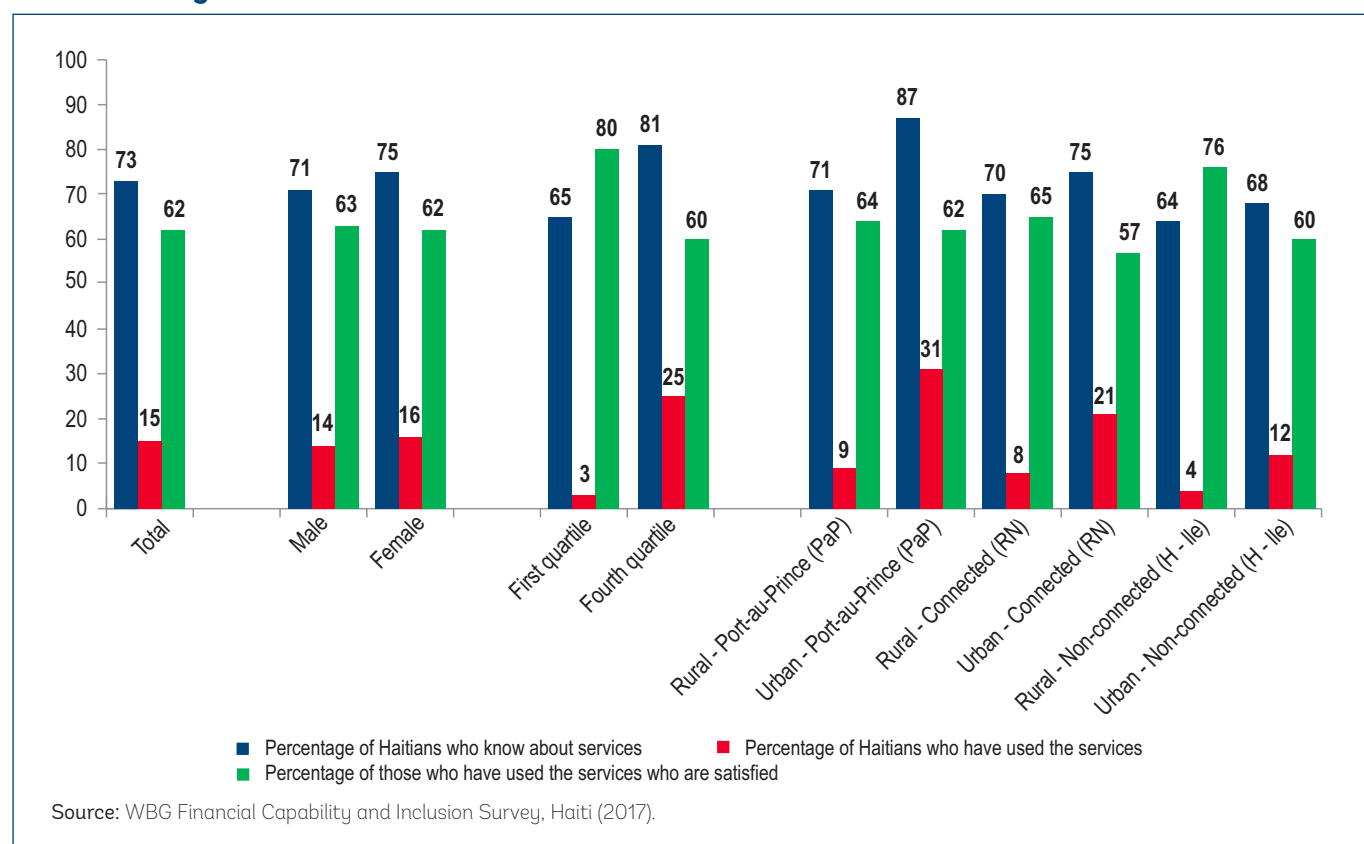
3.1.4 Mobile Payment Providers

Although mobile accounts are a fairly recent development in Haiti, many people are already aware of mobile payment providers and their services. However, few report having used them. Figure 15 shows that 73 percent of the population reports knowing about mobile money providers and their services, with a higher level of awareness in urban areas and people with a higher income level. Nevertheless, to date, only 15 percent have used these types of services. These are mostly Haitian adults living in urban areas, and Haitians with a higher level of income. Thus, the findings indicate that mobile accounts are used to a larger extent by those clients who are also potential clients of other financial service providers.¹²

The subdued uptake can in part be explained by the lower level of satisfaction among users, who point to supply-side problems, as well as limited attention to client needs and capabilities. Overall, only 62 percent of Haitian adults who had already used the services of mobile service providers report having been satisfied with the service (the third lowest among all service providers). This is similar to the results for MFIs, where the level of satisfaction is higher in rural areas and among people with lower income levels.

The feedback received from remittance senders sheds some light on underlying problems, particularly the quality of service. Remittance senders mostly complain about the complexity of transactions, whereas remittance receivers highlight gaps in the quality of customer service. Figure 16 shows that two-thirds of the complaints of remittance senders are related to difficulties in using the menu (“menu in English”,

Figure 15: Awareness of and Experience with Financial Services Offered by Mobile Money Providers



¹² See for example the development of mobile accounts in Kenya and Paraguay.

“menu too complex”, or “send to wrong number”). For receivers of remittances, the biggest concern is the lack of customer service (including inadequately trained agents). The feedback indicates that receivers of remittances rely to a large extent on agents to help them navigate the mobile account platform. On the other hand, remittance senders, who use mobile accounts for the transfer are more likely to try to carry out the transaction without external support. However, they find the menus of mobile accounts difficult to navigate, and they would require training and guidance to learn how to conduct a financial transaction using their mobile account. Finally, receivers also mentioned elevated fees as an issue, as well as issues with the reliability of the service (“lack of liquidity of agents”, “service down times”).

3.1.5 Money Transfer Operators

Haitian adults have the most knowledge and experience with the services provided by money transfer operators. Figure 17 shows that 87 percent of adults know about money transfer services, and 71 percent have experience in using these services. There is no difference between men and women, but fewer people in rural areas and in the lower income quartile report having already used a MTO.

The level of satisfaction with the services provided by MTOs appears low. Overall, less than 60 percent of people who have used MTOs reveal being satisfied with the services, which is the second lowest for all financial service providers. In urban areas and for people with higher incomes, the level of satisfaction drops further to around 50 percent.

Remittance senders and receivers confirm the low level of satisfaction with MTO services. Around 15 percent of senders and 17 percent of recipients report not being satisfied. Senders largely complain about limitations on transfer amounts, but also mention the lack of accessibility in getting to the provider, the high and non-transparent fees, as well as time-consuming transactions. For remittance receivers, the biggest complaint is the lack of liquidity of agents (Figure 18). However, people also complained about the poor and costly geographic accessibility of services, the time spent in obtaining their money, as well as the lack of qualified and trained staff. Finally, 5 recipients and 3 senders also mentioned problems with being able to identify themselves, as they did not have the required national identification document.

Figure 16: Client-reported Difficulties with Mobile Money Remittances Services

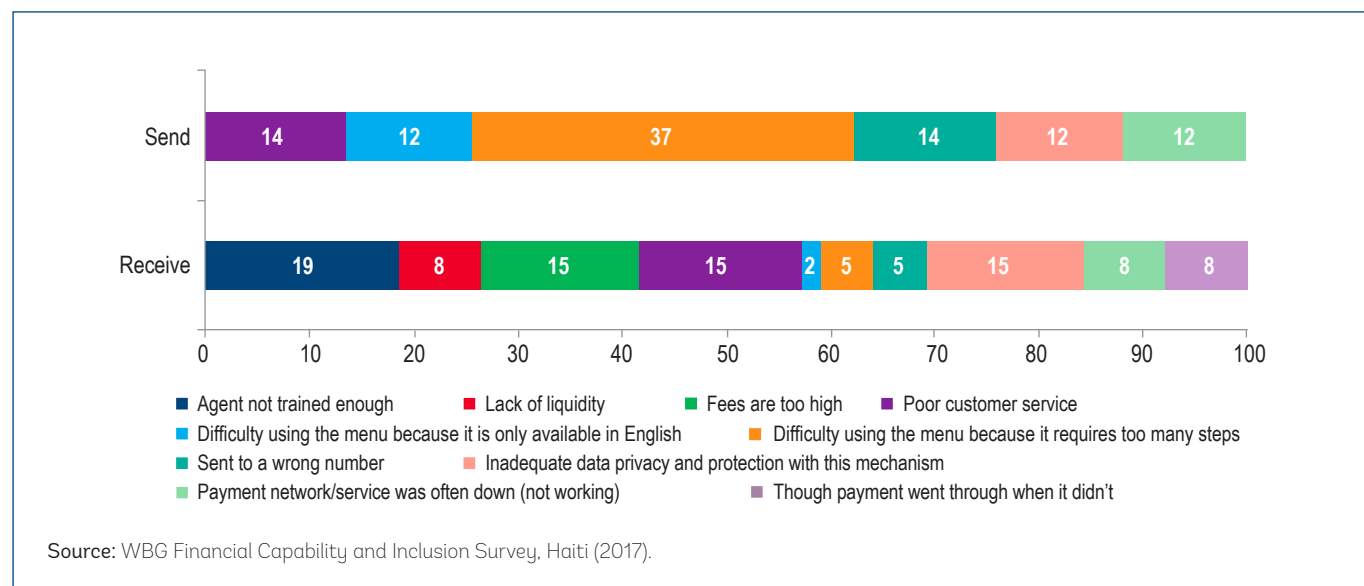


Figure 17: Awareness of and Experience with Financial Services Offered by Money Transfer Operators

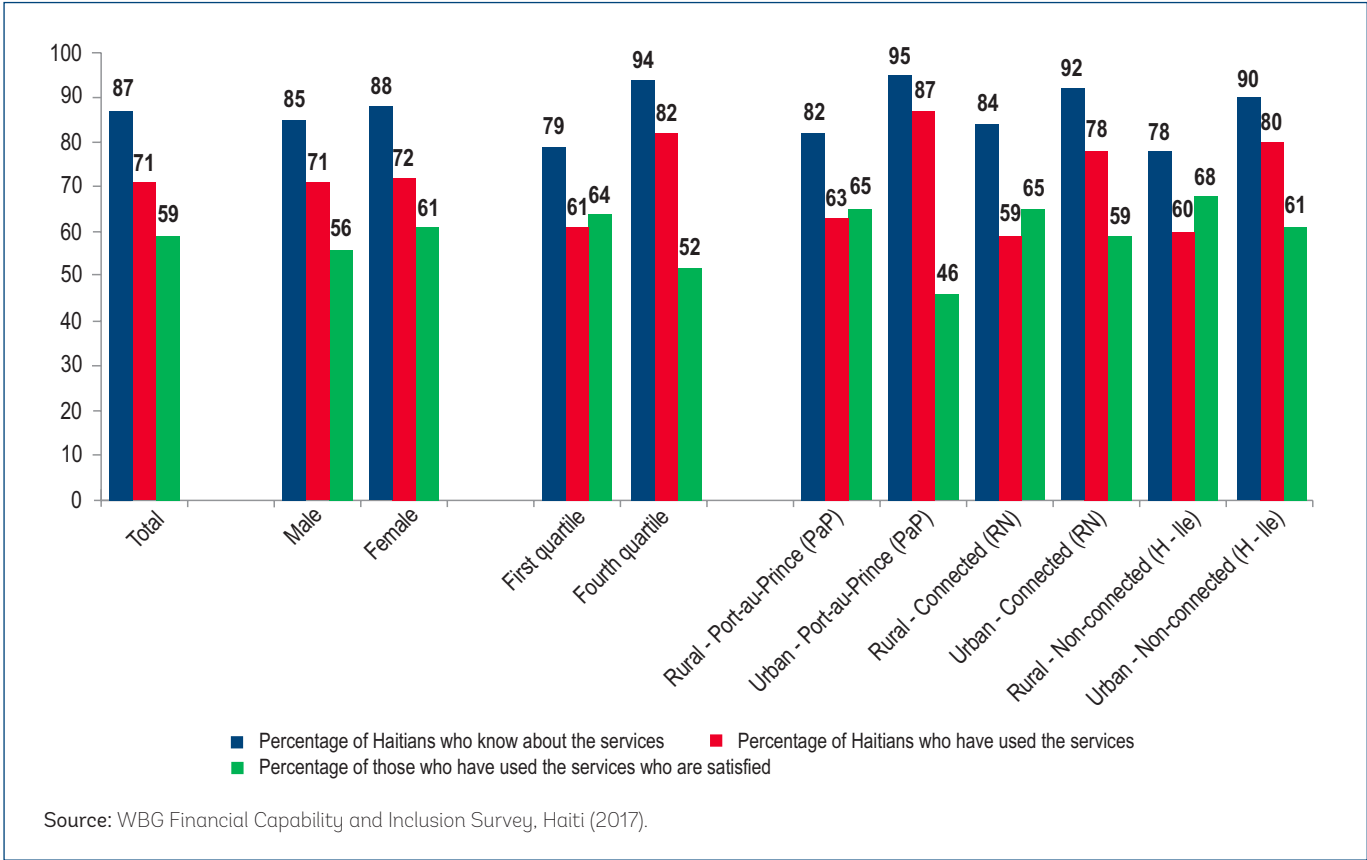
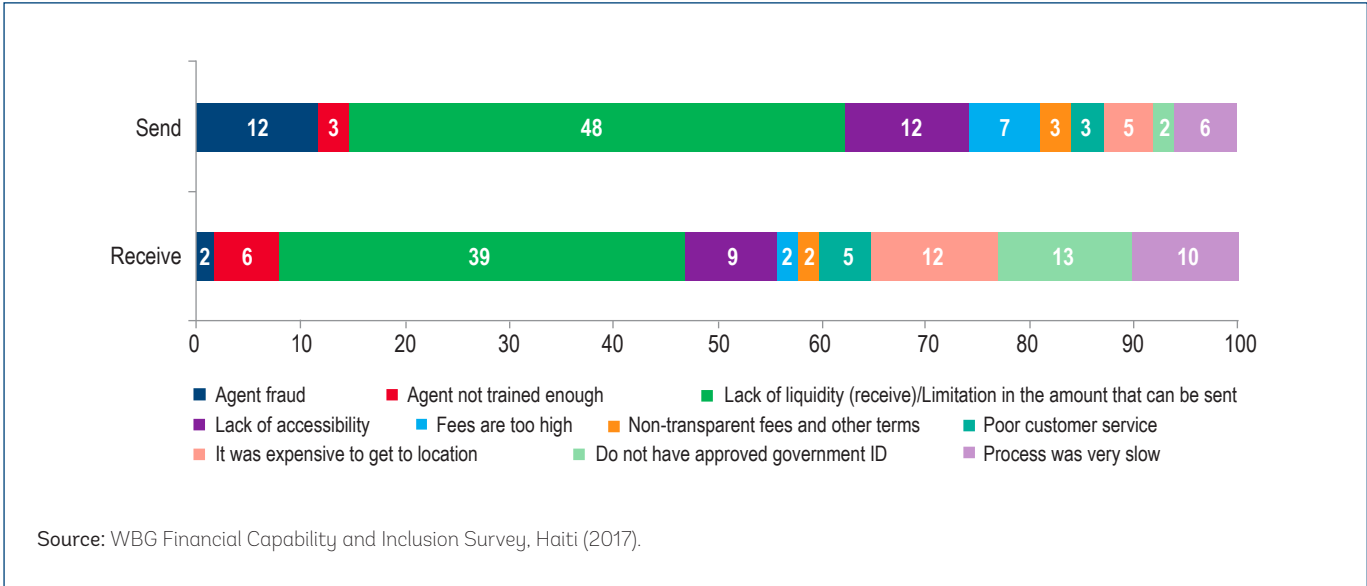


Figure 18: Client-reported Difficulties with Money Transfer Operators



3.1.6 Insurance Companies and Brokerage Houses

The population in Haiti has limited knowledge about insurance companies and brokerage houses. Only 20 percent of the population are aware of services offered by insurance companies. Fewer still — 10 percent — are aware of services offered by brokerage houses. People who know and use insurance companies mainly live in urban areas (30 percent are aware compared to 9 percent in rural areas) and belong to the higher income quartile (see Annex B). In terms of uptake, 23 percent of Haitian adults in urban areas have some form of insurance, compared to 4 percent in rural areas. The uptake of brokerage house services is more limited, and basically consists of richer, urban people living in Port-au-Prince.

Haitians who have used the services of insurance companies and brokerage houses are mostly satisfied. Satisfaction with the insurance services is generally high, ranging around 90 percent. Likewise, the overall level of satisfaction with the provided services of brokerage houses is over 80 percent.

3.2 Knowledge of Financial Concepts

People need to have a good knowledge of financial concepts to make informed financial decisions and select the most appropriate financial product. Having sufficient knowledge of financial concepts and basic numeric skills is important for assessing product information and understanding what type of product is the most suitable. Furthermore, adequate financial skills allow for the comparison of costs across service providers, as well as the ability to assess potential risks. Therefore, expanding financial inclusion in a sustainable way should go hand-in-hand with ascertaining solid financial skill levels.

To assess respondents' financial knowledge and numeric skills, a number of questions were included in the 2017 Haiti Financial Capability Survey. On the one hand, survey participants were asked about their familiarity with individual financial concepts. The answers reflected their self-perceived knowledge of concepts. On the other hand, seven questions were asked to test their de facto knowledge of concepts such as interest rates, inflation, compound interest, risk diversification, and insurance (see Box 1). For the seven test questions,

a financial literacy index was then obtained based on the number of correct responses provided by each survey participant. This index ranges from 0 to 7, whereby 0 indicates the respondents who incorrectly answered all the questions, whereas a score of 7 indicates survey participants who answered all questions correctly. The individual results are discussed in the following paragraphs and compared with international experience.

Haitian adults generally perceive to know about interest and exchange rates, but people in rural areas and those with lower incomes admit that they are not familiar with concepts such as insurance, inflation and shares. Figure 19 shows that 96 percent of adults have heard about interest rates and believe to understand what they mean. This level of perceived knowledge was reported across gender, income levels and geographic locations. Most people also indicate having heard and understood about exchange rates, but this awareness is higher in urban areas and among people with higher incomes (for example, in urban areas 96 percent were aware compared to 82 percent in rural areas). However, only 39 percent of people had heard about inflation, of which 66 percent claim to understand its meaning. Again, the self-reported awareness and understanding of inflation is much lower in rural areas and among people with a lower income level, but it does not deviate much in terms of gender. However, there is a substantial gap in awareness and knowledge about inflation among the younger generation. Only 34 percent of those below the age of 35 have heard about inflation and only 61 percent of those claim to understand the concept (compared to 55 percent for people above 54 years old, of which 80 percent claim to understand the concept).

On average, Haitian adults were only able to correctly answer 3.6 of the 7 financial literacy questions. Figure 20A shows that 52.8 percent of respondents correctly answered 3 or 4 questions. Only 1.7 percent of the adults gave the correct answers to all the questions, whereas 0.7 percent did not answer any question correctly. Furthermore, Figure 20B shows that the majority of Haitian adults are able to perform simple division (91 percent) and understand the concept of inflation (61 percent) and the purpose of insurance (59 percent). However, they struggle with calculating simple interest (57 percent provided an incorrect answer), computing compound interest (75 percent provided incorrect wrong answers) and as well as comparing bargains (70 percent).

Box 1. Financial Literacy Quiz

Question 1. Imagine that five brothers are given a gift of 10,000 HTG. If the brothers have to divide the money equally, how much would each one receive?

Question 2. Now, imagine that the five brothers have to wait one year to receive their part of the 10,000 HTG and inflation stays at 10 percent. In one year's time, will they be able to buy:

- More with their share of money than they could today
- The same amount
- Less than they could buy today
- It depends on the types of things that they want to buy (do not read out this option)

Question 3. Suppose you place 10,000 HTG into a savings account with a guaranteed interest rate of 2 percent per year. You do not make any further payments into this account, and you do not withdraw any money. How much would be in the account at the end of the first year, corresponding to the interest payment made?

Question 4. How much would be in the account at the end of five years? Would it be:

- More than 11,000 HTG
- Exactly 11,000 HTG
- Less than 11,000 HTG
- It is impossible to tell from the information given

Question 5. Let's assume that you saw a TV set of the same model on sale in two different shops. The initial retail price you saw was 5,000 HTG. One shop offered a discount of 1,000 HTG, whereas the other one offered a 10 percent discount. Which one is a better bargain, a discount of 1,000 HTG or 10 percent?

- A discount of 1,000 HTG
- They are the same
- A 10 percent discount

Question 6. Which of the following statements best describes the primary purpose of insurance products?

- To accumulate savings
- To protect against risks
- To make payments or send money
- Other

Question 7. Suppose you have money to invest. Is it safer to buy stocks of just one company or to buy stocks of many companies?

- Buy stocks of one company
- Buy stocks of many companies.

Source: WBG Financial Capability Survey, Haiti (2017).

Figure 19: Perceived Knowledge of Financial Concepts and Products

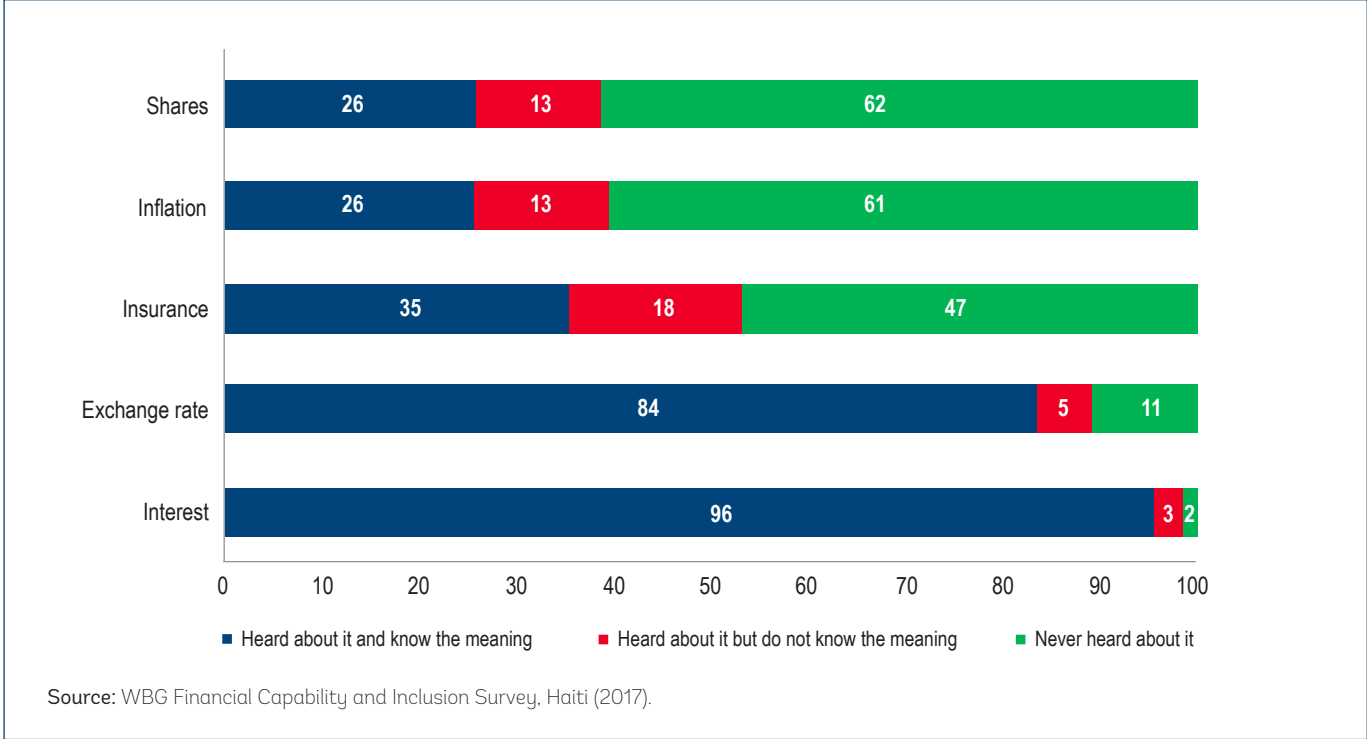
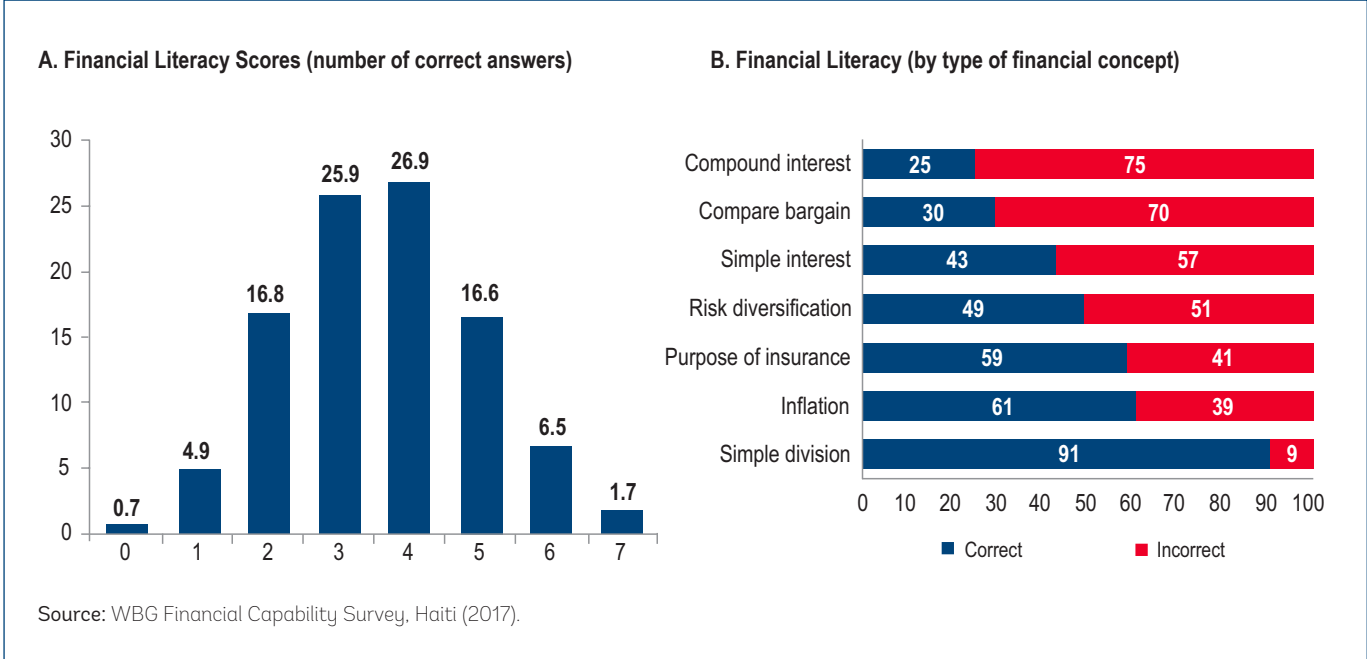


Figure 20: Financial Literacy Distribution (by number of correct answers and by financial concept)



The results of the financial literacy quiz also reveal that many people overestimate their true knowledge. Figure 21 shows that the results of the self-reported awareness of concepts are not consistent with the actual results of the financial literacy test. For instance, around 54 percent of respondents who did not correctly answer the question regarding interest rate stated that they knew what an interest rate is. Likewise, less than half of those that claimed to understand the meaning of insurance were able to correctly describe the purpose of an insurance in the quiz, whereas 40 percent of those that claimed to not know about insurance happened to answer the question correctly. Regarding inflation, more people were able to correctly answer the question in the quiz than had previously reported knowing and understanding the concept (61 percent compared to 39 percent).

Although Haiti is not the only country with low financial literacy scores, the results nevertheless reveal substantial knowledge gaps of financial concepts that make it more difficult for people to choose the right product and shield themselves against risks. Table 3 shows the financial literacy results for Haiti are generally comparable with those of other countries in the region, as well as with developing countries for which data is available. Although Haitians generally seem to have good numeric skills and can compute simple calculations, the noted lack of understanding of simple interest will make it more difficult for people to compare financial products and determine whether a certain financial product might be the better solution for them. These are important financial capability gaps that need to be addressed.

Figure 21: Reported versus Actual Financial Literacy

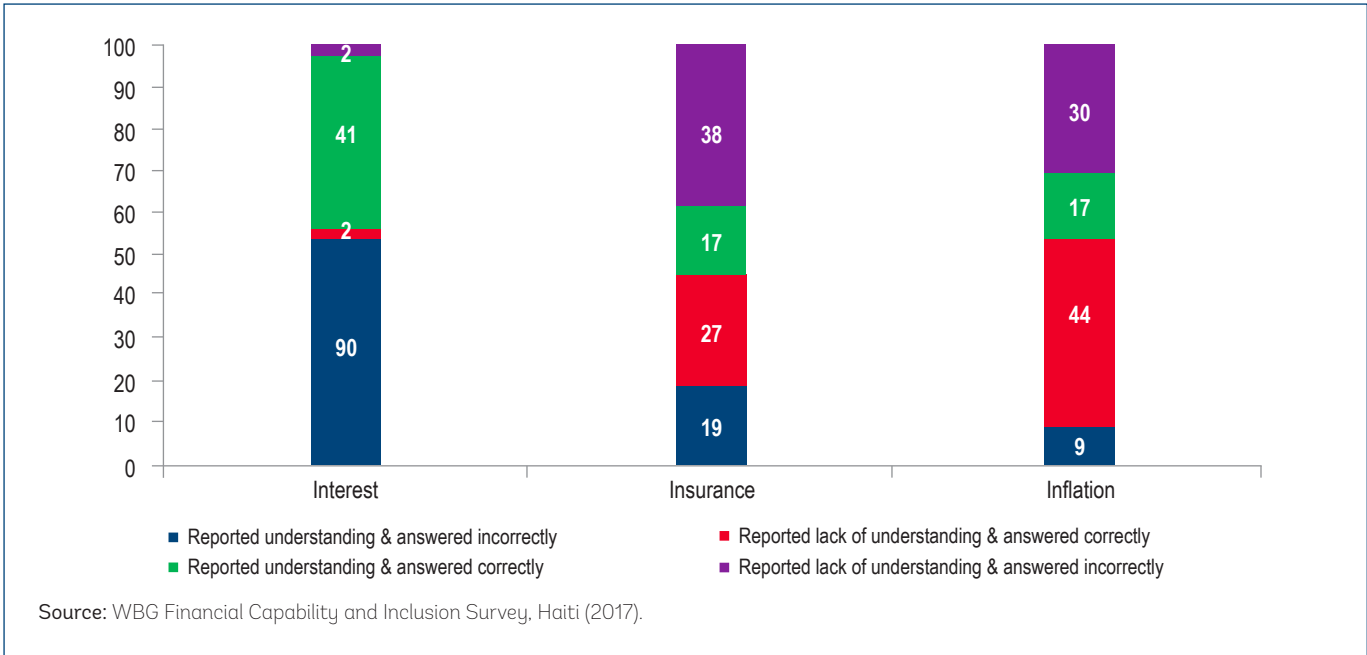


Table 3: Cross-country Comparison of Financial Literacy Scores

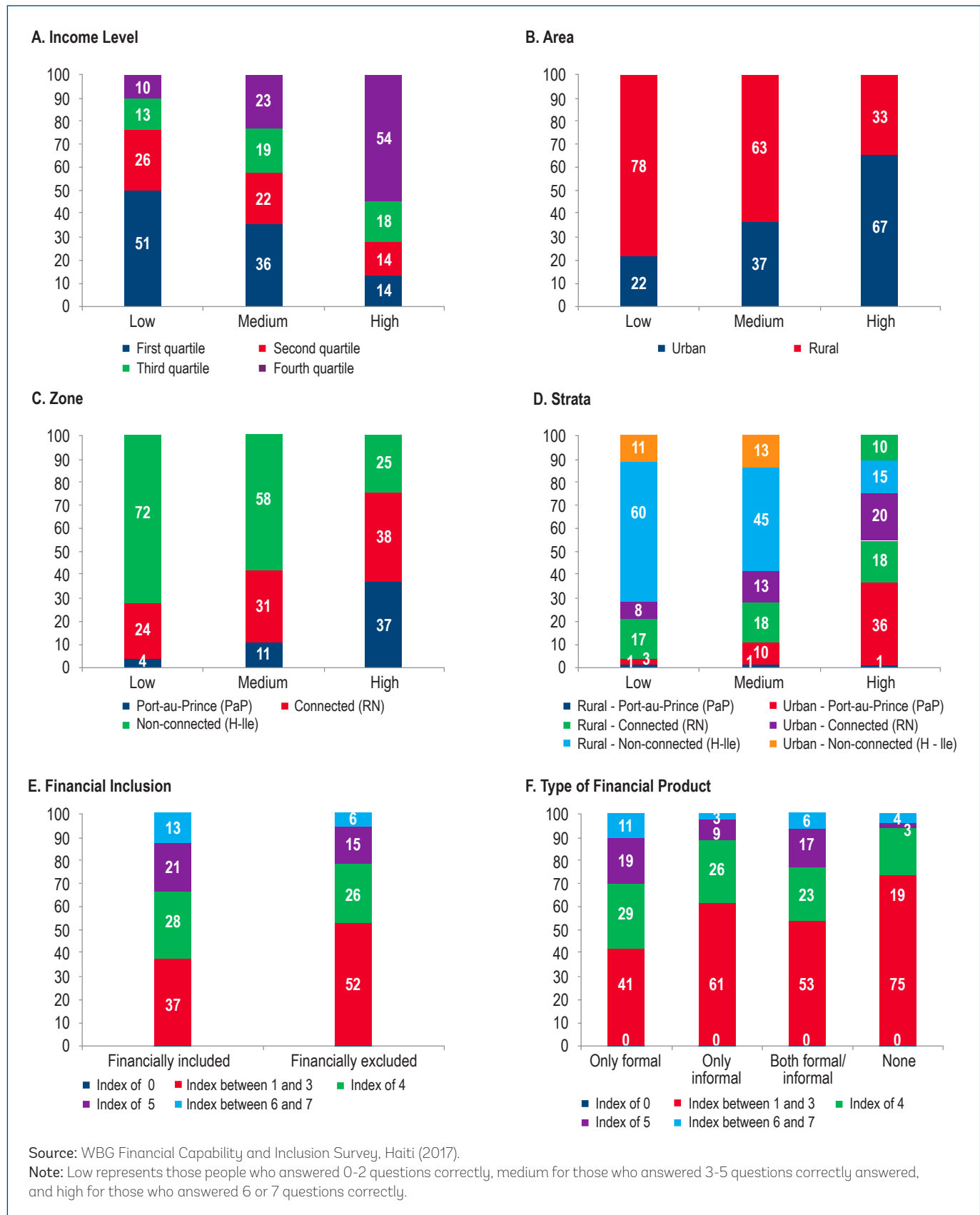
Country	Year	Inflation	Simple Interest	Compound Interest	Simple Division
Colombia	2012	69	19	26	86
Mexico	2012	55	30	31	80
Peru	2010	63	40	14	90
Uruguay	2012	82	50	N/A	86
Haiti	2017	61	43	25	91
Lebanon	2012	69	66	23	88
Malaysia	2010	62	54	30	93
Mongolia	2012	39	69	58	97
Morocco	2012	43	50	31	90
Mozambique	2013	28	78	28	93
Philippines	2014	49	51	29	77
Senegal	2015	47	45	28	92
South Africa	2010	49	44	21	79
Zambia	2016	65	46	28	91

Source: WBG Financial Capability and Inclusion Survey, Haiti (2017). Data from the remaining countries comes from other Financial Capability Surveys conducted by the World Bank Group.

Low levels of financial literacy are particularly prevalent in rural / unconnected areas of the country and among the population with lower incomes. Figure 22 shows that 51 percent of Haitian adults with a low financial literacy score (that is, 0 to 2 correct answers to the quiz) belong to the first income quartile as opposed to 26, 13 and 10 percent for the other income quartiles, respectively. Moreover, 78 percent of people with low scores live in rural areas, and 72 percent live in areas with no connection to the national road system. Conversely, 54 percent of respondents with a high score (that is, 5 to 7 correct answers to the quiz) are high-income earners (fourth quartile), 67 percent live in urban areas and 75 percent are either residents of Port-au-Prince or connected to national roads. Regarding financial education efforts of the government and other stakeholders, the findings imply that special attention has to be given to helping people in rural/unconnected areas of the country to understand basic concepts of financial literacy (interest rate, exchange rate, inflation). Assistance measures in urban areas can place a stronger focus on more complex concepts, such as risk diversification and compound interest.

Although financially included people are more likely to have a higher financial literacy score, more than one third still lack basic financial skills. A lack of financial literacy is usually cited as an explanation for the limited demand for financial services in developing countries. For instance, in a study in India and Indonesia, Cole and others (2009) found financial literacy to be an important factor in determining the demand for financial products, especially among the uneducated and financially illiterate segments of the population. This positive relationship is also shown in Figure 22, where 52 percent of financially excluded adults have a financial literacy index of between 1 and 3 compared to 37 percent for those who are financially included. Furthermore, 61 percent of adults with only informal products have such low scores as opposed to 41 percent with only formal products. However, the data also reveals important knowledge gaps of those that already use services, exposing them to undue risks and possibly even higher costs.

Figure 22: Financial Literacy Scores (by income, urban/rural, zone and strata)



3.3 Financial Behavior and Attitudes

Even if people possess a knowledge of basic financial concepts and available financial products, they may struggle to translate this knowledge into action. To identify the role that attitudes play in shaping individuals' financial decisions and to see whether and how these attitudes translate into financial behavior, the survey asked questions about different aspects (components) of financial capability. These aspects included attitudes, motivations, and behaviors. This chapter provides an overview of identified strengths and weaknesses of Haitian adults regarding relevant financial behavior and attitudes.

The Haitian data set identifies 10 main components of financial capability, some of which refer to behavior

and others to attitudes or motivations. The Financial Capability and Inclusion Survey in Haiti recorded different financial attitudes, motivations, and behavior through diverse qualitative questions with various measurement levels (nominal and ordinal). To identify the main components of financial capability in Haiti, a statistical procedure was applied to simultaneously quantify categorical variables while reducing the variance of the data. This procedure, known as Principal Components Analysis (PCA), reduces the original set of variables to a smaller uncorrelated set of variables (principal components) which aim to account for as much of the data variance as possible. The PCA method provides a single indicator (or score) for each component. The scores range from between 0 (lowest score) and 100 (highest score). Table 4 presents the relevant attitudes that define each component.

Table 4: Main Identified Financial Components from PCA Analysis

Component or dimension	Topic
1 Controlled budgeting	Whether an individual makes a plan and the frequency Whether an individual makes a plan and the precision of the plan Whether an individual makes a plan and how frequently they stick to the plan
2 Thriftiness	Whether an individual has money left over and frequency Whether an individual has money left over and how the money is used
3 Planning for old age expenses	Whether an individual has a strategy for covering old age expenses Whether an individual has any strategies in place for covering old age expenses or is worried
4 Planning for unexpected expenses	Whether an individual could cover unexpected expenses tomorrow Whether an individual could cover unexpected expense tomorrow or is worried about it
5 Living with one's means	Whether an individual runs short of money and why Whether an individual borrows money to buy food and frequency
6 Saving	Whether a statement describes him/her - try to save Whether a statement describes him/her - try to have provisions Whether an individual agrees with the motivation statement/ time preference/ future will take care
7 Monitoring and working	Whether an individual knows the amount spent and precision Whether an individual agrees with the motivation statement/ achievement/ work hard
8 Non-impulsiveness	Whether/how often an individual buys unnecessary items Whether an individual agrees with the motivation statement/ impulsiveness/ do things without thinking
9 Discipline	Whether an individual is comfortable with level of borrowing Whether an individual agrees that statement describing him/her - discipline
10 Choosing financial products	Whether an individual checked terms and conditions of the product and how carefully Whether an individual consider many alternatives before deciding which product to buy Whether an individual searches until finding the best product for their needs

Source: WBG Financial Capability and Inclusion Survey, Haiti (2017).

Note: The PCA analysis performed in Haiti focused on 10 main components (or dimensions) that account for 68 percent of the total variance. Other dimensions were ignored because of their lower contribution to total variance. Principal components having eigenvalues greater than one were also prioritized.

3.3.1 Attitudes and Behaviors based on Principle Component Analysis

The PCA test results show that Haitian adults obtain the best results for living within one’s means, followed by planning for unexpected expenses; however, they fall short of preparing for future expenditures and generally lack discipline. Few reported having funds left over after covering necessities, and have not planned for unexpected events or retirement. They also lack discipline regarding expenditures. Figure 23 shows that the participants’ average financial capability score is the highest for living within one’s means (89 percent). Planning for unexpected expenses is second with a grade of 66 percent, followed by controlled budgeting (54 percent). All other scores are below 50 percent, with weaknesses found regarding discipline (score of 13 percent), thriftiness (21 percent) and planning for old age expenses (24 percent).

Poor people living in rural areas are less likely to have funds left over; as such, they save less than the rich located in urban areas. Given the more difficult financial situation, adults in rural and unconnected areas are required to make more strenuous efforts to make ends meet and score better than those living in Port-au-Prince in terms of controlling their budgets. Figure 24 shows that adults living in urban areas outperform their rural counterparts by 38 to 10 percent, respectively, in terms of having funds left over, and 41 to 22 percent, respectively, for saving. Regarding income levels, the

fourth quartile income earners surpass those in the first quartile (by 40 to 12 percent, respectively) for having funds left, and 44 to 27 percent, respectively, for their propensity to save. Regarding controlled budgeting, those unconnected to the national road system fare better than residents of Port-au-Prince by a score of 69 to 46 percent, respectively.

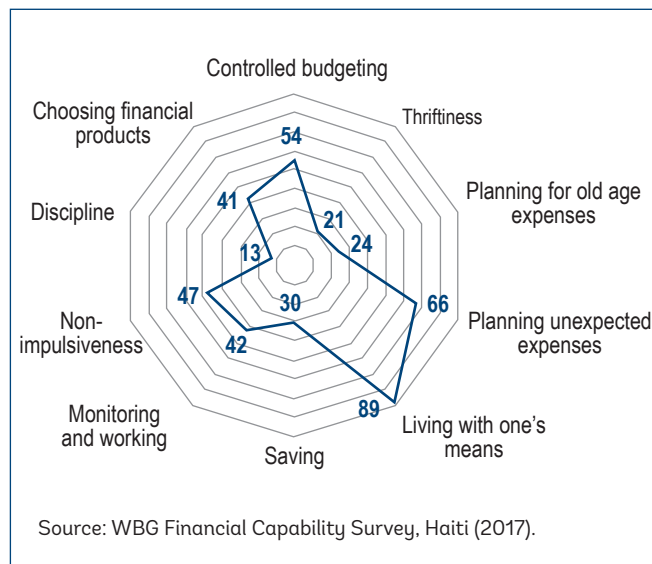
3.3.2 An Assessment of Individual Dimensions of Behaviors and Attitudes

This section provides more details about the individual dimensions of behavior and attitudes.

Monitoring and working

Few Haitians seem to try to maximize their income, but many claim to monitor their expenditures. Over two-thirds of Haitians state that they are always looking for opportunities to improve their situation. This is particularly the case for people living in urban/connected areas (that is, 75 percent in urban areas compared to 65 percent in rural areas). However, only 37 percent reveal that they are working hard to be among the best at what they do – independent of their income level or location. Regarding the monitoring of expenditures, 55 percent of the population claims to know exactly their personal and household current/ day-to day spending levels, and another 17 percent report having an approximate idea about it. People in higher income brackets and those living in urban areas (in particular, Port-au-Prince) feel more aware of their expenditures. For example, 82 percent of people in the highest income quartile stated that they knew exactly or roughly their personal expenditures compared to 67 percent for people in the lowest income bracket.

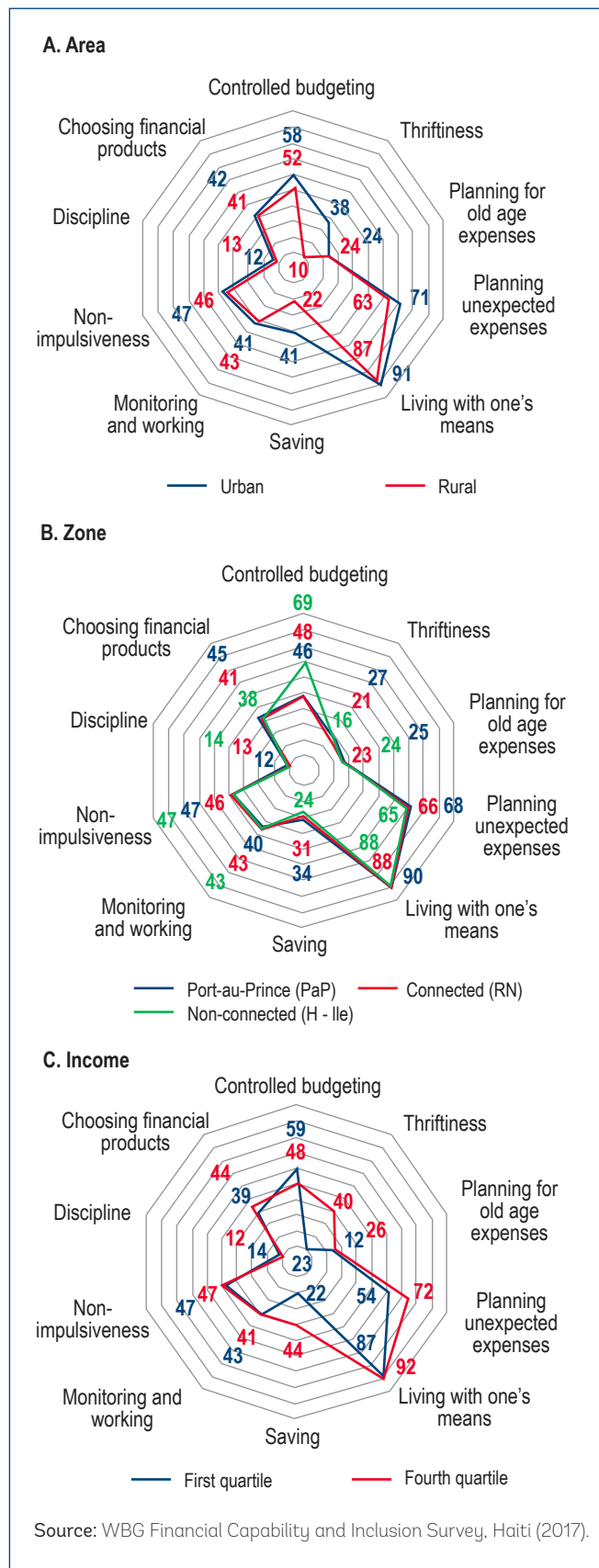
Figure 23: Average Financial Capability Scores



Controlled budgeting

Although many Haitians plan how they will spend their available funds, the level of detail and de facto adherence to that plan is uneven. People with lower income levels and those living in rural or unconnected areas report a higher tendency for making plans about how to spend the available money (77 percent compared to 66 percent, respectively). They are also more prone to making exact plans (61 percent of people from the lowest income quartile plan, compared to 47 percent for people in the fourth income quartile). However, when it comes to adherence to the plan, less than 50 percent

Figure 24: Financial Capability Scores



report to strictly adhering to that plan. Whether people stick to the plan or not does not vary by level of planning detail. However, people with a lower level of income are more likely to stick fully or partially to their plans. This is also confirmed by a perception-based question about discipline (see discussion below). The data indicates that people generally have a good attitude toward budgeting, but that the quality of the planning needs to improve — as well as discipline in adhering to the plan.

Thriftiness

Most Haitians do not have any money left over after paying for necessary items — even those among the highest income group. Given the elevated level of poverty in the country, it is not very surprising that a high share (72 percent) of Haitians state that they do not have money left after paying for necessary items, such as rent, electricity, water and food. As is to be expected, people in the lowest income quartile are the most financially constrained, with only 12 percent reporting that they have money left over on a regular or occasional basis. However, the majority of people in the highest income quartile (54 percent) also report not having funds left after paying for necessities. Based on survey feedback, this reflects the fact that many people with higher income levels provide financial support to family members and friends, thereby reducing their available budgets. Yet, this also suggests gaps in planning ahead and preparing for future emergencies. Overall, the likelihood of having funds left increases with the level of connectivity to roads and the level of urban connection.

Those Haitians who have funds left use them for a variety of purposes, with saving for emergencies and upcoming expenditures the most prominently mentioned purposes, followed by the repayment of debt. Saving for emergencies / unforeseen things and saving for a major known expenditure were each mentioned by over 50 percent of the adults as a possible use for their left-over funds. Twenty-six percent also indicate putting funds aside to bridge income fluctuations. However, 38 percent mention repaying debt with the funds, thereby indicating that they had previously borrowed to make ends meet. Other frequently mentioned purposes for the remaining funds included spending it on the lottery (Borlette) (28 percent), and remitting or lending it to others (20 percent each). Finally, around 30 percent of the Haitian adults indicated investing some remaining funds in their business or other assets.

Living within one's means

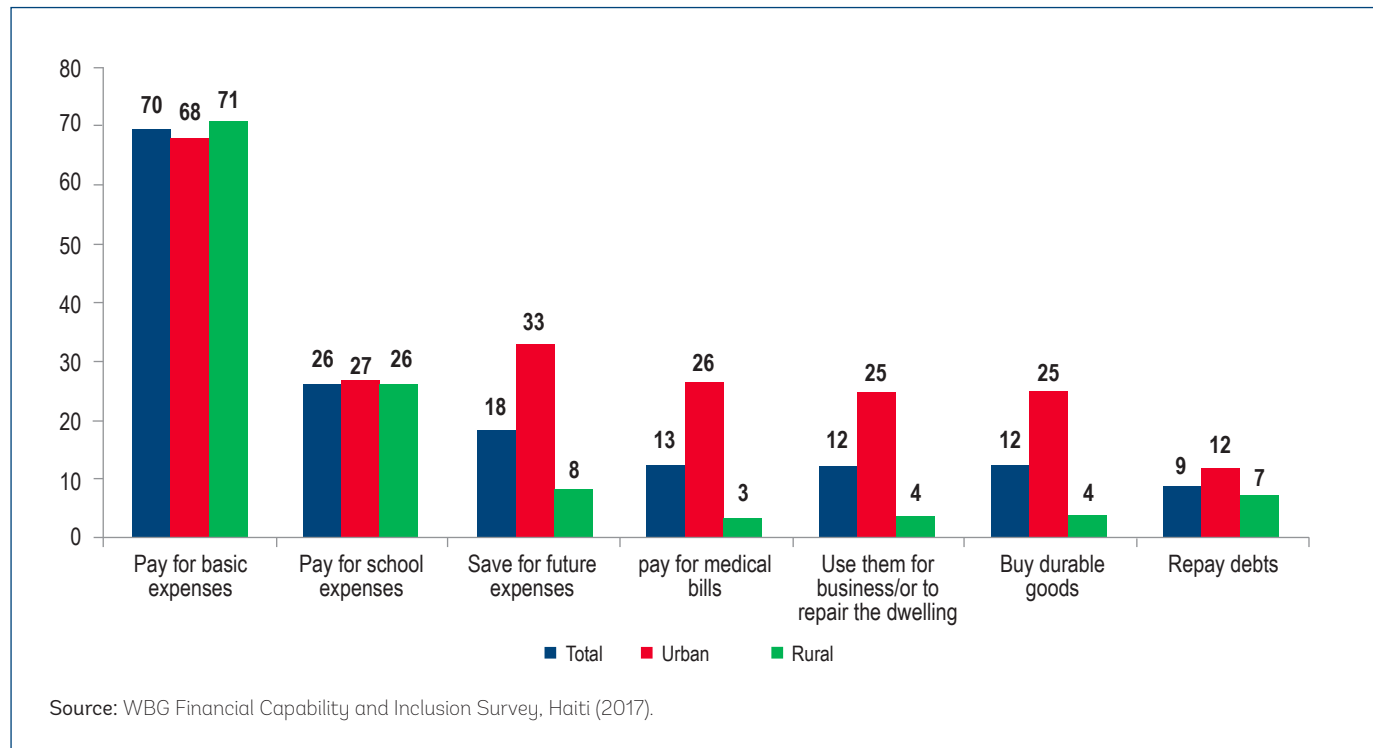
Despite their frequently frail overall financial situations, the majority of Haitians do not report running short of money or having to borrow money to purchase necessary items. Only 20 percent report regularly running short of money, and another 7 percent indicate being occasionally short of money. Haitians with a lower level of income as well as those living in less connected areas report being more prone to running short. For example, 34 percent of the rural population revealed that they ran short occasionally to regularly, compared to 20 percent for people in urban areas. This is to be expected as people in more remote areas and those with lower levels of income less frequently have funds left over and are more generally financially constrained (see dimension on thriftiness).

The underlying causes for Haitians being unable to live within their means included mostly unforeseen expenditures, overspending and variations/gaps in income. Overall, 80 percent of the adults indicated that unexpected expenditures led to budget overruns, and 69 percent also admitted overspending. Both reasons

are clearly related to gaps in financial capabilities, in particular, people's capacity to plan ahead and prepare for emergencies / unplanned events. Other reasons for overspending relate to the precarious financial situation of many people in the country. For example, adults indicated that they overspent due to having to support others (39 percent), being exposed to fluctuations or insufficiencies in their income (44 percent) or suffering business losses (12 percent). Furthermore, women also frequently mentioned not having been able to work, or they were looking for work.

Remittances play an important role in making ends meet. In both urban and rural areas, people report using remittances for covering basic expenses, such as food and utilities (70 percent) and school expenses (26 percent). In addition, around one-quarter of remittance receivers in urban areas report using funds to cover medical expenses, invest in one's business or house, or for buying something durable (see Figure 25). Furthermore, 33 percent of urban remittance recipients also report saving funds for future expenses, which they mostly keep in the form of cash.

Figure 25: Remittance Usage (% of Haitian adults who receive remittances)



Planning for unexpected expenses

About one-third of Haitians confirm that they expect to have a large expenditure to cover within the next 12 months. Larger expenditures (of at least one monthly income) are particularly anticipated in urban areas, especially in Port-au-Prince (72 percent of the interviewees compared to 28 percent in unconnected areas).

Yet, less than one-third of those with an upcoming larger expenditure feel that they can cover it in a timely manner without borrowing money. Overall, women seem to be better prepared for this than men, with 38 percent of women indicating that they are able to meet the expense compared to 28 percent for men. There is also a large difference between urban and rural areas, with 43 percent of the urban population indicating that they could cover this expenditure immediately, compared to 11 percent in rural areas. Of those who indicated not being able to cover the upcoming major expense, 54 percent indicated having strategies in place to be able to cover the expense without having to borrow money.

Similar results are obtained when looking at Haitian's ability to cover a sudden loss of the main income source or truly unexpected expenditures. In this case, 43 percent of the population in urban areas could bridge a sudden income loss for a month or more without having to borrow, whereas only 12 percent in rural areas could do so. Most alarmingly, 47 percent of the population in rural areas could not even bridge one week of income gap without having to borrow money. Regarding a truly unexpected expenditure, only 28 percent of Haitians stated that they would be able to cover it without borrowing. Again, the rural population would be the hardest pressed, with only 13 percent stating that they could cover an unexpected expenditure, compared to 51 percent in Port-au-Prince.

Most Haitians report worries about being unprepared for unexpected expenses or loss of income, although people with lower incomes seem more readily able to accept this as part of life. Only 59 percent of those in the lowest income bracket indicate being worried about this compared to 77 and 73 percent for the third and fourth quartiles, respectively. People in rural areas are also slightly less worried (68 percent compared to 73 percent in urban areas). Those that had

already experienced a sudden drop in income report having cut back on expenditures (30 percent) or having used money that they had saved (30 percent). Another 21 percent indicated that they had pawned a possession and 15 percent used store credit.

Planning for old age expenses

There is almost unilateral agreement among Haitian adults over the age of 60 that their pensions are currently not enough to cover their expenses during retirement. Only 10 percent of the 60+ year old respondents confirm that their sources of income are sufficient to cover their expenses. Women seem to be better covered their expenses or are more adept at making ends meet, with 13 percent of women indicating that they have enough funds compared to 6 percent for men. Older people in urban areas also have a higher incidence of reporting sufficient funds (with 12 percent compared to 8 percent in rural areas).

Many younger Haitians (under the age of 60) report having a strategy for old age, but few have actually begun to put it into place. When asked about how they plan to meet their old age expenses, half of the adults indicate that they want to continue working. Over one-third also expect some form of government pension, and another 15 percent hope to inherit funds. When asked about the implementation of these plans, only 33 percent of adults with some form of plan had already made any provisions. Of those, only 27 percent feel that it would be enough for old age. Taken together, the survey results show that most Haitians are not at all prepared for old age.

Despite the quasi absence of retirement preparation, no Haitian expresses any worries. None of the respondents indicate being very worried. Overall, two-thirds indicate not to worry at all, and the remaining one-third only state being a bit worried. Furthermore, the level of worry does not visibly increase for people close to retirement.

Discipline

Haitians are disciplined when it comes to borrowing funds, but generally reveal a rather mixed level of discipline with regard to managing money and controlling expenditures. Despite being financially constrained — and with a larger share of the population

reporting occasionally borrowing to make ends meet — few people feel that they have reached their limit with regard to borrowing (4 percent). This suggests some level of discipline toward incurring debt. However, whereas 66 percent of the population report paying bills on time, only 27 percent of the population describe themselves as “being very disciplined” or “to some extent disciplined” when it comes to managing money. Of those self-perceived “disciplined” respondents, one-third reveal in later questions that they had not paid their bills on time, and half admitted that they regularly buy things that are not necessary — before buying the necessary items. Overall, the data points to a rather weak discipline in terms of financial management.

Non-impulsiveness

The lack of discipline is also confirmed by the share of respondents who buy unnecessary items, and the frequency with which they do so. Overall, 62 percent of adults admit to buying unnecessary items (47 percent regularly, and 15 percent occasionally) before having bought food or other necessary items. Furthermore, 39 percent reveal that they regularly buy unnecessary items, and 13 percent sometimes buy things that are not necessary and which they know they cannot afford. Finally, when asked directly about their level of impulsiveness, half of the population directly admits to being generally impulsive, saying things before having thought them through, or thinking that money is there to be spent. These revealed characteristics do not deviate by gender, location or income level.

Saving

Whereas the survey results show a generally positive attitude toward saving, people also revealed a strong inclination toward living for today, and letting the future take care of itself. When asked about attitudes toward savings, over half of the population claims to try to save some money for the future, for unexpected events and / or without any specific purpose in mind. This self-perceived effort is much stronger in urban areas and among people with higher income levels (for example 42 percent of people in urban areas agree with the statement that they make efforts to save for the future, compared to only 11 percent in rural areas). Similar results are evident between the lowest and highest income groups. Yet, about three of four adults reveal not saving funds when asked another question.

Furthermore, 53 percent of Haitians believe that the future will take care of itself, and 50 percent indicate that they live more for today than for tomorrow. This strong focus on the “today” is in line with the described lack of preparedness for unexpected expenditures and retirement. It also explains why even many people in the highest income quartile do not feel that they can put money aside. Overall, the results suggest that people have a positive attitude toward savings, but they lack the discipline and financial management skills to actually do so.

3.3.3 Cross-Country Comparison of Financial Capability Scores

Financial capability scores of 16 comparator countries show that Haiti fares well with regard to living within one’s means, but compares poorly with regard to planning for old age and saving. As shown in Table 5, Haiti had the highest score for living within one’s means (89 percent) and fares favorably with regard to planning for unexpected events (66 percent, that is, 2 percent better than the average). However, Haiti compares poorly with regard to planning for old age (24 percent, that is, 28 percent less than the average) and savings (30 percent, that is, 15 percent lower than the average).

3.4 Revealed Attitudes regarding Information Seeking and Dispute Handling

3.4.1 Dispute Handling

The survey asks some questions aimed at understanding the population’s attitudes toward financial service providers and their experiences in resolving conflicts and problems with them. Respondents who had not yet experienced a problem with a financial service provider were asked whether and how they would try to solve it. For those respondents who experienced a problem with a survey provider in the last three years, the survey asked if and how they solved it. The results are summarized in Figure 26 and discussed below.

Overall, the results indicate a passive attitude among Haitians toward resolving conflicts with financial service providers. Only 36 percent of Haitians having no conflict with a financial service provider said they

Table 5: Cross-country Comparison of Financial Capability Scores

Country	Controlled Budgeting	Planning for Unexpected Expenses	Living within One's Means	Saving	Not over-spending	Planning for old age Expenses	Choosing financial products
Armenia	74	64	68	46	84	100	59
Azerbaijan	35	N/A	N/A	N/A	N/A	21	59
Colombia	80	59	75	45	79	67	57
Haiti	54	66	89	30	21	24	41
Lebanon	40	73	82	40	70	71	63
Mexico	52	64	78	57	70	65	59
Mongolia	65	N/A	84	62	71	N/A	49
Mozambique	74	45	N/A	42	63	40	34
Morocco	38	67	57	42	38	6	89
Nigeria	78	71	82	55	71	N/A	N/A
Philippines	44	67	43	46	42	29	51
Senegal	66	N/A	73	N/A	N/A	70	20
Tajikistan	81	N/A	83	66	94	N/A	N/A
Turkey	60	68	68	30	66	72	52
Uruguay	71	55	81	44	84	60	N/A
Zambia	51	67	87	24	N/A	46	43
Average	60	64	75	45	66	52	52

Sources: WBG Financial Capability and Inclusion Survey, Haiti (2017). WBG Financial Capability Surveys: Azerbaijan (2015), Morocco (2013), Mozambique (2013), Philippines (2014), Senegal (2015), Tajikistan (2012) and Zambia (2016).
 Note: N/A = not available

would try to resolve the conflict if one occurred. Most of those willing to actively resolve the problem would use a formal redress mechanism for resolving the problem. Two-thirds felt that the issue would be generally resolved.

Of the twelve percent of adults who already had a conflict with a service provider in the last three years, only one-fourth tried to actively resolve it. Almost all adults who tried to solve their dispute with a financial service provider stopped using the services before the contractual expiry date, and about half submitted a grievance to the company that sold the product (see Figure 27). Most formally submitted a complaint to the financial service provider to solve the problem. However, some also reported using a government agency for submitting the claim (31 percent), or approaching the legal courts (18 percent) or community elders (16 percent).

The majority of adults who did not try to solve their disputes with financial service providers did not trust the available dispute resolution mechanisms or did not know where to go. Figure 28 shows that 76 percent of the surveyed adults who had a conflict with financial services providers without attempting to resolve it are convinced that financial organizations are too powerful, and 68 percent do not believe that government agencies work properly. In this context, 31 percent also revealed that they do not feel legally protected as a consumer. The results point to a very low confidence in available dispute resolution mechanisms. However, 48 percent also indicate that they do not really know where to go for help, pointing to a stronger need to make available mechanisms more transparent.

Figure 26: Approaches to Dealing with Financial Service Provider Conflicts

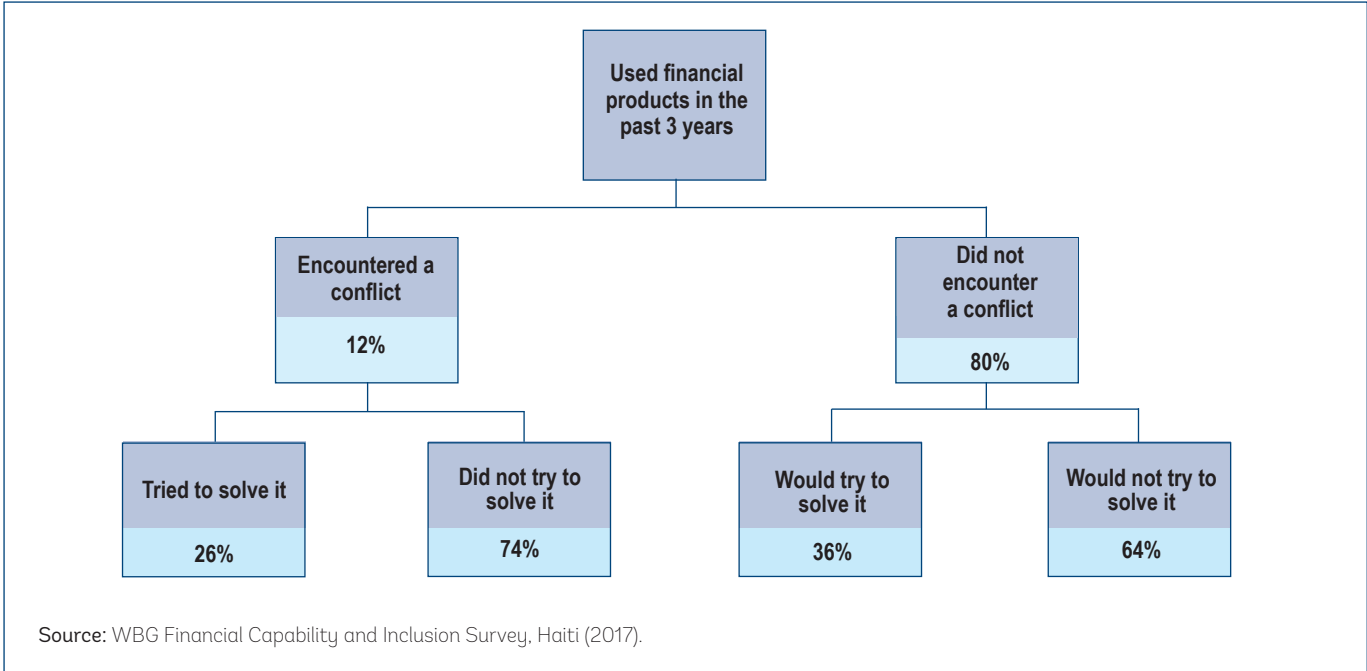


Figure 27: Action Taken to Redress Conflicts with Financial Service Providers

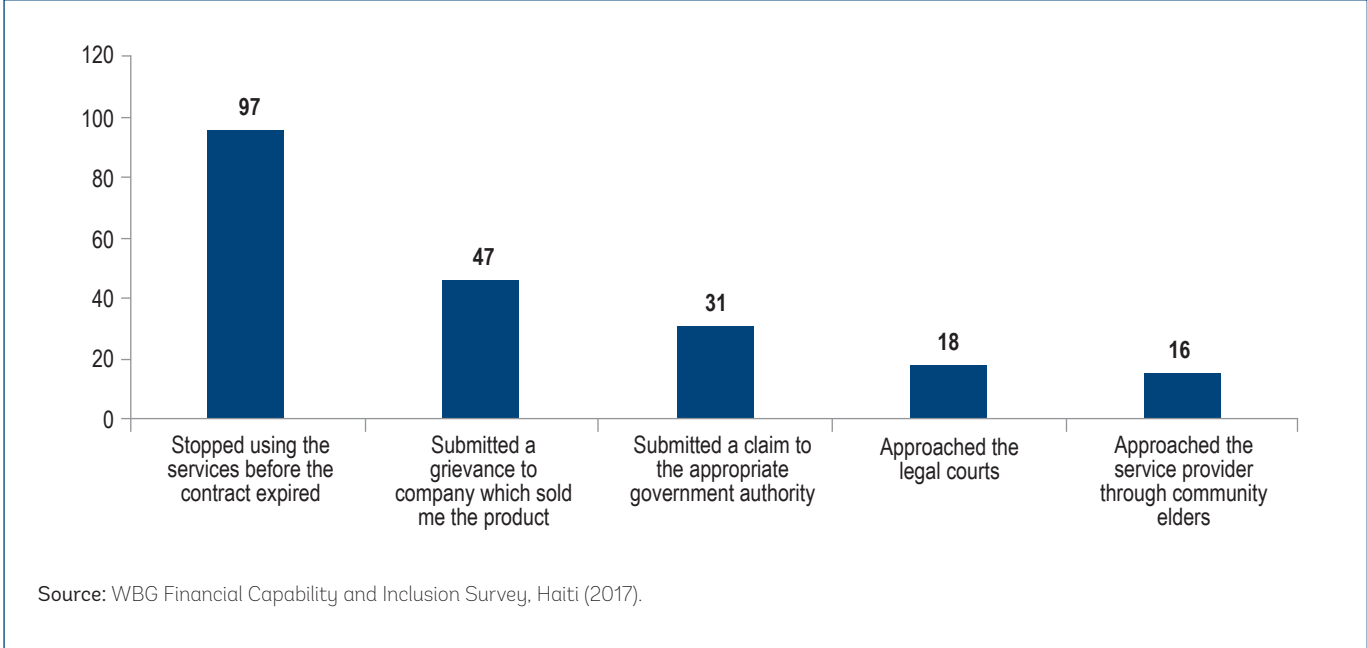
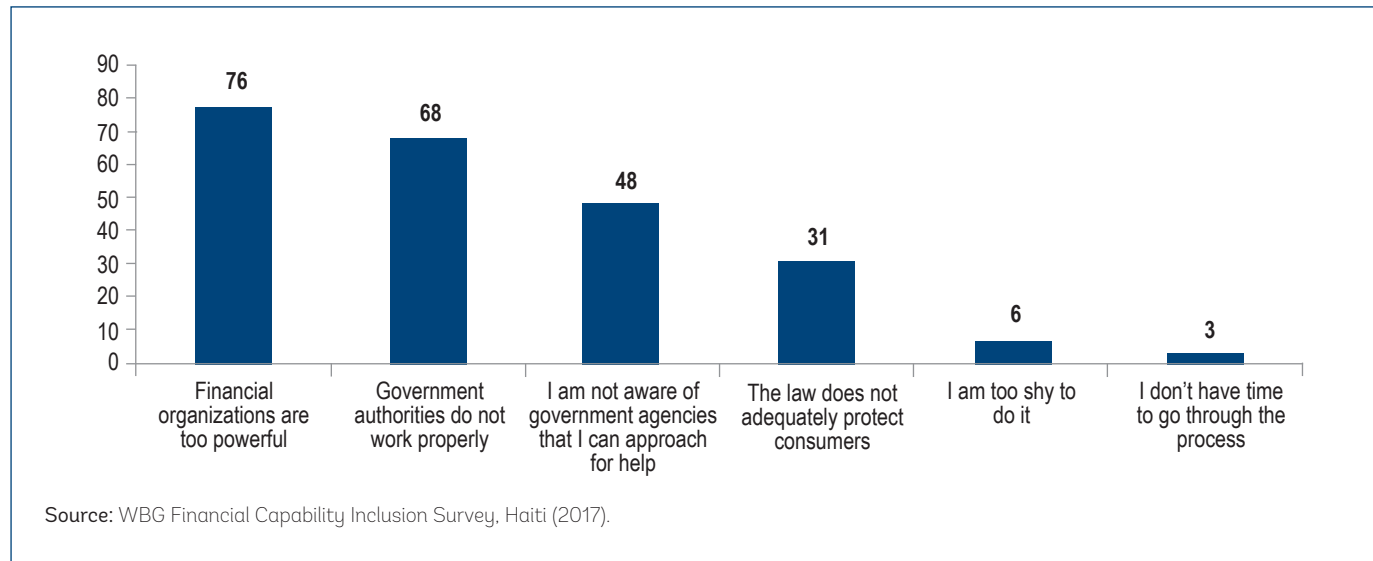


Figure 28: Reasons for Not Solving Conflicts with Financial Service Providers



3.4.2 Information Seeking and Media Usage

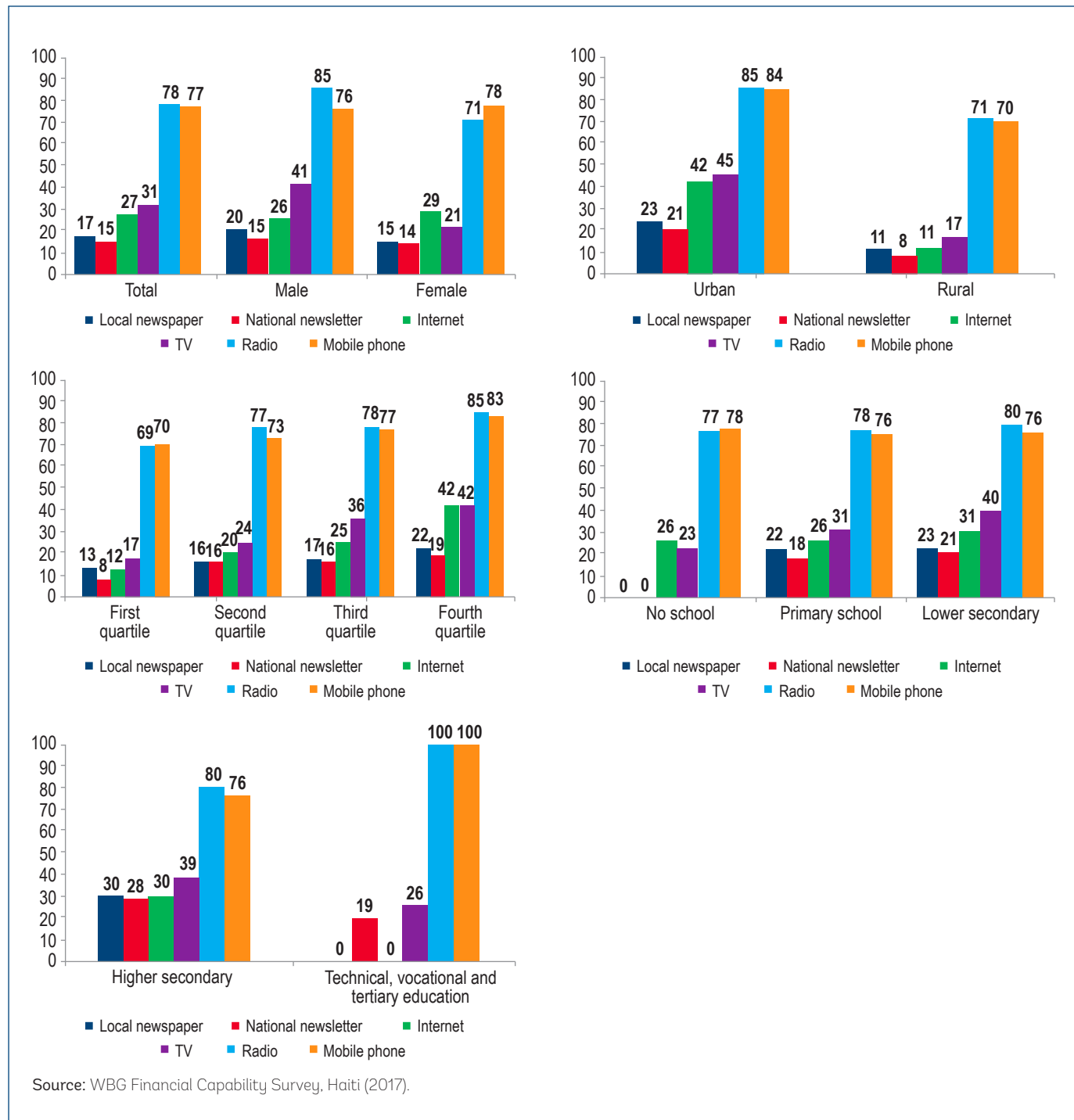
Roughly half of Haitian adults reveal that they seek information prior to making an important financial decision. People living in Port-au-Prince are slightly more likely to seek information, with 49 percent of Haitian adults confirming this as compared to 45 percent on average. However, when asked how strongly they agree to always seek information, only 41 percent (less than 25 percent of the total interviewed respondents) confirm that this reflects their behavior. This indicates that the culture of seeking information to take an informed decision is not yet widespread in Haiti, probably in part due to gaps in available information as revealed in the Consumer Protection Diagnostic carried out by the World Bank in 2016.

The financial institutions are the most frequent source of information for those seeking information. When asked where they go to seek information, Haitian adults most frequently mention financial institutions (77 percent of those seeking information), followed by asking family and partners (42 and 36 percent, respectively). Community leaders, the local government and the workplace do not play a large role, with only 20, 18 and 7 percent, respectively, considering these as sources for information. The data shows a slight difference in behavior by gender, location and income level. For instance, women less frequently mention financial institutions and family as sources of information (75 and 37 percent, respectively, compared to 80 and

46 percent for men, respectively). People living in rural areas place a stronger focus on the family as a source of information (46 compared to 37 percent in urban areas). People with higher incomes and in urban areas tend to mention fewer sources. They rely slightly less on family and financial institutions as sources, arguably seeking advice from third parties. Overall, Haitian adults who seek information mentioned two sources.

Radio and mobile phones are the most frequently used mass media tools, with utilization of media the highest among adults living in urban areas and adults in the highest income bracket. More than three of four Haitians have a mobile phone and listen to the radio, whereas only 31 percent reveal watching television. Twenty-seven percent have internet and 15-17 percent read the newspaper (see Figure 29). The share of adults who use the internet differs broadly between urban and rural areas, but the data also shows that adults living in rural areas and those reporting lower levels of income make less use of media than their peers in urban areas and from higher income quartiles. For example, Haitian adults from the highest income quartile have a higher utilization ratio than those of low-income quartile (first quartile) across the entire media spectrum: 85 versus 69 percent for radio, respectively; 83 versus 70 percent for mobile telephones, respectively; 42 versus 17 percent for television, respectively; 42 versus 12 percent for internet, respectively; 19 versus 8 percent for national newspapers, respectively; and 22 versus 13 percent for local newspapers, respectively.

Figure 29: Media Consumption by Social and Demographic Groups





4. Summary Assessment and Recommendations

The survey results point to a considerable potential for increasing access to financial services in Haiti through supply-side reforms. On the one hand, many Haitian adults feel that they cannot afford financial services, most likely due to the high costs of such services. Furthermore, there is some evidence that people voluntarily abstain from using formal financial service providers. This is in part due to a lack of trust and underlying attitudes toward service providers. Haitian adults therefore largely rely on informal financial services to cover their financial needs. On the other hand, even the financially included Haitians still channel funds through money transfer providers when sending or receiving remittances. They report a weak level of satisfaction regarding services provided by formal financial institutions. People mostly complain about the quality of service, the lack of transparency regarding costs, as well as a lack of trust in dispute resolution mechanisms. Overall, the findings reveal a need to adapt financial services to the necessities of people with lower income levels, enhance the quality of services, and increase the level of transparency of information.

The survey results also reveal substantial gaps in the financial capabilities of Haitian adults, which should be addressed through demand-side reforms. Whereas most people seem to be aware of services offered by commercial banks, MTOs and mobile payment service providers, few know about financial cooperatives and MFIs. Thus, they are likely unaware of financial products that could better cater to their needs. The level of financial literacy is also uneven, particularly for people in rural areas lacking skills to compute simple interest rates or compare products — despite their ability to conduct simple calculations. The lower level of financial literacy also impacts people's capacity to plan and prepare for upcoming expenditures. Although people seem to make plans regarding their expenditures, few actually adhere to them. Instead, many reveal a tendency for impulse expenditures, even if financially constrained. The latter is particularly prevalent in urban areas, where there are more opportunities for making such expenditures. These gaps can be addressed through awareness campaigns and financial education measures. They can help increase the level of preparedness for emergencies and the ability to plan ahead, instead of relying on informal or formal loans to bridge unforeseen expenditures.

Recommendations

Supply-side measures

To stimulate the responsible uptake of financial products and reach out to financially excluded segments of the population, the survey results confirmed that a number of supply-side measures will need to be taken, including the following:

- A supply-side mapping of services should be conducted to identify gaps in geographic coverage of financial service points. Based on this, potential outreach solutions should be discussed with financial service providers, including the possibility to put in place digital financial solutions. Furthermore, priority areas for increasing financial service points should be identified.
- To enhance the quality of services of non-bank agents, capacity-building efforts should be undertaken to train the agents. Furthermore, oversight mechanisms from the respective financial service provider should be assessed and strengthened, and liquidity management enhanced.
- To help create confidence and allow for better informed decisions, the information transparency about products and services needs to improve, and the complexity of available information should be reduced to facilitate enhanced understanding of the information provided.
- Available dispute mechanisms need to be made more transparent, and internal processes strengthened to create confidence among clients that their complaints will be taken seriously.

Demand-side measures:

To foster demand for financial services and their responsible use, the following demand-side measures are suggested:

- A small number of focus group discussions should be carried out to gather more qualitative information about Haitians' financial management approaches, as well as their attitudes and behaviors toward using financial services. Furthermore, the focus groups should help confirm possible "use cases", around which financial education measures could center

(that is, remittance transfers).¹³ This would complement the qualitative information gathered in this survey.

- Based on the survey results and complementary information from the focus groups, core messages should be developed. The core messages should comprise a set of simple and easily understood messages that could be used in financial education materials, training and outreach activities. The existence of these core messages would help to harmonize financial education measures across stakeholders, activities and tools. Short and easy to remember core messages could be developed for reiterating the importance of creating emergency funds (use case) and could include the following messages:
 - The importance of planning ahead and preparing emergency funds;
 - Available financial products that could help Haitians put small savings aside;
 - Information and sources to look for when deciding on a savings product; and
 - Rights and responsibilities of a client when using a savings product.
- In parallel, a Financial Education Strategy should be developed in collaboration with core stakeholders from the financial sector, non-profit organizations and the public sector (with prominent participation of the ministries and agencies involved in public education). The Strategy should include the following:
 - Briefly assess existing financial education measures and experiences;
 - Assess gaps in the outreach and thematic coverage of existing measures, taking into account the findings from this Financial Capability Survey and the results of the focus group discussions;
 - Develop an action plan for financial education measures to address, in a coordinated way, the identified financial capability gaps; this would be complemented and finetuned with existing financial education measures covering the following areas:
 - *Core messages.* (see above)

¹³ Use cases in this context refers to individual financial transactions and needs of people. These could be used as examples to highlight the benefit of using formal financial services and providing the target population with information on their responsible use.

- *Target audiences.* The survey results point to remittance senders (urban) and remittance receivers (rural) as good target groups.
- *Teachable moments.* The action plan should aim to reach the target audiences in moments of need. This could be the delivery of donor or government cash support to rural populations, as well as the launch of new financial products such as the new card payment mechanism; it could be accompanied by measures to increase the number of service points in the country.
- *Topics to be covered:* For rural areas, the survey results point to vast gaps in knowledge about financial institutions and their services, gaps in comprehension of simple financial concepts, as well as in how to use remittances to create emergency funds to reduce dependence on informal loans.
- *Type of media to be used:* As revealed by the survey, radio appears to be the most readily available mass media tool to reach out to broad segments of the population, followed by the sending of short text messages. Furthermore, direct training courses or peer-to-peer learning courses appear promising, as people reveal a preference for receiving information in person.
- *Timelines, funding and monitoring framework.* The strategy should also cover financial sources for the outreach measures, as well as indicators to measure outputs, outcomes and impacts of the measures.

Regulatory and supervisory reforms

To complement the supply- and demand-side reforms, the following regulatory and supervisory reforms should be undertaken:

- The BRH should regularly compile and publish information about the evolution of geographic outreach of financial service points. This should ideally include information about the type of financial access points at the municipal level (branch, non-bank agent, point of sale [POS], automatic teller machine [ATM]), as well as the evolution of service points by type of service provider (banks, MFIs, financial

cooperatives, MTOs, and non-bank mobile payment provider).

- The BRH should also issue additional consumer protection-related regulations to foster disclosure and transparency of information for all financial services, harmonize terms and formats, and mandate the availability and form of complaint handling mechanisms.

Donors and NGOs

Donors and NGOs can play an important role in fostering financial education, as they can include financial education programs in ongoing initiatives. As such, they can reach out to target audiences in a “neutral” way. To achieve this, the following is suggested:

- Donors and NGOs should collaborate in the development of a joint action plan for financial education, which is prioritized and adequately funded (see above).
- Donors and NGOs should integrate financial education modules into their ongoing work programs. For example, financial education modules could be integrated into work programs targeting entrepreneurship development, agricultural and other livelihood programs. These programs are particularly suited for financial education measures that cover more complex topics, such as financial management. As such, they can benefit from repeated and hands-on messages.
- Finally, donors could reassess options for channeling financial support through the formal financial system to reach the target audience. They could do so in a more efficient way, fostering greater financial inclusion. The introduction of new payment mechanisms should ideally be accompanied by financial education measures for the target population. These should cover information about the new payment mechanisms (costs, features, underlying financial products, rights and responsibilities as a client), as well as financial capability training to enhance the target groups’ financial management skills, understanding of financial concepts and attitudes, as well as behaviors toward planning ahead and using financial services.





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Appendices

A. Cross-tabulation of Financial Inclusion

Table 6: Financial Inclusion Summary by Social and Demographic Factors

	Formal Financial Institution Formal account ownership ¹⁴	Banks, National Saving and Credit Institutions				Payment Providers		MFIs	Insurance
		Bank account	Credit card	Loan	Mortgage	MTOs	E-money account	MFI credit	General/personal insurance
Gender									
Total	27.5%	21.4%	2.8%	4.7%	2.8%	66.9%	14.3%	3.5%	5.7%
Male	29.2%	24.3%	3.5%	5.5%	3.4%	66.7%	13.7%	4.8%	5.8%
Female	25.7%	18.5%	2.0%	3.8%	2.1%	67.2%	15.0%	2.1%	5.6%
Area									
Urban	37.6%	27.9%	4.4%	7.0%	4.3%	81.2%	23.2%	2.9%	9.5%
Rural	16.7%	14.6%	1.1%	2.1%	1.1%	51.7%	4.8%	4.1%	1.6%
Income level									
First quartile	15.3%	12.9%	10%	1.8%	0.2%	52.3%	3.2%	4.7%	1.3%
Second quartile	18.8%	13.9%	0.5%	2.1%	1.8%	58.9%	9.0%	3.4%	2.6%
Third quartile	27.4%	21.8%	4.4%	4.8%	3.5%	65.8%	12.1%	3.7%	7.0%
Fourth quartile	39.5%	30.3%	4.2%	7.6%	4.5%	80.8%	25.1%	2.6%	9.3%
Employment									
Out of labor force and retired	17.3%	14.8%	0.0%	0.0%	0.0%	63.9%	6.9%	0.0%	4.1%
Unemployed	21.8%	17.9%	1.7%	4.5%	2.1%	68.0%	10.2%	3.8%	5.1%
Formally employed	34.5%	32.1%	0.0%	5.6%	9.3%	92.6%	28.9%	0.0%	18.4%
Informally employed	32.7%	24.8%	4.1%	6.1%	4.3%	72.1%	18.4%	3.2%	6.1%
Self-employed	28.2%	21.8%	2.9%	4.6%	2.6%	64.8%	14.7%	3.9%	5.7%

¹⁴ Formal account ownership ("financially included") is defined in this Haitian financial capability study as the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution (formal credit, mortgage, credit from microfinance organizations or from the decentralized financial system, debit or credit card, formal savings, current or savings accounts), or personally using a mobile money service in the past 12 months.

	Formal Financial Institution Formal account ownership ¹⁴	Banks, National Saving and Credit Institutions				Payment Providers		MFI	Insurance
		Bank account	Credit card	Loan	Mortgage	MTOs	E-money account	MFI credit	General / personal insurance
Level of education									
No schooling	24.6%	18.2%	2.2%	2.9%	2.3%	63.5%	13.6%	3.0%	5.2%
Primary and intermediate	27.4%	21.8%	2.6%	5.0%	2.8%	67.1%	13.4%	3.5%	5.6%
Secondary, vocational and tertiary	30.5%	24.0%	3.7%	5.7%	3.2%	70.1%	17.2%	3.9%	6.4%
Household Size									
1 to 3 members	25.9%	18.1%	2.2%	4.5%	3.1%	70.8%	14.5%	2.8%	5.6%
4 to 6 members	26.8%	22.3%	2.9%	5.1%	2.6%	64.4%	13.3%	3.7%	6.2%
7 to 9 members	30.6%	23.7%	3.2%	4.1%	2.6%	67.0%	15.9%	3.8%	4.7%
Media Consumption									
0 media	10.0%	4.7%	0.4%	0.5%	0.0%	63.7%	5.4%	1.4%	4.2%
1 media	20.5%	17.3%	1.6%	3.0%	0.7%	58.6%	9.3%	3.9%	3.9%
2 media	26.7%	20.5%	2.2%	2.7%	3.0%	61.7%	12.3%	4.9%	3.8%
3 media	28.7%	21.4%	2.9%	6.3%	2.6%	70.9%	15.9%	3.0%	6.2%
4 media	36.5%	28.8%	3.8%	7.1%	4.5%	77.5%	23.9%	1.2%	9.1%
5 – 6 media	35.3%	31.3%	8.7%	10.5%	5.5%	83.7%	14.4%	2.6%	14.0%
Income Stability									
Stable income	27.6%	21.6%	2.7%	4.6%	2.6%	66.6%	14.3%	3.2%	5.4%
Unstable income	26.6%	20.3%	3.4%	5.1%	3.7%	69.5%	14.2%	5.4%	7.8%
Zone									
Port-au-Prince (PaP)	47.0%	36.2%	5.0%	9.4%	5.1%	83.9%	30.2%	3.5%	11.4%
Connected (RN)	26.5%	20.3%	3.0%	4.3%	3.6%	66.2%	13.6%	3.5%	5.5%
Unconnected (H - Ile)	16.6%	13.5%	1.3%	2.1%	0.7%	57.4%	5.4%	3.5%	2.4%
Strata									
Unconnected (H - Ile)	23.6%	20.3%	0.9%	3.2%	3.3%	57.8%	8.1%	4.6%	5.3%
Rural - Port-au-Prince (PaP)	47.9%	36.8%	5.2%	9.6%	5.2%	84.9%	31.0%	3.5%	11.6%
Urban - Port-au-Prince (PaP)	21.4%	18.5%	1.5%	3.1%	2.9%	55.0%	7.7%	4.3%	3.1%
Rural - Connected (RN)	31.8%	22.2%	4.5%	5.6%	4.2%	77.9%	19.7%	2.6%	8.0%
Urban - Connected (RN)	13.8%	12.1%	0.8%	1.6%	0.0%	49.6%	3.0%	4.0%	0.7%
Rural - Non-connected (H - Ile)	24.0%	17.2%	2.5%	3.6%	2.6%	78.3%	11.8%	2.0%	7.1%

Source: WBG Financial Capability Survey, Haiti (2017).

B. Knowledge, Experience and Level of Satisfaction with Different Financial Service Providers

Table 7: Awareness and Experience with Financial Services Offered by Financial Institutions

		Banks			Financial Cooperatives			Microfinance Organizations		
		Know about services	Have used services	Have used and was satisfied	Know about services	Have used services	Have used and was satisfied	Know about services	Have used services	Have used and was satisfied
Total	Total	94%	44%	68%	40%	60%	91%	13%	30%	51%
Gender	Female	93%	45%	68%	38%	57%	92%	11%	24%	61%
	Male	96%	43%	67%	43%	61%	90%	14%	35%	46%
Area	Urban	96%	51%	65%	40%	52%	90%	13%	25%	53%
	Rural	93%	36%	72%	41%	68%	91%	12%	37%	49%
Household Income	1st Quartile	93%	35%	72%	40%	72%	91%	13%	38%	49%
	2nd Quartile	93%	39%	70%	40%	66%	92%	11%	31%	66%
	3rd Quartile	95%	41%	69%	39%	57%	88%	13%	34%	52%
	4th Quartile	96%	53%	65%	42%	50%	90%	14%	24%	45%
Zone	PAP	98%	59%	65%	43%	43%	90%	14%	25%	52%
	Connected	94%	41%	67%	40%	60%	91%	13%	32%	38%
	Unconnected	93%	37%	72%	39%	70%	91%	11%	33%	62%

		Money Transfer Operators			Mobile Money Providers		
		Know about services	Have used their services	Have used and was satisfied	Know about services	Have used their services	Have used and was satisfied
Total	Total	87%	82%	59%	73%	20%	62%
Gender	Female	88%	82%	61%	75%	21%	62%
	Male	85%	83%	56%	71%	20%	63%
Area	Urban	93%	89%	53%	79%	30%	61%
	Rural	80%	74%	67%	66%	8%	70%
Household Income	1st Quartile	79%	78%	64%	65%	5%	80%
	2nd Quartile	86%	77%	68%	69%	15%	68%
	3rd Quartile	85%	80%	60%	70%	19%	60%
	4th Quartile	94%	88%	52%	81%	31%	60%
Zone	PAP	95%	91%	46%	87%	35%	62%
	Connected	88%	78%	61%	72%	19%	60%
	Unconnected	82%	80%	66%	65%	10%	68%

		Insurance Companies			Brokerage Houses			Exchange Houses		
		Know about services	Have used services	Have used and was satisfied	Know about services	Have used services	Have used and was satisfied	Know about services	Have used services	Have used and was satisfied
Total	Total	20%	71%	89%	10%	36%	84%	61%	26%	93%
Gender	Female	21%	66%	91%	10%	17%	91%	62%	23%	92%
	Male	20%	76%	87%	10%	54%	81%	61%	28%	94%
Area	Urban	30%	77%	89%	13%	50%	84%	65%	27%	94%
	Rural	9%	49%	91%	7%	8%	84%	58%	24%	92%
Household Income	1st Quartile	8%	49%	87%	7%	11%	100%	58%	22%	92%
	2nd Quartile	13%	50%	80%	7%	0%		56%	31%	94%
	3rd Quartile	17%	67%	89%	8%	5%	100%	59%	23%	96%
	4th Quartile	33%	80%	90%	14%	60%	82%	68%	27%	92%
Zone	PAP	40%	83%	90%	16%	63%	84%	67%	27%	95%
	Connected	17%	68%	90%	10%	20%	72%	65%	24%	91%
	Unconnected	10%	46%	83%	6%	13%	100%	55%	26%	93%

C. Background Data on Haitian Financial Survey

Figure 30: Estimated Population by Urban/Rural

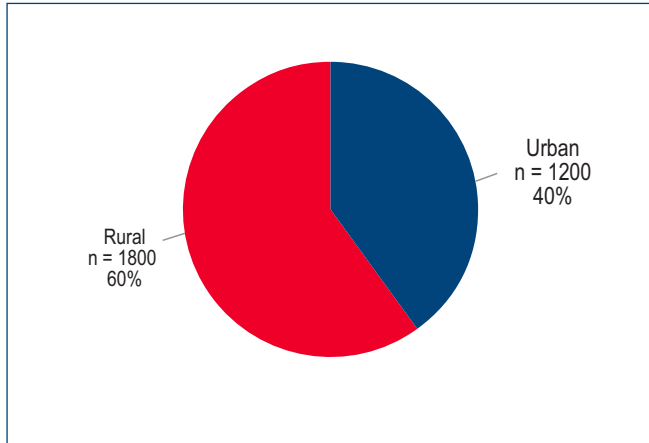


Figure 31: Estimated Population by Province

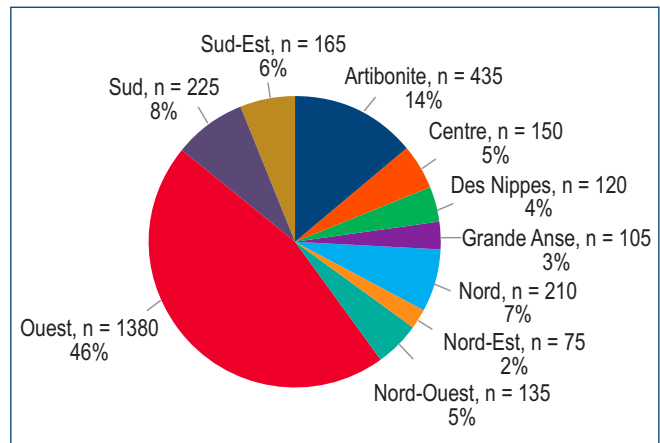


Figure 32: Estimated Population by Gender

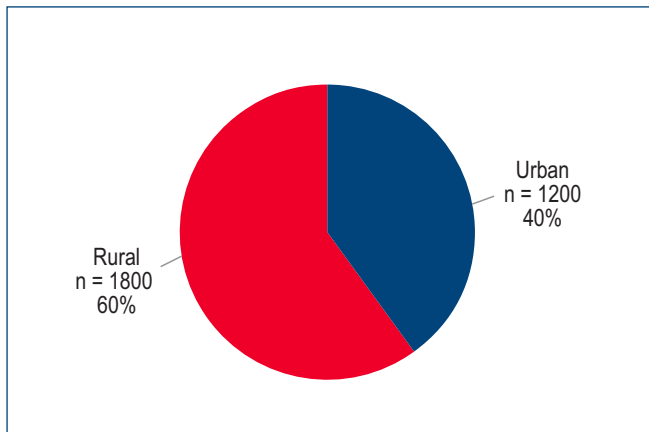


Figure 33: Estimated Population by Age Group

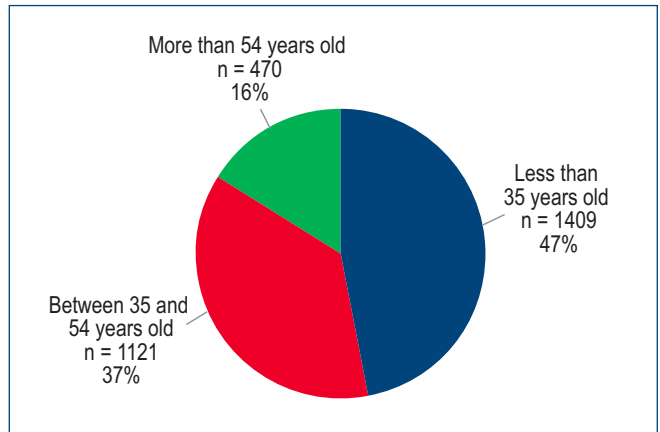


Figure 34: Estimated Population by Household Size

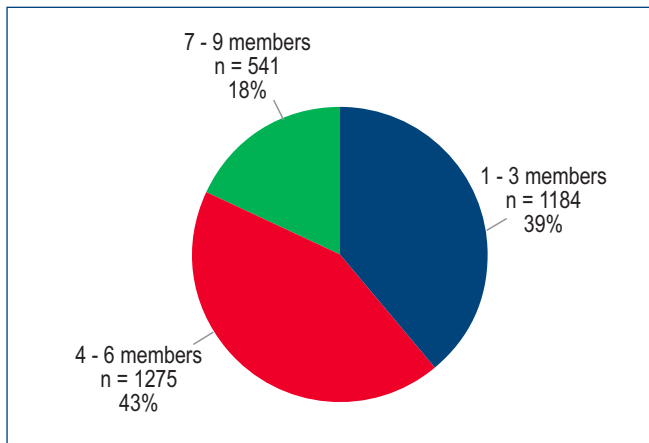


Figure 35: Estimated Population by Education Group

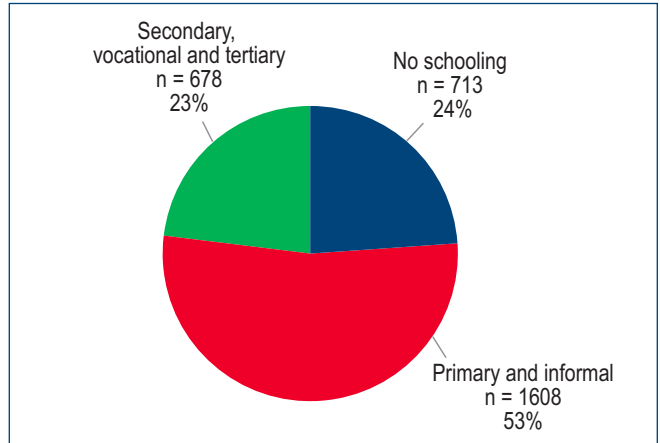


Figure 36: Estimated Population by Stable/ Unstable Income Groups

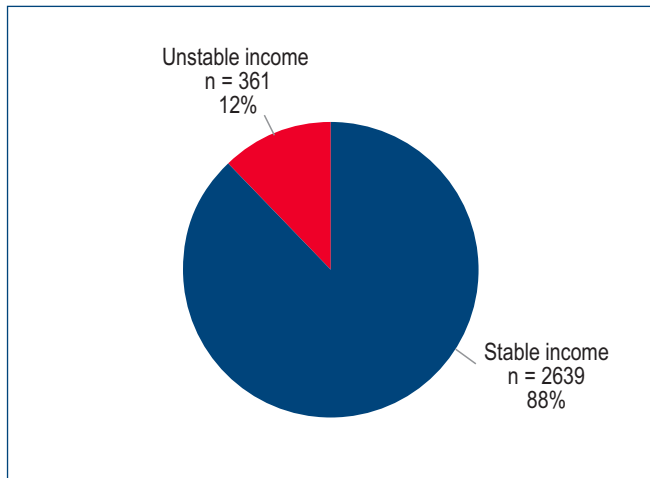


Figure 37: Estimated Population by Income Group

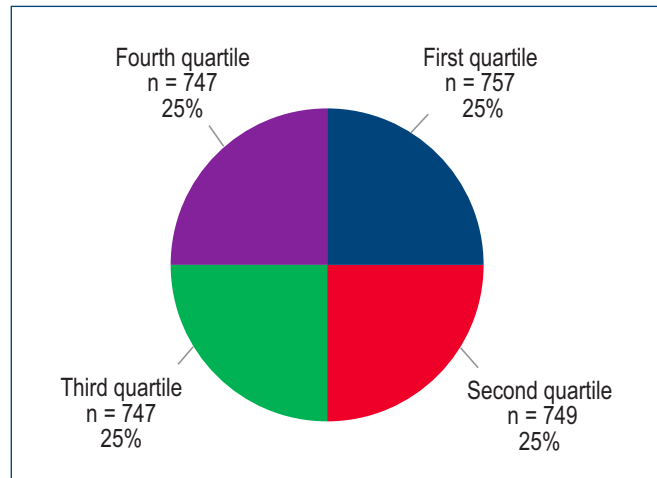


Figure 38: Estimated Population by Zone

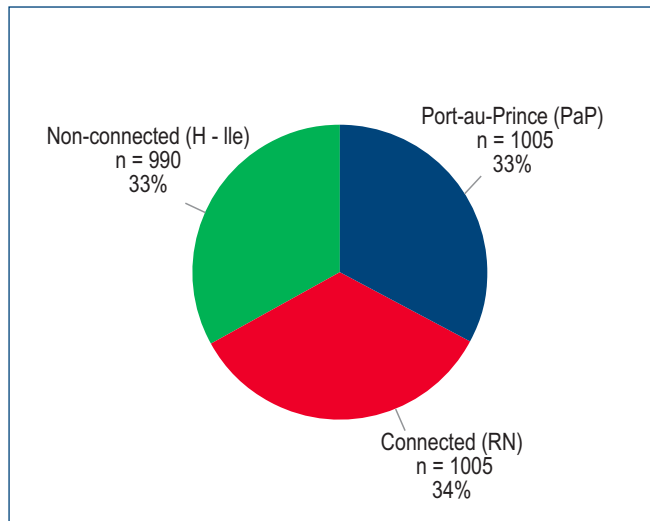


Figure 39: Estimated Population by Strata

