

Access to Finance Study (A2FS)

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Presentation Structure

- Background
 - Why Interest in access to finance?
 - Key players
- Objectives and A2FS set-up in Pakistan
- Value of the information and how it can help
- The Access Indicators
- Information at work – examples from Africa

Background

- *Access to finance → economic growth → poverty alleviation*
- *Interest among international agencies*
- *GoP committed to private sector solutions for economic growth and poverty reduction*

But

- Limited comprehensive data to guide policy formulators and financial services providers
- More supply side and less demand side information
- Lack of standardized tools to for measuring access

Consequently

- Internationally collaborative efforts to harmonize financial access surveys
- WB, DFID, UNCDF, CGAP and FinMark (some of the major players harmonizing research efforts)

FinMark Trust

- Established in 2002 in South Africa
- Agenda to make financial markets work for poor
- Several programmatic interventions, including FinScope

FinScope

- A survey tool (a questionnaire) developed in 2002
- Provides insights into the financial behavior of individuals and SMEs
- Supports process of changing financial markets so that individuals and SMEs have better access to financial services
- A resource for countries in Africa and elsewhere

South Africa – FinScope developed here in 2002

Lesotho, Swaziland

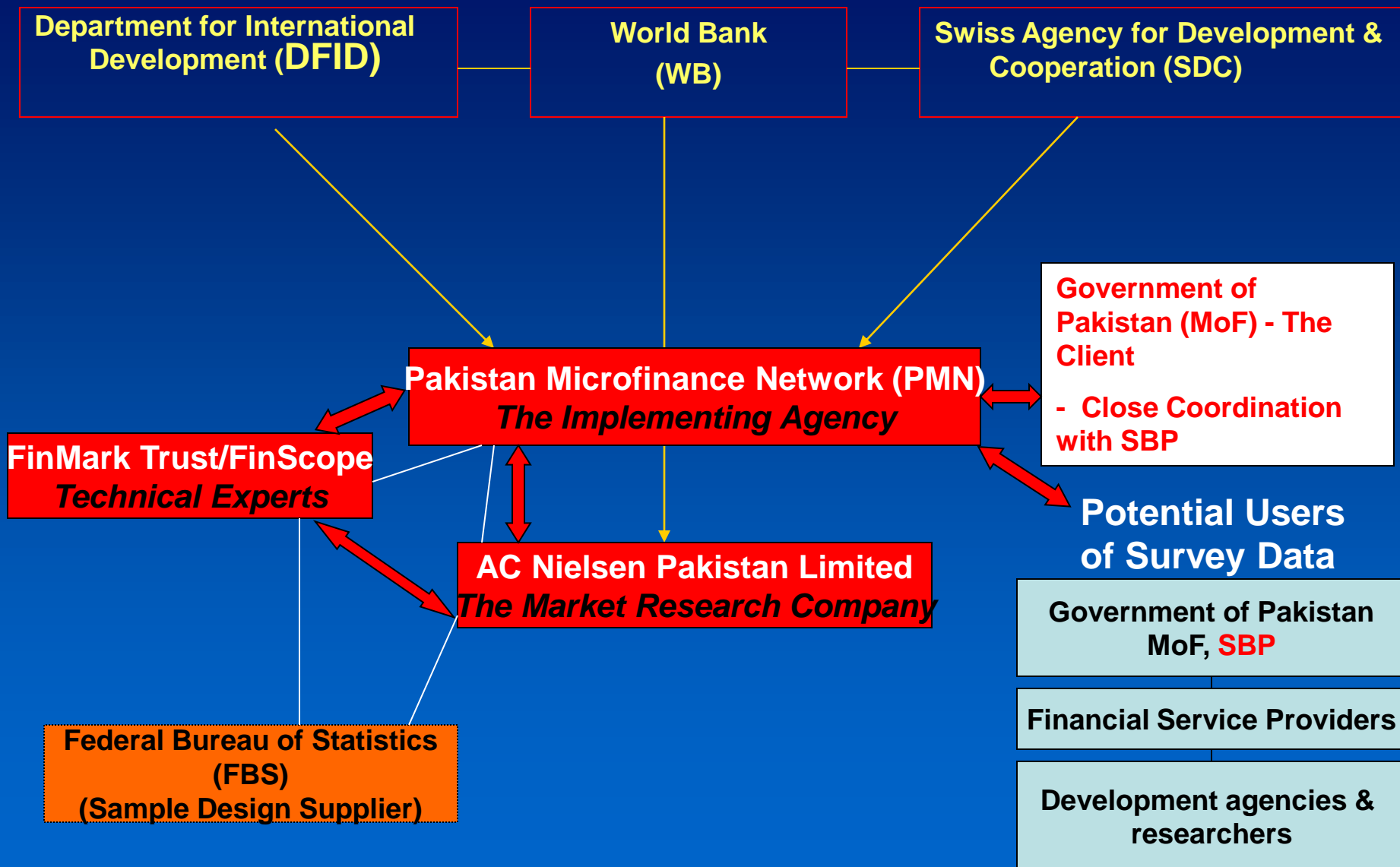
Zambia, Tanzania

Kenya, Uganda

Nigeria, Egypt

And now Gana & Pakistan - Test cases for WB & FinScope

A2FS Stakeholders - Pakistan



A2FS

Implementation Approach - Pakistan

Questionnaire development

- Adapting WB-FinScope questionnaire to Pakistan
- Inputs from stakeholders
- Rigorous concept testing & pilot testing

February 2006

Sample Design

- FBS to provide sample design
- Robust random probability sampling

Actual Field Work

- AC Nielsen
- Intensive orientation and training of enumerators
- Strict guidelines for respondent selection and substitution
- Close monitoring and quality checks

June, 2007

Data Dissemination and Application

- Assistance in mining data and its application

Post June 2007

*the value
proposition....*

**Market
Continuum**



- 10,500 respondents – rich & poor
- Women and men
- Urban & rural areas (four provinces & AJK)
- Area based sampling

What A2FS Offers

the value proposition....

Consumers, Consumers, Consumers, Consumers, Consumers

- Reflection of consumers demand & use for financial products and services
- Who is engaging with financial services sector & how?
- Why people are not using financial services?
- Inclusion of psychographics – exploring beyond the traditional reasons for non-access
- A Segmentation Model – which is not just income based

A2FS – Data Priorities

Questionnaire focuses on....

- Demographics
- Socio Economic Lifestyle Characteristics
- Household and Individual Respondent's Income
- Financial Behavior of a Household and Individual
- Savings (including National Saving Scheme Products)
- Loans, Credit and Insurance
- Payment and Receipts
- All other categories of financial products & services
- Financial Services Provider Differentiators
- Technology
- Financial literacy
- Psychographics/Attitudes

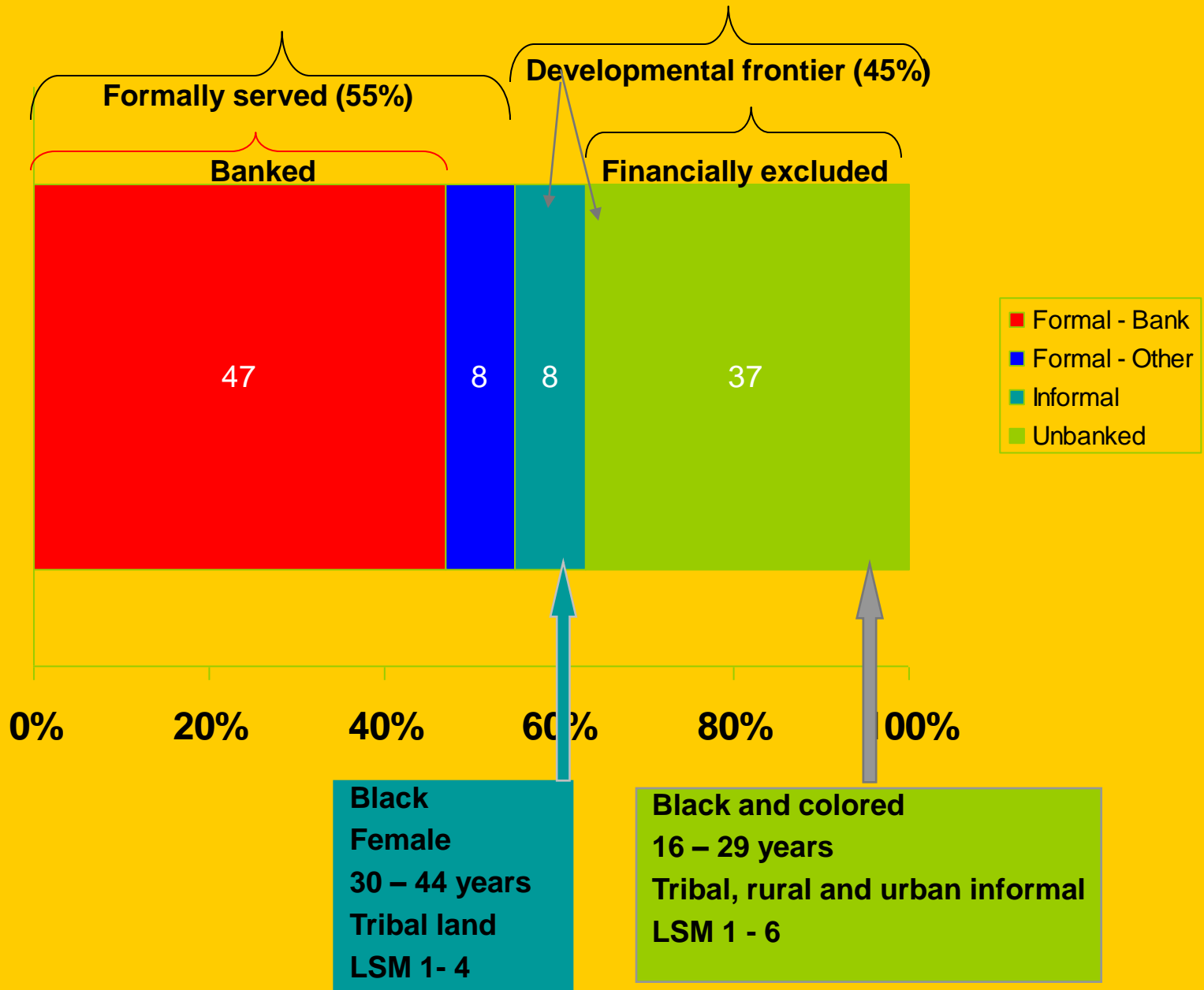


**Informal &
Formal Financial
Products &
Services**

A2FS's Value Proposition....

- **Documentation of barriers**
- **Development of policy lessons**
- **Benchmarking and tracking change**
- **Mobilization of support for policy change**
- **Product development & targeting new segments**
- **Cross country comparisons**
- **Identification of areas for further research & analysis**

Access Strand of Financial Services - SA

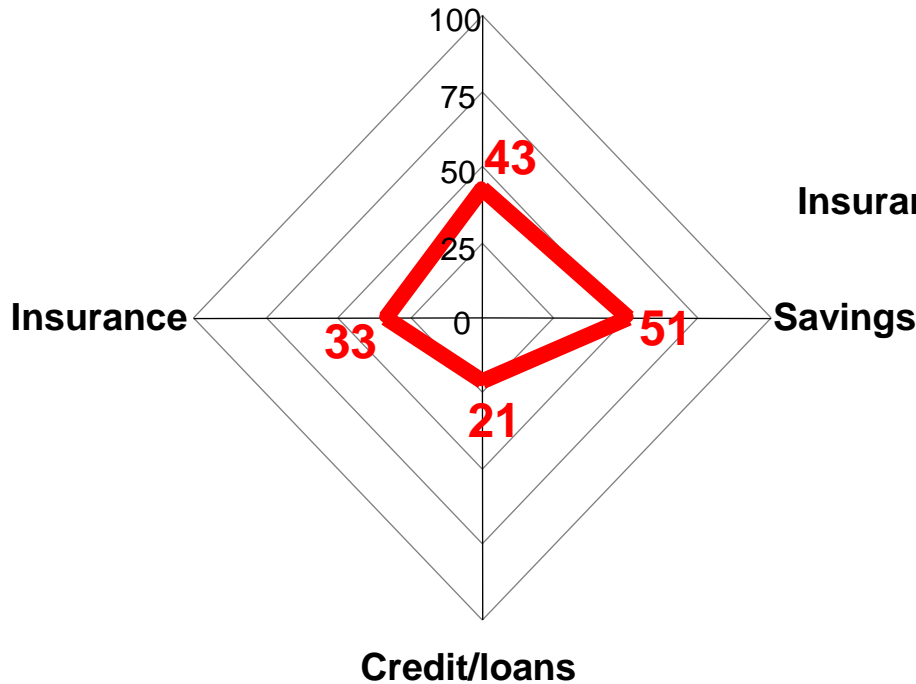


Functionality Measures – Landscape of Access

Landscape of access Botswana and Namibia
% of the respondents (% of adult pop)
FinScope 2004

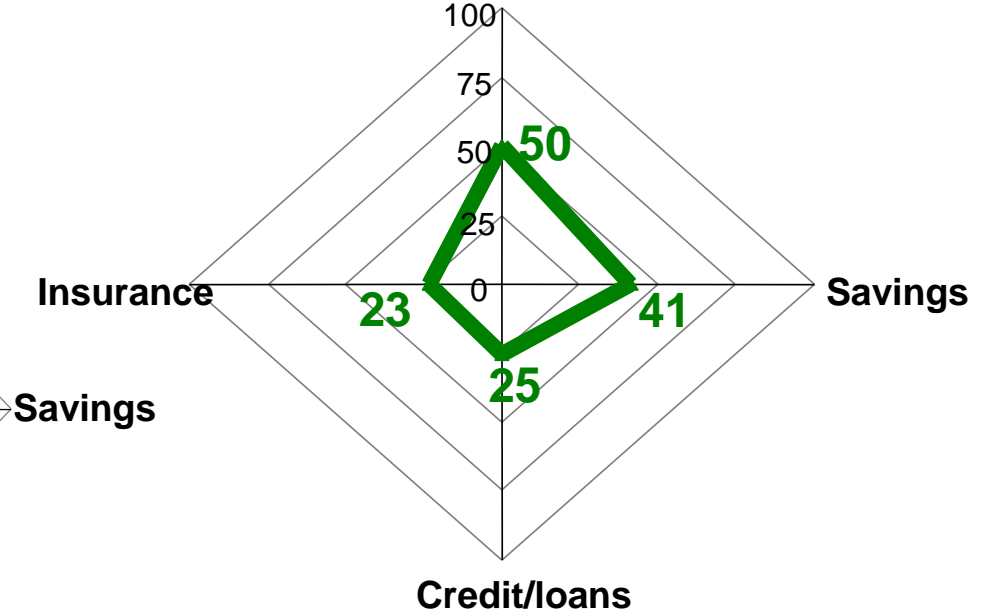
Botswana

Transactions



Namibia

Transactions



Sub-Indicators may be constructed, such as...

- % receiving savings or credit through informal providers**
- % who are formally included among the poor**
- % saving in certain financial instruments**

Information - Deepening and broadening financial markets

- **Financial Service Providers** innovate and develop new products and explore new markets
- **Governments** create improved policy and regulatory environment
- **International Development Agencies** assist creation of inclusive markets which cater to financial services needs of poor
- **Researchers and others Stakeholders** identifying areas of deeper inquiry

**New partnerships
More communications
Exposed information gaps
Previously unidentified segments
& niches
Changed paradigms
Systemic change**

2005 syndicate members



The Survey at Work - Examples from Africa

Bank Windhoek, Namibia – *Serving the Bottom of the Pyramid*

ABSA Bank, South Africa – *Understanding segments within the poor*

Insurance industry and Banks, SA - *Understanding Financial Literacy requirements*

Botswana – *helping to improve the policy environment*

South Africa's National Treasury – *reaching a trade off between financial stability and financial access*

What A2FS is Not

- “*Sit-on-the-shelf* ” research!
- A specific product/market potential sizing research
- An answer to everything – it’s a macro study that should inform other studies

Thank You!

The Financial Access Indicators

Challenges in constructing the indicators

- Access and usage
- Unit of response – individual or household?
- Measuring Access: Institutions, services or products?
- Degree of Access

Are the Lower Markets Profitable?

- The Prahalad view – a fortune at the bottom of the pyramid?
 - May not be obvious at first – the ICICI experience
- A source of incremental profit where traditional markets are mature
- Where the low unit cost: high volume economics can be made to work
- Where the cost of the R&D has already taken place – leveraging/replicating know-how
- Where infrastructure improvements bring a market within reach
- Where the long term reward is sufficiently exciting to merit sub-optimal profits in the short term