



Financial Inclusion Data Working Group (FIDWG)

Measuring Financial Inclusion Core Set of Financial Inclusion Indicators

The Core Set of Financial Inclusion Indicators was developed by AFI's Financial Inclusion Data Working Group (FIDWG) as a measurement tool to provide a method for capturing the status of financial inclusion within countries.

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The AFI Financial Inclusion Data Working Group (FIDWG) was created to explore the area of financial inclusion data, to share expertise in data collection and measurement and to build capacity across the AFI network. FIDWG members are data practitioners and policymakers from countries where data initiatives are in various stages of development. Since it launched in 2009, FIDWG has been leveraging growing interest in this area to capture the latest progress and lessons from data experts and practitioners around the world, and to create new knowledge resources for policymakers in the AFI network and beyond.

Context

More and more, policymakers are recognizing the importance of evidence-based policymaking and the critical role of data in the policymaking process, from design and implementation to monitoring and evaluation. With rigorous, objective and reliable data, policymakers can accurately diagnose the state of financial inclusion, set judicious targets, identify barriers, craft effective policies and monitor and assess the impacts of these policies.

While policymakers agree that it is important to collect data on financial inclusion, no standard currently exists for what to measure or how to measure it. Countries often use different indicators and a variety of methodologies to measure the same data, and some have sophisticated data collection mechanisms while others have none at all. To address the need for consistent financial inclusion data across countries, the AFI Financial Inclusion Data Working Group (FIDWG) has formulated a Core Set of Financial Inclusion Indicators.

Purpose and critical issues

The Core Set of Financial Inclusion Indicators (“the Core Set”) is a limited set of quantitative indicators that capture the state of financial inclusion in a country. The Core Set is the first step for policymakers seeking to expand financial inclusion – the indicators measure the most basic and important aspects of financial inclusion and are intended to help policymakers develop appropriate financial inclusion policies and monitor progress over time.

As a standardized tool for collecting and measuring quantitative data, the Core Set helps to create consistency and comparability across countries. Policymakers can use the Core Set as a benchmark against their peers, although the primary purpose is not to generate rankings or set standards.

While FIDWG made an effort to align the Core Set with existing international measurement initiatives (such as the IMF Financial Access Survey, World Bank Financial Inclusion Index and the G20 Basic Set of Financial Inclusion Indicators¹), what makes the Core Set of Financial Inclusion Indicators unique is

that it was designed primarily as a country-specific financial inclusion measurement tool. The Core Set has the built-in flexibility, for example, to define “administrative unit” or “adult population” in accordance with national definitions, making comparability across countries imperfect, but at the same time helping to instill a sense of ownership among the countries that use it.

Key principles of the Core Set

The Core Set of Indicators is based on six key principles:

- **Usefulness and relevance.** The primary consideration for selecting the Core Set is the usefulness and relevance of the indicators for domestic policymaking.
- **Pragmatism.** Data collection should be achievable within a reasonable time frame. The Core Set was designed to leverage existing and readily available data in order to minimize cost and effort.
- **Consistency.** Given the lack of a uniform, internationally accepted definition of financial inclusion, the Core Set offers standard definitions to ensure consistency in measurement and comparability across time and countries. To avoid overburdening countries, the Core Set is aligned, to the extent possible, with the financial access surveys and data collection projects of international and multilateral organizations.
- **Flexibility.** The Core Set recognizes that a country’s data initiatives are driven largely by its rationale for pursuing greater financial inclusion, and that they are shaped by the country’s unique economic, geographic, social and cultural context. Given that circumstances and resources vary greatly across countries, the Core Set gives countries the flexibility to adapt certain definitions and/or use proxy indicators. Transparency is critical, and countries are encouraged to uphold the principle of consistency by disclosing any variations.
- **Balance.** The Core Set is a balanced data set that addresses two important dimensions of financial inclusion – access and usage – and leverages both supply- and demand-side data.

¹ The Core Set was used by the GPF to support its development of the G20 Basic Set of Financial Inclusion Indicators. The two are closely aligned and complementary.

- **Aspiration.** The Core Set strives to define a set of indicators that accurately reflect financial inclusion. To meet this objective, additional effort and resources may be required to measure some of the indicators. Countries should aspire to collect the Core Set as it is defined, but in the spirit of flexibility and pragmatism, certain modifications are accepted and proxy indicators are provided when this is not possible. Finally, the aspiration principle implies that the Core Set is dynamic and better indicators may be introduced at a later date.

Key dimensions of the Core Set: access and usage

The Core Set of Financial Inclusion Indicators addresses the two basic dimensions of financial inclusion: *access* and *usage* of financial services.²

The *quality* dimension, while important, is a more complex topic both conceptually and in terms of measurement, typically requiring demand-side surveys and the use of qualitative indicators. FIDWG will address this dimension under a broader measurement framework for financial inclusion in the near future.

Access dimension

“Access” refers to the ability to use the services and products offered by formal financial institutions. Determining levels of access may require identifying and analyzing potential barriers to opening and using a bank account, such as cost or physical proximity of bank service points (branches, ATMs, etc.). Data on access can usually be obtained through information provided by financial institutions.

The indicators for access in the Core Set are:

- 1.1 Number of access points per 10,000 adults at a national level segmented by type and administrative unit
- 1.2 Percentage of administrative units with at least one access point
- 1.3 Percentage of total population living in administrative units with at least one access point

Measurement

Data on access should be collected from the supply side, i.e. financial institutions. Indicator 1.3 incorporates detailed population data that should be available through national statistics.

Some definitions

What is an “access point”?

An access point is any physical entity where an individual can perform cash-in and cash-out transactions with a regulated financial institution, such as bank branches, any type of banking office, and ATMs, agents and POS devices that perform cash-in and cash-out transactions.

Note: Mobile phones and PCs are not considered access points because they cannot perform physical cash-in and cash-out transactions.

What is an “administrative unit”?

A country typically divides its jurisdictions into “administrative units” based on geographical, political, cultural or other considerations. For example:

Tier 1: Nation

Tier 2: Region, state

Tier 3: County, town, province

Tier 4: Municipality, district

Tier 5: Barangay, village

Since countries define their administrative units differently, country-specific definitions are acceptable.

How are “adults” defined in the Core Set?

An adult is anyone aged 15 years or older. A country may use its own (e.g. legally prescribed) definition of an adult, but should disclose this in the Core Set of Financial Indicators Worksheet.

Practical issues

What level of administrative unit should be reported in the Core Set?

At minimum, a country should report its core indicators at the third tier administrative unit since Tier 1 (national) and Tier 2 (regional) indicators generally do not provide a precise picture of financial access. Financial access is typically a bigger challenge in lower tier administrative units, such as a county (Tier 3) or municipality (Tier 4), where residents may have limited access points or none at all. A country can report its core indicators beyond these levels (Tier 5) as long as the tier is clearly indicated.

² This focus was agreed upon by the FIDWG at its September 2010 and March 2011 meetings.

Why is the level of activity of deposit and credit accounts not considered in the Core Set of Financial Inclusion Indicators?

The level of activity of deposit and credit accounts would provide a good indicator of usage, but “active” accounts are defined differently across countries and even across different types of financial service providers.

What is an “agent” and is it considered an access point?

An agent is a third party entity authorized, accredited, or contracted to perform cash-in and cash-out transactions on behalf of a regulated financial institution (for example, a convenience store providing financial services on behalf of a bank).

Agents that perform both cash-in and cash-out transactions can be counted as access points. Agents that are not linked to a regulated financial institution, but are specifically authorized to perform cash-in and cash-out transactions (e.g. non-bank remittance agents), may also be counted as access points.

Should all types of financial service providers, both regulated and unregulated, be counted in the Core Set?

As a baseline, count financial service providers that are authorized/licensed (Level 2) and actively supervised (Level 3). Registered financial service providers (Level 1) can also be counted as long as the information on these providers is reliable and reported regularly.

Why do I only count the access points of regulated financial institutions and not informal providers of financial services?

Because the Core Set is guided by the principles of pragmatism and consistency, and since data from unregulated and informal entities can be limited, cannot be traced, or may not exist at all, FIDWG chose to include only the access points of regulated financial institutions in the Core Set. Also, in general, a regulator has no legal basis or mandate to collect information from entities outside its jurisdiction.

Usage dimension

“Usage” refers to the depth or extent of financial services and product use. Determining usage requires gathering details about the regularity, frequency and duration of use over time.

The indicators for usage in the Core Set are:

- 2.1 Percentage of adults with at least one type of regulated deposit account
- 2.2 Percentage of adults with at least one type of regulated credit account

In countries where data are not available, the following proxy indicators can be used:

- 2.1x Number of regulated deposit accounts per 10,000 adults
- 2.2x Number of regulated credit accounts per 10,000 adults

Measurement

The data for Core Indicators 2.1 and 2.2 would likely be collected through nationally representative demand-side surveys. (The data could also be collected through the supply side in countries where supply-side data is linked to a robust national identity system.) The proxy indicators 2.1x and 2.2x would be obtained through supply-side data.

Using the Core Set of Indicators

Several AFI members already collect data based on the Core Set of Indicators and AFI encourages all its members to do so.

For countries that have little or no data with which to calculate the Core Set, the indicators in the Core Set should be sufficient to obtain a baseline snapshot of financial inclusion. These countries may aspire to collect the Core Set as a starting point for measuring financial inclusion.

For countries that are more advanced in data collection and measurement and already have indicators for financial inclusion, the Core Set will not be enough. These countries are encouraged to go beyond the Core Set and collect additional indicators that are relevant to their national context and unique policy concerns. For example, countries might collect data on access points or types of financial services, such as remittances, payments or insurance. Countries can also determine the level of disaggregation, breadth and depth of measurement, depending on their needs and priorities.

Formulas for calculating the Core Set of Financial Inclusion Indicators

How do I calculate Core Indicator 1.1?

(Number of access points per 10,000 adults and per administrative unit)

Formula for national level indicators:

$$\left(\frac{\text{Total number of access points}}{\text{Total adult population}} \right) \times 10,000$$

Data requirements:

- Number of various types of access points
- Number of adults in the population

Formula per administrative unit:

$$\left(\frac{\text{Total number of access points in each administrative unit}}{\text{Total adult population in each administrative unit}} \right) \times 10,000$$

Data requirements:

- Number of access points by type and by administrative unit
- Number of adults by administrative unit

How do I calculate Core Indicator 1.2?

(Percentage of administrative units with at least 1 access point)

Formula:

$$\frac{\text{Total number of administrative units with at least 1 access point}}{\text{Total number of administrative units}}$$

Data requirements:

- Number of access points by type and by administrative unit

How do I calculate Core Indicator 1.3?

(Percentage of total population living in administrative units with at least 1 access point)

Formula:

$$\frac{\text{Total number of adults in all administrative units with at least 1 access point}}{\text{Total adult population}}$$

Data requirements:

- Number of adults by administrative unit
- Total number of adults in the population

Formulas for calculating the Core Set of Financial Inclusion Indicators (continued)

How do I calculate Core Indicator 2.1?

(Percentage of adults with at least 1 type of regulated deposit account)

Formula:

$$\frac{\text{Total number of adults with at least 1 regulated deposit account}}{\text{Total adult population}}$$

Data requirements:

- Number of adults with at least 1 regulated deposit account (usually generated from demand-side surveys)
- Total number of adults in the population

How do I calculate Core Indicator 2.1x (Number of regulated deposit accounts per 10,000 adults), **which is a proxy for Core Indicator 2.1?** (Percentage of adults with at least 1 type of regulated deposit account)

Formula:

$$\left(\frac{\text{Total number of regulated deposit accounts}}{\text{Total adult population}} \right) \times 10,000$$

Data requirements:

- Number of regulated deposit accounts (supply-side data)
- Total number of adults in the population

How do I calculate Core Indicator 2.2?

(Percentage of adults with at least 1 type of regulated credit account)

Formula:

$$\frac{\text{Total number of adults with at least 1 regulated credit account}}{\text{Total adult population}}$$

Data requirements:

- Number of adults that have at least 1 regulated credit account (usually generated from demand-side surveys)
- Total number of adults in the population

How do I calculate Core Indicator 2.2x (Number of regulated credit accounts per 10,000 adults), **which is a proxy for Core Indicator 2.2?** (Percentage of adults with at least 1 type of regulated credit account)

Formula:

$$\left(\frac{\text{Total number of regulated credit accounts}}{\text{Total adult population}} \right) \times 10,000$$

Data requirements:

- Number of regulated credit accounts (supply-side data)
- Total number of adults in the population

About AFI

The Alliance for Financial Inclusion (AFI) is a global network of financial inclusion policymaking bodies, including central banks, in developing countries. AFI provides its members with the tools and resources to share, develop and implement their knowledge of financial inclusion policies. We connect policymakers through online and face-to-face channels, supported by grants and links to strategic partners, so that policymakers can share their insights and implement the most appropriate financial inclusion policies for their countries' individual circumstances.

Learn more: www.afi-global.org

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