

# Financial Inclusion in Latin America: Evidence for Mexico

**David A. Tuesta**

Invited Session: "Building the Road to Financial Inclusion"

Latin American and Caribbean Economic Association (LACEA) & Latin American Meeting of the Econometric Society (LAMES)

2013 Annual Meetings, 31 Oct - 2 Nov 2013, Mexico City

# Summary and goals

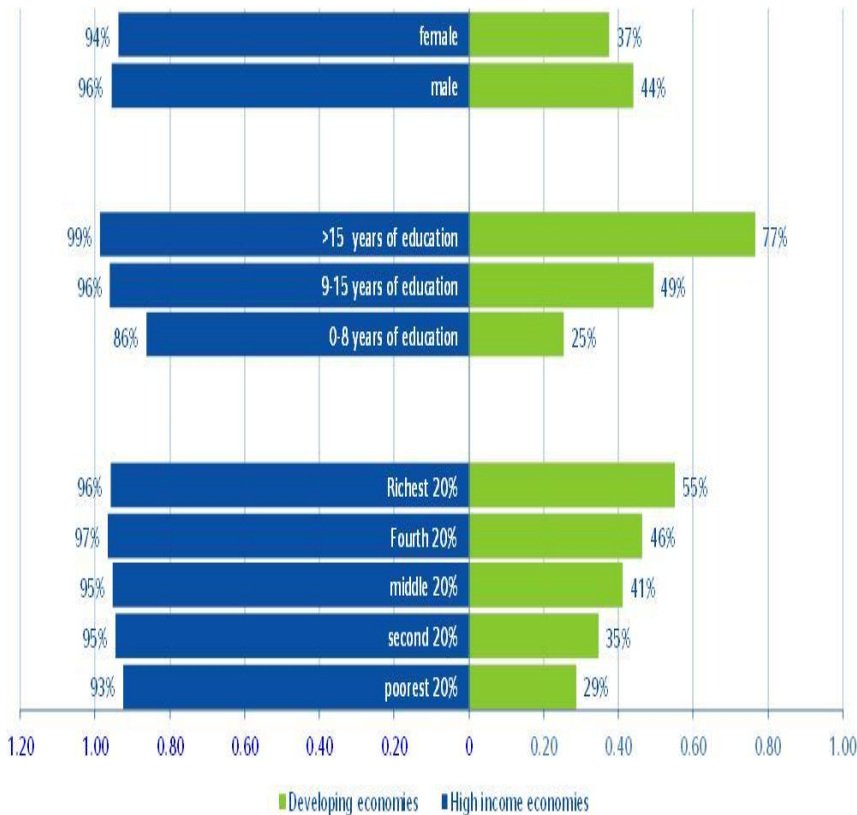
- To discuss the relevance of Financial Inclusion in the policy agenda
- To describe the state-of-the-art in LatAm and explore new available information (ENIF) on financial inclusion in Mexico
- To analyze the importance of socioeconomic individual's characteristics that affect the probability to be excluded by a specific barrier
- To think through about some hypotheses behind the results

# Financial inclusion: meaning and relevance

- «... *effective access to credit, savings, payments and insurance from formal service providers*» (CGAP)
- Affordability and sustainability. Not at any cost. The importance of economic development, product/service, innovation and regulation
- FI contributes to sustainable economic growth; welfare; savings; female empowerment, productive investment; and reducing the likelihood to fall in the poverty trap

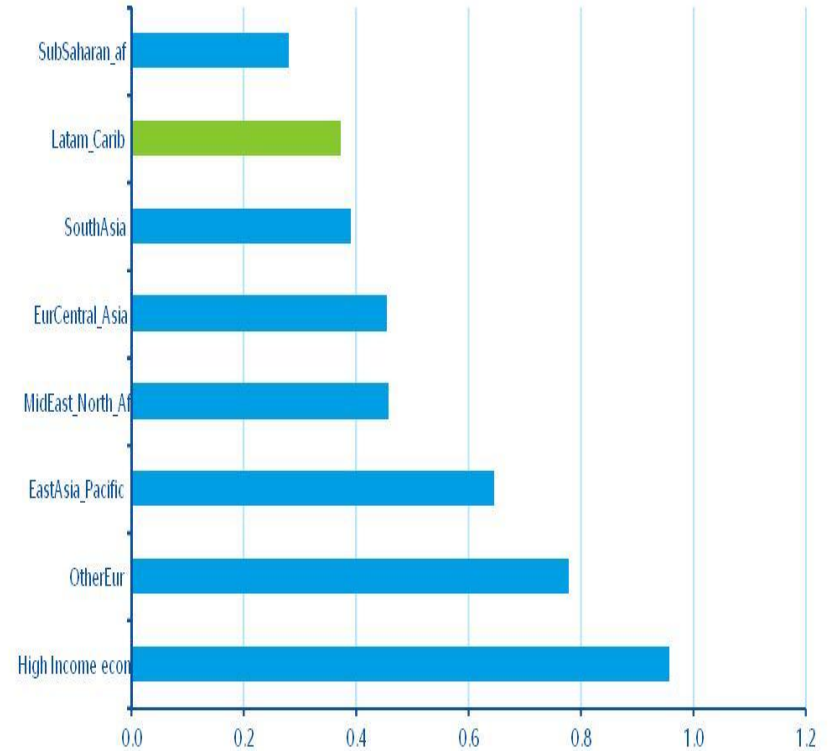
# Worldwide FI snapshot

## Worldwide Financial Inclusion, country's development and socioeconomic characteristics:



## Financial Inclusion by geography:

Source: BBVA Research with Global Findex



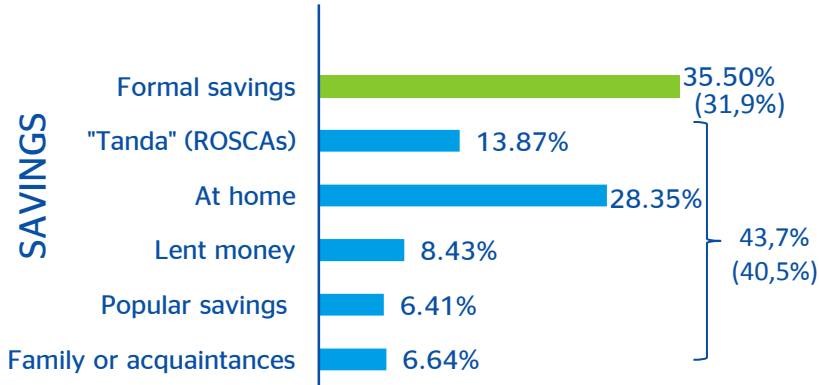
# National Survey on Financial Inclusion (ENIF) in Mexico

- An important initiative to track demand of formal and informal financial services. Credit and savings
- Data collection period: May 2012
- Interviews: 7012 households
- Target population: Adults (age between 18 and 70)
- Mode of interviewing: Face to face
- The sample was designed to be representative. Inference on 70 million adults

# FI in Mexico - ENIF

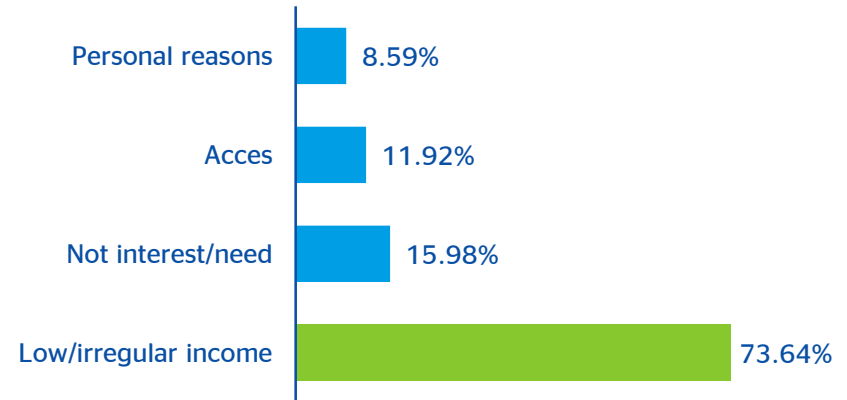
## Savings methods and sources of loans

Source:BBVA Research with ENIF

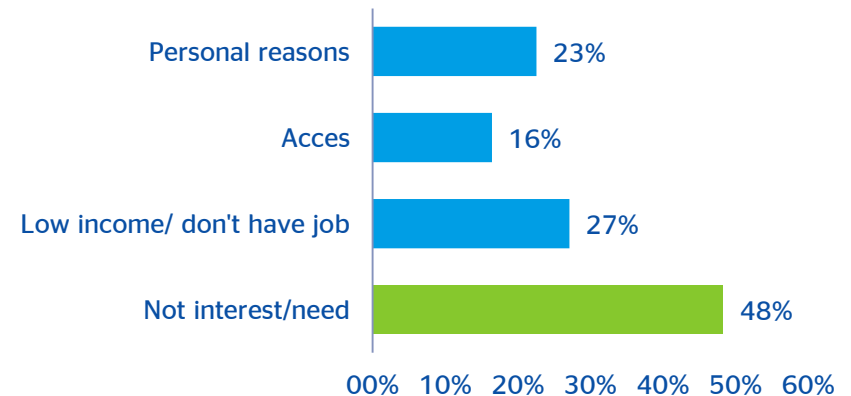
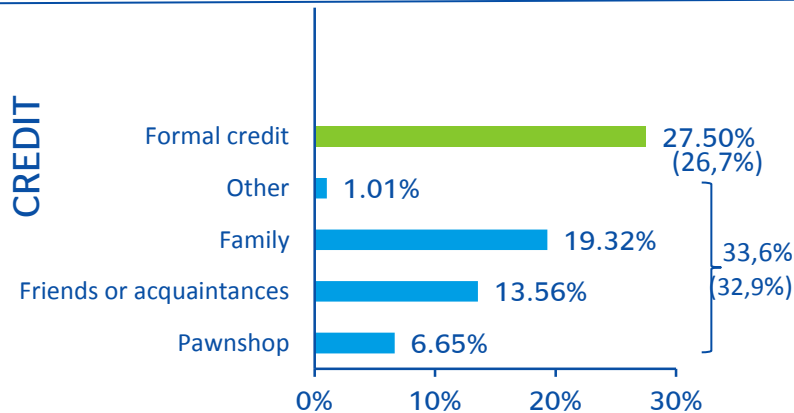


## Self-reported barriers to use formal financial services

Source:BBVA Research with ENIF



## CREDIT



# Probit self-reported barriers to use financial services (ENIF)

|   | Not interested |       | Low/irregular income |       | Access   |       | Personal reasons |       |
|---|----------------|-------|----------------------|-------|----------|-------|------------------|-------|
|   | Coef.          | Sign. | Coef.                | Sign. | Coef.    | Sign. | Coef.            | Sign. |
| Female  | -0.056**       |       | -0.036*              |       | 0.016    |       | 0.022            |       |
| Age   | -0.010**       |       | 0.001                |       | 0.005    |       | 0.001            |       |
| Age squared                                     | 0.000*         |       | 0.000                |       | 0.000    |       | 0.000            |       |
| Household size                                  | -0.005         |       | 0.001                |       | -0.004   |       | 0.002            |       |
| Household head                                  | -0.033         |       | 0.035*               |       | -0.004   |       | 0.008            |       |
| Married   | -0.037         |       | 0.023                |       | 0.003    |       | -0.012           |       |
| Primary or less                                 | -0.010         |       | 0.104***             |       | -0.026   |       | -0.006           |       |
| Secondary                                       | -0.010         |       | 0.042*               |       | 0.000    |       | -0.009           |       |
| Housewife                                       | -0.024         |       | 0.084**              |       | 0.027    |       | 0.102**          |       |
| Out of workforce                                | -0.032         |       | 0.078**              |       | -0.009   |       | 0.030            |       |
| Remittances                                     | -0.025         |       | 0.000                |       | -0.040*  |       | -0.002           |       |
| Home savings                                    | 0.043*         |       | -0.147***            |       | 0.052*** |       | 0.120***         |       |
| Ability to manage shoks                         | 0.077***       |       | -0.175***            |       | 0.004    |       | 0.054**          |       |
| Municipalities with less than 15000 inhabitants | -0.011         |       | 0.062***             |       | 0.058*** |       | 0.021            |       |
| Income less than 3000 pesos                     | -0.082*        |       | 0.153***             |       | -0.002   |       | -0.011           |       |
| Income between 3000 and 4999                    | -0.081*        |       | 0.069**              |       | -0.001   |       | 0.019            |       |
| Income between 5000 and 7999                    | -0.015         |       | -0.004               |       | 0.065    |       | -0.008           |       |
| Without income                                  | -0.021         |       | 0.074**              |       | -0.034   |       | -0.106***        |       |
| Observations                                    | 3826           |       | 3826                 |       | 3826     |       | 3826             |       |
| Wald test p-value                               | 74.200         |       | 394.34               |       | 41.93    |       | 73.55            |       |
| Prob>chi2                                       | 0.000          |       | 0.000                |       | 0.000    |       | 0.000            |       |
| Pseudo R2                                       | 0.021          |       | 0.1411               |       | 0.0132   |       | 0.0229           |       |

Source:BBVA Research with ENIF 2012

# Barriers to financial inclusion: ENIF México

| Low/irregular income barrier                            |                                    | Not interested (self-exclusion)  |                                      |
|---|------------------------------------|----------------------------------|--------------------------------------|
| Increase  | Reduce                             | Increase                         | Reduce                               |
| Lower Income (15.3% Income less than 3,000 pesos)       | Female (-3.6%)                     | Ability to manage shock's (7.7%) | Less than 5,000 pesos (-8%)          |
| Lower Education (Primary or less 10.4%)                 | Ability to manage shock's (-17.5%) | Households with savings (4.3%)   | Female (-5.6%)                       |
| Head of Household (3.5%)                                | Households with savings (-14.7%)   |                                  | Age (-1% , turning age: 54 year old) |
| Housewife (8.4%)  |                                    |                                  |                                      |
| Out of workforce (7.8%)                                 |                                    |                                  |                                      |
| Municipalities with less than 15,000 inhabitants (6.2%) |                                    |                                  |                                      |



# Demand barriers to financial inclusion: ENIF México

| Access  |                                   | Personal reasons                 |                         |
|---|-----------------------------------|----------------------------------|-------------------------|
| Increase  | Reduce                            | Increase                         | Reduce                  |
| Households with savings (5.2%)                          | Households with remittances (-4%) | Ability to manage shock's (5.4%) | Without income (-10.6%) |
| Municipalities with less than 15,000 inhabitants (5.8%) |                                   | Households with savings (12%)    |                         |
|   |                                   | Housewife(10%)                   |                         |

## Concluding Remarks

- The analysis based on this new available information, give us a glimpse into how specific barriers affect people's perception on FI
- The estimates confirm the effect of well known variables on FI, especially those related with income and labor markets
- Gender, market size and the role of remittances stand out as potentially relevant issues for policy agenda
- Some results highlights the importance to think about the constraints imposing to FI by a long lasting interaction of individuals in the informal financial market
- In a context where FI is becoming a top issue in the global policy agenda, it is necessary further research on the topic and more detailed information at the individual level in Latin America

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# APPENDIX

## ¿Por qué no tiene una cuenta bancaria?

|              |   | %      |
|--------------|---|--------|
| Low income   | No le alcanza, sus ingresos son insuficientes o variables         | 73.64% |
| Not interest | No le interesa o no la necesita                                   | 15.98% |
|              | Los intereses son bajos   | 1.30%  |
|              | Las comisiones son altas  | 3.18%  |
|              | La sucursal le queda lejos o no hay                               | 2.32%  |
| Acces        | Piden requisitos que no tiene                                     | 5.12%  |
|              | Prefiere otras formas de ahorro (tanda, guardar en su casa, etc.) | 4.22%  |
| Personal     | No confía en los bancos   | 4.37%  |
|              | Otro  | 1.09%  |

## ¿Por qué no tiene un préstamo, crédito o tarjeta de crédito?

|              |   | %     |
|--------------|---|-------|
| Low income   | No cumple con los requisitos (no tiene trabajo, ingresos insuficientes) | 27.2% |
| Not interest | No le interesa, no lo necesita o no lo ha solicitado                    | 48.4% |
|              | Los intereses o las comisiones son altos                                | 13.7% |
|              | La sucursal le queda lejos o no hay                                     | 2.7%  |
| Acces        | No confía en los bancos o le dan mal servicio                           | 3.2%  |
|              | No le gusta endeudarse  | 18.3% |
| Personal     | Cree que lo van a rechazar  | 1.2%  |
|              | Otro  | 1.2%  |

# Self-reported variables for unbanked in Latin America - Global Findex

## Respondents could choose more than one reason

\* refers to the percentage of adults who reported only this reason

Source: BBVA Research with Global Findex data

