

2016

Report

Tracking Financial Inclusion

The Multidimensional

Financial Inclusion

MIFI

Financial Inclusion

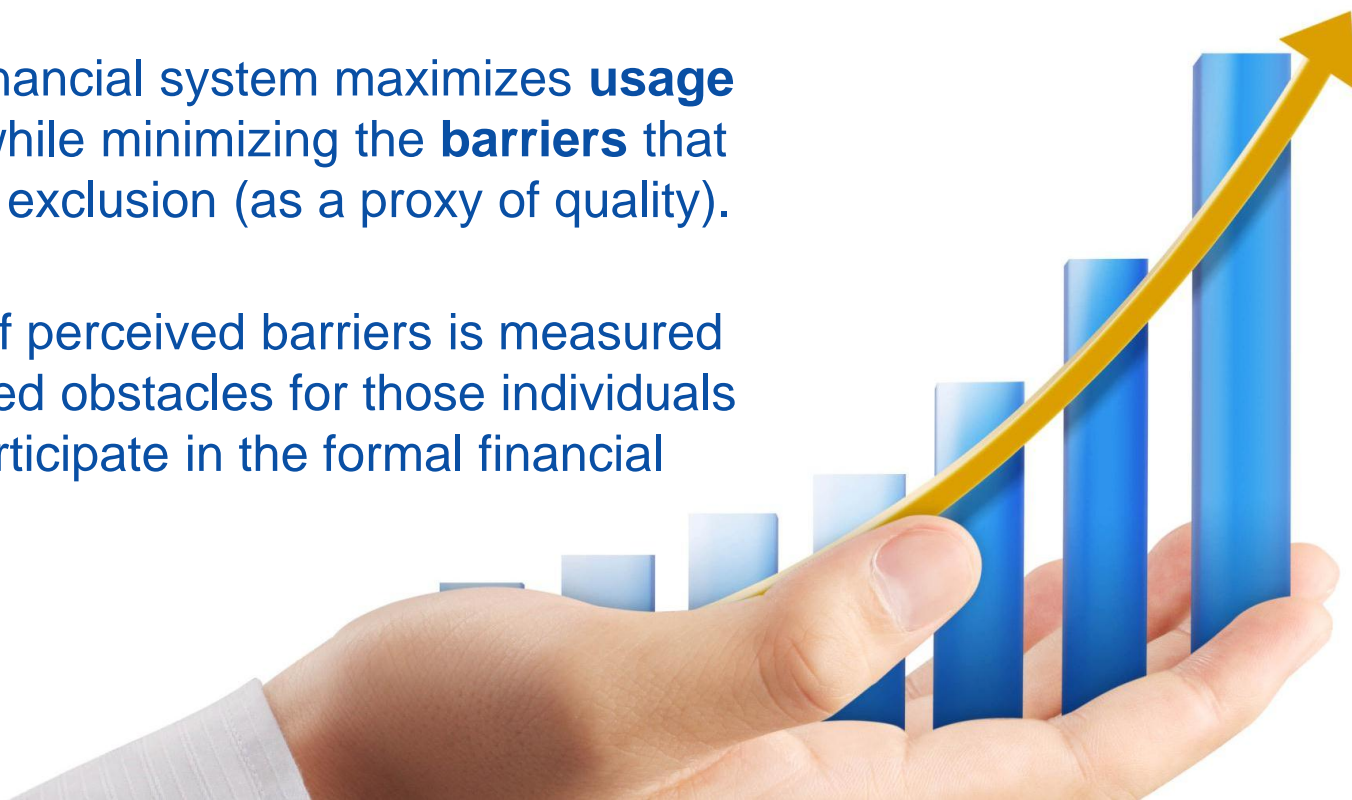
Financial inclusion is an essential ingredient of economic development and poverty reduction and it can also be a way of preventing social exclusion. A person's right to use formal financial services, as a way of preventing social exclusion, must be a priority.



The MIFI index

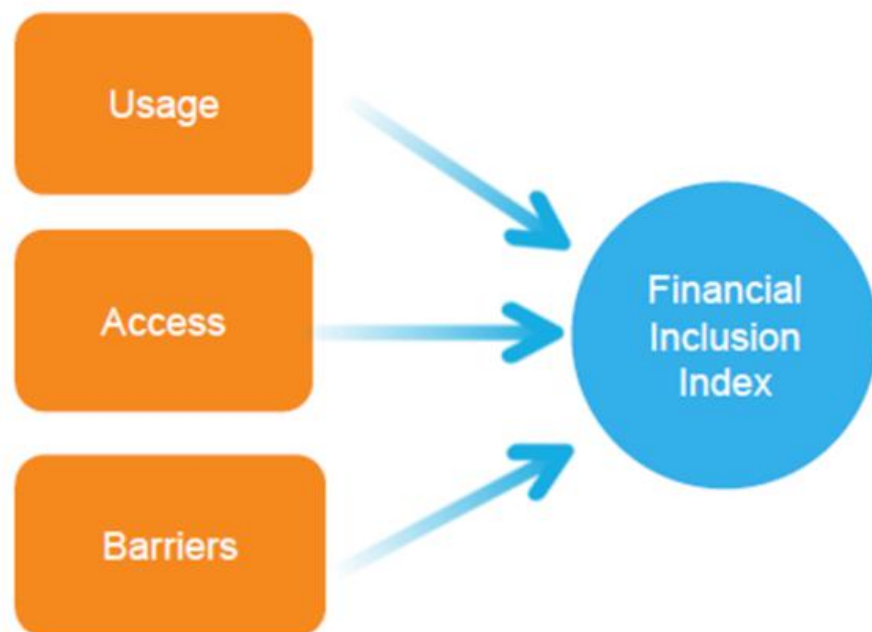
The Multidimensional Index for Financial Inclusion (MIFI) can be used to compare levels of financial inclusion across economies and over time. MIFI defines the degree of inclusiveness for a given financial system as follows.

- An inclusive financial system maximizes **usage** and **access**, while minimizing the **barriers** that block financial exclusion (as a proxy of quality).
- Minimization of perceived barriers is measured by the perceived obstacles for those individuals who do not participate in the formal financial system.



Dimensions of Financial Inclusion

MIFI assesses usage, access and quality across 18 indicators and 137 countries (140 for 2011). Weights assigned to the dimensions are determined endogenously by employing a two-stage Principal Component Analysis. .



$$MIFI_i = \theta_1 Y_{ui} + \theta_2 Y_{ai} + \theta_3 Y_{bi} + \tau_i$$

The indicators

The degree of financial inclusion is determined by three dimensions: usage, barriers (quality) and access to financial inclusion. At the same time, dimensions contain several indicators

- **Usage** contains 3 indicators: having a financial product, such as a bank account or a card, having formal savings or loans.
- The **quality dimension** is based on 4 indicators: trust in the formal financial system, cost of the financial services, distance to the access points and documentation requirements.
- Finally, access accounts for the number of face to face access points, such as commercial bank branches and banking agents; and automatic access points, such as ATMs.

Data

MIFI relies on demand (Global Findex, 2011 and 2014) and supply-side information (FAS, 2011 and 2014; Camara et al., 2015) to measure the extent of financial inclusion at country level. Our composite index offers a comprehensive measure of the degree of financial inclusion, easy to understand and compute.



The ranking

We present 4 categories of countries according to degree of financial inclusion achieved.



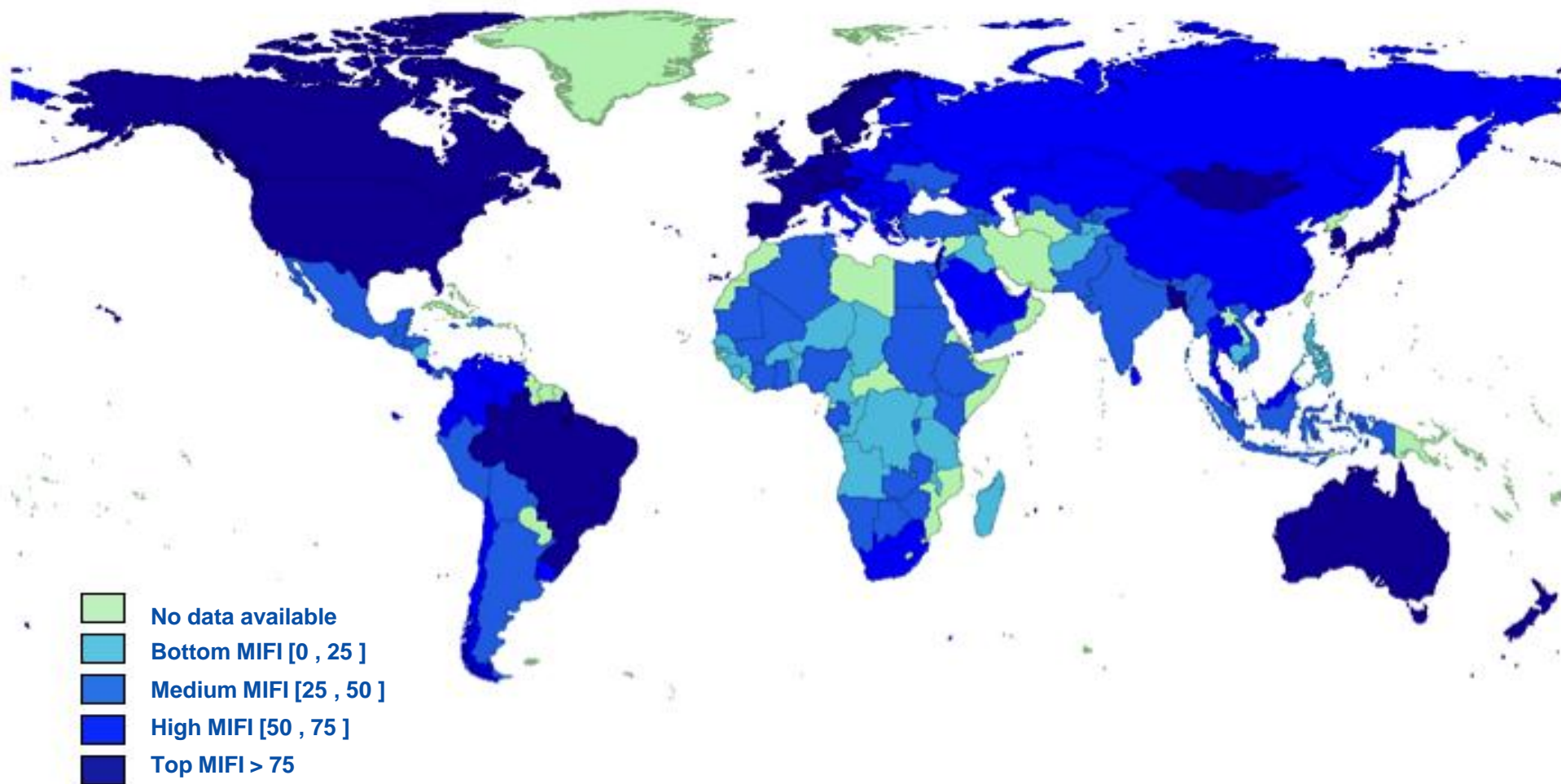
**Top
MIFI**

**High
MIFI**

**Medium
MIFI**

**Bottom
MIFI**

MIFI: A global View on Financial Inclusion



Countries on the TOP

Countries on the top of the ranking of Financial Inclusion according to MIFI 2014:

- | | | | | |
|---------------|------------------|------------------|--------------|----------------|
| 1 Israel | 6 Australia | 11 New Zealand | 16 Germany | 21 Denmark |
| 2 Korea, Rep. | 7 United Kingdom | 12 France | 17 Austria | 22 Bangladesh |
| 3 Canada | 8 Sweden | 13 Singapore | 18 Belgium | 23 Ireland |
| 4 Brazil | 9 Luxembourg | 14 United States | 19 Mauritius | 24 Switzerland |
| 5 Japan | 10 Norway | 15 Spain | 20 Mongolia | 25 Portugal |

Latin America

Countries on the top 10 of the ranking of financial inclusion according to MIFI 2014:

- | | |
|--------------|-----------------------|
| 1 Brazil | 6 Ecuador |
| 2 Chile | 7 Venezuela |
| 3 Colombia | 8 Peru |
| 4 Costa Rica | 9 Argentina |
| 5 Uruguay | 10 Dominican Republic |

Africa

Countries on the top 10 of the ranking of financial inclusion according to MIFI 2014:

- | | |
|----------------|-------------|
| 1 Mauritius | 6 Rwanda |
| 2 South Africa | 7 Ethiopia |
| 3 Namibia | 8 Nigeria |
| 4 Algeria | 9 Kenya |
| 5 Tunisia | 10 Botswana |

Asia and Middle East

Countries on the top of the ranking of Financial Inclusion according to MIFI 2014:

- | | |
|--------------|-------------|
| 1 Singapore | 6 Sri Lanka |
| 2 Mongolia | 7 China |
| 3 Bangladesh | 8 Lebanon |
| 4 Hong Kong | 9 Kuwait |
| 5 Thailand | 10 Malaysia |



MIFI

The full ranking

The Full View on Financial Inclusion

Rank	Country	Δ
1	Israel	+32
2	Korea, Rep.	+3
3	Canada	+5
4	Brazil	+17
5	Japan	+8
6	Australia	-5
7	United Kingdom	+9
8	Sweden	+16
9	Luxembourg	-6
10	Norway	N/A
11	New Zealand	-1
12	France	-7
13	Singapore	-10
14	United States	+1
15	Spain	-7
16	Germany	+2
17	Austria	+3
18	Belgium	+1
19	Mauritius	+13
20	Mongolia	+11
21	Denmark	0
22	Bangladesh	+42
23	Ireland	-12

Rank	Country	Δ
24	Switzerland	N/A
25	Portugal	-17
26	Finland	-1
27	Croatia	-3
28	Netherlands	-1
29	Slovenia	-12
30	Estonia	-1
31	Chile	+23
32	Russian Federation	+11
33	Latvia	-5
34	Hong Kong SAR, China	+8
35	Italy	-5
36	Colombia	+21
37	Malta	-23
38	Slovak Republic	-1
39	Thailand	-8
40	Poland	+4
41	Sri Lanka	+6
42	Greece	-6
43	Costa Rica	-2
44	Czech Republic	-6
45	China	+3
46	Cyprus	-33

Rank	Country	Δ
47	Lithuania	-7
48	Bosnia and Herzegovina	+3
49	Bulgaria	-4
50	Serbia	-4
51	United Arab Emirates	-1
52	Lebanon	+3
53	Montenegro	-4
54	Kuwait	-20
55	Hungary	-16
56	Uruguay	+2
57	Ecuador	+4
58	Macedonia, FYR	-6
59	Belarus	-3
60	Malaysia	-7
61	Saudi Arabia	+1
62	Venezuela, RB	+4
63	South Africa	+5
64	Kazakhstan	-1
65	Romania	-6
66	Georgia	+5
67	Jordan	+6
68	Peru	+11
69	Bhutan	N/A

The Full View on Financial Inclusion

Rank	Country	Δ
70	Argentina	+5
71	Dominican Republic	0
72	Jamaica	-7
73	Namibia	N/A
74	Vietnam	+10
75	Algeria	+4
76	Kosovo	-5
77	Belize	N/A
78	Tunisia	+9
79	Rwanda	+14
80	India	-2
81	Panama	+18
82	Ethiopia	N/A
83	Ukraine	+1
84	Indonesia	+28
85	Nigeria	+24
86	Turkey	-22
87	Myanmar	N/A
88	Bolivia	+5
89	Kenya	+7
90	Botswana	+18
91	Azerbaijan	-1
92	West Bank and Gaza	-6

Rank	Country	Δ
93	Nepal	-1
94	Armenia	-6
95	Albania	-18
96	Ghana	+7
97	Mexico	-6
98	Guatemala	-26
99	Egypt, Arab Rep.	-18
100	Gabon	+11
101	Sudan	+24
102	Pakistan	-5
103	Uzbekistan	-20
104	Zambia	+10
105	El Salvador	-3
106	Honduras	-12
107	Yemen, Rep.	0
108	Kyrgyz Republic	+8
109	Moldova	-3
110	Zimbabwe	-11
111	Mauritania	N/A
112	Côte d'Ivoire	N/A
113	Burundi	+1
114	Mali	+6
115	Benin	+11

Rank	Country	Δ
116	Angola	-16
117	Burkina Faso	0
118	Malawi	-11
119	Nicaragua	-17
120	Uganda	+10
121	Madagascar	+11
122	Haiti	N/A
123	Congo, Rep.	-11
124	Cameroon	-2
125	Philippines	-5
126	Togo	-1
127	Tajikistan	-1
128	Sierra Leone	+4
129	Chad	+6
130	Guinea	-6
131	Tanzania	-1
132	Senegal	-3
133	Iraq	-10
134	Congo, Dem. Rep.	0
135	Afghanistan	+1
136	Niger	+1
137	Cambodia	-30

Economic development and Financial Inclusion

The degree of financial inclusion is highly correlated with some macroeconomic variables such as:

GDP per capita

Education

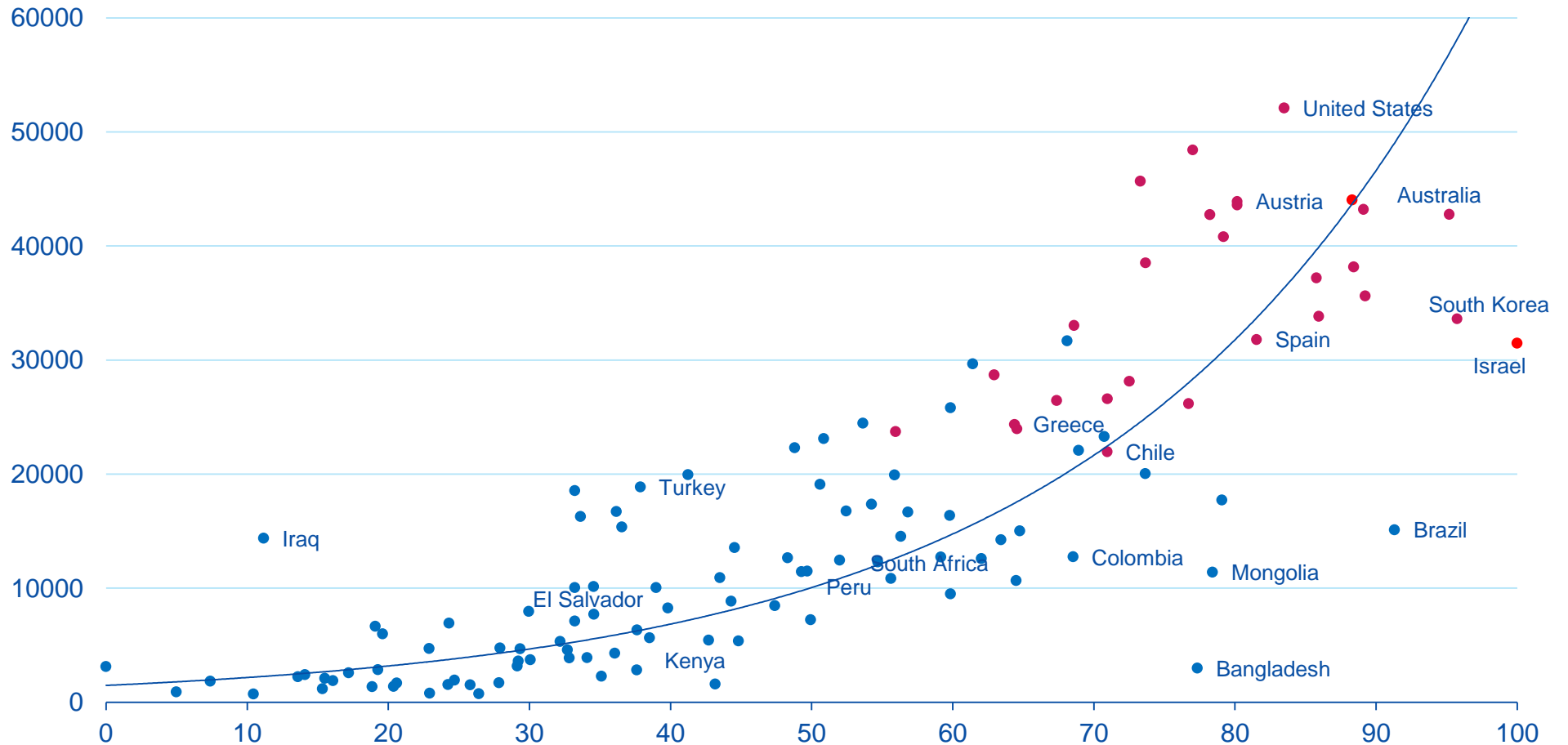
Efficiency of a financial system

Financial stability

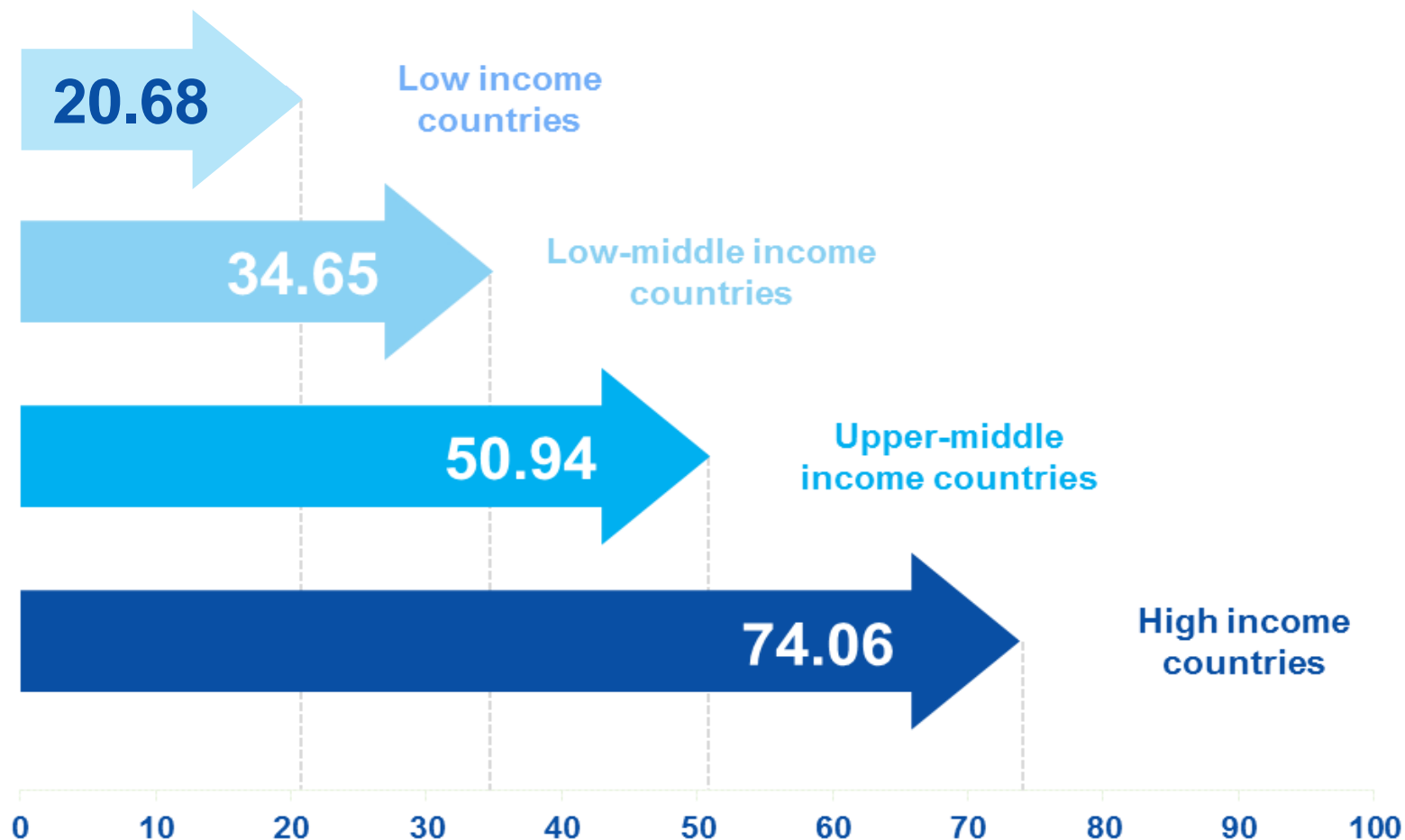
In the comparison between financial inclusion and GDP per capita, MIFI represents more than an income reflection. The creation of such an index is useful to shed some light on the determinants of financial inclusion as well as its contribution to economic growth and development.

Also, we believe that desegregated information on the different dimensions will be useful for policy recommendations. Efforts in such direction yield relevant improvements on the analysis of financial inclusion's causes and consequences.

MIFI and GDP Percapita



Average MIFI by Income Group



For further details and methodological clarifications see:



https://www.bbva.com/wp-content/uploads/2014/10/WP14-26_Financial-Inclusion1.pdf

Please cite this document as:

Cámara and Tuesta (2014) Measuring Financial Inclusion: A Multidimensional Index. Working Paper, N° 14/26 BBVA Research, Madrid.

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