Revamped 2014 Global Microscope calls for comprehensive strategies for financial inclusion

Peru, Colombia and the Philippines have the most conducive environments for financial inclusion; East & South Asia and Sub-Saharan Africa posted the highest scores for electronic payments.

Governments must do more to establish and implement comprehensive strategies for financial inclusion, according to The Economist Intelligence Unit’s Global Microscope 2014: The Enabling Environment for Financial Inclusion. Only 35% of the countries analysed in the study have some kind of formal financial inclusion strategy with commitments that have been at least partially implemented. Another third have no financial inclusion strategy at all, and the rest have strategies that lack specific commitments, making it impossible to measure success in achieving universal access to financial services.

The Global Microscope 2014, formerly known as The Global Microscope on the Microfinance Business Environment, assesses the regulatory ecosystem for financial inclusion by evaluating 12 indicators across 55 countries. The Global Microscope 2014 is the first edition that goes beyond microfinance to rank countries on the wider goal of financial inclusion, evaluating the conditions and enablers of expanded access to finance. An entirely new methodology was developed for this year’s Microscope, drawing on the expertise of stakeholders throughout the sector and including a wider set of products and institutions that comprise financial inclusion. Developed by the EIU in collaboration with the Multilateral Investment Fund (a member of the Inter-American Development Bank Group) and CAF (the development bank of Latin America), and with additional support from the Center for Financial Inclusion at Accion and Citi Microfinance, the Microscope is intended to benchmark progress and catalyse reform.

Regionally, Latin America and the Caribbean (LAC) and East and South Asia tie for the highest overall scores in the Global Microscope 2014. LAC countries also captured half the slots in the global top ten. The Middle East and North Africa (MENA) region posted the lowest overall score.

East and South Asia and Sub-Saharan Africa tied for the highest regional scores in regulations for electronic payments, one of the new topics in this year’s Microscope. Countries like Bangladesh, Pakistan...
and Sri Lanka have the electronic payments infrastructure to serve the bottom of the pyramid’s needs for financial services and Kenya and Tanzania have adopted regulations that are conducive to the growth of mobile payments.

Despite the change in methodology, Peru held the top position in the Global Microscope 2014 for the seventh consecutive year, followed closely by Colombia and the Philippines. Both South American countries showed strength across the board, ranking in the top five in most of the indicators. Colombia and Peru are global leaders in prudential regulation and rules for deposit-taking, and have strong records in micro-loans and provision of savings products to the poor.

The study found that most of the countries that fared well in the previous index also achieved good scores in the new Microscope. In fact, six of the top ten countries from last year’s Microscope are among the best performers this year (Bolivia, Cambodia, Colombia, Peru, Pakistan, and Philippines). The study revealed that countries with enabling environments for microfinance tend to have favourable conditions for financial inclusion.

At the other end of the spectrum, countries at the bottom of the index performed especially poorly on measures of institutional support for financial inclusion. The institutional architecture for financial inclusion is covered through such indicators as government support for financial inclusion, credit reporting systems, market conduct rules, and grievance redress and availability of dispute resolution mechanisms. Countries near the bottom of the index struggle in all of these areas. These results highlight two important needs: first, to make a serious national commitment to financial inclusion and, second, to enact regulations that will build a healthy ecosystem for financial inclusion.

The Global Microscope 2014 report and benchmarking model are available free of charge on the EIU website at: www.eiu.com/microscope2014

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