

**Joint project of the National Bank of the Republic of Belarus  
and Alliance for Financial Inclusion (AFI)  
«Measuring Access to Finance:  
Developing Evidence-based Access Policies in Belarus»**

# **Estimation and analysis of population access to finance in the Republic of Belarus**

**Executive Summary of the National Survey**

Minsk, National Bank of the Republic of Belarus

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## **Analysis of the survey data among individuals using the methodology "Measuring financial inclusion using the Total Financial Index (TFI)"**

**The aim of this survey** is to measure different aspects of use, demand and supply of financial services, and the frequency and intensity of the use of such services by individuals and households, including in relation to the socio-economic characteristics of respondents.

**As a result of this survey**, the most and least included groups have been identified, an econometric model of the TFI has been constructed for individuals and households, and improvements have been suggested to the survey methodology.

The report is based on data obtained from a questionnaire survey among 2500 citizens of Belarus conducted by the Institute of Sociology under the National Academy of Sciences of Belarus.

**The survey presents** an overview of the sample, descriptive statistics analysis for the data body. Consistent with the client-provided methodology, the calculation of the Total Financial Inclusion Index (TFI-I and TFI-II) was performed for payment, credit, savings and insurance services, and also for multiple services. In order to identify the combinations of services used, the Total Financial Inclusion Index was disaggregated by cross-tabulation. Statistical relationships were established between the calculated TFI value and the characteristics of individuals and households. Econometric modeling tools were utilized to measure the dependence of the variables "Financial inclusion of individuals" and "Financial inclusion of households" on the following covariates: sex, age, educational attainment, marital status, social status, region, type of settlement, employment status, income quintile group, and household size.

### **Summary of the findings and recommendations**

As suggested by the distribution analysis, banking, insurance and consumer credit are used the most extensively by individuals in Belarus. Specific banking services used by the largest number of respondents included 'current/checking account' (40.1%), debit card (27.6%), 'domestic money transfer' (16.6%), 'mobile banking' (12.9%), Internet banking (12.8%), and 'credit card' (11.4%). As suggested by the analysis of the survey data, insurance services are used by 28.4% of respondents, 24.4% use car insurance, 13.3% life insurance and 13.0% medical insurance. Use of consumer credit was reported by 26.1% of those surveyed. Use of the remaining financial services was reported by fewer than 10% of the respondents, except the 'savings account' (14.1%).

The survey revealed the following regional trends in the use of financial services;

In five administrative regions out of seven (including Minsk City), the largest proportion of respondents reported use of 'current/checking account. In the remaining two regions, debit card was used the most extensively by individual consumers. Use of a debit card was reported by 58.2% of respondents in Minsk City, and 42.8% in Vitebsk Oblast.

- Consumer credit and property insurance were in second place by the frequency of use. In Minsk City, the second most common financial service was car insurance.

A significant proportion of the population falls into the 'financially excluded' category. Financial services were not used by 14.1% of respondents, and 38.6% were using such services at the basic level. The proportion of households not using financial services was 10.1%, and as many as 15.4% of respondents were unable to answer the question regarding the use of financial services by members of their households. Use of 1 - 2 financial services was reported by 33.4%.

Less than one-half of the population was advanced or extensive users of financial services. Only 10% of individual respondents (and 9.2% of households) are 'advanced users', and 3.0 of individuals (3.8% of households) are 'extensive users'. Total financial inclusion index (TFI-1) is 85.5% for individuals and 74.4% for households.

Among individuals, financial inclusion was highest for banking services (69.5%) and lowest for savings and deposits (19.0%). Reported use of credit services among individuals was 33.7% and insurance services 52.5%.

Among households, 63.4% were using banking services, 45.8% insurance services, and 29.8% credit services. Savings and deposits were the least common type of financial services utilized by households (only 15.7% reported the use of these services).

Use of multiple services (banking, credit, savings and insurance) was reported by 57.8% of individuals and 49.9% of households.

The largest proportion of male respondents fell into the "basic users (1-2 services)" and "active users" (3 - 5 services)" - 35.2% in each category. Only 3.8% of men were 'extensive users'. Among female respondents, the largest proportion (41.4%) was 'basic users'.

Among respondents aged 16 - 25, 37.4% were using 1-2 services, 33.2% 3 - 5 services, and 19.3% were not using services. At age 26 - 35, the largest proportion (41.7%) were 'active users' (3 - 5 services), followed by 'basic users, 1 - 2 services' (30.9%). 5.9% were not using services. At age 36 - 45, 40.3% of respondents use 1 - 2 services and 37.8% 3 - 5 services. Respondents aged over 65 do not use services (32.6%), or use 1 - 2 services (51.8).

Basic use of services prevails among respondents with incomplete secondary

and general secondary education (47.6% and 39.4%, respectively). Active use of financial services is the most common among respondents with vocational and secondary special education (40.4% and 39.7%, respectively). Respondents with incomplete higher or postgraduate education commonly use 3 - 5 services.

Users of 1 - 2 or 3 - 5 financial services are the most prevalent among unmarried respondents (36.5% and 32.8%, respectively). The proportion of active users (3 - 5 services) is the most common among married respondents, followed by 'basic users' (36.1%). Respondents who are divorced tend to use financial services at the basic level (41.5%). Basic use of financial services also prevails among widowers.

Use of 3- 5 services is typical among junior, middle and senior managers, private farmers and self-employed. Active use of financial services is also quite common among white-collar workers and professionals (47.1% and 41.1%, respectively). Agricultural workers, unemployed and housewives mostly use 1 - 2 services. Students tend to use 1 - 2 services (36.9%) or no services at all (34.8%). The majority of pensioners (50.3%) are basic users of services.

Residents of Brest, Gomel, Grodno Oblasts and Minsk City mostly use 1 - 2 services. Use of 3 - 5 services is the most common among residents of Vitebsk and Mogilev Oblasts (43.4% and 39.4%, respectively). Respondents in Minsk Oblast mostly use 3 - 5 services (36.9%) or 1-2 services (30.9%).

Most urban residents use 3 - 5 services (36.7%) or 1-2 services (36.5%). Residents of urban-type settlements typically use 1 - 2 services (34.8%), or 3 - 5 services (31.8%). Use of 1 - 2 services is the most common in rural areas (43.9%).

Respondents who are not working mostly use 1 - 2 services (46.2%). Full-time workers typically use 3 - 5 services (42.6%), and part-time workers 3 - 5 services (37%) or 1 - 2 services (36.2%).

Respondents with income below 2199 thousand roubles mostly use 1 - 2 services (43.1%). Among respondents with income between 2200 and 2499 thousand roubles basic and active use are the most prevalent (37.6% and 37.2%, respectively). Individuals with household income between 2500 and 2899 thousand roubles typically use 3 - 5 services (40.1%). This is also true for individuals with household incomes between 2900 and 3499 thousand roubles (45.1%). Respondents with household income above 3500 tend to be basic users (44.2%).

Thus, the least financially included individuals are aged 65 and above, have basic or incomplete secondary education, unmarried or widowed, and unemployed, students, pensioners or housewives.

The most common attributes of an 'extensive user' (6-8, or 9+ financial services) include: age 25 - 45; postgraduate, higher or incomplete higher education; married; manager, entrepreneur or self-employed; income above 2900 thousand roubles.

This finding is confirmed by the econometric model, indicating that the

probability of using financial services increases by 1.44 with one step increase in educational attainment. By contrast, transition to a higher age group decreases the probability of using financial services by 1.4 times. Each transition to a higher income bracket increases the probability of using financial services by 1.27 times. The relationship between the use of financial services and marital status was also statistically significant, Relative to unmarried respondents, respondents who are married and live together with their spouse are 2.87 more likely to use financial services. Macroeconomic modeling for households showed similar results.

However, despite the fairly large number of correct predictions, the models have low predictive power, owing to a large number of trivial predictions (of which the majority applies to 'financially included' respondents). This may have been due to the fact that the covariates used in the model refer to the socio-demographic characteristics of respondents, and do not cover a range of other potentially important factors, such as psychological attitudes.

**Based on the survey outcomes, the following recommendations can be made:**

- **increase coverage of individuals who use services at a low level or do not use services at all;**
- **improve the level of financial literacy in Belarus;**
- **explore more deeply the potential reasons for not using specific types of services by respondents;**
- **improve conditions for microfinance to promote financial inclusion;**
- **improve the measurement of TFI, including by accounting for missing responses in such measurements (no answer/unsure);**
- **modify the questionnaire, by enlarging the income brackets for the quintile groups.**