A Macro View of Microfinance and Financial Inclusion

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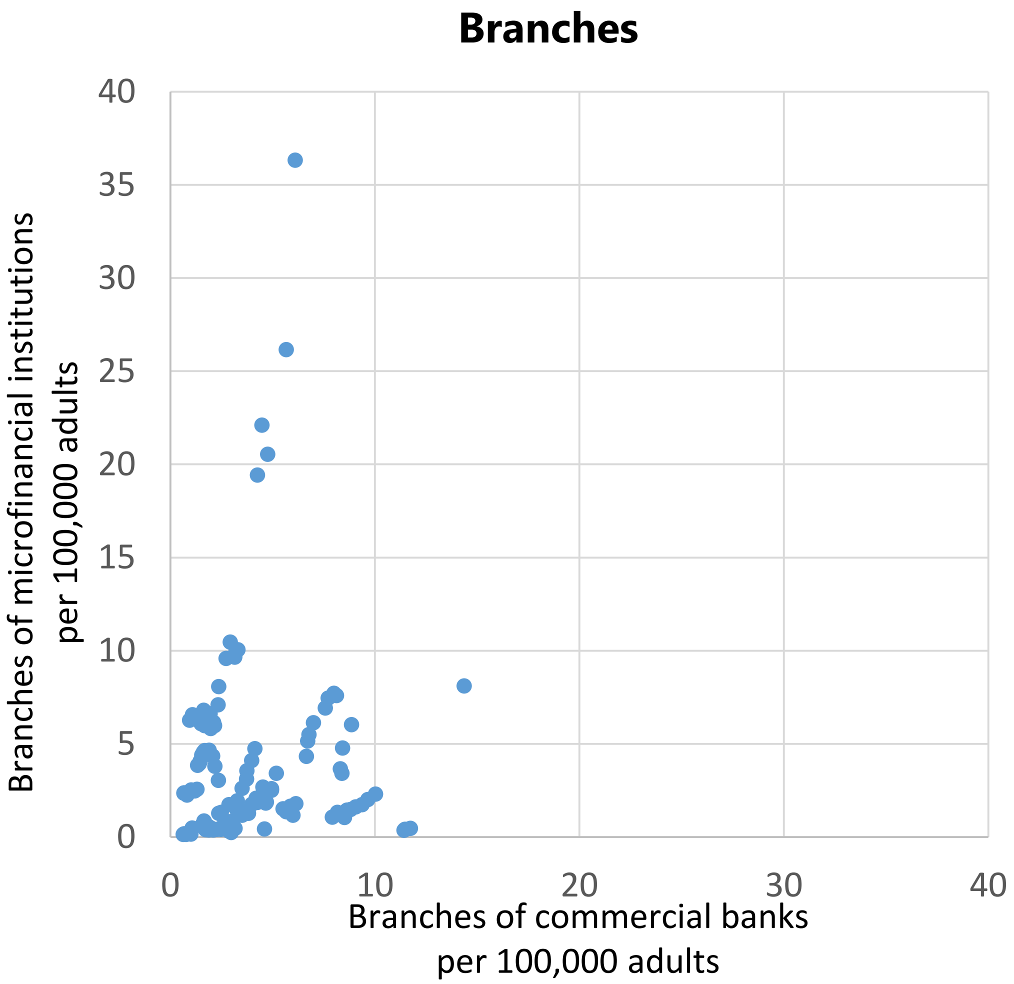
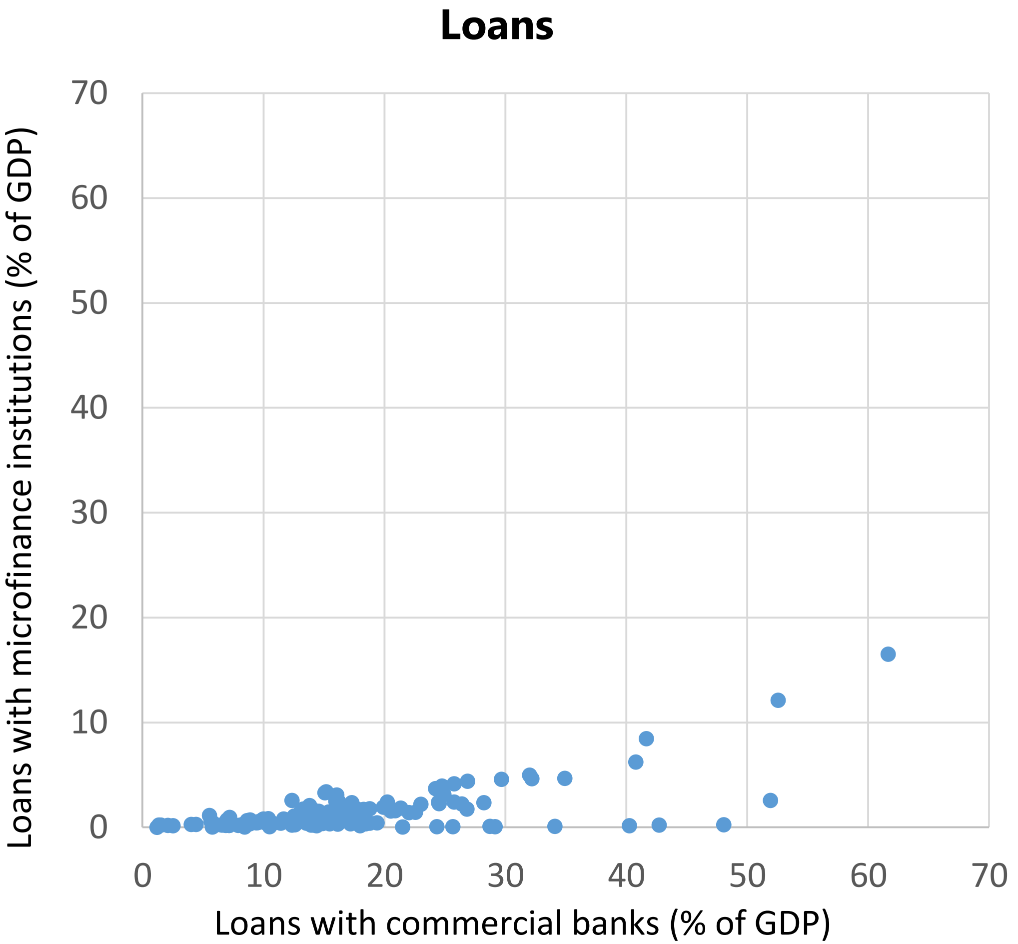
Session I. Access for Everyone: Statistics and Financial Inclusion

Discussion of "Microfinance and Financial Inclusion" by Prof. Jonathan Morduch

Microfinance and financial inclusion: a bird's eye view from global data



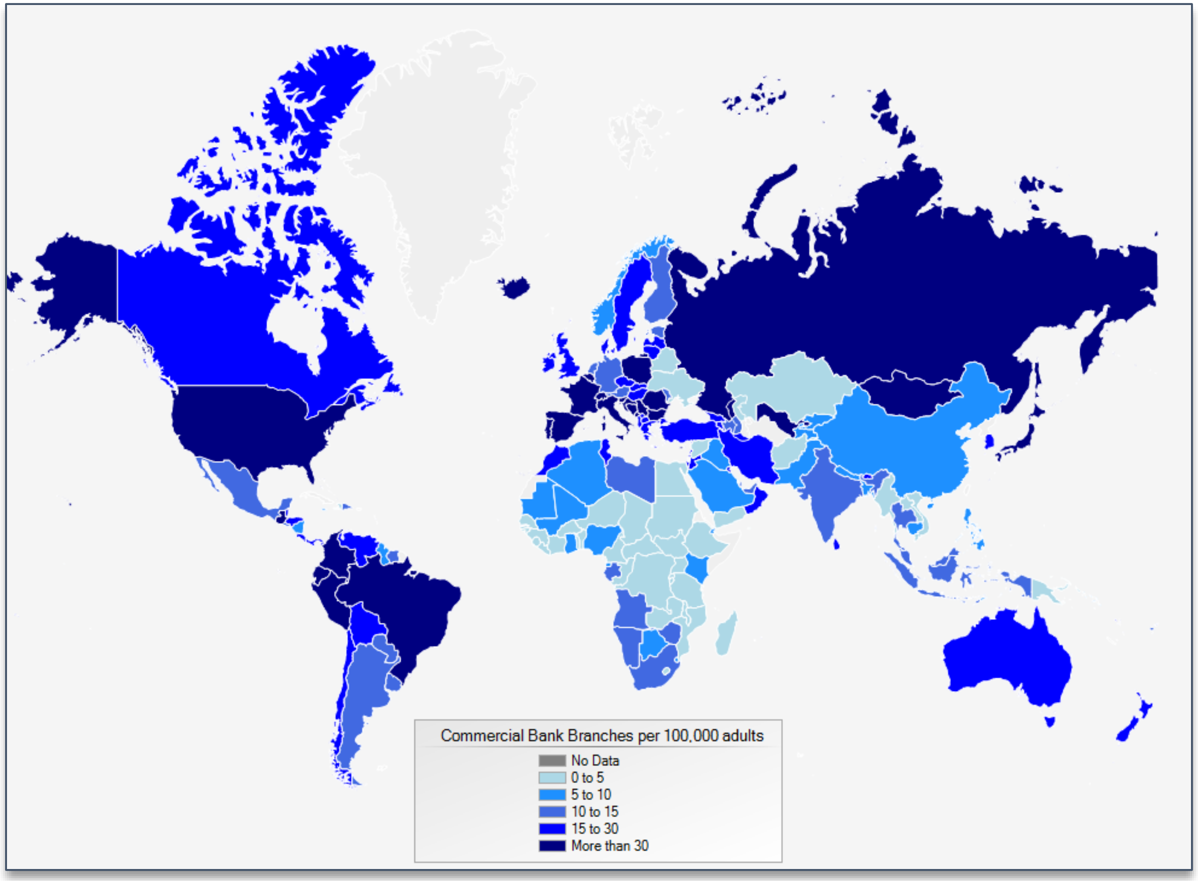


… agreed on the important role of statistics on microfinance

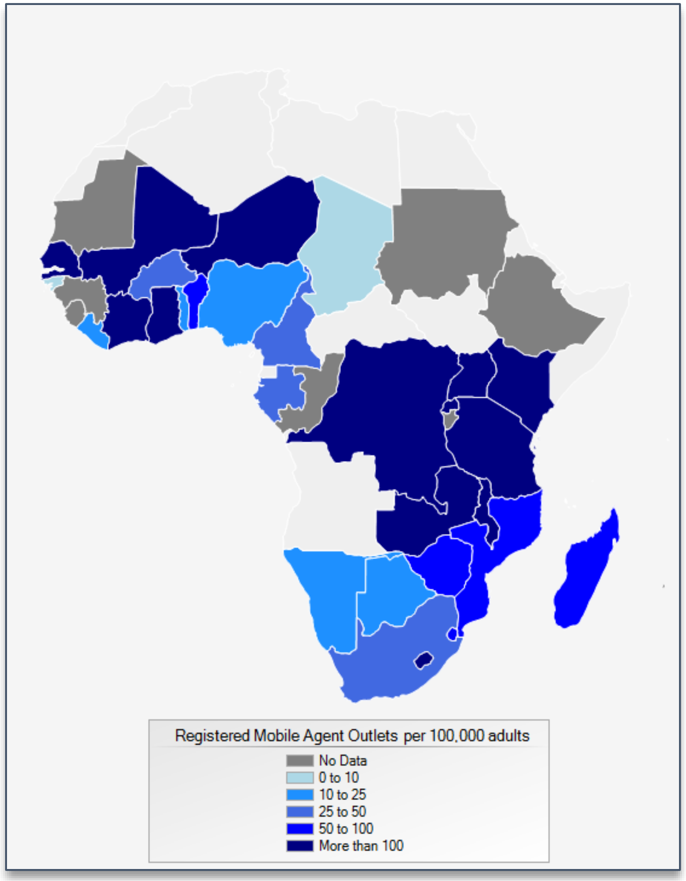
Source: Financial Access Survey, IMF

Financial inclusion ≠ microcredit
Example: leapfrogging via digital access

Traditional access



Digital access



Source: Financial Access Survey, IMF

Macroeconomic dimensions of financial inclusion (and microfinance)

Financial inclusion

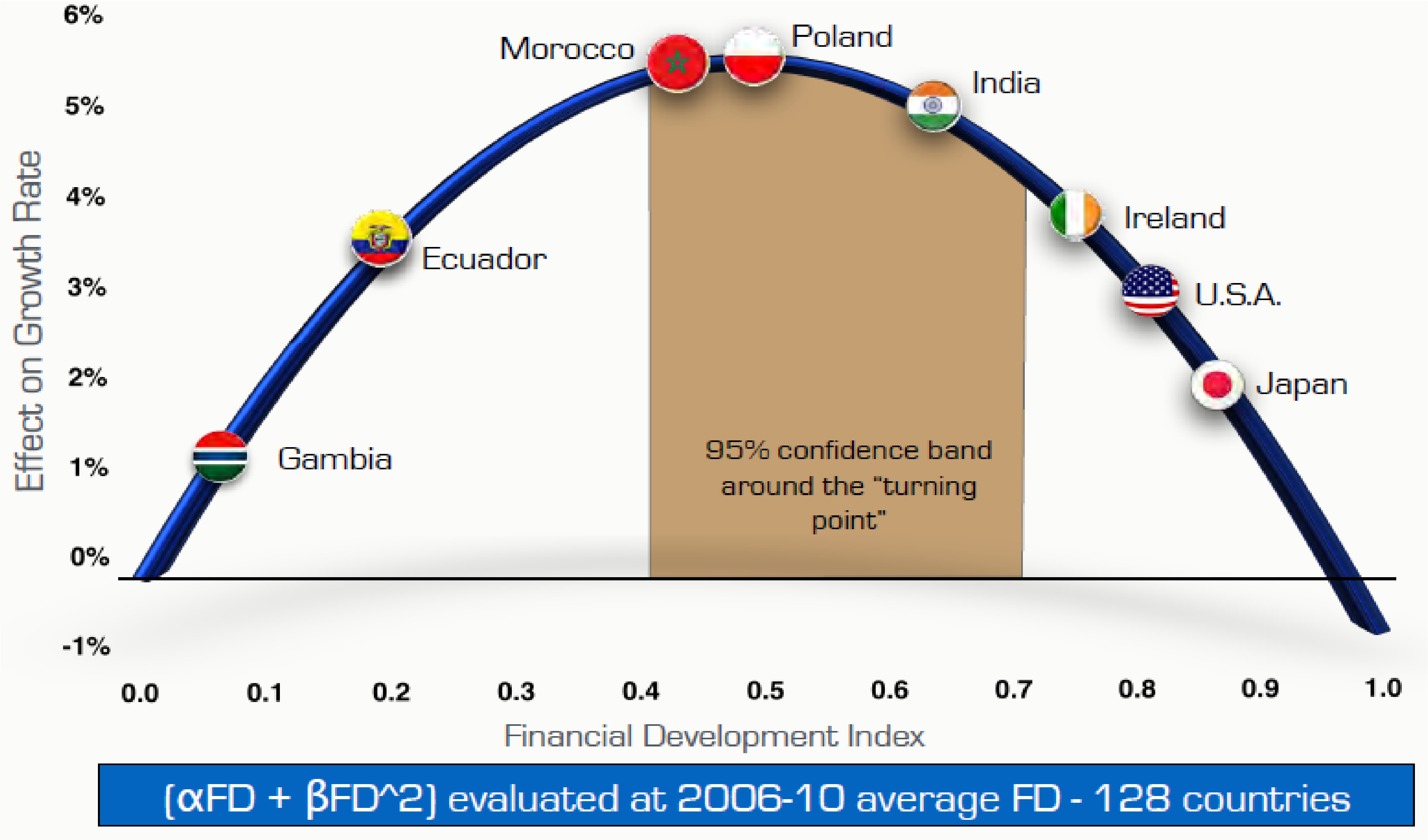
Growth

Stability

Inequality

Sources: IMF Staff Discussion Note 15/17 "Financial Inclusion: Can It Meet Multiple Macroeconomic Goals?"
NBER WP 17905: "Macroeconomics of Microfinance"

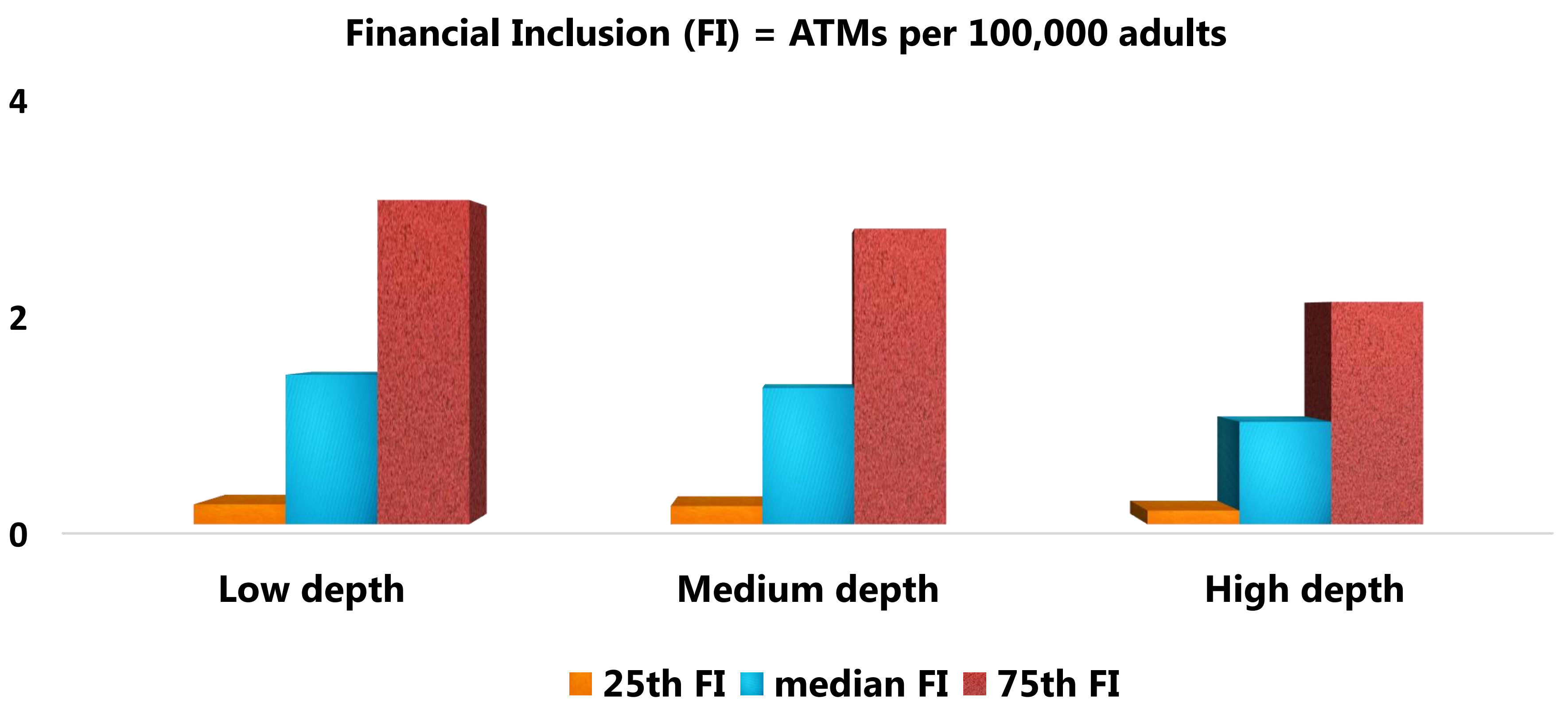
Broader context: new empirical evidence that financial *deepening* helps growth up to a point



Source: IMF Staff Discussion Note 15/08

Financial inclusion: positive effect on growth, although falling at high financial depth

Marginal effects on economic growth (%)



Source: IMF Staff Discussion Note 15/17

Financial inclusion and stability: two silos?

Financial inclusion

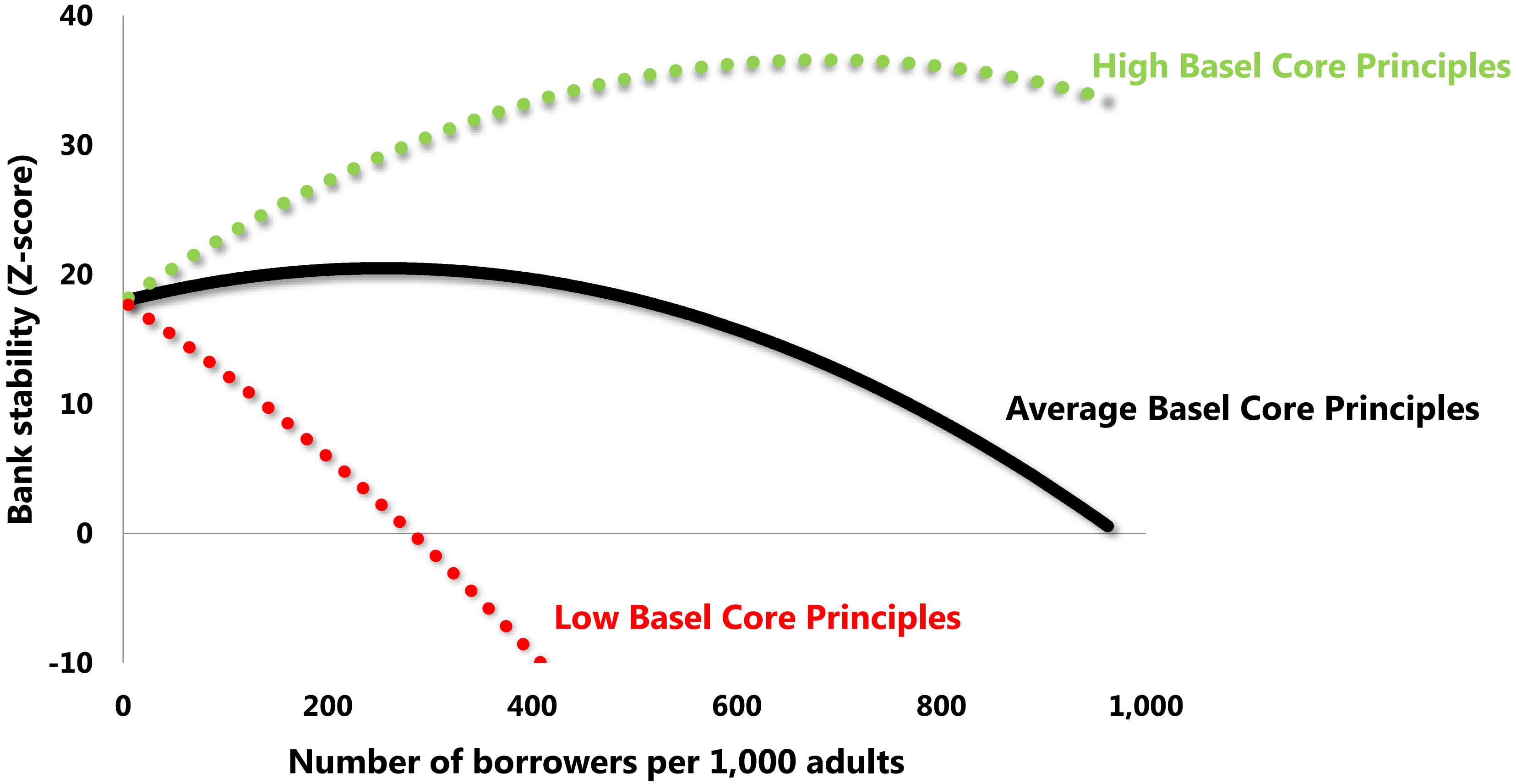
Financial stability

$$E[stable\&inclusive] = E[stable] + E[inclusive] + \boldsymbol{Cov}[\boldsymbol{inclusive}, \boldsymbol{stable}]$$

- The two outcomes are NOT independent -> need to address tradeoffs/synergies
- The inclusion-stability relationship is influenced by financial openness, tax rates, education, depth of credit information systems, and quality of regulation & supervision

Source: WB Working Paper WPS 7722

Financial stability: risks with broadening credit access rise as supervisory quality falls



In contrast: increases in financial services other than credit do not seem to hurt stability

Key issue: proportionality in regulation and supervision of "institutions relevant to financial inclusion"

Note: Basel Committee has issued a new guidance on this issue in September 2016

Source: IMF Staff Discussion Note 15/17