Recommended Annotated Bibliography

1. **Allen, F. et al., 2012. Resolving the African Financial Development Gap: Cross-Country Comparisons and a Within-Country Study of Kenya. NBER volume on African Economic Successes.**
   This paper documents that the financial sectors of most sub-Saharan African countries remain significantly underdeveloped by the standards of other developing countries. The authors find population density to be more important for banking sector development in Africa than elsewhere. Analyzing the case of Equity Bank in Kenya, they conclude that providing financial services to population segments typically ignored by traditional commercial banks could be a potential solution to solve the financial access issue in many sub-Saharan African countries.

2. **Allen, F. et al., 2014. Journal of African Economies, Vol. 23, number 5, pp. 614–642.**
   This paper investigates the African financial development and financial inclusion gaps relative to other peer developing countries. The paper uses a set of variables related to financial development and inclusion. The authors show evidence that a recent innovation in financial services, mobile banking, has helped to overcome infrastructural problems and improve financial access.

3. **Alter, A. and Yontcheva, B., forthcoming. Financial Depth and Inclusion in Africa. IMF Working Paper.**
   This paper examines financial development in Africa from two angles: depth and inclusion. The authors construct a measure of financial development gap and analyze its determinants using panel data regressions. They find that macroeconomic variables (e.g., inflation, income, natural resources) explain most of the financial development level in SSA countries, while better financial sector governance is associated with more financial development. Richer and poorer countries can be equally far from their expected financial development levels. In CEMAC countries, stronger economic governance is positively associated with financial sector development.

4. **Amidžić, G., Massara A., and Mialou A., 2014, Assessing Countries' Financial Inclusion Standing—A New Composite Index, IMF Working Paper WP/14/36.**
   http://www.imf.org/external/pubs/ft/wp/2014/wp1436.pdf
   This paper leverages the IMF's Financial Access Survey (FAS) database to construct a new composite index of financial inclusion. The topic of financial inclusion has gathered significant attention in recent years. Various initiatives have been undertaken by central banks both in advanced and developing countries to promote financial inclusion. The issue has also attracted increasing interest from the international community with the G-20, IMF, and World Bank Group assuming an active role in developing and collecting financial inclusion data and promoting best practices to improve financial inclusion. There is general

recognition among policy makers that financial inclusion plays a significant role in sustaining employment, economic growth, and financial stability. Nonetheless, the issue of its robust measurement is still outstanding. The new composite index uses factor analysis to derive a weighting methodology whose absence has been the most persistent of the criticisms of previous indices. Countries are then ranked based on the new composite index, providing an additional analytical tool which could be used for surveillance and policy purposes on a regular basis.

5. **Arcand, J.-L., Berkes, E. & Panizza, U., 2012. Too Much Finance? IMF Working Paper WP/12/161.**
http://www.imf.org/external/pubs/ft/wp/2012/wp12161.pdf
This paper examines whether there is a threshold above which financial development no longer has a positive effect on economic growth. The authors use different empirical approaches to show that finance starts having a negative effect on output growth when credit to the private sector reaches 100% of GDP.

6. **Beck, T., Demirgüç-Kunt, A. & Levine, R., 2007. Finance, inequality and the Poor. Journal of Economic Growth, Volume vol. 12(1), pp. 27-49.**
Financial development disproportionately boosts incomes of the poorest quintile and reduces income inequality. About 40% of the long-run impact of financial development on the income growth of the poorest quintile is the result of reductions in income inequality, while 60% is due to the impact of financial development on aggregate economic growth. Furthermore, financial development is associated with a drop in the fraction of the population living below poverty line. These findings emphasize the importance of the financial system for the poor.

7. **Detragiache, E., Gupta, P. & Tressel, T., 2005. Finance in Lower-Income Countries: An Empirical Exploration. IMF Working Paper 05/167.**
https://www.imf.org/external/pubs/ft/wp/2005/wp05167.pdf
This paper considers how a comprehensive set of factors relates to financial sector performance in low-income countries (LICs). It finds that corruption and inflation are associated with a shallower and less efficient financial system, while legal origin and characteristics of the supervisory and regulatory framework have no significant relationship with performance. Moreover, better contract enforcement and information about borrowers are associated with more private sector credit.

8. **Levine, R., 2005. Finance and Growth: Theory and Evidence. In: Handbook of Economic Growth. s.l.:Elsevier, pp. 865-934.**
This paper reviews, appraises, and critiques theoretical and empirical research on the connections between the operation of the financial system and economic growth. While subject to ample qualifications and countervailing views, the preponderance of evidence suggests that both financial intermediaries and markets matter for growth and that reverse

causality alone is not driving this relationship. Furthermore, theory and evidence imply that better developed financial systems ease external financing constraints facing firms, which illuminates one mechanism through which financial development influences economic growth.

9. **World Bank, 2014. Global Financial Development Report, Washington DC, DOI: 10.1596/978-0-8213-9985-9.**

This report seeks to contribute to the evolving debate on financial inclusion. Some of the key findings and conclusions could be summarized as following:

- The level of financial inclusion varies widely around the world.
- Financial inclusion is important for development and poverty reduction.
- Financial inclusion does not mean finance for all at all costs.
- The focus of public policy should be on addressing market failures.
- New technologies hold promise for expanding financial inclusion.
- Product designs that address market failures, meet consumer needs, and overcome behavioral problems can foster the widespread use of financial services.
- It is possible to enhance financial capability— financial knowledge, skills, attitudes, and behaviors—through well-designed, targeted interventions.

10. **Hakura, D. et al.,, 2015, "Sustaining more Inclusive Growth in the Republic of Congo," Chapter 3 on "Financial Sector: Risks, Development, and Inclusion" IMF Africa Department Paper, Washington, D.C.**

http://www.elibrary.imf.org/view/IMF087/22139-9781498317702/22139-9781498317702/22139-9781498317702.xml

This chapter discusses critical issues in the Republic of Congo related to financial inclusion and development that have been found to have a significant impact on poverty and shared economic growth. Lack of credible collateral and inadequate protection of creditors' rights are identified as key impediments to financial sector development. In addition, drawing on comparative statistics for Congo and peer countries in sub-Saharan Africa, it is evident that financial access in Congo is still among the least inclusive in the Central African Economic and Monetary Community (CEMAC) and Communauté Financière d'Afrique (CFA) franc area. In this context, the chapter highlights the role of new technologies in the promotion of financial inclusion, particularly the potential of mobile banking to further enhance access to financial services.

11. **Dabla-Norris, E., Ji, Y., Townsend, R. , Unsal, F. 2015. Identifying Constraints to Financial Inclusion and Their Impact on GDP and Inequality: A Structural Framework for Policy. IMF Working Paper 15/22.**
http://www.imf.org/external/pubs/ft/wp/2015/wp1522.pdf
This paper assesses quantitatively the impact of relaxing financial constraints on economic growth and income inequality. Focusing on three dimensions of financial inclusion (i.e., access, depth, and intermediation efficiency), the micro-funded model is calibrated for three low-income countries (Uganda, Kenya, Mozambique) and three emerging economies (Malaysia, the Philippines, and Egypt). The authors find that the impact from easing financial constraints differs across countries, with country-specific characteristics playing a central role in determining the linkages and tradeoffs between inclusion, GDP, inequality, and the welfare gains/losses.

12. **International Monetary Fund, April 2014, Sub-Saharan Africa Regional Economic Outlook, Chapter 2 on "Fostering Durable and Inclusive Growth", Washington, DC.**
http://www.imf.org/external/pubs/ft/reo/2014/afr/eng/sreo0414.htm
This chapter considers how growth in the sub-Saharan Africa region can be made more inclusive. In particular, the chapter emphasizes the importance of promoting f inancial inclusion in order to make growth more inclusive in the near term. Policies that lower financial transaction costs—for example, by facilitating the creation of new business platforms based on technological improvements—and strengthen institutions, including those that promote financial stability, are shown to have the potential to admit more of the low-income segments of the population into the financial system.