

Assessing financial inclusion in Portugal from the central bank's perspective



BANCO DE PORTUGAL
EUROSYSTEM

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Motivation

Financial inclusion – the ability of individuals or enterprises to **obtain formal financial services appropriate to their needs**

- There are still more than two billion adults that do not have access to formal financial services (ATISG*, 2010)



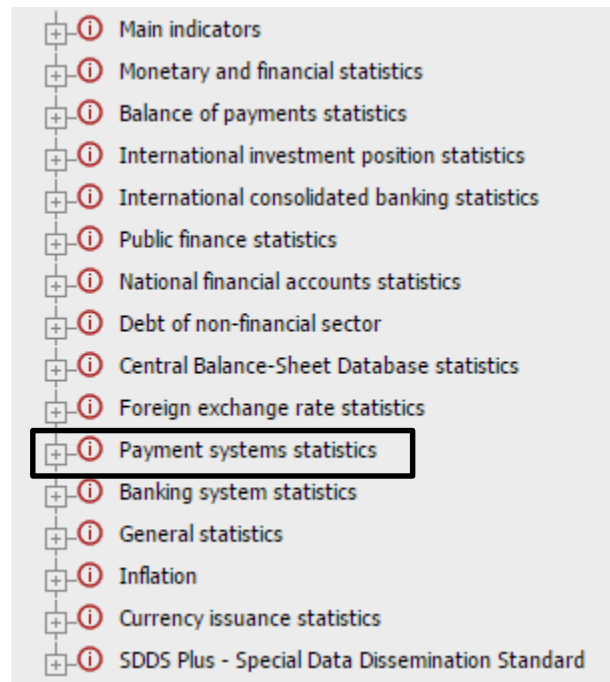
Major challenge for
central banks and policy
makers worldwide

*ATISG: Access through Innovation Sub-Group of the G-20 Financial Inclusion Experts Group



How can the *Banco de Portugal* help policy-makers in addressing this challenge?

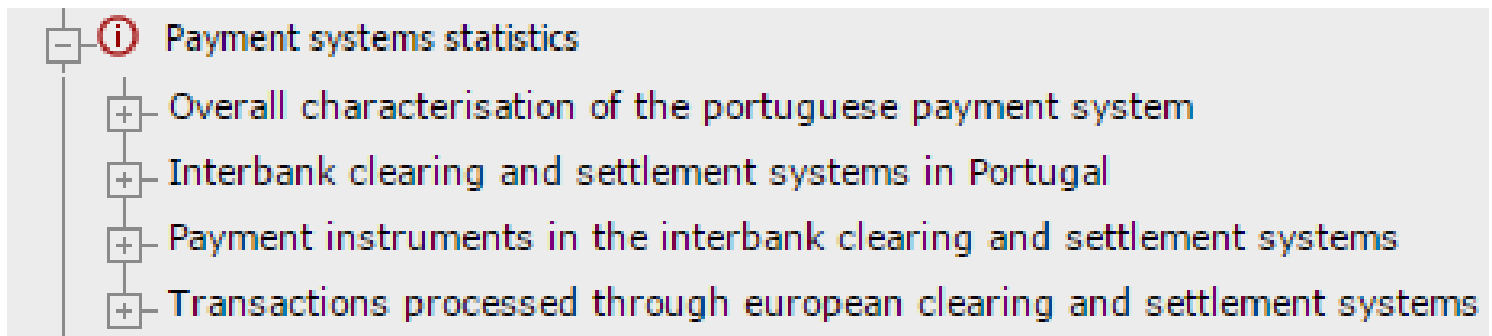
- The *Banco de Portugal* publishes statistics on:





How can the *Banco de Portugal* help policy-makers in addressing this challenge?

- The *Banco de Portugal* publishes statistics on:

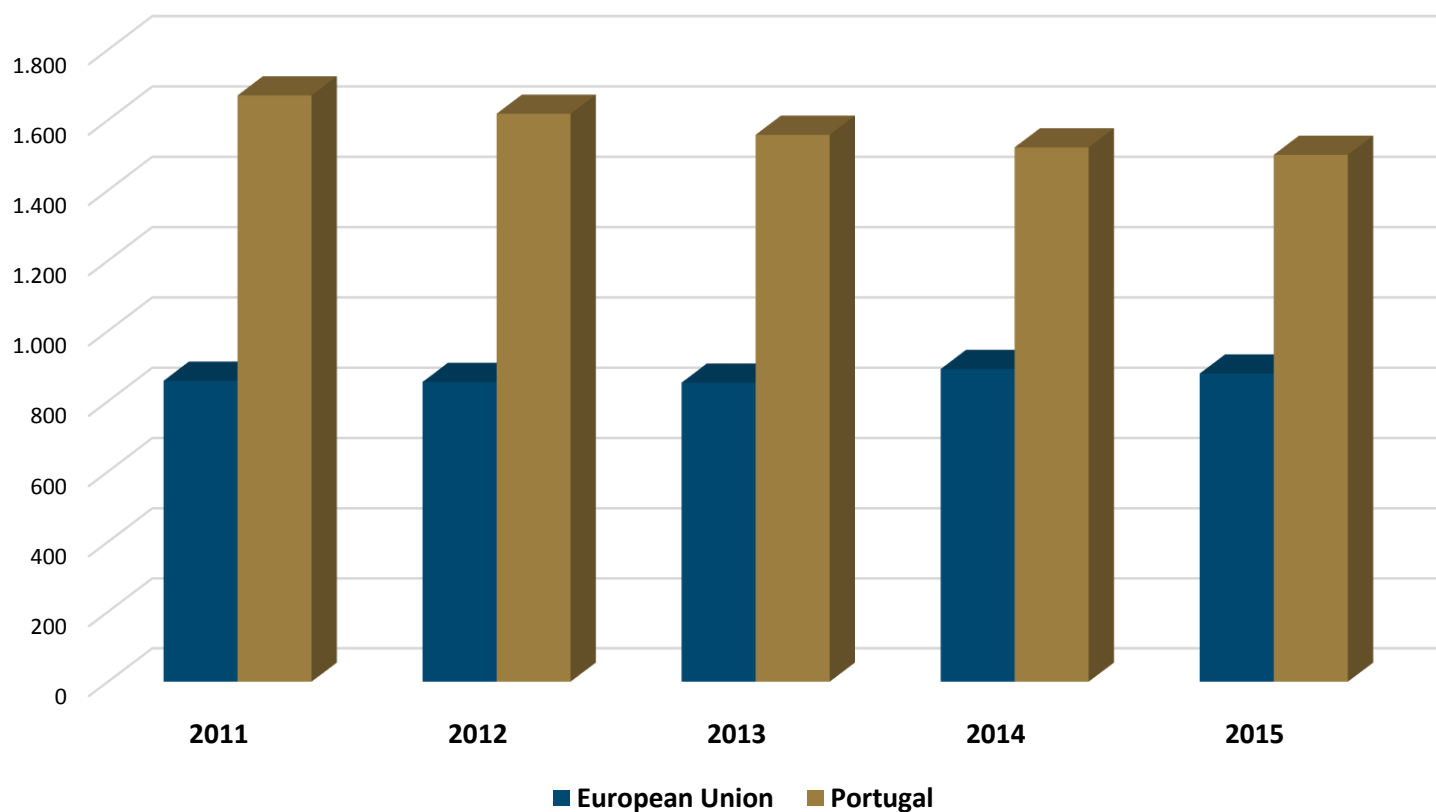


These data can be used to monitor the provision of financial services in Portugal



The evolution of the provision of financial services in Portugal

ATM demographic coverage
(Number of ATMs per million inhabitants)

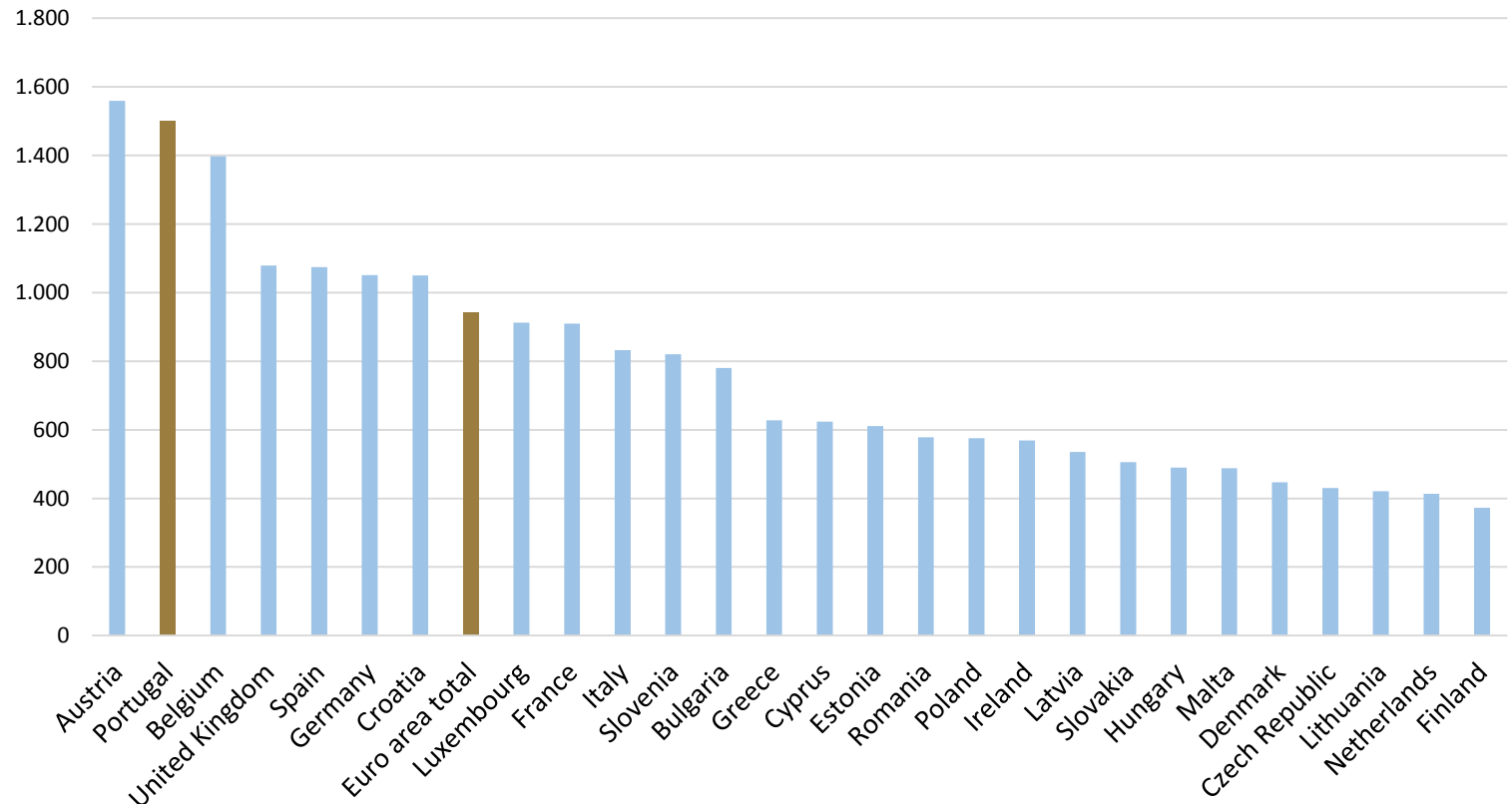




The evolution of the provision of financial services in Portugal

ATM demographic coverage in 2015

(Number of ATMs per million inhabitants)





And why is that? ... The role of MULTIBANCO

- A sophisticated network shared by every bank operating in the economy that fully integrates ATMs and EFTPOS
- In addition to cash operations, it offers a wide range of more than 60 different services (e.g., money transfers, payments for utilities bills, payments to the State and the Social Security, mobile phone top-ups, transport ticketing, event booking and ticketing, ...)

“Portugal’s ATMs are among the most high functional of Western Europe. A wide range of unusual facilities are also available (...). ATMs are also advanced in terms of hardware features.”

**RETAIL BANKING
RESEARCH BULLETIN**

“Portugal’s MULTIBANCO system is acknowledged to be one of the most sophisticated and comprehensive in the world.”

EUROBUSINESS

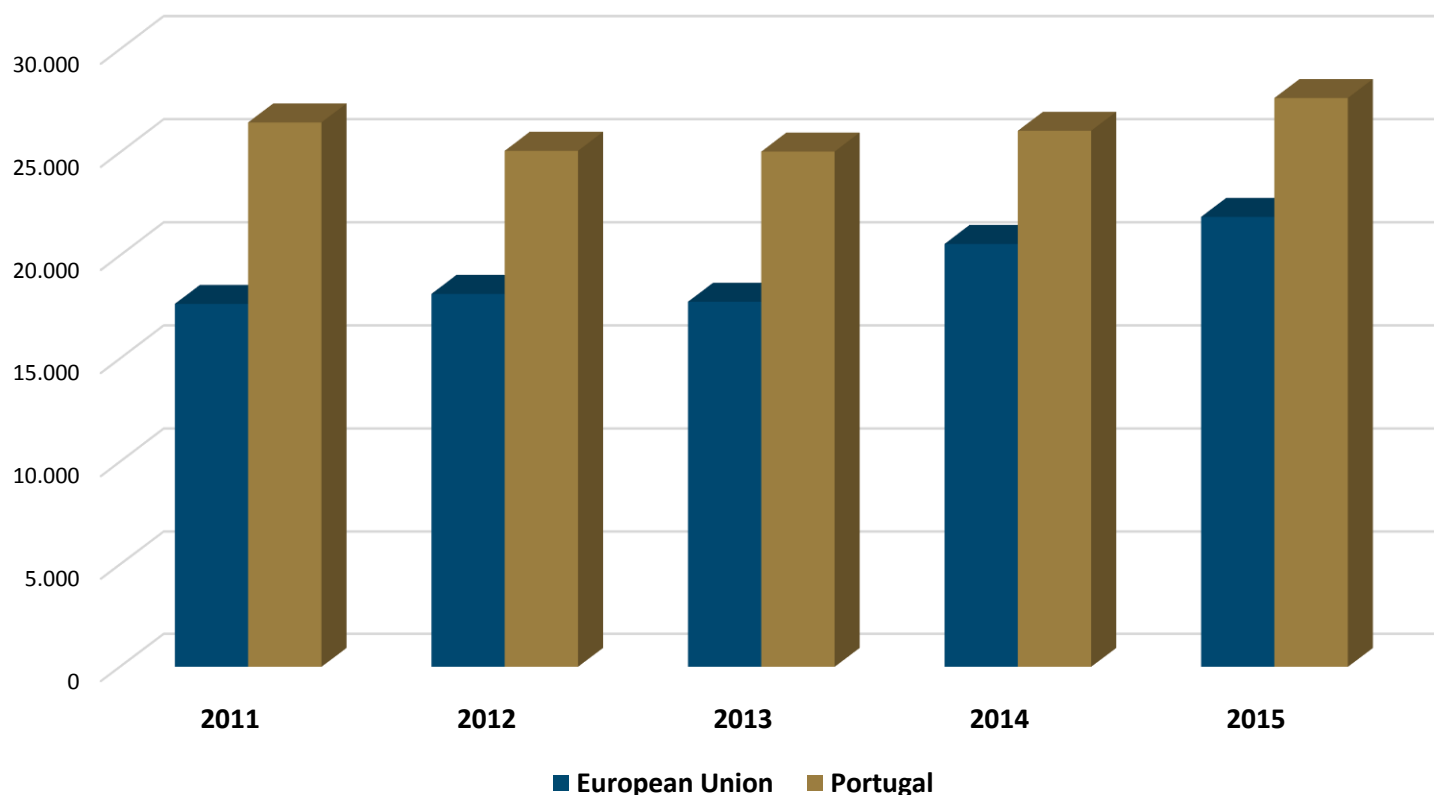
“... the example of the Portuguese system, SIBS, suggests that greater innovation may arise out of a system where all the processing for a number of payment methods is carried out centrally.”

THE OFFICE OF FAIR TRADING



The evolution of the provision of financial services in Portugal

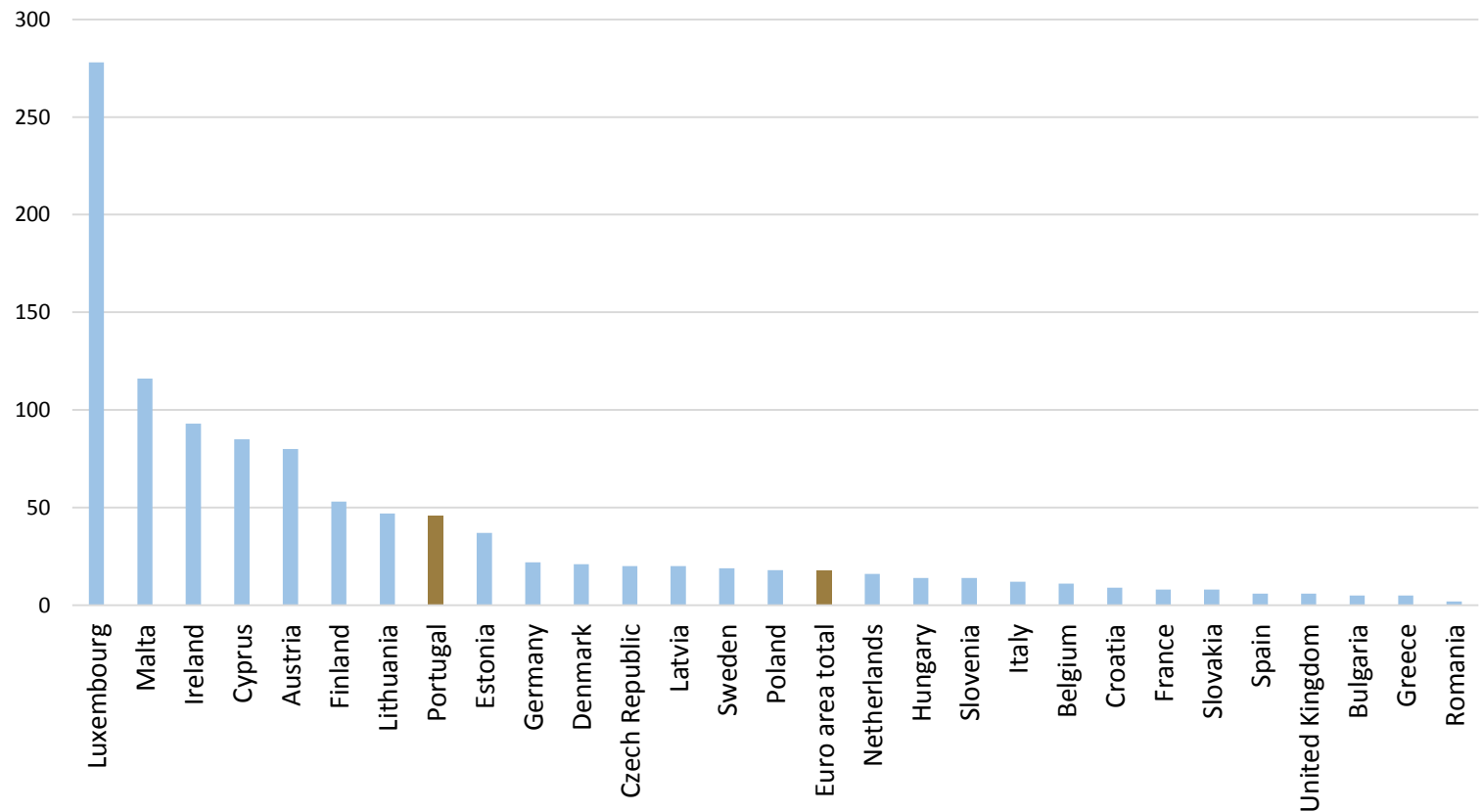
POS demographic coverage
(thousands per million inhabitants)





The evolution of the provision of financial services in Portugal

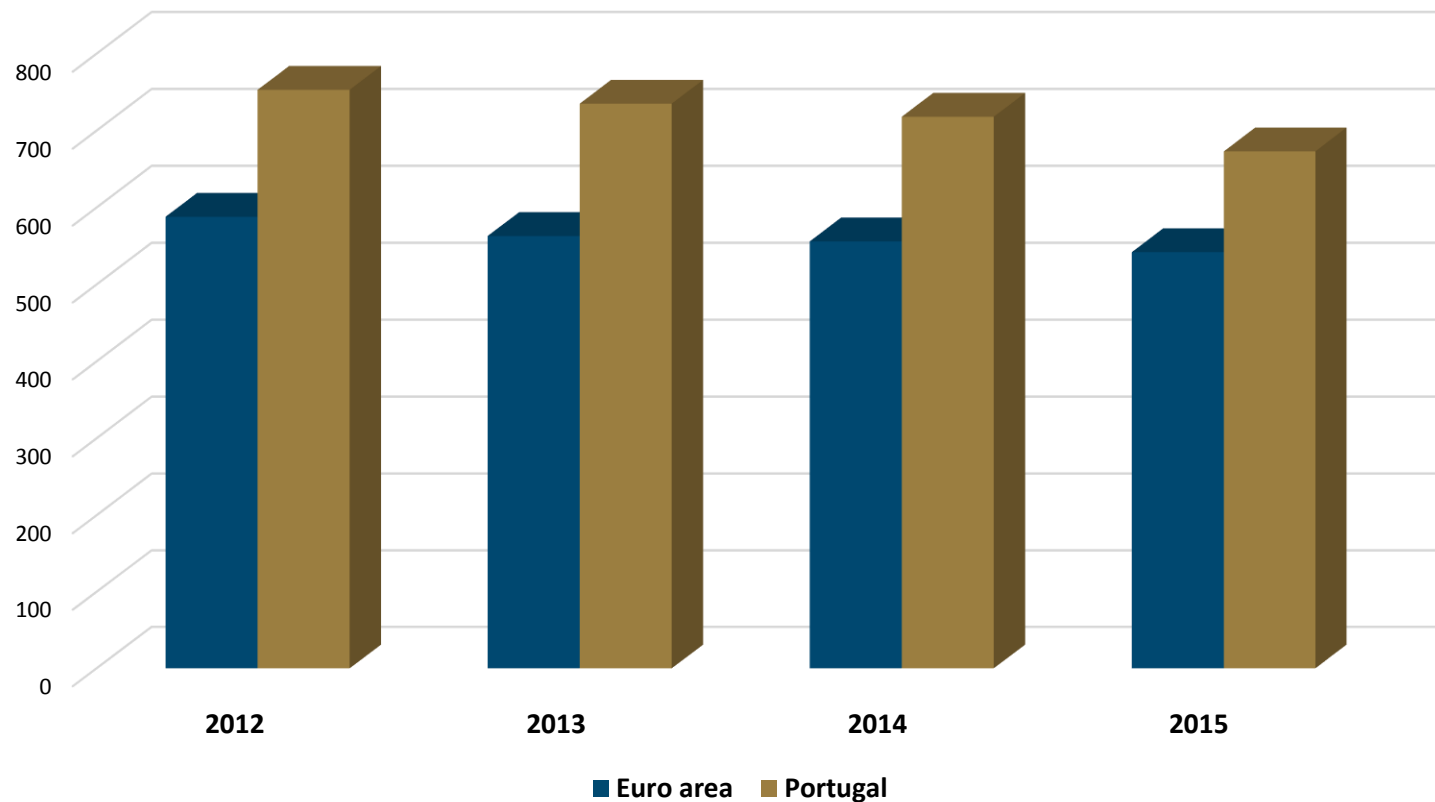
Number of institutions offering payment services
per million inhabitant in 2015





The evolution of the provision of financial services in Portugal

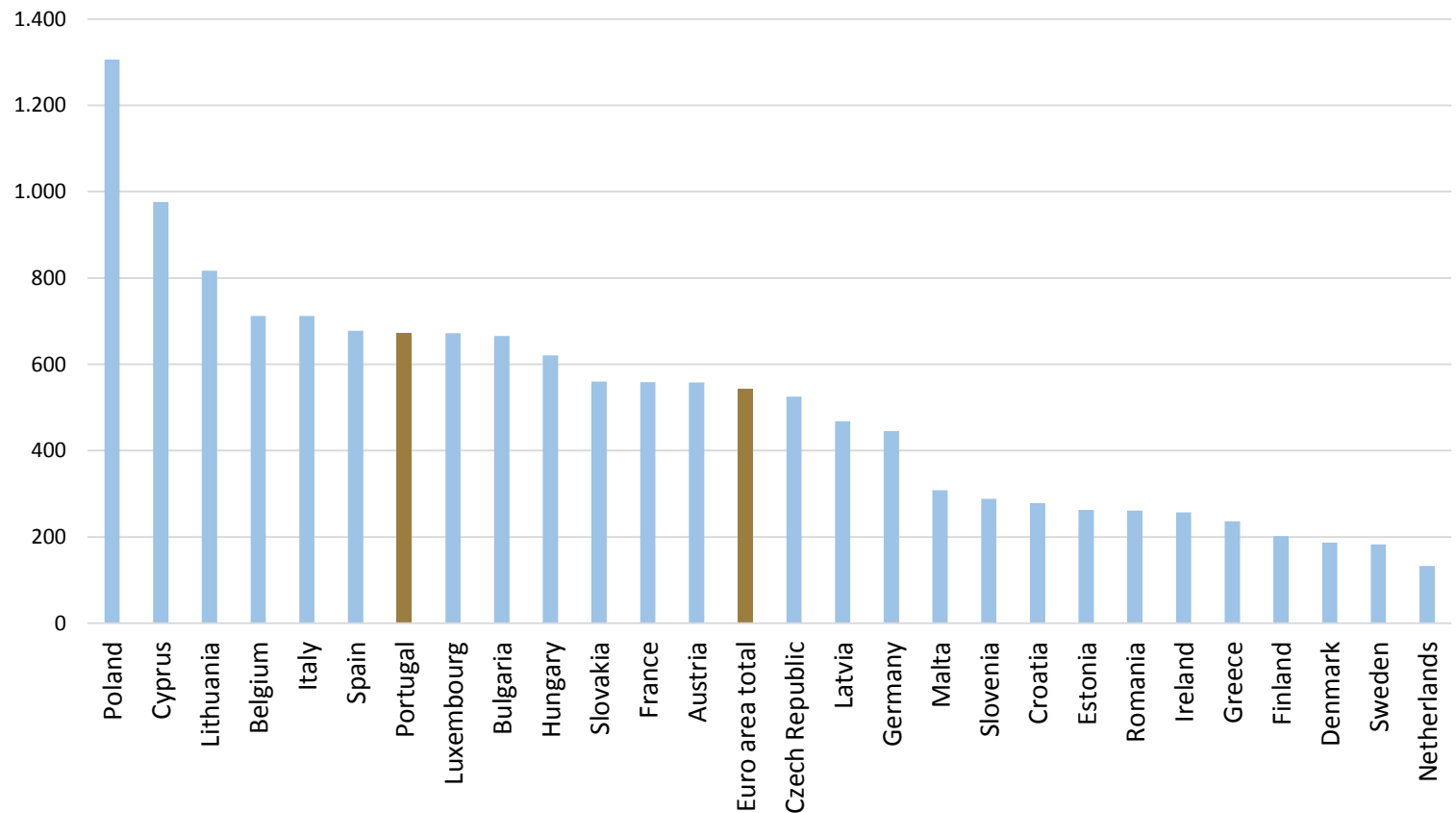
Number of offices of institutions offering payment services
per million inhabitants





The evolution of the provision of financial services in Portugal

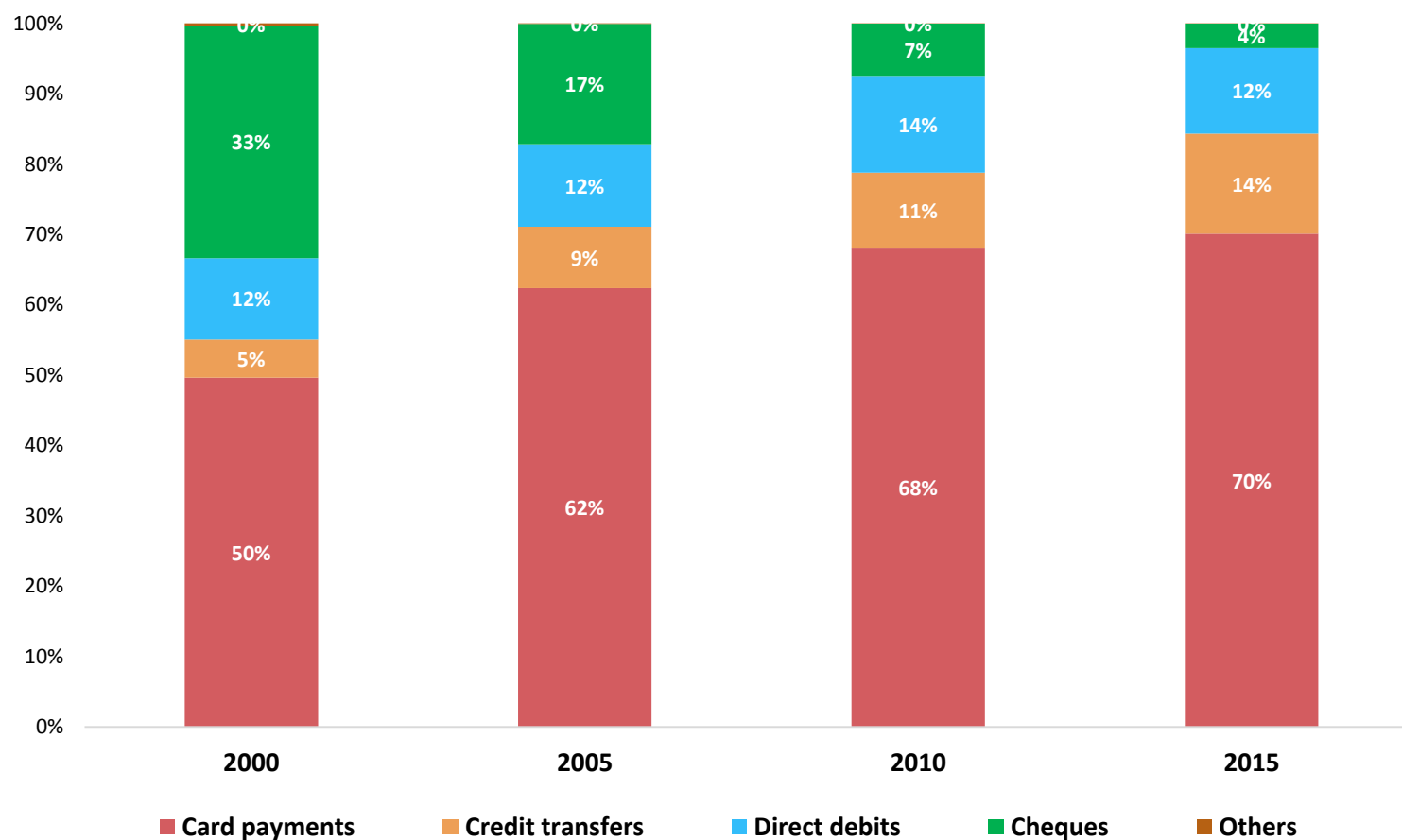
Number of offices of institutions offering payment services
per million inhabitant in 2015





The evolution of the provision of financial services in Portugal

Transactions per type of payment service: Portugal 2000-2015





The role of the *Banco de Portugal* as a provider of financial services

Banking conduct supervision

- Advertising
- Complaints



Bank Customer Portal
cliente bancario.bportugal.pt





The role of the *Banco de Portugal* as a provider of financial services

The Central Credit Register (CCR)

- Database managed by *Banco de Portugal*. Registers information supplied by reporting institutions (institutions that grant loans) concerning the credit liabilities of their clients (individuals and organizations)
- Main purpose: To support credit institutions when evaluating the risk of granting credit to the economic agents, allowing them to obtain information on the aggregated indebtedness of their clients or any individual or organization asking for a loan.
- Data reported include, *inter alia*: Loans outstanding granted to households and corporations by type and purpose; potential loans and securitised loans; type and value of collateral or guarantee; original and residual maturity; credit defaults and the number of days the loan is past due; country where the loan was granted



The Portuguese Central Credit Register – some figures



23 Million
records monthly



7,1 Million
private individuals



448 Thousand
corporations

188
Reporting Agents



15
different types of loans



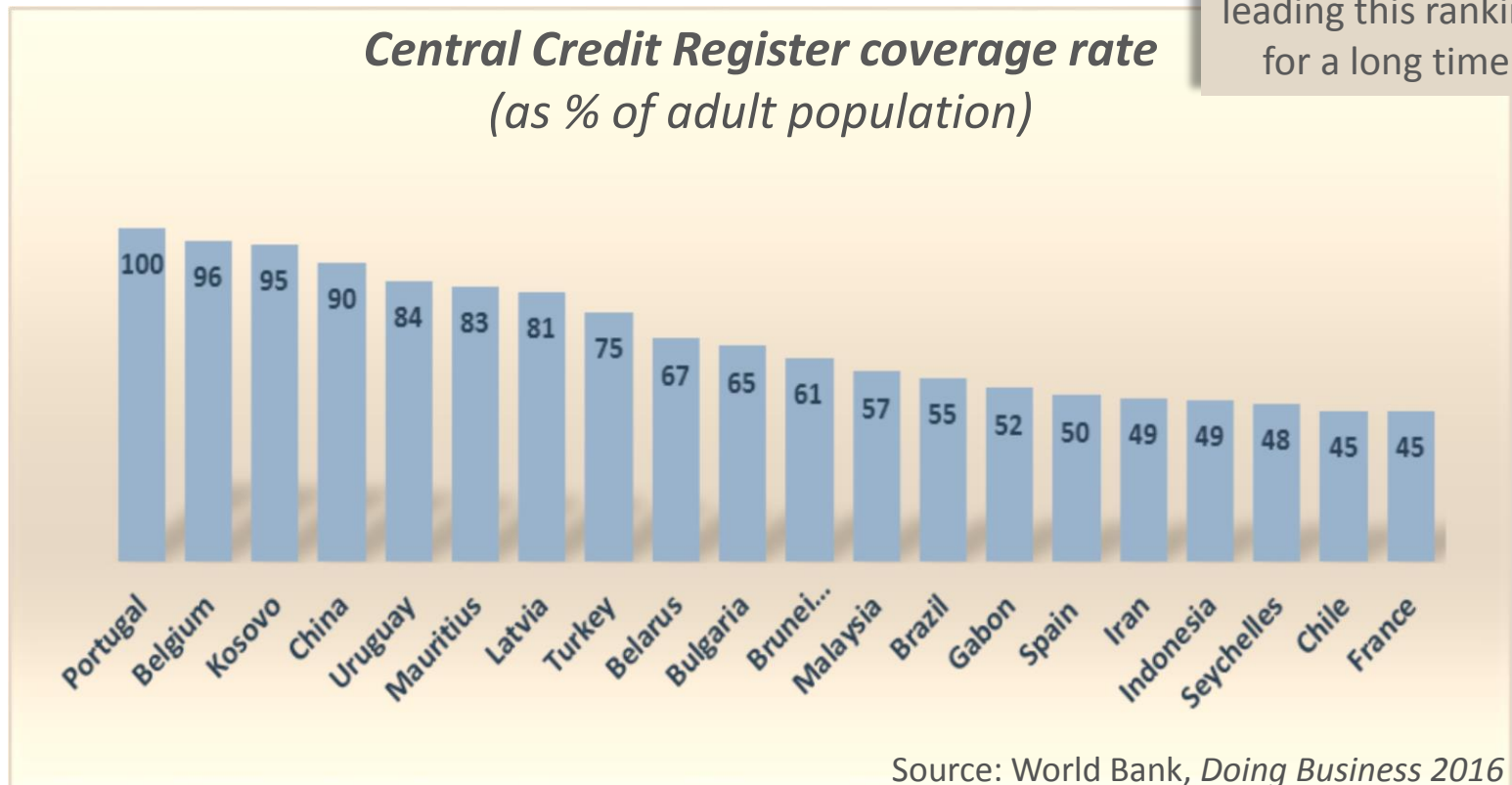
50€
threshold



6 Working Days deadline for reporting 16h/7 days a week



The Portuguese Central Credit Register – Some figures

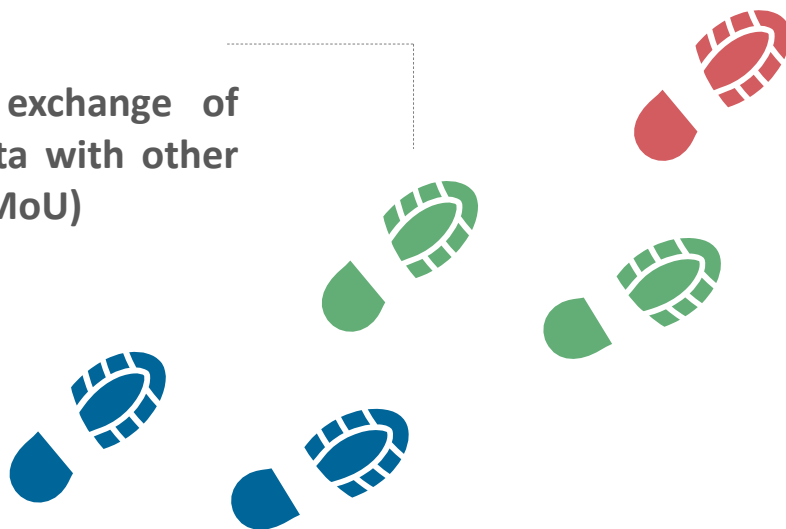




The Portuguese CCR – The way forward

2005

Bilateral exchange of credit data with other EU CCR (MoU)



2018

New system (on a loan-by-loan basis; AnaCredit)

1978

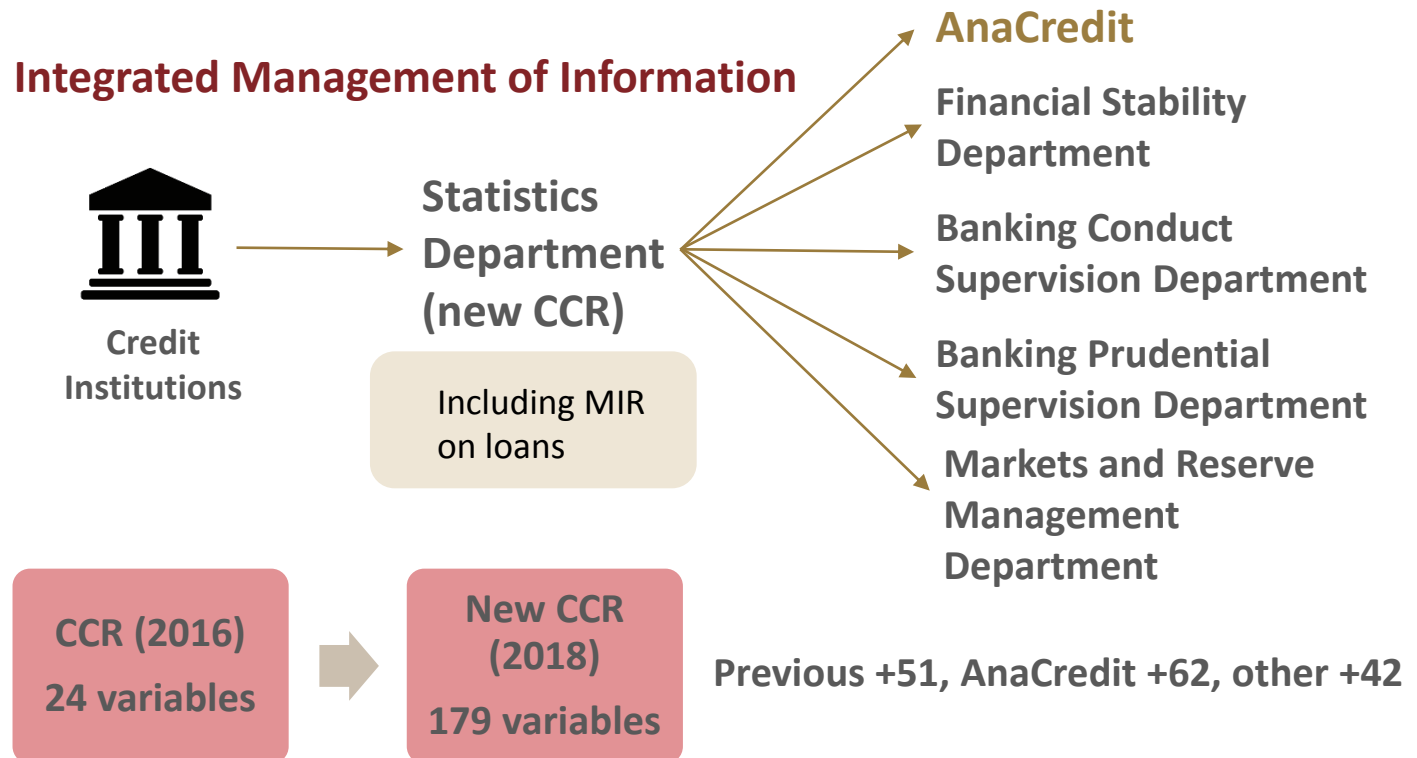
Beginning of CCR (on a debtor-by-debtor basis)





The Portuguese CCR – The way forward

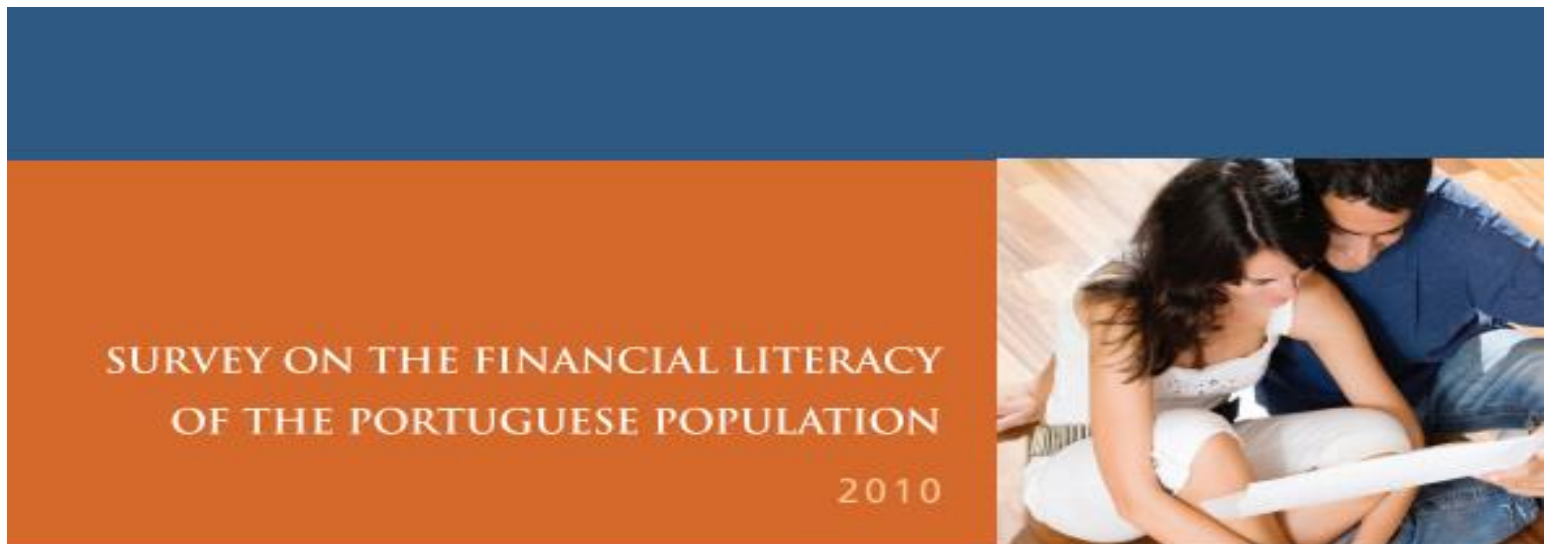
Transmission of information on loans – New CCR (2018)





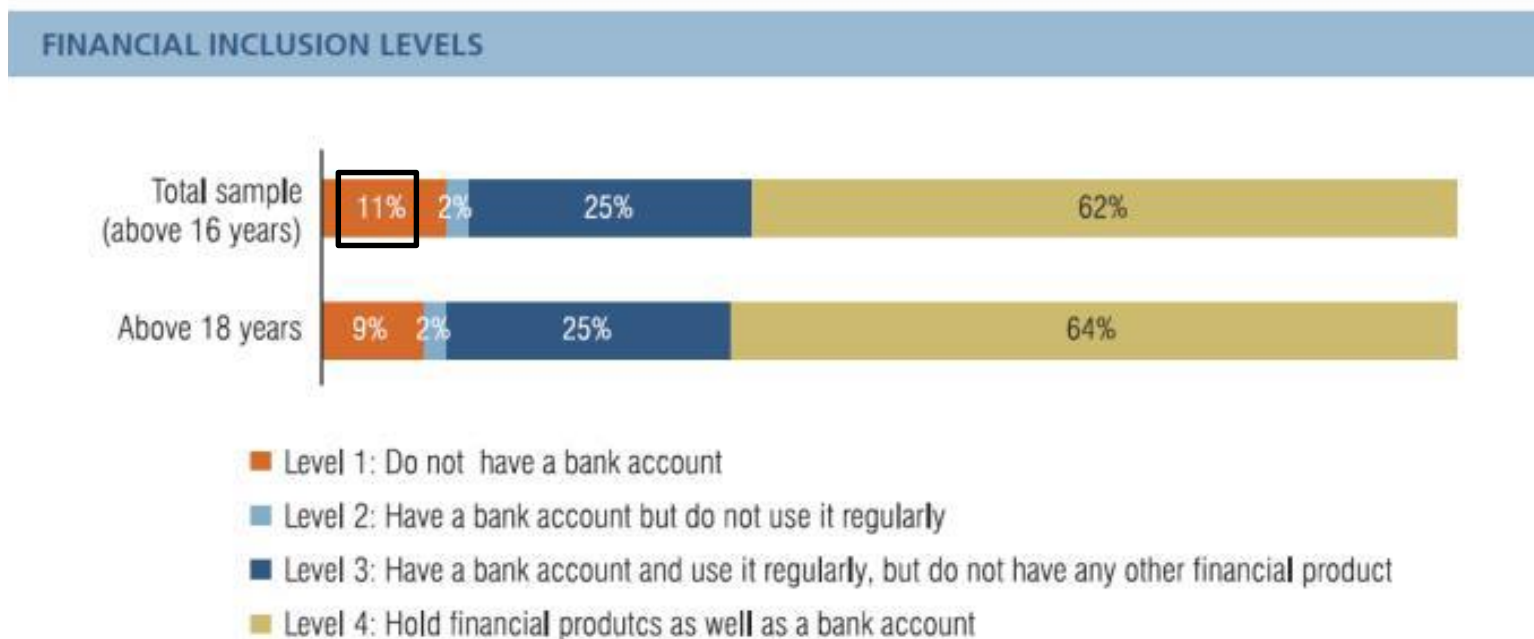
Measuring financial inclusion in Portugal

- To acquire information on the financial attitudes, behaviours and on the levels of understanding of financial matters by the population, *Banco de Portugal* conducted a survey on the financial literacy of the Portuguese population





Measuring financial inclusion in Portugal – Results of the survey

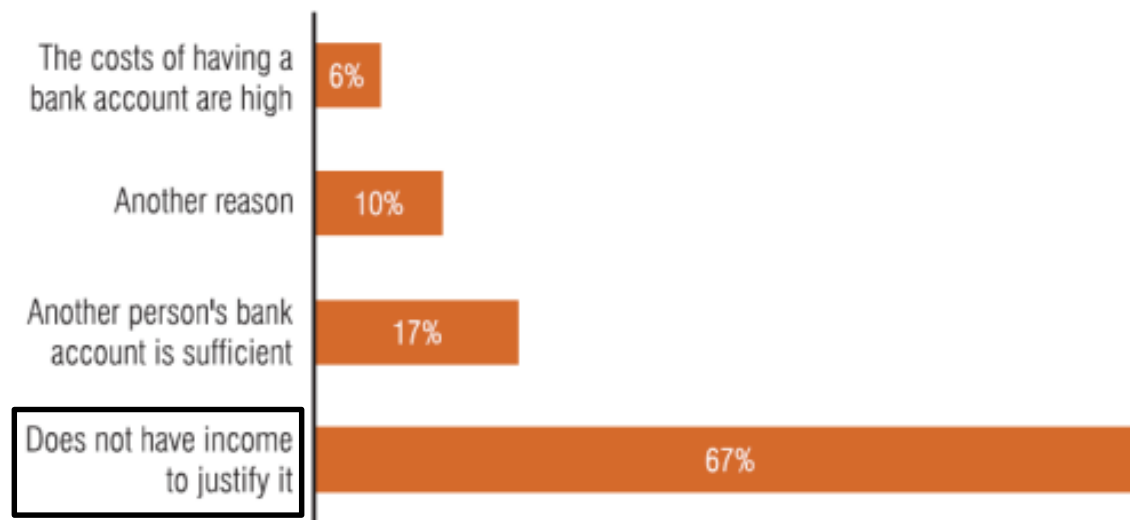


11% of the Portuguese population did not have a bank account in 2010



Measuring financial inclusion in Portugal – Results of the survey

REASON FOR NOT HAVING A BANK ACCOUNT



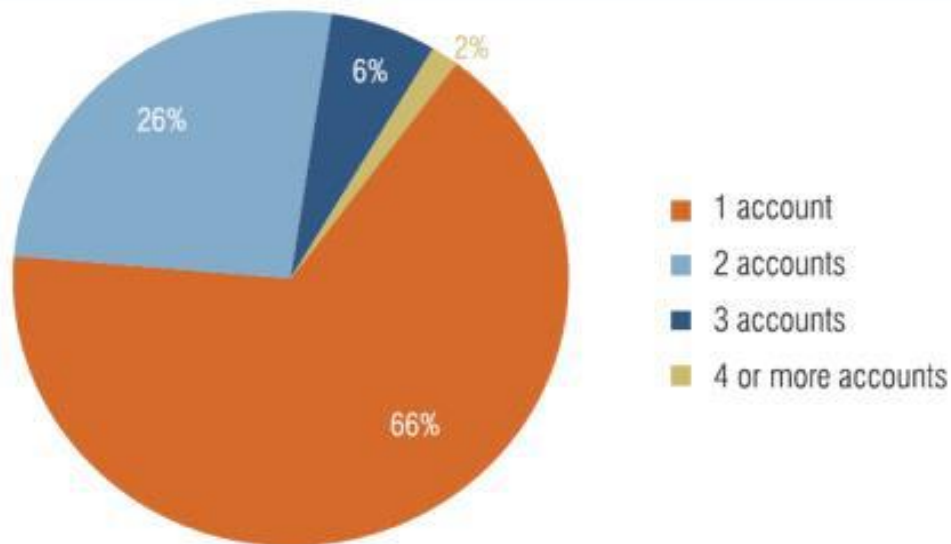
The main reason for not having a bank account was not having enough income to justify it



Measuring financial inclusion in Portugal – Results of the survey

- For the individuals who have a bank account...

HOW MANY CURRENT ACCOUNTS DO YOU HOLD?

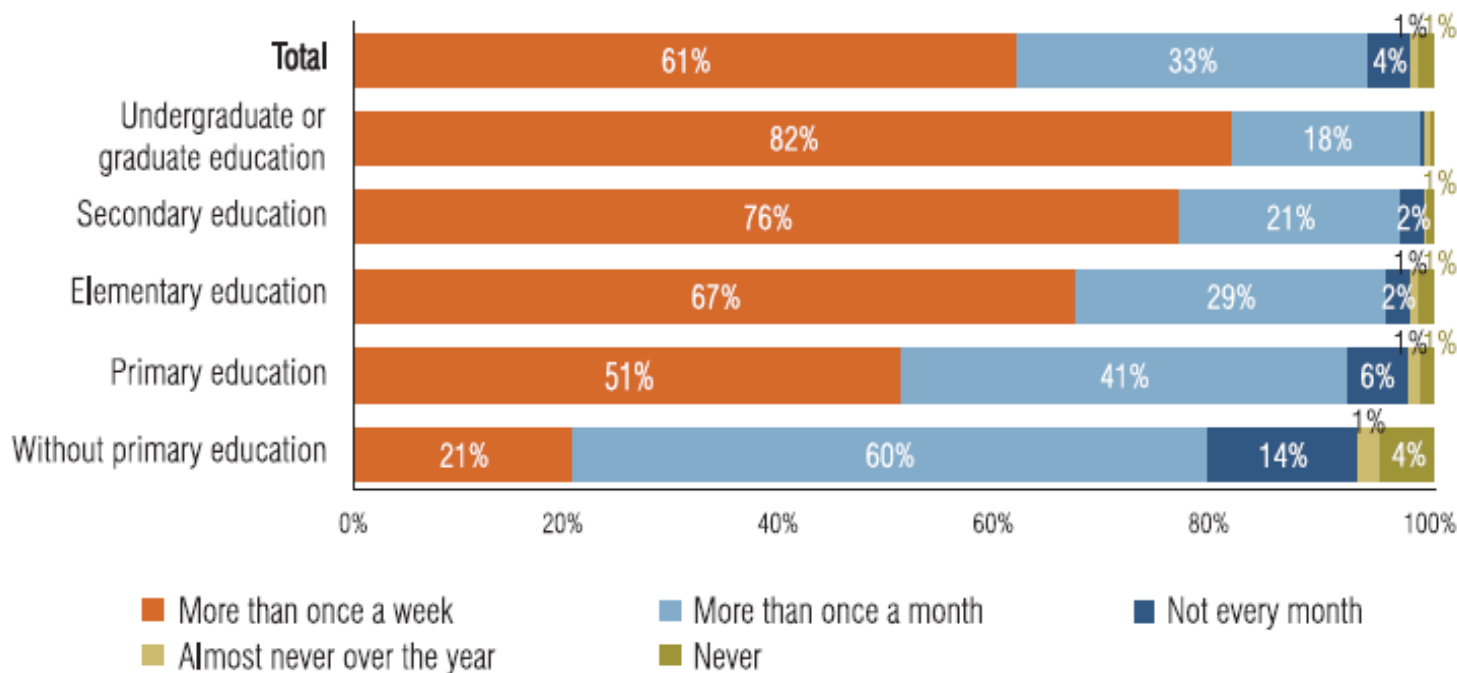




Measuring financial inclusion in Portugal – Results of the survey

- For the individuals who have a bank account...

FREQUENCY OF USE OF THE BANK ACCOUNT

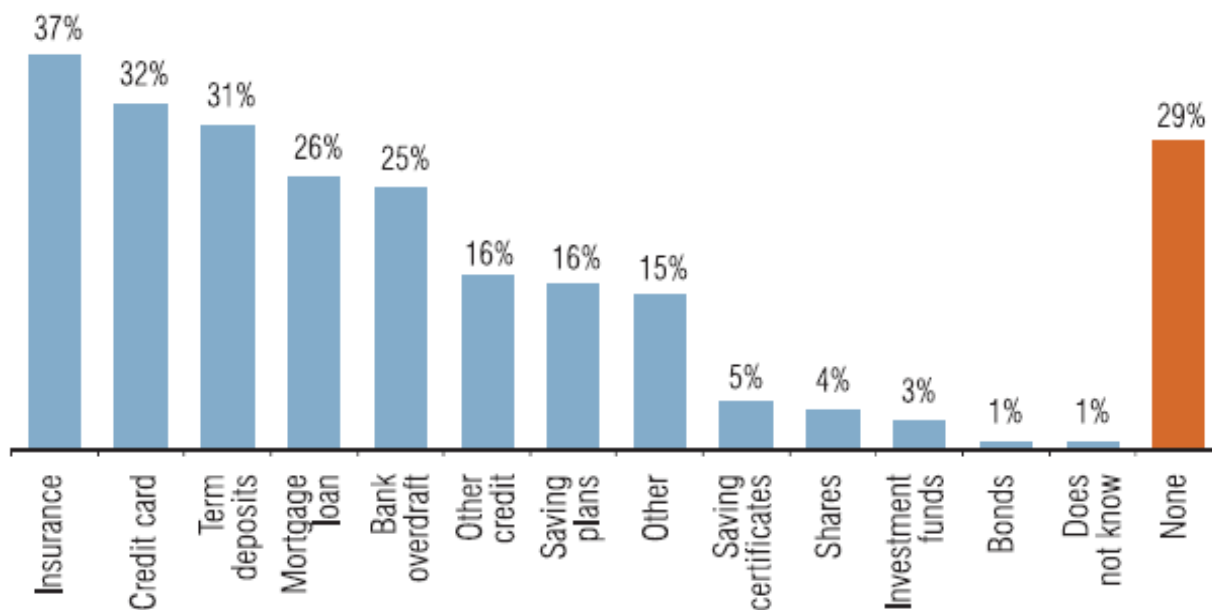




Measuring financial inclusion in Portugal – Results of the survey

- For the individuals who have a bank account...

WHAT FINANCIAL PRODUCTS DO YOU HOLD?

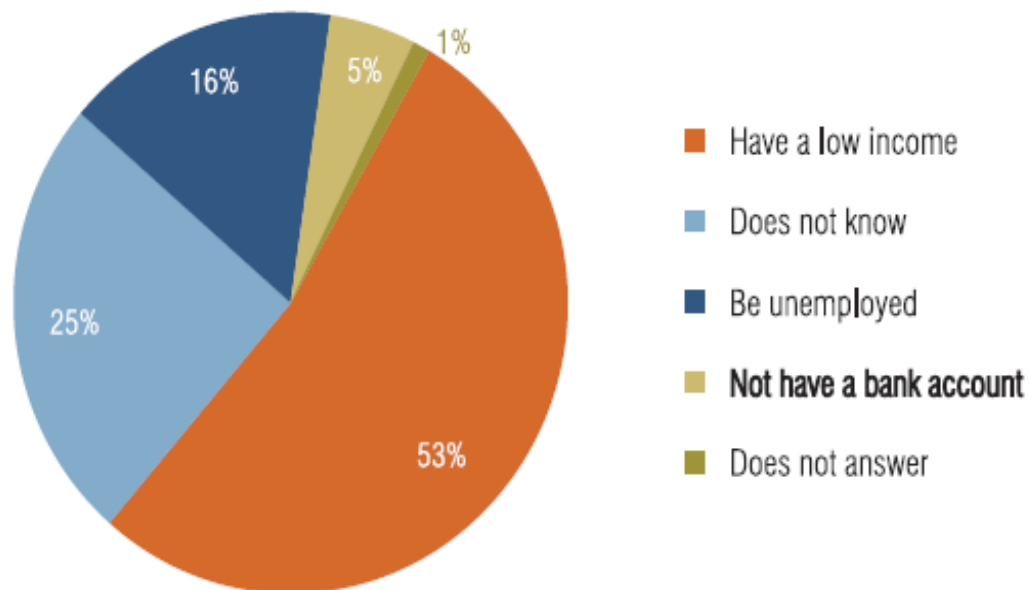




Measuring financial inclusion in Portugal – Results of the survey

- **Minimum banking services:** An initiative taken by *Banco de Portugal* to promote financial inclusion

WHAT IS REQUIRED IN ORDER TO ACCESS THE MINIMUM BANKING SERVICES?

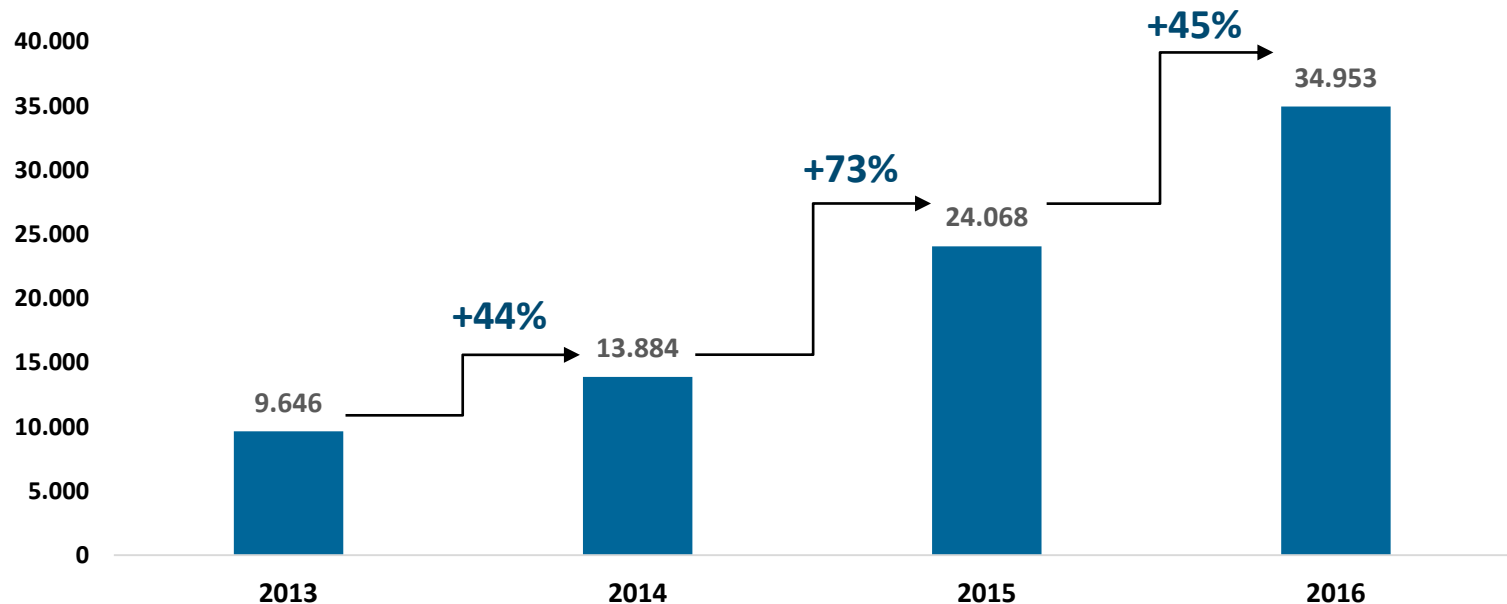




Measuring financial inclusion in Portugal – Results of the survey

- Minimum banking services accounts have more than tripled since 2013!

Evolution of the number of minimum banking services accounts





Conclusions

- **Payment statistics** are increasingly **more relevant** in evaluating the degree of financial inclusion of an economy and, thus, **critical for policymakers and central banks**
- **The development of comprehensive central credit registers**, such as the Portuguese CCR, are key to **foster financial inclusion**, by supporting credit institutions in the assessment of credit risk
- Central banks also play an important role as **conduct supervisors**, by **advertising best practices** and **managing complaints** that encourage credit institutions to promote financially inclusive actions
- Despite that the **current results are encouraging**, the challenges ahead demand that policymakers and central banks keep **financial inclusion high in the agenda**