

Financial Services for the Poor

Household Survey Sources  
and Gaps in Borrowing and Saving

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## Foreword

For almost 30 years, the Inter-American Development Bank has been an active supporter of microfinance activities in Latin America and the Caribbean. Its main goal in this area has been to improve access to financial services for microenterprises and the low-income population. The recent Nobel Peace Prize awarded to Muhammad Yunus and the Grameen Bank has increased interest in the use of financial services as a tool for reducing poverty. Access to financial services can help low-income families to make more productive investments, increase their incomes and allow them to better cope with negative economic shocks that would otherwise require more costly measures such as reducing their consumption of basic necessities or selling assets.

However, so far the use of financial services has not been adequately measured or subjected to comprehensive empirical scrutiny at the national and regional level. To some extent this is due to the lack of a systematic mechanism to collect information about usage rates in a way that is comparable across countries. We expect that such information will enable policymakers to make better decisions, by enabling them to better understand the welfare impacts of their decisions on microenterprises and low-income households.

This study contributes to closing this informational gap by presenting a systematic inventory of the available household survey data on access to financial services in Latin America and the Caribbean. These data are nationally representative and, taken together, are useful in making inferences at the regional level. The study offers valuable suggestions on how household surveys might be improved in order to better track financial service availability. The paper also highlights the large gaps in access to financial services between the poor and nonpoor and between rural and urban areas across the region. While there is still much need to improve the collection of basic information on household access to finance, we believe that this study will become a valuable resource for analysts, policymakers and practitioners in their efforts to promote evidence-based policymaking aimed at expanding the access of the poor to financial services.

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# Executive Summary

This paper reviews more than 400 household surveys available from the MECOVI database and examines the main problems and best practices that were found in these surveys in the provision of information on household access to financial services. The study also explores the level of usage of credit and savings services and the gaps in access to financial services between poor and nonpoor households, urban and rural households, households with and without a microenterprise (where a microenterprise is a business that has 0 to 4 employees apart from the owner), and households with and without an employer (an employer is the owner of a business that has one or more employees—a proxy for a more successful business). The study also analyzes gender gaps at the individual level wherever possible (which it is for a subsample of three countries).

Information on household access to savings and credit as well as the type of institution providing this access is available for 12 countries in the region. Institutions were classified as formal and informal. Formal institutions refer to both regulated financial institutions (such as banks and *financieras*) and unregulated financial institutions (mainly credit unions and nongovernmental organizations or NGOs). Informal institutions refer to all providers of financial services that are not financial institutions (moneylenders, family and friends, equipment suppliers, etc.).

The study finds that the poor interact with the formal financial sector although at significantly lower rates than the nonpoor. It also finds large gaps between urban and rural areas in household access to savings and credit services as well as large gender gaps. For example, the study finds that 4.5 percent of poor households borrowed from formal sources in the 12-month period prior to each survey compared to 8.3 percent of nonpoor households. Similarly, 3.8 percent of rural households borrowed from formal sources compared to 7.4 percent for urban households. While, in general, the levels of formal savings

access are higher for these groups, the gaps are similar to those found for credit.

We also find that a higher percentage of households containing a microenterprise have access to formal credit but a lower percentage have access to formal savings compared to households that do not contain a microenterprise. Households with an employer have higher access rates for both formal credit and formal savings than do households that do not contain an employer. Specifically, 7.2 percent of households containing a microenterprise used formal credit compared to 5.6 percent of households that do not contain a microenterprise. The percentage of households with a microenterprise that saved in a formal institution is 14.5 percent, compared to 20.3 percent of households without a microenterprise. In the case of households with an employer, 10.9 percent used formal credit (compared to 6.2 percent for households without and employer), while 23.5 percent held formal savings (compared to 17.4 percent for households without an employer).

The gaps become much smaller in the case of informal credit. All groups studied (including employers) are close to the average usage rate of 13.9 percent for the overall population of all households. The same is true for informal savings, though these usage rates are available for only six of the 12 countries.

In the case of gender, we find that, in general, women make less use of credit from both formal and informal sources than men. No gender-disaggregated data are available for savings. While disaggregated information on individual borrowers by gender is available for only three countries, the results seem to be robust across these countries. Among the interesting findings is the fact that poor men are 4.7 times more likely to make use of formal credit than poor women. The smallest gap in formal sector credit usage is found among employers. In this group men are 1.6 times more likely to make use of formal credit than women.

# Introduction

Policies to broaden the access to financial services in developing countries have been at the center of the development literature in recent years (see Inter-American Development Bank, 2005; World Bank, 2004; and World Bank, 2005). Additionally, the United Nations General Assembly designated 2005 as the International Year of Microcredit in order to highlight the links between access to microcredit and achievement of the Millennium Development Goals (MDGs) (United Nations, 2005). Financing productive microenterprises is particularly important for poverty reduction since 70 percent of poor earners in Latin America and the Caribbean are either employed by or own a microenterprise (Westley, 2001). In addition, financial instruments can help households cope with negative income shocks (Dercon, Bold and Calvo 2004; Tejerina, 2005).

The Inter-American Development Bank has included the issue of financial democracy in its new initiative entitled “Building Opportunity for the Majority.” Importantly, this initiative does not measure financial depth by means of traditional macroeconomic indicators (M2/GDP, for example), but rather by measuring the percentage of households in an economy that are interacting with the financial sector.<sup>1</sup> The “Mapping the Majority” tool that the IDB launched in June 2006 includes the indicators that were calculated for this paper disaggregated by decile of income.<sup>2</sup>

So far, most studies on access to financial services by low-income groups have focused on particular institutions or groups of institutions (for a survey of this literature, see Morduch and Haley, 2002), and have been limited to the clients of these institutions. For this reason, there is not much information about the aggregate rates of utilization of financial services at the national or regional level. An IDB conference about ac-

cess to financial services for the poor (Financial Products and Poverty Reduction in Latin America and the Caribbean) made evident the need for this type of information in the region.<sup>3</sup> In addition, a paper presented at a workshop sponsored by the UNDP, the World Bank and the IMF (Data on the Access of Poor and Low Income People to Financial Services) provided a list of strategies to fill this information gap (Honohan, 2004). While it is not free of problems, the use of national household surveys was listed among the most promising instruments to fill the information gap on access to financial services.

A recent study has made advances in the analysis of household surveys available at the national level to measure the percentage of households that have access to credit or savings, distinguishing between formal and informal sources of credit (Claessens, 2005). The analysis undertaken here for Latin America builds on the work of Claessens by adding some countries to his sample (Bolivia, Ecuador, El Salvador, Haiti, the Dominican Republic and Paraguay), updating the results by using more recent surveys for other countries (Panama and Peru) and replacing or eliminating surveys that do not have national coverage (Brazil, Colombia and Mexico). An alternative approach to analyzing existing household surveys is to implement tailor-made surveys that gather detailed information on the household’s interaction with the financial sector. Where implemented, these studies have provided a wealth of information, but the high costs of gathering this information limits the geographic coverage of such surveys and the number of countries that can be analyzed in this way (Kumar, 2005).

The present study examines the rates of usage of credit and savings services, as derived from household surveys that included modules on financial service access. While we acknowledge

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<sup>1</sup> For an example of the different results obtained from this shift in the area of research in financial development, see Alem (2007).

<sup>2</sup> These can be accessed at:  
<http://www.digov.com/mappingv3/>

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<sup>3</sup> For more information and the papers presented at the conference visit:  
[http://www.iadb.org/sds/pov/publication/gen\\_21\\_235\\_2\\_e.htm](http://www.iadb.org/sds/pov/publication/gen_21_235_2_e.htm)

the benefits of an inclusive financial system that enables the poor to take advantage of opportunities for investment and consumption smoothing, we maintain the focus of the paper on the *measurement* of financial depth and on the gaps in access to financial services. In order to obtain the fullest coverage possible for the region we have compiled a detailed inventory of all the questions related to financial markets that can be found in the households surveys of the MECOVI database,<sup>4</sup> separated by type of financial service, and included the text of the questions used in the survey.<sup>5</sup>

In order to find out where the gaps are, we compared credit and savings usage data for poor and nonpoor households, urban and rural households, households with and without a microenterprise (a microenterprise is a business that has 0 to 4 employees apart from the owner), households with and without an employer (an employer is the owner of a business that has one or more employees—a proxy for a more successful business), and individual men and women borrowers (individual level data by gender not being available for savings). In addition, the institutions used for borrowing and saving were classified into two groups: formal and informal. Formal institutions include regulated financial institutions (for example, banks and *financieras*) and unregulated financial institutions (mostly credit unions and nongovernmental organizations or NGOs). Informal institutions include all

other sources of credit and savings services besides financial institutions, including, for example, rotating savings and credit associations (ROSCAs), individual moneylenders and savings collectors, friends and relatives, and equipment suppliers.

There are many comparability issues with the data used, and we acknowledge having made several assumptions in order to meaningfully aggregate the data across countries. However, a serious effort was made to include in this study only those estimates that are based on similar types of questions from each survey. As a result, we have data available for 12 countries. The study highlights the need for better and more standardized modules in the countries of the region in order to capture higher-quality, more comparable data about households and their interactions with the financial sector.

The remainder of this paper is organized as follows: the next section describes best practices and common problems found in capturing financial services usage data by means of household surveys; the following section presents credit and savings service usage rates for different population groups and the two types of institutions given above (formal and informal); and the final section presents conclusions and suggestions for future research.

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<sup>4</sup> The MECOVI database includes over 400 household surveys for 22 Latin American countries since the 1980s.

<sup>5</sup> The inventory can be accessed at [http://www.iadb.org/sds/pov/publication/gen\\_21\\_4393\\_e.htm](http://www.iadb.org/sds/pov/publication/gen_21_4393_e.htm).

## Survey Design and Description of Existing Data

The data for this study come from household surveys with national coverage for 12 countries. The surveys were compiled from the MECOVI database, which comprises over 400 surveys from 22 countries. All of the surveys in the database were reviewed and catalogued according to the quality of their financial information. The 12 countries in the final sample include all that have reasonably high-quality, comparable data on financial access rates.

Since the main purpose of the study is to measure the percentage of households that used credit and savings services, the survey data were considered to be of high quality in the case of savings when the question “Do you have a savings account of some type?” was present or when the survey asked about deposits or withdrawals from savings accounts within the past 12 months (as was done in Ecuador and Peru). In the case of credit, the survey data were considered to be of high quality when the question “In the last 12 months did anyone in the household solicit a loan?”, followed by “Did you obtain the loan?” and a list of options for the institutions that gave the loan were given to the household. This classification is consistent with the core indicators defined by the DFID/UNCDF/WB/IMF initiative to improve the measurement of access to financial services.<sup>6</sup>

When an indicator is referred to as being of low quality, it means that there is information that can be utilized to infer the use of financial instruments, such as “Did you receive any interest income from savings accounts?” or “Did you pay any interest on loans?”. These types of questions are considered to provide low-quality information because they exclude deposits and loans with no interest and those in which the interest was negligible. Also, the reference period for the receipt of deposit interest or the

payment of loan installments is usually very short in the low-quality surveys (typically, 1 month). In contrast, the high-quality questions are relatively consistent in their framing and always refer to the last 12 months. For this study, we included all formulations as long as the questions were framed within the past 12 months, covered all of the population and identified the source of the loan or the destination of the savings. The latest available year with high-quality information for each country was used in our study.

In addition to financial service usage rates, most of the surveys used also obtained varying types of additional information, which if gathered on a more consistent basis, could provide the basis for interesting cross-country comparisons and aggregations (see Navajas and Tejerina, 2006). For example, many, but not all, surveys recorded the amount of any loan, the interest rate paid, as well as reasons for not soliciting a loan. Questions about the amount of collateral used for a loan were included only in the surveys of Guatemala and Nicaragua. The surveys of Guatemala, Jamaica, Mexico, Nicaragua, Panama, and Paraguay were the only ones to ask each respondent to provide information about the type of institution in which the household keeps its savings (thus distinguishing formal from informal institutions), while in most other countries savings questions referred only to formal institutions. In addition, some questions (such as those about interest rates) require that the interviewee make additional calculations that may not be trivial, including converting interest rates from one period (e.g., weekly or monthly) to another (e.g., annual). Other shortcomings include credit questions that do not ask about the currency of the loan, commissions that are charged and compensating balances that are required (especially in the case of credit unions).

Some of the financial services modules have important limitations that stem from the fact that they are divided into sections in order to address certain purposes. For example, some surveys include three separate modules for loans used in

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<sup>6</sup> The background papers, model surveys and presentations from this initiative can be accessed at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/EXTFSECON/0,,menuPK:1063272~pagePK:64168427~piPK:64168435~theSitePK:1063256,00.html>



connection with household consumption, household businesses and household agricultural activities. In some cases, each module's format is different, making comparisons and integration difficult. A simple integrated module that asks an additional question about the purpose of the loan could go a long way towards solving the problem.

It is instructive to examine other specific deficiencies that caused the exclusion of some surveys from our study. Brazil's 1997 "Encuesta Sobre Padrones de Vida" included information about access to both credit and savings services; however, the recall period for these questions was only 30 days. This is much shorter than the 12-month period used by most surveys, and certainly seems insufficient to capture household interactions with the financial sector. In Colombia, the 1997 "Encuesta Nacional de Calidad de Vida" includes information about access to credit, but the section for households asks only if anyone borrowed money without asking for the source. This type of question is vague and makes it impossible to differentiate between loans from banks and those from family and friends for example. Annex I lists at least the initial questions, though not always all of the follow-on questions that were used to generate our indicators of access to financial services.

An additional limitation of the surveys is that the questions usually refer to the household rather than to individuals. This made it impossible to study gender gaps in accessing financial services in most of the countries. Gender gaps were analyzed only for Guatemala, Jamaica and Panama. Guatemala's "Encuesta Nacional sobre Condiciones de Vida," undertaken in 2000, uses the household as the unit of analysis but also includes a question on who in the household solicited and received the loan. Similarly, Panama's 2003 "Encuesta de Niveles de Vida" and Jamaica's 1997 "Survey of Living Conditions" ask each member of the household if they solicited a loan and whether or not they obtained it.

All of the surveys used in this study ask only about savings held in monetary form. This excludes savings in form of physical assets, such as jewelry or product inventory. While such physical savings are important for many house-

holds, they are beyond the scope of what we can aim to measure with the existing household surveys.

In distinguishing access to financial services by poor and nonpoor households, our tables use each country's national poverty line as the poverty threshold. We prefer to use poverty lines—as opposed to a relative measure of poverty such as the lowest two quintiles—because poverty lines at least attempt to measure poverty in some absolute sense. Although national poverty lines are not without comparability problems across countries, we believe that they create a more homogeneous group of people with limited income compared to other alternatives.

Several other population groupings are of interest and merit some explanation. The urban/rural classification we have used is the one employed by the national statistics institute of each country. A household is classified as having a micro-enterprise if anyone in the household is the owner of a business with 1 to 4 employees, or is self-employed (no employees). A household is classified as having an employer if anyone in the household is the owner of a business with one or more employees, a proxy for a more successful business.<sup>7</sup> The measurement of financial services usage rates by households with employers may be less precise than the rates calculated for other population groups because employers constitute a very small fraction of the population. The gap in the utilization of a financial service (credit or savings) is measured as the *ratio* of the usage percentage of households in one group (e.g., poor households) divided by the usage percentage of households in the other group (e.g., nonpoor households). When gaps, instead of levels, are analyzed, the inaccuracies generated by the heterogeneity of the information collected from the different country surveys should be reduced.

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<sup>7</sup> There is no upper limit on the number of employees in an employer's business.

# Analysis of the Gaps in Access to Financial Services

Table 1 shows the overall access to financial services, from both formal and informal sources. The final row of this table presents the weighted average for all countries. All averages are weighted using the frequency of the particular group being measured in each country. For example, the weight for access to credit by the poor for Bolivia is the number of poor households in Bolivia divided by the total number of poor households in all countries reporting this

The main result of the study is that the average percentage of households using credit in the region in the 12 months prior to each household survey is 18.9 percent, and the average percentage of households that declared having savings is 23.2 percent.<sup>8</sup>

The data disaggregated by poverty status shows that, in fact, the poor do borrow and save. The percentage of nonpoor households that obtained

**Table 1. Percentage of Households with Credit or Savings (formal and informal)**

	Year	Total		Poor		Nonpoor		Urban		Rural	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	12.9	9.9	<b>10</b>	<b>4</b>	<b>17.4</b>	<b>18</b>	<b>17.0</b>	<b>13.4</b>	<b>5.7</b>	<b>3.9</b>
<b>Ecuador<sup>b</sup></b>	1998	11.3	22.7	<b>8.2</b>	<b>7.9</b>	<b>12.7</b>	<b>29.9</b>	<b>12.3</b>	<b>29.3</b>	<b>9.7</b>	<b>12.6</b>
<b>Guatemala</b>	2000	11.1	17.2	<b>9.6</b>	<b>2.7</b>	<b>12.4</b>	<b>29.4</b>	12.0	<b>30.6</b>	10.4	<b>6.9</b>
<b>Haiti</b>	2001	-	11.7	-	<b>3.7</b>	-	<b>23.9</b>	-	<b>25.0</b>	-	<b>4.3</b>
<b>Jamaica</b>	1997	10.5	68.2	9.6	<b>48.9</b>	10.7	<b>72.7</b>	10.9	<b>73.1</b>	10.1	<b>62.7</b>
<b>Mexico</b>	2002	23.5	29.6	<b>21.2</b>	<b>23.6</b>	<b>28.3</b>	<b>42.2</b>	<b>24.6</b>	<b>33.5</b>	<b>19.9</b>	<b>16.0</b>
<b>Nicaragua</b>	1998	17.4	7.4	<b>9.7</b>	<b>1.8</b>	<b>22.3</b>	<b>10.9</b>	<b>21.7</b>	<b>11.0</b>	<b>11.8</b>	<b>2.7</b>
<b>Panama</b>	2003	34.7	38.6	<b>28.6</b>	<b>12.7</b>	<b>36.8</b>	<b>47.7</b>	<b>38.1</b>	<b>46.4</b>	<b>28.4</b>	<b>24.6</b>
<b>Paraguay<sup>c</sup></b>	2001	4.2	5.1	<b>4.0</b>	<b>1.9</b>	<b>4.2</b>	<b>6.3</b>	<b>5.0</b>	<b>7.6</b>	<b>3.0</b>	<b>1.9</b>
<b>Peru</b>	2001	12.4	4.5	<b>8.5</b>	<b>0.9</b>	<b>15.8</b>	<b>7.6</b>	<b>14.9</b>	<b>5.8</b>	<b>6.8</b>	<b>1.6</b>
<b>Dominican Rep.</b>	2001	21.0	25.1	<b>16.9</b>	<b>9.8</b>	<b>22.7</b>	<b>31.7</b>	<b>21.8</b>	<b>30.2</b>	<b>19.5</b>	<b>16.0</b>
<b>El Salvador<sup>d</sup></b>	2002	2.6	-	<b>2.0</b>	-	<b>2.9</b>	-	<b>2.8</b>	-	<b>2.3</b>	-
<b>Average (weighted)</b>		18.9	23.2	<b>16.2</b>	<b>15.0</b>	<b>22.6</b>	<b>33.9</b>	<b>20.9</b>	<b>28.3</b>	<b>14.1</b>	<b>11.8</b>

Sources: Encuesta continua de hogares (Bolivia), Encuesta de condiciones de vida (Ecuador), Encuesta nacional sobre condiciones de vida (Guatemala), Enquête sur les conditions de vie en Haïti (Haiti), Survey of Living Conditions (Jamaica), Encuesta nacional de hogares sobre medición de nivel de vida (Nicaragua); Encuesta nacional sobre los niveles de vida en los hogares mexicanos (Mexico), Encuesta de niveles de vida (Panamá), Encuesta de hogares (Paraguay); Encuesta nacional de hogares (Peru), Encuesta nacional de condiciones de vida (Dominican Republic), and Encuesta de hogares de propósitos múltiples (El Salvador).

Note: All figures in bold denote significant differences at the 10% level between poor and nonpoor households, urban and rural households, households with and without a microenterprise, and households with and without an employer.

<sup>a</sup>The question for savings included "others" in the case of Bolivia (in addition to financial institutions); however, we considered that the question was largely aimed at the formal financial sector.

<sup>b</sup>The questions referred to agricultural activities and other types of businesses (no household credit).

<sup>c</sup>Only includes credit for household spending.

<sup>d</sup>Includes credit for household spending and for agriculture and livestock activities (may not include other household businesses).

datum in the sample. Thus, the weighted average (last data line in table 1) for access to credit by the poor is effectively calculated by pooling together all of the countries with data on access to credit by the poor as though they were one large country and calculating the credit usage percentage of the poor for this combined region. The same calculation method is used for all tables in this section.

<sup>8</sup> The average for savings is biased downward because the surveys in six of the 12 countries did not ask about informal cash savings, such as money saved at home, in ROSCAs, or with family members, friends or other individuals. The countries that did include this information in their surveys are Guatemala, Jamaica, Mexico, Nicaragua, Panama and Paraguay. Note that Annex I does not reflect the full extent of all the questions asked about savings (or credit), including many of the questions on informal savings.

credit in the 12 months prior to each household survey is 22.6 percent, compared to 16.2 percent of the poor households—a fairly moderate difference. In the case of savings, the gap is larger, but it is apparent that the poor do save: 33.9 percent of nonpoor households save, compared to 15 percent of poor households. A general finding about the use of financial services that holds for every country in our sample is that the poor/nonpoor gap in savings is larger, and usually much larger, than the poor/nonpoor gap in credit.

The rural/urban gaps follow a similar pattern. Use of credit in urban areas is 20.9 percent compared to 14.1 percent in rural areas, while the use of savings is 28.3 percent in urban areas compared to 11.8 percent in rural areas.

Table 2 shows two comparisons for access to credit and savings by entrepreneurial activity. The first comparison separates those households in which at least one member is a microentrepreneur from those without any microentrepreneurial activity. The second comparison separates households in which at least one member is an employer from those without any employers. Both of these terms are defined and discussed at the end of the preceding section.

As might be expected, households with employers make greater use of credit and savings services than households with microenterprises or households in general. In general, households with microenterprises have rather similar rates

of access to financial services compared to households in general.

Comparing households with a microenterprise to those without, the former households make less use of savings in all of the countries except Mexico. When we compare households with employers to households without, we see that the situation reverses; the former make greater use of savings in all countries. The difference between the microenterprise and employer results lies in the fact that most microenterprises consist of single-person firms while employers have one or more employees and generally earn significantly more than microentrepreneurs. As a result, many microentrepreneurs consume or reinvest their limited profits instead of saving them.

The credit data presented in tables 1 and 2 pool together the many different sources from which households may obtain loans. While credit from friends, relatives and other informal sources may be a good option for certain purposes, it may not be sufficient for larger investment or working capital needs. Loans from informal local lenders may also be much more expensive than those from formal institutions. Nonetheless, as tables 3 and 4 show, much of the credit to which households have access is still of this informal type, rather than being loans from financial institutions.

Table 3 shows that when we only take into consideration the use of formal financial services,

**Table 2. Percentage of Households with Credit or Savings (formal and informal)**

	Year	Total		Microenterprise		No Microenterprise		Employer		No Employer	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	12.9	9.9	<b>10.3</b>	<b>6.0</b>	<b>14.4</b>	<b>15.3</b>	<b>25.5</b>	<b>19.2</b>	<b>12.4</b>	<b>9.6</b>
<b>Ecuador<sup>b</sup></b>	1998	11.3	22.7	15.9	<b>18.4</b>	5.3	<b>25.5</b>	<b>24.0</b>	<b>31.8</b>	<b>9.1</b>	<b>21.3</b>
<b>Guatemala</b>	2000	11.1	17.2	10.6	<b>12.6</b>	11.2	<b>19.7</b>	13.4	<b>38.7</b>	10.9	<b>15.2</b>
<b>Haiti</b>	2001	-	11.7	-	<b>9.9</b>	-	<b>19.2</b>	-	15.4	-	11.7
<b>Jamaica</b>	1997	10.5	68.2	<b>7.6</b>	<b>46.9</b>	<b>10.6</b>	<b>68.7</b>	<b>23.7</b>	<b>84.2</b>	<b>10.3</b>	<b>68.0</b>
<b>Mexico</b>	2002	23.5	29.6	23.8	<b>32.0</b>	23.4	<b>28.7</b>	26.5	<b>39.0</b>	23.3	<b>28.9</b>
<b>Nicaragua</b>	1998	17.4	7.4	<b>23.2</b>	6.4	<b>12.3</b>	7.7	<b>28.9</b>	<b>13.3</b>	<b>16.6</b>	<b>7.0</b>
<b>Panama</b>	2003	34.7	38.6	<b>29.2</b>	<b>27.7</b>	<b>36.1</b>	<b>43.2</b>	<b>41.5</b>	<b>56.9</b>	<b>34.2</b>	<b>37.5</b>
<b>Paraguay<sup>c</sup></b>	2001	4.2	5.1	3.7	<b>3.7</b>	4.6	<b>8.5</b>	3.5	<b>8.9</b>	4.2	<b>4.7</b>
<b>Peru</b>	2001	12.4	4.5	<b>9.8</b>	<b>3.0</b>	<b>14.5</b>	<b>6.4</b>	12.9	<b>8.4</b>	12.3	<b>4.1</b>
<b>Dominican Rep.</b>	2001	21.0	25.1	<b>22.8</b>	<b>23.3</b>	<b>19.3</b>	<b>25.9</b>	<b>29.5</b>	<b>40.6</b>	<b>20.7</b>	<b>24.5</b>
<b>El Salvador<sup>d</sup></b>	2002	2.6	-	2.6	-	2.7	-	2.3	-	2.6	-
<b>Average (weighted)</b>		18.9	23.2	<b>16.5</b>	<b>18.1</b>	<b>20.1</b>	<b>26.3</b>	<b>21.4</b>	<b>30.5</b>	<b>18.3</b>	<b>22.3</b>

Sources: same as table 1.

Note and Footnotes a-d: same as table 1.

**Table 3. Percentage of Households with Credit or Savings from Formal Institutions**

	Year	Total		Poor		Nonpoor		Urban		Rural	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	7.0	9.9	5.3	4.5	9.7	18.0	9.3	13.4	3.2	3.9
<b>Ecuador<sup>b</sup></b>	1998	9.8	22.7	4.9	7.9	12.2	29.9	12.0	29.3	6.4	12.6
<b>Guatemala</b>	2000	6.4	16.8	4.2	2.5	8.3	28.9	7.7	30.0	5.4	6.7
<b>Haiti</b>	2001	-	11.7	-	3.7	-	23.9	-	25.0	-	4.3
<b>Jamaica</b>	1997	3.8	59.4	1.0	40.2	4.5	63.9	4.8	62.2	2.7	56.3
<b>Mexico</b>	2002	6.2	20.6	5.3	14.8	8.2	32.9	7.1	24.1	3.3	8.4
<b>Nicaragua</b>	1998	10.4	5.6	5.0	0.9	13.8	8.6	13.8	8.9	5.9	1.3
<b>Panama</b>	2003	17.5	35.2	8.4	9.9	20.7	44.0	21.0	42.5	11.3	22.1
<b>Paraguay<sup>c</sup></b>	2001	3.4	3.7	1.7	0.7	3.1	4.8	3.7	6.0	1.5	0.7
<b>Peru</b>	2001	3.5	4.5	1.5	0.9	5.1	7.6	4.4	5.8	1.4	1.6
<b>Dominican Rep.</b>	2001	10.9	25.1	5.8	9.8	13.1	31.7	12.5	30.2	7.9	16.0
<b>El Salvador<sup>d</sup></b>	2002	1.3	-	0.5	-	1.7	-	1.6	-	0.7	-
<b>Average (weighted)</b>		6.3	18.0	4.5	10.0	8.3	28.3	7.4	22.2	3.8	8.4

Sources: same as table 1.

Note and Footnotes a-d: same as table 1.

**Table 4. Percentage of Households with Credit or Savings from Formal Institutions**

	Year	Total		Microenterprise		No Microenterprise		Employer		No Employer	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	7.0	9.9	6.0	6.0	7.2	15.3	16.8	19.2	6.7	9.6
<b>Ecuador<sup>b</sup></b>	1998	9.8	22.7	13.9	20.2	4.2	25.5	20.5	30.8	8.0	21.3
<b>Guatemala</b>	2000	6.4	16.8	7.2	14.7	5.6	19.2	14.8	38.5	5.6	14.8
<b>Haiti</b>	2001	-	11.7	-	9.9	-	19.2	-	15.4	-	11.7
<b>Jamaica</b>	1997	3.8	59.4	4.3	60.2	3.6	59.1	10.7	68.0	3.7	59.3
<b>Mexico</b>	2002	6.2	20.6	8.2	20.9	5.5	20.5	8.7	25.4	6.1	20.3
<b>Nicaragua</b>	1998	10.4	5.6	15.7	5.4	5.8	5.8	23.4	12.7	9.6	5.2
<b>Panama</b>	2003	17.5	35.2	13.7	27.2	19.7	39.7	27.5	53.7	16.9	34.0
<b>Paraguay<sup>c</sup></b>	2001	3.4	3.7	2.1	2.7	3.6	6.2	3.2	7.4	2.7	3.3
<b>Peru</b>	2001	3.5	4.5	3.4	3.4	3.6	6.4	5.6	8.4	3.2	4.1
<b>Dominican Rep.</b>	2001	10.9	25.1	12.3	24.3	9.2	25.9	22.8	40.6	10.4	24.5
<b>El Salvador<sup>d</sup></b>	2002	1.3	-	1.1	-	1.4	-	1.2	-	1.3	-
<b>Average (weighted)</b>		6.3	18.0	7.2	14.5	5.6	20.3	10.9	23.5	6.2	17.4

Sources: same as table 1.

Note and Footnotes a-d: same as table 1.

financial service usage rates drop from 18.9 to 6.3 percent for credit and from 23.2 to 18 percent for savings. Further examining the large drop in the use of credit, the relative drop is larger for the poor (from 16.2 percent to 4.5 percent) than for the nonpoor (from 22.6 percent to 8.3 percent). The relative drop in the use of credit is also larger for rural households (from 14.1 to 3.8 percent) than for urban households (from 20.9 to 7.4 percent). While all groups depend heavily on informal credit, this dependence is greater among poor and rural households, as might be expected. The drop in savings rates is not as evident, reflecting the fact that: (i) informal savings is less prevalent than informal credit (as will be seen below in tables 6 and 7); and (ii) as previously explained, only half of our sample

of 12 countries include informal savings in their surveys, which tends to artificially reduce overall savings rates in tables 1 and 2 (since countries that do not collect informal savings data cannot include any informal savings in their overall savings rates reported in tables 1 and 2).

The same substantial drop in credit use when informal credit is eliminated can be seen in households with and without a microenterprise and in households with and without an employer (table 4). The relative drop for households in which an employer is present is the least of all four groups, from 21.4 to 10.9 percent. This group corresponds to a small number of households that are more likely to have successful businesses, and thus are likely to access a greater

share of their credit from formal sources. Again, the drop in savings rates is much less pronounced, reflecting the same two factors noted in the previous paragraph.

We can compare our table 4 estimate that 7.2 percent of households containing a microenterprise have formal credit to estimates obtained by two other studies. Both of these studies measure a somewhat different, but clearly related, concept: the percentage of microenterprises with formal credit. To measure this latter percentage, the two studies first enumerate all of the financial institutions that provide loans to any significant number of microenterprises in all countries in the region with any substantial microlending activity. They then gather data on the number of microenterprise borrowers served by each financial institution and add up these client numbers to obtain the total number of microenterprises with formal credit in the region. As a second step, they make use of household surveys to obtain the total number of microenterprises in the same set of countries, which allows the calculation of the percentage of microenterprises with formal credit. In a study of this type using data from the second half of 1999 (Westley, 2001), it was found that five percent of microenterprises in the region received credit from a microfinance institution or credit union. A more recent study, using data from the end of 2005 (Navajas and Tejerina, 2006), finds that 8.7 percent of microenterprises have credit from a microfinance institution (where, in both studies, microfinance institutions include banks, other regulated financial institutions and unregulated financial institutions, but not credit unions). The similarity of all three estimates disguises some important (and apparently offsetting) methodological differences between the present and the other two studies.

The present study has credit usage data for only 11 countries (the twelfth country, Haiti, having only savings data), while the 8.7 percent share estimated by Navajas and Tejerina (2006), for instance, is based on data from 20 countries. This is an important difference because the present study lacks data for some of the largest countries of the region, in particular, for Argentina, Brazil and Venezuela. While these three countries account for close to half (44 percent)

of all microenterprises in the region, they have the lowest formal credit usage rates of any of the 20 countries examined by Navajas and Tejerina (2006).<sup>9</sup> Hence, it is not surprising that when the overall credit coverage percentage is recalculated using the Navajas and Tejerina (2006) data, but limited to just the same 11 countries for which there is formal credit data in table 4 above, the coverage percentage rises to 17 percent, far above the table 4 estimate of 7.2 percent for households with a microenterprise.

This result may seem counterintuitive since the household surveys cover more types of financial institutions than the microfinance institutions enumerated by Navajas and Tejerina (2006), including for example credit unions. In addition, the household surveys cover consumer as well as business loans, counting a household as having credit if anyone in the household has a loan for any purpose (the proceeds of which may or may not support the household's microenterprise(s)). There are at least five reasons that explain these apparently counterintuitive results. One important explanation is that the household surveys used in the present study are somewhat old (though they are the most recent surveys available that provide adequate measures of financial access). In particular, the surveys used here were carried out in 1997-2003, with an average date of 2000-01. Between the time the household surveys were carried out and the end-2005 date for the Navajas and Tejerina (2006) data, the microfinance industry expanded very rapidly. For example, comparing the Navajas and Tejerina survey with an earlier one carried out for mid 2001 by Glenn Westley and Bob Christen, Westley (2006) calculates that the number of microenterprise borrowers increased at a compounded annual rate of 30 percent during the intervening 4½-year period. As a result, more recent household survey data (if they were available) would likely yield substantially higher credit usage percentages than the 7.2 percent shown in table 4 for formal credit usage by households with a microenterprise. This 7.2 percent estimate may suffer from three additional sources of downward bias: (i) some countries do

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<sup>9</sup> Microfinance institutions provide credit to only about one percent of microenterprises in these three countries.

not capture certain types of credit in their surveys (see footnotes b, c and d in table 1), (ii) some households may contain multiple microentrepreneurs with loans from financial institutions, yet are counted as one household with access to credit, and (iii) loans taken out more than 12 months prior to the survey are not captured in the questions used (since the surveys generally ask if anyone in the household took out a loan in the last 12 months). Finally, the credit usage percentages estimated by inventorying the microlending clients of financial institutions (such as done by Navajas and Tejerina, 2006 and Westley, 2001) have an upward bias since some microenterprises have loans from more than one financial institution and thus are counted more than once. Accounting for this would lower the 17 percent estimate obtained by the inventorying method for the 11 countries.

In order to put our results for formal financial service usage in Latin America and the Caribbean into context, we calculated the regional averages shown in table 5 using the individual country data from Claessens (2005), weighting each country's usage rate by its number of

results provide the best regional comparison that we know of.

As table 5 shows, most of the developing world lags far behind the OECD countries. Among the developing regions, the countries of Asia have the lead in both credit and savings, followed by Latin America and the Caribbean in the case of credit and Africa in the case of savings. Eastern Europe/Central Asia has the lowest usage rate for savings, and Africa has the lowest usage rate for credit.

Tables 6 and 7 show the usage of informal financial services for the countries in which this information is available from the household surveys (six of the 12 countries for savings and all countries except Haiti for credit). Interestingly, the differences shown in these two tables between poor and nonpoor households, urban and rural households, households with and without a microenterprise, and households with and without an employer are generally much smaller and less often significant than they are for formal financial services (tables 3 and 4). This shows that access to informal financial services is more

**Table 5. Percentage of Households Using Formal Financial Services in Different Regions\***

	Credit	Savings
OECD Countries	-	90.2
Asia	8.4	37.1
Africa	4.1	22.3
Latin America and the Caribbean	6.3	18.0
Europe (developing) and Central Asia	5.2	17.6

*Sources:* The present study's calculations for Latin America and the Caribbean and Claessens (2005) for all other regions.

(\*) Europe and Central Asia includes Armenia, Bosnia, Bulgaria, Kyrgyzstan and Romania. Africa includes Botswana, Côte d'Ivoire, Lesotho, Namibia, Ghana, Kenya, Morocco, South Africa, Swaziland, Tanzania and Uganda. Asia includes China, India, Nepal, Pakistan and Vietnam. The OECD countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United States.

households, just as we do in the present study. For Latin America, table 5 shows the present study's results.<sup>10</sup> While many countries are left out of this analysis in all of the regions, these

<sup>10</sup> We also calculated the Latin America and Caribbean credit and savings usage rates using the sample of countries and data from Claessens (2005) and got values similar to those presented in table 5. However, we consider this to be coincidental given the differences in countries and years.

evenly distributed in the population than access to formal financial services. Since some households make use of both formal and informal sources of credit and savings, the informal usage rate data in tables 6 and 7 plus the corresponding formal usage rate data in tables 3 and 4 is not, in general, equal to the total usage rate data in tables 1 and 2 (showing the percentage of households with access to financial services from all sources).

**Table 6. Percentage of Households with Credit or Savings from Informal Institutions**

	Year	Total		Poor		Nonpoor		Urban		Rural	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	5.8	-	<b>4.5</b>	-	<b>7.7</b>	-	<b>7.7</b>	-	<b>2.6</b>	-
<b>Ecuador<sup>b</sup></b>	1998	1.8	-	3.5	-	0.9	-	<b>0.5</b>	-	<b>3.7</b>	-
<b>Guatemala</b>	2000	7.4	0.3	6.9	0.2	7.8	0.4	7.8	0.5	7.1	0.2
<b>Jamaica</b>	1997	6.3	15.4	7.9	<b>11.4</b>	5.9	<b>16.4</b>	5.9	<b>17.4</b>	6.8	<b>13.2</b>
<b>Mexico</b>	2002	18.8	9.7	<b>17.3</b>	<b>9.1</b>	<b>21.9</b>	<b>11.0</b>	19.2	<b>10.2</b>	17.4	<b>7.8</b>
<b>Nicaragua</b>	1998	7.2	1.9	<b>4.7</b>	<b>1.0</b>	<b>8.8</b>	<b>2.4</b>	<b>8.1</b>	<b>2.3</b>	<b>6.0</b>	<b>1.4</b>
<b>Panama</b>	2003	20.3	4.3	<b>22.1</b>	<b>1.7</b>	<b>19.7</b>	<b>5.2</b>	20.8	<b>5.6</b>	19.5	<b>1.9</b>
<b>Paraguay<sup>c</sup></b>	2001	1.5	1.4	<b>2.4</b>	1.2	<b>1.2</b>	1.5	1.5	1.5	1.6	1.3
<b>Peru</b>	2001	10.3	-	<b>8.4</b>	-	<b>11.9</b>	-	<b>11.5</b>	-	<b>7.6</b>	-
<b>Dominican Rep.</b>	2001	11.3	-	11.8	-	11.1	-	<b>10.6</b>	-	<b>12.7</b>	-
<b>El Salvador<sup>d</sup></b>	2002	1.3	-	1.5	-	1.3	-	1.2	-	1.6	-
<b>Average (weighted)</b>		<b>13.9</b>	<b>8.5</b>	<b>12.9</b>	<b>7.9</b>	<b>15.7</b>	<b>9.7</b>	<b>14.9</b>	<b>9.4</b>	<b>11.3</b>	<b>6.1</b>

Sources: same as table 1.

Note and Footnotes a-d: same as table 1.

**Table 7. Percentage of Households with Credit or Savings from Informal Institutions**

	Year	Total		Microenterprise		No Microenterprise		Employer		No Employer	
		Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings	Credit	Savings
<b>Bolivia<sup>a</sup></b>	2000	5.8	-	<b>4.3</b>	-	<b>7.2</b>	-	8.7	-	5.7	-
<b>Ecuador<sup>b</sup></b>	1998	1.8	-	<b>2.4</b>	-	<b>1.3</b>	-	<b>2.7</b>	-	<b>0.8</b>	-
<b>Guatemala</b>	2000	7.4	0.3	<b>5.9</b>	0.2	<b>8.1</b>	0.4	<b>5.3</b>	0.3	<b>7.6</b>	0.3
<b>Jamaica</b>	1997	6.3	15.4	4.0	<b>10.3</b>	6.7	<b>15.7</b>	5.9	11.5	6.3	15.5
<b>Mexico</b>	2002	18.8	9.7	17.6	<b>11.8</b>	19.2	<b>8.9</b>	21.3	<b>14.6</b>	18.6	<b>9.3</b>
<b>Nicaragua</b>	1998	7.2	1.9	<b>8.0</b>	<b>1.5</b>	<b>6.6</b>	<b>2.1</b>	6.3	<b>0.6</b>	7.3	<b>1.9</b>
<b>Panama</b>	2003	20.3	4.3	<b>20.9</b>	<b>2.7</b>	<b>19.3</b>	<b>4.9</b>	20.2	3.3	20.4	4.4
<b>Paraguay<sup>c</sup></b>	2001	1.5	1.4	<b>1.7</b>	1.1	<b>1.2</b>	2.3	1.3	1.5	1.6	1.4
<b>Peru</b>	2001	10.3	-	<b>10.7</b>	-	<b>9.9</b>	-	<b>13.8</b>	-	<b>9.9</b>	-
<b>Dominican Rep.</b>	2001	11.3	-	<b>11.8</b>	-	<b>11.2</b>	-	9.5	-	11.4	-
<b>El Salvador<sup>d</sup></b>	2002	1.3	-	<b>1.4</b>	-	<b>1.3</b>	-	0.9	-	1.4	-
<b>Average (weighted)</b>		<b>13.9</b>	<b>8.5</b>	<b>11.3</b>	<b>8.8</b>	<b>15.5</b>	<b>8.3</b>	<b>14.6</b>	<b>11.7</b>	<b>13.4</b>	<b>8.2</b>

Sources: same as table 1.

Note and Footnotes a-d: same as table 1.

In general, tables 6 and 7 data indicate that informal financial services are quite important. More than twice as many households overall use informal credit (13.9 percent) than use formal credit (6.3 percent). While the opposite relationship holds for savings (8.5 percent informal versus 18.0 percent formal), this may reflect, at least in part, the lack of thoroughness of the household surveys in including informal savings mechanisms, particularly saving in nonmonetary form. A similar relationship in the use of informal and formal financial services carries over to households with a microenterprise or an employer, though the rate of formal credit usage lags behind the rate of informal credit usage by a notably smaller margin in these two groups than in the other groups. As might be expected, poor and rural households are more dependent on in-

formal credit and savings services than nonpoor and urban households.

Table 8 presents the gaps (ratio of usage rates) for each of the four pairs of population subgroups for both borrowing and saving and for the different types of financial service providers (formal, informal and total). All of these ratios are significantly different from one (1) at the 10 percent level, indicating statistically significant differences in usage rates for nonpoor versus poor households, urban versus rural households, households with and without a microenterprise, and households with and without an employer. Again, the gaps found in the use of informal financial services are generally smaller than those found for formal services, indicating that access to informal financial services is more evenly

**Table 8. Gaps in Borrowing and Saving (Ratio of Usage Rates for Each Pair of Groups Shown)**

	Credit				Savings			
	Nonpoor/ Poor	Urban/ Rural	Microenterprise/ No microenterprise	Employer/ No employer	Nonpoor/ Poor	Urban/ Rural	Microenterprise/ No microenterprise	Employer/ No employer
Total	1.4	1.5	0.8	1.2	2.2	1.5	0.8	1.8
Formal	1.9	1.9	1.3	1.8	5.7	2.2	0.4	1.3
Informal	1.2	1.3	0.7	1.1	1.7	1.5	0.6	1.6

Sources: same as table 1.

Note: same as table 1.

distributed in the population than access to formal financial services. The largest gaps in the table are between poor and nonpoor households and urban and rural households in their access to formal savings (gaps of 5.7 and 2.2, respectively). This may reflect the emphasis that the microfinance industry initially placed (and to some extent still places) on making loans, and underscores the importance of continuing to expand the availability of deposit services, especially for poor and rural households.

The household surveys in three countries (Guatemala, Jamaica and Panama) permit us to measure the gender gap in accessing formal and informal credit (see table 9 and, for additional detail, Annex II). It is important to recognize what these data do and do not measure. In particular, the surveys that provided these data recorded the person who obtained the loan, which may not always be the same as the person who used the loan. For example, if a husband took out a loan that was used in his wife's business, that loan was recorded as a loan to a male. All data presented in table 9 are weighted across countries in the usual way (as explained for table 1), so that effectively the three countries are treated as though they were a single combined country. Readers may notice that the usage percentages in Annex II are well below those in tables 1-4 and 6-7. The reason for this is that the former tables (those in Annex II) show financial service usage rates for *individuals*, while the latter tables show usage rates for *households*.<sup>11</sup>

<sup>11</sup> With household data, if anyone in a given household has a loan, for example, the whole household is counted as having a loan. Typically, only one person in a household has a loan, and so if for example there

Turning to the results, nearly all gender gaps shown in table 9 are significant at the 10 percent level and all show that men have higher credit usage percentages than women except in the case of women employers accessing informal credit, where the male/female usage ratio is 0.8. The two largest gaps that arise are in the usage of formal credit by the poor (ratio of 4.7) and by those in rural areas (ratio of 3.1). The usage of formal credit by male microentrepreneurs is substantially greater than the usage by female microentrepreneurs (ratio of 2.1), indicating that despite the emphasis that many microfinance institutions have placed on reaching women, there is still a long ways to go. For the small minority of entrepreneurs that have employees (and thus are considered employers), the gender gap in accessing formal credit is somewhat smaller (ratio of 1.6). This would seem to imply that above a certain threshold of entrepreneurial success, gender differences in the access to formal credit may be somewhat attenuated.

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are three adults (ages 18 and over) in the household, and only one has a loan, the individual-level data for that household would show only one individual in three as having a loan. If, for the sake of illustration, all households were in this same situation, the household-level data would show 100 percent of households as having a loan while the individual-level data would show only one in three individuals as having a loan. Thus, the household-level usage rates will invariably be greater than the individual-level usage rates since the fact that one adult in a household uses a given financial service does not normally imply that all adults in the household use this same service.



**Table 9. Gender Gaps in Borrowing**  
**(Ratio of Credit Usage of Males to Females, Weighted Average of Three Countries)**

	Total	Poor	Nonpoor	Urban	Rural	Microenterprise	No Microenterprise	Employer	No Employer
Total	<b>1.9</b>	<b>2.9</b>	<b>1.7</b>	<b>1.6</b>	<b>2.7</b>	<b>1.6</b>	<b>2.0</b>	1.3	<b>1.9</b>
Formal	<b>2.3</b>	<b>4.7</b>	<b>2.0</b>	<b>2.0</b>	<b>3.1</b>	<b>2.1</b>	<b>2.3</b>	1.6	<b>2.2</b>
Informal	<b>1.7</b>	<b>2.3</b>	<b>1.4</b>	<b>1.3</b>	<b>2.4</b>	<b>1.3</b>	<b>1.8</b>	0.8	<b>1.7</b>

*Sources:* Encuesta nacional sobre condiciones de vida (Guatemala), Survey of Living Conditions (Jamaica) and Encuesta de niveles de vida (Panama).

*Note:* All figures in bold denote significant differences at the 10 percent level between males and females in that cell.

## Conclusions

The measurement of financial depth as the percentage of households or individuals using financial services still needs improvement in Latin America and the Caribbean. More countries need to capture this type of information, and household survey modules need to be made more effective and consistent across countries in order to gather high-quality, comparable information about the extent to which financial services are reaching the general population and key subgroups. A proposal for a simplified module to capture financial information in household surveys appears in annex B of Navajas and Tejerina (2006). In order to ensure comparability, the approach followed in that proposal is consistent with the efforts being made by other institutions such as the World Bank and DFID.

The levels and gaps presented in this study are meant to provide a map of the usage of different types of financial services by different groups in the region. Based on this evidence, we were able to show that the poor are indeed accessing financial services for both their borrowing and savings needs, though at significantly lower rates than the nonpoor. For example, while 18.9 percent of households borrowed money during the 12-month period prior to the survey, the percentage for poor households was 16.2 percent, compared to 22.6 percent for nonpoor households. Similarly, 6.3 percent of households borrowed money from formal institutions during the 12-month period prior to the survey, compared to 4.5 percent for poor households and 8.3 percent for nonpoor households. In general, the study finds that the gaps are smaller for informal financial services than they are for formal financial services, indicating that informal financial services are spread more evenly throughout the population. For example, the difference in the use of informal savings between poor and nonpoor households is less than two percentage points (7.9 percent compared to 9.7 percent, re-

spectively), while it is much larger for formal savings (10.0 and 28.3 percent, respectively).

With regard to the links between entrepreneurship and financial service usage rates, we found that households that contain a microenterprise make more use of formal credit but less use of formal savings compared to households without a microenterprise. Exactly the opposite usage pattern holds in the case of informal credit and savings. However, households that contain a more established enterprise (defined as an enterprise with at least one employee in addition to the owner of the enterprise) have greater usage rates for both credit and savings from both formal and informal institutions.

We find that there are large gender gaps in the usage of financial services in the subgroup of three countries in which such data are available. These large gaps are found in the access to formal and informal credit and savings services, both in the general population and in all subgroups examined except women employers accessing informal credit. In general, the gender gaps are smaller in accessing informal financial services than formal financial services.

Since our findings show that poor households do participate in the formal financial sector (although at significantly lower rates than nonpoor households), it follows that policies that weaken or strengthen the formal financial sector are likely to affect the poor. Our findings indicate that there are important gaps in the use of formal financial services, not only between nonpoor and poor, but also between urban and rural areas and between men and women. The smaller gaps for informal finance that are found in nearly all population subgroups indicate that informal finance helps to fill the gaps in access to formal financial services, at least partially. However, the informal sector still suffers from limitations in the range of services offered, frequently including limited loan amounts and terms.

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## Annex I

Country	Questions Used for Measuring Credit	Questions Used for Measuring Savings
Bolivia	¿Durante los últimos doce meses, usted o algún miembro del hogar obtuvo dinero mediante crédito, préstamo o pasanaku?	¿El hogar tiene ahorros, cajas de ahorro, depósitos a plazo fijo, otros ahorros?
Ecuador	Durante los últimos 12 meses, ¿solicitaron crédito para el funcionamiento del o de los negocios?	[En los últimos 12 meses] ¿Retiró dinero de los ahorros que tenían en bancos, cooperativas u otras entidades financieras?
Ecuador	¿Obtuvieron crédito durante los últimos 12 meses para el funcionamiento del o de los negocios?	¿Ahorró dinero en bancos, cooperativas u otras entidades financieras?
Ecuador	¿Solicitaron crédito para sus actividades agrícolas durante los últimos 12 meses?	
Ecuador	Durante los últimos 12 meses, ¿obtuvieron crédito para sus actividades agrícolas? En dinero, en especie	
Guatemala	En los últimos 12 meses, ¿solicitó algún miembro del hogar, préstamos en dinero?	En los últimos 12 meses, ¿algún miembro del hogar tuvo o tiene dinero depositado o guardado en alguna institución, empresa, con particulares o en otros sitios?
Guatemala	¿Le autorizaron algún préstamo de los que solicitó?	
Jamaica	Has any member of the household borrowed money from a bank, business, cooperative, government agency, money lender, relative or any other individual or institution that has not yet been repaid?	Does [NAME] have money saved in some kind of savings account or partner?
Mexico	En los últimos 12 meses, ¿ha solicitado usted dinero prestado o fiado a alguno de ellos? [lugares que prestan dinero]	¿Tiene ahorros?
Mexico	¿Dónde o con quién solicitó dinero prestado o fiado?	¿En qué tipo de institución tiene dinero ahorrado?
Mexico	¿Le otorgaron el préstamo?	
Nicaragua	En los últimos 12 meses, ¿cuántos préstamos recibieron, pagaron o están pagando los miembros del hogar, de bancos, cooperativas, prestamistas, amigos, parientes u otras fuentes?	En los últimos 12 meses, ¿algún miembro del hogar tuvo o tiene dinero depositado o guardado con alguna institución, empresa o particular?
Panama	En los 12 últimos meses, ¿solicitó dinero en efectivo prestado de algún familiar, banco, cooperativa, institución financiera o persona? (la pregunta se hace a todas las personas de 15 años y más de edad)	Ud. y/o algún otro miembro del hogar, ¿tienen ahorros en bancos, cooperativas, cajas de ahorro...?

Panama	En los últimos 12 meses, ¿qué instituciones le concedieron dinero en efectivo que solicitó en préstamoPRÉSTAMO?	
Panama	En los últimos 12 meses, ¿solicitaron préstamos de dinero en efectivo para el negocioNEGOCIO?	
Panama	En los últimos 12 meses, ¿le APROBARON lo(s) préstamo(s) de dinero en efectivo que solicitaron?	
Panama	En los últimos 12 meses, ¿solicitaron préstamos de dinero en efectivo para las actividades agropecuarias?	
Panama	En los últimos 12 meses, ¿le aprobaron el o los préstamos en dinero en efectivo que solicitó?	
Paraguay	En los últimos 12 meses, ¿algún miembro del hogar ha recibido préstamo de dinero para financiar los gastos del hogar?	Actualmente, ¿tienen dinero ahorrado?
Peru	En los últimos 12 meses, ¿recibió dinero en calidad de préstamo, para financiar gasto del hogar?	En los últimos 12 meses, ¿retiró dinero del banco o cooperativa? (Proveniente de ahorros),
Peru	Durante los últimos 12 meses, ¿realizó gestiones para obtener préstamo o crédito para financiar su negocio?	¿Depositó dinero en el banco o cooperativa? (Con fines de ahorro)?
Peru	¿Obtuvo el préstamo que gestionó?	
Peru	Durante los últimos 12 meses, ¿realizó gestiones para obtener préstamo o crédito para financiar la producción agrícola o pecuaria?	
Peru	¿Obtuvo el préstamo que gestionó?	
Dominican Republic	¿Ha solicitado algún miembro del hogar un préstamo o crédito en los últimos 12 meses?	¿Tiene su hogar o alguno de sus miembros activos financieros (en forma de): cuentas de cheques bancarios, depósitos de ahorro en bancos, bonos gubernamentales, depósitos de ahorro, certificados de participación, o bonos en dólares en bancos fuera del país?
Dominican Republic	¿Ha obtenido el crédito?	
El Salvador	¿Solicitó crédito para la actividad agropecuaria que usted realizó?	
El Salvador	¿Obtuvo el crédito solicitado?	
El Salvador	¿Algún miembro del hogar recibió dinero en calidad de préstamo para financiar gastos del hogar?	

## Annex II

**Table A1. Percentage of Individuals with Credit by Gender (Ages 18 or Older)**

	Total		Poor		Nonpoor		Urban		Rural	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<b>Guatemala 2000</b>										
Total	8.0	2.6	<b>7.0</b>	<b>1.5</b>	<b>9.0</b>	<b>3.5</b>	<b>8.2</b>	<b>3.4</b>	<b>7.9</b>	<b>1.9</b>
Formal	<b>4.4</b>	<b>1.2</b>	<b>2.9</b>	<b>0.6</b>	<b>5.8</b>	<b>1.8</b>	<b>5.2</b>	<b>1.6</b>	<b>3.8</b>	<b>0.9</b>
Informal	<b>3.8</b>	<b>1.4</b>	<b>4.2</b>	<b>1.0</b>	<b>3.4</b>	<b>1.7</b>	<b>3.1</b>	<b>1.8</b>	<b>4.2</b>	<b>1.0</b>
<b>Panama 2003</b>										
Total	18.7	14.7	<b>14.0</b>	<b>9.8</b>	<b>20.7</b>	<b>16.5</b>	<b>21.0</b>	<b>16.4</b>	<b>1.5</b>	<b>1.1</b>
Formal	<b>9.2</b>	<b>6.3</b>	<b>5.2</b>	<b>1.3</b>	<b>10.9</b>	<b>8.2</b>	<b>11.3</b>	<b>7.6</b>	<b>5.8</b>	<b>3.5</b>
Informal	<b>10.0</b>	<b>8.6</b>	9.2	8.6	<b>10.3</b>	<b>8.6</b>	<b>10.2</b>	<b>9.0</b>	<b>9.5</b>	<b>7.8</b>
<b>Jamaica 1997</b>										
Total	3.0	2.8	1.4	2.5	3.9	2.9	3.4	3.1	2.8	2.4
Formal	<b>1.4</b>	<b>0.8</b>	<b>0.3</b>	<b>0.0</b>	<b>2.0</b>	<b>0.9</b>	<b>2.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.4</b>
Informal	1.6	2.1	<b>1.1</b>	<b>2.5</b>	1.9	2.0	1.3	2.1	<b>1.8</b>	<b>2.0</b>

*Sources:* Encuesta nacional sobre condiciones de vida (Guatemala), Survey of Living Conditions (Jamaica), and Encuesta de niveles de vida (Panama).

*Note:* All figures in bold denote significant differences at the 10 percent level between males and females.

**Table A2. Percentage of Individuals with Credit by Gender (Ages 18 or Older)**

	Total		Microenterprise		No Microenterprise		Employer		No Employer	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<b>Guatemala 2000</b>										
Total	8.0	2.6	<b>9.8</b>	<b>4.9</b>	<b>7.2</b>	<b>2.0</b>	15.3	10.9	<b>7.6</b>	<b>2.4</b>
Formal	<b>4.4</b>	<b>1.2</b>	<b>5.9</b>	<b>2.5</b>	<b>3.6</b>	<b>0.9</b>	3.9	1.1	<b>12.4</b>	<b>6.8</b>
Informal	<b>3.8</b>	<b>1.4</b>	<b>4.1</b>	<b>2.4</b>	<b>3.6</b>	<b>1.1</b>	3.5	4.1	<b>3.8</b>	<b>1.3</b>
<b>Panama 2003</b>										
Total	18.7	14.7	15.4	17.0	<b>19.7</b>	<b>14.4</b>	15.9	19.9	<b>18.8</b>	<b>14.6</b>
Formal	<b>9.2</b>	<b>6.3</b>	<b>5.6</b>	<b>3.7</b>	<b>10.3</b>	<b>6.5</b>	9.3	9.3	<b>9.2</b>	<b>6.2</b>
Informal	<b>10.0</b>	<b>8.6</b>	<b>9.9</b>	<b>13.6</b>	<b>10.0</b>	<b>8.0</b>	6.9	10.6	<b>10.1</b>	<b>8.6</b>
<b>Jamaica 1997</b>										
Total	3.0	2.8	8.2	5.8	2.6	2.7	13.3	10.2	3.0	2.8
Formal	<b>1.4</b>	<b>0.8</b>	<b>4.5</b>	<b>1.4</b>	<b>1.2</b>	<b>0.7</b>	9.8	10.2	<b>1.4</b>	<b>0.7</b>
Informal	1.6	2.1	3.8	4.4	<b>1.4</b>	<b>2.0</b>	3.5	0.0	1.6	2.1

*Sources:* same as table A1.

*Note:* All figures in bold denote significant differences at the 10 percent level between males and females.