



# Measuring access to finance in Belarus: a snapshot of evidence-based policy development

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A middle-income country in Eastern Europe, Belarus has experienced some success extending financial services to underserved segments of its population. Over the last decade, the federal government has introduced policies aimed at bringing more customers and small businesses into the formal financial system. This has created a relatively well-developed financial infrastructure, especially for urban customers and for financial institutions introducing new products and services into the market. Most employers now deposit payments directly into their employees' bank accounts, and employees often have access to a range of other basic financial services, especially in urban areas.



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Despite better access to financial services, usage among individuals and businesses remains low. The current regulatory framework has helped to catalyze a market for financial services, but more needs to be done to improve the country's financial infrastructure and stimulate the development of products and services that customers will use in high volumes.

One key obstacle is that Belarus does not have specific laws or regulations that explicitly promote access to finance. Until now, efforts have been focused on macro-level financial sector development, with a heavy emphasis on modernizing infrastructure. These efforts have yielded some success, but the primary task for Belarus now is to build a financial system with broad access to affordable, reliable, and ubiquitous financial services throughout the country.

To achieve this, the National Bank of Belarus (NBB) and three government ministries—Finance, Economy, and Labour and Social Protection—have committed to reviewing their respective policies for increasing access to finance. Their joint objective is to align policy interventions with the needs of the market (both financial institutions and customers), which requires a deeper understanding of financial services usage. Little data and evidence are available on policies and regulations that expand both access and usage, which has prompted efforts to collect data on why, how, and to what extent individuals and businesses use financial services. This evidence-based research will help to inform a legal framework that simultaneously protects customers and stimulates innovation by encouraging financial institutions to improve the quality of their services. It is also anticipated that the research will result in a comprehensive national strategy for improved access, including revisions to existing laws and regulations.

## OBJECTIVES

In order to lay the groundwork for a comprehensive policy framework for financial inclusion, the NBB has been collecting data on customer perceptions and use of financial services, and reviewing current policies and regulations. The focus of this project is to gather evidence for policy changes that will ultimately promote greater access to financial services in Belarus, and it represents the first comprehensive effort to measure access and usage using locally available data. Although the primary intention of the research is to influence policy development, there are also several peripheral objectives that will help to inform a holistic, sustainable approach to financial inclusion in Belarus.

At the institutional level, the research will lead to the establishment of an intergovernmental council dedicated to improving access to finance, which will include

representatives from the NBB, the Ministry of the Economy, Ministry of Finance, Ministry of Justice, National Statistical Committee, and the Institute of the Economy. The purpose of this council will be to ensure a high level of coordination among various government initiatives and to maximize resources to ensure that positive policy interventions are harnessed and sustained.

The research will also refine the definitions of key measures of access to finance to create a shared understanding among various stakeholders. These definitions will be critical for effective data analysis in the policy development stage.

The output of the research will be a comprehensive assessment report on access to finance in Belarus. This report will underpin the development of a national financial access strategy, which will include an action plan and legislative proposals.

A conceptual framework for measuring access to finance will also be developed to guide policymakers in the policy development process. This framework will deepen understanding of the core factors that contribute to financial access and it will develop professional capacity within institutions to ensure that the research can be replicated in the future.

## METHODOLOGY

The research project began with an assessment of the supply of financial products and services in Belarus followed by surveys of individuals, households, and small and medium-sized enterprises (SMEs) on financial services usage. The complexity of the issues required a methodology that incorporated three specific areas of focus: (i) use of financial services by individuals; (ii) use of financial services by SMEs; and (iii) the suitability of existing policy and financial infrastructure. This methodological approach considered both the supply and demand side of the market, which generated a comprehensive view of the current state of financial inclusion in Belarus.

### Supply-side assessment

The purpose of the supply-side assessment was to determine what data were available on the supply of financial services in Belarus. The research focused on identifying what data were needed to develop indicators, to set policies and reporting requirements, and to monitor the indicators on a regular, ongoing basis. The research also aimed to propose ways to improve data collection in order to analyze the supply of financial services and assess financial inclusion on an ongoing basis.

The supply-side indicators were organized into four categories that together capture the supply of financial services in Belarus:

- 1) **Institutional coverage (I):** availability of different types of institutions operating in the market and the density of coverage by population size.
- 2) **Financial products and services (P):** availability of various products and services offered by financial institutions in general and the density of coverage by population size.
- 3) **Geographical coverage (G):** distribution of different types of institutions operating in the market and products/services in a given geographical area (region, sub-region, urban/rural area, etc.)
- 4) **Ease of access (E):** availability of products and services offered by financial institutions based on affordability, physical accessibility, complexity of procedures, and other factors.

Figure 1: Indicators of the Supply of Financial Services in Belarus



### Individual and household surveys

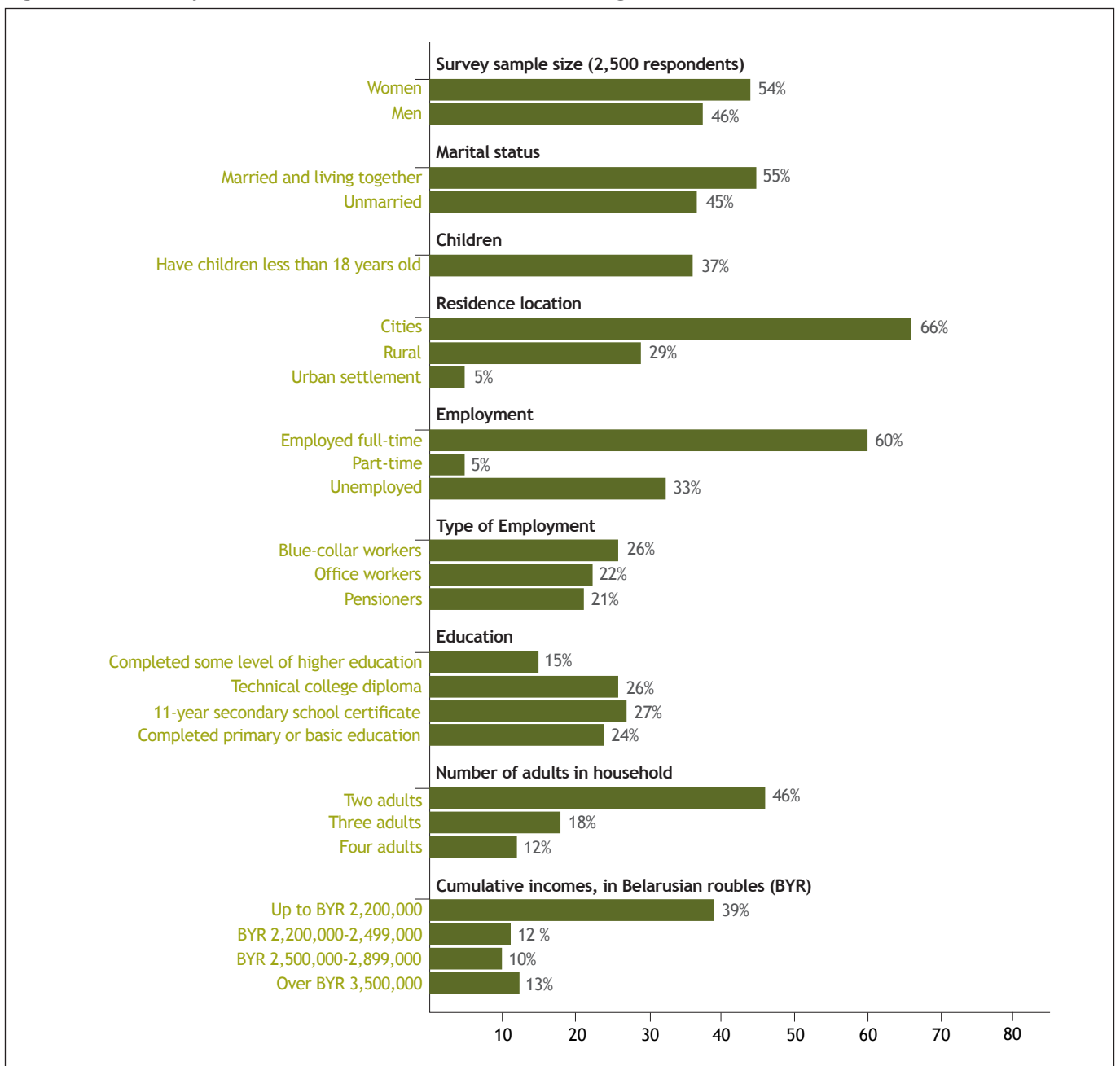
Between 13 January and 13 February 2012, the Institute of Sociology (within the National Academy of Sciences of Belarus) conducted a survey that measured financial services use among households and individuals, including variables such as demand, frequency, and intensity. This nationally representative survey had an initial sample of 2,500 respondents.

The final survey sample included 1,156 men (46%) and 1,344 women (54%) of all ages. The majority of survey respondents (55%) were married and living together and 37% had children younger than 18 years. Sixty-six percent resided in cities, 29% in rural areas, and 5% in urban settlements. Sixty percent worked full-time, 5% part-time, and 33% were unemployed.

The dominant groups in the sample were blue-collar workers (26%), office workers (22%), and pensioners (21%). About 15% had completed some level of higher education. Twenty-six percent held a technical college diploma, 27% had an 11-year secondary school certificate, and 24% had completed primary or basic education.

Two-adult households represented 46% of the sample while 18% of households had three adult members and 12% had four adult members. Households with a cumulative income of up to 2,200,000 Belarusian roubles (BYR) represented the largest single group of households by income (39%) while 13% of households had incomes over BYR 3,500,000, 12% earned BYR 2,200,000-2,499,000, and 10% earned BYR 2,500,000-2,899,000.

Figure 2: Final survey results on the use of financial services among households and individuals



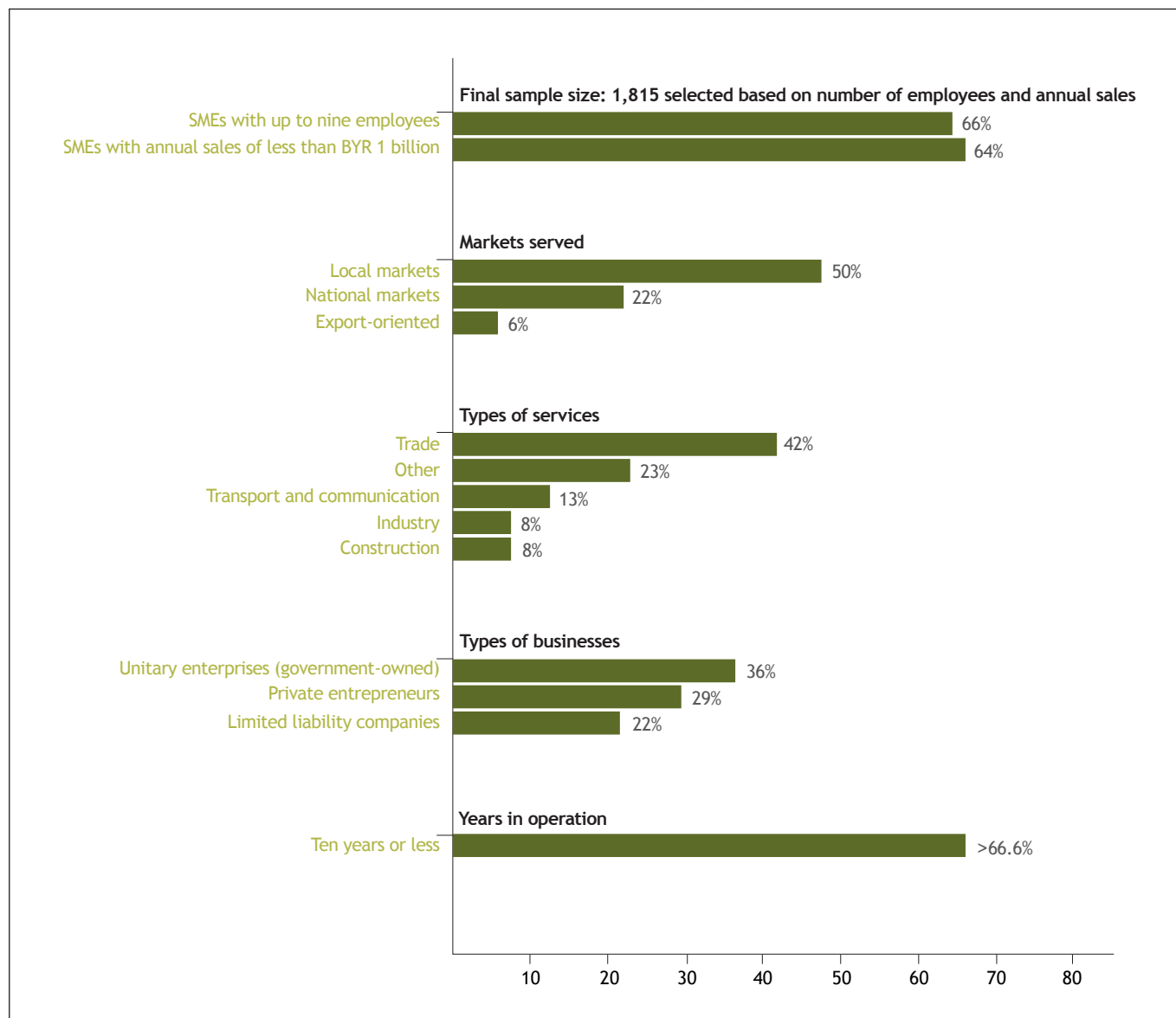
Source: Institute of Sociology, National Academy of Sciences of Belarus

## SME survey

A survey of small-and medium-sized enterprises (SMEs) examined various aspects of financial inclusion, including demand, access, and use of financial services. The initial survey sample included 2,000 SMEs. From this initial sample, 1,815 respondents were selected based on their number of employees and annual sales.<sup>1</sup> Of this final sample, 66% were small enterprises with up to nine employees and 64% had annual sales of less than BYR 1 billion.

Typical SMEs in the sample were small-scale enterprises serving local markets (50%) and national markets (22%). Export-oriented SMEs represented 6% of the sample. The largest shares of the sample were active in trade (42%) and “other services” (23%) followed by 13% in transport and communications, 8% in industry, and 8% in construction. The predominant types of businesses were unitary enterprises (government-owned) (36%), private entrepreneurs (29%), and limited liability companies (22%). More than two-thirds of the SMEs surveyed had been in operation for 10 years or less.

Figure 3: Final survey results for small-and medium-sized enterprises (SMEs)



<sup>1</sup> The survey was conducted with small business entities (as defined by Belarusian legislation), private entrepreneurs, and legal business entities with less than 100 employees and annual sales of less than BYR 2 billion. The average exchange rate when the survey was conducted was BYR 8,000 per 1 USD.

## FRAMING THE RESULTS

The results of the research will be incorporated into two measurement tools that capture the findings succinctly and will communicate the findings to policymakers: the Total Financial Inclusion Index (TFII) and the Access Score Card.

**The Total Financial Inclusion Index (TFII)** measures the balance between access and use of financial services by individuals and SMEs. The TFII focuses primarily on financial services usage across a variety of customer and institutional (SME) samples. The tool will assess the level of access by describing services across a spectrum of usage from “No use” (total financial exclusion) to “Extensive use” (full financial

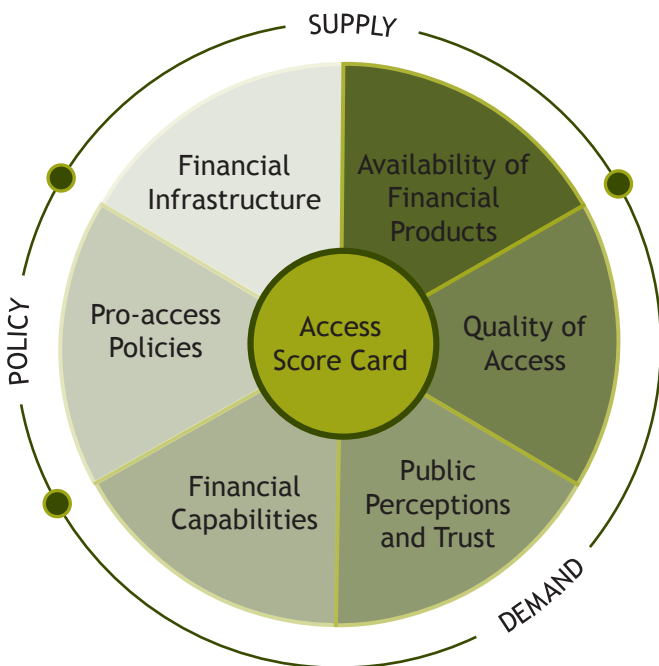
inclusion). Table 1 lists the number of financial products across the financial inclusion spectrum and defines usage levels. The final research results will also include the percentage of the population that falls within each part of the spectrum.

**The Access Score Card** complements the TFII by measuring the intersection of supply, demand, and policy. The Score Card measures six categories of access: financial infrastructure, availability of products, quality of access, perception and trust, financial capability, and “pro-access” policies. Each of these categories represents a critical component of the financial services environment and illustrates the range of complex factors that combine to create an inclusive financial environment in Belarus.

Table 1: Total Financial Inclusion Index (TFII)

Number of financial products	Usage level
0	No use = total financial exclusion
1-2	Basic use (must have current account and/or savings account)
3-5	Intensive use
6-8	Advanced use
8+	Extensive use

Figure 4: Access Score Card



Together these tools will provide a framework for assessing the conditions that create access to financial services in Belarus, and they will also help to facilitate the development of a national strategy for broadening and deepening access to finance based on data and local market realities.

## NEXT STEPS

The government and National Bank of Belarus are fully committed to an evidence-based approach to policy development to support their financial inclusion goals. The outcomes of their ongoing research will not only inform an accurate and comprehensive national strategy for financial inclusion, but will also help to entrench evidence-based policymaking in Belarus.

### **About this grant snapshot**

Supported by long-term or short-term grants from AFI, developing and emerging country policymakers from the AFI membership engage in leading innovative solutions to financial inclusion challenges in their country through policy reforms. AFI grant snapshots capture the on-the-ground policy development experiences of these AFI members. This grant snapshot focuses on the experience of Belarus and the unique challenges the country faces with increasing access to finance. It looks at the steps taken by the National Bank of Belarus (NBB) and three government ministries—Finance, Economy, and Labour and Social Protection—to lay the groundwork for a comprehensive policy framework that increases financial inclusion in the country, including measuring access and usage through locally available data.

## About AFI

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AFI is funded by the Bill & Melinda Gates Foundation and administered by GIZ (German International Cooperation)