



WORLD BANK GROUP

**Business Ready (B-Ready)**

# **Methodological Workshop**

**Financial Services**

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# Outline

## Financial Services

1. Motivation

2. Indicators:

a. Pillar I – Regulatory framework: Quality of regulations for commercial lending, secured transactions, e-payments, and green financing

b. Pillar II – Public services: Accessibility of information in credit infrastructure and access to finance

c. Pillar III – Efficiency: Efficiency of receiving financial services in practice

3. Preliminary Topic Scoring

4. Data Sources

5. Parameters

6. Expert Screening and Selection

# 1. Motivation – why does Financial Services matter?

- Well-functioning financial systems promote economic growth, improve resilience to shocks, encourage formalization of businesses, and reduce poverty and inequality
- Firms need sound and balanced financial regulations and access to financial services:
  - ✓ Impacts firms' ability to obtain financing for managing volatile cash flow
  - ✓ Impacts firms' ability to obtain financing for expansion and growth
  - ✓ Impacts firms' decision to innovate and intensity of innovation
  - ✓ Impacts firms' decisions to expand employment
  - ✓ Impacts firms' ability to expand their customer base
  - ✓ Impacts firms' decision to be environmentally conscious



## 2. Indicators – Outline



**Regulatory framework**  
Quality of regulations for commercial lending, secured transactions, e-payments, and green financing

1. Good regulatory practices for commercial lending
2. Good regulatory practices for secured transactions
3. Good regulatory practices for e-payments\*
4. Good regulatory practices for green financing+



**Public services**  
Accessibility of information in credit infrastructure and access to finance

1. Operation of credit bureaus and registries\*
2. Operation of collateral registries\*
3. Green finance+
4. Gender finance^



**Efficiency**  
Efficiency of receiving financial services in practice

1. Loans^
2. E-payments\*^

The \* symbol denotes components that will cover the **adoption of digital technologies**. The + symbol denotes components that will cover **environmental sustainability**. The symbol ^ denotes components that will cover **gender**.

# a. Pillar I – Quality of regulations for commercial lending, secured transactions, e-payments, and green financing

<b>1.1</b>	<b>Good regulatory practices for commercial lending</b>
1.1.1	Requirement to conduct Customer Due Diligence (CDD) and record keeping
1.1.2	Risk-based approach and risk factors
1.1.3	Availability of enhanced and simplified CDD measures
<b>1.2</b>	<b>Good regulatory practices for secured transactions</b>
1.2.1	Integrated legal framework for secured transactions
1.2.2	Types of movable assets, debts and obligations that can be secured
1.2.3	Priority/Enforcement
<b>1.3</b>	<b>Good regulatory practices for e-payments</b>
1.3.1	Risk management
1.3.2	Protection of customer funds
1.3.3	Transparency of fees, terms, and conditions
1.3.4	Availability of solid recourse and dispute resolution mechanisms
1.3.5	Interoperability and promotion of competition
<b>1.4</b>	<b>Good regulatory practices for green financing</b>
1.4.1	Risk management
1.4.2	Disclosure requirements and impact reporting
1.4.3	Availability of green financing and adoption of green principles

# a. Pillar I – Quality of regulations for commercial lending, secured transactions, e-payments, and green financing

## What does it cover and why is it important?

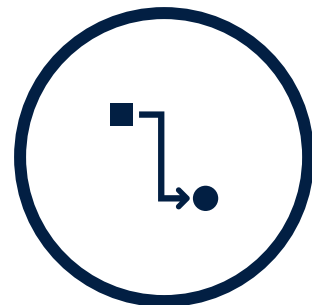
### Category 1.1 – Good regulatory practices for commercial lending

- This category assesses the requirements to conduct Customer Due Diligence (CDD) for commercial loans and largely incorporates AML/CFT risk management regulations.
- Robust regulations for commercial lending promote the overall safety and soundness of the financial system and help to prevent the abuse of the system for ML/TF purposes.



### Category 1.2 – Good regulatory practices for secured transactions

- This category assesses the regulations pertaining to secured transactions related to the use of movable assets.
- Effective secured transaction regulations through which movable assets can be used as collateral can increase level of credit and lower its cost.



### Category 1.3 – Good regulatory practices for e-payments

- This category assesses the regulations pertaining to e-payments for domestic transactions.
- Sound regulations for e-payments are essential for maintaining the integrity of the monetary system and safeguarding financial stability.



### Category 1.4 – Good regulatory practices for green financing

- This category assesses the regulations and guidelines pertaining to green financing.
- Sound regulations/guidelines for green financing can improve standardization, enable better understanding and management of climate/environmental risks, facilitate access to green financing, and prevent greenwashing practices.





# a. Pillar I – Quality of regulations for commercial lending, secured transactions, e-payments, and green financing

## Preliminary Scoring

		No. of indicators	FFP*	SBP*	Total Points	Rescaled Points
<b>1.1</b>	<b>Good regulatory practices for commercial lending</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>15.4</b>
1.1.1	Requirement to conduct Customer Due Diligence (CDD) and record keeping	2	1	2	3	5.8
1.1.2	Risk-based approach and risk factors	2	n.a.	2	2	3.8
1.1.3	Availability of enhanced and simplified CDD measures	2	1	2	3	5.8
<b>1.2</b>	<b>Good regulatory practices for secured transactions</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>14</b>	<b>26.9</b>
1.2.1	Integrated legal framework for secured transactions	1	1	1	2	3.8
1.2.2	Types of movable assets, debts and obligations that can be secured	4	4	4	8	15.4
1.2.3	Priority/Enforcement	2	2	2	4	7.7
<b>1.3</b>	<b>Good regulatory practices for e-payments</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>24</b>	<b>46.2</b>
1.3.1	Risk management	3	3	3	6	11.5
1.3.2	Protection of customer funds	2	2	2	4	7.7
1.3.3	Transparency of fees, terms, and conditions	2	2	2	4	7.7
1.3.4	Availability of solid recourse and dispute resolution mechanisms	2	2	2	4	7.7
1.3.5	Interoperability and promotion of competition	3	3	3	6	11.5
<b>1.4</b>	<b>Good regulatory practices for green financing</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>11.5</b>
1.4.1	Risk management	1	n.a.	1	1	1.9
1.4.2	Disclosure requirements and impact reporting	2	n.a.	2	2	3.8
1.4.3	Availability of green financing and adoption of green principles	2	1	2	3	5.8
<b>Total</b>		<b>30</b>	<b>22</b>	<b>30</b>	<b>52</b>	<b>100</b>

\*Scoring will consider the perspectives of entrepreneurs (firm flexibility points) and broader public interests (social benefits points).

## **b. Pillar II – Accessibility of information in credit infrastructure and access to finance**

<b>2.1</b>	<b>Operation of credit bureaus and registries</b>
2.1.1	Data coverage and access to information
<b>2.2</b>	<b>Operation of collateral registries</b>
2.2.1	Features of collateral registries
<b>2.3</b>	<b>Green finance</b>
2.3.1	Availability and requirements for green loans
<b>2.4</b>	<b>Gender finance</b>
2.4.1	Promoting access to finance for women



## b. Pillar II – Accessibility of information in credit infrastructure and access to finance

### What does it cover and why is it important?

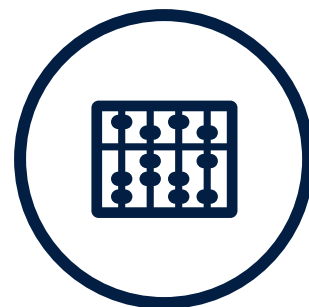
#### Category 2.1 – Operation of credit bureaus and registries

- This category assesses whether a credit bureau or credit registry is effectively operational and reviews its features.
- Credit information systems play an important role in reducing informational asymmetries and promoting access to credit.



#### Category 2.2 – Operation of collateral registries

- This category assesses whether a collateral registry is in operation and reviews its features.
- Collateral registries can enable entrepreneurs and firms to leverage their assets to obtain financing.



#### Category 2.3 – Green finance

- This category assesses whether obtaining green loans is possible in practice and the requirements for external reviews.
- Availability of green loans provides firms an alternative financing product and enables them to finance green projects.



#### Category 2.4 – Gender finance

- This category assesses different measures (products/trainings/programs) to promote access to finance for women.
- These measures are important to address gender financial constraints and promote access to finance for women-owned businesses.



## b. Pillar II – Accessibility of information in credit infrastructure and access to finance

### Preliminary Scoring

		No. of indicators	FFP*	SBP*	Total Points	Rescaled Points
<b>2.1</b>	<b>Operation of credit bureaus and registries</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>35.3</b>
2.1.1	Data coverage and access to information	3	3	3	6	35.3
<b>2.2</b>	<b>Operation of collateral registries</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>35.3</b>
2.2.1	Features of collateral registries	3	3	3	6	35.3
<b>2.3</b>	<b>Green finance</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>17.6</b>
2.3.1	Availability and requirements for green loans	2	1	2	3	17.6
<b>2.4</b>	<b>Gender finance</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>11.8</b>
2.4.1	Promoting access to finance for women	1	1	1	2	11.8
<b>Total</b>		<b>9</b>	<b>8</b>	<b>9</b>	<b>17</b>	<b>100</b>

\*Scoring will consider the perspectives of entrepreneurs (firm flexibility points) and broader public interests (social benefits points).



## c. Pillar III – Efficiency of receiving financial services in practice

<b>3.1</b>	<b>Loans</b>
3.1.1	Time to obtain a loan
3.1.2	Cost to obtain a loan
3.1.3	Efficiency of security interest and credit data update
3.1.4	Gender gap in access to loans and other banking services
<b>3.2</b>	<b>E-payments</b>
3.2.1	Cost to receive an e-payment
3.2.2	Cost to make an e-payment
3.2.3	Time to receive an e-payment
3.2.4	Usage level in receiving an e-payment
3.2.5	Usage level in making an e-payment
3.2.6	Gender gap in usage of e-payments

## c. Pillar III – Efficiency of receiving financial services in practice

### What does it cover and why is it important?

#### Category 3.1 – Loans

- This category assesses the efficiency (cost and time) of obtaining loans in practice. It also evaluates the efficiency of registering security interests and sharing credit data updates.
- It is important for businesses to obtain financing in a timely and cost-effective manner to continue their operations, manage volatile cash-flow, and expand.



#### Category 3.2 – E-payments

- This category assesses the efficiency (cost and time) of receiving and making e-payments as well as the level of usage of e-payments.
- Having access to e-payments is beneficial for firms as they enable them to reach more customers, expand their business, enhance the transparency of transactions, and be able to use a more convenient payment method. For firms to reap these benefits, it is essential that e-payments are fast and cost-effective.





## c. Pillar III – Efficiency of receiving financial services in practice

### Preliminary Scoring

		No. of indicators	Rescaled Points*
<b>3.1</b>	<b>Loans</b>	<b>4</b>	<b>50</b>
3.1.1	Time to obtain a loan	1	12.5
3.1.2	Cost to obtain a loan	1	12.5
3.1.3	Efficiency of security interest and credit data update	1	12.5
3.1.4	Gender gap in access to loans and other banking services	1	12.5
<b>3.2</b>	<b>E-payments</b>	<b>6</b>	<b>50</b>
3.2.1	Cost to receive an e-payment	1	8.3
3.2.2	Cost to make an e-payment	1	8.3
3.2.3	Time to receive an e-payment	1	8.3
3.2.4	Usage level in receiving an e-payment	1	8.3
3.2.5	Usage level in making an e-payment	1	8.3
3.2.6	Gender gap in usage of e-payments	1	8.3
<b>Total</b>		<b>10</b>	<b>100</b>

\*Scoring on Pillar III will consider the perspectives of entrepreneurs (firm flexibility points) only. For each indicator, scoring is calculated using the distance-to-frontier approach. Each category in Pillar III has the same weight. Within each category, each subcategory also has the same weight.

# 3. Preliminary Topic Scoring

Pillar	Title	No. of indicators	FFP	SBP	Total Points	Rescaled Points	Weight
I	Regulatory framework: Quality of regulations for commercial lending, secured transactions, e-payments, and green financing	30	22	30	52	100	0.33
II	Public services: Accessibility of information in credit infrastructure and access to finance	9	8	9	17	100	0.33
III	Efficiency: Efficiency of receiving financial services in practice	10	100	n.a.	100	100	0.33



# 4. Data Sources

## Data collection sources:

### Pillars I and II

- **Private sector experts:** financial lawyers, practitioners in commercial banking, payment service providers, green finance professionals, environmental consultants, professionals associated with credit bureaus and notaries
- **Public sector experts:** credit registries

### Pillar III

- **Enterprise Surveys:** Data on efficiency of loans and e-payments will be collected through Enterprise Surveys based on a representative sample of firms.
- **Experts:** Data pertaining to efficiency of security interest and credit data update will be collected from (public and private sector) experts

## Data validation sources (for expert questionnaires):

- **Public sector experts:** Central Banks, regulatory and supervisory authorities for banking sector, and relevant ministries.



# 5. Parameters for Expert Consultations

## General Parameters

### Business location

Largest city



Geographic location may determine the relevant regulations pertaining to financial services.

### Type of transactions

Domestic commercial



Regulations pertaining to financial services may vary depending on the type of transactions.



# 6. Expert Screening and Selection

## **Relevant expert professions:**

- Lawyers, economists, environmental consultants, professionals in payment industry, commercial banks, finance, notaries, and credit information service.

## **Relevant areas of specialization:**

- Commercial lending, AML/CFT regulations, secured transactions, transactional law, e-payments regulations, green finance regulations, credit reporting.

## **Assessment of experts' knowledge and experience related to financial services and associated regulations, services, and processes:**

- Knowledge of the laws and regulations affecting compliance and customer due diligence (CDD) for commercial lending, secured transactions, e-payments, green finance and credit reporting. Experience in banking and financial sector notably in Know Your Customer and CDD processes, putting together security interest agreements, financial law, payment services, green finance frameworks and principles, and credit reporting.



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Thank you

Q&A

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