



Access to and Use of Green Finance in the Kyrgyz Republic Evidence from an OECD Household Survey

Isabella Neuweg
Green Growth and Global Relations Division
OECD Environment Directorate
Life in Kyrgyzstan Conference, 27 October 2020



1



Motivation: The importance of green finance

- Damage of climate change and its increasing risks
 - At systemic
 - Subsystemic and
 - Household levels
- Banking systems need to ensure they
 - are resilient to the financial risk posed by climate-related and environmental risks
 - tap into the growing market of green financial products and
 - contribute to mobilisation of such finance.

2

2



Motivation: The role of the domestic banking sector

- National Strategy of the Kyrgyz Republic 2018-2040 and Green Economy Program 2019-2023 both emphasise the role of green finance
- To explore the potential of the Kyrgyz banking system to contribute to the mobilisation of such finance, deeper understanding is required on both:
 - supply side and
 - demand side factors.



3



Objective of the survey

- 1. Understand** existing and potential needs of households for financial products that directly or indirectly support the country's objectives on green economy transition.
- 2. Fill gap in evidence** on access to and demand for green financial products and services.
- 3. Identify** solutions to promote green finance-related activities.



4

Background

- Policy-relevant findings from past surveys:
 - Low deposit and credit penetration
 - Low trust
 - Low savings
- OECD survey leverages existing advantages of the previous surveys in terms of geographical coverage and scope

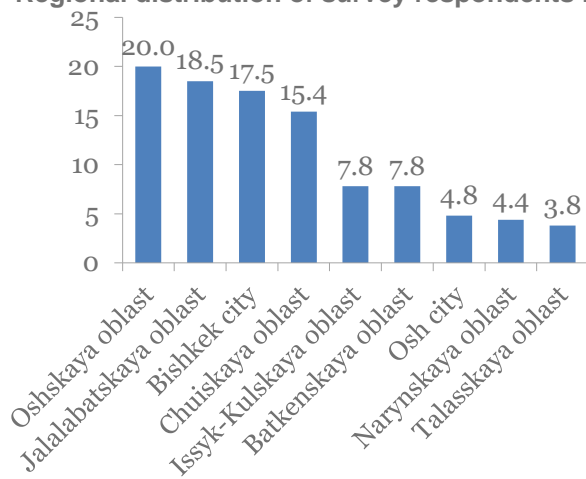


5

5

Methodology and Survey Design

Regional distribution of survey respondents in %



Method

- Household survey, carried out in August 2019
- Face-to-face interviews with 1000 households across KR on their use of banking services.
- Two-fold selection of sample: units were stratified by population size in each region. Sample selection was based on probabilities proportional to population size in each region. All household members eligible for the survey (aged 18-64) were sorted by gender and then by age.
- The Kish grid method was used to randomly select the respondent in each household.
- Questionnaires in Kyrgyz, Russian and Uzbek.

6

6



Methodology and Survey Design

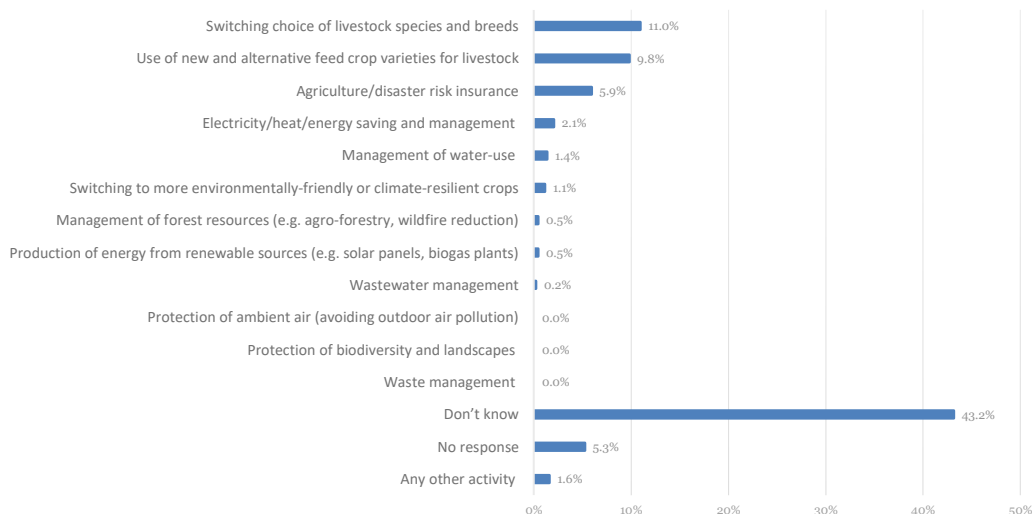
- Household access to and use of green financial products and services is obviously strongly linked with household access to and use of financial products and services *in general*, so the survey also included questions on access to and use of those
- Limitations: socio-economic background of respondents not taken into account in the sampling; no qualitative interviews so some of the underlying drivers or barriers for specific investment decisions difficult to assess/subject to interpretation.

7

7



Data analysis and results: Little but some use of green loans

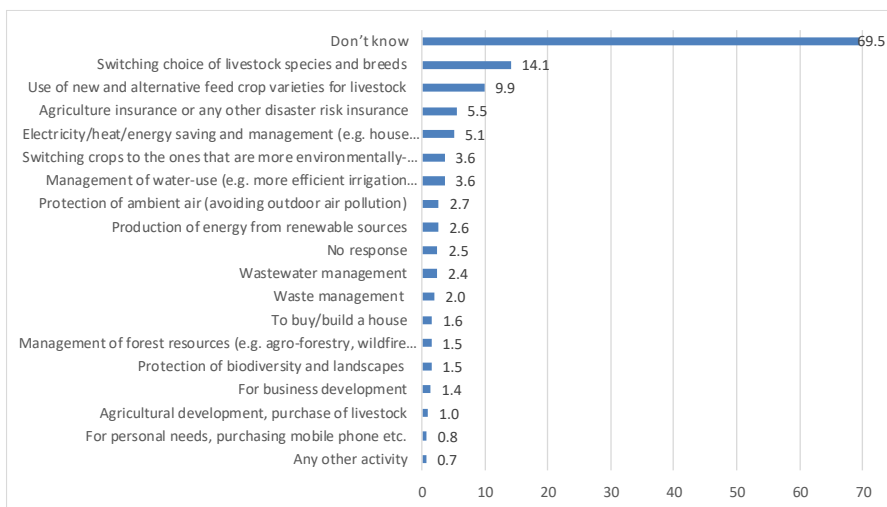


8

8



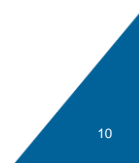
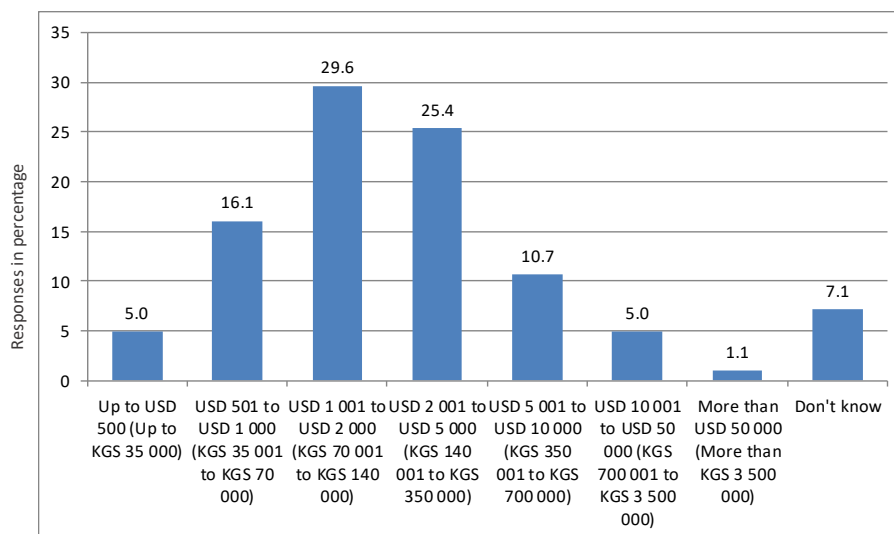
Data analysis and results: potential future demand



9



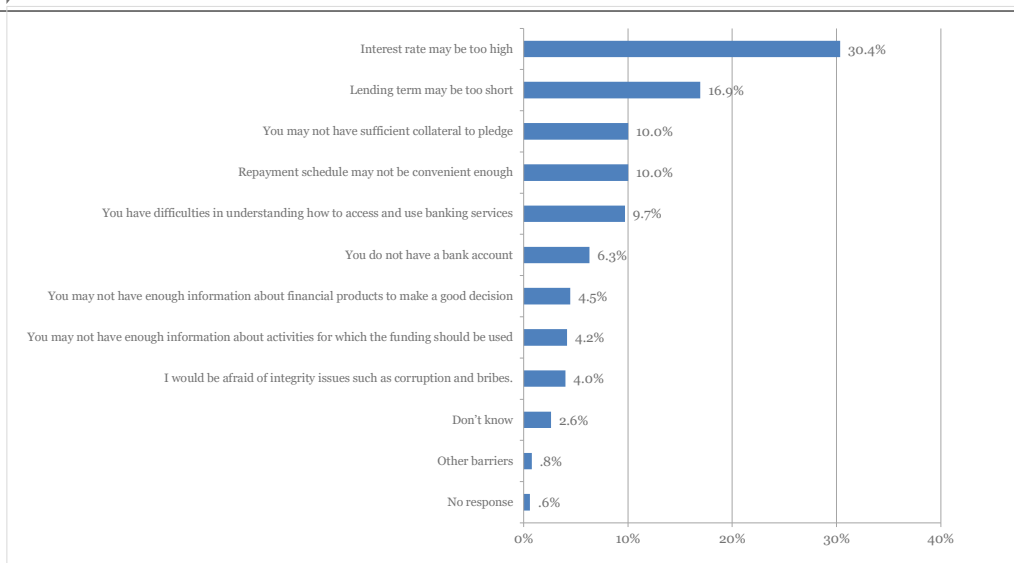
Data analysis and results: hypothetical amount of finance



10



Data analysis and results: perceived barriers

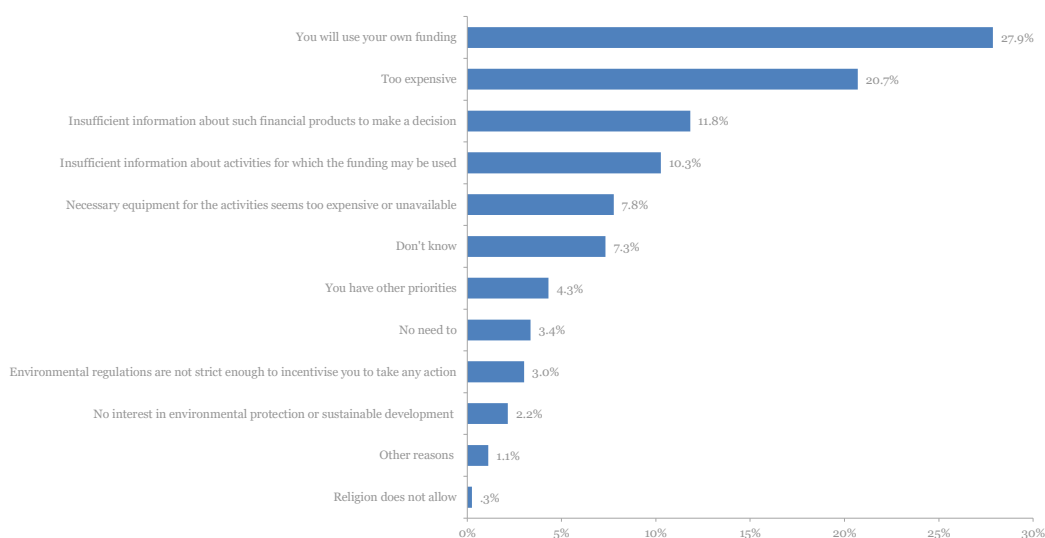


11

11



Data analysis and results: lack of interest

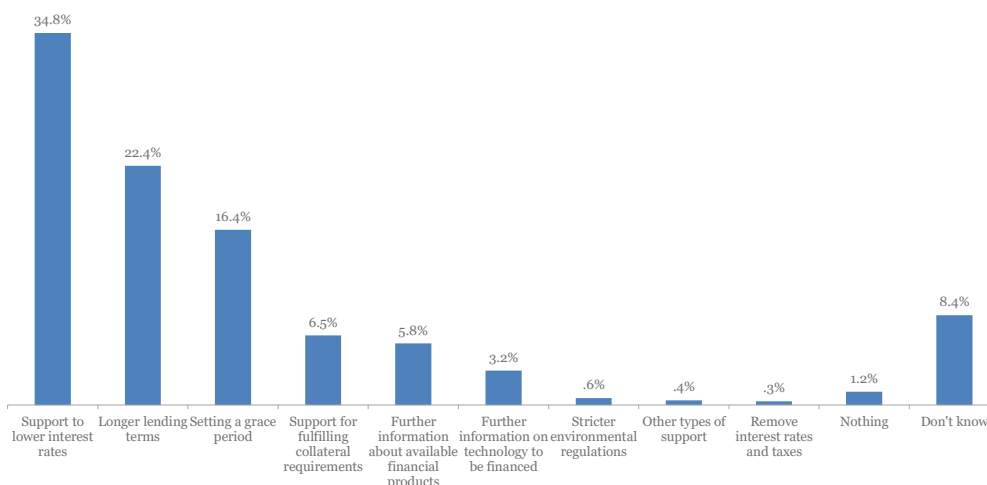


12

12



Data analysis and results: desired support for green finance



13

13



Conclusion and policy implications I

This research identifies *three* main pathways through which access to and use of green financial products can be improved:

- 1) Consistent framework that not only embeds green finance into financial regulation, but also tackles financial inclusion, social protection and green finance together.
 - Mandatory requirements to improve environmental, social and governance principles in the operation of banks would lead to wider and faster implementation of green finance activities
 - Financial literacy with strong green finance component, training for banking employees/ teachers/shop-owners
 - 1a) Setting up an independent consumer protection agency?

14

14



Conclusion and policy implications II

- 2) More and more targeted financial products
 - Innovative ways to overcome collateral requirements
 - Bringing remittance flows into the formal system, user-focussed
 - long-term risk capital
- 3) Improving access to banking infrastructure

15

15



Thank You

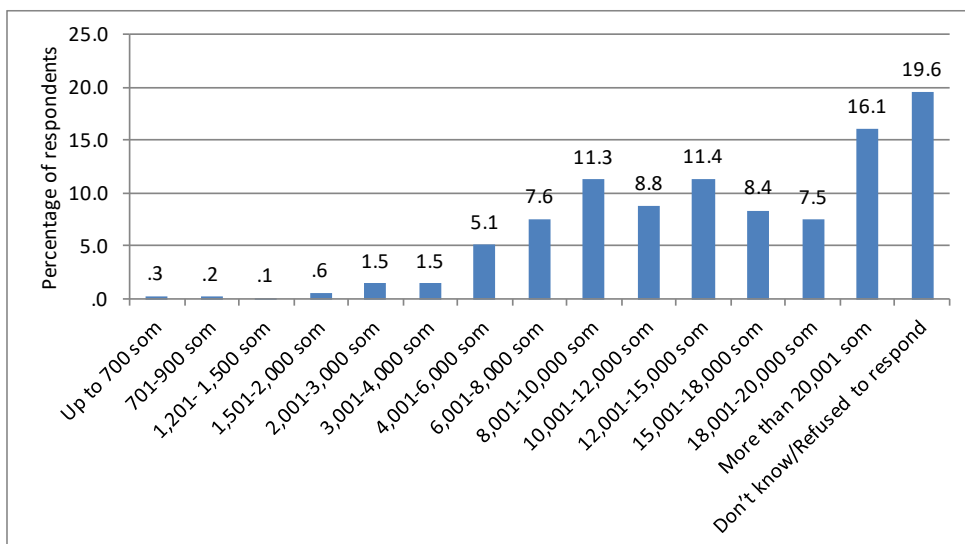
Contact: Isabella.Neuweg@oecd.org



16



ANNEX: Demography: Monthly income



Median income for respondents lies at 16,500 soms. Incomes of respondents is therefore comparable to the average income per capita in Kyrgyzstan which was 16 427 soms in 2018

17

17



Sampling

- Sample selection was based on probabilities proportional to population size in each region.
- The Kish grid method was used to randomly select the respondent in each household. The method avoids [selection bias](#) by assigning an equal probability of selection for each eligible member of the household.

18

18

 Sampling

- The interviewers had a Visit Registration Form and a Respondent Selection form together with each questionnaire. The procedure of selection of respondents consisted of the following stages:
- all household members eligible for the survey (aged 18-64) were sorted by gender (primary sorting key), and then by age (secondary key);
- each of them were assigned a serial number;
- a respondent was determined according to the Kish grid;
- if the determined respondent is not eligible by quota, the