Global Financial Inclusion Efforts – An Opportunity for Pensions and Savings Stakeholders

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Key Message

Three key developments offer an opportunity to deepen the outreach of pensions and long-term savings.

• Global and National financial inclusion efforts

• The rapid growth and emerging developments in the Fintech industry

• New insights from financial inclusion research
Financial Inclusion
Definition and Development Challenge

• Financial inclusion promotes increased access to and usage of a broad set of safe, affordable, and efficient financial services for individuals and micro, small, and medium enterprises.

• Access to or ownership of a ‘transaction account’ – termed ‘financial access’ – is a necessary but not sufficient condition for financial inclusion.
Global Progress:
700 million new account holders
1.7 more bank branches and 9.3 ATMs per 100K adults

- 51% of the world’s adult population had an account in 2011.
- 62% of the world’s adult population have an account in 2014.

ATMs and Commercial Bank Branches Globally

<table>
<thead>
<tr>
<th>Year</th>
<th>Branches/100K adults</th>
<th>ATMs/100K adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>16.4</td>
<td>44.7</td>
</tr>
<tr>
<td>2013</td>
<td>16.9</td>
<td>49.3</td>
</tr>
<tr>
<td>2014</td>
<td>18.1</td>
<td>54.0</td>
</tr>
</tbody>
</table>

Source: WORLD BANK GROUP
2014: 25 Focus Countries: 73% of the world’s unbanked

Countries prioritized based on share of unbanked, IDA, and FCS: 2014 FINDEX

India
20.6%
(of the world’s unbanked)

China
11.6%

Indonesia
5.6%

NB Yemen has been replaced with Cote d’Ivoire due to severe insecurity.
Gateway to Financial Inclusion

- Broader Inclusion
- Customer-centered product innovation
- Financial capability
- Strong consumer protection
- Better financial infrastructure
- More and interoperable access points

Cash Economy
- Has no basic bank account
- Has no (or restricted) access to financial services

Transaction account
- Banks
- Microfinance Institutions
- Mobile Network Operators
- Card Companies
- Postal Networks
- Financial Cooperatives

Providers -> Services
- Has a transaction account
- Uses broad range of financial services

unserved

served

WORLD BANK GROUP
Financial Inclusion creates Opportunities

**Micro**

**Individual-level**
- Smooth consumption
- Manage income shocks/mitigate risks
- Investments in: education, health, services
- More convenient, higher personal savings
- Lower transaction costs
- Safe & secure payments

**Firm-level**
- Manage income shocks and/or mitigate risks
- Investments in business and assets
- Lower transaction costs
- Safe & secure payments

**Economy-level**
- Better allocation of resources
- Broader economic participation
- Job creation / more entrepreneurship and innovation
- Higher national savings
- Higher competitiveness

**Macro**

**Greater physical, social, and economic well-being**

**Profitability**
- Competitiveness
- Firm Growth

**Higher growth**
- Poverty reduction
- Reduced inequalities (income, gender)
Universal Financial Access 2020: Goal and WBG Target

Goal: By 2020, adults globally have access to a transaction account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives.

As of 2015: still 2 billion adults to reach.
WBG Target: to contribute to 1 billion new accountholders by 2020.

- WBG has mobilized to scale up its investment, financial, advisory, knowledge, and convening support; and to leverage partnerships.
- 25 focus countries have been identified, together representing over 70 percent of the world’s unbanked adult population.
Payment Aspects of Financial Inclusion (PAFI) Framework

- Payment Aspects of Financial Inclusion (PAFI) is a key building block for UFA

PAFI REPORT (by CPMI and the WBG, released April 2016): examines demand and supply-side factors affecting financial inclusion in the context of payment systems and services, and suggests measures to address these issues.
G20 New High Level Principles on Digital Financial Inclusion (HLPs)

The new 2016 Principles are intended to catalyze country-level actions by Governments to drive financial inclusion using digital technologies.

- **PRINCIPLE 1:** PROMOTE A DIGITAL APPROACH TO FINANCIAL INCLUSION
- **PRINCIPLE 2:** BALANCE INNOVATION AND RISK TO ACHIEVE DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 3:** PROVIDE AN ENABLING AND PROPORTIONATE LEGAL AND REGULATORY FRAMEWORK FOR DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 4:** EXPAND THE DIGITAL FINANCIAL SERVICES INFRASTRUCTURE ECOSYSTEM
- **PRINCIPLE 5:** ESTABLISH RESPONSIBLE DIGITAL FINANCIAL PRACTICES TO PROTECT CONSUMERS
- **PRINCIPLE 6:** STRENGTHEN DIGITAL AND FINANCIAL LITERACY AND AWARENESS
- **PRINCIPLE 7:** FACILITATE CUSTOMER IDENTIFICATION FOR DIGITAL FINANCIAL SERVICES
- **PRINCIPLE 8:** TRACK DIGITAL FINANCIAL INCLUSION PROGRESS
Financial Inclusion Support Framework (FISF)

**Country Support Programs**

Multi-year Technical Assistance: Data, Analytics, Advisory, Capacity Building

8 CSPs under implementation

**Knowledge**

Global Knowledge and Convening (Priority and Under-researched Areas)

1. Agricultural households, 2. Women’s financial inclusion, 3. Digital financial services
Rapid growth of the FinTech industry

Global investments in Fintech ventures grew by 75% reaching $22.3bn in 2015 ($12.7bn in 2014)

Source: Accenture
1. Disaggregation of the Value Chain

- The value chain of financial services is being disaggregated through partnerships and outsourcing, in which each player focuses on a smaller, more specific set of functions.

2. Application Program Interfaces and the Opening of Platforms

- Enabling new developers to add features or functionalities to existing digital programs or platforms.

3. Use of Alternative Information

- Developing digital alternatives to traditional means of authentication for account opening, data used for assessing credit worthiness, etc.

4. Customization

- Using digital technologies in order to more efficiently design targeted, appropriate and quality products for underserved markets.
National Financial Inclusion Strategies

Over 50 countries have set national financial inclusion commitments, targets. National financial inclusion strategies are being put in place to reach those targets, many with WBG support.
DO PEOPLE SAVE?

ADULTS WHO SAVED

56 PERCENT

2014

ADULTS WHO SAVED FORMALLY

27 PERCENT

2014

High Income: OECD
71%
51%

Europe & Central Asia
40%
11%

East Asia & Pacific
71%
36%

Latin America & Caribbean
41%
13%

Middle East & North Africa
37%
9%

South Asia
36%
13%

Sub-Saharan Africa
60%
16%

Saved
Saved at a financial institution
Insights from research to increase savings

Examples

Text messages
- Simple, timely text messages reminding them of the importance of saving.

Specific Future expenditures
- Reminders that mention a specific future expenditure

Commitment devices
- Restricted access to savings till target levels reached.