Financial Inclusion: Status and Priorities

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Financial inclusion creates opportunities

Gateway to Financial Inclusion

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

Transaction account

Banks
Microfinance Institutions
Mobile Network Operators

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

Card Companies
Postal Networks
Financial Cooperatives

Providers → Services

Money

Transaction account

- Has a transaction account
- Uses broad range of financial services
...but remains a challenge

- 2 billion adults (38% of global adult population) ‘unbanked’ Global Findex, 2015

- Most ‘underserved’ groups: low-income individuals; women and SMEs

- Financial inclusion relates to WBG Twin Goals of reducing poverty and boosting shared prosperity

- Technology advances enable lower cost financial services

- Universal Financial Access target - 1bn new account holders by 2020

- Programs in 25 countries (over 70 percent of the world’s unbanked adult population)
Barriers require adequate policies

<table>
<thead>
<tr>
<th>Demand-side</th>
<th>Supply-side</th>
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</thead>
<tbody>
<tr>
<td>(Reasons for Not Owning a Bank Account)</td>
<td>(Reasons for Limited Supply of Appropriate Products)</td>
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<tr>
<td><strong>Affordability</strong></td>
<td>Deficient payments, credit, or ICT infrastructure</td>
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<tr>
<td>Lack of Need/Family member account</td>
<td>Lack of reliable information on consumers</td>
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<tr>
<td>Physical access/distance to nearest branch</td>
<td>Inappropriate legal and regulatory frameworks</td>
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<td>Lack of transparency &amp; unpredictability of fees</td>
<td>Incomplete secured transaction frameworks</td>
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<tr>
<td>Eligibility requirements</td>
<td>Market distortions (subsidized lending programs)</td>
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<td>Lack of necessary documentation</td>
<td>Rigid customer due diligence requirements</td>
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<td>Lack of trust in financial institutions</td>
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<td><strong>Religious reasons</strong></td>
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Source: Global Findex 2014 (for demand-side factors)