

Good Practices in Financial Inclusion and Literacy



Context

- Financial Inclusion recognized globally as key to economic citizenship for all
- Imperative for greater participation in economic growth and globalization
- Maya Declaration signed up by 120 countries

Purpose

Share experience of
“good practice” for
learning by
implementers of
Financial Inclusion

“Good practice” v.
“best practice”

Going beyond “success
story” to understand
what worked –
innovation in policy or
process

Greater impact in
terms of coverage,
quality and impact



Global Scenario

- Response to global financial crisis
 - Role of banking system in expanding coverage
 - Focus on consumer protection and financial literacy
- Global Findex Database (World Bank)
 - 50 per cent of 15+ population have bank account
 - 47 per cent of women
 - 41 per cent of bottom 40 per cent income group)
 - 9 per cent availed of loan in past year
 - 22 per cent saved at formal financial institution

East Asian experience

- East Asia & Pacific
 - 55 per cent of 15+ population
 - *52 per cent for women*
 - *39 per cent for bottom 40 per cent income group*
 - 9 per cent availed of loan from FFI in past year
 - *27 per cent from informal source including friends and family)*
 - 28 per cent saved at FFI



And in our region

- South Asia
 - 33 per cent of 15+ population
 - 25 per cent for women
 - 26 per cent for bottom 40 per cent income group
 - 9 per cent availed of loan from FFI
 - 11 per cent saved at FFI



Therefore

- Much more headroom for Financial Inclusion in South Asia
- Scope of FI no longer constrained by technology, but by laws, literacy, capacity and above all role clarity

Bangladesh

- Original success story of banking for the poor
 - Grameen Bank
 - BRAC
- Grameenphone





- Leveraging mobile telephony to offer diversified products
 - purpose-built company to provide mobile financial services (neither bank-led or telco-led)
 - diverse group of investors
 - Supportive role of Central Bank to foster regulatory environment
 - *Allowing bKash to operate as bank subsidiary*
 - *Advocate for access to MNOs' USSD channels*

Philippines

- **Creating Frameworks for Effective FI**
- **Beginning 1993**
- **National Credit Council**
- **Integration of financial literacy with local governance**

Latin America

- **Integration with Conditional Cash Transfer**
 - Cadastro Unico (Brazil)
- **Tracking Risk for consumer protection**
 - Credit Information Registry (Peru)

China

- Since 2001, greater policy focus on harmonization between banks, MFIs and telcos
- Role of SOBs in promoting FI
- Focus on bringing in providing financial services to 51 million micro-enterprises
- PSBC – covers one third of bank accounts in China
 - Extensive rural branch network – 70 per cent of its 39000 branches
 - Social payments, pension payments, utility payments, other financial services
 - Expanded role of small banks in providing financial services to SMEs– learning from Germany's Mittelstand
- Focus on accelerating pace of social credit schemes and innovation
- AliPay

South Africa

- Challenge of FI in country with high level of inequality
 - Leveraging world class banking system (rated second in banking soundness after Canada)
- Financial Sector Charter 2003
 - Moving towards Financial Sector Code
- 8 principles for FI
- Proposed Dedicated Banks Bill – to promote diversification of cooperative banks and MFIs
- Mzansi – a joint simplified product offered under a social pact by the banking industry
- Financial Literacy
 - Focus on FL in School curriculum – 40 per cent in Economic and Management Sciences
 - Teach Children to Save South Africa



Overall Lessons

- No unified “good practice”
- Salient lessons for aspects of FI
 - Legal/ policy framework
 - Prudent Banking with Consumer Protection
 - Integration with high school curriculum
 - Credit history register
 - Tapping IT to scale up massively (China)



What lies ahead..

- “Build capacity to build capacity” – given magnitude of challenge – platform for all players
- Cross-fertilization of good practices
 - **Macro level**
 - *Research and Knowledge Building*
 - **Meso Level**
 - *Exposure Visits/ Study Tours – in-country and international – for policymakers and bankers*
 - *Training for Capacity Development – for bankers and development administrators (state and district level)*
 - **Micro level**
 - *Social Mobilization*

..and what we can do!

- Neeti partnership with think tanks and training institutions
 - International and in-country
- Distinguished lecture series
- Sensitization of political leadership
 - mass campaigns for financial literacy with youth
- South Asia Centre of excellence
 - Forum for virtual and real learning
 - Best practice documentation and adaptation
 - Development of training and resource module- region specific
 - HR and budget tracking-

