



FINANCIAL INCLUSION

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EUROSYSTEEM

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Retail payment innovations & trends Judith
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Outline

- Foreword
- Financial Inclusion: key facts and drivers
- Key dimensions of financial Inclusion
- Remittances, technology and financial inclusion
- Last but not least

Foreword

Full financial inclusion is a state in which all people who can use them have access to a full range of quality.

- Financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.
- Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, and rural populations.

Foreword

“Of the 7 billion people alive on the planet, 1.1 billion subsist below the internationally accepted extreme- poverty line of €0.90 a day”

Economist

Foreword

Between 2011 and 2014 more than 700 million people gained financial access!

Good news! But are we there yet?

There are still as many as 1 billion adults, who are now financially excluded!

They have a right to gain access to a payment account just like you and me!

Foreword

The increased emphasis on financial inclusion reflects a growing realization of its potentially transformative power to accelerate development gains.

Well-functioning financial systems serve a vital purpose by offering savings, payment, credit, and risk management services to individuals and firms.

Inclusive financial systems are those with a high share of individuals and firms that use financial services.

Foreword

Financial inclusion has moved up the global reform agenda and has become a major subject of great interest for policy makers, regulators, researchers, market practitioners, and other financial stakeholders.

- Many countries, for example, have recently adopted explicit financial inclusion strategies with targets for financial inclusion.



How about your country?





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- Financial Inclusion: Importance, key facts and drivers
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Financial Inclusion: Importance, key facts and drivers

The key issue is:

the degree to which the lack of inclusion derives from **a lack of demand** for financial services

or

from **barriers** that impede individuals and firms from accessing the services

Financial Inclusion: key facts and drivers

The focus of public policy should be on addressing market failures which cause the constraints.

- Costs
- Unavailability of services due to regulatory barriers
- Legal hurdles
- Assortment of market and cultural issues

Financial Inclusion: key facts and drivers

It is important to distinguish between the use of and access to financial services.

- Some individuals and firms may have access to, but choose not to use financial services.
- Some may have indirect access, for example, by being able to use someone else's bank account.
- Some may not use any because they do not need them or because of cultural or religious reasons.

Financial Inclusion: key facts and drivers

**Financial systems are far from inclusive.
Half of the world's adults have no bank account.**

- Policymakers should provide an environment of strong laws and regulations, good information, and healthy competition.
- This will encourage financial service providers to embrace new technologies (e.g., mobile banking, biometric identification) and products.

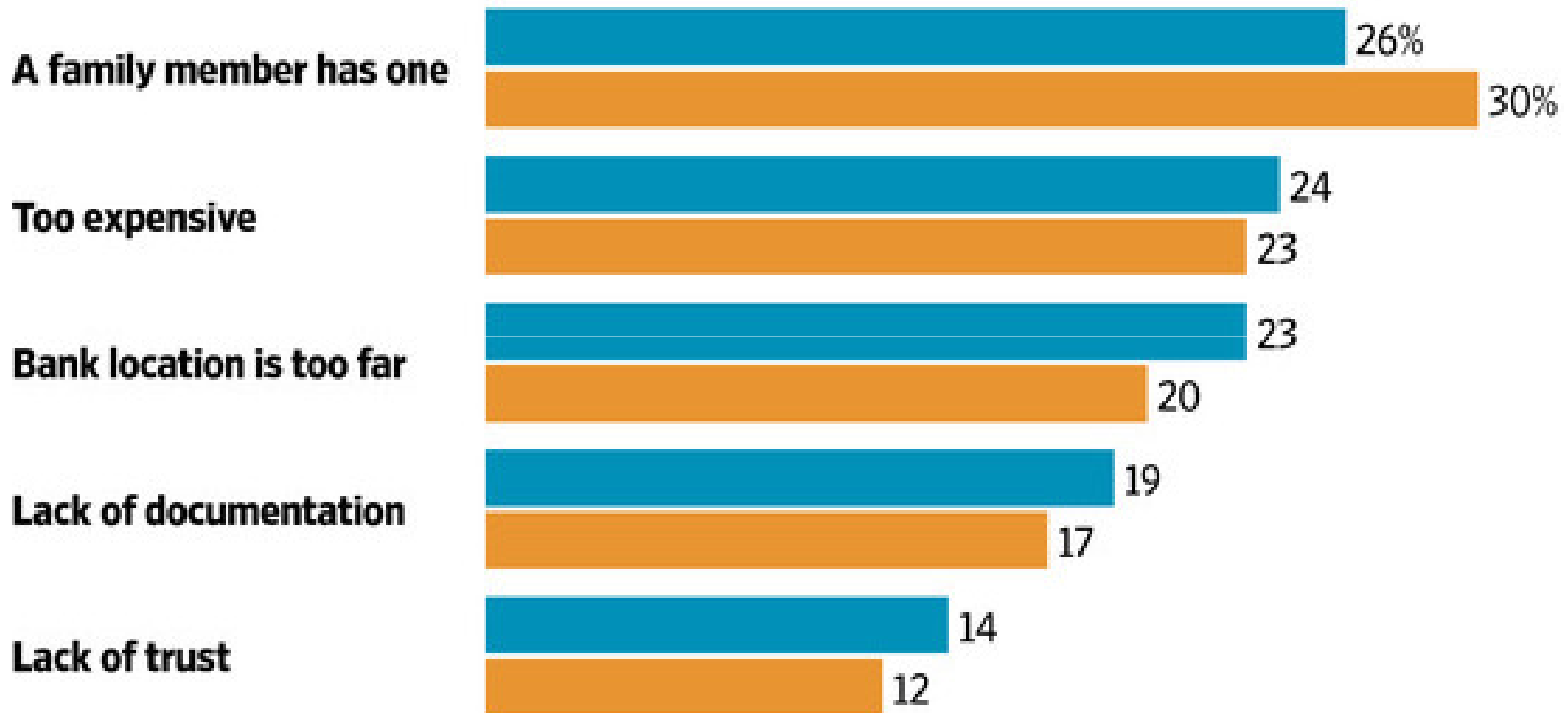
Financial Inclusion: key facts and drivers



Barriers to Entry

Reasons people give for not owning a bank account

Male Female



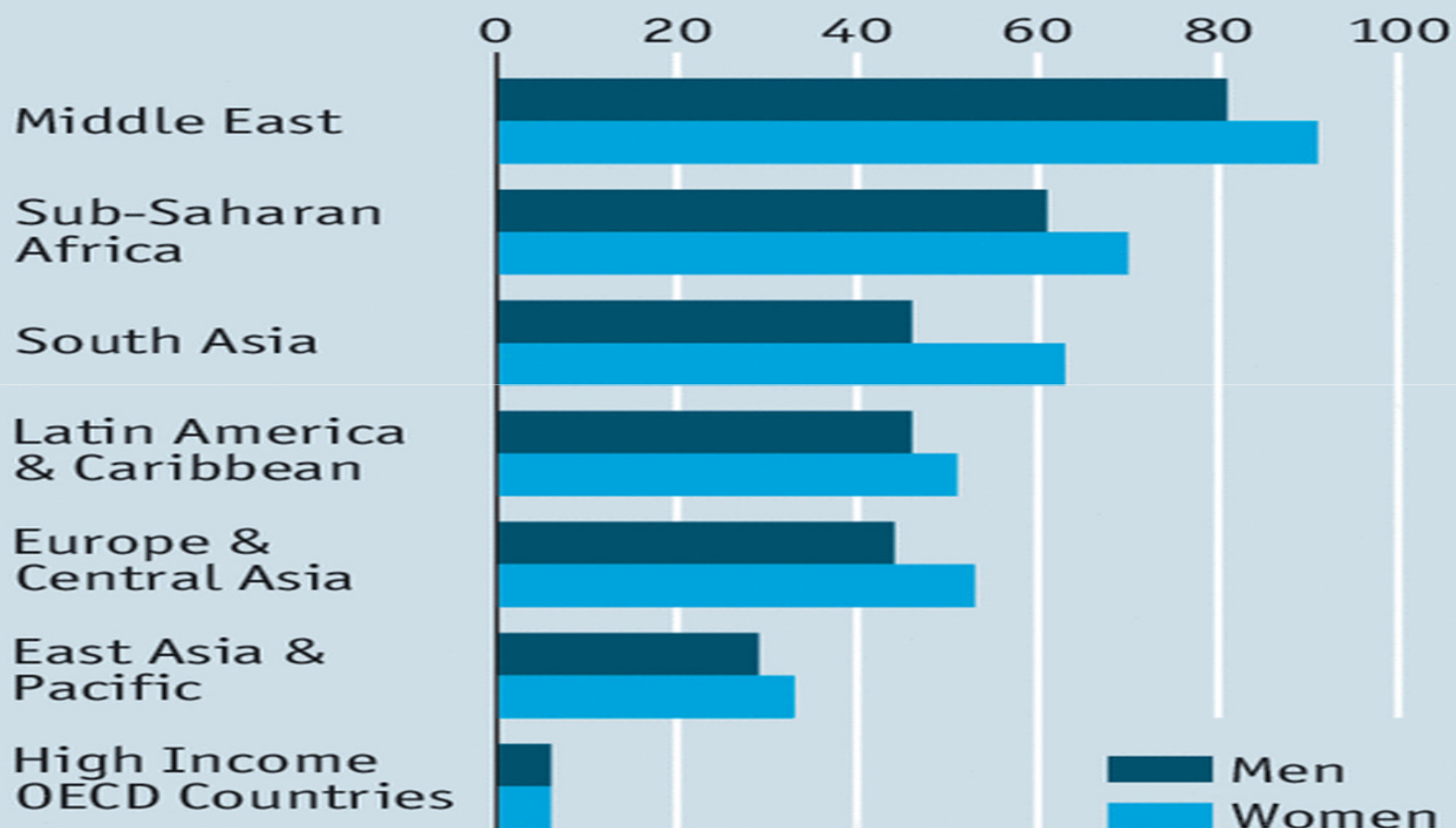
Note: Respondents were allowed to give multiple answers.

Source: Global Findex database

THE WALL STREET JOURNAL.

Financial exclusion

% of adults without a bank account, 2014

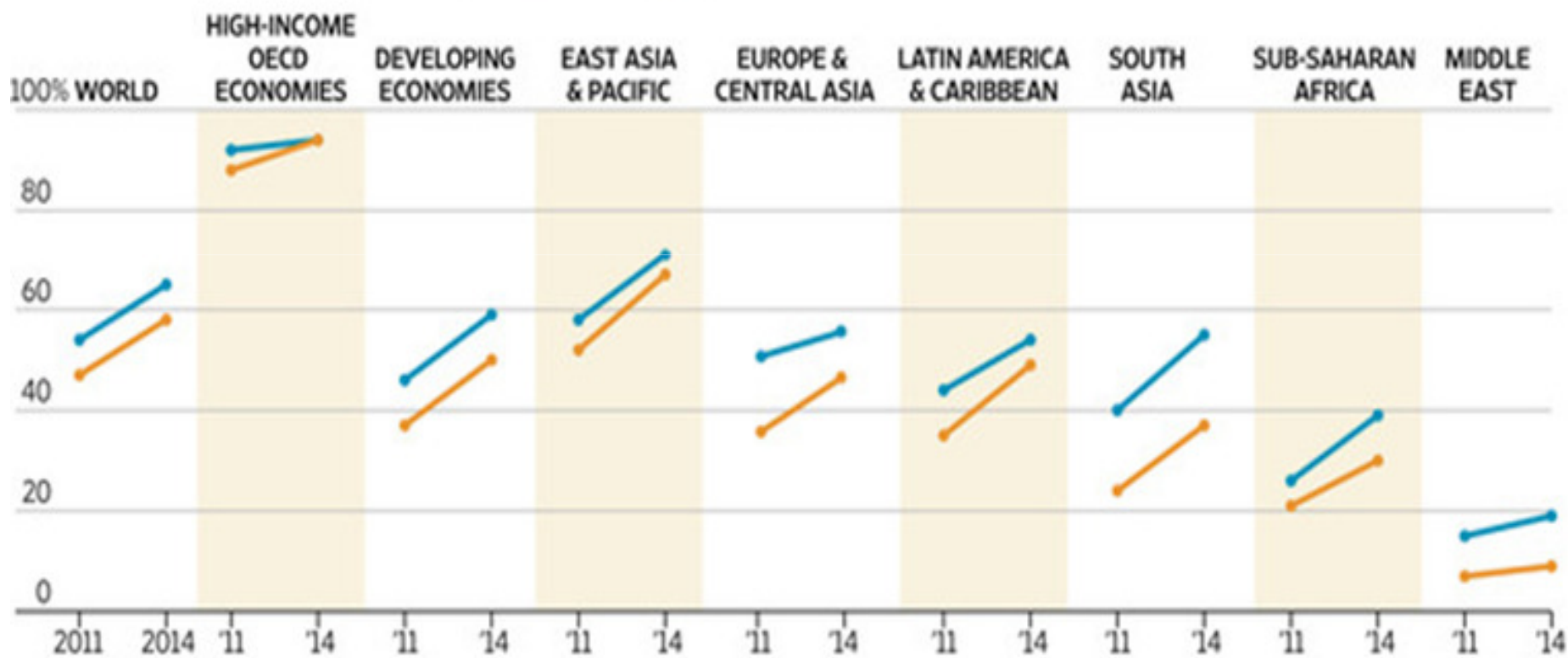


Source: World Bank

Financial Inclusion: key facts and drivers

Account Penetration by Gender

Percentage of adults with a bank account ■ Male ■ Female



Source: Global Findex database

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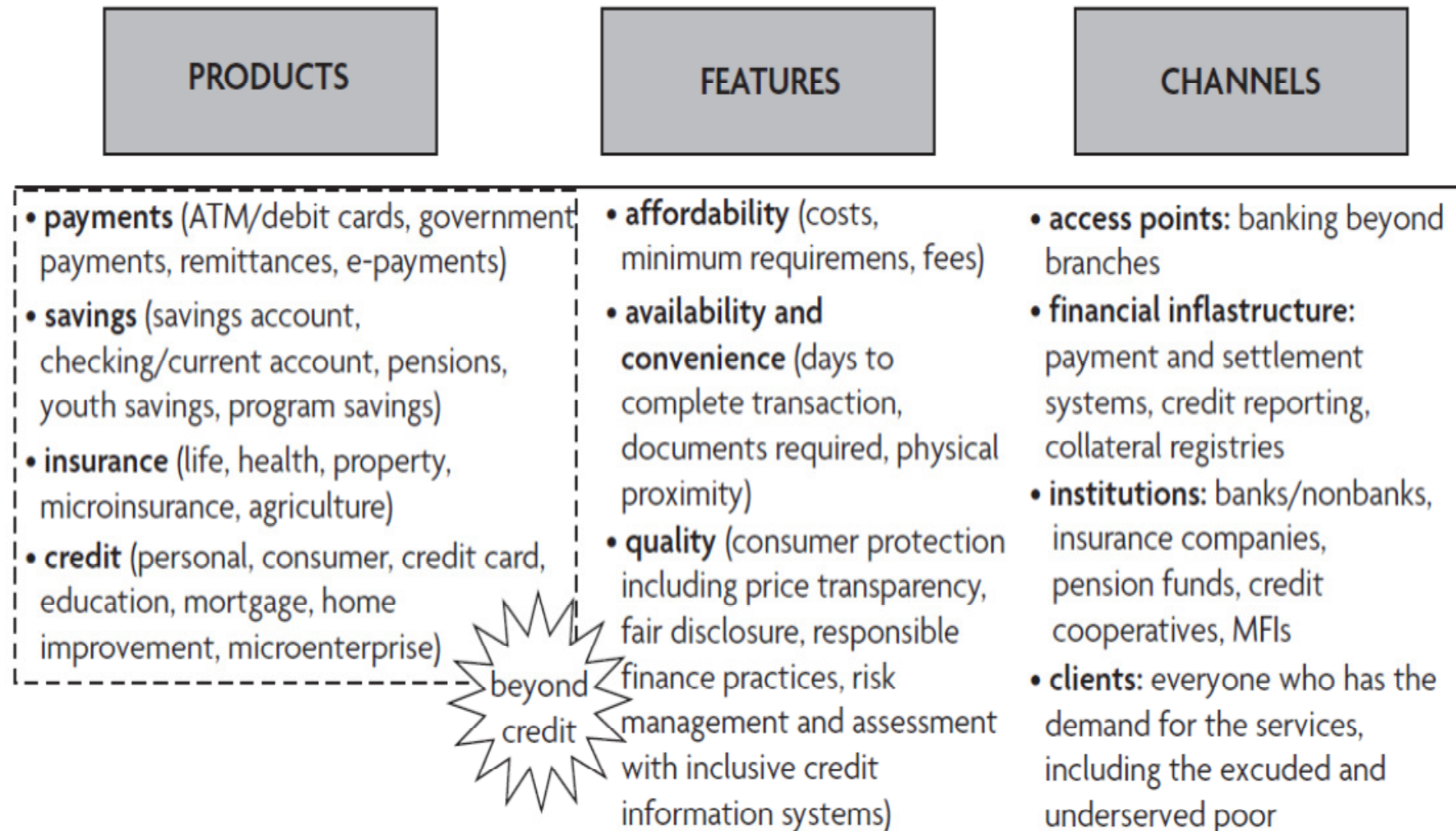
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EUROSYSTEM

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Key dimensions of FI



Key dimensions of FI

Macedonia,

Population, age 15+ (millions) **1.8**
GNI per capita (\$) **4,870**

Financial Institution Account (% age 15+)
All adults **71.8**

Mobile Account (% age 15+)
All adults

Key dimensions of FI

Macedonia

Access to Financial Institution Account (% age 15+)

Has debit card	52,7
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Has debit card, 2011	36,3
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ATM is the main mode of withdrawal (% with an account)	63,4
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ATM is the main mode of withdrawal (% with an account), 2011	33,2
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Key dimensions of FI

Credit in the Past Year (% age 15+)

Borrowed from a financial institution	13,2
Borrowed from a financial institution, 2011	10,6
Borrowed from family or friends	20,1
Borrowed from a private informal lender	0,9
Borrowed any money	40,0
Borrowed for a farm or business	2,0
Borrowed for education or school fees	5,0
Outstanding mortgage at a financial institution	12,3

Key dimensions of FI

Savings in the Past Year (% age 15+)

Saved at a financial institution	13,7
Saved at a financial institution, 2011	7,8
Saved using a savings club or person outside the family	5,2
Saved any money	39,2
Saved for old age	13,4
Saved for a farm or business	5,6
Saved for education or school fees	13,2

Key dimensions of FI

- The Basel Committee on Banking Supervision,
- FATF,
- The Committee on Payment and Settlement Systems,
- The International Association of Deposit Insurers,
- The International Association of Insurance Supervisors [IAIS])

Key dimensions of FI

Thanks to those pioneers and the **five global standard-setting bodies** the concept of financial inclusion policy as a fundamental development principle has gained ever greater acceptance.

Key dimensions of FI

As new solutions are found to deliver financial products and services to the poor, and as these systems become more integrated in the overall financial system, **policy and legal frameworks** will need to adapt so that **governments** can play their appropriate role **as facilitators of financial services** for the poor.

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Remittances, technology and financial inclusion

Migrant workers' remittances' play a vital role for developing economies

- Still a large number of remittances are sent and received through unofficial channel or out of banking channel.
- It happens because of lack of easy accessibility in formal financial institutions in remote areas of the countries,

Remittances, technology and financial inclusion

Economic effect of the remittances: In macroeconomic terms:

- Provide a stable flow of funds that is often counter-cyclical;
- Important source of foreign exchange; and exert upward pressure on the value of the local.

Remittances, technology and financial inclusion

To reap the overall economic benefits of the migrant workers` remittances, financial inclusion of rural people is vital for the:

- Safe receive of remittances,
- Better uses of the hard earned remittances,
- Improvement of the migrant workers family,

Remittances, technology and financial inclusion

Lack of confidence in the conventional banks,

Lack of Financial Literacy,

Lack of efficient automated banking infrastructure

Lack of adapting technologies for remittances

Remittances, technology and financial inclusion

Mobile revolution?

Remittances, technology and financial inclusion

There are 13 countries worldwide where 10 percent or more of adults have a non-bank mobile money account, and they're all in sub-Saharan Africa.

While it's an impressive phenomenon for the entire region, the country-level figures are stunning. Kenya is a huge outlier with 58 percent of adults there having a mobile money account.

In five countries — Côte d'Ivoire, Somalia, Tanzania, Uganda and Zimbabwe — more adults have a mobile account than a traditional one.

Mobile Finance Is Exploding In Sub-Saharan Africa

Share of adults with a mobile money account



Last but not least

“Financial literacy and inclusion do matter not only for individual choices, but also for collective public choices, indirectly affecting individual wellbeing and the society”

Elsa Fornero

Minister of Labor, Social Policies and gender Equalities in the Monti cabinet from November 2011 to April 2013

Any questions?

