

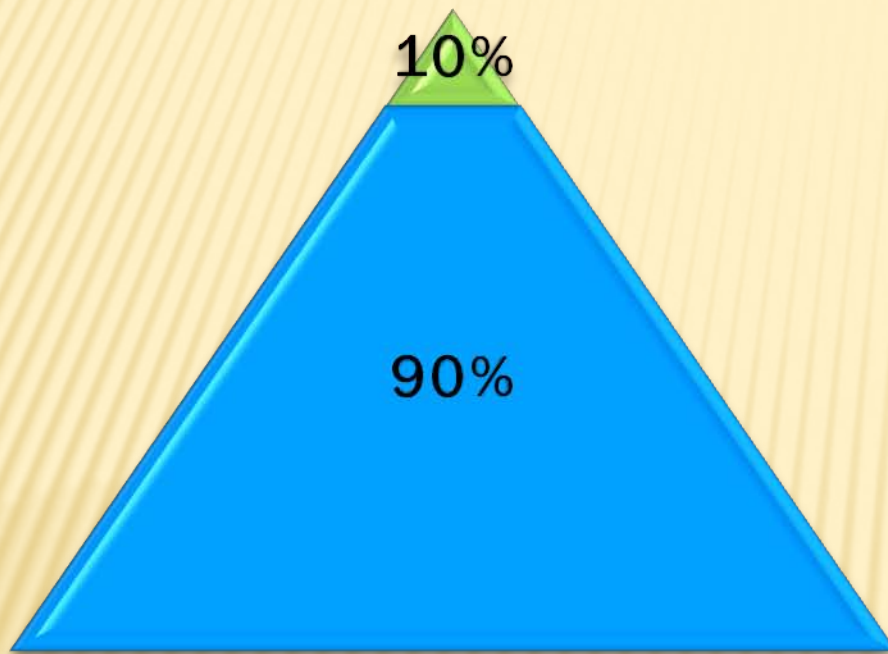
Financial Inclusion: Financial Deepening at the *Bottom of the Pyramid*

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4 August 2010

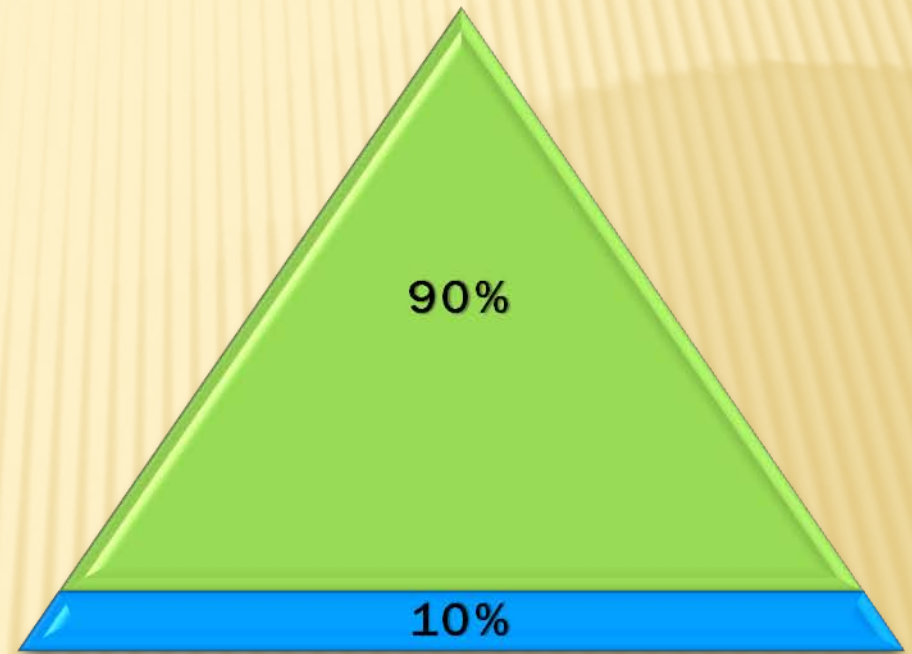


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Financial Inclusion: It is about Reducing the Imbalances and Sustainable Development



Population



Wealth

Source: Extracted from data provided by United Nations University, World Institute for Development Economics Research website

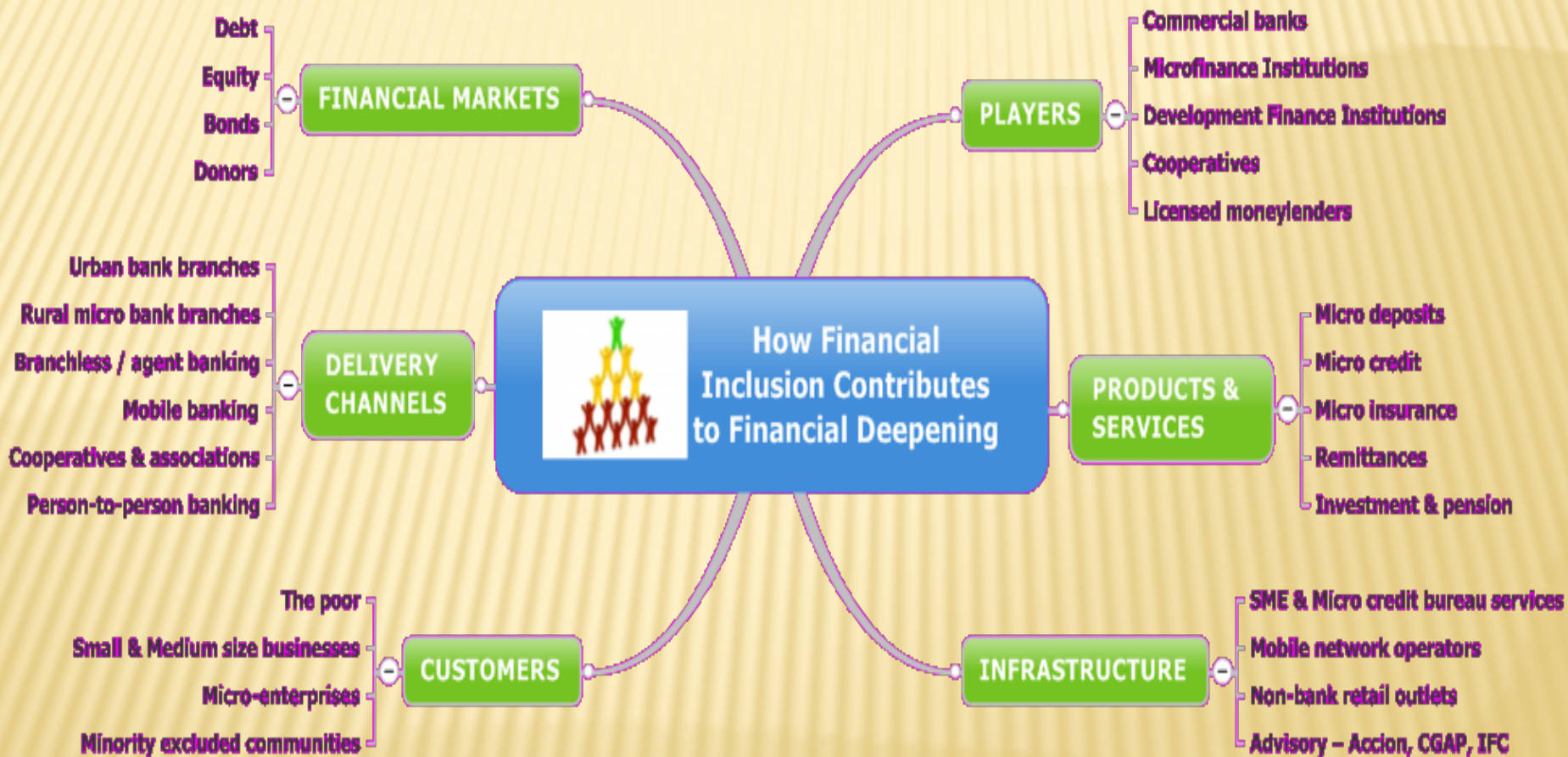
The Poor Need a Variety of Financial Services



Three main categories of events that call for spending:

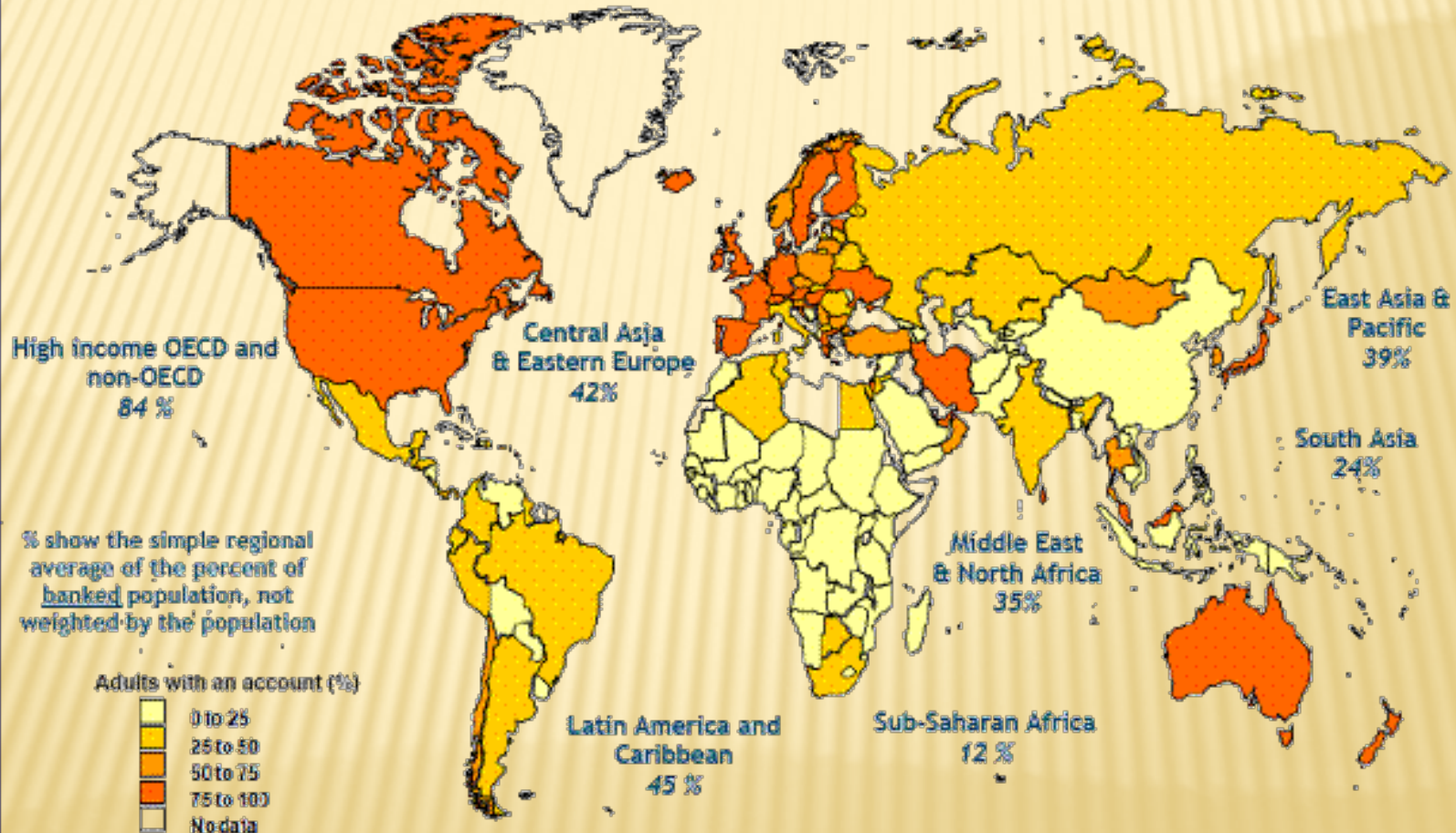
- Life cycle events
- Emergencies
- Opportunities

Financial Inclusion Extends Financial Deepening by Creating its Own Unique Financial Ecosystem



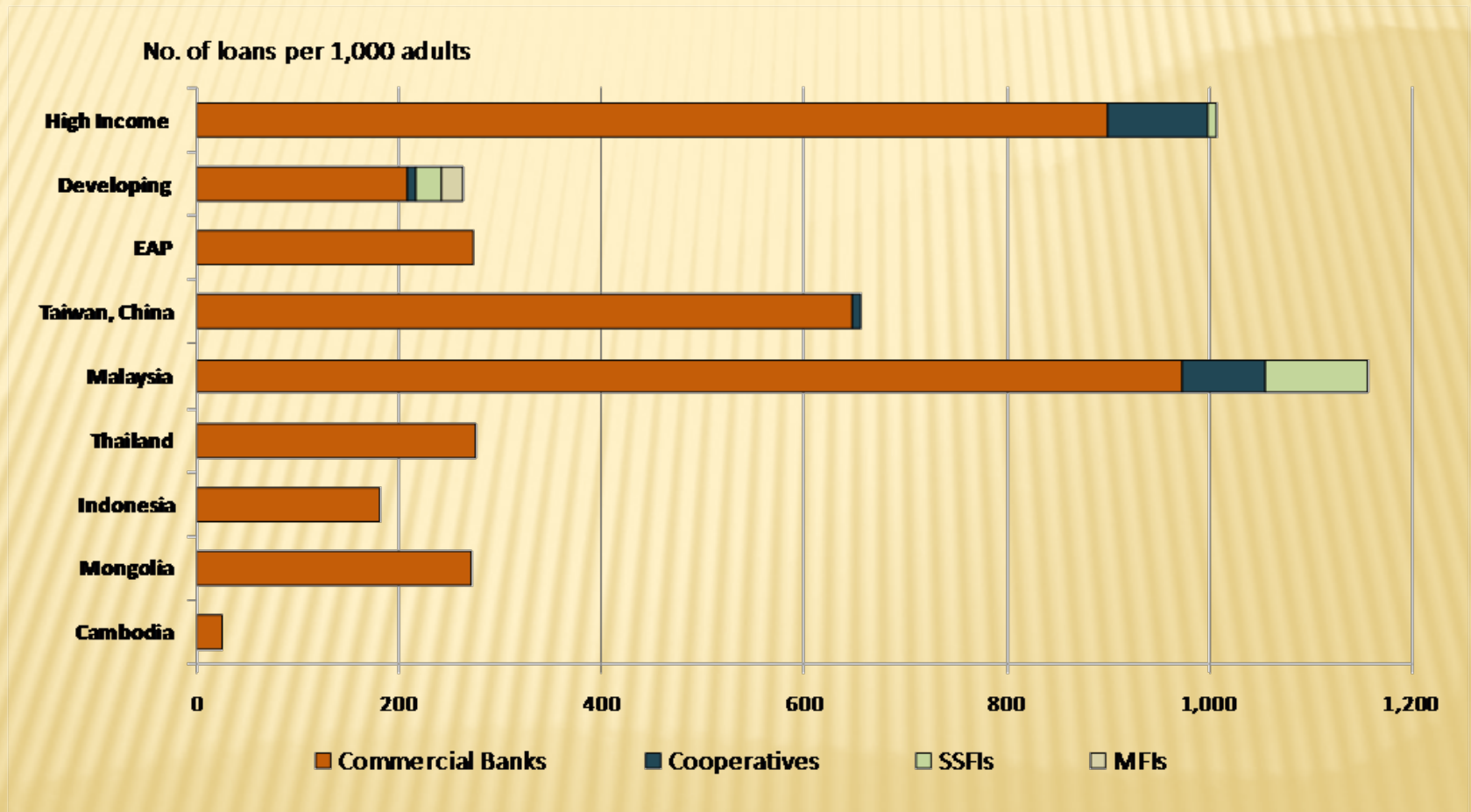
The State of Financial Inclusion

2.7 billion people (70% of adult population) in emerging markets do not have access to basic financial services such as savings or checking account



Source: WBG Financial Access 2009. Map shows percent of households with a deposit or loan account in an institution (banks, savings banks, MFIs)

Access to Credit – East Asia & Pacific



Note: This graph does not represent the totality of the financial system and solely corresponds to the aggregation of data for different institutional categories when available. Not all countries have provided information on all different financial institutions of the financial sector. Median for EAP is shown only for commercial banks due poor data availability for NBFIs. Sorted by income

Source: *Financial Access Database*.

Access to Branches – East Asia & Pacific



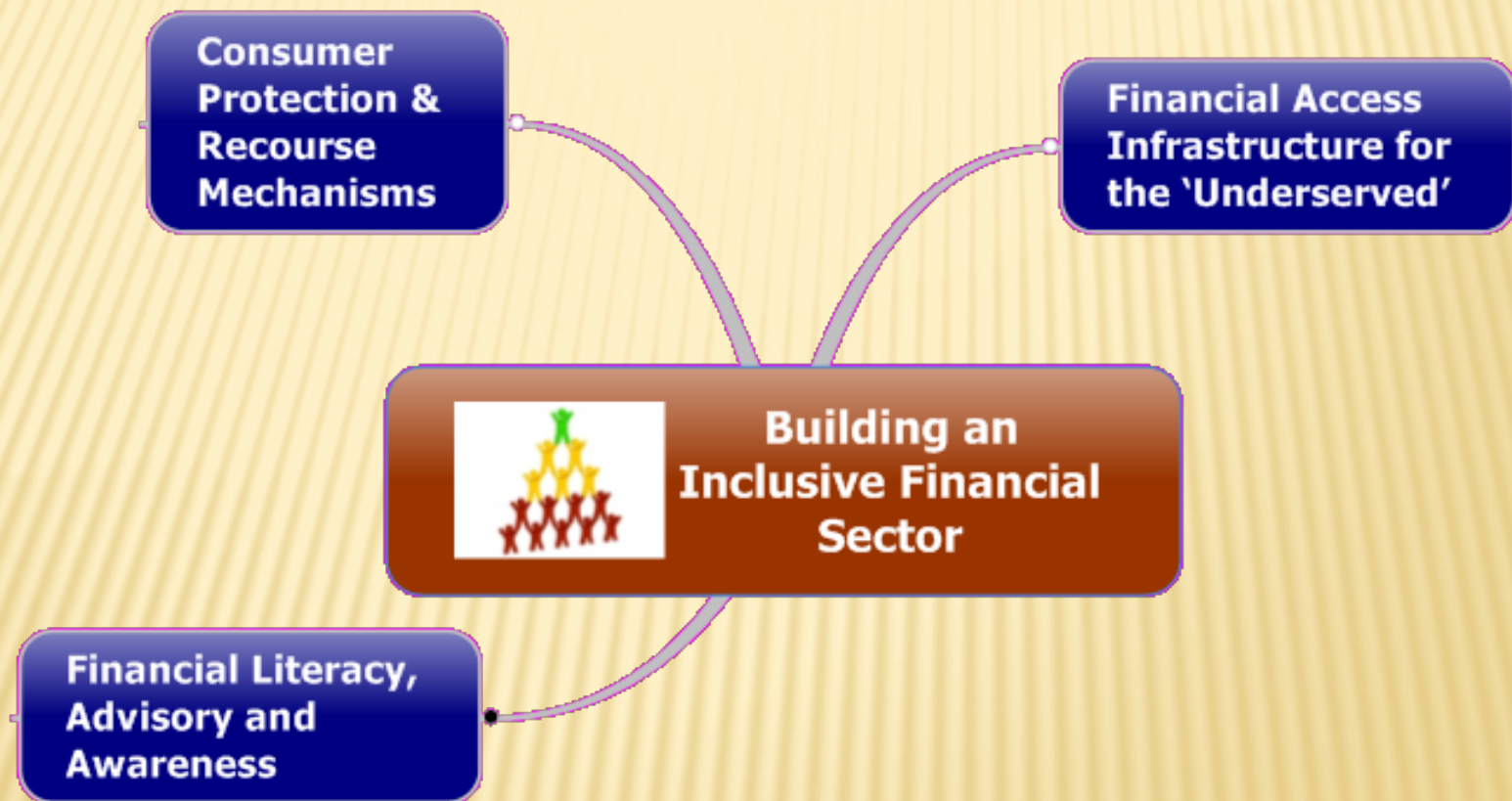
Note: Sample is limited to 48 countries, three of them high income.

Source: Financial Access Database.

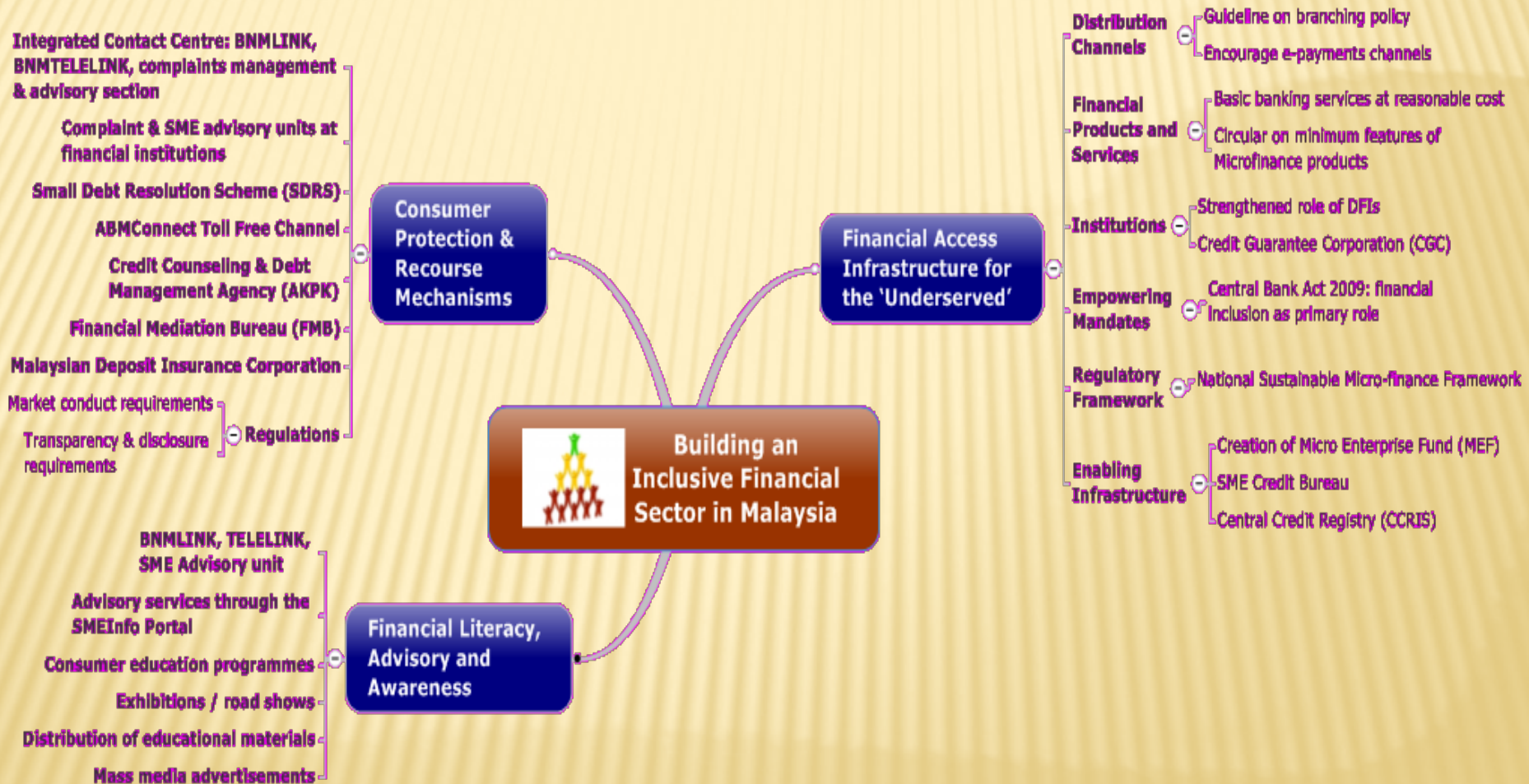
Obstacles to Financial Inclusion

- 1 Macroeconomic Strategies
- 2 Geography & Demographics
- 3 Financial Literacy
- 4 Incentives to Innovate
- 5 Regulatory Environment
- 6 Legal Identification

Building an Inclusive Financial System Needs Policy Action in Three Areas

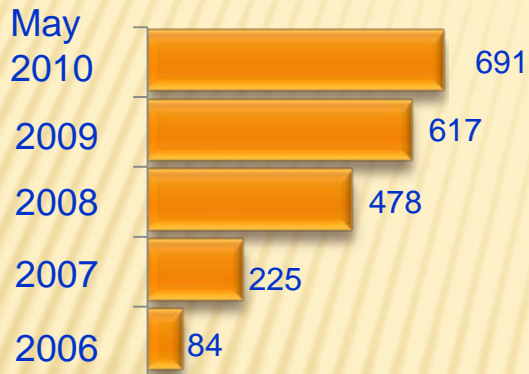


Malaysia: Significant efforts put into building inclusive financial system



Malaysia: Rapid expansion in financial inclusion

Micro-financing outstanding grew by 723% between 2006 and 2010
RM million, end-period

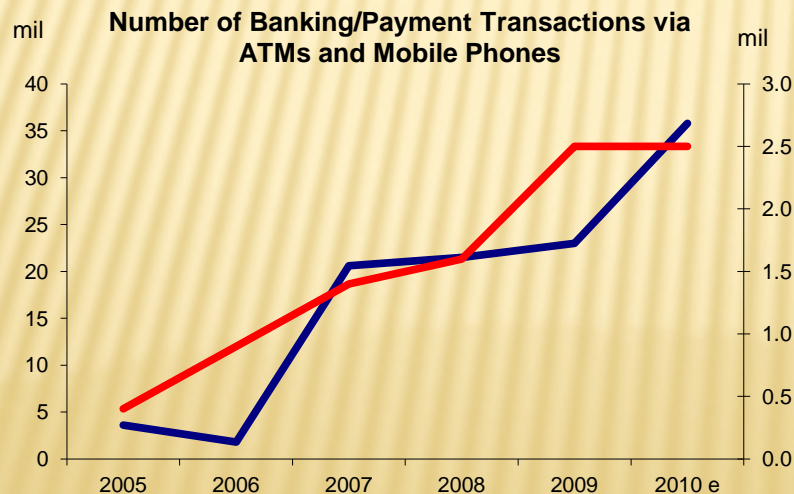


No. of access points doubled
End-period



Proxy Indicators as at 2009

- 1,988 deposits accounts per 1000 adults
- 759 loans accounts per 1000 adults
- 30.9 ATMs per 1,000 square kilometers



Source: Bank Negara Malaysia

Malaysia has had some success in financial inclusion

Category	Ranking / Response	Source
'Getting Credit'	No. 1 out of 183 for 3 years	<i>World Bank (Doing Business 2008, 2009 & 2010 Reports)</i>
'Loans accounts per 1,000 adults'	No. 5 out of 72*	<i>Consultative Group to Assist the Poor (Financial Access Report 2009)</i>
'Ease of Access to Loans'	No. 13 out of 133	<i>World Economic Forum (Global Competitiveness Reports 2009 – 2010)</i>
'Venture Capital Availability'	No. 12 out of 133	<i>World Economic Forum (Global Competitiveness Reports 2009 – 2010)</i>
'Deposits accounts per 1,000 adults'	No. 15 out of 92*	<i>Consultative Group to Assist the Poor (Financial Access Report 2009)</i>

*Rankings are based on countries where data is available

Challenges remain...

- Finding cost-effective ways of reaching people in remote areas, esp. Sabah & Sarawak
- Not sufficient product innovation to meet the needs of the poor and micro-enterprises
- Increasing financial literacy – even of urban dwellers (avoiding financial scams)
- Protecting poor customers to ensure that they do not fall prey to predatory financiers and other dishonest practices.
- Increasing the quality of financial services provided

Conclusion

- For Asian policymakers, the 'bottom of the pyramid' is a near-term challenge but a clear long-term opportunity.
- Financial deepening in Asia must be meaningful in terms of its impact on the welfare of a broad segment of the region's population
- One way to achieve this is to increase the inclusiveness of Asia's financial systems
- Financial deepening that arises from the creation of the financial inclusion eco-system contributes to increased welfare as well as higher and more sustainable growth