



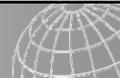
## Creating an enabling policy and regulatory environment for financial inclusion



ABAC Microfinance Workshop  
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## Overview

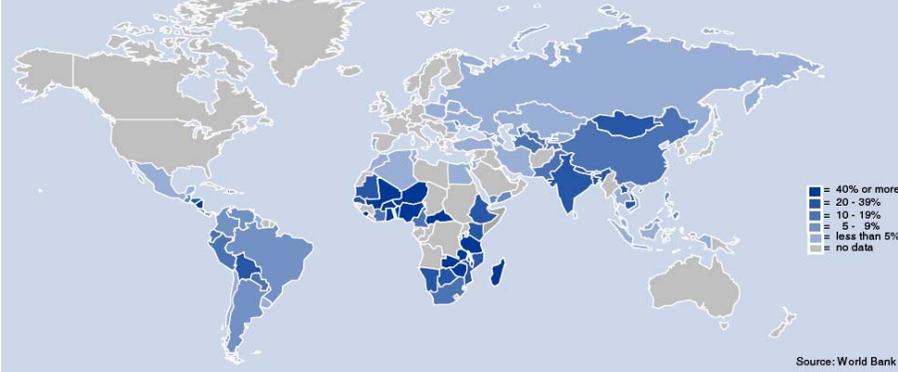
- Dimensions of financial exclusion
- Current trends of Microfinance
- The role of policy
- Recommendations for APEC



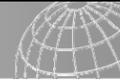
**1.1 bn people live in extreme poverty of less than USD 1 a day and 2.7 bn people (equivalent to 40% of the world's population ) live on less than USD 2 per day**

**Extreme poverty**

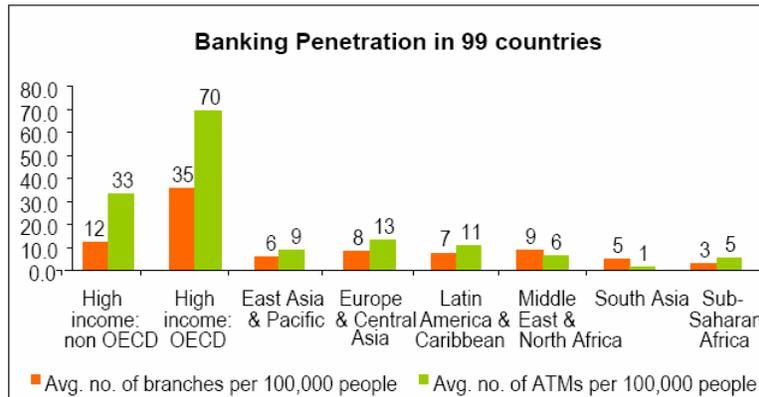
Share of population living on less than USD 1 a day



Source: World Bank



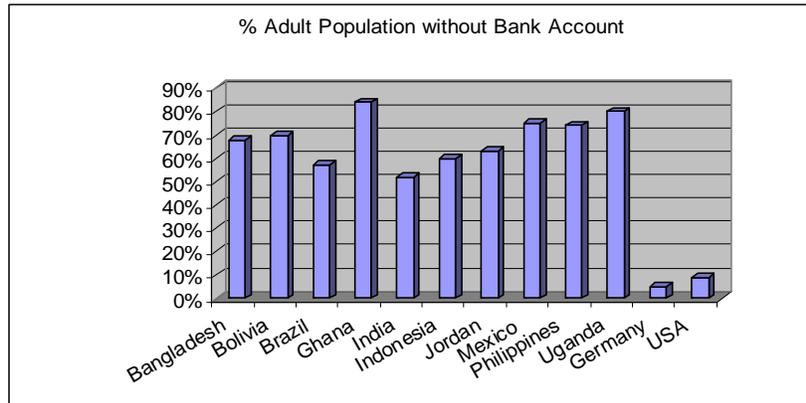
**Banking penetration measured by access to bank branches and ATMs is significantly lower in developing countries compared to OECD countries**



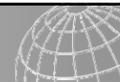
Source: "Reaching out: Access to and use of banking services across countries," Beck, Thorsten, A. Demirgüç-Kunt and M. Martinez Peria, in *Journal of Financial Economics*, 85, 2007, pp. 234-66.



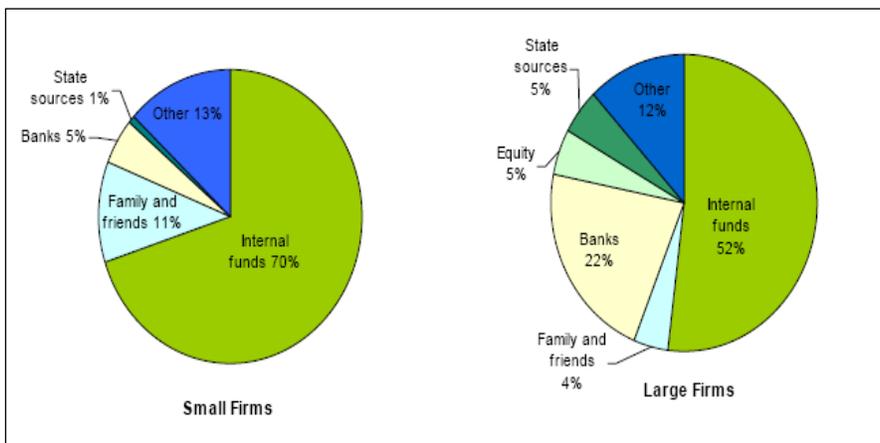
**More than 50% of the adult population in 10 developing countries studied has no bank account**



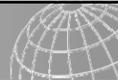
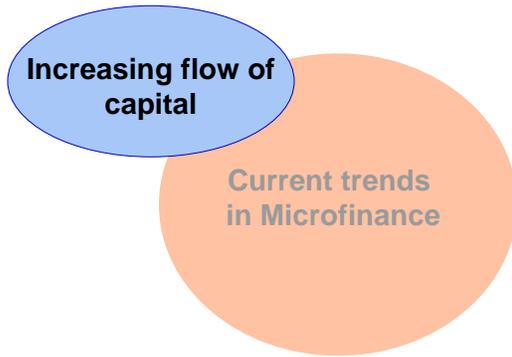
Source: Honohan (2007)



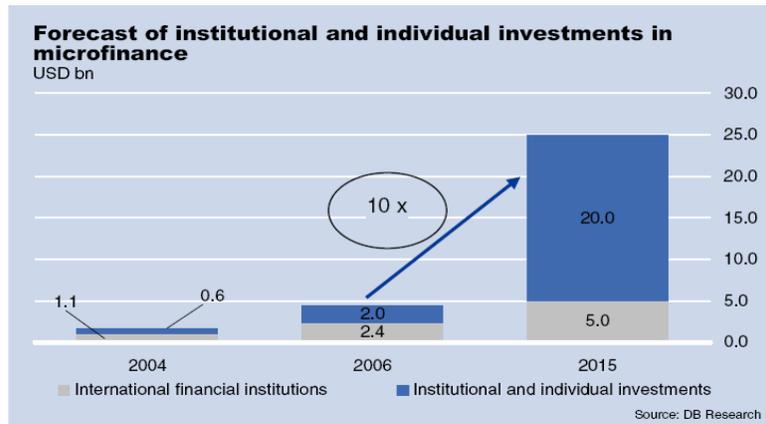
**Sources of fixed Investments for Small and Large Firms**

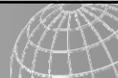
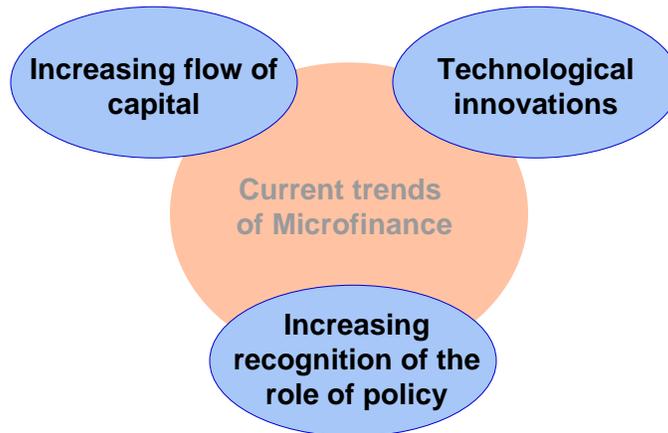
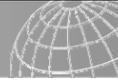


Source: World Bank 2006



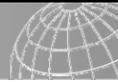
**Microfinance sector is transforming from a donor-driven NGO-dominated framework towards an increasing involvement of capital markets**



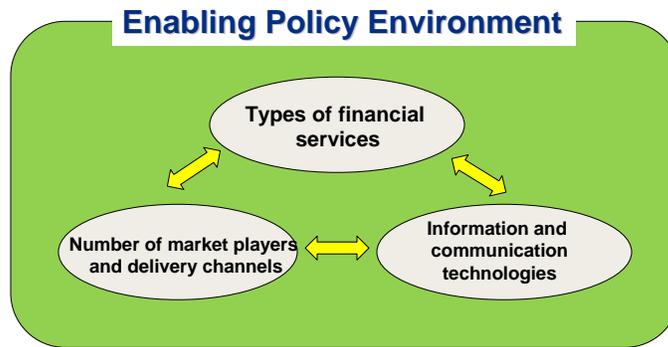


## What is Policy?

- Financial Access Policies refer to various measures the government can undertake to influence financial markets.
- It can be the **legislation, regulation**, and their **enforcement, expenditures**, e.g. to finance public goods, or direct **participation in the market** through state-owned enterprises.



## Three guiding principles for policies that boost access to finance :



Policies that regulate correspondent banking agents, or agents from non-banks (e.g. retail commercial outlets—lottery kiosks, pharmacies, post offices, etc.) that partner with banks to provide distribution outlets for financial services.

Policies that lower transaction cost and increase access to financial services through mobile technologies and services.

Policies that lower transaction costs by transforming their transaction history into a financial asset which they can use to leverage access to credit and other banking services.

Policies that lower the regulatory barriers to starting up and offering savings and insurance products in service of the poor while maintaining institutional stability.

Policies that transform the governance and management of state banks towards more effective or even commercial provision of financial services.

Policies that address technical barriers, reducing predatory lending or increasing disclosure of information, efficient dispute settlement, data protection and enhancing comparability of offers.

## Access policies

Agent banking

Mobile phone banking

Financial identity regulations

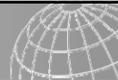
Consumer Protection

## Inclusive Financial Policies



## Creating better Financial Access Policies: What APEC can do...

- Advocate access policy initiative to member states
- Provide platform for mutual learning among market players and regulators
- Make more use of innovations already available in financial markets of emerging countries through effective South-South Exchange and Learning
- Promote multiple channels for information dissemination and discussion among policymakers
- Engage international standard setters in an analysis of their impact on access



# Thank you!



\* Photos in this presentation are from various sources and are not from GTZ