

LAST MILE ACCESS FOR INCLUSIVE GROWTH

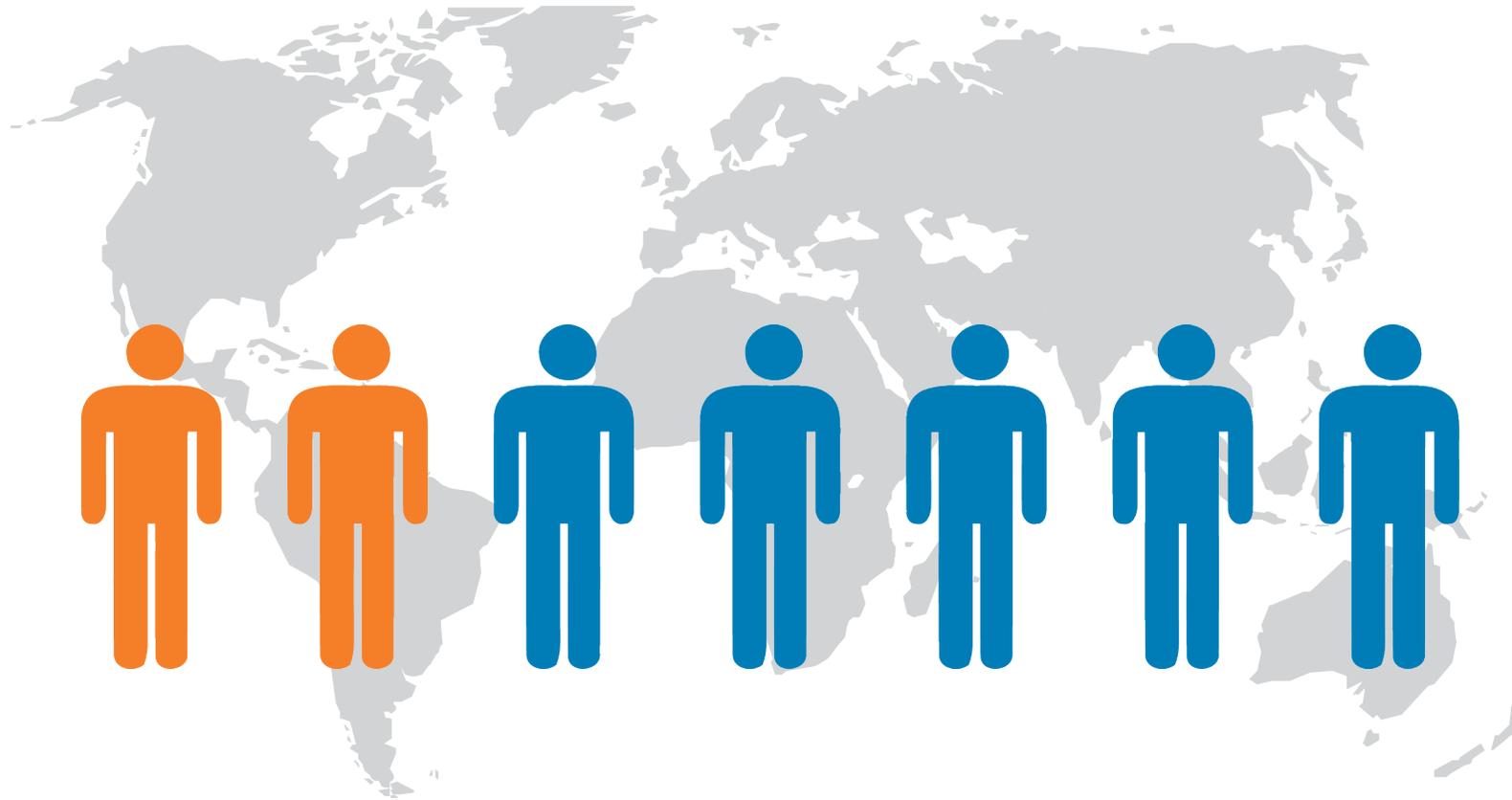
Financial Executives Institute of the Philippines

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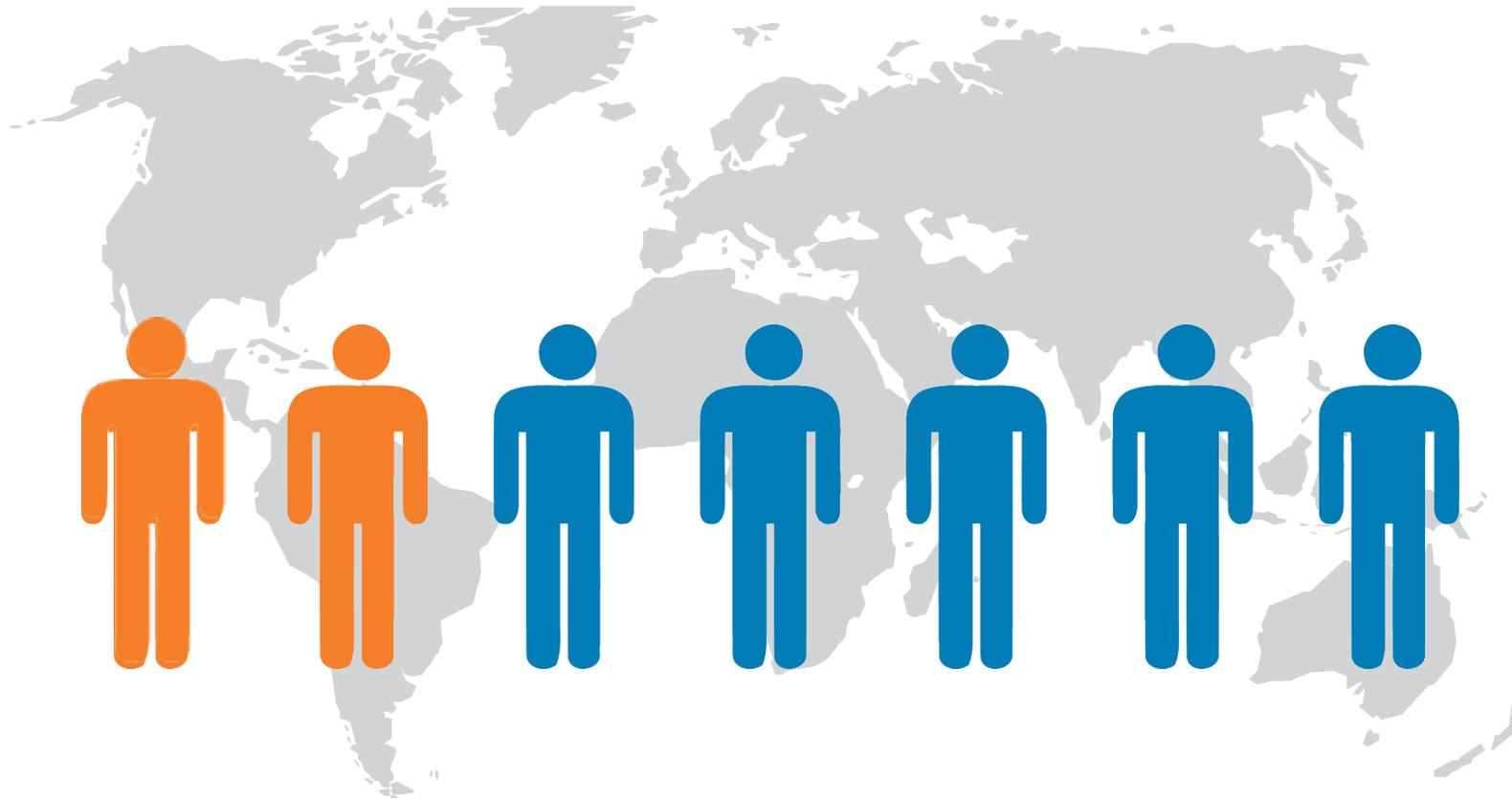


The Financially Excluded



2 billion out of the world's 7 billion do not have access to financial services

The Financially Excluded



1/3 of the global population

The Financially Excluded



1 billion are in ASIA



62%

bank account ownership



18%

receive wages or pay bills



27%

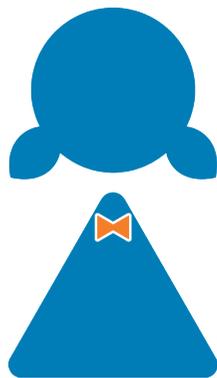
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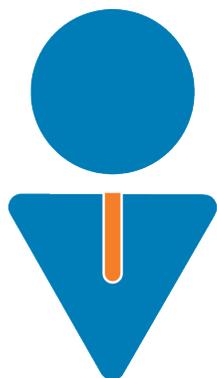
11%

borrow from formal sources

There is also a gender gap



58%



65%

In the **Philippines** women outpace male counterparts in terms of having a bank account



Financial Inclusion Unlocks Opportunity

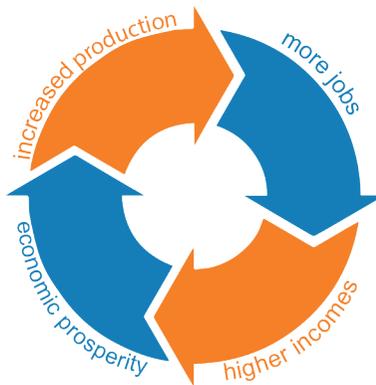
“The future is already here, it’s just not very evenly distributed.”

William Gibson

Financial Inclusion Matters to Economic Growth



Access to finance means that people can make payments, get credit, save, and invest



Create a virtuous cycle

Key Issues to Support Financial Inclusion

1. Strong country commitment
2. Strong public and private sector coordination
3. Supportive policy, legal and regulatory environment
4. Address financial inclusion gender gap
5. Adoption

Philippines: Focus on Financial Inclusive Enabling Environment

- **National Strategy for Financial Inclusion**
 - Builds policy
 - Supports regulatory and supervisory strategies for a robust financial ecosystem
 - Supports strong public-private dialogue
 - Focuses on an interoperable payment system
 - Promotes financial education and consumer protection
 - Digital finance seen as key

Digital Finance: Bridge the Gap to Financially Excluded, Contribute to Growth



Benefits Consumers

- **convenience** in making and receiving payments
- **control** over expenses and account balances
- **safety** as it can reduce fraudulent transactions
- **access to credit** smoothens periodic income with continuous consumption

Digital Finance: Bridge the Gap to Financially Excluded, Contribute to Growth



Benefits Business

- spend less time on cash and check handling
- access to a large pool of customers with guaranteed payment
- electronic payments critical in e-commerce where payment by cash is not an option

Digital Finance: Bridge the Gap to Financially Excluded, Contribute to Growth



Benefits Governments

- lower costs
- less leakage in expenditure and tax collection

Potential Economic Impact of Digital Finance by 2025

- **1.6 billion** in newly included individuals
- **\$2.1 trillion** in new credit
- **\$4.2 trillion** in new deposits
- **\$110 billion** annual reduction in government leakage
- **\$3.7 trillion (6%)** GDP boost
- **95 million** new jobs

Alternative Delivery Channels of Financial Services



ATM



Internet Banking



Mobile Banking



Agent Banking



E-Wallet



Call Center

Steps to Action for Last Mile Access



- Understand the barriers
- Promote usage
- Ensure quality

Understand the Barriers



Identity verification



Accessing financial services

Understand the Barriers

Identity Verification



- **1.5 billion** people cannot prove their identity
- Crucial to meet **KYC requirements**
- **Tiered KYC**: small accounts opened without same requirements as larger accounts
- Can **unlock** access to finance

Understand the Barriers

Accessing Financial Services



- **Access points critical in serving the last mile**
- **Cash-in and cash-out remains a challenge**
- **Electronic commerce is driving access**

Promote Usage

Focus on products people prefer



Payments



Credit



Savings

Promote Usage **Payments**



- **End-to-end digitalization**
- **Open Application Programming Interface**
- **Interoperable networks**

Promote Usage

Credit



- **Issue: Difficult to assess risk profile**
- **Option: Digital data sources and analytics create credit profiles**

Promote Usage

Savings



- **Issue: The bottom of the pyramid segment does not save formally**
- **Option:**
 - Lower cost channels such agents
 - Mobile wallets connected to savings accounts
 - Tiered KYC

Ensure Quality

Focus on creating an enabling and dynamic financial sector services market



Balance regulatory oversight, customer protection and innovation



Ensure customer protection

Ensure Quality Regulation



- **RegTech**
 - Provide regulators with real time access to data and information
- **Regulatory sandbox**
 - Provides a test-and-learn approach

Ensure Quality

Consumer Protection



- **Build trust**
- **Consumer education and financial literacy**
- **Communication channel**
- **Complaint resolution mechanisms**

Key Messages



- **Financial inclusion unlocks opportunity**
- **Financial inclusion matters to economic growth**
- **To reach the last mile**
 - **Understand the barriers**
 - **Promote usage**
 - **Ensure quality**
- **Innovative payment systems accelerate financial inclusion**

**The future is in our
REACH!**

Thank You

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