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FINANCIAL INCLUSION IN ASIA AND THE PACIFIC

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Contents

I. Introduction 2
II. Current Trends and Patterns of Financial Inclusion in Asia and Pacific 4
A. Trends in Account Ownership in Asia and Pacific 4
B. Account Penetration for Women 5
C. Account Penetration for Youth 6
D. Account Penetration for Poor 7
E. Account Penetration for Rural 7
F. Bank Branch and ATM Penetration in SIDS Region 8
G. Bank Branch and ATM Penetration in Asia and the Pacific 8
H. Trends in the Unbanked in Asia and the Pacific 9
III. Cross Country Variation and Barriers to Financial Inclusion 11
IV. Financial Literacy, Consumer Protection and Governance Framework 14
A. Financial Literacy 14
B. Consumer Protection 17
C. Governance Framework 19
V. Sustainable Development Goals (SDGs) and Financial Inclusion Strategy 21
A. Agricultural Finance and Financial Inclusion 21
B. Expanding Microfinance Activities for Reaching out Missing Lower Income Segment of Population 22
C. Scaling up Financing to Micro Small Enterprise (MSE) and Small and Medium Sized Enterprises (SMEs) 23
D. Adopting Mobile Banking and Information Technology in Financial Service Delivery 26
E. Pursuing Green Financing for Environmental Sustainability 27
F. Expanding Peer Learning Process 29
VII. Action Agenda and Policy Recommendations 29
References 32

Table

Table 1. Status of national strategies (NS) in 2015 15
Table 2. Microfinance Penetration Asia 22

Figure

Figure 1. Financial inclusion and inclusive growth process 3
Figure 2. Accounts penetration of adult (%) in the Asia-Pacific, 2014 5
Figure 3. Account penetration of adults (%) for LLDC, 2014 5
Figure 4. Accounts penetration of adults (%) for LDC in the Asia-Pacific, 2014 6
Figure 5. Adults account penetration for rural, poor and young (%), 2014 7
Figure 6. Bank branch and ATM penetration for SIDs, 2014 8
Figure 7. Bank branch and ATM per 100,000 adults, 2014 9
Figure 8. The world's unbanked adults by region 10
Figure 9. Share of the world's unbanked adults in China, India and Indonesia 10
Figure 10. Unbanked of all adults (%) in 2014 10
Figure 11. Regional unbanked of women, poor, young and rural living (%), 2014 11
Figure 12. Financial Inclusion Index of some selected Asian countries 11
Figure 13. Trend in national environment of Financial Inclusion Index 19
Figure 14. National enabling environment for financial inclusion framework 19
Figure 15. Outstanding SME loan as % GDP as of 2014 25
Figure 16. Value of mobile money transaction during 2014, as % GDP 26

Discussion Paper

Macroeconomic Policy and Financing for Development Division

Financial Inclusion in Asia and the Pacific

by

Ezazul Islam

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Abstract

Financial inclusion strategy has emerged as an effective tool for achieving the Sustainable Development Goals (SDGs). In recognizing the need to mainstream financial inclusion strategies in the Asia and the Pacific, this paper provides a regional overview of the current trends and patterns of financial inclusion in the Asia-Pacific region, with a special focus on LDCs, LLDCs, SIDs. It emphasizes that consumer protection, financial literacy and governance frameworks are crucial factors for advancing financial inclusion in the region by 2030. The paper also highlights selected issues related to providing financial services for all, including promoting lending to micro, small and medium-sized enterprises, increasing and diversifying lending and financial tools for increased access, and promoting financial literacy. In focusing on the development of enabling environment at the country level, the paper concludes by highlighting a set of policy recommendations to increase overall access to financial inclusion in the Asia-Pacific region.

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I. Introduction

Financial inclusion and inclusive growth have emerged as buzz-words in policy making among policy makers, development planners, academia, and development partners. National governments and development partners formulate their development policy to spur sustainable inclusive economic growth to meet sustainable development goals (SDGs) set by the UNDP for next 15 years. Already, about 60 governments across the world have adopted financial inclusion strategy and the post-2015 Development Agenda squarely puts financial inclusion as a key United Nations member countries (Sahay and others, 2015).

An increasing number of national governments are introducing comprehensive measures to improve access to and use of financial services. Among bank regulators in 143 jurisdictions, a recent survey found, 67 per cent have a mandate to promote financial inclusion. International organizations, including the G-20 and the World Bank, are also beginning to formulate strategies to promote financial inclusion. In recent years more than 50 countries have set formal targets and ambitious goals for financial inclusion (Demirguc-Kunt and others, 2015).

Economic literature on finance shows that there is a strong link between inclusive finance or financial inclusion and inclusive growth. Indeed, a growing recognition is that financial inclusion is critically important for development and poverty reduction (WB, 2014, King et. al, 1993; Beck et. al, 2000, 2004; Levine, 2005 and Demirgüc-Kuntet. al, 2008). Naceur and Zhang (2016) find a negative relation between financial access and income inequality for 143 countries. Sahay and others(2015) argues that access to finance can facilitate the poorest of the population to improve their economic situation, particularly in developing countries. In the developing countries, many adults including farmers, women young, MSME entrepreneurs and rural habitants are excluded from formal financial services or under-served and limited access to finance.

Inclusive growth is the process where poverty and income inequality will diminish and the benefits of growth will spill over into marginal segment of the society (chart 1). World Economic Forum[1] defines inclusive growth as "... output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country’s working age population, and reduces poverty". Inclusive growth also depends on the pace and pattern of economic growth. Different institutions define inclusive growth based on their own objectives and strategies. For Example OECD (2015a) defines " Inclusive growth is where the gap between the rich and the poor is less pronounced and the growth dividend is shared in a fairer way that results in improvements in living standards and outcomes that matter for people’s quality of life [e.g. good health, jobs and skills, clean environment, community support]).”The World Bank defines "inclusive growth by its pace and pattern – growth that is sufficient to lift large numbers out of poverty and growth that includes the largest part of the country's labour force in the economy". The International Policy Centre for Inclusive Growth (IPC-IG) places “its emphasis on participation – so that in addition to sharing in the benefits of growth, people actively participate in the wealth process and have a say in the orientation of that process". The ADB state that "tackling discrimination of the most marginalized groups is an intrinsic part of the inclusive

[1] See The Inclusive Growth and Development Report 2015, World Economic Forum.

growth process, as well as a key outcome. Groups that have suffered discrimination are those that have been left behind in poverty reduction and economic development efforts – helping these groups to participate in and benefit from economic activities is a cornerstone of inclusive growth".

Figure 1. Financial inclusion and inclusive growth process

Another important dimension is that inclusive growth requires sustainable growth which is not covered by the mentioned definition. Overall, sustainable growth is intimately linked to the concept of sustainable development. To mitigate the impacts of climate change and other forms of environmental degradation the policies should be included in growth process which ensure sustainable development i.e., economic growth now needs to be both socially inclusive and environmentally sustainable to achieve long-term human development benefits (CAFOD, 2014).

Financial inclusion strategy has emerged as an effective tool for achieving the Sustainable Development Goals (SDGs). The General Assembly adopted the 2030 Agenda for Sustainable Development, including the SDGs. With 17 goals and 169 targets, the SDGs aim to bring together all stakeholders to address the three pillars of sustainable development--economic prosperity, social equity and environmental responsibility. These 17 goals to be realized by next 15 years and the year of 2016 is the beginning year. Greater financial inclusion helps to achieve some SDGs. For example, the goals: (1) end poverty in all its forms everywhere, (2) end hunger, achieve food security and improved nutrition and promote sustainable agriculture, (3) ensure healthy lives and promote well-being for all at all ages), (4) ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, (5) achieve gender equality and empower all women and girls (6) promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, (7) reduce inequality within and among countries , and (8) take urgent action to combat climate change and its impacts are linked with financial inclusion . Studies show that when people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and absorb financial shocks. Access to accounts and to savings and payment mechanisms increases savings, empowers women, and boosts productive investment and consumption. Access to credit also has positive effects on consumption—as well as on employment status and income and on some aspects of mental health and outlook. The benefits go beyond individuals. Greater access to financial services for both individuals and firms may help reduce income inequality and accelerate economic growth (Demirguc-Kunt and others, 2015).

Over the next 15 years, monitoring of poverty will be critical in delivering an ambitious international development agenda that aspires to a world without monetary poverty, and one where poverty in all its dimensions has been at least halved. The Asia-Pacific region will be fundamental in achieving these targets, with more than 600 people living in extreme poverty--more than half of the world's poor. In Asia and the Pacific, while many countries have made enormous progress in reducing the number and percentage of people living in extreme poverty, millions of people are still unable to meet their basic needs (ESCAP, 2015).

To scale up the financial inclusion and to define action agenda for next 15 years in the Asia-Pacific region are warranted to meet the goals. In this backdrop, the main objectives of the paper are given below:

- The paper reviews the current trends and patterns of financial inclusion in the Asia-Pacific region, in with a special reference to LDC, LLDC, and SIDS.
- The paper highlights selected issues related to providing financial services for all, promoting lending to micro, small and medium-sized enterprises , increasing and diversifying lending and financial tools for increased access, and promoting financial literacy.
- The paper focuses the issues which encourage further development of enabling environment at the country level, especially in the context of the 2030 Agenda for Sustainable Development.
- The paper also highlights a set of policy recommendations, with country example, to increase the overall access to financial inclusion in the Asia-Pacific region.

II. Current Trends and Patterns of Financial Inclusion in Asia and Pacific

This section review the current trends and patterns in Asia Pacific region in with a special reference to LDC, LLDC, and SIDS. In order to achieve inclusive growth and sustainable development, the governments and the central banks in the region have taken various measures to create a conducive and enabling environment for expanding financial services to marginal farmer, SME, unbaked /underserved people, women, and lower income group in rural area by banks, non-banks, cooperatives, MFI and other financial institutions. They also pursue for banks and MFIs to adopt information communication and technology (ICT) solution in delivering financial services at affordable cost. Many countries also adopt national financial inclusion strategy plan for universal financial access for all.

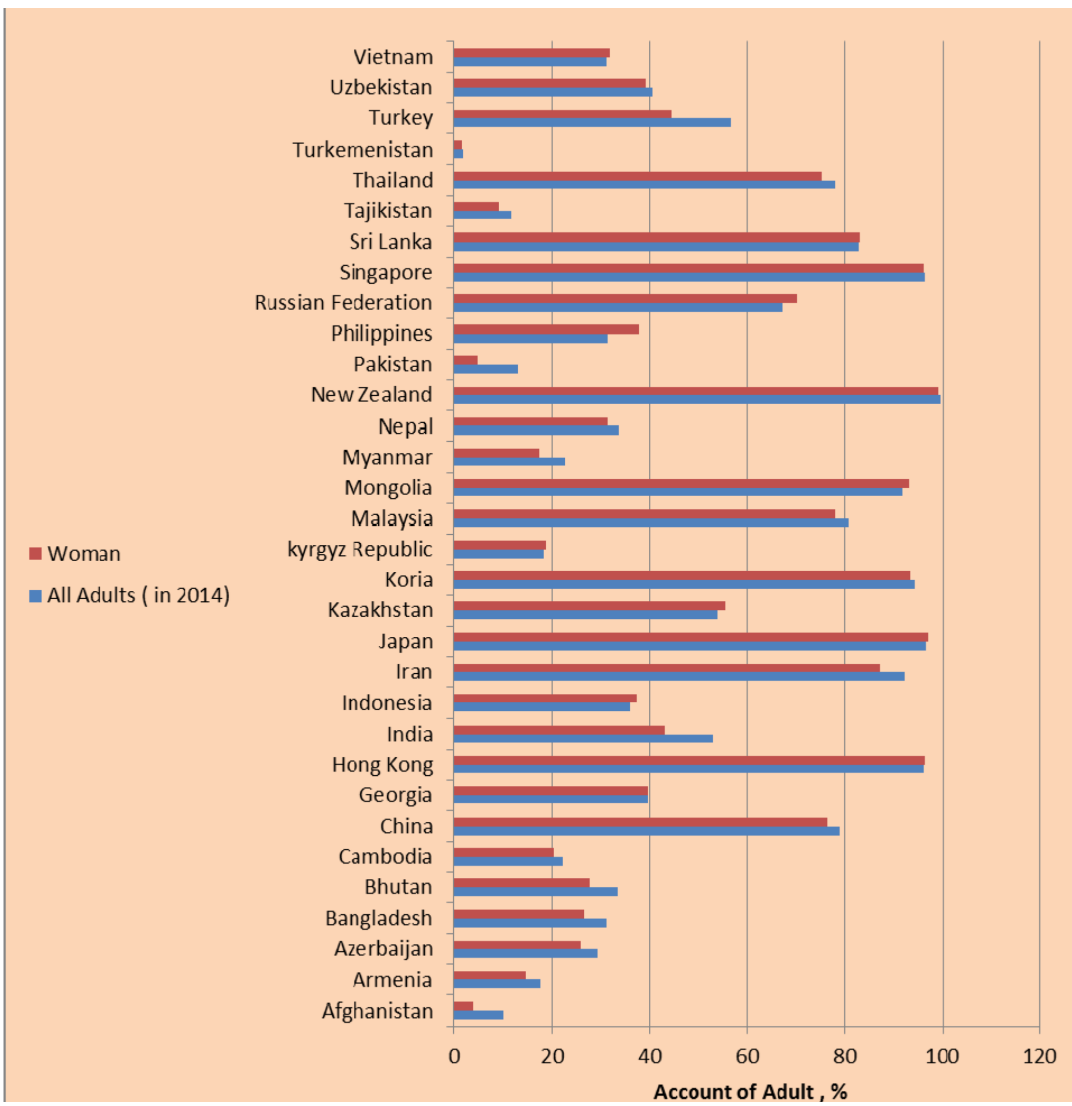
A. Trends in account ownership in Asia and Pacific

According to the 2014 Global Findex data base, the account ownership for countries in Asia and the Pacific show a wide variation in account penetration, ranges from 1.8 per cent to 99.5 per cent. In the region, on average, 51.3 per cent of adults' have an account in the banks and financial institutions in 2014 which was 6.7 percentage point higher than in 2011 (chart 2). Regional comparison of account ownership shows that account penetration of adults for LLDC in the Asia-Pacific region, on average, stood at 31.15 per cent while that was 25.6 per cent for LDC in 2014 (charts 3 and 4).

B. Account penetration for women

Overall account penetration for women adults varies across countries and region in the Asia-pacific. According to the 2014 Global Findex database, on average, adults account for women stood at 49.3 per cent in 2014. Account penetration for women varies across countries and region widely in the Asia-Pacific. In the LLDC, about 29.19 per cent women had account in 2014 while the same was 21.2 per cent in the LDC (charts 2, 3 and 4).

Figure 2. Accounts penetration of adult (%) in the Asia-Pacific, 2014



Source: World Bank (2015a).

Figure 3. Account penetration of adults (%) for LLDC, 2014

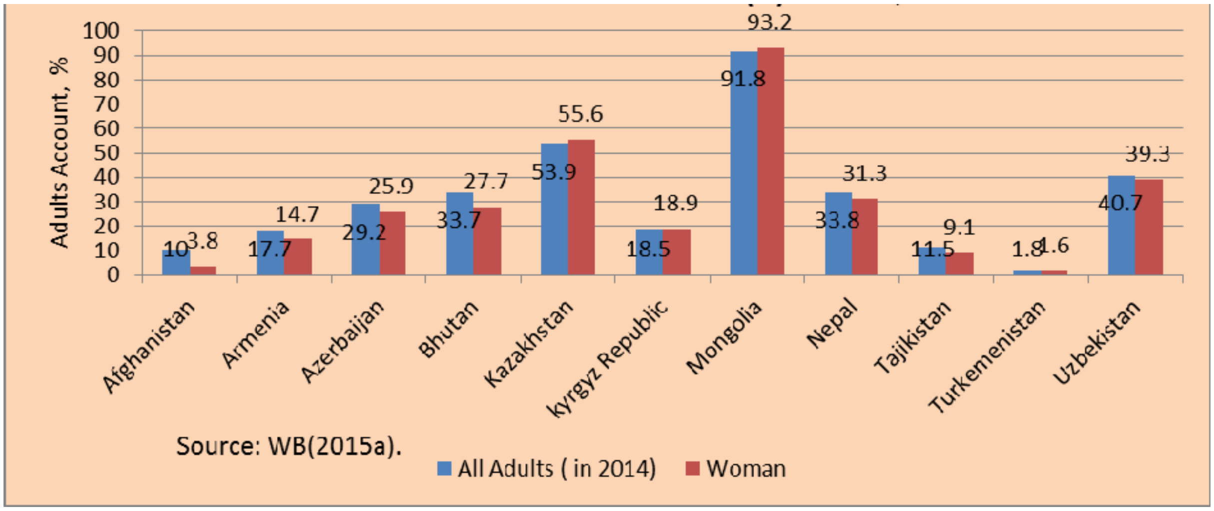
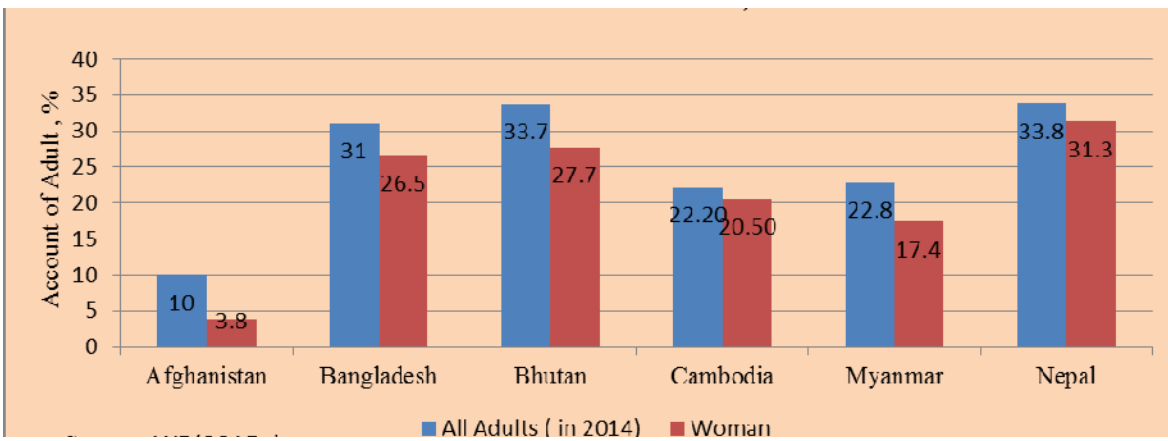


Figure 4. Accounts penetration of adults (%) for LDC in the Asia-Pacific, 2014

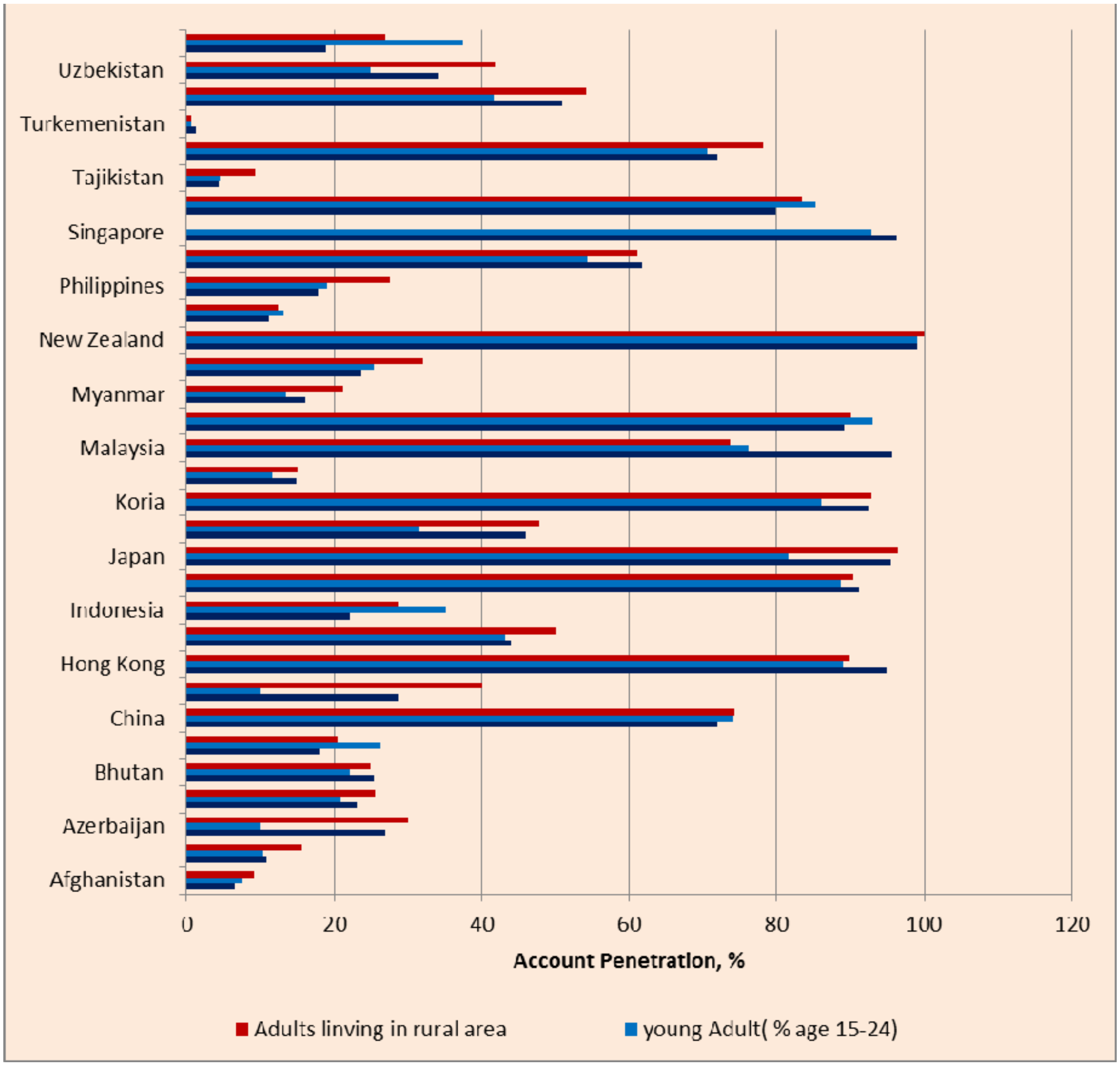


Source: World Bank (2015a).

C. Account penetration for youth

Data on Account penetration for youth show that account of young adults (age 15-24) stood at 43.7 per cent in 2014 in the Asia-Pacific region. Young adults account in the LDC region was 19.3 per cent while it was 21.9 per cent in the LLDC in 2014 (Figure 5) .

Figure 5. Adults account penetration for rural, poor and young (%), 2014



Source: World Bank (2015a).

D. Account penetration for poor

Overall account for adults belonging to the poorest 40 per cent in Asia and the Pacific was 46.4 per cent in 2014. For LDC the ownership account for the poor was 18.8 per cent while the same was 25.27 per cent in 2014 (chart 5).

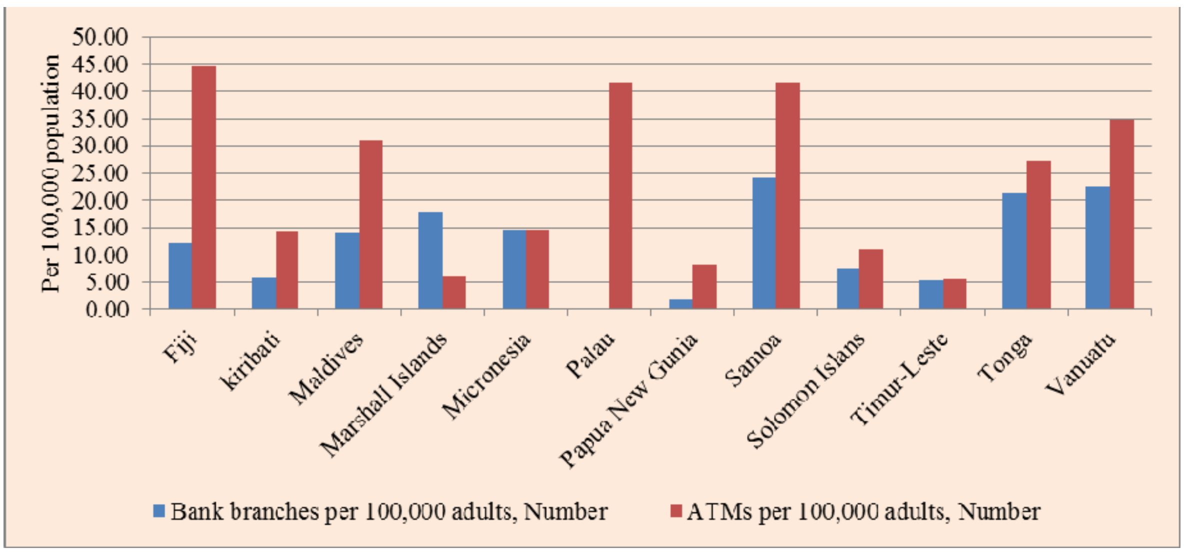
E. Account penetration for rural

Account ownership for adults living in rural area in Asia and the Pacific shows that account penetration for rural adults was 47.2 per cent in 2014. The rural adults account penetration for LDC was 22.2 per cent while it was for LLDC about 28.78 per cent in 2014 (chart 5).

F. Bank branch and ATM penetration in SIDS region

Data on account penetration are not available in the 2014 Global Findex Database for SIDS region in Asia and the Pacific. Bank branch and ATM per 100,000 people are collected from the Financial Access Survey, IMF, indicating another dimension of financial inclusion activities. On average commercial bank branch per 100,000 adults stood at 13.35 and ATM per 100000 adults were 23.37 in the SIDS region in 2014. Bank branch and ATM per 100000 adults for some selected countries' of SIDS region are shown in Figure 6.

Figure 6. Bank branch and ATM penetration for SIDs, 2014



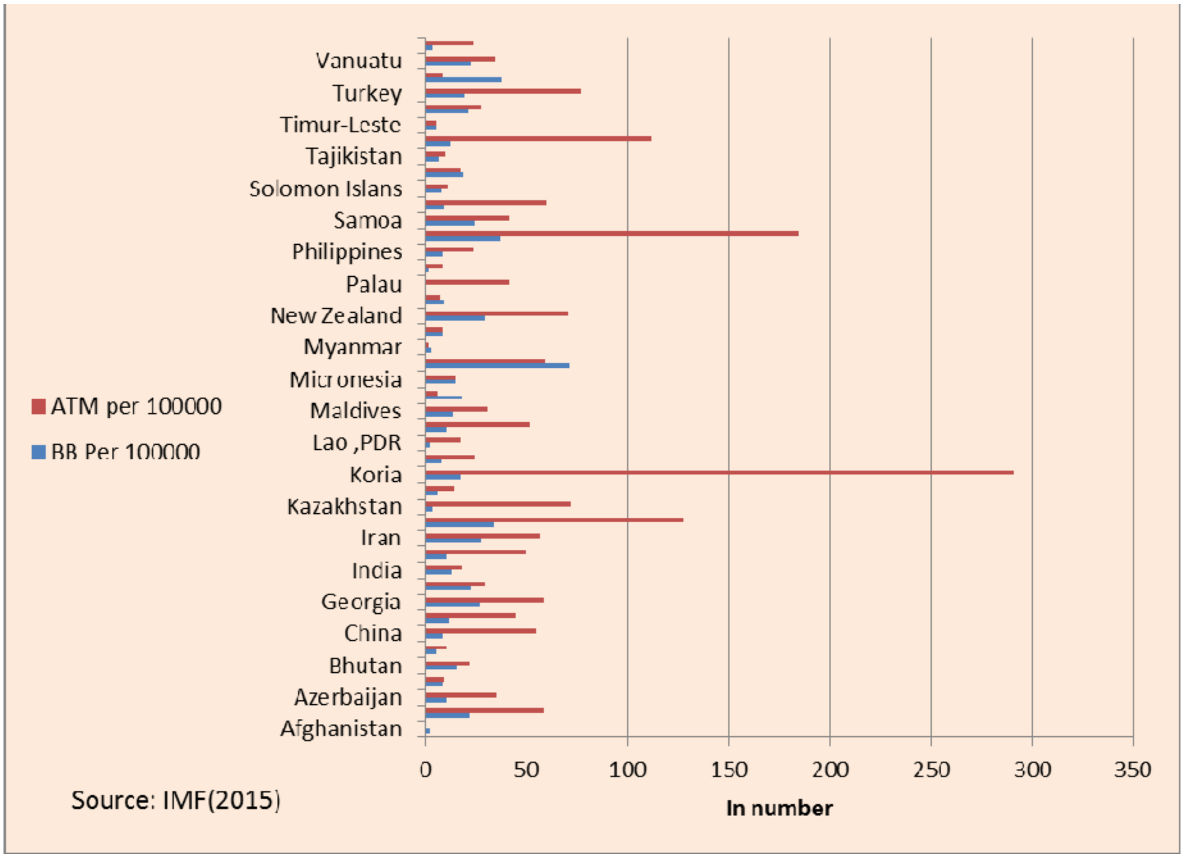
Source: IMF, Financial Access Survey.

G. Bank branch and ATM penetration in Asia and the Pacific

The measurement of banking service availability is one of the major dimension of financial inclusion. Bank branch and ATM per 100,000 adults are good proxies for availability of financial inclusion. In order to expand banking services to outreach excluded segment of population, efforts of expansion of bank branch and installation of ATM booth were taken in the region by banking service provider.

According to IMF Finance Access Survey data, overall bank branch per 100,000 adults was 15.6 in Asia and the Pacific in 2014. In LDC, bank branch per 100000 adults was 10.1 while the same was 16.4 for LLDC in 2014. Accordingly, ATM per 100,000 adults was 43.9 in Asia and the Pacific in 2014 while the same were 27.2 and 18.4 for LLDC and LDC respectively in 2014(chart 7).

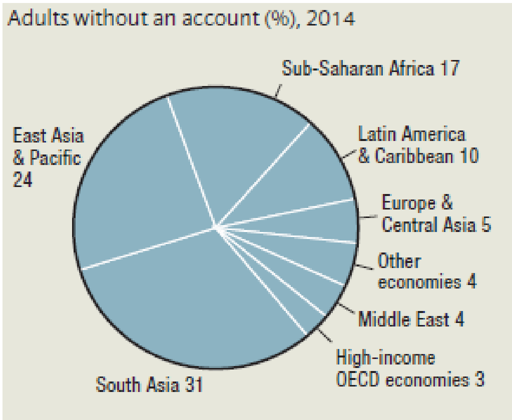
Figure 7. Bank branch and ATM per 100,000 adults, 2014



H. Trends in the unbanked in Asia and the Pacific

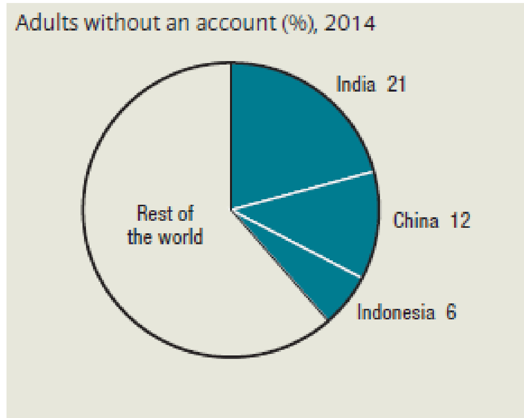
According to Global Findex 2014 data, globally, 2 billion adults remain unbanked. South Asia, East Asia and the Pacific together account for more than half the world's unbanked adults. South Asia, home to about 625 million adults without an account, has about 31 per cent of the global total; East Asia and the Pacific, with 490 million unbanked adults, accounts for about 24 per cent (Figure 8). This is no surprise, since these two regions are home to the developing world's three most populous countries—China, India, and Indonesia. Indeed, these three countries together account for 38 per cent of the world's unbanked (Figure 9). India is home to 21 per cent of the world's unbanked adults and about two-thirds of South Asia's. China accounts for 12 per cent of the world's unbanked and Indonesia for 6 per cent; together they account for three-quarters of the unbanked in East Asia and the Pacific.

Figure 8. The world's unbanked adults by region



Source: Global Findex database.

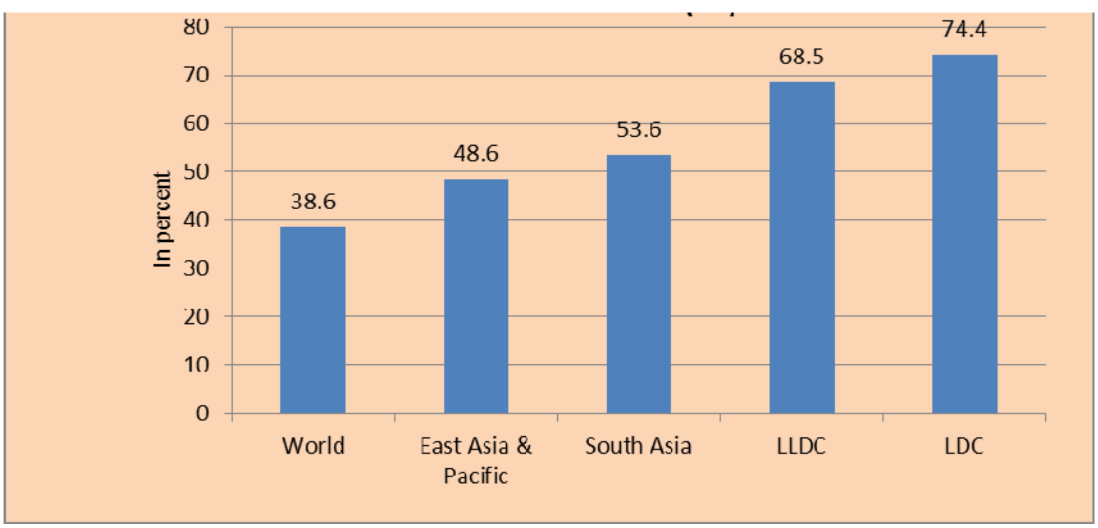
Figure 9. Share of the world's unbanked adults in China, India and Indonesia



Source: Global Findex database.

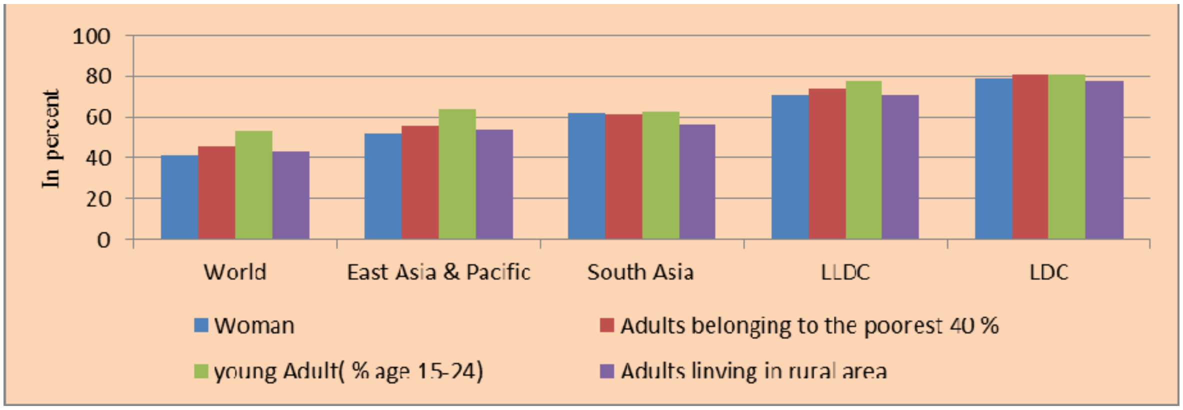
In LLDC and LDC economies in Asia and the Pacific, unbaked adults is high compared to that of south Asia and East Asia & Pacific (chart 10). The pattern of unbanked indicates that about 80 per cent of adults women, poor, young and rural in the LDC are unbaked and about more than 65 per cent are unbanked in LLDC economy in Asia and Pacific (chart 11). Why do a large number of adults including women, young, poor and rural adults around in Asia and Pacific remain unbanked? The Global Findex survey asked adults without an account at a financial institution why they do not have one, providing insights into where policy makers might be able to remove barriers to financial inclusion.

Figure 10. Unbanked of all adults (%) in 2014



Source: Global Findex database, 2014.

Figure 11. Regional unbanked of women, poor, young and rural living (%), 2014

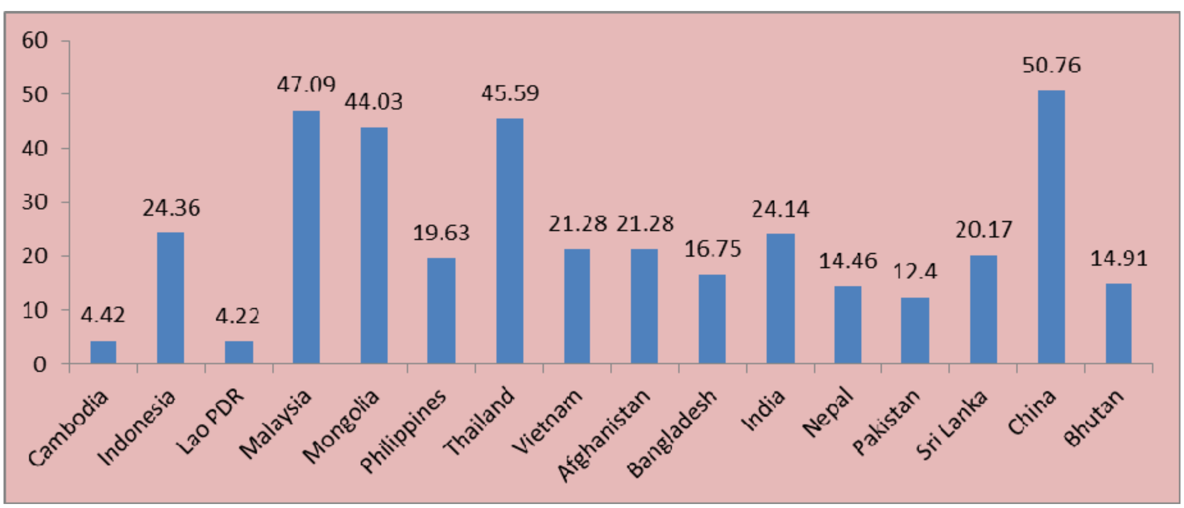


Source: Global Findex database, 2014.

III. Cross Country Variation and Barriers to Financial Inclusion

The main objective of the section is to identify the variations and the barrier for inclusive finance in Asia pacific Region. Trends in account penetration by gender, geographical, age and usage at country level data indicate a huge variation in Asia Pacific region. Financial inclusion index measured by availability, accessibility and usage of financial services is Figure (12). The figure shows that a wide disparities of account penetration in the selected countries. The lower level account penetration of countries is Afghanistan, Nepal, Pakistan, Cambodia, Indonesia, Lao PDR, Philippines and Vietnam. Global Findex survey data shows that a number of adults of these countries borrow from their family and friends and poor people, youth and woman have limited access to formal financial institution. Lower bottom 40 % poorest adult people low penetration also a one the major causes of variation.

Figure 12. Financial inclusion index of some selected Asian countries



Source: Cyn-Young park and Rogelio V.Mercado, Jr. (2015).

A number of factors can be identified by the World Bank study both at country level and individual level (Kunt and Klapper, 2013). A level of economic development, level of financial development, financial system structure and product in country level and level of education, gender, age, marital status, household size, employment, rural versus urban residence, religion and culture are the major factors of variation in individual level. Out of the factors, GDP per capita accounts for much of the variation across countries (Demirguc-Kunt and Klapper, 2013).

It is observed from Findex data that in many countries of Asia Pacific region, the percentage of adult women with an account at a formal financial institution is significantly below that for men, and this gender gap persists across income levels (quintiles) within a given country.

The existing literature allows one to identify four categories of obstacles to financial inclusion at the country level, which affect either the demand for or the supply of financial services or both (see Rojas-Suárez and Gonzales 2010 and Rojas-Suárez and Amado forthcoming). The four categories factor are socioeconomic constraints, macroeconomic factors, characteristics of the operations of the formal financial system, and institutional deficiencies.

In analyzing access to health and education which is reflected in HDI value, trend in per capita GDP and inflation, institutional efficiency and quality (rule of law) we may observe a strong variation between financial inclusion and these factors which varies cross country level in Asia Pacific,

Identifying the barriers that prevent the lower income people in the country in accessing to the financial services provide hints as to which policies could be supportive in removing the barriers and broadening access. Measures for accessibility, affordability and eligibility can indicate the extent of barriers to the financial services in terms of deposits, loans, payments, locations, technology etc.

Poor banking infrastructure: Keeping in view the number of financially excluded people, in Bangladesh, about half of the adult population is unbanked (69 per cent) in terms of accounts penetration in the banks[2]. The major barrier is geographical or physical access measuring the average distance from household to bank branch; however, the branches per 1,000 square kilometers could be used as crude indicator for providing an initial idea to the barriers of inclusion. For example, Spain has 96 branches per 100,000 people and 790 branches per 1,000 square kilometer, while Bangladesh has less than 7 branches (or ATM) per 100,000 population and about 67 branches (or ATM) per 1,000 square kilometer. A large section of the population who do not have any physical access to the banking services are in rural and remote areas in the country.

Lack of proper documentation: Another barrier is lack of proper documentation including ID, proof of domicile and reference letter required to open a checking or savings account in Bangladesh, where many people do not have such documentation.

Inadequate financial literacy or education: Financial literacy and awareness are very

[2] See Global Findex Database.

low in the country, particularly in rural areas; it makes a large segment of household difficult to get financial services from the banking system in terms of savings, credit and payments.

High requirement of minimum balance: Many institutions have a minimum account balance requirement or fee for opening checking or savings account; consequently, many lower income people faces difficulty to maintain such balance enforcing to exclude themselves from the financial services. Though minimum amount to open a checking or savings account is lower in Bangladesh, it could be free for the poor people for broadening the extent of financial inclusion.

Poor level of technological infrastructure: As a competitive and cost effective strategy, major banks focuses on large scale of loans instead of providing services for small size of loan; as a result, rational business decisions prevent a major portion of people from accessing loan services including SME and agriculture loan. Promoting technological and institutional innovations as a means could expand the financial system access and usage; however, less than 4 people per 1,000 populations in the country are using credit cards identifying the technological and infrastructural weaknesses.

Low income: There is still a large section of household in the country, particularly in rural areas, having extremely low level of income; therefore, those people are un-served from any financial institutions.

Lack of suitable product structure of banks and MFIs: Appropriate financial products need to develop in reaching the unbanked population to the formal financial system.

Religious reasons: According to Global Findex survey about 5 per cent of unbanked adults state that they do not have account due to religious reason in developing economies. In a handful of countries with almost exclusively Muslim populations, including Niger, Turkey, Turkmenistan, and Uzbekistan, around 25 per cent of adults without an account reported religious reasons as a barrier. In these countries, developing products compatible with the principles of Islamic finance could be a key to expanding account ownership.

High cost of product: The cost of product of MFIs compared to that of banks (interest rate) is still high indicating another important barrier for financial inclusion.

Absence of credit bureau and insurance of MFI borrowers: Spreading of outreach by MFI is quite impressive in rural areas. But, there is no credit bureau for identifying overlapping borrowers and their indebtedness. At the same time, there is no micro insurance for credit borrowers.

National financial inclusion strategy: Although a few country has adopted national financial inclusion strategy, a large number or LDC, LLDC and SIDS countries in Asia and the Pacific pursues financial inclusion strategy without national financial inclusion strategy.

IV. Financial Literacy, Consumer Protection and Governance Framework

There is a linkage among triad financial inclusion, financial literacy and consumer protection for promoting financial stability. Consumer protection, financial literacy and governance framework are crucial factors for advancing financial inclusion drive in Asia and the Pacific region for next 15 years to pursue financial inclusion strategy. This section reviews the status of financial literacy, consumer protection and governance framework in Asia and the Pacific.

A. Financial literacy

To address the demand side challenges of financial inclusion, financial literacy play an important role. Financial literacy enables the consumer to access and usages availability of financial services product, delivery system and technology, risk management, business plan. The campaign of financial literacy is effective program for addressing demand side gap of financial inclusion. The level of financial knowledge and financial inclusion are positively linked.

For scaling up financial inclusion in Asia and the Pacific region, adopting a national financial literacy strategy is necessary. Level of financial education /literacy is vary in the region especially LDC, LLDC, and SDIC. A vast segment of financial excluded population is poor, aged, women, tribal and dwell at rural area. To bring those segment under the inclusive financial system, a mass campaign of financial literacy should be adopted by the both domestic and development partner.

Khalily and Miah (2015) conducted a study on "Financial Literacy and Financial Inclusion" in Bangladesh. They construct financial literacy score and find out the impact of financial literacy on financial inclusion. The financial literacy scores of Bangladesh show that women’s score is less compared to that of men. Region wise scores also indicate that rural financial literacy score is also less than that of urban. They found that financial knowledge related to bank lead higher financial inclusion in Bangladesh. The level of financial knowledge depends on various factors i.e., age, education, gender, and occupation. One of the policy implication of financial literacy literature is that financial knowledge should be geared up targeted towards rural areas, females, labors and less educated people for greater financial inclusion.

A policy hand book was designed by the OECD/INEF for national strategies for financial education. This Policy Handbook noted that “... benefited from the experience of the more than 110 member economies of the OECD/INFE, and with direct contributions from over 65 of them, through an in-depth and iterative consultation process. Based on an overview of worldwide trends in the design and implementation of national strategies for financial education, it identifies and addresses the main related challenges, outlines relevant solutions -developed in countries with different economic and financial landscapes- and presents key lessons learnt" (OECD, 2015) . Presently about 59 economies worldwide are implementing national strategies using guidance from the principles, a number that has more than doubled in less than five years. Table 1 shows that 11 countries are revising their national strategy in second time, 23 countries are implementing a national strategy for the first time, 25 countries are actively designing national strategy while 5 countries are planning.

Table 1. Status of national strategies (NS) in 2015

Status of the national strategy	Number	Countries and territories
A NS IS BEING REVISED OR A SECOND NS IS BEING IMPLEMENTED	11	Australia; Czech Republic; Japan; Malaysia; Netherlands; New Zealand; Singapore; Slovak Republic; Spain; United Kingdom; United States
A (FIRST) NS IS BEING IMPLEMENTED	23	Armenia; Belgium; Brazil; Canada; Croatia; Denmark; Estonia; Ghana; Hong Kong, China; India; Indonesia; Ireland; Israel; Korea; Latvia; Morocco; Nigeria; Portugal; Russian Federation[3]; Slovenia; South Africa; Sweden; Turkey
A NS IS BEING ACTIVELY DESIGNED	25	Argentina; Chile; China (People's Republic of); Colombia; Costa Rica; El Salvador; France; Guatemala; Kenya; Kyrgyzstan; Lebanon; Malawi; Mexico; Pakistan; Paraguay; Peru; Poland; Romania; Saudi Arabia; Serbia; Tanzania; Thailand; Uganda; Uruguay; Zambia
A NS IS BEING PLANNED	5	Austria; Former Yugoslav Republic of Macedonia (FYROM); Philippines; Ukraine; Zimbabwe

Source: OECD(2015b).

Many countries in Asia and the pacific--Japan, Malaysia, Singapore, Armenia, China, India and Indonesia have already adopted national financial literacy program. Kyrgyzstan and Pakistan have been designing while Philippines is planning to adopt national financial literacy /education program for promoting financial inclusion. The rest of countries in Asia and the pacific can device a road map of financial literacy/ education program targeted toward young people , women, low income groups, elderly people, micro-, small- and medium-sized enterprises, tenant farmer, and people living in rural areas. The activities of financial literacy campaign of Bangladesh and India is given in box 1.

In the domestic side, the stakeholder like government, central bank, commercial bank, NGO, MFIs, civil society and private sector leads financial education in the respective countries. The development partner stakeholder like world bank, IMF, and ADB can provide technical financial support to especial LDC, LLDC and SIDC countries in Asia and Pacific region.

Box 1. Financial literacy campaign in Bangladesh and India

Bangladesh[a]

Financial literacy and Bangladesh Bank's initiatives

Financial literacy can benefit anyone, regardless of age, income or background; create demand for financial products and services by accelerating financial inclusion; ensure consumer protection by applying transparency. Everyone associated with the financial system needs to be financially literate. This includes all users of financial services i.e. children, financially excluded resource-poor, the lower and middle income groups or the high net worth individuals and also the providers of services. But to start with, BB will remain focused on children up to the age of 18 years and vulnerable adults.

Bangladesh Bank's initiatives

A webpage has been developed and linked with Bangladesh Bank website (http://finedu.bb.org.bd).This includes the basic financial literacy topics, financial calculator, financial games, etc. The key objective is to make financially literate school going children as well as adults. It is also used for creating awareness among people regarding savings, advances and other financial services. Two visuals and ten audio commercials are made and are being broadcasted through TV and radio channels. Posters and advertisements on financial literacy are being published on news papers. Financial literacy campaign among school going children are being conducted throughout the country.

Guidelines for banks on financial literacy

In the aftermath of the global financial crisis, financial education issues have reached a momentum and financial literacy has gained international recognition as a critical life skill for individuals. In this respect, many countries are developing national financial education strategies and guidelines for different sectors. Bangladesh Bank has also started by preparing a guideline on financial literacy for banks containing instructions for: i) designating focal point/contact person in each bank for financial literacy issues; ii) developing descriptions of bank's products and services in simple language; iii) interest calculator; iv) cautionary notices about fraudulent activities; iv) separate tab for children (up to 18 year age) including school banking account, financial games, stories on banking concept, etc; and v) a page containing FAQs and option for query & complaints.

To promote financial literacy, the Financial Inclusion Department (FID) of BB is taking steps to mainstream financial literacy in our education system by including a chapter regarding financial literacy into the text book, which may start from grade-3 and onwards. It will enable teachers to teach financial responsibility through fun and experiential learning. To introduce as well as to enhance financial literacy among mass people - slogans, jingles, pictures, symbols about financial literacy may be printed on ATMs, bill-boards, opposite side of check books, deposit slips and various publications of banks.

India

The financial literacy efforts of the Reserve Bank are steered by the Technical Group on Financial Inclusion and Financial Literacy (TGFIL) of the FSDC Sub-committee. A National Centre of Financial Education (NCFE) was established for implementation of the national strategy for financial education. Awareness programs in the form of a national financial literacy assessment test, financial education training program for teachers and greater use of social networks is contemplated. The TGFIL is planning special financial literacy campaigns for adults who are newly inducted into the financial system, financial literacy through mass media and financial education in the school curriculum. The Central Board of Secondary Education (CBSE), in consultation with the regulators, has developed a financial education work-book for Classes 6 to 10. At the local level, as on June 2015, 1,226 financial literacy centers (FLCs) set up across the country by lead banks conduct financial literacy camps (Figure 9.1). Comprehensive finan-cial literacy material was prepared by the RBI that consists of a financial literacy guide for trainers, a financial diary and a set of posters, all translated into 13 languages.

[a] Bangladesh Bank, Annual Report, 2014-2015.

B. Consumer protection

Although financial consumer protection is relevant to all users of financial services, it is more important and relevant to farmers, women, poor and low-income customers. Generally, many of them have little experience with formal financial institutions, and face initial challenges understanding the products and services offered, as well as their rights and responsibilities as financial consumers. Poor and low-income customers also have limited capacity to absorb losses, so the potential negative consequences of bad financial decisions are high (BIS, 2015).

Under the financial inclusion program pursued by the LDC, LLDC and SIDS, the fast expansion of consumer credit offered to new poor, women, marginal farmers, and low-income customers by a wide range of credit providers has given rise to concerns regarding over-indebtedness and credit bubbles with potentially systemic consequences. After the recent financial crisis several global bodies and jurisdictions have placed increased emphasis on the linkages between financial consumer protection and financial stability. They have also underscored the importance of accompanying financial inclusion efforts with proportionate financial consumer protection policies, to ensure that newly included consumers are not subject to business practices that may not only cause them harm but also endanger the long-term health of the financial sector. Ultimately, financial consumer protection policies aim to build consumer confidence and trust in the formal financial sector (BIS, 2015).

Financial inclusion experiences show that consumer protection in the context of financial inclusion is the fast pace of product innovation occurring in many markets of Asia and the Pacific. This includes innovations in service delivery, with the increasing importance of non-financial actors, and product innovations such as bundled financial products and services and financial products bundled with non-financial products. These innovations raise important consumer protection challenges, including issues of liability, redress and rule enforcement when a financial product is delivered by one type of provider but resides on the balance sheet of another; issues of consumer behavior and usage of products when delivered via new channels that lead to faster consumer decision-making; and issues of data privacy and protection.

Box 2. Consumer protection activities in Bangladesh and India

Bangladesh

One of the main objectives of Bangladesh Bank (BB) is to attain and retain financial discipline, financial stability and financial integrity at an expected level. With a view to achieving these objectives, it is moral responsibility of BB to motivate the banks and financial institutions (FIs) to provide technology-based standard, sound, secured, hassle-free banking services to their customers. In a word, BB's commitment is to stop any customer harassment and thereby to protect customers' interest. With this sentiment, firstly, 'Help Desk' then Customers' Interest Protection Center (CIPC) were established in 2011 and thereafter, the Financial Integrity and Customer Services Department (FICSD) was established in 2012 as a complete department. The department is working as a new platform for settling any complaint against banks while the customers are facing any harassment in banks and FIs. It is very clear from the Annual Report, 2014-

2015 that in one side, the number of customers has been increased, volume of banking services has been expanded and with that the number of complaints has been increased gradually due to ongoing financial inclusion programs, banking product diversity and IT-based banking services; on the other hand, the resolution rate of complaints has also been increased and thus enhancement of customers' satisfaction has been ensured. So it is explicit that the FICSD along with other banks and the FIs have continued their initiatives silently to achieve discipline, integrity, trustworthiness in banking sector. Besides this, "The Guidelines for Customer Services and Complaint Management" issued by the FICSD for commercial banks and financial institutions, is playing a greater role in providing excellent customer services, grievance redressed and customer interest protection. During the period from March 2011 to June 2015, the FISCSD received a total 14920 complaints from customers through over phone, mobile, email, fax and written and resolved all complaints during the time period. It is expected that this department will continue its efforts in establishing a disciplined, neutral, safe, responsible, dependable and credible banking sector in Bangladesh and this effort will play an effective role in protecting customers' interests.

India

The Reserve Bank has a dedicated Department—the Consumer Education and Protec-tion Department (CEPD) —for both customer complaints about banks and complaints about the Reserve Bank. Further, the Banking Ombudsman Scheme (BOS) is the main system in place for grievance redressal under which the 15 Offices of Banking Ombudsmen (BO) located across the country receive and examine complaints on 27 grounds specified under the Scheme. Complaints that fall outside the purview of the BO Scheme (non-BOS complaints) are handled by the Consumer Education and Protection (CEP) Cells of the Bank's regional offices.
To give formal recognition to consumer protection, the Charter of Customer Rights was released by the Reserve Bank in December 2014. These rights encompass over-arching princi-ples for better customer service to be extended by banks and comprise five basic rights: Right to Fair Treatment; Right to Transparency, Fair and Honest Dealing; Right to Suitability; Right to Privacy and Right to Grievance Redress and Compensation. Almost all banks have put in place such policies.

Banks are required to constitute a Customer Service Committee of the Board and have a Board-approved policy in key areas, such as those with respect to deposits, cheque collec-tion, customer compensation and grievance redressal. Banks have been advised to establish customer service committees at the branch level. The Reserve Bank has also advised all public sector banks, select private banks and foreign banks to appoint an Internal Ombudsman. On review, the Committee felt that although an institutional framework on grievance redressal exists, both in the Reserve Bank and in banks, the mechanism needs to focus on delivery at the ground level.

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[a] Compiled from Rahman (2014-15) and Bangladesh Bank (2014-2015).
[b] Drown from RBI (2015).

In order to expedite financial inclusion in Asia and the Pacific, banks and financial service providers need to sensitized to customer protection and grievance redressal with adequate monitoring. Some activities of consumer protection in Bangladesh and India are given in box 2.

C. Governance framework

The effective implementation of financial inclusion initiatives depend on enabling policy and regulatory environment. Sound legal and regulatory frameworks that are effectively enforced promote market development and competition, while subjecting financial institutions and agents to sound and appropriate prudential regulation and rules of conduct in order to protect consumers and depositors as well as to ensure market stability. Thus, several objectives need to be balanced, including financial inclusion. Regulators and supervisors play a key role in the design and implementation of an enabling environment for financial inclusion (World Bank, 2012).

Global Microscope 2014 constructs financial inclusion environments index/score based on 12 indicators are: (1) Government support for financial inclusion, (2) regulatory and supervisory capacity for financial inclusion , (3) prudential regulation, (4) regulation and supervision of credit portfolio, (5) regulation and supervision of deposit-taking activities, (6) regulation of insurance targeting low-income populations, (7) regulation and supervision of branches and agents, (8)requirements for non-regulated lenders, (9)regulation of electronic payments, (10) credit-reporting systems, (11) market-conduct rules, and (12) Grievance redress and operation of dispute-resolutions. Based on these indicators, scores of some countries in Asia and the Pacific are plotted in figure 13.

Figure 13. Trend in national environment of Financial Inclusion Index

(Score/100)

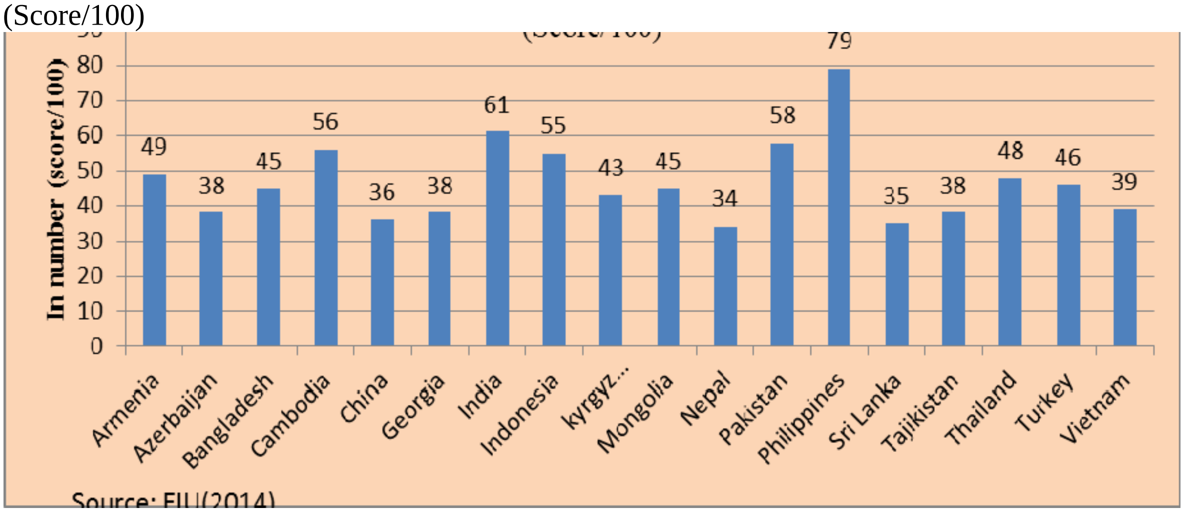
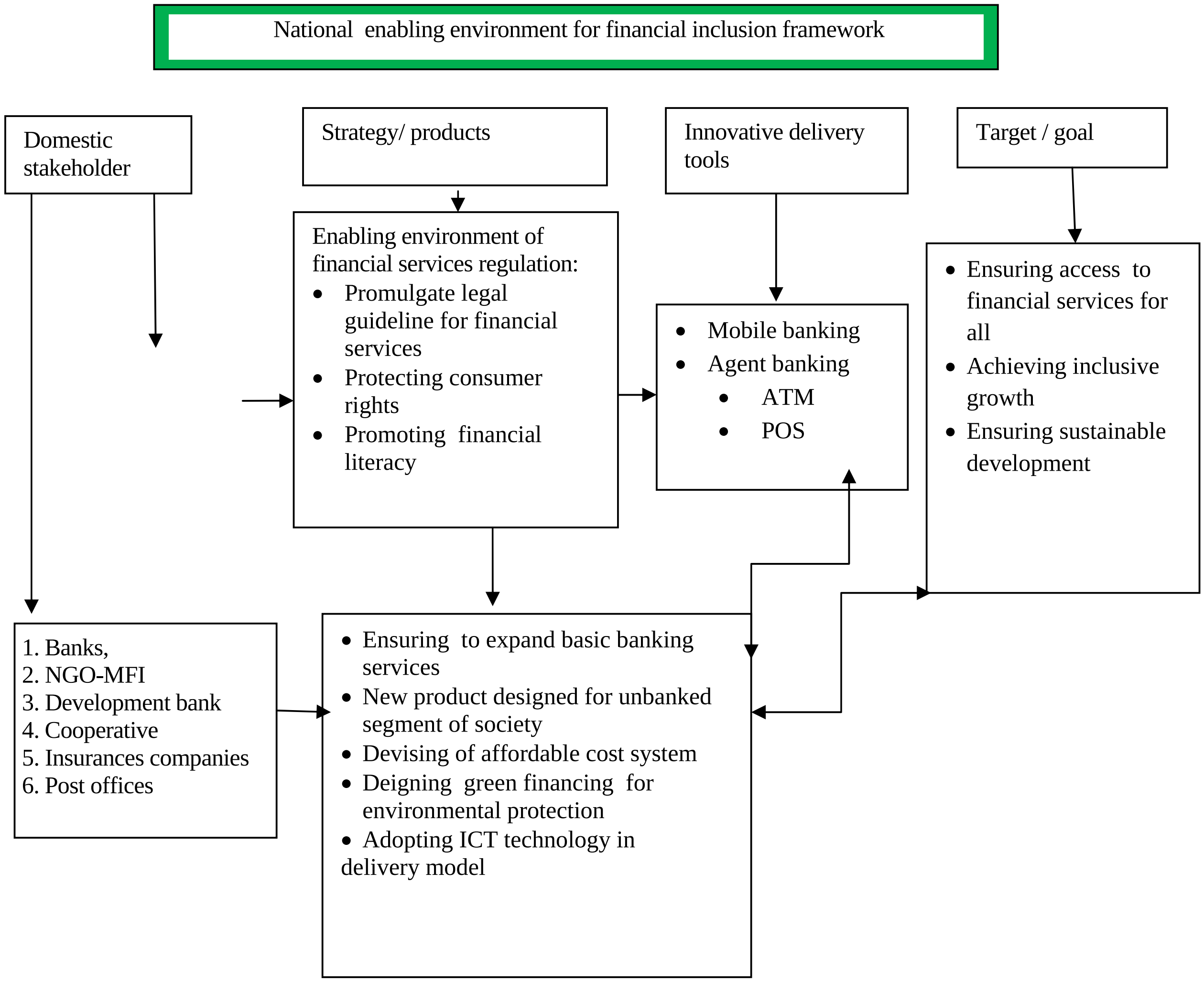


Figure 14. National enabling environment for financial inclusion framework



Source: Islam, Ezazul (2015).

It is observed from figure that 13 countries out of 18 countries score of regulatory and structural framework, as well as the business operating environment for microfinance are under second quarterlies (less than 50), reflecting a weak governance for financial inclusion. So it is important to stakeholders who serve low-income population and broaden financial inclusion for economic growth and development--an important emerging action plan for creating an enabling governance framework and national enabling environment for financial inclusion framework (figure 14).

V. Sustainable Development Goals (SDGs) and Financial Inclusion Strategy[3]

To achieve these post-2015 SDGs a broad based inclusive economic growth and environmental sustainability approach for development is needed in the Asia Pacific region. Many of these goals are achievable during next 15 years in the region if time bound actions are taken. In order to move this Post-2015 development agenda forward, a pragmatic inclusive financing approach needs to be implemented as widely as possible and as soon as possible.

The UNSGS finds that financial inclusion is a critical enabler and accelerator of equitable economic growth, job creation, social and human development. It is a cross--cutting issue. An inclusive financial system is part of essential infrastructure in a given country. One of the targets is that universal access to financial services by 2030 is within reach. That means that all households and businesses have access to and can effectively use a wide--range of financial services at a reasonable cost, provided by responsible and sustainable institutions that operate in a well--regulated environment. A global target of 90% usage of formal accounts is achievable, based on targets some countries have set.

Some priority sectors are very important in financial inclusion policy framework to pursue to achieving the SDGs. These priority sectors are discussed below:

A. Agricultural finance and financial inclusion

Expanding agricultural credit flow to marginal farmers, share cropper, landless tiller and women farmers is one of the crucial initiatives for fostering financial inclusion in the next 15 years. For example, Bangladesh Bank (BB) pursues an impressive agricultural credit policy for stimulating financial inclusion, given priority to marginal farmers and women farmers. The policy highlights for reaching out to relatively underdeveloped areas for timely & hassle free delivery of adequate agricultural/rural credit to small farmers & share-croppers. A first ever Taka 5.00 billion refinancing line has been adopted against loans to landless sharecroppers in partnership with a recognized MFI.

In order to promote production of agricultural import substitute crops, BB arranges credit facilities at a 4% concessional interest rate**.** Agricultural credit at a concessional 4% interest rate is being extended by banks to farmers for growing of pulses, spices, oilseeds, and maize. Banks get a 6% interest subsidy from the government through Bangladesh Bank against these loans. Local production of these specialized crops is already contributing significantly towards reduction of import dependence. The payment process of interest subsidy has been simplified with a view to settling the bank's claim promptly**.**

With a view to ensuring the availability of agriculture credit at a reasonable cost, the government of India and RBI have adopted a wide rage program. The notable steps are: (1) Loan target for commercial bank to small and marginal farmers at subsidized interest rate. Despite these efforts, a large number of farmer remain outside the purview of formal finance (RBI, 2015).

[3] This section heavily drown from Islam, Ezazul (2015).

About more than 60 per cent population in Asia and the pacific directly depends on agriculture for living. The sector provides employment to more than 50 per cent, on average, of the labor force. In order to ensure food security and food availability to reduce hunger, agricultural financing is very important for developing countries. Although a notable credit delivery approach has been taken to reach out excluded farmers, many small and marginal farmers are excluded from formal banking system in many countries in Asia Pacific region. A comprehensive inclusive agricultural financing approach including credit policy, target group, and crop insurance for small and marginal farmers may ensure food security and reduce hunger for inclusive growth.

B. Expanding microfinance activities for reaching out missing lower income segment of population

Bangladesh is the pioneer of an innovative microcredit program, introduced by Professor Yunus through Grameen Bank, which earned him and his organization a Nobel prize in 2006. Although Grameen model is recognized world-wide and replicated in many countries, microfinance has existed in Bangladesh in some form or other for a long time. Many countries in Asia Pacific region, i.e., India, Pakistan, Afghanistan, Chaina, Malaysia, Indonesia, and Cambodia are expanding financial services to rural poor and micro enterprise through microfinance institution (MFIs). Although microfinance penetration and coverage of poor people scaled up over time, there is a lot of scope to expand the penetration in many country(table 2)

Cross country experiences show that microfinance Institutions (MFIs) have become a dominant institutional form of finance for the poor who cannot access formal institutions of finance and now has an alternative to excessively costly informal loans. The development literature abounds in examples of many ways how microfinance has benefited the poor. That microfinance is empowering women is particularly well-recognized. However, microfinance has been criticized recently in various parts of the world, including Bangladesh, for high interest rates causing indebtedness of borrowers, and for using coercive tactics to collect loans.

Table 2. Microfinance penetration Asia

Country	Microfinance Penetration	Coverage of Poor Families
Bangladesh	43%	52%
Sri Lanka	7%	29%
Vietnam	7%	25%
Cambodia	4%	12%
Indonesia	3%	11%
Nepal	3%	8%
Philippines	2%	6%
Pakistan	1%	2%

Source: InM (2011a).

The state of outreach of MFIs indicates that it needs scaling up of microfinance and catering to needs of the poor who are not covered yet. Although the microfinance movements in South Asia has already changed the nature of financial sector and has succeeded to provide services to poor who were excluded until now from coverage. However, many more poor people are still excluded from the coverage. Recent research shows that MFIs have only covered 43 per cent of rural households and the shares of high-cost informal sectors are still substantial (23 per cent). There is thus a substantial shortfall in the availability of microcredit in the region in reaching to demands. Other countries fall in between with Pakistan reaching about 10 per cent and India and Nepal reading about 15 per cent. The proportion of the poor households covered so far ranges from 4 per cent (Afghanistan) to 45 per cent (Bangladesh) (InM, 2011b).

To promote and foster sustainable development of microfinance sector through creating an enabling environment, some challenging issues should be addressed. The challenging issues are high interest rate of loan, overlapping of borrower, indebtedness and sustainability of MFIs, linking with formal financial system. The more experience and clear thinking are needed to channel the efforts in ways that will lead to good enabling environment. One of the most constructive regulations initiatives has been adopted in Afghanistan, where microfinance is in its infancy, Bangladesh, has so far only gone part way to create an environment that will enable the sector to make an even greater contribution. Regulatory changes such as the recent approval by the RBI to allow correspondent banking relationships and the interests in several countries to allow mobile telephone banking are examples of initiatives that could help commercial banks downscale their services and become more active in bridging the gaps between commercial banking and microfinance.

C. Scaling up financing to micro small enterprise (MSE) and small and medium-sized enterprises (SMEs)

Micro small enterprise (MSE) and small and medium sized enterprises (SMEs) are a backbone of the national economies in the countries of Asia and the Pacific region. Available data show that small and medium-sized enterprises (SMEs) accounting for 98% of all enterprises and 66% of the national labor force on average during 2007–2012. SMEs contributed 38% of the gross domestic product or manufacturing value added in Asia on average in 2007–2012, suggesting their contribution to the region's economies can be expanded further. SMEs also influence trade. Thirty per cent of total export value was brought by SMEs in Asia on average in 2007– 2012. In the People's Republic of China (PRC), SMEs accounted for 41.5% of total export value in 2012, up 6.8% year-on-year, while in Thailand they made up 28.8% of total export value with 3.7% year-on-year growth. SMEs that are part of the global supply chain have the potential to promote international trade and mobilize domestic demand (ASM, 2013).

Available data show that the level of employment by SMEs varies across the country in Asia Pacific region. The share of SME employees to total employment ranged between 28.0% (Kazakhstan) and 97.2% (Indonesia) in 2012. The workforce employed by SMEs sharply expanded in the PRC in 2012 (21.9% year-on-year growth). There was also moderate annual growth of SME employment in the Philippines (9.6% in 2011), Thailand, (7.2% in 2012), Malaysia (6.4% in 2012), Indonesia (5.8% in 2012), and India (4.9% in 2012). The number of SME employees in Cambodia increased by 11.4% in 2011 compared with 2009. By contrast, employment by SMEs in Kazakhstan is low and decreasing because of the deep-rooted aftermath of the 2008/09 global financial crisis

(1.8% year-on-year decrease in 2012).

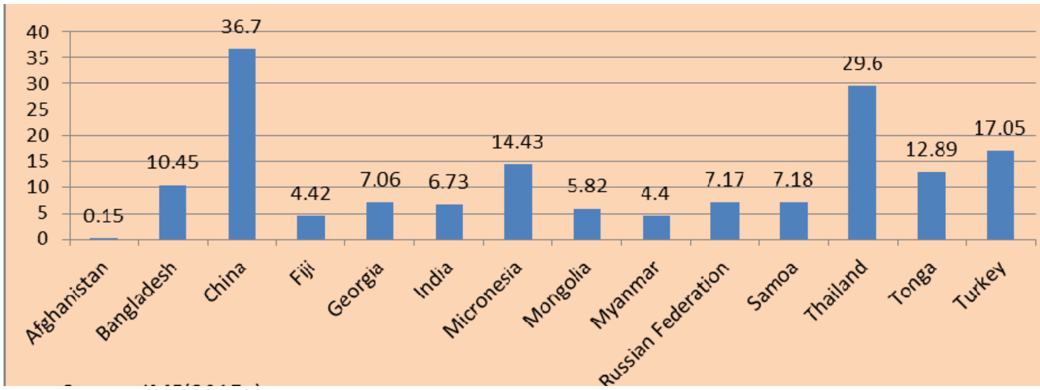
The sectoral share of GDP show that SMEs, including micro enterprises, contributed to 59.1% of nominal gross domestic product (GDP) in Indonesia in 2012, a figure which is gradually increasing . SMEs and micro enterprises in Thailand contributed to 37.0% of nominal GDP in 2012, and in Malaysia 32.7% of real GDP in the same year, suggesting that the SME contribution to the national economy is still small. To improve this, Thailand targets the increase of SME contribution to GDP to 40% or more in its country strategy 2012. In Kazakhstan, the nominal GDP of SMEs tends to increase but their contribution to GDP has been decreasing since 2010, and was 17.3% in 2012.

In view of employment generation and contribution to GDP, many country of the Asia Pacific region pursue inclusive finance policies for SME so that MSE and SME can access to finance with affordable cost. It is expected that a strategy of more inclusive finance in MSE and SME can support inclusive growth, employment generation, and the effort to overcome middle-income traps of many counties.

Many measures have been developed at the national level to improve SME access to finance. These include public credit guarantee schemes in Indonesia (People's Business Credit) and Thailand (portfolio guarantee scheme), mandatory lending in the Philippines, secured transaction reforms to establish collateral registries and promote movable asset financing in the Pacific region, refinancing schemes in Bangladesh and Malaysia, and the establishment of a centralized credit bureau in Viet Nam. However, policies focus mainly on enhancing bankability in Asia and the Pacific, while policies on nonbank financing avenues and capital market financing for SMEs have yet to be widely developed.

Growing SME access to bank credit is helping to reduce the supply–demand gap in SME lending. In many Asian countries, public credit guarantees are contributing to enhancing SME bankability. However, SMEs still have large unmet demand for financing. SME loans made up 25% of total bank lending in Asia and the Pacific on average in 2012, down from 27% in 2011. SME loans grew at 10% year-on-year in 2012, down from 19% in 2011. This indicates banks are raising risk consciousness to SME credit from the perspective of banking stability. SME loans constitute a large portion of overall nonperforming loans in developing Asia, suggesting banks need better ways to assess SME creditworthiness and more risk-based approaches to finance viable SMEs. Improving the financial infrastructure for SME lending would help. Examples include the centralized national credit bureau in the Philippines and the collateral registry for movable properties in Solomon Islands. The PRC has also set up the Movable Assets Financing Public Registry System serving SMEs. Current outstanding SME loan as per cent of GDP for selected countries is given in Figure 15.

Figure 15. Outstanding SME loan as %GDP as of 2014



Source: IMF (2015a).

Many countries in Asia and the Pacific view SMEs as key to developing a resilient, inclusive economy and as a source of job creation, and have established comprehensive medium-term action plans to promote SME growth. National SME development plans include encouraging market access, productivity enhancement, creating a sound competitive environment, formalizing informal SMEs, capacity development, concessional business regulations, and helping SMEs adapt technology for innovative business. Access to finance is critical to realizing these policies. SME policies are generally administered and implemented by a special government unit, specialized SME agency, or line ministries responsible for SME promotion, generally with strong cooperation with the central bank.

There is no single solution for financing SMEs. Rather, national policy makers need to develop a comprehensive suite of policy options that support innovative and diversified financing models that serve the financing needs of SMEs at different business stages. An increasingly globalized economy will bring more SME internationalization—particularly in supporting industries—and bring new financing demands from SMEs, such as funding in offshore currencies. SMEs in Southeast Asia will be exposed to further liberalized trade and investment after the establishment of the Association of Southeast Asian Nations Economic Community in 2015. This new environment will require new financing solutions for SME exporters and importers, suggesting an increased demand for supply chain finance and trade finance facilitation. Globalization will encourage Asia's policy makers to use more flexible and holistic policy approaches for SME financing beyond measures already established.

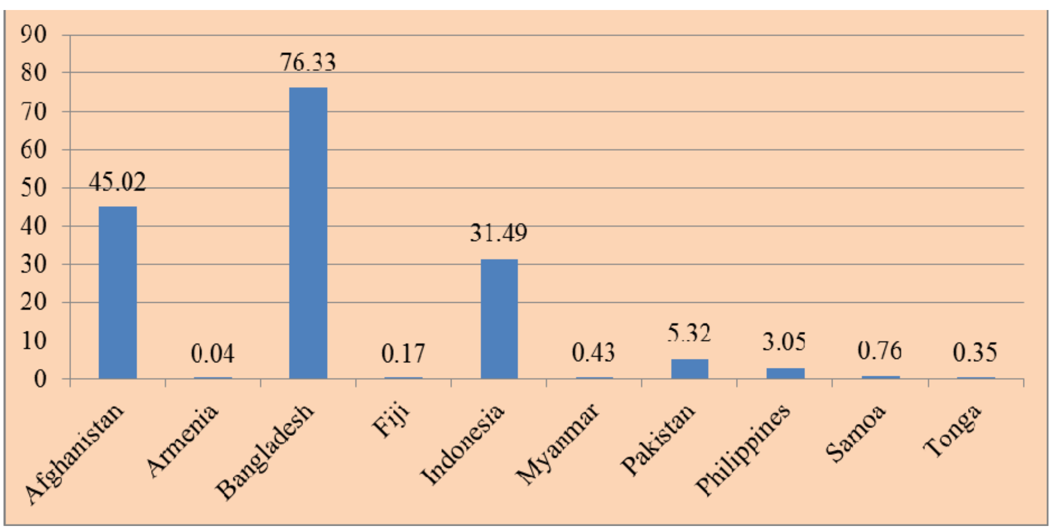
ASM 2013 report highlights that lessons from the recent financial crisis suggest that countries need to develop innovative financing models beyond traditional bank lending. Providing long-term financing opportunities, such as capital market financing, for growing SMEs is a newly emerging agenda in SME financing. Policy and regulatory actions may be elaborated to respond to new areas such as crowd funding, asset-based finance, seed and early stage finance, and SME cluster financing. SME finance also needs to cope with crosscutting global issues such as climate change, gender empowerment, and poverty alleviation. Social capital markets, green finance, agriculture finance, and financing women-led SMEs are focal agendas in this discussion. Accordingly, a holistic policy framework better serving various SME financing needs is a necessary component for SME sector development at the national level.

D. Adopting mobile banking and information technology in financial service delivery

Experiences of mobile banking and agent banking in Asia Pacific region show that it is an effective tool to outreach unbanked /underserved people in remote area. Trends in mobile and agent banking in the region show that mobile financial service are scaling up very fast. To reach vast un-bankable lower income segment of population, youth, woman, and rural people the mobile technologies play as a catalyst for financial inclusion. Asia Pacific had a Smartphone penetration of 40% last year, but that is projected to rise to 65% by 2020. Although penetration of mobile technology is expanding in Asia Pacific, the mobile financial market size and depth very low. Value of mobile money transaction as per cent of GDP for selected countries is given in Figure 16.

Prudential regulation can ensure the role mobile money in boosting financial inclusion and growth. For example, new regulation has been passed in Colombia, Kenya, India and Liberia last year. The biggest single barrier, however, is the absence of a licensing authorization framework for non-banks. This can slow down or even prevent companies from setting up mobile money services. Other regulatory obstacles include transaction and balance limits that are too low, onerous customer identification requirements, rules preventing companies from earning interest on pooled funds, and restrictions on international remittances, particularly outgoing remittances.

Figure16. Value of mobile money transaction during 2014, as % GDP



In view of importance of mobile banking, Bangladesh Bank (BB) issued guidelines on Mobile Financial Services in 2011 that rightly prescribed bank-led model. This is the first mobile financial services guideline in the region. Due to the contribution on promoting the mobile banking services in the country and for undertaking remarkable initiatives on financial inclusion, BB received ‘Alliance for Financial Inclusion Award’ in 2014. Bangladesh has been placed in number seven in a recently published list of top developing countries in mobile banking services by the Economist, the British Magazine.

In mobile banking and payments, all licensed banks are not active and a few banks are dominating market. Daily transactions through mobile banking increased tremendously; however, KYC of mobile account remains a challenge. Some banks are skeptical about profit from the mobile banking services in Bangladesh in near future. Use of technology became helpful in handling fraud, and also exposed bank to IT related fraud. Lack of financial literacy and awareness are major barriers of financial inclusion and online banking in the context of Bangladesh. It is also true for many countries in Asia Pacific region. By harnessing the potential of mobile technology, large sections of the un-banked and under-banked society can be empowered to become inclusive through the use of electronic banking services (RBI, 2014).

E. Pursuing green financing for environmental sustainability

Many countries, especially India and China are the largest economy in Asia and Pacific region, harnessed rapid higher economic growth to meet MDGs. This rapid economic growth has environmental cost. For example, the PRC's rapid economic growth has exerted significant pressure on the environment, with high levels of land degradation, poor air quality standards, and inadequate and unsanitary water supply. It's carbon dioxide emissions accounted for about 24% of the world's total in 2009, and is closely linked to the largely coal-based energy sector and to the PRC's heavy reliance on fossil fuels. Addressing the issues related to environmental management and climate change is a key objective for the government, which has set a target for reducing carbon dioxide emissions (from the 2005 levels) by 40%-45% per unit of gross domestic product (GDP) by 2020 (ADB, 2014).

In view of climate change and environmentally sustainable development process, Bangladesh Bank launched a comprehensive green banking initiative in 2011 to support and promote environmentally responsible financing. Besides, it also issued guidelines on environment risk management. Probably, the only central bank in the world which has issued such indicative guidelines for promotion of green energy to foster sustainable economic growth(Green Banking Report, BB, 2012).

Bangladesh Bank supports financing of renewable energy generation and other environmentally benign projects. BB allocates an amount of Taka 2 billion to refinance lending for renewable energy generation, and other environmentally beneficial project like effluent treatment project, energy efficient kilns for brick field and so forth. Utilization trend of Bangladesh refinance scheme shows that Taka 1053.5 million has already been disbursed from this BB fund during FY10-FY14 to solar energy, biogas, hybrid Hoffman kiln and effluent treatment plants. In FY14, about 42 banks disbursed of Taka 398.2 billion as green finance (Annual Report, BB, 2014). The approach of environmental sustainable financing may be an eye opener for other central bank in the region.

In order to protect environmental degradation, the PRC government invested about $383 billion, including public and private funds, during 2006–2010 in energy-efficiency and emission-reduction projects and in the new energy sector. The annual investment required to meet climate-change targets is expected to be about $273 billion–$305 billion a year by 2015, escalating to about $353 billion–$385 billion a year by 2020. To raise these amounts, it will be necessary to harness private capital investment and utilize market mechanisms (ADB, 2014).

Most efforts to reduce energy consumption to date have focused on large state-owned enterprises (SOEs), over which the government can exert direct pressure to reduce energy consumption. Although SMEs are vital to economic development (contributing around 60% of GDP), they lag behind the big SOEs in the utilization of energy-efficient and environmentally friendly technologies. SMEs are considered by many to be the next frontier in energy efficiency and emission reduction.

The PRC's 12th Five-Year Plan includes a significant component on environmental management, with ambitious targets for improving energy efficiency, reducing carbon emissions, and encouraging the development of clean energy resources. One of the policy directives set out in the plan is to improve the incentives for energy conservation and emission reduction. Under the plan, the PRC is pursuing green and low-carbon development ideas for energy conservation and emission reduction, improving incentive and constraint mechanisms, and working to boost resource-saving and environmentally friendly production and consumption—all to strengthen sustainable development and improve ecological standards.

Environmental management is also important to ADB. As noted above, pillar 2 of ADB's country partnership strategy (CPS) for 2011–2015 is "environmentally sustainable growth"; and energy is one of the priority sectors under this CPS. While finance is not a priority sector, support for innovative financial solutions and access to credit in the priority sectors remain major operational objectives. In particular, ADB continues to support green finance. Environmentally sustainable growth is also a key objective for ADB's Strategy 2020, under which the environment is recognized as a core area of operation.

Implementation of the sustainable development agenda would benefit from coordinated and synchronized action across various agencies and ministries. Strengthening and streamlining incentive regimes entails phasing-out regressive energy subsidies; discouraging investment in unsustainable business solutions; and incentivizing innovation and diffusion of sustainable technologies. At the same time, the region has scope for mobilizing resources by raising efficiency in tax collection (which is currently less than 40 per cent); as well as broadening and deepening domestic equity and debt markets (Akhtar, 2015).

Equally pressing for the sub-region is the need to develop a strong pipeline for viable and sustainable projects that could be eligible for the new financing vehicles such as the People's Republic of China sponsored Asian Infrastructure Investment Bank and now its South-South Climate Fund. This is also key to attract financing from institutional investors and to tap the regional bond market. Also important will be to examine the possibility of prioritizing sustainable development in the development finance institutions. Most encouraging has been the initiative of Bangladesh's Central Bank to issue green banking guidelines in 2011 to stimulate green investments. Fostering innovative public-private partnerships (PPPs), can also be a source for leveraging financing being made available for sustainable development projects (ibid).

Inclusive green growth aims to enable sustainable development and to avoid irreversible and costly environmental damage. As such, efforts to foster green growth must focus on what is required in the next five to 10 years to sustain robust growth, while avoiding locking economies into unsustainable patterns, preventing irreversible environmental damage, and reducing the potential for regret. Most important are changes in the patterns of consumption and production that boost demand for green technologies. This is essential to stimulate technological innovation and the scale of production necessary for prices to drop and green technologies to become competitive (World Bank, 2013).

Over the past 10 years, a range of programs has been developed around the world to use bonds to channel capital to investments important to addressing environmental challenges such as climate change. The CBI (2013) identifies some US$346 billion outstanding bonds relating to climate change solutions in 2013. Some $18 billion have been marketed as green or climate bonds, with the bulk of issuance from development banks (CBI, 2014). Governments have developed a range of support measures that have seen a growth in green bond issuance in renewable energy, energy efficiency and transport sectors (IISD, 2014).

Under its 12th Five-Year Plan, China has ambitious plans to improve energy intensity, grow environmental industries and reduce environmental stress. This will require the mobilization of huge amounts of capital. In August 2013 the State Council announced plans to grow a corporate green bonds market in China as part of meeting the objectives of the 12th Five-Year Plan (State Council, 2013b).

In view of three pillars of sustainable goal, green finance to industries and project should be a key objective for the government in the Asia Pacific region so that it can be balanced against the requirements of economic development for achieving SDGs.

F. Expanding peer learning process

It is also an important that learning from each other can promote greater inclusive finance approach. By looking at the previous sections, there are useful lessons that countries can learn from each other to design and implement effective, relevant, and successful financial inclusion programs. For example, the experiences and lesions from microfinance, SME, green finance, mobile banking technology, and agent banking may be possible areas for learning from each other in the region. These areas also need resources for capacity development and expanding peer learning and experience sharing by the Alliance for Financial Inclusion. The regional organizations like ADB can expand recourses to access SME financing and green financing. The World Bank, IMF and the United Nation may be development partner in region for enabling environment of technology, proportionate regulatory framework and consumer protection and empowerment.

VII. Action Agenda and Policy Recommendations

Financial inclusion trend and pattern in Asia and pacific region show that many people, especially women, youth, marginal farmers, and rural dweller still lack access to financial services, as well as financial literacy, which is a key for social inclusion. National governments, central banks, financial service providers, private sector and development partner work together towards full and equal access to formal financial services for all. The priority areas are (1) to adopt or review financial inclusion strategies, in consultation with relevant stakeholders, and to consider including financial inclusion as a policy objective in financial regulation, in accordance with national priorities and legislation, (3) to encourage commercial banking systems to serve all, including those who currently face barriers to access financial services and information, (4) to support microfinance institutions, development banks, agricultural banks, mobile network operators, agent networks, cooperatives, postal banks and savings banks as appropriate, (5) to encourage the use of innovative tools, including mobile banking, payment platforms and digitalized payments, (6) to expand peer learning and experience-sharing among countries and regions, including through the Alliance for Financial Inclusion and regional organizations. A praiseworthy note that UN commits to is strengthening capacity development for developing countries, including through the United Nations development system, and encourage mutual cooperation and collaboration between financial inclusion initiatives (UN, 2015). However, some policy recommendations are given below for advancing financial inclusion in Asia and the Pacific:

1. **National financial inclusion strategy**: Globally, about 50 countries have adopted financial inclusion strategy to fostering financial inclusion drive. A few countries in the Asia Pacific region also adopted financial inclusion strategy. For example, Indonesia and Pakistan have drown financial inclusion strategy with help of World Bank Group (WBG). Recently, India has deigned financial inclusion strategy titled "Medium-term Path on Financial Inclusion. Cross countries experiences show that a good number of courtiers pursue financial inclusion strategy without formal national financial inclusion strategy in Asia and the Pacific. National Financial Inclusion strategy (NFIS) provide an important opportunity to introduce an evidence-based, prioritized, better resourced, and more comprehensive approach to expanding access and usage of financial services. NFIS can harness the enabling foundations and drivers identified as critical to achieve Universal Financial Access, and also build on those measures to promote the uptake and use of a broad range of financial services.
2. **Road maps of action plan**: To expand financial services to targeted group, time bound action plan should be deigned. National government and central bank may devise 5-year action plan road maps for financial inclusion. Yearly assessment is needed to monitor the progress of the target.
3. **Innovative financial products**: Financial service providers may cater special financial products to outreach financially excluded segments of the society. Due to a wide variation in culture, custom, language and income level, the demand of financial services is different. To expand financial services to those segments, an appropriate financial product should be designed. Besides, illiterate, poor, women, farmers, and rural dwellers are ignorant about available financial services. The need /target based financial product may attract them.
4. **Financial literacy program**: In order to address demand side phenomenon of financial inclusion, a concrete time action bound national financial literacy programs are necessary to create financial products demand in the lower income segment of society.
5. **Mutual cooperation**: Mutual cooperation and clear responsibility should be chalking out among stakeholders, i.e., governments, central bank, banks, financial institution, private sectors and development partners.

6. **Consumer protection and good governance**: The financial stability is essential. In view of expanding financial inclusion activities, financial fraud, risk, and crime has been increasing in many countries. The effective consumer protection law and effective good governance environment are need for financial stability.
7. **Gender gap:** Women are largely excluded from the formal financial system due to cultural, religious and rural women illiteracy in many countries. For example, only 2.9 per cent adults female have an account with a formal financial institution, compared to 17 per cent to adults male. Mobility and social interaction limitation can restrict women's access to financial services. To overcome gender barriers, concerted and creative efforts from governments and private sectors including social and religious group are required to address ingrained social and cultural barriers that prevent women from participating in the formal financial institution and to investigate further the causes of, and potentials solution to, exclusion (SBP, 2015).
8. **Lack of Islamic finance product**: Although, Islamic finance activities have been growing in many countries in Asia and the Pacific, a large segment of society are willingly excluded from traditional financial services due to religious reason. A 2014 survey respondents indicate that religious was a primary reason for their voluntarily exclusion from the financial sector (SBP, 2015). Fostering Islamic finance to serve those who prefer Islamic products or who are excluded or underserved due to their religious beliefs.
9. **Initiatives for effective use of dormant account:** Many countries in Asia and Pacific have initiative to bring socially disadvantaged and financially excluded people into financial services under its on-going financial inclusion program for advancing the universal access to financial services by opening innovative account. For example, about 15.3 million innovative account including 10 Taka farmers account in Bangladesh and about 122 million Pradan Mantri JanDhan Yojana (PMJDY) account in India were opened. Experiences show that many accounts remain dormant. To find out the way for effective usage the dormant accounts is crucial.
10. **Expanding financing flow to agriculture and MSME**: Cross countries experiences show that notwithstanding much improvement in credit delivery to agriculture and MSME due to various measures, a large number of marginal farmers, share cropper and small enterprise remain excluded from formal financial system which is a big concern for advancing financial inclusion.
11. **Data and monitoring**: A strong database on financial inclusion is very important for monitoring and evaluating financing inclusion trend approach for advancing financial inclusion. Availability of data on financial inclusion for many countries in Asia and the Pacific is not handy. A few data for LDC and LLDC's countries some extend available but for SIDS's countries not available. A national database by product, geography (rural and urban); gender, and sectors (micro finance, MSME, agricultural loan and green finance). The common measurement of financial inclusion and paucity of data also a problem.

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