

# Fintech Driving Financial Inclusion: Recent developments

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Transforming Alternative Finance: Innovation, Trust and Impact  
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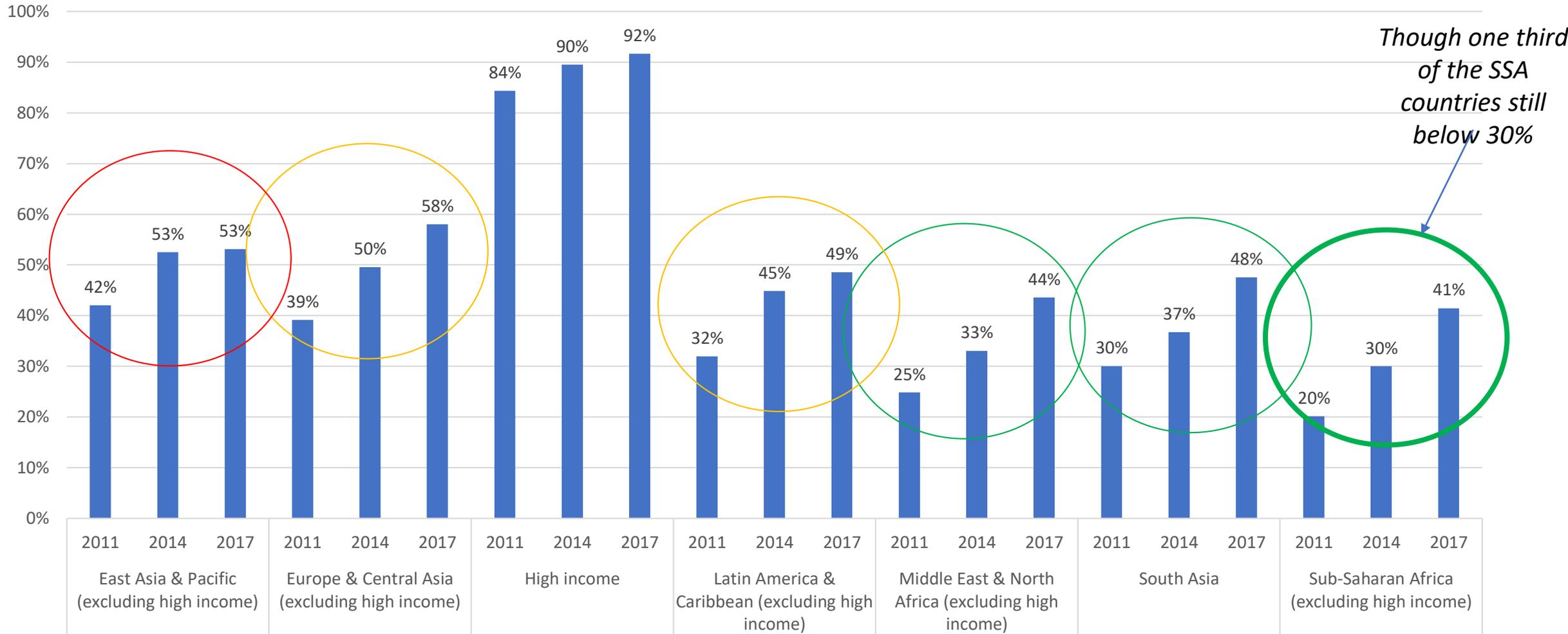
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# 1. Financial Inclusion Trends



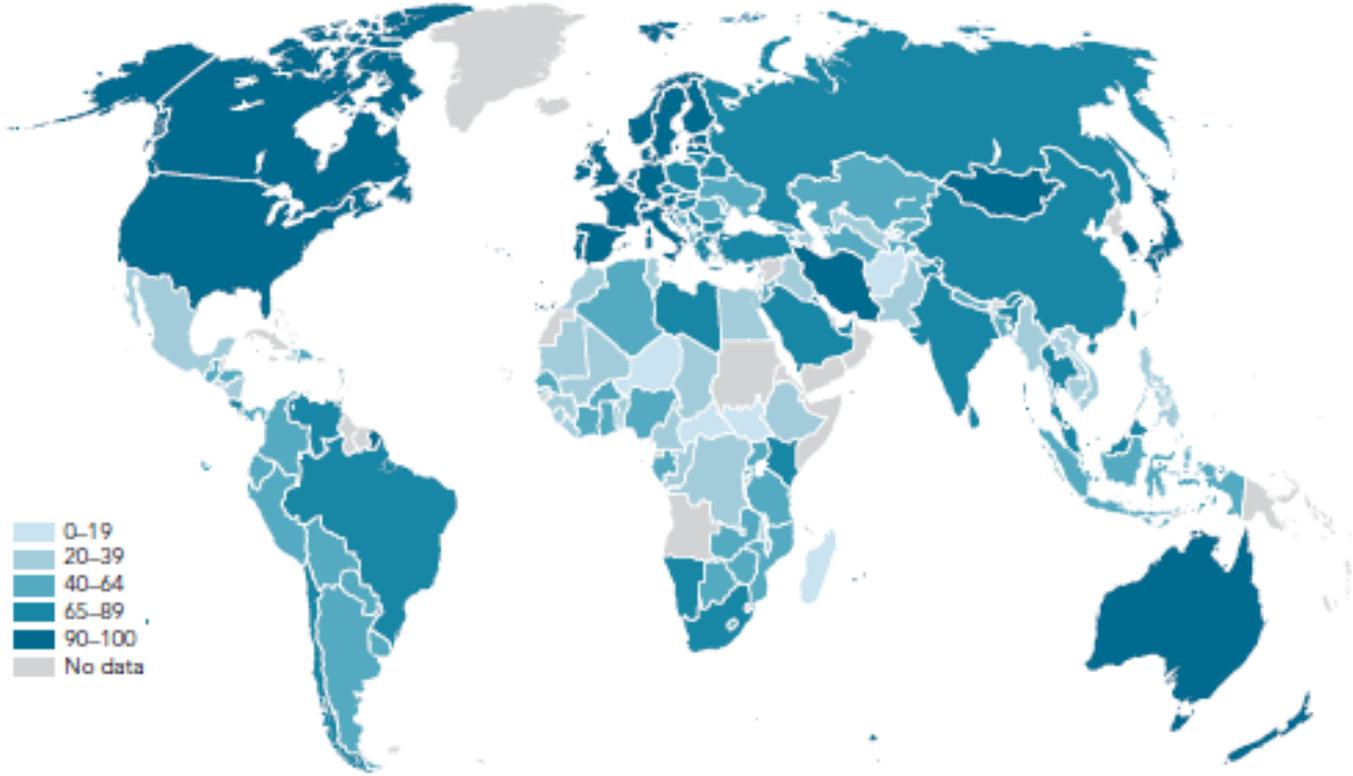
# Financial inclusion has improved globally, but 1.7 billion adults (31%) remain unbanked ...

Adults with an account (%)



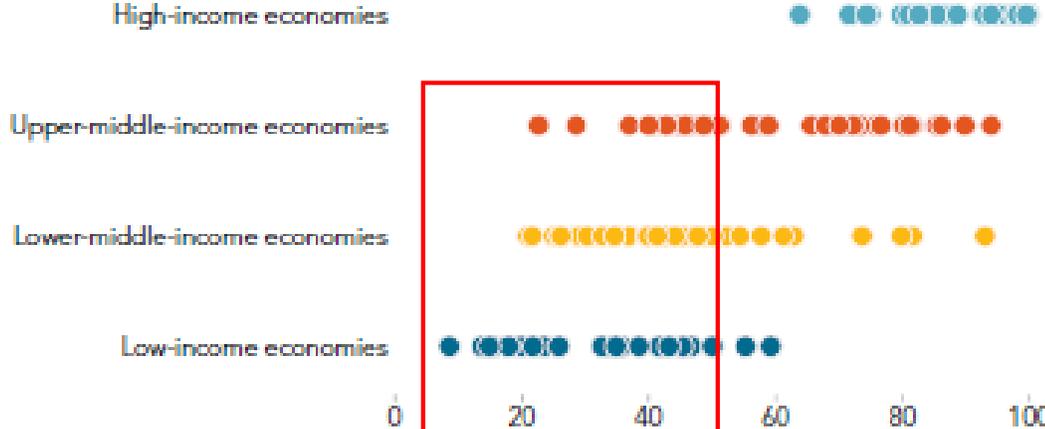
# ... with significant differences across and within income groups

Today, 69 percent of adults around the world have an account  
Adults with an account (%), 2017



Source: Global Findex database.

Account ownership differs substantially even within income groups  
Adults with an account (%), 2017

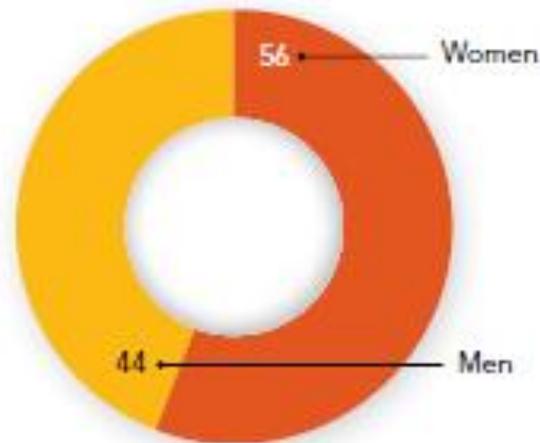


Source: Global Findex database.

# ...and large gaps by gender and household income

**Worldwide, most unbanked adults are women**

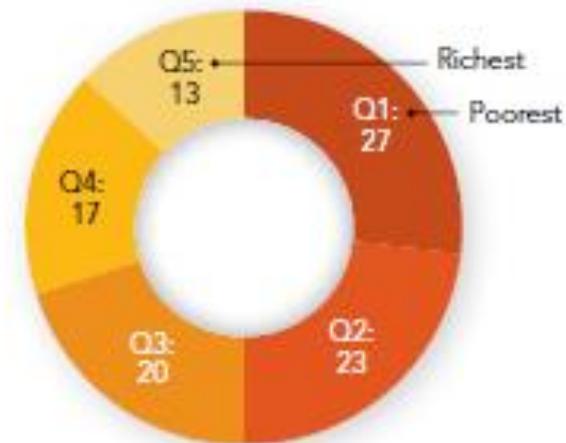
Adults without an account by gender (%), 2017



Source: Global Findex database.

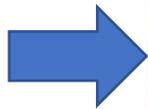
**Twice as many unbanked adults live in the poorest households in their economy as in the richest ones**

Adults without an account by within-economy income quintile (%), 2017

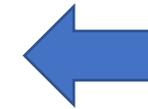


Source: Global Findex database.

*In SSA the difference is larger than the global average (12 p.p.) in almost half of the countries*



*In SSA the difference is larger than the global average (20 p.p.) in more than half of the countries*

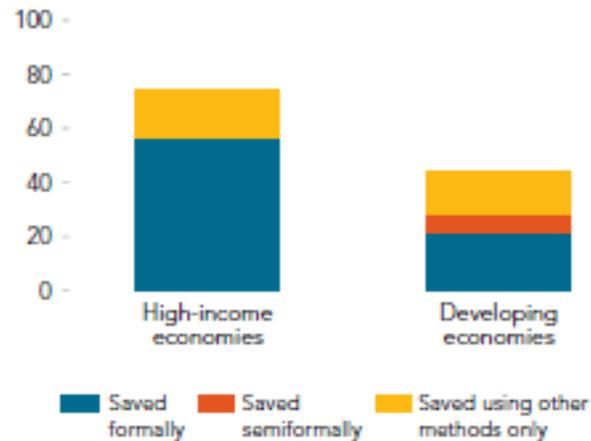


# Is there a potential to improve these ratios?..... Savings

Only 50% of the adults who save use a financial institution...

**Globally, more than half of adults who save choose to do so at a financial institution**

Adults saving any money in the past year (%), 2017

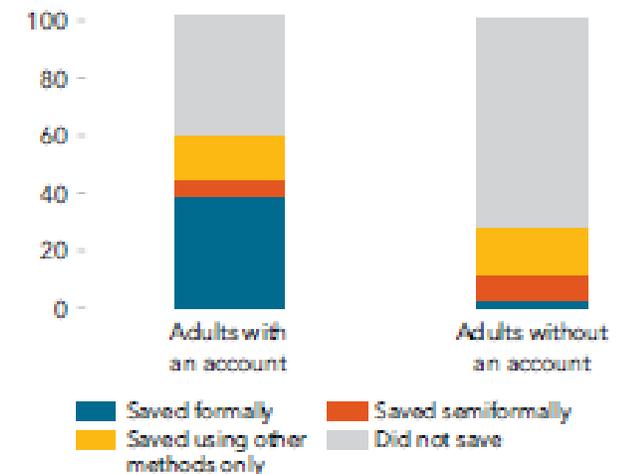


Source: Global Findex database.  
 Note: People may save in multiple ways, but categories are constructed to be mutually exclusive. *Saved formally* includes all adults who saved any money formally. *Saved semiformally* includes all adults who saved any money semiformally but not formally. Data on semiformal saving are not collected in most high-income economies.

One third of the unbanked adults save....

**Almost a third of unbanked adults save**

Adults by account ownership and savings behavior in the past year (%), 2017



Source: Global Findex database.  
 Note: People may save in multiple ways, but categories are constructed to be mutually exclusive. *Saved formally* includes all adults who saved any money formally. *Saved semiformally* includes all adults who saved any money semiformally but not formally.

# Is there a potential to improve these ratios?..... Payments

**235m of unbanked receive agricultural payments in cash ...**

**About 235 million unbanked adults receive agricultural payments in cash**  
Adults without an account receiving payments for agricultural products in the past year in cash only, 2017



Source: Global Findex database.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or the share receiving payments for agricultural products is 10 percent or less.

**100m of unbanked receive government payments in cash ...**

**About 100 million unbanked adults receive government payments in cash**  
Adults without an account receiving government payments in the past year in cash only, 2017



Source: Global Findex database.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or the share receiving government payments is 10 percent or less.

**260m of unbanked use cash for remittances ...**

**About 260 million unbanked adults use cash or an OTC service for domestic remittances**  
Adults without an account sending or receiving domestic remittances in the past year in cash or using an OTC service only, 2017



Source: Global Findex database.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or where the share sending or receiving domestic remittances is 10 percent or less.

## **2. Why and How Can Fintech Help?**

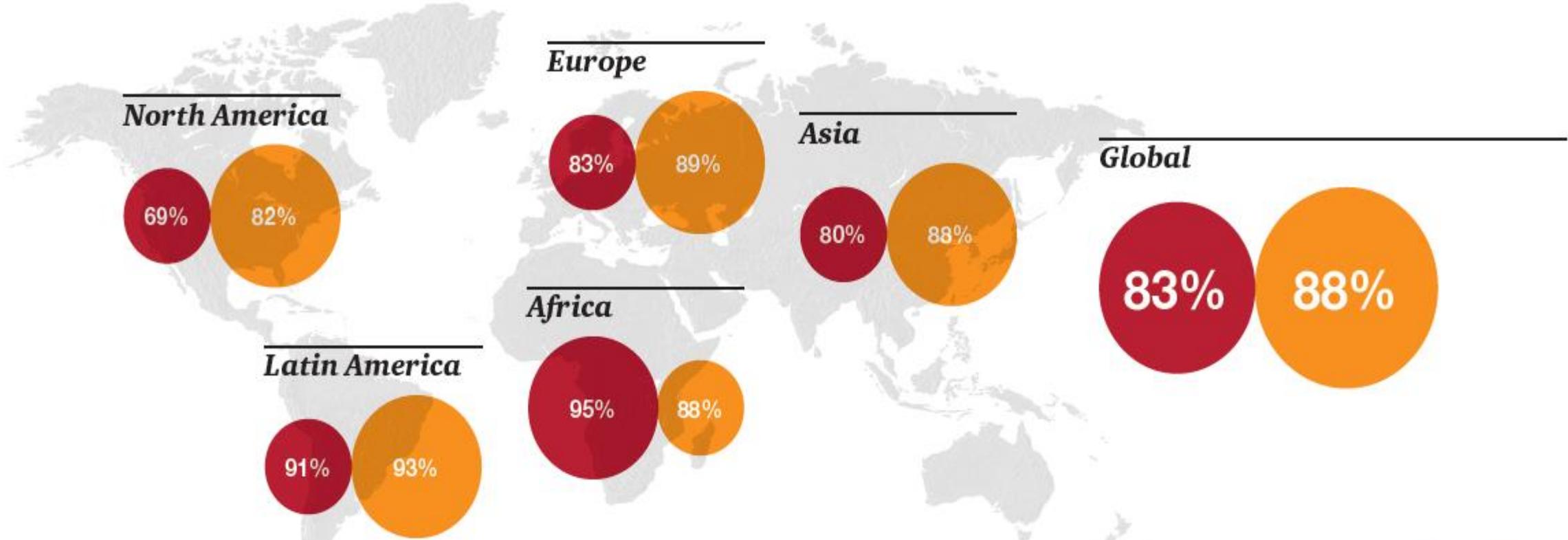


# Fintech is transforming the financial industry

User Needs	Traditional Model	Gaps <sup>1</sup>	Technological Innovations <sup>3</sup>				Fintech Solutions
			AI/ML	Data/Cloud Platforms	DLT/ Crypto	Mobile	
<b>Pay</b>	Cash/ATM Check Wire/MTO's Debit/Credit Cards Centralised Settlement	Speed Cost Transparency Access Security	L	H	H	H	Virtual currencies Remittances Mobile payments Mobile PoS P2P payments B2B transactions DLT-based settlement
<b>Save</b>	Bank deposits Mutual funds Bonds Equities		L	H	H	L	Virtual currencies Mobile market funds Blockchain bonds
<b>Borrow</b>	Bank loan Bonds Mortgages Trade credit		H	H	H	L	Credit modeling Platform lending Crowd-funding Blockchain bonds Auto-underwriting
<b>Manage Risks</b>	Brokerage underwriting Structured products Trading regulatory Compliance KYC Insurance		H	L	H	L	Regtech, Smart contracts Suptech Crypto-asset exchanges eKYC, Digital ID
<b>Get Advice</b>	Financial planner Investment advisor		H	M	L	M	Robo-advising Automated wealth management

# ... as recognized by participants

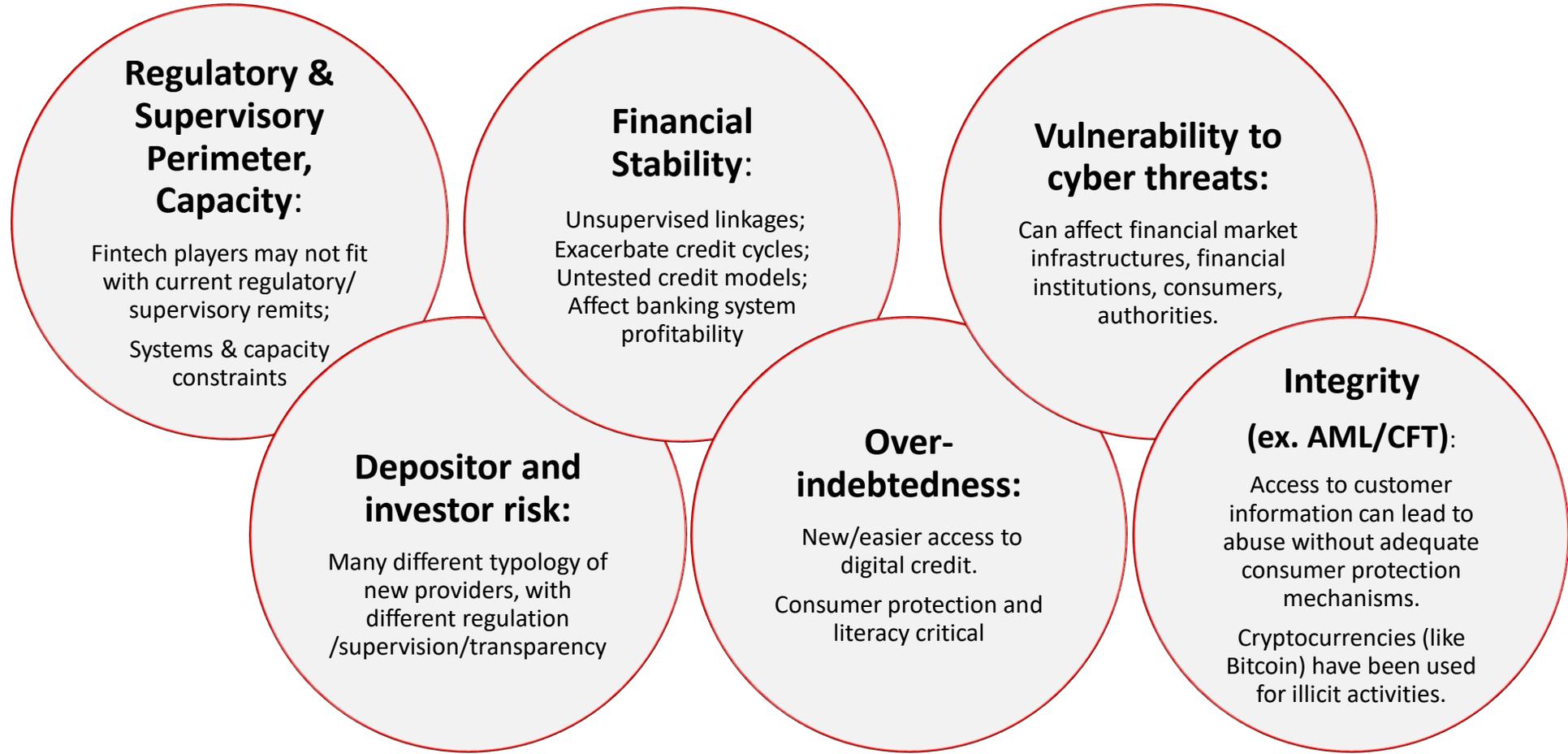
Do you believe that part of your business is at risk of being lost to standalone FinTech companies within the next five years?



Source: PwC Global FinTech Survey 2017

● 2016 ● 2017

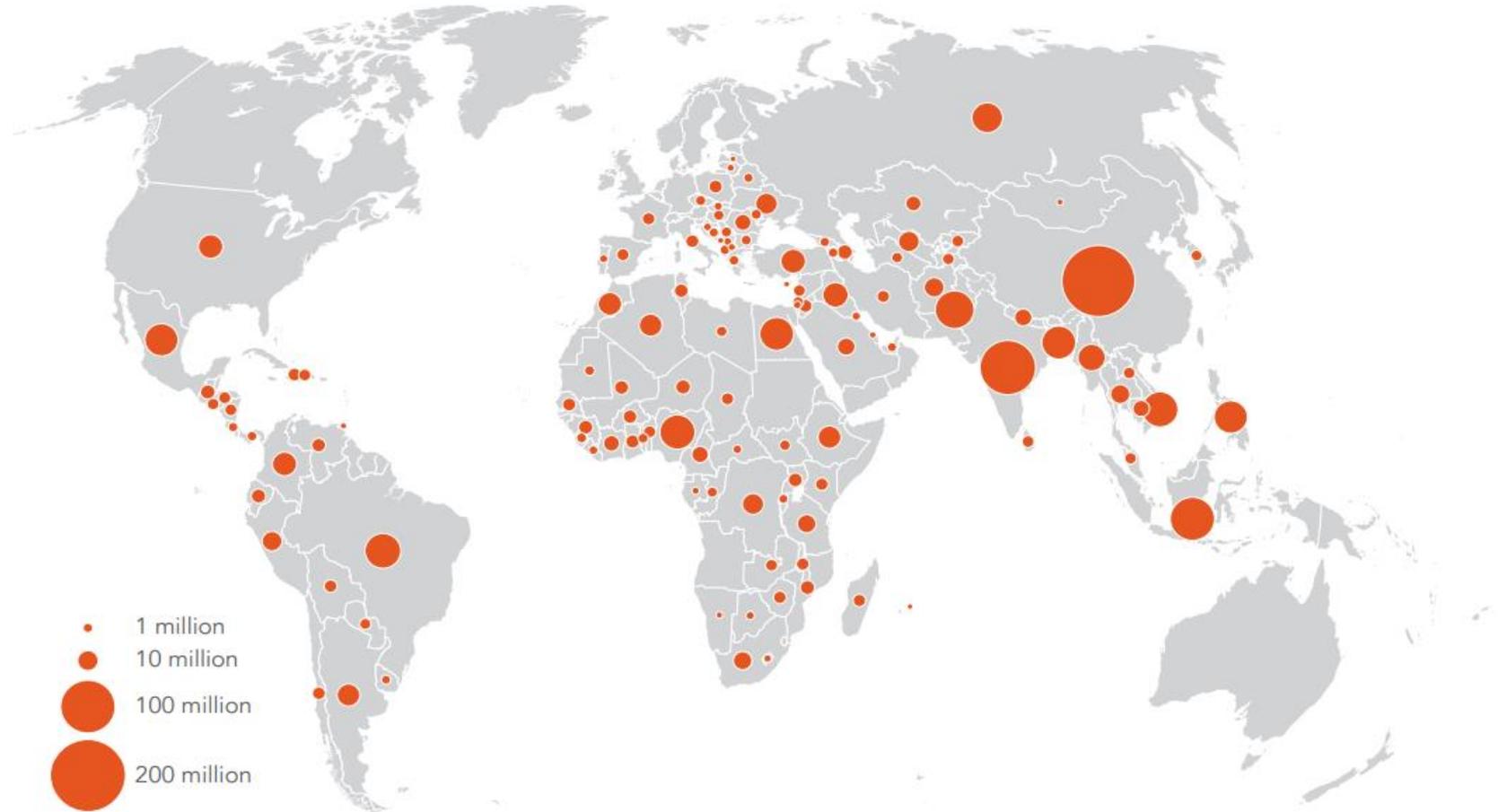
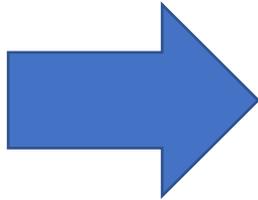
# ...but it will also bring important challenges



# Example: The potential of mobile to reach the unbanked...

**Two-thirds of unbanked adults have a mobile phone**  
Adults without an account owning a mobile phone, 2017

Two thirds of  
the unbanked  
adults have a  
mobile phone....

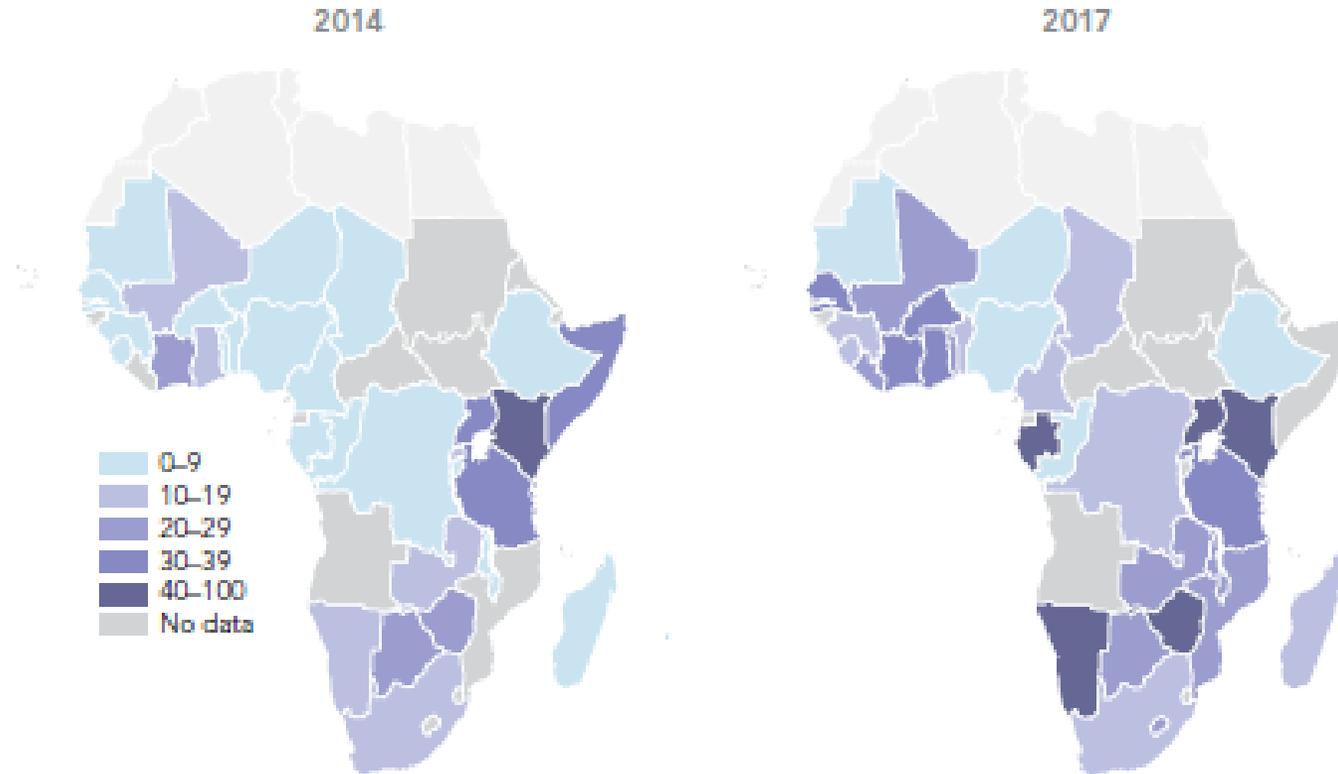


Sources: Global Findex database; Gallup World Poll 2017.

Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

# ...process that is already taking place

**Mobile money accounts have spread more widely in Sub-Saharan Africa since 2014**  
Adults with a mobile money account (%)



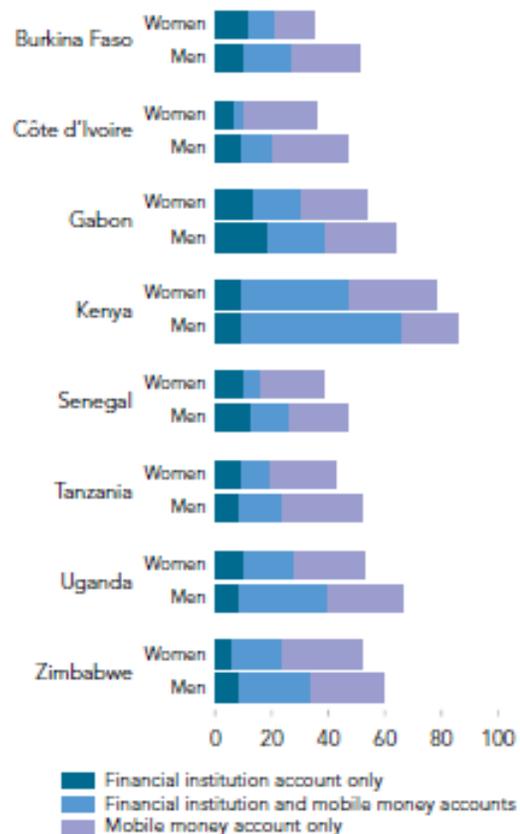
Source: Global Findex database.

Note: Data are displayed only for economies in Sub-Saharan Africa.



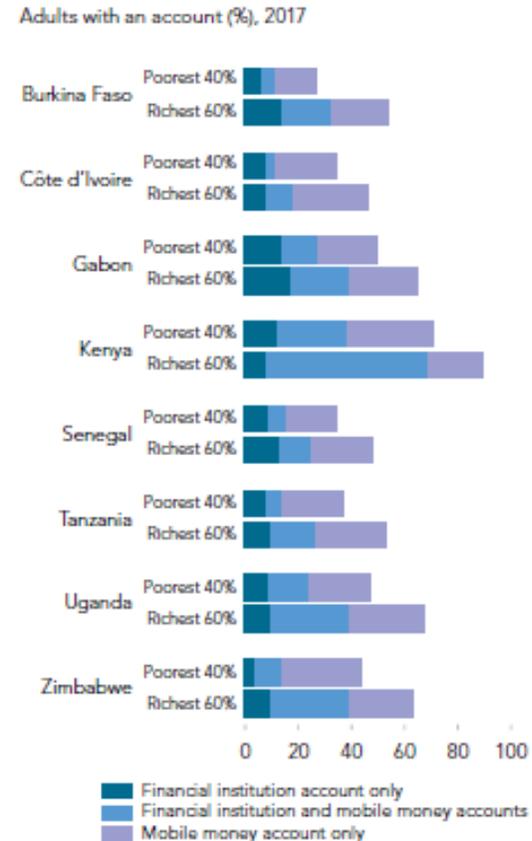
# ...helping to reduce the inclusion gaps related to gender and income

**In some economies mobile money accounts might be helping to narrow the gender gap in financial inclusion**  
Adults with an account (%), 2017



Source: Global Findex database.  
Note: The figure shows only the economies where 20 percent or more of adults have a mobile money account only.

**Mobile money accounts might be helping to reduce the gap in financial inclusion between richer and poorer in some economies**  
Adults with an account (%), 2017



Source: Global Findex database.  
Note: The figure shows only the economies where 20 percent or more of adults have a mobile money account only. Poorest 40% and richest 60% refer to households, grouped by income quintiles.

# Fintech affects many policy levers and objectives

## Selected Fintech adoption drivers and policy levers

Legal, regulatory, and supervisory framework

Financial sector structure and development

Digital penetration and literacy

Physical, digital and financial infrastructure

## Common policy objectives

Stability

Integrity

Consumer and investor protection

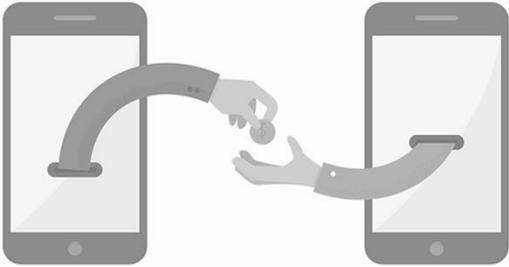
Level playing field and innovation

Inclusion

Market development

# Emerging Trends and Policy Issues

## Financial Inclusion



- ❖ Evidence of **positive impact**
- ❖ **Strong potential** for improvements to **capital mkts, MSME finance, Islamic fin & insurance**
- ❖ **Risks:** exclusion, discrimination, privacy and cyber

## Monitoring Emerging Risks



- ❖ Many have setup a framework, but **enhancements needed**
- ❖ Largely proportional, but **challenges:**
  - Limited experience and resources
  - Cross-border regulatory arbitrage
  - Cyber-risks

## Adapting Legal Frameworks



- ❖ Adapting to **new business models** and **technological capabilities**
- ❖ More openness to change **public law than private law**
- ❖ Policy implications for issues like **Data need changes in private law as well**
- ❖ **Private sector** using instruments like **contracts** to address gaps, **but these however have limits**

# Emerging Trends and Policy Issues

## Data Frameworks



- ❖ **Central to Fintech** with important **implications** for **competition, privacy, efficiency and inclusion**
- ❖ **Framework** should cover *collection, processing and storage; rights and obligations; individual controls; cyber security; and competition aspects.*
- ❖ **Global dialogue needed** including on issues like **data localization**

## CBDC



- ❖ Multiple **experiments** and studies on Central Bank Digital Currency
- ❖ Need for close look on **implications for stability**
- ❖ Case for CBDC **based on context**, and needs to be weighed against **enhancements to existing arrangements**

## Monetary system stability

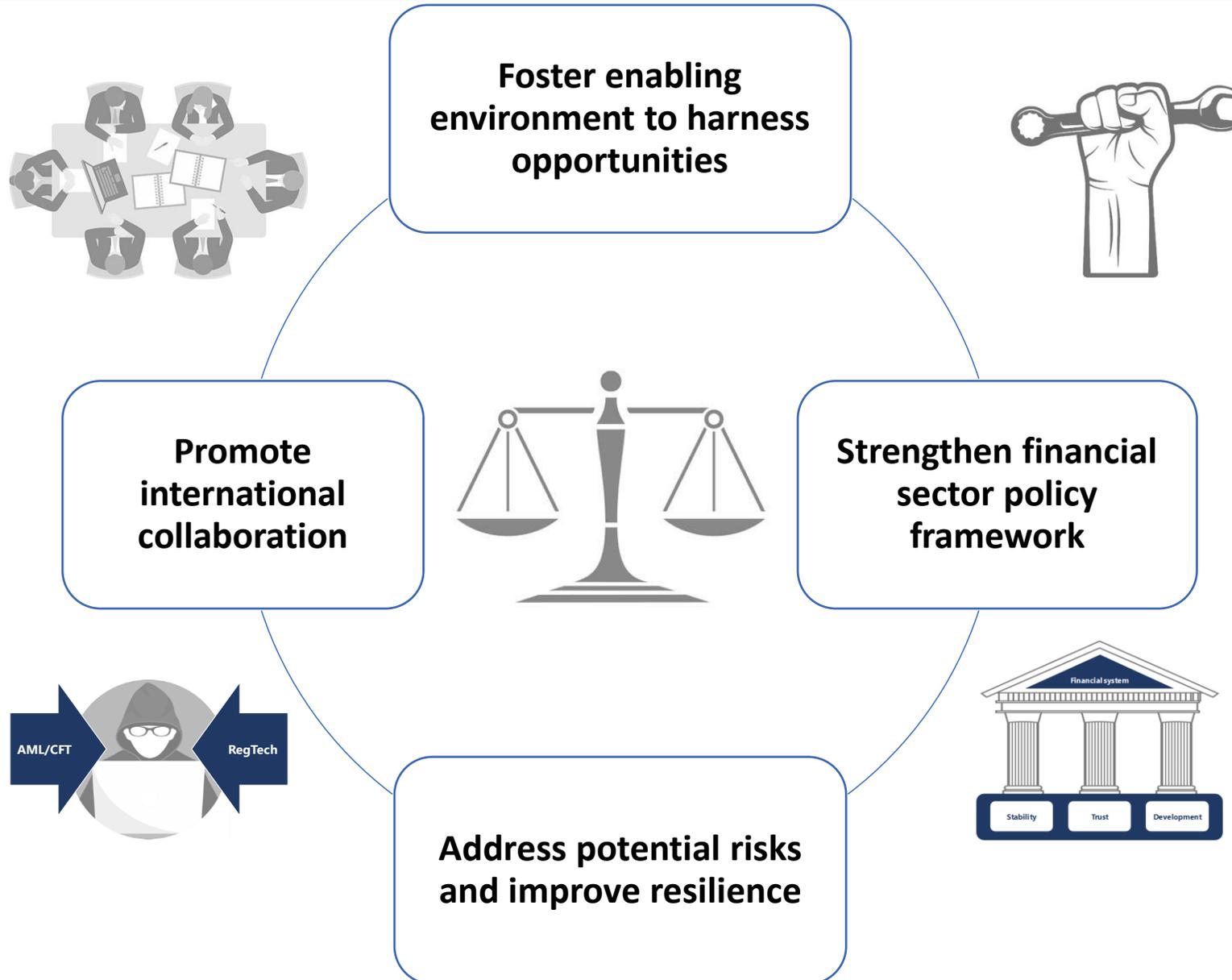


- ❖ Fintech developments could lead to more **diversified and de-centralized** global financial system
- ❖ Potential **longer term** impacts on international monetary system
- ❖ Need for **international co-operation**

## 4. The “Bali Fintech Agenda”



# Need for a balanced approach: Four broad policy challenges



# Regional overview (1/2)

## East Asia and Pacific

*Significant **advances** in nearly every aspect of Fintech, however **regional disparity**.*

*Some Fintech products have shown **significant risks** for consumer protection, investor protection, AML/CFT and also stability.*

*Significant **intra-regional** Fintech related investments from China and Singapore.*

*Strong **support from public authorities** in ASEAN countries.*

***Regulatory interventions** on payments, alternative lending and crypto.*

## South Asia

*Steady rise in the use of digital payments, though **lagging behind** other regions.*

***Strong potential** for harnessing Fintech for financial inclusion and closing the gender gap.*

***India** is fast growing into a major fintech hub in Asia.*

***Bangladesh** is also making steady progress in fintech innovation and adoption.*

*Fintech innovation and investment in **Pakistan, Nepal and Sri Lanka** are in their nascent stages.*

## Middle East and North Africa

*High-income countries making rapid strides, the **rest of the region** has had a slow start.*

***Persistent gaps** in financial inclusion across countries and gender.*

***Four countries** (Egypt, Jordan, Lebanon, and UAE) account for 75% of fintech startups.*

*New growth centers have also emerged in Bahrain, Iran, and Saudi Arabia.*

# Regional overview (2/2)

## Sub Saharan Africa

Leaders in **mobile money** adoption resulting in significant gains in financial inclusion.

**East Africa** has maintained an overall lead. **Southern and Central Africa** has significant room for further gains.

**West Africa** well-positioned to take advantage of digital technologies.

Gaps in **foundational infrastructure and legal and regulatory frameworks** could constrain further growth.

## Europe and Central Asia

Tremendous **potential** given the high mobile phone and internet access.

Major **regional differences** between high income and middle-income countries (EU and non-EU)

The region has been home to some major fintech startups and **cryptocurrency** mining centers in recent times.

**Authorities** across the region have been **proactive** in encouraging development of fintech, as evidenced by the survey results.

## Latin America and Caribbean

**Adoption** of digital payments and mobile money services **low**, despite relatively high mobile and internet penetration rates.

Fintech startups are growing, albeit from a low base.

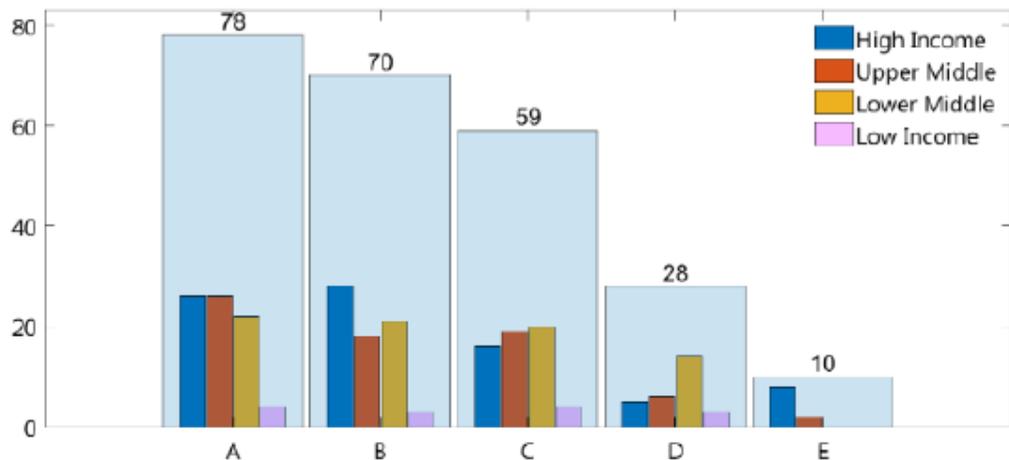
**Pro-active regulatory responses** – Mexico Fintech Law, Regulatory adaptations in Colombia and Brazil.

Several central banks are exploring the possibility of issuing **CBDC** (Central Bank Digital Currency).

# Global Fintech Survey (1/5)

1 Countries recognize the broad benefits of fintech including for **financial inclusion**...  
 (for households (84%) and MSMEs (73%) and reduce the urban-rural gap)

## Fintech and financial inclusion



Do you expect fintech to significantly expand access and usage of financial services in your jurisdiction within the next five years (please check all that apply)?

A: Increases overall financial inclusion for households.

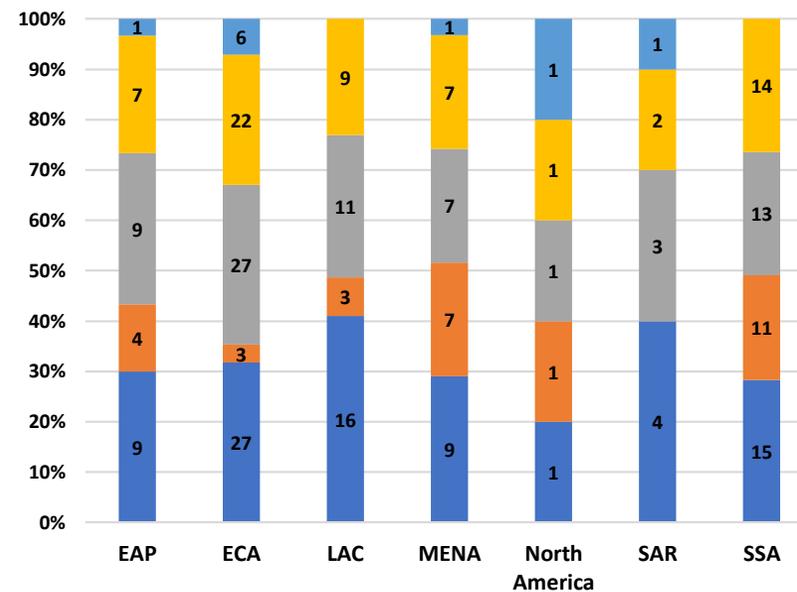
B: Helps close the Micro, small, and medium-sized enterprise gap.

C: Helps close the Rural and remote areas gap.

D: Helps close the Gender gap.

E: Other. [Please provide brief description]

## How fintech is expected to contribute to increase in access and usage of financial services



■ Other.

■ Helps close the Rural and remote areas gap.

■ Helps close the Micro, small, and medium-sized enterprise gap.

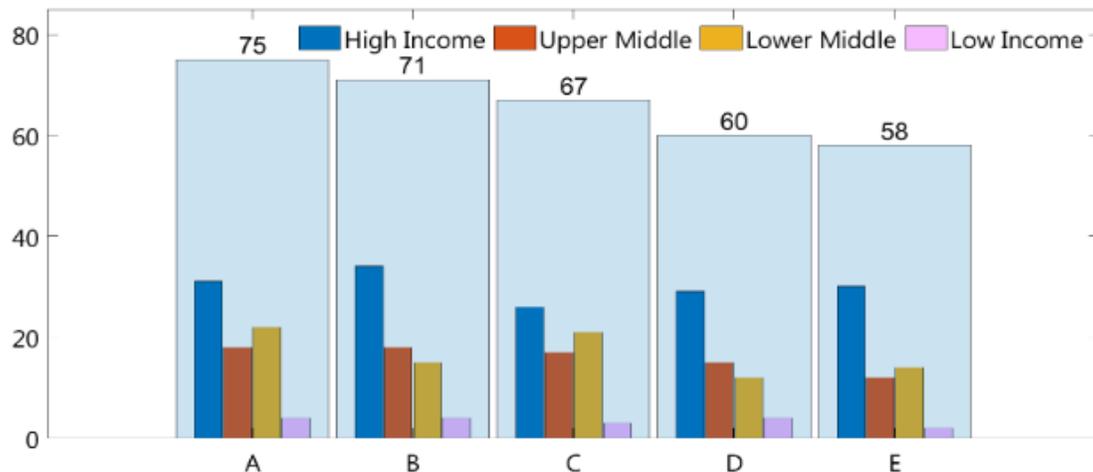
■ Helps close the gender gap.

■ Increases overall financial inclusion for households.

# Global Fintech Survey (2/5)

2 ... and are taking a *variety of policy measures* to foster these benefits

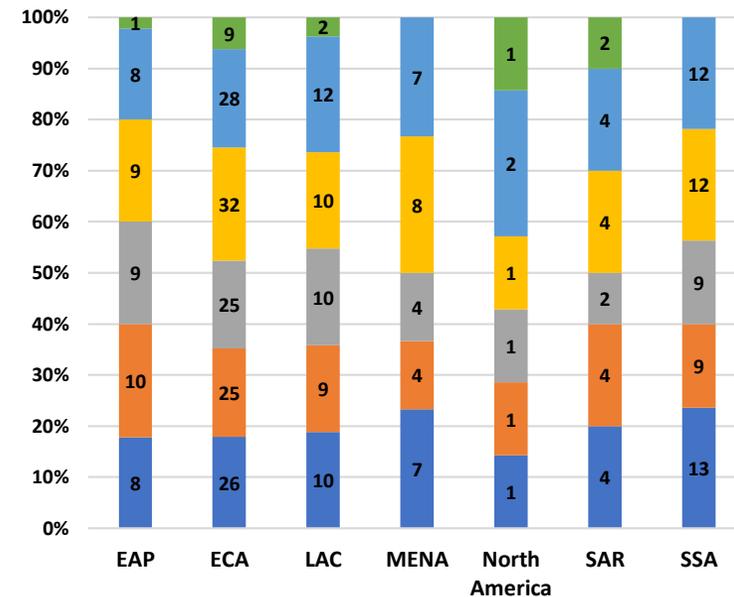
## Actions taken for harnessing potential of Fintech



To maximize fintech's benefits, does your jurisdiction actively undertake the following activities or expect to do so in the next two years (please check all that apply)?

- A: Improving consumer awareness and education.
- B: Reviewing and amending the policy framework to enable fintech investment, innovation, and adoption (e.g., similar treatment of similar activities and risks, proportionality).
- C: Strengthening of institutional capacity.
- D: Expanding outreach to stakeholders (e.g., financial incumbents, fintech companies).
- E: Adopting a cross-agency approach involving relevant ministries and agencies.

## Actions taken for harnessing potential of Fintech: Regional breakdown

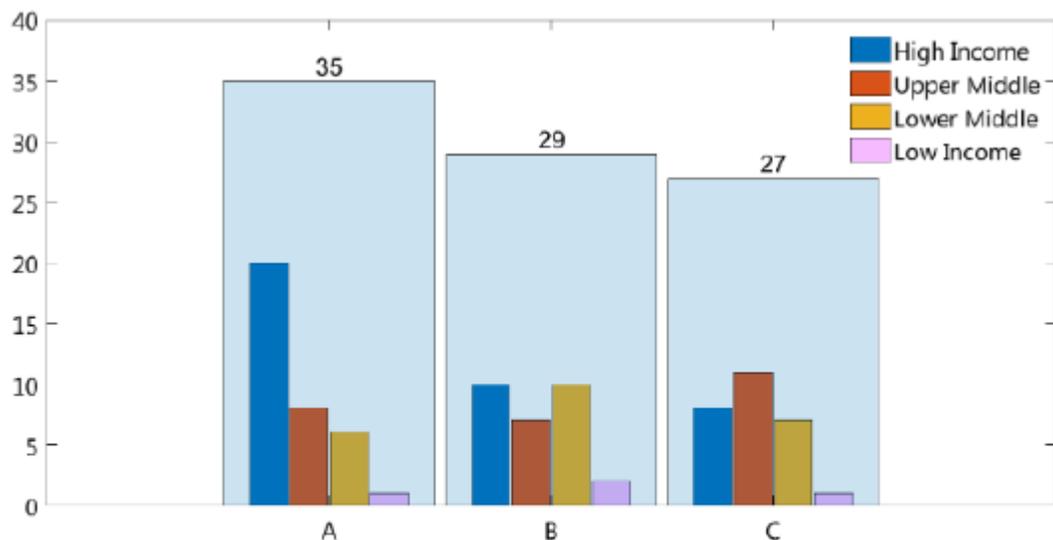


- Other.
- Reviewing and amending the policy framework to enable fintech investment, innovation
- Improving consumer awareness and education.
- Adopting a cross-agency approach involving relevant ministries and agencies.
- Expanding outreach to stakeholders (e.g., financial incumbents, fintech companies).
- Strengthening of institutional capacity.

# Global Fintech Survey (3/5)

3 Many countries have a *fintech strategy* in place...

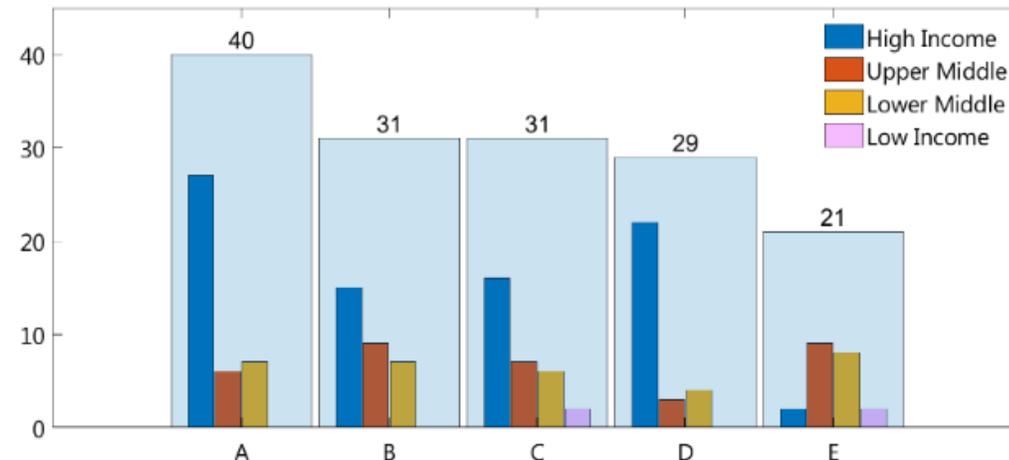
Fintech strategy



Does your jurisdiction have a national strategy in place to promote responsible innovation and adoption of fintech or expect to have one?  
 A: Yes, a strategy has been developed.  
 B: No, but a strategy is under development and will be in place in the next two years.  
 C: No.

4 ...and have taken *regulatory actions* (76% have made modifications to their regulatory approach to facilitate the development of Fintech)

Regulatory and supervisory approaches

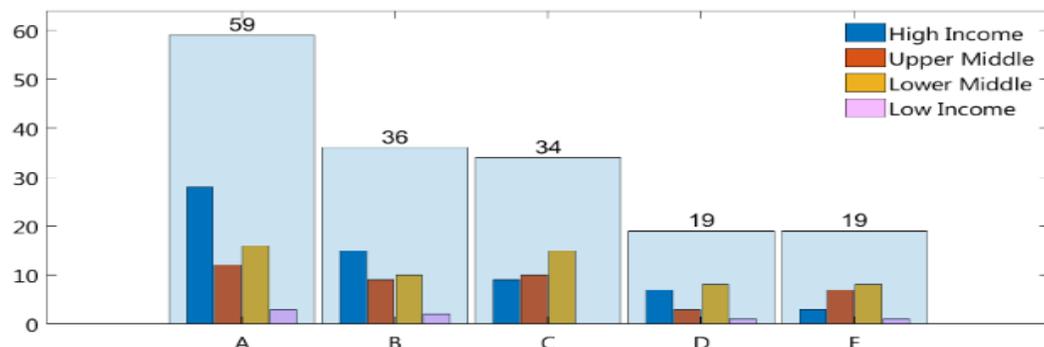


Have authorities modified their regulatory and supervisory approach to facilitate the development of fintech and/or develop supervisory capacity (please check all that apply).  
 A: Set up special contact point for fintech questions.  
 B: Allowed sandboxes.  
 C: Other. [Please provide brief description]  
 D: Established Innovation hubs.  
 E: None.

# Global Fintech Survey (4/5)

- 5 Countries observe various gaps in **regulatory frameworks** and have made modifications to address **new risks** (63% have observed increased Fintech-related ML/TF risk, but few countries have adopted risk assessment mechanisms)

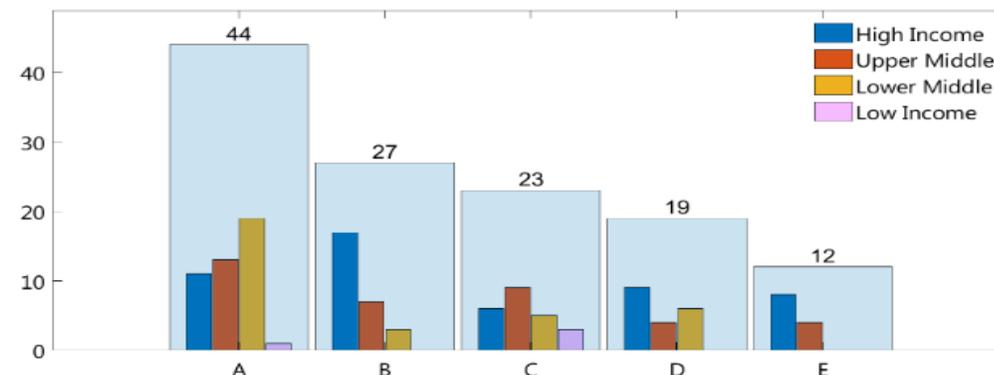
### Gaps in regulatory frameworks



In which areas have authorities identified gaps in the existing regulatory framework, resulting from fintech developments, that need to be addressed (please check all that apply)?

- A: Crypto-Assets: Issuance, Exchange and Custody
- B: Peer to peer lending
- C: Mobile Money / payments services
- D: Investment Products with Robo-Advisors
- E: Lending Activities with artificial intelligence and machine learning on credit scoring

### Modifications to regulatory frameworks



In which areas have authorities modified their regulatory framework (e.g. expanding the perimeter or introducing a new regulation) to address emerging risks from fintech activities (please check all that apply)?

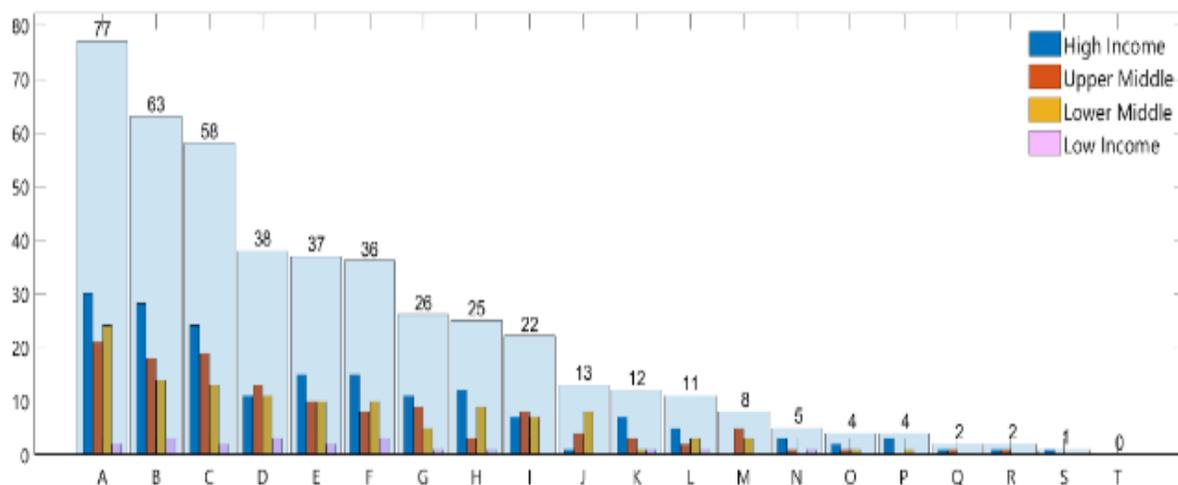
- A: Mobile money / payment services.
- B: Crypto-assets: Issuance, Exchange and Custody.
- C: None
- D: Peer to peer lending.
- E: Others: [Please provide brief description]

# Global Fintech Survey (5/5)

Countries clearly see a *need for international cooperation in various areas...*

...and request *capacity building and assistance*

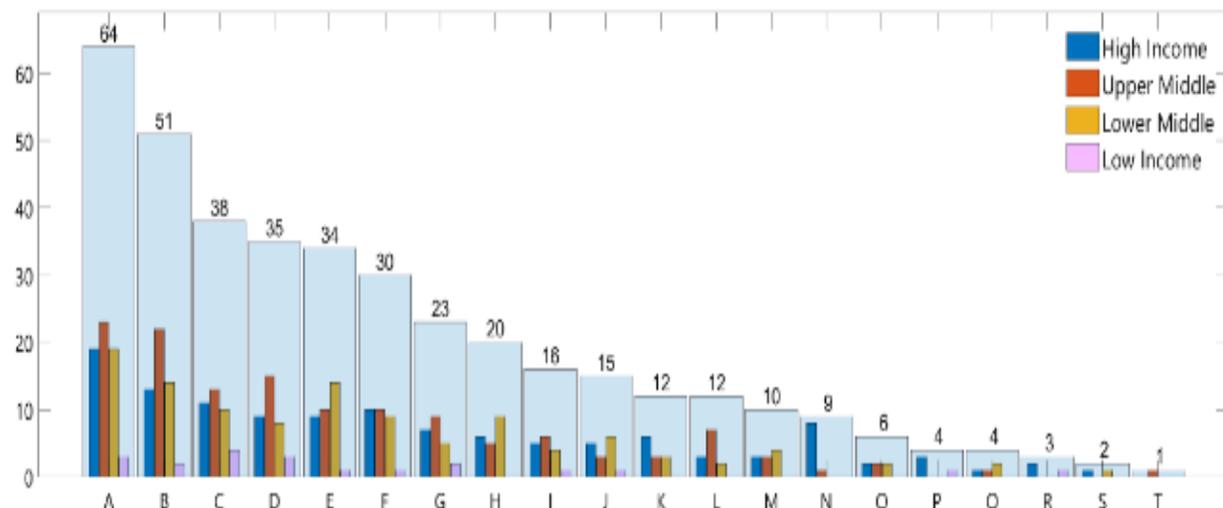
## Top 5 priorities for international co-operation on Fintech



What are the top five priorities for greater international cooperation on fintech? (select up to five)

- A: Cybersecurity.
- B: AML/CFT.
- C: Legal, regulatory frameworks.
- D: Payments and security settlement systems.
- E: Cross-border payments.
- F: Supervisory frameworks.
- G: Data and statistics.
- H: Consumer and investor protection.
- I: Technological know-how.
- J: Financial development and inclusion for both households and firms.
- K: Crisis preparedness.
- L: Cross-border capital flows.
- M: Central banking.
- N: Correspondent Banking Relationships.
- O: Taxation.
- P: Other. [Please provide brief description]
- Q: Macroprudential policies.
- R: Competition policies.
- S: Insolvency framework.
- T: Other areas of financial regulation.

## Priorities for capacity building and bilateral advice from IFIs



Would you consider receiving capacity building and bilateral advice from international financial institutions including the IMF, the World Bank (Please check the top five priority areas)?

- A: Cybersecurity.
- B: Legal, regulatory frameworks.
- C: AML/CFT.
- D: Supervisory frameworks.
- E: Payments and security settlement systems.
- F: Technological know-how.
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## **5. Conclusions and the Role of the WB**



# Conclusions

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**Fintech is making inroads globally but has not yet reached the disruptive critical mass:**

- **Most advances in mobile payments** with major impact on financial inclusion
- **BigTechs** are increasingly offering financial services and challenging incumbents
- **Traditional financial institutions** are adapting rapidly, increasing their digital footprint
- **Supervisory** agencies are exploring fintech applications
- **Impact on monetary systems** and financial stability is limited at present

# Role of the World Bank Group (some country examples)

1

**Legal and regulatory framework** (e.g. India, Jordan, Rwanda, KSA, Vietnam, Mexico, Colombia, Kenya, Philippines, etc.)

2

**Digital and financial infrastructure** (e.g. UZB, Ethiopia, Zambia, Guyana, Lao, Madagascar, Pacific islands, Pakistan, etc.)

3

**Access to transaction accounts** (e.g. Afghanistan, Madagascar, Pakistan, Mozambique, Sierra Leone, Bangladesh, Ethiopia, etc.)

4

**Access to financial services** (e.g. India, Haiti, Kenya, Myanmar, Rwanda, Tanzania, Colombia, Mexico, etc.)

5

**Capacity building** (e.g. Bangladesh, Colombia, Georgia, India, Peru, KSA, Afghanistan, Burundi, Vietnam, Mozambique, etc.)

6

**IFC investments and advisory services**