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Global Microscope 2018

The Enabling Environment for Financial Inclusion

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About this report

The Global Microscope assesses the enabling environment for financial inclusion across 5 categories and 55 countries. In this 2018 edition, the EIU overhauled the 2016 framework by revisiting the key enablers of financial inclusion and adding indicators on digital financial services to each domain of the framework.

The Microscope was originally developed for countries in the Latin American and Caribbean regions in 2007 and was expanded into a global study in 2009. Most of the research for this report, which included interviews and desk analysis, was conducted between June and September 2018.

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The complete index, as well as detailed country analysis, can be viewed on these websites:
www.eiu.com/microscope2018
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IDB Lab is the innovation laboratory of the Inter-American Development Bank (IDB) Group, a purpose-driven platform open to the world that mobilizes capital, connections, and knowledge to promote innovation for inclusion in Latin America and the Caribbean. IDB Lab works with the private sector and leverages IDB's influence with governments and civil society to maximize the impact of its projects and investments on vulnerable populations.

As of October 29, 2018, IDB Lab is the new identity of the Multilateral Investments Fund (MIF). www.idblab.org

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Global Microscope 2018 Framework

Table 1: Global Microscope: Framework domains and principal indicators

1. Government and policy support	2. Stability and integrity	3. Products and outlets	4. Consumer protection	5. Infrastructure
1.1 Broad strategies for financial inclusion	2.1 Market entry restrictions	3.1 Accounts at financial institutions and e-money	4.1 Financial services users	5.1 Payments infrastructure
1.2 Promotion of financial and digital literacy	2.2 Ongoing requirements	3.2 Credit portfolios for low- and middle-income customers	4.2 Inclusive insurance users	5.2 Digital IDs
1.3 Incentives for digitisation and emerging technologies	2.3 Customer due diligence	3.3 Emerging services	4.3 Data privacy and cybercrime protection	5.3 Connectivity
	2.4 Supervisory capacity	3.4 Inclusive insurance		5.4 Credit information and other data-sharing systems
	2.5 Commitment to cybersecurity	3.5 Financial outlets		

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Introduction

The 2018 Global Microscope provides a unique insight into the leading practices that governments and regulators are adopting to channel the digital revolution of financial services into greater levels of financial inclusion. For the purposes of the Global Microscope, financial inclusion goes beyond the number of accounts opened at financial institutions. In line with the definition from the Center for Financial Inclusion at Accion (CFI), we understand financial inclusion to mean access to a full suite of quality financial services, ensuring that customers possess financial capability and ensuring that services are provided via a diverse and competitive marketplace.[1] In order to achieve financial inclusion, new tools and technologies must be accessible and useful for customers and connect them with a broader set of services.

The 2018 Global Microscope sets a model for an enabling environment for financial inclusion across five domains:

1. Government and Policy Support
2. Stability and Integrity
3. Products and Outlets
4. Consumer Protection
5. Infrastructure

Developed through consultation with a large number of experts, the five-part model framework represents the key elements that need to be developed in order to foster an enabling environment for financial inclusion.

The study assesses the regulatory and operational environments in 55 countries and compares them against one another and against leading practices. The Microscope includes discussion of key players such as banks, non-bank financial institutions, e-money issuers and cross-border payment providers. It also focuses on the role of inclusive insurance, financial agents, financial technology (fintech) firms, and credit information providers. Countries that prioritise only one or some of these areas risk developing market imbalances that could limit the provision of inclusive, comprehensive and safe services for low- and middle-income populations. The top-ranked countries of the 2018 Global Microscope exhibit balanced policies and regulations, enabling different types of institutions to offer financial services.

Technology is revolutionising access to and use of financial services in the same ways that the Internet and mobile services have transformed how people communicate. In the early 2000s development experts were surprised to see low-income countries leapfrog the development of "low-tech" tools such as landline telephone systems and invest instead in more modern and less capital-intensive wireless telecommunications infrastructure.[2] These investments replaced some older technologies, but more importantly drove overall growth in telecommunications. In recent years, a similar phenomenon has been occurring in the development of financial infrastructure. Fintech firms and mobile operators have joined banks and microfinance institutions as key players in the provision of financial services. Technology has allowed providers to forego investment in a network with a physical presence to deliver financial services with a digital footprint that

1 Center for Financial Inclusion, http://www.centerforfinancialinclusion.org/

2 The Guardian, https://www.theguardian.com/media/2004/may/05/citynews.newmedia
VOA News, https://www.voanews.com/a/a-13-2008-05-19-voa22/401756.html
The Technium, https://kk.org/thetechnium/the-myth-of-lea/
World Bank, https://blogs.worldbank.org/publicsphere/media-revolutions-skipping-landline-going-straight-mobile-phone

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reach potential customers via their mobile phones. Mobile devices are becoming digital wallets, point of sale (POS) transaction systems and virtual bank accounts.

The changes to this 2018 edition of the Global Microscope are driven by the evolving landscape of financial inclusion itself. Technology has played a significant role in expanding services to different institutions and clients: In countries where mobile money usage is growing, the number of clients that possess a mobile account instead of an account at a financial institution is growing.[3] But this trend does not tell the whole story. Technology is an enabler of financial inclusion, not its end. For this reason, the 2018 Global Microscope divides its analysis into the five domains shown in Table 1. The first, Government and Policy Support, assesses the degree of official coordination and the incentives that governments are putting into place to create favourable environments for financial inclusion. The Stability and Integrity domain assesses the overall regulation, supervision and monitoring of financial services providers that serve low- and middle-income populations, as a way of ensuring prudential stability and financial integrity. The third domain, Products and Outlets, assesses the regulation of specific products and outlets that reach low- and middle-income populations. The fourth, Consumer Protection, evaluates consumer protection and privacy regulation and enforcement. The final domain, Infrastructure, examines the digital, identification and credit reporting infrastructures that facilitate financial inclusion as well as the policy and regulatory actions that governments can take to improve accessibility.

Regulators and policymakers must also ensure that they establish principles that will promote the expansion of a competitive marketplace for digital financial services (DFS). Many of these principles can also be found in other high-tech and disruptive ecosystems. Interoperability, which ensures that different systems can connect with one another, has the potential to increase overall transaction volumes and the number of users.[4] Innovation is another principle found in these ecosystems, one that contributes to competition and expansion of fintech.

The adoption of digital technologies can increase financial inclusion as it considerably lowers the cost of initiating and maintaining financial relationships for both institutions and consumers. Digitisation helps reduce waiting lines, paperwork and the number of bank branches needed in remote areas.[5] It also makes it easier for financial institutions to reach and transact with customers. This is particularly important for banks serving low-income customers who transact more often and manage lower amounts of money. Consumers also benefit when they spend less time and money going to a branch or waiting in line. As transactional friction and costs are reduced for all parties, previously excluded segments of the population have new opportunities to access better-quality financial services.

Seizing this opportunity, firms across the globe are creating new financial products and services delivered via digital platforms, and low- and middle-income customers are testing their functionality and engaging with the broader financial system, some for the very first time. In this context, policymakers and regulators are determining the extent to which they need to set the terms, incentivise and mediate these evolving relationships. The 2018 Global Microscope on Financial Inclusion aims to provide a model that can help governments and business leaders navigate this changing landscape.

3 2017 Global Findex

4 Consultative Group to Assist the Poor, http://www.cgap.org/publications/digital-finance-interoperability-financial-inclusion

5 International Finance Corporation, https://www.ifc.org/wps/wcm/connect/4e45d83f-e049-41d3-8378-2e388ffc1594/EMCompass+Note+42+DFS+Challenges+updated.pdf?MOD=AJPERES

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Overall results

Table 2: Country ranks and scores
Out of 55 countries; 0 to 100 where 100 = best

Rank/55	Countries	Score/100
1	Colombia	81
2	Peru	78
3	Uruguay	75
=4	India	72
=4	Philippines	72
6	Mexico	70
7	Indonesia	69
8	Chile	66
=9	Argentina	64
=9	Brazil	64
=11	Rwanda	62
=11	South Africa	62
13	China	61
=14	Paraguay	60
=14	Tanzania	60
=16	Panama	59
=16	Thailand	59
18	Bolivia	57
=19	Ecuador	56
=19	Nigeria	56
=21	Honduras	55
=21	Pakistan	55
=23	El Salvador	54
=23	Jamaica	54
=23	Kenya	54
26	Sri Lanka	53
=27	Mozambique	52
=27	Russia	52
=27	Senegal	52
30	Costa Rica	51
=31	Ghana	50
=31	Jordan	50
=31	Morocco	50
34	Trinidad and Tobago	49
35	Turkey	48
36	Egypt	45
=37	Nicaragua	44
=37	Vietnam	44
39	Cameroon	43
=40	Bangladesh	40
=40	Nepal	40
=40	Tunisia	40
=43	Cambodia	39
=43	Dominican Republic	39
=43	Ethiopia	39
=43	Guatemala	39
47	Madagascar	36
=48	Uganda	34
=48	Venezuela	34
50	Lebanon	33
51	Myanmar	31
52	Haiti	26
=53	Chad	25
=53	DRC	25
55	Sierra Leone	22

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Key Findings

The top-performing countries demonstrate government and policy support for financial inclusion, prioritise financial stability and integrity, and foster inclusion through a variety of products and outlets

Colombia and Peru hold the top two spots in the overall rankings in the 2018 Global Microscope on Financial Inclusion. These two countries also lead the index on Government and Policy Support for Financial Inclusion, where a key indicator of high-level coordination is a country's financial inclusion strategy. The majority of countries in the 2018 Microscope have a financial inclusion plan, but the strategies in Colombia and Peru stand out because they are backed by commissions with members from a number of government entities, as well as specific inclusion goals. Colombia's financial inclusion strategy sets targets for both access and use of financial products and is supported by an advisory body comprising private-sector business and trade associations. Peru's strategy includes a goal to provide financial services coverage in all districts by 2021. Third-ranked Uruguay, and Philippines, tied with India for fourth position overall, also have strategies supported by high-level working groups. Of the top five overall, only fourth-ranked India has yet to issue a financial inclusion strategy, although the country is following a coordinated, three level-approach and publication of a strategy is expected during 2018–19.

In terms of Stability and Integrity, leading countries also feature market-entry regulations that do not deter new players that serve low- and middle-income populations. In Peru, Uruguay and the Philippines, institutions from banks and non-bank financial institutions to e-money issuers and cross-border payments providers can reach these clients with restrictions that are proportionate to the risk of the services they provide. In these countries we see differentiated capital requirements or overly restrictive licensing requirements and fees, among others. However, in Colombia we did find a disproportionate restriction for ownership of non-bank institutions as only Colombian individuals or corporations established in Colombia can apply for non-financial cooperative licences. In India we also find some burdensome restrictions for cross-border payment providers limiting outward remittances.

A common strength among top-ranked countries is the ease with which customers can access a variety of financial products and outlets. Customers do not face disproportionate requirements to open bank or e-money accounts in any of the top five countries, and remote account opening is limited only in Colombia, where customers must visit a bank to complete the account-opening process. Access to inclusive insurance products is facilitated by specific regulatory frameworks in Peru, India and the Philippines where low-income populations have access to life, health and other insurance products.

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E-money is making inroads, becoming more accessible as a wider variety of providers are able to enter the market

Most countries in the 2018 Microscope have made efforts to facilitate new digital providers and performed well on the market entry restrictions indicator (with an average score of 73 out of 100). However among banks, non-bank financial institutions, e-money issuers and cross-border payment providers, restrictions were highest for e-money issuers. Recognition of e-money is now common among regulatory authorities and more than half of the countries in the study have a favourable market entry environment for e-money issuers. A majority of countries allow a variety of actors to become e-money issuers. In 18 countries, authorities recognise e-money issuers as financial providers, a wide range of actors can obtain a licence to become e-money issuers and there are no disproportionate regulatory restrictions to enter the market. In 17 other countries there are some regulatory restrictions, but a wide range of actors can issue e-money. This overall positive operating environment across the world, along with client demand, is contributing to e-money becoming a leading digital financial product. However in three countries (Chile, Guatemala and Vietnam), there is no legal recognition of e-money and 16 countries have opted for bank-led digital transformations.

The 2018 Global Microscope found that in 16 of the 55 countries, only banks are allowed to issue e-money. In countries including Russia and South Africa, supervisors require e-money issuers to hold banking or credit licences. This contrasts with countries such as Cambodia, Colombia, Honduras, Paraguay, and Peru, which have created specific licensing categories for e-money issuers with capital requirements and initial operating requirements that are accessible to new market entrants. Comparing these findings with data from the World Bank's 2017 Global Findex, the average percentages of adults who have and use mobile money accounts was lower in countries where e-money initiatives are bank-led, compared with countries where a variety of actors can become e-money issuers (see Table 3). This suggests that competition and innovation can make e-money more accessible, especially if a wide range of institutions can become e-money issuers.

In Sub-Saharan Africa and the Middle East and North Africa, a lack of connectivity infrastructure and digital identification systems limits the expansion of digital financial inclusion

Nine countries in the Sub-Saharan Africa (SSA) and Middle East and North Africa (MENA) regions scored well on Government and Policy Support for Financial Inclusion: Rwanda, Tanzania and Kenya were among the top scorers in this domain, while South Africa, Morocco, Nigeria, Jordan, Senegal and Mozambique also achieved scores of 75 (out of 100) or above. But government support on its own is not sufficient to achieve financial inclusion—none of these countries scored in the top ten overall. Rwanda and South Africa tied with China and Paraguay for 11th overall.

The expansion of financial inclusion increasingly relies on digital infrastructure, and SSA and MENA are behind other regions on infrastructure in the 2018 Microscope. In terms of connectivity, most of the SSA countries in the index have substantial room for improvement—only South Africa, Senegal and Ghana scored among the top half of countries. Meanwhile, infrastructure for payments also has considerable room for growth in both regions. In MENA, only Morocco mandates open access to retail payments infrastructure, while in SSA, only Cameroon and Rwanda have taken this step. A lack of access to payment systems limits competition and innovation from new players in fintech.

Digital identification can also facilitate the spread of fintech via automated know-your-customer (KYC) systems, although the 2018 Microscope found these tools are lacking in both the SSA and MENA regions. Only Rwanda, Tanzania and Tunisia showed some use of these systems to increase financial inclusion. Facilitating the use of digital identification is also a

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challenge globally; only India and Chile have strong digital identification systems that have been effectively combined with automated KYC processes. In India, identification numbers are combined with biometric data to verify identities, while Chile requires banks to implement electronic KYC systems. These tools can facilitate remote account opening, which is the case in India, but Chile still needs to update complementary regulations to enable this procedure.

Table 3. Market entry restrictions for e-money issuers in countries with the least constraining and most constraining environments compared to Findex measurements of mobile money account uptake

Countries allowing broad entry to e-money issuers

	Mobile money account (% age 15+)
Bolivia	7%
Cambodia	6%
Colombia	5%
Ecuador	3%
Honduras	6%
Kenya	73%
Mozambique	22%
Myanmar	1%
Paraguay	29%
Peru	3%
Philippines	5%
Rwanda	31%
Senegal	32%
Tanzania	39%
Thailand	8%
Average	18%

China and Uruguay excluded because 2017 Global Findex not available

Countries restricting e-money issuance to banks

	Mobile money account (% age 15+)
Argentina	2%
Bangladesh	21%
Cameroon	15%
Chad	15%
Dominican Republic	4%
Egypt	2%
Ethiopia	0%
Haiti	14%
Nigeria	6%
Panama	4%
South Africa	19%
Tunisia	2%
Average	9%

Costa Rica, Jamaica, Lebanon and Russia excluded because 2017 Global Findex not available

Nigeria's regulations do permit non-banks to act as MMOs, but MNOs are prohibited.

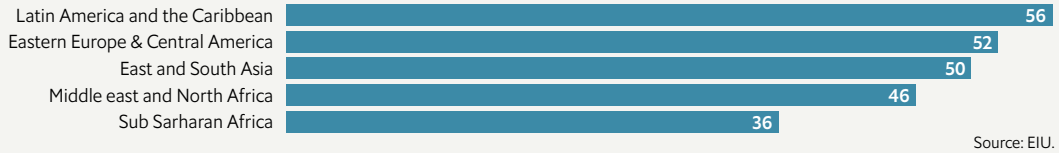
Comparison

	Mobile money account (% age 15+)
Average, least restrictive	18%
Average, most restrictive	9%
Low Income	18%

Source: 2017 Global Findex & 2018 Global Microscope

Figure 1. **Regional scores on infrastructure domain**

Regional average scores



Source: EIU.

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No one-size-fits-all approach for fintech

Although fintechs such as P2P lending and crowdfunding are often heralded as important potential drivers of financial inclusion, regulators in emerging markets are still divided in their approach towards these technologies. The 2018 Global Microscope found that only seven of 55 countries have created a dedicated framework to give legal certainty to emerging fintech firms. A group of 14 countries has established a working group on fintech but no specific requirements have yet been established. More than half of the countries in this study (34) still do not have a dedicated framework to issue licences or/and supervise emerging fintech services. In several countries fintech firms are organising dialogue with regulators: Argentina and Colombia have newly formed fintech industry associations, while the banking association in Ecuador has established a fintech innovation lab.

Nevertheless, the promise of fintech, using technology to extend the reach of financial services, lower costs, and speed innovation, is attractive to policymakers and entrepreneurs alike. Although few countries in the study have established dedicated frameworks with specific requirements for fintech firms, many countries are allowing innovative models to operate using ad-hoc light-touch or tentative regulations—36 of 55 countries are using authorisation and oversight approaches such as "test and learn," "wait and see," and regulatory "sandboxes."

Argentina is among the countries that have taken a "wait and see" approach, where authorities have explicitly stated their intent to allow the fintech sector to begin to develop before imposing regulations. In both Tanzania and Honduras, authorities allowed the mobile money sectors to operate for a time without regulation, and when regulations were imposed they continued to foster the growth of the sector. China allowed the growth of third-party payment providers using this approach but has more recently begun to exert more control over these institutions.

Other countries have also fostered innovation but have employed a more structured "test and learn" or a "sandbox" approach. Brazil launched a regulatory sandbox in 2017 for P2P and other innovative lending platforms and transactions. In Rwanda, fintech start-ups can be exempted from regulation for up to a year after their public launch. Colombia, Mozambique and Jamaica have also implemented the sandbox approach. In one of the more publicised cases, Mexico's fintech law came into effect in March 2018, with the goals of promoting innovation, competition, financial stability and consumer protection, among others. The law regulates some services that were already established (crowdfunding and electronic payments) and sets up regulatory sandboxes via temporary authorisations that can be issued for other services not included in the law.

The so-called fintech revolution is very much in progress and the 2018 Global Microscope demonstrates that most countries have opted to let these models grow before setting the rules for the sector.

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Appropriate regulation of agents enables them to catalyse growth in digital financial services

Two-thirds of the countries in the 2018 Microscope have favourable regulatory environments for financial outlets, meaning that a variety of actors can perform many types of financial operations. In these countries, financial service providers can establish agent networks or leverage existing ones to offer innovative services, speeding the rollout of new products to customers. In Bolivia, Cameroon, Morocco, the Philippines, and other countries, both licensed financial institutions and mobile money providers are allowed to have agents. In the Philippines, this has helped the commercial viability of agent models by ensuring they are more active, and in Cameroon, agents have helped mobile money reach distant and rural areas.

Among the Microscope indicators, performance with agent regulation was strongest in Latin America (see Table 4), while globally, 40 countries allow outlets to offer cash-in/cash-out transactions and account opening. These outlets can become the primary financial services touchpoint for many low- and middle-income customers. Although digital financial services eschew the large networks of physical branches relied on by traditional institutions, their use of agent networks is indispensable for customers to cash in and cash out electronic money.

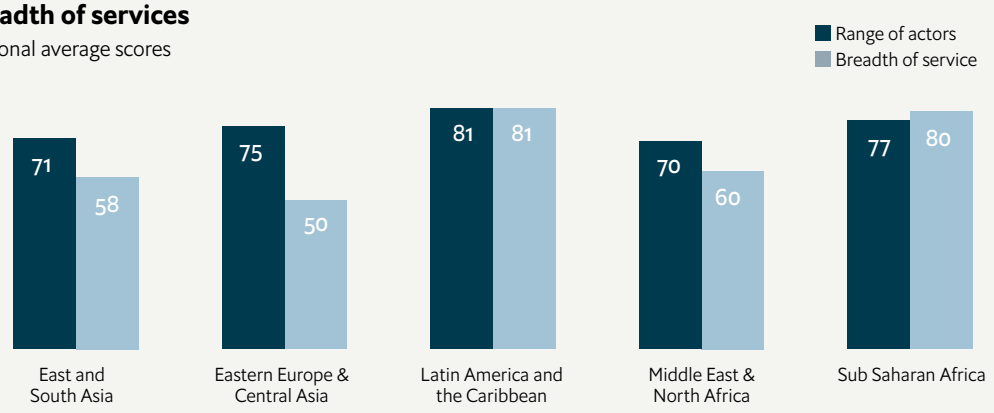
The variety of actors that can become financial outlets is also important as it determines the number of potential touchpoints in a community or neighbourhood. Thirty-two countries allow a wide variety of actors to function as outlets via commercially viable models. In other countries regulations allow many types of individuals or businesses to be outlets, but place other restrictions on them. In the Dominican Republic, financial outlets can operate only in areas where there are no bank branches. In Indonesia, outlets must work with only one financial services provider. Such exclusivity can limit competition and prevent innovative fintech from taking advantage of existing networks of outlets.

Risk-based "customer due diligence" requirements are necessary for financial integrity, but further efficiencies could be gained by widespread adoption of automated KYC practices

Risk-based approaches to KYC and customer due diligence (CDD) facilitate financial inclusion for low- and middle-income populations by determining which customers and account types pose a low risk for illegal activity and therefore require less documentation. Nearly two-thirds of countries in the 2018 Microscope use CDD approaches that do not unduly limit access to financial services for low- and middle-income customers, and the scores of only two countries (Tunisia and Senegal) indicated disproportionate CDD frameworks overall. Countries including Argentina, Ghana and Jordan use tiered approaches to CDD, requiring additional information

Figure 2. **Regional scores, out of 100, for financial outlets' range of actors and breadth of services**

Regional average scores



Source: EIU.

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Interoperability: Connecting payment systems

The 2018 Microscope explores interoperability as a driver of an inclusive payments market. Evidence shows the effects of interoperability—ensuring that different systems can communicate with one another—on several fronts: national payment systems and clearing houses, innovations such as QR codes, and mobile e-money. Central banks in several countries have taken important steps to open national payment systems, ensuring that players old and new, big and small have access to move funds across platforms. Interoperability was cited as a founding principle when Indonesia launched its National Payment Gateway in 2017. In China, interoperability of payment platforms is a key enabler of financial inclusion—third-party payment systems all use a single, real-time platform to settle payments from bank accounts, which has reduced risk and improved transparency.

China is also among a small group of countries leading the standardisation of QR codes for payments; in China, a single QR code allows users to make payments on any platform. Argentina mandated a similar system and linked it with the country's interbank transfer system, allowing individuals not only to make payments with QR codes but also to make person-to-person transfers using the codes, including to individuals who do not have a bank account. These innovations increase the reach of any single electronic payment system while also reducing friction for users, and, in Argentina's case, even opening the system for sending payments to non-users, which could drive adoption.

Tanzania has led interoperability of mobile money platforms in Africa, allowing users to send and receive money on any mobile network. Rwanda has also recently enabled such transfers, ahead of a planned cross-border interoperable mobile money system that would connect member states of the East African Community. Beyond Africa, these types of systems have not yet been widely adopted, as evidenced in the case of India, where several players operate in the digital payments sector. Regulators do not require them to connect their systems, thereby limiting the use of mobile payments for merchant transactions.

only for transactions above specific thresholds. In Argentina, the simplest CDD requirements can be satisfied by providing photo identification.

Tiered approaches enable financial service providers to engage in innovative partnerships. In Mexico, Banamex, a bank, and OXXO, a convenience store chain, partnered in 2012 to offer the Saldazo account, which can be accessed via a Visa debit card linked to a Banamex account and offered via OXXO stores or through Banamex's mobile money platform. The account-opening process is reported to take less than five minutes and benefits from simplified KYC procedures. In order to qualify for the simplified KYC procedures, the account is limited to approximately US$750 in deposits per month.

Automated KYC practices can further facilitate such services for low- and middle-income populations by increasing efficiency. Mexico and 15 other countries have implemented electronic KYC procedures that include online verification of identification and even the use of biometric data to verify an individual's identity. In India, financial institutions can verify national identification numbers via online systems. Rwanda allows e-money issuers to verify identification via the national database.

Technology introduces new risks, and many countries still need to update cybersecurity laws and develop their capacity to enforce data privacy protections

In 35 of the 55 countries in the 2018 Microscope, consumer protection regulations generally facilitate financial inclusion, and previous editions have shown gradual strengthening of these protections over time. As digital financial services expand, new consumer risks emerge, and therefore, in the best-performing countries, traditional consumer protections are

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Table 4. **Consumer protection in financial services and scores on data protection, privacy, and cybersecurity**
Countries that scored 80 or more out of 100

	4.1 Consumer protection for financial services users	4.3.1 Data protection and privacy	4.3.2 Cybercrime legal protection	4.3.3 Privacy laws enforcement	2.5.1 Government commitment to cybersecurity
Argentina	92	100	69	50	59
Bangladesh	83	0	91	0	65
Bolivia	100	100	0	0	11
Colombia	92	100	95	100	71
Ecuador	86	100	0	0	57
El Salvador	100	0	50	50	22
Honduras	92	100	0	0	1
India	83	100	78	50	86
Indonesia	83	100	100	0	51
Lebanon	81	0	0	0	18
Mexico	92	100	100	50	83
Pakistan	100	0	86	0	54
Panama	86	100	59	100	59
Philippines	83	100	100	100	74
South Africa	100	100	82	100	62

Source: 2018 Global Microscope

coupled with data privacy and cybersecurity safeguards. Colombia and South Africa have dedicated financial consumer protection frameworks and specialised enforcement capacity, as well as government entities with a strong capacity to enforce data protection laws. However, in most countries data privacy protections are not well developed—42 countries have limited or no capacity to enforce data privacy. The General Data Protection Regulation in Europe, which applies to transactions with European citizens even outside Europe, is likely to influence emerging-market regulators to take up data privacy.[6] India's Supreme Court recently made a landmark finding of a right to privacy; the practical implications of that decision remain to be worked out.[7]

Overall performance on the Commitment to Cybersecurity indicator is insufficient. Forty-seven countries have demonstrated just a moderate or deficient commitment. The challenge is not limited to a specific region; some of the better performers are Russia, India and China. As the table below shows, strong performance on traditional consumer protection (countries that scored greater than 80) does not necessarily indicate that a country has a sufficient framework for digital consumer protection. This is clearly an area in flux.

6 *Politico*, https://www.politico.eu/article/europe-data-protection-privacy-standards-gdpr-general-protection-data-regulation/

7 BBC, https://www.bbc.com/news/world-asia-india-41033954

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Governments can promote digital financial inclusion by expanding payment platforms for government transactions

Although strong person-to-government (P2G) and business-to-government (B2G) payment platforms exist in a number of countries, conditions can be improved in at least 30 countries (which scored less than 75) in the 2018 Microscope. The significant size of the public sector in most countries and the pervasiveness of making payments to or receiving payments from governments mean that when authorities introduce digital payment options they can influence the behaviour of a mass of individuals, incentivising them to switch to digital payments. In Kenya, the government has taken advantage of wide acceptance of mobile money to extend its services via an e-government platform. Mobile money represents more than 90% of payments via the platform and more than 85% of payments for parking fees, single business permits and licences.[8 9] Services such as drivers' licences can be paid for only via the platform.[10] At the same time, government actions can spur the development of digital payments infrastructure via partnerships with platforms that increase the technical capacity and options available to rest of the market. In addition, the government can reap sizeable gains, including reducing administrative costs, increasing security and broadening tax bases. Paraguay uses e-payments for its two cash-transfer programmes as well as all government salaries. Jordan, Paraguay and South Africa all combine initiatives to digitise government-to-person (G2P) payments, such as pensions, with P2G and B2G payment platforms that allow individuals and businesses to pay taxes and other charges online. South Africa uses an online portal to manage all government e-services and receive payments digitally. Since 2016, Jordan's automated clearing house has enabled the digitisation of all government payments.

8 Next Billion, https://nextbillion.net/digital-government-4-keys-to-kenyas-success-with-electronic-government-payments/

9 GSMA, https://www.gsmaintelligence.com/research/?file=85996b8b4689e7056b2197d972b7222f&download

10 Ibid.

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Fintech providers partner with traditional financial institutions

Overview

For a growing number of individuals their primary relationship with a financial institution is with an e-money issuer. However, ensuring that individuals have access to a variety of financial services is not as simple as signing them up for a mobile money account. For example, by 2017, about 72% of Kenyan adults had a mobile money account, but only 9% of adults were using those accounts for financial services other than money transfers, such as savings, credit and payments.[11] Deepening these relationships offers benefits to both clients and providers. To expand their service offerings, most e-money issuers have partnered with traditional financial institutions.

El Salvador

MoMo (Mobile Money Centroamerica S.A. de C.V.) is an e-money issuer and payment services provider with more than 180,000 users and 400 agents in El Salvador. Since 2015 the firm has partnered with the state-owned Agricultural Development Bank (BFA) to provide e-money services to the bank's clients. BFA clients can use MoMo agents to perform transactions including deposits and online payments. In August 2018, both MoMo and BFA announced that conditional cash transfers could now be carried out via an e-wallet.

Honduras

Tigo Money is an e-money issuer operated by the cellphone service provider Tigo in Honduras with more than 4,200 agents and 2m transactions per month. In May 2018 Tigo Money and the bank BanPais announced a partnership that allows clients to link their BanPais bank accounts with their Tigo Money e-wallets. Clients can access their bank accounts via cellphone, and transfer funds from their accounts to their e-wallets to carry out transactions and make withdrawals from Tigo agents.

Cameroon

Both of Cameroon's leading mobile money providers (MTN and Orange) have partnered with banks out of necessity—regulations require e-money issuers to join up with banks. However, the partnerships have enabled e-money issuers to offer a wider range of services, including linking bank accounts with e-wallets to perform transactions between both accounts. In addition, in 2016 Orange launched a Visa debit card that allows clients to make purchases and withdraw funds from their mobile money accounts via ATM.

11 Financial Inclusion Insights, http://finclusion.org/blog/fii-updates/mobile-money-is-powering-financial-inclusion-and-the-uptake-of-advanced-digital-financial-services-in-kenya.html

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Specialised supervision capacity can be strengthened in most countries

Most countries can improve their supervisory capacity for financial inclusion and digital financial services. Only five countries[12] exhibited advanced technical expertise for supervision of non-bank financial institutions and digital financial services.

Peru offers a 14-week training course for regulators that focuses on risk management and supervision specific to microfinance and financial inclusion. The Philippines provides supervisors with similar specialised training. In 2016, Tanzanian regulators participated in first Digital Finance Inclusion Training Programme, organised by the Consultative Group to Assist the Poor (CGAP) and the Toronto Centre.[13] However most countries can do much more to build supervisory capacities, particularly when it comes to digital financial services. Moreover, 32 of the 55 countries are not leveraging technology for digital supervision. As financial technologies evolve markets will become more complex and regulators must possess the tools to supervise them effectively. For example, technology can help officials monitor the market for providers that are not regulated as financial institutions but offer financial services that can affect the financial system and pose a risk to stability and integrity. In Brazil, regulators are using blockchain technology for electronic supervision, while in Panama regulators have adopted XRBL, an open international standard for digital business reporting, to exchange financial and non-financial information.

In addition to technical expertise, supervisors require comprehensive differentiated risk frameworks for consumer credit and microcredit portfolios. The frameworks allow regulators to prioritise entities and sectors, creating incentives for improving corporate governance, developing specialised tools for each type of risk, and effectively complementing on- and offsite supervision.[14] Various countries in the 2018 Global Microscope are implementing best practices for risk-based supervision: 24 countries have a differentiated framework for consumer credit supervised by the regulator and 12 have a comprehensive microcredit framework. Colombia's comprehensive risk management framework evaluates credit, market, liquidity and operational risks at institutions. Uruguay's Committee on Financial Stability brings together various regulators and assesses indicators on risks and financial inclusion, among others. In other countries, risk-based supervision can be improved. In Ecuador, for example, supervision of non-bank financial institutions is primarily based on size instead of a more complete institutional risk profile.

12 Jordan, Peru, Russia, Rwanda and South Africa

13 Brookings Institution, https://www.brookings.edu/wp-content/uploads/2017/08/fdip_20170831_project_report.pdf

14 Co-operatives of the Americas, https://www.microfinancegateway.org/es/library/gu%C3%ADa-pr%C3%A1ctica-supervisi%C3%B3n-basada-en-riesgos-para-las-cooperativas-de-ahorro-y-cr%C3%A9dito

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Conclusion

The 2018 Microscope documents the global advance of digital financial services and it shows how actions taken by regulators and policymakers are facilitating or inhibiting their contribution to financial inclusion. It is important to remember that technology is an important enabler of financial inclusion but the growth of digital financial services should not be equated with financial inclusion itself. The Global Microscope is concerned with a more comprehensive view of financial inclusion, considering factors such as governments' commitment to cybersecurity, consumer protection for digital services and e-money, data protection and privacy, cybercrime legislation, the existence of digital identification, Internet connectivity and support for digital literacy. Each of these factors contributes to the viability of individuals transforming their use of a single digital financial service into financial inclusion. Furthermore, the performance of countries in the digital environment and infrastructure indicators suggests that as digital financial services expand, digital exclusion can also contribute to financial exclusion. Beyond the digital sphere, traditional areas of financial inclusion, such as market entry, supervisory capacity, products and outlets, and consumer protection, are critical to well-functioning financial services for the poor.

The 2018 Microscope measures the enabling environment for financial inclusion, from the minimum conditions for financial inclusion to occur, to the incentives governments can offer to spur greater inclusion. Digital financial services will continue to expand as a driver of financial inclusion, but their growth is not without risks. In order for individuals to fully realise the benefits that financial technologies may provide, regulators must look to models and develop frameworks that balance the risks and benefits.

The Global Microscope promotes a risk-based approach to regulation, avoiding unnecessary constraining regulation while ensuring financial stability, integrity and consumer protection. By implementing supervision based on these core principles, regulators and policymakers will ensure that they are prepared for the next evolution in financial inclusion. As technologies race forward, innovations will create opportunities for new tools while also driving growth in established platforms—just see how mobile money providers have partnered with banks to expand their service offerings. Digital financial inclusion is about lowering the barriers to broader financial inclusion. As the 2018 Global Microscope makes clear, promoting financial inclusion requires concerted efforts from the public and private sectors to ensure services that are accessible and attractive to customers.

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ARGENTINA

Summary

Argentina's enabling environment for financial inclusion would benefit from increasing coordination among government authorities and with the private sector; the forthcoming national strategy could achieve this. Proportionate regulation of digital financial services has contributed to dynamism and innovation in this sector, positioning it as a potential driver of financial inclusion. With a small microfinance sector and no regulatory framework for banking correspondent agents, it remains to be seen how Argentina will expand the reach of the financial system to include a larger portion of the low- and middle-income population.

Overview

In July 2017, the government of Argentina created a Financial Inclusion Coordinating Committee under the Ministry of Finance, and in May 2018, the congress approved the Productive Financing Law (Law No. 27440), which includes a requirement for the government to issue a financial inclusion strategy. This should be issued during 2018. From 2016 to 2018, the Central Bank published regulations designed to increase financial inclusion. In June 2016, the BCRA regulated mobile point-of-sale systems, online payments and an e-wallet. In March 2017, regulators required that basic savings accounts, debit cards and online transfers all be free of charge to customers. In May 2017, regulators allowed non-bank-owned ATMs to be installed. According to the 2017 Global Findex, bank account ownership among adults increased from 33% in 2011 to 50% in 2014, but fell slightly to 49% in 2017. Experts think the growing fintech sector could reverse this trend: the government has taken a 'wait and see' approach, holding off on regulation for now, while the industry has begun to organise with the creation of a Fintech Chamber of Commerce. There is some hope that the growth in fintech could also offset the low penetration of microfinance in Argentina; in 2018, microcredit only reached 81,000 borrowers, while some 4m micro-entrepreneurs lacked access to financial services.

What are the key enablers of financial inclusion in your country?

The Central Bank's approach to regulation has fostered innovation in digital financial services, increasing adoption of electronic payments (some of which are now mandated by law) and standardising tools such as digital QR codes so that a single code can direct payments across all electronic payment platforms. Regulators also expanded coverage of the National Interbank Transfer System to cover those currently without bank accounts. Interoperability has been a theme of regulation in recent years: payment systems and e-wallets are required to work together across platforms. If it successfully increases coordination among authorities and with the private sector, the forthcoming national strategy could become a key enabler of financial inclusion, especially because the requirement to create a strategy is codified in law and thus should transcend any single presidential administration.

What are the key barriers to financial inclusion?

The lack of coordination among authorities and with the private sector has slowed financial inclusion in recent years; there is hope that the forthcoming financial inclusion strategy will correct this. The lack of a developed microfinance sector means that many in the low- and middle-income population are still excluded from the financial system. Argentina could chart a different course from that of its neighbours, bypassing traditional microfinance or combining it with fintech services; what is clear is that models that have worked elsewhere in Latin America are not as prevalent in Argentina. Banking correspondent agents lack enabling regulation, effectively eliminating this tool for extending financial services to rural and remote areas. Financial regulators have lacked political independence in the past and this diminishes the possibility of implementing enduring changes to increase financial inclusion.

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BANGLADESH

Summary

Bangladesh has continued to make progress in promoting the use of digital financial services (DFS), having recently adopted new mobile financial services guidelines. However, there is still room for improvement in making regulation more proportionate and market access fairer. Despite some constraints, market actors have continued to expand services, with e-money usage in particular becoming more widespread.

Overview

Financial inclusion remains a policy priority in Bangladesh, but the government would benefit from finalising an overarching strategy to achieve its financial inclusion goals. The National Financial Inclusion Strategy, which was initially scheduled to be released in December 2017, is still being drafted. The Bangladesh Bank's (BB, the central bank) Strategic Plan 2015–2019 has some relevant themes, but currently there is no overarching policy document aimed specifically at improving financial inclusion. The government has taken some steps, in the form of pilot projects, to promote the digitisation of G2P payments, but there is no overall initiative to achieve this. Penetration of DFS, while still relatively low, is expanding. According to the 2017 Global Findex, 21% of adults had mobile money accounts in 2017 compared with only 3% in 2014. Two players—bKash and Rocket—dominate this market, with most transactions being in-country remittances. Uptake of formal financial services has also increased, with 50% of adults having bank accounts in 2017 compared with 31% in 2014, the Findex survey found. Over all, market-led initiatives are the key drivers of financial inclusion in Bangladesh.

What are the key enablers of financial inclusion in your country?

Regulations for DFS, enacted in 2015 and recently updated in July 2018, have allowed the use of e-money to expand significantly. Many low-income clients now use e-money accounts to send remittances from urban to rural areas, making up for the limited geographic reach of banks. The agent-network model is popular in Bangladesh, which allows both banks and DFS providers to reach low-income market segments, including those in rural areas. Simplified KYC requirements also aid this process, particularly for opening e-money accounts. The Bank of Bangladesh has been working on a pilot e-KYC system which would greatly facilitate account opening in remote areas of the country.

What are the key barriers to financial inclusion?

Bangladesh has a 'bank-led' regulatory approach towards digital financial services (DFS) providers, meaning other players such as mobile network operators (MNOs) are effectively barred from entering the market. This reduces competition as well as the incentive for existing players to be innovative. Interoperability is low, partially because one DFS provider (bKash) dominates and has low incentives to promote it. However, the recently updated Mobile Financial Services regulation grants mobile money providers access to the national payments switch, which has the potential to increase interoperability. While a risk-based approach and simplified account-opening requirements are in place, in practice low-income individuals face difficulties in opening bank and even e-money accounts, often due to lack of appropriate identification documents.

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BOLIVIA

Summary

The government of Bolivia has made financial inclusion a focus of its development strategy and has implemented policies that direct public and private actors to target middle- and low-income consumers. Policy support and consumer protection are strong, while infrastructure and stability are areas for improvement. More work is needed to implement forward-looking policies that encourage risk-based supervision and enhance analytical capacity.

Overview

In 2013, Bolivia implemented the Financial Services Law (FSL), which defined provisions for expanding access to the financial system and created the Committee on Financial Stability (CFS), a working group with members from different government agencies. The FSL imposed deposit rate floors and lending rate ceilings, set mandatory lending quotas for the productive sector and social housing, and revised banks' solvency requirements to match international Basel standards. The law also required more spending on improving consumer protection and increasing access to financing in rural areas. Since the FSL, lending to targeted sectors has grown significantly and financial inclusion has improved. Amongst the lower-middle-income countries in Latin America, Bolivia has the highest percentage (54%) of adults with an account, according to the 2017 Global Findex. Women and men have similar access rates, but the poor are less likely to have accounts. Over all, the financial system is stable, but the government's role in dictating the growth of financial inclusion through quotas and interest rate caps may be distorting the market by preventing institutions from assessing and pricing risk accordingly. Heavy government intervention and the lack of risk-based assessment can also hinder financial innovation. For example, mobile wallet products are few. Tigo Money has the largest market share and reported about 1m registered users in 2017. The FSL legally recognises e-money, but market activity is low.

What are the key enablers of financial inclusion in your country?

Inclusive policy, consumer protection and identity documents are the key drivers of financial inclusion. The government has adopted and implemented ambitious reforms that focus on the needs of the middle- and lower-income populations. Interest rate restrictions and lending quotas were designed to minimise the costs of borrowing and maximise returns to consumers and these have been effective in reaching women, the poor and people in rural areas. The FSL also recognises e-money and does not impose any disproportionate restrictions on e-money issuers or cross-border transfers. The General Service for Personal Identification (SEGIP) is upgrading national identification cards to include a smart chip and biometric data to facilitate identity verification and electronic transactions.

What are the key barriers to financial inclusion?

Heavy government intervention and unreliable infrastructure are the key barriers to financial inclusion. Interest rate restrictions on deposits and loans help consumers, but can ultimately limit access to credit and hurt profitability and growth for financial institutions. Telecommunications infrastructure is also a barrier to financial inclusion. A significant number of people live in remote valleys and areas where telecom infrastructure has been chronically neglected and access to reliable mobile services remains expensive.

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BRAZIL

Summary

Brazil's enabling environment for financial inclusion has been strengthened by its extensive financial agent network enabled by proportionate regulations, its dedication to advancing and maintaining the prevalence of digital transactions and financial technology, and the commitment to financial literacy. More work is needed to increase the autonomy of the Central Bank as the primary regulator, to incentivise the use of inclusive insurance products, and to expand the regulatory capacity with regards to innovative and emerging financial technologies.

Overview

Brazil's government has made large strides in the prioritisation of financial inclusion since the 2012 Partnership for Financial Inclusion. Brazil now ranks third among the largest digital transaction markets in the world, and also has a high mobile capacity at 83%. Since 2015, Brazil has increased ATM interoperability by 10%, and the country began regulating remote account opening in 2016, which has allowed smaller financial institutions to spread services to remote areas digitally. Brazil has an extensive network of more than 400,000 financial outlets and agents, which allows for increased access for the low- and middle-income populations. In 2018, the Central Bank implemented a new blockchain-based technology to improve the regulation of financial institutions. However, there is still no formal regulation of e-money in the country. The Central Bank launched the new sandbox regulation protocol in 2017 to facilitate the introduction of peer-to-peer lending and allow for the regulation of certain credit transactions to be carried out on electronic lending platforms. A list of chosen projects is set to be outlined in October 2018. The delay by the president of proposed legislation that would have given the Central Bank full autonomy in 2017 has raised concerns around its operating autonomy. The legislation is now delayed until late 2018 or 2019.

What are the key enablers of financial inclusion in your country?

The 2012 Partnership for Financial Inclusion is a major enabler for the regulation, development, and spread of financial services by promoting digital transaction market growth, and the expansion of mobile and agent financial services through public-private partnerships. Also, new blockchain-based supervising technology and the regulation of financial institutions by the Central Bank is allowing for more proportional access to financial services. Brazil's new sandbox regulation method should continue to facilitate the entrance of new fintech platforms, increasing access to digital financial services for underserved populations.

What are the key barriers to financial inclusion?

In practice, there are no formal regulations yet in place for fintechs and other e-money institutions. The sandbox regulation method has been launched and a working group was established to begin creating a framework for e-money and other emerging services. No concrete regulation has been put in place, leaving new platforms at risk of being under-regulated. The AML/CFT guidelines do not yet have a sufficient risk-based framework for a low-risk customer, which potentially increases the cost of services for low-to middle-income people. In addition, the influence of political dynamics on the Central Bank is concerning, as the proposed 2017 legislation to give the Central Bank full autonomy was delayed by the president.

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CAMBODIA

Summary

The financial inclusion landscape in Cambodia is growing and evolving, with the government nearing the finalisation of a National Financial Inclusion Strategy. While digital financial inclusion is establishing firm roots aided by regulation, more work is needed to create a proportionate regulatory regime related to the pricing of microfinance credit products.

Overview

The financial inclusion sector in Cambodia has grown not only in terms of the number of institutions (2016: 64 MFIs and 2017: 69 MFIs), but also new licence categories such as Payment Service Providers (9 entities in 2017). The 2017 interest rate cap on Microfinance Institutions (MFIs) and Microfinance Deposit Taking Institutions (MDIs) has resulted in a decline in the number of borrowers from 1.9m to 1.75m (December 2017) at MFIs/MDIs. However, the total volume of loans grew by 25%, reaching US$3.9bn at the end of 2017. This has reignited worries about MDI/MFI clients becoming over-indebted given the limited MFI/MDI staff capacity to conduct credit assessment for high loan amounts. The Cambodia-specific FinScope data provide a comprehensive picture of the supply side of financial inclusion; 29% of Cambodia's adult population remains excluded. Banks cater to 17% and non-bank formal institutions cover 52% of the adult population. There is not a large gender differential and female financial inclusion (60%) is marginally more than male inclusion (57%). Digital financial services (DFS) have been rapidly developing roots in Cambodia. FinScope data reveal that over a third of adults in Cambodia had received money transfers while 22% of adults sent money (12-month period). The National Bank of Cambodia recognises its role as the agency that has to create the enabling environment for financial inclusion and as such, it has managed to generate internal momentum on various initiatives such as creating the supporting infrastructure (efforts at increasing financial literacy, regulation of payment systems providers, enhancement of payment systems capabilities).

What are the key enablers of financial inclusion in your country?

A National Financial Inclusion Strategy including a time-bound action plan has recently been drafted by the regulator as part of the MAP process driven by UNCDF. This along with the supporting regulation and infrastructure for digital financial services are the two key enablers that should provide the necessary impetus to push forward financial inclusion. The relatively liberal but systematic regulatory environment—until the imposition of the interest rate cap on MFI lending in March 2017—was an important enabler of financial inclusion.

What are the key barriers to financial inclusion?

While DFS are viewed as a key enabler, money transfer is what currently drives DFS. Mobile money providers are unable to offer savings products and while many financial services providers (FSPs) have been increasing their digital footprints to include the collection of deposits and loans, this is still in its infancy as FSPs struggle with back-end technology. The number of MFIs and MDIs continues to be a worry for many market observers and the recent MFI and MDI surge in refinanced loans has caused alarm amongst various investors concerned about the level of over-indebtedness in the market.

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CAMEROON

Summary

Cameroon is taking gradual steps towards financial inclusion, guided by the Strategic Plan for a Digital Cameroon. As a member of the Economic and Monetary Community of Central Africa (CEMAC), Cameroon is enabled by the Bank of the Central African States (BEAC) and the Banking Commission for Central Africa (COBAC). Digital financial services, provided by banks in partnership with telecom operators, are at an early stage, and are limited by a lack of interoperability. While financial regulation has been strengthened, there are new regulatory hurdles due to increasing money laundering risk.

Overview

The enabling infrastructure for financial inclusion is still in its infancy in Cameroon. A vision document, "Strategic Plan for a Digital Cameroon by 2020", spells out the plans for the infrastructure and ecosystem of financial inclusion. The Finance Minister has articulated his government's resolve to adopt a financial inclusion strategy. However these plans are yet to be put in place. As a member of the Economic and Monetary Community of Central Africa (CEMAC), Cameroon's economy and financial regulations are guided by the Bank of the Central African States (BEAC) and the Banking Commission for Central Africa (COBAC). The country has gone through a structural adjustment programme (SAP), which stipulated a significant increase in the minimum capital required by banks. Due to these reforms, the traditional banks have tightened the conditions of access to their services, resulting in the marginalisation of a large segment of the population and an increase in under-banking, especially in rural areas. Due to recent fears of money laundering for terror activities, the government officials have often been imposing arbitrary restrictions on the foreign currency being brought into the country.

What are the key enablers of financial inclusion in your country?

Cameroon has a robust regulatory and institutional framework for banks, non-bank financial institutions (including microfinance institutions and thrift and credit cooperatives) and telecom operators that offer legal certainty to financial services providers. The Central Bank, the Banking Commission, the Ministry of Finance, the National Council for Credit, Telecom Regulatory Agency, and the Ministry of Posts & Telecommunications are all playing their role as enablers. A government-funded programme for digital literacy, as well as a donor-supported programme to provide computers in educational institutions, are further strengthening the steps towards financial inclusion. Unencumbered by regulatory limitations, microfinance institutions have provided their services far and wide. However, these services are still offered at a high price for low-income customers. In spite of challenges, e-money services provided by private-sector operators such as MTN and Orange are on a growth trajectory reaching even the remote regions of Cameroon through a network of agents and other outlets.

What are the key barriers to financial inclusion?

The government has not taken any action to implement its financial inclusion strategy, and there is a low level of digitisation in government payments. Financial regulation in Cameroon restricts the issuance of electronic money to banks. As a result, telecom operators must offer financial services only in association with banks. In addition, the regulator recently put a ban on telecom operators offering remittance services to countries outside the CEMAC region. All these restrictions put limits on growth and the scaling up of electronic money services. There are agents of telecom e-money service providers operating in rural areas, but due to network issues, there are a number of cases of agents and customers losing money in electronic transfers. Money transfer is still considered a postal service in Cameroon, instead of a simple financial transaction, and thereby attracts a relatively high tax rate, further restricting its growth. Insurance is still very limited, leaving a huge market hitherto untapped. The recent growth of violent separatist and terror movements in the country also poses threats. In spite of all these challenges, digital financial services are still growing in Cameroon.

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CHAD

Summary

Chad faces multifaceted challenges to achieve financial inclusion. There is a general lack of government and national-level policy support, coupled with extreme infrastructure challenges in the largely rural landscape. Mobile and Internet penetration remain low in a country where products and outlets are scarce. Chad's greatest advantage comes from its shared central bank, the Bank of Central African States, which also serves Cameroon, the Central African Republic, Equatorial Guinea, Gabon, and the Republic of Congo.

Overview

The state of financial inclusion in Chad is weak. According to the 2017 Global Findex, only 9% of Chadians have a bank account. The country has an underdeveloped telecommunications sector, and mobile phone and Internet penetration rates remain low. The education system is underfunded and understaffed, with literacy, digital literacy, and financial education lacking appropriate attention. In 2015, Tigo Chad launched Tigo Cash Paaré, a digital take on a centuries-old community saving tradition. Savings groups, known as paarés, pool members' money together into a community fund. Currently, 22% of Chadian women participate in such funds, and Tigo Cash Paaré has been popular, but with mobile phone usage low, its success is constrained. Chad's national financial inclusion strategy, la Stratégie nationale de l'inclusion financière au Tchad, was approved in July 2016, but there has been little to no evidence of any results.

What are the key enablers of financial inclusion in your country?

The Bank of Central African States (BEAC), which, in addition to Chad, serves Cameroon, the Central African Republic, Equatorial Guinea, Gabon, and the Republic of Congo as a supranational regulatory body, is removed from national-level politics and influences. It also ensures that financial regulation remains uniform across these six states. While examples are not extensive, the Chadian government has, in the past, partnered with non-governmental organisations and private-sector actors to participate in capacity-building exercises related to the National Financial Inclusion Strategy. Regulations on market entry and ongoing requirements for financial institutions in Chad and the other BEAC member states remain largely proportionate for those aiming to serve low- and middle-income populations.

What are the key barriers to financial inclusion?

There are numerous barriers to financial inclusion. There are various infrastructural challenges in the country, although there are ongoing efforts to improve connectivity. The telecommunication service industry remains underdeveloped, with large numbers of underserved people. Funding, too, is an obstacle, as the government is unable or unwilling to devote more resources to cultivating the financial inclusion environment.

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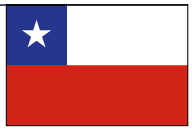
CHILE



Summary

The enabling environment for financial inclusion in Chile is strengthened by strategic high-level coordination among government agencies, through capacitation programmes, financial education and warranty programmes, and the provision of financial services by both banks and non-bank financial institutions. Nonetheless, current regulation is skewed to the traditional financial institutions and needs to be restructured to foster innovation and competition among emerging financial services and fintechs.

Overview

The Chilean National Strategy for Financial Education, ratified by President Bachelet in January 2018, involves public, private, and civil society actors to improve the understanding of financial procedures and services, while ensuring the protection of customers. The new Banking Act, approved in January 2018, follows the Basel III standards applied by OECD countries and maintains the minimum level of effective capital for banks at 8% of their weighted risk assets, but the standards also adjust the risk calculations for banks based on size and market importance. The requirements are expected to balance out the effects of existing disproportionate capital requirements, as they provide larger banks with wide ranges of services greater flexibility to expand their operations. The 2016 General Law of Cooperatives (updated in 2017) regulates the operations of all cooperatives in the country, but savings and credit cooperatives are under special regulations regarding the facilities, human resources, technology, procedures and controls necessary to adequately develop their operations. The Act of Electronic Payment Means was approved in 2017 and is expected to expand the market of payments to mobile solutions and expand the current means of making payments used. In April 2018, the Bank of Credit and Investment (BCI) launched the first prepaid card in the country. In the past six years, the amount of Internet transactions (transfers and payments) has increased by 20%, whereas transactions at traditional financial institutions' branches have diminished. In 2017, 78% of all transfers were made online. Starting in 2018, electronic invoices are required for all businesses.

What are the key enablers of financial inclusion in your country?

High levels of government coordination have allowed the Chilean government to adopt and implement more comprehensive financial services that have directly benefited financial inclusion in the country. The government has also promoted the implementation of several financial tools, such as RUT accounts (linked to an identification number given to every Chilean citizen) and Caja Vecina, which have made the provision of financial services more accessible, both in geographic and logistical terms, for individuals and companies. Moreover, Chile currently has an 80% level of Internet penetration, which eases the access to financial services even in remote regions. 98% of Chilean adults possess at least one financial account. Chile also leads the region in financial capacities.

What are the key barriers to financial inclusion?

There is no periodic monitoring of the effectiveness of the financial inclusion regulations. The only previous iteration is a 2016 Report on Financial Inclusion developed by the Superintendent of Banks and Financial Institutions (SBIF). Chile does not have a specific regulation for emerging financial services such as P2P and crowdfunding, as their activities are still under the regulation for banks and traditional financial institutions. An eventual regulation on crowdfunding is currently being discussed. Currently, citizens that earn less than 7,000 Chilean pesos do not have access to traditional bank accounts, and real access to credit in the country is only at 50%. The banking infrastructure provides good services for those with higher incomes, but not for the middle- and lower-income populations. It is very expensive to provide services to this sector and the current financial regulation does not allow non-bank financial institutions to hold deposits, which further limits expanding financial inclusion.

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CHINA

Summary

The enabling environment for financial inclusion in China is strengthened by a financial inclusion plan that has a special focus on a digital approach, which promotes the sound development of online financial services. While there has been an unprecedented growth of third-party payment providers enabled by China's 'wait and see' regulatory approach, in recent times, the People's Bank of China (PBC) has been raising the reserve funds ratio so that third-party payment firms are required to deposit with a central bank-controlled account. In early 2018, this ratio was increased to 50% from the 20% that was set earlier and now PBC has set in motion a process to further increase this to 100%. This will mean that payment firms can no longer earn interest on customers' funds, thereby bringing down the financial risk.

Overview

While there have not been many efforts in the past to publish data or reports on financial inclusion, the People's Bank of China (PBC) and the World Bank Group collaborated to write a report to showcase China's approach to financial inclusion over the past 15 years. Released in February 2018, the report notes that China still faces several key challenges to achieving sustainable and long-term financial inclusion and that the country will need to shift towards more market-based, commercially sustainable approaches to financial inclusion. Since 2017, the PBC has assumed some independence over policy decisions, and is slowly pursuing its mandate free of political oversight. The Interim Rules for P2P lending platforms, which were issued in 2016, clarified that P2P lending platforms were information intermediaries, specified activities that they were prohibited from engaging in, established business rules and risk management requirements for P2P lending, specified the obligations of borrowers and lenders, and determined the joint and coordinated supervisory responsibilities of various authorities overseeing the industry. Starting June 2018, all third-party payment agencies involved in the online payment business will have to use the Wanglian platform, which is a real-time monitor and will better control financial risks to improve the transparency of the third-party payment market. This will facilitate the growth of the online payment and lending business in an increasingly regulated and stable environment.

What are the key enablers of financial inclusion in your country?

The current state of interoperability in Chinese payment systems is one of the key enablers of financial inclusion. As the use of QR codes was beginning to gain momentum in China (72% versus a global average of 55% in 2017), it was standardised across payment networks for increased interoperability. In 2015, China opened its clearing network to foreign players including VISA and MasterCard, which now have the chance to tap into the Chinese market to acquire merchants and settle for local card issuers. The financial inclusion plan pushes for greater cooperation between public- and private-sector providers with a shift in focus towards more market-based approaches and private-sector-driven efforts, particularly to encourage innovation and competition.

What are the key barriers to financial inclusion?

There are restrictions that prevent the agents of financial institutions (FIs) from providing a full range of services. Furthermore, FIs do not retain responsibility for all the actions of their agents. The credit reporting systems are not very comprehensive as they do not collect credit records from P2P lenders (which recorded transactions worth US$445bn in 2017). There is no mechanism to monitor the shadow banking industry (unregulated and estimated at US$15trn in 2017) in China, which accounted for nearly a third of all lending.

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COLOMBIA

Summary

Financial inclusion in Colombia is enabled by a sound government strategy that is actively coordinated with the private sector. Inclusion is also underpinned by a favourable regulatory environment that protects consumers and incentivises more players to provide financial services to low- and middle-income populations. Further progress depends on reducing barriers to the payment infrastructure and expanding financial education.

Overview

Financial inclusion has been one of the top government priorities since the mid-2000s. A formal national financial inclusion strategy was launched in 2014. Regulation has aimed to foster the creation of electronic financial products, easing access to microloans, promoting the participation of non-banking agents, and, more recently, fintech companies in the provision of inclusive products and services. The National Development Plan approved in 2015 set financial inclusion targets for 2014–2018, including increases in the share of adults with access to a financial product (from 72% to 84%) and with an active savings account (from 53% to 65%), as well as a reduction in the use of cash (measured by the cash to M2 ratio, from 11.5% to 8.5%). According to the government, the first two goals were practically met by mid-2018, but cash use remains notably high, at around 80% of total transactions. Some electronic financial products are still in developmental stage, but others already available have had limited use and face restrictions to access the payments infrastructure. The new administration of Iván Duque is expected to continue prioritising financial inclusion with an emphasis on digital payments.

What are the key enablers of financial inclusion in your country?

Financial inclusion is enabled by a well-established government strategy, with clear goals and accountability. The Unidad de Regulacion Financiera (URF, Financial Regulation Unit, the financial regulator), the Superintendencia Financiera de Colombia (SFC, the financial system's supervisor), and the Banca de las Oportunidades (BdeO, an entity in charge of promoting and coordinating financial inclusion programmes) play a key role in promoting financial inclusion. Their job is underpinned by collaboration with the private sector, the Ministries of Education and Telecommunications, and the Central Bank. Incentives have led banks and non-banking correspondents to cover 100% of the country's municipalities. The easing of KYC rules, coupled with proportional licensing to establish and operate financial services, is reflected in a booming offering of e-money products. Sandbox regulation is facilitating the development of fintech, while encouraging banks to develop new technologies. The government is promoting financial education, as well as adopting programmes and incentives to increase P2G and P2B payments.

What are the key barriers to financial inclusion?

Reducing the use of cash remains the biggest challenge for the government's financial inclusion strategy. Several issues stand in the way of this objective, including obstacles to access the payments infrastructure, some regulatory distortions, and lack of sufficient knowledge about the demand of financial products by small firms and low- and middle-income individuals. A national financial education strategy launched in 2017 to foster use of financial products will take time to deliver results. Discussions are being held to improve access to the payment infrastructure and gradually eliminate a distorting 0.2% tax on debit transactions, but if and when implemented, their impact on cash use is expected to be only gradual.

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COSTA RICA

Summary

Costa Rica does not have a national strategy for financial inclusion or a national body to create and implement one, although there are some efforts under way to develop one. The process of updating the regulatory framework has continued in some areas such as simplified accounts, mobile payments, and microcredit regulations under the development banking system. However, regulation for agent banking, e-money and credit information systems still lags behind.

Overview

Costa Rica does not have a national strategy for financial inclusion, and creating one was among the recommendations of the International Monetary Fund (IMF) in the financial sector review in April 2018. The Superintendency of Financial Entities (SUGEF) is leading an effort to develop a formal strategy and determine a division of responsibilities to promote financial inclusion among government economic regulatory bodies. SUGEF signalled its commitment to financial inclusion when it joined the Alliance for Financial Inclusion in 2013 and the Maya Declaration in 2015, but its participation is not coordinated with other financial regulators. The government lacks robust data on financial inclusion, including information on the supply and demand of financial services. Financial literacy efforts are mostly led by the private sector, without coordination with the government. Since 2016, government cash transfer programmes have been disbursed via the Sistema Unico de Pago de Recursos Sociales (SUPRES), which enables users to collect subsidies via the financial system. In 2018, the government designed a national electronic payments system for public transportation. The project, which is still not implemented, will be led by the BCC and the Ministry of Public Works and Transportation (MOPT). The latter will be enabled by "contactless" technology, which is becoming widely used in the country.

What are the key enablers of financial inclusion in your country?

The country has made efforts to increase bank penetration and widen the realm of financial services offered to the population, but these efforts have lacked coordination. Public-owned banks still play a major role in the banking system and hold one-half of all assets and credit in the country. Development banks have publicly funded financing schemes for SMEs that are channelled via the financial system. In the private sector, mass insurance has registered activity and effectively reaches the low-income population. Costa Rica has a public registry but the information is restricted to banks and other regulated financial institutions.

What are the key barriers to financial inclusion?

Regulation and supervision are fragmented among the several financial regulators. The technical capacity of regulators has been developing since 2014, but there is still only limited specialised capacity for the regulation of financial services that promote financial inclusion. There is also a large unregulated microfinance sector. Regulated institutions have difficulty competing with unregulated providers for low-income populations as institutions that are regulated by the SUGEF are subject to strict customer due diligence requirements. There are substantial barriers for remote account openings by both banks and non-banks. Simplified accounts, which can be offered only by banks, may be opened online, although the process requires a visit to a branch in order to sign contracts and obtain the debit card associated with the account.

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DEMOCRATIC REPUBLIC OF CONGO

Summary

The enabling environment for financial inclusion in the Democratic Republic of Congo (DRC) has been hindered by economic and monetary crises, and other political and security challenges. The government has launched the Roadmap to Financial Inclusion 2016-2021 to promote financial inclusion. Regional instability and political challenges in the lead-up to the next presidential election, later in 2018, have distracted and prevented the government from meeting financial inclusion targets since 2016. More work and resources are needed to further develop and enforce regulation, strengthen the capacity of the Central Bank, and develop infrastructure.

Overview

The DRC recently launched the Roadmap to Financial Inclusion 2016–2021. In this plan, the government, represented by the Ministry of Finance, the Central Bank, and the National Statistics Agency, has pledged to partner with selected financial service providers, industry associations, development agencies, and donors to promote financial inclusion. The Roadmap sets out six priorities to "improve household welfare, increase economic efficiency, and support growth by increasing the percentage of adults with access to at least formal financial services." Since 2016, the DRC has been plagued by an enduring economic and monetary crisis. As a result, several banks have closed, and public confidence in the Congolese franc continues to waiver. This has been compounded by the ongoing political crisis that has delayed presidential elections, now set for December 2018, following a 2-year delay. Persistent security challenges, particularly in the eastern part of the DRC have hindered Central Bank microfinance activities as well. In the past few years, the government has sought to pay its 1.1m civil servants through a banking intermediary, including mobile money, but extreme infrastructure and geographic challenges were met.

What are the key enablers of financial inclusion in your country?

The Roadmap to Financial Inclusion 2016–2021 gives the DRC the opportunity to leverage new financial technologies to overcome the infrastructural and geographic challenges in the vast country. The central bank has adopted a "laissez- faire" approach and imposes few disproportionate requirements for market entry of banks and e-money issuers which has facilitated the adoption of digital financial services (DFS) in the country.

What are the key barriers to financial inclusion?

Extreme infrastructural, political, monetary, economic, and security challenges continue to distract the DRC government from focusing on financial inclusion. A lack of financial literacy and education, too, remain obstacles to adoption of the few digital financial services that are available. Also, requirements to obtain SIM cards and bank accounts result in both a lack of adoption, and the use of counterfeit materials, including identification documents, to bypass these requirements, especially SIM cards.

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DOMINICAN REPUBLIC

Summary

Financial inclusion is being prioritised under the mandate of a 20-year national strategy law but there is still a need for a robust digital strategy. Agent banking is well established and widely used by financial institutions and microfinance Institutions (MFIs). However, banks serving low-and middle-income customers continue to be burdened by taxation of operations and high operating requirements.

Overview

In the past year, the Central Bank (BCRD) has started to draft a national strategy for financial inclusion. The strategy is being formulated alongside the main players of the financial sector and aims to promote the use of electronic payments. It also includes enhanced financial literacy programmes, a better use of family remittance inflows, and other policies to promote savings. The BCRD has also started discussions to optimise the payments system in order to foster financial inclusion, as well as the development of fintechs. In January 2018, for example, the BCRD held a national contest for payment system innovation, aimed at university and graduate school-level students. The institution also passed cybersecurity regulation. These developments have been made in tandem with other relevant measures, such as the launch of Republica Digital, which aims to facilitate technological services for the population and reduce the digital access gap. In early 2017, the Dominican Association of Fintech Companies (ADOFINTECH), a private-sector cluster, was created to promote the growth of this sector. The Dominican Republic's AML/CFT legal framework was strengthened in 2017 with the approval of a new money laundering law, the Law No. 155-17 Against Money Laundering and Terrorism Financing. In May 2018, the BCRD signed an agreement with the Ministry of Education to integrate financial and economic education in public and private schools.

What are the key enablers of financial inclusion in your country?

The BCRD regularly engages in promoting priority lending—especially housing and mortgage lending—by commercial banks, which along with cash-transfer programmes such as Solidaridad, have deepened inclusion. The government has also prioritised support for micro-enterprises and created a high-level committee to devise policies in 2015. The Vice Ministry for SMEs, a division of the Ministry of Industry and Commerce, has also been given key tasks to promote inclusion, such as developing the mutual guarantee scheme.

What are the key barriers to financial inclusion?

Banks who serve low-and middle-income customers are burdened by taxation of operations and high operating requirements, especially in light of new money laundering regulation. The requirements of the Foreign Account Tax Compliance Act (FATCA), which has been in effect since 2010, have also pressured operating requirements. A 10% tax on all savings products, which was levied in 2012, is another barrier for financial inclusion. Aside from discouraging savings, the tax is an operative burden for credit and savings banks that serve the lower-income population. In contrast, cooperatives, which can take in deposits, are only loosely regulated, do not have reporting requirements and are not included in the microcredit regulation. In 2018 the Ministerio de Economía Planificación y Desarrollo (MEPyD, Ministry of Economics and Planning) proposed a bill to regulate credit cooperatives, as part of requirements made by the Financial Action Task Force of Latin America (GAFILAT) in 2017.

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ECUADOR

Summary

Ecuador's enabling environment for financial inclusion is weakened by the lack of high-level coordination via a national financial inclusion strategy. Digital financial services and e-money innovation was stifled by the Central Bank's e-money scheme, but in 2018 the sector began opening to private financial institutions. The popular and solidarity sector, which serves the low and middle-income population, could benefit from a risk-based approach to supervision. Interest rate controls for loans appear to limit credit availability among the low-income population.

Overview

The government of Ecuador has not issued a national financial inclusion strategy, although the most recent national development plan (2017–2021) does list financial and economic inclusion in its policy proposals and mentions new technologies as key to increasing financial inclusion. The financial sector in Ecuador is characterised by the government's segmentation of institutions (and customers) into the 'traditional' financial sector and the 'popular and solidarity' sector, which is mainly oriented toward low- and middle-income populations. Responsibility for regulation is separated according to this segmentation and the regulator for the popular and solidarity sector has struggled to effectively supervise the savings and loan cooperatives that make up the sector, eschewing risk-based supervision models and focusing solely on the size of institutions. According to the 2017 Global Findex, account ownership among adults in Ecuador increased from 37% in 2011 to 51% in 2017. In March 2018, Ecuador abandoned its nearly four-year experiment with an e-money scheme managed by the Central Bank and authorised financial sector regulators to approve e-money schemes created by regulated financial institutions (Law for Reactivation of the Economy, Oficio No. SAN-2017-1837). As a result of Central Bank control, the e-money and digital financial services sector is incipient, with 31 fintech firms reported in the country in 2017. The main banking industry group launched a fintech incubator in 2017, but there is no specific regulation of the sector and the group does not appear to be working in coordination with regulators so far.

What are the key enablers of financial inclusion in your country?

The addition of financial and economic inclusion to the national development plan (2017–2021) ensures that financial inclusion remains a high-level goal in Ecuador. Since 2013, the government has implemented an initiative to digitise government payments and since 2017 all transactions above US$1,000 must pass through the financial system. A basic account with proportionate customer due diligence procedures is available to the low-income population and the account can be upgraded to a full account at the request of the customer after full CDD has been carried out. Since 2008, regulations have allowed most individuals and businesses to act as banking correspondent agents, but as of 2017 agents accounted for only around 7% of total operations.

What are the key barriers to financial inclusion?

The lack of a national financial inclusion strategy is one of the main challenges to coordinate efforts to increase financial inclusion. In addition, financial institutions face interest rate controls on credit products that limit innovation, reduce credit available to low-income populations and promote consolidation in the banking sector. As of July 2018, the maximum annual rates ranged from 9.33% for corporate productive loans to 17.3% for consumer loans to 28.5% for microcredit. In the popular and solidarity sector, savings and loan cooperatives need more effective supervision. Regulators have promoted consolidation and mergers in the sector as the path to financial stability, but experts warn that combining solvent and insolvent institutions without addressing fundamental problems will not create a financially healthy sector.

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EGYPT

Summary

Egypt has taken several measures to improve financial inclusion since 2016. The government has introduced laws and regulations requiring interoperability among e-money service providers, banks, and non-bank financial institutions. Egypt has also made a strong push in meeting and requiring financial institutions to comply with KYC obligations. However the country lacks high-level coordination through a national strategy with a robust digital transformation approach.

Overview

Egypt has created a committee to coordinate financial inclusion policies but has not yet drafted a national strategy with a robust digital transformation approach. Licensing requirements for banks are particularly stringent. No new banking licences have been issued by the Central Bank of Egypt since 1979 and the only way a new bank can be established is through purchasing an existing bank branch and acquiring its licence. Foreign microfinance institutions (MFIs) also face a barrier. The CBE has introduced laws to increase the effectiveness of e-money service providers. For example, to improve e-money accessibility, the Central Bank of Egypt (CBE) mandated that all e-money service providers become interoperable and allow for cash-in and cash-out service for other banks and financial institutions. In 2016, restrictions for e-money cross-border transactions were also reduced. In 2018, the Egyptian Banking Institute (EBI) launched an initiative to discuss digital financial services (DFS) ecosystems in collaboration with the International Finance Corporation (IFC).

What are the key enablers of financial inclusion in your country?

The push for a cashless economy in Egypt has allowed for e-money providers to serve non-banked individuals far more effectively. The CBE issued new banking regulations for electronic money to advance digital financial inclusion. Also, KYC compliance is mandated across all financial institutions and electronic signatures are legally recognised as e-KYC mechanisms. In 2016 the CBE liberalised the local currency and removed capital controls that constrained foreign exchange and represented a barrier for cross-border payment providers such as lifting withdrawal and deposit caps on foreign currencies.

What are the key barriers to financial inclusion?

High levels of corruption affect transparency in the regulatory process despite attempts at reform. In addition, there is no entity present to enforce data privacy laws. This is particularly cumbersome for telecommunication companies that operate at e-money service providers and are subject to National Telecom Regulatory Authority (NTRA) regulations. These regulations allow state authorities to impose their power on the services for national security reasons, with no real clarity as to what happens to these accounts during such times. MFIs also have disproportionate regulations and face barriers due to corruption and government-induced distortion. MFIs are not allowed to use microdeposits from clients as capital for microlending. Foreign MFIs have disproportionate licensing requirements and require additional security clearances.

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EL SALVADOR

Summary

El Salvador has made important efforts to foster an enabling environment for financial inclusion through strategic high-level coordination among government agencies and the private sector. Nonetheless, additional work is needed to create proportionate regulations that better foster financial innovation in the private market.

Overview

El Salvador has implemented a number of efforts in coordination with government, regional and international agencies to promote financial inclusion in the country. According to the World Bank's 2017 Global Findex dataset, the proportion of adults who borrowed from a financial institution almost doubled from 11.5% in 2011 to 20.5% in 2014. While these figures are encouraging, the country's key financial inclusion indicators are still below the averages for Latin America and the Caribbean (LAC). Since the approval of the Law to Facilitate Financial Inclusion in August 2015, the government has taken tangible steps to improve these indicators. In 2016, the country became part of the Committee for Financial Inclusion in Latin America and the Caribbean (CLEIF). That same year, the Superintendence of the Financial System (SSF) and the Agricultural Development Bank (BFA) partnered with e-money provider Mobile Money (MoMo) to digitally pay the subsidies of the Social Investment Fund for Local Development (FISDL). Also in 2016, the government established the Electronic Payment of the Government of El Salvador (P@GOES) to make payments for the Social Fund for Housing (FSV). In 2017, the Central Bank became a member of the Gender and Women's Financial Inclusion Committee of the Alliance for Financial Institution (AFI). The country also released the 2017–2021 Strategic Plan for the implementation of its Financial Education Programme, which aims to promote financial inclusion through education. In 2018, the SSF approved Tigo, a private telecommunications company, to provide e-money services in the country. The Central Bank partnered with Tigo Money and the Clinton Foundation to make electronic wage payments to farmers and fishermen.

What are the key enablers of financial inclusion in your country?

The government has fostered innovation in the financial sector through the Law to Facilitate Financial Inclusion (August 2015) and subsequent legal frameworks, such as the Technical Norms for the Constitution of Digital Money Providers (NASF-04/2016) and the Technical Norms for Digital Money Operations (NASF-05/2016). This new legal framework allowed financial providers to open simplified bank accounts and authorised e-money providers and non-banking agents to open such accounts. A 2017 report by the AFI on e-money in El Salvador estimates that e-money providers together have more than 3,000 agents and 1m users in the country. Also, El Salvador is a member of the Caribbean Financial Action Task Force (CFATF) and its AML/CFT legal framework is harmonised with FATF guidelines. All these factors contribute to an enabling environment for financial inclusion.

What are the key barriers to financial inclusion?

Price controls are a major barrier to financial inclusion. The Law of Usury (2013, reformed in 2016) establishes interest rate caps on a number of financial products and services, including personal credits, credit cards and housing credit, among others. In addition, the Law of Tax on Financial Transactions (No. 764/2014, reformed in 2016) taxes a number of banking operations above US$1,000, including electronic transactions, payments made with credit cards, and loan disbursements. A report commissioned by the Development Bank for Latin America (CAF) indicates that these caps and taxes limit financial inclusion in El Salvador by excluding riskier clients from accessing financing. Although the microcredit sector is sizeable in El Salvador, there is no risk management framework specifically designed to regulate it. There is also no specialised regulation on the use of fintechs. In November 2017, the Central Bank announced the development of a National Policy for Financial Inclusion, which is expected to include fintech services and to be finalised by the end of 2018.

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ETHIOPIA

Summary

Ethiopia's enabling environment for financial inclusion has been strengthened by its National Financial Inclusion Strategy, which acknowledges underlying causes for financial exclusion and establishes coordination mechanisms, as well as listing specific goals and indicators. Most recently a major shift in the political environment signals a willingness and openness towards economic and financial reform. Barriers to financial inclusion in Ethiopia include lack of financial, digital and physical infrastructure, low financial literacy and understanding of the topic amongst regulators/policymakers, lack of products and services, and a closed economy with restricted access for (foreign) investors.

Overview

In April 2017 the government of Ethiopia published its first National Financial Inclusion Strategy (NFIS) and established a Financial Inclusion Secretariat and additional bodies to implement and coordinate the strategy. The NFIS, developed with technical assistance from the World Bank (WB), has as its main goal raising the number of adults with transaction accounts from 22% in 2014 to 60% in 2020. The WB Global Findex reports progress in key areas, with the number of adults with accounts increasing to 35% in 2017. However, the progress is not evenly distributed and generally women, people from rural settings, and less educated and poorer adults are less likely to own an account. The financial sector is still primarily informal and cash-based, with an estimated 80% of the population being served by non-regulated informal financial lending arrangements. The formal financial sector is heavily regulated, with state-owned banks dominating the market and the National Bank of Ethiopia heavily regulating private banks, microfinance institutions and insurance companies. Digital financial services (DFS) are in their infancy and according to Findex only 0.3% of adults had mobile money accounts in 2017. Three banks currently have mobile banking systems, but so far they are not interoperable. The national payment system 'EthSwitch' was launched in 2016 and has helped increase interoperability. Recently, Ethiopia has seen a significant change in its political environment, with a new prime minister assuming office in the spring of 2018. Since then major reforms have been articulated and development of new strategies as well as implementation has begun.

What are the key enablers of financial inclusion in your country?

The government of Ethiopia has the political will to move forward with the financial inclusion agenda, and has acknowledged its barriers and made plans for how to tackle them in its first NFIS. The government understands that financial inclusion leads to economic and social development and it recognises that rural and non-urban centres are critical to country development. There is a new political momentum focused on openness and financial integration and immersion. Adaptation of systems, mechanisms, products and tools that propel the financial inclusion agenda forward are happening and there is donor support of the agenda. The NFIS also focuses on the potential of DFS and there has been progress in other parts of the financial ecosystem as well, as government-led and donor-supported initiatives have focused on strengthening the payment systems and succeeded in achieving interoperability of ATMs by implementing an Eth-Switch.

What are the key barriers to financial inclusion?

In practice, and despite political will and the dawn of reforms, there are still many barriers to achieve financial inclusion. These include lack of financial, digital and physical infrastructure, inadequate supply of products and services, sound consumer protection frameworks, and low financial literacy and capability levels in the general population and amongst policymakers and regulators. Lack of trust and confidence in formal financial institutions persists, resulting in continued reliance on informal financial services. Moreover, there is an element of gender disparity, with women and men playing different family, societal and economic roles. There is also a lack of human resources and a high turnover in public offices, a lack of innovation among the financial institutions and telecom providers in reaching out to the financially excluded, and a closed economy and market with restrictions on (especially foreign) financial service actors.

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GHANA

Summary

Ghana's enabling environment for financial inclusion has been enhanced by the commitment of the government to mainstream the topic and the development of a comprehensive financial inclusion strategy. Greater focus on improving digital literacy, efforts to bring down high operational costs and the further strengthening of interoperability are needed to widen access and support the development of products tailored towards low- and middle-income customers.

Overview

In 2018, Ghana plans to begin implementation of its National Financial Inclusion Strategy, a comprehensive document designed in collaboration with the World Bank. It targets an increase in access to formal financial services for the adult population from the current 58% to 75% by 2020. It will build on positive policy and regulatory developments which include a renewed commitment to working closely with commercial banks to widen access to finance in Ghana. The introduction of Agency Banking Regulations in 2016 has seen the number of agents grow to more than 140,000. The launch of an interoperability platform in May 2018 should reduce industry costs and increase the prevalence of digital payments for retail and government services. Although e-government initiatives were first introduced in 2015, including an e-payments system for paying taxes, they are underused by citizens who, for the most part, use accounts to deposit and withdraw cash. The ongoing roll-out of a biometric national identification card—the Ghana Card—will, when fully implemented, address compliance with KYC regulations. The Bank of Ghana (BoG), though viewed as partially politicised, has taken steps to facilitate electronic reporting mechanisms in partnership with financial service providers and the telecommunications regulator and has improved oversight of microfinance institutions. BoG has yet to provide adequate guidance for emerging Fintech entities. The operation of unlicensed new technology is not governed by consumer protection measures.

What are the key enablers of financial inclusion in Ghana?

Under the current administration, the government has been proactive in mainstreaming financial inclusion into an array of government initiatives. The creation of a National Financial Inclusion Strategy, to be implemented from late 2018, is designed to build on improved coordination with the private sector. The introduction of regulation to facilitate agency banking has seen significant growth in access to financial services in more rural and remote communities. A new biometric national identity card, expected to cover 80% of the population by the end of 2018, will ease KYC requirements, making it easier for financial service providers to comply with AML regulations. The creation of the Mobile Money Interoperability System, if successfully implemented, has the potential of reducing the cost of transactions.

What are the key barriers to financial inclusion?

Low levels of financial literacy persist in rural areas, particularly around digital financial services. E-payment portals are underused, with many users of financial services depositing or withdrawing cash at the first available opportunity, rather than using accounts to pay for services. The lack of a regulatory framework for peer-to-peer lending and crowdfunding has been exploited by scammers. The government is keen for mobile companies to provide banking services but has done little to incentivise providers to innovate in the development of financial products and services for low- and middle-income persons.

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GUATEMALA

Summary

The government of Guatemala is committed to fostering a dynamic and enabling environment for financial inclusion, but the process of developing and implementing policy is slow. The infrastructure for financial services that reach low- and middle-income populations, including availability of credit information and a national identification system, is weak but improving. More work is needed to understand the gaps between access to financial services and usage in order to design products that will meet customers' needs.

Overview

The pace of financial services regulation in Guatemala is slow and has not kept up with innovations in financial services, but regulators are learning from global developments in financial inclusion. For example, it took several years to issue a policy framework that formally defined microfinance institutions and created a process for transformation into regulated entities. The Law on Microfinance Institutions (Ley de Entidades de Microfinanzas y Entes de Microfinanzas sin Fines de Lucro) was passed in April 2016 after being stuck in committee for about three years. A main objective of the law was to promote growth and competition of MFIs, but administrative red tape and high capital requirements have prevented any from formally registering with the Superintendency of Banks (SIB). However, the government is moving ahead with other initiatives and has formed a working group on financial inclusion. It has developed a national financial inclusion strategy and expects to release it in the second half of 2018. The strategy will outline an action plan, set priorities and reinforce the government's commitment to financial inclusion. Despite slow momentum in policy, access to financial accounts grew from 22% in 2011 to 44% in 2017, but the proportion of adults who saved at a financial institution increased from 10% to only 12% over the same period. The current regulatory framework is open enough to allow innovative products, such as e-money and e-wallets, to launch in the country.

What are the key enablers of financial inclusion in your country?

The financial system is well regulated and The Ministry of Economy (Mineco), the Bank of Guatemala (Banguat) and the Superintendency of Banks (SIB) have received international technical assistance to develop a national financial inclusion strategy (NFIS) that will be introduced in the 2018. The NFIS will define priority areas and aims to increase both access and the use of financial services. Another important development is the national effort to issue personal identification documents and create an electronic database that will link financial institutions to the national register of persons (RENAP). This will facilitate real-time identification verification and enable the remote opening of simplified bank accounts.

What are the key barriers to financial inclusion?

According to the 2017 Global Findex, the largest barriers to financial inclusion were insufficient funds, high fees, lack of trust, and lack of documentation. These findings suggest that access is not the main obstacle, but rather products are not tailored to meet the needs of low- and middle-income customers, many of whom are employed in the informal economy. Also, microfinance institutions and co-operatives that serve middle and low-income populations do not have access to low-cost interoperable payment systems or reliable credit information that could reduce the cost of serving their customers.

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HAITI

Summary

Financial inclusion in Haiti is limited by the country's unstable political, economic, and social environment. In 2014, the Banque de la République d'Haiti (BRH) launched a Financial Inclusion Strategy in collaboration with the World Bank, which aims to promote an economically inclusive society, but the plan has not been implemented. The lack of regulation has also been an obstacle to improving financial inclusion.

Overview

Haiti's environment for financial inclusion presents challenges due to the lack of coordination among government agencies and the private sector. The implementation of the BRH's Financial Inclusion Strategy has been slowed by a complicated political and economic scenario. Financial literacy is a key component of the strategy, but efforts on this front have been limited to the private sector and international cooperation agencies. A credit bureau, the Bureau d'Information sur le Credit (BIC), was created in 2014 and its use is gradually increasing. Several regulations for the financial sector have been drafted, including a draft microcredit regulation and a draft insurance law, but they have not been approved by the parliament. The use of e-money schemes has increased bank penetration, allowing users to make cash withdrawals and deposits and transfers without the use of traditional bank accounts, but e-money schemes remain available only to banks. Steps taken to advance financial inclusion during the past year include the BRH's hosting of an International Conference on Financial Inclusion alongside private-sector members, as part of the seventh Financial Summit of Haiti in April 2018. Public-private collaboration has also taken place to propel mobile banking. Mobile banking, which was launched with the help of the Bill and Melina Gates Foundation and USAID in 2010, has increased access to financial services. This was evident in the aftermath of Hurricane Mathew in 2016, when people were able to conduct financial transactions with their mobile phones. Promoting the use of mobile banking is among the main goals of the Financial Inclusion Strategy.

What are the key enablers of financial inclusion in your country?

The government will focus on implementing the Financial Inclusion Strategy through a unit set up in 2017 to implement and monitor the policies. Haiti is currently on the FATF AML Deficient List, but progress has been made to address deficiencies and has allowed the country to move to a third round of follow-up process. In November 2017, the CFATF noted that Haiti must continue to take measures to address the outstanding deficiencies and include a risk-based approach.

What are the key barriers to financial inclusion?

Political instability and poor infrastructure are barriers to financial inclusion. The lack of regulation is another constraint, as important pieces of legislation have stalled in the parliament for years. The banking system is very concentrated, as elevated capital requirements and high ongoing operational costs prevent financial institutions from becoming regulated. The largest MFIs such as Fonkoze and Sogesol are departments or affiliates of banks. MFIs remain unregulated in Haiti. They are not allowed to take in deposits, although in the practice, some do. Innovation has been fostered through a 'wait and see' approach, although these efforts have been pilots with narrow scope and implementation.

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HONDURAS

Summary

Honduras' enabling environment for financial inclusion has been strengthened by the creation of a financial inclusion strategy and the implementation of proportionate regulations in emerging areas such as e-money and banking correspondent agents. A variety of financial institutions can work with excluded populations, but in some cases the regulatory framework stifles their ability to grow and innovate. Regulators are seeking to increase their technical capacity, but face limitations supervising microfinance and the yet-to-emerge fintech sector.

Overview

The government of Honduras launched its financial inclusion strategy in 2015, but a coordinating body to oversee its implementation is not operational and the strategy is overseen by the banking regulator. The goal of the strategy is to achieve 45% of adults with bank accounts by 2020, from a starting point of 31.5%, and 31% of adults with debit cards, from a starting point of 14%, during the same period. The government has provided financial education to female beneficiaries of the main conditional cash transfer programme, reaching more than 30,000 women by 2018. The 2013 Credit Card Law (Decree No. 33-2013) instructed the banking regulator and the Ministry of Education to create a financial education curriculum for schools. Financial inclusion has been driven by the expansion of banking correspondent agents and the cellular provider Tigo's e-wallet service (Tigo Money). From 2011 to 2017, the number of banking correspondent agents reached 2,331, growing from 11% of financial service points to 43%. In 2016, the government approved regulations for e-money providers and the sector has continued to grow. The Tigo Money service had 1.5m customers (of a population of 9.1m) in 2018 and could connect the e-wallet with a bank account at one national bank.

What are the key enablers of financial inclusion in your country?

Regulations on e-money and banking correspondent agents have facilitated the growth of these two channels and increased financial inclusion in Honduras. E-money regulations were passed in 2016 (Agreement No. 01/2016) and banking correspondent regulations were approved in 2013 (CNBS Circular No. 251/2013). In addition, the national financial inclusion strategy published in 2015 contains clear goals to chart a way toward greater financial inclusion and the financial sector regulator collects and publishes useful data on financial inclusion. Regulation allows for a variety of non-bank financial institutions to reach the low- and middle-income population (cooperatives, finance companies, private development organisations and community banks) and a basic account with minimal KYC requirements is available to the unbanked population.

What are the key barriers to financial inclusion?

Although regulation has facilitated financial inclusion in areas such as e-money and banking correspondents, it has limited the operations of some NBFIs. Finance companies working with low- and middle-income populations face the same charge for supervision as traditional banks and the supervisory framework is more oriented toward consumer credit operations than financial inclusion. Burdensome tax registration requirements limit access to credit for low- and middle-income individuals in rural and remote areas. Banking correspondent agents have proliferated in Honduras, and while they are allowed to open accounts, paperwork requirements make this impractical, limiting their effectiveness at increasing financial inclusion. The technical capacity of regulators could be improved for the financial inclusion sector: the legally mandated supervisory body for community banks has never been created, microfinance institutions find themselves educating regulators and the financial sector regulator is not yet ready to supervise fintech start-ups.

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INDIA

Summary

India's enabling environment for financial inclusion has been strengthened by elaborate and well-thought-out strategies on digital financial inclusion and financial literacy. These strategies have very clear roles and engagements defined for the government as well as for private-sector players. Given that digital finance is still at an early stage, there are areas for improvement for the regulator when it comes to the supervision of fintech companies and other entities providing digital financial services.

Overview

India adopted a three-pronged approach to promote universal access to the formal banking system, provide unique identification for all. and leverage digital platforms for financial inclusion, which has been the central theme of the evolving financial inclusion landscape. The Pradhan Mantri Jan Dhan Yojana (PMJDY or Prime Minister's People's Wealth Scheme), launched in August 2014, made a provision for one basic bank account for every household. As of June 2018, a total of 318m bank accounts have been opened and deposits worth US$12bn have been mobilised. The Unique Identification Authority of India (UIDAI) was created with the objective to issue Unique Identification numbers (UIDs), called Aadhaar, to all residents. This enables the government of India (GoI) to directly reach residents in the delivery of various subsidies, benefits and services by solely using the resident's Aadhaar ID. The GoI launched the Direct Benefit Transfer (DBT) mission in 2013 to transfer subsidies due to citizens directly into their bank accounts. The bank linkage programme implemented for Self Help Groups (SHGs) across the country, led by the National Bank for Agriculture and Rural Development (NABARD) and the National Rural Livelihoods Mission (NRLM), has reached 87m SHGs, of which over 83% are exclusively women groups. The ideas for formalising a financial inclusion plan began in 2015 with the setup of the Financial Inclusion Advisory Committee. A lot of ground has been covered since then with the National Strategy for Financial Inclusion now expected to be launched in 2018–2019. One of the key focus areas is to strengthen the effectiveness of supervisory mechanisms for payment banks and other fintech providers to facilitate the stable growth of financial inclusion.

What are the key enablers of financial inclusion in your country?

A string of recent reforms by the government and the Reserve Bank of India resulted in the establishment of four payment banks, with another four being established and 10 small-finance banks (eight of which formerly operated as microfinance institutions, MFIs) being established. These are meant to provide specialised services to low- and middle-income customers. Also, a licence was granted to an MFI to start a universal bank. These new players have helped deepen the extent of financial inclusion with the provision of a wide variety of services.

What are the key barriers to financial inclusion?

Despite the entry of several players (domestic and global) in India's digital payment space, the regulations are yet to provide for full interoperability across payment systems. For example, although many banks are offering mobile banking services these are not completely interoperable, especially for merchant transactions. This, in turn, has impeded the use of mobile payments for merchant transactions. Furthermore, the recent Supreme Court judgment striking down the provision that enabled private companies to access the Adhaar ID for e-KYC purposes might also affect the ability of private providers to conduct low-cost on-boarding processes.

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INDONESIA

Summary

The government is working actively to increase digital financial inclusion and launched a National Payment Gateway in 2017. The Bank Indonesia has created a task force with the mandate to develop the infrastructure for digital financial services and a cash-lite policy. In June 2017, the financial regulator set up a Fintech Advisory Forum to provide future direction to the fintech industry. Restrictions on foreign ownership for entities that serve the low- and middle-income population need to be revisited. The e-government system that would allow digital payment for public services is yet to be implemented.

Overview

The revised National Strategy for Financial Inclusion (SNKI) was launched by President Joko Widodo in October 2016; the policy was jointly prepared by Bank Indonesia, the Finance Ministry and the National Team for the Acceleration of Poverty Alleviation (TNP2K). The strategy emphasises the monitoring of target indicators with support from various agencies. The Global Findex (Financial Inclusion Index) database published by the World Bank revealed that 49% of adults in Indonesia now own a bank account; this is a significant improvement from 36% account ownership in 2014 and 20% in 2011. This was made possible by the recent policies of the government such as the introduction of branchless banking, promotion of electronic money and digitisation of social benefit transfers. The government's Kredit Usaha Rakyat (KUR) credit guarantee programme with an interest subsidy add-on is targeted at the MSME sector and is a priority programme offering subsidised credit through banks. The Permodalan Nasional Madani (PNM) microfinance programme, Mekaar, was launched by the government in 2015, with the aim of providing access to credit for the low-income population; at the end of 2017 its operations had reached approximately 2m clients and the plan is to engage 4m borrowers by 2018. The AML/CFT laws allow for simplified customer due diligence for low-risk users of commercial banks.

What are the key enablers of financial inclusion in your country?

The Financial Services Authority's (OJK) branchless banking regulations allow certain categories of banks to provide savings, credit and insurance services to the unbanked and underbanked by using agents and has contributed to increased access to financial services in rural areas. In 2016, the government announced the launch of a regulatory sandbox that would enable fintech companies to test new products without having to comply with existing regulations. Digital financial services can play an important role in fostering financial inclusion given the demand for financial services and the geographical conditions in the country. Indonesia launched the National Payment Gateway in 2017 with interoperability as a major principle.

What are the key barriers to financial inclusion?

Restrictive regulation regarding the ownership of rural banks (BPRs) and MFIs is a key barrier to financial inclusion and needs to be revisited. Most microlending is concentrated in the urban pockets of Java and Sumatra leaving much of this nation of islands uncovered. Non-bank e-money providers cannot recruit agents to provide financial services, restricting their ability to compete with large commercial banks. The government currently does not have a payment infrastructure that allows users to make tax payments and payments for other government services digitally. These obstacles need to be addressed in order to create the conditions for universal financial inclusion in Indonesia.

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JAMAICA

Summary

Jamaica's enabling environment for financial inclusion is strengthened by collaboration among various public- and private-sector actors to implement the National Financial Inclusion Strategy of 2016-2020. The strategy is includes the expansion of financial services, innovation in regulation of financial technology, increased interoperability of financial service providers, and the development of proportionate regulations around financial agents. More work is needed to improve the technical capacity of the regulators to supervise emerging financial services, improve the availability of microcredit, update the regulation of inclusive insurance, and expand financial literacy.

Overview

In Jamaica, traditional banking penetration is relatively high, as in 2014, 78.5% of adults had a financial account of some kind, while 45% had a debit card. Mobile and digital financial service penetration is much lower, with less than 1% of the country using mobile accounts to access financial services. In response, Jamaica's government has made the Financial Inclusion Strategy of 2016–2020 a priority through the creation of the National Financial Inclusion Council in collaboration with various public- and private-sector actors. Private-sector actors have contributed to the implementation of the strategy since 2016 through bank expansion, an increase in self-service banking, and the expansion of digital financial services. The government implemented a regulatory sandbox framework to support the financial technology payment system. Technical expertise on behalf of the regulator to supervise digital financial services is insufficient, and Jamaica lacks sufficient data to help stakeholders understand the supply and demand of financial services for low- and middle-income populations. Regulations for agents of financial institutions enable expanded banking access to supermarkets, gas stations, hardware stores, and more. Interoperability acts as a driver for financial inclusion. Since 2014, three-fourths of all payments were made by electronic fund transfers or card payments, and three out of every four electronic retail payment providers facilitate peer-to-peer transfers and other avenues of interoperability.

What are the key enablers of financial inclusion in your country?

The progress of Jamaica's regulatory sandbox framework has allowed for the development of financial technology that can be beneficial to extending access to financial services for low- and middle-income populations by taking actions such as expanding the financial payment system and the number of authorised access points. Proportionate regulations on agent banking could further improve access to financial services as fintech continues to develop and interoperability among providers remains high. The development of the Telecom Fintech working group could be crucial in facilitating improved regulatory frameworks for emerging services moving forward.

What are the key barriers to financial inclusion?

Jamaica's regulations around inclusive insurance are non-existent and could act as a barrier to access to insurance for underserved populations. According to the 2017 Caribbean Financial Action Task Force (CFAFT) Mutual Evaluation Report, although Jamaica has a correct understanding of AML/CFT risk, a complete risk-based framework has not been implemented. This hinders the ability of emerging services to properly account for low-risk customers. Although there are plans to rethink Jamaica's financial literacy plan, no updates have occurred since 2013 to address continued barriers underserved populations face in understanding the functions of different existing and emerging financial services.

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JORDAN

Summary

Jordan has demonstrated a high-level commitment to financial inclusion through its National Financial Inclusion Strategy (2018-2020). Both the legislative environment and financial infrastructure reflect this commitment. However there are still legal barriers, like the absence of an insolvency law or a movable assets registry, and consumer protection efforts have to be expanded.

Overview

With the launch of its National Financial inclusion Strategy (2018–2020) Jordan has taken concrete steps to integrate financial inclusion broadly into its development agenda. Preceded by a diagnostic study and co-authored by the Central Bank of Jordan (CBJ) and the Gesellschaft für Internationale Zusammenarbeit (GIZ), a key international actor within Jordan's financial inclusion agenda, the strategy was conceived through a series of working groups that included public and private partnerships, as well as a wide range of civil society actors. The strategy integrates financial literacy into secondary schools, a transformation of digital financial services (DFS), and an overhaul of the regulatory environment to simplify the opening of accounts and financial transactions and promote consumer protection. Jordan also launched a national credit reporting service in October 2016 that should further facilitate SME lending. While the financial inclusion strategy is only in the early stages of its implementation, Jordan has already made significant progress in financial inclusion. The World Bank's Findex found that the share of adults (15 years and older) who held an account went up of from 24.6% in 2014 to 33.1% in 2017. Mobile payment accounts more than doubled from 0.5% in 2014 to 1.1% in 2017.

What are the key enablers of financial inclusion in your country?

The main enabler of financial inclusion is the high level of government commitment and coordination through the national strategy. This coordination has encouraged a high degree of interoperability among different payment systems. The simplification of KYC and non-discriminatory policies and the establishment of a credit bureau are important steps towards increasing financial access amongst low- and middle-income Jordanians. These policies are also beneficial to the growing refugee population in Jordan, as refugees in Jordan have the lowest level of financial inclusion, lacking access to payment infrastructure and insurance. However, under the umbrella of the Central Bank of Jordan several MFIs have expanded borrowing to refugee communities and over 10% are now insured. Also, new bylaws for electronic payments, as well as the expansion of interoperable infrastructure for mobile payments and its integration with other payment networks, have improved access to digital payments and remittances for the unbanked refugee community.

What are the key barriers to financial inclusion?

The absence of a movable assets registry hinders micro-enterprises and SMEs as well as individuals from accessing credit. The lack of an insolvency law presents a key regulatory challenge for financial inclusion. A slow and unpredictable insolvency process discourages the banks from lending to "risky" clients such as SMEs, micro-enterprises and start-ups. While Jordan has taken concrete steps towards greater consumer protection, greater transparency in the costs of financial services and improved dispute resolution mechanisms are still required. Fintech companies also still face regulatory and funding challenges. Although in development, a regulatory sandbox does not yet exist and crowdfunding legislation has not yet been developed.

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KENYA

Summary

Kenya has made substantial progress in the l financial inclusion space supported mainly by the extraordinary growth of mobile money service providers. The government has been proactive and amended financial regulation based on prevailing market conditions. It has also improved ease of doing business

Overview

While not having a specific financial inclusion strategy or financial inclusion target, Kenya has made considerable progress in strengthening the status of financial inclusion in the country. According to Global Findex 2017, 73% of adults in Kenya have mobile money accounts compared with 58% in 2014. Only 20% of adults were unbanked as of 2017. Currently, half of the gross domestic product (GDP) in Kenya flows through mobile money platforms. The government has taken important measures to ensure mobile money providers do not abuse their market power. In October 2016, the Competition Authority of Kenya (CAK) ordered all service providers to disclose fees charged by mobile money providers through mobile handsets. The government has also taken measures to build a more inclusive and competitive financial services sector. In 2018, the Insurance Regulatory Authority (IRA) drafted a dedicated framework in order to increase the offer of microinsurance by 2030.The Central Bank of Kenya (CBK) is also revising the legal and regulatory framework set in the Microfinance Act, 2006 and the 2008 regulations, to ensure they remain relevant to the subsector's dynamic operating environment. In 2016, Savings and Credit Cooperatives (SACCOs) started sharing data with credit bureaus after an amendment in the Sacco Societies Bill. Lending rates of commercial banks in Kenya are now capped at 4 percentage points above the benchmark rate in order to lower the interest rates.

What are the key enablers of financial inclusion in your country?

Particularly striking is the interoperability of mobile phone financial services. Users can now send money from one operator to another in a cost-effective manner. Kenya's liberal banking agent law has resulted in commercially viable business models, creating the most extensive bank agent network per capita in Africa. The landing of four fibre-optic international submarine cables has dramatically reduced the cost of phone calls and Internet access, allowing Internet services to be affordable to a far greater proportion of the population.

What are the key barriers to financial inclusion?

The interest rate cap by CBK has led to a decline in funding to small and medium enterprises (SMEs). Small banks are in the worst position since their core business model of high risk/high return is no longer viable. In addition, the scoring scales for credit bureaus are not standardised. This has led to a situation in which credit bureaus are giving different scores to the same borrower, leading to low credit scores and denial of credit. There have been delays in the implementation of the Consumer Protection Act aimed at protecting low-income households from aggressive lending. Another major obstacle to financial inclusion is low coverage of the national identity card among the poor and people in border areas. The card is a common requirement to open an account in any financial institution.

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LEBANON

Summary

Lebanon has a robust banking sector and high account penetration. Government policy, however, has been constrained by political crisis. Microfinance institutions (MFIs) are under-regulated and regulation pertaining to digital financial services (DFS) is outdated and represents a constraint in the market.

Overview

Lebanon was suspended in a political power vacuum between 2014 and late 2016, during which time little legislation was passed. Despite that the country has taken preliminary steps towards financial inclusion. These were spearheaded primarily by the Lebanon's Central Bank, Banque du Liban (BdL). In 2016, BdL expanded access to finance to SMEs through a series of stimulus packages. In August 2017 it put forward a cursory financial inclusion strategy that included DFS and financial literacy programmes; however so far there is no evidence of its implementation. While the banking sector is strong and account penetration is considerably higher than amongst its neighbours, the regulatory environment still constrains MFIs and SME borrowing. The large Syrian refugee population is another driver for financial inclusion in Lebanon. Services that were originally designed for refugees, such as cash cards and mobile phone technologies, increasingly find their way into Lebanon's broader low- and middle-income population.

What are the key enablers of financial inclusion in your country?

A resilient banking sector and large remittance markets have led to an unusually high degree of bank account penetration in Lebanon compared with its Middle Eastern neighbours. With a total of 47% of Lebanese adults holding bank accounts, a large part of the population has access to financial services and insurance. The financial sector in general has been stable, despite ongoing political crises, and Lebanon has adopted at least a preliminary financial inclusion strategy. The country is also aiming to transform itself into a fintech and technology hub and BdL has launched a US$400m facility to provide interest-free loans to technology start-ups, incubators and accelerators.

What are the key barriers to financial inclusion?

A weak investment climate, political conflict, and gaps in financial infrastructure all present major structural challenges to financial inclusion. A punitive insolvency regime and a credit system that relies on fixed assets means that SMEs receive only a fifth of private-sector credits although they employ about half of Lebanon's working population. Also, a stronger regulatory framework for microfinance is required. Currently, MFIs are unable to collect deposits or investment funds from the public. Finance is still very much focused around the banking sector and a regulatory framework for branchless banking would enhance access to financial services. Also, while account penetration is proportionately deep, women and youth are still disadvantaged.

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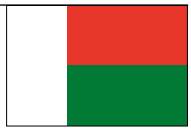
MADAGASCAR



Summary

The government of Madagascar has made progress in achieving the goals laid out in its Financial Inclusion Strategy 2013-2017. High rates of interoperability drive financial inclusion by making operating across networks easier. However, more work is need with regard to financial literacy and more proportionate legislation.

Overview

The government of Madagascar has acknowledged that increasing the level of financial inclusion is a mechanism that can be leveraged to reduce poverty levels. A financial inclusion strategy was developed for 2013–2017, with the latest strategy for 2018–2022 currently being drafted. The collection of relevant data is an ongoing issue, with the only reliable data being the FINSCOPE survey, and data are not collected regularly. Financial literacy is relatively low in Madagascar and is a key factor in the development of the new strategy. Financial institutions still face considerable hindrances due to restrictive legislation, state-operated monopolies and very strict capital controls. Over all, financial inclusion is still significantly low in Madagascar with the World Bank finding that only 17.9% of people have access to an account. This is more than double what it was in 2014, however, when only 8.6% of people had accounts. The number of people with mobile money accounts has also increased, almost tripling from 4.4% in 2014 to 12.1% in 2017. Roughly 79% of people have a national identity card, which will facilitate KYC compliance in the future. A major barrier to further inclusion is the lack of access to financial institutions. The vast majority of people live in rural areas and remote bank account opening is underdeveloped, leading to severely limited access to financial institutions. Financial legislation is also heavily swayed by political dynamics, resulting in murky regulation that is very difficult to navigate.

What are the key enablers of financial inclusion in your country?

Madagascar has become the second African market after Tanzania in the area of mobile money interoperability. This is a key driver of financial inclusion across the country, where three mobile money providers now allow transactions to flow easily across networks, with both bilateral and multilateral forms of interoperability. There is therefore no friction in the payment environment. E-money providers are also interoperable amongst themselves. This high level of interoperability encourages more people to transact, promotes new transaction methods and increases access to digital financial services.

What are the key barriers to financial inclusion?

The main barrier to greater financial inclusion in Madagascar is the lack of financial literacy and overall knowledge of products and services such as banking insurance and e-money. Low income levels across the country also present another barrier to greater financial inclusion, as many people do not have sufficient disposable income to even consider engaging in financial products. Finally, the lack of infrastructure across the region means that for many, physical banks are too far away.

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MEXICO

Summary

Government policy provides a solid enabling environment for lifting financial inclusion, with recent fintech legislation likely to boost investment and provision. Addressing low take-up among low- and middle-income segments of the population will require continued efforts in terms of improving financial literacy education. Reducing the size of the informal economy will also be key to lifting financial inclusion.

Overview

Mexico's government has made financial inclusion a central priority of its development agenda. After several years of consultation with a variety of private- and public-sector stakeholders, the government published its national strategy on financial inclusion in June 2016. This comprises several pillars: developing financial infrastructure in underserved areas; increasing access to and usage of financial services among marginalised populations; improving education about the financial sector; using technology to boost financial inclusion; and generating data and measurements to evaluate financial inclusion. This strategy has been accompanied by a series of regulatory reforms, including a new law on financial technology known as the Fintech Law, which was passed in December 2017 and came into effect in March 2018. The latter marks a major step forward in terms of providing investor and operator certainty within the sector and is likely to lift investment significantly.

Only 37% of the adult population had a bank account in 2017, not only lower than the regional average of 54% but also representing a fall from 39% in 2014. However, there has been a sharp rise in the use of non-traditional financial services, including mobile money wallets, with providers rolling out services to tap the unbanked market and promote financial inclusion. An example with broad reach is the Saldazo card, a joint venture between Banamex—one of the largest commercial banks—and Oxxo retail chain. Since launching in 2012, Banamex has issued over 5m cards, with nearly 300,000 new cards currently being issued every month. Saldazo appears to be functioning as a useful gateway to financial services for the unbanked, as it is the first formal banking service for 42% of its users.

What are the key enablers of financial inclusion in your country?

The government has consistently demonstrated a commitment to improving financial inclusion, with a series of reforms in recent years improving operating conditions for providers that serve low- and middle-income customers. The approval of the Fintech Law in particular should result in a new wave of innovation in non-traditional financial services, as increased regulatory certainty surrounding digital products encourages new products and new tie-ups between banks and telecoms firms. The ongoing expansion of mobile services as well as market size are also key attractions for potential investors.

What are the key barriers to financial inclusion?

Geography is a limiting factor, with rural areas frequently devoid of financial services. Around 80% of rural municipalities do not have a local bank branch, 90% have no ATM, and 75% lack any establishment with a POS terminal. Although this provides scope for non-traditional banking providers and there has been growth in this sub-sector, public perceptions of the utility of financial services in rural areas (which tend to be low-income segments of the population) remain low. A lack of understanding and trust about financial-sector services provision remains a key constraint to lifting take-up and thus increasing financial inclusion. The size of the informal economy, which employs around 60% of the population, is also a constraint.

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MOROCCO

Summary

The enabling environment for financial inclusion in Morocco was propelled by the introduction of the banking law in 2016, which introduced new banking products and allowed different outlets to serve as payment institutions. The National Financial Inclusion Strategy should be launched by the end of 2018. It is expected to harmonise private- and public-sector initiatives, strengthen consumer protection and promote digital transformation among the key stakeholders for better financial inclusion.

Overview

Financial inclusion has become a priority for the government over the past decade, and has culminated in several initiatives such as the obligation for banks to offer free access to basic banking services, the establishment of the Moroccan Foundation for Financial Education and the MSME Observatory. Progress has been demonstrated by the evolution of the rate of banking, which reached 70% at the end of 2017 (it did not exceed 25% ten years earlier). The banking law enacted in 2016 paves the way for a more open and competitive payment-system framework. The law introduces a category of non-bank payment service providers, so new operators (private firms, telecoms, money transfer companies) can obtain the status of payment institutions, open payment accounts easily, and issue payment methods (prepaid cards and mobile wallets) and other mobile payment services. In addition, the launch of the Innov Invest fund in 2017 to support start-ups has partially addressed the financing gap of small and innovative firms. Despite multiple efforts, important segments of the Moroccan population remain financially excluded; they are disproportionately female, poor, and living in rural areas.

What are the key enablers of financial inclusion in your country?

The banking law includes several innovations to promote financial inclusion, including the creation of participatory banks targeting people who do not have an account in conventional banks. It also introduced a new status of payment institution and the concept of payment agent. The emergence of these new players has been accompanied by the launch of mobile payment and the simplification of KYC requirements to facilitate the account opening in order to promote banking among the low-income population.

What are the key barriers to financial inclusion?

In practice, the ecosystem players are still facing several challenges such as the lack of support for financial institutions for digital transformation. In addition, the absence of a national strategy for financial inclusion has led to the fragmentation of the various measures made by the public and private sectors. The government should also revisit the current interest rate cap, which restricts financial institutions from adequately pricing costlier and riskier loans, and therefore holds back the expansion of access to credit services.

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MOZAMBIQUE

Summary

Mozambique's enabling environment for financial inclusion is strengthened by high collaboration with both public and private sector entities to increase financial literacy, innovation of financial technology, regulatory capacity, and risk-based approaches to both AML/CFT and credit management. More work needs to be done to build the technical capacity of the regulator, establish sufficient deposit insurance, to increase interoperability, and to expand the percentage of the population banked.

Overview

Mozambique's government has taken large strides toward financial inclusion since the implementation of the 2016–2022 Financial Inclusion Strategy through strong collaboration within both the public and private sectors. There has been a push to promote financial literacy including the 2017–2019 financial literacy programme launched by the Institute for the Supervision of Insurance (ISSM) and the Stock Exchange, which has reached an estimated 10,000 individuals. There have also been capacity building efforts to improve supervision of emerging services including regulatory training by the Alliance for Financial Inclusion, and ongoing certificate training at the Digital Frontier Institute. The government has implemented an incubator sandbox regulatory framework and the Central Bank has taken on the role of regulator for new products. Mozambique is in the process of implementing full interoperability as part of the Financial Inclusion Strategy, starting with interoperability directly between banks and mobile money platforms, and eventually moving to interoperability among different mobile money platforms. However, the country still lags in the implementation of improvements to its deposit insurance system which remains insufficient for all financial institutions.

What are the key enablers of financial inclusion in your country?

Coordination between the government and private sector to implement the 2016–2022 Financial Inclusion Strategy is a key enabler of financial inclusion. Proportionate regulations for banks and non-bank financial institutions allows the entrance of new providers, and the increase in financial literacy programmes increases demand for and knowledge of financial services. The government launched a common naming system for all financial services, forcing providers to charge fair pricing for the same products, and allowing the population to understand the differences among financial services while making them more accessible.

What are the key barriers to financial inclusion?

Although there are measures to increase interoperability in Mozambique, it is currently low. There is no interoperability among mobile money institutions, and the progress to improve interoperability between banks and mobile money institutions is limited. Insufficient deposit insurance is also problematic as it decreases security in engaging with financial institutions and therefore reduces the number of people choosing to open accounts. As of 2015, the World Bank reported 0% real coverage for deposit insurance in Mozambique and in 2018 reported that coverage was still insufficient. As of 2015, 20% of the population is banked, and more innovations in the financial sector are necessary to expand access to different financial services throughout Mozambique.

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MYANMAR

Summary

Several coalitions with international organisations and NGOs have been created to support the government in its target to increase financial inclusion to 40% by 2020. However, more work is needed to promote a digital transformation, including digitising government payments, giving the financial sector greater autonomy and introducing proportionate regulation of consumer protection and privacy laws.

Overview

Several international organisations have partnered with the government with the aim of increasing formal inclusion from 30% to 40% by 2020. This includes expansion of savings-led financial inclusion as well as using localised investments to drive poverty reduction and sustainable development. The financial inclusion sector in Myanmar has grown to 176 licensed microfinance institutions (MFIs) as of March 31st 2018, serving an estimated 2.7m clients with a total loan portfolio of approximately $420m. Within the past two years the government has provided licences to mobile financial service providers such as WaveMoney, TrueMoney and OKDollar, which provide peer-to-peer (P2P) lending and other financial services such as money transfer. Along with several partners, the government has developed a strategic framework for financial inclusion known as Making Access Possible (MAP) to ensure an inclusive and holistic process of financial inclusion. During 2015–2016, financial literacy training was provided to members of 41 MFIs and several thousand booklets pertaining to financial literacy were distributed to rural communities to communicate solutions and coping mechanisms for household-level financial issues. Despite further regulatory and government reforms in 2017, however, cash is still the preferred payment method and only 0.5% of transactions were carried out electronically.

What are the key enablers of financial inclusion in your country?

The key enablers of financial inclusion are the licensed microfinance institutions, coordination with a network of international organisations and newly licensed mobile financial service providers. A central objective of the 'Expanding Financial Access' (EFA) programme of the United Nations Capital Development Fund (UNCDF) is to support the government with the implementation of the National Financial Inclusion Roadmap 2014–2020, the highest-level policy document on financial inclusion in Myanmar. The implementation of this roadmap through MAP is governed by a steering committee under the leadership of the microfinance regulator, the Financial Regulatory Division of the Ministry of Planning & Finance. MAP sets out to increase financial inclusion to 40% by 2020 with a full range of affordable, quality and effective financial services.

What are the key barriers to financial inclusion?

There is a lack of well-considered government support for financial inclusion as well as digital financial services. Regulation is deficient in areas such as consumer protection and risk management. Even though the MFIs are the main enablers of financial inclusion, their members and depositors lack protection through deposit insurance. Limited interoperability is a major barrier for MFIs, mobile financial service providers and their clients to achieve integration with the overall financial system.

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NEPAL

Summary

Nepal's enabling environment for financial inclusion has been strengthened by active participation as well as coordination among government agencies, banks, cross-border payment providers and non-banking financial institutions (NBFIs). Digital financial services (DFS) are still at an early stage and more work is required on fostering innovation and growth in aspects such as branchless banking, interoperability, consumer protection and privacy laws.

Overview

Nepal has multiple policy directives to promote financial inclusion. As per the Nepal Country Diagnostic Report (2016) from Making Access Possible (MAP), 61% of the adult population has access to formal finance but around 18% of the adult population is completely excluded from both formal and informal financial services. The Nepal Financial Inclusion Roadmap (2017–2022) is expected to guide future initiatives around the immediate priorities for financial inclusion. In addition, the Nepal Rastra Bank (NRB) has prepared the Financial Sector Development Strategy (FSDS) for 2015–2020 to set the path for developing more resilient financial systems. The Monetary Policy of 2017–2018 has also focused on deepening financial inclusion through enhancing financial literacy as well as access to finance. Financial inclusion efforts are led by MFIs licensed by the NRB deploying the Grameen Bank model to provide financial services to the poor, especially in rural areas. The government has also outlined policy directives to promote mobile banking and branchless banking. In April 2018, the Finance Minister, Yubaraj Khatiwada, inaugurated the digital payment system called the 'Rajaswa Service portal' which would allow the citizens to pay taxes on mobile phones. In 2017, the NRB also unveiled an e-mapping system which is based on a geographic information system (GIS), showing all existing financial points in Nepal and enabling efficient compliance, data analysis and policy formulation.

What are the key enablers of financial inclusion in your country?

The government of Nepal has identified financial inclusion as a strategic priority as part the NRB's Third Strategic Plan (2017–2021). This has allowed the development of several policies to guide future initiatives. Non-bank financial institutions (NBFIs) do not face disproportionate restrictions regarding funding, initial capital and operational requirements while serving low- and middle-income customers. This has enabled substantial growth in this sector. The government has also initiated the digitisation of all transactions at government offices. The NRB, via its Banking and Financial Institutions Regulation Department, has upgraded its reporting system and created the GIS-based e-mapping platform noted above. The final draft of the National Financial Literacy Policy was submitted to the government for approval in September 2016 and since then, several financial literacy programmes have been conducted through audio-visual and print media.

What are the key barriers to financial inclusion?

The geographical diversity of Nepal makes it a challenging place for the deployment of DFS, mainly because of low population density, poor connectivity and limited infrastructure. There is a lack of capacity among the regulatory authorities to supervise DFS, peer-to-peer (P2P) lending, crowdfunding and microinsurance providers that are not regulated as financial institutions but provide financial services. The regulations related to branchless banking also need to be specified more clearly. Account-opening requirements are disproportionate due to inadequate attention to the facilitation of account opening for the financially excluded population. The financial sector and the actions of the government in power are influenced by the agenda of the ruling party. Nepal is yet to make progress regarding digitisation of KYC and interoperability.

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NICARAGUA

Summary

Financial inclusion in Nicaragua is mainly driven by microfinance institutions (MFIs). The country has improved its payments infrastructure with the creation of an Automatic Clearing House in 2016. However the lack of coordination between the government and the private sector and the introduction of transaction fees has hindered the development of electronic payments.

Overview

The main driver of financial inclusion in Nicaragua is still mainly microfinance. None of the measures the government has put into place in its national development strategy deal specifically with access to financing for low-income segments of the population. More recently, the government has empowered state-sponsored lending programmes channelled through two state-financed institutions, the Cooperativa de Ahorro y Credito Caja Rural Nacional (CARUNA, the rural savings and loans cooperative) and Banco Produzcamos. However, these programmes are considered politically driven. in the past year, several steps have been taken to promote financial inclusion. In late 2017, the Comisión Nacional de Microfinanzas (CONAMI) hosted a forum, the III Foro Nicaragüense de Microfinanzas, which assessed the advances and challenges of financial inclusion. Agent banking has continued to expand in the past year, led by BanPro, the largest commercial bank. The central bank, Banco Central de Nicaragua (BCN) published the first national financial inclusion survey in 2017, which collected national information on the need for and use of financial service, access to financial services, remittances, transfers and mobile payment usage, financial education and client protection, and client satisfaction. MFIs have increased their product offerings, diversifying the types of credit, and offering housing loans, mortgage loans, microinsurance, and micropensions. The CONAMI has continued to develop its supervisory framework, and MFIs have gradually complied with requirements, especially related to reporting, prudential regulation, and client protection. Mobile banking has expanded in the past year as well, and an increasing number of users receive remittances through that modality.

What are the key enablers of financial inclusion in your country?

In December 2016, the Sistema Financiero Nacional (SFN, the national financial system) and BCN formed a working group to promote the use of electronic payments and increase the level of bank use, but the group excludes private-sector members. Cooperation between the public and private sector is still low. There is no regulatory framework for fintech in Nicaragua; however, the financial regulator, the SIBOIF, allows non-financial institutions to register. Furthermore MFIs have access to payments systems. For example, in 2016, ProMujer (an MFI with more than 46,000 clients) joined BanPro in offering its clients a pre-paid card for loan disbursements, balance requests, and other bank services.

What are the key barriers to financial inclusion?

MFIs, which are the natural providers of financial services for the poor, are not allowed to accept deposits, which is seen as one of the main barriers to financial inclusion. Also, deposits continue to be discouraged by high bank fees, minimum balance requirements, a 10% tax on interest, and the absence of a simplified savings account. The country's payments infrastructure has developed with the launch of an Automated Clearing House (ACH) system in April 2016. The use of the system rapidly caught on (ACH transactions increased by 131% year on year in March 2018, with the participation of most banks in the system), but the recent introduction of fees for ACH transactions between banks has limited its use. Cooperatives, which take in deposits, are only loosely regulated by the Instituto Nacional de Fomento de Cooperativas (INFOCOOP). In February 2018, the IMF commended the authority's intentions to expand supervision of cooperatives, but warned that the country still needs to allocate institutional and regulatory responsibilities for these purposes.

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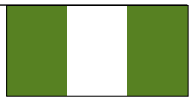
NIGERIA



Summary

Nigeria has fallen behind in meeting its financial inclusion targets. Some efforts have been made to improve the offer of financial products through close coordination with the private sector. However, strict regulation represents a barrier for new market entrants, and also restricts operations.

Overview

The Central Bank of Nigeria is responsible for the promotion of financial inclusion. In 2012 it developed a National Financial Inclusion Strategy that was updated in July 2018. There is a very high level of participation and coordination between government agencies and the private sector to promote financial inclusion, which has resulted in a number of successful ventures. However, Nigeria is still relatively far behind. Regulation is fairly restrictive, especially the foreign exchange market, and pricing of the majority of financial services (such as fees and bank charges) is regulated by the central bank. Over all, advances in financial inclusion have been slow, and even reversing in some areas. According to the World Bank, in 2017 only 39.7% of people had access to a bank account, a drop from 44.4% in 2014. Only 5.6% of the population had a mobile money account in 2017.

What are the key enablers of financial inclusion in your country?

The high level of coordination between government and the private sector has helped identify common challenges. The government and its revenue collection agencies have been successful in digitising their payment portals. Supervision of the banking sector has been improved by the use of digital technology. Digital financial services (DFS) data at a transactional level is picked up by the national and private switches, allowing regulators to see transactions in real time. Consumer protection regulation has also been strengthened and the same requirements apply to banks and mobile money operators.

What are the key barriers to financial inclusion?

National ID coverage is low, with the result that many cannot even satisfy basic KYC requirements for traditional bank accounts. However the country has a 3-tiered KYC system which allows customers without a National ID to open a basic account or mobile wallet with other forms of identification. Nigeria currently holds centralised data for less than 15% of its population. The microfinance sector has also faced several challenges after the licences of many microfinance Institutions were revoked, mainly due to undercapitalisation and high portfolio risk.

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PAKISTAN

Summary

Pakistan's enabling environment for financial inclusion was strengthened by the adoption of a five-year national strategy for financial inclusion in 2015, which encourages coordination between regulators and the private sector. More work is needed to enhance consumer protection regulation and provide greater incentives for the development of emerging technologies.

Overview

Pakistan adopted a five-year National Financial Inclusion Strategy (NFIS) in 2015. The strategy primarily focuses on four key areas: promoting digital transaction accounts and reaching scale through bulk payments, expanding and diversifying access points, improving the capacity of financial service providers, and increasing levels of financial awareness and capabilities. The Access to Finance (A2F) survey conducted by the State Bank of Pakistan (SBP) revealed that 53% of the adult population remained financially excluded, and only 23% were served by formal institutions. The NFIS aims to provide formal financial services access to 50% of the adult population by 2020. Since 2016, the NFIS council and NFIS technical committees, which comprise both public- and private-sector stakeholders, have been meeting regularly to approve action plans and monitor implementation of the strategy. There has been progress on some key initiatives including the Asaan (Easy) Mobile Account (AMA) Scheme, which allows any person with a basic mobile phone to open a digital transaction account quickly. Asaan Accounts are low-risk bank accounts with simplified due diligence requirements. This initiative resulted in the addition of 2.6m accounts within the banking system as of June 30, 2017.

What are the key enablers of financial inclusion in your country?

Under the umbrella of the State Bank of Pakistan (SBP), a high level of coordination among stakeholders serves as a key enabler of financial inclusion. The SBP takes a constructive regulatory approach by providing clear guidance and is willing to coordinate with businesses and adjust regulation where necessary. Pakistan is one of the fastest-developing markets for branchless banking (BB) in the world, and the number of BB agents crossed the 400,000 mark in 2017.

What are the key barriers to financial inclusion?

Specialised regulatory capacity for fostering innovation and incentives for emerging technologies is low. Supervisory capacity of regulators apart from the SBP is limited, and the informal financial services sector does not have adequate oversight. Data and privacy laws are non-existent and users of financial services do not have adequate consumer and deposit protection.

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PANAMA

Summary

Panama has taken a number of important steps to create an enabling environment for financial inclusion. Both the public and private sectors have coordinated efforts to leverage the use of technology to expand the offering of financial services. In 2018, the government has taken important measures to strengthen the regulatory framework and ensure a more inclusive financial system.

Overview

The government of Panama has made financial inclusion a central priority of its development agenda. Despite the lack of a formal financial inclusion strategy, the country has in place a number of standards for the regulation of simplified bank accounts, e-money, and non-banking financial agents, all of which are strategic instruments to promote financial inclusion. According to the World Bank's 2017 Global Findex, 46% of the population have a bank account, 35% have made or received digital payments, and 11% have received government digital payments. While these figures are improvements from 2016, they are still under the average for Latin America and the Caribbean. To speed up efforts around financial inclusion, in April 2018, the Ministry of Economy and Finances (MEF) introduced a Bill for the Modernisation and International Competitiveness of the Financial System (Bill No. 629). Expected to take effect in 2019, this bill establishes a digital transformation approach to the country's financial system, particularly in the area of e-money and fintechs. It also allows financial providers other than banks to offer simplified accounts and e-money services. The Digital Agenda Panama 4.0, which outlines the country's digital government initiatives, establishes a number of specific strategies to digitise government payments. Following this agenda, in January 2018, the government announced it would digitise all of its payments to providers starting in March 2018. These efforts made the overall environment more conducive to financial inclusion.

What are the key enablers of financial inclusion in your country?

Panama has in place a series of standards that promote the use of simplified accounts, non-banking agents, and e-money to facilitate access to financial services among low-income populations. The government has also made possible the payment for a number of public services through e-platforms, from taxes to sanitary permits. Regulations do not impose price controls, incentivising the offering of consumer credit and microcredit. Bill No. 629, noted above, is likely to expand these enabling factors and increase financial inclusion in the country.

What are the key barriers to financial inclusion?

Current regulations allow banks to offer only simplified accounts and e-money, which restricts the reach of these services. While the use of non-banking agents is widespread and they are allowed to offer a vast range of financial services, including opening simplified bank accounts and conducting cash-in/cash-out transactions, banks and MFIs are the only providers currently allowed to use such agents. There is also no legal framework on fintech, an instrument that has proven useful to reach unbanked populations in other parts of the world. Panama's AML/ CFT framework is not harmonised with FATF guidelines, and risks associated with the hindrance of ALM/CFT are particularly prevalent among unregulated financial providers. These factors significantly limit the country's capacity for further financial innovation.

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PARAGUAY

Summary

Paraguay's enabling environment for financial inclusion has been strengthened by the implementation of a National Strategy for Financial Inclusion (ENIF) in 2014, which will be updated by the end of 2018 to extend through 2022. This strategy has integrated public and private institutions in the promotion of financial inclusion. Nonetheless, the development of financial inclusion is mainly oriented towards the provision of financial products and services, rather than effectively evaluating how these services improve the living conditions for their users, mainly in the most vulnerable groups.

Overview

Paraguay's government has made financial inclusion a central priority of its development agenda, as one of the central bank's four strategic goals. Financial inclusion in the country has advanced significantly through expanded access to financial services, especially via the proliferation of electronic payment means (EMPEs). In 2014, Paraguay's banking penetration was at just 22% of adults, while overall financial service use was at just 54%, among the lowest in the region. Despite relatively low penetration, market entry requirements for non-bank financial institutions and e-money issuers are proportionate. With regard to regulation, the Central Bank of Paraguay (BCP) and its Superintendence of Banks (SIB) are implementing new approaches to supervise non-banks in the provision of digital financial services, but this is not comprehensive for all financial services and products in the market. In July 2018, a new regulation that allows the BCP to regulate credit cooperatives was approved, but has not yet been implemented. The country has worked to streamline its due diligence requirements and strengthen its AML/CFT standards. In May 2017, Resolution No. 4 of the Central Bank established the rules for remuneration payment accounts, with simplified opening requirements. Regulation of Paraguay's financial sector is independent of the political system.

What are the key enablers of financial inclusion in your country?

The diversity of private entities involved in the development of the National Strategy of Financial Inclusion (ENIF), which includes banks, non-bank financial institutions, telecommunication companies, insurance companies, and cooperatives, is one of Paraguay's most valuable enablers of financial inclusion. Since joining the Better than Cash initiative in 2017, the Paraguayan government has also emphasised the importance of the digitisation of payments, both from the government to social programmes and from individuals and businesses to the government. According to the 2017 Global Findex, 29% of adults in Paraguay possess a mobile money account, well above the levels of other Latin American countries. E-money accounts have due diligence requirements similar to those of traditional financial services, and can be opened remotely, aiding in the spread of access.

What are the key barriers to financial inclusion?

The Paraguayan regulators do not collect periodic information on the demand for financial services and products, which could hinder innovation, competition and an adequate provision of financial services to improve the welfare of the most vulnerable social groups. E-money services via mobile phones remain expensive in the country, with a cost of a 4% of the amount transferred. This forces many Paraguayans to physically go to the financial entities and perform the transfers on site, rather than use mobile money transfers. There is no regulation on microcredits in Paraguay, and the implementation of a law to establish a credit fund to MSMEs has been delayed for more than a decade. Traditional banks constitute a considerable lobby and are resisting the provision of financial services through mobile phones, such as microsavings.

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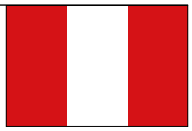
PERU



Summary

Financial inclusion is a key focus of development policy and high levels of coordination exist within government agencies and across sectors of the economy. Over the years, policymakers have collaborated with stakeholders and advisors to build an open regulatory framework that aims to balance supervision, risk and consumer protection with competition and innovation. The supply of financial services that target low- and middle-income customers is large and diverse, but demand remains low. More work is necessary to understand the reasons why people are not using financial services and how to bridge these gaps.

Overview

Financial inclusion is a central priority for the government, and policymakers have been pioneers in developing regulation to facilitate it. However, consumer uptake is slow. In 2014, the government launched the Multi-sectoral Commission on Financial Inclusion (CMIF), which is composed of members from various government agencies. Then in 2015, the commission issued the National Strategy for Financial Inclusion (ENIF), which comprises a plan based on the pillars of access, usage and quality. It also defines priorities, such as interoperable systems, financial literacy, consumer protection, microinsurance and corporate governance. From a policy perspective, the regulatory framework for financial inclusion has been structured to promote competition amongst private-sector players. In practice, regulators are realising that an increase in competition and access to financial services does not directly translate to more users and inclusion. Also, regional disparities are significant; currently more than 30% of districts lack the presence of a financial institution or agent. In rural areas, on average it takes an average of 1.5 hours to reach a financial access point. According to the World Bank's Global Findex database for 2017, the percentage of adults with an account grew from 20% in 2011 to 43% in 2017, but this is low relative to the global average of 69%. Two important initiatives in recent years are the introduction of the DNI-e (2013), which is the national identification system that allows for electronic signatures, and Modelo Peru (2015), an interoperable payments platform. Use of these tools is growing more slowly than expected and the government is conducting further research to understand why the unbanked remain so and what can be done about it.

What are the key enablers of financial inclusion in your country?

The high level of commitment from both the public and private sector is a key driver for financial inclusion. Those who can facilitate financial inclusion agree that it is important and are launching initiatives and ideas. For example, Modelo Peru, a strategy for interoperable payments, was promoted in 2015 by actors in government and the private sector; a year later, this resulted in the launch of a mobile wallet product called Billetera Movil, or BIM, which is supported by banks, other financial institutions, telecommunications companies and the government. Users with the DNI-e can open an account through their phones and begin to send, receive and save money, subject to KYC rules. Fintech is another area where the government sees potential and will work with stakeholders to balance risk and innovation.

What are the key barriers to financial inclusion?

The 2016 National Survey on Demand for Financial Services, which was conducted by the financial regulator, found that the biggest barrier was that people did not see a benefit from using financial services. The 2017 Global Findex also showed that the three main reasons people cited for not having an account were that services are too expensive, insufficient funds and lack of trust. Stakeholders are realising that they need to have a deeper understanding of the cost-benefit frameworks that poor people and those in the informal sector rely upon when making financial decisions. Financial inclusion is not just about increasing access and knowledge of products, but also about designing consumer-focused products.

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PHILIPPINES

Summary

The Philippines' Central Bank, Bangko Sentral ng Pilipinas (BSP), has been ahead of the curve in identifying opportunities and setting guidelines for financial inclusion. Its focus on creating a digital finance ecosystem has led to the introduction of a sound payments infrastructure that helps the various financial-sector players to reduce their costs and further their outreach. However, the small size of several of these players limits the reach of inclusive finance.

Overview

In June 2016, Benigno Aquino III, then-president of the Philippines, instituted the Financial Inclusion Steering Committee (FISC), which provides strategic direction, guidance and oversight for the implementation of the National Strategy for Financial Inclusion (NSFI). This coordination has produced favourable results, increasing the proportion of municipalities with at least one financial access point from 88.2% in 2016 to 90.1% in 2017. Municipalities with a banking presence increased from 63.8% to 65.1% during the same period. As per the Microfinance 2017 report from the central bank, Bangko Sentral ng Pilipinas (BSP), there were 11.4m registered e-money accounts in the country, which represents only 1.3% of the Filipino population. Recently, BSP also started regulating payment centres and remittance agents. Banks have been allowed to set up branch-lite units and establish cash agents, and no tax is levied on customers for deposits or savings but only for the cost of borrowing. BSP is also working towards creating an effective digital finance ecosystem, collaborating with several players to achieve this. Its regulatory sandbox approach provides a testing ground for new business models to guide regulators in assessing potential risks. Two automatic clearing houses (ACHs) have also been launched recently. The government is also trying to establish a national ID for supporting digital transactions.

What are the key enablers of financial inclusion in your country?

The BSP has a clear regulatory framework for e-money issuers but relies on the "test-and-learn" approach for other financial technology players. The BSP identifies risk based on a model and then regulates proportionately. Its collaboration with several industry players also acts as an enabling factor. Banks have been allowed to offer electronic KYC protocols using online channels such as video calls and geocoding but these are subject to technical standards. The ongoing BSP pilot to enable technology-led supervision is also a positive step. Interoperability amongst agents also serves as a major driver of financial inclusion.

What are the key barriers to financial inclusion?

The key barriers to financial inclusion include the limited size of financial institutions. As of October 2017, there were 36 universal and commercial banks, 57 thrift banks, 492 rural banks, 40 credit unions and 6,267 non-banks licensed with the BSP. As of March 2018, the average asset size of top 10 universal and commercial banks was approximately US$21bn, the average size of the top 10 thrift banks stood at approximately US$2bn and the top 10 rural and cooperative banks held an average of US156m. The focus of these financial institutions (including non-banks) on compliance with BSP guidelines has limited their efforts to expand their outreach. Credit institutions offer products at high interest rates. This, coupled with lax consumer protection guidelines, especially in insurance products and G2P payments, represents a risk for consumers. No deposit insurance is provided for e-money account balances. Considering that women are twice as likely to have accounts as men, the lack of gender-disaggregated demand-side data for financial providers hampers the development of relevant products.

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RUSSIA

Summary

Russia has a mixed record with regard to financial inclusion. There have been efforts by the government to monitor and improve financial inclusion through legislative changes, but implementation remains patchy. More needs to be done to respond to technological developments and enact proportionate regulation to ensure diversity in the financial market and increase providers' reach within the low- and middle-income segments of the population.

Overview

The Russian government and the central bank have stood by their commitment to financial inclusion. In 2018 a new "Strategy to increase financial inclusion in the Russian Federation" was adopted, which foresees regulatory experimentation to rise to new challenges, marking a minor departure from Russian regulators' traditional conservatism. State actors have also extended their cooperation with the World Bank in a project to improve Russians' financial literacy. An increasing number of state-sponsored conferences on the subject have been organised, bringing together experts and representatives of the state and private sectors. However, statements of commitment have not been matched by extensive concrete measures, and there have not been any major new products introduced. Specifically, there is no regulatory framework for inclusive insurance or emerging services such as P2P lending, and microinsurance remains practically non-existent. Significant barriers also remain to the interoperability of payment systems. Market entry has been made more difficult, especially for smaller and foreign-owned entities, by stringent capital and ownership requirements. The financial services market has therefore become more concentrated. The restriction of deposit insurance to banks hampers the attractiveness of non-bank credit institutions, which are traditionally better suited to reach low- and middle-income segments of the population.

What are the key enablers of financial inclusion in your country?

The central bank has adequate technical capacity and relevant expertise (including a specialised Service for Financial Inclusion), and it enjoys considerable independence from the government. The prevalence of fraud in the market, however, means that regulations remain strict in most areas. Nonetheless, they allow a wide range of actors to serve as financial outlets and offer a wide range of services on the behalf of providers. The enduring conservatism of regulators means that customers' rights are well protected: there is a comprehensive framework to protect the rights of insurance customers, for example, and legislation to protect personal data and privacy is adequate and actively enforced. In 2014 a financial ombudsman's office was founded and in May 2018 it was made into a state entity with expanded capacities.

What are the key barriers to financial inclusion?

The population in rural, isolated, and underdeveloped regions—which make up a large part of Russia's territory—lack easy access to quality financial services. This is due to a lack of reliable, affordable Internet connectivity and delayed regulatory action. Sparse regulatory supervision in rural areas means that exploitative, low-quality loans offered by small, local credit institutions remain prevalent. Legislative changes that favour incumbents within the financial market hinder the entry of new participants, especially smaller and foreign entities. Disproportionate KYC requirements, for example, continue to stipulate full face-to-face identification, meaning that smaller institutions have less chance to reach the rural population.

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RWANDA

Summary

The Rwandan government has created a strong environment in which to improve financial inclusion. Financial literacy is promoted by banking institutions and schools. There is good cooperation between government agencies and the private sector. Regulatory sandboxes combined with strong and supportive financial authorities have propelled the growth of a fintech start-up hub in the country. As the digital financial ecosystem develops it will be imperative to strengthen consumer data protection laws.

Overview

The Rwandan government continues to implement its commitments made in the 2011 Maya Declaration, and the development and roll-out of a national strategy to promote financial inclusion. This was first outlined in the Financial Sector Development Plan II in 2012. The government has been consistently promoting financial inclusion, with a Financial Inclusion Programme for 2016–2020 driven by the Ministry of Finance and Economic Planning. The government has also established the Rwanda Cooperative Agency, which is mandated to supervise cooperative savings and credit organisations. This agency works closely with the National Bank of Rwanda. The National Financial Education Strategy is being implemented by the Ministry of Finance and Economic Planning to improve the country's low levels of financial literacy. Despite these efforts, a large portion of the population remains unbanked. According to the World Bank, in 2017 only 36% of the adult population had bank accounts at financial institutions, and 31% had mobile money accounts. Notwithstanding, there are some encouraging policies such as the National ID programme, which has distributed identity cards to 91% of the adult population. Legislation for start-ups in Rwanda is both strong and supportive, prompting significant growth in the information technology sector, and the national financial authorities have been able to foster innovation through these varied approaches. The Rwanda Utilities Regulatory Authority (RURA) has developed a regulatory sandbox in which start-ups can launch their initiatives and be regulated at a later stage (sometimes up to a year after launching in public).

What are the key enablers of financial inclusion in your country?

There is a high level of coordination among government agencies, as well as with these agencies and the private sector. The government has created regulatory sandboxes which have been enabling growth in fintech. The central bank is independent, which has enabled it to draft meaningful legislation. The government has created an initiative called the Umurenge Savings and Credit Cooperative Organisations (SACCOs), which aims to increase financial inclusion in rural areas by facilitating remote account opening. Interoperability is also driving inclusion, as mobile money providers allow subscribers to receive money directly into their mobile wallets without the use of vouchers. Furthermore, the country has made a remarkable effort to digitise government payments and conducts over half of its transfers into an account.

What are the key barriers to financial inclusion?

A large portion of the adult population is still unbanked, and only a small portion has e-money accounts. There is still a shortage of products that cater to the low-income market. Remote account opening requirements are still relatively strict. The account opener's identity needs to be verified at a branch of the bank. There are no data or privacy laws, and because the country is one of the fastest-growing economies in the area of information technology, personal information is at risk. Financial illiteracy is also a big barrier to financial inclusion and entrepreneurship among women.

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SENEGAL

Summary

The enabling environment for financial inclusion in Senegal is strengthened by the country's membership in the West African Monetary Union (WAMU), and the subsequent financial regulatory framework from the Central Bank of West African States (BCEAO). The BCEAO has an enabling regulatory framework for many inclusive financial services such as MFIs and e-money, and has worked to make access via agents and agent-less banking platforms easier. Access to savings, credit, and insurance remains out of reach for many in Senegal, in part as the result of outdated regulations on more traditional banking and financial institutions.

Overview

Since 2016, the government of Senegal has been working to develop a national strategy for financial inclusion that is in line with regional standards but it has not been yet been finalised and launched. Access to and knowledge of financial services remains low, as only 15.4% of adults have accounts with financial institutions. The Central Bank of West African States (BCEAO) has created an enabling environment for digital financial services that includes the promotion of electronic payments, MFIs, and other digital financial services. Non-banks can receive e-money issuer licences that allow mobile network operators (MNOs) and other agents to bring financial services closer to many in Senegal. Also, the BCEAO has been working to enhance interoperability among different service providers, but there are still many regulatory gaps between regional and national telecommunications and finance ministries. The government began issuing e-IDs to citizens in 2016, and as of 2017 an estimated 67% of adults have one. Mobile money continues to drive financial inclusion in Senegal, with strong growth in account ownership from just 6% in 2014 to 32% in 2017. In 2018, the government announced a new initiative to speed up infrastructure development for digitisation of government operations throughout rural areas. In 2016, the BCEAO also launched a new regional credit bureau, but usefulness of the bureau remains low as most Senegalese are not represented in its reporting.

What are the key enablers of financial inclusion in your country?

The regional regulatory environment for digital financial services is the key enabler of financial inclusion in Senegal. Recent growth in the network of agents, including mobile networks and money transfer operators, and agent regulations that prohibit exclusivity among providers, have allowed financial access points to be closer to consumers. Senegal shares a regulatory environment with seven other countries for financial services as part of the West African Monetary Union (WAMU), which it has been a part of since 1962. Regulations from the BCEAO allow easy access to the financial market for e-money operators, microfinance institutions (MFIs) and banks with mobile operations. Furthermore, the governments "test and learn" approach for new financial technologies have contributed to the creation of one of the most active fintech sectors in the region.

What are the key barriers to financial inclusion?

While financial inclusion in Senegal is rapidly expanding for basic financial services, more complex and transformational services such as digital credit, digital savings, and digital insurance remain out of reach for many low- and middle-income people. As of 2017, only 15.4% of people in Senegal had accounts with financial institutions, including mobile money accounts, which are the fastest-growing area of financial services. Despite increases in access to new technology, there is still a low uptake of many services. An increase in interoperability, digitisation of government payments and the promotion of digital financial services in the MFI sector could increase the offer and demand for these services. Furthermore, the development of fintech framework could help leverage the activity of this sector in the country.

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SIERRA LEONE

Summary

Sierra Leone's enabling environment for financial inclusion is still in its nascent stage but it has been given direction by the development of a strategic national development plan and a willingness to explore innovative products targeting low- and middle-income users. Successful implementation will be needed to address the low levels of financial literacy, support the extension of affordable financial infrastructure, provide mechanisms for improved consumer protection and enhance the supervisory and digital payment environments.

Overview

With less than 13% of adults having access to financial services in Sierra Leone, recent efforts to promote financial inclusion are needed. The National Financial Inclusion Strategy (NFIS) for 2017–2020 offers a useful framework for addressing key sector shortfalls and the roles that can be played by public and private actors. Sierra Leone held its first Financial Literacy Week in 2017 but the general understanding of the population remains at low levels. Innovative approaches to address the financial inclusion gap have been welcomed by the central bank, the Bank of Sierra Leone, which has adopted a regulatory sandbox approach to fintechs looking to address literacy, savings schemes and interoperability. The Sierra Leone FinTech Challenge 2017 was aimed at finding innovative solutions for enhancing the quality of access and use of financial services. But question marks remain about the Bank of Sierra Leone's capacity to supervise independently and effectively across the financial sector. In line with the NFIS, a National Switching System to facilitate interoperability should be operational by the end of 2019. Similar timeframes are expected for the roll-out of a new national identification card that will capture biometric details and make compliance with KYC requirements easier. Ongoing calls for the introduction of data protection laws and consumer protection legislation continue to go unheeded. Mobile money operator guidelines were introduced in 2015 and have helped enshrine a regulatory framework but the ability of the central bank to monitor adherence effectively is a problem, as is the limit on functions permitted for use by agents.

What are the key enablers of financial inclusion in Sierra Leone?

The launch of the NFIS, with clear objectives and a commitment to working in partnership with the private sector, can be a key enabler of financial inclusion if effectively implemented. Working groups have been established to incorporate the views of an array of key stakeholders, including the private sector. The Bank of Sierra Leone has also facilitated innovation aimed at tackling financial inclusion through a regulatory sandbox approach. The Sierra Leone FinTech Challenge 2017 was designed to find innovative solutions for improving the quality of access and use of financial services. The Bank of Sierra Leone is working with the support of development banks to advance interoperability, including in the creation of National Switching System which is expected to be operational next year.

What are the key barriers to financial inclusion in Sierra Leone?

More generally, the digital payment ecosystem is limited by a lack of infrastructure in rural areas. Financial literacy levels are extremely low, as are data about the financial inclusion environment in the country. There remain concerns about the independence, impartiality and capacity of the financial services regulator. Efforts are underway to introduce a biometric national identity card, but currently, fulfilling KYC requirements, particularly in remote areas, represents a challenge.

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SOUTH AFRICA

Summary

Financial inclusion in South Africa is supported by strong financial regulatory agencies. However, greater focus is required to increase the level of financial inclusion among low-income populations. E-money regulation is still restrictive, which affects overall fee structures.

Overview

South Africa does not have an overarching National Financial Inclusion Strategy but has a series of strategies to promote and encourage financial inclusion, which currently incorporate a digital transformation approach. Since 2016, the legal framework of the South African financial services sector has been undergoing major reform as the country moves towards a "Twin Peaks" model for supervision. This has seen the creation of a prudential regulator, the Prudential Authority, housed in the South African Reserve Bank (SARB), while the Financial Service Board (FSB) is being transformed into a dedicated market-conduct regulator called the Financial Sector Conduct Authority. Having authority over every firm that offers a financial service will create a more progressive and extensive consumer protection regime. However, more attention must be paid to low-income groups. The government does not collect relevant data on financial inclusion, although it has partnered with international organisations and private institutions. According to World Bank findings in 2017, 69.2% of people had access to a bank account and 67% had accounts at financial institutions. Financial literacy is considerably higher than in most African countries, with most training being private-sector driven. However, initial capital requirements for financial institutions are disproportionate, which results in many unlicensed small and microfinance firms. Stringent KYC requirements also restrict access to bank accounts. In addition, the country restricts the issuance of e-money licences to banks, which represents a significant barrier for new entrants in this growing market.

What are the key enablers of financial inclusion in your country?

Financial literacy is considerably higher in South Africa than in other African countries, and this acts as a major driver of inclusion. Alongside this, high levels of cell phone usage and Internet penetration have provided many people with access to bank accounts. The 2018 decision to deposit government grants directly into bank accounts has meant that more than 2m of the poorest South Africans are now regularly using a bank account. While legislation is often swayed by political interference, the independence of the Reserve Bank has resulted in monetary policy being largely independent. This has created some stability. Finally, very strong data protection and privacy legislation offer consumers better protection, and these are beginning to restore confidence in the financial sector.

What are the key barriers to financial inclusion?

South African banks' fee structures are unusually high. This limits financial inclusion among low-income groups. There is also a low level of trust in banks due to a lack of transparency in the provision of services. When social grants from the government are paid directly into bank accounts, costs are automatically deducted from the recipients' accounts for products such as funeral coverage and microloans. In addition, financial services require an excess of paperwork, response times are slow and registration fees are often prohibitively expensive for small business owners. Financial inclusion across Africa is largely driven by e-money but regulation in South Africa states that e-money can be issued only by South African banks. This has dramatically limited the development of the e-money sector and acts as a barrier to further inclusion.

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SRI LANKA

Summary

Sri Lanka's enabling environment for financial inclusion has been strengthened by the government's commitment to develop the country's first National Financial Inclusion Strategy. The strategy, developed consultatively with input from several key government agencies and support from the World Bank's IFC, is expected to be rolled out in 2019. Key barriers to financial inclusion include limited access to credit by the poor, slow uptake of digital finance and lack of regulatory and supervisory capacity at state institutions.

Overview

The government has made financial inclusion part of its development agenda. In January 2018, the Central Bank of Sri Lanka (CBSL) partnered with the IFC to develop Sri Lanka's first National Financial Inclusion Strategy. The development of the strategy is led by the CBSL with support from the Ministry of National Policies and Economic Affairs, the Ministry of Finance and Mass Media, the IFC and other financial stakeholders. The primary focus of the strategy is on digital finance and will include a National Payment Platform. The strategy is expected to be implemented in 2019. Another government initiative for financial inclusion is the drafting of legislation related to land title ownership, which might help the poor secure bank loans more easily. The 2017 Global Findex indicates that 73.6% of adults have a bank account in a financial institution, while 73.4% of accounts belong to women. Adults among the poorest 40% accounted for 70.6% of accounts, indicating an encouraging degree of financial inclusion in the country. The 2017 Global Findex also pointed to an uptake in digital banking, as 47.2% of the population reported making or receiving digital payments, up from 20.8% in 2014. The market for microfinance products is competitive in Sri Lanka, making it another enabler of financial inclusion.

What are the key enablers of financial inclusion in your country?

The government's ongoing initiative to develop the country's first National Financial Inclusion Strategy and the ambitious reforms this will entail, such as the digitisation of financial infrastructure, the simplification of digital banking and the introduction of a National Payment Platform, are key enablers of financial inclusion. The high level of coordination among various state and non-state actors involved in the development of the National Financial Inclusion Strategy is a first for Sri Lanka and bodes well for the effective implementation of the strategy when it is finalised.

What are the key barriers to financial inclusion?

The majority of the poor in Sri Lanka are still unable to access credit from banks. This has led to a crisis of indebtedness, particularly in rural Sri Lanka, as predatory lenders offer products at high interest rates. Another barrier to financial inclusion is the slow uptake of electronic and mobile systems for banking transactions. Although mobile wallets have been available since 2012, as of 2018, approximately 95% of all retail transactions were still cash-based. A lack of capacity at key institutions such as the central bank and Ministry of Finance hampers the regulation and supervision of institutions that serve the poor and constitute another key barrier to financial inclusion.

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TANZANIA

Summary

Tanzania has made great strides in improving financial inclusion, the promotion of which is a key focus for the government. Legislation is fair and proportionate, allowing the emergence of many fintech start-ups. The country was one of the first in Africa to achieve complete interoperability. Consumer protection is still lacking but has been strengthened over the past few years. Along with the rest of East Africa, Tanzania has emerged as a hub for fintech and innovation.

Overview

The Tanzanian government has recently updated its Financial Inclusion Strategy to focus on the next five years (2018–2022). This strategy is a public-private partnership which includes a digital approach. It is aimed at making financial products and services better suited to the needs of individuals and businesses, which are consistent with supporting better livelihoods, household resilience and job creation. According to the World Bank, the adult population with access to a bank account increased from 40% in 2014 to 47% by 2017. The growth of those using mobile money accounts is encouraging, with an increase from 32% in 2014 to 39% by 2017. Regulations surrounding financial services are relatively proportionate, and this has helped the successful adoption of mobile money networks such as M-Pesa. Financial authorities adopted a 'wait and see' and a 'test and learn' approach to new financial services. The mobile money sector grew without any stringent regulation for a long period of time. However, there are numerous agencies that deal with regulatory issues relating to financial institutions and services, and evidence suggests that these agencies have specialised technical capacity. However the central bank is leveraging technology to improve digital reporting and modernise banking infrastructure such as automated clearing house (ACH) systems. There are also examples of the central bank using RegTech in the supervision and regulation of mobile money. Finally, there is full interoperability across mobile networks, and this enables an inclusive payments market. Anyone can send and receive money from any mobile operator across Tanzania, Rwanda and Kenya. After Kenya, Tanzania is the region's most advanced P2P mobile money country.

What are the key enablers of financial inclusion in your country?

The public- and the private-sector stakeholders are coordinating closely in developing and implementing the new National Financial Inclusion Framework. The government has been supportive, creating conducive infrastructure, as well as legal and regulatory frameworks, which have simplified access to and use of financial products and services for low- and middle-income groups. There is a tiered KYC regime to lower the hurdles on opening low-value accounts. There is also full interoperability across mobile networks, which acts as a driver and enabler of an inclusive payments market.

What are the key barriers to financial inclusion?

There are numerous barriers to financial inclusion. Financial literacy is low. A large proportion of the adult population do not have bank accounts. Costs of basic financial transactions are relatively high and, according to the World Bank, 40% of adults reported this, along with the physical distance to access points, as a reason they do not have a bank account. This is compounded by the identification required to open bank accounts, which is a barrier because of low coverage under the National ID system. Finally, disposable incomes across Tanzania are generally low, so many people have insufficient funds to make opening a bank account worthwhile.

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THAILAND

Summary

Thailand's financial inclusion has been strengthened by the fast adoption of financial innovation by commercial banks and state-owned Special Financial Institutions (SFIs), enabled by the Bank of Thailand's regulatory approach. However, there has been limited improvement on consumer protection and the regulations governing the entry and operation of microfinance providers. Furthermore there is still a lack of strategy coordination among regulators, as the financial sector is highly fragmented.

Overview

Technology has helped transform the landscape of Thailand's financial inclusion in the past few years. As the Bank of Thailand's (BOT) Financial Access Survey 2016 shows, the population already has a high percentage of financial access at 97.3%. Thai commercial banks have long dominated provision of financial services. The Financial Access Survey 2016 reports that commercial banks and state-owned banks (Special Financial Institutions, or SFIs) together provide 74.9% of financial access. Previously, commercial banks had not focused on serving low-income customers. This has changed in the past few years due to the emergence of new financial technologies, and the growing competition from multinational e-commerce companies. Commercial banks and SFIs are now rapidly expanding their use of financial technologies such as e-banking and e-money, a move that could be beneficial for low-income populations. Thailand's semi-formal financial institutions, such as financial cooperatives, and informal financial institutions, such as village-based saving groups, provide less than 6% of financial access, and have experienced little change in the past few years.

What are the key enablers of financial inclusion in your country?

The adjustment of the financial sector to new technologies has been facilitated by an adaptable regulatory approach from the BOT. The BOT is one of the first government agencies in Thailand to use the sandbox approach in enabling new innovations. The supportive role of the BOT has helped generate the entry of new financial technology firms into the market. In addition, Thailand already has high levels of financial access, meaning that most people have experience using banking services. Such experience facilitates their willingness to use new financial technologies. Lastly, the country possesses relatively good infrastructure in telecommunications. Most areas are covered by mobile Internet networks, and the cost of using the networks is low. Data from Wearesocial show that in 2018, 79% of the population used mobile Internet.

What are the key barriers to financial inclusion?

Thailand's promotion of financial inclusion remains limited by the highly fragmented nature of its financial sectors. Regulators are segmented based on different types of financial institutions that provide services to different groups of consumers. Although the most influential regulator, the BOT, is highly capable of overseeing commercial banks, regulators responsible for semi-formal and informal providers have less technical capability. Furthermore, the lack of a coordinated government strategy represents a barrier as different regulators respond to different government ministries. The government has focused only on the state-owned SFIs to extend credit to the low-income population. Despite changes in the financial sector boosted by new technologies, the government is yet to adjust this approach and explore new possibilities.

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TRINIDAD AND TOBAGO

Summary

Trinidad and Tobago's enabling environment for financial inclusion is strengthened by commitments to financial and digital literacy, proportionate regulations in traditional financial sectors, and the infrastructure for digital government payments. More work is needed to facilitate real implementation of the financial inclusion strategy through proportionate regulation for emerging services and in a technical capacity to regulate new financial technology.

Overview

The percentage of the population In Trinidad and Tobago that is unbanked remains at 22%, which has not changed since 2013, and the country has not taken steps toward fostering innovation in financial technologies through an innovative supervisory framework or public-private partnerships. The country has made some aspects of financial inclusion a priority through its Strategic Plan of 2016/17–2020/21; a main priority is the implementation of the 2018 Financial Literacy Programme. Regulations on market entry and ongoing operations for non-bank financial institutions, e-money issuers, and cross-border payment providers are deemed proportionate. Also, in the country's Strategic Plan, the government has moved to improve its payments platform from the existing online portal TTConnect to a fully digital government-funds transfer system by the end of 2019. In response to the 2016 Caribbean Financial Action Task Force (CFATF) assessment of Trinidad and Tobago's AML/CFT regulations, the government has implemented the 2018 Guidelines on AML/CFT, outlining a risk-based approach for financial institutions that was previously lacking. The country lacks a comprehensive regulatory framework for agent banking, remote account opening, microcredit, and inclusive insurance. There are plans to draft comprehensive legislation regarding payment systems that will consider emerging services such as crowdfunding and peer-to-peer lending.

What are the key enablers of financial inclusion in your country?

The main enablers for inclusion for underserved populations are the efforts to increase the levels of financial and digital literacy, the implementation of the 2018 AML/CFT guidelines with a risk-based approach, and the existing online government payments system. The central bank has also made plans to create comprehensive regulation for new financial technology, which is a step in the right direction to extend financial services to underserved populations.

What are the key barriers to financial inclusion?

In practice, regulation and implementation of innovative methods to encourage the development of financial technology does not yet exist in the country, placing it behind in the development of the digital financial services sector and creating a barrier to an inclusive financial system. The central bank does not have sufficient technical expertise to regulate emerging services if they were to appear, and the variety of mobile money platforms is small, limited to the BMobile prepaid VISA card launched by the telecommunications company in late 2016. Little has been done to include the private sector in financial inclusion or to continue to expand the services available.

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TURKEY

Summary

Turkey has robust financial and communications infrastructures that facilitate payments throughout the country. Financial supervision and consumer protection are generally strong. However, there is a lack of proportionate regulation to encourage financial inclusion, no dedicated regulatory capacity and insufficient data on the demand and supply of financial services for low-income populations. More steps are needed to foster innovation, competition and a wider variety of products and outlets.

Overview

According to the World Bank's Findex survey, the percentage of adults with a financial accounts increased to 67.7% in 2017 from 56.5% in 2014. For women, the percentage was 54.3%. The government has still not attached priority to reaching excluded groups. There has been no progress on long-awaited legislation on microfinance and related institutions. The government's financial inclusion strategy and action plan for 2014–2017—which focused on financial education and financial consumer protection—have expired, and new ones are yet to be adopted. Despite some constraints, there are now 11 e-money and 30 payment institutions, following the issue of the first licences in 2015. The Regulation on Measures Against Laundering of Proceeds of Crime and Financing of Terrorism was amended in 2016 to include e-money and payment institutions while providing simplified customer identification rules for small e-money accounts. Crowdfunding was recognised and made subject to prior permission from the Capital Markets Board through amendments made to the Capital Markets Law in December 2017, although a regulation is still awaited. In July 2018, a fintech task force, the Financial Technologies Permanent Sub-Committee, was reportedly set up, consisting of executives from the central bank and other regulatory bodies. Governance has become a matter of concern as a result of the coup attempt in 2016, the constitutional referendum of 2017 and the general and presidential elections of 2018. Dismissals associated with these events may have harmed the capabilities of regulatory bodies. Global monetary tightening and investor concerns about Turkish politics and economic policies have caused the lira to weaken very sharply and interest rates to surge in 2018, limiting available funding and posing risks to financial stability.

What are the key enablers of financial inclusion in your country?

The financial sector has been strong and well regulated since the early 2000s. There is an extensive and sophisticated payments system. Information technology is widely used. The government makes all social benefit payments (including to refugees) through bank or post office accounts or preloaded cards. Companies with five or more employees are obliged to pay wages via bank accounts, with a view to reducing informality. The private sector has taken considerable interest in financial inclusion, and the Financial Literacy and Inclusion Association (FODER) educates large numbers of people on financial literacy. Islamic finance is growing, though it still accounts for only about 5% of the banking system; some believe Shari'a-compliant products could attract excluded populations.

What are the key barriers to financial inclusion?

The government has done little to promote financial inclusion. The absence of a clear legislative framework has hampered the Turkish Grameen Microfinance Programme and the microfinance programme operated by the Foundation for the Support of Women's Work (KEDV), and prevented the emergence of other comparable institutions. Neither these nor the tightly regulated bank, e-money and payments providers are allowed to collect deposits. There is no definition of microcredit or microinsurance. Proportional regulation for banking—and permission for banks to use agents—would support financial inclusion. There is some public distrust of financial savings due to the risk of major swings in inflation, interest and exchange rates—risks that have materialised again in 2018.

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UGANDA

Summary

Uganda's enabling environment for financial inclusion has been strengthened by the introduction of regulations aimed at widening financial access and outlining a comprehensive strategy. More work is needed to improve the coverage of both the digital and physical financial infrastructure, limit political interference and engage more comprehensively with consumers about products and protection.

Overview

58% (10.8m) of Ugandan adults engage with formal financial services, according to the 2018 FinScope survey; that rises to 78% when informal financial services are included. But access in rural areas continues to be a challenge. The Ministry of Financial Planning and Economic Development and the Bank of Uganda (BoU) spearheaded the process of formulating a comprehensive National Financial Inclusion Strategy (2017–2022). Working groups have been established to ensure its effective implementation. In 2017 the BoU introduced agent banking regulations. Agents are in a position to offer some, though not all, financial services, which should widen coverage in rural areas. Savings and cooperative credit organisations are to be regulated and taxed under the 2016 Tier 4 Microfinance Institutions and Money Lenders Act, which also created a new regulatory body—the Uganda Microfinance Regulatory Authority—for this tier of financial service providers. Regulation targeting emerging fintech products such as bitcoin has not been forthcoming from the BoU despite its growing prominence in the country. A 1% tax on mobile money transactions was revised in July 2018 after a public outcry. A 0.5% tax will still be applied but to withdrawals only, a cost that providers are likely to pass on to customers. Plans for a centralised e-government initiative, led by the Ministry of ICT, remain a work in progress as do efforts to improve e-KYC verification.

What are the key enablers of financial inclusion in your country?

The 2017–2022 Financial Inclusion Strategy provides a clear framework for government, the private sector and donors alike to follow. Through the establishment of key sector technical working groups, engagement is being sustained. The government's greater focus on the need to digitise financial services is driving more universal access to the sector. This has been further enabled by the introduction of agency banking in 2017. Disaggregated data about the levels of financial inclusion is good, with information collected by various government entities complemented by frequent FinScope surveys.

What are the key barriers to financial inclusion?

Digital and financial literacy levels fall short of those required. The pace of reform is not helped by the time taken for legislation to be passed or regulation to be enacted: The National Payment Systems Act has been a draft for more than three years. There is no interoperability platform managed by regulators; transfers between mobile service providers are the subject only to agreements between operators. Limited access to financial infrastructure and high operational costs, particularly for mobile money providers, continue to exclude low- and middle-income users. Decisions taken around the regulation or supervision of financial institutions are not immune from national politics.

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URUGUAY

Summary

The enabling environment for financial inclusion in Uruguay has been strengthened by the Law on Financial Inclusion (Law 19.210) that was passed in 2014. The law took basic steps to promote digital payments, simplify bank accounts and strengthen interoperable payment systems. More work is needed to increase inclusion of low-income customers and help people understand how to use financial accounts for better management of personal finances.

Overview

The enabling environment for financial inclusion in Uruguay is characterised by high levels of government commitment, consumer protection and corporate governance. The Superintendency of Financial Services (SFS) effectively supervises the financial system while the Ministry of the Economy and Finances (MOEF) promotes and monitors financial inclusion. The 2014 Law on Financial Inclusion (LFI) implemented the use of payroll-deposit accounts, reduced VAT on debit and credit card payments, facilitated interoperability among payment systems and reduced fees for transferring money. These actions have increased access to financial services. The 2017 Global Findex shows that the proportion of adults with an account at a financial institution increased from 24% in 2011 to 64% in 2017. However, nearly half of poor adults do not have access to financial accounts. The Findex also shows that more adults borrow or use credit cards (43%) than save at financial institutions (12%). The financial regulators and private sector recognise the importance of financial literacy and offer workshops and courses to educate customers. The government is also promoting the fintech ecosystem with the goal of being a regional hub for digital financial services.

What are the key enablers of financial inclusion in your country?

Levels of education and income are high in Uruguay. The national identification system, which covers 100% of adults, meets international KYC standards. The financial sector is considered to be stable, transparent and well regulated. Staff members in the SFS and MOEF are technically savvy and monitor developments in financial services to assess both opportunities and risks for the economy. Fair and non-discriminatory commercial access to retail payment infrastructure is increasing innovation and competition for digital payments.

What are the key barriers to financial inclusion?

Gaps between the rich and poor, age gaps and urban-rural divides are obstacles to greater financial inclusion. Some of this is explained by the exceptions that were granted in the 2014 Law on Financial Inclusion for retirees and regions with fewer than 2,000 inhabitants. The cost of implementation among these populations was deemed to be greater than the benefit, but the result is that retirees and people in rural communities have less access to financial services. The 2017 Findex data also show fewer young adults (44%) have accounts at financial institutions.

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VENEZUELA

Summary

The environment for financial inclusion in Venezuela has significantly deteriorated due to the combination of inadequate legislation and a severe economic crisis. The private sector has launched initiatives to leverage technology to expand access to financial services. However, more efforts are needed to create adequate regulations and enable access to infrastructure that fosters innovation for financial inclusion.

Overview

Venezuela is undergoing a major economic and humanitarian crisis, with five-digit inflation. According to the 2014 Findex, 57% of all adults in Venezuela had an account at a financial institution. Financial inclusion has not been a priority in the government's development agenda. Shortages of cash have deeply affected all economic sectors. In August 2017, the Superintendence of Banks (SUDEBAN) prohibited non-banking agents from conducting a number of cash transactions, forcing banks and other financial providers to shut down branches in remote areas and reduce their networks of agents. The outdated regulatory framework does not contribute to alleviating this situation. The law tightly limits interest rates and fees on financial services, which in combination with high inflation disincentives saving practices as well as the provision of consumer credit and microcredit. Regulations do not allow financial providers to offer simplified bank accounts, which have successfully enabled financial inclusion in other Latin American countries. Although fintechs and e-money are widely used in the country, no legal framework has been put into place to regulate these services. Although the private sector has undertaken initiatives to expand financial access, such as the implementation of a P2P and P2B system, the overall environment in Venezuela hinders any efforts to promote financial inclusion.

What are the key enablers of financial inclusion in your country?

In 2017, SUDEBAN approved a private-sector initiate to launch a P2P and P2B payment system, known as the Interbank Mobile Payment system (Pago Móvil Interbancario, PMI). Given the cash shortages Venezuela is experiencing, the PMI system has become essential for individuals to pay for basic products and services, such as groceries and transportation. As of June 2018, over 5m people were registered in the PMI system and over 115,000 transactions were taking place per day. The government has also leveraged the use of technology, through e-wallets, to facilitate digital payments of subsidies and other social support programmes.

What are the key barriers to financial inclusion?

Inadequate legislation and the severe economic crisis act as major barriers to financial inclusion. Existing interest rate and fee caps (which currently stand at 24% and 7%, respectively) are not consistent with the hyperinflation the economy is facing (over 46,000% as of June 2018). Politically biased access to social programmes limits the potential of the government's digital payment initiatives through e-wallets to foster financial inclusion. This context provides little incentive to offer financial products and services adequate to reach all segments of the population.

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VIETNAM

Summary

The State Bank of Vietnam (SBV) is collaborating with various stakeholders to improve the enabling environment for financial inclusion and is developing a national financial inclusion strategy that will define a comprehensive approach. High smartphone and mobile Internet penetration rates enable a dynamic environment for fintech companies. However, more work is needed to move away from cash-based payments, which continue to be the norm. Policy should focus on building trust in electronic payments and defining a regulatory framework that protects both financial companies and consumers.

Overview

In December 2016, the prime minister of Vietnam, Nguyen Xuan Phuc, signed Decision No. 2545, approving the master plan for developing non-cash payments through 2020. The government set bold targets for 2020, which focus on increasing access to payment systems and developing innovative payment systems to reach rural and poor areas of the country. By 2020, the government aims to have at least 90% of transactions made through electronic payment systems. Currently, cash payments represent about 90% of transactions. In order to move towards a cashless economy, the country has set out to build a network of approximately 300,000 POS terminals that would process about 200m transactions. A national financial inclusion strategy is also necessary in order to define and monitor progress. The State Bank of Vietnam (SBV), which supervises the financial sector and financial inclusion initiatives, is receiving international technical assistance to develop a comprehensive national financial inclusion policy, but it is not clear when this will be released. Identification verification is another complicated administrative process in Vietnam. In October 2017, the government announced the creation of a new online national database that will issue new identity cards with biometric information to facilitate online transactions. The SBV is also leveraging high smartphone and mobile Internet penetration rates to promote innovation in digital financial services. In 2017, the SBV launched the Fintech Steering Committee, which is tasked with improving the start-up ecosystem and revising the legal framework to promote digital financial services. Despite the momentum in government, financial inclusion remains low. The 2017 Global Findex found that only 30% of adults over the age of 15 have accounts at financial institutions, compared with 31% in 2014 and 21% in 2011.

What are the key enablers of financial inclusion in your country?

The government acknowledges that the economy's reliance on cash-based transactions is costly and has inhibited the growth of financial inclusion, particularly in rural areas where access to formal financial institutions is low. The prime minister's decision to promote the use of cashless transactions, along with the launch of the Fintech Steering Committee, shows the government's commitment to finding innovative solutions to increase access. The implementation of the online national identity database and biometric identity cards will also contribute to the enabling environment for financial inclusion. Low- and middle-income populations do save, but not in formal institutions. According to World Bank estimates, 39% of adults save in the informal sector and 65% send or receive remittances outside of the formal system.

What are the key barriers to financial inclusion?

The size of the informal sector in Vietnam is unknown, though recent estimates range from 15% to 30% of GDP and up to 57% of workers. Taxes and fees in the formal sector discourage informal workers from participating in the formal economy. Products designed to increase financial inclusion will have to take this into account. Other key barriers include low coverage in rural areas, high costs and lack of trust in the financial system.

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Appendix: Methodology and sources

The Global Microscope is a benchmarking tool created in 2007 to evaluate the enabling environment for financial inclusion in countries across the globe. The 11th iteration of the study is sponsored by the Bill and Melinda Gates Foundation, the Metlife Foundation and Rockefeller Philanthropy Advisors, IDB Lab and IDB Invest members of the Inter-American Development Bank, the Center for Financial Inclusion at Accion and the African Development Bank. In 2018, the Global Microscope framework was completely redesigned to reflect the changes in the field of financial inclusion after the emergence of digital financial services. The 2018 framework evaluates how policy, regulation and infrastructure enable the provision of financial services to low- and middle-income populations. The framework looks at a broad suite of financial services including deposits, savings, credit, insurance and remittances. Given the complete overhaul of the previous framework, the 2018 Global Microscope rankings are not directly comparable to previous editions of the study.

Categories

The index contains 67 indicators organised across five categories:

1) Government & Policy Support: This category assesses the degree of coordination and the incentives that governments are putting in place to create favourable environments for financial inclusion.

2) Stability and integrity: This category assesses the regulation, supervision and monitoring of financial services providers that serve low- and middle-income populations. The evaluation of this category incorporates a risk-based approach to balance financial inclusion goals with financial stability and integrity goals.

3) Products and Outlets: This category assesses the regulation of a selection of products and outlets that focus and/or reach low- and middle-income populations.

4) Consumer Protection: This category assesses consumer protection and privacy regulation and enforcement.

5) Infrastructure: This category assesses the infrastructure that facilitates financial inclusion as well as the policy and regulatory actions that governments can take to improve these types of infrastructure.

Regional Representation

Like the previous iterations of the Microscope beginning 2011, the Microscope covers 55 countries. In 2018 the EIU selected a revised set of countries where financial inclusion reflected a varied combination of emerging markets, and to reflect countries that have had interesting or unexpected financial inclusion outcomes. The Microscope continues to have deep regional focus in Latin America, covering 21 countries in the region. With the African Development Bank coming on as a partner for the Microscope, regional representation has been increased to add three countries with increasing developments around financial inclusion, namely, Tunisia, Chad and Sierra Leone. The Microscope also extends its focus in South Asia by adding Myanmar due to increasing momentum in efforts towards financial inclusion. The four countries included in Microscope 2016 but excluded in Microscope 2018 are Tajikistan, Bosnia and Herzegovina, Kyrgyz Republic and Mongolia.

Scoring Criteria

The scoring criteria (see Appendix 1) is detailed but also subjective in nature. The EIU research team reviewed each response thoroughly, calibrated scores and conducted cross-country comparisons, so as to ensure that scores were properly justified and consistent across all countries. Consequently, scores are best understood by reading both the scoring criteria and the written justifications provided for each indicator found in the accompanying Excel model available at: www.eiu.com/microscope2018

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Sources

There are 45 questions in the framework that were scored by the EIU research team based on 143 in-depth personal interviews with regional and country experts, as well as practitioners and regulators. Interviews were complemented with secondary research and analysis of laws, regulations and other legal documents, EIU proprietary country rankings and reports, scholarly studies, websites of governmental authorities and international organisations, websites of industry associations, and local and international news media reports.

The EIU leveraged secondary sources to score the remaining 22 indicators to provide the most up-to-date and comprehensive analysis of the financial inclusion environment. The Global Microscope 2018 uses data collected from the following databases.

Secondary sources

Indicator	Source
1.3.1.b Percentage of G2P recipients that receive payments into an account	The World Bank (WB). The Global Findex Database, 2017 https://globalfindex.worldbank.org/
2.5.1.a Overall commitment to cybersecurity 4.3.2.a Law related to Cybercrime	The International Telecommunication Union (ITU). The Global Cybersecurity Index (CGI), 2017. https://www.itu.int/en/ITU-D/Cybersecurity/Pages/GCI.aspx
3.2.2.a Restrictions for excessive borrowing 4.1.2.a Disclosure of relevant product information 4.1.3.a Non-discrimination in financial services provision 4.1.3 b Aggressive sales and debt collection practices 4.1.4.a Standards for complaint resolutions	The World Bank (WB). Global Financial Inclusion and Consumer Protection Survey (FICP), 2017. https://www.worldbank.org/en/topic/financialinclusion/brief/ficpsurvey
4.3.1.a Data protection laws and privacy bills 5.2.1.a National ID system with digital applications	The World Bank (WB). Identification for Development (ID4D), 2017. http://id4d.worldbank.org/global-dataset
5.1.1.a ATMs per 10,000 people 5.1.1.b POS terminals per 10,000 people	The World Bank (WB). Global Payments Systems Survey (GPSS), 2015. http://www.worldbank.org/en/topic/financialinclusion/brief/gpss
5.3.2.a Difference in access to internet between men and women 5.3.6.a Difference in access to a mobile phone between men and women	The Gallup World Poll, 2017. https://www.gallup.com/analytics/232838/world-poll.aspx
5.3.1.a Percentage of households with Internet access 5.3.3.a Coverage of 2G network 5.3.3.b Coverage of 3G network 5.3.3.c Coverage of 4G network 5.3.5.a Mobile - cellular telephone subscribers	The International Telecommunication Union (ITU). World Telecommunications/ICT Indicators Database, 2016. https://www.itu.int/pub/D-IND-WTID.OL-2018
5.4.3.a Coverage of public credit registry 5.4.3.b Coverage of credit bureau coverage	The World Bank (WB). Doing Business Project. 2018 https://data.worldbank.org/products/wdi

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For the general and specific-country bibliography, please visit: www.eiu.com/microscope2018

Estimating missing data points

Some of the sources used to score the 22 quantitative indicators did not cover the same countries as the 2018 Microscope and had data limitations as a result. The EIU conducted primary and secondary research to score the countries where data were missing.

For data gaps on the Global Findex we assumed missing values were equal to 0 based on primary and secondary research that revealed that these countries had no initiatives to digitise payments or very recent initiatives which would result in a low percentage of digitised payments.

For data gaps on the Word Bank Global Payment Systems data on the number of point-of-sale (POS) terminals per 10,000 people, an estimation method was used to score missing countries using averages based on income groups as per World Bank's classification for Cameroon, El Salvador, Nicaragua, Chad, Cameroon, Haiti, Madagascar, Nepal, Senegal Sierra Leone, Panamá, Ecuador, Guatemala, Ghana, Kenya. In the case of Venezuela this was scored based on secondary research.

For data gaps on ITU's World Telecommunications/ ICT Indicators the gap for Sierra Leone was filled using an estimate based on a regional average of Sub-Saharan Africa from GSM intelligence.

Normalisation and Weights

Once the raw scores are assigned, each score is then normalised to a 0–100 range and then aggregated across indicators. Normalisation rebases the raw indicator data to a common unit, to make them comparable. The data in the Microscope are already in a fixed range, for example, 0–100, 0–4, so they have been transformed using the min/ max of the fixed range. For example, if the indicator is in a 0–100 range, a raw data value of 0 gives a score of 0, and a raw data value of 100 gives a score of 100. If the indicator is in a 0–4 range, a raw data value of 0 gives a score of 0, and a raw data value of 4 gives a score of 100.

For the purpose of this research we have assigned equal weights to each of the categories and indicators in the Index. These weights were determined given that there is no consensus on whether one of the categories is more important than others to enable financial inclusion. Different countries may have different challenges and priorities. For this reason, the user is able to customise the weights in the Excel model available in www.eiu.com/ microscope2018

Adjustment factor

Like in previous editions of the study, the overall scores of the 2018 Global Microscope are adjusted to reflect a country's political environment. Political risk can be an important barrier to the provision of affordable and quality financial services. The study uses the EIU's Risk Briefing research to score the extent to which political institutions are sufficiently stable to support the needs of businesses and investors. If the country has a perfect score for political stability, no reduction is applied. For a country with the worst possible political stability score, the overall score is reduced by 25%.

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Detailed scoring guidelines

	Question name	Question	Scoring guidelines	Source
1.1.1	Evidence of intra-government coordination and implementation	Is there evidence of coordination and active implementation between government agencies to promote financial inclusion? Does it include a digital transformation approach?	0 = There is no evidence of coordination between government agencies 1 = There is either a strategy or a working committee that promotes financial inclusion but no evidence of implementation or a digital approach 2 = There is either a strategy or a working committee that promotes financial inclusion and evidence of implementation but no digital approach 3 = There is either a strategy or a working committee that promotes financial inclusion with a digital approach and there is tangible evidence of the strategy's implementation	EIU
1.1.2	Data collection by the government	Does the government regularly collect and publish comprehensive data about financial services for low-income populations? Are the data disaggregated by gender?	0 = The government does not collect comprehensive data about financial services for low-income populations or collects data but does not publish it 1 = The government collects and publishes data about financial services for low-income populations but it is not comprehensive or it is not published regularly 2 = The government regularly collects and publishes data about financial services for low-income populations that is comprehensive but it is not disaggregated by gender 3 = The government regularly collects and publishes comprehensive data about financial services for low-income populations that is disaggregated by gender	EIU
1.1.3	Evidence of public-private coordination and implementation	Is there evidence of coordination between the government and a variety of service providers in the private sector to promote financial inclusion?	0 = There is no evidence of coordination 1 = There is some evidence of coordination but it is not tangible or it does not involve a wide variety of private-sector providers 2 = There is tangible evidence of coordination but only with a very small group of dominant providers 3 = There is tangible evidence of coordination that includes a wide variety of providers	EIU
1.2.1	Support for financial literacy	Is there evidence of government or private-sector efforts to promote financial literacy?	0 = There is no evidence of government or private-sector efforts to promote financial literacy 1 = There is a government strategy to promote financial literacy but no evidence of implementation OR there is evidence of private-sector efforts to promote financial literacy but no coordination with the government 2 = There is a government strategy to promote financial literacy and it is being implemented either by the government, the private sector or both	EIU
1.2.2	Support for digital literacy	Does the government have a plan or strategy that addresses digital literacy, especially for students, as well as training for teachers?	0 = No, the government does not have a plan or strategy that addresses digital literacy for students and training for teachers 1 = Yes, the government's plan or strategy addresses digital literacy for students, but it does not include training for teachers or the plan is outdated 2 = Yes, the government's plan or strategy is current, addresses digital literacy for students and includes training for teachers 3 = Yes, the government's plan or strategy is current, addresses digital literacy for students and includes training for teachers, and is introduced at the primary school level	

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	Question name	Question	Scoring guidelines	Source
1.3.1.a	Initiative for digitisation of government payments (G2P and P2G)	Does the government have an initiative to digitise government payments?	0 = The government does not have an initiative, strategy, committee or action plan to digitise payments 1 = The government has an initiative, strategy, committee or action plan to digitise payments	EIU
1.3.1.b	Percentage of G2P recipients that receive payments into an account	What percentage of government to person (G2P) recipients received these payments into a financial institution account, into a card, or into a mobile money account?	0 = 0 to 25% 1 = 26% to 50% 2 = 51% to 74% 3 = 75% or greater	World Bank
1.3.1.c	Online portal for P2G or B2G digital payments	Does the government have an online portal for digital P2G or B2G tax payments and payments for other government services?	0 = The government does not have online portals to allow users to make tax payments and payments for other government services digitally 1 = The government has online portals to allow users to make some tax payments or payments for other government services digitally but not all 2 = The government has online portals to allow users to make all government payments digitally	EIU
1.3.1.d	Targeted payments	Has the government established a targeting method to avoid exclusion errors in government transfers?	0 = The government has not established a targeting method 1 = The government has established a targeting method	EIU
1.3.2.a	Approach to authorisation and oversight of financial innovation	Have financial authorities fostered innovation in the financial sector through a 'test and learn', 'wait and see' or 'regulatory sandbox' approach for authorisation and oversight of innovative financial services? Are there explicit protocols to foster innovation for any of these approaches?	0 = There are no explicit protocols for any of these approaches 1 = There are explicit protocols for these approaches	EIU
2.1.1.	Disproportionate initial requirements for banks	Do banks face disproportionate restrictions in the following areas that affect the entrance of new providers who serve low- and middle-income customers? 1. Funding or ownership of domestic and/or foreign institutions that perform financial services 2. Licensing requirements 3. Initial capital requirements 4. Initial operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = Banks face disproportionate restrictions in all of these areas 1 = Banks face disproportionate restrictions in three of these areas 2 = Banks face disproportionate restrictions in two of these areas 3 = Banks face disproportionate restrictions in one of these areas 4 = Banks do not face disproportionate restrictions in any of these areas	EIU

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	Question name	Question	Scoring guidelines	Source
2.1.2.	Disproportionate initial requirements for non-bank financial institutions	Do non-bank financial institutions face disproportionate restrictions in the following areas that affect the entrance of new providers who serve low- and middle-income customers? 1. Funding or ownership of domestic and/or foreign institutions that perform financial services 2. Licensing requirements 3. Initial capital requirements 4. Initial operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = Non-bank financial institutions face disproportionate restrictions in all of these areas 1 = Non-banks financial institutions face disproportionate restrictions in three of these areas 2 = Non-bank financial institutions face disproportionate restrictions in two of these areas 3 = Non-banks financial institutions face disproportionate restrictions in one of these areas 4 = Non-bank financial institutions do not face disproportionate restrictions in any of these areas	EIU
2.1.3.	Disproportionate initial requirements for e-money issuers	Do e-money issuers face disproportionate restrictions in the following areas that affect the entrance of new providers who serve low- and middle-income customers? 1. No legal recognition 2. Restrictions on the range of actors that can act as e-money issuers (e.g. only banking institutions) 3. Further restrictions: a. Funding or ownership of domestic and/or foreign institutions that perform financial services b. Licensing requirements c. Initial capital requirements d. Initial operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = There is no legal recognition of e-money and there is no evidence of e-money issuers operating legally 1 = There is legal recognition of e-money but banks are the only actors allowed to issue e-money 2 = There is legal recognition of e-money and a variety of actors is allowed to issue e-money, but there are disproportionate requirements in all of the areas described in further restrictions 3 = There is legal recognition of e-money and a variety of actors is allowed to issue e- money, but there are disproportionate requirements in three of the areas described in further restrictions 4 = There is legal recognition of e-money and a variety of actors is allowed to issue e-money, but there are disproportionate requirements in two of the areas described in further restrictions 5 = There is legal recognition of e-money and a variety of actors is allowed to issue e-money, but there are disproportionate requirements in one of the areas described in further restrictions 6 = There is legal recognition of e-money and a variety of actors is allowed to issue e-money, and there are no disproportionate requirements in any of the areas described in further restrictions	EIU
2.1.4.	Disproportionate initial requirements for cross-border payment providers	Do cross-border payment providers face disproportionate restrictions in the following areas that affect the entrance of new providers who serve low- and middle-income customers? 1. Overall licensing framework for cross-border payments 2. Funding or ownership of domestic and/or foreign institutions that perform financial services 3.Initial capital requirements 4. Initial operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = Cross-border payment providers face disproportionate restrictions in all of these areas 1 = Cross-border payment providers face disproportionate restrictions in three of these areas 2 = Cross-border payment providers face disproportionate restrictions in two of these areas 3 = Cross-border payment providers face disproportionate restrictions in one of these areas 4 = Cross-border payment providers do not face disproportionate restrictions in any of these areas	EIU

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	Question name	Question	Scoring guidelines	Source
2.2.1.	Disproportionate ongoing requirements for banks	Do banks face disproportionate requirements in the following areas that hinder the operation of providers who serve low- and middle-income customers? 1. Market-distorting pricing controls 2. Taxation of operations 3. Ongoing capital requirements 4. Ongoing operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = Banks face disproportionate restrictions in all of these areas 1 = Banks face disproportionate restrictions in three of these areas 2 = Banks face disproportionate restrictions in two of these areas 3 = Banks face disproportionate restrictions in one of these areas 4 = Banks do not face disproportionate restrictions in any of these areas	EIU
2.2.2.	Disproportionate ongoing requirements for non-bank financial institutions	Do non-bank financial institutions serving low- and middle-income customers face disproportionate requirements in the following areas? 1. Market-distorting pricing controls 2. Taxation of operations 3. Ongoing capital requirements 4. Initial operational requirements such as number of branches, location, entry fee, and/or data housing if relevant	0 = Non-bank financial institutions face disproportionate restrictions in all of these areas 1 = Non-banks financial institutions face disproportionate restrictions in three of these areas 2 = Non-bank financial institutions face disproportionate restrictions in two of these areas 3 = Non-banks financial institutions face disproportionate restrictions in one of these areas 4 = Non-bank financial institutions do not face disproportionate restrictions in any of these areas	EIU
2.2.3	Disproportionate ongoing requirements for e-money issuers	Do e-money issuers face disproportionate requirements in the following areas? 1. Market-distorting pricing controls 2. Taxation of operations 3. Ongoing capital requirements 4. Ongoing operational requirements such as number of branches, location, entry fees, and/or data housing if relevant	0 = E-money issuers are not legally recognised or face disproportionate restrictions in all of these areas 1 = E-money issuers face disproportionate restrictions in three of these areas 2 = E-money issuers face disproportionate restrictions in two of these areas 3 = E-money issuers face disproportionate restrictions in one of these areas 4 = E-money issuers do not face disproportionate restrictions in any of these areas	EIU
2.2.4.	Disproportionate ongoing requirements for cross-border payment providers	Do cross-border payment providers face disproportionate requirements in the following areas? 1. Restrictions on the vehicles to receive remittances (e.g. can they be delivered to local e-money or mobile money accounts, basic accounts, savings accounts?) 2. Market-distorting pricing controls 3.Taxation of operations 4. Ongoing capital requirements 5. Ongoing operational requirements such as number of branches, location, entry fees, and/or data housing if relevant 6. Differences in transaction and balance limits between countries	0 = Cross-border payment providers face disproportionate restrictions in all of these areas 1 = Cross-border payment providers face disproportionate restrictions in five of these areas 2 = Cross-border payment providers face disproportionate restrictions in four of these areas 3 = Cross-border payment providers face disproportionate restrictions in three of these areas 4 = Cross-border payment providers face disproportionate restrictions in two of these areas 5 = Cross-border payment providers face disproportionate restrictions in one of these areas 6 = Cross-border payment providers don' t face disproportionate restrictions in any of these areas	EIU

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	Question name	Question	Scoring guidelines	Source
2.3.1.	Harmonised framework with FATF guidelines	Does the country have an Anti-Money Laundering/ Combating the Financing of Terrorism legal framework harmonised with FATF guidelines? Does it adopt the risk-based approach?	0 = AML/ CFT framework is not harmonised with FATF guidelines 1 = AML/CFT framework is harmonised with FATF guidelines or has a risk-based approach 2 = AML/CFT framework is harmonised with FATF and it has a risk-based approach.	EIU
2.3.2.	Disproportionate customer due diligence requirements for providers serving low- and middle-income customers	Are either banks, non-bank financial institutions serving low- and middle-income customers, e-money issuers, and/or cross-border payment providers disproportionately constrained by customer due diligence requirements?	0 = Customer due diligence requirements are unduly constraining the market for providers serving low- and middle-income customers 1 = Customer due diligence requirements are unduly constraining the market for some providers serving low- and middle-income customers 2 = Customer due diligence requirements are not unduly constraining the market for providers serving low- and middle-income customers	EIU
2.4.1.	Influence of politics in financial regulation	Is financial regulation heavily swayed by political dynamics?	0 = Financial regulation is often swayed by political dynamics 1 = Financial regulation is sometimes swayed by political dynamics 2 = Financial regulation is independent from political dynamics	EIU
2.4.2.a	Technical expertise to supervise non-bank financial institutions	Is there a specialised capacity in the regulatory agency to supervise non-bank financial institutions that serve low- and middle-income customers? By capacity we refer to regulators with technical expertise.	0 = Regulators do not have technical expertise to supervise non-bank financial institutions 1 = Regulators have sufficient technical expertise to supervise non-bank financial institutions 2 = Regulators have advanced technical expertise to supervise non-bank financial institutions	
2.4.2.b	Technical expertise to supervise digital financial services	Is there a specialised capacity in the regulatory agency to supervise DFS that serve low- and middle-income customers? By capacity we refer to regulators with technical expertise.	0 = Regulators do not have technical expertise to supervise digital financial services 1 = Regulators have sufficient technical expertise to supervise digital financial services 2 = Regulators have advanced technical expertise to supervise digital financial services	EIU
2.4.2.c	Regulatory technology	Are supervisors and/or regulators leveraging technology, that is, using new tools or approaches to supervise non-banks in the provision of digital financial services?	0 = Regulators are not leveraging technology for digital supervision 1 = Regulators are leveraging technology for digital supervision	EIU
2.4.3.	Market monitoring	Do authorities regularly monitor the market for providers that are not regulated as financial institutions but provide financial services that can affect the financial system and pose a risk for stability and integrity?	0 = Regulators are not monitoring the market to reduce the risk to the financial system from non-regulated financial institutions 1 = Regulators are monitoring the market to adequately reduce the risk to the financial system from non-regulated financial institutions in operation but it is not on a regular basis 2 = Regulators are regularly monitoring the market to adequately reduce the risk to the financial system from non-regulated financial institutions in operation	EIU

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	Question name	Question	Scoring guidelines	Source
2.5.1.	Overall commitment to cybersecurity	What is the level of commitment of governments to cybersecurity, taking into account the legal, technical, organisational, capacity building and cooperation recommendations identified by specialist agencies?	An overall score based on commitment to five pillars 1. Legal: Measured based on the existence of legal institutions and frameworks dealing with cybersecurity and cybercrime 2. Technical: Measured based on the existence of technical institutions and frameworks dealing with cybersecurity 3. Organisational: Measured based on the existence of policy coordination institutions and strategies for cybersecurity development at the national level 4. Capacity Building: Measured based on the existence of research and development, education and training programmes; certified professionals and public-sector agencies fostering capacity building 5. Cooperation: Measured based on the existence of partnerships, cooperative frameworks and information-sharing networks	ITU
3.1.1.a	Account opening requirements	Are account-opening requirements proportionate for accounts at financial institutions and e-money?	0 = Account-opening requirements are not proportionate 1 = Account-opening requirements are either proportionate for accounts or for e-money but not for both 2 = Account-opening requirements are proportionate for both accounts at financial institutions and e-money	EIU
3.1.1.b	Remote account opening	Do regulations contain provisions that may act as a barrier to remote account opening by banks, non-banks, e-money issuers and/or agents?	0 = There are substantial barriers for remote account opening by banks, non-banks, e-money issuers and agents 1 = There are no substantial barriers for remote account opening by banks but there are barriers for non-banks and e-money issuers and/or agents OR remote account opening is permissible for e-money issuers but not for banks 2 = There are no substantial barriers for remote account opening by banks, non-banks, e-money issuers and agents	EIU
3.1.2.a	Deposit insurance	Does deposit insurance exist and is it available to all deposit-holding financial institutions?	0 = Deposit insurance is not available or available only for deposits safeguarded in banks 1 = Deposit insurance is available to all deposit-holding financial institutions	EIU
3.1.2.b	E-money safeguarding mechanisms	Are funds held in e-money accounts adequately protected through the following mechanisms: (i) prefunding and storage of funds in safe, liquid investments; (ii) isolation of customer funds using a trust or similar fiduciary arrangement; and (iii) application of direct or pass-through deposit insurance to e-money account balances?	0 = Funds held in e-money accounts are not protected through any of the three mechanisms. 1 = One of the three mechanisms listed is in place to protect funds held in e-money accounts	EIU
3.2.1.a	Risk management framework for consumer credit	Is there a differentiated and comprehensive risk management framework for consumer credit portfolios that cover most of the market for low- and middle-income customers?	0 = There is no differentiated risk management framework for consumer credit 1 = There is a differentiated risk management framework for consumer credit, but supervision of its status is limited 2 = There is a differentiated risk management framework for consumer credit and the regulator supervises its status	EIU

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	Question name	Question	Scoring guidelines	Source
3.2.1.b	Risk management framework for microcredit	Is there a differentiated and comprehensive risk management framework for microcredit portfolios that cover most of the market for low- and middle-income customers?	0 = There is no definition of microcredit 1 = There is a definition of microcredit but no differentiated risk management framework for microcredit providers 2 = Differentiated risk management framework is not comprehensive 3 = Differentiated risk management framework is comprehensive	EIU
3.2.2.a	Restrictions for excessive borrowing	Do specific legal provisions exist to restrict excessive borrowing by individuals?	0 = There is no specific legal provision to restrict excessive borrowing 1 = There is a specific legal provision to restrict excessive borrowing	World Bank
3.3.1.a	Fintech framework	Is there a proportionate dedicated legal framework that contemplates regulation and/or monitoring of emerging services such as P2P lending and crowdfunding?	0 = There is no framework or working group on fintech or there is a framework but the requirements are disproportionate to the services provided 1 = There is a working group on fintech but no specific requirements have yet been established 2 = There is a proportionate legal framework in place	EIU
3.4.1.	Dedicated inclusive insurance framework	Is there dedicated regulation for inclusive insurance and are requirements proportionate?	0 = There is no dedicated regulation for inclusive insurance products 1 = There is dedicated regulation for inclusive insurance products but the requirements are not proportionate 2 = There is a dedicated and proportionate regulation for inclusive insurance	EIU
3.5.1.	Actors who can serve as financial outlets	Do regulations allow a wide range of actors to serve as financial outlets and are they conducive to the creation of commercially viable models?	0 = There are both limits on who can serve as an agent, and disproportionate restrictions that affect commercial viability 1 = There are either limits on who can serve as an agent or disproportionate restrictions that affect commercial viability 2 = Regulations allow a wide range of actors and are conducive to the creation of commercially viable models	EIU
3.5.2.	Services that financial outlets can offer	Are outlets allowed to offer a wide range of services to their customers on behalf of providers?	0 = Outlets face disproportionate restrictions that limit the range of services to customers 1 = Outlets are allowed to offer a wide range of services to their customers	EIU
3.5.3.	Responsibility over outlets' actions	Do agent regulations state that the provider is responsible for the actions performed by the agent on behalf of the providers?	0 = Financial institutions do not retain any responsibility for the actions of agents, outlets, and electronic channels 1 = Financial institutions retain responsibility for some of the actions of their agents, outlets, and electronic channels 2 = Financial institutions retain responsibility for all of the actions of their agents, outlets, and electronic channels	EIU
4.1.1.	Dedicated financial consumer protection framework	Is there a framework and a specialised capacity in place for financial consumer protection?	0 = No consumer-rights framework is in place 1 = There is a consumer-rights framework, but no specialised capacity is in place 2 = There is a consumer-rights framework and some specialised capacity is in place 3 = There is a consumer-rights framework and specialised capacity is in place	World Bank
4.1.2.	Disclosure of relevant product information	Are there clear rules that require providers of financial services to disclose information about the overall cost of the products and consumer rights and obligations?	0 = There are no requirements 1 = There are requirements	World Bank

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	Question name	Question	Scoring guidelines	Source
4.1.3a	Aggressive sales and debt collection practices	Are there clear rules set by the regulator aimed at preventing aggressive sales or unreasonable collection practices?	0 = There are not clear rules to prevent aggressive sales or unreasonable collection practices 1 = There are clear rules to prevent aggressive sales or unreasonable collection practices	World Bank
4.1.3.b	Non-discrimination in financial services provision	Are there clear rules requiring non-discrimination in financial services provision in terms of gender, race, religion, caste, ethnicity, etc.?	0 = There are not clear rules requiring non-discrimination 1 = There are clear rules requiring non-discrimination	World Bank
4.1.4.	Standards for complaint resolutions	Are there standards in place requiring financial services providers to deal with consumer complaints?	0 = The law does not set any standards for complaint resolution 1 = The law sets some standards for complaint resolution in these areas 2 = The law sets most of the standards for complaint resolution in these areas	World Bank
4.1.5.	Protection for digital financial services users	Are e-money providers and other DFS providers subject to similar transparency, fair treatment and dispute resolution requirements as banks and other non-bank financial institutions?	0 = E-money providers and other DFS providers are subject to few or no consumer protection requirements that are the same as or similar to the requirements for banks and other NBFIs 1 = E-money providers and other DFS providers are subject to some consumer protection requirements that are the same as or similar to the requirements for banks and other NBFIs, but not all 2 = E-money providers and other DFS providers are subject to all consumer protection requirements that are the same as or similar to the requirements for banks and other NBFIs	EIU
4.1.6.	Protection for government payment recipients	Are government payments subject to transparency, fair treatment and dispute resolution requirements that are similar to those for banks and non-bank financial institutions?	0 = Government payments are not subject to the same consumer protection requirements 1 = Government payments are subject to some of the same consumer protection requirements but not all 2 = Government payments are subject to the same consumer protection requirements as banks and non-bank financial institutions	EIU
4.2.1.	Harmonised requirements for inclusive insurance products	Does consumer protection regulation stipulate requirements for insurance customers? Do requirements resemble those of financial services providers?	0 = The regulation does not stipulate requirements for insurance customers 1 = The regulation stipulates requirements but they are not proportionate to the requirements of financial services providers 2 = The regulation stipulates requirements and they are proportionate to the requirements of financial services providers	EIU
4.3.1.	Data protection laws and privacy bills	Are there data protection and privacy laws?	0 = The country does not have a data protection law and/or privacy bill 1 = The country has a data protection law and/or privacy bill	World Bank
4.3.2.	Law related to Cybercrime	Does the country have a law related to cybercrime?	Overall score	ITU
4.3.3.	Data privacy enforcement entity	Is there a government entity that enforces privacy laws and does it have the capacity to enforce them?	0 = There is no government entity with a mandate to enforce data protection laws 1 = There is a government entity but its capacity to enforce data protection laws is limited 2 = There is a government entity with strong capacity to enforce data protection laws	EIU
5.1.1.a.	ATMs per 10,000 people	How accessible is the payments infrastructure to low- and middle-income populations? (Branches, ATMs, POS devices, and mobile money/banking agents)	Automatic teller machines (ATMs) per 10,000 people	World Bank

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	Question name	Question	Scoring guidelines	Source
5.1.1.b	POS terminals per 10,000 people	How accessible is the payments infrastructure to low- and middle-income populations? (Branches, ATMs, PoS devices, and mobile money/banking agents)	Point-of-sale (POS) terminals per 10,000 people	World Bank
5.1.2.	Mandated fair and non-discriminatory access to payment infrastructure	Do regulations mandate fair and non-discriminatory commercial access to retail payment infrastructure including: 1. National payment systems and switches 2. ATMs 3. Automatic Clearing Houses 4. Credit and debit card networks	0 = Regulations do not mandate fair and non-discriminatory commercial access to national payment systems and switches 1 = Regulations mandate fair and non-discriminatory commercial access to national payment systems and switches 0 = Regulations do not mandate fair and non-discriminatory commercial access to ATMs 1 = Regulations mandate fair and non-discriminatory commercial access to ATMs 0 = Regulations do not mandate fair and non-discriminatory commercial access to Automatic Clearing Houses (ACH) 1 = Regulations mandate fair and non-discriminatory commercial access to Automatic Clearing Houses (ACH) 0 = Regulations do not mandate fair and non-discriminatory commercial access to credit and debit card networks 1 = Regulations mandate fair and non-discriminatory commercial access to credit and debit card networks	EIU
5.1.3.	Mandated fair and non-discriminatory access to telecommunications infrastructure	Do regulations mandate fair and non-discriminatory commercial access to telecommunications bearer services such as USSD, SMS, and Internet?	0 = Regulations do not mandate fair and non-discriminatory commercial access to telecommunications bearer services such as USSD, SMS, and Internet 1 = Regulations mandate fair and non-discriminatory commercial access to telecommunications bearer services such as USSD, SMS, and Internet	EIU
5.1.4.	Degree of interoperability	What is the degree of interoperability? Is it acting as a driver or as a barrier to an inclusive payments market?	0 = The current state of interoperability in the retail payments system serves as a major barrier to the development of an inclusive retail payments market 1 = The current state of interoperability in the retail payments system serves as neither a major barrier to nor a major driver of the development of an inclusive retail payments market 2 = The current state of interoperability in the retail payments system serves as a major driver of an inclusive retail payments market	EIU
5.2.1.	National ID system with digital applications	Is there a national identification system and does it have digital applications (e-ID)?	0 = No national ID system 1 = National ID exists but it is not e-ID 2 = National ID exists and it is at least partially an e-ID	World Bank
5.2.2.	e-KYC verification systems	Is there an automated mechanism for e-KYC verification provided or approved by the government?	0 = No, the government does not provide an automated mechanism for e-KYC or has not approved one 1 = Yes, there is an automated mechanism for e-KYC verification provided or approved by the government	EIU
5.3.1.	Percentage of households with Internet access	Percentage of households with Internet access	Internet users as a % of households	ITU
5.3.2.	Difference in access to internet between men and women	Percentage difference between women who stated that they had access to the internet in their homes compared with men	Percentage of females whose home has access to the internet	Gallup
5.3.3.a	Coverage of 2G network	Percentage of the population covered by at least a 2G mobile network	Network coverage (minimum 2G), % of population	ITU

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	Question name	Question	Scoring guidelines	Source
5.3.3.b	Coverage of 3G network	Percentage of the population covered by at least a 3G mobile network	Network coverage (minimum 3G), % of population	ITU
5.3.3.c	Coverage of 4G network	Percentage of the population covered by at least a 4G mobile network	Network coverage (minimum 4G), % of population	ITU
5.3.4.	Mobile-cellular telephone subscribers	Mobile-cellular telephone subscriptions per 100 inhabitants	Mobile subscribers, per 100 inhabitants	ITU
5.3.5.	Difference in access to a mobile phone between men and women	Percentage difference between women who stated that they had a mobile phone for personal calls compared with men	Percentage of females whose home has access to a cellular phone	Gallup
5.4.1.	Information stored by credit-reporting systems	Is the information stored by credit-reporting systems comprehensive, regularly updated and accessed by providers?	0 = Credit-reporting systems do not exist OR credit bureaus store information that has none of the items required for a score of "3" 1 = Credit-reporting systems store information that has one of the items needed for a score of "3" 2 = Credit-reporting systems store information and it is both comprehensive and accessed by providers, but not updated regularly OR regularly updated but not comprehensive 3 = Credit-reporting systems store information that is comprehensive, regularly updated and accessed by providers	EIU
5.4.2.	Correction of errors in credit-reporting information	Can individuals access their records and are they able to correct any errors?	0 = Individuals cannot access their records or correct any errors 1 = Individuals may access their records, but may not correct any errors 2 = Individuals may access their records, but the error-correction process is difficult OR expensive 3 = Individuals may access their records and the error-correction process is easy and inexpensive	EIU
5.4.3.a	Coverage of public credit registry	Public credit registry coverage (% of adults)	Public credit registry coverage reports the number of individuals and firms listed in a public credit registry with current information on repayment history, unpaid debts, or credit outstanding. The number is expressed as a percentage of the adult population.	World Bank
5.4.3.b	Coverage of credit bureau coverage	Private credit bureau coverage (% of adults)	Private credit bureau coverage reports the number of individuals or firms listed by a private credit bureau with current information on repayment history, unpaid debts, or credit outstanding. The number is expressed as a percentage of the adult population.	World Bank

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