



# Financial Inclusion

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*Allah commands doing justice, pursuing  
beneficence, and giving to near relatives.*

*-The Holy Quran, Sura An-Nahl, ayat 90 (16:90)*

”

“



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## Financial Inclusion

Financial inclusion is a key enabler to reducing poverty and boosting prosperity.

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## **Financial Inclusion -**

*A state in which all working age adults have effective access to credit, savings, payments, and insurance from formal service providers.*

*- GPI (Global Partnership for Financial Inclusion)*



# Outline of the Presentation

- ▶ **CH-I: Access to Financial Services**
- ▶ **CH-II: Fintech/Digital Finance for Financial Inclusion**
- ▶ **CH-III: Consumer Protection and Financial Literacy**
- ▶ **Policy Recommendations**



# Status of OIC Countries

- ▶ 57 mostly Muslim majority countries
- ▶ Attractive young demographic
- ▶ Growing economies
- ▶ Inter-connected by:

Islamic Finance:  
US\$ 1 trillion, 15-20% growth/year

Muslim Lifestyle Market<sup>SM</sup>:  
US\$ 2 trillion+ 'Halal' consumer market

Intra-OIC trade mandates  
12%-20%

- ▶ How do you best identify opportunities for growth?
- ▶ **OIC Industry Clusters:** (Innovative methodology - to identify Industry hotspots for growth and investments)



# Access to Financial Services

1.7 billion adult population around the globe still do not have any bank account

Unbanked population are overly represented by the Muslim population

The proportion of adult population holding bank accounts in 31 OIC countries stands below 30%



# Women's Financial Inclusion

- ▶ More than 1 billion women are still financially excluded globally.
- ▶ There is a 9% gender gap in account ownership.
- ▶ Opportunity to add 12 trillion USD to global GDP by 2025 through reducing gender inequality.
- ▶ In OIC states, women are commonly financially excluded due to cultural reason.

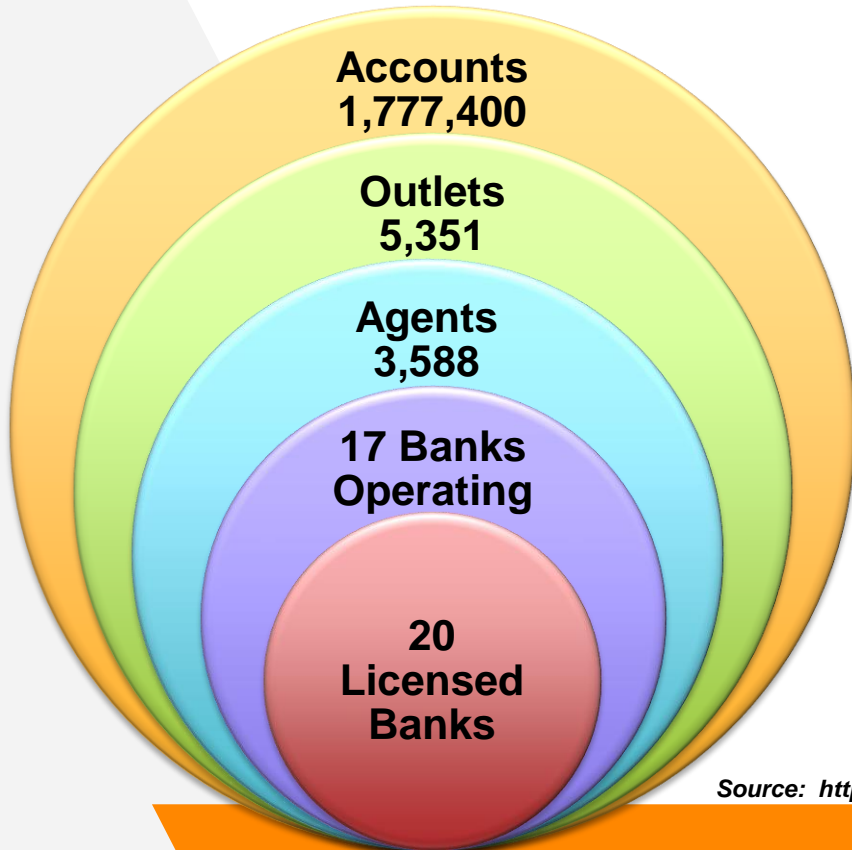


# Policy Options for OIC Countries

- ▶ Islamic financial services need to be tailored according to country specific requirement
- ▶ Financial literacy is an important issue for both the service providers and users.
- ▶ Digital platform should be encouraged and introduced to enhance access to finance for the “last mile” customers.
- ▶ Collaboration between relevant authorities and financial institutions should be ensured.

# Country Experience – Bangladesh (Agent Banking)

CH-I  
Access to  
Financial Services



**The Daily Star**  
www.thedailystar.net  
SECOND EDITION

## Agent banking spreads like wildfire in remote areas

BY KM ZAMIR UDDIN

Agent banking logged in stellar growth figures in 2017, just two years after full-fledged roll-out of the service, as people in remote areas embrace this innovative form of financial service.

For instance, deposit collection through agent banking soared more than 5 times to 2,000 crore and remittance disbursement more than 6 times to Tk 1,982 crore last year.

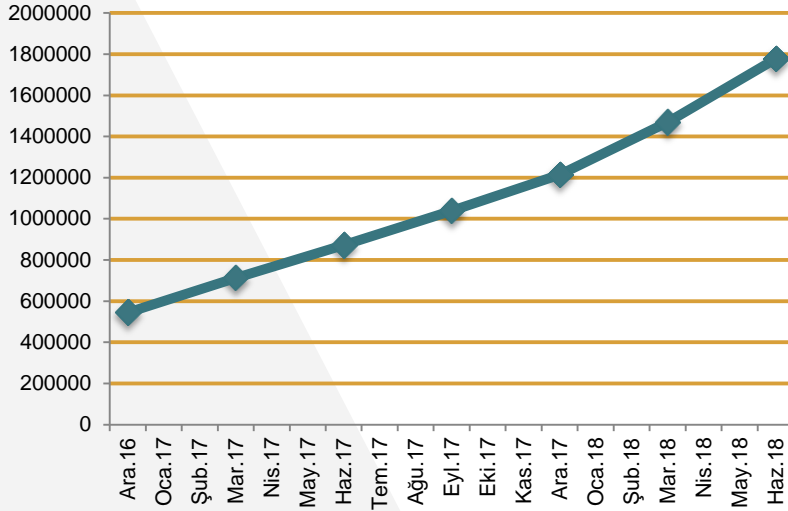
The total number of accounts more than doubled to 1.78 lakh in 2017 from

### INDICATORS OF AGENT BANKING SHOW RAPID GROWTH

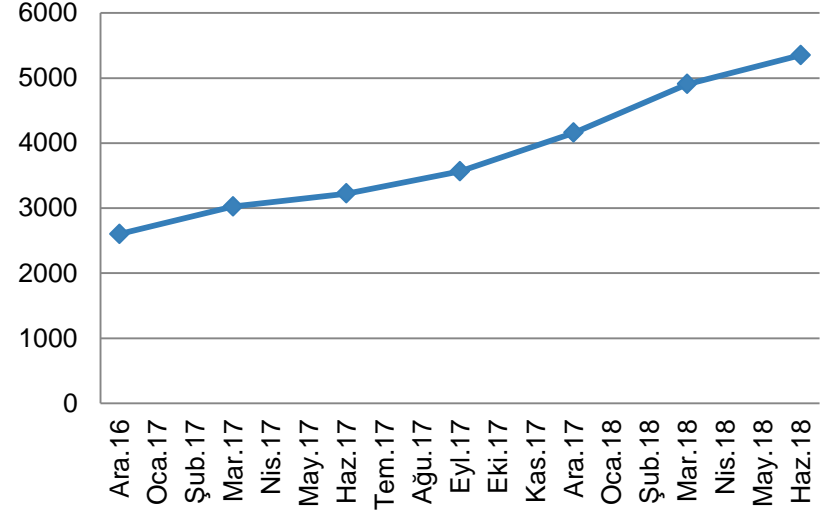
	2016	2017	Growth
Agent	1,646	2,577	57%
Outlet	2,601	4,157	60%
Account	544,536	1,214,367	123%
Deposit	Tk 381cr	Tk 1,399cr	268%
Credit	0	Tk 109cr	
Remittance	Tk 310cr	Tk 1,982cr	540%

# Trend of Agent Banking in Bangladesh

### No. of Account in Agent Banking



### Number of Agent Banking Outlets



# Fintech/Digital Finance Developments

- ▶ Digital financial services can expand the delivery of basic financial services through new technologies
- ▶ 79% adult in developing countries already own mobile phone (Findex, 2017)
- ▶ 52 percent of adults around the globe made or received digital payments within the last one year



# Fintech/Digital Finance Developments

Digital finance in the developing world could have a great impact.



- ▶ Fintech will surely contribute to the evolution of the Islamic finance products and services offering that will ultimately ensure greater financial inclusion in the OIC countries.
- ▶ Digitizing existing Islamic finance products and services which are offered by Islamic financial institutions.
- ▶ Regulators and policymakers can play a bigger role here by encouraging innovation to be tested in regulatory sandbox.

## SAMA launched Fintech Saudi in April 2018.

Fintech Saudi's objectives include:

- ▶ Creating a culture of collaboration by bringing together different stakeholders
- ▶ Building a broad understanding about fintech across Saudi Arabia.
- ▶ Supporting fintech entrepreneurship and the development of fintech products and services that support all SMEs.





- ▶ Huston (2010) opined that the financially literate could do the most to boost financial inclusion by becoming more informed on the economic issues.
- ▶ A study in Malaysia showed that only 27.3 percent completely understood the differences between Islamic bank and conventional banks.
- ▶ Financial literacy is important today to understand the increasing complexity of financial products and services.



- ▶ Broad range reforms including tailored regulations are essential to address the risks evolved from the complex structure of Islamic banking.
- ▶ Existing consumer protection frameworks have important gaps including streamlining the regulatory framework for consumer protection in financial services, enhancing disclosure requirements and monitoring compliance.
- ▶ There is significant scope for improvement in Islamic finance education and training opportunities at all levels.

- ▶ Developing and implementing a sound communication strategy on issues of consumer protection and financial literacy.
- ▶ Enhance transparency and responsible finance among banks and financial institutions, which require full disclosure of redress channels.
- ▶ Developing consumer protection policies for vulnerable groups such as women, young people, refugees as well as people with disabilities.
- ▶ Developing a classroom curriculum for financial education, which utilize print and electronic media to drive the consumer protection and financial literacy agenda.

- ▶ **Albania:** Financial literacy is partially integrated into the national pre-university curriculum at both primary/elementary and secondary/high school levels.
- ▶ **Indonesia:** Bank Indonesia established a dedicated consumer protection team in 2014 to provide information, financial education and assist in dispute resolution between consumers and payment system service providers.
- ▶ **Jordan:** The Central Bank of Jordan, with the cooperation of Islamic and conventional banks operating in Jordan, launched its first financial literacy campaign in April 2018, targeting university students.

# Policy Recommendation



## Financial Inclusion Priorities in OIC Member States

Ensure financial inclusion for the rural poor with a special focus to women and youth

Promote Fin-Tech solutions such as Agent Banking, Mobile Financial Services for affordable access to finance

Increase financial literacy and awareness to ensure consumer protection.

# THANKS!

**Any questions?**

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