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INCLUSIVE FINANCE IN THE ASIA-PACIFIC REGION: TRENDS AND APPROACHES

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CONTENTS

1. INTRODUCTION

The countries in the Asia-Pacific region pursue inclusive finance policy for inclusive green growth and sustainable development towards meet the MDGs. Financial inclusion has emerged a significant tools for poverty reduction. Global Financial Inclusion Report (GFIR 2014) highlights that financial inclusion is important for development and poverty reduction. It indicates that the poor benefit enormously from this inclusive finance. The firms, particularly the small and young ones that are subject to greater constraints, access to finance is associated with innovation, job creation, and growth in Asia pacific region. But the level of financial inclusion and outcome of poverty eradication, employment generation, and reducing gender gap vary widely around the Asia Pacific region.

Although many countries in the Asia Pacific region has made remarkable progress on MDGs, there are many challenges remains like reduce extreme poverty, employment generation especially for women and youth, and environmentally sustainable growth. Since the achievement targets of the MDGs close in 2015, member states are now fully engaged in discussions to define Sustainable development Goals (SDGs). This SDGs will serve as the core of a universal post-2015 development agenda. The inclusive finance strategy will be one of key development agenda in post-2015. The UNGS opines that financial access is recognized as a key enabler of economic growth, poverty alleviation, and development in the post 2015-development agenda.

In the development process, ensure access to formal financial services for all including the poor, women, rural communities, marginalized communities and persons with disabilities,
is an vital vehicle which makes transactions quicker, cheaper, and safer, because it avoids cash or barter payments. Greater access to financial services enables poor people to plan for the future and invest in land and shelter, and to utilize productivity-enhancing assets, such as fertilizer, better seeds, machinery, and other equipment.

In accumulating financial assets and availing themselves of insurance to smooth their income, households and small firms can reduce their vulnerability to unfortunate events such as economic instability, drought, disease, or death that are part of daily life in many developing countries.

Report of the CGD Task Force on Access to Financial Services, 2009 highlights that finance can contribute not just to income growth and poverty reduction, the most important of the Millennium Development Goals (MDGs), but also to MDGs such as improving education, gender equality, and health, with some goals more specifically affected. More investment and higher productivity translate not only into more income and therefore better nutrition and health; it also enables parents to send their children to school instead of merely regarding them as a source of labor. Moreover, access to finance creates equal opportunities for everybody. Access to financial services helps women in determining their own economic destiny and increases their confidence and “say” in their households and communities. More sophisticated financial markets discriminate less; they provide capital to those with attractive investment opportunities, regardless of other characteristics—for firms, size, ownership, and profitability do not matter; for households, current income, wealth, education, gender, and ethnicity are irrelevant. Indeed, financial development can reduce inequality as it broadens opportunities.

Box 1. Definition and Measurements issues of Inclusive Finance

Definition: A general broad based **f**inancial inclusion defined as it is the process of ensuring access to appropriate financial products and services needed by all members of the society in general vulnerable groups in particular, at an affordable cost in a fair and transparent manner by mainstream institutional players (adopted from Chakrabartty, 2012).

Measurements issues of Inclusive Finance: The measurements of inclusive finance are very important which depend on context and framework of inclusive finance. The basic framework for measurement of financial inclusion has some important dimensions. First, financial inclusion, financial literacy and consumer protection are the three major planks of financial stability. While financial inclusion acts from the supply side, providing the financial market/ services that people demand, financial literacy stimulates the demand side, making people aware of what they can demand. The demand side issues in financial inclusion include knowledge of financial products and services, credit absorption capacity, etc. These issues are faced by both developing and developed countries. The supply side issue cove financial markets, network of banks and other financial institution, appropriate design of products and services, etc. These issues are mostly faced by the developing countries. A framework for financial inclusion needs to take into account various aspects such as the demand and supply side issues; assessment of enabling environment; issues in penetration, barriers to financial inclusion, etc. Second, availability of appropriate financial products, including at the very least, savings products, emergency credit, payment products and entrepreneurial credit are important aspects of financial inclusion environment. Third, the monitoring framework which covers transaction level, customer level and products and services level monitoring.

A vigorous financial inclusion deigned depends on a multiplicity of parameters encompassing varied socio economic backdrops and feasible financial service delivery mechanism that would vary from region to region and country to country. There are no agreed composite measures of inclusive finance which could facilitate comparisons across time and geography. Therefore, in order to ensure consistency and accuracy in measurement of financial inclusion parameters, it is essential that the parameters concerned are objectively defined in the first stage of the measurement process.
There are several structural dimensions in the process of building up data on financial inclusion. Measurement of the progress in financial inclusion initiatives by way of building up suitable indicators. Such indicators must contain data on access to (supply of) and usage of (demand for) financial services as well as their coverage and penetration .

There is a growing body of empirical evidence—in-depth country studies and cross-country statistical studies, case studies, and more recently, experimental analyses—that confirms the analytical predictions and documents how financial-sector development and access to financial services significantly contribute to reaching the MDGs (Claessens, Honohan and Rojas-Suarez, 2009).

In view of the UN global post-2015 development agenda and sustainable development, The objectives of the paper are given below:

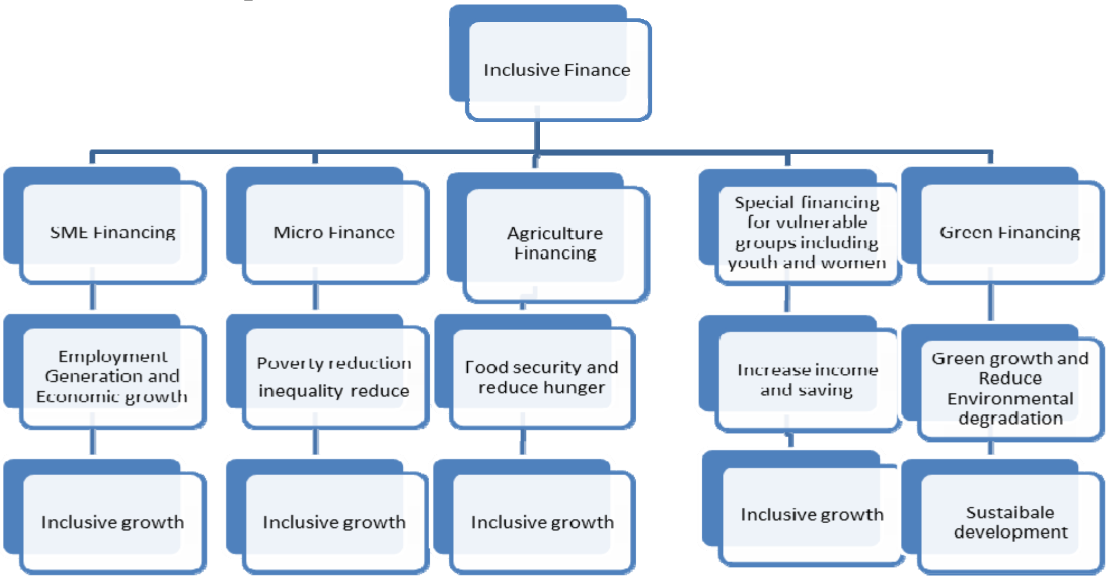
- The paper reviews the various issues related to inclusive finance in the Asia-Pacific region.
- The paper provides the current trends and issues in inclusive finance. It also provides explanation for the cross country variation in access to financial services in the region, while also highlighting the relationship with inclusive finance policy measures for growth and sustainable development.
- The paper focuses on the role of enabling environment and governance measures which are critical to the implementation of the inclusive finance in these LDCs and other vulnerable countries. The study makes use of various policy initiatives at the country level in the region and highlight key messages for appropriately implementing financial inclusion for sustainable development.
- The study underlines the lessons learned from the Asia-pacific region and key recommendations would be provided on the importance of including financial inclusion strategies as a key element of the overall financing for sustainable development architecture.
- The paper analyses and policy discussions in the light of the UN global post-2015 development agenda and the role of financial inclusion policies in the overall architecture of sustainable development financing.

2. TRANSMISSION MECHANISM OF INCLUSIVE FINANCE FOR INCLUSIVE GROWTH AND SUSTAINABLE DEVELOPMENT

Transmission mechanism of inclusive finance for inclusive growth and sustainable development works through several distinct channels. These channels are (1) SME financing (2) microcredit financing (3) agricultural financing (4) special financing for vulnerable group including women, youth and unbanked people and (5) green financing (figure 1).

The effectiveness and speed of these channel depend on many factors such as financial inclusion framework, financial depth, financial product, financial service delivery system, regulatory system, financial literacy and consumer protection. These factors vary country to county as a results transmission of inclusive finance also vary across the country. Figure 2 portraits national enabling environment of inclusive finance framework.

Figure 1. Transmission Mechanism of Inclusive Finance for Inclusive Growth and Sustainable Development

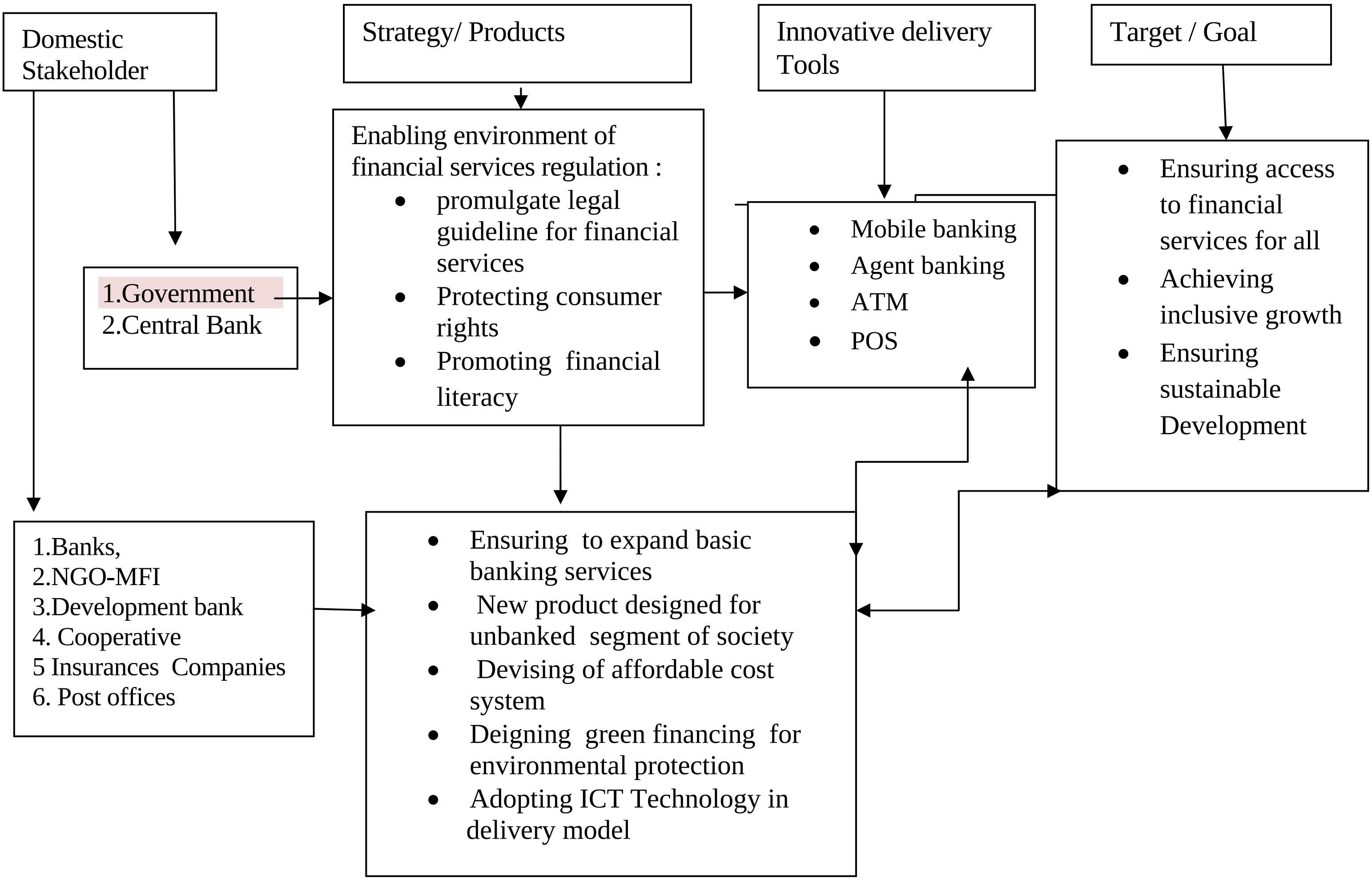


SME financing transmission channel: Flow of SME financing which remove the obstacle of access to finance constraint and create a greater scope to expand business opportunity. Since SME sector is emerged a key driver for new job creation and economic growth for developing countries an inclusive finance transmit to inclusive growth by absorbing extra labor force.

Microfinance transmission Channel: Microcredit offers a mechanism for providing collateral free credit to asset less households. Microfinance is regarded as an effective tool to outreach unbanked people including women in rural area who are financial exclusion by the formal banking sector for income generating activities which enables to reduce poverty and inequality for inclusive growth.

Agricultural financing transmission channel: In order to ensure food security and food availability to reduce hunger, agricultural financing is very important for developing countries. Many small and marginal farmers are excluded from formal banking system in many countries in Asia Pacific region. An comprehensive inclusive agricultural financing approach may ensure food security and reduce hunger for inclusive growth.

Figure 2. National Enabling Environment for Financial Inclusion Framework



Special financing approach for vulnerable group / unbanked people: In this transmission channel, unbanked /underserved people/ women/ lower income household both in rural and urban area can access to financial services which plays a critical part in inclusive development process. Inclusive financial systems allow poor people to smooth their consumption and insure themselves against economic vulnerabilities, such as illness, accidents, theft, and unemployment. Financial access enables poor people to save and to borrow; they can build their assets, invest in education and entrepreneurial ventures, and thus improve their livelihoods. Inclusive finance is especially likely to benefit disadvantaged groups such as women, youth, and rural communities. For all these reasons special financing approach has gained prominence in recent years as a policy objective to improve the lives of the poor as well as inclusive growth.

Green financing transmission channel: Green financing approach is very important for green growth and sustainable development. Transmission channels and mechanisms between the three pillars, i.e., economic, social and environmental, are manifold. For instance: economic growth fostered by inclusive policies has positive spill over across economies which, in turn, leverage social progress. In the same vein growing exposure to vulnerabilities, because of poor access to education or lack of employment opportunities or poor environmental conditions, negatively impacts economic growth and productivity. Unsustainable consumption and reckless use of natural resources causes environmental degradation and depletion of natural capital, which impacts quality of land and water; loss of biodiversity; and deterioration of ecosystem services. Green financing approach is indispensible for protecting environmental degradation for achieving green growth and sustainable development.

3. TRENDS IN INCLUSIVE FINANCE APPROACH AND ISSUES

This section review the trends, approaches and issues at country level in Asia Pacific region. In order to achieve inclusive growth and sustainable development, the government and the central banks in the region continued efforts to create a conducive and enabling environment for expanding financial services to marginal farmer, SME, unbaked /underserved people, women, and lower income group in rural area by banks, non-banks, cooperatives, MFI and other financial institutions. They also pursue for banks and MFIs to adopt information communication and technology (ICT) solution in delivering financial services at affordable cost. Many countries also adopt national financial inclusion strategy plan for universal financial access for all.

Afghanistan

Financial Access Survey data of IMF show that financial inclusion in Afghanistan is growing slowly. In of geographical outreach, the number of commercial bank branch and ATMs per 1000 km2 increased to 0.60 and 0.19 respectively in 2013 from 0.12 and 0.01 respectively in 2005. In terms of population penetration, the number of commercial bank branch per 100,000 adults population increased to 2.49 in 2013 from 0.39 in 2004. Mobile banking agent outlet number per 100,000 adults also increased to 6.04 in 2013 from 3.71 in 2012.

Table 1. Trends in Financial Access Indicators in Afghanistan during 2009-2013

	2009	2010	2011	2012
Bank branches per 100,000 adults, Number	2.31	2.47	2.31	2.24
ATMs per 100,000 adults, Number	0.47	0.55	0.64	0.67
Mobile Banking, Agent Outlets per 100,000 adults, Active, Number	...	...	...	0.75
Mobile Banking, Agent Outlets per 100,000 adults, Registered, Number	...	...	...	3.71
Depositors with banks per 1,000 adults, Number	90.91	109.72	145.33	174.63
Borrowers from commercial banks per 1,000 adults, Number	4.11	3.92	3.79	4.31
Deposit accounts with commercial banks per 1,000 adults, Number	...	116.87	107.09	172.25
Loan accounts with banks per 1,000 adults, Number	...	3.82	3.73	4.28
Number of mobile money accounts per 1000 adults, Active, Number	...	...	...	6.84
Number of mobile money accounts per 1000 adults, Registered, Number	...	...	...	59.26

Number of mobile money transactions (during the reference year) per 1000 adults,	...	...	...	26.13
Outstanding deposits with banks as percent of GDP, Percent	21.30	20.88	20.17	18.12
Outstanding loans from banks as percent of GDP, Percent	9.99	11.13	4.71	3.97
Outstanding SME loans from commercial banks as percent of GDP, Percent	...	...	0.59	0.27
Value of mobile money transactions during the reference year (% of GDP), Percent	...	...	...	15.96

Source: Financial Access Survey (FAS).

Use of financial service data indicate that the number of depositor and borrower in commercial bank and MFI also increasing slowly. The volume of deposit and loan as percent of GDP stood at 19.59 percent and 4.43 percent in 2013. The volume of mobile money transaction as percent of GDP stood at 18.6 percent during 2013.

The per capita GDP (current USD) increased to 682.8 in 2014 from 308.7 in 1990. Although per capita income increases slowly, about 36.0 percent of total population is below poverty line. Gini index stood at 27.8 in 2014. Data on unemployment indicate that unemployment rate marginally declined to 8. 6 percent in 2012 from 8.7 percent in 1991. A noticeable development is that female unemployment rate declined to 13.1 percent in 2012 from 18.5 percent in 1991. Youth unemployment rate remain very high and stood at 19.5 percent in 2012.

The world bank's global financial inclusion data show that about 9 percent of adults population has financial access to formal financial institution. Among female adults only 2.6 percent women have account while 15.4 percent of adults male have account in formal financial institution. In comparison of rural and urban adults account show that about 26.5 percent of urban adults has access to financial institution while only 5.6 percent of rural adults has financial account. In order to reduce poverty, reduce gender gap and foster equitable sustain growth, the initiatives for inclusive financing are needed.

Bangladesh

Bangladesh Bank (BB) spearheaded promotion of green growth inclusive financing in Bangladesh. BB's policy priorities of inclusive, sustainable financing rest on three broad fronts of agricu ltural financing; SME financing; and green financing with a view to: narrowing down inequality in advancement opportunities; enhancing income and employment generation; enabling food security and energy security, and shielding financial stability and environmental sustainability. Accordingly, BB has launched several refinance schemes to provide low cost financing supports to innovative green initiatives.

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

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

Bangladesh government has been pursuing inclusive socio economic growth aiming at well-being for all outlined in its five year development plans. Supporting the government's inclusive growth strategy, Bangladesh Bank (BB) has been pursuing financial inclusion as a policy priority for accelerated economic growth while maintaining monetary and financial stability.

BB pursues an impressive agricultural credit policy for stimulating financial inclusion, given priority to marginal farmers and women farmers. The policy highlights for reaching out to relatively underdeveloped areas for timely & hassle free delivery of adequate agricultural/rural credit to small farmers & share-croppers. A first ever Taka 5.00 billion refinancing line has been adopted against loans to landless sharecroppers in partnership with a recognized MFI.

In order to cover un-served farmer by the commercial banks, BB has advised to commercial bank to open bank accounts for farmers at free of charge with initial deposits of only Taka 10; already opened around 9.5 million accounts. These accounts are being used to disburse government input subsidies to the farmers. For example, about Taka 7.22 billion of diesel subsidy has been disbursed to farmers by the Government through this account. These accounts will also facilitate small savings, revolving loans, remittances etc.

Table 2. Trends in Financial Inclusion Progress in Bangladesh during 2009- 2014

	2009	2010	2011	2012	2013	2014
Innovative Account in million						
i. Number of Farmers' Tk. 10 Account			9.5	9.58	9.68	9.72
ii. Number of Social Safety Net Account					3	3.34
iii. Number of School Banking Account						0.85
Number of SME Finance in 100 thousand						
i. Total Number of SME Finance		3.08	3.19	4.62	7.47	5.42
ii. Number of Women Entrepreneurs		0.13	0.17	0.18	0.42	0.43
iii. Total outstanding loan in **billion** Taka.		535.44	537.19	697.53	853.23	1009.10
Sharecroppers Account in 100 thousand						
i. Number of Sharecroppers' Account		0.68	1.66	1.98	2.63	2.02
ii. Loan Amount in billion Taka		7.46	19.13	24.61	44.96	45.00
Mobile Financial Service						
i. Number of active operators				4	10	12

ii. Agent in number				51078	188647	540984
iii. Amount of transaction in **billion** Taka.				71.233	517.83	1034.08
Agent Banking						
i. Number of Agent					18	41
ii. Amount of transaction in billion Tk.					0.13	0.20
No. of ATM in number	1267	2121	3797	5248	6797	6035
Total Bank Branches	7187	7658	7961	8322	8685	8821
i.Rural Bank Branches	4136	4393	4551	4760	4962	5034
ii.Urban Bank Branches	3051	3265	3410	3562	3723	3787
Outreach by NGO-MFI						
i. No. NGO- MFIs	421	518	580	618	650	
ii. No. Clints in million	35.63	36.28	36.62	33.06	32.69	32.7
iii. Outstanding loan in billion Taka	143.14	145.1	173.79	211.21	257.o1	

Source: BB, Annual Report, 2013-14, and Scheduled Bank Statistics (Various Issues), BB and Economic Trend, BB,

BB and the government have adopted several remedial and promotional measures to bridge the gaps in financial inclusion. In SME financing, BB has kept refinance lines available to banks against their loans to Small and Medium Enterprises (SMEs); multilateral development partners such as the IDA and ADB are supplementing BB's refinance lines with their co-finance. Besides, BB is allowing banks to open SME service booth in areas with no branches of the banks concerned.

In order to deepen financial inclusion, BB has formulated elaborate guidelines for SME credit. A separate department titled 'SME and Special Programs Department' has been launched to accelerate SME activities and also to enhance monitoring. BB has arranged refinance scheme of Taka 6.00 billion for small and medium enterprises; 15% of the refinance fund allocated for woman entrepreneurs. SME credit up to Taka 2.5 million can be disbursed against personal guarantee to woman entrepreneurs. In view of increasing awareness, an arrangement of SME fairs, exchange of views session with bankers and entrepreneurs, seminars, road show have been taken throughout the country with cooperation from Banks, FIs, Chambers, Professional Bodies.

The BB has also been exhorting banks and financial institutions to embrace fostering financial inclusion as a Corporate Social Responsibility (CSR) obligation. As a longer term measure towards mitigating risks in agricultural production (and hence also in agricultural financing), crop insurance has been included in the food policy agenda announced by the government.

The government has been providing from annual national budgets lending resources to MFIs (through PKSF, the apex financing agency for MFIs) for rural on- and off-farm self-employment micro and SME credit, with some gender bias towards empowerment of women. Financing lines from government budget have been made available also against loans to rural poor for their construction of basic shelter housing; in a number of schemes titled Grihayan, Ashrayan, Returning Home, and One home-One farm.

The Post Office Department of the government has of late been more actively engaging with banks and other external and internal remittance intermediaries to offer faster remittance deliveries to recipients. Regardless of however much the private sector remittance and mail/parcels delivery services improve, role of the publicly owned postal services is likely to remain necessary in catering to the needs of the remoter, sparsely populated areas that will be seen by the private sector as expensive and unprofitable to reach out to.

In order to provide banking services to the rural and remote areas, Bangladesh Bank started the mobile banking services for the first time in 2010. Twenty Eight (28) banks have been licensed so far to run the mobile financial services with their agents. As on December 2014, 23.31 million mobile account had been opened and 5,19,118 agents are engaged in mobile banking services. On average Tk. 2.7 billion is being transacted per day.

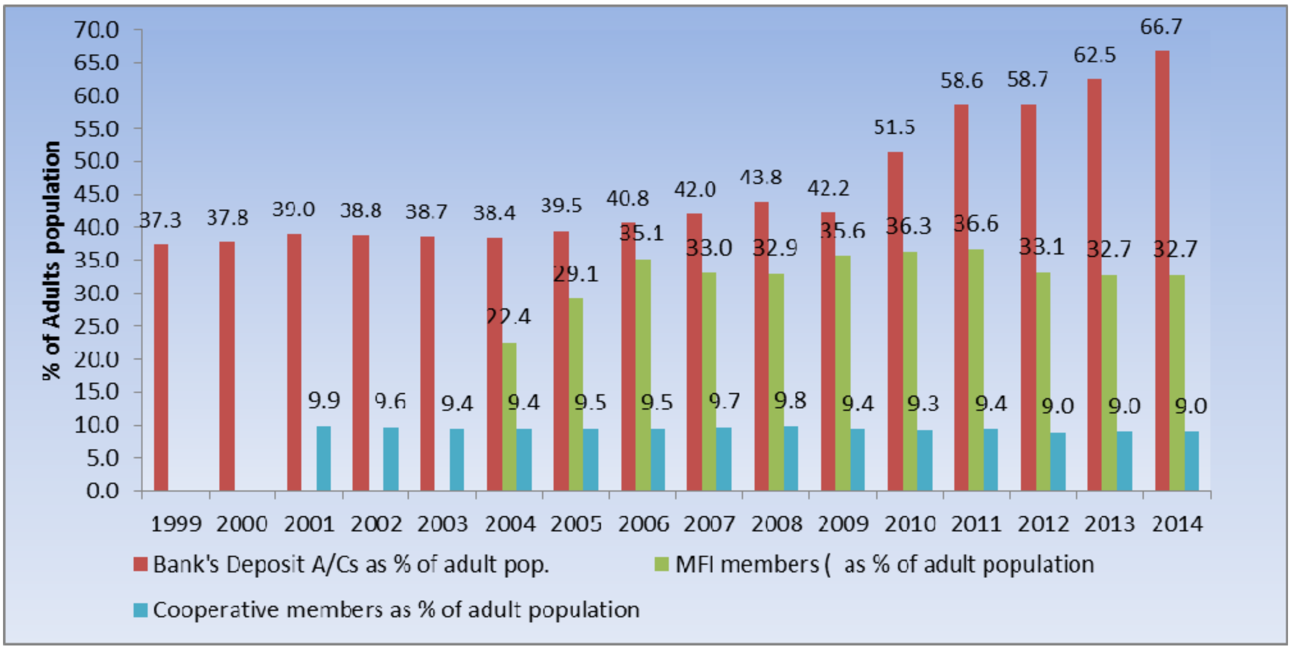
To broaden the outreach of financial services to the rural, marginal population BB has taken agent banking initiatives. Regulations and guidelines for agent banking operation have been issued in 09 December 2013[1]. Two banks were licensed so far for starting agent banking services. They have already started appointing agents and 100 agents' outlets are in operation now.

The Bangladesh government has a long tradition of improving access to financial services for the poor. It has facilitated the operation of the Bangladesh Rural Advancement Committee (BRAC), a leading non-governmental organization (NGO), and Grameen Bank, a pioneering microcredit institution. The formal banking sector, along with non-banking financial institutions (NBFI), co-operatives and microfinance institutions (MFIs), provides financial services (loans, savings and insurance products) to the poor.

The analysis of overall financial inclusion indicates that financial inclusion is increasing since 2009 (figure 3). Financial inclusion as percent of total adults population by banks increased to 66.7 percent in 2014 from 42.2 percent in 2009. The same by MFIs increased to 32.7 percent in 2014 from 22.4 percent from 2004. The recent trend of financial inclusion by MFIs shows a marginally declining trend due to slowly increasing total number of clients which is not commensurate with the increase in adults.

[1] As per the guidelines, aims of agent banking are to be served the non-privileged, underserved population and the poor segment of the society, especially from geographically dispersed location. Banks will give much emphasis on the rural area to cover lion share of the target group. The ratio of number of sub-agent/ outlets of a bank will be 2:1 for rural and urban area.

Figure 3. Status of Financial Inclusion in Bangladesh by Banks, MFIs and Cooperatives



Source: Rahman (2009), Islam and Mamun (2011) , NGO-MFI of MRA, Statistical Year Book of BBS, Scheduled Bank Statistics of BB and authors estimate based on available data. Note: Grameen Bank's data are included in MFIs.

Despite significant progress, the majority of the country’s people remain financially excluded. According to the World Bank’s Global Financial Inclusion (Global Findex) Database, 40% of the adult population (over age 15) had a formal account with a bank in 2011 and nearly one-fifth had taken out a loan in the last 12 months. Only 2% of the adult population used an account to receive wages and 3% to receive remittances. Bangladesh Bank (BB, the central bank) regulates the country’s banks and financial institutions and is the lead agency on financial inclusion, publishing a monthly progress report on financial inclusion. The Microcredit Regulatory Authority regulates licensed MFIs. Five big players dominate the microfinance market, with 25m microcredit borrowers between them. Additionally, Palli Karma-Sahayak Foundation (PKSF), the government-owned wholesale-funding agency, provides loans at a subsidized rate. Interest rates are capped at 27%, but this is below the average interest rate on small loans.

Bangladesh’s deep mobile-phone penetration makes it an ideal place to scale up the use of mobile phones. The central bank created a regulatory framework for mobile banking in 2011. A recent take-off in mobile-banking service promises to help boost financial inclusion. The government and the central bank are also pushing for increased agricultural lending for small farmers. The central bank is committed to financial inclusion and this is likely to remain the case as long as the current governor, Atiur Rahman (whose term was renewed in 2014) heads the central bank.

EIU 2014 highlights that further progress on financial inclusion could be made if the government pass a legislation that would allow providers of microfinance to borrow from commercial banks. This would help capitalize the market and drive down interest rates, which are still high, but is not expected to happen in the medium term. Transaction costs also remain high and the spread of information technology (IT), which is a key to reducing them, is limited. While the sector is stable, a perennial risk is the occurrence of natural disasters (specifically, floods and cyclones). The government is concerned about over indebtedness and scams in the area of rural finance, and has subsequently proposed a law that would regulate the operations and funding of any group with foreign funding, including hundreds of entities providing financial services to the poor. The concern is that the law will interfere with donor funding in key development areas, including rural finance. A proposed tax on profits from microfinance was withdrawn from the 2014–15 annual budget, following resistance from MFIs (EIU, 2014).

Bangladesh experienced steady and strong GDP growth of nearly 6 percent per year throughout the 2000-2010 decades. During this period, poverty rates also demonstrated an impressive steady improvement, falling by about 1.7 percent per year. The analysis of the World Bank's Bangladesh Poverty Assessment Report, 2013 shows that while 49 percent of people were poor in 2000 which dropped to 31.5 by 2010. This report also finds that poverty reduction was closely linked to growth in labor income and demographic changes. Nevertheless, poverty continues a to be a substantial and stubborn problem in Bangladesh, where about 47 million people still live in poverty and 26 million people in extreme poverty. Moreover, poverty in rural areas continues to be relatively more pervasive and extreme than in urban areas, whereas urban areas remain relatively more unequal.

A growing share of women in the labor force contributed to poverty reduction, but further increasing their participation remains a challenge. The working age population expanded more rapidly than the total population. Demographic trend over the past decade suggest potential opportunities as well as challenges for future growth and poverty reduction through job creation.

Cambodia[2]

Financial Access Survey data of IMF show that MFI penetration is much higher than that of commercial bank. Outstanding loan as percent of GDP from MFI increased to 9.29 percent in 2013 from 4.98 percent in 2011. This growth was led by government initiative for reform program of MFI (table 3).

Table 3. Trends in Financial Access Indicators in Cambodia during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	3.86	4.01	4.16	4.38	4.76
All MFI branches per 100,000 adults, Number	...	...	31.57	35.51	33.02
ATMs per 100,000 adults, Number	4.25	5.12	5.87	7.00	8.46
Deposit accounts with banks per 1,000 adults, Number	96.87	110.17	126.48	145.64	172.67

[2] The description heavily drawn from Global Microscope 2014.

Loan accounts with banks per 1,000 adults, Number	27.45	28.97	29.42	34.59	37.66
Outstanding deposits with commercial banks as percent of GDP, Percent	29.83	33.33	35.96	35.91	46.21
Outstanding loans from banks as percent of GDP, Percent	23.68	26.17	31.56	38.41	43.74
Outstanding loans from all MFIs as percent of GDP, Percent	...	...	4.98	6.25	9.29

Source: Financial Access Survey (FAS).

Cambodia's government is supporting financial inclusion and the growth of the microfinance sector as part of its Financial Sector Development Strategy 2011–20. The strategy's Action Plan for Microfinance outlines short-, medium- and long-term targets, and the targets for 2011–14 have been partially implemented. According to the National Bank of Cambodia (NBC, the central bank), at end-2013 there were 36 microfinance institutions (MFIs) in operation, including seven that could accept deposits. The non-performing loan (NPL) ratio was very low for deposit-taking MFIs, at 0.16%, compared with 3.10% for those that do not accept deposits and 0.59% for the sector overall. Although all lending institutions must either register with or receive licenses from the NBC, the operation of unregistered lenders raises the risk of over indebtedness. The NBC has been flexible in its approach to the adoption of new technologies to expand financial inclusion. Although it has not issued specialized regulations to accommodate non-traditional products, neither has it placed constraints on innovation. According to the World Bank's Global Financial Inclusion (Global Findex) Database, around 4% of the adult population (over age 15) had a formal account with a financial institution in 2011, while only 2% of those in the bottom 40% of the income distribution held a formal account.

The Cambodia Microfinance Association (CMA) is active in supporting MFIs through training, fundraising and promoting new technologies. Cambodia has generally been free of political developments that could negatively affect financial inclusion. There was a widespread withdrawal of deposits from banks and MFIs in the third quarter of 2013, following a disputed election in July of that year. However, as confidence in the political environment has improved, deposits at MFIs have been restored. Local observers have cited few obstacles to accessing retail-payment systems; however, rather than forming partnerships with one another, institutions are setting up their own automated teller machine (ATM) networks, at significant cost. Mobile-payment usage has been led by WING, a payment processor that in 2013 posted a transaction volume of US$1.5bn. Although Cambodia's regulatory framework allows only mobile-payment providers to have agents, AMK, a deposit-taking MFI, is offering deposit services through agents as part of a pilot project. AMK received NBC approval to expand its network nationwide in 2013.

Although there has been improvement, the NBC's capacity to supervise newly licensed institutions still appears strained. Concerns remain that minimum-capital requirements are too lax, but, despite an IMF proposal to place a moratorium on new licensing, the NBC has maintained its minimum-capital requirements to encourage MFI registration. There still appears to be unregistered lending activity in the market, however, and, unless there is a crackdown on informal lenders, over indebtedness remains a risk. Consumer protection could also be strengthened. Cambodia has no clear rules in place requiring internal mechanisms to deal with consumer complaints, nor does it have regulations aimed at preventing aggressive sales or unreasonable collection practices. Institutions may outline acceptable practices in their code of ethics, but compliance varies depending on the capacity of each institution to enforce its rules. Nearly half of Cambodia's licensed MFIs have signed on to the global Smart Campaign initiative, pledging to adopt consumer-protection principles, such as providing mechanisms for redress. However, enforcement of such measures is not always consistent, and compliance is unclear.

Economic growth of Cambodia on average grew by 7.94 percent during 2000-2013. Poverty rate declined 10.5 percent in 2011 from 32.77 in 2004. It is worthwhile mentioning that Gini coefficient, unemployment of both women youth decline substantially during the period.

China[3]

The PRC reformed financial sector rigorously in 2005 to diversify and enabled new market players (such as agro-related banks, village township banks, and postal savings banks) so that financial service expand to SME, marginal farmers, and rural areas. The reforms also resulted in the creation of some innovative products and services for financial inclusion. Three approaches are found to spread out financial services in PRC. These are MSME financing, microcredit financing and information technology based product.

MSMEs' access to bank loans has improved significantly with the development of diversified banking and nonbanking financial institutions. Outstanding loan from banks to SMEs reached 40.1 percent of GDP at end of 2013 from 29.79 at the end of 2009 (table 4).

Microcredit companies (MCCs) have emerged as another type of provider related to financial inclusion. MCCs have experienced fast growth since their start in 2007, playing an increasingly important role in expanding access. MCC data show that number of institution of MCC increased 7839 in 2013 from 2674 in 2010 and outstanding loan by MCC increased to CNY 819.1 billion in 2013 from CNY 197.5 in 2010. MCCs can be invested in and established by natural persons, companies, or social organizations. The difficulty in funding MCCs limits their role in financial inclusion and the trend of MCCs in further financial reform is to upgrade into VTBs (and become deposit-taking institutions).

In view of information technology development, more new models have emerged to expand financial services to the unbanked population. Although there are debates on the safety of IT-based financial instruments, they have created many innovations in expanding financial services in rural and urban areas. The IT based financial delivery mainly is branchless banking and mobile banking.

[3] The description heavily drawn from Global Microscope 2014.

The number of mobile banking users reached 150 million in 2012, accounting for more than 40% of mobile banking users worldwide. In the same year, the number of mobile banking users increased 100%, and the value of transactions via mobile phones increased 300%. (Zhang, 2013).

Table 4. Trends in Financial Access in the PRC during 2009- 2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	...	...	...	7.72	7.85
CUFC branches per 100,000 adults, Number	...	...	...	5.52	4.89
ATMs per 100,000 adults, Number	19.77	24.76	30.29	37.51	46.94
Depositors with banks per 1,000 adults, Number	9.06	10.28	11.75	13.23	15.03
Depositors with CUFC per 1,000 adults, Number	2.15	2.48	2.52	2.85	3.05
Borrowers from banks per 1,000 adults, Number	...	...	...	271.71	293.86
Household borrowers from banks per 1,000 adults, Number	...	...	...	268.10	289.77
Deposit accounts with banks per 1,000 adults, Number	24.97	28.16	31.95	35.89	40.44
Deposit accounts with CUFC per 1,000 adults, Number	5.35	6.13	6.22	6.96	7.37
Household loan accounts with banks per 1,000 adults, Number	...	...	...	846.74	961.38
Outstanding deposits with banks as percent of GDP, Percent	139.22	140.90	135.58	140.27	156.62
Outstanding deposits with CUFC as percent of GDP, Percent	17.29	15.83	14.48	13.65	14.58
Outstanding loans from banks as percent of GDP, Percent	89.26	90.09	86.71	90.21	101.38
Outstanding SME loans from banks as percent of GDP, Percent	29.79	31.27	32.84	36.39	40.10
Outstanding loans from CUFC as percent of GDP, Percent	11.81	10.75	9.65	8.88	9.32
Outstanding loans from all MFIs as percent of GDP, Percent	0.22	0.49	0.83	1.14	1.58
Number of Micro Credit Institution		2674	4282	6080	7839
Outstanding loan of Micro credit in CNY billion		197.5	391.5	592.1	819.1

Source: IMF, Financial Access Survey (FAS) and ADBI, 2014.
Note: CUFC=Credit union and financial cooperative).

The time is ripe for China to move forward with financial inclusion. Slowing economic growth has highlighted the weaknesses of a state-led financial system, which has traditionally served to channel household savings to large state-owned enterprises and local government-backed vehicles in the form of inexpensive loans. As China seeks to rebalance the economy around consumption and place it on a sustainable footing, the authorities will have to reallocate resources. In November 2013 the ruling Chinese Communist Party outlined an ambitious economic and social-reform agenda for the period up to 2020. This included a commitment to develop “inclusive finance” and to open up the banking sector to more private firms. According to the World Bank’s Global Financial Inclusion (Global Findex) Database, 64% of the adult population (over age 15) had a bank account in 2011, while 41% owned a bank debit card. From a financial-inclusion perspective, innovations in mobile banking and third-party-payment systems have also been promising.

Financial services have deep penetration in China by developing-economy standards. The government has encouraged bank-account ownership by channeling transfer payments through bank accounts. Bank-card and point-of-sale (POS) access points have multiplied. Policy reforms have also been implemented to support lending to rural households and micro-, small- and medium-sized enterprises (MSMEs), whose access to financial services was badly affected by the closure of non-viable rural credit co-operatives (RCCs) in the early 2000s. Commercial lenders were encouraged to downscale their operations to target under provisioned sectors, notably through Village and Township Banks (VTBs). The Postal Savings Bank of China (PSBC) was created in 2007, with a mandate to increase loan provision in agricultural areas. Credit-only microcredit companies (MCCs) were piloted from 2005 and their number stood at nearly 8,000 at end-2013.

Despite progress, China still faces challenges in having an inclusive financial environment. Many of the institutions set up to deliver wider access to financial services appear to focus on what elsewhere would be interpreted as commercial lending. Regulatory controls over lending and leverage have prevented MCCs from scaling up. As such, large segments of the population remain reliant on informal suppliers of financial services. Although there has been a concerted political push to diversify the provision of financial services, some challenges remain. Inter-agency co-operation on the subject is weak, with the People's Bank of China (PBC, the central bank) conflicting with the more conservative China Banking Regulatory Commission (CBRC, the regulator). Regulations in areas such as consumer protection are only just being developed. Moreover, concerns about financial risks associated with a rapid rise in shadow banking may prompt a regulatory backlash that would have a systemic impact (EIU, 2014).

India[4]

The government and the Reserve Bank of India (RBI, the central bank) in pursuit of its commitment to financial inclusion took several initiatives to expand the reach of formal banking facilities to underserved sections of the population. The initiatives were adopting financial inclusion plan, enhancing the scope of the business correspondent (BC)model, improving credit delivery procedure with respect to the micro and small (MSE) enterprises and encouraging the adoption of information and communication technology (ICT) solution. These policies resulted a good performance in financial inclusion in many areas (table 5)

Table 5. Trends in Financial Inclusion In India during 2010 -2014

	Year ended Mar 10	Year ended Mar 2011	Year ended Mar 2012	Year ended Mar 2013	Year ended Mar 2014
Total No. of Branches	85457	91145	99242	105437	
No. of Rural Branches	33433	34811	37471	39195	
Total Banking Outlets in village	67694	116208	181753	268454	383804
Urban Locations covered through BCs	447	3771	5891	27143	60730

[4] The description heavily drawn from Global Microscope 2014.

No Frill A/Cs (No. In million)	73.45	104.76	138.5	182.1	243
Amount in No Frill A/Cs (Amt In billion)	55.02	76.12	120.41	182.9	312.3
No Frill A/Cs with OD (No. in million)	0.18	0.61	2.71	2.97	2.1
KCCs-Total-No. In million	24.31	27.11	30.23	33.8	39.9
KCCs-Total-Amt In billion	1240.07	1600.05	2068.39	2623	3684.5
GCC-Total-No. in million	1.39	1.7	2.11	3.6	7.4
GCC-Total-Amt In bilion	35.11	35.07	41.84	76.3	1096.9
ICT Based A/Cs-through BCs (No. in million)	26.52	84.16	141.09	250.5	328.6
ICT Based A/Cs-Transactions(amount R in billion)	6.9			233.9	524.4
MFI					
Clint outreach no. in million	87	94	88	93	
Outstanding Amount in billion)	463.81	527.77	572.53	616.75	
MSE Financing by SCBs					
Number of account in million	8.5	9.3	9.9	11.2	12.4
amount outstanding in billion	3622.91	4785.3	5268.2	6872.1	8461.3
Flow of credit to the agri. sector, in billion Rs	2073.46	4683	5110	6074	7116

Source: RBI, Annual Report, 2013-2014.
Note: KCC=Kisan Credit Card, GCC=General Credit Card, and SCB= Scheduled Commercial Banks.

RBI data show that there were 182m "no-frills", low-value accounts (BSBDAs) at the end of March 2013. All Direct Benefit Transfers—cash transfers and social-security payments/wages from employment-guarantee programmes—are now paid into such accounts in most states of India. The figure of 182m BSBDAs compares with an estimated 300m households; although it is well known that many families hold more than one low-value account, studies have shown that over 90% of such accounts are used just as pass-through-payment accounts and are otherwise dormant. The number of client accounts at microfinance institutions (MFIs) amounted to around 32m at the end of March 2014, although it is important to note that many of these clients are also BSBDA holders. MFIs are not permitted to offer deposit accounts, so their contribution is mainly in terms of microcredit and as micro-insurance facilitators for insurance companies.

Under pressure from the government, the number of BSBDAs continues to grow rapidly, as business correspondents reach out to urban neighborhoods and rural villages to provide deposit-collection and withdrawal services, credit outreach and fund transfers. Although there appears to be little take-up from this outreach effort in the form of more transactions, the new government has announced the Sampurna Vittiya Samaveshan (Total Financial Inclusion) programme to add another 200m BSBDAs for financially excluded women.

The microfinance sector has returned to high growth since the microfinance crisis of 2010, when the RBI took a more active role in microfinance regulation and a new category of non-bank finance company, known as NBFC-MFI, was created. The RBI is taking unprecedented steps by appointing the leading MFI network, MFIN, as a self-regulation organisation, with the aim of enhancing supervisory capacity. More extensive regulation has not yet been introduced due to political disagreements regarding who should regulate not-for-profit microfinance, but the central bank has recently signaled its intent to be more pragmatic in its approach to financial inclusion by issuing draft guidelines for “payment banks” that can issue Pre-Paid Instruments (PPI) and small finance banks, a move towards integrating NBFC-MFIs into the banking structure. While concerns remain, particularly concerning capital adequacy, area limitations and deposit security at small entities, the variety of delivery mechanisms is growing.

One of the primary inclusion issues in India is consumer protection. Regulators are mainly concerned with MFI pricing transparency and dispute resolution. Over the past two years, the introduction of pricing caps has brought average MFI yields down from around 28% to around 25%. The microfinance crisis of 2010 resulted from a period of frenetic growth in the microfinance sector, with a high incidence of multiple lending leading to consumer over indebtedness, crisis management of MFIs and a more active regulator. However, the MFIs’ return to average growth of 35% in 2013–14 and individual growth in excess of 50% per annum for many of the large MFIs points to the possibility of rapid expansion and over indebtedness issues similar to those seen in the previous crisis. In the case of the banks, the key issue is the focus on reporting volume of accounts, rather than transactions. The volume of transactions, the real measure of inclusion, can only be increased with growing ease of access and increasing financial capability of clients through financial-education programmes.

Indonesia[5]

The Indonesian government has implemented a variety of programs to improve access to financial services for micro, small, and medium-sized enterprises (MSME) and impoverished households through financial deregulation, education, no-frills bank accounts, financial identity programs, and small business loan programs backed by the government. No-frills savings accounts and financial education initiatives have promoted saving and improved MSME access to finance.

Table 6. Trends in Key indicators of financial access in Indonesia during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	7.64	8.11	8.64	9.49	10.40
ATMs per 100,000 adults, Number	14.12	13.04	24.54	35.07	42.40
Depositors with CUFC per 1,000 adults, Number	2.95	4.02	3.50	16.68	...
Borrowers from banks per 1,000 adults, Number	225.55	268.01	296.63	337.84	377.16
Borrowers from CUFC per 1,000 adults, Number	33.66	39.34	38.08	16.68	...
Deposit accounts with per 1,000 adults, Number	493.68	573.50	631.98	700.40	863.03
Household deposit accounts with banks per 1,000 adults, Number	477.04	555.88	611.34	665.63	835.49
Loan accounts with commercial banks per 1,000 adults, Number	192.54	199.79	219.60	223.43	217.03

[5] The description heavily drawn from Global Microscope 2014.

SME loan accounts with banks (% of non-financial corporation loan accounts with commercial banks), Number	1,449.87	1,219.60	1,409.57	1,531.06	1,575.54
Household loan accounts with commercial banks per 1,000 adults, Number	189.81	196.58	216.63	220.50	213.69
Number of mobile money accounts per 1000 adults, Registered, Number	4.99	22.37	47.25	69.73	132.91
Number of mobile money transactions (during the reference year) per 1000 adults, Number	0.04	0.01	0.01	0.01	0.03
Outstanding deposits with banks as percent of GDP, Percent	35.19	36.28	37.52	39.19	40.33
Outstanding loans from banks as percent of GDP, Percent	25.65	27.39	29.64	32.90	36.25
Outstanding SME loans from banks as percent of GDP, Percent	6.12	6.12	6.17	6.40	6.70
Outstanding household loans from banks as percent of GDP, Percent	...	13.05	14.71	15.73	16.38
Outstanding loans from CUFC as percent of GDP, Percent	0.15	0.15	0.14	0.11	...

Source: Financial Access Survey (FAS).
Note: CUFC= credit unions and financial cooperatives.

The most notable program is the people's business credit program (KUR) that addresses the issue of insufficient collateral for bank loans by MSMEs. Under the program, the Ministry of Finance provides insurance for 70% of loans issued by banks to MSMEs while the risk of the remaining 30% is borne by the banks. Six national banks and 26 regional banks have joined the KUR program to issue loans to MSMEs. The program has been successful in assisting MSMEs with financial access. In 2011, KUR distributed Rp29,003 billion ($3,099 million) to 1,909,914 recipients . As of July 2014, KUR's six participating banks provided Rp146.33 trillion to 11,309,283 recipients (KUR 2014).

According to the 2011 World Bank Global Financial Inclusion (Global Findex) , less than 20% of Indonesian adults (over age 15) held an account at a formal financial institution,) Indonesia's national strategy for financial inclusion started fairly recently, in 2010, focusing on financial literacy, and most of the regulations and initiatives are moving in the right direction, albeit at a slow pace. The recent supervisory transition from BI to OJK, has caused occasional drawbacks, but financial-service providers consider both regulators to have a strong commitment to improving the regulatory environment for microfinance products, as they have been proactively engaging with the business sector. On the supply side, banking is still the dominant provider. Rural banks (RBs), pawnshops, co-operatives and other microfinance institutions (MFIs) have significantly smaller assets, but a large consumer base, particularly in rural and poor areas. Bank Rakyat Indonesia (BRI) has dominated microcredit for some time; however, lured by the market, other banks with no previous strong micro portfolios, such as Mandiri, BTPN and Danamon, have also begun offering microcredit products.

While microfinance is well established in terms of market and regulatory environment, these products have not yet reached the poorest base. To improve the reach of financial services, branchless banking is expected to reach the unbanked in the medium term. The country's landscape—with growing mobile-telephone penetration and largely untapped "bottom-of-the-pyramid" market—can be a fertile ground for branchless banking and micro-insurance.

The development of branchless banking, micro-insurance, the MFI law, and the law on co-operatives are some of the most important signals of Indonesia's financial-inclusion progress.

The branchless-banking pilot in 2013, which involved telecommunications companies and banks, was a tremendous achievement in terms of financial inclusion and indicative of good interoperability among providers. However, after the pilot ended, no further progress has been made in the development of related regulations, such as e-banking and agents. Another strong initiative that has slowed in pace is the micro-insurance blueprint that was launched in 2013. Since then, no regulation has been issued and a degree of uncertainty for micro-insurance businesses remains. The MFI law that was issued in 2013 is seen as progress in terms of regulating non-bank financial institutions (NBFIs). Future regulation updating the 1992 law on co-operatives could affect how credit co-operatives are managed and supervised.

EIU, 2014 highlights that there is a risk of over-regulation as the BI tends to be extra prudent regarding new financial products, which may result in slow progress for the implementation of e-money, or any service related to the country's payment system. However, the business sector perceives OJK as having a more open stance than its predecessor. This potentially supports the progress of financial inclusion, encouraging product development for low-income consumers, such as micro-insurance and branchless banking. Another risk comes from Indonesia's recent change in government, and, as the cabinet is yet to be decided, the impact on financial inclusion is still unclear. However, in a broader sense, it is likely that the stances of the BI and OJK will not change significantly following the change in leadership.

Malaysia

Bank Negara Malaysia has established a comprehensive mechanism to ensure small and medium enterprises have continued access to financing. These include establishing institutional arrangements, strengthening financial services providers, developing a microfinance institutional framework, establishing special funds and financing schemes, and improving outreach and awareness. Data show that outstanding SME loan from banks as percent of GDP increased to 20.75 percent in 2013 from 15.81 percent in 2010 (table 7).

Table 7. Trends in Key Indicators of Financial Access in Malaysia during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	11.05	10.85	11.19	11.08	11.28
ATMs per 100,000 adults, Number	51.50	53.21	53.31	52.94	55.50
Borrowers from banks per 1,000 adults, Number	375.03	374.71	379.42	388.84	403.35
Household borrowers from banks per 1,000 adults, Number	359.20	358.98	363.90	372.78	386.92
Deposit accounts with banks per 1,000 adults, Number	2,105.01	2,155.22	2,212.03	2,305.31	2,528.09
Loan accounts with banks per 1,000 adults, Number	676.86	717.52	716.95	722.31	760.06
SME loan accounts with commercial banks (% of non-financial corporation loan accounts with commercial banks), Number	81.87	81.09	81.00	79.85	80.32
Household loan accounts with banks per 1,000 adults, Number	644.48	683.97	683.21	688.54	724.82
Number of mobile money accounts per 1000 adults, Active, Number	2.79	5.69	6.52	7.61	7.82
Number of mobile money accounts per 1000 adults, Registered, Number	23.62	32.22	25.28	36.61	46.14
Number of mobile money transactions (during the reference year) per 1000 adults, Number	377.10	237.37	165.70	177.03	674.25
Outstanding deposits with banks as percent of GDP, Percent	114.29	109.45	114.01	115.70	119.47
Outstanding household deposits with banks as percent of GDP, Percent	52.72	50.93	51.63	54.07	58.10
Outstanding loans from banks as percent of GDP, Percent	103.69	104.09	106.19	110.77	121.64
Outstanding SME loans from banks as percent of GDP, Percent	17.30	15.81	16.80	18.34	20.75
Outstanding household loans from banks as percent of GDP, Percent	59.42	59.98	61.24	64.02	71.53
Value of mobile money transactions during the reference year (% of GDP), Percent	0.02	0.06	0.08	0.09	0.12

Source: Financial Access Survey (FAS).

Many initiatives implemented over this recent decade have significantly improved financial inclusion in Malaysia. These include the introduction of new financial products and services that meet the diverse requirements of all segments. This has been reinforced with the development of a consumer education and protection framework, as well as the strengthening of the enabling financial infrastructure. In addition, the role and capacity of development financial institutions (DFIs) have also been enhanced (BNM, 2011).

Mongolia[6]

Mongolia's microfinance sector has grown steadily over the last 15 years. The market is dominated by commercial banks, which held 95.6% of industry assets as of 2010. Among commercial banks, the most notable providers of financial services to low-income populations include Khan Bank and XacBank, which markets itself as a microfinance bank (MFB). Non-bank financial institutions (NBFIs), such as Credit Mongol NBFI and VisionFund, have considerable reach among low-income populations, and, in recent years, there has also been rapid growth in the number of small NBFIs offering credit in Mongolia. Mongolia has been an early tech adopter, with

[6] The description heavily drawn from Global Microscope 2014.

very deep mobile-phone penetration and providers have taken advantage of this coverage by establishing mobile-payment platforms. Examples include XacBank's AMAR service, established in 2009 and aimed at rural populations who lacked access to banks, and Most Money, a mobile-payment service offered by MobiFinance (a subsidiary NBFI related to the mobile-phone provider, Mobicom). Mobile-banking regulation is currently in development. Electronic-payment systems are also growing, with the active encouragement of the Bank of Mongolia (BoM, the central bank), which established a national platform for electronic-payment systems in 2010, the Interbank Payment Card Centralized Network (IPCCN).

Table 8. Tends in Financial Access Indicators in Mongolia during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	54.33	54.70	65.81	68.43	71.96
ATMs per 1,000 km2, Number	0.19	0.24	0.41	0.59	0.66
ATMs per 100,000 adults, Number	14.98	18.52	31.51	44.85	50.59
Deposit accounts with commercial banks per 1,000 adults, Number	715.33	847.07	935.32	1,052.17	1,222.29
Loan accounts with commercial banks per 1,000 adults, Number	257.60	263.94	301.30	301.26	340.18
Outstanding deposits with commercial banks as percent of GDP, Percent	38.26	50.29	52.06	46.33	54.12
Outstanding loans from commercial banks as percent of GDP, Percent	35.74	36.95	49.18	49.78	76.85
Outstanding SME loans from commercial banks as percent of GDP, Percent	3.45	3.30	4.27	4.23	4.10
Outstanding household loans from commercial banks as percent of GDP, Percent	13.96	15.86	22.00	22.05	33.28

Source: Financial Access Survey (FAS).

Recent developments include improvements to the public-credit registry maintained by the central bank since 2000. In 2012 the minimum threshold for loans included in the system was eliminated, and, as of 2013, it is guaranteed by law that consumers can review their credit data. The registry covers more than half of the population. Other recent regulations include a deposit-insurance law passed by the parliament of Mongolia in 2013, which established a mandatory insurance scheme for the protection of bank deposits and stipulates that compensation must be paid to consumers irrespective of the initial deposit amount.

A challenge to financial inclusion in Mongolia is the lack of cost-effective distribution channels to cover the sparsely populated rural areas in which 40% of Mongolia's population lives. Although the growth of mobile- and electronic-payment systems could provide a cost-effective solution, regulation is still lacking to ensure secure electronic and mobile transactions. Low levels of financial literacy in Mongolia present another threat to financial inclusion. A nationally representative World Bank financial-capability survey conducted in 2012 found that around one-third of respondents do not have a full understanding of the concept of interest rates, and that financial knowledge was lower among low-income groups. The central bank is currently leading a working group to produce a national financial-education strategy, which it hopes to have drafted by the end of the year.

Nepal[7]

Nepal's financial sector has grown rapidly over the past two decades, with the country experiencing a substantial growth in financial institutions, both licensed and non-licensed. Despite this, 75% of adults (over age 15) were unbanked, with little to no access to financial services, according to the 2011 World Bank Global Financial Inclusion (Global Findex) Database. This is largely because the majority of the population lives in remote, mountainous areas that are hard to access. Additionally, the World Bank states that only 25.3% of adults in Nepal have savings at a formal financial-services provider, including banks, microfinance institutions (MFIs) and co-operatives. According to a sector expert, there is a lot of interest in the area of financial inclusion on the part of the government, Nepal Rastra Bank (NRB, the central bank), non-governmental organisations (NGOs) and donors, and there has been a steady dialogue among the various stakeholders with a view to promoting financial inclusion. While the NRB has promoted many initiatives to increase access to microfinance, this has resulted in a proliferation of banks, which has overstretched the supervisory capacity of the central bank. There is a moratorium on all new bank licences, with the exception of microfinance development banks (MFDBs). By the end of July 2013, there were 253 licensed banks and non-bank financial institutions (NBFIs) in operation. The NRB hopes to establish a separate, second-tier organisation for regulating licensed NGOs and co-operatives through a Microfinance Act, but the ratification of this Act has been pending approval by Nepal's Constituent Assembly for the past five years. Further, some argue that the new regulatory body will be highly politicised, as 90% of the regulatory activity will be government-funded and 10% funded by the NRB.

Table 9. Trends in Financial Access Indicators in Nepal during 2009-2013

	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	5.19	7.39	8.43	8.57
ATMs per 100,000 adults, Number	...	7.39	7.50	8.47
Depositors with banks per 1,000 adults, Number	316.70	...	...	...
Borrowers from banks per 1,000 adults, Number	30.55	...	...	...
Deposit accounts with banks per 1,000 adults, Number	...	...	451.41	478.90
Outstanding deposits with banks as percent of GDP, Percent	52.89	50.01	58.98	82.50
Outstanding loans from banks as percent of GDP, Percent	39.16	38.40	45.51	49.30

Source: Financial Access Survey (FAS).

Consistent with its monetary policy for financial year 2013/14 (July–July), the NRB is in the process of formulating a Financial Sector Development Strategy (FSDS), of which financial-inclusion serves as a pillar. The FSDS draft is expected to be complete by October 2014. The NRB increased deprived-sector lending requirements. By the end of 2013–14 commercial banks must lend 4.5% of their total credit portfolios to the deprived sector, while development banks must lend 4.0% and finance companies 3.5% The NRB also increased the threshold of deposit insurance to Rs300,000 (around US$3,000). The establishment of a new Microfinance Credit Bureau has been completed and is expected to be fully functional later in the year.

[7] The description heavily drawn from Global Microscope 2014.

According to sector experts, there are three main risks to financial inclusion. First, over indebtedness is a problem due to multiple financing and over-borrowing. Second, there is risk of exclusion of the very poor and dependent populations due to Nepal's geography, with around 80% of the population living in inaccessible mountainous and hilly areas. Lastly, the rapid spread of non-regulated financial co-operatives, especially in urban areas, is largely corrupt and subject to financial manipulation. This undermines fair and equitable access to lending. Both primary and secondary sources point to the need for more government regulation in these areas. Financial literacy also remains a challenge, although the NRB is working on several interaction programmes to promote financial knowledge in schools and colleges (EIU, 2014).

Pakistan

Pakistan is a country of over 180 million people living in geographically diverse areas. The branch network of almost 12,700 is insufficient to serve the millions of unbanked masses. Banks operating in Pakistan are hosting only 35 million customer accounts including 3.5 million accounts opened by branchless banking providers. According to the World Bank's Global Financial Inclusion database, and Financial Access Survey (FAS) of IMF , the level of financial in Pakistan remain low. According to FAS data, The numbers of commercial bank branches and ATMs per 100,000 adults population increased to 9.33 and 6.49 respectively in 2013 from 7.46 and 0.73 respectively in 2004. At the end of 2013, the number of registered mobile banking agent per 100,000 adults stood at 162.19. World Bank's Global Financial Inclusion data show that only 10 percent of adults population (15 + aged above) had a bank account in 2011.

Government of Pakistan and State Bank of Pakistan (SBP) pursue of financial inclusion policies to increase outreach unbanked people. Pakistan Microfinance Network (PMN) Pakistan was setup a separate legal and regulatory frame work for microfinance bank in 2001. In order to encourage branchless banking, SPB introduced some regulations in 2008 which revised in 2011 as way by which to foster the growth of agent banking.

Currently, eight branchless banking deployments are live in the market and four more are yet to go live this year. Up to September 2014, providers' combined network has reached to almost 151,448 agents spread across all over Pakistan. Total number of branchless banking transactions has shown continuous growth in each successive quarter. About 66 million transactions worth Rs. 375 billion were performed during the quarter ended September 2014[8]. Currently 4.71 million customers hold branchless banking accounts (also known as m-wallets) to avail host of services including fund transfer, utility bill payment, domestic remittance, mobile top ups, loan repayment, and saving account features. Branchless banking has played a pivotal role in providing efficient Financially Inclusive Government to Person (G2P) payments to welfare beneficiaries of Benazir Income Support Program (BISP), Watan Card and Bayt-ul-mall. Despite phenomenal spread of banking business in Pakistan, it have a long way to go to achieve digital financial inclusion in the country.

[8] See Benchless Banking Quarterly Report, SBP, July-September, 2014.

Table 10. Trends in Financial Access Indicators in Pakistan during 2009-2013

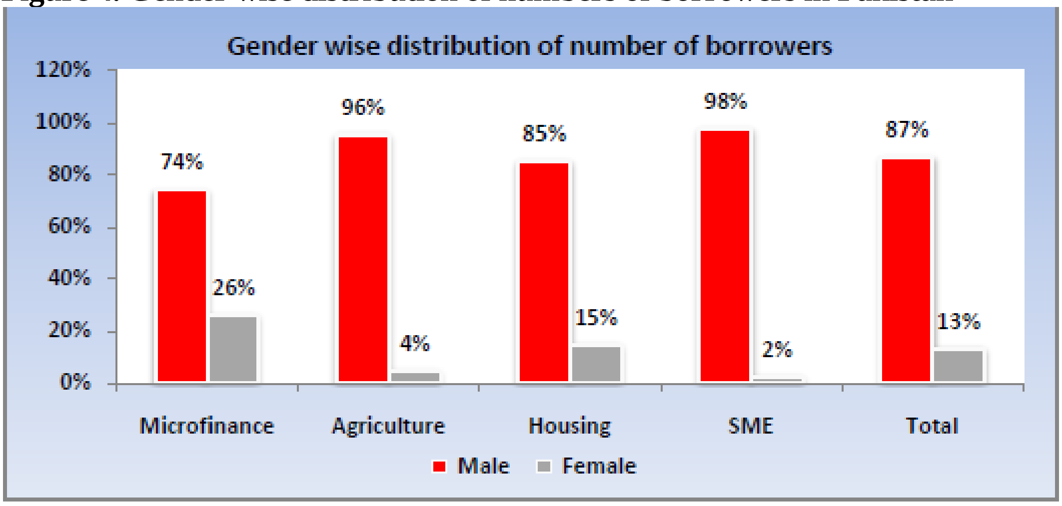
	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	8.35	8.38	8.54	8.78	9.33
ATMs per 100,000 adults, Number	3.89	4.28	4.73	5.31	6.49
Mobile Banking, Agent Outlets per 100,000 adults, Active, Number	...	...	18.06	27.80	85.67
Depositors with banks per 1,000 adults, Number	207.71	233.11	250.99	262.60	288.22
SME depositors with commercial banks (% of non-financial corporation depositors with commercial banks), Number	1.46	1.47	1.30	1.35	1.22
Household depositors with banks per 1,000 adults, Number	88.38	99.51	107.94	121.32	149.98
Borrowers from banks per 1,000 adults, Number	28.52	26.73	26.01	25.15	24.55
Deposit accounts with commercial banks per 1,000 adults, Number	227.07	251.85	276.46	292.75	316.48
SME deposit accounts with commercial banks (% of non-financial corporation deposit accounts with commercial banks), Number	1.52	1.54	1.34	1.51	1.38
Household deposit accounts with commercial banks per 1,000 adults, Number	99.43	110.40	122.82	141.48	169.22
Loan accounts with commercial banks per 1,000 adults, Number	38.90	34.50	30.21	28.37	27.82
Household loan accounts with commercial banks per 1,000 adults, Number	24.71	20.22	16.73	15.55	13.95
Mobile money accounts per 1000 adults, Active, Number	...	...	4.36	9.87	13.66
Number of mobile money transactions (during the reference year) per 1000 adults, Number	...	...	0.43	1.03	1.63
Outstanding deposits with banks as percent of GDP, Percent	29.57	30.08	27.97	29.82	34.26
Outstanding loans from commercial banks as percent of GDP, Percent	22.57	20.54	17.04	17.03	18.28
Mobile Money Accounts, Active, Outstanding balances (% of GDP), Percent	...	...	0.00	0.01	0.01
Value of mobile money transactions during the reference year (% of GDP), Percent	...	...	0.98	2.45	4.00

Source: Financial Access Survey (FAS).

The government-supported Pakistan Poverty Alleviation Fund (PPAF), the microfinance sector's main apex institution, and the PMN have also worked with the government to develop prudential regulations to safeguard the sector and enforce the rules among their members. The poor security situation and lack of electricity have curtailed the growth in financial inclusion. There is also a lack of expertise in the government regulatory bodies on consumer protection, leading to poor enforcement of these rules, which has likely also deterred people from using financial products. In February 2014 the Security and Exchange Commission of Pakistan approved the regulatory framework for micro-insurance, which prescribes standards of conduct and outlines requirements for consumer protection and disclosure. This should help encourage more participation by improving standards of consumer protection and transparency in the sector.

State Bank of Pakistan (SBP) has been supporting development of an inclusive financial system in the country to ensure provision of financial services to all sectors of the economy. According to Labor force survey 2011, women constitute 13.3 million of Pakistan's labor force which represents their significance in overall economic growth of the country1. Nearly 90 percent of these women work in agriculture, elementary occupations and crafts sector. This presents an opportunity to financial sector to increase its outreach amongst the economically active female population. Cognizant of the potential of these markets, SBP assigns high priority to the sectors such as, i) agricultural credit ii) microfinance iii) SME finance, and iv) housing finance. Access to financial services by women is lower in Pakistan but the momentum is building gradually for increasing women's share in financial access. Gender wise distribution of borrower shows in figure 4.

Figure 4. Gender wise distribution of numbers of borrowers in Pakistan



Source: Access to Finance in Pakistan, Key Indicators on Gender-mix, SBP.

The government often borrows from the banks to finance its persistent budget deficits. This is likely to dampen overall private-sector credit growth and, therefore, financial inclusion, as most lenders would rather make low-risk loans to the government than engage in microfinance. The level of financial capability among the population remains low, which will likely contribute to a lack of product innovation and consumer-protection improvement.

Philippines[9]

Since developing the National Strategy for Microfinance in 1997, the Philippine microfinance sector has enjoyed considerable support and the government's focus on this sector has been a key tool in reducing poverty. The Bangko Sentral ng Pilipinas (BSP, the central bank) was the first central bank in the world to establish an office, the Inclusive Finance Advocacy Staff, dedicated to financial inclusion. While there has been a sustained increase in the number of financial-services providers and products, distribution is skewed towards highly populous and urbanised areas. There is still much to be done, as only 26.6% of the adult population (over age 15) has a deposit account, according to the 2011 World Bank Global Financial Inclusion (Global Findex) Database. Archipelago barriers post a significant challenge to increasing access to financial services to low-income and underserved populations. The BSP continues to promote an enabling environment for financial inclusion through the issuance of various regulations and circulars, which seek to encourage new entrants of financial-services providers and

[9] The description heavily drawn from EIU, Global Microscope 2014.

products that serve the poor, while also ensuring the safe provision of such services. Through the BSP's microfinance strategy, the private sector plays a greater role in the provision of financial services, resulting in a wider range of products, including micro-deposits, micro-enterprise loans and micro-insurance. As of June 2013, there were 186 banks with microfinance operations, which serve over 1m clients, with an outstanding portfolio of P8.04bn (US$179m), allowing these clients to save P8.9bn.

An Inclusive Finance Steering Committee was recently established to craft a national strategy for financial inclusion. This is only one of three internal committees that the governor chairs, which is indicative of the importance that the governor accords to financial inclusion. In May 2014 the BSP approved a general consumer-protection framework, in which the BSP will supervise and assess the safety and soundness of banking operations. The framework, which includes a separate system to access consumer-protection practices, is expected to be fully functional in 2016. Established under the Credit Information System Act in 2008, the Credit Information Corporation is now off the ground and expected to be fully operational by December 2014.

Table 11. Trends in Financial Access in Philippines during 2009 -2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	7.65	7.74	7.85	8.13	8.63
Credit union and financial cooperative branches per 100,000 adults, Number	0.27	0.26	0.27	0.26	0.24
All MFI branches per 100,000 adults, Number	0.95	1.02	1.02	...	...
ATMs per 100,000 adults, Number	14.31	15.49	17.23	19.31	22.95
Mobile Banking, Agent Outlets per 100,000 adults, Active, Number	...	14.58	19.25	23.91	16.77
Mobile Banking, Agent Outlets per 100,000 adults, Registered, Number	...	14.58	19.70	29.29	37.95
Depositors with commercial banks per 1,000 adults, Number	371.98	386.38	446.40	445.28	453.51
Depositors with credit unions and financial cooperatives per 1,000 adults, Number	...	1.97	1.97	1.93	1.97
Deposit accounts with commercial banks per 1,000 adults, Number	422.44	490.60	550.04	497.57	542.00
Deposit accounts with credit unions and financial cooperatives per 1,000 adults, Number	7.45	6.78	6.39	5.87	5.16
Number of mobile money accounts per 1000 adults, Active, Number	...	105.79	111.78	119.35	84.54
Number of mobile money accounts per 1000 adults, Registered, Number	...	130.55	136.77	146.84	126.73
Number of mobile money transactions (during the reference year) per 1000 adults, Number	...	630.88	690.80	854.73	1,010.05
Outstanding deposits with commercial banks as percent of GDP, Percent	41.60	41.09	38.90	38.16	49.16
Outstanding deposits with credit unions and financial cooperatives as percent of GDP, Percent	0.11	0.10	0.10	0.09	0.08
Outstanding loans from commercial banks as percent of GDP, Percent	16.32	16.64	19.84	20.94	24.60
Outstanding loans from credit unions and financial cooperatives as percent of GDP, Percent	0.12	0.05	0.06	0.06	0.04
Mobile Money Accounts, Active, Outstanding balances (% of GDP), Percent	...	0.21	0.18	0.03	0.05
Value of mobile money transactions during the reference year (% of GDP), Percent	...	1.33	1.42	1.60	1.90

Source: Financial Access Survey (FAS).

While the Philippines is at the forefront of promoting and creating an enabling environment for financial inclusion, some sector experts believe that delivery and implementation is weak. In an archipelago made up of more than 7,000 islands, there are huge financial, security and logistical challenges in reaching the poor and unbanked. The concentration of microfinance institutions (MFIs) is found in the urban and semi-urban areas with larger populations, and this often results in lenders charging higher interest rates. In the country's largest province, Mindanao, coverage for microfinance is negligible. Non-regulated financial institutions, namely, co-operatives, are not well supervised and engage in deceptive practices and charge high interest rates. Over indebtedness is also an issue with multiple financing, although the establishment of the Credit Information Corporation is a step in the right direction. Lastly, financial literacy continues to be a problem, as many Filipinos do not understand or value the importance of savings.

Sri Lanka[10]

In 2013 the Sri Lankan banking system had 33 licensed banks: 21 domestic (including nine licensed specialised banks) and 12 branches of foreign banks. The regulated non-bank financial sector consists of 48 finance companies and ten leasing companies, with over 1,060 branches. There were 88 new branches opened in 2013 and 61 of these were opened outside the Western Province. The financial system also includes 21 insurance companies and community-based financial institutions, such as co-operative rural banks with over 2,000 branches; over 1,100 Samurdhi Bank Societies; and more than 4,000 active thrift and credit co-operative societies. In addition, Sri Lanka has ten large and medium-sized niche-market microfinance institutions (MFIs), with over 400 branches. As of 2013 there were 6,487 banking outlets and 2,538 automated teller machines (ATMs), bringing Sri Lanka's banking density to 16.8 branches per 100,000 people. In 2011 around 69% of adults (over age 15) reported having an account at a formal financial institution such as a bank, finance company, co-operative, post office or MFI, according to the World Bank's Global Financial Inclusion (Global Findex) Database.

Table 12. Trends in Financial Access Indicators in Sri Lanka during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 1,000 km2, Number	35.62	38.24	42.00	43.90	45.06
Bank branches per 100,000 adults, Number	14.59	15.51	16.86	18.09	18.57
ATMs per 1,000 km2, Number	29.93	32.21	36.07	38.51	40.47
ATMs per 100,000 adults, Number	12.26	13.06	14.48	15.87	16.68
Outstanding deposits with banks as percent of GDP, Percent	38.27	38.43	39.10	40.02	46.85
Outstanding loans from banks as percent of GDP, Percent	29.89	32.15	36.58	38.68	42.24

Source: Financial Access Survey (FAS)

[10] The description heavily drawn from Global Microscope 2014.

The bulk of banking services has historically been limited to the Western Province of Sri Lanka; however, over the last three years or so, Sri Lankan banks have opened additional branches beyond the Western Province, mainly in underserved and post-conflict regions. This has enhanced access to finance across the country. This expansion of access has been facilitated by government policies, including subsidised commercial lending to micro, small and medium-sized enterprises (MSMEs) and a lowering of interest rates. The north and east of Sri Lanka, the areas that were worst affected by the nearly 30-year-long civil conflict, have the greatest need of basic financial facilities. Since the end of the conflict in 2009, banks have been opening up in these areas. In the first half of 2011, 32 bank outlets were opened in the sparsely banked areas of the north and east. The launch of a mobile-money service, eZ Cash, by Sri Lanka telecommunications company, Dialog, in June 2012, and its successful uptake, is one of the recent highlights for financial inclusion in Sri Lanka. The streamlined and minimal paperwork involved with the product has made it popular with the financially excluded, who can be intimidated by bureaucracy. By March 2013 daily eZ Cash transactions had topped R8m (US$61,000).

The lack of progress on the passage of the Microfinance Bill in 2013 is a detriment to financial inclusion, according to experts interviewed. If approved, the Bill, currently in its third draft, would set up a separate authority to regulate and supervise MFIs and provide a mechanism by which to co-ordinate microfinance operations with other government policies aimed at rural development and poverty alleviation. While the Central Bank of Sri Lanka acknowledges the need to regulate MFIs, the government has not passed the Bill.

Thailand[11]

Financial inclusion in Thailand is measured in terms of the financial access available to households. The latest measurement from the Bank of Thailand (BOT, the central bank), conducted in 2013, found that around 88% of surveyed Thai households have access to at least one type of financial service, an increase from around 85% in 2010. The overall landscape of financial inclusion in Thailand is characterised by government-supported financial institutions. Major players in providing financial services to the poor include Specialized Financial Institutions (SFIs) and the Village Fund (VF). The SFIs are state-owned banks and two are particularly important to financial inclusion: Bank for Agriculture and Agricultural Cooperatives (BACC), which provides financial services to rural farmers, and Government Savings Bank (GSB), which provides financial services to the urban poor.

Table 13. Trends in Financial Access in Thailand during 2009-2013.

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	10.93	11.16	11.48	11.77	12.16
CUFC branches per 100,000 adults, Number	3.49	3.52	3.59	3.62	3.46
ATMs per 100,000 adults, Number	74.32	83.02	88.41	95.92	104.32

[11] The description heavily drawn from Global Microscope 2014.

Depositors with banks per 1,000 adults, Number	1,049.83	1,086.36	1,142.03	1,132.21	1,173.00
Household depositors with banks per 1,000 adults, Number	1,032.66	1,068.59	1,123.04	1,113.22	1,152.36
Depositors with CUFC credit unions and financial cooperatives per 1,000 adults, Number	21.63	24.44	23.60	36.20	26.27
Borrowers from banks per 1,000 adults, Number	219.81	233.87	253.97	276.15	299.58
SME borrowers from commercial banks (% of non-financial corporation borrowers from commercial banks), Number	92.80	91.79	92.31	91.98	92.59
Household borrowers from commercial banks per 1,000 adults, Number	202.01	215.27	234.29	255.54	277.64
Borrowers from CUFC per 1,000 adults, Number	30.34	32.10	30.59	31.84	25.16
Deposit accounts with banks per 1,000 adults, Number	1,405.40	1,446.16	1,403.59	1,468.10	1,509.80
Household deposit accounts with banks per 1,000 adults, Number	1,379.15	1,419.09	1,375.82	1,438.67	1,478.29
Deposit accounts with CUFC per 1,000 adults, Number	35.09	37.99	39.05	42.77	31.79
Loan accounts with banks per 1,000 adults, Number	268.77	284.92	315.81	357.93	392.65
Household loan accounts with banks per 1,000 adults, Number	257.83	272.46	302.11	342.49	376.00
Loan accounts with CUFC per 1,000 adults, Number	48.78	50.02	51.23	52.37	36.75
Outstanding deposits with banks as percent of GDP, Percent	68.70	64.70	66.44	77.54	84.08
Outstanding household deposits with banks as percent of GDP, Percent	51.22	47.36	48.35	54.19	57.61
Outstanding deposits with CUFC as percent of GDP, Percent	4.23	4.56	4.39	4.57	5.05
Outstanding loans from banks as percent of GDP, Percent	65.62	63.95	70.12	74.00	82.13
Outstanding SME loans from banks as percent of GDP, Percent	23.85	22.86	25.31	26.51	30.21
Outstanding household loans from banks as percent of GDP, Percent	25.52	26.26	28.84	32.15	36.71
Outstanding loans from CUFC as percent of GDP, Percent	9.09	9.70	11.11	11.87	13.35

Note: CUFC = credit unions and financial cooperatives. Source: Financial Access Survey (FAS).

The VF is one of the largest micro-credit programmes in the world, providing an important source of small-credit at village level throughout the country. Commercial banks in Thailand have yet to offer services to low-income populations. Regulation for financial inclusion has not been extensively developed; a specific plan to promote financial inclusion has yet to come into effect, and other regulations governing financial inclusion are characterised by the fragmentation of regulators.

The past year has seen several attempts to promote financial inclusion. The most notable was the co-operation between the Fiscal Policy Office (FPO) and the Asian Development Bank (ADB) in developing a Financial Inclusion Master Plan, which is scheduled to commence later in 2014. In addition, the Ministry of Finance recently attempted to promote microfinance by allowing the interest-rate cap to be expanded to 36%, and allowing microfinance providers to register with lower capital requirements.

Recent political crises and the military coup could stall these attempts. With the military now in power, Thailand's political situation remains highly volatile. The duration of military control remains unclear, whereas the direction of its policies on the economy is yet to become clear. The market for financial services to the low-income population in Thailand is immature and there are regulations that make it unattractive for financial providers to enter the microfinance sector, most notably the interest-rate caps that make it difficult to cover the cost and risk of doing so. The BoT could have played a more active role by co-ordinating fragmented regulators and promoting the unified mandate and plan to achieve financial inclusion. However, since the financial crisis of 1997, the BOT's main focus has been to maintain financial stability in the country, preventing it from taking many risks, including those associated with microfinance provision. It is unlikely that Thailand will make much progress towards greater financial inclusion in the near future.

Vietnam[12]

Financial-inclusion initiatives are driven by the State Bank of Vietnam (SBV, the central bank), which supervises the entities that offer banking services to the vulnerable population. The two largest state banks that focus on delivering services to the poor are the Vietnam Bank for Social Policies (VBSP) and the Vietnam Bank for Agriculture and Rural Development (Agribank). These banks offer subsidised credit; however, according to the World Bank's Global Financial Inclusion (Global Findex) Database, in 2011 (latest data available) only about 16% of the adult population (over age 15) reported borrowing or having debt at a formal financial institution, while 31% reported borrowing from friends and family. Licensed microfinance institutions (MFIs) currently play a limited role in financial inclusion, as there are only two players, Tinh Thuong Microfinance Institution (TYM) and M7. According to Findex data, around 21% of adults in Vietnam held an account at a formal financial institution, and only 11% of those in the bottom 40% of the income distribution held a formal account. The SBV has recognized the importance of developing a microfinance sector and, in December 2011, the prime minister, Nguyen Tan Dung, announced a decision to develop the sector through 2020.

Poverty reduction is a key policy focus and the government recognizes how financial inclusion encourages this. The implementation of Mr Dung's 2011 decision has two phases: the first, which lasts through 2015, is to develop guidelines, training and relevant databases for microfinance, while the second phase, which begins in 2016, allows expansion and diversification of MFIs and products. The SBV and VBSP have developed several credit programmes targeting poor households, students, micro businesses, potable-water projects, environmental protection, job creation and housing for the poor. An important feature of the SBV's credit policy is establishing convenient and simple procedures, such as creditworthiness assessments via mass organizations and People's Committees. These will facilitate increased access to bank loans.

[12] The description heavily drawn from Global Microscope 2014.

Table 14 . Trends in Financial Access Indicators in Vietnam during 2009-2013

	2009	2010	2011	2012	2013
Bank branches per 100,000 adults, Number	3.31	3.24	3.57	3.13	3.72
CUFC branches per 100,000 adults, Number	...	1.63	1.68	1.69	1.71
ATMs per 100,000 adults, Number	14.89	17.19	19.77	20.84	22.29
Outstanding deposits with banks as percent of GDP, Percent	97.50	111.44	97.18	97.67	118.10
Outstanding deposits with CUFC as percent of GDP, Percent	1.01	1.08	1.07	1.24	1.49
Outstanding loans from banks as percent of GDP, Percent	97.97	109.34	96.85	90.50	103.60
Outstanding loans from CUFCas percent of GDP, Percent	1.21	1.24	1.24	1.31	1.62

Note: CUFCCredit union and financial cooperative.Source: Financial Access Survey (FAS).

There are many challenges in Vietnam. Today, Vietnam remains a cash-based economy. Many people prefer to save in hard currency, making it challenging to expand savings services. Several state-owned banks face liquidity issues, which reduce the public's trust in them. Additionally, an inadequate legal framework for payment systems is a major obstacle to the progress of e-payment implementation and innovation. The absence of Certification Authority (CA) is one of the identified obstacles to the promotion of e-commerce in general, and e-payments in particular.

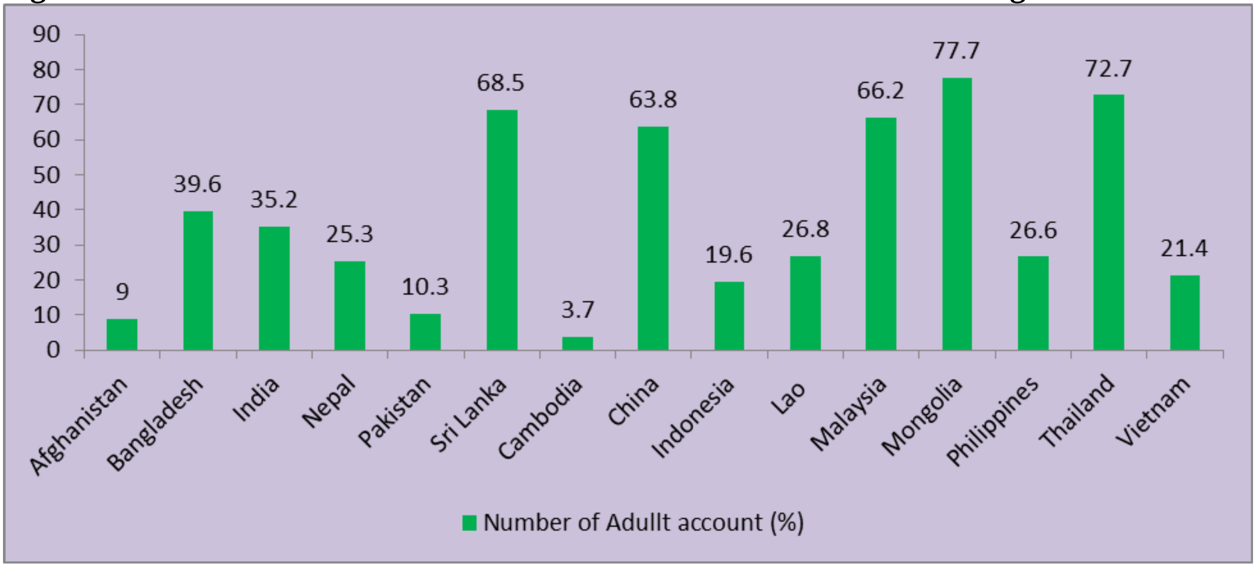
4. Cross Countries variation and barriers in financial inclusion

The main objective of the section is to identify the variations and the barrier for inclusive finance in Asia pacific Region. Trend in financial services of geographical outreach and uses country level data indicate a huge variation in Asia Pacific region. The account penetration level of financial inclusion is given in Figure 5 and 6. The Figure shows that a wide disparities of account penetration in the selected countries. The lower level account penetration of countries is Afghanistan, Nepal, Pakistan, Cambodia, Indonesia, Lao PDR, Philippines and Vietnam. Global Findex survey data shows that a number of adult's of these countries borrow from their family and friends and poor people, youth and woman have limited access to formal financial institution. Lower bottom 20 % poorest adult people low penetration also a one the major causes of variation.

A number of factors identified by the World Bank study both at country level and individual level[13]. A level of economic development level of financial development, financial system structure and product in country level and level of education, gender, age, marital status, household size, employment, rural versus urban residence, religion and culture are the major factors of variation in individual level. Out of the factors, GDP per capita accounts for much of the variation across countries (Demirguc-Kunt and Klapper, 2013).

[13] See Kunt and Klapper, 2013.

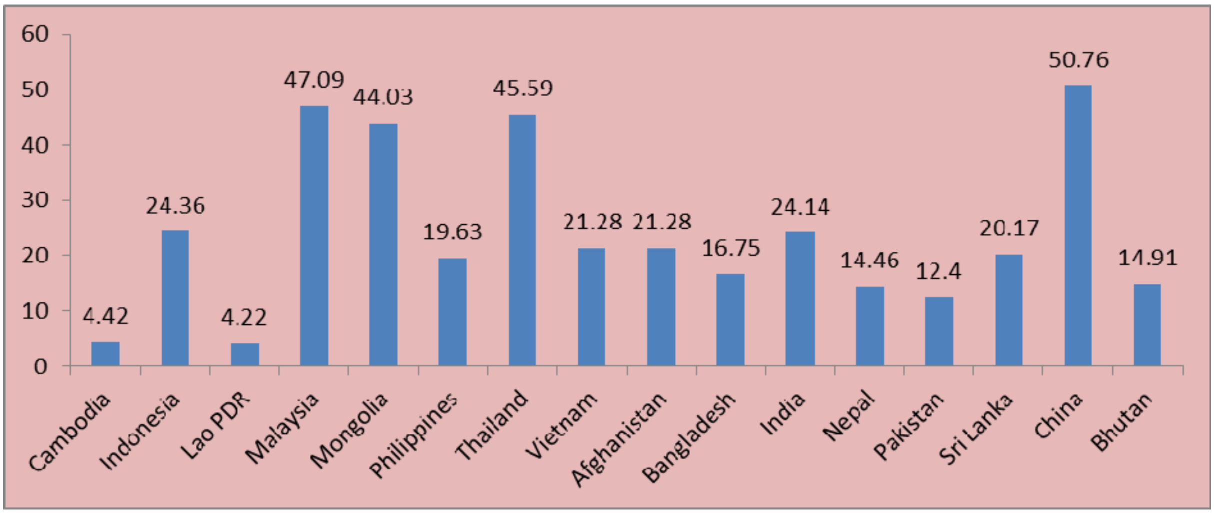
Figure 5. Level of Financial Inclusion in Some Countries of Asia-Pacific Region



Source: Global Findex Survey Data, 2012.

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

Figure 6. Financial Inclusion Index of Some Selected Asian Countries



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

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

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

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

Poor banking infrastructure: Keeping in view the number of financially excluded people, in Bangladesh, about half of the adult population is unbanked (48.49 percent) in terms of deposit accounts in the banks. The major barrier is geographical or physical access measuring the average distance from household to bank branch; however, the branches per 1,000 square kilometers could be used as crude indicator for providing an initial idea to the barriers of inclusion. For example, Spain has 96 branches per 100,000 people and 790 branches per 1,000 square kilometer, while Bangladesh has less than 7 branches (or ATM) per 100,000 population and about 67 branches (or ATM) per 1,000 square kilometer. A large section of the population who do not have any physical access to the banking services are in rural and remote areas in the country.

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

Inadequate financial literacy or education: Financial literacy and awareness are very low in the country, particularly in rural areas; it makes a large segment of household difficult to get financial services from the banking system in terms of savings, credit and payments.

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

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

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

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

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

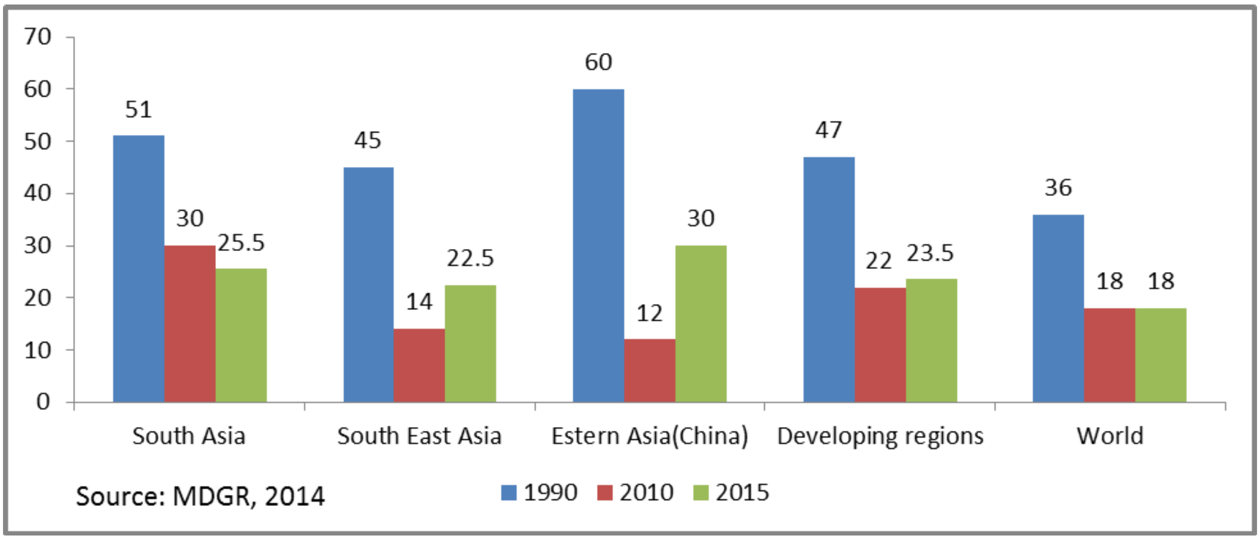
Absence of credit bureau and insurance of MFI borrowers: Spreading of outreach by MFI is quite impressive in rural areas. But, there is no credit bureau for identifying overlapping borrowers and their indebtedness. At the same time, there is no micro insurance for credit borrowers.

5. TRENDS IN ACHIEVEMENTS OF MDGS AND CHALLENGES FOR INCLUSIVE GROWTH AND SUSTAINABLE DEVELOPMENT IN ASIA PACIFIC REGION

Cross country experiences of inclusive finance approach show that many countries in Asia pacific have achieved remarkable progress in MDGs. The deadline of MDGs will end in 2015. The experiences of fastest growth in the Asia Pacific region which lifted a million of people out of poverty. A number of new challenges has come in front which are environmental degradation, economic uncertainty, and widening gaps between rich and poor, cities and urban areas.

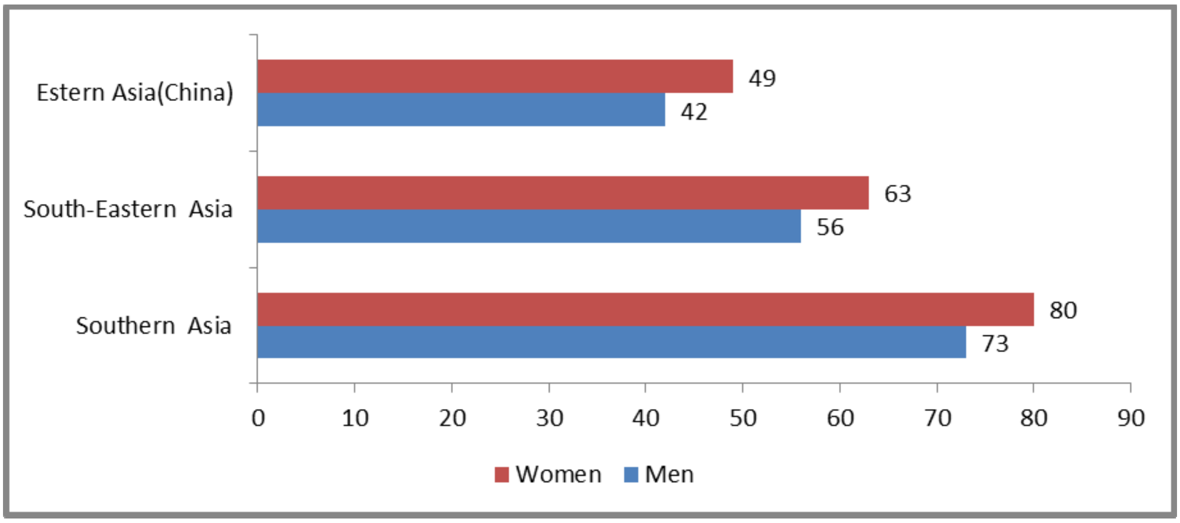
Although progress on reducing extreme poverty has been remarkable in Asia-pacific region, major challenges remain. The progress on poverty reduction has been un even. The region such as Eastern Asia and South Eastern Asia have met the target of having the extreme poverty rate, whereas Southern Asia still lag behind (figure 7). Another major concern is that majority of people living on less than $1.255 a day south Asia and China. In 2010, one third of the world's 1.2 billion extreme poor lived in India alone. China, despite much progress in poverty reduction, raked second, and was home to about 13 per cent of the global extreme poverty. In Bangladesh, extreme poverty was about 5 percent of global poverty in 2010 (MDGR, 2014). To tackle the poverty in Asia pacific region a comprehensive inclusive finance policies are needed.

Figure 7. Trend in proportion of people living on less than $1.25 a day.



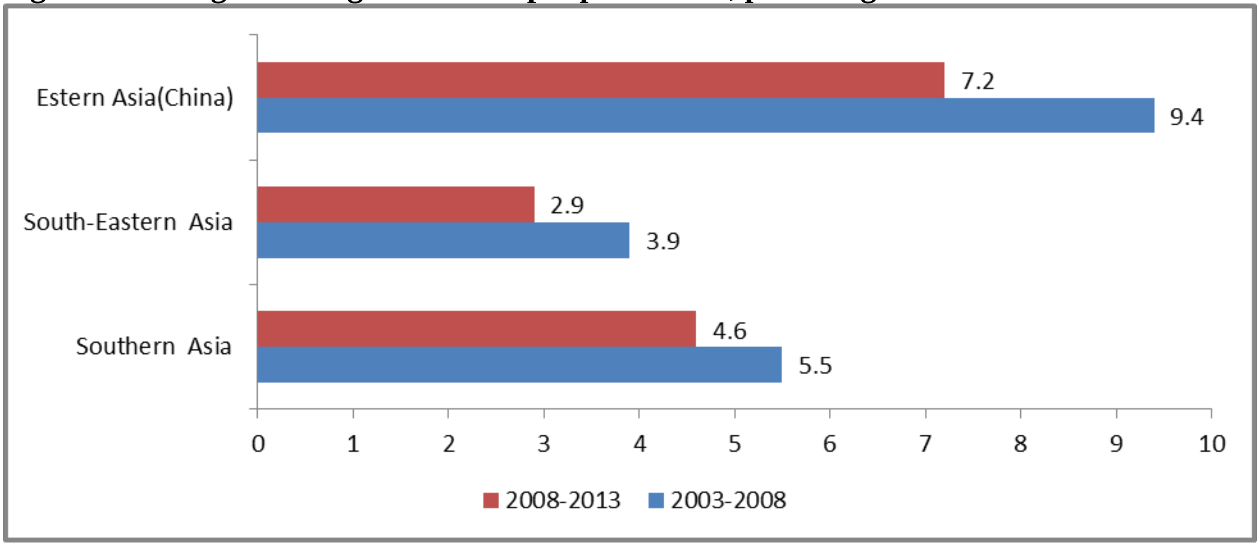
Data on employment status show that women are more engaged in vulnerable employment than men in Asia pacific region. Vulnerable employment is defined as the percentage of own account and unpaid family worker in total employment. In 2013, vulnerable employment rate of women over men was higher in Southern Asia than that of in eastern Asia (figure 8). The gender gap was more close in Central Asia.

Figure 8. Proportion of own-account and contributing family workers in total employment, women and men, 2013.



The analysis of economic growth and labor productivity shows that job quality improvement was limited accompanied by slowed down in productivity growth during 2008-2013. Labor productivity is a key measure of economic performance. Average annual labor productivity growth rates slowed down markedly in Eastern Asia (figure 9).

Figure 9. Average annual growth in output per worker, percentage.



Although the Asia-Pacific region has the lowest unemployment rate of any region, 4.6% in 2013, compared with the highest figure of 10.7% in Europe, an increasing trend in youth unemployment is a major concern. Youth unemployment was at 11.3% in 2013 for the region, following an increasing trend. Among the sub regional groupings, Central Asia and South-East Asia had the highest rate of youth unemployment at 16.6% and 13.6%, respectively in 2013. For both total and youth unemployment rates, the difference between women and men is insignificant at the regional level (Statistical Year Book, ESCAP, 2014).

Of the employed population in the Asia-Pacific, region the share of employees rose from 43.7% to 44.3% between 2012 and 2013 while the share of employers, own-account workers and contributing family workers decreased slightly. In terms of employment by sector in the Asia-Pacific region, there is a continuing trend towards a higher share of employment in services, which accounted for 39% of total employment in 2013, up from 37.1% in 2010. Conversely, the share of employment in agriculture fell from 38.4% in 2010 to slightly under 35% in 2013. The share of employment in the industrial sector remained almost unchanged, with a slight increase from 24.5% in 2010 to 26.2% in 2013 (ibid).

An analysis of labor market trend show that new educated entrants to the labor market are affected – exacerbating the demographic challenge in East Asia (ILO, 2015). The deceleration in growth in East Asia has led to a slow but steady rise in the unemployment rate (table 15). As such, the unemployment rate is expected to have climbed from 4.2 per cent in 2010 to 4.6 per cent in 2014. During this period, the increase in the unemployment rate has been more pronounced among youth, increasing from 9.0 per cent in 2010 to 10.5 per cent in 2014, while that of adults is estimated to have risen from 3.2 per cent in 2010 to 3.7 per cent in 2014. This partly reflects the difficulties young people face in finding jobs that match their skills and expectations. In China, for example, the unemployment rate in 2013 was just above 4 per cent in urban areas, but was more than double among registered graduates in the same area (ibid).

Table 15. Economic and Social Developments in East Asia (in per cent, 2009-19)

	2009	2012	2013	2014	2015	2016	2017	2018	2019
Labour force participation rate	70.7	70.6	70.8	70.8	70.9	70.8	70.7	70.5	70.3
Unemployment rate (total)	4.4	4.4	4.5	4.6	4.8	4.9	4.9	5.0	5.0
Youth unemployment rate	9.4	9.7	10.1	10.5	10.8	11.1	11.4	11.6	11.7
Employment growth	0.4	0.8	0.7	0.5	0.4	0.3	0.2	0.1	0.1
Youth employment growth	–2.3	–3.9	–5.2	–5.7	–5.5	–5.1	–4.8	–4.3	–3.5
Real wage growth	7.5	7.7	7.1	6.9	6.9	6.9	6.8	6.8	6.7
Productivity growth	7.1	5.9	6.2	6.3	6.2	6.1	6.1	6.0	5.9

Source: ILO, World Employment and Social Outlook--Trends 2015.

The social outlook of the regions also could be weighed down by high levels of income inequality. In China, for example, the Gini index increased from 32.4 in 1990 to 42.6 in 2002 and has changed very little since. Meanwhile, the share of total income held by the most wealthy 10 per cent of the population increased by 4.7 percentage points, from 25.3 per cent in 1990 to 30.0 per cent in 2009. Likewise, in Mongolia, the comparable income share rose 5.5 percentage points, from 22.9 per cent in 1998 to 28.4 per cent in 2008, reflecting the growing uneven distribution of natural resource revenues.

In South East Asia and Pacific region, employment growth has been steady, including for youth and women, but structural shifts will bring institutional challenges (table 16). Between 2010 and 2014, overall employment grew on average by 1.8 per cent per annum. During that period, women's employment grew at a slightly faster rate, i.e. 1.9 per cent, compared with 1.7 per cent for men. This was likely driven by the trend in a few countries, such as Indonesia, Malaysia and Viet Nam, where women's employment expanded primarily in labour-intensive manufacturing and trade-related services. In addition, women in vulnerable employment as a share of total female employment declined 1.7 percentage points in the same period, while vulnerable employment among men decreased by 1.0 percentage point. Job creation among youth has also been fairly robust, averaging 0.6 per cent per annum between 2010 and 2013, compared with the period 2000 to 2009, during which employment of young men and women fell by the same margin per annum.

Table 16. Economic and Social Developments in South East Asia and the Pacific (in per cent, 2009-19)

	2009	2012	2013	2014	2015	2016	2017	2018	2019
Labour force participation rate	70.3	70.4	70.4	70.4	70.4	70.3	70.2	70.1	70.0
Unemployment rate (total)	5.2	4.1	4.3	4.3	4.3	4.2	4.2	4.2	4.1
Youth unemployment rate	14.0	12.7	13.6	13.6	13.6	13.6	13.6	13.6	13.5
Employment growth	1.8	2.0	1.5	1.6	1.5	1.5	1.4	1.4	1.3
Youth employment growth	–0.2	0.6	–0.7	0.3	0.0	–0.1	–0.2	–0.2	–0.1
Real wage growth	2.6	3.6	6.1	1.9	3.1	3.4	3.7	3.7	3.8
Productivity growth	0.0	4.0	3.4	2.8	3.7	3.7	3.9	4.0	4.0

Source: ILO, World Employment and Social Outlook--Trends 2015.

Jobless growth underpinned by informal employment and working poverty is the crucial issues which faces many countriesd in South Asia. South Asia faces a serious challenge of jobless growth, as average annual economic growth of 6.1 per cent from 2009 to 2014 corresponded to employment expansion of only 1.4 per cent per year for the same period (table 17). Moreover, much of the employment growth that occurred was in vulnerable and informal employment (IILS, 2013). For instance, vulnerable employment accounted for over three-quarters of all employment in 2014, with many of those in vulnerable employment working in subsistence agriculture and likely to be among the working poor. Moreover, the majority of women in South Asia are still heavily dependent on this sector, at 62.0 per cent in 2014, compared with 42.1 per cent for men. Most South Asian countries face a challenge of low labour force participation for women, with the exception of Nepal. Typically, low female participation in South Asia has been attributed to social norms associated with women burdened with household duties as well as relatively lower levels of female education.

Table 17. Economic and Social Developments in South Asia (in per cent, 2009-19)

	2009	2012	2013	2014	2015	2016	2017	2018	2019
Labour force participation rate	57.8	56.1	56.1	56.2	56.2	56.3	56.3	56.3	56.3
Unemployment rate (total)	4.2	3.9	3.9	3.9	3.9	4.0	4.0	4.0	4.0
Youth unemployment rate	9.8	9.9	9.9	10.0	10.1	10.2	10.2	10.3	10.3
Employment growth	0.7	1.0	2.0	1.9	1.9	1.8	1.8	1.7	1.7
Youth employment growth	–2.1	–1.8	0.6	0.4	0.3	0.3	0.3	0.2	0.1
Real wage growth	4.8	1.3	3.3	2.3	2.7	3.1	3.3	3.5	3.6
Productivity growth	6.8	3.8	3.2	3.6	4.2	4.4	4.6	4.8	4.8

Source: ILO, World Employment and Social Outlook--Trends 2015.

The analysis of job market, employment and inequality in the Asia Pacific region indicates a great concern for post 2015 development agenda. For example, the recent slow economic growth takes its toll on job market. So the achievement of full and productive employment and decent work for all including woman and youth people is challenge for inclusive growth beyond 2015.

One of the crucial Lesson learned from MDGs is environmental sustainability threat. Global emission of carbon dioxide (CO_2) has increased by almost 50 per cent since 1990. Millions of hector of forest are lost every year, threatening this valuable asset. Changes in climate dynamics caused by carbon emissions, reckless use of natural resources, inefficient energy and water use, etc. induce climate-related natural disasters and ecological damage which, together, reverse socio-economic gains. The Fifth Assessment Report of the Intergovernmental Panel on Climate Change underscores that failure to contain the rise of surface temperature to below two degrees Celsius by 2100 would be catastrophic for the planet. Many countries in South Asia, in particular Bangladesh, would be the worst affected, as the IPCC concludes that a one degree increase in temperature will raise sea levels by up to 98cm.

To ensure deeper and lasting economic and human progress, the architecture of the post-2015 development agenda calls for a rethink and redesign of development policy frameworks. Instead of relying on a segregated approach to development, this round of global development advocates a holistic and integrated approach to economic, social and environmental concerns. There is growing evidence of strong inter-dependence and inter-linkages between these three core pillars, and a coordinated response on these pillars would be self-reinforcing (Aktar, 2015).

Mobilizing Asia Pacific to adopt and lead on the sustainable development architecture and its pathways will help foster positive spill over given the strong nexus between the economic, social and environmental pillars. In view of these growing issues and challenges, there is a strong case for South Asia and East Asia to adopt a transformational set of mutually reinforcing policies to positively harness the nexus between three pillars of sustainable development. The sub-region needs to boost aggregate demand by raising its low income levels; enhance smart investments in human development, social protection and job generation; and expanding the coverage of basic services. Both the social and environmental dimensions can reinforce economic growth.

6. SUSTAINABLE DEVELOPMENT GOAL (SDG) AND INCLUSIVE FINANCE STRATEGY

Based on the progress and challenges of MDGs, the UN will announce a new set of sustainable development goals in 2015, which hold immense promise for the next 15 years of global and country-level work. Already, UN General Assembly's Open Working Group proposes sustainable development goal.[14] Three high-level international meetings in the year ahead give us the opportunity to Figure a new era of sustainable development. The first will be the International Conference on Financing for Development in Addis Ababa in July, where a compact for a global partnership can be realized. The second will be the special Summit on sustainable development at the United Nations in September, where the world will embrace the new agenda and a set of Sustainable Development Goals, which we hope will mark a paradigm shift for people and planet. The third will be the 21st Conference of the Parties (COP21) of the UN Framework Convention on Climate Change in Paris in December, where Member States have pledged to adopt a new agreement to tackle a threat that could make more difficult to deliver on the new development agenda.

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

The UNSGS finds that financial inclusion is a critical enabler and accelerator of equitable economic growth, job creation, social and human development. It is a cross--cutting issue. An inclusive financial system is part of essential infrastructure in a given country. One of the target is that universal access to financial services by 2030 is within

[14] Report of the Open Working Group on Sustainable Development Goals is available at www.un.org/ga/search/view_doc.asp?symbol=A/68/L.61&Lang=E.

reach. That means that all households and businesses have access to and can effectively use a wide---range of financial services at a reasonable cost, provided by responsible and sustainable institutions that operate in a well---regulated environment. A global target of 90% usage of formal accounts is achievable, based on targets some countries have set.

Policy implications and recommendations in line with post-2015 development agenda are discussed in following section:

A. Inclusive financing development approach for Microfinance experiences

Bangladesh is the pioneer of an innovative microcredit program, introduced by Professor Yunus through Grameen Bank, which earned him and his organization a Nobel prize in 2006. Although Grameen model is recognized world-wide and replicated in many countries, microfinance has existed in Bangladesh in some form or other for a long time. Many countries in Asia Pacific region, i.e., India, Pakistan, Afghanistan, China, Malaysia, Indonesia, and Cambodia are expanding financial services to rural poor and micro enterprise through microfinance institution (MFIs). Although microfinance penetration and coverage of poor people scaled up over time, there is a lot of scope to expand the penetration in many country (table 18)

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

Table 18. Microfinance Penetration Asia

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

Source: InM (2011a).

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

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

B. Inclusive finance approach for micro small enterprise (MSE) and small and medium sized enterprises (SMEs)

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

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

[15] See InM (2011b).

decreasing because of the deep-rooted aftermath of the 2008/09 global financial crisis (1.8% year-on-year decrease in 2012).

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

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

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

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

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

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

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

C . Mobile banking and Technology Approach

Experiences of mobile banking and agent banking in Asia Pacific region show that it is an effective tools to outreach unbanked /underserved people in remote area. The trend in mobile and agent banking in the region show that mobile financial services are scaling up very fast. To outreach vast un-bankable lower income segment of population, youth, woman, and rural people the mobile technologies play as a catalyst for financial inclusion. Asia Pacific had a Smartphone penetration of 40% last year, but that is projected to rise to 65% by 2020.Although penetration of mobile technology is expanding in Asia Pacific, the mobile financial market size and depth very low.

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

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

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

D. Environmental Sustainability Financing Approach

Many countries, especially India and China are the largest economy in Asia and Pacific region, harnessed rapid higher economic growth to meet MDGs by 2015. This rapid economic growth has environmental cost. For example, the PRC's rapid economic growth has exerted significant pressure on the environment, with high levels of land degradation, poor air quality standards, and inadequate and unsanitary water supply. It's carbon dioxide emissions accounted for about 24% of the world's total in 2009, and is closely linked to the largely coal-based energy sector and to the PRC's heavy reliance on fossil fuels. Addressing the issues related to environmental management and climate change is a key objective for the government, which has set a target for reducing carbon dioxide emissions (from the 2005 levels) by 40%-45% per unit of gross domestic product (GDP) by 2020 (ADB, 2014).

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

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

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

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

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

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

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

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

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

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

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

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

E. Learning from each other

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

7. CONCLUSION

The main objectives of the paper were (1) to review trends and approach of inclusive finance in the Asia-Pacific Region; (2) to provides explanation for the cross country variation in access to financial services in the region; (3) to highlight the relationship with inclusive finance policy measures for growth and sustainable development; (4) to focus on the role of enabling environment and governance measures which are critical to the implementation of the inclusive finance ; (5) to makes use of various policy initiatives at the country level in the region and highlight key messages for appropriately implementing financial inclusion for sustainable development; (6) to underline the lessons learned from and to recommend the importance of including financial inclusion strategies as a key element of the overall financing for sustainable development architecture; and (7) to analyze policy discussions in the light of the UN global post-2015 development agenda and to highlight the role of financial inclusion policies in the overall architecture of sustainable development financing.

Country level experiences show that the government and the central banks in the region continued efforts to create a conducive and enabling environment for expanding financial services to marginal farmer, SME, unbaked /underserved people, women, and lower income group in rural area by banks, non-banks, cooperatives, MFI and other financial institutions. They also pursue for banks and MFIs to adopt information communication and technology (ICT) solution in delivering financial services at affordable cost. Many countries also adopt national financial inclusion strategy plan for universal financial access for all. Under the financial inclusion strategy, many countries promulgate rules and policy guideline for financial products, innovative tools of delivery, and consumer protection.

The transmission of financial inclusion outreach show that the major approaches of financing were SME financing, microcredit financing, agricultural financing, green financing and special financing arrangement for vulnerable group including women, youth and unbanked people for achieving inclusive growth and sustainable development.

The cross country level of financial inclusion indicates that there is a wide variation among the countries of Asia-pacific region. In country level the factors of variation are the level of economic development, level of financial development, financial structure, and appropriate financial products and cost. While level of education, gender, age, marital status, household size, employment, rural versus urban residence, religion and culture are the major factors of variation in individual level.

Cross country experiences of inclusive finance approach show that many countries in Asia pacific have achieved remarkable progress in MDGs. The experiences of fastest growth in the Asia Pacific region which lifted a million of people out of poverty. But, a number of new challenges has come in front for inclusive and sustainable development. These are environmental degradation, economic uncertainty, and widening gaps between rich and poor, cities and urban areas.

In order to achieve inclusive green growth and sustainable development, the paper critically examines the inclusive finance approaches and their enabling environment. The analysis shows that microfinance, MSME finance, green finance approach and ICT based solution approach in financing delivery model would be an effective key enabler of inclusive growth and sustainable development in post-2015 SDG in the Asia Pacific region. Domestic stakeholders with collaboration with development partner should work together to adopt a broad based enabling environment for inclusive finance framework in the Asia pacific region.

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