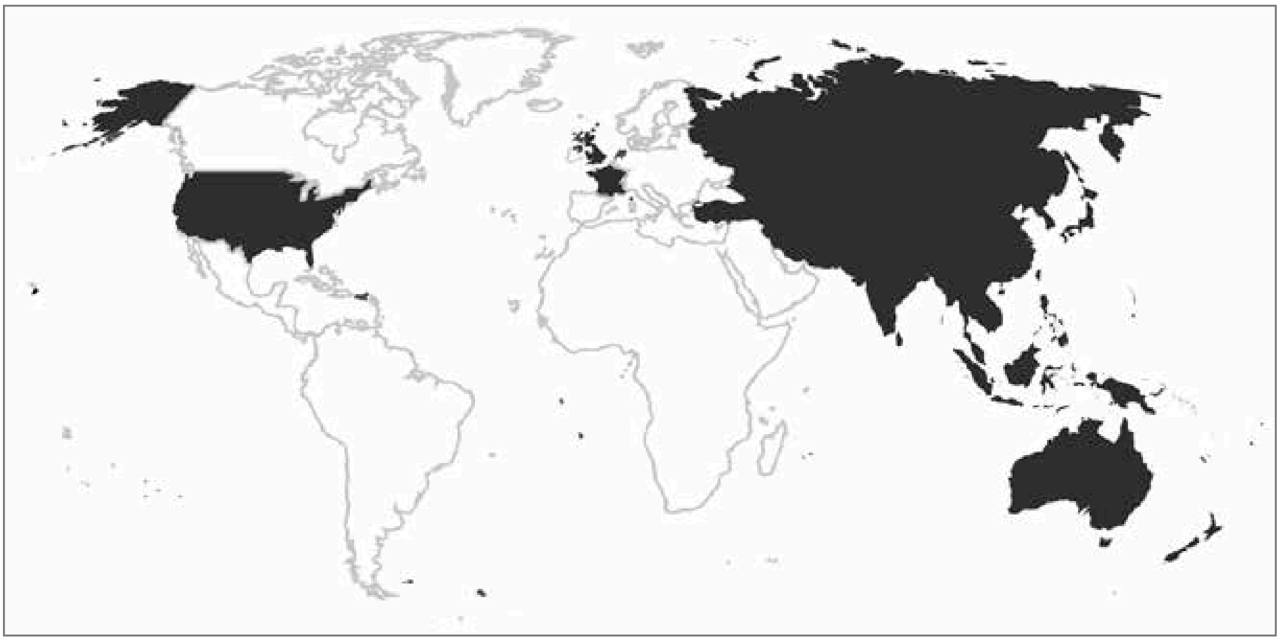
Policy Approaches for Financial Inclusion

An examination of approaches across

Asia and the Pacific and Latin America

ESCAP
Economic and Social Commission for Asia and the Pacific



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Printed in Thailand
ST/ESCAP/3061

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Preface

This report was prepared as part of the work of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Agencia Presidencial de Cooperación Internacional de Colombia (APC-Colombia) to support Governments in Asia and the Pacific and Latin America to promote policy making for inclusive and sustainable economies.

This publication focuses on policies to advance financial inclusion of women, rural communities, and MSMEs in countries across the two regions. The objective is to inform potential future South-South dialogue and collaboration between policymakers in Latin America and Asia-Pacific on financial inclusion. This report may be particularly useful for policymakers in Asia and the Pacific and in Latin America while also providing valuable insights for policymakers globally.

Acknowledgements

This report was prepared under the guidance of Rupa Chanda, Director of Trade, Investment and Innovation Division (TIID); Jonathan Wong, Chief of Technology and Innovation, TIID; and Elena Mayer-Besting, Programme Management Officer, TIID at the United Nations Economic and Social Commission for Asia and the Pacific in Bangkok.

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This report was edited by Mary Ann Perkins, and designed by Ipsita Sarkar.

Abbreviations and Acronyms

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
BISP	Benazir Income Support Programme (Pakistan)
BSP	Central Bank of the Philippines
CFI	Center for Financial Inclusion
CGAP	Consultative Group to Assist the Poor
COVID-19	Coronavirus disease
ESCAP	Economic and Social Commission for Asia and the Pacific
G20	Group of 20
IFAD	International Fund for Agricultural Development
GPFI	Global Partnership for Financial Inclusion
ICT	Information and Communications Technology
ILO	International Labour Organization
MSMEs	Micro-, small and medium-sized enterprises
NGO	non-governmental organization
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNDP	United Nations Development Programme

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Chapter One

Introduction

Financial inclusion refers to universal access to essential, practical and affordable financial products and services that serve the various needs of consumers and businesses – such as transactions, remittances, savings, credit, insurance, pension and social welfare payments – and are provided responsibly and sustainably (Center for Financial Inclusion [CFI], 2018; World Bank, 2022b).

This definition highlights that access to financial products and services is only part of the solution. To improve outcomes for vulnerable groups, it is critical to encourage and maintain acceptance and usage of these products and services while also ensuring their quality (e.g. providing suitable and safe products and services). It is also across these three dimensions (access, usage and quality) that financial inclusion is measured by the Group of 20 (G20) Financial Inclusion Indicators (Global Partnership for Financial Inclusion [GPFI], 2023).

The notion of financial inclusion began to emerge in 1990 in recognition that not all segments of society had access to these essential products and services (United Nations Capital Development Fund, 2023). Although advancements in digital technologies have lowered the technological and economic hurdles to financial inclusion (United Nations Economic and Social Commission for Asia and the Pacific [ESCAP], 2022), many vulnerable groups, including women, rural communities, and micro-, small and medium-sized enterprises (MSMEs), still lack access to basic financial products and services that enable individuals and businesses to live and work day to day, plan and reach long-term goals, gain financial security and control, and be resilient to unforeseen emergencies (United Nations Environment Programme Finance Initiative, 2022; World Bank, 2023a).

As discussed in the present report, the importance of financial inclusion is well documented and cannot be overstated. With positive outcomes for individuals and entrepreneurs as well as society at large and the wider economy (for a brief overview, see ESCAP, 2022), financial inclusion is a global objective that remains high on the agendas of central banks, international organizations[1] and forums, as well as non-governmental organizations (NGOs).[2] For instance, the aim of the G20 Yogyakarta Financial Inclusion Framework was to harness digitalization to increase productivity, sustainability and the economic inclusion of women, youth and MSMEs (GPFI, 2022). The framework was endorsed at the G20 leader summit on 15 and 16 November 2022.

1 Examples include ESCAP, the World Bank, the International Monetary Fund, the United Nations Capital Development Fund, the United Nations Development Programme (UNDP) and the office of the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development.

2 Examples include the Alliance for Financial Inclusion, the Bill and Melinda Gates Foundation and the Consultative Group to Assist the Poor (CGAP).

The report aims to provide policymakers with examples that demonstrate a variety of approaches that Governments in Asia and the Pacific and Latin America have adopted to address the financial inclusion of women, rural communities and MSMEs.

Although notable achievements toward more inclusive societies have been achieved over the past decade, the latest World Bank Global Findex[3] figures show that much remains to be done in this space (World Bank, 2022a). For instance, despite global account ownership among adults having increased from 51 per cent in 2011 to 76 per cent in 2021, account ownership in developing countries peaked at only 71 per cent in 2021. Still, about one in four adults have no account to receive, store, save and send money. Other key themes relevant to financial inclusion include the persistent gender gap and the importance of financial literacy in realizing the benefits of account ownership (World Bank, 2022a), such as using other financial services (e.g. credit and insurance), starting and growing businesses, building financial resilience and investing in education and health (see World Bank, 2022b). Notably, two thirds of adults without a bank account reported that they would require assistance to use an account (World Bank, 2022a), with far-reaching impacts on consumer outcomes and protection from fraud and cybercrime. A lack of financial and digital literacy may manifest in limited use of bank accounts (e.g. making or receiving a digital payment) (World Bank, 2022a). However, emerging evidence shows that financial inclusion does not always translate into economic prosperity; while access to financial products and services are beneficial to some, they are not necessarily transformative and at times can have negative effects on individuals' well-being (Duvendack and Mader, 2020). Financial inclusion has not successfully challenged structures that enable poverty and inequality to exist. For example, using loans and credit to fill consumption gaps rather than for productive investments can exacerbate poverty traps (Banerjee and Jackson, 2017; Karnani, 2008). Even though 71 per cent of adults in developing countries are financially included, only 55 per cent are considered financially resilient (World Bank, 2022a). In addition, having access to a bank account does little to improve the financial resilience of people with little or no assets and income.

Operating within the broader space of financial inclusion is the microfinance industry. As indicated above, while financial inclusion comprises a wider variety of actors and target groups, microfinance service provider consist of microfinance institutions that service the poor in developing countries. A 2018 snapshot by Convergences puts the global gross loan portfolio at $124 billion and the number of borrowers at 140 million, 80 per cent of which were women. With 106.4 million borrowers, of which around 85 per cent are women, Asia and the Pacific dominates global microfinance with the fastest growth in this regard (Convergences, 2018). The top three microfinance markets in the region (in terms of number of borrowers) are India, Bangladesh and Viet Nam. The second fastest growing region by number of borrowers (22.2 million borrowers) is Latin

3 The World Bank launched the Global Findex survey in 2011, and uses a range of demand-side data to assess national levels of financial inclusion. It is distributed every three years.

America.[4] Although only a fraction of that of Asia and the Pacific, Latin America accounts for $48.3 billion of the total microfinance portfolio (Convergences, 2018).

Recent advancements in digital technology have been a significant catalyst for financial inclusion efforts. Technologies such as the Internet, computers, tablets and smartphones help connect the underserved or unserved with financial products and services by removing some of their physical and economic barriers (ESCAP, 2022). For instance, two out of three unbanked individuals have access to a mobile phone, providing a platform for digital financial services and products (Demirgüç-Kunt et al., 2018), such as digital wallets, consumer authentication and access points to financial services. However, connectivity remains a significant issue for many rural areas. Satellite Internet networks such as Starlink[5] may eventually help to reach even the most remote areas. While the rise of digital technology has greatly benefitted the financial inclusion agenda, it also places greater responsibility on policymakers, regulators and providers to protect vulnerable groups from cybercrime, breach of privacy and fraud through:

- regulatory frameworks
- governance
- design of secure and suitable products, services and digital banking infrastructure
- educational interventions that specifically target financial and digital literacy and capability[6]

To advance digital financial inclusion and protect consumers, the Yogyakarta Financial Inclusion Framework, guided by the G20 2020 Financial Inclusion Action Plan, sets out eight high-level principles, including responsible digital practices (principle 5) as well as financial and digital education and awareness (principle 6).

While not comprehensive, the present report aims to provide policymakers with examples that demonstrate a variety of approaches that Governments in Asia and the Pacific and Latin America have adopted to address the financial inclusion of women, rural communities and MSMEs. Relevant policy tools were identified through desk research and responses to a survey of policymakers across Asia and the Pacific and Latin America. Priority was given to pertinent survey responses and desk research was used to fill in any gaps. For each target group, the report contains a discussion of the intended benefits of and common obstacles to financial inclusion[7] as well as the roles and policy tools of Governments, illustrated by practical case studies from each region. In particular, these policy tools may increase demand (Governments act as market facilitators), improving supply (Governments act as market participants), or improving consumer protection (Governments act as market regulators). However, the present report does not include an evaluation of the effectiveness of the selected policy examples. It concludes with a brief summary and suggested steps forward.

With positive outcomes for individuals and entrepreneurs as well as society at large and the wider economy, financial inclusion is a global objective that remains high on the agenda.

4 The present report includes the Caribbean in Latin America.

5 Starlink is owned and operated by SpaceX.

6 For a more detailed discussion on harnessing digital technology for financial inclusion, see ESCAP (2022).

7 Benefits and obstacles depend to some degree on specific circumstances. For instance, access to a bank account my not help individuals or businesses that have no money. Therefore, it is important to recognize the limits of financial inclusion and where alternative policies, such as strengthening social protection systems, may be more effective.

Chapter Two

Policy tools to improve financial inclusion of women

This chapter discusses the intended benefits of and barriers to financial inclusion for women – a key target demographic for financial inclusion efforts whose status as a marginalized group stems from persistent gender disparities in access to financial and digital services and products, poverty, income, education, literacy and financial knowledge and awareness (Hendriks, 2019; Matthews, 2019; Porter et al., 2015; United Nations Educational, Scientific and Cultural Organization, 2020; World Bank, 2022a; Zaratti and Miles, 2020).

For example, 1 billion women worldwide are unbanked, and a gender gap of approximately 7 per cent remains in access to financial services (Demirgüç-Kunt et al., 2018; GPFI, 2020). Further, the World Bank (2020) predicts that more than 71 million people could fall into severe poverty as a consequence of the coronavirus disease (COVID-19) pandemic, with estimates by Azcona et al. (2020) suggesting that women and girls are at greater risk (at least 47 million). The chapter continues with an evaluation of practical solutions on how Governments in Asia and the Pacific and Latin America address the financial exclusion of women through policies that target the supply-side, the demand-side or the regulatory environment.

Intended benefits of financial inclusion for women

The benefits of accessing and using financial products and services for women are well documented. On the one hand, the ability to save and having funds available (through savings, microloans, insurance and government payments) allows women and their households to capitalize on economic opportunities, improve their incomes and assets, prove their creditworthiness, as well as access government payments, healthier food, healthcare and education (Aker et al., 2016; Better Than Cash Alliance et al., 2020; Dupas and Robinson, 2013; Cheema et al., 2016; Prina, 2015; Swamy, 2013; Zimmerman et al., 2013). On the other hand, it enables better resilience when experiencing financial difficulties as a result of economic shocks or unexpected expenses and events, such as death, illness, disability and natural disasters (Prina, 2015; Swamy, 2013; ESCAP, 2022). Financial inclusion may also help women shift household power dynamics and improve their empowerment, social participation, financial security, health and overall well-being (Ashraf et al., 2010; Better Than Cash Alliance et al., 2020; Cheema et al., 2016; Swamy, 2013; Xiao and Tao, 2022). Combined, these factors might make women less vulnerable to abuse and violence, which continues to be a global issue with severe consequences for the individual and broader economic and social costs (United Nations Entity for Gender Equality and the Empowerment of Women [UN Women], 2022). However, policymakers need to recognize and address the risks that financial inclusion may have for women. Women do a disproportionate amount of reproductive work, and if this is not addressed and reduced then loans and debt can increase women's burden as productive ventures can increase their workload (Brickell et al., 2020; Kabeer, 2001). In addition, there is evidence that some women take out loans on behalf of male household members and have no control over the funds (e.g. Karim, 2012). Over-indebtedness and an inability repay the loans can have severe negative impacts on women's lives that go beyond financial implications, including being shamed within their communities (e.g. Karim, 2012).

Financial inclusion may help women shift household power dynamics and improve their empowerment, social participation, financial security, health and overall well-being. The ability to save and having funds available can enable better resilience when experiencing financial difficulties.

Common obstacles to the financial inclusion of women

Many women face a range of unique obstacles that limit their access to financial products and services, prohibiting them from reaping the downstream benefits. These constraints can be broadly categorized as gender norms, stereotypes and discrimination, as well as other barriers affecting demand, supply-side challenges and hurdles relating to infrastructure and regulation. Social and economic factors are also critical barriers to and facilitators of financial inclusion (Gammage et al., 2017). While more women than men continue to live in poverty (Azcona et al., 2020), the gender gap in financial inclusion in developing countries endures irrespective of class, rural residency, age, income and education levels (Demirgüç-Kunt et al., 2013).

Gender norms and stereotypes, such as what women can be and do, barriers to accessing education, moving without restriction, working away from home and owning property or large businesses, as well as customary inheritance practices that limit women's level of collateral, are a pervasive reality that determines the lives of women around the globe (Alliance for Financial Inclusion [AFI], 2019; Gammage et al., 2017; Koning et al., 2021; Madan, 2020; Zaratti and Miles, 2020). Such discriminatory gender norms, stereotypes and laws are often decisive

Table 1: Overview of policy tools to drive financial inclusion of women

GOVERNMENT ROLE: Market facilitator (demand-side)		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
National government plans / strategies for financial inclusion	• Bangladesh • Fiji • India • Indonesia • Lao People's Democratic Republic • Malaysia • Pakistan • Philippines • Solomon Islands • Cambodia	• Argentina • Brazil • Colombia • Mexico • Peru
Financial literacy development	• Cambodia • Bangladesh • Fiji • Pakistan • Philippines	• Bolivia • Brazil • Colombia • Mexico
GOVERNMENT ROLE: Market participant (supply-side)		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Establishing digital payment systems	• Bangladesh • Fiji • Indonesia • Philippines	• Argentina • Brazil • Colombia • Peru
Enhancing access to credit	• Bangladesh	• Bolivia • Brazil • Colombia • Mexico
Adjusting banking policies to enable more products and services for women	• Fiji	• Mexico
Government-owned women's bank	• India • Pakistan	• Colombia • Venezuela
GOVERNMENT ROLE: Market regulator		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Universal, secure and private digital IDs	• Bangladesh • India • Pakistan • Philippines	• Brazil • Colombia • Panama
Gender disaggregated data reporting	• Fiji • Philippines	• Mexico
General promotion of women's rights	• Philippines	• Peru

**Details of each case example are provided in Appendix 1.*

factors in women's access to financial products and services, mobility and participation in markets and the workforce (Gammage et al., 2017; Koning et al., 2021; ESCAP, 2022; Zaratti and Miles, 2020). Other issues arise from the concentration of women in the informal economy and in certain sectors and from the expectation that women will take on so-called women's work, such as unpaid care or domestic work. Women's enterprises are often segregated into lower margin service sectors, and they are disadvantaged or excluded by suppliers and customers (ISF Advisory, 2019). This inevitably hurts their access to financial products and services, which in turn constrains formal employment (ESCAP, 2022). As of 2018, globally, women performed 76.2 per cent of all unpaid care work, devoting 3.2 times more time to it than men (ESCAP, 2021). This figure was 4.1 times higher for women in Asia and the Pacific, who devote on average 11 hours per day to unpaid care and domestic duties (ESCAP, 2021). It is expected that the COVID-19 pandemic has exacerbated this disparity. For women in Latin America and the Caribbean, domestic tasks occupied between 22 and 42 hours per week prior to the pandemic – and the workload is expected to have since drastically increased (UNDP, 2022).

From a supply-side perspective, many financial service providers refraining from investing in serving women. Essentially, women are considered less bankable than men because women are perceived to have greater risk aversion and women-owned enterprises are oftentimes smaller with smaller profit margins (Koning et al., 2021). Financial service providers may not consciously exclude women, but their efforts to serve them often include gender-blind processes that work against women (Koning et al., 2021). For example, loan terms that include mandatory savings or require a spouse's signature or the borrower's (woman's) attendance at training or meetings can discourage women because of social norms, including perceptions that women should not have savings in their own name or should not travel without a male family member. Marketing materials that do not directly target women or show women as clients reinforce the perception that financial services are for men. In addition, in many contexts women's limited access to financial decision-making and control is detrimental to their sense of personal agency and ability to negotiate with others within their household (Koning et al., 2021) and is likely to impact on their dealings and negotiations in male-dominated environments, such as with male loan agents.

Many women also face educational and technological hurdles, such as low formal education (including literacy and numeracy) and finance-specific literacy, capabilities and awareness (GPFI, 2022; Hendriks, 2019; Matthews, 2019; Porter et al., 2015). Women are also less likely to own a mobile phone (Goodwin-Groen et al., 2021), with illiteracy being a primary obstacle to women's mobile phone ownership and use of mobile Internet (Shanahan, 2022).

Often, women are disadvantaged by regulatory environments. Examples of limiting factors include legal and lending discrimination (e.g. right to work or drive) or inheritance and property rights that limit women's ability to produce income, assets and collateral, and thus limit their access to credit and other financial services (AFI, 2021b; Demirgüç-Kunt et al., 2013; Menon and van der Meulen Rodgers, 2011; Zaratti and Miles, 2020). For instance, the legal framework of Bangladesh deprives Hindu women of inheriting any share in property, whereas matters of inheritance for the Muslim population are governed by shariah law, which sets unequal entitlements for men and women (Hossain and Jamil, 2022). This issue is often amplified by women's lack of formal documentation, such as identification documents, or by requirements that men co-sign relevant documentation, such as a woman's application for an account or credit (AFI, 2021b; Demirgüç-Kunt et al., 2013; GPFI, 2022; Koning et al., 2021; Zaratti and Miles, 2020).

Government as a market facilitator

As market facilitators, Governments enable women's access and usage of essential financial products and services. Across both Asia and the Pacific and Latin America, Governments draw on a range of policy tools to eradicate the financial exclusion of women, which can be broadly categorized as national plans/ strategies and financial literacy development plans.

National plans/strategies

National plans set out the vision, priorities and allocated resources for financial inclusion and formulate centralized strategies through which Governments develop comprehensive, coordinated and actionable approaches to further their financial inclusion agenda by closing any existing gaps. While national plans differ in duration, their time horizons generally account for sufficient time for stakeholders to coordinate, organize funding and appraise progress. A major benefit of these centralized national strategies is the dialogue and consultation between stakeholders during the design and implementation stage, encouraging input and ownership. As outlined in ESCAP (2022), national plans need to consider the country context, including any development challenges, and should align with other national strategies (e.g. poverty reduction or gender equity). They must consider demand-side and supply-side issues, such as common constraints and barriers to supplying relevant financial services and products to vulnerable groups. Table 1 contains examples of policies from Asia and the Pacific and Latin America. While national plans and strategies target the population as a whole, they have direct implications for women's financial inclusion and often include goals and policies specific to women.

Most of the reviewed national plans and strategies aim to improve financial inclusion among women through existing or planned policies. Two key themes emerged from the case examples provided in the present report. First, most examples across both regions articulate plans to develop women-centred policies and strategies. For instance, in Fiji the National Financial Inclusion Strategy 2022–2030 identifies women as a specific target group and aims to develop strategies that improve women's financial awareness and literacy. Second, only a few had existing policies, strategies and schemes in place that target women, and all these cases are from the Asia-Pacific region. For instance, Indonesia has a national strategy for financial inclusion for women, and the Benazir Income Support Programme (BISP) in Pakistan formed a committee of beneficiary mothers to discuss issues such as finance, nutrition, child health, education, family planning and adult literacy, as well as to provide a platform for mobilizing beneficiary women (Cheema et al., 2016). Moreover, the Radhan Mantri Gramin Digital Saksharta Abhiyaan, a scheme under the Digital India plan, aims to bridge the digital divide by targeting women in rural communities, among others.

Likewise, a number of national plans and strategies from Bangladesh, Fiji and the Philippines prioritize women for access to credit, finance and alternative finance. For instance, in Bangladesh the National Financial Inclusion Strategy 2021–2026 offers priority access to agricultural finance for women farmers and sets out the target of providing at least 15 per cent of MSME credit to women entrepreneurs by 2024.

A major benefit of these centralized national strategies is the dialogue and consultation between stakeholders during the design and implementation stage, encouraging input and ownership.

Similarly, several national plans and strategies from both regions have included (or intended to include) specific targets around women's access to and use of a range of financial services and products, including accounts, investment products and credit. Again, of the reviewed case examples, setting women-specific targets seemed more common among Asia-Pacific countries (Bangladesh, Cambodia, Fiji, the Lao People's Democratic Republic, the Philippines and Solomon Islands versus Brazil and Mexico). For instance, the Financial Inclusion Roadmap of the Lao People's Democratic Republic aims to increase women's financial inclusion from 76 per cent to 85 per cent by 2025. The National Financial Inclusion Strategy of Cambodia 2019–2025 aims to reduce women's financial exclusion by half from 27 per cent to 13 per cent by 2025 while increasing overall use of formal financial services from 59 per cent to 70 per cent.

Even more ambitious, the National Strategy for Financial Education in Brazil has specified targets that see women have equal rights to economic resources as well as access to essential services, property and control over land and other forms of ownership, inheritance, natural resources, suitable new technologies and financial services by 2030. Of course, targets are meaningless without monitoring. In Fiji, the tracking of targets set for the financial inclusion of women and the assessment of existing constraints are included in the National Financial Inclusion Strategy 2022–2030, and the Government of Peru plans to improve the process of collecting gender-disaggregated data and integrate it into a platform to monitor financial inclusion.

Other critical approaches to improving women's financial inclusion are nested in the national plans and strategies across both regions. For example, social payments may be made to the female head of beneficiary households (see BISP in Pakistan), and financial products and programmes may be tailored to women (see Bangladesh, Fiji and Mexico). For instance, one priority action in Mexico requires development banks to design and manage women-oriented programmes.

Financial literacy development

Similar to national plans, Governments have developed a range of policies and plans to improve their population's financial literacy or that of specific vulnerable groups. The underlying idea is that financial education (e.g. financial curriculums at school) and other initiatives (e.g. easily accessible resources, such as information and financial tools like calculators) provide the target groups with the necessary and critical skills and awareness to manage their finances, make informed financial choices and capitalize on economic opportunities. Financial literacy initiatives can be broad in nature or focus on specific areas, such as digital financial literacy, debt literacy, or budgeting.

Of the provided case examples, countries across both regions offer financial literacy programmes that are targeted specifically at women (Mexico and Cambodia), social welfare beneficiary women (Brazil), women entrepreneurs (Cambodia) and women shopkeepers (Colombia). From 2008 to 2012, Bolivia also ran a civic education programme dedicated to improving poor women's capacities to manage their business, employability, problem-solving skills, self-empowerment and skills to navigate the labour market. Although the following initiatives target youth in general, FinEd Curriculum in Fiji and in Pakistan the National Financial Literacy Program for Youth contribute directly to girls' financial literacy In Bangladesh, financial literacy and education initiatives have been identified as critical objectives for building a financially literate society that aligns with Sustainable Development Goal 4. The country provides target group-specific financial literacy guidelines to banks and financial institutions, with women being a priority tier 1 target.

Government as a market participant

As market participants, Governments across Asia and the Pacific and Latin America proactively provide and enable finance solutions tailored and targeted towards making women more financially included. Among the selected case examples, there are four broad categories of policy tools that Governments use to provide these products and services, or to create an enabling environment for new products in the market:

(a) Establishing digital payment systems, including government-to-person payments

(b) Enhancing women's access to credit;

(c) Adjusting banking policies to enable non-traditional banks to provide technology-driven services and products for women;

(d) Establishing government-owned women's banks.

Establishing digital payment systems

Every day in emerging and developing countries, billions of dollars are exchanged in cash payments, including salaries, social transfers, humanitarian aid and payments made to MSMEs and farmers. In many aspects, digitalizing financial products and services are enablers of financial inclusion and inclusive growth (Better Than Cash Alliance, 2023a, 2023b). Especially in the context of financial and government services, digital payments offer cost savings, convenience, efficiencies, transparency and security (Bandura and Ramanujam, 2021; Better Than Cash Alliance, 2023b). Yet, digitalization must go hand-in-hand with responsible practices[8] and cybersecurity initiatives, such as consumer education and regulatory frameworks, to protect users and providers from a range of risks, including fraud (AFI, 2022). In addition, a user-centric approach is necessary to ensure products address the needs and preferences of their users, which is critical to facilitate consumer trust (Better Than Cash Alliance, 2023a) and encourage usage, as digital payment systems alone do not guarantee financial inclusion (Bandura and Ramanujam, 2021). This becomes particularly important as digital finance might enable risky financial behaviours (such as sports betting) among those who can least afford it (CGAP, 2019). However, it should be noted that purely digital payment systems can exacerbate financial exclusion where there is limited access to smart phones, computers, internet connection, bank accounts or mobile wallets.

The Governments of Argentina, Colombia, Fiji, Indonesia and the Philippine have reverted to digitalizing social welfare payments to make them more easily accessible for women and vulnerable groups. For instance, SIM cards in Indonesia were loaded with electronic money for beneficiaries of its social welfare programmes. Cardholders were able to withdraw cash at local post offices, mobile agents and ATMs. Likewise, in Argentina Plan 1,000 días includes a set of public policies aimed at providing women/families with free access to comprehensive health care, childcare, learning spaces, support in case of gender-based violence, public health information, as well as vaccines and medicines. The programme is available during pregnancy and early childhood (up to 3 years old) and includes initiatives, such as Complemento Leche del Plan 1,000 días, which provides financial support to guarantee the provision of healthy food during early childhood, which can be in the form of milk or another food that the family chooses. Payments under the Plan 1,000 días are made into the recipient's bank account. Notably, three of the case examples provided in table 1 include activities targeting women, such as social payments for widows (Bangladesh) and financial support for women entrepreneurs (Bangladesh) or pregnant women (Peru). Likewise, the Bolsa Família programme in Brazil offers money transfers directly to female heads of households in exchange for keeping their children in school and taking them to routine health checks.

> Digitalized financial products and services are enablers of financial inclusion and inclusive growth.

8 See, for instance, Responsible Digital Payment Guidelines of the Better Than Cash Alliance (2023a).

Enhancing women's access to credit

Providing women with access to credit enables better resilience during financial difficulties, illness or unemployment and allows women to capitalize on economic opportunities or escape from abusive and violent relationships. However, to realize these benefits, policymakers must understand the relationships between women's access to credit, over-indebtedness, lack of control over credit funds, ability to repay, and the financial and social consequences for women (e.g. Karim, 2012). Policies aiming to enhance women's access to credit either target women individually or focus on women-owned MSMEs. For example, between 2008 and 2012, the Productive Patrimonial Assets Building and Citizenship Programme in Bolivia provided eligible women with a non-reimbursable direct monetary transfers of seed capital, start-up grants, joint venture and risk capital. Overall, the initiative helped 5,090 women to acquire new patrimonial assets or to increase their assets by an average of 50 per cent. In association with Bangladesh Bank, the Government of Bangladesh will launch women-centric mobile financial service products to encourage women's access to credit and reduce the gender gap in financial inclusion in Bangladesh. Government initiatives to facilitate access to credit for women-owned MSMEs include Crediamigo in Brazil and Mujeres + Productivas in Colombia, which promote women shopkeepers' access to microcredit. In Mexico, Mujeres PYME provides women-owned MSMEs with preferential financing and interest rates.

> Providing technology-driven services and products for women, may encourage innovative growth of the financial service sector.

Adjusting banking policies to enable non-traditional financial service providers to provide technology-driven services and products for women

Several Governments are encouraging banks and financial service providers to innovate technology-driven services and products for women. For example, the Reserve Bank of Fiji has set minimum requirements for commercial banks on internal microfinance divisions and units to facilitate innovation and expand suitable financial services to poor and low-income households and individuals, including women, and MSMEs. Instead of setting minimum requirements, the Government of Mexico has opted to provide a comprehensive legal and regulatory framework for fintech, which is the first of its kind, as part of its Financial Inclusion Development Policy Financing. The framework facilitates the authorization, operation and supervision of fintech institutions in Mexico and as of January 2021, 93 institutions had requested authorization to offer crowdfunding and electronic payments. The ultimate aim is to encourage innovative growth of the financial service sector.

Establishing government-owned women's banks

Women's banks are financial institutions that cater exclusively to women's specific business and financial needs. These banks remove many of the common limitations on women's access to and use of financial services and products and contribute towards their financial inclusion and economic empowerment and participation. In addition to providing banking services, women's banks commonly offer financial capacity-building and financial literacy programmes. For instance, the First Women Bank Ltd. in Pakistan is mandated to meet the financial and business needs of Pakistani women and predominately focuses on providing cost-effective and in-demand financial products and services alongside financial capacity-building and financial literacy services. Likewise, Bharatiya Mahila Bank in India lends to women and businesses that are either run by or are making products for women

Government as a market regulator

Governments play a critical regulatory role that has become even more complex and important with the advent of the digital economy. Since adjusting policies and interventions can have either positive or negative ramifications for women, it is crucial that Governments implement policy mechanisms that ensure the successful achievement of market facilitation and participation objectives. Governments across Asia and the Pacific and Latin America must develop mechanisms and processes that allow them to effectively deal with challenges and constraints as they emerge. A 'set and forget' approach to policy may be detrimental to women's lives and livelihoods, with likely downstream effects on their households and communities. Thus, continuous monitoring of policy impact and consultations with key stakeholders is an important precondition of regulatory success. The examples in the present report include policy tools Governments use to advance women's financial inclusion through digital identification; sex-disaggregated data; and women's rights.

Universal, secure and private digital identification

Worldwide, around 850 million people are unable to prove their identify due to a lack of official or verifiable identity documents (IDs), with those living in lower-income countries and members of marginalized and vulnerable groups being particularly affected (World Bank, 2022a). The lack of a formal and reliably verifiable ID remains a key driver of financial exclusion (Appaya and Varghese, 2019; World Bank, 2022b) and has even broader implications, such as the ability to exercise one's social and political rights as well as mobility and formal labour force participation. For instance, 50 per cent of unbanked Colombian adults cited the lack of documentation as a barrier to financial inclusion (World Bank, 2022b).

Girls and women are disproportionately affected by this issue, and evidence of a gender gap in access to IDs has been found in several low-income countries (World Bank, 2019). While most countries no longer overtly prohibit women from applying for an ID,

The lack of a formal and reliably verifiable ID remains a key driver of financial exclusion. Several initiatives within Asia and the Pacific and Latin America seek to enable women to legally identify themselves. These programmes have enabled women to access social welfare payments, participate in the economy and provide for their families.

gender-based differences in laws can make it more challenging for a woman to obtain the necessary documents or comply with regulations. This is combined with broader gender inequalities that disadvantage women (such as women's limited household decision-making power and constraints on travel and education) and prevailing social norms and assumptions surrounding the role of women in society that reinforce discrimination against women in this context (World Bank, 2019).

Several initiatives within Asia and the Pacific and Latin America seek to enable women to legally identify themselves. These programmes generally cover the entire population but are often initiated by a need to make it easier for marginalized groups, including women, to obtain and use official means of identification. For example, in Pakistan, computerized national identity cards were issued to provide a legal form of identity which can enable women (as well as other citizens) to better access financial services, health care, social safety nets and even the right to vote. Approximately 99 per cent of the adult population has been registered with a computerized national identity card, which incorporates biometric information to provide a unique identity number. Initiatives to integrate the computerized cards with financial services include linking to entry-level transaction accounts, social benefit payments, electronic credit information bureaus and, most recently, e-payment facilities.

Programmes like this and National ID Registration in Bangladesh, Cadastro de Pessoas Físicas in Brazil, Registro Único Nacional in Colombia, electronic know your customer (e-KYC) and universal national ID project in India, Mastercard Digital ID service in Panama and the PhilSys identification system in the Philippines have enabled women to access social welfare payments, participate in the economy and provide for their families. For instance, the e-KYC and universal national ID project resulted in a 24 per cent increase in financial inclusion among women in India between 2014 and 2015. Another driver of providing identification to women is to reduce fraud and ensure that women receive the social welfare payments intended for them. The introduction of a biometric verification system within BISP in Pakistan was motivated by the fact that previously only 53 per cent of payments for women were actually received by women.

Sex-disaggregated data reporting

As was previously mentioned, many national financial inclusion plans and strategies set specific targets for the financial inclusion of women and prescribe the monitoring of these targets and the constraints women face. However, this presumes the availability of gender statistics and sex-disaggregated data. The Government of Peru, for example, plans to overcome this limitation and integrate the data into a platform to monitor financial inclusion. In the Philippines, the Magna Carta of Women (2009) requires that the implementation of all government instruments include systematic data collection, and up-to-date gender statistics and sex-disaggregated data must be analysed prior to planning and policy formulation. Minimum requirements obligate financial service providers in Fiji and Mexico to collect and report standardized disaggregated data, including sex-disaggregated data, to the regulator to assist the monitoring and evaluation of financial inclusion across countries.

General promotion of women's rights

With women facing constraints, such as cultural, legal and lending discrimination, policies that promote full and equal civil, political and economic rights of women will significantly contribute to their financial inclusion. Recent initiatives, such as the Magna Carta of Women in the Philippines and the 2019 Policy on Gender Equality and 2020 Multisectoral Strategic Plan for Gender Equality in Peru, aim to reduce discriminatory cultural and legal practices and institutional barriers, which could enhance women's access to formal financial services.

Chapter Three

Policy tools to improve the financial inclusion of rural communities

The focus of the previous chapter was the intended benefits of and barriers to financial inclusion for women and several practical solutions implemented by Governments across Asia and the Pacific and Latin America to provide equal opportunities. The selected policy tools served to illustrate three different roles of Governments: as market facilitators; as market participants; and as market regulators. The present chapter follows the same structure but focuses on the context of rural communities.

The importance of connecting underserved or unserved rural areas with financial services is highlighted by principle 4 of the Yogyakarta Financial Inclusion Framework and recent statistics on poverty, which indicate that rural poverty is more than twice that of urban poverty, with rural areas accounting for 80 per cent of poor individuals (Asian Development Bank [ADB], 2019; Lyons et al., 2020). Moreover, the divide between access to and actual usage of financial products and services in rural communities warrants further consideration (Demirgüç-Kunt et al., 2018; Dupas et al., 2012). For instance, while 63 per cent of a random sample of Western Kenyan individuals opened a savings account after account setup fees were waived, only 18 per cent actually used it (Dupas et al., 2012). The issue with government programmes that merely promote account ownership is that they provide bank accounts to people who may distrust banks, lack access to reliable services, find the account fees unaffordable, or have no opportunities to use their accounts (Demirgüç-Kunt et al., 2018; Dupas et al., 2012). Thus, in order to facilitate actual use of bank accounts, programmes to promote account ownership need to go hand in hand with initiatives that promote trust in financial service providers and banking infrastructure as well as building individual financial resilience and well-being through employment and social services.

Intended benefits of financial inclusion for rural communities

Financial inclusion in rural areas is a critical enabler of inclusive growth and reduced poverty within these communities (Burgess and Pande, 2005; Lyons et al., 2020; Simatele and Maciko, 2022). The World Bank (2007) highlights three key benefits of financial inclusion for rural communities: economic growth; inclusion of the rural poor; and ultimately lower vulnerability to shocks and unforeseen events. Rural economic growth benefits from the investments of farmers and MSMEs in their productivity, such as investments in irrigation, labour and advanced farming and processing equipment, which is accelerated by having access to financial services (Burgess and Pande, 2005; World Bank, 2007). Downstream effects on the broader community include increased job opportunities (Burgess and Pande, 2005).

Likewise, financial inclusion helps to connect the rural poor with financial products and services needed to insure themselves, receive remittances reliably and cheaply, as well as save, invest and borrow to ultimately take advantage of economic opportunities[9] and make investments in health and education (Burgess and Pande, 2005; GPFI, 2022; International Fund for Agricultural Development [IFAD], 2019; Menon and van der Meulen Rodgers, 2011; Simatele and Maciko, 2022; World Bank, 2007). This improves welfare and makes rural communities more resilient to seasonal liquidity shortages and unforeseen events, such as economic shocks, natural disasters, death and health emergencies, as well as expected future events, such as marriage or childbirth (IFAD, 2019; Menon and van der Meulen Rodgers, 2011; Simatele and Maciko, 2022; World Bank, 2007). The developments in digital technology can help rural communities to unlock their economic and individual potential (see Lyons et al., 2020).

Common obstacles to the financial inclusion of rural communities

People from rural areas face many obstacles to accessing and using financial products and services, which can be broadly classified as demand-side, supply-side and regulatory. On the demand-side, members of rural communities often refrain from engaging with formal financial products and services or are simply unaware of safer, cheaper and better alternatives to informal financial services because they lack education as well as general and financial literacy[10] and capability (Bekele, 2022; Dagnachew and Mawugatie, 2022; Dupas et al., 2018; GPFI, 2022; Evans and Adeoye, 2016; Simatele and Maciko, 2022). Likewise, a lack of consumer trust (Bekele, 2022; Dagnachew and Mawugatie, 2022; Dupas et al., 2012; Simatele and Maciko, 2022) and affordability are also constraints to financial inclusion. On the one hand, affordability is a demand-side barrier related to an individual's ability to afford financial products and services due to limited earning opportunities and volatile incomes.[11] On the other hand, excessive product and service pricing and complexity may exclude entire groups and thus constitute a supply-side barrier (Aker et al., 2016; GPFI, 2022; Simatele and Maciko, 2022).

Incentives, such as a fully subsidized bank account with no financial cost, may do little to encourage unbanked rural households to open and use bank accounts (Dupas et al., 2018),[12] and there are other transaction costs that result from underdeveloped general

9 Interestingly, there appear to be gender differences in the effects of financial inclusion on women and men in rural areas (Menon and van der Meulen Rodgers, 2011).

10 The issue of illiteracy is particularly relevant in rural areas, such as in Pakistan, where literacy levels are comparatively lower than in urban areas (approximately 6–10 per cent, dependent on gender) (ADB, 2019).

11 For instance, according to the 2017 Global Findex data (see Demirgüç-Kunt et al., 2018), 26 per cent of adults are without an account at a financial institution due to the associated costs. In Brazil, Colombia and Peru this rate is more than double (approximately 60 per cent).

12 The study finds that only 17 per cent out of 938 household signed up and activated their accounts.

and financial infrastructure, such as distance to banks, and manifest in time and travel costs that are obstacles for many people (Dagnachew and Mawugatie, 2022; Dupas et al., 2012, 2018; GPFI, 2022; Evans and Adeoye, 2016; Simatele and Maciko, 2022). Examples like China, where physical bank branches cover 98.17 per cent of rural towns, are the exception (GPFI, 2022). Technology can help to reduce the costs consumers face. However, Internet infrastructure and coverage, and access to and use of digital platforms remain insufficient in many rural areas as supplying these technologies and services can be costly and complex, with little opportunity for revenue (GPFI, 2022; Sibthorpe, 2022).

Table 2: Overview of policy tools to drive financial inclusion among rural communities

GOVERNMENT ROLE : Market facilitator (demand-side)

POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Financial literacy development	• Cambodia • Fiji • Indonesia • Philippines	• Argentina • Bolivia
Investment in information and communications technology Infrastructure	• Philippines • Solomon Islands	• Argentina • Chile

GOVERNMENT ROLE : Market participant (supply-side)

POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Supporting financial service providers to serve rural communities	• Bangladesh • Fiji • Mongolia	• Brazil • Mexico
Establishing government-owned banks to serve rural communities	• Bangladesh • Cambodia • India • Malaysia • Nepal • Philippines • Viet Nam	• Brazil • Colombia • Mexico

GOVERNMENT ROLE : Market regulator

POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Adjusting regulations to enable financial service providers to better serve rural communities	• China • Philippines	• Colombia
Regulations for agent networks	• Bangladesh • India • Malaysia • Pakistan	• Brazil • Colombia • Mexico

**Details of each case example are provided in Appendix 2.*

Rural populations might also be excluded from accessing financial services because of regulatory requirements. Their income variability may be high and they may lack relevant documentation, credit history and collateral, which may cause them to be excluded under the selection criteria of financial service providers (Bekele, 2022; Simatele and Maciko, 2022).

Government as a market facilitator

As market facilitators, Governments enable access to and use of essential financial products and services across rural communities. In Asia and the Pacific and Latin America, Governments use several policy tools to increase financial inclusion of rural communities. These policy tools can be broadly categorized as financial literacy development and investment in rural communities' financial infrastructure, especially universal broadband connectivity.

Financial literacy development

The underlying idea of financial literacy development is that financial education and other initiatives provide rural communities with the necessary and critical skills and awareness to manage their finances, make informed financial choices and capitalize on economic opportunities. Initiatives may focus on digital financial literacy or financial literacy more broadly and may be delivered in different forms (e.g. television shows). The Rural Financial Inclusion and Literacy Act in the Philippines, for instance, includes provisions for education programmes for rural populations, with a priority focus on small-scale farmers, fisherfolk and MSMEs, and capacity-building in rural banks. Examples of how Governments have gone about improving the financial literacy of the rural population include the Harmoni programme in Indonesia and the campaign, Let's talk Money: Little by Little, in Cambodia. Cambodia also has digital financial literacy public awareness campaigns and targeted initiatives to educate citizen about the features and risks of new digital financial products. The programme specifically targets people in rural areas as a priority vulnerable group.

Several policy tools aim to improve financial literacy in rural communities by increasing the teaching capacities within them. For instance, in Argentina the National Financial Education Plan 2022–2023 aims to make future generations of rural communities more financially literate by incorporating financial education content into school curriculums. Similarly, in collaboration with the ANZ Money Minded Program, the Reserve Bank of Fiji trains rural government and community influencers to become accredited trainers to teach financial management in their communities. Other initiatives provide financial information and education through entertainment. For instance, an NGO in Bolivia, Pro Mujer, runs a government supported financial literacy programme that makes use of theatres, and in Fiji, the television show "Noda I Lavo" covers topics such as personal finance, budgeting, savings, investments and general money management practice in the country's indigenous language.

Financial education provides rural communities with the necessary and critical skills and awareness to manage their finances make informed financial choices and capitalize on economic opportunities.

Investment in information and communications technology infrastructure

Technology can help to reduce transaction costs for many rural communities with underdeveloped general and financial infrastructure. However, Internet coverage, access and use is limited, as is general infrastructure. These infrastructure limitations obstruct efforts to increase financial inclusion in rural communities predominately because overcoming these limitations would require considerable investments with little prospect of revenue. This is why Governments need to play a stronger role when there is no economic incentive for private sector firms to connect the unconnected.

Governments across both regions have invested in rural infrastructure projects themselves or made them more feasible for the information and communications technology (ICT) industry. Several large-scale projects in both regions illustrate how Governments can facilitate financial inclusion by providing broadband connectivity to rural areas. For instance, the Coral Sea Cable System Work connects Solomon Islands with Australia through undersea high-speed telecommunication cables and includes a domestic network connecting Honiara with Auki, Taro and Noro. Similarly, in Argentina the National Telecommunications and Connectivity Plan aims to connect 1,300 localities to the federal fibre optic network through the deployment of more than 30,000 km of fibre optic cables. More than 250 of the small towns to be connected under the initiative have fewer than 500 inhabitants, underscoring the commitment of the Government of Argentina to provide new opportunities, close the digital divide and provide equal productive development to all regions of the country. The benefits of such programmes can be seen in Chile, where the Ministry of Transport and Telecommunications, as part of the Governmen"s digital inclusion plans, recently rolled out the 247 km southern fibre optic system (Fibra Optica Austral). As of 2022, the infrastructure connects more than 536,000 users and 19,000 companies across 15 southern districts in the Los Lagos, Aysén and Magallanes regions. Another initiative in Argentina was established to create comprehensive ICT offices, available for community use, that are furnished with communication technologies in rural communities with up to 2,000 inhabitants.

In the Philippines, the Support Programs and Open Access in Data Transmission Act aimed to lower entry barriers and simplify the licensing process for broadband network providers. Executive Order No. 127 liberalizes access to satellite technology and facilitates ready-to-deploy Internet infrastructure for areas that are currently unserved or underserved.

Government as a market participant

Governments across Asia and the Pacific and Latin America act as market participants by providing and enabling finance solutions targeted and tailored towards the needs and constraints of rural communities. Among the selected examples, there are two broad categories of policy tools Governments use to make relevant products and services available to rural communities, namely: supporting financial service providers and establishing government-owned banks to serve rural communities.

Supporting financial service providers to serve rural communities

Banks and other financial institutions generally serve urban areas and the needs of their inhabitants, while many rural areas are excluded from accessing banking and financial services. The physical distance and requirements to comply with banking and lending policies can make it difficult for financial service providers to serve rural communities. Policy interventions can help to overcome some of the existing barriers so that financial service providers can serve rural communities.

In terms of access to finance, several Governments in Latin America have reverted to subsidize financial institutions that serve rural communities. In Mexico, the rural development agency provided sub-loans to participating financial intermediaries between 2016–2020 to provide access to finance to rural producers and MSMEs. Overall, 192 financial intermediaries provided 174,000 loans to

140,000 rural producers and MSMEs. The average loan size was US$1,850 and 81 per cent of recipients were women, exceeding the initial target of 60 per cent. Similarly, the treasury of Brazil subsidized credit cooperatives with R$40 billion (approximately US$8.3 million) to encourage investment and expenditure in rural communities. In Mongolia, savings and credit cooperatives are often the only available source of financial services to rural households. ADB has supported the Government of Mongolia in strengthening the capacity of savings and credit cooperatives, as well as the capacity of the regulator to oversee their operations. In order to facilitate farmers' access to credit and financial inclusion in general, the Central Bank of Bangladesh instructed all commercial banks to offer a specific type of bank account for the ultra poor and unbanked, with a deposit of as little as 10 taka (approximately US$0.092), known as a Tk-10 account. In addition to providing bank accounts to farmers, the policy aims to ensure transparency in disbursing government financial assistance. Banks are allowed to disburse collateral-free loans as part of the Tk 2 billion fund to Tk-10 account holders at a maximum interest rate that is well below the rate charged by NGOs.

Access to credit is one way to allow rural communities to take advantage of economic opportunity and enable financial resilience.

Access to credit is one way to allow rural communities to take advantage of economic opportunity and enable financial resilience, the provision of insurance for immediate financial support after extreme weather events is another means that ensures their livelihood during such events. Insurance also helps loan holders to reduce their risk of defaulting on their loans or needing to take out more loans as a result of unexpected events. The United Nations Capital Fund initiated the Pacific Insurance and Climate Adaptation Programme and developed Parametric Micro-Insurance to offer combined insurance cover against heavy wind and rainfall to vulnerable communities in Fiji, including farmers, fishers and market vendors, as well as social welfare recipients living in locations with high climate risk. In 2022, the Pacific Insurance and Climate Adaptation Programme aimed to sign up 4,000 people in partnership with local insurers, FijiCare and Sun Insurance, representing a significant increase from the initial 1,388 beneficiaries covered in 2021.

Establishing government-owned banks to serve rural communities

Similar to supporting financial service providers in serving rural areas, Governments can make support the financial inclusion of these communities by establishing government-owned banks that serve the specific needs of rural communities. Governments in Asia and the Pacific and Latin America have opted for this approach. For instance, the Palli Sanchay Bank Bill 2014 led to the creation of the Palli Sanchay Bank, which specializes in savings and transactions of the earnings of rural poor and under privileged in Bangladesh. Likewise, the Agriculture Development Bank, Ltd. of Nepal provides rural and commercial financial and banking services and offers several loan options for farming MSMEs. In Viet Nam, the state-owned Bank for Agriculture and Rural Development (Agribank) and the central bank introduced credit policies for agricultural and rural development. In addition, Agribank provides rural communities with a range of non-financial services, including financial literacy and digital literacy, to help rural communities take advantage of available financial services.

Government-owned banks in Brazil, Cambodia, Colombia, India, Mexico and the Philippines focus on rural development and the provision of financial and credit products to rural agriculture, fishing and MSME sectors. The National Bank for Agriculture and Rural Development (NABARD) in India was established in 1982 to provide rural credit options. It combined the agricultural credit operations of the State Bank of India with the refinance functions of the Agricultural Refinance and Development Corporation to drive rural economic development. It focuses on three main areas: (a) providing financial products; (b) promoting best farm practices (e.g. through capacity-building), better financial practices among other rural financial service providers, alternative industries in rural areas (to reduce reliance on agriculture by creating alternate livelihood options), microcredit and financial inclusion practices; and (c) supervising and monitoring other rural financial service providers to ensure good practice and financial soundness.

Agrobank, owned by the Government of Malaysia, offers shariah-compliant financing options for entrepreneurs in the agricultural value chain. To make these options available to rural communities, Agrobank has expanded its branches and agent networks to achieve coverage of 70 per cent of rural communities. While sharia-compliant financing options do not apply to every country context, the case example illustrates how considering the cultural aspects of target groups during the design phase may lead to better acceptance and uptake of financial products.

Government as a market regulator

Governments must refrain from focusing their regulatory and legal frameworks on urban areas and consider rural communities in order to close the inclusion gap. While Governments in Asia and the Pacific and Latin America differ in their approaches, they all share the same goal of increasing the financial inclusion of rural communities. Governments provide regulatory frameworks that advance financial inclusion of rural communities by adjusting regulation to enable financial service

The World Bank (2007) highlights three key benefits of financial inclusion for rural communities:

economic growth; inclusion of the rural poor; and ultimately lower vulnerability to shocks and unforeseen events.

providers to better serve rural communities and providing regulations for agent networks.

Adjusting regulations to enable financial service providers to better serve rural communities

Adjusting relevant regulations can take two forms: Governments can either impose new rules, regulations and mandates or reduce and remove existing ones. The Government of the Philippines, for example, has adopted both approaches. On the one hand, the Agriculture, Fisheries and Rural Development Financing Enhancement Act 2022 sets out rules and regulations of mandatory financing for rural sectors and broadens activities for agricultural credit and rural development financing. On the other hand, the Government has loosened regulations to make it possible for CARD MRI, a microfinance institution focused on supporting agriculture and rural development, to expand its operations and serve a greater number of clients. Likewise, the banking regulator in China loosened restrictions to enable private enterprises to invest in the banking sector, with a specific focus on enhancing banking services to MSME and underserved communities. MyBank offers collateral-free loans targeting MSMEs/farmers as a direct result of the loosened regulation. Another example of how deregulation can benefit rural communities is Decree 2233 of 2006 in Colombia, which permits financial institutions to contract agents to provide a range of financial services on their behalf. In 2009, it was modified by Decree 1121 to expand the scope of activities allowed for non-bank correspondents, authorizing them to open accounts for clients. Both approaches may be fruitful in achieving the intended outcome but require careful consideration to avoid any unintended consequences, such as reducing the supply of financial services and products through overly restrictive mandates.

Regulations for agent networks

It is not always feasible for financial service providers to operate branches in rural communities beyond rural hubs. Agent networks are therefore vital to connect rural communities with critical financial products and services. Agents act on behalf of a financial service provider under a valid agency agreement and offer accessibility, affordability, convenience and simplicity to their clients. For instance, Bangladesh, Malaysia, Mexico and Pakistan provide regulatory frameworks for agent banking to enable financial institutions to better serve rural areas. Likewise, the Reserve Bank of India permits banks to use intermediaries as agents to provide financial and banking services at places other than the bank premises. The programme has proven effective in providing financial services to rural areas. The Government of Colombia introduced agent banking in 2007 with requirements that financial institutions extend banking access to unbanked and remote populations. While the examples from Asia and the Pacific focus on enabling agent banking, the examples from Latin America set out specific rules, such as who may act as an agent, the services they may provide and the fees they may charge (see Brazil, Colombia and Mexico).

Chapter Four

Policy tools to improve financial inclusion of micro-, small and medium-sized enterprises

MSMEs are collectively the most significant source of employment in many low-income countries. However, their viability and existence can be jeopardized by limited access to financial products and services required to effectively manage risks and cash flows and capitalize on growth opportunities that ultimately help create jobs.

Globally, MSMEs comprise 90 per cent of enterprises and more than 50 per cent of employment (World Bank, 2023). In emerging economies, MSMEs create 7 out of 10 formal jobs and account for up to 40 per cent of gross domestic product (GDP) (World Bank, 2023). For instance, while MSMEs represent 90 per cent of all enterprises in Latin America, they only account for 12 per cent of total credit (Koning et al., 2021). Like the previous chapters, the focus of this chapter is on the intended benefits of and barriers to financial inclusion, but through the lens of MSMEs. A sample of policy tools are provided that target the supply side, demand side, or regulatory environment to improve the financial inclusion of MSMEs.

Intended benefits of financial inclusion for micro-, small and medium-sized enterprises

Access to and use of credit, equity, payments services and risk-management tools, including savings, insurance and credit, safeguards the viability of MSMEs (McCourtie, 2013). It allows MSMEs to use their money more freely and effectively to invest in their workforce, human capital, innovation and economic opportunities (Ayyagari et al., 2016, 2021; Efan et al., 2022; GPFI, 2022; McCourtie, 2013; Organisation for Economic Co-operation and Development [OECD], 2022a; World Bank, 2007). Financial inclusion helps MSMEs to improve their capital structure and long-term investment, as well as reduce their susceptibility to changing economic, credit market and social conditions, in part through access to insurance (GPFI, 2022; McCourtie, 2013; OECD, 2022a). It also encourages MSMEs to operate in the formal sector, thus promoting better credit history and documentation, enabling even greater access to government subsidies and financial products and services (Blancher et al., 2019; Madan, 2020; OECD, 2022a, 2022b). Having better financial information, credit history and documentation may also manifest in MSMEs qualifying more favourable credit terms, such as lower collateral requirements and interest rates (Blancher et al., 2019). Given these benefits, it is unsurprising that research points toward financial inclusion positively affecting MSME productivity and performance (Efan et al., 2022; McCourtie, 2013), although some suggest only a weak effect (Eton et al., 2021). These benefits also extend to the broader economy, contributing to greater resilience of the financial sector and the real economy, more effective fiscal policy, job creation, economic growth and innovation (Blancher et al., 2019; OECD, 2022a). For example, productive and well performing MSMEs are more likely to be financially resilient and able to hire employees and repay any loans they have, thus, reducing the financial sector's vulnerability to bad debts and contributing to national employment and growth.

Common constraints to the financial inclusion of micro-, small and medium-sized enterprises

Constraints on the financial inclusion of MSMEs can have different form: (a) demand side; (b) supply side; (c) macroeconomic; (d) regulatory; and (e) gender norms. Demand-side barriers comprise inefficient use of technologies and poor education, financial literacy, financial reporting (including limited use of external audits) and business skills, as well as an unwillingness to disclose and share proprietary information (AFI, 2021a; Efan et al., 2022; International Finance Corporation [IFC], 2021; International Labour Organization [ILO], 2020; OECD, 2022a). Other constraints on access to finance relate to a perceived lack of profitability or application success, inadequate and insufficient credit history and collaterals, as well as limited awareness of external financing alternatives[13] (AFI, 2021a; ADB, 2022; IFC, 2021; ILO, 2020; Madan, 2020; OECD, 2022a, 2022b). Moreover, many MSMEs continue to operate in the informal sector and lack documentation (Madan, 2020; OECD, 2022a, 2022b). Estimating the size of the informal sector is difficult, however, evidence from Colombia and South Africa puts the proportion of informally operating MSMEs at approximately 60 per cent (OECD, 2022b).

From a supply-side perspective, many financial product and service providers impose barriers, such as high fees, unfavourable terms and conditions (e.g. high interest rates and collateral requirements and insufficient loan size and maturity), complex administrative procedures and inadequate credit appraisal tools (AFI, 2021a; ADB, 2022; Blancher et al., 2019; IFC, 2021; ILO, 2020; Madan, 2020; OECD, 2022b). The microfinance methodology was developed to address these barriers. Financial firms further contribute to the exclusion of MSMEs through their geographic concentration, focus on other industries (e.g. non-agricultural) and sectors (e.g. non-rural), risk aversion and the lack of suitable financing, leasing and insurance alternatives (AFI, 2021a; Dupas and Robinson, 2013; IFC, 2021; ILO, 2020; Madan, 2020; OECD, 2022b). Additionally, the limited availability of specialized banks for MSMEs and underdeveloped private capital markets (e.g. thin capital markets and low presence of private equity) may present additional hurdles for MSMEs (Madan, 2020; OECD, 2022a).

Looking at the main macroeconomic obstacles, the ability of MSMEs to access financial products and services may be impacted by high inflation, an inefficient public sector, less market competition and diversity, inadequate infrastructure, a large informal sector and a lack of quality and competition in the financial sector (Blancher et al., 2019). Regulations also determine how financially included MSMEs are. Because of a lack of clear and supportive policies (AFI, 2021a; IFC, 2021; Madan, 2020) and insufficient institutional governance (including financial regulation and supervision), transparency and quality, MSMEs are at risk of being crowded out by larger firms with better political connections (Blancher et al., 2019). Likewise, poor quality and availability of credit information may further restrict the ability of MSMEs to access financial products and services (Blancher et al., 2019; IFC, 2021). In addition, ineffective contract enforcement and insolvency regimes, limited property rights and starting a business (e.g. business start-up costs), as well as old laws which are

13 Many MSME owners rely on credit from their personal accounts and other informal sources (e.g. friends and family), thus increasing the owner's risk of personal indebtedness and undesirable credit profile and history. This limits their access to suitable financial products and services and reduces banks' ability to monitor corporate credit (IFC, 2021; McCourtie, 2013; World Bank, 2023).

no longer relevant to modern society have all been associated with the financial exclusion of MSMEs (Blancher et al., 2019; GPFI, 2022; Madan, 2020; OECD, 2022b). High taxes and social security costs as well as low perceived benefits of operating in the formal sector (IFC, 2021; ILO, 2021) may incentivize MSMEs to operate in the informal sector, further constraining their access to financial products and services (Blancher et al., 2019; OECD, 2022b). Additional challenges for women-owned and rural MSMEs were discussed in chapters 2 and 3.

Table 3: Overview of policy tools to drive financial inclusion among MSMEs

GOVERNMENT ROLE: Market facilitator (demand-side)		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Financial literacy development	• Philippines	• Chile • Costa Rica • Colombia • Uruguay
Collateral registries	• Indonesia	• Colombia • Mexico
GOVERNMENT ROLE: Market participant (supply-side)		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Establishing digital payment systems	• Fiji • India • Indonesia • Philippines	• Argentina • Brazil • Mexico
Enhancing access to credit	• Bhutan • Cambodia • Fiji • Mongolia • Philippines • Thailand	• Argentina • Chile • Colombia • Mexico
Government-owned MSME banks	• Cambodia • Malaysia • Thailand	• Brazil • Chile
GOVERNMENT ROLE: Market regulator		
POLICY TOOL	**CASE EXAMPLES:** Asia and the Pacific*	**CASE EXAMPLES:** Latin America*
Regulations supportive of improving MSME operations	• Indonesia • Viet Nam • Bangladesh	• Argentina • Costa Rica • Colombia • Dominican Republic

**Details of each case example are provided in Appendix 3.*

Government as a market facilitator

When enabling MSMEs to access and use essential financial products and services, Governments act as market facilitators. Governments in Asia and the Pacific and Latin America use two main policy tools: financial literacy development plans; and collateral registries.

Financial literacy development

Financial literacy development plans aim to equip MSMEs, as they have equipped other target groups, with the necessary and critical skills and awareness to manage their finances, make informed financial choices and capitalize on economic opportunities. Of the provided examples, Government initiatives focus on either digital financial literacy or financial literacy more broadly. For instance, the Central Bank of the Philippines, Bangko Sentral ng Pilipinas (BSP) has a composite strategy that provides financial and digital financial education to MSMEs and other target groups. It also launched a digital literacy programme to increase public trust and confidence in the digital finance ecosystem and encourage massive use of digital financial services by consumers across all sectors. Unlike the Philippines, where educational workshops were provided, digital platforms were leveraged in Latin American countries to deliver educational material to MSMEs in a cost-effective way. For example, the Governments of Costa Rica and Uruguay offer educational resources via e-learning platforms and Digitaliza tu Pyme developed a software system to support MSMEs in Chile in adopting technology and improving their business. Another policy approach aimed at the inclusion and financial improvement of microenterprises through financial education and focused advice is Colombia's Camino a la nclusionn financiera de las microempresas. The programme targets formal and informal microenterprises and focuses on their financial health and provision of appropriate financial services through four means of intervention (networks, education, advice and accompaniment).

Collateral registries

A collateral registry is an electronic system that facilitates registration of security interests (an enforceable legal claim) in movable property.[14] Apart from the registration of security interests and their realizations in the events of default, collateral registries make this information available to the public. Thus, collateral registries make it easier for prospective lenders to identify if there are any existing interests on collateral when reviewing an MSME credit application. However, Governments need to ensure that collateral registries have adequate systems in place to protect citizens from misuse of their information and predatory behaviour for financial gain. The significance of collateral registries for improving MSME access to finance cannot be overstated. For instance, Registro de Garantías Mobiliarias in Colombia averages more than 1,000 registrations per day and with a special emphasis on MSMEs, has participated in more than US$90 billion in loans to more than 1 million borrowers. Likewise, in Indonesia, Fidusia Online had already facilitated US$30.8 billion in financing to 212,205 MSMEs by 2015. Equally as impressive, Registro Único de Garantías Mobiliarias in Mexico quadrupled activity since its inception in 2010, with 45 per cent of its guarantees accounting for the agricultural sector and the remainder for MSMEs.

The significance of collateral registries for improving MSME access to finance cannot be overstated.

14 Movable property are assets that can be physically moved from one location to another without changes in shape and substance, and includes:
(a) Tangible things such as goods, inventory, agricultural products, machinery and equipment, motor vehicles and livestock;
(b) Intangible assets such as documents of title, accounts, securities, instruments, copyrights, trademarks and patents.

Government as a market participant

Governments in Asia and the Pacific and Latin America function as market participants. The following case examples show how Governments provide and enable finance solutions that are targeted and tailored towards the specific needs and constraints of MSMEs. The provided case example fall into in three broad categories, namely: establishing digital payment systems; enhancing access to credit; and establishing government-owned MSME banks.

Establishing digital payment systems

The importance of digital payment systems for better facilitating the transfer of payments for MSMEs is well-established (Better Than Cash Alliance, 2023a, 2023b). Some of the case examples from Asia and the Pacific highlighted schemes to drive acceptance and adoption of digital payments by MSMEs. For instance, the Government of Fiji supports the Vodafone VitiKart Subsidy Scheme by subsidizing MSMEs to sign up and trade on the VitiKart e-commerce platform, which is linked to major online payment gateways, such as pAiSA, Visa and MasterCard. To further enhance access to affordable payment systems through digital solutions, the parliament of Fiji recently passed the National Payment System Act. The legislation allows for an upgraded national payment and settlement system, facilitating enhanced electronic fund transfers, retail payments and agent banking, leading to more efficient and safer transactions for businesses and households. The Reserve Bank of Fiji is overseeing the two-year reform programme. Similarly, in the Philippines, BSP introduced the PalengQR PH initiative to drive acceptance and adoption digital payments across different markets, including MSMEs, for the benefit of both businesses and consumers.

In contrast, the central banks in Brazil and Mexico have launched digital payment platforms to allow real time, seamless and cost-effective digital transfers between bank accounts for users and businesses, including MSMEs. As of 2021, the Brazilian PIX system has more than 110 million users and offers lower transaction costs to businesses and MSMEs. Likewise, the Government of India provides a digital platform to enable MSMEs to have easier access to loans as well as direct financial assistance. The platform was initiated to assist MSMEs that had been impacted during the COVID-19 pandemic and continues under the new self-sufficiency programme. Lastly, the Governments of Argentina and Indonesia have focused on developing open, interoperable digital payment rails that enable MSMEs and other customers in one network to transact seamlessly and cost-effectively with customers in another network. Regardless of the specific policy, any attempt to reduce transaction costs and time benefits the cashflow and business of MSMEs.

Enhancing access to credit

Access to credit is critical in assisting MSMEs to overcome financial difficulties and to capitalize on economic opportunities. Policies differ in their approaches and aim to enhance the ability of MSMEs to access credit by means of increasing financing options, providing credit guarantees, improving the loan application process, including through digital platforms, and developing adequate credit scoring models. For instance, Government initiatives in Bhutan and Cambodia aim at providing finance to MSMEs through government-owned enterprises or supporting the establishment of MSME banks, respectively. In Mexico, Crédito Joven initiative was established in 2015 with the intention to support young entrepreneurs age 18–30 years to access loans for their MSMEs. The programme offered four different credit options and fixed interest rates of 9.9 per cent for a term of four years, including up to a 12-month grace period for the deposit. Similarly, Colombia's Línea de Crédito Sostenible Adelante 2022 provides a special line of credit under preferential conditions to promote sustainable investments of MSMEs, such as financing circular economy projects, bioeconomy and climate change management. Likewise, Fondo Semilla Impacto in Argentina supports MSMEs with interest-free seed funding (up to 700,000 pesos (approximately US$40,740), repayable within five years) and additional training and mentoring by recognized institutions. Through el Fondo Tecnológico Argentino, MSMEs in Argentina receive non-refundable finance for projects aimed at improving productivity through technological innovation. In Colombia, Estrategia de Inclusión Crediticia para la Economía Popular is a collaboration between the Ministry of Commerce, Industry and Tourism and the Bank of Opportunities of the Ministry of Finance to design a pilot programme for low-amount productive credits to address the barriers that limit access to credit for people who have never had access to the formal financial system, have smaller-scale production units and tend to be part of the informal economy. The pilot comprises several components that depend on the type of participating financial institutions and the credit product offered:

(a) Inclusion of a partial guarantee from the National Guarantee Fund to improve the risk profile of productive units that access formal credit for the first time and promote their entry into the financial system to build their credit history;

(b) Management to provide non-traditional information to contact, identify, understand and profile the productive units, and to promote the development of alternative credit rating scoring;

(c) Development of financial education and advisory activities before, during and after the granting of credits for the population targeted by the pilot;

(d) Monitoring and evaluation framework during and after the implementation, to measure the effectiveness of the product, the usefulness of alternative information and the changes in the well-being of the productive units, their families and their communities, as a basis for scaling; with the technical support from the World Bank or the Inter-American Development Bank.

Value chain financing is a relatively new way for MSMEs to obtain credit, as it allows them to leverage the higher credit standings of larger buyers or suppliers to borrow from financial institutions. With the assistance of IFC, the Government of Mongolia is working towards introducing value chain financing with the additional aim of developing green finance.

Another common means to improve MSMEs access to finance is the establishment of funds under credit guarantee schemes that serve as alternatives to hard collateral. This approach is taken by Governments in Chile, Fiji, Mongolia and the Philippines. The Philippines Central Bank 2022 Circular No. 1156, Guidelines on the Adoption of the Standard Business Loan Application Form aims to streamline the loan application process for MSMEs. Likewise, the Digital Personal Loan programme in Thailand uses digital platforms to support financial institutions to offer credit and evaluate the credit worthiness of customers, including MSMEs. With MSMEs often having an inadequate and insufficient credit history and collateral, another promising policy tool is the joint initiative of the Philippines Central Bank and the Japan International Cooperation Agency. The aim of the project is to create a large-scale database of MSMEs and develop robust credit scoring models as a credit evaluation tool for risk-based lending.

Establishing government-owned MSME banks

MSME banks cater exclusively to MSMEs and their specific needs. Having a clearly defined target-group, MSME banks can contribute towards MSMEs financial inclusion by removing many of the common constraints they face. Government-owned MSME banks are quite common in Asia and the Pacific and play a critical part in providing credit to MSMEs. Examples include state-owned SME Bank in Thailand which was established to assist small and medium-sized enterprises with limited access to financial services. As of 2021, the SME Bank had almost US$3 billion in loans outstanding to over 84,000 SMEs. Cambodia and Malaysia also have government-owned MSME banks which have been essential in providing thousands of MSMEs with loans totalling US$7 billion and US$111 million, respectively. Interestingly, the case examples from Latin America differ from the MSME banks in Asia and the Pacific. For instance, Banco Nacional de Desenvolvimento Econômico e Social (National Bank for Economic and Social Development) is linked to the Department of Development, Industry and Foreign Trade of Brazil and aims to support ventures that contribute to the development of the country. Since its establishment in 1952, the bank has significantly supported investments in agriculture, commerce, services and MSMEs. Similarly, Banco del Estado de Chile is the only state-owned bank in Chile and was founded by government decree in 1953 to provide financial services to consumers and companies. The bank is the countr"s largest mortgage lender and largest issuer of debit cards, and it focuses on national coverage in terms of geography and social sectors and has a particular emphasis on the unbanked and MSMEs.

Government as a market regulator

Through effective and targeted regulations, Governments can help MSMEs maximize their economic potential and contribute to the economic growth of the communities they operate within, as well as national economic growth. From the provided case examples, regulations that are supportive of improving MSME operations emerge as the overarching policy categories tool.

Regulations supportive of improving MSME operations

In their role as market regulators, governments have created a range of policies that aim to support MSMEs to formalize and operate more efficiently. In noting that many MSMEs face constraints to formalization,[15] one way to reduce the number of informal MSMEs is to lauch portals to streamline and reduce the cost of the registration process, as was done in Argentina with Registrar una PyME (Register an MSME) and in the Dominican Republic with Formalízate (Get Legal). Both portals aim to inform MSMEs about their obligations and rights, such as tax exemptions and opportunities to access financial services and government grants and subsidies.

Similarly, Government Regulation 7 (GR 7/2021) in Indonesia offers improved protection and empowerment to Indonesian MSMEs. It does so by providing more streamlined regulation and processes to obtaining a business license, tax reductions, business relief and includes an exemption to pay the provincial or regency/ city minimum wage. In Costa Rica, the Law of Certificates, Digital Signatures and Electronic Documents (Law No. 8454) of 2005 can facilitate easier access to finance for MSMEs by providing the legal basis for the issuance and use of digital signature certificates and, ultimately, electronic documents. To help MSMEs grow and navigate the various government financial support incentives, the Government of Viet Nam issued Decree 80, setting out what constitutes an MSME, what financial support is available and how to access it. Through a partnership between ESCAP, the SME Foundation, and the Bangladesh Ministry of Women Affairs, a one-stop hub for women entrepreneurs is being created to enhance their access to information on start-up procedures, business registration and licensing, financial assistance, compliance procedures, support schemes/ policies and how to access them.

Lastly, Política de Reindustrialización has been proposed by the Government of Colombia, which, through a formal evaluation of its regulatory environment, will seek to eliminate regulatory and entry barriers that impact competition in some strategic sectors. It includes proposed measures to favour smaller formal and informal companies and to link MSMEs to the state purchase programme. A financial inclusion programme will be developed for the informal economy that will include measures such as granting nano credit without traditional guarantees.

15 While reviewing common constraints to the formalization of MSMEs is beyond the scope of the present report, policymakers must understand these barriers to achieve the desired outcomes of their initiatives.

Chapter Five

Conclusion

With a focus on Asia and the Pacific and Latin America, the present report provided a brief discussion on the intended benefits of and common constraints to the financial inclusion of women, rural communities and MSMEs. For each target group and region, a range of common policy approaches were discussed.

In particular, it looked at how Governments are improving the financial inclusion of women, rural communities and MSMEs through either increasing demand (Governments act as market facilitators), improving supply (Governments act as market participants), or improving consumer protection (Governments act as market regulators). The objective was not to provide a comprehensive overview of relevant policies for each target group and region; rather the aim was to flag existing policy examples to serve as a steppingstone for further research and to provide Governments with relevant policy examples to inform their agendas towards a more financially inclusive society. Specifically, the present report may help to create opportunities for knowledge sharing and collaboration between countries to leverage existing experiences and contribute towards a financially inclusive global society. The challenges and opportunities of making women, rural communities and MSMEs more financially included vary between countries across both regions. Policymakers must therefore consider the provided policy examples within their national context and in view of the cultural, social, political and economic differences between countries.

Policies from Asia and the Pacific and Latin America were mostly aligned in their approaches, however, a few key differences between the regions emerged and are worth highlighting. In noting these differences, no inferences are made given the limited sample of case examples.

- Governments as market facilitators – The national financial inclusion plans and strategies from the Asia-Pacific region have women-specific policies, strategies, and schemes in place. However, all the selected plans and strategies from Asia and the Pacific and Latin America either highlight women as a specific target group or specify benefits to women.
- Governments as market participants – While examples of government-owned women's banks or MSME banks are more easily found in Asian countries, countries from Latin America support rural communities and MSMEs through government-owned banks with a broader mission (e.g. general development banks). Furthermore, the acceptance and adoption of digital payment systems by MSMEs has been a priority in Asia-Pacific countries, whereas digital payment platforms were launched in Latin-American countries to allow real-time, seamless and cost-effective digital transfers between bank accounts.
- Governments as market regulators – The case examples from Asia and the Pacific focus on enabling agent banking in rural communities, whereas examples from Latin America set out specific rules such as who may act as an agent, the services they may provide and the fees they may charge.

Moving forward, the following four key recommendations equally apply to the financial inclusion of women, rural communities and MSMEs:

1. As market facilitators, Governments should set specific and time-bound goals within national and group-specific financial inclusion plans and strategies. Comprehensive data reporting as it relates to women, rural communities and MSMEs, such as sex disaggregation, becomes critical to ensure adequate tracking of these goals.
2. Governments and researchers should evaluate existing policy tools that aim at improving vulnerable groups' access to insurance. The climate crisis increases the risks of natural disasters, epidemics and pandemics, such as COVID-19, which impact vulnerable groups in particular.
3. Nothing that the effectiveness of different initiatives was not assessed, the third recommendation is to tailor policies to specific target groups. The provided case examples show that many initiatives cater to multiple groups. While such umbrella policies reach a large group and spread the cost of implementation among them, they may neglect certain groups with specific characteristics and needs. For instance, a one size fits all approach to financial literacy is futile and initiatives need to be tailored to specific target groups (see Lusardi, 2019; Lusardi and Mitchell, 2008). MSMEs, rural communities and women have different needs and face different barriers. Moreover, each of these groups is heterogenous and some members will face multiple intersections of marginalization, which must be taken into consideration. Similarly, needs may vary based on ethnicities, as well as cultural and linguistic differences within a population. Providing shariah-compliant financing options is critical in encouraging the uptake of credit among certain groups. Thus, policymakers need to evaluate the effectiveness of their existing programmes using disaggregated data on marginalized and excluded groups, and then they must adjust policies as required.
4. While the present report only highlights a selected sample of policy approaches, Governments in Asia and the Pacific and Latin America should actively seek to create opportunities for knowledge sharing between countries and engage in South-South collaboration to leverage existing experiences and identify best practices that ultimately contribute towards a financially inclusive global society.

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Appendix 1:

Overview of policy tools to drive the financial inclusion of women

GOVERNMENT ROLE

Market facilitator (demand-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
National Government Plans/ Strategies for financial inclusion	Bangladesh	2021–2026 National Financial Inclusion Strategy	The 2021–2026 Financial Inclusion Strategy is under implementation by the Ministry of Finance, Bangladesh Bank and other commercial banks, with the goal of expanding women's' financial inclusion via targeted policies and financial products. In addition to target-setting, strategies include prioritizing women farmers for agricultural financing; dedicated support services within banks and financial institutions for women entrepreneurs; and ensuring a minimum of 15 per cent of MSME credit reached women entrepreneurs by 2021.
	Fiji	National Financial Inclusion Strategy 2022–2030	The National Financial Inclusion Strategy 2022–2030 is the third of such strategies for Fiji. In alignment with the United Nations Sustainable Development Goals 2030, it contains a suite of strategies and targets for women's inclusion including financial literacy training; the revision and reimagining of existing practices and financial products through a gender lens; and greater support for women-led MSMEs. It is targeting an increase in women's financial inclusion to 85 per cent by 2030.
	India	Digital India	Digital India is an initiative of the government of India to create a digital empowered society and economy. Launched in 2015 and implemented by the Ministry of Electronics and Information Technology, the nine-pillar framework has two key pillars (4 and 5), which focus on the strategy's implementation. Pillar 4 emphasizes the role of the Government of India in executing the strategy while pillar 5 targets the transition from paper-based to digital formats. The

India (continued)		Ministry and Cabinet can request annual or biannual reports to provide a review of the performance for digital financial inclusion policies and programmes. This process is part of a whole-of-government effort to transition to digital systems right down to the village and panchayat levels. *Radhan Mantri Gramin Digital Saksharta Abhiyaan* is a scheme under Digital India that aims to bridge the digital divide by targeting, among other marginal groups, women in rural communities.
Indonesia	National Women's Financial Inclusion Strategy	*Strategi Nasional Keuangan Inklusif Perempuan* (National Women's Financial Inclusion Strategy) is a coordinated approach focused on women and digital and financial inclusion. This strategy aims to improve women's labour force participation which is lower than men's. Three key pillars form the strategy, including women's economic independence, gender equality and the creation of a women-friendly ecosystem.
Lao People's Democratic Republic	Financial Inclusion Roadmap	The Financial Inclusion Roadmap (2018–2025) contains a number of goals to increase financial inclusion for the adult population ultimately benefiting women; including the specific goal to increase the financial inclusion of women from 76 per cent to 85 per cent by 2025. A key supporting stakeholder for the road map is the Lao Women's Union.
Malaysia	Financial Inclusion Framework	The Financial Inclusion Framework, delivered by Bank Negara Malaysia, recognizes the important of measurement in translating policies to real impact. The Bank adopted the Sasana Accord during the Alliance for Financial Inclusion Global Policy Forum 2013 in Kuala Lumpur. The Bank used a set of key performance indicators and a financial inclusion index to improve their outreach and impact on the financial sector. The index monitors the aggregated process of financial inclusion in the country by measuring the four outcomes of accessibility, take-up, usage and satisfaction. This process has allowed Bank Negara Malaysia to prioritize and focus their policy and development initiatives.
Pakistan	Benazir Income Support Programme (BISP)	The Government of Pakistan and Ministry of Social Protection and Poverty Alleviation created BISP to provide unconditional cash transfers to women. BISP beneficiary committees meet regularly to discuss finance and other issues, such as nutrition, child health, education, family planning and adult literacy.

Pakistan	Khyber Pakhtunkhwa Province Digital Policy	The Digital Policy of Khyber Pakhtunkhwa Province provides localized digital inclusion strategies to develop digital skills, infrastructure, governance and literacy. The provincial government included gender inclusive co-working spaces in the policy, as well as four key pillars: equitable digital dividends for women and marginalized communities; digital literacy; technology mainstreaming; and demand driven skill development.
Philippines	National Strategy for Financial Inclusion 2022–2028	The Philippines National Strategy for Financial Inclusion 2022–2028 is the blueprint to achieve financial inclusion, inclusive growth and financial resilience. The implementation of the strategy is led by the Financial Inclusion Steering Committee, as well as subnational government agencies and other government bodies, the strategy includes specific interventions, outcome measures and targets to close gender gaps.
Solomon Islands	Second National Financial Inclusion Strategy 2016–2020	The Second National Financial Inclusion Strategy 2016–2020 is a comprehensive plan to improve financial inclusion. Implemented by the Central Bank of Solomon Islands, the strategy focuses on ensuring all citizens, particularly women, can access affordable and sustainable financial services. The strategy supports tailored financial products for women, youth and other vulnerable groups, and it is aligned to the National Gender Equality and Women's Development Policy, targeting policy outcome 2: improved economic status of women.
Case examples: Latin America		
Argentina	National Financial Inclusion Strategy	The 2020–2023 National Financial Inclusion Strategy aims to reduce social gaps by improving the provision of access to financial goods and services, as well as considering how to best create policies for the migrant and refugee community. The strategy aims to promote the use of digital payment forms, savings accounts, credit and other services as well as microfinance. Its objectives also include the protection of consumer rights, financial inclusion of vulnerable and excluded groups and financing MSMEs. It outlines plans to monitor the financial inclusion of women through a range of indicators, such as account holding and credit. *Cuenta Gratuita* Universal (Universal Free Bank Account)

Argentina (continued)		illustrates the progress that has been made with implementing the National Financial Inclusion Strategy. As per the directive of the Central Bank, every commercial bank must provide a free savings account to each person who holds a valid identity document (DNI) and is currently unbanked.
Brazil	National Financial Inclusion Strategy	Brazil was the first country in the Americas to adopt a National Financial Education Strategy. It was coordinated between the Ministry of Finance, Ministry of Justice, Ministry of Education, and regulated by the Central Bank of Brazil and other regulators. The strategy targets schools to promote behavioural change, raise the awareness of financial issues and improve the economy. It also focuses on women to ensure they benefit from better managing financial resources and creating empowerment. Additionally, it works with seniors to prevent abuse and fraud. Brazil adopted the National Strategy for Financial Education in 2010 to promote financial education for its population, with support from the Organisation for Economic Co-operation and Development, government bodies and the private sector. An Action Plan to Strengthen the Institutional Environment was then launched in 2012.
Colombia	National Financial Inclusion Strategy	The financial inclusion programme, *Banca de las Oportunidades*, was created in 2006. The Financial Inclusion Strategy was launched in 2016, and it is still in force today. The strategy aims to develop financial inclusion in rural areas, promote increased use of financial services, provide financing for MSMEs and develop and implement the National Financial and Economic Education Strategy. It has been superseded by other policies formed by the National Council of Economic and Social Policy, including document No. 4005 of 2020, which articulates the financial inclusion policy for 2020–2025 – with the overall objective of integrating financial services into daily activities of people and MSMEs. The policy has four strategic directions covering the reach and suitability of financial services, enhancing financial literacy by building trust, improving digital infrastructure and creating a governance framework. Additionally, the quadrennial national development plan 2018–2022 set a target of 85 per cent of adults having at least one financial product by 2022 and 77 per cent should have at least one active financial product.

	Mexico	National Financial Inclusion Strategy	The National Council for Financial Inclusion and their Financial Education Committee launched the National Policy for Financial Inclusion. By 2024, it aims to ensure 77 per cent of Mexicans have at least one financial product and women can meet their financial needs through credit programmes, services and products. One of the main objectives is to encourage the financial inclusion of vulnerable groups, such as women, migrants, older people, indigenous people and rural populations. This is achieved through increasing the accessibility of the financial system for these vulnerable groups, using social programmes to develop resilience mechanisms for vulnerable groups, promoting the access to and use of remittances, and implementing initiatives in the private and public sector to promote women's financial inclusion.
	Peru	National Financial Inclusion Strategy	The National Financial Inclusion Strategy was launched in 2015, and it aimed to increase the share of the adult population with a bank account to 50 per cent by 2018 and 75 per cent by 2021. The strategy addresses women as a vulnerable population group and outlines steps to promote and develop financial products and services for MSMEs, such as guarantee schemes, credit and investment. The financial sector in Peru uses sex-disaggregated data to improve women's financial inclusion and female entrepreneurship.
EXAMPLE 2	**Case examples: Asia and the Pacific**		
Financial literacy development	Cambodia	Promoting Financial Inclusion for Women and Women Entrepreneurs	Promoting Financial Inclusion for Women and Women Entrepreneurs is a programme formed by a partnership between the National Bank of Cambodia, the Ministry of Women’s Affairs and Visa. The initiative targets a range of women including young women, female entrepreneurs, female students, rural women, micro-business owners and those wishing to set up a business. It aims to improve women’s financial literacy through digital platforms and works to improve the technical capacity of staff within the Ministry of Women Affairs to gain the skills needed to address the needs of Cambodian women.
	Bangladesh	Financial Literary Guidelines for Banks and Financial Institutions	Financial Literary Guidelines for Banks and Financial Institutions is a road map for the development of financial literacy aligned with Sustainable Development Goal 4. The guidelines address a range of financial literacy subjects, and the methods of delivery are to be customized for the group being

Bangladesh (continued)		addressed. The guidelines are target-specific with the target groups broken into three tiers; with women being a tier 1 priority target.
Fiji	Financial Education Curriculum Development project	The Fiji Financial Education Curriculum Development (FinED Fiji) project was launched in 2013 in collaboration between the Reserve Bank of Fiji, the Fiji Ministry of Education, and other stakeholders, including the Pacific Financial Inclusion Programme, the Government of Australia and the New Zealand Aid Programme. It targets youth to improve financial literacy by equipping them with the knowledge, skills and attitudes to make informed and responsible financial decisions. This is achieved by curriculum development, teacher training and support, monitoring and evaluation and stakeholder engagement.
Pakistan	National Financial Literacy Program for Youth	Launched in 2018 by the National Institute of Banking and Finance, the National Financial Literacy Program for Youth aims to improve the money management skills and understanding of financial matters of in-school children, adolescents and youth across 45 selected districts of Pakistan. The Institute aims to reach 1.6 million children, adolescents and youth between 2018 and 2023 by delivering classroom training and digital learning platforms. It has developed an e-learning financial literacy course by designing an interactive game called PomPak – Learn to earn. Topics include money management, saving, budgeting, planning for the future, the formal banking sector, Islamic banking, and rights and responsibilities.
Philippines	Digital Payments Transformation Roadmap 2020–2023	The *Bangko Sentral ng Pilipinas* (BSP) Digital Payments Transformation Roadmap aims to strengthen customer preference for digital payments through the digitalization of payment streams. This includes converting 50 per cent of all retail payments into digital form, onboarding Filipino adults into the financial system through payment or transaction accounts. BSP set a target of reaching 70 per cent of the population and promoting innovation-driven use of customer data and responsible digital financial services to facilitate real time processing of transactions.

Case examples: Latin America		
Bolivia	Productive Patrimonial Assets Building and Citizenship Programme	The Productive Patrimonial Assets Building and Citizenship Programme targeted poor women in Bolivia to ensure their right to own and inherit property, access financial credit resources and technology to reduce extreme poverty for women in the country. Overall the project allowed 5,090 women to acquire new patrimonial assets or increase their existing assets by an average of 50 per cent. This was achieved by providing financial services to different enterprises in Bolivia. NB: This project was implemented from 2008 to 2012, and was not directly led by the Government.
Brazil	Financial education for women beneficiaries of Bolsa Família	The financial education programme for women beneficiaries of the Bolsa Família programme was implemented between 2013–2016. The programme involved 3,860 women from 49 municipalities across Brazil, aiming to increase financial literacy and behavioural habits to develop skills and abilities to manage family budgets. The project impact assessment found a 9.52 per cent increase in improvement in financial planning, a 73 per cent increase in gaining knowledge about financial planning support and a 39 per cent increase in saving capacity.
Colombia	*Mujeres + Productivas*	*Mujeres + Productivas* (+ Productive Women), a project of the Ministry of Commerce, Industry and Tourism, through Colombia Productiva and in alliance with the Bavaria and Fenalco foundations, seeks to improve the quality of women shopkeepers' lives in Colombia by increasing their income and developing their skills. This initiative was developed under the methodology of the Emprendedoras Bavaria programme. Through alliances with financial entities, the programme promotes the well-being of shopkeepers and their families and the growth of their businesses through financial inclusion measures such as microcredit, personalized objective advice, financial education and opening savings accounts for old age.
Mexico	Learn and Grow	The Learn and Grow programme *(Aprende y Crece)* of Banco Arteca focuses on teaching personal financial management and aims to bridge the knowledge gap for women to access financial services through "Financial Education for Women GS Learn and Grow". The programme is certified by the Ministry of Public Education, Law for Protection and Defense of Financial Services Users and the Ministry of Labor and Social Security. In total, the Learn and Grow platform has reached 60 million people across Mexico and Latin America.

GOVERNMENT ROLE

Market participant (supply-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Establishing digital payment systems	Bangladesh	Social safety net programme	The Ministry of Finance and Bangladesh Bank implemented various support programmes for rural communities during the pandemic through the social safety net programme. Allowances that were put in place included cash transfers and a credit support programme for rural groups.
	Fiji	Social welfare payments	The Department of Social Welfare transitioned from cash-based welfare payments to bank payments in 2010, which enabled some 80,000 vulnerable/poor people to access banking services as well as mobile money wallets. This was done with support from Westpac Bank Australia and its network of branches, ATMs and point-of-sale devices, and it provided flexible, no-fee accounts to Fijians in remote communities. The programme is led by the Government of Fiji for electronic payments of all communal land lease payments, to better assist rural communities.
	Indonesia	SIM cards with e-money	Since November 2014 the Government of Indonesia has interoperability between the three leading mobile network operators and the nation's largest bank by assets, PT Bank Mandiri Tbk, to distribute subsidies worth 15.5 million to impoverished households. These families received SIM cards loaded with e-money through the Family Welfare Deposit programme, as well as the Smart Indonesia Cards and Healthy Indonesia Cards. Withdrawals from e-money accounts can be made at post office branches, mobile agents and ATMs.
	Philippines	Digitalization of bank transactions and social payments	Digitalization of bank transactions and social payments in the Philippines has seen considerable success through strong coordination between the Department of Social Welfare and Development and the Land Bank. About 54 per cent of disbursements are currently done electronically. The policy advocacy work of the Philippine Central Bank under the

Philippines (continued)		National Strategy for Financial Inclusion ensured the institutionalization of account-based digital payments for Financial Inclusion Steering Committee members, including the Department of Labor and Employment, which encourages private sector employers to pay wages through transaction accounts, and the Department of Social Welfare and Development, which uses transaction accounts for social cash transfers, including digital transfers for the Social Amelioration Program.
Case examples: Latin America		
Argentina	*Plan 1,000 días*	*Plan 1,000 días* includes a set of public policies aimed at providing women/families free access to comprehensive health care, nursery schools and kindergartens, workshops and other learning spaces, assistance and accompaniment in case of gender-based violence, information on how to prevent disease and accidents, health care information, vaccines and medicines necessary for their development. The programme is available during pregnancy and early childhood (up to 3 years old) and includes initiatives, such as *Complemento Leche del Plan 1,000 días*, which provides financial support to guarantee the provision of healthy food during early childhood, which can be in the form of milk or another food that the family chooses. Payments under *Plan 1,000 días* are made into the recipient's bank account, which pairs well with the *Cuenta Gratuita Universal* (universal free bank account) policy.
Brazil	Bolsa Família	Bolsa Família provides cash transfers to low-income families via a digital payment system, *Bolsa Família Caixa*, using prepaid debit cards or a mobile app. This has increased both the efficiency and security of the payment process, and increased financial inclusion among low-income families, including women. Under the programme, cash transfers are delivered directly to the female head of the household in exchange for keeping children in school and taking them to routine health checks.
Colombia	*Más Familias en Acción*	*Más Familias en Acción* was launched in 2000 by the Government. It provides cash transfers to poor families and indigenous communities who are identified through the beneficiary identification system for social programmes. Most of the payments are facilitated by a bank account and recipients can access their money through ATMs and their mobile phones.

	Peru	National Direct Support Program for the Poorest – Juntos	The National Direct Support Program for the Poorest - Juntos supports families in poverty by providing cash transfers to eligible households. It specifically targets pregnant women and children to help them access health and educational services. It is implemented by the Ministry of Development and Social Inclusion. Households that are enrolled in Juntos receive a monthly payment of US$30.50 through the public banking institution, Banco de la Nación. Families can use bank agencies and ATMs to access the payment. At the beginning of the programme, the bank provides an account and debit card to the enrolled household.
EXAMPLE 2	**Case examples: Asia and the Pacific**		
Enhancing access to credit	Bangladesh	Women-centric mobile financial services	Bangladesh Bank has launched an array of initiatives targeting the financial inclusion gender gap, including women-centric mobile financial services. These services facilitate greater financial accessibility for women with less financial means or who lack physical access to banks and are a critical linkage
	Case examples: Latin America		
	Bolivia	Productive Patrimonial Assets Building and Citizenship Programme	The Productive Patrimonial Assets Building and Citizenship Programme was a government-supported initiative that targeted poor women in Bolivia to ensure their right to own and inherit property, access financial credit resources and technology to reduce extreme poverty. Overall the project allowed 5,090 women to acquire new patrimonial assets or increase their existing assets by an average of 50 per cent. This was achieved by providing financial services to different enterprises in Bolivia.
	Brazil	Banco do Nordeste, Cedriamigo Delas	The largest government-owned regional development bank in Brazil created the Crediamigo programme to improve access to credit for micro-entrepreneurs in urban areas. The programme was expanded to become Crediamigo Delas, specifically for women, as 67 per cent of the clients are women. The European Investment Bank provided a €200 million loan in March 2022 to finance micro-businesses owned by women and improve financial inclusion.
	Colombia	*Mujeres + Productivas*	*Mujeres + Productivas* (+ Productive Women), a project of the Ministry of Commerce, Industry and Tourism, through Colombia Productiva and in alliance with the Bavaria and Fenalco foundations, seeks to improve the quality of women shopkeepers' lives in Colombia by increasing their income and developing their skills.

	Colombia (continued)		This initiative was developed under the methodology of the Emprendedoras Bavaria programme. Through alliances with financial entities, the programme promotes financial inclusion of shopkeepers through microcredit, personalized objective advice, financial education and opening savings accounts for old age, to promote the well-being of their families and the growth of their businesses.
	Mexico	Mujeres PYME	The Ministry of Economy launched Mujeres PYME to develop women-owned MSMEs. The aim was to provide better financing and business development options and tools. The programme included individualized support and preferential interest rates.
EXAMPLE 3	**Case examples: Asia and the Pacific**		
Adjusting banking policies	Fiji	Minimum Requirements for Commercial Banks on Internal Microfinance Divisions and Units	The Minimum Requirements for Commercial Banks on Internal Microfinance Divisions and Units aims to enable banks in Fiji to innovatively and effectively extend sustainable banking financial services to poor and low-income households, individuals and MSMEs. Staff are encouraged to consult with the community, leaders and potential clients to find opportunities to provide financial services to these groups and assist businesses. Banking systems and lending procedures are able to be adapted to achieve these objectives.
	Case examples: Latin America		
	Mexico	Financial inclusion framework	The World Bank provided support to the Government of Mexico to implement a comprehensive legal and regulatory framework for the fintech industry. This aided the Government in the authorization, operation and supervision of the emerging fintech industry to better regulate crowdfunding and electronic payment funds. The resulting digitization of financial services has made more formal financial products available to women.
EXAMPLE 4	**Case examples: Asia and the Pacific**		
Government-owned women's bank	India	Bharatiya Mahila Bank	Bharatiya Mahila Bank focused on lending to women who had businesses or ran businesses, as well as those producing products for women. It provided four different loan programmes for start-ups with varying payment terms, most notably that the business loan did not require collateral. The Bank was established in 2013 by the Government of India, and later merged with the State Bank of India in 2017 as part of the

India (continued)		Government's efforts to amalgamate banks. The merger improved accessibility as the State Bank of India had a larger number of women's branches.
Pakistan	First Women Bank Ltd.	The First Women Bank Ltd. in Pakistan was established by former Prime Minister Benazir Bhutto in 1989 to meet the business and financial needs of women and increase their economic participation. It provides first-time finance to women-owned MSMEs, conducts computer training and capacity-building programmes for income generation and has development and training centres for female entrepreneurs. As other financial literacy, capacity-building programmes and microfinance institutions have emerged, the focus has shifted to meeting women's individual financial needs through MSME financing and the provision of cost-effective and in-demand financial products.
Case examples: Latin America		
Colombia	Women's World Bank	Mundo Mujer Foundation was established in Colombia in 1985 as non-governmental organization to provide microcredit for women. By December 2014, the entity was authorized by the Financial Superintendency of Colombia to operate as a bank from February 2015 onwards, then known as *Mundo Mjuer el Banco de la Comunidad*. Their goal is to provide microcredit and savings programmes to support women in Colombia. They are affiliated with the Women's World Bank international network.
Venezuela	Women's Development Bank	Formed in 2001, Women's Development Bank *(Banco del Desarrollo de la Mujer – Banmujer)* had provided financing to approximately 300,000 Venezuelan female workers by 2022 . The two main services it provides are continuous training programmes and direct financial services for women's socioeconomic and family projects.

GOVERNMENT ROLE

Market Regulator

POLICY TOOL

EXAMPLE 1 — **Case examples: Asia and the Pacific**

Universal, secure and private digital IDs

Bangladesh	National identity document (ID) registration	The transition of national ID registration from a paper-based system to a smart ID using chips and biometric technologies has facilitated greater opportunities for women's economic participation in Bangladesh. A strategy implemented in 2021 saw the introduction of the digital national ID into primary schools, and it ensures the inclusion of Bangladeshi women while they are still children. All children have a digital ID before they reach adulthood and can immediately access financial products when they are of age.
India	Electronic know your customer (e-KYC) and universal national ID project	e-KYC processes instituted as a result of the national ID project in India now enable the creation and activation of bank accounts within minutes. This led to a 24 per cent increase in women's financial inclusion from 2014 to 2015
Pakistan	Biometric ID verification system	BISP uses biometric verification technology to ensure that women are the ones applying for and receiving income support payments. This addresses the issue that previously, only 53 per cent of support payments to women were initiated by women.
Pakistan	Computerized national identity card	Computerized national identity cards, held by approximately 99 per cent of adults in Pakistan, use a combination of a unique identifying number and biometric data to confirm an individual's identity. Planned initiatives to offer additional services will further increase women's access to finance, health care, social programmes, voting and e-payments.
Philippines	Philippine Identification System	The Philippine Identification System not only provides proof of identity, but also strengthens financial inclusion, makes business processes easier, provides services more efficiently and improves governance. Streamlining the identity confirmation process makes it easier for women to participate in the economy and society.

	Case examples: Latin America		
	Brazil	*Cadastro de Pessoas Físicas*	*Cadastro de Pessoas Físicas* is identity document with a number that allows Brazilian citizens and residents to access services, such as opening a bank account or renting a car, and the number is used as a tax number. The identity document does not contain a photo. The Government is launching an app to make the identity document more like a driver's licence and to ensure the integrity of the system.
	Colombia	*Registro Único Nacional*	The Government has implemented a digital identity system that uses the highest level of security to create an electronic card for adult citizens. The card facilitates access to services from both public and private entities. It can be accessed through a mobile phone and has the same legal recognition as a physical document.
	Panama	Digital ID	To deliver on its digital agenda, the Government Innovation Authority and Mastercard partnered to implement a digital ID service, cybersecurity educational programmes and a national strategy.
EXAMPLE 2	**Case examples: Asia and the Pacific**		
Gender disaggregated data reporting	Fiji	Minimum Requirements for the Provision of Disaggregated Data	Under the policy on the Minimum Requirements for the Provision of Disaggregated Data, financial service providers are required to collect and report disaggregated data by gender, location and age to the central bank. This allows for the monitoring of financial inclusion in underserved communities, including women, and ultimately strengthens the policy formation process.
	Philippines	Gender and Development database	All instruments of government are required to develop and maintain a Gender and Development (GAD) database, under the Magna Carta of Women. The database contains gender statistics and sex-disaggregated data that must be gathered in a systematic manner, continuously updated and analysed prior to planning and policy formulation. This has led to a general culture of gender mainstreaming at all levels of government.
	Case examples: Latin America		
	Mexico	National Financial Inclusion survey	The first National Financial Inclusion survey was conducted in 2012 with the support of the Alliance for Financial Inclusion. The survey collected supply-side data intended to be used for evidence-based

	Mexico (continued)		formulation of financial inclusion products, strategies and policies for women. The survey demonstrated the value of such data and as a result, financial institutions are required to provided sex-disaggregated data to the regulator.
EXAMPLE 3	**Case examples: Asia and the Pacific**		
General promotion of women's rights	Philippines	Manga Carta of Women 2009 (Republic Act No. 9710)	The Magna Carta of Women is a human rights law protecting the rights of Filipino women and seeking to eliminate discrimination; and is the instrument through which the government enacts the provisions of the Convention on the Elimination of All Forms of Discrimination against Women. The law comprehensively promotes the full and equal civil, political and economic rights of Filipino women within society, including specialized provisions for those in marginalized groups. Notably, it also mandates that gender statistics and sex-disaggregated data be generated and maintained so as to assist the formulation of policy formation and government planning.
	Case examples: Latin America		
	Peru	2019 Policy on Gender Equality and 2020 Multisectoral Strategic Plan for Gender Equality	The 2019 Policy on Gender Equality was enacted to identify and address the causes and effects of structural discrimination against women. The policy included provision for six-month and annual assessments, and goals included the guarantee of access to and participation in decision-making, the economy and society; and the reduction of violence, discriminatory cultural practices and institutional barriers to equality between men and women. The 2020 Multisector Plan for Gender Equality is a complimentary instrument containing the strategies for implementing the Policy, in addition to laying out progress indicators and goals.

Appendix 2:

Overview of policy tools to drive the financial inclusion of rural communities

GOVERNMENT ROLE

Market facilitator (demand-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Financial literacy development	Cambodia	Digital Financial Inclusion Awareness Campaigns	The Digital Financial Inclusion Awareness Campaigns of the National Bank of Cambodia target the public, including people in rural areas, women and youth, through media and communications materials to explain the features and related risks of new digital financial products. In the regulatory environment, National Bank facilitates digital financial inclusion while providers implement the initiatives. The National Bank considers the capacity-building of both regulators and providers to be crucial in improving public understanding of digital financial inclusion and minimizing related risks.
	Fiji	*Noda I Lavo*	*"Noda i Lavo"* is a Fijian television show promoting financial literacy. It is produced in the indigenous language of Fiji, iTaukei, to ensure it reaches a wide audience and targets underserved groups. The show is in its sixth season and the weekly episodes cover topics including personal finance, budgeting, savings, investments and general money management practices. It is supported by the Reserve Bank of Fiji, Ministry of Education and other financial institutions.
	Fiji	Accredited trainers on financial literacy	The ANZ Money Minded programme teaches members of the communities to become accredited trainers on financial literacy, operating under an MOU between the Reserve Bank of Fiji and ANZ Bank. More than

Fiji (continued)		22,000 Fijians have benefitted from the programme since its inception in 2010. The campaign is delivered in partnership with the United Nations Pacific Financial Inclusion Programme.
Indonesia	Microfinance Unit for the Community Learning Centre "Harmon" project	The Microfinance Unit for the Community Learning Centre "Harmoni" project is delivered by the Centre for the Development of Non formal, Informal and Early Childhood Education, Regional 2 Semarang and various local governments. It instils financial literacy skills to villagers to help them better manage their finances, increase local business opportunities and improve their livelihoods.
Philippines	Rural Financial Inclusion and Literacy Act	The Rural Financial Inclusion and Literacy Act promotes financial empowerment and reduces financial vulnerabilities. Supported by *Bangko Sentral ng Pilipinas* as an executing organization and other non-governmental organizations (NGOs), government units, civil society organizations and cooperatives, the Act includes provisions for educational programmes among rural populations with a focus on small farmers, fishers and MSMEs. Section 6 of the Act contains the full list of government agencies involved.
Case examples: Latin America		
Argentina	National Financial Education Plan 2022–2023	The National Financial Education Plan 2022–2023 targets youth, MSMEs, rural areas and beneficiaries of social security to address gaps in financial education. In Argentina, rural communities rank the lowest on the financial literacy index, as well as having the lowest socioeconomic levels and lowest educational level. The overall goals of the plan are to incorporate financial educational content into the school curriculum, promote greater use of digital payments, develop campaigns to support financial education to MSMEs, promote responsible credit, minimize fraud and strengthen planning and training, as well a better understanding of consumer rights.
Bolivia	Rural Art and Community Fairs	Pro Mujer, an NGO supported by local government agencies, held art and community fairs in rural Bolivia in 2021. It used theatre and booths at the fairs to address finance as well as health and gender-based violence.

EXAMPLE 2	Case examples: Asia and the Pacific		
Investment in information and communications technology infrastructure	Philippines	Support programmes and Open Access in Data Transmission Act	*Bangko Sentral ng Pilipinas* (BSP) support programmes and Open Access in Data Transmission Act improve reliable Internet infrastructure across the economy. The passage of the Open Access in Data Transmission Act liberalizes the information and communications technology (ICT) industry by lowering entry barriers and simplifying the licensing process for broadband network providers. BSP instigated amendments to Executive Order No. 127 to ensure more efficient access to satellite technology and the facilitation of instant, ready-to-deploy Internet infrastructure for unserved and underserved areas.
	Solomon Islands	Coral Sea Cable System	The Coral Sea Cable System has improved digital infrastructure through a 4,700 km fibre optic submarine cable that connects Australia, Papua New Guinea and Solomon Islands. The project was completed in 2019 and improves Internet connectivity to provide greater digital opportunities. The National Digital Economy Strategy builds on this infrastructure to target key focus areas: digital government, digital infrastructure, digital skills and education, as well as digital business and innovation.
	Case examples: Latin America		
	Argentina	Federal Internet plan	The National Telecommunications and Connectivity Plan aims to connect 1,300 localities to the Federal Fibre Optic Network through the deployment of more than 30,000 km of fibre optic cables. More than 250 small towns have fewer than 500 inhabitants, and digital infrastructure can provide new opportunities to regional economies. This contributes to national digital inclusion plans through quality Internet, closing the digital divide and providing equal productive development to all regions of the country.
	Argentina	*Programa para el Desarrollo de Infraestructura de Internet en Pequeñas Localidades Rurales y Comunidades Indígenas (Resolución 1352/22)*	*Programa para el Desarrollo de Infraestructura de Internet en Pequeñas Localidades Rurales y Comunidades Indígenas* (Programme for the Development of Internet Infrastructure in Small Rural Localities and Indigenous Communities) (Resolución 1352/22) aims to facilitate the human right to communications and telecommunications in rural communities with up to 2,000 inhabitants. It calls for the creation of comprehensive ICT offices that are furnished with communication technologies for community use.

	Chile	Fibra Optica Austral	The Ministry of Transport and Telecommunications recently rolled out 247 km Southern Fibre Optic system *(Fibra Optica Austral)* to connect 536,000 users across 15 southern districts in the Los Lagos, Aysén and Magallanes regions. After four years of work, more than 19,000 companies benefitted from the infrastructure and the project contributes to the Government's digital inclusion plans. The system will cover over 30 per cent of the country in conjunction with *Fibra Optica Nacional*.

GOVERNMENT ROLE

Market participant (supply-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Supporting financial service providers to serve rural communities	Bangladesh	Tk-10 bank account for farmers	Bangladesh Bank requested all commercial banks to allow farmers to open Tk-10 bank accounts (with a minimum deposit of 10 taka) that were structured to suit farmers' needs. The aim was to ensure inclusion and transparency in disbursing various government financial assistance. The Tk-10 accounts have also proven vital in enabling rural farmers to access collateral-free loans. Other underprivileged groups who receive social security support also now open bank accounts with nominal fees.
	Fiji	Pacific Insurance and Climate Adaptation Programme	The United Nations Capital Development Fund initiated the Pacific Insurance and Climate Adaptation Programme and developed Parametric Micro-Insurance to offer combined insurance for immediate financial support after heavy wind and rainfall. It is targeted to the most vulnerable communities in Fiji, including farmers, fishers, market vendors and small businesses, to build financial preparedness and disaster risk resilience. The Reserve Bank of Fiji has approved this product which provides weather index modelling, onboards beneficiaries and automates pay-outs once weather triggers are hit. Once available to the public, the microinsurance product will offer a maximum cover of FJ$1,000.00 for cyclones, and it will be funded by Australia, India and New Zealand, and the Luxembourg Climate and Energy Fund.

	Mongolia	Expanding the capacity of the non-bank finance sector to support financial access	The Government of Mongolia, with the technical assistance of the Asian Development Bank, aimed to expand the capacity of the non-bank finance sector to support financial access. This was made possible through the strengthening of the capacity of savings and credit cooperatives and the Financial Regulatory Commission to oversee their operations. These cooperatives are often the only providers of financial services for rural households.
	Case examples: Latin America		
	Brazil	Brazilian Credit Cooperatives	Many farmers in rural communities in Brazil are turning to credit cooperatives to access funding. In 2022/23, R$15.5 billion was provided for farmers in the first two months of the crop season, an increase of 11 per cent from the year prior. This is the second highest amount of agribusiness lending, behind state-owned Banco do Brasil. At the moment 519 cooperatives in Brazil offer farm loans, with many of them forming part of cooperative systems (e.g. Sicoob, Sicredi and Cresol). Some operate independently (e.g. Credicoamo and Credialiança). These five entities received combined National Treasury subsidies totalling R$40 billion to drive investment and expenditure. Sciredi services more than 650,000 farmers in Brazil and is the only lender present in 200 cities.
	Mexico	Expanding Rural Finance Project	The Expanding Rural Finance Project was implemented from 2016–2020 by the World Bank and Mexican Government to support a resilient and sustainable economic recovery. Total of 192 financial providers participated to provide credit to rural producers and MSMEs, with 81 per cent of recipients being women.
EXAMPLE 2	**Case examples: Asia and the Pacific**		
Establishing government-owned banks to serve rural communities	Bangladesh	Palli Sanchay Bank Bill 2014	The Government of Bangladesh established the Palli Sanchay Bank in 2014 to empower rural people and women to access financial products. The specialized bank was designed for savings and transactions of the earnings of rural poor and under privileged, modelled after Grameen Bank.
	Cambodia	Agricultural and Rural Development Bank	The Agricultural and Rural Development Bank was established in 1998 under the direction of the Ministry of Economy and Finance and the National Bank of Cambodia. It provides financial products for the agricultural sector and rural economy with a mission

Cambodia (continued)		to develop the entire agricultural value chain. This includes servicing rural MSMEs, promoting rural savings and managing market stability and failures within these sectors. It has projects to increase access to markets for smallholder producers, enhance agricultural value chain competitiveness and safety, as well as agricultural diversification.
India	National Bank for Agriculture and Rural Development	The National Bank for Agriculture and Rural Development was opened in 1982 after the Government and State Bank identified rural credit options as a priority development item. Its creation involved combining the agricultural credit operations of the State Bank of India with the refinance functions of the Agricultural Refinance and Development Corporation, to drive rural economic development. Its three main focus areas are: (1) the provision of financial products; (2) promoting best farm practices, better financial practices among other rural financial service providers, alternative industries in rural areas, microcredit and financial inclusion practices; and (3) the supervision, monitoring of other rural financial service providers to ensure good practice and financial soundness.
Malaysia	Agrobank - agricultural sector financial access	Agrobank has introduced shariah complaint financing options for entrepreneurs in the agricultural value chain. The bank is owned by Ministry of Finance, under supervision of the Ministry of Agriculture and agro-based industry. To improve their financial inclusiveness, Agrobank has also increased their rural branches and agents' network, as well as improved their online banking platform. Agrobank currently operates in 70 per cent of rural communities in Malaysia.
Nepal	Agricultural Development Bank Nepal	The Agricultural Development Bank Nepal was established in 1967, empowered by the government to provide credit to farmers and promote the cotton industry. The bank provides rural and commercial financial and banking services, and offers several loan options for farming MSMEs.
Philippines	Land Bank of the Philippines and Development Bank of the Philippines	The Land Bank of the Philippines and the Development Bank of the Philippines are two banks that are responsible for promoting rural and agricultural development in the Philippines. The Development Bank played a large role during the early twentieth century and post-war economic recovery until the late 1980s. It now primarily focuses on larger scale infrastructure development. The Land Bank has always been focused on agriculture and rural development and operates

Philippines (continued)		as both a commercial and development bank. The loan portfolio prioritizes small farmers and fishers, MSMEs, and other key institutional areas necessary for development.
Viet Nam	Agribank	Agribank and the State Bank of Viet Nam introduced credit policies for agricultural and rural development. Agribank provided rural communities with introductory financial literacy courses, focusing on accessible banking products and services. Additionally, they assisted individuals in comprehending the advantages of using banking services and transitioning to non-cash transactions. They also promoted the Agribank Loan Group and mobile van banking facilities.
Case examples: Latin America		
Brazil	Brazilian Development Bank	The Brazilian Development Bank was established in 1952 and is the main financing institution for development in Brazil. The bank provides rural credit for technological innovation, machinery, equipment acquisition and other projects through a mechanism subsidized by the Special Agency for Industrial Financing with interest rates defined by the Government.
Colombia	*El Fondo para el Financiamiento del Sector Agropecuario*	*El Fondo para el Financiamiento del Sector Agropecuario* (FINAGRO) is a Colombian development entity that enables financial intermediaries to provide loans to farmers for developmental projects. The institution is governed by the Ministry of Agriculture and Rural Development and overseen by the Financial Superintendence of Colombia to act as a second-tier bank to facilitate access to financing.
Mexico	*Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero*	*Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero* (FND) acts as both a decentralized government agency and a national development bank to improve the financial sector linked to agriculture, fishing and other rural activities. Under government supervision it manages an asset base that allows it to grant credit and loans for projects considered feasible. In 2021 it announced the Crédito Seguro scheme which provides financing, at affordable interest rates, of up to 75 per cent for projects to reduce income poverty among rural producers.

GOVERNMENT ROLE

Market regulator

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Adjusting regulations to enable financial service providers to better serve rural communities	China	Private commercial banks pilot programme - MYBank	The China Banking Regulatory Commission loosened restrictions to enable private enterprises to invest in the banking sector, with a specific focus on enhancing banking services to MSMEs and underserved communities. MyBank collateral-free loans targeting MSMEs/farmers are a result of this loosening of regulation. Established in 2015, MYbank was part of the first group of pilot private commercial banks in China. It was also the first bank in China to establish its core banking system entirely on the cloud. MYbank introduced the 310 model for MSME financing to provide collateral-free business loans that can be applied for from a mobile phone within three minutes, approved in under one second, and with no human interaction.
	Philippines	Loosening regulations within the banking sector	Vulnerable women in impoverished regions have been able to gain increased access to microfinance opportunities from the CARD MRI Bank through the loosening of central bank regulations that previously required the microfinance-focused bank to operate in the same manner as larger banks. Over half a million impoverished Filipino women have access to microfinance through CARD MRI Bank.
	Philippines	Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022	The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 expands the scope for granting credit and financing in the rural and agriculture space. It does so by including agri-tourism, digitization projects in the agriculture sector, rural infrastructure and community improvement projects, and green projects among those that can receive approval.
	Case examples: Latin America		
	Colombia	Decree to enable non-bank correspondents	With the enactment of Decree 2233 of 2006, the Government has permitted financial institutions to contract agents to provide a range of financial services on their behalf. The Decree was modified by Decree 1121 in 2009 to expand the scope of activities allowed for non-bank correspondents, authorizing them to open accounts for clients.

EXAMPLE 2	Case examples: Asia and the Pacific		
Regulations for agent networks	Bangladesh	Agent banking in rural areas	Agent banking guidelines issued by the central bank allow for agent bankers to provide access to a range of basic financial products in rural communities. Agent banking outlets provide valuable access for populations who cannot physically access the locations of the bank itself.
	India	Business correspondents	Business correspondents are instrumental in providing credit to remote areas and are a crucial component of the financial inclusion strategy of the Reserve Bank of India. Launched in 2006, business correspondents played a vital role in providing 'doorstep banking' during the COVID-19 pandemic. The role of business correspondents was initially restricted to NGOs and microfinance institutions, but it was later extended to former bank and government employees, small commercial operations, and finally to larger retail operations, excluding non-banking financial companies. Prospective business correspondents undergo due diligence by their corresponding bank for quality control purposes since they are allowed to issue credit, recover principal and interest, verify customer identities. They also sell a range of products although they cannot charge fees for their services; instead, they receive a commission from the bank.
	Malaysia	Agent banking initiative	Bank Negara Malaysia's agent banking initiative allows them to reach underserved parts of the community, mostly in rural areas, through a more cost-efficient system and the use of non-bank retail outlets. Authorised agents provide basic baking services including accepting deposits, facilitating withdrawals, fund transfers, bill payments and financing repayments, with all transactions conducted on a real-time basis.
	Pakistan	Branchless banking regulation	The State Bank of Pakistan has branchless banking agents who provide simple cash-in/out activities for clients, including bill payments and loan disbursements/repayments. Fees are decided by the bank and the branchless banking agents can only service low risk accounts. There is no obligation that the agent offers exclusive services, as the State Bank of Pakistan allows 'super-agents' to represent several financial institutions.

Case examples: Latin America		
Brazil	Banking correspondents or banking agents	A global pioneer in agent banking, Brazil was able to provide banking access to almost all municipalities by 2010. Regulations limit the activities of agent bankers to simple banking actions and products, including identity verification for the sake of opening an account, small transactions; and credit, if the agent is certified to do so. Agents are limited to being 'entrepreneurial companies and associations', not individuals; and their sole purpose cannot just be agent banking. This is to ensure the quality of delivery as those organizations are considered to be more reputable within the communities they operate in.
Colombia	Banking correspondent	Correspondent banking in Colombia began in 2007, introduced by the Government as a requirement of financial institutions in order to extend banking access to unbanked, mostly remote populations. A supporting government programme, *Banca de las Oportunidades*, provided economic incentives to financial institutions who established banking correspondents in unbanked areas, a key factor in expanding access to unbanked populations in serious need. Agents may perform simple financial services, and may be any legal entity; or an individual conducting business from a fixed location; that has received authorization from the *Superintendencia Financiera de Colombia*. As of 2019 there were more than 130,000 banking correspondents according to the association of Colombian financial entities.
Mexico	Banking agents	The 2006 and 2008 changes to the General Dispositions to the Credit Institutions Law permitted banks to contract with banking agents who could offer basic financial services on the bank's behalf while the bank was liable for any risk. Agents can be almost any legal entity apart from brokers and dealers. National financial inclusion survey data from 2015 showed that agent banking had improved financial inclusion.

Appendix 3:

Overview of policy tools to drive the financial inclusion of MSMEs

GOVERNMENT ROLE

Market facilitator (demand-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Financial literacy development	Philippines	Composite strategy for financial inclusion	*Bangko Sentral ng Pilipinas* (BSP) has launched a composite strategy for financial education programmes that targets fishers, Filipinos working overseas along with their families in the Philippines, MSMEs, beneficiaries of government social security programmes, beneficiaries of soldiers and police killed and/or wounded in duty. The strategies are to identify key segments of the population that need financial education and digital financial literacy, identify partners to deliver sustainably at scale and establish a robust monitoring and evaluation system to measure outcomes and impact.
	Philippines	Digital Literacy Program	The Digital Literacy Program by BSP is supported by the United States Agency for International Development to increase public trust and confidence in the digital financial ecosystem. It encourages large-scale use of digital financial services by consumers across all sectors. It features the #SafeAtHome initiative, to promote e-payment options like PESOnet and InstaPay, as well as a cybersecurity awareness campaign aimed at enhancing consumers' understanding of cyber safety practices.

Case examples: Latin America		
Chile	*Digitaliza tu Pyme*	The Government of Chile established the EspacioPyme software system in 2016 through their Digital Agenda 2020 to improve the adoption of technology among MSMEs. The *Digitaliza Tu Pyme* programme assists MSMEs to access new digital technologies to boost sales, lower costs and improve customer and supplier contacts.
Costa Rica	*Pyme Nauta*	*Pyme Nauta* is an initiative of the largest state-owned bank in Costa Rica, to provide educational resources to MSMEs to improve their capabilities and skills. The e-learning platform offers a number of resources for businesses to access regarding financial education, technology and strategy.
Colombia	*Camino a la inclusión financiera de las microempresas*	*Camino a la inclusión financiera de las microempresas* (Road towards financial inclusion) is focused on promoting the inclusion and financial improvement of micro-businesses, through financial education and focused advice aimed at financing schemes to contribute to their sustainability in the market targeting formal and informal microenterprises in the country. The programme will be developed through four means of intervention (Allies, education, advice and accompaniment) and two fundamental themes: financial health (financial improvement) and provision of appropriate financial services.
Uruguay	Digitally and financially empowered MSMEs	A partnership between the International Labour Organization (ILO), FINANDES (a local development foundation), and the National Development Agency of Uruguay (ANDE) has been working to strengthen the financial knowledge and capacity of MSMEs in Uruguay. This programme was delivered online through digital tools to adapt the financial education training materials of the International Labour Organization to the needs of MSMEs in Uruguay. The adapted guidelines allowed trainers to learn about online delivery and created a pool of 60 national trainers in Uruguay who can train MSMEs owners and managers to deliver better financial management for their businesses.
Uruguay	*Pymes Uruguay*	The Ministry of Industry, Energy, and Mining offers programmes for MSMEs to develop their financial and digital skills. Their online platform provides access to certificates, registrations and educational resources to assist MSMEs operating in the country.

EXAMPLE 2	Case examples: Asia and the Pacific		
Collateral registries	Indonesia	Fidusia Online	Whereas previously assets had to be registered in person, legal reform in 2013 created Fidusia Online. By 2015, it had facilitated US$30.8 billion in financing to 212,205 MSMEs.
	Case examples: Latin America		
	Colombia	*Registro de Garantías Mobiliarias*	Based on a new law passed in 2013, the new centralized online registry began operating in 2014. Averaging over 1,000 registrations per day, with a special emphasis on MSMEs, it has participated in over US$90 billion in loans to more than 1 million borrowers.
	Mexico	*Registro Único de Garantías Mobiliarias*	Since its inception in 2010, the new centralized online registry quadrupled previous activity. Some 45 per cent of its guarantees are for the agricultural sector, with the rest in MSMEs.

GOVERNMENT ROLE

Market participant (supply-side)

POLICY TOOL			
EXAMPLE 1	**Case examples: Asia and the Pacific**		
Establishing digital payment systems	Fiji	Vodafone VitiKart Subsidy Scheme	The Vodafone VitiKart Subsidy Scheme is delivered with support of the Reserve Bank of Fiji and the Ministry of Finance Fiji to assist MSMEs who sign up as merchants on Vodafone Fiji e-commerce platform, VitiKart, to offer their products for sale online. The VitiKart is a ready-built e-commerce platform that is linked to PAiSA, Visa and MasterCard online payment gateways, making it easier for MSMEs to trade online.
	Fiji	National Payment System Act	Parliament passed the National Payment System Act to enhance access to affordable payment systems through digital solutions and enhance financial inclusion. The legislation allows for an upgraded national payment and settlement system, facilitating enhanced electronic fund transfers, retail payments, and agent banking, leading to more efficient and safer transactions for businesses and households. The Reserve Bank of Fiji is overseeing the two-year reform programme.

India	Prime Minister’s Street Vendor’s AtmaNirbhar Nidhi programme	The Prime Minister's Street Vendor's AtmaNirbhar Nidhi programme supported street vendors who lost their livelihood and income during the COVID-19 pandemic. Street vendors could access small-ticket loans guaranteed by the Government through a digital platform. The scheme was succeeded by the Prime Minister's self-sufficiency programme, which aims to expand access to affordable credit guaranteed by the Government to MSMEs or other vulnerable groups.
Indonesia	Mobile Phone Money Scheme Interoperability Agreement	The Mobile Phone Money Scheme Interoperability Agreement represented the first interoperability agreement between the three major mobile operators and allowed customers using mobile money schemes on the three networks to easily transact between each other. With the addition of open banking application programming interfaces (APIs) b etween banks, fintech enterprises and other stakeholders; and the support of the Bank Indonesia through the Indonesia Payment System Blueprint 2025; the result is an array of digital rails to increase interoperability, speed up digitization and contain the risks of shadow banking. Ultimately the use of digitization to increase the accessibility of financial services is intended to greater integrate finance with economic activity, including MSMEs.
Philippines	PalengQR PH	The PalengQR PH initiative introduced by BSP promotes financial inclusion and cashless translations in places such as public markets, community shops and local transport hubs. Its goal is to build a digital ecosystem centred around the basic payment behaviours of Filipinos to increase the value of transaction accounts and promote the adoption of these products.
Case examples: Latin America		
Argentina	Transferencias 3.0	The Transferencias 3.0 payment system was launched in late 2020 to boost digital payments and financial inclusion. Through instant transfers, the system provides open and universal payments for citizens. It also reduces fees for businesses and shops through the interoperable system.
Brazil	PIX payment system	PIX payment system was developed by the Central Bank and allows immediate transfers between bank accounts. The instant payment system integrates into multiple banking apps and wallets to ensure a seamless transaction. It is used by more than 110 million Brazilians and reduces costs for businesses and service providers.

	Mexico	Cobra Digital (CoDi)	The Central Bank of Mexico launched CoDi in 2019. The platform delivers real-time, low-cost transactions, using QR codes and near field communication technology. This tool has promoted financial inclusion to previously unreached groups.
EXAMPLE 2	**Case examples: Asia and the Pacific**		
Enhancing access to credit	Bhutan	National Cottage and Small Industry Development Bank Limited	The National Cottage and Small Industry Development Bank Limited is a state-owned enterprise closing the financial gap for cottage and small industries through the provision of finance for projects that otherwise struggle to obtain finance from commercial banks; such as start-ups and initiatives by entrepreneurs. It aims to reduce the financial gap for small enterprises.
	Cambodia	Small and Medium Enterprise Bank of Cambodia PLC	The Government supported the establishment of the Small and Medium Enterprise Bank of Cambodia PLC, a private commercial bank. With an initial budget focused on developing agrobusinesses and other MSMEs with linkages to foreign direct investment, the tourism sector and tech startups, the bank's activities align with wider government policies on diversifying the economy and expanding exports. It currently has four schemes addressing women, MSMEs, co-financing and digitization/automation.
	Fiji	MSME Credit Guarantee Scheme	Administered by the central bank, the MSME Credit Guarantee Scheme supports the development of MSMEs by guaranteeing up to 75 per cent of outstanding principal on defaulted loans to MSMEs, women entrepreneurs and those engaged in the agriculture, forestry and fisheries sectors (up to $75,000 per business). The guarantee extends lending to all sectors (apart from businesses in the sugar industry or those that already receive government subsidies) to further develop local business and stimulate growth.
	Mongolia	Value chain financing	To assist MSMEs in accessing credit, a system of value chain financing is being developed by the Financial Regulatory Commission with the support of the International Finance Corporation. This will allow MSMEs to use the positive credit standings of larger buyers/suppliers to gain access to credit from financial institutions. It is part of a wider strategy by the Government to diversify the economy through the increase of agricultural exports, the development of local suppliers and the use of technology such as e-platforms to improve efficiency.

Mongolia	Credit Guarantee System for Economic Diversification and Employment	To foster growth and greater diversification of the economy, the Credit Guarantee System for Economic Diversification and Employment seeks to improve access to finance for MSMEs in non-mining-related sectors. The Government sought external support to improve the quality of the Credit Guarantee Fund of Mongolia and its credit guarantee system, including securing backing of credit guarantees from the Asian Development Bank.
Philippines	Credit Surety Fund	The Credit Surety Fund, a programme run by the central bank, provides an equivalent to the hard collateral lacked by MSMEs so they may gain access to credit. As MSMEs often lack a credit track record and credit knowledge, the aim is to increase their creditworthiness for future applications. The fund provides up to 80 per cent surety cover to banks for loans granted to MSMEs.
Philippines	Credit Risk Database	The Credit Risk Database project, implemented by the central bank in conjunction with the Japan International Cooperation Agency, intends to establish a comprehensive database of MSMEs, alongside the development of a credit rating system. Used together, these instruments will facilitate credit evaluations and overall improve access to credit for MSMEs.
Philippines	Standard Business Loan Application Form Circular	The Standard Business Loan Application Form Circular introduced a standardized business loan application document for MSMEs across banks, government financial institutions and other financing companies supervised by the central bank. MSMEs can be more comfortable using the standard document and exploring their financing options at new financial institutions.
Thailand	Digital personal loans	Banks and other financial institutions are empowered by the central bank to expand their personal loan offerings to underserved communities. Digital data such as online bill payments and shopping transactions are used to evaluate the risk of providing small loans to individuals and pandemic-affected MSMEs. The goal is to increase participation of vulnerable populations in the formal financial system and reduce predation by loan sharks.
Case examples: Latin America		
Argentina	*Fondo Semilla Impacto*	*Fondo Semilla Impacto* (Impact Seed Fund) provides MSMEs with interest-free loans of up to 700,000 pesos that are repayable within 5 years and additional training and mentoring by recognized institutions.

Argentina	*el Fondo Tecnológico Argentino*	Through *el Fondo Tecnológico Argentino*, MSMEs receive non-refundable finance for projects that improve productivity through technological innovation.
Chile	Small Enterprise Guarantee Fund	The Small Enterprise Guarantee Fund was established in 1980 and reformed in 1999, supported by the Government to provide partial credit guarantees to financial institutions. It aimed to reduce the risk of lending to MSMEs and provide more favourable lending conditions to MSMEs seeking credit.
Colombia	*Línea de Crédito Sostenible Adelante 2022*	To promote sustainable investments in MSMEs, the Ministry of Commerce, Industry and Tourism, and Bancóldex offered *Línea de Crédito Sostenible Adelante 2022* (Adelante Sustainable Credit Line 2022), to offer preferential financing for projects related to the circular economy, bioeconomy and/or climate change management.
Colombia	*Estrategia de Inclusión Crediticia para la Economía Popular*	With *Estrategia de Inclusión Crediticia para la Economía Popular* (Credit Inclusion Strategy for the Informal Economy), the Ministry of Commerce, Industry and Tourism, in coordination with the Bank of Opportunities of the Ministry of Finance, are working on the design of a pilot programme for low-amount productive credits to address the barriers to credit for people who have smaller-scale production units and who are mostly part of the informal economy, especially those who never had access to the formal financial system. The main components of the pilot will depend on the type of financial institution that participates in the programme and the credit product offered: • Inclusion of a partial guarantee from the National Guarantee Fund to improve the risk profile of productive units that access formal credit for the first time and promote their entry into the financial system to build their credit history • Management to provide non-traditional information to contact, identify, understand and profile the productive units, and to promote the development of alternative credit rating scoring • Development of financial education and advisory activities before, during and after the granting of credits for the population targeted by the pilot • Monitoring and evaluation during and after the implementation, to measure the effectiveness of the product, the usefulness of alternative information and the changes in the well-being of the productive units, their families and their communities, as a basis for scaling; with the technical support from the World Bank or the Inter-American Development Bank

	Mexico	*Crédito Joven*	*Crédito Joven* was launched in 2015 by the Government of Mexico to support young entrepreneurs age 18–30 years to access MSME loans. The programme offered four different credit options and partnered with Nacional Financiera to provide interest rates of 9.9 per cent for a term of four years, including up to a 12-month grace period for the deposit.
EXAMPLE 3	**Case examples: Asia and the Pacific**		
State-owned MSME banks	Cambodia	SME Bank	The SME Bank was officially licensed as a commercial bank by the National Bank of Cambodia on the 27 February 2020. As of 2021, it had made US$111 million in loans to 1,701 MSMEs. It is wholly owned by the Ministry of Economy and Finance
	Malaysia	SME Bank	The SME Bank was established in 2005 and is now one of the leading development finance institutions in Malaysia, wholly owned by the Ministry of Finance and regulated by the central bank, Bank Negara Malaysia. It approved a total of RM32 billion (US$7 billion) in financing to more than 17,000 customers by December 2019.
	Thailand	Small and Medium Enterprise Development Bank of Thailand (SME Bank)	The SME Bank was established by specific legislation to assist enterprises that may have limited access to financial services. As of 2021, the bank had outstanding loans of 104.98417 billion baht (US$3 billion) to 84,617 enterprises. The Ministry of Finance maintains close control and near full ownership.
	Case examples: Latin America		
	Brazil	*Banco Nacional de Desenvolvimento Econômico e Social*	*Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development) is linked to the Department of Development, Industry and Foreign Trade and aims to support ventures that contribute to the development of the country. Since its foundation in 1952, the bank has funded major industrial and infrastructure enterprises, significantly supporting investments in agriculture, commerce, services and MSMEs.
	Chile	*Banco del Estado de Chile*	*Banco del Estado de Chile* is the only state-owned bank in Chile. It was created by government decree in 1953 to provide financial services to consumers and companies, with a focus on national coverage in terms of geography and social sectors and a particular emphasis on the unbanked and MSMEs. It is the largest mortgage lender and largest issuer of debit cards in Chile.

GOVERNMENT ROLE

Market regulator

POLICY TOOL

EXAMPLE 1

Regulations supportive of improving MSME operations

Case examples: Asia and the Pacific		
Indonesia	Government Regulation 7 of 2021 (GR 7/2021)	Government Regulation 7 of 2021 (GR 7/2021), part of a larger omnibus law, provides improved protection and empowerment to MSMEs in Indonesia. It includes more streamlined regulation and processes to obtaining a business license, tax reductions, business relief and includes an exemption to pay the provincial or regency/city minimum wage.
Viet Nam	Decree 80	Decree 80 sets out definitions of micro-enterprise, small businesses and medium enterprises. The legislation includes government support incentives for international MSMES, as well as the extension of other benefits for MSMEs for consulting contracts and female workforce participation.
Bangladesh	One-stop-hub for women entrepreneurs	Through a partnership between ESCAP, the SME Foundation, and theMinistry of Women Affairs, a one-stop hub for women entrepreneurs is being created to enhance their access to information on start-up procedures, business registration and licensing, financial assistance, compliance procedures, support schemes/ policies and how to access them.
Case examples: Latin America		
Argentina	MSMEs Act (Ley PyME)	The Argentinian Revenue Service provides an online portal to guide MSMEs through the registration process so that they can obtain benefits such as tax relief, investment promotion, less withholdings, more credit and improvements for exporters.
Costa Rica	Enforcement of Digital Signatures and E-Authentication	The Directorate for Digital Signature Certifiers within the Ministry of Science, Technology and Telecommunications is responsible for implementing national policies and enforcements on e-authentication. It is the manager of National Root Certification Authority. The Directorate works with private and public institutions to create e-government and e-commerce solutions with digital certificates. The Law of Certificates, Digital Signatures and Electronic Documents (Law No. 8454) of 2005 provides the legal basis for the issuance and use of digital signature certificates.

	Colombia	*Política de Reindustrialización*	*Política de Reindustrialización* (Reindustrialization Policy) is aimed at eliminating regulatory and entry barriers through a formal evaluation of its regulatory environment Another focus is on strengthening the business and commercial system from within, by adopting measures to favour smaller, formal and informal companies as well as linking MSMEs to the state purchase programme. A financial inclusion programme will be developed for the informal economy that will include measures, such as granting nano credit without traditional guarantees.
	Dominican Republic	*Formalízate* (Get Legal) portal	In response to a large number of informal MSMEs in the Dominican Republic (nine out of ten fail to register legally), the Government launched the Formalízate (Get Legal) portal to streamline the process of registering a company. The pilot programme was launched by the Santo Domingo Chamber of Commerce, *Federación Dominicana de Cámaras de Comercio*, and *Universidad Nacional Pedro Henríquez Ureña* MSME Centre to provide specialist support for MSMEs owners. The programme is also developing information on the new tax regimes for MSMEs to ensure they are aware of their obligations.

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