International Best Practices on Policies and Regulation in Financial Inclusion

Payment Aspects of Financial Inclusion (PAFI)

Launching of OJK International Center of Excellence for Microfinance and Inclusion (OJK-PROKSI) and International Seminar

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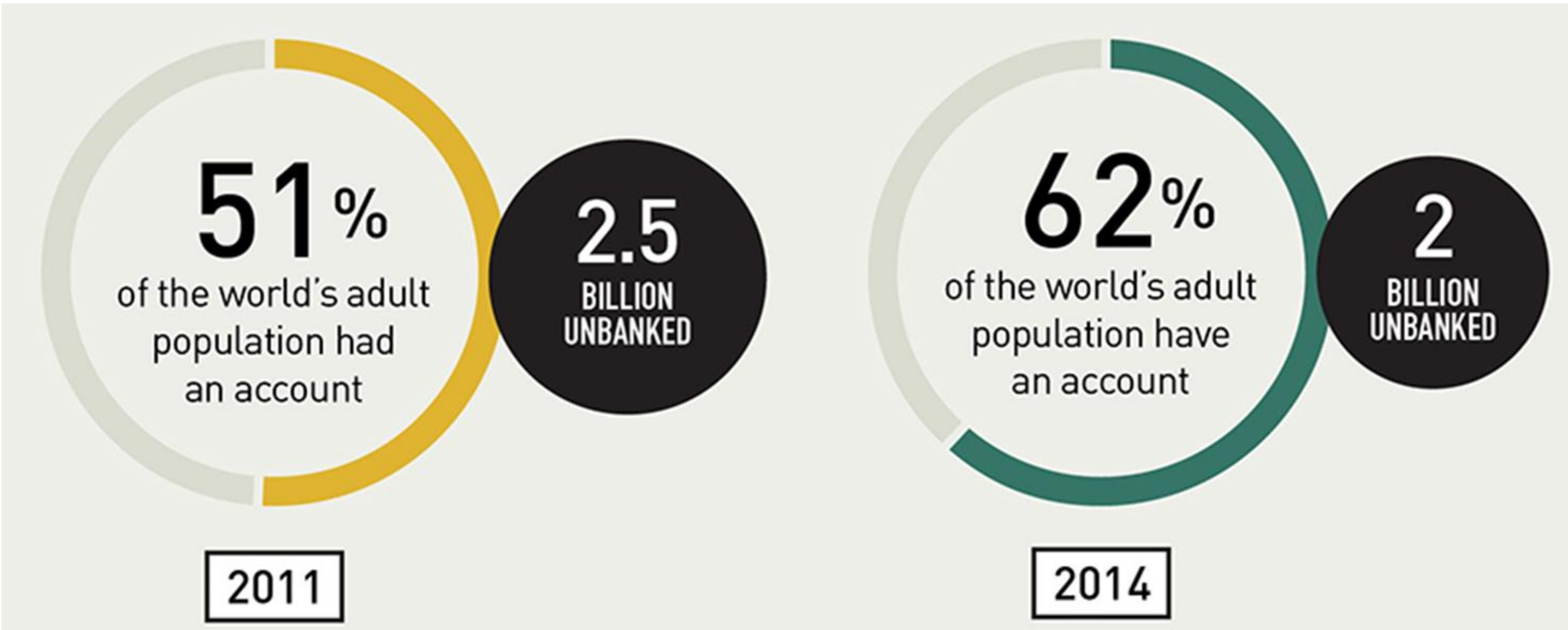
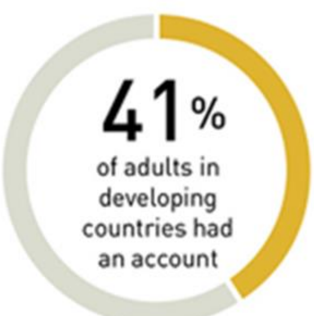
Financial Inclusion: gap is narrowing but is still substantial

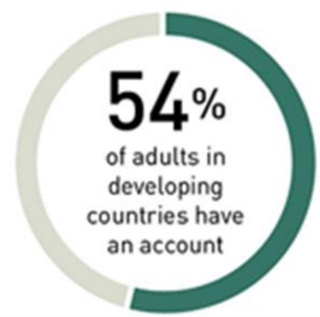




- Developing countries are making substantial progress and access to an account has increased from 41% in 2011 to 54% in 2014

2011

2014



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Financial Inclusion: It’s all relative

Financial Inclusion: individuals, businesses and public administrations having access to and using the type of financial services that meet the their needs.


The PAFI ‘vision’

All individuals and businesses should be able to have access to and use at least one transaction account operated by a regulated / authorized payment service provider:

i. to perform most, if not all, of their payment needs

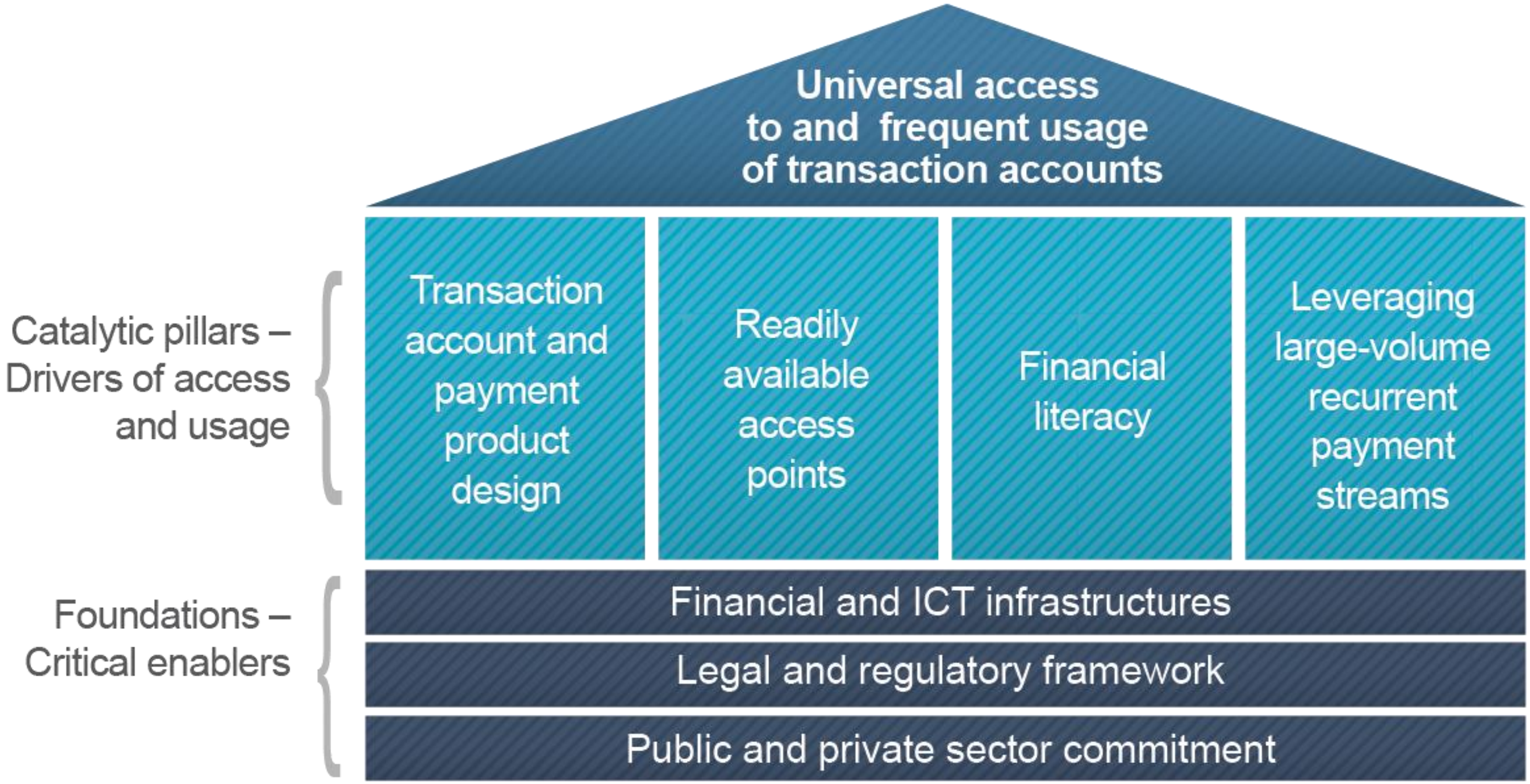
ii. to safely store some value; and

iii. to serve as a gateway to other financial services

Sources:
CPMI Website: https://www.bis.org/cpmi/publ/d133.htm
World Bank Group Website: https://consultations.worldbank.org/consultation/payment-aspects-financial-inclusion

Foundations and Pillars

Building a more inclusive financial system



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PAFI Guidance: Foundations – Critical Enablers

Financial and ICT infrastructures

Legal and regulatory framework

Public and private sector commitment

Guiding Principle 1: Commitment
Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time.

Guiding Principle 2: Legal and Regulatory Framework
The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.

Guiding Principle 3: Financial and ICT Infrastructures
Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services.

PAFI Guidance: Catalytic Pillars – Drivers of Access & Usage

Transaction account and payment product design	Readily available access points	Financial literacy	Leveraging large-volume recurrent payment streams

Guiding Principle 4: Transaction account and payment product design
The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.

Guiding Principle 5: Readily available access points
The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.

PAFI Guidance: Catalytic Pillars – Drivers of Access & Usage

- Transaction account and payment product design
- Readily available access points
- Financial literacy
- Leveraging large-volume recurrent payment streams

Guiding Principle 6: Financial literacy

Individuals gain knowledge, through financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services.

Guiding Principle 7: Large-volume, recurrent payment streams

Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

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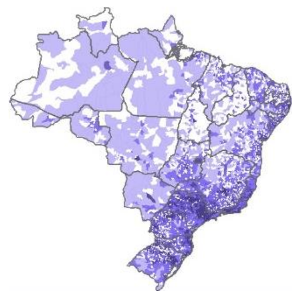
Other countries are making progress towards financial inclusion

Reforms to allow use of agents enabled massive outreach at lower cost → In Brazil, agents cover far more of the population than brick and mortar branches.



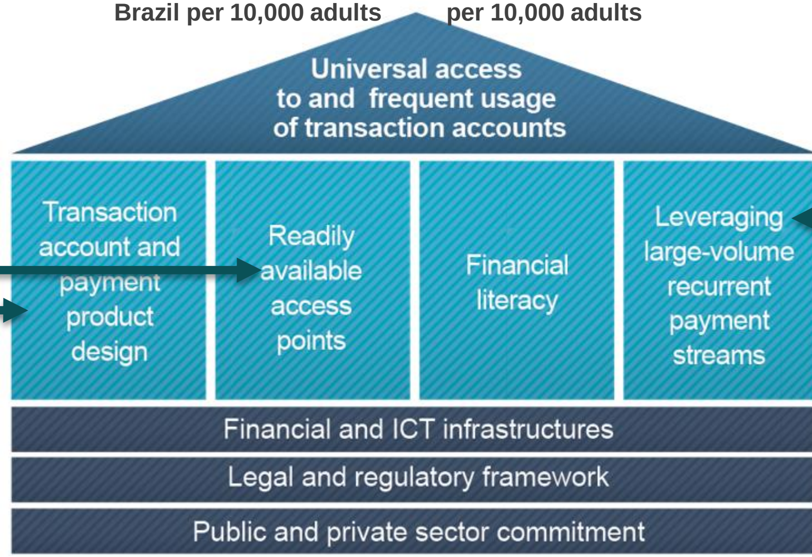
Bank branch coverage in Brazil per 10,000 adults

Agent Coverage in Brazil per 10,000 adults

In China, 90% of benefits dispersed electronically in the last 5 years

India plans to migrate social transfer disbursements for 93 million beneficiaries into transaction accounts.

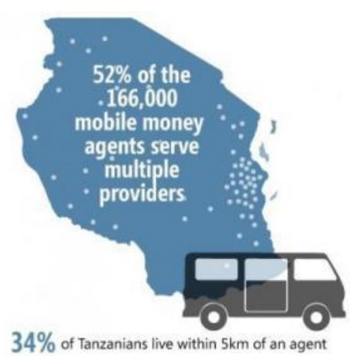
In Morocco, 500,000 accounts opened per year with launch of Al Barid Postal Bank



In India, over 170 million accounts were opened in 9 months through Jan Dhan Yojana initiative.

In Rwanda, NFIS commitments spurred government to establish a savings & loans cooperative in every district which contributed to the increase of banked adults from 21% to 42%.

- **Tanzania increased financial access from 17% to 40% in 3 years, inc.through mobile phones**
- **Policy and regulations promoted competition and transparency, while enabling innovation**
- **Broader range of financial services increasingly being offered through transaction accounts**



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Financial inclusion is a priority for the Indonesian government

"The right of every individual to have access to a full range of quality financial services in a timely, convenient, informed manner and at an affordable cost in full respect of his/her personal dignity. Financial services are provided to all segments of the society, with a particular attention to low-income poor, productive poor, migrant workers and people living in remote areas."

National Financial Inclusion Strategy 2012

Along the line of *President's nine priorities (NAWACITA):*

7 Promoting economic independence by developing domestic strategic sectors

"Achieve a financial inclusion target of 50 percent"

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THANK YOU

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