



New Day, New Nets, by Ha Tran Bao

Future of Inclusive Finance

November 19, 2022



Agenda for today

1. Introductions
2. Current context and role of inclusive finance
3. Discussion on gaps and how CGAP can contribute



- ☑ **WE ARE:** Global partnership of over 30 leading development organizations, housed at the World Bank
- ☑ **WE BELIEVE:** Financial inclusion is an important enabler of a more inclusive, green and resilient future for all
- ☑ **WE FOSTER:** Innovation driving services for the poor at scale

OUR VISION

A world where poor people, especially women, are empowered to **capture opportunities** and **build resilience** through financial services.

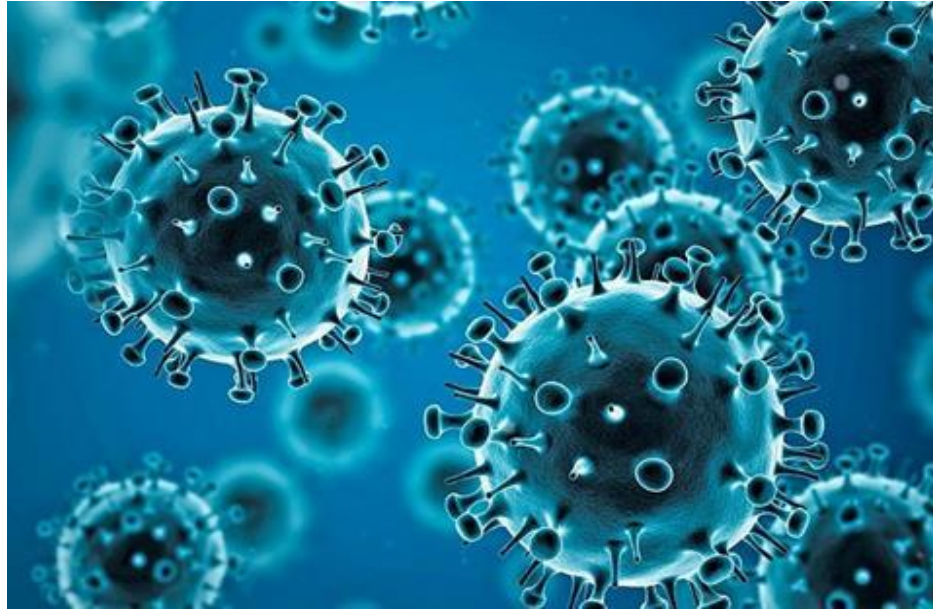
Influence through evidence

- 1 INCUBATE FRONTIER ISSUES
- 2 RESEARCH
- 3 FIELD TESTING
- 4 KNOWLEDGE PRODUCTS
- 5 STANDARDS, IMPLEMENTATION TOOLS AND TRAINING
- 6 CROWD-IN
- 7 EXIT AND HAND OVER



PHOTO: MD. ABU HANIF, CGAP ANNUAL PHOTO CONTEST

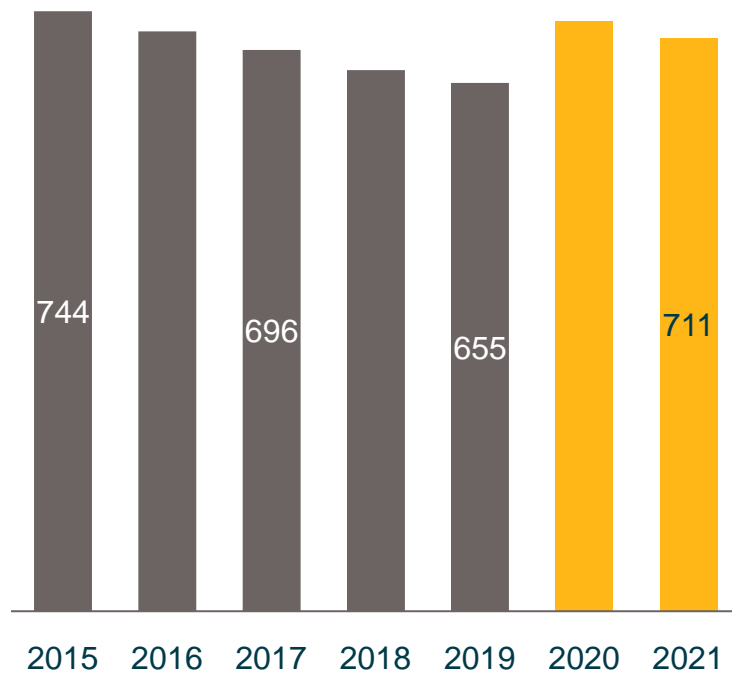
The world has changed! There is a growing sense of vulnerability as shocks have hit the world one after the other



These shocks have led to reversals in development gains, including in extreme poverty and inequality

After years of steady decline, **extreme poverty** rose during the pandemic

Extreme poverty, in millions of poor

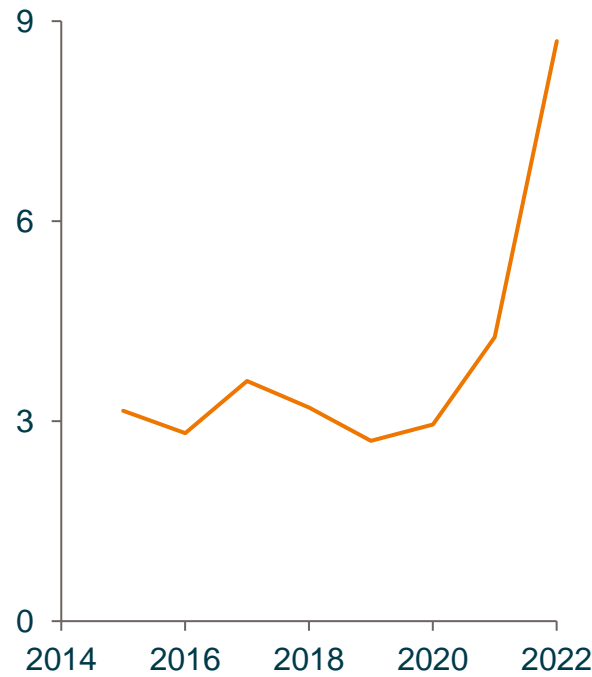


Source: Lakner et al (2020, updated) PovcalNet, Global Economic Prospects

Inflation is rapidly accelerating across low- & middle-income countries.

In addition, **food insecurity** has re-emerged as a threat in 2022

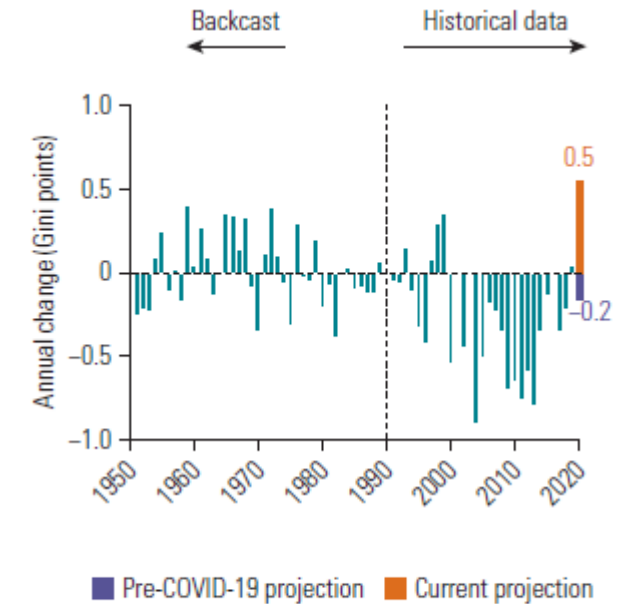
Consumer prices in low- & middle-income countries (%; 2022 projected)



Source: 2015-2021 World Bank; 2022 projections IMF

Inequality trends were reversed in 2020

Annual percentage change in global inequality has increased

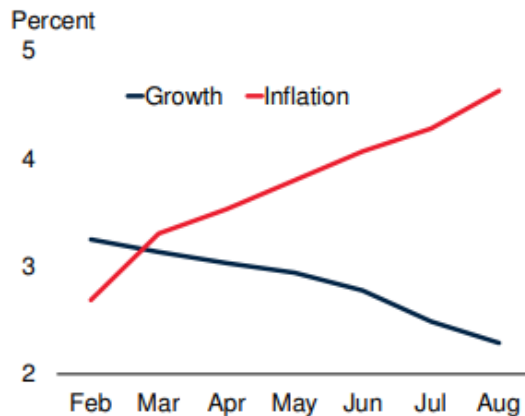


Source: 2022 World Bank; Poverty and Shared Prosperity 2022

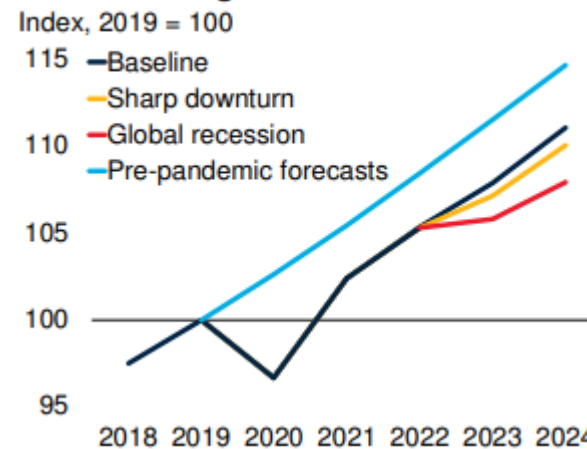
Public sector finances are heavily constrained ...

- Since the beginning of 2022, a rapid **deterioration of growth prospects**, coupled with **rising inflation** and **tightening financing conditions**, has ignited a debate about the possibility of **a global recession**.
- **Global growth** in 2022 and 2023 have been downgraded significantly. This would have severe consequences for the long-term growth prospects of emerging market that were already hit hard by the pandemic-induced global recession of 2020.
- **Debt issues** over the past decade have accumulated at the fastest pace in more than half a century.
- **Fiscal constraints:** The global economy is in the middle of one of the most internationally synchronous episodes of monetary and fiscal policy tightening of the past five decades.

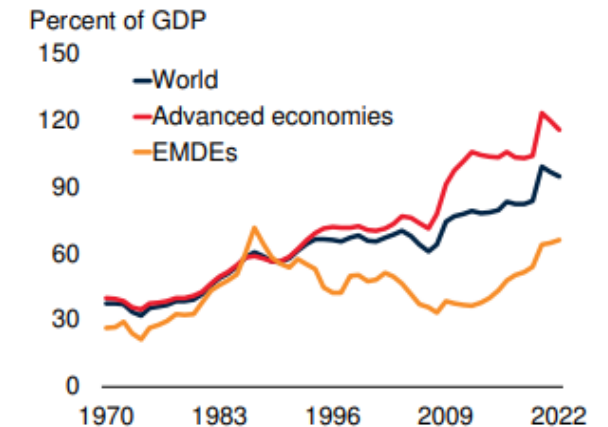
A. Evolution of global growth and inflation forecasts for 2023



F. Evolution of global GDP

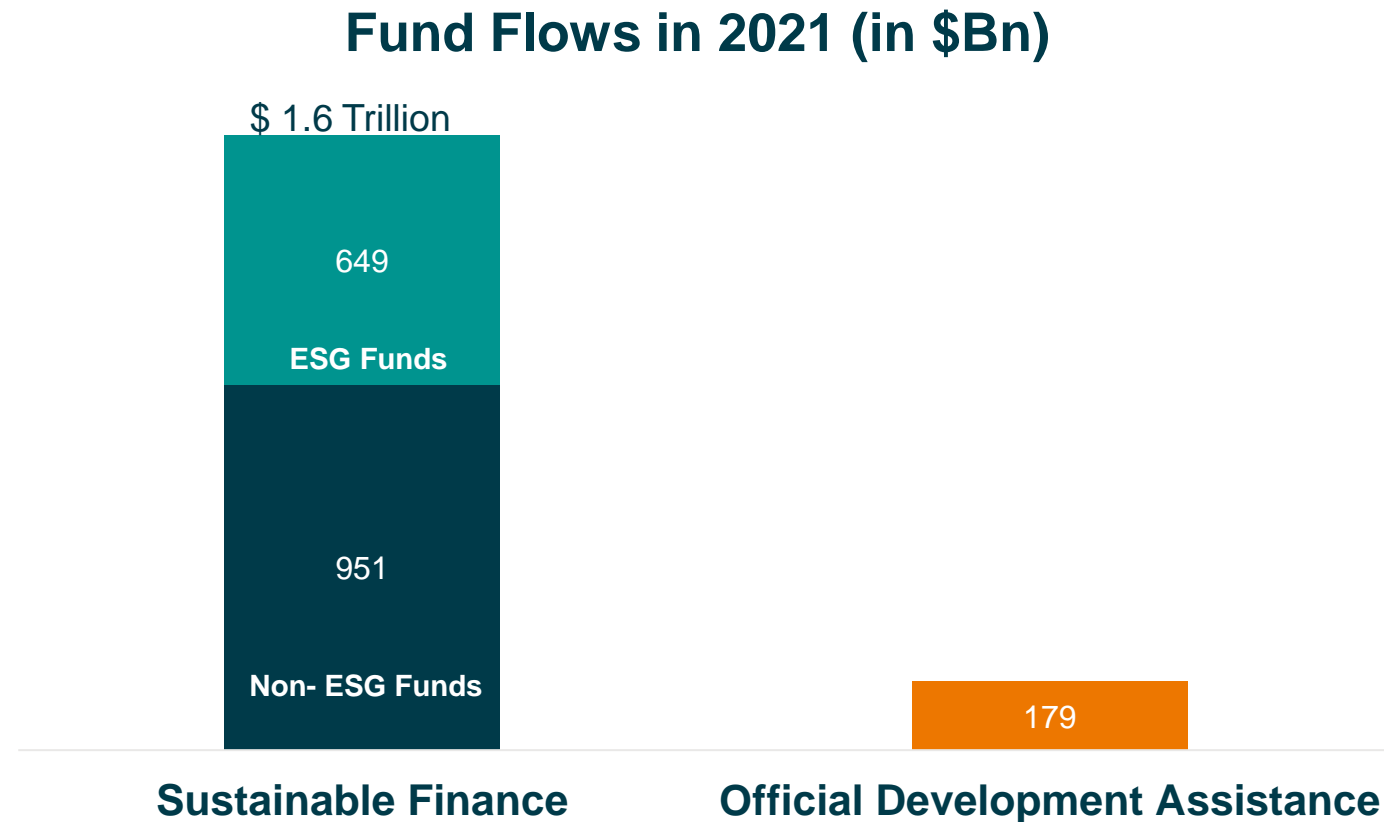


D. Government debt



Source: Guénette, Justin Damien, M. Ayhan Kose, and Naotaka Sugawara (2022). "Is a Global Recession Imminent?" Equitable Growth, Finance, and Institutions Policy Note No. 4, World Bank, Washington, DC.

... but private investors have been increasing their focus on sustainable and inclusive finance



Source: 1. Sustainable Finance: BloombergNEF (BNEF) for the 1H 2022 Sustainable Finance Market Outlook. 2. ODA Data: 2022 Financing for Sustainable Development Report

In the current context, inclusive sustainable finance is essential



Income generation and prosperity
Protection against inflation



Protection against food insecurity



Access to the digital economy



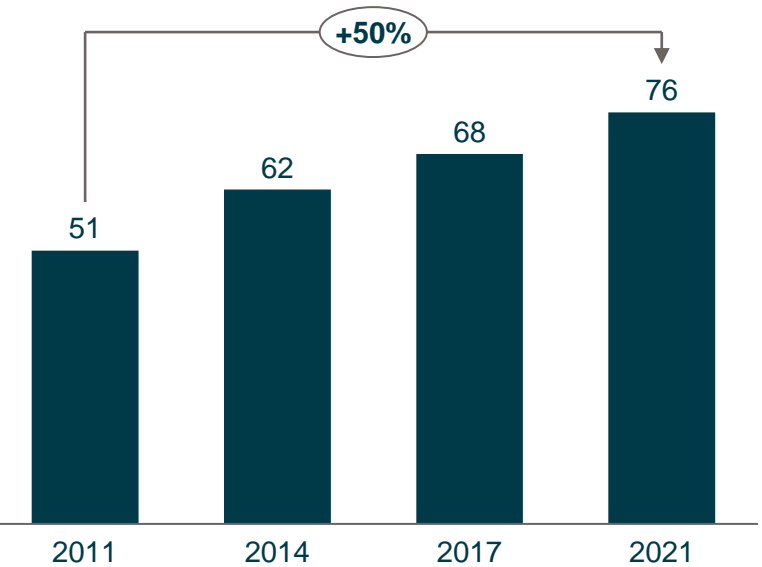
Resilience to shocks, including adaptation to climate change



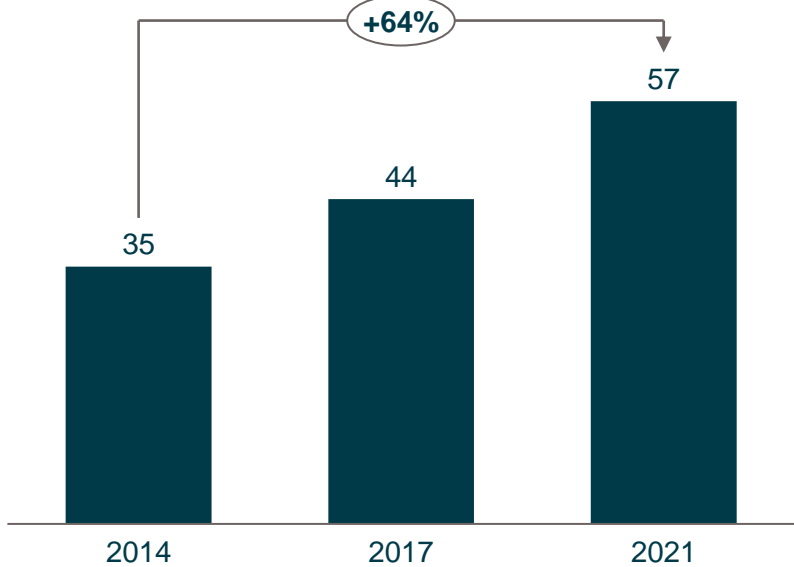
Access to green solutions

The recent Findex data show tremendous progress in financial inclusion through digital financial services

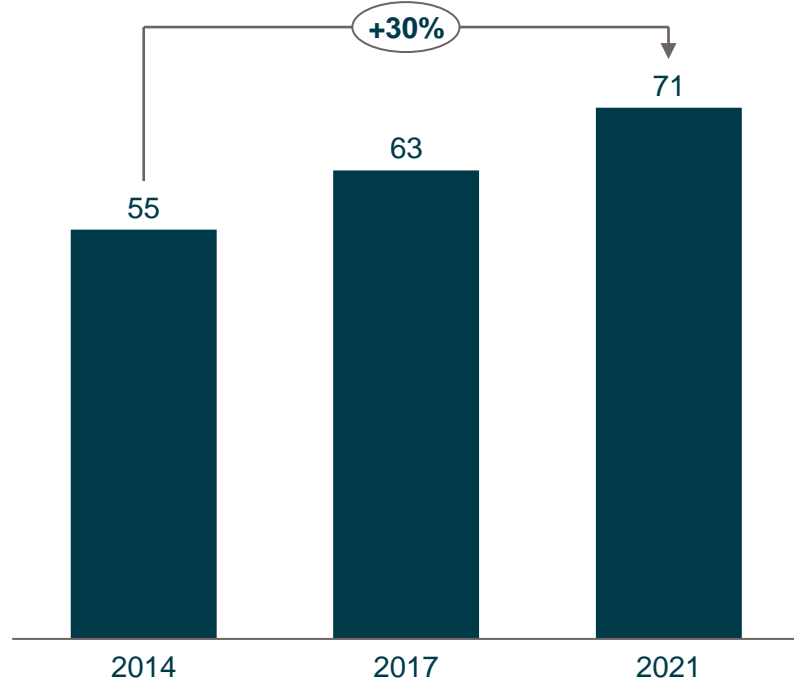
Worldwide, account ownership increased by 50 percent in the 10 years spanning 2011 to 2021 from 51 percent of adults to 76 percent of adult, %, 2011 – 2021, Global



The share of adults making or receiving digital payments in developing economies grew from 35 percent in 2014 to 57 percent in 2021 %... %, Developing economies, 2014 - 2021



... an increase that outpaces growth in account ownership over the same period in developing economies %, Developing economies, 2014 - 2021



Mobile money is driving growth in account ownership, particularly in Sub-Saharan Africa, where 33% of adults have a mobile money account

A proof of concept has been established to encourage account ownership and usage

OPPORTUNITIES

Physical branches



Agents and mobile technology

Cash-based government payments



Electronic deposits into accounts

Cash-based bill payments



Direct payments from an account

Cash-based merchant payments



Direct payments using a card, phone, or internet

Lack of trust in digital money

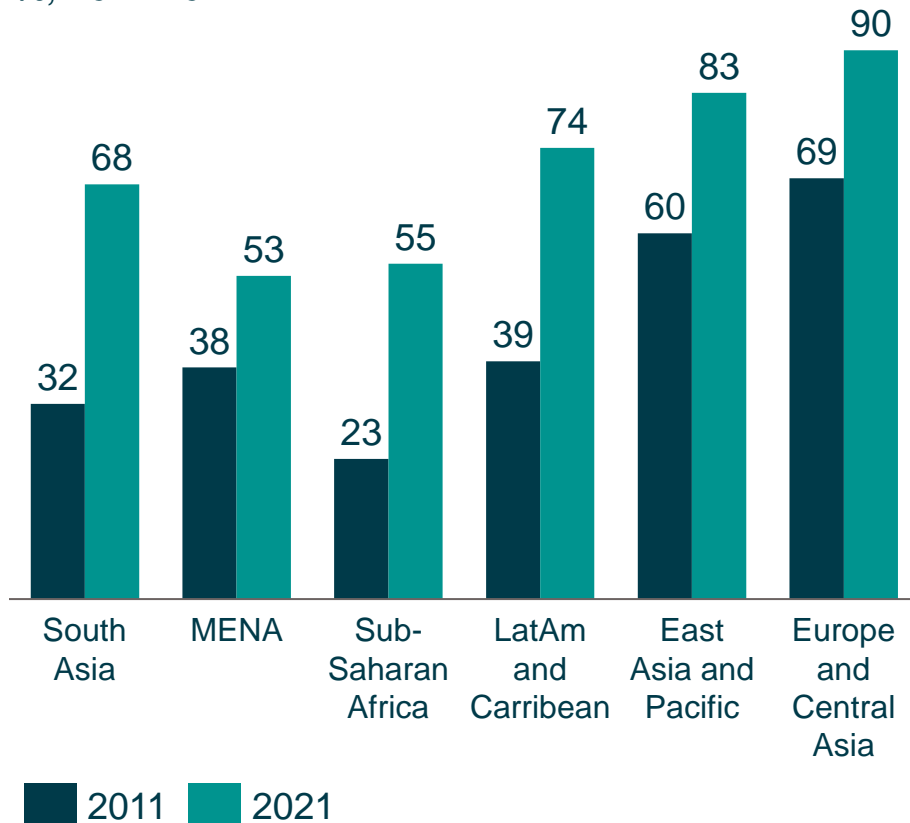


Consumer protection

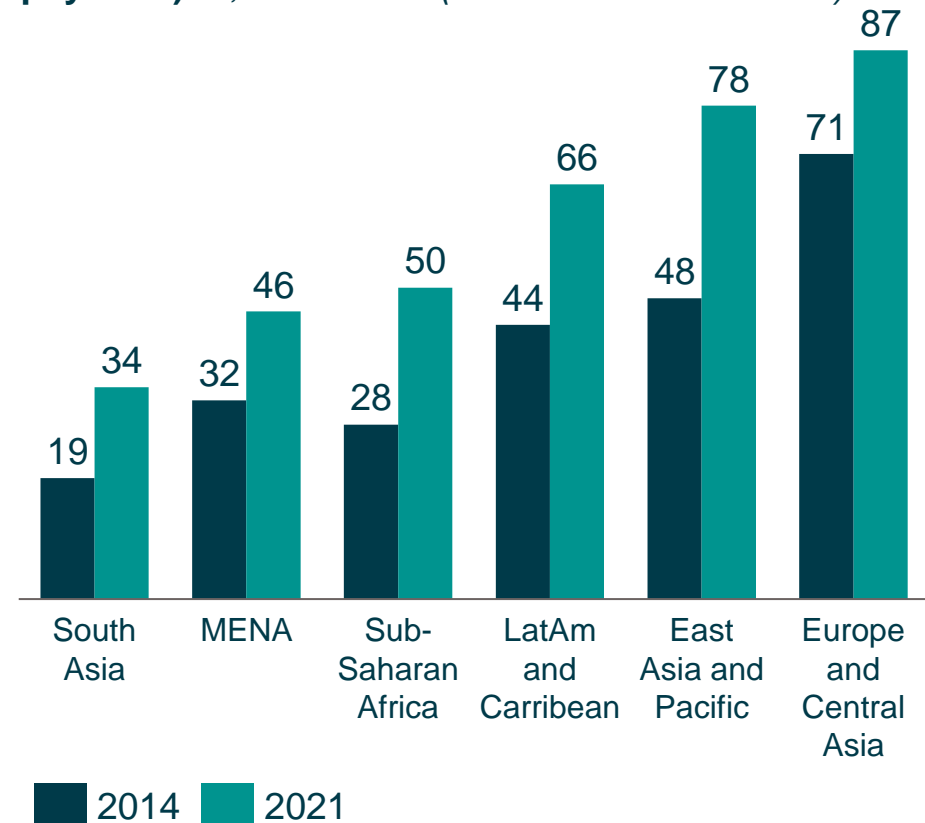
Yet, regional variation remains stark: most people in South Asia, MENA, and SSA did not make or receive digital payments in 2021

Closing these gaps is the number 1 priority for the sector

Account ownership by region
%, 2011-2021

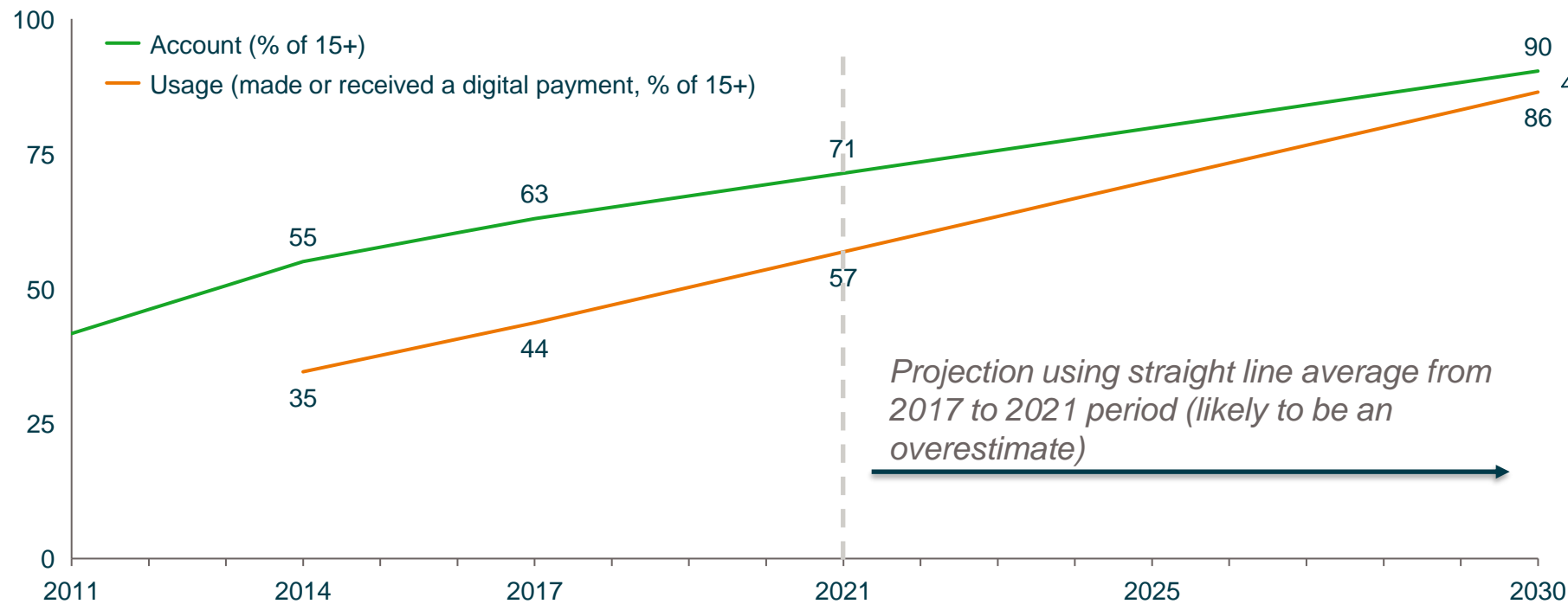


Account usage by region (made or received a digital payment) %, 2014-2021 (2011 data not available)



Continued progress could lead to near universal financial inclusion within a decade

Account ownership and usage (made or received digital payments), developing countries
%, 2011-2021; projection from 2021 to 2030 using straight line average from 2017-2021



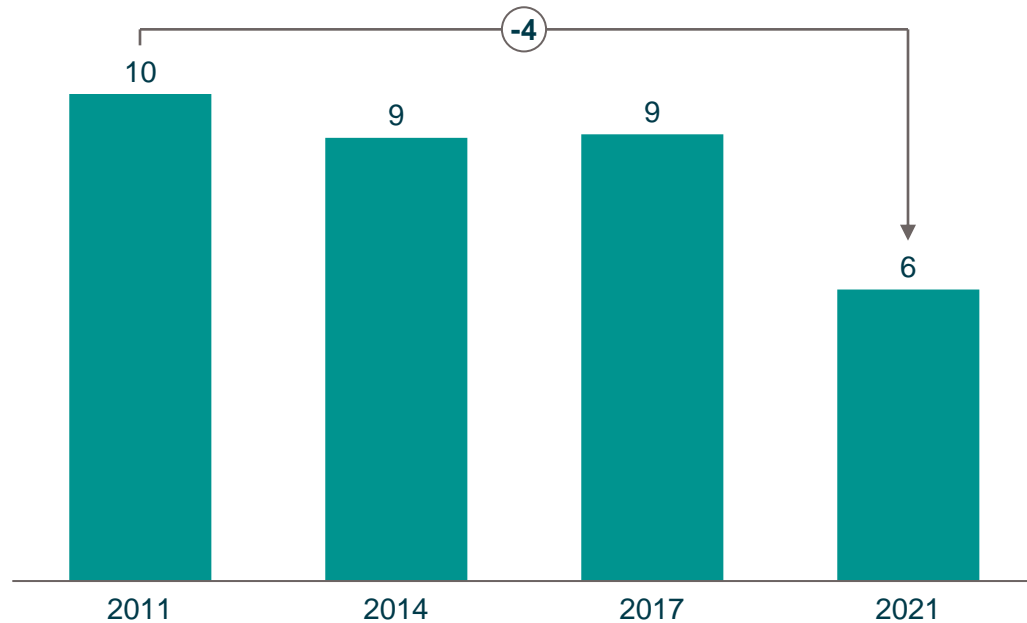
Even if current rates of increase in account ownership and usage continue, LMICs in 2030 will still have 330 million individuals without a bank account and 470 million individuals not making or receiving digital payments

Even then, 1.4bn people will still be unbanked, including a majority of women - but also other excluded segments

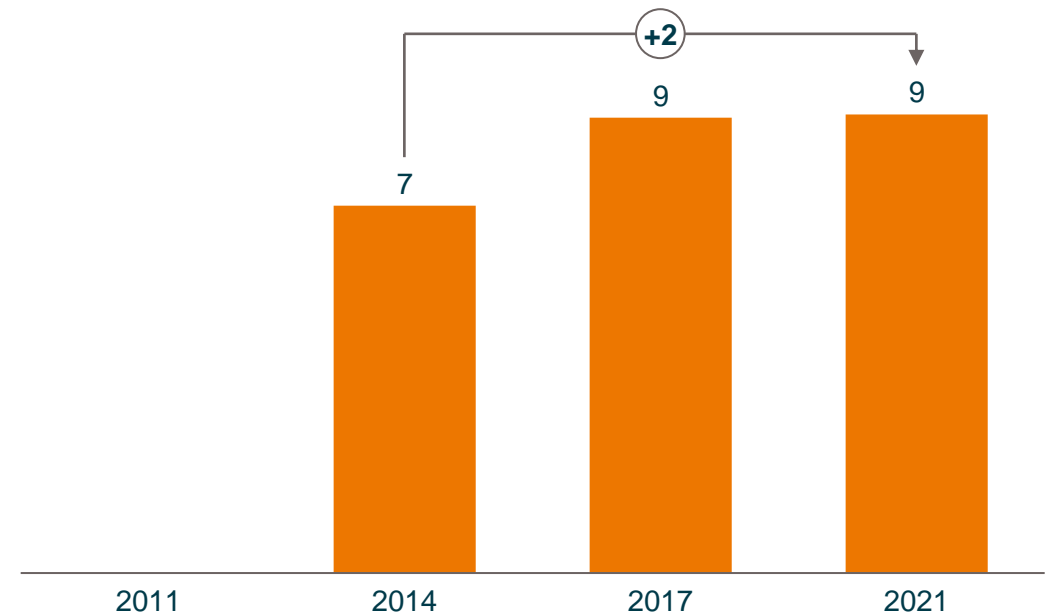
Understanding how to serve those most excluded segments is the number 2 priority for the sector

The illusion of progress in women financial inclusion : gender gap in account ownership has fallen mainly thanks to India, but the gap in usage has not progressed

Gender gap in account ownership (age 15+)
%, 2011 – 2021, Developing economies



Gender gap in usage (made or received digital payments)
%, 2014 – 2021, Developing economies



Note: Gender gap measured by account ownership by male minus that by female

But the real question is:

Are we achieving the outcomes we had hoped for?

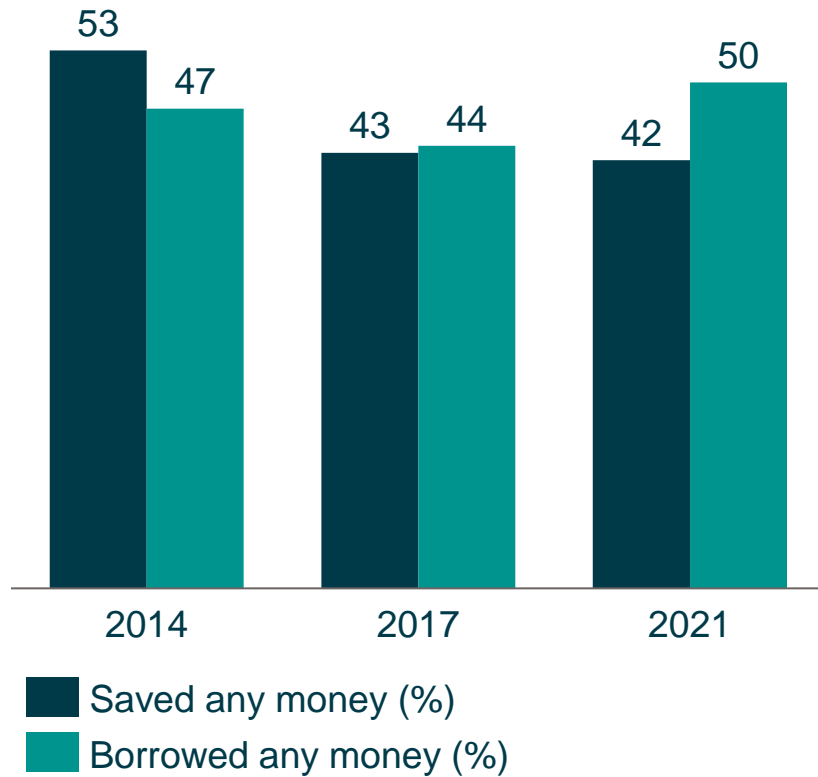
1. Financial health and well being?
2. More inclusive development?
3. More resilient development?
4. Greener development?

Progressing towards these outcomes is the third and key priority for the sector

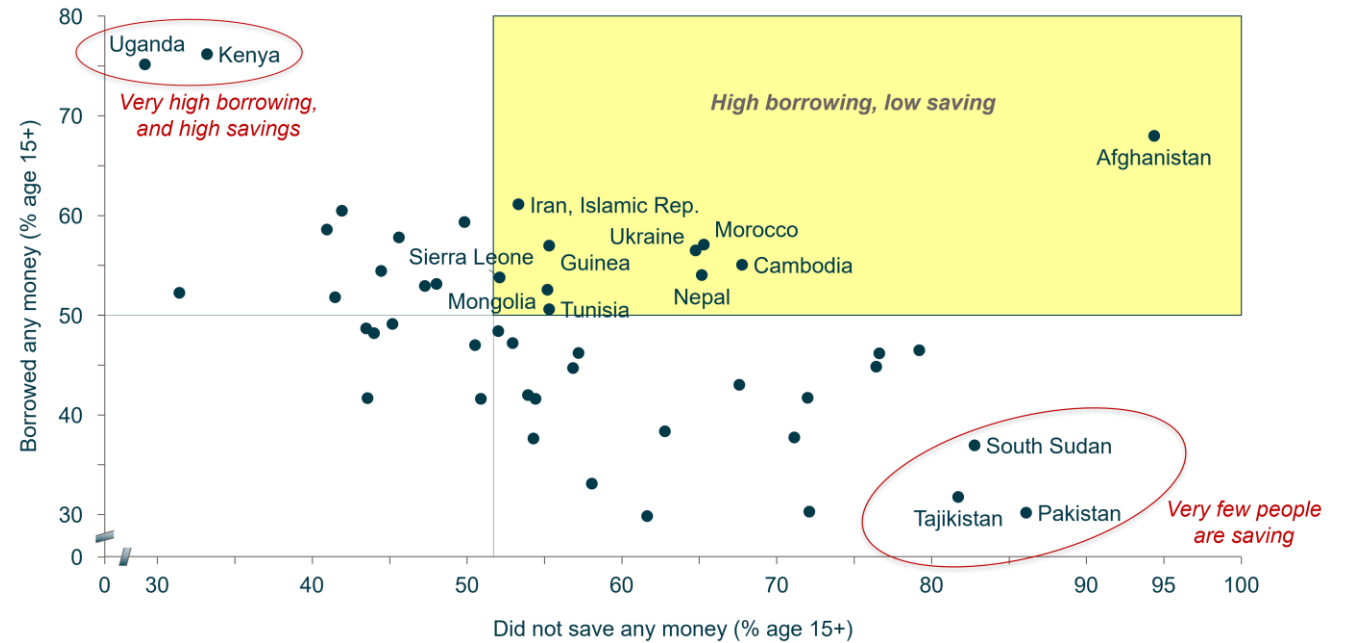
And: do we have the right data and evidence to support a stronger narrative on the outcomes that financial inclusion contributes to?

Savings is trending down and borrowing is trending up: is indebtedness becoming a problem?

More people are borrowing money, less are saving
% age 15+, Developing economies



Countries with high borrowing and low savings may be especially of concern

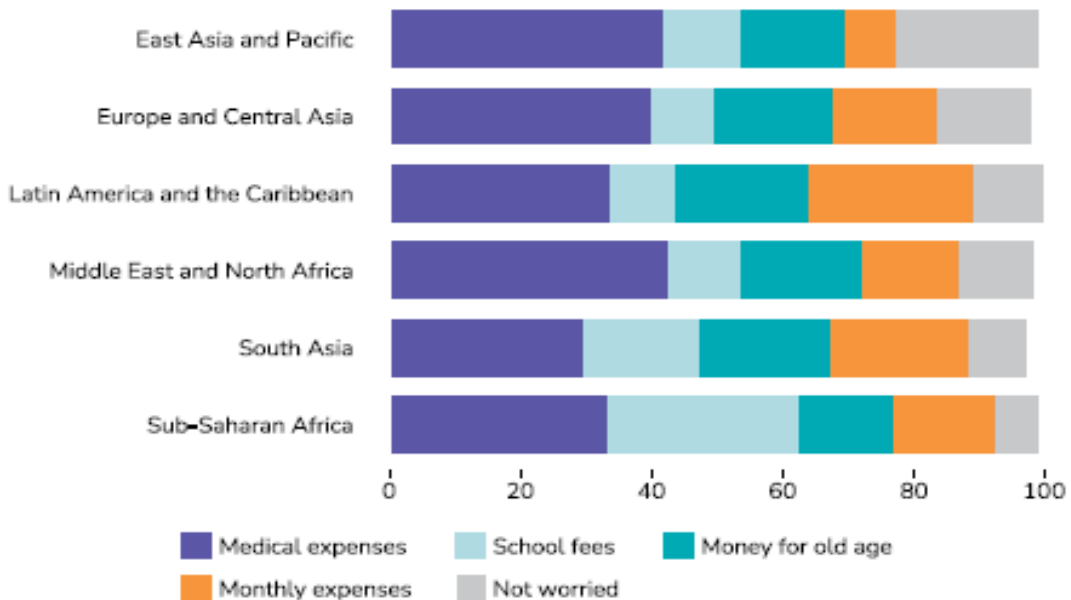


Resilience remains low: economic impact of pandemic is still being felt, and very few received G2P or can access emergency cash in 30 days

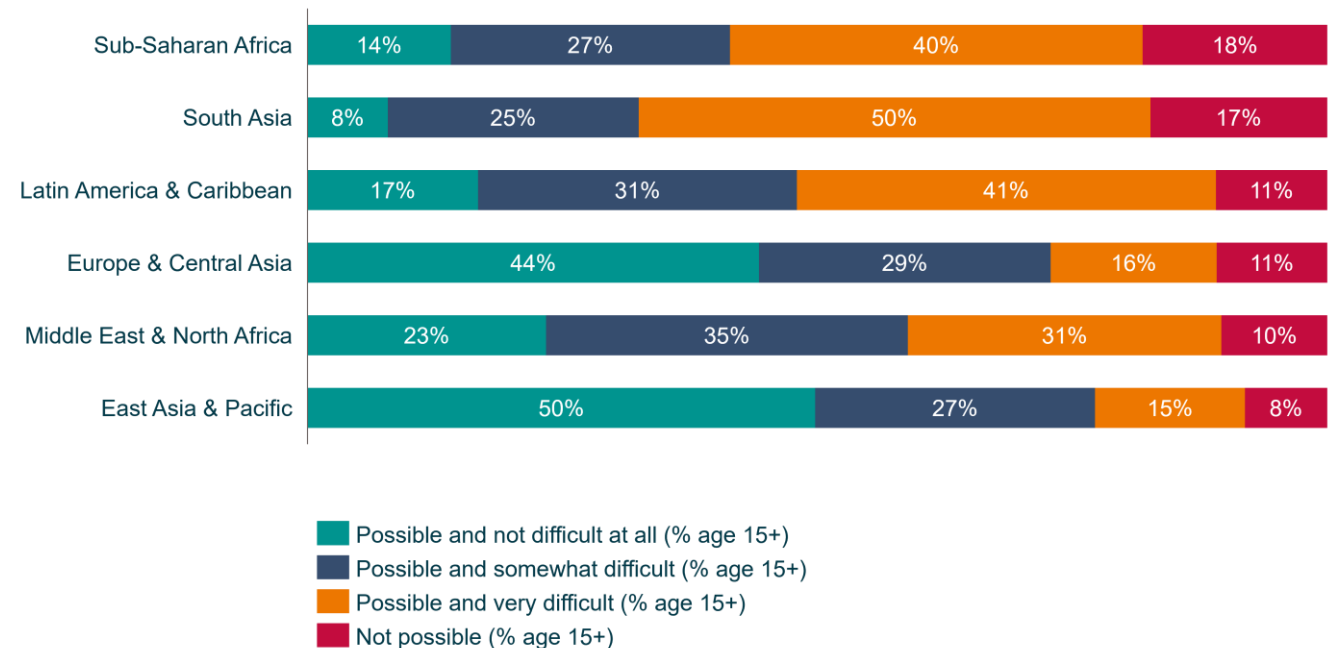
82 % expect to continue experiencing severe financial hardship as a result of COVID-19

22% received a gov. payment (15% directly into an account), despite many countries having G2P programs

In developing countries in every world region, adults are finally worried, especially about medical expenses



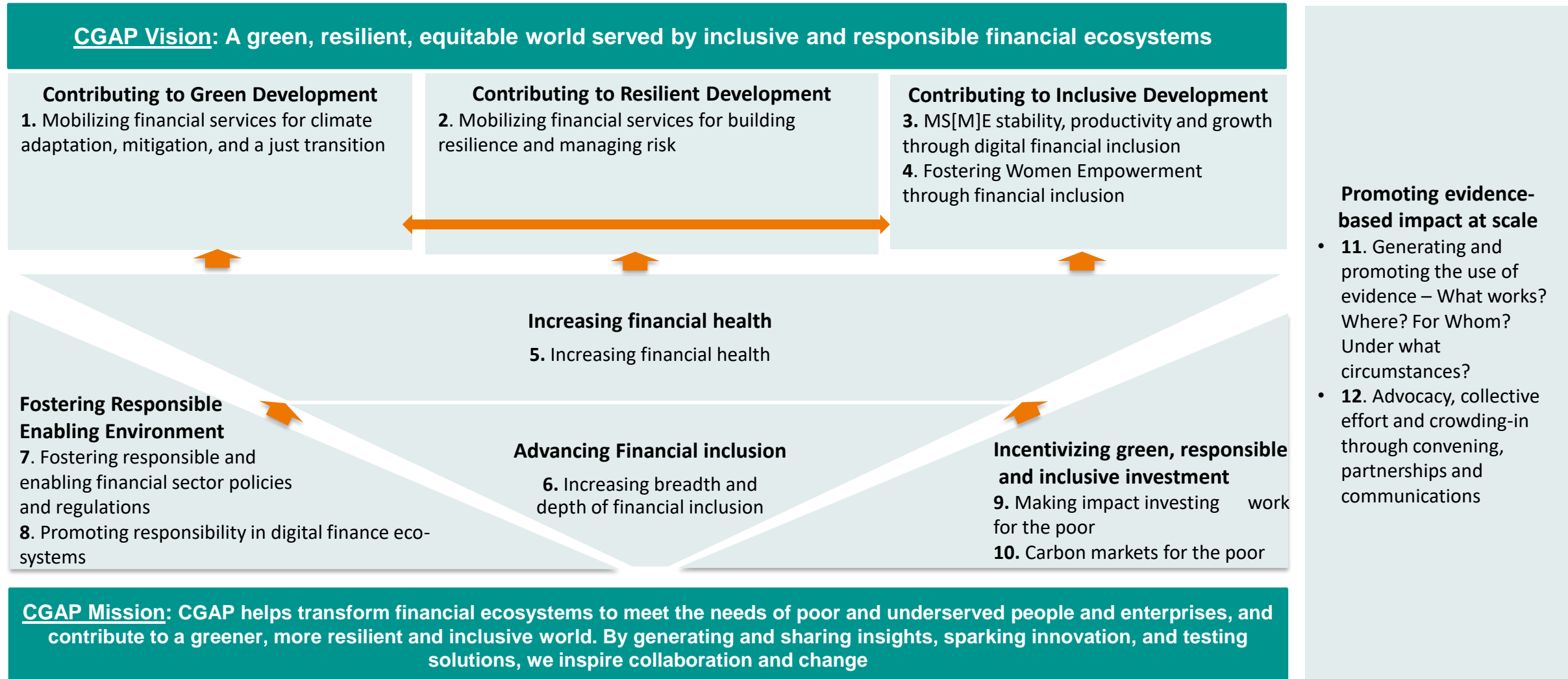
55% would not be able to come up with emergency funds in 30 days or would find it very difficult; Sub-Saharan Africa, South Asia, and Latin America are least resilient



Source: Global Findex Database 2021.

Note: A small share of adults did not know or refused to disclose their main cause of worry.

CGAP's future strategy will aim to foster greener, more resilient, and more inclusive development through finance for all



Conclusion

- The global context is shifting drastically, with increased intensity and frequency of shocks and growing inequality and poverty
- Such global challenges have greatly constrained public funds and put the world off track for most SDGs
- In that context, inclusive finance, socially-minded private investments, and impact investments, have an essential role to play in fostering greater inclusion and sustainability
- Financial inclusion is more achievable than ever before – even though there are segments that risk remaining largely excluded (incl. women) and will need specific attention
- This provides a tremendous opportunity for us to contribute to addressing global challenges, including building a more inclusive and resilient world for all
- But doing this will require intentional design and a more explicit focus on outcomes – incl. better data and evidence to guide us on that journey

Discussion questions

- What do you think of this big picture narrative?
- How do you see the nexus between financial inclusion and these pressing global challenges, and how does this manifest itself in your work?
- How do you define and measure the outcomes you hope to achieve?
- How can CGAP contribute ?



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