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2019 FINANCIAL INCLUSION WEEK

Session report

Financial inclusion is more than just money.

It is about being responsible and understanding your customers. So by opening a gateway to financial services, we must emphasise on providing fair access, fair use, and appropriate treatment for clients for credible and sustainable financial inclusion.

Financial Inclusion Week (FIW) is a global movement to galvanise awareness and action to address the remaining gaps in financial inclusion. To mark this year's FIW, BRAC organised a panel discussion with the leading voices in the industry to converse around this theme.

The report summarises the key points from the discussion.

Everyone needs access to financial services

Globally, half of all unbanked adults come from the poorest 40 percent of households within their economy. But most financial institutions are not targeting the poorest. Even the microfinance industry has historically targeted people who are just above the poverty line. But people living in extreme poverty and ultra-poverty need access to financial services. And that has to be designed and delivered, keeping their needs in mind. We sometimes simply equate financial inclusion to access to credit. However, it is much broader than that – covering savings to credit, and insurance to pensions.

"Our focus is on the bottom of the pyramid. That is where most of the financial exclusion is. We want to be able to serve those people. It's worth keeping in mind that their financial needs are quite broad, and to meet them requires time."
- Shameran Abed, BRAC

Client protection

When we talk about money, we are actually talking about varied, sophisticated products that even large businesses are sometimes not smart enough to deal with.

So, how do we equip people living in poverty who are getting access, and the people who are creating this access, with the right skills to understand what they are receiving, how to manage it, and know how to payback?

Even if it is a saving product, we have to understand how to use it. But how do we really do that?

We must make sure that we are designing the right products and delivering them to clients in the right way. People who are poorer or less educated are not necessarily more susceptible to risks. That can happen to anybody. Looking at the financial crisis of the last 10-15 years, we have seen that both people and institutions fall victim to financial products or financial systems that are not designed well.

As responsible institutions, we should be able to reach out and serve everyone, including those most marginalized. We need to ensure that everyone is aware of what they are getting into, no matter what their language, culture or level of literacy. The industry itself must have good governance and transparency, and regulations to ensure that the burden does not fall on individual institutions or the borrower level. It is all part of a bigger system.

“[Client protection] is the job for financial institutions because it’s their best interest. I think the same ideas – what we are seeing in higher income levels; we are just now trying to bring them down to the bottom of the pyramid. I don’t see a conflict between financial institutions and providing that sort of education to your customers.” **- Wendy Werner, IFC**

Technology: Benefit or barrier?

Globally, one billion financially excluded adults already own a mobile phone, and about 480 million have internet access. Technology will make it a lot easier and cheaper for us to get the last billion people who are outside of financial services. But we have to use technology thoughtfully. Technology is an enabler for financial inclusion, but we should get out of this view where we see older financial institutions as zombies, and new Fintechs as cool. There is a lot more under the surface.

Having a mobile money account does not mean that a person is financially included. Most people with mobile money accounts today do not have access to credit products. They need better savings products, and should have other financial services and products too. We need to figure out how financial institutions that are interested to get their services out to many millions more can find those collaborations and synergies with Fintechs. It is starting, and a lot more will be done in the next decades.

“Technology has made life easier for small businesses. But we also need to understand whether that technology is enabling to do the business itself.”
- Afsana Islam, DFID

The digital divide: Gender gap in women's financial inclusion

Women are 10 percent less likely than men to own a mobile. 197 million fewer women own a mobile than men. The number of men adopting mobile money is higher than women. Even though mobile financial services have increased access to money for women, but whether women have control over their mobile money account or the mobile itself - that problem is rooted to various social issues. There is a class divide, as well as an age divide - a lot more young people are adopting technology faster than older people. We cannot achieve full financial inclusion as long as inequality persists, in terms of social strata, network connectivity and other issues at the grass-root level.

There are examples of products and services that have been quite successful. IFC has been working with bKash on shifting from using mobile money for money transfers towards merchant uses, both from the merchant side and the customer side. IFC has also been working in garment factories to train women to become supervisors. Part of that programme also looks at the soft side - what happens inside their homes. The broader societal impact is important.

DFID in Bangladesh has been trying to encourage financial institutions and business development service providers to come up with a solution that will help women get better access to financial products and services.

BRAC Microfinance is working with ShopUp, an e-commerce platform based in Bangladesh, to help small business owners build their brands on Facebook. The partnership enables entrepreneurs, majority of whom are women who run their businesses from their homes, to access finance. Since business transactions happen online, ShopUp is able to generate a trail for credit scoring that BRAC uses to provide digital credit.

We must develop products that women can understand. We need to instil them with the confidence that this is something you have total control over. Financial institutions must give options to these clients, for example, different ways they can save for their children's future or invest. The most critical thing is that women themselves must have ownership of money. We cannot solve that problem with financial inclusion or access to finance programmes. Although we have achieved a lot, there is a lot yet to be done.

> *"People don't take women seriously when they venture out to start a business. After a certain point, they cannot grow because they need more capital in their businesses. Once we could give them more capital, they could also take their businesses more seriously and people around them taking it more seriously."*
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> **- Siffat Sarwar, ShopUp**

Data protection

In the age of digitization, protecting client data should be a top priority. Financial institutions - banks, mobile money providers, banks - have to understand the different elements of customer protection. We are in an era where large corporations gather a lot of our private data. There is so much controversy around who has access to that data and who is selling it.

As financial institutions, we have a responsibility to protect our clients' data, use it to serve them better, and not sell it. It is important that we know why we are collecting the data and how to use it. Hacking is a big issue. There are large banks spending hundreds of millions of dollars on data security. Smaller institutions are also trying to do as best as they can.

If an organisation is not prioritizing protection, the law itself and the governance should work and compel the organisation to use customer data responsibly. There are two sides to it: those who are holding the data, i.e., custodians, and the governing policy itself.

The future of financial inclusion

Our primary focus should be at the bottom of the pyramid, where there are those most financially excluded. We should be mindful that their financial needs are broad. It would take time to meet them. A lot of new things are happening, and we are all part of the change. Financial inclusion is not only about money. This includes what people feel regarding their standard of life. Therefore, the whole point of financial inclusion is providing resources and building confidence in people towards achieving their goals.

From the left

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Zunnaed Rabbani
Chief Executive Officer, Agro–Input Retailers' Network (AIRN) & Founder and CEO, The Right Kind

Panellists:
Wendy Werner
Country Manager–Bangladesh, Bhutan and Nepal, International Finance Corporation

Shameran Abed
Senior Director, Microfinance and Ultra–Poor Graduation, BRAC and BRAC International

Afsana Islam
Private Sector Development Adviser & Deputy Team Leader, Growth and Private Sector, UK Department for International Development (DFID), Bangladesh

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