

## Opportunities and Challenges in the Asian Economic Community in 2015

**ACCU Annual Meeting  
20 Sep 2014**

### About UNCDF

- **UN's capital investment agency for Least Developed Countries**
  - Financial inclusion 'footprint' across 38 countries in Africa and Asia with investments in more than 85 FSPs.
- **Core approach of sector development in countries blended with global support programs in specialized areas**
  - Savings, youth, mobile financial services.
  - Linking financial access to the real economy (e.g. clean energy, food security and agriculture, social protection).
  - Influencing global discourse (e.g. Secretariat for the UN Special Advocate, Better Than Cash Alliance). FI in ASEAN
  - Facilitating national market development (e.g. Making Access to Finance Possible (MAP), Inclusive Financial Market Trusts).



## Contents

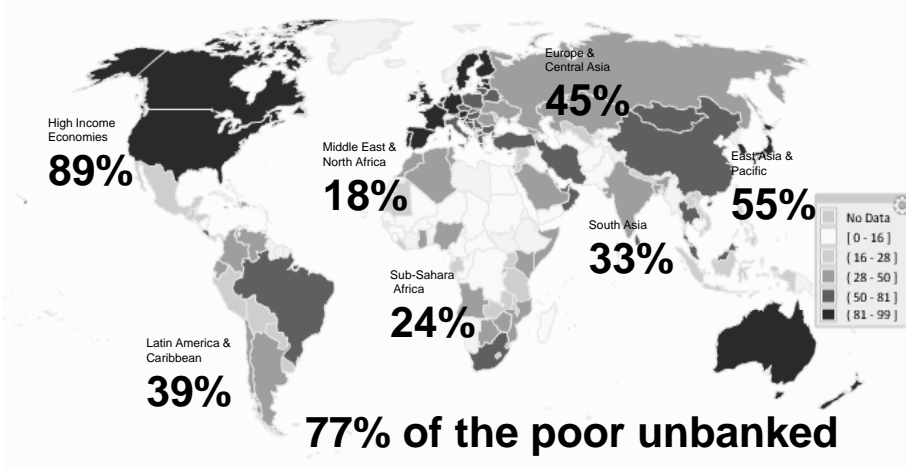
- Financial Inclusion
- Industry challenges
- Opportunities
  - ASEAN AEC
  - Benefits of Financial Inclusion
  - Systematic development – MAP Roadmap
  - Observations from Myanmar



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## Globally, half of working-age adults unbanked

Percent of adults with account at formal institution



Source: Global Findex Database, World Bank 2012

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## Definitions: Microfinance and Financial Inclusion

Microfinance is about providing access of a **full range of services** to the poor (credit, savings, transfers, insurance) through a diversity of financial institutions.

Financial inclusion is a state in which all working age adults, including those currently excluded or underserved by the financial system have effective access to the following financial services provided by formal institutions: credit, savings, payments and transfers, and insurance. (GPII – CGAP)

Financial Inclusion is broader and includes SME financing

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## Global trends – Evolution of FI

Global debate	Microcredit	Microfinance	Financial Inclusion (FI)
<b>Conversation focus</b>	Provision of credit	Provision of complete range of financial services	Delivering value and meeting needs
<b>Supply</b>	Microcredit institutions	Financial services companies moving down market	Innovation in intermediation
<b>Regulatory focus</b>	Consumer protection, formalisation	Consumer protection, formalisation	Coordination, proportionality, supporting innovation
<b>Indicator</b>	Uptake of credit	Uptake of financial services	Value

**Global shift in thinking from micro-credit to financial inclusion**



## Current Industry Challenges

- Banana skins survey 2012
  1. Over-indebtedness dangers
  2. Governance deficiencies
  3. Management quality
  4. Credit risk
  5. Political interference
  6. Quality of Risk Management
- Relentless focus on growth
- Limited product offering: size & variety
- Deposit taking
- Reducing costs
- Client focus
- Making finance more responsible



## Opportunities

- ASEAN AEC
- Benefits of Financial Inclusion
- Systematic development – MAP Roadmap
- Observations from Myanmar
- Myanmar Road map vision



## AEC–ASEAN Economic Commission

The AEC integration framework aims to allow for

1. Freer flow of capital and investment in the region,
2. Elimination of import and export barriers
3. Reduction of immigration visa restrictions



## AEC – impact on Credit Unions

- Optimistically - Credit unions can expect
  - standardized regulation supervisory regimes
  - uniform capital standards.
  - increased competitive pressure with the expansion of large for-profit commercial banks into their traditional markets.



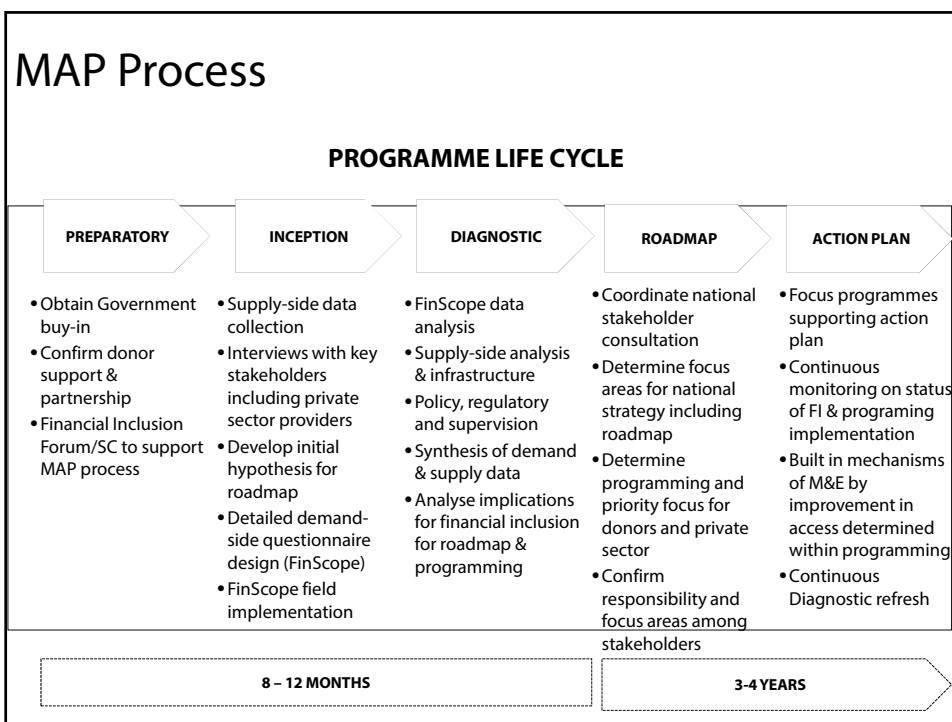
## AEC – impact on Credit Unions cont.

- Another development from the AEC due to the commitment to communication connectivity and development of electronic transactions (via standardization of payment and settlement systems initially across ASEAN)
- A Big challenge will be how to keep up with electronic banking spurred by AEC
- Are credit unions addressing this and ensuring convenience and access for members?

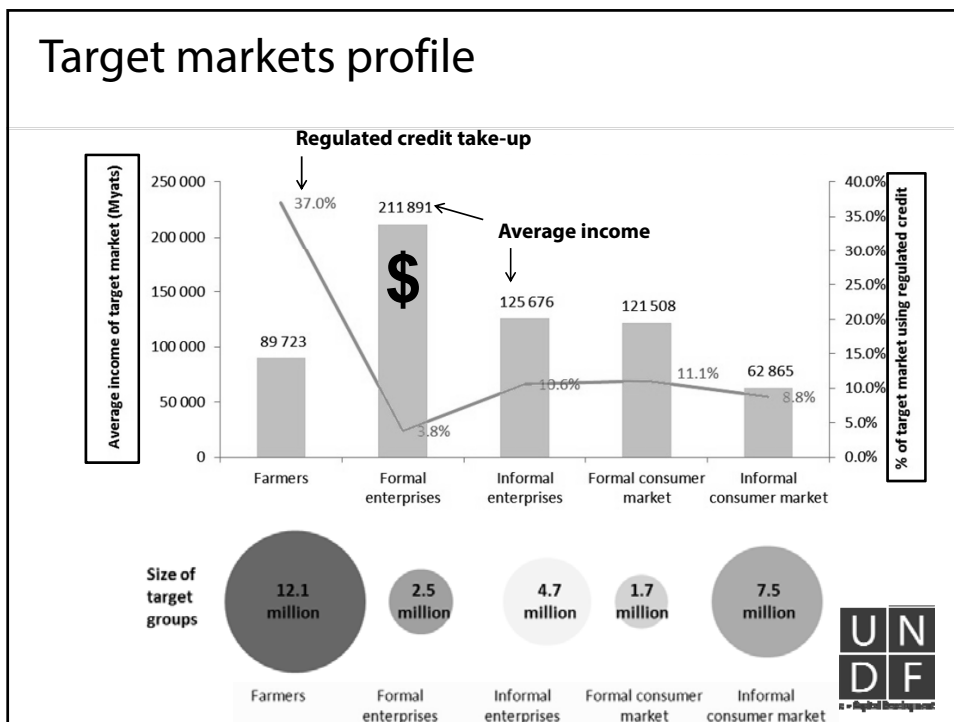


## Benefits of Financial Assess to household

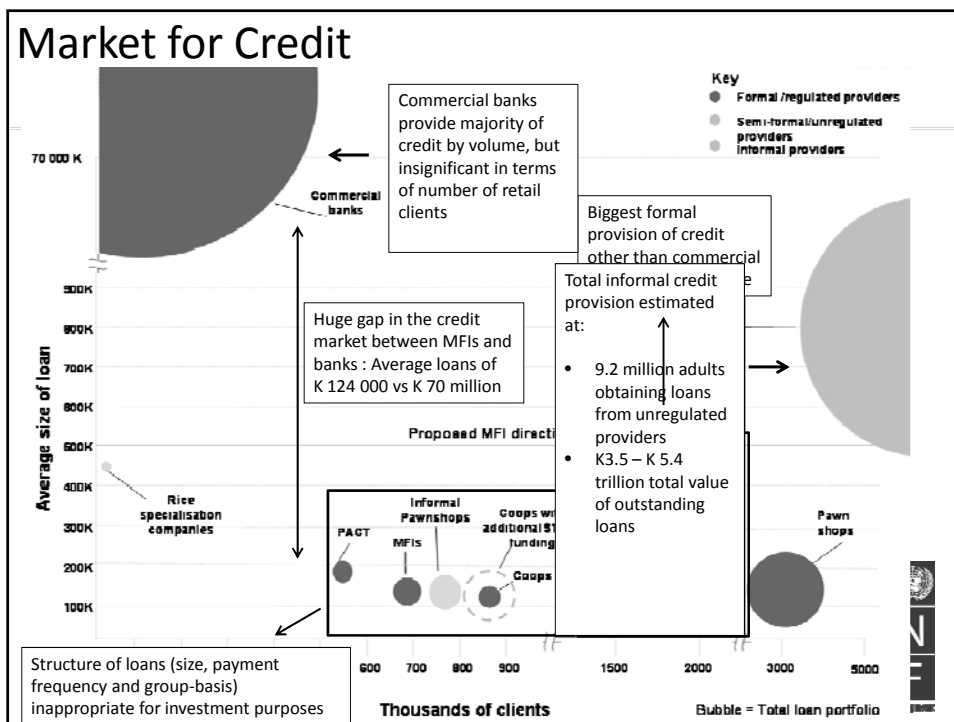




## Target markets profile



## Market for Credit





## Mapping the data

**Commercial Banks**



About Tableau maps: [www.tableausoftware.com/mapdata](http://www.tableausoftware.com/mapdata)

**Microfinance Institutions**



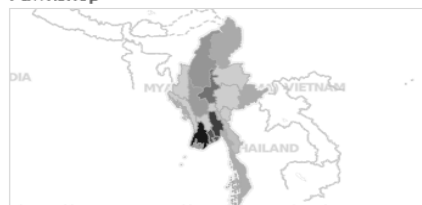
About Tableau maps: [www.tableausoftware.com/mapdata](http://www.tableausoftware.com/mapdata)

**Cooperative**



About Tableau maps: [www.tableausoftware.com/mapdata](http://www.tableausoftware.com/mapdata)

**Pawnshop**



About Tableau maps: [www.tableausoftware.com/mapdata](http://www.tableausoftware.com/mapdata)

## Explore the Context

Select a contextual metric:

Total Poverty

11.00 73.00

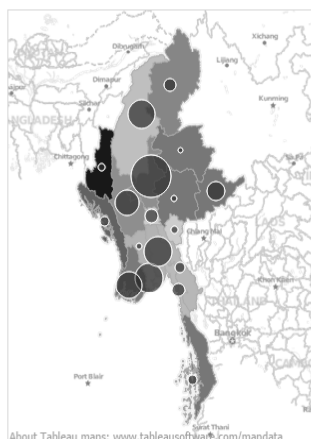
Select an FSP Metric:

# Locations

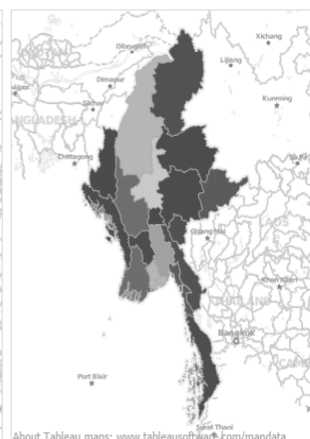
53  
500  
1,000  
1,500  
2,000  
2,702

Compare # Locations to Total Poverty

Index: (# Locations/Total Poverty)



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Proposed Roadmap Vision Statement for Myanmar road map presented at the ASEAN FI meeting

**“By 2020, Increase Financial Inclusion in Myanmar from 30% to 40%,  
More than one product from 6% to 15%,  
with full range of affordable, quality, effective and responsible financial services  
by getting all stakeholders to work together in an integrated manner”**

Financial inclusion means effective access to credit, savings (defined to include current accounts), payments, and insurance services from formal institutions\*\*.

“Effective access” means convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider

Responsible – complies with internationally recognized standards of RF

\* Measured as adults using at least one formal financial service.

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\*\* Source: GPMI (2011). <http://www.gpmi.org/sites/default/files/documents/CGAP.pdf>, accessed March 2014



**Thank You!**

