



# Leveraging Fintech for Financial Inclusion

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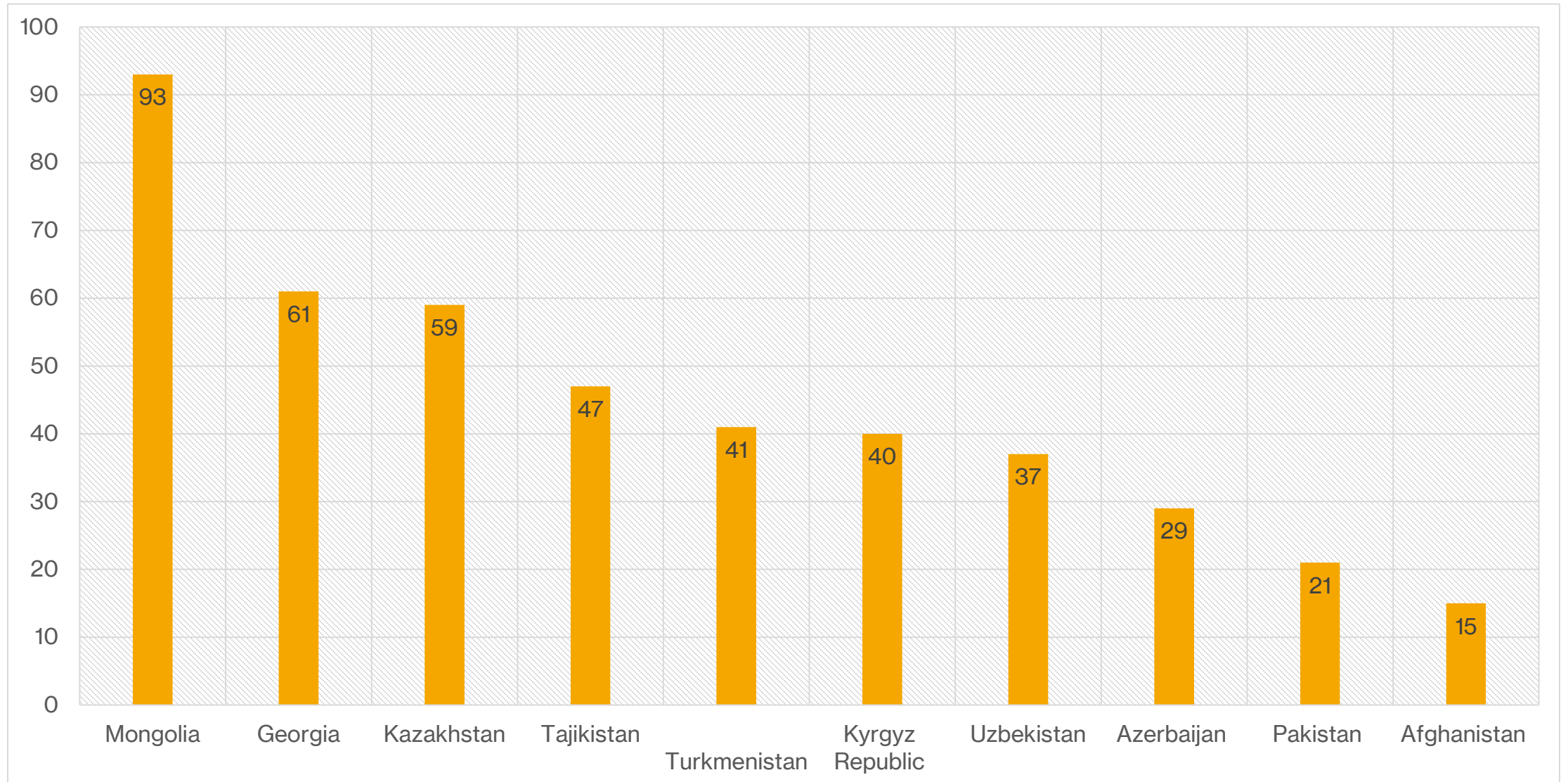
# Financial Inclusion

- Financial inclusion is broadly recognized as the ability of the adult population, as well as micro, small and medium-size enterprises (MSME) to easily own a bank account and access affordable, reliable, and sustainable financial services offered by the formal financial sector such as banks, development finance institutions, and insurance companies.
- According to the World Bank's definition, "***[F]inancial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered responsibly and sustainably***" (<https://www.worldbank.org/en/topic/financialinclusion/overview>)
- Globally, 1.7 billion individuals remain unbanked, and those with access to finance end up paying a hefty cost for benefiting from the available financial services

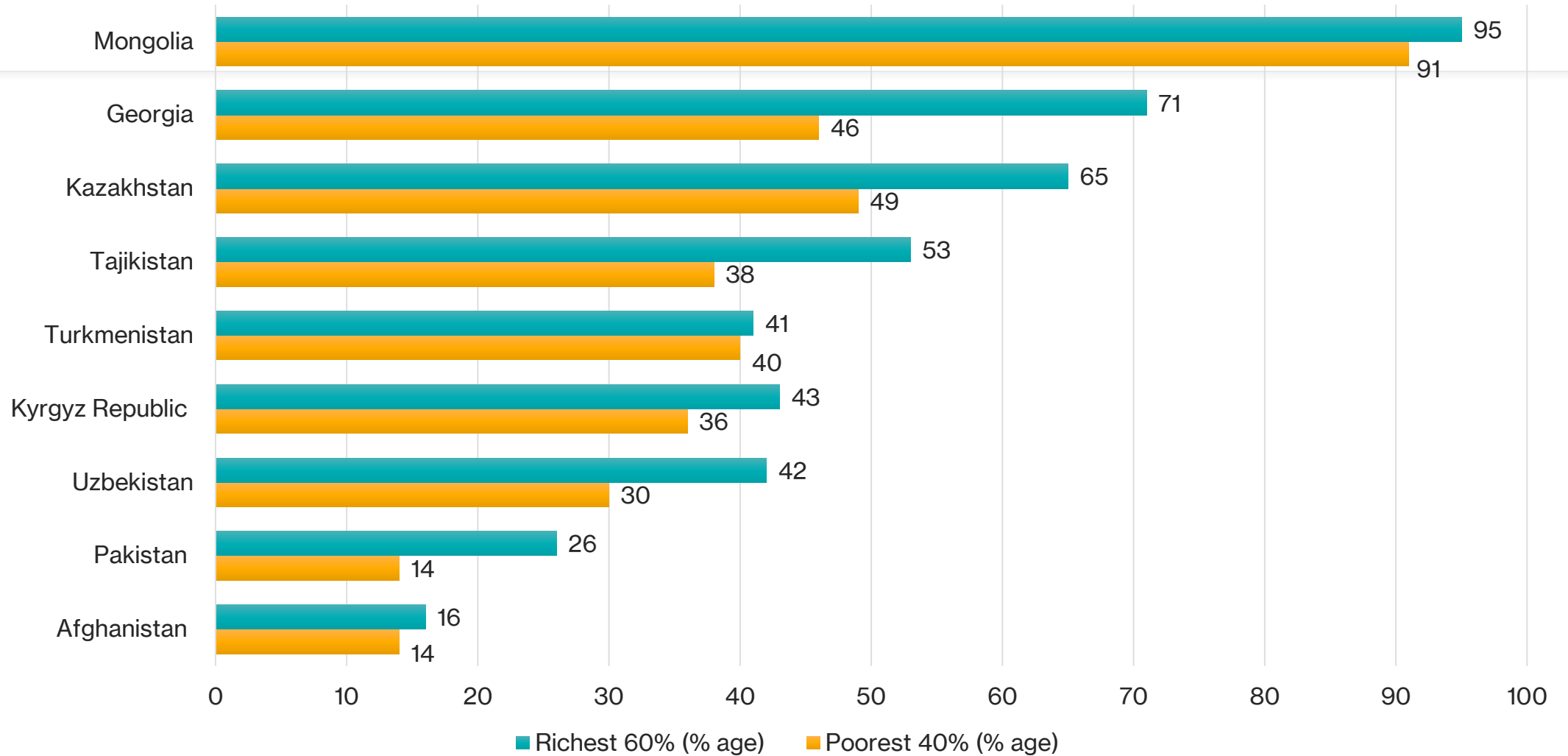
# CAREC countries - Profile

INDICATORS	AFG	PAK	AZE	GEO	KAZ	KRZ	MON	TAJ	TKM	UZK
<b>GDP growth rate (annual %)</b>	2.901	0.989	2.219	5.137	4.5	4.507	5.099	7.011	6.2	5.6
<b>GDP, total (current US\$) (in millions)</b>	19,101	278,222	48,048	17,743	180,162	8,455	13,853	8,117	40,761	57,921
<b>Population, total (in millions)</b>	38	217	10	4	19	6	3	9	6	34
<b>Population ages 0-14 (% of total population)</b>	42	35	23	20	29	33	31	37	31	29
<b>Population ages 15-64 (% of total population)</b>	55	61	70	65	63	63	65	60	65	67

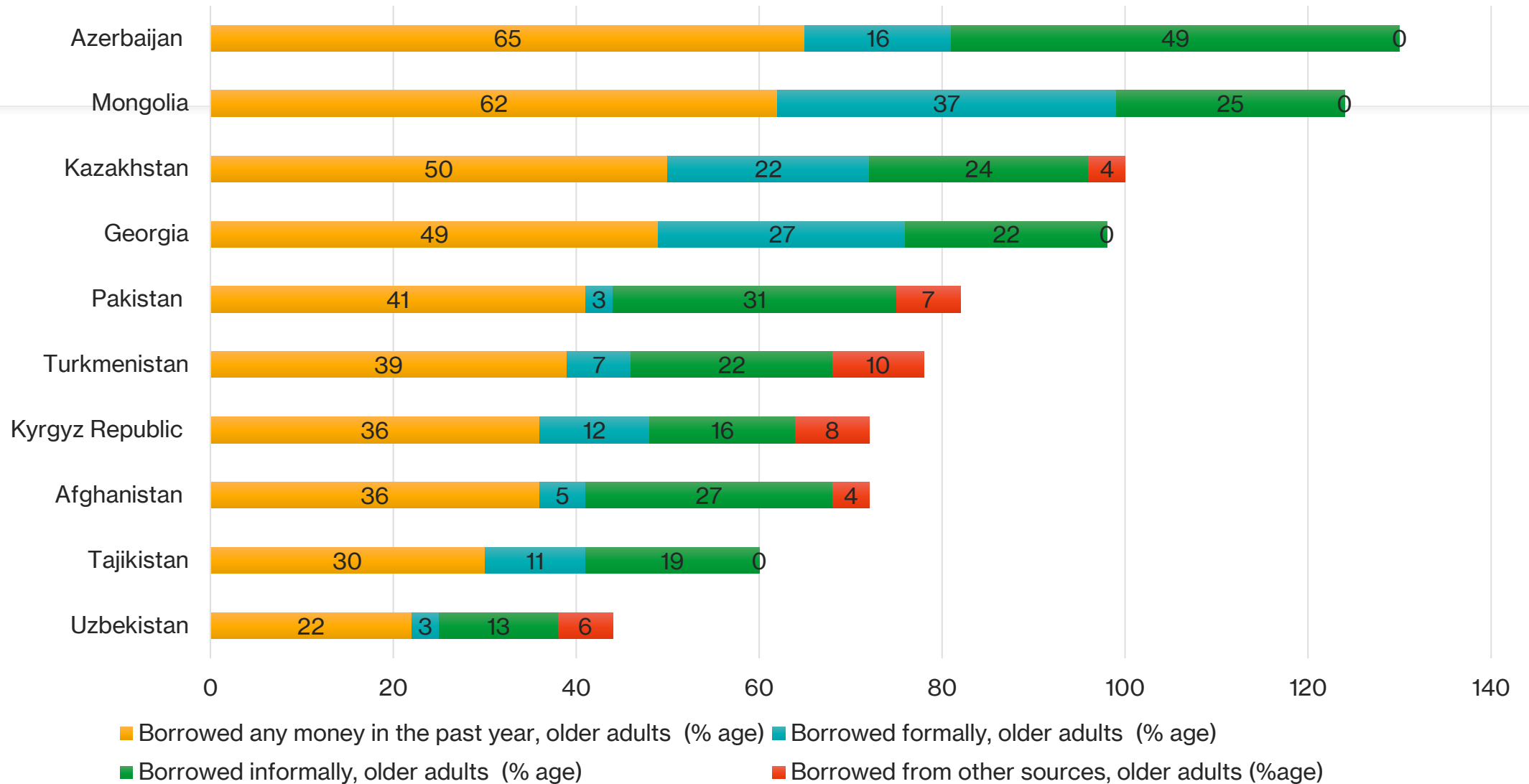
# Percentage of the population having a Bank Account 2017 (%)



# Bank Account Ownership by Income Group 2017, %



# Borrowing Behavior among Older Adults 2017, %



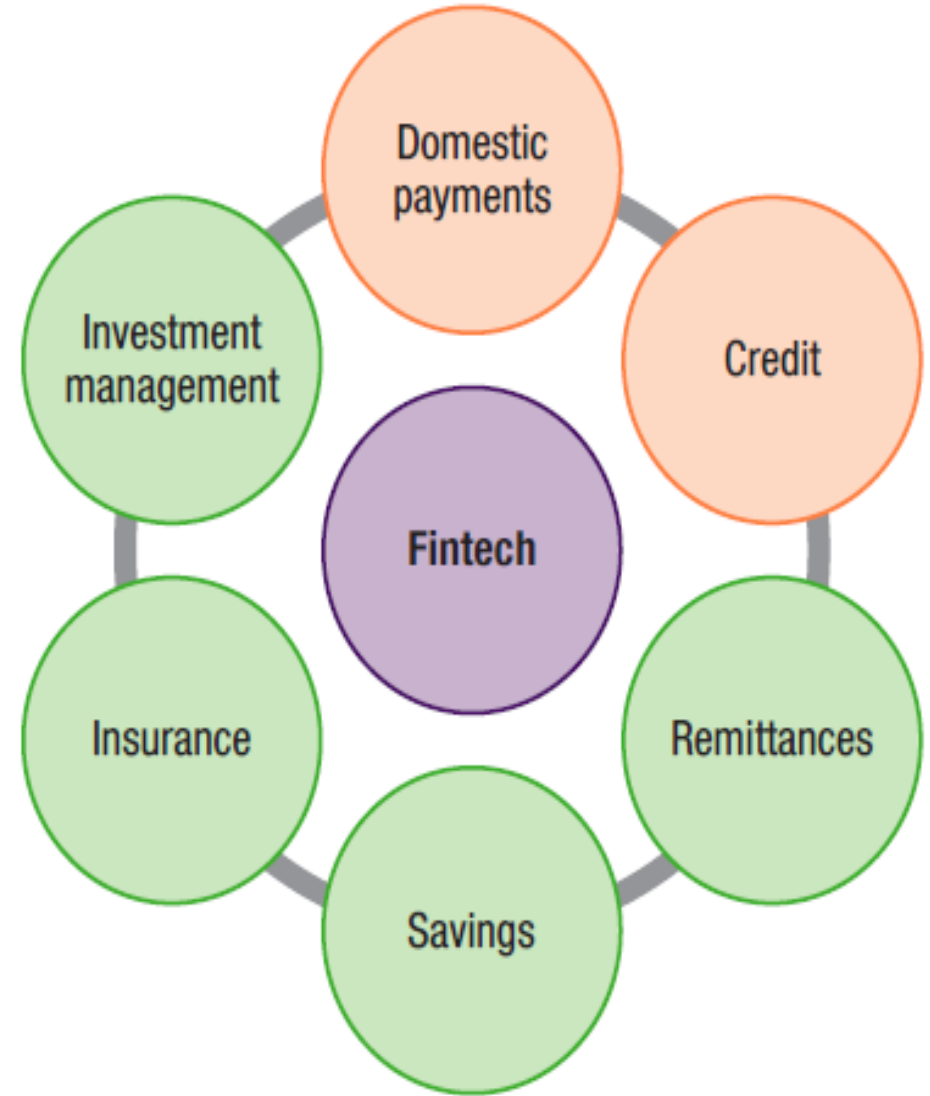
# What is fintech - Definition

- Fintech typically implies, among other things, the use of the **Internet and mobile phones for accessing financial services** that include making payments, storing money, borrowing, and purchasing insurance. Mobile phone usage and access to the Internet for financial services are two commonly used indicators to measure fintech adoption. **(IMF)**
- Definitions of the term FinTech vary, but it can be broadly defined as those **advances in technology that have the potential to transform the provision of financial services**, spurring the development of new business models, applications, processes, and products. In contrast with previous technological change, it has the potential to be revolutionary rather than evolutionary, affecting financial services across their whole range. **(IMF Bali FinTech Agenda).**
- Simply put, fintech is the **intersection between finance and technologies** – boundaries are blurred – don't know when finance ends, and technology starts



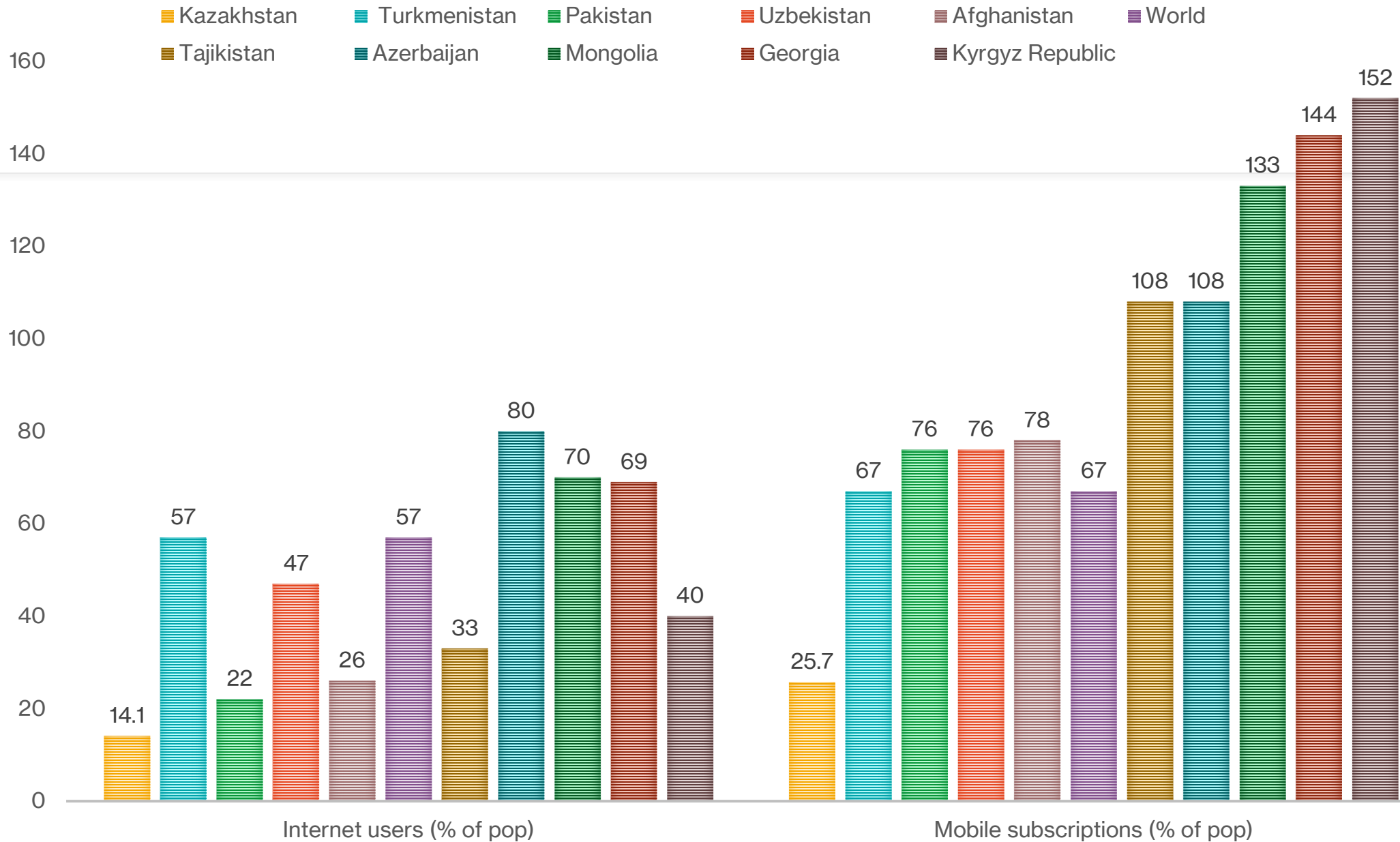
# Fintech – Scope of Services

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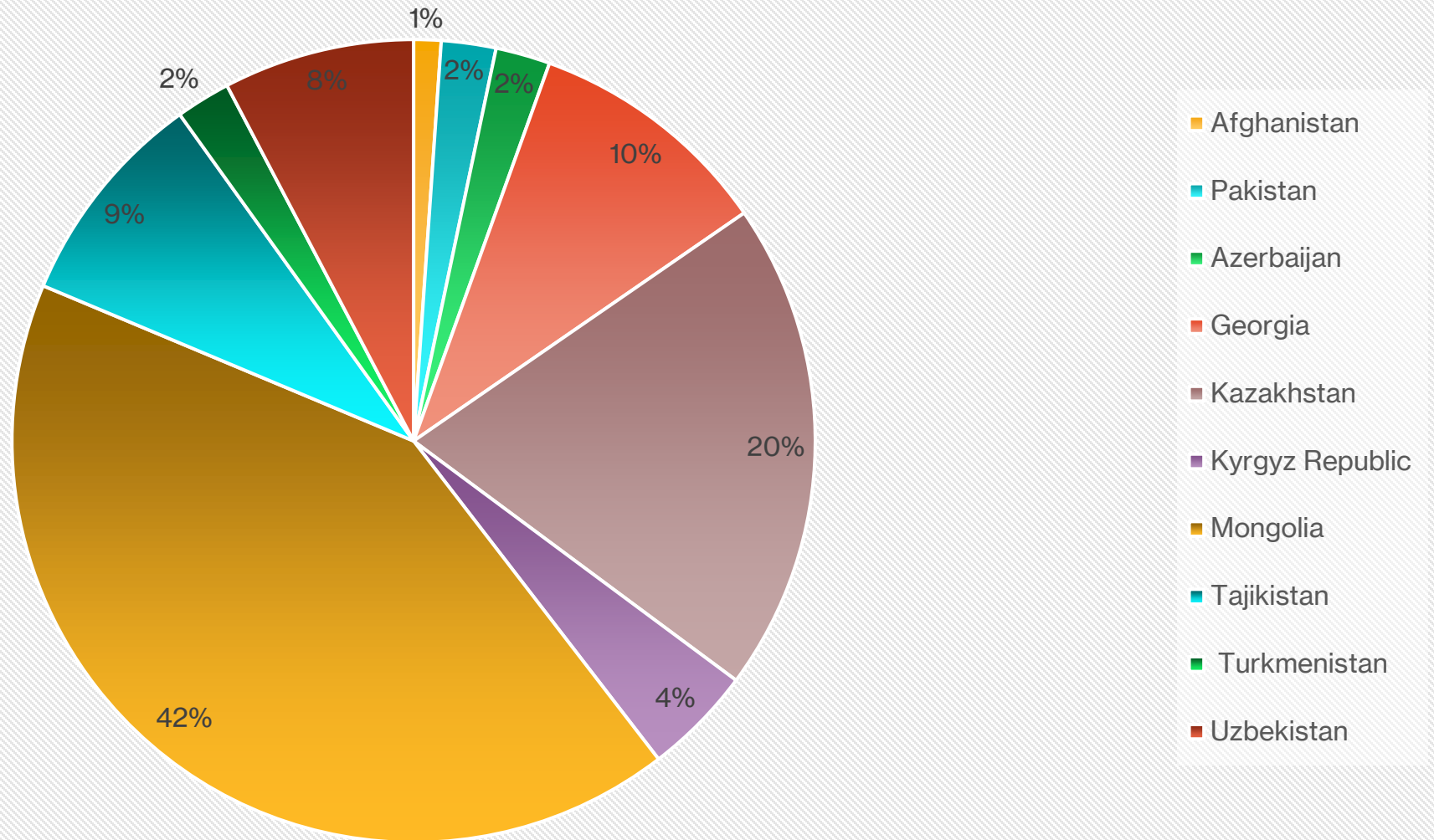




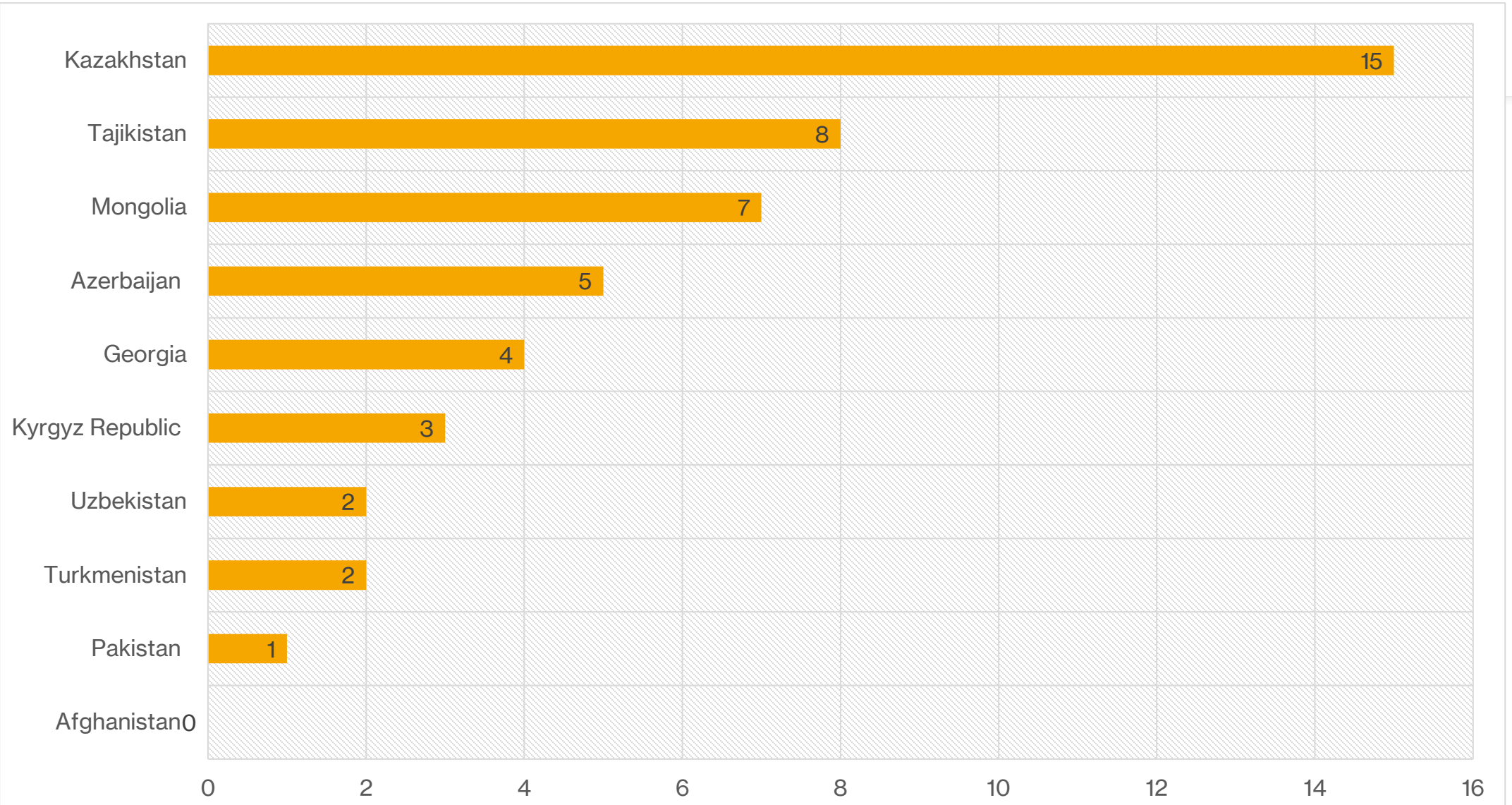
# Internet and Mobile Phone users in the CAREC Region 2019, %



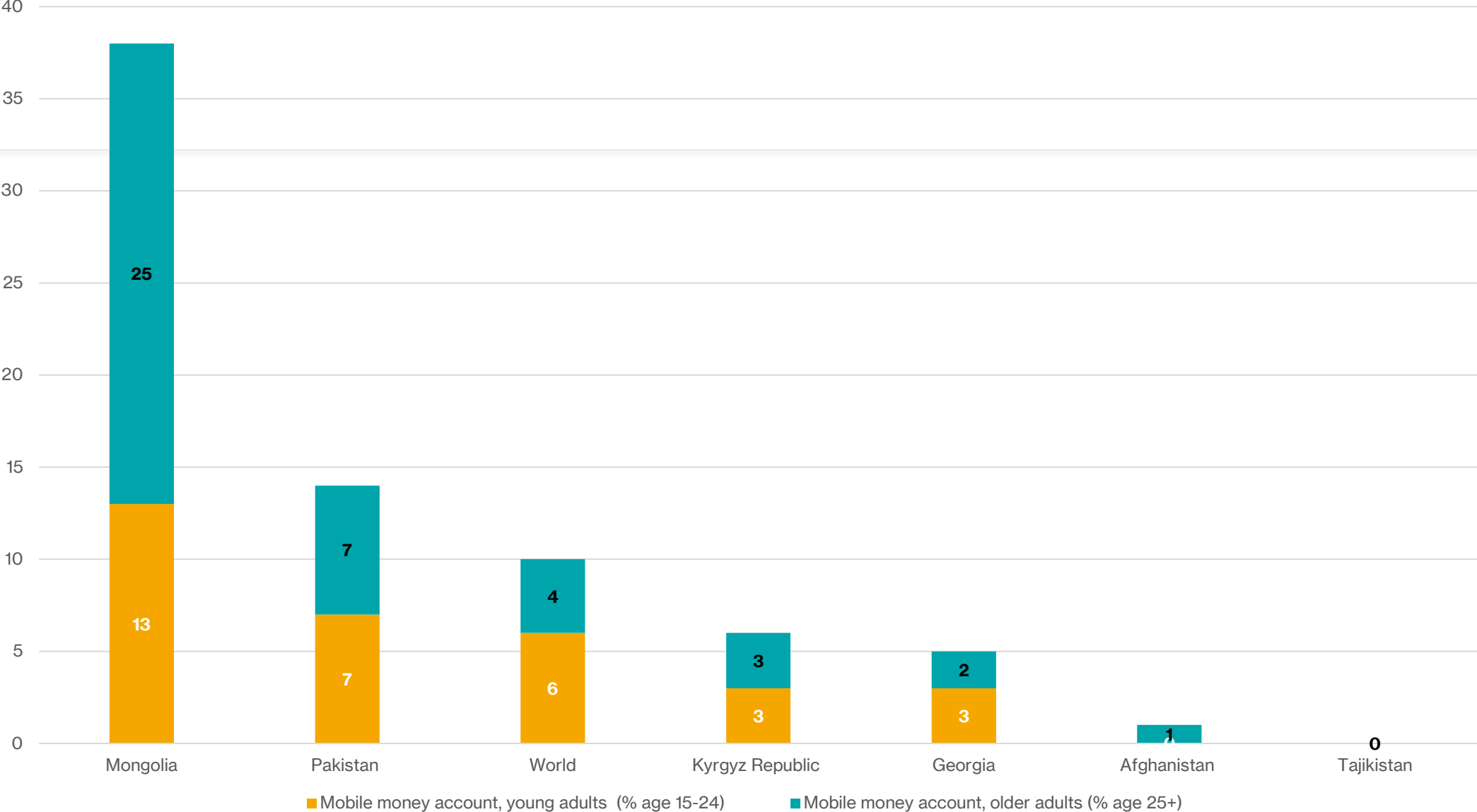
# Accessing a Financial Institution Account through a Mobile Phone or the Internet 2017, (% of Population)



# Individuals leveraging the Internet for Online Purchases in the last year 2017, %



# Adults with a Mobile Money Account 2017, %



# The promise of fintech – Growth Potential



**1.6 BILLION**

newly included  
individuals



**\$4.2 TRILLION**

in new deposits



**\$3.7 TRILLION**

(6%) GDP boost by 2025



**95 MILLION**

New jobs



**\$110 BILLION**

annual reduction in  
government leakage



**\$2.1 TRILLION**

in new credit

# The promise of fintech – Growth Potential

## Cash usage by country

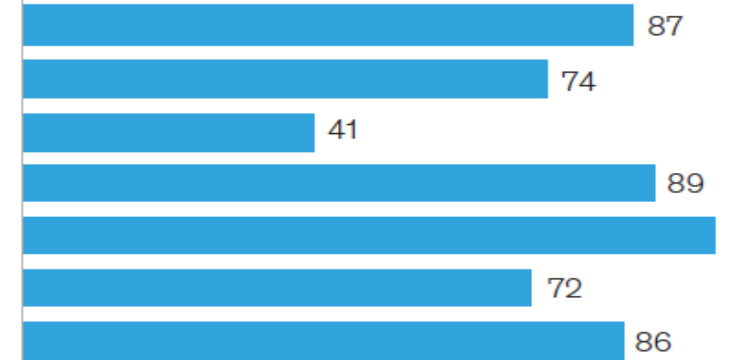
Percent of cash used in total transactions by volume, %

### Emerging markets

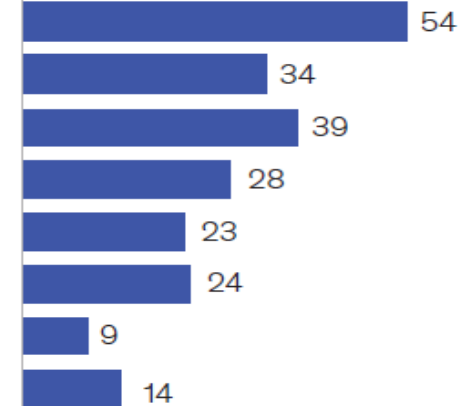
2010



2020E



### Mature markets



## Factors of low Fintech adoption in CAREC

**Cultural and Trust Barriers** - lack of trust in governments and financial institutions. The **collapse of the former Soviet Union** - loss of bank-held savings for many consumers, lack of trust in the formal banking sector, combined with low **financial literacy**. In other countries such as Pakistan and Afghanistan, with negligible **government-to-citizen transfers** and high levels of corruption, people's trust in state institutions and the banking and financial sector is low - **women's participation in the workforce, pervasive poverty**.

**Institutional Impediments** - According to the IMF, the shadow economy's share ranges from **20% to 40% of the total economy** in the CAREC countries. The unregulated business activity renders businesses and individuals vulnerable to financial shocks. In a shadow economy, business-to-business transactions and payment of wages are consummated through **cash**, which in turn hinders the development of **creditworthiness** and qualifying for financial services from the formal sector for business investment and emergency financing.

## Factors of low Fintech adoption in CAREC

- **Weak Financial Markets**- The underdeveloped and weak financial institutions and financial markets further complicate the landscape for financial inclusion. The IMF measures the **relative depth, access, and efficiency of financial institutions** and financial markets. Using a scale of 0 to 1, where one denotes strong, and 0 denotes weak financial development, the CAREC countries display low financial development.

**Low level of Digital Adoption** - CAREC countries manifest low progress. Afghanistan is ranked in the **'activate' category**, which indicates that the country has just started a digital journey. All other countries (except for Turkmenistan, which is not ranked due to unavailability of data) are ranked in the **'accelerate' category**, which indicates that countries have taken some steps, but still significant measures remain to be undertaken. None of the CAREC countries is categorized as **'amplify'**, which means countries have made significant progress in achieving digital maturity





**Thank you very much for your attention!**