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## Focus again on financial inclusion

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Focus on financial inclusion and financial deepening has returned again with the World Bank's 2015 publication, entitled as the *Little Data Book on Financial Inclusion 2015*

The World Bank publication is a product of massive effort by the Finance and Private Sector Development Team of the Development Research Group. It carries a foreword by Her Majesty Queen Máxima of the Netherlands UN Secretary-General's Special Advocate for Inclusive Finance for Development and Honorary Patron of the G20's Global Partnership for Financial Inclusion. The publication also updates the Global Findex Database launched three years ago.

The World Bank reports that in high income countries, (countries with per capita income above US\$12,746) having a bank account is near universal: 94 percent of adults have bank accounts.

In developing countries (middle-income countries: per capita income of more than \$1,045 but less than \$12,746; and lower-middle-income and upper-middle income countries separated at per capita income of \$4,125; and low income countries with per capita income below US\$1,045), only 54 percent of adults have bank accounts.

### Financial inclusion

Financial inclusion is, according to World Bank, is "critical in reducing poverty and achieving inclusive economic growth". When people have bank accounts and access to services, they actually participate in development process, as they are "better able to start and expand businesses, invest in education, manage risk and absorb financial shocks".

In many developing countries, the urban poor find banking difficult. On the other hand, the rural poor have no access to them at all as there are no bank branches. Building and running bank branches is found "not commercially viable" by banks.

After all, banks are not charities. They are profit oriented enterprises.

### Progress in three years

Three years ago, 2.5 billion adults in the world, did not have access to financial services. The *Little Data Book on Financial Inclusion 2015* says that figure has dropped by 20 percent, to 2 billion. That means that 62 percent of adults (defined as all people above age 15) now have an account at a financial institution or through a mobile device, up from 51 percent in 2011. The number of adults with bank accounts has risen by 700 million.

This increase, as World Bank says, is due to “immense supportive and competitive environments, policies that encourage innovation, and national financial inclusion strategies”.

These initiatives were driven by mobile technology, digital payments, reforms that encourage correspondent banking, and relaxed customer identification.

Thanks to the spread of mobile phones, mobile money is playing a crucial role in extending financial services to the underserved. In Sub-Saharan Africa, 12 percent of adults—64 million people—now use a mobile money account, helping to boost the number of financial account holders in the region to 34 percent, up from 24 percent in 2011.

### **Financial inclusion in Fiji**

The World Bank report does not cover Fiji. So, we draw upon on Reserve Bank of Fiji data sources.

The financial inclusion efforts began in late 2009 and early 2010, with the setting up of National Financial Inclusion Taskforce. The commitment was to reach 150,000 unbanked or underserved Fijians by the year 2014.

Fiji’s financial sector has six commercial banks, five of which are foreign-owned which were joined in 2014 by one domestic bank. There are also three credit institutions; two life insurance companies, seven general insurance companies; and two unit trusts.

As regards coverage, six banks have 71 branches, four agencies and 100 agent banking centres. Fiji’s level of access to a formal bank account in Fiji, though it compares well to middle income countries, is low when compared to upper-middle income countries.

About 60 percent of adults have a bank account, while 27 percent are completely excluded from any type of financial service. Financial inclusion is lower: in the Eastern and Western provinces of Fiji; among women; *iTaukei* adults; young adults (aged between 15–20 years); and among agricultural and casual workers

About 71 percent of adults saved some money during the previous year, compared with 63 percent of adults in upper middle-income countries. However, out of the 71 percent of adults who were savers, only 38 percent saved with a formal financial institution and 9 percent with saving clubs. Additionally, 27 percent of the respondents have retirement savings; but these were found to be more with the urban dwellers.

Use of credit in Fiji is at 32 percent, which is lower in comparison to upper-middle income countries at 38 percent. The report highlights that those in the informal strand use shop credit, hire-purchases and borrowing from family and friends, much more than those who are banked

Fiji has fared better than Pacific island countries in the region. Yet more efforts are needed.