



Fintech in Asia-Pacific

The Perspective of Financial Inclusion

Kenneth Kang, IMF Asia-Pacific Department

IMF-JFSA-BOJ Conference on Fintech, April 16, 2018

Co-hosted by IMF's Regional Office for Asia and the Pacific (OAP)



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The Perspective of Financial Inclusion

**Financial
Inclusion in
Asia Pacific**

**Inclusive
FinTech**

**Country
Experiences**

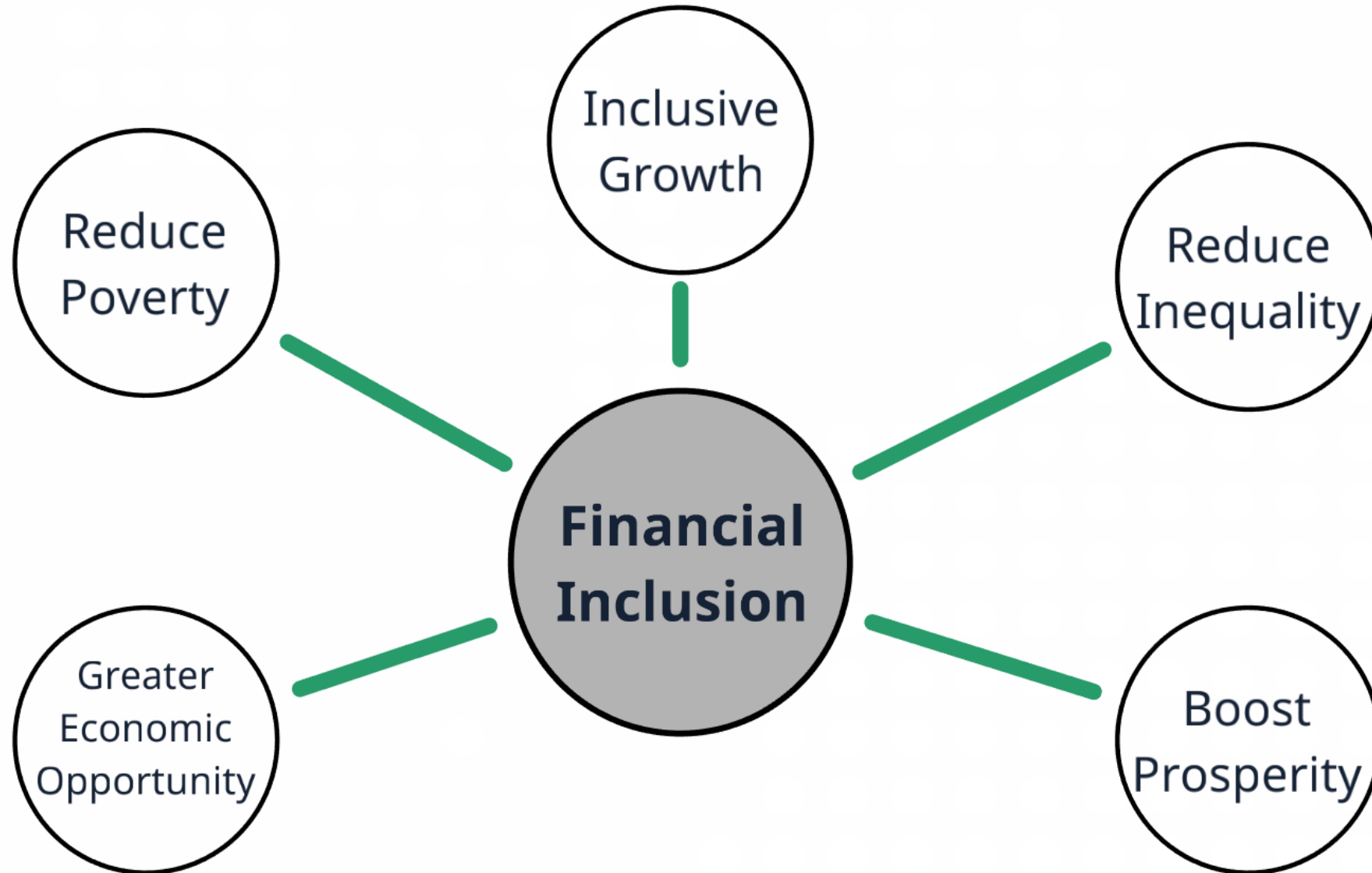
**Policy
Implications**

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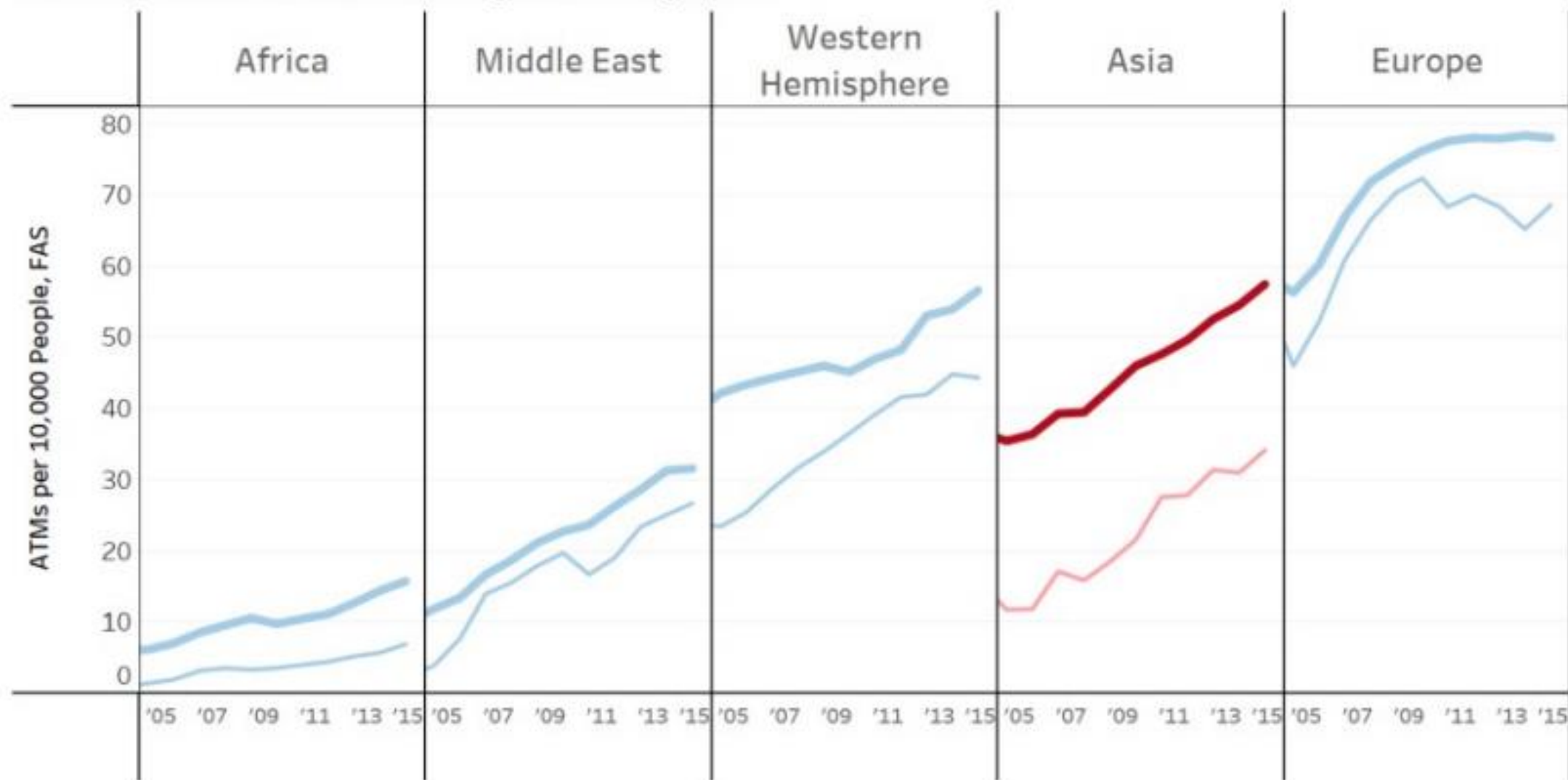
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Why Talk about Financial Inclusion?



Rapid Progress Globally

Financial Inclusion has been Growing, Particularly in Asia

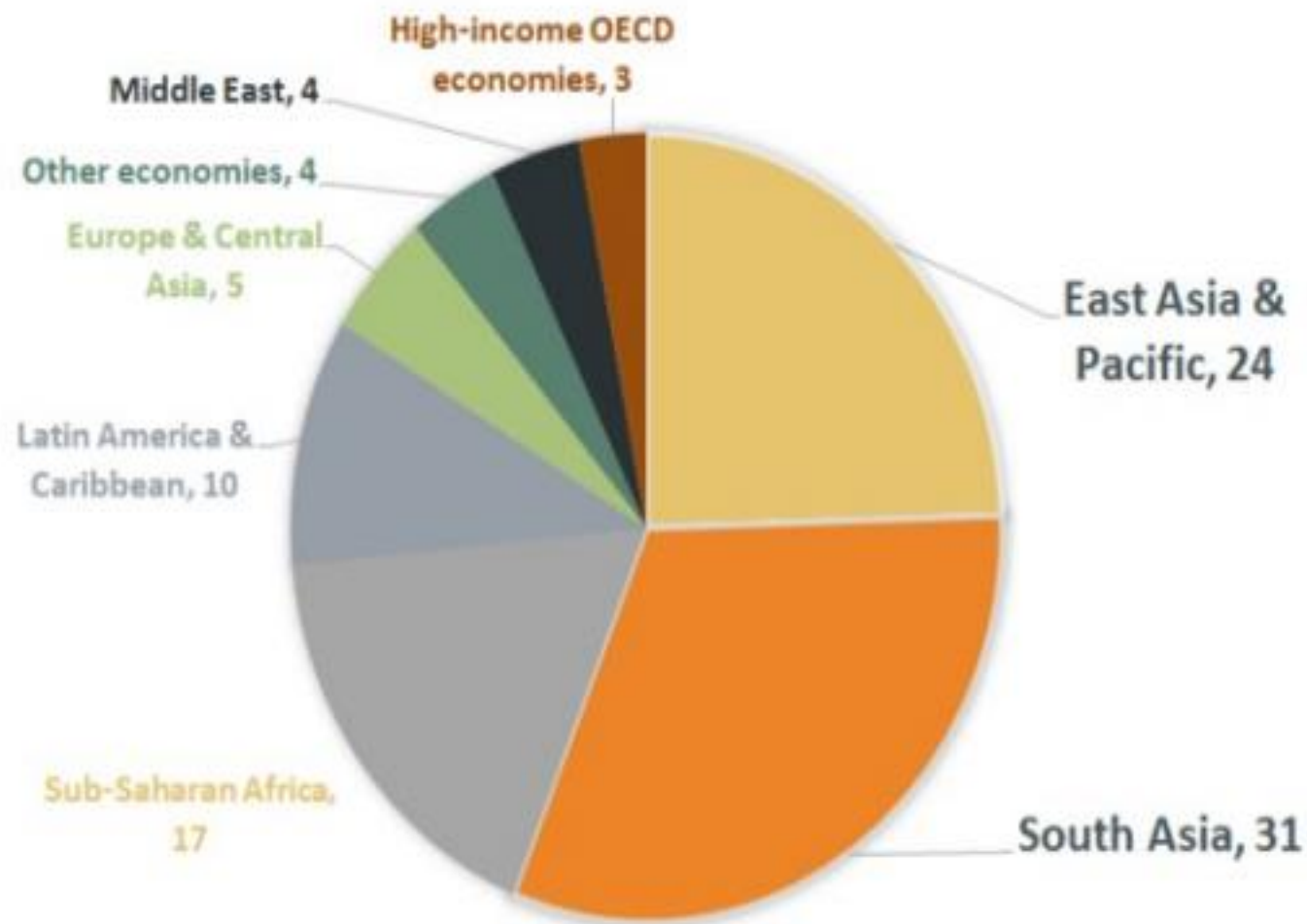


But many remain unbanked.

Adults who are excluded from the financial system

2 Billion

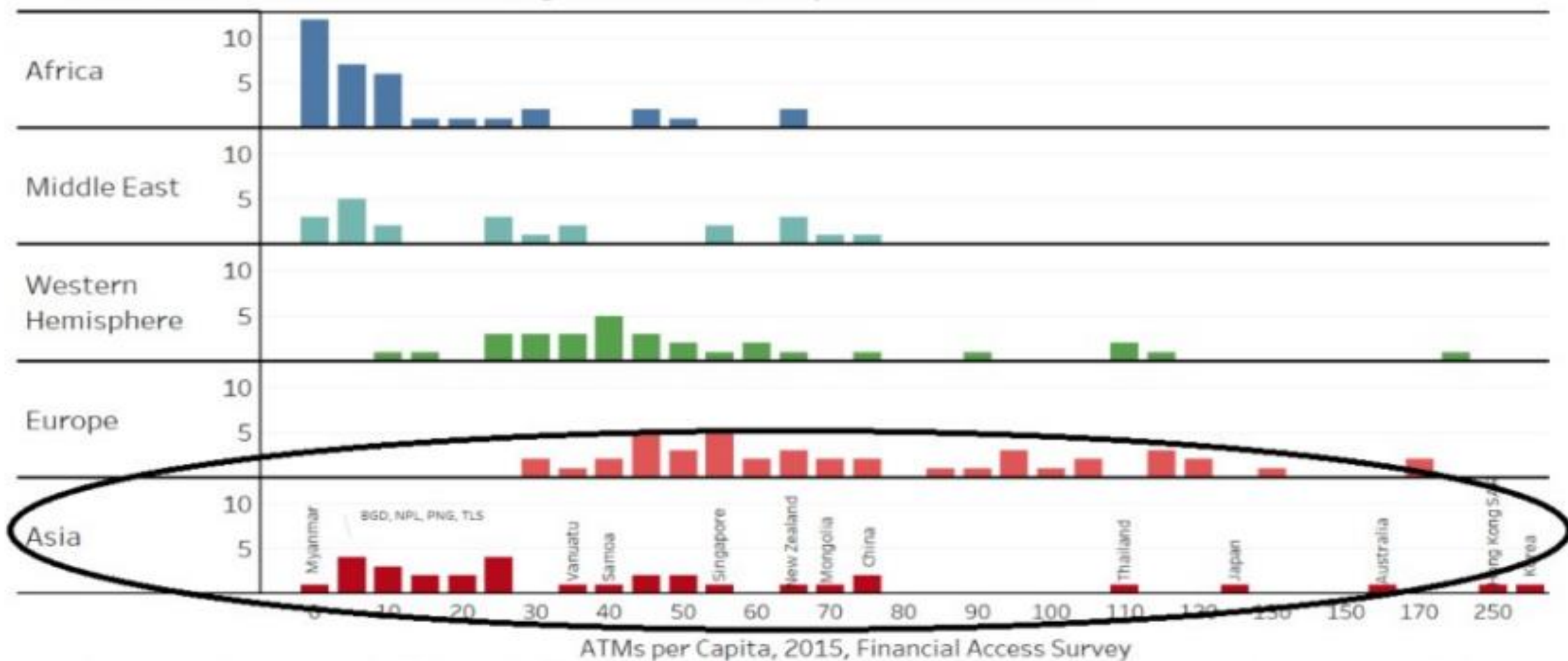
THE WORLD'S UNBANKED ADULTS BY REGION



Wide disparities across Asia-Pacific...

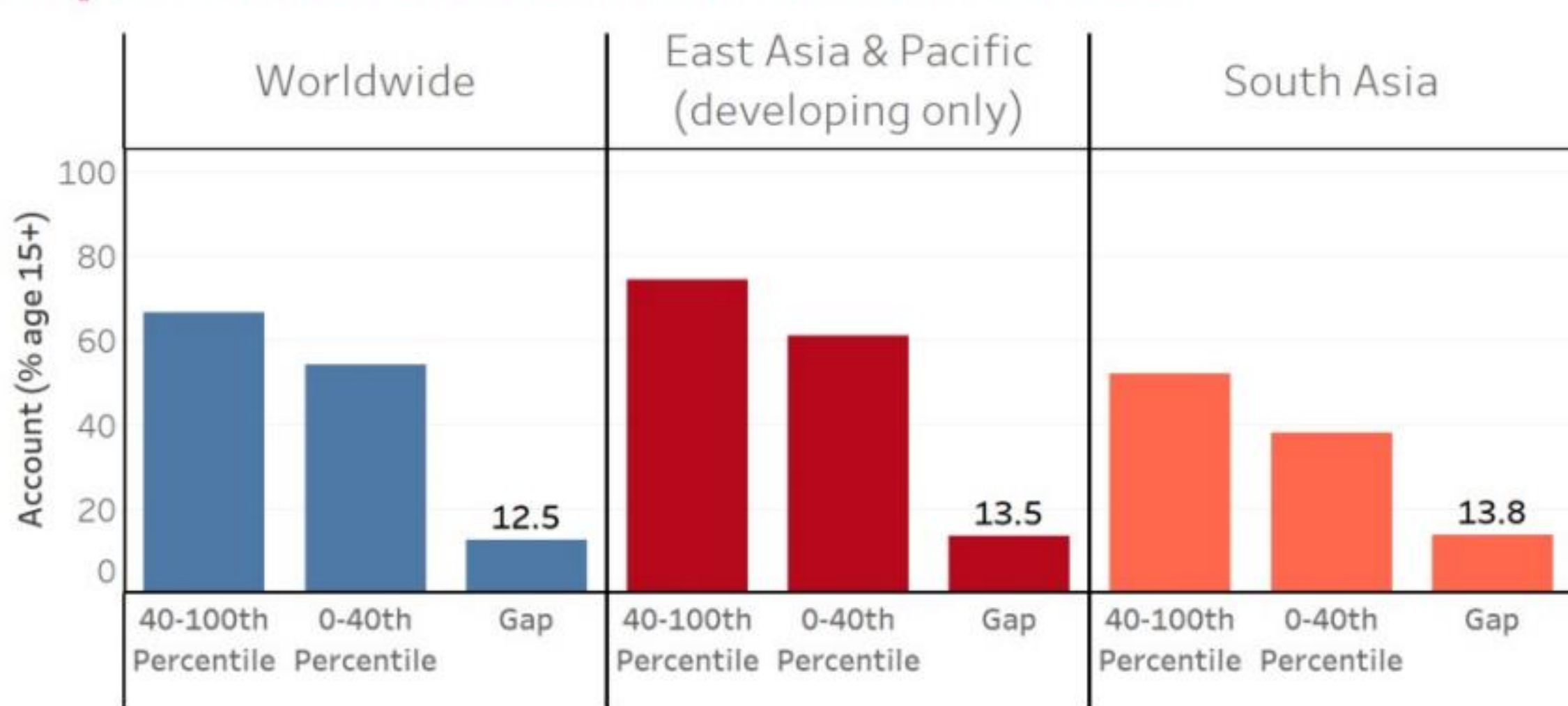
Distribution of ATMs per 100,000 People in 2015

Y-axis shows number of countries at given level of ATMs / Financial Inclusion



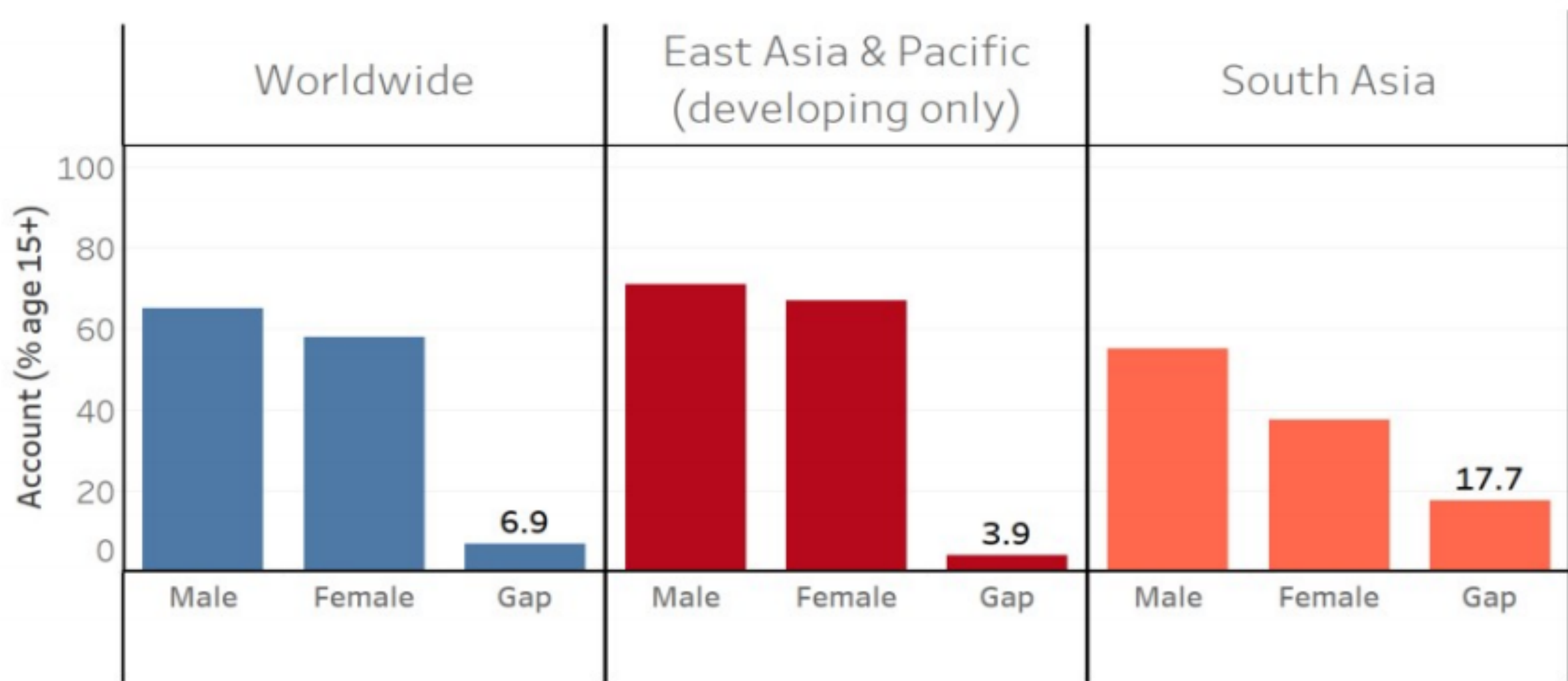
...and gaps within countries

Gaps Between the Rich and the Poor



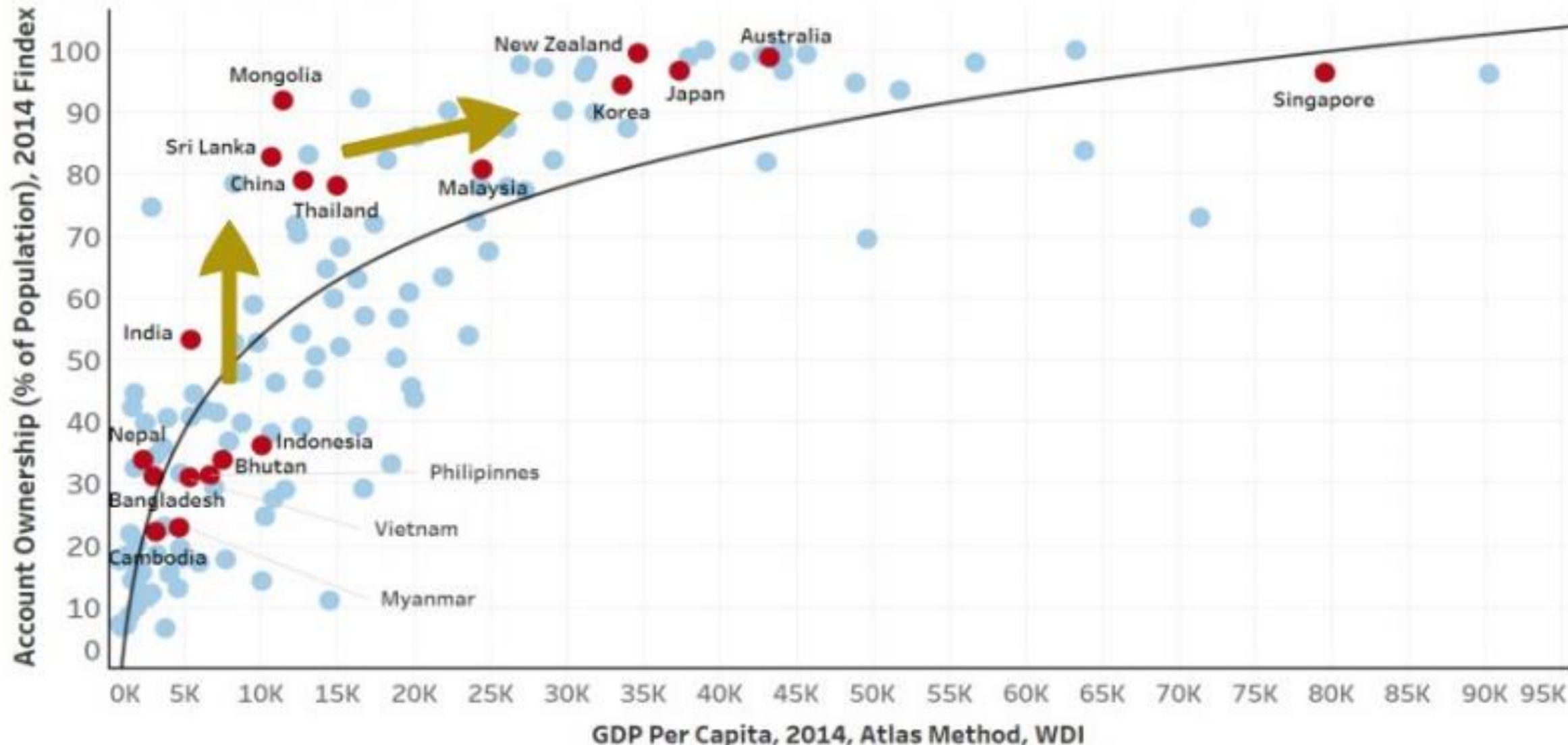
...and gaps within countries

Unequal Access by Gender



Financial Inclusion Arc

Income & Financial Inclusion





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Role of Fintech

Optimism around technology for inclusion:

- **Virtually Zero Marginal Cost**

Removes a major impediment to inclusion



- **Overcome Structural Obstacles**

e.g. Connect Pacific Islands & remote areas



- **New Business Models & 'Disruption'**

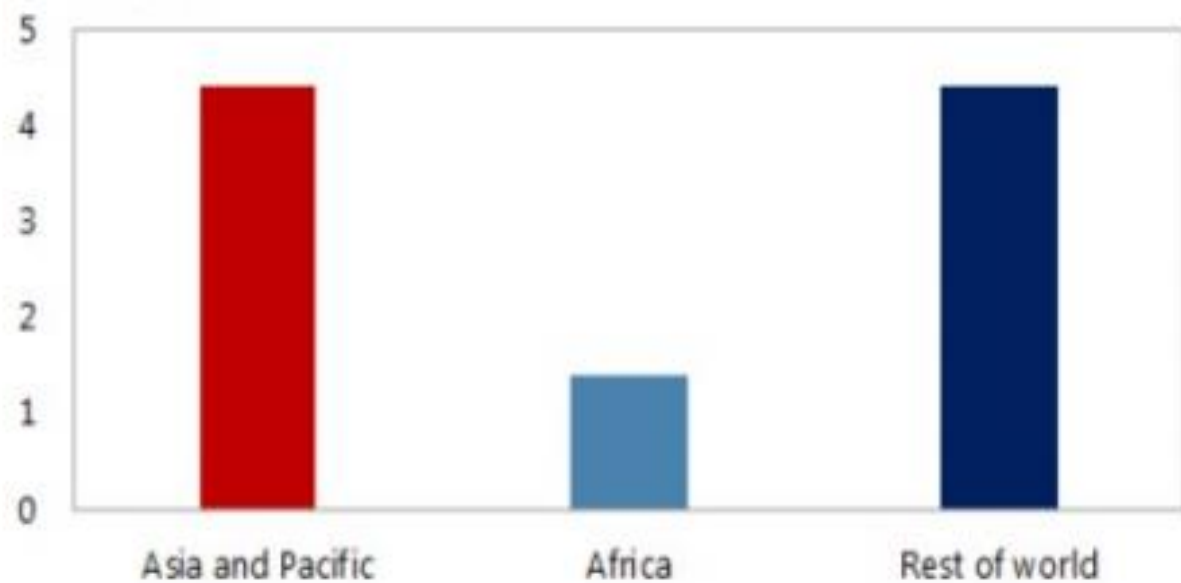
Increase competition, create new markets, and partnership opportunities



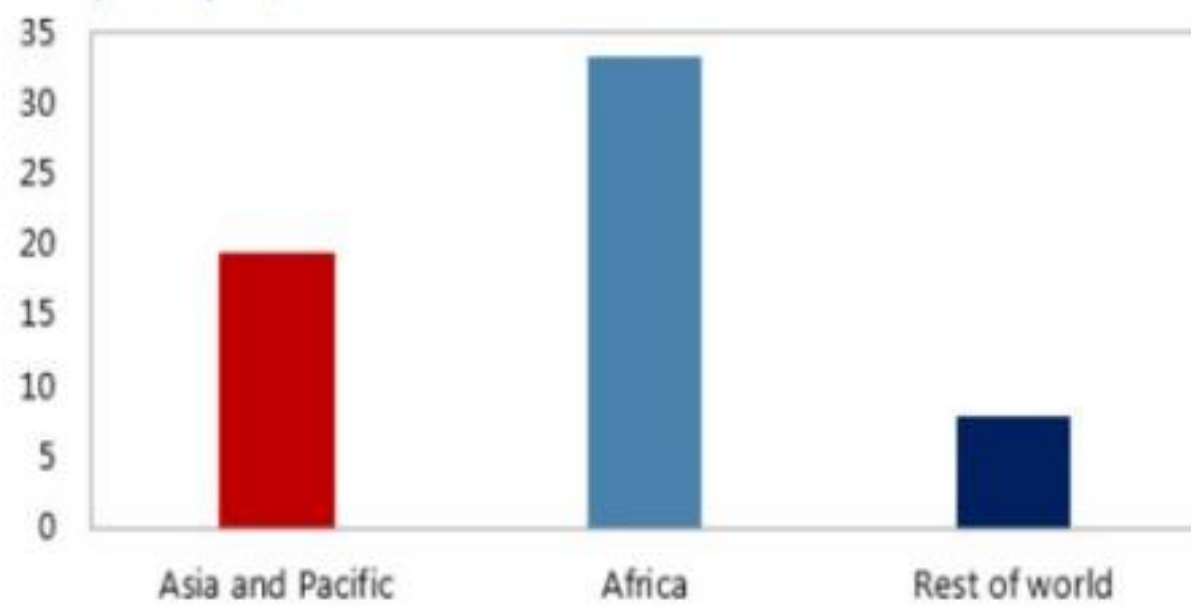
Initial Evidence - Technology Supports Inclusion

Increased technology is linked with an **increase in access** to financial services

Impact of Cellphone Access on Financial Inclusion
(impact of 1% increase in access on deposit accounts per capita)



Impact of Internet Access on Financial Inclusion
(impact of 1% increase in access on deposit accounts per capita)



Source: 'Financial Inclusion in Asia-Pacific' (IMF, 2017: *Forthcoming*)

Leapfrogging

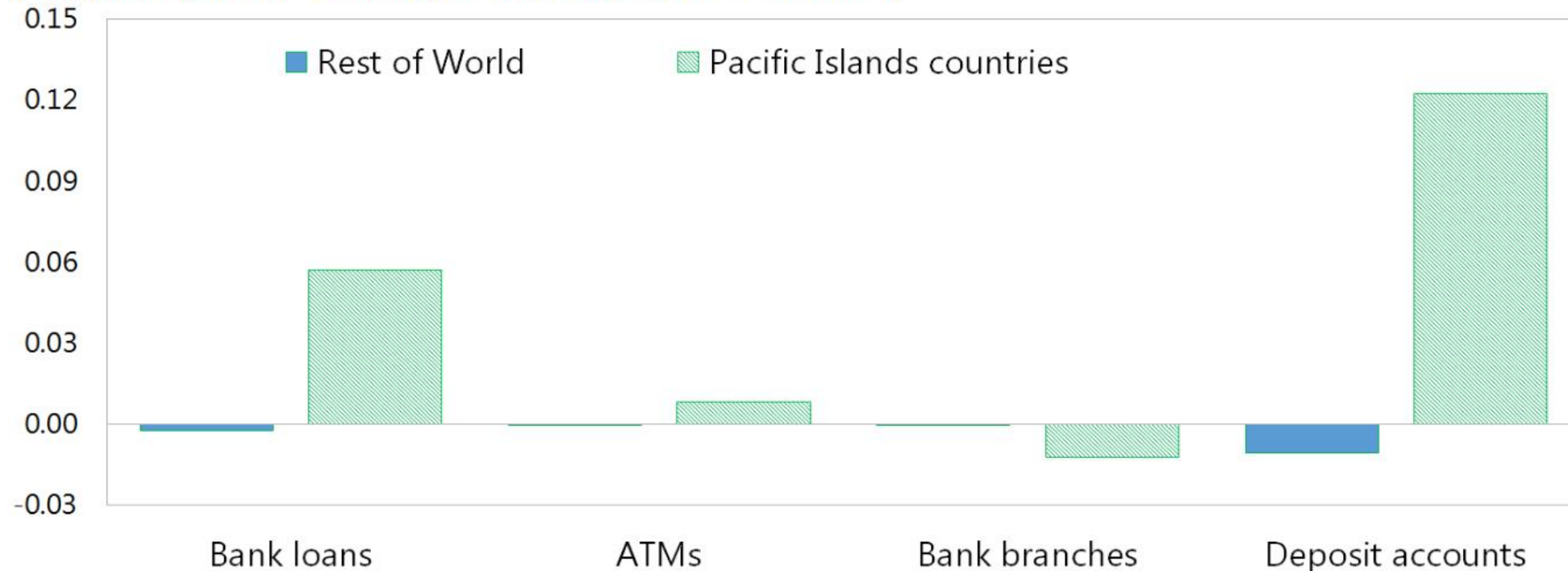


Evidence

Leapfrogging has a **positive impact** on traditional banking services in Pacific Island Countries (*green bars*).

Technology Leapfrogging and Financial Inclusion

(marginal impact of technological leapfrogging on FI outcomes)



Sources: FAS, WDI and Staff Estimates



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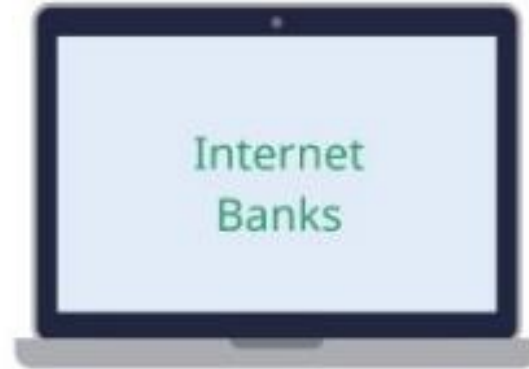
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China

China has made **impressive progress** in expanding financial inclusion in recent years, including through **increasing use of fintech**.



India

Recent policy efforts have taken a more holistic approach to financial inclusion, with **greater use of digital technology.**

The image displays a simulated Aadhaar card layout. On the left side, it features the Government of India emblem and the text 'भारत सरकार' (Bharat Sarkar) and 'Government Of India'. Below this is a placeholder for a photo and personal details: 'Name' (xxx xxxx xxxx), 'DOB / xx xx xx', 'Sex / xxx', and another 'xxx xxxx xxxx' line. A QR code is positioned to the right of these details. On the right side, the Aadhaar logo is shown above the text 'भारत सरकार' and 'Unique Identification Authority Of India'. Below this is the 'Address' section with four lines of placeholder text: 'xxx xxxx xxxx', 'xxxx xxxx xxx', 'xxx xxxx xxxx', and 'xxx xxxx'. At the bottom of the address section is another line of placeholder text: 'xxx xxxx xxxx'. The footer contains the slogan 'Aadhaar - Aam Aadmi ka Adhikar' and three contact options: a telephone icon with '1947' and '18001212345', an email icon with 'help@uidai.gov.in', and a website icon with 'www.uidai.gov.in'.

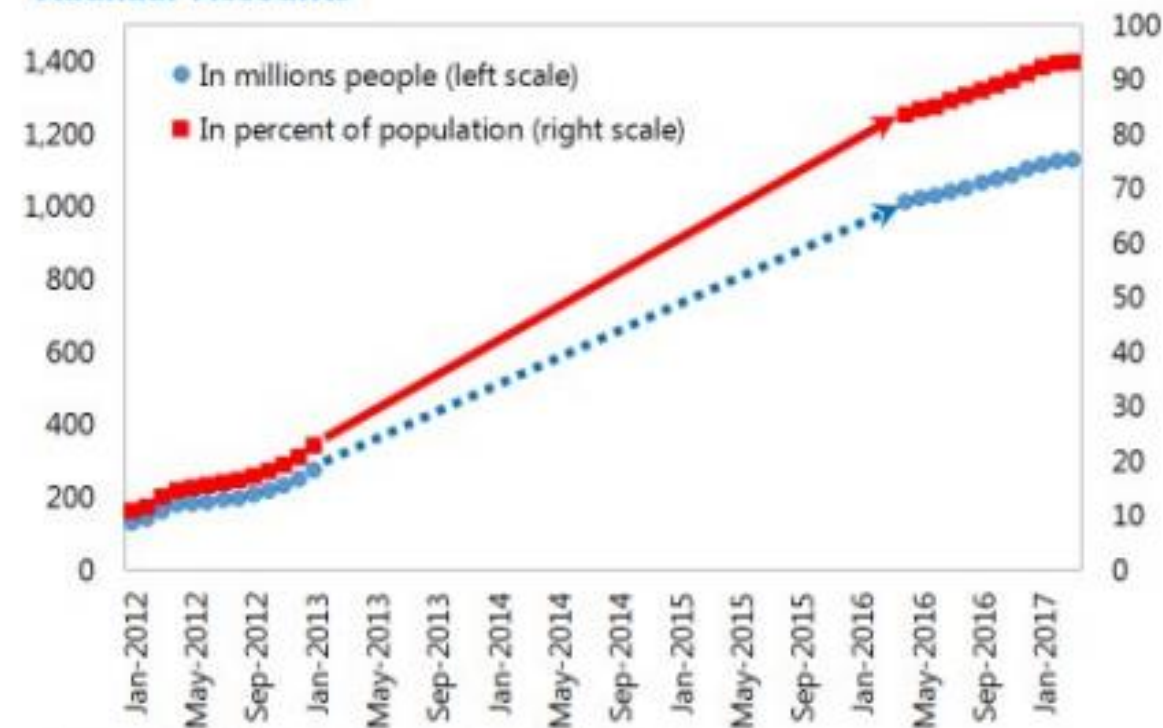
Aadhaar - Aam Aadmi ka Adhikar



India

Recent policy efforts have taken a more holistic approach to financial inclusion, with **greater use of digital technology**.

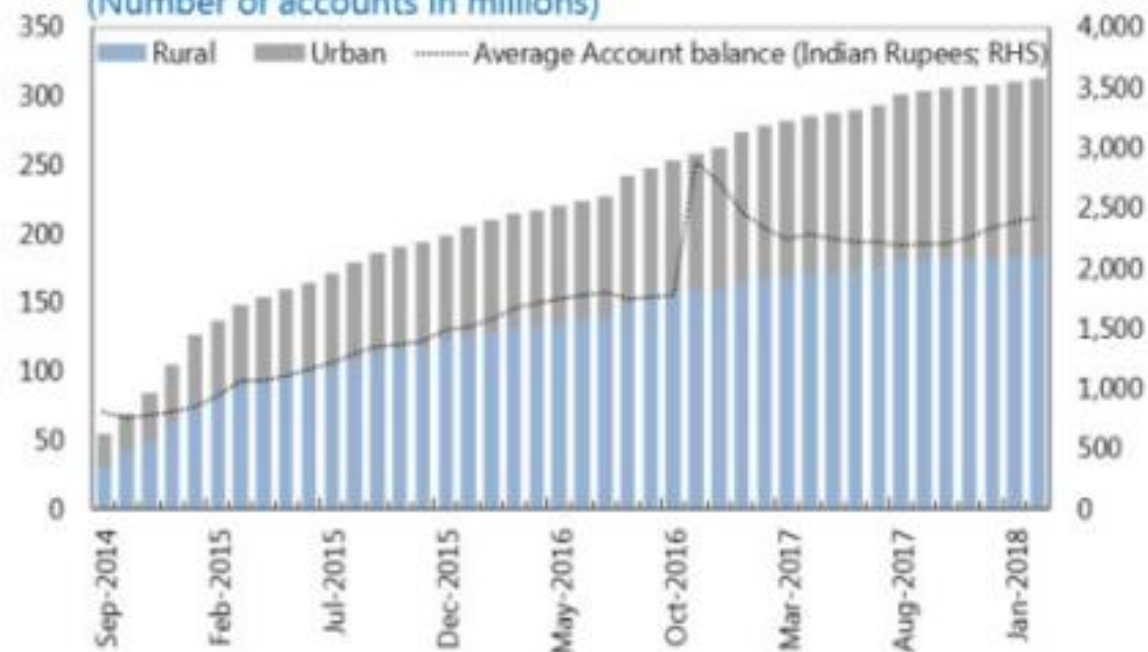
Aadhaar Accounts



Source: Unique Identification Authority of India (UIDAI).

Number and Balances of PMJDY Accounts

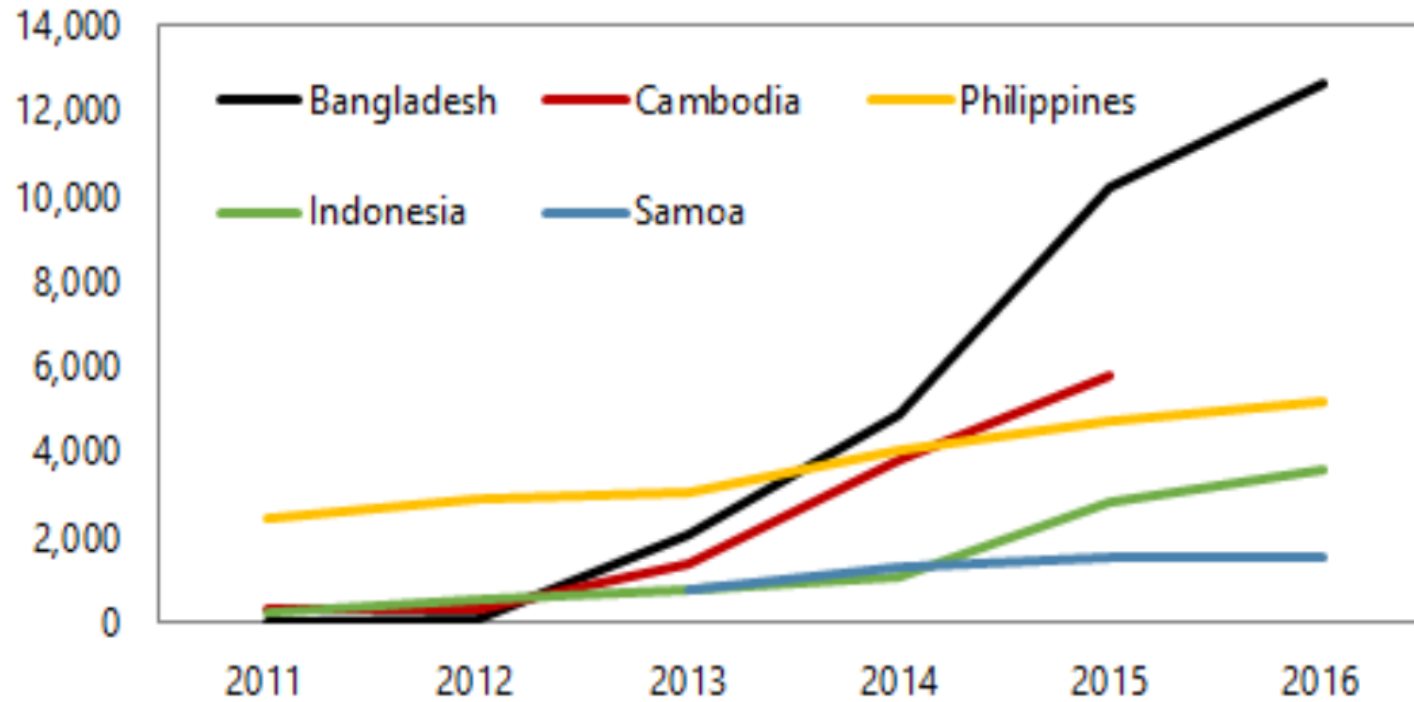
(Number of accounts in millions)



Source: PMJDY.

Bangladesh

Number of Mobile Money Transactions
Per 1,000 People



Mobile financial services,
agent based banking and
upgrading financial
architecture have
bolstered
access and usage.



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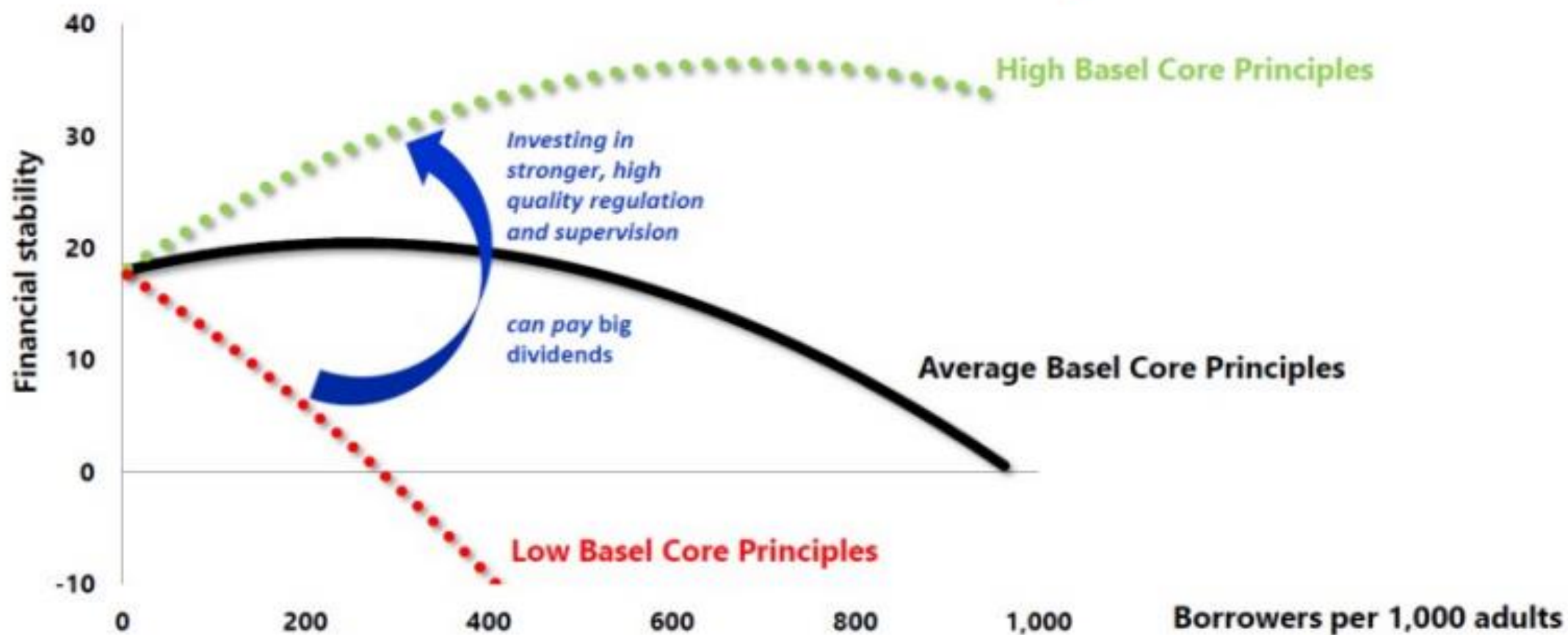
Policy Implications

Fintech strategy as part of national development/
financial inclusion strategies with a focus on closing
digital/ inclusion divides



Policy Implications

Need **right balance** for **FinTech regulations**:
Innovation & Stability



Policy Implications



Infrastructure
investment,
particularly
**technology
infrastructure**

Policy Implications



Social experimentation
between public &
private sector
to **innovate** and solve
local problems.

Policy Implications

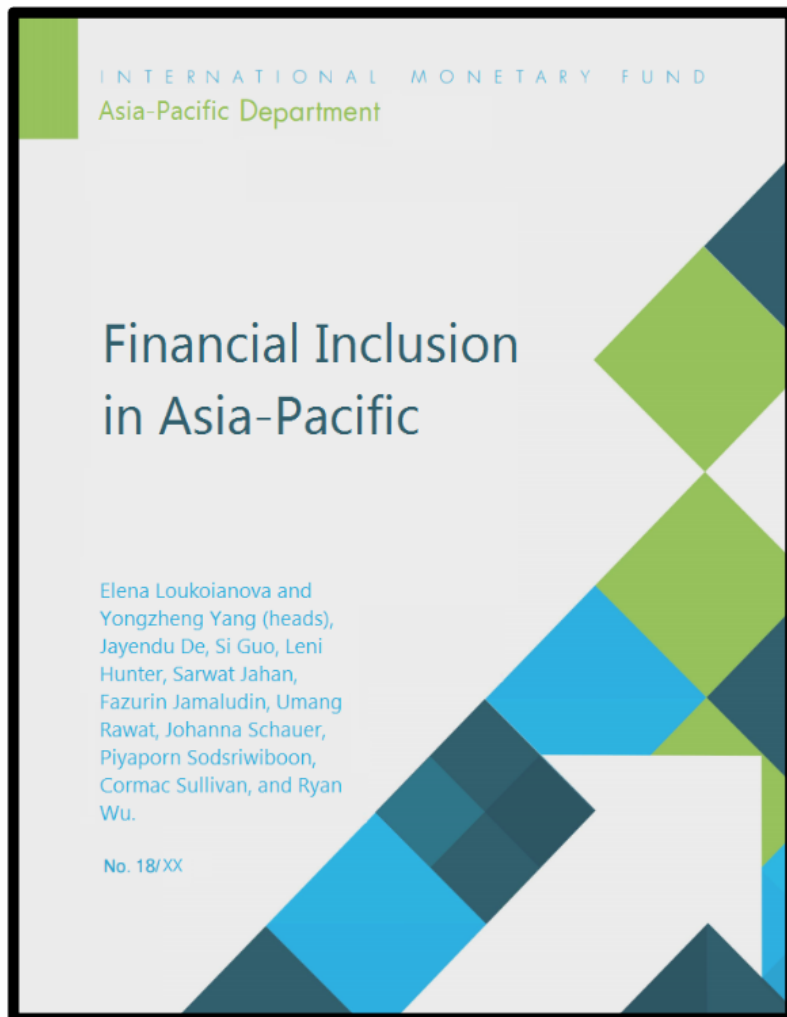
*Learning
and
Growing*

**Better and
broader data
on fintech**

Improve **financial literacy**
for **technology** to **empower**
people with the benefits of
technology



IMF Research on Financial Inclusion



Sahay, Ratna, Martin Čihák, Papa N'Diaye, Adolfo Barajas, Ran Bi, Diana Ayala, Yuan Gao, Annette Kyobe, Lam Nguyen, Christian Saborowski, Katsiaryna Svirydzenka, and Seyed Reza Yousefi, 2015.

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IMF Staff Discussion Note 15/08,

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Sahay, Ratna, Martin Čihák, Papa N'Diaye, Adolfo Barajas, Srobona Mitra, Annette Kyobe, Yen Nian Mooi, and Seyed Reza Yousefi, 2015.

“Financial Inclusion - Can It Meet Multiple Macroeconomic Goals?”

IMF Staff Discussion Note 15/17,

International Monetary Fund, Washington.