Peer-Learning Series: Fintech and Financial Inclusion and the Case of Bangladesh
Opening Remarks by Deputy Managing Director Antoinette Ms. Sayeh

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Thank you very much, Alfred. A very good morning/afternoon/evening to everyone, depending on where you are. A special hello to Changyong Rhee who I'm seeing for the first time since he left the IMF to lead the Bank of Korea. And my thanks to colleagues for arranging this discussion on fintech and financial inclusion—a topic that is becoming an essential ingredient to building a modern and resilient economy.

I should begin my remarks by recognizing **the huge strides Asia-Pacific economies have made in digitalization** which is pervasive and growing in the region. Indeed, it stands out by its sheer scale, with internet usage far exceeding numbers in other regions and underpinning widespread e-commerce and fintech. The region is also at the forefront of digital innovation, making financial services and payment systems more inclusive, more efficient, faster, and thus cheaper for users.

And yet, **gaps in financial inclusion** remain large—both within and across countries in Asia and the Pacific. IMF research shows that close to half of the adult population in low- and middle-income economies in the region still do not have a bank account. Less than 10 percent of them are able to borrow from formal financial institutions. Small and medium enterprises, as well as farmers, face limited access to credit. They often rely on informal markets for finance, where costs are high—leaving poor households vulnerable to shocks and poverty traps.

The Asia-Pacific region is also the most uneven in the world when it comes to the use of fintech. While some countries are leaders, others lag in critical areas, such as electronic payments, mobile money and mobile government transfers. Within countries, too, there are gaps between the rich and poor, and between urban and rural areas. There is also work to be done on policies around consumer protection, supervisory capacity, enforcing privacy laws and providing inclusive insurance.

Moving geographies now to **Africa,** which is in a similar situation. On the one hand, in many African economies, mobile money-driven activities have expanded significantly. Countries such as Kenya with M-Pesa, Zimbabwe with Ecocash, and South Africa with E-wallet have seen noteworthy financial inclusion outcomes. In fact, the region has emerged as the global leader in using mobile money accounts with nearly 46 percent of mobile money accounts worldwide.

At the same time, overall access to and use of financial services remain low compared to other regions. Partly due to low levels of financial literacy, Africa today still represents the world's largest share of the unbanked. More than half of the population is still excluded from financial services—and there is also a wide gender gap.

Now from both Africa and Asia-Pacific regions, there are several **success stories** we can learn from. As we will hear later today, there are countries that stand out in terms of bringing millions into the formal financial network.

In **Kenya**, for instance, thanks to the widespread adoption of mobile financial services, financial inclusion rose from a very low level of 27 percent in 2016 to 83 percent by 2019—a huge leap in just three years. Kenya's digitalization efforts not only advanced financial inclusion but it has also been a key factor in its strong response to the pandemic.

Let me now turn to **Bangladesh, the focus of our event today.** In Bangladesh, financial inclusion has been a decades-long journey to include segments of the population that previously had limited access to formal finance. This journey, which first began with microcredit, has since evolved to cover all aspects of financial inclusion—from access, to usage, and to quality.

Today, the use of mobile phones for financial transactions is commonplace in Bangladesh. People are accustomed to digital financial services, agent banking, branchless banking, and mobile money.

Government policies have enabled small and medium-size enterprises and supported women entrepreneurs. And benefits have accrued not just to those in urban areas; the agricultural and rural sectors have also advanced thanks to policies, such as floors on credit, which are backed by refinancing lines on concessional terms.

Of course, more work needs to be done to maintain this momentum, to expand access even more and to bridge the gender gaps that persist. But I must commend the Bangladeshi authorities for the rich policy tapestry laid out in their **latest financial inclusion strategy**, which covers important aspects such as credit growth in priority sectors, MSME financing, gender priority, access to finance in rural areas, and green financing.

Bangladesh has invested significantly in digital infrastructure and many new companies have emerged, building on that infrastructure, about which you will be hearing more in the course of this seminar. Continued emphasis in areas such as credit bureaus, asset registration, payment systems, and micro-finance institutions will further reduce the cost of financial services. For achieving some of these, collaborating with the private sector will be important but striking the right balance between encouraging innovation and ensuring financial stability remains vital.

Let me close by reinforcing the criticality of financial inclusion as a macroeconomic priority. It is not just the right thing to do. Indeed, from a policy standpoint, it has the potential to reduce inequality and transform economic growth.

Especially at a time when public coffers are running low and governments need to do more with limited fiscal space, financial inclusion—and with it the expansion of the formal financial sector—can greatly improve the effectiveness of public financial management and enhance central banks' ability to stabilize economic activity. And here fintech can play a critical role.

This is also why we have stepped up our dialogue on fintech and digital money in our annual consultations with country authorities and this seminar is an example of our aim to foster peer exchanges on these topics. We also offer technical assistance and training to support member countries as they tackle the development of fintech and cyber risks.

I am most pleased that we have colleagues and friends here today from the Bank of Korea, Bank of Kenya, Bangladesh Bank, Bkash, and the UNDP to discuss financial inclusion. We are keen to learn from their experiences—and to share these experiences beyond the remit of this seminar.

Thank you very much for listening to me so patiently. Let me now pass the floor to our moderator, Anne-Marie Gulde-Wolf.