



VIETNAM MICROFINANCE  
WORKING GROUP



# FINANCIAL INCLUSION NOTE 1



## FREQUENTLY ASKED QUESTIONS ABOUT FINANCIAL INCLUSION



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# #1. Why does financial inclusion matter today?

Sources:  
[www.cgap.org/about/faq](http://www.cgap.org/about/faq)

Poverty. Inequality. Migration. Financial services are foundational to addressing some of these pressing global issues and achieving a wide array of development goals, as evidenced by an expanding body of research. They:

- Make day-to-day transactions possible, including sending and receiving money;
- Safeguard savings, which can help households manage cash flow spikes, smooth consumption and build working capital;
- Help finance small businesses or microenterprises, helping owners invest in assets and grow their businesses;
- Support planning and paying for recurring expenses, such as school fees, electricity and water access;
- Mitigate shocks and manage expenses related to unexpected events such as medical emergencies, death in the family, theft, or natural disasters;
- Improve poor families' overall welfare.



**The Financial Inclusion Notes Series** of the Viet Nam Microfinance Working Group shines a spotlight on developments, partnerships, pilot projects and innovations in Viet Nam that aim to increase Financial Inclusion.



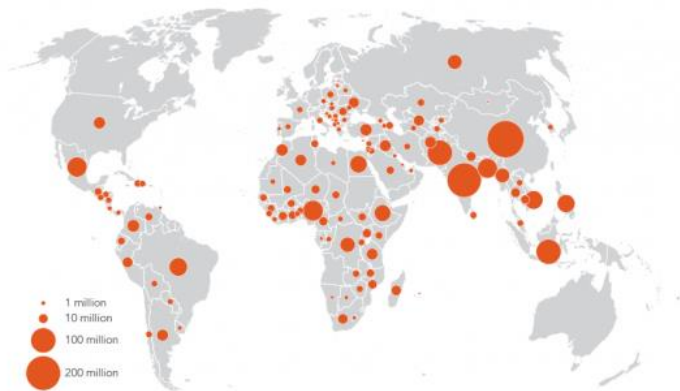


## #2. What's the link between financial inclusion and the global development goals?

Sources:

[www.cgap.org/about/faq](http://www.cgap.org/about/faq)

Globally, 1.7 billion adults lack an account  
Adults without an account, 2017



Source: Global Findex database.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

Globally, about 1.7 billion adults remain unbanked— without an account at a financial institution or through a mobile money provider, according to the latest Global Findex. In 2014 that number was 2 billion. Because account ownership is nearly universal in high-income economies, virtually all unbanked adults live in developing economies.



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## #3. What role does technology play in financial inclusion?

Sources:  
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Most poor people in developing countries rely on physical delivery of cash to make payments or access financial services. This can be inconvenient and expensive for customers, who may have to travel hours to reach a bank or financial institution. It can also be expensive for financial service providers, who don't have the infrastructure to serve customers in remote or rural areas. Mobile financial services provide a pathway to formal financial access in areas that physical banks cannot reach.

Although few people in developing countries have access to a bank, many have mobile phones. This opens up a whole new possibility for the unbanked to access mobile money accounts and other text- or app-based financial accounts. Furthermore, having access to the internet through their phones helps some people overcome some of the key barriers to financial access and provision: long distance to a financial institution and high cost of providing services.



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## #4. Who delivers financial services to the poor?


Sources:

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Poor people need many kinds of financial products and services, and a broad and growing range of groups work to reach them with savings, insurance, transfers, payments, and credit services.

Traditional providers of such services are banks (state-owned and private), microfinance institutions, credit unions, and cooperatives. Other entities are increasingly using technology to develop new delivery methods to bring these services to the poor in rural or remote areas where traditional banks cannot reach.

They include mobile network operators, Fintechs, retail networks, and postal networks.



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## #5. What role does government play in financial inclusion?


Sources:

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Governments support financial inclusion in at least three key areas:

- Set the rules that regulate the environment for financial inclusion, balancing the drive to bring financial services to poor households with measures to protect consumers as well as the stability and integrity of the financial system.
- Promote infrastructure, either financially or by incentivizing private sector investments, to support the expansion of financial services. Such infrastructure might include identity systems, connectivity, payment systems or credit registries.
- Support financial inclusion by determining the routing and volume of payments made government-to-person (e.g., social payments) and person-to-government (e.g. taxes) that favorably shape the financial ecosystem to be more inclusive.

Policy makers increasingly recognize that financial exclusion is a risk to political, social, and even financial stability, which may impede economic advancement, and that financial inclusion presents an opportunity to improve lives



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# #6. Who funds the development of financially inclusive markets?

Sources:  
[www.cgap.org/about/faq](http://www.cgap.org/about/faq)

A variety of donors support financial inclusion efforts. They include: national governments; private foundations; bilateral donors



Department for International Development



ASIAN DEVELOPMENT BANK



International Finance Corporation  
WORLD BANK GROUP



Donors also support financial service providers and their innovations through direct investment and technical assistance. CGAP's annual survey tracking international funding trends showed \$37 billion in funder commitments to financial inclusion in 2016, an historic high.

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## #7. What is microfinance and how does it relate to financial inclusion?

Sources:

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Microfinance, which has its roots in microcredit, has evolved in recent decades. The term “microfinance” thus has evolved to refer to a broad set of financial services tailored to fit the needs of poor individuals.

Financial inclusion has a wider meaning, and it encompasses a wider range of players and institutions. Whereas microfinance advocates generally work with the microfinance institutions that grew out of the microcredit revolution serving the poor, financial inclusion advocates more often work with a broad range of providers to achieve their goals, including those that do not necessarily focus exclusively on poor people.

Both the microfinance sector and the global financial inclusion agenda recognize the importance of building consumer financial capabilities and consumer protection policies that account for the conditions and constraints of poor families in the informal economy.

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## #8. Where can I find data on financial inclusion?

Sources:

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- **MIX Market** website: Provides data on the financial and social performance of over 2,000 participating microfinance institutions.
- **Global Findex**: The Global Findex database is the world's most comprehensive data set on how adults save, borrow, make payments, and manage risk; with than 150,000 adults in over 140 economies.
- **FinScope**: provides insight into attitudes about and perceptions of financial products and services. The sample size varies widely across countries.
- **Financial Inclusion Insights (FII)**: Through qualitative and quantitative research FII provides demand-side insights into consumer's financial behaviors, and identify pathways so those most in need have the financial tools necessary to improve their economic stability.
- **GSMA Mobile Money Adoption Survey**: The Global Adoption Survey of Mobile Financial Services is an annual survey, which captures quantitative information about the performance of mobile financial services.

*For more information on data sources, see Measuring Market Development Handbook (Pages 56-57 and APPENDIX M6-A).*



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## #9. What is the impact of financial inclusion?


Sources:

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- Contribute to poverty alleviation by bringing financial products and services within reach of people living in poverty.
- Contribute to poverty reduction – that is, bring people out of poverty on a sustained basis when they can use financial services that help them to grow their businesses and invest in education.
- Contribute to economic activity and eventually economic growth

Shifting cash payments to digital delivery -- whether it is social welfare transfers made by governments to citizens; or people paying their taxes, fees and bills to governments; or payments made between people - can improve their efficiency and reduce the amount of money lost to corruption.

Digital payments can also provide the backbone for new types of delivery for basic services, such as solar energy and water particularly to remote areas where national grids are too expensive. Digital payments also support education delivery. As such, global leaders are increasingly recognizing the role that financial inclusion can play in helping the world achieve many of the Sustainable Development Goals.



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