

Financial Inclusion and Financial Education

Comments by

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Financial Inclusion and Financial Stability

Institution	PAR >30 days (2004)	Gross Loan Portfolio (USD mil) (2004)	Number of Borrowers (2004)
SHARE (India)	0,19%	40,2	368 996
Compartamos (Mexico)	0,56%	101,1	309 637
Banco Solidario (Ecuador)	1,54%	177,1	72 787
ASA (Bangladesh)	1,68%	201,1	2 772 719
PADME (Benin)	1,81%	44,1	37 661
NovoBanco (Mozambique)	3,38%	6,9	11 350
Centenary Bank (Uganda)	4,21%	44,6	52 682
CMS (Senegal)	4,21%	40,7	33 598

- Historically, lending to low-income borrowers considered as low-risk

Source: International Finance Corporation; MIX

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- Perceptions changed after Andhra Pradesh microfinance crisis

Financial Inclusion and Financial Stability

- Problem: not financial inclusion, but inadequacy of existing market infrastructure in ensuring sound lending practices with expansion of access to finance

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- **Key issues:**
 - Financial education
 - Credit information
 - Consumer protection

Financial Education

- Important principles:
 - Multi-stakeholder approach
 - Lifelong financial education
 - Complementary roles of financial education, consumer protection and financial access

Financial Education

- Important principles:
 - Multi-stakeholder approach
 - Lifelong financial education
 - Complementary roles of financial education, consumer protection and financial access
- Financial education strategy needs to:
 - Reflect constantly changing landscape of financial services
 - Expand the frontiers (e.g., migrant labor, rural population)
 - Progressively become more cost-effective

Credit information

- Studies (e.g., WB, IDB): making more data available to lenders leads to:
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- **Effective credit reporting systems**
 - Full file (negative+positive) vs. negative-only
 - Comprehensive (multi-sector) vs. segmented (one sector only)
 - Need sound legal and regulatory framework that:
 - Protects privacy and consumers
 - Allows efficient permissible use of data

Financial Inclusion and Innovation

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- **Complementary role of regulation and financial education**

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- Complementary role of regulation and financial education
- **Value of public-private partnership**