

**“NEW PERSPECTIVES ON
BANKING AND AGENDAS FOR
FINANCIAL INCLUSION”**

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Financial Inclusion Research Conference

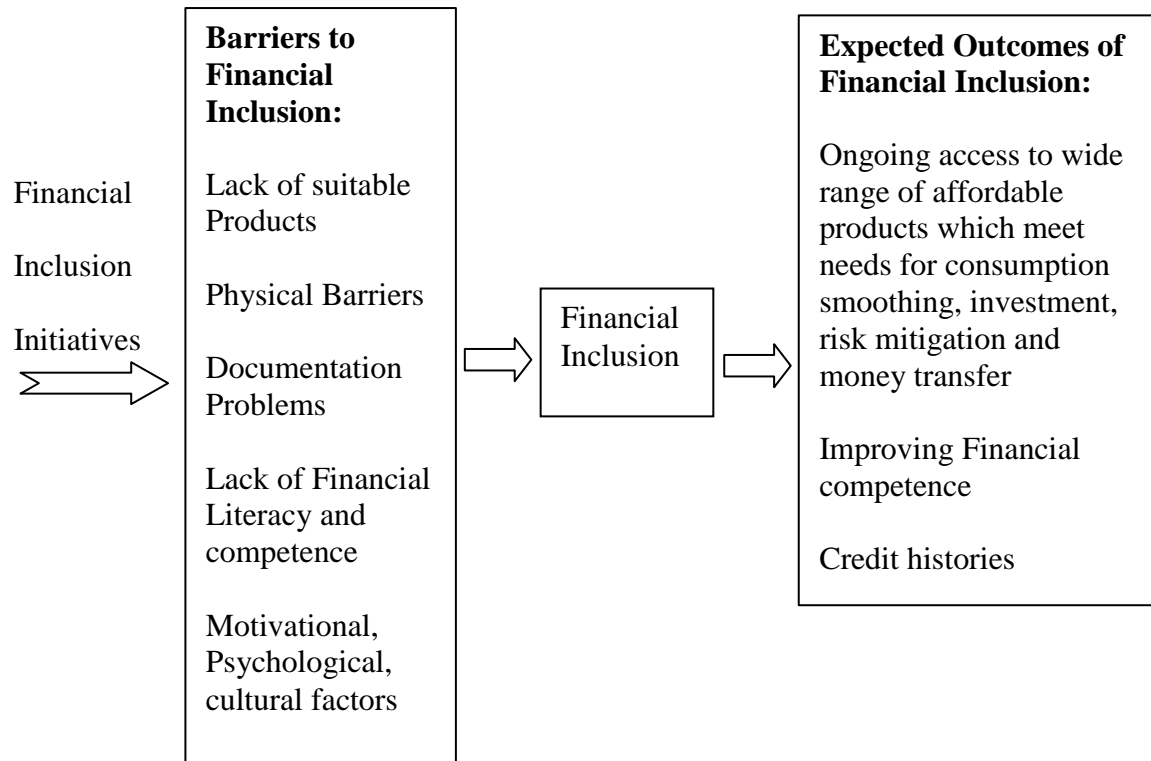
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WHAT'S NEW IN THIS PAPER?

- ◉ The paper calls for re-thinking the Government's role in financial inclusion in developing countries in view of :
 - Recent policy initiatives of central Governments
 - ◉ Eg. National identity cards, Routing social payments through banking channels
 - Recent initiatives of Government banks
 - ◉ Eg. Simplified bank accounts, Correspondent banking and Use of mobile banking technologies
- ◉ It argues that with this “modernisation” of social banking, it can be said that the Government is better placed to provide financial inclusion rather than profit maximising private sector participants
 - The recent global financial crisis as well as examples of profit maximising microfinance institutions highlight the inherent advantages of Government playing a dual role as social policy agent and savings bank

FRAMEWORK TO ASSESS FINANCIAL INCLUSION INITIATIVES

Framework to assess financial inclusion initiatives



(Source: Savita Shankar, PhD Thesis)

INTERESTING QUESTIONS THE PAPER RAISES...

- Looking at the framework, it is not clear if “Lack of financial literacy and competence” and “Motivational, psychological and cultural factors” are addressed by Government initiatives. Is this not a gap?
 - These factors are usually best addressed by local entities. Microfinance institutions recruit field workers locally and they are well placed to provide these inputs
 - These factors can translate “access” into “use”
- How does the author respond to the traditional critique of Government provided financial services for the poor? While accessibility has been addressed though these new initiatives how about..
 - Inefficiency vis a vis private and market based players (often there exist hidden subsidies)
 - Hidden costs for customers due to rent seeking

...INTERESTING QUESTIONS THE PAPER RAISES

- ◉ Should the Government not focus on regulation rather than on service provision?
 - More specifically...
 - Needs of customers being heterogeneous, a range of options is required. Government being a participant may make the playing field unequal for private entities and social enterprises
 - New, innovative models may be discouraged by the regulator to avoid competition if it is a participant in the sector
 - While it is important for large Government banks to expand outreach, should small, local, financial service providers also not be encouraged into the formal fold (with adequate regulatory checks and balances) to truly expand the range of options for the financially excluded?

THANK YOU