

Financial Inclusion Forum.

Kiev, June 2018



Financial Inclusion

What do we mean?

What is the effect on a person, a country, an economy?

Why is it important? What are the benefits?

What are the challenges?

What is Mastercard doing?

The role of partnerships.

Mastercard's commitment to financial inclusion.

- Mastercard Foundation
- Mastercard Center for Inclusive Growth
- Mastercard Inc.

What do we mean?

A definition: Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups, weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional infrastructure and organisations.

Some basic facts:

Globally, 2 billion adults without the means to store, receive or make payments.

39% of adults globally do not have a bank account (2016).

9% of adult population has a savings or pension product.

36% of adult population has an insurance product.

20% of adults earn less than \$5.50 per day.

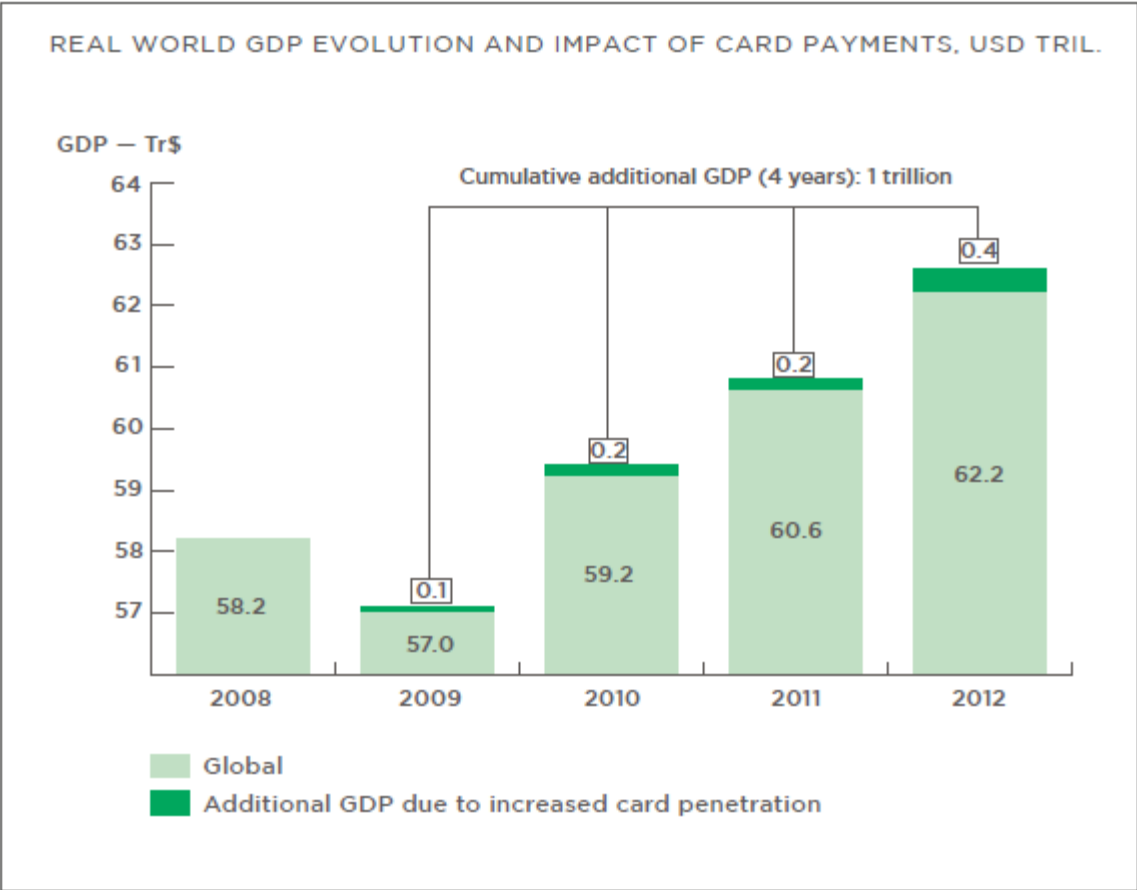
What is the effect on a person, a country, an economy?

- Exclusion of basic services: bank account, payment cards, mobile phone etc.
.....leads to exclusion from mainstream services: savings, loans, mortgages, pensions, utilities, employment.
- Alternatives can be more expensive: cash handling fees, loan agents, pawn shops, black market.
- No access to better prices on internet, comparison shopping, discounts etc.
- Impact on physical and mental health, education, employment, prospects, family and life chances.
- No interaction with online e-government services.

What is the effect on a country?

- In-bound foreign investment.
- Overseas trade and foreign currency.
- Food security.
- Health outcomes.
- Growth in tourism.
- Greater gender and income equality.
- Growth in entrepreneurship & SMEs.
- Reduced corruption, fraud and embezzlement.
- Growth of a middle-class.

What is the effect on an economy?



What are the challenges?

- Payment infrastructure.
- Banking industry maturity.
- Regulatory barriers.
- Economic Development & Stability.
- Government Priority.

....and ways to increase financial inclusion.

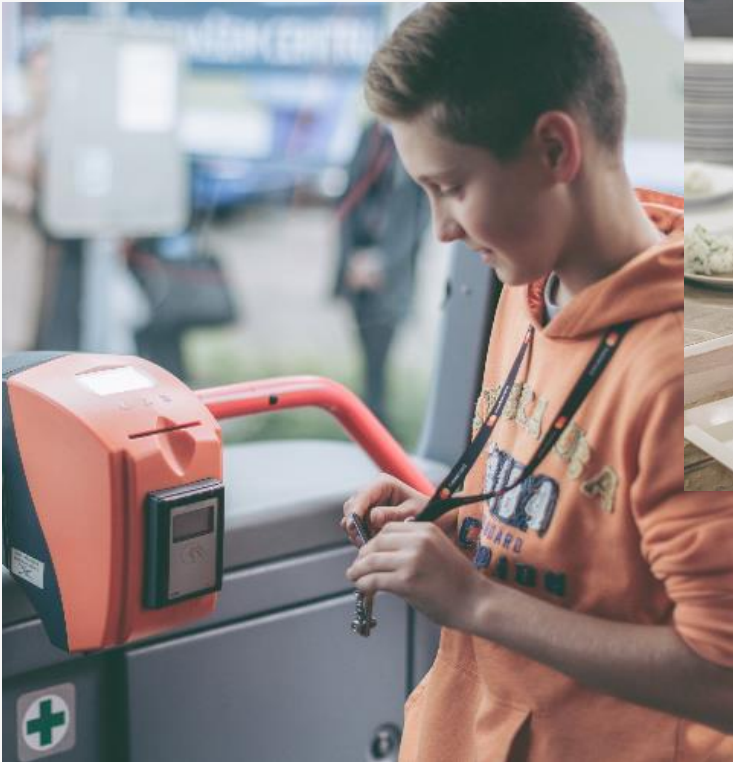
- Stimulate consumer demand.
- Increase supply.
- Educate usage.

What is Mastercard doing?

Establishing partnerships with Non Governmental Organisations (NGOs), foundations; trusts; financial institutions; academic institutions, technology companies; mobile network operators; government ministries and institutions; research organisations and start-ups.

- Education master-classes in entrepreneurship: Commonwealth Bank of Australia operating in Indonesia.
- School and city applications in Czech, Hungary, Bulgaria.....
- Support of micro-credit programmes in India, Pakistan & Bangladesh.
- Widespread use of QR codes to facilitate SMEs acceptance of payments.
- Welfare payments to unbanked recipients in USA, United Kingdom, Italy, Spain etc.
- Electronic payments to prisoners in Finland.
- Payment of pensions in Turkey.

Increasing usage - Czech



ID card for students

One card provides a range of various features



QR codes for SMEs

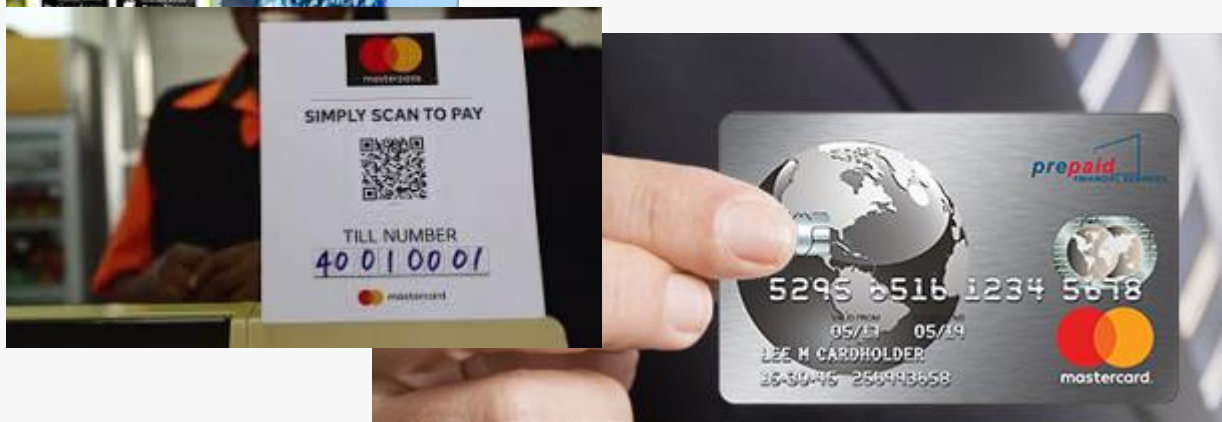
Micro-credit for farmers in Pakistan



UK welfare payments



Finland prison prepaid card



Leverage the value of partnerships.

Developing partnerships:

- Neumann Kaffe Gruppe, digitising coffee growers payment infrastructure.
- Western Union: low cost remittances.
- Unilever: partnerships with Kenya Commercial Bank to support small & medium sized enterprises (SMEs).
- Levi: partnership in Bangladesh to support electronic payment of workers' salaries.
- UNHCR & EU: financial payments to refugees in Greece.
- International Finance Corporation (World Bank)

Mastercard + Unilever

develop new digital platform for micro-entrepreneurs to overcome cash constraints and access microcredit.



Lower cost remittances



Employee payroll



Refugee payments in Greece and Turkey



At a country level, what can be done.....

Work closely with government & policy makers to:

- Diagnose the status of financial inclusion
- Agree on targets
- Identify barriers
- Develop and legislate policies
- Encourage public / private partnerships
- Monitor and measure policy impact
- Ensure high quality supervision and regulation.

What does the future look like for Financial Inclusion?

- 1. New forms of identity are emerging.** New data points are creating digital identities that will help unlock greater use of financial tools.
- 2. Digital will support community solutions.** Community-led money management tools will continue to be used and FSPs will digitize certain aspects that enhance user experience and security.
- 3. Going beyond access to usage.** FSPs will shift away from just financial access to developing new connections and tools that offer more opportunities to use digital money.
- 4. Flexibility is key.** The entry-point for the unbanked will be financial tools that offer flexibility and are easy to use.
- 5. Growth in data.** Data insights, driven by cheaper smartphones and greater usage, create greater information and better understanding of customer needs.
- 6. Adoption requires next-level collaboration.** Partnerships that include Fintech, Regtech and mega platforms will set the path to rapid innovation and create a new financial ecosystem

Thank you