



Financial Inclusion in Asia-Pacific

Growth, Poverty & Inequality

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December 7, 2017



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Why?

**What
we did?**

**What
we
learned?**

**Next
Steps ?**

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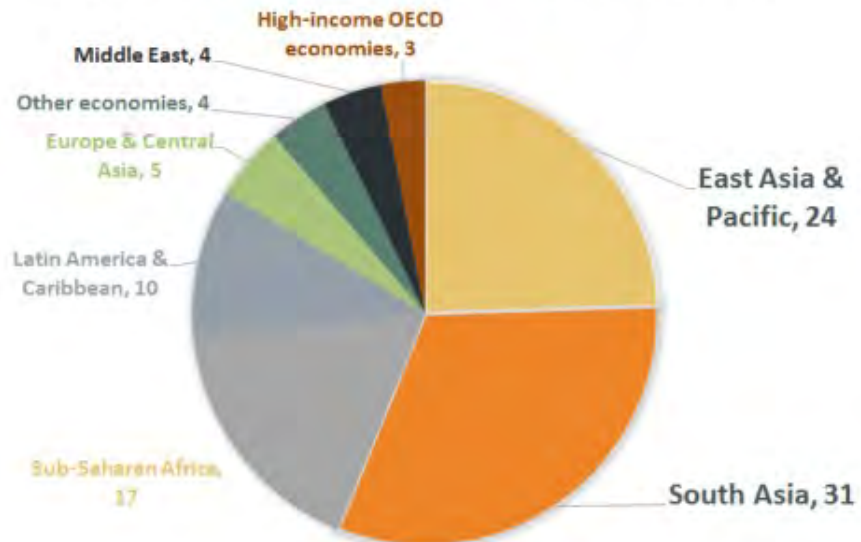
Why Financial Inclusion in Asia?

Unbanked

Opportunity

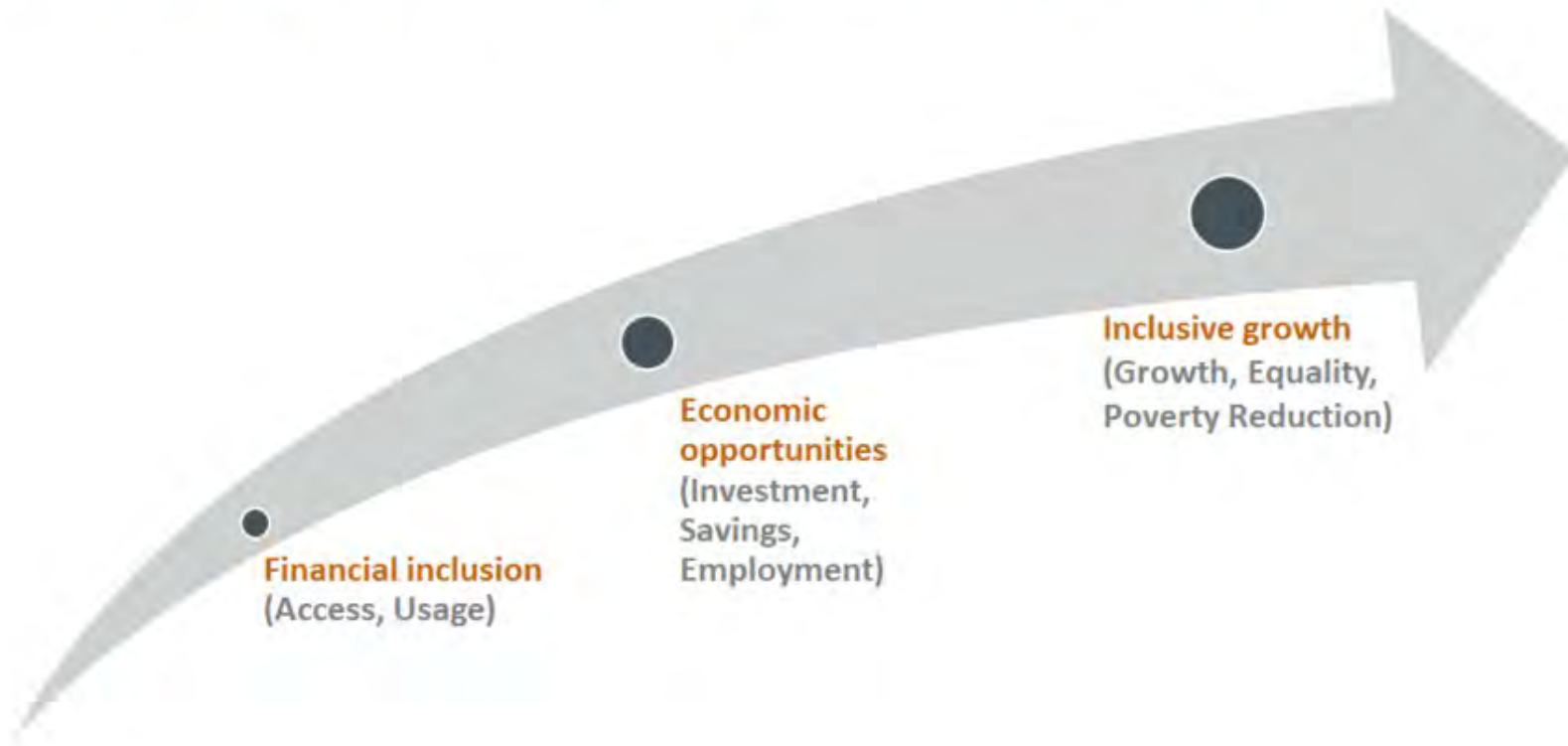
Unbanked

THE WORLD'S UNBANKED ADULTS BY REGION



- Globally, 2 billion adults remain unbanked.
- More than half of unbanked are in Asia and Pacific region.
- China, India, Indonesia together account for 38 percent of world's unbanked.

Financial Inclusion & Inclusive Growth



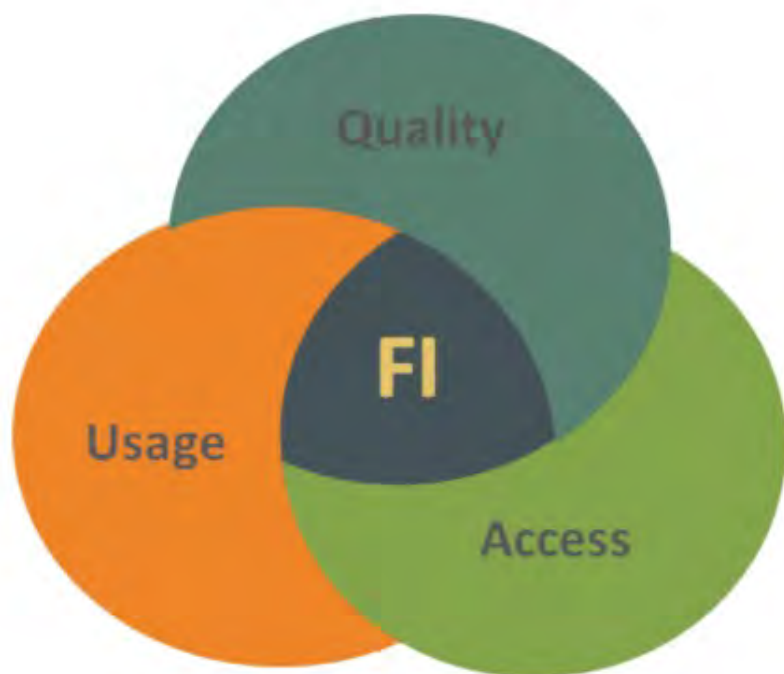


**What
we did?**

Index

Empirics

Index



Selected Financial Access Survey (FAS) indicators

Sub-indices to account for various financial inclusion dimensions

Weighted geometric means of sub-indices

Trade-off between FI indicators included and country coverage

Financial inclusion in Asian countries are very diverse, and has generally been stable or increased relative to other countries.

Financial Inclusion Index

	Index 1	Index 2	Index 3
Dimensions	N/A	N/A	Access, Usage
Indicators	(1) ATMs per 1000 adults (2) Bank branches per 1000 adults (3) ATMs per km ² (4) Bank branches per km ²	(1) ATMs per 1000 adults (2) Bank branches per 1000 adults (3) ATMs per km ³ (4) Bank branches per km ³ (5) Bank deposit accounts per 1000 (6) Bank loan accounts per 1000 adults	(1) ATMs per km ² (2) Bank branches per km ² (3) Bank depositors per 1000 adults (4) Bank borrowers per 1000 adults
Total countries (2015)	163	88	70
Asian countries (2015)	31	19	13
Retained factors	2	3	2

Selected Financial Access Survey (FAS) indicators

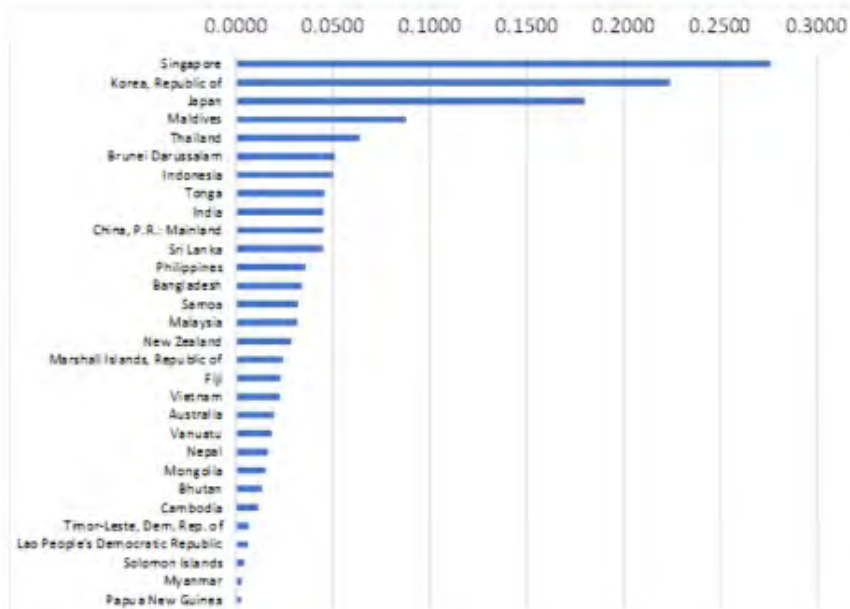
Sub-indices to account for various financial inclusion dimensions

Weighted geometric means of sub-indices

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Financial Inclusion Index



Selected Financial Access Survey (FAS) indicators

Sub-indices to account for various financial inclusion dimensions

Weighted geometric means of sub-indices

Trade-off between financial inclusion and country coverage

Financial inclusion in Asian countries are very diverse, and has generally been stable or increased relative to other countries.

Empirics

Empirical analysis to identify financial inclusion impact on growth, poverty, and inequality.

- Panel regression with GMM estimation.
- Sample includes 160 countries.
- Financial inclusion is represented by the financial inclusion index.
- Control variables include initial per capita income, education, institution, government size, crisis, and others.



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**What
we
learned?**



Growth



Poverty



Inequality

Growth



Growth

- Growth of per Capita Income
- Financial inclusion has a strong, positive relationship with growth.
- The magnitude of the impact depends on country's income level.



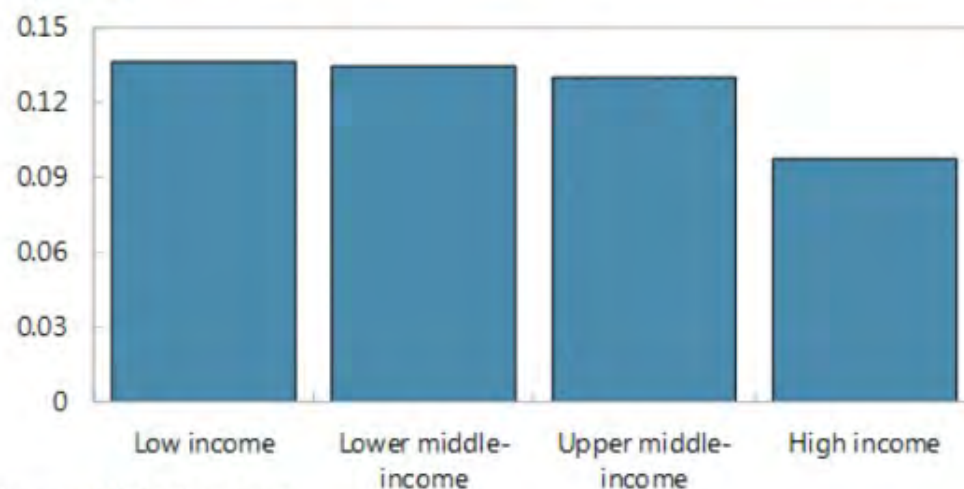
Growth



Growth

Financial inclusion and Growth by Country-Income Level

(Percent)



Source: IMF Staff estimate.

1/ Marginal effect of financial inclusion on growth at different country-income level, following the World Bank's classification. The estimates apply the median incomes in each income group to calculate the estimated marginal effects of each group.

- Marginal effect of financial inclusion on growth gradually declines with higher country-income level.

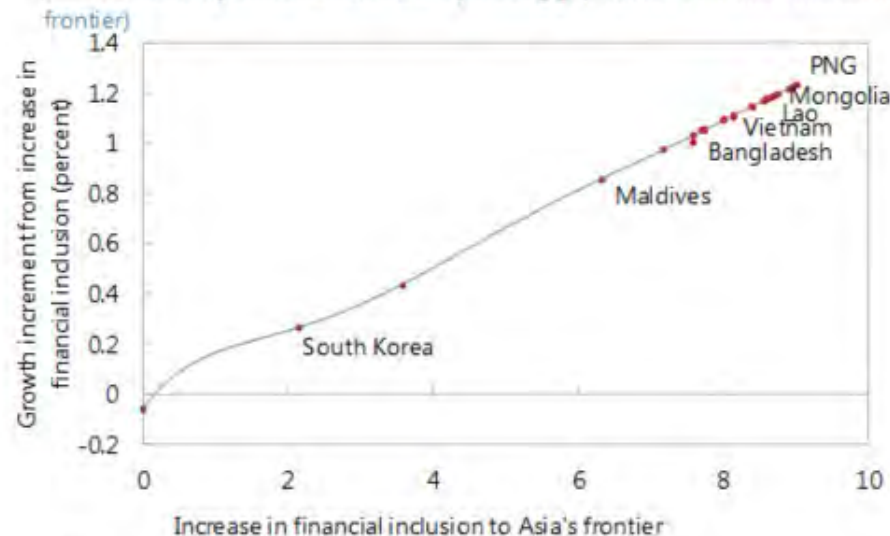
Growth

Financial inclusion could help boost growth with low-income countries in Asia benefited at large.

- Take Singapore as Asia's financial inclusion frontier, equivalent to universal access.
- Identify growth impact if countries in Asia were to reach the level of financial inclusion as Asia's financial inclusion frontier.

Growth Impact of Financial Inclusion

(Based on country's income level, and by closing gap vs Asia's financial inclusion frontier)



Source: IMF Staff estimate.

Poverty



Poverty



Poverty:

- Higher financial inclusion appears to be associated with lower poverty levels.
- Results are robust to various specifications and poverty measures.

Poverty

20 million people out of poverty



Assumptions:

- Take Singapore as Asia's financial inclusion frontier.
- All else equal.

Scenario:

- Identify the financial inclusion impact on poverty reduction, if countries in Asia were to reach the level of financial inclusion as Asia's financial inclusion frontier.

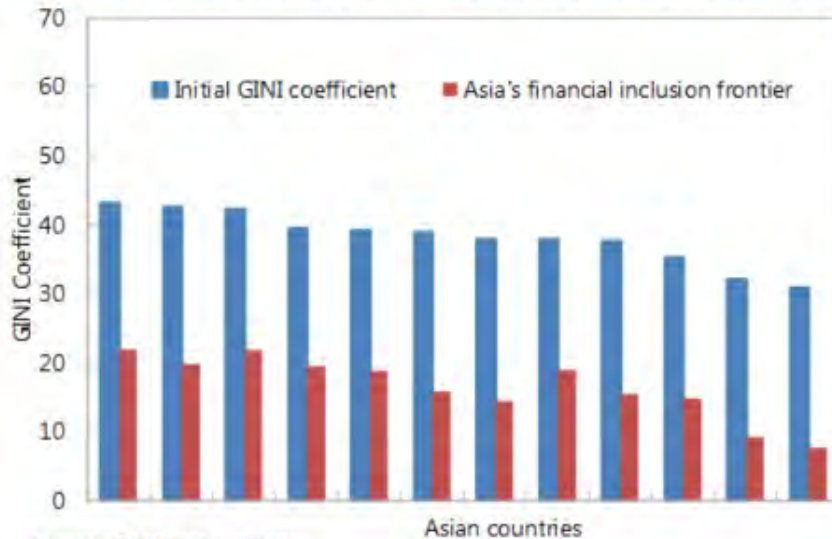
Inequality



Inequality

Financial Inclusion and Inequality

(A decline in GINI coefficient if a country reaches Asia's financial inclusion frontier)



Source: IMF Staff estimate

Financial inclusion could help narrowing inequality.

Assumptions:

- Take Singapore as Asia's financial inclusion frontier.
- All else equal.

Scenario:

- Identify impact on income inequality if countries in Asia were to reach the level of financial inclusion as Asia's financial inclusion frontier.

Next Steps ?

Takeaways

Considerations

Takeaways

Empirically, financial inclusion can help achieve inclusive growth.

Financial inclusion can potentially improve prospects for *Growth, Poverty Reduction, and Income Equality* with potential benefits varying at different country-income levels.

Considerations

Financial
Stability

Broader
Policy

Financial Stability



Broader Policy

