

Financial Inclusion and IADI

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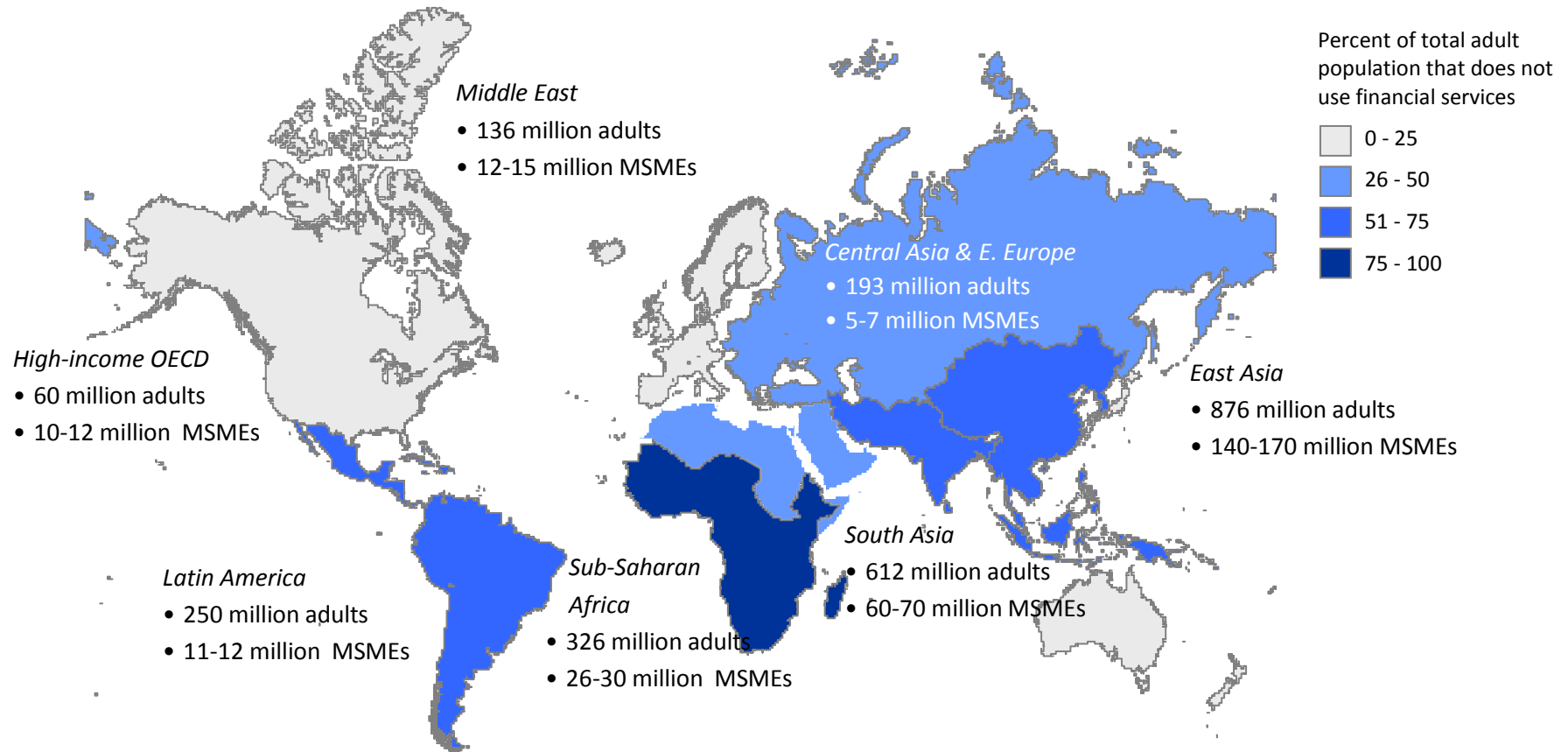


What is financial inclusion?

- Over two billion adults around the world do not have access to formal or semi-formal financial services.

- No single definition of financial inclusion:
 - “The provision of access to financial services for all.”
 - “An absence of price or non-price barriers in the use of financial services.”
 - “A state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.”
 - “Universal access, at a reasonable cost, to a wide range of financial services for everyone needing them, provided by a diversity of sound and sustainable institutions.”
 - “ A state in which all working age adults have effective access to credit, savings, payments, and insurance from formal service providers.”

Estimates of the world's unbanked populations



- Adult population that does not use formal or semiformal financial services
- MSMEs¹ that do not have a financial institution loan and need one

¹ Including all formal enterprises with 0-250 employees and all informal enterprises
 SOURCE: McKinsey & Co. Global Financial Inclusion Practice

How does financial inclusion relate to deposit insurance?

- ❑ Broad access to safe and affordable small savings accounts promotes financial inclusion.
- ❑ Deposit insurance can play a key role in protecting small, unsophisticated savers.
- ❑ Through public awareness initiatives, deposit insurance systems can inform depositors about safe methods of storing their money and help build trust in formal financial institutions.
- ❑ By promoting confidence in formal financial institutions and the banking system, deposit insurance can promote access to the mainstream financial sector.

What is IADI doing with respect to financial inclusion?

- G-20 call upon SSBs to consider how they can further contribute to encouraging financial inclusion, consistent with their respective mandates.

- IADI Financial Inclusion and Innovation Subcommittee:
 - Created to focus on issues related to financial inclusion and deposit insurance;
 - Engages with other SSBs and international entities on issues related to financial inclusion and deposit insurance;
 - Identifies issues relevant to deposit insurance related to the existence of unbanked populations and new technology or delivery innovations;
 - Conducts research on issues relevant to financial inclusion and deposit insurance, including a survey of deposit insurance systems to identify the range of practices related to deposit insurance and financial inclusion.

Financial inclusion issues for deposit insurers

- Striking the right balance between controlling risks and encouraging innovation in the promotion of financial inclusion.

- Issues raised by new technology and delivery innovations:
 - Membership;
 - Level and scope of coverage;
 - Funding;
 - Consumer protection and public awareness;
 - Deposit insurer risk exposure.

IADI survey on deposit insurance, financial inclusion, and financial access innovations

- ❑ Designed to collect data on the range of practices of deposit insurers related to financial inclusion issues.
- ❑ Survey administered from June – August 2011 and sent to all IADI and EFDI members.
- ❑ To date 57 responses from 7 continents.
- ❑ Survey topics:
 - Deposit insurance mandate as it may relate to financial inclusion;
 - Observed trends in microfinance activity;
 - Deposit insurer response to microfinance, including membership, coverage, public awareness, funding, and resolution.
- ❑ Compilation and analysis still underway.

Thank You

