

AFI and the Future of Financial Inclusion
Remarks by Dr. Tarisa Watanagase
Governor of the Bank of Thailand
at AFI Public Announcement facilitated by the G24
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Ladies and gentlemen,

It is an honour to be invited to speak as an AFI Start-up Committee member at this special gathering of policy makers who are dedicated to make a difference to the future of financial inclusion. Financial inclusion is not just an end, but a means for empowering the majority of our people, and through this process, we can hope to unleash their potential that will strengthen our sustainable development goal. I am very excited to be a part of this newest, global, financial inclusion network and would like to thank the organisers for putting together its public launch today.

For us policy makers, financial inclusion is not a new mandate and we continue to focus our efforts in this area because we believe that “access to” as well as “smart uses” of financial services would ultimately lead to improvements in the wellbeing of the poor. What is new and inspiring, however, is the consortium of innovative, market-driven means and policy solutions that could be used to promote financial inclusion. Many of these solutions are, of course, organic as they are developing countries’ very own and I think that this is essentially why we are here today. To celebrate, to share, and to learn together.

In many countries including Thailand, promoting financial inclusion for the poor has largely been the role of the state. This is partly because in the past, the operating cost and perceived risk of providing financial services to the poor was high, making the business seem unattractive and even unsustainable for commercial players. But with today’s technology, solutions such as agent banking and mobile banking, to name just a few, are becoming the new opportunities for commercial players to extend their scope of business in this area. Moreover, commercial players’ perception of microfinance risk itself is beginning to improve as they gain more understanding about its nature, based on stronger risk-management understanding and capability. Indeed, where market failure used to be the argument for the public sector playing a key role in financial inclusion, potential improvement in the market mechanism is now making financial inclusion such as through microfinance model, a growing “market potential” rather than “market failure”. Just how much is the room for growth? The World Bank estimated that approximately 3.2 billion people world-wide currently do not have access to bank accounts. For Thailand, the rate of financial access is relatively high, with the number of bank accounts per an adult-person at 1.3. Furthermore, our national household survey shows that less than 10 percent of households do not use financial services from any financial institutions, both formal and informal sectors. Despite the satisfactory numbers, there are still pressing challenges.

The first challenge is that there is a need to ensure the sustainability of financial inclusion. In particular, we need to explore which business models would be commercially viable in Thailand in the long-run and how best public banks can serve the non-commercially viable group. Let me share with you what I believe to be, among others, three key ingredients of sustainable financial inclusion. Firstly, **commercially-**

driven, innovative business models that would best suit our economy should be explored and promoted. In support of this, regulators must coordinate with the market in creating an enabling regulatory environment that is conducive to sustaining commercial presence. Secondly, **strong, committed and capable service providers** should be encouraged to participate in the market. Finally, sustainability can not be achieved without **supportive infrastructure**. Getting the right combination of these factors is hard work for any one country alone. However, it can be done much easier through cooperation and experience sharing among policy makers in developing countries.

The second challenge is that we need to go beyond the number of bank accounts to establish the linkage between financial inclusion policies and improvements in the wellbeing of the poor. It is widely accepted that financial inclusion is only a vehicle and that we need to do more to get to the ultimate goal of welfare improvement. For Thailand, despite a satisfactory rate of financial access, around one-third of Thai households still save less than 5 percent of their income. This implies that policies need to be more holistic in order for financial inclusion to translate into better standards of living of the poor. In other words, promoting financial inclusion should include not only financial services but also such other building blocks as financial education, effective consumer protection mechanism, personal financial management advice, career development counseling, and even community welfare advice. I believe that this challenge is also true for our friends in other developing countries and I hope that we can work together to get the right answers.

The key to address these challenges is “cooperation”. AFI can help make this happen through its mandate to enhance south-south learning, exchange and implementation of the most promising policy solutions to promote financial inclusion. Through AFI global network, policy makers can work together in engineering solutions, creating a microfinance enabling environment, designing regulation and infrastructure, as well as monitoring progress and assessing policy achievement. Through such knowledge sharing and exchange, I hope that our community will not only be able to develop meaningful researches but also workable policy solutions that can be tailor-made to fit any one country’s specific requirements, while remain in keeping with a common sound principle . And through this new opportunity, I am confident that at the end of the day, we can all become financial inclusion policy champions, helping to empower and unleash economic potential of the majority of the, thus far, disenfranchised population.

For this, Thailand gives her full support to AFI and is looking forward to welcoming AFI to its new home in Bangkok. Today marks a great opportunity for us to join hands in working closely together to address global poverty once and for all. As an AFI Start-up Committee member, I thank you for your interest and continued support in financial inclusion and I very much hope that you would join our new family.

Thank you for your attention.