The Economist Intelligence Unit

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GLOBAL MICROSCOPE 2015
THE ENABLING ENVIRONMENT FOR FINANCIAL INCLUSION

Supported by

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About this report

The Global Microscope 2015: The enabling environment for financial inclusion, formerly known as the *Global Microscope on the Microfinance Business Environment*, assesses the regulatory environment for financial inclusion across 12 indicators and 55 countries. The Microscope was originally developed for countries in the Latin America and Caribbean region in 2007 and was expanded into a global study in 2009. Most of the research for this report, which included interviews and desk analysis, was conducted between June and September 2015.

This work was supported by funding from the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group; CAF—Development Bank of Latin America; the Center for Financial Inclusion at Accion, and the MetLIfe Foundation.

The complete index, as well as detailed country analysis, can be viewed on these websites:
www.eiu.com/microscope2015; www.fomin.org; www.caf.com/en/msme; www.centerforfinancialinclusion.org/microscope; www.metlife.org

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The Economist Intelligence Unit (EIU) is the research arm of The Economist Group, publisher of *The Economist*. As the world's leading provider of country intelligence, it helps governments, institutions and businesses by providing timely, reliable and impartial analysis of economic and development strategies. Through its public policy practice, the EIU provides evidence-based research for policymakers and stakeholders seeking measureable outcomes, in fields ranging from gender and finance to energy and technology. It conducts research through interviews, regulatory analysis, quantitative modelling and forecasting, and displays the results via interactive data visualisation tools. Through a global network of more than 350 analysts and contributors, the EIU continuously assesses and forecasts political, economic and business conditions in more than 200 countries. For more information, visit www.eiu.com.

About the Multilateral Investment Fund

The Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, is funded by 39 countries and supports private sector-led development benefiting low-income populations and the poor—their businesses, their farms, and their households. The aim is to give them tools to boost their incomes: access to markets and the skills to compete in those markets, access to finance, and access to basic services, including green technology. A core MIF mission is to act as a development laboratory—experimenting, pioneering, and taking risks to build and support successful micro, small, and medium business models. Learn more at www.fomin.org

About CAF

CAF—Development Bank of Latin America—has the mission of stimulating sustainable development and regional integration by financing projects in the public and private sectors, and providing technical co-operation and other specialised services. Founded in 1970 and currently with 18 member countries from Latin America, the Caribbean, and Europe, along with 14 private banks, CAF is one of the main sources of multilateral financing and an important generator of knowledge for the region. For more information, visit www.caf.com.

About the Center for Financial Inclusion at Accion

The Center for Financial Inclusion at Accion (CFI) helps bring about the conditions to achieve full financial inclusion around the world. Constructing a financial inclusion sector that offers everyone access to quality services will require the combined efforts of many actors. CFI contributes to full inclusion by collaborating with sector participants to tackle challenges beyond the scope of any one actor, using a toolkit that moves from thought leadership to action. For more information, visit www.centerforfinancialinclusion.org.

About MetLife Foundation

MetLife Foundation was created in 1976 to continue MetLife's long tradition of corporate contributions and community involvement. Since its founding through to the end of 2014, MetLife Foundation has provided more than US$670m in grants and US$70m in programme-related investments to organisations addressing issues that have a positive impact in their communities. Today, the Foundation is dedicated to advancing financial inclusion, committing US$200m to help build a secure future for individuals and communities around the world. To learn more about MetLife Foundation, visit www.metlife.org.

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Introduction

Financial inclusion has come a long way. A little less than a decade ago, discussion in this area centred almost entirely around microcredit—small loans allowing entrepreneurs at the bottom of the pyramid to expand their activities. While still a crucial service for these individuals, research by many institutions globally has shown that this was only one element of broadening access to financial services for the world's poor. Today, the ability of financial inclusion to empower low-income populations worldwide has pushed it near the top of the sustainable-development agenda. Financial inclusion, in its broadest sense, requires much wider access to a range of financial products for traditionally underserved or excluded populations. Accordingly, in the past few years, the substantial importance to economic development—and the potential to improve the lives of individuals—of tools such as savings instruments, payment systems (notably electronic cash), and micro-insurance has become increasingly well understood.

The latest demonstration of the growing consensus of the importance of financial inclusion is found in "Transforming our world: the 2030 Agenda for Sustainable Development"—the unanimously adopted UN General Assembly plan that succeeds the Millennium Development Goals.[1] Not only does its preamble specifically mention financial inclusion, but five of the 17 overarching Global Sustainable Development Goals that the agenda champions (specifically, Ending Poverty; Ending Hunger; Gender Equality; Sustainable, Inclusive Economic Growth, and Sustainable, Inclusive Industrialisation) note the need for improved or universal access to financial services. In short, financial inclusion is now recognised as one of several essential building blocks supporting key elements of the sustainable-development agenda. As such, it is part of the foundation for the world's wider hopes for progress.

As recognition of the role of accessible and diverse financial services has grown in recent years, The Economist Intelligence Unit's *Microscope* series has become an important tool for those seeking to understand the field. Financial Inclusion is such an important topic that organizations like the IDB/MIF, Accion, CAF and the Metlife Foundation support the *Microscope*. As with the sector itself, the publication has evolved and broadened from an initial focus on credit and savings. *Microscope 2015* is the second edition to offer this expanded scope, which assesses the overall environment for financial inclusion in more than 50 countries. To do so, it examines policies and regulations for a range of financial products and services; a wider set of institutions providing these services; the full array of delivery methods; and the institutional support that ensures the safe provision of services to low-income populations. These criteria are scored

1 https://sustainabledevelopment.un.org/post2015/transformingourworld

using a dozen indicators, based on more than 40 individual data points, which look at the existence and implementation of formal policy and regulation around different aspects of financial inclusion. The overall score is then adjusted for the effects of political, economic, and policy stability. Together, these give a nuanced picture of the practical realities of financial inclusion in the markets covered. A full explanation of the report's methodology is available in the appendix.

As with earlier editions, *Microscope 2015* is directed towards practitioners, policymakers, investors, and other stakeholders in the area of financial inclusion—to help them evaluate a country's progress in these areas and to establish where further efforts should be made in order to yield additional benefits.

It does this in two ways. First, using a detailed and transparent scoring system, its results provide a useful comparison between countries on financial inclusion overall, as well as on specific elements of it. Second, *Microscope 2015* allows readers to track changes in the performance of countries since 2014 in a world in which the pace of change is quite rapid. (Comparisons to previous years are less valuable due to a major revision of methodology.)

This latest edition of the Index includes a small number of data revisions, although not enough to disrupt comparisons between the two years. The most important of these revisions were additional indicators, or adjusted scoring methods, that yield a better picture of insurance targeting low-income consumers, regulation of electronic payments, and consumer protection. Again, full details of these changes are available in the appendix.

While the indicator scores and the data behind them tell an important story, it is, inevitably, incomplete. Therefore, as in past editions, *Microscope 2015* includes country summaries describing the specific efforts to enhance financial inclusion, as well as the factors that might assist or impede these efforts. The study also includes an Excel-based model of the Index, which allows users to evaluate and compare results by indicators, sub-indicators, countries, or regions. All items are available on www.eiu.com/microscope2015.

The study also begins with an overarching analysis of the key trends identified by the Index data, both overall and by region.

Without pre-empting the presentation of these findings, one point is worth noting here. Despite a growing appreciation of the importance, and potential value, of financial inclusion, most countries can still improve their enabling environment. Only a handful score more than 75 out of 100 in our rankings, and a majority finish at or below 50. The intellectual argument for financial inclusion may have become conventional wisdom; putting it into practice will require ever more innovative and effective policies and tools—a process that future editions of *Microscope* will follow with interest. ■

Microscope indicators

The 12 indicators and supporting sub-indicators for this index are as follows:

1. Government support for financial inclusion

Sub-indicator 1: Existence and implementation of a strategy
Sub-indicator 2: Data collection

2. Regulatory and supervisory capacity for financial inclusion

Sub-indicator 1: Technical capacity to supervise

3. Prudential regulation

Sub-indicator 1: Appropriate entry and licensing requirements
Sub-indicator 2: Ease of operation

4. Regulation and supervision of credit portfolios

Sub-indicator 1: Interest rates
Sub-indicator 2: Risk management of credit portfolios
Sub-indicator 3: Risk management framework for microcredit portfolios

5. Regulation and supervision of deposit-taking activities

Sub-indicator 1: Ease of offering savings products by regulated institutions
Sub-indicator 2: Existence of in-depth deposit-insurance coverage

6. Regulation of insurance targeting low-income populations

Sub-indicator 1: Existence of regulation of insurance for low-income populations
Sub-indicator 2: Delivery channels for insurance targeting low-income populations
Sub-indicator 3: Consumer protection for insurance targeting low-income populations

7. Regulation and supervision of branches and agents

Sub-indicator 1: Ease of setting up a branch
Sub-indicator 2: Ease of agent operation

8. Requirements for non-regulated lenders

Sub-indicator 1: Information reporting and operational guidelines

9. Electronic payments

Sub-indicator 1: Available infrastructure for financial inclusion
Sub-indicator 2: Digital financial services

10. Credit-reporting systems

Sub-indicator 1: Comprehensiveness of information
Sub-indicator 2: Privacy protection for both borrowers and lenders

11. Market-conduct rules

Sub-indicator 1: Existence of a framework and institutional capacity to protect the financial consumer
Sub-indicator 2: Existence and content of disclosure rules
Sub-indicator 3: Existence of fair treatment rules

12. Grievance redress and operation of dispute-resolution mechanisms

Sub-indicator 1: Internal complaint mechanisms
Sub-indicator 2: Existence and effectiveness of a third-party-redress entity

ADJUSTMENT FACTOR: Stability

Sub-indicator 1: General political stability
Sub-indicator 2: Shocks and policies impacting financial inclusion

Scoring methodology: Each of the indicators contains between one and three sub-indicators and, in turn, each sub-indicator is composed of between one and four questions that were scored from 0-4, 0-3 or 0-2 where the highest number is the best and 0=worst. Once indicator scores had been assigned, these were normalised and weighted according to a consensus among clients and experts, then aggregated to produce an overall scoring range of 0–100, where 100=best and 0=worst. Each of the 12 indicators was given equal weight, while sub-indicator weights varied according to importance and the number of sub-indicators included.

Finally, the adjustment factor, Stability, adjusts each country's score for political stability and policies that impact financial inclusion.

For a detailed description of the scoring methodology, please refer to the Appendix. ■

Key findings

Figure 1: Microscope 2015 overall scores and rankings

Normalised score 0–100, where 100=best

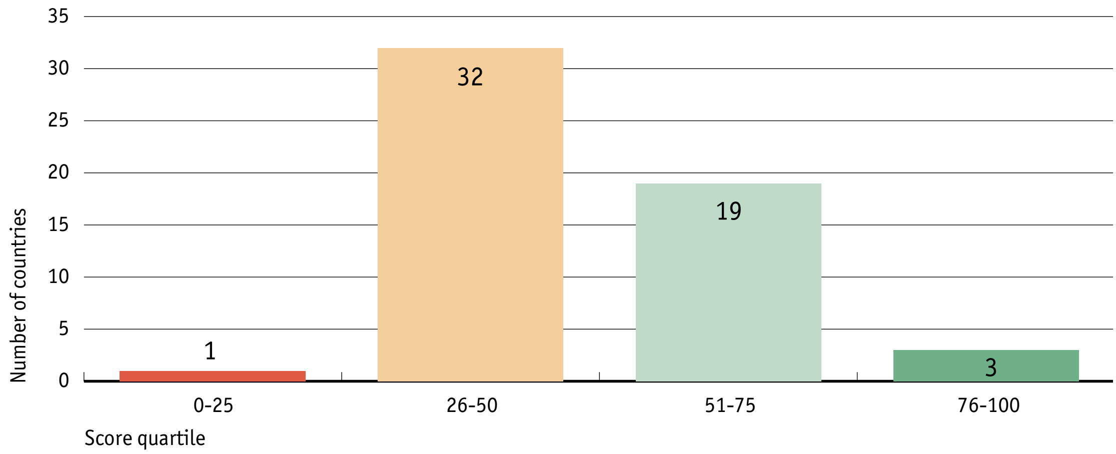
Score 76–100 | Score 51–75 | Score 26–50 | Score 0–25

"=" denotes tied rank between two or more countries "←→" No change in rank "Δ" denotes a change

Rank / 55			Score / 100	Δ
		Average	48	+2
1	←→	Peru	90	+3
2	←→	Colombia	86	+1
3	←→	Philippines	81	+2
4	▲ 1	India	71	+10
5	▲ 2	Pakistan	64	+6
=6	▼ 2	Chile	62	-4
=6	▲ 3	Tanzania	62	+6
=8	▼ 1	Bolivia	60	+2
=8	▼ 3	Mexico	60	-1
10	▲ 8	Ghana	58	+7
=11	←→	Indonesia	56	+1
=11	←→	Kenya	56	+1
=11	▲ 3	Uruguay	56	+3
=14	▼ 5	Cambodia	55	-1
=14	▲ 3	Morocco	55	+3
16	▼ 5	Rwanda	54	-1
=17	▼ 3	Brazil	53	0
=17	▲ 1	Nicaragua	53	+2
19	▼ 5	Paraguay	52	-1
=20	▲ 3	Bosnia and Herzegovina	51	+3
=20	▲ 3	Dominican Republic	51	+3
=20	▲ 3	Ecuador	51	+3
=23	▲ 8	Mozambique	50	+6
=23	▲ 5	Turkey	50	+4
=23	▼ 3	Uganda	50	0
=26	▼ 3	El Salvador	49	+1
=26	▼ 3	Thailand	49	+1

Rank / 55			Score / 100	Δ
=28	▲ 1	Mongolia	48	+3
=28	▼ 8	Nigeria	48	-2
30	▲ 3	Kyrgyz Republic	47	+4
=31	←→	Panama	46	+2
=31	n/a	South Africa	46	n/a
=33	←→	Jamaica	45	+2
=33	n/a	Russia	45	n/a
35	▼ 2	Senegal	44	+1
=36	▲ 6	China	42	+6
=36	▲ 5	Costa Rica	42	+5
=36	▲ 8	Honduras	42	+7
=36	▲ 12	Trinidad and Tobago	42	+9
=40	▲ 2	Argentina	39	+3
=40	▼ 11	Bangladesh	39	-6
=40	▼ 4	Guatemala	39	0
=40	▲ 7	Nepal	39	+5
44	▼ 6	Tajikistan	38	0
45	▼ 1	Cameroon	35	0
46	▼ 10	Vietnam	34	-5
47	▼ 3	Sri Lanka	33	-2
=48	n/a	Ethiopia	32	n/a
=48	n/a	Jordan	32	n/a
50	▼ 1	Venezuela	31	+3
=51	▲ 2	Egypt	29	+8
=51	▼ 1	Lebanon	29	+2
53	▼ 1	Madagascar	27	+4
54	▼ 3	Dem. Rep. of Congo	26	+1
55	←→	Haiti	24	+8

Figure 2: Distribution of countries by score quartile, 2015



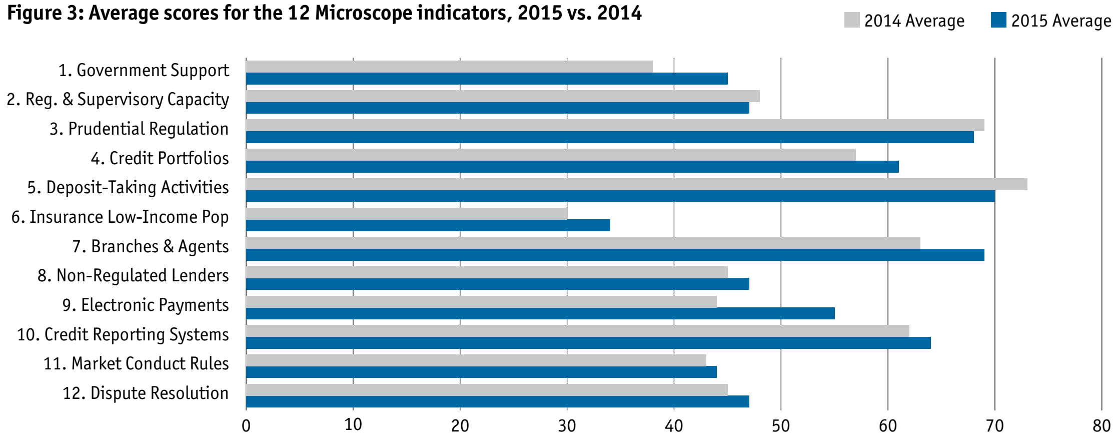
Moving in the right direction, though slowly

The 2015 *Microscope* Index shows a number of improvements in the last year (see Figure 1), including an increase in the average score of the top ten in the study, from 67 in 2014 to 69 in 2015. One of the most positive developments is at the bottom of the rankings. In 2014, five countries received overall scores of 25 or less (see Figure 2). Four of these countries are covered again in this year's Index. Of these, three (Democratic Republic of Congo, Egypt and Madagascar) have moved above 25 points. The other, Haiti, nearly made it, with one of the biggest gains in the last year: it rose from 16 to 24 points. These improvements indicate that some basic elements of policy essential to promoting financial inclusion are now widespread, and that efforts to raise awareness and measure progress are more relevant with time.

Although less striking, progress is also visible in most other *Microscope* countries. Of the 51 that are covered in the 2014 and 2015 indices (country composition has changed in the last year), 37 saw an improvement in their overall scores from last year, while only nine experienced a decline. Bangladesh, which slipped the most this year (six points), dropped mostly in the score for *Government Support for Financial Inclusion*, scoring poorly in the *Government's Collection of Customer Data from Financial Institutions* sub-indicator, which was redefined in 2015. The declines also require a caveat. In some cases, they reflect a deterioration in policy; a tightening of interest-rate caps, for example, contributes to Vietnam's decline of five points. In other cases, lower scores reflect reassessment in the light of our ongoing efforts to obtain more detailed information on how financial inclusion measures are working in practice. This affected Vietnam, for example, as a result of new information on regulation of agents.

In other words, one of the key takeaways from the 2015 *Microscope* is that there is very little policy slippage around financial inclusion; new policies are being adopted and existing ones further implemented. The real concern in this year's report is how limited progress has been. Although most countries saw higher scores than in 2014, on average the increase was only two points out of 100. Moreover, the overall average is just 48 out of 100. Put another way, only 22 out of 55 Microscope countries are more than halfway towards a robust and functioning policy environment that fully promotes all aspects of financial inclusion, and just three are more than three-quarters of the way along that journey. These figures have changed little since last year. Although, as discussed below, some countries are

Figure 3: Average scores for the 12 Microscope indicators, 2015 vs. 2014



seeing important progress, worldwide financial inclusion is experiencing what could best be described as a slight positive drift (see Figure 3).

Looking at the big picture

Given the diverse and complex elements that contribute to financial inclusion, it might be tempting for governments with limited resources to focus narrowly on specific areas. The Index results suggest that this is the wrong approach. The countries seeing the fastest increases in their scores, and those which are at the top of the Index, are more likely to be pursuing a comprehensive strategy, or at least programmes and laws that tackle simultaneously multiple, often interlinked, barriers to inclusion. High scores for market-conduct rules were mostly correlated with a high overall score and, although the correlation was not high, it was statistically significant.

The results of such an approach can be seen rapidly. India saw the biggest increase of any country in its score this year (10 points), which largely reflected a substantial drive to make banking more accessible to the entire population. This included the issuing in July 2014 of guidelines for creating specialised Payment Banks and Small Finance Banks specifically aimed at the poor, and the in-principle approval of 11 of the former (as of August 2015) and 10 of the latter (as of September 2015). A month later, the Indian government, in conjunction with the banking industry, launched a programme to provide a basic bank account for every household, which included access to financial education, credit and insurance. By January 2015, nearly 100% of households had such a facility, although active use of the new accounts has been limited so far, with most accounts remaining dormant. Penetration of financial services in rural areas also remains low.

Two more of the top gainers over the past year—Haiti and Egypt (both up eight points)—took measures that covered an even wider range of financial inclusion issues. Haiti's new financial inclusion strategy, drawn up with the help of the World Bank and not yet fully implemented, has brought improvements across various areas of the Index. The most obvious was the *Government Support for Financial Inclusion* indicator. Elsewhere, the knowledge obtained from the policy-creation process drove gains in *Regulatory and Supervision Capacity* and the creation of a Credit Bureau in October 2014 also led to improvements in the *Credit Reporting Systems* indicator. Egypt, meanwhile, improved its score in seven out of 12 Index indicators, largely because of Law 141 of 2014 and its implementation. Although this does not represent a formal financial inclusion strategy, it is the country's first legislation that addresses microfinance.

In addition to gains over the short term, Index results also indicate that comprehensive, national financial inclusion strategies drive long-term results. Of the six countries that get top scores for implementing such a strategy (Colombia, India, Pakistan, Philippines, Rwanda, Tanzania), five finish in the top seven places overall in the Index (Rwanda being the exception). In other words, strength in this sub-indicator drives results across the board. Peru seems to be an anomaly, ranking first overall but scoring only 2 out of 3 for this indicator. It may, however, be the exception that proves the rule. In July 2015, rather than continuing to rely on multiple, diverse initiatives, the country published its first National Strategy of Financial Inclusion. Full implementation of Peru's strategy would likely tip it into the top scoring range for this Index metric.

Lessons from the top of the standings

Three countries form a top group that scores far higher in the Index than all the others: Peru (90 points), Colombia (86 points) and the Philippines (81 points). Several commonalities among them are noteworthy, in that they suggest key approaches to improving financial inclusion.

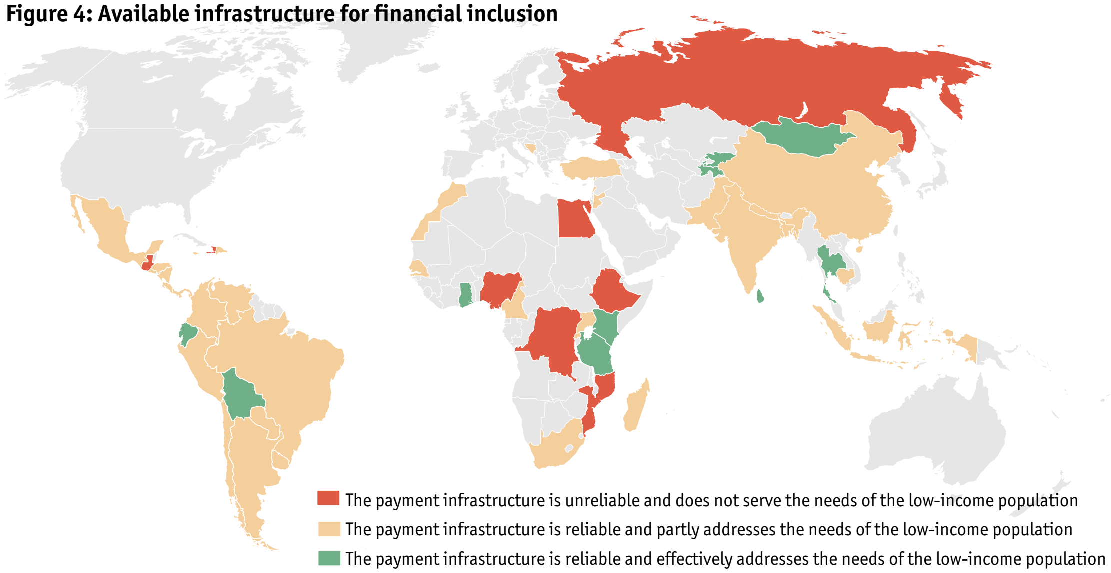
i. **Commitment matters**: In all three countries, financial inclusion has been on the government's agenda for some time. The central banks of the Philippines and Peru, for example, were among the 17 original participants in the Maya Declaration in 2011 and, although Colombia took another year to join, its financial inclusion efforts date back to 2006.

ii. **Consistency matters**: The most striking similarity in the scores of these three countries is the breadth of their activities. These countries perform well in the areas mentioned at the beginning: policies and regulations for a range of financial products and services offered; the diversity of institutions providing them; regulation of delivery methods; and the institutional support that ensures the safe provision of services to low-income populations. Peru gets top scores in seven of 12 indicators and scores 75 or above in all of them. Colombia earns 100 points for five indicators and also scores 75 or above everywhere, save *Regulatory and Supervisory Capacity for Financial Inclusion*, where it is let down by ongoing political interference with regulators. Similarly, the Philippines attains perfect scores in five indicators and falls below 75 only once, because of weaknesses in *Requirements for Non-Regulated Lenders*.

iii. **Previous success does not exempt countries from the new challenge of adopting electronic-payment systems**: The one indicator where all three of the leading countries are relatively weak is the *Regulation of Electronic Payments*. Here, each country scores only 75, although this is much higher than the Index average of 55 for this indicator. The issue is not the details of the regulation—it is adequate in all three cases—but the ability of the low-income population to use the electronic-payment infrastructure. In particular, electronic-payment systems tend to be expensive and fragmented, with only one of these countries, Peru, beginning to take advantage of mobile phones as payment-management tools.

The three leaders are not alone in this. Given the wide distribution of mobile phones, the degree of media attention that the use of mobile payments in East Africa has received, and the clear potential of such systems for enhancing financial inclusion, it is surprising how few countries have been able to create reliable electronic-payment systems that address the needs of low-income individuals (see Figure 4). This is relatively low-hanging fruit, however, which should draw the attention of those active in the field.

Figure 4: Available infrastructure for financial inclusion



Financial inclusion strategies and initiatives on the rise

The 2015 Index has seen substantial progress in the launch of comprehensive financial inclusion strategies, as well as the implementation of existing ones. While Honduras is in the process of adopting a national financial inclusion strategy, Haiti, Indonesia, Peru and Paraguay have already launched such strategies.

In terms of ongoing commitments, in 2015, Bolivia, Colombia, Ecuador, Pakistan and Uruguay have all begun to implement previously adopted legislation and strategies, with the express purpose of increasing access to financial services. Bolivia has made financial inclusion a priority since its current constitution was inaugurated in 2009, and continues to move towards greater inclusion. Colombia's strategy is in the process of being fully implemented. Ecuador is implementing its strategy by initiating payments systems, electronic money, and credit facilities. In Pakistan, the government has a very well documented and articulated strategy, as well as a road map for priority actions and target indicators. The government has already taken steps towards further financial inclusion, having simplified the "Asaan Account", with no minimum balance and a required deposit of only PRs100 (around 95 US cents), although its degree of adoption will be a true test of success. Implementation will also be the litmus test for the Credit Act, which has just been passed by the National Assembly. Although implementation of both of these initiatives is still in the early stages, the government has shown commitment and targets are expected to be implemented by 2020. The State Bank of Pakistan (SBP, the central bank) is addressing interoperability and money-transfer systems that will facilitate implementation of the requirement that all salaries be paid electronically. In Uruguay, the government passed Law 19210, the Law on Financial Inclusion, in April 2014. The law details a number of specific steps. The first, which was reducing VAT on all transactions using electronic payments, has been taken.

Rounding out these positive developments, Argentina, Egypt and Nicaragua have shown great promise by adopting legislation that targets aspects of financial inclusion, despite lacking comprehensive national strategies. In April 2015, Impulso Argentino (a public-private partnership, or PPP, which promotes inclusive microfinance for small businesses and entrepreneurs), signed an agreement in which the government will provide Ps40m (around US$4.2m) to advance microfinance activities. In June 2015 the Banco Central de la

República Argentina (BCRA, the Central Bank) and the Ministry of Education signed an institutional co-operation agreement to promote financial literacy nationally. Egypt has no specific strategy for financial inclusion. However, in July 2013, the Central Bank of Egypt joined the Alliance for Financial Inclusion (AFI) as a principal member of the AFI network. In November 2014, a presidential decree issued Law no.141, which is the first law to regulate microfinance services. According to the Egyptian Financial Supervisory Authority (EFSA), a special unit will be established to supervise microfinance activities of civil associations and non-governmental organizations (NGOs). Furthermore, the EFSA Board of Directors has been tasked with identifying priority areas within the microfinance segment, including licensing requirements, capital adequacy and rules of supervision and control. For Nicaragua, although there is no documented strategy, the country has passed and is implementing a microfinance law, and is honing the regulatory framework for the segment.

Insurance for low-income populations needs far greater attention

For those affected by financial exclusion, low asset levels not only make daily life more difficult, they also make it much harder to deal with economic shocks. Some form of insurance designed for the poor is, therefore, an essential part of full financial inclusion. The 2015 Index accordingly increased the number of sub-indicators covering this field in order to attain a more nuanced understanding of the state of play (see the Methodology in the appendix for full details).

Despite the importance of insurance for low-income populations, the Index shows that it is a very common weakness in national financial inclusion efforts. The average score for *Regulation of Insurance for Low-Income Populations* was just 34 out of 100, by far the lowest for any indicator. Just as striking, 29 of the 55 countries scored only 25 points or less —a markedly greater proportion than for any other indicator—and this was also the sole indicator for which no country scored 100.

The most common issue seems to be lack of focus. Too often, insurance for low-income populations is regulated as part of the mainstream insurance market, but its particular requirements, such as low levels of coverage, as well as a lack of simple policy conditions that can be explained by non-specialist agents and understood easily by purchasers, require more specific frameworks and oversight. Just six countries have implemented such targeted regulations in a comprehensive way. None of those six receive the top score for protecting consumers who buy policies, and 46 countries out of 55 score 50 points or below (out of 100).

Although the numbers are too small to allow definite conclusions to be drawn, the Index data suggest that the widespread failure to regulate adequately this type of insurance is holding back the market. For those countries scoring poorly, there is little statistical correlation between scores for this indicator and the number of people buying insurance. However, once a threshold is reached (around 60 out of 100) higher scores correlate in a statistically significant way with the percentage of people buying coverage. In other words, potential buyers may be put off until the market is deemed safe enough, after which effective regulation and protection makes offering insurance to low-income populations a viable business option.

In too many countries, consumer protection remains a challenge

India's 2010 microfinance crisis, which centred on the province of Andhra Pradesh, was a formative event in the history of financial inclusion, and it showed the central importance of effective consumer protection to the long-term success of the financial inclusion agenda.

Five years on, Index data point to some worrying gaps in such protection. To begin with, measures as a whole are often weak. As of 2015, only eight of the 55 countries, including just one outside of Latin America, provide a comprehensive framework and capacity to protect the financial consumer. There were some, but not many, improvements in this category from 2014 to 2015, with El Salvador, Colombia and the Dominican Republic improving their scores. Most countries stayed the same, with only Tajikistan seeing its score dropping. More worrying still, just eight countries have clear regulations aimed at preventing aggressive sales and unreasonable collection practices, while 20 countries score zero on this sub-indicator, indicating a complete absence of such protection. Four countries showed improvement in this area in 2015, and two saw a drop in their scores.

Concerns also exist around specific areas of activity relevant to financial inclusion. As noted above, no country gets top scores for legal protection for buyers of insurance targeting low-income populations. Similarly, only 14 countries have deposit-insurance schemes that cover, with the same conditions, all institutions allowed to receive funds from savers. Many states have such insurance for banks or other traditional financial institutions, but lower or no coverage at all for accounts at co-operatives or other deposit-taking institutions. Indeed, we downgraded the score of 12 countries for this indicator in this year's Index because a close examination of the regulations revealed such a disparity.

Finally, a danger that threatens both individual borrowers and the segment more widely is lack of attention to over-indebtedness. We changed the relevant indicators in the Index and found that 17 countries were doing this very well, and almost half improved year on year. In terms of regulations for risk management of consumer-credit portfolios, only four countries improved and two dropped in score. Scores for the regulation of risk management of microcredit portfolios improved more broadly in 21 countries.

Financial inclusion requires capable customers

The qualitative country analyses included in this report are not only a means of providing important local details; they also help address a limitation inherent in any index such as this one. Indices can include only indicators for which data are available, which means that some factors of potentially great importance to understanding an issue may have to be left out.

For financial inclusion, one such issue is low financial literacy among the poor in many, if not most, developing countries. Measurement of the levels of such literacy is a major gap, although data from a new initiative, Standard & Poor's Ratings Services Global FinLit Survey,[1] was being released as this report went to press. Even for developed countries, the OECD is only now undertaking a project to define the term and measure financial literacy.

The lack of hard data does not make the issue any less pressing. Although not asked to comment specifically on the question, the authors of roughly half the country assessments in this publication specifically mention poor financial literacy or the need for financial education as a leading inclusion challenge. This is no anomaly. In a global survey for the World Bank's 2014 *Global Financial Development Report*, 78% of financial-sector practitioners agreed that, "The lack of knowledge about basic financial products and services is a major barrier to financial access among the poor in my country." Nor is this a problem only for poor performers in the Index. The country reports of the top five finishers all note the need for improved financial literacy among the population targeted by financial inclusion efforts.

How to improve such literacy is an open question, with little, if any, good research to point to effective methods.[2] It is, however, an

1 http://www.FinLit.MHFI.com

2 For a summary of what is available, see Margherita Calderone, "The Role of Financial Literacy and of Financial Education Interventions in Developing Countries," Deutsches Institut für Wirtschaftsforschung Roundup Paper 34, 2014.

issue which those working for financial inclusion will need to address.

Signs that policy is having the desired effect

The *Microscope* Index is based on measures of policy, regulation, supervision, government capacity, infrastructure and stability—the elements that create the environment for financial inclusion—rather than measures of outcome. This can lead to incongruous results. For example, the three top Index countries—Peru, Colombia and the Philippines—score below others in their region and in their income group on most of the Global Findex's measures of inclusion. To look at just one metric, both Peru and Colombia are upper-middle-income countries, in which, on average, 71% of adults have bank accounts. They are also both in Latin America, where 51% of adults have such accounts. For Colombia, however, the equivalent figure is 39% and in Peru, the Index leader, just 29%.

The broad explanation for this apparent disconnect is that, just as it takes time for policy to change, it also takes time for policy, once enacted, to have an effect. Moreover, in some cases, as with insurance targeting low-income populations, as discussed above, a critical mass of regulation may need to exist before markets can grow in a meaningful way. And challenges posed by geography, history and cultural factors are unique in each country. Nevertheless, over time, one would expect that outcome measures of financial inclusion would begin to converge with policy-related ones.

The data suggest that this may be starting to happen, as a number of our Index scores correlate with several relevant Global Findex and IMF indicators. In particular:

- A higher score on *Regulation and Supervision of Deposit-Taking Activities* is associated with a higher proportion of the adult population having bank accounts;

- Better results on *Regulation of Electronic Payments* correspond with more of the population having mobile financial accounts; and

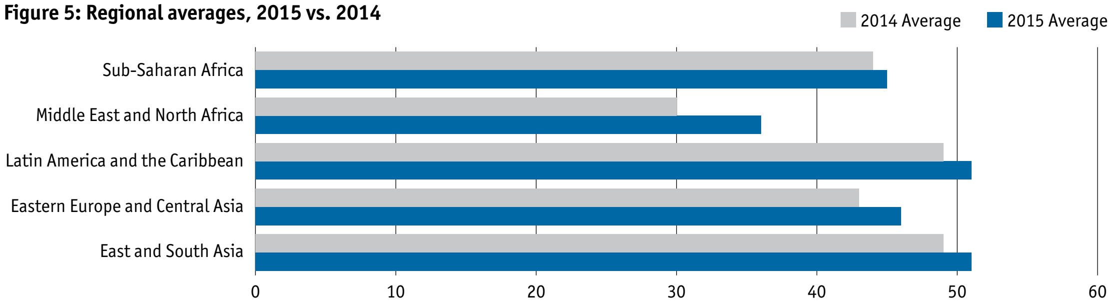
- The more points a country attains for *Credit Reporting Schemes* the greater the percentage of adults that have borrowed from a financial institution.

In each of these cases, the extent of the suggested effect, the correlation, is modest. However, the likelihood that there is no link at all (the p-value) is also small, indicating that the connections are statistically significant, if still weak.

Correlation does not necessarily mean causation, but, in these cases, the posited explanations for the data seem reasonable. It will be worth taking a closer look when the Global Findex's revised figures appear in 2017 to see if advanced policies are having a measurable effect on financial inclusion.

Regional findings

Figure 5: Regional averages, 2015 vs. 2014



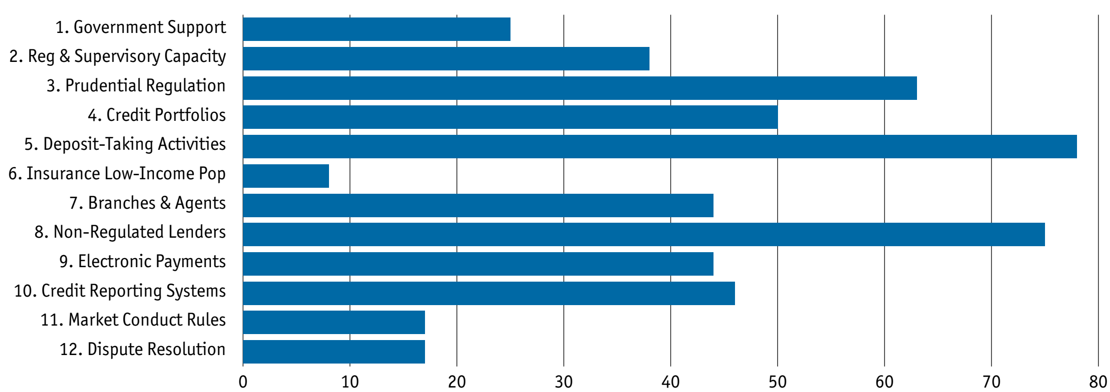
Middle East and North Africa

Overall, MENA has seen the most improved scores in the index, even after discounting the replacement of Yemen by Jordan in this year's Microscope. These gains have been focused in particular areas, notably *Regulation and Supervision of Credit Portfolios* and *Regulation and Supervision of Agents*, but these could be seen as the first steps on the long journey to financial inclusion.

While improving, the MENA region continues to have the lowest scores in the Index (see Figure 5). The region has some isolated strengths in its formal regulation and treatment of institutions. For example, it scores the second-highest of all regions (78 out of 100) for *Regulation and Supervision of Deposit-Taking Activities* and highest for *Requirements for Non-Regulated Lenders* (75). However, the average score for *Regulatory and Supervisory Capacity*—38, the lowest for any region—raises questions about regional ability to implement these regulations in practice (see Figure 6).

A more worrying problem is the widespread lack of protection for consumers of financial products. The average score on *Market Conduct Rules* was just 17, compared to an overall Index average of 44. Similarly, the MENA region scored 17 on *Grievance Redress and Operation of Dispute*

Figure 6: Middle East and North Africa average scores 2015



Resolution, against an Index average of 47. In both cases, the region came last by a noticeable margin.

This pattern of strengths and weaknesses was repeated in the area where MENA had its worst outcome, *Regulation of Insurance for Low-Income Populations*. Here, the regional average is just 8 out of 100. In this field, every country has some basic regulation, but lacks any sort of meaningful consumer protection, or even adequate delivery channels for such products.

Sub-Saharan Africa

At the aggregate level, improvements in Sub-Saharan Africa's financial inclusion policy environment are not readily apparent. Its overall score is 45, compared to 48 for the Index as a whole (see Figure 5). However, several countries from the region finish reasonably well—Kenya, and Rwanda all score above 50, and Tanzania and Ghana break into the top 10.

A closer look, however, suggests that, rather than being middle-of-the-road in financial inclusion terms, the overall results for Sub-Saharan Africa come from a combination of extremely good performance in certain areas and notable weakness in others.

On the positive side, Sub-Saharan Africa has the best regional scores on two indicators, although it never greatly exceeds the Index-wide average. These are *Government Support for Financial Inclusion* (53 compared to 45 for the Index as a whole) and *Regulatory and Supervisory Capacity for Financial Inclusion* (53 compared to 47) (see Figure 7). Similarly, it is second place, behind East and South Asia on Regulation of Electronic Payments and has three of the five countries in the Index as a whole that achieve 100 points on this indicator. Better still, although electronic payments are a particular strength of East African states, which were pioneers in this area, others are catching up. New regulations in Ghana now mean that this country receives top marks, and Senegal is another West African country doing reasonably well in this field.

In contrast, Sub-Saharan Africa performs poorly in some other areas. Most notably, it does the worst of any region on *Regulation and Supervision of Deposit-Taking Activities*, with an average of 52 points, well below the Index mean of 70. In particular, lack of deposit insurance is a widespread issue, with seven of the 12 countries worldwide that receive no points for this sub-indicator coming from the region. Similarly, the region is last on the *Requirements for Non-Regulated Lenders* indicator and only very poor results from the Middle East and North Africa region allow Sub-Saharan Africa's very low average scores for *Credit Reporting Systems* (49 compared

Figure 7: Sub-Saharan Africa average scores 2015

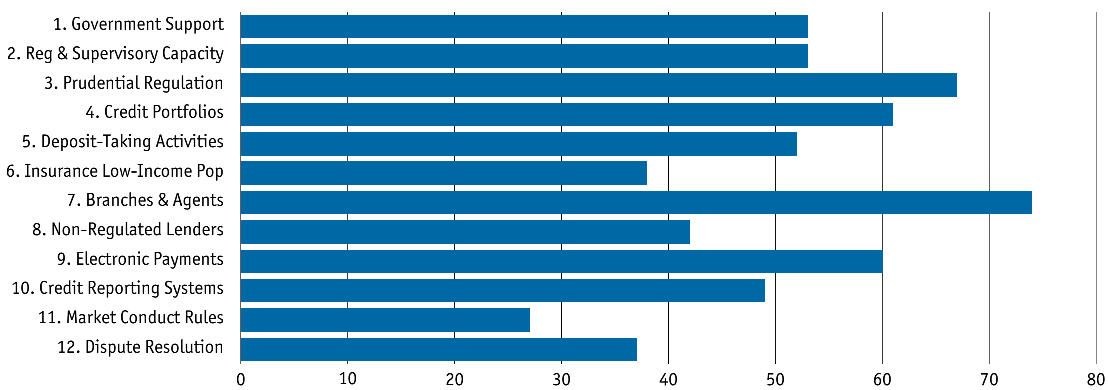
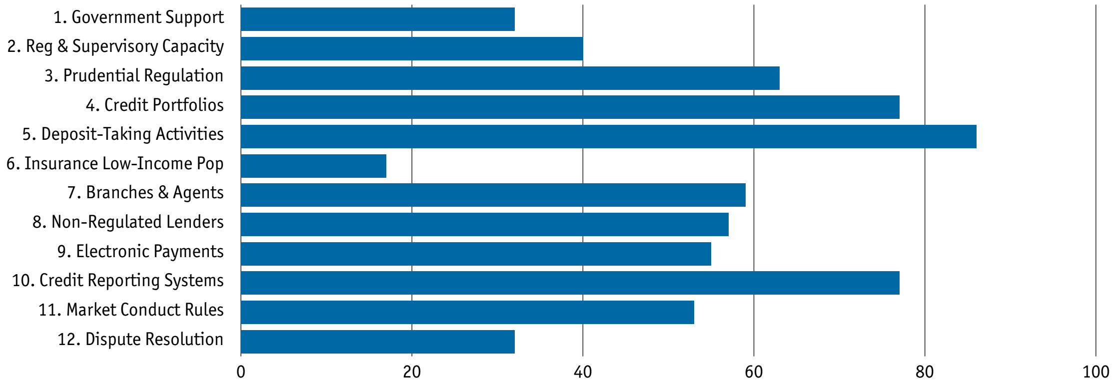


Figure 8: Eastern Europe and Central Asia average scores 2015



to 64 for the Index overall) and Market-Conduct Rules (27 compared to 44) to achieve second to last place. If it devotes the same attention to these clear weak spots as it has to areas where it is now world-class, the region's financial inclusion environment could improve rapidly.

Eastern Europe and Central Asia

In Eastern Europe and Central Asia three of the countries covered in 2014—Armenia, Azerbaijan and Georgia—have been dropped from the Index, while Russia has been added in 2015. There is low variation between countries in the region, with the best, Bosnia and Herzegovina, scoring 51, and the lowest finisher, Tajikistan, only a few points behind, with a score of 38 (see Figure 5).

The region does have several particular strengths, which set it apart, notably in fields related to credit. Eastern Europe and Central Asia has the best Index score in *Regulation and Supervision of Credit Portfolios* (77 compared to 61 for the Index average), and is especially strong on the *Risk Management of Credit* sub-indicator, where the regional average is 90 against just 52 for the Index as a whole (see Figure 8). The region also has the best score in the Index for the *Credit-Reporting Systems* indicator (77 compared to an overall mean of 64). Eastern Europe and Central Asia is also strong on *Regulation and Supervision of Deposit-Taking Activities*: not only does it have the highest regional score (86), but three of the eight countries that earn 100 points on this indicator come from the region.

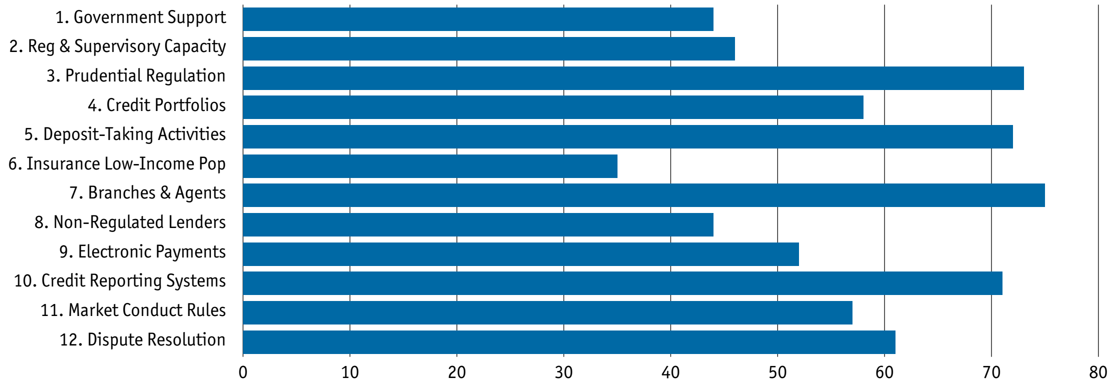
The region's relative weaknesses include *Prudential Regulation*, where its 63 points tie it for last on that indicator. It is also markedly below the Index average on *Regulation of Insurance for Low-Income Populations* (17 compared to 34 overall) and *Grievance Redress and Operation of Dispute-Resolution Mechanisms* (32 compared to 47).

Perhaps the most notable concern is on the *Political Independence of the Financial Regulator* sub-indicator, where most of the countries in Eastern Europe and Central Asia score zero, and the regional average is just 20, against 42 for the Index as a whole. Moreover, no country in the region has a fully implemented, comprehensive financial inclusion strategy. In the Global Findex data for the period 2011–14, the Eastern Europe and Central Asia region has also shown minimal growth.

Latin America and the Caribbean

Latin America and the Caribbean (LAC) is tied with East and South Asia for the highest overall score of any region in the Index (51 out of 100; see Figures 5 and 9). It also dominates the top positions in the standings, with five regional countries in the top ten, including first-placed Peru and second-placed Colombia. However, some of its strength near the top is in part a result of such a large proportion of its strongly performing countries being included in the study. LAC's 21

Figure 9: Latin America and the Caribbean average scores 2015



Microscope countries were spread throughout the Index and also include last-placed Haiti.

Although individual LAC countries had a wide range of results, the performance of the region as a whole in the Index indicators is consistent. LAC as a region had the best score on four out of the 12 indicators and, just as importantly for the overall result, it never had the poorest score. It also came in second-last only twice. Similarly, on no indicator did the region score less than three points below the survey average. In other words, while LAC as a whole only sometimes excels, it never falls far behind the standards of countries in the rest of the world.

LAC's strengths are what one would expect from a region with extensive practical experience of financial markets for low-income individuals. It has the highest regional score in the *Prudential Regulation* indicator (73 compared to the Index mean of 68) and *Regulation and Supervision of Branches and Agents* (75 compared to 69). In the latter area, it is particularly open to the establishment of branches of financial institutions, with 13 of 21 countries in the region attaining 100 points on that sub-indicator.

LAC differs most strongly from the other regions in regulating marketplace conduct and redress, with a widespread presence of strong frameworks and capacities to protect the financial consumer. It has the highest regional score for both the *Market-Conduct Rules* (57) and *Grievance Redress and Operation of Dispute-Resolution Mechanisms* (61). In both, it finishes more than a dozen points above the overall indicator average. On the sub-indicator *Framework and Capacity to Protect the Financial Consumer*, not only does it score well above the Index average (65 compared to 49), but eight of the nine countries with 100 points in this area come from the region. If there is a concern with LAC's strengths in these areas, however, it is that there is little regional improvement taking place.

Across the region, many countries are seeing notable advances in their overall financial inclusion strategies. In the last year alone, nine countries have made changes that have brought about higher scores in this area. In some, such as Nicaragua, this is the result of implementing existing plans, but, in others, notably Colombia and Haiti, it has resulted from creating national financial inclusion strategies that have either consolidated a range of existing efforts or have begun from scratch. As a result, the average regional score in the *Existence and Implementation of a Strategy* sub-indicator for LAC increased by 15 points from 2014 to 2015. Given the importance—discussed in the Key Findings section of this report—of such strategies to overall success in creating an environments conducive to financial inclusion, this is a very positive change indeed.

East and South Asia

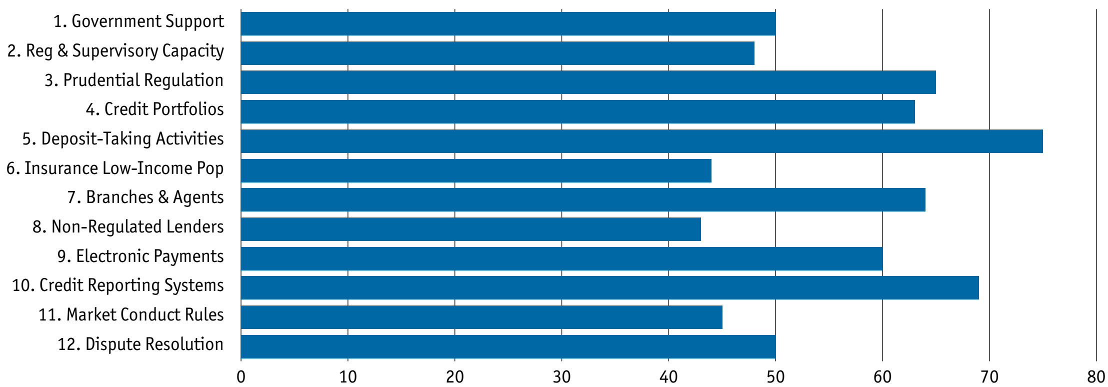
The East and South Asia region finished first overall in the Index jointly with Latin America and the Caribbean. The region's strong overall score came from general consistency, rather than outstripping the performance of other regions on specific indicators.

East and South Asia's biggest relative weakness is in the *Requirements for Non-Regulated Lenders* indicator, where it scores second to last with only 43 points, in part because non-compliance with accounting standards by these institutions is widespread in over half the region's countries (see Figure 10).

On the positive side, East and South Asia came first on *Regulation of Insurance for Low-income Populations*, albeit still scoring only 44 in an area where few did well. As many of the relevant sub-indicators are new, it is hard to judge progress in this area, but the signs are that some countries in the region have made noticeable improvements: Nepal, for example, has now approved the issuance of insurance targeting low-income populations.

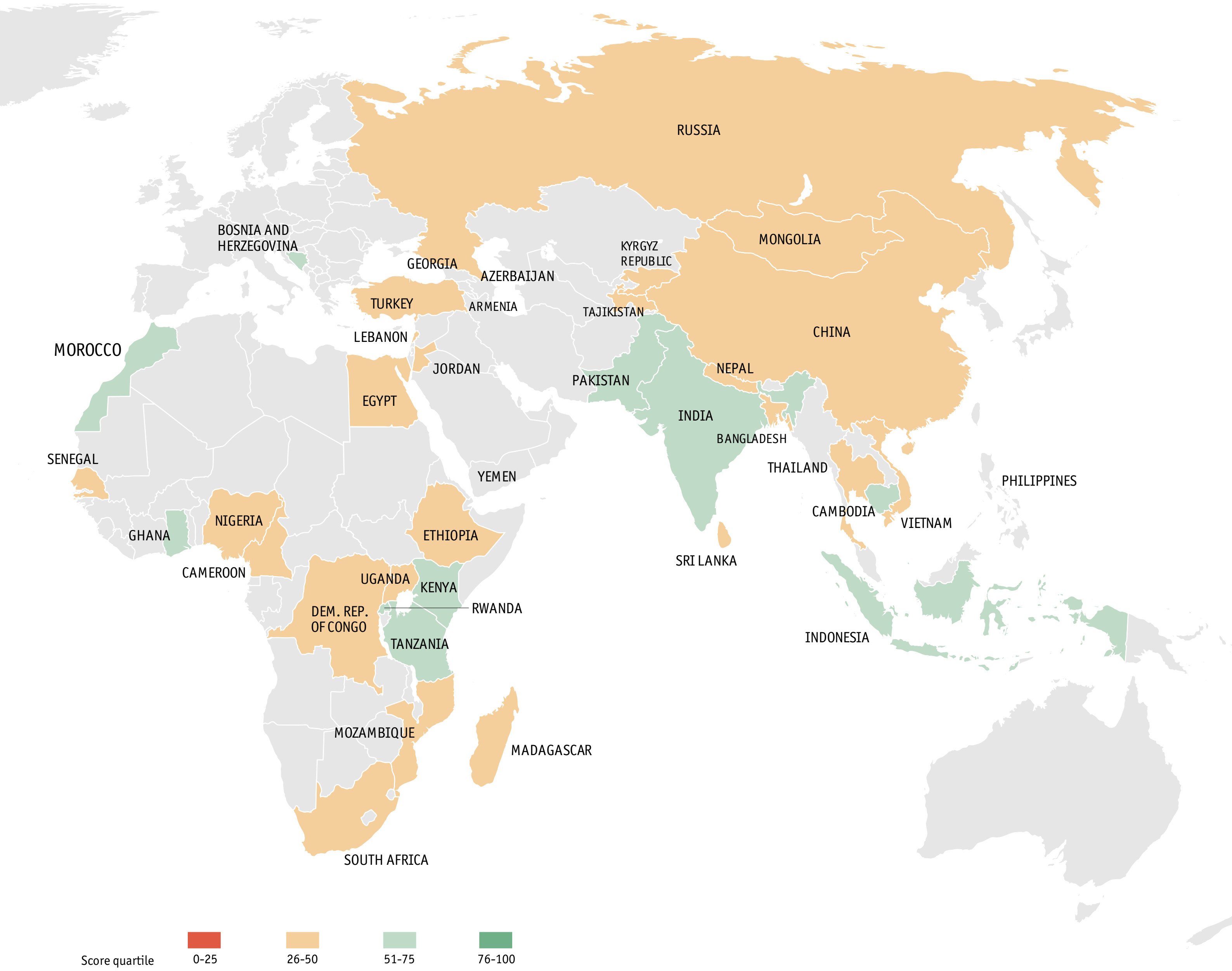
Even more likely to have an effect on individuals is the region's policy strength in *Regulation of Electronic Payments*, where East and South Asia, with 60 points, tied for first. This part of Asia has already seen fast and widespread adoption of mobile money by the population, on the back of growth in access to mobile service and private-sector investment in mobile-money platforms. The issuance of documents to create or clarify policy in this field by the region's two demographic giants, India and China, in November 2014 and July 2015, respectively, will, if anything, only accelerate this process for billions of people.

Figure 10: East and South Asia average scores 2015



Microscope country profiles

The following section provides a brief profile of the financial inclusion environment for each of the 55 countries in this study. Countries are listed in alphabetical order and are organised by region. Each country profile is presented in three parts: the first section contains key characteristics and statistics of financial inclusion; the second outlines key financial inclusion developments, and the third looks at the sector's challenges. Please note that the information selected for the country profiles is intended to provide a high-level overview; it is not intended to provide an outline of the legal environment or represent a comprehensive account of all recent activity. For more in-depth analysis and regulatory detail, please visit the "country profile" tab of the Index model in Excel, available free of charge at
www.eiu.com/microscope2015;
www.fomin.org;
www.caf.com/en/msme;
www.centerforfinancialinclusion.org and
www.metlife.org


RUSSIA
MONGOLIA
BOSNIA AND HERZEGOVINA
KYRGYZ REPUBLIC
GEORGIA
AZERBAIJAN
TURKEY
ARMENIA
TAJIKISTAN
CHINA
MOROCCO
LEBANON
JORDAN
NEPAL
PAKISTAN
EGYPT
INDIA
BANGLADESH
SENEGAL
THAILAND
YEMEN
PHILIPPINES
CAMBODIA
NIGERIA
VIETNAM
GHANA
ETHIOPIA
SRI LANKA
CAMEROON
UGANDA
KENYA
RWANDA
DEM. REP. OF CONGO
INDONESIA
TANZANIA
MOZAMBIQUE
MADAGASCAR
SOUTH AFRICA
Score quartile
0-25
26-50
51-75
76-100

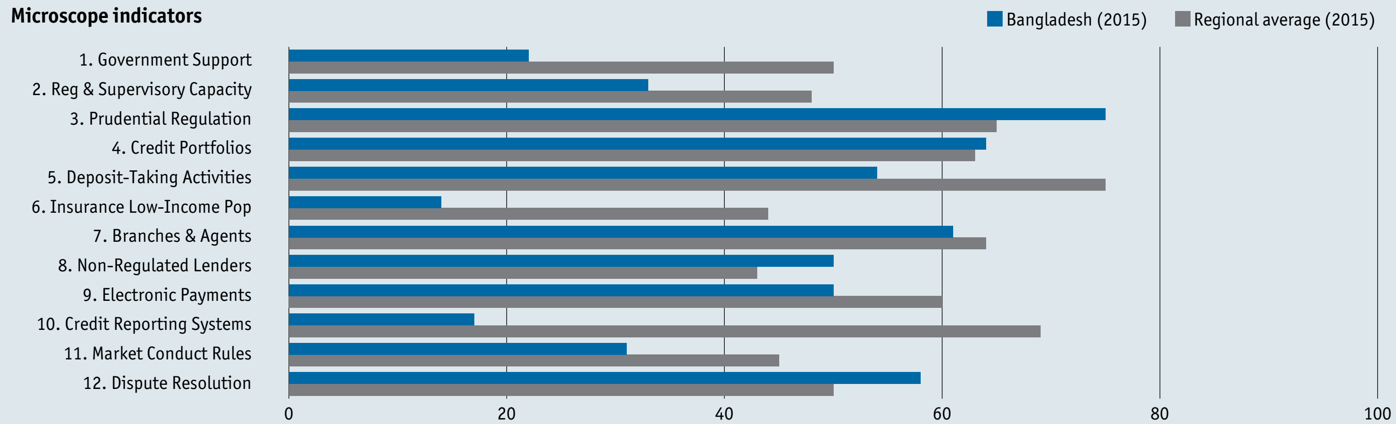
East and South Asia

Bangladesh

General landscape: Bangladesh is committed to broadening financial inclusion for the underserved segments of the population. Financial inclusion initiatives are carried out by Bangladesh Bank (BB, the central bank), the Microcredit Regulatory Authority (MRA, the regulator for microfinance institutions, MFIs), and, more recently, the Ministry of Finance (Banks and Financial Institutions Division). The main institutions providing microfinance services in Bangladesh include: non-governmental organisation (NGO)-MFIs, Grameen Bank (organised independently under the Grameen Bank Ordinance of 1983), and commercial and specialised banks. Financial inclusion and developmental-finance campaigns for the underserved are strategies adopted by BB as part of the effort to maintain financial stability in the country. Technology is also a great enabler that has prompted the governor of BB to adopt strategies and policies on the use of mobile financial services (MFS) for financial inclusion. There are 25 million mobile bank-account holders (almost one-sixth of the total population) and the number is increasing every day. On average, Tk 3.5 billion (approximately US$45m) is being transacted daily through mobile banking with more than 80 percent of transactions through a single company—bKash Limited. Thirty-seven percent of adults have an account at either a bank or an MFI and, while the number of deposit accounts is growing steadily, nearly 25% of the adult population is still to be included by deposit and other financial services from regulated financial institutions.

Financial inclusion highlights: For the first time in Bangladesh, the Institute of Microfinance (InM) is offering the InM Certificate Courses/Diploma in Microfinance, which will provide qualified, professionally efficient and properly trained human resources, who will further contribute to

Microscope indicators



financial inclusion efforts. Moreover, the MRA provided 179 NGO-MFIs with conditional licences to operate in the 37 districts with the highest levels of poverty in Bangladesh. While further developing the delivery of MFS, the central bank has drafted revised guidelines governing mobile banking, allowing, among other changes, equity partnerships with mobile network operators (MNOs). Additionally, new business models for agent networks, such as MobiCash (a platform that customers of any MNO can use for mobile financial services) are emerging, which may offer new incentives to customers, agents and financial-service providers to participate and thrive in the microfinance segment.

The central bank formed a Tk 2 billion (approximately US$ 25.6m) refinance scheme for making loans to unbanked, low-income customers through "no-frills" bank accounts. BB's financial inclusion efforts also include the promotion of a children's savings account that could be opened with participating banks for as little as Tk 10 (approximately US$0.13). This move waives an earlier requirement for the co-signature of a parent or guardian. The central bank is co-ordinating this initiative with banks piloting the scheme, in partnership with approved, legally registered NGOs working to reduce the financial exclusion of children.

Challenges: Although access to financial services is relatively high in the country, literacy levels, especially among the poor, remain a challenge. In many cases, people may not be aware of the available services or how to access them. To enable the currently unbanked poor and low-income population access financial services from the formal financial system, the development of appropriate financial products is necessary. This requires targeted studies of the demand side. Although the outreach of MFIs is quite impressive, especially in rural areas, overlapping borrowers and their indebtedness are not properly identified, due to the absence of MRA credit bureaus. The absence of proper micro-insurance for the borrowers also remains a challenge. While the segment is stable, a perennial risk is the occurrence of natural disasters (specifically, floods and cyclones), which continues to threaten the country and could induce the loss of many credit portfolios.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**39**	**-6**	**=40**	**-11**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	-34	=37	-24
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-6	=37	-2
3) PRUDENTIAL REGULATION	75	0	=19	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	64	+8	=22	+3
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	54	-17	=38	-7
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	61	-2	35	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	50	-38	=23	-22
10) CREDIT REPORTING SYSTEMS	17	0	=50	-1
11) MARKET CONDUCT RULES	31	-5	=36	-5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	+25	=17	+16
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	56	+2	=28	0

BANGLADESH: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	159,077,513
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	3,124.4
GINI INDEX	32.1
MOBILE CELLULAR SUBSCRIPTIONS	120,350,497
ATMS PER 100,000 ADULTS	6.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	8.2
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	29.1
MOBILE ACCOUNT (% AGE 15+)	2.7
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	6.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	9.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	48.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	7.4
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	30.4

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

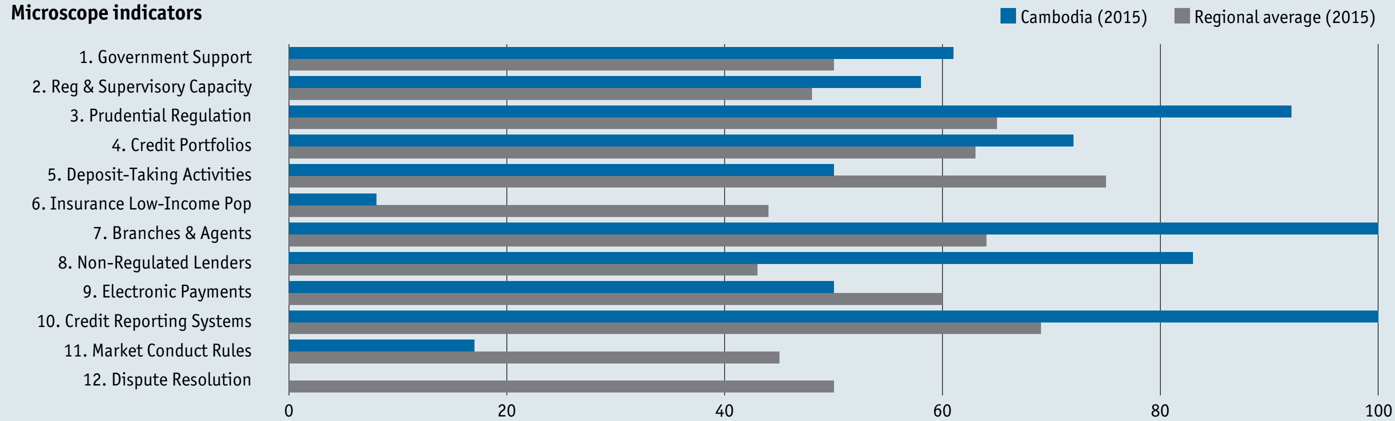
East and South Asia

Cambodia

General landscape: According to the World Bank Global Findex Database 2014, the number of adults with an account in a financial institution increased from 4% in 2011 to 13% in 2014. Cambodians saving with a formal financial institution also increased from 1% in 2011 to 4% in 2014. Compared with regional (East Asia and Pacific) averages, the country lags, as 69% of the region's adults have an account with a financial institution and 36.5% have saved with a formal institution. In terms of credit, 28% borrowed from financial institutions in 2014, up from 19.5% in 2011. This was better than regional averages of 11% and 9%, respectively. A large number of Cambodians continue to borrow from family and friends (36.2%), as well as from informal moneylenders (18.2%). Against this background, the microfinance segment in Cambodia continues to grow and evolve and is regulated by the National Bank of Cambodia (NBC, the central bank). The segment includes two type of institutions: microfinance institutions (MFIs) that are registered with the NBC, and non-regulated institutions (those not covered by the NBC), such as non-governmental organisations (NGOs). The government views the segment as critical to socio-economic development and poverty reduction and has adopted a segment-development strategy for 2011-20. The strategy's Action Plan for microfinance outlines short, medium and long-term targets (albeit without giving firm figures for these targets).

Financial inclusion highlights: In keeping with the action-plan targets of increasing financial access and ensuring consumer protection, considerable developments have occurred in the segment over 2014-15. Cambodia has allowed a wide range of actors to operate as agents, leading to an increase in MFIs' partnering with mobile network operators (MNOs), shopkeepers and traders to deliver their services. Interoperability is

Microscope indicators



likely to increase in the near future, as MFIs work out the sharing of platforms such as automated teller machines (ATMs). In June 2015 the NBC introduced a new payment system, enabling settlement with multiple MFIs. MFIs are in the process of adapting to this system. The government and NBC have also placed increased emphasis on micro-insurance. The Ministry of Finance recently issued two temporary micro-insurance licences, to BIMA (via mobile platform) and PKMI (offering specialised micro-insurance products). The Ministry is also working to change existing insurance laws and will bring micro-insurance within its ambit. The law will likely be passed in early 2016.

Client protection has been a focus for MFIs, as well as the NBC. Cambodia has a functioning credit bureau and the NBC has been working with international agencies to put in place a more extensive consumer-protection framework for the segment. MFIs have also taken the initiative to strengthen consumer protection. Ten MFIs have undergone an assessment of their practices for compliance with international standards on client protection. Certification of these MFIs and their practices is underway. Politically, Cambodia has been relatively stable when compared to the turmoil in 2013. Local observers state that the current ruling party understands the relevance of microfinance. Observers also view the NBC as relatively independent, as it has, in the past, voiced its support for the segment when it has been accused of being exploitative. The Regulator is working with the United Nations Capital Development Fund (UNCDF) to put in place a National Financial Inclusion Strategy for Cambodia.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**55**	**-1**	**=14**	**-5**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+17	=13	+9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	92	0	=4	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	72	+5	=15	+2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	50	0	=41	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	-42	=41	-30
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+8	=1	+3
8) REQUIREMENTS FOR NON-REGULATED LENDERS	83	-17	=5	-4
9) REGULATION OF ELECTRONIC PAYMENTS	50	+12	=23	+11
10) CREDIT REPORTING SYSTEMS	100	0	=1	0
11) MARKET CONDUCT RULES	17	+7	46	+4
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	-17	=50	-9
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	78	0	11	+3

CAMBODIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	15,328,136
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	3,259.3
GINI INDEX	31.8
MOBILE CELLULAR SUBSCRIPTIONS	23,900,000
ATMS PER 100,000 ADULTS	8.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	4.8
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	12.6
MOBILE ACCOUNT (% AGE 15+)	13.3
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	27.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	62.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	3.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	44.7

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

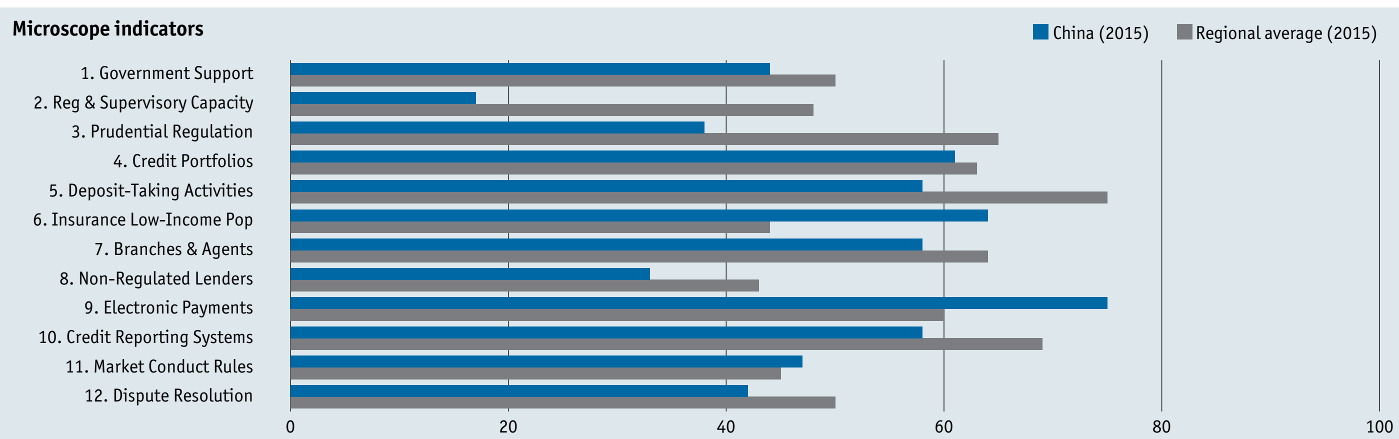
Challenges: The capacity of the NBC to supervise the segment adequately continues to be an area of concern. The IMF 2015 Article IV consultation mission to Cambodia has stressed the need for "regulatory and supervisory upgrades" in light of the "growing systemic importance of MFIs". Local observers state that the NBC has adequate capacity to supervise MFIs registered with it, but there is concern that it does not cover all types of institutions engaged in microfinance, in particular NGOs registered and supervised by the Ministry of Interior. Despite the efforts at improving consumer protection, this continues to be a challenge for the segment. The NBC lacks dedicated regulatory oversight on this and, despite the efforts to adopt international standards, local observers state that over-indebtedness remains a major risk: only a few MFIs are taking up international standards, and compliance levels vary across MFIs.

East and South Asia

China

General landscape: Financial inclusion development has gathered steam since the Chinese Communist Party (CCP), in its third plenary session in 2013, addressed financial inclusion in broad reform plans up to 2020. Along with the statements made by the CCP, the China Banking Regulatory Commission (CBRC, the regulator) and People's Bank of China (PBC, the central bank), between 2013 and 2015, announced a number of notifications and measures on issues related to financial inclusion. Access to basic banking services has significantly improved, with 64% of the total population holding a bank account and 39% possessing a bank card in 2011, according to the World Bank. In terms of size of loans issued, microcredit companies (MCCs) are the main players on the financial inclusion front in China, followed by village and township banks (VTBs). As the Chinese government tries further to improve the living standards of the population, aiming to double personal disposable income by 2020 (compared with 2010), promoting financial inclusion, especially to low-income groups, will be vital. A modest business environment and lively participation from the private sector, such as Internet or peer-to-peer financial providers, will play a more significant role in the future development of financial inclusion in China.

Financial inclusion highlights: During the past year, financial services have gained deep penetration in China owing to Internet technology and new business models. Online payment, credit and wealth-management products have attracted not only people from Tier-1 cities, but also those from rural areas. Moreover, since the removal of lending-rate caps in 2013, PBC has been allowing more flexibility on deposit rates and is likely to remove the ceiling soon, which will benefit financial consumers in general. State council, PBC, CBRC and other



related authorities co-announced notifications on online and peer-to-peer finance in July 2015, indicating intent to set clear regulation and necessary standards in this sector. China launched a deposit-insurance scheme as of May 1st 2015. Up to RMB 500,000 (US$80,550) in deposits made by individuals and businesses will be insured. The adoption of the insurance system will prevent financial risks, catalyse domestic financial reforms and liberalisation, and also mark a major step towards universal financial inclusion. In addition, according to the "suggestions on financial service in terms of 'Three Rural Issues'" from the State Council, domestic banking and financial institutions are required to invest in and to have more mandates on rural areas.

Challenges: Challenges still remain in developing an inclusive financial environment in China, although a lot of progress has been made. Microfinance in China is mainly focused on micro-, small- and medium-sized-enterprise (MSME) lending, instead of providing services to the low-income population. The existing VTBs and MCCs are not sufficient to meet the demands of low-income populations in many areas, partly due to diverse regional economic and social development, and a lack of support and co-operation from local authorities and agents. Regulation of microfinance is still vague and superficial. CBRC and local finance offices are major watchdogs for the segment, but no specific system, for example, of risk-management standards, has been formalised. In the meantime, the booming peer-to-peer/Internet-finance segments, which are not deeply integrated, will pose challenges to regulation. The deterioration in local-government finances will also test the authorities' capability of promoting financial inclusion in the foreseeable future.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**42**	**6**	**=36**	**+6**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	44	0	=28	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	17	-11	=50	-7
3) PRUDENTIAL REGULATION	38	0	53	0
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	61	+5	=26	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	58	+33	=36	+17
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	64	-11	12	-7
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	58	+4	=36	-4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+21	=6	+16
10) CREDIT REPORTING SYSTEMS	58	0	=33	0
11) MARKET CONDUCT RULES	47	+3	=22	+5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	41	+24	=36	+9

CHINA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	1,364,270,000
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	13,216.5
GINI INDEX	37.0
MOBILE CELLULAR SUBSCRIPTIONS	1,286,093,000
ATMS PER 100,000 ADULTS	46.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	7.9
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	78.9
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.9
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	9.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	36.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	41.2
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	11.0

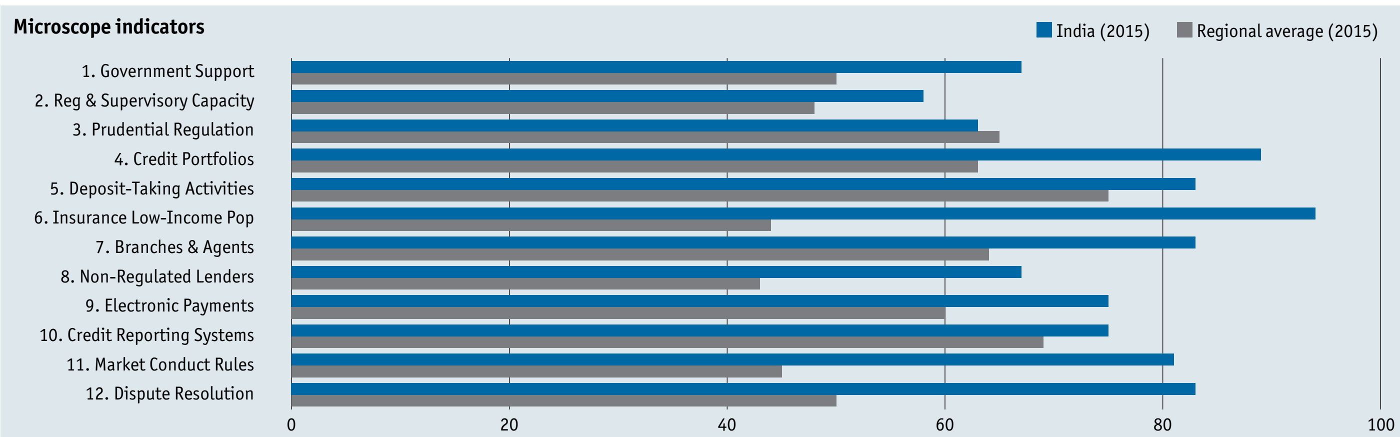
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

East and South Asia

India

General landscape: The key players providing financial inclusion services in India are commercial banks, regional rural banks, non-bank financial institutions (NBFIs), MFIs, cooperatives and insurance companies. According to the World Bank Global Findex Database 2014, 53% of adults had an account at a formal financial institution. However, only 14% saved and only 6% borrowed money from them. In contrast to formal borrowing, 32.3% had borrowed from friends and family in the past year. In August 2014 the government launched a programme to provide one basic banking account to each household, with access to financial education, credit, insurance and pension facilities. By January 2015, 125m new accounts had been opened, taking the household coverage of bank accounts to 99.98%. However, most of these accounts remain dormant and penetration of financial services in rural areas is still shallow. Although microfinance institutions (MFIs) served a significant 30.5m clients by the end of March 2015, their product offerings remain limited. MFIs are not permitted to offer deposit accounts, so their contribution is mainly in terms of microcredit and as micro-insurance facilitators for insurance companies.

Financial inclusion highlights: To achieve the targets set by the government, the banks reached almost all households in the country by opening bank accounts for them by January 2015. Banks deployed 123,805 Business Correspondents (BCs) to provide deposit-collection and withdrawal services in urban neighbourhoods and rural villages. In July 2014 the Reserve Bank of India (RBI, the central bank) took a major step by issuing the guidelines for licensing of specialised banks – Payment Banks (PB) and Small Finance Banks (SFBs). These banks will have lower capital requirements than commercial banks. While PBs will provide deposits and payment services, SFBs will provide provision of savings and credit to



small business units; small and marginal farmers; micro- and small industries and other unorganised-sector entities. These differentiated banks, as one of the licensing requirements, must have a high-technology/low-cost operations model. Almost all medium and large MFIs have applied for an SFB licence, while a large number of information-technology (IT) and telecommunications companies and the Indian postal department have applied for PB licences. In 2015 the government of India launched Micro Units Development and Refinance Agency (MUDRA) Bank to finance the last-mile financier lending to small and micro-enterprises. The government liberalised the insurance industry further in 2014 and launched low-cost insurance and pension products for the people working in the unorganised sector. The Insurance Regulatory and Development Authority (IRDA) liberalised the guidelines for the appointment of insurance agents, which should encourage technological innovation in the distribution of these services. In the last year, expansion of banking services, issuance of biometric-based Unique IDs, channelling of government benefits directly to the beneficiaries' bank accounts, and government schemes to provide universal access to social security and insurance, have all significantly improved the prospects for a better financial inclusion scenario in India.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**71**	**+10**	**4**	**+1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	67	0	12	0
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+14	=10	+15
3) PRUDENTIAL REGULATION	63	+30	=31	+23
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	89	+11	=6	+4
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	0	=12	+9
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	94	-6	1	0
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	83	0	=18	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	75	+17	=6	+7
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	81	+6	=7	+2
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	71	+24	=13	+18

INDIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	1,295,291,543
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	5,707.7
GINI INDEX	33.6
MOBILE CELLULAR SUBSCRIPTIONS	944,008,677
ATMS PER 100,000 ADULTS	13.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	12.2
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	52.8
MOBILE ACCOUNT (% AGE 15+)	2.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	9.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	6.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	46.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.4
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	43.3

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Challenges: One primary inclusion issue in India is an extremely large number of dormant bank accounts, opened as part of various government programmes. Efforts are being made to increase their use by using them for direct benefit transfers such as social security and welfare payments from government. A very shallow penetration of insurance (3.9%) and social security (8%) is another major issue. Although the government has launched a number of schemes to provide pension and insurance services to the poor and those working in the unorganised sector, these efforts are mainly supply-driven and results will depend upon efforts to improve financial awareness among the poor. Another major challenge is the high growth (>35% per annum) that MFIs are experiencing without any major improvement in the quality of their products or services. After the 2010 microfinance crisis in Andhra Pradesh, concerns of over-indebtedness and poor recovery practices are resurfacing. Financial-education programmes cover large numbers of people, but the quality of financial education delivered is often quite low.

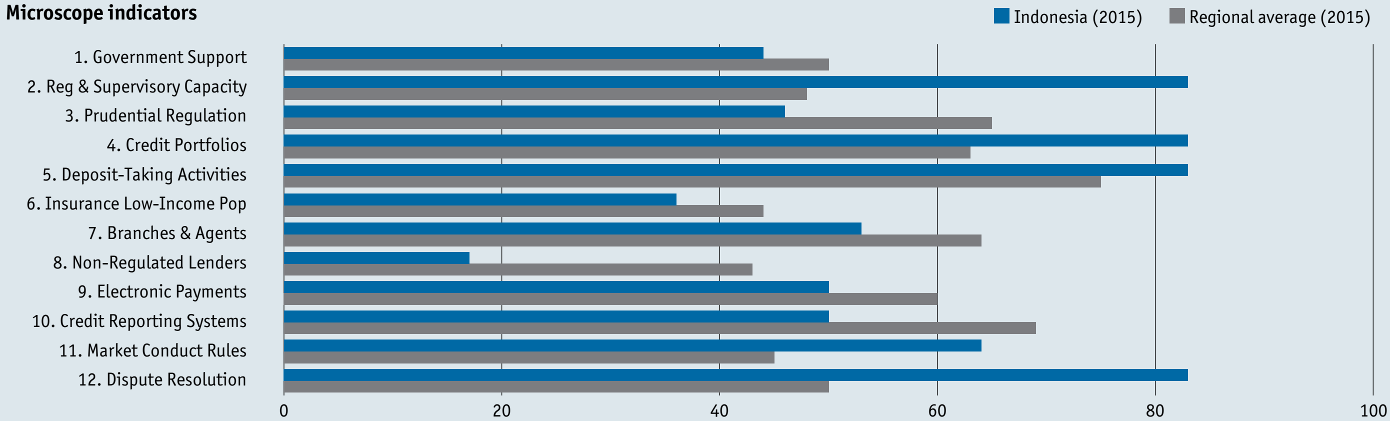
East and South Asia

Indonesia

General landscape: In Indonesia, among the main stakeholders in the financial inclusion space, microfinance institutions (MFIs) range from commercial banks, to Bank Perkreditan Rakyat or BPRs (1,643 in number), to other non-bank finance institutions (NBFIs)—co-operatives (188,181 of them), unlicensed BPRs (Bank Perkreditan Rakyat or people's credit bank), BKDs (Badang Kredit Desa or village-owned credit organizations) and non-governmental organisations (NGOs) providing financial services. There are also informal lenders, such as loan sharks, black-market lenders and "mobile banks". For micro-insurance, there are 52 life-insurance companies, as well as 82 property and casualty-insurance companies. Among regulators, Otoritas Jasa Keuangan (OJK, the financial-services authority of Indonesia) and Bank Indonesia (BI, the central bank) are key. Other regulators include the Deposit Insurance Organisation, the State Ministry of Cooperatives and SMEs, the Commission for the Supervision of Business Competition (KPPU) and the Ministry of Home Affairs.

Around 203m or 81.5% of Indonesians are at the bottom of the economic pyramid, earning less than US$4.50 a day, and a further 96m live on less than US$1.90 a day. It is considered too risky to offer loans to these individuals, who often live in locations too remote for formal financial services. Similarly, many of the 56.5m micro-, small and medium enterprises (MSMEs), which contributed more than 50% of Indonesia's GDP in 2014, lack adequate access to bank financing to grow their businesses. The 2014 World Bank Findex Survey 2014 estimates that 36% of all adults and 37% of adult women in Indonesia hold deposit accounts at formal financial institutions (including MFIs). Over the past three years, since the inception of OJK, there has been greater emphasis on financial inclusion in Indonesia.

Microscope indicators



Financial inclusion highlights: In 2015 OJK enacted a Microfinance law and branchless-banking regulations. The customers of the microcredit/microfinance services, mainly the MSMEs and low-income households, have been targeted by BI and OJK for financial inclusion initiatives. The distribution models for these financial services are of three kinds: those led by banks, telecommunications companies, and hybrid models. With the advent of branchless banking, some banks have started networks of agents, such as Bank BPN's WOW network for opening bank accounts, and making deposits and withdrawals. Telecoms companies offer e-wallet services. Micro-insurance is in its infancy in Indonesia. The OJK commenced a pilot in 2014 to determine how to expand micro-insurance coverage. The potential for micro-insurance remains high, with a lower-income population, limited social-security coverage and unpredictable environment. Currently, there are about 165m unique mobile subscribers in Indonesia. Telecoms operators have more than 300,000 locations selling phone vouchers. Access to these distribution networks would enable banks to reach the poorest people.

Challenges: Despite initiatives to accelerate micro-lending, growth has remained modest due to a number of systemic issues, such as excessive regulatory hurdles (for example, identification documents required for individuals and MSMEs), inefficiency of MFIs and their lack of integration into the financial system, inadequate outreach to remote areas and state-backed MFIs crowding out private providers. Until now, regulatory authorities do not have a firm understanding of the non-regulated MFI landscape, and estimates of numbers of MFIs vary. There is a lack of financial literacy among low-income groups. Commercial banks and BPRs tend to cover mostly upper levels of the micro-finance market in district and sub-district towns. NGOs, co-operatives and village-based institutions (BKDs, LKBDs) reach the lower end of the market, but still have a limited reach to remote rural areas outside Java and Sumatra.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**56**	**+1**	**=11**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	44	+22	=28	+3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	83	+11	=3	+2
3) PRUDENTIAL REGULATION	46	-29	=47	-31
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	83	+11	=8	+7
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	-17	=12	-11
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	36	+11	=21	-6
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	53	+7	=42	+2
8) REQUIREMENTS FOR NON-REGULATED LENDERS	17	+17	=47	+3
9) REGULATION OF ELECTRONIC PAYMENTS	50	+21	=23	+13
10) CREDIT REPORTING SYSTEMS	50	-42	=40	-34
11) MARKET CONDUCT RULES	64	+4	=10	+7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	90	0	2	+1

INDONESIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	254,454,778
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	10,517.0
GINI INDEX	38.1
MOBILE CELLULAR SUBSCRIPTIONS	319,000,000
ATMS PER 100,000 ADULTS	42.4
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	10.4
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	35.9
MOBILE ACCOUNT (% AGE 15+)	0.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.5
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	13.1
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	56.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	26.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	13.1

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

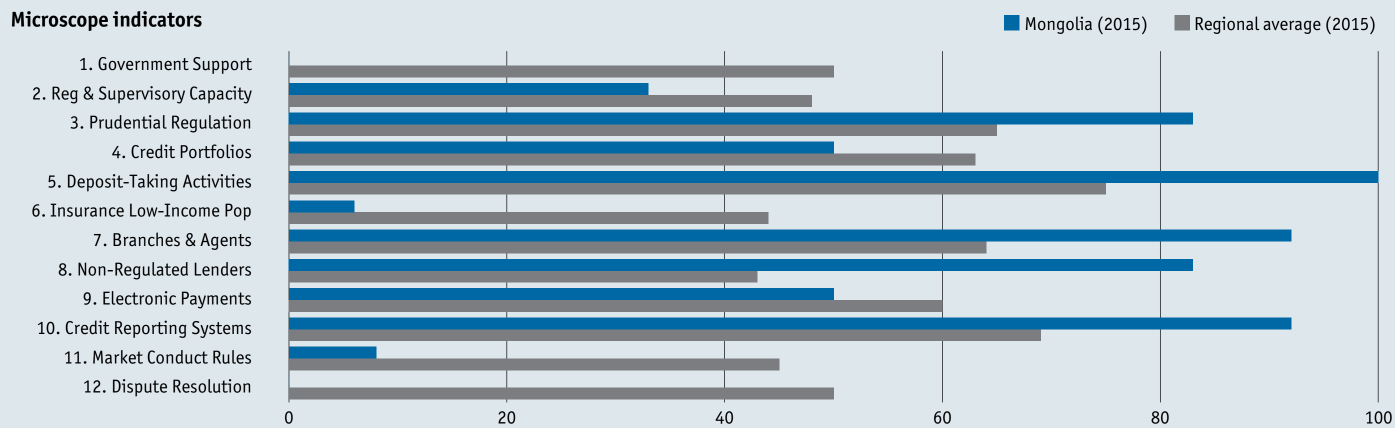
East and South Asia

Mongolia

General landscape: Mongolia has a robust retail-payment infrastructure that affords a large portion of its population access to financial services. Commercial banks in Mongolia, which compose 96% of the financial assets in the country, have been the innovators and providers in terms of microfinance. The three largest retail banks, XacBank, Khan Bank and the State Bank, proactively target marginalised populations with their sevices. Non-bank financial institutions (NBFIs), including credit unions (CUs) and microfinance institutions (MFIs), also provide services to low-income populations. Established NBFIs regulated by the Financial Regulatory Commission include Credit Mongol and VisionFund. NBFIs are prohibited from taking deposits, however. NBFIs consequently rely partially on foreign funding. Deepening mobile penetration is further expected to contribute to the continued increase in Mongolia's banked population. Whereas 77% of the adult population in Mongolia held an account with a financial institution in 2011, 91.8% held an account in 2014. In 2014, 65.7% of the adult population had a debit card, compared with 60.6% in 2011, and 33.2% saved at a financial institution, compared with 23.2% in 2011.

Financial inclusion highlights: Mongolia had not introduced a cohesive financial inclusion policy as of October 2015. In early 2015 the Mongolian Bankers Association adopted principles of sustainable finance, one of which is to promote financial inclusion. Member banks have agreed to submit quarterly reports on the promotion of these principles. Regulatory updates include the adoption of the Deposit Insurance Law in 2013, which established a mandatory insurance scheme for the protection of bank deposits. An insured depositor is covered for up to MNT20m (around US$10,000). Laws regulating e-money services are still being developed. Regulation of

Microscope indicators



non-bank financial e-money services enacted in 2011 requires e-money providers to have liquid assets equal to at least 20% of the outstanding e-money. It also limits the number of transactions per day for e-wallet holders and agents. In 2014 the International Finance Cooperation (IFC) agreed to co-operate with Mongolia's Ministry of Justice to establish a legal framework for a secured-transaction payment system, develop an online registry, and to train industry professionals for the registry.

Challenges: The regulators in Mongolia have yet to provide a coherent financial inclusion strategy. Despite increased Internet and mobile penetration, few use digital payments and e-banking services. In 2015 only 6.8% of the adult population used the Internet to make a purchase or pay a utility bill, and 0.8% used a credit card to make a purchase. Low rates of financial literacy and a sparsely populated rural region contribute to this challenge. Banking agents are also allowed to perform only a limited range of activities. The regulation on agent fees is not transparent or sophisticated. Furthermore, the insurance market is in an early stage of development, with only 0.5% market penetration, composed of only 17 insurance companies in 2015. The Index-Based Livestock Insurance Project (IBLIP), launched in 2005 with the World Bank's support, has demonstrated success, but remains a standalone, pilot microfinance initiative. The weak regulatory framework is not conducive to the growth of micro-insurance.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**48**	**+3**	**=28**	**+1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-6	=37	-2
3) PRUDENTIAL REGULATION	83	-9	=16	-10
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	+11	=36	+5
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	6	+6	=48	-10
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	92	0	=11	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	83	0	=5	+1
9) REGULATION OF ELECTRONIC PAYMENTS	50	+25	=23	+15
10) CREDIT REPORTING SYSTEMS	92	+9	=10	-2
11) MARKET CONDUCT RULES	8	+8	=47	+5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	0	=50	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	88	-2	=3	0

MONGOLIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	2,909,871
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	11,945.7
GINI INDEX	36.5
MOBILE CELLULAR SUBSCRIPTIONS	3,027,243
ATMS PER 100,000 ADULTS	50.6
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	72.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	91.8
MOBILE ACCOUNT (% AGE 15+)	5.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.7
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	35.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	53.9
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	33.2
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	11.9

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

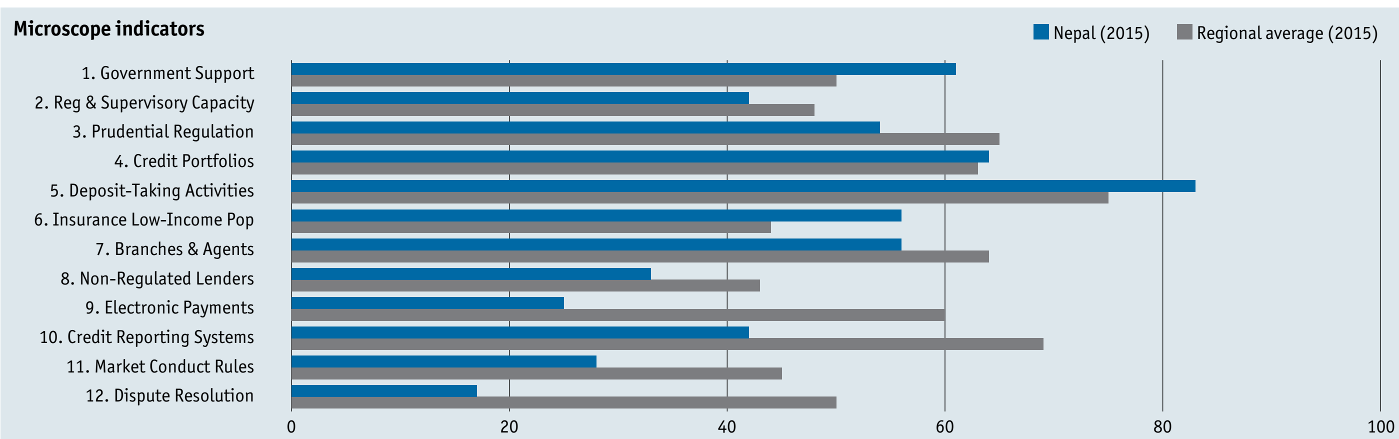
East and South Asia

Nepal

General landscape: According to the World Bank's Global Financial Inclusion database (Global Findex), a total of 34% of Nepal's adult population has bank accounts, with formal savings at 16% and formal borrowings at 12%. A study was recently conducted by Nepal Rastra Bank (NRB, the central bank) with support from the United Nations Capital Development Fund's (UNCDF) Making Access to Finance Possible (MAP) Programme. The results of the study, conducted with 4,014 adults across Nepal's 70 districts, indicate that 61% of Nepali adults are formally banked, while 21% use informal channels and 18% remain financially excluded. Survey results also show that men have higher levels of access to banking services and are more financially included than women in Nepal.

Financial inclusion highlights: Financial access in Nepal has been increasing, with the expansion of the network of financial institutions. As of July 2014 the branch network of commercial banks reached 1,547, as well as 818 branches of development banks and 239 branches of finance companies. On average, a banking and financial institution (BFI) branch serves 10,174 people. An increase in the number of branches of BFIs is considered to be one of the indicators of financial inclusion. The banking industry occupies the biggest chunk of the financial system; however, these are still concentrated in a handful of cities, especially in the Kathmandu valley. Despite continuous efforts from the NRB, there are still very few branches of BFIs in the least-served districts.

There have been a number of policy-level thrusts for financial inclusion. The NRB's monetary policy 2013-14 provided incentives for banks to open branches in remote and unbanked



areas of the country. According to a recent change in monetary policy, financial-service providers do not need to receive prior approval from NRB for 22 remote mountain districts. The government of Nepal has announced a policy for opening bank accounts for each household, in line with which the NRB is introducing a One Account in One Household campaign. NRB is also preparing regulatory directives to allow non-bank private institutions, such as telecoms operators, to deliver financial services. The NRB has developed a Financial Sector Development Strategy, including actions on financial inclusion. From this fiscal year, social-security payments from the government are to be made through banks. There have been moves to make micro-insurance more freely available. According to Insurance Board of Nepal's Micro-Insurance Directive 2014, insurance companies can sell micro-insurance policies through agents and local organisations, to enable wider coverage.

Challenges: Branchless banking and e-banking are showing significant progress in the country. The e-banking directive of NRB allows branchless-banking facilities in remote/rural areas by using smart cards through point-of-service (POS) machines, via agents. Agents are also able to activate a mobile-wallet account, but opening a bank account is done through the corresponding bank network. In Nepal's rural areas, payments are still largely in cash. Mobile banking is limited to receiving account information on mobile phones. However, there are still challenges to universal financial inclusion. There are no documented measures for consumer protection, nor clear rules that require non-discrimination in financial services in terms of gender, race, religion, caste, ethnicity, etc.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**39**	**+5**	**=40**	**+7**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	-17	=13	-9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	54	0	=41	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	64	+8	=22	+3
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	0	=12	+9
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	56	+31	=13	+2
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	56	+2	=38	-6
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	+33	=30	+20
9) REGULATION OF ELECTRONIC PAYMENTS	25	+12	=41	+6
10) CREDIT REPORTING SYSTEMS	42	0	=44	-1
11) MARKET CONDUCT RULES	28	+9	=38	+5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	0	=44	-3
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	37	0	=40	-3

NEPAL: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	28,174,724
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,370.1
GINI INDEX	32.8
MOBILE CELLULAR SUBSCRIPTIONS	23,196,036
ATMS PER 100,000 ADULTS	8.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	8.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	33.8
MOBILE ACCOUNT (% AGE 15+)	0.3
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	1.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	59.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	16.4
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	21.4

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

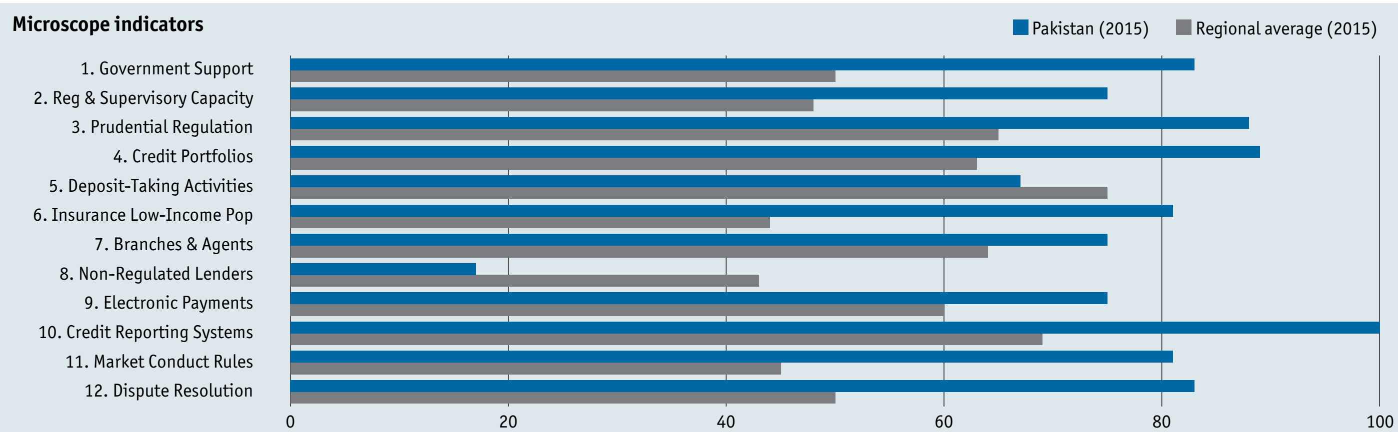
East and South Asia

Pakistan

General landscape: The level of financial inclusion remains low in Pakistan. Less than 14% of the population has access to any financial services. Microfinance reaches less than 3% of the population and less than 7% of small and medium-sized enterprises (SMEs) use formal finance for working capital or investments. There are three main players as regards financial inclusion in Pakistan: (i) microfinance banks (MFBs); (ii) microfinance institutions (MFIs; often non-governmental organisations, NGOs) and (iii) rural support programs (RSPs), which only extend loans to rural constituents. Availability of financial products and services has gradually improved, but access to finance continues to be limited, especially on the credit front. MFBs currently account for 70% of the asset base of the microfinance segment and have witnessed a huge rise in investor interest over the last few years. Despite the persistent energy crisis and security challenges, positive economic indicators, including lower inflation, falling interest rates and uptake of private credit have led to positive growth in the microfinance segment. The number of active borrowers increased from 3.1m (Q4 2014) to 3.32m (Q1 2015), whereas the gross loan portfolio increased from 66.7m to 73.7m in the same time period. Branchless banking continued to expand, and the value of transactions increased from PRs54.1m (around US$513,000) in December 2013 to PRs71.8m in December 2014. With the reduction in the cost of biometric verification, mobile-wallet transactions reached PRs9.7m in Q4 2014, compared to PRs7.9m in Q3 2014.

Financial inclusion highlights: The State Bank of Pakistan (SBP, the central bank) has developed a National Financial Inclusion Strategy (NFIS), which provides a framework and road map for priority actions, aimed at addressing constraints and significantly increasing access to and usage

Microscope indicators



of high-quality financial services. On the implementation side, there has been significant progress: (i) the government has simplified basic account opening, calling the initiative Asaan Account, with no minimum deposit or balance requirements; (ii) The Credit Bureau Act has been passed by the National Assembly, which will improve the regulatory framework, preserve consumer protection and increase the depth of available credit information; and (iii) the government has joined the global Better than Cash Alliance Initiative (BTCA), which signals its commitment to the digitisation of payment processes. In order to expand branchless banking and modern payment tools, SBP is also working on developing guidelines for the development of various e-money channels and instruments in the country. Several initiatives are underway in both the public and private sectors, including SBP's National Financial Literacy Initiative to promote financial literacy and awareness of products and services.

Challenges: The NFIS faces challenges in implementing its priorities of increasing and diversifying financial-service access points. The supply of credit to underserved markets is constrained by poor contract enforcement, deficiency in land titling and registration, and the absence of a secure transaction framework and electronic collateral registry for movable collateral. Lack of capacity in both financial institutions and clients is also a constraint to greater financial inclusion. On the client side, lack of financial literacy and awareness serves to limit demand for financial products and services.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**64**	**+6**	**5**	**+2**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	83	+39	=4	+18
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	75	+19	=7	+8
3) PRUDENTIAL REGULATION	88	+13	=9	+7
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	89	-3	=6	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	67	0	=34	+1
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	81	+6	=7	-2
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	75	0	=26	-4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	17	-83	=47	-46
9) REGULATION OF ELECTRONIC PAYMENTS	75	+4	=6	+1
10) CREDIT REPORTING SYSTEMS	100	+33	=1	+23
11) MARKET CONDUCT RULES	81	+30	=7	+14
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	+25	=6	+11
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	36	0	=44	-3

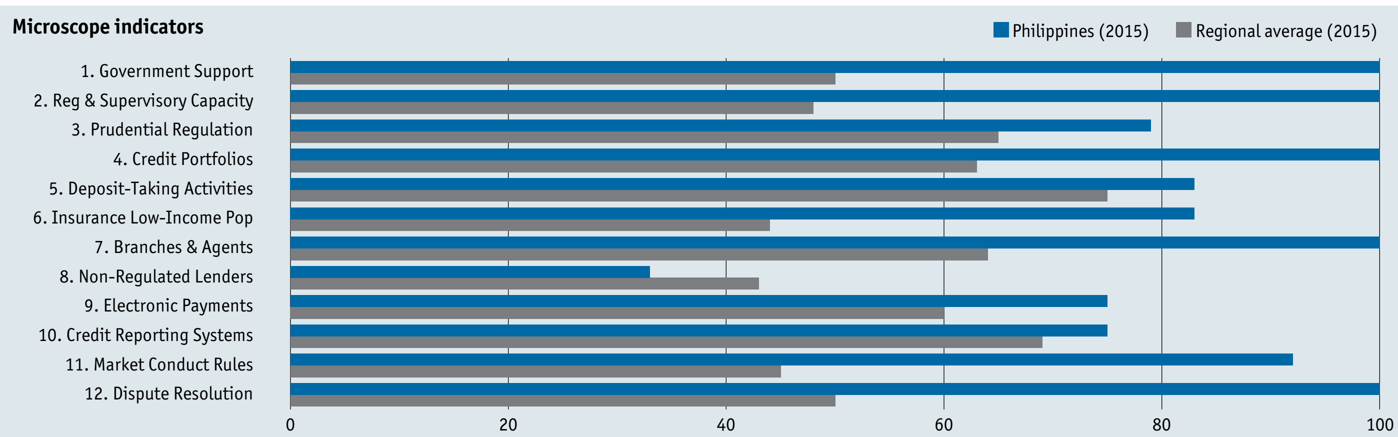
PAKISTAN: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	185,044,286
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	4,844.2
GINI INDEX	29.6
MOBILE CELLULAR SUBSCRIPTIONS	135,762,031
ATMS PER 100,000 ADULTS	6.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	9.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	8.7
MOBILE ACCOUNT (% AGE 15+)	5.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	3.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	1.5
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	49.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	3.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

East and South Asia

Philippines

General landscape: The Philippines continues to achieve considerable local and global milestones in its pursuit of financial inclusion, owing to the country's success in terms of the variety of players, which provides a wide range of financial services and products to the public. In 2014 the Bangko Sentral ng Pilipinas (BSP, the central bank) was honoured with the AFI Maya Declaration award for its tangible financial inclusion commitments. The growth of the banking system by 13.8% since the BSP signed the Maya Declaration in 2011 has resulted in the establishment of more than 1,200 new banking offices. The financial inclusion sector includes a variety of regulated and non-regulated providers, such as banks, credit co-operatives, microfinance non-governmental organisations (NGOs), pawnshops and e-money agents, to name just a few, which provide a wide range of financial services to the public. The BSP promotes an enabling environment for financial inclusion through the adoption of various regulations and the issuance of circulars that encourage the entry of new financial-service providers, and through products that serve the poor, while also ensuring the safe provision of such services. The addition of alternative financial-service providers, such as remittance agents, pawnshops, and mobile and telecommunications providers, complements banking services and has led to a decrease in the percentage of cities and municipalities that are unserved, from 36.6% in 2014 to 13% since 2011. Through the BSP's financial inclusion strategy, there have been increased opportunities for partnership with the private sector, especially in the area of technological innovation. In terms of financial capability, the BSP implements economic and financial-education programmes to reach audiences in targeted areas, as well as public-information campaigns, financial-education sessions for Filipinos overseas and their beneficiaries, financial-education exhibitions and financial-empowerment sessions.



Financial inclusion highlights: The National Strategy for Financial Inclusion, developed through a committee with 13 government agencies represented, was signed on July 1st 2015. The Strategy establishes a framework and action plan for the government and the private sector to take a co-ordinated and systematic approach to the development of a financial system that is accessible and responsive to the needs of the entire population. The Nationwide Baseline Survey on Financial Inclusion (NBSFI), the first-ever nationally representative survey of Filipino adults dedicated to collecting demand-side financial inclusion data from the perspective of the actual and potential users of financial services, was piloted in 2015. Results from the survey provide a more accurate picture of the state of financial inclusion in the Philippines in terms of access, usage, quality and perceived welfare. The BSP is also working on a National Retail Payment System that will revolutionise payments in the country, and is set to get off the ground within two to three years. The Credit Information Corporation, established under the Credit Information System Act in 2008, is now fully operational.

Challenges: While the Philippines has been a leader in promoting and creating an enabling environment for financial inclusion, there is still much to be done, as only 26% of adult Filipinos have savings accounts and only 10.5% have access to formal credit. Challenges remain in terms of scaling market innovations, particularly in technology-driven initiatives. There is also a chronic need for financial education and consumer-protection initiatives across regulated and non-regulated institutions.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**81**	**+2**	**3**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	100	0	=1	0
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	100	0	=1	0
3) PRUDENTIAL REGULATION	79	0	18	-5
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	100	0	=1	0
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	-17	=12	-11
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	83	-17	=5	-4
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+8	=1	+3
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+12	=6	+6
10) CREDIT REPORTING SYSTEMS	75	+17	=15	+18
11) MARKET CONDUCT RULES	92	+28	=3	+7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	100	0	=1	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	82	0	=7	+3

PHILIPPINES: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	99,138,690
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	6,982.4
GINI INDEX	43.0
MOBILE CELLULAR SUBSCRIPTIONS	111,326,045
ATMS PER 100,000 ADULTS	23.0
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	8.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	28.1
MOBILE ACCOUNT (% AGE 15+)	4.2
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	20.6
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.8
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	69.7
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.8
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	24.7

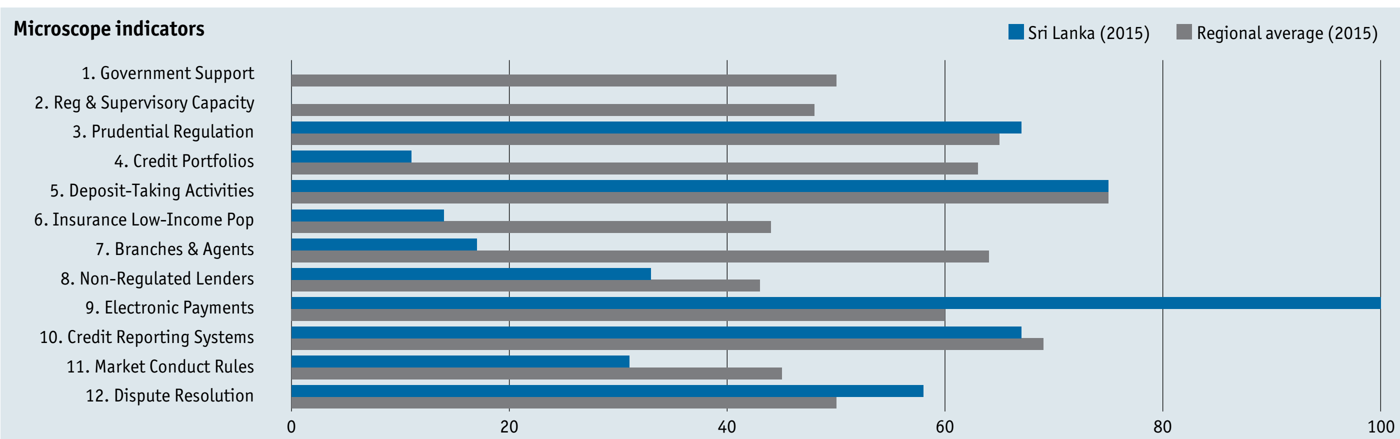
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

East and South Asia

Sri Lanka

General landscape: Sri Lanka's financial system includes a wide range of service providers, including formal financial institutions, such as regulated banks and leasing and finance companies; semi-formal institutions such as co-operatives, non-governmental organisation-microfinance institutions (NGO–MFIs), community-based organisations (CBOs), and state programmes such as Samurdhi. There are also informal sources of finance, such as money-lenders and rotating savings and credit associations (ROSCA). By the end of 2014, the Sri Lankan banking system had 34 licensed banks (25 domestic licensed commercial banks (LCBs) and 9 licensed specialised banks (LSBs)) and 12 branches of foreign banks. LCBs and LSBs accounted for 57% of the total assets of the financial system as of December 2014. The regulated non-bank financial segment represents 7% of the country's financial system and consists of 48 finance companies and eight leasing companies.

An island-wide survey of MFIs commissioned by the GTZ-ProMiS (Promotion of the Microfinance Sector) programme in financial year 2006/07 (Jan-Dec) showed a network of at least 10,000 outlets. In 2013 there were 2,080 co-operative rural banks and 8,424 thrift and savings and credit co-operative societies (SACCOS) operating in Sri Lanka. Both formal and semi-formal financial institutions, such as banks, leasing and finance companies, co-operative societies, and MFIs are the main players in financial inclusion in Sri Lanka. According to the World Bank's Global Financial Inclusion (Global Findex) Database, in 2011 around 69% of adults (over age 15) reported having an account at a formal financial institution such as a bank, finance company, co-operative, post office or MFI.



Financial inclusion highlights: In January 2015 a new interim government was formed. It introduced a draft law to regulate and supervise MFIs. The bill was approved by Cabinet in June 2015 and awaits passage. Experts interviewed believe that the bill will pass, as it has the support of all the major political parties. Sri Lanka's previous government initiated a financial-sector-consolidation plan in 2014, with the aim of creating a strong and stable financial sector by mid-2015. The main focus of the consolidation plan was the regulated non-bank financial institutions (NBFIs). The new government has put the consolidation plan on hold, leading to uncertainty regarding the future of the country's financial sector. During 2014 the Divineguma programme acted as the primary social safety net for those at the bottom of the pyramid. It is expected that the Samurdhi/Divineguma banks will be integrated with the Regional Development Bank in the near future.

In June 2014 the Central Bank of Sri Lanka introduced a guarantee scheme for bank lending secured against gold, to help reduce the build-up of non-performing loans (NPLs) in the country's banking system. The measure was meant to reverse the rapid decline in gold-backed lending. Pawning is a significant lending product in many Sri Lankan banks and NBFIs, and typically serves the financing needs of low-income households in need of emergency cash and for farming communities, for the purchase of agricultural inputs during the planting season. By the end of 2014, Sri Lankan had become fully interoperable for mobile money, offering an end-to-end interoperable mobile-payment system with common merchant partners, a network of agents for top-ups and withdrawals, and a uniform consumer experience. This has expanded the outreach of banks in rural areas.

Challenges: The volatile political situation in the country has been detrimental to financial inclusion, including a lack of progress on the passage of the Microfinance Bill. Strengthening of the regulatory framework governing the microfinance segment is crucial to improving financial inclusion in Sri Lanka. Much scope remains to improve financial inclusion, particularly related to the cost and quality of financial services provided, client protection and the sustainability of financial institutions.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	33	-2	47	-3
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	0	-33	55	-15
3) PRUDENTIAL REGULATION	67	0	=25	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	11	0	55	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	75	0	=25	+3
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	+14	=32	+6
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	17	0	=51	+1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	100	+29	=1	+6
10) CREDIT REPORTING SYSTEMS	67	0	=27	-3
11) MARKET CONDUCT RULES	31	-1	=36	-2
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	0	=17	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	39	-20	=38	-15

SRI LANKA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	20,639,000
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	10,527.5
GINI INDEX	36.4
MOBILE CELLULAR SUBSCRIPTIONS	22,123,000
ATMS PER 100,000 ADULTS	16.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	18.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	82.7
MOBILE ACCOUNT (% AGE 15+)	0.1
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.4
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	17.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	29.1
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	30.9
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	31.5

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

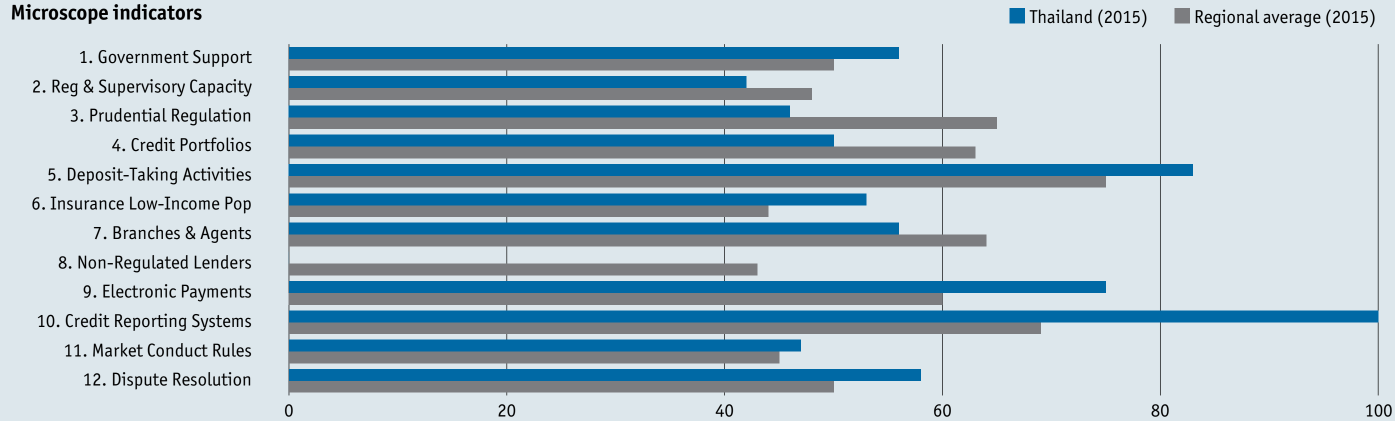
East and South Asia

Thailand

General landscape: At the end of March 2015, 91% of Thailand's deposits and credits were held in the commercial banks and the Specialised Financial Institutions (SFIs). The micro-level credits represent around 25% of the overall amount of credits. The growth in micro-credits, however, has been slowing down since 2013. Thailand's overall landscape in financial inclusion remains characterised by highly fragmented regulations and provision. The major players in providing financial services to the Thais are the commercial banks and the government-owned SFIs. The SFIs are also the main players in financial inclusion, especially in providing micro-credits. Despite having good capacity in providing financial services, these players have yet to put a major effort into promoting financial inclusion. The regulations still make it difficult for them to cover the cost of providing financial services to the poor. Their regulator, the Bank of Thailand (BOT, the central bank), has instead been putting emphasis on the overall safety and stability of the financial sector. This contributed to the SFIs' lack of emphasis on promoting financial inclusion. A change that helped expand financial access to the lower-income groups in Thailand was the expansion of the roles of non-bank financial institutions (NBFIs) in providing credits to the rural poor and the working class. Semi-formal financial institutions, including the financial co-operatives and the village funds (VFs), focus their financial services on the poor. These institutions lack capacity and are supervised by government departments that have remained under-equipped in terms of the number and expertise of their staffs.

Financial inclusion highlights: Plans to improve financial inclusion in Thailand have been at formulation stage since 2014, but have faced significant delays. The BOT's Financial Sector Master Plan Phase III should be released in 2015,

Microscope indicators



but remains under review. The Fiscal Policy Office's (FPO) Financial Inclusion Master Plan has been near release since late 2014. The plan's objective is to deal directly with the attempts to co-ordinate Thailand's fragmented regulators in promoting financial inclusion. The release of the plan is likely to be a valuable step. Nonetheless, the plan has faced a significant delay due to the current instability of Thai politics.

Challenges: Thailand's political climate has been dictated by the volatility of the current military rule. The volatility in politics has affected policymaking and implementation. The only change that happened from 2014, in relation to financial inclusion, was the introduction of the Nano-Finance scheme that allows credits for businesses to be given with the higher interest-rate cap of 36%. The scheme was only introduced early in 2015, and its effect is yet to be seen. The major challenge for the future development of Thailand's micro-finance is the current slowdown of the Thai economy. The Thai economy is currently facing a slowdown in household consumption, firms' investments and exports. The political volatility of the military regime means that the ability of the government to respond to the slowdown has been limited.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**49**	**+1**	**=26**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	56	0	=24	-11
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	46	0	=47	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	0	=36	-2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	-17	=12	-11
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	53	+28	=16	-1
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	56	+2	=38	-6
8) REQUIREMENTS FOR NON-REGULATED LENDERS	0	0	=52	-2
9) REGULATION OF ELECTRONIC PAYMENTS	75	+21	=6	+16
10) CREDIT REPORTING SYSTEMS	100	0	=1	0
11) MARKET CONDUCT RULES	47	-9	=22	-3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	0	=17	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	56	0	=28	-1

THAILAND: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	67,725,979
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	14,551.7
GINI INDEX	39.4
MOBILE CELLULAR SUBSCRIPTIONS	97,096,000
ATMS PER 100,000 ADULTS	104.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	12.2
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	78.1
MOBILE ACCOUNT (% AGE 15+)	1.3
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	13.9
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	15.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	50.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	40.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	5.3

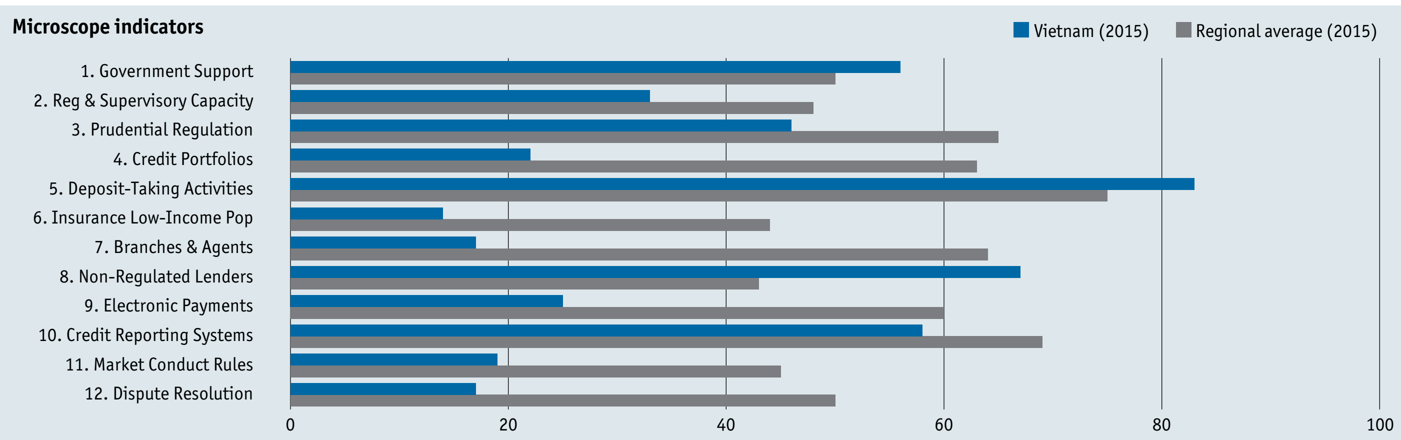
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

East and South Asia

Vietnam

General landscape: In Vietnam, there is no government policy on financial inclusion and state-owned entities provide the majority of formal products and services that target the poor. The Vietnam Bank for Social Policies (VBSP), which is the largest provider of finance services to the low-income population, offers subsidised loans at very low interest rates. In 2013 (latest data available), VBSP had around 7m customers and US$5.35bn in outstanding loans. Agribank and the People's Credit Funds, both of which are also state-owned, had about 2.6m customers and US$2.6bn in outstanding loans. State-owned entities account for the majority of the market, while smaller institutions work to complement the large players and reach the most vulnerable and underserved households and individuals. Other microfinance institutions (MFIs), which include formal (licensed MFIs) and semi-formal entities (non-governmental organisations, NGOs), had around 500,000 customers and around US$110m in outstanding loans. The State Bank of Vietnam (SBV, the central bank) supervises all formal institutions, except for the VBSP, which reports directly to the Ministry of Finance. Many semi-formal, unlicensed MFIs are unsupervised, donor-financed NGOs that work to adhere to international standards. Despite the lack of a financial inclusion strategy, the actual usage of the financial system has increased moderately in the last five years. From 2011 through 2014, the percentage of adults (over the age of 15) who reported having an account at a bank or other financial institution grew from 21% to 31%, according to the World Bank's Global Financial Inclusion Database (Global Findex).

Financial inclusion highlights: In the last year, there has been little progress on advancing regulation and initiatives to improve financial inclusion. In 2011 the government approved the Proposal for Building and Developing a



Microfinance System in Vietnam through 2020 (Decision 2195/2011). In the proposal, the government planned to develop regulation and training in the first phase, lasting through 2015. The plan in the second phase, through 2020, was to improve the framework and facilitate interoperability. However, the plan has lost some momentum and little progress to meet the first phase has been made. However, the government continues to work with international organisations to develop regulation for products that promote financial inclusion, such as agent banking and micro-insurance. The one area that shows some movement is electronic payments. In December 2014 the SBV granted four trial licences for mobile-wallet programmes. However, these products target affluent consumers with existing banking relationships and smartphones.

Challenges: Vietnam remains a cash-based economy, largely due to the fact that banking penetration rates are very low compared to those of other countries in the region; in 2014 (latest data available), the percentage of the population with an account at a formal financial institution was 31% as compared to an average of 69% in neighbouring developing countries. The regulatory framework around payment infrastructure is not yet comprehensive and does not provide a reliable service that is accessible to the low-income population. Cash on Delivery (COD) remains the dominant means of payment, but non-cash payments services are emerging.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**34**	**-5**	**46**	**-10**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	56	0	=24	-11
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-6	=37	-2
3) PRUDENTIAL REGULATION	46	0	=47	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	22	-6	53	-2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	0	=12	+9
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	17	-21	=51	-4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	25	-33	=41	-28
10) CREDIT REPORTING SYSTEMS	58	+8	=33	+8
11) MARKET CONDUCT RULES	19	+4	=44	+2
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	0	=44	-3
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	61	0	=22	-1

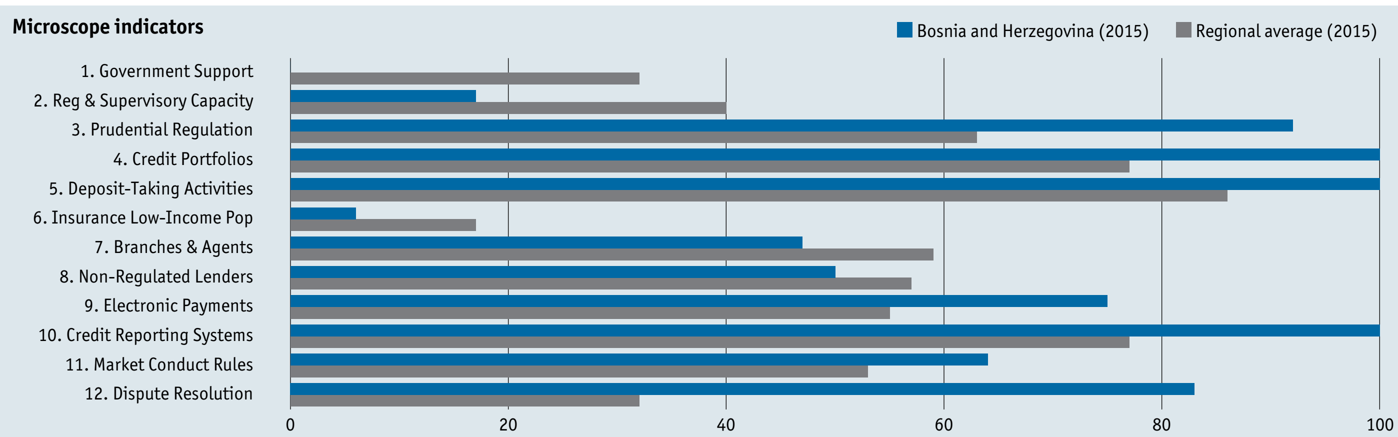
VIETNAM: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	90,730,000
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	5,629.0
GINI INDEX	35.6
MOBILE CELLULAR SUBSCRIPTIONS	136,148,124
ATMS PER 100,000 ADULTS	22.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	3.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	56.9
MOBILE ACCOUNT (% AGE 15+)	3.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	2.0
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	26.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	22.8
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	12.1

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Eastern Europe and Central Asia

Bosnia and Herzegovina

General landscape: While Bosnia and Herzegovina (BiH) does not have a defined strategic framework for financial inclusion, microcredit organisations (MCOs), which include microcredit foundations (MCFs) and microcredit companies (MCCs), play an important role as non-deposit-taking institutions in fostering financial inclusion. In 2014 there were 18 MCOs in BiH registered in either the Federation of Bosnia and Herzegovina (FBiH) or the Republic of Srpska (RS), and are supervised by the respective banking agencies. During 2014, licences of two MCOs were revoked, while one new MCO started up. In the end of the first half of the year, the balance sheet amount of MCOs was US$369m, a decrease of 3% compared to the end of 2013. The total credit portfolio of MCOs was lower by 2.1% compared to the end of 2013, partly due to the decrease in sources of funds. Stagnant household-lending activities continued through April 2015, as lending to the non-financial private sector has been low since the beginning of the year. Banks are generally liquid, but are tightening lending standards and segmenting clients more distinctly. In 2014, 24 insurance companies and one re-insurance company operated in BiH, the same number of insurance companies as in recent years. There are no non-regulated financial institutions in BiH; MCOs and banks are the only institutions providing loans. In BiH, interest-rate caps on loans are not set by regulations, but are formed by financial institutions based on supply and demand. The banking agencies in each entity (FBiH and RS) supervise over-indebtedness, collect information on the status of all individual persons and legal entities, and maintain differentiated and comprehensive risk-management frameworks for microcredit. In addition, the Central Bank of BiH manages a comprehensive credit registry that can be accessed by individuals and legal entities. Financial inclusion in BiH performs relatively well



compared to its peers, but gaps remain for selected market segments. A total of 56.2% of adults in BiH have an account at a formal financial institution and 31.9% of these account holders use it with high frequency, compared to the regional averages of 44.9% and 22.5%, respectively. Lending services have a large outreach compared to regional peers.

Financial inclusion highlights: Regulatory agencies (the Ministries of Finance for each entity, FBiH and RS) and supervisory bodies (entity banking and insurance agencies) have, in co-operation with the Central Bank, improved the regulatory framework in order to enable a high-quality operating environment for the financial sector, without explicitly referring to the low-income population. It is clear from regulations and regulators' reports that the government does not collect or analyse relevant information on the low-income population. Regarding micro-loans, banks are not interested in serving this sub-segment of the market, as the opportunities for cross-selling of products and services are limited. When it comes to transparency and client protection, the BiH government has developed a client-protective environment by creating and adopting a set of laws, bylaws and regulations that require financial institutions to provide transparency, good customer service, efficient dispute-resolution mechanisms, and other consumer-protection measures.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**51**	**+3**	**=20**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	17	+6	=50	+2
3) PRUDENTIAL REGULATION	92	0	=4	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	100	0	=1	0
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	6	+6	=48	-10
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	47	-3	=45	-8
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	75	+29	=6	+21
10) CREDIT REPORTING SYSTEMS	100	0	=1	0
11) MARKET CONDUCT RULES	64	0	=10	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	34	0	46	-4

BOSNIA AND HERZEGOVINA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	3,817,554
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	9,922.8
GINI INDEX	33.0
MOBILE CELLULAR SUBSCRIPTIONS	3,491,188
ATMS PER 100,000 ADULTS	42.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	31.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	52.7
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	14.0
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	25.1
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	8.8
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	11.6

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

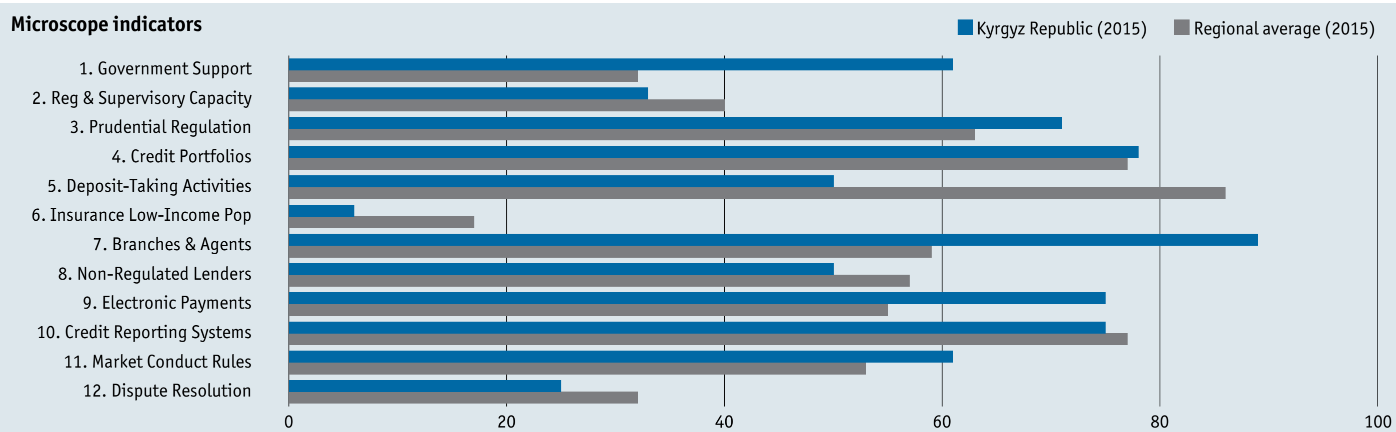
Challenges: The World Bank recommends that BiH develop and implement a financial inclusion strategy, including a financial--education strategy. Additionally, separate laws governing MCOs in the two entities are not aligned, which creates an uneven playing field for the segment. In the FBiH, it is recommended to: i) strengthen the supervisory powers of the Banking Agency, by expanding its enforcement toolkit and improving the framework of appeals; and ii) ease the corporatisation process for MCFs. The insurance industry in BiH is developing and mostly supplying traditional products and services without explicitly targeting the low-income population. Mobile, electronic and Internet-banking services exist in BiH within the banking industry; however, one of the risks in developing innovative and mobile services is that a law on electronic signature in BiH was adopted in 2006, but has not yet been implemented. This means that the banks are consciously taking a risk in providing electronic and Internet services. The failure to implement the law on electronic signature hinders the development of mobile-payment systems and any similarly innovative solutions.

Eastern Europe and Central Asia

Kyrgyz Republic

General landscape: The National Bank of the Kyrgyz Republic (NBKR, the central bank) has failed fully to implement its Mid-term Strategy for the Development of Microfinance in 2011-15, and, with the country entering a new political cycle (a parliamentary election was held on October 4th 2015), there is some uncertainty as to whether the goals set in the strategy will be implemented in the near future. While the strategy addressed most issues existing in the sphere, such as increasing financial awareness among the population, boosting the regulator's institutional capacity, and increasing the transparency of microfinance providers, the authorities failed to create a financial ombudsman to settle disputes in the financial sector and to institutionalise mechanisms of dispute resolution. However, the NBKR has managed to embark on a programme to increase financial awareness among the population. The microfinance market is maturing in Kyrgyzstan, as a second microfinance institution (MFI) has become a fully fledged commercial bank in 2015; very high minimum-capital requirements for deposit-taking MFIs encourage this trend, while lower minimum-capital requirements for non-deposit-taking MFIs discourages them from working with deposits. In the long run, this may result in the MFI market's being represented only by non-deposit-taking institutions. The maturation of the market is also reflected in the fact that 18% of the adult population had an account at a formal financial institution in 2014, up from only 4% in 2011, according to the World Bank Global Financial Inclusion Database 2014 (Global Findex).

Financial inclusion highlights: In December 2014 Kyrgyzstan adopted the Law No 21 on the Payment System, which clearly and comprehensively regulates the use of e-money in the country. The regulations set in the law should not constrain the market, and the law does not



require payments made with international cards to be processed in the country, a requirement that Kyrgyz lawmakers initially wanted to include in the bill, but which the government of the president, Almazbek Atambayev, opposed. The law strengthens financial inclusion in the country by providing a legislative basis for mobile and Internet banking, e-money and electronic payments, as well as electronic paperwork. Although the 2008 (in the 2015 reading) Law No 78 on Protection of Bank Deposits doesn't encompass deposits attracted by MFIs, the government has adopted a programme on preliminary measures to include MFIs' deposits in the deposit-insurance system. This would provide MFIs with funding from local sources, as the new regulations adopted (in March 2015) by the regulator limited the loans MFIs may attract from their shareholders to 100% of charter capital, so, if shareholders want to provide more funding, they will be forced to do so by increasing the charter capital of an MFI.

Challenges: Financial-consumer protection remains a challenge in the financial inclusion environment for Kyrgyzstan, as the creation of the institution of a financial ombudsman, envisaged by the mid-term strategy, has not yet materialised. Despite this, the NBKR claims that the number of consumer complaints has fallen in the past year. Kyrgyzstan's membership of the Moscow-led Eurasian Economic Union of Armenia, Belarus, Kazakhstan and Russia may change the operating environment for MFIs in Kyrgyzstan, if the union decides to start closer integration in the financial sphere. Whether or not this change will be beneficial to the microfinance segment in Kyrgyzstan depends on the country's ability to defend its interests in the free-trade bloc. The parliamentary election in early October is a crucial test for political stability in the country, as the 2010 constitution turned Kyrgyzstan from a presidential to a parliamentary republic. Another challenge to the development of the microfinance segment may indirectly come from an economic slowdown in Kyrgyzstan's major trading partners—Russia, China and Kazakhstan—which are also the main sources of investment and remittances. Russian economic woes, combined with economic troubles in Kazakhstan, may force hundreds of thousands of Kyrgyz migrant workers to return home, resulting in falling living standards for the segments of the population that rely on remittances.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	47	+4	30	+3
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+17	=13	+9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-6	=37	-2
3) PRUDENTIAL REGULATION	71	0	=23	0
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	78	0	13	-3
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	50	+12	=41	+6
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	6	+6	=48	-10
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	89	+6	=15	-4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	75	+50	=6	+32
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	61	0	15	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	-17	=36	-12
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	37	0	=40	-3

KYRGYZ REPUBLIC: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	5,834,200
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	3,322
GINI INDEX	33.4
MOBILE CELLULAR SUBSCRIPTIONS	7,563,444
ATMS PER 100,000 ADULTS	21.0
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	8.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	18.5
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	13.5
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	37.4
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	4.9
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	34.7

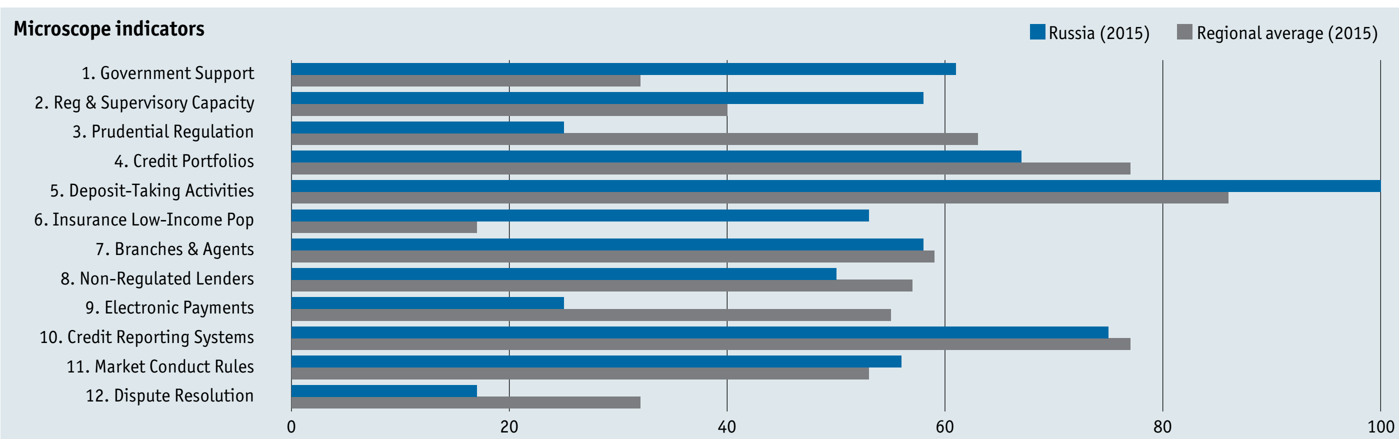
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Eastern Europe and Central Asia

Russia

General landscape: In 2014 the share of the adult population (15 or over) with an account at a financial institution was 67%, compared with 48% in 2011. Of these, women were slightly above the average, at 70%, while young adults (aged 15-24) were well below the average, at 54%. Of adults belonging to the poorest 40% and adults living in rural areas, 62% and 61%, respectively, had accounts at financial institutions. The landscape of providers consists of three main groups: banks and other credit organisations; non-financial organisations, such as microfinance institutions (MFIs) and credit co-operatives, which can lend, but cannot take deposits or give credit; and payment-service providers, such as money-transfer operators, e-money operators, mobile network operators (MNOs) and payment agents. The government has been very active in relation to financial inclusion over the last few years, with legislation bringing MFIs and credit co-operatives into the regulatory framework, as well as laws on payment systems and payment agents. Formerly divided between the Central Bank of Russia, the Ministry of Finance and the Federal Service for Financial Markets, most categories are now regulated and supervised by the Central Bank. This still leaves a large market for agricultural credit co-operatives (ACCs) that are regulated separately and overseen by the Ministry of Agriculture, as well as an unknown number of unregistered non-financial organisations (thought by some to outnumber the MFIs registered under the new law).

Financial inclusion highlights: There have been several regulatory changes at the beginning of 2015 that have the potential to affect the environment negatively, although their impact could be delayed and is likely to be more serious for smaller institutions. New interest-rate caps on consumer loans were temporarily suspended to allow banks and MFIs to reflect their full cost of



lending and to secure their continued ability to provide funds. In addition, the minimum capital requirement was raised from 180m to 300m roubles (from around US$2.8m to around US$4.7m), which could lead to the closure of many regional banks. According to the Association of Regional Russian Banks, this would have a negative impact on the segment, as regional banks are often closer to their customers, better suited to regional specifics, and operate in areas where the larger banks do not have a presence.

Challenges: While there has been significant progress in the regulatory framework for financial inclusion in recent years, there are still areas for improvement. Not enough is known about demand for particular services among the financially underserved, and, while there has been plenty of innovation in the segment, most people still use traditional channels. This is partly due to infrastructure—with more remote areas and populations not being reached—and partly due to a lack of education and trust in financial services. Clearly, more work can be done.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**45**	**n/a**	**=33**	**n/a**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	n/a	=13	n/a
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	n/a	=10	n/a
3) PRUDENTIAL REGULATION	25	n/a	=54	n/a
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	67	n/a	=18	n/a
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	n/a	=1	n/a
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	53	n/a	=16	n/a
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	58	n/a	=36	n/a
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	n/a	=18	n/a
9) REGULATION OF ELECTRONIC PAYMENTS	25	n/a	=41	n/a
10) CREDIT REPORTING SYSTEMS	75	n/a	=15	n/a
11) MARKET CONDUCT RULES	56	n/a	=17	n/a
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	n/a	=44	n/a
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	32	n/a	=47	n/a

RUSSIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	143,819,569
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	25,635.9
GINI INDEX	39.7
MOBILE CELLULAR SUBSCRIPTIONS	221,030,353
ATMS PER 100,000 ADULTS	155.6
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	38.4
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	67.4
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	10.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	30.2
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	15.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	12.9

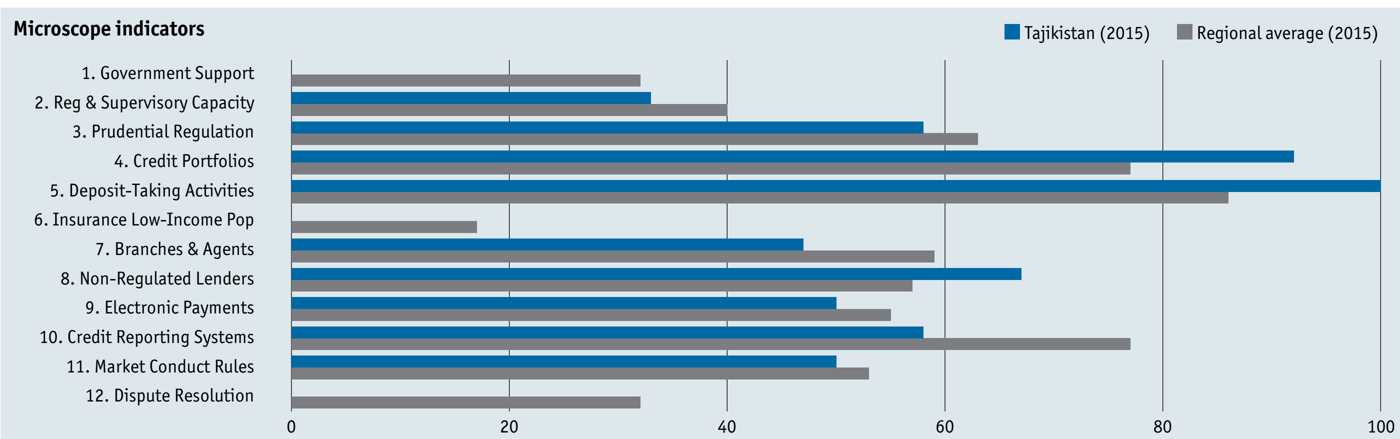
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Eastern Europe and Central Asia

Tajikistan

General landscape: The government and regulator have not yet adopted a strategy on financial inclusion, and the development of micro-leasing and micro-insurance still remains topical in Tajikistan. The country has not yet established a specialised body or capacity to effectively protect consumer rights in the financial sector. Although the government has repeatedly stated the importance of financial inclusion and the role of the microfinance segment, the regulations set for minimum-capital requirements have been tightened, which has given rise to concerns about the survival of smaller microfinance institutions (MFIs) in the country. The number of MFIs has been steadily increasing, and reached 120 in 2013 from 20 in 2005. At the same time, in terms of the volume of credit issued to the population, MFIs rival commercial banks, but serve significantly greater numbers of clients than do banks. Generally, financial inclusion indicators are poor in Tajikistan, where only 15% of people aged over 15 had bank accounts, 2% formal savings and 4% formal borrowings in 2014, according to the World Bank's Global Findex Database.

Financial inclusion highlights: The regulator has significantly increased minimum-capital requirements several times in recent months, to "consolidate activities of microcredit deposit organisations (MDOs) and to efficiently regulate their activities". Additional increases, which will be carried out in stages between October 1st 2015, and April 1st 2016, are believed to be too much over this time period. The number of MFIs, which stood at 120 before the minimum-capital requirements took effect in October 2015, may fall, as some MFIs will be forced to merge or leave the market. In October 2014 the government passed a resolution No. 679 to adopt a Strategy for the Development of the Payment System in 2015-25, which aims to ensure efficient and



reliable operations of the payment system, and increase access to and quality of payment services. The Credit Information Bureau of Tajikistan, established in June 2013, is now capable of updating credit information only once a month, although it is working to increase this to twice a month. As of summer 2015 it had not started offering credit information on potential borrowers online.

Challenges: There has been significant geopolitical instability in Tajikistan. In August the authorities ordered the closure of the opposition Islamic Revival Party, resulting in Islamic-leaning insurgents', led by the sacked deputy defence minister, General Abduhalim Nazarzoda, attacking a police post, killing nine officers, in early September. In May another high-profile US-trained security officer, special-task police commander Colonel Gulmurod Halimov, defected to the Islamic State (IS) group. The government has also embarked on a campaign to clamp down on Islamic practices and education, outlawing hijabs and beards. All this has given rise to concerns over political stability in Tajikistan, where a peace deal that ended a civil war between the regime of president, Emomali Rahmon, and Islamic rebels in 1992-97, envisaged power-sharing with the region's only officially registered Islamic party. The increase in minimum-capital requirements for MFIs may force smaller players out of business, limiting access to microfinance products in remote and rural areas. The government's inability to maintain political and economic stability may lead to the further tightening of security measures which, in turn, may impose restrictions on people's economic and political freedom. An economic slowdown in Russia and a weak rouble mean that there are fewer opportunities for hundreds of thousands of Tajik labour migrants to find jobs or earn decent wages, in order to send remittances home. Remittances from Russia to Tajikistan, which were equivalent to 42% of GDP in 2014, are expected to fall by 40% in 2015, according to the World Bank. Returning labour migrants, falling incomes and restrictions on practising religion are serious factors in political, as well as economic, destabilisation in Tajikistan.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**38**	**0**	**44**	**-6**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	+5	=37	+6
3) PRUDENTIAL REGULATION	58	+4	=35	+7
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	92	-2	5	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	0	0	=52	-14
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	47	+1	=45	-1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	+25	=23	+15
10) CREDIT REPORTING SYSTEMS	58	+16	=33	+10
11) MARKET CONDUCT RULES	50	-11	21	-6
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	0	=50	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	29	-22	49	-19

TAJIKISTAN: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	8,295,840
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,690.8
GINI INDEX	30.8
MOBILE CELLULAR SUBSCRIPTIONS	7,999,100
ATMS PER 100,000 ADULTS	10.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	6.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	11.5
MOBILE ACCOUNT (% AGE 15+)	0.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	3.8
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	24.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	1.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

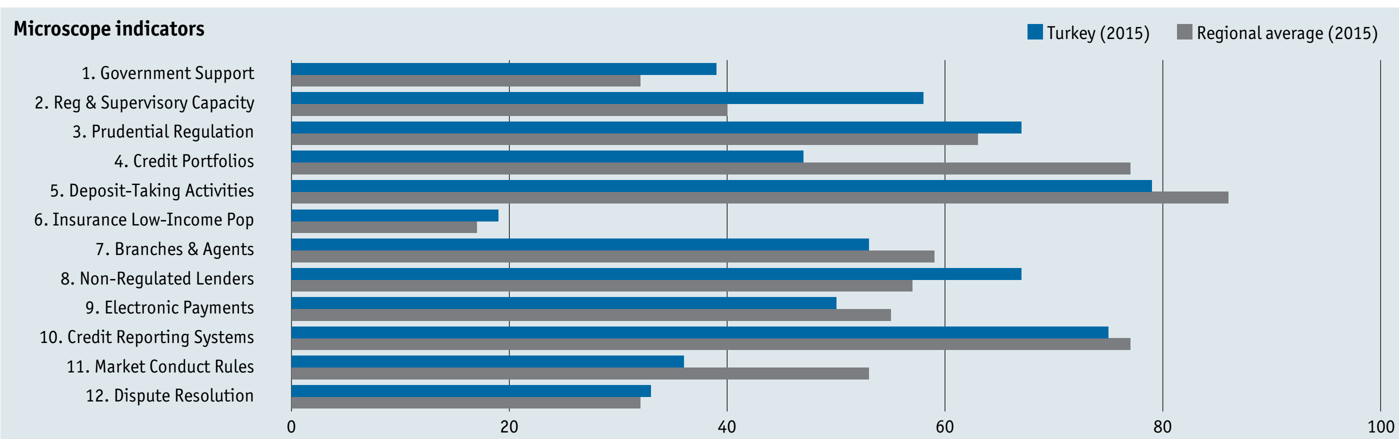
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Eastern Europe and Central Asia

Turkey

General landscape: The business and regulatory environment for small and medium-sized enterprises (SMEs) in Turkey has improved considerably in the past decade; however, its microfinance segment remains underdeveloped. In 2014, 91.8% of the adult population held an account with a financial institution, and 65.7% had a debit card. The Turkish government prioritised financial inclusion in both the G20 agenda and its national agenda, as it assumed the G20 chairmanship in December 2014. Turkey's payment infrastructure is accessible to both payers and payees. Turkey has 20 automated teller machines (ATMs) for every 100,000 adults, which provides physical access points for low-income populations. Commercial banks and telecommunications companies have driven innovation in digital-payment services that have increased convenience for account holders and lowered costs of delivery services in rural regions. The Electronic Payment Law enacted in 2013 that bars banks from using agents has not deterred banks from seeking innovative solutions for branchless mobile banking. Despite the availability of services, however, the challenge has been encouraging use by low-income populations. Only a few entities provide microcredit: two state banks, two private banks, and two microfinance institutions (MFIs) registered as foundations—the Turkish Grameen Microfinance Programme and Maya Enterprise. Despite organic growth of financial services and state-level initiatives, it is unclear whether the products and services are actually reaching low-income populations.

Financial inclusion highlights: Turkey has made strides in developing and implementing a financial inclusion policy that focuses on consumer financial protection and education, but the strategy notably excludes the promotion of access to financial services. In June 2014 the



Turkish government issued its Financial Inclusion Strategy and Action Plan (2014–17), which is to be coordinated by the Financial Stability Committee, established in June 2011. The Banking Regulation and Supervision Agency (BRSA) is in charge of executing the action plan for consumer protection, and the Capital Markets Board (CMB) is in charge of the action plan for financial education. However, other regulatory developments have raised concerns in respect of innovation in digital financial inclusion. The Electronic Payment Law No. 6493 (2014) requires that an e-money institution obtain an operating licence from the BRSA. Eligibility requirements include having paid-up capital of at least TRY5m (US$1.7m) and fulfilling other corporate and operational requirements, as well. Existing e-money institutions in the market consist mostly of banks and telecoms companies that would not face difficulty fulfilling these requirements. Other non-traditional financial-service providers may be deterred from entering the market. Although the effects of the regulation are, as yet, unclear, the regulation may negatively affect the growth of non-traditional financial services that could serve low-income populations.

Challenges: Turkey's financial inclusion policy in respect of increasing access to financial services for low-income populations leaves much room for improvement. Turkey's financial inclusion strategy, issued in 2014, does not include a plan for improving access to financial services, and vague or restrictive regulations constrain further diversification of financial-service providers. Non-bank financial institutions (NBFIs) represent about 8% of total financial-sector assets in Turkey, limited in part by the fact that Turkish law does not define or regulate MFIs. The process by which the Turkish Grameen Microfinance Programme and Maya Enterprise (the two existing MFIs) were established does not present replicable models. The legal framework also fails to define microcredit or micro-insurance. Although no major shocks have impeded access to financial services in 2015, the Central Bank of the Republic of Turkey's (CBRT) macro-prudential measures, enacted in 2013 through 2015 to rein in the explosive level of consumer debt, has led to a decline in consumer credit. The restricted access to credit has led to consumers' greater reliance on loans, but loans often have high fees and interest rates that are restrictive for low-income populations. The lack of a robust microfinance segment leaves low-income populations vulnerable to such developments in the banking industry.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**50**	**+4**	**=23**	**+5**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	39	+17	=32	-1
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	67	0	=25	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	47	+19	=43	+8
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	79	-9	=23	-8
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	19	+19	=28	+10
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	53	+3	=42	-5
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	-17	=23	-12
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	36	+7	=33	+3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	33	0	=32	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	82	0	=7	+3

TURKEY: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	75,932,348
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	19,226.1
GINI INDEX	40.0
MOBILE CELLULAR SUBSCRIPTIONS	71,888,416
ATMS PER 100,000 ADULTS	73.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	20.1
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	56.5
MOBILE ACCOUNT (% AGE 15+)	0.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	20.0
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	50.4
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	9.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	23.2

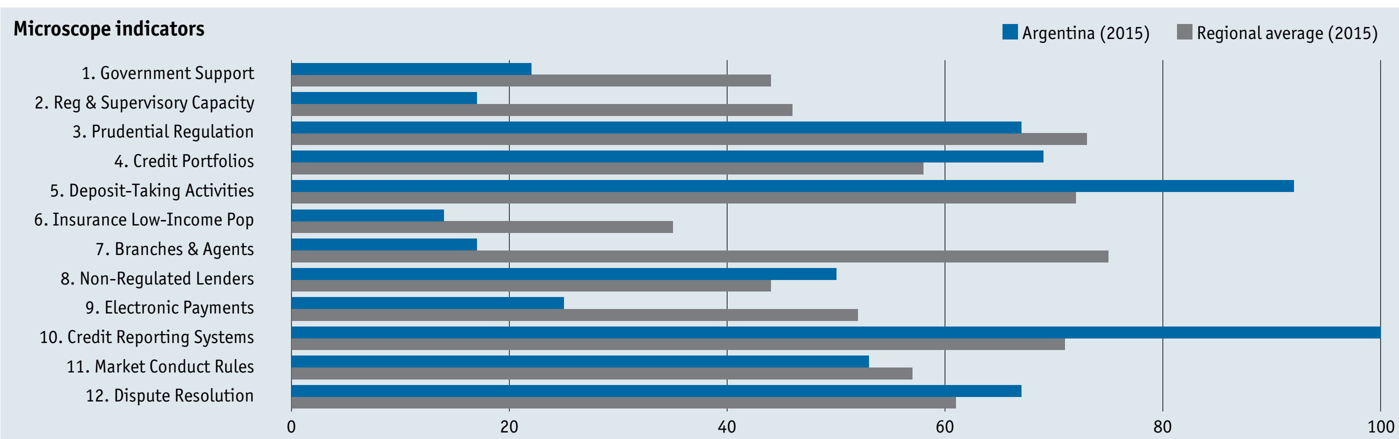
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Argentina

General Landscape: Argentina houses a large number of financial institutions that range from public and private national and international banks, such as Banco de la Nación Argentina, Banco de Galicia, Banco Ciudad de Buenos Aires and HSBC, to credit co-operatives like Banco Credicoop and microfinance institutions (MFIs), such as Alternativa 3 and Avanzar. In the absence of a formal financial inclusion strategy, Argentina has implemented a number of measures to promote financial access. For instance, since 2010, the Banco Central de la República Argentina (BCRA, the Central Bank) has enabled banks to provide free bank accounts (Cuenta Gratuita Universal, CGU) to individuals who match certain low-income criteria, a policy that aims to create positive impacts in terms of financial inclusion. According to the World Bank's 2015 Global Financial Inclusion database, in 2014 account penetration among adults in the poorest 40th percentile of households was 44%, compared to 35% and 56% in Uruguay and Chile, respectively. In addition, the creation of the National Commission for Microcredit (CONAMI) in 2006 and now Impulso Argentino has facilitated access to microcredit by supporting social entities that provide these services. Despite these efforts, the regulatory environment remains underdeveloped in Argentina. The lack of formal government guidance on financial inclusion leads to other issues, such as lack of data collection on products targeting low-income populations.

Financial inclusion highlights: Argentina has long had microcredit on its agenda, but, compared to other Latin American countries it has made only slow progress towards establishing strong mechanisms to boost the sector. However, the BCRA has recently announced a national plan on inclusive banking, created to "reach a deeper financial inclusion strategy and a significant reduction in transactions using physical money by



2019". The financial regulator, BCRA, has already put in place a financial-literacy programme, a joint initiative with the Minister of Education, to promote financial capability among youth. Furthermore, the BCRA has announced a series of amendments to the regulatory framework, including clauses to expand current caps on monthly transactions of the CGUs and to encourage banks to devote portions of their credit portfolios to micro-loans. Also the BCRA is exploring different regulations in order to attract telecommunications companies into the process of financial inclusion.

Challenges: The lack of a formal financial inclusion regulatory framework means the environment is not conducive to new players' offering financial products to the population at the base of the socioeconomic pyramid. Commercial banks control the market and, although some do offer financial services that target low-income customers, these products are not a priority for these institutions, due to perceived higher risk and lower profit margins. Argentina holds enormous potential to promote financial inclusion through mobile services, given that most of the population owns a mobile phone. However, a study conducted by the Mastercard Mobile Payments Readiness Index in 2014 has indicated that the ability of financial-services organisations, telecommunications companies and government to work together to develop mobile payments is modest. On a positive note, experts are confident that the current financial inclusion developments will likely continue to be high on the country's social-development agenda.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**39**	**+3**	**=40**	**+2**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	+22	=37	+3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	17	+6	=50	+2
3) PRUDENTIAL REGULATION	67	0	=25	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	69	+5	17	+2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	92	0	9	+5
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	17	-8	=51	0
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	25	+12	=41	+6
10) CREDIT REPORTING SYSTEMS	100	+33	=1	+23
11) MARKET CONDUCT RULES	53	-10	20	-7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	67	0	=15	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	17	+2	51	-3

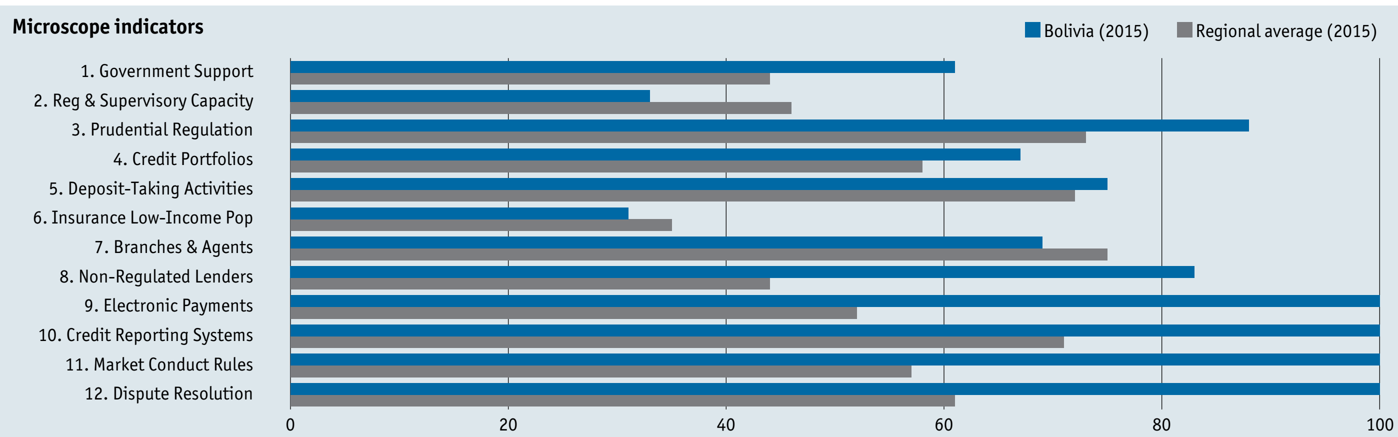
ARGENTINA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	42,980,026
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	–
GINI INDEX	43.6
MOBILE CELLULAR SUBSCRIPTIONS	66,356,509
ATMS PER 100,000 ADULTS	57.4
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	13.5
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	50.2
MOBILE ACCOUNT (% AGE 15+)	0.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	3.4
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	8.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	19.1
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	4.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	6.3

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Bolivia

General landscape: The landscape for financial inclusion in Bolivia has been shifting over the last several years, as the government has taken a larger role in shaping the financial system, while private banks have seen taxes on profitability increased. Since the president, Evo Morales, came to power in 2005, government policy has prioritised social development and has used financial inclusion as a tool to reduce poverty. In particular, the Financial System Law of 2013 (Law 393 of 2013) has language that essentially subordinates financial sector activities to social objectives. The law also introduced interest rate ceilings for certain loans, interest rate floors for deposits and quotas for lending into productive sectors. The final impact of these measures is to be seen in the next few years, and may result in unintended consequences. Nonetheless, the focus on expanding financial inclusion has increased access and usage significantly in the last five years. From 2011 through 2014, the percentage of adults (over the age of 15) who reported having an account at a bank or other financial institution grew from 28% to 42%, according to the World Bank's Global Financial Inclusion Database (Global Findex). Also, numbers of points of service (POS) reached 28.1 per 100,000 adults in 2013, which is high compared to neighbouring countries. Banks still play the largest role in offering financial services, with more than 90% of total deposits and loans in the system. Regulated credit unions (CUs) and savings and credit co-operatives (SACCOs) make up the remainder of the regulated system. Unsupervised players are mainly social co-operatives that register with the General Direction of Cooperatives (DIGECOOP), and many of these have begun the process to become supervised. Information for these non-regulated service providers is scarce.



Financial inclusion highlights: The Autoridad de Supervision del Sistema Financiero (ASFI, the financial regulator), is working to raise the marketplace standards of financial services for the poor. On the supply side, ASFI is bringing more operations and transparency standards for non-bank entities by incorporating them into regulation though the Financial System Law of 2013, which introduced rules for transformation. In August 2014, non-governmental organisations (NGOs) that were classified as private funds were incorporated as banks. As of June 2015, there were 14 financial-development institutions and 50 co-operatives that are in the process of meeting regulatory standards. On the demand side, ASFI is working to build financial literacy and awareness.

Challenges: Coverage and access remain key challenges on the supply side for financial inclusion. According to ASFI's report on financial inclusion for June 2015, the number of access points for financial services was 4,725, where 2,566 of those were automated teller machines (ATMs; that is, POS for existing customers only) and the remaining were branches, agents and others. Bolivia's population density is among the lowest in Latin America, making the cost of reaching certain rural populations very high. In June 2015, 39% of a total of 327 localities did not have any financial institutions operating within their borders. However, this represented 4% of the population. Since the Financial System Law of 2013 has changed incentives over profits for financial intermediaries, it is unclear whether these will invest the resources to reach underserved areas.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**60**	**+2**	**=8**	**-1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+39	=13	+18
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-6	=37	-2
3) PRUDENTIAL REGULATION	88	0	=9	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	67	-11	=18	-8
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	75	+17	=25	+13
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	31	-19	=23	-12
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	69	-14	=30	-19
8) REQUIREMENTS FOR NON-REGULATED LENDERS	83	-17	=5	-4
9) REGULATION OF ELECTRONIC PAYMENTS	100	+12	=1	0
10) CREDIT REPORTING SYSTEMS	100	0	=1	0
11) MARKET CONDUCT RULES	100	0	=1	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	100	+17	=1	+4
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	15	0	52	-4

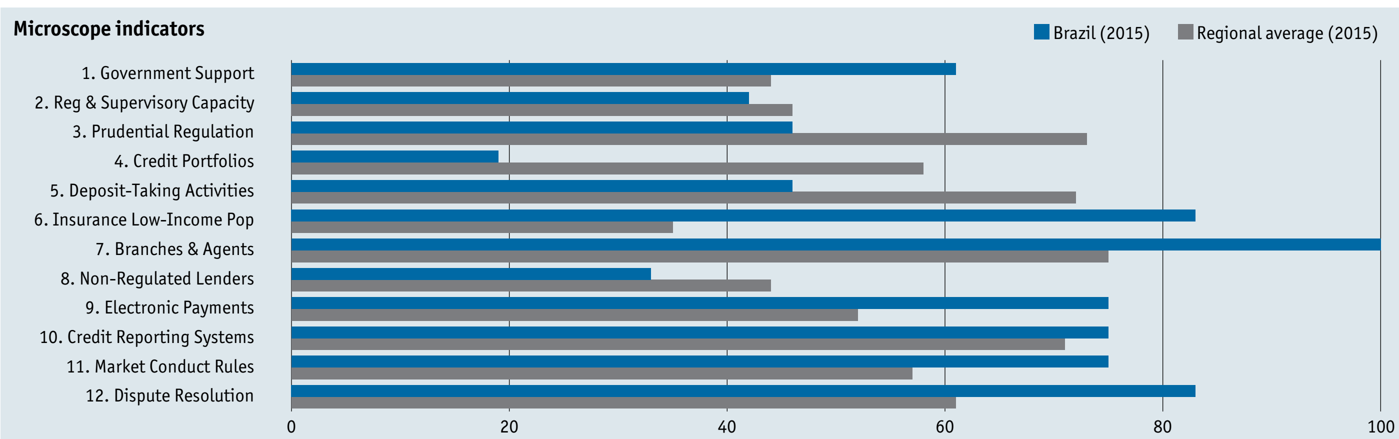
BOLIVIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	10,561,887
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	6,624.1
GINI INDEX	46.6
MOBILE CELLULAR SUBSCRIPTIONS	10,450,341
ATMS PER 100,000 ADULTS	32.2
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	11.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	40.7
MOBILE ACCOUNT (% AGE 15+)	2.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	7.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	19.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	35.7
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	23.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	10.2

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Brazil

General landscape: Financial inclusion continues to advance at a modest pace, with 68% of Brazilian adults having a bank account in 2014 (up from 63% in 2012) and 12% having formal loans in that year, according to the World Bank Global Findex data base. Commercial and state banks continue to dominate financially inclusive services, taking advantage of their large correspondent-banking networks, which reach every municipality. However, credit co-operatives have an important presence as well, and lesser roles are played by non-governmental organisations (NGOs), including specialised microcredit NGOs, called organizações da sociedade civil de interesse public (OSCIPs). State banks face pressure to lend more to lower-income groups, in part through low-cost public second-tier funding, tied to interest-rate caps. Household indebtedness is growing, as middle- and low-income Brazilians took on more debt in headier times through credit cards, bank loans, and consigned and retail credit. Meanwhile, a cross-agency effort to improve regulatory reform and promote financial capability through education and training has brought promising actions in elementary and middle schools and adult-education programmes for low-income women and retirees. Major private actors who serve as government interlocutors on financial inclusion include the Federação Brasileira de Bancos (FEBRABAN, Federation of Brazilian Banks), Organização das Cooperativas Brasileiras (OCB, Organization of Brazil Cooperatives), Associação Brasileira das Empresas de Cartões de Crédito e Serviços (ABEC, Association of Brazilian credit-card and credit-services companies), the Associação Brasileira de Bancos (ABBC, Brazilian Banking Association), and Associação Brasileira de Entidades Operadoras de Microcrédito e Microfinanças, (ABCRED, Brazilian Association of Microcredit and Microfinance Entities).



Financial inclusion highlights: Several positive developments and trends must be weighed against policy moves with uncertain results and a difficult macroeconomic and political environment. The maximum monthly limit for simplified checking and savings accounts was raised to enhance the appeal of banking relationships to lower-income segments, even though savings yields are currently negative in real terms. Over the 2009-15 period, more than 6m informal workers have been registered as micro-enterprises and are now able to issue receipts, hire workers, join the social-security system, and apply for bank loans as businesses. The co-operative system continues to grow and benefit from more tailored regulation; an increasingly important cornerstone of financial inclusion efforts. In addition, the number and variety of micro-insurance products and providers continues to grow. Nonetheless, 2003 regulations permitting loan customers to "shop around" more easily, by shifting loans to other institutions with lower interest rates through an electronic system, had no immediate positive impact, amid rising interest rates. The "positive credit registry" created in 2013, detailing not just bad debts, but also more detailed borrower credit histories, has failed to gain broad acceptance.

Challenges: The biggest challenges stem from measures implemented in early 2015, which suspended subsidised government-funding programmes for microcredit and low-income housing loans and cutbacks in development-bank on-lending. Although the heavy state presence has distorted the market and skewed the playing field towards large public banks, its abruptness and indefinite duration seem to have created an uncertain future environment for some borrowers. All this occurred against a backdrop of recession, efforts at fiscal tightening, growing inflation and unemployment, and corruption cases affecting major public institutions and the political class. Institutions not dependent on subsidised state funding seem to be faring better so far. A possible silver lining of the current crisis would be if it results, in the long term, in a more competitive environment for financial services, featuring a broader variety of institutions and building on innovations that have taken place over this decade.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**53**	**0**	**=17**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+17	=13	+9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-19	=23	-9
3) PRUDENTIAL REGULATION	46	0	=47	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	19	-17	54	-8
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	46	-17	46	-9
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	83	+8	=5	0
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+17	=1	+10
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	-17	=30	-14
9) REGULATION OF ELECTRONIC PAYMENTS	75	+29	=6	+21
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	75	-3	9	-1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	44	0	=31	+1

BRAZIL: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	206,077,898
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	15,838.0
GINI INDEX	52.7
MOBILE CELLULAR SUBSCRIPTIONS	280,728,796
ATMS PER 100,000 ADULTS	130.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	47.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	68.1
MOBILE ACCOUNT (% AGE 15+)	0.9
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	5.4
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	22.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	12.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	8.1

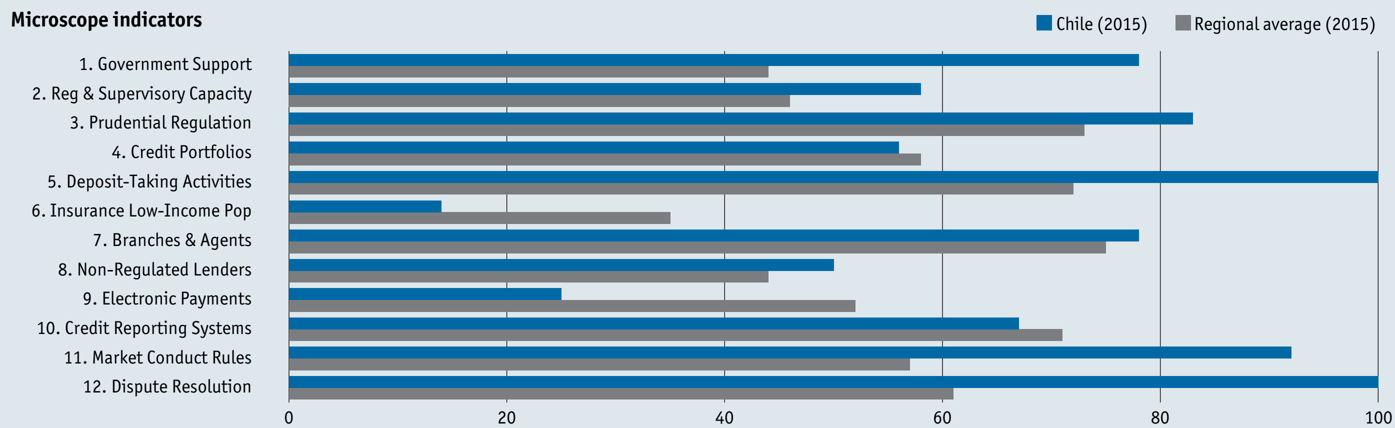
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Chile

General landscape: With strong institutions and a large financial sector, Chile has achieved deep integration into the global financial system. The country has adopted International Financial Reporting Standards (IFRS) and has been discussing best practices to align with Basel-III principles. Chile's financial inclusion framework focuses on three dimensions: use, access and quality. Under such dimensions, there are priority components: expansion of financial-education programmes, enhancement of consumer-protection rights, promotion of e-payments, and development of a regulatory framework. To support this strategy, in June 2014 the Finance Ministry established a Commission for Financial Inclusion with the mission of advising the president on financial inclusion measures to improve Chileans' access to financial tools. It remains to be seen what would be the resulting changes in the regulatory framework of Chile following the work of this Commision. The Superintendencia de Bancos e Instituciones Financieras (SBIF, Superintendence of Banks and Financial Institutions) serves as the general financial regulator in the country. The industry is dominated by large private banks and one large public bank—Banco del Estado, which offers various products to the poor, including simplified bank accounts. Other key financial inclusion players in the country include microfinance institutions (MFI), such as Emprende Microfinanzas and Fondo Esperanza, as well as Oriencoop, a credit co-operative. Recent data show that the number of commercial branches per 100,000 adults was 17.1. However, if the number of outlets (cajas vecinas) operating under the Banco del Estado (11,461) were taken into account, this ratio would be much higher, at 66 outlets per 100,000 people. The latest data from the World Bank show that 15% of the poorest 40% of the population borrowed money from a financial institution in 2011. These numbers are

Microscope indicators



aligned with neighbouring Argentina (14%), but fall behind Brazil (23%).

Financial inclusion highlights: During a shared-prosperity conference held in Chile in 2015, the president, Michelle Bachelet, reiterated her commitment to financial inclusion. Since 2013, the government has been issuing strong public financial inclusion statements. Through the Maya Declaration, Chile emphasised its responsibilities to offer electronic payment as the default option for most of the benefits delivered by the state, educate beneficiaries about the convenience of e-payments and facilitate recipient access to a simplified debit account. As of 2015, no major events have happened within the financial inclusion sector, but Chile already ranks among the countries with the highest rates of financial inclusion in the region, according to the 2014 Microscope.

Challenges: Despite the strong regulatory framework for financial services in Chile, there are some challenges that must be addressed in order to improve financial inclusion. For example, there is no specific regulation for microcredit or micro-insurance. Smaller financial providers face entry barriers to offering these products, due to the extensive list of requirements to be met prior to putting them on the market. Since these microcredit or micro-insurance providers fall under the broad regulatory framework, providers may encounter issues when adapting these products to the realities of the low-income-consumer segment. Specific regulation of financial products could be helpful in extending coverage to rural areas.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**62**	**-4**	**=6**	**-2**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	0	=6	-2
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+14	=10	+15
3) PRUDENTIAL REGULATION	83	0	=16	-5
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	56	-11	=32	-15
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	78	+3	=21	+1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	25	0	=41	-3
10) CREDIT REPORTING SYSTEMS	67	0	=27	-3
11) MARKET CONDUCT RULES	92	-2	=3	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	100	0	=1	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	71	-22	=13	-12

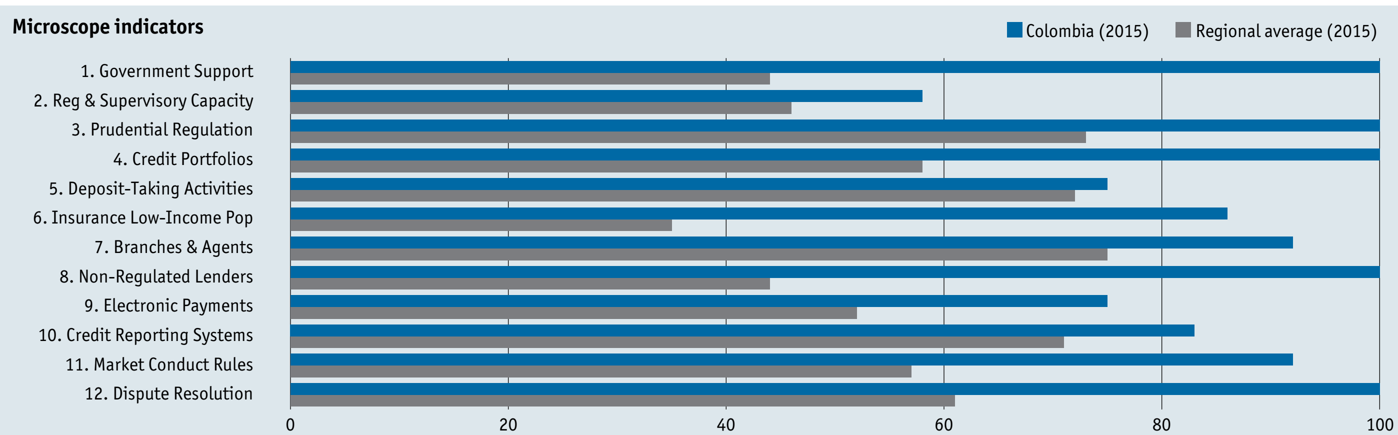
CHILE: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	17,762,647
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	22,346.0
GINI INDEX	50.8
MOBILE CELLULAR SUBSCRIPTIONS	23,683,351
ATMS PER 100,000 ADULTS	64.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	17.2
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	63.2
MOBILE ACCOUNT (% AGE 15+)	3.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.9
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	15.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	28.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	15.0
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	18.0

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Colombia

General landscape: Financial Inclusion is a key policy focus in Colombia, which cuts across various government agencies and the private sector. The government of the president, Juan Manuel Santos, has prioritised financial inclusion goals as part of its 2014-18 national development plan, in particular aiming at lifting the share of the population with access to at least one financial product, from 72% in 2014 to 82% by 2018, while elevating the share of adults with an active savings account from 53% to 65%, and reducing the use of cash—by lowering the cash-to-M2 ratio, from 11.5% to 8.5%—over the same period. Achieving these goals largely depends on the effective implementation of existing, recent and upcoming financial inclusion legislation. The institutional framework of Colombia's financial sector will remain supportive of the government's financial inclusion goals. The Banca de las Oportunidades (BdeO) supports and co-ordinates policy recommendations and implementation. The Superintendencia Financiera de Colombia (SFC, the financial supervisor) maintains high standards in monitoring the growth of financial inclusion products and controlling over-indebtedness, all against a backdrop of strong consumer-protection rules, which are effectively enforced. Public (for example, the Banco de la República, the central bank) and private (for example, Asobancaria and Fasecolda, the private associations of bankers and insurers, respectively) entities monitor and research financial inclusion in the country. Banking institutions seize on new regulation to offer new products and services that have helped to increase financial inclusion. A couple of commercial banks have specialised divisions or are fully specialised in serving microfinance and, to a lesser extent, marginal/low-income segments of the population. However, both regulated and non-regulated co-operatives and non-governmental organisations (NGOs) play a major



role in lending to firms and persons not covered by the larger regulated financial institutions.

Financial inclusion highlights: The creation of the BdeO in 2006 took financial inclusion to the top of policy priorities. This was followed by steps to boost micro-credit, enhance consumer protection and promote e-money. Early in 2014 Mr Santos revamped financial inclusion efforts by launching a new Financial Inclusion Strategy that aims at enhancing financial education (for which some initial steps have already been taken), improving government-private sector co-ordination, and facilitating the use and existence of new financial infrastructure, distribution channels and products for the low-income population. In this context, Congress passed the Financial Inclusion Law in October 2014, whose main feature is the creation of a new electronic platform that will add to existing e-money platforms with expected lower transactional costs. Other progress in 2014-15 includes regulation that allows agents to sell micro-insurance, and the creation of a new category of consumption loans for the poorer population. With consumer protection remaining a central concern, government authorities approved a bill that requires financial entities to provide prospective and existing customers with detailed lists of all costs, fees and interest rates associated with products in December 2014.

Challenges: Colombia has indeed made progress in terms of financial inclusion, but it still faces several challenges to the achievement of broader goals. Although all municipalities have access to at least one insurance product/service, and there has been significant growth in non-traditional channels, such as banking correspondents (280% in 2009-13), product utilisation is low (for example, only 50% of individuals use their savings account). This appears to be a result of cost barriers and lack of financial education. Financial inclusion providers must also enhance their understanding of the products that the low-income population requires, including those in the micro-insurance sub-segment. Although insurance regulation is comprehensive, Colombia lacks specific regulation on micro-insurance. The supply of digital-banking services is high, but use is limited by low average Internet-access rates and cultural factors that deter the use of sophisticated technology for banking transactions.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**86**	**+1**	**2**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	100	+22	=1	+3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	-14	=10	-5
3) PRUDENTIAL REGULATION	100	0	=1	0
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	100	+8	=1	+4
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	75	-25	=25	-24
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	86	-14	4	-3
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	92	0	=11	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	100	+17	=1	+5
9) REGULATION OF ELECTRONIC PAYMENTS	75	+4	=6	+1
10) CREDIT REPORTING SYSTEMS	83	0	=12	-4
11) MARKET CONDUCT RULES	92	+13	=3	+3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	100	0	=1	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	88	0	=3	+2

COLOMBIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	47,791,393
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	13,357.1
GINI INDEX	53.5
MOBILE CELLULAR SUBSCRIPTIONS	55,330,727
ATMS PER 100,000 ADULTS	39.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	146.9
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	38.4
MOBILE ACCOUNT (% AGE 15+)	2.2
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	17.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	15.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	38.9
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	12.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	17.1

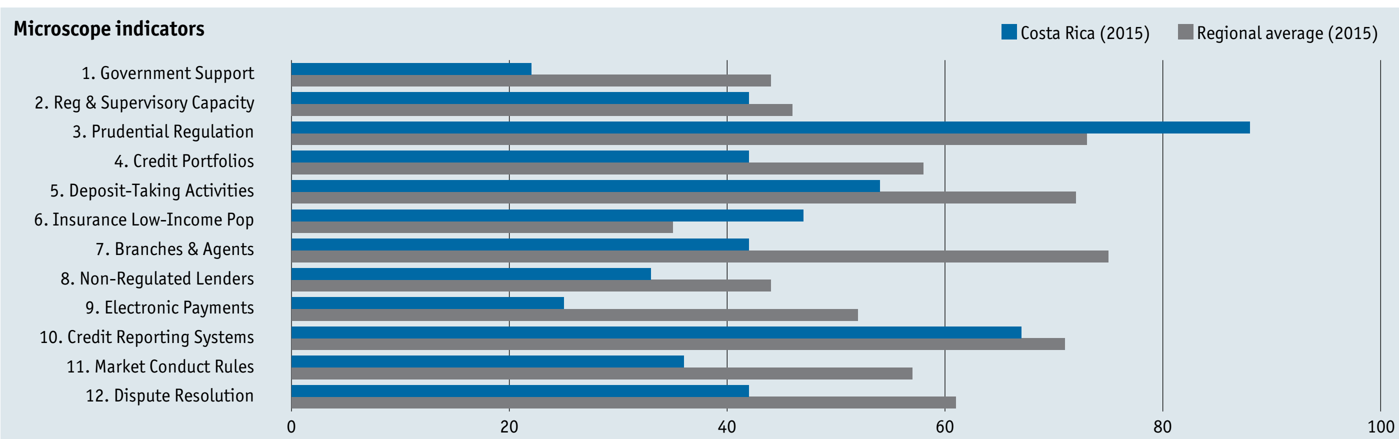
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Costa Rica

General landscape: Costa Rica has belatedly embraced policies of financial inclusion, with initial moves towards adopting specific regulations, building specialised capacity, and promoting capability through education and literacy programmes. As of 2014, 65% of the adult population had a formal account and 13% had a formal borrowing relationship, according to the Global Findex data base. The country's financial sector is dominated by a combination of public and private commercial banks, including international banks, although non-governmental organisations (NGOs) and credit co-operatives play important roles vis-à-vis lower-income Costa Ricans. There are no caps in interest rates with the exception of some second-tier public lenders regarding loans to borrowers. Banks have not been active in lending to low-income clients, despite the requirements to allocate funds to specific products to low-income population under the Sistema de Banca de Desarrollo (SBD, the development-bank system), set up in 2008. The Asociación Bancaria Costarricense (ABC, the Costa Rica Banking Association) is a primary government interlocutor, while the Red Costarricense de Organizaciones para la Microempresa (REDCOM, the Costa Rica micro-business organisation) and the regional Red Centromericana y del Caribe de Microfinanzas (REDCAMIF, the microfinance network of Central America and The Caribbean) offer service provision and advocacy on behalf of non-regulated institutions.

Financial inclusion highlights: Since 2014 the Superintendencia General de Entidades Financieras (SUGEF, Superintendency of Finance) has sponsored a working group on financial inclusion and education. New regulations have created simplified accounts and a mobile-payment system that connects regulated institutions. In November 2014 a law revised the SBD and



attempted to unlock unused resources by creating a separate business line for second-tier development banking, as well as a broad definition of microcredit that, in practice, encompasses small business. Separately, a draft set of regulations not yet publicly released and with unclear provisions would create banking correspondents, although, in practice, the Banco Nacional (the largest commercial bank in the country) has created a large network with more limited attributions. Even without regulation of e-money, prudentially unregulated telecommunications providers and retailers have developed pre-paid cards and other means for individuals to make payments and transfer funds. Meanwhile, the implementation of the 2012 general insurance law has facilitated the introduction and rapid spread of a form of low-cost, simplified mass insurance called "self-issuing policies" (polizas de seguros autoexpedibles).

Challenges: It remains to be seen what impact new and pending regulations on microfinance lending and second-tier development banking on the part of banks will have on the central and problematic presence of public banks in credit markets for lower-income Costa Ricans. Results from regulatory reforms, more transparency in the market and clear outcomes of the recent changes and current process embracing financial inclusion also remain to be seen. Some unregulated non-bank financial institutions (NBFIs) are optimistic that new regulations will increase their access to funding from banks to increase scale, while others fear it will undermine their social mission. There are more general concerns about how market-based the conditions affecting funding access and portfolio management will be. In the absence of more energetic efforts by banks to downscale, however, such efforts to strengthen incentives for banks to become active second-tier lenders is promising, albeit fraught with risk.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**42**	**+5**	**=36**	**+5**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	0	=37	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	+25	=23	+25
3) PRUDENTIAL REGULATION	88	-12	=9	-8
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	42	+3	46	-5
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	54	0	=38	+3
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	47	+22	18	-3
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	42	-8	=47	-10
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	+16	=30	+16
9) REGULATION OF ELECTRONIC PAYMENTS	25	+12	=41	+6
10) CREDIT REPORTING SYSTEMS	67	0	=27	-3
11) MARKET CONDUCT RULES	36	+8	=33	+5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	73	0	12	+3

COSTA RICA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	4,757,606
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	14,918.1
GINI INDEX	44.4
MOBILE CELLULAR SUBSCRIPTIONS	7,101,893
ATMS PER 100,000 ADULTS	71.4
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	22.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	64.6
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	12.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	40.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	24.2
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	11.0

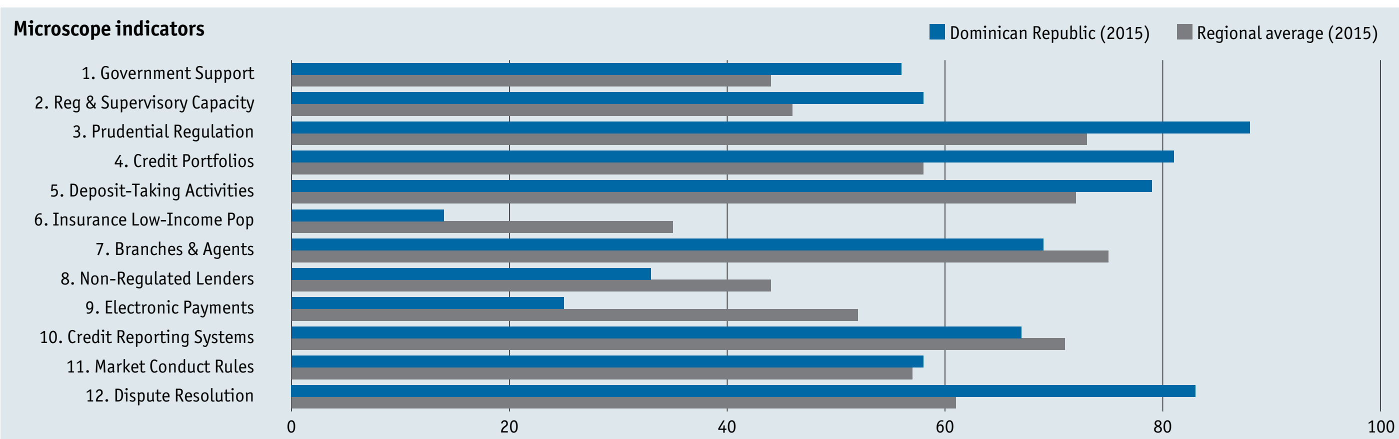
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Dominican Republic

General landscape: Although the Dominican Republic does not have a specific strategy for the development of financial inclusion, a national-development-strategy law includes financial inclusion as a priority. The country is a Maya signatory, and several separate efforts are being made in different areas and under the leadership of different government institutions, most notably around formalising and increasing credit access to small and medium-sized enterprises (SMEs). The key players in the segment are commercial banks, particularly savings and credit banks (SACBs), although co-operatives and some non-governmental organisations (NGOs) are also important providers of credit to the poor. The monetary authorities have prioritised the development of the country's housing industry, especially to meet the needs of the lower-income population. The government has also empowered two large cash-transfer and financing programmes, as well as specialised loan programmes for the agricultural sector, although these have raised concerns of possible over-indebtedness in the system and unfair competition for the private-sector entities that otherwise serve the poor. Financial-institution penetration indicators are above the Latin America average —54% of the adult population had access to an account in 2014, compared with 51% in the rest of region. Twenty-six percent of the population had formal savings, while 18% were formal borrowers, compared with 14% and 11% in the region, respectively. However, financial institutions are concentrated in the urban sectors.

Financial inclusion highlights: During the past year, concrete advances towards financial inclusion include the enactment of micro-credit regulation in 2014, which paved the way for banks to increase activity in microfinance. The Banco Central de la República Dominicana (BCRD, the



Central Bank) conducted the first survey of economic and financial culture, and the government has fostered housing credit via the promotion of bank credit for first-time, low-income homeowners at subsidised interest rates, reduced reserve rates for commercial banks making these loans, and allowing trusts to be used as collateral for mortgage loans. Supporting regulation enabling agent banking was passed in early 2014, which has fostered new mobile-payments schemes from most banks in the system. Rural areas are served by agents from the microfinance institutions (MFIs), such as ADOPEM and ADEMI, which have know-how and are, exclusively, providers of credit to low-income populations. Financial consumer protection regulation was strengthened in 2015. The revision includes best practices for in-house complaints mechanisms, requirements for the proper disclosure of financial services costs and consumer rights and obligations by providers of financial services, and bans of abusive practices and aggressive sales. The redress mechanisms for financial consumers have also improved in efficiency.

Challenges: Policy priorities include a new collateral registry, a new framework allowing movable collateral, a mutual-guarantee scheme and a guarantee fund, among others, although progress has been slow and these measures have dragged on for years. Agent banking also had a timid start, although a robust regulatory framework should foster its development. There are few efforts being made on the savings side, as commercial-bank-deposit products are subject to a range of bank fees, and all interest-bearing products are subject to a 10% tax, which has discouraged savings. Co-operatives, which are important providers of credit for the lower-income population, remain loosely regulated.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**51**	**+3**	**=20**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	56	+34	=24	+7
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	88	+25	=9	+26
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	81	-11	12	-7
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	79	-21	=23	-22
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	69	+2	=30	-5
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	25	0	=41	-3
10) CREDIT REPORTING SYSTEMS	67	-8	=27	-13
11) MARKET CONDUCT RULES	58	+9	16	+8
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	+16	=6	+8
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	42	0	=34	0

DOMINICAN REPUBLIC: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	10,405,943
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	13,262.3
GINI INDEX	48.6
MOBILE CELLULAR SUBSCRIPTIONS	8,303,536
ATMS PER 100,000 ADULTS	33.1
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	11.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	54.0
MOBILE ACCOUNT (% AGE 15+)	2.3
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.6
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	18.2
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	53.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	26.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	12.4

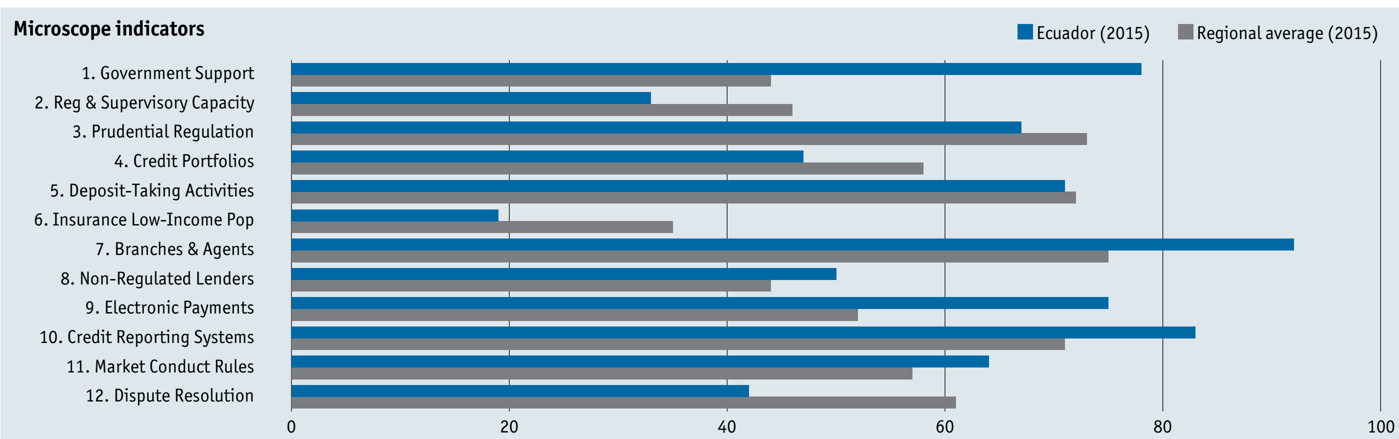
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Ecuador

General landscape: Ecuador's financial inclusion strategy is part of social inclusion and has been a cornerstone of the government since broad constitutional reforms in 2008. Major players in the microfinance segment are banks, co-operatives, finance companies (FCs) and credit unions (CUs). The government has focused on what it calls the "popular and solidarity sector", which provides financial services aimed at increasing social inclusion through CUs, associations, non-governmental organisations (NGOs) and community banks (CBs). Since 2008 the government has taken steps to formalise this third sector: the constitution (2008) defined it; then the Law on the Popular and Solidarity Economy (2011) created the framework for regulation; and the Organic and Monetary Code (2014) aims to harmonise rules across all three sectors: public, private, and popular and solidarity. Over the same period, the administration of the president, Rafael Correa, has adopted unorthodox policies such as interest-rate caps on lending and increasing intervention. Despite the volatile environment, microcredit loans grew by just over 9% in the last year, from US$184.7m in April 2014 to US$202.2m in April 2015, with 46% held in banks, 51% in co-operatives and the remaining 3% in other regulated financial institutions. The actual usage of the financial system has increased moderately in the last five years. From 2011 through 2014, the percentage of adults (over the age of 15) who reported having an account at a bank or other financial institution grew from 37% to 46%, according to the World Bank's Global Financial Inclusion Database (Global Findex).

Financial inclusion highlights: On February 26th 2015 the Banco Central del Ecuador (BCE, the Central Bank) officially launched a new digital currency, whereby users can exchange hard cash for "electronic dollars", which are stored in an



"electronic wallet" on their mobile phones. Consumers can use this digital currency to make non-physical electronic transactions via mobile payments to other users. The Central Bank reported 21,182 active accounts at the end of April 2015, with over 30,700 transactions having taken place since late February. Civil servants may also be given an option to be paid in digital currency. The goal is to have 50,000 users by the end of 2015.

Challenges: Under the September 2014 monetary code, the new Junta Política de Regulación Monetaria y Financiera (monetary board) has assumed overall responsibility for financial regulation and supervision. The board has ten members, including a presidential delegate and representatives from the Superintendencia de Bancos (Superban, the banking regulator) and Superintendencia de Economía Popular y Solidaria (SEPS, the popular and solidarity economy regulator). The monetary board's stated official mission is to return the state to its regulatory and supervisory role and to promote "the democratisation of credit".

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**51**	**+3**	**=20**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	+22	=6	+7
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	-39	=37	-32
3) PRUDENTIAL REGULATION	67	0	=25	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	47	0	=43	-4
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	71	0	=29	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	19	-6	=28	-13
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	92	0	=11	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	75	+29	=6	+21
10) CREDIT REPORTING SYSTEMS	83	+41	=12	+31
11) MARKET CONDUCT RULES	64	-15	=10	-4
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	41	+4	=36	+1

ECUADOR: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	15,902,916
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	11,349.7
GINI INDEX	46.6
MOBILE CELLULAR SUBSCRIPTIONS	16,605,737
ATMS PER 100,000 ADULTS	41.4
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	80.1
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	46.2
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	18.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	13.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	22.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	10.4

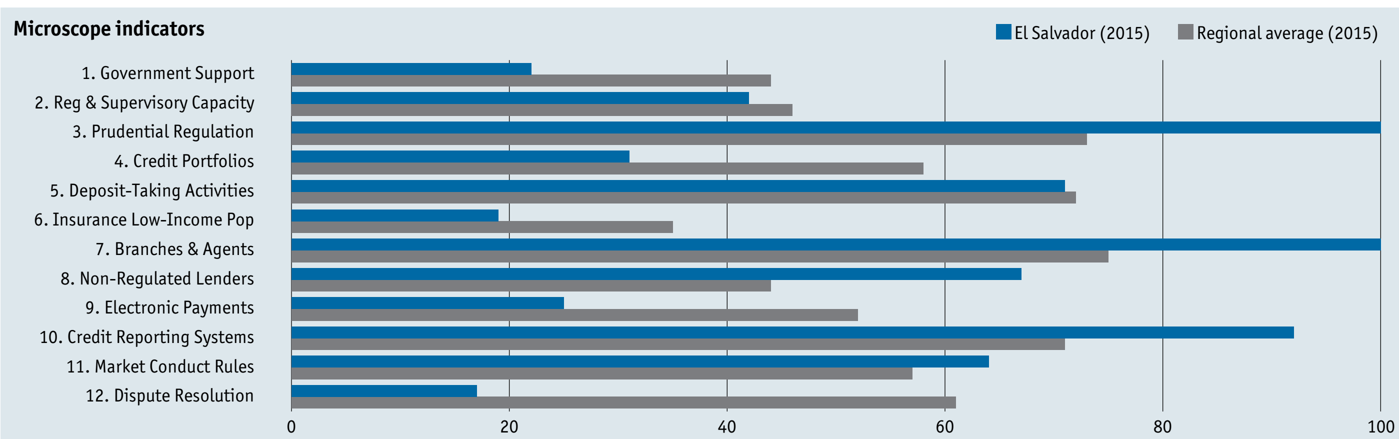
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

El Salvador

General landscape: Main players in the financial inclusion space in El Salvador include co-operative banks (CBs) and credit unions (CUs). Credit unions fall under the purview of the Superintendencia del Sistema Financiera (SSF, the financial regulator), although not all are credit unions are regulated. Mobile money has played a large role in financial inclusion, with 4.6% of adults accessing a mobile-money account in 2014 compared to 1.7% regionally according to the World Bank's Global Financial Inclusion database. Tigo Money, which recently reported 1.5m transactions per month and 900,000 mobile-money users, has also contributed to this surge. While El Salvador has, historically, trailed its neighbours in terms of financial penetration, new data from the World Bank show that the percentage of adults with a bank account has grown rapidly, from 14% in 2011 to 37% in 2014. These figures represent the highest growth rate of any Latin American and Caribbean country for this period.

Financial inclusion highlights: In August 2015 the Legislative Assembly of El Salvador approved the Ley de Inclusión Financiera, which, for the first time, established regulations on financial transactions occurring via mobile phones. The new law also establishes flexible entry requirements for financial-service providers targeting low-income populations, while also restricting the amount of money that can be transferred or saved via mobile money and other products designed for financial inclusion. Introduced in June 2014, the Act stalled in the Finance Committee for several months, before recently receiving approval. Meanwhile, additional financial regulations have continued to challenge the microfinance segment, namely, the 2012 Ley Contra La Usura (Usury Law). Intended to ensure greater transparency among regulated entities and larger microfinance institutions (MFIs), this regulation established an interest-rate cap on all financial institutions. As a result,



several smaller, non-regulated entities have struggled with the costs of compliance and reporting. Despite these legislative hurdles, El Salvador has continued to promote education and awareness around financial inclusion. For example, the Banco Central de Reserva (the Central Bank) has continued to support a financial-education programme, providing the public with a series of lectures and workshops to improve financial management. Additionally, the Superentendencia del Sistema Financiero (SSF, the regulator) has sponsored radio programmes, events and campaigns in support of financial inclusion and literacy.

Challenges: With the recent approval of the Financial Inclusion Act, regulators and financial-service providers will now face a new set of challenges relating to implementation. In particular, regulators will need to ensure that the new law does not allow for money laundering and other forms of extortion. Furthermore, regulations such as the 2012 Usury Law have made it difficult for smaller, non-regulated institutions to enter and operate in this market. While the regulator and the Central Bank regularly collect supply-side data, these institutions have made few attempts to understand the types of products and services most demanded by lower-income populations, an omission that constitutes a critical information gap on the path to financial inclusion.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**49**	**+1**	**=26**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	0	=37	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	100	0	=1	0
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	31	+12	=51	+2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	71	-17	=29	-14
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	19	-6	=28	-13
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	4	=1	0
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	+17	=9	+7
9) REGULATION OF ELECTRONIC PAYMENTS	25	+12	=41	+6
10) CREDIT REPORTING SYSTEMS	92	0	=10	-4
11) MARKET CONDUCT RULES	64	0	=10	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	0	=44	-3
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	64	0	=17	0

EL SALVADOR: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	6,107,706
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	8,341.0
GINI INDEX	41.8
MOBILE CELLULAR SUBSCRIPTIONS	9,194,242
ATMS PER 100,000 ADULTS	33.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	9.8
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	34.6
MOBILE ACCOUNT (% AGE 15+)	4.6
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	17.2
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	44.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.0
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	12.0

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

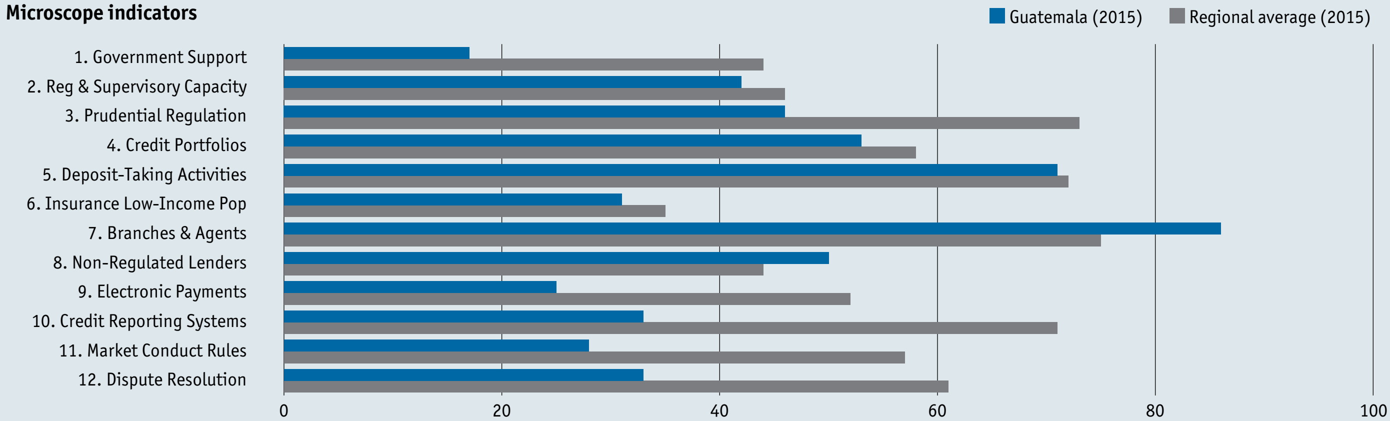
Latin America and the Caribbean

Guatemala

General landscape: The Superintendencia de Bancos (SIB, the banking superintendency) still lacked a formal, comprehensive financial inclusion strategy. In March 2015, there were 13,657 points of service (POS), counting banking outlets, agents, and automated teller machines (ATMs), compared to 12,802 a year earlier. Efforts to approve a draft law that would bring the country's many unregulated non-governmental organisation-microfinance institutions (NGO-MFIs) under supervision have remained stymied in Congress during the past two years. Meanwhile, an overly broad definition and only partially differentiated prudential framework weaken the extent of microcredit provision by regulated institutions. Competition remains fragmented by segment and geographic location, with banks, finance companies (FCs), credit co-operatives, and NGOs all providing credit for low-income individuals and smaller firms. The disclosure of the real effective costs of loans across institution types is still a challenge although interest rates are set freely. Specific regulations for micro-insurance remain absent, although there is incipient activity under general insurance regulations. Low levels of financial capability remain an obstacle, although more energetic efforts to promote financial education and literacy by the SIB and private-sector partners are evident. Although the SIB does not actively monitor indebtedness, there is increasing evidence of rising credit levels and household leverage, according to the IMF and REDIMIF.

Financial inclusion highlights: The system of bank correspondents continues to grow at a robust pace, rising to 6,752 in March 2015 from 6,234 a year earlier. Progress in implementing simplified accounts remains slow. The Ministry of Economy is currently setting up a voluntary

Microscope indicators



registry of "microfinance intermediaries", which aims to facilitate transparency and access to multiple sources of second-tier funding.

Challenges: Further development of the regulatory framework in such areas as mobile payments and the credit-information system remains a stumbling block. Reliable information about the size of portfolios of NGOs and credit co-operatives (the local name for CUs) is still lacking. Meanwhile, credit co-operatives continue to play an important role, but have challenges in transparency and finances. The specialised consumer-protection framework for financial services remains very limited, although a general consumer-protection agency under the Ministry of Economy, together with other government agencies, have implemented a vigorous response to rising consumer complaints. There are plans to regulate interest rates and debt-collection practices by credit-card companies, although whether or not they will be finally enacted as laws remains uncertain. Finally, news related to alleged money-laundering that have rocked the outgoing government and led to high-level cabinet resignations and arrests (including those of the outgoing president and vice-president) have raised suspicions about financial-system transparency and may lead to calls for tighter regulation.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**39**	**0**	**=40**	**-4**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	17	-16	45	-16
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	+14	=23	+20
3) PRUDENTIAL REGULATION	46	-8	=47	-5
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	53	-5	35	-13
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	71	0	=29	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	31	+6	=23	-8
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	86	+3	17	-6
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	25	+12	=41	+6
10) CREDIT REPORTING SYSTEMS	33	+16	49	0
11) MARKET CONDUCT RULES	28	+11	=38	+6
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	33	0	=32	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	63	-22	=20	-14

GUATEMALA : FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	16,015,494
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	7,453.7
GINI INDEX	52.4
MOBILE CELLULAR SUBSCRIPTIONS	16,911,811
ATMS PER 100,000 ADULTS	34.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	38.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	40.8
MOBILE ACCOUNT (% AGE 15+)	1.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	4.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	12.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	43.5
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	15.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	23.0

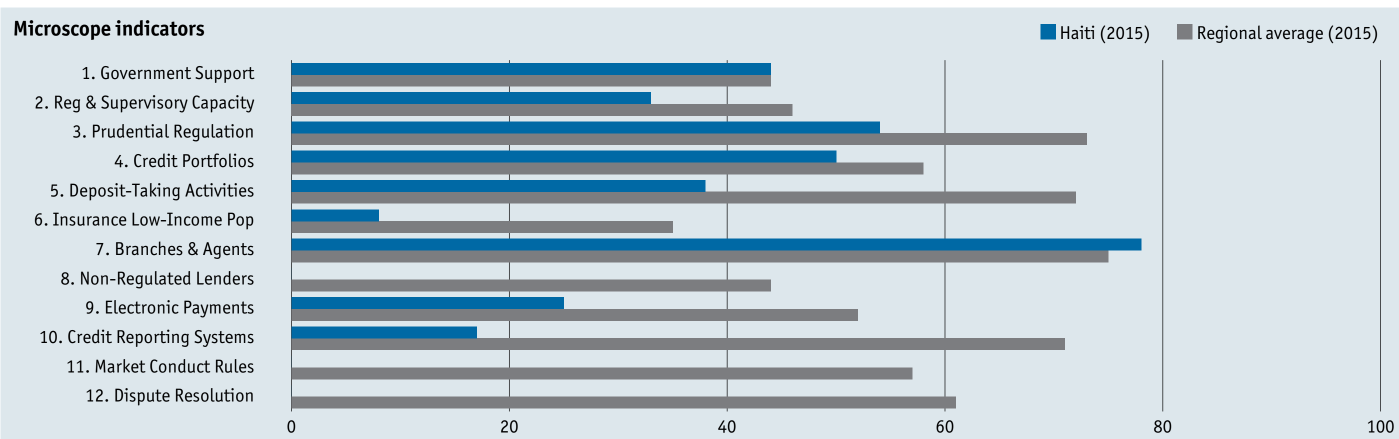
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Haiti

General landscape: Financial inclusion in Haiti is low. Only 19% of Haitians aged 15 or above had access to an account in 2014, compared with 51% in Latin America and the Caribbean. Nine percent of the adult population had formal savings (compared with 14% regionally), and 5% were formal borrowers (compared with 11% in the region). Microfinance institutions (MFIs), especially the larger ones, such as Fonkoze and Sogesol, have pushed forward in the last year, but known total assets of the entire microfinance segment were just over G5bn (around US$94m), or less than 1.5% of GDP. Interviewees noted that financial inclusion in Haiti has been limited by the country's ongoing political and economic instability. Run-off elections for those posts, as well as the presidential election, will be held in October 2015. The Banque de la République d'Haïti (BRH, the central bank) has improved its monitoring of systemic risks and financial stability, and the banking system is sound, but MFIs remain largely unsupervised. Important legislation has been delayed in the legislature, including the draft laws on microfinance, insurance, and on financial co-operatives. Mobile banking has expanded, although the industry will be limited by insufficient regulations (for example, on electronic money), as well as an underdeveloped payments system.

Financial inclusion highlights: The BRH passed the Projet de Stratégie Nationale d'Inclusion Financière in 2015, a national financial inclusion strategy, with support from the World Bank and other international organisations. The strategy consists of a five-pillar approach to broadening financial inclusion, including financial education and consumer protection. Experts stated that the action plan is very well defined, but might face challenges due to the need to pass important regulation for the segment, a lack of co-ordination among participating government



institutions, and the need to appoint a Financial Inclusion Council. Haiti launched its first credit bureau in 2014, the Bureau d'Information sur le Credit (BIC). The Bureau was still in its early stages of development in late 2015, but both bank and non-bank financial institutions (NBFIs) are required to report, and the authorities are considering whether or not to include data on other payments, such as utility bills, in a second phase. The AML/CFT law was issued in November 2013, and included Caribbean Financial Action Task Force (CFATF) recommendations. Some interviewees noted that commercial banks are well advanced in the implementation of a 2012 banking law, which increased the supervision standards of the BRH.

Challenges: Government effectiveness will be complicated in 2016 by the political transition that will result from the 2015 elections, regardless of who wins. This and other political movements could delay the passage of legislation vital to financial inclusion, such as frameworks for microfinance, insurance and financial co-operatives, which have been pending approval for years. The lack of regulation and prudential and reporting standards for NBFIs (non-governmental organisations NGOs, financial co-operatives, and other MFIs) is also a growing risk, given that they provide most of the financing in Haiti. Interviewees noted that progress has also been affected by strong currency pressures (the gourde ended 2014 at G46.7:US$1 and reached a low of G56:US$1 in July, subsequently appreciating slightly, to G51.4:US$1, on August 18th).

	Score / 100 2015	Score Δ	Rank / 55 2015	Rank Δ
MICROSCOPE 2015 OVERALL SCORE	**24**	**+8**	**55**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	44	+44	=28	+12
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	+22	=37	+15
3) PRUDENTIAL REGULATION	54	0	=41	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	-6	=36	-11
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	38	0	=49	-2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	-17	=41	-26
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	78	+36	=21	+25
8) REQUIREMENTS FOR NON-REGULATED LENDERS	0	0	=52	-2
9) REGULATION OF ELECTRONIC PAYMENTS	25	+25	=41	+13
10) CREDIT REPORTING SYSTEMS	17	+17	=50	+3
11) MARKET CONDUCT RULES	0	0	=53	-1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	0	=50	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	37	0	=40	-3

HAITI: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	10,572,029
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,731.8
GINI INDEX	59.2
MOBILE CELLULAR SUBSCRIPTIONS	6,769,312
ATMS PER 100,000 ADULTS	–
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	2.8
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	17.5
MOBILE ACCOUNT (% AGE 15+)	3.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.7
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	4.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	47.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	9.4
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	45.3

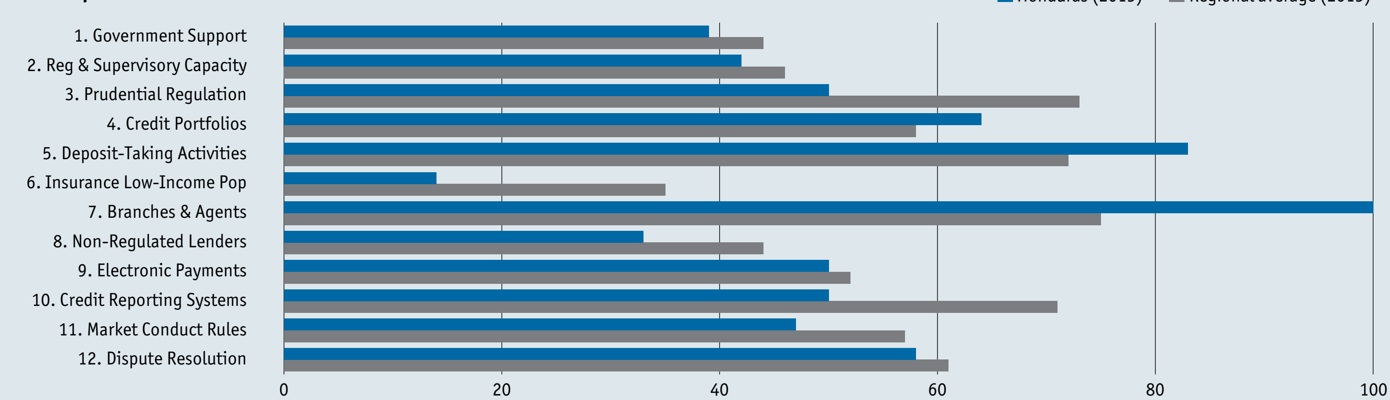
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Honduras

General landscape: Honduras has one of the lowest levels of financial inclusion in Latin America, with only around 21% of the population maintaining a formal account at a financial institution. However, mobile penetration is very deep (at nearly 90% in 2015) and with nearly all of the population having access to at least one mobile phone. This has made mobile banking extremely popular in the country. Honduras is among the top 15 markets globally in terms of the proportion of adults actively using mobile money. According to Conatel, the telecommunications regulator, the 1m mobile-banking customers in Honduras performed mobile-banking transactions totalling nearly US$160m in 2014. The competitive landscape of the bricks-and-mortar financial system is characterised by the co-existence of prudentially regulated commercial and state banks, finance companies and special-purpose microfinance providers, called organizaciónes privadas de desarrollo financiero (OPDFs), with non-regulated credit co-operatives and non-governmental organisations (NGOs), known as Organizaciones Privadas de Desarrollo (OPDs). In some instances, they compete head to head, but, in others, markets are divided by location and population segment. Agent activity has expanded rapidly in recent years. The number of points of service (POS) increased from 2,343 in 2010 to 3,132 in 2014; among all POS, the number of correspondent agents showed the fastest rate of growth, rising by 28% year on year in 2014. Owing to this growth, by 2014 correspondent agents accounted for just over 20% of all POS (up from below 9% in 2009). Although there is no specific, comprehensive mandate to supervise institutions specifically serving poor consumers, specialised capacity for the regulation and supervision of institutions providing financial services to the poor is moderately developed in Honduras. This is expected to improve as the authorities implement

Microscope indicators



regulations, including a 2013 co-operatives law (which brings all large co-operatives under supervision), 2014 regulations dealing with correspondents and simplified savings accounts, and 2015 regulations for electronic money.

Financial inclusion highlights: The government, through its principal financial regulator, Comisión Nacional de Bancos y Seguros (CNBS, the National Banking and Insurance Commission), is in the final stages of developing an official financial inclusion strategy, which is due to be released publicly in the third quarter of 2015. Financial inclusion has remained a priority for the administration in 2015, after Honduras became a principal member of the Alliance for Financial Inclusion (AFI) in April 2013 and made specific commitments to financial inclusion under the Maya declaration in October 2014. These include approving regulations on mobile financial services (completed in April 2015), the publication of a statistical bulletin on financial inclusion (completed in late 2014), and the development of a national financial inclusion strategy (nearing completion). The five-year strategy will include four strategic financial inclusion elements—supply, demand, financial education and transparency, and financial-consumer protection—and target workers, micro- and small entrepreneurs and farmers, recipients of overseas remittances, and the beneficiaries of government conditional cash transfers.

Challenges: Despite the government's best efforts, three major challenges will remain to the deepening of financial inclusion in Honduras. First, consumer lending is forecast to outpace other loan portfolios, but has less stringent credit-risk assessment. Even without signs of high over-indebtedness at present, the lack of careful monitoring of consumer-credit portfolios poses concerns going forward. Second, the lack of financial literacy among low-income Hondurans remains a serious obstacle. Finally, extremely high levels of violence related to gang and criminal activity impact both the supply and demand of financial services in urban shanty towns, peri-urban areas and the countryside. As a direct result of violence and insecurity, financial institutions have had to pull out of, or avoid altogether, some areas of the country, as well as increasing their expenditure on security.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**42**	**+7**	**=36**	**+8**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	39	+6	=32	-3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	50	0	46	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	64	+6	=22	0
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	+25	=12	+26
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+4	=1	0
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	50	+50	=23	+31
10) CREDIT REPORTING SYSTEMS	50	0	=40	+1
11) MARKET CONDUCT RULES	47	+3	=22	+5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	+16	=17	+7
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	18	+1	50	-5

HONDURAS: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	7,961,680
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	4,582.9
GINI INDEX	57.4
MOBILE CELLULAR SUBSCRIPTIONS	7,725,092
ATMS PER 100,000 ADULTS	25.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	24.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	30.0
MOBILE ACCOUNT (% AGE 15+)	3.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.7
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	9.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	40.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	19.7

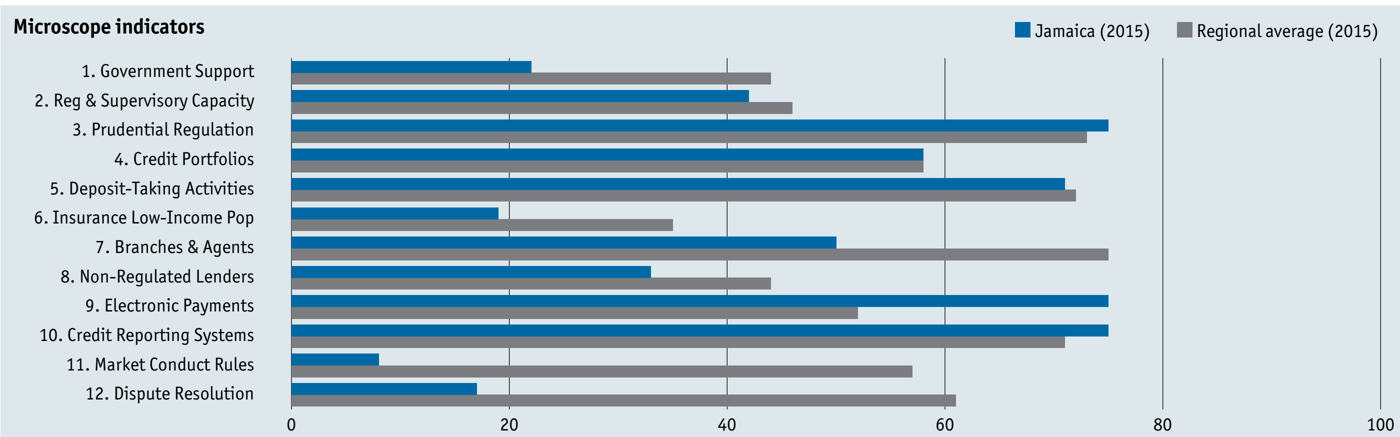
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Jamaica

General landscape: Financial Inclusion has recently become part of the government's agenda, and several measures have been taken toward this goal, including increased support for small and medium-sized enterprises (SMEs), a new legislative framework for the financial sector, and promoting the use of credit bureaus and a collateral registry. Jamaica has deep bank penetration: 62% of adults (aged 15 or older) had an account at a formal financial institution in 2014, above the regional average of 51%, and 27% had access to formal savings, compared with 14% in the Latin America and Caribbean region. There were 29.9 automated teller machines (ATMs) per every 100,000 adults, and there were 6.1 commercial-bank branches per every 100,000 adults in 2013. However, there is a lack of transparency regarding financial system data from financial institutions, including, microfinance, and banks do little to serve the poor. Conservative and stringent banking-industry regulation in the aftermath of a banking crisis in 1997 has prevented small-finance providers from entering the industry. Also, over-indebtedness monitoring at non-regulated institutions is not adequate, and excludes unregulated money lenders such as Courts, a furniture and appliance company that engages in consumer lending. Interest rates have fallen, but continue to be extremely high in Jamaica.

Financial inclusion highlights: The Banking Services Law was approved in 2014, but was not yet in effect as of mid-2015. The law introduced landmark regulation such as consolidated supervision across the entire financial sector, an increase in the independence of the Bank of Jamaica (BoJ, the central bank), a strengthened framework for sanctions and corrective actions, consumer protection and other provisions for conflict resolution, and a more stringent risk-management framework for banks. It will also



enable banks to partner with third parties (agents) to offer agent banking services. Additionally, the BoJ will take on responsibilities formerly held by the Ministry of Finance, regarding oversight of expanded financial services, such as lending, consumer credit, financial commercial transactions, transfers, e-money, financial guarantees, insurance and securities. The act is expected to become enforceable by the end of 2015. An amendment to the BoJ act will also give the central bank responsibility for system-wide financial stability, working in conjunction with other financial-sector regulators and agencies. The use of mobile money and e-wallets is on the rise. The Development Bank of Jamaica (DBJ) has a pilot scheme on mobile money, Mobile Money for Microfinance (M3); and Mozido, a bill-payment provider, partnered with Paymaster and the Jamaica Cooperative Credit Union League (JCCUL) in 2014, to allow credit-union (CU) depositors to access mobile banking. In 2015 Mozido announced that a second phase of the project will extend beyond CUs, in order to reach the unbanked population. Credit reporting by banks and non-bank financial institutions (NBFIs) has risen since 2013, a third credit bureau was approved in 2014, and utilities companies began reporting then. In 2015 the Jamaica Deposit Insurance Scheme was enhanced under the new Joint, Trust and Nominee (Accounts) Regulations (2015), doubling the coverage under the previous scheme to J$600,000 or US$5,100 (this was formerly J$300,000). In 2014 the Financial Services Commission (FSC) began a country diagnostic alongside multilateral organisations, in order to assess the current micro-insurance needs and propose legislation. Three new micro-insurance products have been piloted in the market, designed to meet the insurance needs of the lower-income population.

Challenges: CUs continue to operate with lax supervision and little prudential oversight and reporting requirements, and draft legislation for these institutions was not yet ready for approval as of mid-2015. The segment is also in need of fresh regulation for the microcredit sub-segment. The legislature has not yet passed microcredit legislation, leaving money-lenders and other unregulated financial-service providers to operate without supervision.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**45**	**+2**	**=33**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	0	=37	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	+9	=23	+17
3) PRUDENTIAL REGULATION	75	0	=19	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	58	+2	=30	-5
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	71	-17	=29	-14
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	19	-6	=28	-13
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	50	+17	44	+4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+4	=6	+1
10) CREDIT REPORTING SYSTEMS	75	+17	=15	+18
11) MARKET CONDUCT RULES	8	-3	=47	+1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	0	=44	-3
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	92	0	1	+1

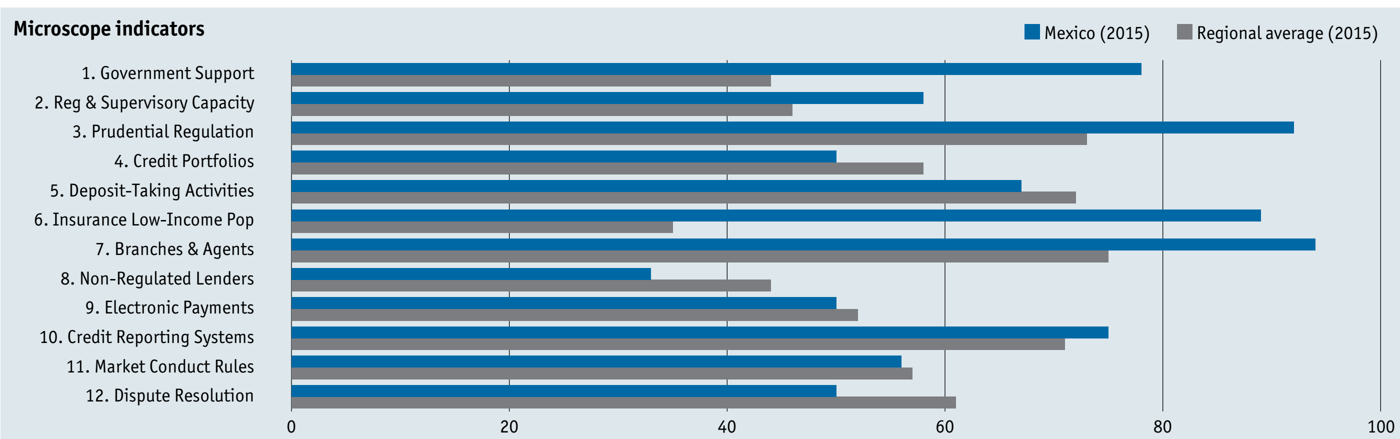
JAMAICA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	2,721,252
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	–
GINI INDEX	45.5
MOBILE CELLULAR SUBSCRIPTIONS	2,880,589
ATMS PER 100,000 ADULTS	29.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	6.1
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	78.3
MOBILE ACCOUNT (% AGE 15+)	0.9
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	21.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.1
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	45.4
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	29.7
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	22.8

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Mexico

General landscape: In the past few years, there has been a visible effort to address access to financial services with the creation of the National Council on Financial Inclusion and, further, with the 2014 financial reforms. According to official data from the Encuesta Nacional de Inclusión Financiera (ENIF, the national financial inclusion survey), in 2012, 44% of the adult population (over age 15) lacked access to any formal financial service, including savings and credit despite the wide coverage by access points/outlets for financial services. Data from the *6th Financial Inclusion Report* published by the Comisión Nacional Bancaria y de Valores (CNBV, the main financial regulator), points out that 50% of all municipalities in Mexico have access to bank branches, where 92% of the total adult population reside. When considering bank branches, agent banking, automated teller machines (ATMs) and points of service (POS), 73% of the municipalities have at least one of these, and 98% of the total adult population live within these municipalities. In terms of institutions, Mexico counts on specialised vehicles to reach low income populations such as Sociedades Financieras Populares (SOFIPOs), Sociedades Cooperativas de Ahorros y Préstamos (SOCAPs) and Sociedades Financieras Comunitarias (SOFINCOs). In terms of products and channels, the usage of mobile channels varies by products. For example, in 2013 there were 11,783 deposit accounts (per 10,000 adults) in the country, and only 318 accounts (per 10,000 adults) were linked to a mobile phone (*6th Financial Inclusion Report*, 2014). However, remittances, which are a very important part of the development of Mexico's lower-income communities, are primarily received (97%) through electronic transferences that are paid to customers through banks or their agent banking representatives (*6th Financial Inclusion Report*, 2014). Another important gap in the development of the sector is the lack of a formal



and comprehensive definition of microcredit that applies to all providers of these types of loans, which, in turn, has caused problems with regard to the supervision of the credit portfolios.

Financial inclusion highlights: Financial inclusion is a priority for the current government. In 2011 the Consejo Nacional para la Inclusión Financiera (the National Council on Financial Inclusion) was established and was strengthened as part of the Banking Reform in 2014. The Council has drawn a draft of the National Policy for Financial Inclusion, which, as of July 2015, had not been published. The programme should, at least in theory, offer more concrete timetables and goals for improving financial inclusion. This greater emphasis on financial inclusion should also help improve specialised capacity within the main regulator, the Comisión Nacional Bancaria y de Valores (CNBV), as well as the Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF, the National Commission for the Protection of Financial Consumers), which, although adequate overall, still suffers from some shortcomings, particularly in respect of low-income populations. The CNBV has shown some foresight in terms of another innovation, the payment aggregator, which allows retailers to receive electronic payments using a mobile phone and via the Internet.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**60**	**-1**	**=8**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	0	=6	-2
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	92	+21	=4	+19
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	-14	=36	-17
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	67	-16	=34	-13
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	89	-11	=2	-1
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	94	+2	=8	-4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	-17	=30	-14
9) REGULATION OF ELECTRONIC PAYMENTS	50	+8	=23	+8
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	56	+7	=17	+7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	50	0	25	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	64	0	=17	0

MEXICO: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	125,385,833
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	16,949.7
GINI INDEX	48.1
MOBILE CELLULAR SUBSCRIPTIONS	102,187,895
ATMS PER 100,000 ADULTS	48.4
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	15.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	38.7
MOBILE ACCOUNT (% AGE 15+)	3.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	13.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	10.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	50.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	14.0

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

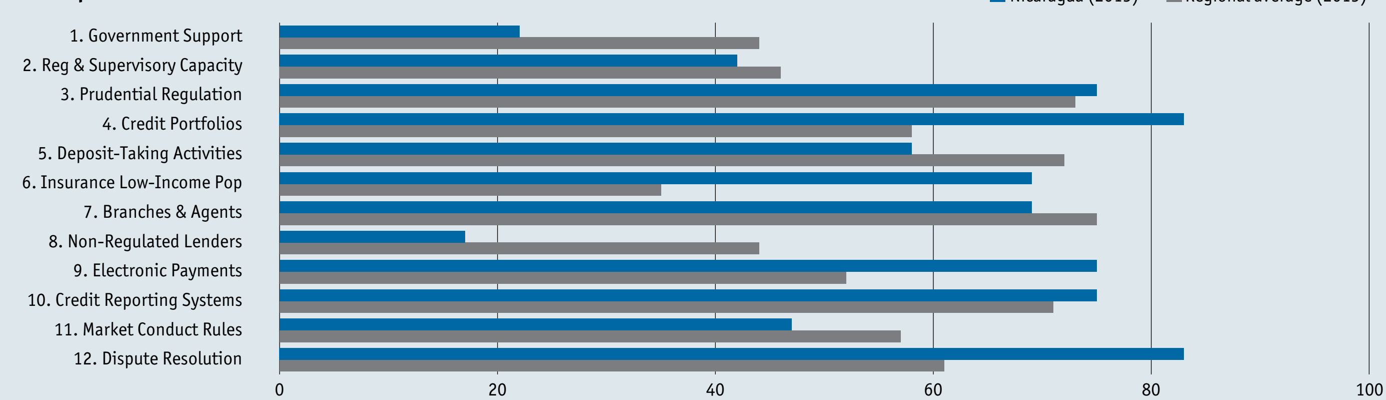
Challenges: Mobile banking, if adequately regulated, could play an important role in providing services to the low-income segment of the population. However, this is tied to a banking institution, which do not have enough incentives to broaden the product line to provide services to low-income communities. Public infrastructure in the country remains a challenge, since there is geographical and communications marginalisation that needs to be addressed for financial inclusion to penetrate in depth. Access to the internet is not widespread across the country and makes mobile banking difficult to implement. There are also growing concerns about over-indebtedness, particularly among clients of non-regulated institutions, which are frequently not reported to the credit bureaus. Moreover, gang violence poses an obstacle to financial inclusion, as it makes it hard for suppliers to enter marginalised communities and it creates an atmosphere of fear that prevents people from actively participating in the financial market.

Latin America and the Caribbean

Nicaragua

General landscape: According to the World Bank's Global Financial Inclusion (Global Findex) Database, only 19% of adults (over age 15) in Nicaragua had an account at a financial institution in 2014, one of the lowest rates in the region and only 8% of the population had saved at a financial institution in the past year. The financial sector's supervision has improved since a "no payment" movement in the microfinance segment in 2010, and important legislation, such as the Microfinance Law (2012) and Consumer and User Protection Law (2013), was passed and enforced. Interviewees agreed that supervision within the microfinance segment has been enhanced, and the Consejo Nacional de Microfinanzas (CONAMI, the microfinance regulator), has a specialised team in place. However, the CONAMI is still a relatively new institution, and struggles to keep up with an ambitious regulatory framework. Implementation of regulations under the 2011 Microfinance Law is well under way, although there are still a series of norms pending. In January 2015 CONAMI extended the deadline for publishing the remaining regulations by another calendar year. This will give microfinance institutions (MFIs) more time to develop and comply with adequate internal-process requirements, especially related to reporting, prudential regulation, and client protection. MFIs have increased their product offering, diversifying the types of credit, and offering housing loans, mortgage loans, micro-insurance, and micro-pensions. Regulations enabling agent banking and e-money have been in effect since 2014, although, to date, the service has only been accessible to banks. Only one local commercial bank, BanPro, has taken up agent banking and mobile-wallet schemes, which is possibly one of the reasons behind the low levels of penetration of these products (only 1.1% of adults had a mobile account according to the World Bank's Global Findex 2014).

Microscope indicators



Financial inclusion highlights: In early 2015 Nicaragua became fully compliant with the Financial Action Task Force's (FATF) AML/CFT guidelines, which removed the country from the list of countries that pose risks related to money-laundering and financing of terrorism. In 2016 the country will launch an Automatic Clearing House (ACH), which will lower transaction costs and improve efficiency. Another recent milestone was the launch of a pilot programme for micro-insurance for small and medium-sized enterprises (SMEs) and low-income households, by the Red Centro Americana y del Caribe de Microfinanzas (REDCAMIF, the microfinance network for Central America and the Caribbean) and the Asociación de Microfinanzas (ASOMIF, the MIF association), and supported by the Inter-American Development Bank (IDB)/FOMIN. The programme aims to use the networks of MFIs associated with REDCAMIF via a common platform, and a number of MFIs have already begun distributing products, backed by large insurance companies.

Challenges: The current payments platform is dominated by banks, access is costly for MFIs, and does not serve the needs of low-income populations. Moreover, deposits are discouraged by high bank fees, minimum-balance requirements, and a 10% tax on interest. Banks, which are the only deposit-taking institutions, do not have a high presence in rural areas. MFIs, which are the natural providers of financial services to the poor, are seeking an amendment to the microfinance law in order to be able to accept deposits. Information on over-indebtedness is scarce and there are limitations to the country's credit-bureau system. In 2015 the public-registry coverage is 16.2%, and the private bureau coverage is 40.7%.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**53**	**+2**	**=17**	**+1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	+22	=37	+3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	75	0	=19	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	83	+2	=8	0
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	58	-17	=36	-8
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	69	+44	=10	+5
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	69	-10	=30	-11
8) REQUIREMENTS FOR NON-REGULATED LENDERS	17	0	=47	-1
9) REGULATION OF ELECTRONIC PAYMENTS	75	+17	=6	+7
10) CREDIT REPORTING SYSTEMS	75	-8	=15	-7
11) MARKET CONDUCT RULES	47	-10	=22	-4
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	58	0	27	-1

NICARAGUA : FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	6,013,913
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	4,918.3
GINI INDEX	45.7
MOBILE CELLULAR SUBSCRIPTIONS	7,067,860
ATMS PER 100,000 ADULTS	14.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	7.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	18.9
MOBILE ACCOUNT (% AGE 15+)	1.1
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	14.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	42.5
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	8.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	25.4

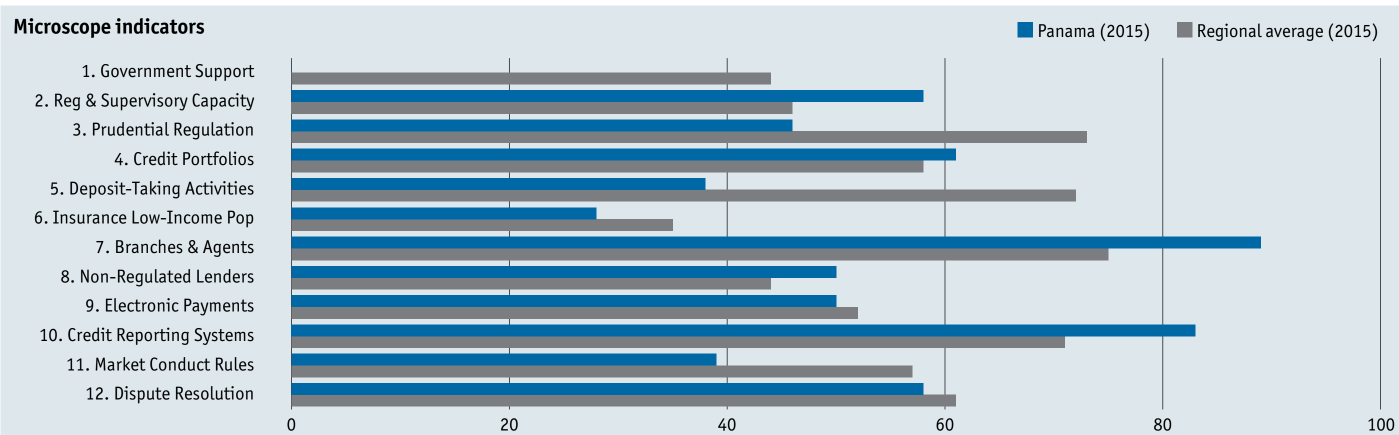
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Panama

General landscape: Although strong economic conditions of Panama create an enabling environment for the promotion of financial inclusion, the national government has not made strong commitments to advancements in the sector. The government's 2015-19 strategic plan includes concerns around expanding financial capability among rural populations. However, Panama must make great strides in order to achieve outcomes on financial inclusion that are aligned with its level of economic development. The level of penetration of financial services among the poor population still face many challenges, in fact, only 32% of the poorest 40% in Panama had an account with a financial institution. Despite its strong financial system, Panama's microfinance segments is still underdeveloped, with limited geographical coverage, and not rapid enough technological innovation, and high operating costs for financial providers. The main microfinance providers in the country include non-governmental organisations (NGOs), non-regulated providers, co-operatives, credit unions (CUs) and commercial banks.

Financial inclusion highlights: There have been no major changes in the financial inclusion arena in the past year. Law 130, passed on December 31st 2013, focuses on defining microcredit operations, promotes the use of technology to improve borrower selection, and improves the current reporting system. However, almost two years after its approval, the law is still awaiting implementation. After Metrobank and Cable & Wireless launched the MóvilCash programme in 2014, there have been advancements on e-money and, as of 2015, customers can use the platform to purchase public-transport tickets. Panama will begin its three-year phasing-in period towards the implementation of Basel-III principles regarding capital requirements in January 2016. The goal is to have the principles in effect by



January 2019. Although this is an important first step in strengthening long-term market stability, the adoption of Basel III may initially create a difficult environment for financial-services providers focused on the low-income segment.

Challenges: While Panama has taken some steps towards a more inclusive financial system in recent years, the country's authorities have recognised that there is still a long way to go to achieving a well-developed financial inclusion sector. For example, the current reporting requirements for financial providers pose a challenge to the sector. Supervision of the sector is divided among a number of different government bodies, depending on the legal status of the supervised entity, and reporting requirements are different across entities. While banks, including microfinance institutions (MFIs), face strict reporting requirements, non-prudentially regulated institutions, such as finance companies and credit co-operatives, face requirements that are seen as too lax. At least three co-operatives have undergone formal administrative interventions due to fiscal mismanagement in recent years. Panama's main challenge to accomplish increased financial inclusion rests on the implementation of adequate regulation and, in this regard, full application of Law 130 of 2013, which establishes a regulatory framework for MFIs. The implementation of Law 130 could be the tipping point for Panama, as it would serve as a critical tool to shape effective financial inclusion policies in the country.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**46**	**+2**	**=31**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	46	0	=47	+2
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	61	+5	=26	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	38	0	=49	-2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	28	-22	26	-15
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	89	+10	=15	+4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	50	+33	=23	+22
10) CREDIT REPORTING SYSTEMS	83	0	=12	-4
11) MARKET CONDUCT RULES	39	-10	=29	-5
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	0	=17	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	66	+2	16	+1

PANAMA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	3,867,535
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	20,894.7
GINI INDEX	51.9
MOBILE CELLULAR SUBSCRIPTIONS	6,205,238
ATMS PER 100,000 ADULTS	58.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	24.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	43.4
MOBILE ACCOUNT (% AGE 15+)	1.6
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	1.8
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.8
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	47.7
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	20.4
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	20.5

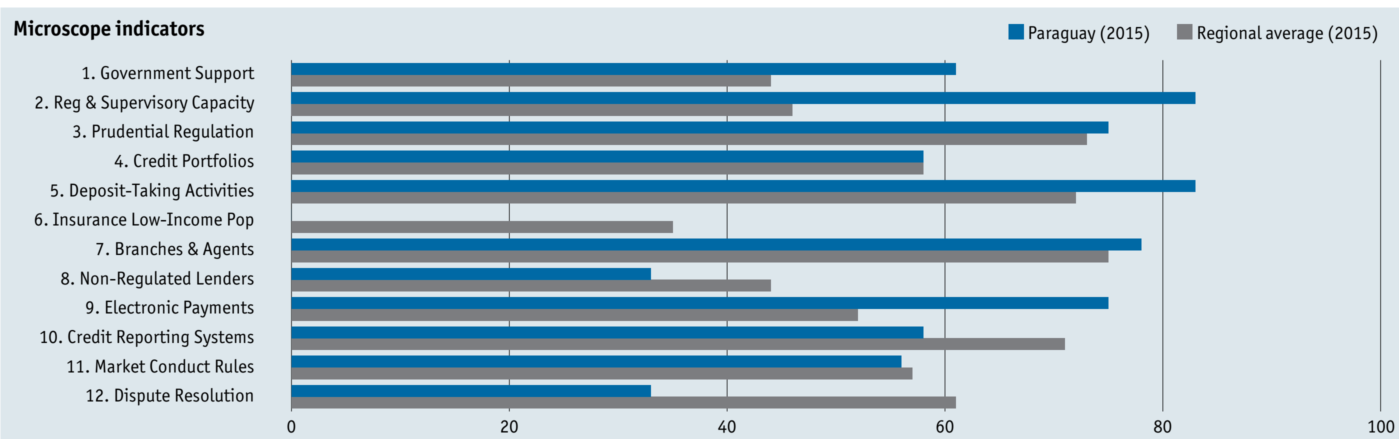
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Paraguay

General landscape: Paraguay made a major stride forward in December 2014 with the publication of a National Financial Inclusion Strategy. There is now a clear definition of financial inclusion and a fully documented strategy to achieve it. The government has emphasised financial inclusion as one of the key ways to reduce poverty in the country. In January 2013 the Superintendencia de Bancos (SB, the banking superintendency)—part of the Banco Central del Paraguay (BCP, the Central Bank)—set up a special unit dedicated to financial inclusion. There are around 60 different initiatives in the country aimed at improving inclusion, according to the Central Bank. In June 2014 the Central Bank released data from the Encuesta de Inclusión Financiera (EIF, a financial inclusion survey), which showed that 29% of adults (over the age 15) in the country have an account at a formal financial institution, 28% of adults use a mobile-money product, and 55% use some type of financial service. Paraguay is a regional leader in the development of mobile financial services. Around 20% of the population now conducts mobile-enabled payment transactions and more mobile-enabled e-money subscribers exist than bank accounts in the country. Furthermore, 21% of adults have either an account or a loan with a co-operative, compared to 15% with a commercial bank. The co-operative segment is an important player in improving financial inclusion but its information is still not comprehensive enough. Supply side data for the whole financial system is still scarce. The fast-growing mobile financial-services industry—led by mobile network operators (MNOs)—seems one of the best ways to improve financial inclusion, especially in remote parts of the country.

Financial inclusion highlights: The regulatory structures are still adapting to the financial inclusion goal. A first step for this was the creation of a specialised unit on financial inclusion in the SB. The Central Bank carried out the EIF because it wanted a comprehensive picture of the state of financial inclusion in the country (it expanded its 2011 World Bank's Global



Findex questionnaire to cover additional topics, including financial capability, insurance and domestic remittances). The regulator plans to use the EIF data to define targets, identify priority populations, and develop policy actions. The data will also act as a baseline from which to measure progress and as a means by which to hold the government accountable for its financial inclusion commitments.

Paraguay launched its national strategy for financial inclusion in December 2014. The strategy is still only partially implemented and it does not cover some unregulated lenders, such as non-governmental organisations (NGOs), pawn brokers, electro-domestic retailers and supermarkets. But the national strategy has outlined a number of supporting policy actions that must be completed within the next two years. High-priority commitments include studying and improving the design and business model for financial institutions offering basic accounts. The introduction of a deposit-insurance bill for co-operatives and the launch of a fund for all co-operatives primarily engaged in savings and credit services is also a high priority. Medium-priority commitments include boosting confidence and usage of formal savings and raising awareness of deposit insurance. In addition to future plans, the Secretaria Nacional de Defensa al Consumidor (SEDECO, the consumer-protection unit), became operational in February 2015.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**52**	**-1**	**19**	**-5**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+5	=13	0
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	83	+11	=3	+2
3) PRUDENTIAL REGULATION	75	0	=19	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	58	-23	=30	-22
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	0	=12	+9
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	0	0	=52	-14
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	78	+7	=21	+3
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+17	=6	+7
10) CREDIT REPORTING SYSTEMS	58	0	=33	0
11) MARKET CONDUCT RULES	56	+3	=17	+3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	33	+16	=32	+9
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	63	-22	=20	-14

PARAGUAY: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	6,552,518
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	8,894.3
GINI INDEX	48.0
MOBILE CELLULAR SUBSCRIPTIONS	7,305,277
ATMS PER 100,000 ADULTS	23.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	10.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	–
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.8
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	–
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	–
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	–
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

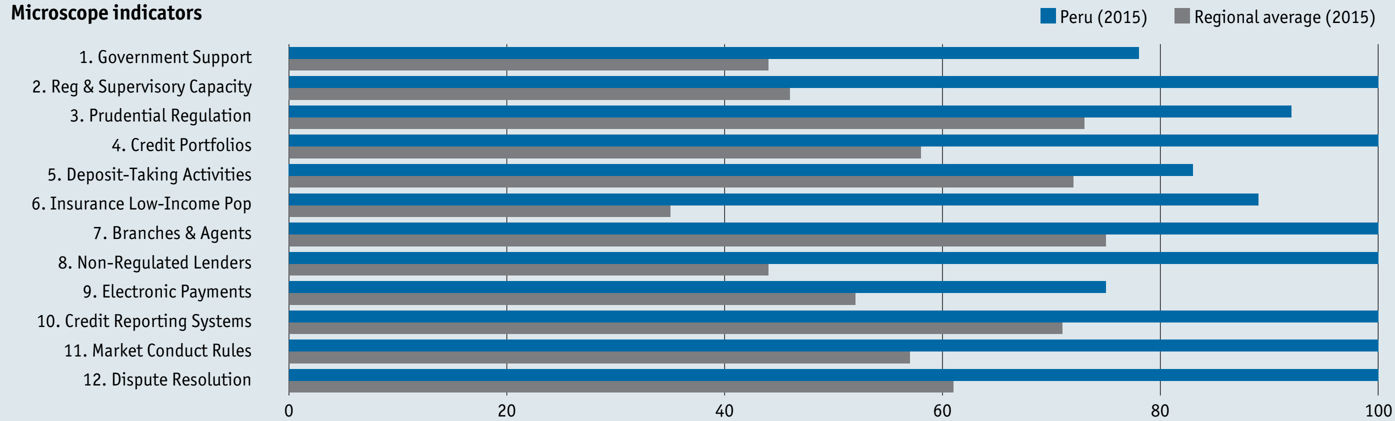
Challenges: Non-banks seem to be at the vanguard of developing services for the poor, although commercial banks are making it easier to open basic savings accounts. Despite advances in credit availability, other products, such as micro-insurance, are not yet offered. In addition, consumer-protection rules do not include mandatory internal-redress mechanisms and do not block aggressive collection practices. The government must introduce new regulations that integrate the supervision of all microcredit providers, including banks, cooperatives, NGOs, pawn shops and retailers. There is mounting concern about over-indebtedness among low-income groups and the government must take greater steps to ensure that people are not assuming too much debt (including improving reporting systems from all kinds of provider so that reliable data are available). The government needs to devise and implement a national programme to ensure greater education about financial services exists, especially in poorer and rural communities. A thorough review of the regulatory and financial consumer-protection structures is also on the agenda. All of this should provide a strong basis for considerable progress in the provision of financial services to the poor.

Latin America and the Caribbean

Peru

General landscape: Financial inclusion has been a policy focus for several years which translates into initiatives that co-ordinate various stakeholders across the public and private sectors. On the supply side, the landscape for financial inclusion is competitive and open, with regulation acting to facilitate market forces; for example, there are no interest-rate caps on lending, non-bank agents are allowed, and the public sector works closely with the private sector to develop new products, such as electronic money, to reach poor and vulnerable populations. Over time, the major providers of microfinance products have converted into banks and the small regulated players include non-bank financial institutions (NBFIs), such as cajas municipals, cajas rurales and small-and-medium-sized-enterprise (SME) development companies (Entidades de Desarollo para la Pequena y Microempresa, EDPYME). Until recently, unregulated co-operatives operated without much scrutiny, but the regulator is considering new legislation for the segment. On the demand side, access and education are priorities. Various government cash-transfer programmes now operate through formal accounts, and education programmes in schools and communities aim to teach basic financial literacy. Despite the positive regulatory environment and innovations in the public and private sectors, actual usage of the financial system has increased only moderately in the last five years. From 2011 through 2014, the percentage of adults (over the age of 15) who reported having an account at a bank or other financial institution grew from 20% to 29%, according to the World Bank's Global Financial Inclusion Database (Global Findex). While usage did not increase significantly, the number of commercial-bank branches per 100,000 adults rose dramatically, from 47 in 2010 to 88 in 2013.

Microscope indicators



Financial inclusion highlights: In February 2014 the Ministry of Finance created the Multi-sectoral Commission on Financial Inclusion (CMIF), with members from various ministries and agencies. Working with the World Bank, CMIF launched Peru's first National Strategy of Financial Inclusion (ENIF) in July 2015. The strategy focuses on seven thematic areas: payments; savings, financing, insurance, consumer protection, financial literacy and vulnerable groups. Within each pillar, the government has identified quantitative measures and made specific commitments, and is collecting data in order to be able to make such commitments. For example, the government aims to increase financial coverage from 92% of all districts to 100%, and to raise the percentage of people with accounts in the financial system from 29% currently to 75% by 2021.

Challenges: Despite a conducive regulatory framework, and a competitive market, financial inclusion is still low, particularly in rural and remote areas and among less educated people. Most improvements have occurred in cities, where oversaturation has led to growing levels of over-indebtedness, while rural access is still lacking. Low population density, difficult terrains, and lack of accessible banking infrastructure make it costly to enter into rural areas. The private sector is working with the government to develop and launch a common mobile-payment platform, Pagos Digitales Peruanos (Modelo Peru), which should be operational by the end of 2015 and has the potential to open up rural markets. On the demand side, however, the challenge continues to be how to build financial literacy and trust in the system.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**90**	**+3**	**1**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	0	=6	-2
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	100	0	=1	0
3) PRUDENTIAL REGULATION	92	-8	=4	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	100	0	=1	0
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	-17	=12	-11
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	89	+14	=2	+3
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+17	=1	+10
8) REQUIREMENTS FOR NON-REGULATED LENDERS	100	0	=1	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+17	=6	+7
10) CREDIT REPORTING SYSTEMS	100	0	=1	0
11) MARKET CONDUCT RULES	100	+4	=1	+1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	100	0	=1	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	85	0	=5	+1

PERU: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	30,973,148
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	11,989.3
GINI INDEX	45.3
MOBILE CELLULAR SUBSCRIPTIONS	31,666,244
ATMS PER 100,000 ADULTS	38.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	88.4
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	29.0
MOBILE ACCOUNT (% AGE 15+)	0.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	18.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	11.2
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	27.5
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	12.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	9.7

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

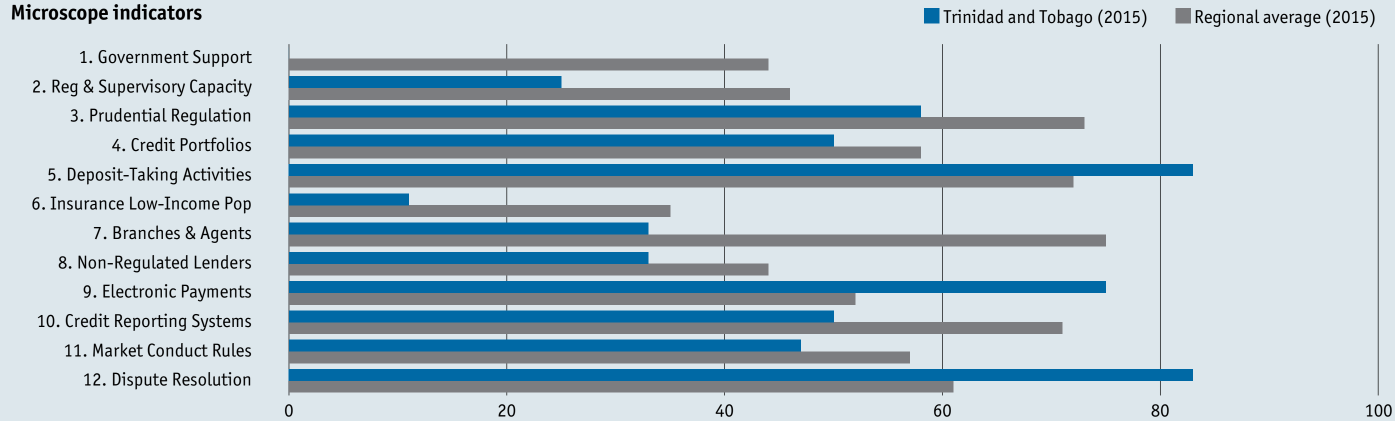
Latin America and the Caribbean

Trinidad and Tobago

General landscape: Players involved in financial inclusion activities in the country include credit unions (CUs), banks, and non-governmental organisations (NGOs). Trinidad and Tobago has one of the most sophisticated financial systems in the Caribbean and the population is adequately banked (more than 75% of adults have an account at a financial institution). However, a national financial inclusion survey carried out by the Central Bank of Trinidad and Tobago in 2013 showed that 16% of adults are always in financial difficulty; 30% of adults have defaulted on financial commitments at least once during the past five years; and 69% of adults "sometimes" run out of money, meaning they spend more than they earn. The study also underscored several other financial inclusion challenges: insufficient savings and a weak propensity to save; inadequate retirement planning; a lack of understanding of basic financial products and services; and an overall relatively low financial-literacy rate. As a result, the main thrust of financial inclusion efforts in Trinidad and Tobago is focused on improving the financial literacy of the population. These have been lead by the Central Bank of Trinidad and Tobago (CBTT, the main regulatory authority).

Financial inclusion highlights: Financial inclusion issues were highlighted in Trinidad and Tobago in 2014 when the country declared it the "Year of Financial Inclusion" and hosted the annual Global Policy Forum of the Alliance for Financial Inclusion (AFI) in September. At the Forum, Trinidad and Tobago launched the Financial Inclusion Development Agency (FIDA), which the authorities envisage as a bridge to the CBTT that will link all players in financial stability: financial institutions (including the CBTT) and citizens who understand how to use financial

Microscope indicators



products and services properly. Formal knowledge-sharing agreements with Guyana and Suriname were also announced at the Forum.

Challenges: Trinidad and Tobago has committed to do more to enhance the environment for financial inclusion, but implementation has been slow. The country remained without a documented national strategy for financial inclusion in mid-2015 and, although the FIDA has been set up, it has made little progress to date. Credit unions (CUs, which conduct significant microfinance activities) remain unregulated, largely owing to successful lobbying efforts by the segment; the momentum for tightening supervision of CUs that was generated amid inquiries into the 2008 collapse of a major local conglomerate and large CUs has not lead to passage of a 2012 bill that would bring CUs under prudential supervision by the CBTT. Furthermore, lax regulations on supervising and preventing aggressive sales and collection practices will continue to pose a risk to consumer protection.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**42**	**+9**	**=36**	**+12**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	25	+8	=46	+2
3) PRUDENTIAL REGULATION	58	0	=35	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	+50	=36	+19
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	+25	=12	+26
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	11	+11	40	-2
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	33	-17	=49	-12
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+21	=6	+16
10) CREDIT REPORTING SYSTEMS	50	+8	=40	+3
11) MARKET CONDUCT RULES	47	+7	=22	+7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	64	0	=17	0

TRINIDAD AND TOBAGO: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	1,354,483
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	–
GINI INDEX	–
MOBILE CELLULAR SUBSCRIPTIONS	1,980,566
ATMS PER 100,000 ADULTS	40.6
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	12.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	–
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	–
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	–
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	–
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

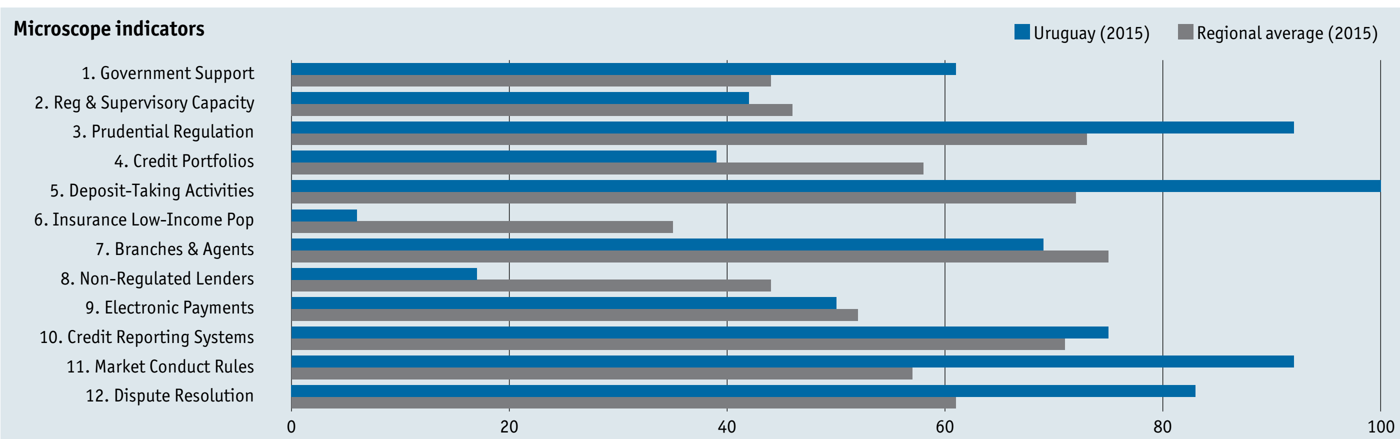
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Uruguay

General landscape: The landscape for financial inclusion is dominated by two state banks and ten private banks that, together, hold nearly 98% of all assets and liabilities in the market. Co-operatives and finance companies account for less than 1% of market share. The government has only recently begun the implementation of its financial inclusion strategy, yet the actual usage of the financial system has increased significantly in the last five years. From 2011 through 2014, the percentage of adults (over the age of 15) who reported having an account at a bank or other financial institution grew from 24% to 46%, according to the World Bank's Global Financial Inclusion Database (Global Findex). Despite the increase in usage, the number of commercial-bank branches per 100,000 adults has fallen from 13.6 in 2010 to 12.7 in 2013.

Financial inclusion highlights: Since last year, the landscape for financial inclusion has gained definition and momentum. A key principle of the legislation is to provide the infrastructure and incentives for people to use electronic transactions, either with bank cards or via electronic money. In April 2014 Uruguay passed the Law on Financial Inclusion (Law 19210), which targets universal access to the financial system. Implemented by the Ministry of the Economy and Finances, the law seeks to advance access to financial products by reducing their costs and requiring their use. To stimulate the use of debit and credit cards, the government first introduced a VAT discount for transactions using these cards. This incentive has proven to be effective. In July 2014, before implementation began, there were around 600,000 monthly debit-card purchases. By December 2014 the number of monthly debit-card transactions had more than quadrupled, to around 2.5m. The



second stage of financial inclusion implementation mandates that salaries be paid electronically into a bank (or other financial institution) account by 2017. Financial institutions are also required to offer free basic savings accounts that include certain free services, such as cash withdrawal and limited transfers. The framework for financial inclusion also includes other initiatives, such as increased interoperability among payment systems, reduced fees for money transfers, electronic money and youth savings programs. In order to build some of the physical infrastructure for payments, the government is offering subsidies for the installation and initial operating costs of point-of-sale (POS) terminals. Also, a new law on electronic money (Circular BCU 2198) defines its functions, sets conditions for potential issuers, including telecommunications companies, and emphasises interoperability. The Central Bank of Uruguay (BCU) will monitor electronic-money issuers and, as of June 2015, it had authorised three applications and the market was expecting several more to come.

Challenges: As Uruguay implements the Law on Financial Inclusion, a major challenge will be reaching the lowest-income population. Work tends to be informal, salaries are very low, and many do not have credit histories or collateral that could be used to obtain loans. Other major obstacles include distrust of the financial system, combined with a lack of financial literacy. Other challenges are to increase transparency and financial inclusion data from regulated and non-regulated financial service providers that could serve to identify other gaps in the development of the financial system.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**56**	**+3**	**=11**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+5	=13	0
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	92	+13	=4	+9
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	39	+3	47	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	+17	=1	+20
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	6	+6	=48	-10
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	69	+6	=30	-2
8) REQUIREMENTS FOR NON-REGULATED LENDERS	17	0	=47	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	-8	=23	-10
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	92	+3	=3	+1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	83	0	=6	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	68	-1	15	+1

URUGUAY : FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	3,419,516
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	20,884.3
GINI INDEX	41.3
MOBILE CELLULAR SUBSCRIPTIONS	5,497,094
ATMS PER 100,000 ADULTS	45.2
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	12.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	45.4
MOBILE ACCOUNT (% AGE 15+)	1.2
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	–
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	21.0
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	39.4
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	12.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	10.0

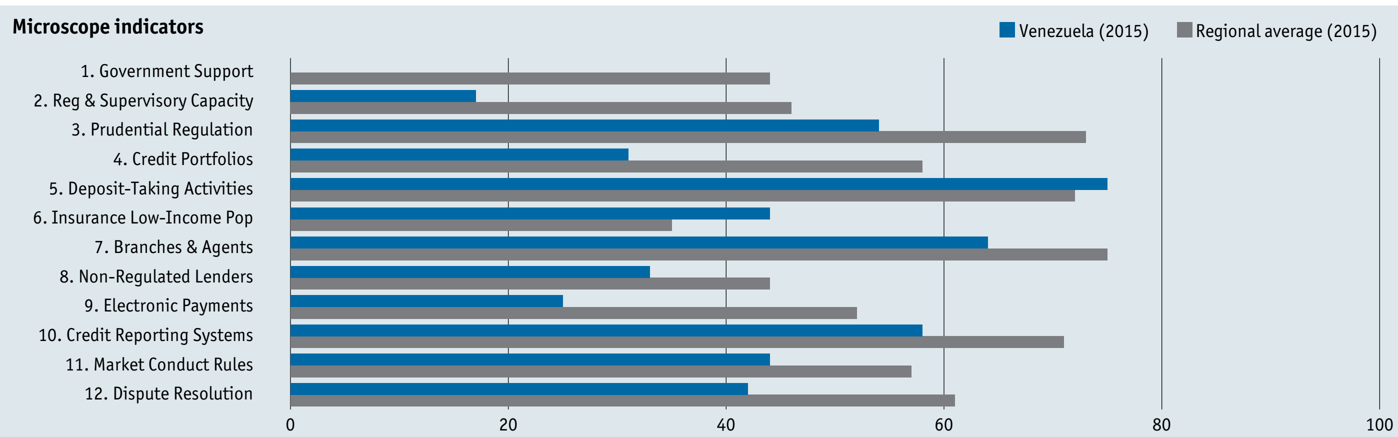
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Latin America and the Caribbean

Venezuela

General landscape: Venezuela has no clear or documented strategy for financial inclusion and has not collected data about the demand of financial-services products to the poor in the past two years. According to the World Bank's 2014 Financial Inclusion (Global Findex) Database, 57% of Venezuelan adults (over age 15) held an account at a formal financial institution, a big increase on 2011 (44%). In 2014, 48% of the poorest 40% of the adult population had a formal account, against only 33% in 2011. In 2014, 2% of adults held a loan from a financial institution, as opposed to 15.7% from families and friends. The financial segment that serves the poor is marked by interest-rate caps. In the last decade, the government has tried to bring the poor into the formal banking system by mainly making social payments to people with bank accounts. State-owned banks have been pushing the process of bancarisation, or financial penetration, to low-income customers by only making social payments to people with formal bank accounts and debit and credit cards.

Financial inclusion highlights: Consumer protection in Venezuela includes a consumer ombudsman and well-respected and enforced privacy rights at the public-credit registry. In addition, all banks must disclose interest rates, commissions and fees, and consumer rights and responsibilities in plain language and in a standardised format, to aid consumer awareness. On financial literacy, some private banks are promoting financial education and increasing transparency in practice. Additionally, although the regulation of electronically stored money is in its infancy in Venezuela, mobile and smartphones are widely used and financial institutions are exploring ways in which to provide electronic or virtual services, such as storing money or making transfers. NGO presence has been affected by regulations: they have pulled out of the market



for microcredit because they have run out of capital. The only institutions offering microcredit that have survived are banks. The government introduced new capital requirements in November 2014 and, although the requirements remain low, it is very hard for new entrants to come into the market.

Challenges: The country's banks have been subject to intense regulation in areas ranging from interest-rate caps to mandatory minimum amounts for microfinance loans. The paucity of MFIs and market concentration result in weak competition. Bangente, part of a privately owned bank, BanCaribe, has around 50,000 microfinance clients and it is estimated that there are only 100,000 microfinance customers in the whole country (the other major provider is the state-owned Banco de Venezuela). Experts estimate that the market for microfinance in the country could extend to 2.5m people, so the current penetration rate is very low. Additionally, private microfinance organisations (MFOs) must compete with heavily subsidised public programmes, which offer interest rates a lot lower than those of private or not-for-profit programmes. Venezuela has strict rules in place pertaining to the foreign ownership of domestic companies, making it difficult for a foreign NGO to set up a business to promote financial inclusion. The government insists that 5% of all banks' loan portfolios must go towards "provisions for the community" and, often, this credit goes to companies or people who have been financially excluded. Micro-insurance and mobile banking are not yet regulated. The poor economic backdrop—with inflation of more than 80% and an economy forecast to decline by 7% this year—has made it hard for the creation of small microcredit providers. Furthermore, social unrest has increased political instability and has not been conducive to a strong business climate.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**31**	**+3**	**50**	**-1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	17	+6	=50	+2
3) PRUDENTIAL REGULATION	54	-13	=41	-15
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	31	-2	=51	-3
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	75	0	=25	+3
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	44	+44	19	+19
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	64	+10	34	-2
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	25	0	=41	-3
10) CREDIT REPORTING SYSTEMS	58	0	=33	0
11) MARKET CONDUCT RULES	44	+12	=27	+7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	8	-2	=54	-2

VENEZUELA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	30,693,827
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	17,558.3
GINI INDEX	44.8
MOBILE CELLULAR SUBSCRIPTIONS	30,528,022
ATMS PER 100,000 ADULTS	44.1
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	16.8
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	30.9
MOBILE ACCOUNT (% AGE 15+)	0.5
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	<0.01
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	18.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	46.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	14.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	21.8

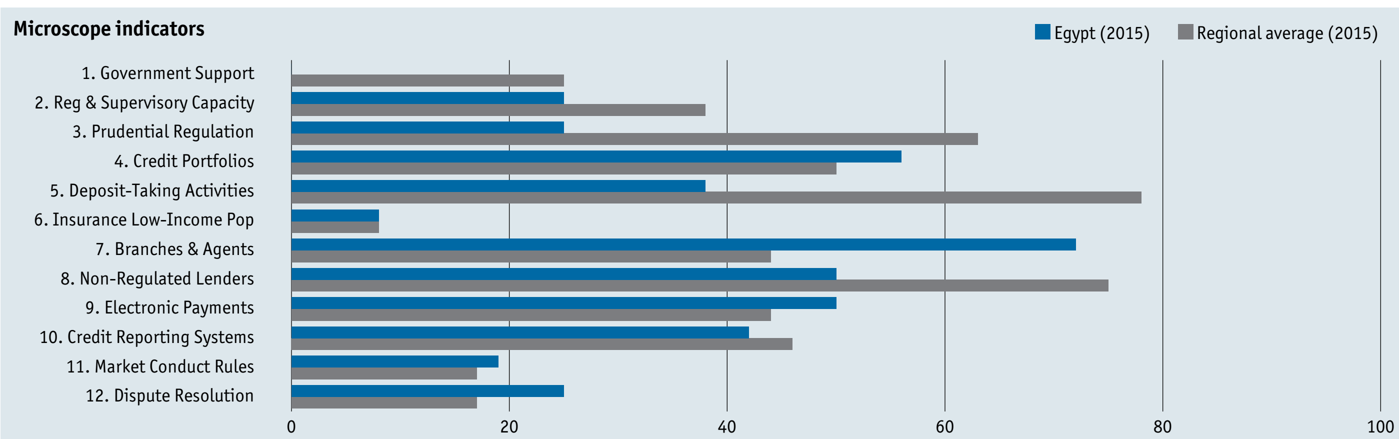
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Middle East and North Africa

Egypt

General landscape: There is currently no documented strategy on financial inclusion in Egypt. The Egyptian Financial Supervisory Authority (EFSA) has been tasked with creating a documented strategy for microfinance that includes identifying areas of need. Due to the new microfinance law, issued in November 2014, which requires microfinance institutions (MFIs) to have a licence to operate, the number of recognised MFIs in Egypt rose from 400 to 640. In May 2015 the EFSA noted that 253 licences had been issued and the issuance of licences was ongoing. Mix Market reports that there are 873,479 borrowers in Egypt, with US$295m in outstanding loans. Egypt Post is the largest provider of savings products to low-income customers, with an estimated 18m savings accounts through 3,700 outlets nationwide.

Financial inclusion highlights: After a delay due to the political situation in Egypt, the new microfinance law was issued by Presidential Decree in November 2014 and strengthens the regulatory framework and expands access to microcredit. Law no.141 of 2014 places microcredit offered by non-banks under the supervision of the EFSA. The EFSA has established a special unit to supervise the activity of microfinance and has granted civil associations and non-governmental organisations (NGOs) six months to adjust their positions to be in line with the new regulations. Further, the new law defines a micro-loan as a loan under E£100,000 (around US$13,000) that is used for income-generating purposes in the production, services and commercial fields (consumer loans are prohibited).



Challenges: The challenging social, political and economic context in Egypt continues and is an obstacle to financial inclusion. Market experts were broadly positive about the new microfinance law, issued in November 2014, but some acknowledged that it was not as extensive as many desired. In issuing the new law, the government discovered over 200 new microfinance organizations (MFOs); it remains to be seen how these smaller MFOs will be able to cope with the new regulatory requirements. The new regulatory requirements are deemed to be reasonable. However, many of the smaller MFOs do not have basic facilities, such as computers, and will find it challenging to conform to the new regulations.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**29**	**+8**	**=51**	**+2**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	25	+8	=46	+2
3) PRUDENTIAL REGULATION	25	0	=54	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	56	+23	=32	+16
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	38	0	=49	-2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	+8	=41	-3
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	72	+9	29	-1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	+17	=18	+12
9) REGULATION OF ELECTRONIC PAYMENTS	50	-8	=23	-10
10) CREDIT REPORTING SYSTEMS	42	0	=44	-1
11) MARKET CONDUCT RULES	19	+8	=44	+4
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	+25	=36	+13
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	39	+27	=38	+12

EGYPT: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	89,579,670
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	10,529.9
GINI INDEX	30.8
MOBILE CELLULAR SUBSCRIPTIONS	95,316,034
ATMS PER 100,000 ADULTS	11.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	4.9
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	13.7
MOBILE ACCOUNT (% AGE 15+)	1.1
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.3
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	6.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	34.1
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	4.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	18.7

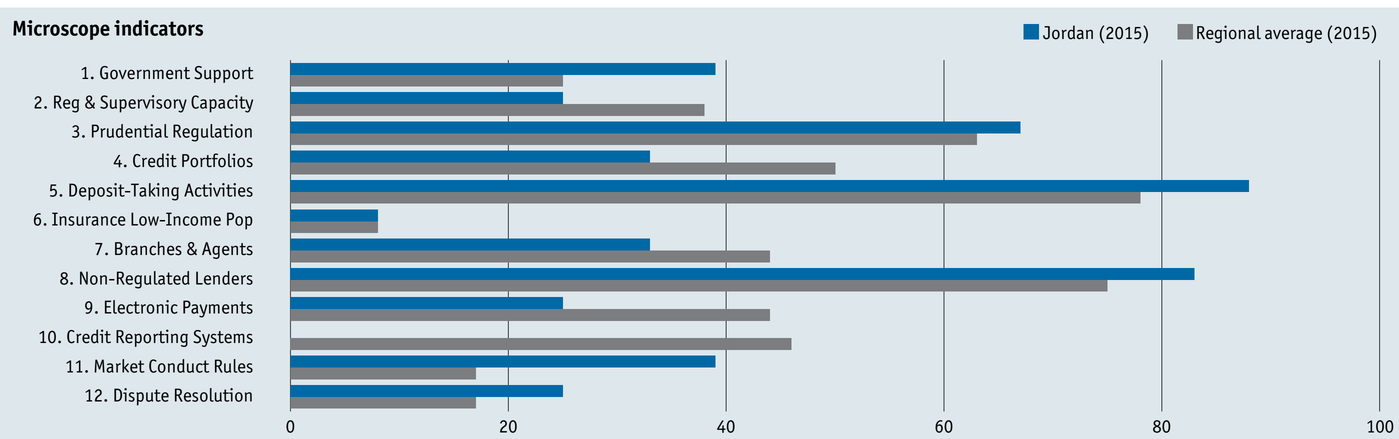
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Middle East and North Africa

Jordan

General landscape: Jordan has a strong banking industry, which is broadly committed to financial inclusion. Although, currently, there is no documented strategy on financial inclusion, the government is actively preparing a financial inclusion strategy for 2016. Financial inclusion in Jordan is overwhelmingly focused on the provision of microcredit. In 2012, the National Microfinance Policy Framework (2012-16) was adopted. According to Mix Market, the eight MFIs that report data recorded, in 2013-15, US$271m in loans and 323,279 borrowers. Financial institutions such as the National Microfinance Bank (Alwatani) and the Development and Employment Fund are critical to increasing financial inclusion in Jordan. Further, a non-governmental organisation (NGO), The Microfund for Women, is the largest microfinance provider in the country. Financial inclusion data from the World Bank indicate that, in 2011, only 26% of the population older than 15 had a bank account. There remains substantial room for growth for financial inclusion in Jordan, specifically in rural areas.

Financial inclusion highlights: In 2015 the Microfinance By-law came into effect. This by-law placed the Central Bank of Jordan (CBJ) as the central authority to licence, monitor and supervise microfinance intuitions (MFIs), and increased consumer protection. In addition, after much anticipation, a private credit bureau is due to be operational by the end of 2015. Market experts viewed the imminent arrival of the credit bureau as a significant development for the market in Jordan. As the National Microfinance Policy Framework moves into its last year, a new strategy is expected at the start of 2016 that will extend the reach of financial inclusion.



Challenges: The main challenge to financial inclusion remains the high geopolitical-security risks that are undermining financial inclusion growth prospects and development efforts more broadly. The conflict in neighbouring Syria and Iraq—Jordan's largest export market—has had a negative impact on the Jordanian economy. According to the World Bank, GDP growth in 2010-14 was 2.7%, down from 6.5% average growth in 2000-09. The high levels of insecurity continue to prohibit significant expansion of financial inclusion to rural areas. The World Bank notes, however, that the Jordanian economy has continued a slow, but steady, recovery from the impacts that have reverberated from Syria and Iraq; in 2014 GDP growth reached 3.1%, up 30 basis points on 2013. If regional security permits, the increased attention paid by the Jordanian government to the segment should enable financial inclusion to strengthen. The regional-security situation, however, remains highly volatile.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**32**	**n/a**	**=48**	**n/a**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	39	n/a	=32	n/a
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	25	n/a	=46	n/a
3) PRUDENTIAL REGULATION	67	n/a	=25	n/a
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	33	n/a	=48	n/a
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	88	n/a	=10	n/a
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	n/a	=41	n/a
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	33	n/a	=49	n/a
8) REQUIREMENTS FOR NON-REGULATED LENDERS	83	n/a	=5	n/a
9) REGULATION OF ELECTRONIC PAYMENTS	25	n/a	=41	n/a
10) CREDIT REPORTING SYSTEMS	0	n/a	=53	n/a
11) MARKET CONDUCT RULES	39	n/a	=29	n/a
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	n/a	=36	n/a
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	32	n/a	=47	n/a

JORDAN: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	6,607,000
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	12,050.3
GINI INDEX	33.7
MOBILE CELLULAR SUBSCRIPTIONS	11,092,484
ATMS PER 100,000 ADULTS	32.2
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	20.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	24.6
MOBILE ACCOUNT (% AGE 15+)	0.5
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	1.4
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	13.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	32.2
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	3.8
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	13.3

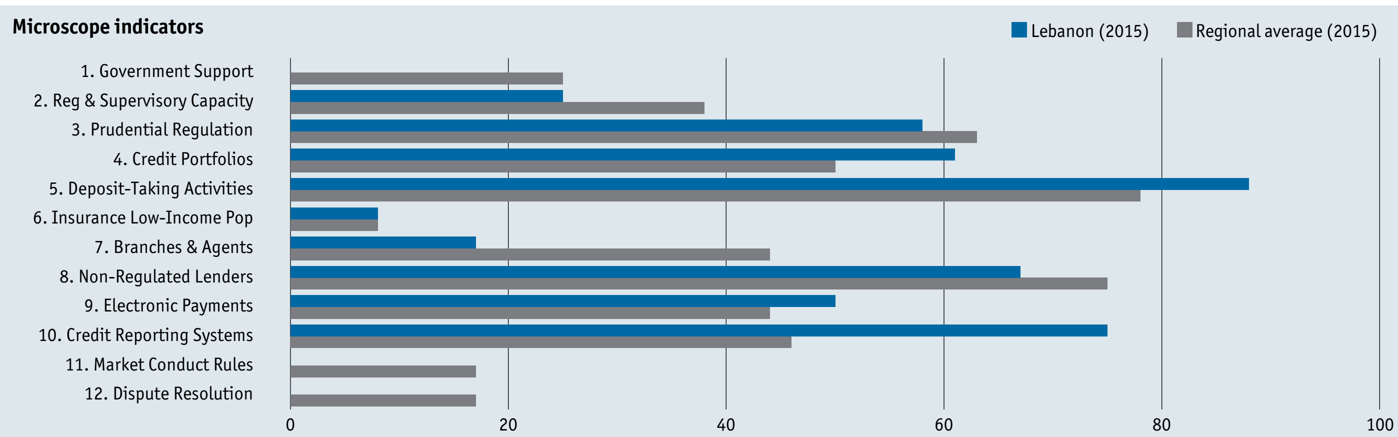
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Middle East and North Africa

Lebanon

General landscape: Lebanon has a highly sophisticated banking industry, but financial inclusion remains a challenge. There is no documented strategy on financial inclusion, nor is there specialised capacity within the regulatory agencies. The financial inclusion sector in Lebanon is focused on the provision of microcredit, and loans. The level of competition in the microfinance segment is low, due to the small number of significant players. The microfinance providers in Lebanon cover financial institutions (Vitas, Emkan and Ibdaa), who are regulated by the Banque du Liban (BdL, the central bank), and non-governmental organisation-microfinance institutions (NGO-MFIs), regulated by the Ministry of Interior. There remains substantial room for growth in financial inclusion in Lebanon, specifically in rural areas, as only 42% of the population over the age of 15 have an account at a formal institution, according to the 2014 World Bank Global Findex.

Financial inclusion highlights: In March 2015 the Ministry of Interior officially registered the first microfinance association (MFA) in Lebanon. The new association is made up of eight MFIs and will conduct market research, provide training and raise awareness about microfinance in the country. The broader environment for financial inclusion in Lebanon, however, remains constrained due to the political crisis in the country and the war in neighbouring Syria. The sluggish economy has prompted the BdL to increase its monitoring of over-indebtedness and credit portfolios. Market experts have noted that the divide between financial inclusion-MFIs and NGO-MFIs is increasing, with regard to how they are supervised and operate. Experts noted that this could hinder attempts to develop a unified microfinance segment in Lebanon and decrease co-operation between MFIs.



Challenges: The conflict in Syria continues to have serious implications to the development of financial inclusion in Lebanon. Continued security incidents along the Lebanese-Syrian border are making financial access to a significant portion of Lebanon's low-income population increasingly difficult. Lebanon, a country with a population of just 4m, has received over 1m UN-registered Syrian refugees (the UN, at the Lebanese government's request, halted new registrations in May 2015). Although the influx of Syrian refugees has decelerated significantly after the Lebanese government imposed entry restrictions at the start of 2015, Syrian refugees have increased communal tensions within Lebanon. The crisis in Syria has also contributed to internal Lebanese political tensions. Lebanon has been without a president for a year and the current parliament has extended its own term on the grounds of instability. The current negative political climate has resulted in regulatory and market impasse in the country. Nevertheless, improved dialogue between opposing political parties and improved security conditions resulted in GDP growth of 2% in 2014, up from 0.9% in 2013. The continuing Syrian conflict has, and will continue to have, a profound impact on the financial inclusion sector. The ability of the sector to operate and reach low-income populations in Lebanon will be heavily impacted by how the Syrian conflict continues to unfold.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**29**	**+2**	**=51**	**-1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	25	+8	=46	+2
3) PRUDENTIAL REGULATION	58	0	=35	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	61	+11	=26	+8
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	88	0	=10	+5
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	+8	=41	-3
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	17	0	=51	+1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	+21	=23	+13
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	0	-13	=53	-6
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	0	=50	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	10	0	53	-1

LEBANON: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	4,546,774
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	17,462.2
GINI INDEX	–
MOBILE CELLULAR SUBSCRIPTIONS	4,387,275
ATMS PER 100,000 ADULTS	43.7
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	30.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	46.9
MOBILE ACCOUNT (% AGE 15+)	0.7
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	15.6
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	34.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	17.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	6.4

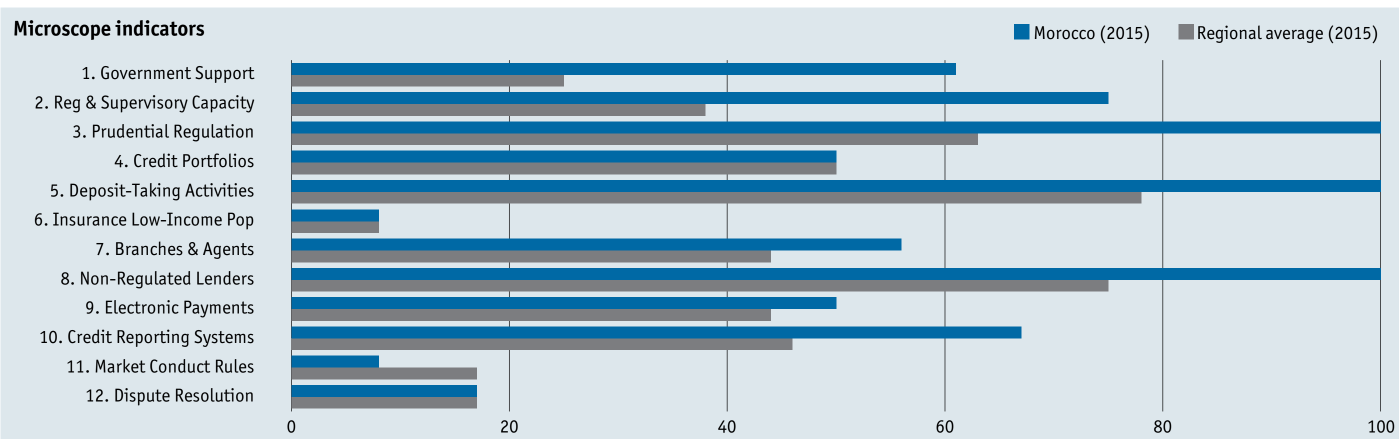
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Middle East and North Africa

Morocco

General landscape: According to the World Bank in 2014, 41% of Moroccan adults use a formal financial product or service and microfinance institutions (MFIs) reach about 5% of the adult population. Moreover, the World Bank notes that the around 13m financially excluded adults in the country are disproportionately female, poor and living in rural areas. The Bank al-Maghrib (BAM, the central bank) has articulated a strong pledge to financial inclusion in its Plan Stratégique 2013-15. CGAP has noted that BAM is one of the strongest financial regulators in the Arab region promoting financial inclusion, and is playing a proactive role in its advancement. The government has been particularly attentive to the possibility of expanding access to banking services through the postal service and mobile financial services. Further, the government has committed itself to reaching 3.2m microcredit borrowers by 2020. Currently, Mix Market reports that Morocco has nearly 900,000 active microfinance borrowers with loans totalling around US$564m. Al Barid Bank has led the expansion of financial inclusion in Morocco. According to PlaNet Finance, banking penetration substantially increased following the establishment of Al Barid Bank and that the bank aims to open 500,000 new bank accounts per year. However, the IFC notes that, although Morocco is institutionally well developed, with a knowledgeable regulator, it shows far less activity than comparable countries in terms of financial inclusion.

Financial inclusion highlights: In December 2014, following a request by the BAM, the World Bank published the first financial-capability survey in Morocco and the MENA region. The survey is nationally representative of the financially active population and comprises a sample of 3,000 adults. The survey concluded that, despite efforts by BAM to service low-income



clients, poor rural dwellers and women lack access to suitable financial products. Market experts noted that there has been a continued improvement in accounting-transparency standards. The majority of non-governmental organisations (NGOs) are now deemed to have good accounting standards and high compliance.

Challenges: The continued political instability in the Arab region is a significant risk to the expansion of financial services and financial inclusion in Morocco. Further, attempts to reach the 13m financially excluded adults living mostly in rural areas continue to progress slowly. The World Bank has called on the BAM to continue to encourage competition among financial-service providers in rural areas and to lower barriers for new players to enter the market. Within Morocco, many view the National Federation of Micro-Credit Associations (FNAM) as holding the segment back. FNAM is meant to represent the micro-credit market and spearhead segment-wide initiatives, but has been largely absent from financial inclusion initiatives and is slowing many processes down. FNAM suffers from a serious lack of resources and is unable to resolve the internal conflict between its large MFIs and its smaller charitable MFIs. International organisations, such as the World Bank, are providing support to FNAM to resolve these issues. Despite these difficulties, Morocco continues to display steady progress in increasing financial inclusion among its population and, regionally, the segment looks strong going forward.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**55**	**+3**	**=14**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	+17	=13	+9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	75	+8	=7	+6
3) PRUDENTIAL REGULATION	100	0	=1	0
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	0	=36	-2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	-17	=41	-26
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	56	+2	=38	-6
8) REQUIREMENTS FOR NON-REGULATED LENDERS	100	+50	=1	+15
9) REGULATION OF ELECTRONIC PAYMENTS	50	-8	=23	-10
10) CREDIT REPORTING SYSTEMS	67	0	=27	-3
11) MARKET CONDUCT RULES	8	-14	=47	-6
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	17	0	=44	-3
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	80	0	=9	+3

MOROCCO: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	33,921,203
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	7,292.7
GINI INDEX	40.9
MOBILE CELLULAR SUBSCRIPTIONS	44,114,534
ATMS PER 100,000 ADULTS	25.1
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	24.4
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	–
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	–
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	–
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	–
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

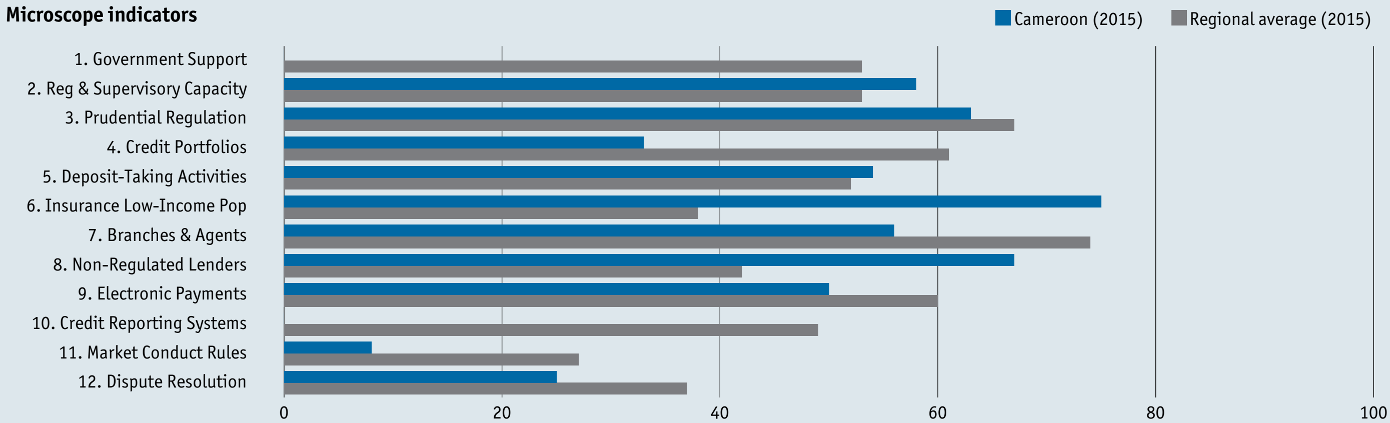
Sub-Saharan Africa

Cameroon

General landscape: Despite the longstanding presence of microfinance institutions (MFIs) in Cameroon, only 12% of Cameroonians above the age of 15 held an account at a formal financial institution in 2014, according to the World Bank's Global Financial Inclusion Database (for the poorest 40% of the population that figure is 2%) and the IMF estimates that Cameroon has just 1.4 bank branches per 100,000 people. The government and regional authorities, such as the Commission Bancaire de l'Afrique Central (COBAC), have committed to extending financial inclusion; the former's 'national microfinance strategy' and the latter's investment in additional personnel and training for supervision of MFIs being examples thereof. Furthermore, the uptake of digital financial services (DFS) is helping to fill the gap. There are an estimated 2.7m DFS subscribers benefiting from services offered by MTN and Afriland First Bank, Orange and Banque international du Cameroun pour l'Epargne et le Crédit, Société Générale and CAMTEL, and there is capacity for more, given the rising uptake of mobile-telecommunications users and infrastructure (the share of people with mobile-telephone subscriptions increased from 31% to 76% between 2008 and 2014). Insecurity in the northernmost regions of the country, infrastructural constraints and interest-rate caps weigh against more rapid growth, however.

Financial inclusion highlights: The regulatory environment continues to evolve, albeit slowly. For example, l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA) published a review of gaps between its accountancy code and International Financial Reporting Standards (IFRS) in May 2013, but has yet to amend its code. In 2014 COBAC increased significantly its capacity to supervise banks and MFIs, investing in additional staff and training. It has followed this up with public announcements

Microscope indicators



warning MFIs against alleged improper transfer fees and usurious rates. The Cameroonian authorities, together with the Banque des Etats de l'Afrique Centrale (BEAC) and the World Bank's International Finance Corporation (IFC), intend a credit bureau covering small and medium-sized enterprises (SMEs) by end-2015. That said, interest-rate caps introduced in 2012 and increasingly, although unevenly, applied, may frustrate access to credit, encouraging MFIs to be more risk-averse in their lending criteria and products.

Challenges: While DFS have become an increasingly important aspect of financial inclusion in the country, and the authorities have signalled their openness to flexible principal-agent relationships, there continue to be restrictions preventing higher rates of financial inclusion—for example, only banks are able to issue e-money directly. Infrastructural challenges, including limited power supply, limited Internet access, and a lack of a national switch for the financial sector, continue to characterise the financial-services operating environment, hindering the expansion of financial-services providers and negatively affecting adherence to requirements by small MFIs, in particular. Although MFIs are believed to be in improved shape as a result of more active oversight, low oil prices are expected to impact government finances and, therefore, demand for microfinance services. Similarly, insecurity, particularly in the region most affected by Boko Haram, Adamawa, will constrain demand and the supply of services.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**35**	**0**	**45**	**-1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	0	0	=46	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	63	0	=31	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	33	-6	=48	-7
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	54	0	=38	+3
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	75	0	9	-4
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	56	-7	=38	-10
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	+37	=23	+24
10) CREDIT REPORTING SYSTEMS	0	0	=53	0
11) MARKET CONDUCT RULES	8	-16	=47	-7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	0	=36	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	46	-8	30	-2

CAMEROON: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	22,773,014
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,971.1
GINI INDEX	40.7
MOBILE CELLULAR SUBSCRIPTIONS	17,270,312
ATMS PER 100,000 ADULTS	3.2
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	2.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	11.4
MOBILE ACCOUNT (% AGE 15+)	1.8
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	1.7
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	1.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	56.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	7.7
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	8.7

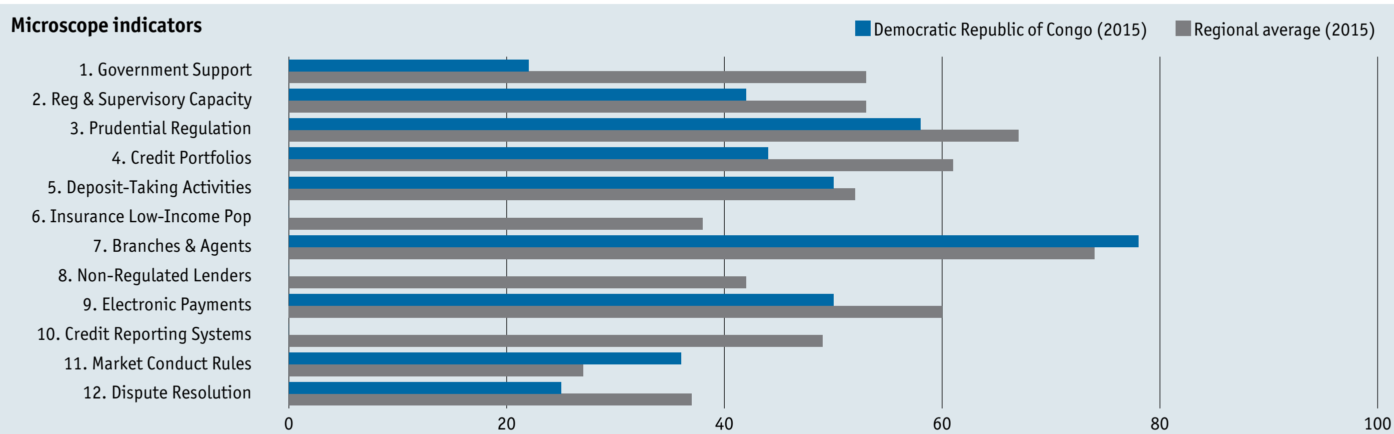
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Democratic Republic of Congo

General landscape: Led by its savings and credit co-operatives (COOPECs for its acronym in French), microfinance has experienced rapid growth and played a prominent role in the expansion of financial services across the Democratic Republic of Congo (DRC). According to the Banque Centrale du Congo's (BCC, the Central Bank) most recent annual report, there were 142 microfinance institutions (MFIs) operating in the country in 2013 (COOPECs accounting for 60% and microfinance enterprises—MFEs—the remainder). Between end-2009 and mid-2013 loans and deposits increased by more than double, with the total balance sheet reaching US$222m (including 1m accounts by end-September). Financial inclusion has improved as a result. According to the World Bank Global Findex estimates for 2014, around 17% of the population above the age of 15 have an account and 11% of the population above 15 have access to an account with a financial institution—significant improvement from the situation in 2011, when the equivalent figures were only 4% in both instances. That said, the number of bank branches per 100,000 is particularly low, as against four per 100,000 across Sub-Saharan Africa as a whole, and two per 100,000 on average for low-income countries per World Bank estimates. Expansion in some of the DRC's poorest regions, for example Nord Kivu, is frustrated by ongoing instability. Looking forward, although digital financial services (DFS) have the potential to extend access further, at present only 3% of the population are estimated to use the Internet, according to the International Telecommunications Union (ITU).

Financial inclusion highlights: Legislation passed in March 2015 removes the monopoly of the Société Nationale d'Assurances (SONAS, the state-owned operator) and establishes a separate regulator. There is the expectation that, over time, liberalisation of the insurance industry,



coupled with regulation that will eventually follow from the new authority, will facilitate the expansion of micro-insurance activities in the DRC. The law is scheduled to come into force in March 2016 and, as such, the broader regulatory framework is yet to be put in place. Supervision of MFIs in general has been a weakness, historically. Although the IMF et al., in recent reports, have continued to describe this as an area in need of improvement, MFI operators have noted the improved knowledge of staff at the BCC, partly as a result of support from the international donor community, as well as the enhanced functional independence of the BCC.

Challenges: The DRC remains very much a cash economy. Key aspects of DFS, which could expand access significantly, are in the very early stages of development at present (for example, agent banking is only now being piloted in the country by the foundation for International Community Assistance [FINCA]), and credit-bureau coverage in the country is 0.0% according to the World Bank's most recent Doing Business report. Furthermore, the lack of deposit insurance in the DRC's financial system stands out. Although the regulator has committed to the creation of a deposit-guarantee fund, as noted by the IMF, this may be difficult to achieve in the short term, given resource constraints at the Central Bank. Similarly, specific directives from the BCC for consumer protection in the microfinance segment are reportedly under development, but have yet to be published.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**26**	**+1**	**54**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	0	=37	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-2	=23	+2
3) PRUDENTIAL REGULATION	58	+4	=35	+7
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	44	+2	45	-5
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	50	0	=41	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	0	0	=52	-14
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	78	+11	=21	+4
8) REQUIREMENTS FOR NON-REGULATED LENDERS	0	0	=52	-2
9) REGULATION OF ELECTRONIC PAYMENTS	50	0	=23	+3
10) CREDIT REPORTING SYSTEMS	0	0	=53	0
11) MARKET CONDUCT RULES	36	+3	=33	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	0	=36	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	8	0	=54	+1

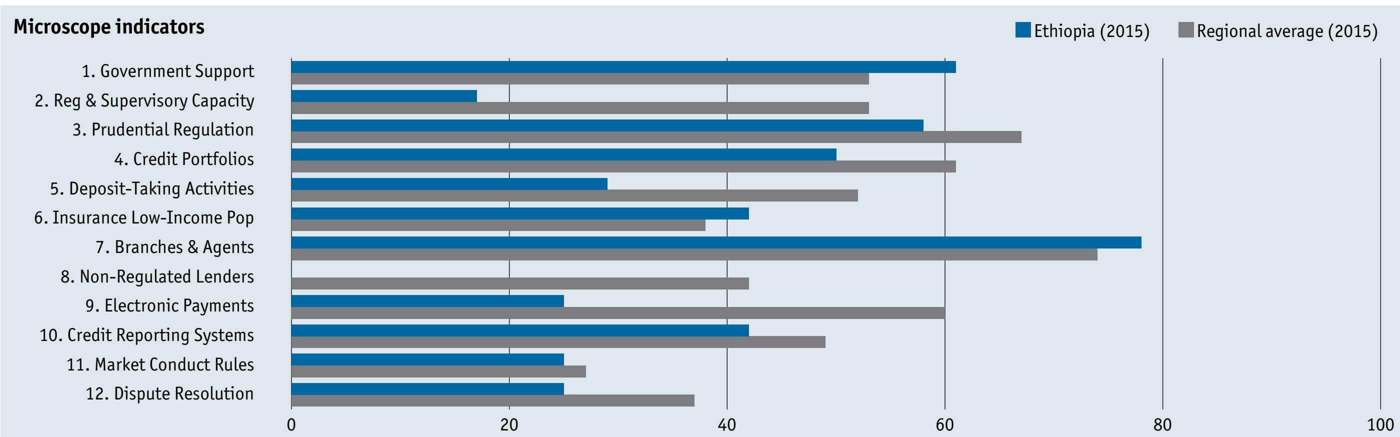
DEMOCRATIC REPUBLIC OF CONGO: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	74,877,030
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	745.8
GINI INDEX	45.7
MOBILE CELLULAR SUBSCRIPTIONS	37,102,958
ATMS PER 100,000 ADULTS	0.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	0.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	10.9
MOBILE ACCOUNT (% AGE 15+)	9.2
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.3
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	2.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	56.9
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	4.7
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Ethiopia

General landscape: Aware of high poverty levels and low financial-access rates, the Ethiopian government has taken an active approach to financial inclusion. In 2010 the Ministry of Finance established the Growth and Transformation Plan (GTP), which targeted poverty reduction, economic growth, increased investment in agriculture and industry, and improving the financial sector and infrastructure. A signatory of the Maya Declaration in 2011, the National Bank of Ethiopia (NBE, the central bank) has made substantial efforts to increase financial access and inclusion, although the success of such measures remains fairly limited. Along with domestic financial inclusion programmes, the government has actively partnered with the United Nations Capital Development Fund (UNCDF) to increase access to microfinance and micro-insurance through various programmes that will run through 2015. The Ethiopian financial sector consists of three public banks (including the Development Bank of Ethiopia, DBE), 16 private banks, 14 private-insurance companies, one public-insurance company, 31 microfinance institutions (MFIs) and over 8,200 savings and credit co-operatives (SACCOs) in both rural and urban areas. The NBE is the main financial regulator, supervising banks and MFIs. According to the most recent data, the 2014 World Bank Global Financial Inclusion (Global Findex) Database, around 21.8% of Ethiopians (over age 15) held an account at a formal financial institution. Although this figure is low compared to the regional average of 32.4%, the country has made serious strides in increasing banking access, with branch coverage quadrupling in the last decade. As of 2014 there were 31 MFIs operating in the country, and, while almost half of these institutions are based in the capital, Addis Ababa, there are over 1,000 branches operating across the country.



Financial inclusion highlights: Since 2010, the Ethiopian government has sought to increase the accessibility of financial services across the country and across income groups. With a predominately rural population, financial inclusion policies and strategies have targeted rural populations where 81.3% of the population remains unbanked. Although this year signals the conclusion of the GTP, the NBE has demonstrated an ongoing commitment to increasing access to financial inclusion services, through the creation of a Financial Inclusion Council in December of 2014. The Council will be composed of five officials from various non-governmental organisations (NGOs), private banks, and the government, and will be led by the minister of Finance and Economic Development. A main goal will be to raise the savings level throughout the country, which was recorded at 13.6% in 2014, and to increase the number of financial institutions in rural communities. Moreover, the Ethiopian government has taken a proactive stance in regulating and preparing for growth in the country's private banking and MFIs. For example, in 2013 the government adopted a mobile- and agent-banking regulatory framework, which will enable financial institutions to capitalise on the expansion of technology and mobility. The Ethiopian market, particularly the largely untapped rural segment, continues to hold great potential.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**32**	**n/a**	**=48**	**n/a**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	n/a	=13	n/a
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	17	n/a	=50	n/a
3) PRUDENTIAL REGULATION	58	n/a	=35	n/a
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	50	n/a	=36	n/a
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	29	n/a	55	n/a
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	42	n/a	20	n/a
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	78	n/a	=21	n/a
8) REQUIREMENTS FOR NON-REGULATED LENDERS	0	n/a	=52	n/a
9) REGULATION OF ELECTRONIC PAYMENTS	25	n/a	=41	n/a
10) CREDIT REPORTING SYSTEMS	42	n/a	=44	n/a
11) MARKET CONDUCT RULES	25	n/a	42	n/a
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	n/a	=36	n/a
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	36	n/a	=44	n/a

ETHIOPIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	96,958,732
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,493.9
GINI INDEX	33.6
MOBILE CELLULAR SUBSCRIPTIONS	30,490,000
ATMS PER 100,000 ADULTS	–
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	–
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	21.8
MOBILE ACCOUNT (% AGE 15+)	0.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	2.6
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	7.4
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	43.5
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	13.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	29.9

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

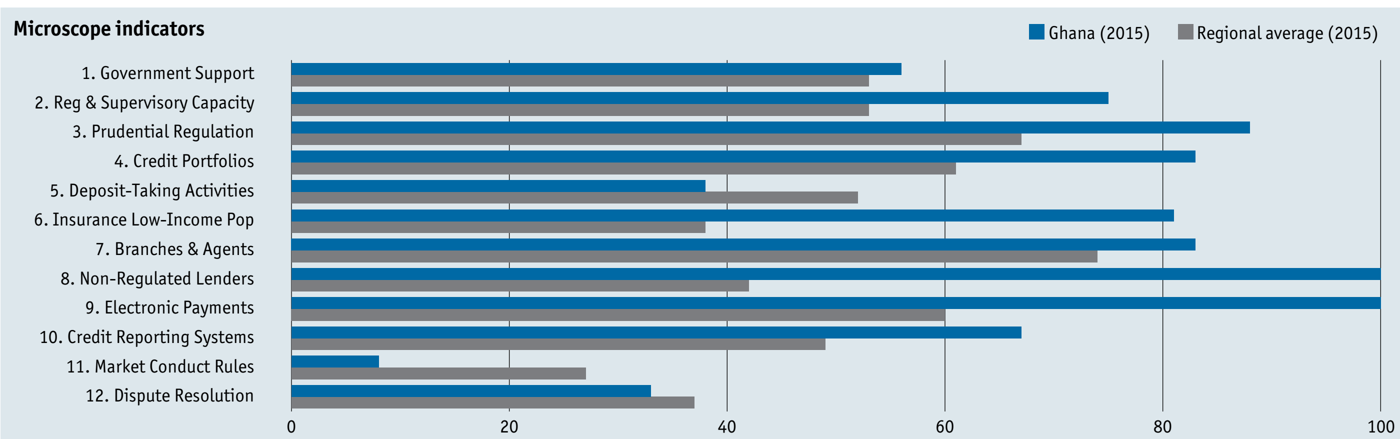
Challenges: Despite efforts to increase the availability and depth of financial services, Ethiopia largely remains a cash-based economy. Use of digital payments, mobile accounts, debit cards and automated teller machines (ATMs) all hover around 0%. Low and inconsistent mobile coverage across the country contributes to this gap in service. This extends beyond typical banking services, into areas such as insurance access, which is largely dominated and administered by the urban centre. Moreover, there is no explicit deposit-insurance scheme in place in Ethiopia. Another challenge has been set by Directive MFA/NBE/Bills/0001 from the NBE (2011), which requires all private commercial banks to invest 27% of any new loan disbursements in NBE bills with very low-paying interest of 3% (lower than what banks pay as interest for deposits) and a maturity of five years, which has resulted in uncalled-for portfolio adjustments by banks. It also only applied to banks, and, therefore, there is no level playing field.

Sub-Saharan Africa

Ghana

General landscape: Until recently, slow growth and uptake have characterised financial services that target Ghana's low-income populations. According to the World Bank's 2014 Global Financial Inclusion Database, nearly 35% of Ghanaian adults hold an account at a formal financial institution, compared to 29% in 2011. While mobile-phone subscriptions increased from 72 to 115 per 100 people between 2010 and 2014, in 2013 only 13% of adults held a mobile-finance account. However, Ghana demonstrates potential for rapid market expansion. In the last year, newly adopted regulations partnered with private investment in innovation have been driving Ghana's microfinance segment. The microcredit sub-segment has experienced continuous growth, especially among regional banks, microfinance institutions (MFIs), and other non-bank financial institutions (NBFIs). Despite the influx of newly registered MFIs and regional banks in early 2011, the segment has stabilised, allowing the regulatory authority to oversee and support the remaining viable and sustainable institutions that offer credit to low-income populations.

Financial inclusion highlights: Demonstrating its commitment to financial inclusion, in June 2015 the Bank of Ghana (BoG, the central bank) replaced the *2008 Guidelines on Branchless Banking*, regulations that required businesses to partner with banks, which slowed growth of mobile-financial services. Under the new *2015 Guidelines for E-Money Issuers and Agent Guidelines*, non-banks are allowed to establish, own and manage an electronic-money business, and non-exclusive partnerships with banks are no longer required, encouraging market entry. In addition, the *2015 Guidelines* adopt three-tiered know-your-customer (KYC) requirements, requiring minimal documentation for accounts with small balances (GH¢1,000 or US$265) and low transaction limits (GH¢300 or around US$80)



as a first step towards financial inclusion for the unbanked. And, lastly, with an increased need for consumer protection as the market widens, the *2015 Guidelines* establish comprehensive principles for consumer protection. These principles "strictly obligate" principals of agents and e-money issuers to ensure "equitable, honest and fair treatment" of all customers, especially the most vulnerable groups. In February 2013 Ghana's National Insurance Commission (NIC) launched the Microinsurance Market Conduct Rules, which require micro-insurers to design products that are affordable, accessible, and designed to meet the needs of low-income consumers. The NIC will finalise an Actuarial Capacity Development Strategy by the end of 2015 to increase the technical capacity of insurance providers to develop and market micro-insurance.

In anticipation of new legislation, mobile network operators (MNOs) have accelerated investment in innovative financial services, such as Airtel Ghana's Near Field Communication (NFC) technology and Tigo Family Care Insurance, reducing traditional barriers to financial inclusion and increasing consumer adoption. The BoG is also making large investments in electronic payments. In August of 2014 Ghana's Ministry of Finance launched a five-year National Payment System Strategy, which has since laid the foundation for the payment-system landscape through the BoG's new electronic-payroll system, and has begun to address barriers to the use of e-payment systems through new legislation, all in support of Ghana's transition to a cash-light society.

Challenges: Weak economic performance, compounded by a sharp drop in oil and commodity prices and acute power shortages, threatens potential gains in financial inclusion. Economic growth has decelerated sharply and the fiscal and current-account deficits have widened, leading to a rapid depreciation of the local currency, re-emergence of high inflation, and rising public debt. MFIs were affected by these macroeconomic trends, and a number of licensed MFIs collapsed in 2013, reducing consumer confidence in the segment. In response, Ghana has raised its relatively low minimum-capital requirements for MFIs, which must be met by June 2016. Many MFIs who remain under-capitalised will not meet these new requirements, and risk either collapse or closure in the current economic conditions. The BoG intends to further limit the number of licensed MFIs to increase stability, potentially reducing competition.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**58**	**+7**	**10**	**+8**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	56	0	=24	-11
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	75	+3	=7	-2
3) PRUDENTIAL REGULATION	88	+13	=9	+7
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	83	+11	=8	+7
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	38	0	=49	-2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	81	+31	=7	+4
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	83	-13	=18	-17
8) REQUIREMENTS FOR NON-REGULATED LENDERS	100	0	=1	0
9) REGULATION OF ELECTRONIC PAYMENTS	100	+58	=1	+30
10) CREDIT REPORTING SYSTEMS	67	0	=27	-3
11) MARKET CONDUCT RULES	8	0	=47	+4
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	33	0	=32	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	44	+2	=31	+3

GHANA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	26,786,598
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	4,089.8
GINI INDEX	42.8
MOBILE CELLULAR SUBSCRIPTIONS	30,360,771
ATMS PER 100,000 ADULTS	8.3
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	6.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	34.6
MOBILE ACCOUNT (% AGE 15+)	13.0
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	7.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	8.1
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	36.4
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	18.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	24.0

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

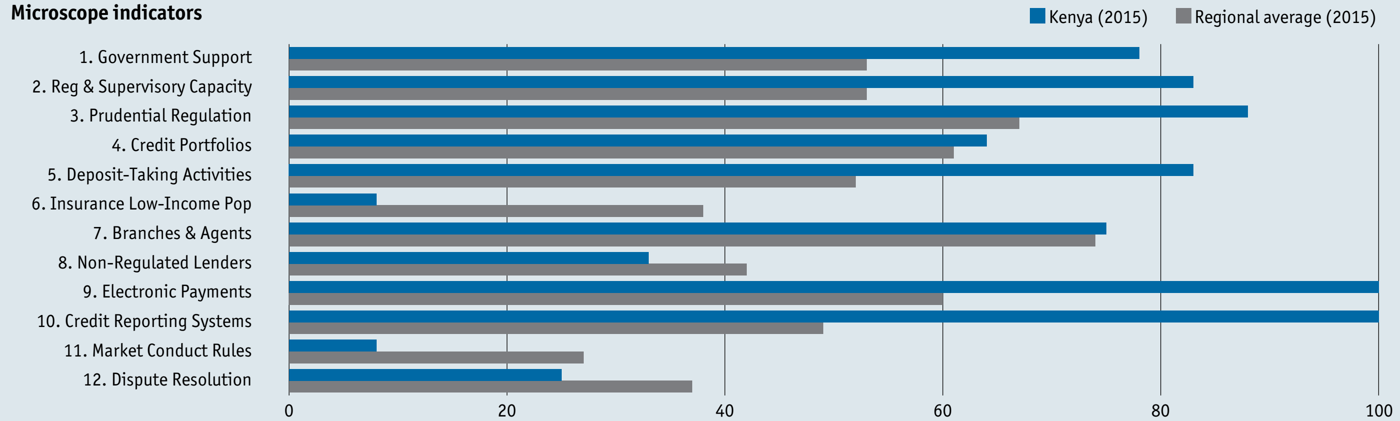
Sub-Saharan Africa

Kenya

General landscape: Although Kenya missed its recent targets for financial inclusion, as set by Vision 2030, financial inclusion is improving, if slowly, and continues to be driven mainly by mobile money. It is estimated that 80% of Kenya's population uses at least one financial product and that around 60% of individuals use mobile financial services (FinAccess Survey 2013). The government has been amending the regulatory environment with the goal of strengthening financial inclusion. New regulations supervising e-money were implemented in 2014, and there are currently draft regulations for micro-insurance. A draft central-bank bill is also being considered. Through the FinAccess survey, last conducted in 2013, the government measures individuals' use of savings and credit-service providers by demographic (gender, age group, urban vs. rural, etc.) and time and cost of accessing the nearest financial-service provider. After mobile financial-service providers, savings and credit co-operatives (SACCOs), and, to a lesser extent, deposit-taking microfinance institutions (MFIs), are the main providers of financial services in Kenya. There are hundreds of regulated SACCOs in Kenya that provide accounts and loans to individuals and households. The private sector has become increasingly aware of the benefit of reaching underserved customers. Although Safaricom has long served customers through M-PESA, banks, such as Equity Bank, are now releasing innovative products to reach previously unserved customers.

Financial inclusion highlights: The Central Bank of Kenya Act was updated as of October 1st 2015. The updated Act aims to ensure a more independent Central Bank by requiring that the governor and other leadership be appointed through a competitive process. There have been no other major regulatory changes since then. The National Payment Systems Regulations (NPSR)

Microscope indicators



2014, which were implemented in August 2014, have served to improve consumer protection and competition in the e-money segment. The new regulations include comprehensive consumer-protection provisions, including a consumer-redress mechanism, and have opened the door for both banks and non-banks to issue e-money. Competition in the mobile-money segment has increased as a direct result of the NPSR. Equity Bank has created Equitel, a mobile-payment and banking platform, that is challenging Safaricom's long-held monopoly of the mobile-money market. Equitel eliminates the need for a smartphones and mobile-banking applications by allowing customers to use simple mobile phones to access Internet banking. Additionally, one industry-led initiative, the APR pricing mechanism, through which commercial banks disclose the total costs associated with a loan, has had a positive effect on transparency in pricing.

Challenges: The lack of a financial-consumer-protection framework is one of Kenya's biggest challenges to financial inclusion and innovation. There is no comprehensive financial-consumer-protection law protecting consumer rights, requiring transparent disclosure and fair treatment, and prohibiting discrimination in financial services. Disclosure rules do not exist for all products, and there is no third entity empowered with oversight where consumers can seek redress. In addition, although the government continues to state its commitment to financial inclusion, progress towards targets has been slow, suggesting that the government's commitment is not as strong as stated. As evidenced by the mobile-money market, which preceded the comprehensive payment-systems regulations, and the implementation of the industry-led APR pricing mechanism, the government takes a back seat in regulating the financial sector, allowing industry to lead, and then following later with regulation.

	Score / 100 2015	Score / 100 Δ	Rank / 55 2015	Rank / 55 Δ
MICROSCOPE 2015 OVERALL SCORE	**56**	**+1**	**=11**	**0**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	0	=6	-2
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	83	-6	=3	0
3) PRUDENTIAL REGULATION	88	-4	=9	-3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	64	+25	=22	+19
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	83	-17	=12	-11
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	8	-17	=41	-26
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	75	+8	=26	-1
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	100	+12	=1	0
10) CREDIT REPORTING SYSTEMS	100	+33	=1	+23
11) MARKET CONDUCT RULES	8	-9	=47	-3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	-17	=36	-12
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	59	0	=24	-1

KENYA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	44,863,583
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,954.1
GINI INDEX	47.7
MOBILE CELLULAR SUBSCRIPTIONS	33,632,631
ATMS PER 100,000 ADULTS	10.0
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	5.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	55.2
MOBILE ACCOUNT (% AGE 15+)	58.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	3.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	14.9
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	79.2
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	30.2
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	20.5

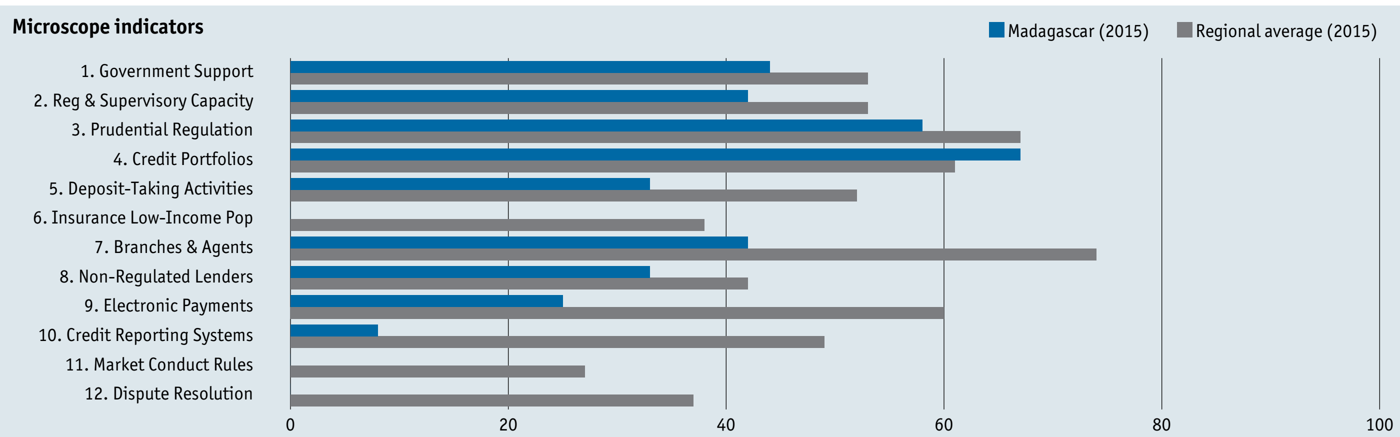
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Madagascar

General landscape: Madagascar's financial system is composed of 11 banks, five non-deposit-taking financial institutions and 31 microfinance institutions (MFIs). Regulation of the sector is framed by Law No. 2005-016 of September 29th 2005, which established a three-tier hierarchy of MFIs, whereby levels of regulation and supervision increase according to the level of financial risk. Regulatory responsibility of MFIs rests with the Commission de Supervision Bancaire et Financière (CSBF). Madagascar's current strategy for increasing access to financial services is articulated in the Stratégie Nationale de Finance Inclusive (SNFI) 2013-17, published in 2012. Although access to financial services has increased in recent years, penetration rates continue to be low. The percentage of adults with an account has increased from 6% in 2011 to 9% in 2014, while the percentage of households with access to microfinance services increased from 24.5% in 2013 to 28.5% in 2014 (World Bank and AFI). Respondents noted that the low levels of financial literacy continued to pose challenges to expanding access to financial services. Nevertheless, the restoration of relative political stability in 2014, following a period of turbulence, has resulted in a return of donor commitment and government focus to the area of microfinance.

Financial inclusion highlights: Although Madagascar's political environment continues to be rancorous—a point underscored by the opposition's initiation of impeachment proceedings against the president, Hery Rajaonarimampianina, in May 2015—it is significantly more stable now than during the 2009-13 crisis. The economic repercussions of the crisis continue to be felt, but government and donor activity in the area of microfinance has increased. The government reaffirmed its commitment to micro-insurance in 2015, with the launch of Madagascar's first in-depth assessment



of the demand for financial services, which is scheduled for completion in 2016. Furthermore, new legislation and regulation around improving consumer protection is in preparation. The drafting of a legal framework for mobile and agent banking in Madagascar has reportedly been completed, but provisions are still being finalised. Despite this renewed activity following a period of relative inaction, regulatory developments in other areas, notably micro-insurance and consumer protection, are at a more nascent stage ,where frameworks have yet to be drafted. Regulatory weaknesses in Madagascar were recently underscored when Tiavo, a Tier-2 MFI, entered into administration in September 2014.

Challenges: While CSBF's staff is considered to be of a high calibre, its supervisory capacity continues to be hampered by limited financial resources and an insufficient number of employees. Madagascar's main challenges remain structural, however. The generally low level of financial literacy hinders consumer access to information on financial products and uptake of new platforms, such as mobile banking. In addition, expanding access to financial services in rural areas is inhibited by low population density and constraining physical infrastructure. While donor-supported efforts are currently underway to collect data on the demand for financial services, it remains unclear whether this will lead to longer-term improvements in forging a better understanding of consumer interest. The government has clearly demonstrated its commitment to financial inclusion, notably by recommencing improvements in the legislative and regulatory framework. However, ongoing political tensions, such as the opposition's desire to impeach the serving president, mean that the government's attention continues to be diverted away from financial inclusion and towards party-political issues.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**27**	**+4**	**53**	**-1**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	44	0	=28	-6
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	+14	=23	+20
3) PRUDENTIAL REGULATION	58	0	=35	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	67	+9	=18	+4
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	33	+12	54	+1
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	0	0	=52	-14
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	42	-8	=47	-10
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	25	0	=41	-3
10) CREDIT REPORTING SYSTEMS	8	0	52	0
11) MARKET CONDUCT RULES	0	0	=53	-1
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	0	0	=50	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	61	+22	=22	+14

MADAGASCAR: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	23,571,713
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,436.7
GINI INDEX	40.6
MOBILE CELLULAR SUBSCRIPTIONS	9,008,947
ATMS PER 100,000 ADULTS	1.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	1.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	5.7
MOBILE ACCOUNT (% AGE 15+)	4.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	2.0
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	57.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	3.3
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

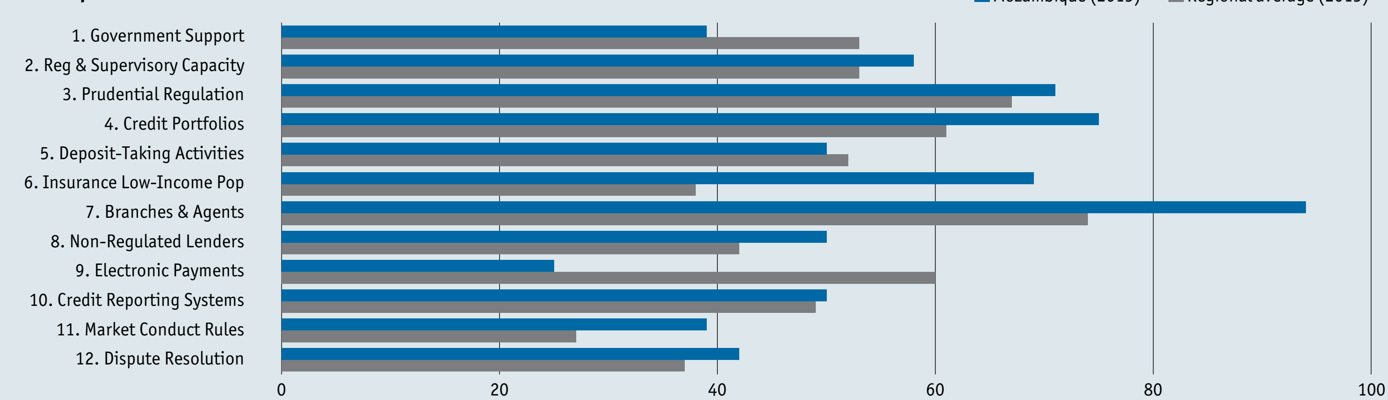
Sub-Saharan Africa

Mozambique

General landscape: The microfinance segment in Mozambique is relatively small and undeveloped, but growing. Access to bank services improved from an average of 2.9 bank branches per 10,000 sq km in 2005 to 6.6 in 2012. Likewise, in 2012 Mozambique had, on average, 4.1 bank branches per 100,000 adults, compared to 2005, when the country average was 2.2 branches per 100,000 adults. According to data from the Bank of Mozambique (BdM), as of May 2015, there were 633 authorised bank branches, nine operators of microcredit, 40 micro-bank agencies, and 14,542 points of service (POS) in the country. However, the banking industry lacks competition, with 85% of the financial sector's total assets managed by the three largest banks, and microfinance institutions (MFIs) are concentrated in the populous Maputo province, even though around 69% of the population lives in rural areas. Most MFIs remain foreign-owned and many are not financially self-sufficient, depending on donor funding. Despite these challenges, the government of Mozambique and the Banco de Moçambique (BdM, the central bank) have led important regulatory reforms to increase financial inclusion, showcasing the country's commitment to widening access to financial services.

Financial inclusion highlights: In 2015 the government issued new notices to regulate the activities of banking agents and passed a law allowing for the creation of private credit bureaus, but the latter is yet to be enacted and regulations need to be drafted by the BdM to bring the law into effect. More regulatory changes are likely to occur before the end of 2016, with laws for e-money already in the works, the ongoing implementation of the Deposit Guarantee Fund to insure depositors, and efforts to promote participation in the public credit registry. An official financial inclusion strategy is also expected by the end of 2015. To expand access in

Microscope indicators



rural areas, the government has heavily funded the financial sector, most significantly through the Support Program for Rural Finance. The BdM also launched a financial-education programme in October 2014, in partnership with the Ministry of Education, and created, within the central bank, the Department of Behavioral Supervision, with staff responsible for promoting initiatives that increase the public's level of financial knowledge. Mozambique has signed the Maya Declaration and hosted the Alliance for Financial Inclusion Global Policy Forum in September of 2015.

Challenges: The provision of credit and savings services to the poor in Mozambique continues to be heavily reliant on donor organisations, as commercial banks often consider MFIs to be too risky. This, coupled with the government's push to expand the reach of financial institutions into rural areas, may contribute to the high rate of entry and exit of MFIs. Low access to financial services (around one-third of the population has no access to any financial-services provider) and low levels of financial literacy are obstacles to inclusion in the country, especially in rural areas. As the financial-services sector continues to grow more rapidly in the Maputo area, closing the financial-access gap between urban and rural populations will remain a challenge for the country's authorities and donors.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**50**	**+6**	**=23**	**+8**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	39	-17	=32	-19
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	-14	=10	-5
3) PRUDENTIAL REGULATION	71	+4	=23	+3
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	75	+36	14	+27
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	50	0	=41	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	69	+44	=10	+5
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	94	+61	=8	+40
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	0	=18	-2
9) REGULATION OF ELECTRONIC PAYMENTS	25	-17	=41	-10
10) CREDIT REPORTING SYSTEMS	50	-17	=40	-16
11) MARKET CONDUCT RULES	39	-1	=29	0
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	59	-2	=24	-3

MOZAMBIQUE: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	27,216,276
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,137.1
GINI INDEX	45.7
MOBILE CELLULAR SUBSCRIPTIONS	18,444,219
ATMS PER 100,000 ADULTS	7.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	3.9
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	–
MOBILE ACCOUNT (% AGE 15+)	–
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.2
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	–
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	–
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	–
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	–

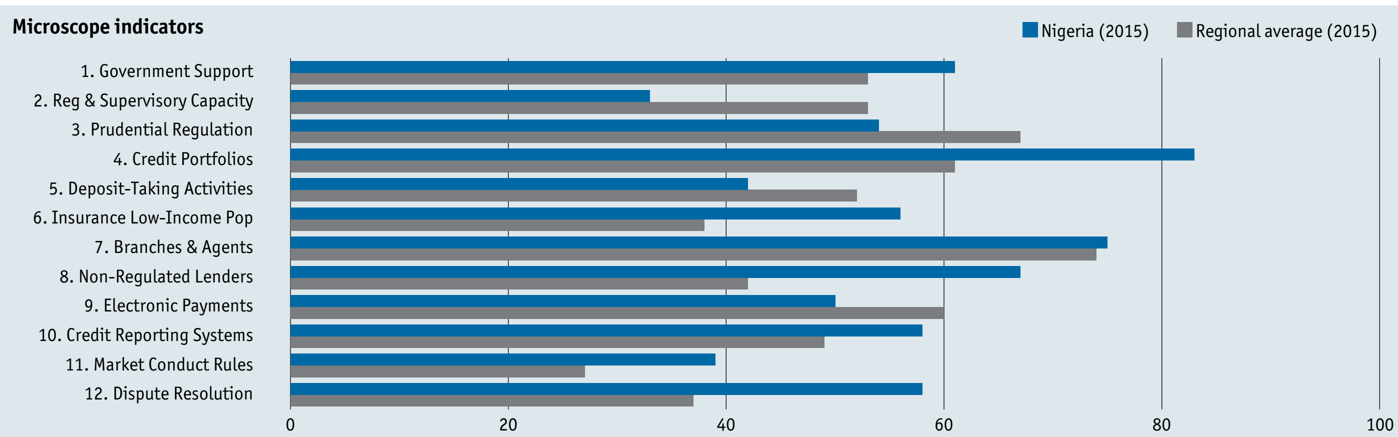
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Nigeria

General landscape: A range of players (including banks, microfinance banks [MFBs], mobile-money operators, card-issuance companies, and informal service providers) serves the low-income population in Nigeria. The Government of Nigeria released the National Financial Inclusion Strategy in 2012 and updated it in 2013. The main goal of the strategy is to reduce the share of financially excluded adults from 46.3% in 2010 to 20% in 2020. Revised know-your-customer (KYC) and agent-banking policies have been released as part of the financial inclusion strategy. At nearly halfway to the 2020 goal, however, financial exclusion remains high, at 39.5% of adults, according to Enhancing Financial Innovation and Access (EFInA), a financial sector development organisation, whose figures the government relies on in its own reporting. Of the portion of the population that does have access, one-third is through informal channels. Progress towards the goal of lowering financial exclusion has essentially stalled since 2012, when an estimated 39.7% of adults were excluded. EFInA also finds that there is large latent demand for savings products for the low-income population, as more than one-quarter of adults save at home, in addition to unfulfilled demand for credit.

Financial inclusion highlights: While some financial institutions, particularly small ones, have found the large number of policy changes implemented in recent years (these occurred both before and after the release of the 2013 National Financial Inclusion Strategy) difficult to keep up with, there has been comparatively little change in the regulatory environment during the past year. In July 2015, 16 institutions received licences to offer micro-insurance products, following the release of a set of micro-insurance operations guidelines in 2013, paving the way for the initial development of a micro-insurance sub-segment. A new consumer-protection



framework, currently in development by the Central Bank of Nigeria (CBN), is expected to tighten requirements regarding consumer rights and obligations among financial institutions serving the poor. The plunge in oil prices since mid-2014 has negatively impacted profitability and asset quality in the Nigerian banking industry over the past year, given its links to the oil industry.

Challenges: The cost of capital required to expand Nigeria's product offerings and lack of opportunity to contribute to the policy environment are key challenges facing financial institutions serving the low-income population in Nigeria, as is the unreliable power and telecommunications infrastructure. Microfinance banks (MFBs) contend that, while they are subject to rules similar to those that larger banks are required to follow, they are much less able to influence the policy dialogue. Although use of electronic banking—in particular, mobile-based and card-based services—has the potential to help alleviate cost challenges for financial-services providers, uptake of electronic-banking services remains low, in part due to lack of trust in the underlying systems (which, in turn, reflects insufficient regulation) and in part due to the poor state of infrastructure in Nigeria. Implementation of a large-scale, mobile-led platform for transferring money is needed, but, reportedly, will not occur until the government allows involvement of an international mobile network operator (MNO) to set it up.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**48**	**-2**	**=28**	**-8**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	61	-17	=13	-9
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	33	+5	=37	+6
3) PRUDENTIAL REGULATION	54	0	=41	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	83	+5	=8	+2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	42	-25	=47	-12
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	56	-19	=13	-8
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	75	-4	=26	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	0	=9	-1
9) REGULATION OF ELECTRONIC PAYMENTS	50	+4	=23	+4
10) CREDIT REPORTING SYSTEMS	58	0	=33	0
11) MARKET CONDUCT RULES	39	+13	=29	+10
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	0	=17	0
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	37	+3	=40	+2

NIGERIA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	177,475,986
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	5,911.2
GINI INDEX	43.0
MOBILE CELLULAR SUBSCRIPTIONS	138,960,320
ATMS PER 100,000 ADULTS	13.5
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	6.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	44.2
MOBILE ACCOUNT (% AGE 15+)	2.3
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.7
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	5.3
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	44.8
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	27.1
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	16.7

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

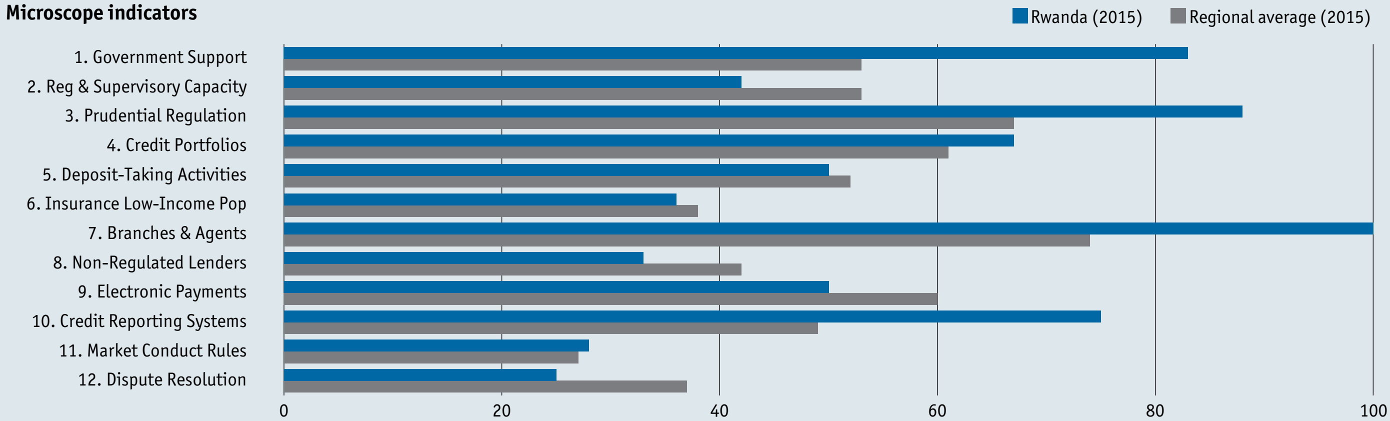
Sub-Saharan Africa

Rwanda

General landscape: The government of Rwanda continues to make progress towards meeting its goal of financially including 80% of the adult population by 2017. The National Bank of Rwanda's (NBR, the central bank) policies throughout 2014-15 have maintained a low inflationary environment, liquid banking system, and healthy microfinance segment. The microfinance segment enjoys considerable support from the government, especially community savings and credit cooperatives, known as Umurenge SACCOs. These co-operatives and MFIs serve almost the same number of Rwandans as the entire banking industry. According to the NBR's 2015 Monetary and Financial Stability statement, the banking industry and microfinance segment are well capitalised, and the microfinance segment recorded a positive performance, with a 23.8% increase in assets from 2013 to 2014. The government continues to improve the regulatory framework, working to balance financial-sector development with new consumer-protection measures. These efforts include modernisation and consolidation of SACCOs, and new legislation for the insurance industry, e-payments, deposit insurance and financial-consumer protection.

Financial inclusion highlights: Rwanda experienced huge growth in the use of electronic and mobile payments throughout 2014-15, presenting new opportunities for financial inclusion, as well as regulatory and consumer-protection challenges. The government has largely implemented the Rwanda Integrated Payment Processing System (RIPPS), and customer transactions through RIPPS rose by 30.7% in 2014. Between 2013 and 2014 the number of mobile-banking payments increased by 155%, while subscribers to mobile banking and Internet banking increased by 60% and 369%, respectively. All three telecommunications

Microscope indicators



companies in Rwanda (MTN, Tigo and Airtel) have been licensed to offer mobile-payment services by the NBR. Out of 7.7m mobile-phone users in December 2014, 6.5m or 84% were mobile-money subscribers. Yet, growth in electronic payments has highlighted regulatory and infrastructure gaps in the microfinance segment. To address these regulatory and legislative gaps, in 2014 the World Bank launched the Financial Inclusion Support Framework (FISF) with the NBR, dedicating US$2.25m in funds to programmes strengthening the monitoring and evaluation framework for financial inclusion, consumer protection, financial literacy and payment systems. The Cabinet adopted a National Financial Education Strategy and the NBR completed a diagnostic study of the financial-consumer-protection environment, which is being incorporated into draft legislation.

Challenges: The government continues to work towards full digitisation of SACCO operations, but experts estimate more than half of the 416 SACCOs may not be connected to the Internet and the majority is not yet connected to RIPPS. Research on electronic payments has found that deployment of point-of-sale (POS) systems does not align with the majority of purchasing that occurs in informal settings, and that frequent network failures, combined with a lack of financial literacy among low-income populations, have reduced customer confidence in electronic payments. Overall financial-consumer protection in Rwanda's banking and insurance industries and microfinance segment is fragmented, owing to a lack of clearly defined responsibilities among institutions and unclear enforcement capacity. The new financial consumer-protection draft law and the implementation of a National Inspectorate and Competition Authority are both forthcoming in 2015. With a promising financial outlook, the key challenge for the Rwandan government will be to keep pace with new regulatory demands and to protect low-income populations as they access a growing range of financial services.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**54**	**-1**	**16**	**-5**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	83	-17	=4	-3
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	-30	=23	-18
3) PRUDENTIAL REGULATION	88	+9	=9	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	67	+6	=18	+3
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	50	0	=41	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	36	+11	=21	-6
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	100	+12	=1	+9
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	50	-4	=23	-1
10) CREDIT REPORTING SYSTEMS	75	0	=15	-1
11) MARKET CONDUCT RULES	28	-1	=38	-2
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	25	0	=36	+1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	80	0	=9	+3

RWANDA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	11,341,544
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,660.6
GINI INDEX	50.8
MOBILE CELLULAR SUBSCRIPTIONS	7,747,019
ATMS PER 100,000 ADULTS	5.2
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	6.0
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	38.1
MOBILE ACCOUNT (% AGE 15+)	18.1
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	0.1
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	8.2
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	51.3
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	25.5
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	7.4

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

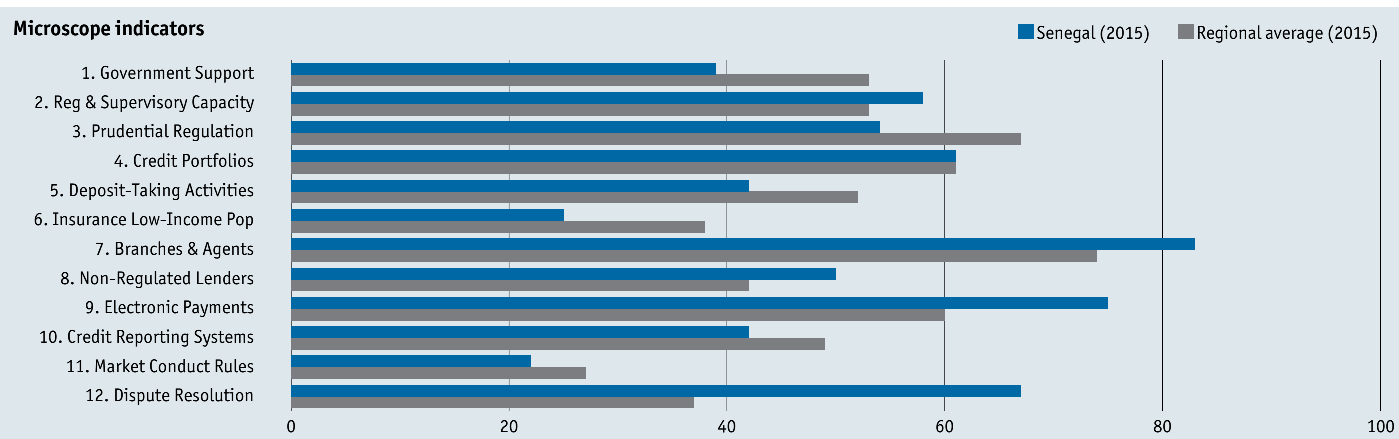
Sub-Saharan Africa

Senegal

General landscape: Senegal's well-established microfinance segment, the largest in the West African Economic and Monetary Union (WAEMU), has struggled to increase access to financial services. In Senegal, the non-agricultural informal sector employs about 2.2m people and contributes to two-fifths of Senegal's total GDP, yet, on average, less than 10% of informal workers report any access to finance. Commercial banks are concentrated in urban Dakar and, according to the World Bank, there are, on average, 4.7 commercial-bank branches per 100,000 people in Senegal, compared to an average of 12 in other countries in Sub-Saharan Africa. Further, low-income populations lack the financial literacy to access microcredit from licensed institutions. In 2015 the Ministry of Finance established its Plan Emerging Senegal, which aims to address these issues and to achieve high rates of equitably shared economic growth, transforming Senegal into a hub for West Africa.

In addition, the Ministry's Three-Year Investment Programme has budgeted around CFA 9bn (US$15.2m) to programmes for financial inclusion, which address the microfinance segment, mobile banking and rural finance. In June 2015 Dakar hosted the Second Annual African Microfinance Week, centred on accelerating innovative rural finance in Africa.

Financial inclusion highlights: New regional laws and regulations show a good prospect for market development and innovation, as well as decreased risk for consumers, but national adoption depends on Senegal's Ministry of Finance and National Banking Commission. In 2015 the Banque Centrale des Etats de L'Afrique de L'Ouest (BCEAO, the Central Bank of West African States) adopted legislation governing the terms and conditions of electronic-money issuers, authorising a variety of actors to issue e-money. To date, only five institutions are authorised in



the WAEMU, and mobile network operators (MNOs) have opted to partner with banks, rather than develop their own large-scale models, continuing banks' limited experience with low-income and rural-consumer segments. Micro-finance institutions (MFIs) often lack resources and technological capacity to launch their own e-money products. To fill this financing gap, Money Express is preparing to launch a mobile-banking platform in Senegal called Nafa, which will provide a basket of financial services via mobile phones. In March 2014 WAEMU created the Autonomous Fund for the Guarantee of Deposits to protect small depositors against the loss of their savings, to preserve the stability of banking and microfinance, and to promote financial literacy among WAEMU member states. To further protect low-literacy consumers, BCEAO published 2014 Instructions obligating banks and MFIs to provide a list of basic banking services free of charge in WAEMU member states and also established the Credit Reference Bureau (BIC), which accesses consumer-level credit history and provides access to this information to MFIs, MNOs, and any other participating institution. The 2013 law establishing the BIC ensures clients' privacy rights and protection, yet national enforcement is a challenge.

Challenges: In 2015 Senegal received 0 on the World Bank's Depth of Credit Index, indicating that credit data are neither distributed nor readily accessible, which creates problematic information asymmetries for both consumers and providers of financial services. Volatility in oil prices has affected revenue targets; regional shocks, including Ebola and political extremism, have deterred investment; and adverse weather conditions have led to lower agricultural yields, all of which limit capital investment in MFIs and reduce the availability of credit to low-income consumers. In addition, the 24% interest-rate ceiling on MFI loans presents an additional supply-side constraint on the provision of financial services, especially to remote branches and low-income consumer segments.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**44**	**+1**	**35**	**-2**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	39	-17	=32	-19
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	+2	=10	+5
3) PRUDENTIAL REGULATION	54	-13	=41	-15
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	61	+8	=26	+7
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	42	+17	=47	+6
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	25	0	27	-12
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	83	0	=18	-7
8) REQUIREMENTS FOR NON-REGULATED LENDERS	50	+17	=18	+12
9) REGULATION OF ELECTRONIC PAYMENTS	75	0	=6	-1
10) CREDIT REPORTING SYSTEMS	42	0	=44	-1
11) MARKET CONDUCT RULES	22	0	43	-2
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	67	0	=15	-1
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	42	-2	=34	-2

SENEGAL: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	14,672,557
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,292.3
GINI INDEX	40.3
MOBILE CELLULAR SUBSCRIPTIONS	14,379,729
ATMS PER 100,000 ADULTS	5.0
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	4.7
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	11.9
MOBILE ACCOUNT (% AGE 15+)	6.2
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	6.0
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	3.5
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	56.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	6.6
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	6.9

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

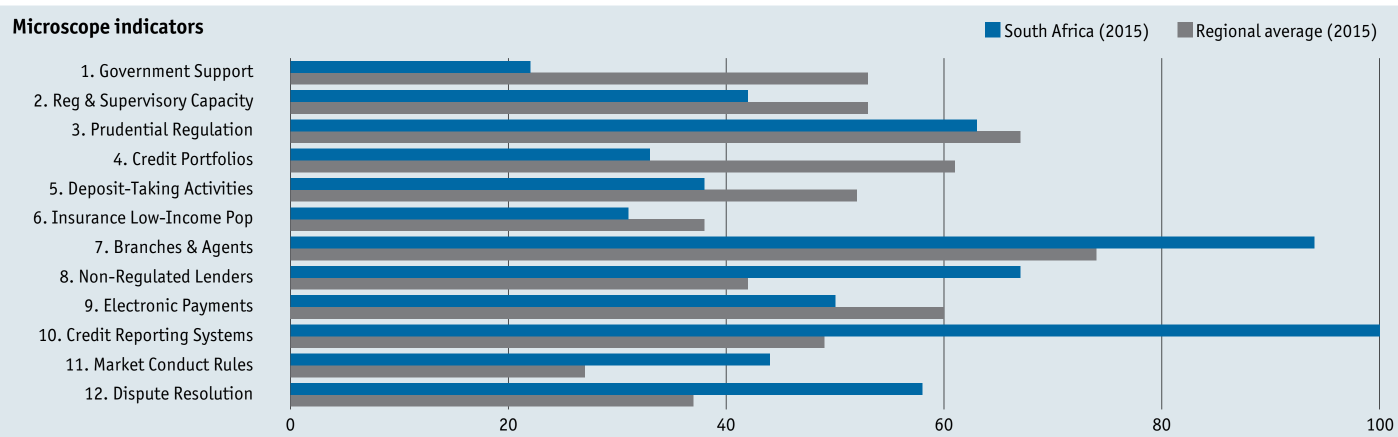
Sub-Saharan Africa

South Africa

General landscape: With 70% of people aged 15 or above holding an account at a bank or other type of financial institution in 2014, access to financial services in South Africa is broadly comparable to that in countries with similar gross national income per capita, according to the 2014 World Bank Global Financial Inclusion (Global Findex) Database. Moreover, the share of those aged 15 or above who hold an account has increased rapidly in recent years, from around 54% in 2011. Account ownership is much lower among youth (those aged 15–24) and the bottom 40% of income earners, however, at 54% and 58%, respectively, and has changed little since 2011. Provision of credit in South Africa is distorted by the presence of interest-rate caps, although caps have been lowered recently. South Africa does not have an explicit financial inclusion strategy and is not a signatory of the Maya Convention. However, it has introduced aspects of financial inclusion in several policy documents.

Financial inclusion was first identified as a national policy objective in a 2012 National Treasury policy document, A safer financial sector to serve South Africa better. The government relies on external organisations to collect and report data on financial inclusion. Financial-sector assets, deposits, and loans are dominated by large banks.

Financial inclusion highlights: Building on its initial recognition of financial inclusion as a policy concern in 2012, the National Treasury released a second draft of the Financial Sector Regulation Bill and a discussion document, Treating Customers Fairly in the Financial Sector: A Market Conduct Policy Framework for South Africa, in December 2014. The bill promises to shift away from a fragmented regulatory framework and will introduce two new regulatory bodies that will be governed by the South African Reserve Bank (SARB, the central bank) and the



Ministry of Finance. In April 2015 the government approved a draft Insurance Bill that creates space for regulation of the already active micro-insurance sub-segment. Current insurance-industry regulation is managed from a single framework that is adequate and sufficiently extensive for most general considerations, but does not specifically address micro-insurance. The Bank Supervision Department (BSD) of the central bank, which is responsible for the regulation and supervision of banks in South Africa, has strengthened its capacity and increased its supervisory staff by almost 50% in recent years, from 100 staff in 2011 to 150 staff in 2014.

Challenges: Fragmentation of policy related to financial inclusion—specifically, lack of a specific financial inclusion strategy or set of goals—is a barrier to a more inclusive financial sector in South Africa. Prospects for improving financial inclusion are also held back by high minimum-capital requirements. There is a limited track record of new entrants, while there have been significant failures and market exits. According to a 2013 World Bank report, an MFI that would like to accept deposits and foreign equity would be faced with the same minimum-capital requirements than banks (ZAR250m, or around US$18.5m), deemed too high for institutions that focus on small and medium-size loans. Market distortions in the form of regulated limits on interest rates also detrimentally affect the provision of credit. Longstanding interest-rate caps have not been effective in protecting consumers, who are increasingly over-indebted through exposure to both formal and informal credit. Finally, South Africa still lacks a deposit-insurance scheme, despite discussions regarding potential implementation having been underway since 2000.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**46**	**n/a**	**=31**	**n/a**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	22	n/a	=37	n/a
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	42	n/a	=23	n/a
3) PRUDENTIAL REGULATION	63	n/a	=31	n/a
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	33	n/a	=48	n/a
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	38	n/a	=49	n/a
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	31	n/a	=23	n/a
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	94	n/a	=8	n/a
8) REQUIREMENTS FOR NON-REGULATED LENDERS	67	n/a	=9	n/a
9) REGULATION OF ELECTRONIC PAYMENTS	50	n/a	=23	n/a
10) CREDIT REPORTING SYSTEMS	100	n/a	=1	n/a
11) MARKET CONDUCT RULES	44	n/a	=27	n/a
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	n/a	=17	n/a
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	44	n/a	=31	n/a

SOUTH AFRICA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	54,001,953
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	13,046.2
GINI INDEX	65.0
MOBILE CELLULAR SUBSCRIPTIONS	79,540,205
ATMS PER 100,000 ADULTS	61.9
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	10.3
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	68.8
MOBILE ACCOUNT (% AGE 15+)	14.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	54.5
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	12.1
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	85.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	32.7
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	11.7

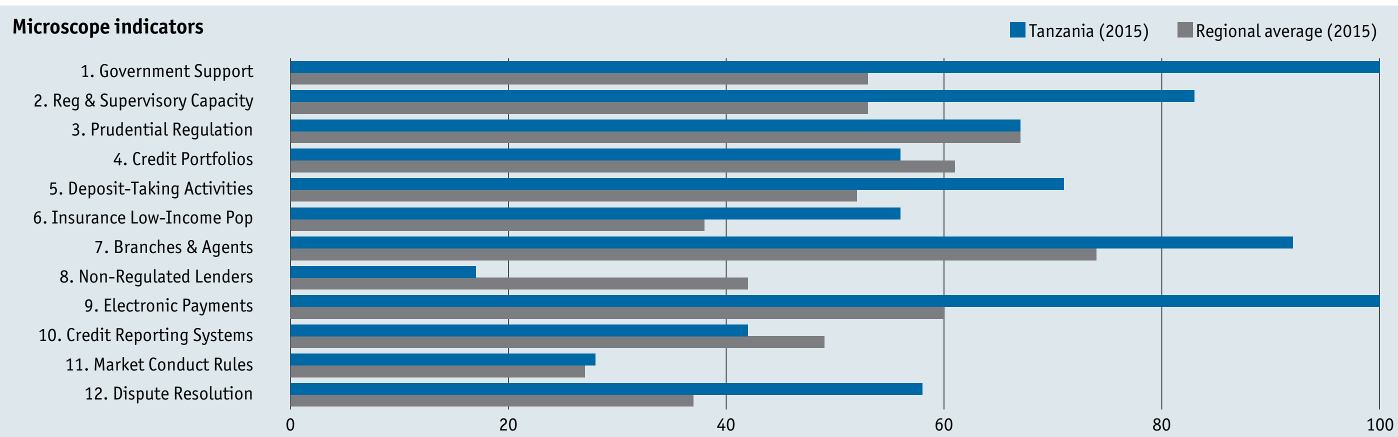
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Tanzania

General landscape: The government of Tanzania and the country's private sector are committed to improving financial inclusion. There are no caps on interest rates on deposits or credit, and there are no other restrictive regulations affecting the market. The National Financial Inclusion Framework, a public-private initiative inaugurated in 2013, sets targets for achieving "50% formal access, 50% formal usage, 25% of adult population with two weeks' worth of income in formal savings, and 25% of the adult population with electronic information records on personal profile, collateral and credit history by 2016". As of July 2014 Tanzania had already exceeded its initial goals, and thereafter took on the new, more ambitious goal of increasing formal access to financial services to 75% of the population. Mobile financial services have been the main driver of this growth. Savings and credit co-operatives (SACCOs), followed by microfinance institutions (MFIs), play the largest role in providing financial services to the poor. Under the Financial Inclusion Framework, the government keeps track of the number of people who have a bank account, who have used their account in the past 90 days, and who are registered mobile-money users, and who are active mobile-money users, and categorises this data by gender and by urban/rural divide.

Financial inclusion highlights: Over the past year, the government has introduced several regulations that have enhanced consumer protection and provided a stronger regulatory environment for the financial sector. In 2014 the Tanzanian Insurance Regulatory Authority implemented the Micro-Insurance Regulations 2013. Although not comprehensive, the regulations introduce alternative channels for provision of micro-insurance through agents such as MFIs and non-governmental organisations (NGOs). The government is aware of the



limitations of the regulation, and plans to amend it in the near future. In 2014 the government also amended and updated a number of regulations related to capital adequacy (revising minimum-capital requirements and minimum-capital-adequacy ratios upwards), licensing, microfinance activities, and disclosure. The Bank of Tanzania (BoT, the central bank) is in the process of setting up a regulatory framework for licensing and supervising all microcredit institutions. At the moment, only banks and microfinance companies (MFCs) are supervised. Finally, the BoT established a consumer complaints desk in 2015 to act as a third-party redress mechanism for disputes between financial institutions and their customers that are unable to be resolved at financial-institution level.

Challenges: The main challenges to financial inclusion are information asymmetries, caused by the lack of reliable information to assess creditworthiness and the lack of disclosure on the full cost of credit and available information on pricing in the market. Although the BoT has been making an effort to improve the quality of data submitted to credit bureaus, data quality remains low and few financial institutions use the data to make decisions on customers' creditworthiness. Similarly, customers have limited available information by which to compare the costs of products at different financial institutions. There are no comprehensive regulations requiring all financial institutions to provide the full cost of services to customers, and the BoT does not publish information on pricing.

	Score / 100		Rank / 55	
	2015	Δ	2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**62**	**+6**	**=6**	**+3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	100	0	=1	0
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	83	-6	=3	0
3) PRUDENTIAL REGULATION	67	0	=25	+1
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	56	+6	=32	+2
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	71	0	=29	+2
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	56	+31	=13	+2
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	92	+9	=11	0
8) REQUIREMENTS FOR NON-REGULATED LENDERS	17	0	=47	-1
9) REGULATION OF ELECTRONIC PAYMENTS	100	+17	=1	+3
10) CREDIT REPORTING SYSTEMS	42	-16	=44	-11
11) MARKET CONDUCT RULES	28	-8	=38	-7
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	58	+33	=17	+20
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	85	0	=5	+1

TANZANIA : FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	51,822,621
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	2,591.2
GINI INDEX	37.8
MOBILE CELLULAR SUBSCRIPTIONS	31,862,656
ATMS PER 100,000 ADULTS	5.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	2.6
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	19.0
MOBILE ACCOUNT (% AGE 15+)	32.4
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	7.3
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	6.5
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	55.6
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	9.0
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	37.2

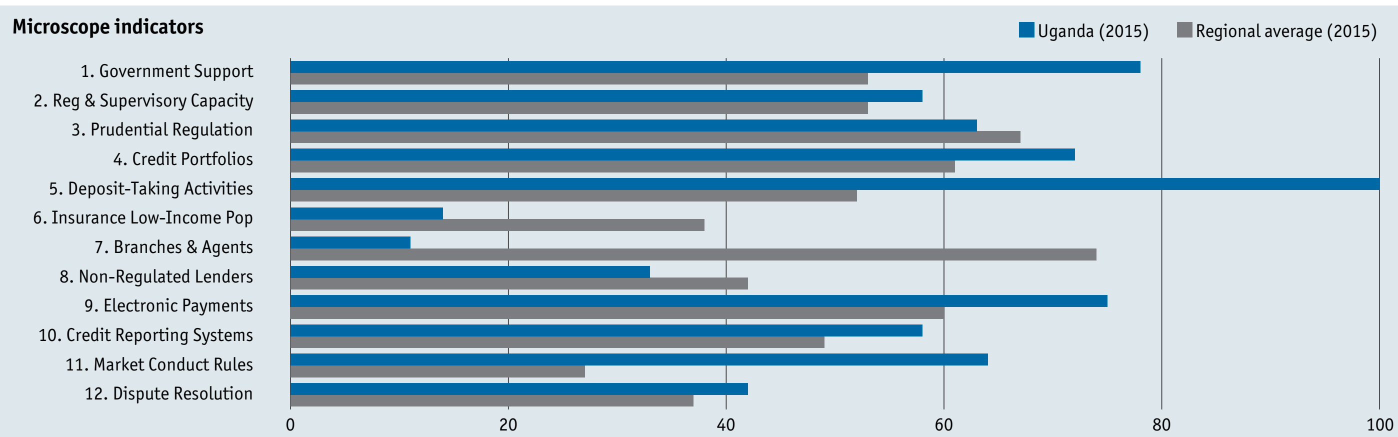
Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Sub-Saharan Africa

Uganda

General landscape: Over the last decade, access to financial services in Uganda has improved significantly, mostly driven by the drastic expansion in mobile-money services; the share of individuals operating a bank account has steadily increased, rising to 44.4% in 2014, up from 20% in 2011, according to the 2014 World Bank Global Financial Inclusion (Global Findex) Database. Although the banked population has increased in rural areas, this sector of the population remains widely underserved, as the divide between rural and urban earnings continues to grow and many of the poorest lack sufficient capital to take advantage of financial services. The Ugandan government has categorised the financial sector into a tiered framework that consists of commercial banks, credit institutions, microfinance deposit-taking institutions (MDIs) and non-deposit-taking financial institutions, such as credit-only non-governmental organisations (NGOs), savings and credit co-operatives (SACCOs) and microfinance institutions (MFIs). Commercial banks dominate the financial sector, both in terms of number of accounts and institutions, and, as of 2014, there were only three MDIs registered in the country. The government's current strategy to improve access to financial services is based on the 2005-15 microfinance policy developed by the Ministry of Finance, Planning and Economic Development (MFPED). The implementation of the strategy has mainly taken the form of the establishment of SACCOs in each sub-county by the end of 2015. However, the impact of this programme has been limited, owing to the fragmentation of providers, political pressure, and the programme's disbursement problems. Halfway through 2015 it seems unlikely that these goals will be met.

Financial inclusion highlights: The government has been taking steps to improve financial literacy and knowledge of consumer rights in relation to



financial services. In March 2015 the governor of the Bank of Uganda (the central bank), Emmanuel Tumusiime-Mutebile, announced a national communications campaign to increase public awareness of the Financial Consumer Protection (FCP) guidelines. As of April 2015, all customers of supervised financial institutions will be issued with Key Facts Documents for any deposit or loan they sign up for, disclosing fees, interest rates, benefits and obligations. This has made financial products more comprehensible to consumers by summarising key aspects of transactions. Additionally, a draft Tier-IV Microfinance Institutions Bill was finalised in 2014 and will be presented to Parliament in 2015. If passed, a new authority will formally regulate and supervise MFIs and large SACCOs, as well as establishing a SACCO stabilisation fund, a savings-protection scheme, and providing for a central financing facility for the channelling of state funds. At the end of May 2015 the Tier-IV Bill was in the final stages of preparation before submission to the Cabinet. Currently, the Department for Financial Services (DFS) is focusing its attention on the necessary preparations for the operationalisation of the new Tier-IV Regulatory Framework.

Challenges: The government has proposed several amendments to the current laws governing the financial sector, which would allow financial institutions to make use of agents to reach a greater number of customers. However, the appearance of many fraudulent MFIs, as well as a continued sense of a lack of transparency and competition in the banking industry, have eroded public confidence in many financial products offered by formal and informal institutions alike. Despite recent efforts by the central bank to increase public awareness of consumer rights via service announcements, there are no disclosure rules requiring insurance providers to share information with consumers, specifically for micro-insurance. Currently, only a few commercial banks and credit institutions provide micro-insurance. Despite an increase in service levels and efforts to introduce micro-insurance, there are no official regulations for micro-insurance or covering micro-insurance-distribution channels. Additionally, there continues to be a limited understanding of insurance and its benefits and a very low level of trust for insurance providers. A significant reason for this lack of trust is the low claims ratio, particularly for statutory third-party motor claims.

	Score / 100 2015	Δ	Rank / 55 2015	Δ
MICROSCOPE 2015 OVERALL SCORE	**50**	**0**	**=23**	**-3**
1) GOVERNMENT SUPPORT FOR FINANCIAL INCLUSION	78	0	=6	-2
2) REGULATORY AND SUPERVISORY CAPACITY FOR FINANCIAL INCLUSION	58	-14	=10	-5
3) PRUDENTIAL REGULATION	63	0	=31	+4
4) REGULATION AND SUPERVISION OF CREDIT PORTFOLIOS	72	-3	=15	-1
5) REGULATION AND SUPERVISION OF DEPOSIT-TAKING ACTIVITIES	100	0	=1	0
6) REGULATION OF INSURANCE FOR LOW-INCOME POPULATIONS	14	-11	=32	-17
7) REGULATION AND SUPERVISION OF BRANCHES AND AGENTS	11	+7	55	0
8) REQUIREMENTS FOR NON-REGULATED LENDERS	33	0	=30	0
9) REGULATION OF ELECTRONIC PAYMENTS	75	+17	=6	+7
10) CREDIT REPORTING SYSTEMS	58	0	=33	0
11) MARKET CONDUCT RULES	64	+1	=10	+3
12) GRIEVANCE REDRESS AND OPERATION OF DISPUTE RESOLUTION MECHANISMS	42	0	=26	-2
A) ADJUSTMENT FACTOR (STABILITY AND POLICIES)	59	0	=24	-1

UGANDA: FINANCIAL INCLUSION DATA	
POPULATION, TOTAL	37,782,971
GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $)	1,765.7
GINI INDEX	44.6
MOBILE CELLULAR SUBSCRIPTIONS	20,365,941
ATMS PER 100,000 ADULTS	4.8
COMMERCIAL BANK BRANCHES PER 100,000 ADULTS	2.9
ACCOUNT AT A FINANCIAL INSTITUTION (% AGE 15+)	27.8
MOBILE ACCOUNT (% AGE 15+)	35.1
PERCENTAGE OF TOTAL POPULATION COVERED BY MICROINSURANCE	4.6
BORROWED FROM A FINANCIAL INSTITUTION (% AGE 15+)	15.7
BORROWED ANY MONEY IN THE PAST YEAR (% AGE 15+)	79.0
SAVED AT A FINANCIAL INSTITUTION (% AGE 15+)	16.8
NO DEPOSIT AND NO WITHDRAWAL IN THE PAST YEAR (% WITH AN ACCOUNT, AGE 15+)	12.2

Sources: World Bank (World Development Indicators 2014, Findex 2014), IMF Financial Access Survey 2013/2014, MicroInsurance Network (various years)

Glossary

Anti-money laundering and combating the financing of terrorism (AML/CFT): Legal re-quirements, controls and practices designed to detect and prevent money-laundering, the financing of terrorism, and other illicit activities. The term usually refers to the international standards on AML/CFT set up by the Financial Action Task Force (FATF), an inter-governmental body. While each country can choose how to adapt to these international standards, in most countries financial institutions are required to apply certain know-your-customer (KYC) regulations to all customers, strengthen internal controls, and watch for suspicious transactions. These regulations, while important, can sometimes create barriers to financial inclusion. Source: CGAP 2012, Accion, 2015.

Automated clearing house (ACH): An electronic clearing system, in which payment orders are exchanged among participants (primarily via electronic media) and handled by a data-processing centre. Source: ECB, 2009.

Agent banking (or correspondent banking): A model for delivering financial services whereby a bank partners with a retail agent (or correspondent) in order to extend financial services in locations for which bank branches would be uneconomical. Agents can be both banking (small banks) and non-banking correspondents (post offices, gas stations, and "mom and pop stores"). Agent banking is a delivery channel that holds high potential for closing the location gap. Source: Accion, 2015.

Automated teller machine (ATM): An electro-mechanical device that allows authorised users, typically using machine-readable plastic cards, to withdraw cash from their accounts and/or access other services (allowing them, for example, to make balance enquiries, transfer funds or deposit money). Source: ECB, 2009.

ATM card: A plastic card that can be used with an ATM for deposits or withdrawal of funds in a bank account. ATM cards can use magnetic strips or smart-card technology. Source: Accion, 2015.

Bank: A commercial or state bank that provides financial services to (generally middle- and upper-class) clients. Until recently, most traditional banks did not know how to extend financial services to the poor and did not believe that such clients could be served profitably. Today, banks are taking an interest in serving lower-income clients, or downscaling, and, in doing so, they can play an important role in financial inclusion. Source: Accion, 2015.

Banking outlet: A physical place where clients can access a financial service. The following can all be considered banking outlets: a bank branch, an ATM, a banking agent (such as a petrol station or post office that provides financial services), a retail store with in-store banking, a mobile phone, a website (in the case of e-banking), or a point-of-sale (POS) device (portable devices with antennae or connected to tellers that function as quasi-ATMs). Source: Accion, 2015.

Beneficiary: Person who receives a life-insurance benefit in the event of the policyholder's death. Source: CGAP, 2015.

Branchless banking: Banking models and delivery channels that deliver financial services to clients through outlets other than full-service bank branches. Branchless banking refers to mobile banking, correspondent and agent banking, electronic banking, and the use of ATMs. The appeal of branchless banking in the context of financial inclusion is its ability to close the location gap and increase affordability through automation. Source: Accion, 2015.

Broker: Licensed firm or individual that designs, negotiates, and services insurance programmes on behalf of the insurance buyer. Source: CGAP, 2015.

Capital-adequacy ratio (CAR): The capital-adequacy ratio is the central feature of the Basel Capital Accord. It is an analytical construct in which regulatory capital is the numerator and risk-weighted assets are the denominator. A minimum ratio of regulatory capital to risk-weighted assets is set to achieve the objective of securing, over time, soundly based and consistent capital ratios for all international banks. Source: OECD, 2007.

Claim: Request for payment under terms of an insurance contract when an insured-against event occurs. Source: CGAP, 2015.

Claims processing: System and procedures that link the occurrence of an insured-against event with a payout. Processing should be quick and efficient so payouts can be made as quickly as possible. Source: CGAP, 2015.

Cover (or coverage): Scope of protection provided under an insurance contract.
Source: CGAP, 2015.

Client-protection principles: Standards of appropriate treatment that clients should expect to receive when doing business with an MFI, as agreed upon by the microfinance segment-wide effort called the Smart Campaign. Client-Protection Principles include: 1. Avoidance of over-indebtedness; 2. Transparent and responsible pricing; 3. Appropriate collections practices; 4. Ethical staff behaviour; 5. Mechanisms for redress of grievances; 6. Privacy of client data. Source: Accion, 2015.

Consumer credit: Credit allowing an individual to purchase and/or use a consumer good or service while paying for it over a set repayment period. Consumer credit is, in many countries, the fastest-growing financial service, but is not always the highest priority for financial inclusion. Consumer credit can be offered by retailers as merchandise-purchase financing or by financial institutions as personal loans, or through credit cards. Source: Accion, 2015.

Credit bureau: A private agency or firm, established either as a profit-making venture by en-trepreneurs (with or without financial-institution owners) or as a co-operative association by a group of lenders, that gathers and provides consumer-credit information. This information can be used to assess an individual's creditworthiness and other factors important to a lender when determining whether to grant a loan. The term "credit bureau" can also be used to refer to a public credit registry. Source: CGAP, 2012.

Credit card: An electronic-payment card allowing the holder to purchase goods and services on credit. Each card is associated with a credit line. A ceiling level, determined by the issuing financial institution, serves as a limit on the amount of debt the cardholder can take on. Unlike a debit card, matching funds do not need to be available on the cardholder's account, but the cardholder must generally pay interest on the debt incurred while using the credit card. Source: Accion, 2015.

Credit registry: A database maintained by a government agency (for example, the central bank), to which regulated financial institutions are typically required to submit loan and repay¬ment information. In many countries, only regulated financial institutions can access information from a public credit registry. Source: CGAP, 2012.

Credit union: A provider of financial services that is owned by its members under a co-operative form of governance. Credit unions (CUs) usually provide savings services and loans to their members. They play an important role in financial inclusion because they often have a greater presence in rural areas, where traditional banks might not be present and because they often offer services at more affordable rates than other financial institutions. CUs are known by many names around the world, including cooperatives, cajas (in many Latin American countries), and savings and credit co-operatives (SACCOs) (throughout Africa). Source: Accion, 2015.

Customer due diligence (CDD): Requirements imposed on banks and other financial insti¬tutions by regulation. The Financial Action Task Force (FATF) has a specific Recommendation on CDD, setting forth what financial institutions should be required by regulation to do (subject to the risk-based approach), including (i) identifying the customer and verifying that customer's identity, (ii) identifying the beneficial owner, (iii) understanding the nature of the business relation¬ship, and (iv) conducting ongoing due diligence on the business relationship. Similar (sometimes identical) to know-your-customer (KYC) requirements.
Source: CGAP, 2012.

Debit card: An electronic payment allowing the holder to deposit or withdraw funds to or from a bank account. May be used with an ATM or in retail stores for payments of goods and services, in conjunction with a POS device. The amount available on the card matches the funds accessible in the corresponding bank account. Unlike a credit card, debit-card users do not accumulate debt as a result of card use. Source: Accion, 2015.

Delivery channel: A method of providing products or services. Examples of delivery channels include traditional banking outlets, such as bank branches, ATMs, or branchless-banking channels, such as mobile banking and agent banking. Source: Accion, 2015.

Electronic money (E-Money): Monetary value represented by a claim on the issuer that is (i) stored on an electronic device, (ii) issued on receipt of funds of an amount not less in value than the monetary value issued, (iii) accepted as a means of payment by parties other than the issuer, and (iv) convertible into cash. In practice, the customer exchanges cash at a retail agent in return for an electronic record of value. Source: CGAP, 2012.

Electronic wallet: A place to store electronic money, allowing rapid and secure electronic transactions. An electronic wallet can take the form of a smart card or a mobile phone. Electronic wallets allow individuals to store money in a secure place, even if they do not have a bank account. In addition, users of electronic wallets can pay for certain products and services without carrying cash, making electronic wallets a safe alternative way to transport money. Source: Accion, 2015.

Excluded: A term describing individuals who have access to none of the products in the full suite of basic services (savings, credit, insurance and payment services) from a formal financial service provider. Source: Accion, 2015.

Financial capability: The combination of knowledge, understanding, skills, attitudes and (especially) behaviours that people need in order to make sound personal-finance decisions, suited to their social and financial circumstances. Source: Accion, 2015.

Financial education: The provision of education on the use of financial services. Financial education is important in the context of financial inclusion, because, as previously excluded populations gain access to formal financial services, they need to be able to use these services in a productive and responsible manner that will not cause them harm. Financial education may be provided by schools, financial institutions, and others, through channels ranging from classrooms, to mass media and direct contact with financial-institution staff. Source: Accion, 2015.

Financial literacy: The ability to understand how to use financial products and services and how to manage personal, household, or micro-enterprise finances over time. Improvements in literacy levels can be achieved through financial education. Source: Accion, 2015.

Financial inclusion: There are many definitions of financial inclusion and this report does not adopt any particular one. The aim is to measure the enablers of financial inclusion and not the outcome per se. In this report, we characterise "financial inclusion" as the availability of a wide range of financial services to all populations, especially the disadvantaged.

Financial institution: A category of entities engaged in financial services, including banks, CUs, savings and loan associations (S&Ls), money-transfer operators, MFIs and currency-exchange offices. Source: IMF, 2009.

Formal financial-services provider: An institution that provides formal financial services, is formally recognised by the government, and is often (but not necessarily) regulated. Formal providers of financial services include commercial banks, state banks, rural/agricultural banks, savings banks and non-bank finance institutions (NBFIs). Other financial institutions, such as MFI-non-governmental organisations (NGOs) and CUs can also be considered formal financial-services providers, despite not always being regulated. Source: Accion, 2015.

G2P: Government-to-person payment. G2P payments include government benefits and salary payments. Source: AFI, 2013.

Health insurance: Coverage for illness, accidents and other health-related risks.
Source: CGAP, 2015.

Informal financial-services provider: An unregulated provider of financial services, which is generally not legally registered with the government. Informal financial-services providers may include moneylenders, pawnbrokers, rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs). Usually, they are characterised by their community-based nature and their informality. Their services can be convenient, but may also be costly, and not always reliable. (ROSCAs and ASCAs are sometimes categorised as informal service providers, although the debate on how to categorise them continues.) Source: Accion, 2015.

Insurance: System under which individuals, businesses, and other entities, in exchange for a monetary payment (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions. Source: CGAP, 2015.

Insurance intermediary: Any natural person or legal entity that engages in insurance intermediation. Intermediaries are generally divided into separate classes. The most common types are "independent intermediaries", who represent the buyer in dealings with the insurer (also known as "independent brokers") and "agents" (which generally include multiple agents and sub-agents), who represent the insurer. Source: CGAP, 2015.

Insurance supervisor: Refers to either the insurance and reinsurance regulator or the insurance and reinsurance supervisor in a jurisdiction. Source: CGAP, 2015.

Insurers: Commercial regulated and licensed insurers with no particular focus on the low-income market. Source: CGAP, 2015.

Interest rate: Interest charges expressed as a percentage of the principal value, to be paid over a specific period of time. Interest rates are the most important determinant of affordability.
Source: Accion, 2015.

Interest-rate cap: An agreement between two or more parties under which one party limits its exposure to interest-rate increases above a specified ceiling (the cap) by paying a fixed premium; that is, the borrower pays a premium for the right to have a maximum interest rate. In return, the other party agrees to pay the first party the amount by which interest on a notional principal amount, as measured by an agreed interest-rate index, exceeds the specified cap.
Source: IBFD, 2009.

Interoperability: The ability of diverse information technology (IT) systems to work together, so services can be provided across multiple providers. For example, interoperable ATMs allow a customer to withdraw funds from any ATM, not just those owned by her bank. Interoperability is important for scaling delivery channels such as mobile banking. If a telecommunications company's mobile phones are not interoperable with those of other companies, for example, customers will only be able to send money to a limited range of recipients, and may find the service of insufficient value to sign on. Source: Accion, 2015.

Know your customer (KYC) (see also "customer due diligence"): Due diligence (sometimes referred to as customer due diligence [CDD]) that banks are typically required (pursuant to prudential

requirements, AML/CFT requirements, and also internal guidelines) to perform on potential customers to ascertain and verify the identity of a client. Common KYC requirements include the provision of national-identification cards and documentary proof of home address and employment. KYC regulation is part of the AML/CFT standards, and, while important, can sometimes create barriers to financial inclusion. For example, new KYC regulations require that providers review identity documents (such as a passport, identification card, or employment documentation) for new clients, which many financially excluded clients lack.
Source: CGAP, 2012; Accion, 2015.

Life insurance: An insurance policy that allows an individual's relatives to receive a preset sum of money, upon the end of the insured person's life. Source: Accion, 2015.

Microcredit: Small-scale credit, typically provided to self-employed or informally employed poor and low-income individuals and microenterprises. Other common features of microcredit include lending methodology characterised by familiarity with the borrower, lack of collateral, expectation of a follow-on loan, and very small loan amounts (although the size of microcredit loans varies from country to country). Source: CGAP, 2012.

Microenterprise: A very small enterprise, generally operated by a low-income person, usually the sole proprietor. In the developing world, most small businesses fall into this category and are generally part of the informal economy. Source: Accion, 2015.

Microfinance: The provision of financial products and services, focused on serving low-income clients, who often lack access to formal financial services. Microfinance is sometimes used as a synonym for microcredit, although microfinance refers to the provision of services beyond credit, including savings, insurance and payments. Microfinance as a segment has evolved from the first microcredit pilots a few decades ago that proved that the poor need to, and can, use financial services. Microfinance as a segment has its roots in and advocates the use of financial services in a way that enhances and does not harm the lives of its low-income clients. Despite its rapid growth, there are still over 2bn people who lack access to financial services, and this has inspired the more recent push for financial inclusion. Source: Accion, 2015.

Microfinance institutions (MFIs): Institutions that provide financial services to low-income populations. MFIs can take many forms including, bank, non-bank financial institution (NBFI), CUs or non-governmental organisation (NGO). The term MFI often refers to institutions primarily focused on serving low-income populations and who self-identify with the microfinance movement, often with a focus on microenterprise credit. The term can also be used to refer to any financial institution serving low-income populations. Source: Accion, 2015.

Microinsurance (or "insurance to low-income population" or "inclusive insurance"): Insurance that is accessed by the low-income population, provided by a variety of different entities and run in accordance with generally accepted insurance practices. Often characterised by very low premiums, small payouts, and very simple claims mechanisms. Sources: Access to Insurance Initiative, 2015; Accion, 2015.

Minimum-capital requirements: The minimum absolute amount that owners must invest as equity in an institution seeking a licence to accept deposits. Source: CGAP, 2012.

Mobile banking: The use of a mobile phone to access banking services and execute financial transactions. This covers both transactional and non-transactional services, such as viewing financial information on a bank customer's mobile phone. Mobile banking is an alternative delivery channel. Mobile banking supports payment transactions including money transfers and, in some cases, loan repayments. Because in many developing countries mobile penetration is deepening faster than the penetration of financial services, many point to mobile banking as one possible way to decrease the location gap and increase financial inclusion. Sources: AFI, 2013; Accion, 2015.

Mobile network operator (MNO): A company that has a government-issued licence to provide telecoms services through mobile devices. Source: AFI, 2013.

Money transfer: A payments transaction that moves money from one person or business to another. Money transfers allow individuals or businesses to make payments from one account to another (in order to pay a bill, pay taxes or purchase a good or service). Money transfers also allow governments to distribute money to households (in the form of tax rebates or welfare vouchers). Money transfers facilitate payments, which are one of the four basic financial services in the full suite of financial services. Source: Accion, 2015.

Moral hazard: Occurs when insurance protection creates incentives for individuals to cause the insured-against event, or a behaviour that increases the likelihood that the event will occur, for instance bad habits such as smoking in the case of health insurance or life insurance. Source: CGAP, 2015.

Non-depository financial Institution: An institution that funds its lending from various sources other than public deposits. Source: CGAP, 2012.

Over-indebtedness: A state in which a borrower's debt-service obligations are so high that they require the borrower to make sacrifices in her basic quality of life. Over-indebtedness can arise from excessive borrowing (especially from multiple institutions) or from unpredictable events or vulnerability. Over-indebtedness can be temporary or chronic. Some of the more widely accepted indicators of over-indebtedness include con¬sistently poor repayment rates over a period of time (generally a lagging indicator), high ratios of debt-service-to-income or debt-to-assets, and inability to make loan payments without extreme family or personal hardship. Source: CGAP 2012, Accion, 2015.

Payment system: A payment system consists of a set of instruments, banking procedures and, typically, interbank-fund-transfer systems that ensure the circulation of money. Source: IMF, 2009.

Payments: Transfers of money between two parties. Payments can include the transfer of money for a variety of reasons, including purchase of goods and services, government transfer of aid, bill payment, direct deposit of salary, or sending of remittances. Source: Accion, 2015.

Point of sale (POS): Netting of orders in respect of obligations between two or more parties, which neither satisfies nor discharges those original individual obligations. Source: ECB, 2009.

Point-of-sale (POS) device: A small, portable device that facilitates an electronic financial transaction. POS devices can serve as banking outlets in certain cases. Because they are inexpensive and easily transportable, they play an important role in closing the location gap and bringing access to financial services in rural areas and areas with underdeveloped infrastructure. Source: Accion, 2015.

Policyholder: Party to whom the contract of insurance is issued by an insurance company. Source: CGAP, 2015.

Premium: Amount paid by the policyholder for coverage under the contract, usually in periodic instalments. Source: CGAP, 2015.

Privacy of client data: A Client-Protection Principle that states that the privacy of individual-client data will be respected in accordance with the laws and regulations of individual jurisdictions, and such data cannot be used for other purposes without the express permission of the client (while recognising that providers of financial services can play an important role in helping clients achieve the benefits of establishing credit histories). Source: Accion, 2015.

Property insurance: Provides financial protection against loss or damage to the insured's property caused by such perils as fire, windstorm, hail, etc. Source: CGAP, 2015.

Prudential regulation: Regulation or supervision that governs the fi¬nancial soundness of licensed intermediaries' businesses, to prevent financial-system instability and losses to small, unsophisticated depositors. Source: CGAP, 2012.

Proportionate approach: An approach to regulation and supervision in which the costs should not be excessive when measured against the risks being addressed and the benefits that should result. Source: CGAP, 2012.

Real interest rate: An interest rate that takes inflation into account by subtracting the inflation rate from the nominal interest rate. Real interest rates identify whether an account balance to which interest is applied retains its real value (purchasing power) over time. Source: Accion, 2015.

Redress of grievance: A Client-Protection Principle that states that providers should have in place timely and responsive mechanisms for resolving complaints and problems of individual clients. Source: Accion, 2015.

Regulated micro-insurer: Licensed by the insurance supervisor to operate as an insurer, with a focus on the lower-income market, either in full or as a product line. Source: CGAP, 2015.

Regulation: Binding rules governing the conduct of legal entities and individuals, whether they are adopted by a legislative body (laws) or an executive body (regulations). Source: CGAP, 2012.

Remittances: Funds, generally a portion of a salary, transferred from one individual to another. International remittances are funds transferred by a foreign worker to his/her home country, while domestic remittances are funds within one nation, generally from a worker in an urban area to a household in a rural area. Source: Accion, 2015.

Savings account: An account that allows a client to store and withdraw money. Savings accounts are often the entry product for the newly included. Savings accounts are offered by a wide range of financial institutions, licensed by the government. Forms of savings accounts include basic savings (few restrictions on deposits or withdrawals), programmed savings (restrictions on withdrawals, focus on specific purpose), and checking accounts—a savings account with cheque-writing privileges. Source: Accion, 2015.

Smart card: A payment card with an embedded computer chip that stores customer-account information. Smart cards can function as credit cards, debit cards, and as electronic wallets. Smart cards can be used in locations with poor communications technology because they store all relevant information. They can also store biometric information. Source: Accion, 2015.

Stored-value card: A payment card, often prepaid and anonymous, where all account data are stored on the card. It only allows for payment in a specified number of outlets. Stored-value cards provide an alternative to cash for individuals who do not have a bank account, and cannot use traditional credit and debit cards. Source: Accion, 2015.

Supervision: External oversight and engagement aimed at determining and enforcing compliance with regulation. Source: CGAP, 2012.

Transparency: A characteristic of quality financial inclusion: complete disclosure of information by a financial-service provider. Transparency towards the public and funders includes full disclosure of the provider's financial condition and performance. Transparency towards clients includes full disclosure of all pricing, terms and conditions of products in a form understandable to clients. Source: Accion, 2015.

Unbanked: A person who does not use or does not have access to commercial-banking services. Source: IBRD/WB, 2014.

Underwriting: Process by which an insurance company evaluates and selects risks to be insured and determines terms and conditions under which they will accept the risk. Source: CGAP, 2015.

Usage: The act of employing or utilising a financial service. Usage is often used as a proxy for access because it can be measured directly. The difference between these two terms is important to note when assessing levels of inclusion because clients may have access, but decide not to use a service. Source: Accion, 2015.

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Appendix: Methodology and sources

Background

For seven years (2008-13), the *Microscope* has evaluated the regulatory and structural framework for microfinance institutions (MFIs), as well as the business operating environment for microfinance across 55 countries. In 2014 The Economist Intelligence Unit expanded the analytic framework of the *Microscope*, going beyond microfinance to incorporate indicators reflecting the enablers of financial inclusion. The intention is to maintain the *Microscope*'s relevance to stakeholders who serve low-income populations and broaden the scope of the index to financial inclusion—an important emerging topic and a driver of economic development.[1] Although microfinance remains an important way of providing financing to individuals, the methods and tools for accessing finance continue to develop. Indeed, financial inclusion has emerged as a key public-policy theme.[2]

As a first step in revising the methodology, we convened an expert panel in January 2014 to discuss changes to the Microscope benchmarking framework, so as to capture financial inclusion. Around 20 experts were drawn from international research organisations and from among independent consultants in the financial inclusion community. The experts discussed key financial inclusion topics and their suitability for use in the revised indicator framework that forms the foundation of the *Microscope*. After gathering inputs from the panel and consulting the funding organisations, we revised the indicator framework and methodology for this year's report. The revised *Microscope* includes 12 indicators, which assess a country's government, and its political, regulatory and supervisory capacity to enable an environment of financial inclusion, as well as a 13th indicator used as an adjustment factor to reflect political instability, which impacts the country's financial inclusion environment.

Examining the various definitions of financial inclusion across countries, regulators and financial institutions revealed several common elements essential to achieving financial inclusion. For financial services to be more inclusive, the financial and regulatory environments need to:

- **Offer a wide range of products**: There is a consensus that financial inclusion goes beyond microcredit. The environment needs to expand its financial services to include access to savings, insurance, payment systems and pensions.
- **Have a wider range of providers**: Technological advancement demonstrates that many types of companies can provide non-traditional financial services, such as mobile-banking and payment systems (M-Pesa and payments).
- **Target diverse groups and sub-populations**: An inclusive financial environment is one in which people are not solely defined by income. Although the literature on financial inclusion has not reached a consensus as to whom, specifically, financial inclusion should target, the *Global Microscope on Financial Inclusion* will focus on the underserved market for financial products (people

1 There are many definitions of financial inclusion and this report does not adopt any particular one. The aim is to measure the enablers of financial inclusion and not the outcome per se. In this report, we characterise "financial inclusion" as the availability of a wide range of financial services to all populations, especially the disadvantaged.

2 We first developed the indicators and methodologies used to evaluate the microfinance environment in 2007, in co-ordination with MIF and CAF. The real-world relevance of these indicators was evaluated through in-depth interviews with country experts and microfinance practitioners from the Latin American/Caribbean (LAC) region. The indicators were further validated in 2007 and 2008 by their high positive correlation with some microfinance-penetration figures. The original index included 15 countries in the LAC region, which was subsequently expanded to 21 LAC countries, plus an additional 34 countries around the globe, in co-operation with the IFC. The 2011, 2012, 2013 and 2014Iversions of the index cover 55 countries.

"at the bottom of the pyramid", minorities and micro-businesses).

- **Facilitate new ways to deliver financial products or services:** The concept of financial inclusion entails innovative approaches to the way financial services are delivered to traditionally excluded or underserved populations. In this sense, the role of technology is key; the development of platforms using digital technologies means that, for example, transactions can be processed through mobile devices in remote areas.
- **Provide adequate financial education:** In order to expand financial products and services to the traditionally underserved and under-banked populations, it is essential also to provide proper education and information about the financial system, consumer rights and pricing, so consumers can make informed decisions. Financial literacy is an important and growing part of consumer protection in microfinance and expanded access to low-income populations.

The index

The *Microscope* is an exercise in benchmarking countries, with the goal of identifying areas for improvement in the legislative and regulatory frameworks that support financial inclusion, as well as a means by which to evaluate conditions that may be conducive to, or inhibit, expanded access to, and understanding and usage of, financial services. The *Microscope* focuses on the enablers of financial inclusion: the laws, regulations and types of products being offered that support or demonstrate financial inclusiveness.

The *Microscope* is broadly patterned after other indices that measure the openness of the regulatory, legal and business environment to private-sector participation. However, the *Microscope* relies to a larger extent on qualitative measures of the financial inclusion environment. This places a special obligation on researchers to design an index that captures relevant aspects of the environment, and that does so in a defensible and consistent manner. Despite insufficient and often incomplete data regarding the financial inclusion environment, much effort has been made to combine available secondary sources and primary legal texts with insights and information from segment stakeholders in each national context. Additional measures are taken to ensure that the qualitative scores are consistent across countries and regions.

Sources

To score the indicators in this index, data were gathered from the following sources:

- In-depth, personal interviews with regional and country experts, as well as practitioners and regulators.
- Texts of laws, regulations and other legal documents.
- Economist Intelligence Unit proprietary country rankings and reports.
- Scholarly studies.
- Websites of governmental authorities and international organisations.
- Websites of industry associations.
- Local and international news-media reports.

A goal for this year's *Microscope* was to increase the number and scope of practitioners interviewed per country, to obtain the widest possible range of perspectives on the financial inclusion environment. This year, we interviewed over 200 experts. A large proportion of these interviewees were drawn from in-country sources, especially local banks and MFIs, national microfinance networks and financial regulators, mobile-network operators (MNOs), and local offices of multilateral organisations. These additional consultations provide a multi-faceted perspective and a nuanced portrait of the environment for financial inclusion. Moreover, the 2015 report continues to draw on new data and secondary sources, so as to be able to provide the most up-to-date and in-depth analysis of the financial inclusion environment in 55 developing countries around the world.

For the general and specific-country bibliography, please visit: www.eiu.com/microscope2015

Scoring criteria

Indicators in the *Microscope* index are qualitative in nature, and defined through a set of 41 questions. These questions seek to measure not only the laws and standards governing the segment, but also their enforcement, implementation and effectiveness. An experienced team of international-development researchers, microfinance practitioners and country experts analysed regulations, laws, news articles, government sites and other resources to provide objective, comprehensive, informed answers to each question. In addition, the researchers interviewed over 200 experts to provide colour and insight into the overall environment of financial inclusion in each country. Economist Intelligence Unit research staff supplied sources, contacts and a detailed set of guidelines outlining the criteria and goals, as well as a scoring scheme for each question.

While the criteria are detailed, they are subjective in nature. Economist Intelligence Unit research staff reviewed each response thoroughly, calibrated scores and conducted cross-country comparisons, so as to ensure that scores were properly justified and consistent across all countries. Consequently, scores are best understood by reading both the scoring criteria and the written justifications provided for each indicator found in the accompanying excel model available at: www.eiu.com/microscope2015. The indicators and scoring scheme are outlined below.[3]

1. Government support for financial inclusion

1. Existence and implementation of a strategy:

a) *Is there a documented strategy on financial inclusion?*
Scoring: 0= There is no documented strategy for financial inclusion OR recent activities in two or more areas of financial inclusion; 1= The government has a documented financial inclusion strategy, but it does not contain specific commitments OR there is no documented strategy, but there are recent activities in two or more areas of financial inclusion; 2= The government has a documented financial inclusion strategy, containing specific commitments that have been partially implemented; 3= The government has a documented financial inclusion strategy containing specific commitments, including G2P payments and financial capability, and it has been substantially implemented

2. Data collection:

a) *Does the government collect customer-level data that helps to understand low-income populations' demand for financial services?*
Scoring: 0= The government does not collect customer-level data from financial institutions; 1= The government collects EITHER customer-level data from regulated institutions or household data; 2=The government collects customer-level data and household data

2. Regulatory and supervisory capacity for financial inclusion

1. Technical capacity to supervise:

a) *Is there a specialised capacity in place in the regulatory agency?*
Scoring: 0= There is no specific mandate to supervise financial services and products that facilitate financial inclusion OR there is no specialised capacity for financial inclusion in place; 1= Limited specialised capacity for financial inclusion is in place; 2= Some specialised capacity for financial inclusion is in place; 3= Specialised capacity for financial inclusion is in place

b) *Is the financial regulator politically independent?*
Scoring: 0= The financial regulator is often influenced by political dynamics; 1= The financial regulator is generally independent of political influence; 2= The financial regulator is always independent of political influence

3. Prudential regulation

1. Appropriate entry and licensing requirement:

a) *Are minimum-capital requirements appropriate to allow new entrants and ensure the safe provision of financial services?*
Scoring: 0= Minimum-capital requirements are not appropriate; 1= Minimum-capital requirements are somewhat appropriate; 2= Minimum-capital requirements are appropriate, but not effective; 3= Minimum-capital requirements are appropriate and effective

b) *Are there any impediments to entering the market,*

3 A score guide has been developed, and is available at: www.eiu.com/microscope2015

such as funding or ownership restrictions?
Scoring: 0= BOTH funding restrictions and ownership restrictions are barriers to entering the market; 1= EITHER funding restrictions or ownership restrictions are barriers to entering the market; 2=There are no funding and ownership restrictions to entering the market

2. Ease of operation:

a) *Are capital-adequacy standards appropriate to ensure both financial stability and the operation of a variety of providers?*
Scoring: 0= Capital-adequacy standards are not appropriate; 1= Capital-adequacy standards are somewhat appropriate; 2= Capital-adequacy standards are appropriate

b) *Are reporting requirements reasonable in light of the specific nature of the services provided?*
Scoring: 0= Reporting requirements are not reasonable; 1= Reporting requirements are somewhat reasonable; 2= Reporting requirements are reasonable

4. Regulation and supervision of credit portfolios

1. Interest rates:

a) *If there are interest-rate caps for credit, do they distort the market?*
Scoring: 0= There are interest-rate caps and they affect the provision of all types of credit; 1= There are interest-rate caps and they affect the provision of microcredit and consumer credit; 2= There are interest-rate caps and they affect EITHER microcredit OR consumer-credit provision; 3= There are no interest-rate caps OR they do not distort the market for microcredit and consumer credit

2. Risk management of credit portfolios:

a) *Does the regulator actively supervise the status of over-indebtedness for credit portfolios?*
Scoring: 0= There is no evidence of over-indebtedness monitoring in the past year; 1= There is some evidence of over-indebtedness monitoring in the past year; 2= There is clear evidence of over-indebtedness monitoring in the past year

b) *Is there a differentiated risk-management framework for consumer-credit portfolios? Does the regulator supervise the status of consumer-credit portfolios?*
Scoring: 0= There is no differentiated risk-management framework for consumer credit; 1= There is a differentiated risk-management framework for consumer credit, but supervision of its status is limited; 2= There is a differentiated risk-management framework for consumer credit and the regulator supervises its status

3. Risk-management framework for microcredit portfolios:

a) *Is there a differentiated and comprehensive risk-management framework for microcredit?*
Scoring: 0= There is no definition of microcredit; 1= There is a definition of microcredit, but no differentiated risk-management framework; 2= Differentiated risk-management framework is not comprehensive; 3= Differentiated risk-management framework is comprehensive

5. Regulation and supervision of deposit-taking activities

1. Ease of offering savings products by regulated institutions:

a) *Are account-opening requirements for savings products proportionate?*
Scoring: 0= Account-opening requirements are not proportionate; 1= Account-opening requirements are somewhat proportionate; 2= Account-opening requirements are proportionate

b) *Are there any interest-rate restrictions on deposits that generate market distortions?*
Scoring: 0= There are interest-rate restrictions and they discourage deposits (from savings) in general; 1= There are interest-rate restrictions and they discourage deposits (from savings) from low-income populations; 2= There are interest-rate restrictions and they discourage some deposits (from savings) from low-income populations; 3= There are no interest-rate restrictions OR they do not discourage deposits (from savings) from low-income populations

2. Existence of in-depth deposit-insurance coverage:

a) *Is deposit insurance applicable to all institutions authorised to take deposits and with the same conditions?*

Scoring: 0= There is no deposit-insurance system in place for small depositors; 1= There is a deposit-insurance system in place that gives differentiated treatment to deposits in terms of institutions AND in terms of coverage; 2= There is a deposit-insurance system in place that gives differentiated treatment to deposits in terms of institutions OR in terms of coverage; 3= There is a deposit-insurance system in place with no differentiated treatment for any client

6. Regulation of insurance targeting low-income populations

1. Existence of regulation of insurance targeting low-income populations:

a) *Is the regulation comprehensive and has it been implemented?*
Scoring: 0= There is no regulation of insurance for low-income population, nor any incipient activity under a general insurance law; 1= There is no specific regulation of insurance for low-income population, but there is some incipient activity OR regulation exists, but it is not comprehensive and it has not been implemented;2= Specific regulation exists, it is not comprehensive and has only been partially implemented; 3= Specific regulation exists, it is comprehensive, but has only been partially implemented;4= Specific regulation exists, it is comprehensive and has been fully implemented

2. Delivery channels for insurance targeting low-income populations

a) *Do regulations facilitate a variety of channels for distribution?*
Scoring: 0= There is no regulation; 1= There is regulation BUT it does not facilitate a variety of distribution channels for micro-insurance; 2= There is regulation AND it facilitates a variety of distribution channels for micro-insurance

3. Consumer protection for insurance targeting low-income populations

a) *Does the regulator monitor key indicators for consumer protection?*
Scoring: 0= There are no consumer-protection standards for insurance targeting low-income customers or the regulator does not monitor any data on consumer protection; 1= The regulator monitors key indicators, BUT it does not take any action; 2= The regulator monitors key indicators AND it takes action

b) *Are there clear rules that require insurance providers to disclose information about the overall cost of the products and consumers' rights and obligations*
Scoring: 0= There are no disclosure rules; 1= Disclosure rules exist, BUT they are either not comprehensive or not enforced; 2= Disclosure rules exist, they are comprehensive AND they are enforced

c) *Are there any dispute-resolution mechanisms available for insurance targeting low-income customers?*
Scoring: 0= No, there are no dispute-resolution mechanisms; 1= There are general dispute-resolutions mechanisms that work for insurance for low-income population, or there are specific dispute-resolution mechanisms for micro-insurance, BUT they are not effective; 2= There are dispute-resolutions mechanisms AND they are effective

7. Regulation and supervision of branches and agents

1. Ease of setting up a branch:

a) *How easy is it for financial-services providers to open a branch or direct-service outlet owned and operated by the financial institution?*
Scoring: 0= There are significant obstacles to opening a branch or financial outlet; 1= There are some obstacles to opening a branch or financial outlet; 2= There are no significant obstacles to opening a branch or financial outlet

2. Ease of agent operation:

a) *Does the regulation allow a wide range of actors to serve as agents and does it enable all providers of financial services to have agents?*
Scoring: 0= Regulations on agent banking are non-existent; 1= Regulations on agent banking are limited; 2= Regulations are limited and agents are active in the field OR regulations are comprehensive and agents are not active in the field; 3= Regulations are comprehensive and agents are active in the field

b) *Are agents allowed to perform a wide range of activities?*
Scoring: 0= Agents cannot perform cash-in

transactions and account-opening activities; 1= Agents can perform some activities, but cannot perform EITHER cash-in transactions OR account opening; 2= Agents can perform a wide range of activities, including cash-in/cash-out transactions AND account opening

c) *Do regulations on agent exclusivity constrain the market?*
   Scoring: 0= There is no regulation of agent exclusivity or regulation on agent exclusivity constrains the market; 1= Regulation on agent exclusivity partly constrains the market; 2= regulation of agent exclusivity does not constrain the market

d) *Do financial institutions retain responsibility for the actions of their agents?*
   Scoring: 0= Financial institutions do not retain any responsibility for the actions of their agents; 1= Financial institutions retain responsibility for some of the actions of their agents; 2= Financial institutions retain responsibility for all of the actions of their agents

8. Requirements for non-regulated lenders

1. Information reporting and operational guidelines:

a) *Are reporting requirements reasonable?*
   Scoring: 0= Non-regulated credit providers are not required to report any information to the regulator; 1= Reporting requirements for non-regulated credit providers are not reasonable; 2= Reporting requirements for non-regulated credit providers are somewhat reasonable; 3= Reporting requirements for non-regulated credit providers are reasonable

b) *Do these providers comply with accounting-transparency standards?*
   Scoring: 0= Non-regulated providers are not required to have good accounting practices OR some of the non-regulated credit providers are required to have good accounting practices, but compliance is low; 1= Some of the non-regulated credit providers are required to have good accounting practices and compliance is moderate; 2= All non-regulated credit providers are required to have good accounting practices, but few of them comply; 3= All non-regulated credit providers are required to have good accounting practices and most comply

9. Electronic payments

1. Available infrastructure for financial inclusion:

a) *Does the payment infrastructure serve the needs of the low-income population?*
   Scoring: 0= The payment infrastructure is unreliable and does not serve the needs of the low-income population; 1= The payment infrastructure is reliable and partly addresses the needs of the low-income population; 2= The payment infrastructure is reliable and effectively addresses the needs of the low-income population

2. Digital Financial Services:

a) *Are regulations on e-money or similar digital financial services adequate and are not constraining the market?*
   Scoring: 0= Regulations on e-money or digital financial services do not exist OR they are in the early stages of development; 1= Regulations on e-money or digital financial services are inadequate OR they constrain the market; 2= Regulations on e-money or digital financial services are adequate AND they do not constrain the market

10. Credit-reporting systems

1. Comprehensiveness of information:

a) *Is the information stored by credit-reporting systems comprehensive, regularly updated and accessed by providers?*
   Scoring: 0= Credit-reporting systems do not exist OR credit bureaus store information that has none of the items required for a score of "3"; 1= Credit-reporting systems store information that has one of the items needed for a score of "3"; 2= Credit-reporting systems store information and it is both comprehensive and accessed by providers, but not updated regularly OR is regularly updated, but not comprehensive; 3= Credit-reporting systems store information that is comprehensive, regularly updated and accessed by providers

2. Privacy protection for both borrowers and lenders:

a) *Are privacy rights respected?*
   Scoring: 0= Credit-reporting systems do not

actively protect privacy rights; 1= Credit-reporting systems have rules in place to protect privacy rights for EITHER borrowers or lenders, but these rules are not well enforced; 2= Credit-reporting systems have rules in place to protect privacy rights for BOTH borrowers and lenders, but these rules are not well enforced; 3= Credit-reporting systems have rules in place to protect privacy rights for both borrowers and lenders and these rules are well enforced

b) *Can individuals access their records and are they able to correct any errors?*
   Scoring: 0= Individuals cannot access their records or correct any errors; 1= Individuals may access their records, but may not correct any errors; 2= Individuals may access their records, but the error-correction process is difficult OR expensive; 3= Individuals may access their records and the error-correction process is easy and inexpensive

11. Market-conduct rules

1. Existence of a framework and institutional capacity to protect the financial consumer:

a) *Are there a framework and a specialised capacity in place for financial-consumer protection?*
   Scoring: 0= No consumer-rights framework is in place; 1= Consumer-rights framework exists, but no specialised capacity is in place; 2= Consumer-rights framework exists and some specialised capacity is in place; 3= Consumer-rights framework exists and specialised capacity is in place

2. Existence and content of disclosure rules:

a) *Does the regulator collect information about pricing and make relevant information easily accessible to consumers for comparison purposes?*
   Scoring: 0= The regulator does not collect information OR information collected is not easily accessible; 1= The regulator collects information that is easily accessible, BUT it is either incomplete or difficult to understand; 2=The regulator collects information that is easily accessible, complete and easy to understand
b) *Are there clear rules that require providers of financial services to disclose information about the overall cost of the products and consumers' rights and obligations?*
   Scoring: 0= Disclosure rules exist EITHER for some products OR apply to some providers; 1= Disclosure rules exist for all products AND providers; 2= Disclosure rules exist for all products AND providers AND they are comprehensive

3. Existence of fair-treatment rules:

a) *Are there clear rules requiring non-discrimination in financial-service provision in terms of gender, race, religion, caste, ethnicity, etc.?*
   Scoring: 0= There are no clear rules; 1= There are clear rules, but compliance is low; 2= There are clear rules and compliance is high
b) *Are there clear rules set by the regulator aimed at preventing aggressive sales and unreasonable collection practices?*
   Scoring: 0= There are no clear rules set by the regulator; 1= There are clear rules set by the regulator, but compliance is low; 2= There are clear rules set by the regulator and compliance is high

12. Grievance redress and operation of dispute-resolution mechanisms

1. Internal complaint mechanisms:

a) *Are there clear rules in place requiring financial-services providers to set up internal mechanisms to deal with consumer complaints?*
   Scoring: 0= There are no clear rules; 1= There are clear rules, but compliance is low; 2= There are clear rules and compliance is high

2. Existence and effectiveness of a third-party-redress entity:

a) *Is there a third-party entity empowered with oversight where consumers can seek redress, and is it effective?*
   Scoring: 0= No third-party entity exists; 1= Third-party entity exists, but redress is ineffective; 2= Third-party entity exists and redress is somewhat effective; 3= Third-party entity exists and redress is effective

ADJUSTMENT FACTOR: Stability

1. General political stability:

a) *To what extent are political institutions sufficiently stable to support the needs of businesses and investors?*
Scoring: 0 = Very unstable, and 100= Very stable

2. Shocks and restrictive policies impacting financial inclusion:

a) *To what extent have any shocks or restrictive policies affected market development?*
Scoring: 0= There have been shocks or restrictive policies that have affected the market; 1= There have been shocks or restrictive policies that have had a broad, negative impact in the market; 2= There have been shocks or restrictive policies that have had a limited, negative impact in the market (either geographically or on a specific type of institutions); 3= There have been no shocks or restrictive policies affecting market development

Regional representation

This index builds on earlier studies of Latin America and the Caribbean; as a result, countries from that region are numerically over-represented in the global *Microscope* study (21 of 55 countries). Countries in other regions were then selected on the basis of the importance of their existing microfinance segments or the potential for future market development. For the 2015 edition, we still have a total of 55 countries, but have added Russia, Ethiopia, South Africa and Jordan, and have removed Azerbaijan, Armenia, Georgia and Yemen. The study, therefore, provides differing levels of geographic coverage: 21 countries from Latin America and the Caribbean, 13 countries from Sub-Saharan Africa, 12 from Asia, four from the Middle East and North Africa, and five from Eastern Europe and Central Asia. These differences in coverage impact regional conclusions and should be considered carefully when evaluating index results beyond individual country scores.

Normalisation and weights

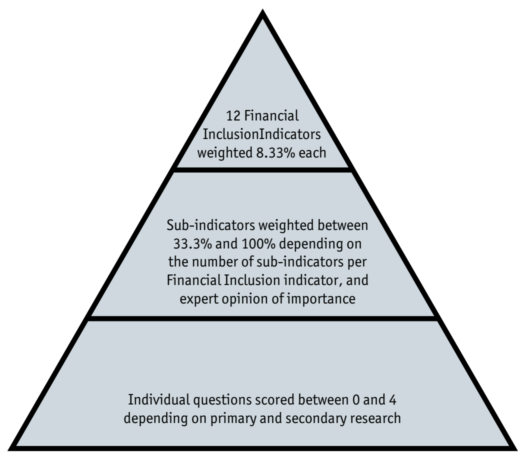
Once the raw scores are assigned, each score is then normalised to a 0-100 range and then aggregated across categories. Normalisation rebases the raw indicator data to a common unit, to make them comparable, so that they can be aggregated. The data in the *Microscope* are already in a fixed range, for example, 0-100, 0-4, so they have been transformed using the min/max of the fixed range. For example, if the indicator is in a 0-100 range, a raw data value of 0 gives a score of 0, and a raw data value of 100 gives a score of 100. If the indicator is in a 0-4 range, a raw data value of 0 gives a score of 0, and a raw data value of 4 gives a score of 100.

Assigning weights to categories and indicators is a final and critical step in the construction of the index. In a benchmarking model such as the Microscope, weights are assigned to categories and/or indicators to reflect different assumptions about their relative importance. There are various methods that can be used to determine these weights.

There are 12 Financial Inclusion Indicators relating to different regulations and business activities conducive to financial inclusion. Each Financial Inclusion Indicator is composed of between one and three sub-indicators, and *all 12 indicators are weighted equally*, or 8.33% each (100%/12).

The sub-indicators are weighted individually, depending on their overall importance to the Financial Inclusion Indicator. These weights were determined by a consensus between the project team, clients and industry experts. The sub-indicators are composed of between one and four questions, which are scored according to thorough secondary research and expert interviews.

The scores for each question are aggregated to the sub-indicator level, where the individual weights are applied, and then the sub-indicators are aggregated to determine the final score.



The sub-indicators and their individual weights are listed in the table on next page.

Table A: Indicator and Sub-indicator Weights

Indicator	Sub-indicator	Question
1. Government support for financial inclusion Considers a country's formal commitment and actions towards achieving financial inclusion. *Weight: 1/12= 8.33%*	1. Existence and implementation of a strategy *Weight: 66.7%*	1. Is there a documented strategy on financial inclusion?
	2. Collection of data *Weight: 33.3%*	1. Does the government collect customer-level data that help understanding of low-income populations' demand of financial services?
2. Regulatory and supervisory capacity for financial inclusion Considers whether regulatory institutions possess an adequate capacity, independence and readiness for the regulation and supervision of products and services related to financial inclusion. *Weight: 1/12= 8.33%*	1. Technical capacity to supervise *Weight: 100%*	1. Is there a specialised and adequate capacity in place in the regulatory agency?
		2. Is the financial regulator politically independent?
3. Prudential regulation Considers how conducive the financial regulation is to allowing the entrance and operation of institutions that offer savings and credit products *Weight: 1/12= 8.33%*	1. Appropriate entry and licensing requirements *Weight: 50%*	1. Are minimum capital requirements appropriate to allow new entrants and ensure the safe provision of financial services?
		2. Are there any impediments imposed on foreign funding or through ownership restrictions?
	2. Ease of operation *Weight: 50%*	1. Are capital-adequacy standards appropriate to ensure both financial stability and the operation of a variety of providers?
		2. Are reporting requirements reasonable in light of the specific nature of the services provided?
4. Regulation and supervision of credit portfolios Considers whether regulations and supervision in the country are conducive to the responsible provision of credit *Weight: 1/12= 8.33%*	1. Interest Rates *Weight: 33.3%*	1. If there are interest-rate caps; if so, do they distort the market?
	2. Risk management of credit portfolios *Weight: 33.3%*	1. Does the regulator actively supervise the status of over-indebtedness for credit portfolios?
		2. Is there a differentiated risk-management framework for consumer-credit portfolios? Does the regulator supervise the status of consumer-credit portfolios?
	3. Risk-management framework for microcredit portfolios *Weight: 33.3%*	1. Is there a differentiated and comprehensive risk-management framework for microcredit?
5. Regulation and supervision of deposit-taking activities Considers how conducive the regulation for deposit-taking is (the assessment focuses on commercial banks and non-bank financial institutions.) *Weight: 1/12= 8.33%*	1. Ease of offering savings products by regulated institutions *Weight: 50%*	1. Are account-opening requirements for savings products proportionate?
		2. Are there any interest-rate restrictions that generate market distortions?
	2. Existence of an in-depth deposit-insurance coverage *Weight: 50%*	1. Is deposit insurance applicable to all institutions authorised to take deposits and with the same conditions?
6. Regulation of insurance targeting low-income populations* Considers the existence of regulation and promotion of insurance to low-income populations by the regulator and/or government *Weight: 1/12= 8.33%*	1. Existence of regulation of insurance targeting low-income populations *Weight: 33.3%*	1. Is the regulation comprehensive and has it been implemented?
	2. Delivery channels for insurance targeting low-income populations *Weight: 33.3%*	1. Do regulations facilitate a variety of channels for distribution?
	3. Consumer protection for insurance targeting low-income populations *Weight: 33.3%*	1. Does the regulator monitor key indicators for consumer protection?
		2. Are there clear rules that require insurance providers to disclose information about the overall cost of the products and consumers' rights and obligations?
		3. Are there any dispute-resolution mechanisms available for insurance targeting low-income customers?

* For the purposes of this study, "insurance to low-income population", "micro-insurance" and "inclusive insurance" are considered to refer to the same concept.

Indicator	Sub-indicator	Question
7. Regulation and supervision of branches and agents Considers whether regulation is conducive to the delivery of financial services through physical branches and non-financial banking outlets. *Weight: 1/12= 8.33%*	1. Ease of setting up a branch *Weight: 33.3%*	1. How easy is it for financial-services providers to open a branch or direct-service outlet owned and operated by the financial institution?
	2. Ease of agent operation *Weight: 66.7%*	1. Does the regulation allow a wide range of actors to serve as agents and does it enable all providers of financial services to have agents?
		2. Are agents allowed to perform a wide range of activities?
		3. Do regulations on agent exclusivity constrain the market?
		4. Do financial institutions retain responsibility for the actions of their agents?
8. Requirements for non-regulated lenders Considers whether the legal framework is conducive to the entrance and functioning of specialised institutions not prudentially regulated by the financial regulator. (NGOs, non-regulated co-operatives, retail lenders and other providers of credit) *Weight: 1/12= 8.33%*	1. Information reporting and operational guidelines *Weight: 100%*	1. Are reporting requirements reasonable?
		2. Do these providers comply with accounting transparency standards?
10. Credit-reporting systems *Weight: 8.33%*	1. Comprehensiveness of information *Weight: 50.0%*	10.1.1. Is the information stored by credit-reporting systems comprehensive, regularly updated, and accessed by providers? *Possible Score Range: 0-3*
	2. Privacy protection for both borrowers and lenders *Weight: 50.0%*	10.2.1. Are privacy rights respected? *Possible Score Range: 0-3*
		10.2.2. Can individuals access their records and are they able to correct any errors? *Possible Score Range: 0-3*
9. Electronic payments Considers the regulation and infrastructure that facilitates electronic transactions to the low-income population. *Weight: 1/12= 8.33%*	1. Available infrastructure for financial inclusion *Weight: 50%*	1. Does the payment infrastructure serve the needs of the low-income population?
	2. Digital financial services *Weight: 50%*	1. Are regulations on e-money or similar digital financial services adequate and are not constraining the market?
10. Credit-reporting systems Considers the effectiveness and reliability of credit-reporting systems for the provision of credit *Weight: 1/12= 8.33%*	1. Comprehensiveness of information *Weight: 50%*	1. Is the information stored by credit-reporting systems comprehensive, regularly updated and accessed by providers?
	2. Privacy protection for both borrowers and lenders *Weight: 50.0%*	1. Are privacy rights respected?
		2. Can individuals access their records and are they able to correct any errors?
11. Market-conduct rules Considers institutional capacity as well as transparency, disclosure and fair treatment, with the aim of protecting financial-services consumers that use products and financial services *Weight: 1/12= 8.33%*	1. Existence of a framework and institutional capacity to protect the financial consumer *Weight: 33.3%*	1. Are there a framework and a specialised capacity in place for financial-consumer protection?
	2. Existence and content of disclosure rules *Weight: 33.3%*	1. Does the regulator collect information about pricing and make relevant information easily accessible to consumers for comparison purposes?
		2. Are there clear rules that require providers of financial services to disclose information about the overall cost of the products and consumers' rights and obligations?
	3. Existence of fair-treatment rules *Weight: 33.3%*	1. Are there clear rules requiring non-discrimination in financial-services provision in terms of gender, race, religion, cast, ethnicity, etc.?
		1. Are there clear rules set by the regulator aimed at preventing aggressive sales and unreasonable collection practices?

Indicator	Sub-indicator	Question
12. Grievance redress and operation of dispute-resolution mechanisms Considers availability of dispute-resolution mechanisms, client awareness of the grievance processes and ease of access. *Weight: 1/12= 8.33%*	1. Internal complaint mechanisms *Weight: 50%*	1. Are there clear rules in place requiring financial-service providers to set up internal mechanisms to deal with consumer complaints?
	2. Existence and effectiveness of a third party-redress entity *Weight: 50%*	1. Is there a third-party entity empowered with oversight where consumers can seek redress, and is it effective?
A. Stability (Adjustment Factor) Considers political tensions or other significant changes that affect the achievement of financial inclusion.	1. General Political Stability *Weight: 33.3%*	To what extent are political institutions sufficiently stable to support the needs of businesses and investors?
	2. Shocks and restrictive policies impacting financial inclusion *Weight: 66.7%*	To what extent have any shocks or restrictive policies affected market development?

For example, Financial Inclusion Indicator 1: Government support for financial inclusion is composed of two sub-indicators: sub-indicator 1.1 Existence and implementation of a strategy, and sub-indicator 1.2 Collection of data. Experts agreed that the Existence and implementation of a strategy (sub-indicator 1.1) is of greater importance to financial inclusion than Collection of data (sub-indicator 1.2), so sub-indicator 1.1 is weighted 66.67%, compared to 33.33% for sub-indicator 1.2.

Similar to previous years, the 2015 Microscope contains an adjustment factor, based on the stability score (the 13th indicator). After the country's total raw score is determined (through tallying and weighting of sub-indicator and indicator scores), the adjustment factor is applied, adjusting each country's total raw score downwards to account for any political instability and shocks/restrictive policies that may impact or challenge the environment for financial inclusion.

The adjustment factor is a percentage reduction applied to the raw country score, up to a maximum of 25% (that is, countries can lose up to 25% of their raw country score through this adjustment factor). The adjustment factor is calculated based on the country's stability indicator score, which, in turn, is a combination of two sub-indicators (general political stability, and restrictive policies or other shocks to the market) aggregated to generate a score of 0-100. The adjustment factor is calculated using the following formula:

Adjustment factor = (100 - stability score) x 0.25

Where:
Stability score = 0.33 x (normalised political stability score) + 0.67 x (normalised restrictive policy score)

The country score follows this formula:
Country score= Raw country score x [(100 - adjustment factor) ÷100]

Example for a country "Y":
Raw country score = 40.8
Stability score= 37.2
Adjustment factor= (100 - 37.2) x 0.25 = 15.7
Country score = 40.8 x [(100 - 15.7) ÷100] = 40.8 x 0.843 = 34.4

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