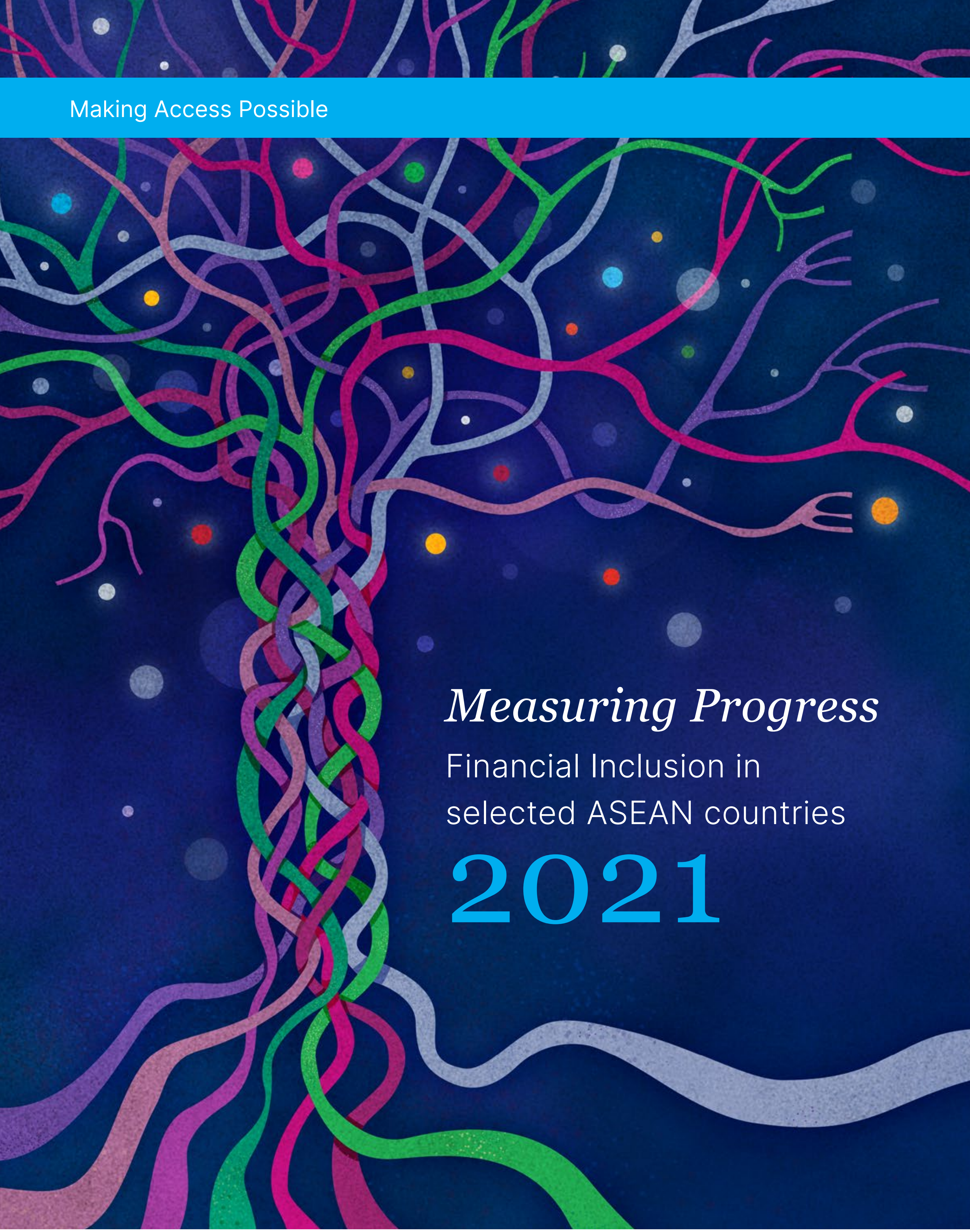

Making Access Possible

Measuring Progress

Financial Inclusion in selected ASEAN countries

2021

asean

Unlocking Public and Private Finance for the Poor

UNCDF

About the cover

The cover design of this report considers the theme of the support and collaboration between the ASEAN countries and the UNCDF. In a time when the pandemic has effected so many lives, working together has never been more important. The illustration is a visual representation of how support results in a flourishing society and bears the fruits of hard work by achieving the sustainable development goals and financial inclusion. The tree represents life and hope and growth.

This report follows on the 2020 Measuring Progress report, and was developed with significant engagement and support from the ASEAN Member States (AMS), under the leadership and guidance of the Working Committee on Financial Inclusion (WC-FINC) DO1 Working Group. A virtual workshop was held with AMS, hosted by the WC-FINC and UNCDF, to recap on the rationale for the report and the report development process, and a separate technical discussion was organised for AMS to share expertise, experiences and views on incorporating inclusive growth within the context of financial inclusion and the ensuing Monitoring and Evaluation (M&E) frameworks. The workshops also served as training and to seek agreement on the inclusion of additional regional financial inclusion indicators and the data collection that fed into the construction of this report.

The ASEAN Secretariat acknowledges the leadership and guidance of the current Chairs of the WC-FINC DO1 Working Group (National Bank of Cambodia and Bank Indonesia), as well as the contributions from past co-chairs (Brunei Darussalam Central Bank and the Bangko Sentral ng Pilipinas) in helping to set up the M&E framework across the countries as well as the contribution and technical assistance from UNCDF in the coordination of inputs and the development of this report, and contributions from partner country Governments in ASEAN – both financial and technical – as we progress in the implementation of the ASEAN 2025 Blueprint. The intention of this report is to allow for the ongoing tracking of financial inclusion progress in the ASEAN region, in contribution to making the ASEAN Economic Community a working reality.

Report commissioned by WC-FINC
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Making Access Possible

Making Access Possible (MAP) is a multi-country initiative and technical framework to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level.

ASEAN 2025

COVID-19 mitigation and socio-economic recovery

The 2021 report comes at a unique point in time. Even though the pandemic was already ongoing in 2020, the impact of the pandemic was not yet quantifiable in terms of the financial inclusion data and indicators collected.

For 2021 though, there are clear trends emerging, some of which is longer term and has been ongoing, but others arguably being more directly related to the impact of events over the course of 2020 and 2021.[1] In recognising the deep social changes that has emerged as a result of the pandemic and seeking to build back better towards a more inclusive future, the 2021 tracking report seeks to embed the critical supporting role of financial inclusion in achieving the vision of the ASEAN Economic Community (AEC) Blueprint 2025 within the context of inclusive growth.

Figure 1. Financial inclusion, financial sector stability and inclusive growth

1 For instance, there has been a continued increase in the use of digital channels like mobile money accounts (longer term trend), but over the shorter term, there has been a decrease in loan accounts and an increase in late payments on loan accounts, largely attributed to the pandemic. Conversely, some countries have seen an increase in deposit accounts over the period of the pandemic as well.

In May 2021, the 11th Asia-Pacific Financial Inclusion Forum fittingly focused on advancing a financially inclusive and resilient COVID-19 recovery.[2] Similarly, the Chair's theme at the 7th ASEAN Finance Ministers and Central Bank Governors' Meeting (AFMGM) in March 2021[3] focused its Priority Economic Deliverables on three strategic thrusts of recovery, digitalisation and sustainability, emphasising efforts to progress towards ASEAN's economic recovery, as well as long term economic growth, by leveraging digitalisation in a sustainable manner.

Digital financial inclusion in particular has played a central role in recovery efforts, but governments have also recognised the need to build back better. Thus, inclusive growth has been adopted as a central objective in many countries to drive recovery efforts.

Financial inclusion initiatives in ASEAN serves to support element A.4. of the AEC Blueprint[4] 2025, by strengthening regulations and financial infrastructure, supporting the micro, small and medium enterprises (MSMEs) sector, and facilitating the seamless movement of goods, services, capital, and labour. To promote a cohesive and integrated economic community in ASEAN, financial integration, financial inclusion, and financial stability are seen as the critical triumvirate of economic drivers contributing to an inclusive and stable financial sector and an enhanced financing ecosystem to benefit MSMEs. Financial inclusion and financial sector stability, in turn, supports inclusive growth, supported by financial sector integration as well as digitisation.

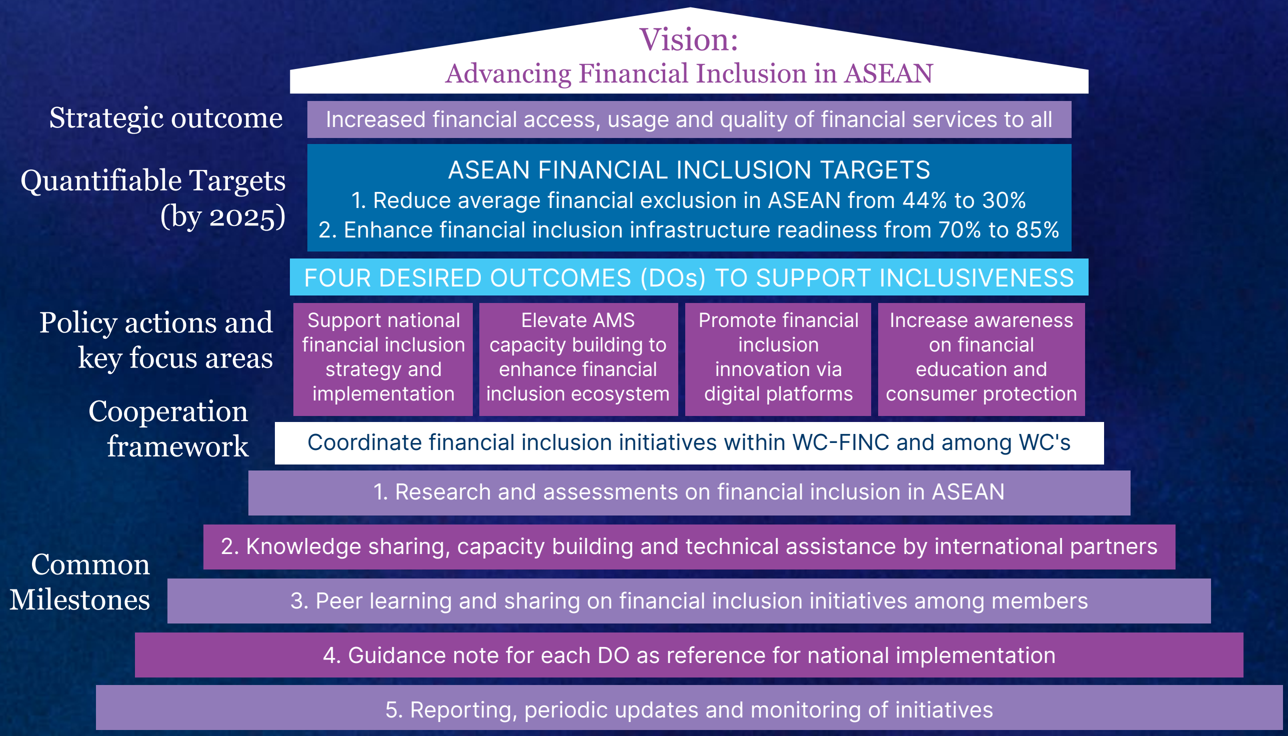

Figure 2. Framework for achieving ASEAN financial inclusion targets

2 Asian Development Bank, May 2021. 11th Asia-Pacific Financial Inclusion Forum: Emerging Priorities in the COVID-19 Era. Available online. Accessed November 2021

3 ASEAN, March 2021. Joint Statement of the 7th ASEAN AFMGM. Available online. Accessed November 2021.

4 ASEAN, 2015. ASEAN Economic Community Blueprint 2025. Page 7. Available online.

For ASEAN, where most of the markets are well advanced in their economic growth stages, financial inclusion can support better reticulation of domestic finance and building a responsive private sector for investments in growth sectors – capitalising on technology as an enabler and decreasing inequality. Much has been done in the past two years to support financial sector stability during the pandemic, but greater traction in regional financial integration is relevant for advancing a financially inclusive and resilient COVID-19 recovery.

Historically, financial integration has expanded sources of financing and investments for economic activities, contributed to deepening the region's financial markets, and enhanced the competitiveness of ASEAN businesses through efficiency gains (e.g. through lower costs of payments and settlements). To ensure the benefits of greater economic and financial integration in the region also filters down to households, it is important to also ensure that greater economic and financial integration progresses in lockstep with greater financial inclusion.

The AEC Blueprint 2025 therefore aims to contribute to increased financial access, financial education and literacy, consumer protection, and the expansion of distribution channels which improve access and reduce the cost of financial services – within which the ASEAN WC-FINC has set a framework for achieving the region's financial inclusion targets (see Figure 2).

To achieve the vision set out in this framework, it is becoming increasingly important for member states to implement their National Financial Inclusion Strategies (NFISs) (for those member states who has a NFIS in place), and to track financial inclusion across ASEAN countries on a periodic basis.[5] However, given the focus of the AEC Blueprint 2025, the urgent imperative of an inclusive recovery and the approaching goalposts of the 2030 SDGs, such efforts need to also support inclusive growth metrics linked to the SDGs. For this reason, AMS explored the adoption of a secondary set of ancillary indicators in 2021, aimed at monitoring key metrics supporting inclusive growth efforts, linking to their respective financial inclusion and national policy efforts. Building on the indicator development process in 2020, where a monitoring and evaluation framework and reporting protocols have been put in place under the leadership and guidance of the WC-FINC DO1 working group, countries reaffirmed their selected financial inclusion indicators, while adopting additional quality, outcome and impact indicators, based on their own policy priorities, and further defining pathways to growth linked to their national contextual realities.

This report serves as an annual reflection on progress on these measurable indicators on financial inclusion, based on an assessment of data availability and collection processes at national level. This flexible reporting framework enables an assessment of the effectiveness of the implementation of the NFIS at country level to achieve desired outcomes, which aids policy making and inform adjustments required in NFIS implementation. At a regional level, the framework and reporting process allows monitoring of regional progress, while the platform for cooperation also serve to identify areas for knowledge exchange among AMS.

5 ASEAN countries voluntarily developed their respective NFIS, and countries which already had high level of financial inclusion therefore did not necessarily develop an NFIS (e.g. Singapore and Brunei Darussalam). Countries who do have an NFIS are currently at different levels of implementation progress.

FINANCIAL INCLUSION

Inclusive growth and sustainable development

The AEC Blueprint 2025 seeks to build more equitable and inclusive economic growth that narrows the development gap, eliminates if not reduces poverty significantly, sustains high growth rates of per capita income, and maintains a rising middle class.

It also emphasises an inclusive and stable financial sector as a key goal of regional economic integration. It is with this vision in mind that WC-FINC intends to strengthen the focus on the role of financial inclusion in supporting inclusive growth in the 2021 report, building on the identification of inclusive, economic development by AMS in the 2020 report as a key policy priority linking closely with the national financial inclusion agendas.

There are a complex range of structural factors that influence a country's economic potential, and the extent to which the population can participate in creating (and benefiting from) economic growth. Developing countries lack many of the basic elements and foundational building blocks of an 'inclusive growth ecosystem'[6] and as a result struggle to create the structural factors necessary over the shorter term, limiting their potential to integrate with the global economy as well as extend the benefits of growth to their populations (fuelling inequality), thus leaving their economies and it's people vulnerable to fluctuations in exports and commodity prices.[7]

Based on a review and adaptation of frameworks for inclusive growth developed by the ADB (2014) and WEF (2015; 2017), combined with UNCDF's own national data, UNCDF identified nine "pillars" that form the key elements of an inclusive growth ecosystem with its structural underpinnings that can drive inclusive growth (see Figure 3). Of these nine pillars, financial inclusion can play a role in six pillars to facilitate progress. These include pillar 2 to 5 (access to resources and basic services), pillar 7 (redistribution/social grants) and pillar 9 (unemployment and income inequality), in addition to pillar 8 (financial sector development), where financial inclusion is a central component by definition.

Developing countries lack many of the basic elements and foundational building blocks of an 'inclusive growth ecosystem' and as a result struggle to create them on their development pathways.

6 For instance, sound macroeconomic fundamentals; broad access to basic services like education, healthcare, access to energy; a sufficiently broad social security system; and transparent, stable governance.

7 World Economic Forum.2017.

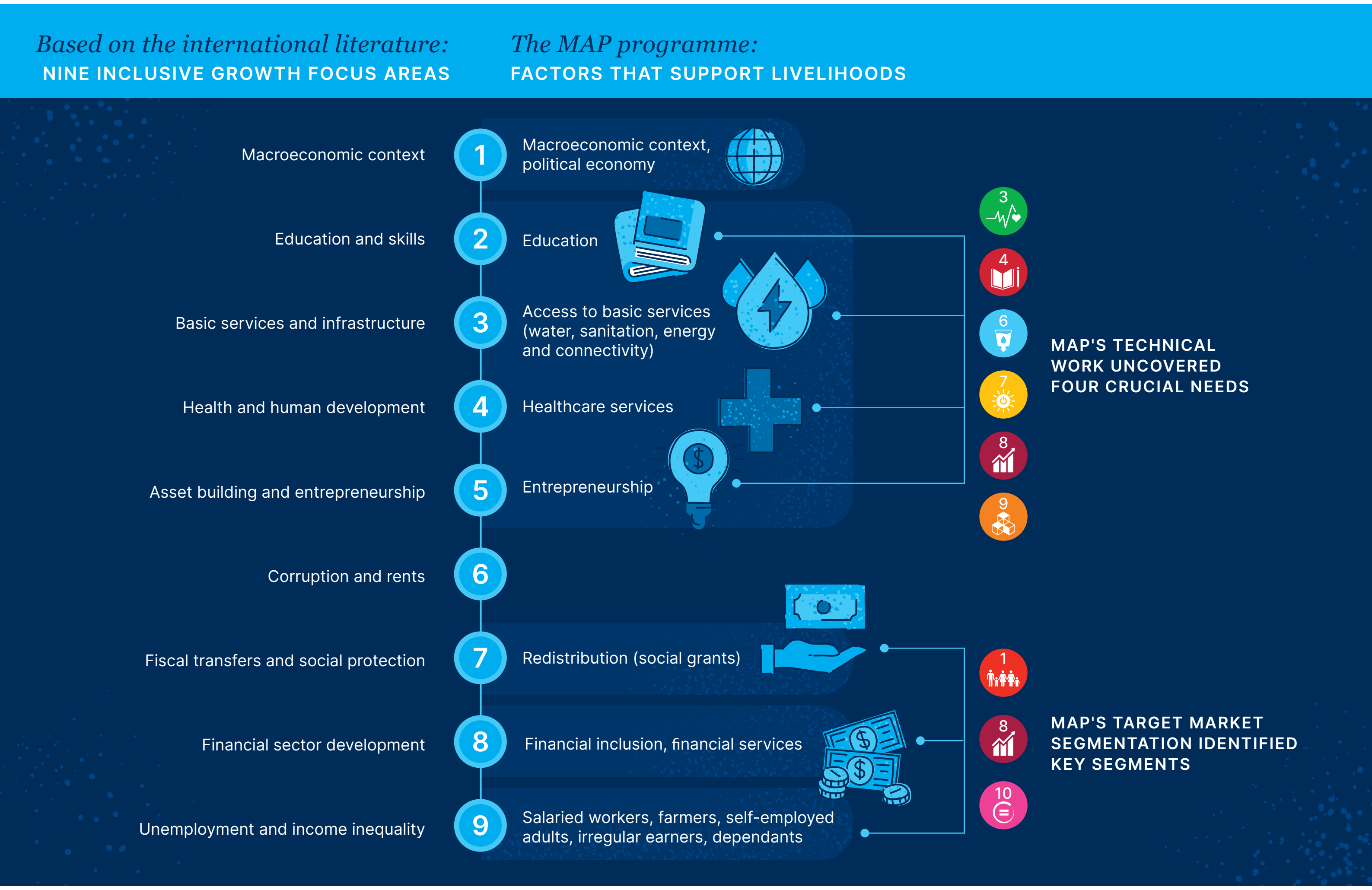

Figure 3. Inclusive growth pillars and relevance for financial inclusion

Source: UNCDF MAP Programme analysis

While financial sector development at a macroeconomic level is crucial for economic development over time, but over the short and medium term it is financial inclusion that can meaningfully impact on people's ability to participate more in the benefits of growth, with its particular focus on the low-income market.

UNCDF's financial inclusion data illustrates that regardless of their income levels, people spend money at a household level to access basic services and resources, largely through engaging the use of financial services. However, much of this spending happens in the informal sector, and through the use of informal financial services.

By expanding the access of low-income individuals and households to appropriate formal financial services, particularly linked to basic services and resources, financial inclusion plays a much-needed intermediating role in the economy between microeconomic and macroeconomic actors – allowing for capital to be aggregated and mobilized, and potentially utilized to invest in better services provision. In doing so, financial inclusion allows governments to co-opt households into financing services expansion, and attaining SDG goals (like SDG 3 good health, SDG 4 quality education, SDG 7 clean energy and SDG 8 decent work) while doing so.

There are several links between financial inclusion, the real economy and human development. Financial inclusion with its focus on the low-income segment plays an important role in the reticulation of financing and thus enabling this market segment into the formal economy. However, financial services, like most services, are not used for their own sake but because people have an underlying need (an economic need) that gives rise to a financial need – and financial services help them meet this need.

Therefore, how exactly, and to what extent (formal) financial services can contribute to the achievement of economic and financial goals will depend on whether the services match the underlying demand and the individual's/household's/small business's activities in their community, in the real economy and in the wider society.

Increasing populations' access to resources obviously requires governments, providers, investors and donors to make additional investment in service infrastructure such as education, healthcare and basic services (including energy). But evaluating viable and sustainable business cases for leveraging existing household spend can help governments fund investment using local financial systems. Citizens increasingly want control over their financing, and thus their decisions will influence and impact both the local and national financing agendas. To drive economic growth, the financial sector needs to contribute to building the physical and human capital available in the economy and/or support innovation in the methods of production (technology), which in turn could contribute to future growth in productive opportunities.

Citizens increasingly want control over their financing, and thus their decisions will influence and impact both the local and national financing agendas.

A well-functioning system that can enable inclusive growth partly requires financial service providers to understand how to meet consumers' real economic needs. And where the financially excluded do not immediately present viable business cases, identifying them enables government to determine and define better public-sector provision of services, based on need. Yet, the fact that there are large sections of a society without access to retirement savings, healthcare or education, for instance, is detrimental to that society – because the resulting ill effects are communal. In countries where a significant proportion of the population lack the means to access what MAP has come to term 'the four crucial needs' (basic services and infrastructure, education, healthcare, and entrepreneurship opportunities), economic growth is hampered partly because the inability to meet those needs has undermining consequences that are also communal and societal.

However, financial inclusion is a means to an end – the end being improved household and individual welfare and a positive impact on household and business economic activities that contribute to production and economic growth. The latter in turn can have a positive impact on further financial sector development. More broadly, financial inclusion impacts on economic growth by empowering consumers to make better and well-informed choices, thereby enabling them to make sound financial decisions and raise their standard of living.

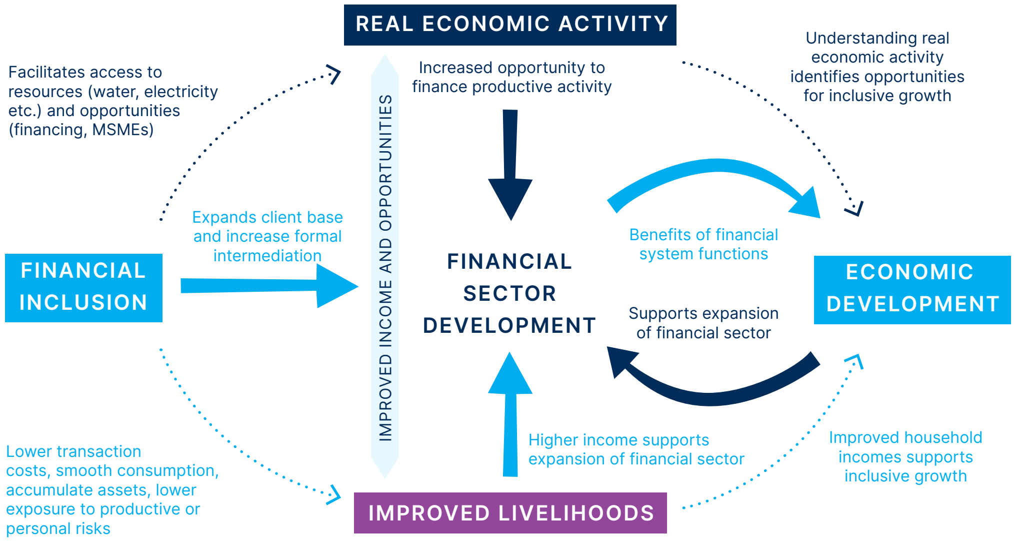

Figure 4. The role that financial inclusion can play in facilitating economic development

Source: UNCDF, MAP Programme analysis

However, to ensure financial inclusion's impact as a tool for economic opportunity, it has to be complimented by reforms aimed at increasing productivity, including increasing opportunities for access to education, financial services, and health services (see Figure 4).

The role of financial inclusion, in supporting inclusive growth, also directly contributes to sustainable development, and in particular, to certain SDG goals. This includes a direct facilitating role foreseen for financial inclusion as captured in the SDG goals and targets. For instance, substantially increasing health financing (SDG 3.c), the role of access to finance for MSMEs (SDG 8.3), expanding access to financial services for all (SDG 8.10), or reducing the cost of remittances (SDG 10.c). Financial inclusion also indirectly supports sustainable development, by supporting improved access to basic services and opportunities, that links directly to specific SDGs, especially SDG 3, 4, 7 and 8. As an overall mechanism to improve livelihoods, financial inclusion also impacts on poverty reduction (SDG 1), through its direct and indirect impact on household income.

Over the longer term, financial inclusion can play a similar role to support further growth, and by doing so, make growth more inclusive to a broader segment of the population, by democratising access to the basic services and resources required to increase income and productivity, and by supporting attempts to increase productivity, access opportunities, and creating jobs in the economy. This implies a broader, but also more direct role in supporting improvements in household livelihoods, than the traditional route of simply ensuring efficient flows of funds in the economy to support investments that would in turn grow the economy and filter down to improved income.

ENABLING INFRASTRUCTURE

Regional targets for financial inclusion and required infrastructure

In support of element A.4. of the AEC Blueprint 2025, AMS has set targets for reducing the level of financial exclusion, as well as putting the enabling infrastructure for financial inclusion in place by 2025.

This has happened under the leadership of WC-FINC, on an annual basis since 2017, following WC-FINC's establishment in April 2016.[8] Upon WC-FINC's establishment, the following targets were also approved at the AFMGM level:

- *Reduction in average financial exclusion level for ASEAN region from 44% to 30% by 2025.*
- *Enhanced readiness of financial inclusion infrastructure ecosystem of ASEAN from 70% to 85% by 2025.*

These targets became the foundation for WC-FINC to arrive at key performance indicators to determine the level of financial exclusion and financial inclusion infrastructure readiness.

The level of financial exclusion, defined as the percentage of adults who report not having an account with a formal financial institution or a mobile money provider, was 46% in 2017, according to Findex data for nine ASEAN countries, and national data using the Findex methodology for one country (Brunei Darussalam). However, most countries had national level data available either at or before 2017, and these results showed an exclusion level of 44% in 2017. The level of exclusion using this methodology is however defined differently for each country (see Table 2).

The level of financial exclusion, defined as the percentage of adults who report not having an account with a formal financial institution or a mobile money provider, was 46% in 2017.

8 The WC-FINC has been mandated by the AFMGM to accelerate regional initiatives to elevate the level of financial inclusion in ASEAN. Particular emphasis is given to capacity building and peer learning activities.

Based on the level of exclusion in 2017, the regional target of reducing the level of financial exclusion to 30% by 2025 was set and progress has been monitored annually in order to achieve the vision of regional financial inclusion. For this, national data has been used, given that national data is updated more regularly, as well as the flexibility that this affords each AMS to apply their national definitions. Between August 2020 and October 2021, there have been notable movements in the level of exclusion (see Table 1). Indonesia achieved a notable decrease in exclusion, due to the use of national health insurance and server-based electronic money, especially among the youth, while Brunei Darussalam saw an increase in this figure, due to a revised definition of the methodology used to calculate exclusion. As a result, the average level of financial exclusion in ASEAN is now 29%, which means that ASEAN has reached it's 2025 target four years in advance.

Table 1. Current level of financial exclusion for ASEAN Member States (% of adults)

	FINDEX 2017	2019	2020	2021
Cambodia	82	41	41	41
Indonesia	51	45	23.8	18.6
Lao PDR	71	69	48	48
Malaysia	15	5	4	4
Myanmar	74	52	42	42
Philippines	66	77	71	71
Singapore[9]	2	2	2	2
Thailand	18	16	12	5.7
Vietnam	69	42	36.3	36.04
Brunei Darussalam	14[10]	14	21.4	21.4
ASEAN total	46	36.3	30.15	29
Source	Findex 2017	AFMGM Apr 2019	AFMGM Oct 2020	SLC Oct 2021

There are however some level of variation in the definitions used for financial inclusion, as well as the recency of data sources used for the top line exclusion indicator (See Table 2). For instance, some countries look at adult populations aged 15 and older, while others use adults 18 and older. Some countries do not include non-account based usage (like insurance and some types of remittances, while others include these. Furthermore, some countries include accounts with semi-formal institutions, while others do not. The level of financial inclusion is also mostly measured via demand side surveys, conducted at a national level, which is the case for seven of the 10 AMS. In the remaining three, national level supply side data is used to approximate nationally representative data. This is the case in Singapore, Malaysia, and Thailand, and is possible due to the cleaning of supply-side data to better identify and remove duplication of multiple accounts

9 Using Findex to approximate national data

10 National Data using FINDEX methodology

for individuals. Across the board though, AMS prefer using national level data over international surveys to track financial inclusion progress.

Table 2. Sources, recency and definitions of exclusion indicator by country

SOURCE/DATE	DEFINITION	TYPE OF PRODUCTS/PROVIDERS INCLUDED/EXCLUDED
Brunei Darussalam		
BDCB (Financial Inclusion Demand-Side survey), 2020	Adults (Age 15+) who do not have an account with a formal financial institution or a mobile money provider, as % of adult population	Only commercial banks
Cambodia		
FinScope 2015	Adults (Age 18+) who do not have a product or service with a formal financial institution as % of adult population	Banks and other formal providers (mobile money, MFIs, Insurance providers etc.)
Indonesia		
Financial Inclusion Insight Survey, 2020	Adults (Age 15+) who never used a product or service from a formal financial institution	Financial products and services from formal financial institutions (bank, MFI, non-bank financial institution such as pawnshop, electronic money issuer, and national insurance from the Social Security Administrator Body/BPJS)
Laos		
FinScope 2014	Adults (Age 18+) who do not have a product or service with a formal or semi-formal financial institution as % of adult population	Banks, other formal providers (mobile money, MFIs, Insurance providers etc.) and semi-formal providers.
Malaysia		
Supply side data, Bank Negara Malaysia. Deduplicated. 2020	Adults (Age 15+) who do not have deposit accounts at a financial institution as % of adult population	Banks or other deposit taking institutions
Myanmar		
FinScope 2018	Adults (Age 18+) who do not have a product or service with a formal financial institution as % of adult population	Banks and other formal providers (mobile money, MFIs, Insurance providers etc.)
Philippines		
BSP Financial Inclusion Survey (FIS), 2019	Adults (Age 15+) who do not have an account at a formal financial institution or a mobile money provider as % of adult population	Banks and other formal providers (mobile money, MFIs etc.)
Thailand		
Supply side data, Bank of Thailand. Deduplicated. 2020	Adults (Age 15+) who do not have an account with a formal or semi-formal financial institution as % of adult population	Banks, other formal providers (mobile money, MFIs, Insurance providers etc.) and semi-formal providers
Viet Nam		
State Bank of Vietnam demand side survey, 2019	Adults (Age 15+) who do not have an account with a bank as % of adult population	Only Banks

In addition to the exclusion indicator, key enabling infrastructure indicators were also developed by WC-FINC, and is also tracked across AMS. Enabling infrastructure for financial inclusion is considered as a key foundational requirement by the AMS, in order for financial inclusion to fully serve its envisaged function. Thus, key performance indicators (KPI) have been set to determine the infrastructure readiness for financial inclusion in the region, with an overall readiness target of 85% by 2025. The identification of the necessary infrastructure has, as much as possible, considered commonalities across the region, but when necessary has reflected unique country contexts (i.e. some countries are not included in certain individual targets).

The set of key enabling infrastructure indicators consist of 10 different indicators, and although these indicators (and the way that progress was calculated) were slightly revised in 2018, there has been consistent progress, and as of March 2021, a enabling infrastructure readiness level of 80.77% has been achieved across all AMS. Financial infrastructure relevant to digital financial services have also recently been included in recognition of the importance of digital technology in pushing financial inclusion. Currently, WC-FINC determines which countries have existing work relating to infrastructure indicators, but no additional data is gathered for each indicator. The latest reported figures by AMS are shown in Figure 3. For these set of indicators, the only indicator to have moved since August 2020 is DigitalID, moving from six to seven out of 10 countries (from 60% to 70%). As a result, the overall total moved from 79.77% to 80.77%.

Key performance indicators (KPI) have been set to determine the infrastructure readiness for financial inclusion in the region, with an overall readiness target of 85% by 2025.

Table 3. ASEAN Financial Inclusion infrastructure readiness

	FINC INFRASRUCTURE	READINESS LEVEL	
		2021	
		No.	%
1	Public credit registry/credit bureau	10/10	100
2	Credit guarantee for agri and MSMEs[11]	7/9	77.7
3	Debt resolution and redress mechanism	7/10	70
4	Financial inclusion monitoring framework[12]	5/8	62.5
5	National strategy for financial inclusion[13]	7/8	87.5
6	National strategy for education	5/10	50
7	Legislation, regulations, platforms to support financila inclusion (i.e. enabling infrastructure) including digital financial services (DFS)	10/10	100
8	Specific instiution to support financial inclusion mandate[14]	9/9	100
9	Consumer protection regulation/framework	9/10	90
10	Digital ID	7/10	70
	Total		80.77

Source: As submitted by AMS to WC-FINC, and presented by WC-FINC at the October 2021 Senior Level Committee (SLC)

11 Excluding Brunei Darussalam

12 Excluding Singapore and Brunei Darussalam

13 Excluding Singapore and Brunei Darussalam

14 Excluding Singapore

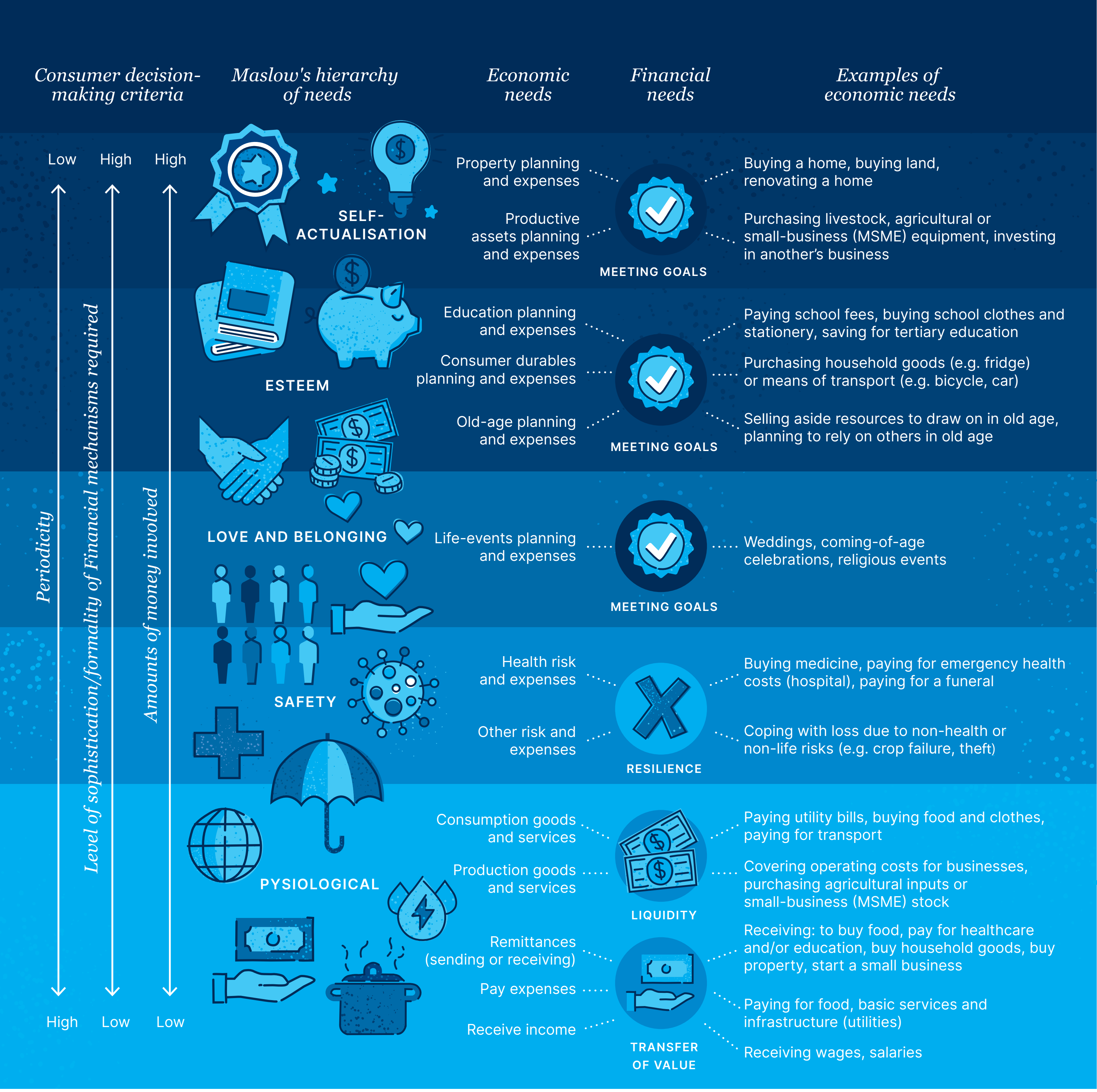

Figure 5. MAP needs and usage framework

Source: UNCDF, MAP Programme Analysis

Although the tracking of the top line financial exclusion figure (as well as infrastructure readiness indicators) has been a positive regional development, it left much unknown about the state of financial inclusion across countries, as a lot more detail is required to get an in depth understanding of market movements across different types of providers, product categories and to understand aspects like accessibility better. For instance, access to financial products can be limited due to a lack of access points (amongst other factors), while usage (those who actually have used a product), is a better reflection of whether a product speaks to the needs of individuals and whether it offers value. The quality of products in turn influences usage – the better the quality, the more likely that it would offer good value.

When poor consumers prioritise meeting particular needs over others, and find different ways to meet these needs (e.g. through informal financial mechanisms, less-than-optimal mechanisms etc.), they are effectively expressing their own choice in an underlying value for their own reality and future. It is these values that are important for policymakers, government and financial inclusion development partners to understand if they are to better leverage these economic drivers for growth, linked to the choices and value-systems that are important to low-income consumers.

Better understanding consumers' priorities also helps business and service providers identify pockets/communities/groups that present promising business cases for strengthening existing provision or enabling innovation. Thus, a well-functioning system that can enable inclusive growth partly requires financial service providers to understand how to meet consumers' real economic needs, especially in the low-income market. And where the financially excluded do not immediately present viable business cases, identifying them enables government to determine and define better public-sector provision of services, based on need and by extension developing the necessary business cases for better service provision – either public or private (See Figure 5 for the MAP needs framework).

A well-functioning system that can enable inclusive growth partly requires financial service providers to understand how to meet consumers' real economic needs.

The economic needs and financial services usage framework, overlaid with the informal nature in which large sections of society satisfies these needs, underlies the necessity to understand the potential for technology to serve low-income markets and outlier communities at low cost and large-scale.

Thus the ASEAN Monitoring and Evaluation series which includes the Guidance Note on Developing a Monitoring and Evaluation Framework for Financial Inclusion, and the 2020 Measuring Progress report, of which the current report is the second in the annual series, adopts a systematic, coherent and harmonized regional monitoring framework, including a system to set and track KPIs within the working groups and consistently evolving data frameworks and indicators in line with market and consumer evolution. As the levels of financial inclusion increases, markets become more sophisticated and as such, the need to continue building capacities of regulators in monitoring and evaluation in the area of financial inclusion becomes valuable, including utilising more granular indicators for tracking from the annual monitoring process.

However, due to variations in the regional exclusion indicator definition noted above, as well as the recency of data for each AMS, a flexible approach to regional monitoring was suggested for this Monitoring Progress report series, while addressing the issue of data recency by using more frequently updated supply side data gathered by regulators as a proxy for demand side data (where unavailable), to provide a more nuanced view of how financial inclusion is evolving at a country level. An annual report update was adopted, given that the dynamic socio-economic and technology environment in which the financial sector operates necessitates country governments and regional platforms to keep revising and updating their policies and market-based interventions, which necessitates market tracking data on a frequent basis.

At a national level, financial inclusion indicators were already developed independently by each AMS and over time, to track national financial inclusion progress as well as market level changes as identified in the national financial inclusion strategy or roadmap development process. In Myanmar, Cambodia and Lao PDR, for instance, the process at country level was stakeholder driven and started with the development of a multi-year vision (five to seven years) for financial inclusion contained in the national roadmap, with the implementation of UNCDF's MAP technical framework[15], which was used as input to develop the NFIS. Other countries were ahead in the process in some ways and tended to have national processes and supporting structures, while countries like Singapore and Brunei Darussalam opted not to develop an NFIS based on their already advanced levels of financial inclusion. Across the region, each national roadmap integrates an M&E framework which includes:

- *Setting indicators and measures*
- *Identifying baseline data for each indicator*
- *Developing templates for data collection and storing*
- *Identifying roles and functions for management and co-ordination*
- *Stakeholder mobilization around the monitoring process*

15 Implemented by UNCDF programmes: MAP and SHIFT in ASEAN, and Making Access to Finance more Inclusive for Poor People (MAFIPP) in Lao PDR, and Expanding Finance Access (EFA) in Myanmar.

A FRAMEWORK

Deepening the monitoring of financial inclusion

Regional financial inclusion measurement framework

In order to address the need for consistent financial inclusion data across ASEAN countries, the monitoring framework includes a core set of indicators that capture the state of financial inclusion. This will allow for a quick assessment of progress and enable region-wide diagnosis, targets and policy recommendations, towards a cohesive and collaborative regional approach, working alongside countries.

The core set of indicators for the Measuring Progress Report was developed using the AFI core set of indicators, as well as the G20 Financial Inclusion Indicators as a starting point. However, these indicators were collaboratively considered with all the participating AMS, adjusting for country relevance and data constraints at a country level. The resulting indicator set was based on data that AMS identified to be available at a country level, via national regulatory and statistics institutions, and for which the data would not have to be sourced from publicly available international sources. Although effort was made to align and agree on a core set, member states were provided flexibility to adapt definitions and exclude indicators based on availability of data. Further work can therefore be done should greater alignment between indicators become necessary.

These core indicators address basic access and usage dimensions of financial inclusion consumers, while other quality and market specific indicators may differ to reflect more accurately unique local conditions. For the ASEAN region, the tables of indicators below were suggested as the core set of indicators to be adopted in each country within the monitoring and evaluation framework. These indicators focus on Access and Usage.

These core indicators address basic access and usage dimensions of financial inclusion consumers, while other quality and market specific indicators may differ to reflect more accurately unique local conditions.

Access dimension

Access refers to the ability to use the services and products offered by formal financial institutions. Data on access will be obtained from information provided by financial institutions, and will include:

Table 4. Access Indicators

ACCESS INDICATORS		
1	Points of service	i. Number of branches per specified number of adults ii. Number of ATMs per specified number of adults iii. POS Terminal per specified number of adults iv. Number of mobile money agents or similar financial services agents
2	Access points	Number of access points per specified number of adults at a national level (Access points as nationally defined)
3	Connectivity	i. Access to internet (% of specified age group, i.e. 15+ or 18+) Percentage of adults with internet access anywhere ii. Mobile phone penetration (active mobile phones per specified unit of the population, i.e. 1,000; 10,000 or 100,000)

Usage dimension

Usage refers to the depth or extent of financial services and product use. Ideally, determining usage requires data on regularity, frequency and duration of use of products and services over time. However, the below provides a basic set of indicators, which can be expanded for future iterations of data publication.

Table 5. Usage Indicators

USAGE INDICATORS		
4	Adults with an account	i. Percentage of adults who report having an account at a bank (% of specified age group) ii. Percentage of adults who report having an account with a formal financial institution or a mobile money provider (% of specified age group)
5	Savings	Number of deposit accounts with banks or deposit taking institutions per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000
6	Credit	Number of loan accounts with banks or other credit providers per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000
7	Payments	i. Number of debit cards per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000 ii. Number of registered mobile money accounts per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000 iii. Number of mobile money transactions (during the reference year) per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000
8	Insurance	Insurance policy holders per specified unit of the adult population, i.e. 1,000; 10,000 or 100,000, disaggregated by life and non-life insurance

These indicators were adapted at a country level based on data availability and nationally accepted standards and realities (as noted in previous section). For instance, in Malaysia, e-money accounts are the reporting standard, rather than mobile money, which include a broader set of digital channel products. In Vietnam, although the Government approved a pilot programme on the use of telecommunications accounts to make payment for goods and services of small value (Mobile-Money), no proposal on implementation of this programme was approved so far. Therefore, mobile money services have not yet been provided in the market and there are no data on this. However, e-money have been provided in the market in the form of pre-paid cards (provided by banks) and e-wallets (provided by non-banks under an SBV license).

Data on access indicators typically come from supply side data submissions to regulators, and this has been the case in the ASEAN M&E data collection process. Similarly, data on usage can be populated through supply side data, although this does not always allow for multiple ownership – leading to overstated figures. Although the elimination of duplications in the data is possible, this requires regulatory implementation which largely does not yet exist. Demand side data therefore provides an opportunity for comparison to supply side data, which allows for insight on the degree of duplication. However, given the frequency of demand side data, countries agreed that supply side data can be used as proxies to provide more frequent updates on demand side indicators on usage.

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Quality and impact dimensions

Quality of access refers to the appropriateness, value and affordability of services. Consumer related issues like consumer literacy and protection would also fall in this category. Examples of indicators typically include average bank fees for low-income accounts, number of low-income products and remittance transaction cost. In addition to these three categories, indicators can also include targets that are not directly related to access, use and quality of financial services, for instance the number of small businesses supported and enabled through the programme, or the number of legal, policy or de facto barriers to financial inclusion removed. These indicators speak to the impact of financial inclusion.

Quality indicators are relatively new as far as international indicator examples are concerned, but are increasingly being adopted and also implemented at a national level. Currently, there are no standardised quality indicators that are already available for all countries. Table 6 provides examples of the categories of quality indicators with their associated definitions. These examples were presented to AMS in 2020, but with limited adoption due to data availability constraints. For the 2021 approach, the quality indicators were presented again, and broader adoption by most countries were achieved, with some adaptation for local relevance in order to address the requirements of their NFIS.

Table 6. Potential quality indicators already available in some ASEAN countries

QUALITY INDICATORS	EXAMPLE INDICATORS AND DEFINITIONS
Appropriateness	Number of low-income products; Number of entry level transactional accounts
Value	MSME loan guarantee as percentage of MSME loan (value)
Affordability	Average bank fees for low-income accounts; Average cost as % of a low value remittance transaction (domestic and cross border); Cost of mobile money transactions (based on a standardised transaction amount)
Financial literacy	Arithmetic score as per national definitions; % of adults that knows definition of basic financial terms
Consumer protection	Existence of third party complaint handling entity; Number of complaints per 1,000; 10,000 or 100,000 active DFS accounts; Number of complaints per 1,000; 10,000 or 100,000 bank accounts.
Indebtedness	Percentage of borrowers who are more than 30 days late with a loan payment.
Choice	Percentage of administrative units with at least three different branches of formal financial institutions (rural and urban)

Outcome and impact level indicators are also collected by some countries at a national level, to track national financial inclusion policy outcomes and impact. For 2021, countries were advised to consider the inclusion of these indicators, despite significant variances in national priorities across AMS that currently exist. The ASEAN Guidance Note makes reference to the following example indicators at an outcome and impact level, that focus on financial inclusion's contribution to higher level outcomes and impact contributing to livelihoods improvement and human development:

Table 7. Examples of outcome and impact level indicators

LEVEL	CATEGORY	EXAMPLE INDICATORS
Outcome	Overall	i. % of adults using at least one formal financial service ii. Number of legal, policy or de facto barriers to financial inclusion removed or addressed
Impact	Segmental	i. % of MSMEs / farmers enabled through financial inclusion ii. % of women using at least one formal financial service
	Global development goals	% of people living below USD 1.25 per day
	National goals	Average national growth rate

Incorporating inclusive growth indicators

A new set of inclusive growth indicators have been included, embedding inclusive growth more firmly as a policy goal for AMS, aligning financial inclusion with broader regional goals around sustainable development, and allowing for the tracking of progress of impact in areas where inclusive growth overlaps with the impact of financial inclusion. The set of indicators was adopted collaboratively with all AMS – similar to the 2020 process, and countries adopted these indicators based on data availability and country policy priorities and relevance.

These indicators include two types of information. The first is directly related to financial inclusion but links to inclusive growth (non-italicised indicators), while the second are related to inclusive growth, but links to financial inclusion (italicised indicators). The latter can be termed impact indicators in terms of the ASEAN Guidance Note on Developing and M&E Framework for financial inclusion (See Table 1 of Guidance Note). In other words, both sets of indicators are relevant to the interlinkages between financial inclusion and inclusive growth.

It should also be noted that a number of the indicators overlap with the ASEAN Measuring progress indicators included in the 2020 report. These include two indicators for financial sector development in Table 8, but also include two existing Access indicators for mobile and internet penetration (not replicated in Table 8).

Table 8. Indicator template for inclusive growth

POTENTIAL INCLUSIVE GROWTH INDICATORS	SOURCE
1. Macroeconomic context	
Proportion of population living below the national poverty line, by sex and age	SDG 1.2.1
Annual growth rate of real GDP per capita	SDG 8.1.1
2. Education	
Number of student/educational loans	National data
Completion rate (primary education, lower secondary education, upper secondary education)	SDG 4.1.2
3. Access to basic services	
Proportion of population living in households with access to basic services	SDG 1.4.1
Proportion of population with access to electricity	SDG 7.1.1
Proportion of population with primary reliance on clean fuels and technology	SDG 7.1.2
4. Healthcare	
Proportion of adults with health/medical insurance	National data
Proportion of population with large household expenditures on health as a share of total household expenditure or income	SDG 3.8.2
5. Entrepreneurship (and asset building)	
Number and value of MSME loans from banks	National data
Proportion of urban population living in slums, informal settlements or inadequate housing	SDG 11.1.1
6. Redistribution	
Proportion of population covered by social protection floors/systems	SDG 1.3.1
Proportion of social protection payments received through digital channels	National data
7. Financial sector development	
Number of commercial bank branches per 100,000 adults and (b) number of automated teller machines (ATMs) per 100,000 adults	SDG 8.10.1
Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider	SDG 8.10.2
8. Unemployment and income inequality	
Proportion of informal employment in total employment, by sector and sex	SDG 8.3.1
Unemployment rate, by sex, age and persons with disabilities	SDG 8.5.2
Proportion of people living below 50 per cent of median income, by sex, age and persons with disabilities	SDG 10.2.1
Remittance costs as a proportion of the amount remitted	SDG 10.c.1

REPORTING

M&E and progress

An especially interesting part of the monitoring and evaluation journey, tracking market evolution has been ASEAN's incredible diversity that presents an opportunity to draw lessons from every country on specific challenges faced and measures pursued to increase financial inclusion.

For some ASEAN countries, the geographic barriers to financial inclusion are the most urgent, for others, cost or knowledge and trust are more significant barriers. In different ways, ASEAN countries have something to learn from each other's experience on strategies that worked or did not work so well. The organic nature of markets and the resilience of the people who participate in them have demonstrated the multiple pathways to an inclusive future.

Healthcare impacts people's lives

All AMS reported on the impact of COVID-19 (either in terms of GDP growth contraction, or the impact on the population, or similar) and the respective actions taken by either their countries or financial sector regulators to mitigate its impact. This process has created greater prospects for renewing priorities, recalibrating policies, and introducing initiatives with long-term positive impact. Furthermore, it has re-invigorated and renewed opportunities for advancing deeper stakeholder collaboration and whole-of-government approach towards realizing inclusive, sustainable development at a swifter pace and greater scale. Financial inclusion remains an urgent national priority for AMS, but one which the pandemic revealed to have even greater purpose.

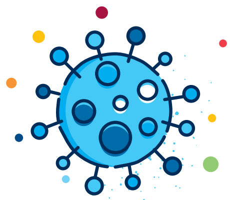
The organic nature of markets and the resilience of the people who participate in them have demonstrated the multiple pathways to an inclusive future.

Due to the impact of the pandemic on jobs and income, the immediate role that financial inclusion played was to facilitate transactions in a safe manner, allowing commerce and payments to continue and thereby protecting income streams to a degree. In addition, quicker and more lenient credit granting terms served to achieve the same. Some AMS focused directly on protecting financial sector stability, the financial system, and the interests of financial consumers, while others focused more explicitly on protecting jobs and income. Regardless of the approach, all AMS in effect introduced measures aimed at protecting lives (through for instance cashless payments) and livelihoods, i.e. by making sure business can continue as far as possible despite the pandemic's economic impact. The response included a combination of regulatory incentives to the financial sector to offer assistance to customers, the waiving of fees and charges for certain periods on some forms of transfers, and encouraging the provision of digital financial services as far as possible to reduce contact points for customers (thereby reducing the risk of exposure).[16]

However, some AMS also acknowledged the explicit role of financial inclusion to mitigate economic hardship caused by the pandemic, and in general as a poverty reduction mechanism. This is particularly relevant, given that poverty rates across the world have shown an increase during the pandemic, also due to those who used to live close to or just above the poverty line, and where a decrease in income or hardship in maintaining their cash flow can be particularly damaging, given that these households often also have less of a safety net, putting them at higher risk of falling into poverty. For this reason, cash transfers to the most vulnerable/affected segments in particular was also utilised to counter the economic impact, and for this, the use of digital payments were widely adopted to ensure safety and efficiency.

Countries also reported a deterioration of loan repayment rates, which has obvious impacts on financial sector stability, yet despite this, some leniency was provided to permit loan restructuring within a set timeframe, particularly to sectors affected more by the pandemic. However, at the same time, there was also mention that customer complaints have increased over the period.[17]

The pandemic also highlighted the need for better, more timely data to track the impact of a crises on the financial sector, and on users of financial services. For instance, data from the credit registry has helped BNM understand the distribution and profile of the beneficiaries of Malaysia's COVID-19 SME relief facilities on a real time basis. BNM also leveraged various surveys conducted by other organisations, such as the Department of Statistics, developmental agencies, and business associations to ascertain business challenges and their financing needs, and to inform policy making at a higher frequency as the crises developed.



The pandemic has broadened the path for pursuing financial inclusion, proving its significance as a part of the social protection system and driver of post-pandemic economic recovery and development.

The pandemic has broadened the path for pursuing financial inclusion, proving its significance as a part of the social protection system and driver of post-pandemic economic recovery and development. Over the longer term, financial inclusion could also play a role to help households increasingly access better quality services like education and healthcare, which is crucial to support longer term growth, while also increasing access to better quality energy, water, sanitation and telecommunication services, as well as accessing or creating opportunities (like starting a business, or investing in growing businesses).

Although Central Banks and other financial regulators and policy makers do not necessarily have a direct mandate to support economic growth, or address

16 Some countries also placed a moratorium on debt collection and provided relief packages to businesses (for instance working capital for MSMEs).

17 Where countries implemented a moratorium on debt repayment, the accumulated interest proved problematic when such moratoriums were lifted, and may have contributed to a deterioration of loan repayment rates.

inequality, the pandemic served to illustrate that these institutions serve a crucial role in supporting such initiatives by ensuring that the financial sector can function in a responsive manner to facilitate payments, credits, savings and insurance that contribute to initiatives aimed at MSME development, or protecting income, jobs, livelihoods and business operations.

The critical role of technology as an enabler of more inclusive financing

Across all AMS, there has been a continued trend of increasing adoption of technology through the use of digital financial services. For instance, the number of mobile money accounts (or similar) continued to increase for reporting AMS. However, this accelerated over the last period, due to COVID-19.

Cambodia, Indonesia and Malaysia reports on mobile money/digital financial services agents or similar, which also increased over the period, although Malaysia's number of agents have continued to decrease as financial institutions rationalise or terminate under-performing agents.

Although the number of mobile money, mobile banking or e-money accounts also increased across the board for all AMS who reported on this, interestingly the number of transactions in these cases did not increase across the board. For instance, where they were already previously high (like Indonesia and Malaysia), they actually decreased. This testifies to digital channels being a suitable channel for transacting during the pandemic, but that the economic hardship experienced by households impacted on the number of transactions that people could do. In other words, usage of a channel is integrally linked to economic circumstances, i.e. people can only use a channel if they have the means to transact on it. Therefore, economic growth and growth in real income is needed to substantially increase channel usage.

In addition, there was some other notable trends. For instance, debit card penetration went up for all AMS who reported (except for Thailand), and POS and ATMs went up for all AMS as well, except for Indonesia, where ATMS decreased (but remains third highest of AMS reporting, beyond only Brunei and Thailand). However, this could also be seen in the broader trend of increasing digitalisation. For instance, the increase in POS devices and debit cards to some degree is part of the broader shift to non-cash transaction, while in Laos specifically, commercial banks has developed ATM cards to also serve as debit cards which facilitate customers to enact digital transactions. Linked to this trend is the stagnation or steady decline in branch infrastructure across AMS, as digital access is increasing.

There were also some specific trends in the use of financial services that could be linked to the impact of the pandemic. Some countries reported a rise in the propensity to save during the pandemic, possibly driven by people anticipating the different waves and related lock-downs that constrained economic activity, while others reported a rise in over indebtedness with late payments on loans increasing, perhaps driven by those people who did not have the flexibility to

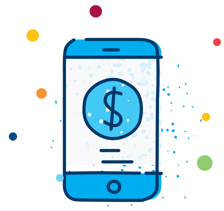
Some countries reported a rise in the propensity to save during the pandemic, possibly driven by people anticipating the different waves and related lock-downs that constrained economic activity.

save in advance in anticipation of shocks to their income. In the forthcoming MAP refreshes in Laos and Cambodia, a decrease in remittances over the period is also revealed, as many migrants lost their jobs or had to return to their home countries. Similarly, in some cases there was a decrease in insurance penetration (Brunei Darussalam and Cambodia), which is alarming as arguably insurance needed to play an increasing role during times of national crises.

Depth of usage

Although overall exclusion is at 30%, the more granular data shows that the market penetration of financial services is still quite shallow in some countries. Although overall exclusion may be low and decreasing, this is not reflected across all product categories, particularly in countries with higher exclusion rates. For instance, in countries like Brunei Darussalam, Thailand, Malaysia and Indonesia, and even Viet Nam exclusion is low while penetration of different product categories are all fairly high (with some exceptions). In countries where exclusion is still much higher though, the penetration across product categories is also inconsistent at similar levels.

This corresponds with MAP's cross country experience, where it has been found that countries that have financial exclusion levels of 50% or higher – the depth of access is shallow. Only once consumers become more comfortable engaging in the formal market via their entry product, do they start using more than one service. For countries with higher levels of exclusion, it is therefore important to also focus on increasing the depth of usage by encouraging the interplay of a portfolio of financial services to address consumer needs.



Only once consumers become more comfortable engaging in the formal market via their entry product, do they start using more than one service.

Trends in indicators

A number of challenges with data availability were experienced during the data collection process, as some data points have never been collected by the regulators. Central banks, for example, collect mostly prudential data which are useful but insufficient as financial inclusion indicators. They also do not generally disaggregate the data to enable a gender breakdown. Based on the experience and learnings from 2020, renewed emphasis was placed on disaggregated indicators by gender, age and location (rural or urban) as far as possible, with a specific focus on gender in particular, and several AMS added gender disaggregation for specific indicators where available.

Inclusive growth, quality and impact indicators, were adopted to various degrees, due to data availability (the new indicators especially require inter agency collaboration for data collection), and varying policy priorities (some countries limited indicators to those pertaining directly to financial inclusion). The number of AMS reporting on quality indicators increased to seven (up from one in 2020), while the number of countries that reported on inclusive growth indicators was also seven.

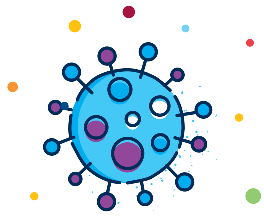
Brunei Darussalam

Financial inclusion remains a key national agenda as outlined in the Brunei Darussalam Financial Sector Blueprint (FSBP) 2016 – 2025 prepared by Brunei Darussalam Central Bank (BDCB). The FSBP also aims to guide BDCB in its initiatives towards developing the financial services sector as the enabler of economic growth.

The strategic framework laid out in the FSBP supports the objectives of the Brunei Vision 2035. BDCB continues to undertake initiatives to promote financial inclusion through the innovation of financial products and services, and the enhancement of financial education and literacy in addition to its current mandate of ensuring monetary and financial stability.

BDCB actively monitors the latest financial inclusion developments domestically and internationally. In parallel to these efforts, BDCB is committed to initiatives laid out by the WC-FINC.

BDCB also welcomes digital developments, such as financial technology to promote digital financial inclusion in the nation through the FinTech Sandbox which was introduced in 2017. To date, the FinTech Sandbox houses two approved FinTech sandbox participants focusing on a peer-to-peer crowdfunding platform and mobile money remittances. Such FinTech compan*ies* could provide stimulus for the adaptation of new technology in both the investment and remittance sector to create healthy competition, trigger more interest in investment products and reduce remittance transaction costs. In December 2020, BDCB issued the White Paper on The State of FinTech in Brunei Darussalam, outlining the prospects and recommendations for the developments of FinTech ecosystems in Brunei Darussalam.



Amid the COVID-19 pandemic, BDCB remains committed to the financial stability of Brunei Darussalam and to safeguarding Brunei Darussalam's financial system.

Brunei Darussalam positions its efforts in the development of a 'Digital Payment Hub', one of three flagship projects under the Digital Economy Masterplan 2025, which was launched in June 2020. The other flagship projects are Digital ID and the People Hub. On this note, BDCB is currently working with the FinTech industry to develop a shared 'Digital Payment Hub' that will centralise digital transactions and facilitate instant payments. The streamlined payment hub enables real-time payments among consumers, and between consumers and merchants. Banks and FinTech companies can also connect to the hub to enable payments between their channels or apps.

Amid the COVID-19 pandemic, BDCB remains committed to the financial stability of Brunei Darussalam and to safeguarding Brunei Darussalam's financial system and the interests of financial consumers. BDCB has taken swift measures to extend its interim measures, in collaboration with the Brunei Association of Banks (BAB), in providing regulatory flexibilities to encourage banks and finance companies in Brunei Darussalam to continue offering various assistance to bank customers. These regulatory flexibilities include the waiving of fees and charges for local online interbank fund transfers to all bank customers for a specified period of time. This is hoped to help curb the spread of COVID-19 and encourage digital financial inclusion through online or digital payments and reduce heavy cash transactions. BDCB has also issued out advisories to urge financial institutions to promote their products and services through digital means, i.e. websites and social media.

Albeit the absence of a National Financial Inclusion Framework, Brunei Darussalam sets its focus to increase the level of financial literacy in the nation and has embarked on a collaborative initiative with other relevant government ministries and agencies through the establishment of a National Financial Literacy Council in 2017. The Council has taken many steps to ensure financial education is well-integrated across different segments of the population. In April 2021, the Council published the Brunei Darussalam Financial Literacy Competency Framework for Year 1 to 6 students, identifying a set of knowledge, skills, attitudes, motivations, and behaviour required for financial literacy. The framework contains different financial themes and acts as a reference for financial education providers, such as government bodies, policymakers, NGOs, financial institutions, etc. This effort will be gradually implemented in different age groups in the future.

The Council has also taken measures to evaluate and assess the effectiveness of financial literacy initiatives pledged by members of the Council and explore viable options to bridge gaps and provide improvement recommendations. Additionally, the Council is currently developing a financial education website to ensure all Bruneians have access to readily available financial management information. It also works towards identifying existing gaps in financial products and services and continuously monitors the effectiveness of financial literacy initiatives in Brunei Darussalam. The Council, through BDCB, is set to conduct the 2021 National Financial Literacy Survey to measure the level of financial literacy in Brunei Darussalam. This initiative is its third survey and has been conducted triennially.

Council is currently developing a financial education website to ensure all Bruneians have access to readily available financial management information.

BDCB, in collaboration with other relevant government agencies, financial institutions and international organisations, is actively conducting financial literacy programmes, such as Global Money Week, National Savings Day, World Investor Week and ASEAN Savings Day. Other programmes include financial planning courses, talks and financial awareness roadshows to target various audiences and age groups. The financial literacy initiatives cover informative, practical and interactive financial-related activities with comprehensive concepts of financial management, such as savings, takaful/insurance, smart investments and awareness on how to avoid financial scams. BDCB is also leveraging the power of social media platforms to improve financial management, promote digital payments, financial consumer rights, and raise further awareness on financial scams.

Other aspects of consumer protection are also more prominent where financial institutions are now actively raising awareness initiatives on cybersecurity and financial scams, particularly on phishing activities, corresponding to the rise in use of digital financial products and services.

Moving forward, BDCB aims to further improve its digital financial inclusion and literacy landscape to better empower consumers with readily available financial information online to ensure they make well-informed financial choices; leverage on the crisis to promote access to digital financial products and services, including delivery of financial education to the masses; and foster a conducive financial and regulatory environment for developments of financial products and services to cater for the underserved population.

As of 31st December 2020, the rate of financial inclusion stood at 81% in Brunei Darussalam, which is an increase from 78.6% as of end 2019. The slight uptrend is due to the increase in the number of accounts opening, particularly among the youth and elderly. The uptrend in account opening for the elderly may be attributed to the government's effort to reduce cash submission for pension recipients, and similarly, this is extended to welfare recipients.

Based on BDCB's dialogue with the banks, there is a rise in the propensity to save among individuals amid the COVID-19 pandemic. This may be due to the travel and cross-border restrictions imposed by the government since the outbreak of the pandemic. Additionally, the rise in savings accounts is also due to the public's interest in subscribing to savings products through certificate of deposits that offer better returns and profit rates. Subsequently, this increasing in account ownership and savings accounts correspond, to an extent, to the gradual increase in debit card ownership. The number of ATMs have also increased slightly, which is assumed to be due to the banks' initiative to expand in new commercial areas, while the adult population fell slightly.

The ripple effects of the COVID-19 pandemic have impacted a number of indicators, such as indebtedness, showing an uptrend to where it stands at 5.2% in 2020. Similarly, the insurance indicator has shown a downtrend in life insurance/ family takaful plans in 2020. This was mostly contributed by the decreased take-up in whole life policies, medical and health policies and investment-linked policies. However, there has been a shift for more subscriptions towards endowment policies denoting that the population is planning for long-term savings and returns. In addition, there has also been an uptake of group policies mostly covering death due to accident and/or illness.

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INDICATORS	2018	2019	2020
ACCESS INDICATORS			
1 Points of service			
i. Number of branches per 100,000 adults	15	15	14
ii. Number of ATMs per 100,000 adults	69	68	70
iii. POS Terminals per 100,000 adults	N/A	10,574	N/A
2 Connectivity			
i. Access to the internet (% age 18+) Percentage of adults with internet access anywhere	95%	95%	N/A
ii. Mobile phone penetration (active mobile phones per 100,000 population)	120,796	129,119	125,000
USAGE INDICATORS			
3 Adults with an account			
i. Percentage of adults who report having an account at a commercial bank (% age 15+)[1]	81.8%	78.6%	81.0%
ii. Percentage of adults who report having an account with a formal financial institutions or a mobile money provider (% age 15+)[2]	86.3%	N/A	83.6%
4 Savings			
Number of deposit accounts with commercial banks or deposit taking institutions per 100,000 adults	146,332	159,181	181,282
5 Credit			
Number of loan accounts with commercial banks per 100,000 adults	119,761	112,456	108,515
6 Payments			
Number of debit cards per 1,000 adults	1,197	1,394	1,590
7 Insurance			
Insurance policy holders per 100,000 adults[3]	34,784	29,542	28,576
QUALITY INDICATORS			
8 Affordability			
Remittance costs as a proportion of the amount remitted[4]	N/A	4%	4%
9 Consumer protection			
i. Existence of third party complaint handling entity (persons)[5]	N/A	70	70
ii. Number of complaints per 100,000 bank accounts	N/A	350	369
10 Indebtedness			
Percentage of borrowers who are more than 30 days late with a loan payment	3.6%	3.8%	5.2%

1 Based on supply-side financial inclusion data.

2 Based on demand-side financial inclusion data - World Bank FinDex methodology.

3 Coverage of this insurance usage indicator include only term, whole life, endowment and investment-link insurance policies

4 Within the range of BND250 – 300.

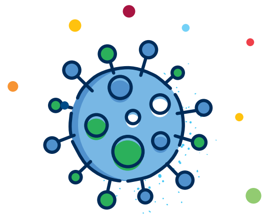
5 The number of complaint handling officers from all licensed financial institutions, i.e. banks, finance companies, takaful operators, insurance companies, money changers and remittance companies.

Cambodia

Cambodia successfully developed a NFIS (2019-2025), referencing the MAP diagnostic report, which proposes a policy target of enhancing financial inclusion by increasing access to quality formal financial services, reducing financial exclusion of women by half from 27% to 13%, and increasing usage of formal financial services from 59% to 70% by 2025 as well as improving household welfare and support economic growth.

To achieve these objectives, various priority activities have been identified, including: encouraging savings in formal financial institutions, promoting innovative credit products for SMEs, enabling the expansion of payment system capabilities, improving broader access to insurance, strengthening the capacity of the financial sector regulators, and increasing consumer empowerment and protection, and financial sector transparency.

In 2021, a MAP refresh diagnostic is being finalised, which will provide an updated overview of the financial sector landscape, the state of financial inclusion, and progress on key financial inclusion indicators leveraging a mobile tracker survey. The refresh will also draw linkages between the role of financial inclusion in addressing key socio-economic issues in support of inclusive growth and the SDGs. Digital and financial services has experienced an increase in adoption in Cambodia, due to changes in the way that people are living since 2020, as a result of the COVID-19 pandemic. With global efforts to get everyone vaccinated, Cambodia is deemed one of the most vaccinated countries in the world, with well over 85% of its population getting inoculated, and infection rates correspondingly decreasing noticeably. This positions Cambodia well towards reopening its economic and social activities in the foreseeable future. Given Cambodia's strong growth foundations and high potential for growth, there is an opportunity to leverage pandemic recovery efforts to address underlying socio-economic issues which can support growth recovery, but more importantly also engineer a more inclusive growth environment.



Digital and financial services has experienced an increase in adoption in Cambodia, due to changes in the way that people are living since 2020, as a result of the COVID-19 pandemic.

At the same time, enhancing financial inclusion in the country is more important than ever, given the economic hardship caused by the pandemic, and the crucial intermediating role of financial inclusion in poverty reduction. Financial inclusion can play a strong role to support Cambodia's growth objectives by leveraging household spending to help fund development objectives, and by aggregating and mobilizing capital contributing to financial sector development and investment. Given current fiscal constraints and low levels of FDI, local streams of capital that could be leveraged for development objectives will become increasingly important. Households already spend money that can contribute to investment in physical infrastructure, setting up or expanding businesses in key sectors of the economy and human and social development contributing to job creation. If formally intermediated, financial inclusion can therefore support the achievement of broader growth objectives in Cambodia. However, this requires formal financial inclusion that aggregates and mobilizes money flows, and ultimately increases the availability of domestic capital as a source of investment

With physical obstacles in accessing financial services due to proactive measures to cut down the spread of the virus such as quarantine and community lockdown, digital platforms are seen as a pathway in helping people access and use the services safely under continuous effort by the Royal Government of Cambodia (RGC) and the National Bank of Cambodia (NBC). As evidence, amid the COVID-19 pandemic, the RGC has delivered cash to workers and employees in the most affected sectors and poor households using mobile money agents. The use of digital transfers has allowed the RGC to provide timely social assistance that has helped mitigate the impact of COVID-19, while simultaneously contributing to increased formal intermediation of finance flows

Highly acknowledged by the RGC and relevant stakeholders, Cambodia has also made great efforts in promoting financial inclusion through countrywide and market-oriented financial sector development, enhancement of financial literacy through all means, reduction of cost in using financial services to a reasonable level and enabling financial infrastructure and FinTech development for more convenient and more efficient access to financial services.

More specifically, with strong commitment to enhancing financial inclusion and financial literacy in Cambodia, the NBC serves as one of the leading regulatory authorities to develop and organize a number of events and initiatives to disseminate financial literacy/education to the public. The NBC has also signed an MOU with the Ministry of Education, Youth and Sport on integrating the financial literacy program into the general education curriculum and with the Ministry of Women's Affairs (MoWA) on promoting financial inclusion for women and women in entrepreneurship. By working with MoWA and VISA, an event called "Financial Literacy in Cambodia" has been organized to provide financial literacy to young women, female entrepreneurs in fields and to increase the entrepreneurship for young female adults in primary and secondary schools. Moreover, "Let's Talk Money" campaigns have been conducted for the public on a regular basis in order to raise awareness of financial products and services. These campaigns also focused on the importance of critical thinking and consideration when choosing financial products in addition to consumer rights and responsibilities when making decisions about financial products. The public campaigns focused on children of school age.

"Let's Talk Money" campaigns have been conducted for the public on a regular basis in order to raise awareness of financial products and services.

The NBC has also prioritised the Promoting (the) Microfinance Sector project, which aims to raise awareness of the micro-financial sector, including its benefits, knowledge about its financial services, the role of the NBC in relation to the sector, and the obligations and responsibilities of the local authorities. The project also aims to prevent the public from over-indebtedness.

For the 2021 Monitoring and Evaluation Framework (M&E), the selection of indicators has been carefully adopted with international and regional best practices, especially those identified in the ASEAN Guidance Note on Developing a M&E Framework for Financial Inclusion in consultation with development partners such as UNCDF and AFI. In addition, with further technical support from UNCDF and the initiative from WC-FINC, a new set of inclusive growth indicators have been identified and updated with a more comprehensive set of data in illustrating the link between better financial inclusion and socio-economic development. All the indicators have been framed within the country context taking into consideration the practical realities of implementation in Cambodia. As a result, all core indicators have been completed based on available data for the baseline and most recent years tracked; however, there have also been a few challenges on data availability related to some additional indicators.

With regards to implementation and monitoring on financial inclusion, there has been significant positive progress regarding all three main indicators, namely Access, Usage and Quality, illustrating an enhanced level of financial inclusion in Cambodia, as well as positive market movement which demonstrates an active marketplace.

Access infrastructure continued to expand over the last year, building on a previous continuing trend. This applies to branches, ATMs, POS devices, mobile money agents and overall access points combined. POS terminals remained the largest increase, followed by mobile money agents.[1] Further, while number of branches was slightly increased, the number of ATMs per 100,000 adults has risen around 55% over the period (2017 to 2020). As a result, overall access points accelerated moderately from 913 to 1,017 during the period. For Usage, the number of registered mobile money accounts and mobile money transaction increased significantly indicating the rising popularity of mobile payments, likewise all indicators showed an increase, including adults who report having an account at a bank or number of deposit or loan accounts with formal financial institutions, although debit cards and insurance are still very low overall. Surprisingly, life insurance penetration decreased during the pandemic.

The number of ATMs per 100,000 adults has risen around 55% and overall access points accelerated moderately from 913 to 1,017 during the period, 2017-2020.

When plotting quality indicators, it shows an upward trend in the number of customers who are late 30 days repaying the loan due to the NBC's regulatory concession to permit loan restructuring within a set timeframe to sectors affected by the COVID-19 pandemic. While most customers have been affected by COVID-19, the number of customer complaints have also increased. With the new data set for inclusive growth indicators, it can be seen that there is noticeable improvement since 2017, the reference year. Particularly, the annual growth rate of GDP with 7.0% and 7.1% in 2017 and 2019 respectively, however, with the pandemic, the rate has declined to -3.1% in 2020. The level of public educational completion rate has increased even with the pending data in 2020, while access to basic services, i.e., electricity, has increased national coverage. When differentiating further from general and life insurance, health insurance is gaining its popularity among the middle-class and wealthy adults. The unemployment rate still remains low but with signs of increasing.

Cambodia is determined to continue to work with both the private sector market players and development partners as well as closely cooperate with relevant stakeholders on improving the financing agenda and thus contribute to an overall improvement in the implementation of the current M&E framework, and the NFIS 2019-2025 in a timely and efficient manner. Given the rapid development of technology, it is important to make best use of FinTech especially in payment

1 POS devices include POS devices used by agents and merchants, for instance some banks process money transfers through a POS device placed with Merchants and Agents.

services to realise new opportunities in expanding access to financial services to under-served populations in rural areas. Further, in supporting inclusive growth as well as the digital economy, the payment system could be developed in accordance with innovative technologies to promote financial inclusion and facilitate trade operations and investments. Digital payments and transfers are considered the foundations of a digital economy and are key factors to bring people living in remote areas and migrant workers with low incomes into the formal financial sector, where they can have convenient, affordable, and safe access to financial services. In this digital era, as the pandemic has pushed individual and firm behavior toward digitalization, the NBC will continue to underpin the digital infrastructure development in the banking system, which would contribute to promoting trade and investments.

INDICATORS		2017	2019	2020
ACCESS				
i. Number of branches per 100,000 adults[2]		22	23	24
ii. Number of ATMs per 100,000 adults		18	25	28
iii. Number of POS Terminals per 100,000 adults		149	478	537
iv. Number of mobile money agents or similar financial services agents per 100,000 adults		255	387	428
v. Number of access points per 100,000 adults at a national level (As nationally defined)		445	913	1017
vi. Mobile phone penetration (Active mobile phones/total population)		1.18	1.33	1.28
USAGE				
i. Percentage of adults who report having an account at a bank		9.7%	12.7%	17.4%
i. Annual growth rate of GDP		7.0%	7.1%	-3.1%
ii. Percentage of adults who report having an account at other formal financial institutions or payment service providers[3]		17.4%	27.3%	26.3%
iii. Number of deposit accounts with formal financial institutions per 100,000 adults		51,574	71,670	82,575
iv. Number of loan accounts with formal financial institutions per 100,000 adults		25,246	28,991	29,630
v. Number of debit cards per 100,000 adults		2,361	5,478	7,267
vi. Number of registered mobile money accounts per 100,000 adults		16,183	49,075	88,418
vii. Number of mobile money transactions per 100,000 adults		977,830	1,803,502	2,464,181
viii. Insurance policy holders per 100,000 adults	Life	1,500	4,826	3,165
	Non-life	920	1,636	2,006

2 Defined as those who are 18 years old or older

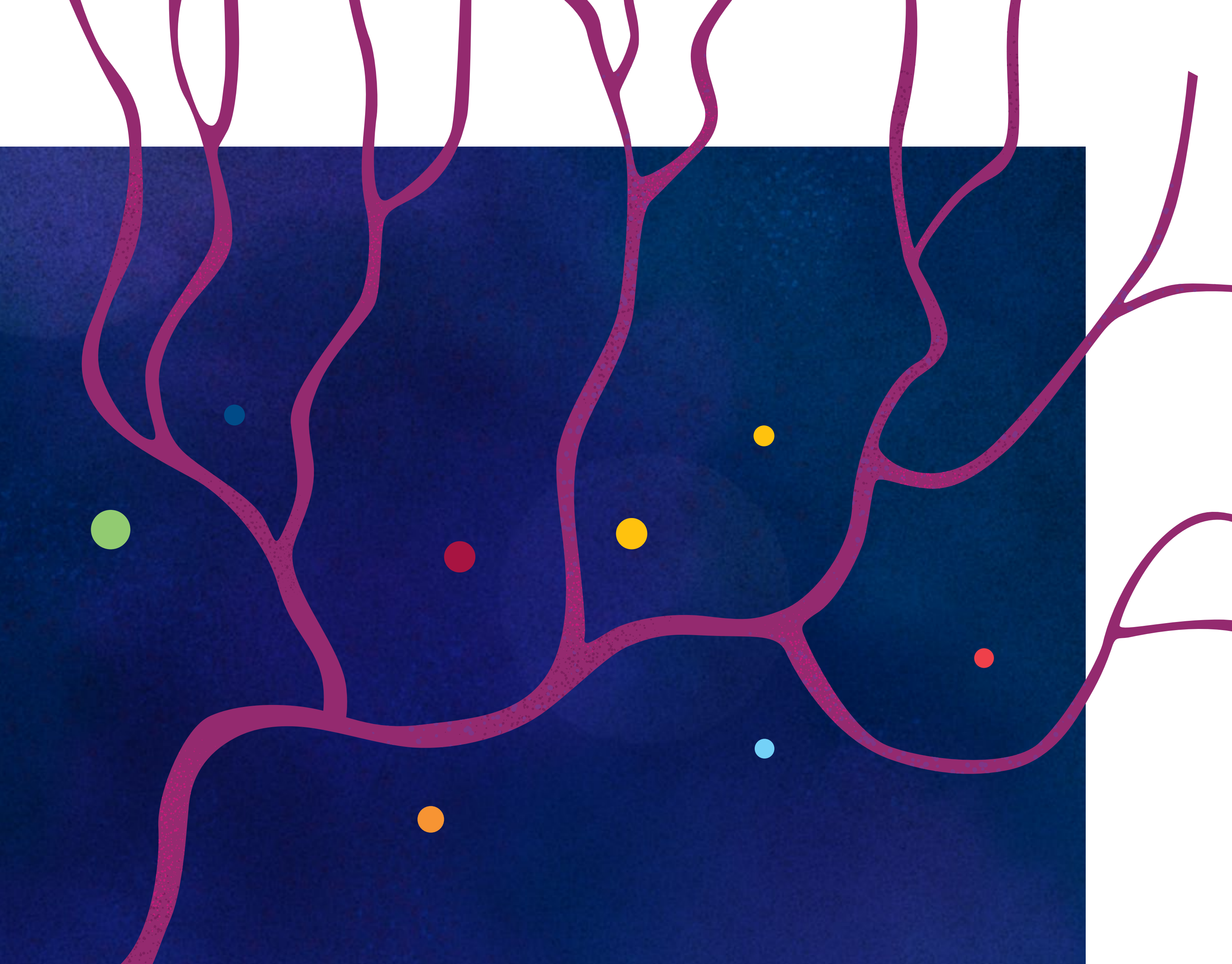
3 Excluding banks

INDICATORS		2017	2019	2020
QUALITY				
i. Percentage of adults who have knowledge on basic financial terms: interest rate, risk, inflation and diversification		18%[4]	N/A	N/A
ii. Average monthly cost to have a basic account in banks		0.5-0.8[5] (USD)	N/A	N/A
iii. Percentage of borrowers who are more than 30 days late with loan payment		2.9%	2.0%	3.2%
iv. Number of complaints per 100 bank accounts[6]		0.0113	0.0095	0.0335
INCLUSIVE GROWTH				
i. Annual growth rate of real GDP per capita		4.0%	5.5%	-4.6%
ii. Annual growth rate of GDP		7.0%	7.1%	-3.1%
iii. Education Completion Rate	Primary education	89.6%	91.1%	N/A
	Lower secondary education	54.2%	57.7%	N/A
iv. Access to basic services	Proportion of population with access to electricity - Total	89.1%	93.0%	N/A
	Proportion of population with access to electricity - Urban	99.1%	99.8%	N/A
	Proportion of population with access to electricity - Rural	86.1%	90.9%	N/A
v. Proportion of adults with health/medical insurance		N/A	29.7%	94.3%
vi. Unemployment	Unemployment rate, Urban	0.3%	2.8%	N/A
	Unemployment rate, Rural	0.1%	1.9%	N/A

4 This figure has been based on the MAP diagnostic report while there is no available data for 2019 yet.

5 This figure has been based on the MAP diagnostic report while there is no available data for 2019 yet.

6 Complaints received by the National Bank of Cambodia's hotline team, which receive calls from the public on any complaints or if they want any clarifications on financial contracts with formal financial institutions.



Indonesia

According to the results of the Financial Inclusion Survey (2020), financial inclusion in Indonesia has improved significantly. Account ownership has increased from 55.7% (2018) to 61.7% (2020), and account usage has increased from 70.3% (2018) to 81.4% (2020).

In 2020, the Financial Inclusion Insight (FII) survey held by the National Council of Financial Inclusion/Dewan Nasional Keuangan Inklusif (DNKI) found that around 16 million adults became new account owners, allegedly due to digitalization of the government social protection program, payment digitalization and an account opening program by banks, targeting young people. Furthermore, account usage increased by 11% in 2020 due to the use of national health insurance and server-based electronic money, especially among the youth (18-25 years old), which has tripled.

Indonesia has made much progress to improve the lives of its people. The poverty and unemployment rate is fairly low, access to electricity is near universal, the elementary school completion rate is high, and social protection coverage is very high.[1] However, there are lots of room for improvement. The poverty rate is higher for youth and women, access to other basic services (like water, sanitation and basic hygiene) is much lower than that of electricity, and the high school completion rate is lower than that of elementary school.

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Furthermore, the rapid spread of COVID-19 since early 2020 has affected economic and social conditions in Indonesia. The implementation of mobility restrictions to address the pandemic has caused economic contraction, rising unemployment and poverty. The open unemployment rate in 2020 increased by 1.84 % and the poverty rate increased by 0.97% compared to 2019. Moreover, the COVID-19 pandemic has increased vulnerability of particular groups such as people living slightly above the poverty line and MSMEs that face a decrease in income as well as hardship in maintaining their cash flow and often do not have enough of a safety net, putting them at risk of falling into poverty and/or bankruptcy.

On the other hand, the COVID-19 pandemic has led to an acceleration of digitalization in financial and economic activities that increases productivity as well as challenges and risks. The spurring of financial technology, digitalization of financial products and services as well as online business activities has increased access and usage of financial services, at the same time, lessening the negative impact on businesses and thereby helping them to protect income and jobs.[2]

From the supply side data, the rising number of POS terminals, as well as penetration of debit card and electronic money per 100,000 adults indicates that people are shifting towards non cash transactions. However, the evolution of digital technology and innovation in the financial sector also brings risks, especially related to fraud and data privacy. This could worsen due to the low level of financial literacy which in 2019 was recorded at 38%.

1 Based on very preliminary estimation.

2 Several surveys indicated that for MSMEs, shifting to online business activities and using digital payment helped them in tackling the negative impact of the pandemic.

The Government of Indonesia continues to promote economic recovery from the pandemic by implementing national economic recovery initiatives such as social protection programs, a credit program, tax relief, and other incentives that target vulnerable groups and MSMEs. Since 2016, the Government of Indonesia has gradually delivered social assistance using basic savings accounts as a starting point for vulnerable groups to access formal financial services. Basic savings accounts owned by social assistance beneficiaries can directly facilitate formal savings, transfers, and payments, offering them greater access to financial products and services as well as potentially increasing their resilience through the use of those products and services. To help MSMEs, the Government provides subsidized loans to MSMEs including lower interest rates and guarantees. To support government's effort in economic recovery and revive economic growth, Bank Indonesia maintained an accommodated policy response by maintaining the low level of the policy rate that stood at 3.50% as of February 2021 until this day.

To support government's effort in economic recovery and revive economic growth, Bank Indonesia maintained an accommodated policy response.

The National Strategy for Financial Inclusion (NSFI) has been strengthened to create an inclusive financial system, support a deep and stable financial system, support economic growth, accelerate poverty reduction, and reduce inequality to create social welfare. The issuance of Presidential Regulation No. 114 in 2020 on the NSFI has provided an impetus to accelerate Indonesia's financial inclusion. The government aspires to improve financial inclusion to 90% in 2024 through: (1) Increased access to formal financial services; (2) Improved literacy and consumer protection; (3) Expanded coverage of financial services; (4) Strengthened access to financing and supporting business development of micro and small enterprises; (5) Improved digital financial products and services; (6) Strengthened integration of economic activities and financial inclusion among others through digital financial services.

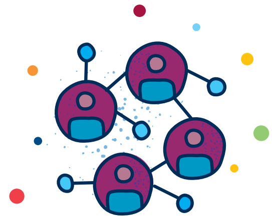
To achieve 90% financial inclusion by 2024, the implementation of NSFI are carried out through synergy among Ministries and Institutions participating in the DNKI.[3] Several programs are conducted to achieve the target. As a form of implementation of Presidential Decree No. 26 of 2019 (concerning the Indonesian Savings Day), priority has been given to programs that increase the number of accounts taken up by adults in local communities, especially those targeting students.[4]

During the pandemic, several other measures were put in place to help mitigate adverse impact on households and businesses. The electronification of G2P payments was consistently enhanced to increase the effectiveness and efficiency in delivering government social assistance programs as well as in the retail sector. Furthermore, financing was encouraged for MSMEs including the less fortunate entrepreneurs and small-scale business enterprises which have

3 The National Council of Financial Inclusion

4 Example of such program is One Student One Account or Satu Rekening Satu Pelajar (KEJAR).

had difficulty in obtaining easy and reasonable capital to finance their business.[5] As a response to the rapid development of digitalization and financial technology innovation in the market, related financial services authorities (Bank Indonesia and the Financial Services Authority/OJK) also issued several regulations to encourage the expansion of financial access through fintech, such as fintech payment, fintech lending and crowdfunding. The account opening of server-based electronic money, which has increased significantly, has facilitated less cash transactions during the pandemic. Efforts to increase access to formal financial services and digitalization in the region were also promoted to increase regional economic growth, for which concerted efforts were also carried out through forums of coordination at the regional level.[6] To support access to and expand coverage of financial services, financial infrastructure and technology have also been improved. Internet access services have been built at 4,400 public facility points. More than 90% of residential areas are serviced by cellular connections and this continues to increase.



The Consumer Protection policy has been strengthened to better support aspects of consumer protection in the digital era.

In the context of balancing innovation and risk, the Consumer Protection policy has been strengthened to better support aspects of consumer protection in the digital era. In December 2020, Bank Indonesia has issued new regulations on consumer protection, which covers all areas of the authority of Bank Indonesia which include monetary, macroprudential and payment systems (Bank Indonesia Regulation No 22/20/PBI/2020), in order to address the latest developments in consumer protection and also taking into account international best practices. The new consumer protection regulation is supported by four strategic actions including: (1) policy; (2) supervision; (3) effective complaint handling; (4) education and literacy. Meanwhile, in 2020, OJK issued regulations across various financial sectors, including banking, the capital market, as well as the nonbank financial industry, while strengthening consumer protection through market conduct supervision. The regulations were formulated to maintain financial services sector stability during the pandemic, conform international prudential standards to the specific conditions in Indonesia, accommodate the needs of the financial industry, and anticipate potential information technology disruption in the financial sector. To increase financial literacy, education programs are promoted covering various areas regarding digital payment, increasing awareness for non-cash transactions, and also general topics for financial education including financial knowledge, financial management and investment planning, also consumer protection.

Digitalization promotes stronger interrelationships between economic activity and financial inclusion that, when accompanied by developing entrepreneurship and empowering MSMEs, would not only improve access and usage of financial products and services, but also create economic opportunity and promote

5 Financing to MSMEs is encouraged through macroprudential as well as microprudential regulations and through microfinance institutions such as Micro Waqf Banks (BWM) as well as other microfinance institutions.

6 Example of forums of coordination at regional level are Regional Financial Access Acceleration Team (TPAKD) to increase access to finance and the Regional Digitalization Acceleration and Expansion Team (TP2DD) to strengthen the *digital* ecosystem in the region.

economic inclusion. Digital technology could increase and accelerate MSME growth, offering access to market, business models, and working capital using digital platforms. MSME digitalization has therefore become priority. In this regard, the Government of Indonesia has launched the National Movement on Proud of Indonesian Products (GBBI) in 2020, which served as a multi stakeholder program involving the central and regional government, Bank Indonesia, financial institutions, digital platforms and several of Indonesia's top brands. The program has onboarded up to 7.2 million MSMEs to a digital marketplace by July 2021. Adoption of digital payment using the Quick Response Indonesia Standard (QRIS) has also been promoted among merchants, including MSMEs. As of July 2021, there are 8.3 million registered QRIS merchants and 95% of them are MSMEs. While the growth of MSMEs credit is still relatively slow, connecting MSMEs to digital payments and digital markets will result in more MSMEs with a digital footprint, which can potentially be used to decrease the asymmetric information between MSMEs and financial institutions, and increase access to finance.

To support Indonesia's NSFI, economic empowerment and financial inclusion for MSMEs are geared towards forming potential businesses and obtaining formal financial services. To achieve integration of both economic and financial inclusion, mentoring activities were provided to increase both the productivity and financial capacity of MSMEs, in addition to social assistance beneficiaries impacted by the pandemic. The approach was implemented by a collection of government agencies, Bank Indonesia as well as financial institutions, and the aim was to improve the business skills, financial management, and financing opportunities of the target group. However, in the longer term, the aim was to improve resiliencies and create economic opportunities, in order to reduce longer term dependence on social assistance. Broader integration of economic activity and financial inclusion is also facilitated through payment system digitalization based on the Indonesia Payment System Blueprint (BSPI) 2025, in which one of the visions is to reinforce the integration of the national digital economy and finance to support financial inclusion. Through various financial inclusion programs that have been implemented in synergy between Ministries and Institutions, it is hoped that a 90% rate of financial inclusion in 2024 can be achieved and the resultant increase in financial inclusion could improve economic inclusion.

Through various financial inclusion programs that have been implemented in synergy between Ministries and Institutions, it is hoped that a 90% rate of financial inclusion in 2024 can be achieved.

INDICATORS		2018	2019	2020
ACCESS INDICATORS				
1	*Points of service*			
	i. Number of Bank Branches per 100,000 Adults	16	16	18
	ii. Number of ATM Machines per 100,000 Adults	55	54	53
	iii. POS Terminals per 100,000 adults	538	542	689
	iv. Number of Digital Financial Services Agents per 100,000 Adults	198	255	306
2	*Access points*			
	Number of access points per 100,000 adults at a national level[7]	269	324	376
3	*Connectivity*			
	i. Proportion of Individuals Using the Internet by Age Group			
	Age >15	22.4%	31.2%	--
	Age 15-24	77.1%	83.6%	
	Age 25-64	38.1%	46.8%	
	Age >64	4.0%	5.3%	
	ii. Mobile phone penetration (total active mobile phones)	319,434,605	341,277,549	
USAGE INDICATORS				
4	*Adults with an account*			
	i. Percentage of respondents who report having an account at formal financial institution (Age 15+)[8]	55.7%	---	61.7%
5	*Savings*			
5	Number of Account Third Party Funds in Banks per 1,000 Adults	1,589	1,632	1,909
6	*Credit*			
	Number of loan accounts with bank per 100,000 adults	23,052	24,108	24,753
7	*Payments*			
	i. Number of debit and ATM cards per 100,000 Adults	82,933	92,817	108,090
	ii. umber of Electronic Money per 1,000 Adults	860	1,479	2,187
	iii. Volume of Electronic Money Transactions per 100,000 Adults	1,502,453	2,644,823	2,340,706
8	*Insurance*			
	Insurance policy holders (life insurance) per 100,000 adults	24,436	22,318	30,814
QUALITY INDICATORS				
9	*Value*			
	Proportion of Credit with Certain Guarantee to total credit	2.6%	2.9%	3.2%
10	*Indebtedness*			
	Non-performing loans: Percentage of borrowers who are more than 90 days late with a loan payment.	2.4%	2.5%	3.1%

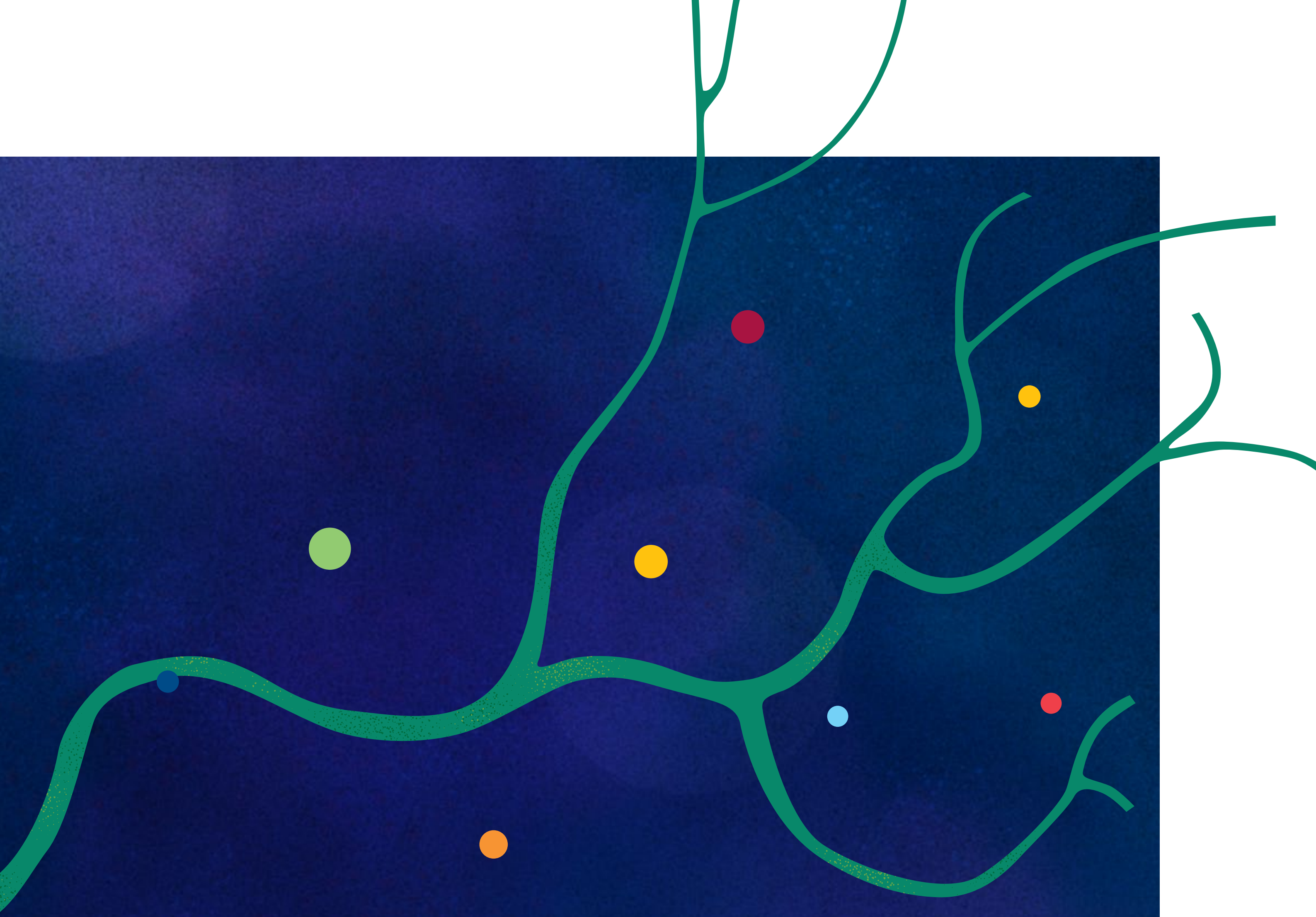
7 Bank branches + ATM s+ Digital Financial Services Agents

8 SNKI, 2018 & 2020

INDICATORS			2018	2019	2020
INCLUSIVE GROWTH INDICATORS					
11	*Macroeconomic context*				
	i. Proportion of population living below the national poverty line	Male	9.6%	9.2%	9.6%
		Female	10.1%	9.6%	10.0%
		Age <18:	12.1%	11.8%	12.2%
		Age >18	8.8%	8.3%	8.7%
	ii. Annual growth rate of real GDP per capita		3.9%	3.8%	-3.2%
12	*Education*				
	Completion rate	Elementary School	94.7%	95.5%	96.0%
		Junior High School	85.0%	85.2%	87.9%
		High School	61.8%	58.3%	64.0%
13	*Access to basic services*				
	i. Proportion of population living in households with access to basic services	Access to basic drinking water service	31.8%	42.8%	42.3%
		Access to improved sanitation service	69.3%	77.4%	79.5%
		Access to basic hygiene facilities	78.9%	76.1%	78.3%
	ii. Proportion of population with access to electricity		98.3%	98.9%	99.2%
14	*Healthcare*				
	Proportion of population with large household expenditures on health as a share of total household expenditure or income	Expenditure >10%		2.5%	2.2%
		Expenditure >25%		0.5%	0.4%
15	*Asset building and Entrepreneurship*				
	i. Number of MSME Credit Accounts (Millions)		14.6	15.9	16.0
	ii. Outstanding MSME Credit (Billions of Rupiah)		1,032,643	1,111,340	1,091,232
	iii. Outstanding MSME Credit to Agriculture, Hunting, and Forestry Sector (Billions of Rupiah)		94,110	109,544	130,012
16	*Redistribution*				
	Proportion of population covered by social protection floors/systems		87.2%	90.0%[9]	90.1%[10]
17	*Unemployment and income inequality*				
	i. Proportion of informal employment in total employment, at national level	Male	53.9%	52.8%	57.3%
		Female:	61.9%	60.8%	65.4%
	ii. Total Unemployment		5.3%	5.2%	7.1%
	iii. Proportion of people living below 50% of median income	Total	12.6%	11.9%	12.0%
		Persons without disabilities	12.4%	11.7%	11.8%
		Persons with disabilities	14.2%	14.3%	14.4%

9 Preliminary numbers

10 Very preliminary numbers

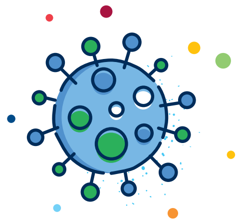


Lao PDR

Financial inclusion in Lao PDR has been implemented based on the Lao PDR Financial Inclusion Roadmap 2018-2025. However, the implementation has been delayed caused by the outbreak of the COVID-19 pandemic.

In 2021, a MAP refresh diagnostic is being concluded to update the financial inclusion landscape in Laos PDR, including linking financial inclusion closer to address key socio-economic issues, thereby supporting the National Socio-Economic Development Plan, as well as the achievement of the SDGs. This is especially critical during the impact of the pandemic, to support economic recovery.

Digital financial services have played a very important role in driving financial inclusion since the COVID-19 outbreak as the number of registered mobile money accounts and mobile money transactions has increased during the last two years. This is because many financial institutions and FinTech companies has moved to digital-based products such as QR code payment, mobile money payment and so on. The number of debit card holders has increased dramatically from 2018 due to the fact that commercial banks has developed ATM cards to also serve as debit cards which facilitate customers to comfortably enact digital transactions.



Digital financial services have played a very important role in driving financial inclusion since the COVID-19 outbreak as the number of registered mobile money accounts and mobile money transactions has increased during the last two years.

Furthermore, e-money systems set up initially for payments transactions (anytime and anywhere) has also been developed – particularly for the currently unbanked – as a vehicle for savings, and may additionally become a pivot account for electronic access to additional financial services. However, BoL will need to develop the capacities needed for developing appropriate policy and regulatory frameworks for what is a fast-moving area of financial development.

Maintaining momentum in lifting levels of financial literacy in Lao PDR remains a priority. Improving financial literacy is an aspect of financial sector development in which there is a wide range of stakeholders: users, providers and regulators of financial services all benefit from improved levels of financial literacy in the community. The financial literacy programmes make a vital contribution to lifting levels of financial inclusion, but they also need to be complemented with expanded access to, and opportunities for users to gain experience in the actual use of financial services ('learning by doing'). However, many activities related to financial literacy, especially in rural areas, had to be cancelled to avoid risks relating to COVID-19. These problems required most stakeholders to adapt and to be more innovative in providing financial knowledge. Digital financial literacy is increasingly applied to promote financial literacy as it is more cost-effective and easier to reach populations in rural areas. Social media and electronic means play a very important role in conducting financial literacy.

Provision of financial services in Lao PDR is largely confined to the urban centres. A high policy priority is to extend both the reach and depth of financial services – reach beyond the urban centres and depth in terms of the range of financial products used. This includes, in particular, increased uptake of financial services by women. Key to achieving these goals is extension of the reach of the infrastructure by which financial services are delivered. Traditionally, that has comprised mainly banks' physical branches. However, it increasingly includes a much wider range of delivery channels, using both institutions 'own' channels and agents, and both physical and electronic media. In the Lao PDR context, two key channels with potential for taking financial services to hitherto under-served or excluded regions of the country are agent networks and e-money.

As an enabler of real economic activity, and by including those in the informal economy, financial inclusion can play a role to unlock domestic finance flows that are currently being reticulated in the informal sector, by utilizing the finance flows at a household level that are already spent on needs like education, healthcare etc. and directing them through more formal channels, allowing for the aggregation of these flows, and potential to leverage it for investment requirements. A renewed focus on a longer term strategy to increase financial inclusion could therefore assist to unlock additional sources of domestic financing, or grow the pool of domestic finance available. More actively linking financial inclusion and it's potential to actively engage the low-income segment of the market into the formal economy can support further growing domestic financing.

Financial inclusion also supports real economic activity and growth, which can support job creation and unlock broader economic growth.

Laos aims to graduate from its LDC status in 2026, and long-term optimism about economic growth, despite the current pandemic, is founded in natural resources industries and improvement of infrastructure. The Government has placed a greater emphasis on inclusive economic growth, job creation, and income generation, rather than on GDP growth as a metric of success. Financial inclusion can play a key role in supporting the Government with these core objectives of their socio-economic policies, by leveraging household spending to help Government fund its development objectives, and by aggregating and mobilizing capital contributing to financial sector development and investment. Financial inclusion also supports real economic activity and growth, which can support job creation and unlock broader economic growth. Thereby, financial inclusion contributes to SDG achievement at the household level, and inclusive economic development in the process.

A prominent feature of the Lao PDR social structure is the villages; local community-based neighbourhoods that span the country, both the urban centres and the rural areas. These provide a basis for community-based micro financial institutions – village banks – that cater for the small savings and certain borrowing needs of village members. The lending typically is for small amounts, for emergencies, for living expenses, and to enable funds to be raised for micro-business purposes. The government of Lao PDR encourages every village in Lao PDR to operate a village fund and bank. Village banks play an important role in contributing to financial inclusion in Lao PDR 'from the ground up'.

Access points continued to increase, although they still remain very low. However, overall access points increased more, due an increase in mobile money agents in particular. Uptake of savings, credit and payments all continued to increase, but mobile money accounts and transactions in particular increased substantially, driven by the impact of the pandemic. There have also been improvements of access to finance by SMEs, for example, through the Government's new SME fund via contract with assigned Banks to manage the SME loan portfolio. Fund management regulations have also been completed, with compliance to the National Treasury.

INDICATORS		2018	2019	2020
ACCESS INDICATORS				
1	*Points of service*			
	i. Number of branches per 10,000 adults	0.25	0.31	0.31
	ii. Number of ATMs per 10,000 adults	2.67	2.8	2.83
	iii. POS Terminals per 10,000 adults	8.5	8.28	9.7
2	*Access points*			
	Number of access points (including mobile money agents) per 10,000 adults at a national level	13.53	15.21	18.01
3	*Connectivity*			
	i. Access to internet, Percentage of total population with internet access anywhere	47%	50%	52%
	ii. Mobile phone penetration (active mobile phones as percentage of total population)	92%	92%	95%
USAGE INDICATORS				
4	*Savings*			
	Number of deposit accounts with banks or deposit taking institutions per 10,000 population	4,802	5,464	5,985
5	*Credit*			
	Number of loan accounts with banks or other credit providers per 10,000 population	337	478	695
6	*Payments*			
	i. Number of debit cards per 10,000 population	67.6	1,707	1,733
	ii. Number of registered mobile money accounts per 10,000 population	500	535	1,173
	iii. Number of mobile money transactions per 10,000 population	25,253	73,280	115,453
7	*Insurance*			
	Population access to insurance	0,9%	1,0%	NA
OUTCOME AND IMPACT INDICATORS				
8	*Segmental*			
	% financing and loans issued to SMEs	20,2%	18,1%	NA
9	*National goals*			
	Average national growth rate	6,3%	5,5%	3,3%

INDICATORS	2017	2018	2020
INCLUSIVE GROWTH INDICATORS			
10 *Macroeconomic context*			
i. Proportion of population living below the national poverty line, by sex and age	24.6% (2013)	18.3%	NA
ii. Annual growth rate of real GDP per capita	7.02% (2016)	6.29%	3.28%
11 *Access to basic services*			
i. Proportion of population living in households with access to basic services			
- Access to secondary education	83.1%	NA	NA
- Access to health service	74.3%	NA	NA
- Access to improved water	78.1%	NA	NA
- Access to electricity	93.4%	NA	NA
- Access to roads in all seasons	83.4%	NA	NA
ii. Proportion of households with access to electricity	93%	NA	NA
iii. Proportion of households with primary reliance on clean fuels and technology	0.2%	NA	NA
12 *Redistribution*			
i. Proportion of population covered by social protection floors/systems			
- Social State Enterprise	4.9%	3.5%	NA
- Social State	13.2%	10.7%	NA
- Health	72.8%	73.8%	NA
- Insurance	0.9%	1.0%	NA
ii. Proportion of social protection payments received through digital channels	NA	NA	NA
13 *Unemployment and income inequality*			
Unemployment rate	9.4%	NA	NA
- Female	10.7%	NA	NA
- Male	7.8%	NA	NA

Malaysia

Malaysia's economy has been on a recovery path in the second half of 2021, as more sectors are reopening. As the economy undergoes new trends like digitalisation, remote working and automation, Bank Negara Malaysia (BNM) is now setting its sight on supporting the post-pandemic growth where financial inclusion continues to be an important agenda item.

Broad strategies of the Financial Inclusion Framework for 2022 – 2026, guided by the four key pillars, namely access, take-up, responsible usage and satisfaction, will be incorporated in the upcoming Financial Sector Blueprint (FSBP) for 2022 – 2026. The following are some updates on Malaysia's progress in financial inclusion in the past year.

Convenient access

In 2020, all of Malaysia's districts and 95% of sub-districts have access to physical channels offering the basic financial services (deposit and withdrawal). The Agent Banking Policy was recently being reviewed with the objective to enhance the role and effectiveness of agent banks. Recognising agent banks as important mediums to onboard communities that are underserved, part of the improvement includes widening services that can be offered and allowing agent banks to facilitate simplified account opening.

BNM has collaborated with the government and financial institutions in rolling out mobile agents or 'Bank Bergerak', which will widen the financial service delivery network to rural and remote areas. Vehicles equipped with self-service terminals such as ATMs will be based in these areas to enable basic banking services. This initiative would be an interim solution for 2.5 million people living in 250 underserved sub-districts, with the long-term objective being for these communities to have better access through digitalisation. BNM is also working closely with the infrastructure provider of the national payment network known as PayNet to explore enhancement of the existing systems of financial access points, including agent banks and mobile banks, to enable interbank cash deposits. Over the longer term, access will be significantly enhanced with the rollout of the National Digital Infrastructure Plan (Jendela) to boost digital connectivity and initiatives under the 12th Malaysia Plan (12MP) to expand 4G coverage.

The Agent Banking Policy was recently being reviewed with the objective to enhance the role and effectiveness of agent banks.

High take-up

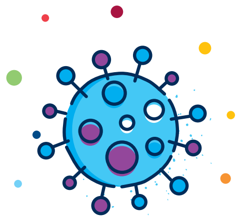
BNM's annual Financial Inclusion Survey indicates that in 2020, 96% of Malaysian adults hold a deposit account, while the penetration rate of loans and life insurance policies reached 40% and 50% respectively.

In July 2021, the enhanced policy document for microinsurance and microtakaful products under Perlindungan Tenang was issued. The revised framework includes fit-for-purpose flexibilities to promote innovation and address supply-side challenges. Insurers and takaful operators are required to observe the refined parameters when designing Perlindungan Tenang products, to ensure it provides good value-for-money coverage and benefits to safeguard consumers' interests.

BNM is supportive of social finance as a tool to promote more equitable wealth sharing within the economy and society. One of the Islamic banks in Malaysia, Bank Islam, has piloted a social finance program named iTEKAD where B40 microenterprises with businesses affected by the COVID-19 pandemic can access zakat funds for capital and upskilling programs, and complement this with microfinancing. Tracking of the pilot participants has provided useful insights to the program's socio-economic impact and validated the business model for other financial institutions which have shown interest to emulate it.

Malaysia's financing ecosystem also continues to support access to financing for SMEs who contribute to 38% of GDP. As a follow up to the first report, the imSME online SME financing referral platform has facilitated around 4,000 approvals worth RM 400 million since its launch in 2018.

To help mitigate against the economic impact of the pandemic, an important focus during the year was ensuring continued access to finance for SMEs under highly challenging business conditions. To help SMEs to weather the pandemic, BNM has significantly increased the allocation under BNM's Fund for SMEs (BNM's Fund) from RM 9.1 billion to RM 27.1 billion. Facilities under BNM's Fund,[1] channelled through the financial institutions where they bear the credit risks, aimed to provide immediate cash relief to adversely affected SMEs, support recovery of hard-hit economic sectors and enhance innovative capacity of high-tech SMEs. BNM's Fund, which complements SME financing provided by financial institutions, has helped to sustain businesses and safeguard jobs throughout the challenging environment, thereby protecting livelihoods.



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Responsible usage

Despite the pandemic's negative economic impact, impaired loans have not increased substantially, evidenced by 98% of total financing with financial institutions having performing status in end-2020. With Targeted Repayment Assistance measures that have remained in place, household impairments and delinquencies in the banking system only marginally increased after the end of the blanket auto-moratorium. Repayment assistance, along with support measures introduced by the Government and BNM, have also helped businesses to sustain financing repayments and contained any notable increase in defaults.

BNM also embarked on communication and education efforts to increase awareness and understanding of insurance and takaful protection among Malaysians. Through the Financial Education Network (FEN), BNM collaborated with the insurance and takaful industry to host an education and awareness programme in conjunction with Financial Literacy Month in October 2020. The webinar attracted more than 27,000 views.

1 Facilities under BNM's Fund include the Special Relief Facility (SRF), Agrofood Facility (AF), SME Automation and Digitalisation Facility (ADF), All Economic Sectors (AES) Facility, Micro Enterprises Facility (MEF), PENJANA Tourism Financing (PTF), Targeted Relief and Recovery Facility (TRRF) and High Tech Facility – National Investment Aspirations (HTFNIA). For further details, refer to https://www.bnm.gov.my/covid19

Customer satisfaction

New players in the financial services landscape will also be contributing to the financial inclusion agenda. BNM is currently reviewing the applications it has received for the Digital Banking licenses, with an assessment framework that places financial inclusion contribution as a mandatory criterion. Applicants must demonstrate commitment to promote access and responsible usage of finance for the financially unserved and underserved, on top of possession of the necessary resources and technological readiness.

By incorporating financial inclusion capabilities as a pre-requisite for our digital banks, we aspire to align their value propositions with the best interest of our Malaysian consumers. The assessment outcome will be announced to the public by the first quarter of 2022.

Update on monitoring and measurement

Various data collection efforts are underway to drive evidence-based policymaking. The fourth Financial Capability and Inclusion (FCI) Survey, targeted to be launched in the fourth quarter of 2021, will track the level of financial capability and inclusion of Malaysians. Among others, the survey aims to meet the following objectives:

- Provide assessment to the National Strategies for Financial Literacy 2019-2023 by identifying areas for intervention and reviewing targets for improvement;
- Identify specific needs, gaps and vulnerabilities of consumer target groups affected by the impact of COVID-19; and
- Enable participation in regional and international survey data collection

Additionally, BNM is in the midst of identifying new sub-elements to the four core indicators, to ensure that our financial inclusion index is holistic and covers all the important elements.

With the above initiatives, BNM aspires to move closer to a comprehensive financial inclusion monitoring and evaluation framework that will enable more targeted and impactful policies in the area. Having more real-time and accurate readings of the prevailing economic realities will continue to be a priority in this period of elevated economic uncertainty.

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Summary of progress and trends

There seems to be some degree of substitution between digital channels and traditional financial activities, including cash-based transactions conducted through financial access points (FAPs). Whilst number of ATMs, bank branches and agents appeared to moderate, penetration or take-up of digital financial products and services such as internet banking, mobile banking and e-money accounts have increased, suggesting a shift to more digitised transactions. In addition, e-payment transactions per capita and penetration of internet connectivity also increased. This is reflective of the situation in the past year where Malaysians were 'forced' to turn to digital platforms due to mobility restrictions where visits to bank branches or other FAPs were limited. Malaysia will continue to push the momentum to increase digitalisation of transactions as a gateway to improve responsible usage of financial services, further enabled by better efforts on digital literacy.

	INDICATORS	2018	2019	2020
	ACCESS INDICATORS			
1	*Points of service*			
	i. Number of branches per 10,000 adults	1.3	1.3	1.2
	ii. Number of ATMs per 10,000 adults	4.5	4.4	3.8
	iii. POS Terminals per 10,000 adults	209	268	295
	iv. Number of mobile money agents or similar financial services agents[2]	6,254	5,532	4,696
2	*Access points*			
	Number of access points per 10,000 adults at a national level[3]	3.9	3.5	3.1
3	*Connectivity*			
	Access to internet - Percentage of adults with internet access anywhere	87.4%	n.a.	88.7%
	USAGE INDICATORS			
4	*Adults with an account*			
	i. Percentage of adults who report having an account at a bank[4]	95%	96%	96%
	Number of e-money accounts (banks and non-banks; million)	61.0	82.7	113.6
	Number of active e-money accounts[5] (million)	11.1	15.2	16.2
	Number of inactive e-money accounts (million)	49.9	67.4	97.4
	Number of e-money accounts (banks and non-banks) per 10,000 adults	24,712	33,086	45,334
	Number of active e-money accounts[6] per 10,000 adults	4,499	6,096	6,461
	Number of inactive e-money accounts per 10,000 adults	20,213	26,990	38,873
5	*Savings*			
	Number of deposit accounts with banks or deposit taking institutions per 10,000 adults	31,429	30,640	30,527
6	*Credit*			
	Number of loan accounts with banks or other credit providers per 10,000 adults	8,335	8,321	8,180
7	*Payments*			
	i. Number of debit cards per 10,000 adults	17,218	18,123	18,667
	ii. Number of e-money purchase transactions (million)	1,912	2,082	1,800
	iii. Number of e-payment transactions (million)	4,047	4,889	5,549
	iv. Number of e-payment transactions per capita[7]	125	150	170

2 Refers to only number of bank agents. Data on mobile money agents is not available.

3 As nationally defined: Includes only bank branches and agent banks

4 Refers to the percentage of Malaysian adults (age 15 years old and above) with deposit accounts at a financial institution.

5 Refer to users with at least one transaction made during the reporting month

6 Accounts with at least one financial transaction in the past 6 months

7 Includes all financial transactions made through credit transfer, payment cards, direct debit and e-money which services offered by banks and/or non-banks.

	INDICATORS	2018	2019	2020
8	*Insurance*			
	Life insurance policy holders per 10,000 adults[8]	4,883	4,928	4,964
	QUALITY INDICATORS			
9	MSME loan guarantee as percentage of MSME loan (value)[9]	47.5%	46.0%	51.8%
10	Average cost as percentage of a low value remittance transaction[10]	4.8%	4.0%	4.2%
11	Percentage of adults that knows definition of basic financial terms[11]	49.3%	n.a.	n.a.
12	Percentage of borrowers who are more than 90 days late with a loan payment	1.5%	1.6%	1.6%
	INCLUSIVE GROWTH INDICATORS			
13	i. Internet banking penetration rate (% of adults)	91.1%	97.6%	112.5%
	ii. Mobile banking penetration rate (% of adults)	34.1%	38.6%	46.2%

8 Referring to unique policy holders from the annual Financial Inclusion Survey

9 Proxied based on percentage share of SMEs with collateralised loans

10 Average transaction cost of sending remittances from a specific country

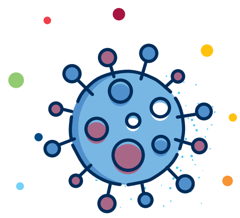
11 Arithmetic score as per national definitions

Philippines

The COVID-19 pandemic has led to unprecedented and massive upheavals, disrupting global economic activity and daily life. It has tested national resilience and resolve, as well as government foresight and responsiveness.

For the Philippines, sound macroeconomic fundamentals enabled regulatory and fiscal flexibility to cushion the pandemic's immediate effects. Regulatory relief measures enacted by the Bangko Sentral ng Pilipinas (BSP), for instance were put in place to help retain business confidence, liquidity and credit flows in the financial system as well as support vital economic safeguards to preserve and mitigate the pandemic's adverse impact on the income and livelihoods of Filipinos.

Despite its adverse effects, the pandemic has created greater prospects for renewing priorities, recalibrating policies, and introducing initiatives with long-term positive impact that would effectively contribute to the achievement of national development goals. It has also provided an opportunity to advance deeper stakeholder collaboration and a whole-of-government approach towards realizing inclusive, sustainable development at a swifter pace and greater scale.



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Digital Finance

Digitalization has always been a primary agenda given its ability to accelerate financial inclusion. Aside from reducing the cost of financial services, digitalization can expand reach and reduce barriers to access especially in the last mile – a perennial challenge for an archipelagic country like the Philippines. It is also instrumental in tapping the financial potential of the young, technologically savvy population.

Recent years thus saw landmark policies ushering innovative technologies, models, and nontraditional players in the financial system. Developments exemplified by these policies include the cornerstones of the digital finance ecosystem, namely: the Basic Deposit Account (BDA), which democratizes account ownership; a network of low-cost touchpoints, which provides more convenient access to financial services nationwide; and the National Retail Payment System (NRPS), which promotes digital payments and settlements.

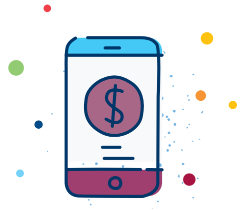
Notably, uptake in BDA and e-money accounts, agent networks, and electronic fund transfers began to show growth pre-pandemic and has only surged since, with many Filipinos turning to digital platforms for their daily financial activities in the face of physical interaction and mobility restrictions.

As of fourth quarter 2020, the number of BDAs reached 6.6 million while the number of active e-money accounts reached 34.7 active users, an increase from 17.9 million reported in 2019. An estimated 19 million accounts were opened between 2019 and 2020 based on combined increase in BDA and e-money accounts. Moreover, 4 million accounts were opened digitally at the height of the Enhanced Community Quarantine (ECQ) alone.[1] Cash agents and e-money agents also grew respectively to over 58,000 and 84,000 as of fourth quarter 2020, effectively covering 91% of local government units (LGUs) in the country.

1 From 17 March to 30 April 2020.

Usage of electronic fund transfer (EFT) schemes PESONet and InstaPay also picked up significantly: between the first semesters of 2020 and 2021, the volume of PESONet transactions reached 31.7 million while the volume of InstaPay transactions totaled 200.7 million, respectively representing 164% and 223% year-on-year (Y-o-Y) growth. Comparative data additionally reveals a general surge both in volume and value of electronic fund transfers at 87% and 42% before and during the first ECQ[2] - a contrast to the drastic decline in ATM and over-the-counter transactions.

Overall, EFTs have been crucial in facilitating and, to a notable extent, advancing economic activity during the pandemic by enabling businesses and other institutions to conduct large-ticket transactions (e.g., disbursements of wages and loans, payments collection) with minimal disruption to their operations and allowing individuals to safely and conveniently engage in small-scale, frequent transactions (e.g. remittances, sending and receiving payments for retail goods and services).



Strategic interventions have been implemented to mainstream digital payments, including the continued development of compelling use cases for transaction accounts and expansion of digital payment rails.

Digital Payments Transformation Roadmap

The ease of and exponential increase in digital adoption by the public show the value of establishing early groundwork for digitalization. With these strides providing much-needed momentum, the BSP launched the Digital Payments Transformation Roadmap (DPTR) 2020-2023.

The DPTR envisions the conversion of up to 50% of the total volume of retail payments to digital form and expansion of financial inclusion to 70% among Filipino adults through payment or transaction accounts. These outcomes are anchored to the DPTR's three pillars: digital payment streams, digital finance infrastructure, and digital governance and standards.

Strategic interventions have been implemented to mainstream digital payments, including the continued development of compelling use cases for transaction accounts and expansion of digital payment rails.

The BSP has supported the promotion of the use of transaction accounts for payment of wages and other monetary benefits for the private sector; implementation of the Automatic Fare Collection System (AFCS) and cashless payments for public transportation; and distribution of cash aid under the Philippine Government's Social Amelioration Program (SAP) to over 8.5 million beneficiaries.[3]

The BSP also continues to build on existing digital payment rails to reduce digitalization costs while increasing revenue channels for small businesses, especially for those in the low-income segment. To promote greater interoperability in payment services, the BSP together with industry partners launched the national Quick Response (QR) standard or QR Ph person-to-person

2 Comparison of 76 days before and after the ECQ.

3 Based on BSP survey on distribution of SAP second tranche (SAP 2).

(P2P) payments in November 2019, followed by person-to-merchant (P2M) payments in April 2021. Based on BSP data, QR Ph P2P payments have grown by an average of 145% in volume and 244% in value from Q2 2020 to Q2 2021.

To sustain the efficiency of digital payment rails and overall delivery of financial services, undertakings to strengthen the digital finance infrastructure have been established such as issuances on digital banking and open finance; rollout of the national ID system or PhilSys and policy reforms on digital connectivity.

As part of its regulatory initiatives, the BSP issued the Digital Banking Framework (Circular 1105) in 2020 and Open Finance Framework (Circular 1122) in 2021. On the one hand, the Digital Banking Framework encourages the establishment of digital banks for better delivery of financial services to the public. Without the constraints of brick-and-mortar operations, digital banks can reach unserved and underserved markets across the country. The BSP has approved the application of six digital banks to date. On the other hand, the Open Finance Framework will enable various players to offer more contextualized services for a broader client base. The BSP is in the process of forming the Open Finance Oversight Committee (OFOC) to establish rules for participation and standard setting, as well as to promote greater interoperability and collaboration among financial institutions and fintechs.

Reliable and affordable digital connectivity is more important than ever given the massive shift from face-to-face to online transactions.

The PhilSys is a critical component of the digital finance infrastructure, providing all Filipinos with a standard, verifiable digital identity they can use as an official ID document to avail financial services and government assistance. The Philippine Government targets the registration of 50-70 million Filipinos by year-end. Furthermore, a co-location arrangement that allows PhilSys registrants to open a bank account on-site has led to the on-boarding of 6.2 million unbanked Filipinos.[4]

Reliable and affordable digital connectivity is more important than ever given the massive shift from face-to-face to online transactions. Reforms have been undertaken to introduce new, alternative technologies and liberalize the domestic broadband market, which include Executive Order No. 127 on Expanding the Provision of Internet Services through Inclusive Access to Satellite Services. Signed by Pres. Rodrigo Roa Duterte in March 2021, EO No. 127 encourages the use of satellite broadband to address connectivity gaps and ensure delivery of digital financial services to last mile communities.

To strengthen market trust and confidence in the digital finance ecosystem, consumer protection and empowerment initiatives are also being implemented. The Digital Literacy Program (DLP) was launched in 2020 to encourage widespread usage of DFS by consumers across all sectors. The #SafeAtHome with E-payments and E-Safety is Everyone's Responsibility campaigns across social media platforms, as well as various digital financial literacy (DFL) webinars, were implemented under the DLP. Meanwhile, the BSP Online Buddy (BOB)

4 As of 4 November 2021, PhilSys data is dynamic and subject to regular reports and updates from lead implementing agencies.

also launched in 2020, provides a more convenient channel to raise financial consumer concerns. BOB's availability in SMS, on the BSP official website and on social media accounts, enhances the Consumer Assistance Management System (CAMS) and allows greater BSP engagement with the public.

Boosting Priority Sectors

On a more sectoral approach, the BSP well recognizes that despite their significant roles in providing employment and ensuring food security, the agriculture and MSME sectors still face limited access to finance due to lack of collateral, difficulty in complying with documentary loan requirements, and perceived slow turnaround of loan applications. Hence, promoting access to finance for the MSME and agriculture sectors became a strategic thrust under the BSP's Financial Inclusion agenda; the importance of which became more eminent as the ECQ implementation and border restrictions in 2020 caused half of the MSMEs surveyed to record zero sales and even stop operations. A number of farmers were also forced to sell at bargain prices or give away produce due to excess supply.[5]

In response, the BSP issued temporary regulatory and operational relief measures in aid of these sectors, to ensure that banks are able to continue lending to these sectors despite the economy's slowdown. An immediate initiative was the non-application of interest on interest, fees, and charges during the 30-day grace period to future payments/amortizations of borrowers, including MSMEs. On the loans granted to MSMEs, the credit risk weights were reduced to 50% from 75% (qualified MSME portfolio) and 100% (non-qualified MSME portfolio), and such loans were recognized as a form of alternative compliance with banks' reserve requirements against deposit liabilities and deposit substitutes subject to controls.[6]

These short-term measures complement already existing BSP Financial Inclusion work streams that aim to provide more (long-term,) sustainable, dynamic, and enduring solutions under a three-pronged approach to promote innovative financing, improve digital and financial infrastructure, and generate more data to inform policy development.

To boost lending to the agriculture sector and facilitate the financial inclusion of small farmers and agri-businesses, the BSP is actively promoting Agriculture Value Chain Financing (AVCF). The BSP together with the Asian Development Bank (ADB) is conducting a pilot project with six participating banks in rural areas in the country to use the AVCF approach in their credit evaluation process for agriculture-related lending activities. Lessons from the pilot will inform the creation of an industry toolkit and training program for greater industry adoption of the AVCF approach.

The Credit Risk Database (CRD) and Standard Business Loan Application (SBLAF) were launched and developed respectively in 2020. Implemented with assistance

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5 BSP Unbound: Central Banking and the COVID-19 Pandemic in the Philippines. 2020.

6 BSP Working Paper Series No. 2020-01. COVID-19 Exit Strategies: How Do We Proceed?

from the Government of Japan, the CRD project aims to introduce an alternative credit scoring method by building statistical models that can be used to predict the creditworthiness of MSMEs. Meanwhile, the SBLAF aims to introduce the adoption of a standard business loan application document in the banking industry to simplify the loan application process, especially for small enterprises.

Likewise, the Demand-Side Survey for MSMEs, jointly conducted by the BSP and ADB, is intended to generate new insights and more granular data on MSME access to finance, among other related areas. Overall, the survey seeks to augment existing statistics and produce a more comprehensive profile and segmentation of MSMEs.

Towards Post-COVID-19 Recovery and Inclusive Growth

Before the pandemic, the Philippines was well on its way to reach upper-middle income status, but an abrupt shift brought by the health crisis meant difficult decisions to slow down economic activity and focus first on protecting lives. The pandemic left a significant impact on the country where spillover effects on fundamentals such as economic growth, poverty incidence and unemployment, are expected to continue until next year at best.[7]

The pandemic has nevertheless broadened the path for pursuing financial inclusion in the Philippines, proving its significance as a part of the social protection system and driver of post-pandemic economic recovery and development. Moreover, the identification of digital finance and promotion of the MSME and agriculture sectors as focal priorities of the NSFI implementation has proven critical and prescient amid the ongoing health crisis. Financial inclusion will thus remain an urgent national priority, but one with even greater purpose – to open opportunities for every Filipino to become beneficiaries and foundations of growth and prosperity.

The pandemic has broadened the path for pursuing financial inclusion in the Philippines, proving its significance as a part of the social protection system and driver of post-pandemic economic recovery and development.

7 Updated Philippine Development Plan 2017-2022. 2021.

INDICATORS		2017[8]	2019	2020
ACCESS INDICATORS				
1	*Points of service*			
	i. Number of banking offices (domestic) per 100,000 adults[9]	16.0	17.1	17.1
	ii. Number of ATMs per 100,000 adults	27.6	29.0	30.0
	iii. POS Terminal per 100,000 adults	163.0	106.0	-
	iv. Number of mobile money agents or similar financial services agents, Disaggregated by type of agent:[10]			
	E-money agent	49,532	43,740	84,299
	Cash agent	-	17,057	58,417
2	*Access points*			
	Number of access points (cash-in and cash-out) per 100,000 adults	134.8	122.9	290
3	*Connectivity*			
	i. Percentage of adults using the internet	42.0%	53.0%	-
	- Female	-	54.1%	-
	- Male	-	52.5%	-
	ii. Mobile phone penetration			
	Mobile Phone Ownership	-	69.0%	-
	- Female	-	71.5%	-
	- Male	-	66.1%	-
	Smartphone Ownership	38.0%	52.0%	-
	- Female	-	53.0%	-
	- Male	-	50.0%	
	USAGE INDICATORS			
4	*Adults with an account*			
	i. Percentage of adults who report having an account at a bank	11.5%	12.2%	-
	- Female	11.4%	10.7%	-
	- Male	11.6%	13.8%	-
	ii. Percentage of adults who report having an account with a formal financial institution or a mobile money provider[11]	22.6%	28.6%	-
	- Female	29.1%	32.9%	-
	- Male	15.4%	24.2%	-
5	*Savings*			
	Number of deposit accounts with banks per 100,000 adults	77,505	98,035	105,588
6	*Credit*			
	Percentage of adults with at least one type of regulated credit account[12]	14.0%	19.0%	-

8 Baseline data used is as of 2017, except for Number of cash agents and Volume of Digital Payments via InstaPay (2019)

9 Adults are defined as those aged 15 years old and above

10 Figures reported are number of registered agents, but number of active agents may be lower

11 BSP also refers to the World Bank Findex for data on these indicators

12 BSP also refers to the World Bank Findex for data on these indicators

INDICATORS		2017[8]	2019	2020
7 Payments				
i. Number of cards per 100,000 adults, Disaggregated by type of card:				
ATM debit card		52,826	57,148	-
Credit card		10,886	11,995	-
Prepaid cards linked to e-money		34,371	27,356	-
ii. Number of registered mobile money accounts (e-money wallets) per 100,000 adults		11,745	83,867	83,143
iii. Number of mobile money transactions per 100,000 adults, Disaggregated by type of transaction:				
Inflow		99,943	237,336	660,665
Outflow		431,965	597,654	1,591,638
iv. Percentage of adults making and receving payments in various forms		88%	85%	-
v. Volume of Digital Payments via InstaPay (Y-o-Y growth)[13]		-	527% (2019-2020)	223% (2020-2021)
8 Insurance				
Total Number of Persons with Insurance Coverage Disaggregated by life and non-life insurance, and insurance provider:				
i. Number of life insurance policies	Insurers	34,285,680	45,194,096	43,513,663
	Microinsurers	9,096,444	14,018,366	14,697,338
ii. Number of non-life insurance policies	Insurers	18,666,430	19,326,604	30,261,108
	Microinsurers	4,309,547	8,774,453	6,691,351
Percentage of Adults with Insurance		18.0%	23.0%	-
- Female		20.0%	27.0%	-
- Male		15.0%	19.1%	-
QUALITY INDICATORS				
9 Appropriateness				
Number of Basic Deposit Accounts		-	4,019,559	6,594,673
10 Value				
MSME Loans with Guarantee		-	-	0 .04%
11 Affordability				
Range of Instapay Fees per transaction (in PhP)[14]				0.00 - 40.00
12 Financial literacy				
Percentage of adults who got a perfect score in a financial literacy quiz		-	8%	-
13 Consumer protection				
Number of complaints		-	2,757	8,170
14 Indebtedness				
Percentage of households with loan payments behind schedule		-	13.9%	10.9%
15 Choice				
Percentage of cities and municipalities with access to all types of financial services: savings, credit, insurance, payments and remittances		-	-	76%

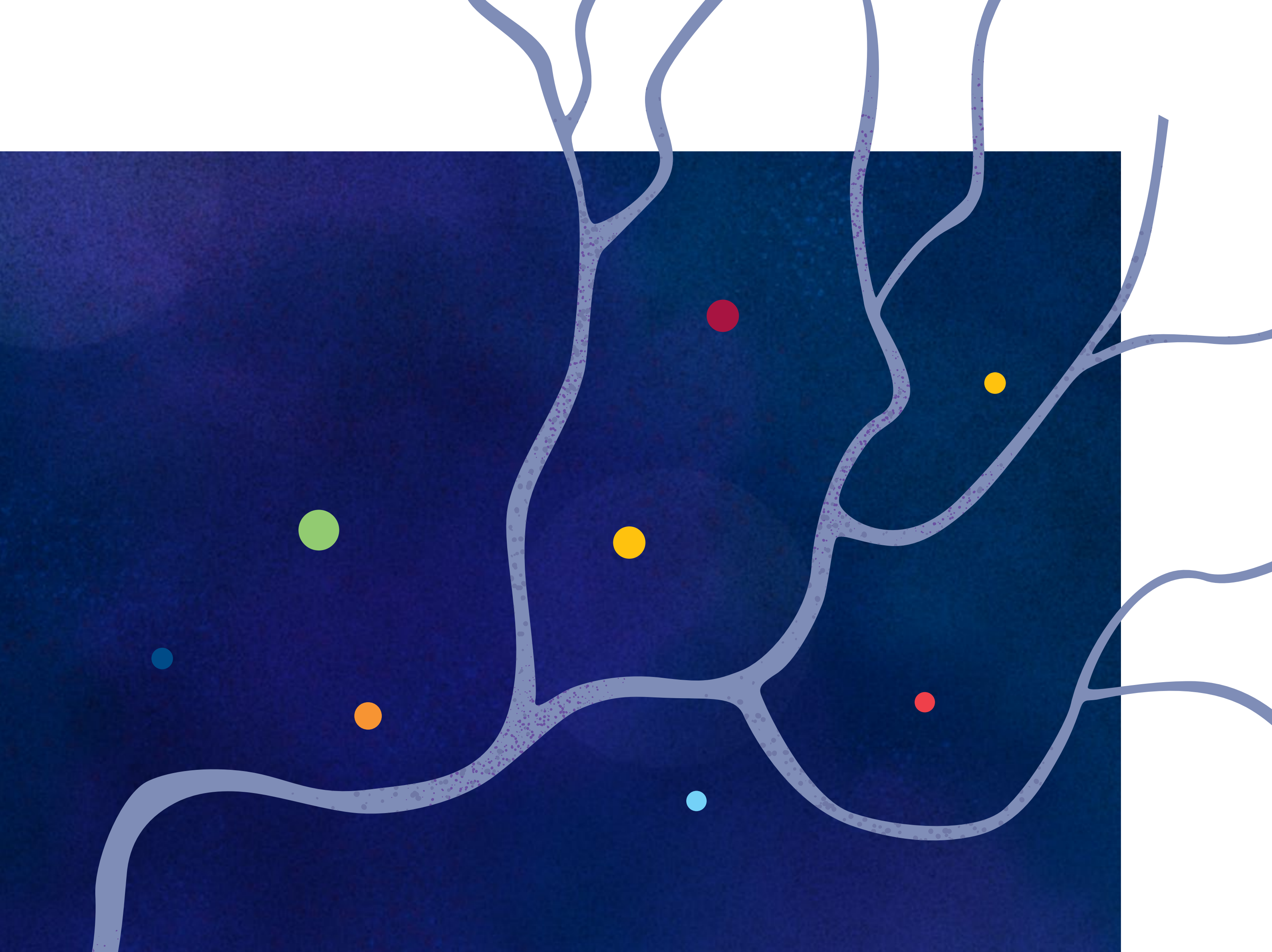
13 InstaPay is an electronic fund transfer (EFT) service which was launched in 2018; all 1st Semester Data

14 PhP40.00 ~ USD 0.75 (https://www.bsp.gov.ph/PaymentAndSettlement/Fees.pdf)

	INDICATORS	BASELINE	LATEST YEAR
16	*Macroeconomic context*		
	i. Proportion of population living below the national poverty line	23.5% (2015)	16.7% (2018)
	ii. Annual growth rate of real GDP per capita	5.4% (2016)	-10.8% (2020)
17	*Education*		
	Completion rate (primary education)	93.1% (2016)	96.6% (2019)
	- Female	95.5% (2016)	98.1% (2019)
	- Male	90.8% (2016)	95.1% (2019)
18	*Asset building and Entrepreneurship*		
	i. Total MSME loans (in billion PhP)	588.8 (2019)	488.0 (2020)
	ii. % share of MSME loans to total banking system loans	6.1% (2019)	4.9% (2020)
19	*Redistribution*		
	Number of beneficiaries receiving social protection payments through digital channels (in million)		8.5 (2020)[15]
20	*Unemployment and income inequality*		
	i. Unemployment rate	5.4% (2016)	10.3% (2020)
	- Female	5.2% (2016)	10.6% (2020)
	- Male	5.6% (2016)	9.7% (2020)
	ii. Proportion of people living below 50% of median income	17.6% (2015)	16.2% (2018)
	iii. Remittance costs as a proportion of the amount remitted[16]	4.7 (2016)	3.8 (2020)

15 Cash assistance given when community quarantine periods were imposed (i.e., Social Amelioration Program)

16 The indicator uses the cost of sending USD 200 from the US to the Philippines as a proxy for the average cost of remittance

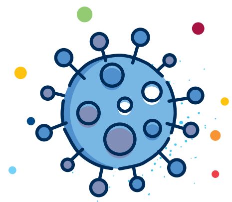


Thailand

Promoting financial inclusion has always been one of the key roles of the government and public sectors in Thailand. There has consistently been a great collaborative effort from all relevant authorities to promote financial access although the COVID-19 pandemic has posed a serious threat recently.

As an upper middle income economy, Thailand has done well to alleviate poverty, with only 6.2% of the population remaining in poverty by 2019, and an unemployment rate of only 1%. Furthermore, the completion rate for upper secondary education (the minimum requirement in Thailand) is 66.4%.

However, 64.4% of employment remains informal, and the pandemic is bound to have impacted on this negatively, as GDP growth contracted by 6.1% in 2020. During the pandemic, remittance cost also reversed its decreasing trend, increasing to 13.3% of the cost remitted. These developments are bound to have impacted the most vulnerable segments of the population, and it is critical that financial inclusion therefore plays a role in mitigating the impact on household incomes through risk mitigating, cost savings, and by ensuring efficient and timely transactions. Various plans and initiatives on financial inclusion have been implemented by the Ministry of Finance and the Bank of Thailand. All in all, these collaborative plans and initiatives contributed to the country's overall level of financial access of 94.3% in 2020[1].



During the pandemic, remittance cost also reversed its decreasing trend, increasing to 13.3% of the cost remitted.

At the national level, Thailand's NFIS (2017 – 2021) initiated by the Ministry of Finance was launched with three strategic pillars, i.e. (1) generating income and improving financial capacity for low-income people (2) enhancing the capabilities of financial service providers to improve financial inclusion and (3) improving financial infrastructure to accommodate financial inclusion. Various initiatives under the plan gradually help improve the country's financial inclusion, one of which is the recently endorsed People's Financial Institutions (PFIs) Act B.E.2562 that is enacted to promote savings and other fundamental financial services at community level by allowing eligible community-based financial institutions to be registered as the PFIs under the supervision of a coordinating bank, easing individuals' access to secured financial services within the local community.

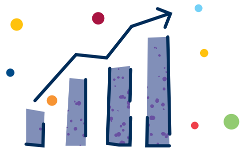
In terms of the financial sector, digitization of the Thai financial sector has been one of the Bank of Thailand's strategic priorities. Thailand's PromptPay and standardized QR code became one of the key success factors of the digital financial infrastructure for payment systems as it offers real-time electronic fund transfer at zero-cost and enables individuals and businesses to receive money through registered mobile phone or identity numbers. During the outbreak of COVID-19, e-wallet has become one of the highlights as the Thai government has introduced welfare disbursement programs through consumer e-wallets to stimulate domestic consumption. Apart from the government's assistance programs, rapid adoption of e-wallets is also catalyzed by an awareness of personal and public hygiene during the pandemic. In addition, other recent digital transformations to promote financial inclusion include: (1) the digital personal loan for those people without financial footprints, such as, street food vendors

1 Preliminary results. Official release can be expected at the end of 2021. In this context, adults are generally defined as Thai population with the age of equal to or older than 15 years old.

or freelancers, to access loans based on the use of their alternative data (2) the digital factoring platform as a central web service that facilitates SMEs to use their digital invoice data as debt collateral for loan assessment to access the short-term loan or working capital.

Looking forward, Thailand aims to further develop digital financial infrastructures to enhance the country's financial inclusion with several initiatives. The key initiative is expansion of centralized National Digital ID (NDID) verification and authentication platform under the regulatory sandbox to cover capital market, insurance, and lending areas. Other digital initiatives include the introduction of API standards for bank statement and of virtual banking license that are currently under development.

In terms of access points, Thailand saw a decline in the number of bank branches per 100,000 adults, continuing the trend seen last year, however, ATM and POS penetration increased, in addition to internet and mobile penetration. Although the percentage of adults who report having an account at a formal or semi-formal financial institution remains the same (data only available for 2018), e-money accounts, mobile money accounts and deposit accounts with commercial banks increased, with mobile money accounts and e-money accounts both showing a substantial increase in the last year. Furthermore, the number of mobile banking transactions almost doubled. Perhaps due to the increase in e-money and mobile accounts, the number of debit cards declined in the last year. Perhaps as expected, life-insurance saw an increase, however, it is a positive sign that take up of basic bank accounts increased over the period, and these accounts remain fee free.



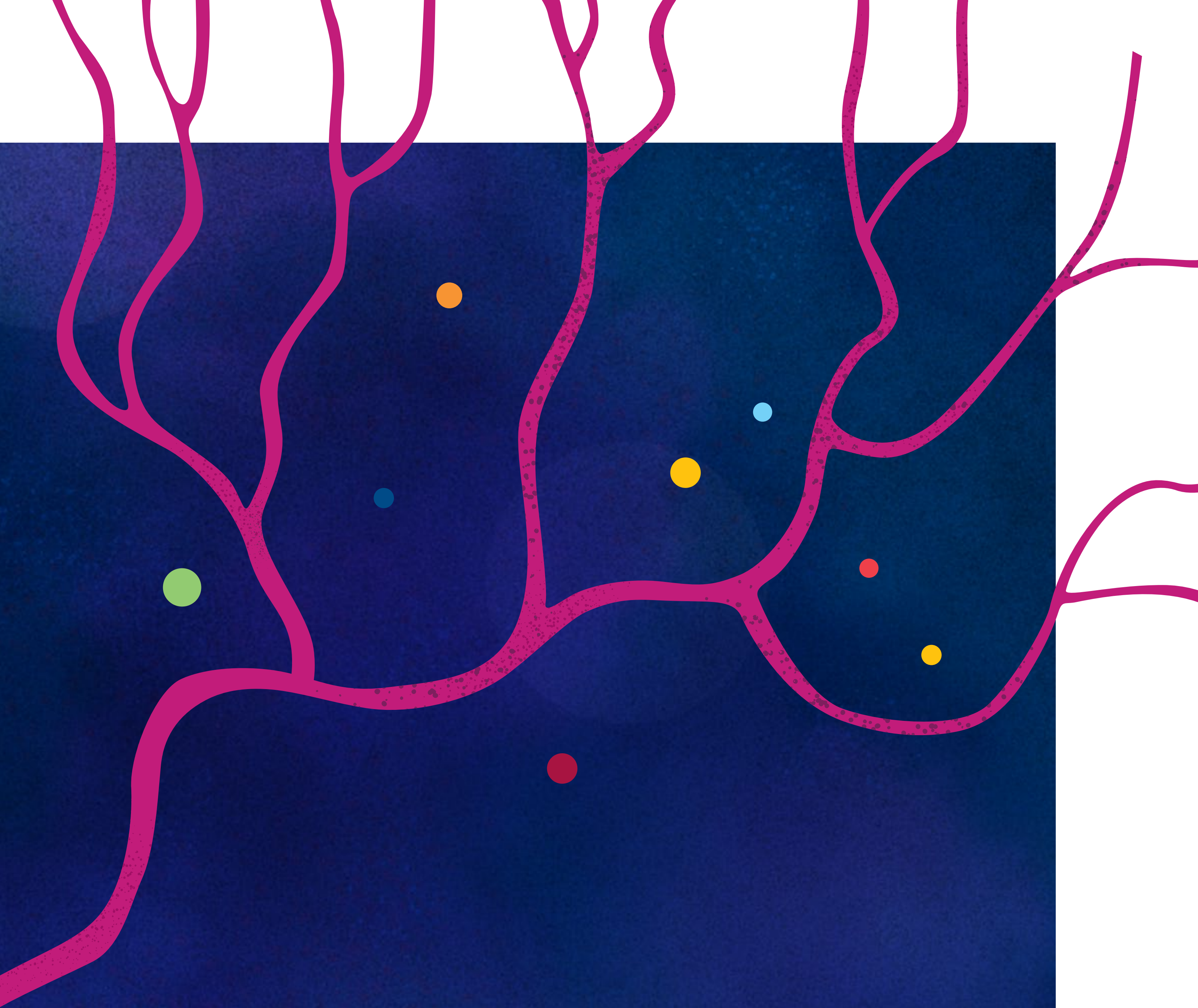
Thailand saw a decline in the number of bank branches per 100,000 adults, continuing the trend seen last year, however, ATM and POS penetration increased, in addition to internet and mobile penetration.

	INDICATORS	2018	2019	2020
	ACCESS INDICATORS			
1	*Points of service*			
	i. Number of commercial bank branches & service point per 100,000 adults[1]	12.6	12.3	11.8
	ii. Number of ATMs per 100,000 adults	105	104	118
	iii. POS Terminals per 100,000 adults	1 588	1 588	1 602
2	*Access points*			
	Total number of points of service per 100,000 adults	1 706	1 705	1 732
3	*Connectivity*			
	i. Access to internet per adult: Percentage of adults with internet access anywhere	57%	67%	73%
	ii. Mobile phone penetration (active mobile phones as a percentage of adult population)	180%	186%	190%
	USAGE INDICATORS			
4	*Adults with an account*			
	i. Percentage of adults who report having an account at a formal or semi-formal financial institutions[2]	79% (as of 2018)	79% (as of 2018)	79% (as of 2018)
	ii. Number of e-money account per 100,000 adults	167,406	165,500	195,903
5	*Savings*			
	Number of deposit accounts with commercial banks per 100,000 adults	182,245	188,426	193,825
6	Credit			
	Percentage of adults that have an access to lending services provided by formal or semi-formal financial institutions[2]	94% (as of 2018)	94% (as of 2018)	94% (as of 2018)
7	*Payments*			
	i. Number of debit cards per 100,000 adults	104,746	119,990	116,433
	ii. Number of registered mobile banking accounts per 100,000 adults	83,940	111,304	124,876
	iii. Number of mobile banking transactions per 100,000 adults	5,284,012	9,123,618	17,430,218
8	*Insurance*			
	Life Insurance policy holders as percentage of adult population	39.67%	39.92%	43.28%
QUALITY INDICATORS				
9	*Appropriateness*			
	Number of Basic Banking Account (BBA) accounts in millions (low-income product)	-	2.2	2.3
10	*Affordability*			
	Average bank fees for low-income accounts; Basic Banking Account (BBA) (unit: baht)	-	0	0
11	*Financial literacy*			
	Arithmetic score as per national definitions; % of adults that knows definition of basic financial terms	66.2% (as of 2018)	66.2% (as of 2018)	66.2% (as of 2018)

2 Self-exclusion included

INDICATORS		2018	2019	2020
INCLUSIVE GROWTH INDICATORS				
12	*Macroeconomic context*			
	Annual growth rate of real GDP per capita	3.8	2.1	N/A
13	*Education*			
	i. Completion rate of upper secondary education[3]	N/A	66.4	N/A
	ii. Unemployment and income inequality			
14	*Unemployment and income inequality*			
	Proportion of informal employment in total employment	64.4	N/A	N/A
	Labor Force Participation Rate (%)	68.3	67.5	67.8
	Unemployment Rate (%)	1.1	1.0	N/A
	Proportion of People in Poverty (Expenditure) (%)	9.9	6.2	N/A
	Remittance costs as a proportion of the amount remitted	15.8%	12.9%	13.3%
OUTCOME AND IMPACT INDICATORS AS PER THE GUIDANCE NOTE				
15	*Overall*			
	% of adults using at least one formal financial service	91.8 (as of 2018)	91.8 (as of 2018)	91.8 (as of 2018)
16	*Segmental*			
	% of women using at least one formal financial service2	98.8% (as of 2018)	98.8% (as of 2018)	98.8% (as of 2018)
17	*National goals*			
	Annual Growth Rate of GDP	4.2%	2.3%	-6.1%

3 Minimum requirement education in Thailand



Viet Nam

In Viet Nam, the COVID-19 pandemic has put pressure on the economy and led to significant impacts on society and negative impacts on the implementation of the NFIS.

Thanks to the timely establishment of the National Steering Committee on Financial Inclusion led by the Prime Minister and the continued efforts of relevant ministries, agencies and localities, Viet Nam has however achieved remarkable results after more than one year of implementing the tasks and solutions set out in the NFIS.

- Improving the framework for the implementation of the NFIS in a more comprehensive and synchronous way, such as: (i) approval of the pilot application of using telecommunication accounts to make payment for small-value transactions (Mobile - Money); (ii) applying an electronic process to open payment accounts by using e-KYC to authenticate customers; (iii) approving the Scheme on development of non-cash payment in Viet Nam during 2021-2025; and (iv) approval of a Plan for digital transformation of the banking sector by 2025, with a vision to 2030.
- Expanding and diversifying the service provider system which presented in most provinces and cities across the country. The percentage of communes/towns with financial service points out of the total number of communes/towns nationwide (in rural areas and excluding VBSP's financial service points) stood at 31.39%.
- Promoting digital financial activities and non-cash payments in the context of the COVID-19 pandemic. In 2020, SBV has repeatedly directed commercial banks and the National Payment Corporation of Viet Nam (NAPAS) to implement the payment fee waiver and reduction programs to support and encourage people to use digital payment methods. As a result, the number of non-cash transactions in 2020 has increased by 48.33% compared to 2019. The commercial banks also accelerated their digital transformation during the pandemic such as development of Digital Transformation Strategy (95% of banks); enhancement of the corebanking systems and infrastructure; fully digitalization of many banking operations (9/19); application of AI, ML and Big Data in loan extension process; and reaching high level of digital maturity by the big banks with over 90% of the transactions conducted via electronic channels.[1]
- Implementing policies to support credit activities for agricultural and rural areas and SMEs facing business difficulties, including: (i) Simplifying internal processes and procedures; (ii) Diversifying credit products which fit the needs of people and businesses; and (iii) Implementing solutions to solve the current difficulties, such as: rescheduling debt repayment terms, waiving and reducing interest rates and fees and maintain debt classifications, and extending new loans with reasonable interest rates. As a result, by the end of 2020, outstanding credit for the agricultural and rural sectors reached nearly 2.28 quadrillion VND (an increase of 11.52% compared to 2019), accounting for 24.78% of the total outstanding credit of the economy; and 205,398 SMEs have outstanding loans at credit institutions and the outstanding credit to SMEs accounts for 19.78% of the total credit outstanding of the economy.

The percentage of communes/towns with financial service points out of the total number of communes/towns nationwide stood at 31.39%.

1 SBV survey on digital transformation of the banking sector, 8/2021

- Improving and enhancing the efficiency of payment infrastructure by completely upgrading the Interbank Payment System, as backbone of Viet Nam's financial system. From July 2020, the automated clearing house for retail banking transactions (ACH) has been officially put into operation, thereby establishing a modern retail payment infrastructure with the following features: real-time payments, 24/7 continuous operations, multi-channel and multi-media transaction processing, and serving the needs of money transfer, retail payment transactions and utility service payments.
- Improving national financial inclusion database. A set of national financial inclusion indicators including access, usage and quality indicators has been developed and issued in order to facilitate the monitoring and evaluation of the NFIS.
- Many communication programs on financial inclusion have been developed and implemented by relevant ministries, agencies and localities in order to enhance financial knowledge and skills for people and businesses.

Notable results of some financial inclusion indicators in 2020 are as follows:

- Number of branches and transaction offices of the commercial banks per 100,000 adults continued to increase and stood at 15.31. The commercial banks still face difficulties in expanding their network in rural, remote and isolated areas due to the low population density, underdeveloped economy, low education level, and poor performance result in these areas.
- The number of ATMs per 100,000 adults reached 26.96 and the number of ATMs per 1,000 km2 reached 59.29. However, the speed of ATM development has slowed down due to the development of low investment cost and modern cashless payment channels such as internet and mobile banking. By the end of 2020, there were 77 banks providing payment services via the internet and 45 banks providing payment services via mobile devices in the local market.
- The number of POS terminals per 100,000 adults reached 379.3 and the number of POS terminals per 1,000 km2 reached 834.13. From 2017, the growth rate of POS has slowed down as banks are in the process of switching to domestic chip cards as required by SBV and replacing/upgrading existing POS terminals to support multiple forms of payment acceptance such as POS, QR Codes, e-wallet, etc. By the end of 2020, there were 30 commercial banks and six payment intermediary service providers offering payment services via QR Code with more than 90,000 payment acceptance points, an increase of 28.6% compared to the previous year and the number of transactions increased by 69.5% compared to 2019. The number of transactions successfully processed via e-wallet in 2020 reached 888.3 million with a total value of 328.7 trillion VND, an increase of 122.79% and 124.87% compared to 2019, respectively.
- As of December 31, 2020, SBV has granted licenses on providing intermediary payment services to 40 non-banking organizations (one license was revoked) to provide the following services: financial switching and electronic clearing, electronic payment gateway, collection on behalf of (COBO) and payment on behalf of (POBO) services, electronic money transfer support and e-wallet. From 2018, VNPost has been providing COBO, POBO and money transfer services in rural and remote areas with around 20 million customers using them monthly at 10,800 post offices and 3,000 service points at the community level via People's Committees.

The percentage of adults that have credit access in 2020 reached 60,86%, an increase of 1.49% compared to 2019 and much lower than the growth rate of 2019 at 14,84%.

- The number of debit cards per 100,000 adults in 2020 stood at 121,842 and the growth rate in 2020 is 9.03% which is much higher than the 2019 growth rate of 0.75%.
- The percentage of adults that have credit access in 2020 reached 60,86%, an increase of 1.49% compared to 2019 and much lower than the growth rate of 2019 at 14,84%. The reason for the low growth rate is due to the COVID-19 pandemic that has directly affected the production and business activities of people and businesses such as difficulties in accessing customers, lack of cash flow, labor reduction and supply chain interruption.

Given some remarkable results achieved after more than a year of implementing the NFIS, certain challenges remain, namely:

- Although the current legal framework is continuously being supplemented and improved, it still has not kept pace with the requirements of reality which witnesses the appearance of new distribution channels and financial products and services based on innovation and application of digital technology and the participation of non-banks and Fintech companies in the supply chain of financial products and services;
- Uneven development of non-cash payment infrastructure, especially ATM/POS systems, which are mainly concentrated in urban areas, while it is quite limited in rural, remote and isolated areas. Certain population segments prefer using cash and are reluctant to use new payment technologies owing to safety concerns; and
- During the first phase of the NFIS, the country still faces difficulties in data collection to calculate the set national indicators to monitor implementation of the NFIS, and to assess the effectiveness of the tasks and solutions set out in the NFIS due to the unreadiness of the core database system of relevant agencies.

In order to continue implementing synchronously and effectively the tasks and solutions set out in the NFIS, based on the current status of financial inclusion in Viet Nam, we are focusing on the following priorities in the coming times:

- Timely completion and submission of the following documents to the Government and Prime Minister for issuance:

i. The Decree replaces Decree No. 101/2012/ND-CP dated November 22, 2012 of the Government on non-cash payment which contains regulations on payment agents (one of the agent banking activities) and electronic money;
ii. Decree on fintech regulatory sandbox in the banking sector;
iii. Guiding document on applying an electronic process to open cards by using e-KYC; and
iv. Strategy on development of payment systems by 2025, with a vision to 2030.

- Effective implementation of the pilot programme on mobile money services which allow the use of telecommunications accounts to make payment for goods and services of small value and the Digital transformation plan of the banking sector.

INDICATORS		2018	2019	2020
ACCESS INDICATORS				
1	*Points of service*			
	i. Number of branches per 100,000 adults	15.1	15.12	15.31
	ii. Number of ATMs per 100,000 adults	25.6	26.3	26.96
	iii. POS Terminal per 100,000 adults	335.1	381.3	379.30
2	*Connectivity*			
	i. Access to internet (% age 6+) Percentage of adults with internet access anywhere	70%	70.3%	70.3%
	ii. Mobile phone penetration (active mobile phones per 100,000 population)	147,575	141,318	142,000
USAGE INDICATORS				
3	*Adults with an account*			
	i. Percentage of adults who report having an account at a bank (% age 15+)	63.7%	63.96%	N.A
4	*Savings*			
	Number of deposit accounts with banks or deposit taking institutions (% age 18+)	N.A	20%	20% (as of Dec 2019)
5	*Credit*			
	Percentage of adults (age 15+) that have credit access	52.22%	59.97%	60.86%
6	*Payments*			
	i. Number of debit cards per 100,000 adults	110,591	111,424	121,482
7	*Insurance*			
	Insurance policy holders			
	i. Life insurance policy holders per 100,000 adults	12,220	14,435	16,384
	ii. Non-life Insurance policy holders per 100,000 adults	63,392	65,293	65,900
QUALITY INDICATORS				
8	*Value*			
	MSME loan guarantee as percentage of MSME loan (value)	53.1%	45.4%	48.7%
9	*Indebtedness*			
	Percentage of borrowers who are more than 90 days late with a loan payment	3.82%	3.51%	4.25%
10	*Choice*			
	Percentage of communes/towns with financial service points out of the total number of communes/towns nationwide			31.39%

	INDICATORS		2018	2019	2020
	INCLUSIVE GROWTH INDICATORS				
11	*Macro-economic context*				
	i. Proportion of population living below the national poverty line	Total			5.40%
		Male			5.20%
		Female			5.60%
		Age <5			7.5%
		Age 10-15			7.1%
		Age 20-25			6.0%
		Age 25-30			5.3%
		Age >60			5.9%
	ii. Annual growth rate of real GDP per capita		6.7% per year for the period from 2016 to 2019		1.75% (projected)
12	*Education*				
	Completion rate	Percentage of students completing the primary school program		99.7%	
		Percentage of students completing lower secondary school		99.3%	
13	*Access to basic services*				
	i. Proportion of population living in households with access to basic services				58.1%
	ii. Proportion of population with access to electricity		99%		99.5%
14	*Healthcare*				
	i. Proportion of population participating in health insurance				Over 90%
	ii. Proportion of households with large medical expenditures as a share of total expenditure or income	Expenditure >10%			8.46%
		Expenditure >25%			1.73%
15	*Asset building and entrepreneurship*				
	i. Number of MSME loans from banks		834,938	869,313	929,197
	ii. Value of MSME loans from banks		1,243,001	1,463,565	1,621,033[2]
	iii. Proportion of population living in poorly built houses		1.7%		
16	*Redistribution*				
	i. Number of people covered by social insurance programs				16,493,000
	ii. Number of people receiving social insurance payments monthly				3,730,600

2 VND billion

INDICATORS			2018	2019	2020
17	*Unemployment and income inequality*				
	i. Unemployment rate			around 2.17%	
	ii. Proportion of people living below 50 per cent of median income, by sex and age	Total			19.7%
		Male			19.1%
		Female			20.3%
		Age <5			23.9%
		Age 10-15			23.9%
		Age 20-25			17.9%
		Age >60			24.2%
	IMPACT INDICATOR				
18	*Segmental*				
	Outstanding agricultural and rural credit as a proportion of all outstanding credit (banks)				24.78%


SUSTAINABLE
DEVELOPMENT
GOALS