



# 2023 ASEAN MONITORING PROGRESS

FINANCIAL INCLUSION IN  
SELECTED ASEAN COUNTRIES





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# ACRONYMS AND ABBREVIATIONS

ACCMSME	ASEAN Coordinating Committee on MSMEs
ACW	ASEAN Committee on Women
AFMGM	ASEAN Finance Ministers and Central Bank Governors
AMS	ASEAN Member States
ASEAN	Association of Southeast Asian Nations
ATM	Automated teller machine
BDCB	Brunei Darussalam Central Bank
BND	Brunei dollar
BNM	Bank Negara Malaysia
BOL	Bank of Lao PDR
BOT	Bank of Thailand
BSP	Bangko Sentral ng Pilipinas
COVID-19	Coronavirus disease 2019
DFI	Development finance institutions
DFS	Digital financial services
DITO	Digital insurers and takaful operators
DNKI	National Council for Financial Inclusion (Indonesia)
DO	Desired outcome
DTI	Department of Trade and Industry
e-KYC	Electronic know your customer
FEN	Financial Education Network
Fintech	Financial technology provider
FLM	Financial Literacy Month (Malaysia)
FSP	Financial service provider
GDP	Gross domestic product
ID	Identification
IDR	Indonesian rupiah
ILO	International Labour Organization
INFE	International Network on Financial Education
KHR	Cambodian riel
KNLIK	National Committee for Financial Literacy and Inclusion (Indonesia)
KPI	Key performance indicator
KUR	Kredit Usaha Rakyat (credit subsidy scheme)
KYC	Know your customer
Lao PDR	Lao People's Democratic Republic
LCTF	Low Carbon Transition Facility
LDC	Least Developed Country
LAK	Laotian kip

LPDB-KUMKM	Lembaga Pengelola Dana Bergulir Koperasi dan UMKM (Revolving Fund Management Institution for Cooperatives and MSMEs)
M&E	Monitoring and evaluation
MFI	Microfinance institution
MMO	Mobile money operator
MSME	Micro, small and medium-sized enterprise
MSMED	MSME Development Council
MYR	Malaysian ringgit
NBC	National Bank of Cambodia
NFES	National Financial Education Strategy
NFIS	National Financial Inclusion Strategy
NFLC	National Financial Literacy Council
NSFI	National Strategy for Financial Inclusion (Philippines)
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Financial Services Authority, Indonesia)
OSMEP	Office of SME Promotion (Thailand)
P2P	Peer to peer
PHP	Philippine peso
PMF	Performance Measurement Framework
POS	Point of sale
QR	Quick response
QRIS	Quick Response Code Indonesian Standard
RCG	Resilience Core Group
SAP SMED	Strategic Action Plan for SME Development
SCU	Savings and Credit Union
SDG	Sustainable Development Goal
SIAPIK	Sistem Informasi Aplikasi Pencatatan Informasi Keuangan (system of digital tools for financial reporting)
SME	Small and medium-sized enterprise
SNEKI	National Strategy for Inclusive Economic and Financial (Indonesia)
Telco	Telecommunications company
THB	Thai baht
TPLIKD	Regional Acceleration Team for Financial Literacy and Financial Inclusion
Umi	Ultra Micro Financing Programme (Ultra Mikro)
UNCDF	United Nations Capital Development Fund
VND	Viet Nam dong
WC-FINC	Working Committee on Financial Inclusion

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# 01. INTRODUCTION

This report is the fourth in a series of annual reports produced by the United Nations Capital Development Fund (UNCDF). It presents learning and reflection on progress against the financial inclusion indicators included in the 2020 and 2021 reports, along with the introduction of new indicators for 2022. In 2020, following the development of a guidance note by the Working Committee on Financial Inclusion (WC-FINC) Desired Outcome (DO) 1 Working Group, the Working Group identified that the Association of Southeast Asian Nations (ASEAN) requires a regional monitoring and measurement system with standardized indicators for financial inclusion. As a result, WC-FINC developed a regional framework and report in close partnership with UNCDF and in collaboration with the ASEAN Member States (AMS) during an iterative process of engagement and feedback. In 2021, UNCDF provided support in the drafting of a follow-on report to assess the progress made by AMS towards the financial inclusion targets and indicators agreed, particularly those added for the 2021 report around inclusive growth. The reporting framework used for this series enabled an assessment of market progress and the effectiveness of the implementation of the National Financial Inclusion Strategies (NFISs) to achieve the desired outcome.

In 2022, WC-FINC and UNCDF hosted various meetings and workshops to develop new financial capability indicators with AMS using a staged approach of pre-formulation, formulation, and implementation. These meetings helped AMS identify their current stages of financial capability, review examples and databases of financial capability indicators based on global best practices and share challenges and opportunities with other AMS as they relate to advancing the financial capabilities of the region's citizens.

In 2023, AMS identified MSME finance as a key priority during the 15<sup>th</sup> meeting of ASEAN WC-FINC held in Bali, Indonesia in February 2023. This aligns with one of the key milestones of the ASEAN Blueprint 2025, which aims to “promote financial inclusion to deliver financial products and services to a wider community that is underserved, including MSMEs” and to “enhance financing ecosystems in the region to benefit MSMEs, including through cross-collaboration among various working groups in ASEAN”. It also aligns with the ASEAN Strategic Action Plan for SME Development (2016–2025), which aims to “create globally competitive, resilient, and innovative SMEs who are integrated into the ASEAN community and inclusive development in the region” by 2025. One of the four key pillars of this action plan includes increasing access to finance for MSMEs. WC-FINC and UNCDF followed this same co-creation process with AMS to identify new MSME indicators and corresponding categories for this current report.

The objective of this report is to allow for the ongoing tracking of progress in financial inclusion in the ASEAN region as a contribution to making the ASEAN



economic community a working reality. The intended audience for this report is government, policymakers, and regulators, along with other key stakeholders in the development community.

This report is based on the UNCDF methodology to support financial inclusion in Africa and Asia through a process of evidence-based country diagnostics and stakeholder dialogues, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, UNCDF seeks to strengthen and focus the domestic development dialogue on financial inclusion. For more information, please visit [Homepage - UN Capital Development Fund \(UNCDF\)](#).

## **ASEAN 2025 ENABLING ENVIRONMENT: FINANCIAL INCLUSION AND MSME FINANCE**

National financial inclusion has been an important policy objective for country governments in ASEAN. Each country is at a different stage of financial services market growth and financial sector innovation and is thus adopting various mechanisms for achieving formal financial inclusion to drive inclusive economic growth. The dynamic socio-economic and digitalization landscape in which the financial sector operates necessitates country governments and regional platforms to keep revising and updating their policies and market-based interventions to ensure that no one is left behind, and to achieve the 2030 Sustainable Development Goals (SDGs). The continued focus of the ASEAN Economic Community on the three strategic levers of Recovery and Rebuilding, Digital Economy, and Sustainability shows the importance of these themes in the recovery of ASEAN's economy. This showed a resurgence in growth as it returned to pre-pandemic levels, with economic growth reaching 5.6 percent in 2022. ASEAN is forecasted to maintain its growth at a level above the global average at 4.7 percent in 2023 and 5.0 percent in 2024.<sup>1</sup>

These levers also show the importance of digitalization efforts and digital financial services (DFS) in increasing financial inclusion and recovery efforts. WC-FINC has set the following framework for achieving the region's financial inclusion targets. To achieve the vision set out in this framework, it will be imperative to track financial inclusion across ASEAN countries on a periodic basis. This will assist in monitoring NFIS implementation and establishing whether targets are being met at national and regional levels. With the addition of new financial capability indicators in 2021, it is also important to track progress of the development, implementation, and monitoring of National Financial Education Strategies (NFES), as increasing awareness on financial education and consumer protection is a key outcome under this framework. Figure 1 illustrates the framework for achieving ASEAN financial inclusion targets.

<sup>1</sup> OECD (2023) Economic Outlook for Southeast Asia, China and India. Paris, France: Organisation for Economic Co-operation and Development (<https://www.oecd.org/dev/asia-pacific/economic-outlook/> accessed 17 April 2024).

The themes of this report and corresponding integration of new measurement indicators, now in the fourth year, build towards the desired outcomes identified in the ASEAN Financial Inclusion Framework:

- 2020: Access to and usage of financial inclusion
- 2021: Quality, impact, and inclusive growth of financial inclusion
- 2022: Financial capability as a key driver of financial inclusion
- 2023: MSME finance as a key driver of financial inclusion.

Figure 1 | Framework for achieving ASEAN financial inclusion targets



ASEAN's growth story has been supported by greater traction in recent years in regional financial integration. This will expand sources of financing and investment for economic activities, deepen the region's financial markets, and enhance the competitiveness of ASEAN businesses through efficiency gains (e.g. through lower costs of payments and settlements). Growth and development across the region, however, do not guarantee equal opportunities for all to improve their social and economic circumstances; one reason for this is a lack of financial and literacy skills, particularly among the most vulnerable groups who are therefore left behind. A key priority for ASEAN has been to ensure greater economic and financial integration progress in step with greater financial inclusion, as well as a focus on strengthening the financial skills of constituencies. The challenges are pressing: 265 million or 44 percent of adults in ASEAN are still unbanked, and a large proportion of people rely on informal finance. This has wide implications for health, economic and social outcomes. Focusing on financial inclusion is a policy



imperative to better align financing for the SDGs, enable more systematic inclusion of the low income in financial services and build better access to financial services for growth of MSMEs. At the ASEAN level, a regional target of 30 percent financial exclusion by 2025 was set, and the latest figures reported by AMS as of March 2023 (see Figure 2) indicate that this goal was achieved in 2020. Progress is monitored periodically to achieve the vision of regional financial inclusion.

AMS	2017	2019	2020	2021	2022
Brunei Darussalam	14	14	21	21	14
Cambodia	82	41	41	41	33
Indonesia	51	44.3	23.8	18.6	14.9
Lao PDR	71	69	48	48	42
Malaysia	15	5	4	4	4
Philippines	66	71	71	44	44
Singapore	2	2	2	2	2
Thailand	18	16	12	5.7	5.6
Viet Nam	69	42	36.3	36.03	34.1
ASEAN total	46	36.3	30.15	29	22.62
<i>Data source</i>	<i>Findex 2017</i>	<i>AFMGM April 2019</i>	<i>AFMGM October 2020</i>	<i>SLC October 2021</i>	<i>SLC March 2023</i>

Figure 2 | Financial exclusion level as reported by AMS

AMS consider that enabling infrastructure to ensure everyone participates in the financial system is a key driver of financial inclusion. Thus, they have set key performance indicators (KPIs) to determine the enabling environment and national infrastructure readiness for financial inclusion in the region, with an overall target of 85 percent readiness 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). In addition, financial infrastructure relevant to DFS has been included in recognition of the importance of digital technology in driving financial inclusion. The latest figures reported by AMS are shown in Table 1 and indicate that AMS are very close to achieving their regional target of 85 percent.

**Table 1 | ASEAN national infrastructure/enabling environment readiness KPIs for financial inclusion**

FINC Infrastructure		Readiness level	
		As of 31 December 2022	
		No.	%
1	Credit registry or credit bureau	10/10	100
2	Credit guarantee for agri or SME financing	8/9	88.9
3	Debt resolution and redress mechanism	7/10	70.0
4	Financial inclusion monitoring framework	5/8	62.5
5	National Strategy for Financial Inclusion	8/8	100
6	National Strategy for Financial Education	5/10	50
7	Legislation, regulations, platforms supporting financial inclusion (moveable assets collateral registry, basic deposit account regulation, e-money regulation, agent banking regulation)	10/10	100
8	Institution to support financial inclusion mandate	9/9	100
9	Consumer protection regulations/framework	9/10	90
10	National Digital ID	7/10	70
<b>TOTAL</b>			<b>83.57%</b>

To keep track and ensure that the KPIs set within the working groups are met, there is a need for a coherent and harmonized regional monitoring system in ASEAN. Additionally, as the levels of financial inclusion increase, the markets become more sophisticated and, as such, underline the need to continue building the capacities of regulators in monitoring and evaluation (M&E) in financial inclusion.

## **ENABLING ENVIRONMENT: MSME FINANCE**

The focus of this year’s report on MSME finance is aligned with one of the key milestones of the ASEAN Blueprint 2025: to “promote financial inclusion to deliver financial products and services to a wider community that is underserved, including MSMEs” and to “enhance financing ecosystems in the region to benefit MSMEs, including through cross-collaboration among various working groups in ASEAN”. It includes such initiatives as establishment of credit bureaus, credit guarantees, debt resolution agencies and other mechanisms to facilitate access to finance and recovery for MSMEs. It is also aligned with the ASEAN Strategic Action Plan for SME Development (2016–2025) (SAP SMED 2025), which aims to “create globally competitive, resilient, and innovative SMEs who are integrated into the ASEAN community and inclusive development in the region” by 2025. One of the four key pillars of this action plan includes increasing access to finance for MSMEs. It is also aligned with key regional KPIs for financial inclusion (see Figure 2), including credit guarantees for agro-enterprises and MSMEs, and credit registries or credit bureaus, which the majority of AMS have already put in place (8/9 and 10/10, respectively).



## VISION

GLOBALLY COMPETITIVE AND INNOVATIVE MSMEs

## MISSION

By 2025, ASEAN shall create globally competitive, resilient, and innovative MSMEs seamlessly integrated to ASEAN community and inclusive development in the region.

## STRATEGIC GOALS



## DESIRED OUTCOMES

- A1. Productivity will be enhanced.
- A2. Industry clusters will be enhanced.
- A3. Innovation will be promoted as a key competitive advantage.

- B1. Institutional framework for access to finance will be developed and enhanced.
- B2. Financial inclusion and literacy will be promoted, and the ability of MSMEs to engage in the financial system will be enhanced.

- C1. Support schemes for market access and integration into the global supply chain will be further developed.
- C2. Export capacity will be promoted.

- D1. Inter and intra-governmental cooperation in terms of policy and regulation will be enhanced.
- D2. MSMEs interests will be promoted and involvement in the decision-making processes will be enhanced.
- D3. Obtaining of permits and business registration will be streamlined.

- E1. Entrepreneurial education and learning programmes will be instituted.
- E2. Human capital development for MSMEs will be enhanced, especially for women and youth.



Figure 3 | Summary of the ASEAN Strategic Action Plan for SME Development (2016–2025) (SAP SMED 2025)

SAP SMED 2025 outlines the vision, mission, strategic goals and desired outcomes (see Figure 3). By 2025 it aims to create globally competitive, resilient and innovative SMEs that are integrated into the ASEAN community and contribute to inclusive development in the region. The five key pillars include promoting productivity, technology and innovation; increasing access to finance; enhancing market access and internationalization; enhancing the policy and regulatory environment; and promoting entrepreneurship and human capital development. The 'access to finance' pillar aims to develop and enhance an institutional framework for access to finance, and promote financial inclusion and financial literacy to engage SMEs in the finance system. One KPI includes the percentage of business loans to SMEs, for which figures were available as national data from six AMS.

Objectives and specific activities to achieve the institutional framework include:

- Improve understanding and strengthen conventional financing infrastructure.
  - Conduct roundtable discussions between SMEs, regulatory agencies and financing institutions to share current issues on access to finance, such as credit rating, credit scoring, credit bureaux, secured transaction law, microfinance, SME-focused lending, intercompany credits.
  - Facilitate AMS to develop credit rating systems.
  - Develop policy options in collaboration with relevant sectoral bodies to enhance conventional financing, such as credit guarantee schemes and trade finance.
  
- Improve the policy environment and measures to foster alternative financing by increasing availability of diversified sources of private funding.
  - Conduct a study on policy options and good practices for equity finance and alternative financing for SMEs and start-ups, and organize roundtables with various stakeholders in collaboration with relevant sectoral bodies.
  - Organize business-matching events among local SMEs and investors.
  - Develop alternative financing frameworks and an online interactive platform.
  
- Strengthen export financing facilities.
  
- Promote trade finance, such as trade credit, export-oriented loan insurance and factoring by leading financial institutions.



Objectives and specific activities to achieve financial inclusion and financial literacy include:

- Enhance outreach to promote financial inclusion and increase access to both conventional and alternative financing.
  - Share best practices to facilitate adoption of accounting rules, guidelines and schemes for MSMEs.
  - Develop microfinancing programmes for micro-enterprises.
  - Create an interactive online platform on the range of financial support available to MSMEs to minimize information gaps.

Aside from existing policies, strategies and action plans, an enabling environment encompasses existing infrastructure. This includes coordinating bodies at the ASEAN level. There are several coordinating bodies that could be used to develop and implement the new MSME finance indicators suggested in this report.

Cooperation on SME development in ASEAN began in 1995, when fostering SME development became one of the priority policy areas. The ASEAN SME Agencies Working Group (SMEWG), which consisted of representatives from SME agencies in AMS, was formed to formulate policies, programmes, and activities on SME development. In January 2016, the Working Group was renamed the ASEAN Coordinating Committee on MSMEs (ACCMSME) to integrate micro-enterprises and expand the composition of the committee to include representatives from areas outside the MSME agencies. ACCMSME meets twice a year and reports to the Senior Economic Officials Meeting under the mandate of the ASEAN Economic Ministers. The ACCMSME chairmanship rotates on a yearly basis.

The ASEAN MSME Advisory Board (AMAB), comprising private sector representatives nominated by ACCMSME, provides strategic policy inputs on MSME development to the ministers, and guidance on high priority matters to ACCMSME. It is co-chaired by the current Chair of ACCMSME and the private sector representative of the AMS holding the ASEAN Chair of the current year. In addition, ACCMSME holds regular consultation sessions with representatives of the ASEAN Business Advisory Council. Other business councils such as the United States–ASEAN Business Council have also contributed to the work of ACCMSME on specific initiatives.

The ASEAN SME Academy is an e-learning initiative targeting SMEs and MSMEs developed in collaboration with the US–ASEAN Business Council (US-ABC) and USAID. An upgraded version of the online learning platform was launched in April 2022. It aims to reach more MSMEs and accelerate their businesses recovery. It has many new features, including courses available in local languages (Bahasa Indonesia, Thai, and Vietnamese), a new, attractive visual design and self-certification opportunities. It provides access to the SME Community and Academy

Facilitators and integrates a seamless interface across both desktop and mobile platforms. Overall, the Academy's primary goal is to provide a platform for ASEAN MSMEs to develop their digital skills.

The ASEAN Committee on Women (ACW), created in 2002, recently developed the ASEAN Gender Mainstreaming Strategic Framework (2021–2025) to provide guidelines for ASEAN sectoral bodies to incorporate gender issues into their work-plans. ACW plans to work with ACCMSME to ensure that a gender lens is applied to SAP SMED 2025 initiatives. ACW also created the ASEAN Women Entrepreneurs Network (WEN) in 2014. This is a regional network of national women entrepreneurs' associations and/or MSMEs, associations, clubs and/or other economic entities owned or managed by women in all economic sectors in the ASEAN region. It aims to improve the capacity of ASEAN women entrepreneurs and boost their development and networking. A key objective of WEN is to improve access to finance for women-led MSMEs.

## **BARRIERS TO MSME FINANCE IN ASEAN**

MSMEs account for 90 percent of businesses, 60–70 percent of employment and 50 percent of GDP worldwide.<sup>2</sup> There are at least 71 million MSMEs in Southeast Asia.<sup>3</sup> MSMEs, including cottage firms (small manufacturing and home businesses), account for 99.6 percent of all enterprises, 76.6 percent of the workforce and 33.9 percent of South Asia's GDP on average.<sup>4</sup>

MSMEs in Southeast Asia were greatly affected by the COVID-19 pandemic but are slowly starting to recover. The crisis limited the supply of financing and has hindered MSME growth, possibly for decades, while the demand still exists among MSMEs.

## **BARRIERS AT THE REGULATORY LEVEL**

Barriers at the regulatory level limit the financial and digital inclusion of MSMEs. Stringent requirements such as KYC and e-KYC (e.g. ID or birth certificates), credit scoring and traditional collateral limit access to formal financial services for MSMEs, particularly for women-led MSMEs. The lack of national ID systems and/or digital national ID systems in countries such as Lao PDR exacerbates this barrier.<sup>5</sup> Poor payment systems infrastructure and interoperability is still a challenge in many of the LDCs in the region,<sup>6</sup> making it difficult for MSMEs to get paid, make payments and access DFS to support their growth. Poor digital infrastructure, such as mobile network coverage, also limits access to DFS, particularly for

<sup>2</sup> UNCTAD (2022) Resilience and Rebuilding: MSMEs for sustainable development at the forefront of building back better and stronger from the impacts of the COVID-19 pandemic, climate crisis, and conflicts. MSME Day 2022. Geneva, Switzerland: United Nations Conference on Trade and Development (<https://unctad.org/meeting/msme-day-2022-0> accessed 17 April 2024).

<sup>3</sup> ADB (2022) Realizing the potential of over 71 million MSMEs in Southeast Asia. Metro Manila, Philippines: Asian Development Bank (<https://seads.adb.org/solutions/realizing-potential-over-71-million-msmes-southeast-asia> accessed 17 April 2024).

<sup>4</sup> ADB (2021) More growth capital needed for micro, small and medium-sized businesses in Asia post-pandemic. Metro Manila, Philippines (<https://www.adb.org/news/more-growth-capital-needed-micro-small-and-medium-sized-businesses-south-asia-post-pandemic> accessed 17 April 2024).

<sup>5</sup> ESCAP (2021) Enhancing Digital G2P Transfer Capacities in Asian LDCs. Bangkok, Thailand: United Nations Economic and Social Commission for Asia and the Pacific (<https://www.unescap.org/kp/2022/enhancing-digital-g2p-transfer-capacities-asian-lDCs> accessed 17 April 2024).

<sup>6</sup> Ibid.

MSMEs in rural areas where the majority operate (72–85 percent).<sup>7</sup> Furthermore, a lack of sex-disaggregated data makes it difficult to achieve financial and digital financial inclusion for women-led MSMEs at the regulatory level.

### **BARRIERS AT THE SUPPLY LEVEL**

Barriers at the supply level also limit the financial and digital financial inclusion of MSMEs. This includes products designed appropriately for MSMEs, including adequate loan sizes that will facilitate enterprise growth. MSMEs are typically too large to receive financing from MFIs due to loan ceilings, but also below the radar for local commercial banks, venture capital or private equity, a problem commonly referred to as the 'missing middle'. Three key drivers contribute to the missing middle challenge for MSMEs: high transaction costs, perception of MSMEs as a risky market segment, and lack of investment readiness.<sup>8</sup> Some products and services are inappropriate for women-led MSMEs, as they have limited operating hours and access points. A lack of sex-disaggregated data at the supply level also makes it difficult to achieve financial and digital financial inclusion for women-led-MSMEs.

Many FSPs and fintechs have limited distribution channels, large transaction costs and high agent fees, in addition to agents lacking the full range of transactions. More vulnerable MSMEs, such as women and youth, are viewed as risky market segments, particularly by traditional FSPs. In addition, the fintech ecosystems in LDCs are nascent compared with the developing and developed countries in Asia, and, importantly, more catalytic finance is needed to accelerate national fintech solutions and offer a suite of inclusive DFS that serve all MSMEs.

### **BARRIERS AT THE DEMAND LEVEL**

At the demand level, the low financial and digital capability of MSMEs limits their ability to access and use financial services and DFS, particularly for women-led MSMEs. Qualitative research conducted in seven ASEAN Plus Three (APT) countries<sup>9</sup> revealed that a key barrier to finance for women-led MSMEs is low financial and digital literacy. This included limited understanding of bank processes and available financing solutions, unclear future projections, and uncertainty on how to approach the right type of capital for their businesses.<sup>10</sup> The research also revealed that women-led MSMEs were reluctant to adopt alternative financing options such as P2P lending due to unfamiliarity with the regulations or limited awareness.<sup>11</sup> This can lead to a perceived lack of need or distrust of formal financial services, often seen as risk aversion, causing women-led MSMEs to prefer informal loans or savings. Women-led MSMEs often prefer more accessible 'Tong Tins'

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7 ADB (2022) Realizing the potential of over 71 million MSMEs in Southeast Asia. Manila, the Philippines: Asian Development Bank.

8 UNCDF (2021) Addressing the 'Missing Middle' challenge in Least Developed Countries. New York, USA: United Nations Capital Development Fund (<https://www.uncdf.org/article/6520/addressing-the-missing-middle-challenge-in-least-developed-countries> accessed 17 April 2024).

9 ASEAN Plus Three (APT) consists of the 10 AMS, the People's Republic of China, Japan and the Republic of Korea.

10 Konrad-Adenauer-Stiftung (2022) Access to Financing Through Digitalization: New opportunities for women-owned SMEs. Foundation Office Japan/Regional Economic Programme Asia (<https://www.kas.de/en/web/japan/single-title/-/content/access-to-financing-through-digitalization-new-opportunities-for-women-owned-smes> accessed 17 April 2024).

11 Ibid.



in Cambodia, which are like rotating savings and credit associations (ROSCAs), since banks usually require excessive collateral, but offer insubstantial interest.<sup>12</sup> Other demand-side barriers such as lack of credit history and financial reporting mechanisms or concerns about data privacy are often related to low digital and financial capabilities.

### **BARRIERS FOR WOMEN-LED MSMEs**

Additional demand barriers affecting the growth of women-led MSMEs include cumbersome business registration requirements, lower participation in decision-making processes and limited digital skills. In addition, the time gap between invoicing and payment negatively affects the cash flow of all women-led MSMEs, forcing them to find alternatives to maintain a stable cash flow.<sup>13</sup>

Access to finance is a more acute problem for women-microentrepreneurs in the region, as they often operate in a more informal environment and are concentrated in sectors that have been heavily affected by the COVID-19 pandemic (i.e. the garment and agriculture sectors). In addition, social and cultural norms limit the ability of women-led MSMEs to own land or other assets that can be used as collateral, to own a mobile phone and access the internet, and to open an account independently of their spouse. They also face limits to their mobility (i.e. distance to the bank, safety concerns), their business networks and their decision-making power within the household. All these factors limit their ability to access and use formal and digital financial services. More than half of the 2.4 billion women of working age who do not have equal economic opportunities live in East Asia and the Pacific, and South Asia has the second-lowest average score (63.7 out of 100) on the World Bank Women, Business, and the Law 2023 index.<sup>14</sup>

### **RECOMMENDATIONS TO PROMOTE FINANCIAL INCLUSION OF MSMEs**

SAP SME 25 illustrates the lack of a standardized definition of MSMEs across AMS. There are three main indicators: number of employees, sales/annual revenue, and assets. The number of employees varies from less than 4 to less than 10. The assets range from less than 50 million to 200 million, while sales range from less than 300 million to 400 million. Annual revenue or capital in Viet Nam depends on the sector (e.g. less than VND3 billion for the agriculture sector and less than VND 10 billion for trade and services).

A mid-term evaluation of the action plan, conducted in 2019, revealed significant progress, with more than 80 percent of the 62 planned actions completed or in the process of implementation. However, some key informants indicated a lack of awareness of the plan or its progress in benefiting MSMEs. Others indicated challenges in achieving the outcomes due to resource constraints and limited

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> World Bank (2023) Women, Business, and the Law 2023. Washington, DC: World Bank (<https://openknowledge.worldbank.org/bitstreams/b60c615b-09e7-46e4-84c1-bd5f4ab88903/download> accessed 17 April 2024).

capacities. Another key challenge is the limited digital skills of MSMEs to adopt digital technology and e-commerce.

A key priority of digital transformation in all AMS emerged, including the following.

- Provide online services to support the ease of doing business and regulatory compliance.
- Support fintech adoption for increased access to financing, debt financing, P2P lending and equity crowdfunding.
- Provide regional initiatives for capacity-building for digital upskilling, new skilling and reskilling.

Some key recommendations to further develop the MSME sector included the following:

- Build strong collaboration and coordination between ACCMSME and other implementation stakeholders (see chapter 3), including key ASEAN sectoral bodies and the private sector, to share resources and expertise.
- Realign resources towards the top three priorities for the region in the next five years: (i) access to markets such as the e-market space; (ii) access to both finance and policies that encourage cross-border payments for digital interactions; and (iii) access to mentorship and skills-building.
- Establish a more robust M&E system to measure short- and medium-term outcomes.

There are several areas where AMS could concentrate their efforts to promote the financial and digital financial inclusion of MSMEs based on global challenges and best practices at the regulatory, supply and demand levels (Table 2). These areas are related to some of the desired characteristics of financial services at the demand level: access, flexibility, and affordability. They are also related to systemic changes at the supply level, due mainly to inappropriate financial products tailored to different target segments (e.g. client centricity, innovation, segmentation, standardization, and capacity-building), and at the policy level, due mainly to prioritizing MSMEs as a key segment in national policies, systems and programmes (e.g. prioritization, incentivization, innovation, access, cooperation, capacity-building and interoperability). These recommendations form the basis of the proposed set of new indicators for MSME finance (see chapter 2).

Table 2 | Recommendations to promote financial inclusion of MSMEs

CHALLENGES	OPPORTUNITIES	THEME
Lack of prioritization of MSMEs as a key market segment for national policies, programmes, and systems	<p>Propose national MSME policy</p> <p>Integrate MSMEs as a key target group in NFIS/NFES</p> <p>Review lending quotas for MSME sector</p> <p>Lower provisioning ratio of unclassified loans to MSMEs and liquidity requirements</p> <p>Introduce tax incentives for MSMEs</p>	<p>Prioritization</p> <p>Incentivization</p>
Lack of access to financial services	<p>Promote tiered KYC for MSMEs</p> <p>Introduce universal ID and universal digital/biometric ID</p> <p>Promote the use of credit guarantee scheme</p>	Access
Inappropriate product design	<p>Introduce regulations to simplify loan processes, turnaround and documentation</p> <p>Promote guidelines on appropriate lending thresholds to MSMEs</p>	Client-centricity
Lack of credit history Unstable cash flow Lack of collateral	<p>Propose regulatory framework for alternative financing models (i.e. invoice financing/factoring)</p> <p>Create partnerships with FSPs and fintechs, telcos, e-commerce platforms, digital payment providers (in-platform loans)</p> <p>Introduce MSME invoice discounting platform</p> <p>Promote alternative credit assessments i.e. digital data streams (payments, social media, e-commerce purchases)</p> <p>Introduce collateral registry for moveable and intangible assets (e.g. livestock, accounts receivable equipment and intellectual property) to secure loans</p> <p>Propose leasing policy: access finance by leasing or hiring an asset</p> <p>Propose warehouse receipt policy to secure loans for MSMEs</p> <p>Introduce regulatory sandboxes to test alternative financing models</p>	<p>Cooperation</p> <p>Innovation</p> <p>Flexibility</p>
Inability to make/receive payments High costs to make/receive payments	<p>Propose national payment system legal framework adheres to principles of interoperability and affordability of retail payments</p> <p>Promote credit reporting across borders</p> <p>Leverage regulatory sandboxes to test innovative payment solutions</p>	<p>Interoperability</p> <p>Affordability</p>
High costs of cross-border trade	<p>Promote usage of pre-shipment export finance guarantee scheme to reduce transaction costs to export-based MSMEs through guaranteed fees</p>	Affordability



CHALLENGES	OPPORTUNITIES	THEME
Lack of consensus and coordination among MSME stakeholders	<p>Create working group for MSME sector, governance structure with leadership/champions, cross-agency oversight or monitoring structure</p> <p>Build capacity of regulators and FSPs in MSME sector</p>	<p>Coordination</p> <p>Capacity-building</p>
Lack of consistent MSME policies	<p>Standardize definition of MSMEs</p> <p>Enhance MSME finance policies by considering business size, maturity, business model and cash flow cycles</p> <p>Propose dedicated MSME law</p>	<p>Standardization</p> <p>Segmentation</p>
Low digital and financial literacy of MSMEs	<p>Integrate MSMEs as key target group in NFES</p> <p>Develop digital financial programmes through touchpoints and existing platforms/groups (e.g. social media channels, e-commerce; WhatsApp groups, Facebook groups for business associations)</p>	Financial and digital financial capability
Lack of gender-transformative MSME policies	<p>Standardize definition of women-led MSMEs</p> <p>Promote collection and use of sex-disaggregated data</p> <p>Promote usage of gender-focused financing/ guarantee schemes</p> <p>Mainstream gender equality policies across all major SME policymaking agencies</p> <p>Introduce regulations that encourage target-based lending</p> <p>Promote development of female agents</p>	<p>Segmentation</p> <p>Gender equality</p>

Malaysia and Singapore created fintech ‘sandboxes’ as early as 2016, and Brunei Darussalam, Indonesia and Thailand followed suit in 2017. Meanwhile, the Philippines started with a ‘test and learn’ approach in the early 2000s to support the formation of an enabling environment that is strongly conducive to the growth of mobile money, in cooperation with non-bank entities (e.g. telcos). This strategy led to guidelines on the issuance of e-money and the operations of e-money issuers in the Philippines in 2009 and provided transparency on the regulatory framework for mobile money. The Philippines institutionalized its Regulatory Sandbox Framework with the Bangko Sentral ng Pilipinas (BSP) issuance of BSP Circular No. 1153 in 2022. These regulatory sandboxes should be leveraged to test innovative payment solutions and alternative financing models.

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## 02. A FRAMEWORK FOR DEEPENING THE MONITORING OF MSME FINANCE

### NEW PROPOSED INDICATORS

The regional financial inclusion framework expands on the frameworks established in 2020 and 2021. In 2020, the indicators focused on measuring access (e.g. points of service, access points and connectivity), usage (e.g. adults with an account, savings, credit, payments and insurance), quality (e.g. appropriateness, value, affordability, financial literacy, consumer protection, indebtedness and choice) and impact indicators (e.g. segmental, national and global) of financial inclusion. In 2021, this framework was expanded to measure inclusive growth indicators (e.g. macroeconomic context, education, access to basic services, health care, entrepreneurship, redistribution, financial sector development and unemployment).

In 2022, the framework was expanded further to measure financial capabilities based on a staged approach. The new proposed MSME finance indicators (Table 3) are based on the previously cited recommendations aligned with global best practices and existing indicators proposed by the Alliance for Financial Inclusion and the Organisation for Economic Co-operation and Development (OECD) (see Table 3).<sup>15</sup> It is also closely aligned with OECD's ASEAN SME Policy Index 2018.<sup>16</sup> The indicators are divided into the following categories, which are key drivers of financial inclusion for MSMEs:

- Access to finance
- Usage
- Public support for MSMEs
- Digital finance/alternative finance (innovation)
- Coordination
- Collaboration
- Financial capabilities
- Gender.

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<sup>15</sup> AFI (2022) SME Finance Guideline Note (V.2). Kuala Lumpur, Malaysia: Alliance for Financial Inclusion (<https://www.afi-global.org/publications/sme-finance-guideline-note/> accessed 17 April 2024); AFI (2021) Policy Model for MSME Finance. Kuala Lumpur, Malaysia: Alliance for Financial Inclusion (<https://www.afi-global.org/publications/policy-model-for-msme-finance/> accessed 17 April 2024); AFI (2021) A Policy Framework for Women-led MSME Access to Finance. Kuala Lumpur, Malaysia: Alliance for Financial Inclusion (<https://www.afi-global.org/publications/a-policy-framework-for-women-led-msme-access-to-finance/> accessed 17 April 2024); OECD (2022) Financing SMEs and Entrepreneurs: An OECD scoreboard. Paris, France: Organisation for Economic Co-operation and Development (<https://www.oecd.org/cfe/financing-smes-and-entrepreneurs-23065265.htm> accessed 17 April 2024).

<sup>16</sup> OECD's ASEAN SME Policy Index has eight policy areas or dimensions: (1) productivity, technology and innovation; (2) environmental policies and SMEs; (3) access to finance; (4) access to market and internationalization; (5) institutional framework (SME definition, coordination, policy design); (6) legislation regulation and tax; (7) entrepreneurial education and skills; and (8) social enterprises and inclusive SMEs (<https://www.oecd.org/investment/sme-policy-index-asean-2018-9789264305328-en.htm>). UNCDF's MSME finance framework is aligned most closely with dimensions 1, 3, 5 and 8.

**Table 3 |** New proposed MSME finance indicators

THEME	INDICATOR	STATUS OF INDICATOR
Access to finance	Number of standardized definitions of MSMEs	New
	Percentage of MSME loans in total banking system loans	Existing
	Percentage of MSMEs with account at financial institution	Existing
	Share of new MSME lending as a percentage of total loans	New
	Percentage of MSME borrowers with collateral	New
	Interest rate spread between small and large enterprises	New
	Number of SMEs with deposit accounts	New
	Number of moveable collateral registries	New
	SME financing gap	New
	Number of QR systems	New
Usage	Percentage of MSMEs that report using an account at a financial institution	New
	Percentage of MSMEs that report using a mobile account	New
	Number of MSME loans	Existing
	Percentage of MSMEs with outstanding loan or credit	New
	Value of MSME loans	Existing
	Volume of digital payments for MSMEs	New
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	New
	MSME loan guarantee as a percentage of MSME loans	Existing
	MSME loan guarantees (value)	New
	MSME direct government loans/loan funds (value)	New
	Number of tax incentives for MSMEs	New
	Number of pre-shipment export guarantee funds for export-based MSMEs	New
Digital finance/ alternative finance	P2P lending (volume, percentage share of total loans)	New
	Venture and growth capital investments (volume, percentage of total financing)	New
	Leasing and hire purchases (volume, percentage of total financing)	New
	Factoring and invoice discounting (volume, percentage of total financing)	New
	Number of regulatory sandboxes for MSME finance	New
Coordination	Number of working groups for MSMEs	New
	Number of regulatory meetings focused on MSMEs annually	New
	Number of capacity-building sessions for regulators/FSPs on MSME finance	New
	Number of ministries working together to promote financial inclusion of MSMEs	New
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>17</sup>	New
	Number of partnerships with MSME-focused organizations/ business associations	New
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	New

<sup>17</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.



THEME	INDICATOR	STATUS OF INDICATOR
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	New
	Percentage of MSMEs that have at least one formal financial service	New
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	New
Gender	Number of loans to women-owned MSMEs	New
	Percentage of women MSMEs that have at least one formal financial service <sup>18</sup>	Existing/Revised
	Value of loans to women-owned MSMEs	New
	Percentage of women-owned MSME loans in total banking system	New
	Number of partnerships with female-focused organizations/ women's business associations	New
	Percentage of nonperforming loans from women-owned MSMEs	New
	Number of loan funds/loan schemes targeting women-owned MSMEs	New

Table 4 presents the limited MSME finance data from 2021 that were reported by AMS for the 2022 Measuring Progress report. Five of the eight countries reported two to four data points on MSMEs.

Table 4 | MSME finance data 2021

Country	Number of MSME loans	Value of MSME loans	Percentage of MSME loans in total banking system loans	MSME loan guarantees as a percentage of MSME loans (value)	Proportion of MSMEs/ farmers enabled through financial inclusion
Brunei Darussalam	2,131	BND 332 million			
Indonesia	33.46 million	IDR 1,223,433 billion			
Malaysia				61.12%	
Philippines		PHP 470.1 billion	4.57	0.04% (2020)	
Viet Nam	992,335	VND 1,852,411 billion		45.27%	

Source: Measuring Progress Report 2022

## FINANCIAL INCLUSION RATES CONTINUE TO RISE ACROSS ALL AMS

Financial inclusion rates continued to rise across most AMS in 2022, as measured by the number of adults with an account at a financial institution. The exceptions were Brunei Darussalam, where there was a slight decrease (85 to 83 percent), and Cambodia, where there was a more significant decrease (20.6 to 14.73 percent). The financial inclusion rates range from 14.73 (Cambodia) to 96.8 percent (Malaysia). Lao PDR showed a significant 65 percent increase in its

<sup>18</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.

financial inclusion rate (from 45 to 74 percent). In the Philippines, account ownership among adults stood at 56 percent in 2021, and interim figures from the Consumer Expectation Survey (CES) reveal account ownership among households reached 65 percent in 2022.<sup>19</sup> There was an increase in financial inclusion rates in both Thailand (from 87.2 to 89.6 percent), Indonesia (from 83.6 to 85.1) and Viet Nam (from 74.63 to 77.41 percent). In the case of Brunei Darussalam, the decrease in financial inclusion rate can be attributed to an increase in the adult population.

The growth of financial inclusion can be attributed to growth in digital access points, such as ATMs, debit cards, mobile money agents and mobile banking. For example, in Brunei Darussalam, the number of debit cards per 1,000 adults increased by 22 percent year on year. This was attributed primarily to one deposit-taking institution, which began offering debit card facilities to its customers in 2022. It is also interesting to note a decrease in the number of physical access points across many of the AMS as more priority is given to digital access.

In the Philippines, growth can be attributed to a nearly doubling of the number of basic deposit accounts<sup>20</sup> (from 7.9 million to 15.3 million in 2022). The BSP has simplified documentary requirements for account opening and capped the minimum opening deposit at PHP 100 (approximately US\$1.75), with no maintaining balance and no dormancy charges.

In Indonesia, the growth in 2022 can be attributed to the 31 percent increase of bank accounts, 68 percent increase in credit account, and 14 percent increase in the student account compared to 2021.

## **DIGITALIZATION OF THE FINANCIAL SECTOR IS LED BY DIGITAL PAYMENTS**

As mentioned previously, there has been an increase in the number of digital access points such as ATMs, POS terminals, mobile agents, and mobile money accounts across most AMS. This has mainly been due to prioritizing the interoperability of the payment systems in most AMS, including the development and advancement of national QR code systems through, for example, Bakong in Cambodia and Quick Response Code Indonesian Standard (QRIS) in Indonesia. More than 90 percent of QRIS merchants are MSMEs. The annual growth rate of payments via mobile channels, internet channels and QR codes increased significantly in Viet Nam. In 2022, the number of transactions via mobile channels, internet channels and QR codes increased by 139, 98 and 225 percent, respectively, and the value of transactions by 107, 50 and 244 percent, respectively, compared with 2021.

<sup>19</sup> The survey on financial inclusion among Filipino adults is conducted biennially. The latest available data is from 2021 and 2022 is not a designated survey year. The next survey results for 2023 is targeted to be released in 2025.

<sup>20</sup> The basic deposit account is an affordable and easy-to-open account designed for the unbanked.

In the Philippines, the electronic fund transfer service InstaPay reported an increase in the volume of digital payments of 21 percent in 2022, attributed partly to cheaper InstaPay fees.

This will help the Philippines advance further towards the BSP Digital Payments Transformation Roadmap (DPTR) target of converting 50 percent of all retail payments to digital form by the end of 2023.

Another key digitalization lever is the growth in the number of mobile money accounts, which leads to a growth in mobile money transactions. In Lao PDR, the number of registered mobile money accounts increased almost six-fold from 2022, while the number of mobile money transactions nearly doubled in Lao PDR and Thailand (up to 40 million per 100,000 adults) and more than doubled in the Philippines. In the Philippines, the number of registered mobile money accounts per 100,000 adults jumped by 48 percent in 2022 (from 221,866 accounts in 2021 to 328,192 accounts in 2022), while the number of mobile money transactions per 100,000 adults more than doubled in 2022. The growth in the number of mobile money accounts and transactions was facilitated by an increase in access to the internet and mobile phone penetration across most AMS and far surpassed the growth in the number of traditional financial accounts.

In Indonesia, the number QRIS merchants has increased significantly about 62 percents from 2021 to almost 24 million merchants, while the number of registered e-money has increased 35 percents to 135.4 millions users in 2022.

## **AMS CONTINUE TO MAKE PROGRESS IN FINANCIAL AND DIGITAL FINANCIAL CAPABILITY**

AMS continue to make progress in financial capability according to their national strategies, roadmaps, and plans. Cambodia's Digital Financial Literacy Roadmap (2023–2028) targets youth and women with a focus on sex- and age-disaggregated data and was developed in collaboration with the Alliance for Financial Inclusion (AFI). Cambodia has also developed a first draft of the Financial Education framework which is currently under review by the working group and is in the process of integrating financial education into the national curriculum. Thailand has also developed a financial literacy competency framework for each target group.

Most AMS continue to target marginalized groups with financial education. These groups include youth and vocational students (Thailand), low-income families and micro businesses (Indonesia), women, people in rural areas, casual workers, and garment workers (Cambodia), MSMEs, market vendors and transport associations (Philippines), and farmers and people with disabilities (Thailand). They are also targeting government employees (Thailand) and overseas workers (Philippines). Financial education is delivered to these target groups through a range of channels to raise awareness and provide direct training through social

media, websites, campaigns, radio, face-to-face training, mentors/trainers, roadshows, videos, comic strips, and sign language video clips (Thailand). National campaigns are often promoted during National Savings Day, World Investor Week and ASEAN Savings Day.

Several AMS continue to focus on such traditional financial capability topics as financial and debt management, financial planning and investments, while many have recently begun to focus on consumer protection and digital financial literacy topics (e.g. digital payments, cybersecurity and financial scams such as phishing, get-rich-quick schemes and unlicensed moneylending).

In Malaysia, during Financial Literacy Month (FLM) held annually in October, the Financial Education Network (FEN) has successfully engaged more than 20,000 people through nationwide roadshows. During the roadshows, FEN's mobile coach travelled to various locations across the country, providing free and independent financial education resources, including advisory services on personal financial management, digital financial literacy and debt management targeting rural youth from higher learning institutions including TVETs. FLM raised awareness on cyber-hygiene and digital financial literacy, in addition to showcasing the benefits and responsible usage of digital payments via the 'e-Duit' campaign. Bank Negara Malaysia (BNM) shared valuable experiences and insights during workshops with the Bank of Lao PDR and Bank Indonesia, as well as at the Alliance for Financial Inclusion Global Policy Forum in Jordan, showing the importance of P2P learning to advance financial capabilities among the AMS.

Financial literacy rates have increased in Indonesia (from 38 in 2019 to 50 percent in 2022) and Malaysia (from 59.7 percent to 61 percent in 2022). The Bank of Thailand (BOT), in collaboration with the National Statistical Office, conducted a survey of the financial literacy levels of Thais in accordance with the OECD framework. This consisted of three components: financial behaviour, financial knowledge, and financial attitudes. The results of the 2022 survey indicate a continuous improvement in the financial literacy levels of Thais, with an average score of 71.4 percent, up from 67.4 in 2020 and higher than the average OECD score of 60.5 percent.

In the Philippines, 10 of the 12 target government partners<sup>21</sup> have committed to formally incorporate financial education into their systems through a memorandum of agreement. Seven of them have issued separate official directives mandating the inclusion of financial education in curriculums, career courses, training and orientation sessions for their employees or beneficiaries. Meanwhile, 6 of the 10 partners have already achieved at least 50 percent of the commitments outlined in their respective memoranda of agreement.

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<sup>21</sup> Department of Education Commission on Higher Education, Technical Education and Skills Development; Department of Agriculture Bureau of Fisheries and Aquatic Resources; Department of Agriculture Agricultural Credit Council; Department of Social Welfare and Development; Department of Trade and Industry; Overseas Workers and Welfare Administration; Civil Service Commission; Armed Forces of the Philippines; Bureau of Fire Protection; and Philippine National Police.



# 03. CURRENT STATE OF MSME FINANCE

## OVERVIEW OF MSME FINANCE

Most AMS define MSMEs as having fewer than five employees, except for the Philippines (1 to 9) and Viet Nam (1 to 10). They are also defined based on total assets and/or annual sales or turnover (Table 5).

Table 5 | Defining MSMEs in AMS

	MICRO			SMALL			MEDIUM		
	Number of employees	Total assets	Annual Sales/turnover	Number of employees	Total assets	Annual sales/turnover	Number of employees	Total assets	Annual sales/turnover
Brunei Darussalam	0–4	<BND 60,000	<BND 100,000	5–19	<BND 600,000	<BND 1 million	20–99	<BND 3 million	<BND 5 million
Cambodia	1–2 <sup>22</sup>	<KHR 50,000		3–49	KHR 50,000–500,000		50–499	KHR 500,000 – 1 million	
Indonesia	1–5 <sup>23</sup>	<IDR 1 billion	<IDR 2 billion	6–19 <sup>24</sup>	IDR 1–5 billion	IDR 2–15 billion	20 – 99 <sup>25</sup>	IDR 5–10 billion	IDR 15–50 billion
Lao PDR	1–5	<LAK 120–240 million <sup>26</sup>	<LAK 400 million	6–50	<LAK 1.2 million	<LAK 3 million	51–99	<LAK 4.8 million	<LAK 6 million
Malaysia	<5		<MYR 300,000	5–29 <sup>27</sup> , 5–74 <sup>28</sup>		MYR 300,000 – 3 million <sup>29</sup> , MYR 300,000 – 15 million <sup>30</sup>	30–75 <sup>31</sup> , 75–200 <sup>32</sup>		MYR 3 million–20 million <sup>33</sup> , MYR 3 million – 50 million <sup>34</sup>
Philippines	1–9	Not more than PHP 3 million		10–99	PHP 3,000,001 – 15 million		100–199	PHP 15,000,001 – 100 million	
Thailand	1–5		<THB 18 million	<50		<THB 50 million	51–200		THB 50 million – 200 million
Viet Nam	1–10	<VND 3 billion	<VND 3 billion; <VND 10 billion <sup>35</sup>	11–100	<VND 20 million; <VND 50 million <sup>36</sup>	<VND 50 million; <VND 100 million <sup>37</sup>	101–200	<VND 100 billion	<VND 200 billion; <VND 300 billion <sup>38</sup>

Note: See Table 4 for currency codes, plus KHR = Cambodian riel; LAK = Laotian kip; MYR = Malaysian ringgit; THB = Thai baht.

22 This pertains to the manufacturing; agriculture, forestry and fishing and the wholesale and retail trade sectors. For other sectors it is defined as 1–4 or 1–9 employees. This is the definition after 2020.

23 Source: Indonesia Statistics Bureau (BPS)

24 Source: Indonesia Statistics Bureau (BPS)

25 Source: Indonesia Statistics Bureau (BPS)

26 LAK 120 million is for the manufacturing sector, LAK 180 million is for the trade sector, and LAK 240 million is for the service sector.

27 For services and other sectors.

28 For the manufacturing sector.

29 For services and other sectors.

30 For the manufacturing sector.

31 For services and other sectors.

32 For the manufacturing sector.

33 For services and other sectors.

34 For the manufacturing sector.

35 For the commerce and services sector.

36 For the commerce and services sector.

37 For the commerce and services sector.

38 For the commerce and services sector.

## ACCESS TO AND USAGE OF FINANCE FOR MSMEs

In terms of access to finance, the proportion of MSMEs in the total loan portfolio for AMS ranges from 5 to 22 percent. In Thailand, MSME loans constitute 22 percent of the overall loan portfolio in the banking system, with 21 percent in Indonesia, 19 percent in Vietnam, 16 percent in Malaysia, 12 percent in Lao PDR and 4 percent in the Philippines. The value of MSME loans as a proportion of the total loan portfolio in the banking system is relatively low across most AMS, ranging from the lower end of 4–5 percent (Brunei Darussalam and the Philippines) to the middle range of 12–16 percent (Lao PDR and Malaysia) and the upper range of 19–22 percent (Viet Nam and Thailand). More than half of MSMEs in Malaysia have collateral (50.24 percent). National QR systems in Malaysia, the Philippines and Thailand also help promote the financial inclusion of MSMEs in these countries.

There are still barriers to financial access for MSMEs to accessing finance such as higher interest rates. The interest rate spread is relatively lower in Thailand (1.2 percent) and in the higher range in other AMS (6.5–11.5 percent). In terms of usage of financial services by MSMEs, data are more limited. In the Philippines, 52 percent of MSMEs are using an account at a financial institution, while 30 percent use merchant and business chequing accounts. In Malaysia, 90 percent of MSMEs report using an account at a financial institution, while 65 percent report using a mobile account.

In terms of credit usage, in Thailand, 41 percent of MSMEs have active loans or credit with formal financial institutions, while in Malaysia this figure is 29 percent. The proportion of new lending to MSMEs is 2.6 percent of the entire loan portfolio in Brunei Darussalam, 8.7 percent in Thailand, and much higher in Malaysia at 20.7 percent.

Sex-disaggregated MSME finance data are limited. In the Philippines, 84.8 percent of women-led MSMEs had an outstanding loan or line of credit in financial institutions. More than half (52.2 percent) of surveyed women-led MSMEs indicated that they have access to at least one formal financial service/product. However, the survey also revealed that fewer women-led MSMEs (50.8 percent) than men MSMEs (73.3 percent) frequently used any form of banking services and digital tools for their business.

## POLICY REGULATIONS TO PROMOTE FINANCIAL INCLUSION OF MSMEs

Recent regulations at the policy level in AMS promote financial inclusion of MSMEs. These include the Small and Medium Enterprise Development Policy and Five-year Implementation Plan (2020–2024) in Cambodia that aims to: enhance the MSME policy and regulatory environment; promote productivity, technology, and innovation; promote entrepreneurship and human capital development;

enhance foreign market access and internalization; and increase access to finance. The MSME Development Plan in Lao PDR (2021–2025) aims to improve the enabling environment for MSMEs, enhance their competitiveness and sustainable growth, and enable their integration into regional and international markets. The MSME Development Plan in the Philippines (2017–2022) has three focus areas: business environment, business capacity and business opportunities. It has five strategic goals: (i) improved business climate; (ii) improved access to finance; (iii) enhanced management and labour capacities; (iv) improved access to technology and innovation; and (v) improved access to markets. In Indonesia, besides a chapter regarding financial inclusion and financial literacy, the Law No.4 of 2023 also regulated ease of access to financing for MSMEs.

### **PUBLIC SUPPORT PROGRAMMES FOR MSMEs**

There are public support programmes in place for MSMEs in some countries, which include loan guarantees and tax incentives. The proportion of MSME loans with guarantees in Thailand is 17 percent. Indonesia has a credit subsidy scheme known as Kredit Usaha Rakyat (KUR). This reached 97 percent of the target in 2022, with a 30 percent increase from 2021. Lao PDR is in the process of establishing a credit guarantee facility for MSMEs. In the Philippines, the Credit Surety Fund is a credit enhancement scheme providing a maximum guarantee of 80 percent to loans granted by banks to MSMEs. Malaysia has six loan funds and schemes targeting women-led MSMEs within the financial institutions.<sup>39</sup> The Vietnamese government established a credit guarantee scheme in 2001, managed by local governments, to back the loans taken out by SMEs and facilitate their access to credit. It also established the SME Development Fund in 2013, with an initial capitalization of VND 2 trillion from the state budget. The Fund provides 80 percent of the loan amount through partner banks, with interest rates capped below market rates. Thailand provides credit guarantees for banks and non-banks through the Thai Credit Guarantee Corporation. It was established in 1991, and in 2017 an amendment added guarantees for non-banks and factoring and hire-purchase leasing used for business purposes, for which the banks hold more than 51 percent of the shares.

In Lao PDR, MSMEs with incomes of less than LAK 50 million are exempt from income tax. In the Philippines, tax incentives are provided to MSMEs through: (i) the National Income Revenue Code of 1997; (ii) corporate recovery and tax incentives for enterprises; (iii) the Barangay Micro Business Enterprises Act of 2022; and (iv) the Bayanihan to Heal as One Act. Cambodia also has tax incentives for MSMEs that include zero percent tax on income for three years on newly established enterprises or from the date of a tax registration update for existing enterprises and milled rice exporting businesses.

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<sup>39</sup> This number may not be exhaustive, there are additional schemes and programmes under overall national initiatives

In the Philippines, BSP is implementing several interventions to strengthen the credit infrastructure (e.g. credit risk database, credit surety fund),<sup>40</sup> promote innovative financing approaches (e.g. movable asset financing) and address information gaps (e.g. standard business loan application form)<sup>41</sup> to enhance financial inclusion for MSMEs and enable financial institutions to better understand the broader needs of MSMEs.

In addition to the credit subsidy scheme offered through KUR, the Indonesian government promotes access to financial services for MSMEs through various programmes, including the Ultra Micro Financing Programme (Ultra Mikro or UMi) and the Revolving Fund Management Institution for Cooperatives and MSMEs (Lembaga Pengelola Dana Bergulir Koperasi dan UMKM or LPDB-KUMKM). The government launched UMi as one of its national priority programmes to facilitate the growth and development of ultra-micro enterprises, enabling them to become bankable and make a more significant contribution to the Indonesian economy. LPDB-KUMKM manages revolving funds for MSME financing and acts as an integrator to accelerate the development of microfinance industries in different regions.

In Malaysia, BNM realigned the focus of its fund for SMEs in complementing banks' provision of finance to MSMEs, particularly to provide more support to future MSME growth in strategic areas and move them up the economic value chain. The Low Carbon Transition Facility (LCTF) introduced in 2022 provides financing to SMEs for the purposes of improving energy efficiency, increasing use of sustainable materials for production, and obtaining sustainability certification. The total allocation for the LCTF is MYR 2 billion, comprising MYR 1 billion from BNM and another MYR 1 billion matched by participating banks from their own funds. Under the LCTF, BNM has also established the Greening Value Chain Programme, which combines funding with technical training, on-site assessments, and access to measurement software. The High Tech and Green Facility was introduced at the end of 2020 and incentivizes businesses to invest in digital technology, green technology, and biotechnology.

## FINANCIAL AND DIGITAL FINANCIAL CAPABILITIES OF MSMEs

There is a definite need to build the financial and digital financial capabilities of MSMEs in AMS. The proportion of MSMEs with nonperforming loans ranges from 4 percent in Malaysia to the middle range of 7–9 percent (7 percent in Thailand, 9 percent in the Philippines) and the upper range of more than 10 percent (13 percent in Brunei Darussalam).

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<sup>40</sup> BSP, in partnership with the Japan International Cooperation Agency, rolled out the Credit Risk Database Project in April 2022, which aims to improve access to finance for SMEs by lessening banks' dependence on collateral and promoting risk-based lending.

<sup>41</sup> The Standard Business Loan Application Form is designed to make the loan application process simple and borrower-friendly, and provide much-needed granular and sex-disaggregated MSME data.



Some AMS measure the percentage of MSMEs with digital payment capabilities. This is high in Malaysia at 92 percent,<sup>42</sup> but much lower in the Philippines at 35 percent. The Philippines has 38 government programmes promoting the financial inclusion and digital financial capabilities of MSMEs. These priority initiatives are geared towards achieving the following strategic objectives of the National Strategy for Financial Inclusion (NSFI) 2022–2028:

- Promoting inclusive digital finance through promotion of PhilSys and insurtech adoption, an industry sandbox for digital finance innovations, a shared agent network framework, alternative data for credit evaluation, and development of interoperable ‘offline’ digital payment solutions, among others.
- Strengthening financial education and consumer protection by developing a common framework for various financial literacy programmes, strengthening prudential regulation and supervision and market conduct capabilities of financial regulators, and developing innovative platforms for financial literacy training.
- Enhancing access to risk protection and social safety nets by adopting digital solutions for social safety net programmes, promoting the development of micro-insurance products, and scaling up delivery of social housing finance, among others.
- Enhancing the agriculture and MSME financing ecosystem by expanding guarantee and insurance programmes for priority market segments, including women-owned and women-led enterprises, strengthening credit infrastructure (e.g. credit registries and databases, credit surety fund), and promoting innovative lending approaches such as the agriculture value chain and supply chain financing for MSMEs.

## COORDINATION OF STAKEHOLDERS TO PROMOTE MSME FINANCE

Some AMS have coordinated efforts to promote the financial inclusion of MSMEs. In the Philippines, there are three working groups for MSMEs that meet three times per year, with 21 ministries collectively known as the Financial Inclusion Steering Committee working together to promote the financial inclusion of vulnerable sectors, including MSMEs. The three working groups include the National and Regional MSME Development (MSMED) Councils<sup>43</sup> and the National MSME Resilience Core Group (RCG),<sup>44</sup> with the Department of Trade and Industry (DTI) acting as Chair and Co-Chair, respectively. The DTI remains an active member and contributes significantly to the realization of one of the priority initiatives of

42 | Of 1,000 surveyed MSMEs, this proportion represents those who report using some form of digital payments.

43 The National MSMED Council was tasked with spurring the growth and development of the MSME sector in the country. In support of this mandate, in 2016 the Council approved the organization and institutionalization of the Regional MSMED Councils. Members of these working groups include representatives from the public sector (e.g. DTI, Department of Agriculture, Department of Interior and Local Government, Department of Science and Technology, Department of Tourism, Small Business Corporation) and from the MSME and labour sectors and the banking industry.

44 The National MSME RCG is a public–private consortium established in 2016 to strengthen the disaster resilience of MSMEs in the country. Co-chaired by the DTI and the Philippine Chamber of Commerce and Industry, the RCG builds cooperation on promoting MSME disaster resilience, capacity-building for business continuity and implementing the Sendai Framework for Disaster Risk Reduction. Other members of the MSME RCG include the Philippine Disaster Resilience Foundation, Philippine Exporters Confederation Inc., Department of Science and Technology, Office of Civil Defense, Employers Confederation of the Philippines, Asia Pacific Alliance for Disaster Management, and Asian Disaster Preparedness Center.

the Financial Inclusion Steering Committee (FISC) to enhance the MSME financing ecosystem. In Indonesia there are two working groups for MSMEs.

## **INNOVATION PROMOTES DIGITALIZATION AND FINANCIAL INCLUSION OF MSMEs**

In Brunei, the Brunei Darussalam Central Bank (BDCB) has issued formal Fintech Regulatory Sandbox Guidelines to promote the development of fintech companies through a fintech regulatory sandbox. In 2022, two fintech companies were actively testing the system. One focused on a P2P crowdfunding platform, while the other explored digital money remittance services. Both initiatives target finance-related challenges encountered by MSMEs. In Thailand, eight MSME products are being tested in the regulatory sandbox. These include international money transfer (blockchain), letters of guarantee private nodes (blockchain BCI), biometrics (biometrics), national digital ID (NDID) (biometrics), QR payments via PromptPay (standardized QR code payment), payment by credit/debit card (standardized QR code payments) and a P2P lending platform.

In the Philippines, BSP continues to increase the outreach and depth of penetration of agents and services through its reg-tech solution, the Agent Registration System. The agent network will expand access of low-cost touchpoints to reach the unbanked segments by targeting ubiquitous retail outlets and other establishments as service points for financial institutions. In Malaysia, BNM facilitated regular engagements between development finance institutions (DFIs) and fintech companies, aiming to encourage exploration of non-debt solutions for MSMEs such as equity financing, and enhance credit assessment methods for 'thin-file'<sup>45</sup> customers using artificial intelligence/machine learning or other credit scoring methods (e.g. psychometric analysis).

## **PARTNERSHIPS PROMOTE FINANCIAL INCLUSION FOR WOMEN-LED MSMEs**

The relevant ministries and institutions in Indonesia are working in collaboration with international organizations, namely Women's World Banking (WWB), Asian Development Bank (ADB) and Islamic Development Bank (IsDB), to carry out a digital financial inclusion programme specifically targeting women. The programme is called Women's Digital Financial Inclusion (IKDP) and aims to enhance women's access to technology, digital and financial skills, and DFS. Additionally, the Women Entrepreneur Finance Code (We-Fi Code) programme is carried out to increase financing for women-led SMEs.

In the Philippines, the government has partnerships with female-focused organizations such as the Women's Business Council of the Philippines and capacity-building programmes born out of a collaboration between the International Labour Organization (ILO) and the DTI *Negosyo* Centers. ILO and DTI conducted

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<sup>45</sup> A person with little or no credit history.

a series of capacity-building (financial and non-financial services) webinars targeted at women entrepreneurs (ILO-DTI Online Women Entrepreneur [WE] Hour).

### **CHALLENGES FOR MSME FINANCE DATA**

Most of the data on MSME finance had never been collected by the regulators and were not easily accessible. As a result, only some of the indicators on MSME finance could be collected. The ADB had compiled some data on SME finance that was a useful source for collecting some of these data. In addition, sex-disaggregated MSME finance data, similar to other types of financial inclusion data, are limited across most AMS.



**BRUNEI DARUSSALAM**  
COUNTRY REPORT



Embracing the core principles of financial inclusion, Brunei Darussalam acknowledges the pivotal role of financial empowerment in bridging the gap between financial services and its people. This ensures that every segment of society gains access to the benefits of a robust financial ecosystem, aligning with Brunei Darussalam's national vision, *Wawasan Brunei 2035*, in which the country aspires to be widely recognized for its highly skilled and accomplished people, with a good quality of life and a sustainable economy.

As strides in technology and policy converge, exemplified by initiatives such as the Digital Economy Masterplan (2025) and the Financial Sector Blueprint (2016–2025), Brunei Darussalam finds itself in a position of opportunity, where innovative financial services can further propel the nation forward for every individual and business.

## PROGRESS IN FINANCIAL INCLUSION

As of 30 June 2022, the percentage of the adult population using at least one formal financial service remained high, with 88.9 percent of consumers having an account with a bank, trust fund, life insurance company, family takaful<sup>46</sup> operator or finance company.

The percentage of the adult population holding accounts with banks stood at 82.9 percent, with 293,535 unique accounts recorded. This represents a slight decline of 1.8 percent compared to the previous year, due mainly to an increase in the adult population. Conversely, the number of debit cards per 1,000 adults increased by 22.0 percent year on year. This was attributed primarily to one deposit-taking institution, which began offering debit card facilities to its customers in 2022.

The geographical distribution of bank facilities remained concentrated in the Brunei-Muara district, which is the most populated district and the centre of economic and financial activities, but other districts also have good access to finance. Brunei Darussalam boasts a total of 47 bank branches, including head offices, accompanied by 188 single-function machines catering to supplying cash, cash deposit and cheque deposit services, as well as 59 multi-function machines. In addition to these physical banking channels, the finance sector has embraced various digital channels to ensure widespread access to essential financial services, such as internet and mobile banking.

In 2022, Brunei Darussalam saw a decrease of 11.4 percent in the total number of loan accounts held with commercial banks. The predominant category among these loan accounts was motor vehicle financing/loans, followed by personal financing/loans and then credit cards.

<sup>46</sup> A type of Islamic insurance.

To facilitate access and empower consumers to make more informed financial decisions, the Credit Bureau of Brunei Darussalam Central Bank (BDCB) launched an online self-enquiry and dispute resolution (SIDR) service in January 2022. This service allows individuals to instantly request their credit reports at their own convenience without needing to physically visit the Credit Bureau Office.

## **ADVANCEMENT IN DIGITAL FINANCE**

BDCB has issued formal Fintech Regulatory Sandbox Guidelines with the objective of promoting the development of fintech companies. The regulatory sandbox enables the testing of fintech products and services through a framework that enables qualified companies or businesses to experiment with innovative solutions in a relaxed regulatory environment for a limited period and within specific boundaries. In 2022, two fintech companies were actively testing the guidelines. One focused on a P2P crowdfunding platform, while the other explored digital money remittance services. Both initiatives target finance-related challenges encountered by MSMEs in the country.

Recognizing the transformative role of fintech in advancing financial inclusion, Brunei Darussalam has collaborated proactively with industry players and stakeholders. BDCB has been working closely with fintech players and relevant stakeholders to establish the Brunei Darussalam Fintech Association. Outlined in the White Paper: The State of FinTech in Brunei Darussalam (2020), this association aims to facilitate collaboration and partnerships among fintech stakeholders and drive fintech-related activities in the country. In tandem with this initiative, BDCB is laying the groundwork for the establishment of a fintech innovation centre. The objective of the centre is to cultivate an innovative environment and foster fintech growth by providing a centralized platform for fintech matters. It will provide co-working space facilities and capacity- and community-building activities, and act as one-stop centre facilitating seamless business services related to fintech.

## **IMPROVEMENTS IN CONSUMER PROTECTION**

As the development of DFS continues to grow, strengthening the regulatory framework remains one of BDCB's top priorities. In further support of digital advancement and to combat and mitigate illegal activities, BDCB issued the Notice on Reporting of Fraud Incidents. Financial institutions in banking, finance companies and takaful/insurance industries are required to report certain categories of fraud incidents to the Authority within a fixed timeline. This reporting enables BDCB to effectively monitor fraud incidents within the financial sector and intervene when necessary.

Furthermore, ensuring transparency and quality in financial products and services through a consistent and comprehensive product disclosure regime remains crucial, particularly with digital financial products and services. In complementing BDCB's previous guidelines on product transparency and disclosure for financial



institutions, an additional document has been issued (Guidelines on Product Development and Pricing for Takaful Operators). These guidelines mandate that new products take into consideration the takaful operators' risks and strategies, encompassing an understanding of customers' needs.

BDCB gave approval for two financial institutions to use e-KYC in the provision of its services, aligned with the Notice and Guidelines on Measures for Non-Face-to-Face Customer Onboarding and Ongoing Customer Due Diligence. The onboarding of such services facilitates wider customer participation in the financial services offered.

Effective risk management is important for ensuring the stability of financial institutions, as it helps in mitigating risks that could cause harm to a company's business operations. BDCB has issued the Notice on Technology Risk Management to incorporate technology risks into the overall risk framework of the financial institutions. This requires financial institutions to integrate IT risks within the 'three lines of defence' functions; identify and review critical systems; report system acquisitions, developments and integrations; conduct testing on new systems leveraging artificial intelligence; manage third-party arrangements; and perform self-assessments on IT risk management.

Having a robust complaints handling function is essential for ensuring consumer protection. The Notice for the Establishment of a Complaints Handling Function within Financial Institutions provides an avenue for consumers to lodge complaints against licensed financial institutions. As for unlicensed financial activities, the BDCB Alert List features a list of persons (companies and individuals) and websites that are neither authorized nor approved under the relevant laws and regulations administered by BDCB, or whose activities raise suspicions of illegality. As of 31 December 2022, a total of 183 unauthorized persons had been added to the alert list since 2016, with 44 additions made in 2022. The main financial activities added in 2022 pertain to investment-related services and money-lending activities. BDCB continues to disseminate this information to the public through reminders, awareness campaigns and promotional materials.

## **PROMOTION OF FINANCIAL LITERACY**

The National Financial Literacy Council (NFLC) continues to oversee financial literacy efforts in Brunei Darussalam, ensuring its people achieve the highest level of financial well-being. Under the guidance of NFLC, BDCB conducts financial literacy programmes both virtually and physically, with the goal of raising the overall level of financial literacy of the population and empowering consumers with essential financial knowledge.

BDCB's financial literacy initiatives cover a wide range of topics, from the national currency, digital payments, financial consumer rights and financial planning to

emergency funds, takaful/insurance, investments, cybersecurity, and financial scams. These programmes cater to various segments of the population, including the public and private sectors, newcomers to the workforce, and individuals approaching retirement. Topics of financial literacy programmes are tailored specifically to the types of audience. For instance, sessions at the Civil Service Institute focus on central banking, debt and financial management, and financial consumer protection, while public outreach primarily aims to raise awareness about prevalent financial scams.

BDCB consistently strives to ensure financial literacy information is easily available to all segments of the population. Through social media platforms, BDCB shares easily digestible infographics and financial comic strips related to various financial topics on its Instagram platform (@centralbank.brunei). Collaboration with micro social media influencers further helps promote financial awareness to a wider audience. Television tickers on national broadcasting channels are also promoted throughout the year to raise awareness on financial management. This approach was taken to promote different campaigns in 2022, such as National Savings Day, World Investor Week and ASEAN Savings Day.

During National Savings Day, BDCB collaborated with the members of NFLC to issue celebratory posts collectively. Materials were disseminated by BDCB to commemorate the event, and it held a Friday sermon on digital financial scams and organized a coin-saving challenge.

Similarly, during World Investor Week, BDCB launched a digital campaign focusing on financial consumer protection through its social media platforms and influencers, covering such topics as love scams, get-rich-quick schemes, phishing, and unlicensed moneylending.

In conjunction with ASEAN Savings Day 2022, BDCB launched the Smart Money Habits booklet, which serves as a comprehensive guide to financial management. It covers key information on central banking, financial planning, debt management, takaful/insurance, investments, digital payments, financial consumer rights and protection.

## OVERVIEW OF MSME FINANCE

There are several regulations in Brunei Darussalam that support MSME finance. These include the Secured Transactions Order of 2016 that sets out the legal requirements for a moveable asset collateral registry, the previously mentioned Guidelines on Fintech Regulatory Sandbox (2017), the Notice on Equity-Based Crowdfunding Platform (2017) and the Notice on Peer-to-Peer Financing Platform Operators (2019).



Several policies support MSME digital finance. These include the Digital Payment Roadmap (2019–2025) and the Cybersecurity Strategy (2017–2020). The Economic Blueprint, a national strategy to achieve a dynamic and sustainable economy, underlines the importance of re-invigorating MSMEs to foster entrepreneurship, facilitate export orientation and seize larger benefits from FDI and Government-Linked Company. The Ministry of Finance and Economy, mainly through Darussalam Enterprise, an implementing agency, has promoted several initiatives to enhance financing, capacity-building, work and production facilities, market access and digitalization. Brunei Darussalam also has a national MSME task force to coordinate MSME policy formulation.

Bank Usahawan, an SME bank, was established by the government in 2017. It has provided cash flow-based loans, which are more flexible than collateral-based loans offered by commercial banks. It currently offers asset-based financing specifically targeting MSMEs.

The total value of MSME loans as of 2022 was BND 335.8 million, with nearly 90 percent of secured MSME loans to total outstanding MSME loans. The share of new MSME lending is nearly 2.6 percent of total loans. Thirteen percent of MSMEs have nonperforming loans, indicating the need for improved financial capabilities.

## WAY FORWARD

In conclusion, Brunei Darussalam has made significant strides in promoting financial inclusion and empowering its citizens through innovative financial services. BDCB's commitment to financial literacy, digital finance and fostering a supportive regulatory environment will continue to drive financial inclusion forward, ensuring a sustainable and prosperous future for all.

Indicators	List of quantitative observations	2018	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of branches per 100,000 adults	15	15	14	14	13
	2. Number of ATMs per 100,000 adults	69	68	70	74	70
	3. Number of POS terminals per 100,000 adults	NA	10,574	NA	NA	NA
Access points	Number of access points per 100,000 adults at a national level	NA	NA	NA	89	83
Connectivity	1. Access to the internet (percentage of adults aged 18+ with internet access anywhere)	95%	95%	NA	95%	95%
	2. Mobile phone penetration (number of active mobile phones per 100,000 population)	120,796	129,119	125,000	132,139	128,491

Indicators	List of quantitative observations	2018	2019	2020	2021	2022
<b>USAGE INDICATORS</b>						
Adults with an account	1. Percentage of adults who report having an account at a commercial bank (age 15+)47	81.8%	78.6%	81.0%	85.0%	82.9%
	2. Percentage of adults who report having an account with a formal financial institution or mobile money provider (age 15+)48	86.3%	NA	83.6% M: 55.0% F: 30.5%	89.9% M: 48.9% F: 40.9%	88.9%
Savings	Number of deposit accounts with commercial banks or deposit-taking institutions per 100,000 adults	146,332	159,181	181,282	211,213	204,687
Credit	Number of loan accounts with commercial banks per 100,000 adults	119,761	112,456	108,515	80,684	69,979
Payments	Number of debit cards per 1,000 adults	1,197	1,394	1,590	1,661	2,027
Insurance	Number of insurance policy holders per 100,000 adults (coverage of this insurance usage indicator includes only term, whole-life, endowment and investment-linked insurance policies)	34,784	29,542	28,576	28,563	28,001
<b>QUALITY INDICATORS</b>						
	Remittance costs as a proportion of the amount remitted49	NA	4%	4%	NA	
	1. Existence of third-party complaint handling entity (persons)50	NA	70	70	72	
	2. Number of complaints per 100,000 bank accounts	NA	350	369	77	722
	3. Percentage of resolved complaints					99%
	Percentage of borrowers who are more than 30 days late with a loan repayment	3.6%	3.8%	5.2%	3.7%	3.9%
<b>INCLUSIVE GROWTH INDICATORS</b>						
	Proportion of population living below national poverty line	NA	NA	3.6%	NA	NA
	Annual growth rate of real GDP per capita		2.8%	0.2%	3.8%	NA
	Number of student/educational loans		44	30	24	24
	Proportion of population living in households with access to basic services				100%	100%
	Proportion of population with access to electricity		99.9%	99.9%	99.9%	100%
	Proportion of population with primary reliance on clean fuels and technology		100%	100%		
	Number of MSME loans from banks				2,131	2,132
	Value of MSME loans from banks (BND)				332 million	332 million

47 Based on supply-side financial inclusion data.

48 Based on demand-side financial inclusion data using the World Bank Findex methodology.

49 Within the range of BND 250 to BND 300.

50 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.

Indicators	List of quantitative observations	2018	2019	2020	2021	2022
Proportion of population covered by social protection floors/systems			36.9%	36.9%		
Unemployment rate			6.9% F: 8.3% M: 6.0%	8.4%		
Remittance costs as proportion of amount remitted			4%	4%	3.5%	
OUTCOME AND IMPACT INDICATORS						
Percentage of adults using at least one formal financial service				86%	89.9%	88.9%
Number of legal, policy or de facto barriers to financial inclusion removed or addressed				25	22	23
Percentage of women using at least one formal financial service				92%	87%	
Percentage of youth with an account					84%	
Average national growth rate		2%	2.6%	-0.70%	-1.6%	-1.6%

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified	12/4	12/4
	Formulation	Formation of a financial capability working group	1	1
	Formulation	Number of quarterly meetings held by the financial capability working group	1	0
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education	83%	83%
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education	NA	66.7%
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability	2	2
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/policies, policies promoting inclusion of specific marginalized segments)	13	14
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum	2	0
	Implementation	Number of schools that integrate financial education into the curriculum	100%	100%
Policy alignment	Pre-formulation	Number of key terms defined at national level (e.g. financial capability, financial education, financial literacy)	2	2

Indicator category	Stage of country	Indicator definitions	2021	2022
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS	4	4
	Implementation	Number of quarterly meetings held by the financial capability working group to discuss NFES target/outcomes	1	2
Regional collaboration	Pre-formulation/ formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES	9	2
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES	4	1
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	12	12
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)	NA	13
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group	NA	4
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country	NA	
	Pre-formulation	Number of key target groups identified that have low financial capabilities	NA	
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey	NA	
	Formulation	Number of policies and programmes developed from national financial capability survey results	NA	
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definition of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)	NA	
Financial skills	All stages <sup>51</sup>	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	NA	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	NA	
		Female, male	NA	
		15–24 years (youth), 25+ years (adults)	NA	

<sup>51</sup> No data available from the Global Findex Database (World Bank) for Brunei Darussalam for the financial skills and financial behaviour indicators.



Indicator category	Stage of country	Indicator definitions	2021	2022	
		Poorest 40%, richest 60%	NA		
		Rural, urban	NA		
		Out of labour force, in labour force	NA		
	All stages		Main source of emergency funding (%)	NA	
			Family or friends	NA	
			Loan from bank, employer or private lender	NA	
			Sale of assets	NA	
			Savings	NA	
			Work	NA	
			Other	NA	
	All stages		Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	NA	
			Female, male	NA	
			15–24 years (youth), 25+ years (adults)	NA	
			Poorest 40%, richest 60%	NA	
			Rural, urban	NA	
			Out of labour force, in labour force	NA	
	Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level	NA	
		Implementation	Percentage of stakeholders using digital channels for financial education	NA	
Implementation		Percentage of outcomes achieved at programme level	NA		

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	5.3%
	Percentage of MSMEs with account at financial institution	3.8%
	Share of new MSME lending as a percentage of total loans	2.6%
	Percentage of secured MSME bank loans to total MSME bank loans outstanding	89.9%
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	

Indicator category	Indicator	2022
	Number of MSME loans/MSME borrowers	
	Percentage of MSMEs with outstanding loan or credit	
	Value of MSME loans (BND)	336.7m
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	
	MSME loan guarantee as a percentage of MSME loans	
	MSME loan guarantees (value)	
	MSME direct government loans/loan funds (BND billions)	
	Number of tax incentives for MSMEs	
Digital finance/ alternative finance	Number of pre-shipment export guarantee funds for export-based MSMEs	
	P2P lending (volume, percentage of share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
Coordination	Number of MSME-related products/services being tested in regulatory sandbox	2
	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
Collaboration	Number of ministries working together to promote financial inclusion of MSMEs	
	Number of policy dialogues, roundtables, forums on MSME topics <sup>52</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
Financial capabilities	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	
	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	13.3%
	Percentage of MSMEs that have at least one formal financial service	
Gender	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>53</sup>	Existing/ Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/ women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>52</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in such areas as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

<sup>53</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.



**CAMBODIA**  
COUNTRY REPORT



## OVERVIEW OF KEY ACHIEVEMENTS IN FINANCIAL INCLUSION

Financial inclusion plays a leading role in reducing poverty because wise usage of financial services contributes to increased household income, especially for families led by financially literate women,<sup>54</sup> resulting in further economic growth. Aligned with the National Financial Inclusion Strategy (2019–2025) (NFIS), the National Bank of Cambodia (NBC) has made good progress in enhancing financial inclusion by expanding the operations and development of new products in accordance with market needs, promoting financial literacy through different initiatives and strengthening transparency in providing financial services. NBC has also developed favourable financial infrastructure to enable the public to access and use formal financial services in a timely manner at affordable cost and with legal protection. Further, NBC has conducted a workshop on the implementation of the NFIS to disseminate to stakeholders for effective cooperation and implementation of the action plans. Finally, NBC has worked closely with relevant national and international stakeholders to promote financial inclusion in Cambodia.

## PROGRESS IN ACCESS, USAGE, AND QUALITY OF FINANCIAL INCLUSION

There was steady growth in access from the base year of 2017. This applies to branches, ATMs, POS devices, mobile money agents and overall access points combined. The number of ATMs showed the largest increase, followed by mobile money agents.<sup>55</sup> Further, while the number of branches remained the same, the number of ATMs per 100,000 adults has risen. As a result, the overall number of access points increased from 445 in 2017 to 797 in 2022.

All usage indicators showed an expansion in 2022. The most noticeable growth was in the number of registered mobile money accounts and transactions, indicating the rising popularity of mobile payments, especially with the newly introduced backbone payment platform '*Bakong*'. It is worth noting that life and non-life insurance penetration showed noticeable increases from the base period.

The quality benchmark has shown an upward trend in the number of customers who are late 30 days repaying their loans. This is due to the NBC regulatory concession to permit loan restructuring within a set timeframe to sectors affected by the COVID-19 pandemic, which extended to June 2022. While most customers have been affected by COVID-19, the number of customer complaints has remained manageable.

<sup>54</sup> Seng, K. (2020) The Poverty-reducing Effects of Financial Inclusion: Evidence from Cambodia (ERIA Discussion Paper Series No. 343). Jakarta, Indonesia: Economic Research Institute for ASEAN and East Asia ([https://www.eria.org/uploads/media/discussion-papers/4-The-Poverty-Reducing-Effects-of-Financial-Inclusion\\_Cambodia.pdf](https://www.eria.org/uploads/media/discussion-papers/4-The-Poverty-Reducing-Effects-of-Financial-Inclusion_Cambodia.pdf) accessed 18 April 2024).

<sup>55</sup> 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.



There has been a noticeable improvement since 2017 in inclusive growth. Particularly, the annual growth rate of GDP increased by 2.91 percent in 2022. Access to basic services such as electricity has increased nationally, and the level of educational completion is also expected to increase. Health insurance is also gaining in popularity among the middle-class and wealthy adults.

## PROGRESS IN FINANCIAL CAPABILITY

Initiatives relating to financial inclusion and literacy include the following:

- Providing workshops on the topic of the microfinance sector.
- Cooperation with the Ministry of Education, Youth and Sport on integrating financial literacy into the national curriculum.
- Cooperation with the Ministry of Women's Affairs (MoWA) on the Financial Literacy for Women and Women Entrepreneurship project, which provides female trainers in schools and equips them with financial knowledge to share with their communities.
- Partnership with the Alliance for Financial Inclusion on initiatives to develop a financial literacy roadmap and sex-disaggregated data collection framework. The approved projects focused on consumer protection and market conduct, DFS, financial inclusion data and sex-disaggregated financial inclusion.

NBC has made progress in enhancing financial capability, especially relating to consumer protection, financial literacy, and financial education. In 2022, there were three main projects to promote financial literacy. First, a project with the Ministry of Education, Youth and Sports targeted students from grades 1 to 12 to embed financial topics into the national curriculum. Second, a project with the Ministry of Women's Affairs targeted women entrepreneurs and university students with a series of financial literacy training, including two panel discussions on financial literacy and digital financial literacy for economic empowerment. Third, a project with Good Return targeted adults, rural women and women entrepreneurs. NBC worked with Good Return on a campaign titled 'Let's talk money: little by little' to promote financial literacy through a series of short educational videos, radio shows and face-to-face training with garment workers and women entrepreneurs. The second phase of this campaign was launched in December 2021 and focused on the importance of intensive thinking, selection of financial products and services, awareness of rights and obligations, and joint decision-making between men and women in the family. The campaign was conducted via three main channels, including social media broadcasting of four short educational videos, radio broadcasting with participation from the audience and experienced speakers on financial education, and face-to-face training with female garment workers, especially those who are working in the capital city.

In addition, NBC is developing the first draft of a financial education framework. This aims to improve the levels of financial capability of the general population, to give individuals more confidence in making optimal choices in managing their personal finances. It is still under review by the working group.

## PROGRESS IN CONSUMER PROTECTION

NBC has continued to enhance its complaints-handling mechanism, which aims to resolve complaints in a timely and consistent manner from the clients of banks and financial institutions through the NBC's hotline phone numbers. In 2022, there were 306 complaints and enquiries (a significant decrease from 2021), with 296 cases solved and the rest in progress towards resolution. The NBC hotline officers have made efforts to resolve complaints and enquiries immediately; however, in some cases, it has required multiple attempts to coordinate between consumers and financial institutions. In addition, NBC has continued to improve the capability of the hotline officers through knowledge-sharing sessions on the progress of the banking and finance sector. It has also prepared a document titled Supportive Materials for Hotline Officers to build knowledge on correct and consistent answers to complaints. NBC has strengthened its mechanism for managing and resolving complaints from banks and financial institutions to ensure effectiveness and equality of market conduct.

NBC has also promoted the microfinance sector, aiming to raise awareness of the sector, including its benefits, share knowledge about financial services and the role of NBC in relation to the sector, and communicate the obligations and responsibilities of local authorities. An MFI awareness campaign aims to protect the public against over-indebtedness and plans to reach targeted districts and provinces seven times throughout 2022.

## PROGRESS IN DIGITAL FINANCIAL SERVICES

In addition, as financial infrastructure plays an important role in contributing to national economic development, the payment system in Cambodia has improved significantly and evolved into a digital platform in response to changing consumer attitudes towards innovative, convenient, safe and affordable payment services. These achievements have created a conducive environment and promoted the development and usage of financial technology to support the innovation in payment systems, including the development of payment infrastructure, a regulatory framework, and cooperation with relevant stakeholders. One key accomplishment is the *Bakong* system, the backbone payment system in Cambodia, which aims to complete interoperability for the payment system, either domestically or regionally, particularly as the demand in digital payments has increased since the COVID-19 pandemic.

Although financial technology offers many innovative opportunities for payment systems and payment services, there are many challenges, especially as they relate to the level of digital financial literacy and technological risks that require careful management from the authorities and stakeholders to ensure sustainable development. In this regard, the development of a regulatory framework to minimize risk and protect customer interests is crucial, by promoting digital financial literacy and enhancing the security of digital payment services.

## MSME FINANCE

It is widely acknowledged that MSMEs play a vital role in Cambodia's economy, as they account for 70 percent of job creation in the country.<sup>56</sup> According to the Open Development Cambodia report, in 2020, Cambodian MSMEs can be divided into three key sectors: the production sector (agricultural processing, manufacturing, and mining), the service sector and the trading sector (wholesale and retail).

Recognizing this importance, the government has taken significant steps to diversify the economy by boosting MSMEs as a pillar of economic growth and thereby reducing reliance on FDI. Initiatives include new MSME tax and customs incentives,<sup>57</sup> a dedicated bank for SMEs,<sup>58</sup> support for entrepreneurs through the Techno Start-up Centre, Khmer Enterprise and Skills Development Fund to empower human resources. At the end of 2022, SME Bank had financed 231 SMEs through direct financing, including 62 women entrepreneurs and 169 male entrepreneurs, with a total loan of approximately \$53.4 million, and through co-financing with participating financial institutions supporting a total of 3,037 enterprises, equivalent to a total amount of approximately \$380 million. The SME Development Policy and Five-year Implementation Plan (2020–2024) aims to enhance the MSME policy and regulatory environment; promote productivity, technology, and innovation; promote entrepreneurship and human capital development; enhance foreign market access and internalization; and increase access to finance.

Despite the many initiatives introduced for boosting MSME sectors, challenges remain and require further effort and commitment from relevant stakeholders. These obstacles include concerns about financial access, technical skills and knowledge, insufficient facilitation and support, competition in national and global markets, and the informality of MSMEs.

## WAY FORWARD

Cambodia will continue to work with the private sector market players and development partners and cooperate closely with relevant stakeholders on improving the financing agenda to drive implementation of the current M&E framework and 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 services, to realize new opportunities in expanding access to financial services to underserved 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

<sup>56</sup> MISTI. Science, technology & innovation [Annual Report 2018]. Phnom Penh, Cambodia: Ministry of Industry, Science, Technology & Innovation.

<sup>57</sup> Zero percent on tax on income for three years on newly established enterprises or from the date of tax registration update for existing enterprises and milled rice exporting businesses.

<sup>58</sup> Small and Medium Enterprise Bank of Cambodia Plc. (SME Bank) was officially licensed on 27 February 2020. It is supervised by NBC and guided by the Ministry of Economy and Finance.

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 behaviour towards digitalization, NBC will continue to underpin the digital infrastructure development in the banking system, promoting trade and investments.

Indicators	2018 <sup>59</sup>	2019	2020	2021	2022
<b>ACCESS</b>					
Number of branches per 100,000 adults <sup>60</sup>	22	23	24	24	24
Number of ATMs per 100,000 adults	18	25	28	34	37
Number of POS terminals per 100,000 adults	149	478	537	449	268
Number of mobile money agents or similar financial services agents per 100,000 adults	255	387	428	421	468
Number of access points per 100,000 adults at a national level	445	913	1017	928	797
Mobile phone penetration (active mobile phones/total population)	1.18	1.33	1.28	1.31	1.29
<b>USAGE</b>					
Percentage of adults who report having an account at a bank	9.7%	12.7%	17.4%	20.6%	14.73%
Percentage of adults who report having an account at other formal financial institutions or payment service providers <sup>61</sup>	17.4%	27.3%	26.3%	25.8%	22.38%
Number of deposit accounts with formal financial institutions per 100,000 adults	51,574	71,670	82,575	115,289	138,869
Number of loan accounts with formal financial institutions per 100,000 adults	25,246	28,991	29,630	31,053	33,707
Number of debit cards per 100,000 adults	2,361	5,478	7,267	18,226	40,898
Number of registered mobile money accounts per 100,000 adults	16,183	49,075	88,418	123,781	173,870
Number of mobile money transactions (during the reference year) per 100,000 adults	977,830	1,803,502	2,464,181	3,125,707	4,178,544
Insurance policy holders per 100,000 adults disaggregated by life and non-life insurance	1,500	4,826	3,165	11,649	11,387
	920	1,636	2,006	4,973	2,552
<b>QUALITY</b>					
Percentage of adults who have knowledge of basic financial terms: interest rate, risk, inflation, and diversification	18% <sup>62</sup>	N.A.	N.A.	N.A.	N.A.
Average monthly cost to have a basic account in banks	\$0.5–0.8 <sup>63</sup>	N.A.	N.A.	N.A.	N.A.

59 Baseline data are from 2017.

60 Defined as those who are 18 years old or older.

61 Excluding banks.

62 This figure has been based on the MAP Diagnostic report; there are no available data for later years.

63 This figure has been based on the MAP Diagnostic report; there are no available data for later years.



Indicators		2018 <sup>59</sup>	2019	2020	2021	2022
Percentage of borrowers who are more than 30 days late with loan payment		2.9%	2.0%	3.2%	3.8%	1.13%
Number of complaints per 100 bank accounts <sup>64</sup>		0.0113	0.0095	0.0335	0.0032	0.0016
INCLUSIVE GROWTH						
Annual growth rate of real GDP per capita		4.0%	5.5%	-4.6%	1.29%	2.91%
Annual growth rate of GDP		7.0%	7.1%	-3.1%	3.0%	5.1%
Education completion rate	Primary education	89.55%	91.08%	91%	94.71%	N.A.
	Lower secondary education	54.24%	57.74%	58.20%	57.66%	N.A.
Access to basic services	Proportion of population with access to electricity – Total	89.07%	93.00%	86.40%	92.30%	N.A.
	Proportion of population with access to electricity – Urban	99.06%	99.77%	97.30%	99.00%	N.A.
	Proportion of population with access to electricity – Rural	86.09%	90.91%	82.90%	88.00%	N.A.
Unemployment	Unemployment rate	0.14%	0.15%	0.33%	0.61%	0.70%
Redistribution	Proportion of population covered by social protection floors/systems per 100,000 population	N.A.	N.A.	N.A.	N.A.	1,640.34
Global development goals	Percentage of people living below national poverty line	N.A.	N.A.	N.A.	N.A.	16.60%

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/Number of key priority target groups identified	3/5	3/5
	Formulation	Formation of a financial capability working group	Yes	Yes
	Formulation	Number of quarterly meetings held by the financial capability working group	4	4
	Formulation	Percentage of stakeholders at regulatory level who develop action or implementation plan for financial education	100%	100%

<sup>64</sup> Complaints received by NBC's hotline team, which receives calls from the public on any complaints or if they want any clarifications on financial contracts with formal financial institutions.

Indicator category	Stage of country	Indicator definitions	2021	2022
	Implementation	Percentage of stakeholders at regulatory level who achieve at least 50% of goals/activities established in action plan	67%	67%
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability	1	1
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/policies, policies promoting inclusion of specific vulnerable segments)	2	2
	Formulation	Number of meetings with Ministry of Education to promote integration of financial education into national curriculum	2	2
	Implementation	Percentage of schools that integrate financial education into curriculum	N.A.	N.A.
Policy alignment	Pre-formulation	Number of key terms defined at national level (e.g. financial capability, financial education, financial literacy)	N.A.	N.A.
	Formulation	Establishment of policy priority to develop NFES or prioritize financial education in NFIS	N.A.	N.A.
	Implementation	Number of high-level/interagency meetings to discuss NFES targets/outcomes with key regulatory stakeholders	N.A.	N.A.
Regional collaboration	Pre-formulation/ Formulation	Number of virtual workshops to learn from countries in more advanced stage of developing or implementing NFES	N.A.	N.A.
	Implementation	Number of virtual workshops to share lessons learned with countries in less advanced stage of developing or implementing NFES	N.A.	N.A.
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	3	3
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)	3	3
	Formulation	Number of stakeholders identified during supply-side mapping that form part of the financial capability working group	3	3
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within country	1	1
	Pre-formulation	Number of key target groups identified that have low financial capabilities	5	5
	Pre-formulation	Number of proposals reviewed to conduct national financial capability survey	N.A.	N.A.
	Formulation	Number of policies and programmes developed from national financial capability survey results	N.A.	N.A.
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definition of basic financial terms (i.e. importance of saving in a bank account, has bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services etc.)	N.A.	N.A.

Indicator category	Stage of country	Indicator definitions	2021	2022
Financial skills	All stages	Percentage of adults able to use account at bank or financial institution without help if opened	N.A.	N.A.
Financial behaviour	All stages	Percentage of adults coming up with emergency funding (disaggregated by sex, age, and geographic location)	N.A.	N.A.
	All stages	Source of emergency funding	N.A.	N.A.
	All stages	Percentage of adults who save for old age (disaggregated by sex, age, and geographic location)	N.A.	N.A.
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level	67%	67%
	Implementation	Percentage of stakeholders using digital channels for financial education	67%	67%
	Implementation	Percentage of outcomes achieved at programme level	67%	67%

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	yes
	Percentage of MSME loans in total banking system loans	
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending as a percentage of total loans	
	Percentage of MSME borrowers with collateral	
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	
	Number of MSME loans/MSME borrowers	
	Percentage of MSMEs with outstanding loan or credit	
	Value of MSME loans	
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	10
	MSME loan guarantee as a percentage of MSME loans	
	MSME loan guarantees (value)	
	MSME direct government loans/loan funds (KHR billions)	
	Number of tax incentives for MSMEs	3
	Number of pre-shipment export guarantee funds for export-based MSMEs	

Indicator category	Indicator	2022
Digital finance/ alternative finance	P2P lending (volume, percentage share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	
Coordination	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	6
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>65</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	
	Percentage of MSMEs that have at least one formal financial service	
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>66</sup>	Existing/ Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>65</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

<sup>66</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.





**INDONESIA**  
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Indonesia has taken substantial steps to strengthen its financial sector, notably through the enactment of Law No. 4 of 2023, which focuses on the development and strengthening of the financial sector. This regulatory framework lays the foundation for advancing financial inclusion and expanding access to affordable, quality, and sustainable financial products and services for the nation's population, including improving financial literacy, strengthening financial inclusion, and enhancing financial consumer protection. This legislation also redefines financial inclusion as the availability of accessible, quality, and sustainable financial products and services that cater to the needs and capacities of the financial community, promoting their financial well-being.

## PROGRESS IN FINANCIAL INCLUSION

Indonesia has made remarkable progress in financial inclusion. According to the 2022 Otoritas Jasa Keuangan (OJK) National Financial Literacy and Inclusion Survey, 85.1 percent of Indonesia's adult population have used formal financial products or services. Furthermore, gender-based analysis reveals that 83.9 percent of women and 86.3 percent of men in Indonesia have used financial services. Financial literacy in the country reached 49.7 percent in 2022. When examined by gender, the literacy rate stood at 50.3 percent for women and 49.1 percent for men.

The National Financial Inclusion Strategy (NFIS) implemented by the National Council for Financial Inclusion (DNKI) plays a crucial role in the improvement of financial inclusion and literacy in Indonesia. DNKI involves more than 27 ministries/institutions divided into seven working groups on financial education, community property rights, financial intermediary facilities and distribution channels, financial services in the government sector, consumer protection, and conducive policies and regulations, with the seventh group concerned with information and communication technology, digital financial technology and supporting financial infrastructure. Law No. 4 of 2023 recently enacted has given DNKI a stronger role in the form of a national committee. The national financial inclusion target focuses on segments such as migrant workers, women, the younger generation, rural communities, MSMEs and marginalized populations.

Economic inclusion is an integral aspect of financial inclusion, thus Bank Indonesia has initiated a framework for a National Strategy for Inclusive Economic and Financial (SNEKI) based on the three pillars of: (i) economic empowerment, which is a series of action programmes carried out in the real sector to enhance economic and financial inclusion with a focus on improving productivity; (ii) expansion of access and financial literacy, which is a series of programmes to encourage access to and usage of financial services by the public and the usage of financing to increase the scale of business with the goal of enhancing financial intermediation; and (iii) policy harmonization, which is policy synergy to promote business consolidation, making it easier to access capacity-building programmes and financing with the goal of business corporatization.

As part of SNEKI and to support NFIS, and because most adults cannot access finance due to reasons such as not having money,<sup>67</sup> Bank Indonesia has initiated a programme for inclusive economic and financial empowerment based on subsistence groups, collaborating with relevant ministries, institutions, and related stakeholders. The programme aims to enhance knowledge and skills in entrepreneurship and financial management, increase the usage of financial products and services, and strengthen cooperation so that subsistence micro-business groups can have increased business income, greater self-reliance, and better resilience. The programme targets unbanked people, the underserved population, and vulnerable communities. It has expanded throughout Indonesia, with a total of 91 supported subsistence groups. Efforts to replicate it continue with the publication of a guideline for the development of subsistence group-based inclusive economic and financial initiatives. This guideline will serve as a reference for Bank Indonesia, as well as for the ministries and institutions that plan to develop similar programmes.

## **ADVANCEMENTS IN FINANCIAL CAPABILITY AND DIGITALIZATION**

Additionally, in support of digital financial literacy and in collaboration with the World Bank and OJK, Bank Indonesia has published educational materials on DFS for the public and instructional materials (lesson plans) for MSMEs. The educational materials aim to increase the adoption of DFS among non-users and potential users and enhance the frequency of usage for passive users. The lesson plans are intended to increase the usage of DFS for productive businesses, especially SMEs.

The lesson plans cover various topics, including an introduction to financial products and opening DFS accounts, including savings and electronic money, onboarding as QRIS merchants, social commerce, the marketplace, and an introduction to P2P lending. Tailoring education modules specifically for MSMEs enables them to gain essential knowledge and skills for using DFS in their operations, ultimately contributing to their growth and financial inclusion. Bank Indonesia conducts training-of-trainers programmes for MSME mentors to ensure the scalability and sustainability of its educational initiatives and empowering many businesses to embrace DFS.

Bank Indonesia continues to strengthen its consumer protection strategy, including through a consumer protection education programme. This enhances consumer understanding, particularly about their rights and responsibilities when using financial products and services. Bank Indonesia aims to empower them to make informed decisions and protect themselves against potential risks.

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<sup>67</sup> Global Findex, 2021.



The financial education programme is conducted as part of Bank Indonesia's communication strategy, which is carried out through various channels, including mass media, printed and digital media, websites, social media, representative offices, and flagship events. The number of financial education initiatives of the Financial Education Working Group<sup>68</sup> nearly doubled to 1,940 in 2022 from 1,057 in 2021. Another key achievement in this area is that the financial literacy rate of Indonesian adults increased from 38.03 percent in 2019 to 49.68 percent in 2022.

Efforts to increase digital financial inclusion, specifically among women, are also being carried out by relevant ministries and institutions in collaboration with international organizations, namely Women's World Banking (WWB), the Asian Development Bank (ADB) and the Islamic Development Bank (IsDB). The programme is called Women's Digital Financial Inclusion (IKDP) and aims to enhance women's access to technology, digital and financial skills, and DFS. Additionally, the Women Entrepreneur Finance Code (We-Fi Code) programme focuses on increasing financing for women-led SMEs.

## ACCESS TO FINANCE FOR MSMEs

In general, access to financing is a primary concern for financial authorities in Indonesia. Therefore, the country continues to promote financial inclusion and literacy for MSMEs. MSMEs play a significant role in Indonesia's economy: over 65.5 million MSMEs contribute 61.07 percent to national GDP, employ 96.92 percent of the workforce, and account for 15.65 percent of national exports. The introduction of QRIS, initiated by Bank Indonesia, has also significantly expanded the digital merchant ecosystem, user base and digital payment interoperability. The adaptation of digitalization of transactions shows significant progress, marked by the number of merchants using QRIS reaching 23.96 million by the end of 2022. Notably, more than 90 percent of QRIS merchants are MSMEs. Furthermore, the number of QRIS users reached 28.76 million by the end of 2022.

The Government of Indonesia has consistently supported the enhancement of financial access for MSMEs since 2007 through subsidized loans (*Kredit Usaha Rakyat* or KUR). KUR is a government initiative aimed at enhancing access to financing for MSMEs through financial institutions with a credit guarantee scheme. It provides working capital and investment funding to individual or group MSMEs, as well as business entities that have productive and feasible businesses but lack additional collateral or are not yet considered bankable. In 2022, the realization of KUR amounted to IDR 365.5 trillion, reaching 97.94 percent of its target of IDR 373.17 trillion and marking a 29.66 percent increase from 2021. Nonperforming loans (NPL) remained stable at 1.11 percent, while the number of KUR beneficiaries increased to 7.6 million by the end of 2022.

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<sup>68</sup> The financial education working group consists of 13 members from various ministries and agencies, including OJK and Bank Indonesia.



Productive sectors, particularly agriculture, services, and manufacturing, continue to dominate KUR distribution (56.4 percent of KUR loans in 2022), with micro-scale businesses receiving the highest share (66.4 percent).

In addition to providing credit subsidies to MSMEs through KUR, the Indonesian government promotes access to financial services for MSMEs through various programmes, including the Ultra Micro Financing Program (Ultra Mikro or UMi) and the Revolving Fund Management Institution for Cooperatives and MSMEs (Lembaga Pengelola Dana Bergulir Koperasi dan UMKM or LPDB-KUMKM). The government launched UMi as one of its national priority programmes to facilitate the growth and development of ultra-micro enterprises, enabling them to become bankable and make a more significant contribution to the Indonesian economy. LPDB-KUMKM manages revolving funds for MSME financing and acts as an integrator to accelerate the development of microfinance industries in different regions. MSME credit growth reached IDR 1.35 trillion but experienced a slight annual decline from 12.19 percent in 2021 to 10.47 percent in 2022, with credit risk maintained at 3.41 percent. The credit slowdown was attributed to uncertainties in the global and domestic economies which impacted MSMEs financing expectations. The growth of MSME credit is supported primarily by micro-scale businesses, with an improvement in the growth of medium-scale enterprises. The number of MSME borrowers increased significantly from 33.5 million in 2021 to 40.7 million in 2022, with a declining loan size trend. This indicates an improving inclusivity level.

Furthermore, Bank Indonesia has been instrumental in bridging the information gap between MSMEs and financial institutions. This includes facilitating business matching between MSMEs and formal financial institutions, and developing a database of MSMEs that are worthy of financing to be used as a reference for financial institutions. Moreover, low awareness of financial record-keeping among MSMEs contributes to information asymmetry between MSMEs and financial institutions. To address this, Bank Indonesia has facilitated the digitalization of financial record-keeping through the development of digital tools for financial reporting, known as *Sistem Informasi Aplikasi Pencatatan Informasi Keuangan* (SIAPIK). SIAPIK is being developed in collaboration with the association of an account, and is accessible through mobile and web platforms, providing flexibility and ease of use. In 2022, 995 MSME users of SIAPIK secured financing through both banking and non-banking financial institutions, with a total financing of IDR 62 billion.

## WAY FORWARD

Although various efforts have been made to improve access to financing, MSMEs in Indonesia still face challenges related to information asymmetry, low credit demand due to the global economic downturn, and limited financial literacy. In conclusion, the financial inclusion landscape is evolving, with substantial progress in enhancing MSME access to financing. The multifaceted approach of Indonesian authorities includes regulatory reform, capacity-building, and facilitation, and is playing a pivotal role in addressing the challenges faced by MSMEs and promoting an inclusive and sustainable financial environment.

Indicators	Indicator definitions	Baseline (2018)	2019	2020	2021	2022
Points of service	1. Number of bank branches per 100,000 adults	16	16	18	23	15
	2. Number of ATMs per 100,000 adults	55	54	53	50	50
	3. Number of POS terminals per 100,000 adults	538	542	689	892	866
	4. Number of DFS agents per 100,000 adults	198	255	306	431	458
Access points	Number of access points per 100,000 adults at the national level <sup>69</sup>	269	324	376	504	523
Connectivity	Age >15	22.42%	31.23%	N.A.	62.01%	N.A.
	Age 15–24	77.05%	83.58%	N.A.	91.83%	N.A.
	Age 25–64	38.11%	46.83%	N.A.	59.64%	N.A.
	Age >64	3.97%	5.32%	N.A.	10.71%	N.A.
	Mobile phone penetration (total number of active mobile phones)	319,434,605	341,277,549	N.A.	N.A.	N.A.
Adults with an account	Percentage of respondents who report having an account at a formal financial institution (age 15+) <sup>70</sup>	55.70%	N.A.	61.70%	65.40%	N.A.
Savings	Number of account third-party funds in banks per 1,000 adults	1,589	1,632	1,909	2,186	2,574
Credit	Number of loan accounts with banks per 100,000 adults	23,052	24,108	24,753	44,684	62,507

<sup>69</sup> Bank branches + ATMs + DFS agents.

<sup>70</sup> Survei Nasional Keuangan Inklusif (National Survey for Financial Inclusion), 2018 and 2020.

Indicators	Indicator definitions	Baseline (2018)	2019	2020	2021	2022
Payments	1. Number of debit and ATM cards per 100,000 adults	82,933	92,817	108,090	114,514	129,566
	2. Number of electronic money accounts per 1,000 adults	860	1,479	2,187	2,911	3,698
	3. Volume of electronic money transactions per 100,000 adults	1,502,453	2,644,823	2,340,706	2,758,494	3,504,593
Insurance	Number of insurance policy holders (life insurance) per 100,000 adults	24,436	22,318	30,814	48,423	N.A.
Value	Proportion of credit with certain guarantee to total credit	2.57%	2.88%	3.21%	5.42%	7.03%
Indebtedness	Nonperforming loans: Percentage of borrowers who are more than 90 days late with a loan repayment	2.37%	2.53%	3.06%	3.00%	2.44%

Indicator category	Indicator definitions	Aggregation	Baseline	2019	2020	2021	2022
Macro-economic context	Proportion of the population living below the national poverty line	Male	9.59%	9.18%	9.59%	9.92%	9.40%
		Female	10.06%	9.63%	9.96%	10.37%	9.68%
		Age <18	12.05%	11.76%	12.23%	12.64%	11.80%
		Age >18	8.77%	8.32%	8.65%	9.09%	8.60%
	Annual growth rate of real GDP per capita		3.93%	3.82%	-3.15%	2.51%	4.13%
Education	Completion rate	Elementary school	94.68%	95.48%	96.00%	97.37%	97.82%
		Junior high school	84.96%	85.23%	87.89%	88.88%	90.13%
		High school	61.84%	58.33%	63.95%	65.94%	66.13%
Access to basic services	Proportion of the population living in households with access to basic services	Access to a basic drinking water service	31.75%	42.84%	42.31%	43.81%	44.94%
		Access to an improved sanitation service	69.27%	77.39%	79.53%	80.29%	80.92%
		Access to basic hygiene facilities	78.87%	76.07%	78.30%	79.59%	79.33%
	Proportion of the population with access to electricity		98.30%	98.89%	99.20%	N.A.	97.73%
Health care	Proportion of the population with large household expenditures on health care as a share of total household expenditure or income	Expenditure >10%	N.A.	2.53%	2.23%	1.97%	N.A.
		Expenditure >25%	N.A.	0.53%	0.43%	0.35%	N.A.

Indicator category	Indicator definitions	Aggregation	Baseline	2019	2020	2021	2022
(Asset-building and) entrepreneurship	1. Number of MSME credit accounts (millions)		14.62	15.92	15.97	33.46	40.73
	2. Outstanding MSME credit (IDR billions)		1,032,643	1,111,340	1,091,232	1,223,433	1,351,249
	3. Outstanding MSME credit to the agriculture, hunting and forestry sector (IDR billions)		94,110	109,544	130,012	161,456	214,198
Redistribution	Proportion of the population covered by social protection floors/ systems		87.17%	90.02% <sup>71</sup>	90.11% <sup>72</sup>	N.A.	N.A.
Unemployment and income inequality	Proportion of informal employment in total employment, at national level	Male	53.90%	52.81%	57.29%	56.61%	56.03%
		Female	61.90%	60.81%	65.35%	63.80%	64.43%
	Total unemployment		5.30%	5.23%	7.07%	6.49%	5.86%
	Proportion of people living below 50% of median income	Total	12.63%	11.93%	11.99%	11.61%	10.16%
		Persons without disabilities	12.42%	11.67%	11.77%	N.A.	N.A.
		Persons with disabilities	14.17%	14.33%	14.35%	N.A.	N.A.

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified	13/10	
	Formulation	Formation of a financial capability working group	1	1
	Formulation	Number of quarterly meetings held by the financial capability working group	4	4
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education		
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education	13	15
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability		
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/policies, policies promoting inclusion of specific marginalized segments)	5	
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum		
	Implementation	Number of schools that integrate financial education into the curriculum	460,532	

<sup>71</sup> Estimated.

<sup>72</sup> Estimated.



Indicator category	Stage of country	Indicator definitions	2021	2022
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)		
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS	1	1
	Implementation	Number of quarterly meetings held by the financial capability working group to discuss NFES targets/outcomes	4	4
Regional collaboration	Pre-formulation/ formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES	N.A.	
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES	N.A.	
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	1,057 <sup>73</sup> 4,585 <sup>74</sup>	1,940 <sup>75</sup> 3,198 <sup>76</sup>
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)		7
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group		
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country		
	Pre-formulation	Number of key target groups identified that have low financial capabilities	10	
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey		
	Formulation	Number of policies and programmes developed from national financial capability survey results	1	
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)	38.03% (2019)	49.68% <sup>77</sup>
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	29%	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	92%	
		Female, male		
		15–24 years (youth)	93%	
		25+ years (adults)	92%	

<sup>73</sup> Working Group of DNKI.

<sup>74</sup> Financial industries.

<sup>75</sup> Working Group of DNKI.

<sup>76</sup> Financial industries.

<sup>77</sup> SNLIK OJK 2022.

Indicator category	Stage of country	Indicator definitions	2021	2022
		Poorest 40%	90%	
		Richest 60%	93%	
		Rural	90%	
		Urban	93%	
		Out of labour force	93%	
		In labour force	91%	
	All stages	Main source of emergency funding (%)		
		Family or friends	44%	
		Loan from a bank, employer or private lender	5%	
		Sale of assets	6%	
		Savings	13%	
		Work	18%	
		Other	5%	
	All stages	Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	25%	
		Female	26%	
		Male	24%	
		15–24 years (youth)	30%	
		25+ years (adults)	23%	
		Poorest 40%	16%	
		Richest 60%	31%	
		Rural	22%	
		Urban	26%	
		Out of labour force	18%	
In labour force	29%			
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level		
	Implementation	Percentage of stakeholders using digital channels for financial education		
	Implementation	Percentage of outcomes achieved at programme level		

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	20.8%
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending as a percentage of total loans	
	Percentage of MSME borrowers with collateral	
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	Yes
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	
	Number of MSME loans/MSME borrowers	
	Percentage of MSMEs with outstanding loan or credit	
	Outstanding MSME loans (IDR billions)	1,351,249
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	
	MSME loan guarantee as a percentage of MSME loans	
	Guaranteed MSME loans (IDR billions)	456,613
	MSME direct government loans/loan funds (IDR billions)	
	Number of tax incentives for MSMEs	
	Number of pre-shipment export guarantee funds for export-based MSMEs	
Digital finance/ alternative finance	P2P lending (volume, percentage share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	
Coordination	Number of working groups for MSMEs	2
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	5
	Number of ministries working together to promote financial inclusion of MSMEs	
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>78</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	

<sup>78</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

Indicator category	Indicator	2022
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	3.41%
	Percentage of MSMEs that have at least one formal financial service	
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>79</sup>	Existing/ Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>79</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.





**LAO PDR**  

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**COUNTRY REPORT**



## OVERVIEW OF ACHIEVEMENTS IN FINANCIAL INCLUSION

Financial inclusion in Lao PDR is based on the Lao PDR Financial Inclusion Roadmap (2018–2025). This aims to improve household welfare by improving access to financial services to provide broad, convenient, and deep access that meets the need for livelihood development, assisting households and enterprises to increase economic efficiency and supporting growth by improving financial inclusion. The current financial inclusion rate is 81 percent, a noticeable increase from last year of 68 percent.

## PROGRESS ON FINANCIAL INCLUSION AND FINANCIAL ACCESS

Financial services are tools that promote access to capital for sustainable economic development. Therefore, the Government of Lao PDR has promoted a broadening of the financial service sector for many years. As a result, the financial sector has developed rapidly to support access to capital and financial services, and to foster better understanding of financial products, including how to use them properly and responsibly. However, the knowledge and capability of the Lao PDR population on how to use these services most effectively has not been growing at the same pace as the expansion of financial services.

In term of access, the number of ATMs per 10,000 adults increased slightly from 3.11 in 2021 to 3.22 in 2022, as did the number of POS terminals (from 9.6 to 10.1 per 10,000 adults). In terms of usage, the number of loan accounts with banks or credit providers decreased from 745 to 699 per 10,000 population, while there was a significant increase in the number of deposit accounts (from 7,484 per 10,000 in 2021 to 9,110 per 10,000 in 2022). The number of debit cards also increased (from 3,366 to 4,522 per 10,000). The number of registered mobile accounts increased almost sixfold (from 1,898 to 11,429 per 10,000), while the number of mobile money transactions nearly doubled (from 354,599 to 517,388 per 10,000). This was due mainly to greater usage of the digital payment platform, as each person made on average 51 mobile money transactions per year.

## FINANCIAL CAPABILITIES AND FINANCIAL INCLUSION

Financial services are tools to promote access to capital for sustainable economic development. Therefore, the Government of Lao PDR has promoted a broadening of the financial service sector for many years. As a result, the financial sector has developed rapidly to support access to capital, financial services, and proper understanding of financial products to use them properly and responsibly. However, the knowledge and capability of the Lao population on how to use these services most effectively has not been growing at the same pace as the expansion of financial services.

Financial literacy is a priority in Lao PDR. Promoting financial literacy opens opportunities for people to build knowledge, understanding, skills, confidence, and motivation in managing their personal finance. The Bank of Lao PDR (BOL) has provided a small programme to enhance financial literacy (accessing financial services, investing, and saving) through short films and awareness-raising for educational institutions. However, these activities were restricted by a limited budget and a lack of human resources and capacity. BOL is therefore considering collaboration with relevant agencies to create a strategy for financial literacy.

## **DIGITAL FINANCIAL ACCESS**

In April 2021, the government issued its Five-year Payment System Development Strategy for the Banking Financial System (2021–2025). In addition, the Lao PDR Financial Inclusion Roadmap (2018–2025) prioritizes improving the payment ecosystem through mobile money, DFS and improved payment infrastructure. BOL is tasked with implementing the strategy in coordination with stakeholders. The vision expressed in the strategy is to develop infrastructure, payment systems and payment services that link domestic and international systems, promote and support growth of the digital economy, contribute to monetary policy and maintain financial stability. This aims to provide swift, modern, safe, and low-cost payment services to citizens. Reduction of cash usage and increased adoption of digital payments to support the digital economy are strong priorities of the strategy. Furthermore, digital retail payments have expanded rapidly through mobile money wallets, branchless banking, digital microfinance and QR code-enabled merchant payments. The number of mobile money transactions doubled in 2022.

Lao PDR will increase competition and diversity in the market for digital payment service providers. The market is currently still concentrated around the main commercial banks; however, innovative fintech companies are emerging and will introduce new payment products to serve diverse use cases. Increased competitive pressure on incumbents will increase acceptance of digital payments, reduce the cost of services and lead to the development of customer-centric products.

## **SUPPORT FOR MSMEs**

MSMEs play a very important role in enhancing economic and social development in Lao PDR, particularly relating to production, trade, and services. They contribute to job creation and employment opportunities and promote income-generating activities to improve living standards. The Ministry of Industry and Commerce is responsible for regulating and promoting manufacturing, trade, import and export activity, and for representing Lao PDR and its interests in the international business community.

According to Decree No.04/GOL/2023 on SME classification (enacted on 12 January 2023), currently there are three criteria defining MSMEs in Lao PDR. These include the average number of employees, total assets, and annual turnover. The



value of MSME loans represents 12 percent of total banking system loans and totalled LAK 154,76.53 billion in 2022.

The key objectives of the MSME Development Plan 2021–2025, are to improve the enabling environment for MSMEs, to enhance their competitiveness and sustainable growth and to enable their integration into regional and international markets. However, Lao PDR faces challenges in implementing this plan relating to productivity, technology innovation, entrepreneurial capacity, and market access.

The Savings and Credit Union (SCU), regulated by BOL, aims to help, and support village funds and provide a safe place to save small amounts and borrow when necessary. Generally, loans are granted for modest amounts, for urgent matters, for day-to-day expenses and to provide capital for micro-enterprises. SCU plays an important role in contributing to financial inclusion in Lao PDR.

The Government of Lao PDR provides tax relief to MSMEs. There are policies on income tax for micro-enterprises based on the Law on Income Tax No.67/NA, dated 18 June 2019 and the Law on Income Tax No.0819/MOF, dated 10 February 2021 (Article 29). Micro-enterprises with incomes lower than LAK 50 million will be exempt from income tax, and micro-enterprises with incomes between LAK 50 million and LAK 400 million will pay 1 percent for manufacturing, agriculture and industry sectors, 2 percent for trade and 3 percent for services.

Lao PDR does not yet have credit guarantee facilities for MSMEs. BOL is in the process of establishing these with the Ministry of Industry and Commerce, and the Ministry of Finance under the MSME Access to Finance Emergency Support and Recovery Project supported by the World Bank. Initially, the credit guarantee corporation will be established as a state-owned enterprise.

There have been several meetings with various stakeholders, including the private sector, regarding amendments to MSME promotion legislation, namely the Law on MSME Promotion, the Decree on MSME Classification and the Decree on the SME Promotion Fund. However, the annual meeting regarding MSME regulations is not yet in place, although it is included in other forums such as the Lao PDR Business Forum and other workshops with related agencies.

## **KEY CHALLENGES AND POTENTIAL SOLUTIONS**

There are several key challenges to advancing financial inclusion in Lao PDR. These include lack of resources, experience, and capacity-building. In addition, there are challenges relating to a mainly rural population of farmers with low financial literacy levels and lack of access to financial services. Financial inclusion activities need to be scaled up, and the regulatory and policy environments need to catch up with the development and innovation of the financial sector.



## WAY FORWARD

The next steps include disseminating, implementing, monitoring, and evaluating the Lao PDR Financial Inclusion Roadmap (2018–2025). For this, BOL will need to engage key stakeholders across the public and private sectors and build on the key findings of the Lao PDR Financial Inclusion Survey (2021).

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of branches per 10,000 adults	0.25	0.31	0.31	0.31	0.28
	2. Number of ATMs per 10,000 adults	2.67	2.80	2.83	3.11	3.22
	3. Number of POS terminals per 10,000 adults	8.5	8.28	9.7	9.6	10.10
Access points	Number of access points (including mobile money agents) per 10,000 adults at a national level	13.53	15.21	18.01	27.84	27.44
Connectivity	1. Access to the internet (percentage of total population with internet access anywhere)	47%	50%	52%	63%	63%
	2. Mobile phone penetration (active mobile phones as percentage of total population)	92%	92%	95%	100%	100%
<b>USAGE INDICATORS</b>						
Adults with an account	Percentage of adults who report having an account at a bank				45.2%	74%
	Percentage of adults who report having an account at a formal financial institution or mobile money provider				58%	58%
Savings	Number of deposit accounts with banks or deposit-taking institutions per 10,000 population	4,802	5,464	5,985	7,484	9,110
Credit	Number of loan accounts with banks or other credit providers per 10,000 population	337	478	695	745	699
Payments	1. Number of debit cards per 10,000 population	68	1,707	1,733	3,366	4,522
	2. Number of registered mobile money accounts per 10,000 population	500	535	1,173	1,898	3,021
	3. Number of mobile money transactions (during the reference year) per 10,000 population	25,253	73,280	115,453	354,599	517,389

Indicator category		Indicator definitions	2018	2019	2020	2021	2022
Insurance		Population access to insurance	0.90%	1.00%	0.75%	0.53%	0.43%
<b>OUTCOME AND IMPACT INDICATORS AS PER THE GUIDANCE NOTE</b>							
Impact	Segmental	Percentage of financing and loans issued to SMEs	20.2%	18.1%	N.A.	N.A.	N.A.
	National goals	Average national growth rate	6.29%	5.46%	3.28%	3.48%	4.40%
<b>INCLUSIVE GROWTH INDICATORS</b>							
Macroeconomic context		Proportion of population living below the national poverty line, by sex and age	24.6% (2013)	18.3%	N.A.	N.A.	N.A.
		Annual growth rate of real GDP per capita	7.02% (2016)	6.29%	3.28%	2.50%	2.70%

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified		
	Formulation	Formation of a financial capability working group		
	Formulation	Number of quarterly meetings held by the financial capability working group		
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education		
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education		
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability		
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/policies, policies promoting inclusion of specific marginalized segments)	3 <sup>80</sup>	3
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum	1	1
	Implementation	Number of schools that integrate financial education into the curriculum		
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)	1	1
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS		
	Implementation	Number of quarterly meetings held by the financial capability working group to discuss NFES target/outcomes		

<sup>80</sup> LAO PDR Financial Inclusion Roadmap (2018–2025), Decree on Financial Consumer Protection (2020), Decision on Resolving Financial Disputes.

Indicator category	Stage of country	Indicator definitions	2021	2022
Regional collaboration	Pre-formulation/ formulation/	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES	1	1
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES		
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	1	1
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)		
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group		
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country		
	Pre-formulation	Number of key target groups identified that have low financial capabilities		
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey	1	1
	Formulation	Number of policies and programmes developed from national financial capability survey results		
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)		
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	39%	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	17%	
		Female	13%	
		Male	21%	
		15–24 years (youth)	11%	
		25+ years (adults)	19%	
		Poorest 40%	6%	
		Richest 60%	24%	
		Rural	14%	
	Urban	30%		
	Out of labour force	22%		
	In labour force	17%		
	All stages	Main source of emergency funding (%)		
		Family or friends	33%	
Loan from a bank, employer or private lender		4%		
Sale of assets		10%		
Savings		15%		
Work		15%		
Other	0%			

Indicator category	Stage of country	Indicator definitions	2021	2022
	All stages	Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	24%	
		Female	24%	
		Male	25%	
		15–24 years (youth)	15%	
		25+ years (adults)	29%	
		Poorest 40%	18%	
		Richest 60%	29%	
		Rural	23%	
		Urban	30%	
		Out of labour force	17%	
In labour force	25%			
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level		
	Implementation	Percentage of stakeholders using digital channels for financial education		
	Implementation	Percentage of outcomes achieved at programme level		

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	12.04%
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending as a percentage of total loans	
	Percentage of MSME borrowers with collateral	
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	
	Number of MSME loans/MSME borrowers	
	Percentage of MSMEs with outstanding loan or credit	
	Value of MSME loans (LAK billions)	15,476.53
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	
	MSME loan guarantee as a percentage of MSME loans	
	MSME loan guarantees (value)	
	MSME direct government loans/loan funds (LAK billions)	
	Number of tax incentives for MSMEs	1



Indicator category	Indicator	2022
	Number of pre-shipment export guarantee funds for export-based MSMEs	
Digital finance/ alternative finance	P2P lending (volume, percentage share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	
Coordination	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	2
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>81</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	
	Percentage of MSMEs that have at least one formal financial service	
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>82</sup>	Existing/ Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>81</sup> These can serve as platforms for sharing best practices, guidelines, and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

<sup>82</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.



**MALAYSIA**  

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COUNTRY REPORT



Bank Negara Malaysia (BNM) continues to focus on strategies to enhance financial inclusion and capability, and to further elevate the financial well-being of Malaysians in line with the objectives and vision set out in the Financial Sector Blueprint (2022–2026).

## OVERVIEW OF FINANCIAL INCLUSION

Malaysia's financial inclusion level remained high in 2022, with 96.8 percent of adults having at least one active deposit account at a banking institution (compared with 95.7 percent in 2021). The use of financial services included savings, credit, payments, and insurance, all of which increased in 2022.

The usage of DFS also continued to increase. In 2022, the number of e-payment transactions grew by 31.5 percent to 9.5 billion (from 7.2 billion in 2021). On average, each Malaysian made 291 e-payment transactions in 2022 in the form of payment cards, online banking, and e-wallets (221 in 2021). This finding is supported by the increasing penetration rate of internet banking (134 percent) and mobile banking (61 percent) (compared with 122 percent and 51 percent, respectively, in 2021).

Continuing the trend from 2021, the number of physical access points (bank branches and agent banks) continued to decrease, as focus shifts to DFS.

## KEY FINANCIAL INCLUSION INITIATIVES IN 2022

### EXPANSION OF PHYSICAL ACCESS POINTS

Agent banks continue to serve as an important channel for basic banking services in Malaysia, particularly for rural communities. Services provided by agent banks include cash deposits and withdrawals, fund transfers, bill payments and mobile phone prepaid top-up transactions. In June 2022, BNM revised its Agent Banking Policy Document to expand the scope of financial services offered by agent banks. Agent banks can now facilitate the opening of banking accounts via electronic know-your-customer (e-KYC) protocols, undertake money services, distribute, and market micro-insurance and micro-takaful products, and conduct e-money cash-in and cash-out activities. At the end of 2022, a total of 3,829 agent banks were in operation across the country.

In addition to existing agent banks, mobile banks also play an important role in the underserved areas that typically lack bank branches. BNM continues to collaborate with the industry in ensuring more mobile banks are deployed in underserved areas across the country. Mobile banks have helped to widen access to essential banking services, including providing advisory services and catalysing the adoption of DFS among rural communities. At the end of 2022, a total of 19 mobile banks were deployed, covering 39 underserved sub-districts in seven states.

## ADVANCING THE DIGITALIZATION OF FINANCIAL SERVICES

To enhance financial inclusion, BNM continued to focus on ensuring a conducive ecosystem that spurs greater innovation, competition, and dynamism. A key part of this is facilitating the entry of digital banks into the Malaysian financial sector. Digital banks are mandated to focus on underserved and unserved segments; this will advance the financial inclusion agenda and enhance participation in the economy. Digital banks offer banking services via online platforms without a physical branch network, allowing them to overcome geographical barriers by focusing on innovative technologies and user experiences. In April 2022, BNM announced five successful applicants for digital bank licences as approved by the Minister of Finance. The digital banks will begin operation between 2023 and 2024, upon completing operational readiness checks that will be validated by BNM.

Following the model of digital banks, new digital insurers and takaful operators (DITOs) may soon enter Malaysia's financial landscape to deliver greater financial inclusion, market competition and efficiency, primarily through digital means. DITOs are envisaged to conduct insurance and takaful business wholly or almost wholly through digital means and offer innovative solutions to address critical protection gaps among the unserved and underserved segments in Malaysia. The Exposure Draft of the Licensing and Regulatory Framework for DITOs was issued in November 2022 to outline the proposed licensing and application procedures as well as specific requirements for DITOs. Like digital banks, the newly licensed DITOs will be required to observe a foundation phase and comply with sound risk management and consumer protection requirements. The policy document for DITOs should be finalized in 2024.

In October 2022, BNM launched the e-Duit campaign in collaboration with the industry to encourage greater use of e-payments among Malaysians. This is done through outreach programmes and education campaigns that highlight the benefits and responsible usage of digital payments. The e-Duit campaign aims to coordinate e-payment initiatives by the public and private sectors nationwide, with a view to sustaining the positive e-payment growth trends and achieving the target of a compound annual growth rate (CAGR) of e-payment transactions of more than 15 percent, as set out in the Financial Sector Blueprint (2022–2026).

## PROMOTING AND ACHIEVING FINANCIAL CAPABILITY

BNM, as the co-chair of the Financial Education Network (FEN),<sup>83</sup> continued to implement various initiatives and programmes in 2022 to elevate the financial capability of Malaysians. In 2022, FEN members and partners implemented a total of 395 financial literacy initiatives, which were aligned with FEN's five strategic priorities: (i) nurture values among young people; (ii) increase access to financial management information, tools, and resources; (iii) promote positive behaviour

<sup>83</sup> FEN is an inter-agency platform comprising eight members, chaired by BNM and Securities Commission Malaysia, committed to elevating the level of financial literacy and improving financial well-being.



among targeted groups; (iv) boost long-term financial and retirement planning; and (v) build and safeguard wealth. These initiatives successfully reached 11.6 million people.

FEN's annual flagship event, Financial Literacy Month (FLM), held in October 2022, successfully reached more than 3.2 million people through various programmes, including roadshows, exhibitions, pocket talks, webinars, workshops, symposia, and competitions. Guided by the findings of the Financial Capability and Inclusion (FCI) Demand-side Survey (2021), which identified a low level of digital financial literacy among Malaysians as one of its key concerns, the events focused on promoting awareness of cyber-hygiene and the benefits of DFS.

During Financial Literacy Month 2022, the FEN mobile coach was launched to widen outreach to communities through nationwide roadshows. The mobile coach travelled to 61 locations across the country, providing free and independent financial educational resources, including advisory services on personal financial management, digital financial literacy, and debt management. FEN successfully engaged more than 20,000 people through the roadshows.

FEN continues to use social media to advocate the importance of financial literacy among the public. In 2022, FEN's Facebook and Instagram accounts reached over 8.5 million users. In addition, FEN's website, which offers a wide range of financial education resources and tools, has been accessed by more than 55,000 users since its launch in 2021.

A short video competition called MyDuitStory (MDS3.0) was organized in 2022, aiming to raise awareness among the youth segment on financial scams and empowering them as agents of change among their inner circle and wider community. This competition is open to students from universities and other educational institutions, harnessing their creativity to convey essential financial messages. It has reached more than 1 million people.

BNM and other FEN members regularly engaged the financial industry and academia to discuss multifaceted issues on financial literacy and capability. The National Financial Literacy Symposium 2022 was held during Financial Literacy Month with the theme Advancing Financial Literacy Towards Rebuilding Financial Resilience Post-Pandemic. The event brought together a diverse group of participants, including researchers, academics, think tanks, policymakers, and industry practitioners, to foster innovative ideas to enhance financial literacy and promote financial well-being in the post-pandemic landscape.

As an active OECD/INFE member, BNM regularly participates in meetings of its technical committee. In 2022, BNM and other FEN members, partners, and strategic collaborators organized various financial education initiatives at the national

level, in conjunction with Global Money Week 2022 (GMW2022). The initiatives were targeted to different life stages, including children, youth, teachers, and university students, successfully achieving 4.8 million interactions.

Furthermore, BNM extended its collaborative efforts with other central banks to promote capacity-building in financial literacy. In 2022, BNM actively shared valuable experiences and insights during workshops with the Bank of Lao PDR and Bank Indonesia, as well as at the Alliance for Financial Inclusion (AFI) Global Policy Forum in Jordan.

FEN also increased its efforts to enhance awareness of financial scams and empower individuals to better protect themselves. BNM provides continuous updates to consumers on the latest information and tips on financial fraud and scams via the Amaran Scam Facebook page. At the end of 2022, Amaran Scam had 60,000 followers and more than 5.7 million impressions. BNM continues to foster close collaboration with law enforcement, government agencies and non-governmental organizations NGOs to combat financial scams, complementing the establishment of the National Scam Response Centre (NSRC) in October 2022 to enable consumers to lodge a report if they fall victim to a scam.

## PROGRESS IN MSME FINANCE

**Continued MSME support from the financing ecosystem, with further institutional enhancements and advancements in innovative social finance to meet the needs of undeserved entrepreneur segments**

Malaysian MSMEs have benefited from increased financial support from banks and DFIs, supported by the holistic MSME financing ecosystem that has been strengthened over the years.<sup>84</sup> This includes sustained access to finance throughout the COVID-19 pandemic, which helped MSMEs weather the economic downturn and regain vitality in the recovery period. At the end of 2022, finance outstanding to MSMEs amounted to MYR 356 billion, almost double that of a decade ago, reflecting in part the successes of structural measures to enhance SME access to financing as well as financial institution recognition of MSMEs as a key economic segment. Financing to MSMEs now represents almost half (48 percent) of the total outstanding loans extended to businesses, compared with less than 45 percent pre-pandemic.<sup>85</sup> In 2022, the number of loans increased by 5.8 percent, supported by robust financing approvals and disbursements for both cash flow and capital investment needs, at levels exceeding pre-pandemic trends.

<sup>84</sup> Some key pillars of the financing ecosystem are:

- (i) Credit information infrastructure that facilitates credit underwriting and assessments (i.e. the Central Credit Reference Information System and private credit bureaus such as CTOS and Experian).
- (ii) Public credit guarantee schemes to support financing for viable but thin-file or riskier segments (i.e. by the Credit Guarantee Corporation and *Syarikat Jaminan Pembiayaan Perniagaan*).
- (iii) Channels for financing information, facilitation, advisory and redress (e.g. one-stop information portals such as MyAssist MSME and SMEInfo, online financing matching platform at imSME portal by CGC Malaysia, advisory upon loan rejections by myKNP@CGC, complaints units at financial institutions and BNMLINK and BNMTLELINK).
- (iv) Platforms for debt remedial measures and resolution (e.g. loan restructuring and rescheduling by banks, small debt restructuring scheme under the Credit Counselling and Debt Management Agency).
- (v) Financial education outreach programmes and development programmes.

<sup>85</sup> Refers to 2018–2019 average.

DFIs specifically continued to play a catalytic role in the provision of access to financial products and services to SMEs that may face difficulty obtaining financing from banking institutions. These institutions with specific development mandates continued to be the main financing provider for micro-enterprises, accounting for a significant 84 percent share of total accounts approved under the Microfinancing Scheme initiative in 2022. During the year, BNM supported DFIs in their efforts to innovate products and develop solutions that bridge gaps in financial inclusion. BNM facilitated regular engagements between DFIs and fintech companies, aiming, for instance, to encourage exploration of non-debt solutions for MSMEs such as equity financing, and enhance credit assessment methods for 'thin-file' customers using artificial intelligence/machine learning or other credit scoring methods (e.g. psychometric analysis).

BNM also worked closely with DFIs to refine their internal governance systems and resources relating to the Performance Measurement Framework (PMF), which was introduced by BNM in 2021 to capture and institutionalize DFI impact beyond financing. This resulted in improved reporting of baseline impact indicators by DFIs and more meaningful application of the PMF to track long-term development outcomes. The PMF also prompted DFIs to take proactive action to enhance outreach and draw in private sector financing for underserved areas (e.g. new growth areas, micro-enterprises, social enterprises and green financing) and borrower segments (e.g. vulnerable segments and 'thin-file' customers).

Meanwhile, as the Malaysian economy emerged with a strong recovery in 2022, BNM also realigned the focus of its Fund for SMEs in complementing banks' provision of finance to MSMEs, particularly to offer better support for future MSME growth in strategic areas and move them up the economic value chain. BNM placed emphasis on two financing facilities that support MSMEs in making the transition to low-carbon and sustainable operations<sup>86</sup> and incentivize businesses to invest in digital technology, green technology and biotechnology.<sup>87</sup>

Another important agenda for BNM in 2022 was to advance the iTEKAD<sup>88</sup> programme (see figure). This targets low-income micro-entrepreneurs to mainstream social finance as an integral component of the financial system for underserved segments. Since its pilot phase in 2020, the number of participating banks and participants, the geographical coverage and the reach of business sectors have grown steadily. For instance, the number of participants increased more than tenfold to reach nearly 1,600 (from 127 in 2021). Together with their

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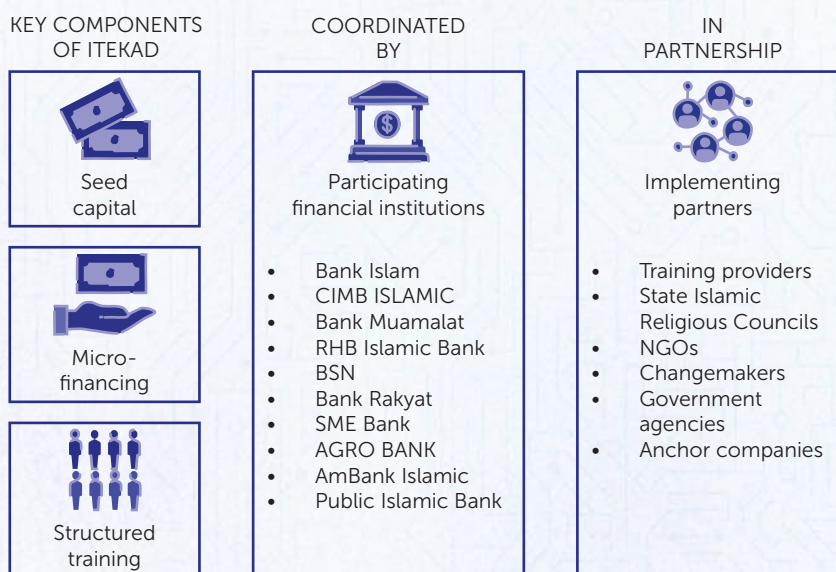
<sup>86</sup> The Low Carbon Transition Facility (LCTF), introduced in 2022, provides financing to SMEs for the purposes of improving energy efficiency, increasing the use of sustainable materials for production, and obtaining sustainability certification. The total allocation for LCTF is MYR 2 billion, comprising a MYR 1 billion allocation from BNM and another MYR 1 billion matched by participating banks from their own funds. Under LCTF, BNM has also established the Greening Value Chain Programme, which combines funding with technical training, on-site assessments and access to measurement software. Further details are available at: <https://www.bnm.gov.my/funds4sme>.

<sup>87</sup> The High Tech and Green Facility, rebranded from the High Tech Facility – National Investment Aspirations Facility, was introduced at the end of 2020. Further details are available at: <https://www.bnm.gov.my/funds4sme>.

<sup>88</sup> iTEKAD is a blended social finance programme that combines public, commercial, and social funds to provide low-income micro-entrepreneurs with seed capital, microfinancing and structured training. Further details are available at: <https://www.bnm.gov.my/social-finance>.



iTEKAD is a blended finance programme that mobilizes social finance\* and commercial funds, aimed to nurture lower-income microenterprises to generate substantive revenues for upward mobility.



KEY PROGRESS (AS OF DEC 2022)

<b>1,595</b> PARTICIPANTS (2021: 172)	<b>MYR 9.8 MILLION</b> SOCIAL FINANCE FUNDS MOBILIZED (2021: RM 0.8 MILLION)
<b>14</b> STATES (2021: 5)	<b>MYR 8.5 MILLION</b> FINANCING AND INVESTMENTS DISBURSED (2021: RM 2.2 MILLION)

\*e.g. zakat, cash, waqf, donations, corporate social responsibility (CSR), social impact investment

implementation partners (e.g. training providers, government agencies and non-governmental organizations), participating banks committed to onboard more than 4,000 new participants and mobilize almost MYR 40 million of diverse social finance funds (including donations, zakat, and social impact investment) in 2023, supported by a total government allocation of MYR 10 million for the seed capital component.<sup>89</sup>

## KEY CHALLENGES IN ADVANCING FINANCIAL INCLUSION

While Malaysia has made significant progress in advancing financial inclusion over the past decade, several barriers and challenges remain to be addressed (as outlined in the Financial Inclusion Framework Strategy Paper 2023–2026).<sup>90</sup>

### DIGITAL FINANCIAL LITERACY

Reliance on cash and traditional banking prevails, particularly among low-income elderly and rural communities, mainly due to a lack of knowledge of and trust

<sup>89</sup> MYR 4 million initially allocated under the Budget 2023, and later supplemented by an additional MYR 6 million allocation in August 2023.

<sup>90</sup> BNM (2023) Financial Inclusion Framework 2023 – 2026: Strategy paper. Kuala Lumpur, Malaysia: Central Bank of Malaysia (<https://www.bnm.gov.my/documents/20124/55792/SP-2nd-fin-incl-framework.pdf> accessed 18 April 2024).



in financial products and services. Low digital financial literacy also persists; for example, 37 percent of Malaysians share passwords, and/or PINs of bank accounts with close friends, and only 11 percent regularly change their password for online shopping and personal finance.

### **TAKE-UP OF INSURANCE AND TAKAFUL**

While ownership of banking accounts is high in Malaysia, the take-up of insurance and takaful remains low; for example, 23 percent of individuals and 67 percent of SMEs, due to a lack of affordability and awareness of the need for risk protection and limited understanding of products.

### **INNOVATION IN PRODUCTS FOR UNDERSERVED SEGMENTS**

There is limited exploration of targeted, innovative financial solutions for the underserved.

### **FINANCIAL AWARENESS AND EDUCATION**

Only 29 percent of consumers rate themselves as having low financial knowledge. Improvements in financial knowledge have yet to manifest as substantial, positive shifts in behaviour and attitudes.<sup>91</sup>

### **LOW FINANCIAL BUFFERS FOR SOME SEGMENTS**

With 55 percent of consumers' household income decreasing during the COVID-19 pandemic, 15 percent were unable to cover their basic needs. 30 percent of Malaysians cited high indebtedness, particularly for those in the education, public and/or professional sectors. In all, 47 percent of Malaysians claim to have difficulty raising MYR 1,000 as emergency funds.

### **WAY FORWARD: REACHING THE LAST MILE**

To address these gaps, financial inclusion strategies in Malaysia for the next four years will be guided by the Financial Inclusion Framework Strategy Paper (2023–2026), which was issued in June 2023.

The implementation of the first Financial Inclusion Framework (2011–2020) has led to significant improvements in the accessibility and take-up of basic financial services in Malaysia. Despite the progress made over the past decade, several barriers and challenges need to be addressed to further improve financial inclusion.

Aligned with the goals envisioned in the Financial Sector Blueprint (2022–2026) to elevate the financial well-being of households and businesses, the Financial Inclusion Framework (2023–2026) serves as a four-year strategic roadmap to advance financial inclusion in Malaysia.

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<sup>91</sup> Based on the Malaysia Financial Literacy and Capability Index: a composite index that assesses the level of financial capability of Malaysians based on measures of financial knowledge, behaviour and attitudes.

It features a shift in the focus from accessibility and usage to achieving the broader development outcomes of advancing financial inclusion to elevate the financial well-being and standard of living of all residents of Malaysia.

The Framework outlines policy objectives and broad strategies to support the achievement of four desired outcomes, namely: (i) access to affordable and suitable financial products and services; (ii) responsible usage of financial products and services; (iii) financial innovation that delivers value for all; and (iv) financially capable consumers with good financial health.

The Framework also provides principle-based guidance for the industry to define the financially unserved and underserved segments, to ensure streamlining of financial inclusion initiatives in the country.

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of branches per 10,000 adults	1.3	1.3	1.2	1.2	1.2
	2. Number of ATMs per 10,000 adults	4.5	4.4	5.6	5.5	5.4
	3. Number of POS terminals per 10,000 adults	209	268	298	317	333
	4. Number of mobile money agents or similar financial services agents <sup>92</sup>	6,254	5,532	4,696	4,119	3,829
	5. Number of mobile banks					19
Access points	Number of access points per 10,000 adults at national level <sup>93</sup>	3.9	3.5	3.1	2.9	2.7
Connectivity	Access to the internet (percentage of adults with internet access anywhere)	87.4%	N.A.	88.7%	N.A.	N.A.
<b>USAGE INDICATORS</b>						
Adults with an account	1. Percentage of adults who report having an account at a bank <sup>94</sup>	95.5%	96.0%	95.9%	95.7%	96.8%
	2. Number of e-money accounts (banks and non-banks; millions)	61.1	81.5	107.5	128.6	152.1
	3. Number of active e-money accounts <sup>95</sup> (millions)	11.10	14.8	15.9	22.6	24.9
	4. Number of inactive e-money accounts (millions)	49.88	66.6	91.5	106.1	127.3
	5. Number of e-money accounts (banks and non-banks) per 10,000 adults	25,534	33,538	43,565	51,664	60,682

<sup>92</sup> Refers to the number of bank agents only. Data on mobile money agents are not available.

<sup>93</sup> As nationally defined: includes only bank branches and agent banks.

<sup>94</sup> Refers to the percentage of Malaysian adults (15 years and above) with deposit accounts at a financial institution.

<sup>95</sup> Refers to users with at least one transaction made during the reporting month.

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
	6. Number of active e-money accounts <sup>96</sup> per 10,000 adults	4,639	6,090	6,484	9,079	9,934
	7. Number of inactive e-money accounts per 10,000 adults	20,895	27,407	37,081	42,625	50,788
Savings	Number of deposit accounts with banks or deposit-taking institutions per 10,000 adults	31,429	30,640	30,999	30,698	31,009
Credit	Number of loan accounts with banks or other credit providers per 10,000 adults	8,335	8,321	8,914	8,752	8,993
Payments	1. Number of debit cards per 10,000 adults	17,218	18,123	18,956	18,532	19,225
	2. Number of e-money purchase transactions (i.e. refers to transaction volume) (millions)	1,900	2,091	1,828	2,108	3,187
	3. Number of e-payment transactions per capita <sup>97</sup>	125	150	170	221	291
Insurance	Number of life insurance policy holders per 10,000 adults	4,883	4,928	4,964	4,994	5,752
<b>QUALITY INDICATORS</b>						
Affordability	Average cost as a percentage of a low-value remittance transaction <sup>98</sup>	4.75%	4.00%	4.18%	N.A.	N.A.
Financial literacy	Percentage of adults who know definitions of basic financial terms <sup>99</sup>	49.3%	N.A.	N.A.	52.3%	N.A.
Indebtedness	Percentage of borrowers who are more than 90 days late with a loan repayment	1.48%	1.60%	1.56%	1.50%	1.72%
<b>INCLUSIVE GROWTH INDICATORS</b>						
Digital financing	Internet banking penetration rate (percentage of population)	91.1%	97.6%	112.5%	122.4%	134.3%
	Mobile banking penetration rate (percentage of population)	44.6%	52.9%	61.8%	73.1%	88.7%
<b>IMPACT INDICATORS</b>						
Segmental	Percentage of adult women using at least one formal financial service		96.66%	96.49%	96.08%	97.57%
	Percentage of MSMEs using at least one formal financial service				99%	

<sup>96</sup> Accounts with at least one financial transaction in the past six months.

<sup>97</sup> Includes all financial transactions made through credit transfer, payment cards, direct debit and e-money services offered by banks and/or non-banks.

<sup>98</sup> Average transaction cost of sending remittances from a specific country.

<sup>99</sup> Arithmetic score as per national definitions.

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified		
	Formulation	Formation of a financial capability working group		
	Formulation	Number of quarterly meetings held by the financial capability working group		
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education		
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education		
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability		
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/ policies, policies promoting inclusion of specific marginalized segments)	1	1
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum		
	Implementation	Percentage of schools that integrate financial education into the curriculum	100%	100%
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)		
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS		
	Implementation	Number of high-level/inter-agency meetings to discuss NFES targets/ outcomes with key regulatory stakeholders	2	2
Regional collaboration	Pre-formulation/ formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES		
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES	2	3
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability		
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)		
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group <sup>100</sup>	8	8
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country		

<sup>100</sup> Number of members of the FEN working group.



Indicator category	Stage of country	Indicator definitions	2021	2022
	Pre-formulation	Number of key target groups identified that have low financial capabilities		
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey		
	Formulation	Number of policies and programmes developed from national financial capability survey results		
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)	59.7% <sup>101</sup>	61.0% <sup>102</sup>
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	24%	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	25%	
		Female	25%	
		Male	25%	
		15–24 years (youth)	11%	
		25+ years (adults)	29%	
		Poorest 40%	10%	
		Richest 60%	34%	
		Rural		
		Urban		
	Out of labour force	21%		
	In labour force	27%		
	All stages	Main source of emergency funding in 30 days (%)		
		Family or friends	29%	
		Loan from a bank, employer or private lender	1%	
		Sale of assets	9%	
		Savings	40%	
		Work	8%	
	All stages	Other		
		Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	52%	
Female		51%		
Male		54%		
15–24 years (youth)		38%		
25+ years (adults)	57%			

101 OECD/INFE Toolkit 2021. The score measures a set of basic financial skills, behaviours and attitudes.

102 OECD/INFE Toolkit 2022.

Indicator category	Stage of country	Indicator definitions	2021	2022
		Poorest 40%	41%	
		Richest 60%	60%	
		Rural		
		Urban		
		Out of labour force	36%	
Programme level	Implementation	Number of financial education initiatives	222	395
	Implementation	Percentage of stakeholders integrating financial education at the programme level	100%	100%
	Implementation	Percentage of stakeholders using digital channels for financial education	100%	100%
	Implementation	Percentage of outcomes achieved at programme level	N.A.	N.A.

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	16.3%
	Percentage of MSMEs with account at financial institution	90%
	Share of new MSME lending as a percentage of total loans	20.7%
	Percentage of secured MSME loans to total MSME outstanding loans <sup>103</sup>	49.7%
	Percentage of MSME borrowers with collateral	50.24%
	12-month average of lending rates (%) on new SME loans approved	4.98%
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
QR systems [yes/no]	Yes	
Usage	Percentage of MSMEs that report using an account at a financial institution	90%
	Percentage of MSMEs that report using a mobile account	65%
	Number of MSME loans/MSME borrowers	>1million
	Percentage of MSMEs with outstanding loan or credit	29.2%
	Value of MSME loans	355,656
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	9
	MSME loan guarantees (value)	22,700
	MSME direct government loans/loan funds (MYR billions)	21,200
	Number of tax incentives for MSMEs	
	Number of pre-shipment export guarantee funds for export-based MSMEs	

<sup>103</sup> Reflects SME loan accounts with newly approved loans backed by collateral during the year, as a share of total SME loan accounts with newly approved loans from banks and DFIs.

Indicator category	Indicator	2022
Digital finance/alternative finance	P2P lending (volume, percentage share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	1
	Percentage of MSMEs with digital payment capabilities <sup>104</sup>	92%
Coordination	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>105</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
	Number of partnerships with fintechs, MMOs, telcos, ecommerce platforms, digital payment providers	
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	3.6%
	Percentage of MSMEs that have at least one formal financial service	99%
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>106</sup>	
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs <sup>107</sup>	6

104 This is a new indicator and reflects the share of 1,000 surveyed Malaysian SMEs reporting using some form of digital payments (PayPal (2022) Accelerating SME Digitalisation in Malaysia. (<https://tinyurl.com/yc6nmzz5> accessed 18 April 2024)).

105 These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

106 This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.

107 These loan schemes are from financial institutions only.



**PHILIPPINES**  
COUNTRY REPORT



## PROGRESS ON FINANCIAL INCLUSION

The Philippines is on track to meet its target of 70 percent financial inclusion by 2023. The biennial financial inclusion survey of the Bangko Sentral ng Pilipinas (BSP) recorded account ownership among Filipino adults at 56 percent in 2021, a significant increase from 29 percent in 2019. From 2023 onwards, the survey will be conducted annually as the Consumer Finance and Inclusion Survey, which will feature expanded questions and a larger sample size.<sup>108</sup>

In the interim, financial inclusion questions have been included in the BSP Consumer Expectations Survey, from the second quarter (Q2) of 2022. This quarterly survey of households showed that the percentage of households with a transaction account rose to 65 percent in Q4 2022 from 57 percent in Q2 2022.

The BSP complements demand-side surveys with supply-side data collected from financial service providers. Supply-side information reveals the following insights:

- In 2022, there were 17 bank branches and 30 ATMs per 100,000 adults. Around 85 percent of cities and municipalities in the Philippines have a banking presence.<sup>109</sup>
- The number of deposit accounts in commercial banks increased to 129,503 per 100,000 adults in 2022 from 105,588 in 2021.
- The number of basic deposit accounts (BDAs)<sup>110</sup> rose to 15.3 million in 2022, nearly double the amount of 7.9 million in 2021. A BDA is an affordable and easy-to-open account designed for the unbanked. It has simplified documentary requirements for account opening and a minimum opening deposit capped at PHP 100 (approximately US \$1.75) with no maintaining balance and no dormancy charges.
- In terms of indebtedness, the proportion of households that are behind schedule in their debt repayments decreased slightly to 8.2 percent in 2022 from 8.5 percent in 2021.
- The BSP received 22,142 complaints through its consumer assistance mechanism in 2022, 76.9 percent of which have been resolved.

The shift to digital payments from traditional cash-based transactions has become more pronounced. The number of registered mobile money accounts or e-money wallets per 100,000 adults jumped by 48 percent from 221,866 accounts in 2021 to 328,192 accounts in 2022. Meanwhile, the number of mobile money transactions per 100,000 adults more than doubled in 2022. Outflow transactions hit 1.5 million per 100,000 adults from around 600,000 in 2021. Furthermore, the electronic fund transfer service InstaPay reported a continued upsurge in the volume of digital payments, which reached 21.5 percent in 2022, attributed partly to cheaper InstaPay fees ranging from zero to PHP 30 in 2022 (zero to PHP 40 in 2021).

<sup>108</sup> The 2023 Consumer Finance and Inclusion Survey report is expected to be published in Q1 2025.

<sup>109</sup> Banking presence includes cash agents.

<sup>110</sup> List of Banks Offering Basic Deposit Accounts: <https://www.bsp.gov.ph/Lists/Directories/Attachments/18/BDA.pdf>.

With this momentum, the country is progressing towards achieving the BSP Digital Payments Transformation Roadmap target of converting 50 percent of all retail payments into digital form by the end of 2023.

## IMPLEMENTING THE NATIONAL STRATEGY FOR FINANCIAL INCLUSION (2022–2028)

On 30 June 2023, the interagency Financial Inclusion Steering Committee (FISC),<sup>111</sup> of which the BSP serves as chair and secretariat published the 2022 Annual Report of the National Strategy for Financial Inclusion (NSFI) outlining the country's accomplishments in the inaugural year of implementing the NSFI 2022-2028. A key initiative in 2022 under digital finance was the institutionalization of the 'test-and-learn' approach through the regulatory sandbox framework,<sup>112</sup> which espouses responsible innovation in building an inclusive digital financial system. Additional milestones include the release of the implementing rules and regulations of Executive Order No. 170, s. 2022<sup>113</sup> on the "Adoption of Digital Payments for Government Disbursements and Collections", and the issuance of BSP and the Department of the Interior and Local Government's Joint Memorandum Circular No. 01, s. 2022 or the "Guidelines to Local Government Units Enjoining Participation in the Paleng-QR Ph Program."<sup>114</sup>

The nation is poised to build on existing interventions to achieve its strategic objectives in the remaining six years of the NSFI implementation. Interventions will continue to expand low-cost access points in unserved and unbanked areas (e.g. the Agent Registry System<sup>115</sup>) and onboard priority sectors in the financial system through affordable financial products that promote financial resilience (e.g. micro-insurance).

Furthermore, BSP's interventions will target the development of a sustainable financing ecosystem for MSMEs, start-ups and the agriculture sector, with a focus on strengthening the credit infrastructure (e.g. Credit Risk Database,<sup>116</sup> Credit Surety Fund<sup>117</sup>), promoting innovative financing approaches (e.g. moveable asset financing<sup>118</sup>) and addressing information gaps (e.g. Standard Business Loan

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111 Comprising 21 Philippine government agencies, the FISC provides direction in the implementation of the strategy and serves as a platform for the whole-of-nation pursuit of the NSFI's vision to achieve "financial inclusion toward inclusive growth and financial resilience."

112 BSP Circular No. 1153, dated 5 September 2022.

113 Signed on 26 October 2022.

114 The Paleng-QR Ph programme aims to promote financial inclusion and cashless transactions in public markets, community shops and local transportation by capitalizing on BSP's QR Ph initiative.

115 The Agent Registry System is a regulatory technology solution designed to improve visibility of the reach and depth of penetration of agents and services points. The agent network is expected to be instrumental in expanding access to low-cost touchpoints to reach the unbanked segments of society by tapping ubiquitous retail outlets and other establishments as service points for financial institutions.

116 BSP, in partnership with the Japan International Cooperation Agency, rolled out the Credit Risk Database Project in April 2022, which aims to improve access to finance for SMEs by lessening banks' dependence on collateral and promoting risk-based lending.

117 The Credit Surety Fund is a credit enhancement scheme providing a maximum surety cover of 80 percent to loans granted by banks to MSMEs.

118 Moveable asset financing is a lending methodology that leverages moveable assets such as warehouse receipts, receivables, inventory flows and supply chain relationships to boost MSME lending.



Application Form<sup>119</sup>) to enhance the bankability of enterprises and enable financial institutions to better understand the broader needs of MSMEs.

## PROMOTING CONSUMER EMPOWERMENT AND FINANCIAL CAPABILITIES

Recognizing that a whole-of-nation approach is needed to achieve a financially capable citizenry, the BSP has forged strategic partnerships with various national government agencies that work with priority segments such as agriculture, education, overseas workers, uniformed personnel, and civil servants, among others. This collaborative effort aims to ensure the inclusivity and targeted nature of the country's financial education programs. As of 2022, 10 of the 12 target government partners<sup>120</sup> have committed to formally incorporate financial education into their systems through a memorandum of agreement, of which seven have also issued separate official directives mandating inclusion in curricula, career courses, training and orientation sessions for their employees or beneficiaries. Meanwhile, 6 of the 10 partners<sup>121</sup> have already achieved at least 50 percent of the commitments outlined in their respective memoranda of agreement.

The BSP continued its delivery of financial learning sessions in 2022 through the Economic and Financial Learning Program, which targeted diverse audiences such as students, educators and working groups. A total of 50 learning sessions were conducted, reaching 26,896 attendees. In parallel, the BSP distributed 47 sets of learning materials throughout the year, disseminated through the online platform Pisolit, which had 60,105 followers as of December 2022.

Furthermore, as part of the Paleng-QR Ph program, the BSP organized a lecture for market vendors and market section heads in Baguio City. This lecture served as a digital financial literacy component aiming to promote the adoption and usage of QR Ph in digital payments and transactions. Additionally, BSP took the lead in organizing the Fifth Financial Education Stakeholders Expo in November 2022. The Expo featured seven virtual learning sessions on various topics, attracting 91,000+ views from Filipinos worldwide on the BSP and Pisolit Facebook accounts.

To safeguard the financial consumer rights of Filipinos, Circular No. 1160 on Regulations on Financial Consumer Protection to Implement Republic Act No. 11765 was issued in November 2022. Republic Act No. 11765, also known as the

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119 The Standard Business Loan Application Form serves as the primary application screening tool for entities offering secured or unsecured business loans to MSMEs, including start-ups and individuals proposing to do business, for financing business operations and capital expenditures. It is designed to make the loan application process simple and borrower-friendly and provide much-needed granular and sex-disaggregated MSME data.

120 Department of Education, Commission on Higher Education, Technical Education and Skills Development, Department of Agriculture Bureau of Fisheries and Aquatic Resources, Department of Agriculture Agricultural Credit Council, Department of Social Welfare and Development, Department of Trade and Industry, Overseas Workers and Welfare Administration, Civil Service Commission, Armed Forces of the Philippines, Bureau of Fire Protection and Philippine National Police.

121 These include Armed Forces of the Philippines, Bureau of Fire Protection, Department of Agriculture Bureau of Fisheries and Aquatic Resources, Department of Education, Department of Social Welfare and Development, Overseas Workers and Welfare Administration.

Financial Products and Services Consumer Protection Act, hopes to instil market discipline and protect the financial consumer rights of Filipinos.

## ENHANCING THE MSME FINANCE ECOSYSTEM

The MSME sector's pivotal role as a driver of broad-based inclusive economic growth is evident in its significant contribution to the livelihoods and income generation of Filipinos. MSMEs comprise a substantial portion of the country's business landscape, accounting for a 99.6 percent share of all registered enterprises in 2022.<sup>122</sup> Majority (90.5 percent) of MSME establishments, were micro-enterprises; 8.7 percent were small enterprises; and 0.4 percent were medium sized. These enterprises are categorized according to asset size (excluding land) defined under Republic Act No. 9501, or the Magna Carta for MSMEs.<sup>123,124</sup>

Collectively, these MSMEs accounted for 65.1 percent of the country's total employment in 2022, generating 5.6 million jobs during this period and serving as an effective pathway for greater financial inclusion.

In terms of loan portfolio, latest available data showed that the value of MSME loans decreased by 15 percent to PHP 492.6 billion in 2022 from PHP 578.0 billion in 2018.<sup>125</sup> The latest figure represents 2.2 percent of the country's gross domestic product (GDP) in 2022. Similarly, the share of MSME loans to total banking system loans fell to 4.3 percent from 6.2 percent during the same period. In terms of usage, the number of MSME borrowers totalled 1.5 million in 2022.

A survey commissioned by the Asian Development Bank (ADB) in 2021<sup>126</sup> revealed that 52.3 percent of MSMEs in the Philippines were using an account at a financial institution in 2021, while 30 percent of the surveyed MSMEs used merchant and business chequing accounts. While sex-disaggregated MSME finance data are limited, the survey showed that most women MSMEs (84.8 percent) had an outstanding loan or line of credit in financial institutions. More than half (52.2 percent) of surveyed women MSMEs indicated that they have access to at least one formal financial service/product. However, the survey also revealed that only 50.8 percent of women MSMEs used any form of banking services and digital tools for their business, compared to 73.3 percent of men MSMEs.

122 DTI Philippines (2022) 2022 Philippine MSME Statistics. Makati City, Philippines: Department of Trade and Industry (<https://www.dti.gov.ph/resources/msme-statistics/>).

123 Republic Act No. 9501: An Act to promote entrepreneurship by strengthening development and assistance programs to micro, small and medium scale enterprises, amending for the purpose Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Small Enterprises" and for other purposes. Metro Manila, Philippines: Congress of the Philippines (<https://www.officialgazette.gov.ph/downloads/2008/05may/20080523-RA-9501-GMA.pdf>). R.A. 9501 defines MSMEs as - micro: not more than PHP 3,000,000 ; Small: PHP 3,000,001 –15,000,000 ; Medium: PHP 15,000,001 –100,000,000.

124 The Philippine Statistics Authority categorizes the MSME sector according to number of employees. An enterprise is classified as a micro-enterprise if it has fewer than 10 employees, small with 10–99 employees, and medium sized with 100–199 employees.

125 BSP Financial Inclusion Dashboard: <https://www.bsp.gov.ph/Pages/MediaAndResearch/FinancialInclusionDashboard.aspx>.

126 ADB (2021) Measuring Progress on Women's Financial Inclusion and Entrepreneurship in the Philippines: Results from a Micro, Small, and Medium-Sized Enterprise Survey. Metro Manila, Philippines: Asian Development Bank (<https://www.adb.org/publications/women-financial-inclusion-entrepreneurship-philippines>).



Given the strategic importance of MSMEs in inclusive growth, four national policies<sup>127</sup> have prioritized this market segment as a key target group in various programmes and initiatives. This is also well complemented with the support of partnerships with female-focused organizations such as the Women’s Business Council of the Philippines and capacity-building programmes born out of a collaboration between the International Labour Organization (ILO) and the Department of Trade and Industry’s *Negosyo Centers*.<sup>128</sup> The government has likewise intensified its efforts to assist the sector by providing tax incentives to qualified MSMEs.<sup>129</sup> Furthermore, to facilitate the flow of credit to the MSME sector, guarantee programmes are being leveraged as credit enhancement schemes. While the baseline percentage share of MSME loans with loan guarantee to total MSME loans was recorded at merely 1 percent in 2021,<sup>130</sup> the latest available data showed that the outstanding guarantee portfolio had reached PHP 1.29 billion as of June 2023.<sup>131</sup>

Subsequently, fintech plays an increasingly important role in MSME financing. Recent gains in fintech innovations have unlocked new sources of funding for MSMEs to help them thrive amid the challenges in starting and expanding their businesses. Among the various innovations that are rapidly changing today’s financial services delivery, peer-to-peer (P2P) lending has gained traction among small businesses by providing non-collateralized loans at competitive interest rates. In lieu of collateral, P2P lenders use innovative credit scoring models and big data analytics to assess the creditworthiness of MSME borrowers.<sup>132</sup> With over a third (34.7 percent) of MSMEs having digital payment capabilities in 2021,<sup>133</sup> the volume of P2P lending in the country totalled PHP 2.36 million in 2022.<sup>134</sup> Meanwhile, only 28.5 percent of women-owned MSMEs have digital payment capabilities, compared to 44.0 percent of their male counterparts.

Similarly, venture capital is seen to deliver many benefits to MSMEs. As a distinct component of private equity, venture capital funds provide new opportunities for innovative, high-growth-potential start-ups facing challenges securing credit from traditional sources.<sup>135</sup> Notably, in 2021, there were 46 venture capital deals in the country with a total investment value of US \$631 million.<sup>136</sup>

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127 NSFI (2022–2028), Philippine Development Plan (2023–2028), MSME Development Plan (2017–2022) and Philippine Export Development Plan (2023–2028).

128 ILO and DTI conducted a series of capacity-building (financial and non-financial services) webinars targeting women entrepreneurs (ILO-DTI Online Women Entrepreneur [WE] Hour).

129 Tax incentives for MSMEs are provided under the following legislative measures: (i) National Income Revenue Code of 1997; (ii) Corporate Recovery and Tax Incentives for Enterprises; (iii) Barangay Micro Business Enterprises Act of 2022; and (iv) Bayanihan to Heal as One Act.

130 NSFI Annual Report.

131 Philippine Guarantee Corporation.

132 OECD (2020) *Alternative Financing for ASEAN SMEs*. Paris, France: Organisation for Economic Co-operation and Development (<https://asean.org/wp-content/uploads/2012/05/Alternative-Financing-Instruments-for-ASEAN-SMEs.pdf>).

133 MSMEs that reported using DFS (e.g. mobile account, e-wallet, digital payment services) either for personal or business use (ADB MSME Survey).

134 BSP (2022) *2020 Status of Digital Payments*. Manila, Philippines: Bangko Sentral ng Pilipinas ([https://www.bsp.gov.ph/PaymentAndSettlement/2022\\_Report\\_on\\_E-payments\\_Measurement.pdf](https://www.bsp.gov.ph/PaymentAndSettlement/2022_Report_on_E-payments_Measurement.pdf)).

135 OECD (2015) *New Approaches to SME and Entrepreneurship Financing: Broadening the range of instruments*. Paris, France: Organisation for Economic Co-operation and Development (<https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf>).

136 Latest available data are as of 2021. Statista (undated) *Number of venture capital deals in the Philippines from 2017 to 2021*. New York, NY: Statista (<https://www.statista.com/statistics/1343899/philippines-number-of-venture-capital-deals/>) accessed 18 April 2024).

## KEY CHALLENGES AND POTENTIAL SOLUTIONS

Notwithstanding the commitment of stakeholders to implement the strategic initiatives under the NSFI (2022–2028), challenges persist in achieving the strategy's desired outcomes and targets.

Information technology connectivity, digital financial literacy and consumer protection have become more important with increasing digitalization. The BSP recognizes that complementary initiatives in these policy areas are needed to protect and compound the gains from promoting trust and confidence in the usage of digital finance. Hence, the BSP supports legislative measures and national efforts to improve digital connectivity in the country. The BSP also supports the digital transformation of rural financial institutions and other last-mile providers, including microfinance institutions (MFIs).

In the same vein, while the Philippines has made significant strides in supporting the development of the MSME sector, much remains to be done in terms of strengthening the financial infrastructure (e.g. credit guarantees, crop insurance system, credit information registry, secured transactions framework) that will reduce the risks and associated costs of serving MSMEs, including agri-businesses. The NSFI aims to strengthen the Credit Surety Fund (CSF) as a local government unit (LGU)-based credit enhancement scheme for MSMEs; expand agricultural insurance through private sector participation; develop, enhance and promote the usage of credit risk information support (e.g. a credit risk database) for all financial institutions; and ensure effective implementation of the Personal Property Security Act and support the passage of laws promoting credible warehouse receipt systems. These are critical credit infrastructures that could facilitate promotion of financing approaches to boost MSME lending. For instance, the establishment of a well-functioning online collateral registry, such as the Personal Property Security Registry, has the potential to enhance MSME access to affordable credit by facilitating the acceptance of moveable assets as collateral.

Latest available data suggest that financial institutions have not been keen on MSME lending. Most banks viewed MSMEs as unbankable due to limited information on their market operations and repayment capacities. MSMEs, on the other hand, seem intimidated by the voluminous and complex financing requirements of banks which, in turn, hinder them in accessing formal credit. Information asymmetry and data gaps pose a barrier to the development of targeted interventions for MSME development.

To address these challenges, the BSP will continue to collaborate with local stakeholders and international partners and explore the possibility of conducting another round of a national demand-side survey like the study commissioned by the ADB in 2021 to generate new insights and more granular and sex-disaggregated data on MSME access to finance. This initiative is envisioned to bolster

evidence-based policymaking, offering profound market insights to empower financial service providers in strategically catering to the sector.

## WAY FORWARD

The Philippines' financial inclusion agenda will continue to be guided by the NSFI in the next six years, with the goal of intensifying the execution of ongoing and forthcoming undertakings. These efforts, marked by collaborative multi-stakeholder engagement, are designed to scale up for replication and create a meaningful and sustainable impact on the unserved and underserved.

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of banking offices (domestic) per 100,000 adults <sup>137</sup>	16.9	17.2	17.1	17.0	16.8
	2. Number of ATMs per 100,000 adults	29.1	29.1	30.0	29.8	29.8
	3. Number of POS terminals per 100,000 adults	142.1	107.0			
Access points	Number of access points (cash-in and cash-out) per 100,000 adults	102.3	124.0	290.5	288.1	282.9
Connectivity	1. Percentage of adults with internet access	42.0% (2017)	53.0%		76.7%	
	Female		54.1%		78.7%	
	Male		52.5%		74.7%	
	2. Mobile phone penetration					
	Mobile phone ownership		69.0%		92.2%	
	Female		71.5%		93.7%	
	Male		66.1%		90.8%	
	Smartphone ownership		51.0%		81.5%	
	Female		53.0%		83.6%	
	Male		50.0%		79.4%	
<b>USAGE INDICATORS</b>						
Adults with an account	1. Percentage of adults who report having an account at a bank	11.5% (2017)	12.2%		23.4%	
	Female	11.4% (2017)	10.7%		20.4%	
	Male	11.6% (2017)	13.8%		26.3%	

<sup>137</sup> Adults are defined as those aged 15 years and above.

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
	2. Percentage of adults who report having an account with a formal financial institution or a mobile money provider <sup>138</sup>	22.6% (2017)	28.6%		55.6%	
	Female	29.1% (2017)	32.9%		57.4%	
	Male	15.4% (2017)	24.2%		53.8%	
Savings	Number of deposit accounts with banks per 100,000 adults	86,046.2	98,973.6	105,587.8	112,860.6	129,503.1
Payments	1. Number of cards per 100,000 adults, disaggregated by type of card:					
	Debit cards <sup>139</sup>	40,743.3	47,000.4	45,014.3	64,066.9	74,021.6
	Credit cards	12,754.9	14,248.2	13,490.1	13,298.7	14,500.4
	Prepaid cards linked to e-money <sup>140</sup>	23,808.4	26,376.6	38,681.9	56,922.6	64,838
	2. Number of registered mobile money accounts (e-money wallets) per 100,000 adults					
		73,470.4	113,911.3	141,494.4	221,866.2	328,191.8
	3. Number of mobile money transactions per 100,000 adults, disaggregated by type of transaction:					
	Inflow	162,667.3	239,607.8	660,664.6	209,474.3	541,841
	Outflow	555,017.9	603,375.9	1,591,637.5	603,560.7	1,496,866.3
	Percentage of adults making and receiving payments in various forms	88% (2017)	89.4%		91.2%	
Volume of digital payments via InstaPay (percentage year-on-year growth) <sup>141</sup>		1,274.3%	582.9%	93.9%	21.5%	
Insurance	Total number of persons with insurance coverage, disaggregated by life and non-life insurance and insurance provider:					
	Life insurance companies		Insurers: 45,194,096 Micro-insurers: 14,018,366	Insurers: 43,513,663 Micro-insurers: 14,697,338	Insurers: 47,426,349 Micro-insurers: 15,427,792	
		Non-life insurance companies		Insurers: 19,326,604 Micro-insurers: 8,774,453	Insurers: 30,261,108 Micro-insurers: 6,691,351	Insurers: 26,536,250 Micro-insurers: 8,997,426
	Percentage of adults with insurance <sup>142</sup>		18.0% (2017)	23.0%		17.5%
	Female	20.0% (2017)	27.0%		20.3%	
	Male	15.0% (2017)	19.1%		14.6%	

138 The BSP also refers to the World Bank Index for data on these indicators.

139 Data provided refer to ATM debit cards

140 Used proxy data since a major EMI player was unable to submit a report on e-money accounts for years 2018-2019.

141 InstaPay is an electronic fund transfer service launched in 2018.

142 Excluding PhilHealth



Indicator category	Indicator definitions	2018	2019	2020	2021	2022
Appropriateness	Number of basic deposit accounts	658,868	4,019,559	6,594,673	7,850,390	15,341,202
<b>QUALITY INDICATORS</b>						
Value	MSME loans with guarantee as a percentage of MSME loans			0.04%	1%	
Affordability	Range of Instapay fees per transaction (PHP) <sup>143</sup>	0.00–100.00	0.00–150.00	0.00–40.00	0.00–40.00	0.00–30.00
Financial literacy	Percentage of adults who obtained a perfect score in a financial literacy quiz <sup>144</sup>				2%	
	Percentage of adults who correctly answered inflation and interest rate questions (%; age 15+)		8%		4.3%	
Consumer protection	Number of complaints <sup>145</sup>	10,644	9,250	23,275	19,181	22,142
	Female			1,347	4,560	12,146
	Male			1,163	4,480	9,961
	Percentage of resolved complaints					76.9% <sup>146</sup>
Indebtedness	Percentage of households with loan repayments behind schedule	16.2%	13.9%	10.9%	8.5%	8.2%
Choice	Percentage of cities and municipalities with access to all types of financial services: savings, credit, insurance, payments, and remittances		84.3%	84.5%	84.5%	84.5%

Indicator category	Indicator definitions	2019	2020	2021	2022
Macroeconomic context	Proportion of the population living below the national poverty line			18.1%	
	Annual growth rate of real GDP per capita	4.6%	-11.1%	4.9%	6.7%
Education	Completion rate (primary education)	101.0%	98.1%	91.1%	88.0%
	Female	101.6%	99.6%	92.8%	89.1%
	Male	100.5%	96.7%	89.5%	86.9%
(Asset-building and) entrepreneurship	Total value of MSME loans (PHP billions)	588.8	488.0	470.1	492.6
	Percentage of MSME loans in total banking system loans	6.1%	4.9%	4.57%	4.3%

143 PHP 40.00 is approx. US\$0.75 [BSP (29 February 2024) Summary of Corresponding Transfer Fees through Digital Channels (<https://www.bsp.gov.ph/PaymentAndSettlement/Fees.pdf>)].

144 Includes questions on investment diversification and risk

145 "Sex at Birth" field is an optional field in the conversation flows of the BSP Online Buddy (BOB) chatbot and in the Complaints, Inquiries and Requests (CIR) Form. As such, there are blank fields in the data set which indicate that no "Sex at Birth" was declared by the complainant when they filed the complaint via the BSP CAM, this led to a notable disparity when comparing the sex disaggregated data to the overall annual complaint volumes. The process of gathering data pertaining to sex disaggregation was put into effect only in July 2020.

146 Year 2022 complaints resolved as of December 2023.

Indicator category	Indicator definitions	2019	2020	2021	2022
Redistribution	Number of beneficiaries receiving social protection payments through digital channels (millions)		14.0 <sup>147</sup>		
Unemployment and income inequality	Unemployment rate	5.1%	10.3%	7.8%	5.4%
	Female	5.0%	9.9%	8.3%	5.8%
	Male	5.2%	10.7%	7.5%	5.1%
	Proportion of people living below 50% of median income			16.7%	
	Remittance costs as a proportion of the amount remitted <sup>148</sup>	4.1%	3.8%	4.1%	4.4%
Segmental	Percentage of farmers using at least one formal financial service	34.3%		27.2%	
	Percentage of women using at least one formal financial service	32.9%		57.5%	
	Percentage of youth using at least one formal financial service	13.1%		40.1%	
Global Development Goals	Percentage of people living below international poverty line	2.7% (2018)		3.0%	
National goals	Annual growth rate of GDP <sup>149</sup>	6.1%	-9.5%	5.7%	7.6%

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified		12 <sup>150</sup>
	Formulation	Formation of a financial capability working group	8 <sup>151</sup>	10
	Formulation	Number of quarterly meetings held by the financial capability working group	66 <sup>152</sup>	110
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education	67%	83%
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education	40	60

147 Cash assistance given when community quarantine periods were imposed (i.e. the Social Amelioration Programme).

148 The indicator uses the cost of sending US\$200 from the USA to the Philippines as a proxy for the average cost of remittances.

149 At constant prices.

150 Government agencies.

151 Government partners with an institutionalized financial education partnership.

152 Partnership meetings.

Indicator category	Stage of country	Indicator definitions	2021	2022
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability		2 <sup>153</sup>
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/policies, policies promoting inclusion of specific marginalized segments)	5 <sup>154</sup>	7 <sup>155</sup>
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum	3	2
	Implementation	Number of schools that integrate financial education into the curriculum	TBD <sup>156</sup>	TBD
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)	4	4
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS		1
	Implementation	Number of quarterly meetings <sup>157</sup> held by the financial capability working group to discuss NFES target/outcomes	2	2
Regional collaboration	Pre-formulation/ formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES	N.A.	N.A.
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES	1	1
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	17 <sup>158</sup>	17
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)	19	19
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group		39
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country	2	2
	Pre-formulation	Number of key target groups identified that have low financial capabilities	5	5
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey	2	2
	Formulation	Number of policies and programmes developed from national financial capability survey results	12	14
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.) <sup>159</sup>	69%	

153 Two out of 10 government partners.

154 Five out of 10 government partners.

155 Seven out of 10 government partners.

156 Nationwide adoption of financial education into the K–12 curriculum per Department of Education policy dated 3 June 2021.

157 The Financial Inclusion Steering Committee meetings are semestral and not quarterly.

158 Among government agencies. There are various financial education initiatives in the private sector.

159 Respondents were asked six questions to measure their knowledge of financial concepts such as division, risk–return trade-off, diversification, inflation, and simple and compounded interest rates. Two thirds (69 percent) of respondents were able to correctly answer half of the six questions. Only 2 percent could answer all six questions correctly.

Indicator category	Stage of country	Indicator definitions	2021	2022
		Percentage of adults who achieved a perfect score in a financial literacy quiz (age 15+) <sup>160</sup>	2.0%	
		Percentage of adults who correctly answered inflation and interest rate questions (age 15+)	4.3%	
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	41.5%	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	14%	
		Female	9%	
		Male	19%	
		15–24 years (youth)	8%	
		25+ years (adults)	16%	
		Poorest 40%	4%	
		Richest 60%	20%	
		Rural		
		Urban		
		Out of labour force	9%	
	In labour force	16%		
	All stages	Main source of emergency funding (%)		
		Family or friends	41%	
		Loan from a bank, employer or private lender	9%	
		Sale of assets	2%	
		Savings	19%	
		Work	21%	
	All stages	Other	6%	
		Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	35%	
		Female	31%	
		Male	39%	
		15–24 years (youth)	32%	
		25+ years (adults)	35%	
Poorest 40%		19%		
Richest 60%		45%		
Rural				
Urban				
Out of labour force	23%			
In labour force	40%			

<sup>160</sup> Includes questions on investment diversification and risk.



Indicator category	Stage of country	Indicator definitions	2021	2022
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level	50%	
	Implementation	Percentage of stakeholders using digital channels for financial education		
	Implementation	Percentage of outcomes achieved at programme level		

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	4.3%
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending granted by UB/KBs as a percentage of total loans	0.49%
	Percentage of secured MSME loans to total MSME outstanding loans <sup>161</sup>	
	Percentage of MSME borrowers with collateral	
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	Yes
Usage	Percentage of MSMEs that report using an account at a financial institution	52.3% (2021)
	Percentage of MSMEs that report using a mobile account	
	Number of MSME borrowers	1,491,227
	Percentage of MSMEs with outstanding loan or credit	
	Value of MSME loans (PHP billions)	492.6
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	4
	MSME loan guarantee as a percentage of MSME loans/ percentage of MSME loans with loan guarantee to total MSME loans	1% (2021)
	MSME loan guarantees <sup>162</sup> (PHP billions)	1.29
	MSME direct government loans/loan funds (PHP billions)	
	Number of tax incentives for MSMEs	7
	Number of pre-shipment export guarantee funds for export-based MSMEs	

<sup>161</sup> Reflects instead SME loan accounts with newly approved loans backed by collateral during the year, as a share of total SME loan accounts with newly approved loans from banks and DFIs. Instead of percentage of MSME borrowers with collateral.

<sup>162</sup> Pertains to outstanding guarantee portfolio.

Indicator category	Indicator	2022
Digital finance/alternative finance	P2P lending (PHP millions)	2.36
	Venture and growth capital investments (volume, number of deals)	46 (2021)
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	
	Percentage of MSMEs with digital payment capabilities <sup>163</sup> [new]	34.7% (2021)
Coordination	Number of working groups for MSMEs	3
	Number of regulatory meetings focused on MSMEs annually	3
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	21
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>164</sup>	4
	Number of partnerships with MSME-focused organizations/business associations	4
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	4 <sup>165</sup>
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	9.3%
	Percentage of MSMEs that have at least one formal financial service	60.1% (2021)
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	38
Gender	Percentage of women MSMEs with outstanding loan or line of credit in financial institution	84.8% (2021)
	Percentage of women MSMEs that have at least one formal financial service <sup>166</sup>	52.2% (2021)
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	2
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>163</sup> MSMEs who use digital payments using personal or merchant/business accounts

<sup>164</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

<sup>165</sup> These are limited to press releases published on the BSP website in 2021 and 2022.

<sup>166</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.



**THAILAND**  

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**COUNTRY REPORT**



## KEY ACHIEVEMENTS IN FINANCIAL INCLUSION

As a result of considerable collaborative efforts from all relevant authorities to promote financial access in Thailand, continuous advancements in financial inclusion have been made. These have contributed to achieving a high overall level of financial access of 97.3 percent, increasing from 95.6 percent in 2020. In terms of gender-based financial inclusion, there were no significant gender disparities. Both men and women had levels of access at 97.3 percent. Moreover, there was notable progress particularly in the usage of digital payments services, as the number of mobile banking transactions per 100,000 adults doubled to more than 40 million in 2022, while the number of registered mobile banking accounts per 100,000 adults experienced an average growth of 20 percent per year over the past five years.

These achievements signify notable progress in enhancing financial inclusion and ensuring that most of the population can access at least one formal financial service, with minimal gender-related disparities. There are areas for improvement, specifically in making credit, insurance, and investment products such as mutual funds more accessible to the broad population.

## PROGRESS IN DIGITALIZATION AND DIGITAL FINANCIAL INCLUSION

As noted previously, there was notable growth in the usage of digital payments and mobile banking transactions (which both doubled) and in the number of registered mobile accounts. These indicators suggest that Thailand is moving towards inclusive digital finance. This increase is due to a shift in business models of banks and government policy supported by digital infrastructure to promote the usage of digital financial transactions such as G-wallet (*Paotang*).

The significant growth and development of digital finance presents a promising opportunity to bolster financial inclusion. The Bank of Thailand (BOT) has incorporated digital strategies in the new financial landscape to encourage the financial sector to build on technology and data to bridge financial inclusion gaps. This action is guided by three key strategic directions (three 'opens'), with significant progress achieved.

## OPEN COMPETITION

BOT has introduced a virtual banking licence to promote competition and innovation in the market. It issued two consultation papers in 2023 to gather public feedback on the licensing framework proposal. Currently, BOT is working with the Ministry of Finance to finalize the application forms and regulations on the virtual banking licence. Acceptance of applications for the licence is planned to commence between March and September 2024, and BOT will undertake a detailed review of the proposals.



Based on the recommendation of the BOT, the Finance Minister expected to announce successful applicants by 2025 and the virtual banks are expected to begin business operations within 1 year of the announcement.

BOT is conducting a review of regulations that might be restricting financial institutions' ability to adapt, compete, innovate, or better serve their customers. The regulatory review will ensure that regulations remain relevant and conducive to the changing financial landscape and do not jeopardize financial stability under normal or crisis conditions.

### **OPEN INFRASTRUCTURE**

BOT supports initiatives such as PromptBiz, which is a centralized infrastructure to facilitate digital trade transactions and payments for businesses by enabling data sharing and accessibility. The digital footprint will present an opportunity for businesses, especially MSMEs, to have better access to finance. This initiative was launched in August 2023 and has begun to gain traction with several banks and financial institutions.

### **OPEN DATA**

BOT published its Consultation Paper on Open Banking Data for Consumer Empowerment in November 2023. This aims to build a mechanism that allows consumers to exercise their rights to conveniently and securely transfer their data stored at one provider to another so that consumers can apply for and receive better services from any provider. The mechanism will allow financial service providers to access and use data and key digital infrastructure with standardized processes and connections, which will reduce redundancy and costs and, in turn, enhance financial services to better serve consumer needs. BOT will initiate these mechanisms among financial service providers under its supervision and prepare to connect with the ecosystem at the national level.

### **PROMOTING AND ACHIEVING FINANCIAL CAPABILITY**

Working with the National Statistical Office, BOT conducted a survey of the financial literacy levels of Thais in accordance with the framework of the Organisation for Economic Co-operation and Development (OECD), consisting of three components: financial behaviour, financial knowledge, and financial attitudes. The results of the 2022 survey indicate a continuous improvement in financial literacy levels, with an average score of 71.4 percent (up from 67.4 percent in 2020), which is higher than the average OECD score of 60.5 percent.

The 2022 survey incorporated some aspects of digital financial literacy and awareness of financial risks. In terms of digital financial skills, most Thais (73.3 percent) have knowledge of digital finance, but only 34.8 percent and 21.0 percent scored well in digital financial attitudes and behaviours, respectively. Considering awareness of financial risks, the survey indicated that approximately 8.3 percent of Thais

have experienced some form of financial risk. This was mainly the result of being deceived to invest in fraudulent financial products, but people also gave financial information to scammers through emails, phones, or mobile applications. BOT will continue to monitor and review the outcomes of the survey.

The Ministry of Finance of Thailand actively promotes initiatives that enhance consumers' digital and financial literacy according to the Financial Literacy Action Plan (2022–2027). The plan to uplift digital financial knowledge and skills is formulated by categorizing the population into nine groups by generation, occupation, income, and education. The target groups are: (i) children and youth; (ii) undergraduate students; (iii) workers (employees, freelancers, and entrepreneurs); (iv) government officers; (v) grass roots (low-income people and local financial units); (vi) elderly people and retirees; (vii) the general public; (viii) financial literacy intellectuals; and (ix) financially vulnerable groups. Among these, four target groups are prioritized for the need to better understand their financial health – i.e. those with the highest financial vulnerability (over-indebted and low-income populations), the grass roots, children, and youth, as well as elderly people/retirees.

Recently, the Ministry of Finance implemented a package of measures following the Financial Literacy Action Plan:

- Mandating a national-level financial awareness campaign for the public – i.e. organizing the FIs and Fin Forum 2023 seminar.
- Developing the Financial Literacy Competency Framework for each target group.
- Promoting financial literacy through a foundational education curriculum, vocational education, non-formal education, and self-learning.
- Integrating participation in training and successful completion of debt management tests as a condition of student loan approval from the Student Loan Fund (SLF).
- Targeting newly recruited government employees for financial literacy training.
- Advocating the development of a financial knowledge data system to inform targeted policies – i.e. Thai Household Money Map: Navigating the Path to Financial Wisdom.

In 2022, BOT promoted financial knowledge information including fraud alerts to the public, reaching over 33.5 million online views (a 59 percent increase from 2021). The messages were delivered through online channels such as Facebook, the BOT website, YouTube and TikTok, and included the channels of strategic partners with over 20.2 million followers (21 percent increase from 2021). BOT also used local media, connecting with local staff and volunteers to deliver content suitable for each context. BOT fostered financial knowledge learning through its learning centre, which included 'talk and share' activities focusing on money management and updates on key financial innovation trends.

BOT promoted debt relief by giving advice to support sustainable debt resolution. It developed e-learning courses on debt management in collaboration with the Stock Exchange of Thailand and Sukhumvit Asset Management Co., Ltd. The debt e-learning courses focused on the whole debt journey (getting into debt, being in debt and dealing with debt-related problems). In addition, BOT developed a course on debt and financial dispute mediation in collaboration with the Department of Protection of Rights and Freedoms, the Ministry of Justice and the Institute of Education and Development of Peaceful Conflict Management to increase the skills of mediators to help debtors find a resolution.

'Fin Dee We Can Do!', a financial literacy competition project that began in 2018, aims to help vocational students deal with financial issues in the education context. In 2022, the programme engaged more than 117 vocational colleges (40 percent of all vocational colleges nationwide). In addition, BOT organized a role model track for the award-winning colleges to expand their financial literacy projects to a wider target group, including schools, colleges, and surrounding communities. This will strengthen the network of financial literacy promotion at the vocational education level. Currently, there are more than 50 model colleges.

'Fin Dee Happy Place' is a financial literacy training programme that targets the working-age population. It aims to create financial mentors within participating organizations to help change the financial behaviour of employees. In 2022, the project engaged 109 new organizations (public and private) and successfully trained 682 financial trainers who in turn trained their colleagues for a total of 89,281 employees. BOT also developed a toolkit comprising video clips of personal finance management (over 30 sections), content and infographics, and an online financial health check programme to be used as a standardized scale-up platform. In addition, BOT bestowed awards to 71 organizations to encourage project continuity.

BOT also launched sign language video clips focusing on three common financial frauds: phishing, Ponzi schemes and mule accounts. These were published on the BOT website and shared with the Thai Sign Interpreter Association. This marked the beginning of collaboration among relevant organizations to promote financial literacy to people with disabilities.

## **OVERVIEW AND ANALYSIS OF MSME FINANCE**

The Thai government and relevant public agencies recognize the significance of access to affordable and reliable financial products and services for MSMEs and have worked and collaborated closely to achieve this goal. The government promotes access to finance for MSMEs through its credit guarantee scheme, the Thai Credit Guarantee Corporation, established in 1991. The 2017 amendment added guarantees for (1) non-banks, which commercial banks or SFIs holding the equity more than 51%, and (2) and factoring and hire-purchase leasing used for business

purposes. It also promotes MSME finance through the Office of SME Promotion (OSMEP), which plans and coordinates SME promotion policies, and the National Board of SME Promotion, which stipulates SME promotion policies and plans and supervises OSMEP's operations. OSMEP is responsible for implementing the Fifth SME Promotion Plan 2023-2027, which aims to promote the growth of MSMEs, create market opportunities and develop ecosystems to reduce obstacles for MSMEs in doing business, including through improved access to finance. The Securities and Exchange Commission's three-year strategic plans 2022-2024 also promote SME access to finance through capital markets.

In terms of innovation, eight financial services (with five technologies) promoting MSME finance are currently being tested in the regulatory sandbox in Thailand. These include international money transfer (blockchain), letters of guarantee private nodes (blockchain BCI), biometrics (biometrics), national digital ID (biometrics), QR payment via PromptPay (standardized QR code payment), payment by credit/debit card (standardized QR code payments) and a P2P lending platform (P2P lending).

Several indicators shed light on the status of MSME finance in Thailand. As of 2022, around 41 percent of Thai MSMEs had an active loan or credit with formal financial institutions. MSME loans constitute 21.9 percent of the overall loan portfolio in the banking system, which is considered a significant amount. The proportion of new lending to MSMEs amounts to 8.7 percent of the entire loan portfolio. These data indicate ongoing financial support for MSMEs and reflect a better level of engagement of MSMEs with the formal financial sector. However, the International Finance Corporation estimates that there remains a financing gap of \$40 billion, equivalent to 10.3 percent of the country's GDP,<sup>167</sup> which highlights the unmet financial needs of the MSME sector.

These indicators provide a comprehensive overview of the status of MSME finance in Thailand, indicating both progress and the need for further measures to enhance credit accessibility for MSMEs, particularly those in the 'under/unserved' category facing challenges in securing traditional forms of financing. These smaller businesses typically lack substantial collateral, require lower loan amounts and may not be able to provide a comprehensive proof of income or debt serviceability.

## KEY CHALLENGES AND POTENTIAL SOLUTIONS

One of the main challenges is to increase credit accessibility within the formal financial system at reasonable cost, while promoting responsible lending and borrowing. This is to ensure that households and MSMEs that are creditworthy can gain appropriate access to financial services (conventional and digital) and do not fall into debt traps.

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<sup>167</sup> Calculation based on data as of 2018/2019.



The main barriers to the improvement of credit accessibility for households and MSMEs include: (i) information asymmetry between borrowers and lenders, which impedes service providers' ability to verify and assess clients' debt serviceability; (ii) lack or insufficiency of collateral; and (iii) high cost of service due to small ticket sizes. In responding to these challenges, BOT will continue to foster financial access through its three 'opens' strategy.

While digital initiatives have considerable potential to broaden access to financial services, a digital divide could arise between those with and without the skills and knowledge to use the internet and digital technologies. To facilitate the transition towards digitalization, BOT promotes digital financial literacy in line with the National Financial Literacy Action Plan.

## WAY FORWARD

In collaboration with industry and relevant authorities, BOT will continue to focus on building an ecosystem with healthy competition and a balance between innovation and risk in which different players develop financial services that meet consumer needs and improve financial access for households and MSMEs, thereby fostering economic growth and sustainability.

Indicator category	Indicator definitions	Baseline (2018)	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of commercial bank branches and service points per 100,000 adults	12.6	12.3	11.8	10.9 <sup>168</sup>	10.2
	2. Number of ATMs per 100,000 adults	105	104	118	118	114
	3. Number of POS terminals per 100,000 adults	1,588	1,588	1,602	1,656	1,969
Access points	Total number of points of service per 100,000 adults	1,706	1,705	1,732	1,784	2,092
Connectivity	1. Access to the internet per adult (percentage of adults with internet access anywhere)	57%	67%	73%	86%	88%
	2. Mobile phone penetration (active mobile phones per adult)	176%	182%	163%	169%	176%

<sup>168</sup> Decreased by 0.9 percent due to a shift in BOT's business models to digital channels.

Indicator category	Indicator definitions	Baseline (2018)	2019	2020	2021	2022
<b>USAGE INDICATORS</b>						
Adults with an account	1. Percentage of adults who report having an account at a formal or semi-formal financial institution <sup>169</sup>	79.2%		87.2%		89.6%
	2. Number of e-money accounts per 100,000 adults	167,406	165,500	195,903	217,802	223,560
Savings	Number of deposit accounts with commercial banks per 100,000 adults	182,245	188,426	193,825	206,011	218,872
Credit	Number of adults with credit with formal financial institutions per 100,000 adults	28,015	29,142	33,749	34,752	34,766
Payments	1. Number of debit cards per 100,000 adults	104,746	119,990	116,433	117,355	110,509
	2. Number of registered mobile banking accounts per 100,000 adults	83,940	111,304	124,876	152,545	174,284
	3. Number of mobile banking transactions per 100,000 adults	5,284,012	9,123,618	17,430,218	29,030,714	41,166,623
Insurance	Life insurance policy holders as a percentage of the adult population	39.65%	39.92%	43.04%	39.55%	40.36%
<b>QUALITY INDICATORS</b>						
Appropriateness	Number of basic banking accounts (low-income product) in millions		2.2	2.3	2.1	
Affordability	Average bank fees for low-income/basic banking accounts (THB)		0	0	0	
Financial literacy	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms	66.2%		67.4%		71.4%

<sup>169</sup> Self-exclusion included.

Indicator category	Indicator definitions	Baseline (2018)	2019	2020	2021	2022
<b>INCLUSIVE GROWTH INDICATORS</b>						
Macroeconomic context	Annual growth rate of real GDP per capita	3.9%	1.8%	-6.3%	1.2%	2.5%
Education	Completion rate of upper secondary education <sup>170</sup>	63.0%	66.0%	65.0%		
Unemployment and income inequality	Proportion of informal employment in total employment	64.4%			52%	
	Labour force participation rate (%)	68.3%	67.5%	67.8%	67.8%	68.1%
	Unemployment rate (%)	1.1%	1%	1.7%	1.9%	1.3%
	Proportion of people living in poverty (expenditure) (%)	8.3%	6.3%	6.8%	6.3%	
	Remittance costs as a proportion of the amount remitted	15.8%	12.9%	13.3%		
<b>OUTCOME AND IMPACT INDICATORS AS PER THE GUIDANCE NOTE</b>						
Overall	Percentage of adults using at least one formal financial service	89.8%		95.6%		97.3%
Segmental	Percentage of women using at least one formal financial service	90.3%		95.0		97.3
National goals	Annual growth rate of GDP	4.2%	2.1%	-6.1%	1.6%	2.5%

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/coordination	Pre-formulation	Number of stakeholders/key priority target groups identified	9	9
	Formulation	Formation of a financial capability working group		
	Formulation	Number of quarterly meetings held by the financial capability working group		
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education		

<sup>170</sup> The minimum educational requirement in Thailand.

Indicator category	Stage of country	Indicator definitions	2021	2022
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education		
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability	8 measures, 19 action plans	8 measures, 19 action plans
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/ policies, policies promoting inclusion of specific marginalized segments)		
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum		
	Implementation	Number of schools that integrate financial education into the curriculum		
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)		
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS	Prioritize financial education in an NFIS	
	Implementation	Number of quarterly meetings held by the financial capability working group to discuss NFES target/outcomes		
Regional collaboration	Pre-formulation/ Formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES		
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES		
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability		10
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)		26
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group		
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country	2 <sup>171</sup>	2
	Pre-formulation	Number of key target groups identified that have low financial capabilities	4 <sup>172</sup>	4
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey		
	Formulation	Number of policies and programmes developed from national financial capability survey results		

<sup>171</sup> BOT and National Statistical Office of Thailand.

<sup>172</sup> Children and youth, grass roots (low-income people and local financial units), elderly and retired people, and financially marginalized groups.



Indicator category	Stage of country	Indicator definitions	2021	2022
Financial knowledge	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)	72% (2020)	71% (2022) <sup>173</sup>
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	N.A.	
Financial behaviour	All stages	Percentage of adults coming up with emergency funding in 30 days, possible and not difficult at all (disaggregated by sex, age and geographic location)	36%	
		Female	32%	
		Male	41%	
		15–24 years (youth)	38%	
		25+ years (adults)	36%	
		Poorest 40%	13%	
		Richest 60%	52%	
		Rural	N.A.	
		Urban	N.A.	
		Out of labour force	30%	
	In labour force	38%		
	All stages	Main source of emergency funding (%)		
		Family or friends	49%	
		Loan from a bank, employer or private lender	9%	
		Sale of assets	4%	
		Savings	10%	
		Work	5%	
		Other	1%	
	All stages	Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	40%	
		Female	37%	
		Male	43%	
15–24 years (youth)		40%		
25+ years (adults)		40%		
Poorest 40%		21%		
Richest 60%		53%		
Rural		22%		
Urban		26%		
Out of labour force	37%			
In labour force	41%			

<sup>173</sup> OECD/INFE Financial Literacy Survey 2023.

Indicator category	Stage of country	Indicator definitions	2021	2022
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level		
	Implementation	Percentage of stakeholders using digital channels for financial education		
	Implementation	Percentage of outcomes achieved at programme level		

## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes <sup>174</sup>
	Percentage of MSME loans in total banking system loans	21.9%
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending as a percentage of total loans	8.7%
	Percentage of MSME borrowers with collateral	
	Interest rate spread between small and large enterprises	1.2%
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	10.3% <sup>175</sup>
	QR systems [yes/no]	Yes
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	
	Number of MSME borrowers	1,299,378
	Percentage of MSMEs with outstanding loan or credit	40.9% (2021)
	Value of MSME loans (THB)	3,386,815
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	2
	MSME loan guarantees as a percentage of MSME loans	13.3%
	MSME loan guarantees (value) (THB)	651,121
	MSME direct government loans/loan funds (THB billions)	
	Number of tax incentives for MSMEs	
Digital finance/alternative finance	Number of pre-shipment export guarantee funds for export-based MSMEs	
	P2P lending (volume, percentage share of total loans)	4,329
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
Number of MSME-related products/services being tested in regulatory sandbox	8	

<sup>174</sup> Definition of SMEs by Ministerial Regulation based on number of employees and annual revenue of SMEs.

<sup>175</sup> Calculated using data from the International Finance Corporation as of 2018.

Indicator category	Indicator	2022
Coordination	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>176</sup>	
	Number of partnerships with MSME-focused organizations/business associations	
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	
Financial capabilities	Percentage of MSMEs with nonperforming loans (i.e. 90 days)	7.4%
	Percentage of MSMEs that have at least one formal financial service	
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>177</sup>	Existing/Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>176</sup> These can serve as platforms for sharing best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

<sup>177</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.



**VIET NAM**  

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**COUNTRY REPORT**



Promoting financial inclusion has been one of the priorities of the Vietnamese Government in the post-COVID-19 pandemic economic recovery. In 2022, Viet Nam continued to effectively implement the National Financial Inclusion Strategy (NFIS) to support people and enterprises in stabilizing their production and business activities and developing sustainably.

## ACHIEVEMENTS IN FINANCIAL INCLUSION

The legal and policy framework has been improved to support financial inclusion objectives. This includes issuance of a decree to promote the development of micro-insurance that meets the needs of low-income individuals and households. Second, it also includes amendment and supplement of regulations on the operational network of credit institutions to facilitate the expansion of the ability to provide financial services, especially in rural, remote, and isolated areas. Finally, it includes issuance of regulations on opening payment accounts, issuing bank cards and electronic lending to improve financial access for individuals and businesses.

The coverage of financial services has been increased by encouraging the expansion of the network of financial service transaction points in rural, remote, and isolated areas. At the end of 2022, the proportion of communes in rural areas having financial service transaction points (excluding Viet Nam Bank for Social Policies financial service transaction points) had increased to 32.6 percent of the total number of communes nationwide.

Digital transformation in the banking sector has been promoted. Many banking services have become completely digitized with simple and fast processes and procedures, and some of them are designed to suit people in rural, remote, and isolated areas. Thanks to the development of DFS, customers may access diverse and convenient products and services that are suitable to their needs and at low cost.

Non-cash, e-commerce and public services payments and other payments and money transfer services have been promoted in rural, remote and isolated areas. The proportion of people with bank accounts has reached 77.41 percent, and the annual growth rate of payments via mobile channels, internet channels and QR codes has reached over 100 percent.

Supporting policies for agriculture and rural areas have been issued, including agricultural insurance; credit support for hi-tech, clean and value chain agricultural development and for processing and consuming agricultural products; and unsecured loans for SMEs, cooperatives and production and business households in the agricultural and rural sectors.

By the end of 2022, outstanding loans in agricultural and rural areas accounted for 24.76 percent of the total outstanding loans of the whole economy, of which outstanding non-collateral loans accounted for about 21.78 percent of the total outstanding loans for agricultural and rural areas.

Shared information, payment and credit information infrastructure have been upgraded and modernized. Banks and payment intermediaries have been actively exploiting and applying national data on the population in all banking operations, especially in payment and credit activities, to promote the development of non-cash payments and digital transformation of the economy.

Financial education and communication programmes were promoted, targeting all people and businesses, especially those in rural, remote, and isolated areas, to improve their knowledge and skills in financial management and usage of basic financial products and services. In addition, the Ministry of Education and Training continued to compile financial knowledge content and incorporate it into the education curriculum for middle and high school students to equip them with financial literacy and support them to develop skills in daily money management.

## CHALLENGES AND OPPORTUNITIES FOR MSME FINANCE

MSMEs are a crucial segment and growth engine of the economy. In 2021, MSMEs accounted for more than 97 percent of enterprises, created 38.36 percent of total jobs generated by enterprises, and contributed about 45 percent to Viet Nam's GDP, 31 percent to total state budget revenue and 30 percent to export value.

However, this sector still faces many difficulties in accessing finance due to limited financial capacity, lack of collateral, weak management capacity, low competitiveness, lack of effective economic production plans, and non-transparent and inaccurate financial data.

The government has issued various policies to support MSMEs, especially in accessing finance, such as encouraging credit institutions to: (i) provide MSMEs with unsecured loans and loans based on their credit ratings; (ii) restructure debt repayment terms, waiving interest and fees, and maintaining the same debt group for MSMEs facing difficulties in production and business; (iii) support the development of production and business plans and strengthen capacity on management and operation; (iv) provide loans with preferential interest rates; (v) provide credit guarantee from the Credit Guarantee Fund<sup>178</sup> and capital support through the SME Development Fund;<sup>179</sup> (vi) deploy a variety of preferential loan product packages specifically for MSMEs; and (vii) support loans for innovative start-ups, technological innovation and industrial value chain linkages. Thanks to these policies, credit

<sup>178</sup> The Vietnamese Government established a credit guarantee scheme (CGS) in 2001, managed by local governments, to back the loans taken out by SMEs and facilitate their access to credit.

<sup>179</sup> The SME Development Fund was established in 2013, with an initial capitalization of VND 2 trillion from the state budget and became operational in April 2016. Funding to SMEs from the SME Development Fund is channelled largely through partnering banks. The Viet Nam Development Bank (VDB), a public development bank, and four partner commercial banks have been authorized to deliver the loans, with the Fund providing 80 percent of the loan amount (not to exceed VND 30 billion per project), and the company required to contribute at least 20 percent of the project cost in equity. Loans from the Fund can have a maturity of up to seven years at interest rates capped below market rates.



institutions have made strong changes in credit policies for MSMEs, deployed a variety of preferential loan packages, diversified the forms of credit extension, and provided a wide range of utility services for MSMEs. As a result, at the end of 2022, outstanding loans for MSMEs accounted for 18.68 percent of those of the entire economy.

## PROGRESS IN FINANCIAL INCLUSION INDICATORS

Notable results of some financial inclusion indicators in 2022 are as follows:

- The number of commercial bank branches and transaction offices per 100,000 adults reached 15.31.
- The number of ATMs and POS terminals per 100,000 adults reached 27.94 and 545.5, respectively.
- The percentage of adults having a banking account in 2022 reached 77.41 percent (compared to 74.63 percent in 2021). This indicator increased due to the rapid development of non-cash payments, the application of digital account opening and improvements in financial literacy.
- The number of debit cards per 100,000 adults in 2022 was 142,030, and the growth rate from the previous year was 7.78 percent. This indicator continues to increase due to the opening of digital accounts, as well as increased demand for debit cards.
- The number of SMEs with an outstanding loan or credit at credit institutions reached 191,565.
- The percentage of adults having credit history at the National Credit Information Center reached around 68 percent.

## WAY FORWARD

To realize the objectives set out in the NFIS, Viet Nam is focusing on the following solutions and measures:

- Improving the legal framework to facilitate digital transformation of banking activities, promoting non-cash payments, and developing diversified and modern payment models, products, and services. Priority is given to issuing regulations on payment agents and a controlled testing mechanism (sandbox) for fintech activities in the banking sector.
- Effectively deploying the Banking Sector Digital Transformation Plan to 2025, with a vision up to 2030 to support banks and payment intermediaries in providing safe, secure, and convenient products and services meeting the increasing needs of customers. This includes actively and effectively deploying the project on application of population data and electronic identification and authentication in the process of verification of customer identification information in the provision of financial products and services.

- Developing and improving the efficiency of microfinance institutions and the People's Credit Fund systems to support financial access for poor, low-income people, women, and micro-enterprises in rural, remote, and isolated areas.
- Promoting communication and financial literacy programmes in diverse forms for poor, low-income people, pupils, students, women, retirees, and people in rural, remote, and isolated areas.

Indicator category	Indicator definitions	2018	2019	2020	2021	2022
<b>ACCESS INDICATORS</b>						
Points of service	1. Number of branches per 100,000 adults	15.1	15.12	15.14	15.11	14.33
	2. Number of ATMs per 100,000 adults	25.60	26.30	26.66	27.36	27.94
	3. Number of POS terminals per 100,000 adults	335.10	381.30	375.05	433.67	545.50
	4. Number of mobile money agents or similar financial services agents				7,834	8,833
Connectivity	1. Access to the internet (percentage of adults with internet access anywhere)	70.0%	70.3%	70.3%	74.2%	78.6%
	2. Mobile phone penetration (active mobile phones per 100,000 population)	147,575	141,318	142,000	127,642	128,575
<b>USAGE INDICATORS</b>						
Adults with an account	Percentage of adults who report having an account at a bank (age 15+)	63.70%	63.96%	65.99%	74.63%	77.41%
Savings	Number of deposit accounts with banks or deposit-taking institutions (age 15+)	N.A.	20%			
Credit	1. Percentage of adults (age 15+) who have credit access	52.22%	59.97%	60.86%	65.36%	
	Number of loan account with banks per 100,000 adults <sup>180</sup>	52,221	59,969	60,863	65,357	70,192

<sup>180</sup> Number of customers with credit history at the National Credit Information Center of Viet Nam.



Indicator category	Indicator definitions	2018	2019	2020	2021	2022
Payments	1. Number of debit cards per 100,000 adults	110,591	111,424	120,122	131,777	142,030
	2. Number of registered mobile money agents				2,334	3,766
	3. Number of mobile money transactions per 100,000 adults				16,201	25,313
Insurance	Insurance policy holders					
	1. Life insurance policy holders per 100,000 adults	12,220	14,435	16,390	16,579	
	2. Non-life insurance policy holders per 100,000 adults	63,392	65,293	65,900	86,379	

#### QUALITY INDICATORS

Value	MSME loan guarantees as a percentage of MSME loans (value)	53.1%	45.4%	48.7%	45.3%	42.8%
Indebtedness	Percentage of borrowers who are more than 90 days late with a loan repayment	3.82%	3.51%	4.25%	5.36%	5.51%
Choice	Percentage of communes/ towns nationwide with financial service points			31.39%	32.13%	32.60%

Indicator category	Indicator definitions	Aggregation	2018	2019	2020	2021	2022
<b>INCLUSIVE GROWTH INDICATORS</b>							
Macro-economic context	Proportion of the population living below the national poverty line				4.8%	4.4%	4.2%
	Urban				1.1%	1.0%	1.5%
	Rural				7.1%	6.5%	5.9%
	Annual growth rate of real GDP per capita		6.7% per year between 2016 and 2019		1.71%	1.60%	7.07%
Education	Completion rate	Percentage of students recognized for completing the primary school programme		99.7%			

Indicator category	Indicator definitions	Aggregation	2018	2019	2020	2021	2022
		Percentage of students completing lower secondary school		99.3%			
Access to basic services	Proportion of the population living in households with access to basic services		92.71%		94.64%		81.82%
	Proportion of the population with access to electricity		99.0%		99.5%		99.5%
Health care	Proportion of the population participating in health insurance		83.5%	85.7%	Over 90.0%		
	Proportion of households with large medical expenditures as a share of total expenditure or income	Expenditure >10%			8.46%		
		Expenditure >25%			1.73%		
Asset-building and entrepreneurship	Number of MSME loans from banks		834,938	869,313	929,197	992,335	1,061,859
	Value of MSME loans from banks	VND billions	1,243,001	1,463,565	1,621,033	1,852,411	2,056,068
	Proportion of the population living in poorly built houses		1.7%		1.2%		
Re-distribution	Number of people covered by social insurance programmes				16,493,000		
	Number of people receiving monthly social insurance payments				3,730,600		
Un-employment and income inequality	Unemployment rate	Total	2.19%	2.17%	2.48%	3.20%	2.34%
		Male	1.97%	2.09%	2.01%	3.15%	2.36%
		Female	2.45%	2.26%	3.05%	3.26%	2.32%
	Proportion of people living below 50% of median income	Total	20.9%		19.7%		17.9%
		Male			19.1%		17.4%
		Female			20.3%		18.4%

Indicator category	Indicator definitions	Aggregation	2018	2019	2020	2021	2022
IMPACT INDICATOR							
Segmental	Outstanding agricultural and rural credit (percentage of all outstanding credit in banks)				24.78%	25.07%	

## FINANCIAL CAPABILITY INDICATORS

Indicator category	Stage of country	Indicator definitions	2021	2022
Governance/ coordination	Pre-formulation	Number of stakeholders/key priority target groups identified		
	Formulation	Formation of a financial capability working group		
	Formulation	Number of quarterly meetings held by the financial capability working group		
	Formulation	Percentage of stakeholders at regulatory level that develop an action or implementation plan for financial education		
	Implementation	Number of stakeholders at regulatory level that execute the action or implementation plan for financial education		
Enabling environment	Pre-formulation	Number of draft policies to promote financial capability		
	Formulation	Number of policies developed to promote financial capability (e.g. NFIS, consumer protection frameworks/ policies, policies promoting inclusion of specific marginalized segments)	2 <sup>181</sup>	
	Formulation	Number of meetings with the Ministry of Education to promote the integration of financial education into the national curriculum		
	Implementation	Number of schools that integrate financial education into the curriculum	Middle and high school <sup>182</sup>	
Policy alignment	Pre-formulation	Number of key terms defined at the national level (e.g. financial capability, financial education, financial literacy)		
	Formulation	Establishment of policy priority to develop an NFES or prioritize financial education in an NFIS	Prioritize financial education in NFIS	
	Implementation	Number of quarterly meetings held by the financial capability working group to discuss NFES target/outcomes		
Regional collaboration	Pre-formulation/ Formulation	Number of virtual workshops to learn from countries at a more advanced stage of developing or implementing an NFES		

<sup>181</sup> NFIS and a Consumer Protection Law.

<sup>182</sup> In the process of approving a curriculum for primary school students integrated into the curriculum for middle and high school students.

Indicator category	Stage of country	Indicator definitions	2021	2022
	Implementation	Number of virtual workshops to share lessons learned with countries at a less advanced stage of developing or implementing an NFES		
Supply-side mapping	Pre-formulation	Number of existing initiatives identified that promote financial capability	6	
	Pre-formulation	Number of government programmes identified to reach each target group (touch points)		
	Formulation	Number of stakeholders identified during the supply-side mapping that form part of the financial capability working group		
Demand-side diagnostic	Pre-formulation	Number of secondary sources that measure levels of financial capability within the country		
	Pre-formulation	Number of key target groups identified that have low financial capabilities		
	Pre-formulation	Number of proposals reviewed to conduct a national financial capability survey		
	Formulation	Number of policies and programmes developed from national financial capability survey results		
Financial knowledge <sup>183</sup>	All stages	Arithmetic score as per national definitions; percentage of adults who know definitions of basic financial terms (i.e. importance of saving in a bank account, has a bank account, borrows responsibly, plans ahead, knows how to access and use the best financial services, etc.)		
		Percentage of adults who have knowledge of banking products/services	80.1% (2019)	
		Percentage of adults who know the importance of personal credit history	35.6% (2019)	
Financial skills	All stages	Percentage of adults who are able to use an account at a bank or financial institution without help if opened	NA	
Financial behaviour	All stages	Percentage of adults who are able to mobilize money in case of urgent financial needs	94% (2019)	
	All stages	Main source of emergency funding		
	All stages	Percentage of adults who save for old age (disaggregated by sex, age and geographic location)	60.1% (2019)	
		Percentage of adults who plan ahead for their income	49.4% (2019)	
Programme level	Implementation	Percentage of stakeholders integrating financial education at the programme level		
	Implementation	Percentage of stakeholders using digital channels for financial education		
	Implementation	Percentage of outcomes achieved at programme level		

<sup>183</sup> There is no updated information from the Global Findex Database in 2021 for Viet Nam.



## MSME INDICATORS

Indicator category	Indicator	2022
Access to finance	Standardized definitions of MSMEs [yes/no]	Yes
	Percentage of MSME loans in total banking system loans	21.5% (2020)
	Percentage of MSMEs with account at financial institution	
	Share of new MSME lending as a percentage of total loans	
	Percentage of MSME loans with collateral	
	Interest rate spread between small and large enterprises	
	Number of SMEs with deposit accounts	
	Number of moveable collateral registries	
	SME financing gap	
	QR systems [yes/no]	
Usage	Percentage of MSMEs that report using an account at a financial institution	
	Percentage of MSMEs that report using a mobile account	
	Number of MSME loans/MSME borrowers	1,061,859
	Percentage of MSMEs with outstanding loan or credit	
	Value of MSME loans (VND billions)	2,056,068
	Volume of digital payments for MSMEs	
Public support for MSME finance	Number of policies/strategies that prioritize MSMEs as a key target group (NFIS/NFES)	
	Percentage of secured MSME bank loans to total MSME bank loans outstanding	42.81%
	MSME loan guarantees (value)	
	MSME direct government loans/loan funds (VND billions)	
	Number of tax incentives for MSMEs	
	Number of pre-shipment export guarantee funds for export-based MSMEs	
Digital finance/ alternative finance	P2P lending (volume, percentage share of total loans)	
	Venture and growth capital investments (volume, percentage of total financing)	
	Leasing and hire purchases (volume, percentage of total financing)	
	Factoring and invoice discounting (volume, percentage of total financing)	
	Number of MSME-related products/services being tested in regulatory sandbox	
Coordination	Number of working groups for MSMEs	
	Number of regulatory meetings focused on MSMEs annually	
	Number of capacity-building sessions for regulators/FSPs on MSME finance	
	Number of ministries working together to promote financial inclusion of MSMEs	
Collaboration	Number of policy dialogues, roundtables, forums on MSME topics <sup>184</sup>	
	Number of partnerships with MSME-focused organizations/ business associations	
	Number of partnerships with fintechs, MMOs, telcos, e-commerce platforms, digital payment providers	

<sup>184</sup> These can serve as platforms for the sharing of best practices, guidelines and frameworks in areas such as protection and security of cross-border data flows, competition, taxation, trade and logistics infrastructure.

Indicator category	Indicator	2022
Financial capabilities	Percentage of MSMEs with nonperforming loans to total MSME loans (i.e. 90 days)	11.3% (2020)
	Percentage of MSMEs that have at least one formal financial service	
	Number of government programmes to promote financial and digital financial capabilities of MSMEs	
Gender	Number of loans to women-owned MSMEs	
	Percentage of women MSMEs that have at least one formal financial service <sup>185</sup>	Existing/Revised
	Value of loans to women-owned MSMEs	
	Percentage of women MSME loans in total banking system	
	Number of partnerships with female-focused organizations/women's business associations	
	Percentage of nonperforming loans from women-owned MSMEs	
	Number of loan funds/loan schemes targeting women-owned MSMEs	

<sup>185</sup> This is revised from the current indicator of percentage of women MSMEs enabled through financial inclusion.











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