



# MEKONG

FINANCIAL INCLUSION FORUM

11-14 July 2016

Phnom Penh, Cambodia

*Progressing Financial Inclusion Through  
Greater Regional Cooperation*

# Overview Report and Session Synopsis

Co-Organiser



Convenor



Local Host



Partner



# Mekong Financial Inclusion Forum

Progressing financial inclusion through greater regional cooperation

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Report prepared in association with



# Mekong Financial Inclusion Forum

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## Introduction

The inaugural Mekong Financial Inclusion Forum was the first wave of a major new industry initiative that is exploring the differences, similarities and opportunities for achieving financial inclusion within this unique region.

It was an initiative of the Banking with the Poor Network (BWTP) and was organized by the Foundation for Development Cooperation (FDC) and Appui au Développement Autonome (ADA), in partnership with the Asian Development Bank (ADB) and the United Nations Capital Development Fund's (UNCDF's) SHIFT programme, which receives donor support from Australia's Department of Foreign Affairs and Trade. It was hosted by the National Bank of Cambodia (NBC).

The Forum took place in Phnom Penh, Cambodia, from 11-14 July 2016 with the aim of strengthening the level of cooperation and knowledge exchange among countries and institutions to progress financial inclusion within the Greater Mekong region, namely: Cambodia, Lao People's Democratic Republic, Viet Nam, Myanmar, Thailand and People's Republic of China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region).

Members of the Mekong Financial Inclusion Forum Steering Committee (comprising representatives from FDC, ADA, UNCDF and ADB) identified a range of priority challenges and opportunities for achieving greater financial inclusion in the Mekong region. The Forum addressed the priority issues within the region's financial inclusion community, including the role of national development strategies, best practice regulation and supervision, the use of technology and alternative delivery channels, the provision of client education and consumer protection, developing infrastructure that will enable financing for micro, small and medium enterprise, and creating and promoting coordinated action and partnerships among the private sector, government, the community and development partners.

The Mekong Financial Inclusion Forum was attended by over 320 delegates representing microfinance institutions, government agencies, credit unions, community-based institutions, commercial banks, mobile network operators, central banks and regulators, development banks, insurance companies, educational and research institutions, donor groups, NGOs, financial hardware and software providers, consultants and professional service firms.



The Forum provided a platform to seek solutions to these challenges and identify areas where solutions and opportunities can be enhanced through greater cooperation.

Forum delegates participated in several plenary conference sessions to learn about new initiatives, discuss and debate "best practice," exchange knowledge and build partnerships to increase progress towards achieving greater financial inclusion in the region.

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The Forum was proceeded by a day of intensive workshops giving delegates further opportunities to build capacity and network with other stakeholders, and it was followed by the Mekong Microfinance Investor's Fair. The topics covered at the Forum and key events are listed below.

Further information about the Forum, including the program, presentations, selected interviews and session videos are available at: [http://bwtp.org/event/mekong\\_forum/](http://bwtp.org/event/mekong_forum/)

## DAY ONE

Workshop 1: Research Meets Asia – Enhancing Financial Inclusion in the Asia Region

Workshop 2: SIMFI – A Microfinance Institution Simulation Platform

Workshop 3: Youth Economic Ecosystem in Cambodia: A UNCDF Assessment

Workshop 4: Microfinance Product Diversification – Introduction and Peer Exchange

Field Visit 1: LOLC (Cambodia) Plc

Field Visit 2: Microfinance Institution "Amret"

## DAY TWO

Welcome, Introductions and Addresses

Launch of Cambodia Financial Inclusion Demand Side Survey (FinScope) by the National Bank of Cambodia

Session 1: Overview of the Mekong Region

Session 2: Financing the Excluded: Innovations for Last Mile Financing in the Mekong

Session 3: Policy and Regulation in the Mekong: Developing Strategic Frameworks for Financial Inclusion

Session 4: The Impact of Finance on the Development of Micro, Small and Medium Enterprise (MSMEs)

Mekong Financial Inclusion Forum Cocktails and Welcome Dinner

## DAY THREE

Session 5: The Place of MFIs in the Financial Inclusion Ecosystem

Session 6: Realizing Potential and Minimizing Risk through Client Protection and Developing Financial Capability

Session 7: Stimulating the Use and Impact of Remittances through Technology

Session 8: Accelerating Financial Inclusion in the Mekong through Collaboration

Closing Remarks



## DAY FOUR

Mekong Microfinance Investor's Fair



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## Welcome Remarks and Keynote Address

### Welcome Remarks

Mr. Chandula Abeywickrema, Chairman, Banking with the Poor Network

Mr. Olivier Massart, Executive Director, Appui au Développement Autonome, Luxembourg

Ms. Judith Karl, Executive Secretary, United Nations Capital Development Fund

Mr. Jan Hansen, Senior Country Economist, Cambodia Resident Mission, Asian Development Bank

### Keynote Address

Mr. Chandula Abeywickrema, Chairman of the Banking with the Poor Network, welcomed delegates to the first Mekong Financial Inclusion Forum. He observed that within the region there are both differences in approaches to financial inclusion as well as levels of development of the sector, and on the other hand similarities in geography, culture and political landscapes, enabling potential for a rich discussion and exchange. He invited delegates to use the Forum to identify opportunities for cooperation and technical assistance to progress their financial inclusion efforts and economic development of communities, countries and the Mekong region as a whole.

Mr. Olivier Massart, Executive Director of Appui au Développement Autonome, commended the National Bank of Cambodia for hosting the Forum and recognizing the importance of financial inclusion both nationally as well as coordinated action at a regional level in response to increasing economic interdependence of nearby countries. He also pointed to the central role of microfinance networks and opportunities to leverage resources to develop the capacity of members to provide financial services for the poor as well as the importance of sharing knowledge and experience across borders.

Ms. Judith Karl, Executive Secretary of the United Nations Capital Development Fund, highlighted the commitment of the Mekong region to financial inclusion through initiatives such as the ASEAN Economic Communities Strategic Action Plan and Working Committee on Financial Inclusion. Ms. Karl noted that 264 million people in the region are unbanked, with women as key drivers in the economy with the potential to add USD 1 trillion to the regional economy by 2025. There is an opportunity to more fully understand gaps and opportunities through better use of data and national financial inclusion diagnostics, analysis of supply side/big data, and gender-specific demand for financial services. "It is an exciting time in the Mekong" said Ms. Karl, "with increasing migration within countries and the region and the use of remittances as a first step in financial inclusion; more non-traditional financial



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institutions entering with low-cost, high-scale models leveraging domestic resources; an increase in the number of investible small and growing businesses; and an exponential increase in mobile penetration and take-up of digital financial services and their application to energy, water and sanitation services."

Mr. Jan Hansen, Senior Country Economist of the Cambodia Resident Mission at the Asian Development Bank, commented that the Mekong region reflected a diversity of markets, levels and contexts, with a substantial difference in the level of financial inclusion between rural and urban communities – the inverse of the region's population distribution. He highlighted the potential of initiatives such as the Mekong Business Initiative to increase SME formation and growth within regional and international value chains through the development of financial technologies, investor networks and targeting access to finance for SMEs in high-value sectors.

To launch the Forum's main conference sessions, Her Excellency Neav Chanthana, Deputy Governor of the National Bank of Cambodia, cited the potential of the Mekong region's 326 million people to build the fastest growing economic neighbourhood in the world. She acknowledged ASEAN's new Working Group on Financial Inclusion, which has the potential to broaden and deepen usage of financial services, and the importance of being a member of other significant regional institutions, such as the Alliance for Financial Inclusion (AFI) and Asia-Pacific Rural and Agricultural Credit Association (APRACA).

As challenges, Her Excellency identified the lack of stable infrastructure, limited financial knowledge, and the prevalence of informal financial services and "shadow banking." However, among Cambodia's successes is the credit bureau that was founded in 2012, which she said is helping people access finance while decreasing the risk of overindebtedness by promoting responsible lending. The Bank is guided by its Financial Sector Development Strategy, the main goal of which is extending formal financial services to all. The Bank's priorities include: strengthening regulation and supervision, finalizing and implementing the National Financial Inclusion Strategy, empowering consumers by providing financial education and raising literacy, and fostering collaboration among government ministries and development partners.

## Launch of Cambodia Financial Inclusion Demand Side Survey (FinScope) by the National Bank of Cambodia

### Opening Remarks

Her Excellency Neav Chanthana, Deputy Governor of the National Bank of Cambodia

### Address: The Need for National Financial Inclusion Strategies

Mr. Henri Dommel, Director, Inclusive Finance, United Nations Capital Development Fund

### Presentation: Topline Findings of Cambodia's FinScope Survey

Mr. Obert Maposa, Information and Research Specialist, FinMark Trust

### Closing Remarks

Dr. Helen Cheney, Counsellor, Department of Foreign Affairs and Trade (DFAT), Australia



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Among the distinguished panellists who launched this significant study was Neav Chantana, Deputy Governor of the National Bank of Cambodia, who explained that "the demand-side survey was undertaken to understand the status of financial inclusion and the needs and behaviour of both women and men relating to formal and informal financial access and use." Obert Maposa, Research Specialist at FinMark Trust and Project Leader for the FinScope survey, noted that one of the key challenges to the 75 percent of the population that lives in rural areas is access to financial infrastructure. "Less than half the rural population is able to access MFIs, post offices, bank branches and ATMs in 30 minutes or less," he said.

Dr. Helen Cheney, Counsellor, Department of Foreign Affairs and Trade, Australia, observed that it is important to understand how different groups within Cambodia access, understand and use their money, as only then can policy, regulation and financial products be tailored to maximise outreach to all, including women.

Mr. Henri Dommel, UNCDF's Director of Inclusive Finance, said the launch of the FinScope survey was an important concrete step by the Cambodian government toward implementing its National Financial Inclusion Strategy. He noted that a supply-side survey is currently under development to help complete the picture of Cambodia's financial market.



## Session 1: Overview of the Mekong Region

### **Moderator**

Ms. Nina Nayar, Associate, The Foundation for Development Cooperation

### **Panelists**

Mr. Rajeev Kumar Gupta, Deputy Programme Manager, SHIFT Programme, United Nations Capital Development Fund

Mr. Stephen Higgins, Managing Partner, Mekong Strategic Partners, Cambodia

Ms. Ratchada Anantavrasilpa, Senior Financial Sector Specialist, World Bank Group

Mr. Sanjay Sinha, Managing Director, M-CRIL

Ms. Nina Nayar, Associate of the Foundation for Development Cooperation, opened the session reviewing microfinance products and market segments in the region. She described the evolution from "credit and basic savings" years ago to today's array of credit, savings, insurance, money transfer and other services for individuals as well as micro, small and medium enterprises (MSMEs).

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These include “a whole slew of innovations” such as payment cards and automated teller machines. She argued that new products are in demand by many segments of often-excluded people: farmers, people in conflict areas, minorities, youth, urban informal workers, migrants and single mothers. At the same time, fear and lack of confidence often prevent these groups in particular from accessing services.

Ms. Nayar emphasized the importance of the region's population being mostly rural and young, with a median age under 35 years. Regarding Myanmar, she cited a preference for informal sources of finance, especially for agricultural inputs. Ms. Nayar noted Lao PDR has a nascent market enjoying a broad range of providers and widespread informal insurance for funding ceremonies such as funerals. In Viet Nam, she pointed out the prominence of the government-backed Vietnam Bank for Social Policies and the Vietnam Bank for Agriculture and Rural Development, which serve a combined 82 percent of users of microfinance in the country. The remainder are served by NGOs.

Over-indebtedness is an emerging concern in Cambodia. However, Stephen Higgins, Mekong Strategic Partners' Managing Partner, said after experiencing loan growth of 125 percent over two years, “we are happy to see it lower this year.... We think around 15 to 20 percent is the goal.”

Regarding Thailand, Ms. Nayar cited strong regulation and a high rate of inclusion, although Ratchada Anantavrasilpa, a Senior Financial Sector Specialist at the World Bank Group, observed that “in the southern provinces there is [thinner coverage] due to political instability.” She also added that because Thailand’s population is aging, the World Bank Group is supporting insurance regulators there to nurture the growth of risk mitigation services. Sanjay Sinha, Managing Director of M-CRIL, said that insurance is practically non-existent in the Mekong region outside Thailand: “I would certainly urge regulators to take a lot more interest than they have so far.” Mr. Higgins predicted it will take “a decade before private industry develops enough to make an impact.”

Rajeev Kumar Gupta, Senior Regional Technical Advisor and Deputy Programme Manager, SHIFT Programme, United Nations Capital Development Fund outlined four main financial inclusion challenges facing the Mekong region. First is following through with implementation on country financial inclusion strategies, requiring alignment of capacities and resources, and collaboration of stakeholders and coordination of initiatives. Second, is a sound understanding of the needs and drivers of financial inclusion, which vary by country within the region, and an understanding of the differing needs of various excluded segments, such as women, youth and rural communities, and the interventions needed, such as education and how they can be mainstreamed.



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Third is the need to lift usage of accounts which is lagging the inclusion gains made from an increasing number of accounts – an issue experienced around the world, not just within the Mekong. “Until the usage issue is addressed, financial inclusion initiatives may not achieve their goals” he said. The fourth challenge in achieving effective development is capacity building, not just by financial services providers, but non-financial services providers as well. The solution involves an ecosystem of suppliers.

Ms. Anantavrasilpa described her organization’s work helping regulators develop supervisory systems including the necessary balance between flexibility to promote inclusivity versus the strength to maintain stability, particularly the safety of savings deposits. Ms. Nayar argued that the use of mobile money is hampered by regulation and that coordination among central banks, insurance regulators and mobile money regulators could be improved. On the other hand, in terms of client protection, she said “this region has low-touch regulation. We don’t want it to become high-touch, so how can we protect consumers without more regulations?” Concurring that minimal regulation is better, Mr. Sinha argued that “rather than preventing problems, you need to let the market develop to know which practices to regulate.” He added that interest rate caps in Myanmar, for example, have proven too restrictive to allow MFIs to meet their potential. And not only prudential regulations can affect MFIs; laws on foreign exchange, for example, also can hamper the industry.

Regarding client protection, Mr. Sinha said “all the networks are trying to do this. We are working with the Myanmar Microfinance Association and [the International Finance Corporation] to train the staff of MFIs on client protection and other topics.” He continued to say “AMK [Angkor Mikroheranhvatho Kampuchea] has done very well integrating responsible finance into their operations and did it quite early in fact. The engagement of investors is extremely important.” Mr. Higgins added that MFIs must work to meet a range of social goals to continue to get funding.

Referring to delivering social services alongside financial services, Mr. Sinha argued that “when MFIs try to do ‘microfinance plus,’ it doesn’t work.” Regarding the role of NGOs, Mr. Higgins said that because “these guys will never have the scale to provide financial services widely...the biggest problem NGOs can address is client education. Fear prevents a lot of people from coming into the system.” Mr Gupta expanded on this saying NGOs are well placed for last mile outreach and they understand communities better – not just financially, but their capacity and social norms as well. “Partnering with NGOs can make financial inclusion more effective and sustainable” he said. Mr. Sinha added that “the problem of credit for agriculture simply has not been resolved. [MFIs’] business models depend on contact more frequently than every three or six months, which is when farmers have income. That’s where I think the opportunity is for MFIs and NGOs to collaborate.”

## Key Points

- Financial services offerings have come a long way in recent years, particularly in Thailand. Meanwhile some worry that microcredit is growing too fast in Cambodia. The market in Viet Nam is heavily influenced by government-backed institutions, and Lao PDR and Myanmar are in relatively early stages of microfinance development.

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- Regulators have significant challenges, such as balancing growth versus safety and coordinating the work of multiple government and private stakeholders. A key aspect of these challenges is knowing what to regulate, and to ensure that the sector is not over-regulated which could constrict innovation and growth.
- Client education and other forms of client protection are existentially important and there are opportunities for MFIs and NGOs to collaborate to address these issues more effectively.

## Session 2: Financing the Excluded: Innovations for Last Mile Financing in the Mekong

### Moderator

Dr. Kammy Naidoo, Global Programme Advisor, Making Access Possible, United Nations Capital Development Fund

### Panelists

Mr. Gaurav Bhandari, Senior Global Partnerships Manager - Asia, Greenlight Planet

Mr. Chea Phalarin, Chief Executive Officer, Amret Microfinance Institution, Cambodia

Mr. Isara Wongrung, Senior Executive Vice President (Personal Customer Group), Government Savings Bank, Thailand

Organizations serving people at the “bottom of the pyramid” are using solar lighting, doorstep savings services and mobile banking to reach potential customers still untouched by formal financial services. Gaurav Bhandari, Greenlight Planet's Senior Global Partnerships Manager for Asia, described his firm's products, which he reports have prevented 10,000 house fires, increased homeworkers' productivity by 25 percent and increased student study time by 75 percent. The firm distributes products ranging from a single light costing approximately USD 8 to systems costing over USD 100 through about 350 organizations, such as MFIs, petroleum retailers, agricultural suppliers, banking agents and Amazon.com.

The FinScope Survey, launched by the National Bank of Cambodia during the Forum, indicates that people in Cambodia mistrust solar equipment based on past experiences with poor battery life. Mr. Bhandari explained that Greenlight's basic light, after charging for six hours, offers eight to 72 hours of service depending on the brightness level selected. He said the batteries are “better than what you have in a cell phone” and last 5 years. Since rolling out previous versions of the product, Greenlight has improved quality, reducing defect rates from approximately 5 percent to under 1 percent. All of Greenlight's products have two-year warranties.

When asked by a member of the audience how Greenlight measures impact, Mr. Bhandari described the work of its “consumer insights” team, which observes end-users to measure study time, rates of house fires and client health. The firm also examines its partnerships to ascertain, for example, whether each MFI makes money delivering the product, which underpins the sustainability of the service.

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Mr. Bhandari also described a product sold by other firms to allow for “pay-as-you-go” lighting. When the client makes a payment, she receives a text (SMS) message with a code to key into the device to activate it for a set amount of time. This reduces or eliminates the up-front cost that she must pay to acquire the device.

Chea Phalarin, CEO of Amret

Microfinance Institution, described his organization's efforts to increase the savings rates of its rural customers.

Although 95 percent of Amret's borrowers live outside cities, fewer than 10 percent of its depositors live in rural areas. In response, Amret recently began hiring “mobile tellers,” who travel by motorbike to collect deposits from and issue withdrawals to customers at their workplaces and homes. Clients receive text messages to confirm the transactions, which tellers can perform at a rate of 80 per day. So far, 30,000 clients have saved USD 3 million, in increments as small as USD 1. To minimize robberies of the tellers, the firm established a limit of USD 2,000, above which they must detour from visiting clients to deposit the cash. Looking to the future, Mr. Phalarin said Amret is waiting for approval from the National Bank of Cambodia to offer e-wallets that can be funded via banking agents.



In response to an audience question on finding customers in hard-to-reach areas, Mr. Phalarin said Amret first selects a target segment, then studies the group's education levels, financial needs and other characteristics. Because people often are uncomfortable in branch offices, Amret trains staff on communicating with shy customers.

Isara Wongrung, Senior Executive Vice President at Thailand's Government Savings Bank, discussed that organization's support of the government's policy of minimizing the use of cash. It recently partnered with for-profit providers to roll out a mobile banking service that attracted 1 million users in its first year. Of these customers, 650,000 have low incomes.

To increase uptake in remote areas, the bank offers preferential pricing to groups. For loans, it charges these groups one third of the usual 3 percent per month. For savings, it offers triple the usual interest rate of 0.5 percent. Mr. Isara explained that “our objective is not to maximize profits. We make less than half the profit of a commercial bank our size.” In fact, the bank uses profits from the half of its clients who have higher incomes to subsidize services for those with lower incomes.

Asked about whether the bank has a dedicated “innovation team,” Mr. Wongrung said “we learn from our customers' behavior.... We also hire professional partners to collect data. And we work with fintech providers to implement new services. It's not easy for us to launch a new product in six months using our own IT resources. We have fee-sharing arrangements with fintech providers that are based on the success of the products.”



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As a group, the panelists described a wide range of innovations that MFIs can use to increase their outreach and impact - all while being, as Mr. Gurav put it, "very careful with our customers."

## Key Points

- There are increasing opportunities for MFIs to link with new products and services which are specifically designed to benefit the poor, with Solar being just one example.
- MFIs can work with solar technology companies to provide their customers with better products than were available a few years ago, offering benefits such as increased study time, lower lighting costs and increased safety.
- The savings rates of rural customers can be boosted by: (1) offering group services with preferential rates; and (2) sending tellers to homes and workplaces.
- Partnerships with mobile money firms can yield products that low-income customers find valuable.

## Session 3: Policy and Regulation in the Mekong: Developing Strategic Frameworks for Financial Inclusion

### Moderator

Mr. Charles Marwa, Senior Monitoring and Evaluation Specialist & Financial Inclusion Data Working Group Manager, Alliance for Financial Inclusion

### Panelists

Ms. Pamouane Phetthany, Director, Lao Microfinance Association

Dr. Don Nakornthab, Senior Director, Financial Institutions Strategy Department, Financial Institutions Policy Group, Bank of Thailand

Mr. Rath Sovannorak, Deputy Director General, Banking Supervision, National Bank of Cambodia

Ms. Dan Wang, Deputy Secretary General, China Association of Microfinance

Mr. Pungky P. Wibowo, Director of Payment System Policy and Supervision Department, Group of Retail Payment System Development and Financial Inclusion, Bank Indonesia

Dr. Sandar Oo, Director General, Financial Regulatory Department, Ministry of Planning and Finance, Myanmar

The assembled regulators and trade group leaders offered a litany of current and soon-to-be-released strategies to create a nurturing environment for pro-client financial services. It is critically important to understand where these stand on the continuum of balancing flexibility to encourage new services versus controls to maximize consumer protection.

Dr. Sandar Oo, Director General at Myanmar's Ministry of Planning and Finance, said that further development of financial infrastructure would facilitate the work of his organization.



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Rath Sovannorak, Deputy Director General of the National Bank of Cambodia, agreed that his country's credit bureau helps keep the local industry within bounds.

Throughout the conference, many offered praise for Thailand's high rate of financial inclusion. However, Don Nakornthab, Senior Director at the Bank of Thailand's Financial Institutions Policy Group, said "we still have a lot of work to do on financial inclusion in Thailand." As one example, he described the availability of non-branch service points in locations such as supermarkets. Pungky P. Wibowo, Director of Bank Indonesia's Group of Retail Payment System Development and Financial Inclusion, noted that in addition to mobile services, Indonesia allows both individuals and franchise-holders to serve as banking agents. Dr. Nakornthab explained that Thai citizens soon will have new ways to receive electronic payments, such as through mobile phones and email. Mr. Wibowo spoke of the potential value of digital finance, despite the continuing need to figure out "how to promote the mobile phone as a tool of financial inclusion."

Among Thailand's strategies is to offer special licenses for banks that serve poor people. Dr. Nakornthab added that his organization offered commercial banks the opportunity to get microfinance licenses, although he believes "it is not a good idea to have commercial banks pushing access." In contrast, Dan Wang, Deputy Secretary General of the China Association of Microfinance, expressed interest in establishing incentives for banks to downscale to reach poor people.

Mr. Sovannorak noted Cambodia's focus on consumer protection, which is supported by a dedicated consumer protection unit within the central bank. Dr. Oo noted the high usage of informal financial services in Myanmar, adding that the ministry is launching financial literacy efforts in response.

Regarding how to measure financial skills, Dr. Nakornthab cited the financial literacy portion of the OECD's Programme for International Student Assessment. The Bank of Thailand uses this tool to assess skill levels and aims to boost nationwide scores to the average level of other countries that use the assessment.

Mr. Wibowo noted that, with 70,000 islands, "Indonesia has a [widely dispersed] population. Knowledge of technology is not the same in urban and rural areas." In his parallel capacity as Co-Chair of ASEAN's Financial Inclusion Working Group, he said "we will help the countries across ASEAN with infrastructure, policy and how to provide financial education."

Mr. Sovannorak admitted that the capacity of the National Bank of Cambodia is in need of strengthening. Charles Marwa, Financial Inclusion Data Working Group Manager for the Alliance for Financial Inclusion, agreed with the importance of this issue. Bank Indonesia, for one, "agreed to have international partners like the UNCDF and AFI" assist with such internal investment.



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Dr. Don Nakornthab conceded that “in the past [the Bank of Thailand has] been quite lenient on enforcing proper conduct” but that starting “this year, that will no longer be the case.” For example, the institution plans to begin working closely with insurance regulators. Ms. Wang also expressed the need for better coordination among players such as the central bank, the Ministry of Finance and the Ministry of Public Security for efforts including combating Ponzi schemes and other illegal activity. The China Association of Microfinance supports the work of these government entities by advocating self-regulation amongst its member MFIs.

Mr. Marwa reported that slightly less than half of the countries AFI recently surveyed have financial inclusion plans. Ms. Wang noted that China has a national financial inclusion plan for the years 2016 through 2020. Mr. Sovannorak said that even though Cambodia lacks such a plan, it does have a broader, 10-year financial sector development strategy.

Dr. Oo explained that, since Myanmar’s liberalization in 2011, tax-law and other reforms have opened the door to programs such as UNCDF’s Microlead and efforts to “diversify services to sectors such as MSMEs [micro, small and medium-sized enterprises].”

Mr. Sovannorak argued that light regulation in Cambodia played a significant role in loan volume growing by about 35 times and deposits by five times over the past 10 years.

Pamouane Phetthany, Director of the Lao Microfinance Association, described having a good relationship with regulators. She also deemed the landscape in Lao PDR a “very young market” with 40 commercial banks and 90 credit unions and MFIs - both deposit-taking and non-deposit-taking.

Ms. Wang argued in favor of legislation to recognize the 100 Chinese NGOs operating in the sector. She also noted other challenges, including insufficient data on potential customers and a need to increase efficiency and reduce corruption within rural institutions. Among the successes of the China Association of Microfinance are promoting university collaborations and fundraising, which will be augmented at an international conference scheduled for November 2016.

Expressing cautious optimism for the future, Mr. Sovannorak said “we found that the people who use microfinance are better off than those who use informal sources, although a loan [in and of itself] cannot reduce poverty.”

## **Key Points**

- Opinions are mixed on the merits of engaging traditional banks in financial inclusion.
- Representatives of ASEAN and the governments of Myanmar and Thailand cited their work on financial education.
- Regulators are working with domestic and international partners to boost effectiveness as they continue to seek the right balance of flexibility and strength.

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## Session 4: The Impact of Finance on the Development of Micro, Small and Medium Enterprise (MSMEs)

### Moderator

Mr. Christian Baron, Executive Advisor, Appui au Développement Autonome, Luxembourg

### Panelists

Mr. Pascal Ly, CEO, Credit Bureau Cambodia

Mr. Gerald Sun, Vice President, Head of Sales, Commercial Payments. Asia Pacific, MasterCard Worldwide

Mr. Yannick Milev, Country Coordinator for Cambodia, India, Myanmar, Entrepreneurs du Monde (EDM)

Ms. Nguyen Thi Tuyet Minh, Chairwoman, Vietnam Women Entrepreneurs Council

Mr. Venkat EN, Partner, Aavishkaar, India

Mr. Shigehiro Shinozaki, Financial Sector Specialist (SME Finance), Asian Development Bank

This discussion of supporting micro, small and medium enterprises (MSMEs) centered on (1) building systems to boost institutions' confidence in lending to the sector; and (2) the non-financial needs of MSMEs.

Gerald Sun, Vice President, Head of Sales for Commercial Payments Asia/Pacific at MasterCard Worldwide, said "the banks have trouble making a risk assessment cheaply enough. They lend to big organizations based on their income. For SMEs [small and medium enterprises], they revert to looking at assets as they would for consumer lending. The bank can value a house or car, but not a ton of fertilized chicken eggs." MasterCard is addressing this issue by working with SMEs to help them implement digital invoicing. "Our studies show that 3 percent to 7 percent of the costs of an SME are spent managing paper invoices. Once we digitize, the money moves faster, and it becomes easier for lenders to lend."

Pascal Ly, the CEO of Credit Bureau Cambodia, explained that "the credit bureau plays an important role because it captures data [that] is then helping banks and MFIs to lend." Mr. Ly also discussed "invoice discounting," through which a funder pays an SME upfront when it receives an order from a customer. This cash flows enables the purchase of supplies for the order. After delivering it, the borrower repays the loan plus a premium that might be roughly 25 percent. This is widespread in China, partially enabled by a state-run invoice tracking system.



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Despite these suggestions, the majority of the panel agreed that MSMEs have needs that are more pressing than finance. Shigehiro Shinozaki, Financial Sector Specialist for SME Finance with the Asian Development Bank, said "SMEs [face challenges,] such as lack of financial knowledge and insufficient management capacity." Mr. Sun said "as an SME or someone who just started a business, typically the big problems are time, skills and resources." Mr. Ly said that "SME owners don't want to know about the legal part of the business - the taxes. In Cambodia, they must pay tax every month. They don't know about options to contract that out."

Nguyen Thi Tuyet Minh, Chairwoman of the Vietnam Women Entrepreneurs Council, said that her members lacked the knowledge needed to translate their ideas into practice and to use finance wisely. In response, her organization set up mentoring relationships and held a "start-up festival" to help its members sell ideas to investors and MFIs. Mr. Sun added that MasterCard is "working with partners to create an iTunes-like store with inventory management software and other tools that MSMEs can access and call in for help with."

Yannick Milev, Entrepreneurs du Monde's Country Coordinator for Cambodia, India and Myanmar, described a program in the Philippines through which his organization provided loans along with "intensive business support" for people who had been excluded by local lenders. This included people with disabilities, older people and single heads of households. Although the program was successful, it was too expensive to offer at scale.

An audience member asked who should pay for these services: NGOs; the government; or lenders, even if at the peril of higher interest rates? Mr. Milev said "you have to adapt your model to the context. In Viet Nam for example, which is mainly agricultural, there is an NGO offering technical and veterinarian services that we partner with.... If there is no NGO to partner with, I think it is the responsibility of the lender to find a way to provide these services. For example in Myanmar, there is a real lack of civil society partners."

Mr. Sun said "government, networks and lenders all benefit. We need to see more of these players getting together to execute these services collectively." For example in Singapore, a group trying to help older workers get re-trained has partnered with a university and asked employers to let new workers attend class one day per week during the first year of employment.

These efforts can pay off in a big way. Venkat EN, a partner at Aavishkaar, pointed out that serving poor people offers a large potential market, one that can grow as people move up the income ladder over time.

## **Key Points**

- Lenders need new ways to assess potential borrowers, such as via better data recorded by borrowers, payment facilitators and credit bureaux.
- MSMEs need to develop their financial and business skills in partnership with lenders, NGOs and government.

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## Session 5: The Place of MFIs in the Financial Inclusion Ecosystem

### Moderator

Ms. Anya Berezhna, Regional Manager, South & East Asia, Symbiotics

### Panelists

Mr. Somphone Sisenglath, Managing Director, Ekphatthana Microfinance Institution, Lao People's Democratic Republic

Ms. Leonie Lethbridge, Chief Executive Officer, ANZ Royal, Cambodia

Mr. Robin Gravesteijn, Data Management Specialist (Analytics and Research), United Nations Capital Development Fund

Mr. Ko Maung, Director, Financial Inclusion and Micro-finance Division, Financial Regulatory Department, Ministry of Planning and Finance, Myanmar

The roles of MFIs in financial systems vary significantly from country to country, even within the Mekong region. Somphone Sisenglath, Managing Director of Ekphatthana Microfinance Institution, described the Lao industry as "very young," with the median MFI just three years old. Most MFIs operate in the capital, Vientiane, while 80 percent of the population is rural. Since it often takes an hour to travel between villages, it is very expensive to serve people in these areas.

Ko Ko Maung, Division Director at Myanmar's Ministry of Planning and Finance, explained that in Myanmar "the government bank serves all areas of the country, especially farmers. Plus we have cooperative societies expanding across the 60,000 villages of the country."

Anya Berezhna, Regional Manager for Symbiotics, said "in Cambodia, we see more and more credit going into the capital city." To balance this, Leonie Lethbridge, the CEO of ANZ Royal, Cambodia, said "we work with MFIs to extend our own footprint. We have a partnership here with HKL [Hatha Kaksekar Limited] extending our outreach." Robin Gravesteijn, Data Management Specialist at the United Nations Capital Development Fund, said "we've had a strong increase in access over the past 10 years. Since then, this sector has moved really fast. For the first time last year, we had more depositors than borrowers." Ms. Lethbridge argued that "microfinance is not fundamentally about loans.... It's very important that people have the capability to save and to move money to run their daily lives."

Ms. Berezhna asked the panelists whether the trend of Cambodian MFIs converting into banks would spread within the region. Mr. Sisenglath responded "for now, the requirement to become a bank is quite high, needing maybe USD 60 million in capital. No MFI [in Lao PDR] qualifies for that. Maybe in five to 10 years." Ms. Lethbridge argued that high barriers to entry are important because it is too hard for regulators to supervise a large number of tiny institutions. However, she argued that it is good for MFIs to offer savings. "Does that make MFIs competitors to banks? Typically no, because of the different [employee] skills and target markets - and the cost structures in serving those different types of markets...." She described MFIs and banks as "complementary."



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On the topic of capital requirements and other regulations, Mr. Maung said that "we got help from Cambodia.... Then we got technical assistance from ADB, UNCDF, the World Bank and other stakeholders." However, the landscape in Myanmar is still in the early stages, with no credit bureau, no microinsurance and foreign MFIs barred from raising domestic funds. Microloan interest rates are capped at 30 percent per year, and foreigners investing in hard currency are limited to annual returns of 8 percent. Although the focus in Myanmar currently is on group loans, some micro, small and medium enterprises have been able to access individual loans, and the Ministry is considering additional regulation to protect depositors.



While Lao PDR also lacks microinsurance, Ekphatthana is working now to launch loan insurance, pending regulatory approval. Regarding the design of new products,

Mr. Gravesteijn said "we've got a lot of data, but we're not always using it to the fullest potential." He suggested that further segmentation can be beneficial. For example, a woman is likely to need different products depending on whether she is single, managing a household and/or running a business. Mr. Gravesteijn noted that women who have more control of household decisions save more money. In contrast, Mr. Maung argued "financial literacy is very important, but it is difficult to change behavior. Men do not like to save money."

Ms. Lethbridge said "one of the financial lynchpins that is weak in many markets including Cambodia is the ability for people to understand money and the choices they have. However limited the cash flow may be, it's important that they understand it. We do a lot of financial education.... Inculcating [good savings habits] at a young age is important."

Mr. Sisenglath agreed: "If they open their first savings account at age 40, it is hard to change their minds. In 2011, we started training teachers to teach children about money. Students were not interested. So we partnered with a media company and created a game and TV show that airs on Saturdays. We had a video contest. Kids turned in a 3-minute video and voted on Facebook for the winner.... To go further, we created 'Smart Financial Centers' in schools with students acting as managers and tellers at 52 schools. 40,000 kids are enrolled now."

Building brand affinity at a young age can be important. Mr Gravesteijn reports that in Cambodia, "exit rates" are high. After repaying a microloan, 28 percent to 39 percent of borrowers terminate their relationship with their MFI. This is expensive; it costs five times as much to land a new client than to retain an existing one. To boost customer retention, there may be simple answers like increasing loan size. Other options may be more expensive, but less likely to lead to over-indebtedness. As an example, Mr. Gravesteijn



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stated that “at IMON International in Tajikistan, staff tried giving women four days of enterprise training. This group had a 5-percent higher retention rate.”

With countries in Mekong region at very different stages of financial sector development, there are myriad opportunities to borrow impactful ideas from neighboring markets as well as from countries across the world.

## Key Points

- The microfinance ecosystems in Lao PDR and Viet Nam are quite young and important opportunities exist for these countries to learn from the experiences of others.
- Partnerships - such as between banks and MFIs - can help serve people in rural areas and other underserved market segments.
- Finding the right balance of regulation versus freedom is an ongoing challenge.
- There are excellent examples of innovative services - such as those focusing on youth and women - that can be used to inspire solutions that are fine-tuned to local needs.

## Session 6: Realizing Potential and Minimizing Risk through Client Protection and Developing Financial Capability

### Moderator

Ms. Kelly Hattel, Financial Sector Specialist, Asian Development Bank

### Panelists

Ms. Jaclyn Berfond, Specialist, Research, Monitoring & Evaluation, Women's World Banking (WWB)

Ms. Jayshree Venkatesan, Financial Inclusion Consultant

Mr. Voeun Sok, Chief Executive Officer, LOLC (Cambodia) Plc.

Mr. Shane Nichols, Program Director, Good Return

This diverse set of panelists agreed that providing financial education can be expensive and yet often fails to produce measurable outcomes. Jayshree Venkatesan, a financial inclusion consultant, stated that “results from financial literacy campaigns are at best mixed.” Shane Nichols, Program Director for Good Return, said that the rise of randomized controlled trials has helped his organization discover that although “we used to do pre- and post-tests showing people gained knowledge...sustained behavior-change was virtually non-existent.”

Ms. Venkatesan explained that “there are a number of things that limit these efforts. They cost a lot of money. Most of these tend to be housed within a non-profit. The minute you start thinking about the scale of an entire country, it [risks being] so prescriptive that it becomes a checkbox. [The goal is] to avoid products that people don’t use - dormancy.”



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Mr. Nichols argued that “MFIs have a special responsibility because they are targeting people who haven’t used financial services before. ‘Doing no harm’ is harder for MFIs than banks because, even if you don’t have a social mission, you are working with new entrants to using [formal] financial services.”

Elisabetta Bertotti, MicroFinanza Rating’s Regional Manager for South East Asia, said her organization includes a client-protection assessment as part of both financial and social ratings because it is important to the MFI’s reputation and credit risk profile.

Ms. Venkatesan argued that “it’s the financial services provider’s responsibility and the government’s.... The universe of stakeholders [engaged in developing financial capability] has to expand way beyond the financial service providers.”

Jaclyn Berfond, Specialist in Research, Monitoring and Evaluation at Women’s World Banking, said “banks tend to see financial education as a cost center. We work with them to build it into marketing - into pre-existing touch points - and to measure its results like a marketing campaign.... We think about it as quality of service, for [maximizing] customer loyalty.”

Regarding the line between impartial education versus biased marketing, Ms. Berfond argued that “there is a trust issue.... Women are more likely to accept information from someone they trust. This applies to retention in addition to information usage.... Clients tend to trust their loan officers.” Mr. Nichols agreed, reporting that in studies performed by Good Return “we saw much better adoption of practices from programs delivered by financial services providers rather than a community organization.” Similarly, Voeun Sok, Chief Executive Officer of LOLC (Cambodia), found that a “training of trainers” program administered to village leaders worked less well than having LOLC staff lead the education sessions. One problem was that the “trained” village leader was not able to answer questions well.

A representative of the United Nations Capital Development Fund’s YouthStart program found that engaging youth to train other youth worked because: (1) youth are more open to listening to youth; and (2) it was more cost effective. Ms. Berfond also described success using peer trainers in factories because this allowed people to come back with follow-up questions well after the official training period had ended.

A member of the audience, brought up a similar issue: “How do you find the point when clients need the information so that they will be motivated to learn at that time?” Ms. Venkatesan said “we talk about teachable moments. The service provider is in the best position to deliver financial education messages at the right time.” Ms. Berfond stated “we did a study of people getting frequent, short [lessons] from their loan officers. It got the



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savings rate three times higher.... Women are time-poor, so time-efficient methods are needed."

Mr. Nichols described Good Return's success targeting regions with high levels of delinquency to reduce portfolio-at-risk ratios. In a separate effort, his organization raised money from sources including a private funder in Australia and the US Agency for International Development to launch a video contest to engage youth. The winning video was broadcast to rural kids on television and radio as well as to urban youth on Facebook, where it received 30,000 "likes."

Chandula Abeywickrema, Chairman of the Banking with the Poor Network, described his past work with Sri Lanka's Hatton National Bank through which "we created school banks within schools. Wherever they open branches in rural areas, they partner with schools, temples and churches to teach [financial literacy]. Now there are 300 school banks after 35 years. Close to 1 million kids have savings accounts.... We have 5 million pink elephant savings banks in the hands of children.... Is this program viable? Not on a one-year payback, but on five years, yes. There are five students and a teacher that run each school bank. Many started working for the bank. This has been replicated in Africa and Mongolia."

Regarding the business case for prioritizing financial education, Ms. Pitcaithly said it is "not just about portfolio quality, but: Can you increase your portfolio? For example, do you let people get access to a different product because they finished a class?"

Mr. Nichols asked "who suffers in the absence of financial education? If you look at [the Indian state of] Andhra Pradesh or other regions that have had crises, everybody pays."

## Key Points

- Awareness of timing - "teachable moments" - can be key, such as by considering how a client can ask follow-up questions weeks or months after formal training occurs.
- Some of the most successful approaches: (1) take a long-term view; (2) imbed financial education in business processes; (3) target youth; and/or (4) incorporate social and/or traditional media.
- Failing to act can have a steep price as crises in Bosnia, Nicaragua and the Indian state of Andhra Pradesh have shown.

## Session 7: Stimulating the Use and Impact of Remittances through Technology

### Moderator

Mr. Ron Bevacqua, Managing Director, ACCESS Advisory Inc.

### Panelists

Ms. Franchette Chingcuanco-Cardona, Product & Marketing Director, Wing (Cambodia) Limited Specialised Bank

Ms. Irma Cosico, Chief Executive Officer, ASKI Global



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Ms. Juanita Woodward, Principal Consultant at Connecting the Dots, Singapore Country Director at WorldRemit

Mr. Nitish Narain, Manager, MicroSave

Ron Bevacqua, Managing Director of ACCESS Advisory, opened the panel asking what gaps in local payment systems can be closed by digital services. Juanita Woodward, Singapore Country Director at WorldRemit, said “I think we are at a tipping point with mobile payments. How can you bring down costs from a global average over 7 percent down to 3 percent? Technology is the only way.”

As an example of the need, Ms. Woodward noted that “workers take an hour off work to remit payments from Singapore....” Franchette Chingcuanco-Cardona, Product and Marketing Director for Wing (Cambodia), explained that her money-transfer firm, which is known for its over-the-counter service, just started offering payments via mobile phones.

Irma Cosico, Chief Executive Officer of ASKI Global, added that migrants want control over how the money they send is spent. New technologies allow remittances to be earmarked for groceries or sent directly to pay tuition bills, but this can be expensive.

Echoing the trend of linking remittances with other services, Ms. Chingcuanco-Cardona

Franchette said that Wing offers telephone credit top-up in partnership with most telephone companies in Cambodia. Her firm also is looking into rolling out payment cards that can be used for other purchases. One possible strategy is to partner with retailers to offer discounts to people who pay with digital money.

Nitish Narain, MicroSave's Manager, agreed heartily that there is a need for “incentives for this money to be used in digital format.” This lowers the rate of cashing out, a service that is often troublesome for agents. Recipients that make electronic payments also may able to avoid hassles, such as waiting in line to pay utility bills.

As evidence of the need for client education, Mr. Narain cited the example of countries in the Persian Gulf that required employers use electronic money to pay migrants, who then went right to automated tellers to withdraw cash to hand-carry to traditional money transfer offices. “People don't want to change the way they have been transacting for years,” he said, so “how can you leverage the happiness of 'cash in hand' to encourage [new] behaviors?” For example, when a customer gets an SMS [text message] saying she has received money, she could get an offer to buy insurance right then.

Regarding financial education, Ms. Cosico said “it takes time.... They like the feeling of holding the cash before they send it. It's psychological.”



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She added that ASKI trains both workers, who send remittances, and the families that receive them. "We are customizing our learning materials. The National University of Singapore reviews [and certifies this] material." Ms. Chingcuanco-Cardona agreed that "it really takes a long time. It [must be] a continuous process. If not, they will forget about it."

Ms. Woodward described a website that Developing Markets Associates is building to give migrants real-time data from a range of providers on the cost of remittances - both fees and foreign exchange costs. Government agencies have already expressed interest in piggy-backing on the site to deliver non-financial information to migrants.

Ms. Cosico described a loan product that ASKI has designed expressly for migrants and their families. The proceeds go to the home-country family, however repayments are made by the migrant. These repayments are scheduled on a monthly basis to correspond with migrants' typical pay interval. After the initial loan is settled, future loan cycles are repaid from the proceeds of the home-country enterprise. At a maximum size of USD 2,000, the credit is larger than ASKI's other loans, but the interest rate is the same: 3 percent per month on a declining basis. So far, 200 enterprises have been launched with this product. Through his firm, ACCESS Advisory, Mr. Bevacqua stated that he has seen many migrant-funded businesses fail. In contrast, ASKI's review of the business plan during the loan underwriting process should increase the likelihood of success.

On the topic of specialized products for remittance users, Mr. Bevacqua asked about those that target women. Ms. Chingcuanco-Cardona said nearly two thirds of Wing customers are women, adding "women are more entrepreneurial. They are the ones looking into possible business opportunities." Mr. Narain said that women send more of their money home and that "health and education are the two sectors where women like the money to be spent." In contrast, "men like to invest in assets like land... [so] the opportunity is a way to have the money built up into a larger amount that can be used for a large purchase." One challenge to be overcome, however, is that savings accounts sometimes are unattractive due to low interest rates.

Ms. Woodward went on to describe the B-Kash service, which she reports has engaged 25 percent of the population of Bangladesh in moving USD 50 million per day, comprising 8 percent of mobile money users worldwide. She attributed this success partly to interoperability with four phone companies, the large number of participating agents and low pricing for small transactions. The goal from the start was to prioritize pricing clarity and hence transparency regarding the amount of money that the recipient receives. Building on this success, employers are starting to pay people directly into mobile accounts. In many countries, a major driver behind the establishment of creative services related to remittances has been the increasing flexibility of regulators over time, an observation that was met with nods from the entire panel.

Ms. Woodward argued that "people don't need banks; they need banking. In order to keep costs down, we'll continue to see things go digital." On the other hand, Mr. Narain surmised that as cash has co-existed with payment cards long-term, MFIs will continue to co-exist with mobile network operators that offer financial services.

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## Key Points

- Mobile money has come a long way, but it is still a very young industry with several challenges and potential opportunities which need further examination by stakeholders.
- Financial education is needed for both senders and recipients on a long-term basis.
- More incentives, such as utility, insurance and retail payment options, are needed to minimize the rate of customers cashing out.
- Remittances can be linked with many other services, such as salary payments and loans for family members back home.

## Session 8: Accelerating Financial Inclusion in the Mekong through Collaboration

### Moderator

Mr. Chandula Abeywickrema, Chairman, Banking with the Poor Network

### Panelists

Mr. Kiatchai Sophastienphong, Vice Minister for Finance, Ministry of Finance, Thailand

Dr. Bun Mony, Chief Executive Officer, Sathapana Ltd., Cambodia

Ms. Mirjam Janssen, Regional Manager East & Southeast Asia, Triodos Investment Management

Mr. Sonexay Sithphaxay, Deputy Governor, Bank of the Lao PDR

Ms. Kelly Hattel, Financial Sector Specialist, Asian Development Bank

Although regulators, MFI associations and the private sector all have important roles to play in microfinance, the primary collaborations discussed in this session were between MFIs and funders. Kelly Hattel, Financial Sector Specialist for the Asian Development Bank, underscored "the importance of having national strategies for financial inclusion and having them be evidence-based. These are important...both as a donor individually and for donor coordination." She added that MFI networks can contribute significantly to these strategies and that "it cannot be denied that regulation is important, especially with savings. But regulators shouldn't hold too tight. This minimizes innovation. It is better to let the market grow and watch where to tighten up" later in the development of the market. In addition, she cited the importance of basics like roads and telecommunications infrastructure.

Kiatchai Sophastienphong, Thailand's Vice Minister for Finance, pointed out that his country's inclusion policy extends beyond finance. "The government is trying to achieve inclusive growth by paying attention not just to the financial needs of the poor and underprivileged, but to everything they have been denied over the past three or four decades." It has channelled billions of dollars to government-owned banks with the intent of increasing the productive capacity of poor people in rural areas.



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Mr. Sophastienphong described the Finance Ministry as “one of the largest landlords in the country,” as a result of its work with the private sector to provide affordable housing. Also, he described the engagement of major agricultural firms in helping smallholder farmers to work together to achieve economies of scale - not by sharing ownership - but by tending contiguous parcels as a single, larger unit.



Mirjam Janssen, Triodos Investment

Management's Regional Manager for East and Southeast Asia, said “every country has its own challenges and is in its own phase of development. In Cambodia, attracting funding may be one of the challenges going forward - new investors too, not just the current group of social investors.” However, she cautioned that for-profit investors may be coming in soon and “if they buy a stake at a high price, they will want high returns.” She added that in Lao PDR, it is hard to invest due to the cap on interest rates and the high cost of hedging the local currency.

Dr. Bun Mony, Sathapana’s Chief Executive Officer, praised Cambodian regulators for “allowing MFIs to compete freely in the market.” Citing a monthly interest rate of 10 percent charged by moneylenders, he stated that Sathapana strives “to make sure the mission is to bring people out of poverty ASAP, not make them poorer [because]... the success of the client is the success of the [MFI].”

Regarding client preferences, he said that - although Internet and mobile banking are useful tools - many clients still prefer in-person service. Sonexay Sithphaxay, the Bank of the Lao PDR’s Deputy Governor, concurred that mobile banking can be valuable, especially when available via basic mobile phones. Getting this service running required collaboration among MFIs and telephone companies. Likewise, Mr. Sithphaxay explained that collaborating with international organizations was helpful in terms of capacity building and technical assistance.

In terms of building human resources capacity, both Sathapana and Acleda were cited for training staff in significant numbers. Dr. Mony stated that before 2000, Sathapana had to recruit outside Cambodia to find accountants. Ms. Janssen said “training is crucial. The job is tough. [It is important to] offer a career path for loan officers to get promoted. Being out in the field every day is hard. [We must] give them something to look forward to.”

In addition to training staff, it is important to educate clients. Mr. Sithphaxay said “we teach them to save and invest in income-generating activities to reduce poverty.” In response to the low education level in the country, Lao PDR has established a 10-year roadmap that focuses on financial literacy as part of a larger effort to boost education. Ms. Hattel argued that networks can help with capacity development in support of financial education and

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preventing overindebtedness. Dr. Mony added that it is critical to protect clients with such efforts.

Regarding increasing financial access, Mr. Sophastienphong offered a few examples of creative ways to get loans to people who could benefit from them: "I just visited a community financial institution where the bulk of the clients run market stalls. They might borrow USD 10,000 to USD 15,000 and repay over one to three years at an interest rate of 2 percent per month. The institution accepts the market stall as collateral even if its title is unclear." Similarly, motorcycle drivers have a green shirt that indicates to police that their vehicle is registered. The institution also accepts this as collateral even though it does not have a market value.

To share effective ideas, Ms. Hattel cited the benefit of collaborating through events such as this Forum, study visits and other international exchanges. Mr. Sithphaxay stated that "the microfinance sector is very important to the people" and that it is integral to Lao PDR's plan "to lead our country out of poverty, to no longer be a 'least developed country' by 2020."

## Key Points

- National strategies for financial inclusion can have many facets, such as evidence-based interventions and broader educational and anti-poverty goals.
- Similarly, the potential ingredients of success cover a wide range: public-private partnerships, active MFI associations, moderate regulation, education, client protection, human resources, housing finance, investor support, telecommunications infrastructure, transportation networks etc.
- Learning from the experience of one's colleagues - both domestic and international - is critical.

## Closing Remarks

### Speakers

Ms. Claire Van der Vaeren, UN Resident Coordinator and UNDP Resident Representative, Cambodia

Ms. Sabine Spohn, Senior Investment Specialist, Asian Development Bank

Ms. Corinne Feypel-Molitor, Member of the Board of Directors, Appui au Développement Autonome

Mr. Chandula Abeywickrema, Chairman, Banking with the Poor Network

Ms. Claire Van der Vaeren, UN Resident Coordinator and UNDP Resident Representative, Cambodia, said that financial inclusion is a vital enabler that can help unlock the potential of the poor and underserved, enhance women's economic empowerment and catalyse a range of national development objectives. Its importance is shown in references to six of the seventeen UN sustainable development goals.



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Ms. Van der Vaeren also was impressed by level of private and public engagement in the areas of innovation, national financial inclusion strategies and standard setting for client protection. She said that the Forum has served as an effective platform for South-South learning as well as cooperation, cross-pollination of ideas and knowledge sharing across the region. A key takeaway was the continued need for cross-sector collaboration within countries and regional financial sector coordination for the harmonisation of standards and regulation. The recent creation of the ASEAN Working Committee on Financial Inclusion was a valuable start in this regard. Ms. Van der Vaeren concluded by affirming the continued commitment of the UN to financial inclusion in the region.

Ms. Corinne Feypel-Molitor, Member of the Board of Directors, Appui au Développement Autonome, reflected on the success of this year's Forum and committed ADA's support to continue the Forum into the future, as it provides an opportunity for shared learning between microfinance institutions, regulators and other stakeholders within the region. She noted that inclusive finance is more than credit, requiring a broad offer of financial products and services to ensure a range of client needs are met over the long term. This in turn will maximize the effectiveness of MFIs and contribute to their viability. Ms. Feypel-Molitor also drew attention to the importance of micro, small and medium enterprises to achieving more widespread and sustainable development. "There is potential for MFIs to work with business incubators to enhance financial literacy and the business management skills of entrepreneurs," she said.

Ms. Sabine Spohn, Senior Investment Specialist, Asian Development Bank, said the Mekong Financial Inclusion Forum was a valuable means for regional information and experience sharing as well as discussions – both during the formal sessions and informally in casual conversation. Ms. Spohn noted that financial inclusion comprises a continually changing landscape of new target groups (such as youth), new products (such as pensions) and new technologies (such as digitization). These changes bring new opportunities, but also issues and consequences for MFIs, regulators, networks, donors and others to address.

In his closing remarks, Mr. Chandula Abeywickrema, Chairman of the Banking with the Poor Network, characterised successful financial inclusion as having a "Triple-A" rating, and successful institutions as having a "Triple-E" Rating. He said successful financial inclusion involves: (1) Availability (institutions that are committed to making financial services available through branches, mobile channels, supermarkets and other means); (2) Accessibility (making it accessible to more people in more places); and (3) Affordability (with different shapes and sizes of products and services to meet varying needs throughout each community). He continued by saying institutions need to: (1) Enhance their own capacity (through greater use of technology, human resources, partnerships and linkages); (2) Encourage Entrepreneurship opportunities and programs at



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all levels - micro, small and medium; and finally (3) Enrich the community, society and economy in which they operate. He concluded by expressing his encouragement by the new generation of impact investors supporting social entrepreneurs who adopt this holistic approach.

## Conclusions

The Forum panellists agreed that financial services in the Mekong region have come a long way in recent years, particularly in Thailand. Meanwhile, some worry that microcredit is growing too fast in Cambodia. The market in Viet Nam is heavily influenced by government-backed institutions, and Lao PDR and Myanmar are in relatively early stages of microfinance development.

Regulators are continuing to seek the right balance of flexibility and strength, collaborating with both domestic and international partners as they move forward. Several panellists suggested it is best to minimize regulation initially to encourage market growth. Rather than clamping down broadly against a range of unlikely issues, they propose monitoring carefully for warning signs to allow supervisors to focus their efforts on areas of true need.

A range of innovative services relates to remittances and savings. For example, remittances can be linked with salary payments or loans for family members back home. Some services even allow remittance senders to control how their money gets used back home. The savings rates of rural customers can be boosted by offering group services with preferential rates or sending tellers to homes and workplaces.

Partnerships among banks, MFIs, mobile network operators and others also can help serve people in underserved market segments. Mobile money has come a long way, but it is still a very young industry. Several panellists argued passionately that more incentives, such as utility, insurance and retail payment options, are needed to minimize the rate of customers cashing out.

One of the strongest themes of the conference was that client education and other forms of client protection are existentially important. One way to help borrowers access that finance they need - and no more than they can handle - is by collecting and accessing better data from borrowers, payment facilitators and credit bureaux.

Financial education is needed for individual borrowers and savers as well as for senders and recipients of remittances. MSMEs need to develop both financial and business skills. The panellists agreed that awareness of timing - "teachable moments" - can be key, such as considering how a client can ask follow-up questions weeks or months after formal training occurs. Some of the most successful approaches: (1) take a long-term view; (2) imbed financial education in business processes; (3) target youth; and/or (4) incorporate social and/or traditional media. Failing to act can have a steep price, as crises in Bosnia, Nicaragua and the Indian state of Andhra Pradesh have shown.

All of these topics are addressed in the region's current and forthcoming national strategies for financial inclusion. Other key elements of such plans are evidence-based interventions and broader educational and anti-poverty goals. The potential ingredients of success cover a wide range: public-private partnerships, active MFI associations, moderate



# Mekong Financial Inclusion Forum

Progressing financial inclusion through greater regional cooperation

regulation, education, client protection, human resources, housing finance, investor support, telecommunications infrastructure, transportation networks and others. Learning from the experience of one's colleagues - both domestic and international - is critical to this process.

## Recommendations

Based on the discussions the conference accordingly recommends the following to Mekong governments, development partners, financial service providers, technical services providers and other financial inclusion stakeholders in the region<sup>1</sup>:

1. Continuing regional cooperation in financial inclusion including greater cross sectoral collaboration and coordination between financial inclusion policymakers and regulators and other stakeholders to advance cooperation and knowledge sharing. For example, through mechanisms such as through the ASEAN Working Committee on Financial Inclusion (WC-FINC) which took place on the side lines of the Mekong Financial Inclusion Forum, can collaborate to achieve the countries specific financial inclusion goals
2. Broadening the discussion on financial inclusion to a more diverse range of products beyond credit, savings to insurance and pensions in the context of aging populations with insufficient savings.
3. Creating market incentives for the private sector to address last mile access through for example: donors providing innovation challenge funds or supporting public-private or new forms of partnerships to support distribution; governments and regulators addressing mobile literacy, providing regulatory frameworks that foster innovation and allow the application of new and enabling technologies such as mobile banking, and addressing consumer protection concerns including the security of cash deposits during its transfer by agents.
4. Harmonising financial regulations and standards that can promote financial inclusion at a regional level both within countries and between countries. This may include the collection of standardised financial inclusion data to support understanding of how different groups access and use money and facilitate comparability between the Greater Mekong countries to identify interventions that work.
5. Segmenting different client groups in financial inclusion plans and the development of targets for each segment, such as women and rural populations. Moreover, examining and comparing patterns in financial usage between women and men.
6. Creating financial education mechanisms to boost financial literacy including through public-private partners with media partners and with ministries of education to facilitate its integration into the national curriculum for school children and youth, as well as

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<sup>1</sup> Drawn from the United Nations Capital Development Fund, "[Mekong Financial Inclusion Forum Outcomes Report](#)".



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creating a repository of these interventions to facilitate knowledge sharing at a regional level.

7. Encouraging Central Banks to continue their leadership and commitment to advancing financial inclusion, as demonstrated by the National Bank of Cambodia including its establishment of a Financial Inclusion Taskforce and the launch of its financial inclusion demand side survey.
8. Convening of the Mekong countries for a second forum on financial inclusion, recognising the effectiveness of this first Mekong Financial Inclusion Forum as a platform for south-south learning through regional sharing of information and experiences to advance financial inclusion within the region.

Conference details at:  
**[bwtp.org/event/mekong\\_forum](http://bwtp.org/event/mekong_forum)**

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