



Creditinfo

Credit Bureaus role in Financial Inclusion



Introduction of the speaker

- Agata Szydłowska – Head of Financial Inclusion & CRB Awareness
- Over 15 years experience working with financial infrastructure frameworks and credit risk management within emerging markets concept, with a broad expertise in credit information sharing mechanisms present in more than 26 countries and still growing.
- General Manager of one of the first credit bureaus in Africa Region – Credit Reference Bureau Africa Limited (currently part of TransUnion), launched its operations in Tanzania
- International private sector at various finance and credit risk management positions, like the one working for international petrol company based in Geneva, Switzerland, overlooking Africa region.
- Financial Specialist Financial Infrastructure, Advisory Services at International Finance Corporation - IFC (part of World Bank Group), based in Nairobi, Kenya.



Agenda

- Financial Inclusion – what is it?
- Importance of Financial Inclusion in today's world
- Credit Bureaus role in Financial Inclusion
- Creditinfo focus on Financial Inclusion
- Q&As

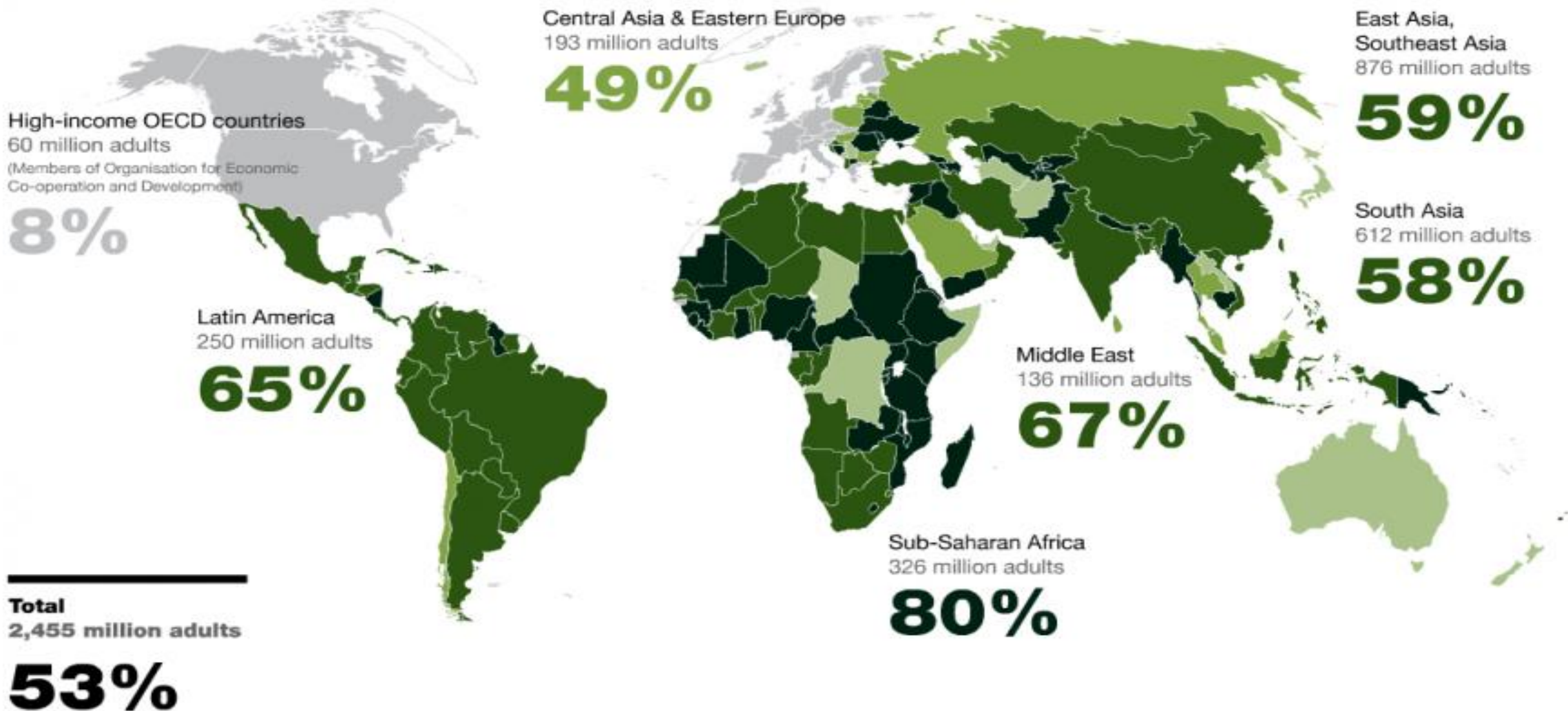
Financial Inclusion – what is it?



Percentage of total adult population who do not use formal or semiformal financial services

0-25% 26-50% 51-75% 76-100%

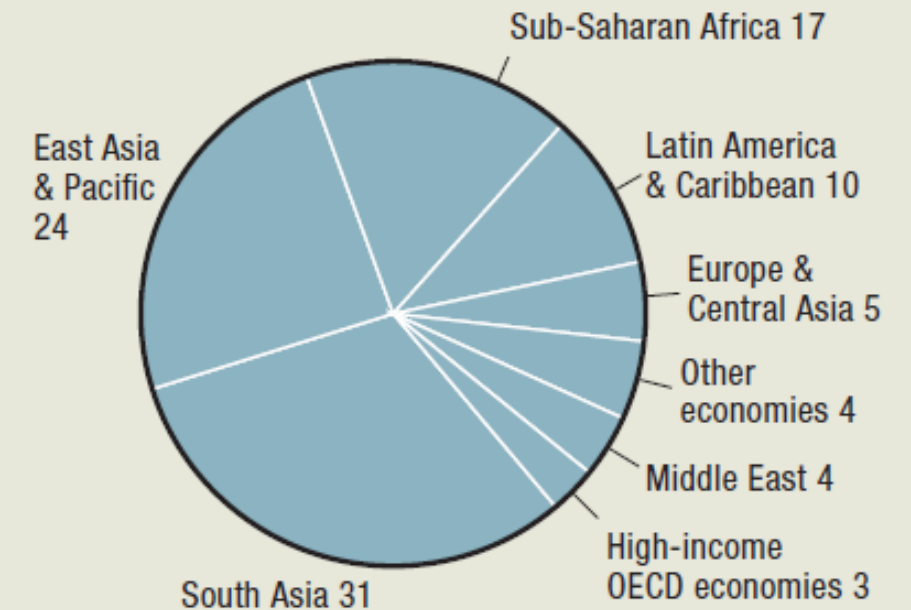
Estimates used to calculate regional averages



Who are the unbanked?

- Globally, 2 billion adults remain unbanked. South Asia and East Asia and the Pacific together account for more than half the world's unbanked adults.
- Women make up 55 percent of the world's unbanked adults: 1.1 billion. And adults in the poorest 40 percent of households within economies make up half: 1 billion. These shares vary little across developing regions.
- While 2 billion adults are unbanked, 3.2 billion do have an account.

The world's unbanked adults by region
Adults without an account (%), 2014



Note: "Other economies" include high-income non-OECD economies, Algeria, and Tunisia.

Source: Global Findex database.

Financial Inclusion –definition

Full financial inclusion is a state in which all people who can use them have access to a suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.

Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, and rural populations. The full inclusion requires the clients of these services to be financially literate.

<https://www.youtube.com/watch?v=g5IVrGIW7q8>

FIVE PILLARS OF FINANCIAL INCLUSION



Importance of Financial Inclusion



Financial Inclusion –and the economy

- A successful development is marked with the establishment of a stable and useful financial system for all people
- Financial service access is an important prerequisite for community involvement in the economic system
- Financial inclusion is a robust and significant correlate of a country's total factor productivity and ability to form capital
- Policymakers and central bankers from around the world gather in forums such as the Alliance for Financial Inclusion (AFI) and the G-20's Global Partnership for Financial Inclusion to discuss how to build more financially inclusive economic systems
- Many governments came up with Financial Inclusion strategy at the country level

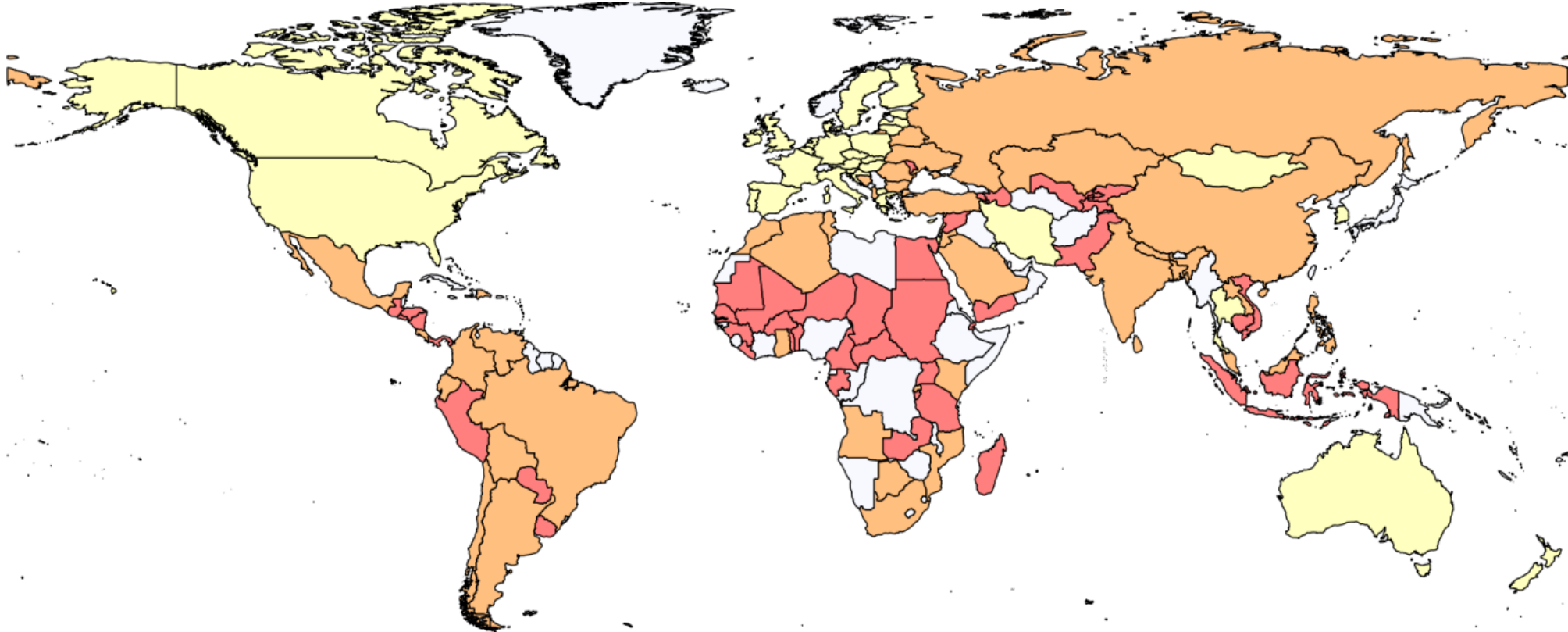


Refused!

Lack of Financial Inclusion costly to society

- Unbanked forced to switch to informal financial services – high interest rates
- Disputes cannot be settled legally = users faced with risk of exploitation
- Poverty and informal banking sectors often constitute a vicious cycle that borrowers cannot escape

Growth potentials from Financial Inclusion



Global Distribution of Growth Potentials from Financial Inclusion

Legend: Grey=no observation, yellow=low growth potential, orange=medium growth potential, red=high growth potential.

Benefits of Financial Inclusion

- Increased amount of available savings
- Increased financial capacity of the population
- Increased efficiency of financial intermediation
- New business opportunities
- Increased Financial Literacy – responsible lending & reduced default rates
- Economic Development

Credit Bureaus role in Financial Inclusion



Balanced blend
of 7
ingredients

Recipe to achieve full financial inclusion within a decade

1. Financial education
2. Product range, informed by understanding client needs
3. Technology-enhanced delivery channels
- 4. Credit bureaus**
5. Client protection
6. Institutional capacity building
7. A sound regulatory framework

How Credit Bureaus help?

- Credit information sharing systems are key elements of modern financial sectors infrastructure
- Protective measure – prudence in the sector, avoiding crises
- Improvement on outreach to poorer clients and to lower prices
- Enabling significant business model changes, including lending based on credit scores – especially in MFI sector
- Better understanding of client by credit providers – better pricing to different client segments
- Greater lending through reduced rationing
- Lower rates of delinquency and default
- Greater private sector borrowing

How Credit Bureaus shall operate to be efficient in this quest?

- Full-file, comprehensive credit reporting increases lending to the private sector more than other reporting regimes
- The presence of private bureaus with comprehensive data is associated with greater lending to the private sector;
- Full-file, comprehensive reporting results in better loan performance than segmented and negative-only reporting

Creditinfo & Financial Inclusion



Why are we here?

- Pioneering role as an active supporter, contributor and propagator of the financial inclusion
- We are not only financial services providers but we are responsible for creating impact towards broader access to finance that is why we shall be at the frontiers of those issues
- As Creditinfo we want to be a partner for governments and economies assisting them with sustainable financial sector growth, increasing access to finance through our services
- We gain visibility and greater presence – greater revenues



Creditinfo and its impact

- We deliver more than just software solutions and credit data; our business impacts the whole economies of the countries.
- Part of our commitment when obtaining license agreements is to improve access to credit, thus we need to demonstrate that we achieve this to win further licenses.
- Through assisting with the increase of access to finance we have a direct impact on poverty alleviation.
- Therefore we are crucial to governments in their quest to promote greater Financial Inclusion.



Creditinfo and its impact

Doing Business in 2014 - Distance to the “Frontier”

Economy	Doing Business in 2006	Doing Business in 2007		Doing Business in 2014	Improvement 2006 v 2014
United Kingdom	100	100	....	100	0
Georgia ¹	31.25	50	....	93.75	62.5
United States	93.75	93.75	....	93.75	0
Ukraine ²	56.25	56.25	....	87.5	31.25
Lithuania ³	68.75	68.75	....	81.25	12.5
France	50	62.5	....	68.75	18.75
Azerbaijan	62.5	62.5	....	68.75	6.25
Kazakhstan ⁴	18.75	43.75	....	56.25	37.5
Russian Federation	18.75	18.75	....	50	31.25

1 Creditinfo established operations in Georgia in 2005

2 Creditinfo have been shareholders in the First Credit Bureau Ukraine (FCBU) since 2005.

3 Creditinfo established operations in Lithuania in 2003

4 Creditinfo have been shareholders in FCBK since 2005.

Summary Remarks

- Accurately identifying good credit risks means that:
- the bad risks –
 - credit denied to them
 - or are no longer subsidized by lower-risk individuals
- improves loan performance by reducing delinquency rates for any given target

- Expands access to credit overall
- Disproportionately expands access among the underserved

- In the aggregate,
 - Lending is increased,
 - leading to greater economic growth,
 - rising productivity and greater capital stocks.
 - Average interest rates decrease.
 - Poverty and income inequality are alleviated.



Questions & Answers

