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**Closing Address of the WSBI/World Bank Access to Finance Conference  
Brussels, 29<sup>th</sup> of October 2005**

**Mr. Chris De Noose, Chairman of the Management Committee  
World Savings Banks Institute**

Ladies and Gentlemen,

Look back with me at this conference: we have been able to achieve the objectives we set out to do:

- address the relevance of access to finance for social inclusion, economic growth and poverty reduction;
- and review the obstacles standing in the way of access to finance.

Addressing these issues with respect to both developed and developing countries in the same conference was a challenge. You will agree with me that this has been a success. Issues related to financial exclusion in developed countries and access to finance in developing countries are similar - even though the solutions may differ.

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No one in this room doubts that **access to finance** matters for economic growth, poverty reduction and social inclusion. As stressed by *Cesare Calari* in particular, providing access to finance is about giving people the opportunity to create a business, to manage risks, to take their lives in their own hands. Access to finance is pro-growth and pro-poor: thus improvement in access will impact on how collectively we will achieve the Millennium Development Goals.

In particular *Stijn Claessens and other colleagues from the World Bank*, commented on the **status of access**. About 10% of the population in industrialised countries is excluded from the financial system, around 80% of those living in developing countries lack financial access. *Peachey and Roe's* model of how some indicators could be used to measure access is groundbreaking and can be complemented with the model that was presented by *Finmark Trust*, taking into account access to different types of financial services such as credit, savings, insurances and payments. Nevertheless, the general conclusion is that much more should be done to gather and analyse data remembering differences within countries and between access and the use of financial services, as *Professor Kempson*.

**WSBI** is committed to building on the work done by Peachey and Roe to collect and analyse information on the “unbanked” drawing on our network of more than 1100 financial institutions. We call upon public authorities, governments, international

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development agencies to support these initiatives to get a comprehensive view on the reasons for financial exclusion and the cost-benefit case for banks to improve access to financial services.

**Several constraints** to access were mentioned in addition to socioeconomic factors, such as:

- Lack of proximity of financial institutions
- Poor competition and transparency
- Legal and regulatory pressures
- High costs and risks as was well explained by *Thorsten Beck* and of which *Jose Mena Valencia* from Banco Estado gave some concrete figures
- Financial literacy or empowerment was quoted several times. Experiences were presented including one of the *French savings banks* in this morning's parallel session on what role savings banks play in building financial capabilities.

Overcoming these obstacles was the focus of the working group sessions. The working group dealing with **banking the unbanked in developed countries** concluded that there is a trade off between regulatory responses to financial exclusion and the role of banks, comparing models in the US, UK and continental Europe. The second working group that dealt with lack of **access in developing countries** recognised the importance of pluralism in the financial sector and alliances among financial institutions and with MFIs, governments and other players. Downscaling

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banking services was identified as a key issue for improving access to a whole range of financial services and creating financial democracy. The last working group session dealt with **access to finance for SMEs**. It recognized the need for cheaper and easier access to finance plus improvement of financial management of SMEs in developed economies, whereas in transition countries there is still an emphasis needed on institution building both for banks and SMEs.

How these obstacles can be overcome was further illustrated this morning with successful experiences from BANSEFI, the Government Savings Bank, DID, WOCCU and Sparkassen Stiftung.

### **The Way forward?**

WSBI believes that fighting financial exclusion means:

- Mitigating the effects of globalization and deregulation, whilst acknowledging each countries' organizational structure;
- Creating the active conditions for interaction of public incentives and private initiatives;
- This may include adjustments to banking and financial legislation (notably to widen the perimeter of players)

All of this, to promote access to basic payment and banking services, de facto establishing the notion of "right" to such services. The challenge for all of us is: how do we accelerate the impact of the actions that we initiate to achieve this?

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WSBI, and its members as **socially responsible and locally anchored retail banks**, who have been established to serve all strata of the population and have done so for many decades,

pursue three lines of action:

1. bringing together, as we do today, people to formulate actionable policies
2. bringing together, players and market participants in order to promote alliances and partnerships
3. continue to work with its members to develop appropriate products and services

This strategy has been illustrated throughout this conference.

As the study of *Peachey and Roe* indicated, and I quote, “There are tentative indications that in the developing world, the regions where access is more developed tend to have a stronger proximity bank presence than those with very repressed access”. This was also shown in the examples of Mexico and Thailand.

In more advanced economies the study revealed that, and I quote again, “A high degree of social ownership in more advanced economies often goes hand-in-hand with heightened levels of access for both, households and small and medium enterprises.”

**Public intervention** is needed to improve access, but then “in the smart way”, as Carlos Cuevas rightly pointed out yesterday. This could be achieved by :

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- *expanding schemes and refining institutional arrangements* that offer to cover risk for a certain portfolio.
- raising efforts to *strengthen corporate governance in financial institutions* - particularly in developing and emerging economies - by increasing funding allocated to financial sector development programmes that benefit retail banking sectors. I would like to stress that WSBI members are prepared to increase their efforts to deliver their expertise in the interest of *stronger retail and proximity banking structures*.

Initiatives undertaken by regional development banks as we just heard are some examples of this. They are active in both financing institution development and technically support as well as in promoting an enabling an environment.

**Policies** should be designed to *incentivise rather than mandate* the provision of financial services. Policies should not interfere with product design. International and national legislators and regulators should also aim to lower the cost structure for the industry.

When setting up laws and *regulations focus should be on their practicality*, bearing in mind that unnecessary costs drive up barriers for access. The characteristics of reaching out to under-served communities must be taken into account by policymakers when tailoring requirements for physical security, anti-money laundering and loan provisioning. But, the first task of policy makers and regulators

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is to create an *enabling environment* for the financial services industry to provide access on a profitable basis.

The **private sector** can contribute to making financial systems more inclusive in a number of ways:

- developing and applying appropriate technology to enable more people to get access at lower cost:
- committing to product design and service delivery adapted to low-income clients; continuing to invest in building financial literacy.
- establishing partnerships between financial institutions and alliances with other players in order to achieve greater outreach at reasonable costs. Of these alliances several examples were given in working group 2 yesterday afternoon and also by *Mr Menon* from India.

As global network of savings and retail banks, the **WSBI** commits to supporting its members in this by facilitating the exchange of best practices and fostering cooperation and partnerships.

Conceptually, a broad access to finance is the result of a sufficiently developed banking infrastructure. This means a wide range of financial institutions. This includes socially responsible proximity banks willing to provide products and services to all strata of the population, also in less privileged areas because they know the local markets, they can assess the risks and manage the costs. Thanks to their

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concern “**for the double bottom line**”, as Mr Wolfensohn rightly put it, these banks do not face the same constraints as purely shareholder driven mainstream commercial banks that concentrate their reach and marketing priorities on specific customer segments.

This is why we are calling again for allowing pluralism in the financial sector. Only a **pluralistic banking system** in which proximity banking can flourish will, as we believe, serve best the interests of providing broad and deep access to financial services.

To conclude here is the key message I want you to take away from this conference:

- access to finance can be seen as a basic service
- savings and retail banks are committed to work with authorities and other stakeholders to improving access to finance
- we collectively need to accelerate the impact of our actions in order to achieve the Millennium Development Goals by 2015

This is why WSBI calls for your unrelenting support to implement and promote its Access to Finance Resolution. I know I can count on you.

Thanks you for your attention.

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