EMGN ACADEMY

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11:45 12:30	**Experience from the field - Activity** • Strategies to enhance Financial Inclusion and the impact of Counter Guarantee Instruments by **José Fernando Figueiredo**, Special Honorary President of AECM, Chairman of Agrogarante – Mutual Guarantee Society, Founding Partner of Knowledge Factory (consulting) and Founding President of the Global Network of Guarantee Institutions – GNGI.

What is Financial Inclusion?

Financial inclusion is the availability and accessibility of financial services and products to all individuals and businesses, regardless of their income level, social status, or geographical location.

The aim of financial inclusion is to ensure that everyone has access to basic financial services, such as savings accounts, credit, insurance, and payment systems.

Brief history of financial inclusion initiatives:

Financial inclusion is not a new concept. The concept of providing financial services to underserved populations dates to the 19th century with the establishment of credit unions and cooperative banks.

However, it was not until the early 2000s that financial inclusion became a key focus for policymakers, financial institutions, and development organizations around the world. Financial inclusion has since gained global attention due to its potential to reduce poverty, promote economic growth, and enhance social welfare.

Today, financial inclusion is recognized as a critical tool for achieving the United Nations Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth).

Credit Guarantee Institutions (CGIs / CGSs) can play a very relevant role in helping reducing financial discrimination and increasing financial inclusion. The public leveraging tools such as the counter-guarantee mechanisms play also a critical role.

Examples of financial inclusion for individuals and micro firms:

These examples demonstrate how financial inclusion has been achieved through approaches such as mobile technology, government schemes, microfinance institutions, credit guarantee institutions, etc.

1. M-Pesa in Kenya

M-Pesa is a mobile money service launched by Safaricom, a mobile network operator in Kenya. The service allows users to transfer money, pay bills, and purchase goods and services using their mobile phones. Today, M-Pesa has more than 52 million users and has expanded to other countries in Africa.

2. Jan Dhan Yojana in India

Jan Dhan Yojana is a financial inclusion scheme launched by the Indian government in 2014. The scheme aimed to provide every household in India with a bank account, as well as access to credit, insurance, and pension services. Within a year of its launch, the scheme had opened more than 190 million bank accounts and has since expanded to provide additional services.

3. FINCA in Uganda

FINCA is a microfinance institution that operates in several countries, including Uganda. They provide financial services to low-income individuals who do not have access to traditional banking services. The institution provides small loans, savings accounts, and other financial services to help individuals and families improve their quality of life.

4. The Grameen Bank in Bangladesh

The Grameen Bank is a microfinance institution founded by Muhammad Yunus in Bangladesh in 1983. The bank provides small loans to low-income individuals, particularly women, to help them start or grow a business. The Grameen Bank has since become a model for microfinance institutions around the world.

5. Engz digital product in Egypt

The CGC Egypt offers financial inclusion for both banked and non-banked SMEs trough a smart and transparent digital platform.

6. Entrepreneurship program in Portugal

Agrogarante gives higher coverage of guarantees to certain classes of undertakers (young entrepreneurs, women, etc), beneficing also from an higher coverage from the national counter-guarantee fund.

Types of financial inclusion:

1.Geographic inclusion: This ensures that financial services are available in all parts of a country, including rural and remote areas.

2.Demographic inclusion: This ensures that all segments of society have access to financial services, regardless of factors such as age, gender, income, or education.

3.Product inclusion: This ensures that a range of financial products and services are available to meet the diverse needs of individuals and businesses.

4.Digital inclusion: This ensures that digital technologies, such as mobile phones and the internet, are accessible and affordable to all so that people can access digital financial services.

5.Behavioural inclusion: This ensures that people have the knowledge and skills to use financial products and services effectively and make informed financial decisions.

6.Social inclusion: This ensures that financial services are accessible to marginalized and disadvantaged groups, such as refugees, and people with disabilities.

By promoting all of these types of financial inclusion, individuals and communities can gain access to the financial services they need to manage their finances, build assets, and invest in their future.

Importance of financial inclusion:

1.Economic growth and job creation
2.Poverty reduction
3.Increased financial stability
4.Improved financial literacy
5.Social inclusion
6.Empowerment

Barriers to financial inclusion:

Lack of access to financial services: Many people, particularly those living in rural areas or low-income households, do not have access to formal financial institutions such as banks. Even in more developed countries, many market segments keep being unserved.This lack of access can limit their ability to save, invest, and manage their finances.

Insufficient financial literacy: Many people do not understand basic financial concepts such as interest rates, and inflation. This can make it difficult for them to make informed financial decisions or take advantage of financial products and services.

Discrimination based on income, gender, and social status: In many cases, financial institutions may discriminate against individuals based on their income, gender, or social status. For example, minority groups may face additional barriers to accessing financial services due to cultural biases or discriminatory practices.

Impact of these barriers:

Economic consequences: Financial exclusion can limit economic growth and development by preventing individuals and households from accessing loans, savings, and investment opportunities. This can result in lower levels of entrepreneurship, reduced job creation, and a lack of access to capital for small businesses.

Social consequences: Financial exclusion can also have social consequences by perpetuating poverty and inequality. Without access to financial services, individuals and households may struggle to pay for basic necessities such as food, housing, and healthcare. This can lead to social exclusion, marginalization, and a lack of opportunities for personal and professional development.