

# bankinginsight

IDEAS FOR LEADERS  
JUNE 2015

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SAFEGUARDING  
PRIVATE  
RETIREMENT  
SCHEMES

CAN WE  
BE MORE  
INCLUSIVE?

TOWARDS ASEAN  
FINANCIAL  
INTEGRATION:  
EVOLUTION, NOT  
REVOLUTION

TRUSTING THE  
ZETTABYTES

ON A MISSION TO  
BANK THE  
UNBANKED



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ASIAN  
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CHARTERED  
BANKERS



FUELLING  
RISK

PREPARING  
FOR  
CYBERGEDDON

# CHAMPIONING FINANCIAL INCLUSION

**WITH EQUITABLE GROWTH** accorded priority in the development discourse, it is perhaps the right time to advocate financial inclusion as a strategy complementary to other inclusion strategies more intensively. After all, sustainable growth only has meaning if its rewards can be shared by all.

Currently, the Global Partnership for Financial Inclusion (GPII) estimated, based on the World Bank Global Financial Inclusion Index (Global Findex) Database, that 2.5 billion adults globally or approximately half the total adult population lacked access to financial services delivered by regulated financial institutions.

Banking the unbanked represents a massive opportunity for development through financial inclusion. Allowing broad access to financial services has been shown to benefit poor people and other disadvantaged groups by enabling them to consume more, manage health concerns, make investments in durable goods, make home improvements or benefit from education. The GPII also noted that macroeconomic evidence shows that economies with deeper financial intermediation tend to grow faster and are able to reduce income inequality.

This issue of *Banking Insight* contains insights on this subject from Alfred Hannig, Executive Director of the global Alliance for Financial Inclusion (AFI). Hannig provided his perspective on the necessity of advocating financial inclusion, the tools and technologies being leveraged, the outcomes of successful financial inclusion initiatives, and the risks and challenges moving ahead. He noted that financial inclusion is a circular process: the long-term goal of financial inclusion, Hannig said, was to see concrete policy changes in the countries where AFI is active in reducing poverty and supporting inclusive growth – which starts with sustainable financial inclusion.

Unsurprisingly, Hannig commented extensively on technology, a key driver for financial inclusion. Recent technology and applications like mobile phones and electronic purses have successfully expanded the delivery of basic financial services, bypassing traditional branch and banking models, and improving access to finance for remote and hitherto under-served populations.

But technology can be a double-edged sword. As technology and the internet become increasingly ubiquitous channels for delivering banking services, banks and their customers and stakeholders in turn become increasingly vulnerable to cyber-attacks. Hence, cybersecurity must be augmented to better manage risks. This

issue's focus on cybersecurity examines the measures being undertaken by regulators and banks to shore up defences against cybercriminals, stressing the need to be more vigilant in the Asia-Pacific region to prepare for the perils of 'cybergeddon'.

Other than cyber risks, arguably the foremost fundamental risk is reputational risk, underpinned by ethical risks. Dr. Raymond Madden, Chief Executive Officer, Asian Institute of Finance (AIF) says that bank stakeholders the world over are asking what banks can do to strengthen the ethical culture within their organisations. Indeed, prudent ethical behaviour is obligatory, not least because banks serve as a major financial intermediary for the general public. Dr. Madden makes the point that banks must embed a strong ethical culture, with the drive for high ethical standards starting at and being driven by the top echelon of each bank. The pay-off of a strong ethical culture is the minimisation of risks to the banking organisation.

With the imminent materialisation of the ASEAN Economic Community (AEC), this issue also feels it important to revisit the state of ASEAN regional financial integration. The integration process has incorporated some critical milestones, such as the establishment of the ASEAN Banking Integration Framework (ABIF), due to be implemented in 2020, which should boost cross-border banking activity. Read on to find out the progress achieved to date, the challenges that must be overcome, and the opportunities which are still unfolding.

However, true regional harmonisation and integration cannot be achieved without diminishing the economic disparities between ASEAN nations and their populations. Coming full circle, this is where financial inclusion can contribute. Even as banks play their primary role as major financial intermediaries for the general population, they can provide access to finance to bridge economic gaps and stimulate economic activity in support of ASEAN's pursuit of its vision of becoming an influential global economic bloc.

We hope you enjoy this issue. We welcome all feedback at [publish@aicb.org.my](mailto:publish@aicb.org.my). \*

*Hope you have a fruitful read.*

**THE EDITOR**

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*Data, analytics and technology are becoming even more central to the operating model of financial services organisations. What are the important implications of data and analytics for banks?*



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