



# Policy Guidebook: Harnessing Digital Technology for Financial Inclusion in Asia and the Pacific



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**Policy Guidebook:  
Harnessing Digital Technology  
for Financial Inclusion  
in Asia and the Pacific**

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# Executive summary

The significance of strengthening economic growth and sustainable development through financial inclusion is critical for the Asia-Pacific region. Harnessing the advent of digital technology to enable financial inclusion is one of the most promising opportunities to bring millions of unserved and underserved people across the region into the formal financial sector. This is especially true for people who are living at the base of the economic pyramid (BoEP) and for women, who are especially marginalized and disadvantaged through persistent barriers that perpetuate inequality.

However, digital technology does not represent a 'silver bullet' for solving the challenges associated with financial inclusion. By introducing digital financial services (DFS) into financial inclusion strategies, several new challenges are emerging, including exposing BoEP populations to new or exacerbated risks. While the promise of DFS is appealing, policymakers and regulators have an important role to play to ensure that digital services are delivered responsibly and that they are achieving the desired outcomes, including enhanced resilience and economic opportunity for women and other disadvantaged groups.

Innovative policy interventions, when targeted appropriately to women and BoEP populations, can have a positive ripple effect into the households, communities and countries where they live. When considering the policy needs for an enabling digital environment, BoEP populations and women have both general and specific needs that must be addressed to maximize the potential for financial inclusion to have a positive impact on their lives. For both groups of people, DFS can lead to positive outcomes; but an uninformed approach to the provision of DFS has the potential to engrain inequalities even further, leaving vulnerable populations at even greater risk.

The policy approach and interventions need to be informed by the country, provincial and local level characteristics, demographics and local cultural and gender norms. The vast differences in the uptake of digital technologies such as mobile phones, and how technologies are used, varies greatly among women and BoEP populations and is determined by a variety of factors, including the state of infrastructure development, the availability of digital products or services, and the regulatory environment. Policy interventions must be fit for purpose and tailored to local requirements to increase their likelihood of success.

While the country-level context is critical for the implementation of effective digital technology for financial inclusion, a common framework can be applied to guide this process. Governments across the Asia-Pacific region should approach digital financial inclusion through the nexus of their roles as market facilitators, market participants and market regulators. Targeting policies to the supply, demand and regulatory levels enables Governments to play multiple roles and maximize impact.

Within these roles, there are specific policy interventions which Governments should prioritize in order to expand the reach of DFS and enhance its value for BoEP populations. These include the following:

- Develop national plans for financial inclusion that include the role of digital finance in supporting BoEP populations;
- Develop digital financial literacy strategies to improve utility of digital finance to BoEP populations;
- Invest in digital financial infrastructure, especially universal broadband connectivity, to improve access;
- Ensure a safe and flexible digital banking infrastructure, including open and interoperable digital payment rails;
- Establish digital payment systems, including government-to-person payments;
- Use digital technology to enhance access to credit;
- Use digital technology to boost savings of BoEP populations;

- Design consumer protection regulatory frameworks that are fit for the digital age;
- Establish universal, secure and private identification schemes, including electronic know-your-client systems;
- Establish effective enforcement mechanisms, including for consumer complaints and redress.

To better address the unique needs of women and ensure that the delivery of DFS does not exacerbate inequality, priority policy interventions should include the following:

- Incorporating women and gender within national plans and strategies for digital financial inclusion;
- Developing financial literacy initiatives which target women specifically;
- Designing women-led initiatives that enable greater access to support at the local level;
- Establishing digital payment systems, including government-to-person payments, to target women beneficiaries;
- Adjusting banking policies to enable non-traditional banks to provide technology-driven services and products for women;
- Establishing universal, secure digital identification using biometric technology to ensure payments reach women beneficiaries;
- Establishing specific central government targets for the financial inclusion of women;
- Designing policy levers within bureaucracy to incentivize the use of digital technology to advance women's financial inclusion.

The Asia-Pacific region has made significant progress in recent decades on financial inclusion, however significant disparities still exist in access to financial services both between and within countries. This is especially apparent for BoEP populations and women. Digital technologies bring opportunities to the financial sector, and effective policy interventions can unlock this potential and bring the region's poorest and most disadvantaged groups into the formal economy.

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