The report’s topic, financial inclusion, is of first-order importance. New evidence shows that access to financial services is critical for reducing poverty and boosting shared prosperity. Without inclusiveness in financial systems, people must rely on their own limited savings to invest in education or become entrepreneurs. Likewise, newly founded enterprises must depend on their constrained earnings to take advantage of promising growth opportunities. This contributes to persistent income inequality and slow economic growth.

Real-world financial systems are far from inclusive. More than a half of the world’s adult population—2.5 billion people—have no bank accounts. This means that they lack efficient mechanisms to save money, pay bills, and so on. Access to finance remains a considerable obstacle for startups and young enterprises, as financial systems remain too underdeveloped to serve their needs. Significant challenges remain toward building a more inclusive financial sector that can spur economic growth and reduce poverty.

The report comes at a critical time. Financial inclusion has been a subject of growing interest. Over 50 countries have now committed to formal targets and goals for financial inclusion.

- Financial inclusion is an enabler and a catalyst for achieving the Bank Group’s goals of ending extreme poverty by 2030 and boosting shared prosperity for the bottom 40 percent of the population in all developing countries. Financial inclusion was recently recognized as a vital development priority by the U.N. High-Level Panel on the Post-2015 development agenda.

- Just last month, during the Annual Meetings, President Jim Yong Kim challenged the World Bank Group, our staff, our member countries, the private sector, and all development partners, to work towards universal financial access for all working-age adults by 2020. He challenged us to stretch today’s thinking beyond the status quo. He said that setting these aspirational targets is an indication of his faith in the World Bank Group staff and our ability to embrace financial inclusion as a key part of the development agenda.
Much can be achieved by making better use of technological innovations. Mobile payments, mobile banking, and borrower identification using biometric data make it easier and less expensive to use financial services. To harness the promise of new technologies, policy makers and regulators need to allow competing financial service providers and consumers to take advantage of the innovations.

But boosting financial inclusion is far from trivial. Creating millions of new bank accounts has little effect when these accounts lie dormant and are not used. Without healthy competition and effective regulation, promotion of credit can lead to too much debt among people not qualified to receive it. It can actually increase financial and economic instability.

**Global Financial Development Report 2014** tackles these complex issues with new evidence, providing the most comprehensive study yet on financial inclusion. The report is a true “One World Bank” product. It was coordinated by small team our Research Department, and it leverages much of our ongoing research. It integrates inputs from the all regions and many units across the World Bank, the IFC, and MIGA, as well as outside experts. A project like this makes our staff to work collaboratively, think more deeply, and converge on robust policy positions.

The report is part of a broader work program on financial inclusion.

- The World Bank Group is the leading global financing and technical partner for both the public and private sector in financial inclusion, working with over 70 country authorities and with 900 banks and other financial institutions funds to expand financial inclusion.

- Demand for financial inclusion-related lending in the regions is strong. For example, in FY2013, the World Bank’s Financial Inclusion global practice saw a 10 percent increase in financial inclusion lending volume, and 15 new projects were approved by the board. The practice has an active lending portfolio of 129 projects in 48 countries, totaling $3.4 billion.

- The IFC's Global SME Finance Initiative is increasing the volume of private sector financing and strengthening private sector know-how and capacity.

- The World Bank Group has an important role in global data gathering and analysis on financial inclusion. Important new contribution in this regard is the Global Findex dataset, compiled in cooperation with the Gates Foundation, through the Gallup Poll. We also compile important datasets on national payment and securities settlement systems, financial consumer protection regimes, remittance prices, and enterprise finance. These datasets
enable evidence-based policy and can significantly raise the effectiveness of reforms to promote financial inclusion.

- The World Bank Group has developed a range of technical tools and guidance to draw upon - including for financial market infrastructures, credit reporting, payments, financial capability/literacy, financial consumer protection, and impact assessment. Numerous web resources have been developed, for example to make financial literacy/consumer protection survey data and new research easily available.

- CGAP's knowledge work informs and catalyzes innovative approaches by governments, private sector, and donors to improve the lives of the poor.

**The World Bank Group works closely with relevant UN agencies and other development partners in promoting financial inclusion.**

- Our work to support country, regional and global clients would not have been possible without excellent collaboration with partners, including the G20 Global Partnership for Financial Inclusion and the Alliance for Financial Inclusion.

- The Alliance for Financial Inclusion is a network of financial regulators, of which about 50 have made headline commitments to financial inclusion through the Maya Declaration. The Alliance has welcomed the World Bank Group as the leading technical partner for its members in implementing those commitments.

- FPD, IFC, and CGAP provided extensive technical inputs to guide and support the G20 work on financial inclusion, including on SME Finance, Financial Consumer Protection and Literacy, Remittances, and Data, including a launch of Basic Set of Financial Inclusion Indicators at the Los Cabos summit in 2012.

- One of the examples of World Bank Group involvement with global partners is the Financial Inclusion Support Framework, launched at the 2013 Spring Meetings, and welcomed by the G20 Ministers of Finance in their April 2013 communique. The objective of the framework is to support policymakers and regulators in developing countries to significantly expand access to financial services for low income households and SMEs, build essential financial infrastructure, and strengthen consumer protection and financial literacy frameworks. To achieve that objective, the central component of the framework will make grant funds available through region-led technical assistance projects that inform and complement WBG lending, and that enable the WBG to provide multi-year technical assistance.
programs to match countries’ multi-year financial inclusion and financial literacy strategies and targets. Indonesia and Mozambique are the first two countries to benefit from support under the framework.

To illustrate our country engagement, let me mention two examples of exciting country work on financial inclusion in which our institution has been involved. Many other examples are highlighted in the report.

- The World Bank is currently implementing a factoring scheme in Peru, highlighted in box 3.5 of the report. Factoring is a financial transaction in which a firm sells its creditworthy accounts receivable to a third party, the factor, at a discount and receives immediate cash. The World Bank scheme uses a financial structure and a technology platform to purchase accounts receivable from large companies that supply many micro and small enterprises. Doing so frees up working capital that the suppliers can use to extend more credit to micro and small enterprises, helping to improve access to finance in Peru.

- Another interesting undertaking, featured in the study we are discussing today, is a high-quality financial education program targeted at youth in Brazil. World Bank staff collaborated with a national partnership of major financial and educational actors in Brazil to conduct a large scale evaluation of a comprehensive, three-semester, financial education program in high schools. The program enhanced the financial knowledge, attitudes, and behavior of students. Among other things, students in the program significantly boosted their savings and exhibited greatly improved spending behavior. The program is now being rolled out on a national basis.

**Going forward, demand for our financial inclusion work is likely to be strong and increasing.** The importance of financial inclusion and infrastructure is well recognized both globally and at the national level. Our client countries are actively engaged and projections show a strong and increasing level of demand for financial inclusion knowledge, technical inputs, and projects.