

U.S. DEPARTMENT OF THE TREASURY

Press Center



Eight Years of Progress on Financial Inclusion

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Access to safe and affordable financial services enables individuals and families to transfer money and make payments; save to manage income volatility; achieve specific goals; build long-term financial security; use credit to take advantage of opportunities like starting a business; and insure themselves against life's many risks. Progress on financial inclusion has helped stimulate broad-based economic growth in both developed and developing economies and is critical to reaching the Sustainable Development Goals adopted by the international community in 2015.

This Administration, led by the U.S. Department of the Treasury and the U.S. Agency for International Development (USAID), has made financial inclusion a policy priority, resulting in major advances. In the United States, between 2011 and 2015 the unbanked rate – the percent of households who do not have their basic transaction needs met by a bank – fell by 15 percent to a historic low of seven percent of the population. Worldwide, between 2011 and 2014, the work of many countries and their partners reduced the number of adults without access to formal financial services by 20 percent from 2.5 billion to 2.0 billion.

These historic gains were facilitated through strong partnerships among governments, private sector actors, including a range of financial institutions and other businesses, and nonprofits. But, there is still much more work to be done.

As new technologies accelerate the pace of change, opportunities to bring more people into the formal financial system have increased dramatically. The spread of mobile phones and Internet access, coupled with innovative new business models, make it possible to reach client segments previously excluded from the formal financial system with more affordable and responsive financial services at scale. Continuing to support marketplace innovations, while ensuring financial services remain both safe and relevant, is critical to meeting the needs of the two billion adults around the world who remain left out of the regulated financial system.

NEW INITIATIVES:

To build on the progress achieved, today we are highlighting four new initiatives that can help more people access safe and affordable financial products and services that not only meet their basic needs, but also help build financial security and economic opportunity.

- **Financial Inclusion Fellows:** The State Department, Department of the Treasury, and USAID are announcing the Financial Inclusion Fellows. Under the aegis of the State Department's Franklin Fellows Program, this initiative will strengthen and coordinate the federal government's financial inclusion efforts by bringing experts from across academia, nonprofit organizations, and the private sector into the federal government for one- to two-year assignments.
- **India's First Cashless City:** USAID's Catalyst initiative [signed a memorandum of understanding](#) with the Indian state of Rajasthan to make Jaipur India's first cashless city, marking the next stage of this program, which was launched in October 2016.
- **Digital Development Advisor Program:** USAID's U.S. Global Development Lab launched the Digital Development Advisor program, which aims to build capacity in USAID regional and bilateral missions around the world to leverage appropriate digital tools in the Agency's development programs.
- **National Strategy for Financial Literacy Update:** The Department of the Treasury, together with the members of the interagency Financial Literacy and Education Commission (FLEC), released an Update to the National Strategy for Financial Literacy in November 2016. This update identifies important recent findings and trends that inform and affect efforts to improve financial capability and well-being.

ADMINISTRATION ACCOMPLISHMENTS:

These four initiatives build on this Administration's track record of serving low-income and disadvantaged communities by putting in place policies and concrete services so that all people have financial tools and support. Major accomplishments of this Administration include:

- **Invested in community development financial institutions (CDFIs) through the CDFI Fund**, awardees of which expanded service to 43,000 consumers and made 58,000 small dollar loans over the past six years. In total, the CDFI program invested \$1.1 billion over the past six years contributing to over \$14 billion in loans and investments originated by its awardees.
- **Elevated financial inclusion as a top priority in key multilateral fora**, including the G-20. U.S. leadership has helped create global conditions that promote widespread financial inclusion.
- **Developed and launched myRA**, a safe, simple, and affordable starter retirement saving account designed to help those without a retirement plan offered by their employer to start saving for the future.
- **Established the Barcelona Principles** that help ensure humanitarian cash aid, when delivered via digital payments, serves as a bridge to financial inclusion in order support long-term recovery and resilience.

A TRACK RECORD OF PROGRESS:

In addition to these accomplishments, the Administration has made progress through a wide range of policy, programmatic, and partnership efforts that are already helping millions of underserved consumers around the world manage their financial lives.

Investments and Capacity Building

- **Treasury's Office of Technical Assistance (OTA) is executing projects** to develop financial inclusion strategies, draft laws and regulations that support financial inclusion objectives, build capacity for supervisors and regulators, and modernize financial infrastructure in **eight countries**: Dominican Republic, El Salvador, Ghana, Guatemala, Mexico, Paraguay, Peru, and Uruguay. Demand for OTA assistance in this area is strong and growing, with promising potential engagements currently being assessed in Jamaica, Madagascar, and Tanzania.
- In 2016, **CDFI Program awardees provided 23,000 small dollar loans under \$5,000 in value**, as an alternative to predatory and pay-day lenders. In addition, awardees helped open a total of **3,741 Individual Development Accounts**, totaling \$4.1 million in savings.
- USAID recently **awarded two grants** to Mercy Corps (DRC, Mali) and CRS (Somalia) on cash preparedness, with a specific focus on how organizations can **enable the rapid deployment of digital cash transfers**, when appropriate, into individually-owned transaction accounts.
- Treasury's **Financial Empowerment Innovation Fund** entered into 11 research contracts totaling **\$6.2 million** that are helping study what information, encouragement, products, and partnerships can have meaningful impacts on consumers' financial health, so the industry as a whole can move toward what works. Treasury and other federal agencies **invested in research** identifying the factors that lie at the heart of financial capability for adults and children, and what interventions can be effective at building financial skills and action.
- USAID **combined savings products with training and other support** to achieve improved health outcomes, promote economic growth, and reduce poverty in US assistance priority countries.

Encouraging Innovation and Digitization

- USAID **co-founded the Better than Cash Alliance (BTCA)** in 2012 and helped **grow BTCA membership** that now includes 24 national governments, as well as multilateral agencies, NGOs, donors, and private companies – with more organizations set to join soon. Treasury helped a number of multilateral development banks become members, including most recently the European Bank for Reconstruction and Development.
- Inspired by the success of the BTCA, USAID **issued a Procurement Executive Bulletin** in 2014, **making e-payments the default payments method** for USAID programming and development assistance. Since switching from cash to e-payments, maternal and child health care providers estimate that Bangladesh alone has saved 40,000 hours in staff time and \$60k per year, while bringing thousands of previously unbanked women into the financial system.
- In 2016, USAID **launched the RegTech for Regulators Accelerator** to pioneer the next generation of digital supervision tools and techniques regulators may use to monitor and supervise increasingly digital financial marketplaces.
- Treasury worked with two non-profit organizations to hold a **MyMoneyAppUp Challenge** to encourage the development of mobile apps to help Americans make smart financial choices, access high quality financial products and services, and control and shape their financial futures.
- Through the Higher Education Solutions Network and Development Innovations Ventures, USAID supported **applied research to improve the relevance of financial products** to meet the needs of poor communities in developing economies and to support scalable, sustainable business models.
- The Department of the Treasury hosted a Finance Data Conference and launched a **Finance Data Initiative** to explore how data sets published by federal agencies can be harnessed by the private sector to help empower consumers to take control of their financial lives. The Finance Data Directory available at www.treasury.gov/financedata makes over fifty federal data sets from multiple federal agencies available to the public in one convenient location
- **The Department of the Treasury expanded the service of its Direct Express card** – which is used to digitally deliver monthly payments to over 5 million, mainly low-income Americans – by adding a mobile app to help users manage their money and provide access to gamified education tools on card use.

Leading and Convening

- Following last year's Financial Inclusion Forum, Treasury **hosted a series of events focused on key topics in financial inclusion**. These events – the Gender and Financial Inclusion Roundtable, a conference on credit building for credit invisibles, the Freedman's Bank Forum, and the Treasury Identity Forum, a meeting that focused on the potential of digital identity solutions to promote financial inclusion as well as anti-money laundering/countering financing of terrorism (AML/CFT) safeguards – helped share lessons on what is working, identify outstanding questions and gaps in know-how, connect players across different sectors and raise expectations for the actions a diverse group of stakeholders can take to accelerate financial inclusion.
- In the G-20, the United States led the **establishment of** what would become **the Global Partnership for Financial Inclusion (GPFI)** in 2010. With the GPFI, countries representing 85 percent of the world economy and two-thirds of the world's people worked together to agree on global principles, policy measures, and standards that advance financial inclusion.
- Through the GPFI and bilateral and multilateral engagement, this Administration successfully **mainstreamed financial inclusion in the work of standard setting bodies**, including the Financial Stability Board (FSB), the Financial Action Task Force (FATF), the International Association of Insurance Supervisors, and the Committee on Payment and Market Infrastructure (CPMI).
- In 2016, G-20 Leaders **endorsed a set of eight High Level Principles for Digital Financial Inclusion**, developed by the GPFI, which provides a framework for individual countries to design and implement financial inclusion policies that utilize digital technologies.
- In 2015, federal agencies released joint **Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions**. This document and related resources encourage financial inclusion, paired with appropriate, high-quality financial education, to build the financial skills of young people and promote their connection to the regulated financial system at an early age, based in part of research showing the impact of such approaches on young people as early as elementary school.
- At the Third International Conference on Financing for Development in Ethiopia in 2015, the Administration **secured an international commitment** – in the Addis Ababa Action Agenda – to implementing policy and regulatory environments **that support financial market stability and promote financial inclusion** in

a balanced manner, with appropriate consumer protections.

- The Administration helped ensure that the multilateral development banks have sufficient resources to advance financial inclusion priorities, including by gathering and disseminating extremely valuable data -- such as the **World Bank's Global Findex Database** -- for evidence-based policymaking and helping countries create strategies to promote financial inclusion that include appropriate policy and regulatory reforms.
- Informed by the work of two **Advisory Councils on Financial Capability established by President Obama**, agencies across the government have made strides in integrating evidence-based financial capability and account access into federal programs, such as employment programs and post-secondary education. The Councils also encouraged action by the private, non-profit and other governmental sectors, such as new resources for primary and secondary educators and investments in local government programs to support financial inclusion of youth and young adults.
- With the implementation of the Workforce Innovation and Opportunity Act, Treasury, together with the Department of Labor and other agencies, is **connecting job training programs** that reach low- and moderate-income youth at the time they get the first paycheck **to high quality financial products and education**. Recently, led by the Department of the Treasury, the interagency Financial Literacy and Education Commission released a Resource Guide for Financial Capability in Youth Employment Programs. The Commission continues to share case studies and principles with stakeholders to encourage financial inclusion and education to reach 20 million working young people in the U.S.
- Consistent with the recommendations from the President's **Global Development Council**, the administration has worked with development partners around the world to establish universal access to affordable and well-regulated financial services as a top global priority. Among the Council's recommendations, the administration is promoting innovations in new products, business models, and approaches to solve major roadblocks to achieving universal access.
- At last year's Financial Inclusion Forum, Treasury and USAID were proud to provide a platform for a range of financial institutions and nonprofits to announce their own new initiatives, which have driven millions of dollars of investment into new technologies, products, and delivery methods that are already serving people around the world.
 - Since their announcement last year, **Hope Credit Union** has opened two new branches in the Mississippi Delta. During that period, HOPE has nearly tripled the number of checking/savings accounts and consumer loans at its Delta branches. These loans have enabled hundreds of individuals to purchase automobiles to get to work, pay off payday loans, and otherwise build assets and establish a credit history. Nearly 40% of HOPE's members were unbanked prior to joining the credit union.
 - Following **FICO's** announcement at the 2015 Forum, it announced in April that it had completed the initial FICO Score XD pilot program -- a major step toward allowing U.S. unsecured lenders to use this new score for underwriting. According to FICO, lenders found during the pilot that as many as half of XD credit applicants had scores of at least 620, which is a common threshold for loan underwriting. Building on the introduction of FICO Score XD in the United States, FICO announced a global Financial Inclusion Initiative in October, which can increase access to credit for more than 3 billion consumers. China, India, Mexico, Philippines, Russia, and Turkey are among the first countries FICO is targeting with this initiative, which includes using new technologies that enable credit assessment by partners such as EFL and Lenddo. Additionally, FICO announced a new milestone today: 180 million U.S. consumer accounts can now access their FICO® Score and credit education materials for free through over 100 participating financial institutions. This program provides credit transparency for consumers and empowers them to take control of their financial health.
 - Building on last year's success, this year, **Intuit** will include the link to *myRA* on the My TurboTax page for all its commercial customers--over 33 million taxpayers. Tax time is one of the most critical moments in an individual's financial life. Encouraging savings at tax time, when most taxpayers receive a tax refund averaging \$2,800, the biggest check of their year, helps consumers save more and make better financial decisions for themselves and their families.
 - **PayPal** and **Village Capital** partnered on two successful FinTech entrepreneur events in Washington, D.C. and Mexico City in 2016. The partnership directly supported 33 entrepreneurs working to solve tough financial inclusion problems, such as financial literacy, alternative small business and consumer lending, and innovative solutions to credit reporting problems. These events included the participation of more than 250 private and public sector mentors to assist the entrepreneurs in developing and scaling their businesses. The infusion of investment capital and expertise in these early-stage financial services companies will help them continue to bring financial innovations to customers and communities around the world.
 - Over the past year the **Coca-Cola System** has contributed \$1 million to **Operation HOPE** to support financial literacy, career training and entrepreneurship programs for over 31,662 women and girls throughout the United States and will educate 192,000 through classroom and digital programs by 2019.

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