

Managing the twin responsibilities of Inclusion and stability

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Financial Inclusion



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Policymakers



Outline

- Why “FS” and “FI” ?
- Definitions of “FI” and “FS”?
- Complementary linkages between “FI” and “FS”.
- Managing the twin responsibilities of “FI” and “FS”
- Conclusion

Why “FS” and “FI”?

- Sound macro-economic policies do not imply financial stability(GFC 2008)
- Macro-prudential framework gaining popularity
- Satisfactory economic growth with financial stability do not imply inclusive growth(post 2008 GFC surveys)
- Huge gaps exists between the resilience of countries and their people(e.g Typhoon Haiyan in php & 2014 floods in India and Paskistan)
- Harmonization of “FS” and “FI” is imperative.

Definitions of “FI” and “FS”?

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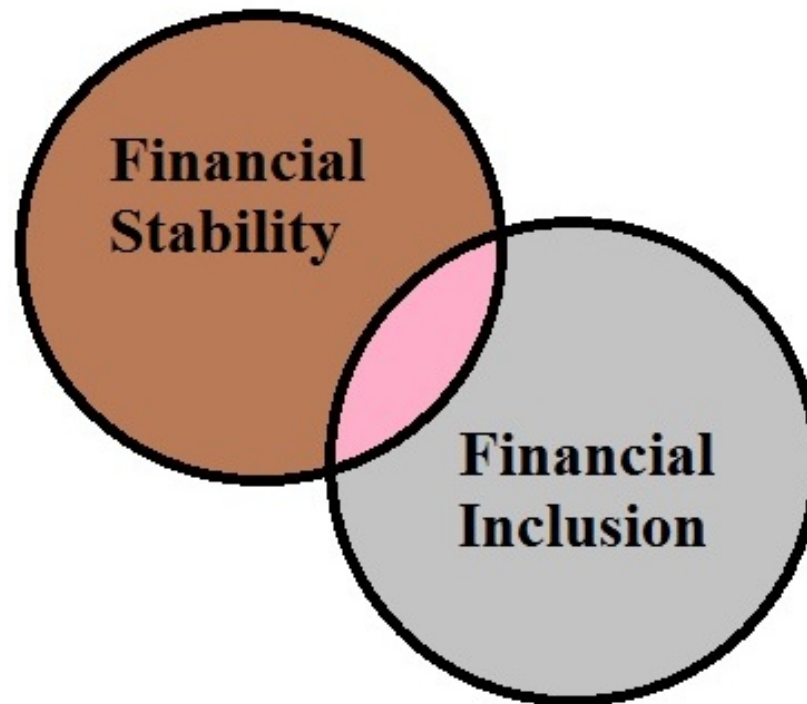
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Definitions of “FI” and “FS”?

- FS and FI gaining importance as policy/mandated objectives(e.g. FS for Mexico & both FS & FI for BNM)
- Understanding and defining “FI” and “FS” in the domestic context very important.
- FI “def” usually has three elements of “AUQ” and four services “SDPMi” embedded.(GPFI “def”)
- FS is best defined by the SARB

Complementary linkages between “FI” and “FS”



Complementary linkages between “FI” and “FS”

- Surveys and studies(CGAP support and assert CL between FI and FS, if harnessed in the right manner.
- FI can mitigate risk exposure both on deposits and credit and therefore enhance systemic stability and reduce systemic risk.
- FI enhances economic stability which supports FS.
- FI ushers political and social stability and therefore FS.

Complementary linkages between “FS” and “FI”

- Similarly, FS enhances “consumer trust” which entices the “excluded” to be “included”.
- FS can positively impact inflation and interest rates making services more affordable and therefore FI.
- **Word of caution**

Inverse relationship between “outcomes” and “policies” so imperative to adopt the “right approach” to optimize the “synergies” and minimize the “tradeoffs”.

Managing the twin responsibilities of “FS” and ‘FI”

- Different countries have adopted different approaches (experiences versus conservative)
- Propose the approach based on “6” I-SIP propositions
- Clear definitions of ‘FS” and “FI” crucial in appropriate policy design and post monitoring.
- A structured approach to identifying material linkages to avoid tradeoffs and “max” synergies.

Managing the twin responsibilities of “FS” and ‘FI’

- Intra- and inter-agency collaboration critical in connecting policy with objectives.
- Consistent and continuous collection and analysis of data vital for post monitoring.
- Periodic structured consultation with providers in proportion to the scale of the proposed changes
- Incremental optimization of linkages through a flexible approach

Conclusion

- Propositions can be used as a “Blueprint” in designing the right “approach”.
- Recommend applying the “Principle of proportionality” in supporting the twin responsibilities and optimizing their linkages.
- Ensure that standards and policies do not impede financial inclusion

However, the challenge lies in ensuring coordination at global and national level by various stakeholders with high levels of ownership.

Thank you
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