

Financial Consumers and Development in Lao PDR



International Academy of Financial Consumers
(2017 Conference)
"Financial Consumer and Global Development"

About Lao MFA

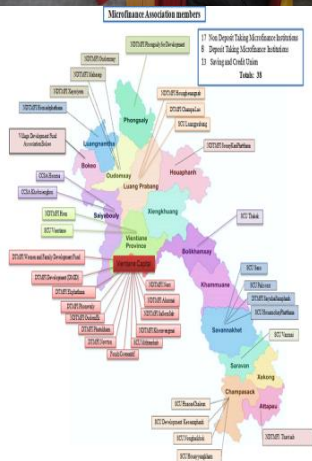
May 2007: Established as Microfinance Working Group (MFWG)

Oct 2013: Obtained temporary license as a non-profit association (NPA)

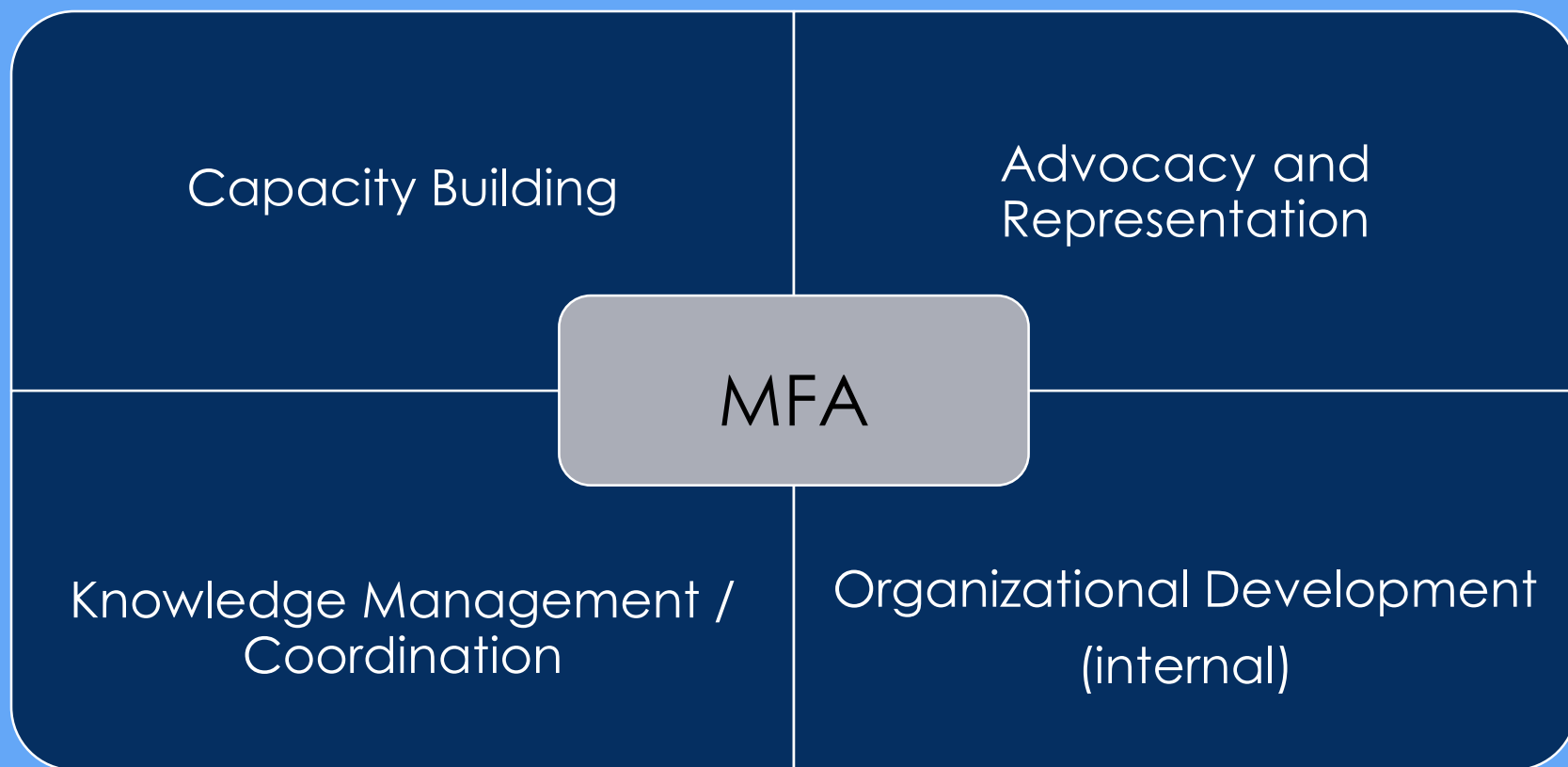
Since Oct 2013 works with 2 Lao Partners (BoL, MoHA)

Oct 2017: 6 staff, 5 BoD members and 3 auditors

Oct 2017: 4 Donors (ADA, GIZ, UNCDF, Australian Aid)



Areas of Intervention



CORE VALUES OF THE MFA



Financial providers: **As of October 2017**

- **42 commercial banks**
- **20 Deposit taking MFIs;**
- **63 Non-Deposit taking MFIs;**
- **30 Savings and Credit Unions;**
- **30 Pawnshops;**
- **30 Leasing Companies;**
- **5 International Money Transfers**
- **More than 5000 village banks;**



Financial operation:

As of June 2017 in US\$: (Ref. Bank of Lao & MFA Reports)

Description	Commerical banks	MFIs	Others	MFA members-MFI
Loan Outstanding	7,711,000,000	74,705,106	167,466,142	70,851,469
Borrowers	259,065	65,562	160,491	57,539



MFA's Membership: **As of October 2017**

- ▶ 84 MFIs (52 Non-Deposit-Taking MFIs, 16 Deposit-Taking MFIs, 16 Savings & Credit Unions)
- ▶ 11 Donors/INGOs/bi- & multilateral organizations
- ▶ 3 Training providers
- ▶ 6 individual microfinance experts and consultants



MFA activities in clients protection:

- ▶ Provide compulsory Microfinance Management Certificate course (MFMCC) training to MFI Board and management of MFI and regulators staff (8 modules)
- ▶ MFA member code of conduct on Smart Campaigns client protection;
- ▶ Provide training for MFI member clients on Financial education and Micro Business Planning;
- ▶ Conduct social audit and translate the audit sheet in to Lao;
- ▶ Monitor the implementation through financial and social data collection- twice a year (use factsheet)





Lessons Learnt (cont.):

- Common understanding between regulators and MFIs
- More transparency and information sharing with amongst the sector
- Improving MFI's loan portfolio quality by improving their loan management capacity
- Ensuring/Monitoring client Protection by adopting Smart Campaign
- Branding and marketing of MFI through advocacy

Microfinance Development Sector:

- BOL draft consumer protection decree, Depositor Protection decree, regulation for SME and agricultural loan;
- Interesting on Micro insurance, MFA and member have to seek and discuss with potential donors/investors for this project;





Microfinance Association

Thank you very much for your pay attention!

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2017 IAFICO, Shanghai

Policy Issues on Financial Inclusion and Social Safety Net in Korea

2017. 11. 3.

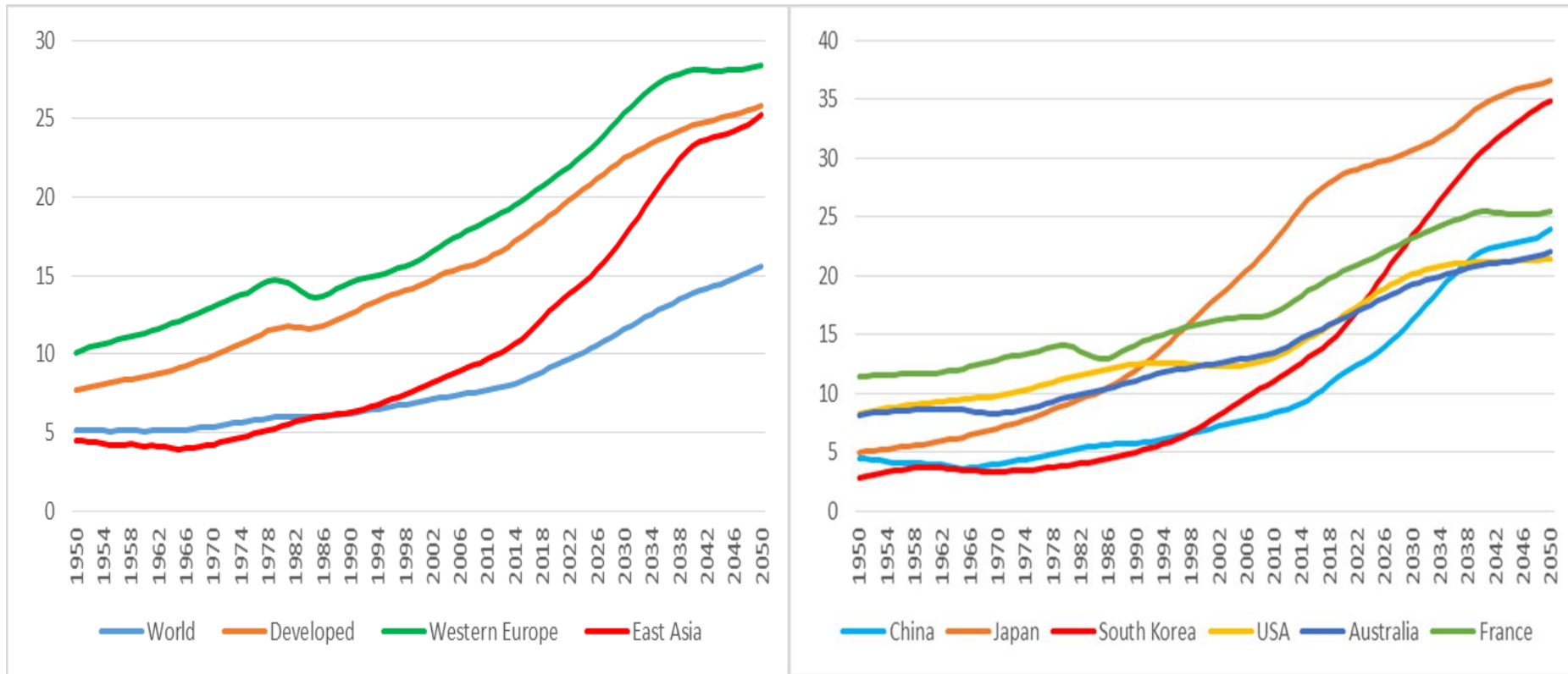
Sung-In Jun
(Hongik University, Economics)

Content

- ◆ Snapshot of current Korea
- ◆ Financial Inclusion for the Young
- ◆ Financial Inclusion for the Old
- ◆ Restructuring of Personal Debt
- ◆ Other Social Safety Net
- ◆ Policy Agenda

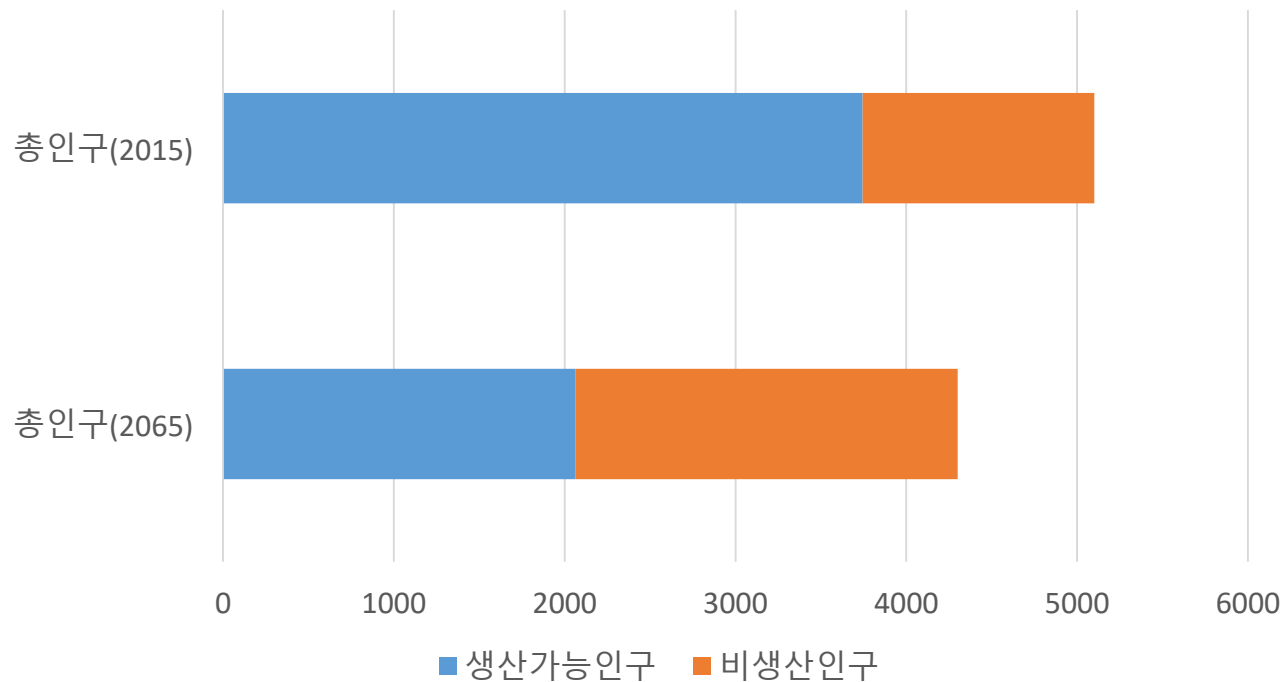
Snapshot of Current Korea

New Challenge to Mankind: 65+ / total population



Change in the Size and the Composition of Population

- Productive population and the retired people



The Essential Nature of Challenge

- ◆ Productive population shrinks rapidly, absolutely, more than proportionately
- ◆ Retired population increases rapidly, absolutely and more than proportionately
- ◆ Population increase \neq labor force increase
- ◆ What kind of Inclusion is needed?
 - ⇒ Perhaps, **Growth-Enhancing Inclusion**
 - ⇒ Perhaps, **Generation-Friendly Inclusion**

Financial Inclusion for the Young

New York, Wall Street, 2011.9.(I)



New York, Wall Street, 2011.9.(II)



Downtown Seoul, 2011.9.30



Downtown Seoul, 2011.9.30



Policy Issues for the Young

- ◆ Non-performing **Student Loan**
 - Poor students are borrowing money for tuition and stipend from Government-sponsored Fund.
 - They are supposed to pay the loan back after graduation.
 - High unemployment rate for the new labor market entrants makes it hard for college graduates to pay back the loan

Policy Issues for the Young(2)

- ◆ Non-performing **Student Loan** (Continued)
 - Prolonged unemployment leaves little choice for the graduates but to delay/default the existing loan.
 - Now the vicious circle begins to roll as the stigma of default makes the graduate-debtor to get a job, which aggravates the situation.
- ◆ => **Let's delay the initial payment obligation until the debtor gets a job.**

Policy Issues for the Young(3)

◆ High housing cost

- Here, the problem is not the availability of financing the money to buy the house.
- The real problem is that the housing cost is simply too high for a young man/woman/couple to arrange a decent housing
- Easy opportunity for credit supply is usually a trap toward a bottom since the installment burden is too high for the young.

Policy Issues for the Young(4)

◆ High housing cost

- The solution must come from real sector rather than the financial sector.
- We have to either **increase the disposable income of the young**, or **supply decent housing at a much lower cost**.
- There is a possibility of generational conflict b/n Young and Old since lower housing price may jeopardize the financial situation of the Old who are the major owners of houses.

Financial Inclusion for the Old

Policy Issues for the Old

- ◆ **Financial Illiteracy** (those who have money)
 - The Old are easily lured to financial gimmicks since they do not understand the true structure of financial product, but attracted by the sweet stories of the solicitors.
 - Mere showing of emotional compassion is usually enough to draw money from the pockets of the rich old who experience loneliness.
- ◆ => More consumer protection measures are needed on the sellers of financial product.

Policy Issues of the Old (2)

- ◆ **Poverty per se** (those who have no money)
 - Lack of well-structured and reasonably supportive pension system leaves many old retirees in the hands of Nature's Mercy.
 - But, Mother Nature is often very cruel.
 - Opening up new financial assistance may aggravate the situation since this group of old does not have capacity to repay.
- ◆ => Increasing the size of baseline pension is the better cure than financial inclusion

Restructuring of the Personal Debt

Restructuring of Personal Debt

◆ Creditors' Superiority

- Korea boasts of its well-polished bankruptcy system, which is very modern and very powerful.
- But, the spirit does not carry over to personal bankruptcy, especially in recent days.
- “Every loan contract should be honored.”
- “Most default is the sign of moral hazard on the part of the debtor”

Restructuring of Personal Debt (2)

- ◆ **Collusion of Creditors** outside the bankruptcy
 - Powerful banks, with the support of supervisory agents, invented a collusive body for collecting default personal loans
 - Credit Recovery Commission, composed of delegates from major financial firms, even from Bank of Korea, does the dirty job.
 - The formal bankruptcy system maintained by the court has little chance to intervene meaningful restructuring of personal debt, except complete liquidation

Restructuring of Personal Debt (3)

- ◆ **Mortgages** or Personal Debts secured by houses
 - The creditor can take away the collateral(=houses) at any point of time during reorganization period => reorganization is meaningless for those who have home.
 - It may also aggravate systemic soundness by pouring out houses for sale especially when the overall economy experiences recession.

Restructuring of Personal Debt (4)

- ◆ **Suggested solutions** for so long time
 - Shorten the length of the reorganization plan **from 5 years to 3 years.** (huge opposition from the credit card industry)
 - Secured creditor with housing collateral can not sell the houses **during the reorganization plan.** (huge opposition from banks)
 - Make the pre-bankruptcy negotiation a **level-playing ground** (huge opposition from all creditors)

Other Safety Net (experimented)

- ◆ **Adolescent / Young Person Salary**
 - Just give them some money
- ◆ **Banning the usage of guarantor** for personal loan
 - This one, has found a reasonable ground !!
- ◆ **Linking income opportunity with the troubled debtor**
 - Many municipal governments are trying this direction.

In Short

- ◆ **Rapid aging** produces many unanticipated conflicts in socio-economic arena
- ◆ Perhaps, we may have to pay **more attention to the situation of the Young.**
- ◆ Sometimes, **income support** is much better solution than **financial inclusion.**
- ◆ We also have to bear in mind that some supports is **more growth-enhancing** than other measures.