Role of PKSF in Financial Inclusion & Experiences from Inclusive Insurance

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Importance of FI

✓ Increased access to credit appears to improve welfare of the poor; (ADB)
✓ Deeper financial system helps in reducing income inequality; (Beck and others 2008)
✓ FI empowers individuals & families, especially women & the poor & well-functioning financial systems enrich whole country; (Lagarde)
✓ FI plays vital role in reducing poverty, inequality & stimulation of job creation. (WB)
About PKSF

✓ PKSF is a second tier development financial institution was established by the Government of Bangladesh in 1990;
✓ PKSF’s core mandate is “poverty reduction through sustainable employment creation”;
✓ PKSF introduces ‘development microcredit’ in promoting FI;
✓ PKSF provides institutional development support to its Partner Organizations (POs) mostly NGO-MFIs;
✓ PKSF has emerged as a model ‘Domestic Apex Financial and Capacity Building Institution’.

Role of PKSF in Promoting FI

✓ FI is 65% in Bangladesh;
✓ MFIs contribution in FI is around 43.23%;
✓ PKSF contributes sustainable & exponential growth in FI in 1990 to 2000;
✓ PKSF’s outreach in microcredit sector was 5% in 1991 which is around 30% at present;
✓ BRAC & ASA the spin-off MFIs from PKSF’s domain contributes half of the microcredit market;
✓ PKSF set up standards, norms & creates conducive infrastructure in promoting FI;
✓ PKSF’s POs offer different types of credit, savings, remittance services & Microinsurance (MI);
✓ PKSF’s POs offer flexible savings and credit to 500,000 ‘extreme poor’.
Importance of MI

✓ Low income people are most vulnerable in various shocks;
✓ Perpetual disasters and adverse impact of Climate Change (CC) bring miserable situation in socio-economic life of the people;
✓ Grameen’s research shows that 25% of its members did not get out of poverty due to health shocks & 15% did not escape poverty due to death of the main earning sources of the family;
✓ Setbacks dramatically reduce the consumption, assets & income, compelled to borrow at unsustainable terms;
✓ Low income people remain trapped in the vicious circle of poverty;
✓ PKSF strongly perceived addressing risk mitigation is essential;
✓ PKSF deemed ‘inclusive development microinsurance services’ could be a viable risk management option.

PKSF’s experiences in MI

✓ PKSF successfully completed a MI project titled “Developing Inclusive Insurance Sector Project (DIISP)” which was financed by JFPR & administered by ADB;
✓ Objective of the project is to “develop low-cost actuarial based inclusive insurance services”;
✓ Three different actuarial based MI services (i.e credit life, livestock & hospital cash benefit) were tested during pilot phase;
✓ A total 5.08 million Credit Life, 419,757 Cattle & 33,771 Hospital Cash Benefit(HCB) insurance policies were issued during pilot phase;
✓ A total of 23,435 claims (credit life-20,700, cattle1078 & 1657 HCB) have been paid during that period.
Lessons Learned

- Developing a sustainable MI needs at least 5-7 years field level testing;
- Introducing different types of services are essential before implementing MI;
- Creating awareness has a paramount importance for sustainable insurance program;
- Capacity building is necessary for the stakeholders;
- Developing best practices is essential prerequisite for formulating regulatory framework for microinsurance sector.

Impact of Climate Change in PKSF’s Programs

- Bangladesh is one of the worst victims of CC.
- Bangladesh losses 1-1.5% of its GDP due to climate vulnerabilities;
- Bangladesh losses 2.36 billion US$ due to climate change vulnerabilities and disasters last six years (BBS);
- Almost 100 percent members of microcredit are the victims of CC;
- Around sixty percent enterprises are directly affected.
Future Plan of PKSF

✓ PKSF set up its future strategic plan in the line with SDGs;
✓ PKSF has decided to mainstream climate change issues in its all projects and programs;
✓ PKSF is looking a sustainable ways and means of risk transfer mechanism;
✓ PKSF’s Board has approved to set up a ‘climate change’ and ‘microinsurance’ units;
✓ PKSF is looking for establishing long term strategic partnership with development organizations.

Thank You