



# *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)

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## 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*’ .

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## 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.

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# 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 23,435clims( credit life-20,700,cattle1078 &1657 HCB) have been paid during that period.

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# 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 pre requisite for formulating regulatory framework for microinsurance sector.

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## 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.

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## 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.

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# Thank You

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