FINANCIAL INCLUSION
(A Word from The Private Sector)

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WHAT IS FINANCIAL INCLUSION?

- ‘The delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society’

- Estimated 2 billion working-age adults, globally, have no access to types of financial services offered by formal financial services providers

  (Wikipedia)

WHY THE FUSS?

- '…. banking services are in the nature of a public good; the availability of banking and payment services to the entire population without discrimination is a key objective of financial inclusion'

  (Wikipedia)

- '…. Inclusive growth is the biggest challenge that the nation faces and it is important to ensure that while the Indian economy grows rapidly, all segments of society are part of this growth process, preventing any regional disparities from derailing such growth'

  (R. Gopolan Secretary (Financial Services) Ministry of Finance, Government of India, December 2010)

UN defines goals of financial inclusion as follows:

- access to a reasonable cost for all households to a full range of financial services ….
- sound and safe institutions governed by clear regulation and industry performance standards
- financial and institutional sustainability to ensure continuity and certainty of investment and,
- competition to ensure choice and affordability for clients'

'Exclusion from the formal financial system has increasingly been identified as one of the barriers to a world without poverty'

(Mobile Money for Financial Inclusion, Kevin Donovan Chapt. 4 'Information and Communications for Development 2012)

SO WHO FITS THE BILL TO DRIVE INCLUSION?

- Mobile financial services, by banks, to an extent, but largely by GSM Telco operators, has become a key driver of financial inclusion in many countries.

- Mobile financial services are a key means of igniting economic transformation as they can transcend diverse sectors of the economy.

- MNOs have well developed distribution networks and a reach banks cannot easily replicate.

- Penetration of mobile devices and networks has reached levels in a short space of time that much older traditional banks have been unable to attain.

- Mobile Money brings better productivity as it drives more efficient commerce, at reduced costs, provides security of funds and brings new business and employment opportunities.

- …. “Where most financial inclusion models have employed either ‘credit-led’ or ‘savings-led’ approaches, the M-PESA experience suggests that there may be a third approach – focusing on building the payment ‘rails’ on which a broader set of financial services can ride”

  (Mas and Radcliffe 2010 ‘Mobile Payments Go Viral M-PESA in Kenya’ In The ‘Yes Africa Can: Success Stories from a Dynamic Continent’ series. World Bank, Washington DC, March)

- Mobile money platforms also facilitate innovation and value adding in areas where there is no financial infrastructure.

- Mobile money costs significantly less than traditional banking or predatory alternative financial options.

  (In Kenya, M-PESA estimated to be 30 – 50% cheaper than alternative systems)

KEY TO SUCCESS (REGULATION)

- Regulators must act in a manner that encourages rather than frustrates innovation. (Flexible, technology neutral regulations a compliance approach that enables diverse solution deployment)

- Depends on regulator’s appetite for driving financial inclusion

- Remember that telecommunication regulation has already achieved inclusiveness as it has in its simplicity it has enabled customers at very low income levels. Leverage rather than seek to subsume this.

- Do not treat this as traditional regulation of banking sector

CONCLUSION

- Mobile financial services can be one of the most effective drivers of financial inclusiveness

- Review financial services regulations to create capacity to converge with Telecomms Regulation

  - Need proportional rather than absolute financial regulation.

- The private sector has proactively innovated; policymakers should leverage and not ‘cage’ this vehicle for financial inclusion

- Government, as a user of mobile financial services can be the biggest stimulator of its success.

- Success can only come from collaboration and a measured approach to build a truly sustainable ecosystem. Must not rushed

- Remember Mobile Money was created to serve the unbanked. They did not qualify for traditional bank accounts. Must treat them differently if they are to be sustainably included

“Mobile Money by MNO’s should be seen as a form for future traditional banking customers. Nurture it, don’t subsume it”