

A photograph of a woman and a child in a domestic setting. The woman is in the foreground, looking towards the camera with a slight smile. She is wearing a light-colored headwrap and a dark top. The child is in the background, wearing a blue shirt and looking down at something on a table. The background shows a simple room with a white cloth draped over a surface.

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# THE ROLE OF MOBILE FINANCIAL SERVICES IN ENHANCING FINANCIAL INCLUSION

ITU Regional Development Forum 2015 - Smartly Digital Asia-Pacific  
Digital Financial Inclusion

**Bangkok, 22<sup>nd</sup> August 2015**

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150 1865  
ITU 2015



## AGENDA

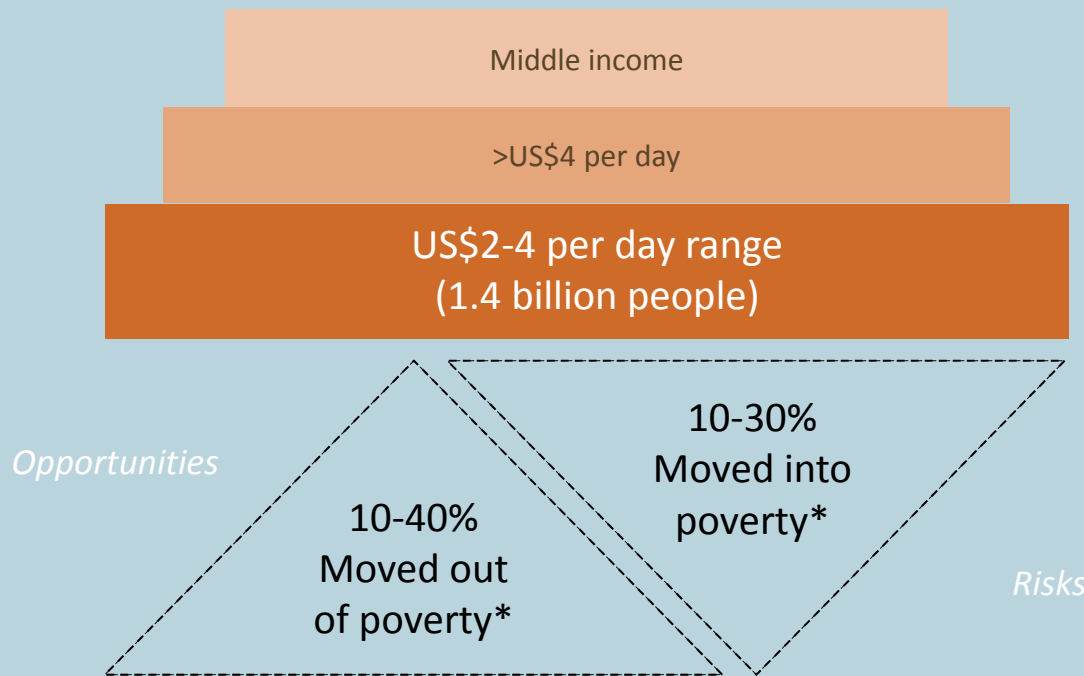
- **BMGF Financial Services for the Poor Programme**
- **Digital Financial Services and Financial Inclusion**
- **The ITU Focus Group on Digital Financial Services**



■ At the Bill & Melinda Gates Foundation, we believe that all lives have equal value.



## Why does financial inclusion matter?



In a typical developing country, 10-30% of the poor transition into poverty and 10-40% out of poverty every few years.\*



\* Estimates range from 3-10 year cycles. Sources: IFAD Rural Poverty Report (2011); "Moving On, Staying Behind, Getting Lost" by Dercon/Shapiro (2007); "For Reducing Poverty Faster" Krishnan (2007)

See "Fighting Poverty, Profitably" (2013) for our analysis of the economics of payment systems

## Why does digital matter for financial inclusion?

### Key observations

- The economics of traditional transactions don't work for providers or the poor.
- Economic barriers include customer acquisition, account maintenance costs, and variable returns.
- Market coordination failures produce fragmented networks that increase costs.
- Information asymmetries inhibit adoption and create risk, leading to inadequate products & dormancy.
- Regulatory & policy barriers increase the cost & uncertainty for serving the poor.
- Technology is necessary but not sufficient.

The economics and other barriers require a new, digital financial system that is inclusive & sustainable



See [www.gatesletter.com](http://www.gatesletter.com) for BMGF's 2015 annual letter, featuring our 'Big Bet' for financial inclusion

## Financial Services for the Poor (FSP)

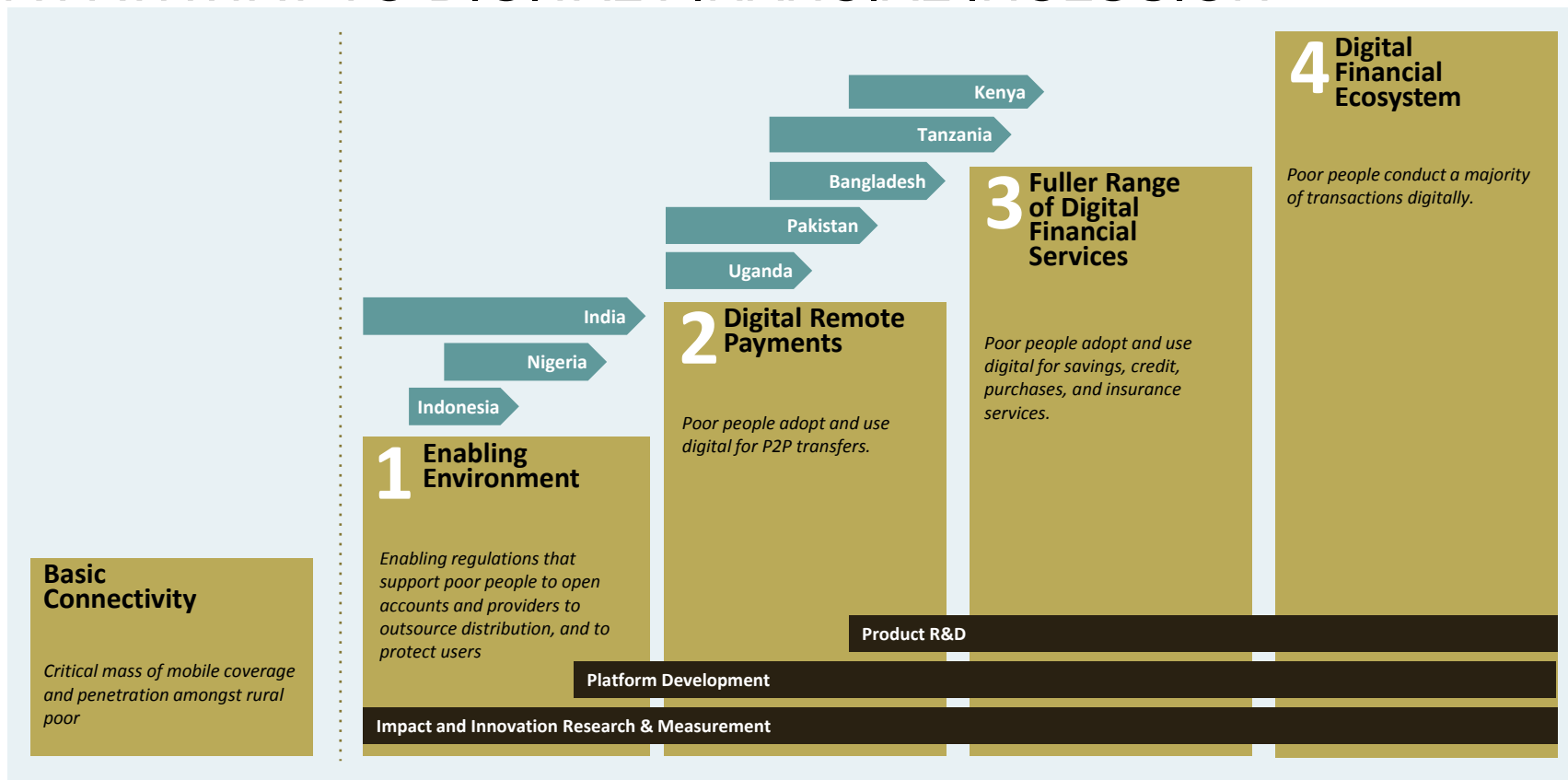
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### Driving solutions for financial inclusion with 3 objectives:

- Reduce the cost of financial transactions for the poor
- Improve poor people's capacity to mitigate financial shocks *and* capture income-generating opportunities
- Generate economy-wide efficiencies by connecting large numbers of poor people to governments, businesses, donors and other counterparts



# A PATHWAY TO DIGITAL FINANCIAL INCLUSION

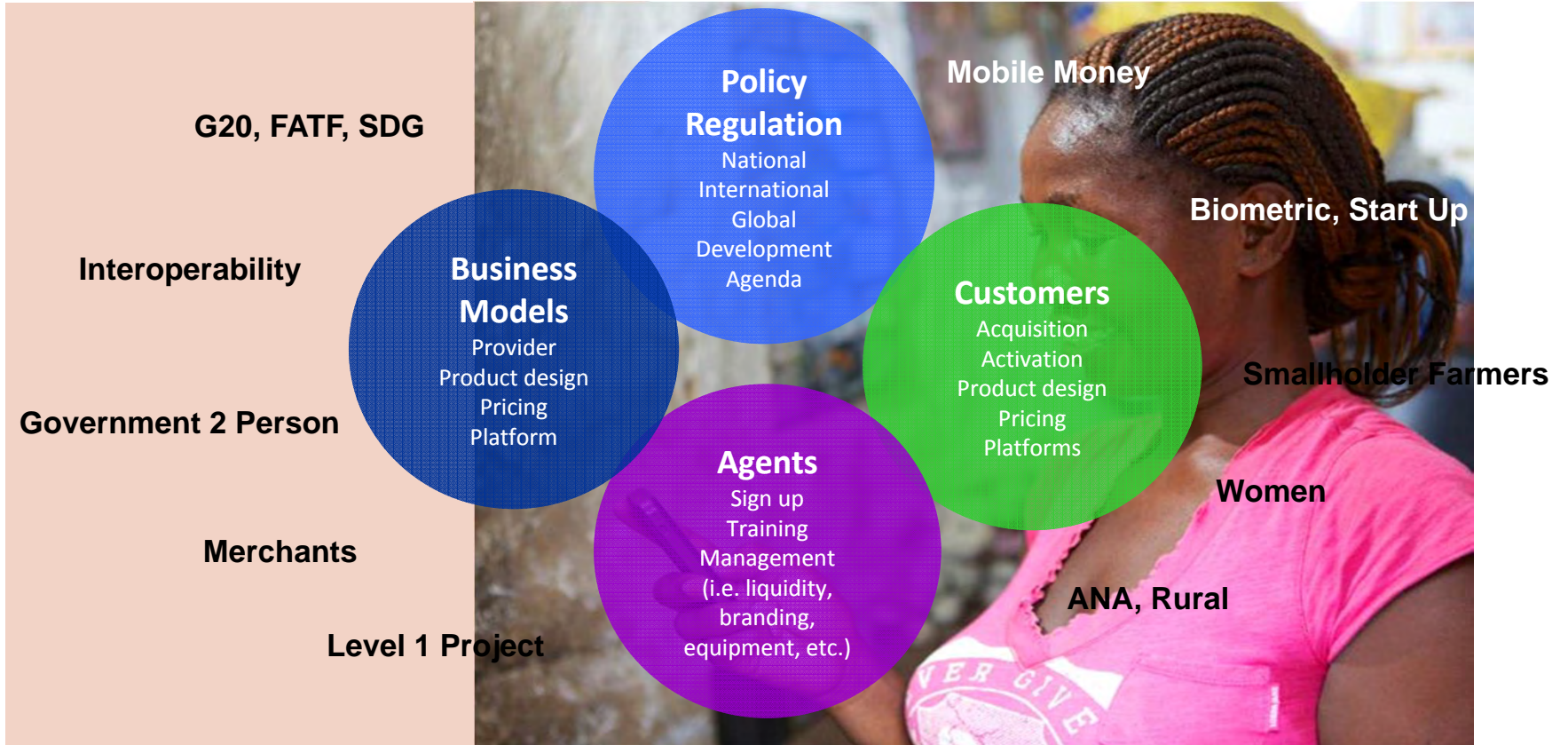


## ■ CHALLENGES TO REACHING SCALE





# BUILDING A DFS ECOSYSTEM



# REGULATORY CHALLENGES

**Fast moving environment**

**New players**

**New technologies**

**New products and services**

**New distribution models**

**Regulators struggle to keep abreast of market developments.....**

**...and fully assess the risk embedded in new products**

**risk of gold plating > higher compliance costs**

**Extremely vulnerable customers**

**...low level of financial education and IT skills**

**Lack of official ID systems**



# MAIN REGULATORY BARRIERS

## Market access and competition

Mobile Money License

Access to Agent Network

Access to Business Critical Technology

## Customer acquisition and activation

Know Your Customer Rules and Requirements

Lengthy Account Activation Processes

## Oversight and supervision

## Consumer trust and confidence

Funds Safety

Fraud

Price Transparency

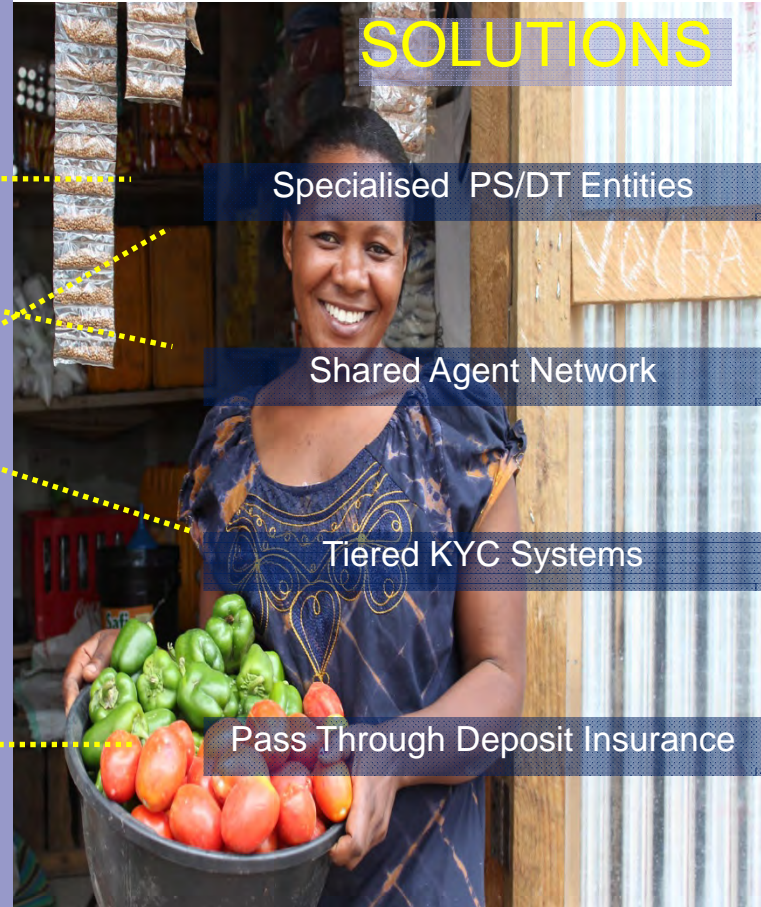
# SOLUTIONS

Specialised PS/DT Entities

Shared Agent Network

Tiered KYC Systems

Pass Through Deposit Insurance





# Focus Group Digital Financial Services for Financial Inclusion

## WHY THE ITU

The role of Mobile Networks Operators (MNOs) in the DFS Ecosystem – integration of upstream and downstream services - calls for increased collaboration between FS and Telco regulatory and supervisory authorities at both national and international level.



**Focusing on the Convergence Between Finance and Digital**

## ■ KEY INFORMATION ON THE FG DFS



- Forum for Discussion, not a Standard Setter
- Set up for 2 years
- Groups all key players of the DFS Ecosystem (Banks, Regulators, Consumer Organizations, International Organizations, MNOs, Platform Providers etc.)
- 1<sup>st</sup> Meeting: Geneva, 5<sup>th</sup> December 2014.
  - 97 participants, 25 countries
- 2<sup>nd</sup> Meeting: Washington DC, 21<sup>st</sup> April 2015.
  - 93 participants, 33 countries, 22 regulators

**3<sup>rd</sup> Focus Group Meeting – Kuala Lumpur 30<sup>th</sup> September – 2<sup>nd</sup> October**

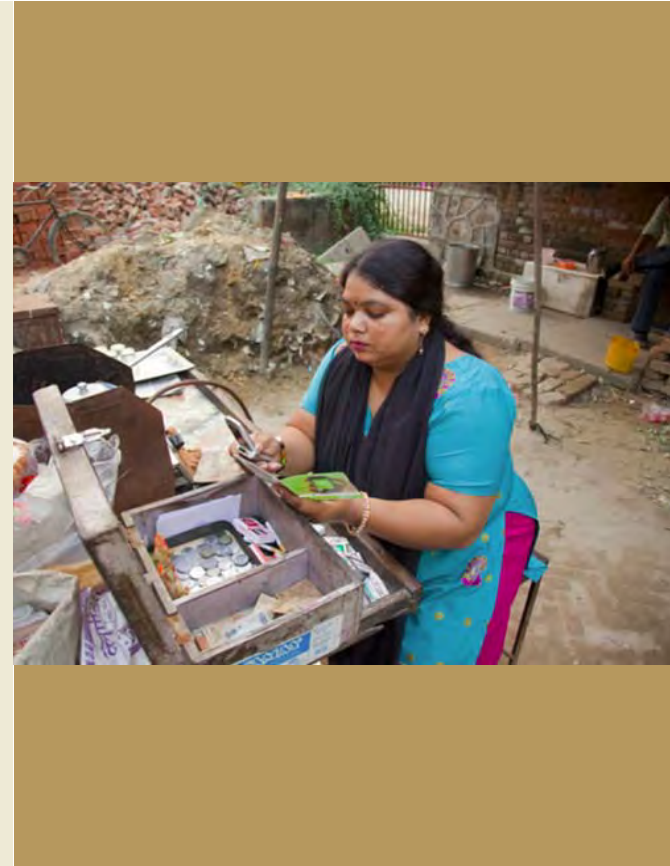


## KEY OBJECTIVES

- Promote dialogue and coordination between FS and Telco regulators
- Raise Telco regulators awareness of the role D/MFS play to promote FI
- Given the increasing participation of MNOs in the provision of DFS, there is a need to clarify roles and responsibilities between the FS and Telco regulators. Though Central Banks remain the leading regulator for payment systems, Telco regulators need to be involved in the discussion;
- Identify a series of key issues where the FG can consensually adopt principles, identify best practices, develop guidelines that can help emerging markets fast track policy reform.

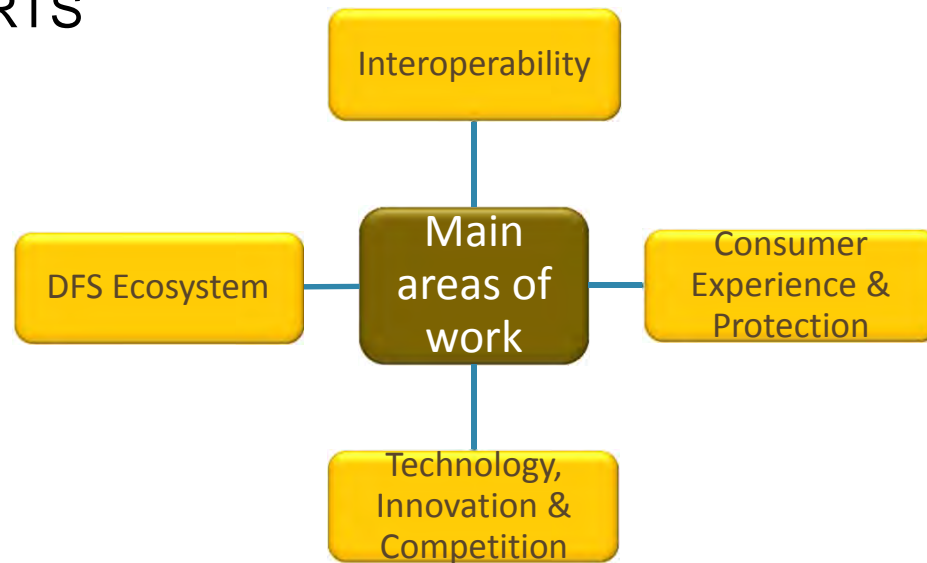
## ACTIVITIES OF THE FOCUS GROUP

- Establish liaisons and relationships with other organizations (i.e. WB, PAFI, AFI, GSMA, ITU-SGs) to avoid duplication of efforts and leverage expertise
- Identify and study best practices related to policies, regulatory frameworks, consumer and fraud protection systems, business models and ecosystems for digital financial services
- Refine vision of success
- Identify and monitor technology trends in digital financial services and how the role of various stakeholders in this ecosystem will evolve
- Identify successful use cases for implementation of secure digital financial services including developing countries with a particular focus on the benefits for women.
- Work towards the creation of an enabling framework for digital financial services





■ FOUR WORKING GROUPS  
HAVE BEEN ESTABLISHED  
TO LEAD THE FOCUS  
GROUP'S EFFORTS



THANK YOU

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