

Regional Standardization Forum
Emerging Economic,
Regulatory and Policy Trends
in a Fast-Changing Digital World

Xi'an, China, 27 August 2018



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1968-2018

Financial Inclusion : opportunities, challenges and way forward through MFS

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Mobile Financial Services

- Introduction
- Benefits
- Challenges
- International practice of MFS
- ITU Recommendation & Initiatives taken by ITU-T Study group 3



Financial Inclusion

- Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs that are delivered in a responsible and sustainable way.



- Greater financial inclusion as a global policy goal for inclusive growth
- ‘Expand access to banking, insurance and financial services for all’ under SDG 8.10**

Mobile Financial Services

- **Mobile Financial Services (MFS)** is an approach to offering **financial services** that combines banking with **mobile** wireless networks which enables users to execute banking transactions. This means the ability to make deposits, withdraw, and to send or receive funds from a **mobile** account.



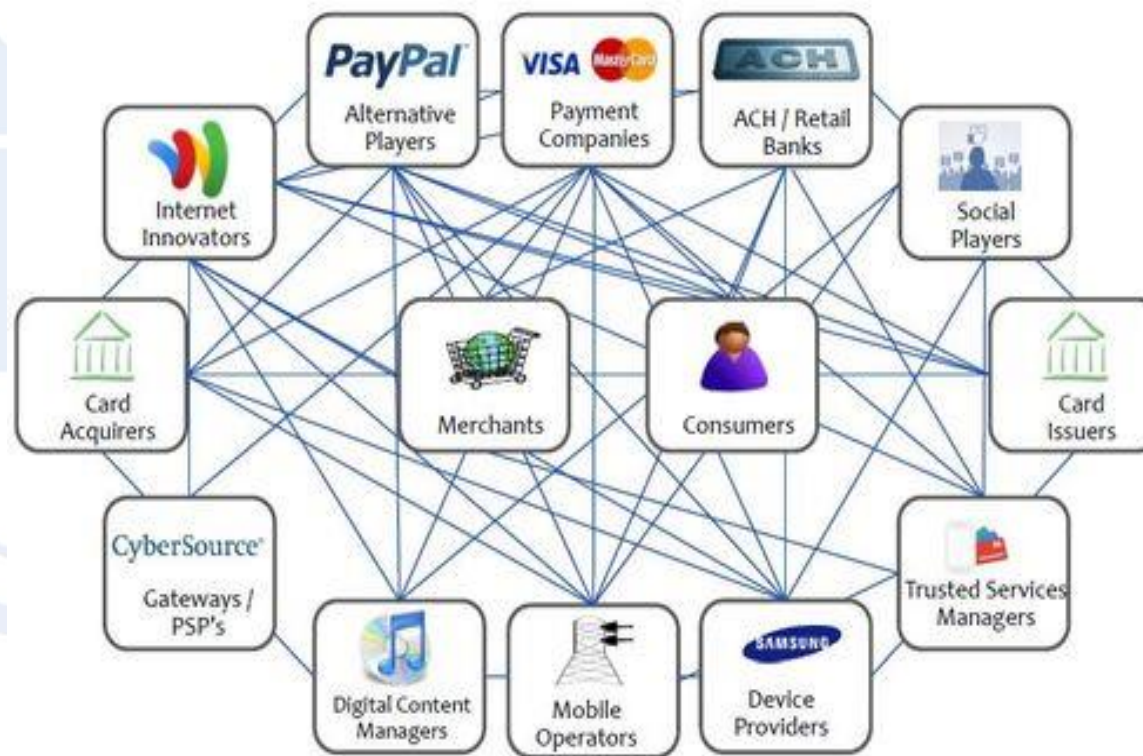
Mobile Financial Services



- Mobile operators provide customers with simple and affordable financial solutions through efficient use of communication technology.
- Customer can enjoy payment services through mobile wallet and avail partner bank services at their outlet.

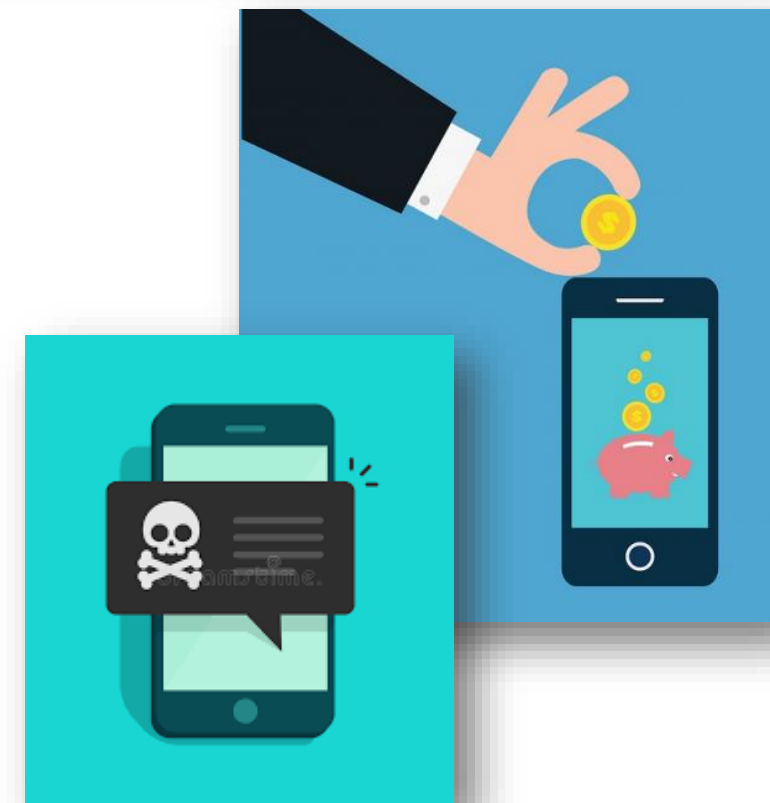
Benefits of using MFS

- Secure Transaction Systems
- Swiftness
- Convenient
- Coverage



Limitations : MFS

- Belief
- Error Rectification
- Charging
- Medium of communication
- Regulatory constrain



Global Best Practice :MFS

- Globally, 291 MFS deployments in 93 countries (EOY 2015)
- Sub-Saharan Africa is the MFS leader with highest amount of deployment till 2015



Tanzania: One of the most competitive MFS market globally. Four MNO led DFS . 62% are financially included, where 61% are registered DFS users



Kenya: Exemplifies the power of MFS with 'Test and learn' approach of regulation and MNO led model enabled FI (69% have FI accounts & 67% have DFS account

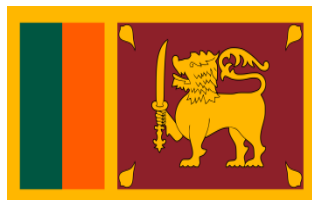


Ghana: Prescribed Bank- led multi-owner model in 2008. Changed regulation in 2015 and open the market to MNOs after failure of previous model

Global Best Practice :MFS



India: Payment bank license for distribution expert companies (MNOs, pharmacies etc.)



Sri Lanka: allow both bank and Telco led DFS, balanced regulatory approach to make the market grow. MFS took off on 2012 since the level playing field came in being



The Philippines: Have both bank and MNO led model where MNO led services scaled significantly

Global Best Practice :MFS



Myanmar: Special purpose MFS with no restrictions on who can sponsor or own MFS companies. JV between Bank & MNOs



Brazil: Nonbanks to directly access the central bank's clearing and settlement system for interoperability



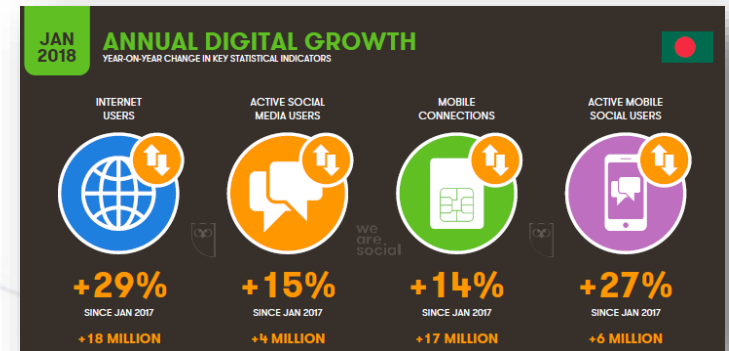
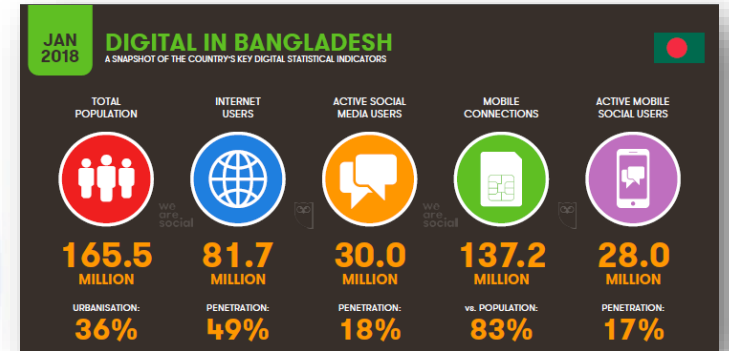
China : Mobile payment constitute one of seven key markets for china's booming fintech industry . Behind these fintech miracle lies the country's unique technology ecosystem : a tech savvy population , an underdeveloped banking industry , and an initially relaxed regulatory environment.

In 2016, Chinese consumers spent approximately \$22.8 trillion through mobile payment platform. over 90% of that cum stemmed from mobile payment apps that belongs to china's two biggest tech conglomerates : Alibaba's Alipay (54%) and Tencent's TenPay (37%)



Global Best Practice :MFS

The regulator in Bangladesh has clearly spelled out that mobile financial service must be bank-led. They have issued a dozen of license to banks for introducing operating MFS in 2011. Now, it is observed that only one or two initiatives seem viable.



7th 5-Year Plan (2016-'20):

- Financial inclusion: "No one left behind"
- Digitization: For better governance, transparency, and service delivery



Financial Inclusion: Reaching the unbanked with high value financial services

Diverse and advanced MFS hasn't taken up yet



Orange money offers way to buy farming supplies and get paid for their harvests.



Insurance: Easypaisa offers Khushaal Beema - life insurance based on Mobile Account balance (Pakistan)



International remittance: Mali, Senegal and Ivory Coast (2015)



Savings and loans: One in five Kenyans use Mswari (2015)



Merchant payments: Highest growth in 2014: 58.5%



Domestic remittance/P2P transfer

- Basic service
- Builds agent network: From cash to digital
- Low profitability

95% of transactions in Bangladesh are still basic

Source: GSMA Mobile Money for the Unbanked

Two countries in South Asia yet to follow the global trend

- Bangladesh and Pakistan are still sticking to bank-led model
- Financial Inclusion of both countries are the lowest in the South Asian region
- OTC use in both countries are significantly high
- Active wallet user among contemporary markets are one of the lowest

Countries/Regions	Percent of adults with financial account	Percent with women financial accounts	Adults in poorest 40% of households (%)
Bangladesh	31	26	23
India	53	43	44
Nepal	34	31	24
Pakistan	13	5	11
Sri Lanka	83	83	80
South Asia	46	37	38
East Asia	69	67	61
High Income	94	94	91
World	62	58	54

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Xi'an, China, 27 August 2018



"ITU's technical standardization work is predominantly industry-driven, with business requirements forming the main fuel to standardization. ITU-T Study Group 3 is taking action in response to the perception among ITU members that the alignment of technology, business and policy will see significant improvement if technical standardization grants equal weight to technical innovation, business needs and policy requirements.

Chaesob Lee, ITU Director

ITU-T SG3 is strengthening ties between technology, business and policy for a new era in international standardization



Regional Groups

SG3 Regional Groups: Global footprint across 6 Regions

SG3RGs	SG3 Regional Groups
SG3RG-AFR	Regional Group for Africa
SG3RG-AP	Regional Group for Asia and Oceania
SG3RG-ARB	Regional Group for the Arab Region
SG3RG-ECAT (Europe, N/C, CIS)	Regional Group for Eastern Europe, Central Asia and Transcaucasia
SG3RG-LAC	Regional Group for Latin America and the Caribbean
SG3RG-EURM	Regional Group for Europe and the Mediterranean Basin



ITU-T Study Group 3 - Tariff and accounting principles including related telecommunication economic and policy issues



ITU-T Study Group 3 - Tariff and accounting principles including related telecommunication economic and policy issues

Question 12/3

Tariffs, Economic and Policy Issues Pertaining to Mobile Financial Services (MFS).

The World Telecommunication Standardization Assembly (WTSA) of 2016 acknowledged the importance and impact of MFS and approved Resolution 89 on "Promoting the use of information and communication technologies to bridge the financial inclusion gap." Resolution 89 *resolves* to continue and further develop the ITU-T work programme, including the ongoing work in SG3 order to contribute to the wider global efforts to enhance financial inclusion. It further *resolves* to conduct studies and develop standards and guidelines in the areas of interoperability, digitization of payments, consumer protection, quality of service, big data and security of digital financial services transactions.

Tasks under Q12/3

The study should cover tariff, economic, policy, and regulatory developments related to Mobile Financial services. In studying this Question, special explicit consideration should be given to the innovation and the leadership of developing countries not only in implementing but also pioneering the development of MFS for financial inclusion.

In this context, the issues to be studied shall *inter alia* include:

- 1) Affordability of telecommunication services related to the provision of MFS
- 2) Consumer Protection in Mobile Financial Services
- 3) Competition in Mobile Financial Services
- 4) Cooperation and collaboration between the relevant stakeholders in the mobile and banking sectors e.g. interoperability across the stakeholders
- 5) Effectiveness of the delivery chain of MFS
- 6) Charging, accounting, and economic issues arising out of use of MFS

Other topics may be studied as appropriate, based on contributions.

Current Status : This recommendation was “determined” (as first-stage approval) at the last SG3 meeting and is now under member state consultation under TAP (Circular 101 at <https://www.itu.int/md/T17-TSB-CIR-0101/en>)



INTERNATIONAL TELECOMMUNICATION UNION
**TELECOMMUNICATION
STANDARDIZATION SECTOR**
STUDY PERIOD 2017-2020

**SG3-R13
STUDY GROUP 3
Original: English**

Question(s): 12/3

April 2018

STUDY GROUP 3 – REPORT 13

Source: ITU-T Study Group 3 (Geneva, 9-18 April 2018)

Title: Determined Recommendation ITU-T D.263 (D.MFS), “Costs, Charges and Competition for Mobile Financial Services (MFS)”

-2-
SG3-R13

Draft Recommendation ITU-T D.263

Costs, Charges and Competition for Mobile Financial Services (MFS)

Summary

Draft Recommendation ITU-T D.263 proposes a possible approach to reduce high retail and wholesale telecommunication charges related to mobile financial service (MFS).

Keywords

Consumer protection, competition enhancement, cost model, Mobile Financial Services, regulatory, retail, telecommunication charges, wholesale.

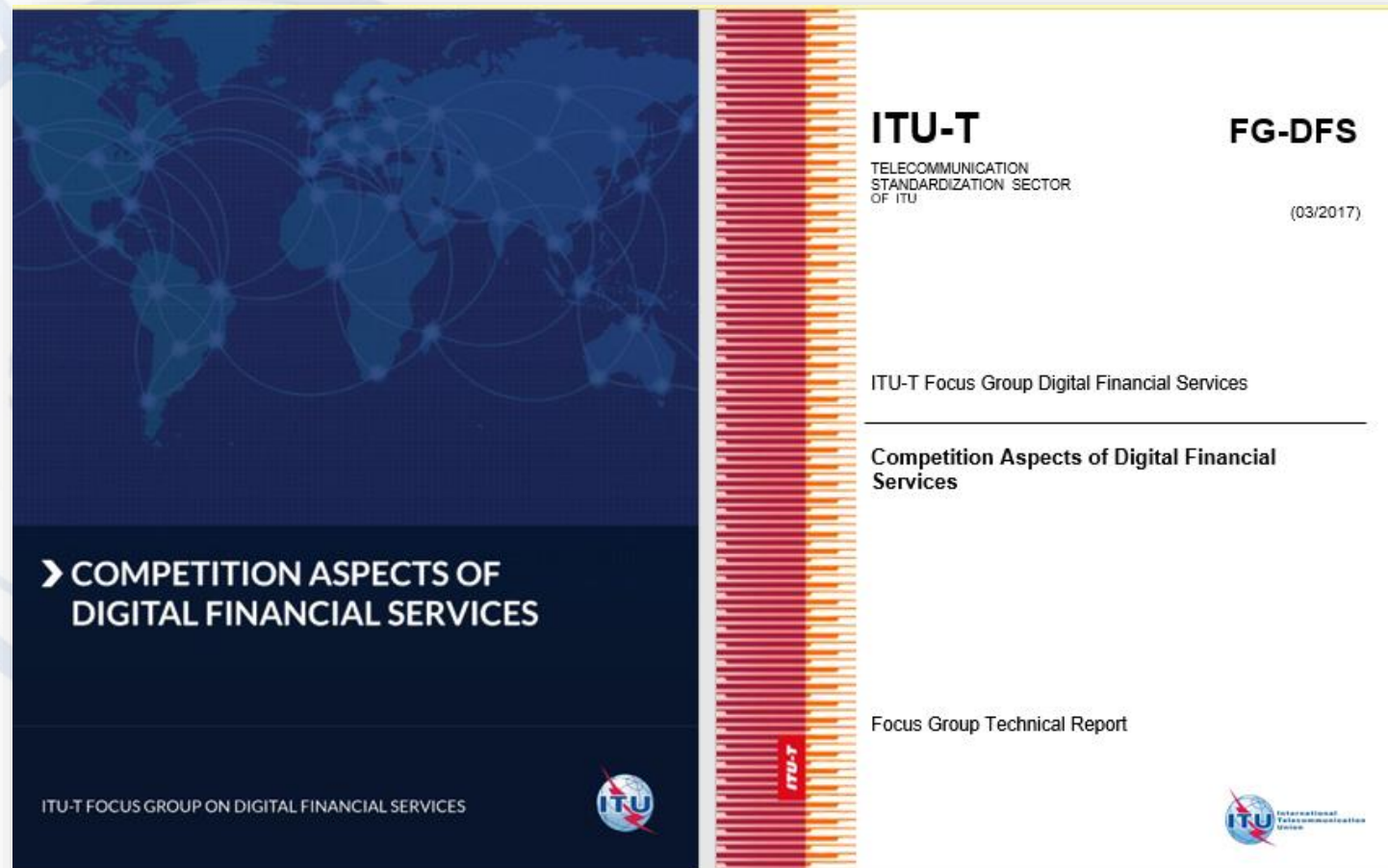
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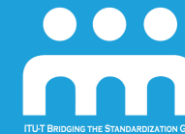
Focus Groups are an instrument created by ITU-T that augment the Study Group work programme by providing an alternative working environment for the quick development of specifications in their chosen areas.

Deliverables of focus groups can take the form of technical reports, specifications, etc., and aim to provide material for consideration by the parent group in its standardization activities. Deliverables of focus groups are not ITU-T Recommendations



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Thank You

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