RISKS RELATED TO THE PROVISION OF DIGITAL FINANCIAL SERVICES : BURUNDI CASE

by

Prosper NGENDANGANYA

Executive Director
Banque de la République du Burundi
email: prngendanganya@brb.bi

BURUNDI AT A GLANCE…

General description	DFS issuers	DFS framework
-Population: 11 millions -Financial inclusion rate: 12,5% (2012 survey) -12 banks -31 MFIs -4 Telecom -Easy access to Mobile phone for urban and rural people	-3 Telecoms -3 banks (All international)	-2 new regulations issued by Central Bank -Telecom in partnership with banks and MFIs -Non interoperability -Approval for cross-border operations -Increasing operations trought DFS

Introduction

- The high cost of building and operating brick-and-mortar bank branches has been a major obstacle for extending financial services to the poor. Physical bank branches are expensive to maintain in far-flung communities, while traveling to urban areas is costly for many rural customers.
- Now, unbanked individuals are increasingly gaining access to financial services through digital channels and an emerging new sets of institutions such as agent network managers, payment aggregators and others who are helping to build out a more far reaching and efficient digital finance ecosystem.
- However, problems or barriers remain a long way to go in the digital finance. It should be mentioned that digital finance has also related risks.

Barriers

- Low level of active users (predominant dormant accounts) due to high service costs;
- Unfamiliarity with services due to inadequate financial education;
- Absence of the digitization of the payments circuits of the Public Administrations (G2P or G2B): only a few NGOs and private companies provide the services of some services of payments by mobile phone;
- Low involvement of banks and non-banking enterprises for the development of more inclusive services;
- Delays in the operationalization of the National Financial Inclusion Strategy (NFIS);
- Low coverage of the telecommunication network in Burundi;
- Lack of infrastructure sharing (interoperability).

Related risks

- **<u>Risks related to Commercial Agents</u>**:
- Agents and their networks introduce new operational risks, the risks of financial crime and the risks associated with consumer credit, many of which are due to the physical distance between the agents of the service provider or the manager of the network of agents, and the consequent difficulties in training and supervising such agents.
- contravening anti-money laundering and financing terrorism (AML / CFT) rules by keeping records and reporting suspicious transactions.
- Measures that contribute to reducing transparency (such as pricing, conditions and remedies), abuse of customers (including excessive pricing), or insufficient attention to data confidentiality of their customers.

Related risks

- **Risks related to digital technology**:
- the risks of service disruption and loss of data, including payment instructions (for example, as a result of deleting messages);
- privacy risks (due to the large number of agents required to process client data - including transaction data - and the particular profile of previously excluded or underserved clients) or security arising from the digital transmission and storage of data.

Thank you for your attention