DIGITAL FINANCIAL SERVICES: WHERE ARE WE HEADED?
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Perspectives from: Africa, Latin America and the Pacific Islands
Where Are We Headed

The African Perspective

Njuguna Ndung'u,
Governor, Central Bank of Kenya
Background

• Sub-Saharan Africa: 50% of the population live below >USD1.25 per day.

• Majority of the poor are unbanked (~3 billion people in developing countries have little or no access to formal financial services).

• Kenya: ~46% of the population live on >1.25 dollars per day.

• The poor are characterized by:
  - low levels of education
  - low levels of capital accumulation
  - poor access to markets

• FI Strategies are important for financial market access - They can reduce poverty sustainably through savings and affordable credit.

• Mobile financial services are a key platform for FI transformation in Africa.
AFI African Member Countries Policy Profile Survey Pilot

Covered 4 policy areas:

- Financial Inclusion Data
- Mobile Financial Services
- Financial Integrity
- Consumer Protection

Questionnaire sent to:

- 29 African countries + BCEAO = 37 countries.

Angola, Burundi, Cameroon, Cape Verde, Central Africa Republic, Chad, Congo, Egypt, Gabon, Gambia, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Sao Tome and Principe, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe and BCEAO (Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo).

13 countries and BCEAO have responded. The respondents altogether represent 21 countries (56%).
Most countries have a clear legal mandate to regulate/oversee mobile financial services

Both banks and non-banks offer MFS-Bank led or non bank led models

Mobile telecommunication channels are a platform for broad based financial ecosystems beyond payments to cover: savings, credit, insurance, capital markets, etc

Growing use of both bank and payment agents

Growing prohibition on exclusivity of agents but interoperability should be market led with regulators playing facilitative role

Increased adoption of Risk Based AML/CFT measures

Consumer Protection is a growing area of concern

Increased convergence of banking and telecommunication platforms

In a nutshell: Africa has embraced MFS and the financial inclusion landscape is being transformed.
Transformative Outcomes-Enhanced Financial Inclusion across the Region

- MFS plays a key role in expanding financial inclusion across Sub-Saharan Africa.

- More to be done: A significant proportion of the populace is still excluded.
1. Regulators should:

- lead the development of the financial sector beyond the traditional mandate of price and financial stability.
- embrace innovation in a safe and sound manner.
- embrace BETTER Regulation rather than MORE Regulation - proportionate and appropriate.

2. Financial sector development is enhanced by collaboration with market players.

3. Developed financial systems that enhance FI are important to reduce poverty sustainably through savings and affordable credit.

4. Deep and accessible financial markets are also critical for effective monetary policy.
Thank you

The African Perspective
Where Are We Headed

Latin American

Santiago Peña
Member of the Board,
Central Bank of Paraguay
Thank you

The Latin American Perspective
Where Are We Headed

The Solomon Islands Perspective

Denton Rarawa
Governor
Central Bank of Solomon Islands
Pacific Islands
Digital Financial Services - a break thru

- Where we prior to DFS takeoff
  6.6m out of the estimate total of 10m were unbanked
- Trends
- Factors affecting DFS
Main Drivers

- Central Banks took the lead
- “Open Door Policy”: Close dialogue with the Private sector in developing policies
- “Taste and Follow” Approach
- Simplified Tiered KYC Regulations
- Financial Education/Client Awareness
- Pacific Islands Working Group support
Digital Financial Services: Its impact on Financial Inclusion

• Private sector Growth

• Increased access into formal financial services

• Applied Product Innovation (API) e.g.: G2P, P2P, Billpay,

Results for Solomon Is:
New banking clients

High growth in 2013 & 2014 was due to rollout of mobile banking in Sep 2013

60% adult population banked
What next?

- Further deepening of API
- Regulation/Policy
- Consumer protection issues
- Continue on financial education and client awareness
Thank you

The Solomon Islands Perspective