

# **Trade in Services and Financial Inclusion**

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*WTO*

*April 2017*

# Financial Exclusion: What Do We Know?



**2 BILLION**  
people worldwide **lack**  
**access to accounts**  
**at a formal financial**  
**service provider.**



This represents a  
**20%**  
**decrease** in  
the number  
of financially  
excluded people.



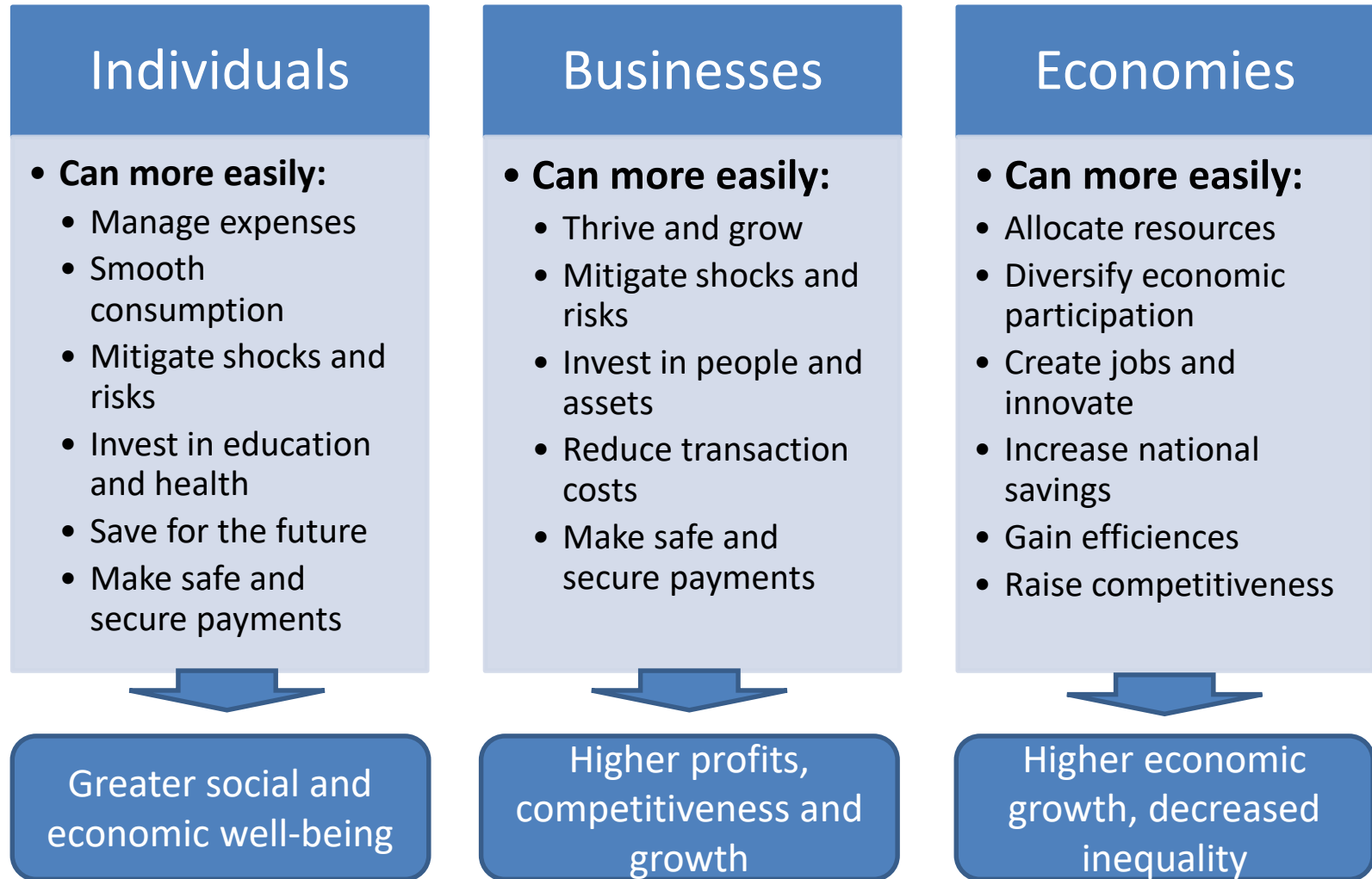
More than  
**50%**  
of adults  
in the poorest households  
**don't have bank**  
**accounts at all.**  
**Of existing accounts,**  
**50%** are **unused.**

Yet  
**over**  
**half**  
of adults  
in some East  
African countries  
have a mobile  
money account.



Source: SOFI2016: Financial Inclusion infographic - Expanding Access to Financial Services

# How Financial Inclusion Creates Opportunities



# Barriers to Financial Inclusion

## Demand-side Barriers

- Lack of income
- Cultural factors
- Religious beliefs
- Absence of formal identification systems
- Low levels of financial literacy
- Distrust of financial institutions
- Lack of necessary documentation and/or collateral to support financial transactions.

## Supply-side Barriers

- Inadequate financial products and services
- Lack of knowledge about these market segments
- Underdeveloped and inefficient distribution channels
- Lack of reliable information on individuals' or firms' credit records
- Inefficient industry-level coordination

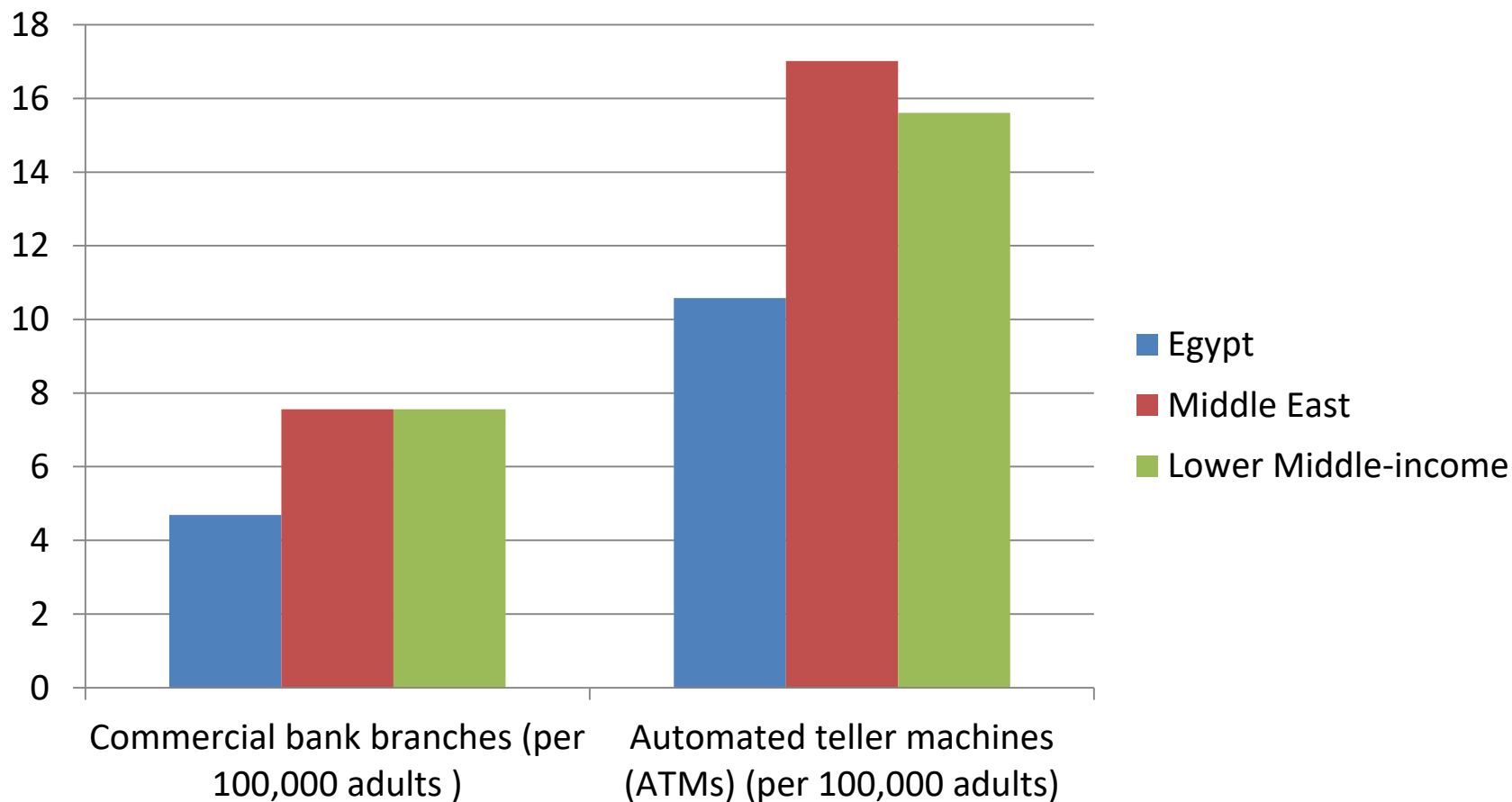
## Regulatory Barriers

- Restrictive, outdated, and unresponsive regulatory frameworks
- No consumer protection
- Poor contract enforcement
- Regulatory impediments to bank branch establishment and expansion
- Lack of modern national identification systems
- Lack of collateral registries and credit bureaus
- Lack of standards for product information disclosure.

# Financial Inclusion: How to get there?

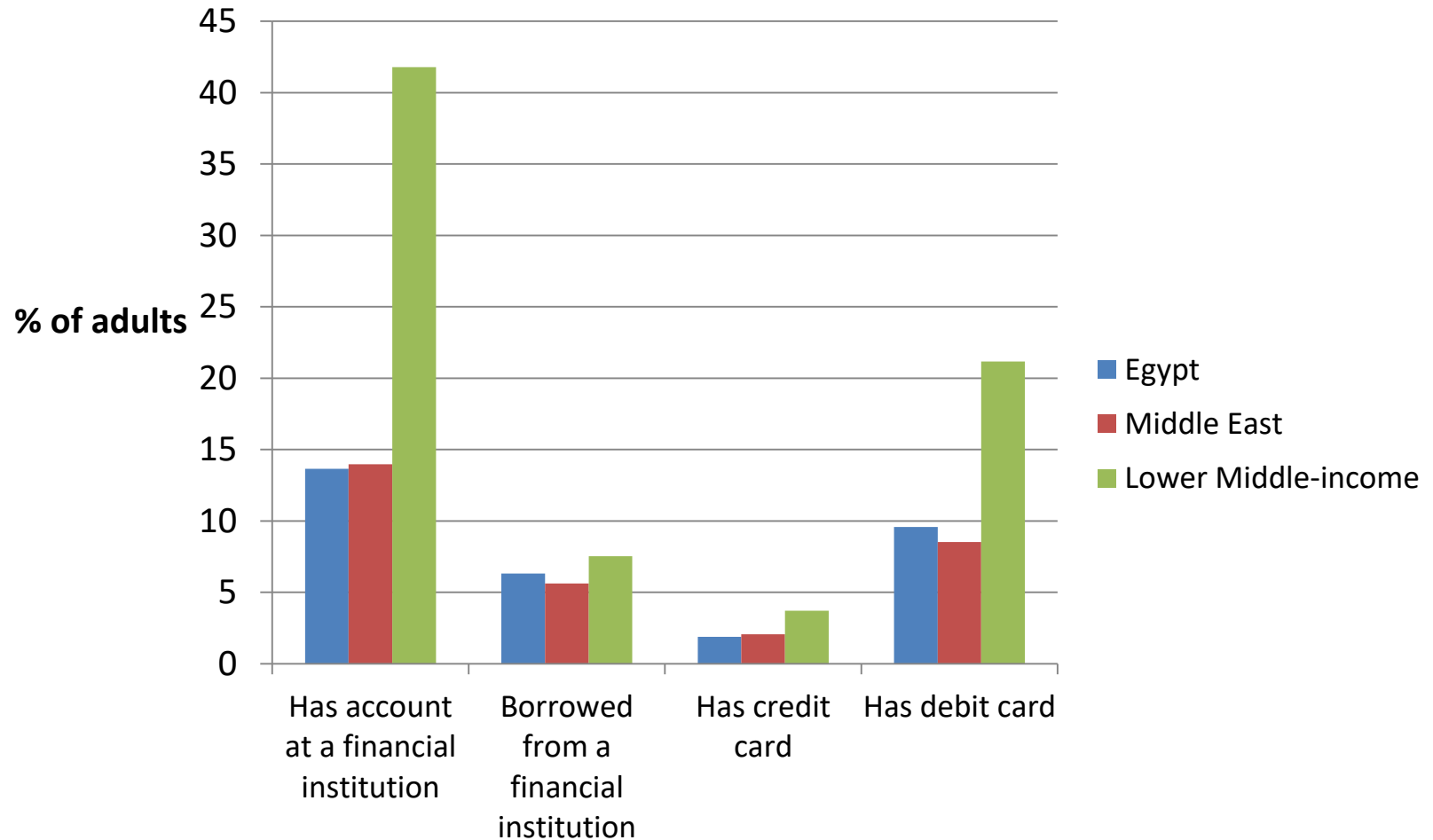


# Financial inclusion in Egypt: supply-side constraints



Source: 2014 Global Findex data (World Bank)

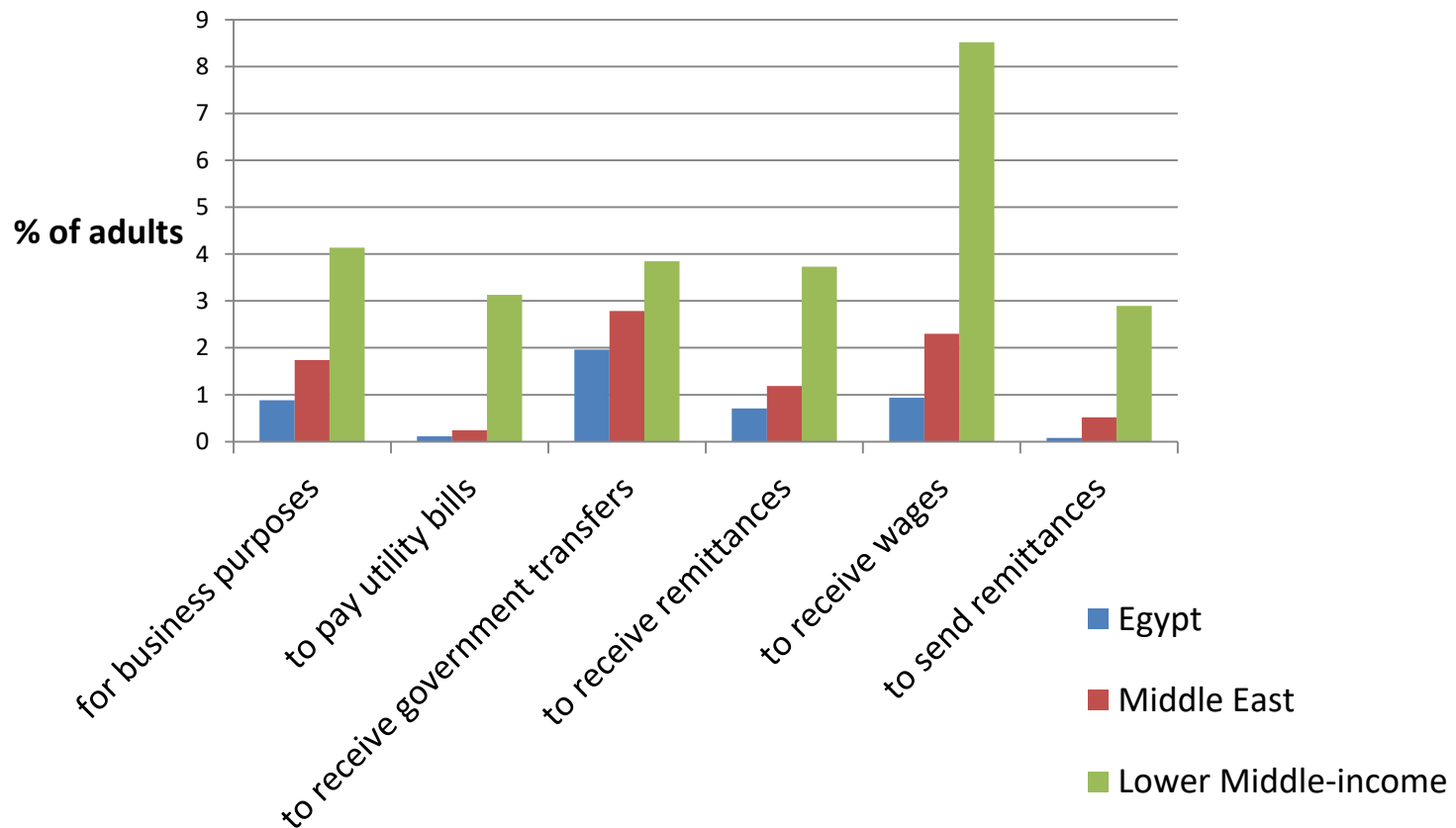
# Financial inclusion in Egypt: low levels of access and use



Source: 2014 Global Findex data (World Bank)

# Financial inclusion in Egypt: low levels of access and use

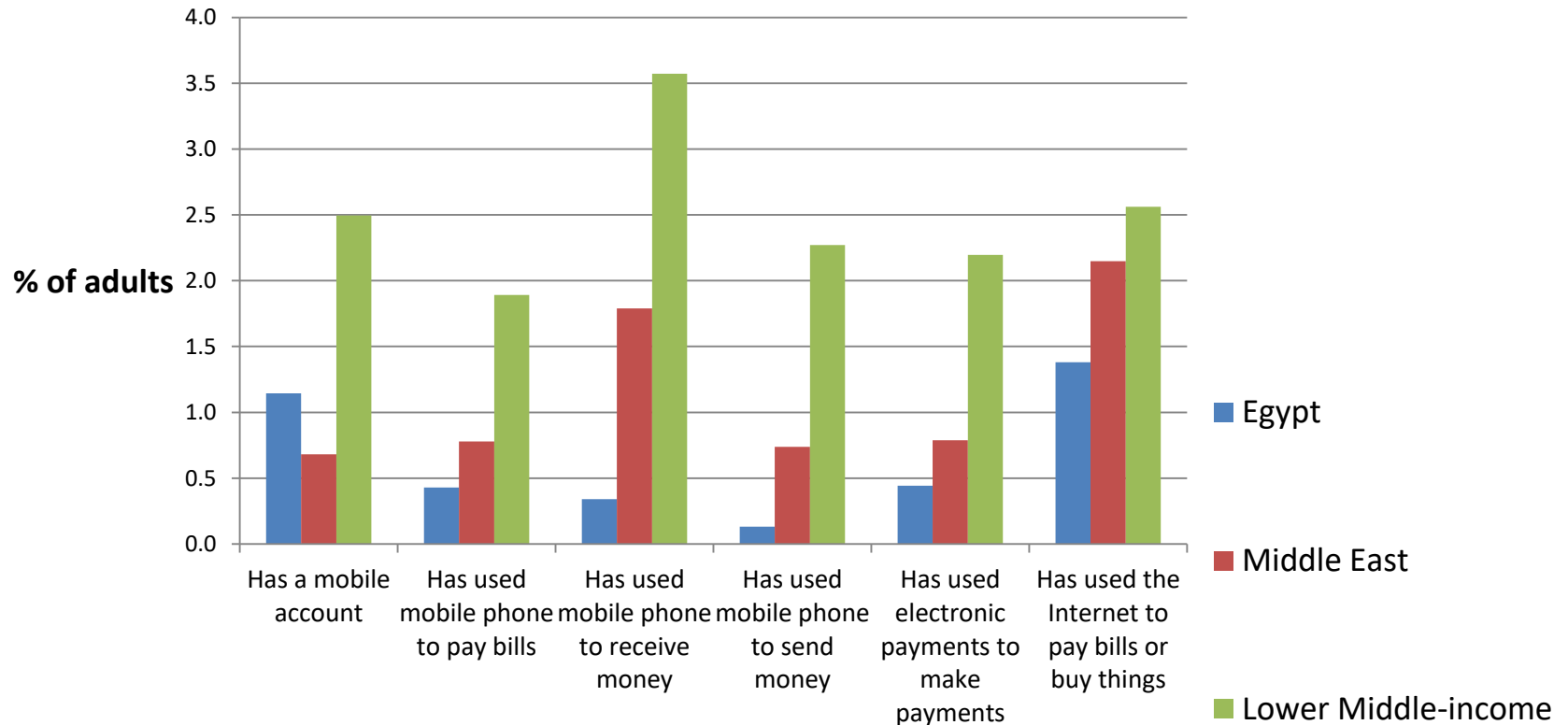
## Use of account at a financial institution



Source: 2014 Global Findex data (World Bank)

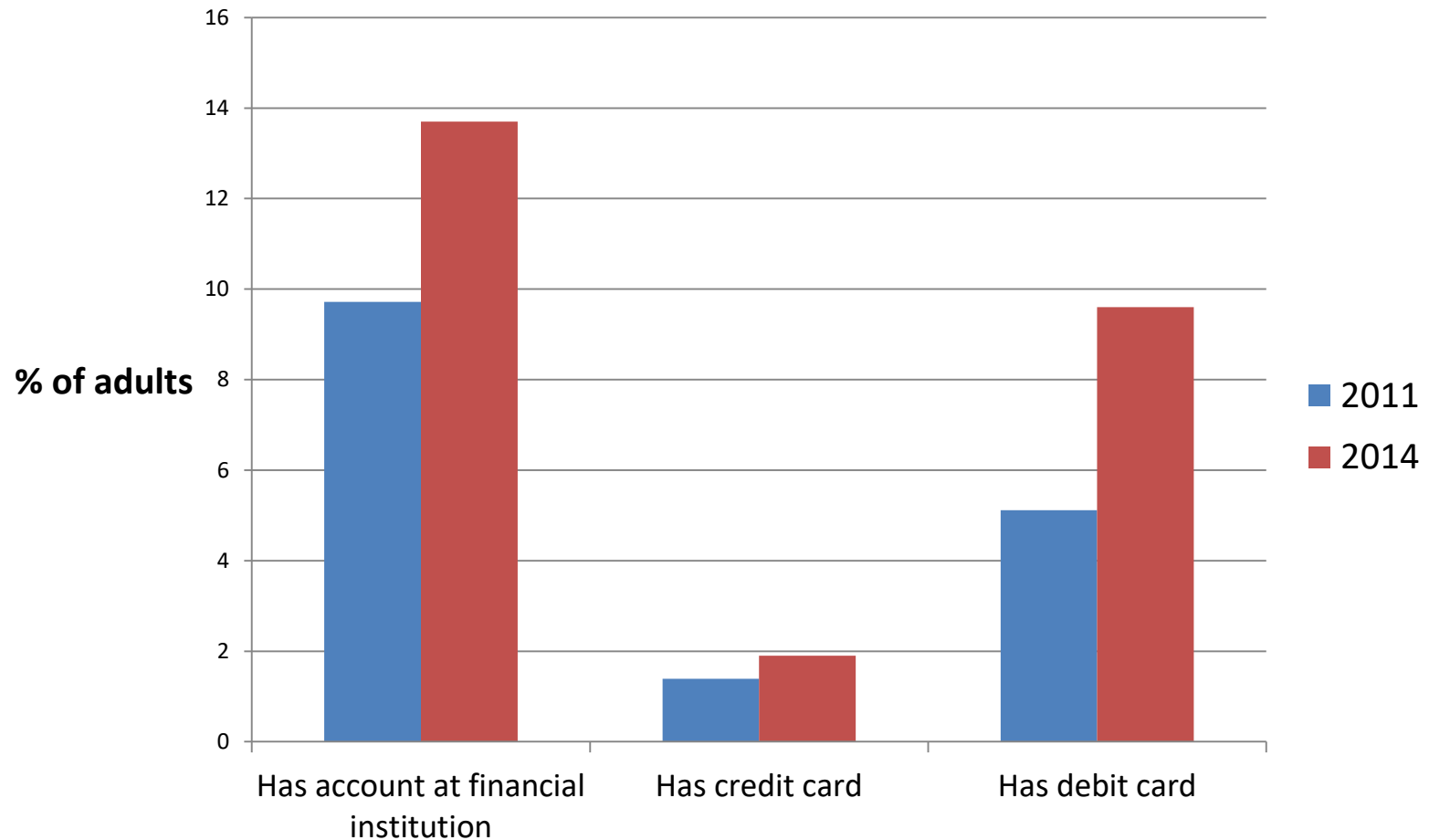


# Financial inclusion in Egypt: low penetration of electronic payment means



Source: 2014 Global Findex data (World Bank)

# Financial inclusion in Egypt: situation is improving...



Source: 2014 Global Findex data (World Bank)

# Situation is improving...thanks to regulatory and industry initiatives

- Dic 2016: new “Mobile Payments Regulation”
  - Banks will be allowed to use agents across the country to establish relationships with customers, verify identities, offer banking services.
  - Micro enterprises, merchants and people will be able to pay, and receive and remit funds via their mobile accounts
  - All different payments schemes shall be interoperable.
- Jul 2016: MasterCard integrates 2m electronic wallets from Vodafone Cash into MasterCard payment system via mobile phones.
- Nov 2015: WorldRemit launches money transfers to Egypt via mobile
- ...and more...

# Trade in services and financial inclusion: lessons from experience...

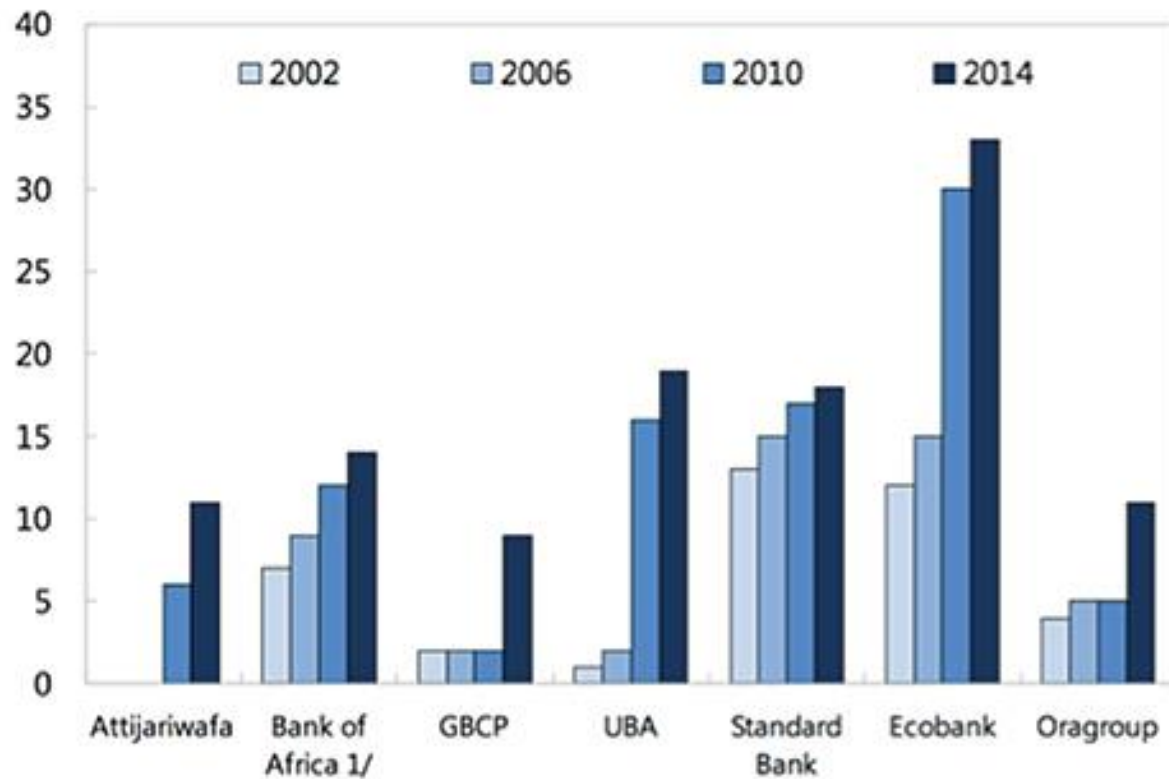
## Case studies:

- Expansion of Pan-African Banks
- Microfinance commercial banks
- Branchless banking in Pakistan and Senegal
- Mobile payments in Rwanda and South Africa
- Payment banks in India
- Mobile financial services in Africa and the Middle-East
- Mobile cross-border remittance services in Africa

*Source: WTO – Barriers to Financial Inclusion and Trade in Services (S/FIN/W/88/Add.1)*

# The expansion of Pan-African banks

Number of foreign subsidiaries

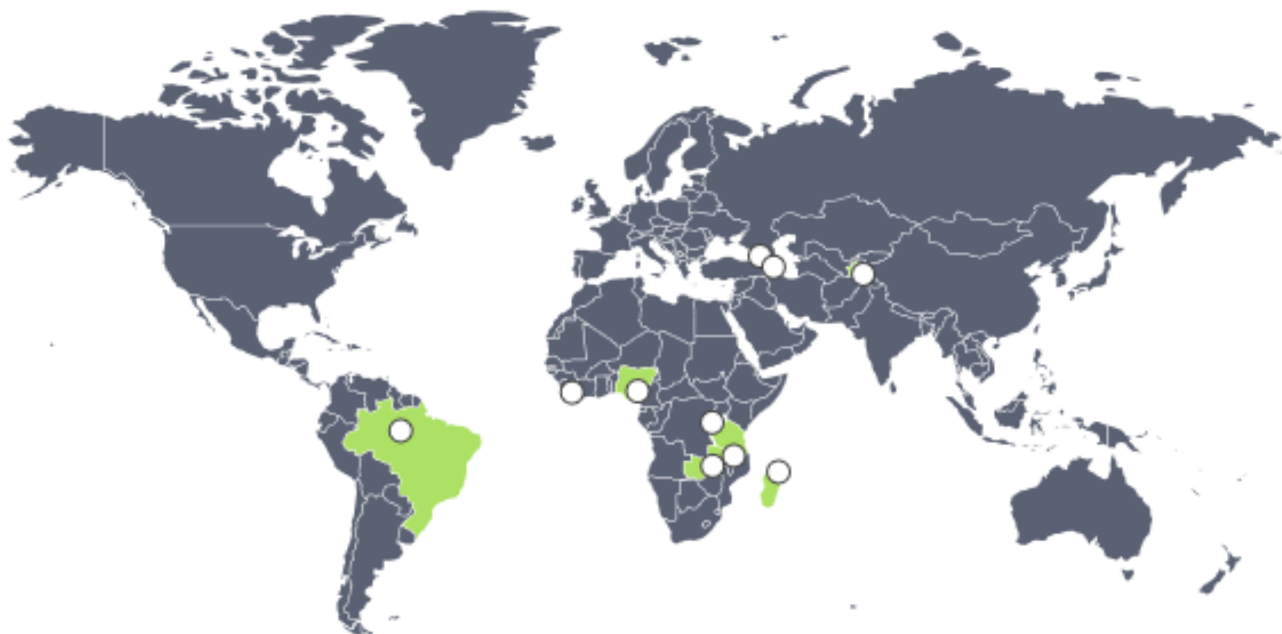


Source: IMF

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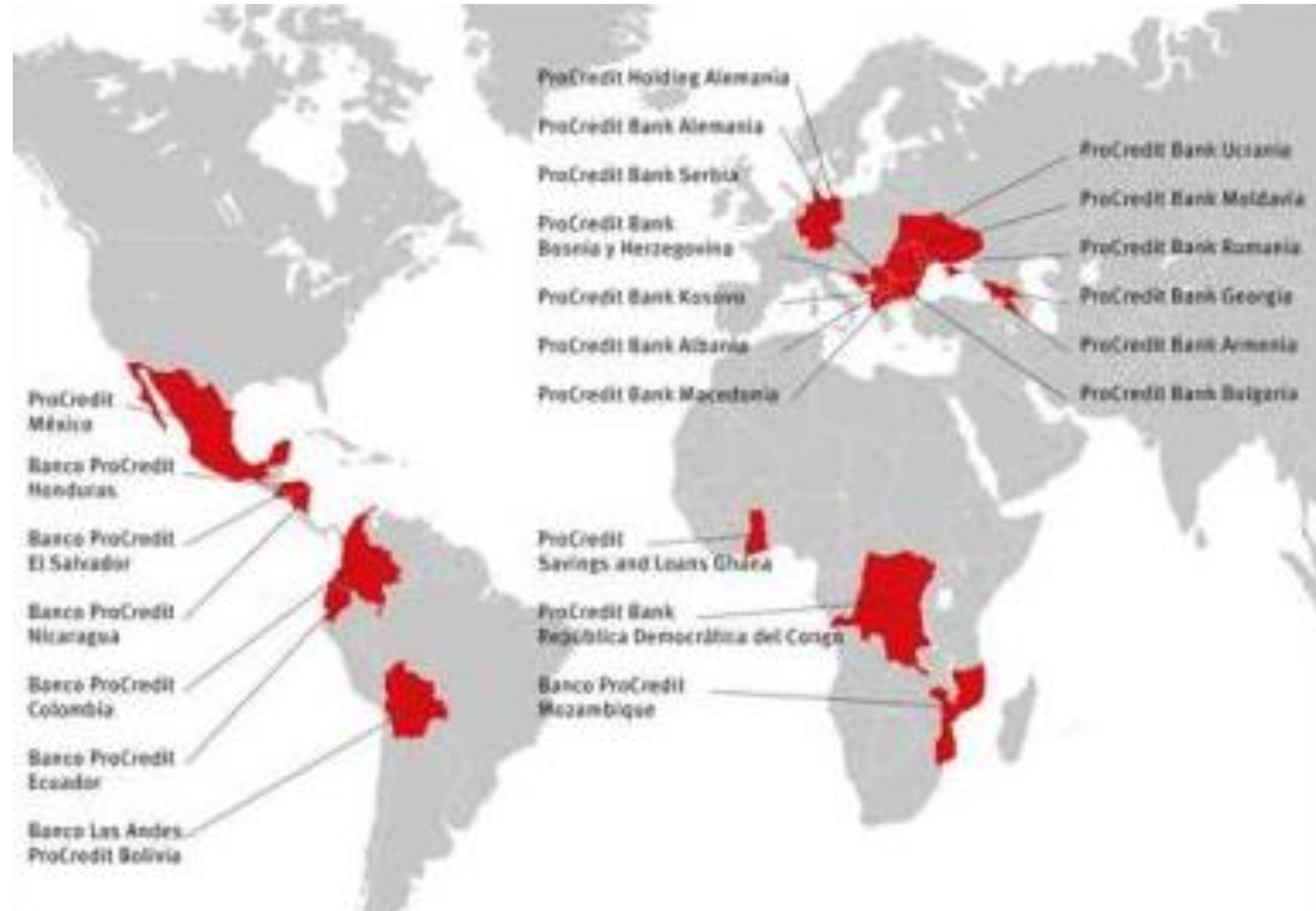
# Microfinance commercial banks

*Access  
Microfinance  
Holdging AG*

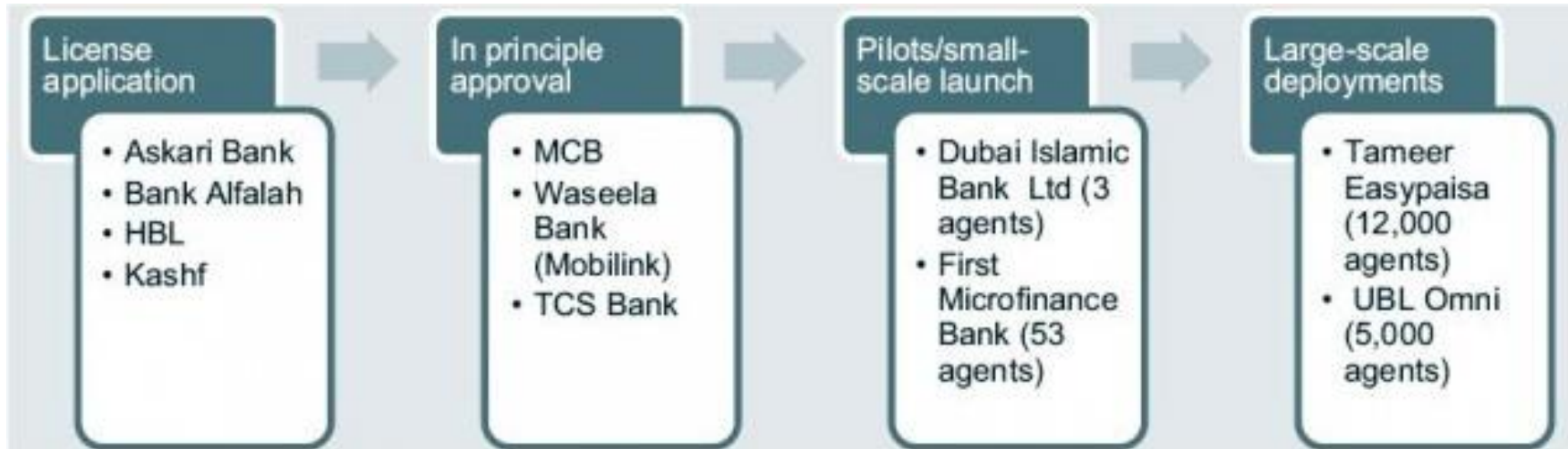


# Microfinance commercial banks

## *ProCredit Bank Group*



# Branchless banking in Pakistan



## *Foreign participation:*

- Tameer Easypaisa: JV Telenor Pakistan + Tameer Microfinance Bank (Telenor Pakistan is 100% owned by Norway's Telenor Group)
- Dubai Islamic Bank Pakistan Limited (DIBPL): wholly-owned subsidiary of Dubai Islamic Bank UAE (DIB)



# Branchless banking in Senegal

## *A thriving market (with **foreign participation**):*

- SGBS: **subsidiary of the Société Générale bank** (mobile money solution called Yobantel)
- **Orange**: only MNO in Senegal to provide a mobile money wallet, Orange Money, in partnership with BICIS, a **subsidiary of the bank BNP Paribas**
- FERLO: first company to receive the nonbank e-money issuer licence
- Microfinance institutions ACEP and PAMECAS, in partnership with technology provider Mobile Banking Enabler
- CSI (Cellular Systems International) through its brand W@ri
- GIM-UEMOA (regional banking switch for interbank payment systems and electronic payments) recently launched its GIM-Mobile project
- The MicroFinance Directorate, in partnership with KfW, has launched a mobile banking project

# Mobile payments in South Africa

*Another thriving market (with **foreign participation**)*

- Mobicash
  - **Headquartered in Hong Kong** (cashless financial platform that allows unbanked customers easy access to banking and payment services)
  - It currently offers its mobile banking platform in 13 African countries including Rwanda, Uganda, Burundi, Kenya, Ghana, Tanzania, Cameroon, DRC, Malawi, Zambia, Zimbabwe, Botswana and South Africa.
- Boloro South Africa
  - Subsidiary of Boloro Global Limited, which is **headquartered in the United States (New York City)**
  - Boloro also operates in South Asia, Middle East and Africa and will soon launch operations in Latin America, the Caribbean and East Asia.

# Mobile payments in Rwanda

*Yet another thriving market (with **foreign participation**)*

- KCB Bank
  - **Established in Kenia**
  - East Africa's largest commercial bank with subsidiaries in Burundi, Rwanda, South Sudan, Tanzania and Uganda
  - Today KCB Bank Group has the largest branch network in the region with over 250 branches, 962 ATMs and 11,000 agents offering banking services on a 24/7 basis in East Africa
- GoSwiff
  - **Headquartered in Singapore**
  - Currently has operations in 25 countries, including Rwanda

# Payment banks in India

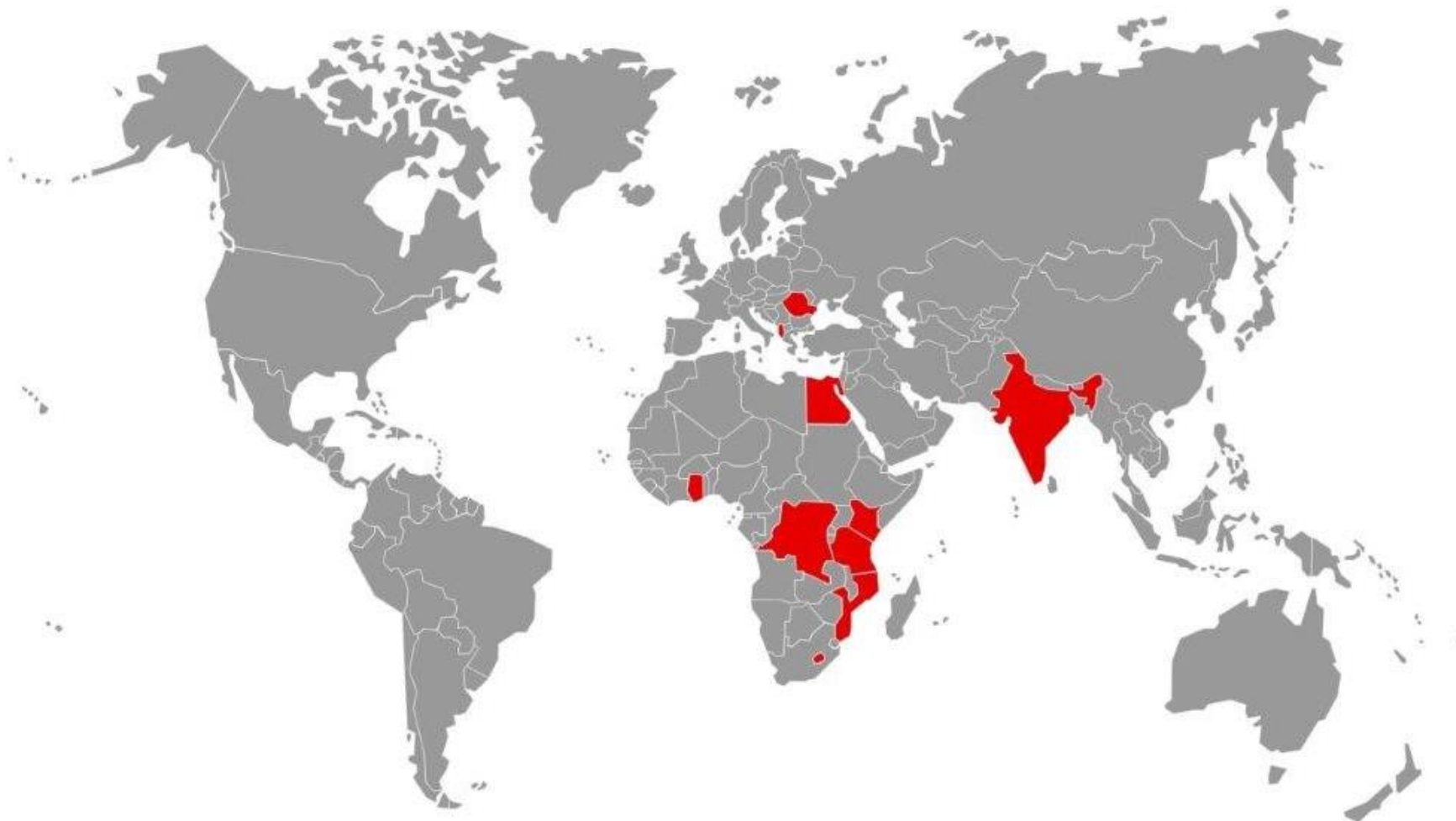
Vodafone m-pesa Ltd is a wholly-owned subsidiary of the British multinational telco Vodafone

## New Payments Banks

1. Aditya Birla Nuvo Limited
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. Department of Posts
5. Fino PayTech Limited
6. National Securities Depository Limited
7. Reliance Industries Limited
8. Shri Dilip Shantilal Shanghvi
9. Shri Vijay Shekhar Sharma
10. Tech Mahindra Limited
11. Vodafone m-pesa Limited

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# Mobile financial services: M-PESA



# Mobile cross-border remittance services

There are now 29 cross-border mobile money remittance corridors connecting 19 countries. All but 3 are in sub-Saharan Africa.

*Source: GSMA – 2015 State of the Industry Report*

Live corridors for cross-border mobile money remittances initiatives (December 2015)



# Financial Inclusion: an enabling regulatory approach

- Mobile operators play a critical role
- Competition in the provision of mobile money services is a necessary but not sufficient condition...
- ...as advocated by BIS and FSB, an “enabling regulatory approach” requires a functional approach to regulation, i.e. allowing banks and non-bank providers to compete as well as to establish different types of partnerships for the provision of mobile money services.

# Financial Inclusion: the Role of Trade Policy

## *GATS specific commitments...*

- ...are compatible with a functional approach to regulation
- ...support regulatory reforms and ensure a level playing field
- ...secure market access opportunities for service suppliers, particularly from developing countries



Thank you