



## ITU REGIONAL ECONOMIC AND FINANCIAL FORUM OF TELECOMMUNICATIONS/ICTS FOR Arab Region

*Manama, Bahrain, 29 November 2015*

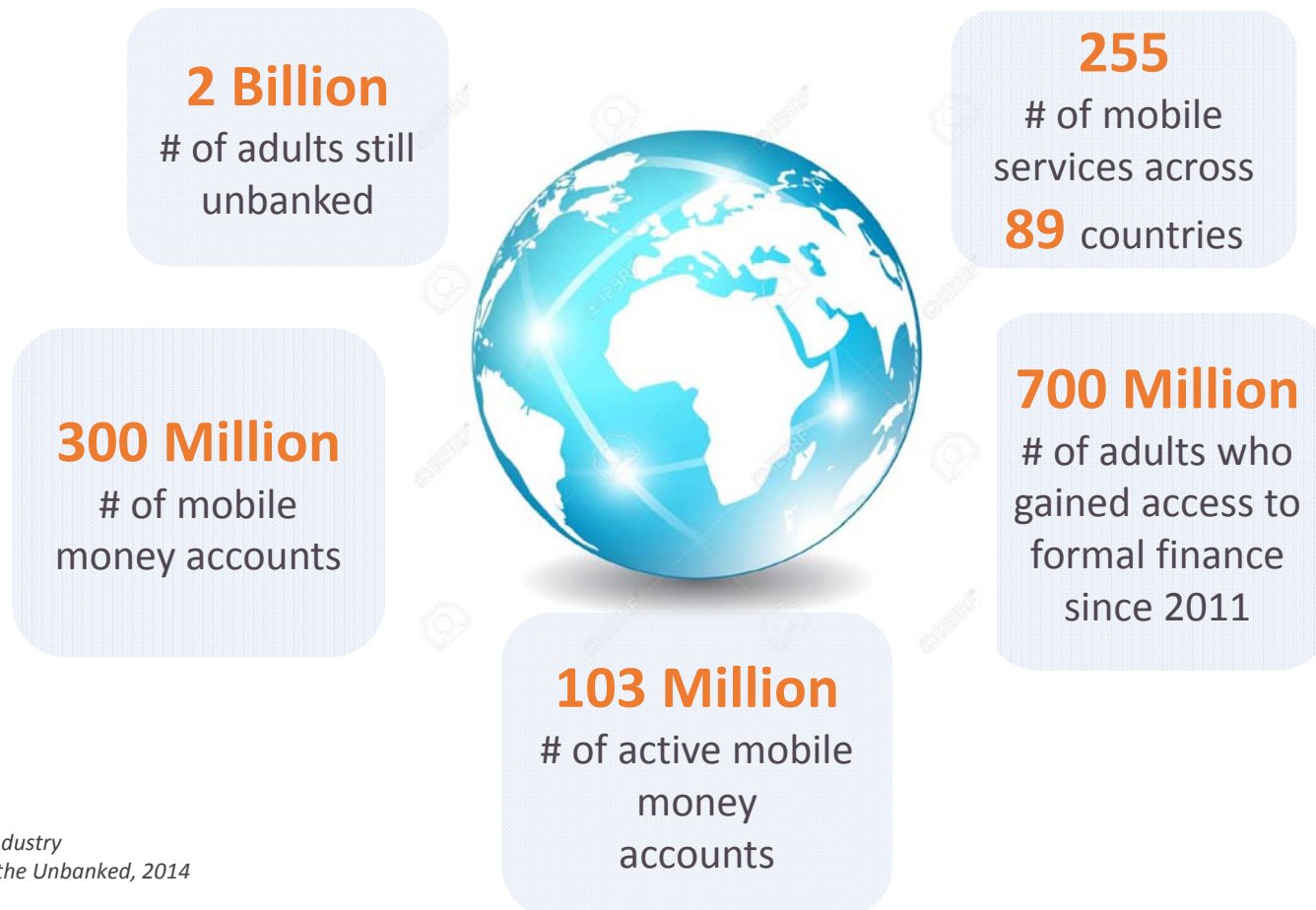


# Keynotes on Digital Financial Inclusion



Eng. Slaheddine Maaref - Senior Advisor, ITU Regional Office for the Arab States

## Facts about the Use of Financial Services



Source: GSMA, State of the Industry  
Mobile Financial Services for the Unbanked, 2014

## ICTs Development as an Enabler of Financial Inclusion

Access to and use of formal financial services provide **opportunities for facilitating individual prosperity and economic development**

**Women and other marginalized groups** can benefit from greater access to mobile money and other digital financial services

**Joining multi-national financial inclusion networks, coordinating among diverse stakeholders, and setting quantifiable targets based on nationally representative data** can drive progress toward greater financial inclusion



## ICTs Development as an Enabler of Financial Inclusion

**Investing in digital infrastructure that is accessible and affordable** contributes to the availability and adoption of digital financial services among underserved populations

**Facilitating competition by allowing non-banks to provide financial services, encouraging providers to improve interoperability, and limiting agent exclusivity through regulation** helps foster the emergence and adoption of innovative and affordable services

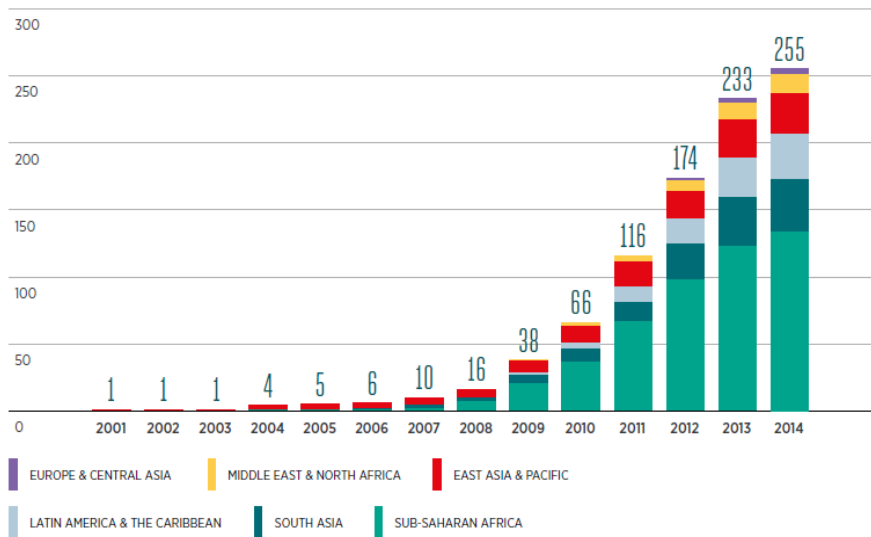
**Advancing financial literacy and ensuring reliability and accessibility of financial services** will help overcome barriers to adoption



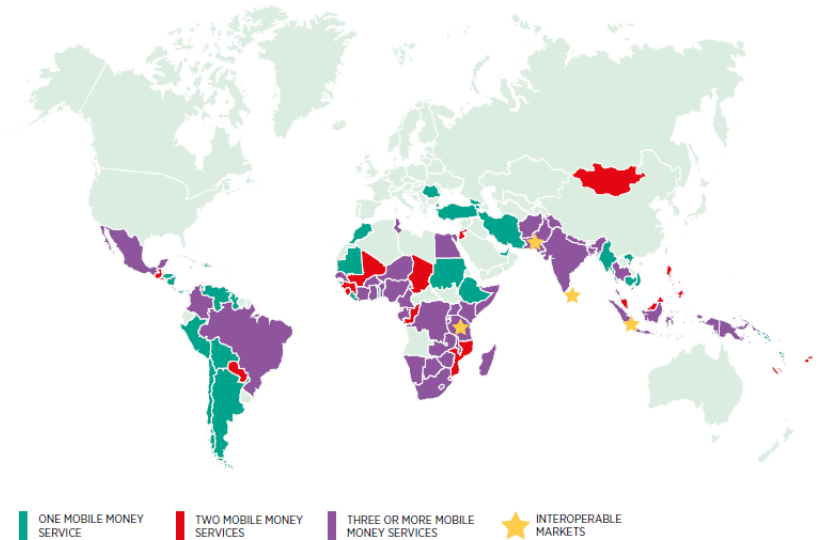
# Implications of DFS for Financial Inclusion (Example of Mobile Money)

## Increasing growth of the number of Mobile Money Services for the unbanked worldwide since 2008 with a majority in Sub-Saharan Africa

**NUMBER OF LIVE MOBILE MONEY SERVICES BY REGION**  
(2001-2014; YEAR-END)



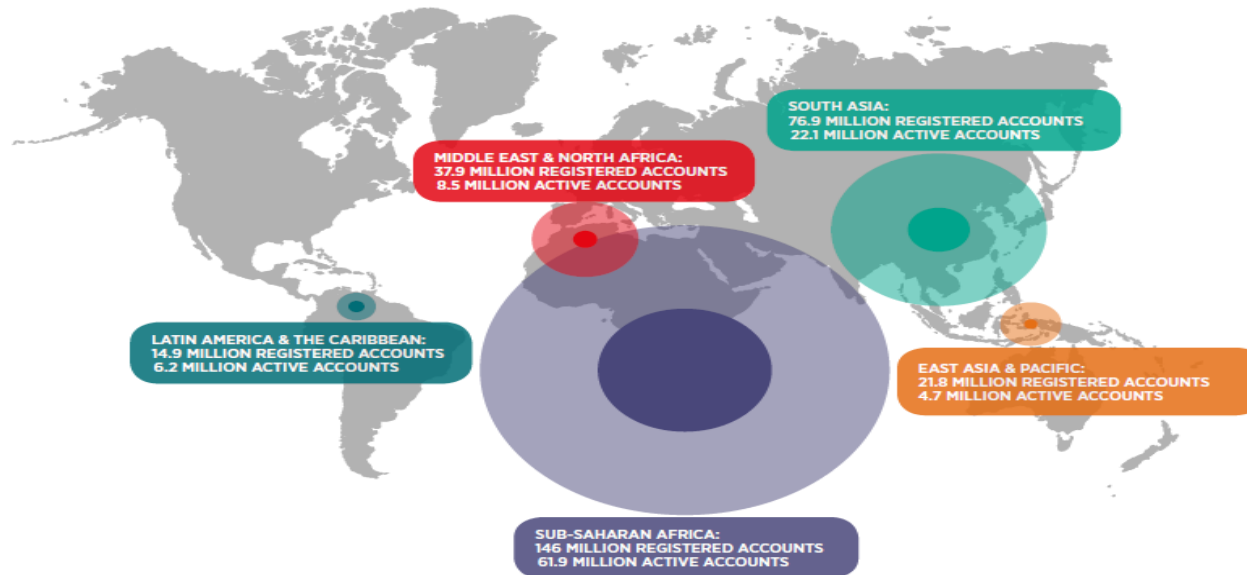
**NUMBER OF LIVE MOBILE MONEY SERVICES FOR THE UNBANKED BY COUNTRY**  
(DECEMBER 2014)



Source: GSMA, State of the Industry Mobile Financial Services for the Unbanked, 2014

# Implications of DFS for Financial Inclusion (Example of Mobile Money)

**NUMBERS OF REGISTERED AND ACTIVE CUSTOMER ACCOUNTS BY REGION  
(DECEMBER 2014)**



**Increase in the number of mobile accounts (registered and active)  
with Sub-Saharan Africa as leading region**

- Greater Smartphone penetration may lead to an **accelerated pace of new product development on the mobile money rails**
- **Web-based interfaces and mobile money apps can allow Telcos to increase the size of their addressable mobile money market** beyond their GSM customer base
- By de-linking the SIM card from the mobile money service, **smartphones can lower barriers to entry for a greater diversity of players to capitalize on the mobile money opportunity, disrupting existing models**
- The distribution network for cash-in and out is particularly difficult and costly to build-out and manage. **The shift to a cash-less society is likely to be more arduous than the transition to Smartphones** and it is likely that **agent networks will continue to be a core pillar for mobile money for the unbanked, long after Smartphones fully penetrate markets**



# What Economic & Social Impacts of DFS? (Example of Kenya)



Benefits	June 2010	June 2014
<b>Financial Inclusion (Population Accessing Mobile Money Services)</b>	36% i.e. approx. 13 million	64% i.e. 27 million
<b>Employment Creation (Mobile Money Agents)</b>	31,900	120,800
<b>Money Transacted on Mobile Money Platform</b>	USD 653M	USD 23B
<b>Kenya's Overall Economic growth outlook (GDP)</b>	Low income Economy	<ul style="list-style-type: none"> <li>▪ Middle income Economy</li> <li>▪ &gt;31% of GDP channeled through Mobile money</li> </ul>



# Digital finance landscape is complex

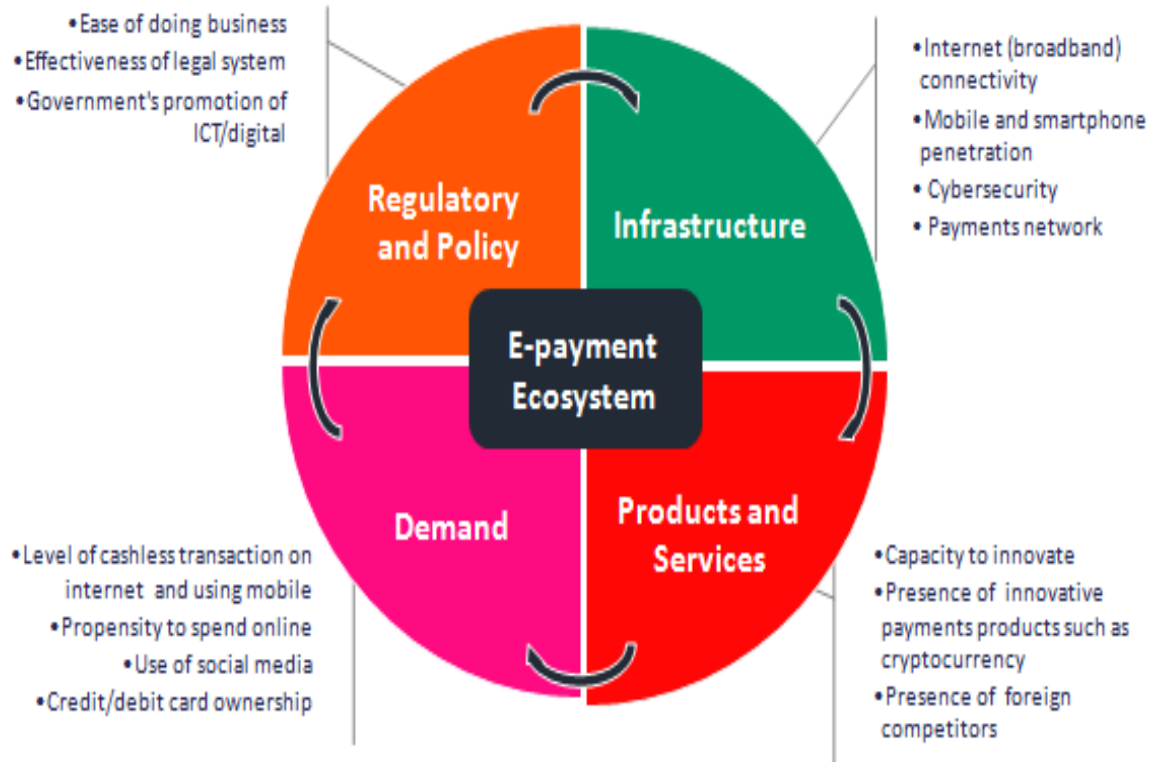
	Payee device/ gateway	Transaction acquirer	Acquirer processor	Network	Issuer processor	Payment instrument issuer	Payer device	
DDA/check	POS / ECR systems providers  ATM manufacturers / servicers  Payments gateways and software companies  Wireless device manufacturers	Collecting bank	Collecting bank or processor	Clearing houses	Paying bank processor	Paying bank	Central Bank	
ACH		Originating depository financial institution		Fed, EPN	Receiving depository financial institution		National Mint	
Credit card		Global card associations						Check printers
Debit card/ ATM		Merchant acquirer	Merchant processor	Card associations	Issuer processor	Issuer	Plastics providers	
Prepaid card		Prepaid acquirer		EFT networks	Issuer processor	Issuer	Electronic banking/ bill payment services	
Money transfer		Agent	Money transfer operator			Agent	Treasury workstations	
Emerging		Specialist payments providers						Payments software providers

- ▶ *What are the roles of financial regulators and ICT regulators*
- ▶ *How to build synergies at the national level*
- ▶ *What frameworks to built for DFS*



Source: McKinsey Global Payments practice & Bill and Melinda Gates Foundation (2014)

# Example of Ecosystem Framework



► **The role of regulators will be crucial** especially with the entrance of new players in the DFS ecosystem especially OTTs

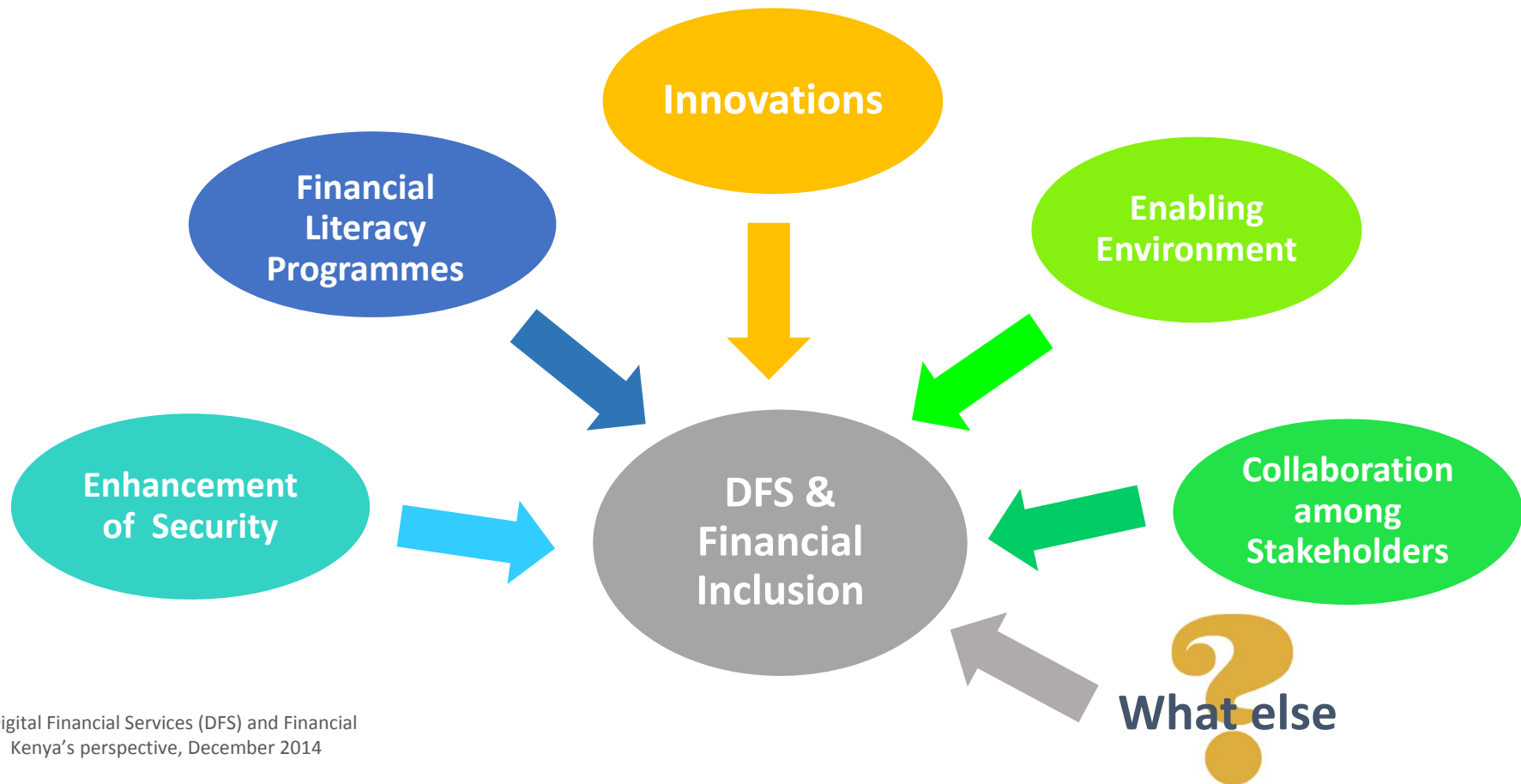
**Example:**

In March 2015, Facebook has unveiled a payment service through its messenger function which allows its users to send and receive money between friends in a secure way

Source : Facebook Newsroom, March 2015



# What Should be Considered for the success of DFS & Financial Inclusion?



Source: Digital Financial Services (DFS) and Financial Inclusion: Kenya's perspective, December 2014

- Establishment of ITU-T Focus Group Digital Financial Services (FG DFS) during TSAG meeting in 17-20 June 2014
- Main objectives of this FG:
  - Identify the technology trends in digital financial services over the coming years
  - Identify how the role of various stakeholders in this ecosystem will evolve  
*(identifying underlying frameworks, new business models and public private partnership arrangements necessary for digital financial services)*
- Organizing ITU Workshops on "*Digital Financial Services and Financial Inclusion*"





## *ITU REGIONAL ECONOMIC AND FINANCIAL FORUM OF TELECOMMUNICATIONS/ICTS FOR Arab Region*

*Manama, Bahrain, 29 November 2015*



# Thank you



Eng. Slaheddine Maaref - ITU