

## **World Economic Forum Holds side meeting on “Promoting Global Financial Inclusion Summit on Africa”**

On the sides of the just concluded World Economic Forum, the Acting Governor, Dr. (Mrs.) Sarah Alade participated at a Media Chat on 'Promoting Global Financial Inclusion in Africa'. The event which took place at the Barcelona Hotel, Wuse, Abuja on 7th May, 2014 featured Matthew Bishop: US Business Editor and New York Bureau Chief of The Economist; Mary Ellen Iskenderian, President and Chief Executive Officer, Women's World Banking, Michael Miebach, President, Middle East and Africa for MasterCard Worldwide and James Mwangi, Group Chief Executive Officer and Managing Director, Equity Bank, Kenya.

- The Acting Governor, during the session, highlighted that with the percentage of excluded adult Nigerians dropping from 46.3% in 2010 to 39.7% in 2012, the country was making steady progress towards achieving the 20% exclusion rate targeted for 2020. This progress, according to her, was made possible by the implementation of various intervention programmes and initiatives spelt out in the Strategy.
- The President of Women's World Banking noted that 55% of men and 45% of women are financially included globally, while for the population living under \$2 a day, 80% of men and only 20% of women are financially included. This according to her, underscored the need for schemes tailored towards fostering women's financial inclusion.
- Michael Miebach of MasterCard highlighted that mobile banking was making remarkable impact in Africa beyond transactions through debit/credit cards, and stressed that in order to optimally harness the opportunities, regulators need to issue guidelines that support other financial transactions beyond payments.
- The Group CEO of Equity Bank, Kenya, Mr. James Mwangi explained that the reasons for the huge success of the Kenyan mobile money platform were the ease with which people can use it, the informal nature of the sector, and the enthusiasm with which the Kenyan citizens were willing to embrace transactions through the mobile platforms.

The technical sessions which preceded the interview focused on Market-Based Agenda Setting and Innovative Solutions for financial inclusion. The sessions which were facilitated by Messrs. McKinsey & CO segmented African countries into 3 archetypes: "Mobile Leapfrogs", "Convergence Battle" and "Transforming Markets". The classification was based on national income and population density.

- Mobile Leapfrog nations were characterized by low income and low population density, for example Kenya and Uganda. They had underdeveloped and informal financial markets with little regulation that have allowed telcos to offer financial services with little to no restrictions. This had led to increase in the inclusion rate in these regions. It was noted that positive inclusion rates in the countries had not expanded to the full suite of services but only limited to payments. In order to reverse the trend, it was suggested that strategies for

expanding the telcos' services to include savings, insurance and pensions, as well as using them for financial education and as agent networks to encourage socio-economic schemes should be evolved.

- Convergence Battle nations were characterized by high income and low population density for example, South Africa and Botswana. The markets had high level of competition among stakeholders, accentuated by advanced financial infrastructure, highly developed financial sectors and complex/standardized regulatory provisions that guide activities of stakeholders. The strict regulations tend to reduce profitability in service delivery to rural areas, causing financial exclusion at that level. In order to resolve this, it was suggested that another tier of banking with less stringent regulations and which accommodate interoperability should be created as these will enable financial institutions, their agents and telcos to provide services at profitable rates to people in rural areas.
- Transforming markets, like Nigeria have high population density but low income. These markets are characterized by underdeveloped physical and financial infrastructure and adverse political interference that could pose challenges in implementing financial inclusion strategies. Some of the ideas floated in support of inclusion in such countries include: reviewing of existing regulatory frameworks to foster more collaborations between telcos and financial services providers; entrenching appropriate formal identification procedures for citizens; and sensitizing financial institutions on the advantages, safety and reliability of agent banking services.

In attendance at the session were the Directors of Development Finance Department, Mr. P. N. Eluhaiwe, Strategy Management Department, Mr. L. E. Adamu and Banking and Payment Systems, Mr. T. O. Fatokun.