

afi Alliance for
Financial Inclusion
Bringing smart policies to life

Financial Inclusion Has Made a Difference

A High Level Conference on Kenya's Economic Successes, Prospects and Challenges -
Making Inclusive Growth a Reality

Alfred Hannig, Alliance for Financial Inclusion (AFI)
Nairobi, September 17-18, 2013

Would you lend money to these people?



Microsoft corporation 1978

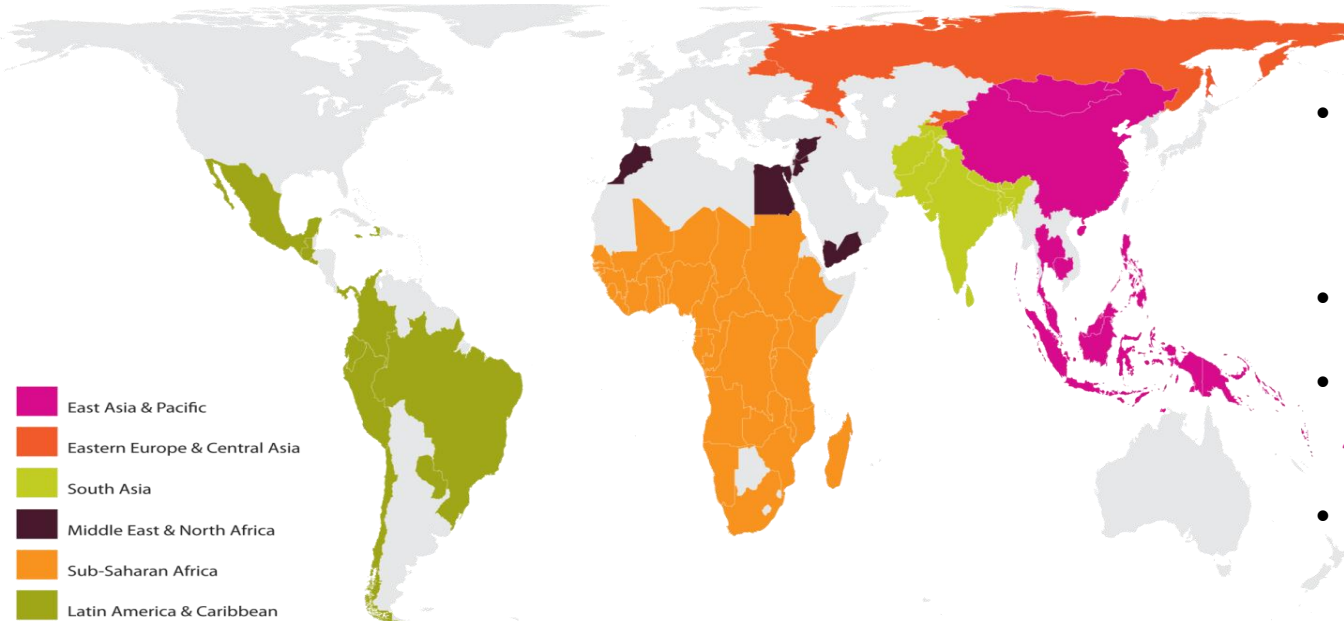


The AFI Network



- Founded in September 2008, AFI is a global network of **policymakers in emerging and developing countries**
- AFI is dedicated to accelerating the **adoption of innovative financial inclusion policy solutions** with the ultimate aim of making formal financial services more accessible and useable to the billions of unbanked people
- AFI provides members with the tools and resources to **share, develop and implement** their **knowledge** of cutting-edge policies

The Alliance for Financial Inclusion



- 108 Institutions, 89 countries
- Unique Peer Learning network (working groups)
- 7 policy areas
- More than 35 tangible policy changes
- Financial Inclusion as mainstream international policy agenda
- Maya Declaration

Why Financial Inclusion?

- Overall level of financial inclusion – barriers and opportunities
- Financial inclusion as regulators' mandate

Evidence around the globe

- Financial inclusion has made a difference
- Empirical evidence from the World Bank
- National evidence s across different regions

Kenya and Financial Inclusion

- Level of Financial Inclusion in Kenya
- Kenya is leading the way in mobile financial services
- Opportunities for the future

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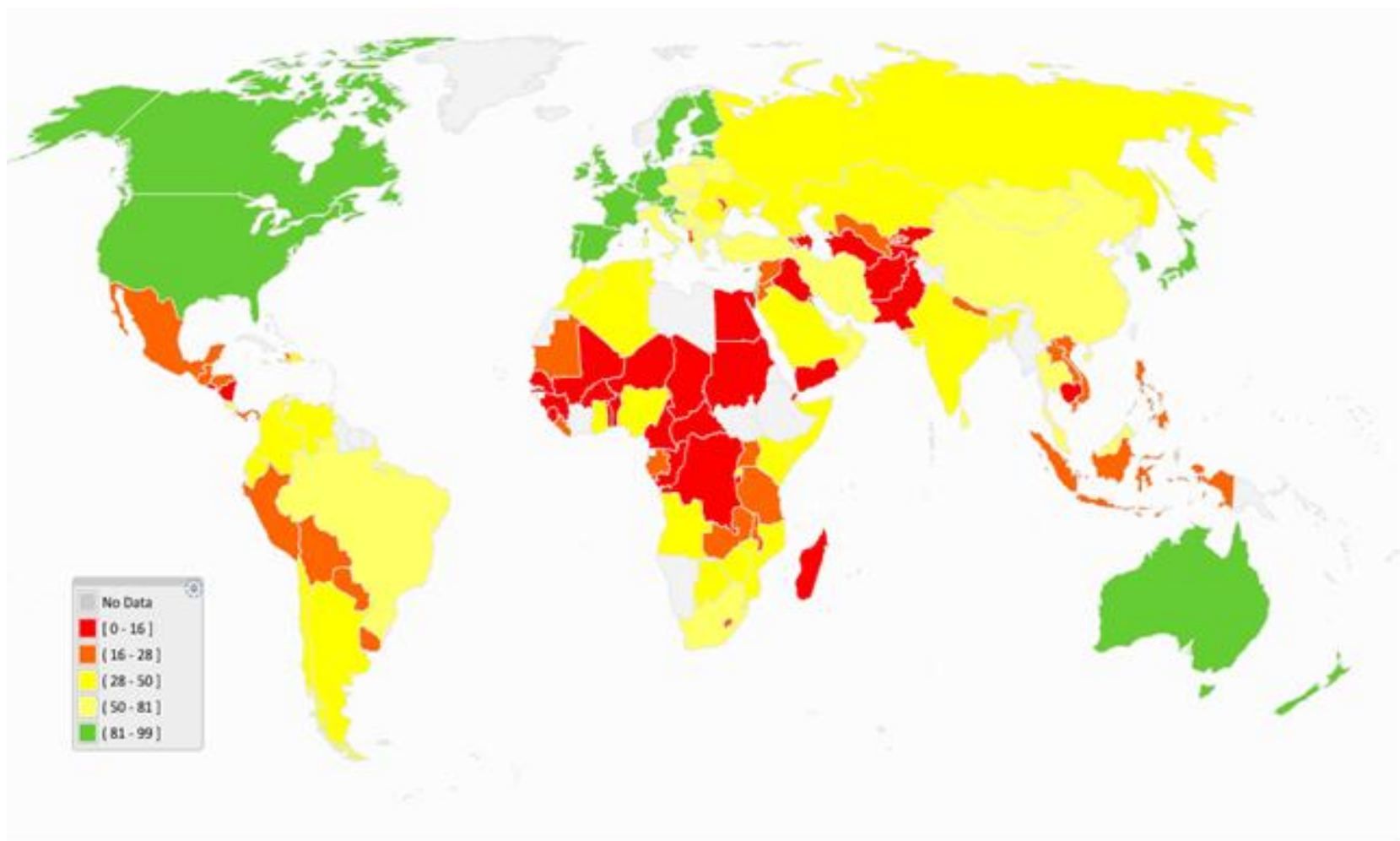
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Overall level of Financial Inclusion

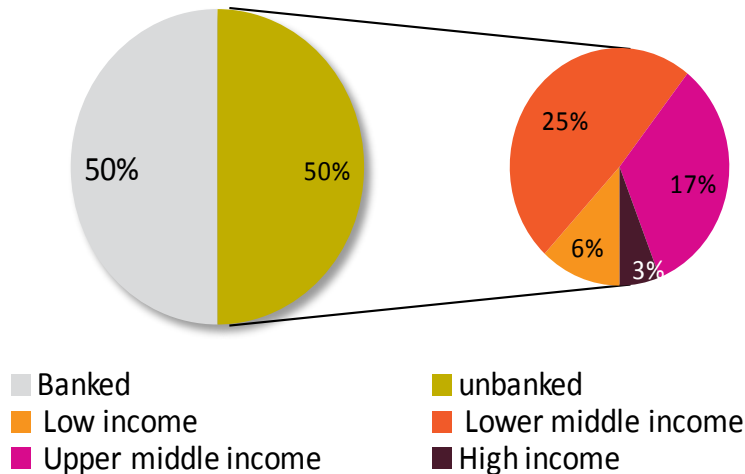
2.5 billion of adults do not have access to formal financial system



Source: World Bank – Global Findex. Based on the question: do you have an account at a formal institution

Global Findex Database with data from 148 countries. Key findings:

Distribution unbanked population (age 15+) per country income



Source: World Bank-Findex, CIA yearbook. Based on question: account at a formal institution.

- **2.5 billion of unbanked** and that is just an estimate, it could be much higher.
- **Main reported barriers to access** are cost of services, physical distance to access points, and lack of documentation.
- Data shows **potential of technology and innovation to overcome barriers**
- **Huge untapped market**



G20, IMF, World Bank, and other multilateral institutions have called for an improvement in the quality of economic growth to be more “inclusive.” They recognize the benefits of financial inclusion for inclusive growth, stability, and integrity.



G20 Leaders' Declaration

(Saint Petersburg, September 2013)

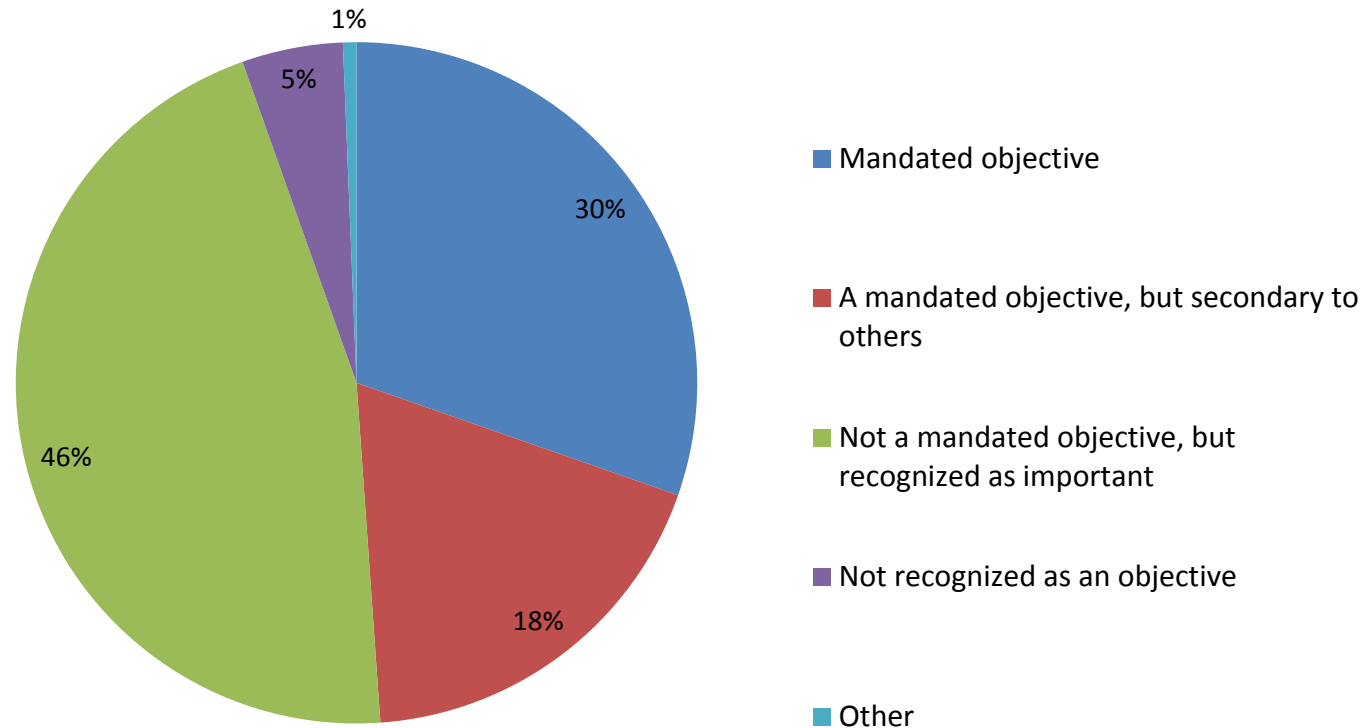
Reaffirms commitment to Financial Inclusion, Financial Education, and Consumer Protection

Financial Inclusion becoming part of regulators' mandate

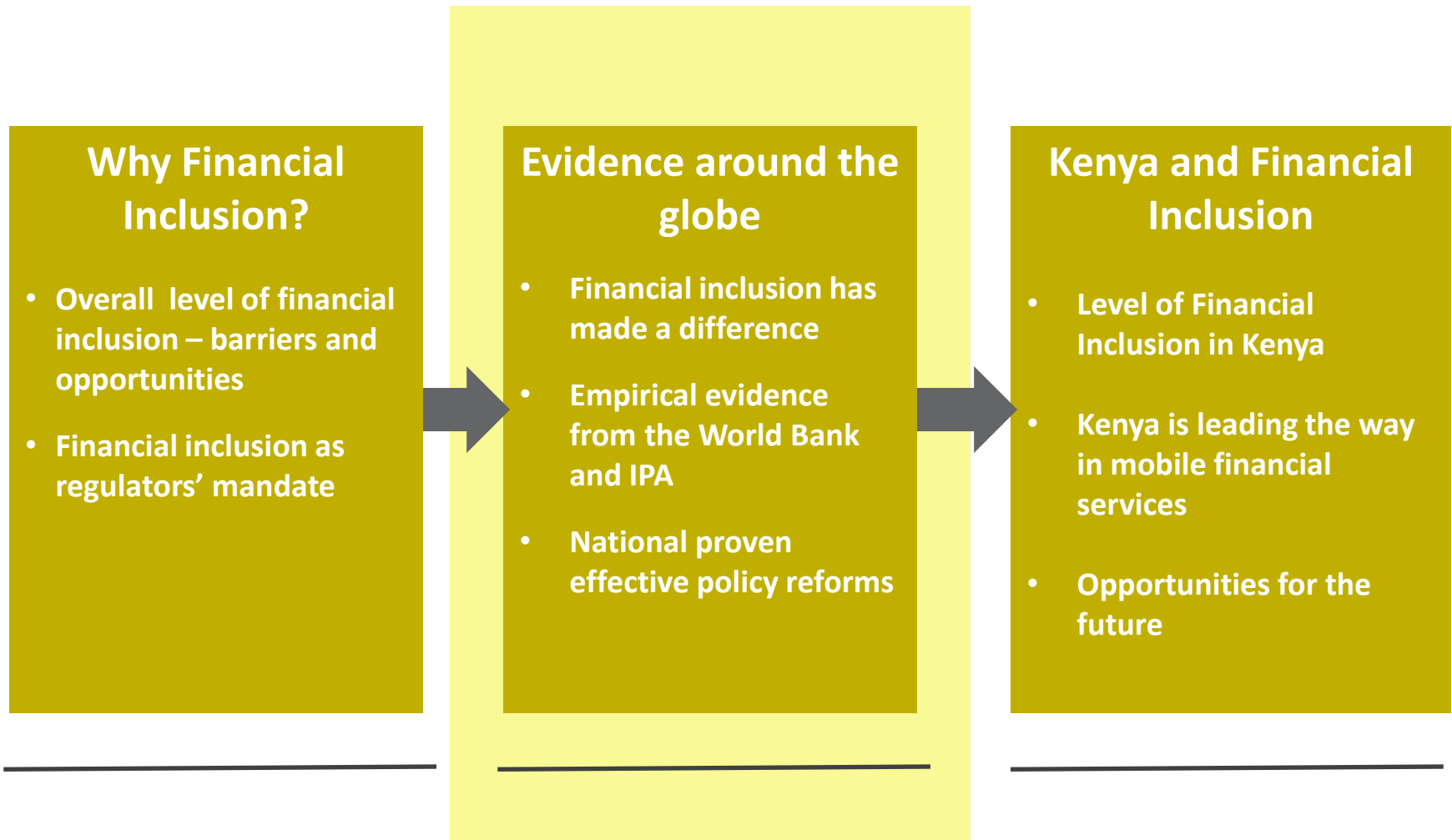
- Financial Inclusion is no longer only a development concern but a cornerstone of economic development framework and model
- Financial inclusion is a policy goal complementary to stability, integrity and consumer protection
- Financial Inclusion is understood in a broad framework including access, usage and quality of a range of financial services.

	No. of Countries
Have dedicated financial inclusion strategy	31
Created a dedicated financial inclusion unit	22

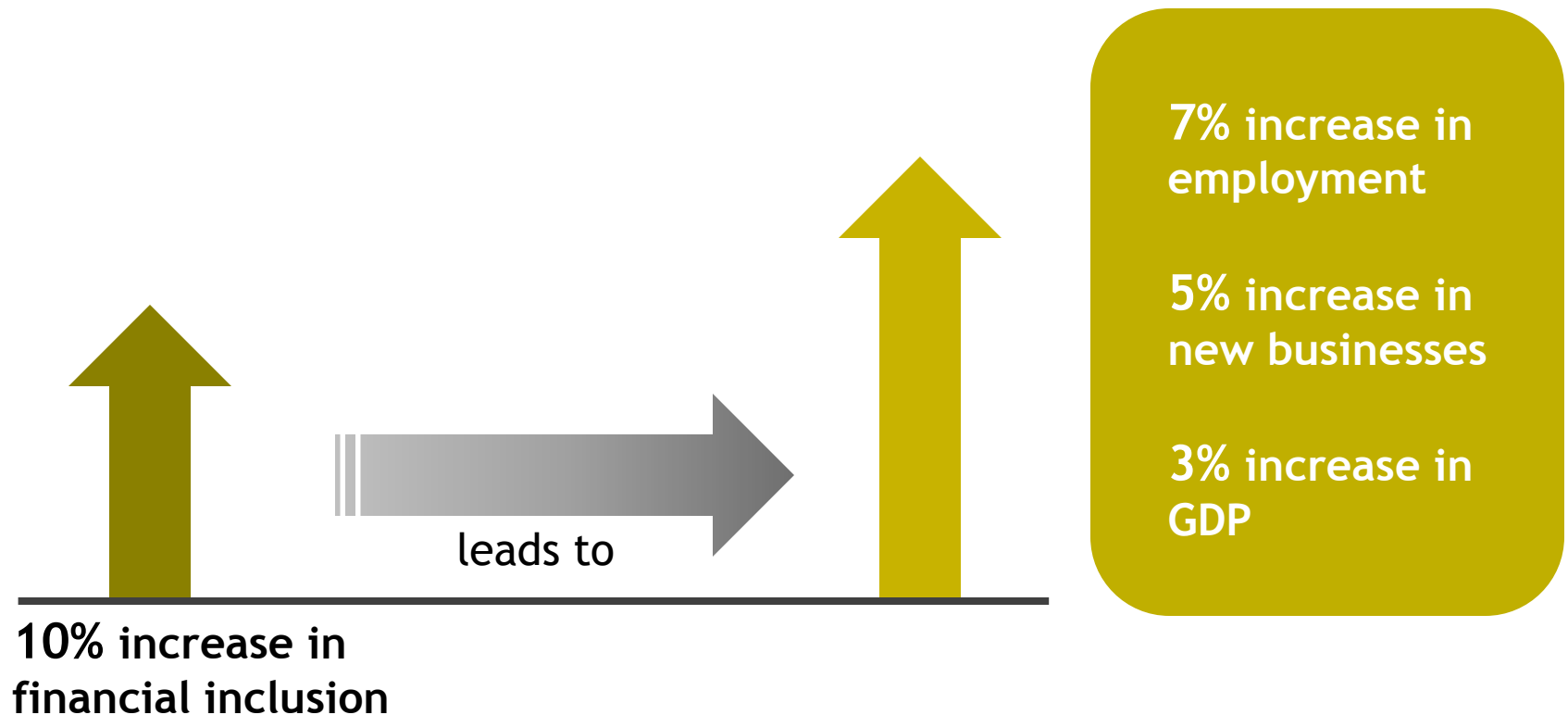
Is financial inclusion a mandated objective for your institution?



Source: GPF 2013 electronic voting results for the session, *Driving Policies for Optimal Impact*



A World Bank analysis of Mexico's drive to increase financial inclusion shows...



IPA analyses show:

Households in Nepal increased their cash assets by over 50% and their total assets by 16% when they were given access to a savings account.

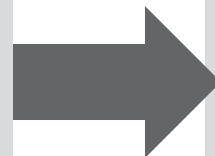


Tobacco farmers in Malawi cultivated almost 10% more land, increased their agricultural output by more than 27%, and increased household spending by 17.4% when they were given a commitment savings account.



Policy Changes

- **Introduced Guidelines for Introducing Electronic Payment Schemes**
- **Launched the Africa to Price Responsibly and Educate on Interest Rates (APR & EIR) Program for transparency in the microfinance sector**
- **Issued a Credit Reference Bureau Regulation**



Results

- **MFS registered accounts increased from 112,000 to 33 million in five years**
- **There is a monthly average of 48 million financial transactions worth about 1.7 trillion Tanzanian shillings through mobile phones**
- **There are currently 138,000 agents operating in the country**

Policy Changes

- Created a Financial Sector Master Plan that mapped out a decade of reforms
- Pursued a conscious policy to have an extensive commercial banking branch network across the country ¹



Results

- Deposit accounts have increased from 9,738 to 29,311 per 10,000 adults from 2000 to 2011
- A significant increase in credit from 3,105 loan accounts to 8,600 loan accounts per 10,000 adults in the same time period ²

1 AFI Case Study on BNM's CEMC. 2 Speech by Dr Zeti Akhtar Aziz, Kuala Lumpur, December 2011.

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Financial Inclusion in Kenya

Account at a formal financial institution (%age 15+)

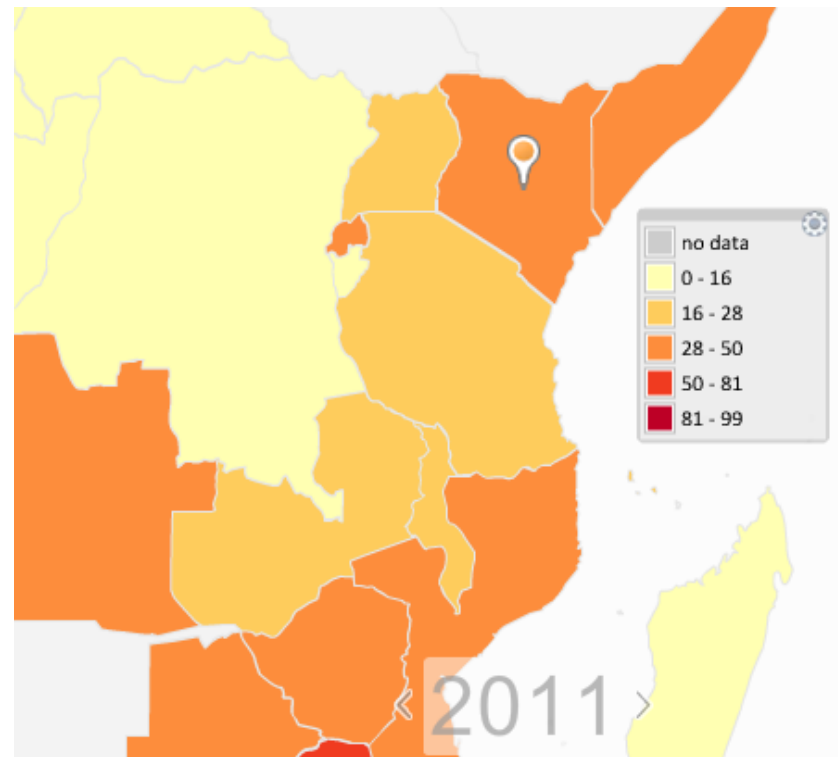
42%

Account at a formal financial institution, income, bottom 40% (%age 15+)

19%

Loan from a financial institution in the past year (%age 15+)

10%

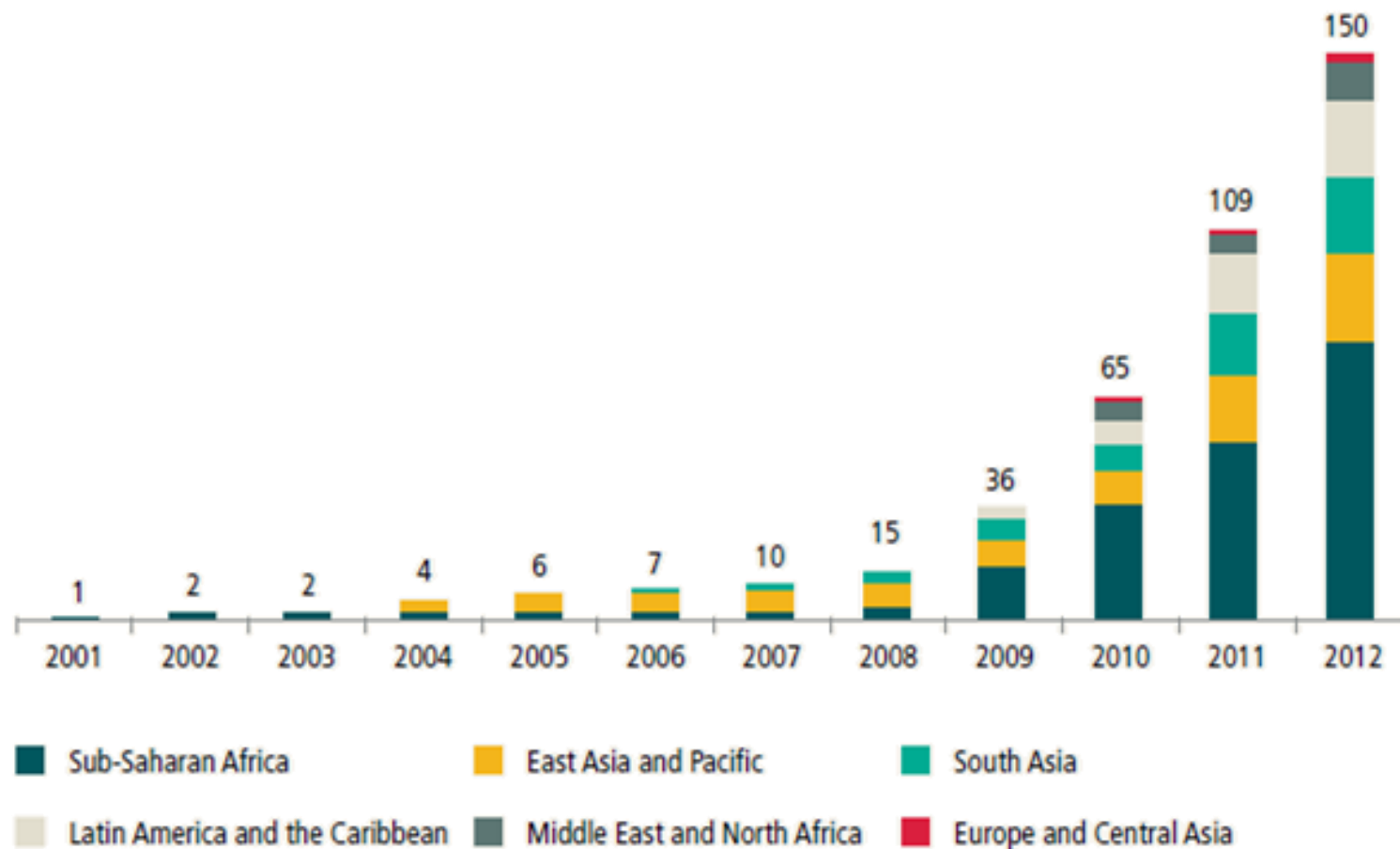


Kenya is leader in mobile money

Central Bank of Kenya's enabling regulatory approach allows 23 million people (74% of adult population) to use mobile financial services via 90,000 agents.



Number of live mobile money services for the unbanked 2001-2012



Technological innovation reduces cost and expands access and usage

M-Shwari: Interest bearing saving accounts and small loans via mobile phone

- Account opening and loan disbursement immediately over the phone
- Cooperation between Safaricom and the Commercial Bank of Africa
- Credit scoring algorithm based on voice data, payment of phone bills and savings history
- Total > 10 million USD saved in the first two months



Kenya is a global player in Financial Inclusion



- Central Bank of Kenya co-hosted **the first AFI Global Policy Forum** in 2009 in Nairobi
- Prof. Ndung'u served as the chair of the AFI Steering Committee leading a peer-to-peer approach internationally
- Kenya is constantly engaged in exchanging knowledge with other countries

Various policy changes led to an increase from 1 to 20 million people with access to banking services between 2002 and 2012

- Growing alignment of interests among governments, regulators, private sector and other global stakeholders
- Greater drive towards measurability of financial inclusion progress and focus on quality issues
- Recognition of country specific conditions and developing and emerging countries led approaches
- Peer learning with International Standard Setting Bodies
- Technological innovation and enabling regulatory framework

Thank you