Outline

1. Financial development and growth
2. Financial inclusion in Africa
3. The role of technology: Lessons from Kenya
4. Policy implications
Financial development has supported growth and reduced its volatility in sub-Saharan Africa

Source: Data from Dabla-Norris and others (2015); IMF country staff reports; and IMF staff calculations.
Note: CEMAC = Economic and Monetary Community of Central Africa; WAEMU = West African Economic and Monetary Union.

Access varies significantly across SSA

Account at a formal financial institution (% age 15+), 2014
Account used to receive wages (% age 15+), 2014

Source: Findex.
The Role of Technology: Mobile Financial Services have significant potential in sub-Saharan Africa

Roughly 1 billion people have a mobile phone but no bank account (CGAP)

SSA Africa leads the way in the adoption of mobile banking

Mobile banking helps reach the unbanked

The Role of Technology: Lower transaction costs

Mobile money use has expanded rapidly... ...thanks to low transaction costs.

Map II.1: Mobile Money Users in Africa

Table VIII.1: Cost of a 200 USD Money Transfer (P2P)

<table>
<thead>
<tr>
<th>Mobile payment</th>
<th>Cost (USD)</th>
<th>Cash to cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prudential</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Aster (Barclays)</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Anglophone (Lion)</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Societe Generale (Sengal)</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>MTN</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Orange Money (Sengal)</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: Central Bank of West African States (BCSAC)
Case study: Kenya
The Rapid expansion of transfers …

Kenya shows one of the highest share of population with access to financial services after South Africa... ...to a large extent because of the success in making mobile-phone payments available to its population.

Case study: Kenya
... was rapidly followed by other services

The number of deposit accounts (million) and net loans and advances (Ksh billion) have increased too

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ECOWAS Regional Conference
Dakar, Senegal
Promoting financial inclusion through innovation …

Leveraging IT to Expand Services

- Mobile phone-facilitated micro payments
- New framework for payments (including taxes, utility bills, etc)
- Customers can save, earn interest and access small loans
- Platform for new products (insurance products, consumer finance)

Promoting financial inclusion through innovation …

Facilitation factors

- Rapid expansion of mobile phone use
- Exploit technology for service improvement
- Willingness to penetrate new markets
- Design of government policies
  - Allowed parallel payment system
  - Secured customers funds
  - More financial products to low income HH
Promoting financial inclusion through innovation ...

Innovative Financial Instruments: Support Infrastructure

- **Credit Reference Bureaus**
  Reducing cost of doing business - Build information capital, reduce information search costs and problems associated with information asymmetry; and extending credit based on financial identity. This allows change in the collateral technology in use. So far CBK has licensed 3 credit reference bureaus.

- **Consumer Protection**
  The missing link in financial inclusion and innovation – encouraging transparent disclosure, fair treatment, dispute resolution and financial education/awareness and costs.

Conclusions

- Financial inclusion: critical role in sustainable development, reducing poverty, boosting shared prosperity
- Technology offers significant scope for rapidly expanding access to financial services, notably for households and SMEs
- Governments should focus on providing a supportive regulatory framework, ensuring competition among providers, and educating & protecting customers.
Thank you!

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