The Contribution of Trade in Services to Financial Inclusion

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Financial Inclusion: How to get there?

Source: World Bank – Gateway to Financial Inclusion
## Barriers to Financial Inclusion

<table>
<thead>
<tr>
<th>Demand-side Barriers</th>
<th>Supply-side Barriers</th>
<th>Regulatory Barriers</th>
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</thead>
<tbody>
<tr>
<td>• Lack of income</td>
<td>• Inadequate financial products and services</td>
<td>• Restrictive, outdated, and unresponsive regulatory frameworks</td>
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<td>• Cultural factors</td>
<td>• Lack of knowledge about these market segments</td>
<td>• No consumer protection</td>
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<td>• Religious beliefs</td>
<td>• Underdeveloped and inefficient distribution channels</td>
<td>• Poor contract enforcement</td>
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<td>• Absence of formal identification systems</td>
<td>• Lack of reliable information on individuals' or firms' credit records</td>
<td>• Impediments to bank branch establishment and expansion</td>
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<td>• Low levels of financial literacy</td>
<td>• Inefficient industry-level coordination</td>
<td>• Lack of modern national identification systems</td>
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<td>• Distrust of financial institutions</td>
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<td>• Lack of collateral registries and credit bureaus</td>
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<td>• Lack of necessary documentation and/or collateral to support financial transactions.</td>
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<td>• Lack of standards for product information disclosure.</td>
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</tbody>
</table>

*Source: WTO – Barriers to Financial Inclusion and Trade in Services (S/FIN/W/88/Add.1)*
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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)
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The expansion of Pan-African banks

\begin{figure}
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{Number of foreign subsidiaries}
\end{figure}

Source: IMF
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Microfinance commercial banks

Access

Microfinance Holding AG
Trade in Services **Solutions**

Microfinance commercial banks

**ProCredit Bank Group**
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)
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
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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.
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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
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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
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**Mobile financial services: Millicom-TIGO**

- **TIGO Money (Latin America)**
  - Bolivia
  - Colombia
  - Costa Rica
  - El Salvador
  - Guatemala
  - Honduras
  - Nicaragua
  - Paraguay

- **TIGO (Africa)**
  - TIGO Pesa (Tanzania)
  - TIGO Cash (Chad, Ghana, Rwanda, Senegal)
There are now 29 cross-border mobile money remittance corridors connecting 19 countries. All but 3 are in sub-Saharan Africa.

Financial Inclusion
An enabling regulatory framework

• Mobile operators are playing a critical role
• Competition in the provision of mobile money services is a necessary but not a sufficient condition
• As advocated by BIS and FSB, an enabling regulatory framework 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.
Regulatory barriers are still slowing down financial inclusion

Enabling regulatory framework (47 countries, 792 million adults)

Non-enabling regulatory framework (42 countries, 1.9 billion adults)

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