Digital Financial Services and Financial Inclusion

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ITU: International Telecommunication Union

- Founded in 1865: United Nations specialized agency for ICTs.
- 193 Member States, 567 Sector Members, 164 Associates, and 79 Academia.
- HQs in Switzerland, Geneva; and 4 Regional Offices & 7 Area Offices.

ITU-R
ITU's Radio-communication Sector manages radio-frequency spectrum and satellite orbits to ensure safety of life on land, at sea and in the skies.

ITU-T
ITU's Telecommunication Standardization Sector enables global communications by ensuring that countries' ICT networks and devices are speaking the same language.

ITU-D
ITU's Development Sector fosters international cooperation and solidarity in the delivery of technical assistance and in the creation, development and improvement of telecommunication/ICT equipment and networks in developing countries.
ITU: Reaching out to the World

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ITU-T develops standards
Study Group 13 Outcomes on financial transactions via mobile

  - Both available for free download in English, French, Spanish, Arabic, Chinese and Russian

ITU’s TechWatch Reports on Mobile Money (2013)
Financial Inclusion

- Low levels of financial inclusion represent a barrier to socioeconomic development in developing countries.
- Globally, more than 2.5 billion adults do not have a formal bank account, most of them in developing economies.
- 59% of adults in the developing countries do not have a formal bank account.
- But most of them have a mobile phone.
Two main technologies emerging

Cloud-based payments

NFC-based payments (Near Field Communications)

Business Models

- **Bank Centric Model**
  - Banks have sole control on the accounts offered to individuals which can be managed through other channels such as mobile phones.
  - Examples: CA-XA (Brazil), Barclays, Xic Bank (Mongolia)

- **MNC Centric Model**
  - Banks offer accounts to individuals through non-bank (MNO) agents and/or technological platforms online.
  - Examples: EO (for State Bank India (SBI)) and SMART (for 21 banks in the Philippines).

- **Banks Issue e-money**
  - Which is purchased from bank and redistributed by non-banks to customers.
  - Examples: Orange Money in West Africa (e.g. Senegal, Côte d’Ivoire, Mali and Niger).

- **Non-bank Issuers e-money**
  - Which keeps equivalent asset value in pooled accounts in regulated bank.
  - Examples: Safaricom and M-PESA, GCash.
Digital Financial Services
--- Key Issues ---

- Network interoperability
- Access to business critical technology
- Coordination between regulators from telecom and financial services
- Consumer protection against fraud

Analyze best practices to develop global standards

Focus Group on Digital Financial Services (FGDFS)

- Established during TSAC Meeting in June 2014
- Chaired by Sacha Polverini, Bill & Melinda Gates Foundation
- Terms of Reference
- First meeting: 5 December 2014, ITU, Geneva
- Workshop on Digital Financial Services and Financial Inclusion: 4 December 2014, Geneva
- Create a platform for dialogue between regulators and operators from telecom and financial services sectors.
FG Digital Financial Services

GOAL: Recommend a standardization roadmap for interoperable digital financial services for financial inclusion.

Objectives

- Identify the technology trends in digital financial services over the coming years and how the role of various stakeholders in this ecosystem will evolve.
- Establish liaisons and relationships with other organizations.
- Describe the ecosystem for digital financial services.
- Suggest future ITU-T study items and related actions for various ITU-T study groups.
- Identify successful use cases for implementation of secure digital financial services including developing countries with a particular focus on the benefits for women.
- Study the best practices related to policies, regulatory frameworks, consumer and fraud protection, business models and ecosystems for digital financial services.
- Work towards the creation of an enabling framework for digital financial services.

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Thank you for your attention!

Please contribute to the work of ITU-T!