

# Access to Financial Services

How can ICT improve access to financial services in rural areas?

## ICT for Rural Economic Development

GTZ-Conference Berlin, November 18-19, 2010

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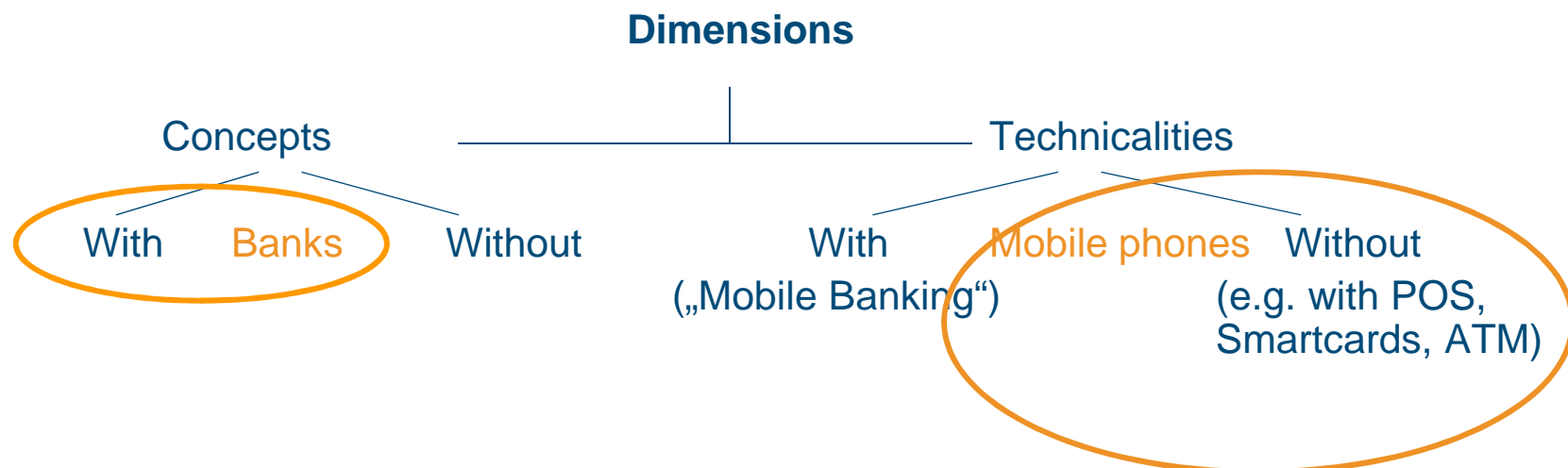
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# What is Mobile/Branchless Banking?

*Distribution of financial services through technology-enabled non-bank retail agents, typically involving:*

- **Non-bank retail outlets** acting as customer touch points.
- The use of **technology** (either card or mobile phones) to authenticate the customer and facilitate transactions.
- An **electronic stored value account**, in which monetary value is held and through which transactions flow.



# Example I Ghana: Rural Branchless Banking „e-zwich“

## Situation in Ghana:

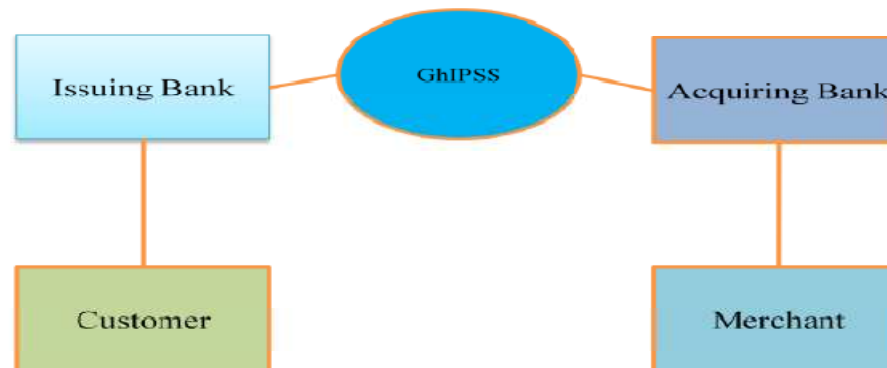
- only 17 % of the population hold a bank account
- Bank branches are concentrated in the cities in the south of the country
- High cash turn-over
- As funds often do not enter the banking sector, they are not available for financing real sector projects

## Method to overcome difficulties:

*Country wide cash free payment system („e-zwich“), easy and safe to use.*



- Ghana Interbank Payment and Settlement Systems Ltd. (GhIPSS), 100 % owned by Central Bank, is Infrastructure Service Provider and Clearing House



- Banks can issue Smart Cards, can select merchants and have access to GhIPSS Online Management System
- Biometric Smart Card System,
  - Smart Cards with Chip, which save account status and transactions, ID: Fingerprints
  - Pre-paid Card
  - Several „Wallets“ possible on one card, at the moment: cash transfer, savings

## Targets

- Expansion of existing financial services with a safe payment and deposit technology
- Mobilisation of deposit
- Improve access to financial services
- Reduce costs for financial services
- Include customer that did not have access to financial services due to a lack of branches
- Reduce cash turnover

## Support by KfW

- EUR 7 Mio. loan to finance e-zwich infrastructure
- EUR 500 TA to support GhIPSS

## Challenges

- Banks are starting to make use of the system
  - cost of infrastructure investments for banks
  - Banks already have deposit cards
  - fee income
- Slow change in mentality of clients and agents/merchants
  - High number of participation of card customers and agents/merchants (POS) necessary to make system attractive
- Government is starting to use e-zwich for its payments
  - High potential for better utilisation: Government institutions should make its salary payments /pension payments and other through the system, fees for schools/hospitals could be paid via the system
  - Government is sponsoring „Financial Literacy/Capabilities“ campaigns
- POS need electronic connections

## Example II Senegal: Mobile Banking Third Party Model



### Situation in Senegal:

- level of financial penetration in the banking sector is low. Only 6.15% of the population have a bank account (2008). Bank branches are concentrated in the cities, rural penetration is even lower
- 5.4 million mobile phone subscribers, representing a penetration rate of 46% of the population (2008)
- Existing mobile banking services in Senegal with little improvement in access to financial services; limited range of services provided und competitive risk for financial institutions.

### Planned Project:

- Establishment of a interoperable Mobile Banking Operator, multi-financial institution project in a PPP approach (Third Party Model) with specific targets as to access to finance and range of services

## Example II Senegal: Mobile Banking Third Party Model



- The Ministry of Finance of Senegal and KfW have jointly commissioned a mobile banking study aiming at identifying the opportunities offered by innovative ICT technologies for the distribution of financial services to people living in remote rural areas in Senegal.
- The study included a detailed feasibility for an interoperable multi-MNO, multi-financial institution project. The study resulted in detailed recommendations in terms of the operational set-up of the new venture, services to be offered, partnerships to be established, initial funding needs and projected revenue forecasts.
- The approach envisages a public-private partnership and the partial subsidization of a private Mobile Banking Operator (MBO). The Operator will, among other things, build a nationwide agent network with a strong focus on rural areas.
- The ultimate objective is to dramatically develop access to financial services to the people who are currently excluded.

### Support by KfW

- EUR 7 Mio. performance oriented support for Investment financing of operator and agent network
- EUR 1 Mio TA to support the state agency responsible for the project
- Current Status: Selection Process for MBO ongoing

**Thank you for your attention!**

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