



# Role of Payments in Financial Inclusion

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Vienna University of Economics and Business (WUWien)

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# Overview

- 1** Setting the scene
- 2** Role of central banks in financial inclusion and payments
- 3** Payment aspects of financial inclusion
- 4** FinTech developments and financial inclusion

## The potential economic impact



**1.6 BILLION**  
newly included  
individuals



**\$4.2 TRILLION**  
in new deposits



**\$3.7 TRILLION**  
(6%) GDP boost by 2025



**95 MILLION**  
New jobs



**\$110 BILLION**  
annual reduction in  
government leakage

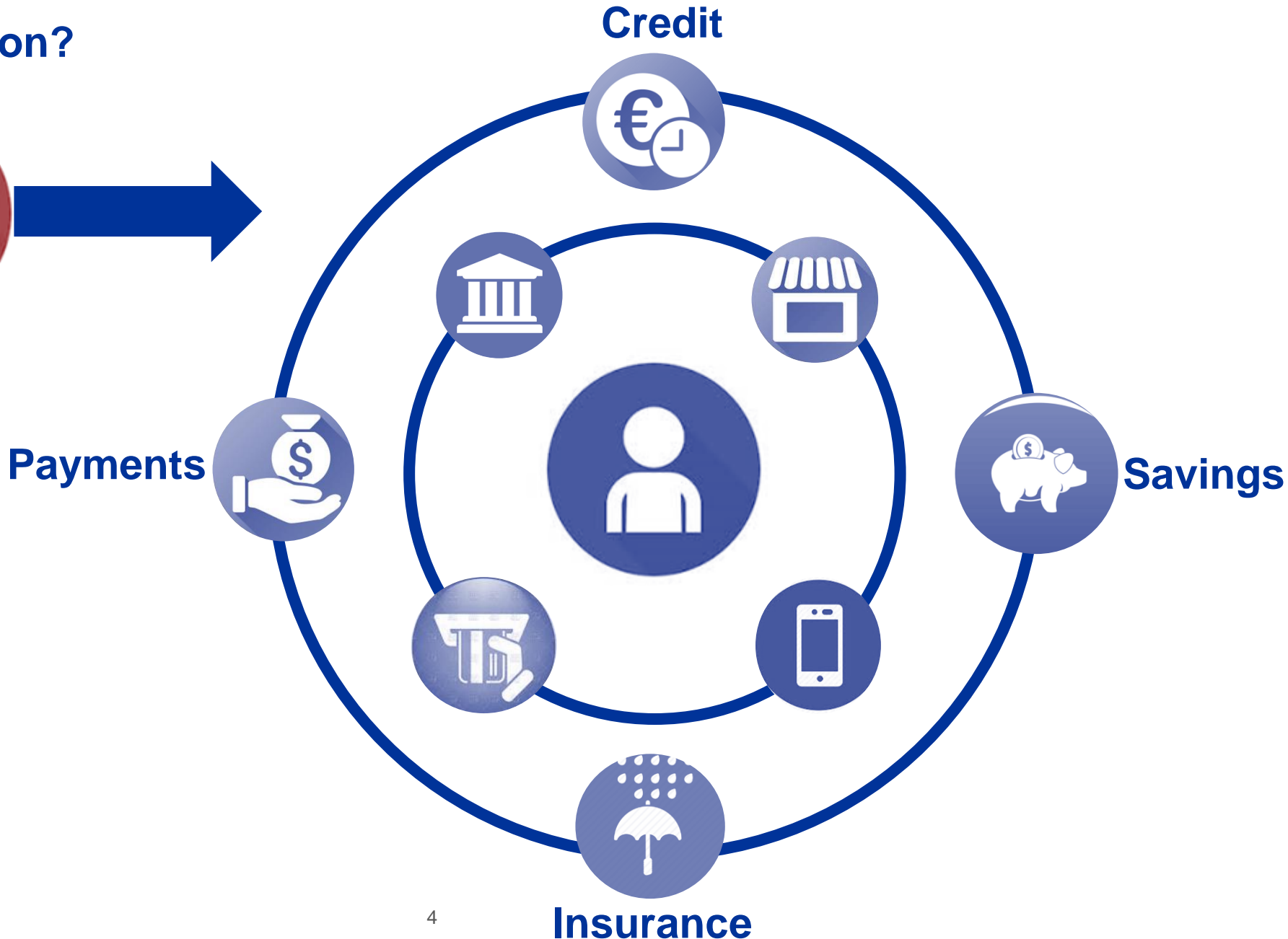


**\$2.1 TRILLION**  
in new credit

# What is financial inclusion?



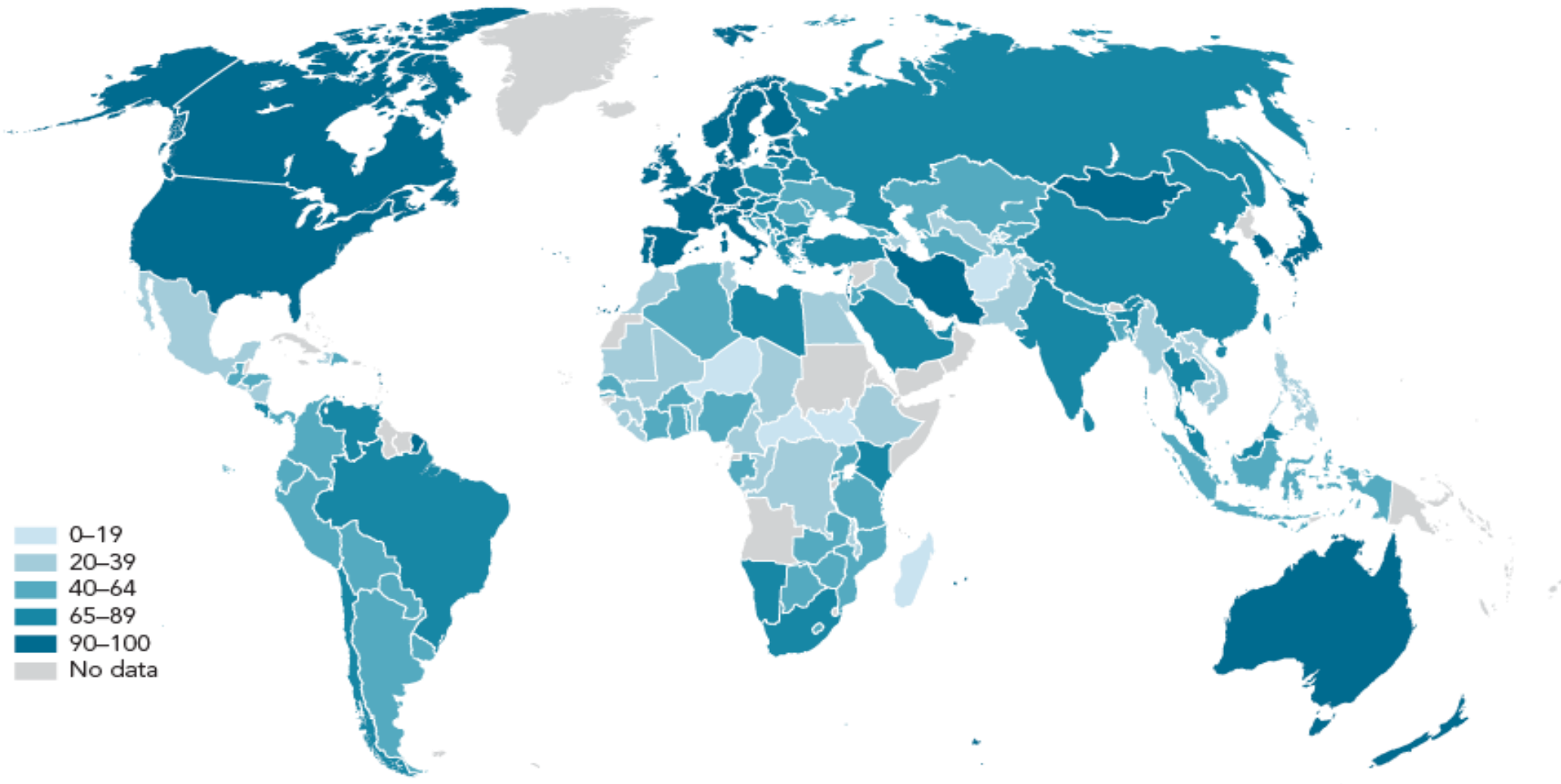
Individuals & businesses get access to useful & affordable financial services that meet their needs & are delivered in a responsible and sustainable way.



## How big is the problem?

Today, 69 percent of adults around the world have an account

Adults with an account (%), 2017



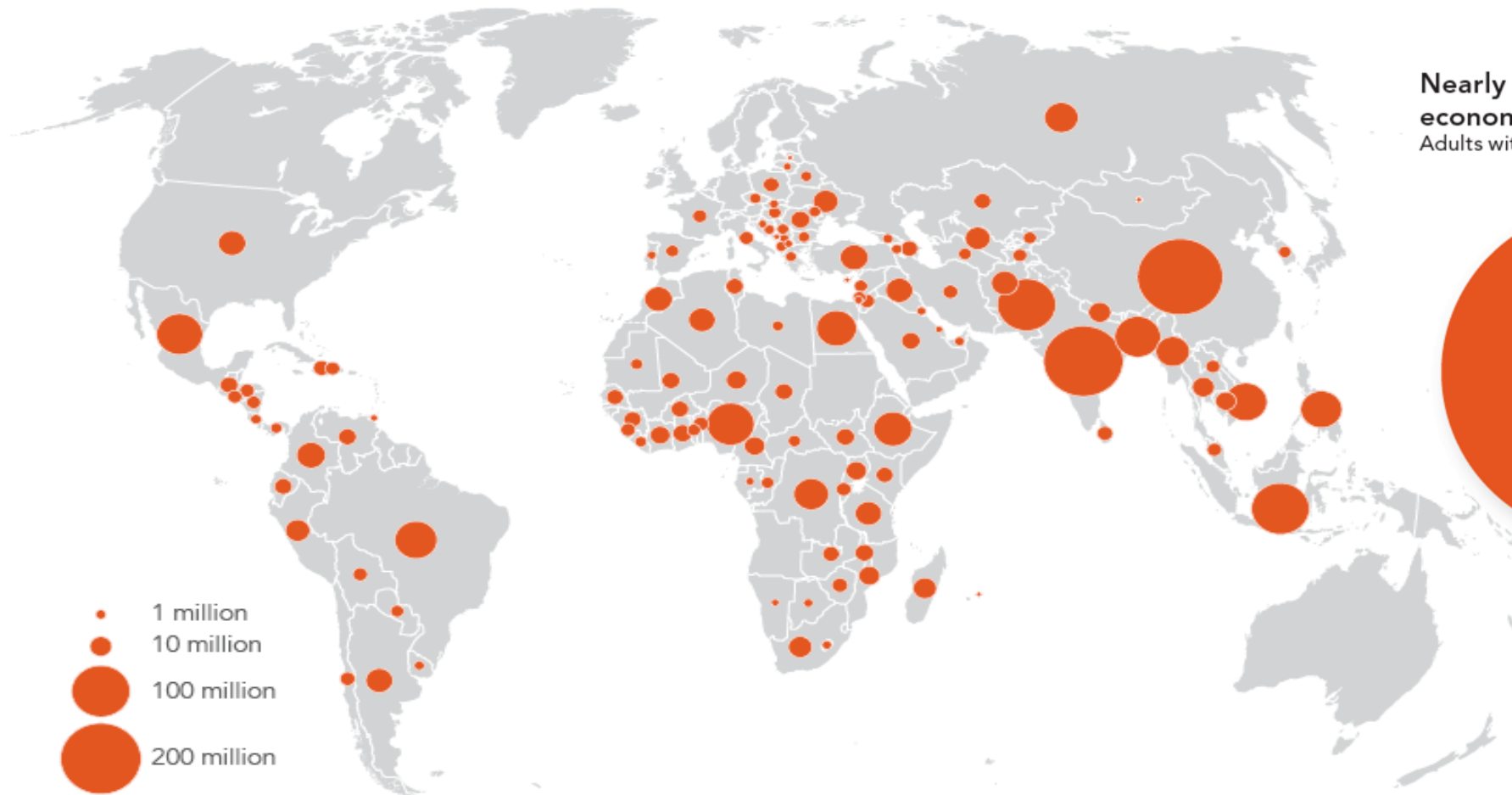
Source: Global Findex database.

<https://globalfindex.worldbank.org/>

## Globally, 1.7 billion adults lack an account

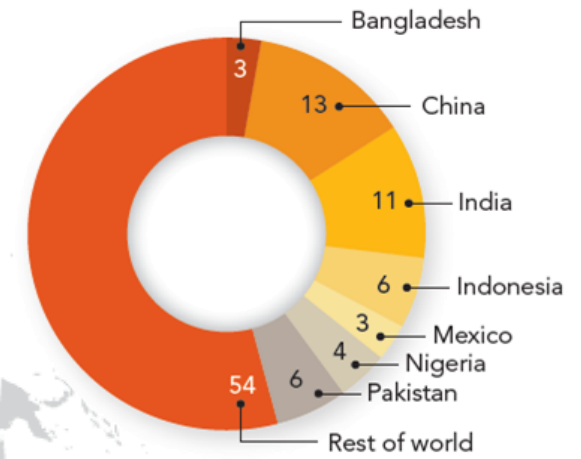
Adults without an account, 2017

## Where do the financially excluded live?



### Nearly half of all unbanked adults live in just seven economies

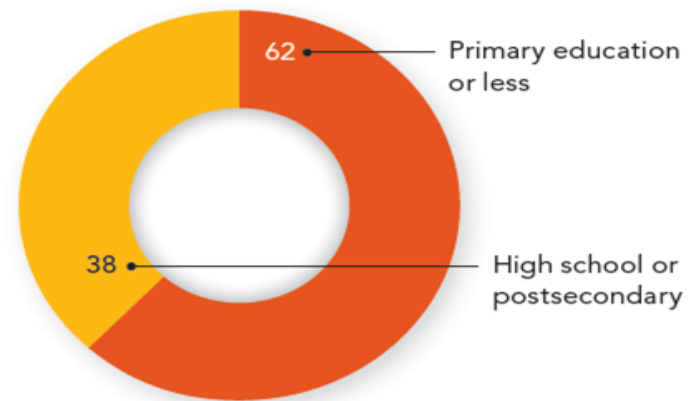
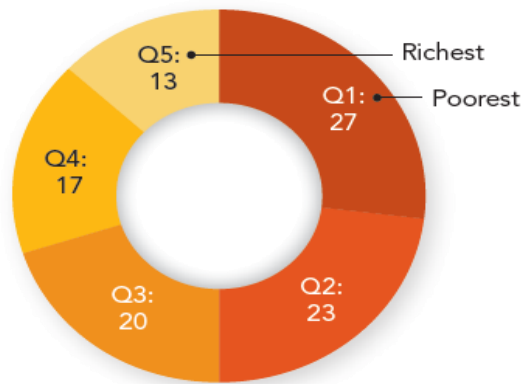
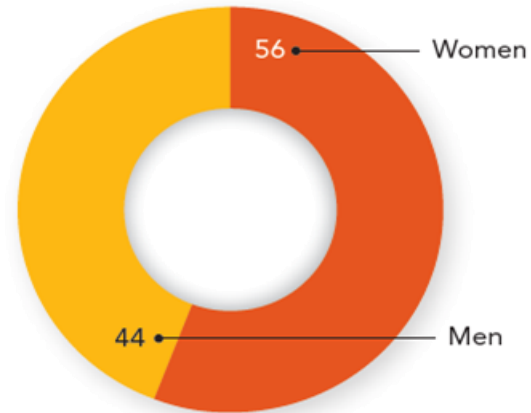
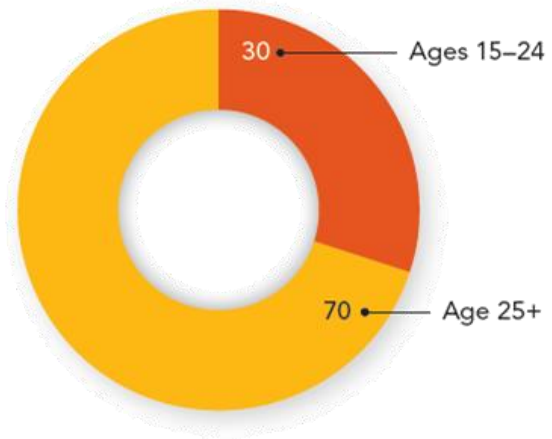
Adults without an account by economy (%), 2017



Source: Global Findex database.

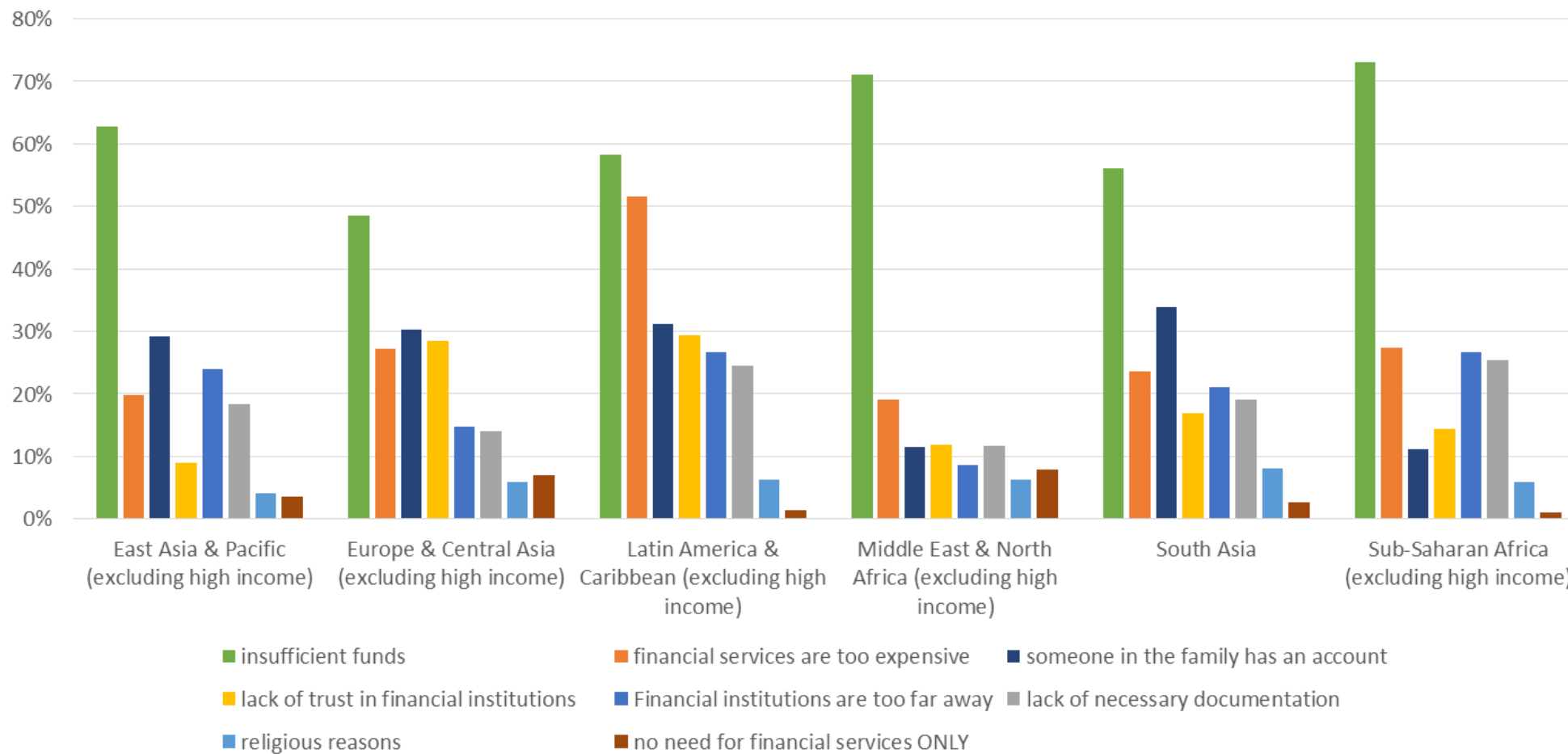
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

# Who are the unbanked?



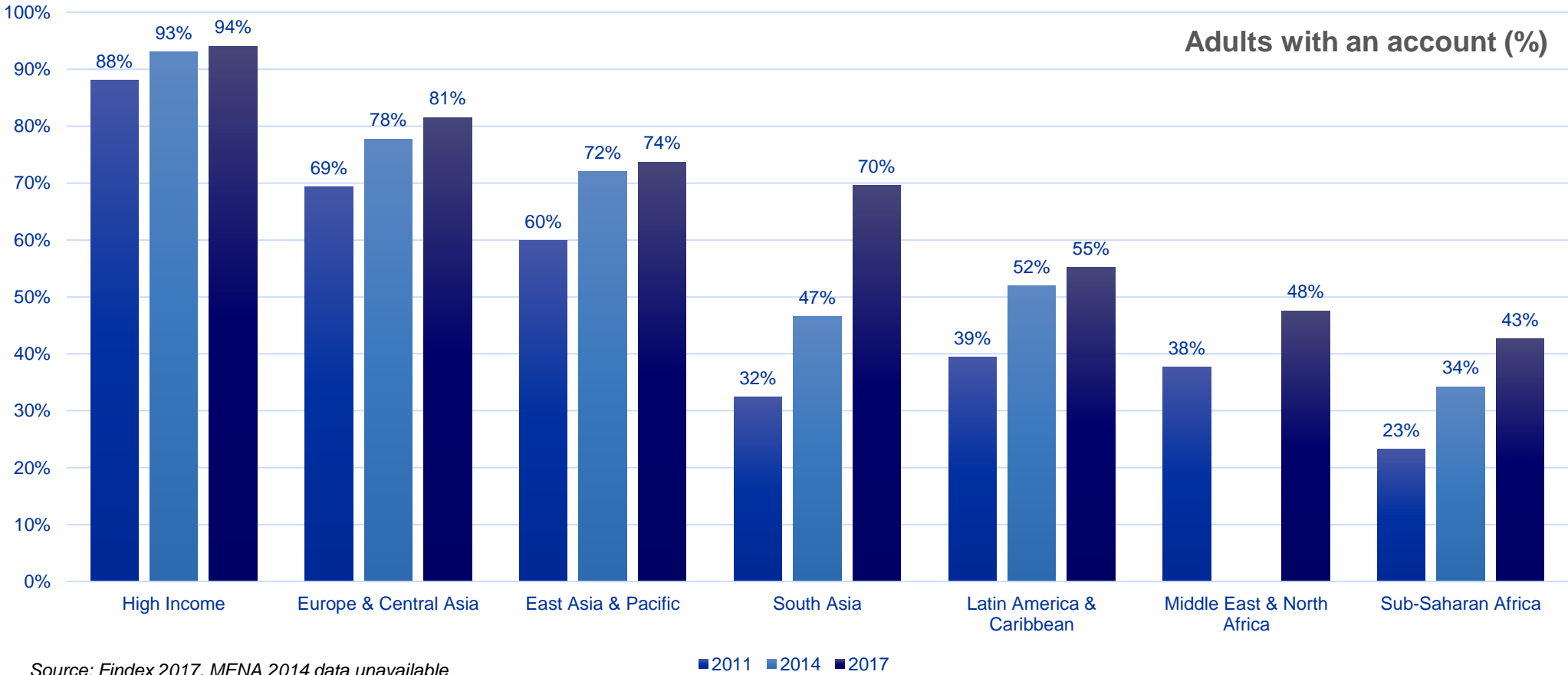
# High costs are a major barrier to account ownership

Reasons for not having a bank account (% adults with no bank account), 2017





# Financial inclusion has improved globally – 1.2 billion people have gained access since 2011



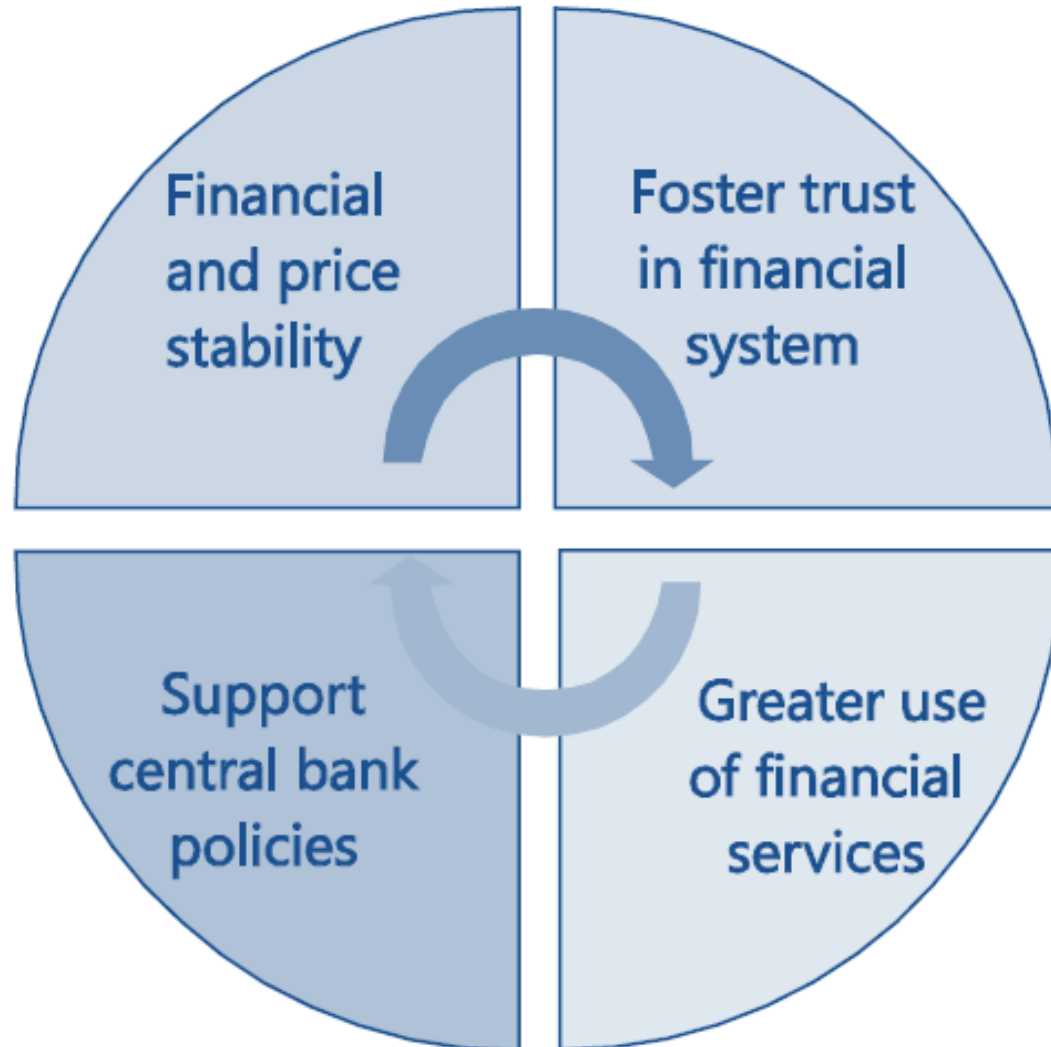
Note: The percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past 12 months.

Source: Findex 2017, World Bank  
<https://globalfindex.worldbank.org/>

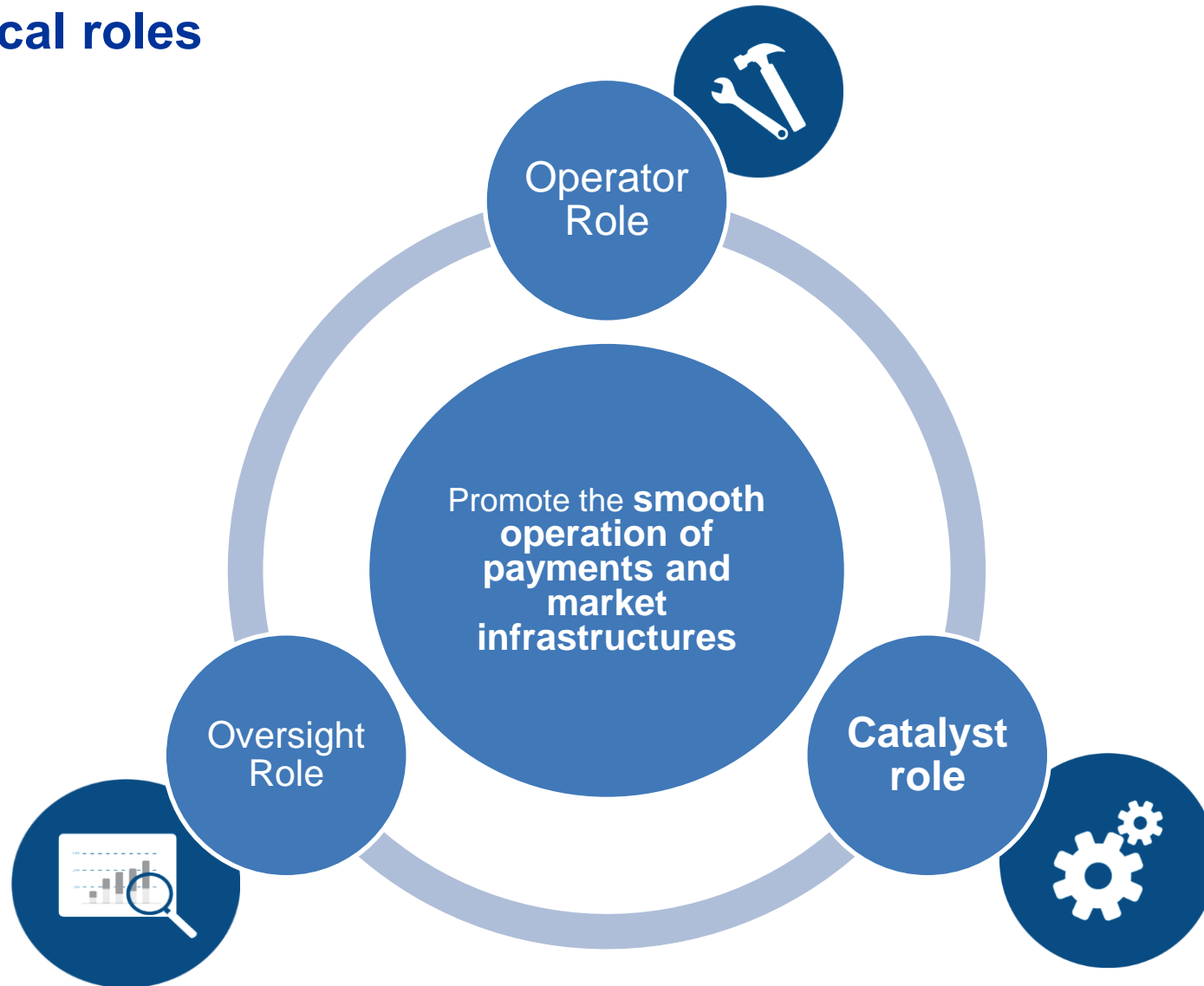
# Overview

- 1 Setting the scene
- 2 **Role of central banks in financial inclusion and payments**
- 3 Payment aspects of financial inclusion
- 4 FinTech developments and financial inclusion

# Virtuous cycle: how a central bank's core objectives support financial inclusion



## Central banks' typical roles in payments

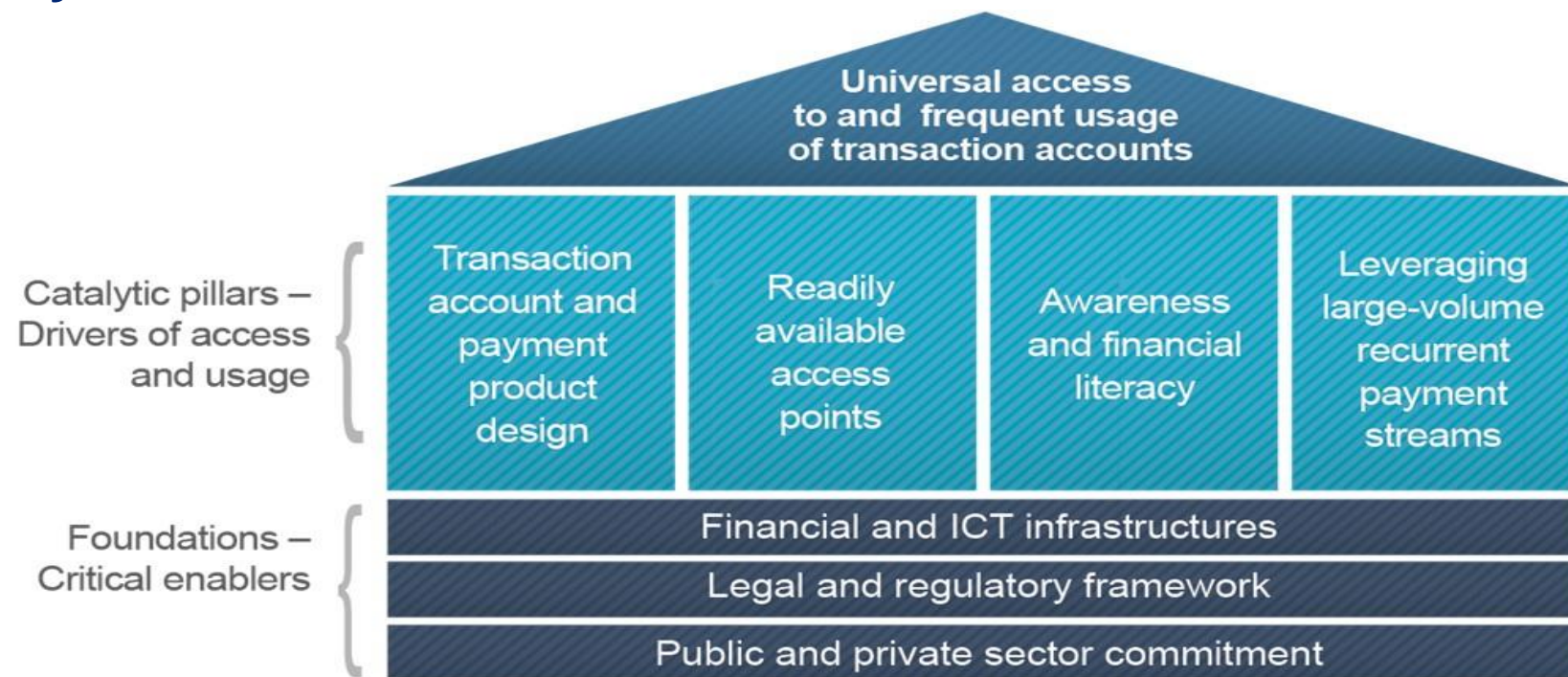


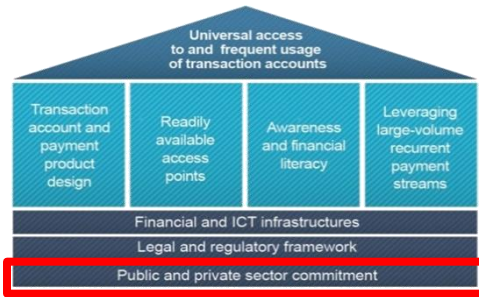
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## All individuals and businesses should be able to have access to and use at least one transaction account operated by a regulated payment service provider:

- i. to perform most, if not all, of their payment needs
- ii. to safely store some value; and
- iii. to serve as a gateway to other financial services



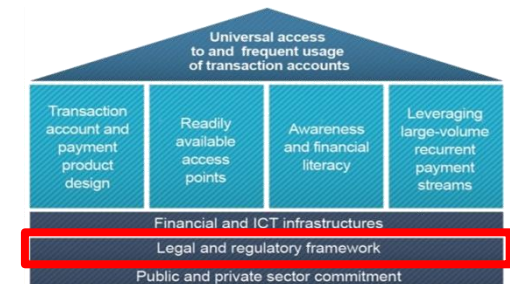


## Public & Private Sector Commitment

Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time

## Legal and Regulatory Framework

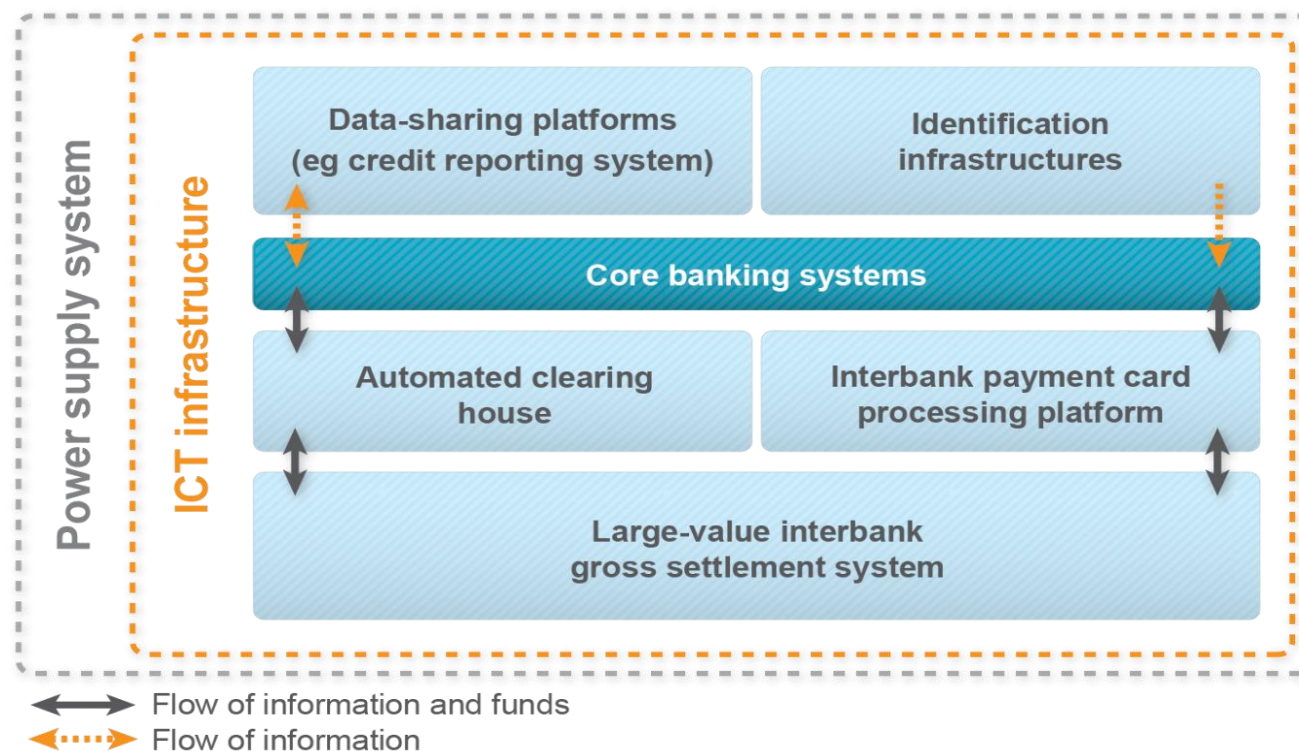
The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.



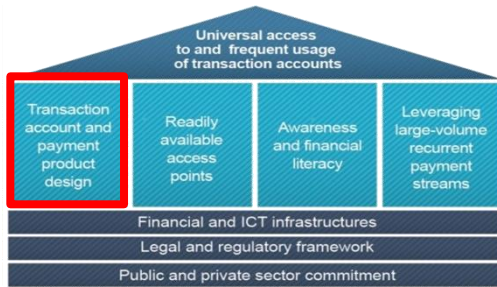


## Financial and ICT Infrastructures

Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services





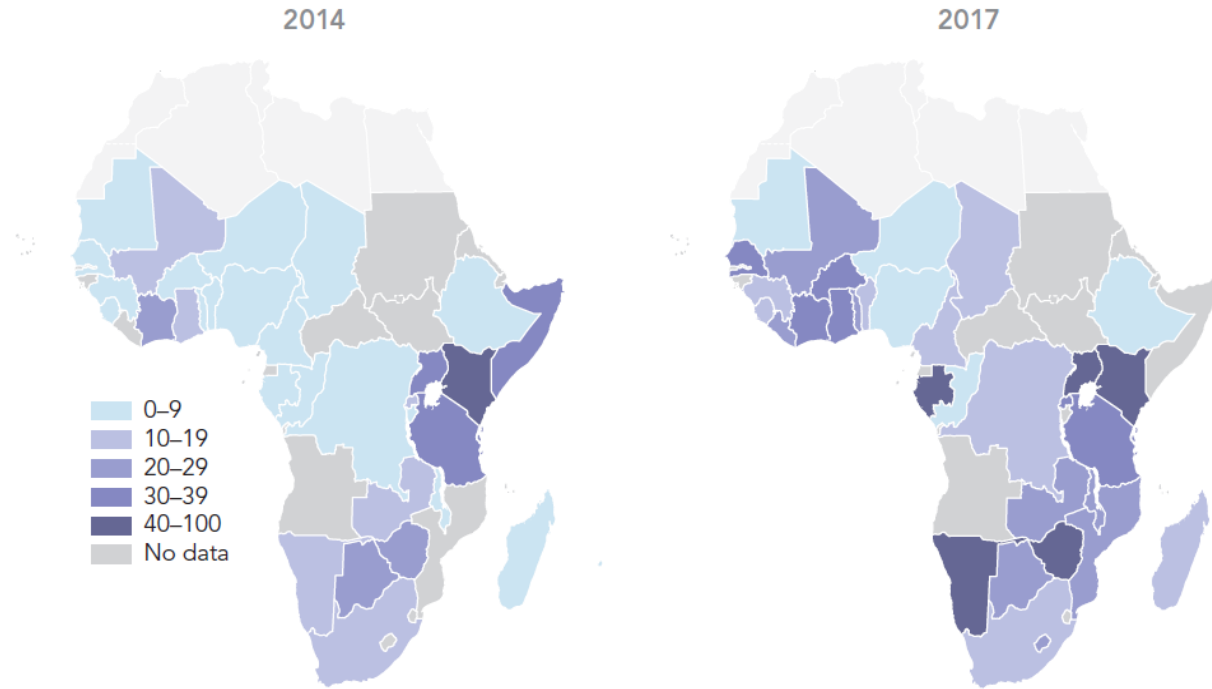


## Transaction account and payment product design

The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.

## Mobile money accounts have spread more widely in Sub-Saharan Africa since 2014

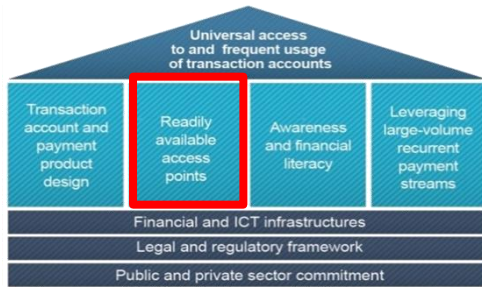
Adults with a mobile money account (%)



Source: Global Findex database.  
 Note: Data are displayed only for economies in Sub-Saharan Africa.

Source: Findex 2017, World Bank <https://globalfindex.worldbank.org/>

Source: Committee on Payments and Market Infrastructure and WBG Guidance on Payment Aspects of Financial Inclusion, 2016 <https://www.bis.org/cpmi/publ/d144.htm>

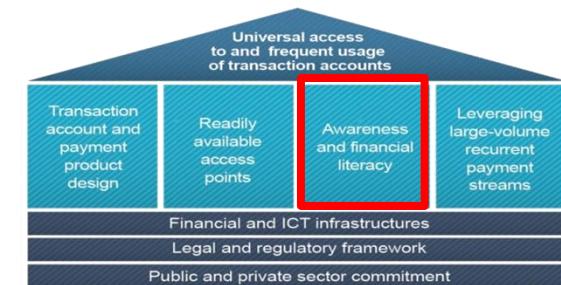


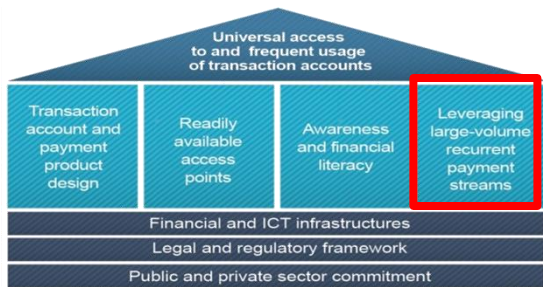
## Readily available access points

The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.

## Awareness and financial literacy

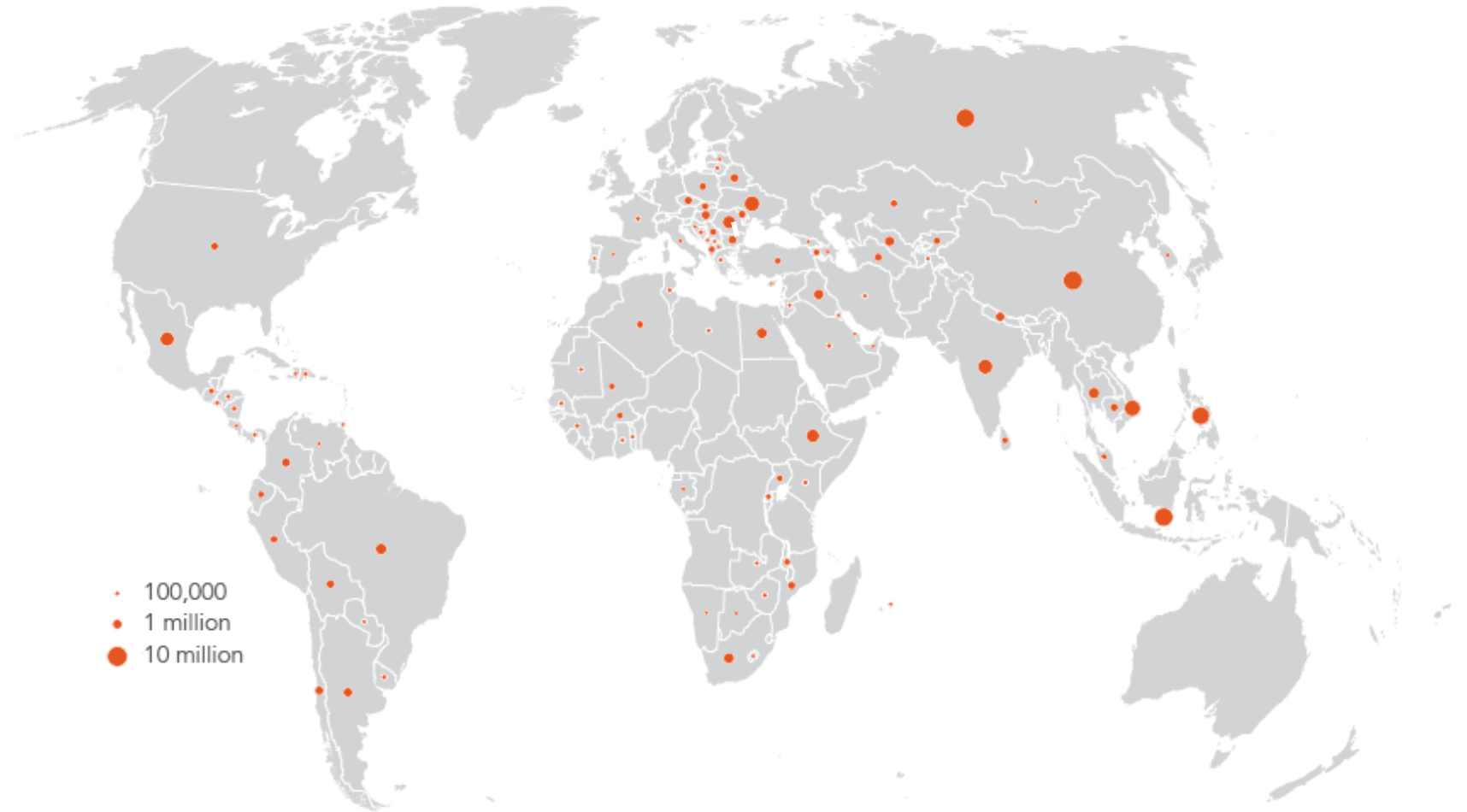
Individuals gain knowledge, through awareness and financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services





## About 100 million unbanked adults receive government payments in cash

Adults without an account receiving government payments in the past year in cash only, 2017



Source: Global Findex database.

Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or the share receiving government payments is 10 percent or less.

## Large-volume, recurrent payment streams

Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

# Overview

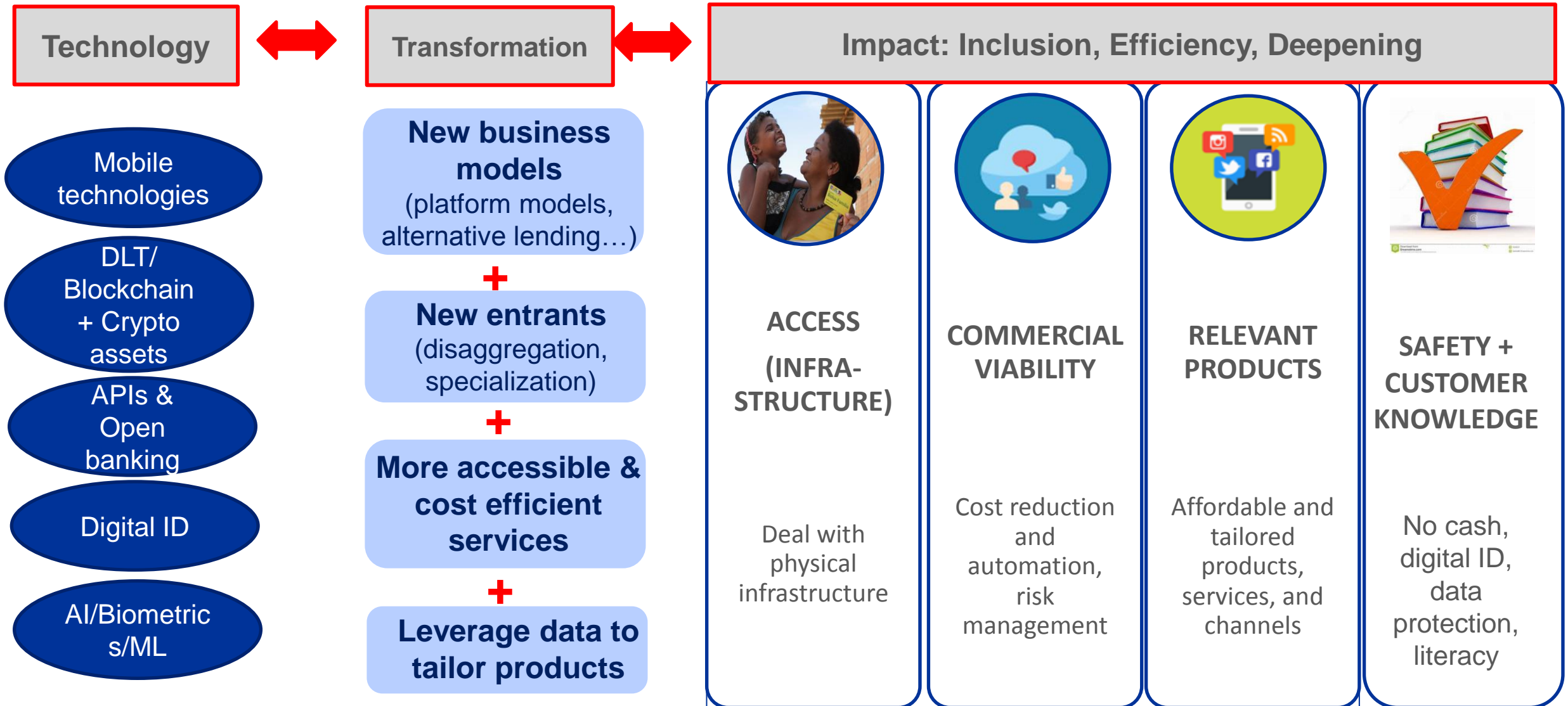
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“Central banks and innovators  
are vital partners: one cannot  
achieve financial inclusion  
without the other’s help.”

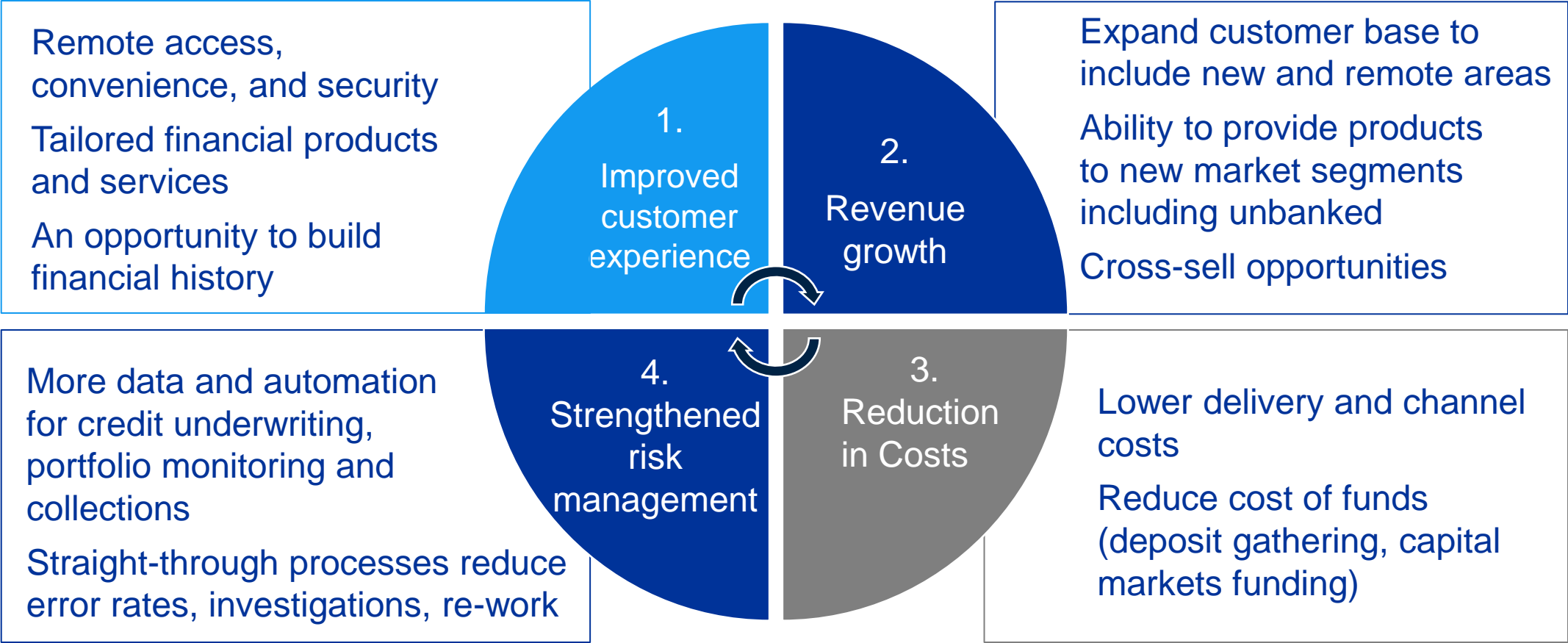
Agustín Carstens  
General Manager



# Fintech has enormous potential to expand financial inclusion...

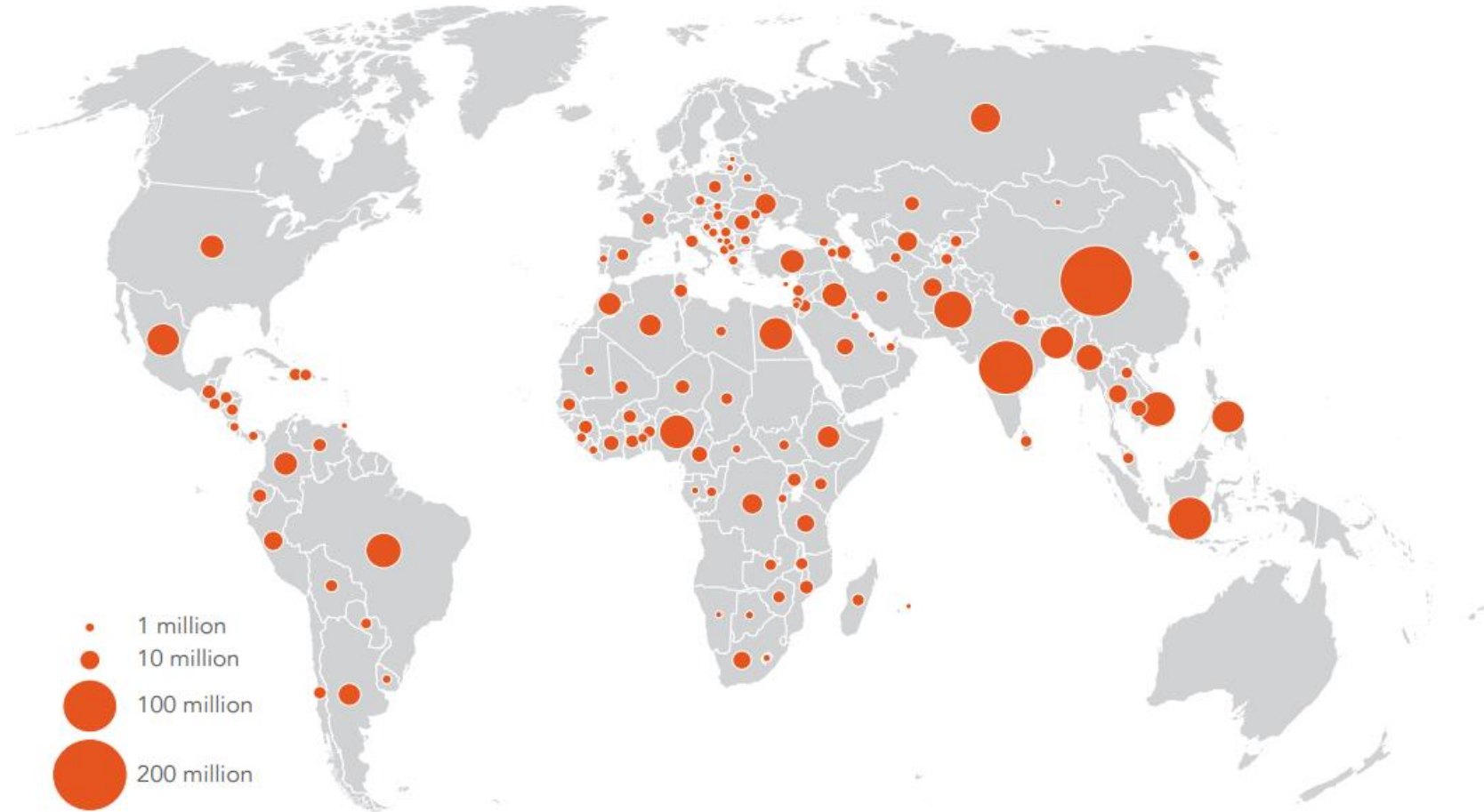


# Financial institutions and customers can benefit



# Example 1: The potential of mobile to reach the unbanked

**Two-thirds of unbanked adults have a mobile phone**  
Adults without an account owning a mobile phone, 2017



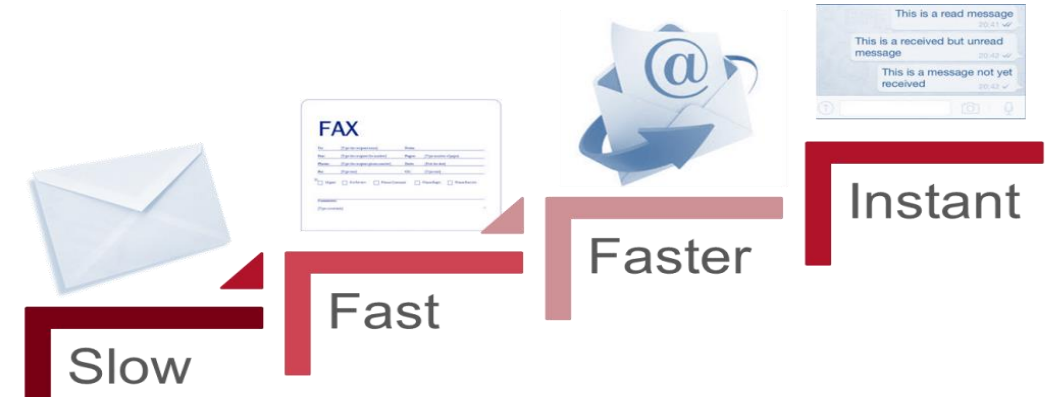
Sources: Global Findex database; Gallup World Poll 2017.

Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.



## Example 2: Increasing speed in payments – a worldwide ambition...

Payments are following a **universal trend**



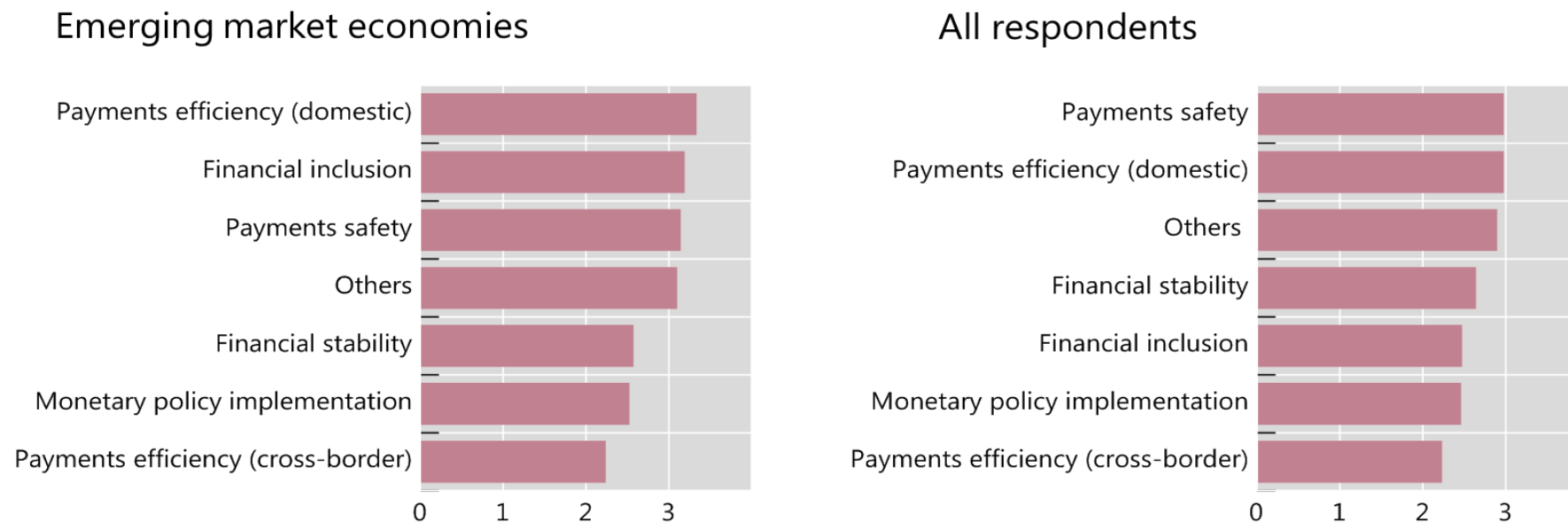
**> 20 instant/fast payment systems** in operation and number is growing

Sources: FIS Global, 2018, CPMI, 2017

## Example 3: Central bank digital currencies








### Reasons for issuing general-purpose central bank digital currencies

Ranked in order of importance<sup>1</sup>



<sup>1</sup> The score is calculated as an average of the options: "Very important" (4), "Important" (3), "Somewhat important" (2) and "Not so important" (1).  
Source: Central bank survey on central bank digital currencies.

## Example 4: Regulatory approaches

WAIT & SEE	TEST & LEARN	REGULATORY SANDBOX	WAIVER/ EXEMPTIONS	LETTERS OF NO-OBJECTION	DIFFERENTIATED REGULATION	REGULATORY REFORM/LAW
						
<p>Allows innovations to develop with <b>no restrictions</b></p> <ul style="list-style-type: none"><li>• May work well in environments with limited regulatory capacity</li><li>• <b>Presents significant risk</b> if not controlled later through regulations</li><li>• <b>Example:</b> China</li></ul>	<p>New innovations <b>tested</b> in a live environment with involvement from the regulators</p> <ul style="list-style-type: none"><li>• <b>Case-by-case basis</b></li><li>• <b>Requires active involvement</b> by regulator</li><li>• <b>Difficult to scale up</b>; hard to ensure equal treatment</li><li>• <b>Examples:</b> Philippines, Tanzania</li></ul>	<p>Virtual Environment where innovators can <b>test their products/services</b> in a time bound manner.</p> <ul style="list-style-type: none"><li>• <b>Greater transparency and replicability</b></li><li>• Relevant for markets with good supervisory capacity and high level of active, potentially non-licensed players</li></ul>	<p>Waiver or exemption from a license or restrictive sections of a license</p> <ul style="list-style-type: none"><li>• usually codified in law, therefore no need for subjective decisions from the regulator</li><li>• <b>No special resources</b> for maintenance are required</li></ul>	<p><b>legal certificate</b> issued by the authority to indicate that it <b>does not object</b> the product or services provided by the fintech entity.</p> <p>Relevant for smaller markets, when the risk profile of the innovations are generally well-understood.</p> <p><b>Example:</b> Kenya</p>	<p>Usually codified in law, therefore no need for subjective decisions from the regulator</p> <p>No special resources for maintenance are required</p> <p><b>Example: India:</b> Payments Bank &amp; Trade Receivables Platform license.</p>	<p>Enactment of regulations that support FinTech startups and consumer protection, competition, financial stability and financial inclusion</p> <ul style="list-style-type: none"><li>• Modifications to existing regulations</li><li>• <b>Examples:</b> EU (PSD2, GDPR), Mexico (FinTech Law)</li></ul>

*Enhancing financial inclusion needs to remain a key priority for policymakers.*

*Millions in Africa and elsewhere do not yet have a basic transaction account. We have an obligation to bring the financial system closer to the people so that everyone benefits from access to credit, savings and insurance products.*

*And we have an obligation to ensure that the benefits of innovation reach everyone and not just a portion of the population. **We need to encourage fintech to be built “for the people” – old and young, rich and poor, expert and layman alike.***



**Benoît Cœuré, Member of the ECB's Executive Board**



Thank you

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