

Seminar on Financial Inclusion and E-Commerce Issues
Information and Discussion
CLDP, United States Department of Commerce in
association with PTA & USAID

International and Domestic Initiatives to Encourage Financial Inclusion and the Development of E-Commerce

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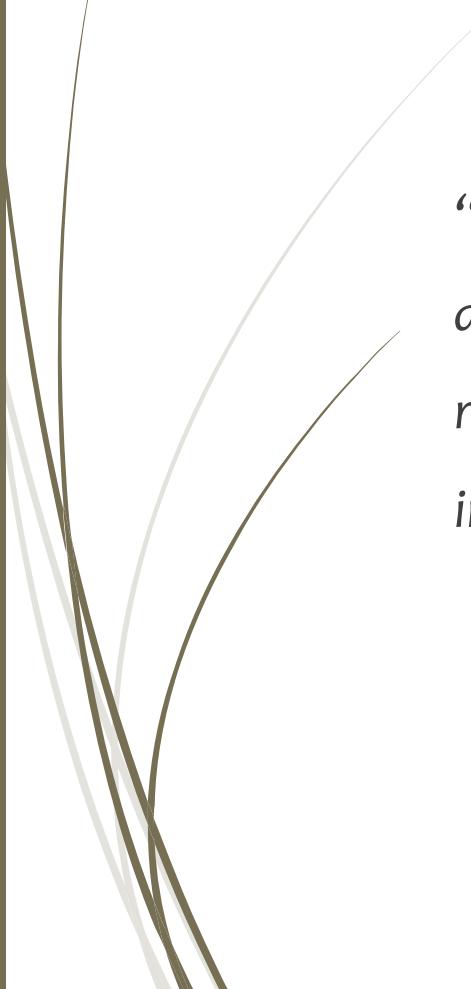
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A. About Financial Inclusion

A

Financial Inclusion...???



“Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.”

(the world bank)

A

Financial Inclusion – the need

- ▶ Drives economic growth
- ▶ Helps in poverty reduction
- ▶ Enables and empowers people and communities
- ▶ Individual benefits
 - ▶ start a new business
 - ▶ Education payments for children
 - ▶ Handle uncertainties
- ▶ Promotes investment within the community
- ▶ Enabler for 7 of the 17 [Sustainable Development Goals](#)

A

Financial Inclusion – Sustainable Development Goals

SDG	Target of SDG with reference to Financial Inclusion
SDG 1: No poverty	“By 2030, ensure that all men and women, in particular the poor and the vulnerable, have... access to financial services including microfinance.”
SDG 2: Zero hunger	“Secure and equal access to financial services” as a means to double agricultural productivity and incomes of small-scale food producers by 2030.
SDG 3: Good health	“Financial risk protection”
SDG 5: Gender equality	“Access to.... financial services” for women under a means of implementation target.
SDG 8: Decent work and economic growth	“The formalization and growth of micro-, small and medium-sized enterprises, including through access to financial services,” and to “Strengthening the capacity of domestic financial institutions to expand access to banking, insurance and financial services for all.”
SDG 9: Industry, innovation and infrastructure	Provides a stand-alone target about providing small enterprises with access to financial services.
SDG 10: Reduced inequalities	Includes reducing the costs of remittances as one of the means of implementation targets.

A

Financial Inclusion - a global challenge for development

- ▶ Some figures to measure the challenge that represents **financial inclusion** in the world today:
 - ▶ Nearly **75% of adults** earning less than two dollars a day don't have bank account;
 - ▶ **Over 50% of the population** in developing countries do not have a bank account, against 10% in rich and developed countries;
 - ▶ Among people who have an account, **only 43%** use it to save money;
 - ▶ In developing countries, **only 37% of women** against **46% of men** have a bank account.
- ▶ To achieve universal access to financial services for adults by 2020, the World Bank encourages financial institutions to highlight products that benefit the poor, women and other vulnerable groups.

A

Steps towards Promotion of Financial Inclusion

4E's Approach:

- ▶ **Enabling** regulatory and policy environment
- ▶ **Encouraging** competition that allows bank and non-banks to innovate and expand access to financial services
- ▶ **Ensuring** appropriate consumer protection measures
- ▶ **Efficient** and responsible provision of financial services



B. International Initiatives on Financial Inclusion

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
Alliance for Financial Inclusion	Maya Declaration 2011

Salient Features:

Signatory to Maya Declaration agreed to make measurable commitments in following 4 areas:

- To create an enabling environment
- To implement a framework that advances synergies in Financial Inclusion
- To integrate consumer protection and empowerment
- To utilize data for informed policy making and tracking results

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
<p>Better Than Cash Alliance (2012) (Partnerships of governments, companies and international organizations including USAID)</p> <p><u>Salient Features:</u></p> <p>Reducing poverty and driving inclusive growth by:</p> <ul style="list-style-type: none"> ➤ Advocating for the transition from cash to digital payment ➤ Conducting research and sharing experience ➤ Catalyzing the development of inclusive digital payments ecosystems 	Accelerates the Cash to Digital Payments

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
USAID	Rural Finance Initiative (Columbia) (2015-2020)

Objective:
To promote the provision of market-based rural financial services for micro, small and medium-sized producers and businesses

Components:

- **Improved Rural Financial Intermediation:** financial institutions to reorient their efforts to better address the needs of the rural sector and build stronger relationships between financial institution officials and rural populations.
- **Reduced Barriers to Rural Financial Services:** incentivizes and supports the entry of financial institutions into new markets while also promoting the development of innovative financial products.
- **Modernized legal and regulatory Framework:** facilitating a highly focused policy agenda to promote adjustments to the regulatory framework and further enhance rural financial inclusion.

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
USAID	Microfinance Inclusion and Innovation Project (Western Balkan countries) (2017)

Salient Features:

- **The Project:** To improve access to financial products tailored to the needs of low income households, entrepreneurs, and medium and small enterprises in Western Balkan countries.
- **How it Works:** To upgrade the IT platforms of intermediate finance institutions; improve financial literacy among entrepreneurs, student, farmers, and others across the whole country.

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
World Bank Group	Financial Inclusion Global Initiative (2017-2020)

Salient Features:

Advancing research in digital finance and accelerate financial inclusion in 3 different “model” developing countries (China, Egypt & Mexico) in two streams:

- **Operational work stream:** that supports each country’s national authority
- **Knowledge work stream:** to advance research and develop policy recommendations in three key areas of digital finance:
 - i. Security ICT infrastructure & Trust in digital financial services,
 - ii. Digital IDs for financial services,
 - iii. Acceptance and use of e-payments by micro and small-scale merchants and their customers.

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
World Bank Group	Universal Financial Access by 2020 (2015)
<u>Goal:</u>	
The goal is that by 2020, adults, who currently aren't part of the formal financial system, are able to have access to a transaction account to store money, send and receive payments as the basic building block to manage their financial lives.	

B

International Initiatives on Financial Inclusion

Institution/Forum	Initiative
DFID – UK AID	Financial Innovation Challenge Fund - 2016

Objectives:

- Spur innovation and innovative practices that increase access to financial services by the unbanked or the financially excluded.
- To attract private investment. Additional capital will help create a bridge between pilot and roll-out of an innovation.
- Create linkages between successful pilot projects to ensure that pilots can be brought to scale through donor and private sector coordination.

B

International Initiatives on Financial Inclusion

Essentially.....

- ▶ International organizations like USAID, World Bank, DFID and other think tanks are on same frequency about Financial Inclusion for masses.
- ▶ There are specific targets and goals with respect to achieving Financial Inclusion.

How to replicate international initiatives into domestic.....

Each country should align its national policy and related framework to complement these International Initiatives.



C. Country-specific Domestic Initiatives

C

Country-specific Domestic Initiatives

Initiatives	Examples of Countries taken these initiatives
Policy making	Indonesia, Colombia, Malawi, Nigeria, Peru, Philippine, Tanzania, Turkey, Vietnam, Mexico, Zambia and many others have launched National financial Inclusion Strategy .
Institutions	Mexico (National Council on Financial Inclusion), Bangladesh (Financial Inclusion department), Egypt (Financial Inclusion unit in Central Bank), Chile (Financial Inclusion Council), Colombia (Intersectoral Financial Inclusion Commission).
Supportive regulations	Nigeria (guidelines on agent banking, guidelines on mobile money services), Malawi (Mobile Payment System Guidelines in 2011 and introduced agent banking in 2012), Afghanistan Money Service Providers Regulation in 2008 and implemented electronic money institution-related amendments in 2011).

C

Country-specific Domestic Initiatives

Initiatives	Examples of Countries taken these initiatives
Innovative payment solutions	<p>Philippine (instituted the National Retail Payment System Framework in 2015), Afghanistan (national payments system went live), Kenya (debuted Huduma cards to help enroll more citizens in government services like health insurance etc).</p>
Awareness campaigns	<p>Afghanistan (launched a public awareness campaign in February 2016 surrounding mobile financial services), Zambia (held Financial Literacy Week from March 27-April 2, 2017 in an effort to “educate and sensitize the general public about various topics on financial education” as part of its National Strategy on Financial Education).</p>
Advancing financial literacy	<p>Brazil (financial education content was disseminated to students, teachers, and their relatives during National Students’ Day), Nigeria (developed a financial education curriculum).</p>

C

Country-specific Domestic Initiatives

Initiatives	Examples of Countries taken these initiatives
Measures for enhanced consumer protection	Indonesia (National strategy focusing on six pillars including consumer protection), Brazil (consumer protection is one of the three pillars of financial citizenship), Afghanistan (Financial Inclusion department also works on advancing consumer protection).
Financial services for low-income adults particularly women	Nigeria (Diamond's Yello service – work well for low-income women), Africa (Project of financial inclusion focusing on reducing gender gap).
Financing solutions for MSMEs	Africa (project of financial inclusion focusing on financing MSMEs through responsible data capture and credit analytics), Brazil (Financial inclusion plan focusing on financial inclusion for small businesses).

C

Initiatives for Financial Inclusion– Brazil

- ▶ The National Digital Inclusion Policy aims at covering the entire territory with **broadband access**, including through satellite connections.
- ▶ The Central Bank **promotes financial inclusion and education** as pillars of its governance agenda. There are programs to push financial institutions to develop solutions. One example of an initiative was a public-private effort involving 150 schools, in which financial education content was disseminated to students, teachers, and their relatives during National Students' Day.
- ▶ The Central Bank is also **revising the Brazilian Payments System** to give it a more digitalized structure in order to nurture innovation and allow inclusion through payments solutions, where classic banking entities can't or won't reach the population.
- ▶ **Concept of Financial Citizenship** Brazil's financial inclusion strategy has the citizen at the core, with a focus on both the rights and duties of a citizen. The is very comprehensive and based on three pillars: financial inclusion, financial education and consumer protection.

C

Initiatives for Financial Inclusion- Brazil

- ▶ Other initiatives include:
 - ▶ **reduction of fees** associated with account management,
 - ▶ **reduction of state interest rates** to force market reductions in order to give access to credit,
 - ▶ **regulation** of the fintech environment to promote competition, a Law was passed to allow for more competition between incumbents and new payment companies, fostering innovation, authorization of newcomers in the banking landscape.
- ▶ Results of these initiatives
 - ▶ The Brazilian Federation of Banks reported recently that internet banking represented 58% of all bank transactions in the country. 71.8 Billion bank transactions were made over the internet in 2017, 41.7 Billion of those through mobile devices.

C

Initiatives for Financial Inclusion– Brazil

- Resolution 4,480 has allowed four of the country's smaller banks to create financial products for low-income workers, such as accounts that can be opened online or on mobile apps without visiting a branch. The law removed the need for physical IDs or proof of address, which makes opening an account easier for Brazilians who lack government-issued ID or an address history.
- **Results**
 - One of the banks, Intermedium, increased its account numbers from 10,000 in March 2016 to 80,000 in December 2016. More than 30% of its clients are making at least four transactions per month.

C

Country Specific Case – Jordan

Initiatives:

- ▶ In Jordan, Central Bank of Jordan (CBJ) with co-operation with prime minister have enforced all government entities to start collect all government fees and taxes exclusively through electronic bill and presentment system owned by CBJ (eFAWATEERcom).
- ▶ CBJ launched Jordan Mobile Payment System (JOMOPAY) with wallets opening for unbanked people through licensed Payment service providers.
- ▶ Implementing digitization for cash transfer for refugees.
- ▶ Automated the micro finance sector payments through mobile wallets.
- ▶ Automation of universities subscriptions payments and semesters fees.
- ▶ Issuing companion card with every Mobile wallet (MasterCard).

C

Country Specific Case – Jordan

Regulations in Support of Initiatives:

- ▶ Amendment of regulation is under process to allow youth to open accounts and use electronic channels.
- ▶ Amended a part of regulations to allow UNHCR card holders to open digital wallet.

Impact of Initiatives:

- ▶ Banked population witnessed an increase to 33.1% from 24.6% in one year
- ▶ Planned to reach 41.5% by 2020

C

Country Specific Case – Mexico

- ▶ In 2014, the government approved a comprehensive financial reform to increase the financial sector's contribution to economic growth. The reform focused four areas:
 - ▶ **encouraging** competition across the financial sector;
 - ▶ **strengthening** the legal framework, mandate and operating capacity of development banks to expand access to credit;
 - ▶ **expanding** credit through private financial institutions by enabling financial authorities a more systematic evaluation of commercial bank credit to channel it more efficiently; and
 - ▶ **ensuring** the financial system is stable and solid.
- ▶ To remove regulatory barriers to opening accounts, the authorities introduced a tiered “**Know Your Customer**” scheme with more flexible requirements for low-value, low-risk accounts.

C

Country Specific Case – Mexico

- ▶ The government also started shifting payments from cash to debit cards. A half of the 6.5 million beneficiaries of Mexico's conditional cash transfer program Prospera (previously, called **Oportunidades**) now receive payments through electronic account with associated debit cards. **Prospera** also opened up access for low-income women, which may help explain the absence of a significant gender gap in account ownership in Mexico.

Digitizing government to person (G2P) cash transfers can reach 6 million people who are currently receiving their government transfers or wage salaries in cash.

C

Country Specific Case – Mexico

- The National Financial Inclusion Strategy (NFIS) is based around six pillars, including:
 - financial education,
 - the development of the financial infrastructure in neglected areas,
 - greater access and use of formal financial services for underserved and excluded populations,
 - protective measures for financial customers,
 - the generation of data and measurement to evaluate the impact of financial inclusion – and
 - the increased use of technological innovations for financial inclusion.

C

Country Specific Case – Bangladesh

- ▶ Among South Asian countries, Bangladesh has been ensuring higher intensity of access of households to financial services. Enhancing the reach of formal financial services has become a priority for the government.
- ▶ Bangladesh Bank has implemented various policies to further financial inclusion in the country. These policies includes those of the
 - ▶ Taka 10 account program,
 - ▶ Expansion of rural bank branches,
 - ▶ refinancing,
 - ▶ mobile banking,
 - ▶ SME financing,
 - ▶ school banking, and
 - ▶ street child banking.

Together these policies have had a positive effect on the intensity of financial inclusion through the banking sector in Bangladesh.

C

Country Specific Case – Bangladesh

- ▶ In March 2017, Bangladesh Bank permitted state-owned Sonali Bank to launch online money-transfer services with PayPal, signaling a commitment to furthering innovative financial technology solutions in the country.
- ▶ To stop the use of mobile phones for criminal activities and to ensure know-your-customer (KYC) requirements are met, the Bangladesh Telecommunication Regulatory Commission announced a mandatory mobile phone SIM reregistration campaign to increase biometric identification of SIM card holders.
- ▶ Agent banking has been introduced in the areas of Bangladesh where traditional banking has not yet reached.

C

Country Specific Case – Bangladesh

Improvements:

- ▶ The agent network in Bangladesh has continued to expand, from fewer than 400,000 agents in May 2014 to 723,000 in January 2017.
- ▶ Around 40% of the adult population and 75% of households have access to financial services in Bangladesh.

C

Country Specific Case – Senegal

- ▶ Private sector has developed different **mobile payment solutions** which are available nationwide. They allow users to pay services and product online, in shops, gas station, schools, universities, etc.
- ▶ MasterCard has signed in 2017, an agreement with the Senegalese Fintech, WARI, in order to facilitate **financial inclusion in digital economy**. The objective is to use WARI network in order to distribute MasterCard prepaid and credit card, but also to access to HomeSend services, in order to secure cross border payment.
- ▶ The United Nation Capital Development Fund (UNCDF)'s **Mobile Money for the Poor (MM4P) program**, launched in Senegal in April 2015, and in partnership with The MasterCard Foundation, provides support to build a robust DFS ecosystem that reaches low-income people in least developed countries (LDCs).

C

Country Specific Case – Senegal

- ▶ Authorities in Senegal are promoting greater financial inclusion by supporting the development of a **National Strategic Implementation Plan (NSIP)** and strengthening the financial consumer protection framework. Key activities include:
 - ▶ Support the drafting of a national Strategic Implementation Plan with prioritized, time-bound action plan mapping out initiatives to adequately cover key areas such as women, youth, rural and agricultural finance.
 - ▶ Supporting consultation workshops with all relevant stakeholders; and capacity building workshop on financial inclusion issues for the members of the working groups
 - ▶ Support the development of the monitoring & evaluation for the Secretariat of NSIP.
 - ▶ Implementation of reforms on financial consumer protection
- ▶ The proportion of population with traditional bank account is average 20%. Mobile money has contributed to leverage this rate to **45.23%** representing a net contribution of **18.7%**.

C

Pakistan's Initiatives in Financial Inclusion

- The government of Pakistan introduced its National Financial Inclusion Strategy (NFIS) in 2015 to expedite its efforts towards extending financial access to at least 50 percent of its adult population by 2020.
 - promoting digital transaction accounts and reaching scale through bulk payments,
 - expanding and diversifying access points,
 - improving capacity of financial service providers, and
 - increasing levels of financial awareness and capability.

C

Pakistan's Initiatives in Financial Inclusion

State Bank of Pakistan's initiatives to help bolster Digital Financial Services (DFS) access through branchless banking and mobile money:

- ▶ released regulations allowing mobile money operators to issue pre-paid cards
- ▶ released regulations for mobile banking interoperability
- ▶ released updated branchless banking regulations to ensure greater customer protections, minimize risk factors for banks, and promote the bank-led model of branchless banking
- ▶ Introduction of Biometric verification system

C

Pakistan's Initiatives in Financial Inclusion

- ▶ **Pakistan Financial Inclusion and Infrastructure Project**, with funding of USD 130 million provided by the International Bank for Reconstruction and Development and the International Development Association. Three organizations in Pakistan will implement the project: the Pakistan Micro finance Investment Company, National Savings, and the State Bank of Pakistan's development finance group. The project aims to advance financial inclusion by promoting access to digital payments among businesses and households, as well as advancing access to credit for micro- and small and medium- sized enterprises.
- ▶ State Bank of Pakistan is working to introduce a category of “**digital bank**” that will incorporate new and emerging technologies through a financial services entity
- ▶ The Pakistan Post and Karandaaz Pakistan signed a partnership agreement to digitize money order services at Pakistan Post. According to the terms of the agreement, Karandaaz Pakistan will provide technical support in developing a new product called the “**mobile money order**,” which will be made available through Pakistan Post.

C

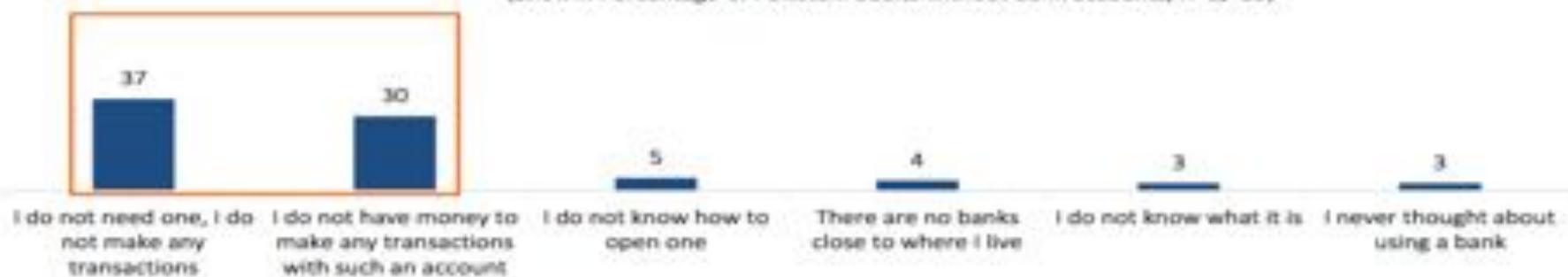
Pakistan's Initiatives in Financial Inclusion

- ▶ **Home Remittance Account (HRA):** A swift and cost-effective way of receiving remittance from abroad. This provides a platform for the low-income workforce in foreign countries where they can send money to their family members living in Pakistan, serving as an alternate to the informal and unlawful channels.
- ▶ **Social Welfare Disbursements:** Benazir Income Support Program (BISP), Employees Old Age Benefit Institution (EOBI) Pension, Pakistan Baitul-Maal, Internally Displaced Persons, Zakat and Donations.
- ▶ **Financial Products:** Funds transfer through M-wallets, Funds transfer through CNIC, Bulk payments (G2P:EOBI Pensioners), Cash deposit & withdrawal, Bill payments & to-ups, Loan disbursement & repayment, donations, retail payments.
- ▶ **Key Players:** Omni (UBL), JazzCash (Mobilink), Easypaisa (Telenor), HBL Express (HBL), Upaisa (Ufone), Timepey (Zong).

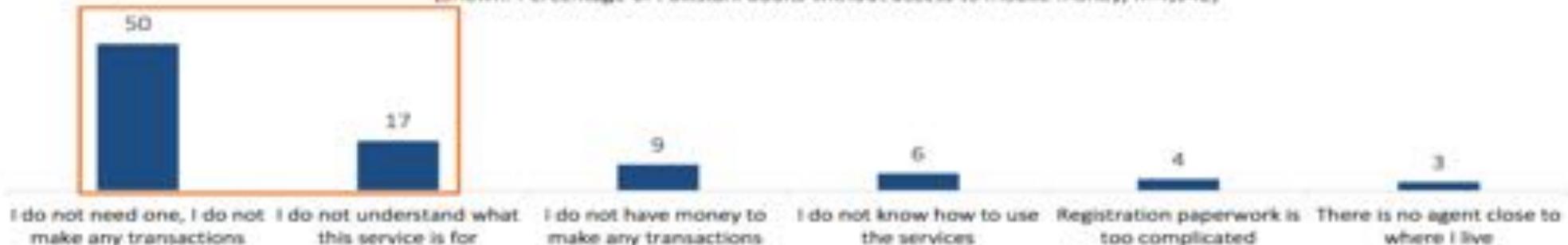
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Barriers to Financial Inclusion - Pakistan

2016: Main reason for not opening a bank account
(Shown: Percentage of Pakistani adults without bank accounts, n=5,405)



2016: Main reason for not using a mobile money account
(Shown: Percentage of Pakistani adults without access to mobile money, n=4,042)



Source: InterMedia Pakistan Fit Tracker survey Wave 4 (N=6,000; 15+), September-October 2016.



D. E-commerce and Financial Inclusion

D

E-commerce and Financial Inclusion

- ▶ Through simple payment and delivery options, innovative e-commerce solutions have the potential to transform the overall consumer shopping experience and positively influence customer behavior change particularly with regards to moving away from cash, thereby encouraging traditional brick-and-mortar retail shops to expand their electronic presence.

- ▶ E-commerce has a very important role to play in building an ecosystem of financial inclusion in general and mobile money solutions in particular.

D

Financial Inclusion and E-Commerce

Discussion @ UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) during 16th to 20th April 2018 at Geneva organized 4th e-Commerce Week. Some of the significant takeaways from this event regarding the development of e-Commerce are:

- ▶ Public-Private Dialogue is vital to drive e-Commerce
- ▶ Regional studies are required to explore the responsiveness to digitalization in different cultures and then to frame appropriate policies and related legal framework
- ▶ Specific regulations are required related to secrecy, data security, piracy, copy rights, consumer protection, third party liability, dispute resolution, cross border taxation & customs
- ▶ Reducing the Gender Digital Divide

There is a felt need to indulge cross-border digital payments via non-traditional/innovative means resulting into Global Financial Inclusion through E-Commerce.



E. Suggestions

E

Suggestions:

- ▶ Public Awareness Campaigns
- ▶ Financial Literacy
- ▶ Efficient & Effective Grievance Settlement Mechanism
- ▶ Informed Decisions and Policy Making based upon Evidence based research
- ▶ Gender Neutral – policy and products
- ▶ Introduction of New Technology & Reduction in Digital Divide
- ▶ Need Assessment based new Solutions
- ▶ Collaborations with International Organizations to adopt world best practices

Thanking you.

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