

What solutions to provide banking access to excluded people

Bancarisation refers to the number of people within a population using a bank account or banking services. It is an indicator of economic development. If, within a population, 60% of people uses banking services, that means that 40% of adults do not have access to them.

Worldwide, the percentage of adults with bank accounts rose from 51% to 62% between 2011 and 2014, according to the Global Findex study published in April 2015 by the World Bank. The number of “unbanked” people fell by 20% to 2 billion adults.

«Access to financial services can be a way out of poverty. We have set a very ambitious goal of universal access to financial services by 2020, and we now have evidence that significant progress has been made toward this goal», said Jim Yong Kim, President of the World Bank Group. «These efforts require the involvement of many partners: credit card companies, banks, microcredit institutions, the United Nations, foundations and community leaders. But we certainly can attain this goal and lift millions of people out of poverty».

Despite that progress, there are still severe inequalities. While OECD (Organisation for Economic Cooperation and Development)

countries have almost a 100 per cent rate of use of banking facilities, that rate falls to less than 20 per cent in the least developed countries in sub-Saharan Africa, the Middle East and in South Asia.

Many obstacles to the use of banking facilities

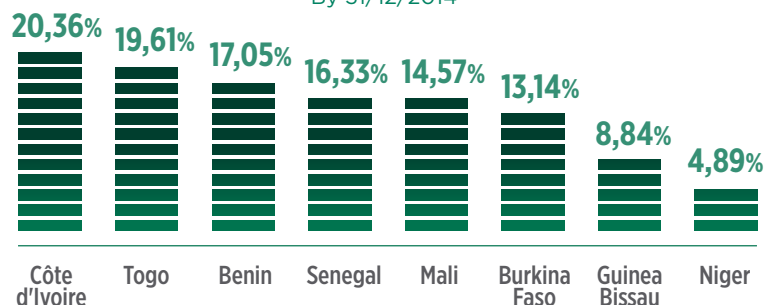
African banks' fees and charges seem too high compared to the level of wealth of the sub-Saharan population, which pushes 80% of the population to hoard'. For example, in Cameroon, the minimum deposit to open a bank account is \$700, while the average wage is \$98 per month.

“Worldwide, 2 billion people do not have a bank account”

As we have seen in France in 1969, bancarisation is often fostered by an obligation imposed by the State. In July 2011, the bancarisation of the payroll of Congolese officials forced 700.000 of them to open a bank account.

Banking access rate in UEMOA countries

By 31/12/2014



Source: mays-mouissi.com



Mobile telephony and microfinance in the service of access to funding

The Global Findex survey highlights the importance of new distribution channels using, in particular, mobile telephony and the Internet. Worldwide, only 2% of adults have a mobile banking account. In sub-Saharan Africa, this rate already reaches 12%, which represents around 64 million users.


The use of banking services often starts with access to credit. According to the World Bank report, the outstanding loans granted by the 1.391 microfinance institutions (MFIs) identified by the MIX amounted to \$95,1 billion at the end of 2013 (€85,6 billion), an increase of 12,9% year-on-year. And the number of beneficiaries increased by 10,3% to 105,9 million. MFIs play an important role in this first stage of access to banking services. Sometimes they transform themselves into deposit-taking institutions and then into banks. According to the BCEAO^{***}, the rate of access to banking services^{***} in Senegal rose from 6% in 2010 to 19% currently, taking into account the services offered in the microfinance field. Microfinance usually referred to microcredit (very small loans granted to self-employed borrowers with limited or non-existent guarantees), but

gradually this definition extended to other operations that were made possible through such institutions (savings, insurance, payments, money transfers, etc.).

Over time, microfinance institutions have sought to develop products and services that are likely to stick to the specificities of low-income populations. Thus, microfinance uses group loan mechanisms and collective guarantees. The gradual increase in the amount of financing makes it possible to accurately assess the solvency of customers. Today, the microfinance sector continues to work in order to better understand the financial needs of customers with low purchasing power but with a high potential for creativity, to better meet their needs. Microfinance and its ethical approach to financial inclusion represent a major economic and social challenge not only in developing countries but also in developed countries, where poverty is increasing dramatically (in Europe, 6% of people would live below the poverty line). By offering suitable financial services, microfinance can contribute to foster this virtuous cycle if it adopts an inclusive and responsible approach.

The Grameen Crédit Agricole Foundation has chosen to support only those institutions that are part of this inclusive

dynamic and that respect four fundamental principles:

- Respect the financial and social criteria defined by the Foundation in its intervention policy
- Pursue consistent objectives of balanced social and financial performance
- Provide remedial processes that enable MFIs to improve their practices and services by themselves and to drive the achievement of their social and financial objectives through normative standards or codes of conduct
- Implement end-customer protection mechanisms (services are offered in a fair, clear and comprehensible manner) including a mechanism to prevent over-indebtedness. 

^{**}To hoard: put money aside without spending it or making it work, keeping it out of the economic circuit.

^{***}The 8 countries of the Economic and Monetary Union of West Africa are: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo. They have a common central bank (the BCEAO) and a common currency (the CFA Franc).

^{****}The access to banking services rate, strictly speaking, is calculated by the BCEAO on the basis of the population over 15 years of age, excluding accounts opened in decentralised financial systems, issuers of electronic money and postal financial services.

Source: Fric-Afrique; LesEchos.fr; LeMonde.fr; Rewmi.com; Microfinance Gateway; World Bank.

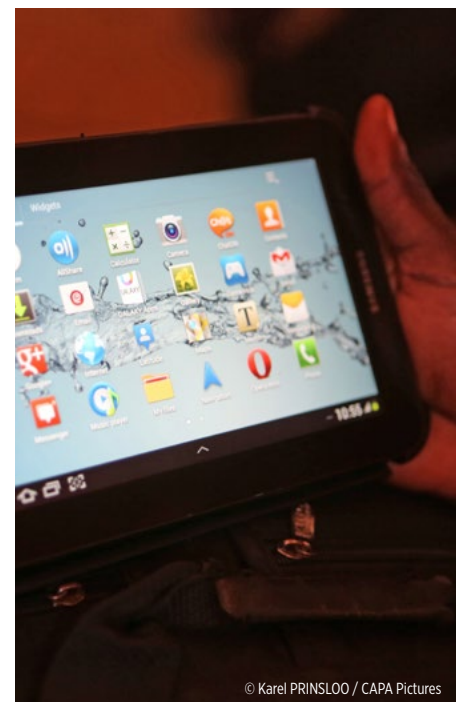
In this issue: Dossier on Mobile Banking

Mobile banking as a financial inclusion tool

In recent years, mobile banking has grown considerably in Africa. The distribution of affordable equipment makes possible an offer of payment and a range of financial services without a bank account as the mobile phone can serve as a virtual bank card and store information related to customers and financial institutions. In 2011, in Kenya, where one-fifth of the population owns a mobile phone, 68% of adults would use this tool to pay their bills or send or receive money.

Over the past decade, mobile telephony has grown exponentially in Africa, while the rate of access to banking services remains low. Mobile telephony reduces geographic constraints and transaction costs, thus increasing the diffusion of a remote banking model without incurring prohibitive distribution costs for massive distribution.

This exponential growth creates a unique opportunity to develop banking services. The majority of the African population does not have access to formal banking services. Sub-Saharan Africa has the lowest penetration rate of deposit taking financial institutions in



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“Mobile telephony represents a tremendous way of accessing financial services”

the world, with an average of 16,6%. In rural areas, which represent 60% of the total African population, the network of commercial banks is practically non-existent.

Rapid implementation of mobile banking on the African continent

«Mobile banking», was probably invented in Kenya in 2007. Today, sub-Saharan Africa ranks first in the world in terms of money transfers by telephone in a continent where 80% of adults remain excluded from the banking system. In Kenya, 80% of adults have a telephone subscription and only 19% of them have a bank account. International remittances are made from telephone to telephone, in real time. The country has over 24.000 M-Pesa (national money transfer operator) outlets, more than five times the total number of post offices, postal banks, bank branches and ATMs in the country.

In 2009, M-Pesa had 10 million users. This number increased to 17 million at the end of 2011, of which one third were unbanked. M-Pesa's financial services, which have today expanded to a dozen emerging countries, have low value but volumes are significant and they generate significant gains. In November 2014, in the first eleven months of the year, M-Pesa's transactions were estimated at more than KES 2.100 billion (about 19 billion Euros), just for Kenya, representing a 28% growth



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from 2013, which represents almost half the GDP of the country.

In the field of mobile banking, Africa is a pioneer and a global laboratory: this continent alone has 15 of the 20 largest countries in the world in terms of use of mobile money. The mobile banking market, estimated at \$200 billion in 2015, is therefore a tremendous vehicle for economic inclusion, since it enables the poorest, but not only, to access banking services.

Promoting people's access to mobile telephony represents today a tremendous way of accessing financial services and, by the same occasion, of including financially a large section of the African population still excluded from traditional mechanisms for the financing of the economy. But it is also a wonderful laboratory for observation, experimentation and inspiration for northern countries in which the growing effects of impoverishment and exclusion are strongly felt. 

Source : Jeune Afrique; Initiative for Africa; Tendances Eco; CGAP



ADA launches the digital finance initiative

The Digital Finance Initiative can really drive financial inclusion. Through this initiative, ADA will co-fund the efforts made by small and medium-sized microfinance institutions in 12 African countries, most of which are least advanced countries.

Further information 

