



IN COLLABORATION WITH



“Financial inclusion: Trends, developments and policy tools”

Address by the FSC Chief Executive

27 June 2023

Regional Centre of Excellence, 7th floor, Nex Tower, Rue du Savoir, Ebene, Mauritius

Board Members of the Financial Services Commission

Miles Larbey, Head of the Financial Consumer Protection, Education and Inclusion Unit
of the OECD;

Representatives from the OECD;

Distinguished Panel Speakers;

Captains of the Industry;

Members of the Press;

Distinguished Guests;

Ladies and Gentlemen;

All protocols observed;

Warm greetings to all of you.

It is with immense pleasure and great honour that I welcome you all for this hybrid workshop entitled “Financial inclusion: Trends, developments and policy tools”. This workshop reflects the endeavour and constant commitment of the Financial Services Commission to promote and deliver training and capacity building on key subject matters and policies through the Regional Centre of Excellence (“RCE”). I would like to put on record, the invaluable collaboration and support from the Organisation for Economic Co-

operation and Development (‘OECD’) for this workshop and the relentless effort of the RCE in rendering this workshop in its present form. I note that 390 participants are following us virtually.

The topic for today’s workshop has been exquisitely crafted and I commend the RCE and the OECD for this choice. Financial Inclusion of a person in this society has to be recognised as a right. And to put the theme of today into context ladies and gentlemen, let me share with you some key statistics regarding financial inclusion globally as well as for Mauritius. According to the Global Findex report published by the World Bank in 2021, it has been observed that 76 percent of the world’s adult population has access to an account with either a financial institution or mobile money provider, up from 51 percent in 2011. Developing economies have seen notable progress, with 71 percent of the adult population having an account, a 30 per cent point increase over the last decade. It has also been noted that the COVID-19 pandemic played a significant role in the progress of financial inclusion with the widespread adoption of digital financial services. However, it is also to be noted that 1.4 billion adults around the world still remain excluded from the formal financial sector.

I am pleased to share that Mauritius has reached a financial inclusion rate of 91 per cent, the highest on the African continent compared 55 per cent for sub-Saharan Africa and global average of 76 per cent. This is the result of several initiatives undertaken at local level.

Dear Audience,

Most economies in the world have evolved in recent years and it is important households and businesses keep pace with the changing economy and have financial access for almost everything, be it from long-term goals to unexpected emergencies. It is equally important that individuals and businesses have access to useful and affordable financial products and

services that meet their needs, delivered in a responsible and sustainable way. It is a fact that people having access to a transaction account are more likely to use other financial services, such as loans and insurance, to start and expand businesses, invest in education or health amongst others. It has been observed that access to formal financial services also contributes towards building financial resilience.

This is why, many countries and organisations around the world are putting lots of emphasis towards financial inclusion. The UN, for example, has identified financial inclusion as an enabler for 7 of its 17 Sustainable Development Goals while the G20 has committed to advance financial inclusion worldwide.

In Mauritius, ladies and gentlemen, both the Financial Services Commission and the Bank of Mauritius are mandated to promote financial education. The FSC is empowered under Financial Services Act to promote public understanding of ‘the financial system including awareness of the benefits and risks associated with different kinds of investment and to take measures for the better protection of consumers of financial services’.

But then, why and how is financial inclusion, or rather financial exclusion a problem? There seems to be a paradox between what we do and what we are expected to do. We cannot ignore the fact that the 2008 subprime financial crisis posed threats to financial stability. Regulators around the world have, in a global concerted effort, overhauled and tightened financial regulations. With several versions of BASEL international reforms added, financial services has today become a costly business, for financial institutions, and by repercussion, for consumers.

At the same time, most financial services regulators have, financial inclusion as one of their broader mandates. Tighter regulations imply that fewer people have easy access to financial services, leading to a situation where, even those who are banked, might be deprived of financial services.

And the statistics mentioned earlier prove this state of affairs. But the number of bank accounts is not a direct proxy for financial inclusion. The rising cost of banking services further make access to basic services out of reach for many people. This means that some people have bank accounts but do not use them.

Further, in the context of today's economy, the notion of financial inclusion cannot be limited to people only, but has to be extended to small businesses as well. SMEs are recognised as the engine for growth, giving jobs to more people and thereby bringing them in the financial systems Yet we observe, on a daily basis, the outcry of SMEs and startups which cannot access financing due to the rigidity of the banking system.

In the meantime, banks have stayed in their respective comfort zones and focussed on a smaller group of high profile customers for wealth management. Today, banks are still offering product- oriented services in one-size fit all formats while the world has already moved towards customer centricity. Merchants are completely disconnected with pricing and unbanked customers are in the look for low cost payment options.

In this state of gridlock, the saviour, eventually would come, not from the banking sector, but the non-bank financial services. Today, new generations of financial technology or Fintech friendly applications are being provided by smart phones, whose adoption is expected to rise significantly over the years. The world of tomorrow will be characterised by connectivity and the commodity at stake will not be services, but data. Several Fintech startups are leveraging on the proximity provided by smartphones and the data that they are capable of churning to provide customer-centric services popularly labelled 'anytime

and anywhere'. Such incursions reaching customers in their daily activities will be key to unlock the barriers to financial inclusion.

Ladies and Gentlemen,

Financial inclusion through FinTech

I am fully convinced that Fintech will come at the rescue of the problem of financial exclusion. Fintech can be used to build profitable and sustainable bridges between the demand and the supply of financial services. And these will include people as well as small enterprises. Fintech apps are already bringing change and innovations in traditional areas such as financial literacy, retail banking, investment advice, crowdfunding, capital markets, microcredit, small business financing, transactions and payments, currency exchanges and remittances.

According to a study conducted by McKinsey and Company, lenders and credit analytics such as DemystData and FirstAccess are using new and innovative data models to reach lower income groups. At the same time, mobile operators are tapping in on new forms of data to reach new customers who do not even have a credit profile or score.

This leads to another side area of Fintech financially inclusive developments

There are a number of current developments, based on Fintech that are already shaping the future of financial services. The focus has already moved from payments to financial services such as lending through micro credit. Technology enabled lenders such as those already licenced by the FSC are helping SMEs access working capital and financing rapidly. There are also a number of trends that are clearly visible and that characterise financial inclusion through innovation and digital economy which are:

1. Customer-centric service
2. Peer – to – peer funding or socialisation of financial product and services
3. Bridge between financial institutions and customers – focus on financial health
4. Use of Blockchain technology to go beyond cryptocurrencies
5. Use of alternative data to improve financial inclusion

Dear Audience,

Let us now delve on the developments in the Mauritian context.

Mauritius is a highly banked country, yet, according to a recent survey carried out by the World Bank, 9% of the population suffer from some form of financial exclusion. A number of steps have been taken jointly by the Government to stimulate the digital economy and improve the financial inclusion of the population and SMEs.

The Bank of Mauritius came up with a separate law on the National Payments with a view to regulating and overseeing all payment practices along the exigencies of the digital economy. On the other hand, the FSC came up with a number of regulations to ensure that the non-bank financial services helping the financial inclusion agenda are executed. We can cite in this context, the enactment of the Virtual Asset and Initial Token Offering Services (VAITOS) Act 2021, as well as the Crowdfunding rules, the Peer to Peer Lending Rules and Robotic and AI Enabled Advisory Services rules. The gamut of these regulations is testimony of the fact that Mauritius is very much concerned on the adoption of new technologies to fight against financial exclusion.

Financial inclusion, ladies and gentlemen, is not complete without adequate financial education. For this purpose, the FSC has elaborate financial literacy programmes to promote financial inclusion.

Firstly, the FSC has been conducting outreach sessions around Mauritius as well as Rodrigues, as part of its financial literacy mandate. These campaigns are carried out at identified venues such as offices, Social Welfare Centres and Recreational Centres with earmarked audiences such as senior citizens, women associations, entrepreneurs, officers, students amongst others. The aim of these outreach sessions is to sensitise existing as well as potential consumers on the various financial products and services, including the benefits and risks associated with them.

Secondly, with a view of sensitising the public, entrepreneurs, investors, employees, students and retired people on the need to adopt the right reflexes while taking financial decisions, information and education campaigns on financial services have been launched by the Ministry of Financial Services and Good Governance, the Financial Services Commission and the Financial Services Fund through different media. Financial literacy materials and information are published in the print media as well as broadcasted on radio and television on a regular basis.

Thirdly, since the beginning of 2020, a dedicated team of the Financial Services Fund is present on a weekly basis in around the island, as part of the **Ensam Avec CSU** initiative, driven by the Prime Minister's Office. The objective is to reach out to the population in different areas through dedicated information stands to attend to queries and impart financial literacy.

To conclude, I would reiterate the unflinching effort that policy makers are putting in place to promote financial inclusion. The world is changing rapidly and it is equally important that we to make an effort for everyday financial services available to more of the world's population at a reasonable cost. Developments in fintech, such as digital transactions, are making financial inclusion easier to achieve. I am sure that for the coming 2 days, our experts and speakers will give you a better insight of the developments, trends and policies being adopted on financial inclusion.

On this note, ladies and gentlemen, I thank you all for your kind attention and I wish you a fruitful session ahead.

Mr Dhanesswurnath Thakoor

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