



Symposium on Financial Inclusion

Keynote Address – Dr. Ernest Addison

(Emcee) Roger Morier:

We have a special guest this morning to deliver the keynote address on Day 2. It's Dr. Earnest Addison, the Governor of the Bank of Ghana. I am very pleased to introduce him.

He has had a distinguished career as an economist. He has been with the West Africa Monetary Institute, with the African Development Bank, and obviously with the Bank of Ghana. And, as some of you may know, the Bank of Ghana has taken steps recently to improve financial inclusion, steps towards greater financial inclusion in this country. And there have been some successes there. So, we thought it would be insightful and helpful for you to invite the Governor here to share some of the policies of the Bank of Ghana and to share some of the ideas that has led to the work that they are doing.

So, please welcome to the stage, Dr. Ernest Addison, Governor of the Bank of Ghana.

Dr. Ernest Addison, Governor, Bank of Ghana

Good morning ladies and gentlemen, experts and practitioners in financial inclusion. I am indeed very happy to be part of your Symposium on Financial Inclusion, which has a noble cause and is central to the overall mandate of our central bank.

Let me first thank the Mastercard Foundation for choosing Accra as the host city for this year's Symposium and for providing such a unique platform for regulators, policymakers, and other industry experts to deliberate on financial inclusion.

The Mastercard Foundation, I understand, has its main objective to focus on helping economically disadvantaged young people in Africa to find opportunities to improve themselves, their families, and communities from poverty to better livelihoods. In meeting this objective, the Foundation has undertaken several projects in Ghana. These include:

- Bridging the gap between formal and informal savings;
- Youth driving agricultural transformation in the cocoa value chain sector;
- And, artisanal training in construction for young Ghanaians and girl-centered scholar programs.

And in financial services, the Foundation supports work to connect saving groups with the banking sector for many, and sponsors the FIBR project, which aims at supporting technology, business, and financial partners that can use this data to design and develop new ways to make savings, credit, and insurance products available to underbanked customers. These activities of the Foundation are right at the centre of the government's objective to deepen financial inclusion to drive economic transformation, and promote broad-based and shared growth.

Ladies and gentlemen, financial development has been substantial over the last 10 years in Ghana and more broadly across Sub-Saharan Africa. But this came after two decades of financial sector stagnation. Ghana, among other regions in Sub-Saharan Africa, has led the world in innovative financial services such as mobile telephony and fintech, leap-frogging traditional technology.

Mobile banking has complemented traditional banking services and reduced their cost, often prohibitively high for the poor and vulnerable households and small businesses, and filling the gap in services left by the traditional banking sector.

The importance of financial inclusion for growth and development cannot be over-emphasized. It is generally accepted that financial inclusion increases a country's resilience and boosts economic growth through a number of sources, including by helping to mobilize savings, promoting information sharing, improving resource allocation, facilitating diversification and management of risks, promoting financial stability to the extent that deep and liquid financial systems with diverse instruments help dampen the impact of shocks and, overall, serves as an effective tool for poverty alleviation. These huge benefits put financial inclusion at the centre of the global economic policy agenda.

More recently, the rapid advancement in technology and high mobile phone penetration in several African countries have paved the way for innovative products and expansion of access to financial services. Globally, there are significant improvements in international inclusion, though the pace and penetration vary across regions. As noted in a recent World Bank report, the share of the world's adult population with access to formal financial services has risen from 51 to 62% between 2011 and 2014.

In Ghana, financial inclusion is seen as catalytic to social inclusion in the development process as it taps into the large informal sector. Various attempts have been made to target policies towards the vulnerable and economically excluded segments of our population. The government, and for that matter, the Bank of Ghana, has consistently pursued policies in this direction in the past, including policies focused on directing credit to specific sectors of the economy and vulnerable groups in society. The regulatory environment was also revamped and new guidelines were introduced to ensure efficient financial intermediation in the economy.

Ultimately, such targeted interventions evolved into setting up of local banks, introduction of the Unit Bank concept, that is, the rural and community banks, as well as several non-bank financial institutions, including microfinance institutions. These policies were aimed at driving the efforts

to open up alternative channels of intermediation and access to financial services for the unbanked while increasing competition in the financial sector landscape.

Despite these reforms, quite a sizeable number of the Ghanaian adult population still lack access to financial services. Vulnerable groups in some parts of the country, including rural residence, women, the poorest quintile of the population and youth even had less access to financial services compared to the national average.

Consequently, the government in collaboration with the World Bank, and as part of the broader objectives of financial sector, launched a National Financial Inclusion Strategy framework, an initiative that will support the overall vision of making available a broad range of affordable and quality financial services that meet the needs of all Ghanaians and provided by sound, responsible, and innovative financial institutions. More specifically, the strategy will target an increase in access to formal financial services for the adult population from the current 58% to 75% by the year 2020 focusing primarily on relatively excluded groups.

The increase in access to financial services is expected to create economic opportunities and contribute to poverty reduction promoting inclusive growth in the country. The National Financial Inclusion Strategy outlines a comprehensive reform agenda structured around five mutually reinforcing pillars of financial sector development, including:

1. Financial stability;
2. Access, quality, and usage of financial services;
3. Financial infrastructure;
4. Financial consumer protection; and
5. Financial literacy and capacity.

These pillars embody the context within which Ghana's financial sector landscape and financial inclusion will be strengthened and developed. The NFIS strategy acknowledges Ghana's financial stability challenges and seeks to address them as a pre-condition to promote sustainable financial inclusion.

Ladies and gentlemen, as we work towards bringing financial services to the doorstep of economic agents in our various countries, let us commit to strengthening the regulatory frameworks without undermining the safety and stability of the financial system. A safe and stable system instills confidence in consumers, which is essential for inclusion, and this will be supported by a robust payment system infrastructure to serve as the nerve centre for financial institutions and fintech companies to coordinate and provide innovative digital payment solutions for financial inclusiveness.

Currently, digital payments are becoming part of everyday life in Ghana. Funds are transferred via digital money for payments of utilities and other services, school fees, purchase of goods, social support allowances, just to name a few.

In April 2012, Ghana committed to financial inclusion under the Alliance for Financial Inclusion Maya declaration. Since then, the country has met the benchmarks in the declaration. In September this year, the bank made further commitments to increase women's access to financial services from 57 to 65% by 2020, among others.

Nonetheless, challenges to scaling our financial inclusion remain. Notable among these are the lack of an effective national identification system, weak financial literacy, lack of national address system and, in some instances, cyber fraud. It is gratifying to note, however, that steps are being taken to resolve these challenges through the establishment of a National Identification Scheme and Digital Addressing System.

The National Identification Scheme will help formalize the economy through the establishment of a national database fully complemented by a digital national address system to enhance inclusiveness in policy formulation. The combination of these and interoperability of the electronically payment systems, should unleash the full potential of financial sector inclusiveness and economic growth.

As part of the broader strategy to create an enabling regulatory environment for convenient, efficient, and safe retail payment advance transfer mechanisms, the Bank of Ghana issued the Guidelines for E-Money Issuers and the Agent Guidelines in June 2015.

The broad objective of the EMI Guidelines was to promote financial inclusion initiatives by expanding services beyond the traditional branch-based channels and to limit e-money issuance to licensed, dedicated Electronic Money Issuer institutions. These guidelines formed the core part of the bank's strategy to create a congenial regulatory environment for scaling up adoption and use of a convenient, efficient, and safe electronic retail payment and funds transfer. The Agent Guidelines were also issued to promote the use of agents as channels for delivery of financial services, with specific necessary safeguards and controls to mitigate the associated risks and safeguard consumer protection.

Also, in line with the risk-based approach to Know Your Customer, the EMI Guidelines imposed transaction limits on customer e-money accounts to accommodate different sets of accounts. Particularly the EMI Guidelines permit the creation of minimum KYC accounts that are subject to very low transaction limits and, correspondingly, low documentation requirements. This is to promote financial inclusion for the unbanked.

Currently, the Bank of Ghana has consolidated two legal instruments. That is the Payment Systems Act and the guidelines for Electronic Money Issuers into the Payments and Services Bill. The passage of this Bill into law is expected to further improve the regulatory environment and provide additional support for emerging digital financial services while minimizing related threats associated with financial inclusiveness.

More recently, cyber-fraud is gaining attention and becoming a threat to financial institutions whose systems to end-users are being exploited. As a regulator, the Bank is reviewing a new set

of guidelines to address the cyber security issues in the country to mitigate and reduce the impact of cyber fraud. This will complement the recently launched government key projects on registration and addressing systems.

In bridging the gap of information asymmetry, the Bank publishes the base rates of universal banks to apprise consumers of differences in the base rates of individuals to help make informed decisions. Aside this, the Bank has completed a work plan for the development of Financial Consumer Protection Regulations for Digital Financial Services. These measures are aimed at improving transparency, to increase the number of informed consumers, and to prevent banks and other financial service providers from engaging in unfair practices.

To conclude, I would like to emphasize that financial inclusion is critical for the socioeconomic development of our economies. Globally, financial systems are harnessing the benefits of digital technology and we, in Africa, must exploit these opportunities to expand financial inclusion and promote growth. A lot remains to co-opt the unbanked into the financial systems across Sub-Saharan Africa. And, I am of the firm conviction that this Symposium will provide valuable input to shape policies in that direction.

Finally, let me thank the Mastercard Foundation, once again, for committing to the financial inclusion agenda. I wish all participants fruitful deliberations. Thank you very much. *[Applause]*