

BREAKING BARRIERS OF THE UNBANKED AND UNDERSERVED

Last Updated: 04 July 2014|12:38 GMT

Financial inclusion in Africa has gone beyond just providing the masses with a bank card and account.



Financial inclusion consists of the financially excluded and the financially underserved. PHOTO: Getty Images

Inclusion is a two-fold story: on the one hand, there's a vast market for financial institutions to tap into. On the other hand, only a handful of them have managed to provide a full suite of services that go beyond giving the layman a bank card.

"What's common among countries with developing inclusive growth is poor access to

financial services," Daniel Monehin, division president of sub-Saharan Africa at MasterCard, told CNBCAfrica.com.

"Having access to financial services empowers the people. It's not just an account, but having access to a full range of financial services to protect them, help them save, to help them grow."

THE EXCLUDED AND UNDERSERVED

According to MasterCard's "Road to Inclusion" report for the second quarter of 2014, financial inclusion consists of the financially excluded and the financially underserved, two essential groups that are the driving forces behind a financial service provider's existence.

The financially excluded, according to the report, are groups with little to no access to formal banking services or have any traditional relationship with a financial institution.

As a result of their exclusion, majority have no access to credit, and are therefore unable to build a credit record to make essential purchases such as a house or car.

In an ironic twist, a number of people are unable to acquire debt because of a lack of credit history, but debt is needed to build a credit history.

"Without access, we can't even begin to talk about delivering better service, so that's why access is crucial. When access has been given, then the next phase is now providing better service to [people]," Monehin explained.

Of the 600 people interviewed in the MasterCard report, from countries including the

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Philippines, Egypt, Nigeria, India and Vietnam, the number of people that had been financially underserved was slightly more than those that were excluded.

The financially underserved, according to Monehin, are groups that had a traditional bank account but are unable to gain from the full range of benefits possible.

“I see that happening where access is what has been provided but the usage and latitude of opportunities that are available on the financial services side – personal loans, commercial loans, small-scale loans and savings products- are not built into it,” he said.

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In Nigeria, of the 100 people that had been surveyed in the excluded and underserved categories, 54 were in the financially excluded group, and 46 were in the financially underserved group.

In Egypt, 46 were financially excluded and 54 were financially underserved. In Indonesia, 51 people fell in the financially excluded group and 53 were in the financially underserved category.

Though the figures for both categories were not far apart, it is an indication that traditional approaches, despite their lengthy existence, are failing to reach a significant percentage of people. This has however translated to a perfect niche market for mobile money services.

DIALING IN TO PAY OUT

“All of Africa is interested in doing something about [financial inclusion]. The groundswell of interest that we receive from governments, from central banks, regulators and partners in financial services has been very strong in order to close that gap,” Monehin explained.

“We’re working with several of those partners to put in programmes to provide that kind of access to the people both from a traditional approach, working with financial services, to non-traditional approaches [in terms of] working with government and retailers.”

Last year, MasterCard partnered with Nakumatt, East Africa’s largest retailer, to provide the Nakumatt Global Prepaid MasterCard card that allows cardholders to collect loyalty points, load money on to the card, make cash withdrawals as well as online purchases at Nakumatt stores across the region. Purchases can also be made from any retailer that accepts MasterCard payments worldwide.

“What was interesting was that majority of those that were using the loyalty card did not have a bank account, allowing the retailer to provide financial services that traditionally would have been provided by a financial institution such as a bank,” said Monehin.

In South Africa, mobile network operator MTN has made the similar move, partnering with supermarket chain Pick n Pay to provide mobile banking system to consumers. The service allows for users to send money, make cash deposits and withdrawals through Pick n Pay’s retail outlets, and even pay for pay for municipal services.

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Similarly, Egypt's Fawry payment service that allows its users to pay their bills at the closest retail outlet that is a member of the Fawry network. Billers, retailers and banks can adopt the service and make it easier for its customers or clients to make payments.

"It's very common in Egypt to set aside your whole day to go make bill payments because of the long lines. With this solution, citizens can pay right on their phone without even leaving their homes or offices. That is massive in terms of the kind of quality that it brings to the people," Monehin explained.

"For every service there's reward, opportunity and therefore we believe that once you are able to break the access barriers, the development will follow and the underserved will become better served as the technologies, solutions and all of that rolls out to the public."

Tags: Egypt, Sub-Saharan Africa, MTN, mobile money, Daniel Monehin, Mastercard, Pick n Pay, Nakumatt, financially excluded, underserved, Fawry

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