

International Monetary Fund  
African Department

**Financial Development,  
Financial Inclusion, and  
Growth in Africa**


ECOWAS Regional  
Conference, Dakar,  
Senegal,  
September 20, 2016

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IMF

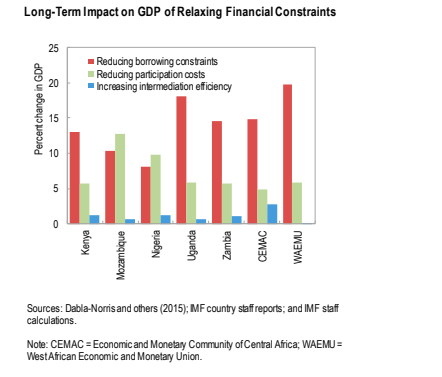


**Outline**

1. Financial development and growth
2. Financial inclusion in Africa
3. The role of technology: Lessons from Kenya
4. Policy implications



### Financial development has supported growth and reduced its volatility in sub-Saharan Africa




**Long-Term Impact on GDP of Relaxing Financial Constraints**

Country/Region	Reducing borrowing constraints (%)	Reducing participation costs (%)	Increasing intermediation efficiency (%)
Kenya	13	6	1
Mozambique	10	13	1
Nigeria	8	10	1
Uganda	18	6	1
Zambia	15	6	1
CEMAC	15	5	3
WAEMU	20	6	1

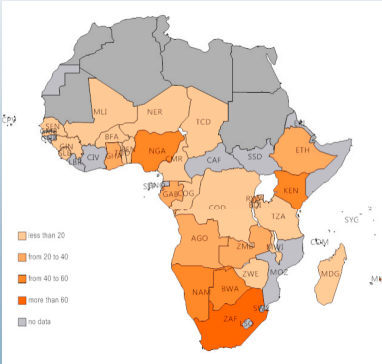
Sources: Dabla-Norris and others (2015); IMF country staff reports; and IMF staff calculations.  
 Note: CEMAC = Economic and Monetary Community of Central Africa; WAEMU = West African Economic and Monetary Union.

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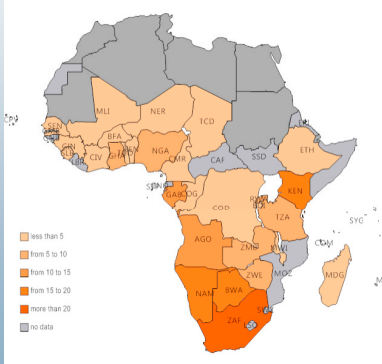


### Access varies significantly across SSA

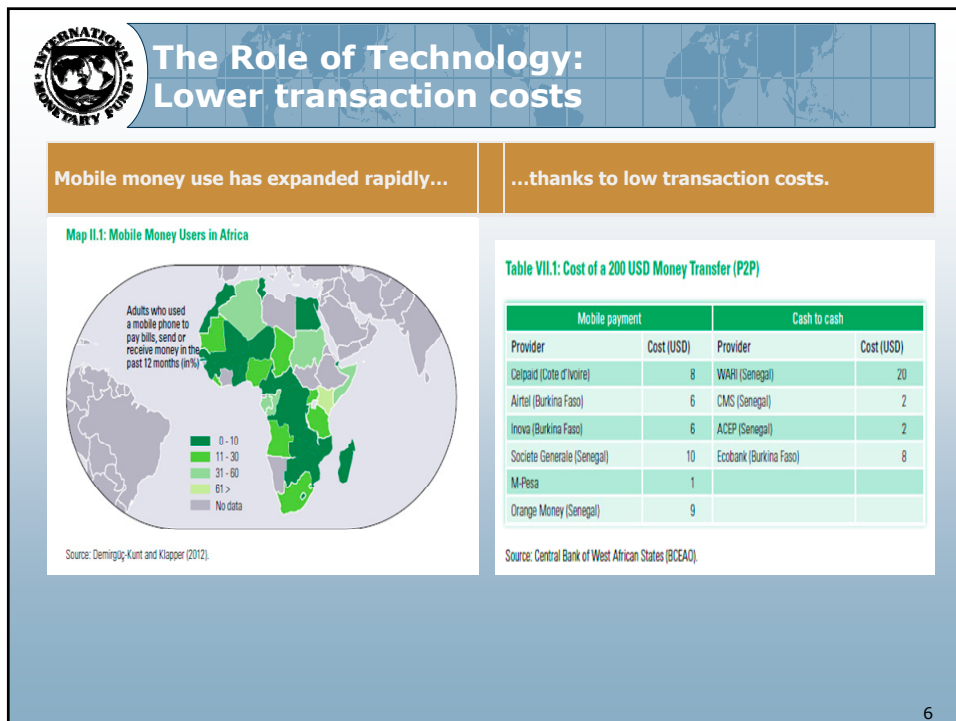
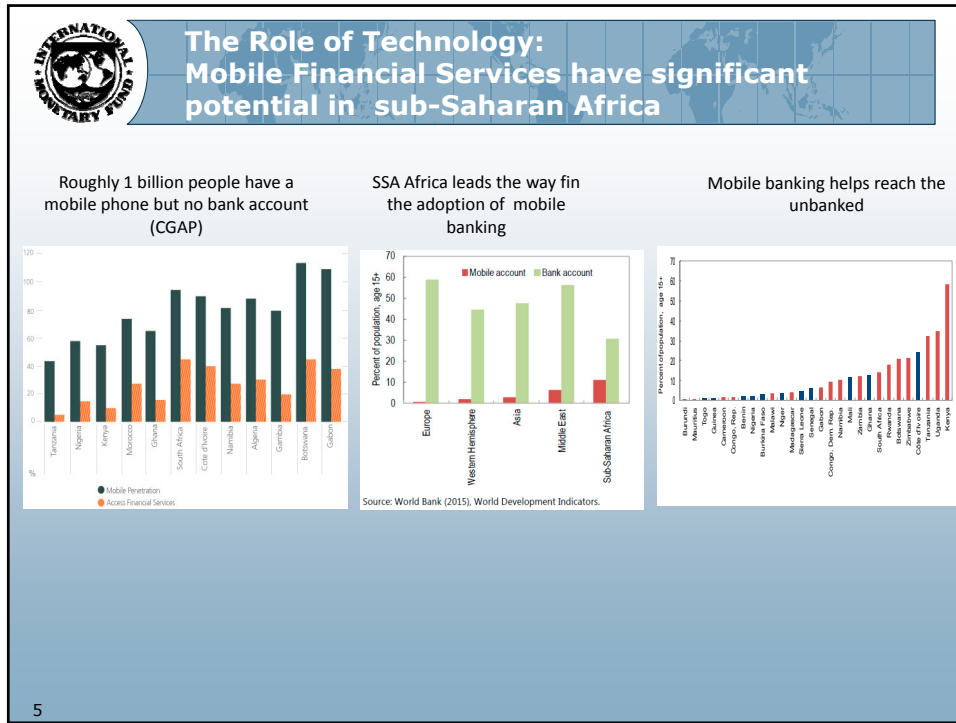
**Account at a formal financial institution (% age 15+), 2014**




**Account used to receive wages (% age 15+), 2014**



Source: Findex.





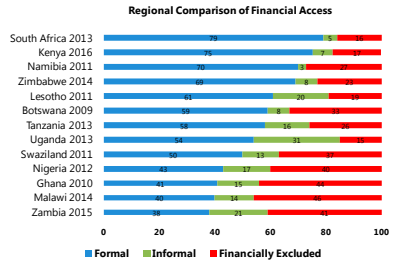
## Case study: Kenya

### The Rapid expansion of transfers ...

Kenya shows one of the highest share of population with access to financial services after South Africa...

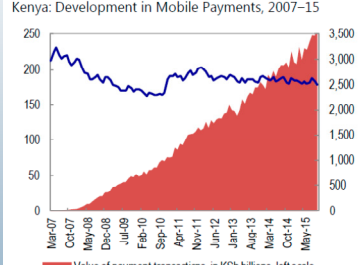
...to a large extent because of the success in making mobile-phone payments available to its population.

**Regional Comparison of Financial Access**




Country/Year	Formal (%)	Informal (%)	Financially Excluded (%)
South Africa 2013	75	0	25
Kenya 2016	75	0	25
Namibia 2011	70	0	30
Zimbabwe 2014	69	0	31
Lesotho 2011	61	0	39
Botswana 2009	59	0	41
Tanzania 2013	56	0	44
Uganda 2013	54	0	46
Swaziland 2011	50	0	50
Nigeria 2012	43	17	40
Ghana 2010	41	15	44
Malawi 2014	39	14	47
Zambia 2015	38	13	49

**Kenya: Development in Mobile Payments, 2007-15**



Source: World Bank (2014b), Global Findex.

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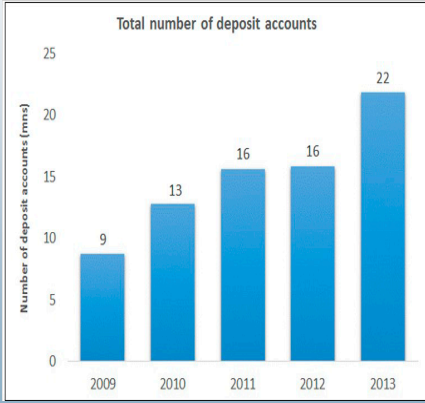


## Case study: Kenya

### ... was rapidly followed by other services

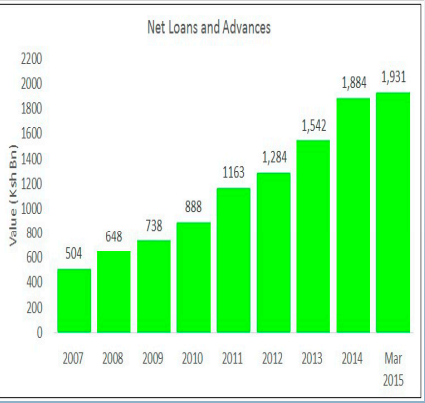
*The number of deposit accounts (million) and net loans and advances (Ksh billion) have increased too*

**Total number of deposit accounts**



Year	Number of deposit accounts (mms)
2009	9
2010	13
2011	16
2012	16
2013	22

**Net Loans and Advances**



Year	Value (Ksh Bn)
2007	504
2008	648
2009	738
2010	888
2011	1163
2012	1,284
2013	1,542
2014	1,884
Mar 2015	1,931

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## Promoting financial inclusion through innovation ...

### Leveraging IT to Expand Services



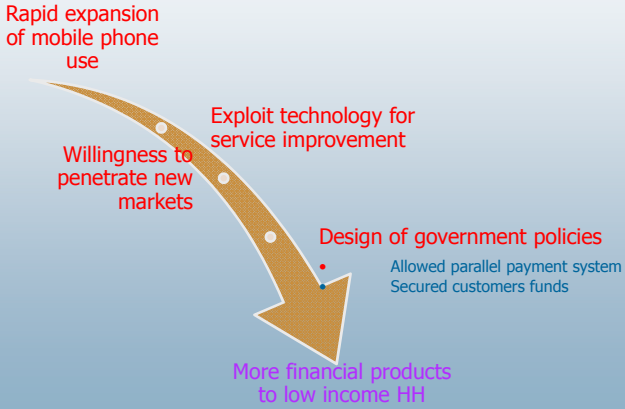
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graph LR; A[Mobile phone-facilitated micro payments] --> B[New framework for payments (including taxes, utility bills, etc)]; B --> C[Customers can save, earn interest and access small loans]; C --> D[Platform for new products (insurance products, consumer finance)];
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## Promoting financial inclusion through innovation ...

### Facilitation factors



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graph TD; A[Rapid expansion of mobile phone use] --> B[Exploit technology for service improvement]; B --> C[Design of government policies]; C --> D[More financial products to low income HH];
```

- Willingness to penetrate new markets
- Allowed parallel payment system
- Secured customers funds

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## Promoting financial inclusion through innovation ...

### **Innovative Financial Instruments : Support Infrastructure**

- **Credit Reference Bureaus**  
Reducing cost of doing business - Build information capital, reduce information search costs and problems associated with information asymmetry; and extending credit based on financial identity. This allows change in the collateral technology in use. So far CBK has licensed 3 credit reference bureaus.
- **Consumer Protection**  
The missing link in financial inclusion and innovation – encouraging transparent disclosure, fair treatment, dispute resolution and financial education/awareness and costs.

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## Conclusions

- Financial inclusion: critical role in sustainable development, reducing poverty, boosting shared prosperity
- Technology offers significant scope for rapidly expanding access to financial services, notably for households and SMEs
- Governments should focus on providing a supportive regulatory framework, ensuring competition among providers, and educating & protecting customers.

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