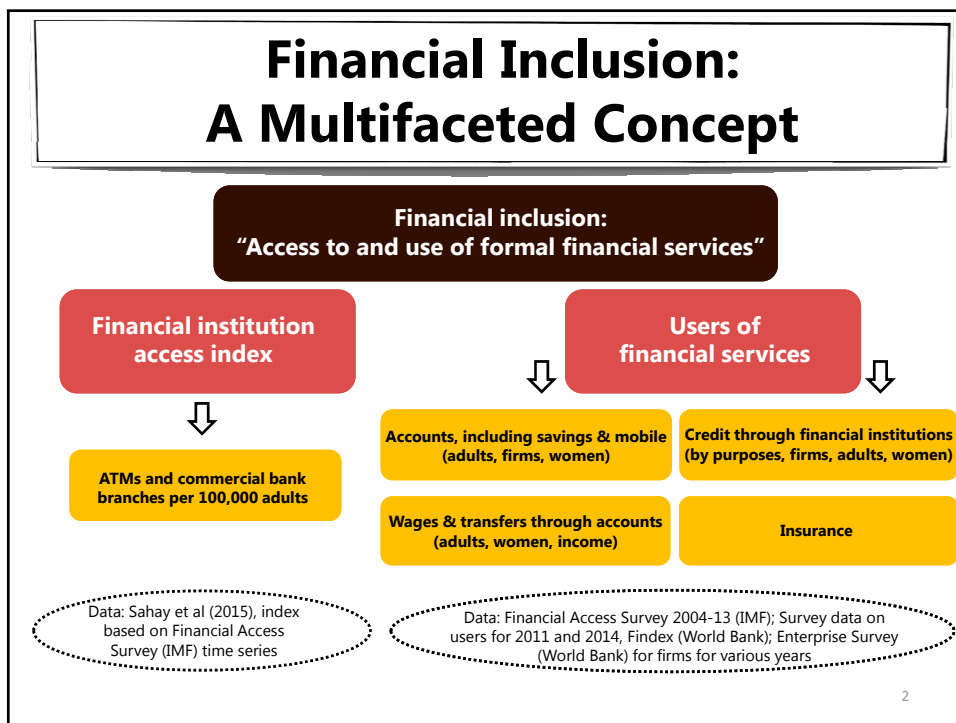


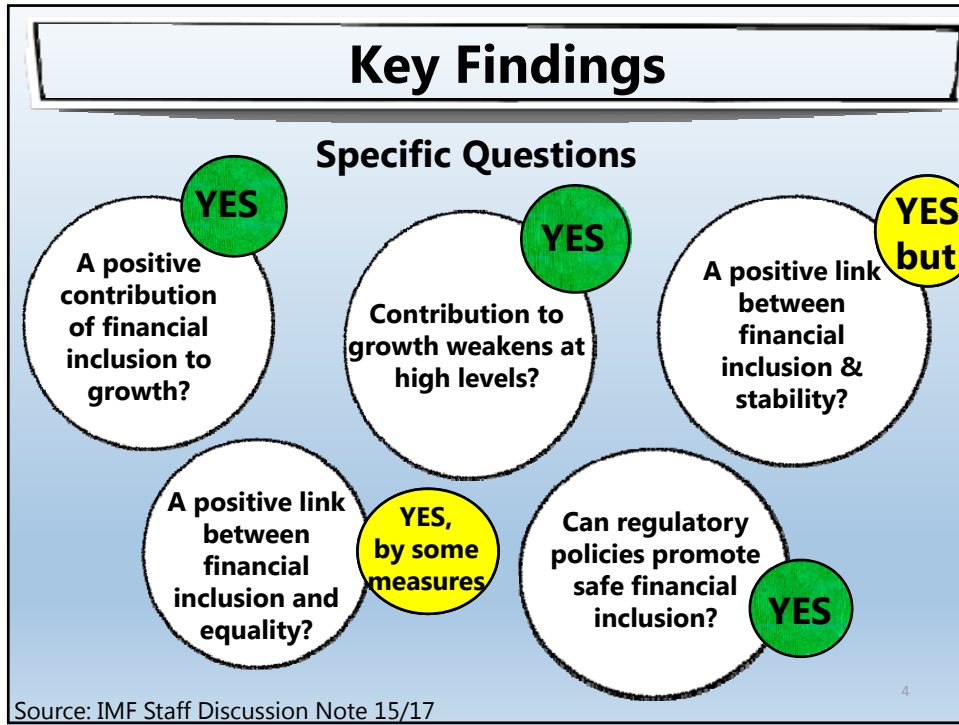
Financial Inclusion and Innovation: Opportunities and Challenges - Supervision

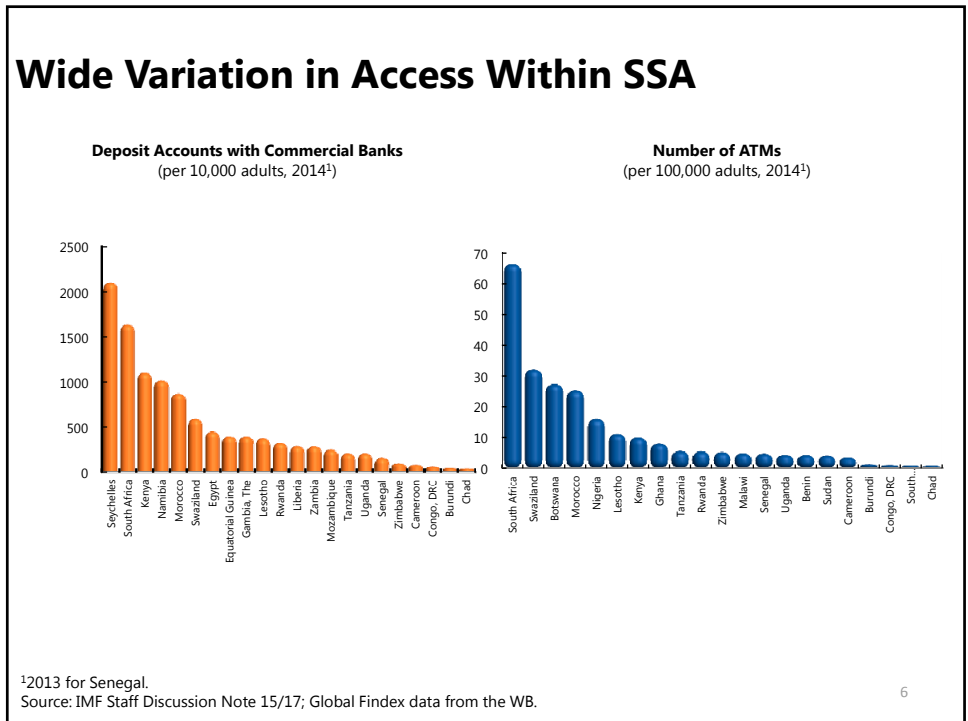
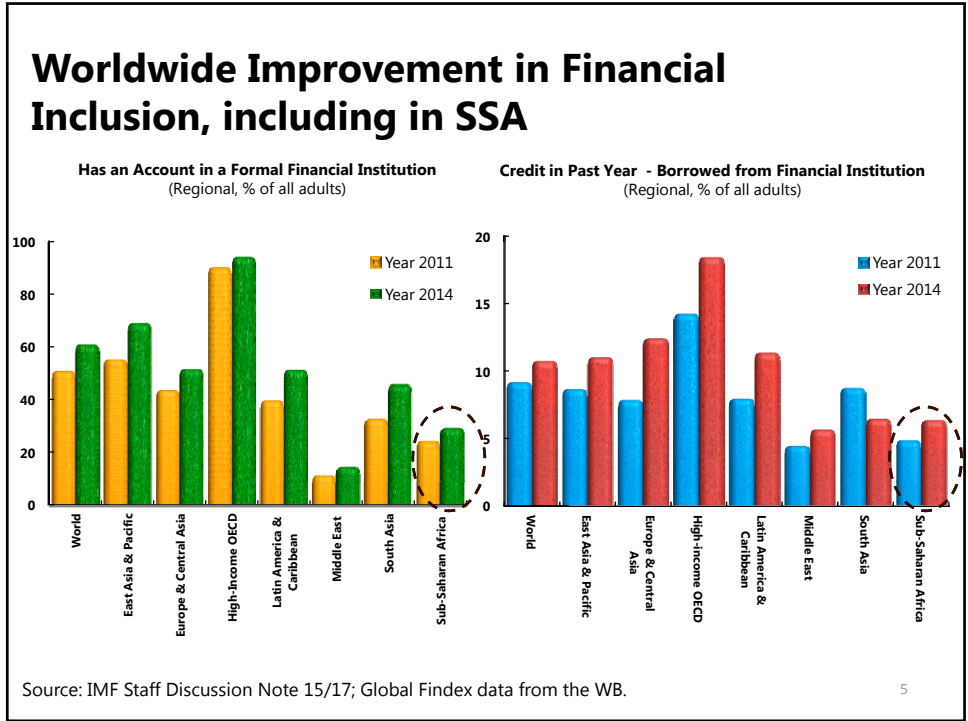


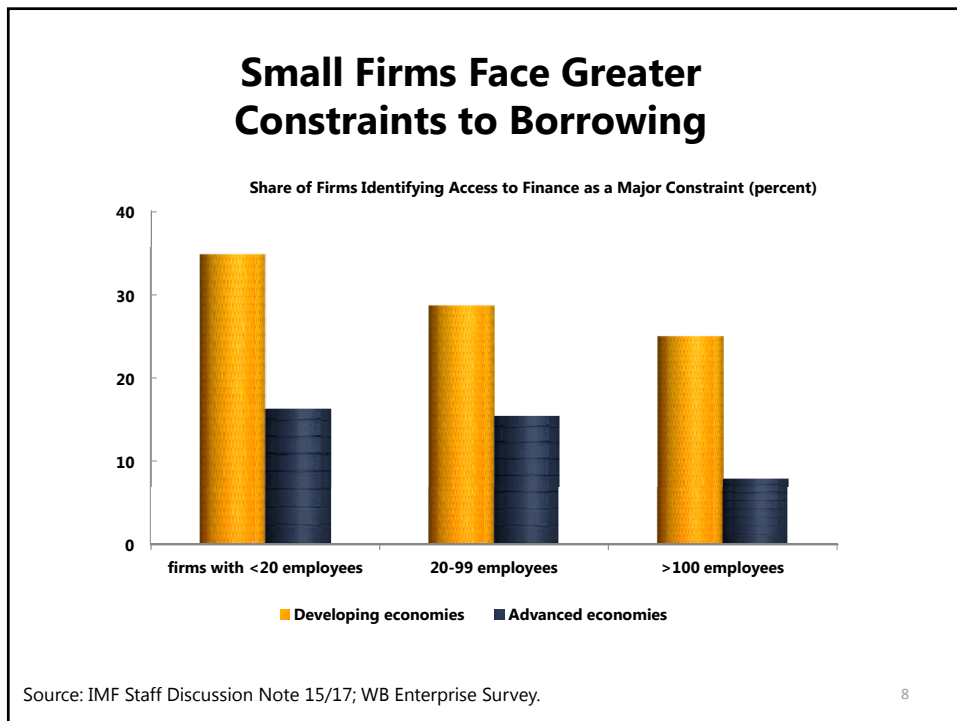
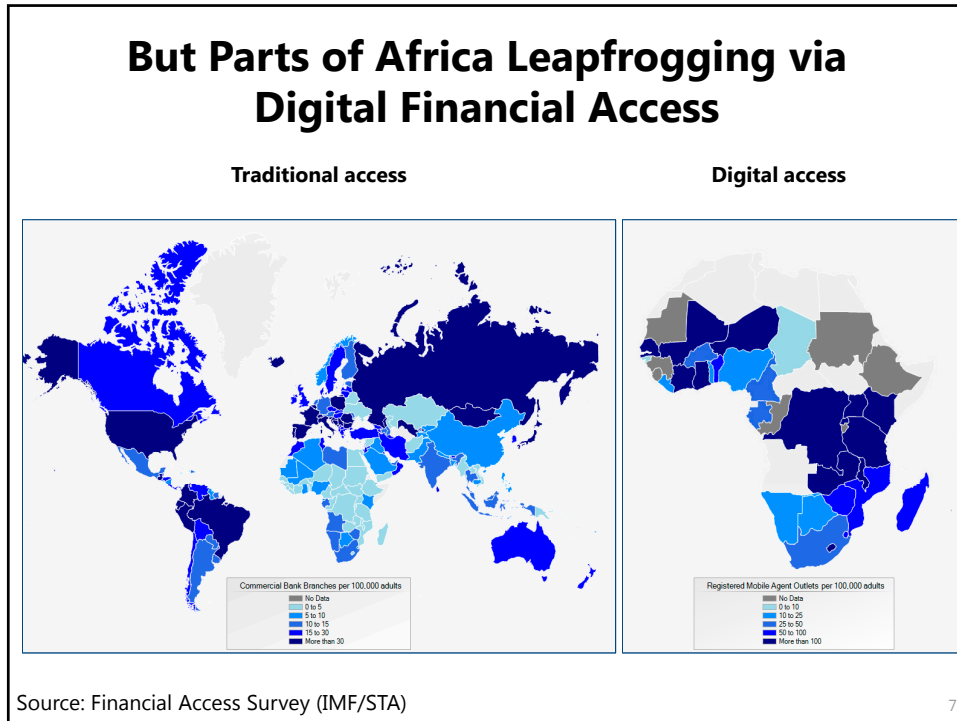
**Finance for All: Promoting Financial
Inclusion in West Africa**
ECOWAS Regional Conference
Dakar, SENEGAL
September 20, 2016

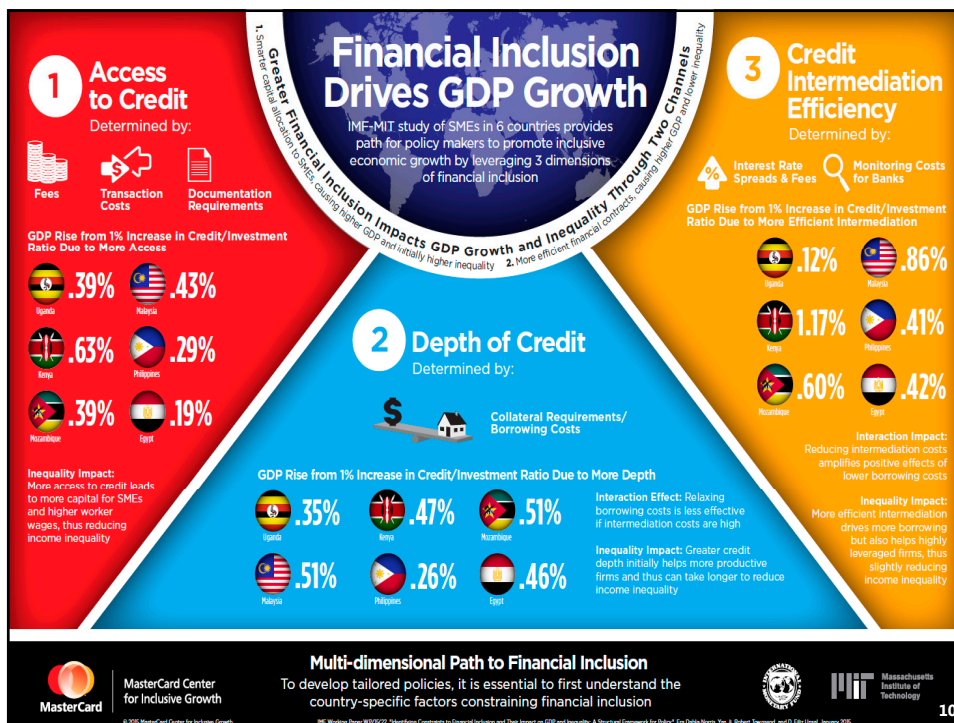
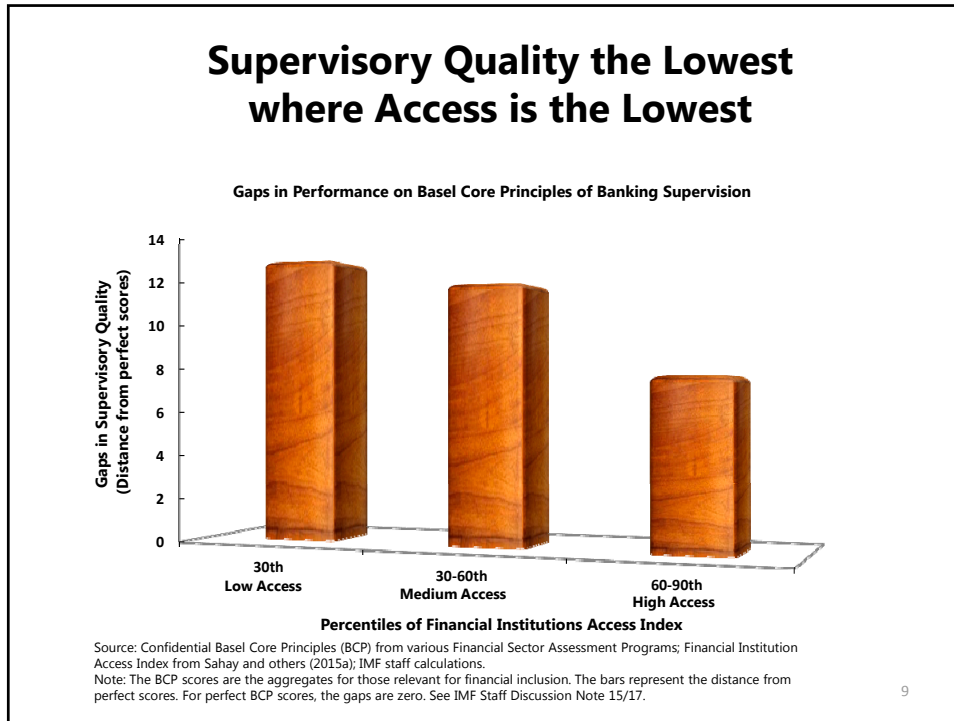
Paul Mathieu
(Advisor, Monetary & Capital Markets Department, IMF)











Financial Inclusion → Growth?

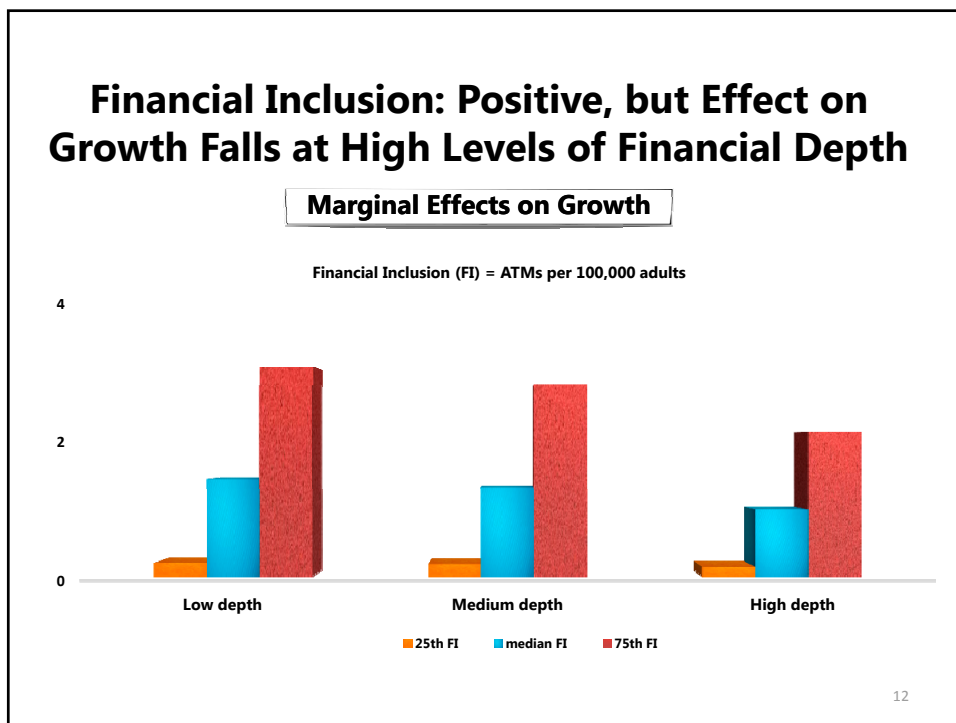
Channels Similar to Financial Development

Expands
Investable
Funds

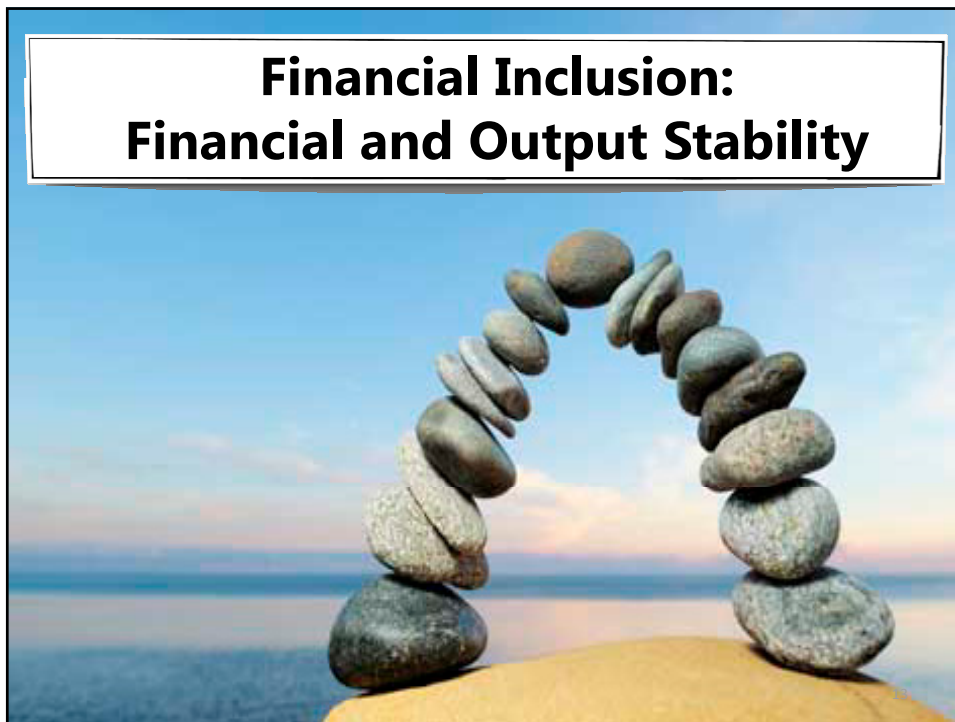
Provides
Households &
Firms Risk-
Mitigating
Tools

Eases
Transactions

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Financial Inclusion: Financial and Output Stability



Financial Inclusion → Stability?

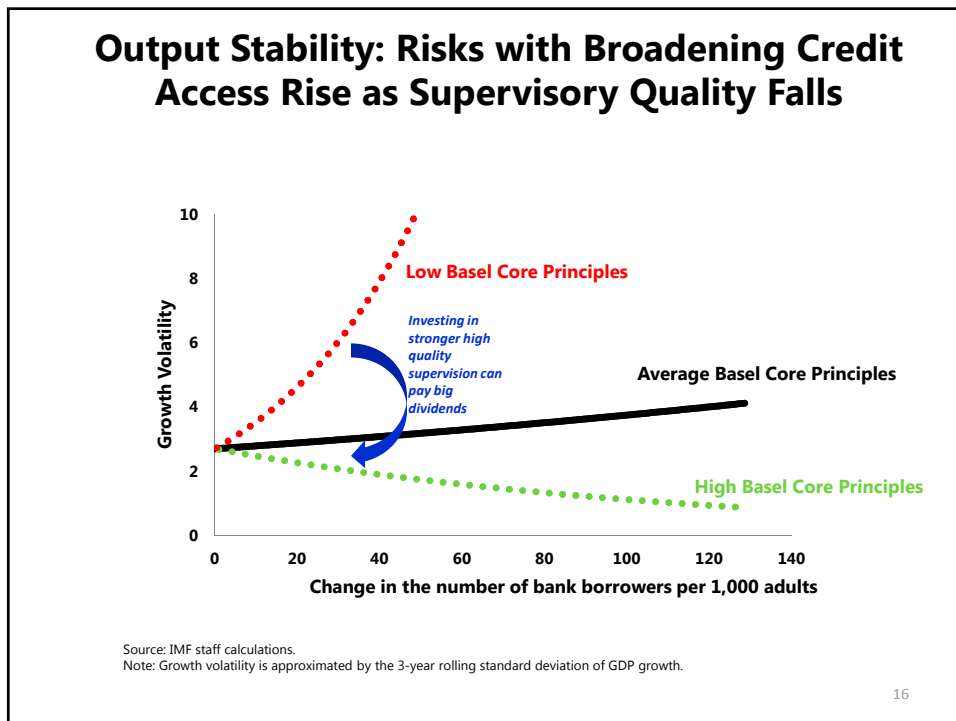
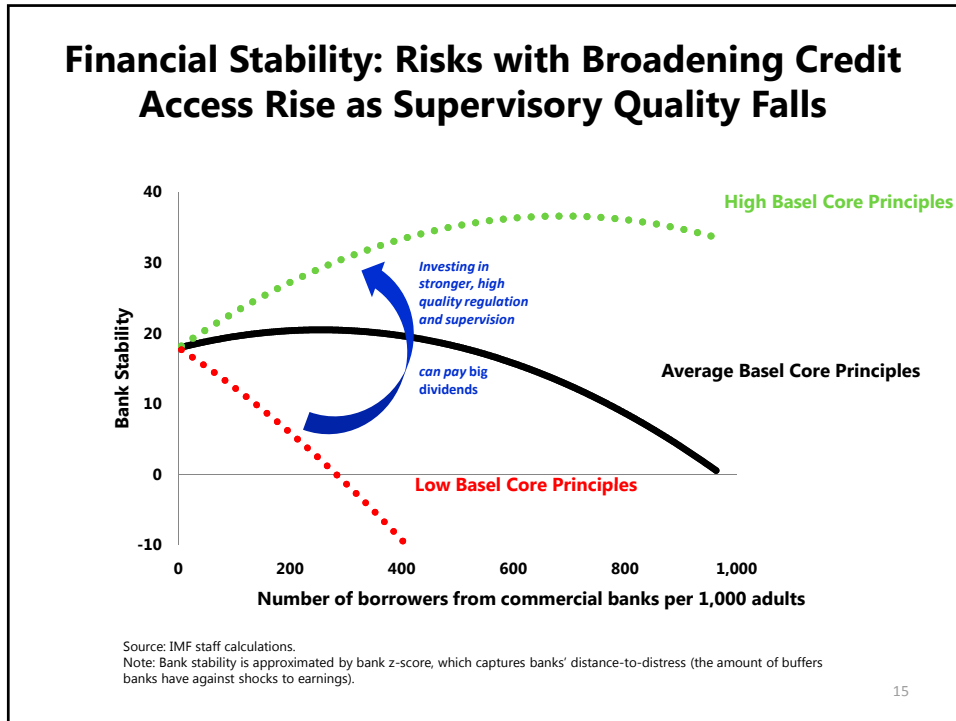
Trade-Offs and Synergies

**Systemic
Risk**

**Deposits as
Stable
Funding
Base during
Crisis**

**Risk Mitigation
Tools**


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In contrast

Increase in financial services other than broadening access to credit do not seem to hurt stability

Examples



Percentages of population with access to transaction



Percentages of population with access to savings accounts

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Policies for Safer Financial Inclusion

Global Initiatives

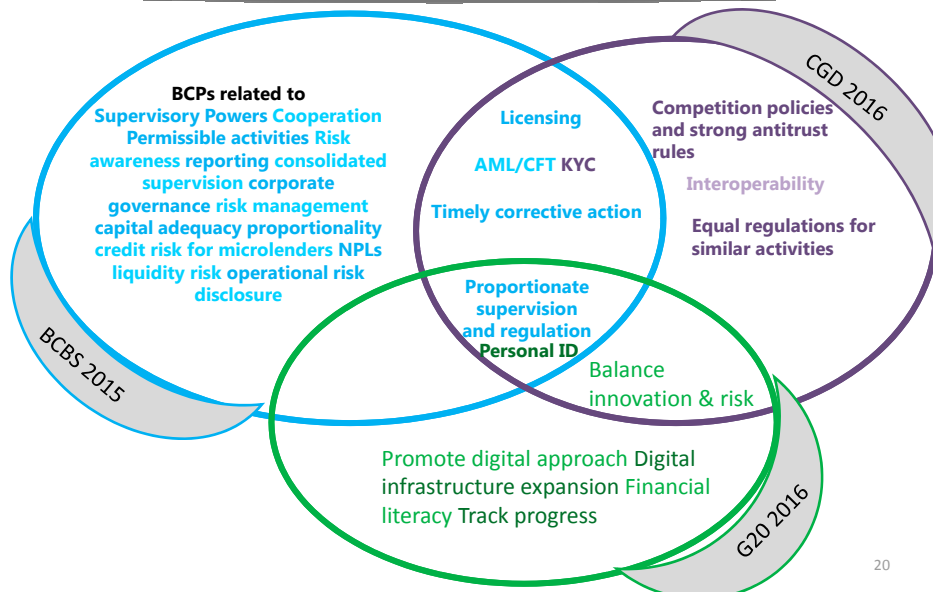
Basel Committee for Banking Supervision 2015:
Additional guidance for 19 BCPs relevant for improving access to un-served and under-served

Center for Global Development Taskforce 2016:
3 broad guiding principles

G20 High Level Principles for Digital Financial Inclusion:
8 principles

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Regulatory & Supervisory Challenges



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Crucial Supervisory Aspects

- Consolidated Approach
 - Across financial groups
 - Across borders
- Risk-based
 - Supervisors knowledge of the risk profiles of individual banks
- Loan concentration
 - A key risk in many LICs
- Resolution and resolution funding
 - Without an effective resolution threat supervision has no teeth
- ❖ Need for sufficient supervisory resources

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Crucial Infrastructure Prerequisites

- Payments and Settlements infrastructure
 - Government salary payments directly into deposit accounts or cashless payments very helpful
- Credit information
 - Credit bureau's coverage and access of information
- Collateral registries
 - Reduce credit risk
- Debt and solvency frameworks
 - Effective and cost efficient restructuring workouts very beneficial
- Consumer protection and market conduct
 - Ex. Abusive contract terms for loans

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Conclusion and Policy Messages

Benefits to growth: various types of financial inclusion

- firms access, women's access, low income access
- accounts usage, pay bills, receive income and social security
- credit, loans

Benefits to growth decline at high levels

- lower at high levels of access and depth
- holds for both households and firms

Trade-offs and synergies with stability

- broader access to credit can hurt financial and output stability
- other forms of financial inclusion do not hurt stability

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Conclusion and Policy Messages

High quality supervision matters

- High quality supervision should be top priority to mitigate negative effects of credit access on growth volatility and financial stability
- Consolidated, cross border collaboration
- Effective resolution

Regulations for safer Inclusion

- Initiatives by BCBS, CGD and G20
- International guidance forthcoming

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