FINANCIAL INCLUSION

1.0 INTRODUCTION & BACKGROUND

Financial inclusion has moved up the global reform agenda and has become a major subject of great interest for policy makers, regulators, development partner's researchers, market practitioners and many other stakeholders.

The G20 committed to advance financial inclusion worldwide and reaffirmed its commitment to implement the G20 high level principles for Digital Financial Inclusion.

The World Bank Group considers financial inclusion a key enabler to reduce extreme poverty and boost prosperity, and has put forward an ambitious global goal to reach universal financial access by 2020.

Since 2010, more than 55 countries globally, have made commitments or are developing a national financial inclusion Strategy. Many countries in sub-Saharan Africa including in the sub-region (Senegal, Nigeria, Liberia, Ghana and Sierra Leone) have also adopted explicit financial inclusion strategies with targets to accelerate financial inclusion.

In line with the National Development Plan, the Gambia has embarked on the development of a National Financial Inclusion Strategy (NFIS) with strategies to increase access and usage of quality affordable financial services that will ensure poverty reduction and fast track inclusive growth and development.

The Gambia's NFIS will be aligned with the objectives of the UN Sustainable Development Goals to address access and usage of financial services through:

I. *Goal 1: Ending poverty in all its forms, including the promotion of social protection system, decent employment and building the resilience of the poor;*
II. *Goal 5: Achieving gender equality and the empowerment of women and girls;*
III. *Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;*
IV. *Goal 9: Build resilient infrastructures, promote inclusive and sustainable industrialization and foster innovation.*

The process of developing a NFIS is segmented into four phases namely Pre-Formulation, Formulation, Implementation and Monitoring and Evaluation of the Strategy.

The development of the concept paper is important for the drafting of the NFIS. It will set out the basic views and provides a background of the state of financial inclusion and the major impediments to the achievement of the desired levels of financial inclusion. This paper highlights the rationale for developing a NFIS, the key stakeholders to be involved, the main tasks to be undertaken, the pillars of the NFIS and the timeframe for the development of the strategy. It enhances buy-in by the stakeholders to the program for developing a financial inclusion strategy that will guide the attainment of the desired level of financial inclusion of the country.

1.1 CONCEPT OF FINANCIAL INCLUSION

According to the World Bank definition, financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs (transactions, payments, savings, credit and insurance) delivered in a responsible and sustainable manner.

Dimensions of Financial Inclusion

The concept paper shows the holistic approach to understanding financial inclusion by considering the four key dimensions of financial inclusion, namely access, usage, quality and welfare as indicated in figure 1.

Figure 1: Dimensions of Financial Inclusion

Source: AFI, April 2011

The approaches to financial inclusion consider access[1], usage[2], quality[3] and welfare[4]as key attributes to boost not only access to finance but inclusive and sustainable growth and development.

1.0 RATIONALE AND JUSTIFICATION

The Gambia is one of the smallest countries in mainland Africa with a population of about two million people. The country has a GDP of $1.6 billion and GDP per capita of $715. Services provide the greatest chunk to the economy contributing about 57% to GDP followed by Agriculture 23% and Industry 13%.[5]

The population distribution shows that urban population constitutes 59.1% whiles rural population 40.9%.Poverty is still persistent in the country with the national poverty rate of 48.6% comprising of 31.6% urban and 69.5% rural.[6]

According to the UNCDF the population demographic shows that youths represent 34% of the country's population (ages 15-35), with 44% of them unemployed compared to 29.7% of the country average across all age groups. Furthermore, 50% of young women are unemployed compared to 38% of men in the same group. The report showed that the lack of access to finance limits the potentials of young entrepreneurs. For MSME, the lack of access to finance deters their growth and making job creation difficult. The impediments to the limited access to finance are as a result of economic, socio-economic and unfavorable environment conditions. The exclusion of youth from the labour market reinforces cycles of poverty and can ultimately become a risk for social cohesion and stability[7].

Over 60% of the population are engaged in the informal sector and gain access to limited finance from informal or semi-formal providers. Access to formal financial services can stimulate economic development and reduce the level of poverty and unemployment. In terms of access to formal financial services, there is an estimation of about half a million formal accounts (CBG data

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[1] *Access refers to the ability to use available financial services and products from formal institution. Understanding the level of access will require identifying and analyzing potentials barriers to opening and using a bank account such as proximity, infrastructure and affordability.*

[2]*Usage refers to the performance and depth or extent of financial services and products or actual usage of services and products. The extent to which usage can be determined will deepens on the regularity, frequency, pattern and length of time used.*

[3]*Quality refers to products attributes that match the need of customers; in other words customer centricity.*

[4]*Welfare refers to effect on livelihoods of the customers. The parameters to be used to evaluate welfare are consumption and personal or productivity.*
[5]The GDP data is obtained from the CBG research department estimates for 2017.
[6]GBOS News release May 12th 2015
[7]UNCDF report, 2017

on commercial banks and NBFIs), this inclusive of all individual and business accounts; Which in relationship to the population of 2 million people shows an inclusion rate of 35%. The adult owned account could be higher in the financial sector.

The development of the NFIS is in line with the main strategic pillars of the National Development Plan 2018-2021 such as:

- Stabilizing, stimulating growth and transforming the economy.
- Making the private sector the engine of growth transformation and job creation.
- Reaping the demographic dividend through gender and youth empowerment.

1.1 OPPORTUNITIES FOR INCREASING FINANCIAL INCLUSION

1. Regulatory reforms are being implemented including a Non-bank Financial Institutions Act 2016 specifically for NBFI regulations as well as review of the NBFI Guidelines.
2. A Credit Reference bureau in place to facilitate credit delivery processes.
3. A collateral registry and the Securities and Moveable Properties Act in place to encourage bank financing to the private sector.
4. The national biometric identification card being issued will support Know Your Customer requirements.
5. A number of banks now engaged in ICT services that facilitates digital banking.
6. A number of banks and telecommunication companies now engaged in digital financing and partnering agencies and financial bureaus.
7. Agency banking guidelines in place which has encouraged the licensing of an Agent Network and the registration of agents by Reliance Financial Services and Ecobank.
8. There is a significant and growing importance of remittances that can be used to spur financial inclusion.
9. The professionalization of the VISACAs will go a long way in increasing access in the rural areas.
10. Government's taxes and other payment services are already feeding into digital platforms. GRA and GAMSWITCH are working towards a partnership in this area.
11. GAMSWITCH facilitates financial inclusion through digital technology. This enables the rapid transfer of funds and has the potential to reduce the level of cash transactions. It also provides an avenue to expand digital financial services through POS, ATMs, internet banking, among others.

12. The country's high mobile penetration rate of 67% and 1.4 million[8] subscribers has significant potential in expanding mobile banking. Hence the launching of mobile money services by the two mobile service providers recently.
13. Financial literacy and enterprise development when included in the school curriculum will facilitate youth entrepreneurship capacity in readiness for post-secondary school productivity.
14. Institutional linkages will expand the scope of financial intermediation and inclusion. The banks are partnering with telecommunication companies and other service providers e.g. utility payments, e-wallets, mobile top-ups.
15. Empretec through GIEPA is building entrepreneurship capacity of young entrepreneurs to take up digital financial technology.

1.2 BARRIERS AND CONSTRAINTS TO FINANCIAL INCLUSION

The barriers to financial inclusion in The Gambia can be grouped into three categories.

Demand Side

1. Poverty and Low income levels.
2. Inadequate information on financial services and products.
3. High illiteracy level in the rural areas.
4. Negative perception of the poor toward financial institutions.
5. Low level of awareness and financial literacy.
6. Difficulty in usage of Digital Financial Services by majority of the population.

Supply Side

1. A low credit information system.
2. Poor infrastructures in the rural areas including electricity and reliable internet connectivity.
3. Low institutional capacity for rural and microfinance institutions.
4. Non-Interoperability of the mobile service providers.
5. High cost of digital service delivery (POS terminals).
6. Low customer centric products and services.
7. Low interagency cooperation and collaboration.
8. Low uptake/scale of Digital Financial Services in the country.
9. Inadequate data collection.

Government/Regulatory

1. Absence of a national financial inclusion strategy to guide digital finance operations.

[8]The Mobile Economy Report on Sub-Saharan Africa 2018.

2. Low consumer protection framework.
3. Low capacity skills to monitor digital finance.
4. The absence of policy regulating the cash withdrawal and deposits.
5. Lack of adequate data to inform decision making.
6. Inconsistencies in collecting and receiving reports from FSPs.
7. Low coordination between public and private sector.

1.3 THE WAY FORWARD

Given the level of financial inclusion and access to finance in the country, there is a need to develop a comprehensive and inclusive strategy to accelerate the level of financial inclusion. This will entails regulatory and legal reforms and also taking initiatives to make formal financial services Available, Accessible and Affordable.

1.4 DEVELOPMENT OF THE NFIS

1. The development of a NFIS is a critical step towards increased financial inclusion, shared prosperity and reduction of poverty. The availability of affordable credit and saving facilities can lead to greater income security, smoother consumption, investment and poverty reduction.
   The NFIS provides an effective instrument to chart a clear and coordinated path toward improving financial inclusion.
2. The NFIS provides a platform for analyzing the supply-side, demand side and regulatory constraints in accessing appropriate financial services and proposed measures to address them.
3. The NFIS provides key stakeholders the opportunity to contribute through a participatory approach in resolving the challenges affecting the expansion of financial inclusion in the country.
4. The NFIS can facilitate mobilization of funding from multilateral institutions and other development partners to support financial inclusion initiatives.

1.5 THE PROPOSED PILLARS FOR FINANCIAL INCLUSION.

Given the current status of financial inclusion in the country, the following are the proposed pillars for the NFIS.

1. Financial Innovation

Financial innovation tends to creates new financial instruments, technologies, institutions, and markets. It includes institutions, products and processes. There is a need to create an environment that encourages the providers of financial services to develop products that are affordable and meet the needs of consumers. This requires the financial service providers to leverage on the developments of technology to develop innovative products-**Agent banking; branchless banking, digital financial services and incorporating mobile financial services** will be critical components of this pillar.

2. Financial Literacy

Financial literacy is having the **knowledge, skills** and **confidence** to make **responsible financial decisions.** Consumers with knowledge of financial concepts are equipped to make decisions that are most advantageous to their economic well-being. This ultimately protects them from behaviors that make them vulnerable to financial risks. The country has an adult literacy rate of 55.6%. However, it is imperative to enhance financial literacy for both the literate and illiterate. Given the literacy level, financial literacy will be a key pillar for the success of the NFIS especially when impacted at the earlier stages in schools and tertiary education. Financial literacy should be built into business development services.

3. Consumer protection

Consumer protection is the body of **laws, policies and structures designed to protect financial consumers from possible abuse and exploitation by financial institutions.** Consumer protection in the financial system is very germane due to its centrality and sophistication in the financial industry. To have the confidence and trust of the people, a robust consumer protection will be requisite in the quest for higher level of financial inclusion.

3.0 STAKEHOLDERS

Financial inclusion is a cross-cutting issue across all sectors of the economy. It is therefore pertinent to involve all the relevant stakeholders in the development and implementation of the NFIS. Below is the segmentation of stakeholders.

3.1 PROVIDERS

These include institutions that provide financial products and services, and their partners in technological infrastructure. These include;

1. Commercial Banks
2. Finance Companies
3. Insurance Companies
4. Foreign Exchange Bureaus
5. Mobile Money Operators
6. Agents
7. Village Savings and Credit Associations

8. Credit Unions
9. Gamswitch

3.2 ENABLERS

These are regulators and public institutions responsible for setting regulations and policies.

1. Office of the President
2. Ministry of Finance and Economic Affairs
3. Central Bank of the Gambia
4. Ministry of Agriculture
5. Ministry of Trade and Employment
6. Ministry of Education
7. Ministry of Youths and Sport
8. Ministry of Information, Communication and Infrastructure
9. Ministry of Health and Social Welfare
10. Financial Intelligence Unit
11. Gambia Bureau of Statistics
12. Gambia Chamber of Commerce & Industry
13. Gambia Investment & Export Promotion Agency
14. Law enforcement Authorities.
15. Bankers Association of the Gambia.
16. Insurance Association of The Gambia.

3.3 SUPPORTING INSTITUTIONS

These include development partners and experts with the mission to support government in meeting their economic objectives. They include;

1. Non-Government Organizations
2. Development partners
3. Technical Support Partners
4. Apexes and Associations

Table 1: Stakeholder Roles & Responsibilities

STAKEHOLDERS	ROLES AND RESPONSIBILITIES

Regulatory Authorities	• Develop and ensure regulatory and supervisory frameworks are in place to support financial inclusion initiatives. • Provide advice to government on issues related to financial inclusion initiatives. • Provide advice and guidance to institutions that they regulate on achieving financial inclusion goals. • Provide technical assistance and support implementing activities. • Identify and consistently collect data on financial inclusion indicators.
Ministries and Government Agencies	• Develop policies and ensure enabling environment to support financial inclusion initiatives. • Coordinate initiatives within their mandate • Set aside budget for implementation of the initiatives. • Ensure that the implementation of initiatives within their ministries comply with the policy statements and in accordance with best practices. • Provide required data on financial inclusion.
Service Providers	• Implement financial initiatives in their institutions. • Provide data and Information.
Mobile Money Operators	• Provision of low cost financial services products. • Provide data and information
Associations& Networks	• Represent their members in financial inclusion committees. • Coordinate financial inclusion activities among member institutions. • Facilitate sharing of information between members and other stakeholders. • Encourage compliance with best practice among their members on matters related to financial inclusion.
Development partners	• Provide financial and technical support to stakeholders • Ensure compliance with development partners support guidelines on financial inclusion.

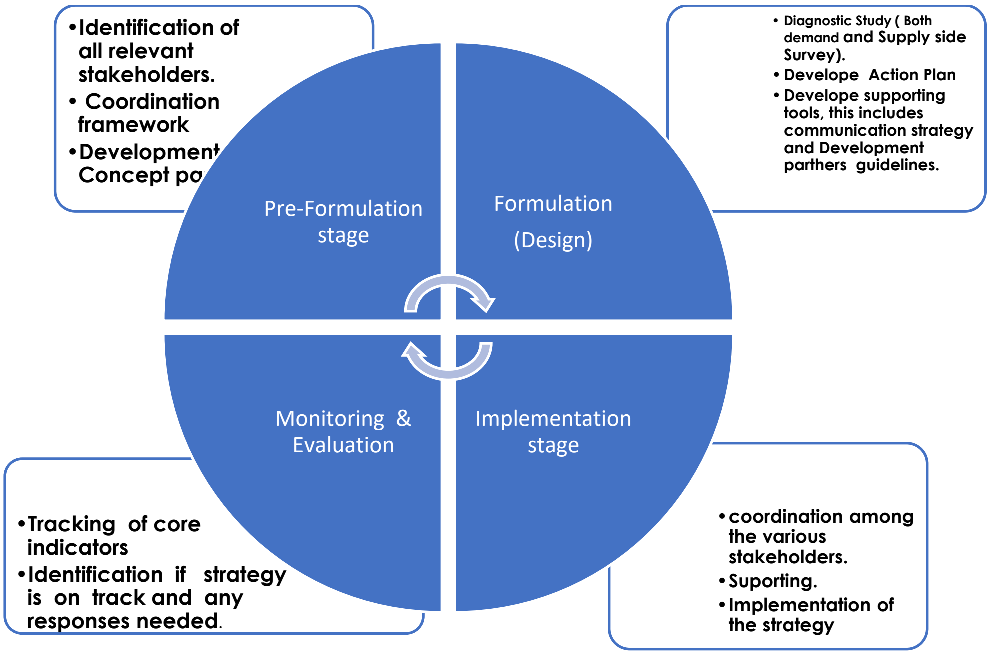
4.0 OBJECTIVES OF NFIS

1. Ensure increased and permanent access to and usage of financial services and products by the population with conditions that encourage access and usage.
2. Make available quality financial services and products that match the needs of the consumers.
3. Promote economic development and growth through the provision of finance to youth and women entrepreneurs.
4. Ensure financial sector integrity, education and consumer protection.

5.0 METHODOLOGY

The development and implementation of the NFIS will be in four stages as highlighted in the diagram below:

Figure 2: Stages of NFIS



5.1 MAJOR ACTIVITIES

The major activities to be executed during the development and implementation of the NFIS are elaborated in the table below.

Table 2: Major Activities

1. STAGE	ACTIVITIES
Pre-Formulation	1. Establishment of institutional structures to carry out the needed tasks: • A dedicated Financial Inclusion Secretariat/Unit in the CBG. • Formation of Financial inclusion coordination committees. 2. Justification and rationale of strategy to ensure stakeholders buy-in. 3. Development of a concept paper
Formulation	1. Conduct diagnostic studies – Supply and Demand side. • Determine barriers and constraints to access, usage and supply of financial services. 2. Crafting of Vision and Mission for the strategy. 3. Developing a definition of Financial Inclusion in the context of the country. 4. Setting goals of the strategy. 5. Defining period to be covered by the strategy 6. Setting targets of the strategy by year and phase 7. Defining strategy measures to achieve the objectives of the strategy. 8. Peer reviews 9. Setting up effective coordination structures. 10. Establishment of working Groups/ Technical committees. 11. Preparation of an Action Plan. 12. Development a monitoring and evaluation framework. 13. Budget estimation. 14. Identifying risks and mitigation measures.

	15. Stakeholder consultations and validation of the strategy.
Implementation	1. Launching of the strategy. 2. Implementation of the strategy
Monitoring & Evaluation	1. Monitoring activity progress • Key Targets

5.2 KEY STRATEGY FOCUS

Table 3: Strategy Focus

Key Strategy Focus	Key Details
Greater Access	**1. Appropriate legislation & Regulation** • Policy • Supervision Framework **2. Increased supply of service & access points** • Digital Financial Services • Mobile & internet banking • Agents networks • Linkage banking • Micro finance & Insurance • Islamic finance
Greater Uptake	**1. Initiative to increase demand** • Financial literacy • Consumer protection **2. Improved infrastructure** • Better systems & Internet connectivity, interoperability of service providers • National Biometric Identification. • A robust Credit Reference Bureau • Collateral Registry • Institutional transformations • Brick and mortar branch
Greater Usage	**1. Targeted financial education** • Youths • Women • Schools • MSMEs • Small scale farmers
Greater Quality	**1. Creation of customer centric products and services** • Financial innovation • Competitive pressure/ moral suasion • Regulatory Reforms
Greater efficiency	**1. Increased usage and adoption of e-platform** • Fintech • E-Commerce • Other innovations (ICT).

5.3 ACTIVITIES OF BUILDING THE NFIS

The drafting of the NFIS will be based on a consultative process with all stakeholders. The steps to be followed in developing the NFIS are:

1. **Status Analysis**-The current financial inclusion status will be done through a diagnostic survey and assessment. An in-depth data analysis is necessary to achieve thorough understanding of the constraints that impede financial inclusion and to provide a focus for the development of the NFIS and to set priorities. The analysis is the first step in collecting comprehensive data on financial inclusion and this data will be updated in a regular basis.

2. Experience of other Countries- it is imperative to learn from experiences other countries especially those that have made head way in financial inclusion for international benchmarking purposes. Such inter alia, include Malaysia, South Africa, Kenya, Tanzania, Nigeria and Brazil. This will help in developing a strategy that will be comprehensive and realistic.

3. Stakeholder Discussions- it is pertinent to conduct interactive discussions with all relevant stakeholders in the financial ecosystem including financial service providers, enablers, supporting institutions and private sector entities as well as consumers. The importance of broad-based stakeholder involvement cannot be overemphasized because of obtaining valuable perspectives and for gaining buy-in and support for the process. Donors as key stakeholders can provide useful insights and feedback on their international experiences with similar works and this would be valuable in drafting and implementing the NFIS.

6.0 REVIEW OF THE ORIGINAL DRAFT

After the drafting of the NFIS, it will be reviewed by all the stakeholders to ensure it meets the stated objectives. This will be done through a consultation and validation workshop.

7.0 LAUNCHING OFTHE NFIS

The launching of the NFIS is the first step towards the achieving of the desired goals. The public launch will be a broad based stakeholder representation and a high power presence from the government showing the commitment and determination in meeting the objectives of the NFIS. It will also be a venue to formally commit the stakeholders and donors for support during the implementation; and most importantly, to inform the public about the government’s commitment to accelerate financial inclusion.

8.0 COORDINATION FRAMEWORK

Financial inclusion involves the participation of many stakeholders, hence it is imperative to have a robust coordination framework for harmonization of the various stakeholder interventions. To ensure meeting the desired target, robust coordination is required for the success of the strategy. As it is multi sartorial, the roles and responsibilities of stakeholders would be clearly identified as to ensure effective execution of the task

Figure 8: Coordination Structure & Responsibilities

National steering Committee (NSC)

- The Governor/ First Deputy Governor, CBG to chair the Council
- Responsible for overall strategic direction and oversight of the financial inclusion agenda.
- Formed by Permanent Secretaries from relevant goverment minitries, Directors of regulatory authorities and goverment agencies, and chairperson of practisioners / associations.
- Meets quarterly

National Task Force Committee (NTFC)

- The NTFC is responsible for providing technical advice / inputs and reporting progress on the implementation of financial inclusion initiatives in the country.
- formed by senior officers from relevant goverment minitries and agencies, regulatory authorities, practisioners and associations.
- Responsible for quality control for the deliverables.
- NTC meets monthly.

National Secretariate (NS)

- The NS coordinates the implementation of the strategy on behalf of the NTFC on a day to day basis.
- CBG the lead and hosting institution.
- A dedicated team/unit.

Working Groups (WGs)

- The WGs report to the NS.
- Provide data when needed
- Serve as consultative forum
- Responsible for the implementation of NFIS components under their mandate.

9.0. NFIS DEVELOPMENT TIMELINE

Step1
- Secure high level buy in for NFIS development

Step 2
- Identify and segment stakeholders

Step 3
- Developing NFIS drafting model and road map
- Develop a concept paper

Step 4
- initial NFIS brainstorming (vision, financial inclusion defination, policy areas)

Step 5
- Stakeholders event (NFIS kick-off)

Step 6
- undertake data and diagnostic work

Step7
- Initial NFIS drafting (policy objectives, baseling assesment, governance arrangements)

step 8
- stakeholder event: consultation workshop

step 9
- further NFIS drafting (action plan, M&E)

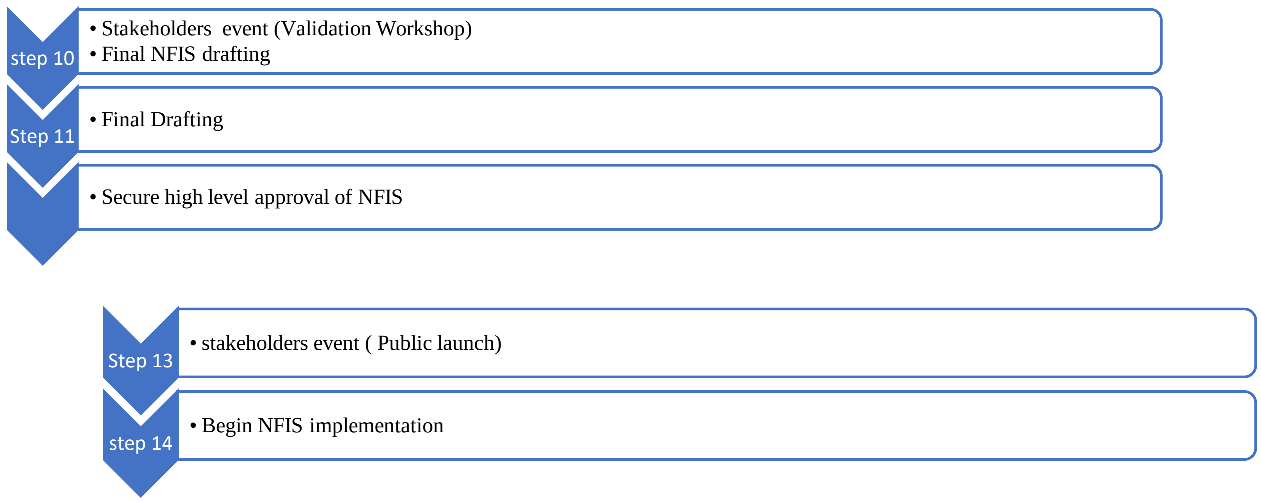


Table 4: Time Frame

No.	STEPS	BEGIN	TO BE COMPLETED
1	Step 1 to 3	September 2018	December 2018
2	Step 4 to 6	January 2019	December 2019
3	Step 7 to9	January 2020	March 2020
4	Step 10 to 14	April 2020	June 2020