

Financial inclusion critical to lubricate real economy - Fuzile

If South Africa is to lubricate the real economy it must ensure that more people can access affordable, easy-to-understand banking, and other financial services from formal sector providers, the National Treasury's Director General Lungisa Fuzile said on Tuesday.

Briefing media before the start of the 4th Global Policy Forum in Cape Town today, Fuzile said if more people are not banked, the risk is that more informal operators, that are not regulated and that charge significant fees and interest rates for those that access their service, would spring up.

Fuzile, who pointed out that over two billion people worldwide don't have access to banking and financial services, however, said it was important that an increase in inclusion took place while maintaining the sustainability of the banking sector.

He pointed out that South Africa had made several moves to improve financial services to the unbanked.

These include the Financial Sector Charter launched in 2004, which set certain targets to for loans to housing and small businesses, and the passing of the Co-operative Banking Act in 2007.

Close to ATMs

Fuzile said about 85% of households now live within a distance of 10km to the nearest ATM and about 68% of South Africans had access to financial services in one form or another from formal sector providers.

The rate of 68% is higher than those in countries in the Middle East and other sub-Saharan African countries, where only 18% and 25% of people respectively had access to one or other financial product, AFI executive director Alfred Hannig said.

Hannig said improving inclusion to financial services involved improving the range of services that the poor could access and ensuring that these were affordable to lower-income groups.

He pointed to Malaysia's central bank as an example for other countries, in that it had recently put in place measures to ensure that banks and financial service providers improve the transparency of their pricing and also acted to follow up on complaints lodged by consumers.

Hannig said mobile finance was the future, pointing to Kenya where the number of mobile money users mushroomed from

11 million to 90 million users between 2010 and the end of last year.

Going mobile

Deputy Governor of the Central Bank of Philippines Nestor Espenilla said his country - where two out of 10 households in remain unbanked - was focusing on developing financial services through cellular networks, especially as 90% of Filipinos had cellphones.

Government and central bank delegates from over 80 countries will be meeting in the city from tomorrow until Thursday at the 4th Global Policy Forum. Hannig expected that by the end of the week, more than 30 countries would have made tangible commitments towards increasing the size of the banked population.

This year's forum will see participants working to strengthen regional co-operation groups, with deliberations at the African regional group expected to focus on plans for the newly Mobile Financial Services Policy Initiative (Ampi).

Participants at this year's conference are also expected to report back on commitments put into place following last year's Global Policy Forum in Mexico, where the AFI launched the Maya Declaration, a set of global measurable financial inclusion commitments by developing countries.

Fuzile said South Africa had not yet signed the declaration, but intended to do so soon.

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