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Session: “Central banks, financial inclusion and digitalization: harnessing technology for inclusive growth”

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Good morning.

It is a privilege for me to chair this panel on the importance of financial inclusion and how digitalisation can contribute to it. It's all the more a privilege given that the panel includes governors from four countries with broad experience in promoting financial inclusion, where significant initiatives in this area have been launched with the central bank taking the lead.

Access to financial services continues to be a primary problem globally. On the latest World Bank estimates, almost 1.7 billion adults do not have access to an account offering basic functionalities and, therefore, they are excluded from basic services such as payments, credit and saving. This has obvious repercussions for economic and social development, as there is a positive correlation both with growth and employment¹, and it is thus essential to understand the causes behind it. In this respect, most studies have highlighted the fact that, although there may in specific cases be voluntary factors relating mainly to cultural or religious aspects, the explanation for this lack of access to financial services is usually to be found in involuntary factors. These include most notably a lack of funds for saving, cost, distance from the nearest branch, a lack of education and the absence of the financial infrastructures needed to improve the availability of financial services.

It is indeed here where new technologies can contribute decisively to overcoming or lowering these barriers. Technology can reduce many fixed costs, traditionally associated with the development of financial services, while providing for a greater adaptation of supply on the basis of each society's idiosyncratic characteristics. Unsurprisingly, then, the technological proposals linked to financial inclusion hail from different areas. We can find them in traditional financial institutions, in the new fintech companies, in telecommunications corporations and in the large technology consortiums known as *bigtech*.

As to scope, one of the activities concentrating the bulk of the initiatives is payments. Thus, in the past decade we have seen so-called mobile money – i.e. transactional services offered mainly by mobile operators – become commonplace. Adding to these, more recently digital wallet solutions have emerged with multiple functionalities and specific proposals for international remittances. Aside from the progress in payment solutions, developments on intermediation markets are providing for improvements in the financing of those groups with a greater degree of financial exclusion, such as microenterprises and small agricultural producers.

However, these developments are not spontaneous or uniform from one country to another. The role of regulators and their policies are thus important, at least regarding two aspects: the promotion of the use and development of technology, including the incorporation of technological improvements into financial services provision; and the need to ensure that headway in financial inclusion does not impair consumer safeguards or financial stability.

I would like to offer some brief thoughts on each of these two points.

Promoting the use and development of new technologies. Logically, developing technological solutions requires suitable telecommunications infrastructures. They must provide widespread access to the Internet, including in rural areas, while seeking to improve digital education and offer safeguards against vulnerabilities such as cyber threats. We should not forget that approximately two-thirds of the adult population without access to

¹ See Cull et al (2014).

banks do have a mobile phone. And, as the World Bank points out, these devices are proving essential for improving accessibility to financial services.

Moreover, the development of a stable institutional framework – paving the way for competition, providing legal security to the new financial proposals and ensuring an appropriate level of interoperability – is vital for generating the necessary confidence in financial services. Also, aspects such as legal recognition of digital identification, the use of biometrics in identification and ease of access to public data in “Know your customer” (KYC) procedures, are matters the different tiers of government can push and which catalyse significantly the progress in financial inclusion.

Monitoring the risks inherent in financial innovation. Along with the aforementioned risks linked to cyber threats, financial innovation, in particular that aimed at the most vulnerable population segments, can cause situations of over-indebtedness, market abuse and fraud. This process must then be accompanied by financial education actions, the strengthening of consumer safeguard measures and the development of data privacy policies. But we should not lose sight of the speed at which these innovations develop. Such speed poses difficulties for setting regulations in place since, on many occasions, their implementation can only come about when the use of certain practices has become widespread on the market. Hence, the use of formulas such as sandboxes or innovation hubs may help the regulators act more nimbly while creating an environment in which innovators can better anticipate regulatory trends.

Lastly, and before giving way to the panellists, the true protagonists of this debate, I would mention the importance of international coordination and cooperation. Many of the challenges surrounding financial inclusion and the use of new technologies are common to all countries. This is why the role of organisations such as the IMF, with the Bali declaration, and the Alliance for Financial Inclusion, with the Maya declaration, is pivotal to boosting the use of new technologies in this field. We should also not forget the role that global companies such as the *bigtech* can play. Indeed, financial inclusion is one of the essential elements highlighted by Facebook in its proposal for a global means of payment, its so-called Libra. In view of such initiatives, with a worldwide and immediate scope, you will agree with me that international coordination is not an option but an obligation.