

SUB REGIONAL WORKSHOP ON MOBILE FINANCIAL SERVICES

**STATEMENT BY SHOLA TAYLOR- PEARCE, EXECUTIVE SECRETARY, SIERRA LEONE
ASSOCIATION OF COMMERCIAL BANKS**

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VENUE: TOKEH PLACE, SIERRA LEONE

Honourable Ministers here present from the Ministry of Finance and Economic Development, the Ministry of Trade and Industry the Ministry of Information and Communications,

The Governor, Bank of Sierra Leone,

The Deputy Governor, Bank of Sierra Leone

Mr. Country Director, International Growth Centre

Mr. UNDP Representative

Mr. Representative from the National Telecommunication Commission

Our distinguished guests from West African specifically from Liberia, the Gambia, Ghana, and Guinea and from our big, big big, brother state, Nigeria

Our distinguished guests from East Africa : Kenya and Uganda

Our distinguished guests from Mozambique

To all other distinguished guests and participants from our beautiful land, Sierra Leone, I say good morning.

As the Executive Secretary of the Sierra Leone Association of Commercial Banks, I am privileged to speak on behalf of the commercial banking industry and wish firstly to commend our regulator, the Bank of Sierra Leone and the International Growth Centre, for organizing this workshop for the purpose of learning from others who are 5, 7 or even 10 years ahead of us, in the matter of the promotion

and expansion of mobile money services, so that we do not reinvent the wheel or make the errors that they did when they were where we are now.

Mobile Financial Services, that is the use of a mobile phone to access financial services and execute financial transactions, has without re-defined the rules of engagement for traditional banking in many parts of Asia and East Africa and certainly has the potential of doing so in our West African region and specifically in Sierra Leone. Mobile money, mobile insurance, mobile credit, mobile savings, are all services that are changing the landscape of traditional banking.

Sierra Leone's population is in the 6 million range. We have 13 thirteen commercial banks in the country but can boast only of about 600,000 accounts amongst all of these banks. In other words, only about 10 percent of the population uses the formal banking sector. Amongst the 13 banks, we have 89 branches, 46 of which are in Freetown. In the district of Kambia for example there is only one bank. We acknowledge therefore as an industry that there is a significant unbanked populace in our country and yet the fact of the matter is that even if so desired, banks could not realistically place branches in every town and village in all 14 districts and 149 chiefdoms in Sierra Leone, in order to serve the unreached population. Brick and mortar i.e., building new bank branches has always and will remain an expensive proposition, as the way to financial inclusion.

Now let us ask ourselves, how many Sierra Leoneans own mobile phones. NATCOM tells us that there are three million subscribers in Sierra Leone. Let us probe further using the Kambia district example where there is only one bank. How many people in Kambia own mobile phones?. The population within in the district of Kambia is estimated at 300,000. What if even 5 percent this number owned mobile phones?. That is about 15,000 people. Well, what if one percent of these people could be signed up to a mobile money product?. We would be talking about 1500 people. Voila! that many people would have immediately have entered or been included in the formal financial services sector without the building of a new branch. In effect, we acknowledge that the Mobile Financial Services industry has the potential to fill this significant niche of unbanked and under banked persons in Sierra Leone in a way that commercial banks can't.

Mobile Network Operators typically have much more experience than banks in building and managing large, low-cost distribution networks in unserved areas. I am sure that Airtel has more than one reseller or agent in Kambia district. Let us

assume that Airtel had two or three or even four. Well, then imagine if those resellers could become third party distribution agents offering cash in cash out services. These distribution agents would have effectively become, defacto banks, bringing more people into the formal financial sector, once again without the building of a single new commercial branch!.

The expansion of Mobile Financial Services shall also help Sierra Leone's digital financial ecosystem to gain ground. Our economy today is heavily cash dependent and driven and the economic costs are great. From handling costs to carrying costs, insurance costs to penalties levied by the central bank for shortages etc., we as commercial banks are eager to move into the 21st century and operate within a cash-lite economy. Junior bank staff today probably spend more time counting cash, than they do anything else, not the most efficient use of the skills set of a university graduate. However let us imagine for example, NASSIT paying its ALL its pensioners at month-end via mobile money transfers, or the Armed Forces doing the same for its staff, coast to coast. What a significant reduction banks could see in their cash float, not to talk about the reduction in congestion in the banking halls especially at month-end.

Much as concept of mobile money transfers and savings excite us a lot, for the merits I have just described, the one product we look forward to leveraging on the most, is that of mobile credit. Access to credit remains a sensitive issue for all concerned. Those who need credit and complain that banks do not lend enough; for we who provide credit and complain that customers are not paying back as agreed and leaving us laden with non-performing loans, and for those who regulate us, that is the central bank, who understands both concerns quite well and work hard to find a workable balance and solution.

For us as commercial banks, a major contributing factor to our challenge, are the inadequate tools available to us, to enable us underwrite the creditworthiness of borrowers, especially new ones. Mobile Network Operators however, could help address this challenge, as the data they obtain from customers could be used to develop into new credit scoring models. Even current data from say Airtel Airtime Credit could be used to develop a data base on the creditworthiness of clients. In

other words, if Airtel data shows that a Madam Taylor for example, is not paying his Le50,000 Airtel airtime credit loan as agreed, could we as banks expect any differently, if the same Madam Taylor approached us for a Fifty Million Leone loan, Le 5,000,000.00 loan? In short, we as banks see opportunities to partner with Mobile Network Operators on this front and to ultimately collaborate in providing loans via mobile money.

There is much more to say, however I have only been allocated 10 minutes and I spent already spent four of those observing protocol at the start and so let me draw this to a close. But before I do, permit me kindly to underscore a point; a sound regulatory framework is crucial to the establishment of any industry- such as the mobile financial services industry. however in order for that industry to reach scale, in order for that industry to enjoy continued success, it must be supported by an enabling regulatory framework. What is an enabling regulatory framework, you may ask ? It is one that that is market-led. It is a framework that strikes the correct balance between policies that encourage the growth of the sector and those that protect the consumers.

An enabling regulatory framework strikes a balance between the goal of financial inclusion and the goal of financial integrity, the need to preserve the integrity of the financial system all the while expanding it.

An enabling regulatory framework strikes a balance between KYC requirements meant to protect against money laundering or the Financing of Terrosim through diligent customer identification and identity verification, and between KYC requirements that ought to be flexible enough to bring the target market on board, i.e., who may not have driver's licenses, or voters registration cards or passports.

These are not easy balances to strike. However, I have no doubt that by the end of this three day workshop much knowledge and information would have been exchanged and assimilated on this front to enable the Money Financial Services Sector to move in an upward direction.

Ladies and gentlemen, let me on behalf of the commercial banking industry thank you again for the opportunity of participating in this opening ceremony and especially wish our newest cousins in the financial industry that is providers of Mobile Financial Services the best of true success, as you play your part in Sierra Leone's journey towards digital financial inclusion.

I thank you.