



InF5: The role of identity schemes as enablers of financial inclusion

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Financial Regulation and Inclusion

What is Financial Inclusion

A state in which “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 way” —World Bank

Financial services important for the livelihood and well-being of individuals*:

- enables savings for productive investments such as education, the facilitation of payments within and across borders, and risk mitigation against disasters.
- offers economic opportunities and uplifts livelihoods out of poverty
- promotes wider financial sector development and broader economic growth

Relationship between financial services and wellbeing pivots not only on access to financial services, but also the ability to effectively **UTILISE** those financial services. Cenfri’s work on usage frameworks have holistic understanding on Financial Inclusion

Both effective access and ongoing utilisation of proof of identity are critical to satisfying FATF requirements for a relationship to exist between individuals and financial institutions

* https://cenfri.org/wp-content/uploads/2018/03/Biometrics-and-financial-inclusion-A-roadmap-for-implementing-biometric-identity-systems-in-sub-Saharan-Africa_Cenfri-FSDA_March-2018.pdf

Lack of proof of identity presents a serious barrier to financial service access in Africa



In 2017, approximately 30% of the financially excluded adult population across most of the SSA countries attributed their status to a lack of proof of identity



Findex, 2017



Current state of identity systems in SSA

Although many biometric initiatives exist in SSA, Cenfri research reveals their tendency to exist in silos

Many Biometrics in Africa are currently implemented on a use-case basis

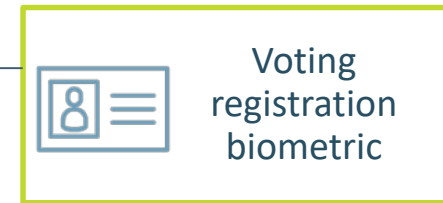
- Specialised identity systems have been created per industry or sector

This implies that each system is isolated from the other and unable to utilise valuable data sitting on other platforms

Identity information registered with one system is not valid for another

- Consumers may possess as many ten unique identities in certain jurisdictions

A lack of interoperability and use of multiple standards are at the core of fragmented systems



Silo identity systems and financial exclusion in SSA

Siloed identity systems contribute to financial exclusion by:

Customers:

- Increasing opportunity costs to open and operate bank/other financial accounts
- Encouraging shallow uptake and limited access footprints in financial and government products
- Eroding consumer trust in Biometric technology
- Limits the interoperability of individuals with financial systems

Businesses:

- Promoting sector inefficiencies and wasteful duplication of resources
- Increasing the cost of identity systems and disincentivizing wider Biometric adoption
- Weakening negotiating position for businesses or departments to scale up
- Locking-in governments/businesses and locking-out certain individuals in perpetuity to use-case systems
- Reducing the ability of institutions to meet the financial needs of customers

Siloed Biometric initiatives can be overcome by an interoperable and harmonized approach

This may be achieved through the harmonization and effective leveraging of components for improved implementation

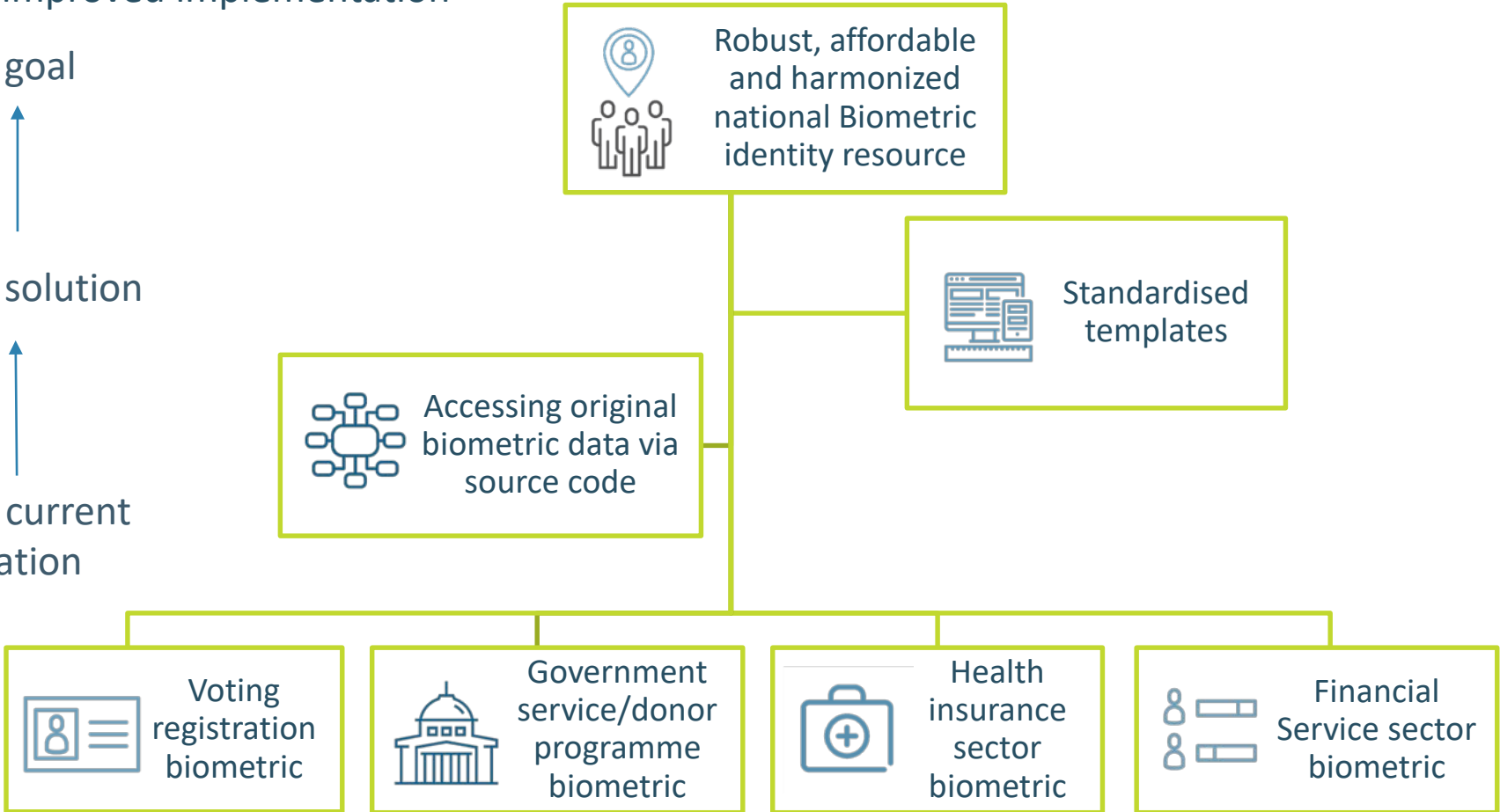
The goal



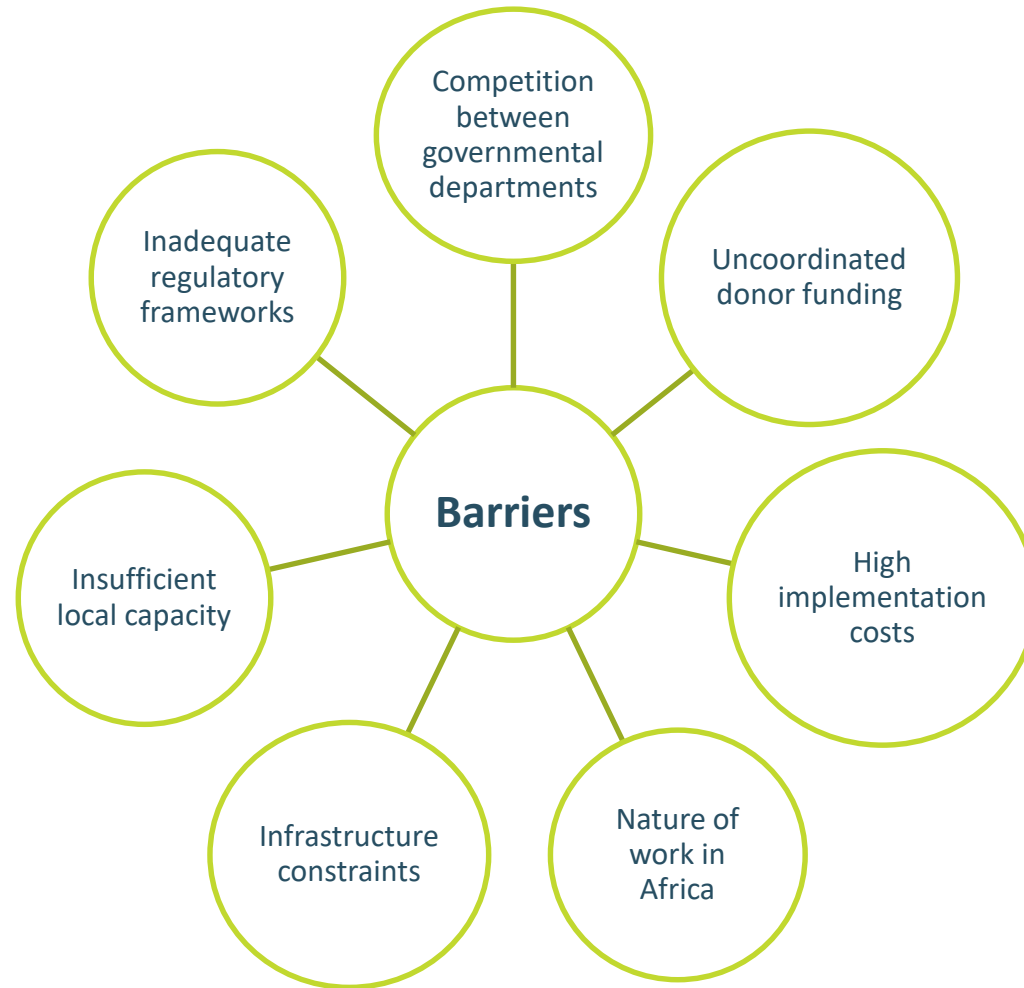
The solution



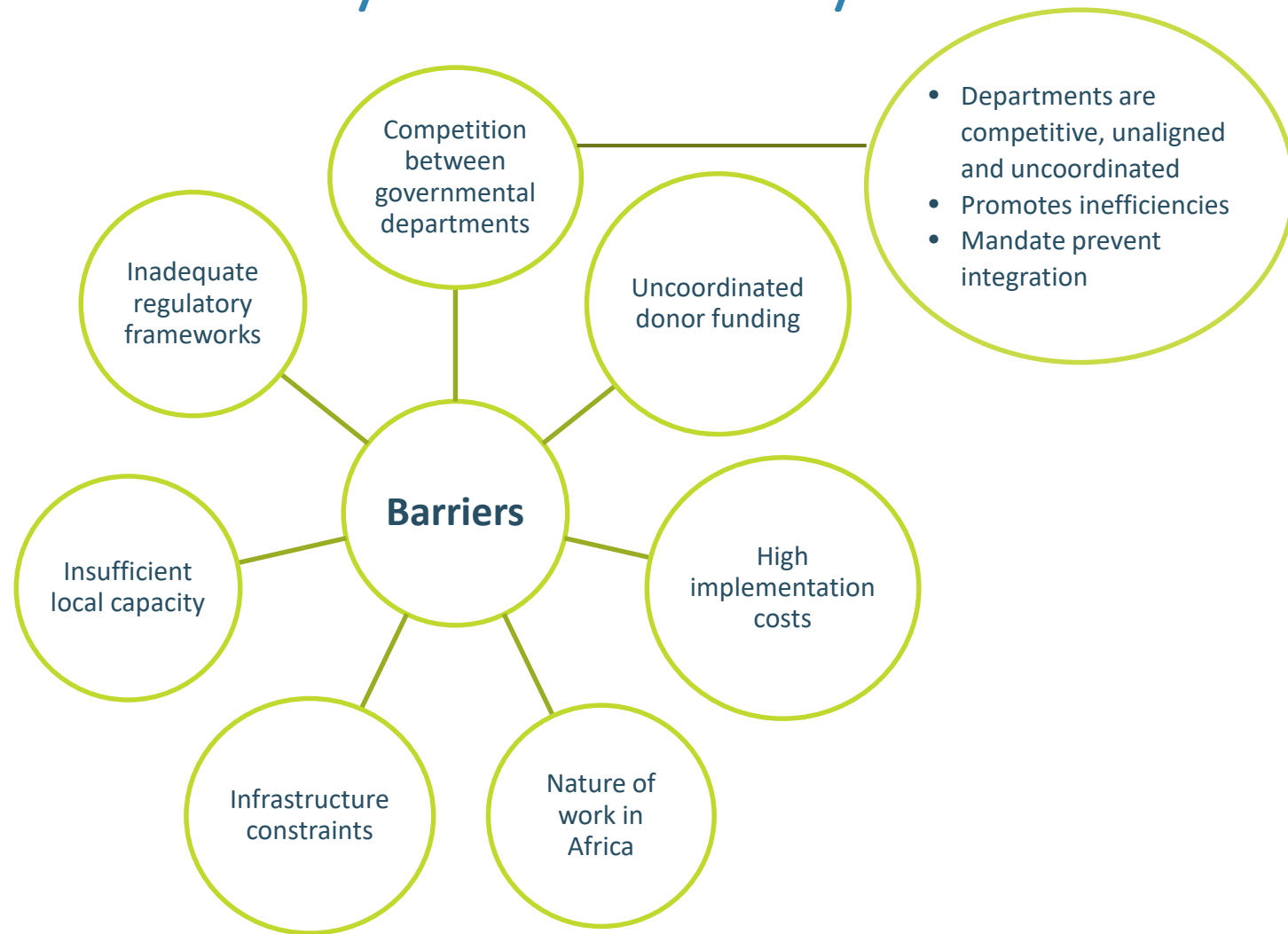
The current situation



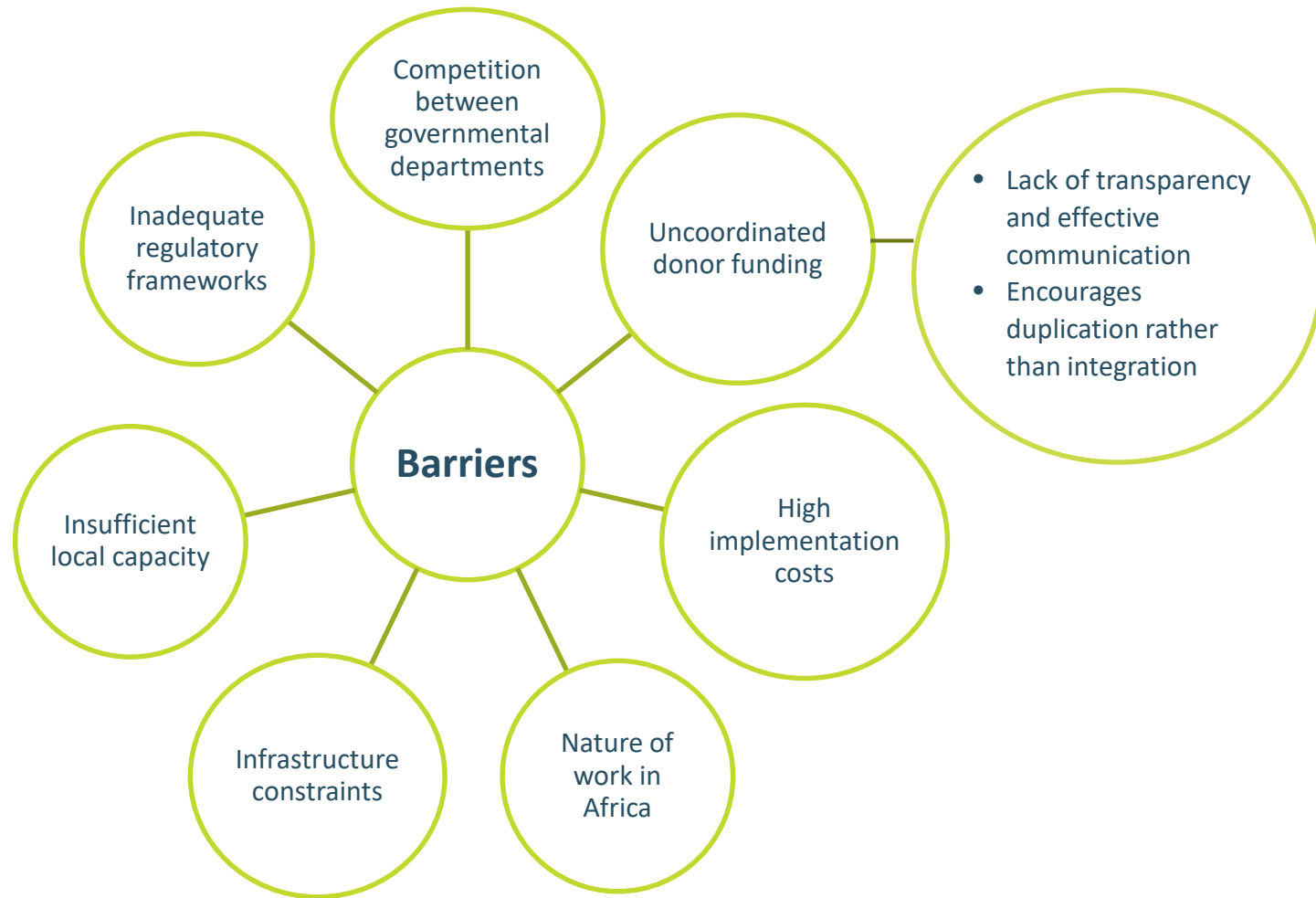
Key barriers hindering successful implementation and harmonization of identity and biometric systems



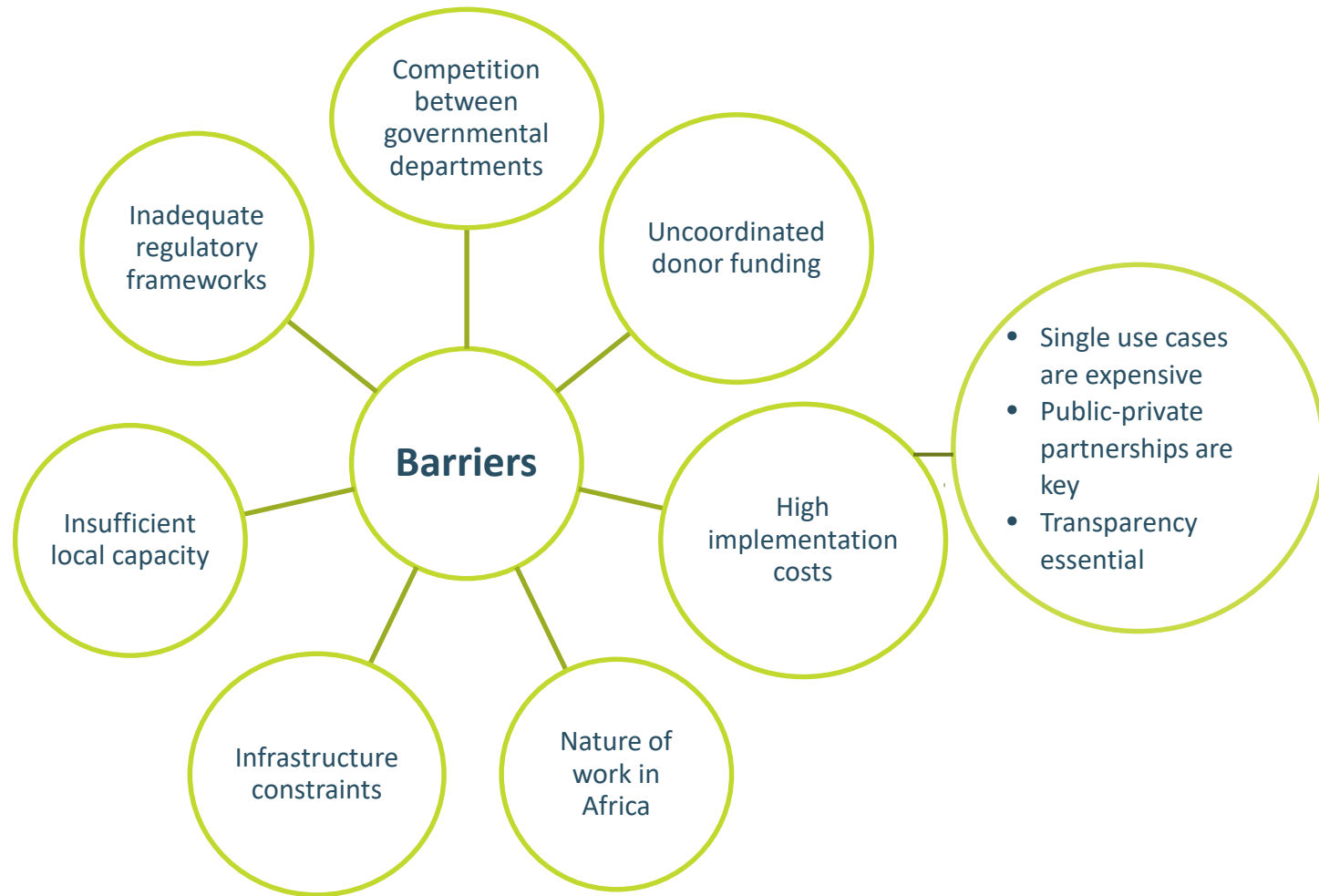
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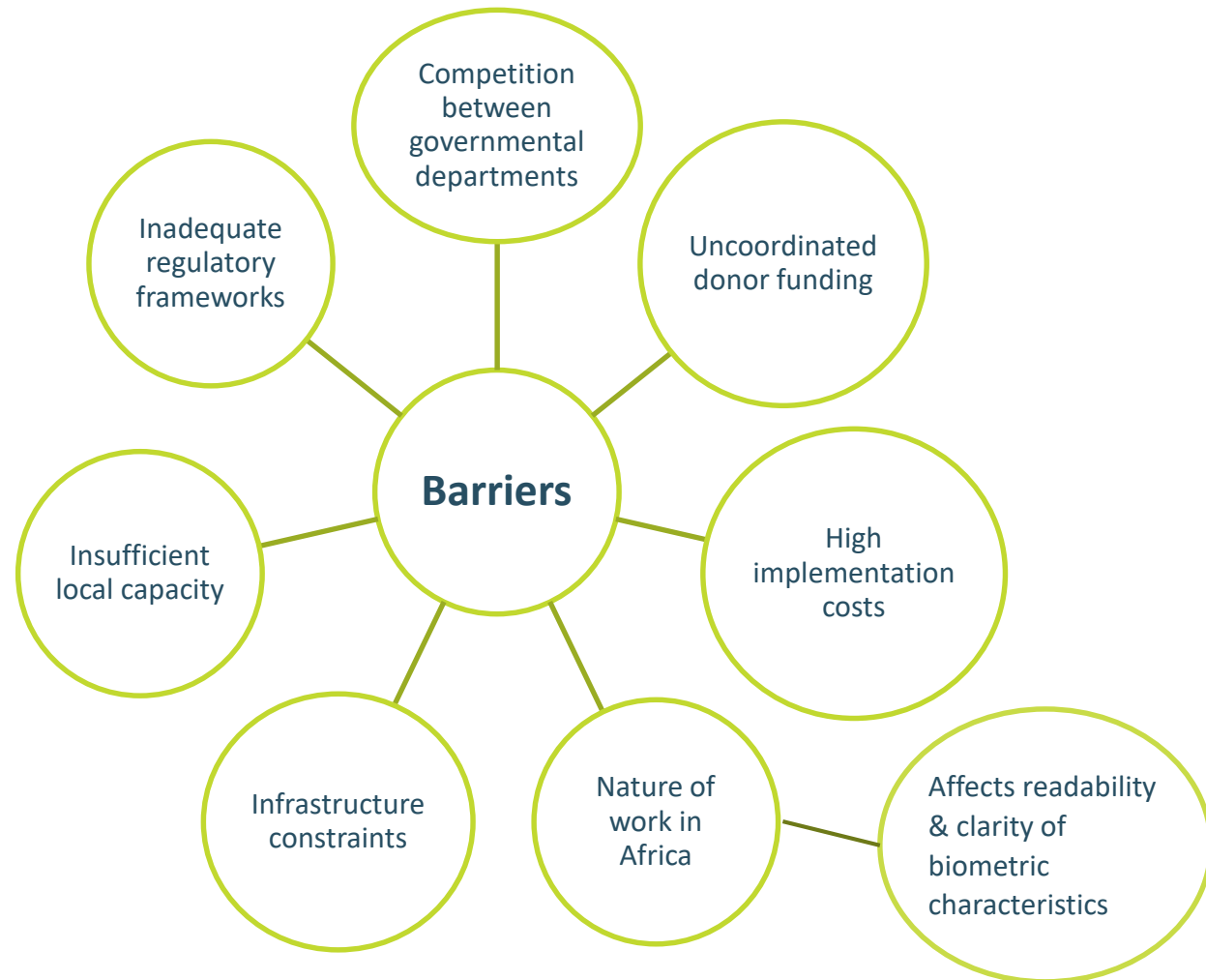
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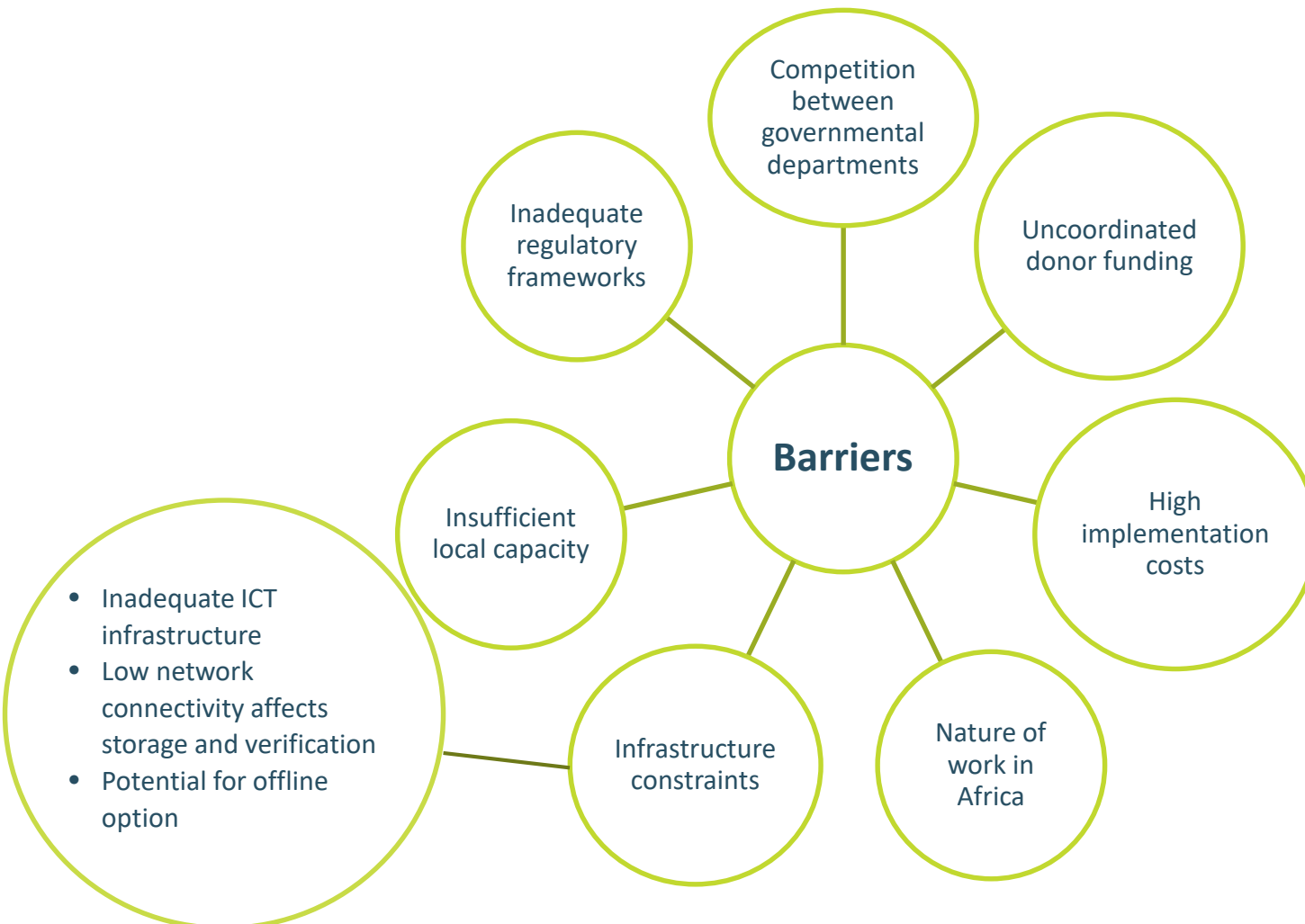
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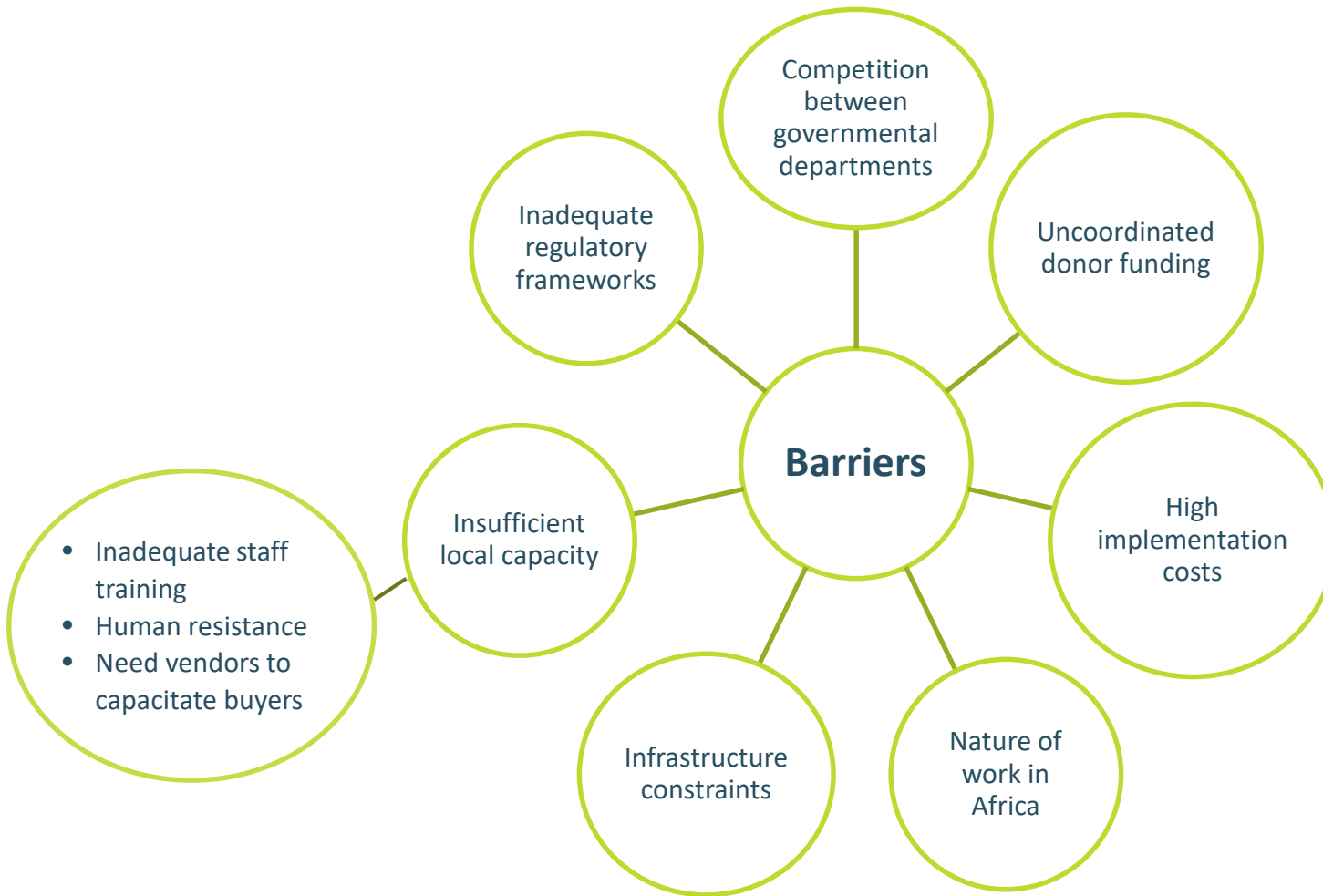
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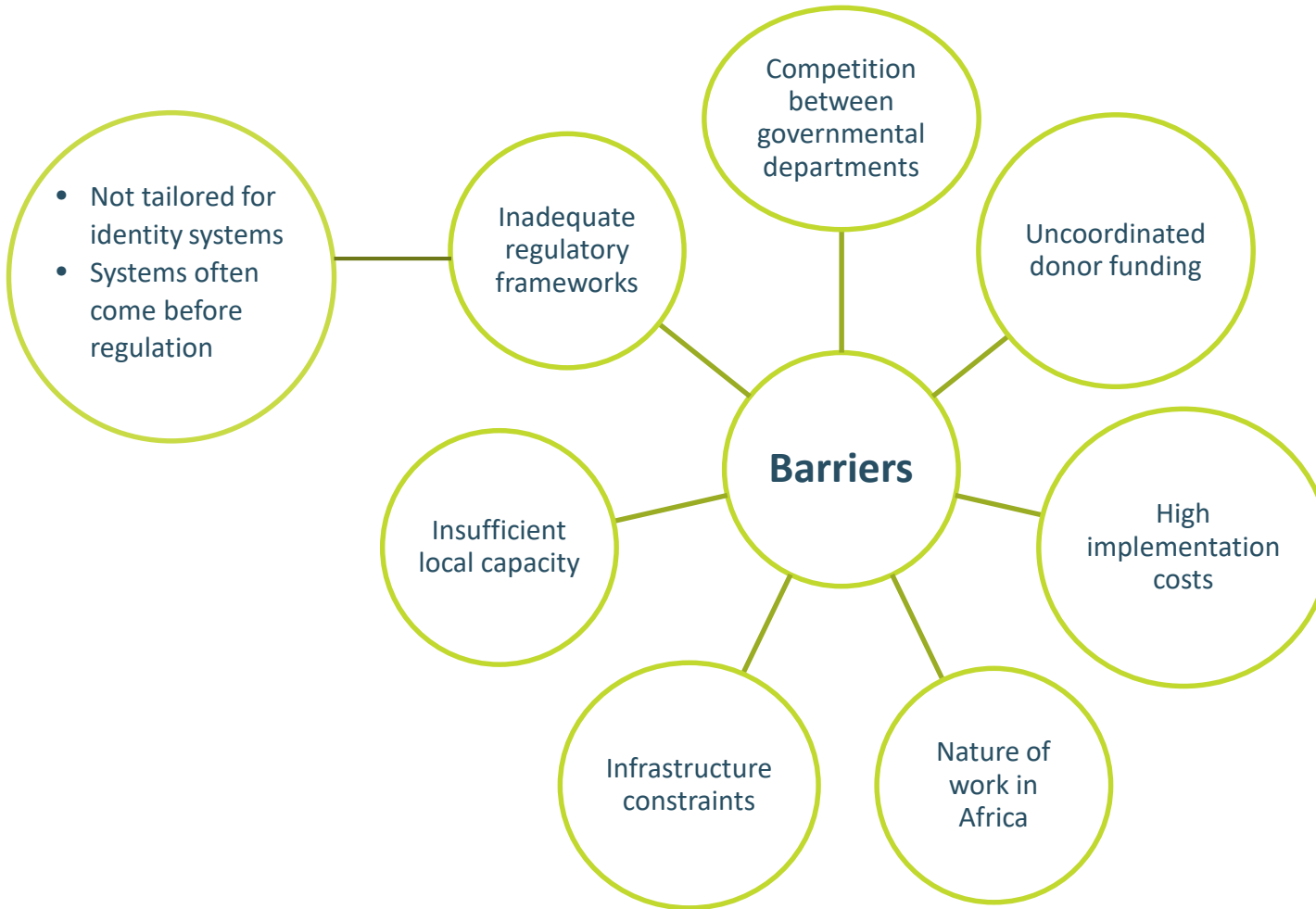
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Roadmap and considerations for biometric systems that are robust and can facilitate financial inclusion

Enablers

- Regulation/legislation
- Required infrastructure
- Business case
- Capacity development

Implementation

- Biometric options
- Vendor agreements
- Ownership/control of the system
- Integrity and transparency
- Enrolment
- Onboarding of consumers

Post-implementation

- Maintenance
- Provision for innovation
- Ongoing training
- Ongoing enrollment
- Regional and wider integration
- Move towards joint infrastructure
- Use data lockers

Thank you

Please engage with us:

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About Cenfri

The Centre for Financial Regulation & Inclusion (Cenfri) is a global think tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors seeking to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa

FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in Sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK Aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or "FSDs" across SSA called the FSD Network.

