Digital Financial Inclusion & Digital Fiat Currencies – Challenges & Opportunities

By Ahmed Said
The need for Financial inclusion

• A significant number of adults (2 billion) in the developing world have no access to basic banking services
• This lack of access constrains growth and prosperity for both consumers and the economy
• Using mobile phones for banking (m-banking) offers tremendous opportunities to enhance growth and development.
Status of Mobile Money

- 276 Mobile Money Active Deployments in 90 Countries
- 690 Million registered Mobile money account worldwide
- Mobile Money direct revenues reached over 2.7 Billion USD
- Mobile Money Industry is processing over 1 Billion USD on a daily basis
- 168 M active account transferring an average amount of 188 USD monthly
In general most of the mobile money success stories are in the developing countries.

Success of Mobile Money in Developing Countries. Why?

- Low income
  - High Number of Unbanked people
  - Transportation Issues
  - High Number of Microfinance Loans
Roles of the Telecom & Banking regulators

Telecom Regulator
- Market Entry
- Competition
- Charges & Tariffs
- Universal Access
- Quality of Service

Banking Regulator
- KYC
- Security
- Integrity of Transactions
- Cashing Out
Coordination between Telecom and banking sectors on the security matters

• Support KYC
• Necessary infrastructure deployed
• Necessary regulatory Framework
• Continues Audit on the outlets
Still there are lots Challenges in expanding the usage of mobile banking services

- Awareness & Trust
- Dual Regulatory Reference
- Security
- Customer Intelligence: Understanding customers’ needs
- Interoperability between service providers
- Involving more non banking institutions
Will Digital Fiat currency resolve the Regulatory & Security Challenges?

What is Digital Fiat Currencies?
It is the digital form of **fiat money** which is a currency established as money by government regulation or law.

More features:
• Issued by Central banks
• Sovereign Domination
Challenges for Digital Fiat Currency

• Regulations
• Security
• Ecosystem Challenges (Central banks, merchants, Operators, etc)
Challenges for Digital Fiat Currency

• Consumer protection & Trust
• Awareness
• Cost of Transformation
Opportunities for Digital Fiat Currency

- Reduce the cost of cash
- Ease of Flow of money between Government and individuals
- More transparency for informal economy
- Provide highest degree of security to enhance trust in digital ecosystem
- Accelerate financial inclusion
- Increase in E-commerce & the use of Mobile financial service
Opportunities for Digital Fiat Currency

- Solidifies central bank role as the sole issuer of DFC
- Enables interoperability, standardization and faster development of digital economy ecosystem
- Reduction of transaction & payment fees
- Monetary Policy Assistance
Regional Studies on Digital Financial Inclusion in Collaboration with UNESCWA, MBRSG and UAB

Module 1: Regional Study on DFI – Fintech and Telecom/IT Sector (Telecom Regulatory Authorities Regulations, Operators, System Integrators and Emerging Service Providers)

Module 2: Regional Study on DFI and Banking/Financial Sector (Central Banks Regulations, Banks and Emerging Service Providers)

Module 3: Regional Study on Applications of Fintech in Sustainable Development Context (the case of Remittances and the case of SMEs)

Module 4: Regional Study on Surveying End-Users, DFI Needs, Awareness, Usage, and Perception of Impact of FinTech

Final Publication on Digital Financial Inclusion in the Arab Region

Skeleton for Inter-Organizational Partnership on Arab Digital Financial Inclusion Initiative ADFI11

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Conceptual Design By: Ayman El-Sherbiny, July 2018
Thank you