

Clarence Blay: 'Ghana has 140,000 mobile money agents versus 1,300 bank branches'



The most famous mobile payments system in Africa, MPesa, allows users to make payments by sending text messages from simple mobile phones, not necessarily smart ones. The idea has started a new wave of mobile payments and transfers in the continent, and governments are taking steps to help this ingenious solution usher in a new era of financial inclusion for their countries. Clarence Blay, who manages oversight and risk assessment for the Bank of Ghana's Payment Systems Department, says that the Ghanaian government is now working on a national biometric identification programme coupled with a new national address system, which he believes will make it much easier for people to obtain credit, insurance and savings services. "Ghana has almost 140,000 active mobile money agents versus about 1,300 bank branches," he told LSE Business Review managing editor Helena Vieira during the Mobile Money and Financial Development Conference at LSE.

Is there a direct link between mobile money and financial development?

I wouldn't say that there's a direct link. Mobile money is a facilitator of financial development. The fact that you have mobile money doesn't necessarily mean you will develop financially. Mobile money is a tool that provides the unbanked and underserved with access to formal financial services. The unbanked and underserved know the value of financial services, and they provide these services amongst themselves. However it's informal, may be inefficient and ineffective, and may not provide adequately for their long-term financial needs. With the tools that are available for financial service development we can identify the peculiar needs of this segment of the population, and try to make available to them innovative financial services, thereby helping them benefit from what is available within the formal financial sector. Actually, technology would help them enhance the value of their economic and social life, rather than detracting from it. There are other benefits that may not be financial, but are linked with the financial services that they enjoy, and this is more visible with women as it enhances their capacity to be independent and make decisions that will improve their lives. You cannot use mobile money to destruct their way of life. It rather should bring a positive disruption.

You gave some impressive numbers for active mobile money agents versus bank branches in Ghana...

We're talking about almost 140 thousand active mobile money agents versus about 1300 bank branches.

Does such a high number of mobile money agents pose a challenge for the Bank of Ghana in its supervisory/regulatory work?

They are agents of mobile money operators, you see? It's an agency relationship with the service providers, which is not under the direct regulation/supervision of the Bank of Ghana. Entities providing mobile money are subject to our regulation. And as part of the bank regulating them, they're supposed to have an efficient system in place to manage their agent network. Agency issues are their responsibility and they are answerable to the Bank of Ghana for any issues that would arise in the relationship. We provided our Agent Guidelines to help them manage their agents. So our regulatory authority encompasses the agent business as a channel used by the service providers to reach their customers, but we don't do direct supervision of the agents. As part of our oversight of this space, we may do some 'mystery shopping' to have a sense of how effectively they're managing their agents. But it's not within our scope to supervise their agents. We don't want to micromanage the system.

How about insurance products...

The regulation allows mobile money operators to do payment services. They can partner with regulated financial institutions to provide credit facility, savings products, insurance products and investment products. When it comes to insurance, we do not regulate insurance agencies. What we do is to provide an enabling regulatory environment for them to do those things. For instance, our Guidelines for Electronic Money Issuers do not permit the use of airtime as money. However, for the purpose of micro-insurance premium payments, the restriction was relaxed.

I'm curious about micro-insurance. What kinds of insurance services can be provided by mobile agents?

When you want to bring financial inclusion to the underbanked and underserved, they must have access to the whole gamut of financial services and products that are required to take care of their financial needs. Apart from the basic services of fund transfers, they need to have a means of savings, so that they can take care of their needs overtime, and also can protect themselves against life uncertainties. Insurance provides a similar service, by protecting them against challenges in life. It's a kind of security, so that when someone falls sick and maybe the health insurance is not enough, micro-insurance can provide additional financial support to enable the person to procure better health care. When the event crystallises, the payment is triggered, and then you can use that money to take care of your needs. Maybe at the time people get sick they may not have the financial resources to do that, but the insurance is going to protect them. Maybe they don't have the money to buy insurance packages from big insurance companies, so there's a special insurance product designed for the unbanked and underserved. They don't need to pay out huge sums of money for premiums. They can get coverage that is within their means.

How does it operate in a mobile system? They apply for insurance on their phone?

They apply for it on their phone. Let me give you an example. Providers have loyalty schemes, linked airtime patronage of mobile telephone customers. Patrons are given collateral benefit in the form of points for the total value of airtime transactions and are credited to an insurance product on their behalf. No contribution is required of them.. There are others that, once you subscribe to their services, the premium is deducted from your airtime.

Does the existence of mobile financial services reduce the size of the informal sector or does it not have an impact at all?

It has had impacts on the informal sector, in a way, by bringing them into the formal financial sector and also providing transactional records, based on which they can access more financial services. For example, some financial institutions have been using mobile phone usage and mobile money transactions to assess individuals for credit purposes. They're using this data to develop some scores, based on which they advance credit to people. They've done that successfully and they are even realising early repayment of loans, which is fantastic. So, these people, if it weren't for their usage of mobile phone or mobile money, they would not have data on them based on which their creditworthiness can be assessed. And mind you, this credit is being given to them without any collateral. This is a very positive impact.

What are the challenges for the Ghanaian economy in embracing mobile?

I think the challenge has to do with some basic infrastructure that has to be in place to facilitate the easy identification of individuals and entities that want to play within the digital space, in other words, the National ID. That's the issue that is being addressed. We're looking at a digital financial system that would identify economic agents who want to transact in this space and reduce their risk of AML-CFT (*Anti-Money Laundering and Combatting Financial Terrorism regulations*).

Are you working with any provider of identification services?

The National Identification Authority is now implementing a project to roll out biometric identification cards to all the people in the country. The infrastructure is ready, waiting for completion of the national address system infrastructure, so that the two of them can be linked together. The digital national address system, linked with the national ID, will facilitate the tracking of persons. Once it's on, it will be possible to formally provide visibility to persons and the properties related to them, and thereby reduce information asymmetry, consequently enhancing the integrity of KYC (Know Your Customer) and CDD (Customer Due Dilligence). This will also result in improved pricing of financial services, particularly credit products. That is one thing that's being done. The speed at which this infrastructure is being developed is fantastic. We are pretty confident that by the end of next year all these things will be completed and people will have their biometric ID.



Notes:

- *The Mobile Money and Financial Development Conference (13 October, LSE) built on a three-year research initiative led by [Saul Estrin](#) (LSE), [Susanna Khavul](#) (San Jose State University/LSE), and [Adeline Pelletier](#) (Goldsmiths/LSE). The conference and research initiative were supported by the International Growth Centre (IGC), the [Leverhulme Trust](#), and LSE's Department of [Management](#).*
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