What part can FinTech play in improving financial inclusion?

Qatar Law Forum

Sunday 12 November 2017

Joanna Perkins, Chief Executive, FMLC

What is financial inclusion?

Financial inclusion is about bringing payment services and credit to the dispossessed. It concerns sustainable personal finance for marginalised individuals and access to banking as the cornerstone of self-actualisation in society. The rule of law is at issue for the reason, among others, that financial exclusion creates a vulnerable community which is exposed to the risks of exploitation and organised crime.

How can technology help?

There are three key building blocks for financial inclusion:

1. Deposit taking;
2. Bill payments/merchant payments; and
3. Credit.

And a fourth which is very important to the externally dispossessed and dislocated:

4. International remittances.

Financial technology can help with all four. In particular it can, through the use of mobile phone technology, address the payment services needs of communities in rural areas where "capital-intensive infrastructure deployment is commercially non-viable" (GSMA 2017 "The Mobile Economy"). Mobile phone banking services often utilise e-money: money balances recorded on electronic device which look and feel like deposits but are in fact pre-paid issuer credit that can be used for merchant payments.

My focus on financial technology has not been on end-user products, however, but on the wholesale engine that drives them.

Here, distributed ledger technology offers new ways of recording and securing transactions in real time, ways which remove certain institutional risks and inefficiencies from the financial system. And the analysis of "big data" brings with it new opportunities for informed credit appraisals which should simultaneously extend credit and insurance facilities while reducing, or at least quantifying, credit and other risks.

All these developments are positive ones but, like so many good things, they have a shadow side. They carry with them new challenges in the form of increased potential for money laundering, market abuse, fraud and ultimately the exploitation of individual consumers who are by definition, among societies most vulnerable members. For that reason it is imperative that our future thinking about financial regulation keeps pace with our enthusiasm for strategies of inclusion.