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G-24/AFI roundtable spotlights digital catalyst for youth financial inclusion

Soaring demand for digital financial services (DFS) must be leveraged to build long-term sustainable recovery and scale up financial inclusion for youth hit hard by the coronavirus pandemic, policymakers emphasized at a specially convened high level roundtable co-hosted by the Intergovernmental Group of Twenty-Four (G-24) and AFI on 19 October as part of the virtual annual meetings of the International Monetary Fund and World Bank Group.

With school closures and job losses disproportionately affecting youth, leaders from the two networks shared how they are acting with both urgency and care to safeguard prospects and utilize potential of this crucial demographic, while implementing practical policy changes to facilitate higher levels of youth financial inclusion at this critical time.

Speaking via live feed, [Nepal Rastra Bank](#) Governor Maha Prasad Adhikari reiterated the potential of digital financial inclusion to ease pandemic-related burdens by fostering new education and employment opportunities, such as supporting entrepreneurship. But fast-paced tech growth, he noted, must be closely monitored to prevent a digital divide growing between those with access to technology and those without.

“A lack of digital financial literacy or the unwillingness of financial institutions to lend to youth-owned businesses can restrict the ability of youth to make full use of formal financial services,” he told more than 100 participants who joined the virtual event.

Governor Adhikari said that “inclusion, therefore, needs to be at the heart of the design of DFS to ensure that no one is left behind”, before adding that the sentiment was reinforced in the AFI membership-endorsed [Kigali Statement](#). In the statement, members pledged to reinforce and consolidate actions that promote financial inclusion among disadvantaged groups, including young people, to harness their economic potential.

Nearly 90 percent of the world's youth population live in the developing countries. More than half of this sizeable demographic are employed in the informal sector and, therefore, at higher risk of loss of employment and income with studies showing that at least one in six young people are out of work due to COVID-19.

Backing calls for responses that target growing youth unemployment, G-24 Secretariat Director Marilou Uy said that “solutions need to be comprehensive, with access to financial services one important means to broaden opportunities.”

Targeted support for a struggling consumer group, however, does not come without risks.

“There are a lot of trade-offs in terms of exercising prudence and ensuring that financial sectors stay solvent while also trying to support the credit needs of borrowers that have been greatly affected,” she said.

Reiterating the struggles of youth in finding meaningful employment, UN Secretary-General's Envoy on Youth Jayathma Wickramanayake [said in a recorded address](#) that youth financial inclusion must play a key role in long-term strategies after the pandemic.

“Financial inclusion offers a crucial enabler for young people to achieve the Sustainable Development Goals (SDGs) and cope with shocks, but half of young people do not have a basic bank account with the vast majority being in the developing world,” she said.

AFI members are helping to reduce the exclusion of their youth populations through highlighting youth as a priority segment in their national financial inclusion strategies and implementing a range of targeted regulatory and policy reforms. The Roundtable highlighted initiatives from [Bangladesh](#), [Egypt](#), [Jordan](#) and the [Philippines](#) which have been incorporated into a policy framework on youth financial inclusion under development in the network. Such initiatives will help not only to bring formal financial services to unbanked young people but also ensure that they are incentivized to remain in the system.

Several institutions from AFI's diverse network also offered crucial insight from their jurisdictions at the high-level event, including [Banque de la République d'Haïti](#) Governor Jean Baden Dubois, who added that the pandemic had made it increasingly vital for regulators to harness DFS and promote financial education. For its part, Governor Dubois said that the central bank's five-year national financial

education strategy, [launched earlier this year](#), includes core focuses on youth and the promotion of digital channels.

Also taking advantage of opportunities presented by COVID-19 was [State Bank of Pakistan](#), with Governor Dr. Reza Baqir explained how the central bank – in partnership with the national government – was encouraging more bank lending and promoting DFS to the benefit of the country’s large and untapped youth population.

During a session offering country perspectives on policy innovations for youth financial inclusion, Dr. Baqir noted the importance of investing in critical digital infrastructure, such as payment processing and remote customer onboarding, and to collaborate with the private sector to encourage digital transactions. He also encouraged his peers to adopt an open mindset and embrace new innovation, including regulatory sandboxes and innovation hubs, in order to experiment with pioneering ideas, identify risks and mitigating measures that could encourage DFS and digitally transform economies.

“This has been a long journey for us, but COVID-19 provided a boost and a jolt in our efforts towards DFS,” he said.

Facing similar challenges, Jose Antonio Quesada, vice president of regulatory policy at Mexico’s [Comisión Nacional Bancaria y de Valores](#) (CNBV) outlined how COVID-19 had driven a simplification of Know-Your-Customer processes. He also noted significant growth in demand for financial technology products and services, explaining that youth considered these services more approachable and tech-savvy than traditional banks.

Echoing the need for regulators to explore more ways to reach vulnerable groups was [Superintendente de la Economía Popular y Solidaria](#) (SEPS) Superintendent Dr. Margarita Hernandez, who reaffirmed her institution’s commitment to financial inclusion and achieving a sustainable recovery, particularly for the benefit of women and youth.

“We must have financial inclusion to transform lives in the short-run and long-run, so that people can have better incomes for their families,” she said. In tandem, she added that while her country had made significant steps to promote sustainable finance – including with several startups in the field – there was still much more to be achieved.

Sustainability in the form of green finance initiatives was emphasized by [Central Bank of Seychelles](#)’ First Deputy Governor Christopher Edmond. As a priority, the central bank is working with stakeholders to promote various such initiatives and expected to see notable progress in the coming months, Deputy Governor Edmond explained.

But in order for targeted measures to succeed, [National Bank of Rwanda](#) Deputy Governor Dr. Monique Nsanzabaganwa said that regulators must continually collect and harness large quantities of robust data.

“With COVID-19, you need real-time data to keep monitoring so that hard-earned gains are not lost, especially for the groups that we are really keen to monitor such as youth, women, rural, farmers and forcibly displaced persons,” she said.

In agreement, [Bank of Zambia](#) Deputy Governor Dr. Francis Chipimo added that digitization provided an opening to improve data collection. In line with other speakers, he said that DFS offered important solutions to mitigate the negative effects of COVID-19 in Zambia, and that efforts to promote digital transactions by removing fees and daily transaction limits had triggered higher usage rates. Despite these gains, many challenges remained, including credit risks and questions over how to keep costs low for vulnerable groups.

Small business benefitting

Financial regulators across the AFI network have been at the forefront of policy responses to the pandemic – reinforced by the network’s [Statement on Post COVID-19 Recovery](#).

Among the necessary intervention were steps to ease credit flows into the real economy – particularly for micro, small and medium-sized enterprises (MSMEs) –, the adoption of policy and stimulus measures to ensure emergency social transfers still reach the most vulnerable populations, and the provision of incentives and regulatory flexibility to support the greater usage of DFS to sustain commerce amid movement restrictions.

Outlining the significant role of DFS in assisting small businesses, [Bangko Sentral ng Pilipinas](#) Acting Deputy Director Ellen Joyce described several regulatory measures implemented by the central bank that had led to a rise in the amount of credit and loans restructured to MSMEs during the pandemic.

Among regulators that have long-invested in promoting a cash-lite economy is [Bank of Ghana](#). Complementing the country’s ambitious plan to increase financial inclusion to 85 percent in 2023 from 58 percent in 2017 are policies that promote DFS, First Deputy Governor Dr. Maxwell Opoku-Afari said

Despite this, Dr. Opoku-Afari emphasized how much more needs to be done to improve financial inclusion for youth, starting with peer learning to stimulate knowledge exchange among regulators.

“Ghana stands ready to work with all of you to scale up and the promise of a demographic dividend,” he said.

Valuable knowledge gained from the event will be used to guide AFI’s work and in-country implementation efforts, AFI Executive Director Dr. Hannig said as he closed the event. AFI’s Dr. Hannig reflected on the input from members and how the conventional role of central banks and financial regulators had broadened, particularly in the context of youth and COVID-19.

“The SDG lens has really come into the center of our members’ work ... who are increasingly seeing themselves as agents for development,” Dr. Hannig said as he also drew attention to the underlying theme of convergence and how “global challenges require global solutions”.

“No one can find these solutions alone,” he said, adding that “we should keep this spirit even in times of segregation and isolationism as it is very important to keep knowledge flowing and learn from each other”.

Due to the COVID-19 outbreak, it was the first time that the high-level event was held virtually. [Last year's roundtable](#), held at the IMF's headquarters in Washington D.C., focused on the pressing need to close the financial inclusion gender gap and promote greater female representation in top leadership positions. G-24/AFI high-level events are always held as part of IMF/World Bank Spring meetings and have been taking place for the past 12 years.

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