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by Fabio Scala



# Insights on Mozambique's Financial Inclusion

with Esselina Macome, CEO of FSDMoç

**One of the major challenges for the development of Africa is financial inclusion. Widespread access to banking and finance already accelerated development in many emerging markets and Africa is no different. The continent is a fertile fintech territory with one of the highest mobile phone penetration in the world, and a booming mobile financial services and payment technologies sector.**

Sub-Saharan Africa's unbanked population of about 60% has caught the attention of financial institutions and investors in recent years. Fintech solutions are changing the financial services landscape and play a pivotal role in improving financial inclusion.

FurtherAfrica spoke to **Mrs. Esselina Macome**, CEO of **FSDMoç** (Financial Sector Deepening Moçambique) - Britain's **UKAid** and Sweden's **SIDA** sponsored facility for the development of the financial sector with a focus on expanding levels of inclusion.

Mrs. Macome joined FSDMoç after a 10-year career as a Board Member of Mozambique's Central Bank where she led the drafting of her country's financial inclusion strategy. With a PhD in Information Communication Technology, she has an unparalleled experience in payments systems, financial inclusion and currency management in her native Mozambique.

**Fabio Scala:**

It's great to see you again Mrs. Macome. Thank you for taking the time to share your insights with us. Could you give us a brief on the state of financial inclusion in Mozambique?

**Mrs. Esselina Macome:**

Thank you Fabio, always great to see you.

Mozambique has a National Financial Inclusion Strategy (2016–2022). This is strong signal it recognizes the importance of financial inclusion for the social and economic development of the country and its citizens. The last financial inclusion consumer survey (Finscope) data published in 2014, showed that only about of 20% of adult Mozambicans had a bank account.

The effort made by the government, Regulators, Financial Service providers and other organizations like FSDMoç has contributed to the improvement of the financial inclusion indicators. However we still have more to do, particularly when it comes to increasing the usage of financial services and products.

For example, a 2017 Report on Financial Inclusion published by the central bank indicated that 76.7% of the Adult population gained access to physical or electronical financial services. (33% banks or other of financial institution and 44% from mobile money institution). This shows a remarkable improvement in accessibility of financial services as a result of the uptake in mobile financial services as well as the growth in the proportion of adults with access to a financial service point in recent years via mobile money. However, there is still a need to increase the volume and frequency of transactions at affordable costs. We need to continuously improve the payment systems infrastructure. There is room for some quick wins such as allowing Fintechs to operate, and to enable full interoperability among all players.

In collaboration with Mozambique's National Statistics Institute, for the first time, we were able to include four "financial inclusion" questions in the 2017 Census. The initial data shows that 20.5% of the general population in urban area had a bank account while in rural areas only 3.2%. It also showed us that 3.3% of the population in urban areas have loans compared to only 0.6% of those from rural area. Our hope is that by the end of the year we will have updated Finscope data, as we are currently conducting data collection for the finscope 2019.

**Fabio Scala:**

That's quite interesting. Before we can move forward, for the purposes of FSDMoç, could clarify how do you define financial inclusion?

**Mrs. Esselina Macome:**

Certainly, first and foremost, quality of life. Financial inclusion enables and empower the population to live a better life, with higher standards. We can actually define Financial inclusion in 3 levels: Access, Usage and quality. This means that in the end of day, it has to contribute to the quality improvement of Mozambicans. In addition, drawing on a wider range of sources such as World bank and Sarma Finca, it's possible to define financial inclusion more specifically as the uptake of useful, available, affordable financial products or service that meets the needs of the population at large. In fact, there is a growing consensus on following three key components namely, Availability, Uptake and Usage

In summary, when we apply this definition to Mozambique, the country still a long way on its journey to ensure effective usage of financial services.

**Fabio Scala:**

Understood, and what is the role of FSDMoç in this panorama? Can you highlight some of the actual results from your interventions in the country?

**Mrs. Esselina Macome:**

We look at financial inclusion as an enabler to push the United Nations Sustainable Development Goals (SDGs) - Digital Financial Services have transformed the structure of the financial sector and FSDMoç is contributing on the “digital highway”. There are no doubts that digital and technology are empowering people in various dimensions of the SDGs. Throughout our interventions, FSDMoç contributed to 7 SDGs, respectively:

*Quality education (SDG 4)* - We work on PAYGO models for solar energy helping rural communities to access affordable energy, which means more time for studying and doing business. Simultaneously, we are also using digital payment platforms to bring convenience to settle payments to educational institution.

*Clean water and sanitation (SDG 6)* - We see the potential to use solar panels as a source of energy to extract clean subsoil water for human consumption and irrigation fields, which will help improve the lives of those affected.

*Affordable and clean energy (SDG 7)* - Working with two PAYGO companies, we increased access to affordable and clean energy using mobile money as a means of repayment. As a result, nearly 13,000 people representing household families became financially included. The system also generated data used to rate customers qualifying for other services such as direct finance from formal financial institutions.

*Decent work and economic growth (SDG 8)* - Pilot of agent banking models using tablets, smart phones and biometric ID verification technology to provide financial services and drive growth among micro and small business enterprises.

*Industry innovation and infrastructure (SDG 9)* - As we explore the financial needs and the potential to serve women, youth and smallholders in rural areas, we catalyze innovation and help to inform where the infrastructure is needed. We also contribute at the meso-level facilitating discussions on the infrastructure for a well-functioning payment ecosystem, interoperability (Bank -MMO) and MMO-MMO (Mobile money operator). This discussion includes the use of open APIs (Application Programming Interfaces) to bring non-financial institutions to be part of the ecosystem.

*Reducing inequalities (SDG 10)* - We have conducted studies to understand financial needs of the populations at the bottom of the pyramid including women, youth and smallholders. With financial institutions we are promoting the usage of design thinking techniques to ensure that new products and services respond to the needs of the most vulnerable. As the payment ecosystem gets more dynamic we expect the costs of transactions to drop, including the cost of remittances.

*Sustainable cities and communities (SDG 11)* - Jointly with our partners we contribute to access decent housing and also to build the cashless ecosystem via interventions like e-ticketing.

**Fabio Scala:**

That's quite an impact in a number of areas. I can see you exploit a number of digital resources to drive financial inclusion and delivery real impact.

**Mrs. Esselina Macome:**

That's right, when done properly and in a sustainable way, digitization can really enhance the reach of financial services. For instance, people can now access financial services not only through mobile phones but also at community kiosks with no restrictions, going the extra mile - giving people the ability to transact where they are.

Technology also makes digital lending feasible. Banks recognize the value of integrating digital technologies (to open accounts) and enable their agents to increase the reach of financial services as well to drive down costs. This includes the bundling of their agency model with a biometric identification which speeds account opening process, by reducing "Know your client" (KYC) requirements. In addition, it allow banks to be more inclusive engaging more marginalized customers such as illiterate woman as biometric allows access to accounts opened with just the finger (Retina authentication has also been considered if customer's fingerprints cannot be read).

**Fabio Scala:**

You mentioned some of the initiatives taking place in Mozambique, can you elaborate in them?

**Mrs. Esselina Macome:**

Sure, let me tell you about the Pay-as-you-go (PAYGO) technology we are rolling with our partners to promote access to energy to low-income households.

The technology combines a solar home system (SHS) with a mobile money platform offering a 3, 6, 12 and 18 months payment plans to rural communities allowing them to gain access to solar energy and the benefits of increased safety, added study time, extended business hours. Note that Pay-as-go has potential in other areas such as irrigation in the agriculture. Models like this are part of an innovation effort to reach more people.

These solutions are taking off and over 13,000 beneficiaries that were previously living without electricity. Today they have their life-transformed as a result of PAYGO solar companies which are gaining popularity by providing light and other forms of services that can make the bridge to a key pathway to financial inclusion. Another interesting initiative is the agency-banking model in Mozambique. The agent model has been adopted and the driving factor has been the establishment of an effective network of agents, and some of benefits already are visible, for instance:

1. Customers are happy as they have more access points; it is convenient due to longer opening hours; it has shorter waiting queues compared to conventional branches and lower transaction costs;
2. The banks observed an increase average of monthly transactions per person and on average value per transaction;
3. Positive response from the industry - we see FSPs exploring cross sales through their agent networks (e.g. access to formal and digital loans, agri-value chain financing products, etc.) and, studying the viability to use the network as an alternative delivery channel for other segments such as savings groups.

Besides the good results of these two examples, we still see challenges to overcome and we have commissioned a study to better understand the model of agents going forward.

**Fabio Scala:**

**Finally, what is your message to investors looking into the sector in terms of opportunities and to the population in terms near future financial inclusion?**

**Mrs. Esselina Macome:**

In my view a digital revolution in financial services is underway. It is a green field and there's plenty of room for competition. More than half of Mozambique's population still in need of financial access/Inclusion.

I see great opportunities for fintechs as they have the potential to shrink the role and relevance of today's banks, simultaneously helping them to create better, faster, cheaper services that make them an even more essential part of everyday life for institutions and individuals.

This is the reason why we decided to collaborate with the Central Bank to establish a *Sandbox* in order to create a conducive environment for fintech.

Capital Markets development is also another opportunity, crucial to support more and more MSMEs and individuals in order make the market more open and inclusive.

Insurance and telco regulators are also working and enabling the market ensuring that more players come and flourish the market. Regulation is in place but there is need for technical assistance in new areas arising from digital innovation and technology.

Digital ID as a foundation for the development of digital economy and consequently for digital financial services.

This also calls our attention to new critical fields arising such as cyber security and data protection. National initiatives are underway in this regard and regulations and strategy should come out soon.

So, we cannot wait for another moment. This is the time for all to deliver on their efforts to change the financial inclusion landscape in Mozambique. It demands efforts from the regulators and the service providers. I would say that these are the areas that may require more investments. 📌

For more information FSDMoc website at [www.fsdmoc.com](http://www.fsdmoc.com) or you can [click here](#) to download their very insightful 2019 Annual report.