

FINANCIAL INCLUSION IN EGYPT

December 2017

Financial inclusion is one of the most important concepts that recently attracted the attention of international organizations and central banks in general. Similarly, Egypt has put financial inclusion as a priority during the last years. The Central Bank of Egypt (CBE) participated in several regional and global initiatives to improve financial inclusion in Egypt. In July 2017, Egypt was chosen, along with China and Mexico, as a model country in a new Financial Inclusion Global Initiative launched by the World Bank Group. The three-year initiative aims at supporting access to financial services to the unbanked and underbanked and developing policy recommendations in digital finance. According to the World Bank, Egypt has the potential to bring a large number of people into the formal financial sector (more than 44 million adults).

WHAT IS FINANCIAL INCLUSION?

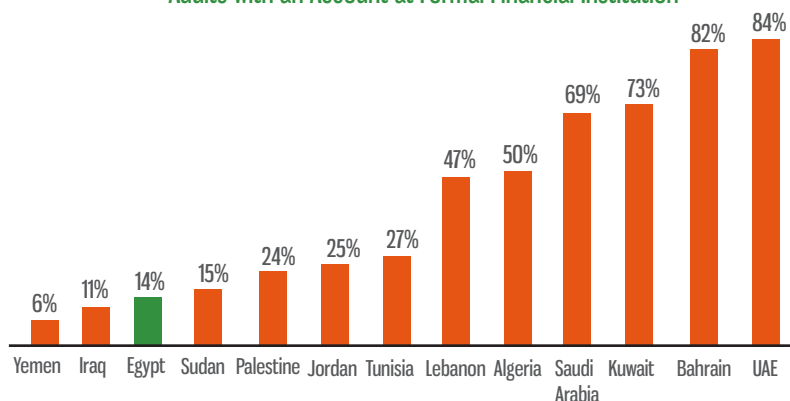
- Financial inclusion refers to the access of individuals and businesses, to the products and services of formal financial institutions– transactions, payments, savings, credit and insurance– at a reasonable cost and in a sustainable mode. Financial inclusion has been broadly recognized as critical tool in reducing poverty and achieving inclusive economic growth, where greater access to financial services enables the marginalized groups to step out of poverty and reduces the inequality in the society. It not only benefits individuals, but collectively it develops the entire economy and accelerates economic growth.
- Globally, digital financial technology and particularly the global spread of mobile phones, has facilitated expanding access to financial services to hard-to-reach populations and small businesses at low cost and risk.
- Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 30 have either launched or are developing a national strategy for financial inclusion.



FINANCIAL INCLUSION IN EGYPT VS. MENA

The level of financial inclusion in the Middle East and North Africa (MENA) region is one of the lowest worldwide. According to the latest figures released by the World Bank in 2014, Egypt suffers from high levels of financial exclusion, where only about 12% of Egyptians and 14% of adults had a bank account. Low financial penetration is significantly linked with the presence of a sizable informal sector and the high poverty and unemployment rates. Additionally, Egypt is considered a cash based economy, with cash transactions dominating most of its activities.

Adults with an Account at Formal Financial Institution



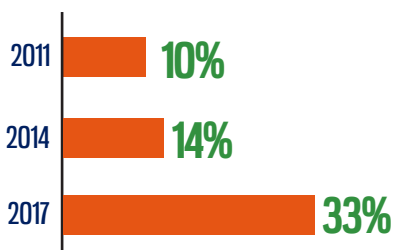
Source: 2014 Financial Inclusion Data/ Global Findex

FINANCIAL INCLUSION IN EGYPT

December 2017

IN EGYPT

Account Penetration:



Source: 2014 and 2011: Financial Inclusion Data/ Global Findex, 2017: The CBE's Deputy Governor Statement



Total Number of Banks in Egypt
38



Number of Debit Cards
17.6M

Source: CBE's Monthly Statistical Bulletin Sep. 2017



Total Number of Branches
4K



Number of Subscribers to the Mobile Financial Service
7.9M

Source: CBE's Monthly Statistical Bulletin Sep. 2017
The CBE's Deputy Governor Statement

However, Egypt has adopted various programs to widen the scope of cashless transactions through introducing electronic systems in several government entities. In parallel, several measures were taken to encourage account penetration which recorded 33% of Egyptian adults in 2017, according to Tarek El-Kholy, the CBE's Deputy Governor.

EFFORTS TO BOOST FINANCIAL INCLUSION

ON THE INTERNATIONAL LEVEL

The CBE's membership continued in the international Alliance for Financial Inclusion (AFI) since 2013. The AFI includes 95 developing countries and is considered the first network to exchange technical and practical experiences among member states in the field of financial inclusion.

ON THE REGIONAL LEVEL

In light of the efforts exerted to consolidate the principle of financial inclusion, which requires the support of all banks in the banking sector, the Council of Arab Central Banks Governors decided in 2017 to set the 27th of April of every year to be the Arab day for financial inclusion. Accordingly, the CBE directed banks operating in Egypt to participate in the activities of the Arab Financial Inclusion Week. These activities include approaching remote areas, clubs, and universities by banks to present their products. Customers also were allowed to open accounts without expenses or a minimum limit.

ON THE LOCAL LEVEL

Driven by the Egyptian authorities' belief in the importance of the inclusion of all segments of the society into the formal financial system, the country has taken several measures to support development and achievement of financial inclusion.

THE CBE'S INITIATIVE TO SUPPORT SMES

- In January 2016, the CBE launched an initiative directing banks to increase finance provided to Small and Medium Enterprises (SMEs) with the goal to have SMEs accounting for not less than 20% of banks' total loan portfolios within the next four years, with competitive interest rate. Additionally, each bank should establish specialized units for providing the financial services to these enterprises.
- Since the launch of the initiative, a total of EGP49 billion was injected to finance SMEs till June 2017.

FINANCIAL INCLUSION IN EGYPT

December 2017

THE CBE'S MORTGAGE FINANCE INITIATIVE

- In June 2017, the CBE amended the mortgage finance initiative, which was issued in February 2014, to be as below:

	LOW INCOME	MIDDLE INCOME	ABOVE-MIDDLE INCOME
Interest Rate	5%-7%	8%	10.5%
Maximum Monthly Income (EGP)	Less than 2,100	10,000 for Individual 14,000 for household	15,000 for individual 20,000 for household

Source: CBE

- In October 2017, the CBE decided to increase the funds allocated for the initiative to EGP20 billion instead of EGP10 billion.

STEPS TO LIMIT DEPENDENCE ON CASH TRANSACTIONS

- In 2017, the “National Council for Payments” was established, chaired by the Egyptian President Al-Sisi, aiming at reducing the use of banknotes outside the banking system, stimulating the use of electronic payments, and developing the national payments systems.
- The CBE approved a new version of the regulations for “Mobile Payment Services Regulations” in November 2016. The new regulations will allow banks’ customers to transfer or receive funds and remittances via their mobile accounts. These regulations constitute an approach towards financial inclusion, especially that mobile banking has significant growth opportunities in Egypt, since the mobile phone penetration in the country recorded 110% in August 2017.
- The Egyptian government has signed a Memorandum of Understanding (MoU) with Visa, the global payments technology company, to enable digital payment of government subsidies to 22 million Egyptian families. Previously, Visa signed an MoU with the Federation of Chambers Of Commerce (FEDCOC) to encourage the acceptance of debit cards and other electronic payments among merchants and SMEs. Similarly, the Ministry of Communications and Information Technology and MasterCard signed an MoU aiming to extend financial services to 54 million Egyptians.
- The CBE recently established the “Financial Inclusion Unit” aiming to support and enhance financial inclusion in Egypt. Additionally, the CBE announced a plan to establish an independent central administration to protect consumers of financial services.



SPREADING FINANCIAL AWARENESS AND FINANCIAL EDUCATION

- The CBE has assigned the Egyptian Banking Institute (EBI) for the preparation of the National Strategy for Financial Education, with the participation of other parties (Ministry of Education, Ministry of Higher Education and Universities).
- The CBE and the Financial Regulatory Authority (FRA) have signed an agreement to enhance cooperation between the two sides to support financial inclusion in Egypt. A study is being conducted to measure the level of financial inclusion to identify the supply and demand on financial services and to improve the availability of such services. The results of the study will be the base for the preparation of future plans to enhance the financial inclusion of all segments of the society and to adopt the necessary reform policies in cooperation with the parties concerned.

FINANCIAL INCLUSION IN EGYPT

December 2017

THE ALLIANCE FOR FINANCIAL INCLUSION (AFI) GLOBAL POLICY CONFERENCE IN EGYPT

Egypt successfully hosted the largest international conference for financial inclusion in Sharm El-Sheikh on the 13th of September. More than 94 states and 119 international institutions participated in the event, which was held under the auspices of the Presidency and the Cabinet. This is the ninth forum, organized in collaboration with the AFI, a network of Financial Inclusion policymakers that promotes its practices all over the world.

Holding this global conference has resulted in signing different agreements with the aim of boosting Financial Inclusion in Egypt, as follows:

- The Arab Monetary Fund (AMF), the German Agency for International Cooperation “(GIZ) GmbH”, and the AFI signed the Financial Inclusion for the Arab Region Initiative (FIARI). This initiative aims to boost policies and actions to enhance Arab countries’ access to financial services through a coordinated mechanism which ensures the implementation of financial inclusion policies.
- The CBE and the National Council for Women (NCW) signed an MoU which aims at enhancing cooperation in the field of empowering Egyptian women economically and financially, and accelerating women’s entrepreneurship.
- Visa announced its willingness to invest EGP50 million to enhance Financial Inclusion in Egypt.

ALEXBANK’S EFFORTS TO BOOST FINANCIAL INCLUSION

ALEXBANK, a subsidiary of Intesa Sanpaolo Group, is an active key player towards achieving financial inclusion, especially through supporting Micro, Small and Medium Enterprises (MSMEs). In May 2017, ALEXBANK has been named “Middle East’s Best Bank for SMEs” by the international finance magazine Euromoney for the second year in a row. ALEXBANK has also been awarded by the Banker Africa, North Africa Awards Program, as “Best Microfinance Bank”. ALEXBANK participated in the Financial Inclusion conference in Sharm el Sheikh, presenting the bank’s significant experience in this area.

- Following the protocol signed between the CBE and the NCW, ALEXBANK was the first bank to sign an MoU with the NCW in October 2017, aimed at defining a series of initiatives to pursue actual application of the objectives indicated in the national protocol which are complying with “Egyptian National Women Strategy 2030”. The protocol aims in particular at implementing concrete steps to improve the financial inclusion of women living in rural areas while promoting an enhancement of their general level of financial literacy in addition to providing tangible support to Egyptian women in business.
- ALEXBANK participated at the “World Savings Day” activities launched by Intesa Sanpaolo Group for a week from the 24th till the 31st of October 2017, as part of the bank’s strategy to promote and endorse Financial inclusion which is in line with the government and the CBE’s strategy. The bank celebrated this day through targeting women and children in areas where ALEXBANK already has community investments. A women based workshop took place tackling topics such as the importance of saving and financial planning. Additionally, ALEXBANK, in partnership with three local non-governmental organizations; i.e. Nebny Foundation at the German University in Cairo (GUC), Educate Me Foundation and Kheir Wa Baraka, held workshops for children. The bank distributed educational books “My Pocket Money” for children in underprivileged areas.
- In November 2017, ALEXBANK and Vodafone Egypt signed a partnership agreement to support Vodafone Cash Mobile Money Transfer. This partnership aims at further developing interactive services for Vodafone customers contributing to provide innovative financial solutions.



ALEXBANK