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## On Harnessing the Potential of Financial Inclusion

*BIS Working Paper No. 347*

25 Pages

Posted: 8 Jun 2011

Last revised: 27 Dec 2012

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Date Written: May 1, 2011

### Abstract


The development of information and communications technology is opening up the opportunity for providing essential financial services to most people. Indeed, many mobile money or branchless banking schemes are currently spreading across the world. However, these schemes can only be sustainable if they are built on a commercially viable business model. In this respect, the jury is still out. The paper describes one commercially viable initiative in more detail, M-PESA in Kenya, and analyses in detail the transactions involved. It argues that in order to harness the potential of financial inclusion it is vital to permit experimentation with different business models. Regulation is therefore required that enables such experimentation by being calibrated to the type of service offered, but which can be tightened if and when such schemes become bigger with the potential to impact financial stability: risk-proportionate regulation by service type.

**Keywords:** financial intermediaries, payments, regulation

**JEL Classification:** G210, G280

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