



BANK OF MAURITIUS

Press Release

World Bank launches 'Banking the Poor' report in Mauritius

A launching ceremony of the 'Banking the Poor' publication of the World Bank was held on Monday 3rd November 2008 at 15.00 hours at the Bank of Mauritius by representatives of the World Bank Office, Washington DC, Ms Valentina Saltane and Ms Joana Pascual.

The 'Banking the Poor' report is the fruition of collaborative efforts by the Financial Access Unit and Financial Analysis Unit of the World Bank, together with central banks and leading commercial banks from 54 countries from Africa, South and East Asia, Central America and Mexico.

'Banking the Poor' explores associations between countries' banking policies and practices and their levels of financial access, measured in terms of bank accounts per thousand adults. Mauritius has the highest density of accounts in Africa, with 2,011 accounts per thousand adults. In contrast, Singapore, the richest country in the sample, has 2,058 accounts per thousand adults. In the whole population of countries covered in the survey, according to this indicator of banking access, Mauritius ranks third behind Malaysia and Singapore.

The study reveals that the surest way to increase popular use of formal banking services is to raise incomes. Another common characteristic of the unbanked is the low level of education in addition to relatively low income. Furthermore, across countries, the greater the bureaucratic hurdles faced in opening an account, the lower the number of bank accounts. Banks in countries with more competitive banking sectors seem to be less bureaucratic. According to the report, it was observed that where loan application procedures are difficult, bank credit to the private sector tends to be lower. Banks in Africa are the most demanding in their documentation requirements and East Asian banks the least demanding.

Ongoing maintenance fees also reduce the number of bank accounts. Across regions, banks in Africa are more likely to assess application fees and other charges than are banks in other regions because fee-based income is an important contributor to banks' earnings. The average monthly fee for account maintenance is close to US\$4 in Africa, whereas it is about 50 cents only in South Asia. Potential customers are concerned with the recurring costs of being banked. These include account-maintenance fees and charges for commonly used banking services. Africa is also the region where asset concentration among banks is the highest. The resulting lack of competition can result in higher fees for consumers. The credit-to-deposit ratio is low in Africa, and as a result lending is not a significant source of revenue. African banks appear to derive a larger-than-normal share of their revenue from fees on depositors' transactions.

Governor Bheenick pointed out that *“one area where there is some cause of concern is the high spreads of fees that are applicable in the sector and also the time it takes to resolve transactions and disputes when they go bad. In spite of all that, we have a very good working link with the Mauritius Bankers Association. We plan to produce very shortly a template for all consumers in the country, which will allow any consumer of banking services to know what is being charged, what competitors are charging and whether he can shop around.”* According to Governor Bheenick, the template will be accessible later this month. He also added that the Bank of Mauritius is presently working on the appointment of the Ombudsperson for banks.

Honourable Cader Sayed-Hossen, the Commissioner for the Democratisation of the Economy stated that *“democratising the economy has helped to ensure that the prosperity reaches the greatest numbers of families while at the same time bridging income divide between rich and poor in the society. With its various policy proposals, the Government seeks to move the nation forward and create a new and more inclusive society. Financial inclusion is certainly one important dimension of this society. He added that “since the past two years, the Government has been implementing a blend of fiscal, sectoral and social actions to secure a better distribution of income in the country. The World Bank’s ‘Banking the Poor’ report certainly adds yet another acclaim to the Government’s endeavours to promote and deepen the democratisation process as the country paves its way towards higher economic prosperity.”*

According to **Honourable Sylvio Hok Sheen Tang Wah Hing, Minister of Consumer Protection and Citizens Charter**, *“from the consumers’ viewpoint, it is highly important that people have access to banking services. But access alone is not enough. It is also important that banking services be provided at reasonable rates. Too often, members of the public complain about high fees, charges and commissions practised by banks.”* In this respect, he made a special appeal to the associations for Consumer Protection to remain vigilant, and he welcomed greater transparency in the area of fees, charges and commissions levied by banks.

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