POLICY BRIEF

Financial Inclusion and Market Development in South Sudan

BOSS

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Key Messages

- Financial institutions provide a broad range of financial products, services and information to the excluded and un-served population.
- Unlock the financial inclusion growth potentials, BOSS to provide financial services such as savings, credit and payment to the individuals and SME.
- Policymakers believe financial literacy should be integrated into financial inclusion and market development training programs.
- Lawmakers to enact laws that provide alternative documentations "IDs" to enable disadvantaged groups to have access and use banking products and services affordably.

What is the Problem?

Among the many problems facing the economy, financial exclusion is one of the major issues facing South Sudan in recent times. About 80% of the country's adult population lack bank accounts, leaving them financially excluded from accessing and using financial products, services, and information. This is a concerning statistic, as financial inclusion is crucial for economic growth and societal development. This issue was engineered by the country's high financial illiteracy rate (73%), who are mostly women, and people with special needs. Furthermore, limited financial infrastructure in various regions of the country, such as the insufficient number of bank branches in rural areas and strict Know Your Customer (KYC) regulations, remains a significant concern. Additionally, many adults lack the necessary documents to open bank accounts. As a result, the regulatory framework governing financial inclusion and the role of digital financial services in the country is inadequate.

What to do?

To advance financial inclusion agenda and provide strategic direction, stakeholders need to reach out to the disadvantaged group such as women, youth, elderly and people with special needs to grant them opportunities to access and use financial services and products through credit, loans and payments for related issues such as health, education, insurance and pension as they play an important role in assisting commercial banks to improve efficiency and also bridge the gap between different classes of citizens.

Financial inclusion has transformed lives in many African countries, such as Kenya, Uganda, Rwanda, and Tanzania. Similarly, South Sudan can strengthen its financial sector by creating an enabling environment for agribusinesses and reducing barriers related to legal documentation. Allowing alternative forms of identification for adults can make it easier and more affordable for them to open bank accounts and access financial services. The lack of financial literacy and infrastructure has led much of the adult population to rely on traditional methods as substitutes for modern financial activities, such as using livestock—particularly cattle—as a form of investment and savings.

Livestock can be a valuable investment; however, challenges arise when it comes to recording such assets. Additionally, financial institutions are often unwilling to accept livestock as collateral for short- or long-term loans. This reluctance stems from the difficulty in liquidating livestock compared to other assets, such as land or buildings.

Lawmakers can harness the potential of financial inclusion and market development in several ways. Stakeholder training programs can raise awareness about the importance of opening accounts in banks and formal financial institutions. Also consider financial inclusion as part and parcel of the National Development Agenda.

There are several critical functions that laws can and should perform, including establishing the general principles that will guide the Bank of South Sudan to push forward the protections and rights available to women, vulnerable, and disadvantaged groups.

Challenges

Financial inclusion is important for monetary policy because it increases the velocity of money and economic activity and allows transmission mechanisms to efficiently execute monetary policy.

Financial inclusion faces several daunting challenges, including bridging the gap between financially excluded segments of society within formal and informal financial systems, providing financial literacy, and strengthening credit delivery mechanisms to foster financial and economic growth.

Policy Recommendations

- Policymakers should create a regulatory environment to accelerate advocacy for open bank account initiatives.
- Policymakers should prioritize promoting financial literacy and enhancing income levels while considering age and gender as key determinants of financial inclusion.
- Policymakers should formulate a policy on financial inclusion to encourage women and other disadvantaged groups to open bank

accounts and access loan and credit across the country using alternative ID Card.

References

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