

Are Central Banks disconnected from their financial inclusion responsibilities?

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A year after their paper [Understanding Central Bank Digital Currencies](#), *The Cashless Society Working Party* is revisiting the topic with a blog series. This time, Sabrina Rochemont considers central banks' responsibilities in addressing financial exclusion as part of a retail CBDC design.



The latest report from the [World Bank](#) is damning: financial inclusion appears to be a low motivator for issuing a general purpose (retail) central bank digital currency (CBDC) in advanced economies. The report's survey on CBDCs seems to confirm our perception from the [Bank of England's](#) (BoE) discussion paper: central banks in advanced economies seem disconnected from any responsibility towards financial inclusion. Both papers were published in the midst of the COVID-19 pandemic that is crippling the global economy, probably triggering a deep depression. Will the effect be that more people are financially excluded by the time the economy recovers?

It would be fascinating if it were not so concerning: while emerging market Central Banks view financial inclusion on a par with other motivators to issue retail CBDCs (such as financial stability and monetary policy implementation), their colleagues in advanced economies seem to consider it of minor importance. The BoE proposal to create a new payment ecosystem with commercial intermediaries as sole routes to a retail CBDC is clear about the industrial priority of the BoE: to provide yet more routes for operators to create commercial money from the UK's public purse. Does the BoE discussion paper suggest that the public good is a matter for politicians only? Does the paper suggest that electronic money is only relevant to those who can already transact with it quite efficiently, give or take a few technology glitches and security incidents? If so, why would banked consumers choose to use a CBDC? Does it suggest that financial inclusion is not an important topic in advanced economies, while cash and branches are dying out; while market failures and the digital revolution lock vulnerable consumers out; while regulators fail to protect the vulnerable from financial exploitation?

The proposed BoE CBDC intermediation model is likely to carry forward the challenges of the unbanked and undocumented. If a market segment is unprofitable, which commercial operator will serve it? A retail CBDC would require intermediaries as a Central Bank would not be geared to account management. Yet a characteristic of cash must be preserved if it were to remain a

public good: inclusiveness means it has to be free for consumers at the point of use. Is this compatible with a commercial model?

Yet the prospect of a retail CBDC opens a distinct opportunity to finally include consumers who are still unbanked. In this time of crisis, it would help them keep their cash safe, and gain access to a contact-free means of payment; it would also be a mechanism for the UK Government to deliver [helicopter money](#) or a universal income directly, instead of relying on the commercial sector to cascade monetary policy and various schemes.

Instead, it appears the public purse is on the hook for both creation and use of a retail CBDC. If such a CBDC in the UK does not improve financial inclusion through access to a genuine electronic alternative to cash, should the public engage with and pay for such an over-engineered scheme to provide a duplicate commercial system for the sake of a few operational risks?

A year ago, the UK Government woke up to the realities facing the cash infrastructure. The UK Treasury established the Joint Authorities Cash Strategy Group (JACS), bringing together the Payment Systems Regulator (PSR), the Financial Conduct Authority (FCA) and the BoE. This was within the context of the Government's policy to safeguard access to cash for those who need it, whilst supporting digital payments. Can the JACS group also consider today's issues, and now communicate their forward-looking solution for the wholesale distribution of cash as mandated? Maybe, the JACS scope should extend to such retail CBDC.

Joined-up thinking is urgently required, or the unbanked will remain locked out, by CBDC design. Financial inclusion should be urgently added to the BoE objectives, to be designed into all future payment solutions. This is required in order to manage the transition towards a less-cash economy successfully for all stakeholders, including the vulnerable. No ifs, no buts.