It can be expensive to be poor and excluded from access to financial services. A recent global study by the Asian Development Bank found that access to financial services, particularly those provided electronically, can reduce poverty and income inequality. According to the World Bank, “Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.” The Bank estimates that as of 2017, approximately 1.7 billion adults (people over the age of 15) still did not have access to basic financial services. Approximately half of those excluded from access are in Africa.

Interventions to address the financial inclusion gap – particularly as it relates to women – must address language, customs and culture, location (urban, peri-urban, and rural) and policy sustainability issues in order to be effective in promoting inclusion.

For those in sub-Saharan Africa with access to financial services, and using mobile money accounts as a proxy for access, Eastern Africa (Tanzania, Kenya, and Uganda) has led the way, but over the four years between 2013 and 2017, progress has been significant across the continent. (See Figure 1, below)

Even in more economically developed countries (MEDC), full financial inclusion remains elusive for a myriad reasons. Attitudes and fears are the primary reasons consumers do not adopt the use of financial products. Wanting to operate in an underground economy that is usually based on cash or hoping to avoid government oversight (meaning taxation) are

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1 Asian Development Bank, April 2018, www.adb.org
3 Ibid.

Figure 1: Mobile money accounts in Sub-Saharan Africa (per 1,000 adults)
two reasons. But in MEDCs, this has become a choice, not a condition of the environment in which people live.

In the United States, for example, approximately 10% of the population is unbanked, meaning they have no formal bank account, and therefore use alternative means for getting cash and making payments. These include money orders, check-cashing shops, remittances, payday loans, auto title loans, refund-anticipation loans and pawn shop loans. Many of these entail higher interest rates and fees than traditional banking services.

The proportion of unbanked population in least developed countries (LDC) is much higher and choice is not usually the primary barrier to adoption of financial services. Those who are excluded from access to financial services experience similar high fees, as well as high cost in terms of time. In the digital age, the comparison between having or not having electronic access to financial services has been compared to the difference between walking to a destination and flying (See Figure 2 below). It is therefore a worthy goal to achieve 100% financial inclusion.

In rural and peri-urban Africa where two-thirds of the population reside, the vast distances between potential users of financial services, and therefore the high cost of establishing a physical presence, dictate the use of alternative strategies to reach users and foster relationships. Lack of infrastructure, ambiguous or non-existent policy, and the value proposition of taking financial products to more difficult geographic locations are just some of the primary barriers. An additional factor is the lack of education among the public regarding financial products and services and the various benefits that can help lift an individual or family economically.

The mobile phone clearly plays an essential role in financial inclusion, particularly in the case of products that cater specifically to low-income segments. Indeed, the increasing penetration of mobile phones and mobile money services among low-income segments has demonstrated their usefulness as the appropriate tool to bring excluded individuals into the financial sector. GSMA’s Mobile Economy 2017 report highlights the rapid growth of mobile money transactions. Between 2012 and 2017, the value of mobile money transactions increased 350 percent to $31.5 billion, while the number of transactions increased 428 percent to 1.8 billion.

Solving the problems of financial inclusion requires rigorous study of the socio-economic and geographical landscape at local, regional, country and continental levels. Conclusions and lessons learned from such studies must then be turned into policies, programmes and practical interventions. Setting policy, overseeing implementation and adoption may, in some cases, best be done by a single ‘oversight’

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6 Center for Financial Inclusion, Charting the Customer Journey in the Digital Age, May 23, 2019
7 Center for Financial Inclusion, Charting the Customer Journey in the Digital Age, May 23, 2019
organisation that has no financial or political ties to any one agency and reports to the highest level of government. Creating a functioning standards body through which providers of infrastructure and financial products can pass inter-organisation financial transaction traffic could have beneficial results.

In a series of recent risk assessment reports by the Centre for the Study of Financial Innovation, issues associated with delivering financial inclusion were ranked by region. In Africa, ‘Strategy’ is ranked either number one, or in the top three. Relatively weak finances of banks and other financial institutions make it difficult to implement the delivery of programmes of inclusion products and services by themselves. The weakening of local currencies against the US dollar further inhibits investments and deploying capital-intensive infrastructure may seem commercially unviable. However, if financial institutions focus on their core mission, develop inclusive products and work with other ‘FinTech’ partners to reach their customers, they can overcome the barriers. Strategic partnerships make up for an enterprise’s resource constraints.

8 The Centre for the Study of Financial Innovation, ‘Banana Skins’ survey, multiple years, www.csfi.org

Figure 3

There are many good examples in Africa where partnerships have proved to be effective in increasing financial inclusion creatively. Partnerships of note are Koppo Koppo and Diamond Trust Bank in Kenya; Bank of Africa’s partnership with Safaricom in Kenya for M-Pesa; and DreamOval and Stanbic Bank of Ghana. (See Figure 3 below).

“Banks, insurers and payments providers can use fintechs as a roadmap, charting a course through new landscapes as they go. If financial institutions can continue to learn from fintechs, and if the relationships can continue to be mutually beneficial, we see a bright future for partnerships enabling financial inclusion.”

Emmanuel Asiedu Appiah, non-executive board member of First Allied Savings and Loans in Ghana, commented that “the development of plans and strategies does not appear to me to be something that is very well understood by institutions in these parts. Consultants also charge exorbitantly for such services, making it impossible for most institutions to access them.”


10 Ibid
Two examples of fintech organisations that have become indispensable are SWIFT and Visa. Begun as an initiative by a single bank (Bank of America) in the 1970s, Visa¹¹ quickly became a cooperative between companies worldwide. It now supports transactions for credit and debit cards in over 200 countries today. All transactions between consumers, merchants, and banks are standards based, and for the most part operate seamlessly. The other example is the Society for Worldwide Interbank Funds Transfers (SWIFT), which went live in 1977. Five years after its founding, SWIFT had 518 institutions from 22 countries connected to its messaging services.¹² All this took place before the advent of the cellphone, the internet as we know it today, and desktop or personal computers.

SWIFT says the company was founded “based on the ambitious and innovative vision of creating a global financial messaging service, and a common language for international financial messaging.”¹³ Both organisations have shown that with the proper strategy, motivation, funding and will to go against the norm, lasting change can be made. These enterprises are just two examples of what can be done, in the right environment.

Organisations have set ambitious goals with the best of intentions. Governments and funding sources have all committed to providing access, in some form, to the nearly 1.7 billion unbanked individuals globally.¹⁴ In 2011, The Universal Financial Access organisation within the World Bank envisioned that, by 2020, adults globally will be able to have access to a transaction account or electronic instrument to store money and to send and receive payments. Financial access is the first step towards broader financial inclusion, where individuals and firms can safely use a range of services, including savings, payments, credit and insurance.

Why does all this matter? Quoting from the Center for Financial Inclusion, “Financial inclusion, built on sustainable business models with mainstream financial service firms, brings individuals and small businesses into an ecosystem where they can flourish and integrate into the broader formal economy. Getting the word out to industry, the public sector, civil society and other parties working on financial inclusion is important to ensure that these parties’ efforts are complementary to one another, coherent and act as cohesive, and force multipliers. Only by working together can we make a lasting impact.”

When everybody has access to, and has adopted some form of financial product, artificial barriers to improving the lives of men, women and children can be lowered. By uniting at all levels of society, setting aside political differences, recognising that we are all citizens of a global economy, which, in its optimal state, knows no racial, cultural, gender or country divide, the economy can become truly: global.

Let’s work together to change the current state of affairs. Let’s end exclusion so we can all experience the benefits of financial inclusion.

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¹¹ ViSA history, https://vi.sa/2P93gvK
¹³ Ibid