A PROGRESSIVE APPROACH TO FINANCIAL INCLUSION

BY AMIT JAIN, OLGA ZUBENKO, AND GEORGE CAROTENUTO

EXECUTIVE SUMMARY:

A new study from MasterCard Advisors used a data-driven approach to demonstrate three key principles that will help inform the strategies to drive higher financial inclusion and realize its benefits. These principles represent new definitions and approaches to financial inclusion, most importantly: 1) Financial inclusion is a progression with payments as the optimal entry point; 2) Usage of financial products must be an explicit goal, along with access to them; 3) Understanding the current state of financial inclusion in a country can be critical to shaping its future strategy.

This study helps set the strategic direction of how financial inclusion can be efficiently developed in a country. This is just a starting point, and more work within the framework provided here will need to be done to identify the specific tactics and execute them.

Key findings of the paper:

• Financial inclusion is a progression that develops in steps, with payments as the optimal entry point. Beyond payments, a country’s financial inclusion progression depends on local factors with no obvious global pathways.

• Usage of financial products is not guaranteed because of access. In fact, there are large gaps between access and usage of products, especially in payments. Therefore, usage of products must be an explicit, proactively driven goal.

• It is critical to comprehensively and accurately define access and usage of products. “Access” can be more specifically defined by separating it into two levels: availability of products and adoption of products. This creates a quantifiable and actionable set of metrics. The degree of usage of financial products is more important than occasional usage.

• Financial exclusion is not limited to the developing world. Developed countries can also benefit from inclusion initiatives.

• Understanding the current state of financial inclusion in a country can be critical to shaping its future strategy. Factors that can change the pace of financial inclusion include the active role of governments in partnership with the private sector, participation by innovative non-bank companies in addition to banks, and consumer preferences.

...GOVERNMENTS AND BUSINESSES CAN BE MORE EFFICIENT, AND UNBANKED POPULATIONS WILL FIND A BETTER QUALITY OF LIFE IF FINANCIAL PRODUCTS ARE EXTENDED TO THEM...SOUTH AFRICA’S GOVERNMENT IS EXPECTED TO SAVE CLOSE TO $400 MILLION IN ADMINISTRATIVE COSTS OVER FIVE YEARS BY SHIFTING DISBURSEMENT OF SOCIAL GRANTS FROM CASH TO CARDS IN 2011 [2].
SHAPING THE APPROACH TO FINANCIAL INCLUSION

To say that financial inclusion is a key global priority is an understatement. Whether it comes from governments, international development agencies, academics or the private sector, all have brought financial inclusion to the top of the agenda. In fact The World Bank has made Universal Financial Access by 2020 as one of its goals. The World Bank also reports that more than 50 countries are actively developing financial inclusion plans and policies.

The urgency around financial inclusion is not surprising, given that 50 percent of the world’s adult population is still unbanked [1] (are without any formal financial products, including payments, lending, long-term savings/investments, and insurance). Governments and businesses can be more efficient, and unbanked populations will find a better quality of life if financial products are extended to them. To give a sense of the magnitude of the benefits, South Africa’s government is expected to save close to $400 million in administrative costs over five years by shifting disbursement of social grants from cash to cards in 2011 [2].

Significant progress has been made toward financial inclusion; however, more work needs to be done. Practitioners and decision makers have been continuously discussing the most effective strategies for developing financial inclusion. Two issues at the forefront include treating financial inclusion as a progression with dominant on-ramps versus a binary state, and the importance of emphasizing usage in addition to access. Using a data-driven approach, this study demonstrates three key principles to provide some answers to these issues as well as new insights on specific actions to expedite financial inclusion.

FRAMING THE DIALOG ON MEASURING FINANCIAL INCLUSION

The key to demonstrating the three principles is to effectively measure the progress countries have made in enabling access to and driving usage of the different financial products — payments, lending, long-term savings/investments, and insurance. The first step is to define access and usage in a way that is accurate and comprehensive.

To achieve this, the study identified that access and usage can be measured at multiple levels (Figure 1).

FIGURE 1 – MEASURING FINANCIAL INCLUSION

Source: MasterCard Advisors Analysis 2014
A more detailed view of the levels highlights the appropriate definitions for access and usage:

1. Availability of Products/Infrastructure: Level of product availability (e.g., number of bank branches or agents per 100,000 adults).
2. Adoption of Products: Actual ownership of the product (e.g., a bank account).
3. Is the Product Used? (Occurrence): Has the consumer used the product over a specified time period (e.g., past 30 days)?
4. Degree to Which a Product Is Used: How much is the product used to address the consumer’s needs (e.g., share of consumer’s payments made with a payments product versus cash)?

Based on these levels, “Adoption of Products” is more relevant as the definition of access because it is more quantifiable than availability. Also, in this digital age of widely available and distributed platforms such as mobile money/banking, level of availability is becoming less relevant. Adoption is what gives consumers the ability to use a product; availability may not lead to adoption and hence usage.

Based on these levels, the “Degree to Which a Product Is Used” is more relevant as the definition of usage because it more accurately reflects the amount of benefit derived from the product. The other level of usage defined by “Is the Product Used?” is an “either/or” question and therefore very limiting. For example, a customer who makes one transaction a month using a payments product is different from a customer who makes all transactions using the payments product. They are both using the product, but they are in fact very different. Kenya, which is discussed later in the paper, highlights this issue well. Most people in Kenya have a payments product (e.g., M-Pesa) and use it; however, most transactions are still cash and very few flow through Kenya’s electronic payments system. This view of usage is a unique way of thinking about financial inclusion.

The second step is to define the metrics for measuring adoption and degree of usage for the different financial products (Figure 2).
**Figure 2 – Metrics for Adoption and Degree of Usage**

<table>
<thead>
<tr>
<th><strong>Payments</strong></th>
<th><strong>Lending</strong></th>
<th><strong>Long-Term Savings &amp; Investments</strong></th>
<th><strong>Insurance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adoption</strong></td>
<td><strong>Adoption</strong></td>
<td><strong>Adoption</strong></td>
<td><strong>Adoption</strong></td>
</tr>
<tr>
<td>Percentage of adult population with a secure transaction account to receive, store and use money (e.g., prepaid card, current account at a FI, mobile money account)</td>
<td>Percentage of adults with a loan/line of credit (e.g. current account with line of credit, mortgage)</td>
<td>Percentage of adults with a long term savings or investments account</td>
<td>Percentage of adults with a life insurance policy*</td>
</tr>
<tr>
<td><strong>Degree of Usage</strong></td>
<td><strong>Degree of Usage</strong></td>
<td><strong>Degree of Usage</strong></td>
<td><strong>Degree of Usage</strong></td>
</tr>
<tr>
<td><strong>Inflows:</strong> Share of salaries, government benefits, remittances disbursed via non-cash methods into an account (weighted average)</td>
<td>Household debt ratio (Household Debt/Disposable Income)</td>
<td>Long term financial wealth (excludes cash, demand deposits and non-financial wealth like land) / Household Expenditure</td>
<td>Gross Life Premiums / Household Expenditure</td>
</tr>
<tr>
<td><strong>Outflows:</strong> Share of consumer purchase payments and remittances that are non-cash</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Life insurance is used as a proxy for insurance to measure consumer's voluntary choice of products

Source: MasterCard Advisors Analysis 2014

Payments product adoption is defined as the ownership of a secure transactional account where people can store, receive, and use money (e.g., prepaid cards, mobile money accounts, and current accounts). Payments usage is divided into payments inflows and payments outflows. Usage for inflows refers to the use of payments products to receive salaries, government benefits, and remittances via non-cash methods. Usage for outflows refers to the use of the payments products to make non-cash purchases (e.g., retail payments, bill payments) and non-cash remittances. While the notion of defining usage in terms of outflows is widely known, it is important to measure usage in terms of inflows – first, because receiving money in an account versus cash has its benefits for consumers like preventing leakage, and second, because people are more likely to use the payments product for outflows if there is money in the account versus if there is not.
Other key definitions:

- Adoption of lending includes people who currently have an outstanding loan and people who have a line of credit that is not currently being used (e.g., credit card transactors, current accounts with line of credit that is not being used).
- Long-term savings/investments include products that provide an investment (e.g., interest income) and are used for long-term savings (six months and longer). However, because of data availability issues, in some countries it may include short-term savings and may be slightly overstated.
- Life insurance is used as a proxy for insurance to measure consumers’ voluntary choice of products. In case of health and property insurance, adoption and usage are typically distorted by mandates or subsidies. Insurance adoption may be understated by the study, but given the large gap with other products (especially payments), this does not compromise the study findings.
- The study includes all products that are offered by formal institutions, including traditional banking products and non-traditional products like mobile money and prepaid cards. Village Savings and Loan Associations (VSLAs) and Savings Groups (SGs) are excluded.

STUDY SCOPE AND APPROACH

The study measures adoption and degree of usage of financial products for 30 countries globally (Figure 3). The study covers the entire adult population in the countries, including salaried employees, self-employed, owners of businesses, welfare/benefits dependent, and farmers. The findings of the study apply not only to consumers but also to businesses, especially small and medium-sized businesses. The study leverages current industry research and supplements it with additional secondary research and expert interviews.

FIGURE 3 - COUNTRIES COVERED IN THE STUDY

Source: MasterCard Advisors Analysis 2014
KEY PRINCIPLE #1: FINANCIAL INCLUSION IS A PROGRESSION WITH PAYMENTS AS THE OPTIMAL ENTRY POINT

Figure 4 shows the level of adoption of the different financial products in the 30 countries. In almost all countries, payments product adoption exceeds adoption of other products, suggesting that payments are the optimal entry point for financial inclusion globally. For example, in all these countries there are many people who only have a payments product (e.g., in Kenya at least 40 percent of adults and in the US, at least 20 percent). As adoption of products builds over time, higher payments product adoption reinforces the uptake of payments products as the first financial product.

A few countries at very low levels of adoption, such as Peru, Colombia, and Bangladesh, have made greater progress than in payments by providing a savings product through Microfinance Institutions (MFIs). But even in these countries, the savings account is a pseudo payments product, as it is typically the only account that people have to hold funds, and they make frequent cash withdrawals to make payments. As these countries advance, they would be expected to behave like other countries in focusing on true payments products that enable non-cash payments.

While adoption of a payments product is the first step, some usage is the next likely step. Getting the product will typically be driven by a specific payment need (e.g., receiving salaries), and the customer is likely to at least use the product to address that need. Using the payments product also may serve as a conduit for consumers to adopt other products. Electronic payment transactions can provide useful insights about consumers (e.g., creditworthiness) and enable providers to offer other products. All other products involve payments and the usage of efficient electronic payment mechanisms to improve the economics for both consumers and providers. A higher correlation between usage of payments products (versus their adoption) and adoption of lending, long-term savings/investments, and insurance products among the countries in the study further supports this notion.

Payments as the first step toward financial inclusion are also supported by empirical data. Services like Alipay, PayPal, and M-Pesa started as pure payments products before morphing into broader financial product platforms.

FIGURE 4 - ADOPTION OF ALL FINANCIAL PRODUCTS BY COUNTRY – 2012

Sources: World Bank Findex and Databank, CIA Factbook, RBR Global Cards Data, MIX, Euromonitor Passport, Credit Suisse Global Wealth Databook, Swiss RE, Country Statistics Bureaus, Local Interviews, Advisors Analysis
Beyond payments, a country’s path depends on local factors. For example, long-term savings/investments appear to follow payments in Brazil whereas in Italy it is lending.

This analysis demonstrates that financial inclusion occurs in steps with payments as the optimal entry point. This also validates earlier research from MasterCard that stated that financial inclusion develops along a hierarchy of consumer financial needs with payments being the first step (Figure 5). (<A New Perspective On Bill Payment—A Demand-Based Path To Financial Inclusion>, <Financial Inclusion Infographic>).

An important point to note: While payments are an optimal entry point for financial inclusion, proof of identity is typically required for getting a payments product. Recognizing this, governments around the world are launching initiatives to issue national IDs (e.g., Nigeria, India). In fact, they are also going a step further by planning integrated solutions that offer both identity and payments.

The end state of full financial inclusion is characterized by all adults adopting all formal financial products (e.g., payments, lending, long-term savings/investments, and insurance) and fully using them. Countries should not make adoption of a single product their sole target, nor should they be discouraged by the ambitious end state. Progress should be the focus, not perfection.

THE PROGRESSION IN ACTION

Let us see how this progression manifests in the real world. Figure 6 shows the financial inclusion progression of the 30 countries based on adoption. It appears that countries follow four stages of progression. Given that payments are the optimal entry point for financial inclusion, these four stages are primarily characterized by the level of payments product adoption.
The four stages are:

- **Early Days**: This stage represents the beginning of the progression. For all countries, adoption of a payments product is less than 50 percent, and adoption of other products is typically very low (less than 25 percent). Peru, Bangladesh, and Colombia are further ahead than their peers in savings through their MFI focus, as discussed earlier.

- **Transitioning**: In this stage, payments adoption starts to break out with over 50 percent penetration. In several countries, adoption of one or more products also begins to gain traction and catch up with payments adoption (e.g., long-term savings/investments in China, credit in Italy).

- **Payments Ready**: In this stage, payments adoption reaches a critical threshold of mass adoption (greater than 75 percent). Countries are expected to be ready from a payments perspective (e.g., infrastructure) to enable advanced levels of some other products. Here advanced levels vary by product and are based on current levels of adoption in the 30 countries, specified as over 60 percent for lending, over 70 percent for long-term savings/investments, and over 45 percent for insurance. The US shows the expected behavior with lending reaching advanced levels and investments and insurance approaching it. But the behavior is not guaranteed, as demonstrated by Kenya and UAE. Payments usage seems to be a key factor, as demonstrated by the relatively low level of payments usage in Kenya and UAE in the next section. An important point to note is that the US falls into this category because of its reasonably large unbanked population, but as shown in the next section, the picture is quite different using the usage lens.

- **Most Advanced**: In this stage, payments adoption is ubiquitous, and adoption of all other products is expected to be at advanced levels. Germany, Belgium, and Sweden show this expected behavior while Japan and Singapore are very close to it. The UK is at advanced levels in lending and long-term savings/investments, but lagging a bit in insurance. Market-specific factors may be driving this and must be further investigated. Spain deviates from the expected behavior, and here again a relatively lower level of payments usage may be playing a role, as discussed in the next section.

**FIGURE 6: STAGES OF FINANCIAL INCLUSION PROGRESSION BASED ON ADOPTION – 2012**

Sources: World Bank Findex and Databank, CIA Factbook, RBR Global Cards Data, MIX, Euromonitor Passport, Credit Suisse Global Wealth Databook, Swiss RE, Country Statistics Bureaus, Local Interviews, Advisors Analysis
KEY PRINCIPLE #2: USAGE OF PRODUCTS IS NOT GUARANTEED BECAUSE OF ADOPTION AND MUST BE AN EXPLICIT GOAL

Adoption of products is an important first step for financial inclusion, but usage and the degree of usage are equally important. As discussed earlier, usage of payments products can also facilitate adoption and usage of additional products.

Adoption, however, does not automatically lead to usage. Usage needs to be proactively pursued. This is illustrated by Figure 7, which shows that, across all countries of the study, the number of adults who use a payments product for receiving any of their inflows is less than the number of adults who own a payments product. The gap varies across countries. For example, Saudi Arabia and India have large adoption usage gaps, and Sweden and the UK show a much smaller gap.

FIGURE 7 – NOT EVERYONE OWNING A PAYMENTS PRODUCT USES IT FOR INFLOWS – 2012

The gap between adoption and usage is further emphasized by Figure 8, which shows that across all countries, the share of consumer outflow transactions that are non-cash is significantly less than the share of adults who have a payments product (all countries lie below the equilibrium line, the line on which share of non-cash transactions is the same as share of adults who own a payments product). While developed countries like Singapore and Belgium also have a large gap, in several countries, including emerging countries like UAE and Kenya, people are hardly using their payments products for non-cash outflows.
Figure 7 and Figure 8 also show that the gap between usage of payments products for making outflow transactions and adoption is significantly bigger than the gap between usage of payments products for receiving inflows and adoption. This highlights an important point: that people withdraw a lot of their money as cash and spend it (a big issue in Kenya and UAE, for example). This makes sense because enabling non-cash purchases requires building an ecosystem (e.g., acceptance) and is much more complex than enabling a payments product to receive funds electronically.

**MORE ON THE ADOPTION USAGE GAP**

The gap between payments adoption and usage also has implications on where countries fall in the financial inclusion progression. Figure 9 shows the financial inclusion progression of the 30 countries based on usage of payments products (indexed values). While countries still follow the four stages of progression based on usage, there are significant shifts in where several countries fall on usage as compared to adoption.
FIGURE 9: STAGES OF FINANCIAL INCLUSION PROGRESSION BASED ON DEGREE OF PAYMENTS USAGE - 2012

Six countries move back in the progression

- **Kenya**: Kenya moves back from “Payments Ready” to “Early Days.” While Kenya has done a great job through innovation in enabling adoption of payments products (e.g., M-Pesa), payments products are used for limited flows and haven’t significantly penetrated large dollar value flows (e.g., at POS, salary disbursements).

- **UAE**: UAE moves back from “Payments Ready” to “Transitioning.” UAE has made significant progress in enabling adoption of payments products and their usage for receiving inflows through initiatives such as wage protection for immigrants that mandate usage of salary cards for receiving salaries. However, many people withdraw most of their money as cash to spend, significantly impairing the usage of the payments product for payment outflows.

- **Singapore, Spain, Japan, and Germany**: All these countries move back from “Most Advanced” to “Payments Ready” despite having all the elements of a modern payments system. In Germany and Japan, consumers’ preference for cash for purchases, driven by a low crime rate and extensive inexpensive ATM networks, is hindering the usage of the payments product. In Spain, the financial crisis has significantly hit consumers’ confidence in banks and moved more people outside the formal economy, driving high cash usage. In Singapore, it is a timing issue. In the MasterCard Advisors Cashless Journey study, Singapore is the fastest-moving developed market of all countries of the study. It is a matter of time before Singapore moves to the “Most Advanced” stage.

Note: Degree of payments usage is a weighted average of usage for inflows and outflows that was indexed on a scale of 0 to 5.

Sources: World Bank Findex and Databank, CIA Factbook, RBR Global Cards Data, MIX, Euromonitor Passport, Credit Suisse Global Wealth Databook, Swiss RE, Country Statistics Bureaus, Local Interviews, Advisors Analysis
Three countries move forward in the progression

- **US** - The US moves up from “Payments Ready” to “Most Advanced.” The US has a large unbanked population (8 to 10 percent of all adults) [3], which makes it lag other developed nations on payments adoption. But on usage, the US has achieved significant success in driving usage from people who have the products; these people also account for the bulk of dollar flows as financial exclusion is concentrated at the lower income tiers.

- **Philippines** - Philippines has moved up from “Early Days” to “Transitioning.” The reason appears to be that Philippines has made better progress than its peers (based on adoption) in driving the usage of payments products for receiving inflows (e.g., salaries, remittances). A high penetration, trust, and engagement of banks by the middle class could be some reasons.

- **Mexico** - Mexico has also moved up from “Early Days” to “Transitioning.” But in this case the reason appears to be that Mexico has made much better progress than its peers (based on adoption) in driving the usage of payments products for outflows (e.g., consumer purchases). The active role of government in partnership with the private sector through programs like “Boletazo” appears to be one reason. The Ministry of Finance launched this program to promote the use of cards. The program is funded with tax-deductible contributions from commercial banks to a trust fund. The program’s two main components are a lottery system (Boletazo) that enters every card transaction into a raffle for prizes and a program that promotes deployment of POS terminals at no cost to the merchant.

**ADOPITION AND USAGE GAP EXISTS IN OTHER PRODUCTS, BUT AT A LOWER LEVEL**

Countries vary in progress based on adoption and usage. That progress is not driven solely by payments, but is also contributed to by other products. However, given the nature of the lending, long-term savings/investments, and insurance products and how usage is measured, it is not straightforward to define the optimal level of usage for given adoption in a generic way and thereby identify the gap between adoption and usage. Each country should perform its own assessment, taking into account local factors to determine if the gap truly exists. However, analyzing the relation between adoption and usage across countries, as shown in Figures 10, 11, and 12, can provide a country with a good starting point and some important insights.

**FIGURE 10 - ADOPTION VS. DEGREE OF USAGE OF LENDING PRODUCTS – 2012**
**Figure 11 - Adoption vs. Degree of Usage of Long-Term Savings/Investment Products – 2012**

Source: World Bank Findex and Databank, CIA Factbook, RBR Global Cards Data, MIX, Euromonitor Passport, Credit Suisse Global Wealth Databook, Swiss RE, Country Statistics Bureaus, Local Interviews, Advisors Analysis

**Figure 12 - Adoption vs. Degree of Usage of Insurance Products – 2012**

Source: World Bank Findex and Databank, CIA Factbook, RBR Global Cards Data, MIX, Euromonitor Passport, Credit Suisse Global Wealth Databook, Swiss RE, Country Statistics Bureaus, Local Interviews, Advisors Analysis
For example, unlike payments, where there is a gap across all countries both for inflows and outflows for lending, long-term savings/investments, and insurance, several countries appear to have no gap or seem to over-perform their expected usage levels (several countries are on or above the equilibrium line, which for these measures is the best-fit regression line between adoption and usage). This implies that once people adopt lending, long-term savings/investments, and insurance products, it is easier to drive their usage compared to payments products (especially for outflows, which as discussed, require a whole ecosystem).

But several countries appear to have lower usage for their adoption level. For example, Germany is an interesting country as it is below the equilibrium line for all three products. One explanation for the gap in borrowing is that Germans prefer to borrow less for their homes (loan-to-value ratios in Germany are 15 to 20 percent lower than in the US [4]). Is this a real adoption usage gap being driven by lack of good mortgage products in Germany or is it mainly an issue of consumers’ comfort with lower leverage? This is an interesting question that needs to be assessed more closely. On the other hand, in countries like India and Pakistan, there appear to be real gaps in lending because of lack of credit bureaus and in long-term savings/investments because large informal economies are keeping wealth outside the financial system.

The smaller gap between adoption and usage in lending, long-term savings/investments, and insurance further highlights the importance of driving payments adoption and usage. Because payments are an important first step, once that is crossed, the financial inclusion progression becomes relatively easier.

**KEY PRINCIPLE #3: UNDERSTANDING THE CURRENT STATE OF FINANCIAL INCLUSION IN A COUNTRY CAN BE CRITICAL TO SHAPING ITS FUTURE STRATEGY**

All countries should strive for the end state of full financial inclusion. That state: all adults adopting and fully using a suite of financial products including payments, lending, long-term savings/investments, and insurance. However, this is a progression that develops in steps and will take time. The current state can inform where countries should focus and probably achieve the end state more efficiently and faster. Figure 13 shows the suggested focus areas for the countries of the study. In the US, it is ensuring that all people at the base of the economic pyramid adopt payments products and use them. In Kenya, it is driving more transactions through payments products. All focus areas emphasize first ensuring a broad penetration and high usage of payments products.

There also seems to be a likely path toward the end state that balances both adoption and usage. Most countries in the study seem to be on that path. Innovation from non-bank companies (e.g., Kenya) and strong government action in partnership with the private sector (e.g., UAE, Mexico) seem to accelerate the progression. Consumer preferences seem to have a mixed effect. They seem to slow the progression in some (e.g., Germany, Japan, Spain) but accelerate the progression in others (e.g., US, Philippines). The likely path also provides hints at the next logical stage for different countries. In the US, it is the “Most Advanced” level for both adoption and usage. In Kenya, it is moving to the “Transitioning” stage based on usage.
FigurE 13 - SuggESTED FocuS arEAS

(USA) • People at the base of the economic pyramid are being left behind – start by enabling availability, adoption and usage of payments products • Assess large current adoption usage gaps in other areas (e.g. insurance)

(UK, Belgium, Sweden) • Most of the requirements for total inclusion are in place – remaining gaps in adoption and usage across all products must be addressed through innovation

(Singapore, Spain, Japan, Germany) • Focus on closing gap between payments adoption and usage (especially by making purchases non-cash) • Assess large current adoption usage gaps in other areas (e.g. lending in Germany)

(FINANCIAL INCLUSION STAGES BASED ON USAGE)

(Most Advanced) • • •

(Payments Ready) • • •

(Transitioning) • • •

(Early Days) • • •

(Logical Next Stage)

(RED TEXT) FACTORS THAT CAN CHANGE PACE OF FINANCIAL INCLUSION PROGRESSION

Source: MasterCard Advisors Analysis 2014
CONCLUSIONS

Based on the analysis of the 30 countries, the study has demonstrated that:

- Financial inclusion occurs as a series of steps with payments as the optimal entry point. Beyond payments, a country’s financial inclusion progression depends on local factors with no obvious global pathways.
- Usage of products is as important as their adoption, and each step of the progression must emphasize both adoption and usage. However, usage of products does not automatically happen because of adoption and must be an explicit goal of financial inclusion that needs to be proactively driven.
- A country’s current financial inclusion state can be critical to shaping its future strategy. Factors such as innovation by non-bank companies in addition to banks, strong government action in partnership with the private sector, and consumer preferences can influence the pace of the financial inclusion progression.

Applying these three principles will increase the chances of success of driving higher financial inclusion and realizing its benefits. Full financial inclusion will still take time to develop but is more likely to happen with tangible benefits.

This study helps set the strategic direction of how financial inclusion can be efficiently developed in a country. This is just a starting point, and more work within the framework provided by this study will need to be done to identify the specific tactics and execute them.

SOURCES

[3] FDIC National Survey of Unbanked and Underbanked Households, 2011

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