

Financial Inclusion: The Road to Global Progress

The Value of Broader Access to Financial Services,
Aided by Technology

According to an opinion piece published by the World Bank, millions of people in Europe and Central Asia lack access to financial services. About 116 million adults in that region still had no bank account as of 2017. And almost 60% of those unbanked consumers are women. These statistics starkly highlight the fact that, even in today's technology-driven economic environment, the world has a long way to go to ensuring greater inclusion and economic opportunities for everyone. All too many people around the world lack access to financial services that support the ability to save, take advantage of credit, loans, equity and insurance.

As a result, broadening financial inclusion has become an increasingly important societal concern globally. [McKinsey](#) reports that nearly 1.5 billion people living in countries with emerging economies don't have access to formal savings or credit. They pay for everything in cash, have no secure way to save and invest and depend on informal lenders and personal networks for credit when financial needs arise.

The good news is that the accelerated adoption of digital solutions is transforming access to finance. A [World Bank](#) report found that 76 percent of adults worldwide have financial accounts at a bank or regulated institution such as a credit union, microfinance institution or mobile money service provider. And 71 percent of adults in developing economies now have a formal financial account, which is a steep increase from a decade ago, when only 42 percent had accounts.

The same report revealed that the gap in access to finance between men and women in developing economies has fallen from 9% to 6%, an important sign of improved inclusion.

In this paper, we will examine why financial inclusion matters around the world. We will delve into why merchants and payment companies alike are increasingly focused on fostering financial inclusion, how technology is making an impact and what the future holds.



Why Financial Inclusion Matters

Financial inclusion matters for obvious reasons: enabling more people to have access to financial services enhances opportunities to save, borrow, purchase and support family members. As stated in a report by the [World Bank](#), having a financial account makes financial life easier, safer and cheaper – whether receiving wages from employers, sending remittances to family members or paying for goods and services. Even the poor can use mobile money accounts for savings, and to cope with unexpected financial shocks. Having individual accounts also gives women more say in their household finances.

The digital payments revolution is also a powerful tool for improving the delivery of government services. Social programs can now channel money transfers directly to beneficiaries' mobile phones, which reduces both leakage and payment delays.

For those who don't have access to financial services, the costs can be high – both in user fees and in the lack of opportunities to improve their lives. Unbanked individuals oftentimes find it harder to manage finances, and must rely on money orders, check-cashing services and payday loans to make purchases or pay bills and debt. These options come at a much steeper cost compared to credit cards and traditional loans.

Geopolitical factors, such as the wars in Ukraine and Syria, which have displaced countless millions throughout Europe, and the Syrian influx of refugees across EMEA and CEMEA, highlight the importance of financial inclusion. These immigrants find themselves heavily reliant on cash, and would benefit from access to financial services. Digitization offers an important means of creating greater financial inclusion, while at the same time meeting demands from consumers for greater payment choices and better customer experiences.

Eye on Europe: Innovative App Addresses Cash Deposit Challenges for Refugees

A considerable number of people in Poland continue to use cash as their main method of payment, and want to be able to deposit cash using a terminal. To address this need, Carat from Fiserv created the PolCard® Pay app, which enables customers to self-register whenever they want, in a safe, digital fashion, making the normally cumbersome anti-money laundering (AML) and know-your-customer (KYC) processes far easier and more convenient for both the merchants and the customer.

With 1.5 million Ukrainian refugees newly arrived since the war, and two million Ukrainians already living in Poland, this app helps them deposit cash or settle funds. Ukrainian and Polish citizens can deposit money in their bank accounts using a terminal installed in approximately 12,000 stores all over Poland. A study conducted 2022 showed that 31 percent of Ukrainian and Polish citizens found it attractive to deposit cash into an account at a store's cash register. For merchants, this opens up a new market opportunity, building traffic in their stores by adding new cash deposit services, and increasing revenue per transaction without any additional investment in AML/KYC processes.

Regional Factors Influence How Financial Inclusion Is Being Addressed

The factors creating challenges related to financial inclusion, and efforts to combat it, vary from region to region. The following is by no means comprehensive, but paints a picture of the many nuances impacting different parts of the globe.

Unsurprisingly, prominent developed countries have fewer unbanked populations. [Global Finance](#) magazine reported Western and Central Europe saw only 6% of citizens experiencing financial exclusion. This is verified by other [studies](#) that have found that more than 13 million adult EU citizens still lack access to formal financial services. In fact, some regions in the EU have populations with 30 percent unbanked, highlighting the inequities faced by those individuals. The COVID-19 pandemic only served to exacerbate these inequalities during a time when larger segments of the population were rapidly adopting digital solutions.

While a large portion of Europe is unified by a single currency, there remain many other major currencies in the region, as well as numerous smaller ones. This has resulted in high volumes of cross-border payments, which in turn have created a barrier to financial movement due to the complexity and cost of these transactions. High cross-border fees, foreign exchange (FX) fees and a lack of transparency have reduced the appeal of digital payments, which has had the unintended consequence of reducing financial inclusion in Europe.

In the U.S., the [Federal Reserve](#) reported that 6% of adults were "unbanked" in 2022, with most of those found amongst adults with low income. Some government assistance programs have shifted to digital payments, spurred on largely by the pandemic. The Electronic Benefits Transfer (EBT) is an electronic system that enables a Supplemental Nutrition Assistance Program (SNAP) participant to pay for food using SNAP benefits. Currently, EBT is accepted in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

Regions such as Latin America have made great progress in achieving financial inclusion. In particular, 97% of Brazil's adult population now has a bank account.

Only 4.6 million adult Brazilians lack access to a bank account, which is a significant improvement over 2021 when [Locomotiva Institute](#) found 16.3 million people in the region without an account.

The [World Economic Forum](#) reports that, since the beginning of the pandemic, there has been an increased reliance on online services, resulting in 85% of Brazilians now having access to financial services. Innovative payment options have fuelled the adoption of online services. Pix, a digital, instant payment system created by the Central Bank of Brazil, enables funds transfers between accounts in a few seconds, on any day and at any time.

Using a QR code, or Pix alias, individuals, businesses and government entities can send and receive payments with ease. It is estimated that 86 percent of Brazilians now use Pix for transactions.

Because there are many remote areas of Brazil, such as the Amazon, improving financial inclusion means expanding access to the internet. Brazil has focused on delivering 5G connectivity into remote areas in order to enable unbanked segments of the population to open accounts and carry out transactions by mobile phone. The current [goal](#) is to have all Brazilian municipalities 5G-ready by 2029.

Lotericas and lottery shops are also playing a major role in the financial inclusion of Brazilians. According to [Sebrae Repostas](#),

Many people don't have bank accounts, but need to make bill payments, receive government benefits and carry out basic financial transactions. Lottery shops fill this gap by offering services, such as bill payment, withdrawals and deposits, allowing individuals without access to traditional banking services to have a convenient and reliable option for their daily financial needs.

In addition to financial services, lottery shops also act as banking correspondents for Caixa Econômica Federal, enabling citizens to carry out operations related to the government's social programs, such as withdrawing from Bolsa Família and the Severance Indemnity Fund (FGTS). This partnership between Caixa and the lottery shops has been crucial in expanding Brazilians' access to banking services and social programs.

Eye on Latin America: Instant Payment System Empowers Financial Inclusion

To facilitate the adoption of digital payments, the Central Bank of Brazil created Pix, a digital, instant payment system that enables funds transfers between accounts in a few seconds, 24/7/365, using a QR code or Pix alias.

Today, Pix only handles instalment payments, but in the future, it will be available for additional types of payment that are expected to improve the eCommerce experience.

Fiserv offers an integration hub, which is currently integrated with more than 200,000 merchants in the country, and more than one million checkout locations.

Pix remains the preferred payment method in Brazil, with 87% of consumers saying they plan to use it. Fiserv in Brazil continues to invest in the Pix platform with plans to expand to other countries around the world.

One of the key mitigating factors in convincing Brazilians to embrace digital payments is the specter of fraud. A [report](#) from early 2023 found that nearly 2% of all digital transactions in the country's financial system had criminal intentions. This translates to approximately 365 million attempted scams in digital financial channels alone during the reported time frame. Overcoming these security concerns will be essential in reassuring the population that digital payments are a viable option.

Argentina has also made great strides in achieving financial inclusion. According to a report from the [Central Bank of the Argentine Republic](#) (BCRA), 91% of the adult population has access to a bank account. Many Argentinians have adopted digital payments, with electronic transfers increasing by 90%. Following implementation of Transfers 3.0, the interoperability system developed by the BCRA in 2021, QR codes and virtual wallets have become increasingly popular. A recent [report](#) noted that transactions through QR grew by 743% in total volume in 2023, as compared to 2022.

It is little wonder that the use of cash is dwindling rapidly in Argentina. A [Fiserv study](#) found that six out of 10 survey respondents in the region believe that in 10 years, cash will cease to exist and all payments will be 100% virtual.

Argentina has identified financial education as one of the key challenges for improving financial inclusion in the country, particularly for the most vulnerable sectors. As a result, the BCRA is working with the Ministry of Education to expand the financial knowledge of families through tutorial videos on subjects such as payment and electronic channels, and financial planning. The importance of this effort is reflected in a 2017 [study](#) by the BCRA that revealed Argentina was well below other countries in terms of financial knowledge, ranking 37th out of 39 surveyed economies.



Another Latin American country that has seen a strong shift to electronic payments is Uruguay. According to a recent [article](#), more than 45,000 merchants in Uruguay used QR code as a means of collection in 2023. A second report indicated that six out of 10 Uruguayans have changed the way they buy and pay. For example, 48% of Uruguayans used contactless debit card payments or non-contact credit card at the point of sale at least once, while 25% indicated they use this form of payment regularly. Electronic payments have also grown in popularity. The [BCU](#) reports that interbank transfers rose 13% year-on-year in 2022 and online payments increased 25% between 2021 and 2022, with 27% being made through mobile apps.

Africa and the Middle East have similar stories to tell regarding financial inclusion. The Fiserv team in the region reports that, today, the UAE boasts that 85% of its society is cashless, while Saudi Arabia is 60% cashless and Egypt lags with nearly 75 percent of the populace still using cash predominantly. Iraq is even more dependent on cash, with 90% using physical currency for most transactions. Governments throughout the region have been putting initiatives in place to encourage their populations to utilize banks and digital payment options, including prepaid cards. This is being done in large part to combat corruption. Now, government fines, utility bills and so on must be paid digitally or by card.

These policies are compelling citizens to keep money in the bank, which now earns them interest. As a result, account holders are gradually gaining trust in

banking institutions, which is helping with financial inclusion. Beyond the convenience, the shift to digital payments is also serving to provide invaluable protections for those blue-collar workers who are predominantly cash users. The government's wage protection initiatives use digital payments to ensure workers are paid the full wages they were contracted for, guaranteeing there is no exploitation.

A similar trend can be found in the Asia-Pacific region, where countries such as India, the Philippines, Vietnam, Indonesia and others have seen widespread adoption of digital payments, including those based on a QR code. In the case of India, the government has mandated that person-to-person and person-to-merchant digital transactions are free of cost. The Unified Payments Interface (UPI) is an instant payment system developed in India to facilitate P2P and merchant payments through mobile devices. According to a recent [report](#), as of June 2023, nearly 9.3 billion UPI transactions were completed, representing tremendous growth over the 300 million transactions completed in August 2018.

UPI has transformed commerce in India, shifting from a cash-based economy to a digital one, which is far more inclusive. There has also been a movement to extend credit to customers who haven't traditionally had access. The issuance of micro-credit based on consumer behavior, such as timely payment of telephone bills, is enabling larger parts of the population to gradually build creditworthiness. Programs such as this are bringing more people into the financial system in a systematic way.



Digitization: Good for Consumers and Merchants Alike

Expanding access to financial services through digitization has proven to be good for consumers as well as merchants. There is a growing demand in the consumer marketplace for greater choice when it comes to payments. Merchants are finding it advantageous to tailor their payment options to meet this need. New payment channels, including Pay by Bank and digital wallets are supplementing credit and debit card options.

The [Spring 2023 Carat Insights](#) report from Fiserv, which focuses primarily on the U.S., revealed consumer preferences for these options. The report found that 64 percent of consumers are using digital wallets online, while 54% are using this option in-store and 34% of consumers have used Pay by Bank options. At the same time, debit cards remain the overwhelming preference, particularly with younger shoppers. The report found that 79% of Gen Z consumers used debit cards for purchases. When it comes to credit cards, 61% of consumers indicated a preference for retailer credit cards.

Merchants can also meet financial inclusion needs of consumers through the payout of funds. For example, in the case of an insurance company that is issuing a claim payment, that payment can be made using any number of payments methods, depending on the preference of the customer. This could take the form of a check, a direct deposit into a bank account or payment to a digital wallet. This flexibility in accommodating customer preferences can dramatically improve the overall customer experience.

Another emerging trend is embedded finance, which is the seamless integration of financial services, where merchants embed these services as part of an interconnected, end-to-end customer journey. This enables merchants to tailor financial products specifically to different customer segments. And consumers benefit from alternative payment methods and experiences (stored value in an app, for example), an alternative point of access to financial products (credit, debit) and, in some cases, more spend power (as with credit and buy now, pay later).

EY reported that the market for global embedded finance across the entire value chain will have grown from US\$264 billion in 2021 to \$606 billion by 2025, demonstrating the tremendous promise of this trend.

The overarching takeaway is that when merchants are able to make it easier to access credit, customers respond. [The Carat Insights report](#) revealed that creating frictionless sign-up and innovative payment experiences that are familiar to consumers can help drive repeat usage and revenue growth. Merchants have an important role to play in addressing financial inclusion, helping customers pay the way they want to pay and enabling them to pay when they don't have credit or debit cards, or a bank account. Empowering consumers with financial tools that can help them build credit or access funds is key to business growth and customer loyalty.

The Carat Advantage

Merchants around the globe are continuing to play a vital role in fostering financial inclusion by expanding the number of options available to consumers who are looking to initiate a transaction. Carat from Fiserv is a unified, simple, global commerce platform that enables merchants to create innovative customer experiences, perform complex orchestrated transactions and improve performance through a variety of authorization-focused, value-added services.

Today, Fiserv processes more than one hundred billion transactions annually (more than \$3 trillion in payment value) for thousands of the world's largest merchants and millions of small businesses, financial institutions and federal and state government agencies. Carat from Fiserv brings global reach and a local presence, with over 150 countries supported and more than 100 alternative payment methods.

By supporting end-to-end acquiring with local presentment and local settlement, Carat achieves better approvals and reduced costs. We enable customers to pay using their preferred local payment method or in their local currency, while reducing the cost of local payment acceptance and transaction declines. The Fiserv support structure is localised, with payment processing teams in the North America,

Latin America, Europe, Middle East and Africa, and Asia-Pacific regions. Our network uptime is one of the best in the industry and our systems reside in geographically diverse data centres.

With Carat, merchants are able to:

- Reduce fraud and increase security, creating a better payment experience with less friction and a lower overall cost of acceptance, all while shifting chargeback liability away from the merchant
- Increase authorisation approval rates by using adaptive, rules-based logic, combined with card brand and issuer partnerships for improved credit and debit transactions. Network tokens help prevent declines and improve the customer experience
- Reduce friction through efficient, seamless payment experiences, resulting in higher customer retention and a positive brand reputation
- Deliver omnichannel experiences, offering choice and flexibility for pay-ins and payouts, and the ability to leverage data and insights

Fiserv continues to invest in innovative digital technologies, bringing unique solutions to merchants around the world. For example, in Europe, Fiserv is helping merchants to navigate the complex payments landscape environment through solutions that offer new standards of conformity across multiple countries, both through eCommerce and face-to-face transactions. Fiserv solutions also remove third-parties from the payment process, returning greater value to merchants, banks and customers. Onboarding and verification tools help to remove friction in the setup and inclusion of financial services, speeding up time-to-trade for merchants.

In the U.S., Fiserv has been working with the U.S. Department of Agriculture (USDA) to [accelerate the acceptance of EBT](#) with large, small and mid-sized

grocers. For millions of Americans, this provides an opportunity to shop for groceries online, for direct delivery from the grocer, delivery through a third-party integrator or with curbside pickup. Leveraging a proprietary PIN-on-glass solution within Carat, the commerce ecosystem from Fiserv, grocers can create a digital PIN pad within their digital commerce environment that enables EBT cardholders to verify each transaction. Another innovation critical to the success of EBT online enables grocers to separate goods in a shopper's basket based on EBT eligibility, and split payment at checkout.

As of 2022, EBT online purchasing accounted for billions of dollars in monthly transaction volume, enabling EBT cardholders to buy groceries online at retailers such as ALDI, Amazon, H-E-B, ShopRite, Walmart and third-party delivery services, such as Instacart.

In the U.S., Fiserv also enables businesses to leverage [Money Network](#)[®] to provide employees early access to their wages at no additional cost to the business or the employee. This increasingly in-demand benefit, known as earned wage access (EWA), is made available through Money Network prepaid payroll cards and integrated capabilities from [Instant Financial](#). EWA offers employees the ability to access their wages as they are earned, rather than waiting for a weekly, biweekly or monthly payday, which is especially important to the millions of unbanked and underbanked Americans. This provides immediate access to hard-earned income at no cost, giving workers the flexibility to access their own money for emergencies or daily expenses.

In Singapore, Fiserv supports PayNow, which is an alternative payment method that allows consumers to make purchases using a QR code with payment coming from a digital wallet. Real-time, cross-border payments are simplified, creating real financial inclusion for a greater swath of the population in the region.

More on Financial Inclusion in Brazil

In Brazil, Fiserv partnered with Elo to introduce the Hub Elo QR Code in TEF (Electronic Fund Transmission) terminals, available for large and medium-sized retailers. As a result, purchases can be made directly at the POS without the need for a physical card or a smartphone device, with Near Field Communication (NFC) technology. [Studies](#) have shown that there are 251.5 million active mobile phones registered in Brazil, yet 80% are estimated to not be equipped with NFC capabilities.

This partnership with Elo overcomes critical technology shortcomings, as well as pervasive security concerns surrounding the use of NFC, bringing a modern and safe alternative technology to the Brazilian population, thereby providing greater peace of mind when making a transaction and increasing the chances of retailers converting sales and attracting new customers.

Another example of innovation in the region is the partnership between Fiserv and Caixa Econômica Federal, also known as Caixa, the state-owned Brazilian financial services company. CAIXA introduced a service that allows the payment of bills by credit card in its lotteries. This unique offering has expanded the opportunities for underserved banking customers to more conveniently pay bills, furthering the goal of financial inclusion.


Financial Inclusion in the Spotlight

Around the world, governments and businesses alike are increasingly focused on ways to foster greater financial inclusion. Technology is making an impact on what the future holds. New technologies are playing an important role in helping these non-traditional consumers enter the payments ecosystem. Creating opportunities for inclusion is not only good for the consumers, but also for the merchants who benefit from new customers and the governments that support these underserved communities. This is a win/win/win for all parties involved.



Connect With Us

For more information about Fiserv solutions that aid financial inclusion:

 800-872-7882

 caratemea@fiserv.com

 carat.fiserv.com

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