

The importance of financial inclusion and how the banking value chain will be reinvented

 By [Clinton Abbott](#)

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Financial inclusion is best understood when we consider the United Nations Sustainable Development Goals (SDGs) which were adopted as a "universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity".



Source: [Pexels](#)

The first goal is "no poverty" and encourages eradicating poverty in all its forms. Financial inclusion seeks to address this goal on a global scale, while also addressing three other SDG goals: gender equality, decent work and economic growth and reduced Inequalities.

Banks have an opportunity to assist with these goals by building their own ecosystems and growing profitability through giving people who aren't engaged in traditional banking access to banking services. Furthermore, focusing on these goals can lead to social upliftment, as well as financial upliftment and equality.

Across Africa, women have struggled to get access to financial services. Until relatively recently it wasn't considered necessary as women were expected to fulfil the role of the main caregiver for the family and not the money earner. This has led to women not being upskilled through training or schooling and therefore being unable to fulfil professional working lives or contribute to a double-income household. In that context, securing a loan to start a business or even a micro enterprise has meant borrowing cash from unscrupulous lenders.

The banking community has looked at how to engage with women directly to facilitate access to financial services, and specifically loans, to help them with commercial ventures.

Banks understand how beneficial it is for wider communities when women can run businesses and become financially active.

Rural communities have also been unable to access banks as a lack of transport infrastructure has hindered physical visits into branches. Fintechs have opened a much larger ecosystem as banking services are now accessible through the use of technology, so those outlying areas where subsistence farming is growing, for example in Kenya and Botswana, can thrive.



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This is where the bank value chain comes into play. A rural community that has access to electricity, running water and some communications can be provided with a feasible banking product to help uplift that community through community-based banking and good customer service without the need for a physical branch.

However, many of these rural customers don't have identity documents such as passports or birth certificates, so customer originations or micro/medium-sized loans need to be secured by different methods.

These challenges across the African continent are almost identical in other developing markets like South America, India, or the Philippines. Originating accounts in markets like these can be done by mobile phone which then uplifts the community from a communications perspective and an account can be originated using a mobile phone number.

The evolution of security checks

There are other security-check capabilities using a mobile phone - taking a photo of the customer, having a biometric fingerprint or face recognition access - and meeting security criteria that way can satisfy the regulator and lead to social upliftment. Fintechs have figured out how to circumnavigate those constraints and integrate with banks to provide services directly to the customer within regulatory parameters.

Farming communities have always worked with cash in the past and have a better sense of value transfer through trading or bartering, usually investing their cash back into their crops or animals which leads to subsistence farming.



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Financial inclusion is about taking a simple trade between two farmers out to a bigger market for the products they're trading. A loan to grow a crop of chillies, for example, can also help to buy fertiliser and grow a bigger crop, and then photos of those chillies can help sell them onto the open market via digital platforms.

Broadening horizons for women

That is where banking-as-a-service becomes essential. Financial Inclusion isn't that banks are giving people loans that are

non-deserving, but rather they are giving people loans and bringing them into a wider network so that everybody can benefit.

In urban centres, innovation in banking is also thriving and enabling financial inclusion. SnapScan stickers to scan and link directly to the app and the Standard Bank banking system allow entrepreneurial activity such as car security/watching, to take place with payment fulfilment made in real time.

Using banking-as-a-service in this way instead of branch banking can reduce a bank's overheads by almost 90% allowing more focus on customer-centric services.

Many banks can make money, few can make a difference, and even fewer can do both. Understanding financial inclusion and its ability to uplift the market, while adopting technology frameworks to really understand their customer base, can all have a positive impact and, if done well, can also be profitable.

ABOUT CLINTON ABBOTT

Clinton Abbott is the senior vice president and head of product management at SunTec. Abbott comes with 25 years of experience of working with multiple core banking platforms across organisations such as Arise and Standard Bank group. He is a seasoned expert in the banking and technology industry and has played an instrumental role in effectively leveraging technology and innovation to transform banking systems across the globe.

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