FINANCIAL INCLUSION

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The imperative of financial inclusion

Today, 2 billion adults are excluded from the formal financial system. Financial exclusion is greatest among poor people and in emerging and developing countries, including the rural households that account for more than 70% of global poverty. This hampers people's ability to earn, protect themselves in times of crisis, and to build for the future. In addition, more than 200 million small- and medium-sized enterprises in emerging markets alone lack access to finance, limiting their ability to grow and thrive.

Financial inclusion is an enabler and accelerator of economic growth, job creation and development. Affordable access to and use of financial services helps families and small business owners generate income, manage irregular cash flow, invest in opportunities, strengthen resilience to downturns, and work their way out of poverty.

A purpose of financial inclusion is to help people and communities meet basic needs such as nutritious food, clean water, housing, education, healthcare, and more. An inclusive financial system is essential infrastructure in every country.

While financial inclusion alone cannot bring people out of poverty, it can help people build better lives. It can allow individuals to start businesses and help small businesses grow into larger ones. Financial services can help small farmers tap into the formal economic system for a two-way flow of information and income. Entire economies can grow more quickly and in ways more favorable to poor people.

Great strides

Around the world, there is more attention than ever to the ways in which access to financial services accelerate progress toward development—and the persisting needs we still face.

This has spurred a wave of high-level commitments by governments, international agencies, the private sector, and others to make the vision of financial inclusion a reality. G20 leaders recognized financial inclusion as a cross-cutting issue for development and economic system stability, and included it in work plans. The AFI Maya Declaration has gained almost 60 commitments from national regulators and policy makers. Unique partnerships are forming--for example the Better Than Cash Alliance, which brings together private sector, donors and governments to advance the use of digital channels. Global standard setters have incorporated financial inclusion considerations into their guidelines for banking regulation and supervision.

Financial inclusion is possible

A series of innovations are making it possible to provide low-cost and convenient financial services to all those who need them. Mobile phones and digital technology are changing how people bank and pay for things, in part by leveraging existing communications infrastructure and retail networks such as stores, airtime agents, post offices, and banks. And financial service institutions are reaching out to clients in new ways, such as through converted trucks with ATMs and tellers that take banking services to remote villages.

Financial products for agriculture, health insurance, and other areas are inspiring scalable solutions through careful designs that meet client needs within their local contexts. Governments are encouraging these and other new models through policies that encourage innovation, partnership, and responsible finance. At the same time, new data efforts are enabling countries and service providers to know more about unbanked markets and client needs, and to measure progress against nationally determined targets.

The path ahead

Momentum is growing but efforts have yet to reach a tipping point - achieving financial inclusion requires long-term change, and the engagement of diverse stakeholders in financial and many other sectors.

Through strategic and sustained advocacy, the UNSGSA encourages cooperation and commitment from political leaders, regulators, global standard setters, civil society, the private sector, and most importantly, those currently outside the financial system, to break down barriers and build a more inclusive future.