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Summary of FIRST+II Scale-Up:

An integrated ecosystem development program to increase dignified jobs and well being among youth

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FINANCIAL INCLUSION:

Addressing the Barrier to Financial Inclusion in Rural and Marginalized Communities

What is Financial Inclusion?

- In banking, financial inclusion means ensuring everyone, regardless of their background, has access to and can use appropriate, affordable, and responsible financial products and services like payments, savings, credit, and insurance.

Rural and Marginalized Communities?

- Rural and marginalized communities face unique challenges and are often excluded from societal benefits due to factors like limited access to resources, infrastructure, and opportunities.

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Rural and Marginalized Communities?

- These communities, particularly those in underdeveloped areas, rely heavily on agriculture and are disproportionately affected by climate change, impacting their livelihoods and food security.
- Additionally, they may experience social exclusion and marginalization, facing difficulties in accessing housing, employment, and other essential services like health and financial services

What is Financial Inclusion?

Financial inclusion is the process of ensuring unambiguous and non-discriminatory introduction of appropriate financial services,to those groups that are usually under- served and financially excluded.

Financial Inclusion?

- This **involves a comprehensive strategy which invites individuals into a formal system**, offering opportunities that can break the cycle of generational poverty and build a better life for families.

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Financial Inclusion?

- Financial inclusion is viewed as the ability to access and use basic financial services in a manner that is reasonably convenient, reliable, and flexible.
- Financial inclusion describe an ecosystem of sustainable, relevant, cost-effective, and meaningful financial services for the financially underserved population, especially rural dwellers.

Key Elements of Financial Inclusion

- **Access:** People should have the ability to open accounts, make payments, save money, and access credit.
- **Affordability:** Financial services should be priced in a way that is accessible to everyone, not just the wealthy.
- **Responsibility:** Financial institutions should provide services in a way that is responsible and sustainable, avoiding practices that could harm consumers.

Why is financial inclusion important?

- Financial inclusion is important for a number of reasons, namely:
- Facilitation of **ease of access to appropriate financial instruments,** which is construed as the availability of service branches or access points.
- Uplifting of the financial conditions and **improving the general standard of living.**
- Improved **efficiency of the financial intermediation** process, as well as **deepening the financial system**, wholistically.

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Why is financial inclusion important?

- Inclusion **reduces income disparity** by motivating the excluded to join in and invest in physical assets and self-education.
- Impacts development, invariably **aiding poverty reduction, and long-term economic growth.**
- Offers incremental complementary solutions that tackle poverty, **promoting inclusive development** and addressing the sustainable development goals (SDGs) targets;

Why is financial inclusion important?

- Ensures that **economic growth performance is inclusive** and sustained, and
- Enhances the **effectiveness of monetary and fiscal policies** of government.
- Good **access to financial and nonfinancial banking services** (roughly called business development services) are crucial ingredients in realizing the potentials of micro, small enterprises in creating jobs, restraining poverty, and spurring economic growth.

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Why Financial Inclusion? - Generally

- Equal Opportunities
- Inclusive Growth
- Economic Development
- Social Development
- Business Opportunities

Types of financial exclusion

- **Physical access exclusion:** Where exclusion is brought about when local bank branches or nonbank financial service provider **offices are closed or demobilized (in response to internal pressures) and service seekers lack reliable, affordable means to reach alternatives.**

- No physical presence of a branch or office of a financial institution is within a close proximity of the people because of what banks or FIs termed "No business there"

Types of financial exclusion

- **Access exclusion:** Provider’s risk evaluation of the current or potential user(s) necessitates access restrictions, resulting in such **people being** denied a product or service because they are **perceived to be highly risky propositions.**

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Types of financial exclusion

- **Condition exclusion:** Here, products or services are rendered inaccessible to those who cannot meet up with **conditionalities** attached to their offering.

- **Price exclusion:** This is when products are availed at prices, which are **unaffordable** by the potential and willing up takers;

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Types of financial exclusion

- **Marketing exclusion:** Occurs, where sales and marketing activities are **deliberately targeted** at some groups, segments, or areas to the exclusion of others;

- **Self-exclusion:** This is situation, where individuals exclude themselves from seeking and utilizing financial products and services for **personal reasons**, including fear of failure, fear of temptation, or lack of awareness

Barriers in Financial Inclusion

- Financial exclusion (mainstream) is caused by:
- (1) Limited geographical reach by NBFIs and small population/ remote communities;
- (2) Limited access to social and economy for low income people or minority ethics; and
- (3) Limited opportunities for new enterprise due to unability to access the services.
- (4) Lack of awareness among the under served communities

Barriers in Financial Inclusion

- The barriers can be seen from two sides: Supply and demand.
- Demands include the aspect of psychology, culture, financial literacy, while supply includes physical barrier, lacking of suitable products, and documentation barriers.

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Barriers in Financial Inclusion - Demand Side (From the under served population)

- The reasons or barriers in the use of the inclusion are seen in the expressions of:
- “Too far away,” **Bring it closer**
- “Too expensive,” **Reduce costs**
- “Lack of documentation,” **Simplify the documentation**
- “Lack of trust,” “Lack of money,” Religious reasons,” and “Family member has one.” - **Build their confidence**

Barriers in Financial Inclusion - Caused By Bank -Supply Side

- Complicated & unaffordable financial products, Hard to reach (Availability or closeness to the community), Seek creditworthy profitable clientele, Non negotiable in terms of cost (high interest rates), Oriented towards high and upper middle income population (those that live in cities and towns, not in villages), Staff attitude (not well trained), and language barriers (inability to communicate in local dailects)

Barriers in Financial Inclusion - Caused By Government & BoG

- No deliberate **policy** for financial inclusion.
- Relying on Banks to expand their operations to deprived communities withou providing the required **infastructure** and incentives for Financial Institutions to expand
- **Tax incentive** to encourage NBFIs to go to deprieved areas are not available or have been withdrawan

Barriers in Financial Inclusion - Caused By Rural Residential

- Financial illiteracy,
- Lack of confidence & motivation,
- Lack of awareness,
- Unavailability,
- complex process and procedures,
- Low/Insufficient income

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Barriers in Financial Inclusion - Caused By NGOs & Religious Organizations

- No conscious efforts on the part of the NGOs to assist the marginalized communities to be part of main stream -No strategic approach or advocacy
- Haphazard approach to mobilizing the people towards financial inclusion.
- Religious organizations not interested in the socio-economic empowerment of their people but in their religious well and spiritual growth.

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Barriers in Financial Inclusion

- Lack of Awareness
- The poor and illiterate group of people in Ghana are not mostly aware of the services provided by the banks and financial organizations.

- Though the government of Ghana, Some NGOs might have been taken steps along with the banks to make people aware of the bank accounts and the benefits that they would derive out of it is almost in vain.

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How to Achieve Financial Inclusion

Strong Awareness Campaign to be Launched by all

- First, knowledge is power. Effective media campaing using all available mass media including town criers to educate rural folks on the importance of financial inclusion its important. The reasons why they must have a bank account.
- Banks may have to create a budget line or a percentage of their profit after tax to support the project Financial Inclusion in their respective catchment areas.

How to Achieve Financial Inclusion

Simplify Account Opening Documentation Processes

- The inability of some of the rural folks to get into financial mainstream is because of account opening requirements. Once a potential customer can provide Ghana Card. All other information by the Bank can be uploaded from the data base of the NIA to reduce the complicated forms we are currently using.

How to Achieve Financial Inclusion

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- **Train employees on Excellent Customer Service and Client Onboarding Techniques (COT)**
- Develop attractive financial products that are suitable for rural folks. Like Group Savings an opposite of Group Loan
- Provide Small Cash / Mobilization Centres in places where you dont have branches to create visibility and Accessibilty for the bank and the customers respectively.
- Empower your mobilizers with motor cycles and bicycles to go into nook and cranies of your areas to register more clients in neglected or marginalized communities .

How to Achieve Financial Inclusion

Introduce incentives or Incentivize rural dwellers that open account with NBFI with certain freebies to encourage others and attract customer traffic

Collaborate with Telcos for data about locals within the catchment areas that are on their networks for possible calls to open account.

Practice or adopt a Blue Ocean strategy within the catchment areas by treating potential customers in this area as blue ocean.

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How to Achieve Financial Inclusion

Cost Sharing or Cost Absoption should be introduced

Financial institutions must find an innovative way to provide appropriate financial services to weak groups and low-income groups at an affordable cost in a suitable manner.

How to Achieve Financial Inclusion

Banks must solve customer's complaints of bad experiences with the banks by rural folks that came back to narrate their bad experiences to their village folks. Like long delay at the banking hall, long queues, unnecessary deductions, fraudulent practices by employees of banks.

Insensitivity to the complaints of poor people, rude attitude of some bankers, News of collapsed of some banks and the resultant effect on their customers.

Advantages of Financial Inclusion

Advantages of Financial Inclusion To the State (Ghana)

To Financial Institutions and to the People that are excluded from the financial service system.

Benefits of Financial Inclusion

Financial inclusion is a powerful tool for alleviating poverty and providing financial security.

Some other benefits of financial inclusion include increased wealth building, job creation, and improved access to basic needs, such as clean water and sanitation.

Financial inclusion initiatives are most beneficial to marginalized communities since they’ve been intentionally excluded from the financial system.

Benefits of Financial Inclusion

Less Systemic Poverty

Financial Security

Generational Wealth

Decreased Government Spending on Assistance Programs

Reduced Economic Inequality

Support for Marginalized Communities

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Benefits of Financial Inclusion

More Entrepreneurship

Community Well-Being

International Transaction Efficiency

Less Reliance on Exploitative Financial Service Providers

Job Creation or Opportunity for the locals

Financial Literacy

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Various Ways to Achieve Financial Inclusion

Various Ways by which Rural Folks can be enrolled into Financial services system. **Own Decision** - Voluntarily

Friends - Group Savings

Family members - Helping them to open or encourage them to

Bank Agents - Regular Visit and Setting targets for opening of new accounts

Mass Campaign / Religious organizations/ NGOs/ Govt/ Banks/Opinion Leaders in the community

Offering Incentives for first time account holders from deprieved areas

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Various Ways to Achieve Financial Inclusion

The most important part of financial inclusion is financial literacy, which should start in schools and colleges.

The students have to be encouraged to take financial literacy to the family and make themselves included in financial services

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Various Ways to Achieve Financial Inclusion

The account opening procedure should be simplified

The campaign arranged by the bankers should be at a reachable time and place and the awareness programme should be conducted in an easily understandable manner in local languages.

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Various Ways to Achieve Financial Inclusion

The technology used for accessing financial services such as ATM or POS be made available and accessible at a reachable place.

Collaborate with telecos and NIA to make new account registration or opening seamless. Provide your NIA card or your phone number account is created in less than 10 mins.

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Various Ways to Achieve Financial Inclusion

The internet facilities have to be made available to access the product and services provided by the banks for financial inclusion.

Religious bodies and organizations like churches and mosques should be involved in creating the awareness for their members. In their churches and religious houses by encouraging members to open account. Support for their members should be channeled through their bank accounts.

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Various Ways to Achieve Financial Inclusion

The expansion of digital financial services, such as mobile banking and online payment platforms such as PoS can help bridge the gap in access to banking infrastructure.

By leveraging technology, financial service providers can reach individuals in remote areas without the need for costly physical branches.

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Various Ways to Achieve Financial Inclusion

Implementing financial education programs and raising awareness about financial products and services can help improve financial literacy.

Governments, NGOs, and financial institutions can collaborate to develop targeted education initiatives that provide individuals with the tools and knowledge necessary to manage their finances responsibly.

Various Ways to Achieve Financial Inclusion

Encouraging competition among financial service providers and promoting innovative, low-cost financial products can help reduce the cost of financial services.

Additionally, governments can implement policies that incentivise financial institutions to offer more affordable products and services to underserved populations. Special tax relief for bank branches that operates in Rural and marginalized communities.

Various Ways to Achieve Financial Inclusion

Stringent Regulatory Requirements

Governments can work to streamline regulatory processes and adopt more flexible identification requirements to facilitate greater access to financial services. This could include implementing digital identification systems.

Approval process to open new branch in deprieved areas should be made less strigent by the Regulators to increase accessibility.

Various Ways to Achieve Financial Inclusion

Cultural and Social Norms

ddressing cultural and social barriers to financial inclusion requires targeted interventions that promote awareness, challenge stereotypes, and empower marginalised groups to take control of their financial futures.

This may involve working with community leaders and local organisations to advocate for change and encourage greater financial participation among all members of society.

Various Ways to Achieve Financial Inclusion

Lack of Trust in Financial Institutions

Building trust in financial institutions requires transparency, accountability, and a strong focus on customer service.

Financial service providers should prioritize efforts to understand and address the unique needs and concerns of underserved populations, while also working to improve their public image through community engagement and corporate social responsibility initiatives.

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Various Ways to Achieve Financial Inclusion

Stop unhealthy competition with Bigger Banks or Among yourself. Concentrate on developing your Blue Ocean Strategies for your local market and your bank.

“You can’t be inside a swimming pool with water all over the place and still be begging for water to wash you face.” Nigerian Proverb

Create Your Blue Ocean Strategy

Two worlds ...

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space.	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value-cost trade-off.	Break the value-cost trade-off.
Align the whole system of a strategic firm's activities with its choice *of* differentiation or low cost.	Align the whole system of a firm's activities in pursuit of differentiation *and* low cost. ➡ **VALUE INNOVATION**

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Create Your Blue Ocean Strayegy

In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid if NBFIs focus on Financial Inclusion rather than competing for existing customers.

It is estimated that 50 to 60% of the Ghanaian population has limited access to financial services.

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Create Your Blue Ocean Strayegy

Why are we fighting over the 50% captured market with the Big Banks? Almost 80% to 90% of the market is with Big Banks leaving NBFIs with only about 10% of the Market.

You have opportunity to take almost 40% of the remaining 50% that is 90% of untapped market which is uncontested by anyone.

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Create Your Blue Ocean Strayegy

“Create uncontested market space and make the competition irrelevant.”

“Don’t compete. Create.”

“The best way to beat the competition is to stop trying to beat the competition.”

“Competing in overcrowded industries is no way to sustain high performance. The real opportunity is to create blue oceans of uncontested market space.”

Create Your Blue Ocean Strayegy

"A focus on the competition too often anchors companies in the red ocean, and puts the competitors, rather than the customer, at the core of strategy."

"Blue ocean strategy allows companies to set the rules of the game".

"Blue ocean strategy is not about finding a better or lower-cost solution to the existing problem of an industry. Instead, it is about redefining the problem itself."

"The term blue ocean is an analogy to describe the wider potential of market space that is vast, deep, and not yet explored."

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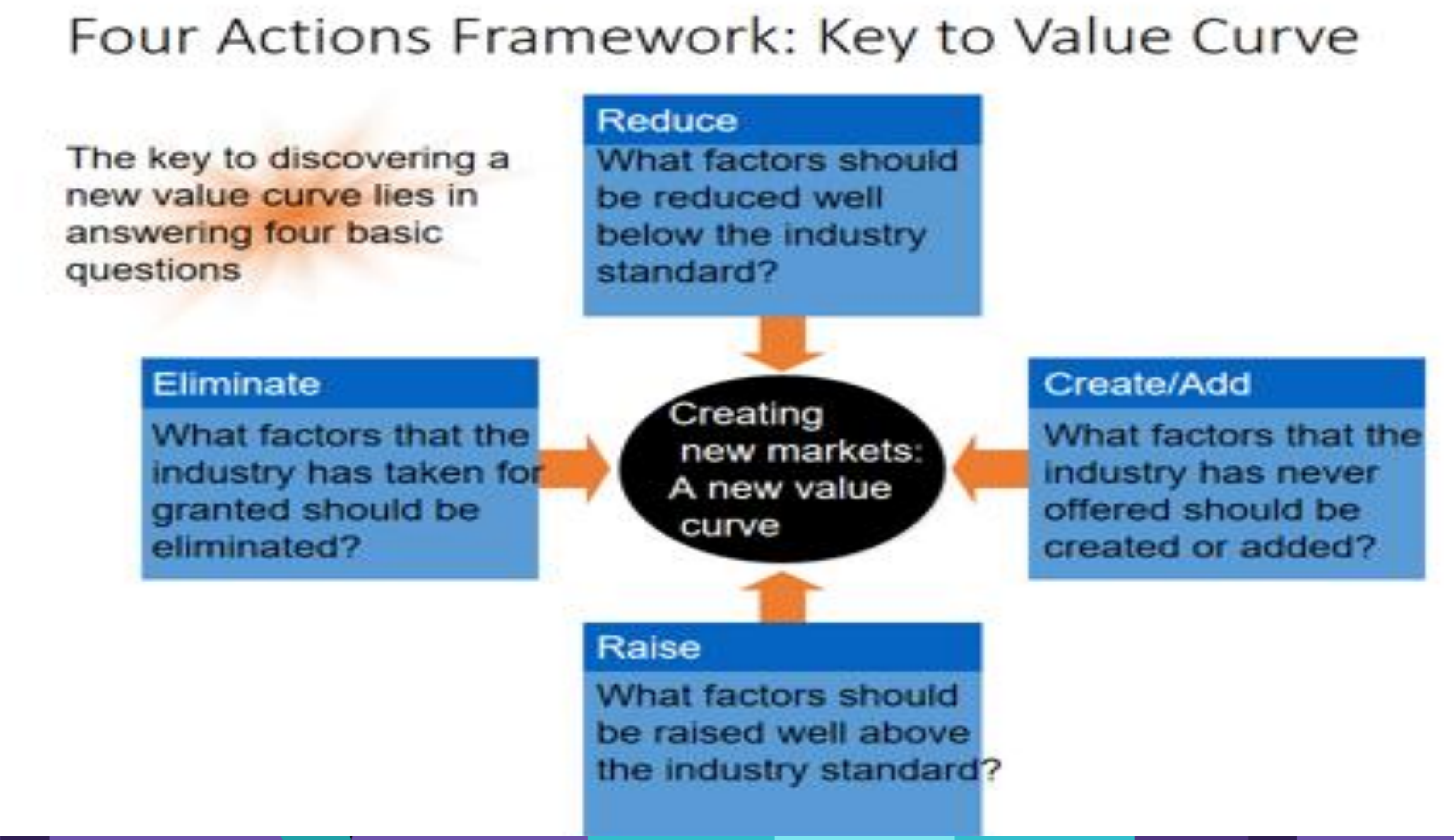
Develop your Blue Ocean Strategy



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Develop your Blue Ocean Strategy

- Most governments want their citizens to be part of the financial system, to be productive citizens as a result of having access to be able to manage and move money in a seamless way.
- But the traditional financial services infrastructure is not designed to handle that because, predominantly, it's an expensive infrastructure.

- **Dan Schulman**

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