

Mainstreaming Financial Inclusion: Best Practices

Helping mainstream financial institutions reach underserved customers with quality financial services

About

Financial technology and digital financial services are revolutionizing the way people access and use financial services, opening the way for banks, insurance companies, payment companies and other financial institutions to serve millions of underserved customers. Yet globally, there are still 2 billion people who are unbanked, and at least 1 billion more who have an account but use it only rarely or not at all. Financial institutions face a variety of hurdles they must overcome to achieve the long-term business viability and sustainability needed to expand and deepen their reach within this vast customer segment.

Mainstreaming Financial Inclusion: Best Practices is an initiative of the Center for Financial Inclusion at Accion, in partnership with the Institute of International Finance and the International Finance Corporation, with support from MetLife Foundation, to facilitate learning and action on how mainstream financial institutions around the world can reach underserved populations with quality financial services.

DEEP DIVE

We explored six topics that mainstream financial institutions identified as key challenges when serving customers at the base of the economic pyramid:

- ▶ Partnering with fintech companies
- ▶ Extending insurance coverage
- ▶ Building financial capability
- ▶ Utilizing data analytics
- ▶ Digitizing the customer journey
- ▶ Improving agent banking models

Cross-Cutting Challenges

Across the topics we studied, mainstream financial institutions struggle with the same issues:

Product Appropriateness

Emerging customers have distinct profiles, needs and capabilities that must be factored into product design and delivery.

Customer Engagement

Providing financial services is one thing—getting customers to use them is another.

Interoperability

A product's usefulness is limited if it cannot connect to a wider financial services ecosystem in meaningful ways.

Data Underutilization

While alternative data and new data tools present an unprecedented opportunity to better understand and serve customers, effectively collecting and using that data often requires significant operational shifts and organizational change.

Technical Debt

Outmoded or proprietary technology and processes hinder the ability to share and manage data and provide financial services in more innovative ways.

Strategies for Success

Overcoming cross-cutting challenges to reaching underserved customers often involve these strategies:

Fintech Partnerships

Fintech partnerships lend traditional financial institutions the agility, capability, customer relationships, and innovation needed to extend services to hard-to-reach customers. They are also key to allowing incumbents to compete in a world where alternative players, like Facebook and Amazon, are threatening the central role of financial institutions in the lives of customers. By offering better, less expensive, and more innovative products, mainstream financial institutions can assert their continued relevance as customer-facing institutions with help from fintech partnerships.

Leveraging New Data, Analytics and Technologies

New technologies and integrations like open APIs offer mainstream financial institutions opportunities to digitize banking products and drive greater customer engagement with value-added services. Getting the right culture and technical talent in place, and engaging with regulators and partners on data sharing and management are also key to successfully leveraging new data to reach underserved customers.

Embracing New Talent and Culture

With the new opportunities and innovations involved in reaching underserved customers, savvy financial institutions recognize that not only are new human resources often required, but so is organizational change. Institutions that embrace a culture of experimentation and transparency, new ideas and some degree of risk, are finding ways to take advantage of new partners, data sources and technologies. Internal reorganization to accommodate sandbox environments, pilot programs, and staff and teams complement the cultural shifts and change management processes.

Laser Focus on the Customer

A customer-centric strategy is the foundation of successfully reaching underserved customers. When providing value to emerging customers is the driving goal, strategic decisions about partners, data, tech, talent, and a host of other considerations tend to fall into place. Despite the factors that make it difficult for mainstream financial institutions to engage emerging customers, by understanding the customer journey, simplifying products, finding new distribution channels or aggregators, incorporating behavioral economics, and leveraging digital, mobile, and agent models, financial institutions can have more success targeting this market.

**Learn
More**



Mainstreaming Financial Inclusion: Best Practices is an initiative of the Center for Financial Inclusion at Accion, in partnership with the Institute of International Finance and the International Finance Corporation, with support from MetLife Foundation, to facilitate learning and action on how mainstream financial institutions around the world can reach underserved populations with quality financial services. Learn more: <http://bit.ly/MainstreamingFI>

CENTER for
FINANCIAL
INCLUSION

ACCION



 **MetLife**
Foundation