September 2018

The Next Frontier in Financial Inclusion: Moving Beyond Access to Usage

mastercard

Introduction

Organizations around the world, including Mastercard, share the common challenge of better serving our constituents. By doing so, whether these constituents are consumers or customers, we advance our respective goals.

"The needs of the underserved go way beyond just access to electronic payments...to make a real difference in their lives, we have to drive toward usage...if you create a route to prosperity, that is where we feel we're on the right track."[2]

Michael Miebach
Chief Product Officer, Mastercard

For Mastercard, that means developing products that are actively used by the more than 1.7 billion adults without access to a bank or mobile account.[1] When the unbanked are served commercially at scale, we and our government and corporate partners not only do well and do good for the individuals we serve, but for the local economy as well.

Putting consumers and their needs front and center is essential for driving commercially viable financial inclusion. However, success requires not only appropriately designed products, but education and acceptance infrastructure that enables the consumer's journey to financial health. We have learned that the adage "you can give a person water, but you can't make them drink" rings true here as well. Simply giving an unbanked consumer is not enough. There are three key components necessary for moving beyond access towards usage:

- Undertake informed, human centered product development focused on customer needs and cultural considerations;
- Engage with the underserved on an ongoing basis to build financial knowledge. This engagement can include:
  - Making the consumer aware and able to consider product features;
  - Facilitating an understanding of the product and how to use it;
  - Enabling the consumer to overcome inertia, begin use and change behavior;
- Build robust ecosystems to enable scale.

Successfully serving the underserved in a viable manner not only requires best in class product development, but additional program features to successfully drive product use and maximize impact. This is the first of several Mastercard white papers laying out our views on the journey towards financial health for the underserved. To be successful we need the help of global stakeholders and corporations that can assist us to develop and deploy these components so we may drive viable journeys to financial health. We invite you to join us on this journey.

The good news: More access than ever before

Over the last decade, the world has made significant progress toward universal financial inclusion. Today, more traditionally "underserved"[3] individuals have access to financial products than ever before. And with mobile networks reaching more than 90 percent of the population in developing nations, digital payments*—a key on-ramp to financial inclusion—are becoming easier.[4]

*ELECTRONIC VS DIGITAL PAYMENTS

Electronic payments is used to denote payment by card or mobile phone; digital payments are treated as a subset of electronic payments.

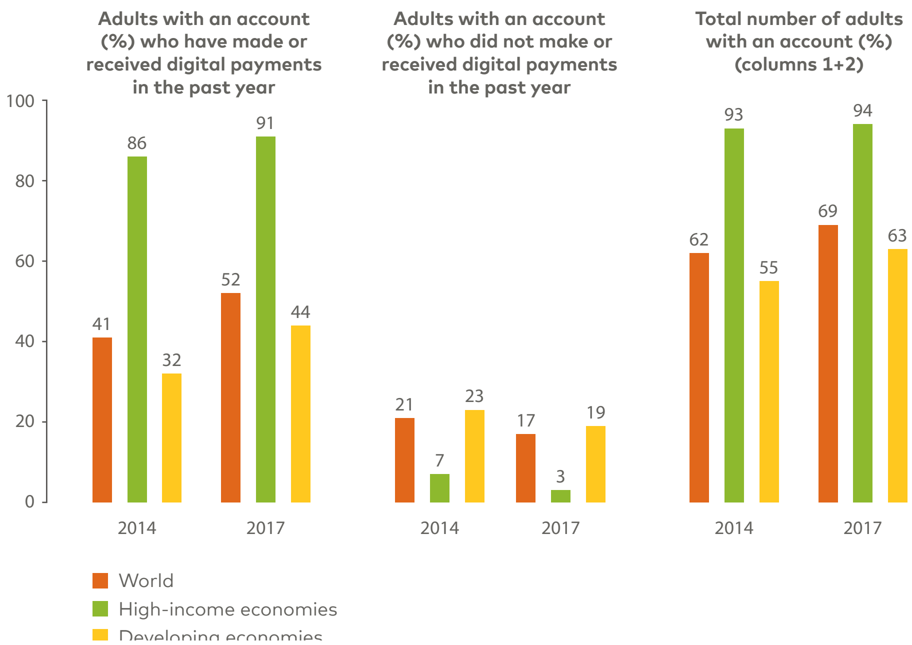
The opportunity: Advance usage to drive impact

Usage, however, is where we still have distance to travel. At issue: Access to financial products is not automatically translating into usage. Globally, one-fifth of bank or mobile money accounts are inactive, without a deposit or withdrawal over the past year.[5] While developing markets like China, India, Kenya, and Thailand have achieved account access upward of 80 percent, account usage still falls short.[6] Overall, developing markets have been slow to close the usage gap with high-income countries, as shown in Figure 1. Without usage, the full benefits of financial inclusion are not realized for consumers, and incentives for providers are substantially diminished.

In 2018, Mastercard joined the World Economic Forum (WEF) and other partners to emphasize the importance of usage as a key consideration in financial inclusion, helping to advance thinking on the metrics needed to better understand usage.[7] The next frontier in financial inclusion will move beyond access toward consistent, informed usage of financial products and services around the world. It is only when we advance usage that we can move towards the ultimate goal for under and unbanked individuals at the base of the pyramid: resilience and financial health.

FIGURE 1

Usage of accounts has increased since 2014 (Findex)[8]



Impact: Better together

Mastercard works with a host of partners to build and tailor products for underserved populations the world over. Our deliberate presence and involvement in underserved communities provide a learning lab like no other. We use our research and experience on the ground to match the right partners and opportunities with the needs of underserved communities. We are customer-focused, rather than product-focused—meaning we design financial products for specific real-world needs rather than offering a set range of products to multiple populations. At Mastercard, we recognize that good product development is not an end itself—but rather, just the start to true financial inclusion. Successful deployment and increasing uptake matter just as much. We know that cultures and infrastructures differ; what works in Kenya may not in Bangladesh. That is why working with a trusted partner who knows electronic payments around the world is key to successfully moving the financial inclusion needle forward.

As more global entities, both private and public, commit to achieving full financial inclusion (see sidebar), the pace and impact of outreach agendas will increase. With increased commitment comes the opportunity for businesses worldwide, and organizations such as the World Bank Group and WEF, to partner toward a lofty end goal: financial health for all by building ubiquitous access to regularly used financial products and services.

When all pieces of the puzzle are put in place, we see real impact.

FIGURE 2

The Journey to Financial Health

Financial Health: Opportunities for individuals to improve their livelihoods through access and usage of relevant financial services.

ACCESS	USAGE	IMPACT
Suitable products and services are accessible for consumer use	**Products are actively & consistently used because they meet customer needs & supported by the ecosystem**	**Resilience from shocks and opportunities to pursue aspirations**

KNOWLEDGE

- Understand the value of digital financial services
- Aware and able to consider product features
- Knowledge of product and how to use

TRUST

- Positive outcomes, stemming from consistent & active product use, maximizing the value of digital financial services
- Engagement stemming from proper and consistent product functioning

Continued global commitment matters

Underserved populations are still being excluded from a global economy that could greatly benefit from their participation. Lack of access limits prosperity and quality of life. But providing access without enabling usage solves only half the equation.

The G20 have committed to financial inclusion worldwide.[9] Since 2010, more than 50 countries have made commitments to financial inclusion, and more than 30 have either launched or are developing a national strategy.

The World Bank Group also has committed to Universal Financial Access by 2020 (UFA2020), extending the access of financial services to one billion adults (Mastercard is a partner in this initiative).[10] The goal is for adults worldwide to, at minimum, be able to send and receive payments, as well as have access to a transaction account. UFA2020 works with 100 countries to advance financial inclusion, focusing on 25 countries where 73 percent of all financially excluded people live. In December 2017, UFA2020 projected they would help to reach 738 million new account holders by 2020, moving us closer to the goal of an additional one billion financially-included adults.

Making usage a reality

Mastercard's decade of experience in financial inclusion, most recently underpinned through recent research on underserved segments, point to three areas critical to developing financial products and services that will be used by underserved populations:

FIGURE 3

Three areas critical to developing financial products and services

1 Informed, human-centered product development focused on consumer need

2 Ongoing engagement with underserved segments to build knowledge and empowerment

3 Building robust ecosystems to drive scale

In the pages that follow, we'll share our insights about how to make the next frontier in financial inclusion a reality by driving usage of financial products and services worldwide—from product development to building robust ecosystems.

Developing for your target audience

Organizations looking to offer financial products and services to underserved communities cannot take a generic approach. The challenges of the underserved require organizations to bring their A game to the task. Many businesses use human centered design to offer consumers personalized, tailored products. It's important that organizations designing for underserved communities take that same approach.

To increase uptake and usage of financial products, companies need research on the wants and needs of consumers in the target segment.

To increase uptake and usage of financial products, companies need research on the wants and needs of consumers in the target segment. For example, underserved populations may differ from each other based on various criteria, requiring us to focus on the unique needs of each group. Furthermore, we have identified unique deployment considerations for the underserved to help organizations and governments increase the success of their efforts. (see: Six essentials for deployment).

Human-centered design increases uptake

To put humans at the center of product development, companies must design products suitable for an observed or expressed human need. Companies that do their homework, engaging key target populations as they create products, tend to have more success.[11] Taking a human-centered approach, rather than one in which a set product portfolio is foisted upon a population that may not respond to it, can save organizations time and money.

Human-centered design means products and services are more effective because they are designed together with the people who will use them. It is a collaborative, iterative approach, putting (in this case) undeserved people at the heart of design, bringing their voices into the process from the very beginning. Human-centered design is dynamic and adaptive, allowing for course corrections along the way. (See Figure 4)

Spotlight: Analyzing user needs for new products in the Philippines[12]

In the Philippines, CARD Bank identified an unmet need via data analytics. It partnered with Grameen Foundation's Microsavings Initiative to review customer and branch level data, revealing that the poorest, most remote consumers it served were not benefitted at all by a specific savings product. The bank used the information gathered to design a new product that met consumer needs, with a low opening balance, ATM access, and deposit collections in the field to better serve this customer segment.

FIGURE 4

The key elements of HCD

Source: Customer-Centric Guide. Consultative Group to Assist the Poor. 2017.

Designing with empathy—through customers' eyes—works because it considers and addresses their needs, desires, and objections from the start. Mastercard's 2Kuze brings a human-centered design approach to agrarian livelihoods, informing the development of a solution that provides smallholder farmers with access to new markets via SMS. 2Kuze addresses the information asymmetry typically faced by small farmers in their transactions with large buyers and wholesalers. By addressing their need for order management, produce delivery and collection, and payment, 2Kuze provides farmers with a path to the use of digital payment products. Bringing our best in class approaches to the design and deployment of financial products, services, and systems for the underserved will drive usage and impact.

About our research

Mastercard surveyed nearly 18,000 respondents from underserved segments across 16 focus markets in 2017.[13] The Underserved Segmentation research provides insights on the financial behaviors and attitudes of underserved individuals across the globe.

Developing for the underserved: One size does not fit all

With human-centered design, we bring our best tools to the table to address the challenges of financial inclusion. Furthermore, consumer research such as Mastercard's 2017 Underserved Segmentation research augments our efforts by revealing insights into the economic life of the underserved.

For example, as one might expect, exploring the views and attitudes of urban and rural underserved populations regarding financial products and services identified distinct needs for each population. Such insights inform not only our own product development, but also what we co-create with partners.

Urban consumers appear to possess the elements necessary for financial resilience—seeming to have greater access to funds and formal employment, as well as greater understanding of payments products. Overall, they are more spending focused. Given this fact and their greater access to funds, the research suggests they are more commercially engaged than their rural counterparts.

Rural consumers appear to be more cash reliant. Nearly half of rural respondents receive formal wages in cash today. They have less discretionary income, creating less opportunities to save for their future in secure ways. The research suggests they are more risk averse than their urban counterparts.

These insights are indicative of findings from survey data, but nevertheless illustrate the importance of knowing the target audience for which we are designing. Human-centered design is informed by research and customer input—both are essential to success.

Urban vs. Rural

Consumer insights on the Underserved by geography

WHAT SHOULD WE UNDERSTAND ABOUT URBAN SEGMENTS?

Urban consumers appear more commercially engaged and financially resilient than rural consumers

Greater access to funds than counterparts: Nearly 3 in 5 urban respondents were in the higher end of the income observed for the underserved

Greater access to formal employment than counterparts: Twice as likely to be formally salaried than their rural counterparts

Greater understanding of advanced payment products than counterparts, specifically payroll cards, credit cards, and prepaid cards

WHAT SHOULD WE UNDERSTAND ABOUT RURAL SEGMENTS?

Rural consumers appear more cash reliant and risk averse than urban consumers

Live and work in largely cash-based economies - Half of formally salaried respondents (50 percent) receive wages in cash

Little access to discretionary income, with half of respondents (49 percent) in the low-income bracket

Concerned about security - 66 percent of respondents were afraid they would lose control of money or savings if they didn't have physical possession over them

THESE SEGMENTS EXHIBITED MANY COMMON TRAITS

Strong social networks with over half (56 percent) of respondents turning to family and friends for money matters

Little trust in financial institutions - 3 in 5 respondents (59 percent) do not trust traditional financial institutions with money management

Source: Mastercard Global Research and Insights.

Six essentials for deployment

Human-centered design works. We know that through experience. But being human-centered does not end with design; it must continue through deployment to truly have impact.

Mastercard has identified six essential deployment considerations for investing in and developing products underserved communities will use.

Mastercard has identified six essential deployment considerations for investing in and developing products underserved communities will use. These essentials guide understanding of the local context. When combined with individual consumer needs, companies can create and promote the usage of sustainable, scalable products—products that drive revenue and meaningfully change consumers' lives. Consider them basic table stakes for entry into underserved markets—an investment, in our experience, that is well worth it.

Key Consideration	Consumer Challenges	Mastercard Deployment Considerations
Affordability	I need a low-fee account	Design products that minimize the cost of electronic payments for consumers
Payments Infrastructure	Where can I find the tools to make a financial transaction?	Address critical gaps through partnerships with payment service providers
Financial Literacy	Help me understand what I'm doing with the money I earn	Embed contextual education into products and programs
Trust and Relevance	I don't really trust financial institutions, so show me why I can trust this product or company	Deliver positive outcomes from repeated product use
Motivation	Teach me the value of financial products beyond payments	Build incentives for usage into value propositions
Merchant Acceptance	How can I be sure a merchant will accept my payments?	Align acceptance initiatives to consumer roll-out

Affordability. The cost associated with financial services is a major barrier to financial inclusion for underserved populations. Companies should develop products that are commercially viable, and which minimize the cost of electronic payments for the underserved.

Payments infrastructure. Without a robust technology infrastructure—from security to connectivity—electronic payments will not take off for any population. Companies should invest in critical infrastructure to support product usage. For example, digitizing salary payments or remittances creates a secure payments inflow, enabling recurring usage. Innovative partnerships with technology providers can create significant value for consumers, as well as businesses, by offering value-added services, such as those based on the capture of transaction history.

Mastercard has forged those partnerships in its long-term commitment to Africa. We aim to connect 30 million people to formal financial infrastructure in their local markets by teaming with private organizations, NGOs, and governments. As part of this effort, Mastercard and the Rwanda Development Board signed an agreement at last year's WEF Africa meeting in Kigali. It focused on the digitization of government services, specifically in the areas of school and health fees.[14]

Financial literacy. Organizations cannot ignore the strong impact financial literacy has on usage. Financial education must be part of any product roll-out targeted at underserved populations. A recent World Bank study confirmed that financial counseling leads to improvements in the continued usage of a formal bank account. The study showed that individuals receiving personalized counseling in addition to financial education were 38 percent more likely to have introduced monthly budgeting to their routine, marking a distinct change in financial behavior and literacy.[15] Interventions such as these are worth the investment, as multiple studies show the positive impact of financial literacy on financial inclusion.[16] Financial capability—knowing and understanding how to use financial services—maximizes the odds of consumers using those services.[17] Embedding contextual education into products and programs is a game changer.

Trust and relevance. Human-centered design ensures product relevance. But, trust is a uniquely human—and a far trickier—component to get right when reaching the underserved. Individuals must trust the brand, the product, the system, and themselves for full success. A recent Omidyar Network report on underserved in the Indian market sums it up well: "Financial services providers spend most of their time and resources building provider trust through their brand. However, our research [also] indicates that one of the biggest hurdles today for Indians with respect to digital financial services adoption is the lack of trust in their own abilities."[18] Delivering positive outcomes from repeated product use will build trust as well as relevance.

Motivation. Providing incentives and motivation for cashless transactions is key to their adoption. This can include a range of options, including enrollment in loyalty programs to reward recurring usage of a particular product or bonuses for reaching specific milestones. There needs to be a motivation. Bancomer, in Mexico, developed a prototype for a savings account named "Mis Proyectos" ("My Projects") which helped consumers to categorize and track their savings as part of an incentives-based plan, allowing them to save when motivated by a specific purpose, such as the purchase of a motorbike or school fees.[19] Incentives, such as those for usage, need to be built into the product's value proposition.

Merchant acceptance. Critical to usage is shopkeeper acceptance of electronic payments. Acceptance initiatives need to be aligned to and part of consumer focused deployment. Payment service providers (PSPs) will need to work with local merchants in underserved markets to overcome critical barriers to acceptance: economics, risk, distribution, and friction.[20] Underdeveloped point-of-sale technology and perceived low return on investment (ROI) due to low transaction volumes are real challenges. PSPs need to consider these proactively as they design and promote products to spur the uptake of electronic payment acceptance. Mastercard set a goal to connect 40 million micro and small merchants to our payments network by 2022. At a recent workshop we sponsored in Washington, D.C., Mastercard executives—along with peers from organizations like the World Bank, IFC, and CGAP—discussed practical solutions like reducing costs for POI (Point of Interaction) devices.[21] While more work needs to be done, Mastercard is actively spearheading progress in this area because it is so fundamental to increasing usage.

Using what we know for impact

Mastercard works with its partners to begin with research that serves as the foundation for human-centered design of financial products and services for the underserved. The urban versus rural view provided by our Underserved Segmentation research is just one small example of how we use information on needs to design better products. At Mastercard, we work with a variety of partners within ecosystems to make successful deployment, ongoing engagement and sustainable uptake a reality.

Ongoing engagement with underserved communities

Ongoing engagement with consumers is key to financial inclusion because it not only ensures access but drives product use, key to achieving impact.

Our 2017 Underserved Segmentation research indicated illiterate respondents in urban areas are more likely than their urban literate counterparts to be unbanked—mainly because they did not understand the concept of banking or know how to use a financial account. Furthermore, one in four unbanked consumers remain unbanked because they don't perceive the need to be banked. This finding highlights a greater need for human-centered design to address factors driving uptake and usage in product development.

Traditional consumer engagement has focused on providing a method to address grievances (i.e. lost funds, locked out of account, etc.) typically through traditional contact points (e.g. call centers) with the consumer. When designing products for underserved segments, this approach is not adequate. Mastercard thinks beyond just grievances (which remain vital to creating consumer trust) and looks at how we can embed education into our products and programs.

Functional use: How does the consumer use the product or service?

After designing a product or service, companies need to make consumers aware and able to consider product features. For example, a prepaid card, in addition to withdrawing funds from an ATM can be used to make payment at a retailer's POS (Point of Sale) device. Furthermore, efforts also need to focus on educating consumers about how to use the product. It is often the first time these consumers have interacted with a digital or technology-enabled product. These interactions could include learning how to enter a pin, choosing a product for purchase on a merchant screen, or confirming a transaction to receive a product provided by a local merchant or NGO.

Spotlight: The Mastercard Aid Network

In economic and political crises, humanitarian NGOs provide aid—food, shelter, clothes, and financial resources—to help impacted individuals manage hardship. Many humanitarian NGOs still use paper vouchers to provide financial aid to beneficiaries. These vouchers are difficult for NGOs to manage, as they can easily lead to leakages, loss and theft.

To address this challenge, Mastercard partnered with NGOs (e.g. Save the Children Yemen and World Vision) and local merchants to launch the Mastercard Aid Network—a non-financial, end-to-end, points-based digital voucher platform. The Aid Network allows beneficiaries to secure basic needs with the simple dip of a card. Recipients can use a preloaded chip-enabled card for eligible goods such as food, medicine, and shelter.

Participating merchants use an intuitive, user-friendly terminal. Beneficiaries only need to dip their card at participating merchants using this terminal. They can select desired items, entering a PIN to safely confirm their transaction and receive their goods.

Many payment card recipients are first-time users. To address gaps in knowledge, NGOs train beneficiaries on how to use the cards through education campaigns and hands-on support. In the Philippines, World Vision trained both individual aid beneficiaries and local merchants to enable a frictionless experience. Mastercard believes products focused on the underserved require efforts to instill knowledge and foster empowerment as critical to the financial inclusion journey.

Source: Mastercard

Spotlight: Building consumer trust in the Middle East and North Africa

Many Middle Eastern and North African markets have mobile penetration rates of 100 percent. Logic says such accessibility would translate into payments usage, but it has not—partly due to lack of consumer trust.

To overcome this, Mastercard partnered with a mobile messaging service devoted to building mutually beneficial relationships between financial service providers and their customers, and one of the region's leading telecommunications providers, to create a text messaging option to open a dialogue with users and answer key questions about finances and financial pain points. Increased knowledge and trust led to an increase in monthly transactions.

Consumers engaged with the mobile messaging service to explain their cash usage pain points, difficulties in their financial lives, and key savings goals (e.g. paying for a wedding or education). By engaging customers in dialogue via two-way SMS messaging framed around their specific financial needs, the mobile messaging service and ultimately the telecommunications provider were able to improve consumer understanding of how to use payment products and enhance their trust. The resulting increase in transaction volumes raised revenues while empowering customers and deepening their digital relationship with the telecommunications provider's brand.

Putting in perspective that behavioral change takes time, the initial uptake was very high—96 percent of consumers stayed enrolled throughout the program. Furthermore, among active consumers, monthly transactions increased five to eight percent, mostly attributed to an increased number of peer-to-peer (P2P) transactions.

Source: Mastercard

Behavioral change: How does the consumer need to change their behavior?

Even after understanding a product's features as well as how and where to use, it can be difficult to start using it on a recurring basis because it requires a significant change in behavior. Behavior change on a large scale is very hard to achieve and measure. Studies suggest several ways to trigger positive consumer financial behaviors.[22] First and foremost, key information needs to be made available for consumers when they need it to make decisions. The product should tap into both the rational and emotional reasons for use, while allowing consumers to make their own connections based on specific needs. As the above example demonstrates, changing consumer behaviors will require a long-term, deliberate approach that can be facilitated by an innovative, low-cost, and engaging communication channel made available by the service provider. Lastly, a product's influence and staying power can be further reinforced through peer networks.

Counseling: How do I get the most from the financial service?

On an ongoing basis, consumers and merchants need support and guidance on how to make the most of financial services. Customers can maximize the utility of financial products when they are carefully instructed on their intended use and understand the long-term benefits of continued usage.

To assist in this effort, Mastercard sponsors the Master Your Card community empowerment program. It helps communities understand how to choose and use electronic payments to their benefit, works collaboratively on innovative solutions, and provides education to consumers on how to get the most from their money through the smart use of electronic payments. Mastercard is neutral in its messaging and does not promote Mastercard products or services in these efforts.[23]

Building robust ecosystems to enable scale

Ecosystems are basically interconnected webs of beneficial partnerships. Sustainable financial inclusion, characterized by active usage, requires robust ecosystems in which several types of entities provide support.

Private sector players—i.e. financial institutions, payments companies, fintechs, and mobile network operators—have a significant opportunity to leverage their core products and services to create impact in underserved communities. The public sector also has a unique role to play in establishing the rules of the game, providing public goods and enabling required infrastructure investments.

The need for expanded roles

On their own, however, most companies lack the resources to address the needs of the underserved. The unique requirements of the underserved likely require an expanded role for traditional participants, as well as participation by non-traditional players. To reach financial inclusion goals, it really does take a village—in this case, a motivated ecosystem.

The goal of an inclusive ecosystem should be to support commercially viable access and usage of payment instruments. Mastercard has a unique role to play, coordinating the activities of various ecosystem participants to ensure success.

The goal of an inclusive ecosystem should be to support commercially viable access and usage of payment instruments. Mastercard has a unique role to play, coordinating the activities of various ecosystem participants to ensure success. In a traditional four-party payments ecosystem, a cardholder with a relationship at an issuing bank (the "issuer") would make purchases from a merchant with a relationship at an acquiring bank (the "acquirer"). As a market organizer, Mastercard enables the entry of new players into the payments ecosystem to fill gaps where the traditional four-party model may not yet be fully developed, while at the same time ensuring ecosystem integrity. An ecosystem can only develop and advance when interested parties can participate to add value.

In its 2017 Financial and Digital Inclusion Project Report, the Brookings Institution reinforced the importance of formal country commitments to financial inclusion, including the creation of an enabling regulatory environment.[24] Such an environment establishes the rules of the game. Ultimately, well-functioning ecosystems enable network effects delivering value for the target consumer — the underserved — and service providers. Within ecosystems, private and public organizations co-create solutions leveraging each party's core competencies to provide mutual benefit. Finally, user trust must underpin an ecosystem, as its absence is a barrier to payment system development.

In a powerful example of the ecosystem approach, Mastercard and the IFC recently expanded their partnership to help new participants become part of the Mastercard payments network, with the IFC guaranteeing 100 percent of the risk. By reducing risk, new entities and players can more easily enter the payments system. This partnership makes it easier for banks to participate in payments, extending payment product access to new customer segments.[25] Whether ecosystems are dominated by private organizations or a mix of private and public entities, the sharing of resources in a well-functioning ecosystem creates critical enablers for ecosystem development.

Working together for mutual benefit

Regardless of an ecosystem's maturity or its composition, the private sector must work with the public sector to create enablers for success. Many development organizations and multilateral institutions have invested a great deal in fostering ecosystems to advance financial inclusion. Companies should work with governments and development organizations to shape the regulatory environment and policies supporting the usage of financial products. Additionally, there is a need to invest in payments-enabling public goods, such as financial literacy, to remove barriers to the financial inclusion journey. Finally, there is an opportunity for public and private sector collaboration to deliver human-centered products that incentivize usage.[26]

Serving as the connective tissue that enables collaboration among actors, ecosystems enable markets to function more efficiently. The characteristics of well-functioning ecosystems, promoting the financial inclusion journey include:

- Technologically led innovation
- Human-centered product development
- Increased speed to market and scale
- Commercial viability
- Greater financial inclusion and economic growth

"Driving financial inclusion for underserved populations is a strategic imperative for Mastercard, but we can only achieve this goal of universal financial access through working together and building an ecosystem of partners."[27]

Sue Kelsey
EVP, Product Management,
Global Prepaid, Mastercard

Enabling the financial inclusion journey

Mastercard supports the development of well-functioning ecosystems that enable economically viable financial inclusion. We play an active role as a market organizer with ecosystem participants to ensure the system's integrity as well as trust in the system. We advocate for the removal of structural barriers and enable innovation. Mastercard also identifies and works to introduce new solutions and models that will not only support current payment flows, but enable new payment flows, such as business-to-business (B2B), that can expand an ecosystem and increase its attractiveness.

Our end-to-end approach to developing meaningful products, from design to consumer engagement, can drive widespread usage and propel the financial inclusion journey.

FINTECH CASE STUDY

Fintech aids the cause

The rise of fintech (financial technology) incents consumers to be more digital, simply because technology makes it easier and more secure for them to utilize financial services (see spotlight on fintech in Kenya).[28] Fintech can help Micro, Small and Medium Enterprises (MSMEs) with financing, addressing the 65 million (or 40 percent) of formal MSMEs in developing countries with unmet financing needs.[29] Additionally—going forward—emerging digital technologies will continue to drive innovation in the design and development of low-cost products meeting consumer needs as well as new business models for bringing those products to market.

Spotlight: Using partnerships to drive usage in Pakistan

Pakistan ranked lowest out of a 30-country sample for digital payments adoption. The issue was not access (70 percent of Pakistan's population has access to a mobile phone, with 10+ percent having a smartphone), but rather usage. With smartphone penetration predicted to grow rapidly over the next five years, the time was ripe for a mobile payment solution that could help the country's underserved community better participate in the local and global economy.

To address this gap, Mastercard came together with the national bank, United Bank Limited (UBL), and two of Pakistan's leading telecommunications players (Mobilink and Telenor) to launch a payment solution, leveraging Masterpass Quick Reference (QR). Consumers can use the Masterpass QR app to purchase in-store and pay bills, all within one secure account. It makes paying for goods and services easy and quick for the consumer, while also enhancing convenience for merchants.

Key to this success was the integration of Masterpass QR with other QR based payment services. In the spirit of cooperation, the partners recognized the value in allowing a user to pay at any accepting merchant, regardless of provider. This payment interoperability at the point of acceptance is critical to improving the overall level of acceptance. By addressing consumer and merchant needs collaboratively, the companies involved could reach a far larger population more quickly than would have been possible on a standalone basis.

Spotlight: Mastercard and Unilever help entrepreneurs in Kenya with fintech

Mastercard and Unilever continue to partner to assist micro-entrepreneurs in Africa and other developing countries overcome cash flow constraints. These constraints, in conjunction with the absence of formal credit history, limit small kiosk business owners from carrying sufficient inventory to capture all potential sales, stunting the growth potential of their businesses.

Philip Herrey, Mastercard's Vice President of Enterprise Partnerships, explains: "A combination of mobile penetration and governments' desire to boost financial inclusion and reduce the use of cash is fueling mobile financial services and payments in emerging markets. Payment technology companies, banks, and start-ups are looking at new and innovative ways to solve the issue of financial access through mobile technology."

The Jaza Duka ("fill up your store") initiative in Kenya combines distribution data obtained by Unilever and analyzed by Mastercard to determine the inventory history of a kiosk. The data is then presented to Kenya Commercial Bank (KCB) to offer small business owners a formal representation of credit history, allowing them to qualify for working capital loans. This enables small and medium enterprises to access these loans without providing formal credit histories or collateral. An additional benefit to small business owners is access to competitive interest rates.

The project in Nairobi is bearing fruit, with stores on the platform declaring growth in sales of up to 20 percent.

Mastercard and Unilever have committed, by the end of 2018, to reach 20,000 kiosks in Kenya with the product which will include a digitally managed credit. They expect to extend this to additional markets across Asia Pacific and Africa.

The Center for Inclusive Growth—a Mastercard initiative aimed at driving financial inclusion—is collaborating with TechnoServe to ensure responsible use of credit and to provide training to micro-entrepreneurs on financial and business skills.

Source: Mastercard

Creating positive impact

Developing and scaling sustainable financial products for underserved populations is no small undertaking, but the way forward can be eased with collaborative partnerships.

"Financial inclusion is a massive undertaking—one that can only be met together—across countries, sectors, and industries."

Ajay Banga
Mobile World Congress
March 3, 2015

Mastercard believes that a commitment to financial inclusion is both good for business and good for societies around the world—and Mastercard serves as a resource for organizations that share this commitment.

Putting humans squarely at the center of our product development process, sustaining ongoing engagement with underserved consumers, and building robust ecosystems to scale provide a solid foundation to enable the financial inclusion journey. By better understanding and addressing usage drivers, we can create more targeted partnerships that can move us toward financial health.

While there is still much to be done to drive usage of financial products and services, progress made over the past several years is encouraging. Mastercard sees our role as building consumer-focused and market-relevant financial products that drive economic development, bringing tangible social benefits that impact peoples' lives.

We invite you to partner with us in this endeavor. The more organizations that join us, the faster we can address financial inclusion at scale—not only helping individuals and businesses worldwide, but also strengthening the global economy.

It is a lofty goal but one well worth the effort.

FIGURE 5
Usage Drivers, Goals, and Benefits

Usage Drivers	Target Goal	Benefit
Product development	Understand consumer needs	Develop solutions providing consumer and commercial value
	Address deployment considerations	Enable product access and usage
Ongoing engagement	Drive functional use	Increase convenience, financial security, and commercial value
	Change behavior and mindsets	Catalyze uptake and sustained product usage
	Counsel on financial goals	Maximize consumer utility from products and services
Building robust ecosystems to enable scale	Create new models for deploying technology	Enable participation by traditional and non-traditional actors
	Create network effects	Drive digital liquidity through payments interoperability
	Establish new payment flows and channels	Expand and extend value propositions for the underserved and providers

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- Underbanked individuals own either a formal bank account or mobile money account, but have not used these accounts to make a payment in the past 12 months.

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This paper was written in partnership with Mastercard's New Consumers Team, Global Prepaid, Mastercard's Global Research and Insights Team, and Accenture Development Partnerships. The findings and recommendations presented in this paper were informed by the 2017 Underserved Segmentation research as well as secondary research. The Underserved Segmentation research was conducted by Mastercard's Global Research and Insights team. The secondary research was conducted by Accenture Development Partnerships on behalf of Mastercard.

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