What is 'Financial Inclusion'

Financial inclusion is the pursuit of making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size, respectively. Financial inclusion strives to address and proffer solutions to the constraints that exclude people from participating in the financial sector.

It is also called inclusive financing.

The financial sector is continually coming up with new and seamless ways to provide services to the global population. The increase in the use of technology in the financial industry ([fintech](https://www.investopedia.com/terms/f/fintech.asp)) seems to have filled the void of inaccessibility to financial services. The advent of fintech has created a way for all entities to have access to all financial tools and services at reasonable costs. Examples of fintech developments that have increasingly been embraced by financial users include [crowdfunding,](https://www.investopedia.com/terms/c/crowdfunding.asp) [robo-advisers](https://www.investopedia.com/terms/r/roboadvisor-roboadviser.asp), digital payments, [peer-to-peer (P2P)](https://www.investopedia.com/terms/p/peer-to-peer-lending.asp)or social lending, and insurance telematics. While these innovative services have disrupted the financial world by including more participants in the money sector, there is still an untapped portion of the world population that remain unbanked or underbanked.  
  
With little access to banks, especially in rural areas, underbanked users mostly carry out transactions in cash or checks, making them vulnerable to theft and street frauds. Even access to bank locations for conducting transactions like cash deposit, check cashing, money order and funds transfer may come at high costs in terms of banking fees. Fintech, telecommunication and banking institutions are working hand-in-hand to create mobile payment and microlending facilities for financially underbanked users. Numerous online payment and commerce systems incorporated with cellphones have been built to facilitate the ease with which this underserved population can immerse themselves in the digital economy. Examples of popular apps that have been created to foster financial inclusiveness include China’s AliPay and India’s Paytm Wallet, serving 450 million and 122 million users in 2016, respectively.

There is a sizable global market opportunity for fintech. However, access to a number of markets is impeded by the unbanked group, who have a deep mistrust of financial institutions and choose to conduct all-cash transactions. To alleviate this challenge, fintech companies have come up with innovations that promote transparency in their dealings with customers. Examples of these innovations include telematics insurance technologies that provide policy owners with premium rates based on number of miles used; digital currency transactions that use blockchain ledgers to reveal the nature of dealings and identities of players in the online sphere; robo-advisers that openly disclose and offer low fees for customers who have limited access to traditional financial advisers due to high costs; and peer-to-peer (P2P) lending sites that promote financial transactions where individuals lend and borrow from each other. P2P lending is particularly beneficial to emerging-market participants who have no way of getting loans from financial institutions due to a lack of financial history and credit record for each individual.

With the rise and rise of fintech, financial inclusion seeks to promote the betterment of the world's population through the use of financial services and tools available in an increasingly digital-based economy.

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

The main goal of financial inclusion is to improvethe range, quality and availability of financial services and products to the unserved, under-served and financially excluded.

**Financial inclusion** is where individuals and businesses have access to useful and affordable [financial products](https://en.wikipedia.org/wiki/Financial_product) and [services](https://en.wikipedia.org/wiki/Financial_services) that meet their needs that are delivered in a responsible and sustainable way. Financial inclusion is defined as the availability and equality of opportunities to access financial services.[[1]](https://en.wikipedia.org/wiki/Financial_inclusion#cite_note-1) Those that promote financial inclusion argue that financial services can be viewed as having significant positive externalities when more people and firms participate. One of its aims is to get the [unbanked](https://en.wikipedia.org/wiki/Unbanked) and [underbanked](https://en.wikipedia.org/wiki/Underbanked" \o "Underbanked) to have better access to financial services. The availability of financial services that meet the specific needs of users without discrimination is a key objective of financial inclusion. For example, In the United States this condition represents a third of the Hispanic community born in America and half the foreign Hispanic community living in the United States remain unbanked.[[2]](https://en.wikipedia.org/wiki/Financial_inclusion#cite_note-2) For this example, give financial services is key in order to growth as a society.

It has been estimated in 2013 that 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example, in [Sub-Saharan Africa](https://en.wikipedia.org/wiki/Sub-Saharan_Africa), % of adults have a bank account even though Africa's formal financial sector has grown in recent years.[[3]](https://en.wikipedia.org/wiki/Financial_inclusion#cite_note-3)

There is some scepticism from some experts about the effectiveness of financial inclusion initiatives.[[4]](https://en.wikipedia.org/wiki/Financial_inclusion#cite_note-4) Research on [microfinance](https://en.wikipedia.org/wiki/Microfinance) initiatives indicates that wide availability of credit for micro-entrepreneurs can produce informal intermediation, an unintended form of entrepreneurship.[[5]](https://en.wikipedia.org/wiki/Financial_inclusion#cite_note-5)

**“Fintech innovation” means different things to different markets. In some, we are seeing app-driven challenger bank gain traction among customers who are increasingly used to paying for their morning coffee with a tap of their smartphone. Barely a day goes by without some update on cryptocurrencies and the potential impact of blockchain.**

Yet in many developing economies, innovation is enabling something much simpler, yet more profoundly impactful: access to previously out-of-reach banking services, built explicitly for the specific and very different needs of customers in those markets.

The drive towards universal financial inclusion is high on the agenda for many at both national and global levels. It remains The World Bank’s number one goal, for example, with the group’s president, Jim Yong Kim, issuing a call to action to bring half of the world’s two billion unbanked population access to banking services by 2020.

In many countries fintech innovators and entrepreneurs are seizing the day and creating new businesses to tackle financial inclusion head on. Start-ups across both developed and developing countries are answering the World Bank’s call and the tangible outcomes have been phenomenal thus far.

**Financial technology** (**FinTech** or **fintech**) is the new [technology](https://en.wikipedia.org/wiki/Technology) and innovation that aims to compete with traditional financial methods in the delivery of [financial services](https://en.wikipedia.org/wiki/Financial_services).[[1]](https://en.wikipedia.org/wiki/Financial_technology#cite_note-1) FinTech is a new industry that uses technology to improve activities in finance.[[2]](https://en.wikipedia.org/wiki/Financial_technology#cite_note-2) The use of [smartphones](https://en.wikipedia.org/wiki/Smartphone" \o "Smartphone) for [mobile banking](https://en.wikipedia.org/wiki/Mobile_banking), [investing](https://en.wikipedia.org/wiki/Investing) services[[3]](https://en.wikipedia.org/wiki/Financial_technology#cite_note-:0-3) and [cryptocurrency](https://en.wikipedia.org/wiki/Cryptocurrency" \o "Cryptocurrency) are examples of technologies aiming to make financial services more accessible to the general public. Financial technology companies consist of both [startups](https://en.wikipedia.org/wiki/Startup_company" \o "Startup company) and established financial and technology companies trying to replace or enhance the usage of financial services provided by existing financial companies. Many existing financial institutions are implementing Fintech solutions and technologies in order to improve and develop their services, as well as gaining an improved competitive stance.

 "fintech is a new financial industry that applies technology to improve financial activities."[[4]](https://en.wikipedia.org/wiki/Financial_technology#cite_note-4) FinTech is the new applications, processes, products, or business models in the financial services industry, composed of one or more [complementary financial services](https://en.wikipedia.org/wiki/Banking_as_a_Service) and provided as an end-to-end process via the Internet.[3]

Broadly, the term 'financial technology' can apply to any innovation in how people transact business, from the invention of digital money to double-entry bookkeeping. Since the internet revolution and the mobile internet/smartphone revolution, however, financial technology has grown explosively, and fintech, which originally referred to computer technology applied to the back office of banks or trading firms, now describes a broad variety of technological interventions into personal and commercial finance. Fintech now describes a variety of financial activities, such as money transfers, depositing a check with your smartphone, bypassing a bank branch to apply for credit, raising money for a business startup, or managing your investments, generally without the assistance of a person. According to [EY's 2017 Fintech Adoption Index](https://www.ey.com/Publication/vwLUAssets/ey-fintech-adoption-index-2017/$FILE/ey-fintech-adoption-index-2017.pdf), one-third of consumers utilize at least two or more fintech services and those consumers are also increasingly aware of fintech as a part of their daily lives.