Innovation Pulse / Deep dive

Exploring **Financial Inclusion**

October 2025

Introduction

Europe's overall financial inclusion rate is high, yet meaningful segments remain excluded or only partially served by the financial system.

Exclusion ranges from lack of access to basic accounts to being unable to secure more complex products like mortgages, credit, or investment accounts, leaving many effectively underbanked despite nominal participation. These gaps persist for diverse reasons, including documentation hurdles, thin or volatile incomes, digital and financial literacy constraints, financial stress, among other barriers.

This document synthesizes secondary research to **map the current state of inclusion across Europe and to surface the recurring barriers that limit access. It highlights how some obstacles are evolving, driven by digitization, new human behaviors, or changing customer expectations.**

The goal is to offer a concise picture of barriers and behaviors, and to point toward specific opportunities where targeted product improvements can unlock broader inclusion.

Key take-aways

STATE OF UNBANKED POPULATION

- Europe's financial inclusion is strong compared to global standards.
- The unbanked rate has steadily declined alongside digital advances
- Nevertheless, **unbanked** adults are still concentrated in certain **Eastern European countries**: Romania, Bulgaria, and Hungary
- **Most vulnerable groups of people facing financial inclusion gaps** include older adults, migrants and non-EU citizens, people with disabilities, residents of rural and remote communities, youngers unemployed, and ex-offenders or recently reintegrated individual

BARRIERS IN FINANCIAL SERVICES

- **Documentation hurdles, inconsistent incomes, and literacy gaps** (both digital and financial) remain significant entry barriers for many individuals
- **Financial stress and information overload** cause decision paralysis and risk aversion, discouraging product uptake when decisions are perceived as too complex
- **Digitalization and bank branch closures** are widening the **digital and geographic divides**, sometimes leading to "banking deserts" especially in rural and small-towns, particularly affecting the elderly and those less comfortable with digital tools

CLOSE-UP TO FINANCIAL SERVICES

- **People hesitate to open an investment accounts** due to knowledge gaps, risk aversion, info overload, high entry costs, and digital exclusion. Nevertheless, players have tried to lower these barriers through both product and design best-practice
- There is low participation and awareness for **personal and occupational pension schemes**, such as PEPP
- **High housing demand, persistent affordability challenges, and tightening regulations** have made it increasingly difficult, **especially for low-income and first-time buyers**, to access mortgage.

01. State of unbanked population in Europe

In the following slides, we give a snapshot of the unbanked population rate across European countries, focusing on the most vulnerable groups of people affected

Take aways:

- **Europe has a much lower proportion of unbanked adults compared to the global average**: Only about 3.54% of European adults were unbanked in 2021 versus a 17% global average, and this rate has dropped significantly from 4.28% in 2017 to 1.57% more recently
- The **most significant concentrations of unbanked adults are found in Eastern European countries**: Romania (31%), Bulgaria (16%), and Hungary (12%)
- Advances in technology and digital banking services continue to reduce the unbanked population, so the latest figures are likely even lower today than in 2021
- **Excluded groups include older adults with low digital literacy, migrants and non-EU citizens, people with disabilities, residents of rural and remote communities, youth, and ex-offenders or recently reintegrated individuals.** These groups are consistently identified as being at risk of financial exclusion

Overview of unbanked population in Europe

UNBANKED POPULATION

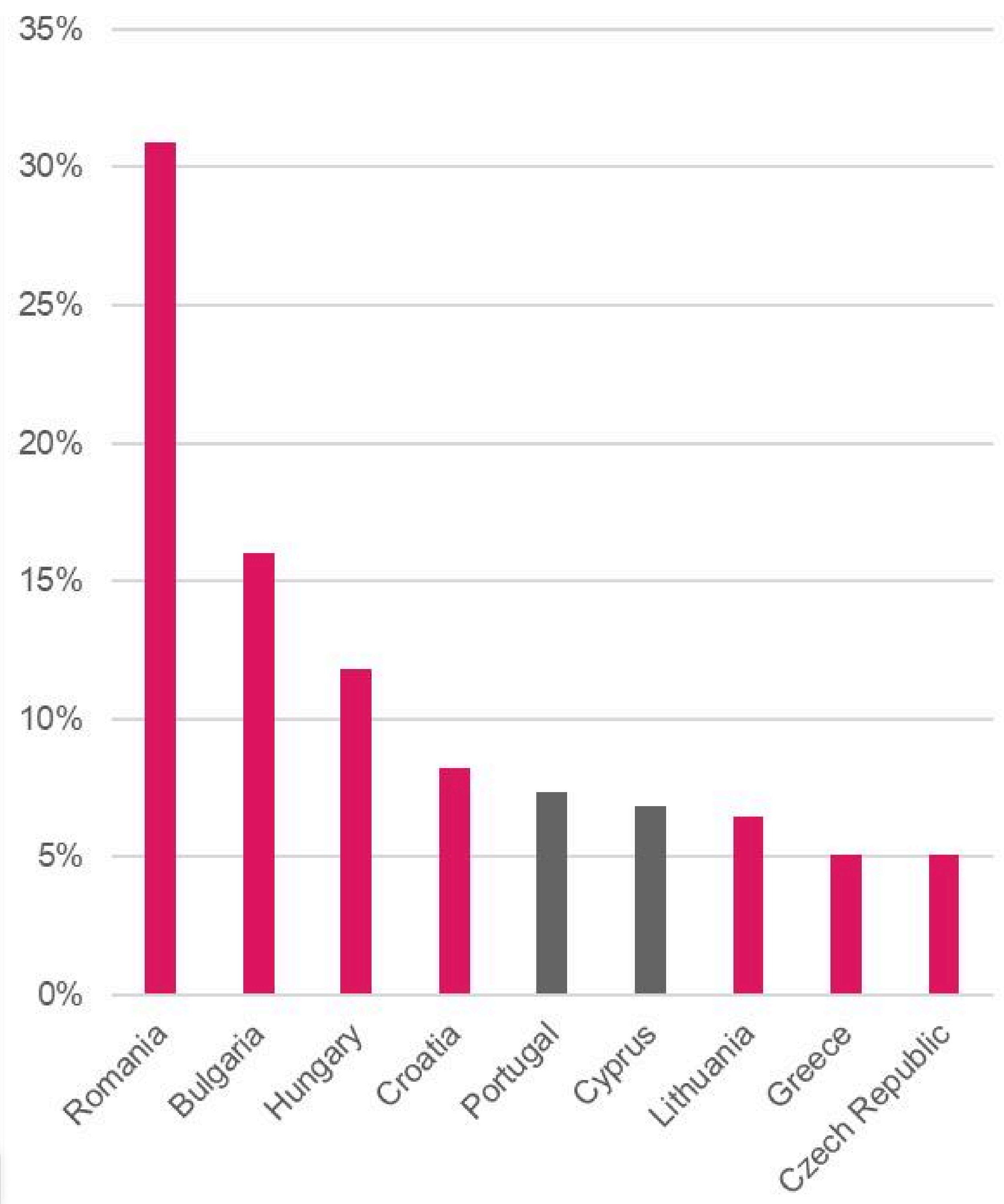
Latest data of ECB shows that **Europe has a significantly lower proportion of unbanked adults compared to the global average**, with only about 3,54% of adults in the euro area remaining unbanked as of 2021, while the global average stands at 17%.

Also, compared to 2017, **the rate of unbanked population has lower from 4,28% to 1,57%.** Considering technology adoption and further digital advancement in the banking sector, **this rate should have lowered from 2021 to today**.

Nevertheless in Europe, **the highest shares of unbanked adults are found in Eastern European countries** such as Romania (31%), Bulgaria (16%), and Hungary (12%), where rates are much higher than in Western and Northern Europe.

ERPB consultation Fit of the digital euro in the payment ecosystem: Theme Business model

2021 Relative share of unbanked population



*Countries with more than 5% of share of unbanked population

Vulnerable groups of people affected

Among all unbanked population facing challenges, **some groups experience significantly higher levels of exclusion and disadvantage than others.** The following are the most widespread among these highly marginalized groups:

Elderly people

Older adults are among **the most affected.** Digital banking, online public services, and limited physical branches all act as barriers.

Many struggle with low digital literacy and fear of making mistakes online. As societies age, Europe faces a "generational digital divide" that will deepen economic and social isolation

Migrants and Non-EU Citizens

Migrants face **structural barriers**: **language obstacles**, **regulatory complexities**, and **lack** of valid **identification documents**.

Over 40% of non-EU residents are at risk of poverty or **social exclusion** compared to less than 27% of EU-born citizens.

Youth and NEETs

Young people and **NEETs** (Not in Education, Employment, or Training) are increasingly exposed to social and financial exclusion, especially in Southern and Eastern Europe.

People with Disabilities

People with disabilities often face inaccessible bank interfaces and inadequate service design. Despite EU regulation such as the Web Accessibility Directive, compliance remains uneven.

Rural and Remote Communities

Residents of rural or peripheral areas suffer from **limited broadband access**, poor infrastructure, and the closure of local bank branches.

This "**geographic exclusion**" reinforces financial marginalisation and hinders participation in e-banking and e-commerce.

Ex-Offenders and Reintegration Groups

Ex-prisoners and recently reintegrated individuals encounter significant difficulties in **re-entering** the **formal financial system** due to **missing documentation**, lack of digital identity, and systemic bias.
Without bank accounts or access to credit, reintegration becomes harder, perpetuating social exclusion.

02. Barriers preventing individuals acquire financial services

Based on desktop research about recent studies and surveys conducted at European level, in the next slides we present the key barriers and constraints that could limit financial inclusion

Take aways:

- **Individuals at risk of exclusion are those with lower financial literacy, limited cognitive resources, or those under chronic financial stress.** Who struggle to make effective financial decisions and may disengage from financial products before applying
- **People in rural areas, inhabitants of small towns, and people in remote areas are excluded as branch closures create "banking deserts,"** increasing travel distances and reducing convenient access to financial services
- Additionally, **digital exclusion** due to poor digital skills, lack of access to internet or devices, and distrust towards digital platforms, **is leaving individuals outside the formal financial system**
- **Migrants, non-EU citizens, those without standard identification, and individuals with limited or missing documentation face exclusion** as they often cannot open basic financial accounts or meet complex regulatory requirements needed for economic participation

Financial literacy

AT A GLANCE

Financial literacy is described as the combination of **knowledge, skills, and behaviors** necessary to **make informed financial decisions** and to reach personal goals and financial wellbeing. It's typically related to many **aspects of people's way of managing money**, as:

- **Budgeting**: learning how to plan and control spending for everyday life
- **Saving**: putting aside money regularly to build financial security and plan for future needs or emergencies
- **Borrowing and debt management**: building and improving credit scores, understanding loan terms, managing debt repayment responsibly
- **Investing**: knowing how to evaluate and choose investments to grow wealth over time, being aware of potential associated risks

Based on a recent **European Union survey**, the level of financial literacy varies among EU Countries, with **only 18% of EU citizens having high financial literacy**, 64% medium, and 18% low. The countries with higher financial literacy rates (where more than 25% score* highly) are the Netherlands, Sweden, Denmark, and Slovenia

Eurobarometer surveys.eu

Factors that might negatively affect financial literacy

- **Demographic aspects**: less educated people, ethnic minorities or migrants with language and cultural barriers face knwoledge hurdles to access financial products
- **Socio-economic and geographic divides**: lower income people or vulnerable people leaving in rural areas may struggle to access information and resources needed for financial learning
- **Socio-political environments**: insufficient integration of financial literacy into general education, entrepreneurship programs, and lifelong learnings limit the practical acquisition of financial skills, especially for younger individuals
- **Complexity of financial products**: the evolving nature of financial products requires constant updating of financial knowledge, often combined with digital knowledge and skills

*The overall financial literacy score combines financial knowledge and financial behaviour, giving both aspects equal weight. The score calculated varies between 0 and 10. High score = 9 or 10

Financial stress & Information overload

Recently, individuals have become increasingly exposed to a wide range of digital and social content that shapes their views on financial services. As financial decisions often feel complex or overwhelming, greater online engagement, for example through social networks or finance apps, is influencing how people perceive financial products and develop behaviors that may discourage them from adopting new ones.

FINANCIAL STRESS AND DECISION-MAKING

Financial stress consumes a median of 6 hours per week of individuals' time and cognitive resources, directly reducing their capacity for productive financial decision-making.
This cognitive drain is particularly problematic because it occurs precisely when individuals need their full mental faculties to navigate complex financial applications.

The physiological impact extends beyond mere distraction. **Studies using cortisol manipulation show that chronic stress exposure over 8 days makes individuals significantly more risk-averse in financial decisions**, while acute stress can increase risk-seeking behavior when combined with negative affect.
These stress-induced changes in risk preferences can lead individuals to either avoid financial products entirely or make suboptimal choices that don't align with their actual financial needs.

INFORMATION OVERLOAD AND DECISION PARALYSIS

The phenomenon of information overload in financial services creates what researchers term "analysis paralysis." **When faced with too many investment options, 401(k) participation drops from 75% with 2 options to 61% with 59 options**, demonstrating how choice abundance can paradoxically reduce engagement with financial products. This effect is amplified in mortgage and lending contexts where complex documentation requirements and multiple lender options can overwhelm applicants.

Cortisol shifts financial risk preferences - Narayanan Kandasamy

THE ECONOMICS OF FINANCIAL STRESS - Dmitriy Sergeyev

Acute stress alters individual risk taking in a time-dependent manner and leads to anti-social risk - S Bendahan

Digital divide

OVERVIEW

The digital divide is one of the main barriers **preventing many people from accessing financial services** in Europe.

It is not only a matter of insufficient internet connections but also a combination of factors related to **poor digital skills**, **lack of adequate devices**, regulatory difficulties, and limited trust in digital institutions.
The lack of digital skills, in particular, represents a significant obstacle for vulnerable groups such as the elderly, migrants, and people with low educational levels. Often, these individuals are unable to use online or mobile banking services and remain excluded from the formal financial system. This leads many to resort to informal systems, which are riskier and less protected.
The difficulties are particularly pronounced in rural and peripheral areas, especially in Eastern and Southern European countries such as Romania, Bulgaria, Greece, and some interior regions of Italy and Spain, where infrastructure and internet coverage are limited or absent.

VULNERABLE SOCIAL GROUPS

In Europe, the **digital divide remains deeply intertwined with financial exclusion**, reflecting pre-existing socio-economic inequalities.
While the EU's Digital Decade 2030 aims for 80% of adults to have basic digital skills, only 55% currently meet that target.
Vulnerable social groups, such as the elderly, migrants, women, people with disabilities, rural residents, and ex-offenders, **risk being left behind** as the continent accelerates its digital transformation.

IMPLICATIONS

The cost of this exclusion is very high: **digital exclusion limits access to job opportunities, education, credit, and social participation, increasing poverty and inequality**. According to recent studies, the digital divide could cost the global economy up to 2 trillion dollars in lost growth in the coming years.
To overcome this problem, a systemic approach is necessary, which includes investment in digital infrastructure, digital literacy programs dedicated to the most vulnerable groups, regulatory simplification, and greater attention to accessible and inclusive technologies.

Geographical exclusion

BRANCH CLOSURE ACROSS EUROPE

Since 2008 **ECB data show a general decline in the number of bank offices across the euro area.** The shift goes from a peak of 186k office in 2008, to only 106k offices still present in 2023. This corresponds to **a decrease in the eurozone, approximately halving branches presence,** going from 58 bank offices per 100k inhabitants in 2008 to 30 per 100k inhabitants in 2023.

One potential reason for the decline could be the **rise of online and mobile banking**. Many customers have changed the way they interact with banking channels, included physical branches, **now conducting several banking activities remotely leveraging digital channels,** which reduces the demand for office spaces and related costs for the bank.

The changing landscape of bank offices in the euro area

data.ecb.europa.eu

BANKING DESERTS

Geographical areas which experience several branch closures are becoming "banking deserts," that are typically occurring in **rural, small-town, and remote areas, where shot downs increase distances to the nearest branch**, thus forcing residents to travel longer, bear transportation costs and reducing convenient access to (essential) banking services.

This geographic exclusion limits people access to cash, lending, financial support and advice for more complex products, which mainly affects **elderly, low-income, and non-digital savvy population** and worsents financial exclusion.

Documentation and regulatory compliance

INCENTIVES

In 2014 The European Commission introduced the Payment Accounts Directive (PAD) to make basic payment accounts affordable and accessible especially for vulnerable consumers

" Member States shall ensure that the exercise of the right (to open a basic payment account) is not made too difficult or burdensome for the consumer."

BARRIERS

Regulatory misalignment

Stringent AML/CFT regulations often discourage financial institutions from onboarding high-risk or low-income customers.

The Directive sends a complex message as institutions are liable for identification failures but also obliged to be inclusive.

Article 13 AMLD requires full verification "on the basis of documents", while Article 16 PAD mandates access, producing a disincentive when documentation is incomplete.

The distribution of liability between financial institutions and anti-fraud authorities increases the risk of illegitimate exclusion

Opinion of the European Banking Authority on 'de-risking'

European Banking Authority (2023), Guidelines on ML/TF Risk Management and Access to Financial Services

Personal documentation

In many EU countries, people without standard IDs struggle to access financial services. Even under the PAD, they're often unable to open basic payment accounts.

- **Proof of identity**: at EU level, there is no harmonised way to access the identification documents of citizens or legal residents.
- **Proof of residence**: Examples are homeless people living in collective housing, retirement and rehabilitation housing and prison inmates

Without a payment account, financial exclusion becomes systemic

Finance Watch 2024 Report

Global Findex database 2021 - World Bank

MOST EXPOSED GROUPS

- Migrants (especially third-country nationals) face narrow acceptance of identity proofs and residence criteria
- Homeless and travellers often lack any fixed address or formal documentation
- Vulnerable populations are growing: in 2022, 21.6 % of EU citizens (95.3 million people) were at risk of poverty or social exclusion

https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20240612-1

Financial inclusion - Barriers preventing individuals acquire financial services

Algorithmic biased decision-making mechanisims

As financial institutions increasingly rely on algorithms to make lending and credit decisions, unintended biases are emerging as a major barrier to inclusion. When data mirrors historical inequality, machine learning models can unintentionally replicate those same patterns, making it harder for credit-invisible groups to access financial opportunities.

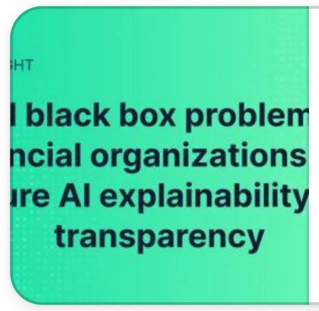
CREDIT INVISIBILITY AND DECISION-MAKING MECHANISM

Algorithmic biased decision-making mechanisms represent a critical barrier to financial inclusion, particularly for credit invisible populations who lack traditional credit histories.
Machine learning algorithms used in credit scoring and lending decisions can perpetuate and amplify existing discriminatory patterns through multiple pathways, creating systematic exclusion from financial services. When algorithms are trained on historical lending data that reflects decades of discriminatory practices, they learn to replicate these biases even when race, gender, and other protected characteristics are formally excluded from the models

BLACK BOX REPERCUSSION

The "black box" nature of complex algorithms compounds these problems by obscuring discriminatory decision-making processes, making it nearly impossible for rejected applicants to understand why they were denied or how to improve their applications.
This creates a self-reinforcing cycle where credit invisible populations (young adults, immigrants, and racial minorities) are systematically excluded from credit-building opportunities, further entrenching their invisibility within financial systems and limiting their ability to access mortgages, loans, and other essential financial services needed for economic mobility.

Algorithm Bias in Credit Scoring: What's In...
cgap.org



TrustPath | The AI black box problem in fin...
trustpath.ai

03. Close-up to financial products

Access and engagement with more complex financial products remain uneven in Europe: knowledge gaps, affordability barriers, digital divides, and product complexity continue to limit their understanding and usage. In this chapter we understand how specific financial products are being affected, reducing individuals' willingness to access them, or capacity to utilize them

Take aways:

- **Limited financial literacy, high risk aversion, and complex product information discourage participation in investments products**. Product proposition and design best practices are emerging in the market, helping to unlock broader inclusion

- **Participation and awareness remain very low in pension and retirement accounts,** only a minority of EU citizens have occupational or personal schemes, and most are unaware of the Pan-European Personal Pension (PEPP

- **Rising housing prices, higher interest rates, and strict credit regulations make homeownership increasingly inaccessible. Intensifying inequality and financial vulnerability limit mortgage's** understanding and affordability, pushing more people toward renting

- **Vulnerable groups such as low-income individuals, migrants, and the elderly face affordability barriers for insurances.** High premiums and lack of inclusive product design restrict coverage

Investments accounts

EU citizens have one of the highest household savings rates in the world (~ 15.4% in 2025 Q2 in EU, vs ~4–5% in U.S.), **but often they do not get the most out of their savings avoiding moving them to investments**

Household saving rate
ec.europa.eu

FRICTIONS ASSOCIATED TO INVESTMENTS

- **Knowledge gaps:** lack of understanding of attributes (e.g., risks, returns, diversification, time horizons), leading people to hesitation or avoidance
- **Risk aversion:** fear of losing money, temporal myopia (short-term thinking bias), reducing willingness to engage with investment products
- **Information overload:** complex terms and conditions, overwhelming information can add anxiety and discouragement
- **High costs:** minimum capital requirements, management costs create barriers for the ones having limited capital at disposal
- **Limited physical access:** individuals in underserved banking areas could face challenges due to fewer local financial advisors guidance
- **Digital divide:** the transition to digital platforms might leave behind digitally excluded populations, as elderly or less tech-savvy groups

Best practices in the market

PATTERNS FROM **PRODUCT PROPOSITION** AND **DESIGN** PERSPECTIVES TO OVERCOME FRICTIONS

- **Very low entry ticket:** let users start investing from low amounts (even 1–10€), so that affordability feels real
- **Clear, goal-based UX:** frame investing as achieving concrete goals rather than abstract returns. Visual progress and plain-language (e.g., avoiding jargon or acronyms) can increase user engagement
- **Automated tasks:** start by offering recurring round-ups, micro-savings, auto-invest rules helps reducing the need for user active decision-making and the fear of losing money
- **Micro-education in context:** provide contextual help (e.g., tooltips, interactive calculators) linked to user's current task could support in familiarizing with invesment terms
- **Transparent, low fees:** show "what you'll pay" nudges, fee values with simple graphics helps to build trust and overcome fee aversion
- **Trust signals & safety nets:** illustrate easy-to-understand deposit and regulatory protection is crucial for increasing trust
- **Risk progressive exposure**: allow users to start with simpler or low-volatility investment products (e.g., diversified ETFs rather than cryptos) helps building experience and trust
- **Channels integration:** integrate investing into everyday banking apps (e.g., savings pots that can be then invested) allows catch with users where they already transact and feel already familiar

Financial inclusion - Close-up to financial products

Pensions and retirement accounts

LOW PENSION SCHEME AWARENESS

Including when considering retirement solutions other than the PEPP (Pan-European Personal Pension), as well as the current cost of living crisis are possible causes for low PEPP demand.
According to EIOPA's 2024 Eurobarometer survey only 20 % of EU citizens participated in an occupational pension scheme and 18% owned a personal pension product.

Consumers are unaware of EU alternatives, as 76% of Europeans have not heard about the PEPP. Therefore, as the cost-of-living crisis eases and the economy environment improves, the expectation of increased interest in the PEPP remains uncertain. Even in Member States with high pension participation and awareness, it is uncertain whether there would be significant demand for the current PEPP if it were to be offered.

A simple and long-term European savings product: the future PanEuropean Pension Product

LOW PENSION SCHEME PARTICIPATION

" According to Eurobarometer data from July 2023, **only 23% of EU citizens participate in an occupational pension scheme and 19% own a personal pension product, which means that a majority of EU citizens fully depend on statutory pensions for their future retirement income.**
This has impacts in terms of confidence in pension systems, since only 45% of Europeans are financially confident in their retirement – 37% of women and 47% of men, which is another illustration of the gender gap19. Citizens with a supplementary pension also feel more financially confident in their retirement than those without one (53 compared to 37%).
Moreover **the awareness of the need to save for retirement is not fully shared among the European population**. The Insurance Europe 2023 survey shows that about 26% of those who do not save for retirement are not interested in doing so and 14% state that they do not have enough information.

Pensions in the EU: challenges, EU competencies and on-going reforms
Marc Truche
eurofi.net

Financial inclusion - Close-up to financial products

Mortgages and house financing

DEMAND - SUPPLY

High Demand and Limited Supply

The high demand for housing, coupled with reduced mortgage financing, has pushed more people towards renting, creating a shortage in the rental market and driving up rental prices.

https://unece.org/media/press/395067

AFFORDABILITY

Affordability Challenges

Over the past decade, the housing market in the EU has been characterized by significant price growth, putting pressure on housing affordability. Despite price moderation in 2022 and 2023 due to monetary tightening and increased mortgage interest rates, house prices remain historically high in approximately three-quarters of the EU, highlighting an underlying mismatch between demand and supply

https://www.intereconomics.eu/contents/year/2025/number/2/article/selected-macroeconomic-and-social-aspects-of-housing-affordability.html

REGULATIONS

Regulatory Constraints

The funding gap that emerged in Europe after the financial crisis has been further exacerbated by regulatory and credit factors. These constraints limit the availability of mortgage financing, particularly for low-income individuals and first-time homebuyers.

https://www.pgim.com/us/en/institutional/insights/asset-class/alternatives/new-era-investments-uncertain-road-ahead/long-term-funding-gap-european-real-estate

Financial inclusion - Close-up to financial products

Insurance

VULNERABLE GROUPS

Limited Access for Vulnerable Groups

Certain demographics, such as low-income individuals, migrants, and the elderly, often face barriers in accessing insurance products. A study published in the Health Economics Review investigates access disparities in pharmaceutical care among German patients with type 2 diabetes, focusing on differences between public and private health insurance schemes

https://healtheconomicsreview.biomedcentral.com/articles/10.1186/s13561-024-00500-y

AFFORDABILITY

Affordability Issues

High premiums and out-of-pocket costs can make insurance unaffordable for many. The World Bank Group considers financial inclusion, including inclusive insurance, a key enabler to reduce extreme poverty and boost shared prosperity.

https://insuranceblog.accenture.com/inclusive-insurance-opportunity

PRODUCT - NEED MISMATCH

Lack of Tailored Products

Insurance products often do not meet the specific needs of underserved communities. AXA's EssentiALL initiative aims to provide attractive, accessible, and affordable products to underserved communities, ensuring their financial health and sustained growth even in the face of unexpected events.

https://www.axa.com/en/commitments/axa-essentiall-inclusive-insurance