

# Digital Financial Inclusion



Jessica Scranton

**FHI 360's expertise in financial inclusion, digital tools and applied research has contributed to the uptake of digital financial services (DFS) in countries worldwide.**

## **WHY DIGITAL FINANCIAL INCLUSION?**

An estimated 31 percent of adults worldwide are unbanked.<sup>1</sup> But the growth of mobile phones, branchless banking, card-based and other digital financial solutions has translated into increasingly accessible financial services, which have the potential to unlock banking options to the world's 1.7 billion unbanked individuals.

Financial inclusion, scaled through digital delivery channels, has the power to transform lives by strengthening economic resilience and connecting the poor to the formal economy.

Through on-the-ground and research-based approaches, FHI 360 has made financial inclusion a reality for the world's most marginalized individuals and communities.

## **BUILDING HEALTHY DFS ECOSYSTEMS**

Across countries as diverse as Haiti, India, Malawi, Afghanistan, Bangladesh, Liberia and Papua New Guinea, FHI 360 stands out as a leader in capacity building and policy reform for digital financial ecosystems. We have worked closely with public and private sector stakeholders to provide key regulatory technical assistance, develop guidelines and identify solutions to scale the use and uptake of DFS products and services.



## CORE OFFERINGS

Primary services focus on building healthy DFS ecosystems, digitizing payment streams, developing tailored digital financial services products and services, and generating learning products for government, private sector, and multi-national organizations alike.



## DIVERSE PARTNERS

FHI 360 boasts strong partnerships across the public and private sectors.

### *Financial Institutions:*

Ecobank, IFC Bank Limited, Bank Asia, Bangladesh Bank, Central Bank of Jordan, Central Bank of Liberia

### *Foreign Governments:*

Government of Liberia, Government of Afghanistan, Government of Mali

### *Donors:*

USAID, U.S. Treasury, IFC, Rockefeller Foundation

### *NGOS:*

Intellectap, IRRI, BSR, DAI, IFMR LEAD



## GLOBAL WORK

FHI 360's DFS experience spans 18 countries in Africa, Southeast Asia, Central Asia, Caribbean, Oceania and globally applicable activities.

- **Feed the Future Malawi Mobile Money Program:** Over four years, FHI 360 trained 10,000 people in digital and financial literacy, conducted nine pilots to digitize payments and 42 events. The project's investment in the DFS ecosystem paid off: mobile wallets grew from 200,000 at project inception to 2.5 million at closeout. A noted success includes the establishment Mobile Money Coordinating Group which consisted of local, government and international stakeholders.
- **Haiti Integrated Financing for Value Chains (HIFIVE):** FHI 360 managed HIFIVE with World Council of Credit Unions. HIFIVE provided business development solutions to MSMEs and furthered the use of ICTs through the Haiti Mobile Money Initiative, introducing 39 ICT tools to increase access to financial services. The \$22.5 million HIFIVE Catalyst Fund invested in locally-developed solutions for financial institutions. Under the follow-on, **Haiti Finance Inclusive**, FHI 360, through a subcontract with DAI, undertook a stocktaking and meta-analysis exercise of financial sector data, providing Haiti Finance Inclusive with key pro-poor and MSME market segments that could drive financial inclusion.
- **mSTAR/Afghanistan:** FHI 360 supported the Government of Afghanistan (GOA) in drafting recommendations for an inclusive digital financial ecosystem, digitizing civil service salary payments and rolling out the digital identity system, e-Tazkira. Additionally, FHI 360 accompanied GOA representatives on an exchange visit to learn about the India Stack and Aadhaar system to incorporate appropriate practices into their strategy.
- **mSTAR/East Africa:** In East Africa, FHI 360 assessed the case for mobile network operators to offer cross-border services, increasing the ease of transfers and the availability of food in deficit areas. The assessment examined improvements to integration, reduced barriers to trade and increased agricultural productivity by better connecting farmers to markets through mobile payment systems.
- **mSTAR/India:** FHI 360 oversees two DFS initiatives in India. Catalyst, run by IFMR LEAD, seeks to build a sustainable approach to expand digital payments among low-income populations and merchants. The second initiative, led by Intellectap, explores opportunities for digital merchant payments in rural India with an emphasis on women.
- **mSTAR/Liberia:** FHI 360 supported the Central Bank of Liberia in drafting the Liberia National DFS Strategy to guide the advancement of DFS in Liberia from 2018–2022.

## DIGITIZING PAYMENT STREAMS: IMPLEMENTATION AND ROADMAPS

In Myanmar, Afghanistan, Liberia, Mali and Bangladesh, FHI 360 has played a pivotal role drawing roadmaps and assisting implementing partners, governments, donors and private sector partners in digitizing payment processes.

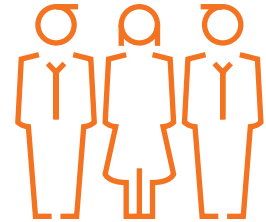
- **mSTAR/Liberia:** In Liberia, FHI 360 partnered with the Government of Liberia and mobile money service providers to digitize civil servant salary payments. In two years, FHI 360 enrolled over 4,800 civil servants in 15 counties in mobile money salary payments, enabling them to save on average 979 LD and 22 hours per month collecting their salaries.
- **mSTAR/Bangladesh:** FHI 360 supported the adoption of digital payments by USAID/Bangladesh programs, resulting in USD \$2.7 million in mobile transactions to 36,000 individuals in four years, three-fourths of whom are women. Digitizing beneficiary payments for women has significant potential impact on their safety and financial independence. With mobile payments, they have more control over their finances and are less at risk of being robbed.

- **Liberia Revenue Generation for Governance and Growth (RG3):** FHI 360 led an assessment of the Liberian Revenue Authority's IT systems, data center and network infrastructure, determining the readiness for piloting the use of mobile money for the payment of P2G transactions. This report informed a Proof of Concept Agreement for tax and fee collection which piloted in November 2017. FHI 360 then completed a work plan for implementing a P2G mobile payments activity.
- **mSTAR/Myanmar:** In Myanmar, FHI 360 assessed mobile payment potential within agricultural value chains. The assessment identified information gaps, regulatory discussions, scalable business opportunities, and encouraged private and public investment in the digital payments sector. FHI 360 also supports DFS integration into existing digital agriculture services.
- **mSTAR/Mali:** FHI 360 collaborated with USAID/Mali, Government of Mali (GoM) and development partners to identify how GoM could utilize DFS to achieve its development objectives. FHI 360 conducted an assessment and payment streams mapping which outlined opportunities and constraints to digitization. The assessment was used as the foundation for a two-day seminar in Bamako attended by more than 140 stakeholders.

## DEVELOPING CUSTOMIZED CONSUMER PRODUCTS AND ACCELERATING ADOPTION

FHI 360's DFS experts understand contextual differences between communities and draw on insights from local populations to develop tailored services with private sector partners, merchant acceptance and local consumers.

- **HERfinance Bangladesh:** The ready-made garment industry in Bangladesh supports 25 million people, most of whom are women. FHI 360 supported Business for Social Responsibility (BSR) to promote financial inclusion among ready-made garment workers by increasing uptake of MFS through product-level enhancements. FHI 360 and BSR published the manual Digitizing Worker Salary Payments: A Manual for Ready-made Garment Factories to help factories transition to mobile payments.
- **Financial Inclusion for Ready-Made Garment Workers through MFS in Bangladesh:** In partnership with IFC, FHI 360 developed a pilot to measure the performance of women agents and financial products for wage digitization. IFC and FHI 360 raised awareness of MFS at factories through materials and events, developed a wage digitization action plan and a payment digitization toolkit.
- **mSTAR/Bangladesh:** Understanding that local MFI loan cycles did not match with farmer's harvest cycles, FHI 360 facilitated the launch of two digitally-enabled micro-credit products for smallholder farmers, one using agent banking and one through MFS, both of which are the first of their kind and made it easier for farmers to pay loans and prepare for their next harvest.
- **Ghana Youth Savings:** FHI 360 partnered with a large African bank operating in 35+ countries to test a digital outreach strategy to attract and retain youth savers. Based on thorough research, FHI 360 formed a multi-channel outreach strategy relying on SMS, IVR, in-person financial literacy training and peer education.
- **Jordan LENS:** Through the Local Enterprise Support Project (LENS), FHI 360 supports partners in prototyping digital products and services to reach micro and small enterprises and in forming partnerships around sustainable business models.



### OUR EXPERTS

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**About FHI 360:** FHI 360 is a nonprofit human development organization dedicated to improving lives in lasting ways by advancing integrated, locally driven solutions. Our staff includes experts in health, education, nutrition, environment, economic development, civil society, gender, youth, research, technology, communication and social marketing — creating a unique mix of capabilities to address today's interrelated development challenges. FHI 360 serves more than 70 countries and all U.S. states and territories.



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## GENERATING LEARNING PRODUCTS AND IDENTIFYING AND DISSEMINATING BEST PRACTICES

FHI 360's strong history of rigorous research and practical evaluation has made our experts a go-to source for guides appropriate for donors, implementing partners and the private sector. FHI 360's easy-to-use tools provide guidance on utilization of DFS in the health, education, agricultural and insurance sectors with a focus on gender integration. Instructive guides range from a roadmap for the design and implementation of DFS interventions to the basics of electronic cards.

### Convenings

- **Financial Inclusion Forum:** In 2015 and 2016, FHI 360, USAID and the U.S. Treasury organized the first and second Financial Inclusion Forum bringing together government, development and private sector leaders to highlight the importance of financial inclusion.
- **Jordan Digital Financial Services Forum 2016:** Sponsored by the USAID LENS, the Forum showcased technologies that can be utilized by financial institutions to improve service delivery and operational efficiency, increase customer education and engagement.

### Guides & Manuals

- **Guide to the Use of Digital Financial Services in Agriculture:** Co-authored by FHI 360 and USAID, the Guide identifies challenges in value chains addressable by improved financial services and DFS.
- **Using Digital Tools to Expand Agricultural Insurance:** This Guide complements the Guide to the Use of DFS in Agriculture and helps USAID leverage digital tools to increase access to agricultural insurance for smallholder farmers.
- **Rockefeller Foundation Atlas of Innovation for Economic Stability:** FHI 360 engaged in a global search of innovations that promote economic stability for individuals, firms and communities, with an emphasis on the welfare of vulnerable people. Highlighted innovations included partnerships, products and business models to increase financial inclusion.
- **ICT4D Impact Evaluation Mapping:** FHI 360 mapped nearly 250 impact evaluations of ICT4D interventions. The map shows DFS as a leading intervention for economic growth, finance and trade.
- **DFS Health and Education Briefs:** These two briefs guide USAID missions on how to integrate DFS into global health and education projects to meet sector objectives.
- **Guide to Increasing Women's Financial Inclusion in Bangladesh through Digital Financial Services:** The Guide is a resource for NGOs looking to include DFS in their programming and for DFS providers looking to better understand the segment.
- **Electronic Payments Systems 101:** This brief explains card network fundamentals and payment networks.
- **Electronic Payments Systems 201:** This brief focuses on mobile money's similarities and differences to traditional payment systems and how to create a system that interconnects to mobile money programs and banking and payment systems.
- **Gender and ICT Survey Toolkit:** The Toolkit addresses the lack of gender-disaggregated data at the sub-national level. It facilitates the collection of gender-disaggregated information with resources such as survey questions, focus group discussion guides and technical competence tests.

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MAY 2018