Fintech can promote financial inclusion in emerging economies

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Global Findex database and link it with new data that ranks countries on the basis of their fintech ecosystems. Their study focuses on ten big emerging economies (Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea, and Turkey) and six other rapidly developing economies (Chile, Colombia, Malaysia, Russia, and United Arab Emirates).

"Until recently, researchers haven’t had a lot of tools to measure fintech development. We were fortunate to be able to work with the company Findexable. We had access to their proprietary measure, which uses a comprehensive metric to look at three core dimensions—the quantity and quality of fintech companies, as well as the business environment in each country," Lyons says.

"Our study provides one of the first multi-country assessments of the relationship between fintech and financial inclusion. It establishes a starting place for other researchers to build upon."

The researchers include financial measures such as account ownership, saving and borrowing behavior, the use of formal and informal services, and sending or receiving remittances. They also measure ownership and use of mobile phones, mobile apps, and digital technologies for financial transactions.

"Overall, we do find positive associations; for the most part fintech is helping to improve financial inclusion," Lyons says. "However, greater access to financial services does not necessarily mean greater usage."

There are still many barriers to usage, including digital literacy, cost, and limited consumer protections, especially for disadvantaged populations such as women, younger, older, less educated, and poorer individuals. Such challenges require continued political interventions to address...
The COVID-19 pandemic has sped up the transition to digital financial services worldwide, further underscoring the need to ensure vulnerable populations have the tools and knowledge to use digital technologies.

"These populations are likely to require additional enabling support that goes beyond digital infrastructure and fintech development to include regulation, supervision, consumer protections, and financial and digital literacy," the researchers conclude in the paper.

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