Analysis of Factors Affecting Financial Inclusion: Ecosystem View

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Abstract

The goal of this study is to research the factors which enable Financial Inclusion in emerging countries. The ecosystem of 30 developing and low-income countries is analyzed using the fuzzy-set qualitative comparative analysis. Through the empirical analysis of statistical data, current paper aims to find the configurations of ecosystem components which cause the Financial Inclusion development, including the more detailed view on the characteristics of each component, i.e. social-demographic, economical, political, technological (digital). The preliminary results show that there are several combinations of explanatory factors: high economical and digital development, high social-demographic and digital development accompanied with low political development, purely high economical development which explain Financial Inclusion in analyzed sample of countries. The obtained results have policy implications for Governments and Central Banks of countries interested in Financial Inclusion development.

Key Words: Financial Inclusion, fsQCA, Digitalization, Policy-making, Emerging Markets
Recently, the world has faced the problem of financial exclusion, which means that not everyone has access to financial services or does not have enough knowledge and experience to use them. The opposite phenomenon is financial inclusion, which means that there is a uniform availability and usage of financial services (World Bank, 2013). Financial Inclusion receives more and more attention from academics as well as politicians and financial market players due to potential positive impact on the financial health and the development of entire economy.

It was empirically shown that developed and inclusive financial system has a potential to reduce information and transaction costs, to influence saving rates, investment decisions, technological innovation, and long-run growth rates (Beck et al., 2007). However, while there is more and more access and usage of financial services in various countries, they differ significantly with regard to the speed and scope of development as well as their quality. (Chaia et al., 2009)

By means of qualitative comparative analysis, the study explores the recipes explaining a high level of financial inclusion development among the countries worldwide (Woodside, A.G., 2010). The sample includes 30 countries, while the Financial Inclusion level is proxied with the access to financial services and measured by the percentage of population with formal banking account indicator provided by WorldBank Findex dataset (see World Bank, 2013).

Potential factors affecting Financial Inclusion or Exclusion is analyzed through ecosystem approach. Based on analysis of literature, ecosystem of Financial Inclusion can be broken down on the two parts which are the environment and stakeholders. As current research is concentrated mainly on macro features, we discuss how the environment may affect the access and usage of financial services. Environment is described through a popular in the managerial practice approach of STEP, which was firstly suggested by Francis J. Aguilar (1967):

- Socio-demographic
- Technological (proxied by Digital development)
- Economic
- Political

More innovative companies were entering the market with the offers to make everyday financial transactions both less expensive and more convenient to the customers, giving life to the new phenomenon of digital financial platforms. Thus, the ecosystem of financial inclusion transformed and a new big group of stakeholders from digital world entered it (GPFI, 2014). As suggested by Adner and Kapoor (2010), the readiness of complements plays essential role in solving uncertainties in ecosystem perspective, which is highly relevant for the financial inclusion issues: i.e. there will be no possibility to develop mobile banking until the broad and high-quality mobile network is settled.
As a result, different configurations explaining a high financial inclusion as well as exclusion are obtained. These configurations provide implications towards what conditions require attention from national politicians. Findings contribute to the ecosystem literature and link ecosystem view to the stream of Financial Inclusion.

The results of the study could be applied by policy-makers in most countries with special policies towards Financial Inclusion (i.e. India, Russia) and these policies could be corrected with regards to the factors which are the most crucial for development in particular configuration. Moreover, each particular configuration can explain the success of particular projects on Financial Inclusion in each particular country. We also contribute by discussing the ecosystem of Financial Inclusion. Current research is the first one exploring the macroeconomic factors which affects the development of Financial Inclusion. Still, as this is the developing phenomena, not so many theoretical work has been previously done, as well as there is a lack of statistical data, that is, no comprehensive indicator of financial inclusion which is the major limitation.

References


