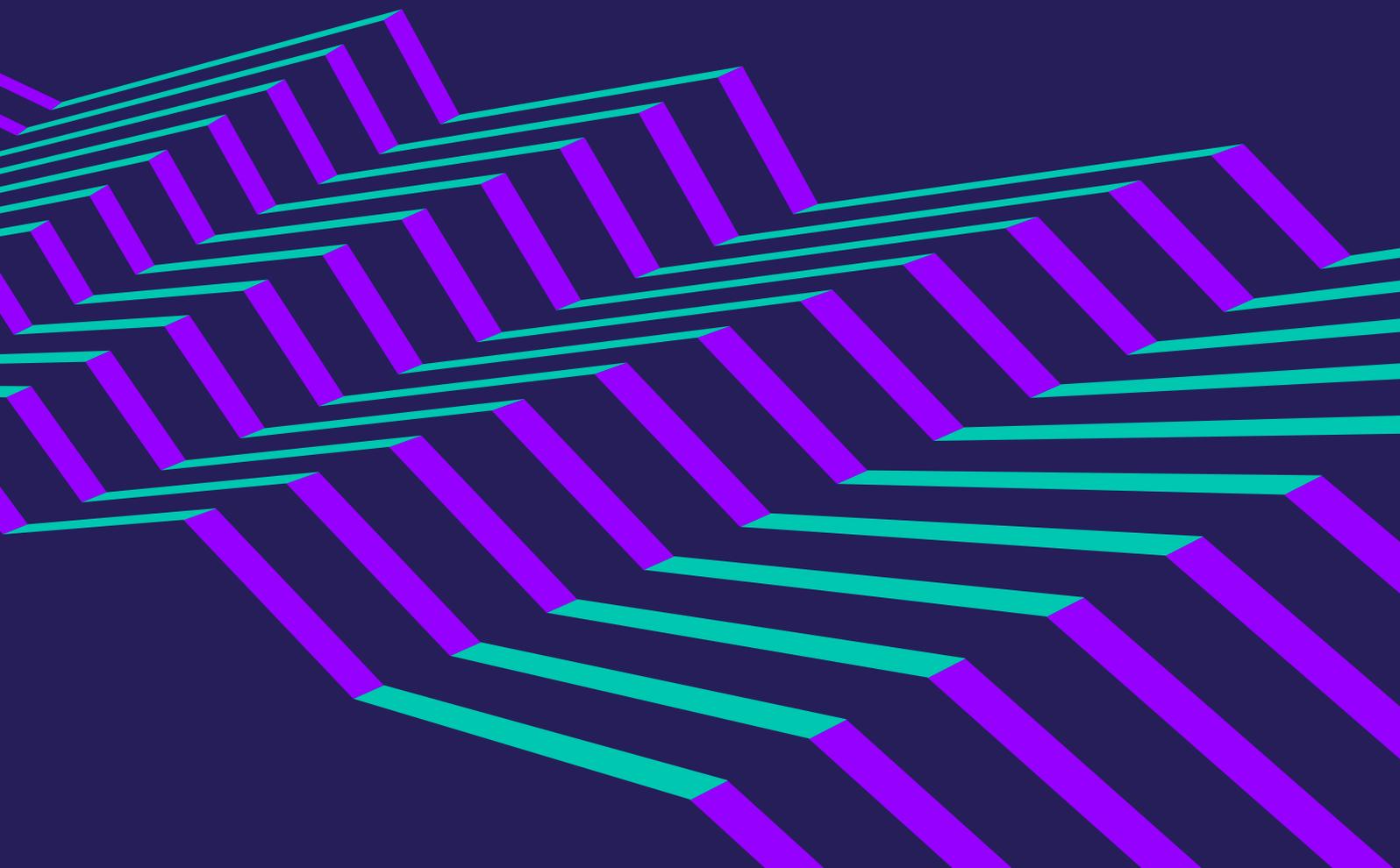


Money talks. You should listen.

Do consumers think banks are doing enough to provide access to finance? What can be done to bring more people into the formal economy? We surveyed 2000 consumers globally to find out.

Banked, underbanked and unbanked. Simple and self-explanatory categories, right? Not quite. Being banked does not mean you are **not** underbanked. Being unbanked is not the same as having no access to finance, and choosing to not use a bank can still mean you are banked. It's the nuances that clearly highlight the gap in understanding on both sides of the fence – consumers and banks. But what does it all mean?



If we strip it back to basics, it is about financial inclusion and accessibility. Often reported data usually points us to emerging markets and geographical barriers to access; however, not enough is reported on the gap in accessibility on a global level.

Over the past decade, we've seen technology bring financial services to a band of new users with more smartphones than people, yet there is still a gap in the accessibility of critical financial services and products to many people. With the unparalleled access that mobile phones provide, there are still **approximately 1.7 billion unbanked adults globally**, with 40 million in Europe. Moreover, looking at the state of financial accessibility across several markets, those who find themselves traditionally banked (having a bank account) or unbanked may both feel underserved, struggling to gain access to the myriad financial services that should be readily available to them.

According to Patrick Jenkins, **Financial Times** deputy editor and head of the publication's new Financial Literacy and Inclusion Campaign,

“too many people don't have the basic financial knowledge to help them manage their own money and their lives, compounding the rift between the haves and have-nots that has caused such dislocation in our societies in recent years.”

Whether it's to easily open a bank account, invest, be offered a mortgage, etc., concerted efforts are needed in order to overcome the barriers to this and pave the way for a fully accessible financial system.

To get better insight into what financial accessibility means to both banked and unbanked individuals, we asked them. We conducted a global survey of 2,000 people, both banked and unbanked, and here's our findings.

There are still approximately:

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unbanked adults globally with

40 million

in Europe

Where are we now?

According to a [2018 World Bank Report](#), the most common reason for being unbanked was not having enough funds to open and maintain an account. 66% cited this as one of the reasons for not having an account with a financial institution, and roughly 20% cited it as the sole reason.

This is in spite of there being more options than ever before, with digital lending, mobile-only banks and neobanks providing services [to the 4.6 billion people globally with access to the internet](#), without the same costs and fees associated with having a bank account with a larger institution. These fees are a result of the deficit banks are facing when it costs more money than they make to service smaller accounts. And according to [EY's Global Fintech Adoption Index](#), 75% of global consumers use a money transfer and payments fintech service. That's a hefty market share and should not sit well with banks.

The World Bank also found that distrust in the financial system was cited by about 20% of adults without a financial institution account. This shouldn't come as a surprise when fear of debt with a financial institution is at an all time high; for instance, American households [owe nearly \\$15 trillion](#) in debt. From credit card debt to student loans and mortgages, every generation is impacted. In fact, contrary to popular belief, we found that the majority of consumers felt a bank account (59%) and/or a savings account (56.3%) were more important to financial access than having a credit card.

Ahon Sarkar, VP of product and strategy for Q2's Banking as a Service Group, recently spoke about the fact that in the US, just under a quarter of the population are considered underserved. This means that while they have a social security number and they could get banking services, they're either not served well enough by the banks, or they are choosing not to use banks today due to a loss of trust over time.

Banks need to understand three main things:

01

what financial accessibility means to their customers;

02

what barriers are holding their customers back;

03

what their customers' concerns are.

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**Charles Delingpole,
Founder & CEO, ComplyAdvantage**

**Comply
Advantage**

Delivering financial services baked on today's consumer preferences means the potential for many rewards, both for the provider and for the customers they serve. For example, a bank using machine learning to underwrite loans gets the benefit of offering a faster, more accurate and more cost effective service that in turn creates a better customer experience. Convenience and immediacy, enabled by technology, is a driving force with many of these emerging fintechs services. Everybody seems to win.

The proliferation of computers and cell phones provides ubiquitous connectivity and access to

services. Fintechs, emerging banks and other companies are reinventing the financial services customer experience to be more inclusive, accessible and value-based. And good things are happening as a result.

Reaching the underbanked isn't the issue, the issue is that we need more data-enabled services to reduce access friction that many feel. With machine learning and data, we have the ability to understand if a person or entity is in good standing for credit in just a few minutes. Different data sources help to develop a much clearer understanding of creditworthiness faster, more accurately and at scale.



**Alex Gonikman,
CEO, TrueNorth**

 **TRUENORTH**

"One of the very first fintech unicorns we architected as a software development team was Lending Club, the first peer-to-peer lending platform for consumers. So access to credit and financial inclusion is part of our DNA. We take

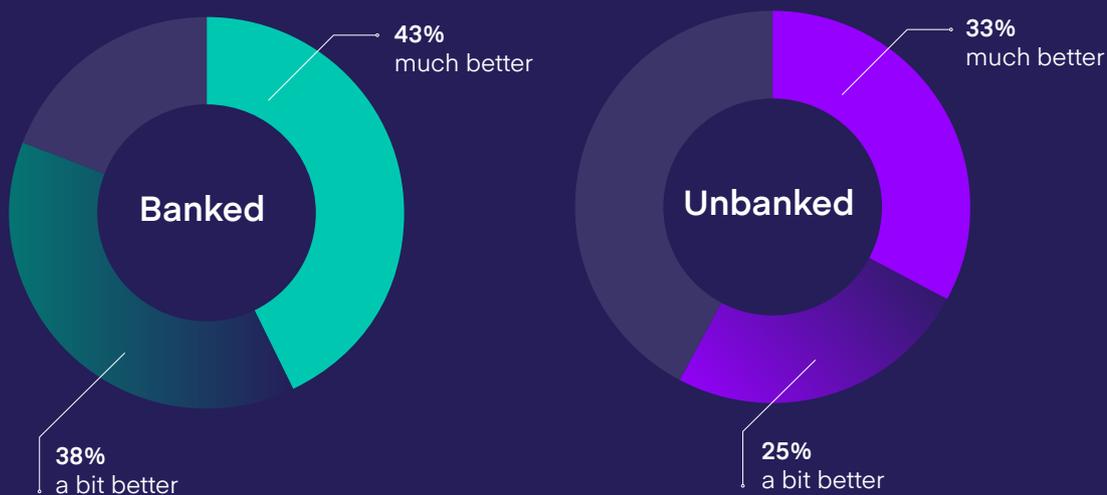
very seriously the task of building financial service solutions that offer an intuitive customer experience, so as to level the playing field and remove roadblocks for the underbanked and financially underserved consumers."

What's tech got to do, got to do with it?

Banked versus unbanked: it may sound like a clear-cut distinction, but there is a financial accessibility gap amongst both groups. According to our research, both banked and unbanked feel underserved, with 56% of banked customers claiming that there are other services they should be able to access. In addition, one in four (26%) of those that are unbanked believe that financial institutions can help them get a bank account by providing more personalised financial advisory services.

Enabled by technology, fintechs and neobanks are winning the market with personalised service models and customer-centric propositions that help customers better understand their finances worked. This proved true when we found that 81% of banked customers felt their situation would be better if they knew more about how finances worked, and more than half (58%) felt the same.

Consumers were asked whether their situation would be better if they knew more about how finances worked:





Ward Hagenaar,
Co-Founder, PaymentGenes Consultancy



The report's findings show there is an opportunity to improve banking capabilities in both the financially mature, as well as the underserved markets. In western markets, embedded finance, open solutions and segmented approaches would improve customer satisfaction. Finally, we can see added value solutions being integrated with mobile banking like access to public transport and parking with KBC Bank in Belgium. We also notice banking becoming a component of payment service provider propositions including cards issuing and acquiring with the aim of creating better business cases and liquidity for all.

While performing market entry research for customers we were impressed with the hypermodern infrastructure and approach for financial inclusion as created in India. Access to basic bank accounts (Jan Dhan) doubled within a short period. The move to digital payments has been enabled by an API layer (UPI) facilitating both ACH and card payments (RuPay) via mobile phones. The UPI layer is connected with popular apps like WhatsApp, PhonePe, Google Pay and PayTM. The India stack is complemented with strong customer authentication and a national QR code standard. India shows it can be done.



Rob Martin,
EMEA Technology Partners Manager, nCino



A recent survey conducted by Santander indicated that the pandemic prompted large numbers of businesses to delay, or completely cancel, hiring and expansion plans. However, small businesses (SMEs) have remained optimistic about future growth, with 59% of companies confident of continued growth over the next three years. This is certainly an optimistic barometer for the UK's economic 'bounce-back' given the importance of the SME market.

While the pandemic highlighted how critical financial accessibility is for the survival and growth

of SMEs, it also reinforced how this segment is being underserved by banking systems given that the UK's 5.9 million SMEs reported debt shortfalls of between c.£40 to £60bn in demand.

An opportunity lies ahead for financial institutions to accelerate digital transformation and help fuel SME growth by providing easier access and more options to financing. Customer expectations are changing rapidly, and today's customers and SME owners demand digital experiences that remove friction and barriers to access.

When you think back to some of the first advancements in technology, these led to the development of innovative business models like mobile money reaching the mass market. Technology is the easiest and most efficient way to offer personalised services, in turn appealing to a wider customer-base.

Whether we like it or not, we are living in a digital-first world. There's no going back and no way around it. There are a massive 5.2 billion unique mobile phone users around the world ([GSMA Intelligence](#)), and we know from our recent [open banking report](#) that 50% of consumers are using two or more financial apps right now; however that doesn't automatically class them as banked.

Where 'unbanked' customers usually have some form of identification, they often lack the documentation and credit records required by traditional financial service providers to assess creditworthiness (HelloSoda), pushing them to alternative means of finance. What sets the newer entrants apart is the agile approach they use to adapt their offering to meet the needs of their customers and react to changing market conditions.

Fintechs and neobanks have removed this barrier by providing flexible products and services that better serve these types of applicants, including finding new and innovative ways to build the necessary credit history and making their products and services quick and easy to grasp.

Take Grameen America. Operating out of Queens, NY, this nonprofit provides microloans, financial education, and support to women who live below the federal poverty line, for whom the mainstream financial system is out of reach. By becoming digital, Grameen America laid the groundwork for its borrowers to also become digital. Grameen America has tremendously contributed to financial inclusion and has invested over \$1.8 billion in more than 134,500 low-income women entrepreneurs since January 2008.

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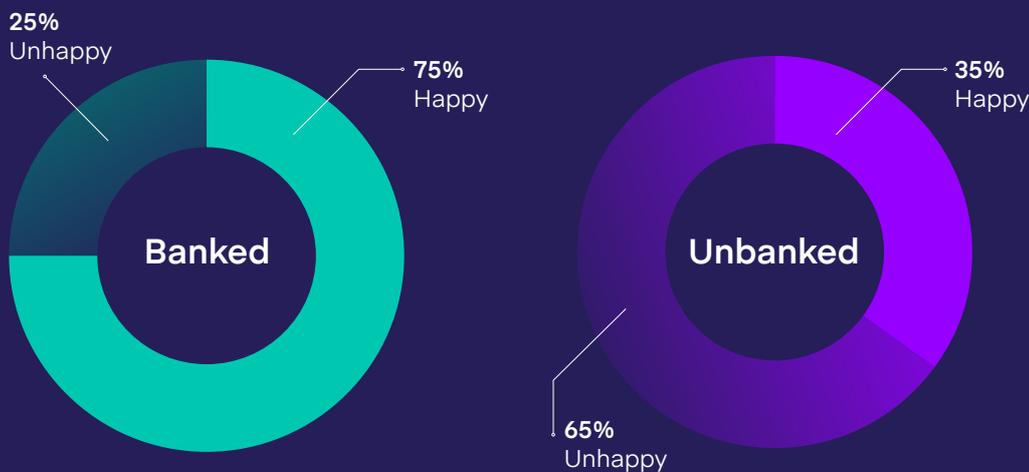
One of the core goals of any bank or financial institution is to extend its services to the largest potential audience possible, and tapping into the opportunity to provide financial accessibility to the unbanked and underbanked will continue to be a big trend in the upcoming years.

What can banks do?

That being said, do consumers believe that financial institutions are taking the necessary steps to boost accessibility? We heard a resounding no, with 56% of banked customers believing that financial institutions should be responsible for educating consumers about their finances, and 65% of those who are unbanked stating they were unhappy or indifferent with their financial situation - even in the banked community, one in four (25%) are not happy with their current level of understanding about their finances and options available to them.

That is quite a disconnect between consumers, both banked and unbanked, and banks.

Are you happy or unhappy with your current level of understanding about your finances and the options available to you?



We've seen this come to light during the COVID-19 crisis, which has highlighted the importance of being able to understand and access a wide range of financial services. In fact, more than 77% of respondents noted that the pandemic has exemplified this. Even in rich economies such as Germany, Sweden and Hong Kong, about one in five people had a financial shortfall over the past year, with the Organisation for Economic Co-operation and Development predicting that the added pressures of the crisis would put "a severe test on individuals' financial resilience".

Banks need to make the process of accessing financial services less cumbersome - 28% of respondents stated they think banks should make it easier to understand how to open an account. Interestingly, we found that in the median and above wage brackets (equalling \$63,000 and above per annum), nearly half (48%) stated they didn't know how to open a bank account. A further 26% of those that are unbanked believe that financial institutions can help them get a bank account by providing more personalised financial advisory services.

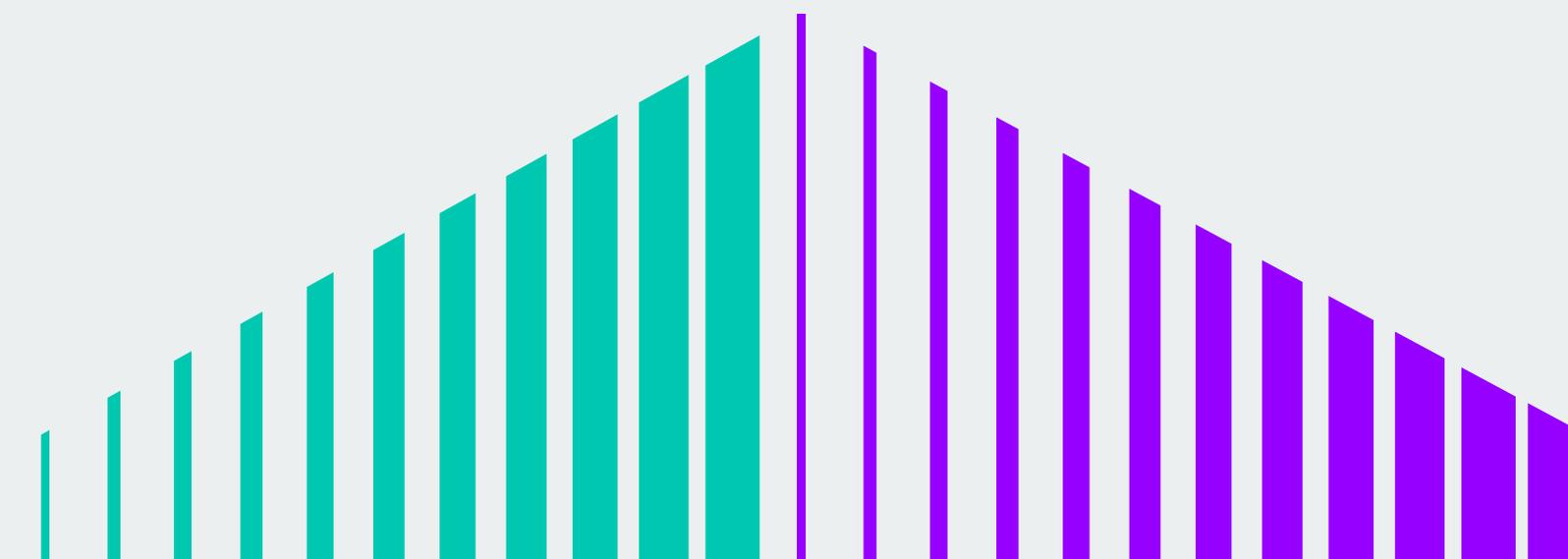
Matthew Gamser, CEO of the SME Finance Forum, recently spoke about how listening to customers needs and concerns leads to better products. This means financial inclusion needs to be combined with improving financial education and literacy, and the importance of teaching people how to understand and use the technology that is available to them.

When we asked our respondents where they sought out financial information and to learn about their access to the right financial products, both the banked (57%) and unbanked (36%) respondents said they relied heavily on the internet and/or online searches, not their banks.

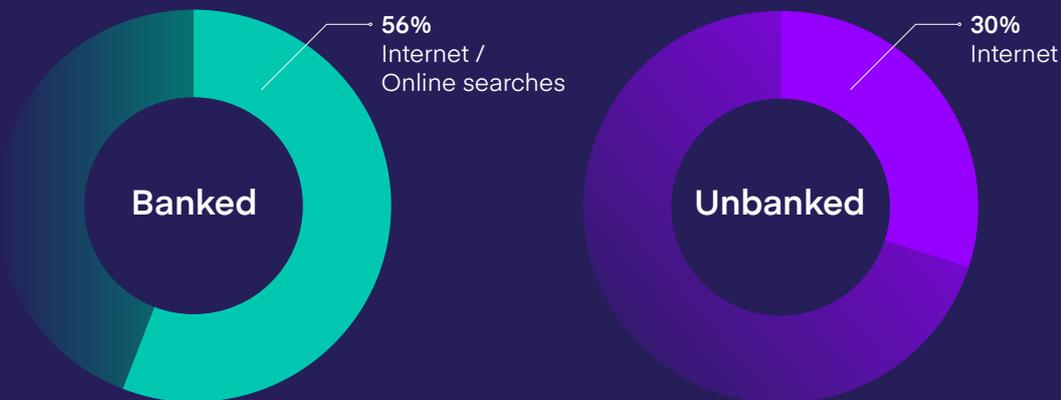
Banks need to make the process of accessing financial services less cumbersome

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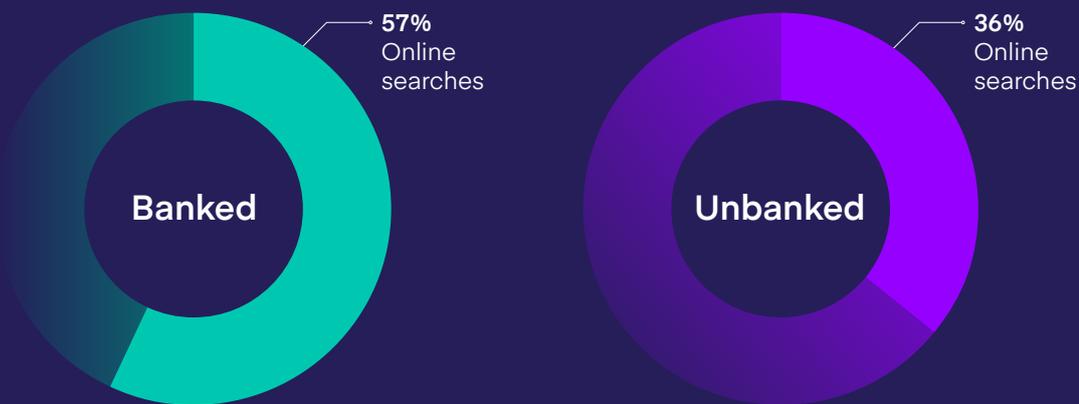
of respondents stated they think banks should make it easier to understand how to open an account.



Thinking about an aspect of finance you had to deal with recently, where did you find the most useful information?



Where do you turn to get good financial information and learn about your access to the right financial products / options



There is a clear need for better awareness and education around financial services. While we're seeing organisations step up, like the Financial Times's Financial Literacy and Inclusion Campaign to work with partners to make sure information reaches people who need it most around the world, banks need to do more.

Where do we go from here?

From what we've seen, banks are not speaking directly to their customers and potential customers in a personalised way - understanding the myriad demands, needs and concerns that individual customers have.

It's clear that COVID-19 has only intensified the recognition and urgency in providing more personalised and digitised products and services in order to reach a wider community. Ensuring all consumers have equal access to financial services, it's important to be not just accessible, but transparent, about your services.

What we've seen shows that regardless of whether a person is banked or unbanked, they share a number of similar sentiments.

Banks need to understand the different market segments between unbanked and banked, and stop making assumptions. The very fact that challenger banks and financial service providers have been able to cause such a wave of change is a hard lesson for incumbents.

Fintechs are providing their business and individual customers with a refreshingly simple, streamlined and bespoke banking experience, and in doing so are performing strongly on growth by providing more financial inclusivity.

Sarkar notes that "as fintechs, technology companies and other companies are able to finally serve these underbanked users with targeted products that are low cost and solve their specific problems, that becomes the expectation. Consumers start to expect that when they go into a bank, be at a small bank, a large bank or fintech, that they're getting solutions built for them at a low cost basis, that allows them to live their life. And so what you're seeing is even the largest institutions trying to figure out a way to become competitive with that new set of consumer expectations."

**David Wexler,
CEO, ModusBox**

The world is at a crossroads. There are an estimated 1.7 billion people who do not have access to formal financial services. More than 50 countries have built or are building real-time payment systems. And, real-time push payment networks are rewriting the protocols for how payments work. We can choose to stand by as the digital divide between the rich and poor continues to widen or make a stand for true financial inclusion that creates equitable access and usage of safe and connected savings, credit, insurance, and payments.

So, there is an exciting opportunity, right now, to support the next generation of financially inclusive



organizations, and ModusBox and Mambu are working together toward that future. In

Myanmar ModusBox has run a pilot to connect a large number of micro-finance institutions (supporting 60% of the underserved population) to real-time payment networks. A few of our early adopter participants have been Mambu users, which built off the API-first, composable model and allowed us to connect and fully test our financial institutions to the pilot network in a matter of hours. We believe this speed, accessibility and access will help non-traditional financial institutions support their underserved communities at scale.

**John Wang,
Partner, Deloitte Digital**

Profit is usually the benefit that is gained from doing something of value, but not everything can be measured via economics alone, and it's certainly not enough to achieve inclusive financial services systems. Financial inclusion requires a multifaceted strategy that covers structural gaps and biases in the system, all the way to a change in culture. To create a genuinely inclusive financial services system, institutions will need to start with a robust corporate social purpose that will drive the strategy, initiatives, and incentives to create the change and innovation required to reach and engage with underserved communities, and also partner with institutions



outside of the industry to bring the best and brightest together to solve the challenges. Only then can the financial services industry collectively achieve a higher bottom line.

In Deloitte, we believe that doing "doing good" and "doing well" no longer need to be separate. Also, our partnerships start with an alignment on purpose first, and then the technology or value we can jointly bring to market. Our relationship with Mambu is aimed to help enable and accelerate change in the industry and allow the broader ecosystem to engage proactively with those sectors that want to bring innovation and opportunities to our communities.

The new entrants bring innovative services, slick delivery and apply pressure by leveraging the latest technology available. They take a lean digital first approach, enabled by regulators and fuelled by venture capital, and are starting to make significant revenue reaching out to those who are unbanked or feel underserved by traditional banks.

Established institutions have to provide innovative digital services to keep pace with evolving customer behaviour; not just because of the market shift but also because of the opportunities available. This approach will allow them to grow quickly and easily by providing a tailored offering aligned to specific customer needs.

If banks show their customers the same level of personalised service, regardless of circumstance, they will start to break down the barriers that prevent unbanked and underbanked people from accessing financial services. From providing more accessible services through technology to financial literacy and education, personalisation is critical to building trust with customers and, in turn, closing the financial accessibility gap.

Customer comment

 **Coen Jonker,**
Executive Chairman, Tyme



Well designed financial services – easy to access, transparent and customer centric - can help even the most vulnerable in society take advantage of economic opportunities. By providing simple, efficient, and responsible banking, we have been able to fundamentally change the landscape in our home country, South Africa and soon in the Philippines. By bringing innovation to meet the challenges of digital banking in emerging markets, we can enhance the lives of the formerly under-served, including our fastest growing segment - women. We have found that customers were hungry for a bank that understood their personal financial needs and situation - that believed in them, backed their potential. A combination of simple processes with a high tech and high touch approach, with an element to education can bring more consumers into the formal sector, as we have proved.

 Peter Lord,
CEO, Codat



Supporting financial institutions during this particularly turbulent time is imperative to rebuilding the global economy. More than ever customers need simple and straightforward access to these services - and yet, whilst there has been a huge influx in Covid-related small business loan applications, banks have struggled to process and

monitor these, in no small part due to the inability to easily obtain key financial data. Collaboration is key at this time and partnerships are crucial to displacing legacy technology and outdated, manual processes, allowing financial services to effectively serve their customers' needs.

 Beth Hurvitz,
SVP Global Social Impact, Visa Inc.



Financial inclusion can help put people on a path out of poverty, create productive empowered citizens, foster business opportunities and fuel economic growth—and it takes collective action to truly bring people into the financial system. Digital payments can be an “on ramp” to financial inclusion. We prioritize

working with a diverse set of partners to encourage new technology and increase incentives for digital adoption, including by enabling digital card credentials, delivering secure solutions via tokenization, and advancing tap to phone technology that lowers barriers to acceptance for small businesses.



So, what next?

Some things to think about:



One step ahead.

With instant gratification the norm, consumers will expect you to know what they need before they even know. Use the technology available to understand your consumers' habits and in turn, anticipate their needs, providing hyper-personalised recommendations and services.



Find a niche.

We already know that financial services is more than just banking, but traditional banks need to take a page from the tech players and create more niche products for their consumers. Our survey found that 40% of unbanked consumers stated providing more specialised services and more mobile/web-based services would help them become banked.



Be quick like a fox.

It is imperative for banks to adopt agile practices, culture change and next-gen technology like Mambu's, to enable the quick creation of scalable financial solutions for the unbanked and underbanked in order to avoid being sidelined by new entrants that give more inclusivity and access.



Not your parent's bank.

Financial literacy in the younger generations is extremely important, and you can't push them aside just because they may not be lining up at the bank. Social media has played a big role in educating Millennials and Gen Z to open investment accounts because of what they've learned through TikTok. Don't underestimate the power of new marketing channels and influencers in reaching youthful customers.

How can we help you?

Now is the time for better awareness, education and personalisation in financial services. There are many opportunities to differentiate in order to reach more consumers. As an API-driven SaaS platform, Mambu is uniquely positioned to help you scale, grow your reach and innovate.

About Mambu

Mambu's roots are in financial inclusion. Three Masters students were working on a capstone project that happened to look at financial services technology. They found that legacy technology and systems weren't adequately allowing access to financial services to consumers, so Mambu was launched in 2011 with the goal of changing the landscape. The aim was to build and bring powerful SaaS technology to all those who need it: from enterprise organisations to NGOs. We built it to increase transparency in the industry. We built it to let organisations run their operations efficiently and to become self-sustaining. We built it to let them focus on their customers without having to worry about technology, software or hardware. We built it in the cloud to leverage the many new connected services and technologies emerging around the world such as mobile money, branch-less banking and agent networks. And we continue to build it as change is in our DNA. We've grown since, working with banks, NGOs, fintechs and lenders, but stay true to our mission to bring reliable, intuitive and accessible financial services to your customers. Mambu is core...and more.

mambu.com
hello@mambu.com

Disruption Diaries