Atlantic Council
GEOECONOMICS CENTER

ISSUE BRIEF

Toward a financial inclusion agenda for the global majority

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INTRODUCTION

After decades of globalization, structural transformation, financial collapse, and technological change, the global economy faced a once-in-a-century pandemic. COVID-19, and the associated lockdowns, sent shock waves through households, businesses, and government budgets. Real economic activity and employment ground to a near halt, while digital work and commerce skyrocketed overnight. Subsequently, recovery was hindered by inflation. The war in Ukraine and the heightened pace of extreme weather events caused further economic devastation. Amid such tumult, governments spent an unprecedented amount of money, especially on fiscal transfers. In the process, they often struggled to deliver those transfers directly to citizens, compounding and creating new demand for financial inclusion and innovation.

In today's uncertain economic and geopolitical environment, comprehensive financial services—lending, payments, savings, insurance—have grown even more critical to economic resilience, participation, and growth. Yet, worldwide data shows a gap: most people globally lack access to these services. Individuals and communities at the greatest disadvantage more often than not face other challenges to economic or social empowerment, which compounds the inequality. At the same time, however, these workers, entrepreneurs, and consumers who belong to the global majority have the potential to earn, spend, produce, and invest in ways that unleash financial dynamism and well-being for their families while also promoting global prosperity and inclusive, sustainable development.

Despite their strength in numbers, the global majority has been largely overlooked in research and deliberative forums. To address knowledge and action gaps, this brief will provide the basis for mobilizing policymakers, investors, and innovators to advance a new financial inclusion agenda designed for the global majority.

The **GeoEconomics Center** develops data-driven programs, publications, and thought leadership at the nexus of economics, finance, and foreign policy. The Center aims to bridge the divide between these oft-siloed sectors with the goal of helping shape a more resilient global economy. Our work is built on the idea that the United States must lead with allies or risk becoming a bystander in a reshaped international financial system. The Center is organized around three pillars - the Future of Capitalism, the Future of Money, and the Economic Statecraft Initiative.

WHAT IS MEANT BY "GLOBAL MAJORITY"

Many characteristics are shared by individuals and communities around the world. People may be united by gender, generation, race, ethnicity, work, or language. Less obvious as a unifying trait, however, is a person's status vis-à-vis financial services. While 76 percent of the world's population has access to a financial account, more than half (52 percent) of adults globally do not save at all. They are emblematic of this global majority, which has been described as "the portion of the world's population who, while having trillions of dollars in economic power, have historically been excluded from accessing financial services." In other words, the global majority is the world's financially underserved population without basic or adequate access to financial services, including borrowing, banking, insurance, payments, and remittances. They earn money but are not maximizing it. They may be able to stretch limited funds to "get by," but find it more difficult, if not impossible, to save, build wealth, or prepare for potential crises. These people comprise the aspirational, emerging, and expanding middle class, defined by Pew Research Center and the World Bank as those living on $10 a day.

Many of the global majority have limited access to financial services, including though legacy institutions, but are still excluded from the system or unable to use the full range of products available to optimize their economic opportunity or guarantee economic security. They are not likely to be extremely poor, but more likely to be categorized as low income or financially insecure. While being financially underserved is the defining characteristic considered in this brief, access to education, health, energy, transportation, and other social and developmental inputs are associated factors for success and empowerment of the global majority and worthy of further exploration.

Enabling this global majority, including those who work in the informal economy, is about ensuring they are better able to protect, utilize, leverage, and grow the money they are making or the assets they have. It is about optimizing quality of life and creating economic security in the present and future. Achieving this objective, however, requires the ability to save, send, and receive money, and being empowered and able to borrow for the range of one's ambitions and needs—education, housing, starting or expanding a business, old age and retirement, etc.—and to protect assets once accrued.

WHO FORMS THE GLOBAL MAJORITY

Among the many reasons to pay attention to the global majority is the reach and representation across and into diverse communities worldwide, including people in low-, middle-, and high-income countries. People of the global majority are multiethnic and intergenerational. They are all genders, though women are more likely to face financial inclusion challenges. The International Monetary Fund (IMF) reports that "on average, men own 55 percent more deposit accounts than women in the sample and also hold significantly higher outstanding value of deposits than women. The gender gap widens further if the loan account ownership and outstanding value of loans are taken into consideration."

The global majority includes youth, refugees or displaced persons, racial and ethnic minorities, migrants, and people with disabilities who are less likely to be well served by traditional institutions or to be able to access the products or services they need. They are likely to have some education, but may not have robust financial literacy.

From a workforce perspective, they are students, farmers, freelancers, formal and informal workers, and owners of micro, small, and medium enterprises (MSMEs) in a wide range of goods and services sectors. They are among those sending or receiving $857 billion in global remittances in 2023. They are at the core of productivity and consumption that underpins growth.

Given that they are not defined by a single characteristic, the global majority may be hard to quantify into a single number. Indicators and surveys suggest, however, that at least half the world's adults—roughly 3 billion people—are likely experiencing some form of economic insecurity or aspiration that could be improved with financial services.

People of the global majority are among the 50 percent or more of those in many low- or middle-income countries who do not have an account with a formal financial institution or mobile money provider. (It should be noted that the global average of those with an account reached 76 percent in 2021.)

WHY THE GLOBAL MAJORITY MATTERS NOW

The global economy is on a slow and divergent path of recovery, and people face lingering uncertainty. Five-year growth prospects look dim, forecast at their lowest point in decades, owing to headwinds such as geopolitical tension, demographic pressures, and persistent inflation. At the same time, there is risk of protracted stagnation across lower-income countries, with poverty resurging. Today, one out of three countries is poorer than it was at the onset of the pandemic. At the same time, the future of money—the rapid pace of financial services development and increasing digitization—spells opportunity for economic participation and growth that the right agenda for the global majority can capitalize on.

Given what is already known, and what is being learned, about the criticality of financial inclusion for economic participation, equitable prosperity, resilience, and financial well-being, the importance of the global majority agenda is clear. Even though "global majority" is a newer framing, the differentiated evidence and significance around the global majority has yet to be fully collected, unpacked, and analyzed.

Effect on economies and businesses

Financial exclusion is a drag on economic participation, sustainable development, and global growth. By bringing more people into the system, financial inclusion reduces poverty, promotes investment, drives consumption, and creates small-business value. Inadequate access to financial services widens inequality, undermines inclusive growth, and prolongs or exacerbates economic as well as environmental, social, and governance (ESG) risks.

Both qualitative and quantitative evidence points to the potential of the global majority to drive inclusive growth if increased and improved access to financial services is unlocked. The effects have been both direct and indirect, macro and micro. For example, a major study by the World Bank and IMF across 218 countries from 2004 to 2021 showed that increasing the penetration, availability, and use of financial services has a significantly positive impact on the world's economic growth. Moreover, by lowering transaction costs and better spreading capital and risk across an economy, financial sector development and improved financial systems—key factors of financial inclusion—have been found to have positive impacts on employment and economic growth. Regional studies in Africa and Asia point to similar patterns and links between financial inclusion, economic growth, and inequality, further underscoring the case for a global majority agenda.

GLOBAL MAJORITY: BY THE NUMBERS

They are among the **74** percent who would find it difficult to come up with emergency funds within a week.

They are among the **75** percent who are worried about being able to pay bills if faced with a medical emergency.

They are among the **71** percent concerned about saving money for retirement and old age.

They are among the **53** percent of adults globally who borrowed money in some way, including the **46** percent of those in developing economies who did so exclusively through the help of family and friends.

They are among the **93** percent of adults globally who do not have access to formal housing finance.

They are among the **68** percent of business owners or operators worldwide that perceive access to finance as a principal business constraint.

Increased financial inclusion, especially of the poor and in particular poor women, can have wide-ranging positive impacts at the micro level that ultimately contribute to prosperity. The benefits have been seen in self-employment business activities, household consumption, and financial well-being, though the impact varies across different types of financial products. Moreover, financial inclusion appears to have an even larger impact in lower-income households and countries—home to most of the global majority—where need and gaps are likely to be greater.

Inequality was exacerbated during the pandemic, and those facing economic precarity before the pandemic suffered the shock more acutely. Importantly, financial development and inclusion has proved to be associated with decreasing inequality. The effect is primarily driven by the disproportionate impact financial inclusion has on poorer or economically disadvantaged people by easing their credit constraints such as lack of collateral, networks, or credit history.

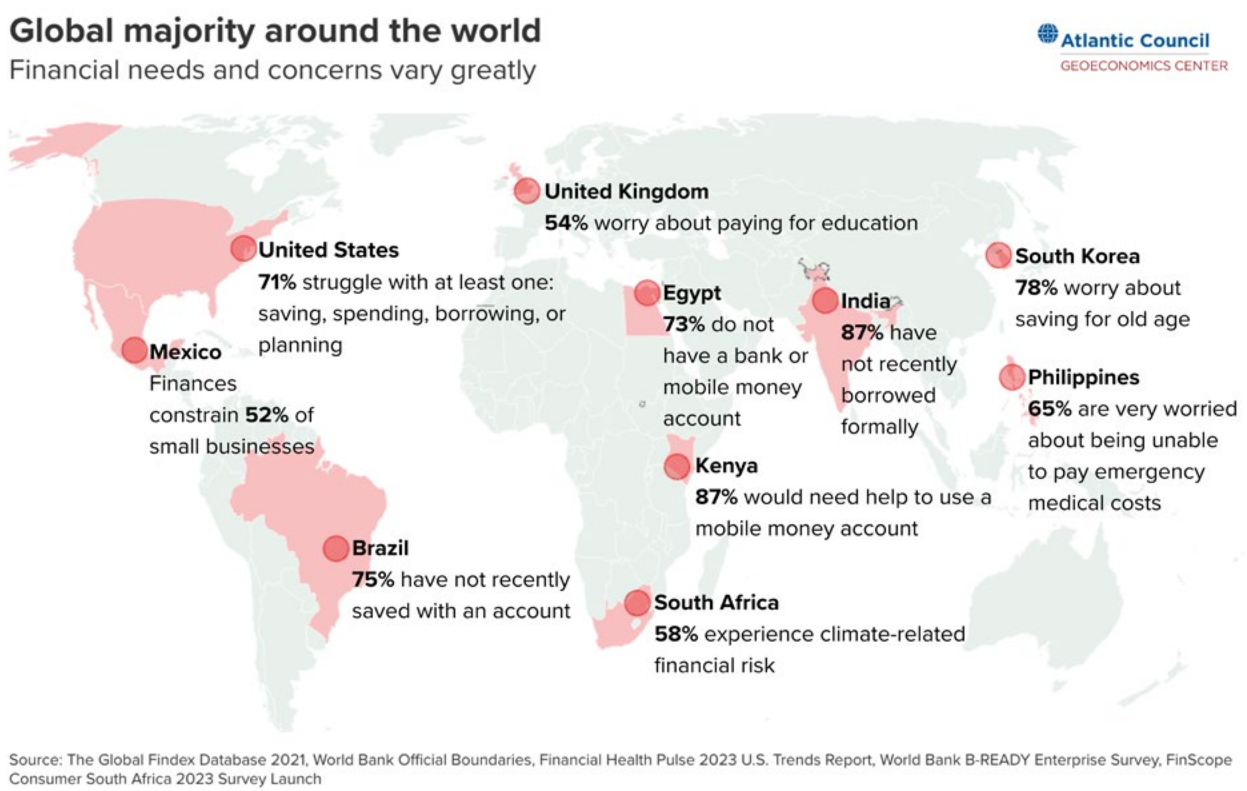
Effect on people and families

The case for amplifying the global majority extends beyond the ways in which their financial inclusion could affect economies at large, to the potential effect on people's lives and well-being. Helping people feel secure in their financial future is key to well-being and the willingness to take on calculated risk, which is key to innovation and growth. Surveys and experiential and anecdotal reporting from the global majority can be drawn upon to tell an initial story even as further analyses are called for as part of the agenda.

For example, a 2018 Gallup survey of more than 15,000 people in ten countries—Bangladesh, Chile, Colombia, Greece, Japan, Kenya, South Korea, the United States, the United Kingdom, and Vietnam—showed that perceptions of financial inclusion and control are closely linked to economic outlook and security. On average across the countries just a third reported having financial control. The highest rate was in the United States (54 percent); the lowest was in Kenya (14 percent). In the 2021 Global Findex Survey (which, like any dataset, has its limitations), 63 percent of adults in developing economies reported being "very worried" about one or more common expenses.

Client and financial services user data can also be revealing. Focus groups and surveys of people's financial behaviors and attitudes toward digital payments and central bank digital currencies in India, Indonesia, Mexico, and Nigeria reveal, for example, that the ability to hold money in a variety of cash and digital forms helps them maintain control and flexibility over finances. Cash is seen as the most immediate option, while the ability to reverse transactions is an advantage of digital payments. In a customer survey by Tala, a money app operational in India, the Philippines, Kenya, and Mexico, users reported a range of benefits including improved financial management and decreased financial stress. Female borrowers also expressed increased self-confidence and influence on decision-making. Sentiments are shifting for business users as well. For example, a survey of SMEs in the US, UK, China, Mexico, and South Africa found that while 24-7 availability and range of functionality and services are key reasons they are adopting fintech, 57 percent of users still report that products are not adequate to meet their business needs from financial services

These illustrative insights underscore that gathering further customer and provider feedback along with data and evidence, including on the specific role, impact, and outcomes of the global majority to incentivize and encourage action, is a pivotal piece of the work ahead.



ADVANCING AN AGENDA FOR THE GLOBAL MAJORITY

In many ways, prospects for the global majority lie in differentiation and diversification. Beyond addressing the range of barriers, solutions are needed across financial products and services to meet specific unmet needs and wants of the global majority, including those that are more sophisticated or upmarket or require more risk, as well as integrated and comprehensive services. Given that a large share of the global majority are employers and entrepreneurs who form the backbone of economies worldwide, the agenda should explore promising financial solutions for businesses, especially small ones, to better enable them to thrive, grow, and hire. At the same time, as the products and services for the global majority are likely to grow in complexity, the need to prioritize consumer safety, including through policy and regulatory measures, becomes tantamount.

Understand and meet diverse needs

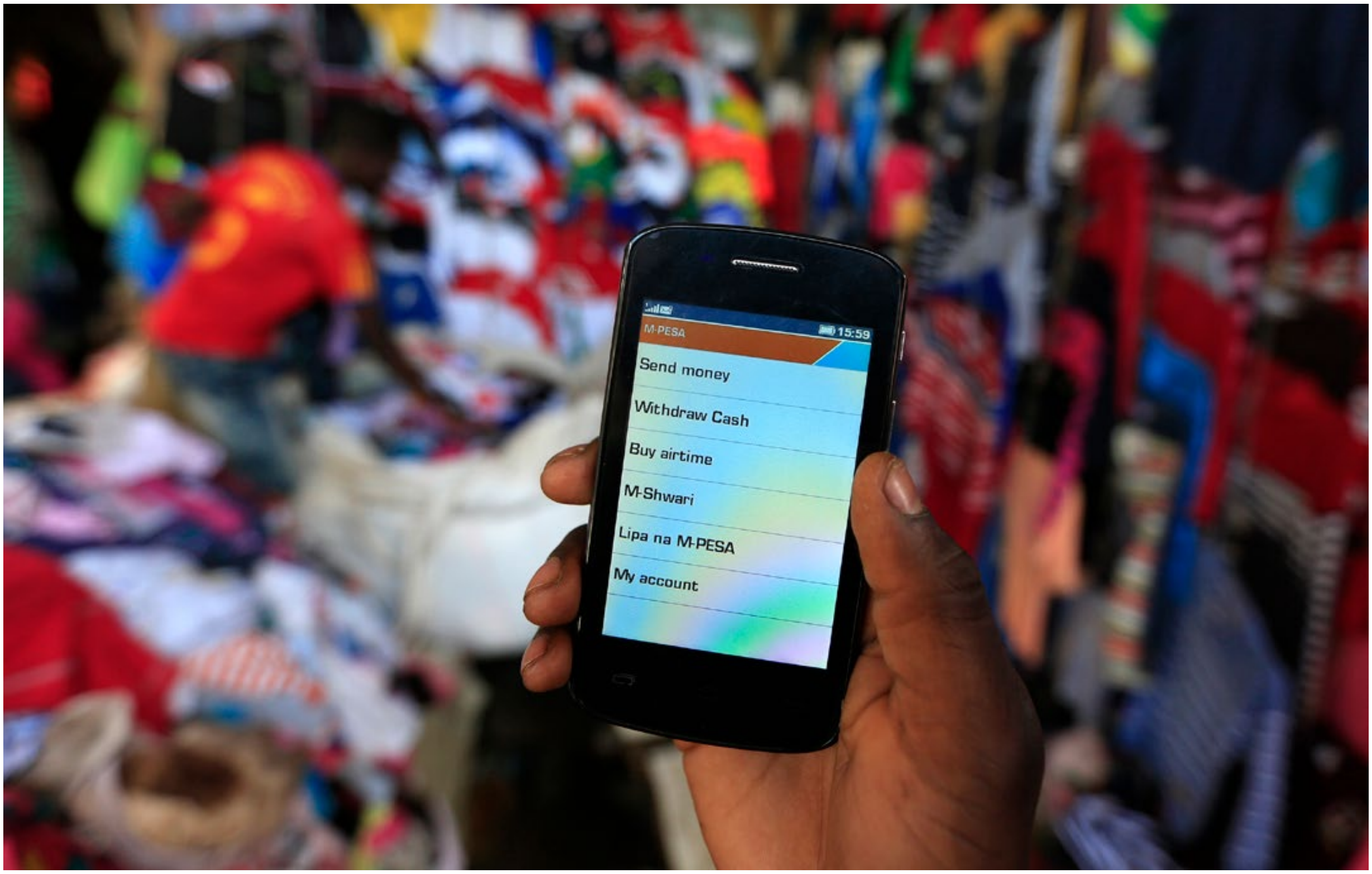
An agenda for the global majority must build on what we global stakeholders know to form a deeper, data-driven, disaggregated understanding of the state of the global majority and financial services gaps. This includes engaging and elevating the lived experiences and voices of the global majority. Research into the global majority has been fragmented. Existing quantitative and qualitative data needs to be better collected to paint a more comprehensive picture of the shared and differentiated needs and wants, opportunities, and challenges with respect to access and use of financial services by the global majority in all its constituencies. Similarly, financial inclusion has largely relied on account ownership and related metrics that may be outdated, especially with digitization. A holistic picture of financial inclusion needs to include adoption, diversification, and impact indicators. Recognizing that the global majority exists in diverse communities and contexts, it is critical to assess specific needs and barriers to the full range of formal financial services faced across people and places.

We have a few baselines that must be taken forward. Among the most common challenges to accessing financial services products are lack of money, registered identity, resources, or documentation to establish accounts or credit. Lack of education in general is a challenge, as many people may not have received a primary education or have been prohibited from any education. Weak numeracy or financial literacy is a significant handicap, especially for using services that require more complex awareness, planning, or computational thinking. Individuals new to account ownership may not understand the fees and risks and may be more susceptible to fraud.

Though some challenges are shared, there is no "one size fits all" for the global majority. We know, for example, that women and youth tend to experience many of these challenges more acutely, but better data is needed to understand the intragender inequalities (such as age or geography) in financial independence. Financial literacy is very often a higher hurdle for women. In the Global South, women are less likely to have a phone, less likely to have an account because another family member has one, and more likely to need help using an account. In sub-Saharan Africa, for instance, one in five unbanked women lacks a government-issued ID.

We know there are also demand-side constraints to be tackled. For example, a shared issue is that the cost of services, interest rates, or transaction fees are deemed too high by consumers. Many people of the global majority distrust formal financial systems and institutions, especially in societies where the banking sector is controlled or influenced by the government. When it comes to borrowing, religious or societal norms can also influence the demand for financial services, with lower appetites for taking on debt characteristic of some cultures. While mobile money and other financial technologies are becoming more widespread, many people, especially seniors, continue to lack digital skills, technology, or access to the necessary infrastructure (digital, communications, electricity) to make use of what is available.

Beyond understanding constraints, advancing a global majority agenda is about understanding people's financial concerns and identifying where their needs may not be met sufficiently through existing products, methods, or community structures. Solutions must cater to the user's existing skill set and be safe and reliable. While this need must be assessed more rigorously, some data suggests, for example, that at the household level, lacking the ability to pay medical bills and education fees causes the most worry, especially in low- and lower-middle-income economies. At the same time, an estimated 70 percent of MSMEs in emerging markets lack sufficient financing amid the global MSME finance gap—the difference between current supply and potential demand, which can potentially be addressed by financial institutions. The gap now stands at approximately $5.7 trillion, rising to $8 trillion when informal enterprises are included.



A man holds up his mobile phone showing a M-Pesa mobile money transaction page for the photographer at an open air market in Kibera in Kenya's capital Nairobi December 31, 2014.

Identify what is, or is not, working, why, and for whom

Moving toward an agenda for the global majority requires taking stock of effective, scalable solutions and policies, and asking why they work, why not, and for whom.

We saw microfinance among the first innovations that brought financial inclusion to the masses, spawning related solutions such as microinsurance. But providers and the ecosystem must balance scale against risks for the global majority that have become more variable as microfinance and related products and services have become more widespread and commercialized from the initial philanthropic orientation. Recently, for example, borrowers have seen aggressive debt collection methods, with some borrowers taking on more debt than they can manage from predatory lenders. Moreover, in many countries where microfinance took root early, the market has become oversaturated, bringing additional risks.

We see countries integrating financial education alongside numeracy as part of school curriculum to promote financial literacy and improve downstream financial behavior, but there are potential issues in implementation, such as ensuring compliance, access to high-quality teaching materials, and training for educators that will need to be addressed.

We recognize that solutions for the global majority need to have the proper degree of targeted design, context vigilance, and customization to meet their diverse needs. Underlying discrimination or language can be a barrier for many. The next step is to identify what solutions work and for whom. For example, solutions, or specific design elements, may need to be different for women and men. Because women may have less product experience than men do, particular attention to ease of use, instructions, onboarding, and practice can help women use products consistently and confidently. Innovations such as blind applications that do not include demographic data or gender-intentional (i.e., not blind) credit scoring and risk-based pricing are worthy of exploration and evaluation.

As new products and opportunities for the global majority take shape, so will new risks. More research is needed on what is effective and what is necessary to ensure consumer protection is balanced with consumer choice and business opportunity. Existing systematic reviews and evidence gap maps for access to finance or other financial inclusion interventions (including digital, discussed below), as well as benchmark surveys of financial consumer protection regulations and policies, offer a departure point for placing a global majority lens on understanding and advancing a knowledge-informed, differentiated-solutions agenda.

Double down on digital

Beginning with mobile money, digital solutions have proved to be transformational, and we can expect even more fintech innovations to be at the forefront of the agenda for the global majority. Underscoring the importance of the technological channels, a novel IMF study of fintech solutions across 198 countries revealed that digital lending has a statistically significant positive effect on economic growth, with a larger effect in developing countries but a wider magnitude in higher-income economies. As fintech helps individuals save or spend, it can also help businesses unlock capital, protect assets, and provide complementary business services such as inventory management and customer intelligence. Digital credit has also shown to have positive effects on subjective well-being.

Typically, there are lower costs to maintaining a mobile money or branchless banking account than a traditional bank account: 19% cheaper by one study. Roughly two-thirds of people in sub-Saharan Africa do not have mobile money accounts, but among the millions who do, many are now using them for more than making payments, including to save and borrow. In middle-income economies, the IMF's latest Financial Access Survey (2023) shows that the number of retail agents and mobile money agents more than doubled between 2019 and 2022, while the number of ATMs and bank branches declined by 9 percent over the same period.

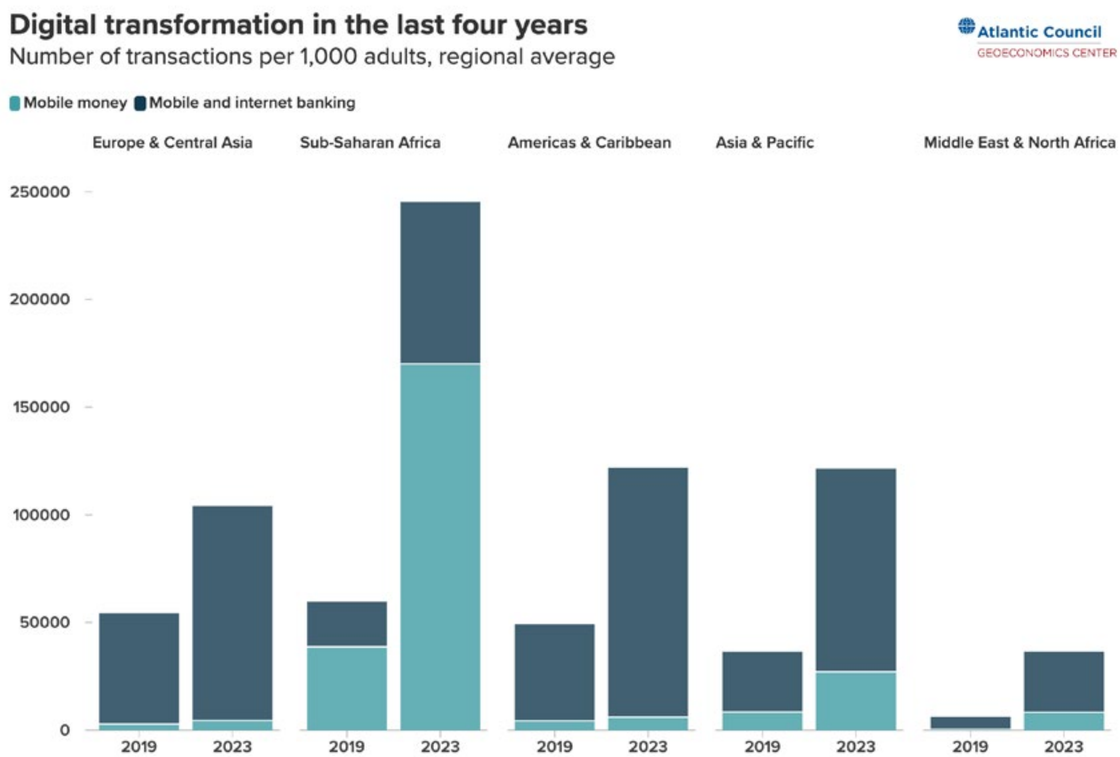
Moving forward, we need to assess just how positively disruptive blockchain, crypto and artificial intelligence (AI) will be for the global majority, while risks through technology design (including positive friction), regulation, or industry standards need to be exposed and managed. Already blockchain-based solutions are said to offer lower costs with fewer barriers to entry to the underserved, and digital currencies—including emerging retail central bank digital currencies such as in Nigeria, India, and the European Central Bank—are being hyped for building trust and promoting faster, safer transactions, loan and capital origination, and dollarized protected savings.

Create pathways for collaboration on a differentiated agenda for the global majority

Multilateral forums have been important pathways for drawing attention and resources to global shared challenges and experiences. Two initiatives that illustrate the foundation of a collaborative pathway for the global majority are the G20's

Digital transformation in the last four years

Number of transactions per 1,000 adults, regional average



Source: International Monetary Fund Financial Access Survey • GeoEconomics Center calculations
Mobile and internet transactions are defined by the IMF as being completed electronically via the internet, either using a mobile phone or another electronic device. Mobile money is a pay-as-you-go digital medium of exchange and store of value using mobile money accounts.

Global Partnership for Financial Inclusion (GPFI) and the Bank for International Settlement's (BIS's) new Fully Scalable Settlement Engine (FuSSE) initiative with the IDB.

GPFI was launched in 2010, following the G20 Summit in Seoul, where leaders recognized financial inclusion as a key pillar of the global development agenda. They endorsed a concrete Financial Inclusion Action Plan and included it in the Leaders' Declaration. GPFI is the main implementing mechanism of the endorsed action plan and serves as an inclusive platform for G20 and non-G20 countries alike and relevant stakeholders for peer learning, knowledge sharing, policy advocacy, and coordination. Importantly, the GPFI's efforts include helping countries apply the G20 Principles for Innovative Financial Inclusion, strengthening data for measuring financial inclusion, and guiding countries on target-setting methodologies.

On the digital money side, the BIS has initiated a new initiative with the IDB to provide open-source technology among central banks to facilitate the implementation of payment systems and other settlement infrastructures. By also providing regulatory advice and building institutional capacity, the Fully Scalable Settlement Engine (FuSSE) initiative aims to strengthen and integrate financial systems across Latin America and the Caribbean and, in doing so, lower barriers to entry, ease transactions, and improve product design and accessibility for consumers. A related collaboration among the World Bank, IMF, and BIS could break new ground tokenizing these institutions' lending, guarantee, and financing instruments in ways that could reshape the global financial system. Together, these initiatives demonstrate the potential for a global multilateral platform to serve the global majority.

CALL TO ACTION

The global majority agenda is more than a catchphrase. Rather, it is an inspired and informed new framing for financial inclusion for all. The global development community and private sector have a unique opportunity to build on the work that has been done to advance financial inclusion for more people, with more impact. By launching new efforts around digital money, and by stimulating and streamlining efforts to innovate, research, and create community and collaboration, a deliberate and differentiated agenda for the global majority will emerge to improve the lives of billions of people, contributing to global prosperity. Weaving together the elements highlighted in this brief, an agenda for the global majority could follow the World Bank's Financial Inclusion Support Framework and multitiered approach to financial inclusion. The agenda could emerge concurrently across service providers and platforms at the micro level; infrastructure and support services at the meso level; and policy, legislation, regulation, and supervision at the macro level. Industry, governments, researchers, and everyday economic citizens all have a role to play. This effort must be driven by generating and synthesizing strands of research and data to develop an improved understanding of the diverse needs and experiences of the global majority and of existing policy, technology, and programmatic solutions. Ultimately this will foster new ideas and solutions on multiple levels, from service providers to infrastructure and governance.

ABOUT THE AUTHOR

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