



## Analysis of factors affecting financial inclusion: Ecosystem view

Oksana Kabakova\*, Evgeny Plaksenkov

Finance, Payments and e-Commerce Chair, Moscow School of Management Skolkovo, Russia

### ARTICLE INFO

#### Keywords:

Financial inclusion  
fsQCA  
Digitalization  
Policy-making  
Emerging markets

### ABSTRACT

This study aims to research factors enabling financial inclusion in developing economies. The authors analyse the ecosystems of 43 countries using fsQCA in order to establish the configurations of ecosystem components that enable financial inclusion and those that lead to financial exclusion. Results show that there are three configurations of factors affecting financial inclusion: high socio-demographic and political factors in the absence of economical development; high social, technological and economical factors in the absence of political development; and political and economical factors in the absence of social and technological development. Two combinations of factors affecting financial exclusion are the absence of social and economical factors in the presence of political and technological development; finally, the configuration with absent socio-demographic, technological and political factors of development. The results obtained have policy implications for countries seeking to develop financial inclusion, outlining the most important spheres of the ecosystem to promote and support.

### 1. Introduction

A recent phenomenon observed in a number of countries is *financial exclusion (FE)*, meaning that not everyone has access to financial services or does not have enough knowledge or experience to use them. The opposite phenomenon is *financial inclusion (FI)*, where there is uniform availability and usage of financial services (World Bank, 2013). FI receives more and more attention from academics as well as policy-makers and financial market players due to its potential positive impact on the financial health and the development of the economy (Demircuc-Kunt, Beck, & Honohan, 2008; The All-Party Parliamentary Group on Microfinance, 2011).

Empirical research shows that a developed and inclusive financial system has the potential to reduce information and transaction costs, influence saving rates, investment decisions, technological innovation and the long-run growth rates (Beck, Demircuc-Kunt, & Peria, 2007). However, while there may be more and more access to and usage of financial services in various countries, they differ significantly in the pace and scope of development or its quality (Chaia et al., 2009). Such countries as Colombia, India or Kenya (Banca de las Oportunidades, 2014; Government of Kenya, 2013; Kaur & Singh, 2015) have developed specific policies towards financial inclusion, which mostly cover promotion as well as regulation of financial system or customers' rights in financial markets. However, these policies notwithstanding, the growth of FI in emerging countries is not enough to allow them to reach the levels of developed markets of the likes of the UK, the USA or

Sweden. The hypothesis is that the development of FI depends not just on the health of financial markets, but also on the entire ecosystem including economic, political, social and technological spheres. In this paper the authors link the ecosystem and environment theories with the FI phenomenon.

The study analyses a sample of 43 developing and low-income countries using the instruments of fuzzy-set qualitative comparative analysis. Access to accounts in each country proxies the outcome variable of financial inclusion (non-outcome is the reverse value reflecting financial exclusion), while condition parameters consist of the data for the 4 spheres of the ecosystem's environment, each constructed from 3 parameters.

The current research is the first to explore factors that affect the development of financial inclusion. Also, the paper contributes to the literature by connecting the ecosystem theories with FI phenomenon and discussing the ecosystem of financial inclusion. The results of the study could be applied by policy-makers in most countries seeking to develop financial inclusion policies. Moreover, existing policies could be adjusted to the factors believed to be crucial for the promotion of financial inclusion in each particular configuration. Additionally, each distinctive combination of factors can be used to explain the success of specific financial inclusion projects in this or other country.

Following the introduction, this paper offers an overview of the academic literature on the financial inclusion phenomenon and the ecosystem theory with a link to financial inclusion issues. The next section covers the research design and specifies the sample, method of

\* Corresponding author at: Novaya ul. 100, Skolkovo village, Odintsovsky District, Moscow Region 143025, Russia.

E-mail addresses: [Oksana\\_Kabakova@skolkovo.ru](mailto:Oksana_Kabakova@skolkovo.ru) (O. Kabakova), [Evgeny\\_Plaksenkov@skolkovo.ru](mailto:Evgeny_Plaksenkov@skolkovo.ru) (E. Plaksenkov).

<https://doi.org/10.1016/j.jbusres.2018.01.066>

Received 19 June 2017; Received in revised form 27 January 2018; Accepted 31 January 2018

0148-2963/ © 2018 Elsevier Inc. All rights reserved.

analysis and relevance of fsQCA in this particular case and defines the list of outcomes and conditions. Finally, the paper discusses the results of the analysis and offers implications for academics and policy-makers as well as future research directions.

## 2. Literature overview

The phenomenon of financial inclusion emerged at the end of the 20th century with the idea that development should extend to all the spheres and not only, as it was previously believed, to the level of the GDP. The issue of 'financial inclusion' became a political issue first in the UK in 1997. By 2010 it was being discussed worldwide, and the Global Partnership for Financial Inclusion (GPFI) was founded (Financial Inclusion Commission, 2017; GPFI, 2017). As financial inclusion became a new economic and social phenomenon, academics and practitioners both turned their attention to this issue, prompting a new field of research on the topic.

While there may be no straightforward approach to defining financial inclusion, there are several unequivocal characteristics of the phenomenon from the literature which are: (1) *uniform availability of financial services*; (2) *regular usage*; (3) *good quality of financial services* and (4) *potential for increased welfare*. Moreover, the lack of financial inclusion is not limited to the so-called vulnerable social groups or emerging and low-income countries, where the problem of access to financial services is most acute. This issue may be relevant to any part of the population regardless of the social status or income and to any country irrespective of its development status. The strategy should concentrate on the financial sector as a vital element of economic prosperity. For example, [Loayza and Ranciere \(2006\)](#) find that the long-run growth effect of finance on economic growth is positive and dominates. Empirical research also shows that financial development decreases income inequality, although the effect may depend on the type of policy: e.g., capital stringency and supervisory regulation decrease inequality while market discipline and activity restrictions worsen it ([Delis, Hasan, & Kazakis, 2013](#)).

Previous research on financial inclusion falls into several types. One includes general studies of FI as a contemporary economical phenomenon across different regions and countries. While initial papers simply discussed the nature of FI and its definition ([Dev, 2006](#)), later research, like [Chakravarty and Pal \(2013\)](#) and [Demirguc-Kunt, Klapper, Singer, and Van Oudheusden \(2015\)](#), looked into ways to measure FI. There were also papers on ways to track and to analyse progress in the FI field in different countries ([Bayero, 2015](#); [World Bank, 2013](#)). E.g., [Fungáčová and Weill \(2015\)](#) analyse FI in China using the World Bank Findex Data: the authors find distinctive features of Chinese FI compared to other countries, discuss social characteristics influencing the FI level and offer main implications of several underdeveloped FI indicators for the development of the economy.

Although financial inclusion policies and actions may not have a long history, empirical research reveals a list of positive microeconomic and macroeconomic effects supporting the hypothesis that the growth of inclusive financial systems is a significant component of development progress. Microeconomically, access to finance influences both individuals and firms. The lack of access to financial services may lead to poverty traps and inequality, as is demonstrated in a number of studies ([Aghion & Bolton, 1997](#); [Beck, Demirguc-Kunt, & Levine, 2007](#); [Galar & Zeira, 1993](#)). Moreover, a growing volume of literature focuses on the positive consequences of access to financial services, measured, for example, by the index of the density of ATMs and bank branches ([Sahay, Čihák, N'Diaye, & Barajas, 2015](#)) or by access to savings: those include higher savings, more productive investment, boosted consumption ([Dupas & Robinson, 2013](#)) and female empowerment ([Sanyal, 2014](#)). For the firms, empirical research shows that small businesses gain advantage from access to credit ([Duflo, Banerjee, Glennerster, & Kinnan, 2013](#)). Moreover, insurance programmes targeting small agricultural enterprises and based on weather show a positive impact on

farmers in India and Ghana due to the appropriate change in risk levels for farmers ([Karlan & Morduch, 2009](#); [Vickery et al., 2013](#)). Some research also shows the positive impact of financial inclusion on macroeconomic indicators: economic stability, measured by aggregate consumption volatility ([Mehrotra & Yetman, 2015](#)), growth ([Dabla-Norris, Ji, Townsend, & Unsal, 2015](#)) and consumption and output ([Buera, Kaboski, & Shin, 2012](#)).

Recently, several authors have considered applying theoretical models to FI issues in order to evaluate effects of FI development ([Dabla-Norris et al., 2015](#); [Karpowicz, 2014](#)). In these papers authors utilize a macroeconomic model with heterogeneous agents, absence of borrowing, external credit, limited commitment and asymmetric information in order to find the effect that FI has on the GDP and inequality in Uganda, Kenya, Mozambique, Malaysia, the Philippines, Egypt and Colombia. Apart from analysis through theoretical models, there exist some purely empirical papers looking into the effects of FI through surveys and longitudinal studies ([Dobbie & Gillespie, 2010](#)). For example, [Jones \(2009\)](#) finds statistically significant improvements in the mental health of the people who get financial advice and have access to various financial services, implying that financial inclusion has positive effects for health.

There is a distinctive niche in the literature occupied by case studies of various countries' policies and companies' project experience of FI. One of the best-known examples in both economic and business environment was M-Pesa in Kenya which was very successful in giving access to financial services to more than 9 million Kenyans through mobile banking ([Jack & Suri, 2011](#); [Mbiti & Weil, 2011](#)). There are also several cases of businesses supporting FI such as M-Shwari in Africa ([Cook & McKay, 2015](#)) or Yandex. Money and QIWI offering access to e-wallets in Russia ([Kabakova, Plaksenkov, & Korovkin, 2016](#)).

Policy papers on FI ([Demirguc-Kunt et al., 2008](#); [Mitton, 2008](#); [Srinivasan, 2007](#)) are of special interest in the current research. These papers focus on policies addressing specifically the banking sector, expanding financial capacity literacy, skills and behavioural models through targeted programmes or more complex state-funded programmes for FI. However, what is lacking is deeper analysis of the direction that the policy should take in order to reach or maintain financial inclusion in the most effective way measured in time, money and other resources terms.

The ecosystem approach becomes relevant as it has the potential to find and analyse possible factors affecting financial inclusion or exclusion. Based on the current literature, the ecosystem of financial inclusion breaks comprises two parts: the environment and stakeholders ([Moore, 1993](#)). As current research mainly concentrates on macro features, it discusses how the environment may affect access to financial services.

Francis J. [Aguilar \(1967\)](#) introduced STEP, one of the first approaches to describing the environment and ecosystem where S stands for Socio-demographic sphere, T for Technological, E for Economical and P for Political. Then, the 'macro-analysis of the environment', or its alternative representation through environmental scanning, turns it into a STEPE analysis, where the last component is Ecology, which, in turn, is compound and includes a strategy behaviour and culture processes architecture ([Davenport & Prusak, 1997](#)). In the 1980s, a number of other authors, including [Fahey, Narayanan, Renfro, Boucher and Porter](#) offered their versions of environment classification: PEST, PESTLE, or STEEPLE. Thus, [Morrison and Mecca \(1986\)](#) proposed Ed-QUEST (Quick Environmental Scanning Technique), in which special attention was given to Education. Some more recent classifications also included legislation. While certain experts consider the latter to be superfluous and linked to the political sphere, in some contexts legislation and law making may be relevant and sufficiently significant to be included in the analysis of the environment. Most recent modifications of the classification also include Ethical, Educational, Physical, Religious, and Security, Competition, Demographics, Ecological, Geographical, Historical, Organizational and Temporal (schedule) factors.

Download English Version:

<https://daneshyari.com/en/article/7424861>

Download Persian Version:

<https://daneshyari.com/article/7424861>

[Daneshyari.com](https://daneshyari.com)