



# Financial Inclusion

Lessons from World Bank  
Group Experience, Fiscal  
Years 2014–22



**IEG**  
INDEPENDENT  
EVALUATION GROUP

**WORLD BANK GROUP**  
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1818 H Street NW  
Washington, DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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#### **EDITING AND PRODUCTION**

Amanda O'Brien

#### **GRAPHIC DESIGN**

Luisa Ulhoa

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# Abbreviations

ABA	Advance Bank of Asia
AFD	Agencia Financiera de Desarrollo
AS	advisory services
ASA	advisory services and analytics
CGAP	Consultative Group to Assist the Poor
DFS	digital financial services
DPL	development policy loan
DPO	development policy operation
FSAP	Financial Sector Assessment Program
FY	fiscal year
G2P	government to person
ID4D	Identification for Development
IEG	Independent Evaluation Group
IFC	International Finance Corporation
MFI	microfinance institution
MIGA	Multilateral Investment Guarantee Agency
MPWEG	microenterprises, poor households, women, and other excluded groups
MSME	micro, small, and medium enterprise
NBFI	nonbank financial institution
NHFO	Non-Honoring of Financial Obligations
NFIS	national financial inclusion strategy
SME	small and medium enterprise
UFA2020	Universal Financial Access 2020

*All dollar amounts are US dollars unless otherwise indicated.*

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Team members and contributors included the following (alphabetically): Atinuke Ann Adigun, consultant; Amitava Banerjee, consultant; Elena Bardasi, senior economist; Leonardo Bravo, senior evaluation officer; Joy Butscher, evaluation officer; Mariana Calderon Cerbon, consultant; Wasiq Ismail, consultant; Riad Al Khouri, consultant; Sylvie Kabaziga Bishweka, consultant; Yulia Krylova, consultant; Anna Mortara, consultant; Ali Muez, consultant; Lilian Akunna Onyegbulam, methods fellow; Carlos Prada, consultant; Jon Principe, consultant; Sanjivi Rajasingham, consultant; Nadia Ramirez, consultant; Andrea Mariana Rojas Hosse, consultant; Heinz Rudolph, senior evaluation officer; Nikki Tan Sanittawan, extended-term consultant; Tao Tao, consultant; Rasec Niembro Urista, consultant; and Orlando Vaca Rodriguez, consultant. Aarre Laakso, senior consultant, was the developmental editor. Romaine Pereira, program assistant; Eli Crespo, temporary; and Emelda Cudilla, temporary, provided invaluable administrative support.

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# Overview

This evaluation explores how and with what effect the World Bank Group has supported financial inclusion for the microenterprises, poor households, women, and other excluded groups (MPWEG). Financial inclusion is defined as the use of financial services by individuals and firms. As this implies, financial inclusion refers not only to financial *access*—owning an account—but also to the *use* of financial services. This evaluation focuses on financial inclusion interventions that target the MPWEG. The objective of the evaluation is to assess whether the Bank Group has been doing the right things (whether it has been relevant) and whether it has been doing things right (whether it has been effective) on financial inclusion. The evaluation team used mixed methods, including (among others) a portfolio review and analysis, a structured literature review, case studies in 10 countries (Bangladesh, Brazil, Colombia, the Arab Republic of Egypt, Indonesia, Mozambique, Nigeria, Pakistan, the Philippines, and Tanzania), in-depth analysis on digital financial services (DFS) and gender, an analysis of data from Global Findex 2021, and semistructured interviews with Bank Group staff working on financial inclusion.

## A Sizable World Bank Group Engagement on Financial Inclusion with an Unknown Impact on the Underserved and Excluded Groups

The Bank Group’s involvement in financial inclusion for MPWEG has been substantial. During the evaluation period, the Bank Group financed nearly 1,700 financial inclusion activities worth about \$30 billion and engaged in important knowledge development and global partnerships. We assessed the Bank Group’s work on financial inclusion for MPWEG and other financially excluded or underserved groups from 2014 to mid-2022. The World Bank financial inclusion portfolio consisted of 429 World Bank lending projects worth almost \$23 billion, including over \$11 billion in investment financing and an estimated \$12 billion in development policy financing, and 677 advisory services and analytics. The evaluated International Finance Corporation (IFC) financial inclusion portfolio included 189 investments worth \$5 billion

and 360 advisory services (AS). The portfolio also included six Multilateral Investment Guarantee Agency guarantees totaling \$1 billion (table O.1) but only one evaluated project, limiting the inferences that may be derived from its experience. Beyond this portfolio, the Bank Group played a central role in leading the Universal Financial Access 2020 (UFA2020) initiative, in mobilizing partnerships in support of financial inclusion, and in generating financial inclusion knowledge and public goods (including the widely cited indicators of financial inclusion, the Global Findex).

**Table O.1.** World Bank Group Financial Inclusion Portfolio for MPWEG in the Evaluation Period (from 2014 to mid-2022)

Institution	Evaluated					
	Projects		Projects		Estimated Volume <sup>a, b</sup>	
	(no.)	(%)	(no.)	(%)	(US\$, millions)	(%)
IFC	162	77	549	37	5,477	30
IFC AS	101	48	360	24	330	2
IFC IS	61	29	189	13	5,147	28
MIGA	1	0.0	6	0.4	1,078	6
World Bank (without DPO)	49	23	924	63	11,647	64
World Bank ASA <sup>c, d</sup>	0	0.0	677	46	337	2
World Bank IPF	47	22	236	16	11,115	61
World Bank P4R	2	1	11	1	195	1
Total, World Bank Group (without DPO)	212	100	1,479	100	18,200	100
World Bank DPO	87	100	182	100	11,591	100

Source: Independent Evaluation Group portfolio review and analysis.

Note: The evaluation period covers fiscal years from 2014 to mid-2022. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for MIGA projects). AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; MPWEG = microenterprises, poor households, women, and other excluded groups; P4R = Program-for-Results.

a. To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the projects' committed amount was allocated proportionally among components (for example, prior actions for DPOs). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

b. Volume for unevaluated projects was estimated based on the stratified random sample design, reflecting a 95 percent confidence level. The sampling framework considered institution, instrument, Region, and country income level as strata.

c. For advisory projects, expenditure values are used. These values are not directly comparable to volumes associated with financing projects.

d. The Independent Evaluation Group used a keyword search to identify 1,205 World Bank ASA projects potentially related to financial inclusion. A random sample reflecting a 95 percent confidence level produced a 43.8 percent rate of false positives. This figure was applied in projecting from the sample to the population.

Financial inclusion has been considered vital to achieving Sustainable Development Goals because poor households and microentrepreneurs face challenges that financial services can help address. Transforming irregular income flows into dependable resources to meet daily needs is a key challenge for the people at the base of the economic pyramid. The challenge becomes even more difficult if poor people incur major expenses (such as a home repair or medical service) or a breadwinner falls ill. Because financial inclusion helps address these challenges, it has been linked to several Sustainable Development Goals, including (among others) ending poverty, ensuring good health and promoting well-being, achieving gender equality and empowering women, promoting decent work and economic growth, and reducing inequality within and among countries. The implicit assumption is that having access to financial accounts and benefiting from their services can give poor people a chance to save their money safely, increase financing for their microbusinesses, invest in education and health, and reduce their vulnerability to shocks.

Although financial inclusion is generally positively correlated with economywide growth and employment, empirical work does not yet tightly link financial inclusion to the well-being of MPWEG, measured in terms of income, consumption, or exit from poverty. At the country level, there is a positive relationship between indicators of financial inclusion and indicators of economic growth (appendix D), but substantial gaps in the evidence on the impact of financial inclusion on the income, consumption, and exit from poverty of MPWEG remain. A systematic review of reviews found the impacts of financial inclusion on poverty to be “small and variable” with some positive effects of some services for some people. Overall, it found that financial inclusion “may be no better than comparable alternatives” to address poverty, such as income transfers or other services or benefits (Duvendack and Mader 2019). A structured literature review by the Independent Evaluation Group of subsequent publications confirmed a mixed picture of the evidence for the benefits of financial inclusion to the MPWEG and other financially excluded and underserved groups. For example, there is abundant, mixed evidence on credit services but far thinner, mostly positive evidence on savings. Some authors have argued that the lack of an apparent direct impact of financial inclusion on poverty is because the channels through

which financial inclusion enhances welfare are indirect, by helping poor people build resilience and seize opportunities, often through long-term investments, such as education, that lack an immediate payoff. Investments enabled by financial inclusion to improve skills or physical well-being (health and mobility) may indeed have downstream (service delivery-level) benefits that are hard to observe.

Most Bank Group financial inclusion projects did not assess impact or higher-level outcomes, limiting the Bank Group’s potential to contribute empirical evidence linking financial inclusion to the well-being of poor people. The types of outcomes monitored in Bank Group projects typically related to the number and volume of accounts and transactions, or in the case of upstream (policy and institutional) reforms, the change of a regulation or law. Our evaluation finds that 91 percent of 293 examined Bank Group projects had no information on whether the projects had improved household or microenterprise outcomes, such as income or jobs, or had contributed to reducing poverty. When the Bank Group or governments measured outcomes, it was often not possible to attribute them to Bank Group support, particularly when several donors had provided support to financial inclusion. Most projects had no basis for linking financial inclusion interventions to any economic or social outcome. Positive exceptions include projects in Indonesia and Pakistan that benefited from outcome or impact studies and improvements in the monitoring and evaluation of outcomes over the evaluation period in Brazil and Indonesia. Bangladesh was an exception because outcomes achieved and measured could be linked to activities on which the World Bank had taken the lead. National data such as those in the Global Findex have been very helpful but are insufficiently granular to track changes to project and program effects.

## Evolution of World Bank Group Support from Financial Access to Financial Inclusion

Within the evaluation period, the Bank Group promoted financial inclusion by focusing on access to finance more than on financial inclusion. This was consistent with the goals of the UFA2020 initiative. The ambitious goal of the UFA2020 initiative, as announced by the Bank Group’s president in 2013, was “ensuring that people worldwide can have access to a transaction

account” (World Bank 2022a). This meant enabling about 2 billion adults who were financially excluded in 2014 to gain access to an account by 2020. Bank Group activities during much of the evaluation period primarily focused on access, aligning with UFA2020. World Bank and IFC management developed projects, analytical and advisory activities, and targeted initiatives (such as the Payment Aspects of Financial Inclusion programs) to fulfill the UFA2020 goals, seeing financial access as a step toward full inclusion. The Multilateral Investment Guarantee Agency has not traditionally defined overarching financial inclusion goals (as defined in this evaluation). Its most recent strategy sets a new course in this respect, with statements broadly embracing “inclusion” in general and its fiscal year (FY)21 Gender Strategy Implementation Plan explicitly emphasizing the importance of women’s access to digital services. The Bank Group UFA2020 work started in FY15 with a focus on 25 countries where 73 percent of all financially excluded people lived, reaching 100 countries by 2021.

Projects emphasizing usage of financial accounts—a vital component of financial inclusion—became common only late in the evaluation period. Project interventions with access goals during the evaluation period accounted for 70 percent of the commitment value of the portfolio, whereas less than 5 percent had usage-enhancing objectives. However, usage objectives expanded significantly during the later years of the evaluation period, from 2 percent in FY15 to 12 percent in mid-FY22. In Indonesia, an IFC project that supported the use of DFS launched large-scale awareness campaigns using advanced data analytics to improve targeting, outreach, and project design. In Brazil, IFC joined a mobile payment provider to support access to and use of electronic payments through mobile money rollouts targeting beneficiaries of the Brazilian government’s social welfare payment program. The program monitoring went beyond access to track account usage, including noncash transactions. The Bank Group’s increased emphasis on usage was underpinned by a focus on payment and DFS projects, which have grown significantly since FY19 and even more in response to the FY20 COVID-19 pandemic. Most of the Bank Group’s financial support for payments was delivered through development policy loans and analytical and advisory services, including IFC AS.

During COVID-19, the Bank Group sharply increased financial inclusion projects that supported the creation of accounts to transfer government-to-person (G2P) payments to those affected by COVID-19, but the sustainable use of these accounts is uncertain. G2P payments were intended to reach people who had lost their jobs or faced other shocks to their incomes or increased expenses imposed by the pandemic. Many of the accounts created through G2P interventions had limited use beyond receiving payments; hence, they were unlikely to continue to be used after the payments ended. In some countries, social transfers focused heavily on opening short-term accounts, increasing the risk that many accounts would fall dormant. In Mozambique, for example, G2P social payments established for crisis response lacked the fiscal resources to sustain G2P payments postcrisis. Although the ultimate fate of such accounts is not yet known, some countries recognize the need to mitigate these risks. For example, Bangladesh had already begun to take steps toward establishing a common G2P payment platform. In other countries, the accounts created for G2P were not designed to be usable for personal payments or savings or were not supported by training in beneficiaries' account usage features. In the Philippines, the G2P program opened digital accounts for beneficiaries, but it did not train beneficiaries in financial literacy; thus, millions of accounts are predicted to become dormant. In Pakistan, many beneficiaries could only use G2P transfer accounts to withdraw benefits.

The Bank Group's financial inclusion engagement has aligned well with countries' national financial inclusion strategies (NFISs), contributing to an increased focus on inclusion. The World Bank has supported the design and implementation of several NFISs, including in 4 out of the 10 Independent Evaluation Group case study countries. Quality country engagement (long-term engagement with in-country presence) and technical capacity gave the Bank Group opportunities to support financial inclusion particularly effectively through dialogue, participation in national processes, and complementary interventions. Mozambique and Pakistan are examples of successful engagement on NFISs, including through diagnostic tools, technical notes, and policy advice partly funded by trust funds.

Bank Group collaboration with selected global partners was important to support financial inclusion and NFISs. Collaboration with the Consultative

Group to Assist the Poor was important in generating knowledge and providing complementary support to clients, including on NFISs and payment systems, in several countries, including Ecuador, Indonesia, Myanmar, Pakistan, Peru, Tanzania, and Zambia. (All Bank Group activities relating to Myanmar have been on hold since February 1, 2021.) The Financial Inclusion Support Framework launched country support programs in 8 out of the 25 UFA2020 priority countries. In Mozambique, the Financial Inclusion Support Framework financed technical assistance, combined with World Bank development policy loan support, for the adoption and implementation of NFISs and national-level reforms to increase access to and use of financial services. Within the portfolio, however, collaboration with donors was limited in number and breadth.

## Progress and Challenges in Reaching Underserved Groups

Over time, the Bank Group has more explicitly focused on women's financial inclusion. At the outset of the evaluation period, Global Findex documented a "gender gap" of account ownership of 8 percentage points. Echoing a global and corporate shift toward a greater focus on gender, the number of Bank Group projects with gender components increased sharply in recent years. After a spike in FY18, the number of financial inclusion projects with a gender component subsequently plateaued at approximately twice the historical level (about 47 percent of projects compared with a prior 20 percent). Country strategies for Nigeria, the Philippines, and Tanzania specifically supported financial inclusion for women, including by developing financial initiatives and products designed for them. Over the evaluation period, an increasing number of Bank Group projects also targeted women's use of financial services and tracked it with disaggregated indicators.

The inclusion of underserved groups besides women has remained limited. About one-quarter of projects had rural components or objectives, and only 7 percent identified refugees and forcibly displaced people, religious minorities, vulnerable children, and people with severe disabilities as their beneficiaries. However, IFC AS projects in Colombia and Guatemala were notable—the Colombia IFC AS project targeted the displaced Venezuelan



population, and the Guatemala project targeted indigenous peoples living in frontier regions.

The Bank Group’s portfolio is generally relevant to address some important constraints on the financially excluded (such as cost of services and distance to financial services). The Bank Group placed a strong emphasis on addressing distance to financial services and price of services—two of the three top barriers to having a financial account. For example, Mozambique successfully increased the financial inclusion of excluded populations by reducing the cost of services and the distance to financial services. The World Bank supported creating a single national network that unified the electronic payment system and measures that made agent and branch banking more accessible to the rural population. IFC provided AS to a mobile operator that supported a rapid expansion of mobile services to the excluded groups, including in rural areas. Since 2016, the growth rate for mobile wallets has been three times faster than that for traditional bank accounts, including millions of formerly financially excluded rural and low-income residents who gained access to and usage of mobile financial services.

Both upstream and downstream support are critical to foster financial inclusion and reach underserved groups. World Bank development policy operations, World Bank advisory services and analytics (including Financial Sector Assessment Programs), and IFC AS are most commonly used for upstream support to influence policy and legal or regulatory changes and to reform institutions. Development policy operations supporting regulatory reforms had an 82 percent success rate; they were particularly successful in supporting focused, short-term reforms but were less well suited to supporting policy changes that required longer engagements. Bank Group projects supporting improvements to the financial infrastructure—credit bureaus, credit information systems, and collateral registries—had an 85 percent success rate (90 percent for IFC AS) but were less successful when addressing underlying constraints due to the legal and regulatory frameworks. IFC investment services and World Bank investment project financing, as well as IFC AS, are mostly used to support downstream service providers. A key analytical work, the Financial Sector Assessment Program, has played an important role in supporting the formulation and implementation of financial inclusion work. Financial Sector Assessment Programs with financial

inclusion technical notes are widely accepted by key stakeholders as important tools to identify challenges and raise the awareness of policy makers on financial inclusion.

A key challenge to extend financial services to MPWEG is to find sustainable private business models. Most models for delivering financial services to poor people required subsidies. Services, such as microsavings and micro-insurance, which have proven more beneficial to low-income individuals according to the literature, are often unprofitable when offered as stand-alone businesses. Some microcredit and mobile money services, conversely, have proved financially sustainable. This helps to explain why the majority of Bank Group lending and investment volume for financial inclusion has gone to credit services.

## The Unrealized Potential of Digital Financial Services

DFS have tremendous potential to extend financial services to MPWEG. DFS are often indispensable when traditional brick-and-mortar solutions are unusable or unsustainable, including bridging the “last mile” between the conventional infrastructure and the hard-to-reach customer.

DFS had been growing steadily in the Bank Group portfolio and accelerated rapidly with the Bank Group’s COVID-19 response. In line with global trends, since FY17, the share of DFS in the portfolio has steadily increased, with a discontinuous jump in FY21, the first full year of the COVID-19 response. The need to avoid person-to-person interactions and to deliver benefits to those most at risk from the economic consequences of COVID-19 increased clients’ drive for improved and expanded digital payment systems and services. In FY21 and mid-FY22, support for DFS accounted for over 60 percent of services in the Bank Group portfolio. Within the financial inclusion portfolio, IFC investments, although focused mostly on traditional financial institutions, commonly provided AS to enhance their clients’ offering of digital services, with a strong focus on excluded populations.

As the emphasis on digital services grew, Bank Group projects focused on digital delivery successfully. The Bank Group worked to integrate the digitalization of payments with the opening or use of digital payment accounts

to receive them. Its digital services projects met with a 72 percent success rate. IFC was equally successful with financial inclusion projects whether they used digital or traditional services (77 percent) and was relatively more successful with projects using both (86 percent). Sometimes, well-placed advisory projects appear to bring major benefits. In Bangladesh, for example, IFC (in addition to its equity investment) helped bKash to develop operational procedures and a strategy for an e-wallet payment solution and to implement merchant acquisition and rollout. By the end of 2017, it had exceeded its targets for merchants (achieving a network of 50,516) and accounts linked to mobile banking systems (30.9 million).

Successfully introducing DFS frequently required sequential engagement, often starting upstream. The absence of enabling conditions often constrains DFS, which requires an enabling regulatory framework and a more comprehensive approach than has usually been taken. Factors constraining the introduction of digital services included lack of appropriate regulation, lack of ancillary systems, limited infrastructure, lack of technical and institutional capacity, and low digital financial literacy among target populations. In Nigeria, for example, shifting social payments to mobile money platforms proved impossible as a COVID-19 crisis response because of the limited prior adoption of digital G2P payments and a weak digital payment infrastructure. Early upstream interventions were often able to reduce or remove these constraints, enabling successful downstream interventions later. For example, in Tanzania, a 2014 IFC AS project supported the establishment of rules for mobile financial services interoperability. Five years later, IFC began to provide downstream AS to a leading mobile operator to enhance access to and usage of mobile payments.

## Recommendations

The report highlights three recommendations to enhance the World Bank's and IFC's work on financial inclusion.

**Recommendation 1:** The World Bank and IFC should further encourage account use by underserved groups, including women and rural poor people, and emphasize this more in their strategies and projects. This will require long-term and well-sequenced approaches, with due attention to private

sector capabilities, a balanced combination of supported financial services (credit, payment, savings, and insurance), and a balance between supply (for example, DFS and G2P) and demand measures (for example, financial literacy and consumer protection), as well as among upstream policy, regulatory, and institutional measures and downstream service delivery interventions. The Pakistan and Tanzania projects provide good “models” of long-term well-sequenced approaches to encourage account use by underserved groups.

**Recommendation 2:** The World Bank and IFC should design and implement more comprehensive approaches that address constraints in the enabling environment for DFS to reach underserved and excluded groups. Depending on market conditions, attention may be needed to constraints in the legal and regulatory framework, financial or physical infrastructure, ancillary systems, institutional capacity, and integration of digital solutions into financial services for MPWEG. A full package would often include, for example, measures to advance universal identification, digital access (covered in a parallel Independent Evaluation Group report), financial literacy, consumer protection, and data privacy. The Tanzania case study shows that joint World Bank–IFC complementary interventions, such as enabling regulations for mobile payments, merchant acceptance of such payments, and interoperability, enhanced effectiveness. The framework of measures needed for DFS to reach their full potential is known to the World Bank and IFC, but a number of client countries would require a more comprehensive approach to realize it.

**Recommendation 3:** To enhance learning on what works to increase the beneficial use of financial services at the MPWEG, the World Bank and IFC should collect outcome data across different underserved and excluded groups, initially on a pilot basis. Relying on Global Findex and further developing it as a tool to understand financial inclusion outcomes are essential. Collecting additional data on financial inclusion outcomes more regularly, such as who is benefiting and how they are using and benefiting from services, would improve understanding of which financial inclusion interventions benefit the excluded groups and help people exit poverty. The data would also enhance the Bank Group’s understanding of and empirical research on how to encourage beneficial account use by such underserved groups, including women and rural poor people, and how to improve the

design of strategies and projects to encourage such beneficial use. In recognition of the challenges and costs of such systematic data collection on MPWEG, this could be launched initially on a pilot basis for a sample of relevant projects.

# Management Response

Management of the World Bank thanks the Independent Evaluation Group (IEG) for the report *Financial Inclusion: Lessons from World Bank Group Experience, Fiscal Years 2014–22*. The report provides insights to inform the World Bank’s financial inclusion work, including having greater outcome orientation in the indicators to be included in the new World Bank Group Corporate Scorecard. While account ownership increased significantly during the last decade, there are still 24 percent of adults globally who do not have a transaction account. The World Bank’s work is guided by the evidence that having access to transaction accounts gives poor people a chance to save their money safely, increase financing for their microbusinesses, invest in education and health, and reduce their vulnerability to shocks. The World Bank’s engagement on Universal Financial Access 2020 (UFA2020) has been underpinned by close partnership with the Consultative Group to Assist the Poor, with 32 private sector partners and several donors.<sup>1</sup> Management thanks IEG for the constructive cooperation throughout this evaluation.

## World Bank Management Response

### Overall

Management considers financial inclusion an important component of the World Bank’s support for improving the well-being of poor people. Many studies and the World Bank’s own experience confirm the role of financial inclusion as an enabler for achieving various development outcomes. This underpins the importance the global community attaches to financial inclusion in achieving several of the Sustainable Development Goals. Management agrees with IEG that a few studies have shown inconsistent impacts of financial inclusion on poverty reduction, and it is important to build more robust impact assessments to address the evidence gaps.

Management is pleased that the report finds the World Bank has had substantial involvement in the financial inclusion agenda covering 100 countries during the evaluation period. In addition to a substantive portfolio

of investment project financing, development policy financing operations, and advisory and analytical services, the World Bank together with the International Finance Corporation (IFC), “played a central role in leading the UFA2020 [Universal Financial Access 2020] drive for universal financial access, in mobilizing partnerships and in generating financial inclusion knowledge” (14). An example of a knowledge product that contributes to the public good is the widely cited indicators of financial inclusion, the Global Financial Inclusion database (Findex). Management is also pleased that the report acknowledges the World Bank’s contributions at the country level including through long-term engagement and close alignment with the National Financial Inclusion Strategies on digital payments and financial consumer protection. The case studies point to the World Bank’s effective use of diagnostic tools, technical notes, and policy advice to support client countries.

Management acknowledges opportunities for continued improvements in World Bank engagements on financial inclusion, building on important lessons highlighted by the report. First, long-term and sequential engagement with in-country presence is critical. These allow long-term dialogue and continued participation in national processes, and facilitate delivery of projects that build on one another. Second, supporting private sector ability and incentives to participate in delivering financial services to underserved groups, while challenging, is decisive to achieving results. Third, good quality both at entry and during supervision, informed by local conditions and client capacity and needs, enhances the effectiveness of projects. Management also acknowledges the importance of fostering client commitment and collaboration within the World Bank and with external partners in achieving financial inclusion goals. Management will reflect on these rich lessons to incorporate them in current and future engagements to advance financial inclusion.

## Recommendations

Management agrees with the first recommendation to “further encourage account usage by underserved groups, including women and rural poor people, and emphasize this more in the strategies and projects” (xvii). Management agrees with the report that it is important to leverage progress in account ownership to foster account usage and will redouble efforts, for example, via

specific interventions focusing on acceptance of digital payments by small merchants, and supply chain digitalization. The report highlights long-term and sequenced approaches to encourage account use by underserved groups through the case studies of Pakistan and Tanzania. Management will continue expanding the use of such approaches currently being implemented in many other countries, such as the Arab Republic of Egypt, Morocco, Mexico, Madagascar, Albania, Kosovo, Georgia, and Nepal. Management will continue supporting increases in account ownership in countries where key enablers for usage are not yet in place. Prioritizing access to financial accounts in these challenging contexts helps strengthen market confidence, consumer financial capability, demand for financial services, and related investments (such as systems for payment and claim services and cybersecurity).

Management agrees with the second recommendation to “design and implement more comprehensive approaches that address constraints in the enabling environment for DFS [digital financial services] to reach underserved and excluded groups” (xviii). Management’s operational approach comprises upstream work on strengthening the enabling policy environment and downstream work on service delivery interventions that include work with the private sector on promising innovations and scale-up of sustainable business models. This has included the delivery of technical assistance and global engagements to advance universal identification, digital access, financial literacy, consumer protection, and data privacy. Examples include Identification for Development, government to person, Financial Inclusion Global Initiative, Digital Economy for Africa, Harnessing Innovation for Financial Inclusion, Remittances and Payments Program, and Consumer Protection and Financial Literacy. Other examples to increase usage include World Bank’s work to enhance competition by enabling new business models, private sector participation, and development of financial products for climate change mitigation and adaptation. Management will explore ways to integrate financial inclusion more systematically in World Bank projects involving government payments, including social assistance transfers, pensions, and subsidies as well as those involving digital transformation.

Management agrees with the third recommendation to “collect outcome data across different underserved and excluded groups, initially on a pilot basis” (xviii). The World Bank has developed results frameworks for



trust-funded financial inclusion technical assistance programs such as the Financial Inclusion Global Initiative, or Harnessing Innovation for Financial Inclusion. The new Finance for Development umbrella trust fund has been built on these earlier efforts to develop its results framework for financial inclusion. These frameworks rely on project-level data and on global databases such as Findex, Enterprise Surveys, and Remittance Prices Worldwide, which themselves are used to monitor progress toward Sustainable Development Goals 8.10.2, 9.3.2, and 10.1. As part of the new World Bank Group Corporate Scorecard, management is considering usage indicators to measure outcomes on financial inclusion. To address some of the measurement challenges, the World Bank plans to participate in a new Consultative Group to Assist the Poor program that aims to improve the understanding of how financial inclusion interventions contribute to higher-level development outcomes, and to define outcome indicators beyond usage of accounts to understanding the depth of financial inclusion (for example, access and use more financial products beyond accounts) and the utility of financial inclusion (for example, mitigating climate risks via financial products or building financial resilience). Findings of this work will be tested in country pilots to complement the World Bank's ongoing efforts to strengthen outcome measurement.

## International Finance Corporation Management Response

IFC management welcomes IEG's evaluation *Financial Inclusion: Lessons from World Bank Group Experience, Fiscal Years 2014–22*, and appreciates the collaboration with IEG throughout the preparation of the evaluation and this opportunity to reflect on its work in this area. IFC management considers financial inclusion important to IFC's mission of advancing economic development by encouraging the growth of private enterprise in developing countries.

### Overall

Management notes that the IEG evaluation highlights the positive evidence on the impacts of financial inclusion as an enabler of and pathway to resilience and poverty reduction. We acknowledge the evidence gaps and the limitations of our key development metrics (number and volume of loans to

micro, small, and medium enterprises [MSMEs]) in addressing these questions. We welcome the recommendation from IEG to pilot efforts to collect more detailed data on financial inclusion outcomes through additional data collection and impact assessments.

Management acknowledges the use of microenterprises, poor households, women, and other excluded groups (MPWEG) in the report but notes that it is not used by IFC. While MPWEG is an interesting concept to explore, it is not used for IFC's own target-setting and performance measurement. Further, to properly track the projects benefiting excluded groups, it is essential to establish a clear and applicable definition of excluded groups that aligns with the specific contexts of relevant countries and markets. The World Bank strategy is to expand financial inclusion for all underserved segments, not just women or excluded and poor households but also, for instance, forcibly displaced populations and small business owners who may not be poor but may lack access to the credit they need to grow their businesses.

The evaluation states “only a few sustainable business models” (56) mainly focused on credit services were able to increase financial inclusion among poor people. IFC's investment track record suggests otherwise. Between FY14 and FY21, IFC committed \$9.2 billion in 378 projects in the Financial Institutions Group that were classified as “inclusive business.”<sup>2</sup> This classification signifies an investment that proactively reaches a significant share of the base of the pyramid stakeholders—20 to 30 percent of a particular stakeholder group—thereby improving accessibility, affordability, or quality for this population.<sup>3</sup> Further, the examples in the evaluation speak less to the sustainability of a “business model”; rather, they highlight the need to work upstream (for example, credit infrastructure and legal and regulatory reform in the Colombia case study) and downstream to build the capacity of firms and address their constraints, including helping them to innovate and adapt products and delivery models to enhance financial inclusion, as in the Mozambique case study. Regardless, IFC believes that financial inclusion is a key development challenge for economic development and inclusion across many segments of the economy. For example, a microentrepreneur may not be poor, but they may be underserved by the formal financial sector as banks may not be interested in lending to their business (due to lack of credit history, documentation, collateral, and so on), leaving only the option to borrow

informally. Thus, management emphasizes that the scope and strategy for financial inclusion for Financial Institutions Group projects is broader than only financial inclusion for poor people.

Management would like to stress that IFC's work on DFS dates back more than a decade before the Covid-19 pandemic and has been much broader than government to person payments. While the social impact of digitizing government to person payments is indeed significant, such projects represent only 9 percent of the identified portfolio. The assessment of DFS in the evaluation does not reflect IFC's broader work on fostering the development of digital channels and business models to facilitate access and usage of financial services, before and through the pandemic. Foundations laid earlier by long-standing World Bank support for DFS enabled the acceleration of adoption during the pandemic. For example, several banks and microfinance institutions that participated in IFC's DigiLab program before the pandemic were among the first in their markets to respond to the pandemic with enhancements to their digital channels and digital loan products, leveraging the digital road maps and skills previously developed through DigiLab. For those participating in COVID-19 DigiLab cohorts, adopting DFS to serve internal and client needs during lockdowns was top of mind from the outset.

Leveraging technology to improve services for the underserved is an important area of focus for IFC. Technology can and is being deployed to enable development not just of payment services but also of credit, savings, micro-leasing, insurance, microhousing finance, and other inclusive offerings made possible by close collaboration of multiple teams at IFC, such as Disruptive Technologies and Funds and IFC's Upstream and Advisory. To illustrate, the credit infrastructure programs developed by Financial Institutions Group advisory promote access to finance to MSMEs, women-owned enterprises, and underbanked individuals with limited access to finance, facilitating the development of inclusive offerings of financial products. Two examples include the Global Financial Infrastructure Program and the Global Index Insurance Facility. This sectorwide enabling work is complemented by customized advisory engagements with financial institutions to support access to a wide range of financial services globally.

Further, management would like to note that IFC's work in Embedded Finance has not been covered in the report.<sup>4</sup> IFC's efforts such as the upstream project with &Frnds (a payment service provider in Southeast Asia) and Disruptive Technologies and Funds investment and advisory with the business-to-business commerce platform, Growsari, have supported financial inclusion through Embedded Finance, which is an emerging area reflected in the more recent portfolio. Delivering financial services in the context of other activities in which end users are engaged is a powerful way to reach underserved populations across all industry clusters. Economic drivers, market implications, and regulatory considerations for Embedded Finance were covered by the World Bank in *Fintech and the Future of Finance: Market and Policy Implications* and have been widely covered by industry experts.<sup>5</sup>

Ultimately, the evaluation concludes that IFC's work in financial inclusion is important and relevant. Management appreciates the recommendations that invite the World Bank to continue to focus on this space, possibly expanding its efforts to long-term approaches and programmatic interventions.

## Recommendations

**Recommendation 1:** “The World Bank and IFC should further encourage account use by underserved groups, including women and rural poor people, and emphasize this more in its strategies and projects” (xvii). IFC management agrees with this forward-looking recommendation to strengthen usage of the accounts already opened for underserved segments (for example, women). IFC agrees that a range of interventions would be required to encourage usage and will leverage tools and approaches, such as IFC advisory services and upstream, digitalization, and blended finance. Private business models may require upstream efforts to become sustainable, and the success of these models would depend on the country context. Management notes that the Pakistan and Tanzania case studies are two examples of long-term and well-sequenced engagements that have been successful in encouraging account usage. These examples demonstrate that strong collaboration between IFC and the World Bank can be developed as we move toward the One World Bank Approach highlighted in the Evolution Roadmap.

**Recommendation 2:** “The World Bank and IFC should design and implement more comprehensive approaches that address constraints in the enabling environment for DFS to reach underserved and excluded groups” (xviii). IFC management agrees with the recommendation to design comprehensive approaches consistent with market conditions. We note that the integration of digital solutions into the delivery of financial services requires a strong enabling environment (of the legal and regulatory framework and institutional capacity) and supportive infrastructure. In addition, to leverage innovations in technology and new business models financial services must be better integrated into the workflow and activities of end users. IFC will continue efforts to strengthen the enabling environment while also pursuing investment and extending advisory to develop and scale innovative inclusive finance business models. The case of Tanzania where IFC supported the merchant channel to improve acceptability of mobile payments by the MSME sector is noted. It might not be practical to follow this type of approach in every market given the limited World Bank resources as well as constraints in the ability and capacity of governments and the private sector to support such comprehensive engagements.

It is also important to recognize that investment of equity and debt in scaling DFS to reach underserved and excluded groups may involve higher risk than investing in established financial institutions servicing established customer bases. Drivers of risk include startup and scale-up business risks and the customer segment risks of serving new-to-finance and new-to-credit customers. IFC has made strong progress in developing an innovative equity DFS portfolio and on the debt side, the bulk of IFC’s investments has been to better established digital lenders. Most DFS providers in emerging markets and developing economies are at earlier stages of development and do not meet IFC’s standard credit criteria. Management would welcome further discussion on how far to push the envelope in pursuing inclusive impact while maintaining portfolio performance.

**Recommendation 3:** “To enhance learning on what works to increase the beneficial use of financial services at the MPWEG, the World Bank and IFC should collect outcome data across different underserved and excluded groups, initially on a pilot basis” (xviii). IFC management welcomes the recommendation to explore ways to capture more detailed information on

underserved segments in addition to the development outcome data that IFC collects through Anticipated Impact Measurement and Monitoring. This would allow IFC to clearly identify the beneficiaries and how they are using financial services supported by IFC projects. We fully agree that IFC should assess outcomes of projects and programs in future engagements (with the caveats regarding constraints of data quality and the resource-intensive nature of this effort) and would appreciate IEG support and collaboration to systemically assess outcomes of broader programs that have already been implemented.

Management would like to emphasize that defining excluded groups is important. These definitions will vary by country and market and will have to be embraced by stakeholders. IFC is strengthening its existing outcome and impact reporting indicators, particularly with respect to gender reach. However, capturing information on final users or ultimate borrowers is challenging. Financial service providers track and report on overall accounts, loans, and insurance policies, necessitating in some cases customer surveys to gather such information—a task that is often complicated by confidentiality constraints imposed by regulators. Gathering information on income and other demographics for customers and developing and conducting more impact assessments to estimate the effects of improved access to financial services on well-being is a priority for IFC, but it is not feasible for each project in the portfolio at the final beneficiary level.

## Multilateral Investment Guarantee Agency Management Response

Multilateral Investment Guarantee Agency (MIGA) welcomes the evaluation, which follows up on the 2015 evaluation on financial inclusion and also benefits from the updated data from Findex. MIGA thanks the IEG team for the engagements and discussions during the evaluation process.

The evaluation aims to enhance the World Bank's learning from supporting client countries for advancing financial inclusion, which is narrowly specified as financial intermediary interventions that target MPWEG. The evaluation questions are focused on the relevance and effectiveness of the World Bank support to financial inclusion and its impact on poor people. MIGA notes the evaluation coverage and IEG assessment based on the

evaluation period (FY14 to the first half of FY22). The evaluation identified six operations, of which one was evaluated. MIGA considers the evaluation cut-off date and very specific focus on targeting financial inclusion for MPWEG contributed to the limited inferences derived from MIGA's experience and the failure of the report to capture the strategic importance of inclusiveness, including financial inclusion for MPWEG, for MIGA and its work.

In summary, MIGA would like to assure its stakeholders that inclusiveness is one of the Agency's areas of strategic importance, as evidenced by MIGA's dedicated work in gender beginning in FY21. Also, MIGA supported financial inclusion in its project work through several vehicles, including through (i) MIGA's support to projects with the issuance of political risk insurance; (ii) MIGA's support to global banks through its Capital Optimization Product and (iii) through guarantees in protecting commercial lenders from non-honoring of financial obligations by central governments, municipalities and state-owned enterprises. Across these vehicles, MIGA is making good progress in generating projects with significant financial inclusion dimensions.

## Multilateral Investment Guarantee Agency's Strategic Emphasis on Inclusiveness

One of the evaluation findings is that MIGA has not traditionally defined overarching financial inclusion goals as defined in this evaluation, which refers to financial inclusion as the intervention that targets MPWEG.

MIGA's Strategy and Business Outlook has been emphasizing small and medium enterprise (SME) finance under the heading of financial inclusion, while this evaluation categorically excluded SME finance from the scope of its work unless the project benefited not only small and medium enterprises but also MSMEs. IEG applied this approach and specified six MIGA guarantees totaling \$1 billion (table O.1) as financial inclusion projects for this evaluation. As this evaluation takes a restrictive definition of financial inclusion, many SME finance activities supported by MIGA's political risk insurance instrument and Capital Optimization Product were excluded. As a result of IEG's specific definition of financial inclusion (targeting MPWEG as opposed to SME finance), the evaluation gives the impression that inclusion was not among MIGA's priorities.

However, as pointed out in the evaluation, from FY21, MIGA unequivocally highlighted working with our clients to enhance opportunities for supporting women-owned enterprises and expanding women’s access to DFS. This was noted in the Strategy and Business Outlook FY21–23, along with the establishment in FY21 of the Agency’s first dedicated Gender Unit and the launch of MIGA’s first Gender Strategy Implementation Plan FY21–23 (highlighted in the evaluation). MIGA, using the Gender Flag methodology developed by the World Bank as the Gender Tag and then adopted by IFC as the Gender Flag methodology for private sector operations, successfully booked its first “gender-flagged” operation in FY21 and added another gender-flagged operation in the second half of FY22.

Furthermore, in FY22, MIGA enhanced its ex ante development impact assessment tool, the Impact Measurement and Project Assessment Comparison Tool, to more accurately capture, describe and assess ex ante project-specific and beyond-project outcomes that provide positive direction and demonstration effects in gender and other excluded and underserved groups. MIGA also introduced an Inclusion Uplift methodology in the Impact Measurement and Project Assessment Comparison Tool framework whereby—subject to a range of required conditions—certain projects that display a significant focus on underserved groups (for example, women, rural residents, ethnic minorities, and Indigenous peoples) may receive a scoring uplift that can translate into a higher Impact Measurement and Project Assessment Comparison Tool score or rating. The MIGA Strategy and Business Outlook FY24–26 emphasizes the inclusion agenda, targeting the bottom 40 percent of all developing economies. It is clear from these documents and actions that MIGA is fully incorporating financial inclusion in the Agency’s strategic focus and following through with implementation.

Based on the above, MIGA would like to emphasize that inclusiveness is of strategic and operational importance to the Agency, and MIGA is increasingly active in this area, as demonstrated in the following section.

## Financial Inclusion in Political Risk Insurance Projects

MIGA recognizes that DFS have the potential to extend financial services to underserved groups, as highlighted in this evaluation. MIGA supported



the development of mobile money services through a project that entered MIGA's portfolio shortly after the evaluation's cut-off date. In June 2022, after the cut-off date of the evaluation period (December 31, 2021), MIGA issued contracts of guarantee for \$180 million to cover investments made by the Rise Fund into Airtel Money, one of the region's leading mobile money service providers.<sup>6</sup> Originally a subsidiary of Airtel Africa, Airtel Money, with a presence in 14 countries across Sub-Saharan Africa, was spun off as a separate entity to help bring outside investors, such as the Rise Fund and Mastercard, to foster growth and innovation. With this arrangement, there will be increased attention to Airtel Money's operations, contributing to greater financial inclusion in the 12 countries across Sub-Saharan Africa where MIGA is providing support, most of which are International Development Association countries and countries classified as fragile and conflict-affected situations (that is, Chad, the Republic of Congo, the Democratic Republic of Congo, Gabon, Kenya, Madagascar, Malawi, Niger, Rwanda, the Seychelles, Uganda, and Zambia) or both.

## Financial Inclusion in Capital Optimization Projects

One MIGA product that is especially important in fostering financial inclusion is the Capital Optimization Product. The product is designed for global retail banks with significant exposures to central banks in Emerging Market and Developing Economies. Under this product, MIGA provides insurance for mandatory reserves held by a parent bank's Emerging Market and Developing Economies subsidiaries at the local central bank, which helps to reduce counterparty risk and leads to a reduction in the bank's risk-weighted assets and hence the amount of regulatory capital required on a consolidated basis. The capital relief that is freed up can then be used to grow the bank's loan book rather than be locked up in reserves held at the central bank. The evaluation covered only one Capital Optimization project in Serbia,<sup>7</sup> where MIGA supported MSMEs and other priority sectors.

In the past, when MIGA provided banks with its Capital Optimization Product, the use of additional lending headroom resulting from the capital relief provided by the MIGA guarantee supported general lending of the Emerging Market and Developing Economies' local banks. However, MIGA has increasingly changed this practice and instead is asking and receiving

specific commitments from its financial institution clients that the additional lending will be directed to particularly developmentally impactful lending, including financial inclusion. For example, as part of their contractual commitments, clients agree to use part of their freed-up capital to extend new loans to women-owned or led enterprises. Lending commitments mean that over the life of the guarantee our clients have committed to lending a specific amount to women and women-owned businesses or both. MIGA receives annual data from clients on their lending to assess where they are in terms of actuals versus commitments. From June 2021 to date, four of MIGA's Capital Optimization clients have committed to gender lending targets totaling \$1.2 billion.

One example of a project with a commitment to use additional lending capacity in the areas specifically relevant to this evaluation is the National Bank of Canada Mandatory Reserves Coverage of its subsidiary in Cambodia, the Advance Bank of Asia (ABA). MIGA issued a guarantee of \$300 million that covered the risk of expropriation of funds related to the mandatory reserves of National Bank of Canada's subsidiary, ABA, held at the Central Bank of Cambodia. ABA is using the MIGA-enabled capacity to support new lending. By supporting ABA's loan growth, MIGA's guarantee helps improve access to finance for Cambodian MSMEs in the context of an MSME financing gap estimated at 20 to 30 percent of GDP and at a time of increased pressure due to the COVID-19 pandemic. In addition to improving access to finance for MSMEs, 75 percent of the freed-up capital will be used to support women-owned or led enterprises. The project also enhances the stability and resilience of the MSME sector in Cambodia and demonstrates the viability of lending to a segment often perceived as risky. At the same time, the project demonstrates the importance MIGA attaches to adopting inclusive frameworks targeting women-owned or led enterprises. This was among MIGA's early gender-flagged projects as well as MIGA's first in an International Development Association country, first in the East Asia and Pacific Region, and the first with a North American guarantee holder. The contract's effective date of January 31, 2022 was just a month after the evaluation's December 31, 2021 cut-off date.

## Financial Inclusion in Credit Enhancement Projects

MIGA's Non-Honoring of Financial Obligations (NHFO) guarantee provides a powerful credit enhancement in transactions involving sovereign and subsovereign entities and state-owned enterprises. The coverage protects against losses resulting from a sovereign, subsovereign, or state-owned enterprise's failure to make a payment when due under an unconditional and irrevocable financial payment obligation or guarantee given in favor of a project that otherwise meets all MIGA's normal requirements. The primary beneficiaries from this cover are commercial lenders that provide loans to these public sector entities.

In the context of this evaluation, IEG identified five NHFO projects as financial inclusion transactions. They are primarily in upper-middle-income or high-income countries aligned with MIGA's commitment to serving all clients and the second of the World Bank's twin goals to foster shared prosperity, as many of these countries still face a large financing gap for MSMEs.

Given the products offered by MIGA, the evaluation could have articulated the complementarity of MIGA's product with those of other products across the World Bank. The three institutions serve different types of clients based on their product offerings, business models, and markets (such as addressing financial inclusion challenges in middle-income countries). The evaluation missed the opportunity to highlight the complementarity of MIGA's role alongside the World Bank's other institutions for promoting financial inclusion. A similar observation on the complementarity of products could have been made for MIGA itself, as one of MIGA's strategic priorities has been serving all clients. MIGA's political risk insurance covers are most aligned with low-income countries and lower-middle-income countries, the NHFO product with middle-income countries, and the Capital Optimization Product with all client countries. It is also worth noting that four of the five NHFO projects identified are COVID-19 response guarantee projects: (i) Caja de Ahorros, Panama; (ii) Banco Davivienda, Colombia; (iii) Bancoldex, Colombia; and (iv) Bahamas COVID-19 Response, Bahamas. They were beneficiaries of "Pillar 2A. Fast-Track Credit Enhancement to Financial Institutions for Working Capital Financing to Micro, Small and Medium-sized Enterprises (MSMEs), Corporates and Individuals" under MIGA's COVID-19 response

program. This important rationale for MIGA's support to these countries during the COVID-19 response is also missing from the evaluation.

In addition, MIGA issued guarantees that have the specific aim to improve women's financial inclusion. After the evaluation period (on June 30, 2022), MIGA issued guarantees to Citibank, N.A. and Commerzbank AG against the risk of nonpayment of a loan of up to \$100 million to Agencia Financiera de Desarrollo (AFD), a state enterprise owned by the government of Paraguay, for a period of seven years. The loan to AFD will support the government of Paraguay's COVID-19 response initiatives aimed at ensuring financing to MSMEs and to the housing sector. In addition, the operation was also gender flagged as AFD agreed to implement a gender action plan to set the foundation for further financing to women-owned MSMEs. AFD's gender action plan includes the development of new products or services targeted at women retail clients and women-owned MSMEs as well as training to enable gender capacity building and raising organizational gender awareness on financial inclusion for women, while supporting the transfer of gender knowledge among AFD client institutions. MIGA worked for technical assistance to be provided by AFD, in this instance by IFC's Banking on Women team.

In addition to AFD, the Non-Honoring guarantee has been used to support other gender-flagged operations through gender action plans with two additional state-owned development banks: Bancoldex, Colombia (issued on December 19, 2022), and Fondo Mivivienda, Peru (issued on June 27, 2022).

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<sup>1</sup> For details, visit <https://ufa.worldbank.org/en/partners>.

<sup>2</sup> Inclusive business is defined in the International Finance Corporation (IFC) glossary as private sector approach to providing goods, services, and livelihoods on commercially viable basis, either at scale or scalable, to people at the Base of the Pyramid (BOP) by making BOP part of the value chain of Clients' core business as suppliers, distributors, retailers, or customers.

<sup>3</sup> IFC's official definition for base of the pyramid is "a market segment composed of all people with income below \$8 per day in purchasing power parity or who lack access to basic goods and services." Typically, income data are not available, so we use proxies to define the base of the pyramid, and then assess whether a significant portion of the project is targeting that population. These proxies for the Financial Institutions Group include loan size, mortgages affordable to the bottom 40 percent, access to a bank account for the first time, employment as smallholder farmers or in the informal sector, and so on.

<sup>4</sup> Embedded finance is the integration of financial services or tools—traditionally obtained through a bank—within the products or services of a nonfinancial organization. Examples include e-commerce platforms providing working capital to merchants selling through the platforms, or loans provided to retailers or restaurants using data from business management applications that they are using for orders, inventory, payments, bookkeeping or other functions.

<sup>5</sup> See, for example, Krijnsen, Eugénie, Bauke Sprenger, and Jeroen Crijns. 2023. "Challenging Assumptions to Chart New Growth." PWC Global. <https://www.pwc.com/gx/en/industries/financial-services/publications/embedded-finance-challenging-common-assumptions.html>. According to these authors, "embedded finance is now central to innovation and future growth in the financial industry." See also Harris, Matt, Adam Davis, Blake Adams, and Jeff Tijssen. "Embedded Finance: what it Takes to Prosper in the New Value Chain." Bain & Company. <https://www.bain.com/insights/embedded-finance/>. According to this article, "The rise of embedded finance marks a new era, not only for banking transactions but also for how consumers and businesses build and manage relationships with financial services more broadly." Also see Dresner, Andy, Albion Murati, Brian Pike, and Jonathan Zell. "Embedded Finance: Who Will Lead the Next Payments Revolution?" McKinsey & Company. <https://www.mckinsey.com/industries/financial-services/our-insights/embedded-finance-who-will-lead-the-next-payments-revolution>. The authors assert: "The value of this integrated experience for customers helps explain why embedded finance reached \$20 billion in revenues in the United States alone."

<sup>6</sup> See <https://www.miga.org/project/airtel-mobile-commerce-0>.

<sup>7</sup> See <https://www.miga.org/project/erste-bank-ad-novi-sad>.



# 1 | Introduction and Approach

## Highlights


This evaluation explores how and with what effect the World Bank Group has supported financial inclusion for microenterprises, poor households, women, and other excluded groups.

Financial inclusion refers to expanding access to and use of financial services, including among low-income households, microenterprises, women, and other traditionally excluded groups. The inclusion concept goes beyond access, which refers to owning a financial account. Financial inclusion has been understood to have the potential to help reduce poverty and achieve global development goals, although empirical evidence in the literature on its benefits in lifting people out of poverty has substantial gaps.


Financial inclusion has advanced substantially internationally over the evaluation period, although disadvantaged groups remained disproportionately excluded. Digital technologies have been vital in expanding access to and use of financial services. During the COVID-19 pandemic, many adults made their first digital payments.

Consistent with its understanding of financial inclusion as a key tool to achieve its twin goals, the Bank Group gave it prominence. To strengthen impact, the Bank Group initially focused its Universal Financial Access 2020 strategy on 25 countries where over 70 percent of financially excluded people resided.

This evaluation aims to enhance learning from the Bank Group's experience in supporting client country efforts to advance financial inclusion.



Key subthemes include the Universal Financial Access 2020 initiative, women's access to finance (gender), digital financial services, and the effects of and response to COVID-19.



This evaluation links financial inclusion challenges to Bank Group responses and (where observable) outcomes. Subject to several limitations, it uses mixed methods to explore whether the Bank Group is doing the right things and doing them right.



# The Importance of Financial Inclusion

Financial inclusion refers to expanding access to and use of financial services by the microenterprises, poor households, women, and other excluded groups (MPWEG). It means increasing access to and use of financial services in beneficial ways by those formerly lacking access or not using such services (box 1.1).<sup>1</sup> Financial inclusion interventions target MPWEG, including the poorest people around the world (Prahalad 2004). The financial inclusion portfolio identified by the Independent Evaluation Group (IEG) includes MPWEG beneficiaries. The evaluation excludes projects exclusively supporting small and medium enterprises (SMEs) and those aimed at underserved populations in high-income countries.

## Box 1.1. Financial Inclusion Compared with Access

Access to an account may not mean use of an account. The 2017 Global Findex found that 20 percent of all people who had an account in 2017 did not use it. Financial inclusion is a more expansive concept than access. It explicitly envisions both access to and use of a range of financial products and services, consisting of credit, savings, payments, and insurance, including through digital finance. Furthermore, the World Bank Group has stated that inclusive services should be useful, affordable, sustainable, and responsibly delivered.

Sources: Demirgüç-Kunt, Klapper, and Singer 2017; World Bank 2015b.

Improving financial inclusion might help reach several development goals and the World Bank Group's twin goals—reducing extreme poverty and boosting shared prosperity. Financial inclusion has been linked to at least 9 of the United Nations' 17 Sustainable Development Goals: no poverty; zero hunger; good health and well-being; gender equality and women's empowerment; decent work; economic growth and full and productive employment; industry, innovation, and infrastructure; reduced inequalities; and partnerships for the goals. Consistent with this, the Bank Group views financial inclusion in low-income countries as a key enabler to achieve its twin goals (World Bank 2022a).

Transforming irregular income flows into a dependable resource to meet daily needs is a key challenge for poor people. Collins et al. (2009) found that managing day-to-day cash flow was one of the three main drivers of the financial activities of poor people. The income of the people at the bottom of the economic pyramid is not only low but also volatile because they rely on a range of unpredictable jobs or on weather-dependent agriculture. Another challenge they face lies in meeting costs if a major expense (such as a home repair or medical service) arises or if a breadwinner falls ill. For example, Global Findex 2021 finds that only 55 percent of adults in developing economies could access extra funds within 30 days without much difficulty, and this percentage is lower for women (50 percent) and poor people (40 percent). In upper-middle-income countries, 72 percent of adults could access such emergency funds. By contrast, in low-income countries and lower-middle-income countries, only a minority (42 percent and 41 percent, respectively) could do so. Having access to a financial account and benefiting from its services—savings, credit, and insurance, among others—is expected to give poor people a chance to save their money safely, increase financing for their microbusinesses, improve investments in education and health, and reduce their vulnerability to shocks.

However, empirical evidence on whether financial inclusion can help achieve the Sustainable Development Goals and the Bank Group’s twin goals has substantial gaps. Although financial inclusion is linked by the Bank Group and others with poverty alleviation and resilience, the academic literature suggests that the evidence on this is mixed and incomplete. For example, there is abundant, mixed evidence on credit services but far thinner, mostly positive evidence on savings. Although financial inclusion is generally positively correlated with economywide growth and employment, evidence does not tightly link it to the well-being of poor people measured in terms of their income, consumption, or exit from poverty. It is also unclear whether investments in financial inclusion will yield greater gains than alternative approaches to poverty alleviation (box 1.2). At the same time, systematic reviews of evidence suggest critical gaps and limitations in evidence, particularly concerning the effects of government-to-person (G2P) payments, mobile banking, insurance, and the income benefits of all financial services.<sup>2</sup> These gaps make it hard to directly link access and usage of financial

services to beneficial impacts for MPWEG, such as improved income, education, health, or social status. This may be in part because the channels through which financial inclusion yields benefits are indirect and long term.

### **Box 1.2. Financial Inclusion and Poverty: Mixed Evidence and Important Gaps**

The academic literature on the link of financial inclusion to poverty outcomes offers some positive and some mixed evidence but has significant gaps. An important protocol-based systematic review of reviews of rigorous evidence found the impacts of financial inclusion on poverty to be “small and variable.”<sup>a</sup> It found that “although some services have some positive effects for some people, overall financial inclusion may be no better than comparable alternatives, such as graduation or livelihoods interventions” (Duvendack and Mader 2019).<sup>b</sup> The review also found inconsistent effects of financial inclusion on core poverty indicators, such as incomes, assets, or spending, and a “small or nonexistent” benefit for health and social outcomes. Finally, financial inclusion was found unlikely to be transformative in terms of lifting people out of poverty. However, the review did find a small positive effect of savings on the well-being of poor people and sometimes positive impact of financial inclusion on women’s empowerment, depending on program design, context, and how empowerment is defined (Duvendack and Mader 2019).<sup>c</sup>

Although Duvendack and Mader considered literature up to 2017, subsequent literature surveyed in the Independent Evaluation Group’s structured literature review found more mixed evidence, including both positive and negative effects of savings mechanisms on poverty, positive evidence on the benefits of financial literacy interventions, mixed evidence on benefits to farmers, and evidence of negative benefits of microcredit (including overindebtedness).

Several authors have responded to the gaps in evidence with insights into why it may be difficult to prove the benefits of financial inclusion. Ogden (2019) argues that “what we can learn from [systematic reviews] can often be less than what we can learn from a theory-informed, nonsystematic but thorough reading of the research.” Storchi, Hernandez, and McGuinness (2020) argue that the lack of an apparent direct impact of financial inclusion on poverty is because the channels through which financial inclusion enhances welfare are indirect, such as helping poor people build resilience and

*(continued)*

## Box 1.2. Financial Inclusion and Poverty: Mixed Evidence and Important Gaps (cont.)

seize opportunities, often through long-term investments, such as education, that lack an immediate payoff. Investments to improve skills or physical well-being (health and mobility) may have downstream benefits that are hard to observe.

*Sources:* Duvendack and Mader 2019; Independent Evaluation Group literature review (appendix D); Moore et al. 2019; Ogden 2019; Storchi, Hernandez, and McGuinness 2020.

a. Duvendack and Mader (2019) reviewed 11 studies from 2010 onward that synthesized the findings of other studies (meta-studies) regarding the impacts of a range of financial inclusion interventions worldwide on economic, social, gender, and behavioral outcomes.

b. Livelihood interventions seek to stimulate employment and income growth for poor people by promoting growth and employment in relevant sectors, strengthening delivery of social services, and empowering the community. Graduation interventions provide a simultaneous set of support to poor households that includes an asset to spur income generation, training and coaching on the use of the asset, food or cash support, health education, and financial services.

c. The review also found that evidence of empowerment was "circumstantial" and that methods and measures of empowerment were inconsistent.

## Global Progress on Financial Inclusion

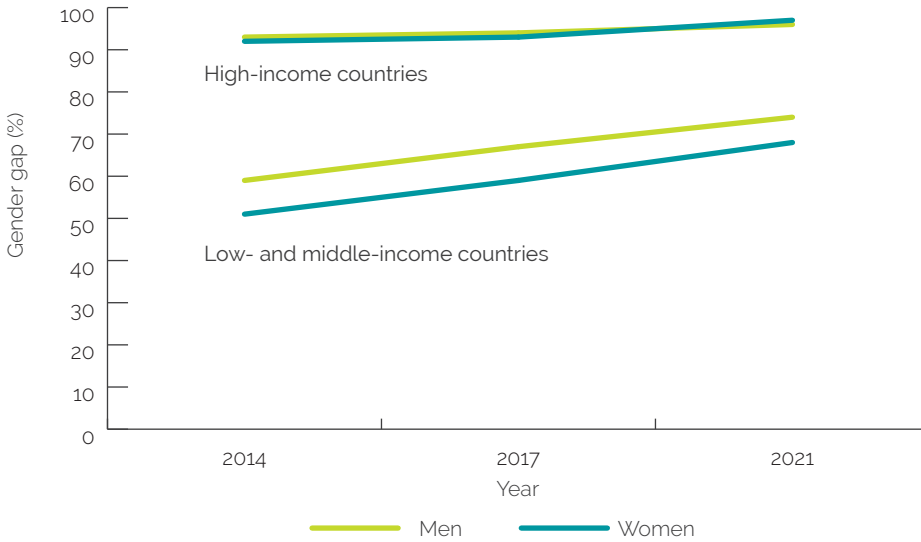
Globally, financial account ownership (“access”) has advanced substantially since 2011 but is far from universal. The share of adults who own a bank account rose globally from 51 percent in 2011 to 76 percent in 2021. The account ownership rate doubled in low-income countries and increased by over 40 percent in lower-middle-income countries. Despite this, in 2021, 23.8 percent of the world adult (15 years of age and older) population (about 1.4 billion people) remained “unbanked”—that is, lacking an account at a financial institution or through a mobile money financial service provider.<sup>3</sup> For some groups, this rate was higher: 26 percent of women, 28 percent of the bottom 40 percent in terms of income, and 34.5 percent of youth.<sup>4</sup>

Women’s and low-income households’ access to financial services improved over time. The gender gap in account ownership in lower- and middle-income countries decreased from approximately 8 percentage points in 2017 to 6 percentage points in 2021 (figure 1.1, panel a). The gap persisted in part because of legal and cultural norms,<sup>5</sup> whether directly through restrictions on women’s contracting and ownership rights or indirectly through their differential mobility, access to technology, documentation, literacy, numeracy, and economic roles in families (World Bank 2018c). The gap between richer and poorer households also narrowed in lower-middle-income countries from 14 percent

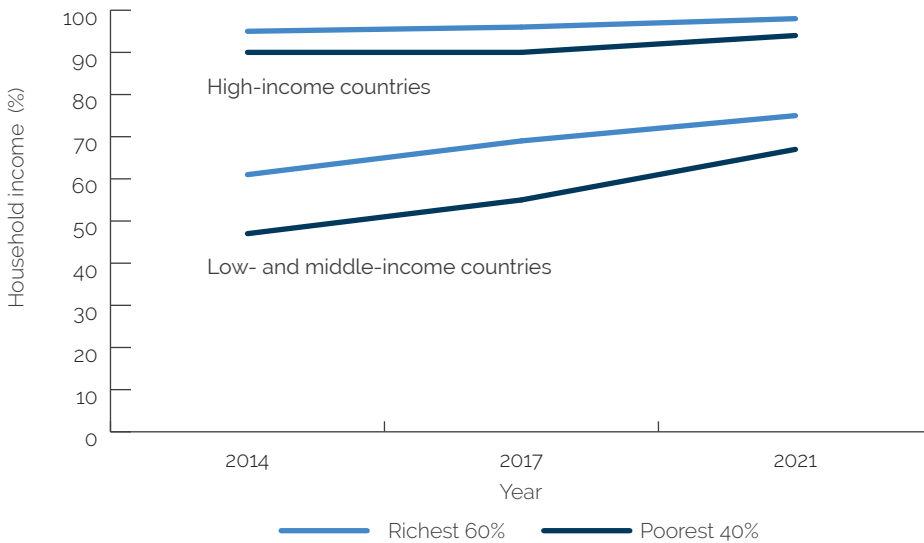
in 2011 to 8 percent in 2021 (figure 1.1, panel b). Rural access has increased strongly, but in Africa, a rural access gap remains (Bull 2018).

**Figure 1.1.** Account Ownership over Time by Gender and Household Income

a. Inequality of account ownership by gender



b. Inequality of account ownership by household income



Source: Global Findex 2021.

Account ownership does not always result in financial inclusion. Thirteen percent of accounts held by adults in 2021 had not been used in the prior year (Demirgüç-Kunt et al. 2022). In lower-middle-income countries, this rate was 24 percent. Where financial access is supply driven, demand for the services supplied may lag. India, which rolled out 300 million accounts in a few years under its Jan Dhan Yojana plan, had a 48 percent dormancy rate by 2017 (Bull 2018), although this subsequently declined in part because of substantial financial incentives from the government.

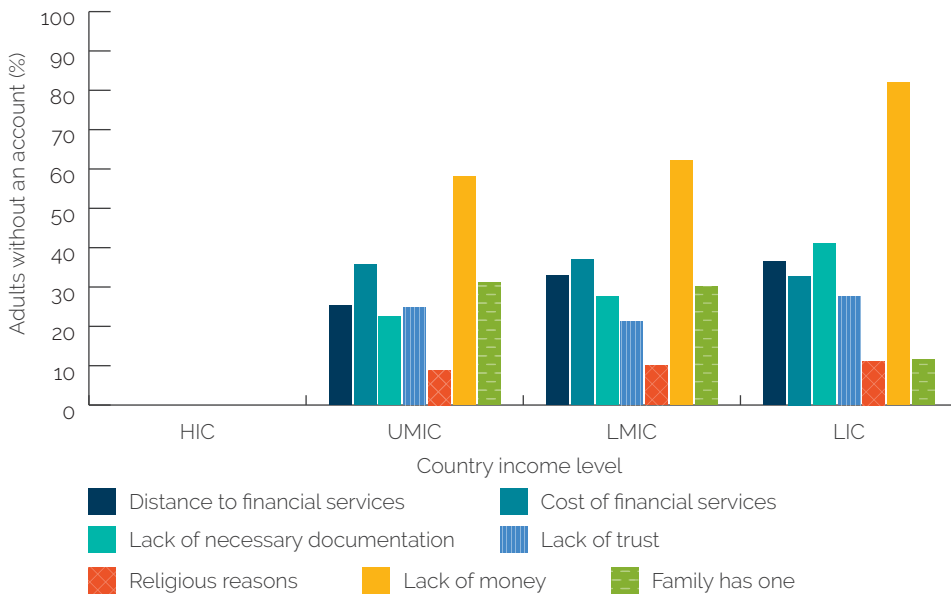
In every Region and country income classification, the leading reason for not using financial services is a lack of money. The second most common reason adults lack accounts is that they have access to financial services through other family members. Nonetheless, more than 20 percent of the excluded groups report that the cost of services, distance to services, and documentation requirements explain their lack of an account (figure 1.2).

Digital financial services (DFS) played a central role in expanding access to and use of financial services.<sup>6</sup> DFS includes digital payments of all kinds and other digitally delivered financial services globally; 64 percent of adults sent or received digital payments in 2021 compared with 44 percent in 2014. In low-income countries, this rate increased from 12 percent in 2014 to 35 percent in 2021. Mobile money is credited with the lion's share of improved access in Africa, where 33 percent of adults had a mobile account in 2021. It has also been growing rapidly in Latin America and the Caribbean, where 23 percent of adults have a mobile account. However, the global growth of DFS has been uneven across countries because digital payment systems and other digitally delivered financial services depend heavily on physical and financial infrastructure and the existence and enforcement of relevant laws and regulations (appendix E).

The COVID-19 pandemic accelerated the demand and drive for DFS. Many governments strengthened their regulatory or infrastructural capacity for DFS. Further enabling steps included associating social payments related to COVID-19 with new or existing financial accounts, enhancing citizens' digital identification to meet eligibility requirements for financial services, and addressing regulatory and legal barriers to access and use. The percentage of adults in developing countries who had received digital payments rose from

44 percent in 2017 to 57 percent in 2021 (Demirgüç-Kunt et al. 2022).<sup>7</sup> Global Findex estimates that in India, about 80 million adults made their first digital merchant payment during the pandemic, and in China, over 100 million adults (11 percent) did so. However, the temporary nature of government transfers related to COVID-19 and the limited functionality of some accounts raised questions about the degree and sustainability of inclusion achieved.

**Figure 1.2.** Reasons for Adults Not Having an Account



Source: Global Findex 2021.

Note: The graph shows the percentage of adults with no account citing a given barrier as a reason for having no financial institution account. HIC = high-income country; LIC = low-income country; LMIC = lower-middle-income country; UMIC = upper-middle-income country.

## Evolution of World Bank Group Engagement in Financial Inclusion

The Bank Group has promoted financial inclusion over the evaluation period, starting with the Universal Financial Access 2020 (UFA2020) initiative. The UFA2020 initiative, announced by the Bank Group president in 2013 and fully launched in 2015, aimed to accelerate progress on financial inclusion to lift people out of poverty. Its ambitious goal of universal access was in its name “ensuring that people worldwide can have access to a transaction account” (World Bank 2022a) or an electronic instrument to store money, send

payments, and receive deposits. This meant enabling about 2 billion adults who were financially excluded in 2014 to gain access to a transaction account by 2020. In support of this aim, the World Bank and the International Finance Corporation (IFC) anticipated support work such that 1 billion unbanked people would gain access to a transaction account (400 million World Bank; 600 million IFC) through targeted interventions by 2020.<sup>8</sup> They also envisioned that they would “convene and energize a coalition of partners” to ensure that the universal access goal was realized. Although the focus on large numbers of new accounts drew some criticism, management saw financial access as a step toward full inclusion. In support of UFA2020, the World Bank sponsored the Payment Aspects of Financial Inclusion initiative (box 1.3). The World Bank also intended to integrate financial inclusion into the Financial Sector Assessment Programs (FSAPs) that are conducted jointly with the International Monetary Fund.

### Box 1.3. Payment Aspects of Financial Inclusion

In 2014, the World Bank Group and the Committee on Payments and Market Infrastructures at the Bank for International Settlements convened a task force of experts on Payment Aspects of Financial Inclusion to recommend how payment systems and services could enhance financial inclusion efforts. Given the focus of the Universal Financial Access 2020 initiative on transaction accounts, the 2016 *Payment Aspects of Financial Inclusion* report became an organizing framework with guidance to do the following:

- » Support expanded access to transaction accounts and use of electronic payment services.
- » Publicize the importance of safe and efficient payment services for the well-being of individuals, households, and businesses and as a gateway to a broader range of services.
- » Advance market efficiency, flexibility, integrity, and competitiveness.
- » Facilitate the establishment of a balanced and proportional regulatory environment for effective, reliable, safe, and cost-efficient access to payment services.

*Sources:* Committee on Payments and Market Infrastructures and World Bank Group 2016; World Bank Group interviews.



The Bank Group implemented the UFA2020 initiatives through lead units and in collaboration with partners. The World Bank’s Finance, Competitiveness, and Innovation Global Practice and IFC’s Financial Institutions Group led the implementation of the UFA2020 initiative on behalf of the Bank Group. They worked in collaboration with the Consultative Group to Assist the Poor (CGAP; box 1.4) and the World Bank’s Development Research Group, as well as other Global Practices.<sup>9</sup> The Bank Group lead units engaged with external partners (such as the Financial Inclusion Support Framework and Harnessing Innovation for Financial Inclusion; box 1.4), bringing in private foundations (such as the Bill & Melinda Gates Foundation, the Mastercard Foundation, and the Visa Foundation), global organizations (the United Nations and the Group of Twenty), and bilateral donors, among others.

#### **Box 1.4.** Leveraging Partnerships to Support Financial Inclusion

The Consultative Group to Assist the Poor (CGAP), hosted by the World Bank Group, is a multidonor partnership of leading development agencies that uses action-oriented research to “test, learn, and share knowledge” on financial inclusion. It aims to help build inclusive and responsible financial systems that enable poor people to capture economic opportunities, access essential services, and build resilience. CGAP intends to inform and enable development partners to implement solutions and bring them to scale. The former Finance and Markets Global Practice called CGAP its “innovation lab” and “knowledge hub.”

The Financial Inclusion Support Framework, launched in 2014, is a multidonor trust fund financing a global technical assistance program that aims to enhance country-led reforms and other actions to achieve national financial inclusion goals, often by supporting Bank Group technical assistance. It launched country support programs in 8 out of the 25 Universal Financial Access 2020 priority countries.

The Harnessing Innovation for Financial Inclusion program supports use of technology and innovation to sustainably increase financial inclusion. Hosted by the Bank Group and CGAP with United Kingdom government funding, it finances knowledge, technical assistance, and awareness raising on digital financial services.

*Sources:* Consultative Group to Assist the Poor (<https://www.cgap.org>); Foreign, Commonwealth & Development Office 2022; Independent Evaluation Group interviews; World Bank 2022b.

The Bank Group’s strategy on financial inclusion centrally featured country engagements. The Bank Group at first centered its UFA2020 strategy on 25 countries where 70 percent of the world’s unbanked population lived but ultimately engaged on universal financial access with over 100 countries (World Bank 2018b). The World Bank described its support of countries as an “integrated and unified approach” focusing on intertwined areas to achieve financial inclusion. It would use national financial inclusion strategies (NFISs) as a basis to support modernization and reform of payment systems, diversification of financial services, leveraging of financial technology (fin-tech) for inclusion, strengthening of consumer protection and capabilities, data generation, and more.

With UFA2020, IFC defined an approach to advance financial access through its financial institution partners. IFC developed Country Action Plans for multiple UFA2020 priority countries and worked to increase financial access through partnerships with financial service providers, emphasizing underserved markets. IFC aimed to efficiently reach large numbers of the excluded groups by focusing on larger markets with big gaps in account access and partnering with existing institutions that enabled significant outreach. Under IFC’s leadership, a variety of international firms and organizations made commitments on the number of new accounts they would create or underserved customers they would serve (World Bank 2015d, n.d.). For example, Mastercard and Visa each committed to reaching 500 million excluded or underserved people. By December 2015, the partners had agreed on principles to avoid double counting and to focus on first-time access.

IFC separately highlights financial inclusion in its IFC 3.0 strategy. IFC 3.0 identifies opportunities in access to finance, including strengthening domestic banking sectors, increasing lending to nonbank financial institutions (NBFIs) to support SMEs, and supporting digital finance as a cost-effective route to financial inclusion for unbanked and underserved consumers (IFC 2018). It also supports the deepening of local capital markets to mobilize funds, risk management and responsible finance practices for microfinance institutions (MFIs), and institutional strengthening. IFC’s microfinance deep dive emphasizes scaling up by building sustainable financial service providers for underserved groups, especially in countries in fragile and conflict-affected situations and International Development Association

countries, and supporting digital finance. The fintech deep dive highlights how IFC's support can advance the financial inclusion of micro and very small enterprises and other underserved clients. As part of the COVID-19 response, IFC created the base of the pyramid platform and the working capital solutions facility to help mitigate the impacts of the pandemic on economic growth and livelihoods through long-term financing and working capital to banks focused on micro, small, and medium enterprises (MSMEs), MFIs, and NBFIs.

The Multilateral Investment Guarantee Agency (MIGA) has recently highlighted the importance of financial inclusion for women. MIGA has not traditionally defined overarching financial inclusion goals (as defined in this evaluation). Its most recent strategy sets a new course in this respect, with statements embracing "inclusion" in general and its fiscal year (FY)21 Gender Strategy Implementation Plan explicitly emphasizing the importance of women's access to digital services.

Although the Bank Group has not formally adopted a new financial inclusion strategy since UFA2020, it has shifted its emphasis over time toward DFS. In 2018, the World Bank and the International Monetary Fund announced the Bali Fintech Agenda, with 12 policy elements aimed at helping countries to broadly enable fintech, ensure financial sector resilience, address risks, and promote international cooperation (World Bank 2018a). The Bank Group and the International Monetary Fund framed the agenda in terms of enhancing access to financial services (IMF 2018). Portfolio emphasis on DFS took off before COVID-19 and accelerated with the COVID-19 response. The World Bank aimed to improve conditions enabling access to and use of DFS. Recognizing the critical role that lack of formal identification played in exclusion from health, educational, social, and financial services and economic opportunities, the World Bank launched its Identification for Development (ID4D) program in 2016 with multiple partner donors. It aimed for the universalization of digital identification. The G2Px program was a "sister" activity launched in early 2020, aimed at advancing digitalization of G2P payments. It intended to advance financial inclusion, women's economic empowerment, and government fiscal savings. Neither ID4D nor G2Px focused primarily on financial inclusion, but both supported relevant activities.

The Bank Group's focus on gender in financial inclusion projects has also increased over time, accelerating from FY18 onward. IEG's 2021 assessment *World Bank Group Gender Strategy Mid-Term Review* (World Bank 2021b) notes a strengthening of gender focus in financial inclusion after the roll-out of the 2016 strategy. Under the 18th Replenishment of the International Development Association (for 2017–20), the World Bank committed to take action on gender gaps in access to and use of financial services and to provide sex-disaggregated reporting and targeting (IDA 2016). The Bank Group also committed in its 2018 proposal for a capital increase to work in International Bank for Reconstruction and Development countries to close gender gaps and expand the use of financial services.

The Bank Group's involvement in financial inclusion for MPWEG has been substantial. During the evaluation period, the Bank Group financed nearly 1,700 financial inclusion activities worth nearly \$30 billion and engaged in important knowledge development and global partnerships. We assessed the Bank Group's work on financial inclusion for MPWEG and other financially excluded or underserved groups from 2014 to 2021. The World Bank's financial inclusion portfolio consisted of 429 World Bank lending projects worth almost \$23 billion, including over \$11 billion in investment financing and an estimated \$12 billion in development policy financing, and 677 advisory services and analytics (ASA). The evaluated IFC financial inclusion portfolio included 189 investments worth \$5 billion and 360 advisory services (AS). The portfolio also included six MIGA guarantees totaling \$1 billion (table 1.1) but only one evaluated project, limiting the inferences that may be derived from its experience. Beyond this portfolio, the Bank Group played a central role in leading the UFA2020 drive for universal financial access, in mobilizing partnerships in support of financial inclusion, and in generating financial inclusion knowledge and public goods.

A key Bank Group resource drawing global attention to financial inclusion has been the Global Findex database (and report), introduced in 2011. The triannual indicators emerged as a gold standard for benchmarking and evaluating progress on financial inclusion for most of the world. Over time, the Global Findex database has included additional indicators to enhance knowledge about access to and use of formal and informal financial services and

digital payments and to offer insights into behaviors enabling (or limiting) financial resilience. The 2021 Global Findex covers 123 economies.

**Table 1.1.** Estimated Parameters of the World Bank Group's Financial Inclusion Portfolio in the Evaluation Period (from 2014 to mid-2022)

Institution	Evaluated					
	Projects		Projects		Estimated Volume <sup>a, b</sup>	
	(no.)	(%)	(no.)	(%)	(US\$, millions)	(%)
IFC	162	77	549	37	5,477	30
IFC AS	101	48	360	24	330	2
IFC IS	61	29	189	13	5,147	28
MIGA	1	0.0	6	0.4	1,078	6
World Bank (without DPO)	49	23	924	63	11,647	64
World Bank ASA <sup>c, d</sup>	0	0.0	677	46	337	2
World Bank IPF	47	22	236	16	11,115	61
World Bank P4R	2	1	11	1	195	1
Total, World Bank Group (without DPO)	212	100	1,479	100	18,200	100
World Bank DPO	87	100	182	100	11,591	100

Source: Independent Evaluation Group portfolio review and analysis.

Note: The evaluation period covers fiscal years from 2014 to mid-2022. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for MIGA projects). AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

a. To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the projects' committed amount was allocated proportionally among components (for example, prior actions for DPOs). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

b. Volume for unevaluated projects was estimated based on the stratified random sample design, reflecting a 95 percent confidence level. The sampling framework considered institution, instrument, Region, and country income level as strata.

c. For advisory projects, expenditure values are used. These values are not directly comparable to volumes associated with financing projects.

d. The Independent Evaluation Group used a keyword search to identify 1,205 World Bank ASA projects potentially related to financial inclusion. A random sample reflecting a 95 percent confidence level produced a 43.8 percent rate of false positives. This figure was applied in projecting from the sample to the population.

## Evaluation Objective, Scope, and Methodologies

The main objective of this evaluation is to enhance the Bank Group's learning in supporting client countries to advance financial inclusion, including access to and use of financial services. Its learning centers on Bank Group support to financial inclusion, including its drive for universal financial

access (the UFA2020 initiative), its support of NFISs, its promotion of women’s access to financial services (gender), its role in the growth of DFS, and its response to the effects of COVID-19.

This evaluation focuses on Bank Group support for financial inclusion—access to and use of financial accounts—for MPWEG. We examine the Bank Group’s work on financial inclusion—including both access to and use of financial accounts—in the period between FY14 and mid-FY22. It covers Bank Group interventions that target MPWEG as described in The Importance of Financial Inclusion section in chapter 1 (microenterprises, low-income households, and excluded groups, such as women, rural households and workers, and youth). Although the Bank Group includes SME finance under the rubric of financial inclusion, we have not included it within the scope of this evaluation. We have treated support to SMEs separately in earlier evaluative work (World Bank 2014, 2019). However, the portfolio includes projects that jointly benefit MSMEs.

We grouped our evaluation questions under relevance (“doing the right things”) and effectiveness (“doing things right”) as follows:

» Relevance

- » To what extent have Bank Group country strategies aligned with the UFA2020 or country NFIS goals? How aligned is Bank Group engagement (global public goods, country programs, product mix, staffing, and partnerships) in financial inclusion reforms with country and financial sector priorities and conditions, including local needs and capabilities? What role did DFS play before and after the COVID-19 pandemic?

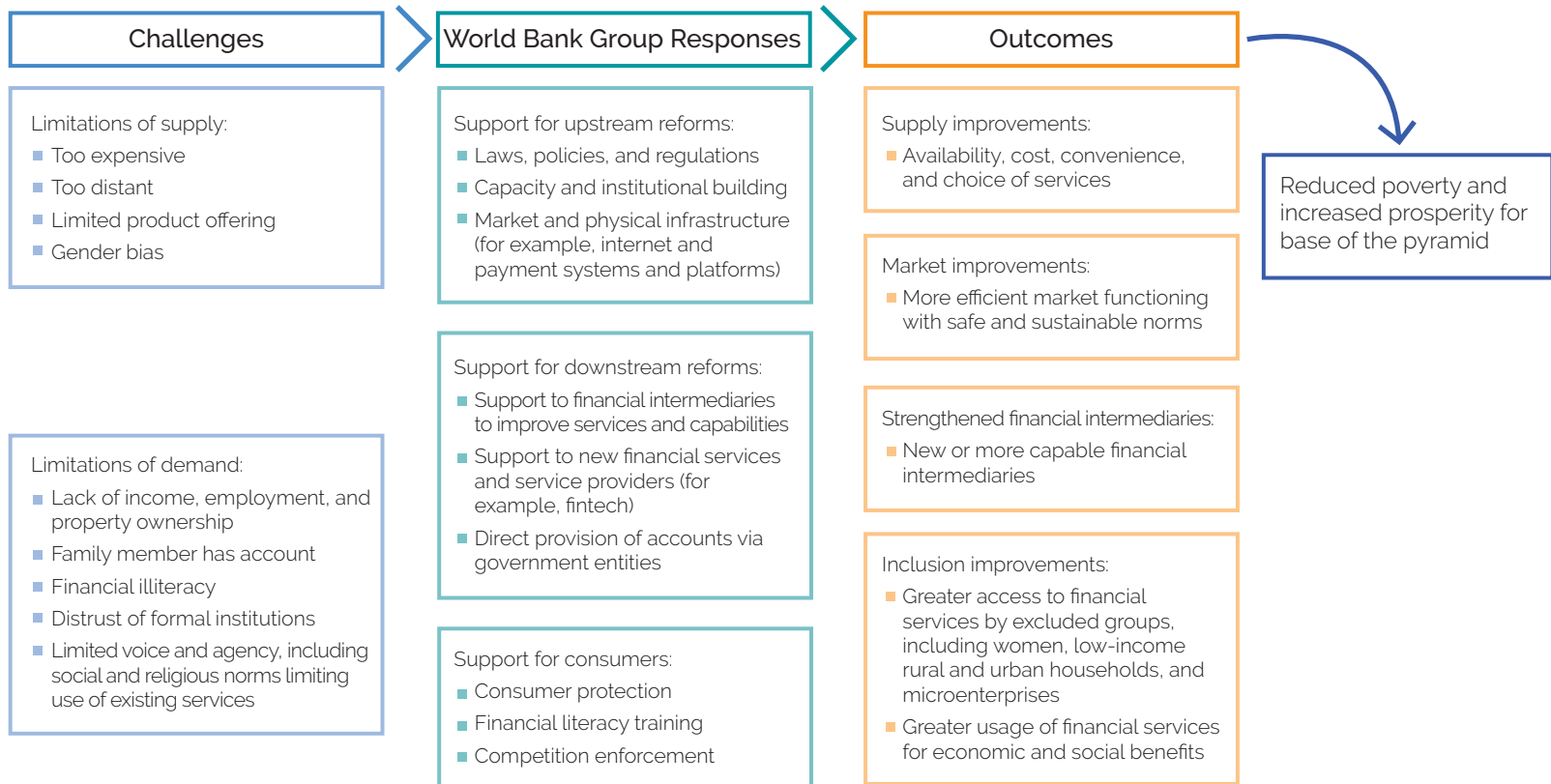
» Effectiveness

- » How effective have the Bank Group’s financial inclusion interventions and programs (including the integrated approach focusing on nine intertwined areas) been in helping client countries strengthen their national policy and regulatory environment for financial inclusion and meeting the goals laid out in UFA2020?
- » How effective have Bank Group efforts been in improving the supply and use of financial services? What role did DFS play?

- » To what extent have Bank Group interventions contributed to improved economic and social outcomes for microenterprises and poor households, including those headed by women? Were the benefits sustained over time? To what extent did improved financial services foster resilience and adaptation of individuals and microenterprises during the pandemic?
- » What country- and project-level factors explain success or failure? What lessons can be drawn from Bank Group experience?

A logical framework guided our approach to this evaluation. This framework, introduced in the Approach Paper (World Bank 2021a), describes a logical connection between financial inclusion challenges, Bank Group responses, and intended outcomes (figure 1.3). Within this framework, limitations of supply and demand for financial services are addressed through a set of Bank Group responses. These responses include upstream reforms consisting of support for improved laws, policies, regulations, capacity building, and market and physical infrastructure. They also include downstream reforms containing support to financial intermediaries and other service providers and support to government programs that directly provide excluded citizens with accounts. In addition, responses may support consumers through consumer protection, financial literacy, and competition enforcement. The intended outcomes include improvements in the availability, cost, and quality of financial services; the capacity of financial intermediaries; the function of markets; and outcomes regarding access to and usage of financial services by underserved and excluded groups. The Bank Group is not the only source of responses, nor is it solely responsible for outcomes. Therefore, context and the activities of other actors must be understood to capture the relationships between challenges, responses, and outcomes.

**Figure 1.3.** Relationship between Challenges, World Bank Group Responses, and Outcomes



Source: Independent Evaluation Group.

Note: The figure depicts World Bank Group activities (second column) responding to challenges in the domain of financial inclusion (first column). Bank Group interventions are intended to produce beneficial outcomes, denoted in the third column. Fintech = financial technology.



We used a mixed methods approach in this evaluation. The methodologies applied (detailed in appendix A) include the following:

- » Portfolio review and analysis applied a systematic review of financial inclusion projects meeting defined selection criteria to identify design features and characteristics, achievement of objectives, and drivers of success. We identified and manually reviewed all 299 Bank Group evaluated projects for relevance and effectiveness, a stratified random sample of 197 unevaluated projects for relevance, and a stratified random sample of 105 unevaluated World Bank ASA projects similarly identified for relevance.

From this, we derived descriptive statistics and performed various statistical analyses of the resulting data, as follows:

- » Field-based and desk-based case studies in 10 countries with embedded consideration of country strategy and diagnostic analysis. The 10 countries selected to represent the experience of the 25 UFA2020 priority countries were Bangladesh, Brazil, Colombia, the Arab Republic of Egypt, Indonesia, Mozambique, Nigeria, Pakistan, the Philippines, and Tanzania. All were subject to a desk study with document review and limited interviews, and six (Bangladesh, Colombia, Egypt, Mozambique, Nigeria, and the Philippines) further included in-person field missions. The studies followed parallel data collection methods and protocols to ensure harmonized treatment. A workshop of case study authors elicited hypotheses and supporting evidence deriving from them.
- » Deep dives on DFS and gender. Deep dives provide a basis for enhancing the understanding of specific topics. Each included a brief literature review and drew from analysis of the portfolio and case studies, as well as select interviews and supplemental research, to provide a focused analysis.
- » Structured literature review. The review examined evidence on the outcomes and impacts of financial inclusion. It supplemented prior academic structured reviews of the literature by reviewing literature since 2017 through a search of several leading databases of peer-reviewed journals, selecting for articles using robust methods.
- » Global Findex 2021 analysis. We analyzed Global Findex 2021 data to better understand the state of financial inclusion in countries and the world and

factors driving or constraining enhanced access to and usage of financial services.

- » Semistructured interviews with Bank Group staff and management working in financial inclusion. We used a template of standard questions as a basis for dozens of interviews with relevant staff in addition to those conducted for case studies.

## Limitations

We caution readers about the limitations of the evaluation, which were mitigated through the use and triangulation of appropriate methods and sources. Limitations include the following:

- » Definition of financial inclusion. We focused this evaluation on services to MPWEG. Although the Bank Group often refers to SME-related activities when discussing financial inclusion, most of these activities (except when microenterprises and SMEs are jointly served by a project) are not treated in this evaluation. This means that initiatives such as the Women Entrepreneurs Finance Initiative, which addresses constraints on women-led SMEs, were out of scope.
- » Sampling of important elements of the portfolio. Because of the large size of the portfolio and resource constraints, we constructed stratified random samples of the unevaluated Bank Group portfolio and of the large body of World Bank ASA projects. Although these samples were constructed to achieve a 90 or 95 percent level of confidence in generalizing to the population, as noted in relevant figures, they limit the types and levels of disaggregated analysis that can be conducted.
- » Disruptions due to COVID-19 and natural disasters. This evaluation covers the period from FY14 to mid-FY22. It was originally launched in 2020 but was postponed because of the COVID-19 pandemic. The pandemic interrupted fieldwork and delayed the availability of data from Global Findex 2020 (which became Global Findex 2021). Mission travel was constrained in some cases, and the delay imposed time and resource constraints on the evaluation. In Pakistan, massive flooding prevented us from carrying out fieldwork beyond

a few interviews of Bank Group staff; thus, Bangladesh was substituted as a field-based study in South Asia.

- » Lack of beneficiary-level data on outcomes and impacts. We found a dearth of data on Bank Group project outcomes and impacts, in terms of the usage of services provided and benefits realized by users. This challenge was more acute during COVID-19, when many rapidly implemented responses (including those in the domain of financial inclusion) collected only the most rudimentary output data. Most outcome data were not at the project level. We did not find ways to generate such data under the constraints we faced in our field activities.
- » Difficulties of attribution. In many countries, the Bank Group operated in a context of multiple donor and government activities. Simultaneous or sequential efforts by governments and multiple donors and nongovernmental organizations clouded attribution of results. To the extent possible, we applied a contribution analytic framework to the case studies in judging how Bank Group activities “moved the needle.”
- » Difficulties of judging the impacts of public goods and global engagements. The Bank Group has been a major producer of global public goods and contributor to global standards and knowledge. Initiatives such as the Global Findex and the Bali Fintech Agenda have broad influence, which is nonetheless very difficult to measure.
- » Lack of MIGA data and strategic objectives for financial inclusion. Although we actively searched for MIGA engagement in financial inclusion, the portfolio review yielded only one evaluated MIGA project and six projects overall that fit the scope of this evaluation. The lack of evaluative data and examples, combined with MIGA’s own lack of strategic objectives in financial inclusion during the evaluation period, limits the ability to draw inferences specifically about MIGA guarantees. Multiple interviews with MIGA staff suggested that financial inclusion did not figure among its priorities. Therefore, although MIGA was never excluded from portfolio analysis and case studies, it rarely played a role, and no recommendations are offered for MIGA.

The report is organized into five chapters. The chapters that follow examine the relevance of Bank Group engagement in FY14 to mid-FY22 (chapter 2);

the effectiveness of Bank Group engagement in FY14 to mid-FY22 (chapter 3); and country- and project-level factors explaining success and failure (chapter 4). Chapter 5 synthesizes our key findings and offers recommendations for enhanced Bank Group support for financial inclusion.

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<sup>1</sup> The World Bank Group defines financial inclusion as the use of financial services by individuals and firms (World Bank 2020). As of 2022, the Bank Group used the following description: “Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit[,] and insurance—delivered in a responsible and sustainable way” (World Bank 2022a).

<sup>2</sup> See Center for Financial Inclusion’s 2019 Digital Finance Evidence Gap Map (<https://www.centerforfinancialinclusion.org/digital-finance-evidence-gap-map>) and World Bank 2015a.

<sup>3</sup> The Global Findex equates the percentage of people who have a mobile money account with the percentage of its survey respondents who reported personally using a mobile money service to make payments, buy things, or send or receive money in the past year.

<sup>4</sup> The Global Findex is unable to quantify the rural access gap: “But precisely quantifying the urban-rural gap is difficult. Defining what makes an area rural is complex—should the distinction be based on population density, on the availability of certain services and infrastructure, or on the subjective judgment of the interviewer or of the respondent? These definitional issues become more challenging when applied across economies—what might be considered rural in Bangladesh or India, for example, might be considered urban in less populous economies” (Demirgüç-Kunt et al. 2022, 28).

<sup>5</sup> Reflective of this, the structured literature review found that where disaggregation was possible, the impacts of gender-specific program features focused on women’s empowerment were larger than those of features focused solely on access to financial services (Chliova, Brinckmann, and Rosenbusch 2015; Peters et al. 2016).

<sup>6</sup> The Independent Evaluation Group identified digital financial services projects based on their use of digital technologies to deliver financial services or their objective to create conditions for the delivery of financial services using digital technologies.

<sup>7</sup> An estimated 1.3 million Colombians and 28 million Brazilians received new accounts related to government payment initiatives (Qiang, Rutkowski, and Pesme 2022).

<sup>8</sup> We were unable to verify estimations of the actual achievement of unbanked people who gained access to a transaction account resulting from Bank Group support. For example, the International Finance Corporation estimates that it met or exceeded its goal of enabling 600 million unbanked people to gain access to a transactions account. We could not use the International Finance Corporation’s estimate because it was based on an estimation of the incremental reach indicators in the 25 universal financial access countries that do not explicitly

distinguish reach to excluded populations. Instead, to estimate the number of excluded people reached by its portfolio, the International Finance Corporation used the Global Findex–based country percentage of excluded population. We could not find the rationale to assume that this proportion should match the clientele of supported financial institutions and services.

<sup>9</sup>We did not directly evaluate the Consultative Group to Assist the Poor, but its use and role in Bank Group financial inclusion work emerges in inputs such as country case studies.

## 2 | Relevance of World Bank Group Support for Financial Inclusion—Doing the Right Things

### Highlights

This chapter assesses the relevance of the World Bank Group's support to financial inclusion (whether the Bank Group is doing the right things) at three levels—global, national, and instrument.

Although it finds some evidence of relevance at each of these levels, there was an imbalance in support for access over other inclusion goals and for credit over other financial services. Bank Group financial inclusion interventions only recently evolved toward supporting usage.

At the global level, the alignment of Bank Group activities with the Universal Financial Access 2020 strategy and framework and with global priorities was strong. By focus area, Bank Group support concentrated on access goals and strengthening institutions. Support on financial access drivers focused on diversifying access points.

At the country level, over time, the Bank Group's engagement and strategies grew increasingly aligned with countries' financial inclusion goals and focused more on the inclusion of women and underserved populations. The alignment of the Bank Group's country strategies and activities with national financial inclusion strategies and priorities varied substantially based on different levels of country client commitment, capability, and access to alternative sources of support. Where the World Bank did not lead support in defining or formulating the national financial inclusion strategies, it did support aspects of its implementation.

The Bank Group's choice of instruments was broadly aligned with different objectives and services with some gaps. World Bank development policy operations were used commonly to all financial services, and investment lending focused on credit. International Finance Corporation investments were strongly focused on credit; the International Finance Corporation used advisory services to support credit but also to support payments and sometimes insurance.

World Bank advisory services and analytics and International Finance Corporation advisory services played important roles in upstream engagements on policy, regulation, and institutional capacity building. The Financial Sector Assessment Program's financial inclusion technical notes helped guide the formulation and implementation of inclusion strategies in several client countries.

The number of Bank Group projects with a gender component increased sharply in fiscal year 2018, potentially in response to the 2016 Gender Strategy. However, a minority of financial inclusion projects target other excluded groups.

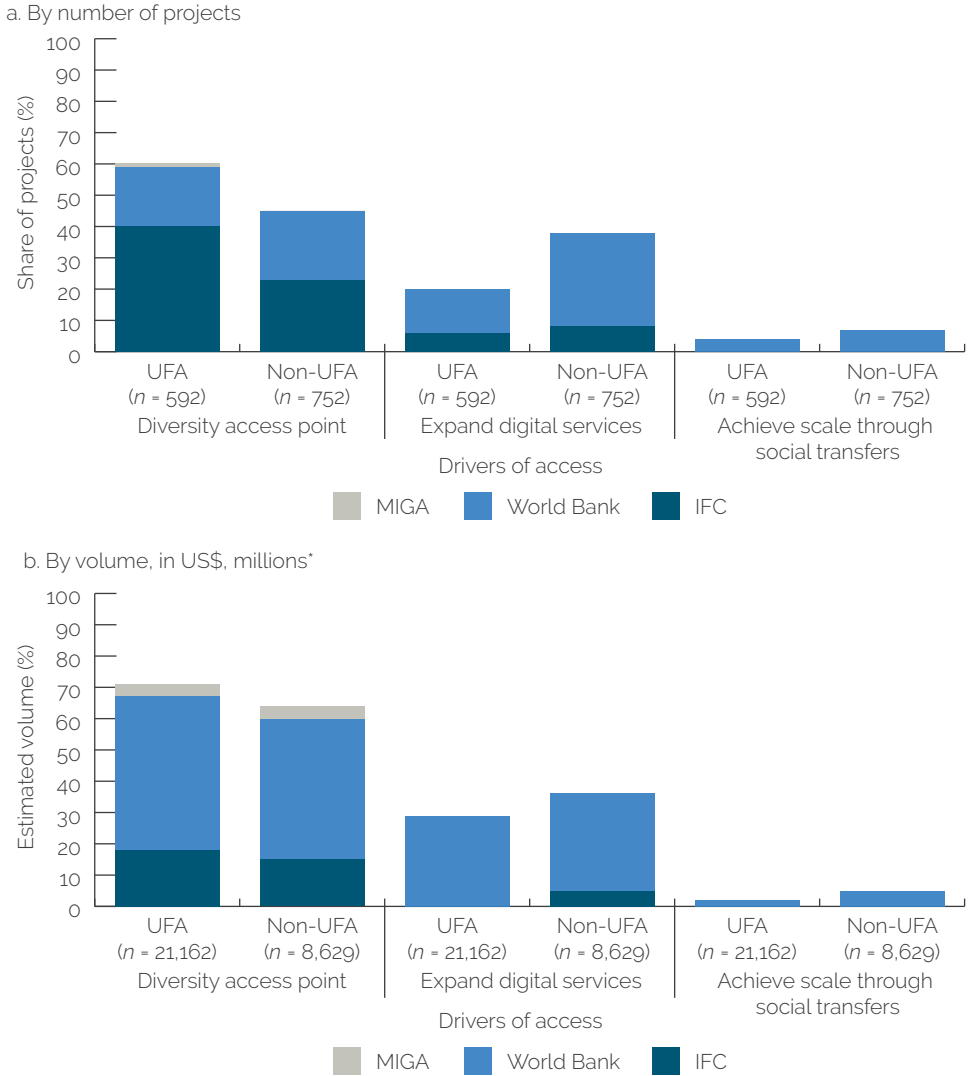


This chapter assesses the relevance of the Bank Group's support for financial inclusion in the period FY14 to mid-FY22. It assesses relevance at three levels—global, country, and instrument. The chapter assesses global relevance in terms of the alignment of Bank Group activities with the UFA2020 initiative; evolving global priorities and needs, including the global shift toward payment services and digital services, especially in response to COVID-19; top barriers to inclusion; and related corporate priorities on the topic. It assesses relevance at the country level in terms of the alignment of Bank Group country strategies and activities with national strategies and priorities on financial inclusion. It assesses relevance at the instrument level in terms of the alignment of the Bank Group's selection of instruments with financial inclusion objectives at the global and country level and in terms of consistency of financial services with country needs.

## Global Relevance

The Bank Group's activities were highly relevant to the UFA2020 strategy and framework. The UFA2020 Action Framework provided a broad structure for the Bank Group's financial inclusion work focusing on three drivers of access: (i) expanding digital payment instruments, (ii) diversifying access points, and (iii) achieving scale through social transfers. It also identified two enablers: building an enabling regulatory environment and ramping up the payments and information and communication technologies infrastructure. Bank Group activities were relevant to these drivers and enablers. In the 25 UFA2020 priority countries, work on the drivers focused heavily on diversifying access points by both project number and volume (figure 2.1). Even in nonpriority countries, diversifying access points received the majority of financing by volume. For enablers, twice the financing went to building the regulatory enabling environment compared with ramping up the payments and information and communication technology infrastructure. The Bank Group focused on countries where the most excluded people lived rather than those with the lowest rates of inclusion.

**Figure 2.1. Projects Supporting Three Universal Financial Access 2020 Drivers**



Source: Independent Evaluation Group portfolio review and analysis.

Note: The figure includes estimated financing by the World Bank, IFC, MIGA, IFC advisory, and World Bank advisory services and analytics. Figures for unevaluated projects and advisory services and analytics are projected based on stratified random samples. Dollar volume figures include commitments and expenditures. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; UFA = universal financial access.

\* To estimate the total volume related to financial inclusion in development policy operations and other multicomponent projects, the projects' committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions for development policy operations). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

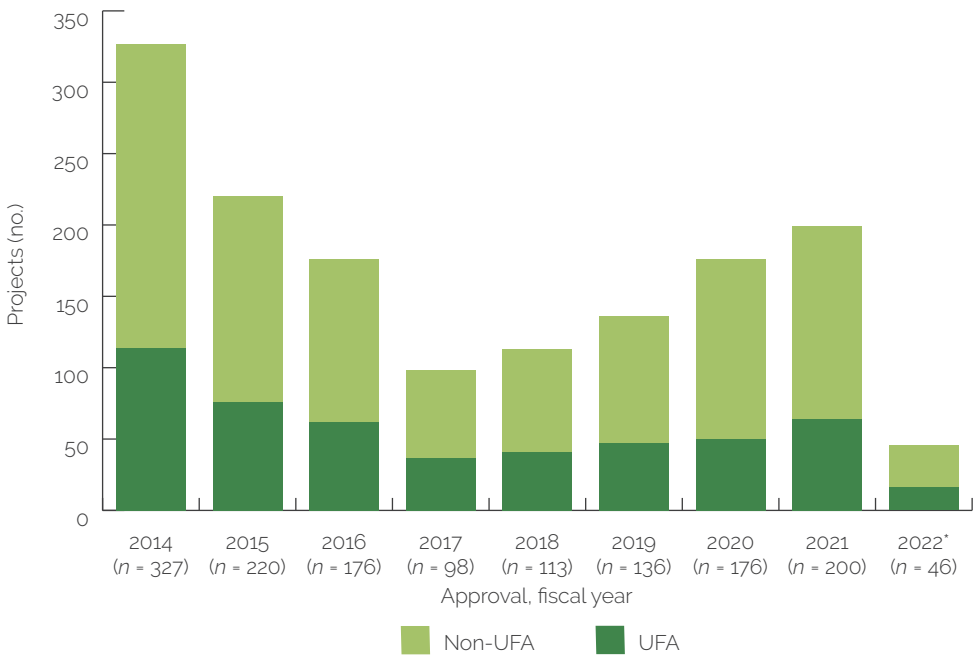
Bank Group global support for financial inclusion was high in the early years of the evaluation period, in line with the announcement of the UFA2020 initiative, and increased again during the COVID-19 response. Although the Bank Group initially centered its UFA2020 strategy on 25 countries where 73 percent of all financially excluded people live, over time it extended its universal financial access engagement well beyond this initial focus. Throughout the period, the Bank Group engaged substantially with non-UFA2020 countries, more so during COVID-19 (figure 2.2). IFC's Base of the Pyramid Platform and Fast-Track Facility (complemented by a MIGA guarantee)<sup>1</sup> exemplify the intense response. By the end of the evaluation period, the Bank Group reported being engaged on the universal financial access agenda with over 100 countries (World Bank 2018b). Perhaps because UFA2020 had focused on larger opportunities for gains in access, the average project size was larger in the 25 priority countries than in other countries. Therefore, although many projects in the financial inclusion portfolio (64 percent) focused on non-UFA2020 countries, most of the commitment value (71 percent) was in the UFA2020 priority countries.

By area of focus, Bank Group support concentrated largely on access goals and institutional strengthening, as defined in UFA2020, evolving only recently toward usage. Project interventions with access goals accounted for 70 percent of the commitment value of the portfolio and 41 percent of interventions during the evaluation period (figure 2.3). Interventions aimed at institutional strengthening accounted for 15 percent of total commitments and 32 percent of interventions. By contrast, very few projects had an explicit objective of enhancing usage, except in FY21–22. Most years, less than 5 percent of interventions had a usage objective. With some exceptions, reaching, empowering, or improving the livelihoods of excluded groups was rare as an objective in most years of the portfolio but expanded notably in FY21–22.

Country experiences suggest that, even when the main emphasis of support is on access, other objectives may coexist. For example, in Mozambique, the Bank Group-supported NFIS had a headline target of 40 percent of the population with access to physical or electronic financial services by 2018 and 60 percent by 2022. However, NFIS had three pillars that reflect thinking about use, rather than simply physical access: (i) access to and

use of financial services, (ii) strengthening of financial infrastructure, and (iii) consumer protection and financial education. In Indonesia, despite an important emphasis on access, Bank Group financial inclusion interventions were aligned with reaching the most vulnerable populations and encouraging their use of financial services. A World Bank ASA project aimed to improve the financial education of migrant workers, the savings of older people, digital payments, and gender equality. IFC AS supported insurance and digital services with the aim of reaching excluded rural people through the agriculture sector.

**Figure 2.2.** Financial Inclusion Projects by Fiscal Year and Country  
 Universal Financial Access 2020 Focal Status



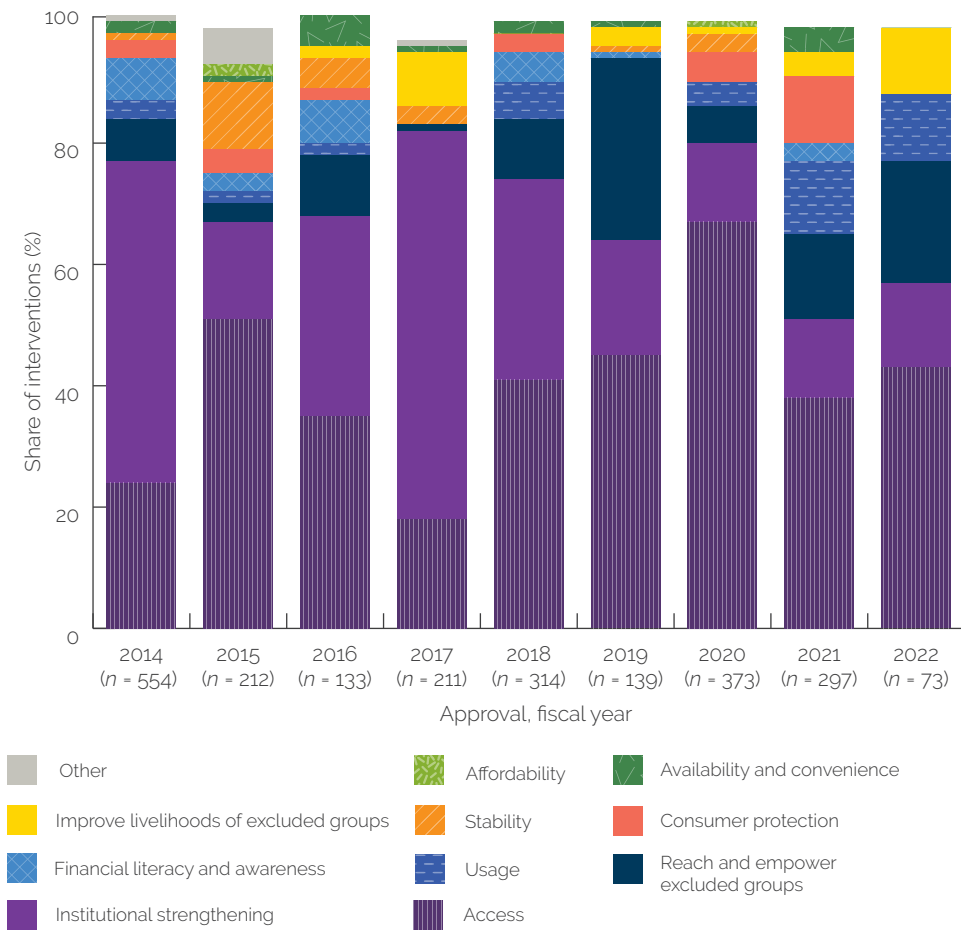
Source: Independent Evaluation Group portfolio review and analysis.

Note: UFA = universal financial access.  
 \* Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

Projects emphasizing usage of financial accounts—a vital component of financial inclusion—became common only late in the evaluation period. Although project interventions with access goals during the evaluation period accounted for 70 percent of the commitment value of the portfolio, only less than 5 percent had usage-enhancing objectives. However, usage objectives expanded significantly during the later years of the evaluation

period—from 2 percent in FY15 to 12 percent in mid-FY22. In Indonesia, an IFC project in support of the use of DFS launched large-scale awareness campaigns, using advanced data analytics to improve targeting, outreach, and project design. In Brazil, IFC joined a mobile payment provider to support access to and use of electronic payments through mobile money rollouts targeting beneficiaries of the Brazilian government’s social welfare payment program. The program monitoring went beyond access to track account usage, including noncash transactions.

**Figure 2.3.** Financial Inclusion Portfolio by Area of Focus, by Interventions

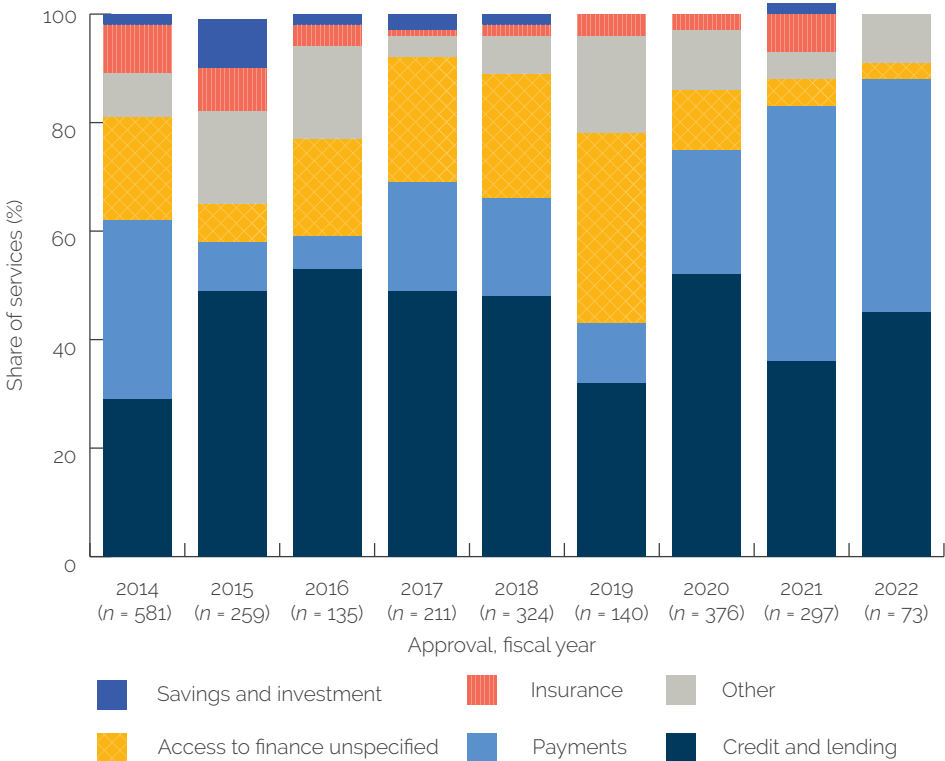


Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Approval year is an unmodeled variable. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

Over time, the Bank Group financial inclusion portfolio also evolved and adapted to focus more on payment services and DFS—a trend that accelerated in response to COVID-19. The number of services focused on payments increased strongly over the period, especially from FY19 onward (figure 2.4). Along with this jump, projects explicitly identified as responding to COVID-19 were about twice as likely as non-COVID-19 projects to support payment services. Emphasis on G2P payments, including online payments, sharply increased in the COVID-19 response portfolio. This change is important in part because payment interventions are the only type focused on the usage objective.

**Figure 2.4.** Financial and Inclusion Services Supported by Approval Year



Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Approval year is an unmodeled variable. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

Support for payment services evolved over the evaluation period. Traditionally, it was channeled through banks, but more recently, support has been directed to both banks and NBFIs, which can benefit consumers by enhancing competition. Emphasis on payment services grew in close association with the rapid digital transformation that is changing conventional notions about consumer behaviors and preferences. By dollar volume, most of the Bank Group’s financial support for payments was delivered through development policy operations (DPOs), but by number of services, 55 percent of support for payments was provided through ASA.<sup>2</sup> In Mozambique, the World Bank supported establishing a single national network that unified the electronic payment system—allowing a reduction in the cost of inter-bank transactions—and measures that made agent and branch banking more accessible to the rural population. IFC provided AS to a mobile operator that supported a rapid expansion of mobile services to excluded people, including in rural areas.

In line with global trends, since FY17, the share of DFS in the portfolio has steadily increased, with a discontinuous jump in FY21, the first full year of the COVID-19 response. In FY21 and mid-FY22, support for DFS accounted for over 60 percent of services in the portfolio. DFS are valued for their low transaction costs, for their ability to reach remote areas without having to transport cash, and for enabling financial transactions without human contact (McKinsey & Company 2016; Pazarbasioglu et al. 2020). Although they introduce risks that need to be carefully managed, they have been increasingly understood by the Bank Group and clients to compose the primary core instrument for increasing financial inclusion. Most World Bank DFS support focuses on strengthening the enabling environment, primarily through ASA and DPOs. Forty-one percent of World Bank support to DFS was through ASA compared with 14 percent for traditional services, and 70 percent of DPOs in dollar volume focused on DFS compared with 29 percent on traditional means. For example, in Egypt, the World Bank used a development policy loan (DPL) to support a new fintech law for NBFIs. This and revisions to the banking law gave a mandate to the Egyptian financial regulatory authority to regulate NBFI digital activities and clarified the licensing and regulatory requirements for NBFIs offering digital services while enhancing consumer protection. Complementary ASA further supported DFS in Egypt, including

measures to reform the national payment system and strengthen consumer financial protection and literacy. A concurrent IFC MSME supply chain finance project supported electronic payment acceptance by small merchants. In the Philippines, a World Bank investment project helped finance the creation of digital payment mechanisms during COVID-19. In Mozambique, the World Bank delivered a seminal analytic report, *Mozambique Digital Economy Diagnostic* (World Bank Group 2019), mapping out bottlenecks and key recommendations for achieving a digital economy.

The need both to avoid person-to-person interactions and to deliver benefits to those most at risk from the economic consequences of COVID-19 increased clients' drive for improved and expanded digital payment systems and services. This included new services, enabling laws and regulations, and digital infrastructure, including new or improved payment platforms. For example, in Bangladesh, the crisis response during the COVID-19 pandemic included support for digitalizing government payments and channeling them through new or existing payment accounts. In Mozambique, World Bank support for both cyclone and COVID-19 relief consciously promoted financial access by channeling government payments digitally through bank and mobile network accounts.

IFC investments, although focused on traditional financial institutions, commonly used AS to support their clients' offering of digital services, with a strong focus on excluded populations. Key aims were institutional strengthening, developing or expanding new products, developing new or improved strategies, and strengthening DFS capacity within banking institutions. The majority of DFS support has been focused on lower-middle-income countries and supporting regions with a large, excluded population, such as those in South Asia and Sub-Saharan Africa.

The number of Bank Group projects with a gender component increased sharply in FY18, potentially in response to the 2016 Gender Strategy. More projects explicitly targeted women's use of financial services and tracked it with disaggregated indicators. After the spike in FY18, the number of projects with gender components plateaued at approximately twice their historical level (about 47 percent of projects compared with a prior 20 percent)

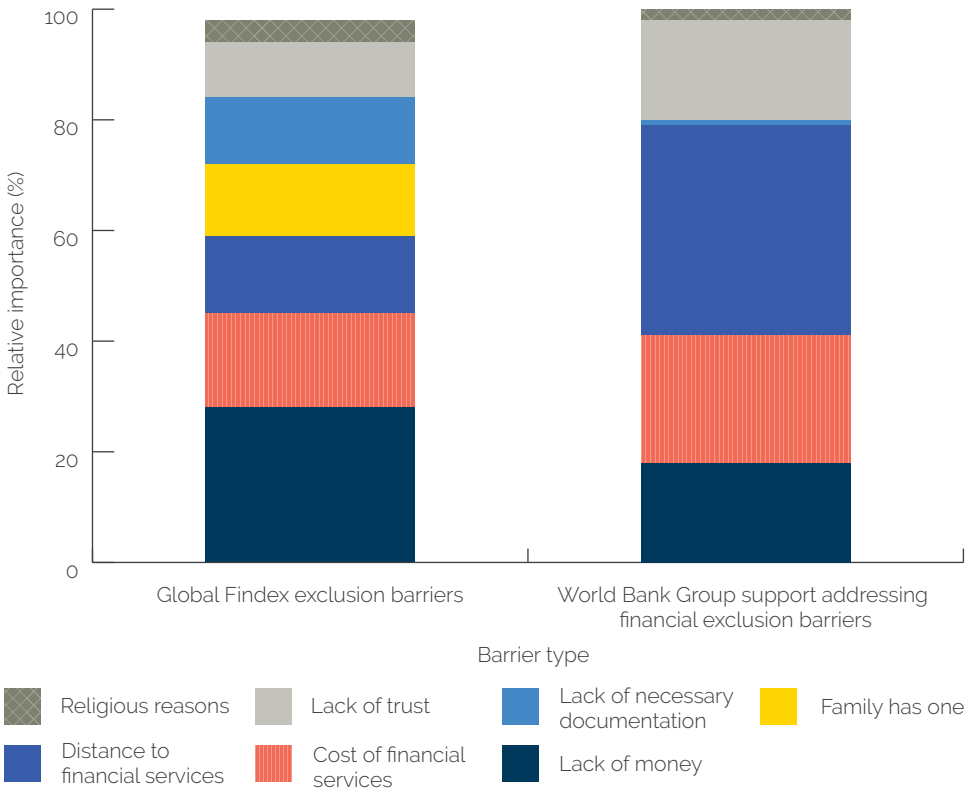


in subsequent years. We found this increased focus on gender at the country level as well.

However, a minority of financial inclusion projects target other excluded groups. About one-quarter of projects had rural components or objectives with a marginal increase over time. Additionally, 7 percent of all projects identify refugees and forcibly displaced people, religious minorities, vulnerable children, and people with severe disabilities as their beneficiaries. For example, in Colombia, IFC delivered an advisory project to develop and test a value proposition and a viable product for the displaced Venezuelan population. Indigenous peoples are mentioned in 1 percent of financial inclusion projects, and specific age-groups (youth and older adults) are mentioned in 4 percent of the portfolio. In Guatemala, IFC delivered investments to provide access to credit in several frontier regions including large Indigenous populations. The share of projects targeting specific vulnerable groups is higher in the World Bank's portfolio compared with IFC projects.

The Bank Group's global portfolio is generally relevant to some important identified constraints of the financially excluded, especially cost of services and distance to financial services. To help shed light on why people do not have a financial account, the Global Findex 2021 survey asked unbanked adults to explain why they did not have an account. When mapping these barriers to the Bank Group portfolio (figure 2.5), it is clear that the portfolio is attempting to address most of these constraints but with differences in emphasis. The Bank Group placed a strong emphasis on addressing distance to financial services and price of services, which are two of the three top barriers to having a financial institution account. Substantial emphasis is placed on the cost of financial services, the distance to financial service providers, and the lack of trust in financial institutions. Less relative emphasis is evident on addressing lack of money, lack of documentation, or religious barriers. Given the scope of this evaluation, it is not possible to determine whether the Bank Group addressed lack of money in other ways, for example, through social transfers or employment creation. In addition, some areas of Bank Group global leadership, such as the ID4D initiative, may not be reflected in the financial inclusion portfolio.

**Figure 2.5.** World Bank Group Alignment with the Barriers Facing Financially Excluded People



Source: Independent Evaluation Group portfolio review and analysis.

Note: Global Findex exclusion reasons consider data reported in developing countries in 2021. Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata.

## Country Relevance

At the country level, Bank Group support for NFISs varied substantially, adapting to different levels of country client commitment, capability, and access to alternative sources of support. The World Bank took a leading role in supporting NFISs (box 2.1) in countries where client commitment was relatively strong and other donors were not taking the lead. In 4 out of 10 IEG case study countries, the World Bank helped define or formulate the NFIS and implement it. Mozambique and Pakistan exhibit strong alignment of Bank Group support with formulating and implementing the NFIS. Both had the support of the World Bank-administered Financial Inclusion Support

Framework, a trust fund supporting the achievement of financial inclusion goals. In Mozambique, the World Bank supported the development of its 2015 NFIS covering the period 2016–22. With advisory support financed by the trust fund, the World Bank helped authorities in the Ministry of Finance and the central bank formulate and launch the NFIS. The World Bank supported Pakistan’s NFIS with diagnostic tools, technical notes, and policy advice (such as identification systems and G2P transfers) and led private sector consultations. These informed the NFIS (through reimbursable AS) and supported reforms in payments in G2P transfers, consumer protection, and financial literacy.

NFISs varied in their clarity, comprehensiveness, governance provisions, and explicitness of targets. Stronger NFISs established clear and comprehensive goals and explicit targets, based on sound analysis. They set out clear leadership responsibility and high-level priorities. A positive example was Indonesia’s 2016 NFIS, which established effective governance, a clear agenda, and ambitious goals. By contrast, weaker NFISs often lacked balanced goals for inclusion (beyond access), clear assignment of responsibilities, clear targets, or adequate monitoring. Several NFISs fell short in terms of setting explicit targets and implementation arrangements. Among IEG case study countries, NFISs from before 2018 were generally weaker than more recent ones. For example, several early NFISs did not prioritize gender or excluded groups, and some depended heavily on broad access targets without explicit aims for other dimensions of inclusion. Tanzania’s second NFIS improved on the first by identifying constraints for inclusion of women, youth, and MSMEs and set indicator-based targets. In between were NFISs that hit the mark in most but not all respects. Mozambique’s 2015 NFIS had an adequate analytic foundation and governance structure and clear priorities. However, its initial priority targets omitted gender despite a profound gender gap.

## Box 2.1. National Financial Inclusion Strategies

A national financial inclusion strategy aims to provide a road map of actions at the national or subnational level that stakeholders agree to follow to achieve financial inclusion objectives. National financial inclusion strategies allocate responsibilities among stakeholders, plan for resource requirements, and establish priority targets. The World Bank Group considers a strong national financial inclusion strategy to include several elements.

Strategies are comprehensive, promoting the uptake and use of a broad range of financial services and building on a clear understanding of the foundations and drivers of financial inclusion.

Strategic targets are evidence based, concrete, measurable, and verifiable, reflecting clear priorities and sequencing, and informed by stakeholder consultation, including with the private sector.

Implementation is led through a well-defined governance structure with a clear mandate and dedicated resources.

Monitoring and evaluation should ensure that the implementation of the strategy is on track and that policies and activities can be adjusted in real time.

*Sources:* Independent Evaluation Group document review; interviews; World Bank 2015c.

In some countries, the Bank Group's engagement on financial inclusion was lower, responding to a low level of government commitment to financial inclusion or a shift in priorities toward other goals. Nigeria delegated financial inclusion policy to the central bank, which prioritized financial stability over inclusion. In Tanzania, a change in government priorities reduced commitment to financial inclusion over time. Although committed to financial inclusion, Bangladesh adopted an NFIS late in the evaluation period; thus, the Bank Group supported financial inclusion without this framework.

Where the World Bank did not lead support in defining or formulating the NFIS, it supported aspects of its implementation. The World Bank did not lead the formulation of 6 out of 10 NFIS strategies where other global and regional donors took the leading role. Despite this, the Bank Group played a

role in all 10 of the country cases. For example, in Colombia, the World Bank supported the NFIS by establishing critical milestones for financial inclusion strategy and policy framework strategies. It provided advisory support on strengthening consumer protection and financial literacy. In Tanzania, before government priorities changed, the World Bank supported reform of the financial inclusion regulatory framework, and IFC supported improving financial infrastructure, women's access, and mobile financial services.

Where multiple donors are present, the Bank Group sometimes works through collaboration or a clear division of labor. We found that 14 percent of Bank Group projects involve explicit collaboration or complementarities with other donors. For example, in the Philippines, the World Bank financed analytical work from a Korean trust fund. It also drew support from the Bill & Melinda Gates Foundation, an Australian government trust fund, and a Bank Group multidonor trust fund in support of the ID4D initiative aiming for digital transformation. In Mozambique, donors indicated that they had an accepted division of labor to avoid overlaps and enhance complementarity. Nonetheless, where multiple donors are present, there could be elements of competition and difficulties attributing outcomes.

Country case studies also show that Bank Group country strategies became increasingly aligned with national financial inclusion goals over the evaluation period. Earlier Bank Group country strategies focus on financial inclusion through services to MSMEs and general access to financial accounts. More recently, Bank Group country strategies show a more explicit focus on additional financial inclusion objectives, such as ease of use and affordability, and on targeting underserved groups.<sup>3</sup> For example, the Nigeria Country Partnership Strategy for 2014–17 envisioned general support for access to financial services as part of Nigeria's development agenda to help expand its nonoil growth but articulated few goals beyond access and did not target specific populations. The Country Partnership Framework for 2021–25 is explicitly aligned with NFIS goals, with gender empowerment as a core objective.

Echoing a global and corporate shift toward a greater focus on gender, several of the Bank Group's country engagements increasingly (but not uniformly) addressed women's financial inclusion over the period, especially since

2018. In the Philippines, although both country strategies noted that gender would be mainstreamed,<sup>4</sup> the most recent Country Partnership Framework (for 2019–23) emphasized gender support, including empowerment of poor people and vulnerable groups and economic growth. The Tanzania Country Assistance Strategy for 2018–22 proposed to design tailored financial products for MSMEs and women. The Nigeria Country Partnership Framework for 2021–25 supports financial products tailored for women. However, the focus on women was not uniform, and a focus on other excluded groups was less common. Several strategies did not identify women, low-income communities, and vulnerable groups as target populations.

IFC's support under its UFA2020 Country Action Plans was aligned with supporting traditional financial sector providers to offer new services and reach new clients. IFC's Country Action Plans were developed for each of the 25 UFA2020 priority countries to assess market size, need, and opportunities for enhancing financial access. IFC determined that the fastest and most efficient means of increasing account access for the unbanked population would be to support engagements that (i) targeted larger markets with significant gaps in account access and (ii) involved partners with an established infrastructure that enabled significant outreach to underserved areas. Thus, in UFA2020 countries, IFC's projects were almost entirely conducted through financial institutions and largely aimed at microenterprises.

IFC's Country Action Plans focused on three channels for increasing access: (i) building sustainable financial service providers, (ii) supporting DFS, and (iii) focusing on reaching underserved groups (in this case, MSMEs, especially those led by women). However, in UFA2020 priority countries, the portfolio indicates relatively less emphasis on the second channel—DFS—over the evaluation period. Although 87 percent of projects supported the first pillar and 84 percent the third, only 13 percent supported increasing DFS. Within projects supporting the third channel, 53 percent supported reaching microenterprises, 45 percent supported reaching women, 34 percent supported reaching rural customers, and only 1 percent sought to support reaching youth, older people, or ethnic minorities. In terms of financing dollar volume, 8 percent was oriented toward microenterprises.

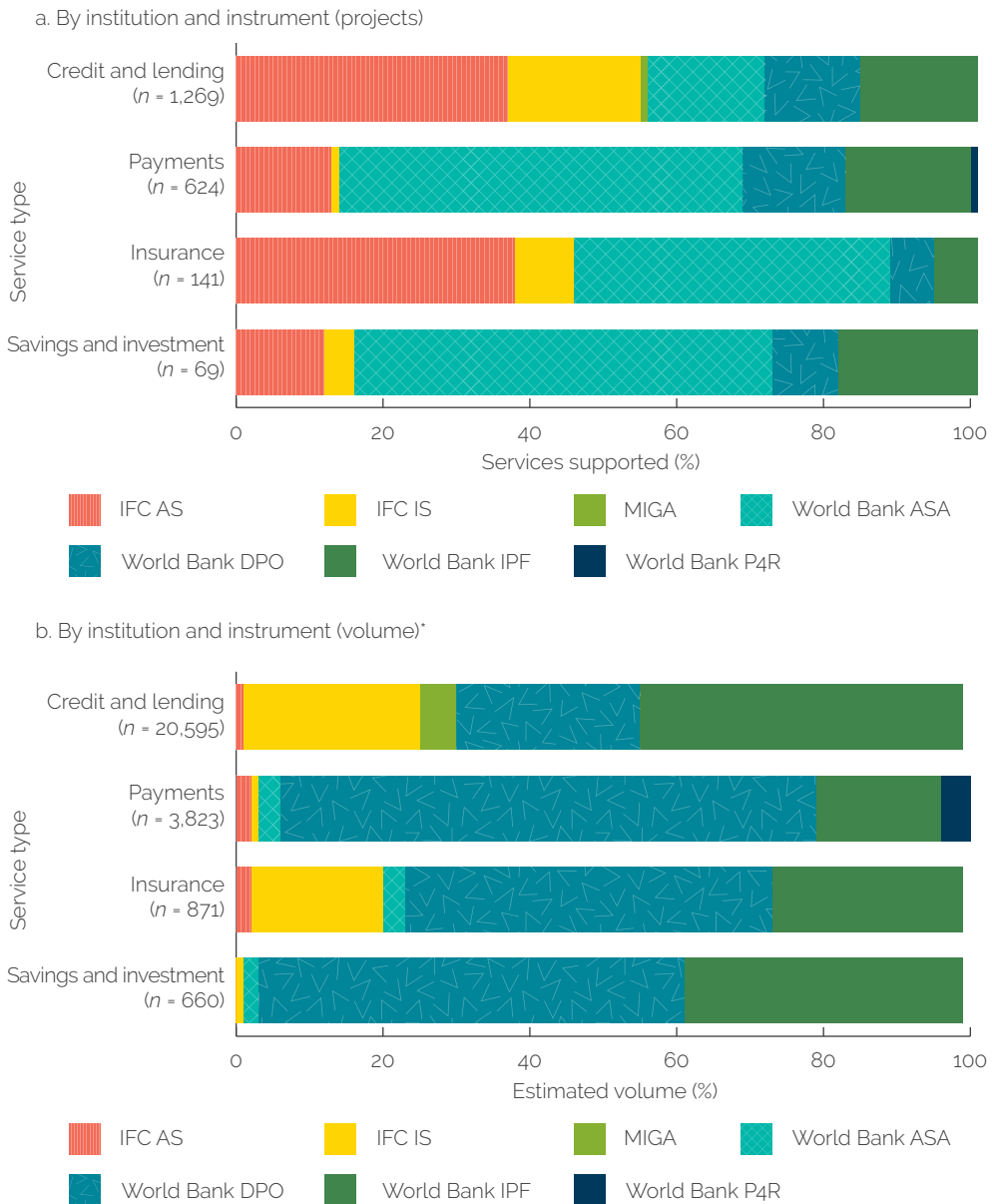
## Instrument Relevance

World Bank DPOs dominated the commitment value of the portfolio, whereas World Bank ASA and IFC AS were the most common by number of projects. Although it is impossible to attribute each instrument to a unique financial service, DPOs committed large amounts to support payments, insurance, and savings, whereas investment lending had the largest commitments to support credit (figure 2.6). IFC investments were strongly focused on credit; IFC used AS to support credit but also mobilized AS to support payments and insurance.

The alignment of instruments to objectives can be seen by separating projects supporting upstream (policy and institutional) reforms from those working downstream (for example, with service providers). When the World Bank seeks to influence policy, legal or regulatory reform, and reform of upstream institutions (such as regulators), it most often uses ASA and DPOs (figure 2.7). For example, in Ecuador, an ASA supported authorities in developing an NFIS. In South Sudan, an ASA helped the central bank establish oversight of the payment system.

To support upstream, IFC uses AS. In Bhutan, a large IFC AS project supported strengthening the national credit reporting framework by integrating data from utility companies. By dollar volume, DPOs are dominant in upstream engagements. For example, in Indonesia, a DPL strengthened financial system regulation by establishing a powerful independent institution responsible for regulation and supervision of all financial services and strengthening a regulatory framework for deposit insurance. IFC uses both AS and investments to support downstream service providers. In Brazil, an AS supported an insurance company in developing a product for low-income families. In China, an IFC investment project supported the establishment of a microcredit company. The World Bank mostly uses investment lending and ASA to engage downstream. In Sri Lanka, an investment project supported a warehouse receipt financing program that directly trained and built knowledge and capacity among stakeholders. In Zimbabwe, a World Bank ASA trained SMEs and microentrepreneurs in skills needed to apply for financing.

**Figure 2.6. Services Supported by World Bank Group Instruments**



Source: Independent Evaluation Group portfolio review and analysis.

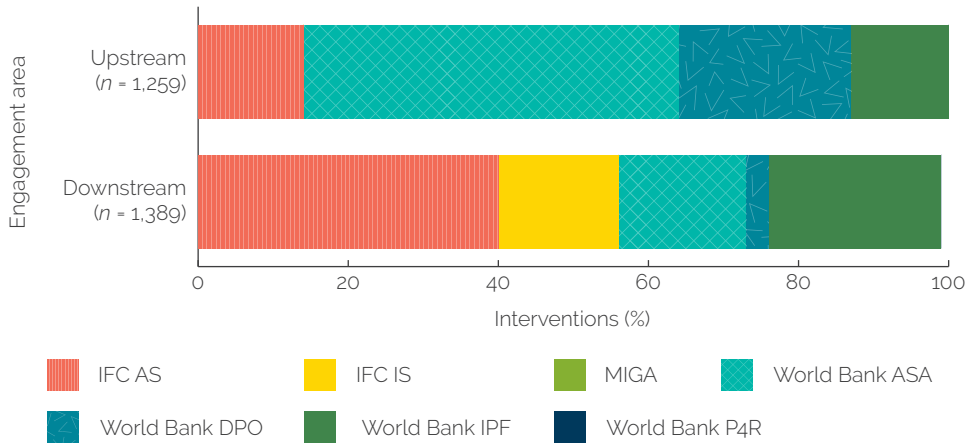
Note: Figures are based on estimated volume in US\$, millions. Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

\* To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the projects' committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions for DPOs). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

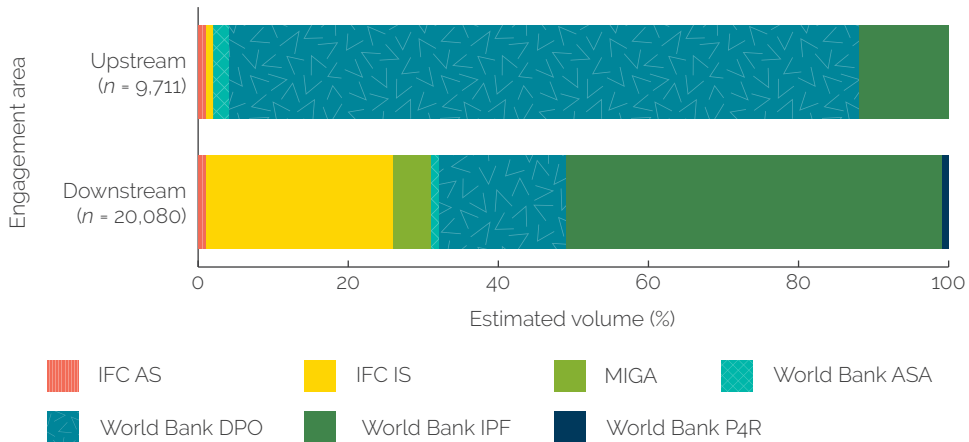


**Figure 2.7. Engagement Areas Supported by World Bank Group Instruments and Dollar Volume**

a. Engagement area: number of interventions by institution and instrument



b. Engagement area: dollar volume by institution and instrument\*



Source: Independent Evaluation Group portfolio review and analysis.

Note: Figures are based on estimated volume in US\$, millions. Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

\* To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the projects' committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions for DPOs). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

World Bank ASA for payment services accounted for about one-third of the ASA projects. ASA delivered most support in the form of reports, diagnostic reviews, and training or workshops but also produced strategies, policy notes, and FSAPs (box 2.2). Diagnostic reviews covered multiple topics, such as the housing finance market in Vietnam and Iraq, financial education in Peru and China, competition in the payment system in Peru, consumer protection in the Dominican Republic, and DFS in Colombia, Burkina Faso, and Senegal.

### **Box 2.2.** Influence of Financial Sector Assessment Programs on Country Financial Inclusion Strategies

Financial Sector Assessment Programs (FSAPs) have played a relevant role in supporting the formulation and implementation of financial inclusion work. Over the years, FSAPs have maintained core financial sector coverage through their technical notes, but coverage has evolved to include financial inclusion challenges. The World Bank has taken the lead in preparing technical notes on financial inclusion as part of its participation in joint International Monetary Fund–World Bank FSAPs. Between 2016 and 2022, the World Bank produced 46 technical notes on financial inclusion. Among them, the top three topics were digital financial services and payment systems, financial inclusion strategies, and financial infrastructure. Much attention is focused on finance for micro, small, and medium enterprises, with very limited attention given to women or other underserved groups.

The Independent Evaluation Group's country case studies show that the FSAP is accepted by key stakeholders as an important tool to identify challenges and raise awareness of policy makers on financial inclusion. For example, in Colombia, the FSAP was key to addressing specific aspects of national financial inclusion strategy implementation, such as reforming governance arrangements; coordinating among key agencies in charge of regulating, supervising, and overseeing payment systems and instruments; and finding effective ways to share consumer data to underpin new financial products. In Morocco, to stimulate micro, small, and medium enterprise finance, the FSAP recommended a shift from cofinancing and guarantees to the development of enabling technologies and joint platforms, such as mobile banking. It also called for better identification of underserved segments of the population to better target and monitor financial access programs. Moroccan authorities subsequently committed to enhanced data collection initiatives and have diversified financial product offerings.

*Source:* Independent Evaluation Group review of Financial Sector Assessment Programs and case studies.

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<sup>1</sup> This pertains specifically to pillar 2A—fast-track credit enhancement to financial institutions for working capital financing to micro, small, and medium enterprises; corporates; and individuals.

<sup>2</sup> Development policy operations can extend development policy financing as loans (development policy loans), credits (development policy credits), or grants (development policy grants).

<sup>3</sup> Through 2014, World Bank Group country strategies were known as Country Assistance Strategies or Country Partnership Strategies. In 2014, the Country Partnership Framework replaced the Country Assistance Strategy and Country Partnership Strategy.

<sup>4</sup> Gender mainstreaming is defined in the Philippines Country Gender Action Plan and includes the equal representation of women and men in the design and implementation of key activities, availability of sex-disaggregated data, and presence of gender focal persons in the project team. Going forward, the World Bank will implement the recommendation that projects enhance their initiatives for more in-depth analysis of sex-disaggregated data and strengthen the link with the broader gender policy of the government implementing agency.

# 3 | Effectiveness of World Bank Group Engagement in Financial Inclusion—Doing Things Right

## Highlights

This chapter complements chapter 2 (which examines whether the World Bank Group is doing the right things) by assessing the Bank Group's effectiveness on financial inclusion (that is, whether the Bank Group is doing things right).

What the Bank Group does most often to support financial inclusion is not always what it does best. Improving access and strengthening institutions were the most frequent financial inclusion objectives but were not the most successful. Projects with explicit consumer protection and financial literacy objectives were successful but uncommon. Bank Group support aimed at reaching or empowering excluded groups was rare and less often successful compared with support to achieve other objectives.

National financial inclusion strategies often provided adequate analysis, guidance, and governance mechanisms for countries to enhance financial inclusion. However, they were not always as comprehensive or as targeted as envisioned.

Bank Group institutions used different instruments for different purposes with varying success. International Finance Corporation investments in credit underscore both successes and challenges in finding viable business models to deliver services to microenterprises, poor households, women, and other excluded groups. World Bank development policy operations supporting credit had a 77 percent success rate. Development policy operations also supported policy, regulatory, and institutional reforms that often expanded service delivery. Development policy operations,

investment project financing, and International Finance Corporation advisory services supported payments, mostly successfully.

Although the emphasis on digital services grew, World Bank projects focused on digital delivery had a 72 percent success rate. The International Finance Corporation was equally successful with digital and traditional services (77 percent) and relatively more successful with projects using both (86 percent). Sometimes well-placed technical assistance projects appeared to bring major benefits.

Evidence on outcomes is weak, making it difficult to attribute observed improvements in outcomes to Bank Group activities.

This chapter addresses the effectiveness of the Bank Group's engagement in financial inclusion. First, it examines the effectiveness of the Bank Group's support for financial inclusion by objective.<sup>1</sup> Second, it discusses the Bank Group's upstream engagement in policy, legal and regulatory reform, and institutional development. It then looks at success in delivering financial services by traditional and digital means.

## Effectiveness by Objective

Improving access and strengthening institutions—the most frequent project objectives—were fairly successful. As noted in chapter 2, early in the evaluation period, access was a primary concern of client countries and the Bank Group. Although objectives diversified, the COVID-19 response renewed emphasis on the quantitative targets for people with accounts (box 3.1). Projects supporting access objectives showed an average success rate of 77 percent. Projects aimed at strengthening institutions showed an average success rate of 81 percent. Other, relatively rarer, project objectives were associated with higher rates of success—consumer protection (90 percent), financial literacy (87 percent), and stability (85 percent).

### Box 3.1. Pakistan: Increasing Access during the COVID-19 Pandemic

Before the pandemic, the World Bank supported the government of Pakistan in expanding the Benazir Income Support Programme through two development policy operations (P147557 and P151620). Following the onset of the pandemic, the World Bank supported the expansion of the program to channel additional support to its 4.5 million women beneficiaries. The World Bank also supported emergency cash transfers under the Ehsaas Kafaalat Programme, using digital channels to include an additional 7.5 million vulnerable families through the active Crisis-Resilient Social Protection program (P174484). Pakistan made government-to-person transfers for existing social transfer beneficiaries into single-purpose accounts configured only to receive payments from the government.

*Source:* Independent Evaluation Group Pakistan case study.

IFC AS projects with an access objective were successful an average of 82 percent of the time. They were more frequently successful than IFC investments with the same objective (68 percent average success rate). For example, in the Dominican Republic, IFC AS–supported Asociación La Nacional de Ahorros y Préstamos strengthened its risk management and corporate governance practices. The aim was to serve the low-income housing and SME markets better and prepare for transformation into a commercial bank. However, an IFC AS project in Morocco (one of the 18 percent of projects that were not successful) that intended to help a local MFI transform into a regulated, commercially oriented NBFi did not achieve its objective because an enabling central bank regulation was not issued.

IFC often aimed to help client financial institutions transform their institutional structure to a commercial one to enable them to grow their client base, diversify their product offering, and enhance their long-term sustainability while maintaining focus on underserved groups. IFC projects that supported transformations were more frequently successful than projects that did not (81 percent compared with 64 percent average success rate). IFC supported transformations of NBFis and MFis in many cases with the use of advisory projects (box 3.2). The intended outcomes included improvements in the availability, cost, and quality of financial services, strengthening of the capacity of financial intermediaries, improvements in the market function, and improved outcomes regarding access and usage of financial services by formerly excluded groups and individuals. Through transformation support, clients were able to expand their product offering through savings (70 percent), housing finance (46 percent), agribusiness finance (30 percent), and insurance (30 percent).

DPOs with the access objective were successful an average of 80 percent of the time, and World Bank investment projects were similarly successful. A DPL in Uruguay successfully supported the government in developing and implementing policies to increase access to financial services for poor people by introducing fiscal incentives for installing electronic points of sale in small businesses, facilitating electronic payments. The number of points of sale increased by more than three times, far exceeding project targets and facilitating tremendous growth in digital transactions. The government used this network to deliver digitized payments during COVID-19.<sup>2</sup>

### Box 3.2. International Finance Corporation Support for Clients' Transformations

In India, the International Finance Corporation took a programmatic approach that aimed to support microfinance institutions through a large umbrella advisory services project that supported institutional transformation by providing long-term, comprehensive, and integrated investment and advisory services. In addition, the International Finance Corporation successfully supported the transformation of four nonbank financial institutions with long-term financing and two with advisory services projects that provided them with a strategic plan, savings mobilization, a diversified range of services, enhanced information technology systems, or strengthened corporate governance. In two of those cases, the nonbank financial institutions were able to lower their lending costs while maintaining their customer profile.

In Nigeria, the International Finance Corporation supported two local microfinance institutions to transform into deposit-taking microfinance banks. They grew faster than the rest of the banking system and were able to offer new services while maintaining their focus on low-income and women clients. There was a replication benefit for the Nigerian microfinance sector—subsequently, seven additional microfinance institutions obtained a national microfinance bank license.

*Source:* Independent Evaluation Group.

Although infrequent, IFC AS and World Bank ASA were used to support consumer protection and financial literacy objectives. Because financial inclusion aims at reaching financially excluded populations through a wide array of providers, many countries are facing the need to protect new users from unethical practices (consumer protection) and educate them on how best to benefit from such services (financial literacy). Only 4 percent of evaluated financial inclusion projects had financial literacy objectives, with an 87 percent average success rate; 5 percent of projects had consumer protection objectives with an average success rate of 90 percent. Financial literacy and consumer protection remain key constraints in most case study countries, with a need to protect and inform new and potential users. For example, in Tanzania, IFC successfully facilitated a nationwide marketing



campaign targeting one million people to increase the number of interoperable person-to-person payment transactions.

The World Bank supported consumer protection and financial literacy by working mostly upstream through regulators, public agencies, and service providers. The World Bank began supporting Egypt in strengthening financial consumer protection in 2017, financing ASA within the framework of the Financial Inclusion Global Initiative. With this support, the central bank and financial regulatory authority of Egypt updated the regulatory framework to include consumer protection, with provisions on disclosure requirements, fair treatment, complaint handling, and dispute resolution. The central bank also introduced an ombudsman within a new consumer protection department.

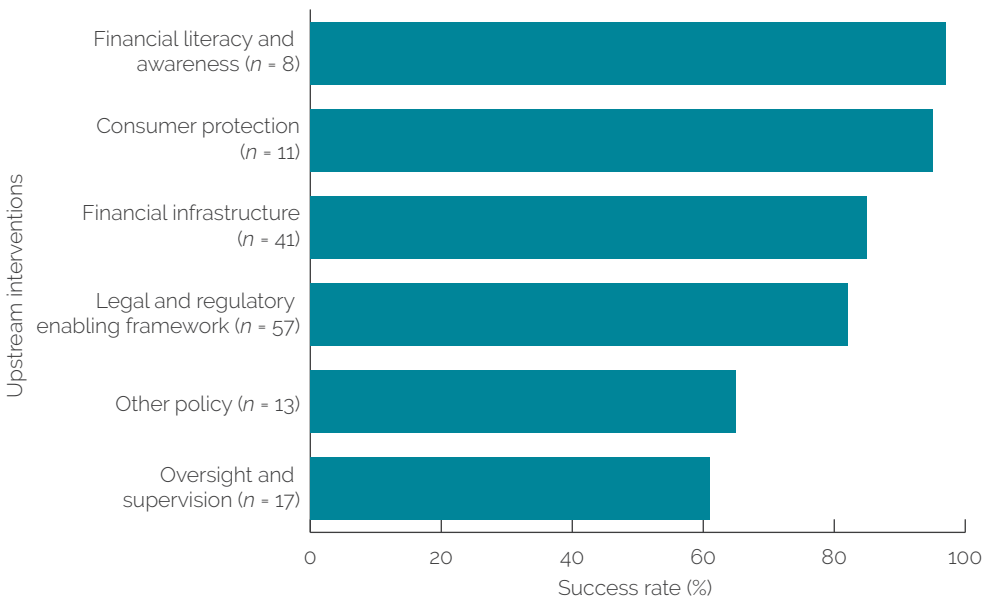
IFC engaged on financial literacy downstream by delivering training directly to consumers. For example, in Brazil, IFC advisory used a \$1.1 million grant to educate low-income customers through mass marketing programs and a mobile money supplier. It reached its targeted number of active users, new users, noncash transactions, and accounts linked to mobile banking systems. In Kenya, IFC AS included training farmers in financial literacy and training 350 promoter farmers, who in turn trained farmers in 12 cooperative societies.

Bank Group support with explicit objectives of reaching or empowering excluded groups was rare and had a 69 percent average success rate. There were only 11 such projects among 293 evaluated projects. Some IFC AS projects used modest funding to achieve success. In the Philippines, IFC AS supported the Center for Agriculture and Rural Development to develop and launch fintech solutions for its rural base of microbusinesses and low-income customers, composed largely of women. The center introduced new risk management procedures and standards and transmitted improved practices to its clients through workshops and other means. Some World Bank investment projects also succeeded in enhancing the enabling environment for excluded groups. In Armenia, the World Bank supported activities to enhance internet access and improve consumer trust and security through the digital citizen program (which created a national certification authority for issuing electronic signatures) and digital literacy through the Computer for All program.

# Support of Policies and Institutional Development

The Bank Group often engaged with governments on upstream policy, regulatory, and institutional reforms related to financial inclusion. These engagements included support for developing NFISs, establishing legal and regulatory enabling frameworks, strengthening financial infrastructure, and enhancing oversight and supervision. Development of NFISs was a key entry point for Bank Group support. The most frequent type of upstream Bank Group support was for reforming laws and regulations, such as reviewing financial inclusion regulatory frameworks, developing and introducing regulatory frameworks for mobile banking and payments, and establishing comprehensive policy and regulatory frameworks for payment systems. This type of support had an 82 percent average success rate (figure 3.1). The Bank Group strengthened oversight and supervision with a 61 percent average success rate through, for example, developing the capacity and independence of national supervisory bodies, carrying out organizational separations between oversight and operational functions, and establishing payment oversight functions.

**Figure 3.1.** Project Success Rate by Upstream Objective



Source: Independent Evaluation Group portfolio review and analysis of evaluated projects.

Note: The number of projects with each type of upstream objective is shown in parentheses.

Projects supporting strengthening financial infrastructure were mostly successful. Bank Group support to financial infrastructure had an 85 percent average success rate. Although IFC investment services did not support financial infrastructure, IFC AS support had an average success rate of 90 percent in projects aiming to strengthen financial infrastructure. World Bank financing projects (policy and investment) supporting financial infrastructure had an average success rate of 81 percent. Both IFC and the World Bank sometimes aimed their support for financial infrastructure at reducing information asymmetries between lenders and borrowers and enabling the safe and efficient transfer of money between individuals, firms, and governments.

Most of the evidence of the effectiveness of support to financial infrastructure concerns the creation, strengthening, and coverage of credit bureau systems, credit information reporting systems, collateral registries (movable or immovable), security registries, and, more recently, payment systems. For example, IFC AS support has been effective at implementing or strengthening credit bureau systems (in Haiti and Tanzania), collateral and security registries (in Liberia, Malawi, Nigeria, and Bhutan), and credit reporting systems (in Tanzania and Vietnam). A World Bank investment lending project in Guinea successfully supported improvements to the credit information and reporting systems and the modernization of the payment system at the central bank.

The Bank Group was less successful in enhancing financial infrastructure when the underlying constraint was the legal and regulatory framework. In Bhutan, IFC AS capacity building could not occur because of delays in reviewing a draft law. Tunisia did not achieve a DPL prior action supporting an increase in licensed private credit bureaus because the parliament did not approve a draft credit bureau licensing law. This type of support often lacks evidence of reaching excluded populations. For example, the World Bank supported Bhutan to expand its credit bureau coverage, but the broad monitoring indicator did not show whether it served target groups. Similarly, although IFC AS successfully supported Haiti in introducing a credit bureau, it was unclear whether it reached the target market of MSMEs or whether its reporting system was operating properly for such clients.

DPOs were effective in supporting policies that required focused, short-term interventions but less well suited to support reforms that needed longer gestation efforts. In the Philippines, DPLs proved useful to sequence and anchor important policy actions. However, they were not well suited to support longer gestation efforts, such as financial and digital literacy, that are essential for financial inclusion. In Brazil, there was little evidence of achievements of DPLs focused on providing access to rural producers and SMEs. Indonesia exemplifies a sophisticated client to which the World Bank committed a large volume of DPLs over the evaluation period. However, the projects lacked practical methods to gauge details of financial inclusion progress and, alone, were insufficient to move development indicators.

## Success in the Delivery of Financial Services

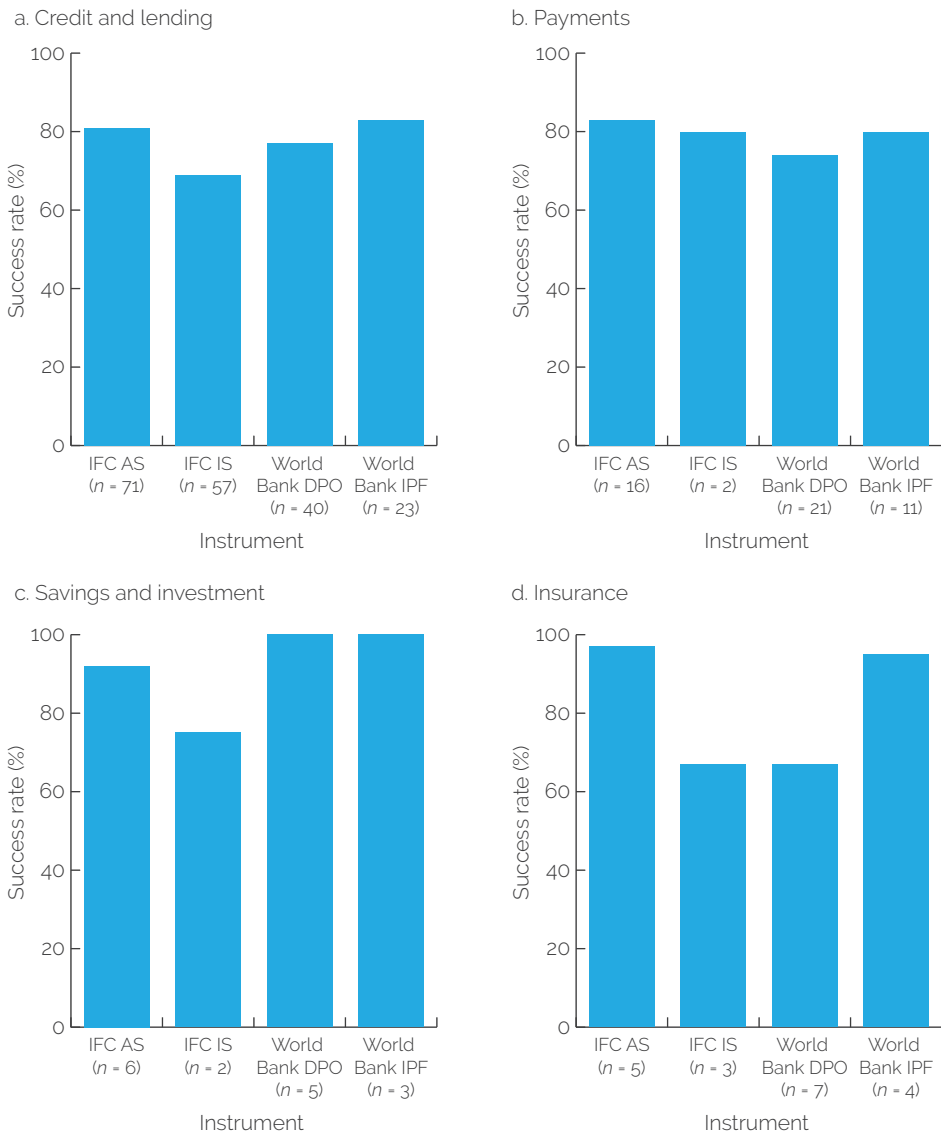
### Credit, Savings, Payments, and Insurance

The Bank Group's support for financial services to underserved groups, which mainly concentrated on credit, had mixed results. Credit was more frequently supported than other services, whereas support for savings and investment was relatively rare. Success rates varied both by service and instrument (figure 3.2). DPOs were more successful in supporting savings services than in supporting payment services, whereas IFC AS were highly successful in supporting insurance.

IFC investments faced both successes and challenges when providing credit support to underserved groups. Support for financial services with the objective of providing access to credit included 93 percent of the evaluated IFC investment portfolio, with an average success rate of 69 percent. A key challenge was finding sustainable business models for delivering financial services to MPWEG (box 3.3).<sup>5</sup> One successful IFC investment supported a senior-term loan to a leading MFI in West Bank and Gaza. The investment aimed to finance the MFI to support its microfinance activities and expand its outreach. At evaluation, the MFI increased its loan portfolio about four and a half times and surpassed its target number of borrowers. However, in Nigeria, IFC's support for a commercially oriented MFI to provide a full range of financial services to MSMEs and low-income populations met less success. The client reached less than 40 percent of its target for microloans and

less than 20 percent of its target for active borrowers, and missed its volume targets for microfinance and women entrepreneurs.

**Figure 3.2.** Success Rate of Support for Financial Inclusion Services by Type and Instrument



Source: Independent Evaluation Group portfolio review and analysis of evaluated projects.

Note: The number of evaluated projects within each service and instrument is shown in parentheses. AS = advisory services; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services.

### Box 3.3. Finding Sustainable Business Models for Microenterprises, Poor Households, Women, and Other Excluded Groups

Support for private engagement in financial inclusion found only a few sustainable business models for extending financial services to poor people. Beyond credit, services, such as microsavings and microinsurance, which have proven more beneficial to low-income individuals in the literature, are not associated with profits when offered as stand-alone businesses. Some microcredit and mobile money services have proved financially sustainable. However, the COVID-19 pandemic posed substantial challenges for many traditional microfinance institutions. Most models for delivering financial services to the underserved and excluded required an element of subsidy.

- » In Tanzania, the government had realized by 2014 that the low density of its rural population made it unprofitable for the private financial sector to serve remote areas. It emphasized mobile money accounts, and access grew rapidly. However, this growth did not always reduce gender or rural gaps. That required deliberate targeting, for example, by enhancing mobile reach to women and improving rural internet connectivity.
- » In Brazil, International Finance Corporation staff acknowledged the “impossibility” of achieving profitability by serving only the underbanked population. Instead, it supported some clients in serving a broad spectrum of the population, including underserved groups. Yet the oligopolistic structure of the banking sector drove up costs and left only less profitable market segments to smaller banks and financial institutions.
- » In Mozambique, only mobile money appeared to offer a viable and sustainable business model for serving many rural and excluded low-income people.
- » In Indonesia, major banks found that, even after moving to digital financial services banking (such as expanded ATM networks) to reduce costs, delivering financial services to the excluded groups remained economically unviable. The International Finance Corporation used its responsible microfinance advisory services project to support the Indonesia Microfinance Forum to expand and adopt responsible finance principles and to assist members with adhering to its charter through training and awareness raising. The project was successful, resulting in 3.25 million clients receiving responsible microfinance services.

*(continued)*

### Box 3.3. Finding Sustainable Business Models for Microenterprises, Poor Households, Women, and Other Excluded Groups (cont.)

- » In Colombia, the high cost of services was the leading reason (cited by 65 percent of the unbanked population) for not having an account. Commercial banks failed to find a viable model of services for financial inclusion, although some credit cooperatives and microfinance institutions were able to operate sustainably. The World Bank Group approach emphasized strengthening the payment system, enabling digital infrastructure, and fostering competition in the financial and the information and communication technology sectors.

Sources: Global Findex 2021; Independent Evaluation Group country case studies.

The World Bank used DPOs to support credit services with mixed success (77 percent average success rate). Upstream policy, regulatory, and institutional reforms often led to the expansion of service delivery, but not always. A World Bank DPL supported the Colombian government in establishing a regulatory framework to underpin the Priority Interest Housing Program for Savers. The program provided subsidies to selected types of families to facilitate the purchase of a house. With a target of providing 10,000 low-income families with access to affordable housing, the program supported 35,000 low-income families in gaining such access, far exceeding its target. By contrast, in Moldova, a DPL supporting legal reform to facilitate the use of movable assets as collateral did not meet its target. It expanded the types of eligible movable capital, created an out-of-court settlement mechanism, and established a notification registry to ensure transparency. However, it did not reach the targeted increase in the share of loans secured by movable collateral, which decreased over the project life.

Payments were mostly successfully supported by World Bank DPOs and investments and by IFC AS. In Panama, a DPL supported the government's effort to create a single registry of beneficiaries and a single payment platform for its social payment and education benefit programs. At evaluation, the project had far exceeded its targets. The percentage of extremely poor people benefiting from at least one social assistance program rose from 37 percent in 2014 to 81 percent in 2018. The use of a "social card" for

payments through the National Bank of Panama increased from 0 percent in 2014 to 80 percent by 2019. In Rwanda, a DPL supported the government's social protection and health policy reforms, initially in 30 pilot sectors. The operation included a policy to provide direct payments of wages to the individual bank accounts of low-income Rwandese without intermediaries. At evaluation, the target of 35 percent of eligible households was far surpassed, with 77 percent of such households reached.

IFC AS supported savings more frequently than did other instruments. In Mexico, an IFC investment supported a microfinance client to mobilize savings and insurance through an integrated business model. Savings deposits rose from \$33 million in 2012 to \$68 million, and the number of depositors grew from 299,489 in 2012 to 523,808 by the end of 2016. In Ethiopia, a World Bank investment loan supported the promotion of new pastoral savings and credit cooperatives. In total, 1,305 new savings and credit cooperatives became operational, exceeding a target of 1,110. In target communities, the share of households belonging to the savings and credit cooperatives reached 15.3 percent, exceeding the target of 10 percent.

## Digital Financial Services

Although the emphasis on DFS grew over the evaluation period, the success rate of DFS operations varied. The average success rate for World Bank projects focusing only on DFS was 72 percent. IFC was equally successful with digital and traditional services and more successful with projects using both. In some cases, well-placed technical assistance projects appeared to bring major benefits. In Bangladesh, IFC helped bKash to develop operational procedures and a strategy for an e-wallet payment solution and to implement merchant acquisition and rollout. By the end of 2017, it had exceeded its target of 45,000 merchants, with 50,516 accepting retail payments or mobile banking transactions. In addition, at 30.9 million accounts linked to mobile banking systems, it far exceeded its target of 20 million. In Mozambique, IFC supported the entry of M-PESA (Vodafone) as a mobile money service provider, as it sought to expand its customer base and merchant network in Mozambique. Since 2016, the growth rate for mobile wallets was three times faster than that for traditional bank accounts. A network of merchants where cash could be deposited and withdrawn advanced the ability to reach rural



citizens with payment services. M-PESA emerged as the leading mobile money provider, with 4.2 million customers in a country of 31 million people.

Considering the accelerated emphasis on digital services in response to COVID-19, in several countries, the Bank Group worked to integrate the digitalization of payments with the opening or use of digital payment accounts to receive them, with mixed results. To enable financial access, a digital payment account created to receive social G2P payments must allow other uses, such as other payments and deposits. In multiple case study countries, client country governments, often with World Bank support, used digitalized payments as vehicles to expand financial access. Examples include the following:

- » **Colombia:** The government responded to the pandemic by bolstering electronic payments, including by expanding existing conditional cash transfer programs and introducing Ingreso Solidario, which provided nonconditional monetary support to households living in poor and vulnerable conditions through electronic or digital transfers to deposit accounts. Ingreso Solidario took advantage of Colombia's newly enacted regulatory modernization that supported DFS to deliver cash transfers through deposits into bank accounts and mobile wallets. By July 2020, this program had benefited 2.7 million households, most previously unbanked. The World Bank advised and supported this program, including through a DPL that expanded and redesigned the primary database for social protection.
- » **Mozambique:** The 2020 COVID-19 response DPO included in its results framework a target of making 150,000 social transfers through electronic payments, including 90,000 to women. This target was a fraction of the government's overall objective to more than double social protection payment beneficiaries. The World Bank intended the electronic payments to provide beneficiaries who lacked a financial account with an account usable to receive and make payments. To reach citizens lacking adequate identification documents, the central bank issued "comfort letters" to mobile money operators, allowing them to open accounts for beneficiaries lacking official identification.

At the same time, many accounts that were quickly opened or employed for crisis response G2P payments may not produce sustainable, usable financial services to beneficiaries. First, as noted, in multiple countries, lack of money

is the primary reason for not using financial services; thus, if payments are not sustained, account usage may not last. Although the World Bank encouraged a general switch to digital G2P social payments in Mozambique, both cyclone and COVID-19 payments had limited life spans. Informed observers indicated that Mozambique lacked the fiscal means to sustain social payments introduced as a COVID-19 response. Although the ultimate fate of such accounts is not yet known, some countries recognize the need to mitigate these risks. For example, by contrast, Bangladesh had already begun to take steps toward establishing a common G2P payment platform, including pilot digital payments using a few different payment modalities, such as the Bangladesh Post Office, mobile financial services, and agent banking. Through the pilot, it issued cards to over 28,000 beneficiaries of its cash transfer programs across 10 subdistricts, with positive outcomes in terms of time and cost savings to beneficiaries.

In other countries, G2P accounts did not enable beneficiaries to use them for payments or savings. In Pakistan, beneficiaries could use the G2P transfer accounts only to withdraw benefits.<sup>4</sup> In the Philippines, the Social Amelioration Program opened digital accounts for beneficiaries allowing it to disburse payments to a huge number of additional enrollees. However, it did not train beneficiaries in financial literacy; therefore, millions of accounts were predicted to become dormant.

In other countries, G2P never became a focus for financial inclusion, even under COVID-19. In Tanzania, Bank Group support for financial inclusion continued its focus on other areas, including digital payments, but not G2P. In several countries, IFC or the World Bank focused on ramping up support for SMEs (outside the scope of this evaluation) during COVID-19.

## Evidence on Outcomes

Evidence on economic and social outcomes for microenterprises, low-income households, and excluded groups is weak. The portfolio review examined 293 financial inclusion project evaluations and found that 91 percent had no information on whether the projects had improved household or microenterprise outcomes. Only a handful of projects collected information on whether beneficiary enterprises had expanded employment or increased sales. Very few tracked

whether adult users accelerated economic activity, increased their incomes, improved their homes, or diversified their sources of income. Approximately the same 91 percent of projects provided no evidence of poverty outcomes for beneficiaries. World Bank investment financing had a somewhat better rate of providing information on beneficiaries than other instruments.

In the country case studies, experience in tracking outcomes varied widely, with most countries lacking granularity or focusing on headline access numbers. In Brazil and Indonesia, case studies observed some improvements in the monitoring and evaluation of outcomes over the evaluation period. In general, there was no basis for linking financial inclusion to any economic or social outcome. A few projects—like some in Indonesia and Pakistan—benefited from outcome or impact studies. Countries, such as Mozambique, relied primarily on internationally generated indicators, such as Global Findex, although one World Bank project planned an ambitious postimplementation evaluation.

Given the lack of information on outcomes, attribution of observed improvements in outcomes was also difficult. In countries where multiple donors are active or there is independent government or private sector activity in financial inclusion, it was often challenging to attribute observed gains in financial access and inclusion to the Bank Group's support. In a country such as Mozambique, with relatively few donors supporting financial inclusion, it is easier to attribute reforms to specific sources, but information on outcomes is scarce. In Indonesia, where some outcome indicators were disappointing, it was hard to tell what the Bank Group's share of responsibility was because of the engagement of multiple actors. In Bangladesh, it was possible to attribute outcomes to activities on which the World Bank took the lead. However, where the Bank Group was one partner among several, it was difficult to disaggregate the Bank Group's contribution.

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<sup>1</sup> In this chapter, we assess success at the project and objective levels using portfolio analysis of the Independent Evaluation Group validated or evaluated projects within scope. For the analysis, we considered indicators with an “above the line” rating (that is, those rated satisfactory or moderately satisfactory) to be successful and assigned them a value of 1. We considered those “below the line” (that is, those rated not achieved or mostly not achieved) to be unsuccessful and assigned them a value of 0. Then we calculated the average success rate per project and objective. The calculation encompassed all output and outcome indicators with available ratings within each project but excluded objectives found in fewer than four projects. A project may have multiple objectives. In particular, we coded 293 evaluated projects for effectiveness, and they had 322 financial inclusion objectives. Because there is no validated evaluation system for World Bank advisory services and analytics, there are no accepted data on its effectiveness. Consequently, advisory services and analytics are not treated in this chapter.

<sup>2</sup> Access is the Multilateral Investment Guarantee Agency’s only identified objective in the financial inclusion domain, but only one operation with an access objective has been evaluated. It was successful.

<sup>3</sup> In general, it is difficult to compare the success rates of International Finance Corporation investments, which bear private commercial risks, with other types of World Bank Group projects. It should be noted that a 69 percent success rate is well above the institutional average for all investments, which in 2021 had a three-year rolling average rating of 58 percent.

<sup>4</sup> For the portfolio review, we included only government-to-person projects when they had a clear financial inclusion objective.

# 4 | Lessons of Experience and Factors of Success

## Highlights

This chapter documents five internal factors (under the direct control of the World Bank Group) and two external factors (not under the direct control of the Bank Group) that influence the effectiveness of Bank Group financial inclusion interventions.

Internal factors:

Quality country engagement (long-term engagement with in-country presence) and technical capacity gave the Bank Group opportunities to support financial inclusion through dialogue and participation in national processes and through complementary interventions. It enhanced communication among stakeholders and allowed the Bank Group to adapt and help clients respond to crises. Analytic tools and knowledge resources generated traction internally, and partnerships, such as the Consultative Group to Assist the Poor, also contributed to effectiveness.

Supporting private sector capacity and incentives and work quality also enhanced Bank Group success. The public sector by itself rarely provided a complete answer for delivering financial services to underserved groups. Work quality at entry and supervision is important for success.

Formal collaboration across the Bank Group proved valuable in some country cases but was not a statistically significant factor of success across the portfolio. Case studies indicated many successful cases of complementarity and coordination between the World Bank and the International Finance Corporation.

## External factors:

Client commitment emerges from the case studies as a critical success factor. The Bank Group's engagement is inevitably shaped by the role client countries want it to play and their willingness to accept support. Where the World Bank did not lead support of national financial inclusion strategies, it often supported individual aspects of their implementation.

Collaborating with external partners did not systematically enhance success across the portfolio, but it did in several country case studies. In those cases, the Bank Group successfully tapped international partnerships for added resources and influence or divided responsibilities with partners to support financial inclusion goals.

This chapter considers lessons from Bank Group experience on factors that contribute to or limit effectiveness in supporting financial inclusion. It draws primarily from the case studies, the portfolio analysis, and an econometric analysis. Although external factors outside the direct control of the Bank Group matter, the Bank Group has control over a host of internal factors of success.

## Internal Factors

### Quality of Country Engagement

Long-term and sequential engagement with in-country presence contributed to success in the case studies. It gave the Bank Group opportunities to support financial inclusion through dialogue and participation in national processes and through projects that could complement or build on one another. Although it did not overcome all constraints, it generated goodwill and mutual understanding among client governments, other stakeholders, and the Bank Group. It allowed the Bank Group to continue to engage through the ebb and flow of projects and waxing and waning of government interest and activity. In addition, it allowed the Bank Group to help governments adapt to crises in ways that advanced financial inclusion. This was seen in many instances where the Bank Group supported use of government payments for COVID-19, cyclone, or flood relief to advance financial access through the creation of financial accounts.

The Bank Group's long-term engagement in Mozambique increased its influence and ability to adapt its programs to turn crises into opportunities to advance financial inclusion. The presence of expert staff in the field over a prolonged period allowed the Bank Group to both help craft the NFIS and help implement it, including by chairing a working group under the leadership of the central bank. Bank Group analytical work, although not comprehensive, was influential. Through its partnership with the government, it was able to use its role in supporting cyclone and COVID-19 responses to support partial digitalization of payments, which included the creation of new transaction accounts for many citizens.

In Pakistan, the Bank Group’s long-term engagement laid the foundation for analytical support that influenced the formulation of the NFIS, which later benefited from World Bank DPO support of reform actions. The engagement evolved with the shifting financial inclusion landscape. The World Bank provided technical notes to the State Bank of Pakistan, complemented by parallel analytical work through the FSAP. Pakistan has a long history of crises and emergency responses, including COVID-19 and the monsoon floods in 2022. The Bank Group’s engagement enabled it to support state institutions in responding to these challenges through a broad base of interventions, including direct payments. These payments, in turn, became opportunities to enhance financial inclusion. The long-term engagement also allowed the Bank Group to partner with the State Bank of Pakistan to introduce several market solutions. One was a recently launched interoperable instant payment system for smallholders called Raast, which was part of Pakistan’s National Payment Systems Strategy. As of mid-2022, Raast served 13 million DFS users.

Successfully introducing digital services frequently required sequential engagement, often starting upstream. Factors constraining the introduction of digital services included lack of appropriate regulation, lack of ancillary systems, limited infrastructure, lack of technical and institutional capacity, and low digital financial literacy among target populations. Earlier upstream interventions were in many cases able to reduce or remove these constraints, enabling successful downstream interventions later. For example, in Tanzania, a 2014 IFC AS project supported the establishment of rules for mobile financial services interoperability. Five years later, IFC began to provide downstream AS to a leading mobile operator to enhance access to and usage of mobile payments. By contrast, in Indonesia, an FY15 IFC advisory project sought to accelerate the “digital integration” of small traditional retailers into emerging digital supply chain payment and financing networks to facilitate the migration from cash to digital payments. However, ill-adapted regulations impeded progress, and the lack of key ancillary system features (such as a national identification system) constrained expansion of fintech products and payment services.



## Technical Capacity of World Bank Group Teams

Successful projects typically had capable teams who could tap global experts and inform their work with analysis. In many cases, teams comprised expert local and resident international staff, supplemented by support from global subject or industry experts. Bank Group teams could also draw on analytic tools (such as FSAPs, Global Findex, and a variety of tool kits and frameworks) and other knowledge resources (generated both internally and from partnerships, such as that with CGAP, discussed under external factors) to address various challenges.

In the Philippines, having the right team for complex projects led to successful outcomes. The World Bank's catastrophic risk facility ASA and the IFC AS on digital risk management both used personnel with global expertise in their fields, which led to highly positive outcomes. The World Bank hired the foremost expert in catastrophic risk insurance from New Zealand to help create a public-private reinsurance facility, the Philippines Catastrophe Insurance Facility, and provide technical assistance in updating and implementing a revised catastrophe pricing system. The Bank Group's global reach allowed cross-fertilization of ideas. For example, introducing the Philippines to India's Aadhaar identification system helped kickstart the PhilSys (Philippine Identification System) initiative. It allowed the Bank Group to expose counterparts to best practices in areas such as how to approach women's insurance. IFC was able to link a rural bank client to a network of other institutions to support learning and find solutions for expanding digital initiatives.

Bank Group technical knowledge enabled it to successfully support aspects of Colombia's NFIS, including changes in the regulation and governance of the financial inclusion policy. World Bank technical knowledge embodied in analytical work, technical notes, and advisory work underpinned advances in new policies and financial education programs. World Bank expertise supported the government in strengthening the regulatory framework for consumer protection and improving the enabling conditions for DFS. IFC mobilized expertise through advisory projects supporting reforms to the collateral registry to better underpin microenterprise and SME finance. It supported several financial sector clients on digital transformation, use of movable collateral, and products designed for refugee immigrants.

## Supporting Private Sector Capacity and Incentives

The Bank Group often achieved better results when it was able to work with clients and stakeholders to incorporate private sector capacity and incentives. The public sector by itself rarely provided a complete answer for delivering financial services to underserved groups. Thus, a key challenge was creating conditions in which the private sector was able and incentivized to provide such services.

In Pakistan, several enablers of the private sector role in financial inclusion were identified as part of the development of the NFIS. Public-private sector commitment, dialogue, and coordination were important to advance enactment of critical legal reforms and to foster digitalization by shifting government payments to electronic platforms. Further, by discouraging programs that distorted markets and prices, market incentives motivated the private sector to deploy financial products and services to enhance usage. Enhancing usage in this way depended on a sound enabling legal and regulatory environment to facilitate the development of an ecosystem of quality financial products. The Bank Group effectively supported these enablers. For example, it supported the development of the Secured Transactions Act of 2016, which enabled the use of movable collateral.

In Tanzania, where interoperability was a key constraint on the rapid expansion of mobile financial services, IFC engaged with technical support from CGAP. IFC worked to coordinate and align the industry and the regulators toward common goals. It facilitated a voluntary, self-regulated industry process guided by commercial interest. Four mobile network operators and two banks signed a memorandum of understanding to participate in setting the standards for interoperability and to implement interoperable person-to-person transfers. CGAP later used this “coopetition” model, whereby private sector operators collaborate on interoperability within a market where they compete for clients and business. Regulators encouraged this, lacking the capacity and resources to lead the initiative.

By contrast, efforts to escalate financial inclusion in Nigeria were frustrated by a weak and restrictive enabling environment for private sector services that the World Bank had to address before financial inclusion interventions

could succeed. The 2019 Systematic Country Diagnostic identified shallow financial markets as a key constraint on Nigeria achieving the twin goals of poverty reduction and shared prosperity. However, the Bank Group diagnostic and strategy identified financial market development as important for Nigeria to stimulate nonoil growth. A host of factors were limiting, including access to land and technology, low human capital, infrastructure gaps, violent internal conflicts, high dependency on oil, and bad governance. The lack of an enabling regulatory environment was a prominent limitation, which the World Bank partly addressed through external collaboration.

Some case studies suggest instances where short-term objectives overrode consideration of private sector interests. In several countries (such as Mozambique and Egypt), authorities suspended fees for some financial services during COVID-19. This forced private operators to absorb service costs, reducing their incentives to expand services and extend them to new customers.

For IFC financial institution clients, private sector capacity was critical. For institutional transformation, success factors included choosing sponsors or clients with experience in microfinance and adequate records in terms of asset quality, strong capitalization, and commitment to apply good practice standards. In addition, those NBFIs and MFIs had prior established clientele, which helped expand their business to other regions and business lines. Internal success factors were related to client capacity and long-term strategic support to the client.

## Work Quality at Entry and during Supervision

Our case studies and econometric analysis confirm the importance of work quality for project success. Our econometric analysis emphasizes the importance for project success of Bank Group work quality at entry, in the identification and design of projects, and during supervision and administration.<sup>1</sup> Controlling for multiple other explanatory factors, including country context, financial inclusion projects with low work quality at entry have an average success rate of 75 percent (compared with an 84 percent success rate for other projects). Projects with insufficient supervision and administration have an average success rate of 72 percent (compared with an 82 percent success rate for other project supervision and administration

ratings; appendix C). Work quality interacts with country characteristics that can augment or diminish its impact. Low work quality at entry is more likely to contribute to project failure the higher the country's income level. Conversely, low work quality during supervision figures more prominently the lower the country's income level.

Successful projects in Lebanon, Nigeria, and Malawi illustrate the contribution that work quality can make to success. During screening and appraisal for a project supporting a leading MFI in Lebanon, the project team conducted a thorough market study of the microfinance market in Lebanon, the competitive landscape, and the client's competitive positioning within the sector. The project's structure was appropriate to the company's needs. The team correctly identified project strengths, risks, and mitigations, which contributed to success. In Nigeria, an IFC project succeeded in part because of work quality at entry—identifying a strong client, mitigating risks, and structuring the investment. High work quality also helped a \$26 million World Bank technical assistance succeed in Malawi. The project, which aimed to increase access to finance for people without bank accounts, was underpinned at appraisal by high-quality technical studies including an FSAP. The advance procurement of effective technical consultants expedited project progress.

The perils of weak supervision were evident in a World Bank DPL in Samoa. Payment systems and remittances were a focus of the Samoa First Fiscal and Economic Reform Operation. At evaluation, interbank credit transfers had decreased, as had mobile banking transactions. Supervision was found at evaluation to have been “relatively ad hoc,” failing to identify emerging challenges to outcome achievement.

Other attributes of good work quality, including understanding local conditions, adjusting resources to client capacity, and choosing clear targets to measure and monitor, are often important. In Bangladesh, thorough assessment of client needs and fostering the participatory identification of the most vulnerable population contributed to the effectiveness of the World Bank Second Social Investment Program Empowerment and Livelihood Project in channeling resources where they were most needed. Some projects failed because of a lack of understanding of and adaptation to local

conditions. In Nigeria, an effort to shift social payments to mobile money platforms proved impossible as a crisis response because of limited prior adoption of digital G2P payments and weak digital payment infrastructure.

Other contributors to success include project design, both through appropriate choice of instrument and through scale of financing. For example, in terms of choice of instrument, DPOs could prove ill-suited to advance reforms requiring prolonged support. The importance of selecting the right scale of financing is illustrated by a project in Nigeria that aimed to increase access to housing finance by deepening mortgage markets with a \$305 million World Bank investment loan. At design, it was envisioned that the Nigeria Mortgage Refinance Company would issue N50 billion in bonds to refinance the mortgage loan portfolios of eligible mortgage lenders. However, it ultimately issued only two series of bonds for just N19 billion. By closure, lenders had provided only 14,978 new mortgage loans, which fell 70 percent short of the target of 50,000.

## World Bank Group Collaboration

Although we found many successful examples of coordination between the World Bank and IFC in the case studies, there was no statistically significant association between formal collaboration and success. In many countries, the World Bank and IFC worked in a complementary fashion, with the World Bank focused more upstream and IFC more downstream. IFC advisory staff often worked in highly complementary ways to IFC and World Bank lending. However, our analysis did not find a statistically significant relationship.

We found that only 11 percent of Bank Group projects in the portfolio involved any institutional collaboration. At the institution level, IFC investments coordinated almost exclusively with IFC AS. By contrast, IFC AS often explicitly collaborated or combined with World Bank ASA and lending and IFC investments. In Egypt, World Bank ASA aimed at strengthening DFS, the national payment system, and financial consumer protection and literacy complemented IFC's support in a supply chain finance. Staff interviews suggest that the degree of collaboration increased while IFC AS were located within Finance, Competitiveness, and Innovation, a joint World Bank and IFC Global Practice. During this time, World Bank and IFC staff jointly participated in meetings and

interacted closely. However, after IFC reabsorbed its Finance, Competitiveness, and Innovation staff, World Bank–IFC communication reportedly weakened and depended mainly on personal relationships.

Country case studies largely support the finding of limited formal Bank Group collaboration. Only 1 case study country out of 10 highlighted substantial Bank Group collaboration. In Mozambique, the World Bank focused on DPOs promoting legal and regulatory reform, and IFC focused on AS to expand capacity and certain financial infrastructure (such as the mobile collateral registry).

## External Factors

### Country Factors—Client Commitment and Government Effectiveness

Client commitment emerges from the case studies as a critical factor in supporting financial inclusion. In Brazil, until 2018, the central bank’s strong commitment supported the Bank Group’s financial inclusion interventions. The central bank’s governor was active both nationally and internationally, even serving as chair of the Alliance for Financial Inclusion. However, once he left office in 2018, the pace of implementation of the NFIS 2018–22 and some projects slowed.

In several countries, key client counterparts had limited interest in Bank Group support.<sup>2</sup> In Egypt, the central bank assigned leadership of the NFIS to Deutsche Gesellschaft für Technische Zusammenarbeit, the German Agency for Technical Cooperation. In Nigeria, the central bank was reluctant to authorize innovative service providers, such as mobile operators, to operate beyond the local level, impeding support for the emergence of national systems.

A cluster of external factors are associated with project success. These include shocks (such as financial crises, natural disasters, and pandemics) and project-specific client characteristics, including corruption, client commitment, public sector institutional capacity, private sector institutional capacity, collaboration with external donors, agency coordination, and political economy. In our econometric analysis, the average success rate of projects with negative external factors is 75 percent compared with

83 percent for projects that did not face negative external factors. Anecdotal country experience also suggests a role of good governance, especially for DPO success. Both Mauritius and Bhutan are in the upper quartile of countries ranked in Worldwide Governance Indicators for government effectiveness. In Mauritius, a programmatic DPL series succeeded in advancing expanding coverage of the credit bureau and strengthening the basis of secured transactions. In Bhutan, a DPL succeeded in supporting an expansion in MSME financial access, credit information, and collateral registration.

## External Collaboration

Evidence of collaboration with other donors was limited across the Bank Group's portfolio. In general, the case study experiences of external collaboration were positive, but external collaboration made no statistically significant difference in success (appendix C). Nonetheless, in several country cases, the Bank Group tapped international partnerships for added resources and influence. Some global partnerships, such as CGAP (box 4.1), are hosted within the Bank Group but independently serve multiple partners. In other cases, IFC and MIGA coordinated with other bilateral or multilateral donors or external bodies, such as the Bill & Melinda Gates Foundation and the Mastercard Foundation, either dividing or, less commonly, sharing responsibilities in support of country financial inclusion goals. For example, in Nigeria, the World Bank played a strategic role through its collaborative advocacy campaign in partnership with the Bill & Melinda Gates Foundation and Queen Máxima's office to advocate for the provision of licenses to mobile network operators, despite central bank reluctance. These collaborative advocacy efforts led to the participation of two mobile network companies in payment services.

## Box 4.1. The Consultative Group to Assist the Poor

Case studies show that some World Bank Group teams partnered with the Consultative Group to Assist the Poor (CGAP) for knowledge and complementary support with national financial inclusion strategies (NFISs) and support with payment systems. Coordination with CGAP was limited in its range of countries and services, but it was generally regarded well where it occurred. In interviews, International Finance Corporation staff were particularly appreciative of CGAP collaboration and the knowledge and advice it brought to bear.

**Knowledge generation and sharing:** In Indonesia, CGAP complemented Bank Group support by conducting 12 research studies from 2015 to 2018. Topics included supervision of service providers, competition in mobile financial services, understanding consumers' value, and regulatory enablers. Through the Harnessing Innovation for Financial Inclusion program, CGAP convened a working group to share tools and best practices in digital payment service delivery. In Myanmar,<sup>3</sup> the International Finance Corporation coordinated with the World Bank and CGAP to assess gaps in regulation and consumer protection and to scope the microfinance landscape.

**Support to NFISs:** In Pakistan, CGAP training of government officials complemented Bank Group support for the formulation of an NFIS using the Financial Inclusion Support Framework. In Indonesia, the World Bank and the International Finance Corporation partnered with other donors and CGAP to support the development of two NFISs.

**Support to government-to-person and payment systems:** The World Bank provided analytical support to the National Payment Systems Strategy in Pakistan, and the Raast micropayment program received a US\$16 million grant from the Bill & Melinda Gates Foundation through Karandaaz, a nonprofit established by United Kingdom's Foreign, Commonwealth & Development Office. Through the Harnessing Innovation for Financial Inclusion program, CGAP worked with counterparts seeking to implement government-to-person cash transfer schemes to share the knowledge developed on their design in diverse markets, such as Bangladesh, Ecuador, India, Indonesia, Kenya, Pakistan, Peru, Tanzania, and Zambia.

*Sources:* Country case studies; financial inclusion portfolio; Foreign, Commonwealth & Development Office 2022.



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<sup>1</sup> Work quality is an assessment of the quality of work at project entry and supervision as reflected in agreed results frameworks for World Bank Group projects validated by the Independent Evaluation Group. For example, good International Finance Corporation work quality for project preparation would be reflected in such criteria as “clearly stated objectives with realistic project outcomes and impacts; appropriate mix of components or activities needed to achieve intended objectives; proper market or needs assessment; proper identification of project risks and proposed mitigation; [and] identification of appropriate and highly committed counterpart” (World Bank 2013, 105).

Thus, the evaluation references evidence derived from the Implementation Completion and Results Report Reviews, Expanded Project Supervision Reports, Project Completion Reports, Project Evaluation Reports, and Evaluation Notes.

<sup>2</sup> Complementary to this, our econometric analysis found that government capacity (as rated in Worldwide Governance Indicators) was positively related with success, whereas country income level was negatively related with success.

<sup>3</sup> All Bank Group activities relating to Myanmar have been on hold since February 1, 2021.

## 5 | Recommendations

This chapter highlights three recommendations that may enhance the Bank Group's work on financial inclusion. Given MIGA's inactivity in financial inclusion, the recommendations are targeted to the World Bank and IFC. Should MIGA strategy define priorities in financial inclusion, these recommendations may prove useful. The chapter draws from the lessons of chapter 1 on the literature and global experience, from chapters 2 and 3 on the evidence for Bank Group relevance and effectiveness, and from chapter 4 on the lessons of experience for project success and failure.

Financial inclusion involves more than access, which was always regarded as a first step toward inclusion. Genuine inclusion needs to focus on usage by excluded groups in addition to access. After the initial emphasis on supporting large numbers of accounts opened under UFA2020, the Bank Group's approach to financial inclusion evolved toward the more holistic concept of inclusion. Depending on context, engagement can involve upstream and downstream engagements and a combination of financing and advisory and analytical work (including FSAPs). However, under pressure to meet urgent needs during COVID-19, the focus largely reverted to access. Many G2P payment accounts created during COVID-19 are unlikely to be sustainably used. The incentive to users of collecting government payments is not, in many contexts, sustainable. Yet there are relatively few insights into how to increase this incentive beyond continuing payments. Support to Pakistan and Tanzania are two examples of successful long-term engagement and well-sequenced approach. The World Bank provided technical notes to the State Bank of Pakistan, complemented by parallel analytical work through the FSAP. The Bank Group's engagement enabled it to support state institutions in responding to these challenges through a broad base of interventions, including direct payments. These payments, in turn, became opportunities to enhance financial inclusion. The long-term engagement also allowed the Bank Group to partner with the State Bank of Pakistan to introduce several market solutions. One was a recently launched interoperable instant payment system for smallholders called Raast, which

was part of Pakistan's National Payment Systems Strategy. In Tanzania, a 2014 IFC AS project supported the establishment of rules for mobile financial services interoperability. Five years later, IFC began to provide downstream AS to a leading mobile operator to enhance access to and usage of mobile payments.

**Recommendation 1:** The World Bank and IFC should further encourage account use by underserved groups, including women and rural poor people, and emphasize this more in their strategies and projects. This will require long-term and well-sequenced approaches, with due attention to private sector capabilities, a balanced combination of supported financial services (credit, payment, savings, and insurance), and a balance between supply (for example, DFS and G2P) and demand measures (for example, financial literacy and consumer protection), as well as among upstream policy, regulatory, and institutional measures and downstream service delivery interventions. The Pakistan and Tanzania projects provide good examples of long-term well-sequenced approaches to encourage account use by underserved groups.

DFS have tremendous potential to extend financial services to underserved groups but require an enabling framework and a more comprehensive approach than has usually been fully realized in the past. DFS have shown tremendous ability to extend financial services to underserved and excluded people, including in situations where traditional brick-and-mortar solutions are unsustainable but are often constrained by the absence of enabling conditions in terms of the legal and regulatory framework, financial or physical infrastructure, ancillary systems, institutional capabilities, or incorporation of DFS into financial services for MPWEG.

**Recommendation 2:** The World Bank and IFC should design and implement more comprehensive approaches that address constraints in the enabling environment for DFS to reach underserved and excluded groups. Depending on market conditions, attention may be needed to constraints in the legal and regulatory framework, financial or physical infrastructure, ancillary systems, institutional capacity, and integration of digital solutions into financial services for MPWEG. A full package would often include measures to advance universal identification, digital access (covered in a parallel IEG report), financial literacy, consumer protection, and data privacy. The Tanzania

case study shows that a joint World Bank–IFC practice introduced complementary interventions, such as enabling regulations for mobile payments, merchant acceptance of such payments, and interoperability, which enhanced effectiveness.. The framework of measures needed for DFS to reach their full potential is known to the World Bank and IFC, but a number of client countries would require a more comprehensive approach to realize it.

Currently, the World Bank and IFC derive insufficient information from their projects on outcomes and impacts for financially excluded or underserved populations. Given the limited picture deriving from the literature of the effectiveness of financial inclusion in addressing the needs of poor and excluded people, Bank Group learning and feedback from its projects is vital. National data, such as Global Findex, have been very helpful but are insufficiently granular to track changes to project and program effects. It is important to fill in substantial gaps in evidence for a causal chain between the immediate outputs or intermediate outcomes measured in projects and the higher-level outcomes or impact expressed in the Sustainable Development Goals and by the Bank Group. Since the majority of defined project outcomes concern account access and number of transactions, there is a way to go to align project outcomes with higher-level outcomes, such as higher income, more investment and jobs, and, ultimately, economic and social mobility and poverty alleviation. The Bank Group has an important role to play in ensuring that data are collected at the project and market level to inform research and learning (including evaluation of outcomes and impact) on these links.

**Recommendation 3:** To enhance learning on what works to increase the beneficial use of financial services at the MPWEG, the World Bank and IFC should collect outcome data across different underserved and excluded groups, initially on a pilot basis. Relying on Global Findex and further developing it as a tool to understand financial inclusion outcomes are essential. Collecting additional data on financial inclusion outcomes more regularly, such as who is benefiting and how they are using and benefiting from services, would improve understanding of which financial inclusion interventions benefit the excluded groups and help people exit poverty. The data would also enhance the Bank Group’s understanding of and empirical research on how to encourage beneficial account use by underserved groups,

including women and rural poor people, and how to improve the design of strategies and projects to encourage such beneficial use. In recognition of the challenges and costs of such systematic data collection on MPWEG, this could be launched initially on a pilot basis for a sample of relevant projects.

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# APPENDIXES

Independent Evaluation Group

*Financial Inclusion*

# Appendix A. Methodology

## Evaluation Questions

This evaluation aims to answer three overarching evaluation questions on relevance, effectiveness, and lessons. For each overarching question, we specifically seek to answer the following questions.

1. Relevance (“doing the right things”):
  - a. To what extent have World Bank Group country strategies aligned with the Universal Financial Access 2020 (UFA2020) or country national financial inclusion strategy goals? How aligned is Bank Group engagement (global public goods, country program, product mix, staffing, and partnerships) in financial inclusion reforms with country and financial sector priorities and conditions, including local needs and capabilities? What role did digital financial services (DFS) play before and after the COVID-19 pandemic?
2. Effectiveness (“doing things right”):
  - a. How effective have the Bank Group’s financial inclusion interventions and programs (including the integrated approach focusing on nine intertwined areas) been in helping client countries to strengthen their national policy and regulatory environment for financial inclusion and meeting the goals laid out in UFA2020?
  - b. How effective have Bank Group efforts been in improving the supply and use of financial services? What role did DFS play?
  - c. To what extent have Bank Group interventions contributed to improved economic and social outcomes for microenterprises and poor households, including those headed by women? Were the benefits sustained over time? To what extent did improved financial services foster resilience and adaptation of individuals and microenterprises during the pandemic?

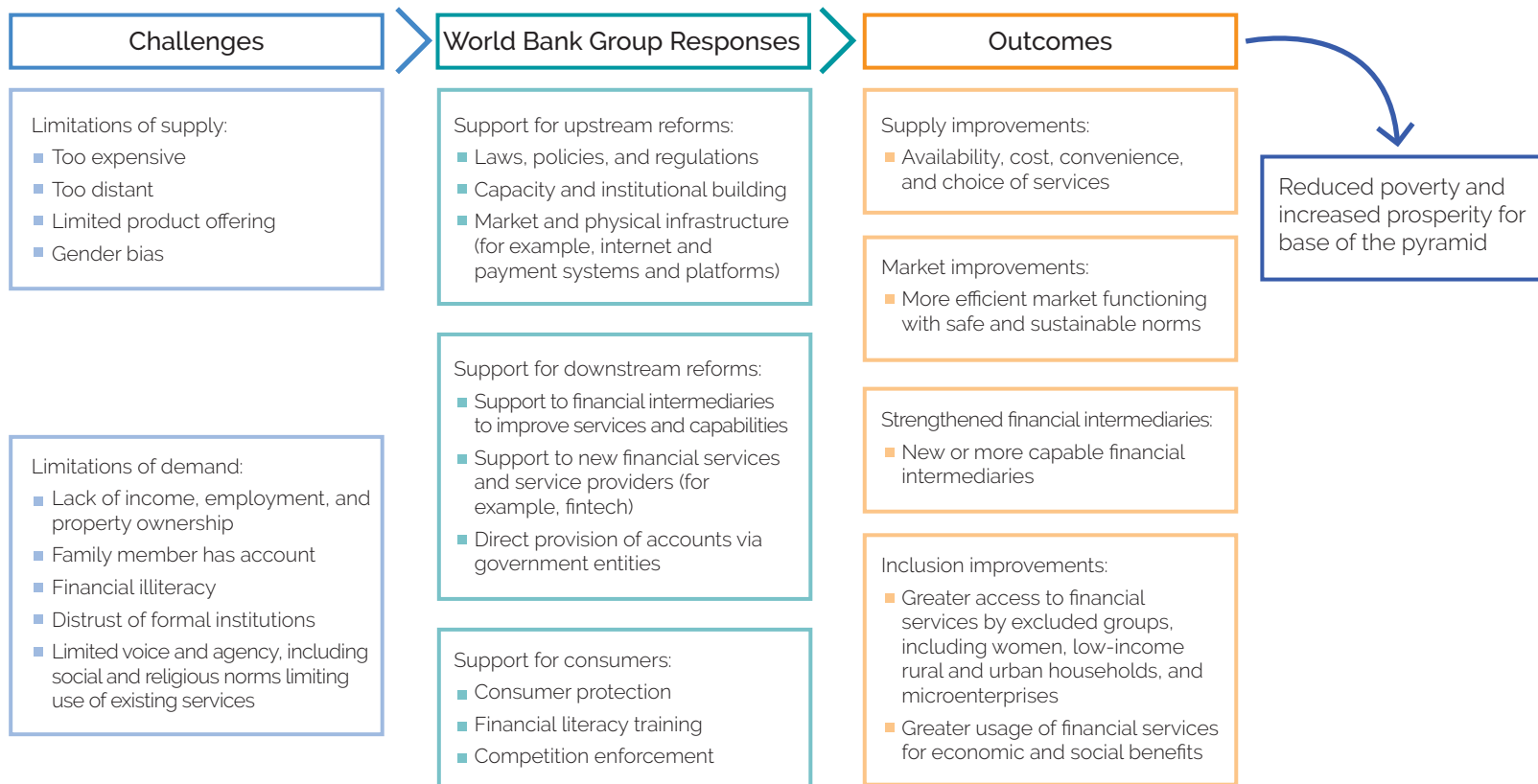
### 3. Lessons

- a. What country- and project-level factors explain success or failure?  
What lessons can be drawn from Bank Group experience?

## Evaluation Framework

We developed a logical framework to guide the approach of the Independent Evaluation Group for this evaluation. Figure A.1 describes the connections between financial inclusion challenges, Bank Group responses, and intended outcomes. The Bank Group responded to the challenges of supply and demand limitations with upstream reforms, downstream reforms, and consumer support. Whereas upstream reforms include laws and regulations improvement, capacity and institution strengthening, and support for market and physical infrastructure, downstream reforms include technical assistance to financial intermediaries, support to government programs that provide excluded citizens with accounts, and development of new financial products, services, and providers. The Bank Group's response also includes support on consumer protection, financial literacy training, and enforcing competition. These responses intend to achieve outcomes on improvements of supply, market, and inclusion.

**Figure A.1.** Evaluation Logical Framework



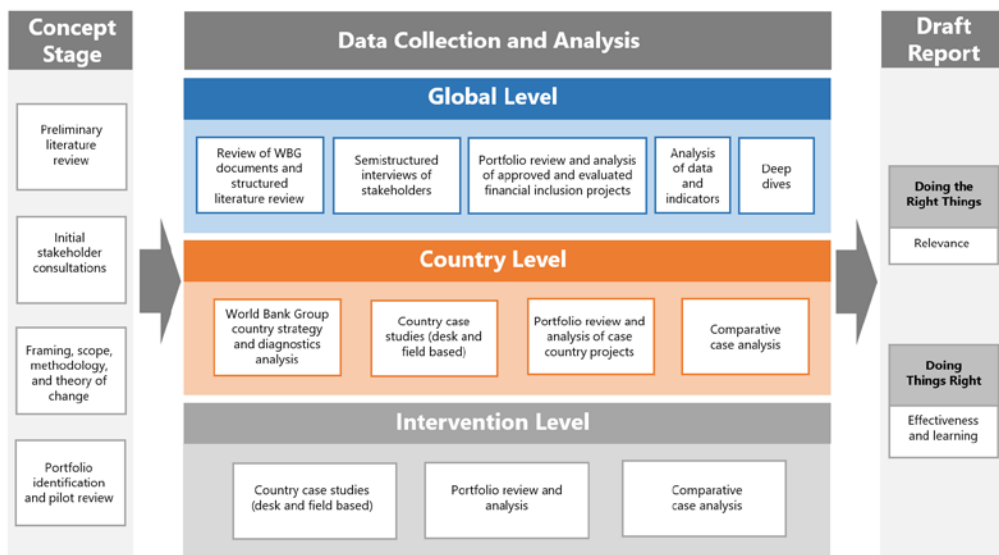
Source: Independent Evaluation Group.



## Evaluation Design

We applied a mixed methods approach in this evaluation that combined an array of complementary methods for data collection and analysis, then triangulated them to ensure robustness of findings. Using three levels of analyses—namely, global, country, and intervention level (figure A.2)—we explored the World Bank’s relevance and effectiveness in supporting clients to strengthen their national policy and regulatory environment for financial inclusion and meeting the goals laid out in UFA2020. Protocols designed using the evaluation logical framework and key evaluation questions were used to provide consistency and rigor of findings derived from disparate data sources.

**Figure A.2.** Methodological Design of the Evaluation



Source: Independent Evaluation Group.

## Portfolio Review and Analysis

### Portfolio Identification Methodology

We identified the Bank Group’s financial inclusion portfolio using several methods, including relevant theme and sector selection, text analysis of operational data, and manual review and verification of project-level data. We considered all operations across three institutions that were approved between fiscal year (FY)14 and mid-FY22 (with December 31, 2021, as the cutoff date for FY22) or evaluated between FY14 and mid-FY22 but approved on or after FY10.<sup>1</sup> For Multilateral Investment Guarantee Agency projects, we considered all guarantees effective between FY14 and mid-FY22 (with December 31, 2021, as the cutoff date for FY22) or evaluated between FY14 and mid-FY22 but effective on or after FY10.<sup>2</sup>

- » The steps taken to identify the evaluation’s portfolio for each institution can be summarized as follows:
- » For the World Bank lending and nonlending activities, we isolated those containing at least one of the relevant sector or thematic codes (table A.1). In addition, we performed a targeted keyword search (see taxonomy in table A.2) in text-based data that are available on the operations portal and systematically reviewed project descriptions and documents to verify the intention to promote financial inclusion in cases where at least one keyword was found.
- » For the World Bank nonlending activities, we included only projects that were classified as economic and sector work or technical assistance for projects that were approved before 2019 (which are the only product lines that identify sectors and thematic codes). Since a systematic change in nonlending project classification was introduced in 2019, we considered all nonlending activities regardless of product lines for projects that were approved between FY19 and mid-FY22.
- » For International Finance Corporation (IFC) investment services projects, we extracted project-level data from IFC’s management information system, identifying all operations within the stated time scope, excluding rights issues, B loans, and risk management projects. Consistent with our prior report

on financial inclusion, we included projects containing one of the key sector codes or targeted keywords described in table A.1 and excluded projects that were coded as “Small Enterprises (SE)” and “Medium Enterprises (ME)” under IFC’s “[small and medium enterprise] SME Type” flag or that were identified as targeting SMEs in the Bank Group Support to SMEs Synthesis Report database. In addition, we systematically reviewed project description, impact, and role to verify a project’s intent to promote financial inclusion.

- » For IFC advisory services, using IFC’s Advisory Services Operations Portal, we developed a list of financial inclusion projects by isolating those that contained at least one of the relevant products or targeted keywords (see table A.1) using Advisory Services Operations Portal memo listing fields. We excluded projects that were identified as targeting SMEs in the Bank Group Support to SMEs Synthesis Report database. Similar to investment services projects, we systematically reviewed the project objective statement, strategic relevance, and project description for public disclosure to identify the project’s intention to promote financial inclusion.

For the Multilateral Investment Guarantee Agency activities, we obtained a database of contracts from Multilateral Investment Guarantee Agency’s operations portal that fall within the evaluation scope. Because one project can have multiple contracts, we manually reviewed the publicly available project brief to determine if a project was relevant to the evaluation.

**Table A.1.** World Bank Group System Codes and Keyword Search Strategy to Identify Portfolio

World Bank Lending and Nonlending	IFC Investment Services	IFC Advisory Services
<p>Sector codes: FA—Banking Institutions; FL—Other Nonbank Financial Institutions; YS—Services</p> <p>Theme codes: Financial Inclusion (324); Financial Sector Oversight and Policy/ Banking Regulation and Restructuring (311); Other Financial and PSD (Expired—44)a</p>	<p>Sector codes: O-AA Commercial Banking—General; O-AB Commercial Banking—Housing Finance; O-AC Commercial Banking—Microfinance; O-AD Commercial Banking—Trade; O-AE Commercial Banking—Risk Mgmt Facility; O-AF Commercial Banking—Rural Finance; O-AK Commercial Banking—Trade and Supply Chain; O-AL Commercial Banking—Institution Building; O-AM Commercial Banking—Digital Finance; O-CA Finance Companies; O-CB Finance Companies—Consumer Finance; O-CC Finance Companies—Digital Finance; O-FA Other Non-Banking Financial Institution; O-HA Microfinance and Small Business—Non-Commercial Banking; O-HB Microfinance and Small Business Non-Commercial; O-IH Other (Banking); O-JA Life Insurance; O-JB General Insurance (Non-Life); O-JC Composite Insurance (Life and Non-Life); O-JD Reinsurance; O-JF Composite Insurance (Life and Non-life)—Digital; O-LA Rental Services; O-LB Rental and Leasing Services; O-MA Money Transfer, Remittances; O-MB E-Wallets, Virtual Banks; O-MC Retail Payment Points; O-ME Online Payments, Ecommerce Payments; O-MF Virtual Lending, P2P, Crowdfunding; O-MG Mobile Channel Service Providers; P-GH Microfinance Fund</p>	<p>Products: A2F-Other; Agribusiness Finance; Business Regulation; Collateral Registries/ Secured Transactions; Credit Bureaus; Discontinued Product—Other Payment Systems and Remittances; Farmer and SME Training; GEM Access to Finance; Housing Finance; Insurance; Leasing; Microfinance; Retail Payments and Mobile Banking; SBA-Other; SME Banking; Sustainable and Inclusive Investing; Trade Finance</p>
<p>World Bank ASA</p> <p>Sector codes: FA—Banking Institutions; FL—Other Nonbank Financial Institutions; YS—Services</p> <p>Theme codes: Financial Inclusion (324); Financial Sector Oversight and Policy/ Banking Regulation and Restructuring (311); Investment and Business Climate (211); MSME Finance (323)</p>		

(continued)

## World Bank Lending and Nonlending

## IFC Investment Services

## IFC Advisory Services

For projects that did not contain at least one of the relevant system codes, we performed a targeted keyword search in text-based data sets and manually reviewed the projects to verify financial inclusion relevancy.

Keyword searches in project title, project abstracts, operations portal, prior actions	Keyword searches in project description, project impact, and role	Keyword searches in ASOP memo listing fields, such as PDO, project description, and strategic relevance
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Source: Independent Evaluation Group review.

Note: ASA = advisory services and analytics; ASOP = Advisory Services Operations Portal; GEM = Gender Entrepreneurship Markets; IFC = International Finance Corporation; Mgmt = management; MSME = micro, small, and medium enterprise; P2P = person to person; PDO = project development objective; PSD = private sector development; SME = small and medium enterprise.

a. The Other Financial and PSD (Expired—44) theme code was remapped in fiscal year 2002 and was used only to identify projects approved up until fiscal year 2010.

**Table A.2. Financial Inclusion Taxonomy**

Access to finance	E-wallet	Mobile
Access to credit	E-banking	Mobile financial service
Access to borrowing	Financial inclusion	Mobile money
Agent banking	Fintech	Remittance
Credit bureau	Interoperability	Saving
Collateral registry/registries	Gender financial gap	Unbanked
Deposit	Gender financial service	
Digital payment	Microcredit	
Digital financial services	Microfinance	
Digital transaction	Microinsurance	

Source: Independent Evaluation Group.

Note: Fintech = financial technology.

## Portfolio Review Framework

We reviewed a portfolio of projects that were identified as relevant to financial inclusion across all three institutions on three aspects that parallel the overarching evaluation questions:

- » Relevance and characteristics of overall portfolio
- » Effectiveness of operations that supported financial inclusion

- » Drivers and explanatory factors behind the varying levels of the effectiveness of an operation and lessons that we can draw from individual projects

We manually reviewed all activities that were closed and whose completion reports were validated by the Independent Evaluation Group ( $n = 298$ ) on three aspects. Because evidence on effectiveness and its drivers was unavailable for active and closed but nonvalidated activities, we reviewed a sample of projects in this group ( $n = 308$ ) for relevance. Projects chosen for the review were randomly sampled at a 95 percent confidence level and 5 percent margin of error and based on four strata: institution, activity type, Region, and country income level.

A typology of the intervention dimensions was developed to capture the breadth of interventions undertaken by the Bank Group to promote financial inclusion in client countries. This review framework was used to understand the characteristics of the interventions and their effectiveness in reaching the outcomes.

On relevance and characteristics, activities within an individual project that have the intention to promote financial inclusion were categorized by their objectives (such as increasing access to finance and promoting consumer protection), by the financial services supported (such as credit, payments, savings, or insurance), by whether they are upstream (for example, financial inclusion regulations) or downstream (for example, technical assistance to a financial intermediary) activities, and by their targeted beneficiaries disaggregated by gender, Region, and urban in relation to rural population.

On effectiveness, we classified outcome and output indicators of projects under review along various dimensions, including gender and urban in relation to rural population. We also analyzed and recorded the achievement level of each outcome and output indicators to inform the overall achievement level of the portfolio.

On drivers and explanatory factors of project performance, we analyzed project efficiency, quality at entry or at the project design stage, the quality of project supervision and administration, and the quality of monitoring and evaluation. We also extracted the drivers of project performance by classifying each driver as an internal or external factor.

## Econometric Analysis

By estimating a fractional logit regression, we assessed which internal and external factors were significantly associated with the average success rate of projects tracking financial inclusion indicators when controlling for other potential predictors at the project and country levels. Most of the data used in this analysis came from the portfolio review and analysis and were complemented with variables from external databases, such as the Worldwide Governance Indicators and World Development Indicators. Detailed methodology is provided in appendix C.

## Country Case Studies

### Highlights

- » **The universe.** The Universal Financial Access 2020 listed the 25 countries where over 70 percent of the financially excluded people in the world live. Due to their high relevance, these 25 countries were considered the universe of countries considered for country case study selection.
- » **The sample.** The selection criteria focused on providing (i) representative Universal Financial Access 2020 country profiles, (ii) diversity of performance in relevant indicators and in their progress over the evaluation period, and (iii) large enough portfolios for evaluative evidence availability.
- » **Four desk and six field studies.** All 10 studies included desk work (documentation and available indicators) and virtual interviews with World Bank Group staff. Six cases also included activities in the field, with in-person missions to the country.
- » **The countries.** In the end, the 10 selected countries were Bangladesh, Colombia, the Arab Republic of Egypt, Mozambique, Nigeria, and the Philippines (as countries with field studies) and Brazil, Indonesia, Pakistan, and Tanzania (as countries with only desk studies).
- » **The method.** The country case studies process followed standard data collection methods (Global Findex data comparative analysis, document review, structured interviews), protocol (country case studies predeveloped

template), and approach (through training of authors and the background support team).

The case selection for the country case studies followed the Approach Paper guidelines. As stated in the evaluation Approach Paper, the country case studies selection would “be purposeful to reflect a diversity of country conditions, including Region, income level, stage of financial sector development, and progress over the evaluation period.” The country selection criteria would also include the following: “(i) presence of Bank Group support activities . . . , (ii) presence of evaluation evidence . . . , and (iii) a range of World Bank, IFC, and [Multilateral Investment Guarantee Agency] involvement” (World Bank 2021, 14). A group of 10 countries was selected using a purposive sampling considering the Approach Paper criteria and the representativeness of relevant indicators levels and their progress. The selected countries were Bangladesh, Colombia, the Arab Republic of Egypt, Mozambique, Nigeria, and the Philippines as field studies and Brazil, Indonesia, Pakistan, and Tanzania as desk studies.

We initially listed the 25 UFA2020 countries and studied their profiles. The UFA2020 listed the 25 countries where over 70 percent of the financially excluded people in the world live. Due to their high relevance, the 25 countries constituted the population from which case study countries were purposively selected. Then, we examined descriptive statistics from the 25 UFA2020 countries to define criteria for the sampling. Fifty-two percent of the 25 countries were International Bank for Reconstruction and Development countries. Regionally, 30 percent were in Sub-Saharan Africa, 20 percent were in East Asia and Pacific, 16 percent were in Latin America and the Caribbean, and 12 percent were in South Asia. Most of them were lower-middle-income countries (56 percent), and only a few countries were in fragile and conflict-affected situations (20 percent).

Based on the descriptive statistics of the 25 countries, we then identified the Bank Group project portfolio to ensure that the countries selected were the ones where there was significant engagement and evaluability. We also performed a keyword search of each country’s portfolio for financial inclusion-related topics and thematic flags for gender and digital. For example, South Africa and Zambia were excluded because no evaluated operations



were identified there. Finally, we considered the practicality of potential fieldwork. Myanmar<sup>3</sup> and Ethiopia were excluded because of ongoing conflict, and when torrential monsoon rains generated the most severe flooding in Pakistan's recent history (World Bank 2022), it was also excluded for field study. In addition to the countries' profile characteristics, their current status and recent progress in Global Findex access and use indicators were also considered.

Ten countries were then selected to be case studies balancing representation of relevant aspects and indicators' level and progress over the evaluation period. Six of the countries were selected for fieldwork and four to be exclusively desk-based case studies. Sample composition was balanced among International Bank for Reconstruction and Development, International Development Association, and blend countries; between regions; and to reflect both those countries that are in fragile and conflict-affected situations and those that are not (table A.3). Like the portfolio, the sample was skewed toward lower-middle-income countries. Both the World Bank and IFC had some level of activity in all selected countries, including at least three evaluated operations. The group also reflected a balance among different levels of progress on financial inclusion according to Global Findex indicators (table A.4).

Table A.3. Universal Financial Access 2020 Countries

Country profile							Projects in the first cut of the portfolio						
Country	CCS	Fieldwork possible?	Region	IBRD/IDA borrower - current	FCS - current	Income level - current	Financial depth 1/	Digital 2/	Gender 3/	Total WB approvals	Total IFC approvals	Total evaluated (WB + IFC)	
Colombia	Field	1	LAC	IBRD	NFCS	UM	54.07	-	2	33	9	4	
Philippines	Field	1	EAP	IBRD	NFCS	LM	52.07	2	5	16	9	5	
Egypt, Arab Rep.	Field	1	MENA	IBRD	NFCS	LM	27.10	2	2	9	15	8	
Pakistan	Field	1	SA	Blend	NFCS	LM	17.20	1	3	23	10	9	
Mozambique	Field	1	SSA	IDA	FCS	L	24.80	2	1	10	4	3	
Nigeria	Field	1	SSA	Blend	FCS *	LM	12.13	2	5	15	23	10	
Bangladesh	Desk	1	SA	IDA	NFCS	LM *	45.32	3	2	20	13	3	
Brazil	Desk	1	LAC	IBRD	NFCS	UM	70.19	3	3	13	14	9	
Indonesia	Desk	1	EAP	IBRD	NFCS	LM	38.70	-	4	29	13	8	
Tanzania	Desk	1	SSA	IDA	NFCS	LM *	13.16	3	1	11	6	4	
Peru	0	1	LAC	IBRD	NFCS	UM	55.15	1	-	17	8	2	
Myanmar	0	0	EAP	IDA	FCS	LM *	27.41	-	6	4	14	2	
India	0	1	SA	IBRD	NFCS	LM	54.80	5	13	34	47	33	
Congo, Dem. Rep.	0	1	SSA	IDA	FCS	L	7.45	1	-	4	3	2	
Turkiye	0	1	ECA	IBRD	NFCS	UM	75.07	-	1	24	6	10	
Rwanda	0	1	SSA	IDA	NFCS	L	24.67	1	1	19	7	6	
Cote d'Ivoire	0	1	SSA	IDA	NFCS *	LM	21.14	2	4	5	15	3	
Morocco	0	1	MENA	IBRD	NFCS	LM	96.28	1	1	19	12	9	
South Africa	0	1	SSA	IBRD	NFCS	UM	107.88	2	-	8	4	-	
Ethiopia	0	0	SSA	IDA	FCS *	L	#N/A	-	9	17	7	3	
Zambia	0	1	SSA	IDA	NFCS	LM	15.19	2	2	9	4	-	
China	0	1	EAP	IBRD	NFCS	UM	182.43	4	2	9	23	10	
Mexico	0	1	LAC	IBRD	NFCS	UM	38.74	1	2	34	11	4	
Vietnam	0	1	EAP	IBRD	NFCS	LM	147.67	1	5	20	12	8	
Kenya	0	1	SSA	Blend	NFCS	LM *	32.04	3	7	18	21	8	

Source: Independent Evaluation Group.

Note: CCS = country case study; EAP = East Asia and Pacific; ECA = Europe and Central Asia; FCS = fragile and conflict-affected situation; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IFC = International Finance Corporation; L = low-income country; LAC = Latin America and the Caribbean; LM = lower-middle-income country; MENA = Middle East and North Africa; N/A = not available; NFCS = nonfragile and conflict-affected situation; SA = South Asia; SSA = Sub-Saharan Africa; UM = upper-middle-income country.

\* Classification has changed during the evaluation period. Domestic credit to private sector, percent GDP 2020. Digital tag—number of projects with digital tags in the portfolio or digital sector related. Gender tag—number of projects with gender tags in the portfolio.

**Table A.4.** Global Findex Achievement Variability in the Group of Selected Countries

Index indicator/ Trend		Access - More people with an account			Use - Less inactive accounts				Gender - More Gender equality				Digital - More people making or receiving a digital payment			
Country	CCS	High improvement (>=21.6)	Medium improvement (>=9.6, <21.6)	Low improvement & Decrease (<9.6)	Strong improvement (<=-5)	Medium improvement (>-5)	Weak improvement (<0, >-3)	More inactivity (>0)	Strong improvement (<-2.2)	Medium improvement (<0, >-2.2)	Low improvement (>=0, <4.4)	Less Gender equality (>=4.4)	High increase (>=24.35)	Medium increase (<24.35)	Low increase (<12.1)	Decreased (<0)
Colombia	Field		X				X	X								
Egypt	Field		X						X							
Mozambique	Field			X	#N/A	#N/A	#N/A	#N/A			X				X	
Nigeria	Field			X				X			X					X
Pakistan	Field			X				X		X					X	
Philippines	Field		X				X					X			X	
Bangladesh	Desk	X			X							X	X			
Brazil	Desk		X					X		X				X		
Indonesia	Desk		X					X						X		
Tanzania	Desk		X			X								X		

Source: Independent Evaluation Group.

Note: Threshold levels for intensity categories (for example, "high," "low," "more inactive accounts," "more gender equality," and so on) were based on median levels of all developing countries. Mozambique did not include 2021 Global Findex data on account activity. Vietnam, Mexico, Ethiopia, and Rwanda did not include 2021 Global Findex data. CCS = country case study; N/A = not available.

The country case studies were based on four main sources of evidence: desk review, standardized analysis of Global Findex data, portfolio analysis, and interviews.

The desk review summarized the countries' main development challenges related to financial inclusion, government priorities to address them as expressed in their national financial inclusion strategies, Bank Group support to the national financial inclusion strategies' formulation and implementation, and information on the country portfolio based on project-level approval and evaluation documentation (table A.5).

**Table A.5.** Country- and Project-Level Documentation

Documentation	Country Level	
	General	Financial Inclusion Specific
Documents	Country strategies, World Bank Group strategies, and CGAP involvement	National financial inclusion strategy, UFA, CGAP engagements, and UFA2020
Indicators	Poverty rates (poverty head-count ratio) and financial depth (domestic credit to private sector and percent GDP)	Global Findex, UFA2020, Global Financial Inclusion and Consumer Protection Survey, and World Bank Global Payment Systems Survey COVID-19 specific: CCAF Global COVID-19 FinTech Market Rapid Assessment Study and Global Partnership for Financial Inclusion and COVID-19 (I and II)
Project Level		
Documents and indicators	Approval documents, ICRRs, XPSRs, PCRs, Project Evaluation Reports, and Evaluation Notes	Project-level indicators

Source: Independent Evaluation Group.

Note: Additional documentary sources, such as academic journals and news, were also consulted. CCAF = Cambridge Centre for Alternative Finance; CGAP = Consultative Group to Assist the Poor; ICRR = Implementation Completion and Results Report Review; PCR = Project Completion Report; UFA = universal financial access; UFA2020 = Universal Financial Access 2020; XPSR = Expanded Project Supervision Report.

The Global Findex analysis was summarized in standard graphs of the countries' progress in financial inclusion according to the 2011, 2014, 2017, and 2021 editions of the indicators. This covered account ownership, inactivity, payments and use of cash, savings, borrowing, and use of emergency money.

It also covered data on digital (and mobile) financial services and (where available) services to rural, female, and the poorest 40 percent populations.

The portfolio inputs were developed by the portfolio review and analysis team (see appendix B).<sup>4</sup> The coded material covered the totality of country case study portfolios and included information on operations' interventions to support both relevance and effectiveness analysis,<sup>5, 6</sup> including related success or failure explanatory factors.

The interviews were mostly concentrated during missions and were virtual in the case of “desk” studies and in person in the case of the “field” ones. They were undertaken with directly engaged stakeholders, such as World Bank and IFC staff and clients, but also indirectly engaged ones, such as government officials and other development finance institutions. Authors used a standard template related to the evaluation questions.

Case study authors prepared case studies based on standard templates of questions. Then all those who worked on case studies participated in a workshop to exchange insights and generate hypotheses. Subsequently, authors marshaled evidence from the case studies they led on those hypotheses. Evaluative evidence was then compiled and organized regarding the confirmation or rejection of hypotheses.

## Deep Dives on Digital Financial Services and Gender

We conducted two deep dives to enhance the understanding on DFS and gender through the lens of financial inclusion. Both studies drew from their authors' review of relevant literature and relevant parts of the structured literature review, portfolio review and analysis, country case studies, select interviews, and supplemental research as required. Each deep dive considered its issue through the lens of the overall evaluation framework as established in the Approach Paper.

## Global Findex 2021 Data Analysis

We carried out a review of Global Findex 2021 data and a comparative analysis across the four editions of Global Findex data to understand trends over time. The Global Findex database is a mainstay of global efforts to promote

financial inclusion. It provides data on the ways in which adults around the world use financial services, ranging from payments to savings and borrowings, and manage financial events, such as major expenses or a loss of income, providing a snapshot in time for years 2011, 2014, 2017, and 2021.

Data on financial inclusion were examined at the global and, in the case of the 10 case studies, country level. The scope of this analysis includes financial access (account ownership), financial usage (payments, savings and borrowing, mobile money usage, and so on), and financial resilience (emergency money access and sources).

Data were incorporated into analysis of the relevance and effectiveness of Bank Group support. For the relevance benchmarking, the data and financial exclusion reasons are presented by Region, country income group, fragile and conflict-affected situation status, and UFA2020 status. The gender gap and the gap between poor (bottom 40 percent) and nonpoor (top 60 percent) are calculated for account ownerships. For effectiveness analysis, account ownership and its composition are plotted from 2014 to 2021 for each country case, UFA2020, and non-UFA2020 countries.

## Semistructured Interviews

Semistructured interviews with subject matter experts, the Bank Group staff Global Practices that conduct activities related to financial inclusion, and external stakeholders (such as governments, donors, nongovernmental agencies, academics, and private sector entities) were conducted throughout the evaluation period. The interviews conducted during field visits used an interview protocol developed for the case studies with an emphasis on questions that focused on the World Bank's support and contribution to national financial inclusion strategies, DFS, and effects on underserved beneficiaries, including women.

The selection of key informants interviewed during the mission was prepared carefully. The objective was to balance the number of interviews with the different stakeholders that are relevant to financial inclusion: (i) governments (at the central level), (ii) citizens and civil society organizations, and (iii) nonstate actors with bargaining power (for example, donors and firms). To identify the relevant key informants, we consulted the country office but

also relied on external sources, specifically researchers or local consultants who had worked on each country, and members of civil society who are active on financial inclusion. These were identified using case leads' own networks. This selection process was necessary to identify key informants who would provide an independent yet informed perspective on the World Bank's work in the country.

We adopted a detailed case protocol to ensure data collection and analytical consistency across cases. Case authors were all experienced researchers with financial inclusion, financial sector in general, and in-depth country knowledge.

## Structured Literature Review

We carried out a structured literature review to examine existing evidence on the outcomes and impacts of financial inclusion. The search methodology involved a general search for relevant studies in several databases. The databases were chosen based on the criteria for “robust evidence” of the impact of financial inclusion on well-being and livelihood outcomes. Therefore, the search was restricted to databases of peer-reviewed journal articles. This was a strategic choice to reduce the time required to assess the methodological rigor of the evidence. The databases searched include the following:

- » American Economic Association (aeaweb.org)
- » Google Scholar
- » Web of Science
- » ScienceDirect

Given that the Campbell systematic review (Duvendack and Mader 2019) includes reviews of evidence up until 2018, which, in turn, include evidence up until 2017, all papers published before 2018 were excluded from the search.

The key search terms used in different combinations in the databases mentioned in this appendix (in no particular order) are the following:

- » “low income” OR “middle income” OR “developing” OR “Global South” OR “Sub-Saharan Africa” OR “Southeast Asia” OR “Asia” OR “India” OR “South America” OR “Latin America” OR “poor” OR “emerging market”

- » “microfinance” OR “microloans” OR “microlending”
- » “financial inclusion” OR “financial literacy” OR “financial education” OR “financial training”
- » “savings” OR “bank” OR “bank account” OR “digital saving” OR “crop storage”
- » “mobile money” OR “mobile wallet” OR “digital money” OR “digital wallet”
- » “insurance” OR “weather insurance” OR “agricultural insurance” OR “resilience”

Studies on the impact of financial inclusion on well-being have recently come to be dominated by randomized controlled trials. So much so that one recent review of evidence, Steinert et al. (2018), focused only on randomized controlled trials. The search strategy also included the publication databases of Innovations for Poverty Action and the Abdul Latif Jameel Poverty Action Lab, which were identified as the leading organizations for randomized controlled trials. The Innovations for Poverty Action publications database was searched for studies on financial inclusion. The search filtered for “Published Paper” as the type of publication and “Financial Inclusion” as the program area of interest, and “Access to Finance,” “Digital Finance,” “Insurance,” “Microcredit,” “Rural Finance,” and “Savings” were the specified topics for the search. The search results produced 51 published papers, only 1 of which fit the search criteria. The Abdul Latif Jameel Poverty Action Lab’s evaluations database was similarly searched for relevant papers. The database was searched for “Completed” studies on “Credit” (51 studies), “Financial literacy” (26 studies), “Insurance” (24 studies), and “Savings” (50 studies). The results of the search were filtered for studies that introduced participants to a new financial product—microfinance, microinsurance, microlending, savings products, bank account, or digital mobile money account. Of the 151 studies identified, only 3 fit the search criteria. To ensure methodological rigor, in both databases, studies were filtered further to identify only studies that were published in peer-reviewed journals, and working papers, reports, and policy briefs were excluded. Studies published before 2018 were also excluded.

Some studies have looked at the impact of financial inclusion on poverty and income at the aggregate level, using variables such as poverty ratio and per capita GDP (see, for example, Ratnawati 2020 and Jungo, Madaleno, and Botelho 2022). These studies were excluded from the search because



aggregate level studies do not accurately depict impact at the household level. For example, it is almost impossible to prove that it is precisely financial inclusion that led to poverty reduction given the large number of confounding factors. Other studies, such as a study by Chakraborty and Abraham (2021) who survey 264 households in Bangladesh to investigate the impact of financial inclusion on economic and social empowerment, were excluded because of a lack of methodological rigor.

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<sup>1</sup> Projects evaluated during the period but approved from fiscal years 2010–13 were included to improve the evaluation sample size for analyzing effectiveness and were used only for the analysis of achievements and factors.

<sup>2</sup> Multilateral Investment Guarantee Agency projects evaluated during the period but with effective date from fiscal years 2010–13 were included to improve the evaluation sample size for analyzing effectiveness and were used only for the analysis of achievements and factors.

<sup>3</sup> All World Bank Group activities relating to Myanmar have been on hold since February 1, 2021.

<sup>4</sup> The portfolio review and analysis products were a compilation of project-level evidence from the World Bank, the International Finance Corporation, and, when available, the Independent Evaluation Group.

<sup>5</sup> Coding for relevance included information on interventions' beneficiaries, geographic focus (urban versus rural), constraints the operation planned to address, gender focus, and analytical work referenced.

<sup>6</sup> Coding for effectiveness included information on interventions' objectives, whether they were upstream or downstream, their established indicators and performance levels, specific inputs to gender, rural, and sustainability of the interventions.

# Appendix B. Portfolio Review and Analysis

The following sections describe the key findings from the portfolio review and analysis. Table B.1 and figures B.1 through B.30 underpin findings reported in the text. Other analysis and figures generated were omitted for brevity. The econometric analysis of the data generated by the portfolio review and analysis is treated in a separate appendix.

## Relevance of World Bank Group Support for Financial Inclusion (from 2014 to mid-2022)

**Table B.1.** Summary of World Bank Group Financial Inclusion Portfolio

Institution	Projects		Estimated Volume <sup>a, b, c</sup>	
	(no.)	(%)	(US\$, millions)	(%)
IFC	549	37	5,477	30
IFC AS	360	24	330	2
IFC IS	189	13	5,147	28
MIGA	6	0.4	1,078	6
World Bank (without DPO)	924	63	11,647	64
World Bank ASA <sup>c</sup>	677	46	337	2
World Bank IPF	236	16	11,115	61
World Bank P4R	11	1	195	1
Total World Bank Group (without DPO)	1,479	100	18,200	100
World Bank DPO	182	100	11,591	100

*Source:* Independent Evaluation Group portfolio review and analysis.

*Note:* AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency.

a. To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

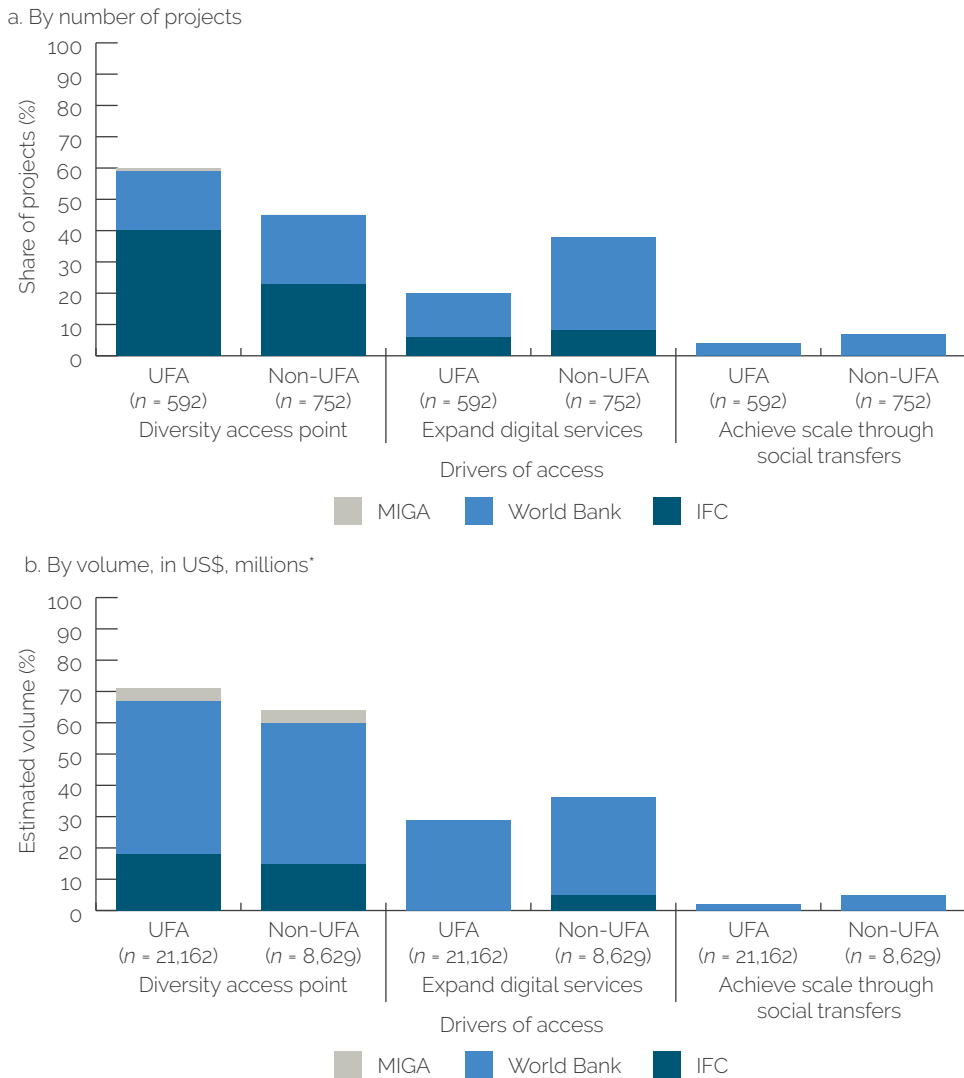
b. Volume for unevaluated projects was estimated based on the stratified random sample design, reflecting a 95 percent confidence level. The sampling framework considered institution, instrument, Region, and country income level as strata.

c. The Independent Evaluation Group used a keyword search to identify 1,205 World Bank ASA projects potentially related to financial inclusion. A random sample reflecting a 95 percent confidence level produced a 43.8 percent rate of false positives. This figure was applied in projecting from the sample to the population.

d. The evaluation period covers fiscal years from 2014 to mid-2022. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for MIGA projects).

In the 25 Universal Financial Access 2020 (UFA2020) priority countries, work on the drivers focused heavily on diversifying access points, both by project number and by volume.

**Figure B.1. Projects Supporting Three Universal Financial Access 2020 Drivers**



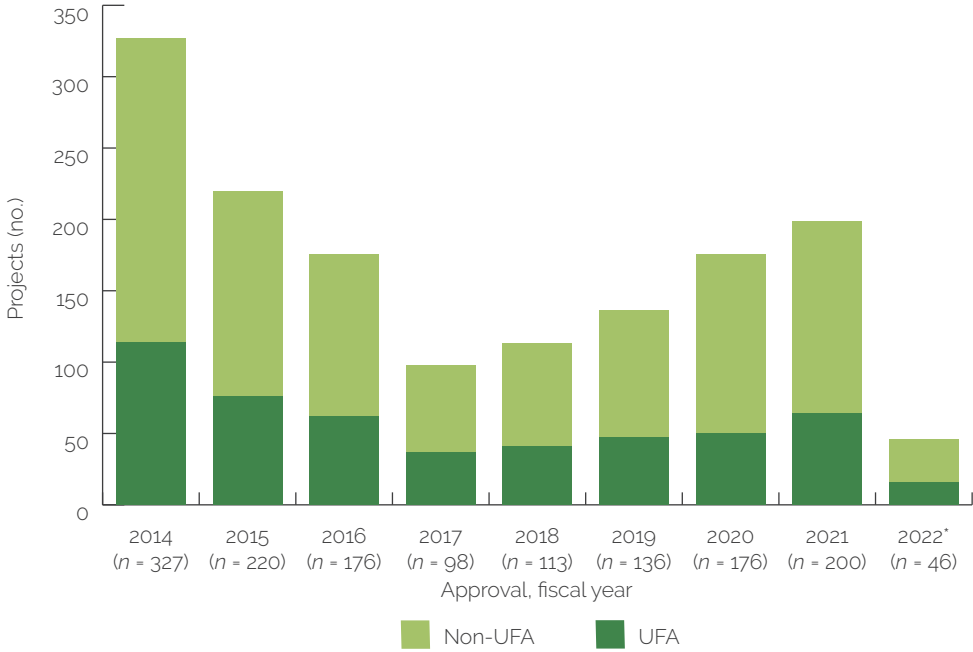
Source: Independent Evaluation Group portfolio review and analysis.

Note: The figure includes estimated financing by the World Bank, IFC, MIGA, IFC advisory, and World Bank advisory services and analytics. Figures for unevaluated projects and advisory services and analytics are projected based on stratified random samples. Dollar volume figures include commitments and expenditures. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; UFA = universal financial access.

\* To estimate the total volume related to financial inclusion in development policy operations and other multicomponent projects, the projects' committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions for development policy operations). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, the committed amount was allocated proportionally to those subcomponents addressing financial inclusion.

Throughout the evaluation period, the World Bank Group engaged substantially with non-UFA2020 countries, especially in fiscal year (FY)20 and mid-FY22.

**Figure B.2.** Financial Inclusion Projects by Fiscal Year and Country Universal Financial Access 2020 Focal Status



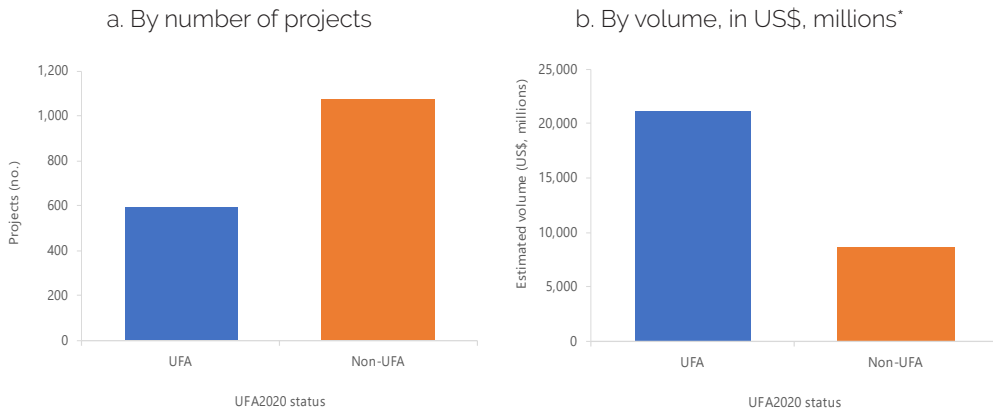
Source: Independent Evaluation Group portfolio review and analysis.

Note: UFA = universal financial access.

\* Fiscal year 2022 considers projects approved by December 31, 2021 (or for the Multilateral Investment Guarantee Agency effective by December 31, 2021).

Although most projects in the financial inclusion portfolio (64 percent) focused on non-UFA2020 countries, most of the commitment value (71 percent) was in the UFA2020 priority countries.

**Figure B.3. Projects by Universal Financial Access 2020 Status**



Source: Independent Evaluation Group portfolio review and analysis.

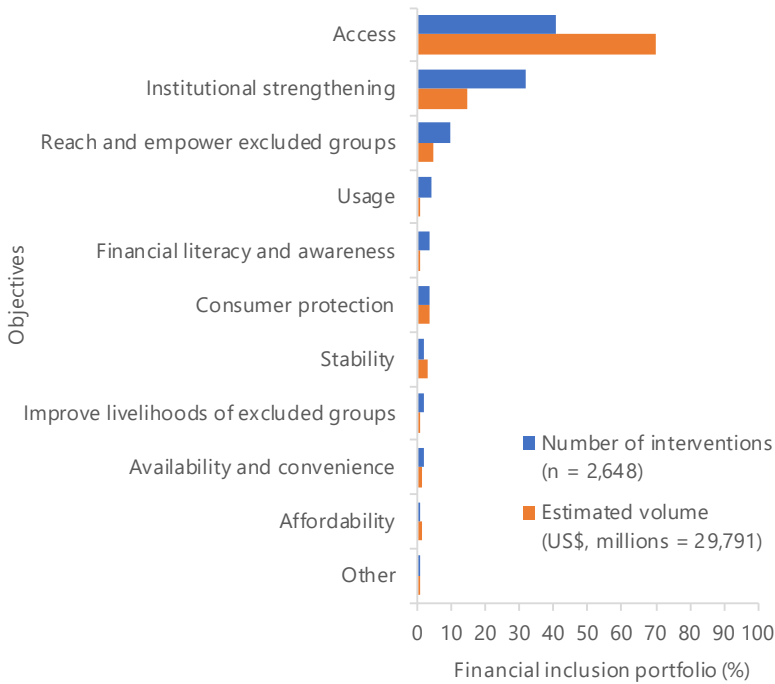
Note: The figure includes estimated financing by the World Bank, the International Finance Corporation, the Multilateral Investment Guarantee Agency, International Finance Corporation advisory, and World Bank advisory services and analytics. Figures for unevaluated projects and advisory services and analytics are projected based on stratified random samples. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. UFA = universal financial access.

\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

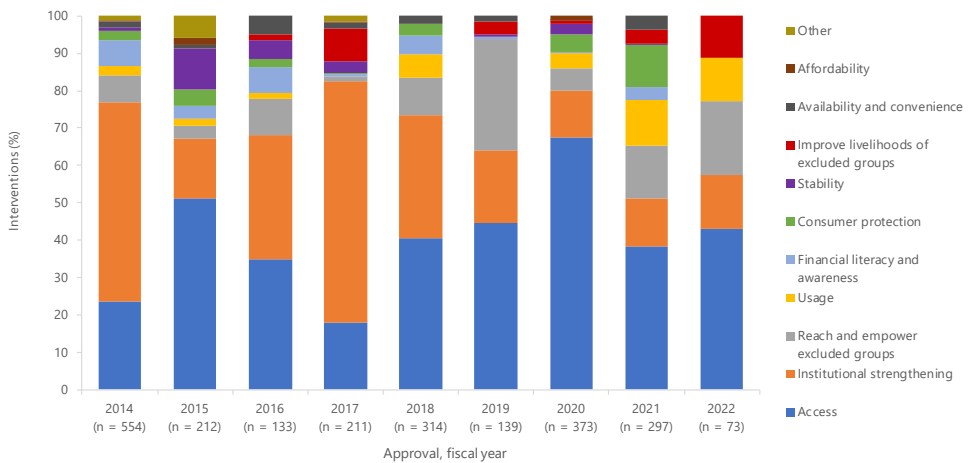
By area of focus, Bank Group support concentrated largely on access goals and institutional strengthening, as defined in UFA2020. It evolved toward usage in 2021 to mid-2022.

**Figure B.4. Financial Inclusion Portfolio by Area of Focus**

a. Total\*

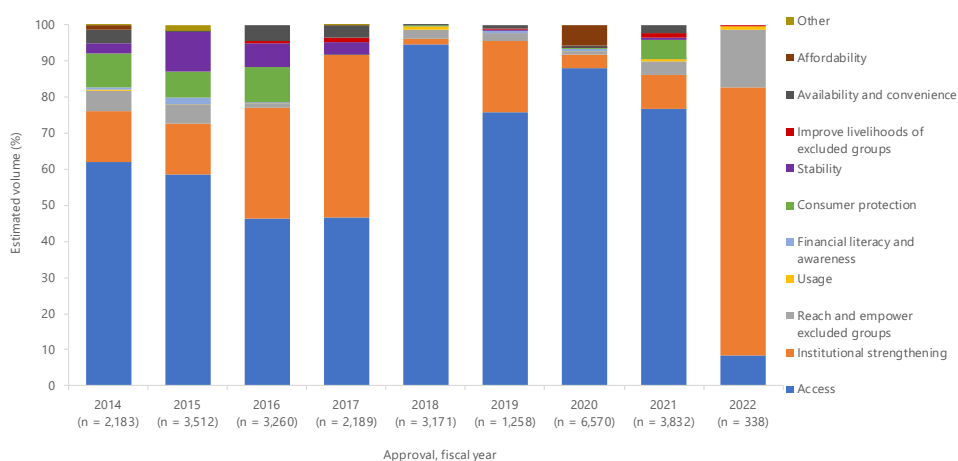


b. Number of interventions by approval year





c. Volume in US\$, millions, by approval year\*



Source: Independent Evaluation Group portfolio review and analysis.

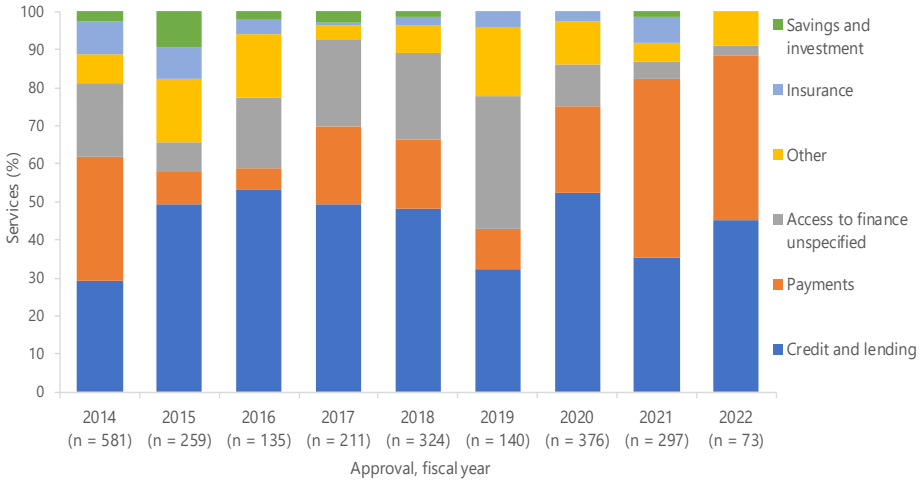
Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 covers approvals through December 2021.

\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

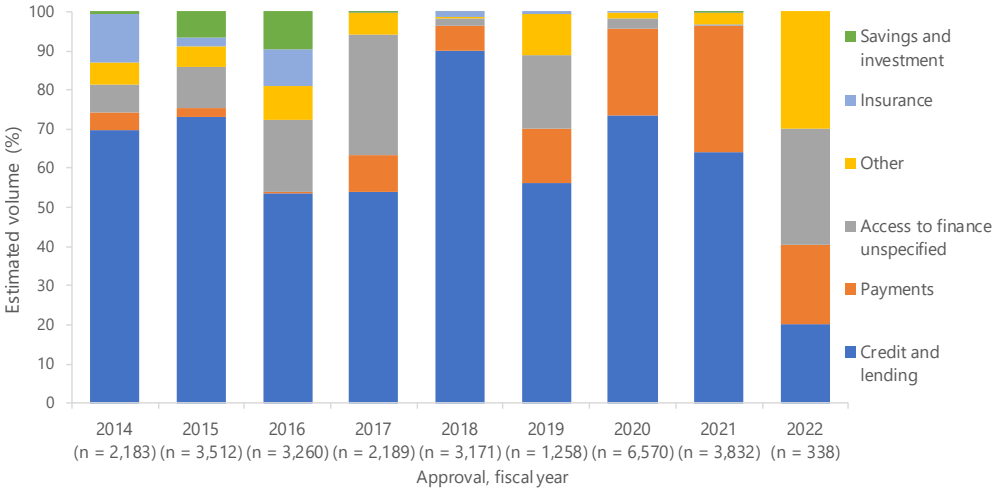
**Financial inclusion services supported by the Bank Group evolved over time. Although credit continued to constitute most of the portfolio by dollar volume, the number of services focused on payments increased strongly over the period, especially since FY19.**

**Figure B.5. Financial Inclusion Services Supported by Approval Year**

a. By number of services



b. By volume in US\$, millions\*



Source: Independent Evaluation Group portfolio review and analysis.

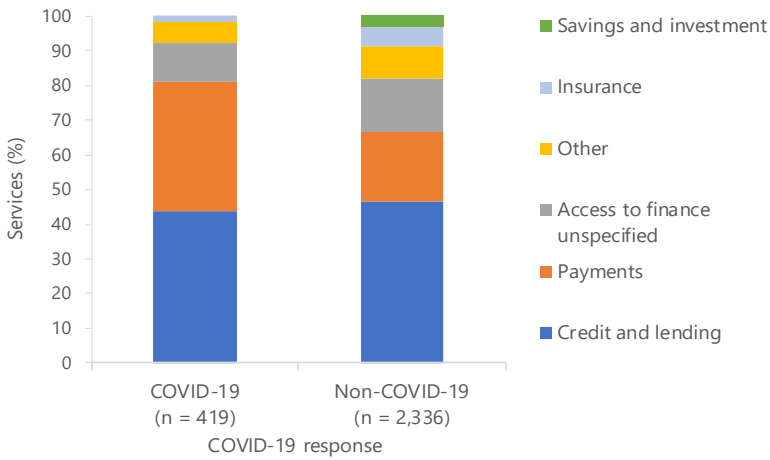
Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 covers approvals through December 2021.

\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

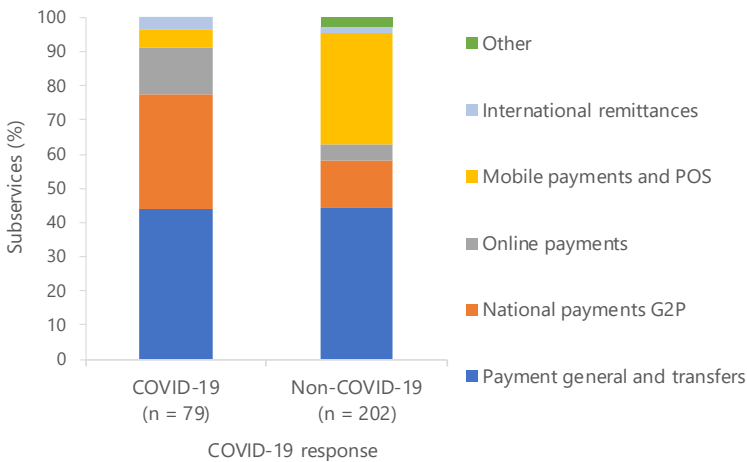
Projects explicitly identified as responding to COVID-19 were about twice as likely as non-COVID-19 projects to support payments services. Within that, emphasis on government-to-person payments sharply increased in the COVID-19 response portfolio.

**Figure B.6.** Financial Inclusion Services Supported by COVID-19 Response Projects

a. By number of services



b. By type of payment services



Source: Independent Evaluation Group portfolio review and analysis.

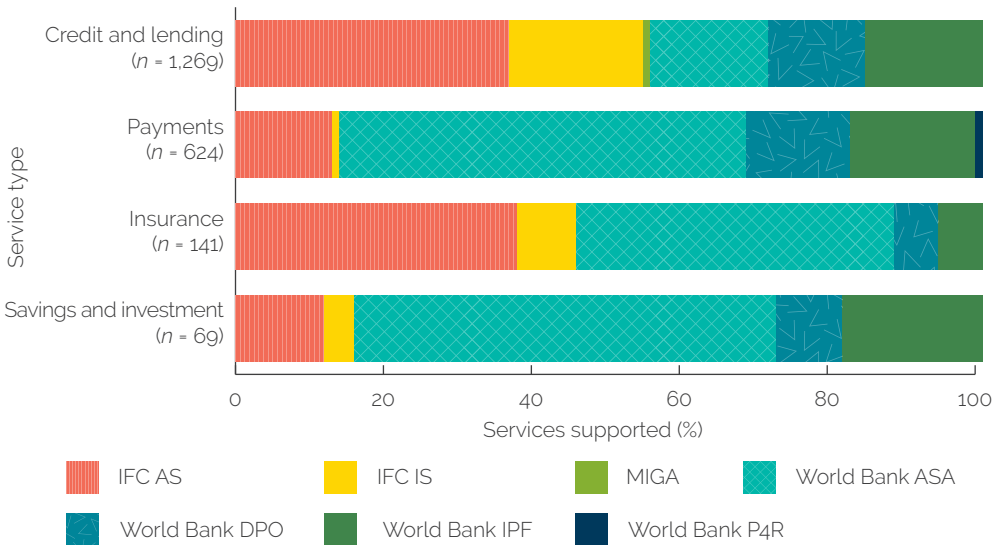
Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. G2P = government to person; POS = point of sale.

\* Excludes World Bank advisory services and analytics.

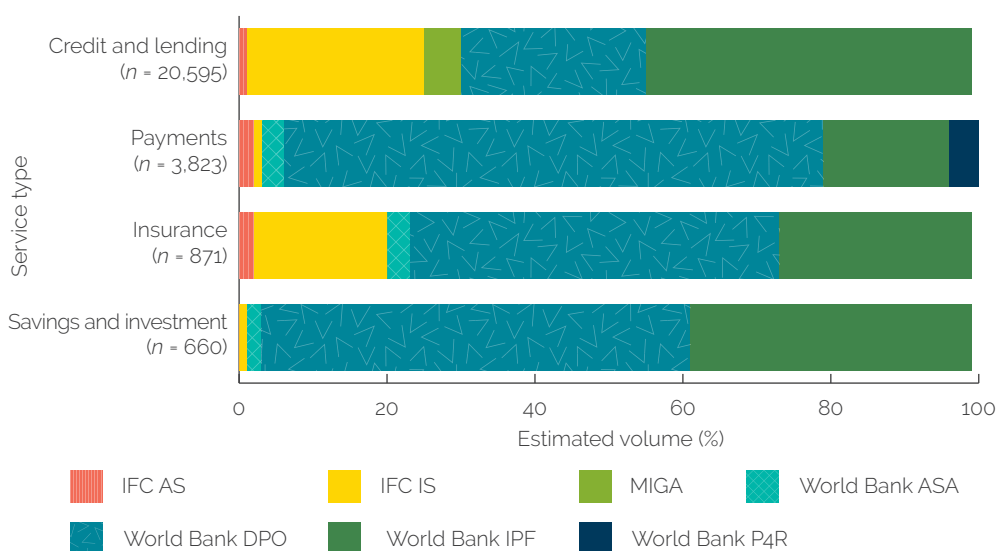
Different instruments were used for different services. World Bank development policy operations (DPOs) were used commonly to support payments, insurance, and savings, as well as credit and investment lending focused on credit.

Figure B.7. Financial Inclusion Services Supported by Instrument

a. By number of services



b. By volume in US\$, millions\*



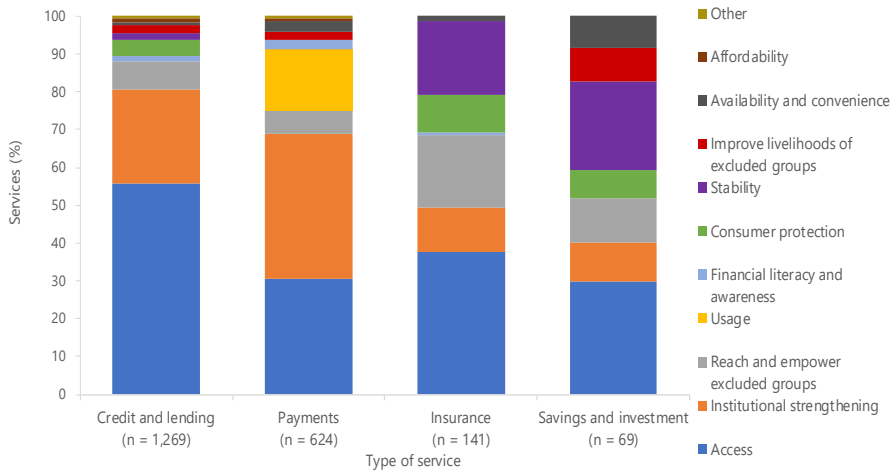
Source: Independent Evaluation Group portfolio review and analysis

*Note:* Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

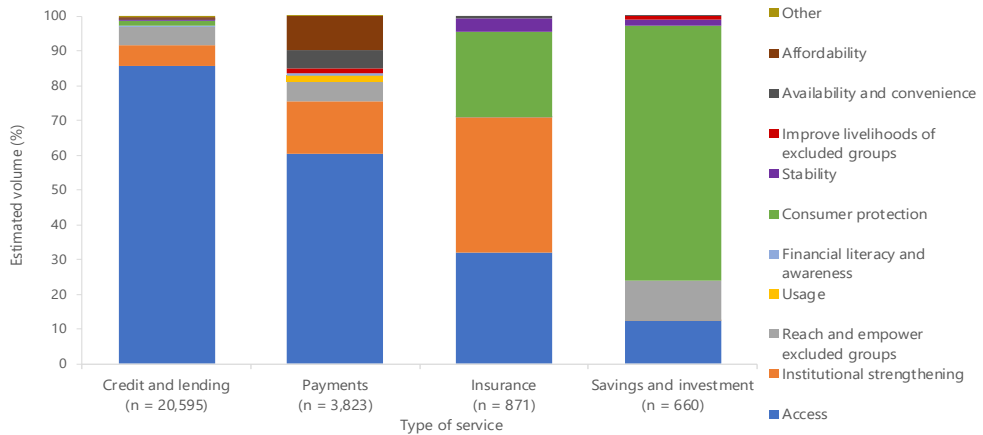
\* To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

**Figure B.8. Financial Inclusion Services Supported by Area of Focus**

a. By number of services



b. By volume in US\$, millions\*



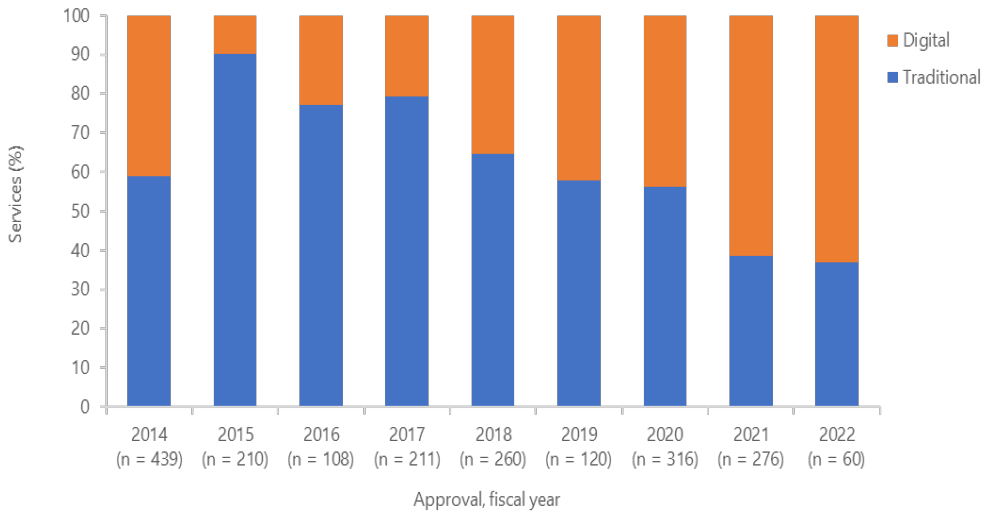
Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates.

\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

Since FY17, the share of digital financial services (DFS) in the portfolio has steadily increased. In FY21 and mid-FY22, support for DFS accounted for over 60 percent of services supported in the portfolio.

**Figure B.9.** Financial Inclusion Services Supported by Delivery Method



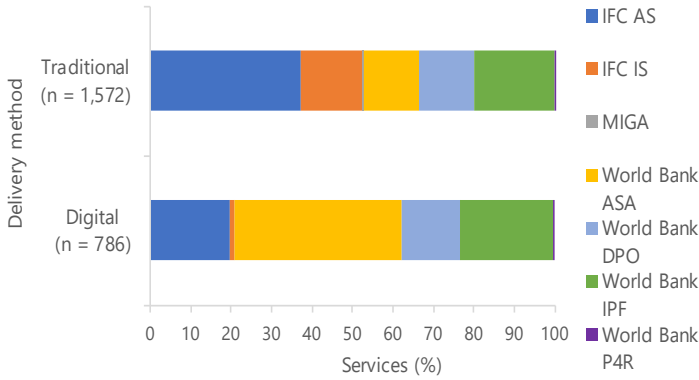
Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 considers projects approved by December 31, 2021 (or for the Multilateral Investment Guarantee Agency effective by December 31, 2021).

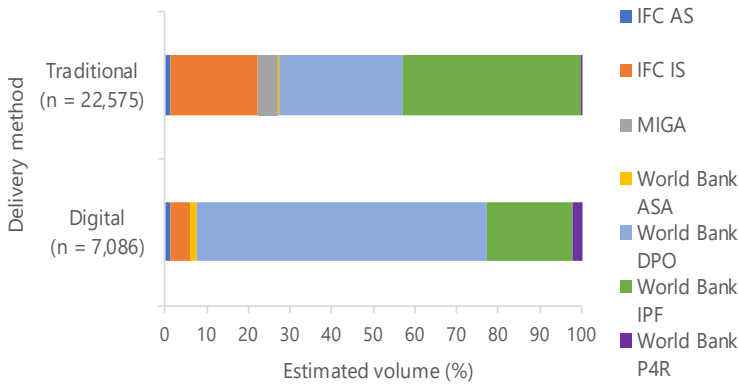
The World Bank mostly supports DFS through analytical work (advisory services and analytics [ASA]). In terms of dollar volume, DPOs are the main instrument. Specifically, 70 percent of DPOs focused on DFS compared with 29 percent on traditional means.

**Figure B.10.** Financial Inclusion Services Supported by Delivery Method and Instrument

a. By number of services



b. By volume in US\$, millions\*



Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

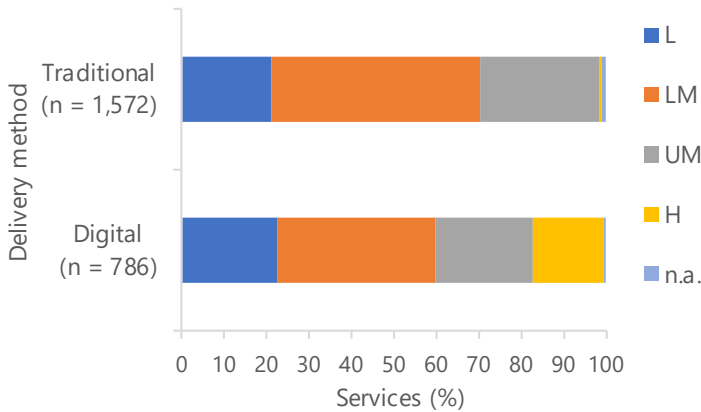
\* To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

In addition, by dollar volume, the majority of DFS support was focused on lower-middle-income countries and on supporting South Asia and Sub-Saharan Africa.

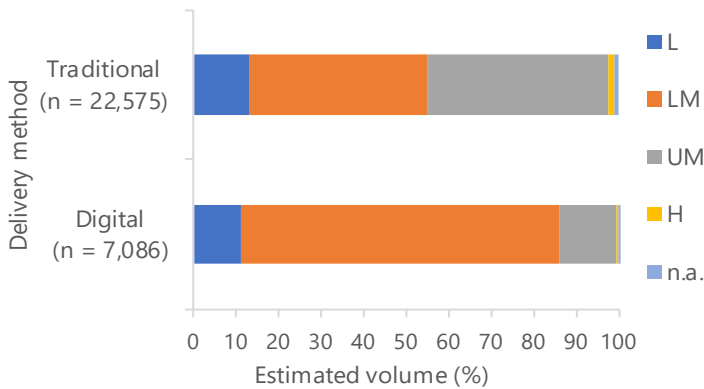


**Figure B.11.** Financial Inclusion Services Supported by Delivery Method and Income Level

a. By number of services



b. By volume in US\$, millions\*



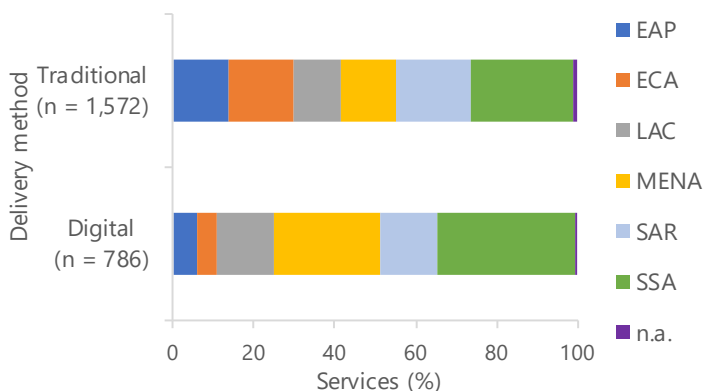
Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. H = high income; L = low income; LM = lower-middle income; n.a. = not applicable; UM = upper-middle income.

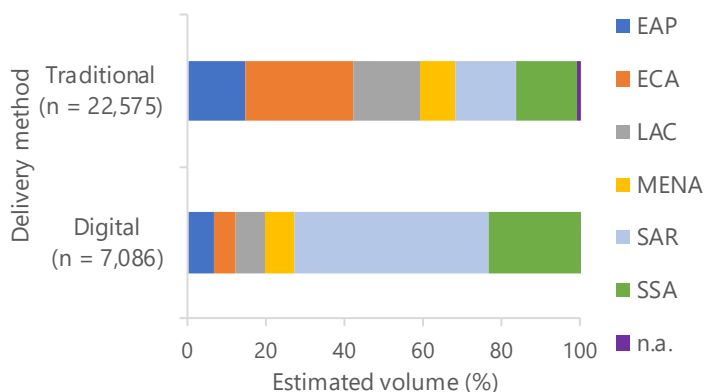
\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

**Figure B.12.** Financial Inclusion Services Supported by Delivery Method and Region

a. By number of services



b. By volume in US\$, millions\*



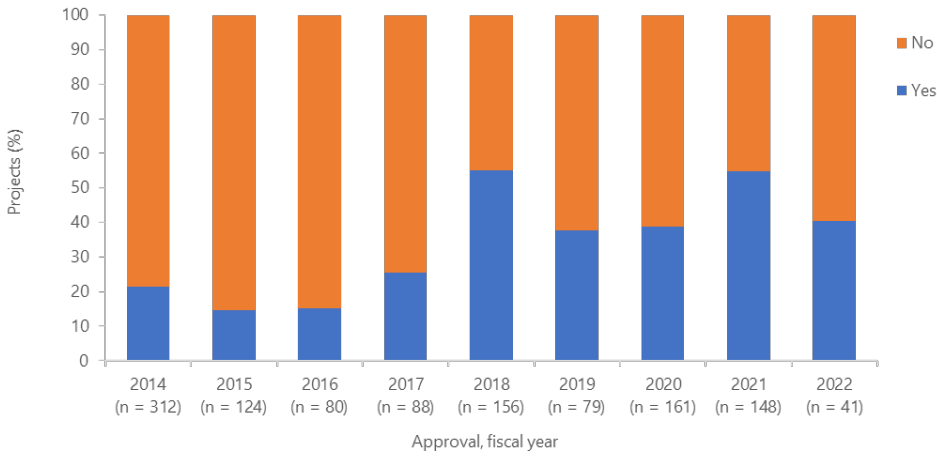
Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; n.a. = not applicable; SAR = South Asia; SSA = Sub-Saharan Africa.

\* To estimate total volume related to financial inclusion in development policy operations and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

The number of Bank Group projects with a gender component increased sharply in FY18, potentially in response to the 2016 Gender Strategy. On average, 20 percent of projects had a gender component from 2014 to 2017, increasing to 47 percent from 2018 to 2022.

**Figure B.13.** Projects Targeting Women as Beneficiaries by Approval Year



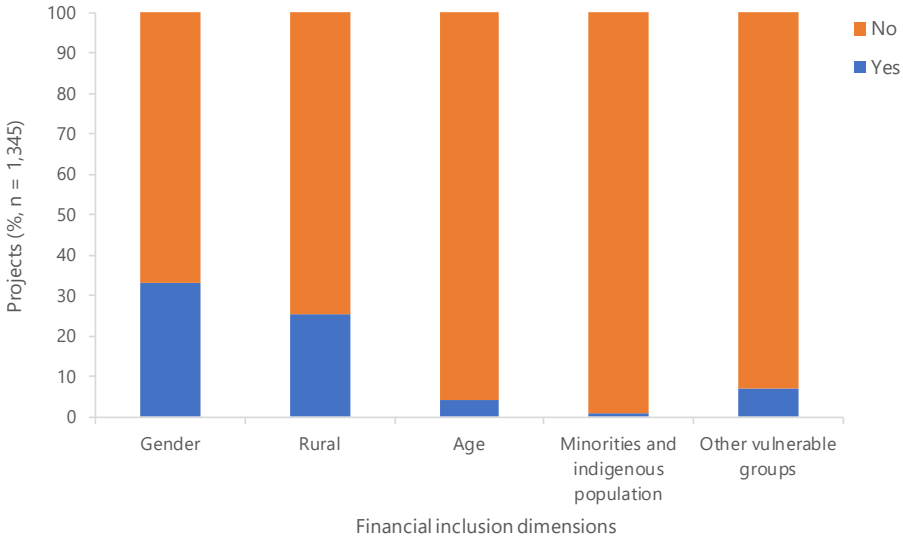
Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

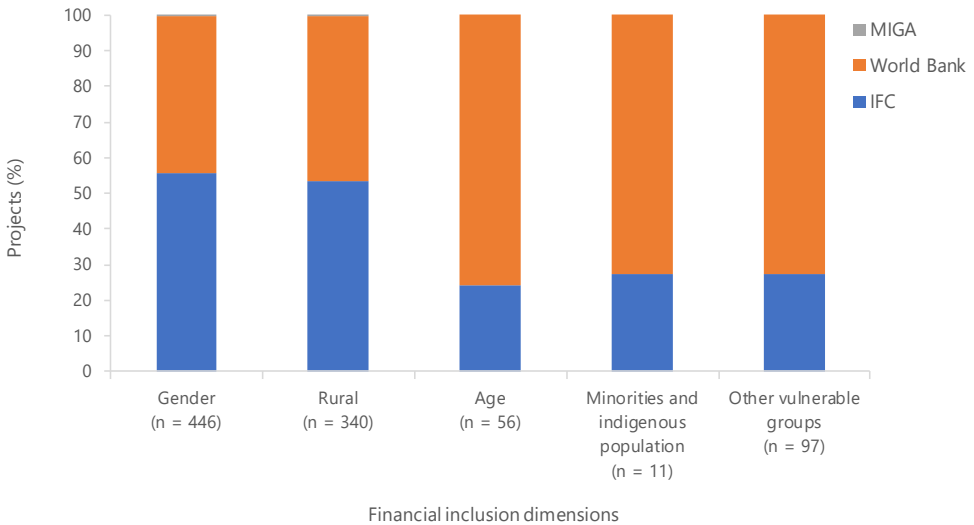
About 25 percent of projects considered rural components. Indigenous peoples were mentioned in 1 percent of them, and the age dimension was considered in 4 percent of the portfolio. Seven percent of projects identified other vulnerable groups.

**Figure B.14.** Financial Inclusion Dimensions Considered at the Project Level

a. Total



b. By institution

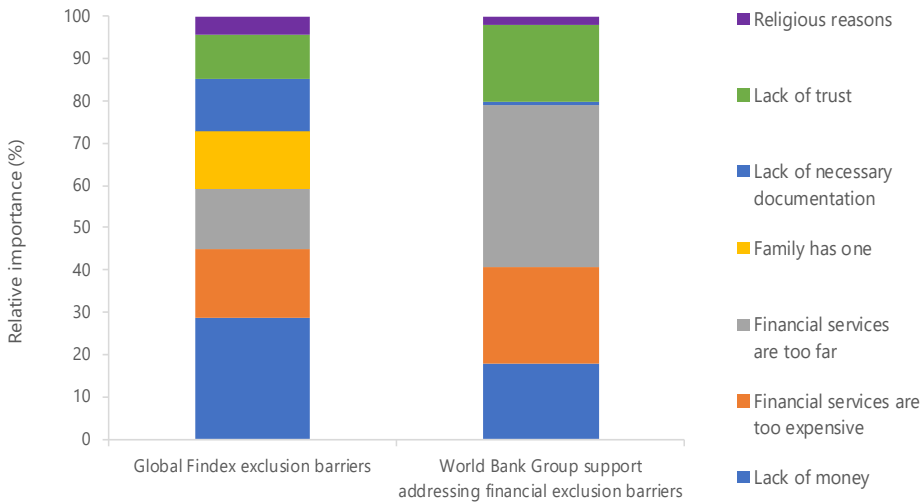


Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

The Bank Group’s global portfolio was generally relevant to some important identified constraints of the financially excluded, especially cost of services and distance to financial services.

**Figure B.15.** World Bank Group Alignment with the Barriers Facing Financially Excluded



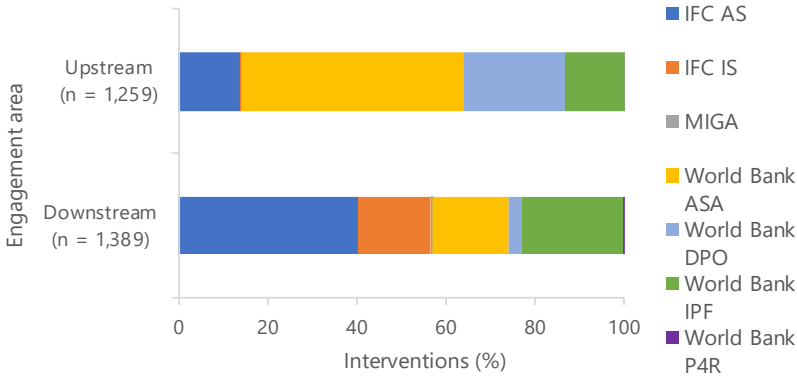
Source: Independent Evaluation Group portfolio review and analysis.

Note: Global Findex exclusion reasons consider data reported in developing countries in 2021. Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates.

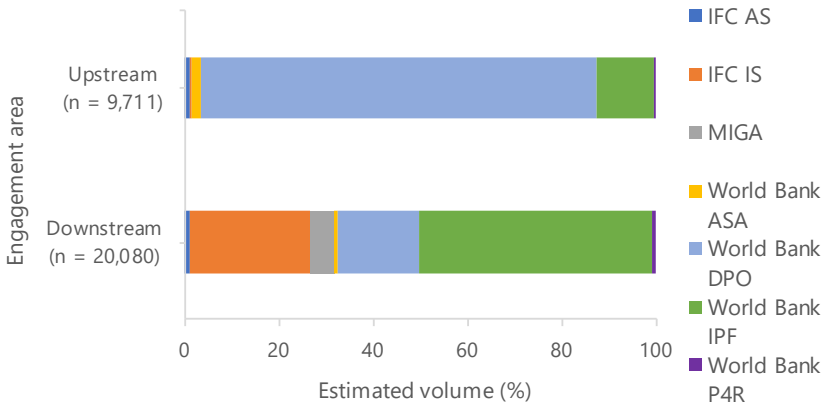
When the World Bank sought to influence policy, legal, or regulatory reform and reform of upstream institutions (such as regulators), it most often used ASA and DPOs. In the case of International Finance Corporation (IFC), it mainly used advisory services to support upstream interventions. To support downstream service providers, IFC used both advisory services and investments.

**Figure B.16.** Engagement Areas Supported by World Bank Group Instruments

a. By number of interventions



b. By volume in US\$, millions\*



Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; P4R = Program-for-Results.

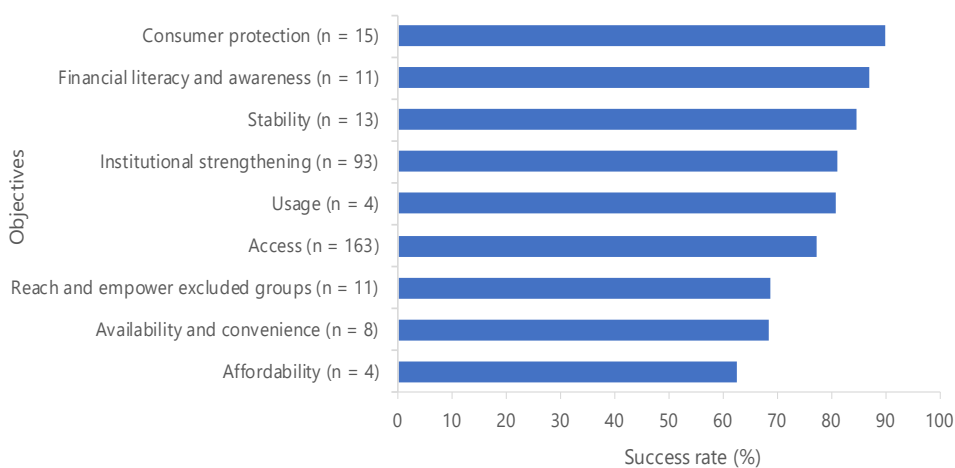
\* To estimate total volume related to financial inclusion in DPOs and other multicomponent projects, the committed dollar value amount reported in project documentation was allocated proportionally among components (for example, prior actions). Only components related to financial inclusion were considered. Where a component had multiple subcomponents, it was allocated proportionally to those subcomponents addressing financial inclusion.

## Effectiveness of Bank Group Engagement in Financial Inclusion (from 2014 to mid-2022)

This section assesses the success of financial inclusion interventions based on 293 Independent Evaluation Group validated or evaluated projects within scope. We considered indicators with an “above the line” rating (that is, those rated as achieved or mostly achieved) successful and assigned them a value of 1. Conversely, we considered as unsuccessful those “below the line” (that is, those rated not achieved or mostly not achieved) and assigned them a value of 0. Then, we calculated the average success rate. This calculation encompassed all output and outcome indicators with available ratings. A project may have multiple objectives. In particular, we coded 293 evaluated projects for effectiveness, and they had 322 financial inclusion objectives. Because there is no validated evaluation system for World Bank ASA, there is no accepted data on its effectiveness. Therefore, ASA is not treated in this section.

Improving access and strengthening institutions were the most frequent financial inclusion objectives supported in the evaluated portfolio, although they were not the most successful ones. Less common objectives, such as consumer protection and financial literacy and awareness, showed higher average success rates.

**Figure B.17.** Project Success Rate by Objective

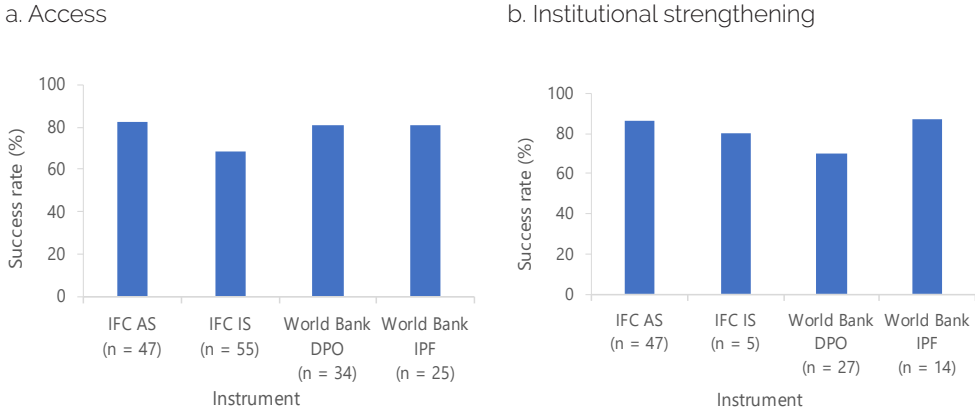


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects targeting each objective is shown in parentheses. One project may have multiple objectives.

IFC advisory projects with an access objective were more often successful (82 percent average success rate) than IFC investments with the same objective (68 percent average success rate). World Bank policy and investment financing had average success rate similar to that of IFC advisory (80 percent and 81 percent, respectively).

**Figure B.18.** Project Success Rate by Objective and Instrument



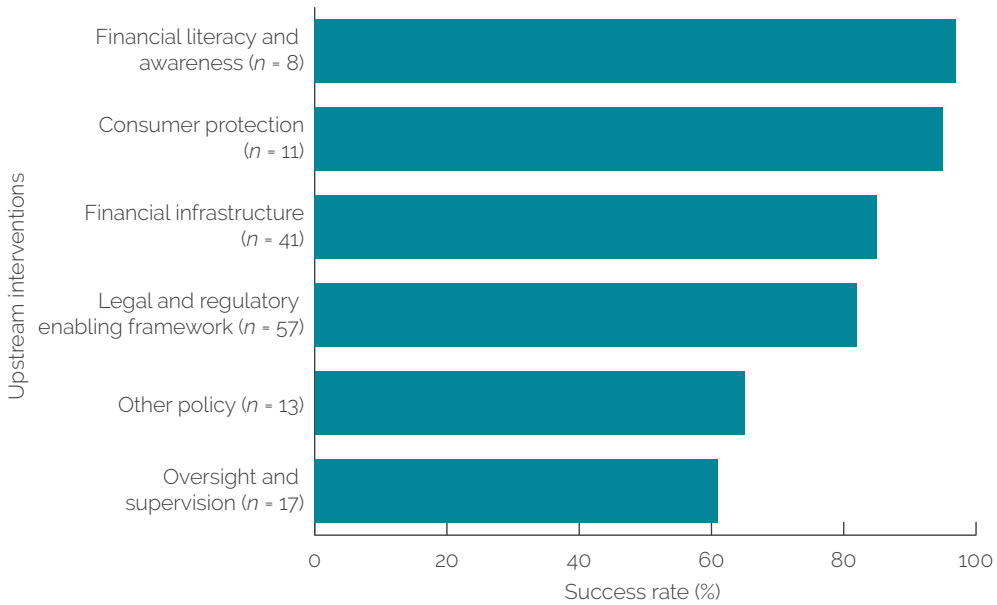
Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects targeting each objective is shown in parentheses. One project may have multiple objectives. AS = advisory services; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services.

The most frequent type of upstream Bank Group support was for reforming laws and regulations, with an 82 percent average success rate. The second most common type was for financial infrastructure with an 85 percent average success rate.



**Figure B.19.** Project Success Rate by Upstream Intervention

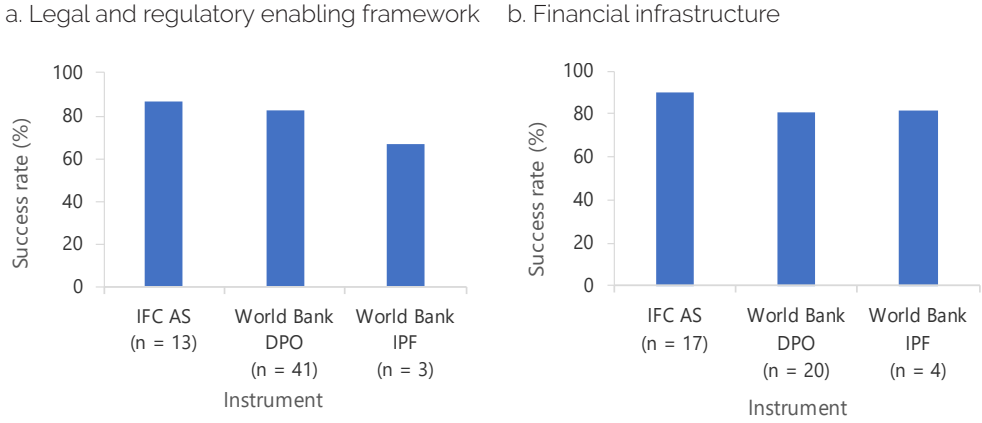


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects supporting each upstream intervention is shown in parentheses. One project may support multiple upstream interventions.

IFC advisory showed a higher average success rate than World Bank projects when supporting financial infrastructure interventions (90 percent compared with an average of 81 percent, respectively).

**Figure B.20.** Project Success Rate by Upstream Intervention and Instrument

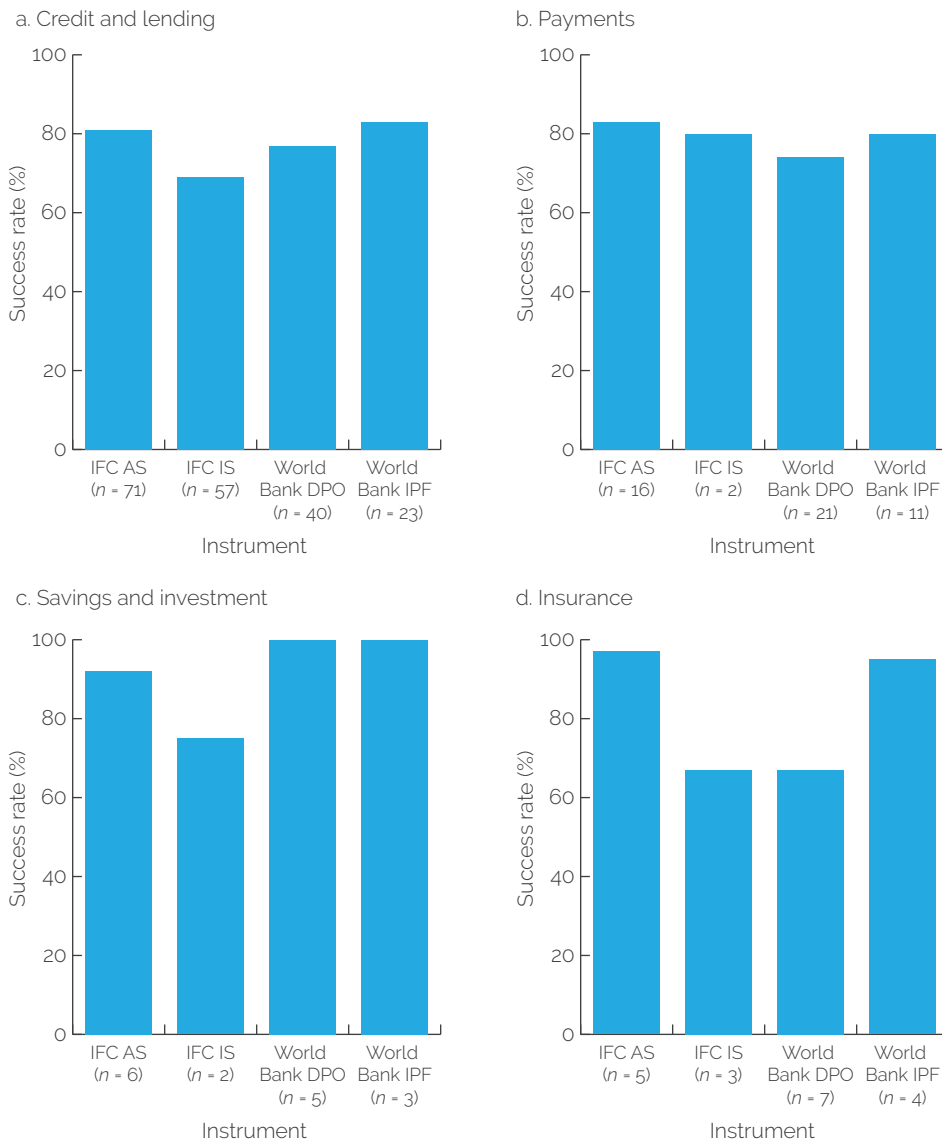


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects targeting each upstream intervention is shown in parentheses. One project may have multiple upstream interventions. AS = advisory services; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing.

**Credit was more frequently supported than other services; support for savings and investment was relatively rare. Success rates varied by type of service and instrument.**

**Figure B.21. Project Success Rate by Type of Financial Inclusion Services Supported and Instrument**

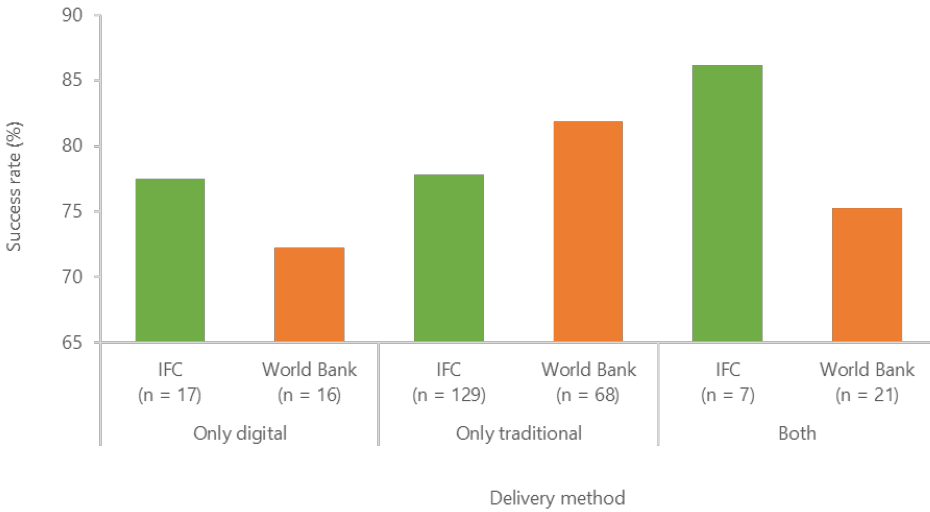


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects targeting each service is shown in parentheses. One project may support multiple services. AS = advisory services; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services.

World Bank projects focusing only on DFS were less frequently successful than those delivering services only through traditional means. The average success rate among World Bank projects using only digital delivery was 72 percent, whereas those using only traditional delivery were 82 percent successful.

**Figure B.22.** Project Success Rate by Delivery Method

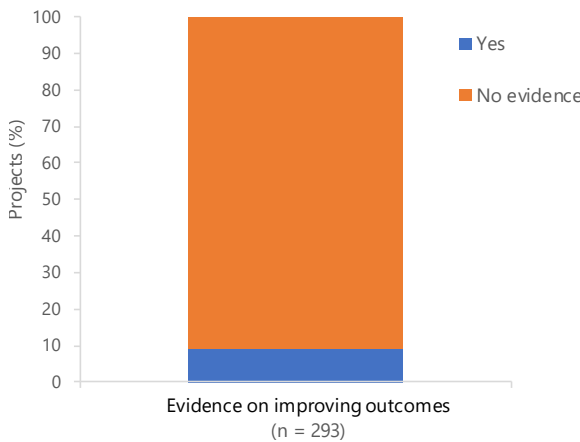


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of projects within each delivery method category is shown in parentheses. IFC = International Finance Corporation.

Most projects had no information on whether they had improved household or microenterprise outcomes. Only a handful of them collected information on whether beneficiary enterprises had expanded employment or increased sales. Very few tracked whether adult users increased economic activity, increased their income, improved their homes, or diversified their sources of income.

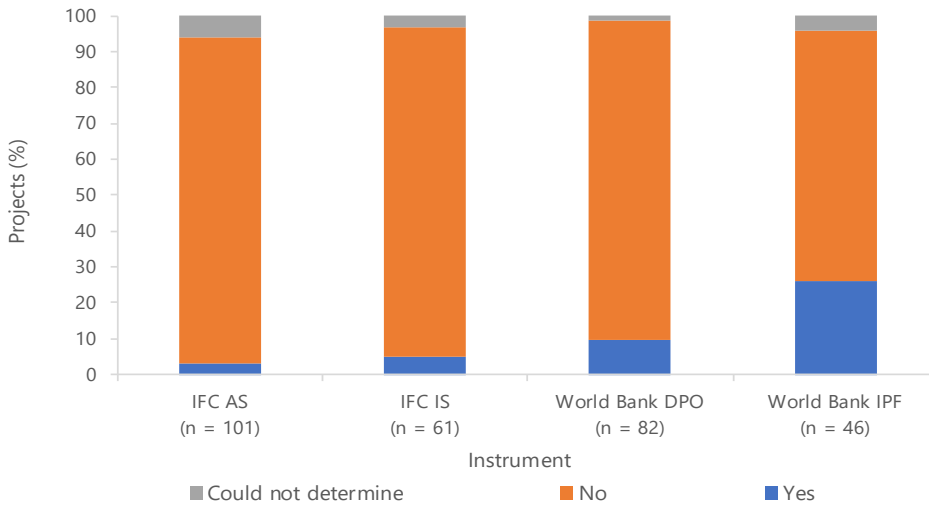
**Figure B.23.** Evidence on Improving Household or Microenterprise Outcomes



Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Ninety-one percent of projects provided no evidence of poverty outcomes for beneficiaries.

**Figure B.24.** Evaluated Projects with Data on Beneficiary Poverty by Instrument



Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

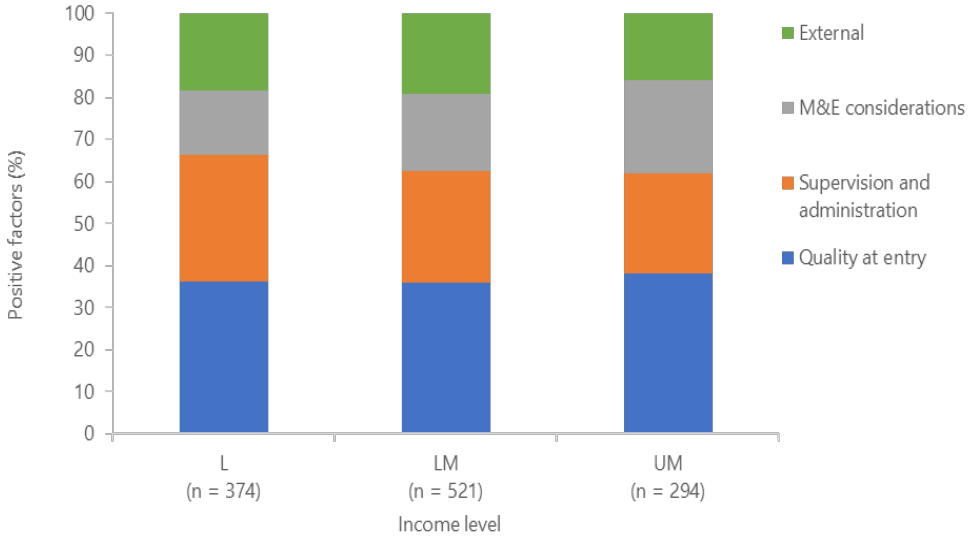
Note: The number of evaluated projects using each instrument is shown in parentheses. AS = advisory services; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services.

## Lessons of Experience and Factors of Success

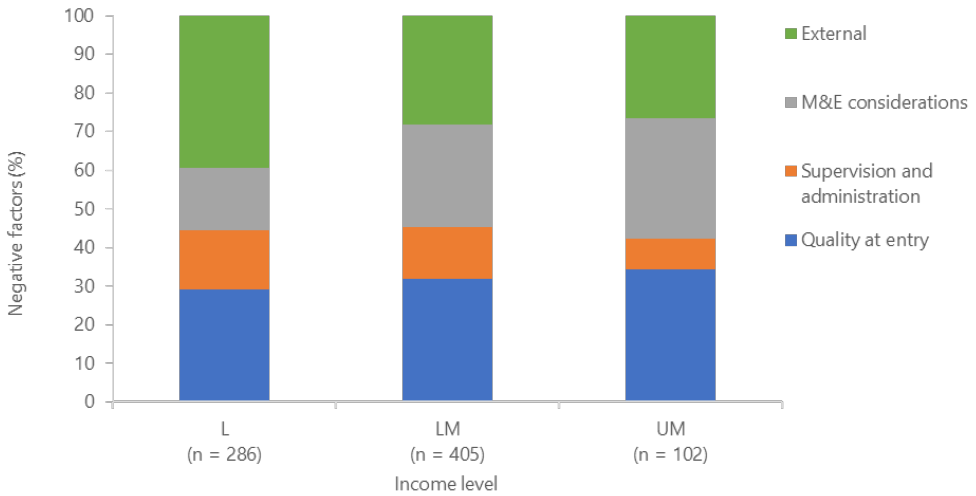
Low work quality at entry was more likely to be cited as a factor of project failure the higher the country’s income level. In contrast, low work quality in supervision and administration matters figured more prominently as an explanation for failure the lower the country’s income level.

**Figure B.25.** Factors of Project Success and Failure by Country Income Level

a. Factors of success



b. Factors of failure

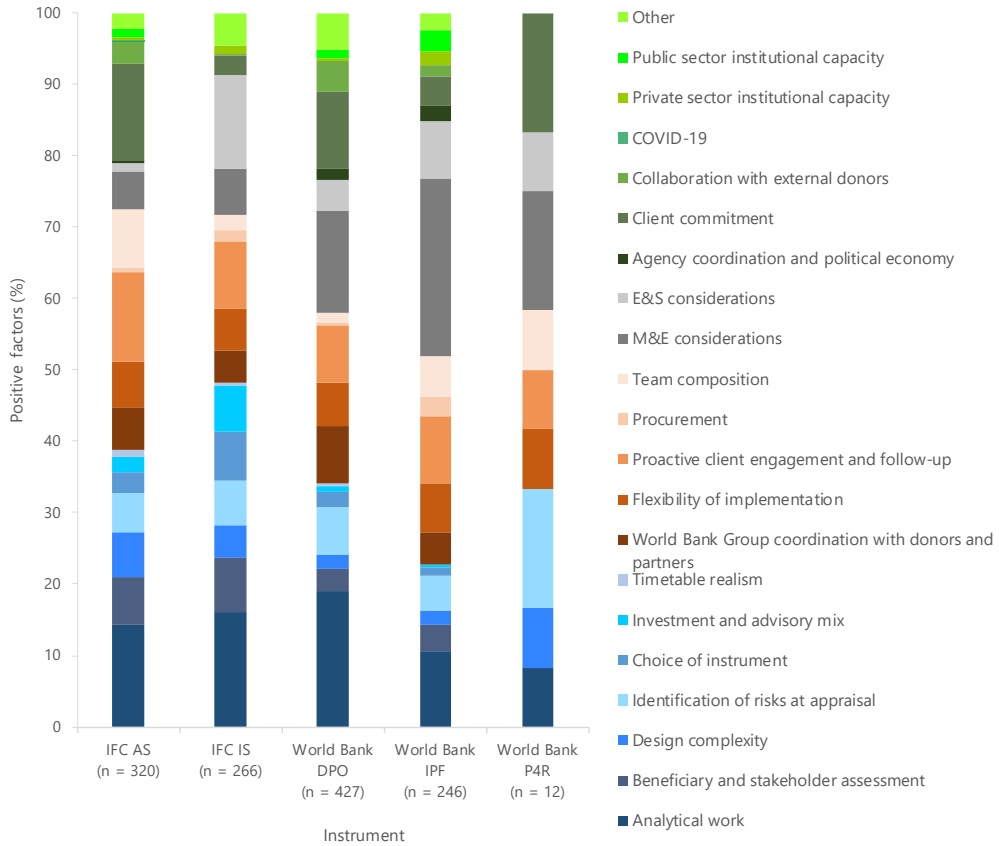


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

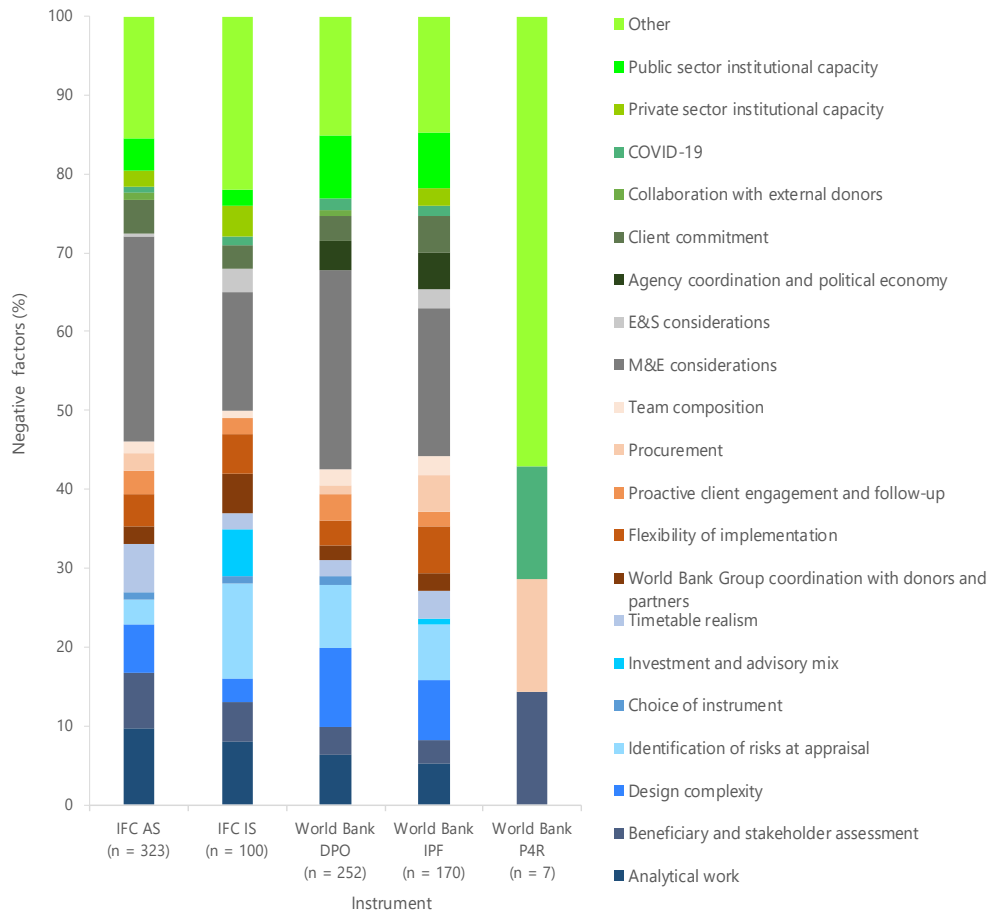
Note: L = low income; LM = lower-middle income; M&E = monitoring and evaluation; UM = upper-middle income.

**Figure B.26. Factors of Project Success and Failure by Instrument**

a. Factors of success



b. Factors of failure



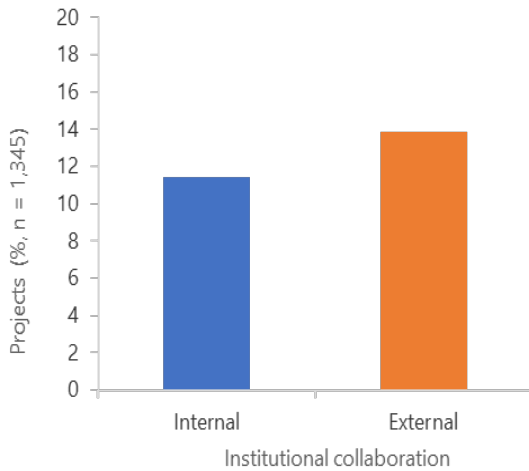
Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; E&S = environmental and social; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; M&S = monitoring and evaluation; P4R = Program-for-Results.

Eleven percent of projects showed internal institutional collaboration and 14 percent of them mentioned working with external donors or partners. Formal internal collaboration in World Bank projects is associated with a lower success rate.



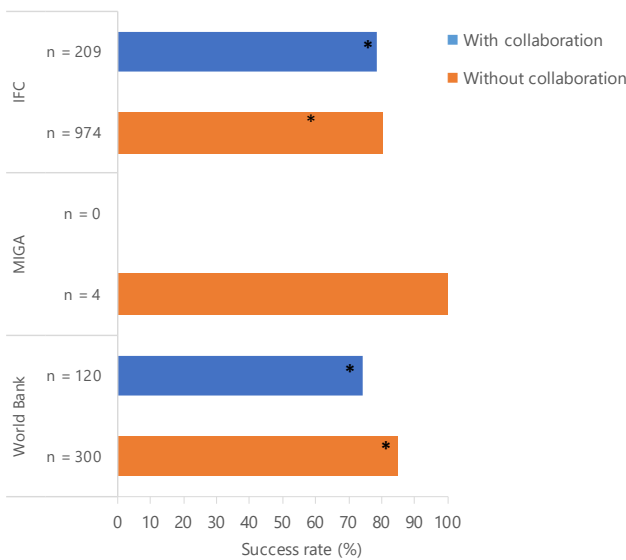
**Figure B.27. Internal and External Institutional Collaboration**



Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank advisory services and analytics and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates.

**Figure B.28. Success Rate of Projects with and without Internal Collaboration by the World Bank Group Institution**

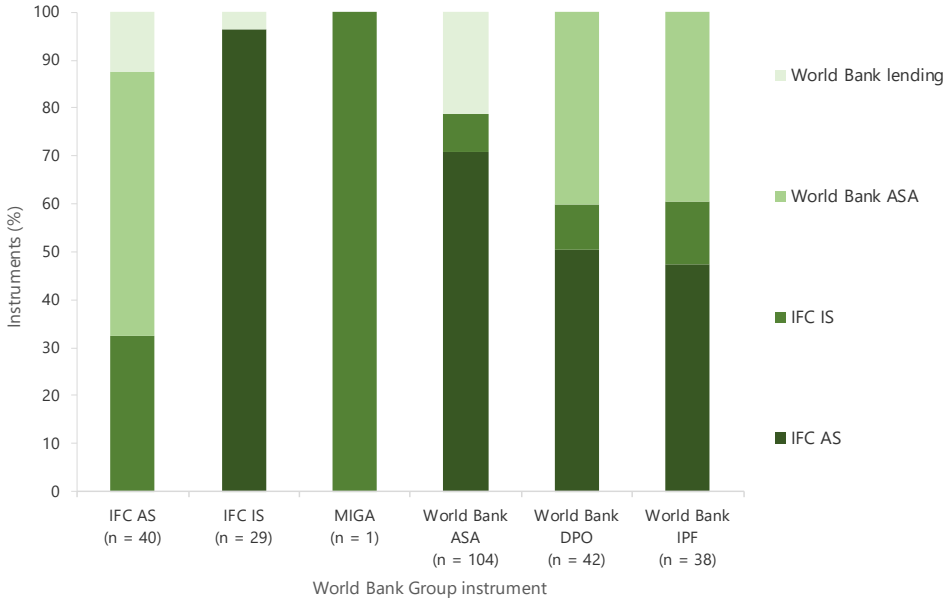


Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of financial inclusion indicators by institution is shown in the vertical axis. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency. \* Differences in success rates between projects with and without collaboration are significant at the 95 percent confidence level.

IFC investments almost exclusively coordinated with IFC advisory services. By contrast, IFC advisory services were significantly more diverse, often explicitly collaborating or integrating with World Bank ASA, IFC investments, and World Bank lending support.

**Figure B.29.** Internal Collaboration by Instrument

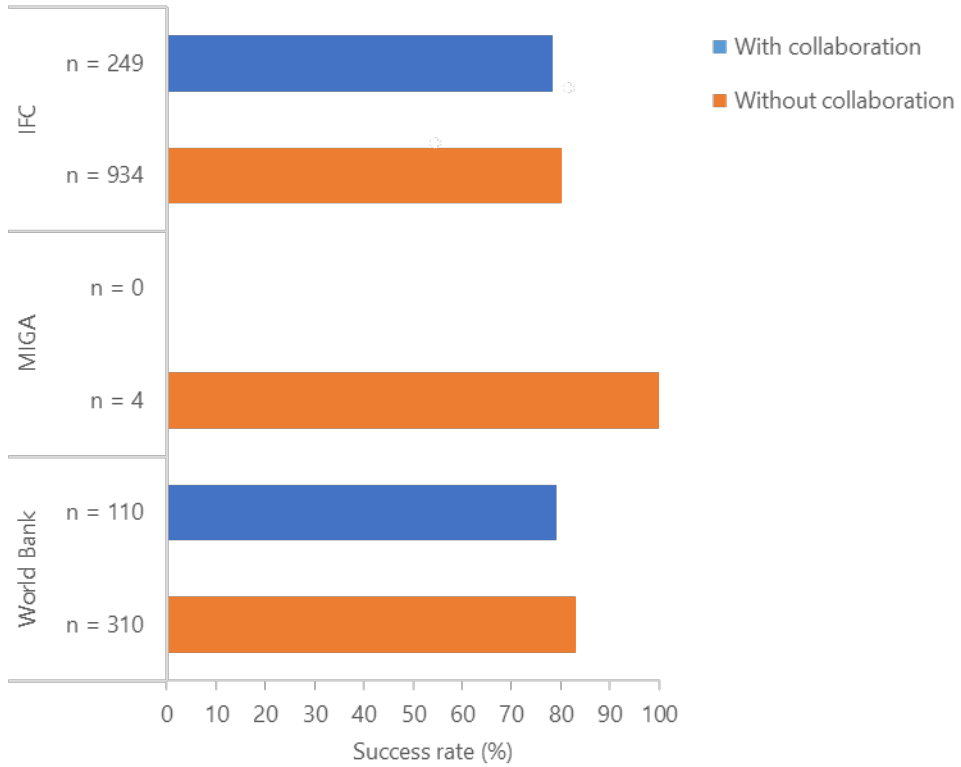


Source: Independent Evaluation Group portfolio review and analysis.

Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, Region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. AS = advisory services; ASA = advisory services and analytics; DPO = development policy operation; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; MIGA = Multilateral Investment Guarantee Agency.

On average, both IFC and World Bank projects without external collaboration had success rates that were statistically indistinguishable from those with external collaboration.

**Figure B.30.** Success Rate of Projects with and without External Collaboration by the World Bank Group Institution



Source: Independent Evaluation Group portfolio review and analysis of 293 evaluated projects.

Note: The number of financial inclusion indicators by institution is shown in the vertical axis. Differences in success rates between projects with and without collaboration are significant at the 95 percent confidence level. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

# Appendix C. Summary of Econometric Analysis

This appendix assesses how internal and external factors might influence the success of the World Bank Group support to financial inclusion. By estimating a fractional logit regression, the Independent Evaluation Group analyzed which factors were significantly associated with the average success rate of financial inclusion projects when controlling for other potential predictors of success at the project and country levels.<sup>1</sup>

## Data Description

Data used in this analysis mainly come from the portfolio review and analysis of projects evaluated or validated by the Independent Evaluation Group (see appendix B for more detail). Because World Bank advisory services and analytics projects are self-evaluated, they are excluded from this analysis. Based on evaluative documents, we identified projects' financial inclusion indicators and their ratings. We further assigned them a value of 1 (successful) if they were achieved or mostly achieved and 0 (unsuccessful) if they were mostly not achieved or not achieved. Then, we calculated the average success rate of financial inclusion indicators per project, which is equivalent to obtaining the proportion of successful financial inclusion indicators within a project.

Our hypotheses arising from the case study workshop pointed to the importance of work quality at appraisal (including design and structuring of interventions) and during supervision (including monitoring) for supporting the Bank Group's financial inclusion efforts. The workshop discussion also raised issues regarding client capacity and commitment. Based on the propositions about success posited during the workshop, this analysis also considers the standardized internal and external explanatory factors at the project level that the portfolio review and analysis team coded based on projects' documentation. The internal category consists of factors under the Bank Group's control, which are related to quality at entry, project supervision and administration, and monitoring and evaluation. External factors,

which are not under the Bank Group’s control, include financial crises, natural disasters, pandemics, corruption, client commitment, public sector institutional capacity, private sector institutional capacity, collaboration with external donors, and agency coordination and political economy. Based on the Independent Evaluation Group project evaluations, the portfolio review and analysis team rated those factors as either adequate or inadequate. Positive and negative categories are not highly correlated (table C.1); the absence of a positive factor does not imply the presence of a negative one. In this sense, one project can have both, any, or just one of them.<sup>2</sup>

The findings of Denizer, Kaufmann, and Kraay (2013) led us to consider country variables, including measures of institutional quality and governance, and project-level variables, such as the project size (dollar amount) and work quality. The *Global Financial Development Report 2019/2020: Bank Regulation and Supervision a Decade after the Global Financial Crisis* points to the importance of controlling for financial depth because it is strongly linked to economic growth and poverty reduction (World Bank 2020). Cihak and Sahay (2020) suggest that financial deepening (financial sector development) requires accompanying policies to ensure financial inclusion to avoid aggravating inequality. Therefore, this analysis also considers additional variables at the project and country levels. Project-level variables include the evaluation period, the type of Bank Group instrument used (for instance, International Finance Corporation [IFC] advisory services or World Bank development policy operation), and the dollar amount allocated to support financial inclusion within each project. Country-level variables consider income level, Region, and the fragility, conflict, and violence status that each country had in 2014 (the beginning of the evaluation period).<sup>3</sup> Governance, financial depth (domestic credit to the private sector), and population density variables from the Worldwide Governance Indicators and the World Development Indicators databases are also included.

## Specification and Results

Equation 1 shows the estimated specification at the project level, where  $y_{pct}$  is the average success rate of project  $p$  in country  $c$  in the evaluation fiscal year  $t$ . By construction, it is a continuous variable restricted to the unit interval  $[0,1]$ . The binary variable  $evperiod_{pct}$  indicates whether the project

$p$  was evaluated in fiscal years 2020–22 or before (fiscal years 2014–19). Country, Region, and income level are represented by the vectors  $R_c$  and  $I_{ct}$ , respectively. The binary variable  $FCV_c$  stands for the implementing country's fragility, conflict, and violence status.  $T_{pct}$  is a set of binary variables representing the Bank Group's instrument used. The estimated amount allocated to financial inclusion in each project, measured in million dollars, is considered in the continuous variable  $amount_{pct}$ . Domestic credit to the private sector and population density are represented by  $credit_{ct}$  and  $population_{ct}$ . The average percent ranking of the six governance indicators available in the Worldwide Governance

**Table C.1.** Phi Coefficients for Positive and Negative Factors at the Project Level

Factors at the Project Level	Quality at Entry (+) <i>n</i> = 163	Quality at Entry (-) <i>n</i> = 130	Supervision and Administration (+) <i>n</i> = 167	Supervision and Administration (-) <i>n</i> = 62	M&E (+) <i>n</i> = 114	M&E (-) <i>n</i> = 113	External (+) <i>n</i> = 131	External (-) <i>n</i> = 132
Quality at entry (+)								
Quality at entry (-)	-0.1789***							
Supervision and administration (+)	0.4624***	-0.0997						
Supervision and administration (-)	-0.1913***	0.3767***	-0.2113***					
M&E (+)	0.2585***	-0.1162*	0.2974***	-0.1351**				
M&E (-)	-0.0711	0.3447***	-0.1331**	0.3263***	-0.3293***			
External (+)	0.2931***	-0.1242**	0.2792***	-0.1176*	0.1423**	0.0098		
External (-)	-0.0224	0.2712***	0.0091	0.1140*	-0.1144*	0.1279**	-0.0624	

Source: Independent Evaluation Group econometric analysis.

Note: The phi coefficient measures the degree of association between dichotomous variables. Its interpretation is similar to a Pearson correlation coefficient. In 2 x 2 contingency tables, the phi coefficient and Pearson correlation coefficient are the same. M&E = monitoring and evaluation.  
\**p* < .10 \*\**p* < .05 \*\*\**p* < .011.

Table C.2 shows the average marginal effects estimated by using a fractional logit regression.<sup>4</sup> Results suggest that fragility, conflict, and violence status; the estimated financial inclusion committed amount per project; domestic credit to the private sector; population density; and governance are not statistically associated with the average success rate of financial inclusion projects. On the contrary, the evaluation period, Region, and country income level seem to be related to it. Projects evaluated in 2020 or afterward are 8 percentage points less likely to be successful than projects evaluated in previous years. In addition, projects implemented in South Asia show a positive and statistically significant average marginal effect (14 percentage points). This suggests that financial inclusion projects in that Region are more likely to be successful than in East Asia and Pacific, which is the base variable in this case.

Regarding income level, projects in lower-middle-income countries are 11 percentage points less likely to be successful than in low-income countries. In terms of instruments, IFC advisory services tend to be more successful than IFC investments (IFC investment services) in 20 percentage points.

Negative quality at entry, supervision and administration, and external factors show a negative relationship with projects' average success rates. For example, negative quality at entry factors are associated with a decrease of 9 percentage points in the average success rate. Likewise, negative supervision and administration factors are related to a decrease of 10 percentage points in the dependent variable. Projects with negative external factors are less likely to succeed (in 8 percentage points) than projects without them.<sup>5</sup>

To facilitate interpretation of the estimated marginal effects at different levels of each variable and to give a sense of the magnitude of the estimated standard errors, figure C.1 plots the estimated predictive margins and 95 percent confidence intervals for factors that turned out to be statistically significant when estimating equation 1. Panel a indicates that when negative quality at entry factors are present, the average success rate is 0.75, which compares to the average success rate of 0.84 when these factors are absent. Note that the difference between these probabilities is the average marginal effect reported for this variable in table C.2. Panel b shows a lower average



success rate (0.72) when negative supervision and administration factors are present than when they are not (0.82). In this case, standard errors are relatively large, which is consistent with the weaker statistical significance (10 percent) reported in table C.2, influenced by the lower number of projects showing this factor (see table C.1). Panel c has a similar interpretation—the average success rate of projects with negative external factors is 0.75; it is on average 0.83 when projects do not show them.

**Table C.2.** Average Marginal Effects

Explanatory Variables	Dependent Variable—Average Success Rate per Project Continuous [0, 1]
Evaluation period	
2014–19 (base)	—
2020–22	-0.0780*
Region	
East Asia and Pacific (base)	—
Europe and Central Asia	0.1008
Latin America and the Caribbean	0.0392
Middle East and North Africa	0.1193
South Asia	0.1381**
Sub-Saharan Africa	-0.0281
FCV status	
FCV = 1	-0.0427
Income level	
Low (base)	—
Lower middle	-0.1112**
Upper middle	-0.0635
Instrument	
IFC AS (base)	—
IFC IS	-0.2049***
World Bank DPO	-0.0749
World Bank IPF	0.0390
Additional variables	
Estimated financial inclusion committed amount per project	-0.0002
Domestic credit to private sector	-0.0011
Population density	0.0001
Average governance	0.0002
Factors of success or failure	
Positive quality at entry = 1	-0.0177

Explanatory Variables	Dependent Variable—Average Success Rate per Project Continuous [0, 1]
Negative quality at entry = 1	-0.0861**
Positive supervision and administration = 1	0.0552
Negative supervision and administration = 1	-0.0998*
Positive M&E = 1	-0.0438
Negative M&E = 1	-0.0545
Positive external factors = 1	0.0639
Negative external factors = 1	-0.0784**
Observations	239

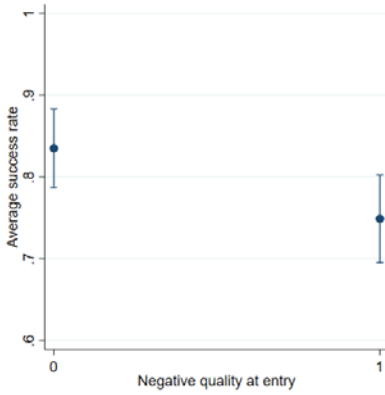
Source: Independent Evaluation Group econometric analysis.

Note: Statistical significance was calculated using robust standard errors. AS = advisory services; DPO = development policy operation; FCV = fragility, conflict, and violence; IFC = International Finance Corporation; IPF = investment project financing; IS = investment services; M&E = monitoring and evaluation.

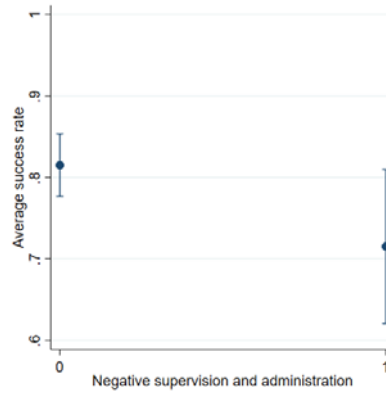
\* $p < .10$  \*\* $p < .05$  \*\*\* $p < .01$ .

**Figure C.1.** Predictive Margins for Factors of Success and Failure  
(95 percent confidence intervals)

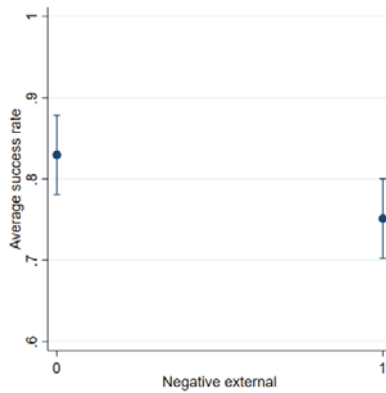
a. Negative quality at entry



b. Negative supervision and administration



c. Negative external factors



Source: Independent Evaluation Group econometric analysis.

## Limitations

The specification described in equation 1 has potential limitations that should be considered in interpreting its findings. First, it offers a predictive model rather than a causal one. Therefore, results are informative of significant relationships between explanatory variables and the predicted success rate but should not be interpreted as causal. Estimating a causal model would require additional assumptions and different methodologies that would go beyond the scope of this analysis. This analysis presents a

fractional logit model to measure success as a bounded continuous variable. Kubinec (2022) notes that the fractional logit model is not a statistical distribution but a “quasi-likelihood estimator,” which affects the ability to estimate uncertainty. Thus, Kubinec observes that the model is particularly vulnerable to the ratio of observations at the bounds, responding better to those than to the ones along the continuous part of the distribution, which should be considered mostly because the data set used in this analysis has a concentration of observations at the upper bound. In simulations and reproductions of previous work, Kubinec also finds fractional logit models to be underspecified, leaving much variation unexplained, when compared with other specifications. For this reason, we supplemented the analysis with an ordered logit as a robustness check. The dependent variable was classified into three categories: 1 = the project did not achieve any financial inclusion indicators, 2 = the project achieved some financial inclusion indicators, and 3 = the project achieved all financial inclusion indicators. Results suggested a statistically significant negative association between the outcome variable and negative quality of entry factors (10 percent level) and negative external factors (5 percent level). Negative supervision and administration factors were no longer statistically significant. Therefore, there was a single change in significance for the coefficients on independent variables of interest (which increases confidence in the results). Second, most variables come from coding evaluative documents, which can be subject to unconscious bias. Although we followed a standardized coding protocol and cross-checked other members’ work, reviewers’ own judgment might be present when the required information is not explicitly stated in the documentation. Third, variables representing positive or negative explanatory factors are not free of correlation. As presented in table C.1, there are moderate and statistically significant correlations among some factors. These may reduce the precision of estimates, and mediator bias could also be present. Because this analysis does not attempt to identify individual variables with causal power to determine the success of financial inclusion projects, this limitation is less problematic.

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<sup>1</sup> We also conducted principal component analysis, which did not produce readily interpretable results.

<sup>2</sup> Table C.1 shows phi coefficients as a measure of association between internal and external explanatory factors, which are binary variables. All statistically significant coefficients are below 0.5, thus suggesting the absence of strong associations between those variables.

<sup>3</sup> The analysis excludes Region and income level categories that were rarely represented in the data set: the Multilateral Investment Guarantee Agency (one project), World Bank Program-for-Results (two projects), and high-income countries (one project).

<sup>4</sup> A fractional logit regression is useful to model continuous variables that take values within a bounded range (Papke and Wooldridge 1996, 2008; Wooldridge 2010).

<sup>5</sup> The team also estimated an ordered logistic regression, classifying the dependent variable into three categories: 1 = the project did not achieve any financial inclusion indicators, 2 = the project achieved some financial inclusion indicators, and 3 = the project achieved all financial inclusion indicators. Results suggested a statistically significant negative association between the outcome variable and negative quality of entry factors (10 percent level) and negative external factors (5 percent level). Negative supervision and administration factors were no longer statistically significant.

# Appendix D. Summary of Independent Evaluation Group Financial Inclusion Literature Review

Financial inclusion has recently become a priority for policy makers around the world. The World Bank defines financial inclusion as “access to useful and affordable financial products and services that meet the needs [of individuals and businesses]—transactions, payments, savings, credit[,] and insurance—delivered in a responsible and sustainable way” (World Bank 2022). After the financial crisis of 2008, some researchers embarked on a search for evidence on the status and potential impacts of financial inclusion on low-income households in Europe (see, for example, Corrado and Corrado 2015 for financial inclusion in Eastern Europe, Huang et al. 2021 for financial inclusion in the European Union, and Sinclair 2013 for financial inclusion in the United Kingdom). Others have sought out the impact of financial inclusion on stability and economic growth (see, for example, Danisman and Tarazi 2020 for banking stability in Europe, Nguyen and Du 2022 for banking stability in Association of Southeast Asian Nations countries, and Sethi and Acharya 2018 for financial inclusion and economic growth).

Financial inclusion in low-income countries, particularly in Sub-Saharan Africa, is viewed as a “key enabler to reduce extreme poverty and boost shared prosperity” (World Bank 2022). At the macro level, the relationship between financial inclusion and economic growth is positive. In Sub-Saharan Africa, evidence suggests (i) a positive relationship between GDP per capita and the number of commercial bank branches (Makina and Walle 2019); (ii) a positive relationship between “financial permeation” and economic growth (Inoue and Hamori 2016); (iii) a positive relationship between usage of financial services and inclusive growth (Sarpong and Nketiah-Amponsah 2022); and (iv) a positive relationship between digital technology and financial inclusion (Yakubi et al. 2022). For Asian countries, evidence shows that (i) financial access is positively associated with income, and the effect is larger for lower-income countries; (ii) the number of ATMs and bank

branches has a positive relationship with economic development (Van and Linh 2019); and (iii) access to and convenience of financial services positively impact the economy (Siddik, Ahsan, and Kabiraj 2019).

Although the evidence seems consistent at the aggregate level, for financial inclusion to achieve its anticipated goal of poverty reduction and increased prosperity in low-income countries, it must equally have a positive impact at the household or individual level. For lower-income countries where most of the population is both poor and rural, one macrolevel study hints at the possibility that these aggregate level effects do not necessarily stem from better outcomes for the low-income population. Ifediora et al. (2022) find that the number of bank branches and ATMs is positively correlated with economic growth in Sub-Saharan Africa. However, the authors also find that the number of outlets of mobile money agents is negatively correlated with economic growth, and registered mobile money accounts and mobile money transactions have no significant impact on economic growth. The authors justify these findings by pointing to the lack of trust in digital financial platforms, financial illiteracy, dependence on informal financial channels, and the fear of government surveillance and identity theft among rural populations.

The support and promotion of digital financial services platforms, including mobile money, by policy makers, development practitioners, donors, and international development and financial institutions was initially based on the potential benefits to low-income households of using these platforms. Some of the purported benefits of digital platforms were based on the inherent characteristics of the services: branchless money services have lower transaction costs than conventional channels, they reduce the likelihood of theft, and, relative to livestock or other physical assets, conversion of digital money to cash is quicker (Donovan 2012). Over time, there was a growing call for evidence of the impact of financial inclusion on well-being to justify support for development efforts and expenditures to advance it.

From a systematic review of reviews, Duvendack and Mader conclude that there are “large variations across the effects of different interventions” (Duvendack and Mader 2019, 4). Out of the 11 studies (all rigorous systematic reviews or “meta-studies”) included in the review, the authors find that only 5 studies claimed that the evidence points to a predominantly positive



impact of financial inclusion on well-being for poor people, and the remaining 6 drew generally mixed or unclear conclusions about the relationship. On entrepreneurship and microenterprises, the meta-studies find little evidence of consistent positive impacts of microcredit and microsavings on microenterprise investments (Chliova, Brinckmann, and Rosenbusch 2015; Steinert et al. 2018; Stewart et al. 2010, 2012) and survival (Chliova, Brinckmann, and Rosenbusch 2015). In the long term, in Sub-Saharan Africa, the positive impacts of microcredit disappear more the longer participants are enrolled in microcredit programs. Impacts become increasingly negative (Stewart et al. 2010), and one study reported households needing to liquidate assets to pay off loans (Peters et al. 2016).

The overall impacts of financial inclusion on social outcomes are generally small. The positive impacts of networking experiences on confidence and social cohesion were more directly linked to empowerment aspects of programs than to financial inclusion itself (Brody et al. 2015; Peters et al. 2016). On the use of education services, the meta-analyses found a positive effect of various types of microfinances on education in South Asia (Gopaldaswamy, Babu, and Dash 2016), no effect of savings on education expenditure or school enrollment in Sub-Saharan Africa (Steinert et al. 2018), and potentially harmful impacts of microsavings and microcredit schemes on education, including evidence of children taken out of school (Stewart et al. 2010).

The meta-studies that refer to outcomes related to physical health find mixed evidence. There is a correlation between access to microcredit and lower infant mortality (Orton et al. 2016). Robust evidence that microcredit positively affects HIV-related outcomes is only available from programs that attached health education to financial inclusion (Kennedy et al. 2014). There is no evidence that savings programs affect participants' health status or their health investment related decisions (Steinert et al. 2018). There is, however, evidence of frustration and disappointment among female borrowers in South Asia (Brody et al. 2015) and increased incidence of anxiety due to the burdens of loan repayment (Orton et al. 2016). The positive impacts on mental health are, in general, a result of group memberships rather than access to a financial service, specifically engagement with activities that motivate social engagement, entrepreneurship, and learning (Peters et al. 2016). In Sub-Saharan Africa, some reviews reported generally positive effects of

financial inclusion on food security (Chliova, Brinckmann, and Rosenbusch 2015; Steinert et al. 2018), whereas others found inconsistent and heterogeneous impacts (Stewart et al. 2010). In South Asia, there is no evidence of a positive or negative impact of savings on food consumption (Gopaldaswamy, Babu, and Dash 2016), and across countries the evidence is mixed (Stewart et al. 2012).

The positive impacts of financial inclusion on gender outcomes are linked to program design, and most of the reviews highlight that it is sometimes difficult to disaggregate the impacts stemming from program design and those resulting from financial inclusion. In studies where disaggregation was possible, the impacts of gender-specific program features on women's empowerment were larger than access to the financial service (Chliova, Brinckmann, and Rosenbusch 2015; Peters et al. 2016). The major drivers of empowerment revolve around group activities and training on women's rights, but evidence on impacts tends to be circumstantial (Peters et al. 2016).

The impacts of different credit and saving interventions on saving and spending behavior are mixed (Gopaldaswamy, Babu, and Dash 2016). Changes in consumption habits increased the risk of poverty where recipients of microcredit were consuming more instead of investing (Stewart et al. 2010). Financial literacy interventions, such as training and education programs, had no significant impact on poverty. In Sub-Saharan Africa, programs designed to change savings behavior, increase financial literacy, or induce demand for financial services were less effective than programs that extended access to financial services (Steinert et al. 2018).

The review of reviews concludes that financial inclusion is “not changing the world” (Duvendack and Mader 2019, 4). Considering that impacts vary in magnitude and significance and that financial inclusion is only one of many aspects that determine well-being, this is unsurprising. The authors highlight that there are several areas that have not been addressed by the studies on which meta-studies are based. One issue is the level of debt, or indebtedness, as an outcome of financial inclusion of low-income households. The authors present several caveats. First, they warn against the hype in the literature, similar to that which emerged on the transformative powers of microfinance, in relation to the potential for financial inclusion to effect

change at the macrostructural level. Second, despite the lack of evidence of the transformative impacts of financial inclusion, the alternative “is not to do ‘nothing’” (Duvendack and Mader 2019, 5). Instead, they advocate developing a more holistic view of where financial inclusion is useful, the extent of its usefulness, and where it falls short. Third, they caution against drawing conclusions from studies limited by the political economy of research funding, which often favors shorter timelines over longitudinal studies.

After the period covered by Duvendack and Mader—up to 2017—several rigorous studies on the impacts of financial inclusion on various well-being outcomes have been published. These studies find similarly mixed results. On women’s empowerment, loans and grants increased investment in agriculture for female farmers but did not impact profits or expenditure (Beaman et al. 2021). Across three different countries, loans with grace periods did not impact profits for female-run businesses if the household had another member-run business (Bernhardt et al. 2019). The success of financial inclusion in terms of women’s empowerment depends on the context, such as social norms and household dynamics (Ghosh and Vinod 2017; Hilesland et al. 2022), and the definition of empowerment adopted by researchers (Hilesland et al. 2022; Saha and Sangwan 2019). Although the effect of financial inclusion could have a positive compounding effect on empowerment over time—whereby financial independence empowers women, and more empowered women are more likely to receive loans in the future (Saha and Sangwan 2019)—the initial conditions favor men, who are much more likely to access formal forms of finance (Ghosh and Vinod 2017).

Several studies investigated the impact of savings interventions on saving, expenditure, and other well-being outcomes. The impacts of different savings mechanisms were mixed. Village savings groups—a popular savings mechanism among low-income households in developing countries—did not impact livelihoods or financial health (Karlan et al. 2017), and mobile-linked savings accounts did not increase saving activity for low-income customers and did not increase total savings (De Mel et al. 2022). Although introducing a savings rate subsidy increased asset accumulation overall, it did not have a meaningful impact on savings account usage (Schaner 2018). Physical savings mechanisms, such as a lockbox in lieu of cash in hand or livestock, do help households weather health shocks and other large expenditure

occasions but do not increase resilience to climate events (Aker et al. 2020). Other saving approaches, such as deferring a proportion of wages to a free savings account, have a positive impact on productivity and increase household consumption of durable assets by addressing self-control issues (Brune, Chyn, and Kerwin 2021). Deferring a portion of wages to a savings account also protects against income volatility for workers employed in seasonal agricultural work (Brune, Chyn, and Kerwin 2021).

The inherent volatility in agricultural income makes the income smoothing potential benefits of financial inclusion attractive to farmers. Some of the studies in the literature target farmers with different financial inclusion interventions. Although loans and grants do not increase the adoption of standard insurance offerings to farmers, delaying the premium payment until after the harvest increases insurance uptake (Casaburi and Willis 2018). Interest-bearing mobile money savings accounts increase savings and investment in fertilizer and other agricultural inputs (Batista and Vicente 2020). Moreover, well-timed loans—for example, immediately after the harvest—have a positive impact on farmer revenue but no impact on household consumption (Burke, Bergquist, and Miguel 2019), and could potentially have a negative impact on local crop prices.

Providing low-income customers with savings tools is not always enough and can be complemented by parallel efforts to promote financial literacy. Self-imposed savings targets, for example, have a positive impact on immediate savings habits, but saving accumulation only manifests over a long period of time (Pellegrina et al. 2021). This approach does not guarantee positive results because bank account usage by low-income customers tends to wane over time (De Mel et al. 2022; Schaner 2018). Training and awareness efforts to increase financial literacy and improve trust in financial institutions have a positive impact on account usage and overall savings (Galiani, Gertler, and Navajas-Ahumada 2022). The increase in account usage, however, is driven by lower withdrawals as opposed to more deposits (which is a direct consequence of the customers' inability to access bank branches).

In addition to the inconclusive evidence of the impact of financial inclusion on livelihoods, there is a growing literature on the potential negative impacts of some financial inclusion efforts on the lives of the poorest people.

For example, because of disruptions in supply chains, the COVID-19 pandemic impacted the financial stability of many borrowers of microfinance loans working in the textile industry in Southeast Asia (Brickell et al. 2020). This had a significant impact on food security and nutrition for low-income households. This is in line with recent criticism of microfinance’s ability to reduce poverty (see, for example, Geleta 2016 for microfinance and women’s empowerment in Ethiopia; Guérin, Morvant-Roux, and Villarreal 2014 on microcredit and on debt-induced distress; Mader 2015 for microfinance in general; and Taylor 2013 on debt and groundwater exploitation in India).<sup>1</sup> Moreover, financial independence for women is sometimes viewed unfavorably by household members and members of the community, which has a direct impact on investment decisions and productive uses of loans (Fiala 2018). Having said that, financial inclusion can play a positive role during natural disasters and global emergencies. In Haiti, for example, households that had taken out microfinance loans were less likely to report hunger or inadequate diets after Hurricane Matthew in 2016 (Kianersi et al. 2021).

The findings that loans and grants to farmers have a positive impact on investment, revenue, and profit are not radical. What is less obvious, and perhaps more interesting, is the inconsistency of the impacts on well-being and other livelihood outcomes. Most of the studies in this review show mixed results, especially regarding livelihoods. Although loans provide farmers with higher revenues, and, sometimes, higher profits, this is not reflected in consumption and expenditure on education and health.

Similarly, the impact of financial inclusion on entrepreneurial success is context specific. Some microenterprises may have diminishing rates of return and only serve as a source of steady income (Fiala 2018). Although access to credit for low-income, “high-risk” individuals might have a positive impact on productivity, entrepreneurial activity, and resilience to shocks, the mode of facilitation and regulatory environment matters (Brickell et al. 2020). Overindebted borrowers (Schicks 2013), for example, are a bad match for lending institutions with lax risk management standards.

The literature has not yet evaluated whether a lack of consumer protection and sufficient regulation could ultimately undermine benefits gained from better access to credit.

Giving loans to farmers right after the harvest allows them to increase their revenue through arbitrage (Burke, Bergquist, and Miguel 2019). The higher prices and increased crop storage by farmers who received loans could negatively impact other households in the village through increases in crop prices. The broader effects of financial inclusion or financial literacy are seldom studied. Considering the broader impacts is important because all interventions have spillover effects. For example, consumers are less likely to be overcharged by money agents operating in areas with high levels of account usage (Breza, Kanz, and Klapper 2020).

Some of the interventions assessed are not sustainable and, hence, not very useful. Even when testing out the attractiveness of high interest rate savings accounts, interest rate offerings for savings accounts are likely to be diluted by macroeconomic dynamics, such as inflation (Buehren et al. 2018).

It is also important to note that the more methodologically robust studies—which use household level data, tend to use randomized controlled trials, and are conducted over a relatively long-time frame—are published in higher-ranked journals, mainly by authors from institutions in high-income countries. Moreover, caution by Duvendack and Mader (2019) against evidence from research limited by funding time frames is justified. Under existing funding frameworks, there is a risk of a vicious cycle where funding gravitates toward results obtained from research projects with short time frames, biasing the overall literature. Longitudinal studies are far more likely to shed light on higher-order, long-term outcomes.

The lack of conclusive evidence points to the inability of financial inclusion to deliver on its purported benefits (Duvendack and Mader 2019), but it could also point to the fact that research on the topic is partially driven by these unsubstantiated claims. For example, it is unclear why researchers do not proportionally study financial distress, overindebtedness, or other potential negative impacts. In Ghana, a similarly overhyped intervention was found to have undesirable impacts; Nuru, Rhoades, and Sovacool (2022) found that solar microgrids in rural islands led to dispossession, conflict, and exacerbation of existing tensions.

Although the breadth and depth of scientific inquiry is limited by funding budgets, one potential explanation for the narrow scope of research on

financial inclusion is preconceived ideas of the impact of financial inclusion. If researchers' assumptions about the impacts of financial inclusion are anchored by its stated benefits, they are unlikely to think that any potential negative impacts are worth investigating. Even though studies on the impact of financial inclusion show little or no positive impact, some researchers have even questioned the statistical precision of the evidence in the literature (Dahal and Fiala 2020). Another limitation of the literature is the dominance of quantitative approaches in estimating impacts of financial inclusion. Although most of the outcomes of interest can be quantitatively estimated, some cannot. For example, Fiala (2018) argues that the reasons why female-owned businesses in Uganda could not make use of the capital they received as loans or grants cannot be surmised from the quantitative data.

Duvendack and Mader conclude that the impacts of financial inclusion are “more likely to be positive than negative, but the effects vary, are often mixed, and appear not to be transformative in scope or scale, as they largely occur in the early stages of the causal chain of effects” (Duvendack and Mader 2019, 1). This is corroborated by the studies included in this review. For studies that find positive impacts, the findings are difficult to generalize or bundle together as a definitive body of evidence because they vary in method, context, and target population. Moreover, in some studies, the findings seem more useful as proof of economic theory as opposed to an evidence base on which to design policy. In addition to concerns about the lack of evidence of “meaningful behavior change” (Duvendack and Mader 2019, 1) and outcomes down the causal chain, the claim that financial inclusion of poor populations can reduce poverty is a contradiction in terms. The mechanisms for introducing low-income populations to financial services are designed with their poverty in mind—for example, interest rate subsidies for savings accounts, SMS messages to nudge saving behavior, and postharvest loan premiums. By design, financial inclusion efforts target the symptoms of poverty rather than the cause. Therefore, what is clear from the literature is that financial inclusion is not a solution to poverty; it just provides poor people with tools to navigate it.

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<sup>1</sup> These papers make general criticisms (or highlight the limitations) of microfinance, each looking at it from a different perspective. They are not included in reviews that consider evidence of the impacts of financial inclusion.

# Appendix E. Digital Financial Services: Fintech Deep Dive

## Introduction

The introduction of digital technologies has increased the efficiency of the financial sector and induced further competition among banks and other financial and nonfinancial sector providers. Fintech (financial technology) has been an important driver of innovation in countries with competitive banking system and has pushed banks toward greater efficiency.<sup>1</sup>

The use of digital technologies has opened the opportunity to increase financial inclusion through digital financial services (DFS). By reducing transaction costs and increasing competition, fintechs have been able to push the boundaries of retail banking and help provide access to finance to a larger segment of the population.

The low cost associated with digital technologies that facilitate the introduction of digital payment systems allows payment service providers (PSPs) to work with the low-income population. The opportunities for developing digital finance are hampered by the availability of digital infrastructure and acceptance among merchants and service providers.

The demand for DFS has increased significantly in recent years. Fintech has played a key role in meeting this demand by leveraging technology to bring DFS to underserved populations. These technological innovations have been met with policy responses that have the potential to create new opportunities for fintech firms through targeted regulatory approaches while balancing the potential risks to consumers and firms.

These innovations have brought challenges to regulators and supervisors. The challenges have been associated with the need for promoting competition between banks and other potential providers (on a level playing field) and the need for mitigating the systemic risk that could be derived from introducing innovations without tested experiences.



Some regulators have approached fintech innovations through the use of “regulatory sandboxes,” which provide room for experimentation while guiding regulation toward embracing emerging technologies.<sup>2</sup> Regulations across the world have allowed fintech to compete with the traditional banking sector through regulations that enable the use of open banking.<sup>3</sup> As discussed below, some regulators have faced challenges for facilitating the fintechs’ graduation from their sandboxes (which opens the need for further technical assistance to bank regulators, including central banks).

Government-to-person (G2P) transfers are potentially significant enablers of financial inclusion for vulnerable populations, but effectiveness requires active government engagement with other stakeholders. Many of these G2P programs do not have the ambition of increasing financial inclusion but simply become an effective method for transferring money to a target population. Under those circumstances, recipients have incentives to cash out their digital transfers at the first opportunity. As discussed below, in the absence of an effort to develop the digital ecosystem, social transfers with digital technologies may have limited impact on financial inclusion.

Although G2P transfers have largely relied on mobile technologies among African countries, other regions have relied more on bank accounts. In the case of Africa, almost 70 percent of the transfers are through mobile accounts, whereas in Latin America, 13 percent of transactions are made through mobile accounts. This difference is related to the degree of development of the financial system, among other factors.

## Social Transfers during the COVID-19 Response and Its Effects on Financial Inclusion

Although the COVID-19 pandemic has highlighted the importance of digitalized identification (ID) and G2P payment ecosystems, this support has fallen short of enabling financial inclusion. Countries that had strong digital ID, digital databases, and digital payments before the pandemic were able to leverage these to target new social assistance beneficiaries at a higher scale and make payments more efficiently and safely through digital methods. Similarly, these countries could maintain at least some continuity of service delivery by shifting from physical to remote channels.

During the COVID-19 pandemic, as a consequence of the mobility restrictions and the need for speedy delivery of money to target populations, governments across the world addressed the issue of social transfers through the “digital first” approach. Although many COVID-19 social assistance programs implemented in 2020 were successful in reaching target populations, they had a mixed effect on financial inclusion. Given time pressures, programs developed with the main purpose of speedy delivery of resources to target populations addressed financial inclusion as an additional but nonessential component.

The evidence suggests that digital ID and digital payments infrastructure that can be accessed through digital channels were critical enablers for efficient distribution of social payments. In connection to this evidence, White et al. (2021) find that social payment programs were more effective when key features of financial infrastructure were in place.

**Digital payment channels:** Digital payments can help reduce fraud, and many countries have found them useful because of the traceability they provide, allowing for enhanced recipient validation and easier reconciliation. Having a robust digital financial infrastructure has been crucial both during crisis response and on an ongoing basis. Efficiency gains came from reduced costs in distributing cash and other physical payment instruments, such as checks and cards.

**Identification systems:** Validation of identity for account opening at financial institutions was key to ensuring that the intended recipients were the ones getting the benefit transfers. According to White et al. (2021), countries with digitalized ID records that relied on existing databases were the most successful in covering larger segments of the population. In the absence of them, social payment programs made trade-offs between the design ambition of the program and its delivery success. The absence of financial infrastructure previous to the pandemic inhibited the possibility for many Sub-Saharan countries to reach out to broader segments of the population. The effectiveness of these approaches is increased if countries have made investments in high-quality, integrated data.

In some countries, the efficacy of digital payments was hampered by underdeveloped payment ecosystems. Countries that invested in expanding

financial inclusion before the pandemic were better placed to leverage the more developed ecosystem to deliver payments quickly and safely. Thailand, with a developed identification and digital payments ecosystem, was able to quickly scale up emergency payments for 3 million people not covered by the Social Security Fund. Bangladesh had also achieved a relevant digitization of G2P payments with a previous cash transfer program for educational expenditures through digital payments. By contrast, in countries with low electronic payment acceptance, such as Jordan, beneficiaries received their payments through e-wallets, forcing beneficiaries to use them to withdraw cash. In some cases, the PSPs offered limited functionality for feature-phone users. Beneficiaries who lacked access to the smartphones or internet connectivity needed to make merchant payments or conduct person-to-person transfers could only use limited functionalities offered by PSPs through SMS, such as cash-outs.

Some G2P technologies offered limited opportunities for financial inclusion. Electronic nonaccount payments, such as one-time passwords and single-use codes, were leveraged by some countries that were lacking essential enablers, such as the ability to conduct remote account onboarding, but still wanted to gain some of the efficiencies of delivering payments digitally. Although this approach allowed for simplified delivery because these payments are not linked to an account, this method does not provide a gateway to other financial services that can deepen financial inclusion, such as savings, transfers, and digital payments. Peru, Namibia, and Guatemala are among the countries that used nonaccount payments (Gentilini et al. 2022).

Lack of electronic payment acceptance limited financial literacy, and constrained access to smartphones and internet connectivity to use the digital channels provided by PSPs limited digital transactions and created a strong need for leveraging cash-out networks, including ATMs and agent networks. In remote areas, where agent networks and ATMs are scarce, significant liquidity constraints hampered recipients' ability to access funds.<sup>4</sup>

Nigeria's example illustrates the challenges of reaching a large number of vulnerable people without the requisite digital financial infrastructure and data tools. The system of social transfers in Nigeria is administered through a system of electronic credits to beneficiaries' virtual wallets, but since

cash-out infrastructure is not readily available in many parts of the country, payment agents are engaged to operate pay points where beneficiaries receive cash. According to a study by ANEEJ (2020), several states faced delayed disbursements because of limited availability of electronic payments infrastructure; people had to physically queue up at payment points, compounding infection risks during the pandemic. Cases of intimidation and unauthorized deductions were also reported.

Coordination between the private and public sectors was also essential for the deployment of digital payments for G2P payments and for providing the opportunity of financial inclusion to vulnerable sectors of the population. G2P digitization requires strong coordination among relevant stakeholders, acting to accomplish a set of well-defined objectives, and sufficient institutional capacity. In countries such as Ecuador, the lack of coordination between financial and social protection authorities and the private sector was a factor in the decision to deliver cash payments instead of tailoring available tools to enable more efficient disbursement of aid. This situation increased the contagion risks among the recipients, who overcrowded cash-out points, and placed a significant operational burden on the implementation agency. Although, in some cases, the private financial sector played an important role in facilitating the distribution of payments and offered its services at no cost to both governments and beneficiaries, these incentives may have been insufficient to financially include new segments of the population.

Many countries that had not digitized G2P payments before the pandemic used the COVID-19 pandemic not only to advance digitization and leverage the convenience of digital payments but also to achieve longer-term objectives, such as financial inclusion. However, where the enablers for financial inclusion were not present, the increase in transactional account take-up turned out to be temporary.

The pandemic provided insight for private stakeholders into how to build transactional services and how much capacity people without access to banking have to use them. This learning can be applied to reaching broader underserved populations. Financial authorities also gained a clearer view of the regulatory challenges in terms of facilitating uptake of transactional

accounts and products, building interoperable and faster payment infrastructure, and creating incentives for the acceptance of electronic payments.

Financial education is a critical element, and crisis preparedness must make it an essential component. Authorities and private stakeholders invested vast resources in communicating to beneficiaries the channels and mechanisms required to access and use digital payments. However, given the time constraint and urgency to deliver emergency payments, some beneficiaries remained uninformed and unable to access and use the payment mechanisms provided by governments.

Short-term awareness of the capabilities of the e-wallets is not a guarantee of financial inclusion. The case of the Philippines with the Social Amelioration Program is illustrative. In April 2021, a qualitative survey measured the success of the Social Amelioration Program, which involved cash transfers through an e-wallet account provided by a PSP. The survey revealed limited awareness of recipients of opportunities associated with the e-wallet. Only 31 percent could correctly recall which financial service provider disbursed their allowance, and although all recipients received account-based payments, only 16 percent knew that they had an account for their Social Amelioration Program benefits. Among those who reported knowing about an account, only 60 percent knew that it had other uses (World Bank 2022b).

A “digital divide” limits digital onboarding and raises concern that the most vulnerable can be excluded. A sizable minority of people lack access to or control over mobile communications or the capacity to use them to apply for or to receive grants. This means that special measures may be needed to ensure that women and poor and vulnerable groups have access to programs. Some pilot programs have given cell phones to participants, but it is not evident that the program is scalable (for example, in Zambia).

Although DFS can be instrumental for increasing financial access and usage, it offers significant risks.

- » **Exclusion:** Lack of infrastructure and affordable data plans may affect vulnerable groups disproportionately.
- » **Discrimination:** “Arm’s-length” analytical decision-making can, in practice, be discriminatory, for example regarding minority borrowers (see box E.1).

- » **Consumer protection:** The bank supervisors have abundant regulatory and supervisory tools to protect depositors, but supervising telecoms and Big Tech companies is a different business.
- » **Data protection–related risks:** These risks may be greater for consumers with a low level of financial literacy.

### **Box E.1.** Big Data Analytics and the Potential for Discrimination with Digital Financial Services

Properly understanding and updating big data analytics, particularly when machine learning techniques are applied, requires significant resources. If not properly designed, maintained, and controlled, big data analytics could have negative implications for unserved and underserved groups. For instance, when used to automate decision-making processes, big data analytics could reinforce existing biases against disadvantaged groups unless checks are put into place to evaluate the decisions of models with respect to their impact on those groups. This can affect decisions about credit or insurance and can lead to denied access to certain services or inappropriate charges based on inaccurate or wrong correlations made without human interpretation (OECD 2018). Furthermore, end users with higher-risk profiles or a limited digital footprint might face increasing challenges to obtain financial access if the payment service provider relies heavily on big data analytics.

Big data analytics might also result in a very granular marketing segmentation, limiting the choice of products and services offered to some end users (Bazarbash 2019; EBA, ESMA, and EIOPA 2018). Therefore, it is important to make sure that big data tools are designed in a way that fosters or at least is not detrimental to financial inclusion objectives, taking into consideration the challenges associated with a low level of financial literacy and cultural, gender-specific, and religious factors.

*Source:* Independent Evaluation Group.

Developing a common payment delivery infrastructure across different G2P payment programs and different agencies of government, as well as these agencies' methods for receiving payments, may create opportunities for greater involvement of the private sector and consumers. This would imply

a unified architecture for G2P and person-to-government payments, integrating public financial management systems, social protection and other program-related systems, and the national payment system.

The digitization of COVID-19 response programs has led to an increase in account ownership. It is important to build on such accounts to create a pathway to increasing financial inclusion. At least 62 countries have leveraged account-based transfers for their COVID-19 response social assistance programs to some extent. Many of them used accounts as their social assistance payment method for the first time. However, in many cases, these account-based payments have been temporary. Unless conscious efforts are made by governments to adopt these account-based payments across other social assistance programs and government payment streams, there is a risk of reversing the important strides made in terms of building the ecosystem needed for digital payments.

Merchants' acceptance of digital payments is a key element of financial inclusion. In the future, PSPs and financial authorities can build financial products and services with G2P beneficiaries in mind. The expansion of access points for digital payments will become critical for the success of digitized G2P programs to make receiving payments convenient to recipients. In this regard, remote and electronic know-your-customer requirements are important not only for recipients but also for merchants and agents. Reducing the cost to merchants of receiving digital payments is essential to facilitate the use of digital accounts and reduce the incentives to cash out.

A key challenge is to encourage participation of merchants that are used by the vulnerable population. To the extent that individuals receiving regular G2P digital transfers do not see opportunities for making digital payments for goods and services, they are more likely to cash out their digital money and make transactions with cash. However, when their digital money is accepted for purchasing their preferred goods and services, they are more likely to keep some money in their e-wallets to pay for them.

Information on how individuals receiving G2P social transfers spend their money helps build their credit history. Further, to the extent that individuals maintain a balance in their accounts, financial institutions can offer additional services to vulnerable populations.

In the presence of a large shadow economy, merchants might be reluctant to accept digital payments, perceiving them as a government tool to enforce tax payments. Recently, the World Bank has published relevant research that offers alternatives on how to address the problem of lack of acceptance (World Bank 2022c). There are various potential incentives, including fiscal and financial incentives and early-stage cost subsidization; fiscal incentives for merchants, consumers, and PSPs; tax simplification; lotteries rewarding acceptance or use of electronic payments; and loyalty cards.

Review of the literature offers the following points:

- » Holding large sums of money makes micro and small merchants vulnerable to robbery. Access to secure means of exchange should provide comfort.
- » Micro, small, and medium enterprises (MSMEs) are typically credit constrained. To the extent that they see they may gain access to credit using digital accounts, their interest in digital payments may increase. The Kopo Kopo program in Kenya, Rwanda, and Tanzania has provided lending to MSMEs using digital payments. The amount of the credit depends on the volume of transactions made through digital accounts, so merchants have the incentive to increase the use of such payments (World Bank 2022c).
- » Since recipients of G2P transfers do not see the opportunities associated with entering into the digital payment ecosystem, they still have a preference for cash.

Partial credit guarantees may offer a means to boost interest from merchants in receiving digital payments and interest from financial institutions in providing lending to merchants. A second incentive operation would be to boost social transfers slightly if they are used to make digital or mobile payments instead of taken as cash-outs.

Efficiency in G2P technologies is an important step that needs to be complemented by interventions that support a payment ecosystem and acceptance of digital payments by MSME merchants. The G2Px initiative within the World Bank Group coordinates among different Global Practices (including Social Protection and Jobs; Finance, Competitiveness, and Innovation; and Governance) to offer holistic solutions to clients. This may enable the Bank Group to ensure that countries can establish not only adequate connectivity and digital infrastructure but also the incentive structure to facilitate



financial inclusion. As the focus shifts from crisis response, the future offers the opportunity to develop such an integrated approach.

An additional area that requires further attention is the role of DFS in the “Graduation Approach” (CGAP 2019).

## Role of the Bank Group in Supporting Financial Inclusion Through DFS

The World Bank undertakes global and regional studies on fintech trends and thematic analytical reports, and directly supports country authorities in adopting fintech through technical assistance and lending projects. The World Bank is also increasingly incorporating analysis of fintech developments in Financial Sector Assessment Programs (for example, in Indonesia and Thailand). More broadly, DFS access is seen as pivotal to advance broader development objectives.

Bank Group activities include the following:

- a. **Identification for Development:** This is a cross-sectoral program to support the development of safe, reliable, and efficient ID systems. The goal of the Identification for Development initiative is to help countries build inclusive and trusted ID and civil registration ecosystems that increase access to (and the quality of) services and economic opportunities, promote realization of rights, and empower people with more control over their personal data. Many of the activities include specific financial sector applications, such as electronic know your customer.<sup>5</sup>
- b. **G2Px:** This program seeks to intensify usage of digitization to advance public service delivery, reduce corruption, provide user-friendly services to companies, and engage citizens by modernizing core government systems and creating a public data platform for use by government, citizens, and the private sector. Since 2021, the G2Px initiative has produced a range of tools and analytical reports focusing on recipient-centric G2P program implementation. The scope of analytical work centered on (i) advancing global understanding of the state of digital G2P payments and their impact, (ii) documenting good

practices and sharing cross-country experiences, and (iii) developing technical and operational guidance on implementing good practices based on these insights.

- C. **Direct investments:** The International Finance Corporation (IFC) invests in fintech companies, working with existing banks and clients to help them incorporate DFS into traditional banking platforms. IFC works with donors and development partners to accelerate the adoption of fintech and achieve responsible financial inclusion.

The Bank Group works with client countries on DFS and fintech issues in five key areas:

- » **Legal and regulatory framework:** The Bank Group reviews existing frameworks to identify potential reforms for a more conducive environment for fintech innovation and adoption while mitigating risks. It includes support for regulatory sandboxes and other approaches (for example, in India, Jordan, Rwanda, Saudi Arabia, Sri Lanka, and Vietnam) and for reforms of the legal and regulatory frameworks for fintech (for example, in Colombia, Kenya, Mexico, Peru, and the Philippines).
- » **Financial infrastructure:** Work in this area covers institutional arrangements, legal and regulatory aspects, and the design of financial infrastructure. Fintech approaches, such as digital identification, faster payments, the use of application programming interfaces, and the use of alternative data for credit decisioning, are being incorporated. Examples include application of data and analytics to improve access to finance (for example, in Ethiopia, Uzbekistan, and Zambia) and modernization of financial infrastructure (for example, in Guyana, the Lao People's Democratic Republic, Madagascar, Mozambique, the Pacific Islands, and Pakistan).
- » **Enhancing access to transaction accounts:** The World Bank is supporting countries to harness fintech to achieve universal financial access. Examples include support to developing interoperability arrangements for mobile money and e-money systems (for example, in Afghanistan, Madagascar, and Pakistan); development of acceptance infrastructure (for example, in Mozambique and Sierra Leone); and digitization of G2P payments (for example, in Bangladesh and Ethiopia).

- » **Enhancing access to finance for individuals and MSMEs:** This is a core part of operations in countries where fintech is critical. Examples include use of application programming interface models and supporting adoption of innovative approaches by apex development banks (India); use of technologies, such as distributed ledger technology,<sup>6</sup> in agricultural value chains (Haiti); use of platform models for agricultural finance (for example, in Kenya, India, Myanmar,<sup>7</sup> Rwanda, and Tanzania); and crowdfunding and other capital market approaches (for example, in Colombia and Mexico).
- » **Institutional strengthening:** The Bank Group supports capacity building for financial sector regulators and other authorities, including by supporting the establishment of dedicated fintech units and functions and the strengthening of internal systems and processes to foster the adoption of regtech (regulatory technology) and suptech (supervisory technology) solutions.<sup>8</sup> Examples include the following: capacity building and fostering dialogue through focused roundtables (for example, in Bangladesh, Colombia, Georgia, India, Peru, and Saudi Arabia); modernization of core central bank and financial sector regulatory functions through technology (for example, in Afghanistan, Burundi, and Vietnam); and support for adoption of technology by commercial banks, microfinance institutions, and credit unions (for example, in Afghanistan, Mozambique, and Sierra Leone).

## Lessons from the Portfolio Review and Case Studies

The portfolio review shows many interventions in DFS, but most initiatives were unable to make the connections needed among stakeholders to create the conditions for financial inclusion.

G2P interventions are an entry point for financial inclusion, but its effectiveness depends on other efforts to create the digital ecosystem. The example of the Philippines with its Social Amelioration Program, described in this appendix, illustrates this problem.

In the case of Tanzania, IFC supported the merchant channel, which according to IFC staff was influential in enacting legislation regarding interoperability of QR codes and merchant numbers. IFC staff suggest that the program has been effective in increasing acceptance of mobile payments by

the MSME sector. In this regard, IFC can play an important role in onboarding the MSME sector.

Although the problems of lack of national identification, including digital ID, are common among the countries in the portfolio review analysis and case studies (for example, in Indonesia, Nigeria, Tanzania, and Mozambique), the World Bank supported the Philippines in this area. The World Bank Identification for Development program could be an important enabler for future financial inclusion to the extent that it is followed up by other downstream interventions.

In the absence of digital ecosystems, the creation of mobile accounts can be unsuccessful for financial inclusion. In the case of Pakistan, where there were 78 million mobile accounts by December 2021, the proportion of people who make digital transactions is significantly lower compared with regional competitors, such as Indonesia and India. Although the World Bank focused largely on payments, other areas of financial inclusion require further development.

Finally, supporting competition in the provision of financial services is an essential component of the agenda. In this regard, the efforts are needed not only to allow the fintech industry to compete with the traditional banking sector but also to ensure that regulators receive adequate training in the risks and challenges of the fintech sector. Mozambique provides an example where fintech development has been limited because of risk aversion toward innovation by regulators. The adoption of open banking can facilitate the competition of banks with nonfinancial institutions, including crowdfunding.

As big data tools become part of financial inclusion, it will be essential to work with private sector partners to ensure consumer and data protection.

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<sup>1</sup> The 2018 Bali Fintech Agenda of the International Monetary Fund and the World Bank Group defines fintech as “advances in technology that have the potential to transform financial services provision, spurring the development of new business models, applications, processes, and products” (World Bank Group 2020, 65).

<sup>2</sup> Regulatory sandboxes are real-life environments for the testing of innovative technologies, products, services, or approaches, which are not fully compliant with the existing legal and regulatory frameworks. They are operated for a limited time and in a limited part of a sector or area.

<sup>3</sup> Open banking is a system under which banks open up their application programming interfaces, allowing third parties to access the financial information needed to develop new applications and services and providing account holders with greater financial transparency options.

<sup>4</sup> Recent literature suggests that under certain conditions, agent networks can play an important role in building, including financial ecosystems in rural areas, by establishing a foundational layer of customer trust in digital financial services (Hernandez et al. 2021).

<sup>5</sup> Electronic know your customer (or eKYC) is the process of completing identity verification and other know-your-customer requirements digitally.

<sup>6</sup> A distributed ledger can be used to record static data, such as a registry, and dynamic data, such as financial transactions. Blockchain is a well-known example of a distributed ledger technology.

<sup>7</sup> All World Bank Group activities relating to Myanmar have been on hold since February 1, 2021.

<sup>8</sup> Regtech refers to applications of innovative technologies that support compliance with regulatory and reporting requirements by regulated financial institutions. Suptech refers to technologies used by supervisory agencies themselves, for example, for automating and streamlining administrative and operational procedures.

# Appendix F. Gender Deep Dive

## Background and Context

This appendix focuses on women's lesser access to and use of financial services. It summarizes the challenges related to this gender gap, academic findings about approaches to closing the gender gap, and the relevance and effectiveness of World Bank Group approaches to enhancing women's access to financial services. It draws from Independent Evaluation Group's structured literature review, portfolio analysis, case studies, and semistructured interviews with World Bank Group staff.

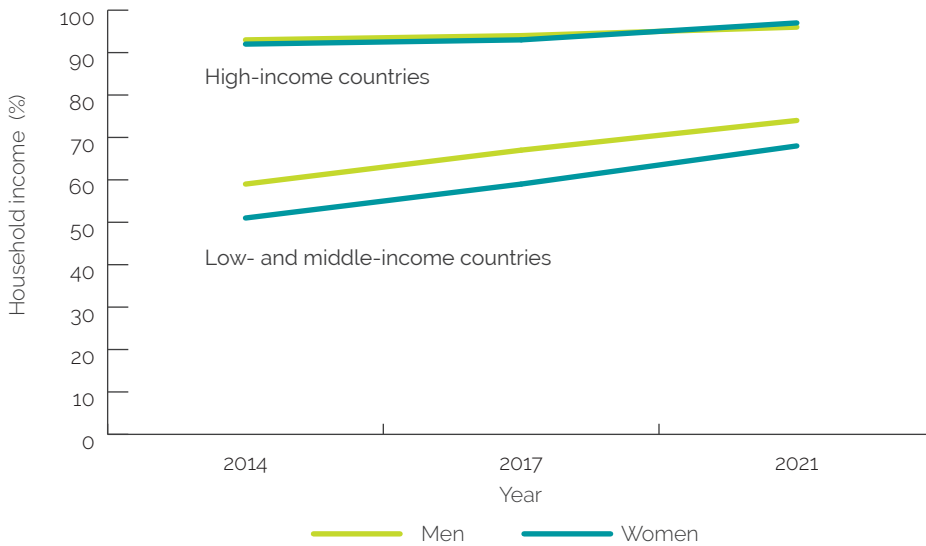
Although women have historically had less access to financial services than men, women's access to financial services has improved in recent years. Most recently, the gender gap has narrowed in low- and middle-income countries, where women's access to financial services has become more prevalent. The gap between the percentage of men owning accounts and the percentage of women owning accounts shrank from 9.6 percentage points in 2014 to 8.8 percentage points in 2017 to 6 percentage points in 2021 (figure F.1).

However, the gender gap in access to financial services has varied widely in developing countries depending on country characteristics. In some countries (for example, Uganda, India, Mali, and Peru), the gender gap has narrowed as overall account ownership increased. In other countries (such as Bangladesh and Pakistan), the gender gap has narrowed without an increase in overall account ownership (Demirgüç-Kunt et al. 2022). The gap in both groups of countries persisted in part due to legal and cultural norms. Such norms may affect the gender gap directly through restrictions on women's legal rights and privileges. They may also affect the gender gap indirectly, through women's differential mobility, access to technology, documentation, literacy and numeracy, and economic roles in families (see, for example, World Bank 2018).



**Figure F.1.** Account Ownership over Time by Gender and Country Income Classification

a. Inequality of account ownership by gender



Source: Global Findex 2021 (Demirgüç-Kunt et al. 2022).

Cultural, economic, and legal norms have tended to limit women’s access to finance. Discriminatory laws can reduce women’s demand for financial services. Limited access to and control over property may constrain women’s ability to provide collateral for loans. Similarly, differences in how women are treated can make their access to identification, required by know-your-customer regulations, more burdensome. There can be legal and regulatory restrictions on women’s ability to obtain a national identity (ID) card or passport or to register the birth of a child. Laws can also limit women’s agency and mobility in ways that hinder their access to finance. In some countries, women require their husband’s consent to open a bank account. Laws restricting women’s access to formal employment, which is highly correlated with account ownership and use, also constrain their access to finance. Limits on women’s rights to asset ownership (for example, through family, inheritance, and land laws) may also constrain their ability to access credit with collateral. Finally, even where laws are reformed to enhance gender equality, women’s lack of a financial history may constrain their access to finance (World Bank 2018).

Similarly, unaddressed digital access constraints limit women's access to and use of digital financial services. Legacy digital inequalities exist along the lines of gender, economic class, education, race and ethnicity, age, disability, and rural versus urban location (Robinson et al. 2020; Scheerder, van Deursen, and van Dijk 2017). A study on information technology usage in the United States, Sweden, Japan, Republic of Korea, and Singapore reveals that inequality in dimensions such as education, income, and gender carries over into the digital realm. The researchers conclude that sizable gaps in usage remain even among industrialized nations (Ono and Zavodny 2007). Many economies have leveraged mobile phones and national identification systems to provide relief to citizens. But women are at risk of missing out because they are less likely than men to have access to these tools. Strengthening digital connectivity, digital literacy, affordability, financial capabilities, financial infrastructure, and regulations (for example, consumer protection, data security, and supervision regulations) that enable the development of a healthy financial system will help address the digital divide between men and women and build financial resilience to mitigate future economic crises (Hess, Klapper, and Beegle 2021).

Independent Evaluation Group's structured literature review found the impacts of financial inclusion interventions on gender outcomes are generally positive, but both small in magnitude and varied in effect. However, the impacts depend on program design, and most of the reviews highlight that it is sometimes difficult to disaggregate the impacts stemming from elements of program design (such as providing training and mobilization) from those resulting directly from women's access to and use of financial services. In studies where disaggregation was possible, the impacts of gender-specific program features focused on women's empowerment were larger than those of features focused on access to financial services (Chliova, Brinckmann, and Rosenbusch 2015; Peters et al. 2016). The major drivers of empowerment revolve around group activities and training on women's rights. The evidence of impact also tends to be circumstantial, such as interhousehold dynamics on decision-making and prevailing gender norms (Peters et al. 2016).

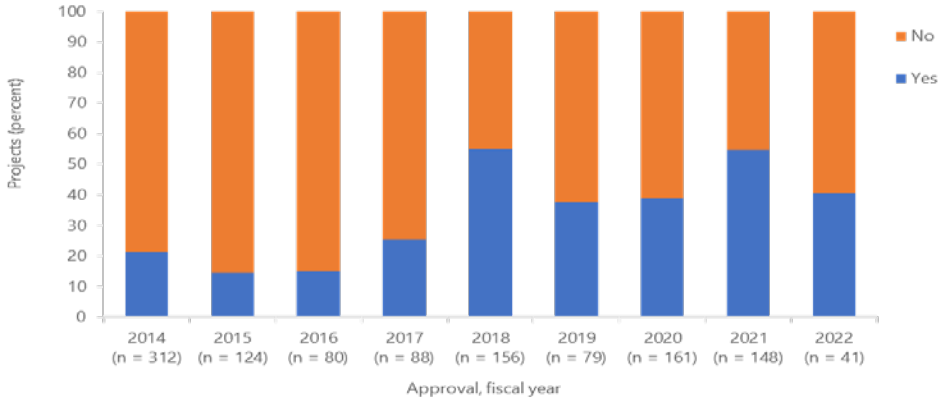
Women's economic empowerment, voice, and agency are key factors related to their financial inclusion. Differences in women's education and employment may shape their use of financial services. For example, a recent study

finds that, in India, education and wage discrimination contribute to the fact that female-headed households are less likely to access formal finance and more likely to access informal finance than male-headed households (Ghosh and Vinod 2017). A broader range of factors, including social status (caste), age, and location in addition to education and employment are important in explaining women's lower usage of finance. Fiala (2018) finds that loans, grants, and training, offered randomly, had no short-term effects on the profits of female entrepreneurs. For male-owned businesses, loans had a large effect on profits, but grants had no effect. Discussions with the women indicated that the poor performance of female-owned businesses was due to push back from family members regarding investing the money in their businesses. The discussions also revealed that both men and women used the grants mostly for immediate household expenses.

## Relevance

The number of Bank Group financial inclusion projects targeting women beneficiaries increased sharply in FY18, potentially in response to the 2016 Gender Strategy. The World Bank's Gender Strategy FY16–23 (World Bank 2015) describes strengthening women's access to finance as an instrument to enhance women's economic empowerment, voice, and agency. Beginning in FY18, more projects explicitly targeted women as beneficiaries of financial services and explicitly tracked their access or use with sex-disaggregated indicators (figure F.2). After a spike in FY18, the share of projects with gender components plateaued at twice their previous average (roughly 40 percent compared with a prior 20 percent). In its country case studies, Independent Evaluation Group found this increased focus on gender at the country level as well.

**Figure F.2.** Projects Targeting Women as Beneficiaries by Approval Year



Source: Independent Evaluation Group portfolio review and analysis.

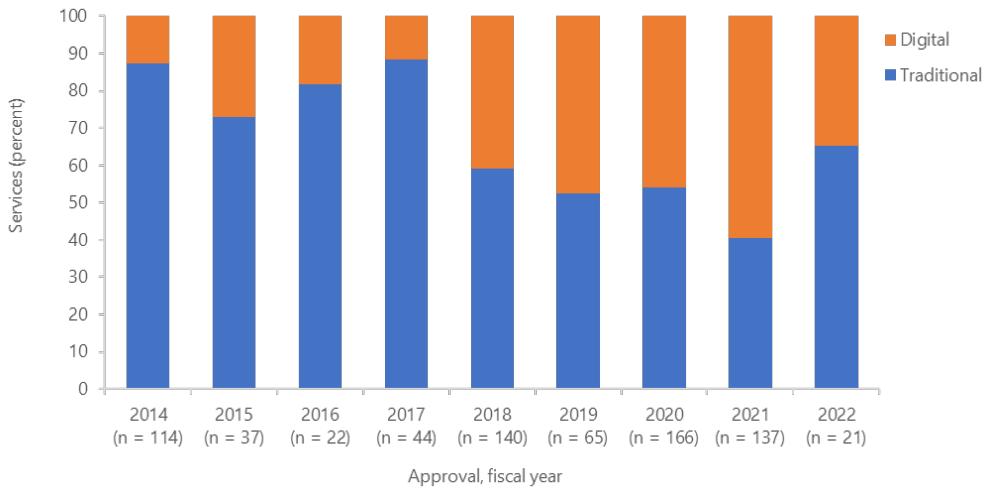
Note: Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

Delivery of projects targeting women as beneficiaries through digital means increased starting in 2018, with a peak in 2021 in response to a Bank Group shift to focus on digital financial services. Starting in 2018, more services targeting women beneficiaries used digital means as a delivery method. After a spike in FY18, the number of projects continued to increase, and in FY21, more than half of the portfolio with women beneficiaries (59 percent) was delivered through digital means for the first time (figure F.3).

Where the financial inclusion portfolio addresses the gender gap in access to finance, it focuses largely on interventions that aim at enhancing women’s economic opportunities and less so on enhancing voice and agency. Some priority is placed on women’s economic empowerment. For example, a World Bank Moroccan investment loan aimed at strengthening micro-entrepreneurship for disadvantaged youth (P144134) used gender analysis to map paths through which women could benefit from the supported program. The project exceeded its target for the proportion of women beneficiaries and the proportion of women completing entrepreneurship training. However, only two percent of Financial Inclusion projects focused on increasing access to finance as a way to enhance their voice and agency—that is, by changing women’s roles and increasing their decision-making power.

For example, a World Bank investment project in India (P102329, Rajasthan Rural Livelihoods) stated its aim of institutionalizing and empowering women from poor households to articulate, negotiate, and advocate their key development concerns and priorities with local governance structures, government agencies, and the market.

**Figure F.3.** Service Delivery in Projects with Women Beneficiaries by Approval Year



Source: Independent Evaluation Group portfolio review and analysis.

Note: One project may support multiple services. Distribution is projected according to expansion factors calculated using a stratified random sample of World Bank ASA and unevaluated projects. The sampling framework considered institution, instrument, region, and country income level as strata. Caution: Unmodeled variables (not considered in the strata) may result in biased estimates. Fiscal year 2022 considers projects approved by December 31, 2021 (or effective by December 31, 2021, for Multilateral Investment Guarantee Agency projects).

In line with the Bank Group’s shift toward a greater focus on gender inequality, several of its country engagements increasingly targeted women’s financial inclusion over the period. In the Philippines, although both country strategies noted that gender would be mainstreamed, the most recent Country Partnership Framework (CPF; for 2019–23) emphasized explicit support to address gender inequalities, including through empowerment of poor and vulnerable people and economic growth. The Tanzania Country Assistance Strategy for 2018–22 proposed to design tailored financial products for micro, small, and medium enterprises and women. The Nigeria CPF for 2021–25 supports financial products tailored for women. In Pakistan, the CPF focuses on strengthening financial inclusion for women, the poorest households and districts, and micro, small, and medium enterprises.

Although the Pakistan CPF has gender disaggregated indicators for number of accounts and account ownership, these indicators do not measure progress at the national level.

However, several World Bank country strategies did not identify women as target populations for financial inclusion. The Mozambique CPF only identifies micro, small, and medium enterprises as a group of particular relevance to enhancing access to finance. It does not specifically identify women or other groups as objectives for its support. Similarly, the Bangladesh Country Partnership Frameworks generally supported the national financial inclusion strategies but did not target women or other underserved groups.

Moreover, focus on women was not consistent across projects—most projects that identified women among their beneficiaries did not contain explicit measures focused on addressing gender inequalities. Specifically, only 43 percent of all financial inclusion projects whose documents mention women as beneficiaries have well-specified gender-related objectives. In many cases, projects identify women among their beneficiaries, but do not contain activities tailored to women. For example, the documentation for India’s Scaling Up Sustainable and Responsible Microfinance Project (P119043) specifies that it benefits women in terms of increased income, reduced vulnerability, and empowerment, but does not explicitly target any of its actions at women.

In addition, many projects in the financial inclusion (FI) portfolio do not address constraints specific to women. Only seven percent of FI projects explicitly focus on addressing upstream enabling environment constraints related to gender. One rare example is an International Finance Corporation (IFC) advisory project in the Arab Republic of Egypt that aimed at enhancing women’s economic participation by strengthening legislation prohibiting gender-based discrimination in access to finance. In terms of downstream interventions directed to financial intermediaries, only 4 percent of projects explicitly address constraints specific to women, for example through product design and delivery channels that meet women’s needs. For example, a World Bank investment lending project in India (P177886 SEWA 2025 Digital Financial Inclusion investment project financing) included an assessment of the specific needs of women in the informal sector to increase adoption rates

of mobile banking. Projects explicitly addressing social norms constituted three percent of the FI portfolio.

Compared with the overall portfolio, support targeting women as beneficiaries went mostly to credit services, with less emphasis was on payments services. About 70 percent of the support to female beneficiaries went to credit services (compared with 60 percent in the overall portfolio). By contrast, only 19 percent of the projects targeting women supported payment services compared with 30 percent of the overall portfolio. As observed in the main evaluation, World Bank investment financing is relatively more focused on credit and savings services, whereas policy operations focus more on supporting payments, insurance and savings. IFC investments focus on credit, whereas IFC advisory services support a broad range of services.

## Effectiveness

To the extent that it tracked outcomes, the Bank Group's support for financial services to female beneficiaries had mixed results. The average success rate of support for credit services was 72 percent, compared with 86 percent for payments (86 percent) and 100 percent for savings. By instrument, IFC investment services interventions that identified women as beneficiaries were 67 percent successful whereas IFC advisory services investments aimed at FI for women were 70 percent successful.<sup>1</sup> World Bank investment project financing aimed at women's financial inclusion was 86 percent successful.

In evaluations, project success for activities focused explicitly on women was mainly attributed to good project design. For example, the World Bank met success with investment project financing in Egypt (P146244, the Promoting Innovation for Inclusive Financial Access investment project financing) to help youth and women to gain access to innovative credit mechanisms. The project success was attributed to a design with sufficient operational detail that was well informed by experience. By contrast, an IFC investment in Paraguay that aimed at enhancing women's access to microloans was unsuccessful because of its complex design and inadequate identification of risks.

Evidence that Bank Group support improves gender-related outcomes was rare, and impacts are difficult to disaggregate by gender. Interviews suggest that the lack of sex-disaggregated data are a leading challenge in pursuing

and documenting progress in women's financial inclusion. Only 12 percent of evaluated projects generated evidence that FI interventions improved outcomes for female beneficiaries. In general, gender outcomes were difficult to separate from outcomes for other underserved populations, with projects often lacking specific indicators to distinguish them. For example, a World Bank investment project (P102329 Rajasthan Rural Livelihoods investment project financing) intended to enhance the economic opportunities and empowerment of women and marginalized populations by facilitating access to financial services and technical assistance to enable livelihood investments. Although the project showed success in reaching the target population, evidence of outcomes was uncertain because the results framework included no outcome indicators on access or livelihoods for these groups. Another World Bank investment project (P102330 Northeast Rural Livelihoods Project) showed impact evidence of enhanced rural livelihoods of women, unemployed youth, and the most disadvantaged, but it was impossible to differentiate between the groups. As noted above, recent projects are more likely to have gender disaggregated indicators. Thus, it is anticipated that in such projects it will be easier to disaggregate outcomes by gender.

## Implications

- » Gender requires a holistic focus on enabling factors as well as service delivery and an explicit targeting of women as beneficiaries.
- » Gender focus requires diagnostics that map solutions to specific constraints faced by women in country context.
- » Learning what is needed and what works requires gender disaggregated data, targeting and indicators.
- » Women's empowerment may be at least as important an objective as financial inclusion itself. There can be a mutually reinforcing relationship between the two—empowerment enhances use of financial services, and access to useful services enhances women's economic and social empowerment.
- » The Bank Group has moved toward improving gender tagging of projects and gender disaggregated indicators, but substantial challenges remain in tracking and understanding direct and indirect project outcomes for women.



- » Beyond the project level, there remains an important unmet knowledge gap on whether and how women can benefit from financial inclusion and what services and project designs will benefit them the most.

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<sup>1</sup> As noted in the main evaluation, the business model and risks of IFC investments make it difficult to compare their success rates (which involve commercial risks) to other instruments such as World Bank investment lending.

# Appendix G. Country Case Studies Summary

## Background: Case Study Methodology and Comparative Analysis

Case study countries were selected via a purposeful sample from the countries under the Universal Financial Access 2020 initiative. Universal Financial Access 2020 initially focused on 25 countries where over 70 percent of the financially excluded people in the world live. The team selected the purposeful sample considering several objectives and country characteristics: (i) reasonable representation of countries by income level, region, and conflict and fragility status; (ii) diversity of experience in actual gains in financial inclusion (FI) over the evaluation period; and (iii) having large enough portfolios to ensure the availability of evaluative evidence.

In total there were 10 country case studies. Six case studies had field visits and four were reviewed on a desk basis. Desk-based country case studies reviewed documentation and available indicators and involved a limited number of virtual interviews with a few World Bank Group staff. The four desk-based case study countries were Brazil, Indonesia, Pakistan, and Tanzania. The six field-based case study countries were Bangladesh, Colombia, the Arab Republic of Egypt, Mozambique, Nigeria, and the Philippines.

Case study preparation was collaborative. Case study authors prepared case studies based on standard templates of questions. Then all case study authors participated in a workshop to exchange insights and generate hypotheses. Subsequently, the authors marshaled evidence on those hypotheses from the case studies they led. They then compiled and organized evaluative evidence regarding the confirmation or rejection of the hypotheses.

## Case Study Summaries

The following pages contain summaries of the 10 country case studies conforming to a standard template covering background, overall relevance, adaptation to COVID-19, effectiveness, and lessons from each country.

### Bangladesh—Field Study

Bangladesh is a lower-middle-income country (LMIC) with a majority rural population and high vulnerability to climate change and natural disasters. In 2022, over 60 percent of the country's population lived in rural areas and were not well served by banks. Additional constraints on FI included social norms, low state capacity, and the lack (until recently) of a national FI strategy.

Significant gender and rural gaps persist. The gender disparities result from a conservative social culture for women that limits their access to financial services. Several economic challenges also bear on FI. In particular, nearly half of the country's population works in agriculture. Moreover, a substantial share of the population has remained largely at the subsistence level. Finally, there is a need to create jobs, improve human capital, build efficient infrastructure, and attract private investment.

### Relevance

Inclusive finance for inclusive growth has been a policy issue in Bangladesh since the global financial crisis in 2008. Historically, the country has placed great emphasis on FI, and its focus has been on financial intermediation, with encouragement to women entrepreneurs in micro, small, and medium enterprise (MSME) development programs. The country's central bank has led FI work. The country has had a history of promoting FI on its own, especially among women, with uneven results.

Broadly speaking, Bank Group strategies have aligned with Bangladesh's FI goals since 2016. Bank Group strategy documents for Bangladesh from 2010 to 2014 did not prioritize FI. The Country Partnership Framework 2016–20 acknowledged that FI remains challenging for women, small and medium enterprises (SMEs), and farmers, who suffer disproportionately from lack of capacity, weak credit market infrastructure, information asymmetries, and

risk aversion. It also indicated that to enhance FI, the Bank Group would work with financial institutions to increase access by the underserved, including women, while strengthening the legal and institutional framework. Finally, International Finance Corporation (IFC) planned to expand financial access and inclusion through investment and advisory services to promote electronic and mobile payments and through additional services to strengthen MSME banking and women's access to finance.

The Bank Group's support went beyond access, supporting technology adoption and security. The work of the Bank Group on FI was modest because other development partners were working more actively on FI. Generally, the World Bank has worked on upstream financial sector issues, including stability and banking reforms. World Bank programs in the country supported the delivery of government-to-person (G2P) payments. Two development policy loans (DPLs) supported relevant parts of the government's program of reforms. One sought to address the country's job challenges by adopting emerging technologies in the financial sector. The other sought to ensure the security of fund transfers from safety net programs and improve the access of poor and vulnerable populations to the benefits. Meanwhile, IFC has been working on the newer areas of digital financial services (DFS) and providing partial credit guarantees to induce commercial banks to support SMEs that lack adequate collateral to back their loans.

The Bank Group had a limited role in formulating Bangladesh's national financial inclusion strategy (NFIS). The United Kingdom Department for International Development supported the development of the entire strategy. Bangladesh found implementation support from the Asian Development Bank, which has provided the services of two consultants to assist the NFIS Administrative Unit in the Bangladesh Bank with developing the implementation agreement, the monitoring and evaluation function, and the details of the overall budget.

The Bank Group provided limited downstream support for FI in the country. The World Bank used some of its crisis response to COVID-19 to promote FI by supporting digitalizing government payments and channeling social safety payments through new or existing payment accounts. IFC provided limited downstream technical assistance to financial institutions for

reaching women and underserved clients through digital and traditional services via financial intermediaries, microfinance institutions, and mobile financial services providers.

## COVID-19

The government's FI efforts during COVID-19 were essential for reaching beneficiaries in a timely and secure fashion. The shift toward DFS was already helping to advance FI before the pandemic. The lockdown and social distancing during the COVID-19 pandemic accelerated the use of DFS and enabled the government to provide quick and secure financial support to hard-to-reach people and businesses. The government made social safety net payments and supported unemployed workers in the readymade garments industry using bKash, a mobile financial services and payments system. bKash (an IFC client) leads the digital payments market with about 80 percent of the market. IFC's equity investment in bKash in 2013 supported a major initiative that became the backbone of DFS in the country during the pandemic. In addition, the electronic know-your-customer initiative allowed the opening of digital accounts using mobile phones.

The payment systems supported by the World Bank during the pandemic were relevant and timely. The World Bank supported digital social safety net payment delivery under its programs for modernizing the social safety net systems for the poorest using information technology. Payments were made electronically through biometrically enabled electronic payments solutions using post office debit cards and monitored by an automated management information system. Interoperability mechanisms enabled the establishment of a single registry to transform the cash transfer program from manual, fragmented, and paper-based processes to an automated, integrated, and electronically managed system.

The World Bank and IFC have worked well with other donors but not in close coordination. Staff from both entities reported working closely on FI with their government counterparts. However, despite the communication between them, their approaches were largely independent. They attested to a coordinated working relationship, but the two offices are physically distant.

Although they were both engaged in FI, there was little in common between the projects they supported.

## Effectiveness

The Bank Group's effects on gender, digital finance, and helping the underserved have been modest. The country has made limited progress in terms of women gaining access to banking services and digital finance. Steps to reach the poorest people in rural areas for social safety net payments have also been limited. Over the evaluation period, the World Bank's social safety net programs addressed some issues related to reaching the poorest segments of the population and improving the efficiency of service delivery.

At the country level, the Bank Group had a varied but positive effect on aspects of FI. Although allowing its development partners to engage more actively on FI, the World Bank is working on higher-level issues in the financial sector (including financial stability and reforming the banking sector) that are potential bottlenecks to offering new and creative FI products to the underserved. Furthermore, the World Bank has supported the adoption of emerging technologies in the financial sector by key ministries and safety net programs to ensure the security of fund transfers to poor and vulnerable populations and improve their access to benefits. IFC has helped develop and grow the largest mobile financing service provider in the country.

## Lessons Learned

- » Long-term engagement with a strong country presence and capacity is important for the Bank Group to make a significant impact. The case study found limits to World Bank Group support and strategic clarity on FI in recent years, with much of its emphasis in the financial sector on system stability, governance and efficiency versus inclusion. It found a need to better define Bank Group engagement areas, with rural digital financial inclusion highlighted as having strong potential.
- » Having the necessary skills, either in the field in the country or region, or having rapid access to those skills from within the Bank Group, is important for delivering results. To address the opportunity for inclusion posed by DFS, some reskilling may be needed.



- » Programs and projects must be tailored to the country’s needs and the capacity of key partner agencies in the government. Greater attention, for example, is needed to tailor interventions to the needs of women and to poor and rural households where demand for services and financial literacy can be limited.
- » Coordination between the agencies of the Bank Group and between the different units in the World Bank could add greater value to the Bank Group’s support for FI. The case study found that while there was some communication between the World Bank and IFC, their approaches on financial inclusion are largely independent of each other. There were also missed complementarities across Global Practice teams, such as between the Financial Institutions Group and Social Protection and Jobs.

## Brazil—Desk Study

Brazil is an upper-middle-income country that has long had policies to support FI. As of 2013, 100 percent of Brazilian municipalities were served by some type of facility provided by a formal institution delivering a basic set of financial services. Factors contributing to this success include expanding a national correspondent banking network, growing microfinance and cooperatives, and increasing incomes at the bottom of the economic pyramid due in part to well-targeted government transfer programs such as Bolsa Familia. As a result, Brazil has one of the highest levels of penetration of bank accounts among emerging economies—approximately 60 percent of adults have an account. Brazil’s efforts to build this enabling environment for a DFS ecosystem include the recent Open Data Portal, which facilitated electronic know-your-customer systems and remote account opening.

Despite these improvements, there are still barriers to FI in the country. Brazil has one of the most profitable banking industries. By 2003, the five biggest banks had 50 percent of the banking system’s total assets; in 2021, they had over 80 percent. Smaller banks operate only in limited market segments. This situation has made banking very expensive, with consumers paying triple-digit interest rates in some segments. Moreover, there are imbalances in gender, with women less represented in the financial landscape, and in terms of MSMEs, which are impacted by the high costs and low offer of credit subsidies.

## Relevance

The Bank Group's strategies for Brazil contain relevant considerations for enhancing FI, particularly regarding some priority areas such as financial literacy and women-led MSMEs. Although Brazil has been recognized in the past decade for its achievements in financial access, the Bank Group's strategies recognized challenges to be addressed. They focused on providing technical assistance to the government and private institutions for advancing FI through social programs, contributing to the debate on credit and public bank performance, supporting public banks to design appropriate policy interventions, and targeting low-income and underserved groups. Although Bank Group strategies include MSMEs as key beneficiaries from FI actions, they do not consistently consider women, low-income communities, and vulnerable groups as target populations, revealing a less coordinated FI strategy for these groups.

World Bank and IFC engagement aligned with the main country needs during the evaluation period. As identified in strategic documents, Brazil has development challenges concerning low productivity and competitiveness, a large credit gap between populations and regions, unequal development, inefficient public spending, lagging human capital, and an aging population. World Bank FI-related projects target those strategic goals by supporting financial access to small and medium size clients. Other projects combine more than one engagement area, simultaneously supporting MSMEs' and women's participation.

Although overall Bank Group support in Brazil has increased since 2019 in terms of the number of projects approved, commitment amounts are low compared with previous years. IFC investment services (IS) projects have dominated the past decade of FI interventions in Brazil, mainly on access to credit for MSMEs. IFC advisory services (AS) have prioritized digital payments and have developed technical assistance to reach low-income populations such as women-owned businesses and migrants and microenterprises in frontier regions since COVID-19. World Bank DPLs focused on providing access to SMEs and rural producers. World Bank advisory services and analytics have been focused on the institutional segments more affected by financial constraints, targeting financial intermediation costs,

interoperability, insurance market development, and credit allocation. The Bank Group had minimal collaboration with other donors, with few cases of complementarity.

## COVID-19

The COVID-19 pandemic resulted in increased financial services usage. An essential catalyst for FI through digital payments in Brazil was the central bank's 2020 launch of PiX, a real-time payment system. By 2022, Brazil remained the regional FI leader, with a lower gender gap and the highest access to financial institutions services for the poorest 40 percent. The World Bank provided analytical services to support a better recovery, and IFC provided downstream support to improve quality and affordability.

The Bank Group approved up- and downstream support to overcome pandemic-related challenges. The World Bank aimed to support a more productive, sustainable, and equitable private sector recovery by providing analytics and knowledge to help design policies that would accelerate regulatory reform, financing for the private sector's climate transition, adaptation investments, and digital transformation. The IFC delivered financing and advisory support through operations such as investments in financial technology (fintech) services providers. The objectives were to improve the quality and affordability of personal unsecured loans without requiring collateral deposits and to expand lending access to low-income migrants and microenterprises in frontier regions in the aftermath of COVID-19.

## Effectiveness

Upstream, the Bank Group played a successful role in promoting an adequate regulatory and supervisory framework seeking to improve financial access and use in the country. There is evidence that the World Bank influenced the government's agenda through the regulation of microfinancial services, such as improving mortgage finance conditions by increasing private sector participation, and the mobilization of market resources while ensuring the affordability of mortgage loans. (However, a comprehensive reform of the earmarked system is still needed.) Also, in terms of the credit bureau, a new policy was adopted, enabling sharing of positive data where only

negative credit data had been shared, reducing information asymmetries for borrowers and broadening access to finance. In terms of digitized movable assets, Brazil adopted the “*duplicatas electronicas*” regulation to help scale up digital invoices for MSMEs. Other World Bank–supported efforts, such as designing a new financing model for export credit guarantees, were not adopted, mainly due to a change in government administration.

The Independent Evaluation Group (IEG) identified flaws in project design, inadequate links between activities and expected results, and operational difficulties that prevented goal achievement in some FI interventions. IFC staff working in the fintech sector in Brazil have recognized limitations in reaching the most vulnerable populations. The business sustainability of emerging companies makes it almost impossible to achieve profitability just by serving the underbanked. In the long term, successful online based digital banking platforms have served the entire spectrum of the population, including underserved groups.

In three projects, IFC influenced FI beyond access. It encouraged the use of payment products by increasing demand through training or managing agents, developing financial literacy campaigns, and initially subsidizing mobile payment products. It also expected to deepen outreach to frontier regions to reach targeted underserved populations, including underbanked low-income people, particularly through the payment of social welfare program transfers. Other projects for MSMEs included the development of a gender intelligence strategy with financial institution collaborators, identifying ambassadors, developing key performance indicators on gender diversity, sensitizing the sales force through training workshops on gender intelligence awareness, and developing strategic alliances. Similarly, with commercial banks, it delivered online training to strengthen business management and finance skills, digital capabilities, and self-esteem of MSMEs with a special focus on women-owned and afro-descendent businesses.

## Lessons Learned

- » IFC’s mixed strategy (which IEG questioned in early Implementation Completion and Results Report Reviews) shows positive and promising outcomes. The mixed strategy focuses on the potential beneficiaries of FI

products in a highly concentrated market. It works with big banks while supporting fintech and small companies aiming to disrupt the market with innovative products and services.

- » The Bank Group should be ready to partner when a crisis triggers the need for cash transfers and should nurture the partnership in advance. In the face of a crisis, the Bank Group should be ready to promote FI systems and adopt DFS to enhance social protection. Before a crisis, government awareness of the relevance of financial access accelerates the delivery of advisory, whether focused on specific social groups or universal services.
- » Building on the experience of past projects' lessons is crucial for promoting target fulfillment. Operations whose technical design drew on lessons from previous similar operations and analytical work undertaken by the World Bank in recent years resulted in high achievement rates.
- » The appropriate selection of partners is crucial for an intervention's success. Good partners included clients large enough to contribute substantially to leverage IFC's funds or clients that responded well to performance-based grant schemes for the client to reach the stated targets.
- » Alternative debt finance, insuretech, and open-source payment services (for example, by using virtual currencies) seem to have a large potential. To date, the Bank Group has not been able to participate because of the risk tolerance of the institution and a lack of expertise and underwriting. Private financial institutions are working on it.

## Colombia—Field Study

Colombia is an upper-middle-income country whose population has limited access to financial services despite high-level public ownership of the FI agenda since 2006. Although Colombia made progress in access to formal financial services from 2006 to 2014, the country's access levels were low compared with international comparators and were mainly focused on women and the rural population. Moreover, financial products were used widely, highlighting the need to translate access into efficient use. Recent evidence suggests that this situation prevails in the country, with room for improvement to promote better usage, innovation, and a more diverse payments ecosystem, including DFS.

Some of the main challenges for FI in Colombia relate to costs, income, behavior, and infrastructure. High costs and insufficient funds prevent a substantial fraction of the population from entering the financial system. Many micro-entrepreneurs have excluded themselves from access to formal financial products. The country's need for financial literacy undermines efforts for FI. Information and communication technology infrastructure has limited reach. Moreover, it lacks interoperability, limiting the benefits of digital inclusion. Furthermore, the lack of structural reforms and coordination between authorities and the private sector prevents digital finance from reaching its full potential. Meanwhile, fintech firms have the potential to contribute to increasing competition in the sector, with a significant portion targeting the nonbanked population and deepening access to credit and payments. It is very expensive to extend access to credit to the bottom of the pyramid.

## Relevance

The Bank Group's strategies for FI in Colombia evolved throughout the evaluation period, primarily driven by the growing role of DFS in deepening reach to traditionally underserved groups. The Bank Group's strategies identify Colombia's binding constraints on FI. The proposed interventions first focused on supporting a proper environment for MSMEs and individuals, particularly through strengthening collateral registries and insurance coverage, and advising financial institutions on product development. In recent years, interventions have emphasized strengthening the payments system, enabling digital infrastructure, and fostering competition. Supporting the financial literacy agenda has been a priority in all strategies. However, the strategies have been less focused on other FI actions targeting vulnerable groups such as low-income populations, women, MSMEs, and rural populations.

## COVID-19

The COVID-19 crisis response catalyzed focus on use and collaboration with other donors. IFC technical assistance has focused on capacity building and product development to enable financial access and deepening. Indeed, while the entire portfolio focused on access, during the pandemic, IFC approved both IS and AS targeting microenterprises with an increasing focus on payments. The COVID-19 response accelerated digital payments

and credit solutions with the potential to promote FI for underserved and excluded groups. Although there had been a lack of public-private collaboration on payments, that changed during COVID-19. Also, in response to COVID-19, the World Bank and other donors worked to play complementary roles. The World Bank undertook a significant collaboration with United States Agency for International Development, which complemented IFC's work on movable asset-based lending. Multilateral Investment Guarantee Agency also complemented IFC and World Bank financial inclusion support in Colombia during COVID-19 by providing a credit enhancement to a commercial bank and to a state-owned enterprise to support access to finance for women, low-income housing and liquidity to MSMEs to help mitigate the expected adverse impact of the pandemic.

## Effectiveness

Although multiple donors supported the NFIS, the World Bank supported critical elements in its formulation. In 2020, The World Bank supported the strengthening of consumer protection, governance frameworks, and policies. As recommended in the Financial Sector Assessment Program, the government also received support from the World Bank building on international experience with Open Finance. As a result of this joint work, the Colombian government issued a regulation (Decree No. 1297/2022). The World Bank also helped institutionalize the MSME survey, which included specific modules on gender and digital capabilities.

There is evidence that downstream interventions led by IFC enhanced innovation, focused on excluded populations, and had effects beyond access. IFC successfully supported the first nontraditional fintech for electronic payments. It primarily focused on low-income populations and informal microenterprises. IFC also supported a fintech that engaged in payments for government cash transfer programs, encouraging access and use by providing debit cards. Although IFC did not systematically track its effects on the underserved, micro evidence suggests that IFC interventions have benefited microentrepreneurs with loans used mainly for working capital in urban areas, potentially leaving a gap in support to rural areas.

There is evidence that the Bank Group support related to COVID-19 was effective but not necessarily sustainable. The World Bank's contribution during the pandemic helped provide liquidity to microenterprises and self-employed informal workers who otherwise would not have had access to credit. The program did not continue after the pandemic. The World Bank also successfully supported expanding data on potential beneficiaries of social benefits transfers and bolstering the use of electronic payments. Nevertheless, the funding and the sustainability of the payments programs in the longer term is still uncertain, and there is risk of reversal to pre-COVID-19 conditions.

## Lessons Learned

- » Bank Group support has to be intentional and explicit to advance the FI of women and rural populations. The Bank Group supported analytical work on the FI strategy, but it was not focused on gender or rural poor. Actions must be taken across multiple areas to sustain and accelerate progress on women's FI. Bank Group support needs to go beyond access the use of financial services by underserved populations. This requires going beyond access to enhance financial deepening, focusing on women and rural populations.
- » Digital FI advances during the COVID-19 pandemic were key and timely with enhanced public-private cooperation—their sustainability cannot be ensured, and successful models replicated. Public, private, and multilateral collaboration was crucial and timely. Now, it is imperative to support the government in sustaining progress. In contrast, the payments area could benefit from enhanced cooperation.
- » The World Bank's comparative advantages in upstream areas include active engagement and technical knowledge. The World Bank's active engagement and technical expertise enabled it to successfully support specific aspects of the Colombian NFIS, including changes in the regulation and governance of the financial sector, advancing FI.
- » Monitoring indicators of the use of financial services by underserved populations needs to be improved. The indicators that monitor access and coverage are adequate and published annually. Nevertheless, indicators related to use



are inadequate, including cases of double counting, and the ones for rural access are poorly measured.

## The Arab Republic of Egypt—Field Study

Egypt is an LMIC that struggles with extreme disparities that result in the exclusion of several demographic groups, including women, low-income households, informal workers, the young, and rural populations. The low rate of FI is also contributing to poverty and exclusion, with the lack of FI figuring among Egypt's top economic constraints. Adding to supply-side barriers are demand-side ones, such as low financial literacy among parts of the population. Due to a poverty-induced lack of education, households or small businesses are unaccustomed to financial terminology, loan applications, and different financial calculations. This lack of financial literacy significantly affects how people react to economic challenges. In addition, high borrowing by the central government constrains private sector bank funding to MSMEs, which thus suffer from limited FI due to a lack of financial resources, antagonized by banks' risk aversion.

The main bodies responsible for formulating the FI policies took significant steps toward FI even before it was a formal priority for the national government. It was only recently that the government's priority agenda, embodied in the Vision 2030, included the topic. Nevertheless, FI policies had been implemented, and accelerated in response to COVID-19. The implemented policies targeted segments of financially excluded groups of individuals and MSMEs. The policies to support MSMEs pursued positive interactions with the informal sector, job creation, sustainable growth, and a higher level of financial stability. Yet, despite positive outcomes and satisfactory results in terms of FI, there is a substantial ways to go for the different stakeholders to achieving a fully inclusive financial system in Egypt.

## Relevance

The relevance of Bank Group's support for implementing a FI agenda in Egypt was found to be good and increasing over time. This includes Bank Group alignment to country needs and constraints, as well as support beyond access and in response to COVID-19. Evidencing this was a Bank

Group country strategy that included FI for MSMEs and poor households and operations, aligned with the Bank Group's Gender Strategy. The Bank Group collaborated with different actors including the government, commercial banks and financial institutions, through both financial and nonfinancial services. Although complementarity of Bank Group FI support was notable, it did not fully synchronize with either the government or with other foreign donors.

The Bank Group's portfolio was also aligned with the country's needs. Projects covered different relevant aspects of FI: financial access, institutional strengthening, empowering women (approved since 2018), empowering rural populations, consumer protection, and financial literacy. These are directly aligned with Egypt's Vision 2030, which has a focus on increasing financial access and the economic empowerment of women and other excluded groups.

## COVID-19

Bank Group support has been quick to address relevant hindrances to FI, focusing on supporting private sector development and women's economic empowerment. World Bank lending supported a better enabling environment for innovation through reforms to the legal framework strengthening nonbank financial institutions and women's empowerment through better conditions for financial access and use. World Bank and IFC advisories complemented this with support for consumer protection and financial literacy.

Bank Group supported FI reforms through a fintech law for nonbank financial institutions that included clarifications of requirements to set up digital operations, better conditions for consumer protection, expanded access and usage of electronic payments and other DFS, among other mechanisms. Reforms also address long-standing challenges of inequality, proposing the establishment of legal mechanisms to address gender-based discrimination in access to financial services, the mandatory use of gender disaggregated data by nonbank financial institutions to allow for a better monitoring of gender gaps in the financial system, and the removal of hour and sector restrictions on where women could work. The enactment of a significant part of the supported reforms into law promoted the sustainability of the Bank

Group’s contributions in Egypt. Finally, the Bank Group involvement supported payment services, but that did not mean less support to credit.

## Effectiveness

The evaluation found the Bank Group support to the agenda in the country to be effective, even if its cost-effectiveness and sustainability remain unclear. Multiple shocks have hit Egypt in the past decade or so: from a revolution in early 2011 as well as further political upheaval in the following few years, to major economic and financial crises following that, including a massive middecade electric power crisis. At the same time, various major external shocks came in the later part of this period, including the COVID-19 pandemic and the impact on Egypt of problems in Ukraine. All the while, the country has been subject to chronic and interacting issues such as poverty, unemployment, gender disparities, rural underdevelopment, and other socioeconomic problems, as well as undergoing a currency devaluation and other financial strains.

The issue of FI has grown from being a minor one before 2014 and not enjoying priority, to an important goal today for Egypt’s public, private, and civil sectors, with increased backing from foreign funding sources, including the Bank Group. The Bank Group’s work in FY14–21 contributed to this, yet within the Bank Group as well as among Egyptian stakeholders, both local and foreign, FI does not necessarily appear in its proper place as part of a broader inclusiveness agenda. It does not yet connect strongly and organically with underserved groups including gender, youth, the informal sector, MSMEs, and rural development.

## Lessons Learned

- » When a country with significant challenges of private sector development lags in the FI agenda, an integrated approach with other donors and government agencies may develop it into a cornerstone of development strategy. During the 2014–20 years, Bank Group FI efforts could have been more effective with a more integrated approach. There was a need for more coordination with other donor agencies as well as with state organs such as the CBE.

- » Evaluative evidence at the project level reinforces that technical aid is crucial for an effective implementation of reforms. Lessons learned from projects indicate that for policy reform program to be effective, substantial technical help build institutional ability is vital.

## Indonesia—Desk Study

Indonesia, which graduated to upper-middle-income country status during the evaluation period, relies for in part for growth and employment on ultra-micro and microbusinesses that struggle with low access to credit. With more than 60 million businesses of this type, they are a critical driving force of Indonesia's economy, accounting for more than 60 percent of the GDP and absorbing 95 percent of the workforce. However, a lack of access to formal banking services has hindered their ability to access capital, limiting their growth potential. In a recent study by Indonesia's Ministry of Cooperatives, more than half of surveyed ultra-micro and microbusinesses remain financially underserved. Many lack bank accounts, are in debt, and transact predominantly in cash, making it difficult to build a credit history that would give them access to credit.

Indonesia has made improvements in FI from 2014 to 2021, but their sustainability was undermined by COVID-19. These improvements were due to a series of policies implemented by the government, such as the branchless banking regulations. They allowed for specific categories of banks to provide savings, credit, and insurance services to the unbanked and underbanked by using agents and hence contributed to increasing access in rural areas. Nevertheless, during the first wave of the COVID-19 pandemic, at least 17 percent of MSMEs closed, and during the second wave, at least 8 percent more closed. In the aftermath, surviving companies had a 55 percent decrease in profit. Importantly, women-led businesses were almost twice as likely to close as male-led businesses.

Ingrained issues related to the enabling environment have been undermining FI. Some of them are the excessive regulatory hurdles, the inefficiency of microfinancial institutions (MFIs) and their lack of integration into the financial system, inadequate outreach to remote areas, and state-backed MFIs crowding out private providers. Access to finance remains an issue in

Indonesia as individuals are mostly excluded and firms are underserved. Approximately 95 million adults, and two-thirds of the poorest adults do not have an account at a financial institution. Regulatory authorities did not have enough data on the nonregulated MFI landscape, and the estimations of number of MFIs varied. Other challenges to enfranchise vulnerable groups were related to financial illiteracy and geographical isolation.

## Relevance

Bank Group's strategies for Indonesia included a comprehensive and continuing consideration for enhancing FI, and even a specific priority to reach underserved populations since 2013. Through multisectoral engagements from FY13 to FY15, Bank Group supported the government's strong emphasis on FI. IFC focus was on: (i) building the capacity of financial institutions for a better targeting of microenterprises and low-income households; (ii) supporting top-tier banks to adopt innovative products and to expand affordable housing; (iii) promoting sustainable lending with a strong emphasis on climate change and women-owned businesses; and (iv) strengthening the financial system. Moreover, through its advisory services, IFC developed programs to provide innovative financial products and services for the microenterprise and mostly unbanked segments, such as housing microfinance, micro insurance, and retail payments.

During FY16–20, the Bank Group planned to support the development and expansion of innovative, inclusive, and sustainable financial services to low-income households and MSMEs in the areas of digital FI, responsible microfinance, financial infrastructure, capital markets development, and insurance. Bank Group committed several loans for SMEs and microfinance institutions. In FY19–21, Bank Group's aimed at assuring access to financial services. IFC supported the Indonesian banking consolidation process by facilitating the acquisition of small banks by large institutions and helping improve the sector's governance. IFC also made investments in MSME-focused institutions and helped increase the MSME outreach and focused more on gender finance, supply chain, and fintech-related investments. Finally, IFC advised product development and risk management for banks, multifinance companies, and MFIs.

When it comes to fighting gender inequality in FI, the Bank Group focused on mainstreaming gender. Since 2016, the Country Gender Action Plan emphasized activities to promote gender issues in the broader engagement in Indonesia as well as in specific operations and knowledge products across the areas of endowment, economic opportunities, voice and agency, and emerging risk. Subsequently, IFC created the East Asia and Pacific Women in Business program to increase access to finance for women entrepreneurs. The program provided advisory services to financial institutions to demonstrate that women entrepreneurs were a profitable market segment. More recently, in 2019, the World Bank provided analytical support to the government through recommendations for reforms and investments aimed at closing key gender gaps by promoting economic growth and enhancing female labor force participation.

Overall, since the beginning of the review period, the Bank Group played a relevant role on the development of national policy frameworks and FI plans. The Bank Group identified that overregulation was difficult to tackle because of the government's lack of incentive to act, so it supported the revision of policies to facilitate the use and development of financial resources. Several successful projects focused on improving existing regulations.

## COVID-19

Due to the COVID-19 crisis, project approvals surged in Indonesia, responding to the crisis while seeking to expand FI through DFS. The World Bank kickstarted a DPL programmatic series to support a reform program aimed at improving: (i) financial sector depth, (ii) efficiency, and (iii) resilience. By 2021, the portfolio returned to a lower level. The pandemic also pushed an increase in the adoption of digital technologies, with World Bank support. The IFC support focused on supporting lending institutions that served the MSME market.

## Effectiveness

There is evidence of an effective upstream engagement in FI in Indonesia. The World Bank contributed to improving the results of a 2014 Financial Inclusion Reform, including through an FY15 financial sector DPL, and

assisted in the design and implementation of government policies and programs and in strengthening the capacity of relevant institutions. The IFC delivered a comprehensive legal diagnostic and recommendations on regulations and laws on the way forward, which were finally incorporated in the national legal framework. Although DPL and IFC IS interventions were mostly concerned with improving access, IF-AS downstream support was focused on the promotion of FI in the agriculture sector, ranging from rural lending pilots to new risk-targeted insurance.

Bank Group's role in achieving gains in terms of FI for the underserved is difficult to assess. IEG's analysis of target populations of portfolio interventions show that in structuring and preparation documents, projects had the clear objective of reaching underserved populations. Yet evidence suggests that progress has not been reflected in leading indicators, and the improvements could only be quantified in a few of the projects at the micro level. Since 2014 and accelerated by the COVID-19 response, the Bank Group has pushed for the adoption of digital technologies. In strategic documents, the Bank Group has recognized Indonesia's potential, as one of the countries with the highest penetration of mobile phones (including for underserved populations). Although multiple projects have addressed this issue in the past few years, some relevant operations do not offer evidence of progress to date.

It is important to highlight that Bank Group FI interventions were aligned with the country's needs, intending to reach the most vulnerable populations, and were in general effective. Some of them were focused on increasing access, but others were deeper. For instance, Bank Group advisory services and analytics implemented projects aiming to improve the financial education of migrant workers, the savings of older people, digital payments, and gender equality. IFC AS's approach to the agricultural sector was diverse, supporting credit, insurance and digital inclusion. In general, these operations proved to be effective. Nevertheless, IFC IS' profile of standard projects focused on increasing MSME lending had modest achievements.

## Lessons Learned

- » Monitoring and evaluation improvements often resulted from refining project approaches to target the underserved. Some projects added custom

indicators to fully capture the intended project results and remapped when standard indicators were available. Furthermore, several projects had a postimplementation process where IFC evaluated factors influencing the adoption of the tools or services, the impact, the cost, and welfare. Specific indicators were developed correctly in gender-focused projects.

- » Internal factors of success identified underscore the importance of strong Bank Group staff capacity. The Bank Group was understood to be pioneering innovative approaches to improving the financial sector and enhancing FI. Furthermore, its expertise provided deep knowledge while the advisory services team provided the relevant approaches, guidance, tools, and implementation support.
- » Conversely, several factors explain implementation delays. Those included lack of commitment by clients, changes in priorities of projects or changes in client business management and focus on other business products that deviated from FI priorities.
- » On external factors, the pandemic affected FI operations, especially those serving MSMEs, which traditionally depend on in-person mobilization. It forced changes toward teleworking, and, for some clients, mobilization of smaller lenders to deliver services that were traditionally delivered in person, often outside the capital city. Growing indebtedness of some clients under COVID-19 may have discouraged further lending.
- » IFC's good reputation in the region for its work in financial infrastructure development ensured good cooperation from the clients. For example, IFC has experience in credit reporting development in the region, which positions it uniquely to provide high-level strategic advice and technical support.
- » DPL's lack practical methods to measure progress on specific issues. In part because of their upstream nature, it was difficult to connect them to specific FI outcomes.
- » Currently, delivering financial access to most Indonesians does not appear economically viable for the major banks. That mobile banking changes the cost structure is broadly appreciated, but the scale of saving and the impact on their network economics appears to be lacking. Given how successful ATM networks have proven to be, this is surprising. Although it may be possible to



create sustainable business models for extending financial services to poor people, many factors are needed (infrastructure, unit costs, mass adoption, and so on), and Indonesia have yet to reach that stage. (The evidence suggests this was the case for remittances over the past decade).

## Mozambique—Field Study

Mozambique is the third poorest country in the World with multiple constraints impeding financial access and inclusion. The country has enormous developmental challenges, a majority rural and youth population and an extreme vulnerability to disasters from both natural and human sources. Some of those that directly affect FI are poverty and illiteracy, a dispersed rural population, limited public sector capacity, and recurrent crisis. Gender disparities in Mozambique are acute and the FI gender gap has grown over time.

During the evaluation period, Mozambique started off with enormous enabling environment challenges and, despite its prioritization of FI and some noteworthy progress, considerable gaps remain. Mozambique started from a position of having one of the worst environments for financial sector transactions in the world. Further, existing application of regulations to maintain financial sector stability and security impeded the development of services to poor people. For example, most of poor people lacked the documentation required to access services. Since 2016, the country has formally embraced a NFIS that can be seen at the core of advances in FI. Although there have been substantial advances in account ownership and access to mobile money, considerable gaps and challenges remain and about half the adult population remains unserved by financial services.

## Relevance

Bank Group has generally been well-aligned to the country's FI goals and highly engaged both in developing and implementing the NFIS. As sequential crises have disrupted progress, World Bank has shown adaptability in its persistent engagement and its use of crisis response (including to cyclones and COVID-19) as an opportunity to promote FI, especially by digitalizing government payments and channeling them through new or existing payment accounts. IFC, while a small presence in the FI space, has had a

substantial supportive effect through its advisory work, well-coordinated with World Bank. Although earlier Bank Group activities failed to focus squarely on gender, recent projects do.

The World Bank had been engaged in strengthening the financial sector even before the adoption of its NFIS in 2015, but the engagement was interrupted by the hidden debt crisis. A series of development policy operations approved planned to strengthen financial sector stability, enhance market development and increase access to households and firms. The approved part of the series was evaluated by IEG as yielding a moderately satisfactory outcome. According to IEG, their relevance was substantial as they were well-aligned with World Bank and country strategic directions and focused on important country development gaps: reinforcing financial stability, increasing insurance levels, and improving regulations (for example, to criminalize terrorist financing), increasing access to finance, They were not as effective in enhancing financial markets. The projects also achieved e-money account increase targets and were able to extend benefits to micro-enterprises and rural areas but did not address gender inequality. After the hidden debt crisis, the World Bank suspended the third development policy operation (which has a significant emphasis on FI) and relied mainly on technical assistance for its engagement.

## COVID-19

In some respects, Bank Group's engagement has surpassed its emphasis in country strategies, including COVID-19 relief support. It's presence and technical support and guidance appears to have been crucial. World Bank's ongoing engagement with NFIS and its use of projects such as cyclone and COVID-19 relief as vehicles for FI has constituted substantial support for FI. Though these vehicles, World Bank encouraged the digitalization of G2P payments, including through bank and mobile money accounts. In addition, IFC's advisory services, while small in volume, have been strategically important for mobile money and movable collateral.

## Effectiveness

Bank Group upstream support was key in Mozambique’s development and implementation of the FI strategy, legislation and regulation and in capacity building. Thus, the strengths and limitations of Bank Group support are reflected in the overall performance of Mozambique in FI. This reflects important progress and rapid growth of mobile money access, but persistent gaps and challenges as well. At the same time, Bank Group faces fundamental constraints that have made most progress incremental. These include the central bank’s conservative approach to regulation, which has constrained the growth of many services to many of the underserved and excluded, especially through DFS. These include the low level of literacy and demand that Mozambique’s poverty and geography imposes, the recurrent crises that afflict Mozambique and disrupt to continuity of its efforts, and the low human, organizational and financial capacity of public agencies on whose work progress depends.

## Lessons Learned

- » Success factors included long-term engagement (for example, NFIS), country presence and on-site capability, adaptability (for example, use of crisis response to expand FI), analytic understanding of key issues, collaboration and ongoing engagement with key local players and other donors, and facilitation of dialogue between stakeholders (for example, regulators and regulators).
- » Failure factors included overambitious and unrealistic objectives, recurrent crises, low implementation and fiscal capacity of some counterparts, limited political commitment of a key counterpart, and lack of data.

## Nigeria—Field Study

Despite being a large, powerful economy, poverty and inequality persist in Nigeria. After a slow-moving recovery from the recession of 2016, the Nigerian economy was at a critical juncture, as it remained highly volatile and faced daunting challenges in sustaining recent development gains, which disproportionately affected poor people. According to Bank Group strategy documents, Findex and Enhancing Financial innovation access

surveys, the top key barriers to FI in Nigeria are low income, distance to access points and knowledge (or awareness). Other key constraints are lack of national ID and multiple functional IDs, lack of proof of address, inadequate leveraging of technology, weak financial infrastructure, insecurity, and inadequate targeting.

The Nigerian Central Bank approved the adoption of its first NFIS by 2012 and it was updated in 2018 to better incorporate the underserved, including women. The NFIS strengthened coordination of key stakeholders and monitoring and evaluation and focused on foundational constraints. In terms of the NFIS results, overall FI shows modest progress and has not met FI targets. Indeed, Nigeria has a higher rate of financial exclusion compared with other countries in Sub-Saharan Africa. Lack of a strategic FI champion, lack of an explicit national priority on FI, bank-centric financial service models, limited fiscal resources, and financial sector distortions have all contributed to poor results in FI.

In 2012, the Central Bank of Nigeria approved the implementation of its first NFIS and updated it in 2018 to better serve underrepresented groups, particularly women. The goal of the strategy was to improve coordination among key stakeholders, enhance monitoring and evaluation, and address underlying constraints. However, despite these efforts, overall FI in Nigeria has seen only limited progress and has failed to achieve set targets. In fact, Nigeria has a higher rate of financial exclusion than other countries in the Sub-Saharan Africa. This is attributed to several factors such as the lack of a visible strategic champion for FI, a lack of emphasis on FI as a national priority, a bank-centric approach, limited financial resources and distortions in the financial sector.

## Relevance

Bank Group strategies have increasingly recognized access to financial services and gender as part of the development agenda. The most recent strategy includes it as a core objective to promote jobs, transformation, and diversification. Early strategies had an overall focus on gender, the most recent one proposed the empowerment of Nigeria's women and girls as a core objective.

Portfolio projects addressed limited but relevant country's constraints, focusing on upstream interventions for enabling the environment of credit bureaus and downstream interventions focusing on access to finance to MSMEs, access to housing and strengthening capacity building of microfinance institutions. Operations were primarily aimed at supporting gender, and a few aimed at narrowing the rural FI gap. The efforts in rural areas continued to be driven by cash transfers because of key binding constraints such as access to financial services and digital infrastructure. In urban settings, COVID-19 accelerated innovative targeting and digital payments for social transfer, but efforts were severely limited by lack of proper ID. The World Bank supported the development of the NFIS, even if indirectly – through analytical work including surveys and diagnosis—whereas other donors were directly involved.

## COVID-19

The World Bank support to the social safety net project was accelerated during implementation to adapt to the COVID-19 emergency considering critical constraints to maintain routine cash transfer programming. In response to the pandemic, Nigeria accelerated its operations by simplifying procedures. Its procedures that would involve normally extensive community-based targeting but instead community leaders selected five representatives from each group categories to develop inclusion criteria and identify beneficiaries. Given the limited access to banking and mobile money infrastructure were critical constraints, shifting to mobile money for rural beneficiaries was not possible as an immediate crisis response. As a result, social payments continued to be done through last-mile payment agents transferring cash to new beneficiaries. One IFC investment project was identified as a response to COVID-19 with traditional service delivery of loans to MSME clients, but it had not yet started disbursing.

## Effectiveness

The World Bank partnered with other donors on the upstream support, and achieved advances, despite constraints. The World Bank's advocacy role, deployed in collaboration with the Bill & Melinda Gates Foundation, supported the provision of licenses to mobile network operators. Nevertheless,

the Central Bank of Nigeria has only given licenses to local (as opposed to national) mobile operators, thus limiting the growth of mobile banking at scale. Otherwise, there is little evidence of collaboration between the Bank Group and other donors, even when many of them focused in core areas of the financial institutions' agenda.

Meanwhile IFC delivered positive results in downstream support. IFC efforts to build capacity of financial institutions have seen positive results, even if they did not reach scale. Although overall advances were appreciated, the results are not yet scalable and sustainable. Delivery channels such as agency banking or DFS have seen limited results. IFC investments played a complementary role with IFC advisory support with the enabling environment, capacity building to financial institutions and offering local currency loans to two organic locally sponsored microfinance institutions in Nigeria. They successfully focused on low-income beneficiaries and on female borrowers, but partner institutions lagged on digitalization despite IFC's support. These institutions helped buffer the COVID-19 effects by providing clients with flexible loan facilities that helped sustain their businesses, which addresses one of the two main constraints for micro and small business, repayment pace. The other main constraint was the high interest rates.

## Lessons Learned

- » Identification of risks at appraisal have been a strength. On the positive side it was possible to identify the prioritization made at IFC in terms of a proper investment/advisory mix as well as a deep assessment on the beneficiaries and the stakeholders involved in the projects.
- » Adequate IFC expertise and good transfer of knowledge were key to the success of the credit bureau system. IFC AS support to develop a solid credit bureau system was key for establishing the first credit bureau. The team was acknowledged as knowledgeable about the subject matter as well as the issues that the client and key stakeholders faced, which was of great value in successfully implementing this project.
- » Investments to scale up cash transfers should be done once enabling environment conditions are met. Emergency cash transfer programs had their scalability constrained by poor identification systems, poor digital

infrastructure and limited access to mobile phones. Indeed, limited access to banking and mobile money infrastructure were major constraints such that shifting to mobile money for rural beneficiaries was not possible as an immediate crisis response. During COVID-19, social payments support was challenged by lack of foundation ID. There were some innovative (yet complex) initiatives for identification of beneficiaries.

- » Support to agency banking DFS was affected by weak project design and supervision. Ambitious objectives, inadequate project scope, and weak results frameworks affected the AS projects, leading to delays, extensions and changes to monitoring and evaluation framework.
- » Strong client commitment and a good track record were key for to the success of IFC's support to organically grown and locally sponsored microfinance institutions. Typically, IFC had been focused on supporting greenfield institutions in Nigeria with international sponsors. The decision to support fully domestic institutions without a traditional sponsor constituted a new approach. These institutions have strong client commitment and good track record of financial performance, and the approach was fruitful.

## Pakistan—Desk Study

Despite its long-standing commitment to FI, Pakistan has the third largest unbanked population with about 115 million unbanked adults. Home to 2.8 percent of the world population, Pakistan is also home to eight percent of the world's unbanked population. The access numbers have improved only slightly since 2017, and the adoption of financial services and full access remains shallow. A vast majority of adults report having made or received a digital payment, but many do not, or cannot, access formal savings or credit solutions. This makes them vulnerable to external shocks, like the economic downturn from the COVID-19 pandemic.

Pakistan made some early strides in enhancing DFS for its financially excluded population, reaching 65 million mobile money account owners by 2021, which increased to 78 million by December 2021 because of market interventions by the State Bank of Pakistan, including the like creation of a national instant payment system called Raast) and the scaling up of the national social safety net program – Benazir Income Support Program. Benazir Income

Support Program (later renamed Ehsaas Kafaalat) has signed up 8.3 million beneficiaries (majority women) under its umbrella program called Ehsaas. However, the overall FI indicator of account ownership has not improved despite several market developments in the 2017–21 period. Overall, adult male account ownership went down from 35 percent in 2017 to 21 percent in 2021, whereas the female account ownership went up from seven percent in 2017 to 13 percent in 2021.

## Relevance

Pakistan has received significant support from Bank Group to further the FI agenda, including support to formulate its NFIS and other upstream support to draft and implement key legislation for FI. Bank Group’s analytical support had been effective, especially when formulating the NFIS, which also benefited later work by World Bank through reform actions in subsequent policy credits. The nature of this engagement had been long-term, and it evolved with the evolving FI landscape in Pakistan. After the initial support to the development of NFIS, Bank Group had been offering a comprehensive package of support to Pakistan to achieve the FI targets set forth in the action plan of the NFIS. This support includes: (i) Development Policy Credits to support institutional and legislative reforms; (ii) data and policy analysis to underpin more effective reforms (the NFIS, the consumer protection and financial literacy diagnostics, and the Financial Sector Assessment Program); (iii) technical assistance to build implementation and supervisory capacity (Financial Inclusion Support Framework); and (iv) support for critical improvements to the enabling environment (Financial Inclusion Support Framework and the Financial Inclusion and Infrastructure Project).

The Bank Group support was aligned with the NFIS and with the government’s specific additional strategies. Bank Group’s upstream support through NFIS, and later through an infrastructure project, supported the government in enhancing access and usage of digital payments and DFS for individuals through investments, pilots, capacity building, and complementary analyses aimed at improving financial infrastructure and the ecosystem for digital transfer accounts and the national savings system.



The Bank Group also supported the implementation of FI priorities emphasized by the government’s Ehsaas Financial Inclusion Strategy. The strategy focused on poor women and informal workers. It explicitly linked to Ehsaas Kafaalat via the One Woman One Account Policy, which aims to provide each Ehsaas Kafaalat beneficiary with a savings account into which unconditional cash transfers are made. The strategy also emphasizes use of digital approaches to promote FI. The Bank Group portfolio contained operations directly aligned with the government’s program to reach the Ehsaas Kafaalat program, supporting its financing for the period 2021–25.

## COVID-19

Direct and targeted payments to low-income groups in Pakistan drove FI for the country, especially during the pandemic. Ehsaas, the flagship safety net program, had initially envisioned FI for 7 million beneficiaries (90 percent women). However, with the pandemic’s socioeconomic implications, the program ended up reaching nearly 15 million beneficiaries through one-time direct payments into their newly opened bank accounts. It demonstrated government of Pakistan’s ability to execute well and at scale. This initiative was supported by the strong infrastructure of citizen identification system in the country—NADRA.

In response to the COVID-19 pandemic, Bank Group resources were shifted to align with government priorities for crisis response and recovery, in line with the Bank Group Crisis Response Approach Paper. The Pandemic Response Effectiveness in Pakistan program made \$200 million available under Pillar 1, “Saving Lives,” supported by an additional \$40 million re-allocated from eight active projects. Pillar 2 of the Pandemic Response Effectiveness in Pakistan program, “Protecting the Poor and Vulnerable,” financed cash alongside another program known as Securing Human Investments to Foster Transformation (SHIFT; \$500 million) approved in May 2020.

One critique of the Bank Group’s engagement during COVID-19 was that it could have benefited from more engagement with local governing bodies, which could add value to last-mile delivery. In Pakistan, the federal government is responsible for allocating resources to the provinces, which in turn,

delegate implementation of “last mile” public service delivery to local bodies institutions, like provincial authorities, municipal corporations and district councils. These stakeholders are also responsible for mobilizing beneficiaries to receive G2P payments. Engaging them during different stages of project implementation might have provided more clarity in understanding the excluded population’s financial needs, and insights into improving usage of financial services catering to these needs.

## Effectiveness

Although transactional data by financial service providers show early signs of impact in terms of new transactions, overall, FI numbers still do not show significant progress. This can potentially be a function of financial service providers demonstrating growth using the number and value of financial transactions instead of identifying unique accounts as a measure of FI. Similarly, mobile money also grew from a low base, but Pakistan lags behind regional comparators despite its earlier gains in DFS from 2017.

## Lessons Learned

- » Financial products like credit and savings offer a clear pathway to inclusion – for both access and usage, but remain limited for vulnerable population, as unsecured lending is nonexistent in the country. The only cases where access was pushed to these segments of the population were through government-sponsored G2P payment programs, first through Benazir Income Support Program, then later through Ehsaas during COVID-19.
- » Based on transaction data captured in Findex, some areas for payment digitization have high potential. Those are utility bills (currently 80 percent of the utility payments are made in cash), private sector wages (can bring an additional 20 million into the fold of formal financial landscape), and domestic remittances (can include further 4 million financially).
- » It is essential that the Bank Group ensures a shared and clear understanding of preconditions and follow-on actions associated with projects with prior actions of its policy-based financing. This requires clear communication of what constitutes satisfactory performance. Misunderstandings on preconditions required to meet prior actions can lead to misunderstandings between

the Bank and client country. Similarly, a mismatch in expectations for follow-on actions can lead to delays in achieving project results.

- » Project design should consider lessons from previous projects. Factoring local context and incorporating lessons from previous Bank Group projects can enhance the chances of success of a project. The incorporation of lessons from previous projects in the same industry or product space were important for the project design and by extension, project success. Similarly, assessing the adaptability of global or regional material and tools to the local context of planned advisory projects is important to enhance the chances of success of a project. In instances where global projects have limited applicability to the planned AS project, the Bank Group should allow budget and time for the development of new ones adapted to the local and client context.
- » Collaboration between IFC and the World Bank is required when IFC AS supports financial infrastructure reform. In the country, credit bureau reforms supported by the Bank Group did not create the intended conducive environment for IFC's client and this in turn limited the achievement of IFC project objectives. In addition, for IFC IS and AS interventions, close collaboration between IFC IS and AS project teams should be used. The participation of IS staff can be helpful to the AS project in various stages including coordination of actions and relationship with the client. When an IFC project is implemented on an institutional level while the World Bank is working on legal reform level related to the project, a close collaboration and coordination between the two institutions and projects teams is indispensable to the success of implemented projects and achieving Bank Group goals.
- » The lack of emergency preparedness by the government significantly delayed many of the Bank Group interventions. The Bank Group, in coordination with the government, could have benefited from a 'playbook' for crisis management. It has to be contextualized for each country to set rules of engagement (or suspension of rules) when navigating an unprecedented economic shock like COVID-19. This playbook can draw lessons from prior learning and guide the teams to adaptively manage through continuous learning. For example, Bank Group and government could benefit from analyzing the ways how the emergency cash transfers through digital payments enhanced female FI to reproduce its lessons.

## The Philippines—Field Study

The Philippines is an LMIC traditionally focused on FI. The central bank was the first institution in the world to establish an office dedicated to FI. The first National Strategy for Financial Inclusion (2015), supported by the Bank Group, focused on guidance for coordinating FI, although it lacked specific targets, time frame, accountability and monitoring indicators. Subsequent work has supported the successor strategy (2022–28) reflected implementation imperatives such as targets and a time frame and setting out specific initiatives to foster inclusion.

Progress in FI has been slow, and there are disparities between income groups. Regional inequalities in financial literacy, transport and broadband access are prevalent in this archipelago nation of more than 7,000 islands. Indeed, barriers to FI include distance to facilities, lack of proper documentation, affordability of services and, to a lesser extent, religious reasons. There was a substantial growth in financial accounts and payments during the COVID-19 crisis, driven by eased reserve requirements on micro loans, and a huge increase in social protection payments, paid into accounts. Nonetheless, the disparity in FI between the rich and poor people persists and in fact has gotten worse, and a formerly negative gender gap (where women were more “banked” than men) has turned positive.

## Relevance

Bank Group strategies were aligned in supporting FI in the country over the evaluation period. Initially, the focus was on policy reforms in regulation, supervision and institution building. Then, it aimed to deepen that reform by broadening financing options through collateral and leasing reforms, strengthening oversight of nonbank financial intermediaries, insurance reform, payment systems reform, support for a national ID system, and fostering digital transformation. Although the Bank Group assistance strategies mainstreamed gender, the issue was covered only in the context of poor and vulnerable groups in a general way with respect to FI.

In terms of the Bank Group portfolio, adherence to the World Bank’s gender strategy was stronger on IFC side than the World Bank with respect to

lending and advising. Financial literacy was supported by IFC projects, aimed at smallholder farmers, and one International Bank for Reconstruction and Development project that supported social amelioration payments during COVID. Digital finance was a key area of reform for International Bank for Reconstruction and Development DPLs, and IFC supported building out of digital operations at two banks. The Bank Group lending support was aligned with country needs relevant to financial infrastructure and the financial system regulatory framework and MSME financial access.

Partnerships with several other donors on the FI agenda varied in degree. Overall, each one of them had a degree of involvement with the subject, coordination with the Bank Group, and specific focus. It ranged from multilateral institutions with large portfolios and a high degree of coordination with the Bank Group (Asian Development Bank) to national development institutions with small-scale partnership with the Bank Group to deliver support in insurance (German Agency for International Cooperation).

## COVID-19

Only one International Bank for Reconstruction and Development downstream intervention pertained to COVID: investment project financing that provided support for creating digital payment mechanisms.

## Effectiveness

Although the World Bank focused on upstream lending for regulatory framework improvements with parallel advisory work, IFC pursued downstream lending support that included advisory services focus on the underserved. World Bank lending was primarily upstream and focused on improvement and implementation of the regulatory framework and enabling enactment conducive to FI. Several World Bank advisory activities reinforced these actions, providing support for Islamic finance, disaster risk financing reform broadening internet access, crop insurance, financial literacy and more. Nonlending services by the Bank Group were more closely attuned to specific support of activities explicitly aimed at fostering greater FI. IFC IS downstream support financed microfinance institutions to increase their lending to microenterprises, primarily those led by women. IFC AS projects

supported a broad range of downstream interventions: women’s insurance and banking initiatives, crop insurance, financial literacy and broadening access to finance, and operationalizing digital finance businesses. There were just two upstream IFC AS interventions: to help establish a credit bureau and to provide support for movable property collateral legislation.

Overall, while FI for women has increased over the period, the relative advantage that women enjoyed (a negative gender gap) disappeared, primarily because during COVID-19 accounts and payment activity for men grew even faster than for women. Meanwhile, digital finance was a key area of reform for the World Bank financial sector DPLs, and IFC provided advisory services to two banks to help them build out digital services. E-wallets and digital banking services are now present throughout the country with very little difference in availability of services in rural and urban areas. Although the support of the Bank Group has contributed to an increase in FI, there was no evaluative evidence that World Bank interventions contributed to improved economic and social outcomes of the underserved. Finally, direct attribution of the increase in FI to Bank Group activities is not possible because there were several partners in this space and the government, and the financial sector were also very active. However, the contribution of the World Bank to specific initiatives such as the insurance code, and the enabling environment for FI is clearly evident.

## Lessons Learned

- » Opportunities for fostering lasting FI were missed because of the urgency of emergency actions during COVID. Out of necessity, the Social Amelioration Program opened digital accounts for beneficiaries to cope with the huge numbers of additional enrollees but did not train beneficiaries in financial literacy and awareness about the capabilities of their accounts, given the urgency to disburse the money. As a result, millions of accounts may end up becoming dormant.
- » A more proactive approach on gender might have led to better results. There was some complacency (both on the part of the government in the NFIS and the Bank Group in its country strategies) on the need to address gender in

FI because the gender gap was strongly negative at the start of the period. However, this advantage disappeared by the end of period.

- » NFIS' should have their implementation strategy well-specified. The 2015 strategy for FI was not sufficiently detailed, leading to slow implementation of FI measures. It was aimed at providing guidance on coordination between agencies to promote FI, but did not provide targets, timeframes, and monitoring indicators.
- » Digital finance alternatives are growing, but uptake will be gradual. Especially among poor people, a large number of whom are not banked, a multipronged approach will be needed.
- » Ensuring realistic frameworks especially for public procurement would have perhaps facilitated the successful completion of the IFC AS project on the credit bureau.
- » Choosing the right team for complex projects increases the chance of a successful outcome. The catastrophic risk facility advisory services and analytics and the IFC AS on digital risk management both used personnel with global expertise in their respective fields which led to highly positive outcomes in the respective activities.
- » Budget support loans, especially emergency operations, can squeeze the capacity of the implementing agency unless a technical assistance component is added. The COVID-19 Emergency DPL disbursed a large amount of social protection support, but it went in its entirety to the finance department, leaving the social welfare department with no resources to implement the program to distribute its resources to beneficiaries. The subsequent investment project financing corrected this issue.

## Tanzania—Desk Study

Tanzania is an LMIC that, by 2013, faced supply-side, demand-side, and regulatory challenges to FI. Supply-side barriers consisted of high interest rates, an underdeveloped financial system, a large geographic area that resulted in high operating costs, and inadequate products that did not meet the underserved's needs. Demand-side constraints included information asymmetries, low-income levels and deficiencies in financial education. Regarding

regulatory challenges, the country lacked a proper legal environment for consumer protection, a modern payments system and microfinancial services. It also lacked a National Identification System either.

Two NFIS' were launched during the evaluation period. The NFIS 2014–16 aimed to improve the proximity of financial access points and, to ensure a robust electronic payment platform, a robust electronic information infrastructure and a framework for financial consumer protection and education. The NFIS 2018–22 built on the first one but put more emphasis on the use of financial services to improve Tanzanian's livelihoods.

## Relevance

Bank Group strategies were aligned with the NFIS as well as with the country's constraints. During the evaluation period, the Bank Group developed the CAS 2012–15, the SCD 2017, the Country Partnership Framework 2018–22 and the FSSA 2018. They outlined interventions to address constraints related to enabling the environment for FI, such as supporting the central bank on credit reporting, increasing financial literacy, modernizing the national payment infrastructure, establishing secure and reliable electronic payment platforms, developing a central collateral registry, introducing a national ID, and strengthening the regulatory framework for consumer protection. The Country Partnership Framework 2018–22 also considered developing financial products according to MSMEs and women's needs. The low-income population, women, MSMEs and the rural sector were acknowledged as potential beneficiaries.

Portfolio projects aimed to tackle relevant country's constraints, focusing on upstream interventions for the enabling environment at first, and then turning to downstream interventions. All projects approved up to 2016 included at least one upstream intervention for establishing an enabling environment, such as developing financing for the housing market; enhancing the regulatory framework for collateral requirements, establishing prerequisites for electronic and mobile financial services; and strengthening consumer protection and awareness. Projects approved from 2019 onward focused mainly on downstream interventions by providing technical assistance to providers of financial services.



Most projects intended to improve access to financial services through the enabling environment, whereas only two recent projects focused on increasing the use of financial services. Only two IFC AS projects were explicitly targeted at enhancing the use of mobile financial services. Although it was not their primary purpose, other projects encouraged indirectly the use of financial services. For instance, one IFC AS project supported mobile P2P payments by designing interoperability scheme rules, and another World Bank investment project financing project led the development of a micro-finance household product that was expected to benefit women and informal sector workers.

## COVID-19

COVID-19 was one of the justifications for IFC to promote the use of mobile B2B and B2P payments through the merchant channel. An IFC AS project was approved because of “an urgent need for further use of DFS as the most effective and relevant way to serve more consumers and MSMEs.” According to IFC staff, the project influenced legislation regarding interoperable QR codes and an interoperable merchant number, although this was indirectly and not through formal advisory services. The mobile financial services uptake has been sustainable once the pandemic has been more controlled, as the project’s team has not perceived a drop in the use of digital services and users are not reverting to cash.

Other donors have supported FI efforts in the country, but it is unclear the degree of collaboration with the Bank Group, including for COVID-19 relief support. The Financial Sector Deepening Trust and the United Nations, mainly through the United Nations Capital Development Fund, play leading roles in the FI agenda in the country. Tanzania is also a member of the Alliance for Financial Inclusion. But evidence on active collaboration between the Bank Group and other donors is scarce. Yet, in portfolio projects when there has been collaboration, it has contributed to enhance projects’ results (for instance, with the Bill & Melinda Gates Foundation).

## Effectiveness

Although the Bank Group did not lead the development of the NFISs, the World Bank and IFC collaborated to support their implementation through its portfolio. The two institutions were considered as development partners in the two NFISs launched during the evaluation period, but they have not been the main providers of neither financial nor technical support. The role of the Bank Group in their design and as a source for diagnostic tools and analytical work seems to be minimal. However, portfolio projects were aligned with both NFISs, and successfully provided upstream support. This has been achieved by developing mobile financial services interoperability regulation, strengthening credit infrastructure and the payments system, developing the housing finance market, and expanding eligible collateral for MSMEs. The Bank Group mainly contributed to strengthen the state capacity.

With regard to downstream interventions, IFC has been effective at supporting a leading mobile services provider through advisory services. According to IFC staff, progress was made at increasing MSMEs' use of mobile payments and, even though its results have not been formally evaluated yet, the client was satisfied with the results and shared lessons in other countries where it operates. Through another AS project, IFC engaged with firms in the financial sector to promote female leadership and employment within their companies, as well as women access to financial products. Nevertheless, addressing gender gaps in leadership and employment was prioritized over improving women's financial access.

Most of Bank Group support contributed to enabling the environment but failed to improve economic and social outcomes for microenterprises, rural households or women. Most portfolio projects measure outcomes at the provider or regulator level but not at the beneficiary level. Although projects tend to mention that their interventions may ultimately benefit underserved groups, those statements are not reflected on their interventions nor on their indicators. Moreover, there aren't formal assessments on how effective these interventions have been in addressing these groups' specific needs.

Although Tanzania can be considered a champion in access to mobile financial services, the increase in access to formal financial services continues to

be uneven. Evidence shows that more adults have access to formal financial services, mainly led by mobile financial services. However, women, rural population and poor people continue to be left behind. In addition, data indicates that the financial needs of microenterprises in the country are still unmet. Interestingly, FinScope data also suggests that the increase in access to formal financial services has been by engaging consumers that previously used informal services, but not by reaching the financially excluded, as its share has remained constant throughout the years.

## Lessons Learned

- » Do not underestimate the impact of political risks on top level support. FI might not be a priority for every administration. In the case of Tanzania, the change in government at the end of 2016 limited the Bank Group influence in the country. The Tanzania Financial Inclusion Project was canceled. Also, the change in the central bank's governor affected the pace of projects' implementation.
- » Collect and monitor data on underserved groups, such as women, rural population and MSMEs, to tailor products according to their needs. This helps to identify gaps and allocate resources accordingly. It would also help measure projects' impact on them.
- » Look for market opportunities where the industry's commercial interests can be aligned with FI goals. When market appetite is present, industry cooperation is eased. The market for mobile services providers in Tanzania was already competitive when IFC seized the opportunity to coordinate and align the industry and the regulator's incentives toward a common goal.
- » Avoid staff turnover and have resident team members. Staff turnover undermines productivity, whereas a stable staff that includes resident team members, such as advisers or relationship managers, helps move things forward in the ground, especially in projects related to DFS.



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The World Bank  
1818 H Street NW  
Washington, DC 20433