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Obstacles, Assistance, and Impact of Inclusive Finance Implementation

Yiqi Ye[1,a,*]

[1]*Faculty of Business and Management, Beijing Normal University • Hong Kong Baptist University United International College, Zhuhai 519087, China*
a. s230006235@mail.uic.edu.cn
**corresponding author*

Abstract: In today's rapidly developing financial products and services, various financial products and services meet the basic financial needs of the public. However, in many developing countries, there is still a great number of people who are unable to access the most basic financial products and services, such as opening their own bank accounts, using online payment services, obtaining credit and insurance, etc. Therefore, the promotion of inclusive finance is particularly important which is of advantage to promote economic growth and poverty reduction, enhance social justice and social development, and strengthen the economic security of individuals and families. This essay tries to discusses the favorable and unfavorable reasons for the development of inclusive finance, as well as the impact of inclusive finance development, which using of reference to research on the inclusive finance implementation. This essay aims to spread awareness of inclusive finance and make people correctly aware of the importance of financial products and services and the necessity of promoting inclusive finance.

Keywords: financial products and services, inclusive finance, economy

1. Introduction

Financial products and services are considered the key to unlocking economic life. Financial inclusion is one of the main driving forces for socio-economic growth, shifting from wage-based savings to investment returns by stimulating consumption, increasing investment and profitability [1]. Inclusive finance can promote the sustainable and balanced development of the financial industry. Promote the transformation and upgrading of the economic development model, enhance social equity and harmony, and guide more financial resources to be allocated to key areas and weak links of economic and social development. For the development of China's economy, alleviating the contradiction between the growing demand for financial services and the imbalanced and insufficient financial supply is a necessity of the times. Vigorously developing inclusive finance is an important manifestation of the financial industry's support for the construction of a modern economic system and enhancing its ability to serve the real economy. It is an important way to alleviate the contradiction between the growing demand for financial services and the imbalance and insufficiency of financial supply, and is also an inevitable requirement for China to comprehensively build a moderately prosperous society.

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However, many people in underdeveloped countries around the world are unable to enjoy financial products, which is extremely inconvenient for their lives and even hinders their socio-economic development. Due to financial products can bring enormous change in these people life, it is significant to talk about the causes of obstructing and assisting the development of inclusive finance, and the effects that if financial products and services can verily enter those people lives. Therefore, this essay will introduce three main causes that preventing people's access to stable financial products and services, two primary reasons that promoting the development of inclusive finance, and three effects of ensuring people have reliable access to basic financial products and services.

2. Why People Cannot Have Reliable Access to Basic Financial Products and Services?

The first cause that people cannot have reliable access to basic financial products and services is extreme poverty. Poverty is a serious problem currently facing the world, and countless people have been trying to solve it, but poverty is still widespread. Poverty is not only a global problem, but also directly affects everyone's economic life. The characteristics of the impoverished population are low income, lack of food, and low education level, which directly affect the socio-economic conditions in which they live. Especially in developing countries, the sharp increase in the number of impoverished people can lead to a shortage of social resources and slow economic development, which will directly hinder the overall development of society. In addition, the impoverished population often needs to spend more time seeking survival, without the time and energy to learn and improve skills, which makes it difficult for them to escape poverty, leading to many people in society having no demand for financial products and services. Financial institutions such as brokerage firms and banks generally impose detailed and strict documentation requirements for opening accounts and remittances. Therefore, those who lack the necessary documents will be excluded and unable to access financial products and services. For the poor, such a cumbersome approach creates resistance to financial services [2]. Therefore, it is difficult for financial products and services to enter the economic life of the impoverished population. These groups are in a very tight stage of investing in their own and family members' health, education, hobbies, and retirement plans. Poverty is not only material poverty, but also spiritual poverty. Due to their low level of education, the impoverished population finds it difficult to adapt to changes in the world and acquire new knowledge. Many people who become wealthy overnight, even if they have material wealth, will soon lose their money due to spiritual poverty. So, poverty to prosperity requires accumulation. Only by achieving relative prosperity and having a reasonable worldview and money perspective. Successfully investing assets in financial products and services, that money can be generated from money.

The scarcity of service offerings is also a reason why it is difficult for people to access stable financial products and services. Although in the entire financial services industry, the variety of products and services is quite diverse, including banking services, investment and wealth management services, online payment services, and so on. However, the products and services in inclusive finance are still relatively single, and are mainly online products, such as JD Baitiao, Ant Borrowing, PingAnHuiPu, etc. The characteristics of this type of financial product and service are slow acceptance, numerous restrictions, and high requirements. However, this is difficult to meet the requirements of high financing frequency, fast acceptance speed, and large loan amounts for small enterprises. Therefore, there is a contradiction between the convenience of HP Finance and its operation, resulting in its negative characteristics of high cost, high risk, and low returns. This has suppressed the development of inclusive finance, and the level of returns and internal production momentum are slightly insufficient compared to other financial products. The growth rate driven by financial inclusivity requires more time than general theoretical expectations. In order to reduce risks, suppliers need to measure the affordability and excessive availability of financial services for all sectors of society, as well as ensure consumer protection, accountability, and institutional quality in terms of governance. For the demand side, the popularization and widespread accessibility of financial knowledge are equally important [1]. This is also the key to promoting the development of inclusive finance.

The impact of bank cost accounting on inclusive finance is also a reason that impede the development of leading people to access stable financial products and services. The sustainability of inclusive finance lies in the fact that both the subject and the recipient must follow the basic logic of financial activities. In other words, banks and the public must balance borrowing and lending in order to maintain the long-term development of inclusive finance to a certain extent. Banks, as entities, generally consider their own profits, but the recipients of inclusive finance are the public, who often misunderstand inclusive finance as "benefiting". As the main objects of inclusive finance, the funds invested in the hands of the poor are partly through banks and partly through the government. The funds invested through banks are to be recovered by the bank upon maturity, but the interest is generally subsidized by the government. The funds invested by the government are generally given to the public free of charge, but it is difficult for the public to distinguish what needs to be repaid and what does not need to be repaid. Although the bank emphasized before its launch that poverty alleviation discount loans must be repaid upon maturity, the public saw the word "poverty alleviation" and thought it was government assistance. As mentioned above, the objects of poverty alleviation loans are mostly designated by the government for investment, and the selected customers are mostly groups below the poverty line. Therefore, they have more reason to believe that the funds provided by banks must be the government investment. These factors lead to a higher probability of imbalanced loans for poverty alleviation by banks compared to other loans, affecting their fund utilization and cost accounting. As a result, many banks are unwilling to sacrifice their profits due to inclusivity. Therefore, in the short term, banks opening inclusive financial services will increase capital expenditure, and profits may decrease in the short term due to increased costs. Most banks cannot benefit from this short-term development, but they can improve their returns in the long run. Banks will invest resources in the development of financial services, create new services to meet customer needs and increase customer base. With the increasing number of customer groups and the increasing demand for financial services from the public, banks can receive appropriate returns and improve their performance [3].

3. Factors That Promoting the Development of Inclusive Finance

Although the above descriptions are all negative reasons that hinder the development of inclusive finance. With the progress of the times, it is the trend of the times to enable more people to have equal access to financial products and services. There are still many factors that can promote the rapid development of inclusive finance and help it enter the financial lives of more ordinary people.

The construction of information systems has a positive impact on the promotion of inclusive finance. The good or bad of bank operation lies in the ability to control risks. Controlling risks requires mastering the information of both parties. Although the rapid progress of internet technology has brought endless benefits to information transparency, and even though the current coverage of rural customer groups cannot be compared to that of cities, with the arrival of the network information age, the pace of internet technology continues to enter the lives of the people, gradually achieving popularization. The function of data as a fundamental and critical factor of production in economic, the online inclusive finance industry is also increasing. The openness and integration of credit data has increasingly become a common consensus in the financial industry. The construction of a social credit system is a fundamental project for the high-quality development of the economy and society. As described earlier, the sustainability of inclusive finance is achieved

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when both parties follow economic rules, and in the context of a credit society, credit is particularly important. Building a credit information sharing system and strengthening credit information sharing applications can help break down "data silos". "Data silos" are independent and disconnected data system, making it difficult to access and analyze many data. Breaking down "data silos", which can prevent data monopolies, ensure data security, and further optimize the allocation of data at the societal level [4]. It helps to save compliance operating and transaction costs, reduce information asymmetry, curb fraud, create an honest environment, and better realize credit value.

4. Effects

The above description is the reason for promoting the development of inclusive finance. If financial products and services can truly enter everyone's economic life, it will have a huge impact on individuals and society. These impacts can be both good and bad. As mentioned earlier, the advent of the information technology era has promoted the development of inclusive finance. However, excessive reliance on information technology will make it difficult to avoid the emergence of network security problems, such as hacker intrusion and information network fraud. The emergence of such security problems can cause huge losses to personal wealth and even social wealth. Even so, from a long-term perspective, the popularization of inclusive finance is also a major driving force for socio-economic growth, and people's living standards will be improved, resulting in a more stable, prosperous, and beautiful society.

The first effect of ensuring people have reliable access to basic financial products and services is that it brings high quality of life for people. The high quality of life can be regarded as being more convenient and efficient in daily life. When people live in an area that lacks access to basic financial products and services, the only thing they use to purchase commodities is cash. However, cash is not only difficult to carry, but also carries a high risk of loss. For some products that require installment payments, it is extremely inconvenient to use cash payments multiple times [5]. Consequently, financial products and services such as credit cards and online payments undoubtedly bring great convenience to people's lives. The convenience of transactions stimulates buyer consumption and promotes economic circulation. Sellers can also gain new opportunities and benefits from these financial products, reducing the profits of individual business [6]. More than that, people can also profit from financial products. When financial products are not yet widely available, low-income groups find it difficult to access financial services such as investment, credit, and insurance. Therefore, if everyone in society has reliable access to financial products, they can benefit from them, such as starting and expanding individual businesses through investment and insurance [7]. Financial products provide an affordable platform for both high-income and low-income groups to participate in financial management, which can bring convenience and profit, and boost the development of high quality of life.

The risk of losing money will be a negative effect when people have able to get basic financial products and services. From a critical perspective, financial products and services are not all beneficial, on the contrary, it brings the possibility to become tools for being scammed out of money, such as network fraud and hacker intrusion. There are three attack manners to achieve phishing scams, including malicious software, email, and instant messaging services [8]. Online fraud not only endangers the safety of people's property, but also seriously affects people sense of security and breeds social instability. The forms of online fraud are multifarious, which will be a heavy blow to the groups with weakened anti-fraud awareness, especially the elderly and young people. In addition, the money defrauded on the Internet will be more difficult to recover, greatly increasing the workload of internet police. Therefore, the impact of online fraud is negative and significant. In 2020, there were losses of up to $246 million in wealth caused by online fraud [9]. Financial products and services not only have a negative impact on individuals, but also on banks.

When bank loans cannot be recovered, these accounts will become bad debts, and the bank will lose this portion of the money [10]. For debtors, they will lose the trust of the bank, be blacklisted, and be restricted in economic life. Consuming too much convenience is not always a good thing. When people get used to spending future money and impulsively consume things they cannot afford, it is detrimental to both individuals and society. Financial products and services can bring money while also taking it away, the key lies in how people use it reasonably.

The last effect of people obtain basic financial products and services is the benefit to social stability. From a social perspective, the emergence of financial products and services will drive the rapid development of the financial industry, in other words, the financial industry will bring more employment opportunities to people. In northern Uganda, due to the impact of mobile currency, self-employment in areas far from banks has increased by 3%-6% [11]. The increase in employment not only reduces the unemployment rate, but also promotes economic development. However, social stability does not rely solely on rapid economic development, but also on the financial inclusion of society [12]. The key goal of financial inclusion is to reduce extreme poverty and promote shared prosperity, thereby achieving an increase in social inclusivity and stability [13]. The concept of financial inclusion is deeply rooted in people's hearts. As early as 2010, more than 55 countries have made commitments to it, and more than 60 countries are developing national strategies to promote and implement financial inclusivity [14]. Through the joint efforts of many countries, the number of adults with bank accounts in developing countries has increased from 51% to 76% in the decade from 2011 to 2021 [15]. The popularization and development of financial inclusion have enabled a large number of people who lack bank accounts due to poverty and are unable to enjoy financial products and services to truly live in a financially inclusive society. Allowing everyone in society, whether poor or wealthy, to enjoy the same rights is a goal that the government and society should pursue, and it is also the key to ensuring social stability, an economic leap, and national peace for all countries in the world.

5. Conclusion

This essay has explained the main causes that the reasons for the obstruction of inclusive finance include the existence of extreme poverty in society, the single type of inclusive financial services, and the accounting of costs by banks. These factors make it difficult for inclusive finance to reach the public. However, the information age and constantly improving economic levels can also promote the development of inclusive finance. These factors will promote inclusive finance to produce more mature financial products and services. Not only that, this essay also mentions the impact of making financial products and services accessible to the public, including bringing high quality of life and risk of losing money for individuals, and boost the stability for society. Although these products may bring the loss of individuals' finances, the positive influence for society economic is much more positive and straight-forward, and the pace of financial inclusion has never stopped and it will spread throughout the world. The major focus is on how to better leverage the benefits brought by financial products, and prevent the negative impact on society.

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