

Raven Bank: A leading pioneer of financial inclusion in Africa

Nigeria is one of the wealthiest countries in Africa, yet financial inclusion levels remain below 52%, meaning about half of us suffer financial exclusion. As a digital bank in Nigeria, our work drives us to some of the most financially excluded places in the country. While a single bank cannot enforce change in the country's current financial landscape, we can help individuals navigate a less stressful path to financial services.

Join us in this article as we explore some of the challenges customers and small businesses face in accessing financial services. We'll review solutions that may fan out the problem if steered by organizations that care.

The Problem of Financial Exclusion

The world has made great strides in financial inclusion, but it is estimated that 2.5 billion adults remain without access to financial services. (Universal Financial Access Initiative, World Bank, 2020) Data shows that this group of individuals has poorer economic well-being than the rest of the population. 48% of adults in Nigeria who are financially excluded cannot obtain loans on favorable terms and cannot apply for any form of insurance to cover their lives, homes, or possessions from unpredictable disabilities (EFInA, Financial Inclusion Survey, 2020).

The effects of financial exclusion are, unfortunately, numerous. Financial exclusion is usually defined as a severe lack of or limited access to financial services such as bank accounts, loans, pensions, and other social safety nets. People without access to these services will often struggle in situations involving high transportation costs and unforeseen expenses, which seem like daily tasks for the general population. These services are crucial for everyone but especially essential for members of rural communities, ethnic minorities, and low-income individuals.

Exclusion affects the poor, the uneducated, the elderly, and the disabled, as well as ethnic minorities. However, it is not just a problem for those who cannot access basic financial services; it has a broader impact on society, the country, and the continent.

The research suggests a wide range of reasons for financial exclusion.

According to research, we have:

- Lack of income and low-income levels

- Low levels of financial literacy and consumer knowledge
- Low levels of trust in financial institutions and providers
- High costs associated with the use of formal financial services
- Complexity, bureaucracy, and unfriendly service delivery channels

People excluded from financial services are more likely to rely on high-street providers, leading to an increase in moneylenders and other high-cost lenders. They are subject to robbery and cash-related disasters, which lead to poverty and a lifetime of missed opportunities for growth.

Effects of financial exclusion

The consequences of financial exclusion for individuals, families, and communities include:

- Not being able to access vital services such as utility bills or communications.
- Higher rates of interest on credit products and insurance.
- Having to resort to expensive alternatives like payday loans or illegal money lenders.
- A lack of savings leads to a lack of protection against emergencies such as ill health or unemployment.
- Lack of financial capability leads to poor financial decision-making.
- A lack of assets that can be used as security for credit, such as a mortgage or business loans.
- Difficulty in accessing affordable investment assets.

The cost of financial exclusion for the Nigerian economy is high. There's no telling how many opportunities have been sacrificed for this disability.

How Leading Champions of Financial Inclusion Should Operate

Modern banking is built to support the needs of its wealthiest clients. However, these mainstream financial channels remove focus from low-income and unbanked individuals. As a

result, they foster far-reaching consequences for the economic opportunities available to the entire country.

Enabling inclusive economies provides benefits to everyone by:

- Helping reduce the number of people living in poverty
- Helping those who struggle financially earn more money reduces income inequalities.
- Strengthening the domestic financial sector and increasing the interest rate that consumers can earn.
- By providing educational opportunities to people living in rural areas and improving their earnings potential.
- Providing the rural economy with resources to bolster its economic stability.

It is universally acknowledged that women worldwide have a harder time earning money and building assets than men. Evidence shows that using digital financial services makes women more easily earn money, build assets, and empower themselves. Women in developing countries have less access to banking services than men. Their lives would be made less difficult with access to digital solutions that help them keep track of their income, savings, and spending. (Erica Field Rohini Pande Simone Schaner Natalia Rigol Charity Troyer Moore, 2013 - 2017)

Solutions To Financial Exclusion

Mobile Banking

The mobile money revolution is in full force. It has the potential to provide economic and financial inclusion. Mobile phone penetration is already widespread in most Nigerian states, with 197 million active lines out of approximately 206.1 million adults in the country. It is growing rapidly in other parts of Africa.

Being financially excluded from worldwide mainstream commerce results in an inability to protect oneself from even small unexpected expenses, let alone access distant opportunities or plan for the future.

Thankfully, some innovative banks have embraced mobile banking as a primary vehicle to reach millions of unbanked customers who would not otherwise have access to financial services. Statistics show mobile banking can provide financial services to the world's most vulnerable populations.

Financial Education

Solutions to financial exclusion must utilize current opportunities to build systems that support financial literacy—an educational system specifically targeting the unbanked demographics. In addition, the solution must involve a system committed to providing a platform where these communities can learn more about the benefits of using mobile money and other formal payment channels.

We must target community leaders, teachers, religious leaders, and youths through various means with information about how to use mobile money as a payment method. For example, we must show them how they can save and send money through their mobile phones and how they can invest money in businesses or other income-generating activities.

At Raven Bank, we believe financial literacy is a fundamental right, not a privilege. Therefore, we have helped provide everyone with free access to essential financial concepts and knowledge. We promote financial education through valuable content, community, and innovative technology.

Improving Trust

It is impossible to overestimate the importance of confidence in the financial services sector. The trustworthiness of banks, especially those that seem "too big to fail," is critical for facilitating the growth and stability of an economy. Conversely, losing confidence in the system can have disastrous consequences.

Banks must deliver outstanding services to reduce the perceived risk of using financial services. Their customers just want to ensure their money is in good hands, even if they have to hold it themselves. But since money is involved, customers expect more security, privacy, accessibility, and care from their banks. They want to access their money anytime, anywhere, and in any way they want. They also want a system that helps them manage their finances more efficiently.

Leading champions of financial inclusion must address customer trust. They must fulfill a wide range of customer expectations if they want to be successful. Meaning, that banks must offer top-notch services that remain obvious to everyone, from senior executives to the unbanked minority. Financial leaders must also offer powerful tools that help users better manage their finances.

The same is true for Raven Bank. Understanding public concerns about security and privacy, we are committed to delivering tools that are easy to use, fast, and reliable. One glance at what Raven offers reveals a suite of personal financial management tools designed to help users build, measure, and manage their wealth.

Reducing The Costs Of Financial Inclusion

For many, banking services are too expensive to adopt and difficult to understand. People need to feel confident on their journey to financial inclusion. Potential customers must feel that the benefits of using a bank outweigh the costs.

Two primary factors here are cost and convenience. One of the best ways to lower costs is to do away with physical branch locations and use mobile phones instead. This is cost-effective and makes it easier for everyone involved.

The best way to do away with the stressful process of opening an account, including large amounts of paperwork and long queues, is by leveraging technology, where everyone can sign up for an account at their preferred time and location.

Convenience is particularly important for unbanked individuals, who may not have regular opportunities to visit a branch location or an ATM. A low-cost mobile phone app that lets individuals send and receive money from great distances will significantly increase financial inclusion.

With the Raven app, for example, users can access their bank account from anywhere in the world within minutes with no paperwork needed. As soon as their account is properly set up, users can instantly send money to any bank for free and have access to a virtual card that can manage payments anywhere on the internet (coming soon).

Conclusion

As for the future, we need to address financial inclusion holistically. A way that encompasses a combination of technology, financial literacy, and mentorship. This lack of trust primarily drives the "friction" in the financial inclusion equation. While providers try to make their solutions as easy to access as possible, the benefits aren't accruing to those who need them most, and providers can only do so much. **At the end of the day, customers need to cultivate trust with their emerging providers, and Raven Bank will do its part to foster this change.**

Reference

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