

**Authors**

Beniamino Savonitto  
International Finance Corporation

Aishwarya Lakshmi Ratan

# Moving Beyond Access for Meaningful Financial Inclusion: Targeting investments to improve financial capability

*This blog post was originally posted on the [Next Billion Blog](#).*

Universal access to safe and reliable financial services from regulated providers is still a pipe dream in many developing countries. However, the share of those with access has been growing steadily over the past few decades. A recently compiled [global dataset on financial inclusion](#) finds that 41 percent of the adult population in low and middle income economies has access to a formal bank account. That is a significant and growing share. We must, therefore, reflect on what comes after access in financial service delivery. Is access the goal, or is it simply the beginning of a process of financial inclusion that involves not just service delivery but capability enhancement as well?



If we look closer, over 10 percent of these bank accounts in low and middle income countries are inactive, and the usage of more advanced insurance, savings, and loan products is limited. The depth and quality of the interaction with the formal financial sector is still very low for most account holders in developing economies. Are the financial products well-suited to the needs of low-income families? Do families have the tools to choose wisely between various products and services in order to satisfy their particular financial needs? And how do these capability enhancements occur even within contexts of limited exposure to formal literacy and education?

Providing financial education is typically considered the first step in helping people improve their financial capability, and enhancing the quality of their interaction with the formal financial sector. A recent review by Lisa Xu and Bilal Zia summarizes what we know and what we don't know about financial education and financial literacy. The evaluations completed so far show mixed results on the impact of financial education programs on clients' knowledge and behavior. Further, delivering financial literacy training to all those who have access to a bank account would be an expensive and arduous exercise for the public sector alone. Who are the relevant stakeholders to help bridge this financial capability gap?

We are looking to explore these and related questions through 10 or more new research projects that we initiate at Innovations for Poverty Action (IPA) over the next two years, with support from the Citi Foundation. We seek to generate rigorous evidence on products and product-linked innovations, aimed at improving financial capability, i.e. individuals' abilities to make informed judgments and effective decisions about the use and management of their money. Our focus is on cost-effective, product-linked interventions that, when coupled with a demonstrable business case, can be rapidly scaled up by private institutions.

The Citi IPA Financial Capability Research Fund, supported by the Citi Foundation, will incubate, develop, and rigorously study products and product-linked interventions to improve financial capability, with the following *focal research areas*: (1) product-linked financial education; (2) incentives for behavior change and use of financial services; and (3) product design as a way to encourage appropriate use of financial instruments. We encourage and will actively facilitate the creation of researcher-practitioner teams that jointly develop relevant study ideas, the results from which, once established, can be easily translated into practice. We invite teams to submit Expressions of Interest (EOI) for the first round of the competitive research fund by 19 October 2012.

In the wake of a global financial crisis that has wrought large-scale damage to the consumption and investment of millions of individuals, we are keen to encourage innovation in the development of financial products that help households become more resilient, not more vulnerable.

Through this research fund, we hope to build evidence around tools that can empower households to make better decisions on their own financial portfolios in the present and for the future. We invite you to join us in this effort.

For more information on the fund, please take a look at our website at:  
[www.poverty-action.org/financialcapability](http://www.poverty-action.org/financialcapability)

Aishwarya Lakshmi Ratan, is director of the *Global Financial Inclusion Initiative*; Beniamino Savonitto, is project director, *Financial Capability Research Fund*. Their full bios are [here](#).  
September 04, 2012