

# LEVERAGING TECHNOLOGY TO PROMOTE FINANCIAL INCLUSION

## Fact sheet: Western Europe

### Introduction

The unbanked, nearly a quarter of the world's population, are unable or unwilling to use traditional banking services. The underbanked, comprising an even larger number, have no mainstream banking services beyond a basic checking or savings account.

How are financial institutions (FIs) in Western Europe increasing financial inclusion? What business benefits do they earn? And what role does technology play in their success?

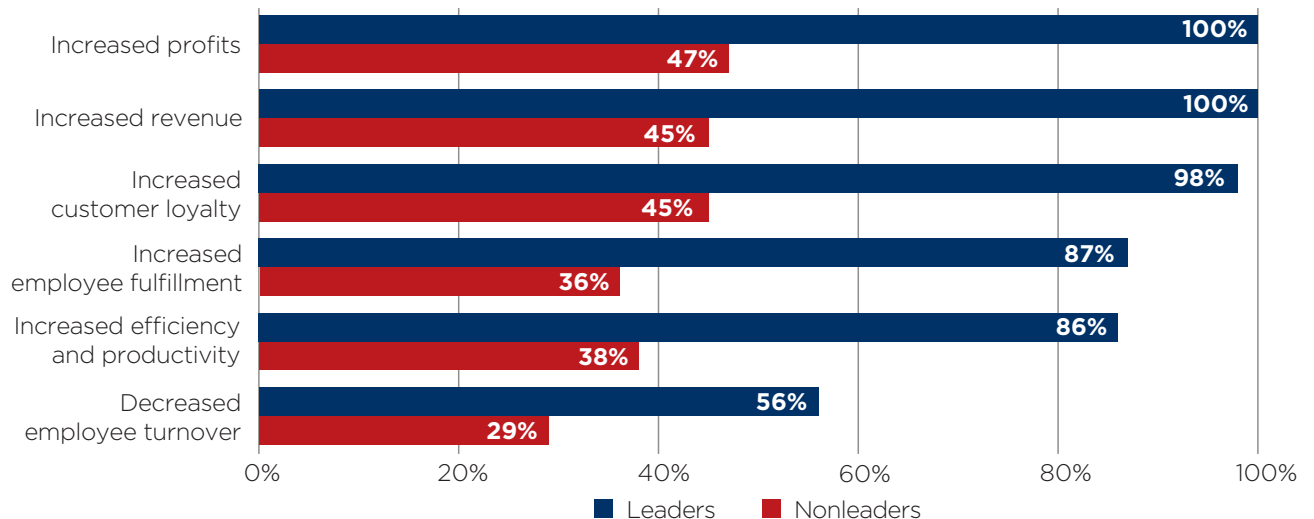
To answer these questions, Oxford Economics and Red Hat surveyed 500 executives, worldwide, at Challenger FIs (fintech companies and neobanks) and Traditional FIs (traditional banks and lenders and payment processors) in 2022. Applying a bespoke econometric model to the survey data reveals that:

- To maximize financial-inclusion benefits, each FI must make the same four building blocks work together: the right distribution-channel technologies, data-processing technologies, product offerings, and nontechnology initiatives.

- An FI's technology—distribution and data-processing capabilities together—contributes about 50% more to its realized benefits than do either its product offerings or nontechnology initiatives. This makes its technology choices the focus of its financial-inclusion business plan.

Finally, we defined a set of global Leaders as the FIs that have gone the farthest in fully implementing the building-block choices all respondents consider the most effective. As expected, these Leaders enjoy more benefits than do Nonleaders—dramatically more (see Fig. 1).

**Fig. 1. The business benefits of our financial-inclusion Leaders soar**



Source: Oxford Economics

## Customizing our strategy for Western Europe

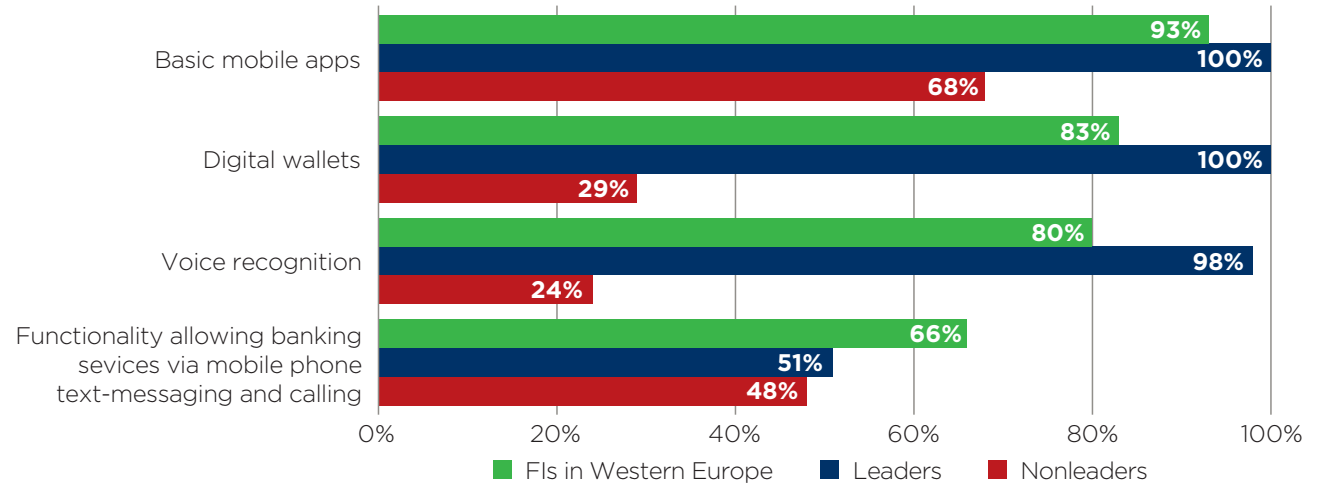
To maximize their benefits, FIs doing business in Western Europe should adapt our global Leaders' strategies specifically to Western Europe's unbanked and underbanked markets, regulations, and FI capabilities by considering implementing the choices that have proven most effective in this region, rather than globally.

**Building block 1:** The most effective **distribution-channel technologies** for FIs using financial inclusion as a business model specifically in Western Europe—and those that FIs in the region should consider implementing for this purpose—appear in Fig. 2. As a reality check, we see that these four distribution channels are fully implemented by overwhelming proportions of our global Leaders; in fact, they are the channels highly used by Leaders to maximize financial-inclusion benefits (see Fig. 2).

**Building block 2:** The **data-processing technologies** most effective at helping FIs benefit from financial inclusion in Western Europe—and the data-processing technologies that the region's FIs should consider if they want those benefits—appear in Fig. 3. Plus, the overwhelming implementation of these technologies by our global Leaders further confirms that they are worth consideration by the region's FIs (see Fig. 3).

**Fig. 2. Most effective distribution technologies for financial inclusion in Western Europe**

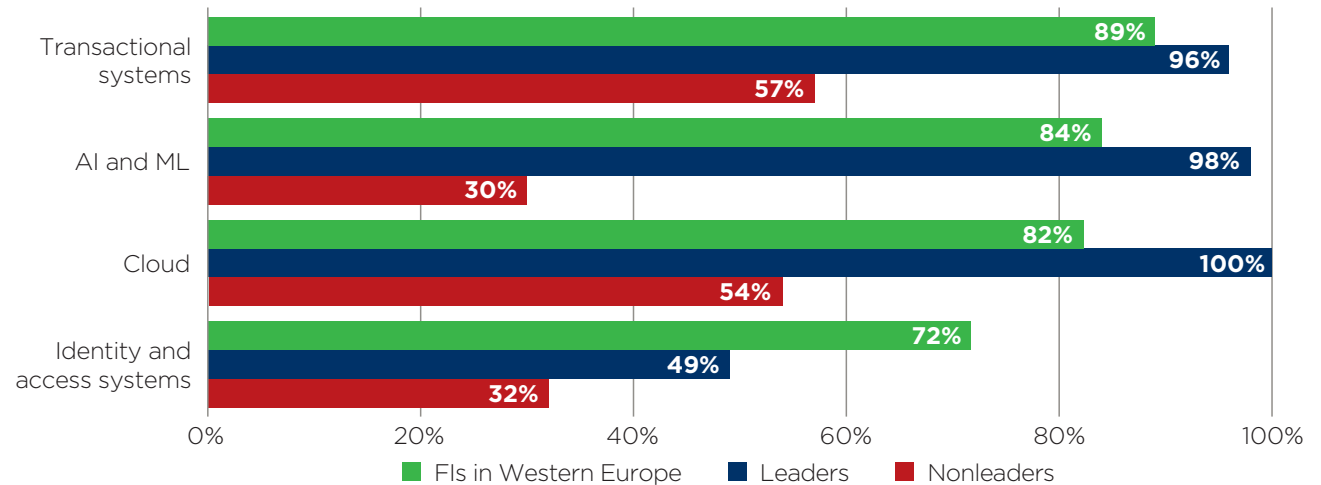
*FIs in Western Europe that see the technology as most effective; global Leaders vs. Nonleaders that have fully implemented the same technology*



Source: Oxford Economics

**Fig. 3. Most effective data-processing technologies for financial inclusion in Western Europe**

*FIs in Western Europe that see the technology as most effective; global Leaders vs. Nonleaders that have fully implemented the same technology*

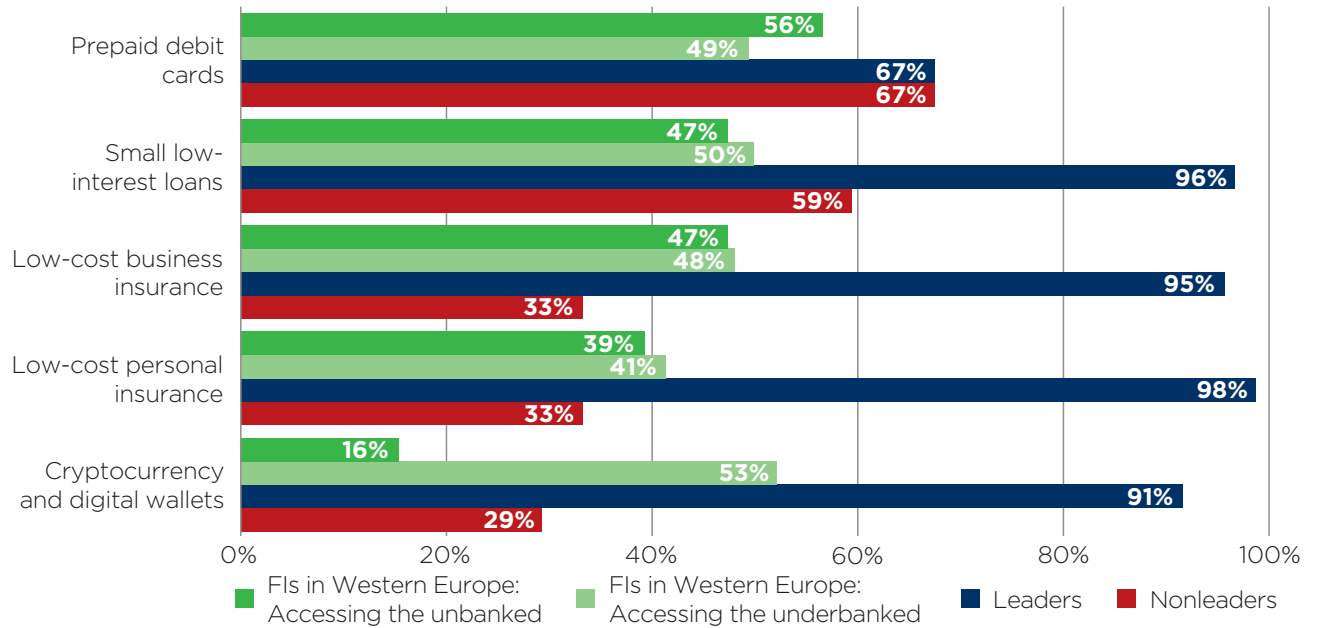


Source: Oxford Economics

- Building block 3:** By the same logic, we recommend that FIs in Western Europe consider making available the **product and service offerings** as part of their financial-inclusion business plan that have proven most effective for this purpose in the region. These appear in Fig. 4. And we see that, supporting these choices, a compelling majority of our global Leaders have already fully implemented offering them as part of their own financial-inclusion strategies (see Fig 4).
- Building block 4:** Finally, FIs in Western Europe should consider implementing the **nontechnology initiatives** seen in Fig. 5, which most effectively expand financial inclusion specifically in this region. The overwhelming use of these initiatives by our global Leaders confirms that they are worth consideration by FIs in Western Europe.

**Fig. 4. Most effective product offerings for financial inclusion in Western Europe**

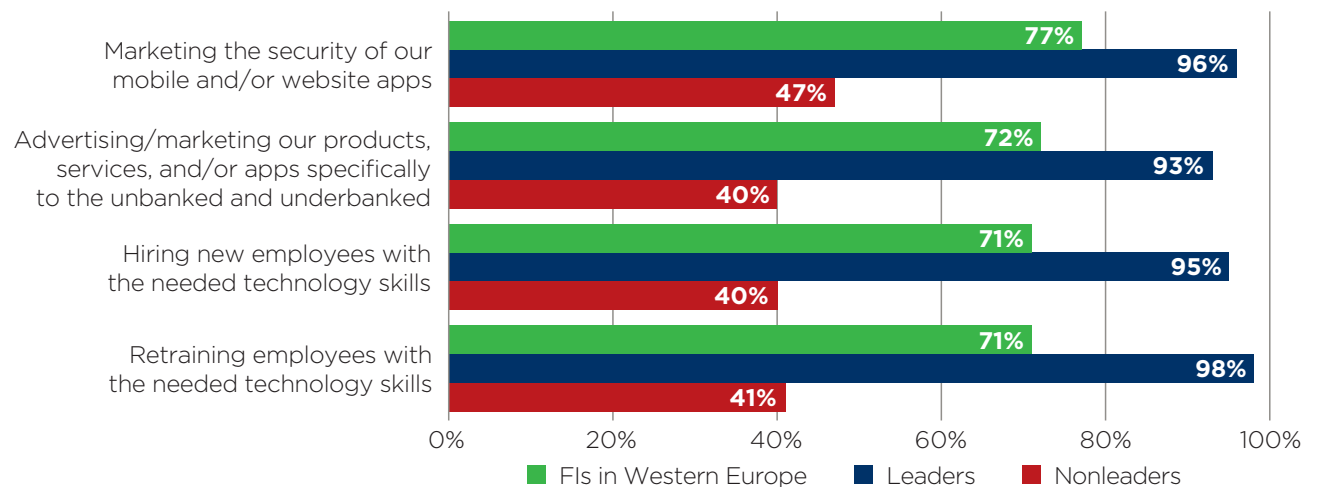
*FIs in Western Europe that see the product offering as most effective for accessing the unbanked vs. the underbanked; global Leaders vs. Nonleaders that have fully implemented the same product offering*



Source: Oxford Economics

**Fig. 5. Most effective nontechnology initiatives for financial inclusion in Western Europe**

*FIs in Western Europe that see the nontechnology initiative as most effective; global Leaders vs. Nonleaders that have fully implemented the same nontechnology initiative*



Source: Oxford Economics

## Calls to action

Here we spotlight best practices, emerging from the research, for FIs in Western Europe to apply to their implementation of each of our four financial-inclusion building blocks.

### **(1) Adapt the financial-inclusion experience of our Leaders to your own FI in Western Europe.**

- Getting the technology and other building blocks right does not mean simply duplicating the choices of our Leaders. In Western Europe, FIs must adapt our Leaders' choices to their own budgetary constraints, competencies, and regional unbanked and underbanked markets.

### **(2) Create a coherent financial-inclusion strategy, starting with technology.**

- The starting point for such a strategy is in the right distribution and data-processing capabilities, which 100% of our Leaders support with the cloud today. Ideally, FIs should design a global technology architecture that can optimize benefits and cost savings, while remaining scalable as newer tools, such as AI and machine learning, continue to play larger roles in bank functions.
- These institutions must create an overall, coherent strategy by supplementing these technologies with the right product offerings and nontechnology initiatives.

### **(3) Leverage partnerships to cut costs, gain capabilities, and increase market reach.**

- Partnerships between Challenger and Traditional FIs, on the rise but not yet commonplace in Western Europe, can be win-wins. A Challenger could offset a Traditional FI's costs of technology acquisition, servicing, and know-how, while the Traditional FI could bring the Challenger increased brand recognition, market reach, and compliance expertise.

## About the research

For more detail about our survey and analytical methodologies, please see the study's primary research report, *Leveraging Technology to Promote Financial Inclusion*.