FinTech Ecosystem Practices Shaping Financial Inclusion: The Case of Mobile Money in Ghana

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Introduction

Globally, there is uneven access to financial services, with 1.7 billion unbanked individuals (World Bank, 2018), leading to high levels of financial exclusion (Demirgüç-Kunt et al., 2018)

Financial inclusion defined as defined as where “individuals and businesses have access to useful and affordable financial pro- ducts and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way” (World Bank, 2018)

The lack of access to formal instruments for savings or borrowing compounds poverty (Friedline et al., 2019), because the ability to save, borrow and exchange money is key not only in helping to escape poverty, but also a means to improve their quality of life

Introduction

In the last 15 years, with the diffusion of mobile phones, there has been a move to examine “how banks can translate the potential of mobile phones into greater financial access for poor people” (CGAP, 2008: p1).

Over time, this has shifted from the role of banks, to include a wider network of technology firms, and financial technology firms (fintechs) that offer novel digital financial solutions—such as mobile money—as alternatives to traditional banking services.

Despite the growing research on FinTech, and in particular mobile money, the majority of the studies focus on individual adoption issues such as antecedents, drivers and inhibitors, users’ perception, and cultural barriers.

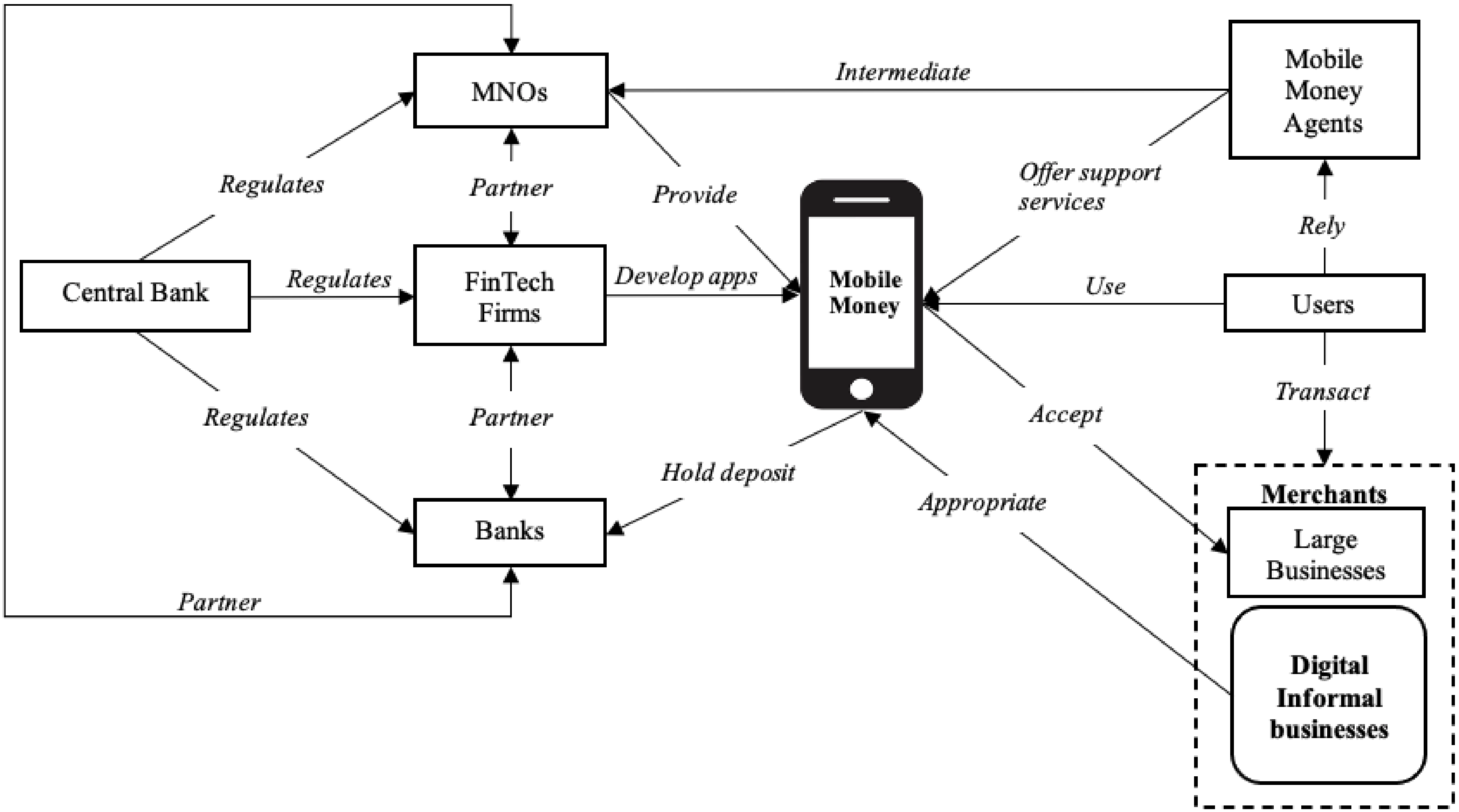
Research Problem and Question

An area that remains under-theorised is how meso-level actors and macro-level institutions combine to shape financial sector practices to address financial inclusion.

RQ: How does the interplay between “new” and “old” actors shape financial sector practices to address financial inclusion?

We undertake a multi-level qualitative theory-generating case study with interacting organisations in Ghana.

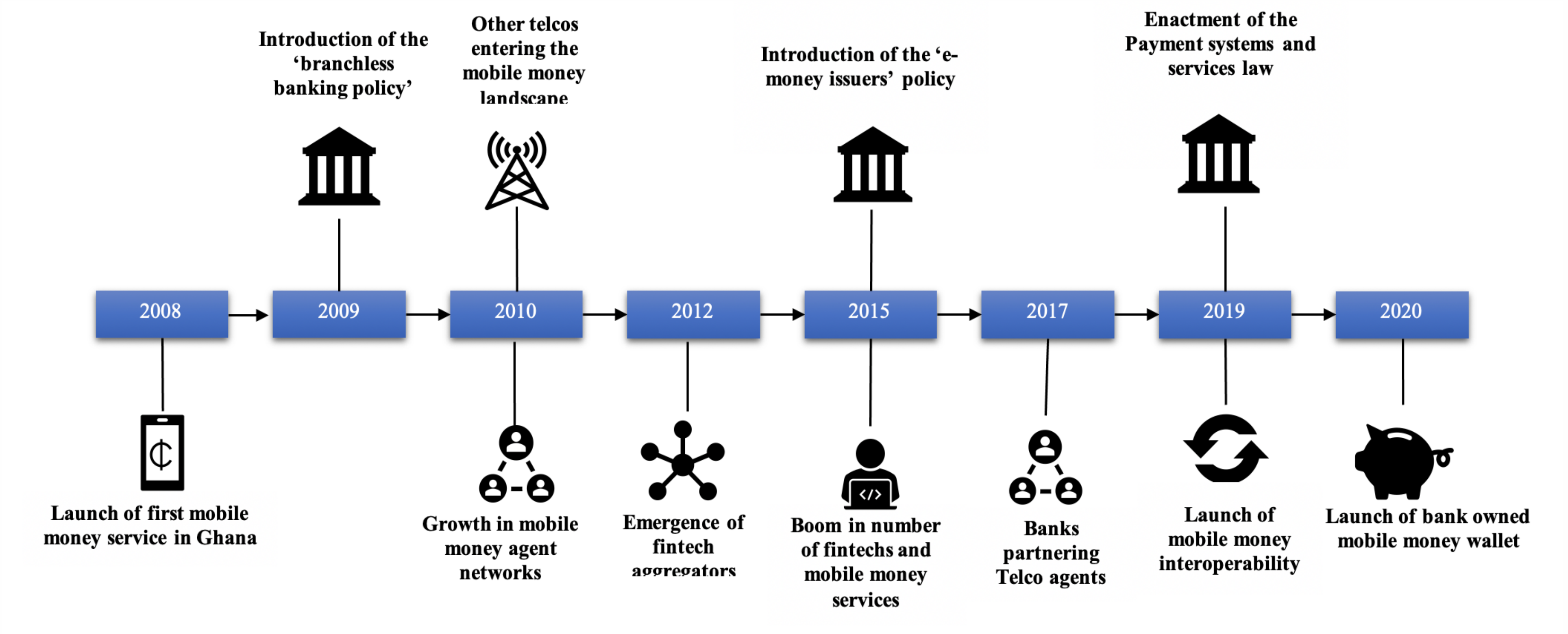
Background



The Ghanaian FinTech ecosystem

Background

Timeline of major activities in Ghana's FinTech Ecosystem



Methodology

To explain the complex interactions between technology, firms, structures, people, and contextually specific issues, we adopted a qualitative methodological orientation (Klein & Myers, 1999) and a case study design.

In developing theory, our goal is to explain how actors collectively shape and define the direction of financial inclusion, and the mechanisms underpinning this interplay, as a conceptual basis to explain, predict and theorise on financial inclusion in other settings (Gregor, 2006).

We conducted 29 semi-structured interviews across 17 organisations between 2019 and 2020.

Findings

Ecosystem Actors	Innovative and collaborative practices	Protectionist and equitable practices	Legitimising and sustaining practices
Regulation and Licensing (BoG)	Introducing regulations which facilitate blending capabilities and new collaborative models	Enacting policies to protect banks and telcos	Revising financial sector policies to promote financial inclusion and enable FinTech independent licensing
Incumbent Financial Organisations (Banks)	Leveraging (telcos' and FinTechs') mobile money platforms to develop financial services	Retaining ownership of deposit taking function and customer relationships	Revising banking practices to include mobile money-based services and work with localised agents
Infrastructure Providers (Telcos)	Opening up access to mobile money platforms to deliver mobile financial services	Retaining ownership of mobile money platform and customer relationships	Developing agent and merchant network to support mobile money diffusion
Think Tanks (Development Actors)	Engaging with diverse stakeholders to understand barriers and enablers for innovation	Lobbying policymakers to ensure regulatory practices are fair and allow value-co-creation	Informing and supporting policy on financial inclusion
New Entrants (FinTech Firms)	Leveraging mobile money platforms to develop new financial services	Delivering entrepreneurial vision within boundaries that do not threaten telco and banking incumbents' interests	Seeking licensing and permission to deliver new products and services through closer community ties

Multilevel practices and interactions for financial inclusion

Findings

Innovative and collaborative practices:

- First, FinTech firms, telcos and banks provide innovative financial services which substitute for, and/or refine, traditional offerings
- Second, actors reconfigure their relationships and adopt new collaborative models to deliver their innovations

Traditional financial services		**Substitute/refined approaches**	
Traditional financial services	*Barriers to use*	*Mobile money financial service*	*Main uses*
Bank account, loans and savings, etc offered by banks	Documentation/identification requirements, high transaction costs, inaccessible/limited bank branches, etc	Mobile phone-based money transfer, savings, micro-loans, pensions, etc offered by multilevel actors such as FinTech firms and telcos	Local remittances, micro-loans, pension, school fees, utilities, etc

Traditional vs. substitute/refined approaches to financial inclusion

Findings

Protectionist and equitable practices:

- New actors entering the market and new pathways to manage previously unserved markets triggered new forms of collaboration. This also generated rivalry and competition between actors, which resulted in protectionary practices being lobbied for and introduced.

- Interventionary policies favouring established actors and institutions

- Controlling access to key infrastructure, functions and customers

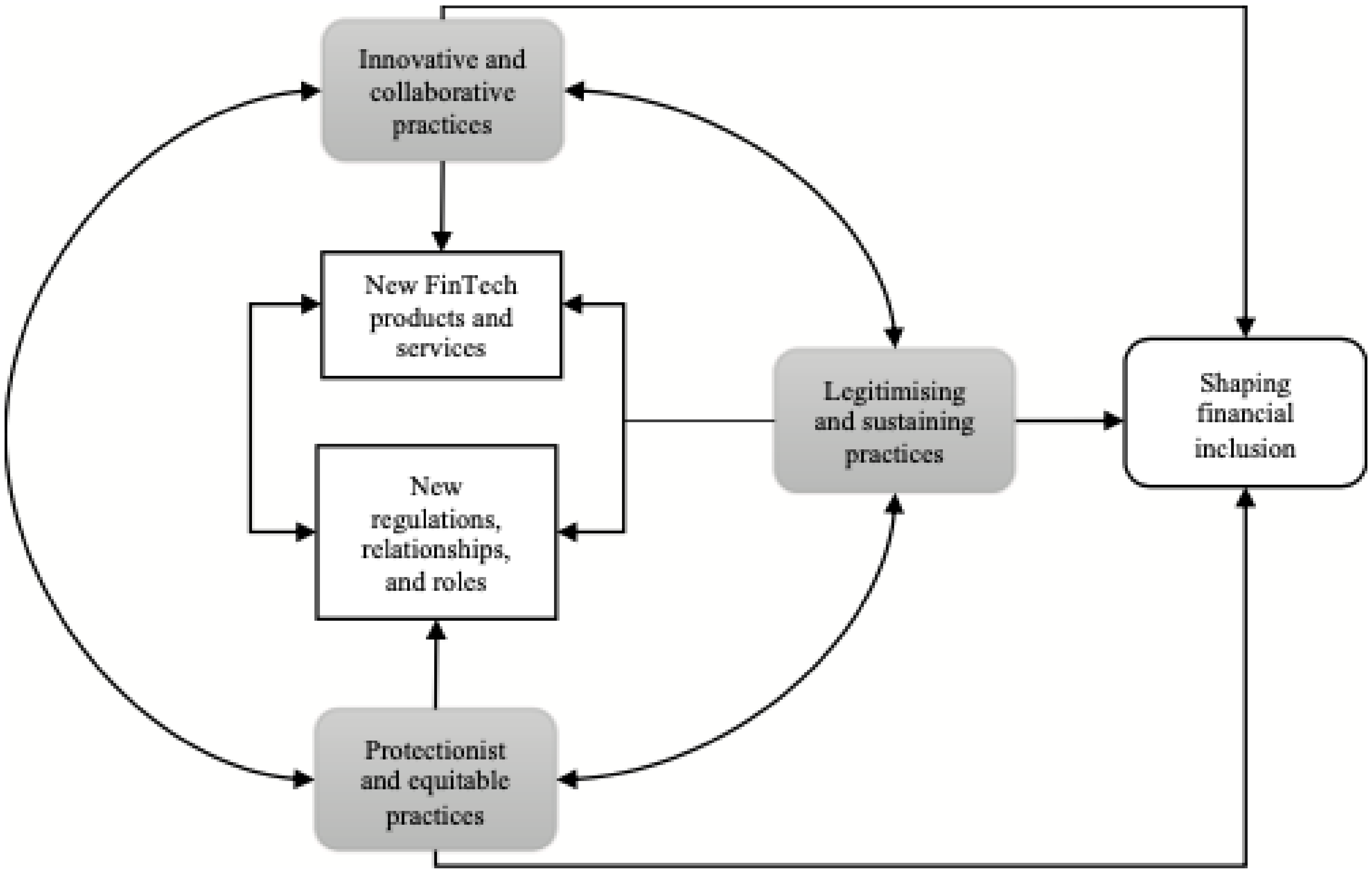
- After launching the E-money Issuers policy in 2015 the registered number of mobile money accounts doubled from about 7 million in 2014 to 13 million in 2015 (Bank of Ghana, 2019), and active (in use) mobile money accounts also doubled from about 2.5 million in 2014 to 4.8 million in 2015

Findings

Legitimising and sustaining practices:

- The practices described here refer to purposive structuring of institutional arrangements (top-down) and engagement of individuals (bottom-up) to scale up financial inclusion
- Top-down revision of institutional arrangements for trust building
- Bottom-up trust building through empowerment of localised agents
- Legitimising and sustaining practices address and nurture financial inclusion by embedding the outcomes of practices to improve financial inclusion

Discussion



Model of FinTech ecosystem practices shaping financial inclusion

Implications

First, our findings show that the development of FinTech services for financial inclusion requires pulling together capabilities between independent yet complementary competitors from three different traditional sectors: information technology (for FinTech firms), telecommunication (for telcos) and banking (for banks)

Second, the study contributes by theorising how regulators can use regulations to strike a balance between triple competing interests of incumbents, new actors and citizens to shape financial inclusion

Lastly, we extend the existing FinTech and innovation ecosystem literature by articulating how accounting for and enabling localised trust building can normalise practices to shape financial inclusion

Implications

Governments and practitioners may use our findings to inform their own strategies to balance government interventions to both protect critical players and the roles they play while simultaneously encouraging new players to enter markets and compete.

We highlight the need to be mindful of the gaps between the needs of actors, regulations, and contextual issues

- Where the gap between the needs of new actors and regulatory interventions is high, it may mean financial inclusion services do not meet the needs of the unbanked

- Where the gap between the needs of old actors and regulatory interventions is high, it can also mean innovation may be high but the necessary incentives for old and new actors to collaborate are weak, resulting in a weak outcome

Conclusion

Our study examined how the interplay between new and old actors shapes financial sector practices to address financial inclusion.

Our multilevel data allows us to develop contextually relevant theory by articulating how the interconnections, dynamics and interplay between actors shape financial inclusion through their products and services for the unbanked.

We subsequently developed a model of FinTech ecosystem practices shaping financial inclusion and offering interesting practical implications

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