

Digital Finance – A Key to Sustainability

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As the world population continues to grow, providing everyone with equal access to financial services is vital in a bid to provide equitable, affordable and transparent financial services. Millions are being excluded from partaking in traditional banking institutions that is seeing billions fall through the net which could be used to develop prosperous and sustainable economies. As we are now in the midst of a global digital revolution, financial inclusion for these neglected sectors of society must be a priority to build the required infrastructure and governance to fully enable this highly important sector. COVID has taught us that we need to be better prepared with more resilient infrastructure to ensure a vital sector, such as finance, is not disrupted and can continue unabated especially in developing countries.

The ubiquity of technology such as mobile phones and the internet must be leveraged through digital financial inclusion to provide safe and affordable financial services so that everyone, regardless of location or social status, can access financial services. This is being powered by the financial technology (fintech) market especially in continents such as Africa that is seeing an explosion in digital financial service providers, providing online accounts, payments, credit and insurance services through innovative digital applications to reach a market that would have previously been excluded. This allows vulnerable members of society to engage in better financial planning through savings, loans and investment opportunities that in turn will lead to greater economic prosperity for any nation, helping them to break the vicious cycle of poverty that so many find themselves in.

Digital solutions provide members of society with easy-to-use tools, providing access to financial services and a financial safety net to accumulate savings in a bid to absorb the risk of financial shocks and emergencies. Employers and governments can rapidly and easily transfer money to those that are most in need. This removes the need for cash that can be prohibitive when you talk about millions, while at the same time reduces cases of fraud and theft, as well as increases transparency. The cost of providing such services is lowered and outreach is hugely increased, allowing more to access sophisticated financial services in the future; especially for a segment that would otherwise be denied financial services from traditional banks.

Feeding a growing population is becoming a major challenge. The agricultural sector is a large world sector that is particularly vulnerable to volatility, meaning that farmers face difficulty in controlling agricultural risk. Access to credit schemes that

assist in securing farming staples such as fertilizer and seed as well as microfinance and micro insurance can help to improve farmers' earnings, improve yields and achieve gains in productivity. The acceptance of digital payments, access to online farming communities, direct access to distributors, the remittance of finances online and access to tailored saving schemes, creates a fairer, more inclusive environment for them to operate in.

Access to healthcare services for many is a challenge simply because it is too expensive. Digital financial inclusion allows for households to save for healthcare emergencies through micro healthcare systems and also provides healthcare providers with more reliable income, especially in rural areas where sending cash is difficult. This promotes an improved healthcare ecosystem for a segment of society that has been traditionally ignored, which in turn has positive effects on overall community wellbeing.

Education is a concern that millions of children across the globe are facing. The cost associated with putting children through school is often a barrier for low-income households and quite often, children are denied the right to education as a result. Digital finance allows households to better plan for education expenses and helps schools to improve their financial management, freeing up resources to focus on improving education outcomes, and allows teachers to be paid, safely, securely and reliably. Equitable access to education and access to lifelong learning skills opens up an array of opportunity and are essential for a more prosperous world.

It is estimated that 35% of women worldwide are excluded from the financial system, and have no means of saving, or access to formal financial products. Providing them with access to digital finance is essential to give them greater control over their finances, help them secure loans to raise their businesses, and empower them with the means to make financial decisions. This is a major step in promoting gender equality and of particular importance where women are the head of a household and need flexible money options. The prospect of being paid in a safe, digital manner allows them to prioritize spending in the knowledge that they are in full control of their money and helps them to build credit worthiness.

Clean water and sanitization is a fundamental right of everyone on this planet. In many countries, water providers face an increasing struggle in the provision of services to rural customers. This problem is multifaceted and it includes high costs associated with billing, metering, and the logistical challenges associated with payments' collection. Digital wallets allow households to easily save and pay for water services and to reduce late payments. Leveraging digital channels is vital to

provide water and sanitization to millions, allowing water providers to lower operating expenses and provide more sustainable services than would otherwise be possible.

Clean energy and access to electricity in rural areas is an ongoing challenge that would be best addressed through the use of green, renewable energy sources. This requires significant investment from energy companies that ultimately want to ensure they will receive a return on their investment. Through digital services, these companies can lower the cost of providing services and introduce pay-as-you-go payment schemes, ensuring that companies receive revenues in a timely manner. This is imperative to serve millions on low household incomes that would otherwise be denied access to such services due to their financial status.

The expansion of small industries in poor countries is essential to enable them to grow and reach new markets that in turn brings more money into the economy and fuels overall employment. Having credit scores, payment histories and secure, easy ways to send and receive money to employees and suppliers, all go towards developing greater digital financial inclusion. This can also help to reduce fraud and allows small enterprises to access much needed finance as their credit worthiness can easily be checked and they can conveniently receive monies.

According to statistics, 60% of the world population will be living in cities by 2030. This poses a huge challenge to provide equitable and sustainable services at a time where great focus is being placed on delivering green services in a bid to reduce carbon emissions in light of climate change challenges. Delivering services such as transportation and housing can be particularly challenging especially to citizens that do not have credit histories and cannot use traditional finance routes. Digital payments could allow many cities to address these gaps through the provision of digital micro mortgages to help those looking to secure accommodation, making it easier for people to invest in housing. Worsening congestion in cities can be addressed through electronic tolls to reduce traffic, automate payment collection and help to reduce road congestion. Public transport can be easily equipped with digital fare payment systems to improve service delivery. Altogether, these make cities safer, more sustainable and more inclusive.

The introduction of digital payment alternatives can help to entice the public to opt for options that are more carbon-efficient which is essential if we are going to battle climate change. Access to digital credit, saving and insurance can help the poor better mitigate the risk of climate disasters and allow people to make

environmentally friendly investments that otherwise may have been out of their financial reach.

Digital also provides more transparency into the use of public funds which is essential to hold governments accountable and helps to better formalize economies. This provides auditable transaction records that are essential in the fight against corruption which has plagued poorer countries for decades.

Digital finance allows for more inclusion at all levels of society and is essential to provide services to a growing urban population and a core pillar to achieve more sustainable cities. I see that financial inclusion is a fundamental pillar that will help to achieve the UN Sustainable Development Goals.