



# RELOOKING AT FINANCIAL INCLUSION - FROM A MISSED OPPORTUNITY TO THE NEXT BIG THING



In today's rapidly evolving world, financial inclusion is no longer a moral imperative, but a strategic necessity. To help bridge the gap for the financially excluded population, financial inclusion acts as strong facilitator in achieving sustainable economic growth and

access to banking innovation. These underserved communities, categorized by unbanked and underbanked population, constitute nearly 24.6 million of U.S. population<sup>1</sup>.

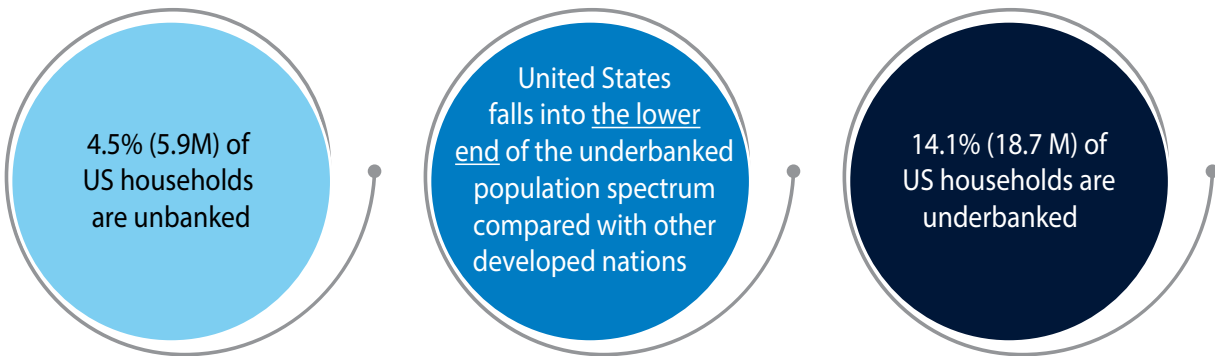


Fig 1. Latest Survey data<sup>2</sup> on state of financial inclusion in US Banking: Inequality to Empowerment - Addressing the Urgent Attention and Need for US Financial Inclusion.

However, effectively reaching underserved communities and promoting financial inclusion remains a key challenge for global economies. Finding solutions that are affordable and accessible to all, is crucial.

We, at Infosys Consulting, firmly believe that ensuring widespread availability of financial tools to a wider population is critical in unlocking the full potential of a society and in further enhancing a country's economic growth. This implies breaking down barriers to traditional banking systems, embracing innovative technologies, and fostering both financial and digital literacy.

### Regional Banks and Credit Unions play a crucial role in augmenting 'Financial Inclusion'

Regional Banks and Credit Unions play a crucial role in promoting financial inclusion in the U.S., particularly for the underbanked population. This is primarily due to the proximity of their reach

across these populations along with underlying societal and strategic considerations. By strategically serving this population, Credit Unions and Regional Banks stand to benefit in several ways.

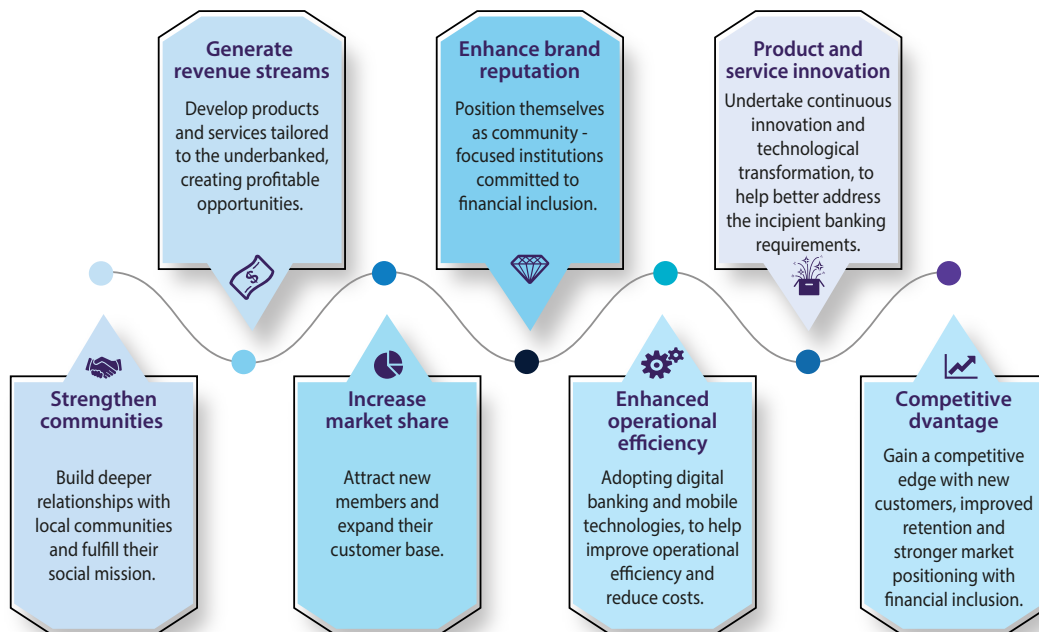


Fig 2. Advantages of 'Financial Inclusion' for Regional Banks and Credit Unions.

To achieve sustainable outcomes from a financial inclusion plan, it is important to highlight the key business imperatives and stakeholder expectations.

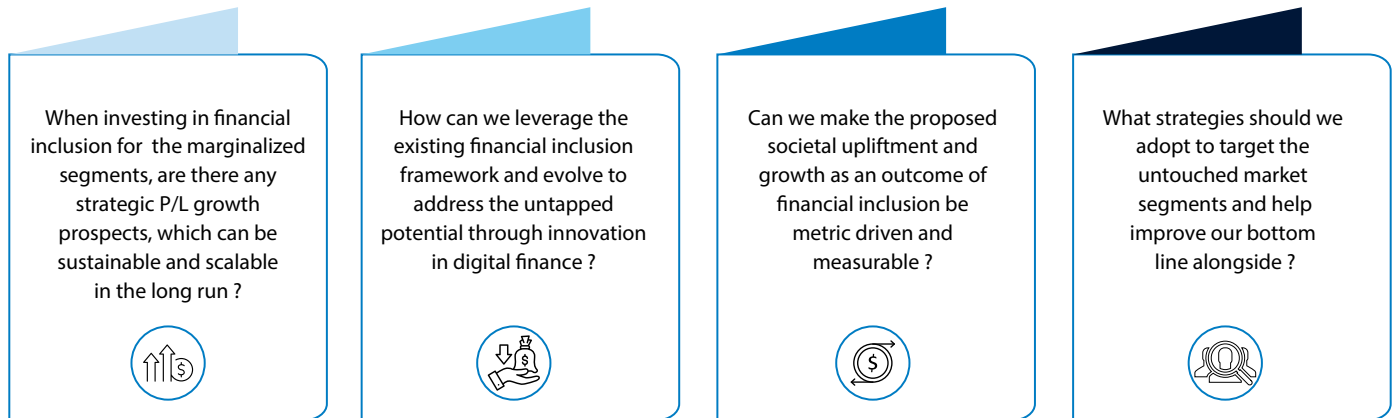


Fig 3. Key Questions to be addressed by Organizations, when undertaking 'Financial Inclusion'.

A quick glance at the current offerings by Regional Bank & Credit Unions in the financial inclusion landscape.

### Regional Bank and Credit Unions are on the right path, albeit face several key challenges

It is heartening to note that Regional Banks and Credit Unions in the U.S. are already helping individuals and larger communities to achieve financial stability and well-being, by offering accessible and affordable financial solutions through diverse product mix and strategies.

Banks/Credit Unions	Type of Financial Service	Category of Product Mix	Product Mix Examples	Benefits for Banks/Credit Unions
Credit Union	Transaction Accounts	Low - Cost or No - Fee Accounts	<ul style="list-style-type: none"> <li>Basic checking accounts with low minimum balance requirements</li> <li>Savings accounts with waived monthly fees</li> </ul>	<ul style="list-style-type: none"> <li>Attract new customers from unbanked/under banked population</li> <li>Build long-term customer relationships</li> <li>Increased loan opportunities in the future</li> </ul>
Regional Bank	Alternative Credit Products	Small Dollar Loans	<ul style="list-style-type: none"> <li>Microloans for emergencies or small business needs</li> <li>Payday Alternative Loans (PALs) with lower interest rates and longer repayment terms</li> </ul>	<ul style="list-style-type: none"> <li>Provide responsible credit options to avoid predatory lenders</li> <li>Reduce risk of defaults with smaller loan sizes</li> <li>Improve financial health of under served communities</li> </ul>
Credit Union	Non - Traditional Financial Services	Second Chance Checking	<ul style="list-style-type: none"> <li>Accounts for individuals with past negative banking history</li> <li>Rebuild trust and offer a path to mainstream financial products</li> </ul>	<ul style="list-style-type: none"> <li>Expand customer base and provide opportunities for financial rehabilitation</li> <li>Reduce risk of fraud with careful account management</li> </ul>
Regional Bank	Account Management Tools	Financial Literacy Programs	<ul style="list-style-type: none"> <li>Educational workshops on budgeting, saving, and credit building</li> <li>Mobile banking apps with financial management features</li> </ul>	<ul style="list-style-type: none"> <li>Empower customers to make informed financial decisions</li> <li>Increase customer engagement and loyalty</li> <li>Reduce risk of financial instability and defaults</li> </ul>
Credit Union and Regional Bank	Partnership Programs	Prepaid Cards with Benefits	<ul style="list-style-type: none"> <li>Partner with government agencies or NGOs to offer targeted financial products</li> <li>Co-branded cards with features like cashback rewards or discounts</li> </ul>	<ul style="list-style-type: none"> <li>Reach a wider range of undeserved populations</li> <li>Enhance brand reputation through community involvement</li> <li>Generate fee income from partnerships</li> </ul>

Fig 4. Brief overview of key 'Financial Inclusion' initiatives undertaken by Regional Banks and Credit Unions.



However, to achieve financial inclusion in the U.S., financial institutions face hurdles on multiple fronts.

**Consistent, sustainable, long-term planning and efforts, with active participation from key stakeholder groups**, comprising the government, community, technology leaders and financial institutions, is often overlooked.

**Geographic limitations** and a steady decline in physical branches, are making it difficult for residents in underserved communities, particularly rural areas, to easily access financial services.

**Limited market outreach** leaves low-income or minority communities unaware of available financial products.

Furthermore, limited range of products and services do not always cater to the specific needs of the underserved demographics. Traditional credit scoring systems often exclude those with limited credit history, hindering access to loans and credit cards.

**Financial literacy** among the underbanked population remains a key challenge, with the lack of foundational financial education leading to impulsive spending, lack of financial planning and challenges in dealing with complex financial products.

Finally, complex regulations intended to protect consumers, inadvertently create barriers to entry, especially for non-traditional financial institutions trying to serve unbanked populations.



## Infosys can help Regional Banks and Credit Unions in several ways to enhance their financial inclusion goals

Several solutions can be envisaged to address some of the key challenges mentioned above.

Key Challenges	Potential Solutions
<b>Geographical limitations and limited market outreach</b>	<ol style="list-style-type: none"> <li>1. <b>Market outreach strategy with a focus on digital footprint expansion:</b> <ol style="list-style-type: none"> <li>a. Digital Onboarding</li> <li>b. Digital Branch Set-up</li> <li>c. Cross channel journeys for targeted personas</li> <li>d. Multi-channel customer support</li> <li>e. Facilitating FinTech Collaboration</li> </ol> </li> <li>2. <b>Branchless banking solutions:</b> Partnerships with local retailers or community centers to establish cash in/cash-out points or mobile banking kiosks</li> <li>3. <b>Partnerships with local community organizations</b> <ol style="list-style-type: none"> <li>a. Hyperlocal targeting and outreach</li> <li>b. Enhanced customer acquisition and onboarding</li> <li>c. Co-branding and marketing enablement through retail network analysis</li> <li>d. Building trust and transparency through local retailers</li> </ol> </li> <li>4. <b>Innovate alternate credit scoring model:</b> Credit scoring models using alternative data to expand loan eligibility</li> </ol>
<b>Limited range of products and services</b>	<ol style="list-style-type: none"> <li>1. <b>Marketplace models:</b> Leverage 3rd party networks to offer a suite of services that will assist the underbanked communities throughout their life cycle stages</li> <li>2. <b>Broaden offerings with FinTech partnerships:</b> Collaborate with FinTechs to jointly offer innovative and affordable financial products</li> <li>3. <b>Alternative fee models, including:</b> <ol style="list-style-type: none"> <li>a. Pay-as-you-go model (fees charged only for specific transactions instead of a flat monthly fee)</li> <li>b. Subscription based (discounted fees for bundled services)</li> <li>c. Freemium Model (fees charged only for premium services)</li> <li>d. Periodic rebates basis account conduct</li> </ol> </li> <li>5. <b>'Low or no-fee' accounts:</b> Develop basic checking and savings accounts with minimal or no monthly maintenance fees. This helps Credit Unions and Regional Banks too with             <ol style="list-style-type: none"> <li>a. Increased customer acquisition and retention - low barrier to entry, relationship building, cross selling opportunities</li> <li>b. Building brand reputation and community focus - positive community impact, attracting socially conscious customers</li> </ol> </li> </ol>
<b>Lack of Financial Literacy</b>	<ol style="list-style-type: none"> <li>1. <b>Develop financial education apps and resources:</b> Provide accessible and interactive platforms for learning about financial concepts and products</li> <li>2. <b>Partner with schools and community organizations:</b> Integrate financial literacy programs into existing educational and outreach initiatives</li> <li>3. <b>Leverage AI for innovative financial guidance:</b> Utilize AI-powered tools to deliver targeted financial advice based on individual needs and circumstances</li> </ol>
<b>Complex regulations for customer onboarding</b>	<ol style="list-style-type: none"> <li>1. <b>Enhance digital onboarding process:</b> <ol style="list-style-type: none"> <li>a. User-centric design for regulation fulfillment - dynamic onboarding workflows, gamification, and educational tools with multilingual assistance through chatbot/video.</li> <li>b. Risk management and regulatory Reporting - AI-powered risk scoring, automated regulatory reporting</li> </ol> </li> <li>2. <b>Develop alternative verification methods:</b> Explore biometric authentication or other innovative approaches to verify identity</li> </ol>



At Infosys Consulting, we have assisted several global financial institutions in envisioning their go-to-market and product innovation strategies, helped design the details and launch new capabilities to meet their business objectives and customer expectations.

Our prior experiences along with proven frameworks and methodologies can help support Regional Banks' and Credit Unions' financial inclusion efforts in a significant way. We actively leverage **Design Thinking methodology** to reimagine the

products and services by bringing together diverse stakeholders – potential customers, financial institutions, community organizations, and partners. Our **service design framework** involves all stakeholders in a human-centered approach and help financial institutions design products and services that are accessible, affordable, and meet the specific needs of the target segments. We offer a strong **partnership ecosystem** that can be leveraged to broaden the product catalogue to cater to target segments.



## Infosys Framework for Financial Inclusion



Fig 5. Proposed Infosys framework for Financial Inclusion

## Bridging the Gap - Financial Inclusion Opportunity with Infosys' Design Expertise

Financial inclusion in the US presents a significant opportunity to empower underserved communities and expand the customer base for regional banks and credit unions. By addressing challenges like complex regulations and limited access to digital tools, institutions can unlock this potential. Infosys Consulting is well-positioned to assist in this endeavor.

Credit Union and Regional Bank should leverage a human-

centered approach through service design and design thinking methodologies. This involves collaborating with stakeholders, including banks, community organizations, and potential customers, to understand their needs and challenges. By focusing on empathy and user-centric solutions, Infosys can help design accessible onboarding processes, develop targeted financial products, and ultimately bridge the gap to financial inclusion for all.





## About the Authors



### Sumeet Verma

Senior Consultant – Business Consulting FSI Domain

**Sumeet Verma** is a Senior Consultant with Infosys Consulting, bringing over 15 years of experience in the financial services industry. His expertise lies in devising strategic solutions to empower financial institutions. His advocacy of design thinking methodology with deep understanding of the financial landscape, particularly regarding underbanked populations in the U.S., allows him to assist regional banks and credit unions in effectively reaching this critical market segment. He is reachable at [sumeet.verma@infosys.com](mailto:sumeet.verma@infosys.com).



### Somya Mishra

Senior Consultant - Business Consulting FSI Domain

**Somya Mishra** is currently working as a Senior Consultant with Infosys Consulting. She comes with over 11 years of extensive experience in Product Development, Project Management and Customer Experience Transformation, across Credit Risk Management, Commercial Lending and Digital Marketing domains. Her area of expertise includes implementing projects such as Loan Origination System, Early Warning System, Client onboarding and Disbursement documentation system. She can be connected on [somya.mishra@infosys.com](mailto:somya.mishra@infosys.com).

## Practice Leader

### Anurag Arora

Senior Principal –  
Business Consulting FSI Domain

### Saikat Pathak

Associate Partner -  
Business Consulting FSI Domain

## References

1. FDIC 2021 biennial survey: <https://www.fdic.gov/analysis/household-survey/index.html>
2. World Bank Survey: <https://www.worldbank.org/en/publication/globalindex/Data>

For more information, contact [askus@infosys.com](mailto:askus@infosys.com)



© 2024 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.