Financial inclusion: a strong critique

Ozili, Peterson K

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Peterson K. Ozili

Abstract

This article presents some criticisms of financial inclusion. It notes that (i) financial inclusion is an invitation to live by finance and leads to the financialisation of poverty; (ii) some of the benefits of financial inclusion disappears after a few years; (iii) financial inclusion ignores how poverty affects financial decision making, (iv) it promotes digital money which is difficult to understand, (v) financial inclusion promotes the use of transaction accounts; (vi) digital money is difficult to understand; and that (vii) some financial inclusion efforts bear a resemblance to a campaign against having cash-in-hand. This study will help policymakers in their assessment of the economic, social, political and cultural factors that hinder financial inclusion as well as the consequence of financial inclusion for society. For academics, this study will provide a critical perspective to on-going financial inclusion debates in the large positivist literature on financial inclusion.

Keywords: financial inclusion, criticism, poverty, digital money, digital finance, financial literacy, financial education.

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1. Introduction

Financial inclusion is the sustainable provision of affordable financial services that bring the poor into the formal economy (United Nations, 2016). Financial inclusion may be defined as the use of formal financial services by poor people (Beck et al, 2007; Ozili, 2018). Financial inclusion is the process that ensures the availability and ease of access to the formal financial sector (Sarma, 2012; Ozili, 2020a). Another definition refers to financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general, and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players (Chakrabarty, 2011). These definitions emphasize that financial inclusion is achieved when there is access to finance to all or some members of the population.

The benefits of financial inclusion are enormous. Having a formal account is the first step towards financial inclusion because it can provide a convenient way to save money, pay bills and to meet emergency needs. Financial inclusion can introduce a savings culture which individuals can take advantage of to manage their cash inflows and outflows and to save any excess money (Ozili, 2020a). Financial inclusion can open up a wide range of opportunities and a variety of financial products for people (Mohan, 2006). Financial inclusion will grant access to credit to small businesses which can increase the level of local economic activities. Financial inclusion will also allow financial markets to be within the reach of all citizens that want to engage in economic activities (Cull 2014, Ozili, 2020a).

Financial inclusion is indeed a great idea but this article critiques some aspect of the global financial inclusion agenda. While the author is not a critic of financial inclusion, the author identifies several aspects of the financial inclusion agenda that may come back to hurt the citizens and the State in the future of a financially inclusive society. Anyone with a keen interest in the financial inclusion literature will observe that most studies that investigate financial inclusion implicitly considers financial inclusion to be a good thing, and a large number of such studies can be found in the policy literature on financial inclusion. History has taught us that too much of a good thing is bad. The dot.com bubble of the early 2000s and the 2008 financial crisis are examples of this. The dot.com bubble (or the technology bubble) of the 2000s was replete with corporate governance scandals in many technology firms while the 2008 global financial crisis occurred when credit derivatives and subprime mortgages were pushed too far by investment banks that wanted to make much profit at the expense of subprime borrowers and unsophisticated investors. These two examples remind us that too much of a good thing can become a bad thing. Similarly, it is possible that too much financial inclusion may become undesirable.

Think of a world where everybody is financially included, a world where everyone owns a basic bank account, and everyone can do whatever it takes to improve their economic welfare. In this kind of world, can anything really go wrong? Will people make financial decisions and transactions that improve their welfare? Is there a likelihood that people will make financial mistakes or make financial decisions that are welfare-destructing as they now have unlimited access to bank accounts? It will be naïve to think that people, if left to themselves, will always make welfare-improving financial transactions and decisions. This is because unrestricted access to finance can make it easier for people to make poor financial decisions and choices that would not be possible if unrestricted access to finance was not granted.

Financial inclusion is also linked to inequality. Financial inclusion can exacerbate inequality if there is a significant increase in the use of financial services by a smaller share of the population which is often the case in developing countries. Financial inclusion can reduce inequality if a larger share of the population, particularly women and poor people, increasingly use financial services. Interestingly, there is evidence that unequal financial access between men and women is significantly related to greater income inequality in countries (Aslan et al, 2017), which suggest that the uneven distribution of financial access in the population both for men and women increases income inequality, whereas, policies that reduce the gender gap in financial access can help in promoting greater gender and income equality. But gender and income inequality is only one aspect of inequality that financial inclusion addresses. Other dimensions of inequality cannot be mitigated by financial inclusion such as technological inequality and social inequality.

By examining the critical dimensions of financial inclusion, this paper contributes to the following strands of the literature. One, it contributes to the literature that contest the modern financial inclusion agenda. This literature argues that achieving financial inclusion through corporate industrialists, such as financial institutions, is not in the best interest of the excluded population (see Mader, 2015, 2018; Berry, 2015; Prabhakar, 2019). Two, it contributes to the finance and inequality literature that assess the impact of financial inclusion on income inequality and gender inequality as well as the effect of gender equality on the macroeconomy (Gonzales et al, 2015, Hakura et al, 2016, Allen et al, 2016; Demirguc-Kunt et al, 2013; Aslan et al, 2017). Three, it contributes to the literature that identify some challenges to achieving financial inclusion. Much of the existing studies point to financial illiteracy and lack of access to a bank as the main challenges to financial inclusion (Dev, 2006; Subbarao, 2009; Khan, 2012; Collard, 2007; Ozili, 2018, 2020b), but to the best of my knowledge there are no studies that use critical discourse analysis to analyse the broader concept of financial inclusion. This paper is the first study that uses critical discourse analysis to critique some aspects of the modern financial inclusion agenda.

The remainder of the article is structured in the following way. Section 2 discuss the theoretical perspectives. Section 3 discuss the criticisms of financial inclusion. Section 4 concludes.

2. Theoretical perspectives

The term inclusion is a civil rights concept which advocates that all individuals deserve equal access and equal opportunity. Proponents of inclusion, those who support inclusion, argue that inclusion will enhance social interaction at all levels of human interaction, and these kind of interaction allow people to understand diversity which leads to an open-minded society (Clark et al, 1999; Mallory and New, 1994). Inclusion will allow individuals to encounter individuals and groups who do not think or act as they do, and they will need to learn how to work and interact with these individuals and groups. Social constructivist theory helps to understand inclusion, and then, financial inclusion.

Social constructivist theory argues that reality is constructed through biological forces and the use of language in interactions with others which is primarily influenced by biological traits, history, society, and culture (Berger et al, 1967; Teater, 2015). It emphasizes that people's reality is constructed by both societal and biological factors, in other words, reality construction is influenced by both nature and nurture (Teater, 2015). The social constructivist theory has implications for inclusion which is that an individual's propensity to have equal rights (or access) and equal opportunities in all aspect of society depends largely on biological factors (individual traits and idiosyncrasies) and social factors that hinder or enable inclusion in society.

The social constructivist theory also has implications for financial inclusion which is that an individual's propensity to have access to finance in the formal financial sector may be influenced by biological factors and other social factors that hinder or enable financial inclusion. Biological factors can hinder on enable financial inclusion, factors such as health conditions, physical ability/disability, personal traits and habits. Social factors can also hinder on enable financial inclusion, factors such as culture, traditions, language, education, entrepreneurial ability, language barrier and religious belief.

3. Criticism of financial inclusion

This section discusses seven (7) criticisms of financial inclusion relating to poor decision making, financial literacy, the financialisation of poverty, the disappearing benefit of financial inclusion, excessive use of transaction account, digital money and the campaign against having cash in hand.

3.1. Poverty is associated with bad habits and decision making that hinder financial inclusion

Financial inclusion ignores the evidence that poverty is associated with bad habits and poor decision making that hinder financial inclusion. Evidence from the poverty and decision-making literature shows that poor people or low income individuals tend to focus on the present at the cost of the future such as unhealthy eating which damages health in old age, taking high-interest loans which favours meeting an immediate financial need as opposed to future needs (Sheehy-Skeffington and Rea, 2017). Also, in the field of political psychology, there is evidence that the lower one is in socioeconomic status, the more one is biased in one's attitudes and behaviour towards members of one's own social group, as opposed to members of other groups (Wagner and Zick, 1995; Sheehy-Skeffington and Rea, 2017), which leads to poor decision making. There is also evidence that perceptions of low status can cause greater desire for poor people to spend the little money they have on status-displaying goods such as clothing and electronics to improve one's local social standing (Rucker and Galinsky, 2008; Sivanathan and Pettit, 2010), and also, there is evidence that those lower in socioeconomic status are less likely to move from their impoverished neighborhood to a smart urban neighborhood when given the opportunity (South and Crowder, 1997), possibly because they prefer proximity to one's local geography than exploring new locations (Sheehy-Skeffington and Rea, 2017).

If unrestricted access to finance is granted to people who make poor decisions, it is unlikely that access to finance will improve their welfare in the long run. Perhaps, it is possible that financial education and financial literacy can help to mitigate these negative effects (Luhrmann et al, 2018), but we also know that financial education or literacy rarely leads to a change in old habits or a significant change from poor decision making to better decision making (Willis, 2008; Mandell and Klein, 2009). This does not mean that poor people should not be granted unrestricted access to finance, rather the point is that there should be greater emphasis and inquiry on how poor people's decision-making and habits hinder financial inclusion efforts, and the insights gained from this can help to develop policy solutions for better financial inclusion outcomes for poor people.

3.2. Financial literacy does not improve financial inclusion in a significant way

A large literature suggest that financial literacy is the most important positive influence for financial inclusion. These studies demonstrate, through arguments and correlations, that financial literacy can help excluded people to be aware of available financial services, but these studies do not demonstrate how exactly financial literacy makes excluded people use available formal financial services since 'being aware of available financial services' does not necessarily mean that excluded people have access to it. First and foremost, financial literacy and whatever it means has been branded a fallacy by many scholars because financial literacy does not demonstrate a causal chain from financial education to higher financial literacy, to better financial behavior, and to improved financial outcomes due to bias, heuristics, and other non-rational influences on financial decisions (Cole and Shastry, 2008; Hathaway and Khatiwada, 2008; Gale and Levine, 2010; Willis, 2008 & 2011).

The financial literacy agenda has many problems. Willis (2011) identified some of the problems. Firstly, the high cost of financial literacy and education – deciding which financial literacy programs meet the financial education needs of different customers and the cost of such programs; deciding how long financial literacy programs should last whether 18 months, 2 weeks or 3 days and the cost implication of each decision; deciding which form financial literacy programs should take – whether as counselling sessions, seminars, lectures or group tasks and the cost implication of each decision; debates on whether financial education should be extended to non-financial topics such as teaching customers how to detect cyber-criminal activity, engaging in good social interactions, learning how to verify source of information, and the cost implication of extending financial education to non-financial topics. Secondly, the speed with which financial product offerings and industry practices change is a major obstacle for financial education and literacy. Yesterday's new product can become outdated today, and may be discontinued, which means that customers have to be re-educated again to learn about new financial product offerings and this will have cost implications. The evolving nature of financial product offerings show that financial education has a short life span. Thirdly, the lack of interest or resistance to participate in financial education is another obstacle to financial literacy. Voluntary financial education is widely available and free yet seldom used by many people. If people do not participate in voluntary financial education programs, will they participate in compulsory financial education programs? (Willis, 2011). In sum, these challenges of financial literacy cast doubt on whether financial literacy can improve financial inclusion in a significant or meaningful way.

3.3. Invitation to live by finance and the financialisation of poverty

Financial inclusion is an invitation to live by finance because finance or money, which in the past used to be a secondary source of happiness in people's life, is now becoming a primary source of happiness in people's lives. Having money in one's formal account will become the determinant of whether poor individuals or households will live a good life or a life filled with suffering. Through financial inclusion, everyone will own a formal account which will create a basis for people to compare themselves with others – by how much they have in their formal accounts, which may lead to greed, jealousy and other vices. This sort of comparison already exists in society but full financial inclusion will make it more pronounced and even worse. As the global financial inclusion movement continue to place greater emphasis on formal account ownership and the amount of money people have in their formal accounts to perform transactions, such emphasis will make people devalue other areas of life that do not require money, or access to finance, to live a fulfilling life. Financial inclusion also leads to the financialisation of poverty. Financial inclusion follows the fundamental premise that poverty alleviation should be pursued through the expansion of financial markets (Mader, 2018), that is, the expansion of financial markets through the entry of new players in the financial sector. Advocates of financial inclusion argue that the entry of new players in the financial sector will ensure that there are many providers of financial services to provide basic financial services to poor people, and the new players will reach poor people in remote areas for poverty alleviation (Chauvet and Jacolin, 2017; Soederberg, 2013; Ozili, 2018). This suggests that poverty can be alleviated through the services offered by financial institutions; thus, financialising poverty (Mader, 2018). The problem with this is that some financial institutions have superior advantage in offering basic financial services than other financial institutions, and these institutions enjoy economic rent in some segment of the market. If these financial institutions target the poor and excluded population they will not only spearhead the financialisation of poverty in poor communities and enjoy greater economic rent, but may also engage in unethical business practices that will make poor people depend on them, leading to over indebtedness and without any opportunity for debt forgiveness. Mader (2015) contests that the financialisation of poverty always benefit rentier capitalists and social investors at the expense of poor people. Secondly, financialising poverty will expose poor people to risks associated with financial markets (Prabhakar, 2019). Using financial inclusion to increase poor people's participation in the formal financial sector will expose poor people to risks in the financial system which will advance the process of the financialisation of poverty (Berry, 2015).

3.4. The benefits of financial inclusion disappear after a few years

There are three reasons or hypotheses that explain why the benefits of financial inclusion disappear after a few years. The first reason or hypothesis is the quick fix hypothesis. The quick fix hypothesis argues that when there is an economic or financial crisis that affects poor people's access to basic financial services, the government will provide benefits such as cash transfer payments and other benefits to poor people and other affected groups to improve their economic welfare for the time being. But when the crisis ends, the benefits given to poor people and the affected groups will stop after a while or will be reduced to a minimum due to high cost of sustaining the benefits program. In other words, the quick fix hypothesis states that when a 'quick-fix' financial inclusion regime is over, the beneficiaries will gradually withdraw from the formal financial sector when the benefits stops.

Using quick-fixes to address the financial inclusion problems in a country is a great idea because it can help to reduce the negative effects of a crisis and can make the crisis become bearable for poor individuals for the time being. Affected individuals and groups will be encouraged to own a formal account where they can receive their benefits from the government such as cash transfer payments. But when the benefits stop, the affected individuals or groups may abandon the formal accounts they own and feel that they no longer need those formal accounts since the benefits have stopped, making the formal accounts become inactive or dormant and this would negatively affect financial inclusion because the goal of financial inclusion is not just to bring poor people and excluded groups into the formal financial sector, but to ensure that poor people and other users of financial services are active users of available financial products and services in the formal financial sector. Also, when the benefits finally stop, the beneficiaries – the poor and other excluded groups – may become dissatisfied because they want the benefits to continue for as long as it can even though the crisis has ended. Such dissatisfaction can lead to extreme reaction such as activism, counter-activism, closing of bank accounts, hatred towards the government, isolation, radicalization and social exclusion, which will negatively affect the objective of financial inclusion and can hurt the community and society.

The quick-fix hypothesis is widely linked to the benefits program used by many countries such as Canada and the UK to help poor individuals and households who cannot access formal financial services during an economic crisis. For instance, the government in these countries tend to persuade domestic banks to provide specialized financial services to the affected population free-of-charge or at a low cost over a specific period of time with the government promising to bear any significant costs associated with such services until the crisis ends; hence, a 'quick-fix' solution. Sometimes, a government will make temporary pro-financial inclusion commitments to protect and preserve its international economic development reputation. Since no government wants to be seen as performing badly in taking care of its citizens, governments have an incentive to adopt temporary financial inclusion measures to signal that they are performing well compared to other countries in the international development community. This is also a type of quick-fix.

The second reason or hypothesis is the 'post-achievement slack' hypothesis. The post-achievement slack hypothesis argues that the benefits of financial inclusion begins to disappear when a government has achieved its financial inclusion objectives and fails to sustain the infrastructure it created for the purpose of achieving its financial inclusion goals. The government may completely cease funding for financial inclusion once the financial inclusion objectives have been achieved, so that it can focus on meeting other economic priorities. The third hypothesis is the change-in-government hypothesis. The change-in-government hypothesis argues that the benefits of financial inclusion begins to disappear when a new government discontinue the existing national financial inclusion programs of the previous government. A new government can continue or discontinue the existing national financial inclusion programs. If the existing program is continued, it may be continued with less intensity which would lead to a reduction in financial inclusion penetration. Also, a new government may discontinue the existing financial inclusion program if the new government believes that (i) the current financial inclusion program is too expensive to sustain, (ii) the new government has a better alternative, or (iii) if the new government believes that the intended goal has been achieved. Whichever is the case, a change in government usually reduces the intensity of financial inclusion activities, which may erode the short-term benefits of financial inclusion.

3.5. Promoting the use of transaction account

Financial inclusion promotes the use of transaction accounts. In recent years, financial inclusion is increasingly focused on having a greater number of active holders of transaction accounts –

accounts that are actively being used to perform transactions (Allen et al, 2016). This suggest that financial inclusion requires having access to a transaction account (Demirguc-Kunt, et al, 2017). A transaction account is an account used for day-to-day expenses so that individuals and businesses can withdraw cash or pay for things they want or need. But, does ownership of a transaction account mean that a person is financially included in the formal financial sector? Certainly, yes! But, does increase in transaction account activity translate to greater financial or economic well-being for individuals? No. More so, is the number of transactions in a transaction account a reliable indicator of who is active or inactive in the formal financial sector? The answer to this question depends on individuals' spending habits, income level, closeness to a bank branch, and ease of access to an online bank account or digital finance application. And this leads to a bigger question: is having a transaction account the best way to measure financial inclusion?

Let's take a moment to reflect on the following. If I choose to own a formal bank account and I make lots of transactions, will I be considered to be financially included? Probably, yes! What if I don't want a transaction account and I prefer to use some other type of accounts, will I still be financially included? What if I prefer to store money in the account and rarely use the account to send or receive payments for transactions, am I still financially included? What if I open an account and leave it inactive for two years because I don't want to store any money in it and I don't want to perform any transaction with the account, will I still be financially included or excluded? The questions above point out one fallacy of the modern financial inclusion agenda, which is that it assumes that people should be granted access to formal accounts to enable them perform transactions that improve their welfare. It assumes that individuals and poor households want to perform transactions, and that they will make welfare-improving transactions from their transaction accounts. This assumption is ambitious because not all account holders have the intention of using their accounts to perform transactions, and even among those that want to use their accounts for transaction purposes, many of them do not perform transactions that meaningfully improve their welfare – they spend their money on things that worsen their welfare in the long run. Therefore, the emphasis on 'having transactional accounts to improve welfare' should be viewed with caution.

Another issue is the costs and risks associated with having a transaction account. Owning and using a transaction account has cost and risk implications which may become burdensome to poor account holders. Some identified costs include: Monthly account fees to keep your account running, minimum account balance fees if your account balance falls lower than the minimum account balance, ATM withdrawal fee for using an ATM that is not affiliated with your bank, branch withdrawal fee when you go to a teller to take money out at the branch, cheque deposit fee when your bank writes a cheque on your behalf if you don't have a cheque account, and other fees. There are also associated risk with operating a transaction account irrespective of whether it's a normal transaction account or an online transaction account. For instance, transaction accounts attract very low interest earned and they come with additional costs which makes it difficult to operate for a long time; owning a transaction account involves lengthy paperwork which can be confusing and could lead to time wasting; corporate business transactions usually attract huge fees on a transaction account, and there are limits on the amount of funds that can be withdrawn in a day which can be a problem when emergency cash withdrawals need to be made.

Another issue is the focus on the number of transaction accounts rather than quality of transactions. It may be helpful if the modern financial inclusion agenda focus more on the quality of transactions in a transaction account rather than focusing simply on the number of transactions in a transaction account. Recent policy statements in policy circles show that there is already too much emphasis on the number of transaction accounts as opposed to the quality of transactions in transaction accounts. For instance, the World Savings Banks Institute (WSBI) in 2015 announced that it aims to reach 1.7 billion customers and aim to achieve 400 million new transaction accounts by the end of 2020.[1] Statements like this show that there is total disregard for 'quality of transactions' rather there is more emphasis on the number of transaction accounts as an indicator of the level of financial inclusion.

3.6. Digital money is difficult to understand

There are claims that financial inclusion can be achieved using digital money (Donovan, 2012; Reese, 2015; Lichtfous et al, 2018; Chipere, 2018). But digital money is difficult to understand by ordinary citizens, which may defeat the objective of financial inclusion. Using digital money requires memorizing passwords (Brunnermeier et al, 2019), and sometimes require people to get help from an agent who may be unavailable. Customers may have to wait for a long time to talk to a help desk when there is a problem, and customers may even have to spend their own money to call the help desk – which is costly to poor customers. On the other hand, cash is much better than digital money. Cash does not require memorizing passwords, cash is easy to understand, and cash is culturally integrated with people's lives in society.

Members of the excluded population do not understand several aspects of digital money. Let's consider some examples. For example, some ordinary people struggle to understand why there are different account balances in their digital wallets and in their account statements in the bank. They don't understand what accounts for these differences. A banker probably understand that these differences happen when banks do not have a robust automated financial accounting and reporting process, or might be caused by too much transaction volumes that result in delay in account settlement and reconciliation, or might be caused by a temporal breakdown in a bank' digital technology infrastructure. Bankers understand these issues, but some ordinary bank

[1] https://www.wsbi-esbg.org/KnowledgeSharing/inclusion

customers do not understand these issues as they only care about having access to their money whenever they want it. In other words, if some financially included people struggle to understand how digital money works, it will be much difficult for the excluded population to understand digital money.

Also, digital money is not tangible. This makes digital money look like an illusion to most people – and this makes digital money difficult to understand. There is a saying that 'money that cannot be seen cannot be treasured'. The intangible nature of digital money makes it difficult to mentally know how much one has left in their bank account without having to log into a digital device to check one's account balance. People place a higher value on the money they can hold in hand than the money they can see in a device, and when periods of significant stress arise, people will not care about the money they can see in a digital account balance rather they will place a higher value on the amount of money they are really sure is in their bank accounts in the bank. Another level of complexity with digital money relates to its utility. If the fear that digital money will become worthless is greater than the utility of using digital money, people will be unwilling to use digital money and will not put in any effort to understand digital money or how it works. On the other hand, if the utility of using digital money is greater than the fear that digital money may become worthless, then the utility of using digital money can becloud the lack of understanding of how digital money work, and can make people take the risk to use digital money yet risk-averse people will avoid digital money.

Finally, there are suggestions in the literature that digital currency through mobile technology can help in bringing the underserved population into the formal financial sector thereby achieving financial inclusion (see., Dyson and Hodgson, 2016; Sapovadia, 2018; Chipere, 2018). Such studies claim that the use of digital currency through mobile technology can help to improve the accuracy and speed of bulk transactions. This argument appears sound, but it is in fact ironical because it assumes that digital currency will be embraced by the underserved population and will therefore bring them into the formal financial sector. Even in urban areas, it is difficult to persuade many educated people to use digital money or to accept digital currencies, and it will be more difficult for people in the underserved communities to embrace digital money as most of them are financial illiterates and only understand physical cash.

3.7. Financial inclusion is a campaign against having cash-in-hand

Over the years, people – both the poor and the rich – have developed a strong affinity towards having cash in hand. Today, a large segment of the rural population and a small segment of the urban population still prefer to have cash-in-hand which they can use for emergency expenditure and to make payment for goods and services rather than using digital payment alternatives. The benefits of having cash-in-hand are enormous: cash-in-hand can be used for emergency purposes; cash-in-hand can be used to make small purchases that cannot be done through digital finance channels; cash-in-hand is an asset; cash-in-hand is king during recessions and during financial crises; having cash-in-hand make people confident in their ability to meet their daily need of transportation, feeding and leisure; and having all your money in your hand during a crisis will shield you from significant losses when banks go bankrupt.

In the last decade, proponents of global financial inclusion have transmitted the belief that achieving financial inclusion requires the use of non-cash means of payments or less use of cash payments, and this belief is very popular among policy makers in developed and developing countries. Policy makers in developed countries have already reduced the amount of cash in circulation and are migrating to advanced means of payments such as digital money, crypto currency, bitcoins, digital wallets and e-wallets, while policy makers in developing countries are intensifying their efforts to reduce the use of cash payments in favour of using non-cash payment alternatives as well as reducing the amount of cash-in-circulation. Reducing the use of cash payment as a strategy to achieve financial inclusion is not much of a problem in itself. Rather, the approach used to reduce cash-based transactions is often the problem because some of the tactics used to reduce cash-in-circulation often give the impression that there is a crusade against the use of cash in society particularly when the ethical dimensions are considered. In fact, there are existing perceptions that 'cash is the enemy of financial inclusion' (Better Than Cash, 2014)[2], which further validates the idea that there is an obvious or subtly crusade against having cash-in-hand.

One major area of concern is the use of forceful policies to discourage cash-based transactions. What some policymakers have gotten wrong is their belief that the adoption of forceful rules or policies is the best way to make citizens migrate from cash payments to non-cash payments. Personally, I believe that using persuasion to encourage the population to use non-cash payment alternatives is a better option than using forceful policies and rules. But, from my experience in policy making, it appears that the major reason why policy makers use forceful policies or rules is because citizens usually have a strong affinity towards cash and will not let go of cash transactions without some degree of coercion. For this reason, policy makers believe that using forceful rules and policies to make people migrate to non-cash payment alternative will yield quicker results. But using a forceful approach tend to make the financial inclusion agenda look like a campaign against having cash in hand. Policies and rules such as giving ultimatums to individuals and businesses, imposing fees on large cash withdrawals, and imposing fees on large cash deposits to reduce the use of cash-based transactions are forceful in nature, which presents itself as a crusade against cash.

[2] https://www.betterthancash.org/news/blogs-stories/is-cash-the-enemy-of-financial-inclusion

Some policymakers justify using this approach by claiming that their citizens will not respond or listen to public persuasive communication or financial literacy campaigns that encourage the use of non-cash payment channels, implying that the citizens are stubborn because they will not migrate to non-cash payment methods even if they are given enough time to migrate to non-cash means of payments unless they are forced to do so; therefore, cashless policies for financial inclusion have to be imposed on the population. In addition to this argument, policymakers often bring up the common economic argument against cash-in-hand which is that it will help in controlling inflation, reduce theft, lower the incidence of money laundering and armed robbery, and it will lower the cost of cash management by Central banks. Countries that have used this kind of approach in the past (e.g., Sweden and Nigeria) witnessed mild protests against such forceful policies because of the immediate pain and hardship it brought to the population in the short- term, but after a while, the citizens adjusted to the cashless payment system.

Imposing forceful policies for cashless financial inclusion on the people or citizens does not give the people much of a choice in deciding whether they want to embrace cashless payments or not, especially the financial illiterates that do not know what digital payment systems are, why they exist and are unaware of how to use digital payment systems. It is also important to understand that the citizens will never forget that the State through the financial authorities forced them to abandon cash-based transactions and to migrate to digital transactions, and when a severe payment system crisis occurs such as when people's money suddenly begin to disappear from their digital accounts on a large scale and without authorization or when a nationwide digital downtime event occurs such as when nobody in a country is able to access the internet for many days, the consequences will be very severe and can be worse than any financial crises that have ever occurred in living memory. It can lead to a run on banks and a run on technological companies, it can lead to the collapse of payment system institutions and can give rise to resentment against the State and political instability in a country. The resulting public outcry, protests and violent riots from a digital payment crisis may become uncontrollable and may destabilize several countries.

To sum up, persuading and encouraging the members of the population to embrace non-cash means of payment is a much better approach. This can be done through increased financial education and financial literacy programs that create digital payment awareness in schools, colleges, religious centers, villages and in semi-rural communities. Using this approach will give citizens two choices – a choice to migrate to non-cash payments and a choice to continue using cash payments – and at the same time informing citizens about the great benefits of using non-cash means of payments. Doing it this way will make the citizens feel that their independent choice was considered and protected, and they had the freedom to choose from alternative payment methods: cash vs non-cash methods. This will ensure that there is a gradual transition to a cashless payment system and ensure that the possible unintended consequences of using non-cash means of payments will be minimal. But today, the persistent use of forceful policies continues to make the financial inclusion agenda have the resemblance of a campaign against having cash in hand.

4. Conclusion

Financial inclusion is an important area with much interest among members of the international development community. The policy literature is much more positive towards financial inclusion and sees the financial inclusion agenda as an attempt to reduce the number of people that are excluded from the formal financial sector. This article critiqued some popular notions associated with the modern financial inclusion agenda in the policy literature. The paper showed that the current financial inclusion agenda: (i) promotes the use of transaction account, (ii) want people to live by finance, (iii) rely too much on financial literacy solutions, (iv) ignores how poverty affects financial decision making, (v) promotes digital money which is difficult to understand, (vi) and ignores the fact that the benefit of financial inclusion often disappears after a few years, as well as (vii) financial inclusion policies appearing like a campaign against having cash-in-hand. The implication of the findings is that there needs to be a re-evaluation of the priorities of modern financial inclusion agenda so that the agenda will not collapse the way the microfinance agenda collapsed. An inclusive approach is needed to address these criticisms for further progress in policy and research on financial inclusion.

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