



DIGITAL FINANCIAL SERVICES AS A KEY FOR ENABLING OPPORTUNITY IN AFRICA

By Reeta Roy, President and CEO of The MasterCard Foundation

Arguably, the single biggest challenge—and opportunity—facing Africa’s policymakers today is youth employment. The global pandemic has exacerbated existing problems, many of which are rooted in poverty and driven by a lack of opportunity. Addressing economic inequity is an imperative for all of us—governments, the private sector, education leaders, and philanthropic organizations like the Mastercard Foundation. Digital financial services can help us achieve this goal to better serve communities, improve economic inclusion, and create opportunities for dignified work.

For over a decade, the Mastercard Foundation has been advancing financial inclusion to enable millions of people facing poverty across Africa to improve their livelihoods and lives. One initiative that has been key to this is the Mastercard Foundation Fund for Rural Prosperity. The US\$50 million Fund was launched in 2015 with the goal of expanding financial services to 1 million smallholder farmers and other economically-disadvantaged groups in rural Africa. It enabled 38 businesses to develop and scale innovative approaches to offering savings, credit, insurance, and other services to rural clients in 15 countries.

Approximately 95 percent of the products and services these companies delivered had digital components. One company in Kenya, for example, developed a 100 percent mobile-based loan facility to enable smallholder farmers to access affordable working capital. Easy Solar in Sierra Leone sold entry-level solar products on a rent-to-own basis and used the clients’ repayment history as



a form of credit-scoring so that they could purchase other products. In Uganda, Ibero offered farming inputs on credit, along with agronomic and financial training, while guaranteeing farmers a market for their produce. Elsewhere, a technology-based credit-scoring engine was used by financial service providers to analyse data from various sources relevant to the agriculture sector—from mobile phone usage data to warehousing data—to create credit scores of clients to enable them to access credit.

So, what were the results? By 2017, the Fund for Rural Prosperity reached 1 million clients. To date, more than 3 million clients have benefitted from this programme. 36 percent of these were rural women. 28 percent were young people under the age of 35. More than half of these individuals received financial products and services, as well as a training on important topics like agricultural practices and financial literacy. Equipped with knowledge and tools, these clients started to increase their yields and incomes, and could begin to look ahead and plan for the future.

A number of factors contributed to these results. First, the prevalent use of digital platforms enabled rapid scale. Second, the Fund required companies to co-fund these activities, giving them a stake in the success of their clients. Finally, several of the companies used a human-centred approach to understand the needs and views of farmers in order to design relevant products and services.

A second set of results was more surprising—and intriguing. Increased access to financial services enabled these companies to create more than 2,600 jobs,

most of which were filled by young people. Equally impressive, were the indirect benefits. As smallholder farmers were able to purchase more agricultural inputs, buy better equipment, improve land productivity, and increase yields, they also hired others in the community to help cultivate their land and harvest their produce. With this extra income, they generated new local demand for a variety of products and services, sparking entrepreneurship and stimulating the local economy.

These findings set us on a journey to understand and unravel the link between financial inclusion and improved livelihoods for young people. In 2018, the Mastercard Foundation launched Young Africa Works, our bold new strategy to enable 30 million young people across Africa, particularly young women, to access dignified and fulfilling work by 2030. We believe that digital financial services will be a powerful lever to increase these opportunities across Africa. Our experience with the Fund for Rural Prosperity certainly suggests that. Yet surprisingly, there is a relatively limited body of evidence that connects these dots. As part of the Young Africa Works strategy, we will seek to build that evidence base.

Digital financial services hold the promise of cost-effective delivery of financial products and services to hundreds of millions of people. Moreover, digitally-enabled agency banking enhances access to banking services to underserved populations, thus deepening financial inclusion. As we navigate this global pandemic, this is an opportune time to better understand the multiple benefits of digital financial inclusion on the resilience of families and communities. If our experience is anything to go by, the ripples of impact may be greater than we realize.

