S&P Global
Ratings

Financial Inclusion In Emerging And Frontier Markets

Technology Is Delivering For Banks And Societies

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This report does not constitute a rating action

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Key Takeaways

- Financial inclusion contributes to economic growth, poverty reduction, and societal development, making it a priority for policymakers and relevant to credit rating and risk assessment in sectors such as banks and sovereigns.
- S&P Global Ratings considers that emerging and frontier markets are poised for a decade of decisive change during which greater financial inclusion could prove to be a key driver of wealth creation and contribute to social stability.
- New technology, financial innovation, better financial literacy, prudent public policy goals, and improved affordability will be key enablers of financial inclusion, in our view.
- We consider that the extension of lending and savings products to unbanked individuals and small businesses in emerging and frontier economies could fuel significant growth in financial services and might expose providers to new credit and operational risks that must be managed.

Financial inclusion is an important driver of economic growth and a major factor in reducing inequality. Increased access to savings accounts, credit, payment services, and insurance products facilitates financial planning, increase systemic and individual resilience to financial shocks, promote commercial activity, and enable investment that drives wealth creation. Cumulatively, that enables individuals and small businesses to more fully participate in the economy and in society.

We consider that recent improvements in financial inclusion have proven particularly beneficial to global growth and equality and expect that to continue over the coming decade. That is because much of the gains are being made in emerging and frontier markets, resulting in the empowerment of previously underbanked or unbanked sectors of society and businesses (see appendix 1, "Emerging And Frontier Market Definitions").

Yet obstacles to inclusion remain. Countries that would benefit from broader access to financial services are often bedeviled by weak rule of law and poor-quality institutions. That can affect demand, by weighing on the confidence of potential clients, and it can inhibit supply, when it hampers the ability to enforce repayment of obligations. Additionally, the generally low incomes and assets of large population segments in some countries makes service provision less appealing to banks and similar institutions due to concerns about high default rates and collection difficulties.

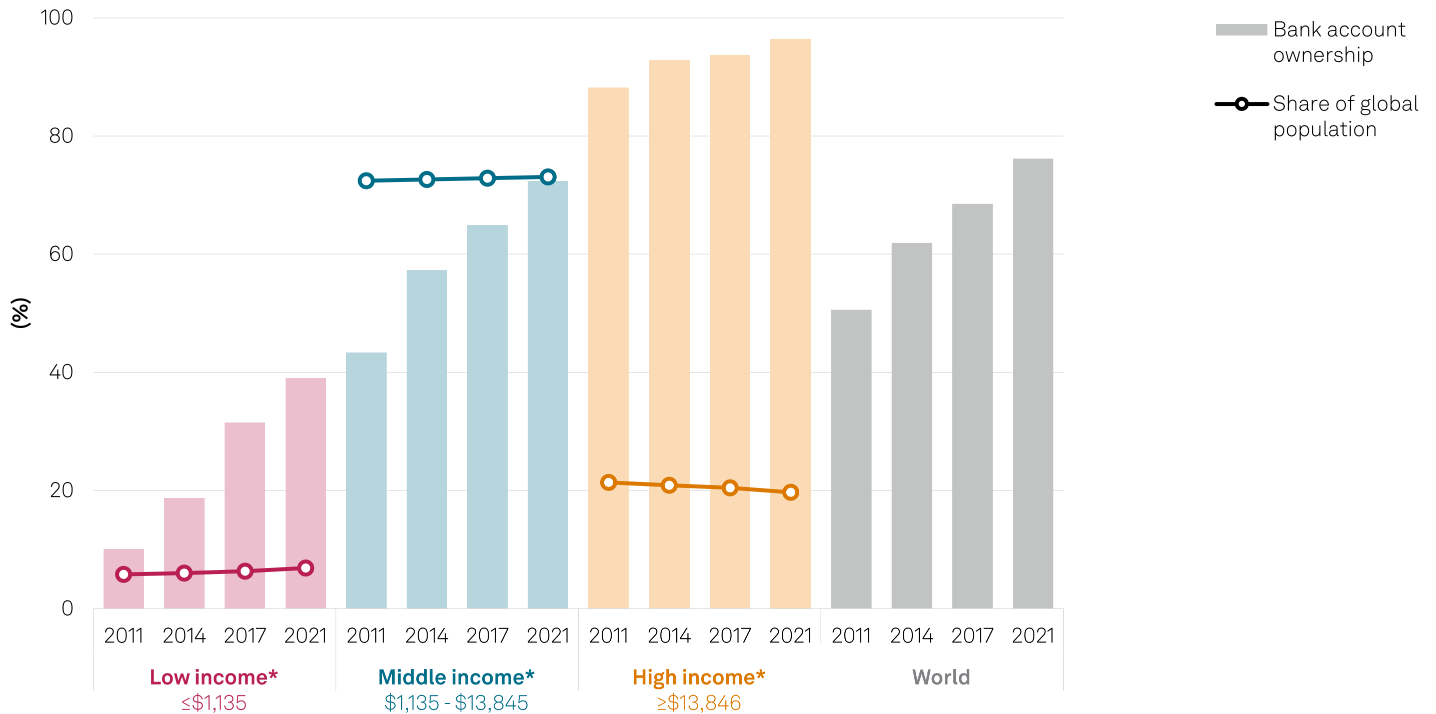
The effects of financial inclusion can weigh in the assessment of creditworthiness and risk for sovereign issuers and financial entities, notably banks. Quantifying the credit materiality of those effects can be challenging. Yet, evidence suggests that more inclusive financial systems contribute to stronger economic activity, higher operating revenues (and thus a higher tax take), and financial stability and predictability, all of which are key elements in our analyses of credit quality. We also see connections between financial inclusion and global megatrends such as digitalization, aging populations, and disruptive technologies, all of which could have a material impact on the creditworthiness of issuers (see "Assessing How Megatrends May Influence Credit Ratings," April 18, 2024).

The significant gains in financial inclusion over the past decade are underlined by World Bank data, which shows that the number of bank account owners quadrupled in low-income countries and almost doubled in middle-income countries between 2011 and 2021 (see chart 1). Those countries account for about 80% of the global population, or about 6.5 billion people, meaning that many millions of individuals, families, and small businesses have recently secured access to basic financial services. About 76% of the global population owned a bank account by 2021, according to the World Bank.

Chart 1

Financial inclusion is rapidly increasing in low- and middle-income economies

Bank account ownership and population, age 15+, by income levels



*The World Bank's country classification by income is defined using gross national income per capita in 2022.
Sources: World Bank, S&P Global Ratings.

What Is Financial Inclusion?

S&P Global Ratings defines financial inclusion as the process of ensuring that individuals and small businesses have access to (at least) basic, affordable, and equitable financial services. That is likely to include simple payment services (for receiving and making payments) and credit and savings products tailored to meet the needs of borrowers and savers. It could also include insurance solutions to better manage health, property, and financial risks.

Effective financial inclusion empowers people to maximize the utility of their financial resources by considering their specific investment and savings time horizons. Furthermore, it often leverages innovative technologies to enhance accessibility, affordability, efficiency, and convenience, thereby enabling underserved individuals and small businesses to participate in the financial ecosystem and improve their economic well-being.

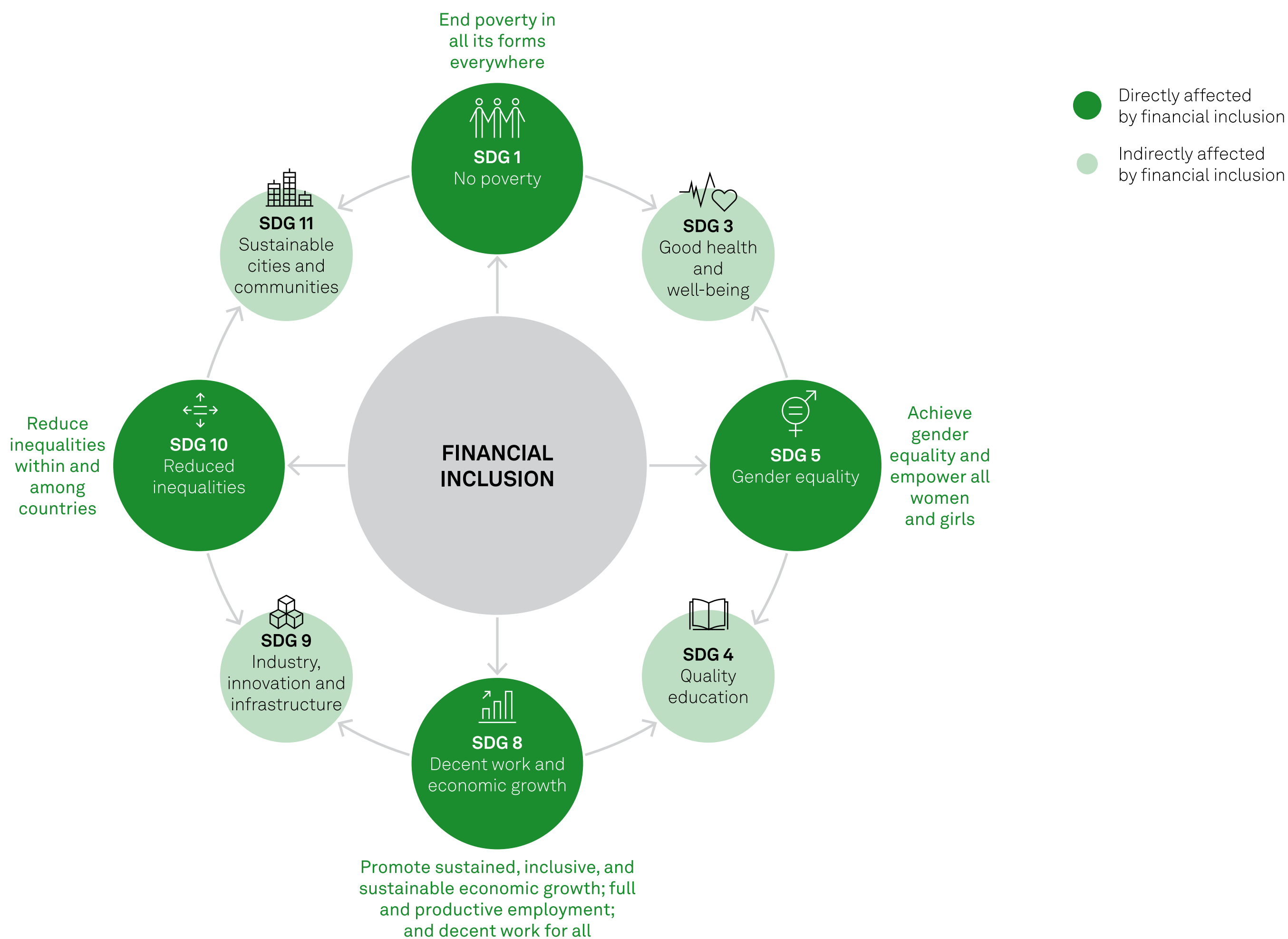
Aligned To U.N. Goals

The United Nations aims to promote financial inclusion, which it views as an important factor in the achievement of several of its Sustainable Development Goals (SDGs). Those goals, which were adopted by all 193 U.N. member states in 2015, are part of the 2030 Agenda for Sustainable Development, which established 2030 as the target date to achieve 17 SDGs that promote a better and more sustainable future. The SDGs have been widely cited and often assimilated by companies, investors, government agencies, and non-governmental organizations (NGOs)—many of which have incorporated the goals into their missions. That consensus is being tested. In March 2025, a U.S. representative to the U.N. said the Trump administration "rejects and denounces" Agenda 2030 and the SDGs.

We continue to view efforts to deliver the Agenda 2030 commitments as supportive of individuals' well-being, including through the promotion of overall economic stability and growth, particularly in emerging and frontier markets. Moreover, we believe that financial inclusion has particular importance to the achievement of four high-profile SDGs: No poverty; Gender equality; Decent work and economic growth; and Reduced inequalities (see chart 2).

Chart 2

Financial inclusion contributes to multiple Sustainable Development Goals



Sources: United Nations, S&P Global Ratings.

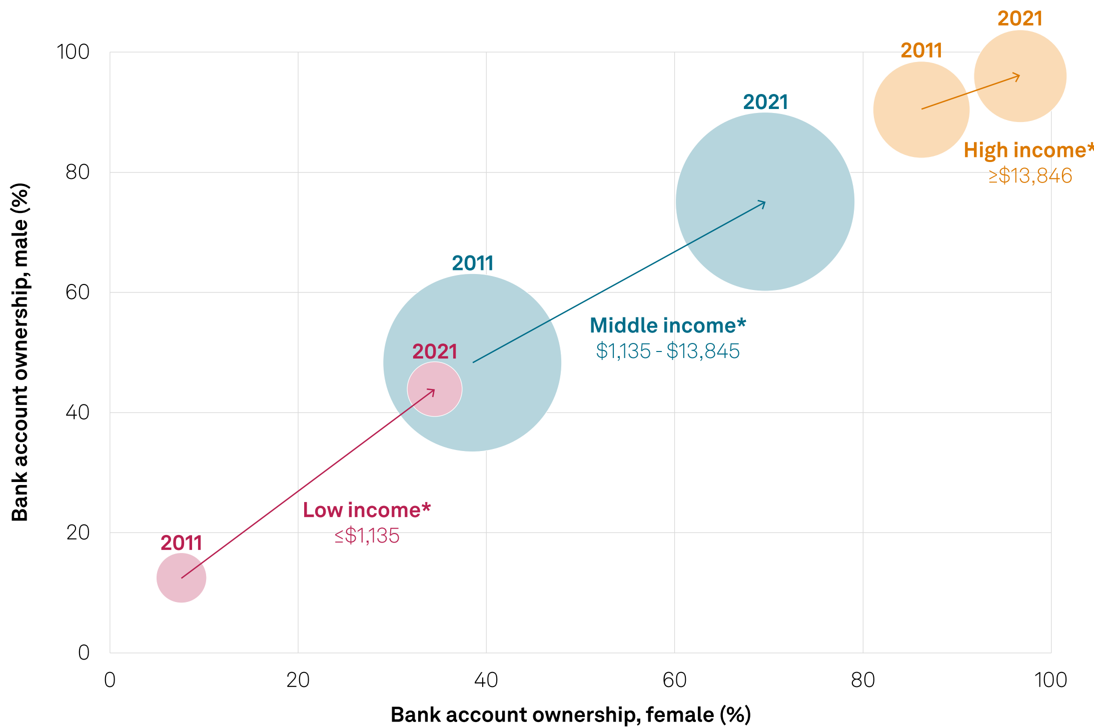
Gender equality (which is the target of SDG 5) has improved with greater financial inclusion due to greater access for women to simple bank accounts, particularly in low- and middle-income economies (see chart 3). Our analysis, which covers 10 large emerging and frontier countries (50% of the global population), shows that the number of bank accounts owned by women increased by an average 112% between 2011 and 2021, outpacing the 72% increase in accounts owned by men. Nigeria was the only outlier to that trend, with a 67% increase in bank accounts owned by men leading a 35% increase for women. Egypt lay at the other end of the scale, with a 271% increase in accounts held by women, compared to 139% for men.

We believe the overall trends are positive for gender equality. Better access to financial resources and basic banking services empowers women by enabling them to be more fully integrated into the economy, including by providing them with increased financial independence and offering greater opportunity to assume leadership roles in the economy--particularly by facilitating the formation and growth of micro and small businesses.

Chart 3

Financial inclusion has improved for women and men

Bank account ownership



*The World Bank's country classification by income is defined using gross national income per capita in 2022.
Bubble size represents share of global population for adults age 15+.
Sources: World Bank, S&P Global Ratings.

Extending banking to the previously unbanked offers direct and indirect rewards, including:

- Access to loans, long-term savings, and investments with all the associated benefits,
- Stimulation of economic activities and the labor market,
- Empowerment of marginalized communities, and
- Promotion of a stable and sustainable society that contributes to global peace.

Those benefits have positive spillover effects on SDGs beyond the four we cited earlier. For instance, improved financial inclusion can lead to increased investments in education and health, thereby contributing to the achievement of SDG 4: Quality education, and SDG 3: Good health and well-being.

The Role Of Technology

Advancements in technology, and particularly the greater penetration of mobile phones in emerging and frontier markets, have played a crucial role in promoting financial inclusion. Technological advancements and financial innovations have transformed financial landscapes in these countries, not least by providing platforms for affordable solutions tailored to unbanked and underbanked populations. We observe a strong positive correlation between access to technology solutions, financial inclusion, and improved wealth creation. India and China, the world's most populous nations, provide good examples of the beneficial interplay of those links, which have underpinned much of the past 15 years of improved financial inclusion across the two countries:

- In China, the big banks and major technology companies, like Alibaba and Tencent, have facilitated access to mobile solutions such as digital payments, online lending, savings, and insurance. The percentage of adults making digital payments in China has surged to 85% in 2021, up from 38% in 2014, according to the World Bank.
- In India, financial inclusion has been driven by three key factors: a public policy focus on the issue since 2014, the introduction of a biometric digital identification system called Aadhaar in 2009, and the launch of the Unified Payments Interface (UPI), a payment system, in 2016. India's adoption of digital payments has been sluggish compared to China. About 25% of Indians used digital payments in 2021, up from 16% in 2014, yet we anticipate that this will increase significantly over the next decade. It is notable that 32% of adults in rural areas made at least one digital payment in 2021, a figure that surpassed the national average for the same year.
- Other successful initiatives include Kenya's M-PESA--a privately-owned mobile money transfer service launched in 2007, and Brazil's Pix--an instant payment platform introduced in 2020 by the Central Bank of Brazil.

Those success stories have common traits (see table 1). For example, they all include peer-to-peer (P2P) mobile technology that is notably low cost for clients and easy to use. They also have the support of policymakers, which have recognized the importance of financial inclusion. And they benefited from (or ultimately secured) widespread acceptance among populations due to their confidence in the security and credibility of digital services and products. New technologies are being tested and are contributing to financial inclusion in some of the biggest emerging and frontier markets. In Nigeria, for instance, blockchain technology has led to a notable increase in the use of stablecoins and other crypto assets. These digital currencies are seen as offering protection against currency volatility and used for domestic payments, cross-border trade, and to facilitate remittances from wealthier nations.

We consider the issue of confidence (and related national differences) to be particularly important given its role in determining the success of digital services and the scope for non-bank financial service suppliers to win market share from banks (see, "Tech Disruption In Retail Banking: Country-By-Country Analysis 2023 | Leaders And Laggards Emerge," Sept. 27, 2023).

Table 1

Financial inclusion is a success story in some of the biggest emerging and frontier markets

Country	Key policies	Key players	Key technologies
China	**Rural Agent Network Regulations (since 2003):** Establishment of service points in rural areas, and (later) agents for e-commerce and other financial services. **National Financial Inclusion Plan (2016-2020):** Improved access to digital financial services in rural areas. **Financial Sector Guidelines (2025):** State Council's guidance for banks to provide credit to micro firms and small and midsize enterprises (SMEs).	**People's Bank of China:** Promotes various financial inclusion initiatives, including the launch of a central bank digital currency. **Commercial banks:** Especially megabanks, which provide digital financial access to rural areas and to financially disadvantaged clients. **Fintech solutions:** e.g., Alipay and WeChat pay, which integrate digital payment with messaging, shopping, and other applications, facilitating digital banking.	**Smartphone penetration:** Mobile payments, lending platforms, and other smartphone-based solutions. **Big data analytics:** Simplified and tailored services leading to significant product penetration. **Digital wallets:** Which have largely replaced cash. **Identification:** Facial and fingerprint recognition for digital payments.
India	**Government subsidies (2013):** Direct subsidies to Aadhaar-seeded accounts. **Pradhan Mantri Jan Dhan Yojana (2014):** Universal banking access for every household. **National Strategy for Financial Inclusion (2019-2024):** Expand and sustain the financial inclusion process at the national level.	**Reserve Bank of India:** The central bank promotes financial inclusion through various policies. **National Payments Corporation of India:** Digital payments via payment platform, UPI, RuPay, AePS. **Fintech solutions:** e.g., Paytm's digital wallets, QR code payments, micro-loans.	**Aadhaar:** Unique 12-digit ID for biometric authentication launched in 2009. **Unified Payment Interface (UPI):** Real-time mobile payments launched in 2016. **Smartphone penetration:** Heavy smartphone use, combined with Aadhaar and UPI, has boosted mobile financial services.
Brazil	**National Partnership for Financial Inclusion, and Action Plan (2012):** Unites public and private actors to promote financial inclusion. **Financial Citizenship Program (2013):** Integrates financial inclusion, education, and consumer protection. **Open Banking Regulation (since 2021):** Enhances financial inclusion by securely sharing data between banks and third-party providers.	**Banco Central do Brasil:** A key promoter of financial inclusion through Pix, Financial Citizenship Program, and Open Banking. **Nubank:** The bank's digital-first approach promotes no-fee credit cards and digital payments. **Fintech solutions:** e.g., PagSeguro's payment processing software.	**Pix:** Real-time, 24/7 payment system launched in 2020 for instant payments. **Neobank platforms:** e.g., those developed by Nubank, Banco Inter, and C6 Bank, which are challenging traditional banks' operating models.
Kenya	**Financial Sector Deepening Kenya (FSD) and associated regulations (2005):** Central Bank of Kenya and FSD promote digital innovation and financial inclusion (e.g., National Payment Strategy, FinAccess Survey). **National Financial Inclusion Strategy (2017):** Expands access to financial services for women, youths, and rural communities. The "Hustler Fund" is an example of a government initiative to boost credit penetration through instant loans. **Investments in Digital Public Infrastructure (ongoing):** Improvements to internet connectivity and digital ID systems enable mobile banking, which is key to greater financial inclusion.	**Safaricom:** Pioneered money transfer via M-PESA. Further innovations include M-Shwari (savings and loans) and Fuliza (overdrafts). **Traditional banks:** e.g., KCB Bank (with Safaricom) and Equity Bank's rural branches enable financial access. **Fintech solutions:** Microlenders like Tala and Branch use mobile apps and alternative data to provide access to loans.	**M-PESA:** A mobile money service, launched in 2007, that revolutionized payments and financial services to include millions of people. **Smartphone penetration:** With 100% smartphone use, and M-PESA as a payment intermediary, financial inclusion has increased significantly.

Risks Amid Rewards For Banks

Banks are increasingly focusing on fostering greater financial inclusion in the markets in which they operate, notably as part of their wider commitment to environmental, social, and governance (ESG) goals. Financial inclusion is often an important component of the social element of banks ESG goals, not least due to the many positive social and economic outcomes it promotes. For banks in emerging and frontier markets, the moral impetus of serving underserved populations also aligns with the commercial interest of creating new markets, broadening their franchise, and boosting revenue streams. However, for financial services to be generally beneficial, they must be affordable for clients, which are usually individuals or micro companies. We observe, for example, that some participants offer micro loans at elevated interest rates, which they typically claim reflects a desire to price in (expected) high default rates. Governments have acted to curb such practices, including with special microlending funds (Kenya), stricter regulatory requirements on microloans (India), and through the application of interest rate caps (Colombia). We think market-based solutions are more effective in creating a sustainable lending market in which banks and borrowers can thrive. That said, we believe the need for customer protection remains an important aspect in many of these markets and a factor for regulators to closely monitor.

Greater financial inclusion comes with risks for banks, including exposure to untested markets and customers, both of which are characterized by a lack of data that could be used to predict and manage risks. Lending to untested markets and potentially financially precarious clients also exposes banks to asset quality deterioration and additional credit losses. In India, for example, microfinance institutions have been tightening underwriting and improving collection practices to mitigate credit risks (see "Indian Microfinance Will Benefit From A Rain Check On Growth Plans," March 26, 2025). Meanwhile, the expansion of banks' digital operations and footprint is likely to require greater investment in, and attention to, cyber security.

Despite those issues, we expect that income from lending to underserved parts of the economy, coupled with the capital buffers of banks operating in the markets we studied, should prove sufficient to absorb potentially higher credit losses. And it is our view that financial inclusion could provide revenue opportunities for banks in emerging and frontier markets, and an enticing path to growth in nations with untapped financial services demand.

The second part of this report details the current state of financial inclusion and the outlook for its development across 10 emerging and frontier markets that have about 50% of the global population. We also assess the associated risks and opportunities for those nations' banking sectors. The countries included in this report all have substantial potential to reduce the economic gap with more developed economies and are well-positioned to drive global economic growth over the next ten years, as was highlighted in an earlier report on emerging markets (see "Emerging Markets: A Decisive Decade," Oct. 16, 2024). We expect that financial inclusion will develop alongside wider economic growth in these markets, and that the combination of those factors will facilitate wealth creation, improve income distribution, and create opportunities for banks and other financial services companies.

While this reports' primary focus is emerging and frontier markets, we recognize that higher-income countries also confront issues regarding financial inclusion. Such nations have overwhelmingly already experienced a cycle of financial inclusion that played a significant role in their wealth creation, and which limits the potential for further significant improvement. Nonetheless, we expect that ensuring access to the financial system for all segments of the population and businesses will remain a key target for policymakers, not least because it is the foundation of a stable and trustworthy financial system and a driver of innovation and efficiency.

Appendix 1

Emerging And Frontier Market Definitions

S&P Global Ratings defines emerging markets as countries that have been or are transitioning toward middle-income levels; where public and private sectors have good access to global capital markets and deepening domestic capital markets; and that have global economic relevance based on economic size, population, and their share of global trade.

We define frontier markets as countries with GDP per capita below $2,500. These countries face economic challenges and rely on international institutions, including the International Monetary Fund's Poverty Reduction and Growth Trust, for vital policy and financial support. They have shallow and narrow domestic capital markets that are often underdeveloped. The countries are also typically characterized by political instability, inadequate regulation, substandard financial reporting, weak liquidity positions, and are prone to significant currency fluctuations. Their economies are often concentrated in a very few sectors or rely on a very few commodities. Of the 10 countries covered in this report, only Kenya and Nigeria are classified as frontier markets, based on this definition.

Related Research

- Indian Microfinance Will Benefit From A Rain Check On Growth Plans, March 26, 2025
- China's Digital Renminbi May Curb Banking Income, Nov. 6, 2024
- Emerging Markets: A Decisive Decade, Oct. 16, 2024
- Digital Initiatives Could Triple India's Retail Lending By 2030, July 31, 2024
- Tech Disruption In Retail Banking: Fintechs Are Fueling Financial Inclusion In Kenya, June 13, 2024
- Tech Disruption In Retail Banking: Regulation And Infrastructure Development Can Help Nigeria's Retail Banks Fend Off Fintechs, Jan. 15, 2024
- Tech Disruption In Retail Banking: South African Banks Move In Lockstep With System And Technology Innovation, Jan. 15, 2024
- Tech Disruption In Retail Banking: Country-By-Country Analysis 2023 | Leaders And Laggards Emerge, Sept. 27, 2023
- Tech Disruption In Retail Banking: Financial Inclusion In Mexico Will Remain Low Despite Digitalization, Sept. 14, 2023

Writer: Paul Whitfield

Digital Design: Tim Hellyer

COUNTRY ANALYSES

Note: 10 countries are included in the report. Countries are listed in alphabetical order.

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Indonesia 15

Kenya 16

Mexico 17

Nigeria 18

South Africa 19

Turkiye 20

Brazil | Limited Credit Access Hampers Inclusion

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Key Takeaways

- A decade of financial inclusion has been led by improved access to banking.
- There is limited access to credit products, primarily due to low-income levels and the country's weak payment culture.
- High interest rates pressure asset quality, motivating banks to enforce stricter underwriting and limit credit access for lower-income and informal segments.

Financial Inclusion: Then To Now

Brazil's financial inclusion has improved over the past decade, as evidenced by a significant increase in bank accounts. However, access to credit remains limited by low incomes, a weak payment culture, and structural challenges. Account adoption has been fueled by mobile device access, digital financial services, and the Central Bank of Brazil's (BCB) instant payment platform, Pix. By 2023, Brazil had 213 million mobile subscriptions, with 84% of individuals over 15 having both a phone and a bank account. Nonetheless, by 2021, only 41% of Brazilians over 15 had borrowed from a formal institution. Similarly, in 2023, the total value of personal borrowing from banks was only about 34% of GDP, including mortgage loans at about 9.5% of GDP.

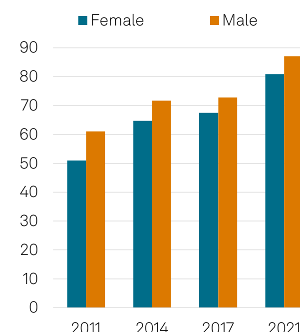
What Comes Next

Economic growth is the main challenge to greater financial inclusion in Brazil. Institutions are slow to address rigidities that hinder growth, while an inflexible government budgetary structure leads to large fiscal deficits and high debt. Persistently high interest rates pressure asset quality and encourage stricter underwriting by banks, which limits credit access to lower-income and informal markets. Some providers target these segments, though at typically higher rates. Improvements in information asymmetry, risk pricing tools, technological advancements like AI, and improved data sharing with the growing adoption of Brazil's Open Finance system could enhance credit penetration. Yet, ultimately, robust economic growth will be crucial to significant progress in financial inclusion.

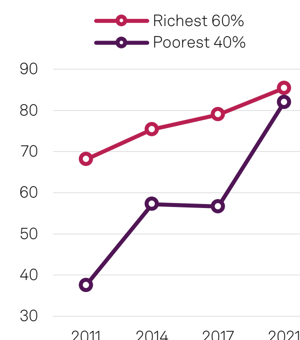
Banking Sector Opportunities And Challenges

The Brazilian banking sector is poised to transform rapidly, driven by digitalization, regulatory modernization, and changing client demands. The BCB has launched several initiatives to enhance inclusion, increase credit penetration, and reduce credit costs by improving competition and transparency. Key projects include Pix, which reached R$26 trillion (US$4.2 trillion) in total payment volumes in 2024; Open Banking, with 21 million customers; the Positive Credit Registry; and a regulatory sandbox for testing financial innovations. Pressure to invest in technology and infrastructure to remain competitive and address rising cyber threats could prove a challenge for smaller, local players. Meanwhile, limited economic growth prospects, driven by structural rigidities and a volatile economy, will hinder financial inclusion and result in weak credit penetration. Persistently low-income levels (per capita GDP was estimated at US$10,500 at the end of 2024 and is forecast to reach US$11,900 in 2027) elevate the credit risks for banks that lend to lower-income segments. Additionally, banks' restricted access to long-term funding limits significant growth in mortgage credit, while high levels of economic informality (including a lack of formal financial documentation, formal business registration, and employment contracts) create challenges for those seeking access to credit.

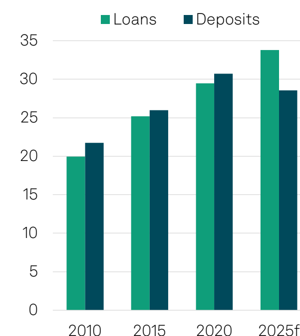
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

China | Inclusion Presents Risk And Profit Challenges

Key Takeaways

- The ongoing, albeit slowing, growth of inclusive lending amid an economic slowdown heightens untested credit risks for Chinese banks and might weigh on profitability.
- Greater financial inclusion could support household lending growth and boost consumption in the next two years.
- Fintech solutions could improve banks' assessment of default risk and drive efficiency gains over the longer term.

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Financial Inclusion: Then To Now

China's improved financial inclusion has been supported by strong digital infrastructure (high mobile penetration and omnipresent fintech platforms) and policies targeting underserved areas. In 2021, bank account ownership was 89%, while 39% of Chinese adults had access to lending from financial institutions, according to the World Bank. That compares favorably to the global averages of 76% and 29%, respectively. We expect a continued focus on poorer segments, including the large rural population. Access to financial services was about 83% among the poorest 40% of China's population in 2021, compared to a global average of 72%. Financing of micro and small enterprises (MSEs) nearly tripled in the five years to 2024, to 24% of GDP.

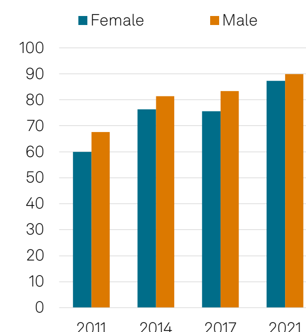
What Comes Next

We expect Chinese banks will broaden financial services through cross selling that builds on strong savings account penetration. Underserved demand, including for insurance and household participation in capital markets, is an opportunity that aligns to the government's efforts to promote a consumption-driven economy. Greater financial inclusion could boost retail borrowing. We expect banks will lead inclusive lending, which is in line with government policy to promote inclusive financing while limiting financial risks related to non-bank and certain fintech lending. We forecast household debt growth will pick up slightly in 2025. Household leverage should remain manageable at 76% of GDP by 2026. Our baseline forecasts carry significant uncertainty due to U.S.-China tariff policies.

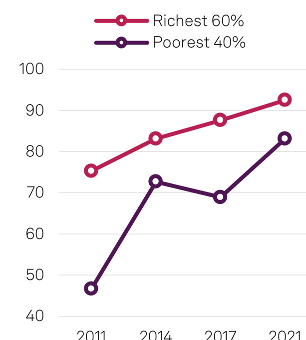
Banking Sector Opportunities And Challenges

Chinese banks are likely to increasingly adopt fintech solutions to advance inclusive financing. Real-time and behavioral data feeds may enhance banks' understanding of borrowers' risk profiles, while fintech applications could lower operational costs. Weak consumer sentiment will likely slow the progress of financial penetration among households in the near term. We continue to view certain retail lending, particularly consumer loans, as having untested credit risks in China. Additional risks could materialize due to China's economic slowdown and might prove challenging for banks with weak risk management. We consider the Chinese authorities' push to provide affordable MSE loans to have pressured banks' earnings. Profit margins on such lending are thin for large banks and even thinner for small banks. That pressure comes despite the provision of lower-cost funding from the government, which partly offsets profit strains. The government could provide additional support to maintain this initiative for banks. Fintech penetration seems likely to most benefit established national banks by offering the means to grow businesses and manage novel risks like cyber threats. Smaller lenders' ability to compete may be constrained by investment capacity constraints.

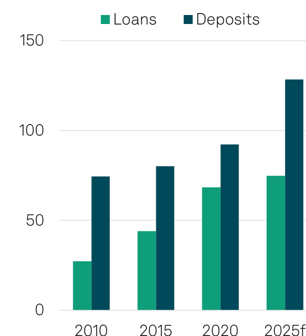
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Egypt | Inclusion Is A State Priority With Risks Attached

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Key Takeaways

- Financial inclusion is a key focus of national economic development initiatives, including several of Egypt's Vision 2030 goals.
- Banks are increasing their exposure to micro, small, and midsize enterprises (MSMEs), including due to government initiatives and targets.
- Tangible opportunities arising from greater financial inclusion come at the cost of a higher risk of asset quality deterioration.

Financial Inclusion: Then To Now

Limited access to bank accounts and credit have constrained Egypt's economy. Financial inclusion is thus key to the country's development agenda, as set out in Egypt's Vision 2030 plan and guided by the Financial Inclusion Strategy (2022-2025). Initiatives include the promotion of accounts, digital wallets, financial literacy, and entrepreneurship. A pivotal scheme, "Haya Karima" (Decent Life), offers microloans to associations and businesses in rural areas, which include about 57% of Egypt's population. Digitalization and partnerships between banks and fintechs have driven access to payment applications and e-wallets. According to the Central Bank of Egypt (CBE), over 74% of Egyptians (above 15 years) have transaction accounts, up from about 50% in 2019.

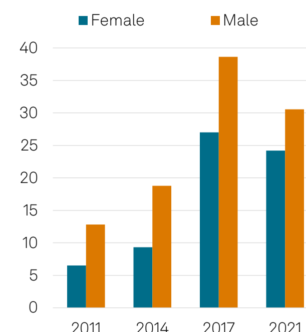
What Comes Next

Banks will be key to improving financial inclusion. We expect greater uptake of digital payments, including due to the CBE's work to improve the payment system and facilitate international remittance transfers to enable real-time settlement of interbank payments in both local and foreign currencies. That will align Egypt with international standards and reduce costs and delays associated with small payments in foreign currencies. Efforts to increase private sector leverage and entrepreneurship have faltered. In 2016, the CBE directed banks to increase loans to MSMEs to 25% of their total portfolio outstanding by 2020. The deadline for compliance has been repeatedly extended, most recently to December 2024, and we expect growth in MSME lending will remain sluggish.

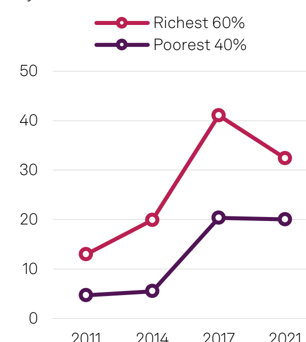
Banking Sector Opportunities And Challenges

Increased digital payments and reduced cash transactions should improve banks' access to clients, provide data to improve credit underwriting, and improve revenues. We expect banks to further develop digital products, including through further fintech partnerships. MSME lending initiatives offer banks opportunities to diversify loan portfolios that are currently concentrated in correlated blue-chip corporations, public companies, and private companies operating in the public sector. We estimate that lending to MSMEs accounts for 7% to 8% of Egyptian banks' lending books. The total value of banks' microfinance portfolios was about 87.5 billion Egyptian pounds (about US$1.8 billion) as of March 2024, up from 6.4 billion Egyptian pounds in 2016. MSME lending is likely to increase gradually and could become a source of risk for the banking sector given MSMEs' limited financial flexibility. The nonperforming loans (NPL) ratio for MSMEs was a notably high 12.1% in March 2024, having increased each year since 2020. Banks' potential losses have, so far, been limited by a public-private guarantee scheme, but we anticipate a rise in nonperforming loans that could drive increased debt restructuring and moratoria. Egypt's household lending, which remains well below peer countries, is a drag on growth and an opportunity for the banking sector.

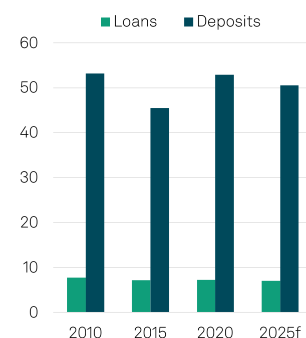
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

India | Credit Penetration Is The Next Step

Primary credit analyst

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Key Takeaways

- Increased retail lending is likely to be the next phase of India's digitalization-driven advance toward financial inclusivity, which began with savings and payments.
- S&P Global Ratings expects retail loans to triple to about $2.5 trillion by 2030, equal to about 34% of GDP.
- That increased penetration risks higher loan defaults among low-income earners in the event of an economic downturn.

Financial Inclusion: Then To Now

Financial inclusion in India improved significantly with the digital trinity of: 1) Pradhan Mantri Jan Dhan Yojana--a government plan that facilitated savings account penetration; 2) Aadhar-- a biometric identification number that underpins digital identification, payment, and account aggregation; and 3) mobile penetration. India's share of global, real-time digital payments is about 45%, while savings account penetration leads the global average. However, loan penetration remains weak, with 12% of Indians over the age of 15 having borrowed from a formal financial institution by 2021, compared to a global average of 28%. That leaves many households with little access to capital that might help them escape poverty and contribute to India's economic growth. Microloans to lower-income earners have grown rapidly in recent years, driven by increased savings account penetration and digital transactions, which provide data for lenders to make informed decisions.

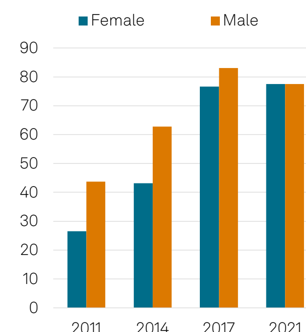
What Comes Next

We expect retail lending penetration will accelerate further, driven by India's fast-growing economy and uptake of technologies that enable better financial services. We expect India's household debt to triple to $2.5 trillion by 2030, or about 34% of total GDP (from 24% currently), with microloans to lower-income earners growing faster than overall household debt. Growth will come from increased lending to lower-income and underbanked populations. That could deliver benefits including greater financial security and improved standards of living for poorer people and thus contribute to social stability, lower political risk, and higher economic growth.

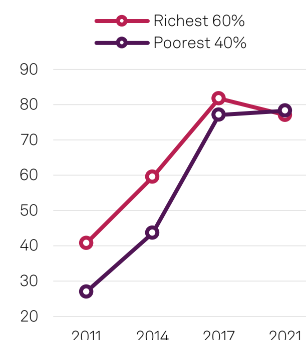
Banking Sector Opportunities And Challenges

For banks and finance companies in India, the increasing adoption of technologies and mobile banking has delivered growth opportunities. The expansion of digital payment infrastructure and the uptake of basic financial services has enriched data sets that improve access to clients, in our view, especially in microfinance. Increased digital data should complement credit bureau data to enable improved credit underwriting. However, there are risks associated with lending to low-income and underbanked segments, which tend to have higher delinquency rates and low creditworthiness. We believe private finance companies will accept those risks, while top-tier banks and small finance companies will increasingly target lower-income markets, boosting financial inclusion. That could result in greater systemwide credit losses and nonperforming loans, though banks' limited microlending mitigates that risk. We expect microloans will be about 7% of Indian household debt by March 31, 2031, up from 5.5% in March 2024. Greater regulatory oversight by the Reserve Bank of India (RBI) could prevent rapid growth in micro and unsecured personal loans and support financial stability. A recent tightening of microfinance regulations, coupled with stricter underwriting in the sector, should rein in lenders' growth plans and ease the potential risk of a build-up of overleveraged borrowers.

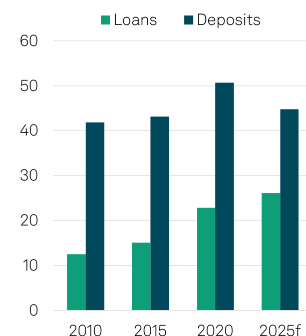
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Indonesia | Geographic And Cultural Barriers

Primary credit analyst

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Key Takeaways

- The government views financial inclusion as a national priority and central to its efforts to improve economic equality.
- Banks are leading digital and mobile initiatives to improve access, but geographic, cultural, infrastructure, and financial literacy hurdles have slowed adoption.
- Increased lending to underbanked and unbanked communities will add credit risk and expose banks to nonperforming loans that might offset potential returns.

Financial Inclusion: Then To Now

Financial inclusion in Indonesia faces the twin challenges of a massive population (277 million people) and broad geography (over 17,500 islands). Almost 49% of Indonesia was unbanked or underbanked, according to data published by the World Bank in 2021. Digital and remote banking services have improved the availability of banking, with these gains notably made during the COVID-19 pandemic. Digital financial inclusion, defined as access to digital financial services, stood at about 55.8% of the population in 2022, up from 31.3% in 2019, according to a survey conducted by the Indonesia Financial Services Authority (OJK).

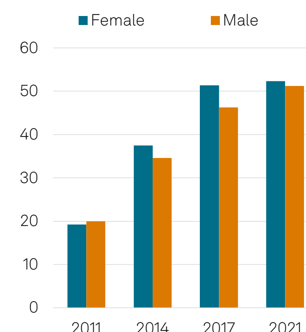
What Comes Next

Indonesia's young and geographically dispersed population means widespread financial inclusion will likely be driven by technology and services that facilitate remote banking and particularly mobile banking. That is especially the case for underserved segments outside of the main island of Java, which has about 60% of all bank branches (notably concentrated in the capital city of Jakarta). Indonesia's major banks are investing in in-house fintech initiatives and partnering with local tech startups to drive innovation. Meanwhile, the government's 2023 "Roadmap of Financial Services Business Conduct Supervision, Education and Consumer Protection 2023-2027" made financial literacy and inclusion a policy priority, viewing it as a way to boost economic growth, reduce poverty, and promote more equal income distribution.

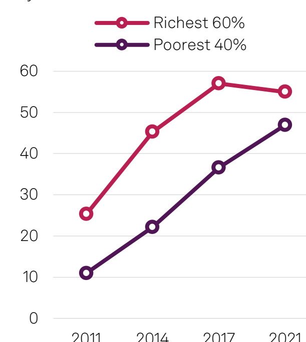
Banking Sector Opportunities And Challenges

Established banks are leading the expansion of digital financial services in Indonesia, where opportunities for growth remain due to the country's significant population of underbanked and unbanked. That offers the potential for banks to expand customer bases and develop new regional operations, though it also comes with the potential for increased performance risk. Improvements to digital infrastructure have expanded access to underdeveloped markets, notably among more remote communities, though the adoption of banking services (including digital banking) in rural areas and among lower-income groups has been slow and remains a barrier to greater financial equality. Indonesia's financial inclusion index (which includes digital and more traditional financial services) was about 75% nationally and 70% in rural areas, according to a national survey conducted by the OJK in 2024. Extending financial services, including digital services, to remote communities is challenging due to a lack of communications infrastructure beyond larger population centers. For banks and other financial institutions, it could also prove a cost-intensive endeavor given the potential for higher credit risk and nonperforming loans that might offset potential returns. This is due to often limited financial literacy, but also obstructive cultural norms and nuances among different demographic groups, all of which present hurdles to greater financial inclusion.

Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)

f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Kenya | Fintech Collaboration Key To Bank Expansion

Primary credit analyst

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Key Takeaways

- Mobile payments services driven by M-PESA have expanded financial inclusion, though banks' fintech services continue to lag.
- Financial service uptake is constrained by limited financial literacy, a lack of infrastructure in remote areas, and the risk of fraud in digital services.
- Collaboration between banks and fintechs may be central to broadening financial inclusion through more accessible, affordable, and innovative services.

Financial Inclusion: Then To Now

Formal financial access, as measured by the Central Bank of Kenya (CBK), was 85% in December 2024, up from 27% in 2006, placing Kenya among the most financially inclusive African nations. The CBK has fostered innovation with support for mobile money services (MMS) led by M-PESA, a regulatory sandbox, and digital credit regulation. Over 80% of Kenyan adults used MMS for money transfers in 2024, while just 29% relied on traditional banks, which are typically more expensive. Digital credit providers and a government lending project (Hustler Fund) lifted access to credit to about 64% in 2024, up from 29% in 2013. A focus on micro, unsecured lending means household debt-to-GDP remains low, at 8% in 2023.

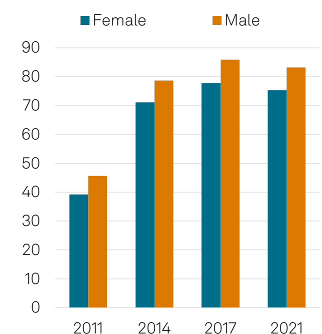
What Comes Next

We expect the next phase of financial inclusion to involve improved access to affordable banking, including credit and savings products. Banks are forming strategic partnerships with fintechs to secure cost savings and improve accessibility, notably by deploying fintechs' transaction data for credit reviews. Kenya's high level of financial inclusion is driven by payments and, to a lesser degree, lending, while other services, including savings and insurance, remain little used. As bank/fintech partnerships evolve, we anticipate that the development of financial products tailored to the needs of the underbanked population will encourage savings and investment. Financial literacy initiatives may help individuals make informed decisions, encouraging responsible uptake of credit and, ultimately, a more robust financial ecosystem.

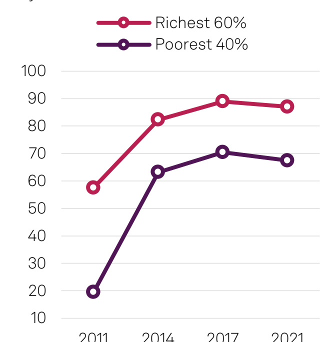
Banking Sector Opportunities And Challenges

We consider that established Kenyan banks still have significant opportunities to broaden the provision of remote and mobile banking and launch new digital products. Kenya has a mobile device penetration rate of over 100%, with many adults owning multiple devices. Banks are likely to increasingly partner with fintechs and develop existing partnerships. That trend, coupled with banks' ongoing investment in in-house digital services, could deliver new and enhanced credit, savings, and insurance services. And, it could enable banks to better reach unbanked and underbanked markets, including lower-income households and small businesses. Financial services' growth potential is limited, particularly in remote regions of the country, by gaps in the population's financial literacy, weak internet infrastructure, and an absence of bank branches. Greater use of digital financial services will raise the profile of issues around cyber security, fraud, and concerns regarding data privacy. Those concerns have benefited banks, which are viewed as relatively safe financial services channels due to Kenya's stringent regulatory and compliance requirements--though that comes with additional regulatory costs that can affect efficiency. Traditional banking models are likely to face increasing competition from fintechs both as familiarity with digital services grows and due to the regulator's apparent openness to financial innovation.

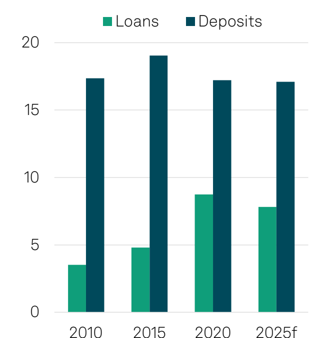
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Mexico | Informality And Cash Economy Limit Inclusion

Primary credit analyst

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Key Takeaways

- Limited access to financial services reflects widespread use of cash, significant income inequality, and weak rule of law.
- Stronger public-private partnerships could improve digital payment services and infrastructure, expanding access for underserved populations.
- We expect Mexico's total credit to GDP to remain below 40% in 2025, which is low compared to peer nations.

Financial Inclusion: Then To Now

Mexico's slow progress on financial inclusion faces ongoing challenges. Weak access to financial services means under 49% of adults have a bank account, while we estimate national credit-to-GDP was under 40% in 2025, below that of nations with similar income levels. Recent initiatives have sought to improve financial product transparency, increase branch numbers, and improve women's access to credit through regulatory recognition of their lower default rates. Fintech and digital payments are hampered by poor infrastructure and weak financial literacy--over 80% of the population transacted only in cash in 2022. Financial inclusion surveys don't extend beyond 2022, making it difficult to assess the impact of newer disruptive players, like fintech companies.

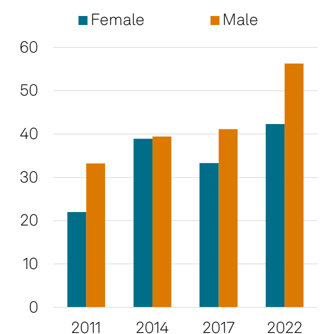
What Comes Next

Mexican financial authorities and banks have made improving digital banking services a central plank of their efforts to drive financial inclusion. The central bank has launched real-time digital payment systems, CoDi (Cobro Digital) and Dimo (Dinero Móvil), to bring people into the financial system and discourage cash transactions, though the platforms are struggling for relevance and have been notably less successful than their Brazilian counterpart, Pix, for example. Digitalization, which has advanced financial inclusion elsewhere, faces a unique set of challenges in Mexico, including a large informal economy that favors cash, significant income disparities, and a weak rule of law. Structural changes will be needed to improve access to financial services and unlock transformative growth.

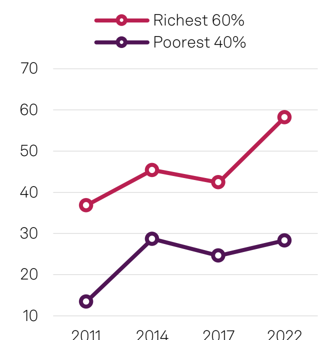
Banking Sector Opportunities And Challenges

Access to banking services in Mexico lags behind that of other Latin American countries. Much of Mexico has been left underbanked or unbanked by banks' conservative risk appetite and focus on middle- and high-income customers and medium and large corporations. Greater inclusivity will depend on development of digital financial services, improvements to the legal system, and better collateral recovery processes. COVID-19 accelerated digitalization and popularized digital banking, yet insufficient digital infrastructure and concerns about fraud mean many customers still favor traditional banking services. Larger banks are outpacing smaller institutions in digital investment, not least due to diversified business models that contribute to greater profitability. Pressure on smaller banks' earnings often limits investment in digital infrastructure and may lead to consolidation. Neobanks are gaining traction and could compete with banks, while fintech companies primarily target the unbanked population and thus rarely compete with traditional banks. Increasing collaboration between banks and fintechs could drive inclusion. Stronger public-private partnerships could address infrastructure challenges and thus improve payment services to the benefit of financial inclusion among underserved populations.

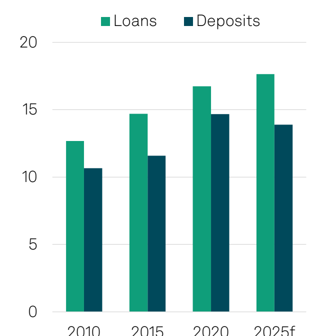
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Nigeria | Limited Banking Opens The Door For Fintech

Key Takeaways

- Banks' and fintech companies' efforts have underpinned a gradual increase in financial inclusion in Nigeria.
- Loan provision remains limited by low incomes (more than half the population lives below the poverty line) and the size of the informal economy.
- Digitization of financial services should drive greater inclusion helped by adoption by the countries' large population of young adults.

Financial Inclusion: Then To Now

Financial inclusion in Nigeria was about 64% in 2023, up from 36% in 2012, according to a 2023 survey published by the financial inclusion advocacy group Enhancing Financial Inclusion and Access, but it remains below most comparable countries. The Central Bank of Nigeria's digital payment directive, launched in 2012 to accelerate inclusion and reduce cash circulation, has proven a catalyst for a gradual increase in bank account ownership. The growth of bank branch and agency banking networks, and telecom companies' provision of mobile money services have promoted the adoption of savings and digital payment services. Those gains aren't matched by retail lending growth, with only 6% of Nigeria's adult population able to access loans from a formal institution in 2023.

What Comes Next

We expect the fintech sector will be a key driver of financial inclusion over the next decade, as is the case in many low-income economies. Fintech companies' prominence in payments will provide data that could improve credit assessment and enable them to gradually increase retail lending and loans to small businesses. Crypto assets, which aren't included in financial inclusion statistics, are increasingly used to transact and save in Nigeria, which ranks in the top six countries in terms of the number of crypto asset users. That is likely to continue to grow as crypto assets are seen as a tool to protect savings from economic issues that contribute to currency volatility. Regulatory clarity regarding crypto assets should also promote adoption.

Banking Sector Opportunities And Challenges

About 50% of Nigeria's population is unbanked. We consider this represents a significant opportunity for banks to expand their reach, though we also expect the fintech sector will secure some of that market by continuing to offer services that are easy to use, fast, and low cost. Banks have embraced innovation, particularly in the payment solutions space, but reducing costs and attracting underbanked and unbanked parts of the population remains a work in progress. For example, remittances are often channeled through fintech companies using crypto assets, particularly stablecoins, which can offer a cheaper and quicker alternative to banks' systems. Larger banks' geographic reach, compared to most fintechs, remains a competitive advantage in securing market share in cross-border payments, particularly for corporate and retail remittance flows. Banks' more stringent regulatory and compliance requirements foster client confidence, particularly given Nigeria's high rates of fraud. Yet increased regulation and security typically come with compliance costs, which could affect banks' efficiency and competitiveness, in our view. The ongoing migration of financial operations to the cloud provides opportunities to collect and use data to improve banks' operating efficiency and risk management. That will create new opportunities for banks to offer tailored lending products to retail customers and ultimately increase their retail lending activities.

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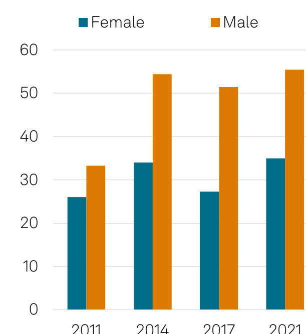
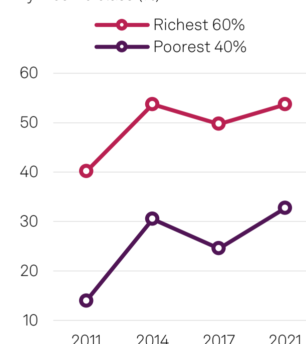
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)

f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

South Africa | Success Masks Limited Digital Payments

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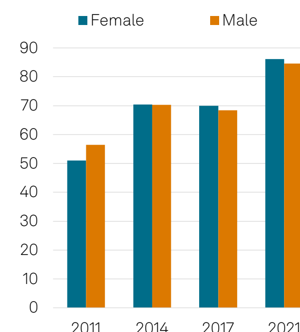
Key Takeaways

- Significant progress in the provision of basic financial services lifted South Africa's financial inclusion rate to about 91% by 2021, from 54% in 2011.
- Access to the full suite of financial services varies widely, with income inequality weighing on service availability, adoption, and usage.
- Broader provision of financial services to underserved communities and micro, small, and midsize enterprises (MSMEs) will be the next step.

Financial Inclusion: Then To Now

A decade of improving inclusion has left South Africa with one of Africa's highest rates of bank account ownership. Gains are due to government policy and partnerships with banks and technological innovation. However, the use of bank services, including for payments, remains low. In 2021, only 31% of the banked population actively used their account, while most used them only to receive wages and for withdrawals, according to the National Treasury. Bank card fees mean cash remains favored in the informal sector. Credit and financial services (insurance and savings) are concentrated among higher-income earners, which limits adoption due to high income inequality. MSMEs' access to financial services is also limited, with only about 30% holding a business bank account, according to the National Treasury.

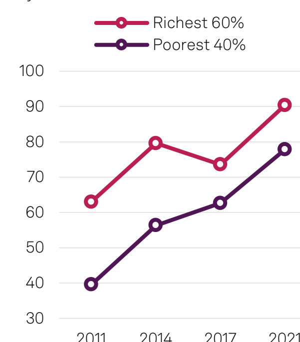
Domestic bank account ownership
By gender (%)



What Comes Next

Broader financial inclusion will depend on increasing the use of bank services and improving the quality of products on offer to underserved sectors of society and MSMEs. Understanding the different needs and barriers to adoption across demographics, and tailoring products to meet their specific demands, will be key to securing further gains. Digitalization is also likely to drive the next phase of financial inclusion by enabling greater scalability, reach, and efficiency. That shift will likely include bank partnerships with fintech companies, which are already experiencing success in the provision of online payment services, point-of-sale payment services for small traders, and in cross-border remittances.

Domestic bank account ownership
By income class (%)



Banking Sector Opportunities And Challenges

Despite South Africa's high rate of bank account ownership, there are opportunities to broaden financial service adoption and usage. For example, households' use of formal banking sector savings products and uptake of insurance services (other than funeral insurance) remains low. Banks are making efforts to understand the needs of underserved markets and to develop appropriate products. They are also well positioned to capitalize on the opportunities in the market due to their dominance of the financial system (including the national payment system), their established reputations, and their financial strength. It is notable that expansion in underserved market segments is being led by the customer onboarding efforts of smaller banks, while larger banks typically continue to concentrate on wealthier market segments. Challenges are coming from the emergence of digital-first neobanks (such as Tyme Bank, Bank Zero, and Discovery Bank), which have introduced new competition for established banks. Meanwhile, fintech companies are competing for payment services, and to a limited extent in the provision of credit. MSME-focused payment service providers, like iKhokha and Yoco, have gained traction by providing cheap point-of-sale machines. As the market evolves, banks will have to be agile and innovative to meet the (changing) needs of South African customers and to stay ahead of the competition.

Household loans and deposits at domestic banks
(% of GDP)

f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

Turkiye | Tech-Driven Progress, Though Gaps Remain

Key Takeaways

- Turkish financial inclusion has improved significantly over the past decade, notably driven by government initiatives and technological advancements.
- A dynamic fintech sector, ongoing bank digitalization, and improved access to Islamic finance should promote access, including among underserved sectors.
- Gains will, however, be hindered by significant gaps related to gender and income, and by macroeconomic challenges, including high inflation.

Financial Inclusion: Then To Now

Turkiye's Financial Inclusion Strategy (launched in 2014), financial literacy programs sponsored by banks, and partnerships with international and domestic organizations have delivered a decade of improved financial inclusion--including an increase in account ownership to 76% in 2021, up from 51% in 2011. At the same time, rapid loan growth (supported by episodes of highly accommodative monetary policy between 2017-2023), state-backed credit-guarantee programs targeting SMEs, and the growth of the Islamic banking sector have expanded access to financial services, including among traditionally underserved markets. Fintech companies and mobile banking have transformed Turkiye's financial landscape, facilitating access to banking services, particularly for younger populations and communities in remote areas.

What Comes Next

Turkiye's government is seeking to develop a robust fintech ecosystem through regulation, a focus on security, and via substantial tax incentives for startups. The payments sector is growing particularly rapidly, driven by new technologies, while the 2021 launch of the "FAST" real-time payment system by the Central Bank of the Republic of Turkey (CBRT) has reduced the cost and time of money transfers. Initiatives are also targeting innovations to improve financial services accessibility, particularly in rural areas, while the launch of new Islamic banks, since 2021, should drive inclusion among religious sections of society. High interest rates, monthly limits on bank lending growth, and high inflation are likely to weigh on financial inclusion during 2025.

Banking Sector Opportunities And Challenges

Turkiye's young population (median age 34.4 in 2024) could prove to be enthusiastic adopters of the digital banking solutions that underpin both bank and state efforts to expand access to financial services. Moreover, the market for such services has grown, supported by net immigration, though that trend has notably stalled since 2019. Banks also have opportunities (and still face challenges) arising from securing greater access to Turkiye's marginalized populations. They include lower-income populations, refugee communities, and many women, all of which still face barriers to accessing financial services due to socio-economic factors and cultural norms. Economic volatility, including inflation and currency fluctuations, is an ongoing risk and could negatively affect the affordability of financial services and the ability of individuals and businesses to access credit, as was the case in late 2024 and early 2025. Customers' financial resilience remains a key challenge for banks seeking to expand their services to new sectors. Individuals' savings capacity has been eroded in recent years by high inflation and tighter financing conditions. At the same time, Turkish borrowers' indebtedness and creditworthiness will remain a key near-term concern, as it could put pressure on their asset quality.

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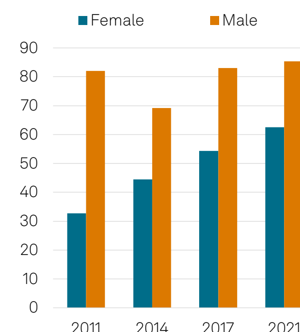
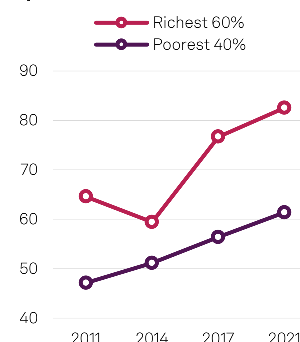
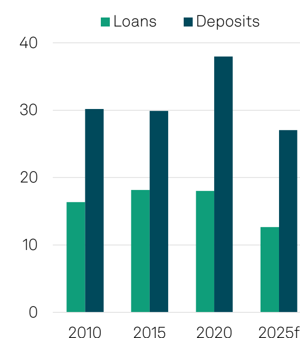
Domestic bank account ownership
By gender (%)



Domestic bank account ownership
By income class (%)



Household loans and deposits at domestic banks
(% of GDP)



f--Forecast. Data refers to population age 15+. Sources: World Bank, Global Financial Inclusion Database. S&P Global Ratings for forecasts.

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