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Reaching New Heights Together With Financial Inclusion

Inclusive Finance Epitomizes Customer Obsession And Has Far-Reaching Benefits If Done Right

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY EXPERIAN | APRIL 2022

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Financial Inclusion Comes Into Focus Under Corporate Social Responsibility

Awareness of corporate social responsibility (CSR) is growing as our world becomes more diverse and issues influence top-line business decisions. Organizations realize they must have more inclusive strategies that align with customers' needs and values. And for good reason — 42% of all US online adults say that a company's reputation for CSR influences their purchasing behavior, according to Forrester Research.[1]

A key component of CSR for financial services is financial inclusion — making financial products and services available and more affordable for everyone. Interest in financial inclusion is growing as firms realize they can generate both profits and positive societal impacts. To achieve the benefits, leaders must take a methodical approach.

Key Findings

Financial inclusion is key to CSR. It is paramount to serve those who struggle to access financial services and achieve financial well-being. Firms need inclusive finance as a strategic priority.

Implementing an inclusive finance program requires firms to develop new products and services, adopt new policies and processes, and leverage big data and advanced analytics.

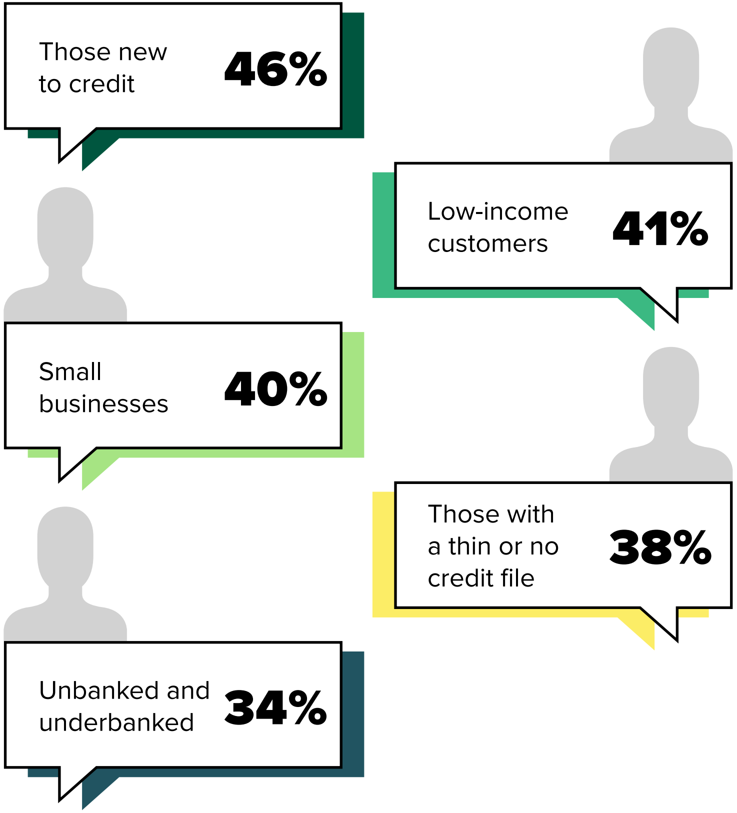
Financial inclusion is an opportunity for firms to deliver shared value and build trust. With financial inclusion, firms can access untapped markets, improve relationships, and have a positive impact.

Purpose-Led Efforts Yield Growth For Businesses And Customers

In financial services, financial inclusion is a growing piece of the CSR puzzle. In Forrester's study of 165 leaders at North American banks and financial institutions, just over two-thirds reported that their firms had a financial inclusion strategy in place and were in the process of implementing it. More impressive is that roughly a quarter of respondents indicated their financial inclusion programs were already up and running. These results demonstrate that financial inclusion is a critical focus for nearly all banks and financial institutions.

Firms see financial inclusion as a way to engage new audiences and better serve existing customers. In developing their programs, organizations are primarily focused on those new to credit, low-income customers, and small businesses. Secondary targets are customers with no credit or a thin credit file and the unbanked/underbanked.

Primary Focus Of Financial Inclusion Programs



Base: 162 managers and higher at US financial institutions whose roles focused on IT/technology, lending, credit risk, digital efforts, compliance, innovation, data centers of excellence, marketing, and/or sustainability and who are currently in the process of defining a strategy to increase financial inclusion
Source: A commissioned study conducted by Forrester Consulting on behalf of Experian, February 2022

Firms Must Plan Ahead For Financial Inclusion Strategies To Payoff

Firms are taking a methodical approach to build their financial inclusion program. Over half of surveyed leaders said their firm began their efforts with the goal of developing more affordable products and services. They focused on improving credit and risk policies to mitigate overindebtedness. With a service strategy in mind, firms then created a roadmap to establish strategic priorities and workstreams supported by a dedicated financial inclusion function and new roles.

In other measures, leaders said firms are adopting processes to better identify the barriers to financial inclusion and implementing internal policies to influence employee culture and behavior.

Firms adopted new governance models and processes to drive financial inclusion.

Top Planned Strategic Actions For Organizations To Drive Financial Inclusion

1	52%	Develop more affordable products and services
2	51%	Improve credit and risk policies to mitigate overindebtedness
3	51%	Create a roadmap that sets out strategic priorities and workstreams
4	50%	Create a dedicated financial inclusion function and new dedicated roles

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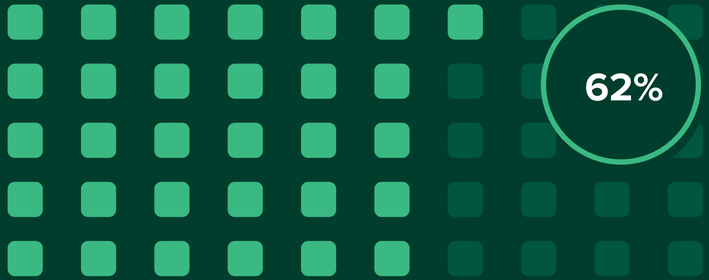
Strategies Must Involve A Comprehensive Approach To Data And Analytics

Big data and advanced analytics technologies are critical to financial inclusion strategies. Roughly 60% of respondents stated their firms were using or were planning to use alternative data, advanced analytics, machine learning (ML), and AI to improve risk profiling and credit decisioning capabilities.

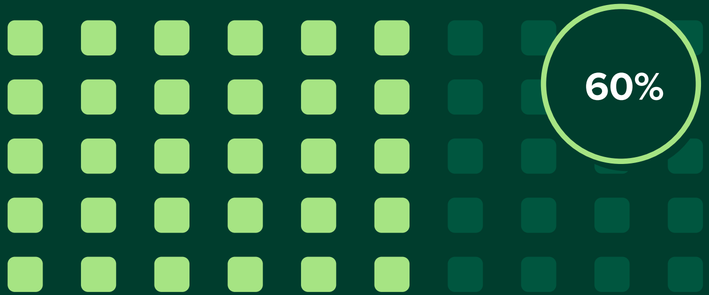
Forty-eight percent of respondents' firms were using or were planning to use AI and automation to reduce costs and increase affordability of products and services. To support these efforts, nearly 40% stated that they would hire more experts in advanced analytics and ML. These are critical steps for financial institutions as fintechs emerge using mobile technology, open access to data, AI, ML, and more to target underserved consumers, according to Forrester Research.[2]

Planned Resources To Drive Financial Inclusion

Alternative data to improve risk profiling and credit decisioning capabilities



Advanced analytics technologies, machine learning, and AI to improve risk profiling and credit decisioning capabilities



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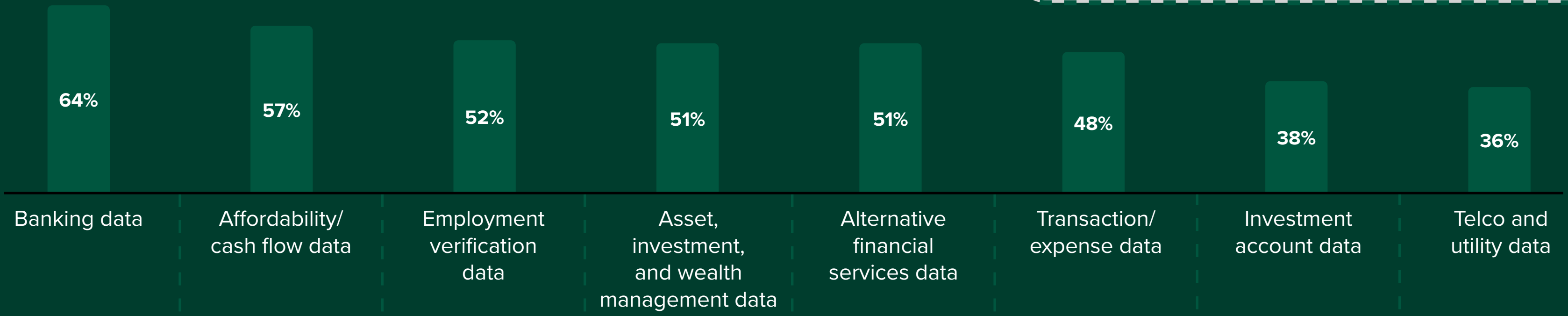
Strategy Implementation Is Constrained By Limited Resources

For roughly two-thirds or more of respondents, the greatest challenges with implementing a financial inclusion program were not having the right technology, data, and talent in place to execute the strategy. Respondents' firms also found it difficult to clearly demonstrate the value/ROI of their program in a meaningful way once the strategy is implemented.

Additionally, survey respondents indicated that they needed better data to target new customer segments. Banking data is the most sought-after information asset for the execution of a financial inclusion strategy. Firms also need access to affordability/cash flow data, employment verification data, alternative financial services data, and asset/investment/wealth management data.

Various sets of data are required to successfully carry out a financial inclusion strategy.

Additional Data Or Insights For Creating Financial Inclusion Strategy



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ROI Must Be Clarified Before Firms Can Forge Ahead

To help their firms take a more outcome-driven, customer-focused approach, survey respondents reported that they needed more information on the benefits and value of a financial inclusion program as well as more details about who best to target with the initiative. While many IT and line-of-business (LOB) leaders found building a compelling business case for inclusive finance challenging, they felt more confident about their vision and how to get started.

Interestingly, just over 40% of respondents' firms also expressed a desire to understand the risks associated with implementing a financial inclusion program. These data points are critical for IT and LOB leaders and empower them when aligning all functions across the organization to earn the benefits of a financial inclusion program.

"Which of the following would help you learn more about financial inclusion?"

59%
Ascertaining which customers or segments our organization should prioritize as part of our financial inclusion program

56%
Greater internal education on the benefits of diversity and inclusion

56%
Understanding the value and ROI of a financial inclusion program

52%
Understanding how to build the business case for a financial inclusion program

Base: 165 managers and higher (including 3 respondents who don't have a financial inclusion strategy) at US financial institutions whose roles focused on IT/technology, lending, credit risk, digital efforts, compliance, innovation, data centers of excellence, marketing, and/or sustainability and who are currently in the process of defining a strategy to increase financial inclusion
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Successful Financial Inclusion Programs Start With The Endgame In Mind

For most firms, a successful financial inclusion program is measured by tangible business outcomes. However, few are setting metrics and targets that assess its social impact. To achieve ROI, respondents expected their financial inclusion program to support retention and growth efforts. Forty-five percent of responding IT and LOB leaders wanted it to improve the experience of their existing customers and 41% hoped to grow revenue with cross-selling or account management. Interestingly, only 19% of respondents viewed financial inclusion as a way to access new markets. Firms aim to improve customer experience, help customers achieve financial well-being, and have a positive social impact with their financial inclusion program.

Financial inclusion aims to reach consumers who have traditionally been underserved.

"What is your organization doing or planning to do this year to drive financial inclusion?"

81% Set metrics and targets to track and measure the impact of our financial inclusion program on the business

67% Set metrics and targets to track and measure our social impact (on individuals and society)

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Selecting The Right Metrics Is Key When Analyzing Program Success

With most respondents' firms still in the early stages of their program development, many indicated that they were using broad metrics to track the success of their financial inclusion strategy. Surveyed IT and LOB leaders were measuring outcomes of their financial inclusion program by assessing how they serve their overall customer base by tracking the number of customers in underserved populations and, of course, with revenue growth.

Under half of the respondents surveyed said their firms were leveraging more nuanced metrics, such as the number of new products and services related to financial inclusion and brand sentiment. Roughly a third had commissioned a third party to evaluate their program. Firms who set the right KPIs from the start will be better equipped to develop and drive their financial inclusion program.

"How will you measure the success of your financial inclusion program?" (Select all that apply.)

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The financial services industry is undergoing a period of unprecedented transformation. With access to a wealth of consumer information and data and emerging technologies, financial institutions now have the power to reach new audiences and serve those who have historically been underserved.

The financial inclusion imperative has become more important over recent years as more and more people demand corporations to lead with purpose and make a positive impact on consumers and communities. In this moment, firms realize that corporate social responsibility initiatives like financial inclusion are not only critical to deliver social impact, but they are also an opportunity to drive business value.

Given the complexity of implementing a financial inclusion program, however, it is vital for firms to carefully plan their strategy and establish the right mechanisms and processes to reap the benefits.

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Contributing Research:

Forrester's Financial Services research group

Methodology

This Opportunity Snapshot was commissioned by Experian. To create this profile, Forrester Consulting supplemented its research with custom survey questions asked of 165 managers and higher at US financial institutions whose roles focused on IT/technology and LOB, including lending, credit risk, digital efforts, compliance, innovation, data centers of excellence, marketing, and/or sustainability. The custom survey began and was completed in February 2022.

ENDNOTES

[1] "Corporate Social Responsibility Influences Purchase Decisions For The Most Empowered US Consumers," Forrester Research Inc., August 2, 2021.

[2] "In 2022, Banks Are Refocusing Their Efforts On Innovation, Sustainability, And IT Improvements," Forrester Research Inc., February 11, 2022.

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

Demographics

COUNTRY	
United States	100%

POSITION/DEPARTMENT	
IT/technology	24%
Marketing	14%
Digital	11%
Risk and compliance	10%
Sustainability	10%
Data analytics/data science	9%
Research and development	8%
Credit risk	8%
Product lines	7%

INDUSTRY	
Financial and/or banks	100%

COMPANY SIZE	
500 to 999 employees	26%
1,000 to 4,999 employees	30%
5,000 to 9,999 employees	21%
10,000 to 19,999 employees	14%
20,000 or more employees	9%

RESPONDENT LEVEL	
C-level executive	7%
Executive vice president Or Senior vice president	15%
Director or managing director	25%
Senior manager	15%
Product manager	10%
Manager	23%
Project manager	6%

Note: Percentages may not total 100 because of rounding.

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