



Closing gaps in the digital ecosystem: How leaders in the public and private sectors can partner to build trust and advance people's skills

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Recent research shows that there are timely opportunities for the public and private sectors, individually and together, to drive participation, inclusion, and equity in the digital ecosystem. In this paper, we identify ways for leaders and organizations to partner and deliver more benefits to more people.

During the past five years, increased participation in the digital economy has fueled improvements in incomes, livelihoods, and well-being. A recent study by Devex and Visa (2022), *Bridging the Divide: Skills for Financial Equity and Inclusion*, confirms that these benefits have extended to many communities in developing markets. It also calls out that there is still much more opportunity for people to benefit. In particular, the study points to the pivotal roles that trust and skills play in enabling greater use of digital financial services—and it shows that these enablers are as pertinent in developed countries as in developing.

Yet, these enablers for participation contain a great deal of nuance and manifest in different ways across distinct groups and communities. How, then, can local governments and companies help build trust and skills in order to drive more equitable participation in the digital economy, particularly as the digital landscape continues to evolve rapidly? This note provides guidelines for what diverse but like-minded stakeholders can do in partnership for the benefit of all.

How to enhance trust and skills in digital financial services

Around the world, economies are becoming ever-more digital, hastened by the COVID-19 pandemic, evolving technologies, new business models, and income-generating opportunities.

Devex and Visa (2022) set out to understand the perspective of global development experts and identify concrete opportunities to advance equity and inclusion through digital financial services. Devex surveyed almost 1,200 global development professionals with experience in key livelihood sectors such as agriculture, economic development, gender, and migration, as well as digital and financial inclusion. The Devex team also interviewed and met with expert practitioners and institutional leaders.

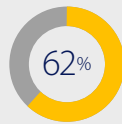
The findings are clear. These development experts strongly affirmed that while more people in underserved communities are participating in the digital economy, the benefits they experience are so far modest. Two-thirds of the experts surveyed observe that more people in their beneficiary communities are now creating or enhancing their livelihoods through the digital economy than they were five years ago. Only 14 percent, however, say that these communities have enjoyed a significant increase in income as a result. This means that there is a great deal of untapped opportunity.

Key Findings – Bridging the Divide: Skills for Digital Financial Equity and Inclusion (Devex & Visa, 2022)

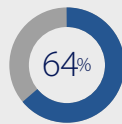
According to a recent survey of 1,193 global development experts on enabling participation in the digital economy conducted by Devex and Visa



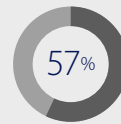
report that better knowledge is another highly effective way to build trust. Skills and trust are intertwined.



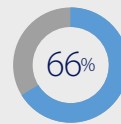
say a lack of digital financial skills is the top barrier to effectively creating or enhancing livelihoods. Basic literacy and numeracy skills are a compounding challenge.



say community networks are the most trusted sources of information on digital financial technologies and the most effective way to build skills. This is especially so for women. Success stories and positive leadership matter.



think providing information on digital financial products that is easier to understand is most effective for building trust. Reliable products also matter.



believe that building partnerships across sectors is the most important factor in scaling digital skills initiatives.

What stands in the way of actualizing this opportunity? For one, many people still need greater access to telecommunications and digital infrastructure. Additionally, people often do not trust new or unfamiliar technology and struggle to use digital financial services.

That story changes when people receive relevant information from their own trusted peer groups, social associations, and community leaders in their own community. This kind of tailored financial and digital education, coming from people who understand local conditions, is especially impactful for groups that have difficulty accessing technology and that have lower levels of literacy and numeracy. What works in one community, however, may fall flat in another—and tailoring educational materials can be time consuming and expensive. That is why both global and local partnerships are so critical to making educational initiatives effective on the ground.

The study makes several recommendations for scaling and sustaining highly localized, contextually specific digital financial education approaches. Leaders in both the public and private sectors should find many opportunities to share their expertise and networks, as well as help guide policy.

Ways leaders can collaborate on local education initiatives that build trust and digital skills

Enhance trust in a digital ecosystem through policies that encourage responsible innovation and enable consumers.

A trusted digital ecosystem requires accessible infrastructure, a policy environment that encourages ongoing investment and innovation for evolution, and a consumer-centric focus. Yet, the absence of reliable and affordable electricity and telecommunications, internet and, increasingly, broadband connectivity stands in the way of access to the digital economy for millions of people and small business owners. Mobile broadband is a good initial solution to help improve connectivity moving forward, given that mobile phone adoption outstrips computer penetration in many parts of the world. This must be the first step toward building trust.

The next step must be to continue to expand the ecosystem with comfortable places for people to access and use financial services. The corner store, like the OXXO chain in Mexico with its Saldazo financial account, can be a much more accessible and convenient way to access financial services for many people. Financial regulations including innovative, risk-based tiered financial accounts with simplified know-your-customer (KYC) requirements and on correspondent banking opened this opportunity and are key for new design and delivery of financial products.

Finally, trust will deepen when people feel like they can operate in a safe digital environment. Governments around the world have already been pursuing approaches to protect users, especially the most vulnerable and those who are new to digital financial services, without stifling innovation. Public-private collaboration can help improve outcomes in this area, resulting in policies and practices that drive greater demand and expansion of services. The Devex study highlights examples of effective public private collaboration in Kenya to deepen transparency and responsible provision of financial services. This exemplifies how frameworks for responsible provision of financial services can benefit all (Devex & Visa, 2022).

Promote locally relevant educational principles in digital and financial skills initiatives.

Nearly two-thirds of global development experts consulted for the study note that their focus communities have limited proficiency in digital financial skills. Observed use of skills that relate to digital technology such as phones, tablets, and computers is only 41 percent among agricultural and rural communities. Observation of the application of advanced personal money management was even lower, at 25 percent overall.

Governments, companies, and other institutions should prioritize four principles to meet the challenge of providing locally contextualized education through trusted sources, in the context of quickly evolving digital technology.

1. Foster life-long learning

There is an urgent need to help underserved people build their skills. Research shows that the most effective way to do this is by communicating practical information, in a way that a particular group can absorb within their available time. But skill building won't happen through a one-and-done workshop; it needs to be an ongoing process. As people need different financial services at different stages of life, their skills need to evolve along with those stages—and with the emergence of new digital technologies and services.

One solution to the challenges created by ongoing change is to promote a culture of life-long learning. Highly successful approaches provide practical information that relate to a particular stage of life and key moments, like education, entering the work force, and aging. Information is bite-sized and delivered at the time of need or first use of a service like insurance, a mortgage application, or a retirement account.

To improve the scale and impact of more inclusive and equitable benefits from participation in the digital economy, governments and companies should prioritize building skills of those who are generating household incomes, managing small businesses, and protecting family savings—as well as among underserved groups including rural communities, people with low literacy levels, and women. Governments can accelerate and amplify outcomes through coordination across initiatives, for example through national financial education as well as through national digitization and inclusion strategies.

2. Teach people where they are

Communities are viewed as the anchors of trust. More than half (52 percent) of survey respondents in the study find that informal, self-help, peer, and neighbor networks are the most trusted sources of information on digital financial technologies. Not only are these networks already known, but they understand local and cultural contexts and norms. They also tend to meet people where they are in terms of existing knowledge and skills.

Comprehensive insights and research into community needs and perspectives is, not surprisingly, viewed in the study as a top enabler for scaling up digital financial skills initiatives. It is a prime topic for partnership among national and global organizations and companies with local community groups, social service providers, and government.

For instance, as part of its digitization strategy, the national post office in Kazakhstan, KazPost, partnered with Visa to raise national awareness about cashless payments, how to use them safely, and other financial skills. The project reached adults and youth through pop-up booths at post office branches, seminars at universities, student financial literacy days, mass media, and social media.

3. Make products and services easy to use, easy to teach

A culture of community-level learning results from products and services that are not just easy for people and business owners to use, but for peers to teach. Enabling local peers to teach is one of the most effective, scalable, and sustainable ways to overcome a commonly-cited challenge: the need to tailor products, marketing, and educational content to cultural contexts. From hand-written

instructions next to QR codes in Indonesia to helping a rural villager in Mexico use their social welfare digital payments card to buy household goods, small business owners are among the most capillary and trusted of teachers. Additionally, there is still much room for companies to provide product information that is easier for underserved communities to understand.

4. Focus on principles of money management

In the face of rapid waves of technological innovation, financial education initiatives should focus on practical, actionable principles of how to manage money to help people achieve their life and business goals. The basics of savings, borrowing, insurance, and payments stay consistent across different forms of delivery. Organizing content on these principles can help extend the shelf-life of education modules and programs. Separate modules on how to use specific new technology can be layered in to provide program agility and responsiveness.

Expand partnerships to connect local and global skills-building initiatives.

New kinds of partnerships are needed to marry the demand for highly localized, nuanced education with scalable, cost-effective, and agile solutions. What to look for in joint efforts?

A first approach is to develop partnerships that connect global scale to local insights. For example, local NGOs and local governments can provide the nuanced understanding required to tailor educational information and they can access the capillary networks to share it. Meanwhile, international companies, and donors, often in partnership with national governments, can provide resources, distribution networks, and reach.

A second approach joins partners that are diverse in mission, capabilities, and networks. This allows each stakeholder to play to its strengths and have counterparts fill the gaps. A key to effective partnerships is making sure interests are aligned and clearly communicated so that all stakeholders understand the shared objectives. Partners need to know how to work together despite differences in expectations and culture. Third parties, including donors, can sometimes help to broker expectations and communications. Trust and skills are needed within the partnership itself because change happens at the speed of trust.

A third approach builds on existing infrastructure, distribution channels, and touchpoints to deliver content and education initiatives related to building digital and financial skills. One significant opportunity for collaboration in this area relates to government disbursements. Many people open their first formal account in order to receive a government payment. Another advantage is that government disbursements are often aimed at citizens with a particular need or at a particular stage of life. This linkage provides the opportunity to tailor and contextualize the content that can build trust and develop skills (World Bank Group, 2022). But having an account is not enough for true financial inclusion. To improve people's access to greater benefits, financial service providers can bring their expertise to create intuitive products, easy-to-follow instructions, and responsible marketing as well as their existing distribution networks. Specialized NGOs can provide financial education. Together, private sector, NGOs and governments can help transform account ownership to usage and inclusive participation in trusted ecosystem.

Conclusion

Many programs around the world are already delivering life-changing skills to communities. The results are impressive and the insights gained are valuable. As digital transformation continues and new challenges emerge, further resources, innovation, and collaboration are required to ensure initiatives are effective, sustainable, and scalable.

Public and private sector partners are integral to realizing this vision. Working together, we believe that governments and companies can reach the far corners of economies, which have much to gain and much to give.

This note continues a dialogue on how to best to accelerate efforts and put in place incentives for partners to transform skills and trust-building pilots into agile programs that can be scaled. Our hope is that the principles outlined here stimulate even more sharing of experiences and exploration of new models of collaboration that best serve diverse locations and distinct population groups.

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