

Innovations to Improve Financial Security and Expand Economic Opportunity

Insights and ideas to close the financial security gap from the Global Inclusive Growth Summit

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By **Avni Patel** and Barbara Ray

Two things we know to be true. We know that helping people build savings and assets puts them on a path of upward mobility. We also know that COVID-19 erased years of progress toward financial security for many. Low-wage workers around the world have faced a slower than expected job recovery, and many small businesses have closed or are struggling. Alarming, global poverty is on the rise for the first time in 20 years.

This year's **Global Inclusive Growth Summit**, co-hosted by the **Aspen Institute** and the **Mastercard Center for Inclusive Growth**, brought together more than 1800 purpose-driven leaders from across the globe and 50 speakers who took the virtual stage to shine a spotlight on promising solutions to help people and small businesses survive and thrive in the digital economy.

Below we highlight 20 solutions to restore progress toward financial security and upward mobility. Many of the solutions focus on ways to expand financial services and shift

capital to groups currently underserved by the financial systems--women, people of color and small businesses. Others focus on preparing workers for the jobs of tomorrow and modernizing worker benefits for the changing nature of work.

Working together, government, industry and the civic sector can help rewire economic systems to ensure inclusion and equity while realizing growth that benefits people and the planet

Improving household stability and financial security

Savings is the bedrock of financial security. It allows households to cover an emergency, rebound from a setback and it creates the peace of mind that allows families to focus on the longer-term horizon. But many American households need help overcoming the barriers that prevent them from building wealth. **MoCaFi** (Mobility Capital Finance), a mobile banking fintech in the US, is helping families build wealth by avoiding the exorbitant interest rates and fees of check cashers and pay-day lenders. In partnership with the city of Birmingham, Ala., and Mastercard, MoCaFi is connecting 50,000 underbanked and unbanked residents of Birmingham to high-quality, low-cost financial services.

Similarly, **Greenwood**, a Black-owned mobile banking platform, is partnering with Mastercard to offer a **novel debit card** to its customers along with financial education and planning resources. And **Upstart**, an artificial intelligence-powered lending platform, is extending credit to people typically excluded by traditional measures of credit assessment.

In Washington, DC, the importance of financial security to the country's economic health and well-being is leading elected officials like Sen. Chris Coons (D-Del.) to call for a presidential commission to create a national, interagency financial Inclusion strategy. Mastercard Center for Inclusive Growth and the Aspen Institute have joined Coons in the call for action. Thirty-five countries have implemented national financial inclusion strategies.

In addition, the US CDFI Fund, the Small Business Administration and the Consumer Financial Protection Bureau are dedicating resources to protect economically disadvantaged communities from unfair and abusive financial practices.

Connecting workers to opportunities in the digital economy

Affordable financial services are just one element of financial security. People also need good, decent-paying work to get by and get ahead in a changing economy. For years, less educated workers have been facing headwinds as two consequential shifts--demographic change and technological acceleration--have reshaped labor markets.

In the not too distant future, millions of young people across the globe will be hunting for a job amid a fast-changing economy. By 2030 in Africa alone, **375 million young people** will be in the job market. In Asia, the number of young people has more than doubled in a short 50 years. This “youth bulge” can bring hardship or opportunity, depending on whether the next generation can acquire the skills to compete in an ever-changing economy.

One thing is certain: Millions will need training and new skills to keep up. While face-to-face training remains valuable for its high-touch approach, online training can reach millions at scale and create networks of mentors and connectors at a lower cost.

For example, tech platforms like **African Girls Can Code** is creating virtual Silicon Valleys for girls on the continent to learn coding and other computer skills. Grab, a super-app in Southeast Asia that combines ride-hailing, delivery and other services, started **Grab Academy** to help drivers on their platform in Southeast Asia learn new in-demand skills. Now, Mastercard and Grab will be joining forces to increase digital upskilling and financial inclusion opportunities for the millions of workers and small businesses on the Grab platform.

In developed economies, longevity is creating new challenges to meet the needs of multigenerational workforces. AARP together with the Organisation for Economic Cooperation and Development (OECD) and the World Economic Forum are identifying inclusive workforce practices to help employers better support workers who are living, learning and earning longer.

Other alliances, like the one launched by **Rework America and the Federal Reserve Bank of Atlanta**, take aim at the two-track job recovery that is leaving **less educated and lower-wage workers behind**. The alliance partners with local community organizations to connect job seekers without college degrees to good jobs.

Redirecting capital to the underserved

Entrepreneurs are the future job creators, but to grow their businesses they need capital. Yet today the vast majority of startup money goes to men, despite the fact that women-owned startups globally generated **10 percent more revenue** over five years than their male counterparts.

“We’re still talking about 98 percent of the capital going to men,” said Jean Case, CEO of Case Impact Network, “so we really have a lot of work to do there. But the encouraging thing to me is that I am seeing new capital flowing and lots of new activities. There were 275 new venture capital funds started by women.”

Virtual network and business incubators **Hello Alice** and **Digital Undivided** are working to help Black women and Latina entrepreneurs launch their businesses and attract venture capital. **Capital Collaborative**, from Camelback Ventures, is helping philanthropy and impact investors deepen their commitment to racial equity by funding more women and entrepreneurs of color. Having already invested \$1 billion in women founders, **Beyond the Billion**, a consortium of global venture capitalists, announced a new commitment of \$10 billion to fuel high-impact, high-growth innovation by women.

In emerging markets, fintech innovations like **Lidya** in Nigeria and many others are creating new opportunities for micro and small businesses to access finance to grow. New supply chain finance partnerships like the one between Mastercard, CocaCola and IFC are providing **working capital to micro-retailers**, many of whom are women, while encouraging them to digitize payment histories to better assess credit-worthiness. Currently, 45 percent of micro-retailer credit applications are rejected.

In the end it will take cross-sector effort to build a financial system that is more inclusive of small businesses.

“We all have a very big problem to solve [in closing the financial services gap], and it will require all of us to work together to solve it,” said Tunde Kahinde, co-founder and co-CEO of Lidya. “So it's going to be us plus the banks, plus the regulators, plus the policymakers to ... to deliver a world where every great business owner has access to fair, fast funding, without bias.”

Enabling small businesses to go digital

Digital transformation is not only reshaping the way small businesses can access capital, it is fundamentally reshaping how businesses do business. As buying, selling, dining and learning shift online, micro and small businesses need support to leap into the future.

Strive, a small business initiative from the Mastercard Center for Inclusive Growth, is creating a \$1 million Innovation Fund to build, test and enhance solutions that support small business growth. **CARE Ignite** is expanding access to digital skills and financial training for women entrepreneurs in Vietnam, Pakistan and Peru through a women-centered design. And in Nigeria, **Yellow Cowries** is building financial literacy through app-based games and peer learning for the unbanked and small business owners.

Re-imagining public-private partnerships

In a world of ever-growing complexity and challenges, sustainable solutions will require cross-sector partnerships that pool each partner's unique expertise to arrive at new answers. Several such partnerships are already leading the way.

Under One Roof: Be Bold initiative is mobilizing communities' collective vision for a more equitable and prosperous future in the Pajaro Valley in California by focusing on public-private partnerships, system redesign and infrastructure investment.

"Equity Re-imagined," a new \$11 million partnership between the Aspen Institute and Prudential, will work to improve job quality, financial security and amplify wealth creation for historically underserved communities. Partnerships with trusted community members, like the Black Church, will be central.

A more financially secure future for all

These 20 innovations and advances unveiled at the second annual Inclusive Growth Summit are important steps in making financial security a reality for millions, particularly as the world of work and business changes seemingly by the minute. From online training resources to more inclusive financial tools, the innovators are working to bring more people the peace of mind and upward mobility that financial security confers. Inclusive by design, next-generation financial systems and small business supports will help ensure that the benefits of economic growth reach everyone, everywhere.

Read part 1 of this series: Solutions to Building Inclusive and Sustainable Economies.

Barbara Ray is a Chicago-based writer who writes about social policy and research. **Avni Patel** is director of content for the Mastercard Center for Inclusive Growth.

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