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Gladys Jadagu
Assistant Professor of Business at Warner Pacific University, United States.

Privilege T. Murambadoro
researcher, and holder of a degree in Information Systems and a certificate in Monitoring and Evaluation. Zimbabwe.

Tavonga Njaya
Associate Professor in the Faculty of Commerce at the Zimbabwe Open University, Zimbabwe.

Correspondence:
Gladys Jadagu
Assistant Professor of Business at Warner Pacific University, United States.

Financial Inclusion in Eastern and Southern Africa: Status, Drivers, Challenges and Opportunities

Gladys Jadagu, Privilege T. Murambadoro, and Tavonga Njaya

Abstract
Financial inclusion is a crucial component of economic development and poverty reduction in Eastern and Southern Africa. Using desk research, the paper presents a comprehensive review of the current status of financial inclusion in the region, including the progress made, challenges encountered as well as growth opportunities. The paper examines the drivers of financial inclusion, the role of government policies and programs, technological advancements, and public-private collaborations. Additionally, the paper discusses the obstacles hindering financial inclusion, such as inadequate financial literacy, limited access to affordable loans, and insufficient technological infrastructure in rural areas. Finally, the paper suggests potential strategies for expanding financial inclusion, including the involvement of digital financial services, microfinance organizations, and financial literacy programs.

Keywords: Financial Inclusion, Eastern and Southern Africa, Drivers, Challenges, Opportunities, Government Policies, Technology, Digital Financial Services, Microfinance, Financial Literacy.

1. Introduction

Financial inclusion is a vital aspect of economic development, providing access to financial services and products for individuals and businesses. According to the United Nations Capital Development Fund (UNCDF) (2018), the effort to enhance financial inclusion in Eastern and Southern Africa has gained momentum in recent years, driven by government initiatives, technological advancements, and public-private partnerships. This has also seen financial inclusion gaining increasing attention from researchers and policymakers, particularly in developing countries (World Bank, 2022).

The availability of mobile phones has helped to alleviate some of the obstacles to financial inclusion, especially in rural areas (Pazarbasioglu et al., 2022). Despite this progress, 65% of adults in the poorest developing nations still lack access to bank accounts, and only 20% save through a formal financial institution (Pazarbasioglu et al., 2022). For low-income individuals and households, owning traditional bank accounts can be challenging due to high transaction fees and other constraints (Karlan et al., 2016; Soumaré et al., 2016).

Financial inclusion refers to the provision of access to affordable and appropriate financial products and services to all members of society, especially those who are excluded from the formal financial system (Siwela and Njaya, 2021). The history of financial inclusion in Eastern and Southern Africa dates back to the 1960s and 1970s when governments and donor agencies initiated financial inclusion programs (World Bank, 2019). Currently, the region has made significant strides in promoting financial inclusion, with various stakeholders and players working towards achieving financial inclusion for all by 2030 (Ndung'u, 2019). Allen et al. (2014) reported that around 80% of adults in sub-Saharan Africa do not have a bank account, whereas the ratio is less than 60% in Asia and 8% in developed nations.

Even though financial inclusion is viewed as essential for economic growth and development and poverty reduction, the level of financial inclusion in nations such as Zimbabwe is unimpressive. According to the Zimbabwe National Financial Inclusion Strategy 2016-2020 (ZINFIS) issued by the Reserve Bank of Zimbabwe (RBZ, 2016), around 70% of Zimbabwe's population does not participate in the official financial system, while just 30% is

financially engaged. According to a poll done by Finscope (2014), barely 30% of the Zimbabwean population was financially active. Furthermore, the data on financial inclusion revealed that financial inclusion favours the urban population over the rural population. (Chitokwindo et al. 2014). According to Chitokwindo et al. (2014), the level of financial inclusion in rural areas of Zimbabwe is lower even though 65 per cent of the population resides there. There are claims that financial inclusion in urban areas is roughly 89% compared to 62% in rural areas. (Masiyandima et al. 2017). According to Siwela (2021), 650 million dollars took a flight out of the Zimbabwe formal banking system between January and July 2013 due to a lack of confidence in the financial services sector.

On the other side, South Africa's financial infrastructure is outstanding, with over 5,000 branches and nearly 30,000 ATMs (Louis & Chartier, 2017; Riley, 2019). Between 2005 and 2013, the amount of electronic financial transactions (EFT) including debit cards, credit cards, and other online payments surged by 60% in the United States (WBG, 2017; Nanziri & Leibbrandt, 2018). Moreover, the widespread availability of cell phones and the use of the Internet have drastically altered how people live, work, and communicate. In addition to the traditional financial services already provided by banks to their consumers, mobile financial services are transformative in developing nations examine the status of financial inclusion by identifying the primary drivers, challenges, and opportunities for its growth in Eastern and Southern Africa, to attract the underserved and financially excluded into the formal financial system. (Chinoda et al., 2019; Kim et al., 2017).

Access to banking services via mobile devices has substantially increased financial inclusion by bridging the current financial infrastructure divide (Chatterjee, 2020; Chatterjee & Anand, 2017). M-Pesa is an example of the most widely adopted mobile phone-based financial service in the world (Jack & Suri, 2014). Mas & Radcliffe (2011), state that this demonstrates that developing countries must leverage mobile technology, well-designed financial products and revenue models, a low-cost transactional platform, and a conducive regulatory environment to attract the unbanked population into the formal financial net. Currently, there are around 47 mobile money agents per commercial bank branch in more than 20 fragile states that offer mobile money services, resulting in the emergence of a new class of payment services and a unique means to access financial services, (Espinosa-Vega et al., 2020). Interestingly, inclusive finance helps wealth generation and economic growth (Dahiya & Kumar, 2020; Kim et al., 2017; Sethi & Acharya, 2018; Lenka & Sharma, 2017). In eight (8) of the seventeen Sustainable Development Goals (SDGs) of the United Nations (UN), financial inclusion featured significantly as a target objective. (Abor et al., 2018).

This paper aims to examine the challenges of financial inclusion in Eastern and Southern Africa and make appropriate recommendations for policy and practice. The following research questions underpinned the study.

- What is the status of financial inclusion in Eastern and Southern Africa?
- What are the drivers of financial inclusion in Eastern and Southern Africa?
- What are the major impediments to financial inclusion in Eastern and Southern Africa?

The paper is organised as follows. The background of the study and the research questions were discussed in this introductory section. The research methodology of the study is explained in Section 2 while a discussion of the research findings is provided in Section 3. The conclusion and recommendations are presented in the last section.

2. Research Methodology

The study used a qualitative approach (Bryman, 2012) because the aim was to explore, describe and understand the beliefs and experiences of countries in Eastern and Southern Africa with the implementation of financial inclusion. Data were collected through document reviews and observations to contribute to the existing literature. Eastern and Southern African region was selected because of their diversity in terms of ethnicity and economic activities.

3. Discussion of Research Findings

This section presents the findings of the study as well as answers to the research questions concerning the status and challenges of financial inclusion in Eastern and Southern Africa. The section is divided into four subsections including this introduction. Subsection 3.1 reviews the status of financial inclusion in Eastern and Southern Africa. In sub-section 3.2 we describe the drivers of financial inclusion in Eastern and Southern Africa while challenges of financial inclusion are presented in section 3.3. Opportunities for deepening financial inclusion in the region are discussed in sub-section 3.4. Conclusion and recommendations from the last section of the paper.

3.1 Status of Financial Inclusion in Eastern and Southern Africa

Although progress has been made in promoting financial inclusion in the region, significant gaps still exist. According to the Global Findex Database (2020), only 40% of adults in the region have access to formal financial services, with women, rural residents, and low-income earners being the most excluded. According to the Global Financial Inclusion (Findex) database of the World Bank, the number of adults in Eastern and Southern Africa with access to formal financial services has increased over time. According to the most recent data from the Findex database, roughly 60 per cent of individuals in the region hold an account at a formal financial institution. In previous years, only a small percentage of the population had access to official financial services. Digital finance does this by offering safe, low-cost, and frictionless financial instruments across ecosystems, as this, will reduce the physical exchange of currency and restrict traditional branch banking. The theoretical and empirical significance of financial inclusion in fostering economic growth is acknowledged. The provision of adequate and inexpensive financial services such as savings, credit, and payments to the underserved could improve business prospects, expand investments, and contribute considerably to economic growth (Afolabi, 2020; Demirguc-Kunt & Klapper, 2012). Financial inclusion can also assist smooth consumption, protect savings, and insure against the financial risks faced by people who are unbanked or underbanked (Corrado & Corrado, 2017; Sotomayor et al., 2018). Therefore, financial inclusion supports overall economic growth, eliminates income inequality, and guarantees poverty reduction (Adedokun & Aa, 2021).

3.2 Drivers of Financial Inclusion in Eastern and Southern Africa

Several factors contribute to the promotion of financial inclusion in the region, including government initiatives and policies promoting financial inclusion, technological advancements enabling financial inclusion, and public-private collaborations and partnerships supporting financial inclusion. Additionally, the emergence of fintech companies and mobile network operators has contributed significantly to the expansion of financial inclusion. The expansion of access to official financial services in the region has been fueled by several reasons, including government initiatives, technological advances, and public-private collaborations. Mobile money and digital wallets have been crucial in improving access to financial services, especially in rural areas where traditional brick-and-mortar banking institutions may not be present (Siwela,2021). Microfinance institutions have also provided underbanked communities with small loans and savings services, thereby promoting financial literacy and economic progress. Overall, the data from the World Bank's Findex database demonstrates the progress made in boosting financial inclusion in Eastern and Southern Africa but also highlights the need for further efforts to address the remaining obstacles and guarantee that all people and small enterprises have access to the financial services they require to thrive. Mobile money and digital wallets have facilitated individuals' mobile phone access to financial services such as savings, loans, and remittances. This has enabled remote residents to participate in the formal financial system, even though they lack access to a real bank office. In addition, digital financial services have enabled users to have access to financial services 24 hours a day, seven days a week, without having to travel to a physical bank.

Microfinance institutions in the region have been supplying underbanked communities with small loans and savings services. By providing small loans and savings services to unbanked communities, microfinance firms have played a crucial role in expanding financial inclusion throughout Eastern and Southern Africa. Microfinance institutions are financial institutions that offer microloans and other financial services, including savings and insurance, to individuals and small enterprises that lack access to standard banking services. In Eastern and Southern Africa, microfinance organizations have served as significant sources of credit for underbanked groups, such as women, small-scale farmers, and informal sector employees. By giving these individuals credit, microfinance institutions have contributed to economic growth, job creation, and poverty reduction. Financial literacy and education services were also provided and consequently enhanced the capacity of individuals and small enterprises to make informed financial decisions. This has contributed to the promotion of long-term stability in finances and resilience. Access to more formal financial services has increased financial literacy and fostered economic expansion in the region. Increased access to formal banking services in Eastern and Southern Africa has benefited both knowledge of finance as well as economic growth in the region.

Additionally, the expansion of access to formal financial services has contributed to the region's economic prosperity. By granting consumers and small businesses access to credit, savings, and other financial services, formal financial institutions have contributed to the development of entrepreneurship and small businesses. This has generated employment, increased economic activity, and contributed to the region's general economic growth.

3.3 Challenges to Financial Inclusion in Eastern and Southern Africa

Financial inclusion in the region still faces obstacles which include inadequate financial literacy, difficulty obtaining access to affordable financing, and inadequate infrastructure in rural areas. Despite these obstacles, the demand for financial products and services continues to rise, and the significance of financial inclusion in driving economic growth and eliminating poverty is increasingly acknowledged. Other challenges that hinder the promotion of financial inclusion in the region, include inadequate financial literacy and education, limited access to affordable credit and financial services, insufficient technological infrastructure in rural areas, and legal and regulatory challenges in the banking sector.

Zins et al. (2016) investigated the factors that influence financial inclusion in Africa. Using the Global Findex database of the World Bank to analyze 37 African countries, the study discovered that being a wealthy, educated, and older man enhances financial inclusion. The study also found that education and income had a greater impact on financial inclusion as well as the causes of informal and formal finance was distinct. Some of Zins et al.'s (2016) findings were corroborated by Siwela (2021) and Sanderson et al.'s (2018) whose research investigated factors of financial inclusion in Zimbabwe. Siwela (2021) and Sanderson et al. (2018) found that age, education level, financial literacy, income, and internet connectivity were positively related to financial inclusion, whereas documentation required to open a bank account and the distance to the closest access point were negatively related. Mhlanga and Dunga (2020) concurred with the findings of Sanderson et al. (2020) when they evaluated the degree of financial inclusion among smallholder farmers in Zimbabwe's Manicaland province. The study found that off-farm income, education level, distance, financial literacy, and household age were significant variables as the determinants of financial inclusion among smallholder farmers in Zimbabwe's Manicaland Province.

According to a 2016 study by Wentzel et al., the most significant indicators related to financial inclusion in South Africa were the degree of education, the principal source of income, age, native language, and the number of dependents. In addition, Wokabi (2019) examined the fundamental factors of financial inclusion in five East African countries, Kenya, Uganda, Tanzania, Rwanda, and Burundi. The study concluded that rural populations and wealth were the most influential factors in financial inclusion. The study also indicated that unemployment had a negligible negative impact on financial inclusion. Using the 2017 Global Findex Database (Findex), the study discovered that gender, age, education, and income have a substantial impact on informal saving and borrowing. Mhlanga and Dunga corroborated certain findings of Dar et al. (2020) and Gebrehiwot et al. (2019) who evaluated the factors of financial inclusion in 27 African nations utilizing the GMM dynamic panel data analysis. The study found that the lagged value of GDP per capita as well as mobile

infrastructure favorably impacts financial inclusion, whereas government borrowing negatively impacts financial inclusion. In South Africa, Wentzel et al. (2016) examined the factors influencing financial inclusion at the base of the pyramid. According to the study, South Africa suffers from significant levels of financial exclusion, particularly at the base of the pyramid. The study revealed that the most significant determinants of financial inclusion at the base of the pyramid in South Africa were the level of education, the principal source of income, age, native language, and the number of dependents. The study also revealed that gender, marital status, and property were unrelated to financial inclusion. Living in a rural location as opposed to a metropolitan area was not significantly connected with an exclusion, which is a surprising conclusion.

In addition, Yakubu et al. (2017) sought to estimate a discriminant function model to examine the factors of financial inclusion in Northern Ghana. The majority of the study was based on primary data collected via survey questionnaires. Even though the minimal sample size was decided to be 385 households, a total of 400 households were carefully selected, and 395 of those households submitted their questionnaires for analysis. The estimated function model proved to be significant at a 1% level of significance, and the study found that the primary drivers of financial inclusion in Northern Ghana were the individuals' age, the cost of financial products, the individuals' capability, the individuals' literacy level, distance, and their employment status.

Several scholars, such as Chibba (2009), Mhlanga and Dunga (2020), and Mhlanga et al. (2020), acknowledge that the global development obstacles, global financial crises, and other unknown threats to human prosperity necessitate a holistic approach to the implementation of policies that enhance financial inclusion. This is because financial inclusion is crucial not just for boosting economic growth, which is needed for bringing people above the poverty line, but also for reducing income inequality. Beck et al. (2011) and Demirguc-Kunt et al. (2018) argued that the role of the financial sector in every economy is significant and unambiguous. According to the authors, the financial sector fosters economic expansion and growth through financial intermediation by directing funds from the surplus component to the deficit unit of the economy. According to Demirguc-Kunt et al., (2018) and Beck et al., (2011), this is the direct function of financial inclusion, which can aid in the battle against inequalities and poverty by enabling people to invest in the future, smooth their consumption patterns, and manage financial risks.

Financially excluded households are unable to participate in many kinds of financial saving or wealth-creation instruments, such as interest-earning instruments, saving through paying bills via direct debit or obtaining advantageous forms of credit (Cámara & Tuesta, 2018, Sarma, 2012). Using the logit model estimate technique, Kiplimo et al. (2015) explored factors impacting smallholder farmers' access to credit in Kenya. The study found that education level, occupation, and access to extension services for agriculture were the primary factors positively impacting smallholder farmers' access to finance. Access to credit was negatively affected by annual household income and distance from financial institutions.

According to Demirguc-Kunt et al. (2018) and Beck et al. (2011), long distances from the closest financial access point were cited as an impediment to involvement in the financial services sector, hence diminishing the likelihood of financial inclusion. Also, poor documentation is a common cause given by younger people in Sub-Saharan Africa, and distance from a bank is a significant barrier for rural individuals (Cámara & Tuesta, 2018). Fixed fees and high expenditures associated with account opening and maintenance appear to be particularly significant in Eastern and Southern Africa. In Uganda, for instance, holding a checking account costs over 25% of the yearly GDP per capita, and 54% of non-account holders mention cost as their motivation for not having a bank account. The distance rural dweller has to travel and the associated cost to reach a bank branch is the primary barrier to financial inclusion. Inadequate infrastructure and communications, as well as stringent branch regulations, limit the geographical spread of bank branches (CGAP, 2009).

3.4 Opportunities for Growth of Financial Inclusion in Eastern and Southern Africa

There are several opportunities for expanding financial inclusion in the region, including the potential for digital financial services and mobile banking, the role of microfinance institutions and community-based organizations, the importance of financial education and literacy programs, and strategies for expanding financial inclusion in Eastern and Southern Africa. For instance, countries like Zimbabwe, Zambia, and Malawi have been implementing digital financial services, such as mobile money, which have increased financial inclusion. There are opportunities for groups of people that require access to and use of financial services but are largely unable to do so due to the obstacles they face. Governments and commercial stakeholders in Eastern and Southern Africa can address regulatory limitations and tap into technological innovation, respectively, to build solutions that expand access to and use of financial services.

According to Siwela (2021), a significant portion of organized groups is typically excluded from the official financial market; hence, "Savings Groups" are known as *mukando* or *maround* in Zimbabwe. These groups that band together for economic and social assistance are also known as *ekibaro* in Uganda, stokvels in South Africa and *chamas* in Kenya share attitudes and views that are frequently strongly ingrained in culture and society and must be considered when designing financial inclusion programs. There are a variety of reasons for group support systems, including group savings, group insurance, good trading, and other types of group support systems (Siwela, 2021). If the top is successfully accepted, the optimal design of products and services for "savings groups" can only be achieved by a consultation process, occasionally customized or tailored services (where available), and winning the groups' true interest. There are about 14 million members of "Savings Groups" in 75 sub-Saharan Africa, Asian, and Latin American nations, suggesting a promising platform promoting financial inclusion in underserved areas. They are organized, experienced, and disciplined; they aggregate demand from a large number of low-income clients; and they have identified needs which financial service providers would have otherwise fulfilled. In addition, these groups are extremely goal-oriented and purposeful, yet they operate on trust without essential

banking services, such as accounts and payments and savings platforms. Customizing solutions to satisfy the needs of these segments who have no access to financial services but require them would generate chances for financial inclusion.

Prioritizing digital payments is one method for minimizing corruption in corporate and public sector spending. The digitization of payments improves the ability to track records of payments along the entire spending and transfer value chain.

According to the GSMA State of the Industry Report on Mobile Money (GSMA, 2020), sub-Saharan Africa is the leading region in terms of mobile money adoption, with over 160 million active accounts as of December 2019. Additionally, a report by the World Bank Group and the Better Than Cash Alliance found that mobile money is helping to increase financial inclusion in sub-Saharan Africa, particularly among women and low-income populations. sub-Saharan Africa, the adoption rate of digital financial inclusion via mobile money is generally high (GSMA, 2020). Public stakeholders in the region can exploit the region's solid foundation and the implementation of mobile money services to grow the usage of digital payments, but courses must also be developed to broaden access. According to the Global Findex database, which is produced by the World Bank, the increase in account ownership through mobile money accounts in Africa has continued to grow in recent years. As of 2021, 43% of adults in sub-Saharan Africa reported having a mobile money account, compared to just 24% in 2014. This growth has been particularly significant in countries such as Kenya, where mobile money adoption is widespread, with 81% of adults reporting having a mobile money account in 2021.

In the three years after the Global Findex Database released its first data on comparable indicators on financial inclusion, account ownership as well as its definition have evolved. In 2014, mobile money accounts were recognised as legitimate accounts, however, this was not the case in 2011. Rather, the contrary was widely acknowledged, and properly so. Today, digital disruptions are affecting the banking, telecommunication, and economic sectors.

For policymakers and private sector stakeholders, the fact that five of the thirteen sub-Saharan African countries – Somalia, Uganda, Côte d'Ivoire, Tanzania, and Zimbabwe – have an adult population with more mobile accounts than formal traditional financial institution accounts is of utmost importance. In these five countries, the average citizen is more likely to hold, utilize, trust, and save money in a mobile money account or wallet than in a regular formal bank account. This presents significant opportunities and advances. Digital payment networks are more convenient, faster, and cheaper than conventional cash payment platforms.

In Southern and Eastern Africa, the adoption rate of digital financial inclusion via mobile money is generally high. Public stakeholders in the region can exploit the region's solid foundation and application of mobile money services to grow the usage of digital payments, but courses must also be developed to broaden access. According to Demirguc-Kunt et. al (2015) and The Global Findex Database (2014), the increase in account ownership as a primary indication of financial inclusion has mostly occurred through financial institutions, except in Africa, where mobile money accounts drove the increase from 24% to 34% between 2011 and 2014.

According to the Reserve Bank of Zimbabwe Monetary Policy Statement (2020), mobile payments were 98% of total national transactions by volume. The proliferation of mobile payments has enhanced the financial inclusion of the female market segment, which dominates the informal sector in Zimbabwe (Siwela and Njaya, 2021). However, affordability has emerged as a prohibitive factor in financial inclusion despite the extreme convenience, reliability, and accessibility that mobile phones provide to the underbanked and non-banked in Zimbabwe (ibid).

3.5 Financial Inclusion and Economic Growth in Eastern and Southern Africa

The theoretical and empirical significance of financial inclusion in fostering economic growth is acknowledged. The provision of adequate and inexpensive financial services such as savings, credit, and payments to the underserved could improve business prospects, expand investments, and contribute considerably to economic growth (Afolabi, 2020; Demirguc-Kunt & Klapper, 2012). Financial inclusion can also assist smooth consumption, protect savings, and insure against financial risks faced by people who are unbanked or underbanked (Corrado & Corrado, 2017; Sotomayor et al., 2018). Therefore, financial inclusion supports overall economic growth, eliminates income inequality, and guarantees poverty reduction (Adedokun & Aa, 2021).

The SDGs aim to end poverty, protect the planet, and ensure prosperity for all by 2030. Financial inclusion is recognized as a critical enabler for achieving these goals, particularly for those living in poverty and facing economic hardship. For instance, SDG 1 aims to end poverty in all its forms everywhere, and financial inclusion can play a vital role in achieving this goal by providing access to financial services and enabling individuals and small businesses to save, invest, and access credit. Similarly, SDG 5 aims to achieve gender equality and empower all women and girls. Financial inclusion has proven to be an effective tool in achieving this goal by increasing access to financial services for women, who often face significant barriers to financial inclusion.

Moreover, SDG 8 aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Financial inclusion can contribute significantly to this goal by providing financial services to small and medium-sized enterprises (SMEs) and promoting entrepreneurship and innovation.

Overall, financial inclusion is essential for achieving sustainable development and promoting economic growth, equality, and poverty reduction. Governments, policymakers, and financial institutions must work together to ensure that financial services are accessible, affordable, and inclusive for all, particularly the underserved and financially excluded.

The promotion of financial inclusion in Eastern and Southern Africa involves a diverse group of stakeholders, including governments, financial institutions, development organizations, civil society groups, and mobile network operators. These stakeholders collaborate to create an ecosystem that supports the provision of financial services to underserved populations.

One of the key drivers of financial inclusion in the region is

the adoption of digital financial services, such as mobile money and digital wallets. These services have been crucial in improving access to financial services, particularly in rural areas where traditional banking institutions may not be present. They have enabled individuals to access financial services such as savings, loans, and remittances through their mobile phones, allowing remote residents to participate in the formal financial system.

Moreover, many governments in the region have recognized the importance of financial inclusion and have implemented policies and initiatives to promote it. For instance, in Kenya, the government introduced a national financial inclusion strategy in 2013 to increase access to financial services, particularly in rural areas, to provide at least 80% of the population with access to formal financial services by 2022. Similarly, in Tanzania, the government established the Tanzania Postal Bank to provide affordable financial services to the unbanked population. Microfinance institutions have also played a critical role in expanding financial inclusion throughout the region. These institutions offer microloans and other financial services, including savings and insurance, to individuals and small enterprises that lack access to standard banking services.

In Eastern and Southern Africa, microfinance institutions have served as significant sources of credit for underbanked groups, such as women, small-scale farmers, and informal sector employees, contributing to economic growth, job creation, and poverty reduction. Overall, while progress has been made in boosting financial inclusion in the region, there is a need for further efforts to address the remaining obstacles and ensure that all people and small enterprises have access to the financial services they require to thrive.

Microfinance institutions have been providing financial literacy and education services, enhancing the capacity of individuals and small enterprises to make informed financial decisions, and increasing financial literacy, thereby contributing to long-term financial stability and resilience. Increased access to formal financial services has also led to improved financial literacy and fostered economic growth in Eastern and Southern Africa. The expansion of access to formal financial services has contributed to the region's economic prosperity. By granting consumers and small businesses access to credit, savings, and other financial services, formal financial institutions have contributed to the development of entrepreneurship and small businesses. This has generated employment, increased economic activity, and contributed to the region's overall economic growth.

Technological advancements, particularly mobile phones, have played a significant role in driving financial inclusion in Eastern and Southern Africa. Mobile money platforms, such as Ecocash, M-Pesa, Airtel Money, and Tigo Pesa, have become increasingly popular in the region, allowing individuals to send and receive money, pay bills, and access other financial services. According to the GSMA Mobile Economy Report 2021, the region has over 140 million mobile money accounts, with a transaction value of over $540 billion.

According to Dar et al. (2020), the most significant indicators related to financial exclusion in South Africa were education, the principal source of income, age, native language, and the number of dependents. Another study that examined the fundamental factors of financial inclusion in five East African countries discovered that rural population and wealth were the most influential factors, while unemployment had a negligible negative impact on financial inclusion. Gender, age, education, and income were found to have a substantial impact on informal saving and borrowing concerning financial inclusion (Mhlanga and Dunga, 2020).

Gebrehiwot et al. (2019) conducted a study on financial inclusion in 27 African nations using GMM dynamic panel data analysis. The study found that GDP per capita and mobile infrastructure positively impact financial inclusion, while government borrowing has a negative impact. Wentzel et al. (2016) examined financial exclusion at the base of the pyramid in South Africa and found that education level, the principal source of income, age, native language, and the number of dependents were significant determinants of financial exclusion, while gender, marital status, and property were not. Yakubu et al. (2017) analyzed financial inclusion in Northern Ghana and found that age, cost of financial products, capability, literacy level, distance, and employment status were the primary drivers.

Collaborations and partnerships between the private sector, governments, NGOs, and other stakeholders have also played a significant role in driving financial inclusion in Eastern and Southern Africa. Examples include the MoKash mobile money-based savings and lending platform in Uganda and M-Pesa, the mobile banking service for rural communities in Tanzania. Other drivers of financial inclusion in the region include microfinance institutions, community-based savings and credit associations, and innovative financial models such as the M-Akiba bond in Kenya and the "Bank on Wheels" initiative in Uganda.

However, scholars such as Chibba (2009), Mhlanga and Dunga (2020), and Mhlanga et al. (2020) highlight the need for a holistic approach to policy implementation to enhance financial inclusion, given the global development obstacles and financial crises. Financial inclusion is crucial not only for economic growth but also for reducing income inequality, as it enables people to invest in the future, smooth consumption patterns, and manage financial risks. According to Demirguc-Kunt et al. (2018), the financial sector plays a significant role in fostering economic expansion and growth through financial intermediation.

Even modest levels of financial assets can protect against economic shocks and the risk of income loss during retirement, making financial inclusion crucial. However, many households in Eastern and Southern Africa are financially excluded and unable to participate in saving or wealth-creation activities. For example, fixed fees and high expenditures associated with account opening and maintenance, along with long distances to the closest financial access point, are major barriers to financial inclusion.

Research has shown that education level, occupation, and access to extension services for agriculture are the primary factors positively impacting smallholder farmers' access to finance in Kenya (Ndun'gu, 2019). However, access to credit is negatively affected by annual household income and distance from the financial institution. Distance to a bank branch is also a significant barrier to financial inclusion in rural communities due to inadequate infrastructure and communications, as well as stringent branch regulations.

Moreover, the lack of financial literacy and education is a

significant challenge to financial inclusion in East and Southern Africa. According to a World Bank survey (2020), 64% of adults in the region lack basic financial literacy skills, which can make it difficult for them to understand financial products and services, compare prices, and make informed decisions. Limited access to affordable credit and financial services is also a major challenge, with only 34% of the adult population in Africa having access to formal financial services and only 7% having access to formal credit.

Inadequate infrastructure and technology in rural areas further limit access to financial services, as only 34% of the population in Sub-Saharan Africa has access to electricity, and many rural areas lack internet connectivity, which limits access to mobile banking and other digital financial services.

Legal and regulatory challenges also pose a significant barrier to financial inclusion, with some regulations limiting access to financial services for certain groups of people, such as women or low-income individuals. According to the latest data from the World Bank (2022), sub-Saharan Africa's banking penetration was 38% in 2021, a significant increase from the 33% reported in 2017. This growth is attributed to the launch of novel digital services and efforts to encourage greater financial inclusion. As there is a large number of people in Africa with mobile money wallets, this presents an opportunity for governments and commercial stakeholders in Southern and Eastern Africa to address regulatory limitations and tap into technological innovation to build solutions that expand access to and use of financial services.

However, there is still a significant portion of organized groups that are typically excluded from the official financial market. "Savings Groups" share attitudes and views that are frequently strongly ingrained in culture and society and must be considered when designing financial inclusion programs. Customized or tailored services (where available) and winning the groups' true interest are necessary for the optimal design of products and services for "savings groups."

4. Conclusion and Recommendations

Financial inclusion is critical for economic development in East and Southern Africa and there have been some positive developments in recent years, such as government initiatives and policies, technological advancements, and public-private collaborations. However, there are still several challenges to overcome. Limited access to affordable credit and financial services, inadequate infrastructure and technology in rural areas, as well as legal and regulatory barriers, are the main challenges to financial inclusion in the region. To address these challenges, the region needs to take advantage of several opportunities including the potential for continued expansion of digital financial services and mobile banking, the role of microfinance institutions and community-based organizations, and the importance of financial education and literacy programs. In sub-Saharan Africa, the adoption rate of digital financial inclusion via mobile money is generally high. Public stakeholders in the region can exploit the region's solid foundation and the implementation of mobile money services to grow the usage of digital payments, but channels must also be explored and developed to broaden access. Prioritizing digital payments is one method for minimizing corruption in corporate and public sector spending. The digitization of payments improves the ability to track records of payments along the entire spending and transfer value chain. When a government pays one million dollars directly through "mobile money" to its citizens for goods and services, it is very likely, subject to the cost of the transaction, that recipients will get their funds undamaged and unaltered. This will protect the interactions of vulnerable citizens with the government and cut out the middlemen who usually intercept and misuse funds. By promoting financial literacy, increasing access to financial services, improving infrastructure and technology, and addressing legal and regulatory barriers, financial inclusion can be expanded in Eastern and Southern Africa, contributing to economic growth and poverty reduction.

The findings of this desk research have important implications for policy and practice in the region and the following recommendations are appropriate.

- Policymakers and practitioners should prioritize initiatives and policies that promote financial inclusion, including improving financial literacy and education, increasing access to affordable credit and financial services, and expanding digital financial services and mobile banking.
- Collaborations between government, private sector, and civil society organizations are essential for promoting financial inclusion.
- Strategies for expanding financial inclusion in the region should include improving financial innovation, strengthening legal and regulatory frameworks, continuously enhancing financial infrastructure and promoting interoperability between banking institutions as is the case in the United States of America and other developed countries in Europe and Japan.
- Governments in Eastern and Southern Africa should establish investment funds and partner with mobile phone companies to continuously develop breakthrough technology in the region that supports financial inclusion. Regional and sub-regional entities in Southern and Eastern Africa should make financial inclusion a priority and secure peer-to-peer commitments based on the socio-economic dynamics of each nation. Each country in the region should adopt a National Financial Inclusion Strategy through extensive consultation. In turn, governments in Southern and Eastern Africa should consistently encourage continuing literature and research on Financial Inclusion to offer policymakers accurate data that will guide their development goals and economic policies.
- Countries in the region should establish a Financial Inclusion Research Fund as part of their National Financial Inclusion Strategy to fund ongoing research on financial inclusion challenges in their respective jurisdictions.

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