

Intervention challenges

03

Lack of access to finance

Lack of finance - a situation where one market segment (customers, small businesses, traders, etc) lack adequate access to capital at reasonable rates in order to either finance their core business activities or expand their business - represents a real hindrance to market growth. Addressing this problem in a sustainable manner requires applying a systems lens to the institutions that provide financing in your chosen market context.

[This blog](#) from CGAP provides an overview of what funders and implementers must consider in diagnosing and designing interventions in financial systems.

Market facilitators focusing on improving financial access can adopt some of the following approaches:

On the supply-side:

- Support the development of innovative new products for the poor, and demonstrate their commercial viability. This is one approach, for example, of [The MasterCard Foundation's Fund for Rural Prosperity](#).
- Buy down financial institutions' high risk and costs of servicing small accounts or remote rural areas through loan guarantees and cost-sharing in pilot phase. (See [Buying down risk](#)).
- Facilitating relationships between traditional (e.g. banks, microfinance, money transfer operators) and non-traditional (e.g. telecom companies, mobile money agents) financial service providers.
- Visually mapping financial service access points to help policymakers and financial institutions identify under-served areas. Good information is often a precursor to systems change.

and Guarantee Programs

Summarises impact and learning from the activities of the Uganda-based aBi Trust's investment arm

Using information as a driver of change: lessons from FinScope South Africa

A detailed case study on FinMark South Africa's work with the FinScope survey.

On the demand-side:

- Increasing up-to-date information on needs, access and current financial habits of low-income populations. This could include funding demand-side surveys such as FinAccess or studies that try to uncover behaviour and underlying motivations of financial service users (and non-users). (See [Building the evidence base](#)).
- Working with the public and private sectors to increase financial education and literacy. Relevant entities may include ministries of education that wish to integrate financial education into school curricula, central banks, and financial institutions themselves.

Programmes may also look at the enabling environment to address constraints such as lack of a credit reference bureau, or efficient national payment systems. Programmes may also support the development and implementation of a national financial inclusion policy.

FSD Kenya: Ten years of a market systems approach in the Kenyan finance market

A detailed case study on the interventions, successes and failures of Financial Sector Deepening Kenya.

Printed from <https://beamexchange.org/guidance/market-challenges/lack-access-finance/> on 04/20/2024 at 12:11