

# Financial Pathways toward Greater Resilience and Economic Inclusion

By Serena Stepanovic, Inés Arévalo-Sánchez, Vidya Diwakar, and Dan Gilligan

## 74 percent of economic inclusion programs incorporate access to financial services as a core component.

Evidence indicates that access to financial services builds resilience and creates opportunities for poor and vulnerable people by enabling them to secure capital, smooth consumption, and invest in economic activities. As a result, the financial inclusion component of multifaceted economic inclusion programs strengthens participants' ability to withstand and adapt to shocks.

However, to effectively expand access to and use of financial services while enhancing resilience, economic inclusion programs must focus on the design and delivery of their financial inclusion components. This includes expanding access to a diverse range of financial services, tailoring them to the specific challenges and opportunities of target populations, and fostering synergies between financial inclusion components. Additionally, programs should consider integrating digital delivery methods and financial and digital literacy initiatives. Careful program design, and continuous monitoring, evaluation, and adaptation—through close collaboration with financial service providers—can enhance financial inclusion and thereby strengthen resilience for poor and vulnerable populations.

This paper identifies four key financial services that support resilience-building among poor and vulnerable people. These services help participants enhance the three core capacities that underpin household resilience: **anticipatory** (the ability to prepare and plan for shocks), **absorptive** (the ability withstand and recover from shocks), and **adaptive** (the ability to adapt, learn, and adjust after a crisis). Integrating financial services with other components of economic inclusion programs can achieve both resilience and financial inclusion outcomes.

**Financial inclusion** means that people and businesses have access to—and are empowered to use—affordable, responsible financial services that meet their needs. These services include payments, savings, credit, and insurance.

**Economic inclusion** gradually integrates participants into broader economic and community development processes by using a bundle of multidimensional interventions that support participants in increasing their incomes and assets, and strengthening their resilience and future opportunities. Its design recognizes that the poorest and most vulnerable people face multiple constraints.

**Resilience** refers to the strengthened ability of individuals, households, and communities to withstand, adapt to, and recover from adverse circumstances. Resilience is a multi-dimensional phenomenon that includes elements of process, mindset, and capacity. Resilience depends on a set of interconnected capacities that span across the shock or stressor continuum: anticipatory, absorptive, and adaptive.

This paper examines how economic inclusion programs can enhance resilience to stressors and shocks by lowering the main barriers people face accessing and using financial products effectively. The paper identifies several ways in which economic inclusion programs can enable financial pathways that build resilience and improve the well-being of poor and vulnerable people:

## KEY PRACTICES

1. **Facilitate access to a wide range of financial services** to help people prepare for, respond to, and recover from different shocks. Programs should explore options to facilitate access to financial products which formal financial service providers (FSPs) might not be able to profitably deliver to poor and vulnerable populations on their own.
2. **Tailor financial services to meet the specific needs of vulnerable populations**, ensuring accessibility, and minimizing harm. Doing so requires a thorough understanding of the context and needs of target populations.
3. **Offer financial literacy training**, adapting content to the needs of target groups, and work with local stakeholders to build trust.
4. **Leverage digital cash transfer programs** to expand access to a wider range of financial services and encourage recipients to also use their accounts for purposes such as saving.
5. **Explore synergies with other core economic inclusion components**. Programs can also sequence components to maximize their impact, such as providing financial literacy and risk preparedness training before facilitating access to financial services and delivering business grants.
6. **Work with FSPs to find suitable products for target populations** and ensure that they offer products and deliver them in ways that do not harm users. Programs can consider using subsidies to make the provision of financial services, such as insurance, viable.
7. **Use digital technologies to enhance financial inclusion and resilience** through increased access, reduced transaction costs, and improved timeliness of support, whilst building the digital capabilities required to effectively use them.
8. **Conduct research, including data disaggregated by gender and income**, and monitor participants' use of program support to inform the design of effective programs.

## In Practice

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