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How Can Financial Inclusion for the Most Vulnerable Help Achieve the SDGs?

Financial inclusion refers to the ability of individuals and businesses to effectively and sustainably access financial products and services that are suited to their needs, provided at an affordable cost by reliable and responsible providers. As such, it constitutes a powerful tool for addressing social, economic, and environmental challenges. It supports growth by financing micro, small, and medium-sized enterprises, which account for more than two-thirds of global employment, and strengthens economic resilience by mobilizing domestic savings. Finally, it improves the socio-economic integration of populations exposed to multiple inequalities, as well as to the impacts of climate change.

While financial inclusion has progressed significantly in recent years (in low- and middle-income countries [LMICs], 75% of adults now own a bank account, compared with 51% in 2011), 1.3 billion adults remain excluded from the financial system and 300 million accounts are inactive.[1] Reaching these marginalized populations—often facing other forms of exclusion such as limited access to education, infrastructure, connectivity, or labor markets—falls under what is known as inclusion at the last mile.

Financial inclusion at the last mile is therefore not an isolated sectoral objective, but a key condition for achieving the Sustainable Development Goals (SDGs), by making access to financial services a lever for sustainable growth and inequality reduction.

[1] Global Findex Data Base (Account ownership. Most recent values. 2011-2024), FinDev Gateway, CGAP, https://www.findevgateway.org/fr/data/base-de-donnees-global-findex.

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Understanding financial exclusion at the last mile

The last mile segment concentrates the challenges of financial inclusion

In last mile contexts, vulnerability to risks (climatic shocks, misuse of financial tools, exposure to digital fraud, etc.) exacerbates the challenges of financial inclusion, with particularly high access costs—operational, credit risk management, and infrastructure-related. For financial service providers, the unbanked segment often presents a low risk–return ratio: users require enhanced protection, while last mile specificities demand a fine-grained understanding of local contexts, the design of tailored financial products, and the training of competent field agents. This complex positioning requires increased attention from regulators, both to support the entire ecosystem and to remove institutional barriers.

Understanding why certain forms of exclusion persist makes it possible to implement targeted—sometimes costly but indispensable—solutions.

Structural drivers of persistent exclusion from formal financial systems

For financial service providers (banks, microfinance institutions [MFIs], informal providers, mobile network operators), the last mile remains relatively unattractive. On the one hand, population incomes are low, customer density is limited, and loan sizes are small. On the other hand, operational costs are high (infrastructure, branch installation, ATMs, and agents). These costs are passed on to prices: for 36% of adults without a bank account, cost is the main reason for exclusion.[2] Structural biases and discrimination further complicate supply: products poorly adapted to women's needs or to microenterprises, lack of disaggregated data,[3] and weak market competition in segments perceived as unprofitable. Women, for example, face specific obstacles related to social norms, systematic underrepresentation in economic and financial activities, and limited access to collateral.

For potential clients, exclusion from financial services is primarily linked to the lack of prerequisites for formal inclusion. At the individual level, this mainly concerns access to identity documents or digital identity, availability of other required documentation due diligence by financial service providers, access to a personal mobile phone or to an internet connection (CGAP, BTCA, GPFI and World Bank 2024). Excluded micro and small enterprises often lack credit histories, financial records, and sometimes formal registration. Human factors—distance from financial institutions, lack of trust, and insufficient financial literacy—further reduce both access to and the effective use of financial services.

Regulation also plays a central role. Some regulations may be exclusionary or focus solely on financial risks and market stability. Paradoxically, the integration of climate risks can sometimes increase exclusion by tightening access conditions, raising costs, or prompting providers to withdraw from vulnerable areas.

[2] *ibid.*

[3] Data disaggregation refers to the process of breaking down data into detailed subcategories (such as gender, age, income, level of education, etc.).

Profiles of last mile populations

The last mile is characterized by individual and contextual factors (geographical, social, and environmental), whose intersectional nature is central. Mostly living in LMICs, small island developing states, or conflict-affected countries, four-fifths reside in countries particularly vulnerable to climate change (UNSGSA 2023).

At the individual level, CGAP highlights a higher probability of persistent exclusion among women, the poorest 40% of households, rural populations, people without formal employment (28% of unbanked individuals are self-employed and 47% have no paid activity), and youth aged 15–24 (CGAP, BTCA, GPFI and World Bank, *op. cit.*). Regarding firms, micro, small, and medium-sized enterprises in developing countries are the most affected by financial exclusion: 40% have unmet financing needs, mainly in East Asia and the Pacific (46% of the gap) and Latin America and the Caribbean (23%) (Pratibha and Sankaranarayanan 2019; Istuk 2023).

A strategic integrated approach to achieving the SDGs

Accounting for the multidimensional nature of last mile exclusion

Financial inclusion at the last mile requires combining financial, social, and environmental dimensions. People who are financially excluded are often also excluded from other essential services such as health, education, or social protection. These vulnerabilities reinforce one another, sustaining multiple forms of exclusion. To be effective, interventions must therefore adopt a holistic vision and move beyond siloed approaches. Such an approach goes beyond access alone to address the quality of use of financial services, promoting relevant and appropriate solutions capable of strengthening economic and social inclusion, particularly in rural areas exposed to climate hazards.

Contributing to the achievement of the SDGs

Interconnected with other forms of exclusion and vulnerability, financial inclusion at the last mile can accelerate progress toward 13 of the 17 SDGs (UNSGA *et al.* 2023) (see Box 1), while avoiding the widening of the digital and economic divide and disparities in living conditions between included populations and those left behind. Access by vulnerable populations to appropriate financial services improves resilience to climatic, social, or economic shocks, at both individual and community levels. In fragile and conflict-affected contexts, it becomes a channel for accessing life-saving assistance, notably through emergency cash transfers. Financial inclusion also facilitates entry into formal economic circuits and serves as a gateway to other essential services. As such, it is a major lever for economic and social stability: by reducing inequalities and expanding access to banking, credit, savings, and insurance services, financial inclusion limits economic insecurity, supports investment, and cushions shocks.

Box 1. Reducing climate vulnerability at the last mile through inclusive green finance

Financial inclusion at the last mile contributes to the SDGs both directly and transversally. Access to and use of appropriate financial services are key levers for achieving many SDGs, notably in poverty and inequality reduction, gender equality, employment, and food security. Among its cross-cutting contributions, financial inclusion strengthens resilience to climate shocks—an issue central both to sustainable development pathways and to protecting the most vulnerable populations.

Preventive adaptation solutions and post-shock reconstruction efforts require sufficient, predictable, and rapidly mobilizable financing, which financial inclusion facilitates. In the event of a disaster, access to financial services—emergency transfers, credit, insurance, and savings—enables households and communities to recover more quickly, avoid harmful coping strategies (selling productive assets, withdrawing children from school), and rebuild livelihoods. Financial inclusion at the last mile can therefore become a tool for integrated climate risk management, provided action is taken across the entire value chain: (i) finely identifying risks to adapt products to territorial and client realities; (ii) structuring supply appropriately (loans aligned with agricultural cycles, index-based or hybrid insurance, climate savings products); (iii) training clients and agents in risk management and good adaptation practices; and (iv) supporting households through debt restructuring or post-crisis bridge financing mechanisms.

Reaching the last mile: a partnership challenge

Coordinated action at all stages of the process (public policy, advocacy, regulation, implementation, evaluation, and knowledge capitalization) among regulators, financial service providers, operators, insurers, and technical partners is fundamental to reaching the last mile.

Public policies—particularly through national financial inclusion strategies—must create flexible and regular spaces for dialogue to share respective constraints, adjust procedures, and co-construct operational solutions. This dialogue should also include actors still too rarely involved: insurers, connectivity providers, and technology platform operators.

The growing complexity of the financial inclusion ecosystem and rising external requirements—such as the integration of environmental, social, and governance criteria—make coordination indispensable. In this context, donors play a strategic role. By fostering dialogue and collaboration, helping stakeholders engage, and supporting the entire ecosystem to promote a systemic approach, they can stimulate strategic partnerships and the emergence of innovative responsible finance solutions. Diversifying approaches creates new complementarities. For example, in public–private partnerships, private-sector risk management approaches and public-sector impact objectives can be combined to more effectively address last-mile challenges.

For partnerships to be effective, regulatory authorities must first clarify their own objectives. Reflecting on their mandates, functions, and resources make it possible to design and implement coherent financial inclusion strategies that articulate regulation, supervision, financial education, incentives, and support mechanisms. By setting a framework that is both robust and adaptable, regulators can foster better role-sharing within the ecosystem and provide strategic support to field actors (MFIs, non-bank financial intermediaries, FinTechs,[4] professional associations), particularly the most innovative ones, to overcome structural barriers to viable solutions (such as an insufficient customer base).

These actors, in turn, must adopt flexible and client-centered approaches, adapting their models to changing contexts. This implies innovative use of digital technologies, exploring risk-sharing mechanisms with stakeholders, and designing solutions truly adapted to local situations (especially in politically and/or economically unstable countries) rather than replicating standardized models.

Box 2. Working with multiple financial inclusion stakeholders in Tunisia

Since 2011, AFD has developed a systemic approach to financial inclusion, mobilizing several levers—strategic, institutional, regulatory, and financial—to improve access for populations and enterprises furthest from the formal system:

- **National frameworks and strategies.** AFD supported the Concerted Vision for Microfinance (2011) and the New Financial Inclusion Strategy (2013), structuring a shared roadmap among authorities, operators, and technical and financial partners.
- **Support to Tunisian MFIs.** AFD assisted MFIs through equity investments, bank refinancing, direct credit lines, and technical assistance, enabling sector professionalization and extension of supply toward vulnerable segments (2013).
- **Support to regulators and supervisors.** AFD contributed to a strategic reform program led by Tunisia, in coordination with KfW and the World Bank. This "public policy loan" supported improvements in standards, supervisory mechanisms, and impact analysis tools (2020).

This approach has proven both relevant and effective: relevant because complementary interventions addressed sector needs (financing and specialized skills), and effective because these projects, alongside other Tunisian and international public and private interventions, contributed to the sustainable development of Tunisia's financial inclusion sector.

[4] The FinTechs are innovative companies that provide services to consumers in the banking and financial sectors through the intensive use of digital technologies.

Conclusion

Concerted action by all stakeholders is essential to address the structural and complex challenges of financial inclusion at the last mile and thus advance toward achieving the SDGs. However, focusing solely on access without improving quality of use may increase the financial vulnerability of new users, particularly among historically excluded populations.

In many countries, improved access to financial services has not been sufficient to enhance the resilience of the most vulnerable, leading regulators to take an interest in the concept of financial health. CGAP defines financial health as a state in which individuals can manage financial obligations and needs, withstand shocks, pursue aspirations and goals, seize economic opportunities, and feel confident and satisfied with their financial situation, taking national specificities into account.

This results-oriented, user-centered approach encourages authorities and central banks to promote integrated frameworks[5] based on the quality and appropriateness of financial products, transparency, consumer protection, effective grievance mechanisms, and outcome-oriented policies. It thus encourages central banks to design and implement financial inclusion strategies sensitive to financial health, ensuring truly responsible financial inclusion and preventing the emergence of new vulnerabilities, such as over-indebtedness.

[5] Such as Rwanda, Brazil or Philippines

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