

## Financial Inclusion; is Blockchain technology the solution?

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Financial Inclusion has been the mantra of governments and NGOs for decades. But the nagging question remains; how to bank the unbankable? Perhaps the answer lies in the economic realities of the over 2.5 billion people who do not have access to traditional banking, 77% of whom live on less than \$2 a day.

The problem is not that poor people do not need or use financial services, rather that they are underserved by financial institutions that focus on profitable models that cater to the more affluent segments of the population. Traditional banking models for these disenfranchised peoples simply do not work, because of the subsistence nature of their economic condition. As a result the poorest of population often pay a premium for services that most in the developed world take for granted, such as affordable cash access and electronic payments.

According to the World Bank, mobile signals now cover 90 percent of the world's poor. What is needed is a mobile micro payments solution that solves the 'Last Mile' challenge of 'Mobile Money' programs that operate as closed loop systems, and struggle to provide affordable cash access and universal merchant acceptance. The mobile money last mile problem can only be resolved by a solution that functions as an interoperable open loop payments system, which reduces transactional costs and provides access to payment services for the global unbanked and under-banked population.

The solution exists in the form of digital currency, not the kind that steals the headlines with claims of transactional anonymity or creating a cryptocurrency new world order, but rather in the simple decentralized distributed computing protocol referred to as the Blockchain. The Blockchain protocol is to the transactions world what the TCP/IP standard is to communications on the Internet. But as with all game-changers, ubiquity and universal acceptance is driven by solving a fundamental underlying problem. The problem that TCP/IP solves is the ability of computers to connect via a decentralized networking environment. The problem that the Blockchain solves is enabling computers to transact directly through the Internet without the need for intermediaries.

Just how the Blockchain technology will solve the problem of financial inclusion may not yet be fully apparent; it took years for all the implications on how we communicate via the Internet to become apparent. But the implications of the Blockchain on the way we transact on the Internet are just as inevitable, because it fundamentally changes the rules of the game by democratizing payments in a manner that anyone can play.

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