



The future of value transfer
Empowering inclusive and
sustainable financial services



Judging by recent developments and basic human nature, the profit motive rather than policy is likely to get us further towards the goal of universal financial inclusion. As technology makes providing financial services to underserved segments potentially less risky and more cost-effective, businesses will naturally seek to extend their reach to untapped segments.

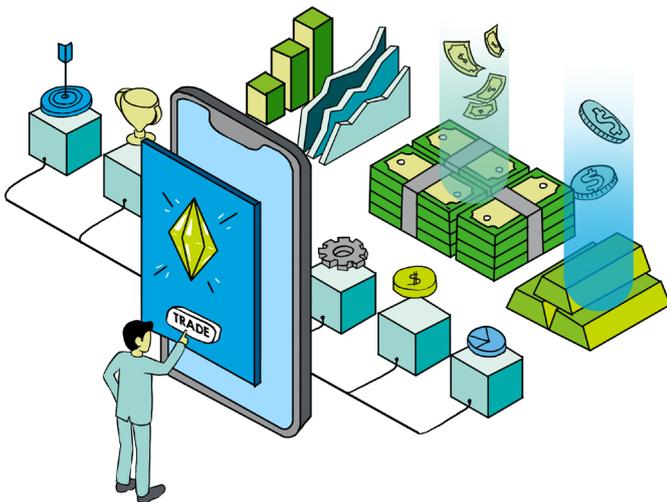
Financial inclusion promotes sustainability in two ways. First, it helps advance the accepted social goals of broadening financial access, helping to alleviate poverty and bolstering overall economic growth – in other words, it supports sustainable development.¹ Second, for incumbent or new providers of financial services, it paves the way for sustained growth by offering an alternative to competing in the saturated red ocean of premium segments, where profit margins continue to succumb to competitive pressure.²

But beyond the impetus provided by purpose and profit, the evolving nature of future value webs – where businesses derive value from empowering consumers – will make the spread of inclusion self-perpetuating.

Technology is the start of the solution

The ongoing shift of economic activity to digital ecosystems, along with the continued spread of technology, will inexorably bring access to formal financial services to the 1.7 billion adults worldwide who still live without them.³ The reasons for this exclusion are well understood and documented. They include cost, physical distance from a service provider, lack of necessary identity documentation and credit histories, and a shortfall in financial literacy, not to mention the fact that many people, especially in less developed countries, have not developed trust in banks, or indeed any financial institution.⁴ Apart from this last point, the advances we see in technology are providing efficient solutions to the majority of these challenges.

There has been much said about how mobile and cloud-based financial services are expanding financial inclusion on an “epic” scale.⁵ AI and data analytics have already been deployed to assess the creditworthiness, needs and preferences of customers and businesses based on their behaviour on various platforms, enabling financial services to be provided to those who previously could not be feasibly served.⁶ Moreover, digital identity – such as India’s Aadhar system, which covers 1.2 billion citizens – is one clear solution to the documentation challenge; although more than a billion people globally still need to be provided a formal and universally accepted proof of identity.⁷



Value webs are inclusion engines

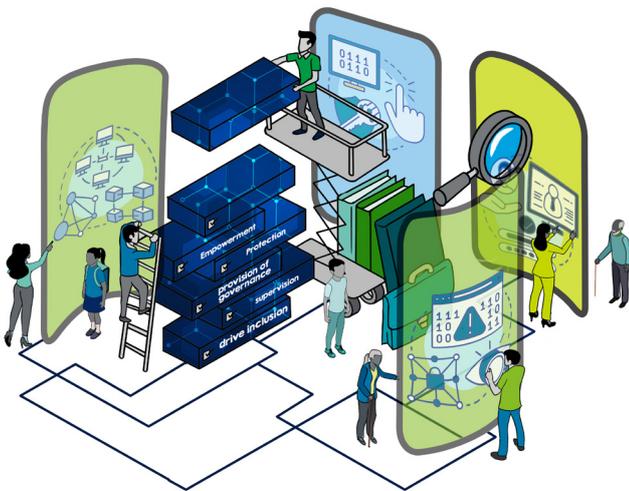
Digitized value webs will create ubiquitous, frictionless platforms to trade goods, services and other value between people and businesses without the need for physical cash, encouraging trade, enhancing incomes and expanding growth.

Future value webs will augment technology’s ability to boost inclusion with their expanded concept of digital identity, which is not merely a means of validation, but also encapsulates the value of data generated by activity. That, combined with the possibility for digitally enabled fractional ownership, will pave the way to support more inclusive wealth accumulation – albeit on a phased basis, as we patiently wait for legal and regulatory regimes to accommodate the inevitable.

Businesses will need to adapt their operating and business models to support, and profit from, this new paradigm. As detailed in previous articles in this series covering the Future of Value Transfer, many existing products, solutions and operating models may become irrelevant as the approach to selling moves from the push of technology-enabled hyper-personalisation to the pull of customer empowerment. A world where customers feel not only that they are in control, but also have the power to create and share in the value from their own choices.

labelled as such and offer them necessary and often essential protections. Any system that incorporates incentives for empowerment must also incorporate all of the elements required to support customer protection.

Put simply, for a trust system to work, there must be consequences for when it is breached – whether by accident or by design.



Another important element is gauging financial capacity, which can already be achieved in different ways to overcome the absence of documented or proven history. Given the growing tendency to collect income and pay bills online, utility companies, telecoms providers, and social media platforms with wallets are all playing a part in creating inclusive and sustainable financial services ecosystems. However, the current thinking is constrained by point-to-point solutions struggling to co-exist with ecosystem-wide solutions – driven by the mistaken need to control the customer – rather than the more intuitive answer to empower the customer.

The role of purpose-led regulation

It is becoming evident that a completely decentralized system, where trust is embodied in the core of the system, may be theoretically and technically feasible but practically unachievable. Practically speaking, there will continue to be a real need for regulators, but like business models, regulation will have to evolve. Inclusive financial services are likely to be increasingly provided by players other than traditionally regulated financial institutions. As technology, accessibility and inclusion evolve, it may become increasingly difficult for users of financial services to know who is provided what service and to differentiate between who is regulated and who is not. One solution that could serve well is to accelerate the convergence of the “entity based” model of regulation and accountability with a more consistent and stronger “activity based” and “purpose-led” model.

Transparency and interoperability will be key to ensure that regulation is capable of under-pinning the growth of inclusive and sustainable financial services. Take the example of regulating lending services by incentivizing them to simultaneously and appropriately draw on a digital profile for pricing and risk management but also add, to the digital profile for behavior and value creation. Holding all providers of regulated lending services to an interoperable and transparent positioning, regardless of the entity providing those services, could represent a more pervasive and potentially consistent basis for protection and purpose-led policies.

In a digitized world underpinning the future of value transfer, customers, incumbents and new players will all need regulation that empowers and protects. Protection means different things to each. Given that the utopia of regulatory harmonisation is unlikely to be achieved, nor give rise to a single trusted source of regulations, what is needed is interoperable and transparent regulations that allow for digital application, reinforcement and supervision. They will also be designed to support compliance across service ecosystems. In this world, the role of regulators

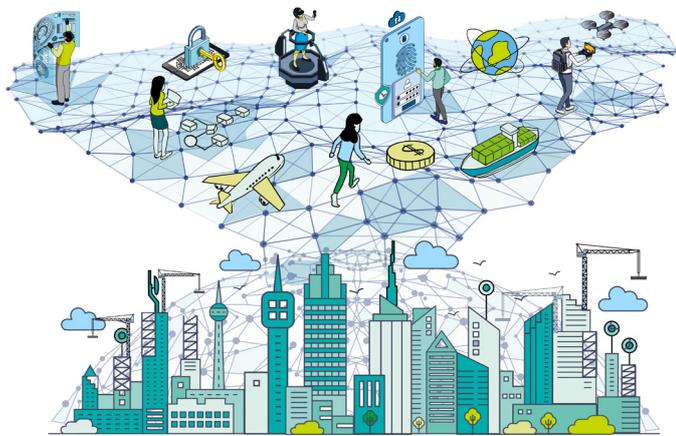
and policymakers would move towards creating an environment that drives protection through empowerment – i.e. establishing regulatory incentives, to push for greater empowerment of the good actors and to prevent empowerment of the bad ones.

Calling for a shift in mindset

We believe the shift to the future of value transfer will create conditions that are ideally suited to address many of the challenges that are currently hampering global efforts to promote inclusive and sustainable financial services.

The evolution witnessed to date, in the financial services industry has been through using developments in technology and point-to-points solutions to take markets as they emerge.

The future of value transfer will require a mindset shift to using technology to make markets from the opportunities that the transition to value webs creates.



Much of the future for financial services will hinge on the expanded concept of digital identity that embodies the value created by digital presence and activity. This in turn, helps overcome the trust challenge laying the groundwork for incumbents and new entrants alike, to compete, innovate and empower customers – **making markets** from technology and establishing sustainable business models in the process.

The incumbents – including BigTechs as well as established financial institutions – benefit from several advantages over new players, including substantial financial resources and a well-earned and fought-for hold on customer trust. The financial institutions among them will no doubt seek to leverage and mobilize their capabilities in protecting customer data and verifying identities to maintain a central position in increasingly empowered customer relationships.⁸

Last, but not least, while the ecosystems that create value webs perpetuate growth for good actors, it will also allow for bad actors, and if the newly included are taken advantage of, momentum could falter. Therefore, we believe that **in order for future value webs to sustainably drive growth, the provision of governance, protection and oversight will remain indispensable and, in all likelihood, cyber zero trust should be the default.**⁹

The inevitable shift to value webs creates never seen before opportunities for advancing the nature of financial inclusion, which, combined with the evolution of business models and regulation alike, should provide the basis for increasingly sustainable financial services – where profit and purpose converge – **provided by many for the benefit of many.**

In the next article of this series, we will take a closer look at why platforms providing interoperability will be key to supporting future value webs.

Learn more about what we believe the future of value transfer will be at

[The future of value transfer | Deloitte China](#) ➔

Endnotes

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