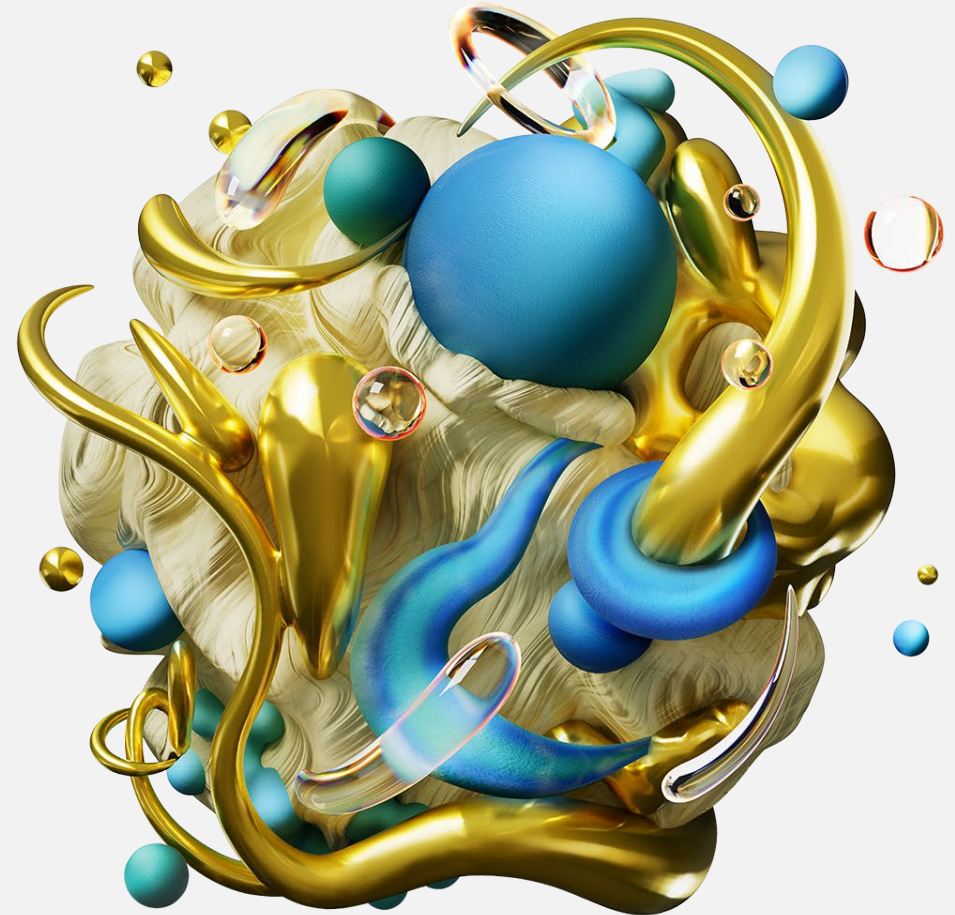


Driving Inclusion via Embedded Finance

Closing the gap from payment to purchase
and where embedded finance providers can play
for the underserved & underrepresented

Deloitte.
Digital



SECTION OVERVIEW

03

INTRODUCTION

We Are At An **Inflection Point** In The Financial Services Industry

13

HOW TO SERVE THESE GROUPS

Three Overarching Principles Can Help Us Achieve This Higher Bottom Line With EF Offerings At The Core

07

SEGMENTS & PERSONAS

What We Mean When We Say '**Underserved**'

18

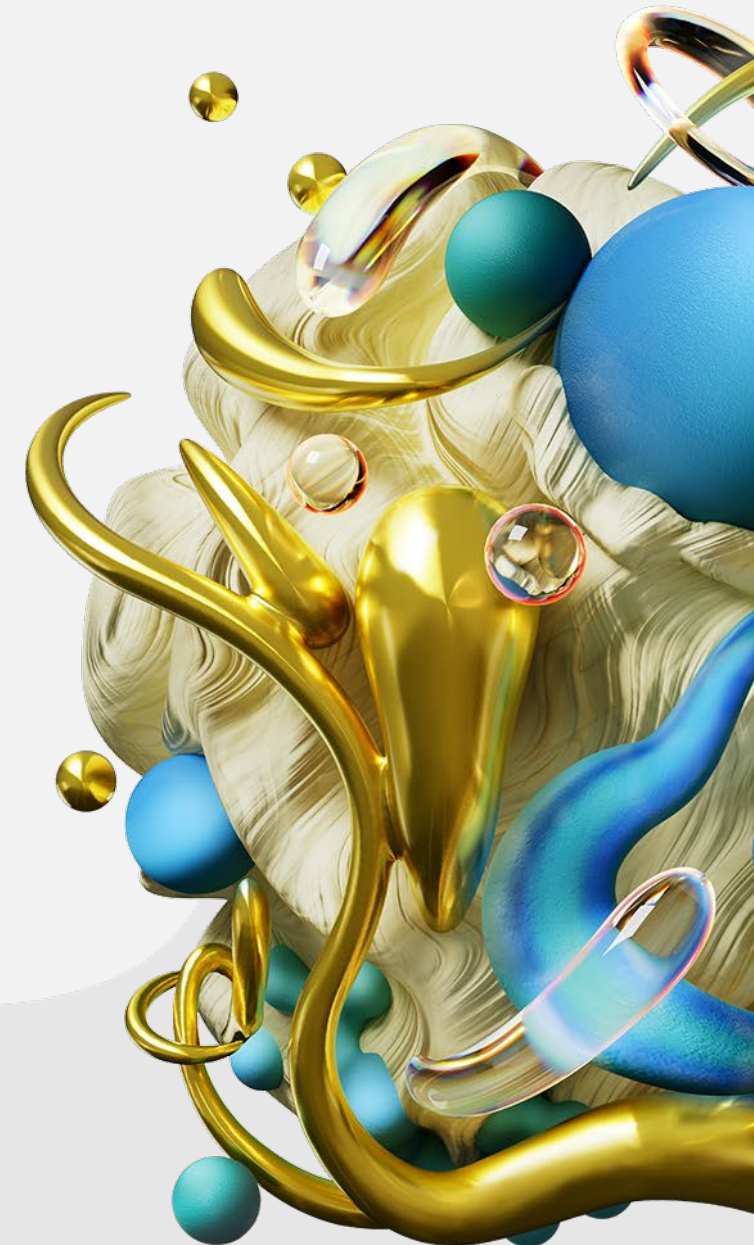
SHIFTING FROM INTENT TO ACTION

Final considerations to use embedded finance **as an accelerator** for impact

10

THE CURRENT EMBEDDED FINANCE LANDSCAPE

How Firms Can Support These Largely Underserved Markets **Through Embedded Finance**





INTRODUCTION

We are at an *inflection point* ✦ in the Financial Services Industry

Now is the time for banks to shift the focus on creating a higher bottom line for their clients, that is, creating business opportunities and lasting societal impact through financial offerings.

Financial services companies have a unique opportunity to address major societal issues and new markets, without a significant trade-off in growth or profits. This imperative puts firms in a position to impact almost every corner of the economy, proactively rebuild trust, and focus on human-centric transformation for those who have been historically underserved.



What can a **higher bottom line** mean for ~60 million¹ underserved individuals in the US?



INSTITUTIONS HAVE THE RESPONSIBILITY TO INVEST IN UNDERSERVED COMMUNITIES

Across industries we have been seeing examples of firms and institutions spearheading initiatives **to elevate underserved communities**:

- **Healthcare Companies** are fostering entrepreneurship by supporting companies founded by underrepresented groups³
- The **Economic Opportunity Coalition** is bringing together large corporations and the government to support small businesses in underserved communities²
- **Technology Companies** are pledging capital to companies employing workers from lower income communities



THERE IS A CLEAR OPPORTUNITY TO ELEVATE UNDERSERVED GROUPS

- Within the banking industry we have seen firms pledge money and support to initiatives increasing financial inclusion and opportunities, however, **concrete action has lagged behind these pledges**
- Increasing access to financial services and products isn't just about opening more branches, extending hours, or lessening requirements for opening accounts; It is about **understanding the needs** of these underserved communities and groups and being prepared to **create innovative solutions to meet them where they already are**

1. <https://www.fdic.gov/analysis/household-survey/>
2. <https://investor.lilly.com/news-releases/news-release-details/lilly-announces-30-million-limited-partner-investment-unseen>
3. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/28/fact-sheet-vice-president-announces-new-private-and-public-sector-efforts-to-align-tens-of-billions-in-investments-in-underserved-communities/>



The maturity and growth of Embedded Finance position it to be the catalyst for increasing financial wellness, access, and inclusion across underserved communities and groups

In this report, we explore **how to best deliver Embedded Finance as a faster and more accessible avenue** to overcome persistent barriers to financial inclusion; and ultimately cater to unique, unmet needs of the underserved

50% ...of Banking Products can be offered through embedded finance channels

US Embedded Finance Market (\$70B today) by 2029 is expected to reach...

\$235B

1. <https://www.prnewswire.com/news-releases/united-states-embedded-finance-report-2023-market-is-expected-to-reach-236-billion-by-2029-at-a-cagr-of-28-301790596.html>

01

THROUGH PROVIDING FASTER ACCESS TO FUNDS

How might we create faster access to cash, more transparent payments, and timely opportunities to help the underserved segments balance debt, bills, and day-to-day expenses?

02

THROUGH MORE INTENTIONALLY EMBEDDED TOOLS

How might we create inclusive embedded financial tools and services that help expand the way underserved groups interact with the financial world and increase opportunities for growth?

03

THROUGH CREATING AVENUES FOR FINANCIAL STABILITY

How might we create more seamless and accessible digital tools, education, and support for the underserved segments to grow their savings and progress towards financial stability?



Embedded Finance represents a significant & growing market opportunity that is opening new avenues for firms to increase their footprint and target underserved markets

Capabilities are expanding & maturing to include an increasing number of customer journeys and product offerings. Firms need to develop **thoughtful, relevant solutions to differentiate themselves & what they offer customers.**

Given the embedded finance market is large, growing, and increasing in competition, it is becoming more important for firms to identify & focus on white spaces by **increasing financial inclusion for underserved & underrepresented segments.**



30%

Expected YoY growth rate of Embedded Finance through 2029

\$1T

Potential available market of annual investible assets for customers switching FIs


18%

Of households in the US were either "Unbanked" or "Underbanked" according to the FDIC²

22%

Of those Unbanked in our survey cited distrust in banks as the main reason for not having an account²

1. [Deloitte 2022 Digital Banking Omnibus Survey](#)
2. [FDIC National Survey of Unbanked and Underbanked Households](#)
3. [Deloitte FSI Predictions 2023](#)
4. [The Ecosystem Imperative](#)



SEGMENTS & PERSONAS

What do we mean when we say *underserved* ✦

Deloitte conducted a research study with over 1,500 US-based individuals who self-identified **across a spectrum of income, employment, banking status, financial literacy, race, gender & sexual orientation, and nationalities** to better understand how embedded finance could cater to ways they managed money today and to understand solutions they would want in the future.

From this Embedded Finance research, we uncovered **three unique personas** within the unbanked, underbanked, and underrepresented-banked segments that either need new solutions or opportunities to expand the ways they access, facilitate, and monitor their payments and purchases today.

Unless otherwise cited, all research and statistics are populated from the Deloitte Embedded Finance Survey 2023.



We used their self-reported banking status as a baseline to define our segments:

UNBANKED

4.5% of US population²

An individual who does not have an active checking or savings account with an FDIC-insured institution or bank, but may have had one in the past.

- **24%** of our Unbanked participants have had a checking or savings account in the past
- **76%** have never had a checking or savings account

UNDERBANKED

14.1% of US population²

An individual who has a checking account, but not a savings account with an FDIC-insured institution or bank.

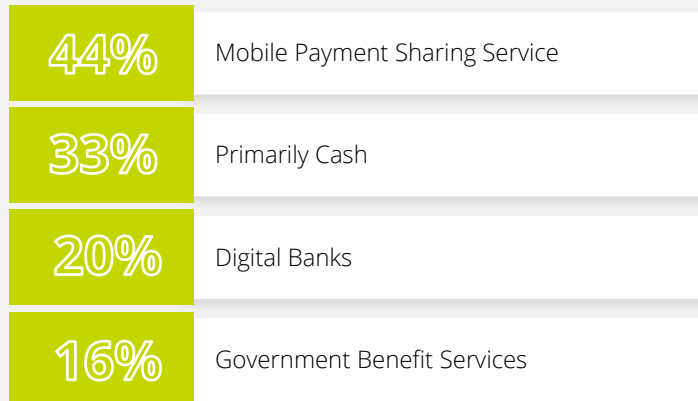
- **23%** of our Underbanked participants report having been rejected for a credit card in the last 12 months
- **16%** have been rejected for a loan in the last 12 months

UNDERREPRESENTED

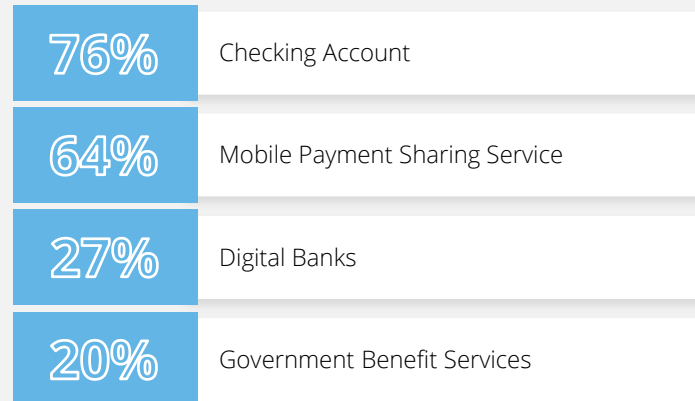
An individual who identifies as fully banked, but is underrepresented in a shared identity driver; broader than just race, gender, or sexual orientation. We look at how groups may connect around or face barriers related to:

Race • Gender • Vocation • Ethnicity • Nationality • Age • Sexuality • Religion • Education • Income • Social values • Political beliefs • Geography • Socioeconomics and more...

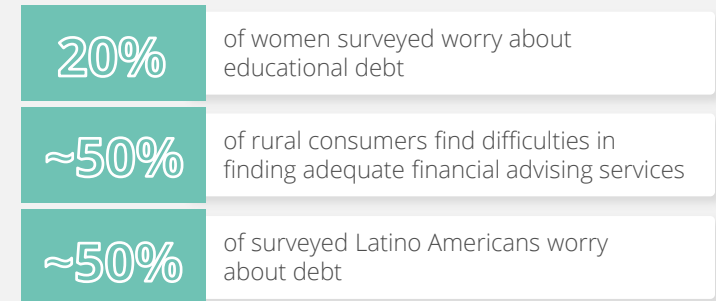
Their current financial ecosystem:



Their current financial ecosystem:



Unique financial challenges:



*We asked all participants to self-identify their banking status and demographic information they were comfortable sharing
 Deloitte Affinity Banking Study and Deloitte Embedded Finance Survey 2023
 2. 2021 FDIC National Survey of Unbanked and Underbanked Households.

For a deeper look at our personas and their demographics, mindsets, and challenges, see [Appendix Slides 22-24](#)

Each segment is represented by a primary persona, based on their current financial habits and unique needs



UNBANKED

THE FACT-CHECKER

Is likely to have been taken advantage of, locked out of accounts, or has been the victim of fraudulent charges with little help to resolve. **The Fact Checker is hyper-aware of fees**, fine print, and feeling 'sold to,' as 22% of unbanked respondents don't hold accounts due to **distrust of banks**. There is an opportunity to rebuild trust & engage through:

- Access to new products & credit building options
- Improved data security
- Flexible digital cash solutions



The only account I've had, they ended up stealing my entire balance and denying me any support..."



UNDERBANKED

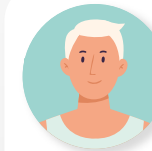
THE SURVIVOR

is looking for **faster access to cash** when they need it to balance daily expenses, bills, and paying off debt. In the last year, 39% of the underbanked respondents have been rejected for access to credit lines (i.e., a new credit card or a loan), **delaying their progress towards longer term goals**. There is an opportunity to support them out of survival mode through:

- Benefits from essential & recurring payments
- Increased access to loans & cash
- Resources to achieve long-term financial stability



Long-term saving is tough. As soon as you finally start gaining momentum, some new fee or struggle occurs, and your savings goes to that..."



BANKED, UNDERREPRESENTED

THE INSIDE-OUTSIDER

is the most open to new digital services & tools to **drive financial security**. They're making digital payments, but look to enhance their payments with new, reputable providers, as most don't feel their current financial institutions prioritize their relationships, and **don't see their personal values reflected**. There is an opportunity to empower improving financial wellbeing through:

- Faster, smarter, & easier digital payments
- Secure new products that offer a sense of belonging
- More accessible credit & lending



We are both employed, but things like obtaining credit loans have been somewhat of a challenge over the years..."

THE CURRENT EMBEDDED FINANCE LANDSCAPE

Firms can support traditionally underserved segments *through Embedded Finance* ✨

Embedding financial services at the point of sale, in the moment it is needed, is **disrupting longtime distribution channels** and may also result in the creation of an **entirely new set of alliances** between customers, financial institutions and nonfinancial services partners.



Today's prominent Embedded Finance capabilities & solutions include...



Embedded Payments

Adds a layer of convenience for customers during the checkout process that is integrated across their activities and devices. **Embedded payments make up ~\$1T of global payment volumes⁴**; given the demand & customer expectations around instant payments, this number is projected to significantly increase.



Embedded Insurance

Allows customers to add insurance coverage to products or services at the point-of-sale. While common in areas like travel, the volumes of insurance premiums built into third party transactions, bypassing traditional sellers, is projected to increase in coming years. **The embedded insurance market is predicted to grow to \$70B in premiums by 2023.¹**



Embedded Lending

Provides customers with flexible financing offers to borrow and delay payments at the point of sale, within the existing journey of a particular distributor. Providers can capture a larger share of embedded-finance revenues by expanding across the value chain into **embedded lending, which produced \$14B in revenues in 2021³.**



Embedded Investing

Enables customers to grow their assets (via investments or earning interest) in a simple process, with low barriers to entry. This capability enhances the CX within a particular journey and unlocks additional revenue streams for the company. According to a recent IBV study, **70% of banking executives⁶** say they are involved in creating these types of solutions.



Embedded Banking

Provides customers and users with the capabilities of a Bank (i.e., debit card, checking account, etc.) within the distributor platform to enable faster or instant delivery of income and availability of funds. **This segment of embedded finance represents 28% of the current market.²**



Embedded Financial Health

Platforms have emerged to provide financial advice or access to financial services not readily available to all segments. These capabilities allow customers to advance financial literacy, access, or health in non-traditional ways such as building credit, receiving feedback on spending habits, and others.




1. Deloitte FSI Industry Predictions 2023
2. <https://plaid.com/resources/fintech/what-is-embedded-finance/>
3. <https://www.unit.co/guides/embedded-finance-a-complete-guide>

4. <https://www.jpmorgan.com/insights/payments/payment-trends/payments-are-eating-the-world>









A variety of cross-industry players make up the Embedded Finance ecosystem, and are leveraging differentiated access points and tailored solutions to help to reach their customers

PLAYERS IN THE ECOSYSTEM

	Distributors Are the often-non-financial partner that owns the existing customer relationship and provides the entry point for an embedded finance solution
	Technology Providers Create the connection (via APIs or other integrations) to allow financial services to be delivered directly to the customer via distributors
	Financial Services Providers Enable the embedded finance capability by providing the underlying financial service (e.g., payments). Can also play technology provider role

WHAT THIS LOOKS LIKE IN-MARKET

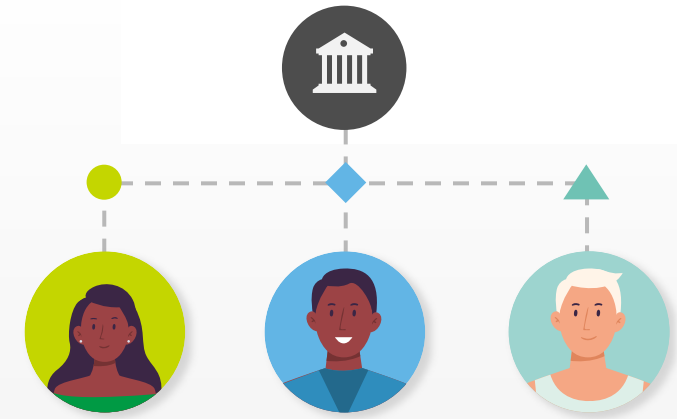
Embedded Payments An Online and In-person Payment Processing Software powers online payment processing and commerce for business of all size, allowing merchants to accept payments and scale faster		Embedded Investing A Micro-investing and Robo Advice Fintech automatically invests "spare change" by rounding up to the nearest dollar from everyday purchase made by users of the platform	
Embedded Insurance A U.S. based-online car insurance company bolsters CX by offering point-of-sale auto policies to customers purchasing cars on Carvana		Embedded Banking Ride-hailing and Food Delivery Services offer embedded checking accounts and debit cards to allow drivers to get paid instantly leveraging Go & Stride Banks	
Embedded Lending A Buy Now, Pay Later FinTech embeds a financing workflow into the checkout experience for customers to finance purchases without a check or credit card		Embedded Financial Health A Rent Manager integrates with property managers to help renters improve credit scores through partnerships with credit rating agencies	

HOW TO SERVE THESE GROUPS

Three overarching principles
can help firms achieve a higher
bottom line with Embedded
Finance at the core ✦



These overarching principles can inform how you approach designing with & bringing solutions to all 3 underserved groups



PRINCIPLE 01

ELEVATED FINANCIAL ACCESS

The underserved have likely faced rejection or exclusion from financial services in the past, and hope for access to services that give them a chance to prove good financial habits and progress, that are better designed and welcoming for their circumstances; such as low/no fees, being flexible to non-traditional employment and removing unnecessarily lengthy applications.

Increase financial access and discovery points, making digital an opportunity for all

Reassurance in Real Time Ease of Entry

Integrated Education

PRINCIPLE 02

EMBEDDED EDUCATION AND SUPPORT

The underserved are working hard to make ends meet. Services that help enable long-term goals, stability, and financial wellness are differentiating for this group; this looks like extended hours, comprehensive digital services, relevant financial education, personalized up-scaling products relevant to their journey, and helping to support and balance their long- and short-term needs.

Offer embedded education for products to assist in payment cycles to establish trust

Curated Customer Journeys Personalization

Community Awareness

PRINCIPLE 03

INTENTIONAL DESIGN FOR THE UNDERSERVED

The underserved are looking to be met where they're at and where they currently spend money today with new solutions, emphasizing the importance of how and when fees are charged, balancing flexibility with mutual accountability, rewarding proactivity and good financial habits, and the relevance of where & when they find and engage with your embedded offerings.

Establish a Marketplace of Things to improve connection and flexibility of new services

Flexibility within Limits Expanded Credit Building

Connected Data Benefits

01

Elevated Financial Access

To eliminate barriers between digital and cash interactions to ensure all groups have greater access to their money and new embedded services



Ways to win for all

Reassurance in Real Time

Provide the same peace of mind as having cash in hand by offering wider acceptance of prepaid cards, virtual cards, and digital wallets without facing fees or delays typically encountered by the un/underbanked.

Ease of entry

Offer an open door through no/low credit or income requirements along with avoiding lengthy application processes as denial from a financial tool or service creates friction of onboarding for fear of being met with rejection.

Community Awareness

Create purchasing access that directly lifts the community, supports dedicated & trusted marketplaces, and provides personal benefit across local communities, local or national organizations of choice, ESG options, or more.

What this could illustratively look like...

FOR THE FACT-CHECKER

“ You don't realize how valuable a physical card is until you don't have one. It's a gateway... And I can understand & appreciate the limitations. Controlled spending can be a good way of teaching old dogs new tricks for budgeting

- Prepaid cards allowing Buy-Now-Pay-Later
- Extended Cash Back/ATM services
- Prepaid card partnership with EBT/food stamp programs
- Data & Security enrollment for non-digital banking user

FOR THE SURVIVOR

“ Trying something out is a form of investment. Any time I can take a quiz or get a free trial I see the value from the company, and the company can see what value it gets from me before I decide to pay

- Digital wallet with no fees, easily integrated into services already owned
- Embedded applications for Microloans
- Embedded micro-investments
- Employer-backed checking accounts

FOR THE INSIDE-OUTSIDER

“ Community benefits make me feel that the company is in tune with what's going on...I'm always thinking about how it relates to my money now and in the future

- Digital wallet or cards with community sign-up benefits (lower fees, trial periods, rewards to share with based on area/location)
- Embedded Give Back programs based on pre-set spending habits
- “Marketplace” for community offers and deals

02

Elevated Financial Access

To consider alternative ways to build credit, establish good faith, and adjust for their needs & circumstances over time



Ways to win for all

Curated Customer Journeys

Ensure channels and embedded brands have established credibility in the product or service when the need for it is most likely to arise.

Personalization

Overcome short-term expenses to start building savings for the future with tools like digital wallets to avoid detrimental high fees for mistakes, and earn customizable payment options based on spending habits and needs.

Integrated Education

Consolidate and better integrate education & smart search capabilities to predict questions, provide smart research, and more, without the information overload our segments report finding with traditional banks.

What this could illustratively look like...

FOR THE FACT-CHECKER

“ I'd like to see more partnerships between retailers and banks, most people don't need to rely on brick & mortar banks or cash if they do let them do that in stores for free

- Integrated Grocery Store Apps
- Embedded Community Resources
- Timely, location-based notifications for routine products/services
- Living expenses integration/connection points

FOR THE SURVIVOR

“ I've been using round-up savings in grocery apps and crypto for extra cash. Ideally, this becomes long-term savings and investing after money stops being 'tight'

- Customized frequency and amount for Buy-Now-Pay-Later services
- "Set and Forget" Embedded lending to avoid overdraft fees or missed payments
- Customized spend rules & thresholds, and savings buckets with personalized round-up settings
- Rewards benefit & align with values (e.g., pick your category, give back, cashback on interactions with specified retailer groups)

FOR THE INSIDE-OUTSIDER

“ For me, having that access is not having to leave the house; it's doing something when you want, how you want digitally. I don't live in the safest area, and it's an expensive uber to the closest branch if I need help

- Integrated digital advisor
- Integrated health apps within common retailers
- Embedded Education services (e.g., Chat GPT)
- Real-time budgeting / advising

03

Intentional Design For The Underserved

To maximize subscription & recurring payments with the ability to earn rewards, build credit, and establish good payment history, all in one place



Ways to win for all

Flexibility within limits

Provide flexible payment plans with guardrails for accountability, allowing ways to build a relationship with financial products at the users' own time – not only for financial moments but also critical life moments.

Expanded Credit Building

Integrate attainable credit-building opportunities, including Buy-Now-Pay-Later services, by connecting recurring payments & subscriptions to establish a good payment history and mutual trust with little to no impact on payment cycles or changed amounts.

Connected Data Benefits

Show how data sharing drives savings and financial benefits including cash-back, connected platforms reward services, personalized deals, and smart recommendations, while ensuring security of the data they collect and share.

What this could illustratively look like...

FOR THE FACT-CHECKER

“ Services should adjust to their customers, like loan agencies which will lower the interest payments before pausing it to allow me to keep paying

- Credit Building that adapts to life changes
- Credit Building through non-traditional channels (e.g., card statements, rent payments)
- Embedded payment platforms with flexible payment schedules

FOR THE SURVIVOR

“ There are so many payments and subscriptions, and would consider trying a credit-building tool along with something I'm already paying for

- Credit history dedicated to selected recurring or on-time payments until a limit
- Prepaid/Digital Buy-Now-Pay-Later Card with defined retail usage

FOR THE INSIDE-OUTSIDER

“ I would extend data on anything that's related to my person... if it extends to my family or roommates, then that data capture has gone too far

- Expanded Opt-in data sharing
- Budget & Deal Recommendations based on common purchases, and benefit-qualifying items



SHIFT FROM INTENT TO ACTION

Embedded finance is *positioned as an accelerator* to delivering solutions with impact. ✨

The unbanked, underbanked, and underrepresented need **financial access and intentional support**. Financial firms have a responsibility to address societal imbalances, and a present opportunity to reach a higher bottom line with embedded solutions.



Achieving a higher bottom line require banks and financial institutions to consider...



WHAT YOU SAY

Embedded Finance is an exciting, yet new and largely unfamiliar concept to most consumers

The participants we engaged were unaware of the term 'Embedded Finance' but were more familiar when given examples, like Buy-Now-Pay-Later. Despite the lack of familiarity, we saw excitement across underserved segments for potential integration points and ways embedded finances can better support their needs.

There is a large opportunity to present a easy to understand, seamless, and secure embedded connections, where trusted banks & financial institutions can leverage their brand reputation to introduce financial offerings in new ways to new audiences; The challenge to overcome skepticism with new offerings can be met with a deep understanding of your customers, their habits, and their needs.

WHAT YOU DO

Serving these segments requires rebuilding trust through consistency & shared value

Building trust for these segments means opening the door to them, and proving that you're not just selling them another thing, but there to be a partner on their financial journey.

There's a large opportunity to build brand trust and loyalty among underserved groups through consistent positive experiences, as they have been historically excluded & mistreated by financial institutions¹, they're more willing to try the next new thing when it offers a benefit to them, as they've found they receive more value as a new customer than a long-time customer staying with one institution, often still being denied credit or loans, lacking support, facing access issues, or seeing little to no benefits.

WHERE YOU ARE

Meet these segments where they are with thoughtful partnerships and secure integration

Connection and consolidation should not be at the expense of sharing excessive or private financial information. These segments are often working, or have worked, to overcome their financial past and worry that retailers getting too much access may cause discrimination or lack of access.

There's a large opportunity to partner with curated retailers to better consolidate payments & finances across top expenses for segments you plan to impact - Food & Grocery, Rent & Utilities, and large purchases like Cars & Technology - while being transparent & conservative in the sharing of financial information back to retail partners through transparency, consent, and optionality.

Let's Talk



Nick Cowell
nicowell@deloitte.com
Principal
Monitor Deloitte | Digital
Banking Strategy



Diego Uribe
diuribe@deloitte.com
Manager
Deloitte | Strategy



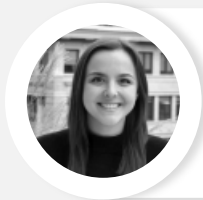
Lola Legrand
llegrand@deloitte.com
Senior Consultant
Digital Banking Strategy



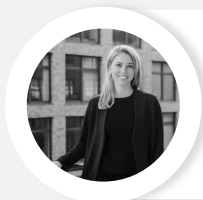
Gibran Mian
gimian@deloitte.com
Senior Consultant
Deloitte | Strategy & Operations
Transformation



Menes Kum
metinguekum@deloitte.com
Senior Manager
Deloitte Digital | Customer Strategy &
Applied Design

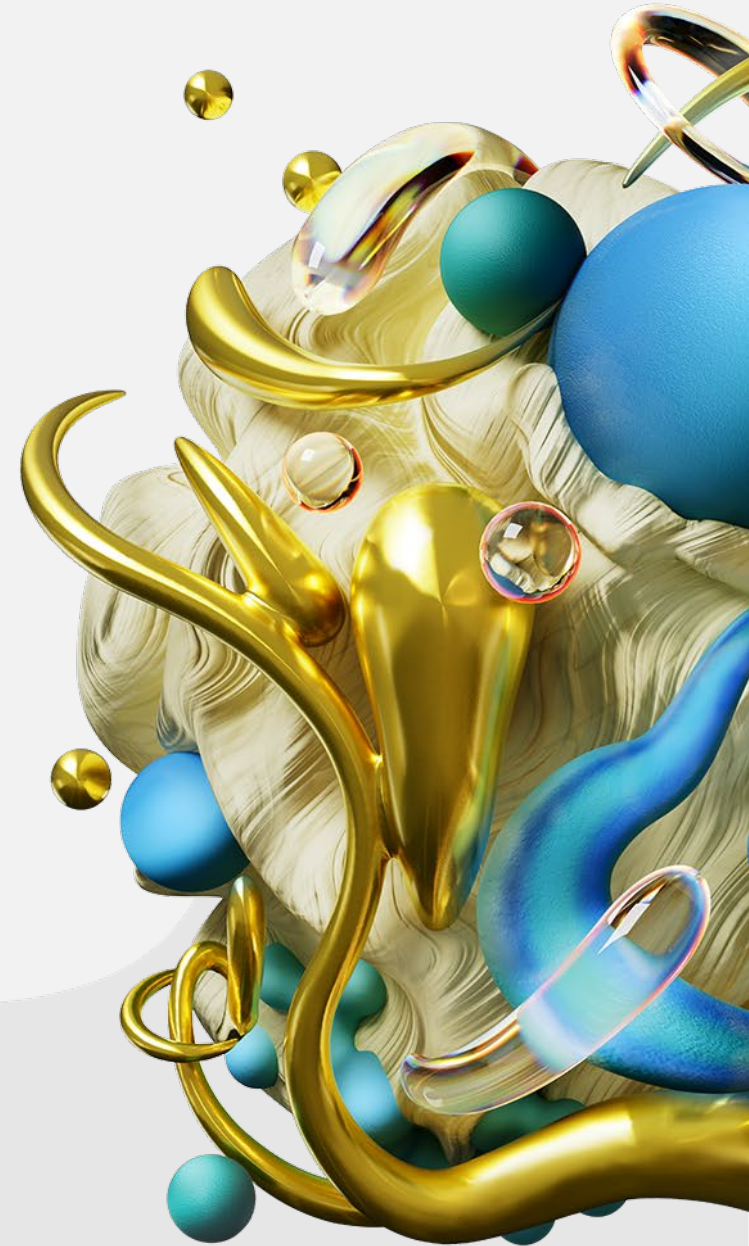


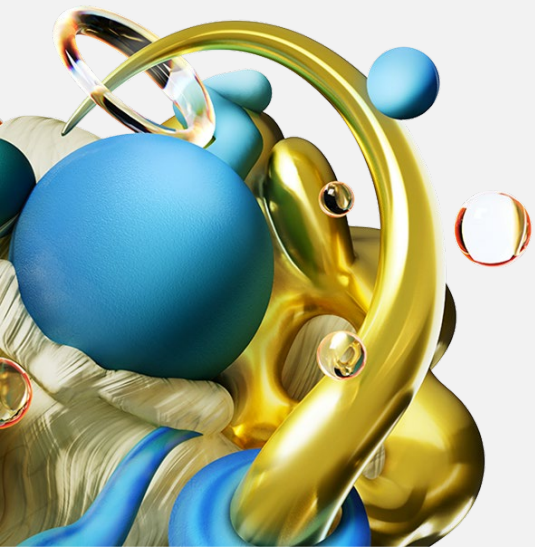
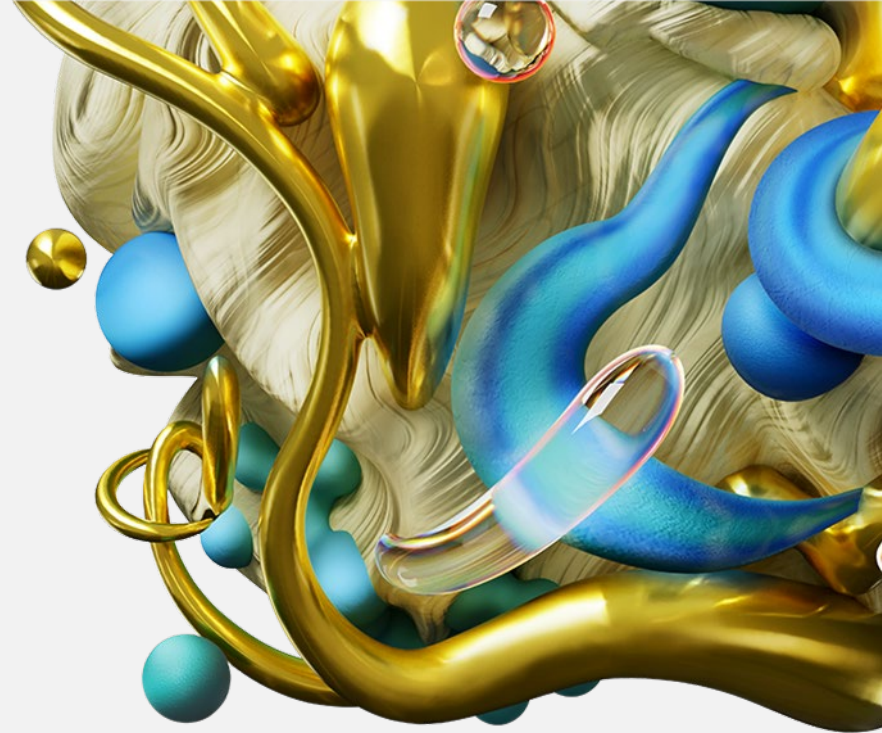
Sara Ciaramella
sciaramella@deloitte.com
Senior Consultant
Deloitte Digital | Applied Design



Olivia Mikkelsen
omikkelsen@deloitte.com
Senior Consultant
Deloitte Digital | Applied Design

Special mentions: Lindsey Meyers





Appendix

This publication contains general information only, and none of the member firms of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collective, the “Deloitte Network”) is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

As used in this document, “Deloitte” means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte USA LLP, Deloitte LLP and their respective subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

**Copyright © 2023 Deloitte Development LLC.
All rights reserved. Member of Deloitte Touche Tohmatsu Limited**

The Fact Checker



The only account I've had, they ended up stealing my entire balance and denying me any support."

ABOUT THIS SEGMENT

- **Income:** Many households made less than \$25,000/year (51%), while only 10% make more than \$75K
- **Region:** This segment was the most likely to live in an Urban or Suburban area (38% each)
- **Race, Ethnicity & Nationality:** 51% identify as an Underrepresented Race, 24% are 1st or 2nd Generation Immigrants to the US
- **Employment:** 39% are unemployed, 28% are employed full time
- **Popular tools:** ATMs to support cash usage, Digital Wallets like PayPal, CashApp, Venmo, or Chime, and tools like MoneyLion

CHALLENGES

Top concerns with financial institutions fall across...

- Data Security (31%)
- Access to Personal Information (28%)
- Hidden Fees or Additional Charges (24%)

Respondents self-report that they are **unbanked due to:**

Lack of Income: 33% self-report that they are unbanked due to not having enough money to keep in an account

Prevalent Distrust 22% self-report that they are unbanked due to distrust of banks or financial institutions

OPPORTUNITY

While there is an inherent distrust in banks and financial services, there is an opportunity to excite & engage The Fact-Checker with...

- **Access to new products or credit building opportunities**
34% would connect providers to build credit
- **Improved data security to help rebuild trust**
37% of those concerned with data security would connect banking & service providers to receive better rates & products
- **Access to digital cash solutions to pay on their own terms**
While they may not have the funds to keep in a traditional account, they look for ways to support their day to day finances with reliable access to their cash (e.g., cash cards, Quick Pay, and BNPL)

The Survivor



Long-term saving is tough. As soon as you finally start gaining momentum, some new fee or struggle occurs, and you have to allocate your savings to that"

ABOUT THIS SEGMENT

- **Income:** 79% of Underbanked households make less than \$50,000.00/year and only 4% make more than \$75K
- **Region:** This segment was the most likely to live in a Suburban (40%) or Rural area (38%)
- **Race & Ethnicity:** 38% identify as an Underrepresented Race
- **Employment:** 46% are unemployed, with 21% employed full time
- **Popular tools:** Digital Banks & Wallets like PayPal, CashApp, and Chime, Digital Banks like MoneyLion, and Varo, and resources found within the community such as community banks & local Credit Unions

CHALLENGES

Top concerns with financial institutions fall across...

- Lack of emergency savings (32%)
- Overcoming Debt (26%)
- Managing Bills (25%)

Key barriers to financial stability for this segment:

Denial of Affordable Services for credit cards or loans to services with unnecessarily high fees or additional charges

Unexpected, Large Expenses often force this group to reallocate savings to urgent family needs or expenses

Fixed Income often financially limits those who are unable to work part or full-time due to their (e.g., retirees, caregivers, students, and those with disabilities)

OPPORTUNITY

While often paycheck to paycheck, there is an opportunity for Embedded Finance solutions to enable this segment to grow out of survival mode through:

- **Benefits from essential & recurring payments**
Highest expense categories for this segment fall across Food & Grocery, Rent, and Utilities
- **Increased access to loans & cash**
In the last 12 months, 39% of underbanked respondents have been rejected for access to credit lines (i.e., a new credit card or a loan)
- **Resources to achieve long-term financial stability**
This group is interested in tools like Round-up Savings (21%) that can help them overcome their financial past, lack of education, debt, or limited budgets

The Inside-Outsider



We are both employed, but things like obtaining credit loans have been somewhat of a challenge over the years”

ABOUT THIS SEGMENT

[How do we define Underrepresentation?](#)

- **Income:** 25% of households surveyed earn more than \$75K
- **Region:** This segment was the most likely to live in a Suburban area (44%)
- **Race & Nationality:** 64% identify as an Underrepresented Race, 28% are 1st or 2nd Generation Immigrants to the US
- **Employment:** 45% are employed full time, 17% are unemployed
- **Popular tools** extend to larger institutions like Bank of America, Chase, and Wells Fargo. well-known Digital Banks or tools like Robinhood & SoFi while maintaining connections with tools in their community such as community banks & local Credit Unions

CHALLENGES

Top concerns with financial institutions fall across...

- Access to Cash (21%)
- Managing bills (19%)
- Lack of Savings for Emergencies (18%)

Why they feel underrepresented?

Lack of Support to support their financial wellbeing and growth, despite good banking habits; many now prefer new intuitive digital experiences

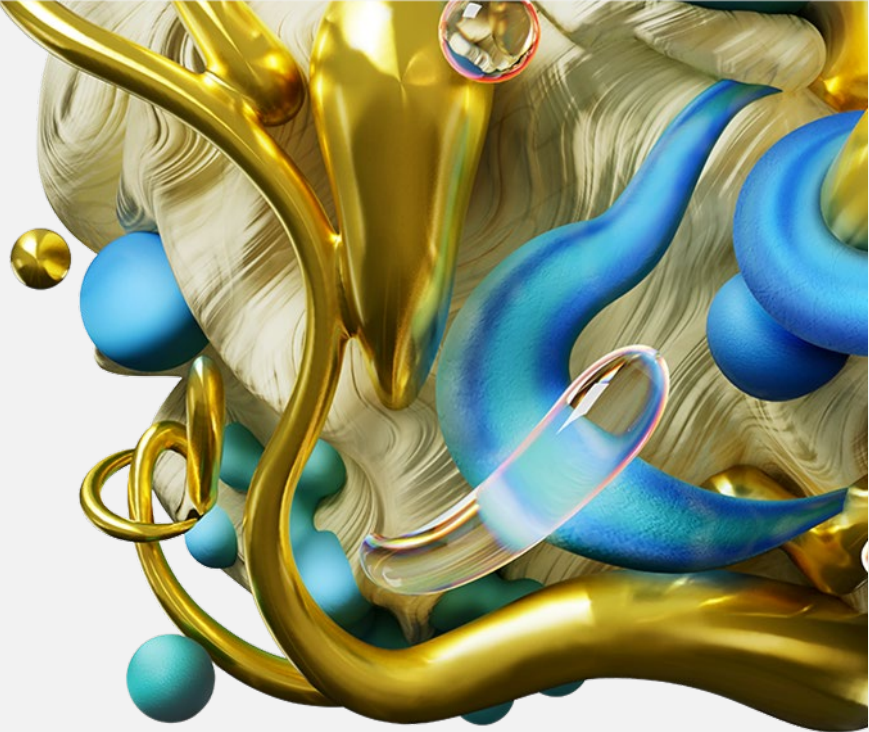
Lack of Benefit to themselves and their communities; as 66% of Americans surveyed believe banks have a responsibility to support diverse and underserved communities²

OPPORTUNITY

While currently banked, there is an opportunity to empower The Inside-Outsider to improve their financial wellbeing through...

- **Smarter, faster, and easier digital payments**
42% would connect providers to enable recurring payments
- **Secure new products that offer a sense of belonging**
37% of those concerned with data security would connect banking & service providers to receive better rates & products, with US consumers being 2.6x more likely to transact with banks that reflect their values and beliefs¹
- **More Accessible Credit & Lending**
26% of banked respondents have applied for a new credit card (including 33% of 2nd Gen banked immigrants) in the last 12 months, while 12% report having been denied

1. Deloitte 2022 Digital Banking Omnibus Survey
2. All Additional statistics and insight from Deloitte Embedded Finance Survey & Research 2023



THANK YOU.

This publication contains general information only, and none of the member firms of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collective, the “Deloitte Network”) is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

As used in this document, “Deloitte” means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte USA LLP, Deloitte LLP and their respective subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

**Copyright © 2024 Deloitte Development LLC.
All rights reserved. Member of Deloitte Touche Tohmatsu Limited**



Deloitte.
Digital

Create
Great