

Book Review

Financial Inclusion: At the Bottom of the Pyramid, by Carol Realini and Karl Mehta, Canada: Friesen Press, 2015, 229 pp.

Ensuring financial inclusion is becoming a policy priority in many countries. Viewed as a vital component in increasing the poor's access to financial services, it can help reduce poverty levels while minimising income inequality (Park & Mercado, 2015). Neaime and Gaysset (2018) as well as Sarma and Pais (2011) highlighted the importance of financial inclusion, as lack of access, particularly to the underprivileged group adversely affecting economic growth. The poor finds it challenging to invest in income-generating projects and accrue savings. *Financial Inclusion: At The Bottom of the Pyramid* is a compelling and stimulating book as it discusses modern banking and business practices. Specifically, this book details the role of technology in helping those who are excluded from traditional financial systems.

The players of the financial system are described using a pyramid form, whereby at the bottom of the pyramid is the “financial nomads”, a term used throughout the book to describe those who have minimal or no access to financial services. Collaboration and innovation accelerate accessibility to financial services, particularly in rural areas. Realini and Mehta strategically divide the book into three parts. Part one is an overview of the banking industry and the plight of the financial nomads. Part two discusses the benefits and challenges of creating a financial platform for the nomads using case studies from around the world. Part three discusses the factors that contribute to financial inclusion solutions based on the success story of other countries.

Part one provides an interesting overview of life as a financial nomad, the hindrances the poor may face in penetrating a traditional financial system and the impact of being financially excluded. The section begins by highlighting an alarming number of people (2.5 billion) who are financially excluded from a traditional banking system. Some choose to use cash transaction while others are financially excluded due to traditional banking system barriers. Here, the book gives an example of a Candice Choi, a reporter who experimented with being financially excluded for a month, and found that the cost of being a financial nomad was indeed higher than having a bank account. Subsequent chapters explain why large numbers exist, equating it to entry barriers to the system. The authors cited factors such as unaffordability, lack of documentation and distance to a bank branch. The book explains these financial nomads often rely on risky

alternative financial services, such as loan sharks to fit their financial needs. The authors acknowledge the hawala system, an unregulated paperless financial network which provides anonymous cash-based loans to people living in Africa, the Middle East, and the Indian subcontinent. Vindicating the quote “it is expensive to be poor”, Realini and Mehta provides an eye-opening perspective on life as a financial nomad. While the concept of paycheck-to-paycheck living is familiar, the book divulges that a greater part of the world lives like this.

The second part offers a comprehensive review of some success stories in the developing world, and how companies are helping the unbanked and underbanked to become financially included. The authors address new and sophisticated alternatives to the traditional banking systems, highlighting notable examples of new-fangled banking structures in countries, such as Kenya, Bangladesh, and the Philippines. A key takeaway is the usage of technology acts as a front-liner, as mobile banking plays a prominent role in providing financial accessibility to the rural poor. Widely adopted innovations such as Smart Money showed a breakthrough in financial inclusion, as telecommunication companies leverage on distribution and networks in delivering financial services. The book provides a detailed and illustrative insight on the Aadhaar system, a specific programme to provide verifiable identification in India. Although, this section seems rather disjointed with the other chapters in part two, Realini and Mehta associate the lack of identification documents in hindering participation into the financial system. They emphasised the importance of an identity system as an essential infrastructure to assist Indian citizens achieve financial freedom.

The final part draws upon several key takeaways from company success stories discussed in Part two. This section provides the way forward, stressing on the need of a paradigm shift, one where the global financial landscape is affordable and accessible to everyone. A successful financial inclusion model acknowledges the pivotal need for synergy between government and industry players. Industries that used to operate individually, such as banks, governments, telecommunication companies and non-governmental organizations (NGOs) are now coming together to create opportunities for everyone to be involved in the financial system. Realini and Mehta argued that digital communications technology has paved the way in setting up an all-inclusive environment of financial inclusion. For instance, M-Pesa’s partnership with mobile providers Safaricom and Vodaphone has created a revolutionary financial marketplace in Kenya and Tanzania. The authors concluded the section by stressing that although many financial inclusion models have been realised, much work remains to be done as more people at the bottom of the pyramid can still be served.

Overall, this book provides a myriad of detailed and illustrative analysis. The book is highly readable and one does not need a large base of financial inclusion knowledge, as the authors organise each chapter with easy to follow background information. While some parts may be repetitive, a major strength is the amount of homework Realini and Mehta have done to provide a well-thought-out variety of review of financial services to the poor. However, there are some shortcomings in the book. The book discusses financial inclusion success stories and synthesises some practical ways to improve a country's financial inclusiveness. Nevertheless, while the readers are aware that building models for future financial solutions are not a walk in the park, the risks and challenges faced by these companies were not addressed. Furthermore, the foreword by Jeffrey D. Sachs that "the end of poverty is coming our way" may be an overstatement as many would agree that financial exclusion is not the only contributor to poverty. The eloquent writing style makes the book an enjoyable and enlightening read. Readers who are intrigued to understand the inner-workings of the modern age financial system can benefit from this book.

References

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