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# Promoting just and inclusive societies through DIGITAL FINANCIAL INCLUSION

**Every year worldwide, 20% of government revenues go missing, amounting to about $5 trillion lost.[1] Every region suffers from corruption, and nearly one in six businesses have been approached by public officials for bribes.[2] Due to a combination of climate-related disasters and the socioeconomic effects of climate change, 200 million people every year—twice as many as in 2021—could need international humanitarian aid.[3]**

## OPPORTUNITY

**Digital payments have the potential to help governments to overcome systemic challenges, resulting in less leakage and lower implementation costs, and the more effective monitoring of social protection programs.[4] This helps to hold governments to a higher standard of using public funds, and increases the funds available for vital public services, investments, and transfers.[5]**

## CHALLENGES

- In 2020, more than one in five people who used a public service used **personal connections**.[6] The use of cash in government payments makes it harder to trace funds, enabling corruption and leakages.[7]
- Millions of women are at risk from the insecurity and a lack of social protection that categorizes informal, temporary, and unpaid labor. In many emerging countries, **most of the women who earn incomes work informally**. The share is as high as 95% in Asia and 89% in sub-Saharan Africa.[11,12]
- **Tax revenue collection as a share of GDP is less than 15% in fragile countries**,[15] and only 15% to 20% in lower-income and middle-income countries. These shares compare with over 30% in upper-income countries.[16]

## SOLUTIONS

- Governments delivering payments through secure, transparent, and convenient digital channels are able to reduce corruption.[8] Globally, **governments could save up to $1 trillion** by leveraging payment data and advanced analytics.[9,10]
- Government payments, such as public-sector wages, pensions, and safety-net transfers, were the reason vast numbers of women—140 million globally—were able to open their first bank account and so be financially included in the system.[13] According to Global Findex 2021, the **global gender gap in account ownership has narrowed to four percentage points**.[14]
- With reduced costs and increased transparency, digitizing tax payments and related activities in emerging countries can potentially raise an extra **$300 billion in government revenues every year**.[17] The digitization of bureaucratic procedures reduces discretion and the opportunities for bribery.[18]

*Photo:* Communication for Development Ltd

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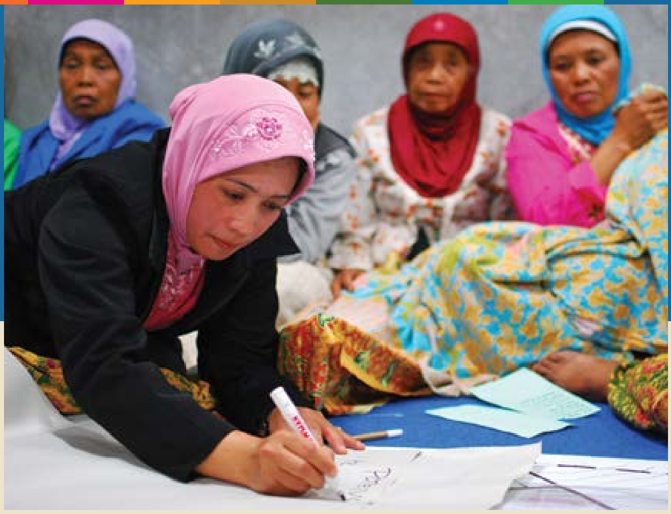
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## INDIA

Between 2013 and March 2020, direct benefit transfers helped to **save a cumulative amount of $24.4 billion** by removing duplicate beneficiaries, cutting the cost of transactions, and plugging the leakages in the previous cash delivery system.[19]

## RWANDA

Between 2013 and 2018, electronic billing machines cut the value-added tax (VAT) filing time from 5 hours to 45 minutes. The number of registered taxpayers nearly doubled between 2011 and 2018.[20]

## MEXICO

Digitizing tax payments **raised overall tax revenue and social security contributions by 95%,** to almost $140 billion, between 2010 and 2016. Further, larger businesses started pushing smaller providers to use e-invoices, bringing an estimated 4.2 million micro-enterprises into the formal economy.[21]

## CAMBODIA

Digitizing person-to-government payments by Cambodia's Ministry of Public Works and Transport raised the revenue from almost $15 million in 2017 to $37 million in 2019.[22]

## UGANDA

The government saved nearly $7 million in less than a year in 2016–17 by verifying the digital identities of civil servants against the national identity database and removing more than 4,600 ghost workers from the public payroll.[23]


**1.** Cunningham, Davis and Dohrmann, 2018. **2.** United Nations, 2022. **3.** Costella et al., 2021. **4.** Hare and Parekh, 2020. **5.** BTCA, 2020. **6.** Transparency International, 2020. **7.** Manyika et al., 2016. **8.** Setor, Senyo, and Addo, 2021. **9.** Cunningham, Davis and Dohrmann, 2018. **10.** Wald, 2018. **11.** World Bank, 2020. **12.** ILO, 2018. **13.** Miller et al., 2020. **14.** World Bank, 2021. **15.** Chehade et al., 2021. **16.** Bachas, Kondylis, and Loeser, 2021. **17.** BTCA, 2020. **18.** Santiso, 2021. **19.** Jain et al., 2021. **20.** BTCA, 2020. **21.** Ibid. **22.** Fichers and Naji, 2020. **23.** World Bank, 2018.