Promoting just and inclusive societies through DIGITAL FINANCIAL INCLUSION

Every year worldwide, 20% of government revenues go missing, amounting to about $5 trillion lost. Every region suffers from corruption, and nearly one in six businesses have been approached by public officials for bribes. 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.

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. 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.

CHALLENGES
- In 2020, more than one in five people who used a public service used personal connections. The use of cash in government payments makes it harder to trace funds, enabling corruption and leakages.
- 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.
- Tax revenue collection as a share of GDP is less than 15% in fragile countries and only 15% to 20% in lower-income and middle-income countries. These shares compare with over 30% in upper-income countries.

SOLUTIONS
- Governments delivering payments through secure, transparent, and convenient digital channels are able to reduce corruption. Globally, governments could save up to $1 trillion by leveraging payment data and advanced analytics.
- 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. According to Global Findex 2021, the global gender gap in account ownership has narrowed to four percentage points.
- 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. The digitization of bureaucratic procedures reduces discretion and the opportunities for bribery.
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

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

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

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