# A Comparative Study of Inclusive Finance Models Worldwide and China's Localized Practice Path

**Zhener Chen**

Dongbei University of Finance and Economics, Dalian, Liaoning, China

**Abstract:** With the continuous development of the financial industry, the emerging concept of "inclusive finance" has drawn increasing attention. Years of practice have shown that inclusive finance plays a vital role in stabilizing financial development and promoting socio-economic growth. However, ensuring basic financial access for disadvantaged groups while maintaining financial institution profitability remains a global challenge. In response, countries have developed various approaches — Brazil's agent banking, Kenya's mobile payments, etc. This paper compares international inclusive finance models and proposes feasible paths for China's context.

***Keywords*:** Inclusive finance; international comparison; localized development

## 1. Introduction

The aim of developing inclusive finance is to provide financial services to those in need. It enhances production, increases employment, improves living standards, and boosts public well-being. However, balancing institutional profitability with universal access remains a global challenge.[1][2] Over time, many countries have developed effective models that have been adopted elsewhere. These models are typically innovative, effective in practice, and highly replicable. The focus of the concept of financial inclusion can be found in Table 1.

**Table 1. Analysis of Key Focus Areas in the Concept of Inclusive Finance**

| Proposer | Focus |
|---|---|
| United Nations (2005) | Inclusion, rationality, effectiveness, affordability, sustainability |
| Du Xiaoshan (2006) | Essential attributes, all groups, cost reduction |
| World Poverty Alleviation Group (2007) | Holistic planning, comprehensive improvement of the traditional financial system |
| World Bank (2008) | Accessibility, no barriers |
| Alliance for Financial Inclusion (2009) | Exclusion, reintegration, formal financial system |
| Xia Yuanyuan (2010) | Practical outcome, low-income groups, financial equity |
| Zhou Xiaochuan (2013) | Fairness, affordable cost, reasonable pricing, product diversification |
| State Council of China (2015) | Equal opportunity, sustainability, affordable cost, appropriateness, effectiveness, all social strata |

## 2. Main Models of Inclusive Finance

### 2.1 Agent Banking Model

Agent banking refers to a system where commercial banks partner with local entities (e.g., pharmacies, post offices, supermarkets) to provide basic banking services in areas where opening a branch would be cost-prohibitive.

Brazil pioneered this model. Due to the high costs and low returns of rural bank branches, Brazil authorized entities like lottery outlets and drugstores to offer services such as account opening, withdrawals, deposits, remittances, pension payments, and loan applications — greatly expanding rural access.

Mexico also supports agent banking to provide essential services, allowing banks to assume transaction risks. Kenya revised its Banking Act in 2009 to enable agents to offer services like deposits, withdrawals, balance inquiries, and bill payments.

By outsourcing services to agents, banks reduce operational costs in remote areas, while residents benefit from better accessibility and service availability[3][4].

### 2.2 Simplified Bank Accounts

Opening bank accounts often involves high economic and time costs, deterring low-income individuals. Requirements such as minimum deposits, proof of income, and extensive documentation raise the barrier to financial inclusion[5][6].

To counter this, countries like Mexico have launched simplified accounts that offer basic services such as deposits and withdrawals with minimal documentation and no minimum balance. In 2009, Mexico revised its anti-money laundering laws to ease account-opening procedures.

### 2.3 Mobile Payment Model

Kenya's mobile payment model is internationally recognized. Mobile payments allow users to conduct financial transactions via mobile phones. In rural and underdeveloped Kenyan regions, many residents lacked bank accounts and formal services.

As economic growth and urbanization increased, so did remittance needs. Traditional postal systems were insufficient and insecure. In 2007, Safaricom launched the M-PESA service, embedding financial functions directly into SIM cards. Even basic mobile phones enabled users to transfer funds, make payments, and check balances — significantly improving financial accessibility.

### 2.4 Microfinance Model

Microfinance focuses on providing financial services to the poor, low-income households, and micro-enterprises. It includes community-based microloans, microsavings, and microinsurance. Indonesia and Bangladesh are notable examples.

Indonesia has over 5,000 microfinance institutions (MFIs), including banks, cooperatives, and foundations. The government supports MFIs through regulatory frameworks, enabling growth.

Bangladesh’s Grameen Bank is world-renowned for group-guaranteed microloans targeting rural women and disadvantaged populations. Recognized by international organizations, Grameen is the world's largest microloan provider and has significantly contributed to poverty alleviation and microenterprise development.

### 2.5 Biometric Identification Model

In countries without national ID systems, lack of documentation can block access to financial services. India faced this issue until launching the Aadhaar system. The government registered over a billion citizens, issuing 12-digit biometric IDs containing fingerprint and iris data. This system greatly enhanced account accessibility and security[7].

### 2.6 Government-Driven Model

Mexico established the National Council for Financial Inclusion in 2011 to coordinate inclusive finance strategies, promote infrastructure development, and encourage collaboration between commercial banks and MFIs. Governments in countries like Kenya, India, and the Philippines also drive financial inclusion via policy design and institutional support. Table 2 shows the main models of financial inclusion by country

**Table 2. Comparison of Inclusive Finance Models**

| Model | Representative Countries | Key Features |
|---|---|---|
| Agent Banking | Brazil, Kenya, Mexico | Delegated services by local merchants under bank supervision |
| Simplified Accounts | Mexico, Philippines, India, Brazil | Minimal documentation, reduced costs, low barriers |
| Mobile Payments | Kenya | SIM-based transactions without smartphones |
| Microfinance | Indonesia, Bangladesh | Group-based lending, savings, and insurance services |
| Biometric ID | India | Solves ID barriers via national biometric system |
| Government Initiatives | Mexico, Kenya, India, Philippines | Institutional coordination and infrastructure development |

## 3. Localized Practice Path in China

Despite starting late, China’s financial system has rapidly advanced. It is crucial to learn from global experiences to strengthen China’s inclusive finance. Problems faced in Brazil, India, and Bangladesh are highly instructive.

### 3.1 Optimize Inclusive Financial Systems

China should build a comprehensive rural financial service network leveraging existing rural financial institutions. This system should integrate state-owned and joint-stock banks, policy banks, and insurance firms to provide multi-functional services. Shared agency outlets can centralize services, reduce costs, and expand coverage. Information-sharing among institutions further enhances efficiency[8].

### 3.2 Fully Develop Internet Finance

To reduce financing costs, China should promote internet-based services such as P2P lending, online credit, and third-party payments. Digital platforms enhance transaction efficiency, lower costs, and bypass geographic barriers—especially helping SMEs access flexible capital[9].

As SMEs grow in quality and profitability, banks benefit from increased interest and business revenue, aligning with market logic.

### 3.3 Improve Financial Governance Systems

China must refine financial oversight based on international lessons. High-risk investments should face stricter funding controls, project vetting, and performance reviews. New guarantee systems should be created for groups lacking conventional collateral. Tax incentives and regulatory reforms can guide orderly fund flows and stabilize financial markets[10].

### 3.4 Promote Sustainable Development

Long-term inclusive finance depends on both government subsidies to reduce operational costs and robust infrastructure support. Institutions should seek long-term funding through debt issuance to strengthen service capacity and sustainability[11].

## 4. Summary and Reflections

China has made inclusive finance a national priority. With active participation from financial institutions and government guidance, public awareness of financial inclusion is higher than ever. China has actively adapted successful international models to its unique conditions and harnessed opportunities presented by the IT revolution.

Despite progress, China still lags behind developed nations in metrics like bank account and credit card ownership. However, infrastructure expansion and service access have improved rapidly, suggesting strong momentum in closing this gap.

## References

[1] China Banking Regulatory Commission. Banking Financial Institutions Supporting Small and Medium-sized Enterprises [R/OL]. http://cbrc.gov.cn, 2015-8-18.
[2] JINPU Jiao. International Experience of Inclusive Finance [J]. China Finance, 2014(10): 68–70.
[3] GUOWEN Hu, XU Shuai. Brazil's Agent Banking System [J]. China Finance, 2012(05): 43–44.
[4] XIANGMEI Fan, DI Liao. Differences and Influencing Factors in the Development of Financial Inclusion between China and Other Countries [J]. Economic System Reform, 2017(5): 175–180.
[5] XIANG Xiao. International Comparison of Financial Inclusion and Its Implications [J]. Jiangxi Social Sciences, 2013, 33(7): 56–59.
[6] Chakravarty S.R., Pal R. Measuring Financial Inclusion: An Axiomatic Approach [R]. Microeconomics Working Papers, 2010.
[7] Sarma M. Index of Financial Inclusion [R]. Indian Council for Research on International Economic Relations, 2008.
[8] TIAN-YONG Guo, XIAO Ding, FAN Yang. How Far Is Inclusive Finance from China? — An International Comparative Perspective Based on Financial Service Accessibility [J]. Financial Market Research, 2016(6): 50–57.
[9] JINPU Jiao, TINGTING Huang, TIANDU Wang, SHAOHUA Zhang, ZHEN Wang. The Development Process and Empirical Research of Inclusive Finance in China [J]. Shanghai Finance, 2015(4): 12–22.
[10] JIA Li. Changes in Financial Structure and the Development of Bank Asset Securitization: Mechanisms and Empirical Evidence [J]. Research in Financial Economics, 2019, 34(1): 67–82.
[11] LIANSHENG Zheng. The Evolution Path and Experience of Shenzhen's Financial Reform and Innovation [J]. Economic Review, 2019(4): 103–110.