



The Role of Consumer Empowerment and Its Comparison in Financial Inclusion in the Global South

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ABSTRACT

This research examines the role of consumer empowerment in advancing financial inclusion across the Global South, focusing on Africa, Latin America, and Asia. The study aims to understand how empowering consumers through economic literacy, protection, and equitable access facilitates meaningful participation in formal financial systems. It employs a qualitative analysis of case studies from Kenya, Bangladesh, Brazil, South Africa, Liberia and India, combined with a review of relevant policy frameworks and innovations in digital financial services.

Findings reveal that consumer empowerment significantly enhances financial inclusion by building trust, fostering financial capability, and enabling access to tailored products. Case studies highlight the transformative impact of mobile platforms like M-Pesa and bKash, Liberia linking the informal financial sector to the formal financial sector pilot project and regulatory measures such as Brazil's consumer protection laws and India's responsible lending guidelines. However, barriers such as limited infrastructure, regulatory gaps, and socio-cultural norms continue to impede progress.

The study concludes that bridging these gaps requires collaborative efforts to strengthen consumer protection, expand literacy programs, and leverage technology for equitable financial access. By

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addressing these challenges, stakeholders can create inclusive and resilient financial ecosystems that drive sustainable economic growth in the Global South.

Keywords: Financial inclusion; consumer empowerment; financial products; digital financial services.

1. DEFINING CONSUMER EMPOWERMENT

Consumer empowerment is fundamental to achieving financial inclusion, especially in the Global South, where socio-economic disparities, low financial literacy, and limited access to formal financial systems create substantial barriers. Empowerment is more than just providing access to financial services; it is about equipping individuals with the necessary knowledge, skills, and tools to make informed decisions, enabling them to actively participate in economic activities and enhance their resilience to financial shocks (Demirgüç-Kunt et al., 2022).

A. What is Consumer Empowerment?

Consumer empowerment refers to the process of enabling individuals to take control of their financial lives by providing them with the capacity to understand and effectively use financial services. This concept involves three key dimensions:

1. Financial Literacy

Financial literacy is the foundation of consumer empowerment. It encompasses understanding various financial products, developing budgeting skills, managing savings, and using credit responsibly. A financially literate individual is better equipped to evaluate financial products, assess risks, and make informed choices that align with their goals (Demirgüç-Kunt et al., 2022).

According to the S&P Global Financial Literacy Survey, only 30% of adults in South Asia and 38% in Latin America are financially literate, compared to 57% in high-income countries (Demirgüç-Kunt et al., 2022). This knowledge gap limits individuals' ability to engage with formal financial systems and contributes to persistent reliance on informal or exploitative financial practices.

Case studies from Kenya highlight the role of mobile money services such as M-Pesa in fostering financial literacy. Through

partnerships with educational programs, users are taught how to budget, save, and transact securely using mobile platforms. By 2022, 55% of M-Pesa users reported improved financial decision-making, showcasing the direct impact of targeted literacy initiatives (Shaikh et al., 2023).

2. Consumer Protection

Financial systems must ensure safety from fraud, predatory lending, and exploitation. Consumer protection frameworks act as safeguards, instilling confidence among users to engage with financial services. Effective protection mechanisms include transparent product terms, clear communication, fair treatment, and accessible grievance redressal systems (Demirgüç-Kunt et al., 2022).

Brazil offers a robust example through its National Consumer Secretariat (SENACON), which mandates transparency in financial transactions. This framework ensures that consumers fully understand the terms and conditions of financial products, protecting them from hidden fees and exploitative practices. SENACON has been instrumental in increasing trust in the financial system, particularly among low-income groups, fostering greater financial participation (Zins & Weill, 2016).

3. Equitable Access

Equitable access to financial services is essential for ensuring that marginalized populations, such as women, rural communities, and low-income individuals, can engage with formal financial systems. Structural barriers often exclude these groups, perpetuating cycles of poverty and economic exclusion (Demirgüç-Kunt et al., 2022).

Digital platforms have played a transformative role in bridging this gap. For example, bKash in Bangladesh has tailored its services to rural populations and women, providing them with accessible tools for savings, credit, and

remittances. Gender-focused campaigns have increased women's account ownership by over 20%, demonstrating the importance of targeted interventions in achieving equitable access (Shaikh et al., 2023).

B. Why Consumer Empowerment Matters

Empowering consumers is a transformative process that not only benefits individuals but also strengthens the broader financial ecosystem. Here are key ways consumer empowerment drives stability and growth (Panakaje et al. 2023, Hendriks 2019, Rozalinda et al. 2024).

1. Promoting Responsible Use of Financial Products

Empowered consumers are more likely to use financial products responsibly, avoiding over-indebtedness and making sound investment decisions. For example, in India, microfinance regulations introduced by the Reserve Bank of India (RBI) emphasize creditworthiness assessments and caps on interest rates, ensuring that borrowers are protected from predatory practices (Karlan & Zinman, 2010). This has led to improved repayment rates and a more sustainable microfinance sector.

2. Enhancing Savings and Investment Behaviors

Financially literate individuals are more likely to save and invest, which contributes to their financial stability and resilience. Studies have shown that households with access to financial education are more likely to maintain emergency savings and invest in income-generating activities (Demirgüç-Kunt et al., 2022).

Mobile platforms like M-Pesa have enabled millions of Kenyans to save securely, with many users transitioning from informal saving methods to digital accounts. The success of these platforms highlights the importance of combining financial literacy with access to user-friendly services (Shaikh et al., 2023).

3. Stimulating Demand for Transparent and User-Centric Services

Empowered consumers demand transparency and fairness in financial products, compelling providers to innovate and improve their offerings. This competition fosters a healthier financial system, benefiting consumers and institutions alike.

In South Africa, the Financial Ombudsman has strengthened consumer confidence by offering accessible mechanisms for resolving disputes, ensuring that financial institutions prioritize accountability (Zins & Weill, 2016). Such mechanisms not only protect consumers but also encourage greater engagement with formal financial services.

C. Broader Implications of Consumer Empowerment

Consumer empowerment has ripple effects that extend beyond individual financial well-being. It plays a critical role in achieving broader developmental goals, including poverty reduction, gender equity, and economic resilience (Sithole et al. 2021, Duvendack & Mader 2019, Esmaeilpour & Karami 2023, Mabrouk et al. 2023, Wealth et al. 2023).

1. Reducing Poverty

By enabling individuals to access and use financial services effectively, consumer empowerment facilitates income generation, asset building, and risk mitigation. For instance, access to credit allows entrepreneurs to expand their businesses, while savings accounts provide a buffer against unforeseen expenses (Cull et al., 2014).

2. Promoting Gender Equity

Women often face unique barriers to financial inclusion, such as restricted mobility, lack of documentation, and societal norms that limit their financial autonomy. Empowering women through targeted financial literacy programs and accessible services can unlock their economic potential (Shaikh et al., 2023).

In Bangladesh, bKash has successfully increased women's participation in the financial system by offering tailored products and conducting outreach initiatives that address cultural and logistical barriers (Demirgüç-Kunt et al., 2022).

3. Building Economic Resilience

Empowered consumers are better prepared to navigate economic challenges, whether at the household or macroeconomic level. During the COVID-19 pandemic, countries with higher levels of digital financial inclusion, such as Kenya and India, were better equipped to

distribute social assistance and maintain economic activity. This resilience underscores the importance of integrating consumer empowerment into financial inclusion strategies (Klapper et al., 2016).

D. Challenges in Achieving Consumer Empowerment

While consumer empowerment holds immense potential, several challenges must be addressed to unlock its full benefits:

1. Low Levels of Financial Literacy

Many regions in the Global South suffer from alarmingly low levels of financial literacy. For example, in Sub-Saharan Africa, only about 20% of adults demonstrate basic financial literacy skills (Demirgüç-Kunt et al., 2022). Without targeted interventions, these knowledge gaps will continue to hinder financial inclusion efforts.

2. Lack of Trust in Financial Institutions

Historical instances of fraud, hidden fees, and predatory practices have eroded trust in formal financial systems, particularly among low-income groups. Rebuilding this trust requires robust consumer protection frameworks and transparent communication (Beck et al., 2007).

3. Technological Barriers

The digital divide remains a significant obstacle to consumer empowerment. Limited access to smartphones, unreliable internet connectivity, and low digital literacy levels prevent many individuals from benefiting fully from digital financial services (Aker & Mbiti, 2010).

4. Regulatory Challenges

Inconsistent or outdated regulatory frameworks can stifle innovation and fail to protect consumers effectively. Governments must strike a balance between encouraging financial innovation and ensuring consumer safety (Sarma & Pais, 2011).

E. Strategies for Enhancing Consumer Empowerment

To address these challenges and maximize the impact of consumer empowerment, the following strategies should be prioritized:

1. Expanding Financial Literacy Programs

Governments, NGOs, and financial institutions must invest in education

initiatives that teach individuals how to manage their finances effectively. Programs should be tailored to specific demographics, such as women, rural populations, and youth, to ensure inclusivity (Karlan & Zinman, 2010).

2. Strengthening Consumer Protection Mechanisms

Regulatory bodies should enforce transparency, fairness, and accountability in financial transactions. Accessible grievance redressal systems, such as South Africa's Financial Ombudsman, can build consumer confidence and encourage engagement with formal financial services (Zins & Weill, 2016).

3. Leveraging Technology

Digital platforms offer unparalleled opportunities for expanding access to financial services. However, efforts must be made to bridge the digital divide through infrastructure development and digital literacy training. Initiatives like India's Pradhan Mantri Jan Dhan Yojana (PMJDY) have demonstrated how technology can be harnessed to promote financial inclusion on a large scale (Demirgüç-Kunt et al., 2022).

4. Promoting Gender-Inclusive Policies

Financial institutions should design products and services that address the unique needs of women, such as microloans for female entrepreneurs and savings accounts with flexible terms. Outreach programs should also challenge cultural norms that restrict women's participation in financial systems (Shaikh et al., 2023).

Consumer empowerment is more than a goal, it is a necessity for achieving inclusive, resilient financial systems. By prioritizing financial literacy, consumer protection, and equitable access, stakeholders can unlock the economic potential of millions in the Global South. While challenges remain, collaborative efforts among governments, financial institutions, and civil society organizations can pave the way for a more inclusive financial future.

2. CONSUMER EMPOWERMENT'S ROLE IN FINANCIAL INCLUSION

Financial inclusion refers to ensuring that individuals and businesses have access to affordable, appropriate financial products and services, such as savings accounts, credit,

insurance, and payment systems. It is a critical enabler of poverty reduction and economic growth, particularly in developing countries. However, financial inclusion cannot be achieved through access alone. Consumer empowerment, equipping individuals with the knowledge, skills, and confidence to use financial services effectively, is a prerequisite for meaningful financial inclusion. Without empowerment, access to financial services may remain underutilized or lead to misuse, diminishing the intended benefits.

a. The Connection Between Empowerment and Inclusion

Consumer empowerment and financial inclusion are deeply interconnected. Empowered individuals are more likely to use financial services in a way that aligns with their needs and financial goals, leading to more significant and sustained economic impacts. Three essential components illustrate this connection:

1. Education and Awareness

Financial education provides the foundation for empowerment. Without a basic understanding of financial products and services, many individuals are unable to engage with formal financial systems effectively. Education enables individuals to compare products, understand terms and conditions, and make informed decisions about borrowing, saving, and investing.

For example, in Bangladesh, financial literacy programs associated with bKash have been pivotal in helping rural populations understand and use mobile money services. By teaching individuals how to securely save, transfer funds, and access credit, these programs have empowered users to improve their financial management and contribute to the country's growing financial inclusion rates (Shaikh et al., 2023).

2. Trust and Confidence

A lack of trust in financial institutions often deters individuals from using formal financial services, particularly in regions where financial exploitation has been prevalent. Empowerment initiatives that emphasize consumer protection frameworks help build trust by ensuring transparency, accountability, and recourse mechanisms.

In South Africa, the Financial Ombudsman has played a crucial role in fostering consumer trust by providing accessible platforms for resolving disputes with financial institutions. This has encouraged greater participation in formal financial markets, particularly among marginalized groups (Zins & Weill, 2016).

3. Access and Usage

Empowered consumers are more likely to transition from informal financial systems, such as community savings groups or moneylenders, to formal systems that offer more secure and regulated services. For instance, M-Pesa in Kenya has demonstrated how digital platforms can enable this transition by providing simple, user-friendly mobile money services that meet the needs of underserved populations (Demirgüç-Kunt et al., 2022). Access alone, however, is not sufficient. Consumers must understand how to use these services and trust that their financial data and transactions are secure. Thus, empowerment initiatives must address not only access but also the barriers to usage, such as digital illiteracy and fear of exploitation.

b. Case Studies: Success Stories

Empowerment initiatives have driven financial inclusion in many parts of the Global South. The experiences of Kenya and Bangladesh are particularly noteworthy:

1. Kenya: M-Pesa's Impact

Launched in 2007, M-Pesa is one of the most successful examples of mobile money transforming financial inclusion. By leveraging mobile technology, M-Pesa has extended financial services to millions of Kenyans, including those in remote areas with limited access to traditional banking infrastructure (Aker & Mbiti, 2010).

M-Pesa's success lies in its simplicity and accessibility. Users can send and receive money, pay bills, and access credit using basic mobile phones, without needing a bank account. Empowerment programs, such as financial literacy workshops, have complemented M-Pesa's expansion, ensuring that users understand how to use the platform safely and effectively. As a result, M-Pesa has not only improved

financial inclusion but also enhanced economic resilience by enabling users to save, invest, and manage financial risks (Shaikh et al., 2023).

2. Bangladesh: bKash and Inclusivity

In Bangladesh, bKash has become a model of financial inclusion by targeting rural and female populations—two groups often excluded from formal financial systems. The platform offers accessible mobile money services, including savings accounts, microloans, and remittances. Tailored financial products and outreach campaigns have empowered women to take control of their finances, breaking down cultural and logistical barriers to participation. Financial literacy programs, particularly those focused on rural women, have played a crucial role in this success. By 2022, bKash had reached over 60 million users, with a significant increase in female account holders (Demirgüç-Kunt et al., 2022).

These case studies illustrate that consumer empowerment is not just a means to an end but a critical driver of sustainable financial inclusion.

c. Digital Inclusion as a Catalyst

The advent of digital financial services has opened new avenues for empowering underserved populations. Digital platforms reduce reliance on physical banking infrastructure, enabling broader access to financial services. However, their success depends on addressing key challenges and opportunities:

1. Convenience and Accessibility

Mobile banking platforms like M-Pesa and bKash provide unprecedented convenience. Users can perform financial transactions anytime, anywhere, using basic mobile devices. This accessibility is particularly impactful in rural areas, where traditional banking services are scarce or nonexistent (Shaikh et al., 2023).

By eliminating the need for physical visits to bank branches, digital platforms save users time and transportation costs, making financial services more affordable and practical.

2. Adoption Barriers

Despite the potential of digital platforms, barriers such as low digital literacy, lack of

trust, and limited internet access can hinder adoption. Addressing these barriers requires targeted education programs that teach users how to navigate digital interfaces securely and confidently.

For example, in Kenya, initiatives to improve digital literacy among M-Pesa users have significantly increased the platform's adoption rates. Workshops and training sessions have taught users how to protect their accounts from fraud, understand transaction fees, and use the platform to meet their financial goals (Aker & Mbiti, 2010).

3. COVID-19 Pandemic Impact

The COVID-19 pandemic accelerated the shift to digital financial services, highlighting the importance of integrating financial literacy with technological tools. During the pandemic, many governments used mobile platforms to distribute social assistance payments, enabling faster and safer delivery of funds to vulnerable populations (Demirgüç-Kunt et al., 2022).

In Bangladesh, bKash played a critical role in delivering emergency cash transfers to low-income households. The platform's ability to reach millions of users quickly and securely underscored the importance of digital inclusion in times of crisis (Shaikh et al., 2023).

However, the pandemic also exposed the digital divide. Individuals without access to smartphones or reliable internet connections were unable to benefit fully from digital services, emphasizing the need for ongoing efforts to bridge this gap.

d. Empowerment Through Digital and Financial Literacy

The role of digital and financial literacy in achieving meaningful financial inclusion cannot be overstated. Empowerment programs must address both traditional financial skills and the ability to navigate digital tools, ensuring that consumers can use technology safely and effectively.

1. Combining Financial and Digital Literacy

Programs that integrate financial and digital literacy are more effective in equipping consumers to use digital platforms. For instance, Kenya's financial

literacy initiatives, conducted in partnership with M-Pesa, have helped users understand not only how to save and budget but also how to avoid online fraud and manage digital accounts responsibly (Shaikh et al., 2023).

2. Targeting Vulnerable Populations

Special attention must be given to vulnerable groups, such as women, rural populations, and the elderly. Tailored training programs can address the unique challenges faced by these groups, ensuring that empowerment initiatives are inclusive.

3. Expanding Access to Digital Infrastructure

Bridging the digital divide requires investment in infrastructure, such as mobile networks and affordable devices. Governments and private sector players must collaborate to ensure that underserved areas have the connectivity and resources needed to access digital financial services (Aker & Mbiti, 2010).

e. The Path Forward

Empowerment and inclusion are mutually reinforcing. As consumers gain the knowledge and confidence to engage with financial services, they drive demand for more inclusive, transparent, and innovative products. In turn, this demand incentivizes financial institutions to develop services that cater to diverse needs, fostering a healthier financial ecosystem.

Governments, NGOs, and financial institutions must prioritize consumer empowerment as a central pillar of financial inclusion strategies. By addressing barriers to digital adoption, expanding financial and digital literacy programs, and fostering trust in financial systems, stakeholders can unlock the potential of millions in the Global South to achieve financial independence and resilience.

3. CHALLENGES AND OPPORTUNITIES

Consumer empowerment holds immense promise for advancing financial inclusion, especially in underserved regions. However, several barriers limit its potential, ranging from infrastructural deficits to socio-cultural obstacles. Addressing these challenges requires targeted

strategies, innovative approaches, and collaborative efforts. At the same time, these barriers present opportunities for governments, financial institutions, and NGOs to design inclusive systems that cater to diverse populations.

a. Barriers to Financial Inclusion

- Limited Infrastructure

In many parts of the Global South, inadequate infrastructure remains one of the most significant barriers to financial inclusion. Physical banking facilities are often concentrated in urban areas, leaving rural populations underserved. Limited access to automated teller machines (ATMs), bank branches, and agents significantly restricts the availability of financial services in remote regions.

Additionally, poor digital connectivity exacerbates the challenge. Reliable internet access, crucial for leveraging digital financial platforms, is often unavailable in rural areas. According to the International Telecommunication Union (2021), over 37% of the world's population remains offline, with the majority residing in low-income countries. Without addressing these infrastructural gaps, efforts to expand financial inclusion through digital platforms will be constrained.

- Regulatory Challenges

Outdated or inconsistent regulatory frameworks can hinder the growth of innovative financial solutions. Fintech companies often face difficulties navigating complex licensing requirements or complying with regulations that were not designed for digital services. For instance, in some countries, mobile money providers are treated as traditional banks, imposing unnecessary burdens that stifle their operations.

Conversely, a lack of clear regulations can also pose risks, as consumers may be exposed to predatory practices by unregulated fintech operators. Striking the right balance between fostering innovation and ensuring consumer protection is a significant challenge for policymakers.

3.1 Cultural and Social Norms

Socio-cultural norms often prevent certain groups, particularly women, from accessing financial

services. Traditional gender roles may limit women's mobility, restrict their participation in financial decision-making, or exclude them from formal economic activities altogether. In Sub-Saharan Africa, women are 9% less likely than men to have a bank account, largely due to these cultural barriers (Demirgüç-Kunt et al., 2022).

Similarly, in rural areas, low literacy rates and a lack of trust in formal financial institutions often perpetuate reliance on informal financial practices. Cultural resistance to new technologies further compounds the issue, making it difficult to introduce digital financial solutions effectively.

- **The Digital Divide**

The digital divide, characterized by unequal access to digital devices, internet connectivity, and technological literacy, is one of the most significant barriers to financial inclusion. While mobile money platforms have bridged some gaps, millions remain excluded due to a lack of smartphones or reliable mobile networks.

Additionally, digital literacy is often low in rural and underserved areas. Without basic knowledge of how to navigate digital platforms, individuals are unable to benefit from the financial services available to them. This divide not only excludes marginalized populations but also limits the scalability of digital financial innovations.

b. **Opportunities to Overcome Barriers**

Despite these challenges, several opportunities exist to create more inclusive financial systems. Governments, financial institutions, and NGOs can leverage innovative strategies and collaborative approaches to address barriers and empower consumers.

- **Infrastructure Investments**

Expanding both physical and digital infrastructure is essential for overcoming access barriers. Governments and private sector players must invest in extending mobile networks, building data centers, and creating digital access points in rural areas.

Additionally, integrating mobile platforms with traditional banking services can increase the reach and usability of financial

services. For instance, mobile money agents can serve as intermediaries, offering basic financial services in remote areas without the need for bank branches. Safaricom's M-Pesa in Kenya is a prime example of how mobile networks can complement physical infrastructure to enhance accessibility.

Investment in renewable energy solutions, such as solar-powered mobile kiosks, can further address connectivity challenges in off-grid areas. These innovations not only expand access but also promote sustainable development.

- **Policy Innovations**

Regulatory reforms are critical to fostering innovation while ensuring consumer protection. One effective approach is the establishment of **regulatory sandboxes** controlled environments where fintech companies can test new products and services under the supervision of regulators. These sandboxes allow policymakers to identify and address potential risks while enabling innovation to flourish.

Incentivizing the development of affordable and user-friendly financial products is another key strategy. Governments can provide tax breaks or subsidies to financial institutions that design inclusive services targeting low-income populations. For instance, India's Pradhan Mantri Jan Dhan Yojana (PMJDY) incentivized banks to open no-frills accounts, resulting in over 430 million new accounts by 2021 (Demirgüç-Kunt et al., 2022).

Clear, transparent regulations can also encourage foreign investment in the financial sector, providing additional resources for expanding financial inclusion efforts.

- **Collaborative Efforts**

Partnerships between governments, NGOs, and financial institutions are essential for addressing multi-dimensional barriers to inclusion. Collaborative efforts can pool resources, expertise, and networks to design and implement effective solutions.

For example, the Consultative Group to Assist the Poor (CGAP) has worked with

financial institutions and governments to develop inclusive banking solutions tailored to the needs of marginalized groups. These partnerships have demonstrated the value of combining local knowledge with global expertise to achieve sustainable results.

Cross-sector collaborations can also promote financial literacy programs. NGOs can play a vital role in delivering community-based education, while financial institutions provide the tools and platforms needed for practical application.

- **Focus on Marginalized Groups**

Targeted outreach to underserved populations is crucial for ensuring that financial inclusion efforts are equitable. This includes designing products and services specifically for women, rural populations, and low-income individuals.

Women's empowerment programs, such as microfinance initiatives targeting female entrepreneurs, have shown significant success in increasing financial inclusion. For instance, microfinance institutions in India, regulated by the Reserve Bank of India (RBI), have provided small loans to millions of women, enabling them to start businesses and improve their livelihoods (Karlan & Zinman, 2010).

Similarly, digital literacy campaigns in Bangladesh have focused on rural women, teaching them how to use platforms like bKash securely and confidently. By addressing the unique challenges faced by these groups, targeted programs can unlock their economic potential and contribute to broader financial inclusion goals.

c. **The Role of Technology and Innovation**

Technology has the potential to address many of the barriers to financial inclusion. Mobile money platforms, biometric authentication, and artificial intelligence-driven credit scoring are just a few examples of innovations that can make financial services more accessible and inclusive.

- **Mobile Platforms**

Mobile money platforms like M-Pesa and bKash have already demonstrated their

ability to extend financial services to underserved populations. These platforms enable users to save, transfer funds, and access credit using basic mobile phones, reducing dependence on traditional banking infrastructure.

- **Biometric Authentication**

Biometric technologies, such as fingerprint and facial recognition, can simplify the process of verifying identities, particularly for individuals without formal documentation. This is especially relevant in regions where many people lack government issued IDs.

- **AI-Driven Solutions**

Artificial intelligence can analyze alternative data, such as mobile usage patterns and social network activity, to assess creditworthiness for individuals without traditional credit histories. These innovations can expand access to credit for marginalized groups while reducing the risks associated with lending.

While the challenges to consumer empowerment and financial inclusion are significant, they also present opportunities for innovation, collaboration, and systemic change. By investing in infrastructure, implementing policy reforms, fostering partnerships, and targeting marginalized groups, stakeholders can create a more inclusive financial ecosystem.

The path forward requires coordinated efforts and sustained commitment. Governments, financial institutions, and NGOs must work together to overcome barriers and leverage opportunities, ensuring that financial inclusion reaches even the most underserved populations. Consumer empowerment is not only a key driver of inclusion but also a catalyst for economic resilience, poverty reduction, and social equity.

4. RELEVANT REGULATIONS AND CASE STUDIES FROM THE GLOBAL SOUTH

In the Global South, regulatory frameworks and successful case studies have played a crucial role in advancing financial inclusion. They highlight the importance of consumer empowerment, tailored approaches, and leveraging technology. Effective regulations

foster trust, ensure transparency, and provide safeguards, while case studies demonstrate how innovative strategies can overcome local barriers and scale financial inclusion efforts.

4.1 Key Regulatory Frameworks

- **Brazil: SENACON and Consumer Protection**

Brazil's National Consumer Secretariat (SENACON) provides a robust framework for consumer protection, emphasizing transparency, accountability, and fairness in financial transactions. SENACON's regulations mandate that financial institutions disclose all terms, conditions, and fees upfront, ensuring that consumers fully understand the products they engage with.

This transparency has been instrumental in building trust, particularly among low-income groups who are often wary of formal financial systems. Between 2011 and 2022, financial inclusion in Brazil rose from 56% to 84%, with consumer protection laws playing a significant role in this growth (Zins & Weill, 2016). By safeguarding consumer rights, SENACON has fostered confidence in financial institutions, encouraging broader participation in the formal economy.

Additionally, Brazil's regulations have spurred innovation. Financial institutions are incentivized to design user-friendly products that comply with transparency requirements. These efforts have resulted in a diverse range of services tailored to the needs of low-income populations, including simplified savings accounts and microloans.

- **South Africa: The Financial Ombudsman**

South Africa's Financial Ombudsman offers a no-cost, accessible mechanism for resolving disputes between consumers and financial institutions. This platform empowers consumers, particularly those from marginalized backgrounds, by providing them with a reliable recourse system.

The Ombudsman addresses grievances related to loan terms, savings accounts,

and other financial products, ensuring fair treatment. By resolving disputes impartially, the platform has strengthened trust in South Africa's financial system, which has contributed to the country's high financial inclusion rate of 85% as of 2021 (Demirgüç-Kunt et al., 2022).

Beyond dispute resolution, the Ombudsman collaborates with financial institutions to identify systemic issues and recommend policy changes. This proactive approach not only addresses immediate consumer concerns but also improves the overall regulatory environment, fostering a culture of accountability and fairness.

- **India: RBI Guidelines on Responsible Lending**

India's Reserve Bank of India (RBI) has implemented comprehensive guidelines to regulate the microfinance sector, a key driver of financial inclusion in the country. These guidelines include mandatory creditworthiness assessments, caps on interest rates, and limits on the number of loans a borrower can take simultaneously (Karlan & Zinman, 2010).

These measures aim to prevent over-indebtedness, a common issue in the microfinance sector. By ensuring that borrowers can repay their loans without financial distress, the RBI has strengthened the sustainability of microfinance operations. This, in turn, has expanded access to credit for millions of low-income individuals, enabling them to invest in small businesses, education, and health.

As a result of these regulations, India's financial inclusion rate has significantly improved. By 2021, over 80% of adults in India had access to formal financial services, compared to just 35% in 2011 (Demirgüç-Kunt et al., 2022).

- **Liberia: Financial Consumer Protection Framework**

Liberia has made significant strides in improving financial inclusion through initiatives led by the Central Bank of Liberia (CBL). The Financial Consumer Protection Framework, introduced in 2020,

aims to build consumer trust and promote responsible financial behavior.

The framework mandates transparency in financial transactions and provides grievance redress mechanisms to protect consumers from exploitation. It also emphasizes financial literacy, recognizing that informed consumers are more likely to engage with formal financial services.

As a result of these efforts, Liberia's financial inclusion rate rose from 35% in 2019 to 52% in 2021, with the CBL playing a pivotal role in this progress (Central Bank of Liberia, 2022).

4.2 Case Studies Highlighting Success.

- Kenya: M-Pesa and Financial Literacy Integration

M-Pesa, a mobile money platform launched by Safaricom in 2007, has been transformative for financial inclusion in Kenya. The platform allows users to send and receive money, save, pay bills, and access credit using basic mobile phones, eliminating the need for traditional banking infrastructure (Aker & Mbiti, 2010).

The integration of financial literacy initiatives has been pivotal to M-Pesa's success. Educational programs have taught users how to budget, save, and transact securely, empowering them to use the platform effectively. By 2022, 55% of M-Pesa users reported improved financial decision-making, demonstrating the impact of these empowerment efforts (Shaikh et al., 2023, Chakrabarty 2011).

M-Pesa's reach extends beyond individual users; it has also enabled small businesses to participate in the formal economy. Entrepreneurs can now access microloans, manage digital payments, and grow their operations, contributing to broader economic development.

- Bangladesh: bKash and Financial Education for Women

In Bangladesh, bKash has emerged as a leading mobile money service, targeting rural and female populations. The platform provides services such as savings

accounts, microloans, and remittance transfers, addressing the needs of underserved groups.

Financial literacy workshops have been integral to bKash's outreach efforts. These workshops, often conducted in partnership with NGOs, teach rural women how to navigate the platform, recognize fraudulent schemes, and manage their finances (Demirgüç-Kunt et al., 2022).

By 2022, bKash had reached over 60 million users, with a significant increase in female account holders. This success underscores the importance of combining financial services with targeted education programs to overcome cultural and logistical barriers to inclusion.

- India: Pradhan Mantri Jan Dhan Yojana (PMJDY)

Launched in 2014, PMJDY is India's flagship financial inclusion initiative, aimed at providing universal access to banking services. The program focuses on opening zero-balance savings accounts, issuing debit cards, and linking accounts to government subsidy payments.

PMJDY has been particularly effective in reaching rural areas and women, two demographics historically excluded from formal financial systems. Financial literacy campaigns have complemented the program, ensuring that new account holders understand how to use banking services effectively and securely (Demirgüç-Kunt et al., 2022).

By 2021, PMJDY had brought over 430 million individuals into the formal financial system, contributing significantly to India's financial inclusion progress. The program's success demonstrates the value of combining policy reforms with consumer empowerment efforts.

- Liberia: VSLA Formalization Pilot Project

In Liberia, the Central Bank of Liberia has partnered with UN Women and other stakeholders to transition Village Savings and Loan Associations (VSLAs) from informal to formal financial systems. This

pilot project, launched in Bong and Nimba Counties, integrates financial literacy training with access to formal financial services, including savings accounts and microloans (Han & Melecky 2013).

By 2023, the project had engaged over 15 VSLA groups, empowering participants to save, borrow, and invest more effectively. Preliminary results indicate increased financial resilience among participants, with plans underway to scale the initiative nationwide (Central Bank of Liberia, 2023).

4.3 Lessons Learned

The experiences of Brazil, South Africa, Kenya, Bangladesh, Liberia and India offer valuable insights into the role of consumer empowerment and regulatory frameworks in advancing financial inclusion:

- **Consumer Empowerment Amplifies Regulatory Impact**

Empowering consumers through financial literacy and protection mechanisms enhances the effectiveness of regulatory frameworks. In South Africa, for instance, the Financial Ombudsman's accessibility has strengthened consumer confidence in the system, encouraging greater participation in formal financial markets (Zins & Weill, 2016, Dupas & Robinson 2013).

- **Tailored Approaches Address Local Barriers**

Financial inclusion initiatives must account for local socio-economic and cultural contexts. For example, bKash's targeted outreach to rural women in Bangladesh addresses gender-specific barriers, while PMJDY in India focuses on integrating rural populations into the banking system (Shaikh et al., 2023).

- **Leveraging Technology Accelerates Inclusion**

Digital platforms like M-Pesa and bKash demonstrate the potential of technology to scale financial inclusion efforts. However, these platforms' success depends on addressing digital literacy gaps and building trust among users.

- **Collaboration is Key**

Partnerships between governments, financial institutions, NGOs, and technology providers are essential for designing and implementing effective solutions. Collaborative efforts can combine resources, expertise, and networks to overcome barriers and drive sustainable inclusion.

5. CONCLUSION

Consumer empowerment plays a critical role in achieving financial inclusion, especially in underserved regions where systemic barriers like poverty, low literacy, and limited infrastructure persist. Empowering individuals with financial and digital literacy, access to fair and transparent services, and the tools to navigate financial systems is vital for fostering inclusive economies. This empowerment not only benefits individuals but also strengthens financial ecosystems, making them more resilient and equitable.

- a. **The Role of Empowerment in Financial Inclusion**

Financial inclusion cannot be achieved through access alone. It requires empowered consumers who can use financial services effectively and responsibly. Expanding financial and digital literacy programs should be a cornerstone of future efforts. Literacy programs educate individuals about budgeting, savings, credit, and risk management while equipping them with the skills to use digital tools safely. For example, initiatives in Bangladesh by bKash have demonstrated how targeted education programs can empower rural women to navigate mobile money platforms, manage their finances, and become active participants in the economy.

Consumer protection frameworks are another critical component. Transparent regulations build trust by ensuring that financial institutions operate fairly, offering accessible grievance mechanisms to address consumer complaints. In South Africa, the Financial Ombudsman has been instrumental in resolving disputes and promoting accountability. Similarly, Brazil's SENACON framework has

mandated transparency in financial transactions, significantly increasing trust among low-income consumers.

Responsible lending practices also underpin sustainable financial inclusion. Over-indebtedness, particularly in the microfinance sector, is a persistent challenge. Regulatory measures, like those implemented by the Reserve Bank of India (RBI), ensure that borrowers are not burdened with unsustainable debt levels. Such policies not only protect consumers but also enhance the stability of financial institutions, enabling them to reach more underserved populations.

Leveraging technology is equally essential. Digital financial platforms like M-Pesa in Kenya and bKash in Bangladesh have transformed access to financial services by reducing reliance on traditional banking infrastructure. These platforms demonstrate the power of user-friendly, technology-driven solutions to scale inclusion efforts. However, for technology to fulfill its potential, efforts must be made to bridge the digital divide by expanding access to mobile networks, affordable devices, and digital literacy training.

b. Collaboration as a Driver of Inclusion

Achieving financial inclusion requires collaboration among a diverse set of stakeholders, including governments, NGOs, financial institutions, and community organizations. Governments provide the regulatory foundation, ensuring that systems operate fairly and inclusively. Financial institutions and fintech companies develop innovative products that cater to underserved populations, while NGOs and community groups offer localized insights and help deliver education programs to those most in need.

Liberia provides a compelling example of the importance of collaboration. The Central Bank of Liberia (CBL) has partnered with UN Women, NGOs, and private sector players to address financial exclusion through initiatives like the Financial Consumer Protection Framework and the Village Savings and Loan Association (VSLA) formalization pilot. These efforts combine regulatory reforms with grassroots-level outreach, bridging the

gap between informal savings groups and formal financial systems. By integrating financial literacy training with access to formal banking services, Liberia has empowered rural communities to save, borrow, and invest more effectively.

c. Lessons from the Global South

Case studies from countries like Kenya, Bangladesh, and India underscore the transformative potential of consumer empowerment when paired with effective regulations and tailored approaches. In Kenya, M-Pesa has demonstrated how mobile money platforms can extend financial services to underserved areas while complementing these services with financial literacy initiatives. Bangladesh's bKash has focused on women and rural populations, combining financial education with accessible services to address cultural and logistical barriers. India's Pradhan Mantri Jan Dhan Yojana (PMJDY) has brought millions into the formal financial system through zero-balance accounts and linked financial literacy campaigns.

These examples illustrate the importance of addressing local barriers. Tailored approaches that account for cultural, infrastructural, and economic contexts are essential for ensuring that financial inclusion efforts reach their intended beneficiaries. At the same time, the experiences of Brazil and South Africa highlight the value of strong regulatory frameworks that foster trust and accountability.

Liberia's efforts further demonstrate the importance of context-specific strategies. The CBL's focus on empowering rural communities through VSLA formalization and financial consumer protection shows how local challenges can be addressed through a combination of regulation, education, and technology. While Liberia's financial inclusion rate remains in the regional average, the country's progress offers valuable lessons for others facing similar challenges.

d. Looking Ahead

The path to inclusive financial ecosystems requires sustained commitment and

innovation. Efforts to expand financial inclusion must prioritize consumer empowerment, focusing on education, protection, and access. Governments and financial institutions should continue to refine regulations and develop innovative, user-friendly products. Technology must be leveraged not only to scale services but also to create solutions tailored to underserved populations.

Collaboration will remain key. By pooling resources and expertise, stakeholders can address systemic barriers more effectively, ensuring that no one is left behind. The experiences of the Global South demonstrate that meaningful financial inclusion is possible when consumer empowerment is placed at the center of strategies.

Liberia's journey exemplifies the transformative potential of targeted, collaborative efforts. By addressing local barriers and leveraging partnerships, the country is building a foundation for inclusive growth. These lessons, combined with innovations and best practices from across the Global South, can guide the global effort to create resilient, inclusive financial ecosystems that drive economic growth, reduce poverty, and empower individuals to achieve their potential.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

The author(s) declare that generative AI technologies such as Large Language Models have been used during the writing or editing of this manuscript.

Below are the details of the usage:

1. Technology Used: OpenAI's ChatGPT, Version GPT-4 (October 2024).
2. Purpose: The AI utilized the author's draft manuscript and refined sections of the manuscript, including expanding content, rephrasing, and enhancing clarity.
3. Prompts Provided:
 - Expand content on 'Consumer Empowerment in Financial Inclusion in the Global South' to include global case studies.
 - Rewrite and condense a conclusion on consumer empowerment.

- Suggest improvements for sections on responsible lending and redress mechanisms.

The author(s) ensured that all AI-generated text was carefully reviewed, validated, and supplemented with original insights, citations, and critical analysis to ensure accuracy, relevance, and compliance with academic standards. Responsibility for the content, accuracy, and integrity of the manuscript remains solely with the author(s).

COMPETING INTERESTS

Author has declared that no competing interests exist.

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