ripple

Accessible and Inclusive Financial Services



Billions of people around the world are still unable to access reliable, affordable financial products and services, making financial inclusion one of the great obligations and opportunities of our time.

Blockchain, Central Bank Digital Currencies (CBDCs) and crypto represent an enormous leap forward in our ability to bring more people into the financial mainstream. Ripple is committed to advancing this effort.

Urgent Need to Expand Financial Inclusion

Easy access to useful and affordable financial products and services is considered a key enabler to reducing extreme poverty and enhancing prosperity, and has been identified as an enabler for eight of the <u>World Bank's</u> 17 Sustainable Development Goals.

Ripple defines financial inclusion as making financial services more readily available to those who do not have access to them today and doing so in a way that is both cost-effective and net financially positive for the people using those services.

Even people who have access to a bank account may remain underserved and unable to use basic payment, savings or credit products because of the high cost of opening an account, expensive remittance fees, a lack of proper identification documents or an economy that operates largely on cash.

These individuals often rely on alternative, more costly financial services such as money orders, check-cashing services or payday loans rather than traditional loans and credit cards to manage their finances and fund purchases.

As Ripple's SVP of Engineering Devraj Varadhan said <u>earlier this year</u>, these technologies can "bring billions of unbanked people into the financial ecosystem and accelerate financial inclusion globally."

Expanding Access through Digital Payments

We have only to look at the incredible strides made by <u>digital and mobile payments efforts in Africa</u> to understand the potential impact of crypto solutions on remittances, CBDCs and other financial products and instruments.

Approximately <u>65% of the adults across sub-Saharan Africa</u> are considered unbanked. This lack of access and a reliance on cash is severely limiting for everything from safe transit to long-term wealth accumulation.

With the advent of digital money transfers and the ability to make payments between mobile devices using a SIM card, millions of people in the region are now gaining access to goods and services without the need for physical cash or identification documents.

Estimates from the <u>Imperial College London</u> indicate that just a 10% increase in digital payment adoption can bring 220 million previously underserved people into the formal financial system.

The transformative power of this change has led to explosive growth in mobile money in the region – <u>11-fold over</u> the past decade, with Africa now home to nearly <u>half of the world's mobile money users</u> and two-thirds of global mobile money transactions.

Similarly, crypto has the potential to fundamentally transform the ways in which underserved people can interact with financial service providers, and do so in more secure and cost-effective ways than mobile. This could lead to significant increases in global economic participation, opportunity and financial resilience for underserved.

Lowering Remittance Fees with Crypto and CBDCs

On average, it costs approximately <u>six percent of a total transaction</u> to send a cross-border remittance in 2022, with sub-Saharan Africa being the most expensive region in the world at 7.84%.

For families that rely on these monies for rent, food, doctor bills and more, those high fees can be crippling. In countries like Lebanon and Tonga, where remittances make up <u>54% and 44% of their respective gross domestic</u> <u>product</u> (GDP), it is an urgent national concern.

Crypto and CBDC remittance solutions can dramatically <u>undercut these costs</u> while also improving the speed and transparency of payments.

A <u>pilot program by Mercy Corps and Sempo</u> that aims to improve efficiencies in cash assistance for refugees in Uganda highlights this potential progression. The pilot will initially use mobile wallets for digital distributions to refugees with a goal to expand the technology to enable cryptocurrency transfers.

With <u>1.5 million refugees</u> in Uganda – the largest refugee-host country in Africa – the project's use of crypto, and more broadly decentralized finance (DeFi) is expected to significantly enhance program benefits by fostering transparent, immutable and efficient cash disbursements on a large scale.

CBDCs Take Aim at Financial Inclusion

CBDCs provide another path for dramatic financial inclusion gains using crypto-powered solutions.

As a digital representation of a country's fiat currency on a blockchain, <u>CBDCs can facilitate financial use cases</u> that would bring more people into the financial mainstream, such as faster payments, more affordable remittances, easier access to credit and more reliable disbursements of government aid.

Use cases of these efforts are already showing promise, such as the <u>Royal Monetary Authority of Bhutan's</u> plan to include the creation and use of digital currency to meet their goal of increasing financial inclusion by 85% by 2023. Meanwhile in the <u>Republic of Palau</u>, Ripple is working with the government to implement digital currency as a part of their commitment to lead in financial innovation and technologies.

These benefits are one of the reasons why 37% of the 1,600 financial leaders from 22 countries surveyed in Ripple's <u>2022 New Value Report</u> said "financial inclusion" and "greater access to credit" were the largest potential breakthroughs for CBDCs.

And with <u>more than 100 countries</u> representing over 95% of the world's GDP actively exploring a CBDC, the impact to underserved populations could be tremendous.

Ripple's Commitment to Financial Inclusion

Financial inclusion is a basic human right, and <u>we believe</u> that blockchain and digital assets have the potential to deliver both economic access and opportunity.

These technologies are well-equipped to significantly lower the cost of remittances around the world, putting more money into the hands of intended recipients faster. They also underpin the rise of CBDCs, facilitating new programs and efforts that will meaningfully advance financial inclusion.

Together with our customers and partners around the world, Ripple is actively working to evolve the global financial system through these crypto-based applications so that it can meet the everyday needs of everyone, everywhere.

<u>Ripple Impact</u> partners with leading nonprofit organizations (NGOs), universities, foundations and mission-driven fintechs to support pilot programs and research that can accelerate financial inclusion globally. In total, we have made \$150 million in donations supporting this effort and our NGO partners operate in more than 80 countries.

Partners like <u>Mercy Corps Ventures</u>, <u>CARE</u>, <u>Mojaloop Foundation</u> and the <u>Bill & Melinda Gates Foundation</u> are pioneering how blockchain and cryptocurrency can expand financial inclusion. Our <u>\$10M commitment</u> to Mercy Corps Ventures alone has produced 16 new investments, 38 technical assistance engagements and seven pilots with fintechs in emerging markets focused on expanding access to financial services for more than 900,000 people worldwide.

Through our University Blockchain Research Initiative (<u>UBRI</u>), Ripple co-created and funded the Lab for Inclusive FinTech (<u>LIFT</u>) at the University of California Berkeley. We are working closely with both entities as well as LIFT's research partners to identify and evaluate impactful and scalable digital financial technologies for underserved and vulnerable populations around the world.

These programs and others like them help Ripple fulfill its commitment to create, nurture and scale innovative new solutions that accelerate financial inclusion globally. While there is much more work to be done, we are proud of the positive impact and gains we have already helped to produce around the world.