



Bridging Financial Inequality: Social Impact Banking and Entrepreneurial Responses to the Digital Divide

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ABSTRACT

The digital divide remains an important impediment to financial inclusion especially for the underserved and economically marginalised (Demirgüç-Kunt et al., 2018). In this paper, we explore the significance of social impact in the context of banking and entrepreneurship and highlight the potential through closing the digital divide in the area of access to financial services and in supporting entrepreneurial growth (Suri & Jack, 2016). This paper focuses on the key challenges, novel strategies and policy recommendations based on detailed literature review and case studies from developed and developing countries (Ozili, 2022; World Bank, 2020). It shows the contribution of digital financial services, financial literacy and inclusive fintech to economic equity (Arner et al., 2020). The paper concludes with the call for all players involved to collaborate to guarantee that banking's digital transformation will produce inclusive entrepreneurship and sustainable development (UNCTAD, 2021). Practical implications of the findings highlight the importance of supportive leadership and good technology management, as well as an institutional climate that would encourage innovation to combat technostress in health and support health professional innovation. Such consideration could bolster employee wellness, improve healthcare service delivery, and sustainability in the digital transformation stage. The systematic literature review which has been outlined above will help in providing further insights related to



the theoretical foundations and practical implications of the digital revolution from an institutional view in health care. Future research studies using a mix of quantitative models, longitudinal studies and healthcare-oriented setups will further enrich research into how technological strain, leadership practices, and management culture interact on innovations of work behaviour and performance in an organisation.

1. Introduction

Rapid digitization of banking services has brought about rapid changes to global financial markets with the unprecedented sense of convenience and accessibility (Arner, Barberis, & Buckley, 2016). But this shift has not only revealed, but in some instances actually entrenched, existing disparities in access to banking and finance. The digital divide, the disparity between consumers that have access to digital technology and those that do not, has emerged as one of the key issues in the dialogue on financial inclusion and entrepreneurship (World Bank, 2020).

Digital banking has the potential to democratize the means for access to financial services, but at the same time it risks leaving out the people without the digital literacy, internet connection, or technological infrastructure required. This exclusion disproportionately impacts women, rural and low-income residents, and small entrepreneurs (Demirgüç-Kunt et al., 2018). As a result of this, the social impact of banking needs to be considered, not just from a perspective of its profitability and operational efficiency but also at the level of equity, inclusion, and empowerment (UNCTAD, 2021).

This paper explores how addressing the digital divide in terms of banking access can engender entrepreneurship and positive social change. It explores barriers to digital financial inclusion, entrepreneurship on economic development, and the actions banks, governments and civil society can take to drive inclusive digital transformation (Ozili, 2022; Suri & Jack, 2016).

2. Literature Review

2.1 Financial Inclusion and Entrepreneurship

Financial inclusion stands for the ability of all individuals and businesses to obtain and use the same kind and extent of services regardless of their income level or social status. According to the (World Bank 2022), financial inclusion is a fundamental driver in fighting poverty and lifting off prosperity. It enables people to save, invest, and manage risks and helps entrepreneurs and their firms to have access to capital,



handle cash flows and grow. So, you see, entrepreneurship, especially in developing markets, is about need more than opportunity. Informal business can be transformed into sustainable business with access to formal financial services.

In an investigation conducted by (Bricknell and Kertay 2024) of South Africa, it was found that greater financial inclusion enabled a high degree of entrepreneurial behaviours due to lower transaction costs, greater access to credit and the option for digital payments. Nevertheless, various barriers to the acquisition of financial services—including high bank charges and documentation requirements, coupled with limited financial literacy—continue to undermine people from underserved groups. Disadvantages associated with access to financial services are only made worse by the digital divide: the digital divide further reduces the economic potential of certain groups of people (Demirgüç-Kunt et al., 2018; Suri & Jack, 2016).

2.2 The Digital Divide in Banking

Digital Divide in Banking refers to disparities in access and use of digital financial services. These gaps are affected by income, education, gender, age, and geographic location. Based on the (Global Banking & Finance Review 2024) people from rural and low-income regions have no access to smartphones, computers or reliable internet connectivity, which creates challenges for using online banking and mobile payment systems. Additionally, digital literacy greatly affects whether individuals are able to make full use of digital financial services. Lack of trust in digital platforms, fear of fraud, and cultural barriers further aggravated the divide (Demirgüç-Kunt et al., 2018). Women are especially challenged to access digital financial services. For instance, in West Africa only 37% of women have bank accounts, compared to 48% of men, and more than 60% of women in rural areas lack access to digital tools (Melton Foundation, 2025).

2.3 Social Impact of Values-Based Banking

Values-based institutions — or banks as they are also called by the Global Alliance for Banking on Values [GABV] — prioritize social and environmental impact along with monetary returns for their business operations. They build products and services in line with what underprivileged communities need, fostering financial literacy and sustainable entrepreneurship (GABV, 2022). Values-based banks provide microloans, financial education, and mentorship programs to women and minority entrepreneurs, for example. They also invest in projects supporting community development and advocate for policies



for financial inclusion. In this way they help to bridge the digital divide and support more inclusive entrepreneurship from the point of view of social impact objectives (GABV, 2022; UNEP FI, 2021).

3. Research Methodology

This research uses a qualitative research method to access secondary data from academic journals, policy papers, and case studies (Creswell & Poth, 2018). The literature review is complemented with examples from various countries, including South Africa, Brazil, India, and the US to showcase the digital divide is global, and countries around the world are using different strategies to address the issue (World Bank, 2022; UNCTAD, 2021). The review has been structured around three major themes. Hurdles of digital financial inclusion (Demirgüç-Kunt et al., 2018). Entrepreneurialism for economic empowerment (Bricknell & Kertay, 2024). Approaches to bridging digital divide in banking (GABV, 2022; Suri & Jack, 2016)

4. Barriers to Digital Financial Inclusion

4.1 Infrastructure and Connectivity

The lack of technological infrastructure is one of the biggest barriers to digital financial inclusion. Internet access in rural and poor areas can be limited or prohibitively expensive. Barriers towards digital divide are based on infrastructure constraints, affordability, and growing demand for digital skills training (Rise Economy 2023). Subsidies for internet subscriptions and devices like those offered through the Affordable Connectivity Program in the United States help meet those barriers (Federal Communications Commission, 2023). Banks are able to support local organizations in providing digital literacy training and donating devices in order to foster inclusive access to financial services (UNCTAD, 2021).

4.2 Digital Literacy and Trust

Setting aside infrastructure, a lack of digital literacy may prevent people from accessing digital financial services. People, particularly older adults and those with lower levels of education, find it difficult to use online banking systems or mobile applications (OECD, 2021). Moreover, fraud, data privacy, hidden charges and other problems can challenge people's confidence with digital financial tools (Demirgüç-Kunt et al., 2018; GSMA, 2022).

Financial institutions need to spend time and money on the user interface, like usability, supporting multiple languages, and also run educational campaigns so that new users know how to trust it to gain confidence. Community-led training programs, especially those delivered by reputable local



organizations, demonstrate effectiveness in the digital literacy and financial inclusion area (UNCTAD, 2021; Rise Economy, 2023).

4.3 Gender Disparities

The digital divide is especially harmful to women. They are limited in their access to digital financial services by cultural norms as well as lower levels of education and less access to mobile phones and the internet. Women in many societies also own fewer assets and lack formal identification — making it often impossible for them to open bank accounts or secure credit. There are interventions that address such inequalities, such as the Batonga Foundation’s digital empowerment platform in Benin and Senegal that offers women tools in the digital space along with financial education and business skills (Melton Foundation, 2025).

5. Entrepreneurship as a Tool for Social Impact

5.1 Role of Entrepreneurship in Economic Development

Entrepreneurship is generally regarded as one of the most significant contributing factors to economic growth, employment and innovation. Small and medium-sized enterprises (SMEs) constitute a large proportion of employment and GDP in the developing world (OECD, 2020). Many entrepreneurs work informally, with limited access to formal financial services, business training, and legal protections (UNCTAD, 2021).

However, financial inclusion is one of the tools that helps to formalize these businesses, so that they can get credit, mitigate risk and get bigger operations. Digital financial services have been essential as mobile banking and e-wallets have been extremely disruptive in areas like Sub-Saharan Africa whose traditional banking infrastructure is under-served (Suri & Jack, 2016; GSMA, 2022).

5.2 Financial Inclusion and Entrepreneurial Success

Access to finance is a major driver of entrepreneurial success. Research, for example, (Fernandes, Grochau and Ten Caten 2023) shows that social enterprises with external financing were more likely to achieve their social and economic goals (in Brazil). However, some social entrepreneurs find it challenging to secure external financing due to perceived risk, absence of collateral, and lack of background (OECD, 2020).



Investments made with the aim of creating positive social and environmental impact in addition to financial returns in impact investing have been outlined as a tempting alternative. Impact investors help by funding businesses that promote social entrepreneurship to balance traditional finance and social entrepreneurship (GIIN, 2022; UNDP, 2021).

6. Strategies for Bridging the Digital Divide

6.1 Public-Private Partnerships

The digital divide can be alleviated only through a joint effort among government, financial and civil society actors. Partnerships between public and private sector can draw from the complementary capabilities of each sector to develop scalable and sustainable strategies. For instance, the “Delete the Divide” initiative in Los Angeles County brings together public agencies, private companies, and community organizations to provide digital access, training, and support services to underserved communities (Rise Economy, 2023). Banks also must play an instrumental role by investing in broadband infrastructure, supporting digital literacy programs, and offering tailored financial products to underserved populations (UNCTAD, 2021; World Bank, 2022).

6.2 Mobile Banking and Agent Networks

Mobile banking has emerged as a disruptor in underprivileged areas. In Kenya, for example, M-Pesa and other mobile money platforms have transformed financial access, allowing users to send and receive money, pay bills, and access credit using simple mobile phones (Jack & Suri, 2014; GSMA, 2022). Retail as an intermediary in agent banking serves a great purpose for bringing banks to rural and remote locations. While these agents might not be in a traditional branch, they offer account opening, cash deposits, and applications for loans (World Bank, 2020; CGAP, 2021).

6.3 Financial Literacy and Education

Improving financial literacy is one of the pillars for digital financial inclusion. Educational programs must cater to population-specific issues: language, culture, and literacy levels (OECD, 2021). Interactive tools, community workshops and peer to peer learning are among the ways in which user interaction tools can be useful and effective (UNCTAD, 2021; GSMA, 2022) – especially for use in trusted local organizations. Banks and fintech companies can also provide education to users on their platform, providing tips, tutorials and alerts to make informed financial decisions. This embedded learning can



instill confidence in these users and reduce the chance of mistakes, especially for the initial users of digital banking, as they're very new to them (World Bank, 2022; Rise Economy, 2023).

7. Case Studies

7.1 Financial inclusion and entrepreneurship in South Africa.

South African government measures on digitalisation of the social grants' payments have successfully facilitated enhanced ownership and access to cash and credit to low-income households (World Bank, 2022). Nevertheless, issues with high bank costs, insufficient documentation, and restricted financial literacy continue, especially within disadvantaged and underdeveloped regions (UNCTAD, 2021). According to a study conducted by Bricknell and Kertay in 2024, while digital banking has brought down transaction costs and provided access, many entrepreneurs still struggle to access credit and manage their finances properly. Some recommendations are to streamline the processes for banking, increase the number of bank branches and ATMs in rural areas to ensure that digital financial inclusion is part of the real economy (OECD, 2021; Rise Economy, 2023).

7.2 Brazil: Positive Impact of Investing in Social Enterprises.

Impact investing has attracted increasing attention in Brazil because of how it can facilitate the development of social enterprises. A study by (Fernandes et al. 2023) also pointed to the antecedents for external financing among social enterprises, stressing on the significance of institutional support, regulatory environments, and investor readiness. They identified that the social enterprises with strong governance structures, clear impact metrics, and scalable business models were more prone to attract funding. This reinforces the importance of capacity-building initiatives for entrepreneurs desiring impact investment (GIIN, 2022; UNDP, 2021).

7.3 India: Digital Financial Services for Women

Digital literacy and financial services: a study published in January 2022. In India, schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY) have been launched to promote financial inclusion with no-frills banking accounts for the impoverished (Government of India, 2020). Nevertheless, there are gaps in gender equality, with women experiencing difficulties like lack of identification, limited mobility and limited digital literacy (Khera, 2019; Sanyal & Rao, 2021). NGOs and fintech companies are endeavoring to fill in these gaps by providing women-only banking and mobile-based financial education and microloans for women entrepreneurs (IFMR LEAD, 2020; GSMA, 2021).



8. Policy Recommendations

1. **Invest in Digital Infrastructure** Governments must invest in broadband infrastructure that is needed to make digital financial services equitable, particularly in rural and underserved areas (World Bank, 2022; UNCTAD, 2021).
2. **Promote Digital Literacy** National financial literacy programs must include digital competencies training for the younger generation, especially for the vulnerable groups such as women and youth, to help enable users to interact with the digital world with confidence (OECD, 2021; GSMA, 2022).
3. **Support Inclusive Fintech Innovation Sandboxes** and innovation hubs should be developed to facilitate the development of fintech services and services that meet the needs of underdeveloped communities, encouraging experimentation and inclusive product design (GABV, 2022; UNDP, 2021).
4. **Encourage Public-Private Collaboration** Public-private cooperation promotes the establishment of cross, multi, and cross-sectorial platforms to share how best across the digital divide in ways of closing the gap (Rise Economy, 2023; CGAP, 2021).
5. **Strengthen Consumer Protection** Develop Consumer Protection Regulations that will promote transparency (on services provided), data rights (privacy of consumer data), and fair treatment (discrimination against customers based on their age, gender, sexuality and ability) of digital financial services that are used by new consumers (Demirgüç-Kunt et al., 2018; OECD, 2021).
6. **Foster Gender-Inclusive Policies** Promote gender-sensitive policies Financial inclusion policies must be developed to address gendered inequalities and increase female access to digital tools and finance with particular reference to rural and low-income communities (Melton Foundation, 2025; GSMA, 2021).

9. Conclusion

The digital divide in banking access is not only a technological challenge but also a social imperative (World Bank, 2020). This is especially true as the digital aspects of financial services play an important part in economic participation and in its expansion, we need to ensure that no one is left behind — this is



necessary for inclusive development (Demirgüç-Kunt et al., 2018). Entrepreneurship, when supported by accessible and inclusive financial systems, is an engine of social and economic transformation (UNCTAD, 2021).

Banks, Governments and Civil Society need to collaborate and facilitate an environment in which digital tools allow everyone, regardless of background, to get involved with the financial system to fulfil their entrepreneurial potential (Suri & Jack, 2016; Ozili, 2022). Only by embedding social impact into the core of banking and entrepreneurship can we establish a more equitable and resilient global economy (Arner, Barberis, & Buckley, 2020).

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