

# Financial Inclusion and Market Development in South Sudan

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## **Abstract**

This study aims at exploring the needs and importance of financial inclusion in relation to socio-economic development in the context of South Sudanese society. To ascertain gender gaps in regard to financial services, examine the state of financial infrastructure in rural areas and investigate policies and regulatory framework on financial inclusion and market development in South Sudan. The study highlights the significant findings which show that financial inclusion is less developed in South Sudan compared to East African countries. These findings also spotlight the need for further research but also suggest that policy and regulatory frameworks aimed at fostering more inclusive financial markets should consider the structural characteristics of financial inclusion and market development to ensure effective outcomes for the consumers and regulators. However, Financial Inclusion is a priority worldwide because it supports inclusive growth and achieves sustainable Development Goals. Moreover, South Sudan now faces serious economic downturn by its high dependence on oil which heighten the state of fragility although it's slowly recovering from the conflicts. Hence recently there is a progress in oil exports boosting GDP projection from 2025-26 despite the challenges related to conflict in the Sudan which recurrently disrupted export of crude oil through Port Sudan. Nevertheless, political instability, high debt, climate shocks, and weak governance hinder diversification and create large humanitarian needs and affect service delivery such as infrastructural development. Furthermore, studies showed that financial inclusion is positively related to the income and educational levels of the population. Studies also reveal that gender disparity, age, and lack of appropriate policies and regulatory framework can play negative role in harnessing financial inclusion in the country. The study carried out analytical and comparative analysis based on primary sources such as national legal frameworks and secondary sources such as books, websites, journals, articles and research papers etc.

Consequently, the study recommends Bank of South Sudan BoSS to develop under-developed financial sector, formulate enabling policies e.g. NFIS, legal and regulatory environment and expand diversification of financial products and services.

**JEL codes: G20**

**Key words:** Financial Inclusion, Financial exclusion, gender gaps, pension, Nationality certificate/ID card, literacy.

## 1. Introduction

This overview of the study on financial inclusion and market development in South Sudan focuses on the barriers to the use and access to financial services and products, the study will explore general background to the financial inclusion and the significance of inclusivity in contribution to economic growth and development.

Due to a prolonged civil war between the North Sudan (Arabs) and South Sudan (Africans), which led to a comprehensive peace agreement (CPA) in 2005, and after six years of transitional period, the independence of South Sudan came to reality in 2011. Since South Sudan attained its independence, it has continued to suffer from political instability, economic stagnation, conflict and poverty<sup>1</sup>. The actual population of the Republic of South Sudan is estimated to be 12 million people covering a geographical area of 648,051 mk<sup>2</sup>, with 64 tribes inhabited in ten states and three administrative areas in which 60% of the land remains untapped, FAO reported.

Tribal conflicts, cattle raiding, and inter communal conflicts have created instability in the country. As a result, high poverty prevalence and precursor existence of low standard of living among the vulnerable groups. On the other hand, conflicts have contributed to an enviable financial system, which is the lifeblood of the economy. The 21 years of marginalization, depression and discrimination and after the independence in July 2011, the country experienced numerous political and economic challenges that contributed massively to the underdevelopment of physical infrastructure, as well as financial system, coupled with the aftermath of 2013 and 2016 conflicts that created enormous gaps in financial inclusion and market development. The country's economic downfall originated after the shutting down of the oil pipeline in 2012, due to tensions between South Sudan and Sudan (Johnson, 2016). This created a series of economic downturns such as high inflation, and shortage in the country's foreign exchange reserve since oil was one of the country's only exports at the time.

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<sup>1</sup> GSM Association), Jan. 2023

As a result, the pipeline was shut down and the decision to stop the oil had immediately impacted the South Sudanese economy, because the reserve available then was not sufficient enough to meet the needs of a sovereign State. Furthermore, the eruption of conflicts in 2013 and 2016 had displaced 4 million people from their homes across the country, most of physical infrastructure was destroyed, and financial system was enviable<sup>2</sup>. As a result, austerity measures were introduced as part of the government's efforts to minimize expenses with an intension of leveraging both fiscal and monetary policies to stabilize the economy.

In 2018, after the signing of the R-ARCSS, the R-TGNU was mandated to revise the National Development Strategy (NDS) and implement it in letter and spirit. The National Financial Inclusion Strategy (NFIS) is prepared within the overall framework of the Revised National Development Strategy (2021 – 2024). The themes of the Revised National Development Strategy (R-NDS) are to consolidate peace and stabilize the economy. These themes are underpinned by the R-NDS call for inclusive economic growth of which financial inclusion is one of its pillars. It is also important to note that the strategy is formulated in the context of Maya Declaration of 2011, which commits countries interested in financial inclusion and financial market development. Therefore, it requires these countries to commit themselves to the following principles. First, creating an enabling environment that increases access to and lowers costs of usage of financial services. Second, implement a proportionate regulatory framework that balances financial inclusion, integrity, and stability. Third, integrate consumer protection and empowerment as a pillar of financial inclusion. Fourth, using data to inform policies and track results. This strategy is committed to the above four key action-oriented principles. In this regard, the Bank of South Sudan (BoSS) has the overall responsibility for the observance of these action-oriented principles by identifying the enablers and drivers, which would ensure the success of a financial inclusion strategy.

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<sup>2</sup>Helda Johnson, South Sudan the untold story from independence to civil war 2016

Nonetheless, the vision of the NFIS for South Sudan is the “universal access to and usage of a broad range of quality and affordable financial products and services. This strategy is formulated on the premise that financial inclusion can ignite faster progress, in South Sudan, toward the achievement of the cardinal objectives of the liberation struggle. The financial sector comprises of commercial banks and non-bank financing institutions, and the sector has recently grown rapidly, as of now, the BoSS supervises and regulates licenses of commercial banks. The table below explains development of the banking and non-banking institutions in the country. Nevertheless, the major impediments facing market development as well as digital financial services and financial inclusion in South Sudan include and not limited to the lack of awareness and literacy among the rural population of the country which is hindering the growth of the economy as majority of the population does not have access to formal credit.

Consequently, the concept of financial inclusion is undermined. ‘Financial Inclusion’ refers to the process of enabling access to useful financial products/services to all the sections such as economically weaker, underserved, underprivileged, low-income group and other vulnerable groups such as people living with disability in the society to have better standard of living and have access, quality and use of financial services and product in a transparent and sustainable manner. Financial inclusion takes into account the participation of vulnerable groups of society based on the extent of their access to financial services such as savings, payments, credit, insurance, pensions and so forth.

To enhance digital payments, financial services and market development in South Sudan, it is important to consider the demand side as well as the supply side of the financial system requirements, legal and regulatory barriers that are contributing to the development of digital and financial services. This is attributed to the past conflict that displaced thousands including South Sudanese with dwell citizenship (resettlement), destroyed capital, interrupted means of communication and obstructed the development of the digital and financial inclusion system.

The previous Sudanese war and internal conflicts bear negatively on the economy, (D’Agoot, 2013; Garang, 2014; Nyaba, 2015). Financial

inclusion and digital innovation create opportunities for countries to build more inclusive, productive and prosperous societies (Bill & Melinda, France G7 2019); unsupportive infrastructure, past conflict legacy, and general fragility are among the obvious impediments to the financial inclusion and market development in the country.

Our paper highlights the major impediments to financial inclusion and market development and assess the impact of the conflict on financial services. It offers suggestions to enhance access to finances through provision of adequate financial services and products to the unserved and underprivileged population. This research examines the importance of financial inclusion in social and economic development, and look at the gaps related to gender aspects and the necessity to build financial as well as physical infrastructure, investigate the cause of high financial illiteracy, endemic poverty, and consumer negative attitude (distrust) towards financial as well as digital innovation. The study will also investigate policy and regulatory framework in regard to financial inclusion.

### **Objectives of the Study**

- To explore the needs and significance of financial inclusion on economic and social development of the society.
- To ascertain gender access to financial services.
- To examine the state of financial infrastructure in the rural areas
- To investigate policies and regulatory framework on financial inclusion.

### **Research Questions**

- This study explores four research questions:
- How does financial inclusion and digital services significantly contribute to the socio-economic growth?
- What is the level of gender access to financial services?
- Has South Sudan developed an effective financial infrastructure to enhance financial inclusion?
- Are there adequate policies and regulatory framework governing financial inclusion?

## **Literature Review**

This section provides a comprehensive literature review of the evidence on financial inclusion assessing both the demand and supply sides drivers and enablers of the inclusivity focusing on the significance of financial inclusion, its impact to socio-economic development, gender gaps that impede access and use of financial services and products, and the availability of financial infrastructure in the rural areas, hence, overview on policy and regulatory framework in regards to financial inclusion. This study identifies the emerging themes in financial inclusion literature and describes the viewpoints of financial inclusion from every facet. The purpose of this paper is to conduct a cross-disciplinary review of the literature and academic activities on financial inclusion and market development.

Both theoretical and empirical literature showed that financial inclusion (FI) is essentially a product of Financial Market Development (FMD). And more importantly, financial inclusion has positive impact on three key macroeconomic outcomes: long-term economic growth, income equality, and poverty reduction<sup>3</sup>. This National Financial Inclusion is, therefore, opportune that South Sudan has just revised, a four-year (2021 – 2024) Revised National Development Strategy (R-NDS). Henceforth, one of the pillars of the R-NDS is the NFIS, which is underpinned on the one hand by a robust legal and institutional framework and on the other by technology, finance, and energy.

### **Theoretical Prospects of Financial Inclusion**

The BoSS defines financial inclusion as “a right of access to appropriate financial products and services deemed necessary for the poor, vulnerable and low-income groups in particular women, people with disabilities at an affordable cost in a fair and transparent manner”. The objective of financial inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential.

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<sup>3</sup> Financial Inclusion: What Have We Learned So Far? What Do We Have to Learn? IMF Working Paper #WP/20/157

In addition, it strives to achieve more inclusive growth by making financing available to the poor in particular. Financial services such as payments, saving accounts, and credit are cornerstones of economic development.

Cnaan, Moodithaya & Handy (2012) explained the term financial inclusion in a simple manner that having a bank account in the household is first step for connecting with the banking system, stated that this can be used effectively as a tool to eradicate poverty and increase economic growth. However, opening an account with a bank or regulated institution such as microfinance institutions, credit union or mobile money service providers would allow the owners to safely and affordably save, send and receive money and subsequently make productive investment in businesses, health and education. It was explained that bank account usage per population is capable to evaluate financial inclusion. This study was undertaken in the rural South India. The gap was found in terms of literacy and advance usage of services even though the accessibility of the account increased.

It was added that the scope of financial inclusion should not be restricted to having a bank account rather it must include access or use of all banking services. It was stated that social and personal deprivation are contributing to increasing financial exclusion and becoming a barrier for a financial inclusion.

According to Barajas (2021), financial inclusion means that households and businesses have access and can effectively use appropriate financial services. It remains the key to enhance access to finance for all (Aduda & Kalunda, 2012; Johnson & Williams, 2016; Ajide, 2017).

It allows economic actors to engage in productive endeavors, including by investing in education and health, saving for retirement, accumulating for social obligations such as weddings, exploiting opportunities, and mitigating against risks), and “That access to formal financial instruments/products reduces poverty, stimulates investment and creates growth, particularly in rural areas” (Van Hove & Dubus, 2019,).

According to the Planning Commission of India (2009), financial inclusion refers to universal access to a wide range of financial services at a reasonable cost.

These include not only banking products but also other financial services such as insurance and equity products.

Household access to financial services includes access to contingency planning, credit and wealth creation. Access to contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household's level of financial literacy and risk perception, revealed the Planning Commission of India.

### **Financial Exclusion**

The concept of financial exclusion has been the subject of increasing interest and debate and is characterized as a situation where a proportion of the population has limited access to mainstream financial services.<sup>4</sup> This part of financial exclusion includes issues related to supply side of the exclusion such as financial and physical infrastructure. For instance, lack of bank branches in the rural areas, inadequate mobile operator, limited energy grid and poor roads connectivity. From the demand side there is low income, financial illiteracy and information asymmetry, and consumer's negative attitude towards innovation.

The term financial exclusion was originally termed by geographers Leyshon and Thrift (1995) as results of limited physical (geographical) access to financial services caused by bank branch closure. Since 1990s attention has been devoted to financial exclusion defined as the extent to which individual, firm and households lack access to mainstream financial products and services including bank accounts payments, savings, credit, insurance (Kempson and Whyley, 1999).

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<sup>4</sup>Leyshon, A and Thrift, N Geography of Financial Exclusion: Financial Abandonment in Britain and the U, Transactions of the Institute of British Geographer, New series, 20(8) 1995, pp.312-341

Financial exclusion is defined as the inaccessibility of useful banking services to vast groups of people, especially economically weaker, underserved or underprivileged. Various researchers have talked of financial exclusion among them are; Leyshon and Thrift (1995) have explained 'financial exclusion' as a process that prevents some sections such as economically weaker and underserved social groups, individuals or areas from accessing the formal financial system which includes financial institutions like banks. The probability of being financially excluded is higher for people who live in rural sectors and locations that are at a distant place from urban financial institutions as compared to those who are living in metropolitan cities. Migration to account-based services typically expands overtime as customers gain familiarity with, and trust in a digital transaction platform.

Devlin (2005) in his research paper has studied the financial exclusion in UK<sup>5</sup>. It has been identified that exclusion from various 'financial services' is affected by various factors such as employment rate, income of households, marital status, age and level of education. It is also shown that ethnicity and social class don't affect the level of financial exclusion. The gender factor had more impact on exclusion whereas influence of region factor was not clear.

There is a need to make strong policies for financial exclusion to improve the level of financial inclusion further. Proper actions and policies will help to cut out exclusion from society. Much more work is required if financial exclusion is to be tackled in a sustained way and if banks are to play a positive and valuable role in this process.

However, financial exclusion can be caused by factors affecting both the demand and supply side, for instance; lack of physical infrastructure, such as bank branches, ATM from the supply side and variables related to age, gender, education and income from the demand side. Also, rigid bank policies and regulations for opening bank accounts can be a great barrier for the adult population to access financial services and products.

Rao (2010) in his research paper has indicated that sometimes shown facts and figures do not describe the actual extent of financial exclusion.

Sometimes the banks do not display the correct facts. For example, banks claim that the accounts are opened, but the verification of those accounts have shown that those accounts are dormant.

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<sup>5</sup>Delvin, James F. A Detailed, Study of Financial Exclusion in the UK, *Journal of Consumer Policy*, 28(1) 2005. Pp 75-108

Very few people do banking transactions and even fewer of them utilize the credit facility from the banks. He argues that many people are thereby denied the option to exploit their earnings capability and hence, are compelled to poverty and marginalization. Research carried out in Northeast India showed that 41% of adult population holds bank accounts, yet only 14% have access to microfinances.

Pal & Pal (2012) elaborated the inequalities that persist on the basis of income across sub-regions in India. It is found that financial exclusion persists more in poor households and contrary, it prevailed in case of rich households too. It is observed that inequalities were found across urban and rural sectors, but comparatively higher in the rural sector.

Researcher added that availability of financial services will boost greater inclusion in poor households. It is concluded that education level, size of household, employment status will affect the usage of financial services in rural as well as urban sector. Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account/savings account on its own, is not observed as an accurate indicator of financial inclusion. As a result, level of education, age, employment status and size of the household can adversely affect financial inclusion.

There could be multiple levels of financial inclusion and exclusion. At one extreme, it is possible to identify the 'super included', i.e. those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. In between are those who use the banking services only for deposits and withdrawals of money. But these people may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

It has been assessed by many researchers that financial inclusion can emerge as commercial profitable business; only banks should be prepared to think outside the box to be creative and innovative. The persistence of the problems despite efforts to combat it calls for innovative thinking on the part of financial institutions on how to serve the unbanked.

## Theory of ID Cards Challenges for Financial Inclusion

The World Bank's "ID4D" initiative estimates that 1 billion people around the world are unable to prove their identity, with over half living in Africa.<sup>6</sup> The nature of the problem varies across African countries. Botswana, Kenya, and Rwanda, for example, have relatively advanced ID card systems in terms of coverage, robustness, and utility. Some, such as Nigeria and Tanzania, are in intermediate stages of development, while others, such as the Democratic Republic of Congo, Ethiopia, and Liberia, have nonexistent or newly emerging ID card systems.<sup>7</sup>

Conversely, with the right policy and regulatory frameworks in place, advances in digital technology, such as biometrics, provide an opportunity for countries to build inclusive ID card systems. Policies that close gender gaps in accessing ID cards can also promote women's economic empowerment and gender equality goals. Across sub-Saharan Africa, men are 9 percent points more likely than women to have a formal ID card, and the gaps are twice as large in some economies, such as Ethiopia and Niger.

Furthermore, mutual recognition of ID cards among countries can accelerate regional integration, which can create economic empowerment for women. Use of a national ID card in lieu of a passport for travel between Kenya, Rwanda, and Uganda has allowed a greater number of women traders to cross borders more often and through regular channels, which has improved their safety and increased business<sup>8</sup>. This approach is also being tried in West Africa, beginning in Côte d'Ivoire and Guinea, with great potential to drive regional economic and social integration<sup>9</sup>.

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<sup>6</sup> The World Bank, "ID4D Database" ([id4d.worldbank.org](http://id4d.worldbank.org), 2007)

<sup>7</sup> Julia Clark, "The State of Identification Systems in Africa: A Synthesis of Country Assessments" report The World Bank 2017

<sup>8</sup> Lucia Hanmer and Jean Lubegga-Kyazze "Opening doors: How national IDs empower women cross border traders in East Africa," World of Opportunity (blog), The World Bank, 2007.

<sup>9</sup> The World Bank, "West Africa Regional Project: Ensuring Mutual Recognition of IDs across Countries" ([id4d.worldbank.org](http://id4d.worldbank.org), 2017)

Nearly 38 percent of the population in low-income countries lacks a foundational or national ID compared to 5 percent of adults in high-income countries.<sup>7</sup> Women are disproportionately affected; 45 percent of women in low-income countries lack a formal ID compared with only 30 percent of men, World Bank (ID4D) reports.

Designing and implementing a well-functioning ID system is not the only challenge: gender-based legal differences and nationality laws that discriminate against women limit women's ability to obtain identification for themselves and their children. In Benin, Cameroon, Congo, Mauritius, and Namibia, for example, (married women are subject to additional requirements to obtain an ID card, such as providing supporting documentation to establish their husband's name).

Building a digital ID system is a complex challenge demanding financial investment, technical capacity, sustained leadership, and cross-sectorial coordination.<sup>8</sup> Fortunately there is global experience that can provide lessons about how to develop a digital ID system that is economically viable and able to manage risks.

### **Barriers to Financial Inclusion**

Where financial exclusion dominates, individuals find themselves involuntarily locked out of financial systems, contributing to slower aggregate growth and persistent inequality, dubbed as a poverty trap (Aghion & Bolton, 1997).

Commercial banks elsewhere find it difficult to expand access to finance on accounts that small size, volatility, informality, and poor governance place constraints on the commercial viability of financial institutions in developing countries (Beck & Cull 2013; IMF, 2021; Garang, 2014, 2015). The situation is more acute for small and medium-sized enterprises (SMEs), which typically cite geographical distance from financial centers, stricter collateral requirements, and information asymmetry as key impediments (Garang, 2015).

The situation becomes even worse in the context of a conflict. Examples from other jurisdictions also confirm that wars affect financial inclusion. Gupta et al. (2002) argued that armed conflicts and terrorism in low-income

countries impose fiscal challenges in the countries they examined, again concluding that in 22 conflicts episodes, armed conflicts weakened financial regulation, unfavorably impacting financial sector development.

Ades et al. (1997) find that political instability in one country has adverse effects on the neighboring countries, arguing that conflict lowers growth through disrupting trade and increasing military spending. Ajide (2017) examines factors affecting financial inclusion in a panel of 18 SSA countries from 2004-2010 and concludes that key determinants of financial inclusion include institutional quality, GDP, and inflation.

Mawejje and McSharry (2021), using the synthetic control method, show that conflict has had a significant economic cost on South Sudan, estimated at \$81.1 billion from 2012-2018. The estimate is higher than Frontier Economics estimated in 2015, ranging from \$22-28 billion for a 5-year period. They identified channels through which conflict affected the economy, namely exports and investment, underscoring that the conflict disrupted oil production, reduced exports, and delayed firm investment decisions. Deng, Hussein, and Mayai (2018) also concluded that a violent conflict is a binding constraint to growth in South Sudan and an obstacle to exiting fragility.

### **Potential Drivers of Financial Inclusion**

This section will explore literature review on key three thematic areas, namely; Digitalization of payments, financial literacy/education, and financial policy;

As stated in the introductory section, the vision of the R-NDS and its principals and National Financial Inclusion Strategy (NFIS) for South Sudan is the “universal access to and usage of a broad range of quality and affordable financial products and services.”

The NFIS has essentially highlighted the importance of initiating a national financial inclusion strategy and its critical role to ensure sustainable peace, economic growth, and poverty eradication. However, in other words, NFIS is the main driver of financial inclusion in the Republic of South Sudan.

Financial and digital inclusion can have a significant impact on economic growth, specifically; widespread adoption and use of digital finance could

increase the GDP of all emerging economies by 6% or a total of 3.7 trillion in 2025. The impact of financial inclusion development on economic growth has a significant internal threshold effect. Promoting small and medium sized enterprise entrepreneurship and stimulating residences consumption are two important channels through which digital financial inclusion development affects economic growth.

Rwanda had established the same strategy which focuses on stimulation of financial sector development by partnering with financial institutions and stakeholders to increase access to and use of financial service, and it is guided by the making Markets Work for the Poor (M4P) approach recognizing that efforts to increase financial inclusion must be carried out by market actors to be sustainable.

Access to Finance Rwanda (AFR) concluded that commercial banks and mobile money remain among the biggest drivers of Digital Financial Services. AFR reported that about 94 percent of banks and 85 percent of Mobile Money operators provided electronic services in Rwanda (FinScope 2020). Since South Sudan has the potential to harness its financial services, NFIS standing on its own cannot meet its expectations, it needs to exert efforts to bring on board partners and other necessary agencies to complete the circle of NFIS with relevant stakeholders to support financial inclusion strategy in the country.

To proceed with the indicators or drivers of financial inclusion and digital services, the GMSA (2022) also indicates that mobile money continues to grow rapidly World-wide providing diverse range of financial products to millions of households and end-users, including by transforming financial services. According to Mats Granryd, the “Director General of GSMA”, mobile money is not just good business; it’s also the key to advancing financial inclusion globally (GSMA, 2022, p. 2). He emphasized that “mobile money has transformed the lives of millions of people globally”.

Today there are 1.35 billion registered mobile money accounts processing \$1 trillion in transactions annually. That is almost \$2 million per minute of transactions, 24 hours a day, 7 days a week, 365 days a year. “Truly remarkable” (p. 2). It shows a tenfold increase from 134 million in 2012 to

1.35 billion registered Mobile Money accounts Worldwide by 2021. Despite the significant investment made in the field of mobile platform and digital transfer payment, women tend to face barriers to access and use digital financial services, because while the access is spreading quickly it is not spreading equally.

These figures continue to rise, as indicated by GSMA 2023 report, showing that there were 4.4 billion mobile internet users in 2022 globally, which is, equivalent to 55 percent mobile penetration. It is also reported that mobile penetration is reaching saturation in most markets around the globe, particularly among adult and urban populations, and indicating that many new subscribers will likely be young consumers and rural dwellers in every region.

Therefore, several studies indicated that financial inclusion has benefited from the deployment of digital money in recent years (GSMA 2020; GSMA, 2023; IMF, 2021; TTL, 2022). Sub-Saharan Africa (SSA) is a leader in mobile money (MM), accounting for almost half of mobile money accounts worldwide.

Although, GSMA (2015) estimates that women are 14 percent less likely than men to own a mobile phone, there is a smaller gender gap in (SSA), compared to the other part of the world (i.e. South Asia) where 38 percent of women are less likely to own Mobile Phones. Thus, there is a substantial variation across the region, particularly between the East Africa, where rates of mobile phone ownership for both men and women tend to be relatively high.

Mobile money is transforming lives and economies (Donovan, 2012); its consistent use to access social and economic services can foster financial inclusion (Amoah, Korle, & Asiama, 2020). In analyzing the role of MM in financial inclusion, Ahmad, Green, and Jiang (2020) consider market structure, pricing, and regulatory implications of MM as key channels to transmit information. Phones improve access to information and firms' communication with suppliers and clients.

Mobile phones accelerate search and the transmission of information, allowing the households to make informed decisions and securing improved

access to financial services, boosting savings and smoothing consumption. Given that MM spans finance and telecommunications, these two different sectors present different regulations, which should inspire inclusiveness, while minimizing fraud and risks (Amoah, Korle, & Asiama, 2020).

MM provides potential benefits by addressing market failure and bringing other tangible benefits (Aron, 2018). It reduces transactions costs of sending and receiving money. It enhances savings through digital money; empowers women and changes bargaining power within the family; and reduces asymmetric information and improves transparency.

Nevertheless, financial education and financial literacy and financial capability are key drivers of financial inclusion. Before exploring the review of the financial literacy, it's important to differentiate between the three terms mentioned in this section;

*Financial literacy:* incorporates the knowledge, skill and attitude of the consumer to make informed financial decision. It introduces people to good practice of management of money. In the view of (Luardi and Mitchell, 2014), financial literacy is the possession of knowledge of fundamental financial concepts to manage financial resources.

*Financial education:* is the process of building knowledge, skills and attitudes to become financially literate and it is a tool to achieve financial literacy and more. Furthermore, Cohen argue that, embracing the related goals of financial education and financial inclusion, require a multiple-stakeholder framework built around consumers, financial services industry and the government.

This is because financial education is the nexus between the government and the stakeholders such as NGOs, and CBOs, they use financial education to promote livelihoods and assets building for the poor and integrate it into a range of activities that include extension services, health education, and business development training or mentoring. Also, financial education uses it to enhance their community profile, increase adoption and use of their products and ultimately, improve performance. And central bankers and regulators embrace financial education to protect consumers from fraud and abuse.

*Financial capability*: it includes the ability and opportunity to use the knowledge, and the skill implied in the financial literacy. According to (Cohen 2010) financial capability refers to bringing together informed client with appropriate products in the marketplace.

### **Financial Inclusion Rudiments for Financial Infrastructure**

To differentiate between the financial infrastructure and physical infrastructure, World Bank Group, the leader of financial infrastructure development in emerging markets, had outlined two key components of financial infrastructure; (i) payment system and remittance, and (ii) credit reporting and secured lending (transactions and collateral registries).

According to WBG experts, financial infrastructure comprises the underlying foundation for a country's financial system. Poor financial infrastructure in many developing countries poses considerable constraints upon financial institutions to expand their offering of financial services, credit, savings and payment services to underserve segments of the population and the economy.

Furthermore, poor payment and settlement systems may exacerbate financial crisis says (WBG). However, key financial infrastructure elements that every developed market can rely on, such as credit bureaus, enforcement of collateral and functioning payment, security settlement, and remittance systems, often do not exist or underdeveloped in emerging markets.

*Interoperability*: refers to the ability of different financial systems to work together. It allows participants in different systems to clear and settle payments or financial transactions across systems without participating in multiple systems. . Interoperability makes it easier and more convenient for customers to transact with each other. Interoperability in cross-border payments is critical to making financial services accessible, affordable, and reliable.

For providers, there is growing demand for interoperability to increase transaction volumes and create new business opportunities. For development agencies and governments, interoperability is considered

important for financial inclusion because it has the potential to introduce economies of scale and scope, create network effects, and allow customers to more easily carry out desired transactions.

If interoperability is done well, this would improve long-term financial inclusion by making it easier for more people to make digital payments. Executed poorly, it can undermine outreach to the poor by limiting their payments options. Given its immense potential, policy makers, development agencies, consulting firms, and international bodies (such as CGAP, the Bill & Melinda Gates Foundation, International Telecommunications Union, and the World Bank) perceive a need to help shape the course of interoperability to ensure better outcomes for financial inclusion.

Given the need to establish interoperable and inclusive payment systems, governments, donors, and the private sector must each do their part. Donors for instance IMF or African Development Bank, or World Bank can provide technical assistance, fund research, and share best practices.

It is important for the government to develop the required policies and regulatory frameworks and provide incentives for the private sector to collaborate. One promising effort is the African Development Bank's, is Africa Digital Financial Inclusion (ADFI) facility, which focuses on promoting pro-poor payment infrastructure across Africa, with the Agency Française de Développement (AFD) as one of its founding members to design targeted initiatives that address the specific needs and challenges women face, including government-led efforts to digitize government-to-person (G2P) payments in a gender-intentional manner. To accelerate the development of inclusive payment systems, the (G7) to support technical and financial assistance to governments through the (ADFI) ensure gender inclusivity.

Initially, service providers were not convinced that sharing a payment platform would be good for business and that a platform could sustainably address the low-value transactions undertaken by the poor. Today, however, a growing number of companies and banks are seeking to expand interoperability on systems that provide a more convenient and beneficial

service capable of sustainably facilitating transactions for all users. We believe it is possible and critical to design inclusive payment systems that provide the infrastructure for delivering savings, credit, and insurance services to marginalized communities; while also unlocking innovation in new pro-poor services, such as pay-as-you-go (PAYGO) rural solar home systems. Customers benefit from network effects and ideally from reduced transaction costs. Governments believe that interoperability can help advance financial inclusion due to reduced transaction costs and can also lower the cost of printing and managing cash.

It has been mentioned in the preceding paragraph that physical infrastructure the same a financial infrastructure, but it is one of the necessary components of financial inclusion; hence it includes telecommunications, aviation, road and bridges, power supply and energy, railways, water supply system, and waste management. However, all the aforementioned components have direct as well as indirect impact on financial inclusion and market development; it is also termed as economic infrastructure. Moreover, social infrastructure such as school, affordable housing and hospitals, have positive impacts on socio-economic development as well.

### **Gender Aspects in Financial Inclusion**

The question on gender dimension about financial inclusion has been a concern in recent years. Women are disproportionately vulnerable and face all aspect of discrimination in many societies<sup>10</sup>.

Closing gender gaps can stimulate growth, strengthen economic and financial stability and reduce income inequality<sup>11</sup>. To measure financial inclusion relative to gender equality, three dimensions have been proposed in the literature - outreach, usage and quality of financial services (Amidžić, Massara, and Mialou 2014). Outreach can be characterized by assessing regional differences in availability of services that may trigger the absence of adequate finances that leave certain segments of the society disadvantaged. Investigating financial exclusion relative to use of financial services may be voluntarily (when individuals have access to services, but chose not to use them) or involuntarily.

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<sup>10</sup>Aterido, R., Beck, T., &Iacovone, L. (2013). Access to finance in Sub-Saharan Africa: is there a gender gap? *World Development*, 47, 2013.pp 102-120.

<sup>11</sup>Adegbite, O. O., & Machethe, C. L. (2020). Bridging the financial inclusion gender gap in smallholder agriculture in Nigeria: An untapped potential for sustainable development. *World Development*, 127, 2020. p104.

Policy recommendations to remedy this problem are straightforward and suggest increased network/education efforts in certain areas in order to enable access for disadvantaged population.

Result from a study done by UN Women and World Bank show that between the age of 20 and 34, women are more likely to be poor than men. Divorce, separation and widowhood affect women more negatively than men. In the 18-49 age group, divorced women are more than twice as likely to be poor than divorce men.

Aterido et al. (2013) demonstrate that lower wage, educational attainment and involvement in formal employment contribute to explaining why, female households tend to be less likely to have access to finance in Sub-Saharan Africa. In the same vein, Grohmann et al (2018) present evidence that financial literacy has a significant influence on women's financial inclusion even after controlling for country-level, institutional and other individual factors.

Adegbite and Machethe (2020) demonstrate that the gender gap in formal financial services in Nigeria is mostly impacted by sociocultural, institutional, legal and regulatory factor. Ogunleye (2017) finds evidence that differential treatment under the law or customs may prevent women from entering into contracts under their own name, including the opening of a bank account. This is a fundamental measure of financial inclusion as having a bank account is the gateway for the rest of financial services and it allows holding and handling money more easily and safely<sup>12</sup>.

## **Regulatory and Policy Barriers**

A variety of global and regional partners are working together to address the remaining regulatory and policy barriers to digital financial inclusion.

The Alliance for Financial Inclusion (AFI), for example, has launched a multi-donor facility that combines peer learning among African regulators, public-private dialogue, capacity building, and in-country policy implementation to advance digital innovation, gender-inclusive finance, and inclusive green finance across the continent.

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<sup>12</sup>Grohmann, A., Klühs, T., & Menkhoff, L. (2018). Does financial literacy improve financial inclusion? Cross country evidence. *World Development*, 111, 2018.pp 84-96. Between 2016 and 2018, over 160 financial inclusion policies and regulations were implemented by African policymakers through engagement in AFI, and an increasing number consider gender-inclusive finance to be a high priority. In addition, the newly launched (UNCDF) Africa Policy Accelerator builds on (AFI's) peer learning and regulatory capacity-building efforts by providing African regulators with sustained, in- country technical support.

The Africa Policy Accelerator will make use of UNCDF's strong country and regional presence across Africa to ensure that local regulators have the technical inputs they need to implement strong and inclusive digital financial regulations. G7 members should help scale up efforts like these, supporting regulators in African markets to create incentives to reduce the gender gap and establish a conducive regulatory environment that is mindful of local realities.

From the foregoing review, the infancy of mobile money in South Sudan can be conceptualized from the conflict-infrastructure-financial inclusion nexus. Past conflicts linked to fragility, limited investment opportunities, financial illiteracy, unreliable power, and unsupportive policy environment are among impediments to mobile money and financial inclusion in the country.

Financial inclusion (FI) has been widely accepted as a goal for the financial sector and economic growth by policy makers throughout the world. Cohen (2010) mentioned that, government and financial institutions should make

effective policies especially, on financial literacy in rural and urban areas, for financial intermediaries' involvement.

The financial intermediaries and banking channels can deliver financial literacy programs effectively (Bongomin, 2020). The BOSS should place special emphasis on policies to successfully achieve financial inclusion in the country. It should employ a bank led approach, such as Basic Savings Bank Deposits accounts for the economically disadvantaged, simple Know Your Customer (KYC) norms, and directions to open more bank branches to provide digital financial services to rural residents. Therefore, policies play an important role in achieving financial inclusion and fostering sustainable growth.

### **3. Methodology**

This research is based on secondary sources of information basically from IMF, World Bank, Financial Access Data (2021), Scholars, Journals and World Development Indicators (2021). This includes financial inclusion indicators; and macroeconomic indicators drawn from relevant institutions of the Republic of South Sudan, NGOs and private sectors entities. The research also relied on vital information obtained from the BoSS, Mobile Money Provider, and ‘Ministry of Interior’ of the Republic of South Sudan.

### **4. Analysis of the Research Findings**

Financial inclusion in South Sudan has drawn the attention of both the government and the non-governmental organizations considering it as a matter of urgency and a right for every citizen to have access and use to financial services and products. This chapter presents and analyzes the findings from the study using descriptive approach involving diagrams and tables.

#### **Drivers of Financial Inclusion**

##### **Digital Identification Card**

A person’s ability to prove their identity or nationality is fundamental to participating in modern life. A formal ID card is often a prerequisite to accessing healthcare, education, receiving government services, gaining formal employment, purchase SIM card, vote, and opening a bank account.

However, many low- and middle-income countries do not have ID systems with the capacity to provide secure and trustworthy ID credentials to the entire population, nor the necessary legal and technical safeguards to prevent the misuse of data or other privacy breaches. Government of South Sudan together with the potential stakeholders introduce alternative IDs such as those issued by Social Payment Program to ease the complexity of considering (KYC) requirements and ID verification. Nevertheless, Know Your Customer (KYC) regulation is a fundamental requirement in South Sudan initiated by BOSS to accelerate Digital Financial Inclusion among the excluded segments.

Senior officials from the Ministry of Internal, department of passport and ID revealed that there are many produced IDs and never collected by the owners. This shows that some citizens do not know the importance of possessing ID or nationality cards. Furthermore, almost 60% of IDs issued are for educational purpose, mainly for primary (8) and senior (4) students.

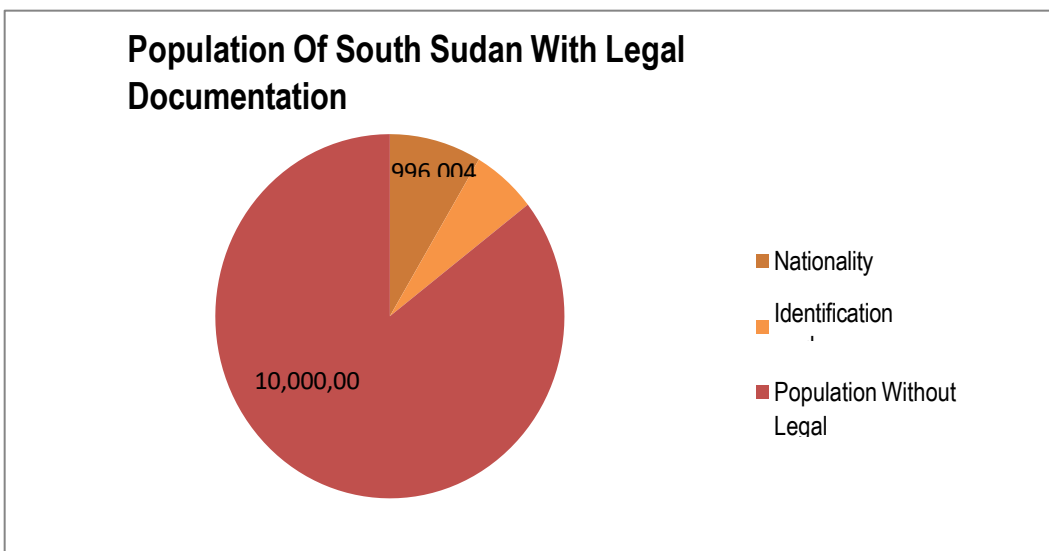
Table (1)

S/N	Particular	ID number
1	No. of Nationality Certificate ⌘ Male 600,000+ ⌘ Female 300,000+	996,004+
2	No. of Identity Cards	700,000+
	<b>Total</b>	<b>1,696,004</b>

*Table (1); Nationality and Identification certificates*

*Source: Ministry of Interior; department of Immigration and Passports.*

This table shows both nationality certificate and identity cards that are issued in South Sudan by the ministry of interior. Hence, the number of NC is greater than IC and its noticeable that male produce proportionately more nationality certificate because they are more active in business and also have more information due to information asymmetric. This is significantly very challenging as the table shows that 1,696,004 out of 12 million people own (IDs), which is approximately only 7% of the whole population.



*Figure 1: Population with legal documentation*

*Source: Ministry of Interior; department of Immigration and Passports.*

### **Pie Chat (1)**

It is worth mentioning that there are types of IDs introduced by the department of Passports and ID cards since the Independence. Nationality certificate/card is useful within the country while identity certificate/card can be used as an alternative certificate for travels. Figure 1 shows approximately (10million) South Sudanese are with no IDs. The chat shows a proportion of only 1/3 of the whole population have acquired nationality cards as well as identification cards.

*Possession of ID cards by Refugees and IDP:* South Sudan recent conflict and insecurity has eroded Country’s development potentials. Increased vulnerability and exacerbated need for humanitarian assistances that had forced about 4.3 million to seek refuge and asylum in the neighboring countries mainly; Sudan, Kenya, Uganda, Rwanda, Ethiopia, Congo, Central African Republic and Egypt.

Hence, the “Internally Displaced Persons” (IDPs) are camped in the capital cities of the three regions of the country, Juba, Wau and Malakal under the supervision and the responsibility of the UNMISS. These segments have

majority of population ranging between the ages of 15 to 25. This assumption is based on a simple logic that since the war erupted in 2013 and 2016, women and children fled the country seeking refuge to ensure safety of their children, hence children who were at the age of five have now turn to 15 years. As a result, they do not possess identification documents due to loss of their documents in the process of relocation or missed the records to trace the registered documents.

Although some IDPs are involved in running informal businesses within the cities, they might be having the privilege to obtain UN ID cards, but that does not allow them to acquire other necessary financial services such as opening a bank account or own property, register for schools, and seek formal employment. Without ID card one could be denied protection and access to basic services.

### **Formal Financial Services Accessibility**

The history of financial sector/institutions in South Sudan relates to the political setting of the Sudan regime which was deliberately deigned to exclude South Sudanese from the economic system. Hence, there were very few commercial banks concentrated in Juba, Wau and Malakal. Subsequently, these have been attributed to a limited number of banks. In 2013 there were 26 commercial banks with 61 branches across the States,

10 Micro-finance institutions and 86 Forex Bureau compared to 2021 where commercial banks increased to 31 and 86 branches as shown in Table (2) below. Nevertheless, despite an increase in the number of financial institutions, the challenge remains that the competition is still limited, and services are mainly concentrated in the urban hub. South Sudan is facing serious economic crises in terms of currency depreciation against United States Dollars; it is estimated to have reached 100 South Sudanese Pounds against 1 US\$ in 2023 compared to 300 SSP against 1 US\$ in 2010, this situation is basically provoked by continuous conflicts and full reliability on imports of basic commodities as well as limited productivity on agricultural produce categorized as subsistence agriculture which employs over 80% of rural population.

Income distribution in South Sudan as estimated from NBHS data, the Gini Coefficient 45.5%. These have made payment of salaries and pensions impossible and insufficient to sustain basic necessities for the households. According to WFP, 40% of households spend 65% of their income on consumption of food which gives narrow chances to savings and investment.

Table (2) indicated 580,472 as the number of account holders in 2021 and 225,168 own mobile money accounts, compare to Uganda with 17million bank accounts and Kenya with 67.9 million having Mobile Money Accounts in 2021.

As a result, to increase access and use of financial services to the excluded population banks of South Sudan have to provide necessary products to their customers to attract more clients by providing loans and securities with affordable and attractive rate of interest.

Nevertheless, access to credit services is paramount to assess the individual level of financial exclusion, (journal of economic studies<sup>13</sup>). Bank of South Sudan and stakeholders must consider empowering microfinance institutions to enable them to provide short and medium terms loans to the small and medium enterprise (SME), and invest in the field of agro-business and small-scale industries to affect the habits and spending decisions and savings which is integrated to the consumption plan of the family.

Thus, it contributes to the improvement of housing conditions and the overall quality of life. Table (2) indicates borrowers in three countries showing that Kenya has capitalized on providing credit as its product target and the main driver to financial inclusion strategy. But in South Sudan the case is different; most banks lack capital to provide credit to their customers, and also low income and poverty can be a great barrier for the borrower to pay back the loans.

Micro-insurance has been one of the tools associated with the process of financial inclusion. The term Micro-insurance has been defined as insurance for low-income population. Its insurance intended for segments categorized as excluded or underserved by the insurance market.

## **Promoting Financial Inclusion and Economic Growth**

The introduction of the insurance scheme also plays a crucial role in advancing financial inclusion and promoting economic growth in South Sudan. By safeguarding deposits, the scheme encourages individuals from all walks of life, including those in rural areas or with limited access to financial services, to engage with formal banking institutions. This increased participation contributes to the deepening of the financial sector, stimulates economic activity, and fosters sustainable development. The insurance scheme acts as an incentive for individuals and businesses to utilize banking services, leading to greater financial integration and opportunities for prosperity.

Nevertheless, the center of the research discussion is about households and businesses accounts holders in the economy. To enhance this situation government and relevant institutions and private sector are obliged to:

1. Increase the proximity of financial access points, especially in the rural areas of South Sudan,
2. Promote the use of digital financial services (DFS), and
3. Stimulate diverse & low-cost products & services to consumers.

The trend of the financial sector development and indicators towards financial inclusion in South Sudan. After the signing of R-ARCSS in 2018, there shows a minimal increase in the number of commercial banks from 26 to 29 which are insignificant, this is because many commercial banks seized and shutdown their businesses and moved their investment to the neighboring countries because of the insecurity, instability mistrust generated by volatility of the currency and the high interest rates. Moreover, the limited number of bank branches and the ATM operating across the country are elicited by the continued conflicts that destroyed the physical infrastructure and the financial system of the whole nation.

Table (2): Financial Sector Development

<b>Key Indicators</b>					
	<i>Period</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
1	Number of Commercial bank in South Sudan	26	26	27	29
2	Number of Bank Branches	65	69	66	68
3	Number of Account Holders	678,265.0	535,074.0	580,472.0	
4	Number of SMEs				143,785
5	Number of ATM	43	46	52	52
	<b>Depositor</b>				
6	SMEs				143,785
7	Household Depositors- Males				309,272
8	Household Depositors- Female				97,136
	<b>Total HH depositors</b>				<b>550,068</b>

*Source of data: Bank of South Sudan*

### **Insurance Scheme to Safeguard Bank Deposits**

South Sudan has developed an innovative insurance system in an effort to strengthen financial stability and ensure the safety of bank deposits in a banking industry beleaguered by hyperinflation, currency devaluation, and dollar scarcity.

The initiative, which is intended to protect consumers' and businesses' hard-earned assets, is an important step toward restoring trust in the country's banking industry. Juba is also attempting to lower the cost of cash transactions by phasing out smaller denomination banknotes, as well as to

diminish the economy's reliance on cash through supportive policies such as paying civil officials through bank accounts.

“We have requested all banks to supply BoSS with granular deposit data, to aid BoSS planning for the possible introduction of a deposit insurance scheme as part of our commitments towards further integration with the East African Community,” said the central bank.

With the implementation of the insurance scheme, South Sudan takes a proactive approach to mitigate potential risks and protect bank deposits. This initiative provides a safety net for depositors, assuring them that their funds are shielded in the event of unforeseen circumstances or bank failures. By instilling confidence in the banking system, the insurance scheme encourages individuals and businesses to continue engaging in financial activities, ultimately contributing to the growth and stability of the economy. One of the primary advantages of the newly launched insurance scheme is the peace of mind it offers to depositors. With the knowledge that their savings are protected, individuals and businesses can confidently entrust their funds to banks without fear of losing their hard-earned money.

This reassurance fosters a sense of financial security, promoting increased participation in banking services and encouraging economic growth. Moreover, the insurance scheme acts as a buffer against potential financial shocks, enhancing overall stability in the banking sector. There are three main insurance companies in South Sudan, namely, Classic Insurance Co Ltd, New Sudan Insurance Company, and UAP Insurance South Sudan.

### **Pensions Scheme in Financial Inclusion**

A fair pension system is essential to make sure that all older people are secured and included in the financial system. While pensions in many countries have grown in recent years, especially in most low-income countries only about 20% of older people have pensions.

The marginalized and those who live in poverty are often excluded from pension schemes. Women are less likely to receive pensions, and if they have one, their benefits tend to be lower. Pensions are tied to formal

employment, which can exclude older people who have worked all or most of their lives in informal jobs or cared for others.

Zimbabwe's mobile money and digital financial services have been commended by a lot of countries and a number of them are already replicating. Zimbabwe has more than 25,000 mobile money agents which mean almost every business center that has network coverage has a mobile money agent. This means pensioners are just a walking distance away from accessing their pensions. The major challenge South Sudan faces is that it has not put in place an efficient and effective pension scheme so that pensioners receive payment from their bank accounts. Lack of pension scheme in the country has kept large number of youth between the age of 25 to 35 redundant because most adult from the age of 60 and above are still engaged in the civil service work as directors or director generals. Youth constitute 73% of the population; hence redundancies of young population can restraint economic growth and development.

### **Finance for SMEs and Agricultural Sector Growth**

The World Bank (2018) defines financial inclusion as the process by which all households and businesses regardless of income level have access to and can effectively use the appropriate financial services; they need to improve their lives. Global and national level policymakers are taking up financial inclusion as an important development agenda and the priority it deserves. For example, the G20 included financial inclusion as the main pillar at the 2009 Pittsburg Summit (Cutt, Ehrbeck, &Holle, 2014).

Nevertheless, Aga, Francis, and Rodriguezmeza (2015) posit that SMEs are described as nucleus to economic growth and development. Studies also revealed that SMEs are major players in economic growth and development since it provides employment opportunities to citizens, which increases their household income<sup>16</sup>.

Based on the several studies made on significant contribution of SMEs to the economy, African Countries are operating in highly hostile and difficult conditions compared to the developed economies. SMEs in Africa face various obstacles in doing business due to unfavorable business conditions because of unfavorable macroeconomic conditions, such as higher inflation

rate, fluctuation and unstable exchange rates, high taxes, insufficient capital etc., which make it difficult for the businesses to operate and grow in a smoother manner.

Other challenges that face development of SMEs are innovation, technology, human capital and globalization; most businesses fail because of technological changes where new products are introduced that create stiff competition within the SME sector. Study established by Tinarwo (2016) revealed that some challenges are attributed to the lack of markets, unfair treatment exhibited by local authorities; lack of government supports inadequate information and communication technology and trainings, which have greatly affected most of the SME businesses.

However, South Sudan SMEs are challenged with the same barriers but it is important to note that entrepreneurs are developed through banking products and services, plus training and awareness rising on the management of business, formulation of laws and regulations that can protect their interests and provide them with loans.

Most enterprises fail because of un-trained managers, and persistent information asymmetries. Moreover, South Sudan counts an estimate of 12 million cattle, 12.1 million sheep, and 12.4 million goats, making South Sudan one of the World leader in animal wealth per capita (FAO 2019).

These high numbers of livestock that amount to about 40 million heads of cattle are mostly used for marriages festivals and hospitality. If this could be commercialized or put in economic activity by adding value to it, could open new avenues for investment opportunities for rural population. Government must empower agricultural and cooperative banks to provide loans to farmers and people running small businesses in the country.

There should be policies formulated by the lawmakers to allow the rural population develops dairy industry to produce milk, cheese, and gee for domestic consumption as well exports. This will improve the livelihood of the cattle keepers, minimize cattle raiding, and give them opportunities to interact with the banking system, acquire loans and increase productivity and be financially included.

## **Public-Private Sectors Commitment to National Financial Inclusion Strategy (NFIS)**

The World Bank Group considers financial inclusion as a key enabler to reduce extreme poverty and boost shared prosperity. Moreover, WBG reiterated that, transaction account is a first step towards broader financial inclusion since it allows people to store money, send and receive payments. Hence it serves as a gateway to other financial services. In serving people to have transaction account continues to be an area of focus for the WBG<sup>15</sup>. This initiative has been committed to enable one billion people gain access to transaction account through targeted interventions.

The formation of R-TGoNU in 2018 provided an opportunity for the country to join the World to accelerate economic growth through financial inclusion. CholEilhja (2016) emphasized that one of the key issues addressed in the R-ARCSS is that national Ministry of Finance and Planning effectively develop a Strategic Economic Development Roadmap (National Development Plan) from three to five (3-5) years to accelerate progress in achieving a sustainable and resilient national economy.

The plan provided an opportunity for the government and partners to formulate policy statement to acknowledge financial inclusion and design key driver of economic growth that promote poverty alleviation and improve livelihood of all South Sudanese people.

However, the initiative to achieve financial inclusion was planned by multiple stakeholders both the government and the developmental partners. It is worth mentioning that for the stakeholder to play a bigger role in advancing financial inclusion agenda following bodies must be established:

- (i) National council for national financial inclusion strategy (NFIS),  
and
- (ii) National coordinating mechanism (NCM)

Table (3): Comparative Analysis in Four Different Countries of East African Community

	NFIS	Objectives
Kenya	<ul style="list-style-type: none"> <li>• Kenya Vision 2030 national planning document.</li> <li>• Kenya national financial inclusion strategy (NFIS) 2025-2028.</li> <li>• National FI council and the technical coordination committee (NCM)</li> </ul>	<ul style="list-style-type: none"> <li>⌘ Improve financial wellbeing of Kenyans and address the diverse needs of Kenyan people.</li> <li>⌘ Enhance access and usage of quality, affordable and reliable financial services.</li> <li>⌘ These two bodies oversee and coordinate the implementation of the strategy, ensuring that it remains responsive to emerging trends and challenges.</li> </ul>
Uganda	<ul style="list-style-type: none"> <li>• (NFIS) 2017-2022/2023-2028</li> <li>• Uganda has the second iteration of national Financial Inclusion strategy.</li> <li>• The strategy is aligned with Ugandan national strategy plan III.</li> </ul>	<p>Promoting FI with emphases on five pillars:</p> <ol style="list-style-type: none"> <li>1. Reduce financial exclusion &amp; barriers to access financial service</li> <li>2. Develop credit infrastructure for growth,</li> <li>3. Build the digital infrastructure for efficiency,</li> <li>4. Deepening and broadening formal savings, investment and insurance usage, and</li> </ol>

		<p><b>5. Protecting and empowering individuals with enhanced financial capability</b></p>
Tanzania	<p><b>The third National Financial Inclusion Framework 2018-22/23-28. Built in conjunction with National Development plan and aligned with Tanzania Development Vision 2025.</b></p>	<ul style="list-style-type: none"> <li>⌘ <b>Enhance public private sector collaboration to advance financial inclusion in the country.</b></li> <li>⌘ <b>Improve access, expand usage of a broad range of financial products and services</b></li> <li>⌘ <b>Enhance financial wellbeing of individuals and businesses</b></li> </ul>
Rwanda	<ul style="list-style-type: none"> <li>• <b>NFIS Policy Model: codified approaches that have been successfully applied within the Alliance for Financial Inclusion network.</b></li> </ul>	<p><b>The policy is built around NFIS lifecycle that:</b></p> <ol style="list-style-type: none"> <li><b>1. Provide guidance on the development and implementation of NFIS.</b></li> <li><b>2. Advocate for continued involvement of the private sector to ensure the integration of the FI</b></li> <li><b>3. Consist of the key phases;</b></li> </ol> <p><b>Pre-formulation, formulation and implementation.</b></p>

		<p><b>South Sudan TBD</b></p> <ol style="list-style-type: none"> <li><b>1. Grow usage of formal financial institutions (banks, non-banks, including mobile money)</b></li> <li><b>2.Reduce financial exclusion</b></li> <li><b>3.Increase coverage of female adults in the credit bureaus</b></li> <li><b>4. Grow active individuals with stored-value accounts (e.g. mobile financial services)</b></li> </ol>
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*Source of data: - Central Bank of Kenya, and Kenyan National Ministry of Treasury and Planning.*

✂ *Bank of Uganda and Ugandan National Ministry of Finance Planning and Economic Development.*

✂ *Tanzania National Council for Financial Inclusion (Mr. Emmanuel M. Tutuba 2023-28)*

✂ *National Bank of Rwanda, and Ministry of Finance (Minecofin)*

## **Financial Services in Regard to Gender Sensitivity**

Financial inclusion refers to access to appropriate, affordable and well-regulated financial services. FI is a fundamental pillar in economic and social development. It is one of the UN's Sustainable Development Goals (SDGs), also is an enabler for many other development targets, including eliminating poverty and gender equality.

The question of accessing information to discuss gender sensitivity regarding inclusive financial and digital services is still very critical in some part of Sub-Saharan Africa. Although African governments are at the forefront to harness digital technology to build more inclusive economies, the challenge remains that 400 million adults are yet to be financially

included to the use and access to financial services in which 60% are women.

However, only with equal access and use to the full range of needs based financial inclusion which include savings, credit, insurance, and payments, accompanied by financial literacy, then women can stand the chance of being empowered socially and economically. Moreover, South Sudan is not exceptional from other countries, the issue of financial inclusion and digital services as well as market development remain a challenge.

According to the World Bank (2020a)<sup>10</sup> report, 23 percent of Women owned SME both in rural and urban areas and a higher share of women of 32 percent engaged in NGOs. This is attributed to the post conflict period from 2013 to 2017 where most businesses experienced great decline that affected major cities of South Sudan.

It is worth mentioning that women of South Sudan mostly engaged in informal and casual businesses that account for poor skills, lack of information and poor bargaining power within the households, therefore, categorized as low-income households and financial illiteracy created gender gaps in terms of financial inclusion.

Subsequently, institutional and legal barriers can create gender gap. Different treatment under law or customs prevents women from access and use of financial services. Women of South Sudan in the rural areas cannot enter into contracts using their own name, including opening a bank account.

**Gender Proportion in IDs Issuance:** Researchers reported that South Sudan in 2015 had 4.7 percent proportion of women in the whole country with biometric identification card. The challenges can be different in regard to gender when considering ID card requirements due to differences in gender role and needs.

Majority population in the country are not oriented of the importance of acquiring ID card, neither applying for ID card nor knowing the significant of opening bank account, especially rural population among them women,

farmers and other marginalized group. According to the calculation based on figures of account holders in table (1) below, less than 1% of the population holds bank account in South Sudan.

The Government of South Sudan recognizes identification as a key priority issue of financial inclusion, but so far, the World newest nation lacks legislations to issue Birth Certificates which mark the baseline for producing the National Identity Card. The country still experiences lack of proper birth registration, about 65% of country' birth undocumented, UNICEF 2021.

The concern authority (Ministry of Interior) has developed biometric ID system for all South Sudanese. According to United Nation High Commission for Refugees in 2015, over 54,000 South Sudanese have been registered and approximately 37,000 identities have been produced so far giving them their first opportunity to access formal financial services.

### **Financial Infrastructure Development**

Interoperability is crucial as it has been entailed in the literature review, it refers to its potential effects on consumers, businesses and the economy and can help businesses to manage costs, increase efficiency through shared infrastructure and increase transaction volumes. Interoperable payment systems are more valuable for customers, governments, and businesses expanding access, functionality, and choice. The contextual approach to improve interoperable payment in South Sudan to ensure financial inclusion is to undertake the following measures.

1. Strengthening payment systems platforms and services
2. Increase the availability of information on borrowers
3. Support innovation & efficient delivery of financial products & services
4. Strengthen secured transactions and collateral frameworks
5. Strengthen the insolvency regimes.

## **Policy and Regulatory Environment**

There are four mobile money providers in South Sudan namely M-Gurush, Nile Pay, MOMO, they are regulated under the Bank of South Sudan Act 2013.

The new regulations permitted non-banks, such as mobile operators, to own and run mobile money businesses that offer payments, deposit accounts, and cash-in/ cash-out services, but not loans. Providers must backup customer funds in trust accounts held at commercial banks to ensure that they do not take on any credit risk.

The new regulations also introduced a three-tiered know-your-customer (KYC) system, lowering the documentation requirements for entry level, low-value accounts, with increased documentation requirements as customers seek to maintain or transfer higher amounts. Ghana's regulatory reforms demonstrate how central banks can help expand financial access, while maintaining the safety and soundness of the financial system.

The Challenge: African nations have been global leaders in innovative regulatory and policy approaches to digital financial services. However, in many countries, policy has not kept up with practice, entrenching inequitable access and use of financial services. The Consultative Group to Assist the Poor (CGAP) (<https://www.cgap.org>), a global think tank dedicated to financial inclusion, has identified four basic regulatory enablers of digital financial services: 1) allowing for the safe entry of new n-bank players; 2) permitting the use of agents as distribution channels; 3) introducing tiered ID requirements; and 4) developing strategies to protect consumers. Beyond financial services regulation, digital ID programs must be accompanied by strong policy measures that include appropriate data protection, an individual's right to consent, design principles for privacy, a documented privacy policy, and an independent body for privacy oversight

## **5. Summary, Discussion, Findings**

This study examined the significance and role of financial inclusion in social and economic development, whether inadequate financial infrastructure affects market development, or will gender gap impact on the enhancement of financial inclusion as well as impact of inappropriate legal and regulatory framework in crafting an enabling environment for the establishment and subsequent expansion of digital financial services.

### **Summary of the Research**

This research assessed the significance of financial inclusion in relation to social and economic growth and development. One of the most critical challenges is lack of financial literacy among the rural and the urban population to access and use financial products and services that has left mass majority population excluded from financial services. Low-level of income and poverty have created a huge gap where 83% of the population live under poverty line. This is basically due to the prolong civil war with Sudan and the conflicts that erupted in 2013 and 2016 that created instability and displacement of 2.3 million internally and other 2 million fled to the neighboring counties. The inter-communal conflicts have contributed to uneven economic and social development. Agricultural sector was affected simply because 85% of rural population embarks on subsistence agriculture. Other factors like nature disaster, for instance, floods, drought, arm are some of the dynamics affecting agricultural sector. Hence, the traditional farming “under-developed farming system” has contributed tremendously to under production which affects economic growth.

Efforts to support sustained and inclusive financial system to reduce poverty and inequality and provide opportunities to marginalized and low-income population to access and use formal financial services, such as savings, credit, pension and insurance, which supports sustainable and inclusive socio-economic growth at a macro level, bridges the divide between economic opportunity and economic achievement which can be used to reduce poverty and boost economic growth.

The supply side elements which have contributed to the exclusion of disadvantage groups from financial inclusivity such as access to financial services are related to financial infrastructural development, limited bank branches, and unviable financial system, lack of adequate policies and effective regulatory framework had created gender disparity in the economic arena. It is imperative to underscore the fact that the National Financial Inclusion Strategy (NFIS) is an important initiative for the government and the private sector in accelerating socio-economic development to achieve sustainable financial inclusive in the country. The strategy has been adopted by some counties within the East African Community including Kenya, Uganda, and Rwanda. Nevertheless, it has not been fully adopted in South Sudan, table (2) above shows the comparative analysis, initiatives and the mechanism used to achieve financial inclusion in those countries. South Sudan can ascent and replicates the inclusion strategies that indicate clear objectives of financial inclusion.

It is worth mentioning that chapter four discusses the fact findings of this study that explained the genesis of pervasive poverty and the hindrance to credible and viable financial system in the country.

## **Discussion**

The mainstream banking sector in South Sudan is in its very early stages. Overall, the formal financial sector is providing very limited services with very limited banking channels such as branch networks, ATM as well has poor infrastructure development, and insecurity and instability are the issues facing the supply side. Whereas the demand side is overwhelmed with high level of financial illiteracy, low-income level and poor purchasing power among the rural population, women and un-served group.

Despite positive developments in financial inclusion in recent years, many poor and low-income people and small and medium enterprises still lack access to a broad range of financial products and services on a sustainable basis.

## **Financial and Physical Infrastructure**

Infrastructure such as electronic payment is well developed. While E-payment have improved security and accountability, lower transaction cost, greater speed and broader geographical reach, hence the underserved segments are unable to benefit from such payment system because of underdevelopment of physical infrastructure that include power grid “electricity”, poor road connectivity, and limited bank branches across the

## **Policy and Regulatory Framework**

An effective financial inclusive process requires formulation of adequate policies and regulatory frameworks. Policymakers should have a strong vision and commitment to formulate adequate policies to facilitate the removal of constraints to greater access. It is delirious for the policymakers to come up with policies to boost infrastructural development as part of market development necessary to support financial transactions and increased access to financial products at retail level as clearly entailed in the NDS and NFIS.

South Sudan needs a stable, well diversified financial sector providing the regulatory framework for financial inclusion and digital financial services. The BOSS together with its institutional partnership should initiate the adoption of bills such as National Payment System Bill, E-Transaction and Cyber Security Bill, Banking and Non-Banking Financial Institution Bill, National Financial Inclusion Bill and National Credit Bill. These bills will provide for the safety and efficiency of payment system, as well as regulating operators of payment system and will make a provision for the BOSS to regulate and oversee the national payment system.

Moreover, E-transaction and Cyber Security bills make provision for electronics transactions and for investigation, collection and use of electronics evident and for matters relating to cyber security. E.g. African countries such as Malawi and Namibia have enacted this law to govern electronic transaction and cyber security. National Financial Inclusion Bill outlines the duties of the BOSS to promote financial inclusion for the unbanked, under-bank and under-served consumers. National Credit Bill protects a consumer who enters into a credit agreement with a credit

provider, i.e. a credit agreement can take the form of a credit card, overdraft or personal loan. As a result, NCB is an essential bill that will allow national banks to provide credit cards to its consumers. Hence in South Sudan, if this law was enacted it will enable the consumer to enter into a credit agreement with the credit provider, thus, the consumer will have access and use of credit card, overdraft as well a personal loan. For instance, in South Africa which has adopted this law I able to safeguard consumers who have entered signed credit agreement with their credit providers.

### **Gender Aspects in Financial Inclusion**

When it comes to the issue of gender in financial system, it is worth noting that a large proportion of women in South Sudan is financially excluded. There is a greater need for the government to develop outreach programs to facilitate contacts with women and sensitize them about the importance of financial inclusion and the factors contributing to such inclusivity is acquisition of National IDs, opening bank accounts, access to credit and loans etc. This will depend much on the level of economic activities they are undertaking.

It is important to improve women access to financial products and services; they tend to have less confidence in financial issues and more of risk aversion. It is required that the government provides conducive environment for financial institutions to set up an appropriate financial product design that would help overcome all the barriers to financial inclusion. “It is necessary to work on financial literacy strategies and create gender-disaggregated indicators to design public policies that minimize inequalities gender disparity and encourage greater participation of women in the economy of their countries,” says Diana Mejía<sup>12</sup>.

This reflects the necessity to improve women’s access to financial sector, which requires think Tanks and experts claims, greater financial education to foster savings, money management, access to credit system, self-confidence and digital and negotiation skills to achieve effective involvement of women and men in financial inclusion strategy in the country.

## **Findings**

Key bottlenecks to access and use of finance include:

1. Lack of vision and commitment by policymakers to include the development of inclusive financial sectors as part of their development agenda.
2. Lack of enabling policy, legal. And regulatory environments to facilitate and remove constraints to greater access.
3. Lack of appropriate financial services infrastructure to support financial transactions and increased access to financial products at retail level.
4. Lack of strong financial institutions providing a broad range of financial services to serve large numbers of people on a sustainable basis.
5. Limited engagement of the private sector in expanding access to financial services, developing new financial products and services that could serve poor and low-income population and SME, to expand their businesses and accelerate economic growth and development in the country.
6. Limited access to electricity among displaced communities and in the rural areas is hindering access to mobile phones, coupled with low financial and digital literacy are the major barriers to FI access to charging, low literacy, and low digital literacy.
7. Lack of innovation and technological capacity to improve and enhance digital finance and market development.

Infrastructure development is among the key priorities. The major challenge facing an effective National Financial Inclusion Strategy in South Sudan is the lack of interoperability infrastructural arrangements. But before discussing the need of interoperability other factors such as purchasing power parity among the rural population must be addressed through diversification of the economy, creation of job opportunities and develop necessary infrastructure, for instance road connectivity and expansion of electricity grid to the remote areas.

## **Recommendations**

The following recommendations should be taken into consideration are

1. BoSS to adopt National Financial Inclusion Strategy align with Revised National Development Strategy (R-NDS) 2021-2024 extended 2026.
2. Policymakers to include the development of underdeveloped financial sectors as part of their national development agenda
3. BOSS to develop and enabling policy, legal and regulatory environments to facilitate and remove constraints to greater access and use of financial services
4. BOSS to expand bank branches to the rural areas and the mobile to extend mobile penetration to the remote areas.
5. BOSS to encourage diversification of financial products and services by offering various channels such as micro financing, loans and security
6. Expansion of electricity grid to the rural population is paramount to ease limited access to charging mobile phones
7. Government commitment to advocate for digital literacy across the Country is essential.
8. Government to seek membership with regional and international organizations such “Alliance for Financial Inclusion” with the view of developing technological capacity to improve and enhance National Financial Inclusion Strategy, digital financial services and market development.

## **Conclusion**

To strengthen and deepen the financial system, both BOSS and the financial institutions need to increase financial awareness and invest in basic infrastructure facilities because financial inclusion can play a vital role in the development of the isolated unbanked rural areas in the country. To build a solid financial system in South Sudan the demand side as well as the supply side of the financial system must be transformed from predominately relying on cash transaction to a digitalize payment system. MM adoption can help enable easier and faster financial transactions; it reduces the risk of thief and provides access to savings. However, South Sudan encounters numerous challenges in terms of developing its financial sector to make it inclusive, to address the challenges considering the current inadequate National Financial Inclusion Strategy (NFIS). The comparative analysis between the EAC showed that BoSS must adopt (NFIS) and align it with National Development Strategy (NDS), to improve the wellbeing of the unserved population and build viable financial institutions.

Mobile money can help drive financial inclusion, enabling easier and faster financial transactions, reduce the risk of theft, and provide access to savings. Furthermore, Government needs to reach out to the un-served population to raise awareness on financial education and literacy.

An efficient regulatory environment is essential to ensure inclusive financial system that enhances the development of various financial service providers and delivery channels to meet the financial needs of the poor, women and other marginalized group, while at the same time ensuring financial stability and consumer protection.

Gender is an important component of financial inclusion. Microfinance in many developed countries has played an important role in providing women access to financial services in emerging market. In South Sudan,

increasing women's financial inclusion is especially significant as women disproportionately experience, illiteracy, poverty stemming from unequal division of labor and lack of control over economic resources.

Infrastructural development plays a key role in making the financial sector more competitive and enhancing financial inclusion through improving the payment system.

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