

It's Expensive to Be Poor

How Digital Financial Services Can Help End the Poverty Tax

Two billion people worldwide lack access to banking or other formal financial services. As a result, they pay a **"Poverty Tax"** – fees and other hidden costs that make them even poorer. Today, mobile wallets and other digital financial services (DFS) are helping to repeal the "Poverty Tax" by giving people simple and affordable tools to spend, save and manage their money.

With Access to Digital Financial Services (DFS)

Without Access to Digital Financial Services (DFS)



At Work Receiving Wages



When you're paid digitally, you get your full wage, with a full account history.



When you're paid in cash, you're more at risk for theft or lost wages through workplace corruption—all with no record or recourse.



Digitizing government wages and subsidies would bring **160 million people** into the formal economy—which, studies show, can help people escape poverty for good.



At Home Paying Bills



When you can pay digitally, transfers are quick, secure and don't have to interfere with work. It's 24-hour convenience.



You may have to walk for miles and wait in line for hours just to pay a bill, possibly missing work in the process.

With digital financial services, we can reach people at scale.



80% of the world has access to mobile networks, but only...



60% have access to financial services.



At School Financing Education



Digital accounts make it much easier to plan and pay for education.



Unexpected costs keep you from being able to save for school fees. You pay for them when you can—and pull your kids out of school when you can't.



Children who receive even 1-2 more months of education see their wages increase by up to **10%** in their lifetime.



In the Community Sharing Money with Family



Sharing money digitally is affordable, direct, timely and on-record.



To share cash with family back home, you have to choose between expensive and sometimes untrustworthy services.

M-PESA—a mobile money transfer service in Kenya—makes it easier to borrow from relatives and friends. That's why users see no change in consumption during times of hardship, while non-users generally see a **7% drop**.



For Agriculture Boosting Productivity



When you can accrue savings and register a proper credit history, it's easier to reduce risk and pursue opportunities—and access capital when you need it.



Accessing a loan is expensive without a credit history—you deal with high interest rates, short repayment windows, and little cushion to deal with setbacks like a failed crop.



Evidence suggests there is a **\$430-440 billion shortfall** in serving the global demand for smallholder finance.

Repealing the "Poverty Tax" creates immense potential—to produce more, to consume more, to be an active participant in the formal economy. Now multiply that by 2 billion. Bringing digital financial services to the poor can help us build a more inclusive and profitable economy for everyone. The time to get involved is now.

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