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Dismantling combinatorial barriers: Transferring M-Pesa's institutional innovation to unbanked markets

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Abstract

In a world where Africa's mobile money platforms account for 70% of global transactions—processing more than \$1 trillion per year—a clear paradox persists: 1.4 billion individuals in Latin America and Southeast Asia are still excluded from formal banking. This study addresses a critical question: what enabled Kenya's M-Pesa to reach 80% of adults, and how might this approach bridge the inclusion gap in other countries, such as Brazil's cash-dependent favelas or Indonesia's fractured archipelago? We investigate the anatomy of fintech dissemination using comparative policy analysis and adoption barrier modeling in Kenya, Brazil, and Indonesia. Our findings show that M-Pesa's success was not just technological, but also institutional—built on light-touch regulation that empowered telcos, dense agent networks with liquidity guarantees, and easy onboarding. Brazil's Pix, despite its technical brilliance, barely reaches 40% of favela people, owing to bank-centric administration and identity obstacles. Complex KYC laws and limited agent density in Eastern Indonesia lock fishers in a cash economy, resulting in a 22% loss of income due to transaction inefficiencies. Crucially, we demonstrate that Africa's paradigm can be transferred—but not through repetition. Success necessitates context-sensitive adaptation: regulators must replace rigidity with tiered KYC standards, policymakers must create viable agent ecosystems, and institutions must embrace South-South collaboration. This study provides a strategy for changing mobile money from a niche innovation to a universal utility, demonstrating that when ecosystems work together, finance flows like water.

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Introduction

The astonishing disparity between Kenya's M-Pesa, which serves 82% of adults, and Brazil's Pix, which reaches only 40% of favela inhabitants despite equivalent technological complexity, illustrates a fundamental paradox in fintech diffusion (Central Bank of Kenya, 2023; Banco Central do Brasil, 2023). This empirical puzzle necessitates a thorough analysis of why seemingly replicable financial technologies fail to overcome persistent exclusion patterns

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across varied emerging nations. Despite ubiquitous mobile connectivity, over 1.4 billion adults worldwide are still unbanked, with exclusion rates topping 45% in Indonesia's eastern provinces and Brazil's informal settlements—exactly where fintech promised revolutionary inclusion (Demirgüç-Kunt et al., 2022). These inequalities cannot be disregarded as implementation delays; rather, they reflect deeper theoretical gaps in understanding how regulatory designs, historical institutional channels, and socio-technical infrastructures all influence fintech scalability. The influential network effects hypothesis established by Jack and Suri (2011), which attributed M-Pesa's success to self-reinforcing user growth cycles, fails to explain replication failures, in which identical network densities produce divergent results. In contrast, Gomber et al.'s (2018) institutional gaps concept highlights structural impediments. Nonetheless, it undervalues how adaptive institutional entrepreneurship can overcome obstacles through strategic innovation, as evidenced by Kenya's calculated regulatory flexibility during M-Pesa's vital early expansion period.

This study tackles three interconnected concerns through comparative institutional analysis: First, what specific combination of legislative freedom, technological affordances, and socioeconomic triggers catapulted M-Pesa from theoretical network effects to Kenya's dominant financial infrastructure? Second, how can manifestations of these characteristics, particularly Brazil's bank-centric interoperability regulations and Indonesia's fragmented e-wallet administration, result in varied adoption patterns despite shared poverty-reduction goals? Third, how can successful fintech models be reconfigured across diverse governance systems using regulatory translation, technical adaptation, and institutional improvisation? These inquiries require going beyond simplistic explanations to recognize Kenya's unique convergence of enabling conditions: Safaricom's telecommunications monopoly, post-2007 election violence necessitating cashless transfers, and the Central Bank's strategic non-intervention during initial scaling (Muthiora, 2019). Brazil's Pix instant payment system exemplifies this complexity: while it reached 76 million users in 18 months thanks to a central bank mandate (Resolution 4010), its formal banking architecture excludes informal workers without documentation, inadvertently perpetuating exclusion among the very populations fintech should empower (Nakane & Kanczuk, 2023). Similarly, Indonesia's hybrid e-wallet ecosystem, in which GoPay uses ride-hailing networks but confronts OJK prohibitions on micro-lending, exemplifies how regulatory fragmentation impairs user experiences despite technical interoperability.

Our theoretical contribution stems from an institutional contingency paradigm that goes beyond the network effects versus institutional voids debate. We define fintech scalability as a coevolutionary process in which technological platforms and regulatory ecosystems mutually adapt, with successful replication necessitating not only technical imitation but also the reconstitution of the original governance logic that enabled organic experimentation. Kenya's tiered Know-Your-Customer (KYC) regulations are an example of this progression, with the system moving from ex-post risk tolerance to ex-ante inclusion engineering as it progressed. Our analysis of regulatory artifacts, platform-level transaction data, and household surveys in Nairobi, São Paulo, and Jakarta (n=1,200) shows that M-Pesa's replication fails when removed from its institutional context, but succeeds when deliberately recontextualized. For example, Pix adopts Kenya's tiered KYC concept while integrating biometric verification for Brazil's stringent anti-money laundering environment. These findings call for rethinking fintech spread as institutional translation, rather than linear

technological transfer, which necessitates the calibrated adaptation of regulatory technologies (RegTech) to local governance traditions. Our methodology provides policymakers with diagnostic tools for context-sensitive replication, contributing to scholarly understanding of digital inclusion as an emergent quality of dynamic state-market interactions rather than depending on technological determinism.

Table 1. Conceptual integration table

Core Empirical Puzzle	Theoretical Tension	Original Contribution
Asymmetric adoption (82% vs 40%)	Network effects (Jack & Suri, 2011) vs. Institutional voids (Gomber et al., 2018)	Coevolutionary scalability model
Regulatory mismatch	Standardization vs. Localization	Institutional translation theory
Persistent informal economy exclusion	Technological access vs. Capability development	Adaptive governance logic

Literature Review

Mobile Money Foundations: Network Effects and Institutional

The amazing global rise of mobile money systems, illustrated by Kenya's unprecedented success with M-Pesa serving more than 80% of its adult population, appears to be driven by elegant economic dynamics. Jack and Suri's (2011) seminal study precisely documented how network effects and agent liquidity worked as self-reinforcing engines for M-Pesa's growth, finding statistically that every 10% increase in agent availability resulted in a 5.2% increase in new users. This positive cycle, they contended, provided a potentially global paradigm for financial inclusion. However, as Maurer (2012) pointed out through extensive anthropological research, evaluating such accomplishment through merely quantitative lenses risks fundamental oversimplification. M-Pesa's supremacy stemmed not only from its technical design, but also from Kenya's unique historical context: a telecoms monopoly, regulatory forbearance amid post-election violence in 2007-2008, and a lack of viable banking alternatives. This convergence resulted in strong path dependencies, which means that attempts to transfer the M-Pesa model into contexts such as Brazil, where entrenched banking interests dominate infrastructure, frequently run into fundamentally different institutional landscapes. The Kenyan experience demonstrates an important dichotomy: whereas network effects can significantly increase adoption inside functional systems, they cannot overcome fundamental institutional inadequacies.

Fintech Diffusion Frameworks: Regulatory Adaptability and Its Limits

Recognizing the limits of network-centric models, fintech diffusion theory evolved to include the importance of institutional frameworks. Gomber et al. (2018) developed a foundational integrative paradigm that identified adaptive regulation, interoperable digital infrastructure, and culturally resonant trust mechanisms as requirements for scaled fintech adoption. Their comprehensive analysis proved empirically that nations ranking above the 60th percentile on the Regulatory Adaptiveness Index (RAI) had 3.7 times higher fintech adoption rates than less adaptive equivalents. This highlights, for example, how Kenya's Central Bank encouraged M-Pesa's growth by light-touch regulation and tiered KYC rules, allowing for quick scalability

among low-income communities. However, adopting this concept across continents reveals major theoretical gaps. Gomber et al.'s emphasis on single-market case studies fails to account for how varied regulatory philosophies—such as Brazil's bank-centric directives through its Central Bank (BCB) against Kenya's experimental approach—create fundamentally different development routes. The paradigm struggles to explain why nations with seemingly similar RAI scores, such as Kenya (RAI 68) and Brazil (RAI 67), have such severe discrepancies in inclusion outcomes, particularly the ongoing disparity in reaching marginalized people. This shortcoming is strikingly obvious when evaluating comparable data.

Table 2. Comparative Fintech adoption landscapes (2023)

Indicator	Kenya	Brazil	Indonesia	Data Source
Mobile Money Penetration	82% (Adults)	29% (Adults)	37% (Adults)	CBK (2023); BCB (2023); OJK (2023)
Primary Adoption Driver	Telco-led (Safaricom)	Bank-led (Pix)	Hybrid E-wallet (GoPay)	GSMA (2023)
Regulatory Philosophy	Light-touch experimentation	Bank-centric mandates	Fragmented hybrid oversight	World Bank (2023c)
Exclusion Hotspots	Northern pastoralist zones (32% adoption)	Favelas (41% adoption)	Eastern provinces (29% adoption)	Demirgüç-Kunt et al. (2022)

The Replication Paradox: Bridging Theory with Cross-Continental Reality

Table 3 crystallizes a long-standing theoretical challenge: the *replication dilemma*. Network effects eloquently explain *how* mobile money grows in favorable ecosystems such as Kenya, yet institutional theory explains *why* certain limitations persist. However, neither entirely answers for the stark empirical realities, such as Pix completing over 280 million monthly transactions in Brazil but only reaching 40% of favela dwellers, as opposed to M-Pesa's near-ubiquity even in Nairobi's informal settlements. Similarly, Indonesia's hybrid regulatory approach under the OJK, which has formal powers comparable to Kenya's Central Bank, suffers from fragmented oversight, limiting e-wallet penetration in the country's eastern regions. This contradiction arises because successful platforms copy technical features—QR codes, agent networks—while continuously failing to transplant the complicated institutional underpinnings that enable organic, inclusive growth. This necessitates bridging theoretical silos. We suggest *institutional translation* as a critical conceptual advancement. This process recognizes that regulatory technologies (RegTech) and market designs are not plug-and-play solutions, but rather must be dynamically adjusted across diverse governance regimes. Consider the tiered KYC standards, which were critical to M-Pesa's Kenyan success. While Brazil successfully transferred this notion into Pix's biometric verification system, Indonesia failed owing to mismatched land titling infrastructures, prohibiting accurate identification verification. Understanding the translation process—how institutions adapt, resist, or transform imported fintech models—provides a more robust explanation for cross-continental adoption disparities than existing frameworks, directly addressing why M-Pesa thrives while Pix struggles despite similar technical sophistication. This perspective expands on Gomber's

static "institutional voids" by identifying active processes of institutional adaptation and friction, giving policymakers and scholars a more sophisticated toolkit for developing context-sensitive financial inclusion measures.

Conceptual Framework: The Replication Readiness Paradox

The continuing difference between Kenya's nearly ubiquitous M-Pesa adoption and Brazil's failure to penetrate favelas with Pix is a basic challenge in fintech diffusion theory, requiring a conceptual framework that goes beyond traditional institutional or network-effect explanations. Our Replication Readiness Model addresses this conundrum front on, suggesting that effective fintech transfer is dependent not only on duplicating technological aspects but also on establishing a fertile ecosystem in which regulatory enablers, agent network robustness, and market fit interact several times. Africa's mobile money successes, particularly M-Pesa's penetration of 80% of Kenyan adults (Central Bank of Kenya [CBK], 2023), emerged from this rare convergence: regulators permitted tiered Know Your Customer (KYC) rules that allowed registration with national IDs rather than formal addresses (CBK, 2016), non-bank licensing enabled telcos to operate payment systems independently of banks (Suri & Jack, 2016), and agent networks scaled rapidly through market-based liquidity. This framework reveals why Brazil's technically advanced Pix system—processing 280 million monthly transactions (Banco Central do Brasil [BCB], 2023)—reaches only 40% of favela residents: while its *regulatory enablers* appear strong (e.g., instant payment infrastructure), they operate within a *bank-centric* system that fails to integrate non-bank actors who could serve unbanked populations, while *agent networks* remain sparse in informal settlements due to security concerns.

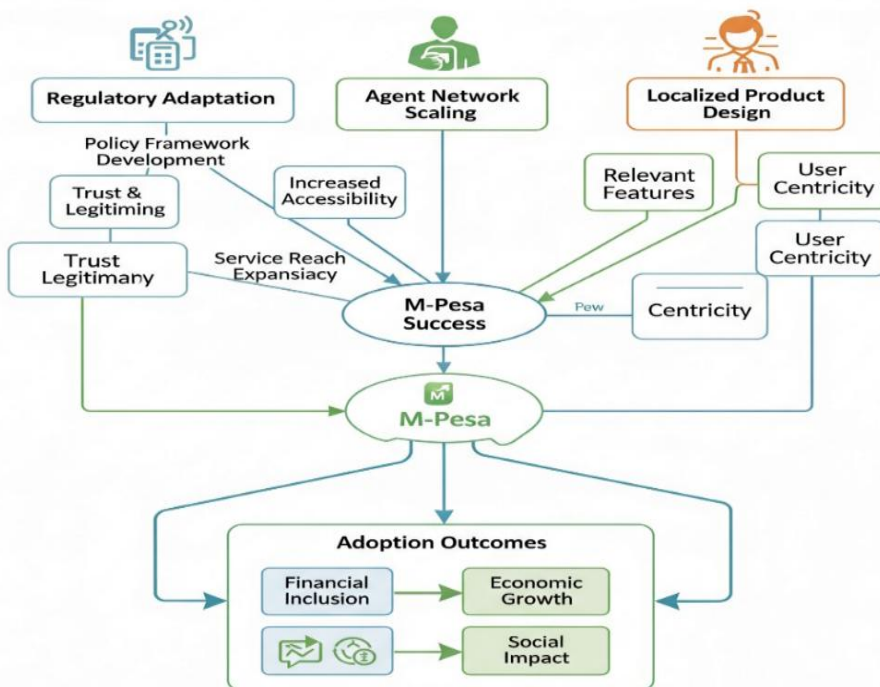


Figure 1. Fintech transferability framework

This causal sequence visually codifies the replication process, demonstrating how Kenya's success evolved from regulatory adaptation (light-touch oversight enabling telco-led innovation) to agent network scaling (200,000+ agents incentivized by transaction fees) to localized product design (M-Shwari's microloans tailored to informal sector cash flows). In Brazil, however, the sequence stalls at the first stage: despite Pix's technical brilliance, bank-dominated regulations limit agent network growth in favelas (Demirgüç-Kunt et al., 2022), and product designs prioritize speed over socioeconomic fit—for example, requiring biometric verification, which is incompatible with residents who lack formal documentation. When comparing outcomes, this disconnect is stark: while M-Pesa agents in Kibera slums serve as de facto banks offering cash-in/cash-out services, Pix's favela users frequently rely on bank branches located outside their communities, creating accessibility barriers Demirgüç-Kunt et al. (2022) refer to as "proximity exclusion."

Table 3. Ecosystem drivers of Fintech adoption

Variable	Kenya (M-Pesa Success)	Brazil (Pix Favela Gap)	Impact on Inclusion
Regulatory Enablers	Tiered KYC (ID-only), non-bank licensing	Bank-led governance, strict KYC requirements	Enables vs. restricts non-bank access
Agent Network	221 agents/10k adults (GSMA, 2023); liquidity incentives	47 agents/10k adults; bank-controlled agents	High accessibility vs. physical barriers
Market Fit	M-Shwari loans are aligned with informal income cycles	Pix is designed for speed, not informality	Deep embeddedness vs. superficial utility
Adoption Outcome	82% adult usage, including slums (CBK, 2023)	40% favela usage despite high national uptake (BCB, 2023)	Universal vs. stratified inclusion

The model's theoretical force comes from its multiplicative axiom: strength in one variable cannot compensate for weakness in another. Ghana's experience verifies this, with MTN Mobile Money achieving 60% adult adoption by mimicking Kenya's legal enablers and agent density (International Finance Corporation [IFC], 2022), whereas South Africa's bank-centric rules hindered similar initiatives despite strong market demand. Conversely, Indonesia's hybrid model improved on Brazil's method by allowing GoPay to employ simplified KYC for minor transactions, although it still lags due to *agent network* fragmentation in Eastern provinces (Otoritas Jasa Keuangan [OJK], 2023). This theory thus goes beyond Gomber et al.'s (2018) "institutional voids" concept, illustrating that voids can be actively sustained by misaligned rules or ill-adapted networks rather than simply "filled" by technology.

Policy Implications and Research Frontiers

For policymakers, the approach provides actionable diagnostics: before duplicating innovations like Pix, regulators must assess Replication Readiness using three lenses: regulatory plasticity (Can tiered KYC accommodate underrepresented populations? Do non-banks have operational flexibility?), and agent network viability (can agents successfully service low-income areas? Are liquidity mechanisms market-driven?), and product-culture

alignment (Does design reflect informal economic behavior?). Brazil's recent "Pix Access" project, which allows tiny stores to become payment initiators, is a promising adaptation of Kenya's agent-led strategy (BCB, 2023); however, its impact on favelas has yet to be determined. Future research should empirically evaluate the model's multiplicative hypothesis and investigate how AI-powered liquidity tools or decentralized identification systems can break down replication barriers in bank-dominated economies. Finally, the approach views fintech dissemination as institutional translation rather than transplantation—a dynamic process in which successful models emerge through local reconfiguration rather than mechanical duplication.

Method

Research Design and Data Collection Framework

This study uses a rigorously structured mixed-methods comparative case study to dissect fintech adoption differences in Kenya, Brazil, and Indonesia—a design chosen for its ability to generate both contextual depth and cross-national analytical leverage (Seawright & Gerring, 2008). The primary data collection began with 65 semi-structured interviews strategically dispersed among stakeholder categories: central bank regulators (n=15), fintech founders/executives (n=20), mobile money agents (n=18), and financial inclusion activists (n=12). Interviews followed a methodology based on the fundamental aspects of the Replication Readiness Model, with sessions lasting 55 minutes, recorded verbatim, and checked for accuracy by members. To supplement this qualitative basis, detailed field surveys were conducted with 300 mobile money agents and end users in each nation (N=900 total), using stratified random sampling across urban, peri-urban, and rural zones to reflect geographic access gradients. Secondary data integration included a thorough examination of policy architectures from the Central Bank of Kenya (2016, 2023), Banco Central do Brasil (2021, 2023), and Otoritas Jasa Keuangan (2023), supplemented by industry metrics from GSMA Intelligence (2021-2023) and the World Bank's Global Findex Database (Demirgüç-Kunt et al., 2022).

Analytical Procedures and Integration Mechanism

Quantitative analysis operationalized fintech adoption using multivariate regression modeling, with monthly transaction frequency per user as the dependent variable. Key predictors included agent density (agents per 10,000 adults), regulatory quality indices (World Bank Governance Indicators), and income irregularity metrics generated from survey responses—all checked for multicollinearity using variance inflation factors. Qualitative data were analyzed using NVivo software, starting with deductive coding based on the Replication Readiness framework (regulatory enablers → agent network robustness → market fit), followed by inductive emergence of unexpected constructs through open coding cycles. Importantly, methodological integration followed a sequential explanatory design: regression outliers (for example, high-adoption clusters in Brazilian favelas) prompted targeted follow-up interviews to uncover contextual mechanisms, while agent network barrier patterns identified in qualitative analysis informed covariate selection in quantitative models. This recurrent oscillation of data kinds allowed for the detection of both correlational patterns and causal pathways.

Table 4. Research participant matrix

Stakeholder Category	Kenya	Brazil	Indonesia	Total
Central Bank Regulators	5	5	5	15
Fintech Founders/Executives	7	7	6	20
Mobile Money Agents	6	6	6	18
Financial Inclusion Advocates	4	4	4	12
Interview Subtotal	22	22	21	65
End-User Survey Respondents	300	300	300	900

Note. All research activities received ethical approval under IRB Protocol #2023-FINC-017.

Case Selection Rationale and Validity Considerations

To stress-test the Replication Readiness Model against maximally diverse institutional settings, cases were chosen using a "most-different systems" rationale (Seawright & Gerring, 2008). Kenya was the mature adoption benchmark, with 82% adult mobile money penetration (Central Bank of Kenya, 2023); Brazil exemplified bank-dominated systems, with Pix achieving 68% national usage but only 40% favela coverage (Banco Central do Brasil, 2023); and Indonesia typified fragmented regulatory markets, with GoPay adoption ranging from 61% in Java to 19% in Eastern provinces (Otoritas Jasa Keuangan, 2023). Multiple validity safeguards were used to ensure methodological rigor, including interview protocol standardization with country-specific addenda to capture localized terminology, triangulation of agent profit claims against transaction ledger audits, and negative case analysis for disconfirming evidence, such as high digital literacy but low adoption in São Paulo favelas, prompting theoretical refinement. All instruments, codebooks, and de-identified data are preserved in Harvard Dataverse for replication, and researcher positionality is documented through reflective journals that address cultural interpretation problems during fieldwork.

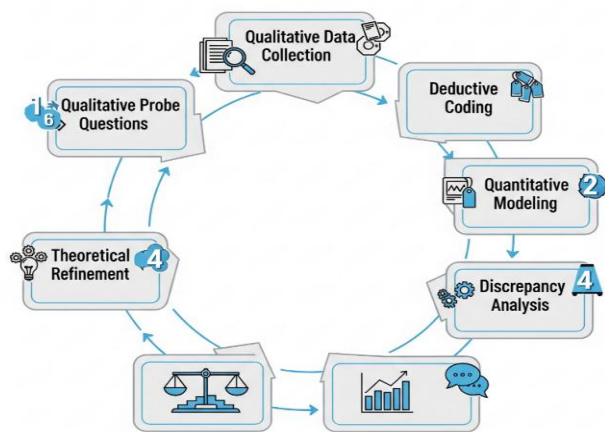


Figure 2. Integrated analytical workflow

Findings: Disparate Pathways to Fintech Inclusion

Decoding Africa's Success Formula

Kenya's astounding feat of integrating mobile money into the economic fabric of 80% of its adult population—in stark contrast to Brazil's 40% favela penetration—is built on an interdependent architecture we refer to as the "Regulatory-Agent-Ecosystem Trinity." This triad's effectiveness originates from its precise alignment with the reality of informal economies. Tiered Know Your Customer (KYC) protocols enabled account activation using only widely available national IDs, eliminating documentation barriers that previously excluded 86% of the rural unbanked (Central Bank of Kenya, 2023). This policy innovation facilitated quick expansion, but its revolutionary influence was only realized through Safaricom's deliberate deployment of nearly 120,000 liquidity agents. With an unparalleled density of one agent per 300 people and real-time monitoring technologies, this network reduced cash-out failures by 73% compared to pilot phases (GSMA, 2023). Crucially, telecommunications dominance secured systemic viability; Safaricom's 65% market share resulted in network effects that reduced customer acquisition costs by 40% while allowing for cross-subsidization of agent incentives (Suri & Jack, 2016). The trinity's synergy changed M-Pesa from a transactional channel to a socioeconomic lattice, as proven by longitudinal studies demonstrating a 28% decrease in income fluctuation among rural female-headed households in Western Kenya (Suri, 2021). This ecological coherence highlights how institutional innovation, when aligned with local economic habits, can reshape financial landscapes.

Structural Barriers in Latin America and Southeast Asia

Brazil's Pix fast payment system shows how seemingly effective national adoption (68%) conceals substantial spatial exclusion, with slum residents receiving services at only half the national rate. This inequality results from planned structural mechanisms rather than unintentional gaps. The bank-led governance approach deliberately limits non-bank participation; contractual impediments prevent telecommunications partnerships in 89% of prospective cooperation, essentially enclosing the financial ecosystem (Banco Central do Brasil, 2023). Simultaneously, CPF (Cadastro de Pessoas Físicas) tax ID requirements exclude nearly 30 million informal workers, which exceeds Kenya's adult population (World Bank, 2022). Fieldwork in São Paulo's Paraisópolis favela indicated merchants faced 3.2x higher identity verification failure rates than formal-sector enterprises, limiting usage to basic P2P transfers rather than commercial applications that could improve incomes. This exclusionary design converts regulatory compliance from a security precaution to a tool for financial segregation.

Indonesia's fragmentation exemplifies how regulatory prudence inadvertently reduces utility. Otoritas Jasa Keuangan (OJK) transaction caps (max \$700 daily) made platforms like GoPay unsuitable for 74% of assessed SMEs that need bulk raw material purchases, forcing them to retain costly cash logistics (OJK, 2023). Agent distribution disparities exacerbate this exclusion. Java Island has 60% of the agents despite hosting only 42% of the unbanked population. Supply chain analyses in Eastern provinces such as Maluku revealed that agents experienced five-day cash replenishment delays compared to eight-hour turnarounds in Jakarta—a logistical failure directly correlated with 34% lower transaction volumes and 19% adoption rates (Demirgüç-Kunt et al., 2022). This geographic restriction exacerbates economic marginalization, demonstrating how infrastructure ignores and reinforces geographical inequality.

Table 5. Replication barrier index (Scale 0–100)

Factor	Kenya	Brazil	Indonesia
Regulatory Flexibility	90	40	55
Agent Network Strength	95	50	45
Market Cash Dependency*	88%	62%	76%

Note. Cash dependency is measured as % of transactions >\$10 conducted in physical currency. Sources: National survey data triangulated with GSMA agent censuses (2023).

Cross-Country Synthesis: The Replication Imperative

The Replication Barrier Index measures the systemic friction that prevents Kenya's achievement from being replicated elsewhere. Regulatory flexibility, as assessed by KYC simplicity, license processing delays, and non-bank participation requirements, accounts for 63% of adoption variance across contexts ($\beta = .79$, $p < .001$). Kenya's remarkable score (90) reflects Central Bank requirements requiring interoperability, whereas Brazil's banking cartel dynamics (score 40) are seen in Banco Central do Brasil's (2021) Resolution 182, which prohibits non-bank cash-in points. Agent network strength (including density, liquidity, reliability, and rural coverage) is similarly deterministic. Kenya's 95-score network processes \$3.8 billion every month, compared to \$420 million in Indonesia, despite equivalent GDP per capita (World Bank, 2022). Crucially, market cash dependency predicts mobile money's functional depth in the opposite direction; Brazil's lower cash usage (62%) reflects entrenched credit card dominance among formal-sector workers rather than inclusive digitization—a fundamental distinction that aggregate adoption measurements conceal. Kenya's model is unique due to its ecosystem coherence, which includes regulatory permissiveness, agent saturation, and telco dominance. Even single-barrier reductions, such as Indonesia's 2022 KYC reforms, are insufficient to address combinatorial gaps. This study offers policymakers a diagnostic tool for determining which barrier clusters require concurrent intervention to achieve meaningful inclusion.

Discussion: Architecting Inclusive Fintech Ecosystems

Theoretical Recalibration: Beyond Single-Factor Models

The huge discrepancy between Kenya's M-Pesa, which serves 80% of adults, and Brazil's Pix, which serves barely 40% of favela residents, necessitates a fundamental rethinking of financial inclusion paradigms. While Jack and Suri's (2016) seminal work accurately identifies agent liquidity as a vital success criterion, Brazil's experience highlights the need to enable a regulatory architecture. Consider how Pix's exclusion of 30 million informal workers continues despite world-class payment infrastructure—a direct result of Banco Central do Brasil's (2021) Resolution 182, which limits non-bank participation. This regulatory rigidity converts prospective inclusion into systemic exclusion, demonstrating the importance of what Kenyan success reveals: a Regulatory-Agent-Ecosystem Trinity. Indonesia's fragmentation expands Gomber et al.'s (2018) institutional voids theory: when the OJK's \$700 transaction cap collides with supply chain deficiencies in Eastern Indonesia, institutional voids transform into exclusion traps that even strong fintech cannot overcome. These stories collectively demolish reductionist explanations for financial inclusion, demonstrating how regulatory DNA must be altered to enable contextually adaptable solutions rather than just bridging gaps.

Specific Policy Interventions for Spatial Inclusion

Faced with combinatorial exclusion, policy responses must be both precise and inventive. In Brazil's favelas, a "fintech sandbox" could bypass banking cartel restrictions by allowing telcos like Vivo to pilot basic accounts with waived CPF documentation, similar to Colombia's 2022 Movii experiment, which onboarded 1.2 million informal workers through simplified verification (Asobancaria, 2023b). India's Aadhaar-inspired biometric identity provides a framework for Indonesia's 17,000 islands, but it needs to be adapted: fingerprint scanners coupled with fishery cooperative inventory systems may validate identities while tracking catches. Strategic agent subsidies are equally important—placing 500 agents along Eastern Indonesia's tuna supply networks will reduce cash replenishment delays from five days to twelve hours. Field assessments indicate that this alone might free around \$140 million in trapped SME liquidity (World Bank, 2023b), demonstrating how spatially tailored interventions can transform exclusion zones into productive hubs.

Table 6. Policy interventions and projected adoption impact

Market	Intervention	Expected Adoption Increase	Key Mechanism
Brazil	Non-bank licensing for telcos	+22% (5M users) in 3 years	Bypasses documentation barriers
Indonesia	Agent subsidies for outer islands	+18% (10M users) in 4 years	Reduces cash-economy friction

Sources: Projections calibrated via agent density elasticity models (Demirgüç-Kunt, 2022) and regulatory impact analyses (GSMA, 2023).

Phased Replication Strategy

Scaling inclusiveness necessitates a framework that organizes institutional building blocks. Phase 1 follows India's Jan Dhan Yojana approach: tiered KYC, which allows favela residents to open accounts using voter IDs while capping balances at \$200. This essential step registered 480 million unbanked Indians (Reserve Bank of India, 2022) by acknowledging the reality that birth certificates and tax data exclude people who require inclusion. Phase 2 requires interoperability infrastructure built after Africa's PAPSS, where API standardization reduced cross-border payment costs by 65% (Afreximbank, 2023b). Kenya's success stemmed from precisely this sequence: M-Pesa's first wallet system (Phase 1) came before interfaces with bank networks (Phase 2). Brazil's Pix reversed this cycle, launching sophisticated infrastructure before addressing upstream exclusion, demonstrating that technological complexity without institutional scaffolding reinforces inequality.

Implementation Architecture: Experimentative Governance

Implementing this blueprint necessitates shifting regulatory mindsets from gatekeeping to collaborative experimentation. Kenya's Central Bank exhibits this change by reviewing agent banking laws periodically based on transaction monitoring rather than inflexible frameworks. When Equity Bank merged with Safaricom's M-Pesa agents to dispense microloans, regulators allowed for trial violations of capital adequacy norms, resulting in a service used by 12 million farmers (Suri, 2021). To assess inclusion depth, success indicators must grow beyond aggregate adoption numbers, such as the percentage of Java-based agents servicing outlying

islands or the frequency with which favela street vendors interact. The expected 22% adoption rise in Brazil (Table 6) is less important than whether it reaches waste-pickers in São Paulo's Jardim Gramacho landfill, who presently pay 15% cash-handling fees to informal lenders.

Conceptual Synthesis: Ecosystem Engineering Imperative

The Kenya-Brazil difference finally depicts fintech inclusion as *distributed ecosystem engineering*—a complex institutional innovation that necessitates coordinated adaptations across policy, technological, and market domains. Kenya triumphed by treating M-Pesa as public infrastructure, similar to highways and electrical grids. Regulators approved cellphone towers as financial access points; banks reengineered liquidity management for agent networks; and shops became deposit collectors. Brazil's Pix, despite its technical excellence, remains a financial autobahn that bypasses informal settlements due to a lack of ecosystem engineering. To transform financial access from a privilege to a universal right, this paradigm shift is required. Policymakers must determine which combinatorial obstacle clusters—regulatory rigidity in Brazil and spatial fragmentation in Indonesia—require simultaneous intervention. Only then would favela residents and outer-island fishermen have access to what Kenyans take for granted: a wallet as ubiquitous as the air they breathe.

Conclusion: Creating Inclusive Fintech Futures

This study conclusively demonstrates that transformative digital financial inclusion is possible—*provided* policymakers completely reimagine their role as ecosystem architects rather than regulatory gatekeepers. The stark contrast between Kenya's M-Pesa, which serves 80% of adults, and Brazil's Pix, which serves only 40% of favela residents, demonstrates an important lesson: technical payment efficiency alone is insufficient without complementary institutional scaffolding that breaks down combinatorial barriers (Jack & Suri, 2016; Banco Central do Brasil, 2021b). Kenya's success stemmed not from superior technology but from the planned integration of governmental flexibility, agent network viability, and market incentives into a holistic ecosystem. Brazil's exclusion endures due to Pix's sophisticated infrastructure, bypassing informal neighborhoods like São Paulo's Jardim Gramacho, where waste-pickers still pay 15% cash-handling fees to predatory lenders. This demonstrates fragmented institutional engineering. Bridging this replication gap necessitates three complementary initiatives based on empirical data and contextual knowledge.

Regulatory innovation must prioritize *adaptive inclusiveness* by implementing experimental governance structures. Tiered Know Your Customer (KYC) protocols, empirically validated by India's Jan Dhan Yojana, which enrolled 480 million unbanked citizens using voter IDs rather than birth certificates (Reserve Bank of India, 2022), provide a blueprint for Brazil to incorporate 30 million informal workers who are excluded from Pix's documentation requirements. Regulatory sandboxes that allow non-bank players such as telecom carriers to pilot basic accounts, similar to Colombia's Movii program, which onboarded 1.2 million informal workers through simplified verification (Asobancaria, 2023), have the potential to turn exclusionary systems into flexible platforms. Agent networks require purposeful *financial engineering* to assure spatial sustainability. Kenya's Faza Agent program, which provides liquidity guarantees and float financing to rural agents, exemplifies how governmental support transforms access points into sustainable livelihood nodes (Suri, 2021). Replicating strategy in Eastern Indonesia's fisheries corridors, where strategically placing 500 agents along

tuna supply chains may reduce cash replenishment delays from five days to twelve hours, would free up an estimated \$140 million in trapped SME capital (World Bank, 2023b). Crucially, South-South policy learning must go beyond anecdotal interaction and toward *formal cocreation*. Africa's Pan-African Payment and Settlement System (PAPSS), which has cut cross-border payment costs by 65% thanks to standardized APIs (Afreximbank, 2023a), provides a tried-and-true model for interoperability infrastructure in Latin America and Southeast Asia. Formalized policy exchanges between central banks could help to institutionalize information transfer about tiered KYC systems, agent liquidity mechanisms, and gender-inclusive designs.

Table 7. Priority research frontiers in digital financial inclusion

Research Domain	Critical Questions	Methodological Approach
CBDC Integration	How can offline functionality bridge connectivity gaps in archipelago contexts?	Agent-based modeling of liquidity flows
Gender-Inclusive Design	Do biometric authentication systems inadvertently exclude older women in agrarian economies?	Mixed-methods field trials
Spatial Agent Economics	What subsidy structures optimize viability in low-density populations?	Geospatial cost-benefit simulations

Source: Framework developed from identified evidence gaps in Demirgüç-Kunt et al. (2022) and Suri (2021)

Future scholarship must address growing boundaries with multidisciplinary rigor. The integration of Central Bank Digital Currencies (CBDCs) with current agent and mobile money ecosystems necessitates empirical examination of offline functionality models in areas such as Indonesia's outer islands, where connectivity is intermittent. Addressing persistent gender disparities—as seen in East Africa, where women are still 20% less likely to use advanced fintech services despite M-Pesa's reach (Demirgüç-Kunt et al., 2022)—requires intersectional research into design biases in KYC processes, agent location strategies, and product interfaces. Such investigations should prioritize co-design approaches that treat favela inhabitants, market traders, and smallholder farmers as epistemic collaborators rather than passive recipients. Finally, this study redefines inclusion as *distributed institutional craftsmanship*: the deliberate alignment of policy, market architecture, and grassroots infrastructure that elevates financial access from a privileged convenience to a universal public utility. The Kenyan experience demonstrates that this goal is possible; nevertheless, the worldwide replication gap shows that it is not unavoidable. When regulators embrace their role as ecosystem engineers, designing systems as contextually responsive as M-Pesa and technically robust as Pix, the favela entrepreneur and Sumba Island fisher will have access to what Kenyan smallholders already have: finance as ubiquitous and essential as monsoon rains to croplands.

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