

Article

Does Regulation Promote or Impede Financial Inclusion in South Africa

Loyiso Maciko 

Department of Finance, Risk Management and Banking, University of South Africa (UNISA), P.O. Box 392, Pretoria 0003, South Africa; macikl@unisa.ac.za

Abstract

This study examines South Africa's financial inclusion landscape, with a focus on how regulatory design, consumer capability, and community-based financial ecosystems shape equitable access to financial services. Despite sustained policy commitments, financial inclusion outcomes remain suboptimal, with approximately 3.9 million low-income adults lacking access to basic financial services such as savings and credit accounts. The paper contributes to the financial inclusion discourse by assessing whether government and regulatory institutions have enabled access for low-income groups or reinforced existing patterns of exclusion. Using a qualitative thematic analysis of academic literature, national policy documents, and regulatory frameworks, the study identifies key structural barriers and enabling factors influencing financial inclusion in South Africa. Adopting an institutional-capability approach, the analysis integrates regulatory theory with insights from behavioural finance and community-based financial systems. The findings indicate that while the Financial Sector Regulation Act represents a significant milestone by establishing financial inclusion as a statutory objective, meaningful progress depends on a stronger emphasis on financial literacy, differentiated consumer education, and context-responsive product design. The study further highlights that fintech innovation presents both opportunities and risks, expanding access while intensifying regulatory asymmetries and operational vulnerabilities. A holistic policy approach that promotes inclusive institutional design, revised credit risk assessment frameworks, and gender-responsive financial products is therefore essential to advancing South Africa's financial inclusion agenda.

Keywords: financial inclusion; financial exclusion; government; institution; regulation



Academic Editor: Wookjae Heo

Received: 1 April 2026

Revised: 22 May 2026

Accepted: 26 May 2026

Published: 8 July 2026

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1. Introduction

Financial inclusion is a central concept in development finance and generally refers to the ability of individuals and businesses to have access to useful and affordable financial services that meet their needs, including transactions such as payments, savings, credit and insurance ([World Bank Group 2018](#)). Importantly, financial inclusion encompasses both access and usage, recognising that access (e.g., availability and appropriateness) alone does not necessarily translate into active or sustained usage (e.g., frequency) of financial services.

From a theoretical perspective, the definition of financial inclusion informs the metrics used to evaluate policy effectiveness. The Alliance for Financial Inclusion identifies access, usage and quality (including product suitability, value, convenience, and consumer protection mechanisms) as the core dimensions of financial inclusion measurement ([AFI 2011](#)). Conceptual clarity is therefore essential for targeted policy interventions and reliable monitoring of progress.

Furthermore, financial inclusion is grounded in financial intermediation theory and welfare economics, which asserts that improved access to financial services enhances resource allocation, reduces transaction costs, and mitigates market imperfections such as credit constraints. Moreover, these theories further argue that financial exclusion, driven by imperfections in the credit market and unequal initial endowments, perpetuates poverty and inequality by limiting opportunities for investment in human capital and entrepreneurship. Within this framework, regulation plays a dual role whereby appropriately designed regulatory framework can promote financial inclusion, while overly stringent or poorly implemented regulations may impede access. Globally, financial inclusion has gained prominence over the past two decades as a key policy objective for governments and international institutions, given its strong link with the United Nation's Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 2 (No Hunger), SDG 3 (Good Health and Wellbeing), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequality). The policymakers have increasingly focused on balancing regulatory oversight to ensure inclusive and resilient financial systems.

Financial inclusion remains a critical enabler of progress towards achieving Sustainable Development Goals (SDG) 1 and 2 by enabling households to smooth consumption, invest in agriculture and better withstand economic shocks. Expanding financial inclusion among marginalized groups can significantly improve livelihoods and enhance food security, thereby contributing to poverty eradication.

Furthermore, financial inclusion plays a vital role in SDG 3, as access to financial services such as savings and insurance enables households to manage health-related shocks and access medical care. However, limited and inconsistent usage of these services reduces this protective capacity. Financial inclusion also supports SDG 5 and SDG 10 by empowering marginalized groups, particularly women, through improved access to financial resources, which strengthens their economic participation and decision-making power (Kuada 2019).

In addition, financial inclusion contributes to SDG 8 by facilitating entrepreneurship, job creation, and broader economic development. The extent to which these outcomes are realized is strongly influenced by the regulatory environment, which can either enable or constrain financial inclusion. In the South African context, therefore, promoting effective and context specific regulatory approaches is essential not only to expand access but also to ensure the active and sustained use of financial services.

FinMark Trust (2023) highlights that despite South Africa having a relatively high adult population (80%), about 9% of the population, equivalent to about 3.9 million South Africans, remains unbanked and underbanked due to a wide range of supply and demand constraints. Moreover, 33% of account holders use their accounts as mailboxes, citing poverty, a preference for cash, and the associated costs of using bank savings accounts as reasons. The National Treasury of the Republic of South Africa posits that financial inclusion is high in South Africa; however, the usage of financial services by low-income earners remains significantly low (Chitimira and Ncube 2020; Sibande et al. 2024). Therefore, effective financial inclusion remains a challenge in South Africa (FinMark Trust 2022). The expansion of financial inclusion through increased branch networks and electronic banking has been mainly in urban and semi-urban areas. This has raised a few questions around the regulation of the formal financial sector being aligned with how most marginalised consumers operate. Mutsonziwa and Berkowitz (2025) highlight that standard financial products often fail to account for the realities of informal employment, irregular income patterns, and predominantly cash-based livelihoods. This mismatch requires regulations, policies, and supply-side strategies that are better aligned with the

circumstances of marginalised South Africans. Bridging the gap between policy intentions and actual outcomes is therefore essential.

Therefore, financial inclusion has become a nationally important goal for consideration by the legislature, policymakers and financial institutions in South Africa, influenced by the financial inclusion at the Seoul Summit in 2010 and supported by the Maya Declaration and the Global Partnership for Financial Inclusion.

One of the significant market failures in South Africa is financial exclusion and systemic risks (Takundwa 2022). Thus, the researcher contends that meaningful progress toward financial inclusion requires an appropriate degree of regulation, given that unregulated and/or purely market driven financial systems are unlikely to advance the developmental objectives set by the government. Empirical analyses show that effective regulatory design is essential for aligning private incentives with public-interest outcomes, particularly in contexts where inclusion and consumer protection are policy priorities (Allen et al. 2018).

Accordingly, the study objectives are to:

- Examine the way regulatory frameworks shape demand-side barriers.
- To analyze government policies and the role of regulatory authorities in shaping financial sector oversight.
- Assess the extent to which current regulatory frameworks facilitate or impede access and usage.
- Determine the appropriate level and design of regulation required to enhance inclusive financial intermediation.
- To assess whether regulatory authorities and government financial institutions have acted as enablers of financial inclusion for low-income groups or have, instead, reinforced the existing patterns of financial exclusion.

Ultimately, the study aims to propose context-specific policy and regulatory mechanisms that can strengthen financial inclusion and support South Africa's development agenda.

The paper proceeds next with a discussion on the literature review, followed by a discussion of the conceptual framework, methodology, and presentation of results. This will be followed by an overall discussion, limitations, and conclusion of the study.

2. Literature Review

Financial systems are designed to promote livelihoods and economic well-being through the provision of savings, payments, credit, and risk management services. However, ensuring that these systems are both inclusive and effectively regulated remains a challenge. The debate on whether financial regulation promotes or impedes financial inclusion is deeply rooted in broader theoretical tensions between interventionist and market-based approaches. This section synthesizes the literature by first examining global evidence, followed by examining studies focused on the African context, further giving a synthesis on the South African regulations and conceptual policy gaps.

2.1. Regulation and Financial Inclusion: Evidence from Global Contexts

2.1.1. Regulation as a Facilitator of Financial Inclusion

A substantial body of literature argues that regulation is essential for promoting financial inclusion by addressing market failures and ensuring stability. Regulatory frameworks enhance trust in financial systems, which is particularly important for marginalized populations that are often sceptical of formal institutions (Čihák et al. 2013). Prudential regulation, consumer protection policies, and deposit insurance schemes are widely recognised as

essential mechanisms for reducing risk and encouraging participation among low-income households (Demirgüç-Kunt et al. 2018).

Empirical evidence supports the view that well-designed regulatory frameworks can improve access to financial services. For instance, (Cull et al. 2011) show that regulatory oversight of microfinance institutions enhances their sustainability and outreach. Similarly, digital financial services enabled by proportionate regulation such as e-money frameworks have significantly expanded inclusion in countries like India and the Philippines (GSMA 2020). These regulatory innovations lower entry barriers, support interoperability, and ensure consumer protection, thereby fostering inclusion.

From a stability perspective, (Acharya et al. 2009) emphasizes that regulation mitigates systemic risk arising from excessive leverage, liquidity mismatches, and governance failures. By reducing the likelihood of financial crises, regulation indirectly protects the most vulnerable populations, who are disproportionately affected by systemic shocks.

Theoretical and empirical evidence have given credence to the important role financial regulation and quality institutions play in financial intermediation (Ajide et al. 2020). Thus, it is vital for the government to show commitment to financial inclusion regulations.

2.1.2. Regulation as a Constraint on Financial Inclusion

Conversely, critics argue that regulation can impede financial inclusion by increasing compliance costs and restricting innovation. Duffie (2018) contends that regulatory interventions act as implicit taxes on financial institutions, reducing efficiency and discouraging risk-taking. This can particularly affect smaller institutions and fintech firms that are crucial for serving underbanked populations.

Strict Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements have been widely cited as barriers to financial inclusion. For example, (de Koker and Jentzsch 2013) and (Simatele and Maciko 2022) demonstrate that stringent identification requirements exclude individuals without formal identification often the poorest segments of society. Similarly, overly restrictive licensing requirements can limit competition, thereby reducing service affordability and accessibility (Beck et al. 2006).

Neoclassical perspectives further argue that markets, if left to self-correct, allocate resources efficiently and prioritize high-return investments (Duffie 2018). Within this framework, financial exclusion is not necessarily a failure but a reflection of rational market behaviour, where serving low-income populations may not be commercially viable.

2.2. Regulation and Financial Inclusion in Africa

2.2.1. Regulatory Innovations Promoting Inclusion

In the African context, regulation has played a critical role in enabling financial inclusion, particularly through mobile money. Kenya's success with M-Pesa is widely attributed to a flexible regulatory approach that allowed innovation to precede formal regulation (Jack and Suri 2014). The Central Bank of Kenya adopted a "test-and-learn" approach, which facilitated rapid expansion of mobile financial services. Similarly, countries such as Tanzania and Ghana have implemented enabling regulatory frameworks for mobile money interoperability, agent banking, and digital financial services, significantly increasing access to formal financial systems (GSMA 2020). These examples demonstrate how adaptive regulation can overcome traditional barriers such as geographic isolation and high transaction costs.

2.2.2. Regulatory Barriers and Institutional Weaknesses

Despite these successes, regulatory challenges persist across many African countries. Weak institutional capacity, regulatory fragmentation, and limited enforcement mechanisms often undermine the effectiveness of financial regulation (Allen et al. 2018). In some cases,

excessive regulation has constrained the growth of microfinance institutions and informal financial providers, which play a crucial role in serving low-income populations.

Stringent KYC requirements and lack of national identification systems continue to exclude large segments of the population from formal financial services (AFI 2017). Additionally, regulatory uncertainty and inconsistent policies can deter investment in financial innovation, limiting service expansion.

2.3. Advancing Financial Inclusion in South Africa

Financial inclusion is commonly assessed through indicators of account ownership, as having an account is a critical gateway to a broader range of financial products and services (Nielsen and Storchi 2025). According to the World Bank's Global Findex Database, South Africa reported relatively high levels of account ownership in 2021, with 85% of adults holding a bank or mobile money account (World Bank 2015). However, this headline indicator masks important gaps in access to other financial services. When considering alternative measures, such as possession of a credit card, South Africa performs considerably worse, with only 13% of adults reporting ownership (World Bank 2015). This contrast highlights the limitations of relying solely on account ownership as a proxy for financial inclusion and underscores the need for multidimensional assessments that capture access to, and usage of, diverse financial products. Many regulatory changes were driven by government efforts to increase access to financing and reduce its costs for people and organizations with limited options (Sibande et al. 2024). For example, in early 2006, the South African government advanced its financial inclusion agenda through the Financial Sector Charter by promoting the Mzansi Account, an entry-level, low-cost transactional account designed to extend banking access to low-income and previously unbanked populations (FinMark Trust 2009; Kostov et al. 2015). This initiative paralleled earlier risk-based access (RBA) approaches aimed at expanding the reach of formal financial services. Further progress occurred in 2017, when amendments to the Financial Intelligence Centre (FIC) Act shifted South Africa from a rigid rules-based framework to a risk-based compliance approach, thereby simplifying due diligence requirements for low-risk customers and reducing regulatory barriers for excluded groups seeking entry into the financial system (South African Government 2017). Although intended to strengthen anti-money laundering controls, these amendments also created additional pathways for inclusion by enabling financial institutions to tailor requirements proportionately to client risk profiles.

While the expansion of low-risk banking products has significantly broadened access to formal financial services, it has also introduced several service quality challenges. Low-cost entry-level accounts, such as those developed under South Africa's financial inclusion initiatives, offer simplified onboarding and minimal documentation requirements but typically provide a narrower set of features than standard transactional accounts (Banking Association South Africa 2006). These products were developed in tandem with regulatory changes, such as the 2017 amendments to the Financial Intelligence Centre Act. These amendments allowed financial institutions to use a risk-based approach, making it possible to implement simpler due diligence processes for clients considered low-risk (South African Government 2017). While these measures have encouraged inclusion by making compliance easier, the limited features of these accounts can prevent users from fully accessing financial services. As a result, opportunities for greater economic empowerment through active participation in the financial system may be restricted.

In the long term, it is important to recognise that the adoption of RBA by financial institutions may inadvertently generate new forms of exclusion, particularly as digital innovations become central to customer onboarding and service delivery. Although digital channels are intended to enhance accessibility, they can exclude individuals who lack the re-

sources or digital literacy required to engage with them, such as those without smartphones, stable internet connectivity, or the skills needed to navigate mobile or online banking platforms. Limited digital access, high data costs and low device affordability remain major obstacles for many, especially in rural and low-income communities, reducing their ability to utilise digital onboarding systems effectively. Furthermore, excessive risk-aversion by financial institutions, manifesting as over-compliance or stringent de-risking practices, may disproportionately disadvantage marginalised groups who are perceived as high-risk or commercially unprofitable. Consequently, although the RBA enhances inclusion by simplifying compliance for low-risk clients, it may simultaneously produce new barriers that limit meaningful participation in the formal financial system for vulnerable populations. Additionally, the lighter regulatory requirements might expose users to security vulnerabilities if they are not managed carefully.

2.4. Regulation and Financial Inclusion in South Africa

The South African regulatory landscape reflects a deliberate policy effort to balance financial stability, consumer protection, and inclusion, yet the literature reveals persistent tensions between these objectives. The National Treasury, the Financial Sector Conduct Authority (FSCA), and the Financial Intelligence Centre (FIC) collectively shape a regulatory framework that increasingly embodies elements of proportional regulation, but with uneven outcomes across access, usage, and quality dimensions of financial inclusion.

Regulation as an Enabler and Regulation Limitations to Financial Inclusion in South Africa

South Africa's regulatory reforms demonstrate a clear recognition that effective regulation can facilitate inclusion. The National Treasury's policy trajectory from the 2011 A Safer Financial Sector to Serve South Africa Better to the 2023 Financial Inclusion Policy Framework illustrates a shift toward a development-oriented regulatory paradigm aimed at deepening inclusion, expanding SMME access, and diversifying providers (Financial Sector Conduct Authority 2018; National Treasury 2011, 2023).

The adoption of the Twin Peaks model institutionalised a separation between prudential regulation and market conduct, aligning with global best practice to enhance stability while protecting consumers. This approach is particularly significant for low-income populations, as consumer protection (via FSCA) directly addresses issues such as high fees, opaque pricing, and unfair practices that deter participation (Chitimira and Ncube 2020).

Similarly, the Financial Intelligence Centre Act (FICA) amendments (2017) introduced a risk-based approach (RBA) that significantly reduced compliance burdens for low-risk customers. By enabling simplified customer due diligence, the RBA facilitated the expansion of entry-level bank accounts, contributing to increased account ownership (South African Government 2017). This aligns with global evidence suggesting that proportional regulation particularly simplified KYC can reduce exclusion (de Koker and Jentzsch 2013). Financial education initiatives, such as the Financial Services Consumer Education Foundation (FSCEF), further reinforce inclusion by addressing capability constraints. Financial literacy is increasingly recognised as a complementary regulatory tool that enhances informed participation and trust, particularly among marginalised populations (Chitimira and Ncube 2020; Maciko 2020).

Despite these advances, the literature highlights that regulation in South Africa also impedes inclusion through implementation gaps, cost structures, and trust deficits. A major concern is the disconnect between access and meaningful usage. While account ownership has expanded significantly, Finscope data indicate persistent gaps in credit, savings, and insurance uptake (Nanziri and Gbahabo 2025). This suggests that regulatory success in

expanding access has not translated into quality financial inclusion, where financial services are actively used and meet user needs.

The FSCA's mandate to ensure fair treatment and protect consumers is undermined by weak enforcement capacity, leading to unresolved complaints regarding bank charges, unauthorised debit orders, and data privacy violations (Maciko 2020; Simatele and Maciko 2022). These issues erode trust, which is a critical determinant of financial inclusion. As (Allen et al. 2018) argue, regulatory effectiveness depends not only on policy design but also on institutional quality and enforcement credibility. This reflects a broader paradox that regulatory innovation can unintentionally reproduce exclusion in new forms.

2.5. Mixed Evidence and the Case for Proportional Regulation

Recent literature suggests that the relationship between regulation and financial inclusion is non-linear. Both under-regulation and over-regulation can be detrimental. On one hand, insufficient regulation can undermine trust in financial systems, leading to low participation rates among vulnerable populations. For instance, financial crises often linked to weak oversight, excessive leverage, and moral hazard which disproportionately harm low-income households by eroding savings and limiting access to credit (Acharya et al. 2009; Alessi and Detken 2017). In such cases, stronger regulatory frameworks enhance systemic stability, which is a prerequisite for sustainable inclusion (Demirgüç-Kunt and Singer 2017). On the other hand, excessive or poorly designed regulation can raise barriers to entry and participation.

Policymakers often face a trade-off between promoting financial stability and enhancing inclusion. For instance, efforts to strengthen banking sector resilience such as increasing capital requirements may reduce banks' willingness to lend to high-risk, low-income clients (Cull et al. 2014). This reflects the broader tension between prudential regulation and developmental objectives. Thus, the concept of "proportional regulation" has emerged as a middle ground, emphasizing the need for regulations that balance risk mitigation with innovation and access (Arner et al. 2018). For instance, regulatory sandboxes and tiered KYC frameworks have enabled innovation while maintaining safeguards (Jeník and Duff 2020). Proportional regulation has proven to be important in the era of fintech, where rigid regulatory regimes may stifle innovation. Instead, e-money regulations tailored to non-bank providers have facilitated the expansion of digital financial services globally (GSMA 2020). These approaches highlight that the effectiveness of regulation depends not only on its presence but also on its design, implementation, and institutional context.

South Africa's adoption of risk-based and proportional regulatory approaches marks a significant step toward balancing inclusion and stability. The RBA under FICA is a clear example of how regulatory flexibility can expand access without compromising financial integrity. However, the literature suggests that proportional regulation in South Africa is partially implemented and unevenly effective. For instance, it has been successful in reducing entry barriers (e.g., simplified KYC), it has been less effective in ensuring service quality and consumer protection and it does not fully address digital exclusion and capability constraints. Thus, while proportional regulation mitigates some trade-offs, it does not eliminate them. Instead, it redistributes challenges across different dimensions of inclusion from access to usage and quality. Furthermore, there is limited empirical work linking regulatory design to actual enforcement outcomes and consumer experiences. This suggests a weak understanding of how institutional capacity moderates' regulatory impact. There is insufficient attention to digital inequalities within regulatory analysis. Lastly, while consumer protection is central to regulation, there is limited evidence on how trust mediates the regulation.

3. Conceptual Framework

The conceptual framework developed from the literature reflects a multi-layered and dynamic relationship between financial regulation and financial inclusion in South Africa. It moves beyond a simplistic linear model and instead captures institutional, behavioural, and structural interactions. As illustrated in Figure 1, financial inclusion outcomes (access, usage, and quality) are influenced by a combination of digital infrastructure and FinTech, financial regulation, and institutional capacity. These factors interact through key mediators namely trust, financial literacy, and cost which shape the effectiveness of both formal and informal financial systems.

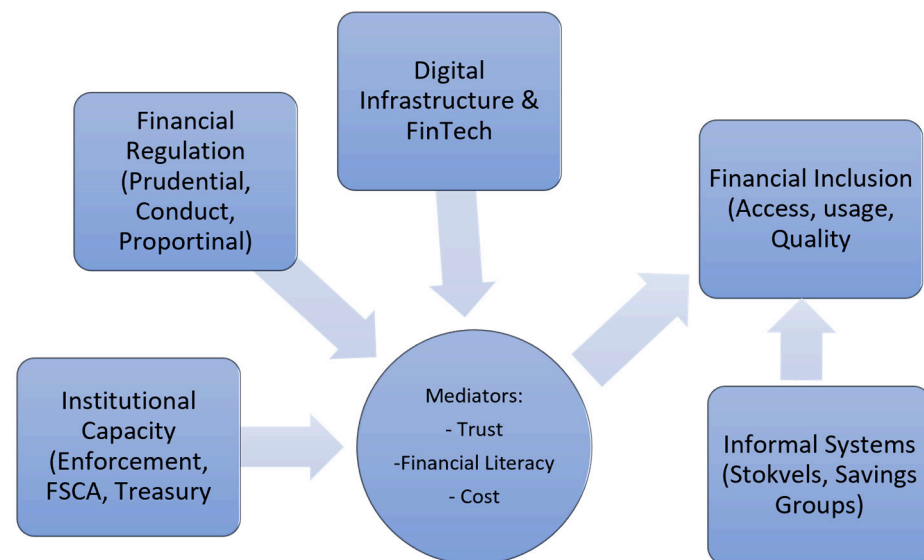


Figure 1. Conceptual Framework.

3.1. Core Relationship: Regulation and Financial Inclusion

At the centre of the conceptual framework lies the core relationship between financial regulation and financial inclusion, where financial regulation functions as the primary independent variable shaping inclusion outcomes. Financial regulation in South Africa encompasses prudential regulation, market conduct oversight, and proportional regulatory frameworks such as risk based Know Your Customer (KYC) requirements. Drawing on the National Treasury policy frameworks (National Treasury 2011, 2023) and (Republic of South Africa 2017a), regulation is explicitly designed to lower barriers to entry by simplifying compliance requirements, particularly for low-income and previously excluded populations. In addition, regulation aims to protect consumers through mechanisms such as transparent pricing structures, fair lending practices, and accessible complaint and redress systems, while simultaneously maintaining overall financial system stability. However, the literature clearly demonstrates that the relationship between regulation and financial inclusion is not direct or automatic. Rather, regulatory interventions influence inclusion outcomes through a set of intermediary mechanisms that determine whether access translates into meaningful participation in financial systems.

3.2. Translating Regulation into Inclusion

The framework identifies three key mediating mechanisms, which are consumer trust, financial literacy, and cost of services, that explain how regulation translates into financial inclusion outcomes. Consumer trust emerges as a critical behavioural channel linking regulatory frameworks to actual usage of financial services. Weak enforcement of market conduct regulation, including unresolved consumer complaints and breaches of

data privacy, undermines trust in financial institutions (Maciko 2020; Simatele and Maciko 2022). Conversely, strong consumer protection frameworks enhance confidence in the financial system, thereby increasing the likelihood that individuals will engage with and actively use financial services.

Financial literacy represents another essential mediator, reflecting the role of knowledge and capability in enabling meaningful financial participation. Policy initiatives such as the Financial Services Consumer Education Foundation and FSCA-led education programmes seek to improve financial capability across diverse population groups (Chitimira and Ncube 2020). Financial literacy determines whether individuals can understand financial products, evaluate risks, and make informed decisions, effectively converting access into sustained and meaningful usage.

The cost of financial services constitutes a further economic transmission channel. High fees and opaque pricing structures remain significant barriers for low-income users, often discouraging sustained engagement with formal financial services. Proportional regulatory approaches, which reduce compliance costs for financial institutions, enable the provision of more affordable financial products, thereby facilitating broader participation.

3.3. Moderating Factor

The strength and direction of the relationship between regulation and financial inclusion are further influenced by several moderating factors, including institutional capacity, digital infrastructure, and informal financial systems. Institutional capacity, particularly regulatory effectiveness, plays a decisive role in determining whether regulatory objectives are realised in practice. This includes the enforcement capacity of the FSCA, coordination among regulatory bodies, and the overall strength of supervisory mechanisms. Weak enforcement and institutional inefficiencies can undermine even well-designed regulatory frameworks, limiting their impact on financial inclusion outcomes (Allen et al. 2018). Digital infrastructure and fintech development represent another important moderating factor. Digital financial services have significantly improved access to financial services by reducing geographic and cost barriers. However, they also introduce new risks of exclusion, particularly for individuals lacking digital literacy or access to technological infrastructure. Regulatory responses such as digital KYC frameworks, cybersecurity standards, and interoperability requirements play a critical role in shaping how digitalisation influences inclusion. As a result, digitalisation produces a dual effect, it enhances access while potentially limiting effective usage among digitally excluded populations.

Informal financial systems, including stokvels, savings groups, and other self-help networks, function as complementary channels that influence financial inclusion outcomes. These systems remain central to the financial lives of many South Africans and often serve as primary access points for excluded populations (FinMark Trust 2017; Maciko 2020). However, formal regulatory frameworks do not fully integrate these systems, resulting in a fragmented financial ecosystem. Informal financial systems therefore act both as alternative access pathways and as bridges connecting underserved populations to formal financial institutions.

3.4. Outcome Variable: Multidimensional Financial Inclusion

The framework conceptualises financial inclusion as a multidimensional construct comprising three key dimensions: access, usage, and quality. Access refers to the ability of individuals and businesses to obtain financial services; usage captures the frequency and depth of engagement with these services; and quality relates to the appropriateness, affordability, and level of consumer protection embedded in financial products. This multidimensional approach aligns with the Alliance for Financial Inclusion (AFI 2017)

framework and addresses a key limitation in South Africa's regulatory and policy discourse, where financial inclusion is often narrowly defined in terms of access alone (FSRA 2017).

3.5. *Interconnections and System Dynamics*

The framework highlights several important interconnections that shape the regulation–inclusion nexus. First, regulation is necessary but not sufficient for achieving financial inclusion. Its effectiveness depends on enforcement capacity, user capability, and broader market conditions. Second, there is an inherent trade-off between financial stability and inclusion. While prudential regulation enhances the resilience of financial institutions, it may limit credit extension to higher-risk, low-income populations. Proportional regulation seeks to balance this trade-off by tailoring requirements to risk profiles. Third, the framework emphasises a formal–informal continuum, recognising that financial inclusion does not occur exclusively through formal, regulated institutions. Informal financial systems play a complementary role by addressing gaps left by the formal sector. Lastly, the framework captures the digital financial inclusion paradox, whereby digitalisation expands access but may simultaneously deepen inequalities if not supported by adequate digital literacy and infrastructure development.

3.6. *Theoretical Contribution of the Framework*

This conceptual framework makes several important contributions to the literature. It moves beyond access-only models of financial inclusion by incorporating usage and quality dimensions, thereby providing a more comprehensive understanding of inclusion outcomes. It integrates both formal regulatory systems and informal financial networks, reflecting the realities of financial ecosystems in developing economies, particularly in Africa. The framework also introduces behavioural mediators such as trust and financial literacy, thereby linking regulatory design to actual user behaviour. In addition, it explicitly accounts for the role of digital transformation and its implications for inclusion. Finally, it captures the non-linear nature of the relationship between regulation and financial inclusion, recognising that regulation can simultaneously enable and constrain inclusion depending on its design, implementation, and broader institutional context.

4. Materials and Methods

4.1. *Study Design*

This study adopts a qualitative policy and regulatory analysis grounded in an institutional capability framework, integrating three complementary theoretical strands:

- (i) Regulatory theory, including proportional regulation, risk-based approaches, and prudential and market conduct mandates.
- (ii) Behavioural finance, focusing on consumer capability, financial literacy, and behavioural frictions.
- (iii) Community finance models, incorporating informal financial mechanisms such as stokvels and village savings groups.

Financial inclusion is operationalised as a multidimensional construct comprising access, usage, and quality, allowing for a distinction between superficial access (e.g., account ownership) and meaningful, welfare-enhancing financial participation. The analysis focuses on South Africa's post-apartheid regulatory trajectory, with particular emphasis on the period 2010–2025, to assess how regulatory reforms have enabled or constrained inclusion among low-income and historically marginalised populations.

4.1.1. Sources of Evidence

The researcher compiled a documentary corpus comprising four categories of primary and secondary materials:

(a) Primary legislation and subordinate instruments

Examples include *Financial Sector Regulation Act (2017)*; amendments to the *Financial Intelligence Centre Act (2017)* (risk-based approach to AML/CFT and KYC); *National Payment System* statutes and directives; *Co-operative Banks Act*; *National Credit Act* and related regulations; selected FSCA conduct standards and guidance notes; and relevant Parliamentary records (Bills, Explanatory Memoranda, committee minutes).

(b) National policy and strategy documents

Examples include National Treasury policy papers (e.g., *A Safer Financial Sector to Serve South Africa Better*, 2011); the Financial Inclusion Policy Framework (2023); elements of the National Development Plan; and Cabinet or departmental statements relevant to inclusion.

(c) Regulatory and supervisor outputs

Annual/strategic reports and discussion papers from FSCA, the Prudential Authority/SARB, National Credit Regulator, and Financial Intelligence Centre; market-conduct reviews; consumer-education strategies; enforcement summaries (where publicly available).

(d) Synthesis literature and contextual data

Including peer-reviewed articles, industry reports, and datasets such as FinScope and Global Findex, used for triangulation rather than primary analysis.

4.1.2. Inclusion Criterion

Documents were included if they (a) were publicly available; (b) had legal or policy force in South Africa or were official outputs of a recognised supervisory body; and (c) explicitly addressed at least one of the inclusion criteria, consumer protection, AML/CFT/KYC, payments infrastructure, prudential or market-conduct reform, fintech/digital finance, or community-based finance.

Documents were excluded if they were duplicates, outdated (unless historically essential), or lacked methodological transparency.

4.1.3. Time Frame

The analysis spans the period 1994–2025, enabling a longitudinal assessment of regulatory evolution from post-apartheid reforms to contemporary digital financial inclusion strategies.

4.2. Thematic Analysis Procedure

The study employed Braun and Clarke's (2006) six-phase thematic analysis framework to ensure a systematic, rigorous, and transparent coding process. The analysis began with a process of familiarisation, involving repeated and in-depth reading of policy and regulatory documents to identify preliminary patterns and insights. This was followed by the generation of initial codes through both inductive and deductive approaches, guided by the institutional capability framework. The coded data were then organised through a process of searching for themes, whereby related codes were grouped into broader thematic categories reflecting the role of regulation in shaping financial inclusion outcomes. These themes were subsequently reviewed and refined to ensure internal coherence and clear distinction between categories. In the next phase, themes were clearly defined and named in alignment with the study's research objectives. Finally, the process culminated

in the production of a coherent analytical narrative, in which the identified themes were synthesised to explain the relationship between financial regulation and financial inclusion.

Codebook Development

The study developed a structured codebook to guide the thematic analysis. As illustrated in Table 1, the codebook comprises key analytical categories, associated example codes, and detailed descriptions, reflecting both regulatory and user-level dimensions of financial inclusion.

Table 1. Codebook.

<i>Category</i>	<i>Example Codes</i>	<i>Description</i>
Regulatory Design	Proportional regulation, KYC/AML, prudential rules	Nature and intent of regulation
Market Conduct	Consumer protection, pricing transparency, complaints	Regulation of firm behaviour
Behavioural Factors	Trust, financial literacy, user capability	User-level constraints
Access	Account ownership, onboarding, infrastructure	Entry into financial system
Usage	Transaction frequency, credit uptake	Depth of engagement
Quality	Affordability, suitability, protection	Service effectiveness
Informal Systems	Stokvels, savings groups	Alternative financial channels
Digital Finance	Mobile banking, fintech, digital exclusion	Technology-mediated inclusion

4.3. Inter-Rater Reliability

To enhance analytical rigour, a subset of documents was independently coded by a second researcher. Inter-rater reliability was assessed using Cohen's Kappa coefficient, achieving a score above 0.75, indicating substantial agreement. Discrepancies were resolved through iterative discussion and refinement of the codebook, ensuring consistency in coding interpretation.

4.4. Reflexivity and Positionality Statement

The researcher adopts a constructivist-interpretivist stance, recognising that policy analysis is inherently shaped by the researcher's perspective. Given the researcher's academic background in financial inclusion and regulatory policy, there is an awareness of potential bias toward pro-regulatory interpretations. To mitigate this, the study employed triangulation across diverse data source, transparent coding procedures, and engagement with countervailing literature (e.g., deregulation perspectives). This reflexivity ensures that findings reflect a balanced and critically informed interpretation of the regulatory landscape.

4.5. Member Checking

To enhance credibility, preliminary findings and thematic interpretations were reviewed by domain experts such as academics and practitioners in financial regulation and inclusion. Feedback focused on the accuracy of interpretation, contextual relevance, and completeness of themes. This process strengthened the validity and policy relevance of the analysis.

The overall research design and analytical process are summarised in Figure 2, illustrating the progression from data collection and coding to thematic analysis and final findings. Figure 2 illustrates the sequential yet iterative structure of the research design, demonstrating how each stage contributes to a coherent analytical process. The study design anchors the framework by combining qualitative policy analysis with thematic analysis, while the data sources and inclusion criteria establish a rigorous and relevant evidence base. The coding framework then translates raw documentary material into structured analytical categories, which are systematically interrogated through Braun and Clarke's

thematic analysis to identify patterns and relationships. Throughout this process, reliability measures and reflexivity strengthen methodological rigour and transparency, ensuring consistent interpretation and critical self-awareness. The process ultimately culminates in empirically grounded findings that explain how financial regulation shapes financial inclusion outcomes.

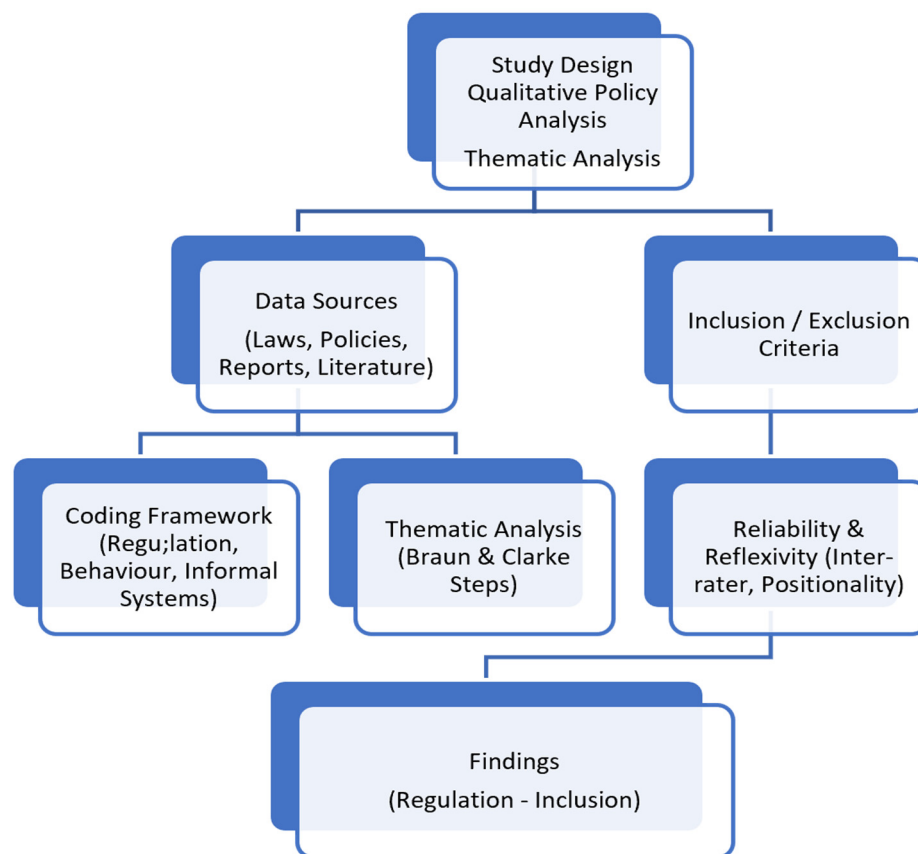


Figure 2. Methodology.

This methodological approach makes several important contributions to the literature. First, it integrates legal, behavioural, and institutional perspectives into a unified analytical framework, enabling a multidimensional understanding of financial inclusion. Second, it strengthens qualitative rigour using a structured codebook, inter-rater reliability checks, and reflexive practices. Third, it bridges the gap between policy analysis and empirical inquiry, providing a nuanced and contextually grounded explanation of how regulatory frameworks influence inclusion. Collectively, this approach offers a robust and replicable model for analysing financial regulation and inclusion dynamics in developing economies.

5. Results

The thematic analysis shows that regulation in South Africa has functioned as both an enabler and a constraint to financial inclusion, depending on regulatory design, execution, and alignment with consumer capabilities. On the enabling side, studies highlight that while the post-1994 framework widened access, the expansion of low-risk banking products has significantly broadened access to formal financial services; it has also introduced several services quality challenges. Low-cost entry-level accounts—such as those developed under South Africa’s financial inclusion initiatives—offer simplified onboarding and minimal documentation requirements but typically provide a narrower set of features than standard transactional accounts (Banking Association South Africa 2006). These products emerged alongside regulatory reforms, including the 2017 amendments to the Financial Intelligence

Centre Act, which introduced a risk-based approach enabling financial institutions to apply with them for example, those without smartphones, stable internet connectivity, or RDP-era commitments through the FSC, NPS reforms, FSRA, and the 2023 inclusion framework yet outcomes hinge on execution, proportionate, risk-based standards, consistent supervision, requirements, and interoperability mandates.

The post-2017 regulatory architecture particularly the introduction of financial inclusion as a statutory objective under the Financial Sector Regulation Act and the shift to a risk-based AML/CFT and KYC framework has reduced documentation burdens and lowered entry barriers for low-income consumers. These reforms facilitated the expansion of entry-level, low-cost accounts and contributed to a marked increase in formal account ownership. Account ownership increased from approximately 69% in 2017 to 85% in 2022, reflecting a growth of around 16 percentage points (World Bank 2024). It is worth noting that before the RBA was introduced, financial inclusion increased by just one percentage point between 2014 and 2017, demonstrating limited advancement with the earlier rules-based approach. The substantial acceleration in inclusion following the regulatory reform suggests that transitioning from a prescriptive framework to an RBA contributed to expanding financial access, as banks onboarded higher volumes of low-risk clients who had previously been excluded due to stringent documentation requirements.

However, the findings also reveal persistent usage and quality gaps. Entry-level products frequently offer limited functionality, while ongoing fees, pricing opacity, minimum-balance rules, and weak redress mechanisms constrain sustained use and erode trust, resulting in dormant or “mailbox” accounts. On the other end, there is growing concern about the quality of services offered to the low-risk clients by financial institutions, which requires improvement. While access to banking accounts is acknowledged and welcomed, there is a legitimate concern that RBA may result in different forms of new exclusion due to the advancement of digital innovations. While technologies are designed to improve access, they can inadvertently exclude those who lack the resources or digital literacy required to use them, such as areas where potential clients are without access to smartphones or reliable internet or lack the skills to navigate online banking platforms. For example, only 52.3% of South Africans have access to reliable internet (Mwansa et al. 2025). This makes the RBA to have a potential two-edged sword on financial inclusion in South Africa.

Digital finance emerges as a double-edged sword, while digital onboarding and fintech innovations expand reach and reduce costs, they also risk deepening exclusion where digital literacy, device affordability, and connectivity are limited, and where institutions adopt overly conservative de-risking practices. When digital access becomes a core component of financial inclusion, regulation must also address digital literacy, affordability, and availability of digital infrastructure. Regulatory asymmetries between fintech firms and traditional institutions further create uneven consumer protections and operational risks. The analysis also highlights underutilised potential in community-based financial ecosystems, such as stokvels and self-help groups, which remain only partially integrated into the formal regulatory framework despite their importance for resilience and inclusion.

In response to these disruptions, regulators have been compelled to broaden existing regulatory frameworks to appropriately incorporate fintech activities; however, this process has encountered notable obstacles (Elia et al. 2022). According to the International Monetary Fund (2019), many jurisdictions have limited experience in overseeing fintech innovations, largely due to insufficient regulatory expertise and inadequate institutional capacity issues that are particularly pronounced in emerging markets. Furthermore, the absence of mature international standards for supervising fintech activities raises the risk of cross border regulatory arbitrage, while disparities in cyber-risk management capabilities between high- and low-income countries further compound regulatory vulnerabilities

(International Monetary Fund 2019). By contrast, India has enacted legislation that formally acknowledges the growing role of fintech and has developed regulatory and compliance mechanisms tailored to address the unique risks associated with the sector, while simultaneously preserving sufficient flexibility to support innovation and sectoral growth (Takundwa 2022). The literature increasingly acknowledges that fintechs generate both opportunities and disruptions within the financial services sector. On the one hand, fintech innovations can enhance efficiency, broaden access and stimulate competition; on the other hand, they introduce regulatory, operational and market-stability risks that incumbent institutions and supervisory authorities must manage (Elia et al. 2022). A central concern is the regulatory asymmetry between fintech firms and traditional financial institutions. Fintechs are often not subjected to the same level of regulatory oversight; they operate under comparatively lighter compliance obligations, creating an uneven competitive landscape. Incumbent firms, by contrast, invest substantial financial and human resources to meet stringent supervisory requirements, which intensifies perceptions of imbalance within the system (Tsindeliani et al. 2022). Therefore, there is a need to strike a balance between risk management and creating a competitive space for fintech to flourish.

The definition should guide the development of proportionate regulation, in which rules vary according to institutional size and risk profile. Amendments to the Financial Intelligence Centre Act (FICA) shifted South Africa's anti-money laundering and counterterrorism financing framework from a predominantly rule-based model to a risk-based approach (RBA). These have put service providers in a better position regarding loan distribution. The KYC should ultimately result in financial service providers removing the terms and conditions that suggest that failure to maintain a particular minimum balance will lead to an account being closed due to infrequent use. This uninformed act will exclude low-income earners, as suggested by the KYC. This also aligns with the important role played by the Financial Sector Conduct Authority in ensuring fairness among customers.

Finally, fragmented mandates across regulatory bodies weaken implementation and dilute accountability for outcomes beyond headline access. Overall, the results indicate that regulation promotes financial inclusion when it is proportionate, coordinated, and capability-enhancing, but impedes inclusion when it adds friction, relies excessively on digital channels without supporting capabilities, or fails to translate access into meaningful usage and service quality.

6. Discussion

6.1. Regulatory Challenges

There are concerns about the unintended consequences of financial regulations, such as hampering financial institutions' ability to provide financial services to the financially excluded population. This has been previously raised in areas where financial regulations could potentially result in high compliance costs, creating regulatory obstacles for financial institutions in providing tailor-made services for the financially excluded and creating barriers to eligibility for first-time users. In countries such as Pakistan, the Central Bank had to bypass official regulations to achieve successful financial inclusion (Johnson and Williams 2016). This made regulations vital for enhancing financial inclusiveness, increasing transparency of the legal framework, and having fair judicial proceedings. However, there are concerns about traditional risk assessment, which tend to result in elevated levels of exclusion from financial inclusion (Chen and Yuan 2021; Dlamini and Munacinga 2021; Prabhakar and Weber 2020). Thus, there is a notion that suggests that regulation can become a barrier to deterring the use of financial services if not addressed. For instance, documentation compliance required by banks is regarded as one of the hinderances to financial inclusion of the marginalised populations. Additionally, the literature shows

that the lack of national identity cards can prevent access to financial services (Abel et al. 2018). Creating inclusive financial sector policies should therefore aim to remove barriers such as customer identification requirements (Sibande et al. 2024). Moreover, regulation has been found to have two conflicting results; first, they have the potential to credit supply and achieve stability. Secondly, they may increase risk (Sibande et al. 2024). Chen and Divanbeigi (2019) discovered that a supportive and enabling regulatory environment enables an increase in service providers and the provision of products that meet the needs of various customers, thereby furthering financial inclusion. For this to be a success, the products suitable for marginalised groups should be investigated. Understanding household dynamics is key to creating effective financial services and products. The effect of specific products/services on a household's welfare at country level should be specifically examined (Maciko 2020). There is a need to redesign and reconceptualise regulatory efforts to include the creation of inclusive financial institutions, revision of credit risk assessment databases and development of newly designed financial products and lending regulations to increase financial inclusion of marginalised groups. A financial product designed for the poor and vulnerable population, specifically for women running a business, could cushion their risk of losing their savings. When the design incorporates financial education and other features that address their needs and suit their financial behaviour, it increases the economic impact on their households (Medina-Vidal et al. 2025).

It is still unclear whether South Africa's regulatory landscape supports or hinders the growth of fintech. Perlman (2012) argues that aspects of the regulatory framework, particularly those governing mobile financial services and stored value products, function as a constraining factor, creating uncertainty and limiting the ability of non-bank innovators to scale. By contrast, analysis presented to the World Economic Forum and cited in (FinMark Trust 2017) positions the South African regulatory environment as neutral, suggesting that while it may not actively enable fintech expansion, it does not impose disproportionate barriers relative to other emerging markets. This divergence in perspectives highlights the need for further empirical research on the relationship between regulation and the adoption of fintech in South Africa. Such research would offer critical insights for the South African Reserve Bank (SARB) and other policymakers, particularly in explaining the limited success of e-money systems such as M-PESA in the South African market despite their proven effectiveness in Kenya and could reposition the regulatory framework as an enabler of financial inclusion. On the other hand, while the financial services industry has traditionally been highly regulated, the rapid expansion of fintechs has introduced several challenges within the financial services sector, including heightened competition for traditional incumbents and the emergence of new regulatory risks (Tsindeliani et al. 2022). Fintechs joined the industry with limited or no knowledge of financial services regulation, leading to non-compliance. A key concern is the legal ambiguity arising from the fact that financial technologies fall outside the traditional regulatory framework. Thus, fintech firms are not regulated to the same extent as established financial institutions, thereby creating systemic imbalances and regulatory risks (Nguyen et al. 2021) negatively affect the financial services regulations (Tsindeliani et al. 2022).

6.2. Governance Fragmentation

The legal and regulatory framework currently lacks coordination between regulators. Fragmentation of financial regulation is a known challenge faced by many countries (Claessens 2019; Kalmenovitz et al. 2022). This challenge is also evident in South Africa, where financial sector is regulated by various institutions including the South African Reserve Bank, the National Treasury, the Financial Sector Conduct Authority, the Prudential Authority, the National Credit Regulator and other bodies under the Twin Peaks model,

requiring coordination to ensure effective oversight (National Treasury 2019; Republic of South Africa 2017b). Each agency operates under its own mandate and authority, creating a complex regulatory environment leading to overlapping regulations (Republic of South Africa 2017b; Kalmenovitz et al. 2022). For example, the Financial Sector Regulation Act (FSR Act) legislated financial inclusion for the first time in South Africa and imposed an explicit financial-stability mandate on the central bank. Additionally, the fragmentation of financial regulation in South Africa can lead to overlapping regulations, inhibiting innovation in the financial sector (Republic of South Africa 2017b). Some scholars have called for greater coordination among regulators to streamline regulations and reduce barriers to entry for innovative financial products and services (McQuinn 2019). Additionally, the G20 principles of innovative financial inclusion encourage co-operation among government departments and regulators, and the creation of an enabling institutional environment in which financial inclusion efforts are coordinated and partnerships are encouraged. However, others have argued that coordination may not be enough, and that a more comprehensive overhaul of the regulatory framework is needed to address the challenges posed by fragmentation the underpinnings of the payments ecosystem (Claessens 2019) (e.g., designated settlement systems, directives by the SARB), enabling more efficient, safer transactions and new participation models that would later support branchless and agent based access. These infrastructural provisions are widely recognised as necessary complements to inclusion objectives (Republic of South Africa 2004).

6.3. Policy Implication

Strengthening financial inclusion in South Africa requires a more intentional integration of financial literacy, consumer capability, and inclusive regulatory design. The FSCA's mandate should explicitly incorporate financial education programmes targeted at low-income, rural, and historically excluded communities, as evidence shows that improved market participation depends on informing and empowering consumers about available financial products and services (Maciko 2020). To be effective, such interventions must adopt differentiated, context-specific content, including embedding financial literacy within school and tertiary curricula, and addressing practical competencies such as product awareness and basic financial calculations. Beyond individual capability development, policymakers and financial institutions should strengthen linkages with informal financial networks, including stokvels, village savings associations, loan groups and self-help organizations, which remain critical to financial resilience and security for marginalised households (Maciko 2020).

Regulatory reforms should also focus on product suitability for marginalised households, requiring closer examination of household financial dynamics and the welfare impacts of different services. This includes developing newly designed financial products, revised credit risk assessment databases, and lending regulations tailored to the needs of vulnerable population groups, including women-owned micro-enterprises, who benefit significantly when financial products incorporate education and behaviorally aligned design features (Medina-Vidal et al. 2025). At the same time, fintech innovation presents both opportunities and risks while increasing efficiency, expanding access, and enhancing competition, fintechs also introduce regulatory asymmetries due to lighter oversight relative to traditional institutions, raising concerns about fairness and systemic imbalance (Elia et al. 2022; Tsindeliani et al. 2022). A balanced approach, therefore, essentially promotes innovation while ensuring risk-proportionate supervision. Given the centrality of digital channels in modern inclusion strategies, regulation must encompass digital literacy, affordability, and the quality of digital infrastructure, alongside proportionate AML/CFT rules. The shift in FICA toward a risk-based approach should continue to shape KYC expectations,

ensuring that low-income consumers are not excluded through punitive requirements such as minimum balance rules, while reinforcing the FSCA's role in safeguarding fairness and equitable treatment. Collectively, these measures underscore the need for a holistic, capability-enhancing and proportionately regulated financial ecosystem that advances meaningful, sustainable financial inclusion.

7. Limitations

While this study provides a comprehensive and theoretically grounded analysis of financial regulation and financial inclusion in South Africa, several limitations should be acknowledged. First, the study adopts a qualitative, document-based methodology, which inherently limits the ability to establish causal relationships between regulatory interventions and financial inclusion outcomes. Although the analysis draws on a wide range of legislative, policy, and institutional documents, as well as supporting literature and secondary data, it does not incorporate primary empirical data (e.g., household surveys or firm-level datasets). As a result, the findings should be interpreted as analytical and interpretive insights rather than definitive causal claims. Second, the reliance on publicly available documents may introduce selection bias. Regulatory reports, policy papers, and institutional outputs often reflect official perspectives and may underreport implementation failures, operational constraints, or informal practices. Although this limitation was mitigated through triangulation with academic literature and independent reports, certain perspectives particularly those of financial service users may remain underrepresented. Third, the study places significant emphasis on the period 2010–2025, reflecting contemporary regulatory developments such as fintech, digital financial services, and proportional regulation. While this enables a detailed analysis of recent reforms, it may underemphasise longer-term structural factors that continue to shape financial exclusion, including historical inequalities, income distribution, and labour market dynamics.

Finally, although the study conceptually integrates informal financial systems, the analysis remains constrained by limited formal documentation on these practices. Informal mechanisms such as stokvels operate largely outside formal regulatory frameworks, making systematic analysis difficult. As a result, their role is discussed primarily from a conceptual and secondary literature perspective rather than through direct empirical observation.

8. Conclusions

This article examines whether financial regulations in South Africa help advance or hinder efforts to increase access to financial inclusion for underserved populations. The evidence indicates that regulation has been both an enabler and, at times, a constraint. On the enabling side, formal recognition of financial inclusion in the post-2017 architecture, the shift to risk-based AML/CFT (allowing proportionate KYC), and targeted market-conduct interventions have lowered entry barriers and accelerated basic account ownership among previously excluded groups. Yet, persistent usage and quality gaps, high frictions for low-income and informally employed consumers, and uneven digital readiness reveal that access alone is insufficient to translate policy intent into developmental outcomes.

Three overarching insights stand out. First, inclusion is most durable when regulatory design is paired with capability building. Financial literacy and consumer protection measures must be embedded in the FSCA's mandate and delivered through differentiated, context specific programmes (including curricula in schools and tertiary institutions). Second, a pragmatic approach to the South African financial ecosystem requires engaging informal and community-based finance (e.g., stokvels, self-help groups) as complementary channels both to expand reach and to improve resilience while maintaining appropriate safeguards. Third, fintech innovation is a double-edged sword; it can lower costs and widen

access, but it also introduces regulatory asymmetries and operational risks. A coherent, proportionate framework anchored in risk-based supervision, clear data-governance standards, and strong consumer outcomes is essential to harness innovation without entrenching new forms of exclusion (e.g., digital divides, over-zealous de-risking).

Moving forward, policy should focus not just on broad access but also on ensuring effective use and high quality, which requires sustained implementation of proportionate KYC and low friction onboarding, interoperable, low-cost payment rails and fair pricing, product-suitability rules that reflect irregular incomes and cash-flow realities and gender-responsive and MSME-oriented products supported by improved, inclusive credit-risk assessment. Equally important is institutional coordination across prudential, conduct, payments, and AML/CFT authorities to avoid fragmentation and to align incentives around a shared outcomes dashboard.

Finally, this study underscores a research and evaluation agenda more granular, with disaggregated data (by gender, location, income, disability), rigorous tests of product designs for vulnerable groups, and impact evaluations of literacy and community finance linkages. In short, regulation neither inevitably promotes nor inevitably impedes inclusion; it promotes inclusion when it is proportionate, coordinated, and capability-enhancing, and it impedes inclusion when it adds friction without improving consumer outcomes. The task for South Africa's regulators and policymakers is to institutionalize the former and actively guard against the latter.

Funding: This research received no external funding. The APC was funded by University of South Africa.

Data Availability Statement: The original contributions presented in this study are included in the article. Further inquiries can be directed to the corresponding author.

Conflicts of Interest: The author declares no conflict of interest.

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