

2022 Global Economic Forum
Closing the Digital Divide - Banking and the Digital Divide
Background Briefing Paper

“We must also promote global access to the Internet. We need to bridge the digital divide not just within our country, but among countries. Only by giving people around the world access to this technology can they tap into the potential of the Information Age.”

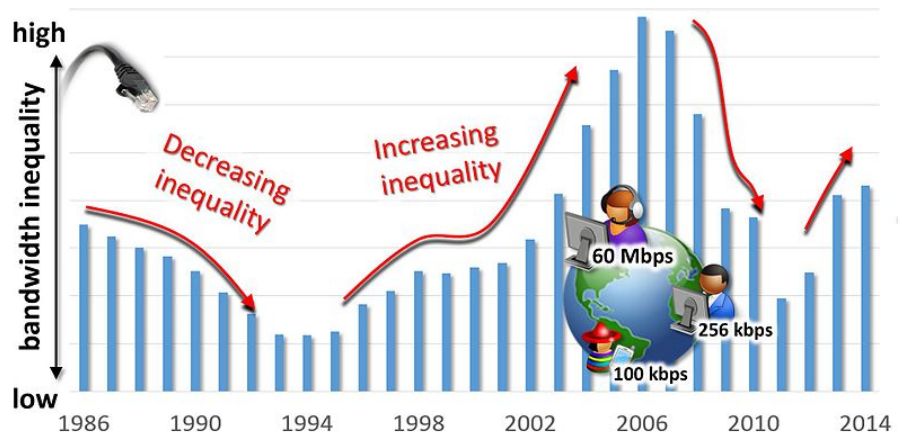
- Al Gore, former Vice President of the United States

Defining the Growing Digital Divide

Conversations around the ‘digital divide’ have, from their conception, been conversations on **access, equity, and justice**. The **digital divide** describes the uneven distribution of technology resources, often called **information and communication technology (ICT)**, which includes computers, the Internet, and mobile phones, among other technologies. The digital divide was initially described as a persistent issue within a single country, where certain populations had more or less access to technology than others. In recent years, the definition of the digital divide has grown to include uneven distribution of technology between countries and global regions. Technology, the Internet, and mass communications have always suffered from a split between those who have, and those without. Interestingly, the digital divide is not a linear progression, as technological advances and globalization have caused both times of significant gaps and times of a relatively narrow divide.

Historically, the first digital divides were between those who had the financial means and technological know-how to have home computers and basic internet access, and those who didn't. Over time, these initial barriers to access shifted with the advent and **ubiquity** of cell phones and satellites in the 1990's. As technology and faster **broadband internet** continued to develop, inequality grew once again, as higher income

Gini coefficients for telecommunication capacity (in kbps)
per individual worldwide (incl. 172 countries)



Hilbert, M. (2016). The bad news is that the digital access divide is here to stay: Domestically installed bandwidths among 172 countries for 1986–2014. *Telecommunications Policy*. www.martinhilbert.net/the-bad-news-is-that-the-digital-access-divide-is-here-to-stay/

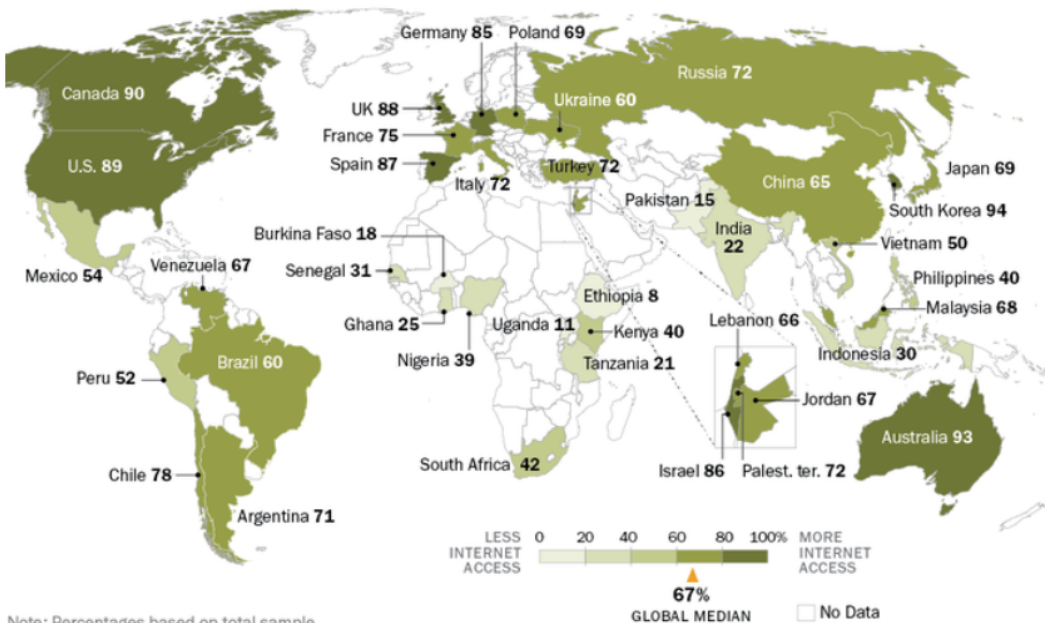
A Gini Coefficient is a measure of inequality in a population, and is primarily used in wealth or income inequality. Values range from 0 to 1, with a '0' representing perfect equality and a '1' representing absolute inequality.

households gained access to faster and more reliable internet. Looking forward, global conversations on digital equity and access have shifted to conversations around abundant high speed internet, next generation cellular networks like **5G**, and even the accessibility of advanced healthcare procedures.

Regardless of the size of the gap between those with access to technologies and those without, the digital divide has significant consequences for nearly everyone. The Internet has become a necessary component of almost every facet of modern life including how we learn, communicate, shop, and even

Two-thirds worldwide use the internet, but fewer do in Africa and South Asia

Percent of adults who use the internet at least occasionally or report owning a smartphone



Note: Percentages based on total sample.

Source: Spring 2015 Global Attitudes survey, Q70 & Q72.

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participate in the fundamental aspects of a democracy and with government institutions. Each year, as technology continues to improve, even more aspects of life become internet-based, including healthcare systems, banking and financial institutions, and our educational systems. Recognizing the growing importance of internet connectivity, the **United Nations** in 2016, declared in a **non-binding resolution** that access to the Internet as a fundamental human right.

There exist significant digital divides both within countries and between countries and global regions. Many developed countries struggle to provide equitable access to Internet services and are plagued by issues of low **digital literacy**, especially within less educated and older populations. In **developing regions**, one of the major barriers is an underdeveloped **internet and technology infrastructure**. For

many countries, simply building the infrastructure needed to provide internet to millions of citizens is simply too costly. Throughout the world, these equity issues primarily affect certain populations including women, racial and ethnic minorities, people with lower incomes, rural residents, people with disabilities, and people with lower levels of education. While each country and each region face differing and unique challenges when confronting the digital divide, these equity concerns remain at the forefront of any discussion on this important topic.

COVID-19 and the Digital Divide

For decades the digital divide fluctuated based on advancements in technology, internet infrastructure, and the widespread adoption of internet connected devices such as cell phones. During this time, the digital divide remained relatively immune from wider global events. While shifts in politics, global conflict, terrorism, and even the growing threat of climate change had impacts on the digital divide, nothing has had as significant of an impact as the COVID-19 pandemic.

A public health crisis derived from a contagious virus spread through close human contact forced a drastic and overwhelming shift in the lives of billions around the world. No single event has previously triggered such widespread change to how people live, learn, and interact with others. Fundamental to this change is the acceleration of services and institutions from in-person to digital engagement.

In many countries, entire institutions and core societal systems such as education, healthcare, banking, and retail quickly shifted online. Within days and weeks, entire societal systems moved rapidly, with significant consequences around access and equity to core services. Suddenly, high speed internet and a connected device became critical to simply access school, speak with a doctor, pay bills, or receive critical municipal services. Even for the most digitally literate populations, the shift was immediate, drastic, and overwhelming.

Like other aspects of the pandemic, certain countries and certain populations were better equipped to handle this paradigm shift than others. Generally, **developed countries** with strong Internet infrastructure were able to handle the increased digital needs of their citizens. However, access and equity issues still predominated for many of the under-resourced populations mentioned above in these highly developed countries. In developing nations, the digitization of these critical services and institutions was prohibitively expensive or near impossible in such a short amount of time. While the digital divide represented persistent equity issues globally, the COVID-19 pandemic brought them to the forefront in a dramatic and uncompromising fashion.

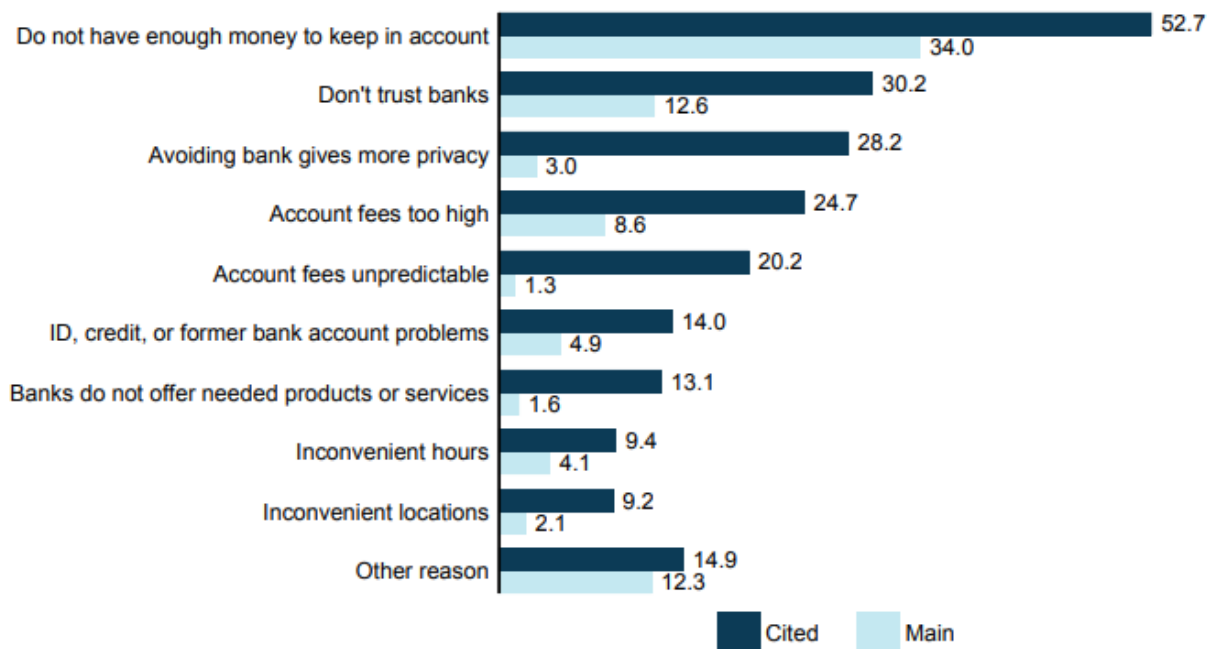
Banking and the Digital Divide

The advent and rise of computers and the internet revolutionized personal and corporate finance, moving the vast majority of transactions to the digital space and creating the **global banking sector**. This development greatly increased the speed and efficiency of transactions, connecting people and **capital** around the world and allowing money to be easily transferred in just seconds. In a time where speed and efficiency has become more critical with every passing day, these advancements helped usher in the modern world. However, connections to the global banking sector are highly dependent on your access

to strong internet infrastructure and adequate digital literacy. Thus, significant equity concerns arise for those who are unable or unwilling to access these digital monetary spaces.

For many, the first step toward bridging the financial digital divide is undergoing the process of becoming **banked**. For many different reasons, substantial portions of the United States and global populations navigate life without a personal bank account, with the Federal Deposit Insurance Corporation (FDIC) stating that 6% of U.S. households or approximately 14.1 million American adults are **unbanked**. At a minimum, personal bank accounts are extremely important for short and long term financial security, as

Figure ES.4 Reasons for Not Having a Bank Account, Unbanked Households, 2017 (Percent)



they represent safe locations to store and insure money, as well as the opportunity to start **lines of credit**, and gain **passive income** through positive interest rates. The unbanked forgo these benefits and often rely heavily on a cash-based income and expenses which may exist apart from local and federal taxes. Regardless of why people choose or are forced to be unbanked, they are unable to gain the advantages available to their banked peers.

The financial experiences of a banked individual versus an unbanked individual are significantly different. Let's take a simple paycheck as an initial example. For the unbanked, an individual may receive a cash payment or a paycheck, but be forced to use a check-cashing service in order to access that money. At best, check-cashing services leverage fees or other costs on the individual, and at worse are **predatory**. Many of these check-cashing services have long lines or wait times, forcing the depositor to forego other

employment or other opportunities. A banked individual often receives their paychecks directly deposited into a bank account allowing for near immediate access with no wait times or limits.

Banked individuals also receive other societal benefits that their unbanked peers do not. As mentioned, banked individuals can get lines of credit from a bank, which enables them the ability to purchase goods and services that cost more than the buyer can spend or is willing to spend at a given moment. A great example of this would be the purchase of a house, which, for most people, is the single most expensive purchase they will make during their lives. Banked individuals are able to secure a mortgage loan allowing them to purchase the house, then pay off that loan over 15, 20 or 30 years. The unbanked often do not have credit, or have an insufficient **personal credit score** in order to obtain a mortgage and purchase a home.

The growth of online banking and **e-commerce** further complicates the finances for millions of people with lower digital and financial literacy. The growing incidence of cashless (and sometimes employee-less) businesses, create accessibility issues for the unbanked. In addition, merely interacting with local municipal services such as paying property taxes or utility bills almost necessitates a digital banking presence. Challenges are compounded for many unbanked people who also have lower digital literacy skills and those who have trouble navigating online services. Even for banked individuals and those with access to reliable internet, digital finances pose significant challenges for millions.

Figure ES.2 Unbanked Rates by Household Age and Year

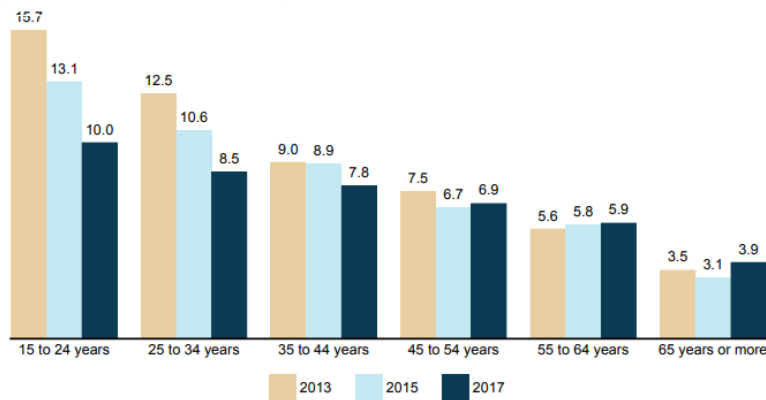
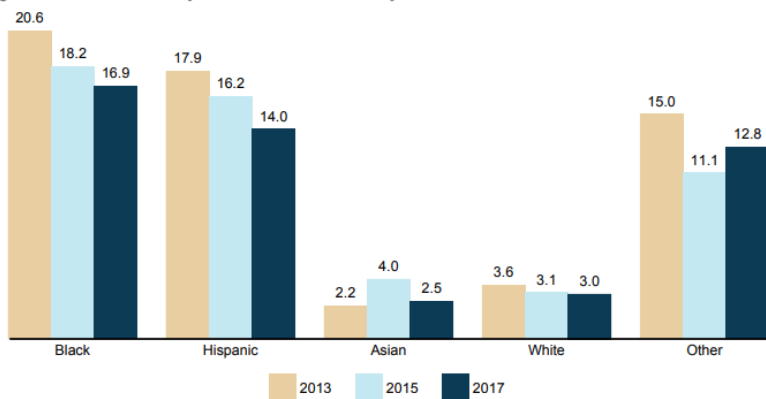


Figure ES.3 Unbanked Rates by Household Race and Ethnicity and Year



As with other aspects of the digital divide, equity concerns remain a top priority for policymakers and advocates. Like other aspects of the digital divide, significant differences exist between global regions and between developed and developing countries. In developed countries with strong internet infrastructure, the primary issues are access and equity; ensuring that all subsets

Statistics on Banked and Unbanked Populations by Age and Race - FDIC



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of the population have equitable access to digital financial tools. For developing countries, one of the immediate issues confronting many is access to sufficient technology and internet infrastructure, with low-income and rural populations often lacking access to computers and broadband internet. In both settings, elderly populations and those with lower digital and financial literacy can struggle to navigate complicated online banking systems, as well as persistent financial scams.

The steady progression toward universal online banking, as well as major global disruptions and shocks like the COVID-19 pandemic, have threatened the financial security of millions around the world. For some regions, significant focus should be paid toward increasing the percentage of banked citizens and growing confidence in the banking system. For other regions, accessibility and equity concerns may be most important, as portions of the populations gain access to critical goods and services while the same products may be unattainable for other populations.

The Charge - Create a Regional Policy Proposal Presentation

The **2022 Global Economic Forum** will simulate the international community's fight against growing digital inequality, which has gained increased global attention and has been exacerbated by the COVID-19 pandemic. The World Bank is seeking to fund innovative solutions to this crisis, and has called for interested policymakers to submit their proposals. Invited Student Delegates (that's you!) will represent an assigned global region and committee topic related to the issue of *Closing the Digital Divide*. Each team will present their strategy for combating this evolving issue to other students in their committee representing other global regions at the very beginning of the Forum's first committee breakout session. After hearing each region's initial presentation, your committee will then collaborate on a collective policy proposal aimed at solving your committee's topic on a global scale, while representing the needs and opportunities of each represented regional group.

During the Closing Plenary at the end of the program day, each committee will present their policy proposals to the Closing Plenary. One member of each region in the committee group will present the committee's newly-created collective policy proposal. A panel of judges representing the World Bank will hear each committee proposal, ask clarifying questions, and ultimately determine a winning committee team, awarding them fictitious funding for their policy proposal.

It is critical that you read the separate [Instructions for Creating a Regional Policy Proposal Presentations](#) for further details and expectations. Teams are encouraged to utilize the provided presentation template (in your school's Google Drive program folder) when creating their Regional Policy Proposal presentations. Each team will have 3-5 minutes to present and should have no more than 5 slides in their presentation (not including the title slide). Each team should be prepared to answer 3-5 minutes of questions from their peers about their policy proposals.

This briefing paper should serve as a starting point for understanding the overall challenges of your assigned committee topic, however, you will also need to conduct additional research. Please see the Council's Global Economic Forum resources [webpage](#) for suggested additional resources. The purpose of this Forum is not only for Delegates to gain a holistic understanding of the social, political, and economic



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implications and consequences of the digital divide, but also for Delegates to also gain experience in the policymaking process as it relates to critical international issues. Best of luck!

Quick Facts

Find at least five quick facts from this briefing paper or in reputable online sources that will be useful in creating your Regional Policy Proposal. Quick facts should be about one sentence long and provide useful information on your assigned committee topic.

1. Just 53 percent of adults with incomes less than \$30,000 have broadband at home, compared with 95 percent of those with incomes above \$75,000.
2. Nearly 68 percent of those without broadband at home live in rural communities.
- 3.
- 4.
- 5.
- 6.
- 7.

Questions to Consider

1. Define the digital divide. Give 2 examples of how the digital divide manifests in society.
2. Who is most at-risk from the digital divide? Why are these populations at the most risk?
3. What does it mean to be 'unbanked'? What costs (and benefits) are there to being unbanked?
4. Why is it important for someone to have access to capital or a line of credit?
5. How has COVID affected commerce? Does being banked alleviate some of these effects?

Glossary

Term	Description
5G	The fifth generation technology standard for broadband cellular networks, which cellular phone companies began deploying worldwide in 2019, and is the planned successor to the 4G networks which provide connectivity to most current cell phones.
Access	The opportunity to obtain something or the ability to enter a particular space. For example, someone with a bank account has access to a loan, whereas someone with a bank account does not have access to the same item, in this case a loan.
Banked	To keep your money in a particular bank, or to put money into a bank.
Broadband internet	The transmission of high-quality data. In its simplest form, Broadband is a high-speed Internet connection that is continuously present.
Capital	Wealth in the form of money or other assets owned by a person or organization or available or contributed for a particular purpose such as starting a company or investing.



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Developed countries	A developed country is a sovereign state that has a high quality of life, developed economy and advanced technological infrastructure relative to other less industrialized countries.
Developing regions	A developing region is a sovereign state with a less developed industrial base and a low Human Development Index relative to other countries.
Digital divide	The gap between those who have ready access to Information and Communication Technology (i.e. computers and the internet), and those who do not.
Digital literacy	An individual's ability to find, evaluate, and clearly communicate information through text and other media on various digital platforms.
E-commerce	Commercial transactions conducted electronically on the internet.
Equity	Fairness and justice in terms of outcome. Equity means understanding unique backgrounds and abilities and searching for the most equitable outcome. Equity does not equal equality.
Global banking sector	Financial entity that offers financial services, such as payment accounts and lending opportunities, to foreign clients.
Information and communication technology (ICT)	An extensional term for information technology (IT) that stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals) and computers, as well as necessary enterprise software, middleware, storage and audiovisual, that enable users to access, store, transmit, understand and manipulate information.
Internet and technology infrastructure	The physical hardware, transmission media, and software used to interconnect computers and users on the Internet.
Justice	The quality of being impartial, or fair in treatment and/or outcome. Justice involves an understanding of the backgrounds and histories of people and the fairness of their outcomes based on these priors.
Line of credit	An amount of credit extended to a borrower. Credit allows a borrower to purchase a good or service and then pay back their creditor over time, often in installments.
Non-binding resolution	A written motion adopted by a deliberative body that cannot progress into a law.
Passive income	The gradual accumulation of money. Investing money in the stock market or similar funds often leads to earnings of passive income, where the money grows over time.
Personal credit score	A credit score is a number lenders use to help them decide how likely it is that they will be repaid on time if they give a person a loan or a credit card, and it is built through your credit history.
Predatory	Lending practices that impose unfair, deceptive, or abusive loan terms on borrowers. In many cases, these loans carry high fees and interest rates, strip the borrower of equity, or place a creditworthy borrower in a lower credit-rated (and more expensive) loan, all to the benefit of the lender.
Ubiquity	The fact of appearing everywhere or of being very common.



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Unbanked	Adults who do not use banks or banking institutions in any capacity. Unbanked persons generally pay for things in cash or else purchase money orders or prepaid debit cards and also typically do not have insurance, pensions, or any other type of professional money-related services
United Nations	An intergovernmental organization aiming to maintain international peace and security, develop friendly relations among nations, achieve international cooperation, and be a center for harmonizing the actions of nations. It is the world's largest and most familiar international organization.

Works Cited

[The Digital Divide - Information, People and Technology - Penn State University](#)

[UN Condemns Internet Access Disruption as a Human Rights Violation - The Verge](#)

[How America Banks: Household Use of Banking and Financial Services - FDIC](#)

[Disconnected: Seven Lessons on Fixing the Digital Divide -Federal Reserve Bank of Kansas City](#)