

Lesson 2.1 Quiz: Financial Exclusion

Module 2: The Access Problem

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Digital Finance — BSc Course (v2026.05)

Q1: Defining Financial Exclusion

Which of the following **best** defines financial exclusion?

- A Choosing not to use formal financial services for personal reasons
- B The inability to access basic financial services on affordable, appropriate terms
- C Having a bank account but not using it frequently
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Q2: Voluntary vs. Involuntary Exclusion

A farmer in rural Nigeria wants to open a savings account but the nearest bank branch is 80 km away and requires a government-issued ID she does not possess. This is an example of:

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- B Involuntary exclusion
- C Voluntary exclusion
- D Adverse selection

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Q3: Supply-Side Barrier Identification

Which of the following is a **supply-side** barrier to financial inclusion?

- A A customer lives too far from any bank branch
- B A customer cannot read the terms and conditions of a loan contract
- C A bank determines that low-balance accounts are unprofitable to maintain
- D A customer does not trust banks due to past fraud

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Q4: Mobile Money Definition

What distinguishes **mobile money** from **mobile banking**?

- A Mobile money uses blockchain; mobile banking uses traditional databases
- B Mobile money does not require a traditional bank account; mobile banking does
- C Mobile money requires a smartphone; mobile banking works on feature phones
- D Mobile money is only available in Africa; mobile banking is global

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Q5: Agent Banking Economics

An agent processes 200 mobile money transactions per day, earning 0.5% commission on each. If the average transaction is \$15, what is the agent's daily income from commissions?

- A \$150.00
- B \$7.50
- C \$15.00
- D \$1.50

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Q6: Tiered KYC Application

A mobile money provider uses tiered KYC. Tier 1 requires only a phone number and name, with a \$100 balance limit. A new customer registers at Tier 1 and tries to store \$250. What happens?

- A The system accepts \$100 and returns \$150
- B The customer is automatically upgraded to Tier 2
- C The system rejects the deposit entirely
- D The system accepts \$250 but flags the account for review

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A microfinance institution enters a new market where no borrowers have credit scores. To compensate for uncertainty, the institution charges all borrowers 40% APR. What is the likely adverse selection outcome?

- A The rate has no effect on the composition of borrowers
- B All borrowers accept the rate, generating profit for the institution
- C High-risk borrowers refuse because they know they will default
- D Low-risk borrowers refuse the high rate, leaving only high-risk borrowers in the pool

Q7: Adverse Selection Spiral

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A bank's full KYC process costs \$25 per customer. A low-balance savings account generates \$3/year in revenue. How many years must the customer remain active for the bank to break even on KYC costs alone?

- A About 8 years
- B The bank never breaks even
- C Less than 1 year
- D About 3 years

Q8: KYC Cost Analysis

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India's Aadhaar system enabled 500 million new bank accounts. What is the **primary mechanism** by which Aadhaar achieved this?

- Ⓐ Aadhaar forced banks to open accounts for all citizens
- Ⓑ Aadhaar enabled instant electronic KYC (e-KYC), reducing account opening cost and time
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A FinTech wants to offer micro-insurance via SMS to farmers. The regulator has no framework for SMS-based insurance. Under a regulatory sandbox, the FinTech would:

- A Operate without any regulatory oversight
- B Wait until the regulator writes new insurance laws
- C Apply for a full insurance license before testing
- D Test the product with a limited number of customers under regulator supervision

Q10: Sandbox Application

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Which factor was **most critical** to M-Pesa's rapid adoption in Kenya?

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- B The Central Bank of Kenya mandated that all citizens use M-Pesa
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Q12: Informal Finance Comparison

A farmer borrows \$100 from a local moneylender at 10% per month. Using the **simple** APR convention (monthly rate \times 12), what is the APR?

- A 120%
- B 10%
- C 214% (effective annual rate with monthly compounding)
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Q13: Barrier Classification

A woman in rural Pakistan has a phone but cannot open a mobile money account because her husband refuses to share the household's single national ID card. This barrier is **best classified** as:

- Ⓐ Structural: the payment infrastructure is unavailable
- Ⓑ Demand-side: social norms and documentation prevent engagement
- Ⓒ Voluntary exclusion: she is choosing not to participate
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Q14: Breaking the Adverse Selection Cycle

A FinTech uses mobile phone usage data (call patterns, airtime purchases, app usage) to build credit scores for unbanked individuals. This approach addresses adverse selection by:

- Ⓐ Creating information where none existed, allowing the lender to distinguish risk levels
- Ⓑ Eliminating the need for any risk assessment
- Ⓒ Replacing credit scoring with social media analysis
- Ⓓ Guaranteeing that all borrowers will repay

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Q15: M-Pesa Replication Failure

M-Pesa succeeded in Kenya but struggled in Nigeria. Which **structural difference** best explains this?

- A Nigerian consumers prefer cash and distrust all digital systems
- B Nigeria has lower mobile phone penetration than Kenya
- C Nigeria's Central Bank required a bank-led model, restricting MNO participation
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Q16: Tiered KYC Risk Analysis

A regulator considers allowing Tier 1 accounts with a \$500 daily limit and no ID verification beyond a phone number. A critic argues this creates money-laundering risk. Which response **best** addresses this concern?

- A The risk exists but is proportionate: a \$500 limit constrains laundering volume, while transaction monitoring can detect patterns
- B Full KYC should be required for all accounts regardless of balance
- C The risk is zero because the amounts are too small
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Q17: Gender Gap Root Cause

In Sub-Saharan Africa, the gender gap in mobile money account ownership is approximately 20%. Which combination of factors **most directly** explains this gap?

- Ⓐ Agent networks are exclusively staffed by men
- Ⓑ Mobile money interfaces are too complex for women to use
- Ⓒ Women are less interested in financial services than men
- Ⓓ Women are less likely to own phones and less likely to possess personal ID

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- Ⓐ That credit bureaus should not be used in developing economies
- Ⓑ That mobile money should not offer credit products
- Ⓒ That digital lending always leads to over-indebtedness
- Ⓓ That easy access to credit without adequate consumer protection can create debt traps

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Q19: Policy Trade-Off Evaluation

A government considers two policies to increase financial inclusion:

- **Policy A:** Mandate that all banks open free basic accounts for anyone with a national ID
- **Policy B:** License mobile network operators to offer e-money wallets with tiered KYC

Which policy is **more likely** to reach the unbanked, and why?

- Ⓐ Policy A, because banks are more trustworthy than MNOs
- Ⓑ Both are equally effective because they target the same population
- Ⓒ Neither is effective without building more bank branches
- Ⓓ Policy B, because it does not require a national ID at the lowest tier and leverages existing mobile infrastructure

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- Ⓐ Delay the decision until international standards are published
- Ⓑ Reject the proposal — biometric-only ID is too risky for any use case
- Ⓒ Apply a risk-proportionate assessment: allow the test with balance limits, transaction monitoring, and a defined review period
- Ⓓ Approve unconditionally — inclusion always outweighs compliance risk

Q20: Regulatory Sandbox Evaluation

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