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Risk-Based Financial Inclusion and Safe Credit Access in the United States: A Banking Framework for Household Resilience and Financial Stability

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ABSTRACT

This article studies the potential for a risk-based financial inclusion model to expand access to safe and affordable credit in the United States. It addresses the need to integrate financial inclusion, borrower protection, and credit-risk management within a single banking framework. The qualitative policy and literature review draws on selected secondary sources relevant to account access, credit assessment, financial capability, and risk management, including the 2023 FDIC household survey and the Federal Reserve's report on household economic well-being in 2023, both published in 2024, the Treasury's 2024 financial inclusion strategy, and regulatory publications on alternative data. Descriptive comparison of published indicators and qualitative document analysis are used to identify access gaps and synthesize banking strategies. The FDIC reported that 4.2% of U.S. households were unbanked and 14.2% were underbanked in 2023. The study proposes alternative-data credit scoring, cash-flow-based underwriting, fair-lending safeguards, financial education, and low-cost accounts supported by risk-sensitive compliance. Its conceptual contribution is to connect information-asymmetry and credit-rationing perspectives with consumer protection and borrower capability. The policy implication is that banks should assess inclusion and risk-management objectives jointly. These strategies are proposals derived from secondary evidence, rather than empirically validated interventions. Reliance on published aggregate evidence limits causal inference and bank-level assessment; effects on household resilience and financial stability require further empirical testing.

INTRODUCTION

Modern economies rely on banking systems that are accessible, trusted, and usable, and do not encourage people to use other unsafe and expensive banking options. Despite being one of the most developed financial markets in the world, many are unable to access it. There are a lot of people who are completely off the grid. However, many have accounts and still utilize nonbank money orders, check cashing, payday loans, pawn loans, auto loans, and other financial services for their daily needs (Federal Deposit Insurance Corporation [FDIC], 2024). The previous is not a comprehensive list of the convenience of beneficial/banking services that is important to this difference. It influences income generation, spending, access to credit, savings, and survival with shocks of families.

There has been a dramatic change in policy. The U.S. Department of the Treasury's (2024) National Strategy for Financial Inclusion emphasized the need to confirm that everyone has access to safe, affordable financial products as a critical component of financial resilience, wealth creation, and a more equitable economy. It is what bankers have been saying for years: No one is out for any reason. Limited access and usage of mainstream financial services can be due to high fees, minimum balance requirements, thin credit files, income volatility, limited access to digital services, lack of trust, and low financial capability.

The main problem is not to scale up the number of consumers in the financial system. It is, for the most part, to establish banking institutions that will develop facilities without destroying credit self-control, reasonable loan standards, and instruct customers while maintaining the respectability of the institutions. In fact, even if more loans are available, they can be more of a burden than a benefit if lenders do not consider repayment ability when underwriting loans. However, if there were excessive conservative balance sheet hedging, then good credit borrowers with short credit histories would not be accepted. Risk-based financial inclusion attempts to strike a balance between this tension by improving the evidence, product design, and support for borrowers.

Access to credit needs to be seen as a banking imperative of national interest. It provides a principles-based approach for all financial institutions in the United States, their regulators, and community partners: affordable transaction accounts, responsible use of alternative data, cash flow-focused underwriting, consumer-friendly education about credit, risk-oriented credit assistance, and compliance. The aim is to show that inclusion doesn't make weaker, but can make stronger the resilience of households and their economic situation.

Financial inclusion and access to safe credit is risk-based in the U.S.

Financial inclusion should not be limited to having a bank account but also include access to affordable, understandable, relevant, and reliable financial products.

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The 2024 United States Treasury strategy implements this idea as the core of the United States policy, which stresses transaction accounts, safe credit, savings and investment opportunities, and the provision of financial services by governments to all citizens on an equal basis, and the protection of consumers from harmful grasping practices (U.S. Department of the Treasury, 2024). This is a must-do approach, otherwise having access to money and not being able to get it under control can only end up in putting folks in debt traps, high costs, or in price confusion.

However, the numbers released last month for the United States tell a different story, one of ongoing need to make risk reduction decisions on a case-by-case basis rather than across the board. The FDIC estimates that 4.2 percent (or approximately 5.6 million) of all households in the United States were unbanked (no checking or savings account) and 14.2 percent (or approximately 19.0 million) of all households were underbanked (savings account but no checking account) in 2023. The Board of Governors of the Federal Reserve System (2024) reports that approximately all adults hold bank accounts and have access to credit, but there are some differences for low-income adults and adults with disabilities in 2023. These numbers are an indicator of a fact – people need to be engaged in a sustainable and non-threatening way to financial inclusion beyond just opening an account.

Research Objectives

The objectives of the study are to develop a viable banking system that would boost the safe and regulated flow of credit in the United States and safeguard consumer rights and financial stability. The main objectives of the research are to: (1) review recent evidence on underbanked households and credit-access gaps in the United States; (2) examine how risk-based tools, such as alternative data and cash-flow analysis, might help make credit decisions fairer; (3) discuss the relationship between compliance regulation and the development of household resilience; and (4) provide practical policy recommendations for banks, market observers, and regulators.

LITERATURE REVIEW

The financial inclusion literature is based on a perennial problem in banking: lenders will never know as much about risk as borrowers. Akerlof (1970) discussed the information asymmetries that impact a market and cause credit rationing, and Stiglitz and Weiss (1981) discussed credit rationing when borrowers are willing to pay more. Consumer finance wise, it means that some borrowers may not be able to secure financing because their credit history does not necessarily represent their spending habits. All of this is similarly coupled with resilience and development in global research, especially in conjunction with secure products and consumer protection (Demirgüç-Kunt *et al.*, 2022).

However, U.S. policy publications are following suit. The CFPB, Federal Reserve, FDIC, OCC, and NCUA recently issued a joint statement on the use of alternative data, which states that alternative data—such as cash flow data from bank accounts—can be a valuable tool when used in conjunction with good compliance management to make better credit decisions (Board of Governors of the Federal Reserve System *et al.*, 2019). The CFPB analysis by Alexandrov *et al.* (2023) indicates that cash flow indicators may be useful data that can be used in conjunction with traditional credit scores. Lusardi and Mitchell (2014) argue the need for financial literacy for the economy, and the FDIC's Money Smart program is an example of how financial institutions and community partners can help lay the groundwork for functional financial capability (FDIC, 2025). Overall, these studies indicate a research gap: sometimes inclusion is viewed as a problem, and can be addressed separately from the problem of risk management; but models are needed in the U.S. banking system that address inclusion and fairness to all as a single design problem.

MATERIALS AND METHODS

This qualitative policy and literature review study used secondary data. This study aimed to synthesize and articulate an actionable banking framework; consequently, a descriptive research design would be more appropriate. The sources of data were the United States government, documents from the Treasury, the FDIC, the Federal Reserve, the CFPB, and OCC, and academic literature on credit rationing, information asymmetry, financial literacy, and finance in general. Document analysis, policy priorities in recent documents, and results of documents in the same fields of policy. The four key elements of the analysis are access to accounts, safe credit access and borrower capability, and risk management.

RESULTS AND DISCUSSION

The results below are based on recent representative public data and evidence from U.S. regulators regarding financial inclusion, access to credit, and resilience of the banking system.

First, the data show that financial inclusion is not a binary phenomenon but a phenomenon that includes banked and unbanked people. The FDIC's measure is largely descriptive and recognizes that consumers continue to use nonbank payments or credit services. Actions like this are an illustration of a product fit problem. However, a bank account can be named only as well, because it is too expensive, too difficult, or just not the type of bank account consumers wants.

Second, the information environment is a crucial element in the availability of credit. However, there are drawbacks to traditional credit scores, and they do not take into account rent or utility payments, money saved in accounts, or good cash flow. No regulatory documents are available that encourage the use of alternative data. This study emphasizes the need for extensive testing, thorough documentation, review for explainability and compliance, as new sources of data will allow for more access without risking the creation of new forms of discrimination.

Table 1: Recent U.S. Evidence on Financial Inclusion and Its Banking Implications

Evidence Area	Recent U.S. Evidence	Banking Implication
Account Access	4.3% of U.S. households were unbanked in 2023, about 5.6 million households (FDIC, 2024).	Low-cost insured accounts remain a basic entry point for resilience.
Underbanking	14.2% of households, about 19.0 million, were underbanked and used nonbank services for core needs (FDIC, 2024).	Banks must compete on trust, price, convenience, and relevance.
Credit Gaps	Federal Reserve evidence shows access gaps for low-income, Black, Hispanic, and disabled adults (Federal Reserve Board, 2024).	Fair lending and inclusive underwriting should be built into product design.
Alternative Data	Federal regulators state that alternative data may expand access and improve pricing when supported by compliance controls (CFPB *et al.*, 2019).	Cash-flow-informed underwriting can reduce unnecessary exclusion.
Small Business Access	The 2024 Small Business Credit Survey found persistent cost, operating-expense, and cash-flow challenges among small employers (Federal Reserve Banks, 2025).	Inclusive banking should also support micro and small business resilience.

Third, the balance between financial education and the development of financial products. When you are at home, you do not have to have overdrafts or use credit or savings irresponsibly. However, nothing can make up for complicated and costly products. Similarly, if the customers know about the responsible use of the reusable product, it is deemed to be affordable. Hence, it is essential to have a good framework, better design of banks, and more financial capability.

Discussion

The findings support earlier theories on information asymmetry and credit rationing. Alternatively, credit markets could collapse if lenders are not sure that they will be paid back for loans they extend to prospective borrowers. They may also overemphasize a few indicators, which can cause them to fail to notice the regularity of cash flow. Cash flow analysis using other information can help smooth cash flow cycles, and a good governance process by lenders can help. An untested model may be biased, and a regulated model may lead to good borrowers being identified that have not been screened by the traditional credit systems.

This is also the case with the policy orientation in the USA. Consumer protection for the poor, safer transaction accounts, affordable credit, and savings and financial services is part of the Treasury financial inclusion strategy. Similarly, the Office of the Comptroller of the Currency's (OCC) Project Reach includes banks, community partners, businesses, and technology providers who are dedicated to eliminating unproductive barriers worldwide to create a level playing field for participation in the economy (OCC, n.d.). These campaigns help to inculcate the concept that inclusive banking is anti-aid. It is a component of a greater, extra aggressive, and reliable monetary system.

Low-cost accounts (no hidden charges for overdrafts and no up-front charges) and good digital delivery should be available to low-income customers, as well as to banks and all economically active groups. Secondly, if legally and statistically appropriate, underwriting should be done on the basis of verifiable cashflow and payment history information. Thirdly, testing of all credit models should be conducted on repayment performance and their effect on fair lending. Fourth, borrowers should be given clear explanations, the option to avoid credit, and access to analysis, if appropriate. Fifth, banks need to build ties with community development financial institutions, minority depository institutions, employers, schools, and others in their communities. Sixth, anti-money laundering and fraud controls that are sensitive to risk should not impede legitimate customers' access to the regulated financial system.

These results have real-world implications. Household's ability to access financial services can decrease their reliance on expensive nonbank financial services and increase their capacity to withstand the storm. Financial inclusion opens new customer relationships for banks and helps them to better assess their risks. The new model can serve as a vehicle through which regulators can encourage innovation, while protecting consumer interests. The only odd thing is that secondary data do not provide an idea of the results in relation to a specific bank's model. Future studies should assess the impacts by estimating borrower outcomes at the bank level, comparing borrower data models across borrower groups, and monitoring borrower outcomes over time.

CONCLUSION

Risk-based financial inclusion is a sensible approach that will help moderate safe credit access in the United States. Although millions of households are unbanked or underbanked, access is particularly scarce for struggling households. These are gaps that impact the resilience of households: households that do not have access to affordable banking and credit services are not able to respond to shocks, and are not able to save and invest for

future opportunities.

This study attempts to connect the dots between financial inclusion and inclusive banking. The findings of the framework show that access and risk management can coexist when banks are used, if the data are better, products are more transparent, fair-lending controls are in place, and there is greater financial education and engagement with the community. It is good exercise not to rush to lend, but to work towards disciplined inclusion, banking that is mindful of risk and treats and respects consumers.

A need to move away from the synthesis of policy empirical field science in the future. Bank pilot programs, borrower outcome studies, small-business credit experiments, and model-impact audits could all be employed to discover practices that maximize access without high default rates and the risk of discrimination. Bankers, policy makers, and researchers are then challenged with the task of how to scale financial inclusion systems to make them resilient, particularly those that have been largely out of the mainstream of finance.

Policy Recommendations

U.S. banks and regulators encourage low-cost guaranteed accounts, transparent pricing, and easy access to digital banking for underbanked households. Originating any loans without successfully passing fair-lending testing requires a model validation and consumer-protection review, which shall be completed prior to lenders setting up verified cash flow and alternative data tools.

Community banks and minority depository institutions, credit unions, and CDFIs should focus on partnerships, as these smaller financial institutions are best positioned to serve markets underserved by larger financial institutions. Financial education should not be a stand-alone message but should be provided with banking products. Regulators need to be innovative and provide clear guidance and tangible pilots and tangible results. Lastly, AML/CFT and fraud checks must be effective but flexible enough to avoid the unintended consequences of excluding low-income customers, citizens, immigrants, and small businesses from the banking system.

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