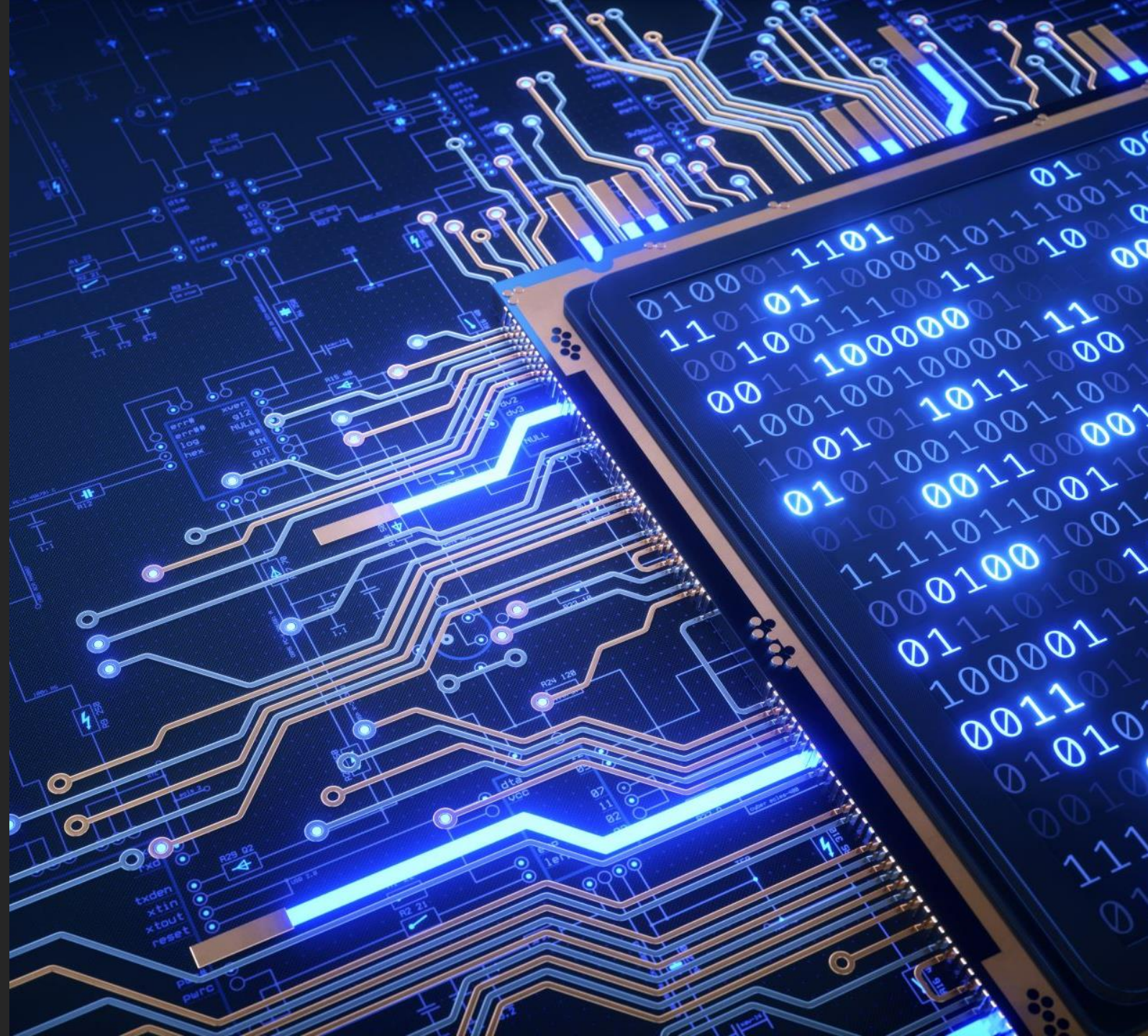

FINTECH AND FINANCIAL INCLUSION

FINTECH CONNECT MASTERCLASS
BY DANA LUNBERRY

4 DECEMBER 2019 | 10:30 AM





world relief®



AGENDA

01

State of Financial Inclusion

- Key industry trends
- Opportunities for fintech

02

Chronicles of fintech in Financial Inclusion

- The good
- The bad
- The ugly

03

Strategies for inclusive finance

- Getting the basics right
- Strategic directions

04

Q&A



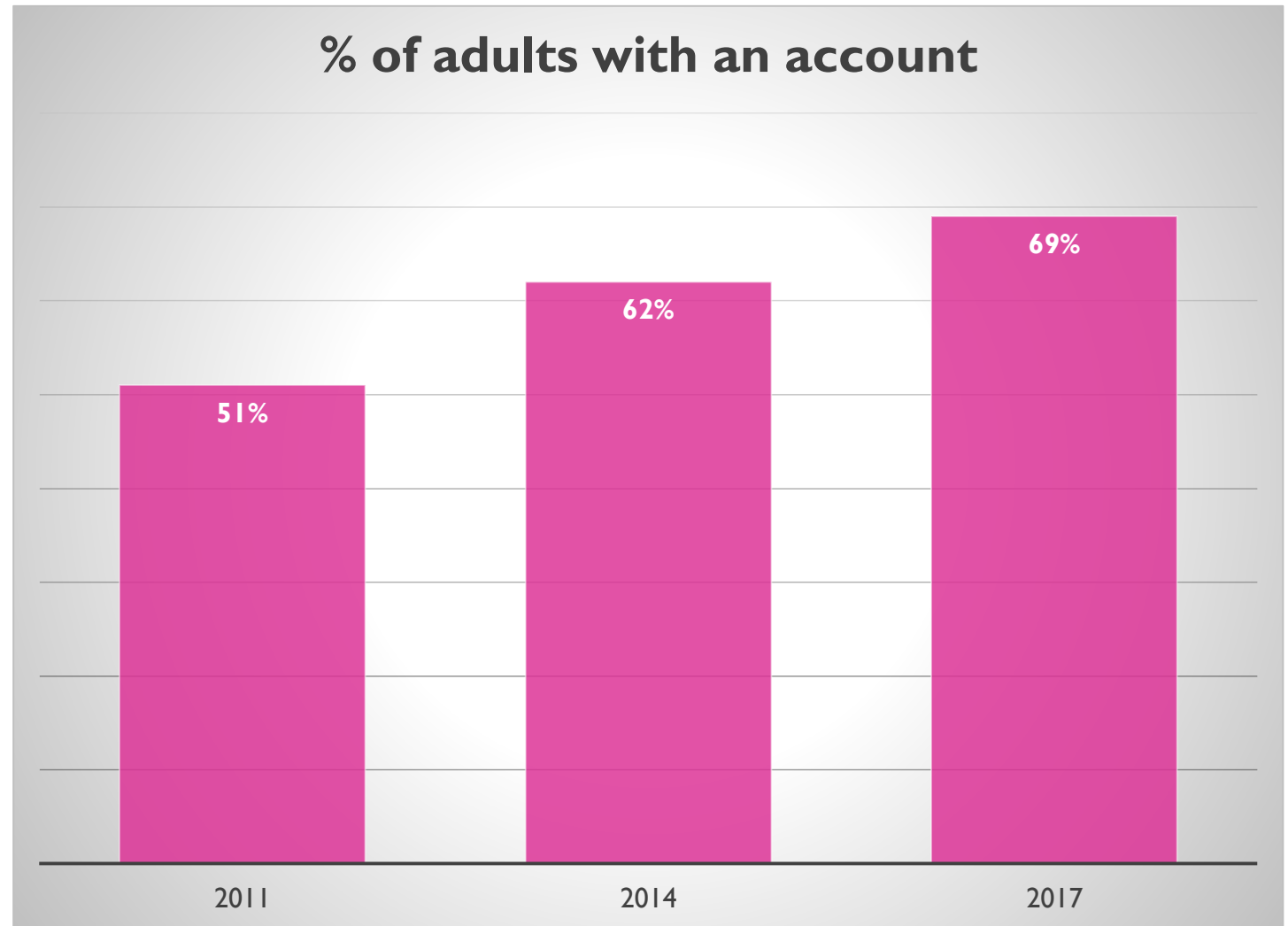
01

STATE OF FINANCIAL INCLUSION



FINANCIAL INCLUSION

- 515 million adults worldwide opened an account at a financial institution or through a mobile money provider between 2014 and 2017



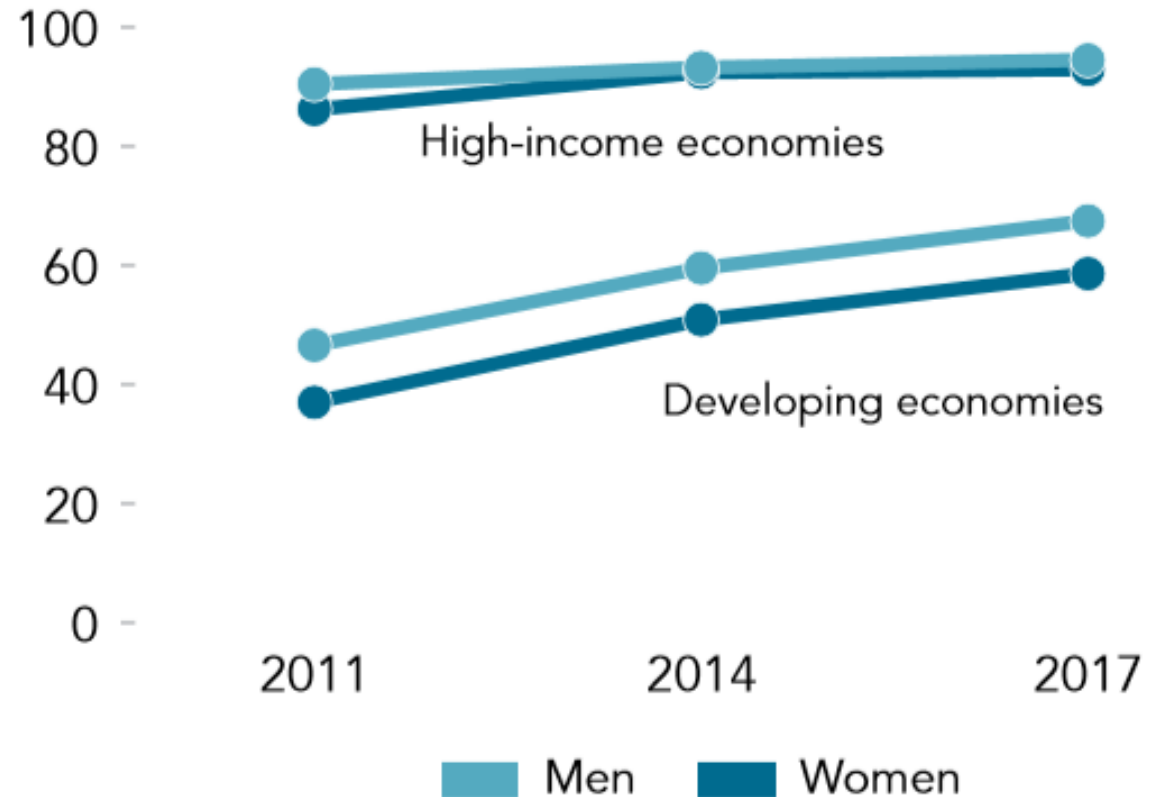
WHO ARE THE UNBANKED?

Disproportionately:

- Lower-income
- Female
- Rural
- Less educated
- Younger (ages 15-24)
- Less active in the labor force

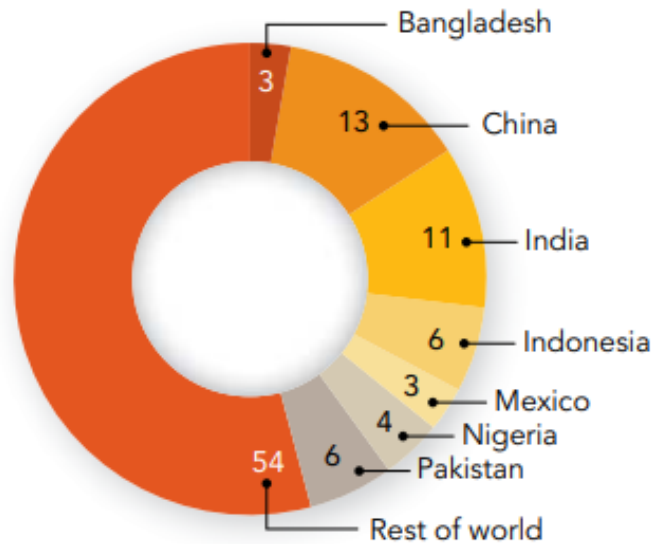
The gender gap in account ownership persists in developing economies

Adults with an account (%)

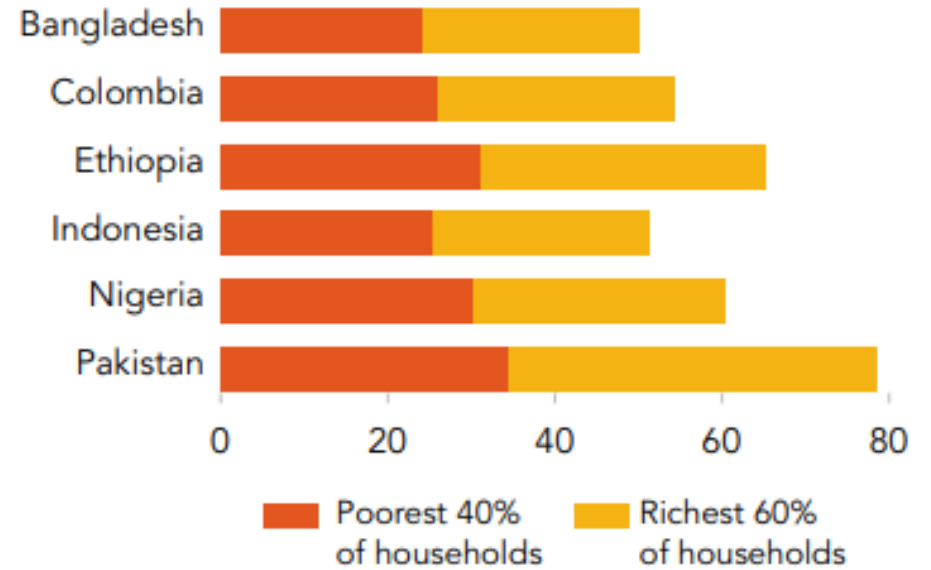


Nearly half of all unbanked adults live in just seven economies

Adults without an account by economy (%), 2017

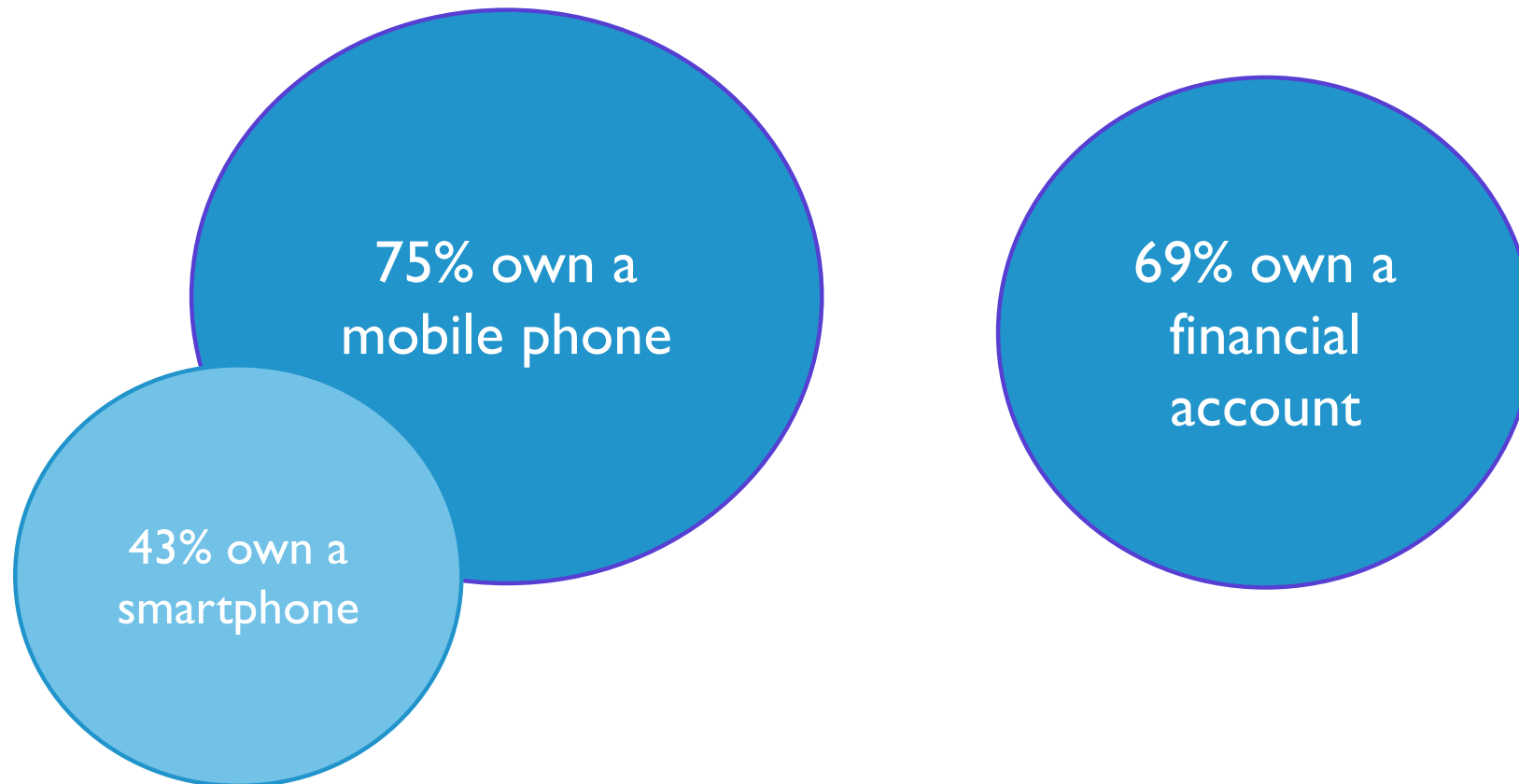


Economies with half or more of adults unbanked

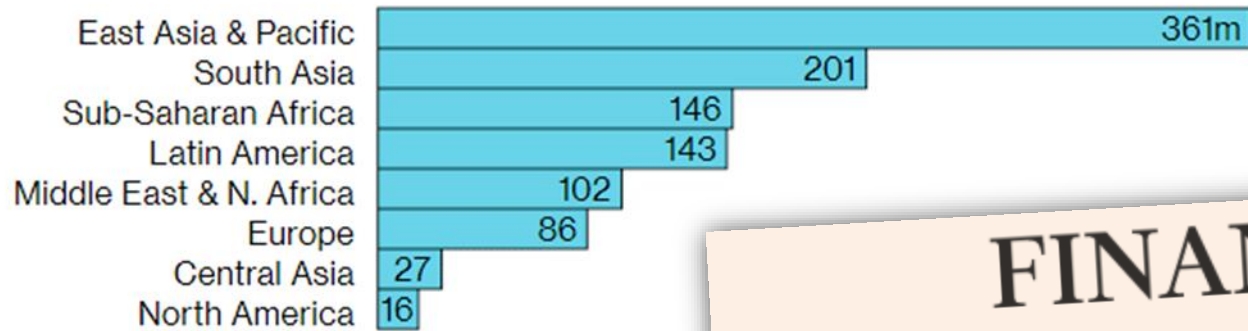


WHERE ARE THE UNBANKED?

MOBILE PHONE VS. FINANCIAL ACCOUNT OWNERSHIP



Adults who own a mobile phone but have no bank account



Sources: World Bank, Gallup World Poll 2017

FINANCIAL TIMES

Banks use fintech to make up for lost time on financial inclusion

≡ Forbes

6,100 views | Oct 28, 2019, 7:50 pm

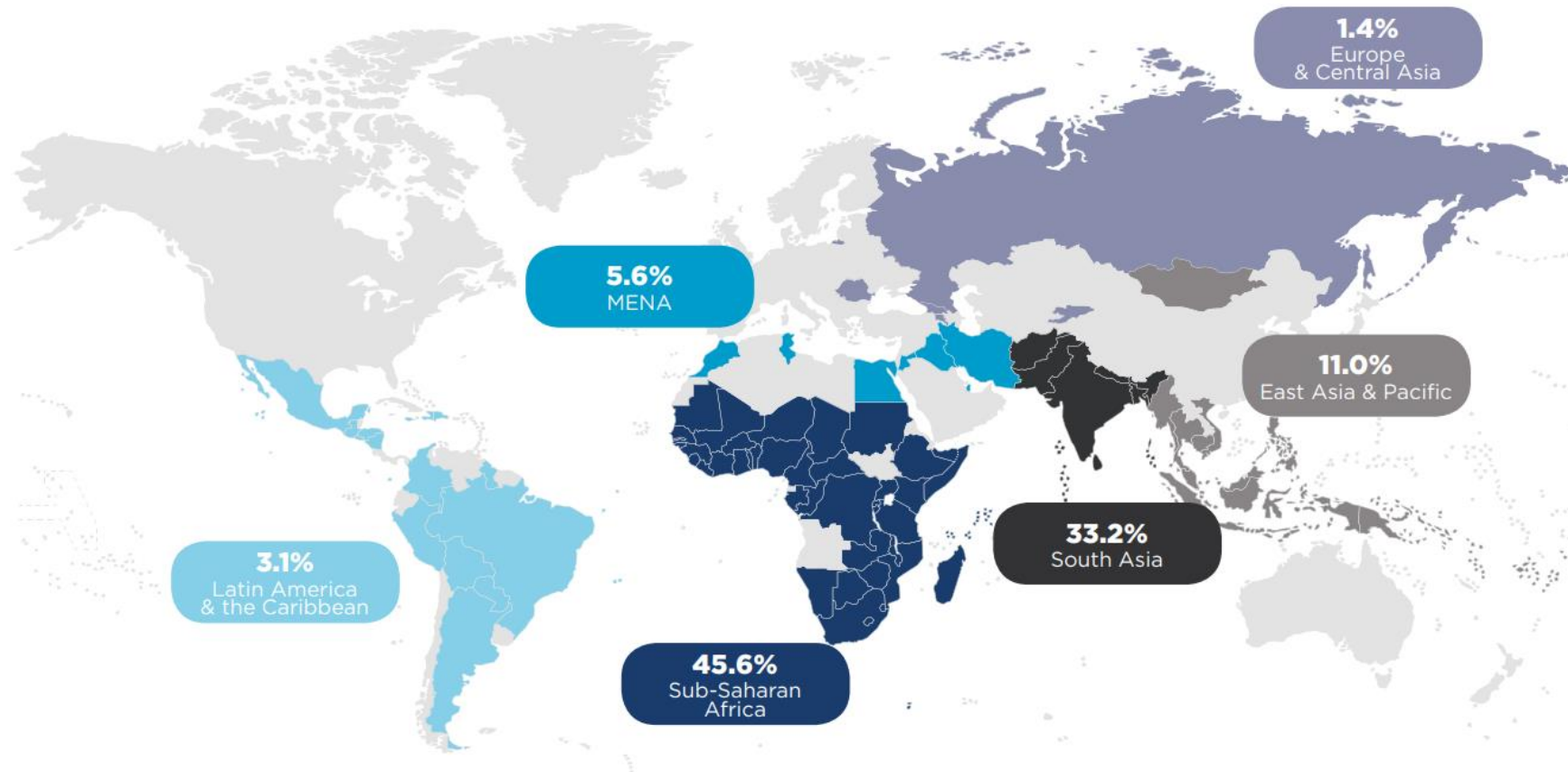
The 'Underbanked' Is The Next Trillion-Dollar Opportunity in Fintech

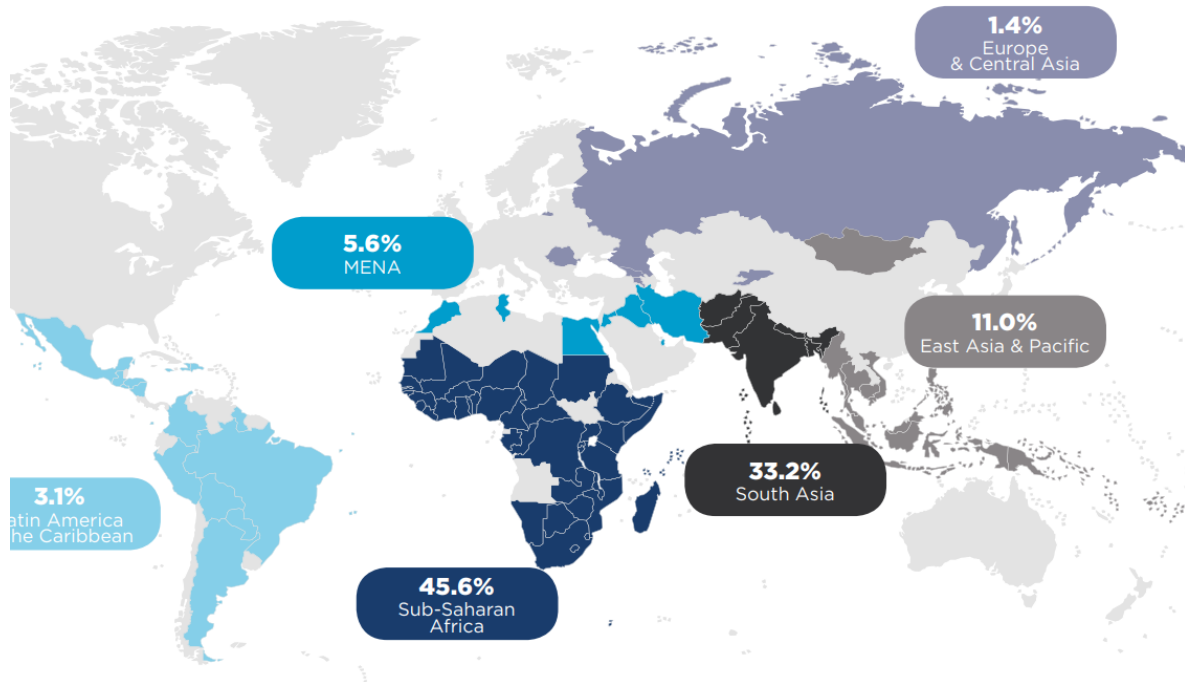
The Economist

The future

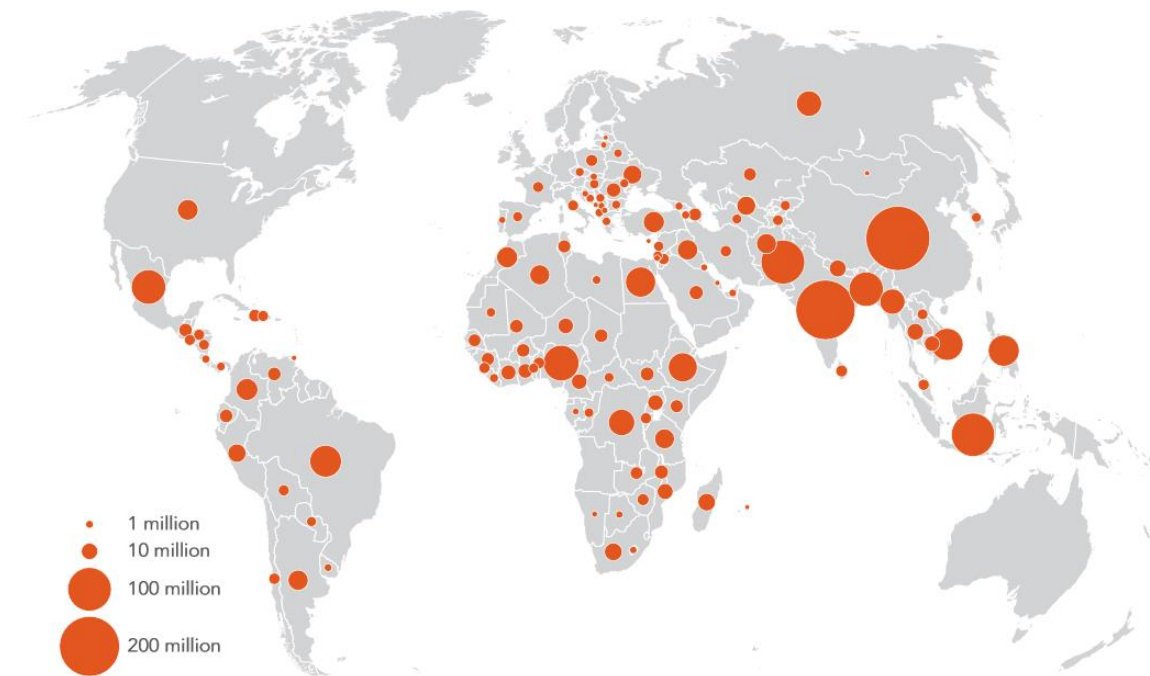
The banking revolution is great for customers

GLOBAL SPREAD OF MOBILE MONEY





Globally, 1.7 billion adults lack an account
Adults without an account, 2017



MOBILE MONEY IS ACCELERATING FINANCIAL INCLUSION

CHINA IS THE
NEW FRONTIER
FOR FINTECH
INNOVATIONS





WeBank 微众银行

- China's 1st Digital Bank
- Started by **Tencent 腾讯**
- Leveraged Tencent's ecosystem, technology capabilities, and R&D resources to develop a disruptive credit profiling system and a new digital proposition that could scale rapidly

GROWING
CONVERGENCE OF
FINANCIAL SERVICES
WITH SUPER-
PLATFORMS

Tencent 腾讯

amazon



Baidu 百度

FACEBOOK

Alphabet

Alibaba.com

Google

JD.COM



02

CHRONICLES OF FINTECH IN FINANCIAL INCLUSION

FOR THE UNDERSERVED, LOW-INCOME CUSTOMER



Better
experience



Improved
products



New value
propositions

FOR EMERGING AND DEVELOPING MARKETS



Better
infrastructure
(financial)



Greater
competition
& choice



Use cases
for payments
accounts

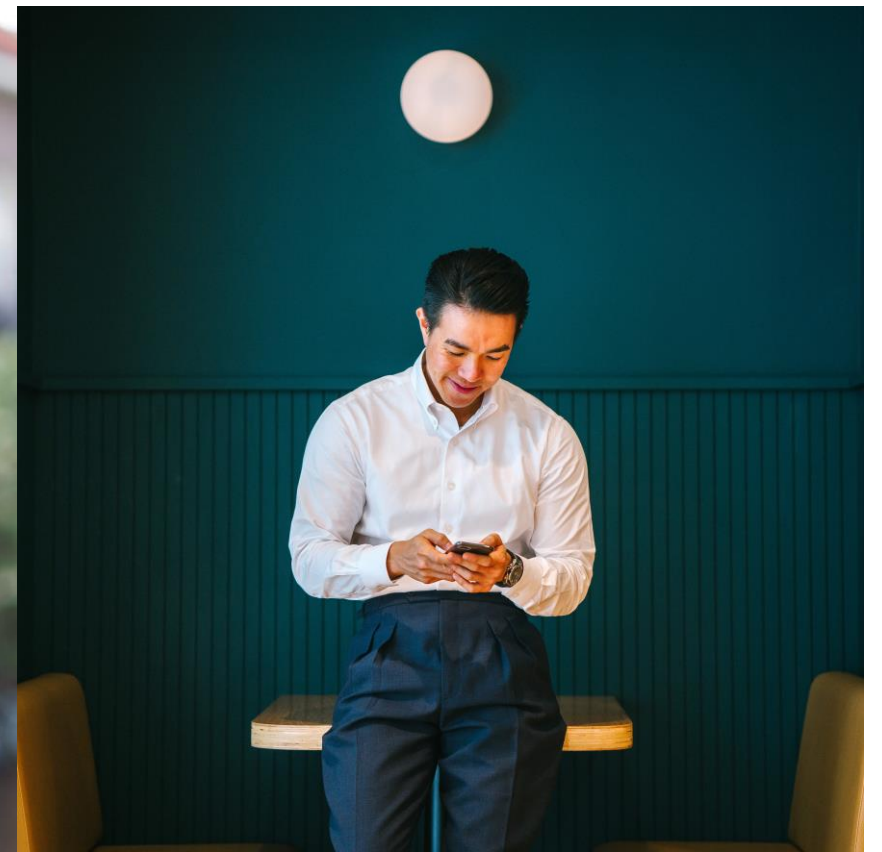
THE GOOD

Fintechs are bringing
innovation and new value
to every part of the sector

FINTECHS MAKING STRIDES IN FINANCIAL INCLUSION

Innovation Area	Fintech	Service
Interactive customer engagement	Juntos	Mobile messaging and customer service
	Arifu	Mobile advice and information
	People's Pension Trust	Mobile nudges and incentives to encourage long-term savings
Smartphone-based payments	Wave Money	Payments app
	NALA and Hover	Payments app with no data requirements
	Fundu	Mobile-based person-to-person ATM app
Connections-based finance	M-Changa	Digital crowd-funding site
	Ma Tontine	Digital savings groups and credit advance
	Pezesha	Digital person-to-person lending
	Patasente	Digital lending marketplace for MSMEs
	Social Lender	Social-score based lending
Location-based smallholder finance	Farmdrive	Digital loans for farmers
	Apollo	Digital loans for farmers
	Pula	Satellite data-based digital insurance
De-risked nonproductive finance	Microensure	Digital health insurance bundled with microcredit
	Tulaa	Digital credit for farm inputs
	Biolite	Energy products on credit

Examples from CGAP Fintech and Financial Inclusion Report, May 2019



THE BAD

Fintechs have generally been successful in reaching younger urban men, not underserved segments

Pain of Kenyans blacklisted for amounts as small as Sh100 in mobile loans, bank fees

FRIDAY SEPTEMBER 9 2016

Why Fintech lending could push the poor into debt trap

MONDAY, APRIL 1, 2019 19:16

Topics ▾

Current edition

More ▾

Not so fast

Borrowing by mobile phone gets some poor people into trouble

THE UGLY

Fintechs have caused harm in some underserved markets

03

STRATEGIES FOR INCLUSIVE FINANCE

THE BASICS



**DEVELOP A CLEAR VALUE
PROPOSITION**



**ASSEMBLE THE RIGHT HUMAN
AND TECHNOLOGICAL
RESOURCES**



**FORM STRATEGIC
PARTNERSHIPS**



ECOSYSTEM REQUIREMENTS

- Further developments to diversify services and increase customer usage
- Operational foundations and agent management to digitize cash
- Tackling existing service gaps by focusing on women, rural and low-literacy consumers
- Future proofing of existing service providers to enhance their ability to compete

EVOLVING REGULATIONS



More regulators are requiring mobile money accounts to become regulated and interest-bearing

Ghana, Tanzania, Malawi, Lesotho



More regulators are allowing sandboxes for conducting small-scale, live testing of innovations in a controlled environment

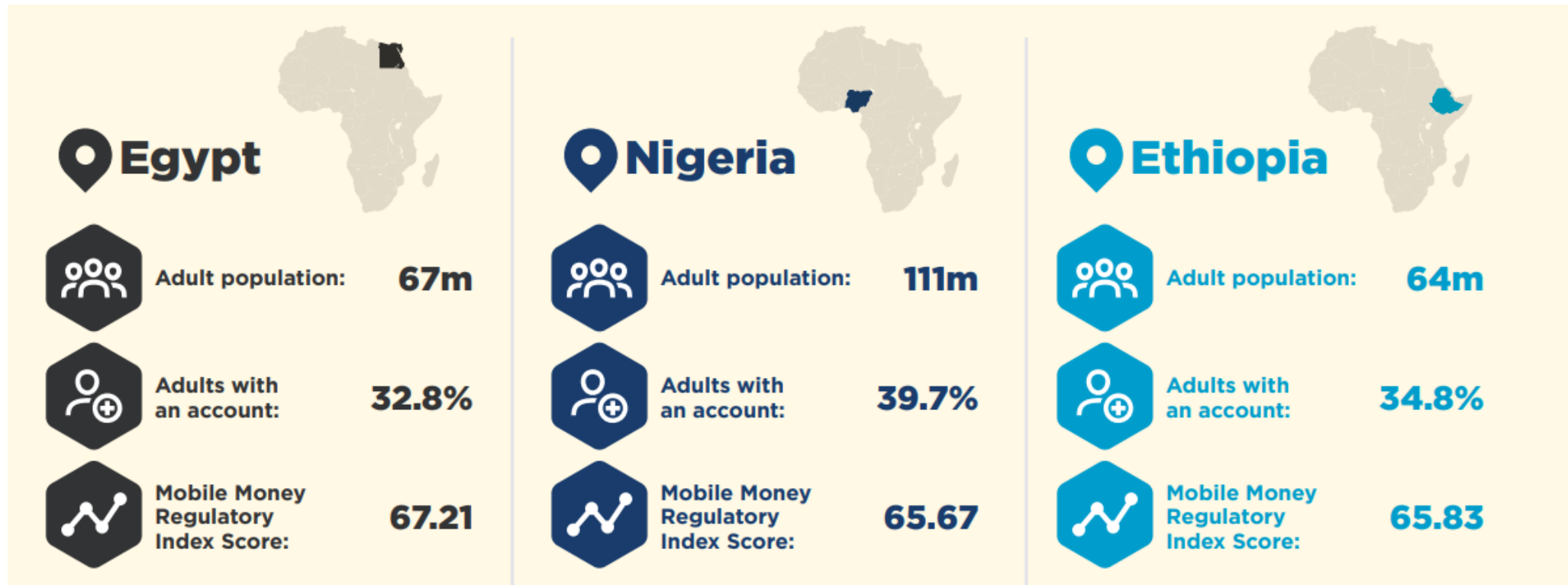
Sierra Leone, Kenya, Jordan, Mexico, Thailand



Some regulators are taxing mobile money transactions

Kenya, Tanzania, Uganda, Zimbabwe, DRC

WHERE RAPID CHANGE IS EXPECTED



2018 State of the Industry Report, GSMA

FINANCIAL SYSTEM INSTABILITY



Image credit: Vecteezy.com

Licences of 386 financial institutions revoked

Source: Ghana | Myjoyonline.com | Abubakar Ibrahim

Date: 31-05-2019

BoG revokes licenses of 70 microfinance and money lending companies

Source: Ghana | Joy Business

Date: 05-01-2016

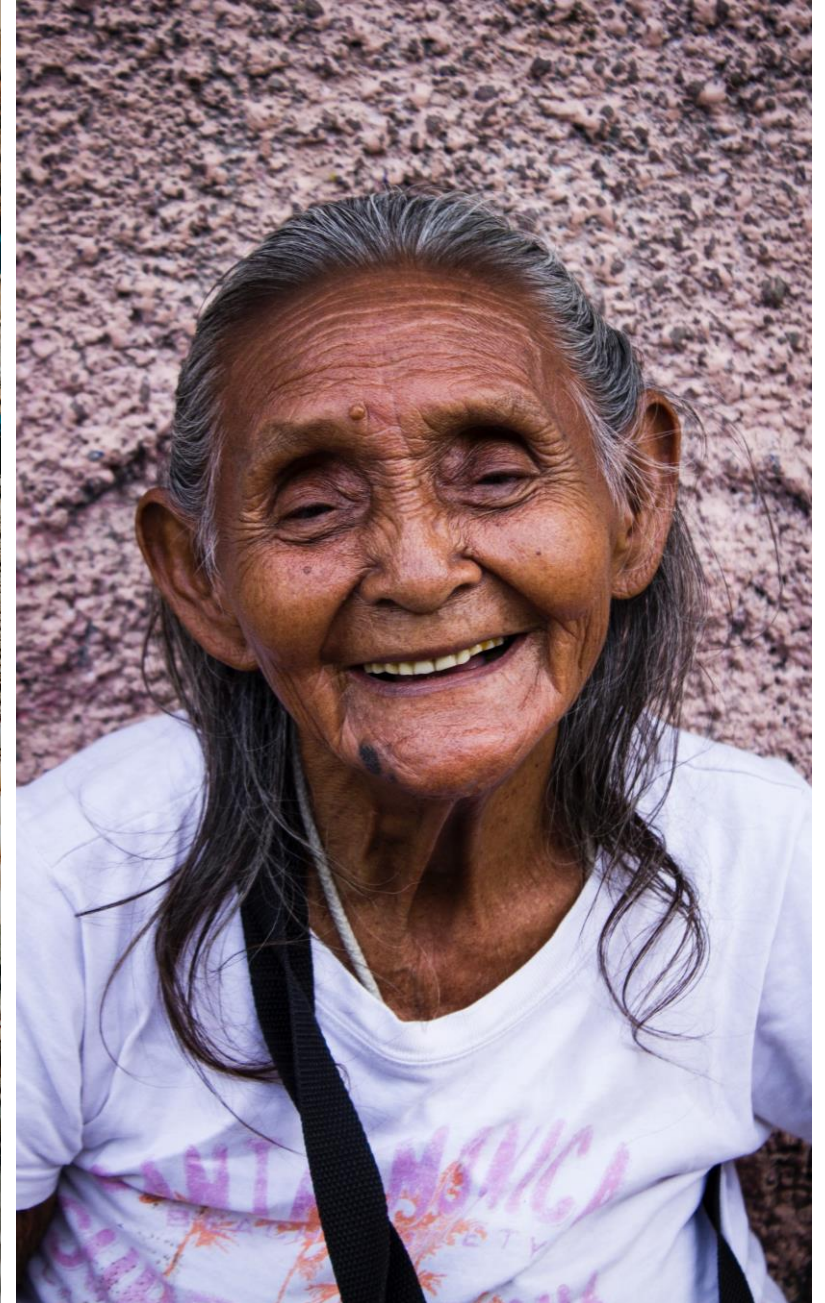
“The country’s financial sector has lost its credibility and is calling on banks to change their ways in order to restore the trust Ghanaians have of them.”

- Sampson Akligoh, Director, Financial Sector Division, Ministry of Finance

STRATEGIC DIRECTION #1.

GO BEYOND THE TARGET CUSTOMER

DESIGN FOR (AND WITH) THE ESPECIALLY-LATE ADOPTER



STRATEGIC DIRECTION #2.

GO BEYOND SELF-SERVICE FINTECH

LEVERAGE ASSISTED-CHANNELS

- “Balance digital and in-person customer interaction. Ensure underserved customers are comfortable using unfamiliar services or technologies that may require in-person interactions. However, a business model that relies heavily on physical interactions through stores and agents may limit the ability to scale.”
-CGAP May 2019 Report



STRATEGIC DIRECTION #3.

GO BEYOND FINANCIAL ACCESS

EVOLVING DEFINITION OF FINANCIAL INCLUSION

- “Financial inclusion means that individuals and businesses have access to **useful** and **affordable** financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a **responsible** and **sustainable** way.” (World Bank)
- “affordable, **quality**, sustainable and inclusive financial services” (e-MFP)
- “affordable, accessible, **appropriate**, and sustainable” services for consumers and businesses (WeBank, China)
- “from access to **economic empowerment**” (financial-inclusion.com)

UNLOCK
FINANCIAL
HEALTH,
CAPABILITY,
AND WELLBEING



of people who took out a high-cost loan as they were unable to access any other form of credit



of people overindebted



of people who do not have enough savings to support them for a month if they experienced a 25% cut in income



of households in the bottom half of the income distribution do not have home contents insurance



of people report one or more signs of financial distress



“poverty premium” amount paid each year by financially excluded people

Q&A

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www.linkedin.com/in/dana-lunberry