Accelerating Financial Inclusion Through Inclusive Digital Innovations

7th Meeting of ASEAN WC-FINC
Bangkok, 13-14 February 2019
Agenda

1. UNCDF in ASEAN
2. Digital Economies and UNCDF
3. MSME’s and FinTech in ASEAN and Beyond
4. Harmonizing UNCDF and WC-FINC
   Regional and Bi-Lateral Collaboration Priorities
UNCDF in ASEAN

Data, Analysis and Technical Assistance

- Data Analytics
  - Enterprises/Remittance/Women’s Financial Inclusion/Agriculture/Energy
  - Customer Centric: Big Data and Financial Diaries
  - Gender Self-Assessment Toolkit for FSPs

- Technical Assistance
  - Regulators: Capacitating regulators in Data Analytics for Evidence Based Financial Inclusion policies
  - FSPs: Big data customer segmentation and customer-centric product design
  - Support Mechanisms
  - Big data analysis with up-to-date data insights
  - Training and technical assistance (data management, segmentation, analysis)
  - Research/Studies
  - Cross-regional support and sharing of learning
  - Regulator Secondment Programme
UNCDF in ASEAN

**Policy & Advocacy**

- National Financial Inclusion Strategies
  - Inter-ministerial steering committee
  - Survey and data gathering
  - Strategy development
  - Implementation and M&E
  - Cross-country and cross-region support and learning

- Coordination and technical support:
  - DFS working group (Myanmar)
  - National Strategic Plan for the Advancement of Women (Myanmar)

- Research
  - ALM/CFT and Gender Considerations
  - Remittance, Youth Entrepreneurship, Women’s Financial Inclusion, MSMEs

**Support Mechanisms**

- Technical Assistance
- Coordination and Convening
- Up-to-date Data and data training
- Cross Regional Support and Sharing of Learning
- Research/Studies
- Direct Grants
**Investment Mechanisms**

UNCDF’s investment mandate supports FSPs and organizations by directing funds where it is needed most, through:

- **Grant**
- **Loan** (5 local currency loans to 2nd tier MFIs)
- **Guarantee**

**Country/Company** | **Business Models**
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Cambodia: AMK | Microfinance branch remittance network in partnership with banks.
Indonesia: Amarta, Awan Tunai, Duithape, Gandengtangan, Julo, Modalku | Youth digital literacy, mobile app for micro enterprise loans, distributor cashless payment system, digital inventory and cashless payment app
Myanmar: AWBA, BRAC, Greenlight Planet, Wave Money | Women agent network financing model and expansion, financial diary and tailored women enterprise loan product, pay-as-you-go digital off-grid energy service payment, gamification financial literacy app
Singapore: SingCash, TransferTo | Open remittance hub network with bank account, e-wallet, and cash remittances
Viet Nam: | Bank linked e-wallet, providing

**Over 4 Million people reached**

**Pipeline of 300 innovative business models**
Digital finance alone could benefit billions of people by spurring inclusive growth that adds $3.7 trillion to the GDP of emerging economies within a decade. (McKinsey Global Institute)

UNCDF’s 2019-2024 approach is grounded in the potential offered by digital finance to scale access to financial (and non-financial services) to increase the resilience and economic participation of unbanked populations. It also recognizes the growing inter-action between digital finance and the emergence of a broader set of digitally-provided services that impact all aspects of people’s livelihood.
Vision 2024: Thematic Focus

**Farmers**

Digital services creates new opportunities to access information and finance to the 750 million who live in rural areas.

**Women**

Women living below $2 a day are 28% less likely than men to have a bank account.

**MSME**

23% of SMEs in SSA and 12.4% of SMEs in South Asia identified access to finance as the biggest obstacle.

**Migrants workers**

It is estimated that there are 232 million migrant workers in the world and one in eight are between 15 and 24.

**Youth**

About 9 out 10 people between the ages 10 and 24 live in less developed countries.

**Refugees**

Digital services contributes to rebuilding the lives of internally displaced people and refugee’s by providing connection and access to services.
**Vision 2024**

Low-income people are empowered through improved access and usage of services leveraging technology and their livelihoods improves

*Digital ecosystem expanded: investment, competition, innovation*

*Market benefits from growth and improved sustainability*

*Customers regularly use DFS and a range of digital services.*

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**Adoption and usage of market-driven digital services**

*Customers: Improved ability to access and use digital services and digital payment services; perceive them as safe, affordable and relevant to needs; have knowledge, skills and behaviors to access and meaningfully use services*

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**Policies enable access/usage of digital services**

- Regulator capacity/information
- Supervision
- TA
- Data Analysis/Real Time
- Public-Private dialogue
- Events/Training/Workshop/Exposure visits

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**Stakeholders strengthen market infrastructure and committed to expanding digital offerings to low-income**

- Digital Rails
- Open platforms and interoperability
- New/improved digital payments services

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**New business models and technologies for delivering services are tested and scaled**

- Start-up and incumbent support for digital service offering development
- Crowd-in investment

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**Training materials and platforms are tested and scaled**

- Financial and digital literacy materials enhanced
- New/improved delivery channels

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**Enabling Policy and Regulation**

**Open Digital Payment Ecosystem**

**Inclusive Innovation**

**Empowered Customers**
INNOVATIVE SOLUTIONS FOR SUSTAINABLE DEVELOPMENT

MSME’s and FinTech in ASEAN and Beyond
Update: Microenterprise Fintech Innovation Challenge in Indonesia: Selected Projects Overview

Following a competitive selection process, the UNCDF SHIFT Investment Committee selected 6 final projects:

- 8,500 women beneficiaries
- Type of Company:
  - 3 P2P Lending
  - 2 Digital Lending
  - 1 Digital Payment Provider
- Business Models:
  - 1 Youth-Led Digital Literacy
  - 2 Digital Micro-enterprise Loans
  - 2 Cashless Payment Systems
  - 1 Mobile Agent Network
- US$ 244,000 Total Funds Requested
Youth-Led Digital Literacy Scheme

Amartha proposes to train young people among its existing loan customers (predominantly older female micro-entrepreneurs) to use a cellphone for productive use cases, such as loan repayments.

Mobile app platform for providing micro enterprise loans

AwanTunai plans to develop a digital system for fast moving consumer goods suppliers and use this system to deliver working capital loans to micro merchants. This credit would replace and formalise the informal *kasbon* credit that micro merchants provide to customers.

Cashless payment system for distributors

Duithape plans to develop a cashless payment system that will allow distributors to collect payments from micro enterprises without the inefficiency and risk of physical cash pickup, enabling micro enterprises to perform transactions with greater ease and security.
**Digital inventory management and cashless payment app for micro enterprises**

Gandengtangan plans to develop a mobile platform that connects distributors and micro enterprises, offering digital inventory management, cashless payments and credit products. This project is an enhancement of the distributors’ traditional loan schemes.

**Mobile agent network for micro-financing of micro enterprises**

Modalku plans to develop a network of agents to offer micro-loans to underserved or unserved micro enterprises. The loans can be used for a variety of purposes, such as investing in opportunities or to bridge short-term cash flow gaps.

**Digital loan product for female micro entrepreneurs**

JULO intends to launch a new loan product specifically for female micro entrepreneurs, using its existing app and proprietary data-driven credit scoring algorithm.
MSMEs and FinTech in ASEAN and Beyond

MSME growth for women, is strongly linked with key SDGs for poverty reduction, gender equality, decent work and inclusive growth, etc.

The share of Country’s MSMEs sector positively relates to economic growth contributing to 50 percent of GDP on average in high income countries and resulting in significant job creation globally, especially in low-income countries.

Supporting MSME finance in emerging and developing nations improves formal financial inclusion but also formalises the large informal economy.

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| Finance gap for MSMEs, equal to 23% of ASEAN GDP | See finance as a major obstacle |
| 7.8 million | only 28% |
| MSMEs are in ASEAN | Have top female managers. 37% of SME workers are female |
Upcoming: Asia-Pacific Women MSME FinTech Innovation Fund

**Innovation Fund Goal:** To co-fund and provide technical support to companies to pilot innovative digital solutions and/or digital financial solutions which support women owned, managed and/or led MSMEs

Eligible applicants who can apply for the Innovation Fund include:
- Regulated Financial Institutions (Banks, MFIs, Insurance Companies)
- Payment Service Providers
- Agent Banking Aggregators
- Mobile Network Operators
- Technology Providers
- FMCG/Agriculture Companies
- FinTech Companies

The applicant can be based anywhere globally, but the project must target women-owned, managed or led MSMEs in one or more of the target countries.
What Will The Innovation Fund Offer?

- **Incubation**
  - Tailored support from individual experts from private sector companies will be available to all Grantees to ensure their winning proposals are market ready.

- **Mentorship and TA**
  - Technical Assistance from UNCDF and partners including Visa and Oracle.

- **Financing**
  - $25,000 to $50,000 of co-funding over a maximum duration of 12 months. Selected applicants will be expected to fund at least 30% of the total project cost.

- **Scale Up**
  - Scaling Up: sourcing of additional investment, building partnerships, and developing a pipeline.

This approach will be tailored according to the needs of the specific region – for example, projects based in the Pacific will typically require the prioritization of TA over funding.
Timeline

- Window Launch: 01 Mar 2019
- Closing date for proposal submission: 30 Apr 2019 23:59:59 EST
- Selection of successful applicants: 31 May 2019
- Pilot testing begins: Jul 2019
- Pilot testing ends: Jul 2020
UNCDF Regional and Bi-Lateral Collaboration Opportunities

- NFIS (data collection, mainstreaming gender considerations, M&E)
- Capacity building on data management, segmentation and analysis
- Cost efficient monitoring and impact frameworks on FI

Digitalization priorities including digital economy strategy development, digital literacy and piloting DFS products.

Cross-regional knowledge sharing between different regional bodies, e.g. between ASEAN, SAARC, Pacific and Africa.

Regulatory Sandbox support through workshop, policy design, pipelining of innovations that fit the sandbox criteria, M&E systems and learning.

Harmonizing of policies and private sector participation on remittances

Feedback: How or under what area would WC-FINC like to see concrete joint activities undertaken?
Thank You
Any questions?

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