

Increasing the impact of fintech funding

THE CHALLENGE

Many donors and impact investors look to support new fintech innovations in maximizing their impact. Development funders provided [US\\$1.75 billion in fintech support between 2008 and 2019](#), with a steady growth in funding largely driven by development finance institutions. Yet it is unclear whether this support reached fintechs with the potential to impact low-income communities. Funders largely target proven business models such as lenders and payment wallet providers. But these investments need to be designed to help fintechs take their products to excluded or underserved populations, to create positive impact. Funders also offer less support for savings and insurance companies—the newer and riskier business models with the potential to meet the needs of low-income communities. It is important that funders are more strategic and purposeful when supporting fintechs, with both proven and unproven business models, to ensure they reach underserved communities.

CGAP'S ROLE

CGAP published a [Funder's Guide](#) that presents a vision for how funders can support fintechs in emerging markets and developing economies (EMDEs) in enabling innovative business models that provide greater impact for people living in poverty. The paper's primary target audience is larger funders, especially development finance institutions (DFIs). It guides funders on how to assess and manage potential impacts of investments; expand their funding mechanisms to reach more complex business models; and focus on influencing the market to support the development of an ecosystem of fintechs that serve low-income customers in key emerging markets.



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CGAP'S IMPACT

Several prominent funders have incorporated the ideas presented in CGAP's work. DFIs like *Financierings-Maatschappij voor Ontwikkelingslanden N.V.* (FMO), *Kreditanstalt für Wiederaufbau* (KfW), and Proparco all affirmed the usefulness of CGAP's guidance in this policy area. FMO, in particular, structured its renewed fintech strategy around the CGAP-prescribed frameworks. Additional early-stage funders such as Bharat Inclusion Fund and Flourish have engaged with CGAP's frameworks to assess the impact of their portfolios more deeply.

INFLUENCE
STORIES