FINTECHS AND FINANCIAL INCLUSION

Past the hype and exploring their potential

Photo: People's Pension Trust 2017

June 4, 2019

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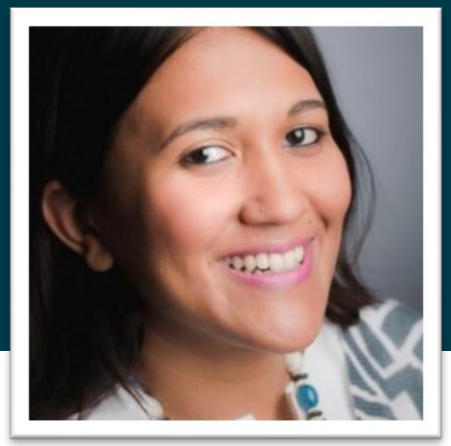
Speakers



Gayatri Murthy

Financial Sector Specialist

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Bernie Akporiaye

Co-founder and CEO

MaTontine

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Fintech: Where is the potential?

CGAP Pilots and Research

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Fintech companies can affect financial inclusion but we need to get past the hype

- Fintechs exist within a larger environment of tech-based innovation by banks, telcos, ICT companies, superplatforms, etc. But they, more than others, may be wired to push boundaries in innovation.

- Not all fintechs are relevant to financial inclusion. But there is a cohort of companies that offer services for underserved segments or resolve complex pain points in financial inclusion efforts.

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Answering three questions, one at a time

How does the **technology** solve a financial inclusion challenge?

CGAP Pilots (2016-2018)

- Sample: Can satellite data lower costs for farmer insurance?
- Sample: Can better UI/UX drive payments use?

What **business models** are sustainable?

Insuretech

Digital Payments

P2P Platforms

Is there **measurable impact** to financial inclusion efforts?

- Sample: What percentage of unsecured lending to individuals and MSMEs is through fintechs?
- Sample: Has insuretech expanded access to previously uninsured farmers and microbusinesses?

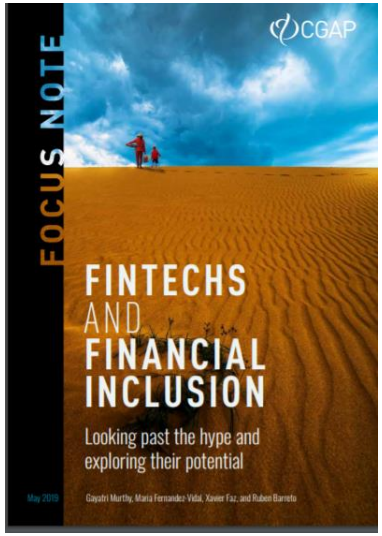
Linking technology to a financial inclusion "proof point"

- We worked with 18 fintech companies to test if the use of technology makes a difference to a real financial inclusion challenge.

- We concluded that five innovation areas display the potential for fintechs to impact financial inclusion.

Find this report and other articles at:

https://www.cgap.org/topics/collections/fintech-refocusing-on-the-poor



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1- Can financial services for the poor be interactive?

Innovation 1

Interactive customer-engagement

Challenge:

Financial services are not interactive because engagement is expensive

Solution:

Real-time, cheap SMS or other communication with customers for complaint resolution, feedback gathering, and information dissemination to encourage trust, use and loyalty.

Arifu™ JUNTOS™ People's Pension Trust

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2- Can low-cost, intuitive payment apps drive usage?

Innovation-2

Smartphone-based payments

Poorly designed user interfaces contribute to dormancy in payment accounts

Engaging apps with low data costs & storage to encourage use cases.

wave money

nala®

HOVER

FUNDU

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3- Can the strength of our connections make us creditworthy?

Innovation 3

Connections-based finance

Low-income people cannot easily access cheap, timely credit to fill cash-flow gaps

Leverage social and digital connections to build creditworthiness

4- Can understanding a farmer's location unlock cheaper credit and insurance?

Innovation 4

Location-based smallholder finance

Most of the world's 500 million smallholder households cannot be appropriately assessed by traditional credit and insurance service providers

Satellite data and machine-learning for cheaper insurance and credit to smallholders.

APOLLO AGRICULTURE

FarmDrive

PULA

CGAP

5- How can we finance big, unexpected expenses with lowered risk?

Innovation 5

De-risked non-productive finance

Low-income people often must meet sizable, unexpected expenses that are hard to finance through traditional credit.

Digital features to reduce risk of financing or insuring unexpected or big expenses

BioLite

TULAA

MICROENSURE

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The pilots also revealed macroscopic lessons

- Fintechs face a universal set of internal challenges
  - An innovative idea is only the first step. The real challenge begins when a new fintech starts to assemble the right team, partnerships, and technology to bring a service to market.

- Funders have a role to play in catalyzing fintech's effects
  - Unlock innovation and produce relevant lessons for the financial services market.

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Being an inclusive fintech

Wins and roadblocks

Bernie Akporiaye

Co-founder and
CEO

MaTontine

CGAP

Matontine

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Arriving at the right value proposition

MaTontine digitizes traditional savings circles in order to provide access to financial services like small loans via a basic, feature phone.

Thereby reducing the cost of borrowing by 75% or more.

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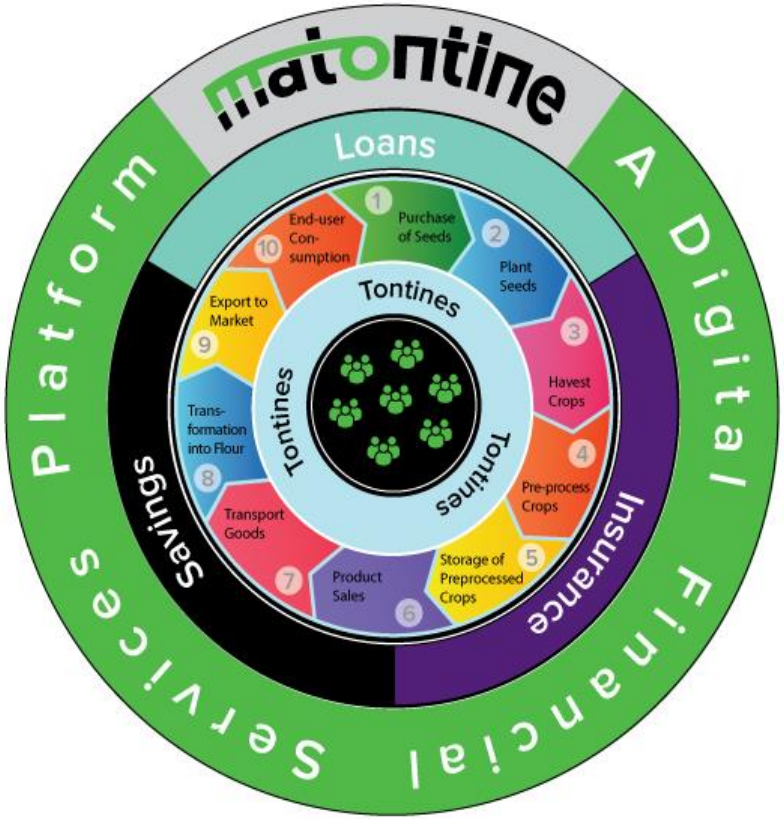
Arriving at the right value proposition

To succeed, MaTontine must make tontine payments more convenient but also fit into its customer's life and business value chain



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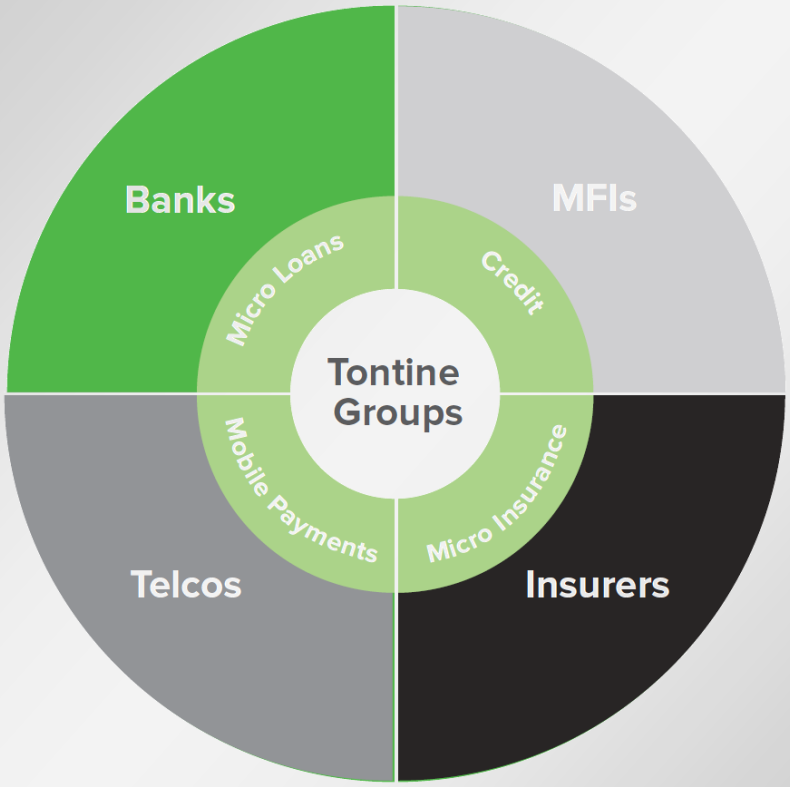
Forming partnerships and complying with regulations

To provide its multi-sided, digital financial services platform, MaTontine must partner with a wide variety of other actors.



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What funders can do

Addressing gaps and guiding the market

Yaw Mante

Investment Associate

Flourish

Questions:

- What is a funder's role in the fintech ecosystem?
- What are the insights driving your work?
  - (beyond payments and credit)
- What does success look like?

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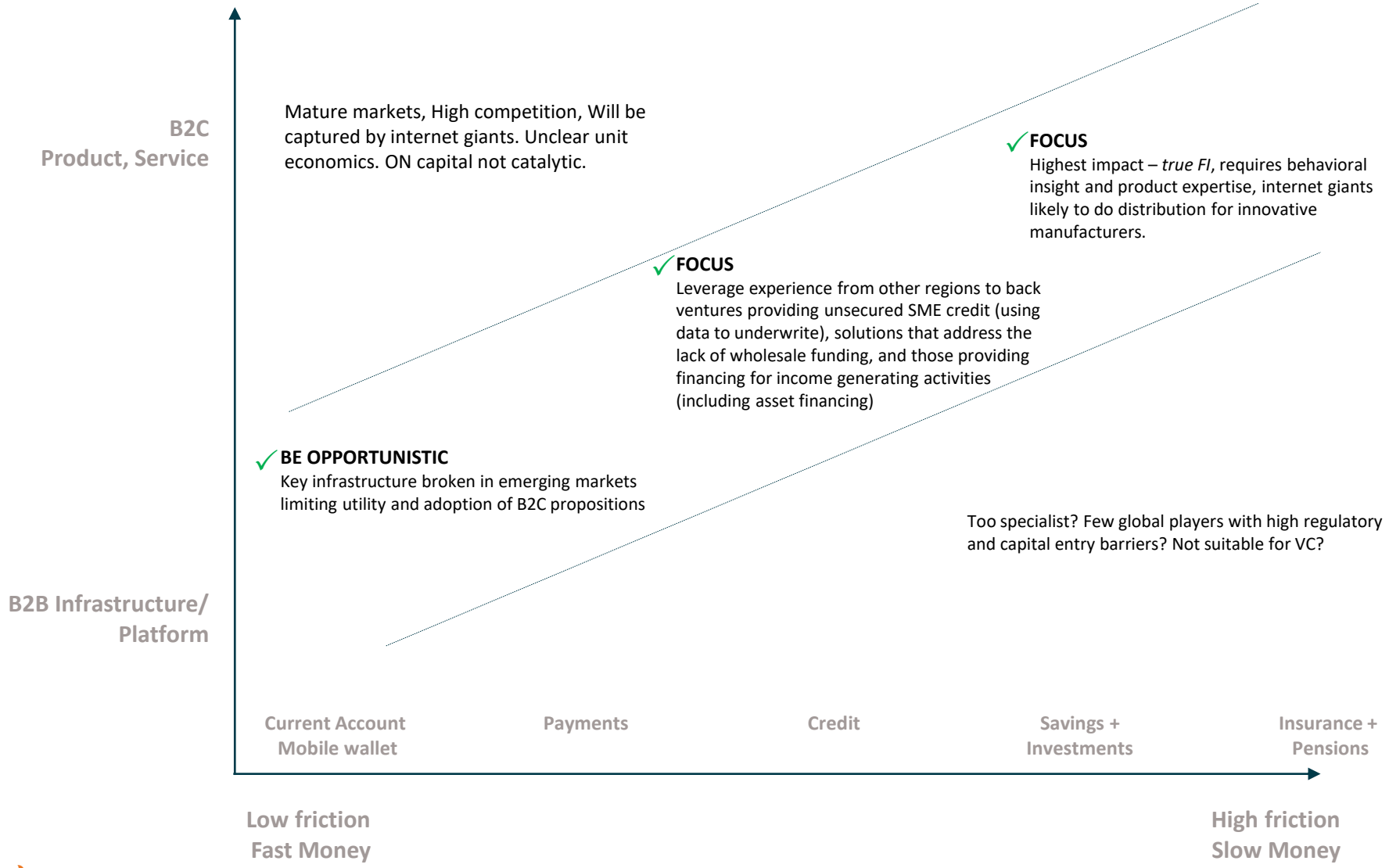
We focus on high engagement, strategic finance products and productive + responsible digital credit



✓ Areas of focus

What funders can do

Addressing gaps and guiding the market

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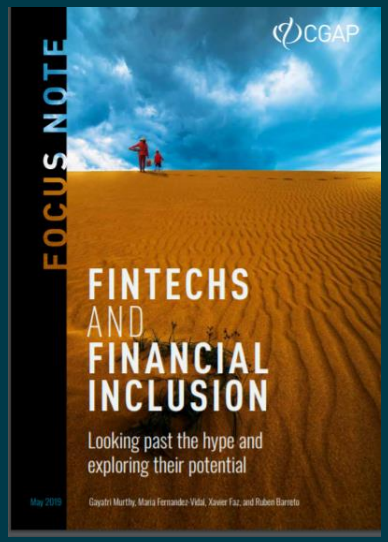
For further reading



Main paper

summary lessons

Case studies showcasing pilots with 18 fintechs

https://www.cgap.org/fintech

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Thank you

To learn more, please visit

www.cgap.org

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