

Session Notes

Session: Leveraging Technology for Financial Inclusion (June 9, 2:00pm)

Session Reporter: Long Pham

Moderator: Josh Woodard, Regional ICT & Digital Finance Advisor, FHI 360

Speakers:

- Michael Fernandes, Partner, Leapfrog Investments
- Jay Krishnan, CEO, T-Hub
- Selina Xu, Senior VP, CreditEase
- Joseph Ogutu, Chairman, Safaricom Foundation, Safaricom Limited
- Alison Eskesen, Director & Center for Inclusive Growth, Asia Pacific, Mastercard

Key Takeaways:

- The current landscape of the enabling environment for fintech for financial inclusion in Asia:
 - Nascent ecosystem to support growth, lack of clarity around regulatory framework
 - Lack of investible pipeline outside of India and China
 - How to leverage on governments' interest in financial inclusion
- The role of philanthropy and impact investing in accelerating the growth of early innovators in the fintech for financial inclusion space in the region – particularly in bridging the connection between philanthropy and commercial capital
- The World Bank estimates that there are close to 2 billion people who do not have access to financial services as of data from 2015. Technology has demonstrated a strong potential to help improve access to and quality of financial services for these underserved client segments. Exciting innovation is happening in emerging markets, including many parts of Asia, either through a new product or service launched by start-ups or through partnerships with incumbent banks and corporates.
- In South Asia and Southeast Asia, the situation is actually not as bad as the general situation: only 30% of the Southeast Asian population and 50% of the South Asian population don't have access to a form of financial account.
- What are some of the main challenges in terms of people accessing the underserved segments and relevant and appropriate financial services? What are some of the ways that technology and fintech are helping to overcome those barriers?
 - Regulatory policies. Huge disruptions are happening in India, for instance; however, the government is not pushing for financial inclusion.
 - The lenders cannot lend money to the borrowers because they have to do credit assessment, and they cannot tell if the borrowers are qualified. In China, e-commerce is very big (e.g. Alibaba, Haobao) and people have a lot of e-commerce account records (even more than the bank records). In this sense, alternative financing is a better approach to take.
- China used to have no credit system, so they had to create their own. However given the size and diversity in China, it is still difficult to develop.
- Partnership is incredibly important in using technology to foster financial inclusion. For example, Mastercard provides its expertise to startups in terms of technology and access. In this way, MasterCard collectively addresses the urgent market needs. They use public resources to unlock and train in a way that the market can take it all the way through to scale, which is incredibly powerful.

Michael Fernandes

- LeapFrog Investments invests in emerging markets in Africa and Asia.
- Michael has led significant investments in healthcare in South and Southeast Asia.

Jay Krishnan

- T-Hub is one of the most significant incubators in India because of its innovations in tech. It also develops technology platforms to assist startups and entrepreneurs (incubation & funding)
- Their work is the intersection of government, the private enterprise, and public enterprise
- Create global market channels for entrepreneurs by partnering with the private enterprise → allow entrepreneurs to solve real global challenges across all sectors
- India has seen some incredible changes in financial inclusion: Prior to October 2016, 20% of the Indian population did not have a bank account, let alone financial transacting. The number of people opening bank accounts jumped dramatically to 6.8 million per quarter people.

Selina Xu

- CreditEase is the biggest fintech company in China that provides online finance services for customers. They provide wealth management for high-end customers, and they also cover different classes of consumers. One of their programs is called Micro Finance Super Engine, which targets college students and support small businesses.
- They leverage technology to reach the low-income populations in rural areas. CreditEase's YiNongDai Microfinance Rural Assistance Platform (launched in 2009) assisted investors in lending poor women in rural China. They also mediate the matchmaking by including the women's information and stories and link it to the appropriate investors. The capital cost for this platform is only 2%. In the past 8 years, they successfully helped rural poor women with a total investment RMB214 billion. On average, there are 10 lenders to support 1 borrower.
- Other fintech platforms: crowdfunding, marketplace lending, insurance, etc.
- CreditEast last year partnered with a university's research team to see the impacts of their platforms. They did a survey and the rural household income rose by 30%. In China, tradition dictates that women are inferior to men, so this effort is particularly significant to women. Based on the results of this survey, they decide to do more on education, literacy, and women empowerment in rural areas → improve social impacts

Joseph Ogutu

- Joseph hopes to develop Safaricom to be the industry leader in innovative products and services
- Safaricom was established in 2000 as a joint venture. Today Safaricom is worth USD8.8 billion.
- In 2007, they launched a payment solution that makes online transactions much easier. This product increased the online transactions at Safaricom from 23% to 75-79%. 26.6 million out of 28 million members registered as users of this product.

Alison Eskesen

- Mastercard believes that financial inclusion is a crucial part of their business. CEO is committed to financially include 500 million people around the world (already hit 200 million) → inclusive growth and equitable economy
- Experimenting a lot of strategies and tools and products, including an ongoing collaboration with Bill and Melinda Gates Foundation in Kenya focused on developing new technologies that meet the unmet needs and weave them into the formal economy
- It feels like partnership in the private sector currently refers to how we gather resources. We should take a step forward and think bigger in terms of how we leverage these partnerships to create something impactful.
- MasterCard has its own internal incubator that gives late-stage startups access to expertise and networks (of customers and partners) and information regarding the regulatory changes in the country.