

Promoting Financial Inclusion through Innovation

APEC Senior Finance Officials Meeting

23 May 2017

ICT4D, Asian Development Bank

The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.



What does financial inclusion mean?

- **A client does not need to be “banked” to be financially included.**
- **Financial inclusion is about access, but more importantly about usage of financial services that are:**
 - **Appropriate**
 - **Affordable**
 - **Accessible**

Alternative Delivery Channels of Financial Services



ATM



Internet Banking



Mobile Banking



Agent Banking



E-Wallet



Call Center

Using Available Technologies and Solutions to Reach the Last Mile

- 
- A photograph of a woman sitting in a small, cluttered grocery store. She is looking at a smartphone. The store is filled with various goods, including bags of rice, jars of sauce, and fresh produce like tomatoes and cucumbers. A red bucket hangs from the ceiling. The scene is lit by overhead fluorescent lights.
- To reach the last mile, financial service providers must rethink and understand what works from a client's perspective

Steps to Action for Last Mile Access



- Understand the barriers
- Promote usage
- Ensure quality



1

**Pilot project:
Philippines
Cloud Technology for
Core Banking**

Background

- Status of pilot project:
 - Commence implementation 2nd quarter 2017
- 86% of Filipino households do not have deposit accounts
 - Of the unbanked, 41% are in Mindanao
- Roadblock for financial inclusion
 - Lack of efficient technology infrastructure

Objective:

Increase access to finance

- Enable bank to reach base of the pyramid more efficiently through cloud technology
- Pilot project involves
 - ADB
 - Rural Bank
 - Solutions provider
- Central Bank of the Philippines: regulatory sandbox

Why a cloud-based system

- Benefits in migrating to cloud-based systems:
 - faster time-to-market
 - cost reduction
 - service quality improvement
- Provide services that are
 - personalized and efficient
 - lower cost
 - more flexible and responsive to client needs and market changes

Meeting the needs of the clients



- Mobility of loan officers beyond the bank branch
- Integration of payments and remittances
- Clients better access to their accounts
- Financial literacy



2

**Pilot project: Georgia
Using digitally-enabled
models and tools for
financing**

Background

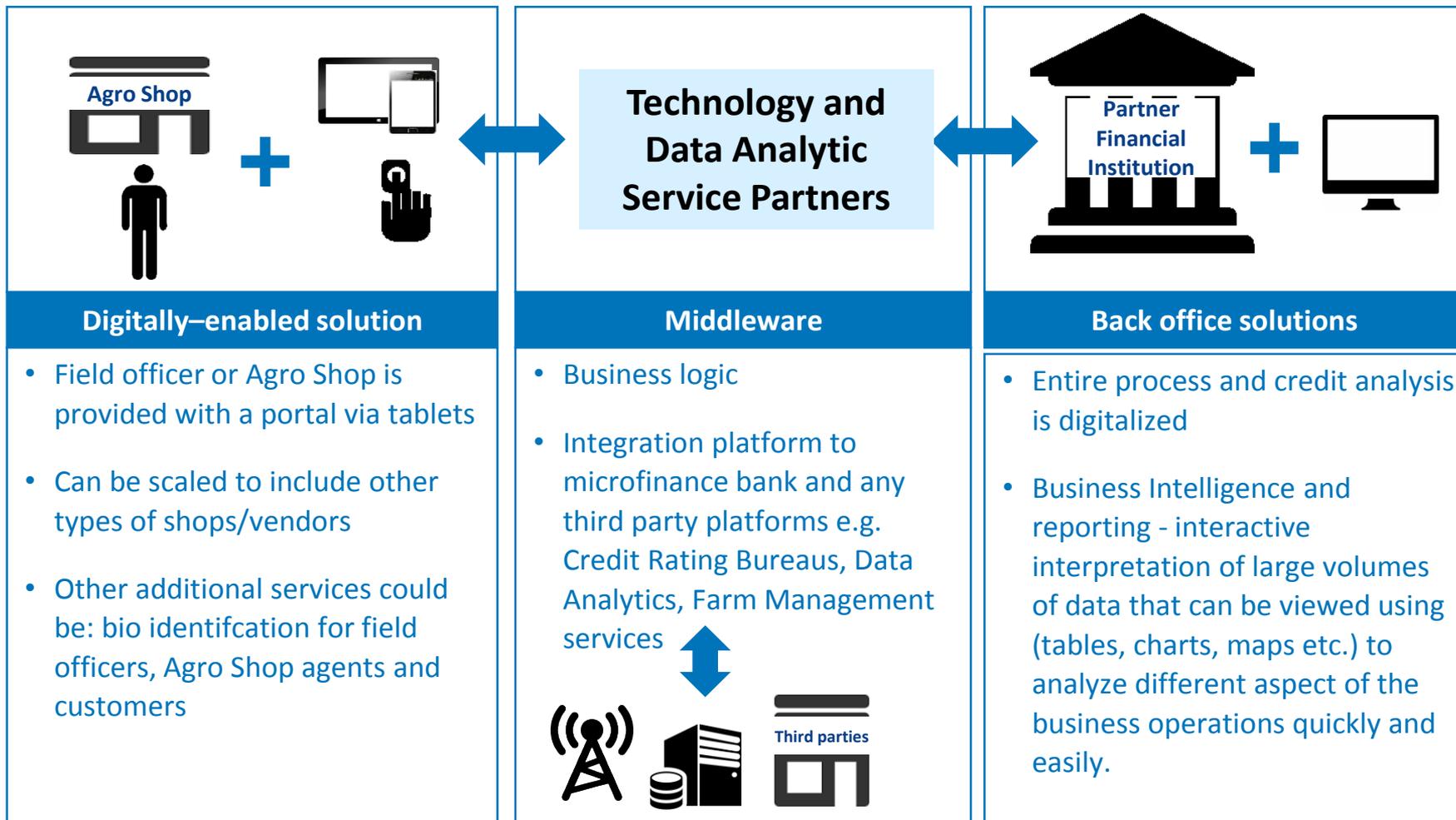
- Status of pilot project:
 - Design stage. Field visits completed in March and May; business case and road map under development
- High use of cash
 - Estimated that 75-85% of transactions are still done with cash
- Agricultural Sector
 - Agriculture still accounts for about 52% of the country's labor force while 98% of farm workers are considered self-employed.
- Access to finance
 - Access to affordable finance remains a constraint for MSMEs, particularly farmers.
 - Competition is increasing but it must be coupled with technology to bring lower cost of financing to farmers and MSMEs.

Objective:

Scale Access to Finance and the use of cashless transactions

- Two-fold:
 - Enable selected microfinance bank to leverage digital models and tools to deliver customer-centric products and reduce overall operational risks and costs
 - Promote use of cashless transactions
- Pilot project involves
 - ADB
 - Microfinance Bank
 - Technology Solutions provider
- Work with Civil Registry Agency of Ministry of Justice of Georgia and Office of the Personal Data Protection Inspector to integrate biometric technology
- Financial literacy

Digitally-enabled models and tools for financing



Benefits of digitally-enabled models and tools

- **Ability to acquire new clients efficiently**
 - Grow customer base and loan portfolio in a cost effective way
- **Promotes cashless transactions**
 - Funds are directly transferred to the account of the Agro Shop
- **Reduces turnaround time**
 - Short turnaround time results in higher returns
- **Reduces operational costs for the microfinance bank**
 - Eliminates paper forms and manual processes
 - Improves portfolio quality
- **Increases competitive advantage**
 - Ability to offer quick & affordable credit products
- **Increases benefits to the customer**
 - Ensures customer convenience and satisfaction
 - Reduce costs of financing



Lotte Schou-Zibell
Technical Advisor, Finance
Asian Development Bank
Lschouzibell@adb.org