



Digital Financial Services for Financial Inclusion

28 October 2020

Presented by Lisette Cipriano, Sr. Digital Technology Specialist, SDCC

There are 1.7 billion people¹ outside of the formal banking and financial system, while nearly 1.1B people² across the globe do not have a form of legal identity.



1 Worldbank: Global Findex 2017

2. Worldbank: The 2018 ID4D Global Dataset

The ADB logo consists of the letters 'ADB' in a white, serif font, centered within a dark blue square.

ADB Digital Technology Initiatives

The ADB Ventures logo features the letters 'ADB' in white on a dark blue square, followed by the word 'Ventures' in a teal, sans-serif font.

ADB Ventures invests in bold technology-enabled solutions to big development challenges. Through venture capital investments and technical assistance, we help highly scalable technology businesses expand in the emerging markets of Asia and the Pacific for impact on the Sustainable Development Goals.

The ADB Digital logo features the letters 'ADB' in white on a dark blue square, followed by the word 'DIGITAL' in a large, blue, sans-serif font. Below 'DIGITAL' is the text 'Innovation Sandbox Program' in a smaller, blue, sans-serif font.

ADB Digital seeks out innovative solutions aligned to artificial intelligence, blockchain, and emerging technologies.



Innovative Approaches for Financial Services Development

Growth of a financial technology (or FinTech) has the potential to serve a wide range of financial needs in a more inclusive way.

New technologies such as mobile banking, big data, and peer-to-peer transfer networks are bringing payments, loans, and insurance to millions of people who previously had little access to formal financial services boosting incomes and living standards.

Fintech-enabled automation of business processes (e.g., onboarding, Know Your Customer-KYC, data analysis) now make low-value (cross-border) transactions commercially viable

- **Financial infrastructure** support digital identification, faster payments, the use of application programming interface (API) and alternative data for credit decisions.
- **Legal and regulatory frameworks** for responsible fintech innovation and adoption both for households and corporate entities; use of FinTech for regulation and supervision
- **Access to financial services** to drive financial inclusion
- **Supporting pilots for replication and scale-up** working with regulators, existing banks and clients to accelerate the adoption of fintech and achieve responsible financial inclusion
- **Understanding risks and challenges** -- source of increased risks (including cyber-risks) for stability, integrity, and market conduct.

PNG: Digital Access Tool

Objective:

Provide financial services to low-income and financially underserved people in remote areas.

Challenges:



- 85% of low-income population have no access to formal financial services
- Only 5% of the population have birth certificates



- Mobile penetration is about 54%;
- Internet penetration 12%;
- Electricity penetration 20%.

Solution:



The Digital Access Tool, used a means of establishing one's identity through biometric capture and the use of NFC technology, will allow low-income and underserved populations to establish individual personal attributes (name, gender, biometrics and other data points). Establishing KYC (Know Your Customer) is fundamental in obtaining access to financial services.

Expected benefits:

Digital Access Tool will help MiBank and Women's Microbank expand reach of financial services to low income and underserved populations who previously had no means of establishing identity in remote areas in a cost-effective way.

Once enabled with a financial tool, borrowers will benefit from being able to make secure and convenient payments, get credit, save and invest, and enable them to participate in business and employment opportunities.

GEO: Digitization of On-Boarding of New Clients

Objective:

A digital portal will enable FINCA Bank Georgia (FBG) to automate credit management, the onboarding of new clients, and provide flexible banking services to underserved remote market segments of Georgia's economy.

Challenge:

Many micro, small and medium-sized enterprises (MSMEs) and smallholder farmers in remote parts of Georgia struggle to find simplified means of accessing reasonably priced credit.

Solution:



A digital portal accessible through the mobile and tablet channels, called the Digital Field Application (DFA) was developed for FBG's loan officers and bank agents, such as agri-product stores, to offer credit to farmers.



Digitization of the FBG loan underwriting process will help speed up onboarding of farmers, customer service response times and reducing underwriting expenses

Expected Benefits:

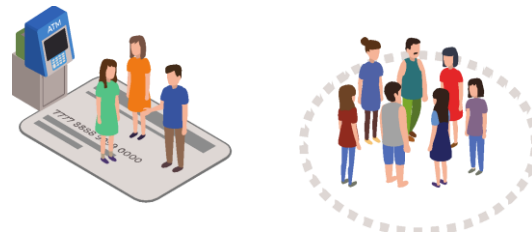
1. FBG will have mobility and service farmers on the field and increase its rural geographical coverage
2. Farmers and other borrowers will benefit from easy access to credit, and quick and convenient loan processing
3. Lower FBG's transaction costs, decrease transaction time, and expand its customer base

PHI: Cloud technology for Core Banking & Financial Inclusion



ADB has supported Cantilan Bank to become the first financial institution regulated by the Central Bank of the Philippines to leverage cloud technology to deliver financial services. As a result of this pilot, 26 other banks were approved to migrate their core banking services to the cloud.

Challenge

Limited financial inclusion



Only 3 out of 10 Filipinos have a bank account

-  Lack of efficient technology infrastructure in rural and remote areas and archipelagos
-  Higher costs of reaching and servicing clients for rural banks in high-risk frontier areas

Solution

Digital finance



INO: Supply Trade Digitization Through Innovative Financing and Use of Digital Payment Methods for Women-led Businesses

Originally designed as a COVID-19 crisis response program the Indonesia supply chain digitization project aims to assist food and grocery SMEs to ensure continuous supply for their communities, avoiding the need to travel long distances during lockdown and addressing concerns on the need to socially distance.

Objective

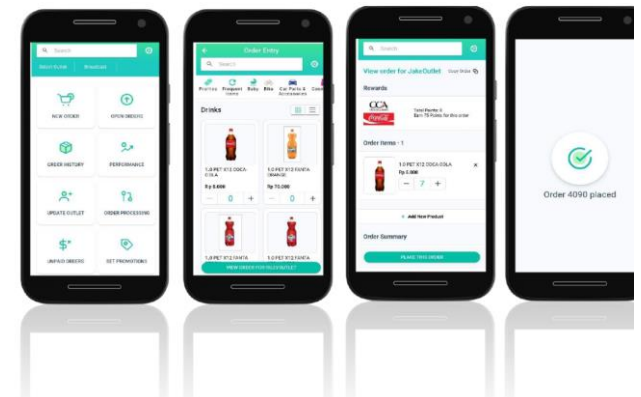
- Financially include and enable access to credit for SMEs, most of whom are women-owned businesses
- Expand the current “Last Mile Solution” to support efficient ordering, inventory management, and several modes of digital payment providing an inclusive platform for SME participation
- Provide a single point of integration linking partners within the eco-system.

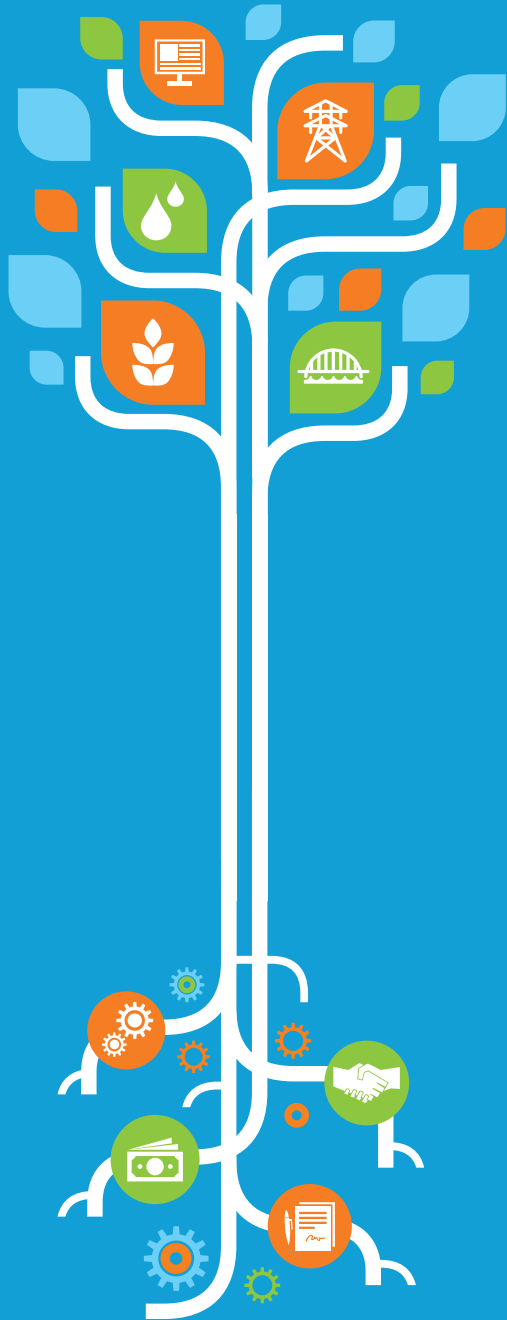
Challenge

“Last Mile” distribution networks in emerging markets are highly inefficient. Transactions are paid cash-on-delivery, restocking is limited due to cash availability, stock outs often occur, the absence of intelligent reporting and lack of credit make it difficult to expand the business.

Expected Benefits:

1. The ability of buying on credit will help stores stock up on key products to ensure sufficient supplies for their local community as well as expand their business
2. Avoiding stock-outs will prevent infections from spreading as consumers will not need to shop around or travel further distances for their supplies
3. Efficient business operations through digitization of inventory management, order taking and payments, allowing for the collection of data which in turn leading to business intelligence.





THANK YOU!

LISETTE CIPRIANO

Sr. Digital Technology Specialist,
Sustainable Development and Climate
Change Department

lcipriano@adb.org