



# Fintech, Digital Finance & Financial Inclusion: Policy Brief

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# Agenda

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- Objective & Methodology
- Outline
- Findings and key messages
- Conclusion



- To analyze how fintech/digital finance can be more effectively utilized, including to spur financial inclusion.
- Uses secondary sources of data and information.



## Outline of the Policy Brief

- Defining fintech/ digital finance
- Trends & patterns in the evolution of fintech/ digital finance
- Types of fintech
- Emerging lessons for scaling-up fintech/ digital finance
- Fintech and COVID-19
- Conclusion



## Definitions

- **Financial technology (fintech):** the broad range of technological innovations in the financial sector that enhance or change the way financial services are provided.
- The innovations help to reduce costs and risks, as well as extend and broaden services to unbanked populations—**financial inclusion**.
- Fintech is a new financial industry that uses technology to improve the delivery of financial services.
- Fintech is utilized to help businesses and consumers better manage their financial operations, processes, and lives through specialized soft.
- **Digital finance:** refers to the delivery of traditional financial services digitally, through devices such as computers, tablets and smartphones.





# Evolution of Fintech



	<b>Fintech 1.0 (1886-1967)</b>	<b>Fintech 2.0 (1967-2008)</b>	<b>Fintech 3.0 (2008-Current)</b>	<b>Fintech 3.5 (Fintech in Emerging Markets)</b>	<b>Fintech ...</b>
<b>Geography</b>	Global/Developed	Global/Developed	Developed	Developing	
<b>Key Elements</b>	Infrastructure/Computerization	Internet Services	Mobile Platforms	Mobile Platforms	
<b>Market Development</b>	Improve Linkages	Digitalization	Smartphone	Last Mover Advantage	

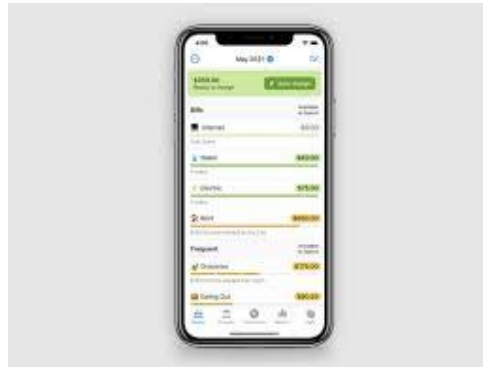
# Types of Fintech



Blockchain and cryptocurrency



Digital payments & e-Commerce



Budgeting apps



Insurance



Investments & stock-trading apps



# Opportunities for Fintech



**Individuals:** Deposit checks, access money overseas, apply for finance, peer-to-peer lending or crypto exchanges.



**Financial service providers:** cut costs, expand customer base:



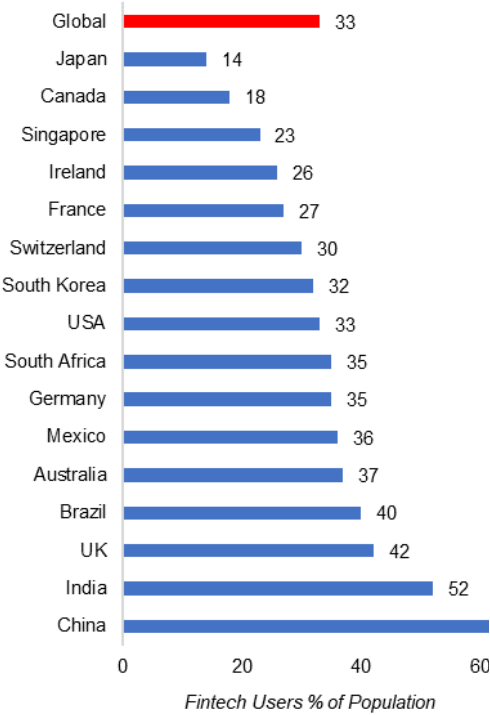
**Businesses:** Payments processing, data collection



**Governments:** service delivery (health & education), cut costs, reduce, increase DRM



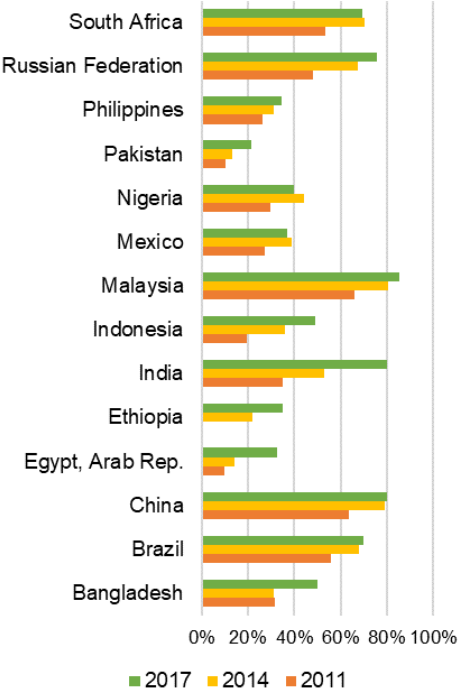
# Fintech & financial inclusion: Mobile money



**Two-thirds of unbanked adults have a mobile phone**  
Adults without an account owning a mobile phone, 2017



Sources: Global Findex database; Gallup World Poll 2017.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.





## Fintech and financial inclusion: Africa State of Play

- Unlike previous waves, which had relied on technologies at the forefront of their times, **the African Fintech wave is being built on mobile phones**, whose adoption in the continent accelerated around the turn of the millennium.
- Almost half of total **global mobile money accounts are in Africa**, which had 396 million registered users and 1.4 million agents serving them in 2018.
- The use of mobile money has grown exponentially over the past 10 years, making **Africa the global leader in mobile money innovation**, adoption, and usage.
- **M-Pesa** services are now offered in countries as diverse as Albania, D.R. Congo, Egypt, Ghana, India, Kenya, Lesotho, Mozambique, Romania, and Tanzania.



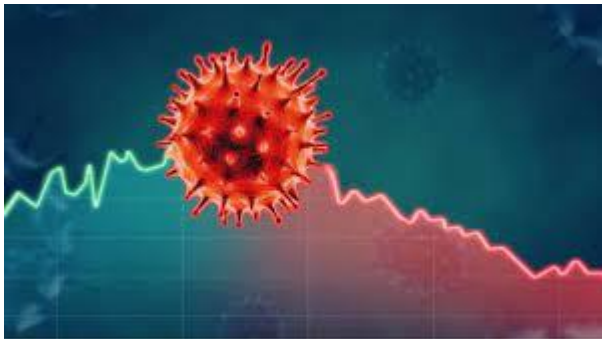
# Emerging lessons & scaling-up Fintech opportunities

- Entrepreneurship
- Importance of digital infrastructure
- Strengthening policies for governing digital finance
- Enabling institutional incentives
- Facilitating access to finance
- Skills, capacity and talent development
- Sensitization of users





# Fintech and COVID-19



“Data from 1,385 FinTech firms in 169 jurisdictions from mid-June to mid-August, showed most types of fintech firms reporting strong growth for the first half of 2020 compared to the same period in 2019, prior to the pandemic.

Firms in digital asset exchanges, payments, savings, and wealth management, reported growth in transaction numbers and volumes of 13 per cent and 11 per cent, respectively.

Middle East and North Africa saw strongest growth, up 40 per cent, and sub-Saharan Africa and North America, both up 21 per cent. In general, emerging markets and developing countries experienced faster growth than developed markets.”

# Conclusion



- ✓ **Fintech has been transformative**, leveraging **digitalization** and rapid **technological innovation**.
- ✓ Payments are easier, faster, cheaper and more accessible, and will cross borders swiftly, enabling efficiency and inclusion.
- ✓ Existing concerns need to be addressed. Financial services are increasingly becoming 'Jobless', thus contributing to shifting upward capital intensity. Thus, **human capacity**, including investments to **scale digital skills**, and to absorb displaced labour.
- ✓ **Digital money needs regulation and supervision** for countries maintain control over monetary policy, financial conditions, capital account openness, and foreign exchange regimes, and financial stability.
- ✓ Payment systems must grow increasingly integrated, not fragmented, and must work for all countries to avoid a **digital divide, inequality and** to reap the benefits of digital financial services.
- ✓ Find the right balance between enabling financial innovation and **addressing several risks**: insufficient **consumer protection**, lack of **financial and digital literacy**, unequal access to **digital infrastructure**, and **data biases**; as well as addressing money laundering and cyber risks through international agreements and information sharing, including on antitrust laws.
- ✓ Policymakers to ensure **international agreements on data privacy, cybersecurity, digital identification**, cross-border digital currencies, and regulation of Big Techs to ensure that the fintech landscape remains sufficiently **competitive** in the post-COVID era.

# THANK YOU!

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