



Expert Meeting on  
**THE IMPACT OF ACCESS TO FINANCIAL SERVICES,  
INCLUDING BY HIGHLIGHTING THE IMPACT ON REMITTANCES ON  
DEVELOPMENT: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH**

*12-14 November 2014*

**SESSION 5:  
NEW TECHNOLOGIES TO IMPROVE ACCESS TO FINANCIAL SERVICES**

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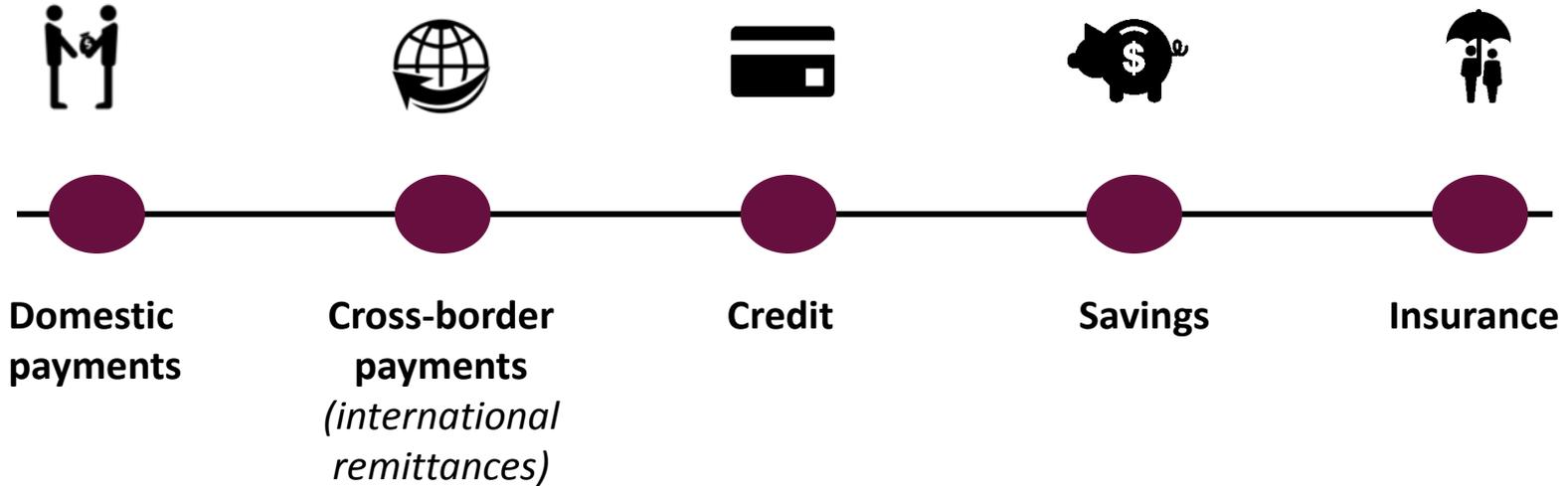
# ➤ Leveraging technology to expand financial inclusion

*Presentation at the Single-Year Expert Meeting on the Impact of Access to Financial Services on Development*

November 14<sup>th</sup>, 2014



# New technologies have resulted in increased innovation in providing financial products to under-served populations in developing countries



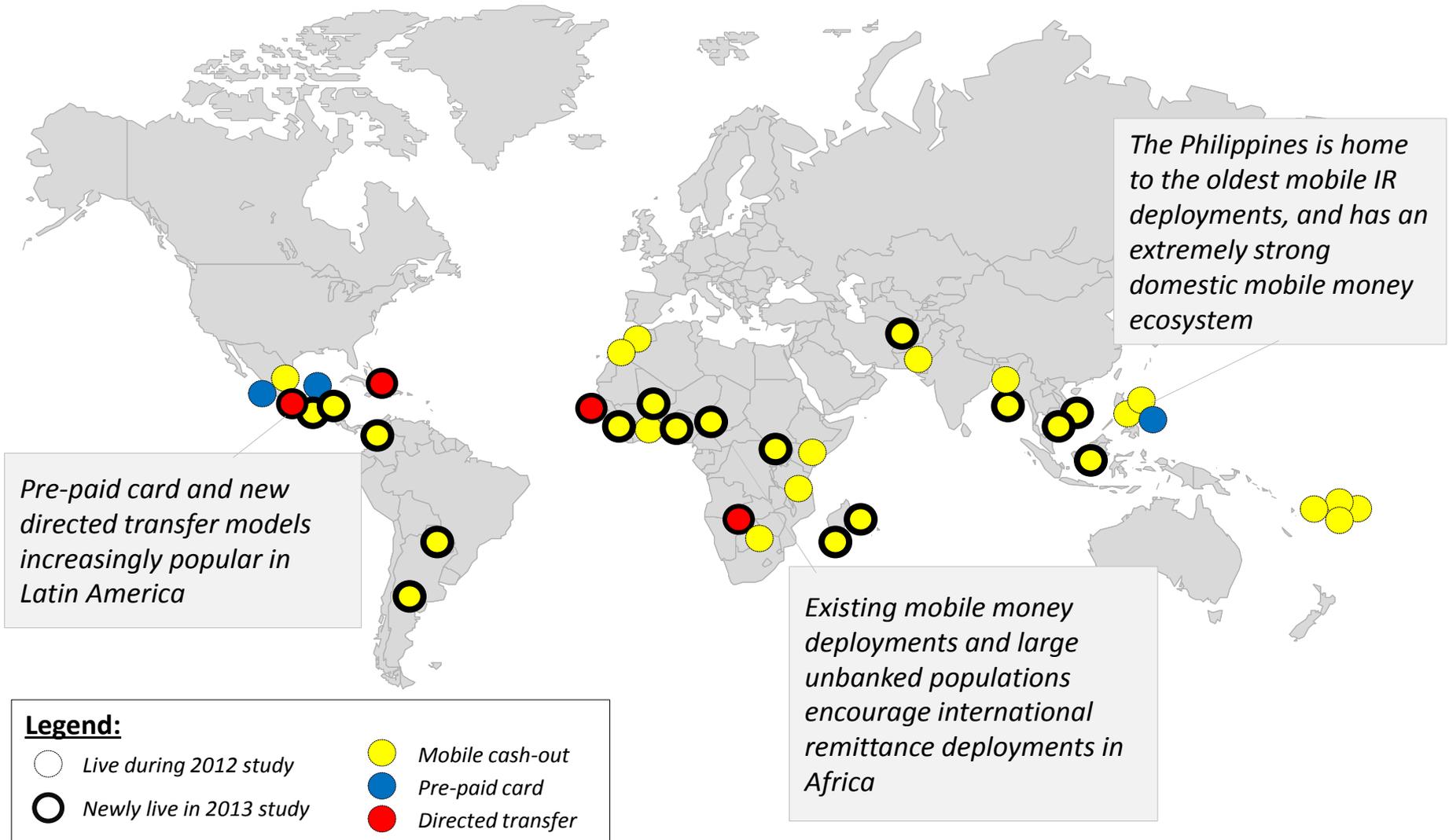
Innovations and effects on financial inclusion well documented, most recently in studies by GSMA, IFC, others

**The subject of this presentation**

# Our remittances study identified 41 active deployments in 2013



There has been rapid growth, from 11 deployments identified in 2010 and 20 in 2012





# Most 2012 innovations focused on establishing new deployments

A

## Interoperability solution

*Hub for interoperability for mobile-centric money transfer between sending and receiving operators*



B

## Partnerships with traditional remittance providers

*Partnering provides brand name, knowledge of the money transfer ecosystem and regulatory issues, and established agent networks to allow for faster expansion*



C

## Currency exchange at much lower fees

*Technical innovation to drive down fees and expand access in the South Pacific, through peer-to-peer currency exchange*





# Innovations focused on in 2013 were new models for interaction

Model	Customer benefits	Examples
<b>D</b> <b>Innovative online sender</b>	<ul style="list-style-type: none"> <li>• Fee transparency</li> <li>• Process transparency</li> <li>• Ease of user experience</li> <li>• Customer service</li> </ul>	  
<b>E</b> <b>End-to-end mobile deployments</b>	<ul style="list-style-type: none"> <li>• Same established brand on the sending and receiving sides</li> <li>• Price savings</li> </ul>	  
<b>F</b> <b>Remitting to a cash substitute</b>	<ul style="list-style-type: none"> <li>• Senders have some control over how funds are spent</li> <li>• Remittance value can be stored</li> <li>• May reduce costs (some markets)</li> </ul>	 
<b>G</b> <b>Remitting a direct payment</b>	<ul style="list-style-type: none"> <li>• Senders have complete control over how remittance is spent</li> <li>• Receivers can ensure that their bills are paid promptly</li> </ul>	  

**Future trends identified: cash substitute models (eg, Quippi), partnerships for cross-border remittances (eg, MTN, Airtel), and remittances through social media (eg, Azimo, fastacash, Facebook)**

# Credit for low-income populations has suffered from lack of sufficient information; mobile-related data is changing this



Financial institutions have been unable or unwilling to provide credit to the low income, because they lack sufficient information to assess credit risk.

Today, the digitization of our lives through increased use of technology has generated data points that reflect our behavior patterns, providing an opportunity for new models of credit risk assessment that would extend to low income populations.

Financial service providers now have access to information about our:

## IDENTITY

- Mobile registration
- Location based on cell tower triangulation or GPS data

## SOCIAL NETWORK

- Nature of calls and texts
- Nature of social media connections

## FINANCIAL LIVES

- Mobile money transactions
- Airtime and data purchases
- Utility payments
- Online retail



# Three approaches to credit have emerged, based on data sources

Source of data

Mobile phone usage

Mobile money usage

Online footprint

Data points used

- Purchases
- Frequency of calls to different numbers (social network)
- Location
- Demographic info

- Amount in mWallet savings account
- Frequency of payments
- *Mobile phone usage data*

- Online ratings
- Validated contact methods
- Social media connections
- Utility payments
- Government statistics

Region

Primarily Latin America

Exclusively Africa

Primarily North America & Europe

Examples



**Future trends identified: merging of models with greater smartphone adoption**



# For savings, mobile technology facilitates access and type of use

Capability	Description	Examples
Low-cost and accessible savings	<p>Small amounts saved in mobile wallet</p> <p>Interest offered depends on the minimum balance the customers commit to</p>	
Behavioral nudges for increased saving	<p>Customers can be encouraged to save by:</p> <ul style="list-style-type: none"><li>• Receiving data analytics on their financial lives</li><li>• Using extremely intuitive interfaces<ul style="list-style-type: none"><li>➤ Using savings goals</li><li>➤ Using touch screens (e.g. dragging money from checking to savings account)</li></ul></li></ul>	  

**Future trends identified: More use of “nudges” and customer tailoring through greater smartphone adoption; security features for higher savings amounts**

Source: Almazan, Mireya and Elisa Sitbon. “Smart phones and mobile money – The Next Generation of Digital Finance Inclusion”, GSMA Mobile Money for the Unbanked (2014); True Potential Impulse Save website; Interviews with experts in digital finance for CGAP study in September/October 2014; Dalberg analysis

# For insurance, technology fosters increased access to individual insurance as well as a collective insurance model to reduce risk



Capability	Description	Challenge addressed	Examples
Low-cost access	<ul style="list-style-type: none"> <li><u>Free model</u>: Low coverage based on ARPU; segments by airtime plan</li> <li><u>Paid model</u>: Subscribers opt-in, with premiums deducted from air time</li> </ul>	<ul style="list-style-type: none"> <li>Lack of exposure to insurance among low income populations</li> <li>High cost of accepting small and frequent payments</li> </ul>	 
Collective insurance	<ul style="list-style-type: none"> <li>Social media links friends or family to buy collective insurance policies.</li> <li>Cash set aside to cover small claims or is shared back at year-end</li> <li>Fraudulent claims damage friends' interests.</li> </ul>	<ul style="list-style-type: none"> <li>Moral hazard on small claims</li> <li>High cost of accepting small payments</li> </ul>	

**Future trend: Potential to track use of assets using remote sensing technology**

## Key takeaways

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- **Landscape evolving rapidly...**
  - Dramatic expansion of deployments and products, across regions
  - Business models and complex partnerships being developed and iterated
  - New mobile features, such as through smartphones, being explored
- **...yet full set of mobile capabilities not yet being leveraged**
- **“Proof points” for improved financial inclusion are still few**