Toward Data Standards for Inclusive Fintech

19 February 2020
10:00-11:00 AM ET

WEBINAR
LOGISTICS

1. This is an audio broadcast. Attendee microphones will remain muted during the entire webinar session.

2. To ask questions during the webinar, please use the Chat box on the right-hand side of the Webex session. You may submit your question at any time during the webinar presentation.

3. To ensure your question is seen by the moderator, select “All Participants” from the drop down menu when sending the question.

4. The webinar recording will be emailed to all attendees and registrants.
Speakers and Agenda

Chrissy Martin Meier  
Fintech Data Solutions  
MIX

Gayatri Murthy  
Financial Sector Specialist  
CGAP

Jeremy Leach  
Founder & CEO  
Inclusivity Solutions

Shannon Dwyer  
Investment Associate  
Accion Venture Lab
MIX is the leading global data resource for inclusive finance

Founded in 2002, our mission is to provide the data, analytics and insights that empower decision makers to build an inclusive financial services ecosystem.

OUR TEAM INCLUDES

FINANCIAL ANALYSTS

TECHNOLOGY DEVELOPERS

DATA SPECIALISTS

OUR GLOBAL PARTNERS INCLUDE

VISA

CATALYST FUND managed by BFA

JOA JAPAN OVERSEAS \&

MetLife Foundation

Bill & Melinda Gates Foundation

BLACKROCK

COMIC RELIEF

CGAP

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Our data initiatives encourage the growth of inclusive markets

We convene stakeholders to build common data standards that enable transparency.

We develop strategic insights from complex data to help emerging sectors flourish.

We support informed thinking on the future of financial services.

OUR FOCUS AREAS INCLUDE

INCLUSIVE FINTECH

DIGITAL FINANCIAL SERVICES

AGRICULTURAL FINANCE

OUR PROJECT PARTNERS INCLUDE

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There is a significant opportunity to expand investment in fintech

In 2017, 70% of VC capital in East Africa went to just 3 startups (Village Capital)

Fintech investment is high, but also highly concentrated

In 2018, global fintech investment exceeded $110b (KPMG)

The market for impact investing is large, but also significantly untapped

1,340 orgs are currently offering $502b in capital for impact investing (GIIN)

That could be $26trillion if more investment opportunities were available (IFC)

@mixglobaldata
MIX helps investors identify and evaluate opportunities in inclusive fintech

FINTECH AND DIGITAL FINANCE INVESTMENT BARRIERS

It is difficult to identify prospective partners, whether investors looking for portfolio companies or banks looking for fintech partners.

Lack of common performance benchmarks inhibit comparisons across markets or fintech segments.

Investors and funders want better visibility into funding flows and areas of concentration or under-investment.

MIX COMPLEMENTARY PORTFOLIO OF INITIATIVES

- Inclusive Fintech 50
- Fintech Data Standards
- Fintech Benchmarks
- Fintech Data Solution
- Funder Survey
  DFS Funding Flows
  Fintech Funding Flows
IF50: Applicant data shows that capital is concentrated

Data from the 400 eligible applicants of Inclusive Fintech 50 showed that capital is concentrated across – and within – regions.
Building on IF50, we have tested 3 key inputs to a dynamic fintech data solution.

- Data Standards
- Inclusivity Framework
- Benchmarks

Comparable data on a wide range of fintechs
Visibility for those committed to financial inclusion
Basis for comparison & industry insight
The Data Standards are designed to surface actionable insights

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Quantitative</th>
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<tbody>
<tr>
<td><strong>Market</strong></td>
<td><strong>Tier 1</strong></td>
</tr>
<tr>
<td>Sector(s) Targeted</td>
<td>Registered Users*</td>
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<tr>
<td>Underserved Target*</td>
<td>Active Users (30 days) and Active Users (self-defined)*</td>
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<tr>
<td>Country HQ, Operation</td>
<td>Female employees, board members, executive members</td>
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<tr>
<td><strong>Solution</strong></td>
<td><strong>Tier 2</strong></td>
</tr>
<tr>
<td>Product Type*</td>
<td>% female users, % underserved, % below poverty line</td>
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<tr>
<td>Funding Stage*</td>
<td>Compounded Monthly Growth Rate</td>
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<tr>
<td>Investment-to-Date*</td>
<td>Average Account Size per User</td>
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<tr>
<td>Product Stage</td>
<td>Cash Runway</td>
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<tr>
<td><strong>Tools</strong></td>
<td><strong>Tier 3</strong></td>
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<tr>
<td>Technology</td>
<td>Is the firm revenue generating?</td>
</tr>
<tr>
<td>End User Requirements*</td>
<td>Customer Retention Rate</td>
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<tr>
<td>Delivery Model*</td>
<td>Referral Rate</td>
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<tr>
<td>Revenue Model</td>
<td>Net Promoter Score</td>
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<tr>
<td><strong>Inclusivity</strong></td>
<td><strong>Tier 3</strong></td>
</tr>
<tr>
<td>Business Solution (How are you solving a market problem?)</td>
<td>Average revenue per customer (ARPU), Average cost per customer (ACPU) *</td>
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<tr>
<td>Business metrics (matched to Business Solution)</td>
<td>Cost per Acquisition (CPA)</td>
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<td>Life Time Value of a Customer (LTV)</td>
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Our survey of fintechs tested what type of insights could be generated

**REGION**
- Sub-Saharan Africa: 53%
- East Asia & Pacific: 18%
- Other: 16%
- South Asia: 13%

**MODEL**
- B2B2C: 53%
- B2B: 24%
- B2C: 22%

**PRODUCT**
- Credit: 29%
- Infrastructure: 24%
- Payments & Remittances: 22%
- Savings & PFM: 16%
- Ins.: 9%
Toward Fintech Benchmarks to Drive Financial Inclusion

1. Customers and Growth
2. Potential to Scale and Leadership
3. Profitability
4. Consumer Protection
5. Inclusivity
National ID is the most common end-user requirement that is likely to present a barrier to the underserved.
Fintechs have lower customer acquisition costs when using third parties to manage agents.
Digital data protection is becoming business-as-usual.

- 58% have completed a penetration test to expose technical vulnerabilities.
- 84% are willing to undergo a penetration test if requested by an investor.
- 89% can provide documentation on secure storage of consumer data.
- 69% can show how they vet data sharing partners.
- 33% can show alignment with GDPR.
How can you help to shape the Data Solution going forward?

1. **Use**
   - Use the Data Standards in your own work to support common definitions and usage

2. **Test**
   - Test the Data Solution Prototype: can you access, find, and use the data you need?

3. **Join**
   - Join the Inclusive Fintech 50 Investors Circle to get access to the full list of applicants

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**Stay Informed!**

Email [fintech@themix.org](mailto:fintech@themix.org)

Visit [themix.org/inclusive-fintech](http://themix.org/inclusive-fintech)
Ecosystem Perspective: Challenges and Data Needs

Gayatri Murthy
Financial Sector Specialist

@gayatrimurthy
A wide range of models are grouped under the fintech umbrella.

**Fintech Business Models**

- **B2C** (Serving an end customer or enterprise/firm)
  - Pay
    - Payments: wallets, remittances, POS machines, payment processors
  - Borrow
    - Digital credit for SMEs, individuals, agri, P2P, factoring, asset finance
  - Save
    - Micro-saving apps, social-savings
  - Protect
    - P2P insurance, voucher insurance, automated claims

- **B2B** (Serving banks, MFIs, fintechs)

**Financial Services Value Chain**

- Origination
- Intelligence
- Risk Management
- Operations

**Inclusive or not**

Digital Banks
- Marketplaces
- Platforms
Not enough insight on the variations within product groups and their inclusivity

Digital Credit

- Segment
  - Individual, MSME, Agriculture or Asset finance

- Business Model
  - Balance sheet lending
  - P2P
    - P2P lenders connect funds with borrowers; take on risk.
  - Non-balance sheet or B2B lending
    - Alternate credit-scoring with phone data and bank transactions to assess people and firms

- Frontier/early-stage
  - Invoice Discounting, Crowdfunding, Digital ROSCAs

This level of detail is key to understanding viability, innovation and inclusivity

- Reduces risk to lend; connects unused funds with lenders. Without credit bureaus, systemic risk rises
- Creates creditworthiness where it didn’t exist before. But data protection risks may emerge.
No reliable datasets that combine public, private funding to fintech

So understanding the nature of capital flows is challenging

- Sources of funding data are split between global comparisons that lump disparate countries together or regional deep dives.
- Private and “development finance” are not combined in meaningful ways.
- Latin America and Africa are often excluded from funding analysis.
- It is challenging to assess gaps in market-making when the full picture is not evident.
We haven’t yet connected capital with evidence

At all stages of growth, we are not sure of our effects. Insight is buried within firms, investors and few actors. No one sees the whole picture.

<table>
<thead>
<tr>
<th>Mature Stage</th>
<th>Growth Stage</th>
<th>Early Stage</th>
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<tbody>
<tr>
<td>Eg.: Big payment wallets</td>
<td>E.g.: Digital credit</td>
<td>Experiments at the frontier</td>
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<tr>
<td>Paytm, GoPay, Paga, Mobikwik, OXO, GCash</td>
<td>M-Shwari, Copycats, Tala, Investree, P2P, Lulalend, MSME, Fenix Intl</td>
<td>New models: savings, pension, etc that don’t break even early. Harder-to-reach segments like agritech</td>
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- **Do maturing** products see cost reductions and secondary effects among the poor?
- **What is the viability and risks in growing** models?
- **What innovations in early** models can work and scale?
Fintech Perspective: Challenges and Data Needs

Jeremy Leach
Founder & CEO

@InclusivitySols
1.5-3 billion emerging consumers unprotected

We Design, Build, Operate and Innovate Inclusive Digital Insurance Solutions

Focus on mobile operators and banks starting with Equity Bank Kenya, Airtel Rwanda & Orange Cote d’Ivoire

Addressing the risks that really matter for 700,000 policies and growing fast

connecting the world to better protection

Inclusive Fintech 50
Emerging fintechs for financial inclusion
Investor Perspective: Challenges and Data Needs

Shannon Dwyer
Investment & Portfolio Associate

@AccionVLab
Venture Lab is an important part of Accion’s mission

**ACCION VENTURE LAB STRATEGY**

Enable **startup-led innovation** to improve **financial access and quality** by investing in new models, products, and cutting edge technologies and by supporting them to scale.

<table>
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<tr>
<th>Focus</th>
<th>Approach</th>
<th>Investment</th>
<th>Track record</th>
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<tbody>
<tr>
<td>We look for the <strong>most innovative models</strong> and <strong>technologies</strong> delivering quality financial services to the underserved.</td>
<td>We provide <strong>equity capital</strong>, governance, and strategic support to <strong>seed-stage financial inclusion startups</strong> around the world.</td>
<td>We typically initially <strong>invest $400-500K in equity</strong> or quasi-equity instruments across the US, Latin America, Africa, and Asia.</td>
<td>Over the last five years we’ve invested in <strong>41 companies</strong> in a variety of sectors such as SME lending, neobanks, and insurtech.</td>
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</table>
Accion Venture Lab now has invested in 41 companies globally.
Q&A

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2. To ensure your question is seen by the moderator, select “All Participants” from the drop-down menu when sending the question.

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Please take a moment to respond to the poll questions on the right-hand side of your screen.
WHAT’S NEXT?

1. We will email you when the webinar recording and related materials become available on the FinDev Gateway website.

2. Visit [www.themix.org/inclusive-fintech](http://www.themix.org/inclusive-fintech) to learn more about MIX’s inclusive fintech data initiative.

3. Question unanswered? Contact MIX: [fintech@themix.org](mailto:fintech@themix.org)

4. For more resources on financial inclusion, visit [FinDevGateway.org](http://www.FinDevGateway.org).
Thank you

www.FinDevGateway.org