

ACHIEVING UNIVERSAL FINANCIAL INCLUSION

Advancing the Research Agenda

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Financial Services for the Poor
29 June

Universal Financial Inclusion requires changing the underlying economics of transacting with low-income people



Global Findex:
2 billion people are excluded from the formal financial system

Doesn't work for the user

Excluded households are forced to stitch together informal portfolios, which are expensive, volatile and unreliable

Doesn't work for the traditional providers

The market has failed to serve the poor with formal financial services because the economics currently do not work for most commercial providers without cross-subsidization.

A Digital Platform:

- Could decrease costs by up to 90% and has the lowest level of variability
- Can leverage existing mobile penetration
- Provides a direct payment connection to citizens and governments

REALIGNING THE GLOBAL ARCHITECTURE FOR FINANCIAL INCLUSION

Optimize Digital Financial Infrastructure for Poor People

Robust, low cost, inclusive and interoperable digital platforms delivered at scale

Drive Digital Financial Services for Impact

Create value that results in poor people actively using services that provide pathways out of poverty

Foster Regulations & Policy

Adapt regulations to enable poor people to open accounts, to allow providers to outsource distribution, and to protect users

Build a Global movement

Motivate an army of experts and funding to replicate successful DFS models around the world

Empower low-income women economically

by reducing gender gap and increasing women's access to and usage of DFS

1 Customer Activation

What If:

We could turn a 30 day sign-up process into 30 seconds?

2 Distribution

What If:

Everyone was an agent?

3 Payments Front End

What If:

Anyone with a phone could send or receive money?

4 Payments Back End

What If:

Payment processing was digital and close to zero in cost?

5 Integration

What If:

You could send money to anyone in the world?

6 Products

What If:

Every mobile phone came with a savings account and insurance?

7 Analytics

What If:

Assessing risk for a billion new customers was cost-effective?

8 Regulatory Environment

What If:

A pro-poor regulatory environment facilitated financial inclusion?



CREATING PORTABLE, GLOBAL PUBLIC GOODS FOR DFS

VISION

What is our vision of the future?

Ensure that 80% of adults worldwide, 60% of sub-\$2/day adults, and 45% of sub-\$2/day women use a digital account.

STAKEHOLDERS

Who will we partner with?

CENTRAL BANKS

GOVERNMENTS

PROVIDERS

LEVERS

What levers are we trying to influence?

Open Payments Highway

DFS Regulation

Open Information Highway

DFS Policy

Pro Poor Fintech

Pro Poor Business Models

OPTIMIZE

What do we need them to optimize?

- Onboarding modules
- Switching
- Clearing
- Settlement
- Fraud management
- Bulk payment

- Permit non-banks to offer payments and deposits
- Tiered know your customer (KYC) regulations
- Agent regulations
- Competition policy

- Identity
- E-Consent
- Data sharing protocols
- Digi-Locker
- E-signature

- Financial inclusion targets
- Cash transfer design (CCT, UCT, graduation)
- Subsidy reform
- Automated defaults

- Credit data analytics
- CICO Optimization
- Proximity payments
- Digital communications

- PAYGO energy
- Pricing / commission structure
- E-commerce
- Bulk payments

Public Good

What is the public good that we are creating?

Level One Project

Digital Financial Services Regulatory Stack

India Identity Stack

Digital Financial Services Policy Stack

Africa Digital Finance Innovation Lab

Portable A-B Testing Platform

Global Agenda

What is the fact-based data needed to shape global and national agendas?

- Establish causal welfare and uptake linkages – Randomized control trial portfolio and qualitative studies
- Track global progress – Global Findex
- Capture granular country dynamics in priority countries – Intermedia

WHAT'S POSSIBLE WHEN THERE IS A DIRECT PAYMENT CONNECTION BETWEEN A GOVERNMENT AND ITS CITIZENS?

Digitizing today's G2P payments

Household

- Onramp to DFS system
- Reduced leakages
- Time/cost savings
- Reduced bribes

Government

- Reduce system leakage
- Reduce administrative cost

Revamping fuel, fertilizer, food subsidy programs

Household

- Onramp to DFS system
- Immediate standard of living impact
- Increased agency over expenditure choices

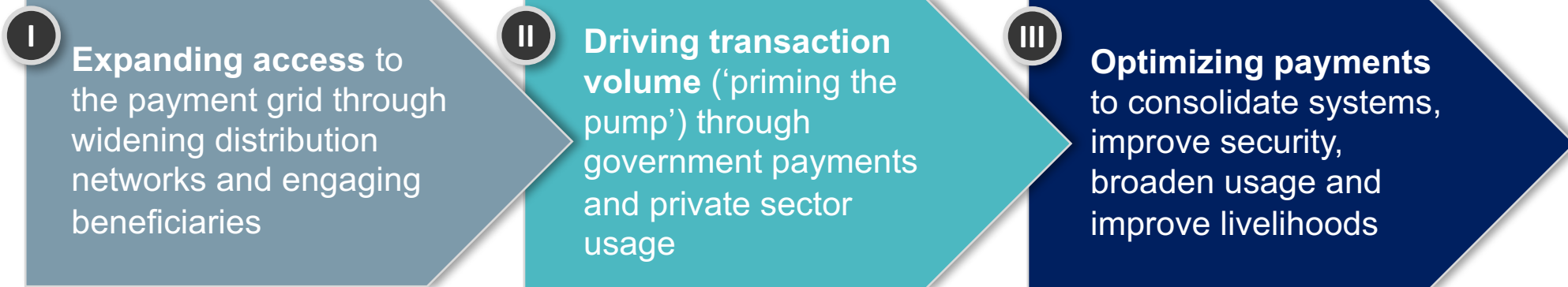
Government

- Politically feasible mechanism for phasing out price subsidies
- Improve targeting
- Remove incentives to over-use fossil fuels, fertilizer
- Stimulate private providers
- Popular and visible benefit

Enabling NextGen Applications

- Payment data forensics to spot corruption
- Attributed currency to track flows
- Incent usage of renewables
- PPPs for PAYGO energy and water
- Build fiscal contract between citizens and government
- Kickstarter for local public goods
- Reshape priorities of aid
- G2P linkages to enhanced DFS products (e.g. goal-oriented commitment accounts; emergency health loans)
- G2P Nudge Units

HOW CAN GOVERNMENTS INFLUENCE DFS?



Intervention areas for DFS:

1. Government coordination
2. Digital financial inclusion targets
3. Digital financial inclusion plans
4. Government-citizen communication
5. Identification infrastructure
6. Performance management
7. Digitization of existing G2P payments
8. Digitization of potential G2P payments (e.g., subsidy reforms, carbon credits)
9. Digitization of P2G payments
10. Internal government transfers
11. Merchant adoption
12. Digitizing government databases
13. Government payment platform integration
14. Consumer risk from fraud and corruption
15. Behavioral insights to **deepen** digital financial inclusion
16. Taxation on DFS
17. Policies to expand smartphone usage
18. DFS in (all) government policy design