

SUSTAINABILITY, FINTECH & FINANCIAL INCLUSION

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The presentation is based on a paper written by Douglas Arner, Ross Buckley, Dirk Zetsche and Robin Veidt:

Sustainability, FinTech and Financial Inclusion

<https://ssrn.com/abstract=3387359>

A. Topic

- *FinTech & Sustainable Investments / Sustainability as buzzwords*
- *Financial Inclusion and Sustainability are both real-world needs*
- *Investment flows into both digitization of finance and SI↑*
- *Is there a link? Where is the link? What is the impact of FinTech?*
- *How can we further sustainable investments?*

Agenda

A. Topic v

B. Definitions

C. FT4FI as necessary intermediate step for Sustainable Development

D. Towards a Framework for Digital Financial Transformation

E. Conclusions & Take Aways

B. Definitions

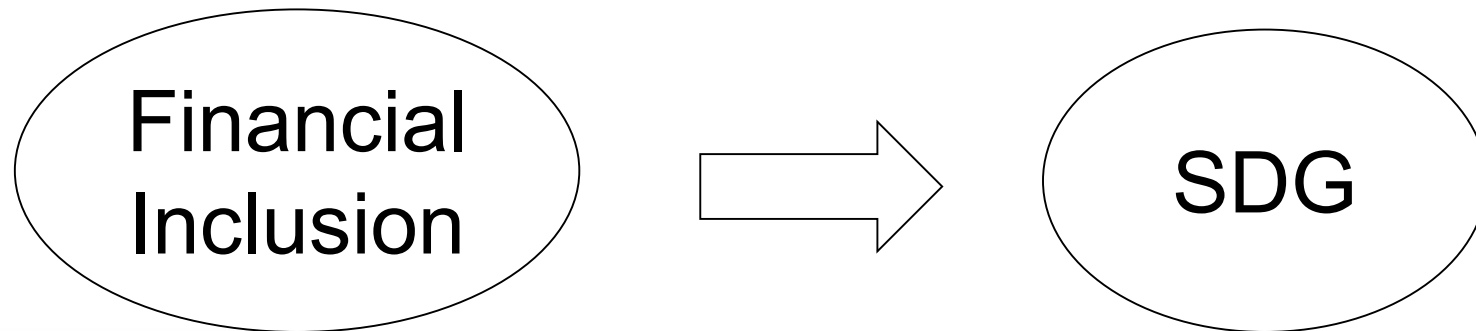
- *FinTech: Applying technology to financial services*
- *Financial Inclusion: ensuring access to financial services at affordable costs for all of society*
- *Sustainable Investments: any investment that furthers the UNSDGs*

C. FT4FI as precondition for reaching the SDGs

- *Neither FinTech nor financial inclusion mentioned explicitly in the SDGs; but lots of initiatives (AFI, UN, Worldbank etc.)*
- *Theses:*
 - *(1) Financial Inclusion & SDGs two sides of same coin*
 - *(2) Financial Inclusion depends on FinTech*
 - *(3) FT a precondition of any successful SDG strategy*

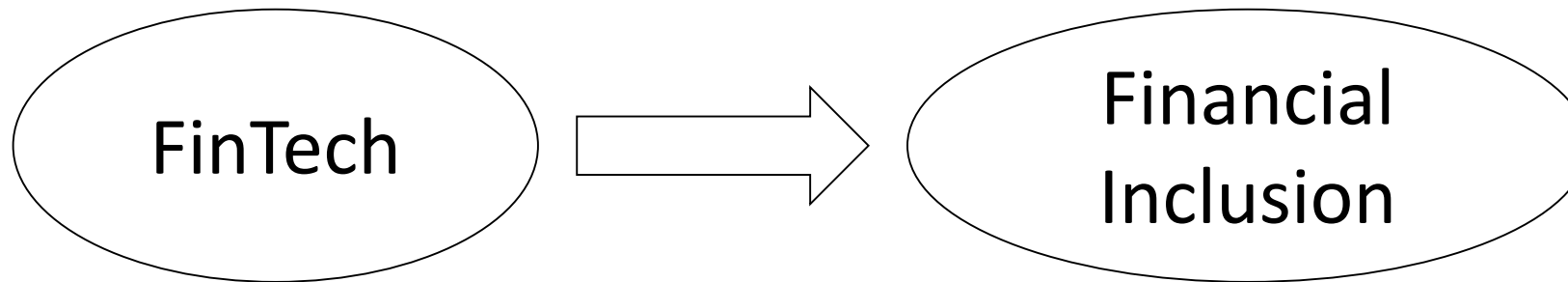
C. FT4FI as precondition for reaching the SDGs

- *(1) SDGs preconditioned on Financial Inclusion*
 - *FI enables people to manage risks efficiently: theft => higher consumption; solution: bank-like storage & transport*
 - *health risks - long education of little value; insurance secures long-term working capacity, justifies education*
 - *Promoting prosperity while balancing risks (UNSDGs) = FI*

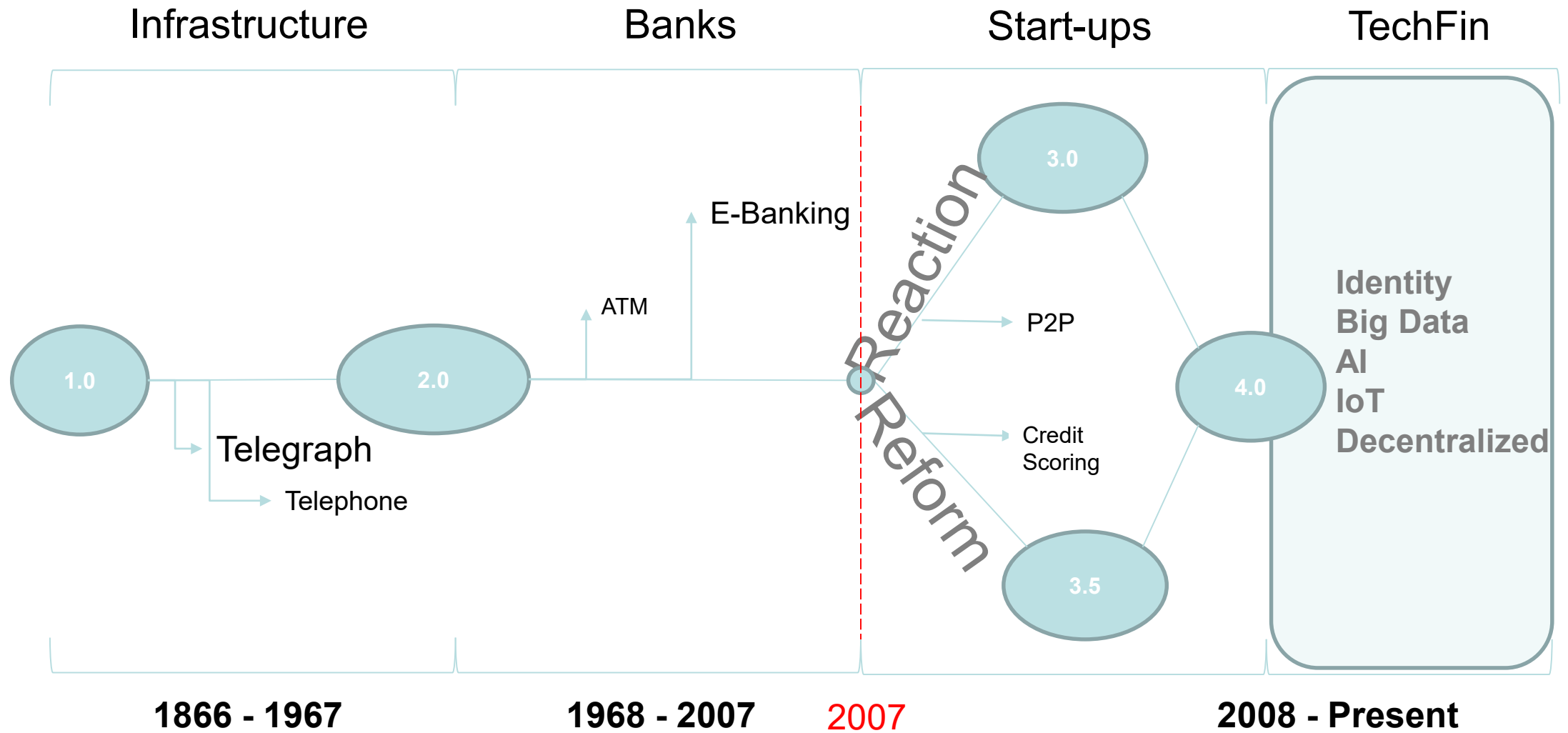


C. FT4FI as precondition for reaching the SDGs

- *(2) Financial Inclusion depends on FinTech*



Developing World Developed World



C. Mobile vs Banking Penetration

- Within developing parts of Asia, mobile phone ownership is more wide-spread than bank account registration:*

China

Population: 1.35bn
Formally Banked: 63%
Mobile Phone: 89%

India

Population: 1.25bn
Formally Banked: 35%
Mobile Phone: 71%

Malaysia

Population: 29.7m
Formally Banked: 66%
Mobile Phone: 131%

Australia

Population: 23.1m
Formally Banked: 99%
Mobile Phone: 107%



South Korea

Population: 50.2m
Formally Banked: 93%
Mobile Phone: 111%

Japan

Population: 127.3m
Formally Banked: 96%
Mobile Phone: 115%

Vietnam

Population: 89.7m
Formally Banked: 21%
Mobile Phone: 131%

New Zealand

Population: 4.47m
Formally Banked: 99%
Mobile Phone: 106%

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C. FT4FI as precondition for reaching the SDGs

- *(3) FT is a precondition of any successful SDG strategy*



No.	Goals	Impact	How FT4FI can further goal
1	No poverty	I	Allow for online financing, including credit and crowdfunding; create new income opportunities through online markets and payments; reduce impact of disasters
2	Zero hunger	I	Enhance financial stability; stabilize cash-flows through saving and lending
3	Good health and well-being	I	Provide health insurance and financial stability Enhancing government income and reducing leakages to increase financing available for health
4	Quality education	I	Enable financial planning and saving for school fees; Enhancing government income and reducing leakages to increase financing available for education
5	Gender equality	D	Strengthening female entrepreneurship and financial control
6-7	Water, sanitation, energy	I	Financing development and maintenance of infrastructure; further education of local sustainability expertise
8	Decent work and economic growth	D	Enable online financing, credit and crowdfunding; new (online) income and business opportunities
9	Industry, Innovation and Infrastructure	D	Provide financing for development and maintenance of infrastructure Enhancing government income and reducing leakages to increase financing available for infrastructure and R&D
10	Reduced inequalities	D	Enable funding of education and savings which provide the best opportunity for greater participation
16	Peace, justice and strong institutions	I	Robust economic development strengthens peace and civil institutions Enhancing government income and reducing leakages to improve governance, institutions and public trust
17	Partnerships	D	FT allows for engagement of private actors, multiplying assistance of public or state-supported actors

C. FT4FI as precondition for reaching the SDGs

- *Theses:*
 - *(1) Financial Inclusion & SDGs two sides of same coin ✓*
 - *(2) Financial Inclusions depends on FinTech ✓*
 - *(3) FT a precondition of any successful SDG strategy ✓*
- *How to move forward?*

D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, sust. growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – Digitization of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures

D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
 - Examples do exist for official ID systems (Adhaar etc.)
 - Business ID ≠ Official ID
 - Remanufacture Official ID from Business ID!

Digital ID/KYC Utilities

www.ssrn.com/abstract=3224115



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- **Pillar II: Enabling use: Digital payments infrastructure and open electronic payments systems**
 - Leapfrog bricks-and-mortar bank branches with digital finance and reduce entry costs
 - Mobile Money (E-money) , China: Alipay/WeChat Pay
 - Yu'e Bao established 2013 and now world's largest MMF
 - Important: remittances
- Pillars I + II provide the fundamental infrastructure and enable Pillar III

D. Designing a framework for (inclusive) digital financial transformation

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- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – Digitization of government payments and provision of services
 - Reduce leakage, improve tax collection, allow SMEs to grow within the formal financial system
 - Examples: State salaries, subsidies, health services
 - **P:** Existing systems at best half-digital
 - Use limitations, insufficient training

D. Designing a framework for (inclusive) digital financial transformation

Focus on Pillar III: Scaling use

- Proper design of G2P payments is key
 - Government-designed account procedures should facilitate later unrestricted (!) payments
 - P: Digital-to-real gap
 - If merchants cannot do business without accepting e-money, they will find a way to facilitate them
 - Simple functionality: Learning required to receive government support must enable to make/receive other transfers
- Government can promote e-commerce
 - Highlight the advantages of e-money, setting limits for cash transactions
 - Requiring merchants to accept digital payments

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- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – Digitization of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures
 - From payment to credit to insurance to wealth management

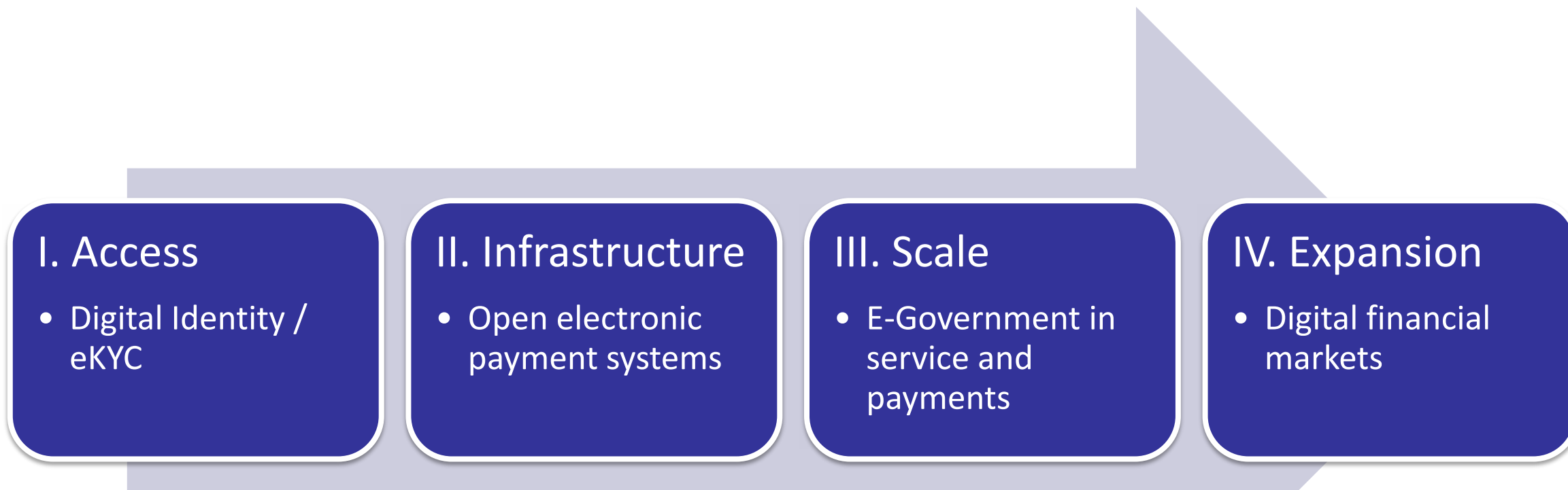
E. Take Aways: FinTech – Financial Inclusion – Sustainable Investments

(1) Financial Inclusion & SDGs two sides of same coin

(2) FinTech is the key driver for Financial Inclusion

(3) FT a precondition of any successful SDG strategy

E. Take Aways: 4 Pillars of Financial Infrastructure Development



Thanks!

Sandboxes vs
Innovation Hubs

<https://ssrn.com/abstract=3455872>



FT4FI vs SDGs

<https://ssrn.com/abstract=3387359>



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www.ssrn.com/abstract=3245287



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