



# Executive Summary

## Scope and Purpose

The potential practical applications of FinTech in developing regions - which does not rely so heavily on highly advanced forms of IT-technologies and which has already achieved substantial practical applications - is fundamentally and categorically different from its use cases in the developed world, where its impact is limited for the most part to enhancing the quality of traditional financial services.

This report serves as a follow-up to our previous 450-page report “Financial Inclusion in the Developing World 2018 Q2”, which aimed to provide a detailed overview of the industry from an investment and commercial perspective, as well as major trends and a classification framework for the core technologies enabling the provision of financial services to the 2 billion unbanked.

This “Special Edition” focusing on FinTech and Financial Inclusion technologies being applied to developing regions and so-called “World of the Unbanked”, and the role of the suite of non-commercial and international development organizations in this sphere.

In this report our analysis focuses specifically on non-commercial activities, and on the crucial work being done by Non-Profits, Governmental Organizations, NGOs and International Organizations, and showing how FinTech in the developing world represents a clear means of enabling actionable humanitarian good towards accelerating the socio-economic development of underdeveloped countries to give them greater opportunities for access to basic human amenities, and the pathway for their integration into the modern global economy through financial inclusion initiatives and empowered by modern IT-technologies.

By the contrast to the developed world FinTech and Financial Inclusion technologies being applied to the developing world has the potential to solve crucial humanitarian issues and to leapfrog fundamental socioeconomic and infrastructural barriers and bottlenecks, giving citizens not only access to the global economy and potentials for remote employment under fair and equitable conditions, but access to basic human amenities as well. Its impact can be measured not only in the magnitude of the issues it has the potential to resolve, but also in the sheer number of humans afflicted by those issues, e.g. the more the 2 billion unbanked citizens lacking access to fundamental resources, amenities and opportunities that the citizens of developed nations have never lived without. For the developing world, FinTech can be considered as one of the leading forms of ImpacTech -- i.e., technologies which deliver an incredibly high level of impact per dollar spent.

Whereas progress at alleviating social issues in developing regions, such as financial inequality and access to basic human amenities, previously moved at the slow pace of regulatory change, dependant on policy changes by bureaucratic governments and international organizations, it is now poised to begin moving at the pace of technological change. A diverse array of advanced FinTech and IT-technologies enhanced by AI and Blockchain technologies have the power to act as an “Engine for Social Good”. The combination of mobile-app based solutions to many issues in developing regions, coupled with increasing rates of mobile phone and internet penetration in regions like Africa, Southeast Asia and Latin America, are now approaching a convergent inflection point whereby developing nations can leapfrog numerous systemic and infrastructural bottlenecks to quality-of-life and financial equality through the power of modern IT-technologies.

This first edition of “FinTech for Social Good” report aims to establish a framework that can be used to identify the most active and progressive organizations in this sphere, the technologies with the greatest potential impact and those closest to practical applications, and to create the tools necessary for charting the most optimal and synergetic road forward over the coming years, which can be used to shape the “FinTech for Social Good” landscape in such a way as to streamline its development substantially.

Subsequent editions of this report will strive to utilize the dialogue with active players and organizations in this sphere initiated with this first report to provide an even deeper analysis of the industry landscape and ecosystem and to assemble the tools required to allow the most relevant and active entities to conduct smart-matching, aggregating and integrating their resources in the most efficient way possible.

Financial Technologies can address socio-economic problems such as gender inequality and slavery. The roots of these problems are mainly based on poverty and the low level of education in developing countries.

We are facing a structural dichotomy where cultural diversity and customs became the reason for gender inequality. The best way to fight cultural barriers and traditionalism is globalization, which brings access to education, healthcare and financial inclusion. Unfortunately, sometimes globalization can have unintended consequences.

In developing regions, globalization has created an ecosystem in which citizens can and often are made to work in harsh and unhealthy work environments for very low pay, without access to the work-related rights, protections and amenities that are offered to workers in developed nations.

Fortunately, however, the tide seems to gradually be turning, with the rise of the notion of “impact investment” and the general trend of commercial enterprises working to not only turn a profit, but doing so in a humane manner, developing sellable solutions to social issues in developing countries.

FinTech for social good denotes the use of emerging FinTech solutions in order to improve quality of life for developing nations and enabling greater access to basic human amenities for their populations. The most prominent example of “FinTech for Social Good” is the use of FinTech solutions to deliver access to basic financial services, driven by the large numbers of unbanked people in developing nations, coupled with increasing rates of mobile phone penetration.

While these efforts technically lie outside the scope of FinTech proper, they are a natural extension of the primary impetus behind FinTech. This report explores ways in which the same technologies driving the FinTech revolution in developing nations, from mobile applications to advanced IT-infrastructures like blockchain and distributed ledger technologies, could be harnessed in order to promote social good and combat issues like lack of access to basic human amenities, education, healthcare services and to deter modern slavery in developing regions.

The Financial Stability Board defines FinTech as: “technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services”. According to the United Nations report *Fintech, Green Finance and Developing Countries*, FinTech includes:

- 1. Financial sector**
- 2. Banking;**
- 3. Investments; and**
- 4. Insurance.**

The complex FinTech landscape could be understood as having two types of actors – FinTech and TechFin. ‘FinTech’ refers to technology companies developing new technologies to radically alter the financial landscape. In contrast, ‘TechFin’ refers to companies adapting existing financial capabilities to the technology wave – a less disruptive, incremental approach. These actors can face different levels of regulation, types of investors, and levels of risk. Developed and developing countries should consider which actor is best suited for their economic development pathway. This may require reflection on the different types of capital, types of risks and the range of technologies that would be involved.

Source: <http://www.fsb.org/what-we-do/policy-development/additional-policy-areas/monitoring-of-fintech/>  
[http://unepinquiry.org/wp-content/uploads/2017/06/Fintech\\_Green\\_Finance\\_and\\_Developing\\_Countries-input-paper.pdf](http://unepinquiry.org/wp-content/uploads/2017/06/Fintech_Green_Finance_and_Developing_Countries-input-paper.pdf)

## **FinTech as an Engine for Social Good**

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However, taking the same modus operandi behind FinTech - i.e., namely using existing and emerging IT-technologies that can be utilized as mobile applications to provide financial services, and applying it to other social and infrastructural issues and inequalities, like social inequalities, modern slavery, healthcare inequalities and lack of access to basic human amenities, yields an equally disruptive framework and platform through which the use of emerging IT-technologies can be harnessed to promote diverse forms of social good. While these efforts technically lie outside the scope of FinTech proper, they are a natural extension of the primary impetus behind FinTech.

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## **Report Organization and Structure**

The report's **Executive Summary** gives a succinct overview of the report's structure, methodology, and primary conclusions, offering a concise overview of main industry trends a brief forecast of industry developments over the next several years.

**Chapter I: Landscape and Regional Overview** introduces the industry landscape in broad terms, and introduces its main constituents.

**Chapter II: FinTech for Social Good: Goals & Opportunities** serves as an introduction to the concept of FinTech for Social Good, and shows how FinTech is an emerging power for humanitarian action extending beyond the concrete context of the financial industry.

**Chapter III: Obstacles for Financial Inclusion and Socio-Economic Development** charts the landscape of issues and factors in developing regions that serve as the motivation behind FinTech, and the problems that it seeks to solve. By gaining a deeper understanding of economic inequalities and the systemic and infrastructural deficits that underlie them in developing regions, we can gain a better understanding of the exosystem that FinTech is poised to disrupt for the better.

**Chapter IV: International Organizations and Financial Inclusion** takes a deeper look at the specific international organizations making an impact and shaping discourse around FinTech for Social Good in developing regions.

**Chapter V: Government Approaches and Initiatives to increase Financial Inclusion** gives a deep overview of specific governmental policy statements, guidelines and initiatives that aim to increase financial inclusion in the developing world.

**Chapter VI: The Role of Regional and Local Organizations in Increasing Financial Equality** takes a more specific focus on region and local (i.e. region and country-specific) organizations taking part in the ongoing national dialogue of financial inequality in developing regions.

**Chapter VII: FinTech for Social Good: Tendencies, Perspectives and Trends** gives broader analysis to the ways in which FinTech can be an engine for humanitarian change and a driver for Social Good in the context of the preceding chapters' analysis. The Case Studies provide a closer look at the trends, issues and challenges discussed in the preceding chapters.

**Case Study I: Gender Equality and Financial Inclusion: Trends and Perspectives** gives an overview of gender-specific financial inequality in Africa, Asia and Latin America, and analyzes the extent with which FinTech and other advanced IT technologies can serve to lessen this gap.

**Case Study II: Globalization and Modern Slavery: Prevention Technologies** takes a focused look at the forms that slavery take today in developing regions, and assesses how FinTech and advanced IT technologies can (and already are being) leveraged in order to deter modern slavery for the empowerment of all.