

# Artificial Intelligence for Business



## Build a digital business strategic roadmap



Lecture 13

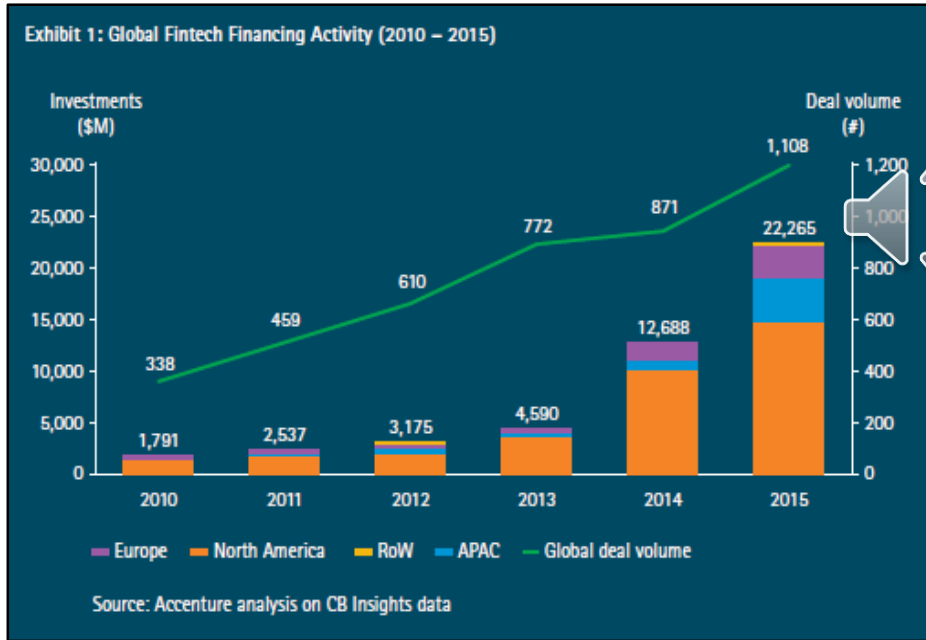
Professor: Asror Norov



# FinTech enabling Financial Inclusion

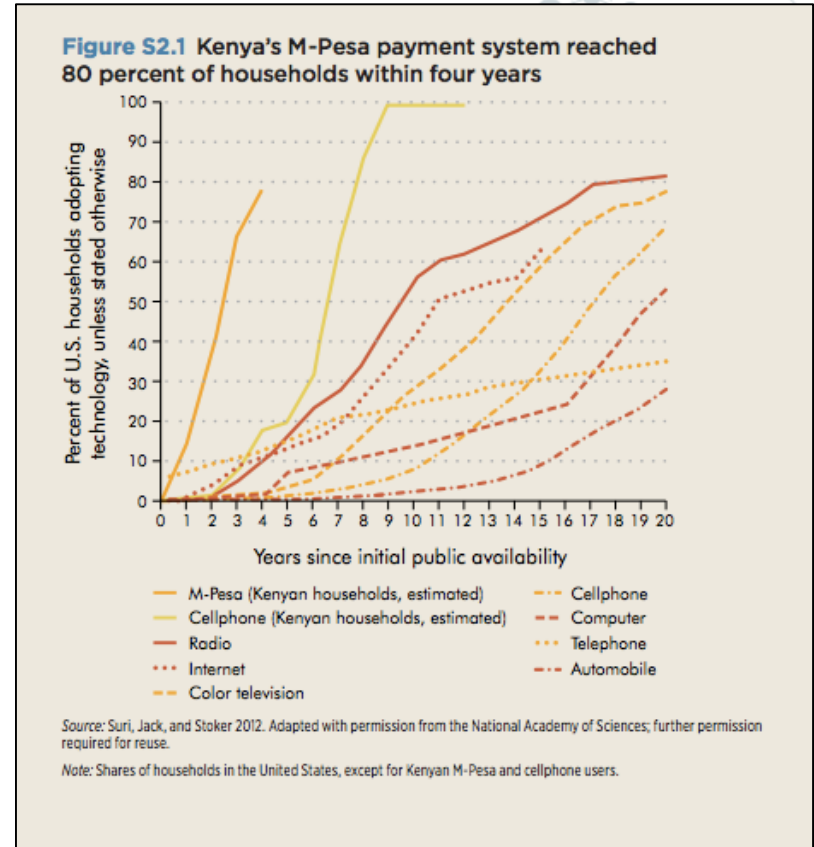
Digital technologies have spread rapidly in much of the world, yet, there is potential to boost digital dividends.

**Global investments in Fintech ventures grew by 75% reaching \$22.3bn in 2015 (\$12.7bn in 2014)**



Source: Accenture

**M-Pesa reached 80% of households in Kenya within 4 years**



Source: WDR 2016

# Digital Innovation across different areas of the financial sector

## Payment services and market infrastructures

- E-money and mobile money products
- Application program interfaces allowing overlay of services on existing products
- Use of distributed ledger technologies for new ways of structuring market infrastructures

## Leveraging transaction data and other sources of data for credit appraisals

- Transaction data from e-commerce and payment platforms like **Alibaba** and **Paypal**
- Mobile phone usage data
- Social Network related data

## Deposits, Lending and Capital Raising

- Crowd-sourcing ideas and funding them through crowd-funding
- Peer 2 peer lending
- Internet-only banks

## Investment Management

- Automated processing and dissemination of investment advice

Potential to significantly enhance efficiencies, reduce costs and expand access to financial services

# Digital technologies – Opportunities

Offer a powerful solution for expanding access and usage to financial services, and improve their quality, appropriateness and impact

New Players leverage electronic data in innovative ways to create better, **more customized, and more accessible** digital financial inclusion

The spread of mobile technologies, mobile network coverage, and mobile based financial services in developing countries represent a **game-changer** in global financial inclusion efforts

**Governments play a critical role in creating the enabling conditions** for financial service providers while ensuring that risks are mitigated and consumers are properly protected

Technological developments and increased interest from new players is leading to a **fundamental re-imagining of the processes and business model of the financial services industry.**



# G20 New High Level Principles on Digital Financial Inclusion (HLPs)

The new 2016 Principles are intended to catalyze country-level actions by G20 governments to drive financial inclusion using digital technologies.



- **PRINCIPLE 1:**  
PROMOTE A DIGITAL APPROACH TO FINANCIAL INCLUSION
- **PRINCIPLE 2:**  
BALANCE INNOVATION AND RISK TO ACHIEVE DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 3:**  
PROVIDE AN ENABLING AND PROPORTIONATE LEGAL AND REGULATORY FRAMEWORK FOR DIGITAL FINANCIAL INCLUSION
- **PRINCIPLE 4:**  
EXPAND THE DIGITAL FINANCIAL SERVICES INFRASTRUCTURE ECOSYSTEM
- **PRINCIPLE 5:**  
ESTABLISH RESPONSIBLE DIGITAL FINANCIAL PRACTICES TO PROTECT CONSUMERS
- **PRINCIPLE 6:**  
STRENGTHEN DIGITAL AND FINANCIAL LITERACY AND AWARENESS
- **PRINCIPLE 7:**  
FACILITATE CUSTOMER IDENTIFICATION FOR DIGITAL FINANCIAL SERVICES
- **PRINCIPLE 8:**

## Developments in Digital Technology For Financial Inclusion

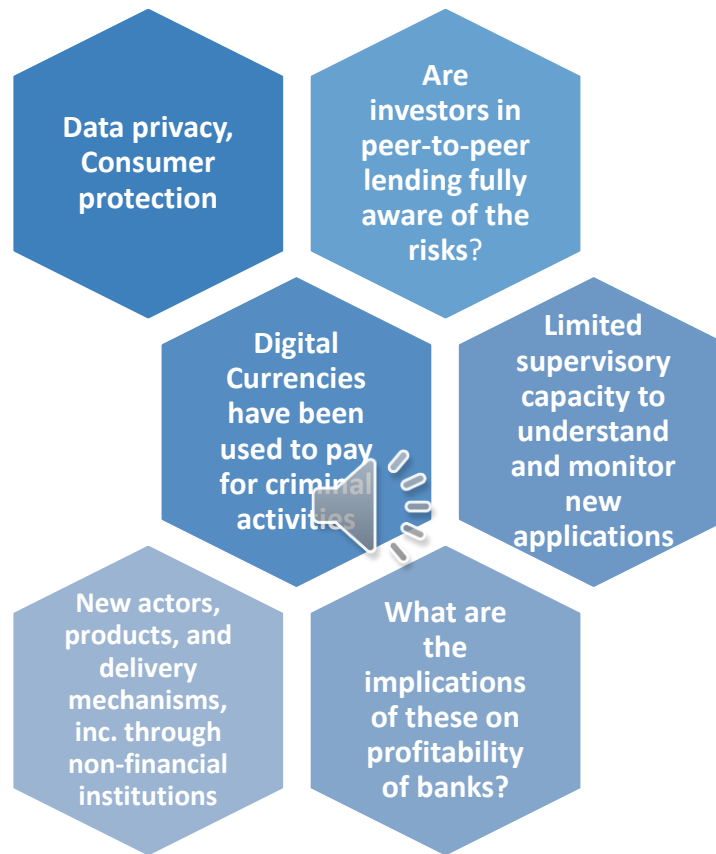
**1. Disaggregation of the Value Chain:** New players, including non-banks and non-MNOs (mobile network operators), increasingly offer financial products and services directly to customers

**2. Opening of Platforms and Application Programming Interfaces (APIs):** APIs enable new applications to be built on top of pre-existing products, thereby capitalizing on the product's existing customer base.

**3. Use of Alternative Information:** Digitally collected data, including e-commerce and mobile transaction histories, can complement or substitute traditional methods of client identification and credit risk assessment.

**4. Customization:** Better data collection and analytics inform more accurate customer segmentation and human-centered product design, such as clearer user interfaces or targeted alerts and notices to consumers.

# FinTech also presents a number of challenges...



**There is limited data available and a lack of international best practices and frameworks.**

## World Bank Group Engagement on FinTech includes:

- ◎ The World Bank participates actively in SSB work streams relevant to Fintech:
  - **FSB FIN group [Financial Innovation]**
  - **CPMI [Retail Payments working group and Co-manager of a Retail Payments Forum, which interfaces with the private sector]**
  - **CPMI-IOSCO [Digital Innovations Working Group]**
  - **FATF [Guidance on AML/CFT considerations for Digital Currencies]**
- ◎ **New:** G20 High Level Principles for Digital Financial Inclusion (WB as co-chair)
- ◎ The WBG works with national authorities to put in place enabling frameworks for adoption of technology, market entry/level playing fields, and expansion of financial access – as technical, policy, or financing partner
- ◎ IFC: investments, risk-sharing, also dialogue with private sector players in this space e.g. through SME Finance Forum

# And Now the Rise of finTECH - has Produced Other Innovative Forms of Financing to Meet the Needs of Start-Up SMEs



Traditional Banks find it difficult to meet the needs of Start UP and Innovative enterprises - the very firms which appear most likely to create the greatest number of jobs. finTECH is filling this space.

# For Example - CROWD FUNDING

## Global Crowd Funding Volumes by Model

in USD billions

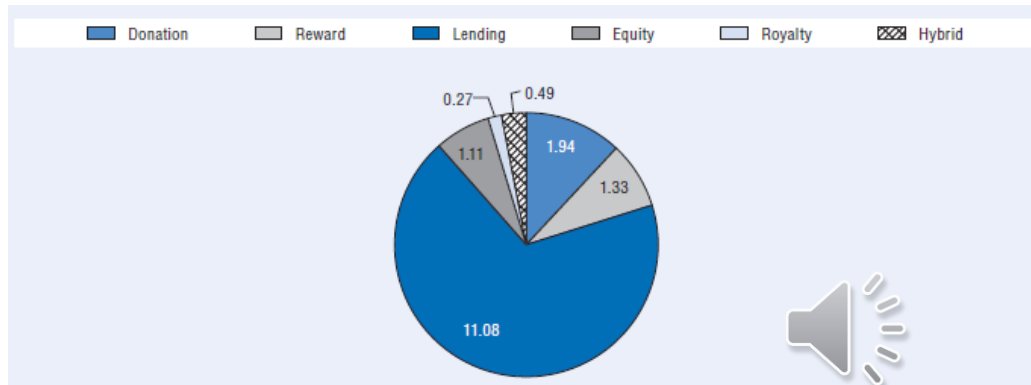


Table 1.15. Crowdfunding volumes in North America, Asia and Europe, 2012-15

		2012	2013	2014	2015 (expected)
North America	Expected growth (%)		139.8	145	82
	Crowdfunding volumes, USD billion	1.61	3.86	9.46	17.3
Asia	Expected growth (%)		2600	320	210
	Crowdfunding volumes, USD billion	0.03	0.81	3.4	10.5
Europe	Expected growth (%)		42.1	141	98.6
	Crowdfunding volumes, USD billion	0.95	1.35	3.26	6.48

Source: OECD, Financing SMEs and Entrepreneurs, 2016 - An OECD Scoreboard