INCLUSIVE MONEY

ISSUE 1
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A new Magazine: a kaleidoscope of inclusive projects

This is the first issue of Inclusive Money magazine. A couple of years ago, we embarked on this project as a website dedicated to exploring the positive impact of money. Our finances play a direct role, not only in the economy but also in shaping societies and impacting the environment.

Our focus is on the transformative power of inclusive financial practices. We tell the stories of banks and fintechs that are working on the ground to provide access to the tools and services needed to manage money, build assets, and fully participate in the economy and society.

We also aim to maintain an objective perspective on the powerful role of technology. Fintech and smartphones present an unprecedented opportunity to extend services and financial literacy to those traditionally excluded from the financial system.

However, technology also poses new threats, such as the risk of AI discrimination or the relentless greed of cybercriminals. Additionally, we must not forget that millions of people lack access to the internet due to skill gaps, affordability issues, or living in extremely isolated areas.

Financial inclusion involves much more than just enabling access to banking and payment services. It encompasses a multifaceted approach that blends financial education, personal development, and empowerment.

It is a global problem that necessitates local solutions. Each country has its own success stories to share, inspiring others. However, there is no one-size-fits-all model, as each situation is unique. Therefore, we have decided to evolve from a website to a magazine. Each article on our website represents a significant story about inclusive money. But when assembled with other stories from around the world, it becomes even more meaningful: a kaleidoscope of experiences and perspectives on how money can become an instrument for change.

As we embark on this journey, we hope we won't be alone. We eagerly await your stories, perspectives, and expertise. We will keep the PDF version of this magazine free, and all advertisements will be clearly marked as such.

Before you turn this very first page, let me tell you that we hope you find this inaugural issue captivating and inspiring. Remember to subscribe to our free newsletter so we can stay in touch and update you on the next issue.

Alberto Grisoni
Editor in Chief

SUSTAINABLE AGRICULTURE

Vietnam's Banks and the quest for a **sustainable rice sector**

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The rice industry in **Vietnam** has the opportunity to transition to a **more sustainable model** with the support of the government and banking sector. In 2023, Vietnam experienced a significant increase in rice exports, attributed in part to India's ban on non-basmati rice exports. To promote sustainable development, the government issued directives to monitor rice prices, track supply sources, and **encourage** the **production**, trade, and export of rice in a sustainable manner. The **State Bank of Vietnam** was also directed to implement credit programs that support high-quality, low-carbon rice production. HDBank has taken proactive steps by launching **HDBank Rural Services**, which offers farmers loans at 0% interest. Additionally, HDBank will disburse loans to an agricultural conglomerate to expand its value chains in the rice industry.

In line with their sustainability goals, the Vietnamese rice industry aims to **reduce** greenhouse gas emissions by over 10% compared to traditional cultivation methods. The "Sustainable development of one million hectares of high-quality, low-carbon rice production associated with green growth in the Mekong Delta by 2030" plan has been approved, aiming to achieve this reduction. By 2030, the added value in the rice value chain is expected to **grow by 40%**, providing profitable margins for rice farmers. Overall, this initiative showcases the government's commitment to sustainable development in the rice sector and demonstrates how the banking sector is supporting this transition through financial solutions and credit programs.

SMBC BUILDING RESILIENT FUTURES

SMBC Global Foundation supports outdoor programs for disadvantaged youth

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The Sumitomo Mitsui Banking Corporation (SMBC) Global Foundation, a division of SMBC Group, is introducing **SMBC Building Resilient Futures** (BRF) to enhance access to outdoor-based programs that foster resiliency and support the growth of disadvantaged younger generations.
The BRF initiative aims to collaborate with organizations that provide young individuals with limited opportunities the chance to engage in impactful, outdoor-based experiences and educational programs.
In a partnership with the **American Camp Association**, Change Summer, and Outward Bound, SMBC's initial commitment will benefit around 750 youths this year. These partnerships will create opportunities for disadvantaged youth to enhance their confidence, character, and overall well-being by forming meaningful connections with peers and nature.
«Throughout SMBC's 400-year history, we have strived to create economic and social value by leveraging our strengths – stated **Eric Eckholdt, President** of the **SMBC Global Foundation** and Head of Corporate Citizenship, SMBC Americas Division. With the launch of Building Resilient Futures, we are reinforcing this commitment by partnering with organizations focused on addressing issues related to the environment, inclusion, poverty, and inequality».
The partner organizations of BRF primarily concentrate on summer camp experiences, which have been proven to enrich youth education and social engagement.
Despite the prevalent use of the internet among teenagers today, youth who have participated in **high-quality camp experiences** have shown increased levels of social awareness, independence, and a willingness to explore new endeavors.
Educational summer activities have also been highlighted for their role in bridging the socioeconomic achievement gap among youth.
Following the initial BRF cohort, SMBC aims to expand the program to reach more young people across the Americas, focusing on the inclusion and empowerment of disadvantaged youth.

USA

PerCapita launches P2P remittances

The neobank PerCapita has implemented a peer-to-peer remittance functionality in its digital services marketplace. PerCapita is focused on serving the financial needs of hourly workers and the people in their lives.
«Hourly employees and their families face numerous challenges and may have limited access to traditional banking services, often needing to navigate stressful paycheck-to-paycheck dynamics – said **Alex Ehrlich, CEO, and President at PerCapita**. We are committed to enhancing the financial well-being of our user community while offering a comprehensive suite of services with partners that share this ethos. This collaboration with Brightwell will provide a secure, convenient in-app option for international money transfers».
The new functionality was developed with **Brightwell**, an Atlanta-based payments technology company.

How the service was developed

By leveraging Brightwell's software development kit (SDK) for ReadyRemit, PerCapita can easily add the new remittance features to its solution, eliminating the need for extensive development resources and time-consuming development cycles.
Using their SDK, the neobank was able to conduct test transactions within a week, saving significant IT resources.
Brightwell launched **ReadyRemit** in **2022** to enable businesses to integrate cross-border transactions easily and quickly via APIs or SDKs. Powered by **The Bancorp Bank**, N.A., and Brightwell's international payment partners, ReadyRemit enables businesses to quickly launch a global payment program to drive customer loyalty and capitalize on a new revenue stream.

CYBERSECURITY

Verimatrix XTD protects HBL MfB FirstPay app

Pakistan's HBL Microfinance Bank has adopted the **Verimatrix Extended Threat Defense** (XTD) app shielding service to protect **FirstPay**, the bank's mobile wallet app. Established in 2022 as a nationwide microfinance bank, HBL was created through a structured transformation of the credit and savings section of the Aga Khan Rural Support Programme (AKRSP), an integrated development program initiated in 1982, to pioneer the microfinance sector.
HBL MfB's FirstPay app has been downloaded more than 1 million times on the **Google Play Store** and **Apple App Store**. In the last few weeks, the bank added Verimatrix XTD protection to reduce the chances of cybercriminals using the app to infiltrate connected enterprises. They also deployed the latest obfuscation, anti-tamper, and anti-reverse engineering techniques to prevent threats before they can compromise both the mobile app and the enterprise.
«This partnership marks a significant milestone in our journey toward digital financial inclusion and providing safe and secure mobile banking services – said **Mustafa Jamshed Gillani, Chief Digital & Financial Inclusion Officer at HBL MfB**. At HBL Microfinance Bank, our customers are our priority, which is why it is our mandate to offer convenience and financial security through FirstPay. As a mobile wallet backed by a leading microfinance bank, Firstpay is on a mission to provide accessible digital lending solutions to the unbanked».
«In line with our leadership's vision of digital financial inclusion and digital banking for the unbanked, we are strongly geared toward providing secure and stable mobile banking services to our valued customers – added **Waqas Haider, Chief Information Security Officer at HBL MfB**. In doing so, we put regulatory requirements first and foremost in our approach of secure design. We are proud to have such a focused team with a single vision to deliver stable and secure mobile banking service to our valued customers».

WALLETS

MTN Group Fintech and **Mastercard** promote **Mobile Money** in 13 markets

Image credits: MIA Studio/shutterstock

MTN Group Fintech and **Mastercard** have partnered to accelerate mobile money ecosystems in 13 African countries. The collaboration will revolve around a **prepaid virtual card** specifically designed for MTN's Mobile Money customers. This card will grant users access to over 100 million acceptance points globally, empowering MTN to expand its reach internationally. Furthermore, Mastercard will provide cybersecurity solutions to enhance MTN's operations. The partnership also aims to facilitate mobile money remittance services within Africa and cross-border, addressing the growing demand for international remittances via mobile wallets. Additionally, SMEs will benefit from Mastercard's low-cost payment solution, enabling them to establish online presence, accept digital payments, and utilize e-commerce platforms.

MTN Mobile Money (MoMo) Wallets currently boast 290 million subscribers, with 60 million active users. By implementing this agreement in markets such as Benin, Cameroon, Ghana, Nigeria, South Africa, and others, MTN aims to bridge the banking gap in Africa where **only 43%** of the **population has access to banking services**. Cash transactions dominate the region, accounting for 90% of payments. The collaboration between MTN and Mastercard seeks to spur financial inclusion by offering mobile money accounts to a larger portion of the population, facilitating secure and convenient digital transactions.

STUDENT LOANS

Earnest partners with **FinWise Bank**

Earnest has partnered with **FinWise Bank**, a subsidiary of FinWise Bancorp, to enhance its portfolio of private student loan products for parents, undergraduate, and graduate students.
Earnest is an American fintech company that empowers students to **maximize** their **financial futures**. It provides innovative and impactful products that help students and their families pay for college when federal aid is insufficient.

A new partnership

FinWise Bank is Earnest's newest banking partner for originating private student loans.
Borrowers will receive care and support from application to loan payoff from Earnest's Client Happiness Team. They will also gain access to FinWise Bank's expertise in local, state, and federal banking regulations, including consumer protection laws.
Thanks to this partnership, FinWise Bank, which started as a community bank, expands its portfolio of partnerships.
«We're relentless in our pursuit of responsible solutions for students and families needing education financing – said **David Green, CEO of Earnest**. Our flexible loan terms, low rates, and personalized guidance have led to increased demand for our in-school loans. Collaborating with FinWise Bank helps us to scale the number of borrowers we can thoughtfully support. Working with a partner who shares our vision and has deep regulatory expertise allows us to focus on what we do best: meeting our customers' needs».
«FinWise continues to build on our success working with modern and inventive fintech companies to make banking easier, more transparent, and more affordable – said **Jim Noone, President of FinWise**. Earnest is an industry-leading fintech lender that has helped more than 240,000 students nationwide gain access to higher education or reduce the total cost. We look forward to helping grow that impact by expanding in-school loan access to more students and their families».

USA

ACCU uses AI to **boost credit**

The Alliance Catholic Credit Union (ACCU) is utilizing **Scienaptic's AI platform** to power its credit offering. Founded in 2013 through the merger of First Catholic Federal Credit Union and Michigan Catholic Credit Union, ACCU has over 32,000 members across Michigan and provides financial services inspired by Catholic values and traditions.

AI and credit

The use of AI is a common trend among neobanks, banks, and financial institutions.
Compliant AI-powered platforms can help streamline and automate credit decision processes, leading to faster loan approvals and broader accessibility. It is not just about providing a better financial journey to customers, or members in the case of a credit union.
Traditional creditworthiness assessment methods often rely on static data or an individual's previous credit history. This can result in discrimination against large segments of the population, including the underbanked, the underserved, migrants, young people, and women.
AI can leverage a broader set of data to make **more accurate risk predictions**, automate decisions, and offer more inclusive lending. This is especially crucial for an institution driven by faith and service.

FOOD SECURITY

Burkina Faso. Yikri wins the European Microfinance Award 2023

Yikri, a microfinance institution from Burkina Faso, has been awarded the **European Microfinance Award 2023** for its commitment to addressing the challenges of food security and nutrition in the country. The other two finalists were **Fortune Credit** from Kenya and **Fundación Génesis Empresarial** from Guatemala. Yikri received a 100,000 euros award.

Nomwende Claire Lossiane, Executive Director of Yikri

Photographer Vio Dudau copyright EIB

The food challenge

Yikri's support for smallholder farmers is one of its key activities. The institution offers assistance and advice to farmers on environmentally friendly and agro-ecological practices to improve crop yields. They also facilitate connections between farmers, input suppliers, and buyers. Burkina Faso has **high levels** of **food insecurity**, making it crucial to help farmers adapt to a new agricultural model in order to protect vulnerable populations and ensure food security and proper nutrition.

Fight malnutrition

Yikri also directly addresses malnutrition by providing care to affected individuals. Their social worker team identifies families at risk, with a particular focus on the city of **Ouagadougou**. These families are referred to associations that organize subsidized milk distribution programs. In just three years, Yikri has made a significant impact, currently **assisting** almost **40,000 people**. Based on the collected data, on average, the number of beneficiaries in extreme poverty is halved, while their monthly income doubles during this three-year period.

HELEZA the app for Women's Financial Inclusion in Eswatini

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Operating in the African country for over 30 years, **Imbita Swaziland Women's Finance Trust** has been a forerunner of addressing the economic and socio-economic challenges faced by women in the Kingdom. And Imbita went digital when it launched **Heleza**, a mobile app that is literally changing women's financial inclusion in the little Kingdom of Eswatini.Heleza bridges the gap between banks and the unbanked, as access to finance in developing countries remains a challenge especially for the underprivileged people.

An innovative fintech platform

More specifically, Heleza is a USSD-based digital platform, with an interface in the local language that enables Imbita members to quickly and easily make several financial operations. Through Heleza, people can save money, access loans, enquire on savings balances, launch enquiries on the platform, repay loans, apply for savings withdrawal, receive their savings statement, or sign up for other Imbita services. Members are also able to avert the risk of theft by not physically carrying large sums of cash. Users must have money in their mobile wallet to be able to transact. Even more interesting, **this app does not require a smartphone**, as its services are available even on basic, old generation devices. Like the ones still in use by many senior citizens. The app also works as an onboarding channel, as non-members can use it to register as Imbita members 24/7 and from anywhere in the country. The subscription process is completely paperless and prospect members are spared a visit to the nearest Imbita physical office. The app was released thanks to the collaboration between Imbita, **Grameen**, and the generous in-kind support of **MTN Eswatini**.

How the idea came out

The idea of Heleza came about as a response to USAID's call (in partnership with Grameen foundation, American Bar association and MTN Foundation Eswatini) to develop an innovative Fintech product that could address the challenges faced by the unbanked communities and thus ensure financial inclusion. Imbita took part to the call and won a prize, that was used to develop and implement the platform. A crucial role was player by **MTN Fintech**. The company was approached during the application process to tap into MTN Mobile Money, and its contribution helped better define the project that led to the release of the Heleza app.

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The history behind the name

As stated by the company, the name Heleza means **"to move fast"** which is a true interpretation of what Heleza does. In the past, members needed to visit the office or local meeting points to be able to access Imbita services. This meant incurring travelling expenses. Moreover, factors such as unforeseen weather conditions posed a challenge in service provision, as some local meeting points are unsheltered.

What's next?

Heleza has allowed Imbita products to be digitalised, making finance more accessible to members and allowing for a wider reach of Imbita services beyond its current portfolio. After the beginning of operations in October 2022, Heleza was able to **reach over 37,000 members** inclusive of self-help groups which boast over 30,000 members through extensive education sessions with members. **IM**

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INSTANT MESSAGING AND MONEY

Zapp's Remittances Revolution

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Zapp is an innovative startup that aims at transforming international remittances, particularly targeting **Mexican immigrants** in the US in the first phase. Zapp's core offering lies in its seamless integration with popular messaging apps like WhatsApp, providing users with a familiar and efficient platform to send money to Mexico.

In 2023, nearly 70 billion US dollars in remittances were sent to recipients in Mexico, according to the **World Bank**. Traditional players apply a quite high fee to these transactions, up to 6%.

How Zapp works

By leveraging the widespread usage of messaging apps, Zapp ensures accessibility for a diverse user base, catering to individuals with varying levels of technological proficiency. Zapp relies on mobile devices and popular apps, like **Whatsapp**, to make transaction less costly. Moreover, the customers are provided with a clear and upfront pricing directly in-app, so they can make informed financial decisions before sending the money. Zapp also features a **real-time tracking option**, so that users can monitor their transactions step by step.

We use Whatsapp to cut transaction costs

Inclusive Money. Who are Zapp's founders and why did they decide to start Zapp?

Zapp. The founders of Zapp have a robust background in developing fintech products tailored for the financially underserved. With over a decade of collaborative experience, their motivation to disrupt the offline remittance market and deliver substantial value to customers drives the creation of Zapp.

Guided by a mission to **foster virtuous financial cycles**, their history reflects a consistent questioning of the financial industry's status quo. This mindset has shaped Zapp's ethos, cultivating. a culture of innovation and a commitment to solutions that surpass the ordinary.

Inclusive Money. Why did you choose to focus on Whatsapp and on remittances between USA and Mexico?

Zapp. WhatsApp has a market penetration exceeding 90% among individuals with internet access in Mexico, establishing itself as the standard for messaging app communication in Latin America and various other regions globally. Leveraging WhatsApp provides us with immediate access to millions of potential customers, ensuring a seamless and intuitive customer journey.

Mexico currently stands as the world's second-largest recipient of remittances, with a consistent growth rate surpassing 11% CAGR over the past decade. This upward trend is anticipated to continue. Furthermore, digital remittances have experienced substantial double-digit growth, driven by the cost and time efficiencies customers find in these transactions. This presents a great opportunity for us to tap into the market.

Inclusive Money. How is Zapp more inclusive than the existing remittance services?

Zapp. By seamlessly integra-

ting into widely-used messaging apps, we ensure accessibility for a diverse user base. Our commitment to a **user-friendly interface** accommodates individuals with varying levels of technological proficiency. Our transparent and competitive fee structures empower users to make informed financial decisions.

By starting with Spanish we bring language accessibility and localized customer support services. Furthermore, initiatives for financial education aim to bridge knowledge gaps. This strategy positions our product as not only a convenient service but also a **facilitator of financial inclusion** for the Latino community.

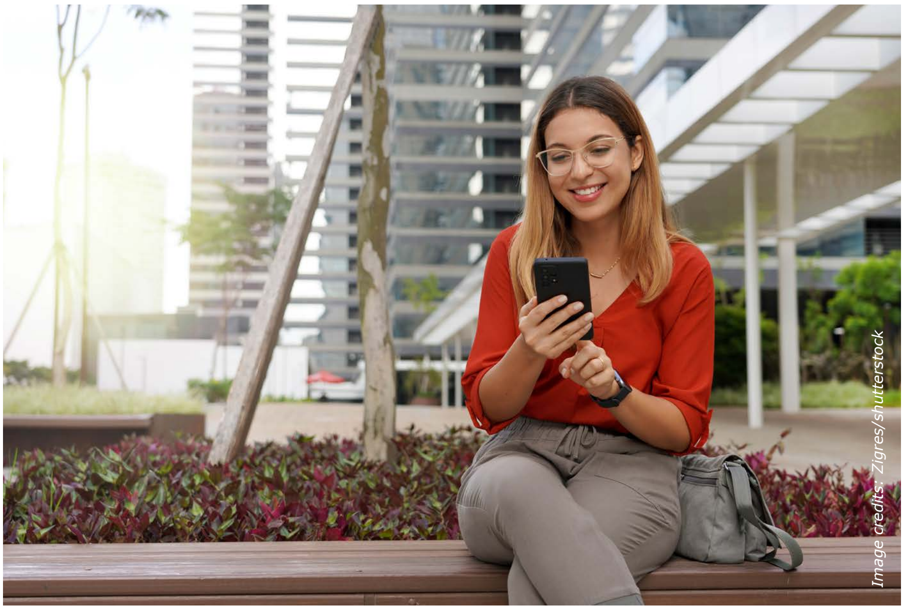
Inclusive Money. Can messaging apps ensure a sufficient level of security? And you plan to enable the service on other apps, as well?
Zapp. Privacy and security are key for our customers, and messaging apps have made significant effort in recent years to enhance these features on their platforms. Examples include the implementation of end-to-end encryption in apps like WhatsApp and Signal, as well as the introduction of secret chats in Telegram. By leveraging these advanced features offered by messaging apps, we ensure a secure platform for our product and thus, our customers.

We do not hold customer funds as all transactions are processed in real-time. To facilitate secure and reliable fund transfers, we have established partnerships with world-class companies specializing in various steps of the transaction process. As we scale up our operations, we have definite plans to extend our services to other messaging apps, thereby broadening our reach to different markets.

> *We are exploring opportunities in Latin America*

Inclusive Money. Some messaging apps are working on StableCoins to launch their own money transfer service. What do you think of these projects? Could they become a new competitor or are they opportunities?
Zapp. We have seen numerous innovative projects exploring diverse approaches to facilitating fund transfers through messaging apps. We are convinced that there are various challenges to address within this realm, and we see ample opportunities for collaboration among companies aiming to disrupt this market and deliver enhanced value to customers.

Inclusive Money. what other countries/markets look promising to you?
Zapp. We are exploring opportunities in other countries within Latin America, particularly in Central America. This is driven by the natural similarities to the Mexican market, making expansion relatively straightforward.
Concurrently, we are actively assessing potential in Southeast Asia due to the substantial size of the remittance market and the widespread use of WhatsApp. Notably, **India** holds the distinction of being the largest country by the number of WhatsApp users, exceeding 480 million. **IM**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CRYPTO AND INCLUSION

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Bitwala: «Bitcoin is a means for financial freedom»

Bitwala is back. The cryptocurrency wallet, formerly known as **Nuri**, has announced the relaunch of its crypto wallet and a **Visa Debit Card**, powered by Striga. In 2022, Nuri filed for insolvency after failing to land fresh investments or to find an acquirer. There were also other reasons like the aftermath of the collapse of Terra Luna, FTX, and Celsius. And the war in Ukraine did not help at all. We met **Bitwala's CEO**, **Dennis Daiber**, at the Web Summit in Lisbon 2023. According to Daiber, everything was set to get that banking license: the documents, the applications, the approvals. But Nuri could not find the 50 million euros it needed for liquidity coverage.

AG. And that led Nuri to file for insolvency. Now, after more than a year, you are coming back with your original brand, Bitwala. Why?

DD. The product was working and Nuri had at least 200,000 customers. All our efforts were aimed at getting a banking license. We were ready, but it was not the right time to look for new investors. The whole team was very involved in the project. So, to make a long story short, we sat with one of the investors that had collateral for all the intellectual property, and we reached an agreement. No one was going to buy the customer data and the tech stack. But we wanted to continue **working on the core** product that we had focused on for eight years. That is how the new Bitwala was born. We took about half a year to refactor the app and onboard new partners. A few weeks ago we relaunched the product and we are basically back to our previous offering.

> *I don't see banks adopting Bitcoin. They should hate it*

AG. And what is it that the new Bitwala is offering?

DD. In November 2023, we announced a Visa Debit Card at the Web Summit in Lisbon. It allows our customers to spend cryptocurrency (Bitcoin and Ethereum) at physical Point of Sales or online, or to exchange them for fiat cash at an ATM. Bitwala also offers a virtual IBAN and is available in 29 European countries.

AG. How do you make money?

DD. We charge a 1% trading fee. The Visa Debit Card, the virtual IBANs, and the wallets are free. We also charge low fees for any card payment.

AG. How are you different from other cryptocards?

DD. Well, most of those cards are part of crypto custodial services. You need to send your Bitcoins into some wallet of some company you have likely just heard of. If we have learned a lesson from FTX, Celsius, and Terra Luna, it is that **self-custody is the key**. We embrace the idea of self-custody. Some other players present themselves with a veneer of Bitcoin ideology. But they are, in fact, coin trading houses. And they will incentivize trading, especially when hype on social media arises about some new coin. What we offer is a wallet for the convenience of holding and spending your Bitcoins. We do not upsell other coins, we promote self-custody itself, so that there is no risk of losing your cryptocurrency. I think it is important, for the crypto ecosystem, to have an offering that stays true to self-custody while still onboarding everybody and providing a simple UI and UX.

AG. Are you planning to expand beyond Europe?

DD. We are now live in 29 European countries, with the exception of Germany. We are looking to go to Latin America, North Africa, and Southeast Asia with our core product, the self-custody wallet.

AG: And will you offer a wallet to businesses and merchants as well?

DD. We may launch a B2B Premium subscription-based product. The crypto business is very complex because of KYC and AML compliance. Significant investment is required to implement processes and solutions. At Bitwala, we pay some members of our staff in stablecoins or Bitcoin because they live in countries that suffer from high inflation. There is **a strong demand for company cryptocards**. International companies, digital nomads, and expats are interested in receiving their salary in USDC or in Bitcoin.

AG. Are traditional banks changing their attitude towards cryptoassets?

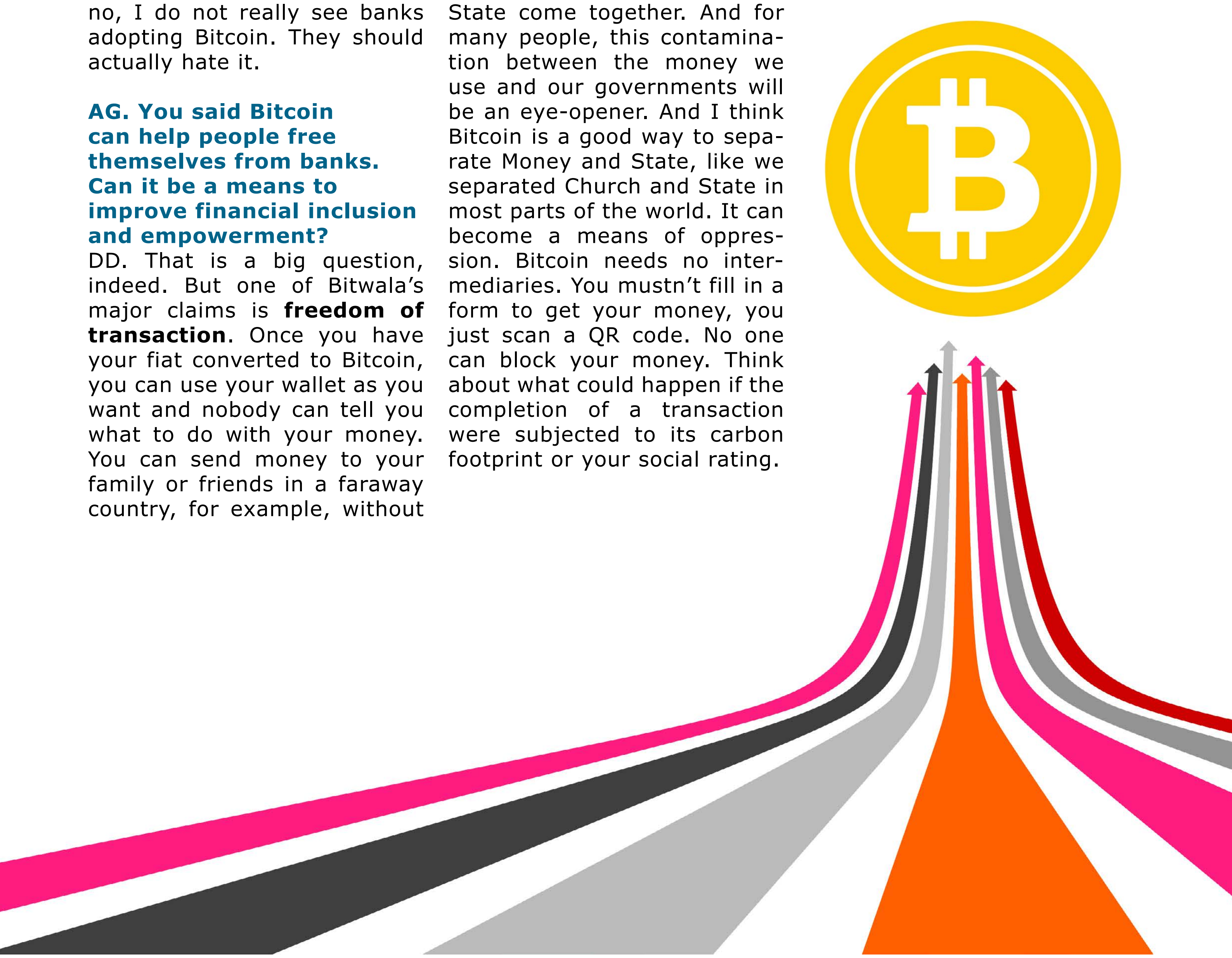
DD. I think banks are more looking at blockchain, as Bitcoin is, at its core, an antagonist to them. The blockchain technology is interesting, as they can put their assets on it or create one and sell them, saving money on settlement and custody fees. But Bitcoin is a means of getting freedom from banks, not turning to them. So no, I do not really see banks adopting Bitcoin. They should actually hate it.

AG. You said Bitcoin can help people free themselves from banks. Can it be a means to improve financial inclusion and empowerment?

DD. That is a big question, indeed. But one of Bitwala's major claims is **freedom of transaction**. Once you have your fiat converted to Bitcoin, you can use your wallet as you want and nobody can tell you what to do with your money. You can send money to your family or friends in a faraway country, for example, without paying huge fees to remittance services. Maybe the recipient then goes to an ATM and withdraws fiat money. That is fine. This whole peer-to-peer, permissionless way of transacting will become important to a lot of people. Look at **Central Banks**' plans for digital currencies, **CBDCs**. If you read between the lines, the central bank will be able to know who spends money and for what. I see a danger when Money and State come together. And for many people, this contamination between the money we use and our governments will be an eye-opener. And I think Bitcoin is a good way to separate Money and State, like we separated Church and State in most parts of the world. It can become a means of oppression. Bitcoin needs no intermediaries. You mustn't fill in a form to get your money, you just scan a QR code. No one can block your money. Think about what could happen if the completion of a transaction were subjected to its carbon footprint or your social rating.

AG. Is the threat of social rating underestimated in Europe? Do you see a concern about privacy when it comes to CBDCs?

DD. Banks will be able to track everything I do and buy. Most people think what should not be, cannot be. But it can. Just because this level of surveillance is outside of everybody's scope of vision, it doesn't mean it cannot happen. **IM**



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ISLAMIC FINANCE

Hakbah is Bringing the Jamiya Saving Model into the Digital Age

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Image credits: Kashif Hameed/shutterstock

In Saudi Arabia, a fintech company has come up with the idea to boost financial inclusion in the Kingdom and modernize **Jamiya**, one of the world's oldest saving methods. This fintech is called **Hakbah**.

Launched in late 2018 by **Naif AbuSaida**, Hakbah is an alternative savings platform with its first product being a mobile app for savings groups, known as Jamiya in the MENA region.

The mobile app has a customer base of over 500,000 users, with 70% of them being between 21 and 35 years old. It allows people to initiate, manage, join, and pay for savings groups, which are also known as money circles and **Rotating Credit and Savings Associations** (ROSCA) internationally, and Jamiya in Saudi Arabia and across the Arab world.

What is Jamiya?

Jamiya refers to a rotating savings and credit association commonly found in various communities, especially in Muslim-majority countries.

These associations involve members who contribute money into a common pool on a regular basis. Each member takes turns receiving a lump sum from the pool. Hakbah has digitized this traditional savings system.

More than 3,300 savings groups have been created on the Hakbah platform. Hakbah's model tackles the savings crisis in the Middle East, as 70% of Saudi citizens lack emergency savings, and the country's household savings rate averages just 1.6%.

The platform has helped 18,000 customers save more than $35 million combined.

All users on the platform are verified using their **Saudi National ID** or **Iqama**, and they must have a valid bank account within the Kingdom.

Hakbah's business model changed from a $6 monthly subscription fee to a one-time charge for users to join the platform. Users can pay their installments using their (Mada) debit card on the app and withdraw the money to their bank account when it's their turn to receive the pool.There is also a discount on fees for new Jamiya participants.

> *The mobile app has a customer base of over 500,000 users*

Partnership with Visa and low-cost airlines

Hakbah has signed a multi-year partnership with Visa that will allow it to issue prepaid cards to its customers. The partnership is expected to enable users to transfer their savings group earnings to the prepaid cards and use them online or withdraw cash from ATMs.

Recently, the company has also formed several important partnerships with blue-chip companies, including low-cost airlines in the Middle East and Saudi Arabia.

All eyes on open banking

In December 2023, Hakbah announced a strategic collaboration with **Tarabut**, MENA's leading open banking platform and a key player in the region's digital transformation.
This partnership aims to streamline onboarding processes, enhance data processing efficiency, reduce service costs, and decrease data processing time. It is also expected to expand Hakbah's customer offerings by 20%.

What's next?

Last winter, Hakbah announced its $5.1 million **Series A funding** to accelerate growth and product development. The funding round was led by **VentureSouq**, a MENA-based venture capital firm, with new investors M-Capital and Bunat Ventures joining in, along with existing investors Global Ventures and Aditum Investment Management.

The funds raised will be utilized for improving product development, with a specific focus on Machine Learning and further improving the company's integrable savings engine. The capital will also be used to attract and support talents in the region and reinforce Hakbah's platform. Additionally, the company is planning to enter two regional markets shortly, either through a partnership or a strategic alliance. **IM**

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CRYPTOBANK

Xapo Bank is focusing its attention to India

Image credits: Brookgardener/shutterstock

The Gibraltar-based cryptocurrency bank **Xapo Bank** has announced its expansion to the Indian market. Xapo is backed by **SoftBank**, **DST Global Partners** and **Ribbit Capital**.

The bank, that combines traditional banking with the utility of Bitcoin and stablecoins, announced that it will begin onboarding customers across South Asia, making its full suite of hybrid banking services, and the financial opportunities they present, accessible to the world's largest population and one of the fastest growing fintech market in the world.

Xapo Bank's offering

With its payment rails and comprehensive suite of private banking services, Xapo Bank offers its customers a cost-effective pathway to cross-border banking services and wealth-building opportunities. Xapo Bank aims to empower its customers with faster and cheaper options for **cross-border transactions**, contributing to the industry's growth and wider adoption.

In March 2023, the bank announced a strategic partnership with **Circle** to integrate USD Coin USDC payment rails as an alternative to SWIFT. Xapo Bank said the new feature allows its users to bypass the cumbersome and expensive SWIFT payment system through "outrails" added to its existing USDC on-ramps. By utilizing the USDC stablecoin, members can deposit and withdraw funds from Xapo **without fees** and benefit from a one-to-one conversion rate from USDC to the U.S. dollar.

One of the attractive features of Xapo Bank for customers in India is its competitive interest rates on deposits. Xapo Bank offers **4.1% annual interest** on U.S. dollar deposits and 1% on Bitcoin, with daily payouts in satoshis, according to its website. The bank allows crypto-to-fiat conversions, immediate stablecoin-to-fiat exchanges, and facilitates British pound or euro transfers.

The indian opportunity

With a population of over 1.4 billion, India represents a huge opportunity for Xapo Bank. The decision to start operations in South Asia comes at a time when India has seen impressive foreign inflows of $15.5 billion in the first quarter of 2023.

The **CEO of Xapo Bank, Seamus Rocca**, suggested to the media that the absence of conventional banking services in certain parts of South Asia has created a void that Xapo Bank aims to fill.

«We have the opportunity to provide our hybrid banking and investment solutions to its large underserved populations, bridging an important gap in the region's financial systems and allowing its savvy savers, investors, and professionals the freedom to explore their financial potential with a single mobile application», said Rocca.

Revolutionizing remittances in India

However, the Indian government has so far been cautious with cryptocurrency trading. The world's most populous country imposes a 30% flat tax on crypto income, a 1% tax deducted at source on trades above 10,000 rupees (US$122), and forbids offsetting losses against gains.

> *India represents a huge opportunity for Xapo Bank*

Such regulations could potentially impact Xapo Bank's operations and profitability in India, but the company remains undeterred, recognizing the immense potential of India's growing economy and the urgent need for accessible financial services.

Remittances are one big topic in the South-Asia country's economy due to the population of Indians living abroad who send money back to their families. That was exacerbated by the coronavirus pandemic, accelerating the adoption of **crypto-based remittance services**, much cheaper than other providers. However, today stablecoins are now increasingly used as a form of cross-border payment.

Capitalizing on this trend, Xapo Bank said stablecoins offer users in India the benefits of crypto for remittances, including speed, lower fees and reduced price volatility compared to conventional methods, enabling Xapo members to transfer funds instantly, globally and 24/7 via its mobile app. **IM**

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BLOCKCHAIN AND REMITTANCES

All about BNKA A financial platform for migrants and expats

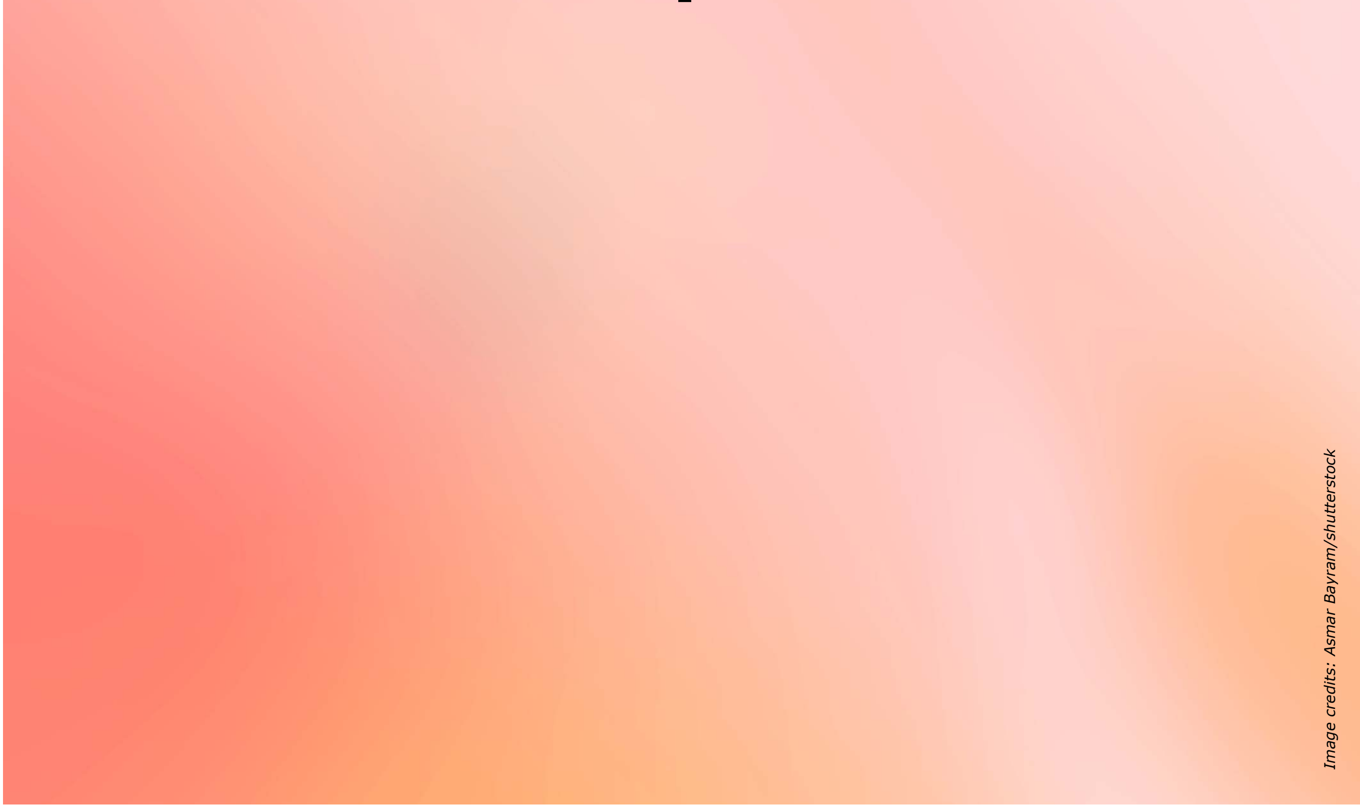


Image credits: Asmar Bayram/shutterstock

Becoming a global financial inclusion platform for migrants and expats. This is the ambition of Bnka, a new financial application launched to serve Argentinian and European customers, and already planning to expand to South America and the United States.
The service focuses on the needs of South American migrants. And it wants to do so assisting them even before they make the decision to leave their country, supporting them in their financial inclusion process. Even before they get on a plane.

By migrants, for migrants

Bnka defines itself as the first Fintech **designed by and for migrants** and expatriates. It started focusing on the Argentinian community in the European Union and onboarded about 15,000 customers in a few months. It is registered in Lithuania as a **Virtual Asset Service Operator** and, thanks to European Regulation, can operate in the whole EU.
The features of the platform were conceived to solve the most common financial problems of migrants and expatriates. And are provided via a mobile app and a website.

A 5-minute onboarding process

And the first hurdle to be overcome is met right after a migrant has arrived to a new country. The first step to begin your financial inclusion journey is one the hardest. Opening a bank account as a migrant can be a nightmare, because of all the documentation required. Proof of identity is one thing, but when it comes to proof of address, of income or payroll, things can get utterly complicated.
Bnka kicks in with a simplified, and yet compliant, onboarding procedure, that can be accessed using a web browser or the mobile application. The whole onboarding process **takes about 5 minutes**: you only need a passport and a European mobile number.

The platform package

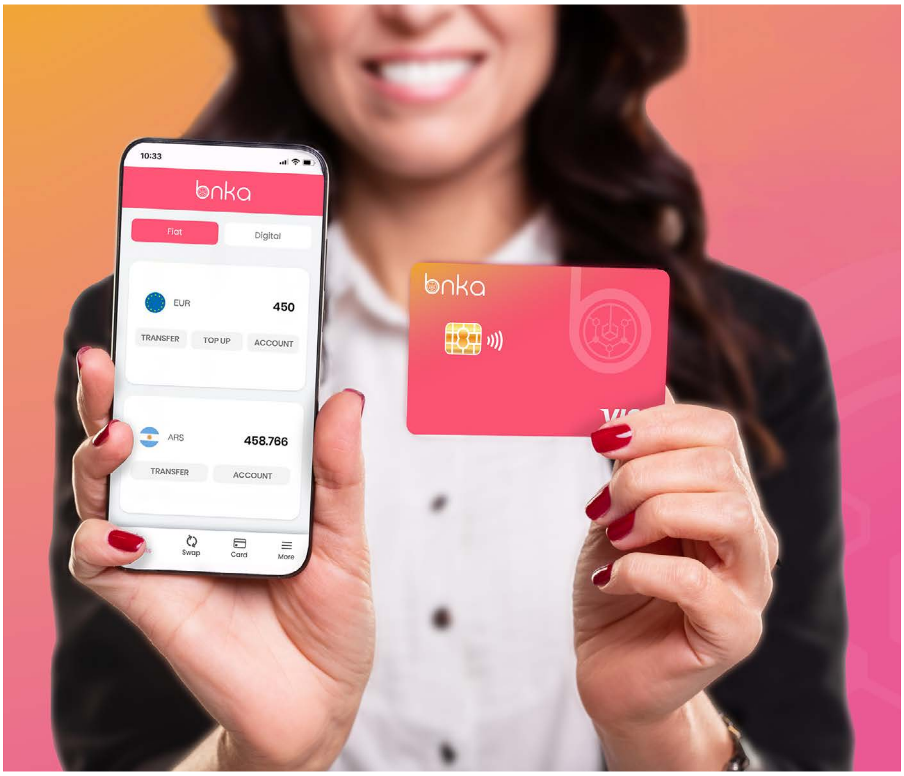
Bnka's platform includes some "must-have" migrant financial services: multi-currency accounts, international flag debit cards, a currency exchange feature, a globally accessible remittance system that relies on the blockchain technology.
The multicurrency account allows the customer to make purchases **using the local currency** or one of his/her choice, regardless of where in the world. The account has both a Euro IBAN and an Argentine Peso CVU, offering a favorable rate in currency exchange.
Transactions between Europe and Argentina, or vice versa, are facilitated, reducing waiting time and costs to send money.
The international Visa card can be used anywhere in the world to pay or withdraw cash.

Blockchain-powered remittances

Remittances are a key feature when addressing the migrants segment. Sending money home is more than a mere transaction. That money represents the bond with the country of origin of the customer, his/her family and community.
World Bank's projections estimate a total amount of **656 billions US Dollars in remittances** to low- and middle-income countries in 2023. A monstruous amount that only accounts for officially recorded operations.
Traditional banks and money transfer services often apply very high fees to remittances.
Many migrants try to avoid these costs using unrecorded, informal, and often risky money transfer services.That is why inclusive fintechs are working on the democratization of money transfer: it matters a lot, to migrants.
Bnka adds a little techy spice to its remittance service, recording all operations in the Tron network blockchain.
Bnka uses an algorithm and global partners to convert the amount of EUR necessary to buy digital assets backed by Blockchain technology and instantly converts digital assets to local currency at the best market price.

Bnka's plans for the future

Bnka provides service to Argentines living in the European Union, and in Spain particularly. But the ambitious fintech is planning to debut in Peru, Colombia, Brazil and the United States in 2024. Reaching **millions of potential customers** to provide them accessibile financial services in their own native language. **IM**



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DIGITAL INVENTORY MANAGEMENT

BPI e'Nay App is Revolutionizing the Sari-Sari store Business

Image credits: Akarat Phasura/shutterstock

In June 2023, **BPI Direct BanKo**, a subsidiary of Bank of the Philippine Islands (BPI), introduced an app called **e'Nay**, which aims at revolutionizing the way sari-sari store owners operate, bringing efficiency in business processes and offering digital financial services. More than 70,000 users were onboarded in the last months.

More efficiency in orders and payments

On the financial side, the app provides access to e-commerce and standard basic deposit accounts (BDAs) that do not require maintaining a minimum balance. To start using the app, store owners must open a **BanKo PondoKo** account and register in the app, indicating the address of their store and choosing PondoKo as a payment method.
The PondoKo account is pivotal in the business side of the e'Nay app, that **connects micro-retailers distributors** and wholesales, radically transforming the way sari-sari store owners can order, manage, and pay for their inventory using an online platform. The whole business process is streamlined and relies on the PondoKo account to settle transactions in real time, allowing for immediate delivery.

Orders are delivered the same day

Sari-sari store owners can select the items they want to buy, review the order details, and then check out: the payment is authorised using the PondoKo MPIN code. Orders made before 2PM will be delivered the same day, thanks to partner distributors located within a 8 to 10 kilometers radius. **Ultra Mega Supermarket** was the initial partner, and BanKo plans to collaborate with more retailers as it expands to new areas, providing sari-sari store owners with easier access to inventory restocking.
To encourage more Filipinos to open bank accounts and become part of the formal financial system, store owners currently do not need to pay for delivery fees on the app. «As a trusted financial partner of the masang Pilipino, we are on a mission to provide them with affordable and easy access to financial solutions. We aim to empower sari-sari store owners through the use of technology, enabling them to have an efficient order and inventory management systems, and better and faster payment transactions with distributors and wholesalers», commented **Jojo Ocampo, BanKo Chairperson**.

The role of sari-sari stores

A sari-sari store is a small neighborhood retail shop that caters to members of that community. The store usually carries basic goods such as canned food, instant noodles, coffee, soda, and other things that Filipinos get on a daily basis. They can have literally anything commodity the community needs. Sari-sari stores nowadays also become your go-to prepaid mobile loading station, thanks to the popularity of smartphones.
These one-stop shops can be found on just about every street, shining like a beacon of hope in the dead of night and wee hours of the morning when everything else is closed. The name comes from the **Filipino term for variety** (sari). Those stores are typically owned and operated by a mother whose sole purpose for putting up the store is to augment their family income. Most sari-sari stores become a small family business, with other members of the family pitching in. It's this combination of convenience and community service that separates sari-sari stores from convenience stores like 7-11 and Ministop.
We can compare the sari-sari to the local version of the better known Japanese **konbini**. The main difference is that Sari-sari stores tend to be family-run and privately owned, operating within the shopkeeper's residence. Today, they have become an integral part of the archipelago's everyday life. However, many of these stores fail to stay in business for long due to many factors such as the inaccurate monitoring of stocks and profits. And the situation got worse after the pandemic outbreak: and now e'Nay could help them reach sustainability.

Boosting financial inclusion

«e'Nay was created with the nanays (hard working mothers who run a combini, Editor's note) in mind. We wanted to know their pain points and discovered that sari-sari stores are disjointed and disorganized in their supply chain. They don't usually have an inventory management system and the sari-sari store owners buy merchandise based on gut feel. We wanted to address that through the e'Nay app which is easy and convenient to use even for those who may not be tech-savvy», said **Rod Mabiasen, BanKo Business Head of Financial Inclusion and Microfinance Solutions**.
Mabiasen also reported in the near future the app plans to introduce "special loans", allowing users to order and purchase inventory using a credit line of up to ₱25,000 (around 43 US Dollars). BanKo envisions disbursing at least ₱15 billion in loans to around 250,000 clients through the e'Nay app by the end of 2024. **IM**

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SpendAble brings Financial Independence to the Disabled

SpendAble is an Australian banking app founded with the goal to improve the financial independence of people with an intellectual disability. As stated by the company itself, SpendAble is a "**purpose driven FinTech**" on a mission to give National Disability Insurance Scheme (NDIS) participants more control over their money in a safe, secure, and supported way. The FinTech is based in **Adelaide**, but also operates outside of Victoria and South Australia and has about 600 NDIS currently using the alternative friendly money management app.


Image credits: Chanintorn.v/shutterstock

How Spendable works

SpendAble is a Visa debit card program connected to a mobile app. This app allows users, and their support workers, to make smart and safer payments, using the **NDIS participant wallet**. SpendAble also allows Supported Independent Living (SIL) Supporters to use one card and synchronize it with the same account. It can also be a great tool to improve the transacting skills of NDIS participants.

Empower independence and finance stability

For people with intellectual disability, especially those who are isolated or live alone, having a third party in control of their funds often results in a lack of independence. SpendAble gives them the chance to benefit from an alternate banking process with removed numeracy and budgeting elements. This no-numeracy process is at the heart of the FinTech mission, as it gives supporters the chance to teach mentally disabled people how to safely make a purchase, without the need for numeracy or calculations. SpendAble also features customizable budgets, that provide **full transparency** for everyone involved. This means, SILs' can set up budgets that define what money can be spent on, and the proof of evidence and receipts are collected and safely stored in SpendAble app.

The technology

The assistive technology app works by connecting to a digital wallet that can be allocated to various budgets for everyday outgoings. It gives people with intellectual disability the freedom to spend their own money without having a third-party controlling funds, which usually tends to lack independence. The money management app creates a learning experience using visual cues to represent alternative banking activities by removing numeracy and budgeting elements. **IM**

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TECH & INCLUSION

Is AI turning the World to Stereotypes?

Image credits: JoeBakal/shutterstock

Less than 70 years from the day when the very term **Artificial Intelligence** came into existence, it's become an integral part of the most demanding and fast-paced industries. The rise of AI in the financial industry proves how quickly it's changing the business landscape even in such traditionally conservative sectors. Despite evidences, we don't realize how much Artificial Intelligence is involved in our day-to-day life. Especially in the financial sector. However, where there are opportunities, we are facing challenges too. Let's see a few examples.

How AI helped financial sector

Artificial Intelligence provides a faster, more accurate assessment of a potential borrower which leads to a better-informed, data-backed decision. AI helps lenders distinguish between high default risk applicants and those who are credit-worthy but lack an extensive credit history. Moreover, algorithms analyze the history of risk cases and identify early signs of potential future issues. Today Digital banks and loan-issuing apps use machine learning algorithms to use alternative data to evaluate loan eligibility and provide personalized options. Financial institutions use AI as a powerful ally when it comes to risk management. In the **banking sector**, Artificial Intelligence has been very successful in battling financial fraud or money laundering. Machines recognize suspicious activity and help to cut the costs of investigating the alleged money-laundering schemes. Moreover, AI powers the smart chatbots that provide clients with comprehensive self-help solutions while reducing the call-centers' workload. Today, a number of apps offer personalized financial advice and help individuals achieve their financial goals. These intelligent systems track income, essential recurring expenses, and spending habits and come up with an optimized plan and financial tips.

AI has a lot to work when it comes to discrimination

However, according to experts, the next generation of AI comes with a familiar bias problem. **Bias** occurs in many algorithms and AI systems - from sexist and racist search results to facial recognition systems that perform worse on Black faces. Generative AI systems are no different. In an analysis of more than 5,000 AI images, **Bloomberg** found that images associated with higher-paying job titles featured people with lighter skin tones, and that results for most professional roles were male-dominated. AI has a lot to work on when it comes to discrimination. And the problem of amplifying existing biases can be even more severe when it comes to banking and financial services.

AI processes are inherently "objective" and "neutral"

Rumman Chowdhury, X's former head of machine learning ethics, transparency and accountability, said that lending is a prime example of how an AI system's bias against marginalized communities can rear its head. Algorithmic bias refers to the systematic and replicable errors in computer systems that lead to unequally and discrimination based on legally protected characteristics, such as race and gender. When assessments consistently overestimate or underestimate a particular group's scores, they produce "**predictive bias**". Unfortunately, these discriminatory results are often overlooked or disregarded due to the misconception that AI processes are inherently "objective" and "neutral".

> *The next generation of AI comes with a familiar bias problem*

Has AI a lack of fairness?

When AI systems are specifically used for loan approval decisions, experts have found that there is a risk of replicating existing biases present in historical data used to train the algorithms. In the US, we have concrete examples of how loans have been denied to people from marginalized communities or minorities. **Apple** and **Goldman Sachs**, for example, were accused of giving women lower limits for the Apple Card. But these claims were dismissed by the New York State Department of Financial Services after the regulator found no evidence of discrimination based on sex. According to AI experts, the "personalization" dimension of AI integration can also be problematic. When AI is applied to banking it's harder to identify the "culprit" in biases when everything is convoluted in the calculation. «Today in the United States, credit unions and banks that deny consumers credit cards, car loans or mortgages without a reasonable explanation can be subject to fines due under the Fair Credit Reporting Act. It's a problem that some government agencies are trying to address, but there is no easy fix», said **Moutusi Sau, an analyst at Gartner**. The problem, according to **Kim Smouter**, director of the group **European Network Against Racism**, is that it can be challenging to substantiate whether AI-based discrimination has actually taken place.

What next?

Our current financial system suffers not only from centuries of bias, but also from systems that are themselves not nearly as predictive as often claimed. The spread of hi-tech solutions such as ML and AI offers tremendous opportunity to rectify substantial problems in the current system. Existing anti-discrimination frameworks are ill-suited to this opportunity. Refusing to hold new technology to a higher standard than the status quo results in an unstated deference to the already-biased current system. As we said, Artificial Intelligence is increasingly used in the financial sector to screen loans and select financial product sales recommendations. AI used for such operations is generally based on historical data of financial institutions to build AI models. Although AI is used in many fields, not limited to finance, there have been several reported cases where AI has caused bias problems.

What to expect in the future from AI in the financial industry

All kinds of digital assistants and apps will continue to perfect themselves thanks to cognitive computing. This will make managing personal finances exponentially easier, since the smart machines will be able to plan and execute short- and long-term tasks, from paying bills to preparing tax filings. This said, as of late 2018, only a third of companies have taken steps to implement Artificial Intelligence into their company processes. Many still err on the side of caution, fearing the time and expense such an undertaking will require, and there will be challenges to implementing AI in financial services. «Without the existence of common standards in the financial services industry, it becomes hard to measure what is treated as bias», said Moutusi Sau. As the use of AI in financial services increases, it will become even more important to examine bias in the data. Regulators, in particular, are not going to be satisfied with the output of any algorithm if they cannot understand what underlies it. Companies must use explainable AI to avoid making unfair and biased decisions about consumers. Some use machine learning tools; others avoid personally identifying information. However, AI bias is still pervasive in the finance industry and the whole sector has a lot of range to improve. **IM**

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GREEN

Climate Change: we need a Just Resilience

Image credits: Kaca Skokanova/shutterstock

In the fight against climate change, countries are not all in the same boat. Some nations and groups of people, especially workers, have been – and are being – affected more than others. These will pay the consequences first, or in a greater way.

Keeping that in mind, it is easier to understand why the announcement made by the **European Investment Bank** (EIB) is good news. The EIB is extending its "**just transition**" program to include resilience actions, launching the idea of a "**just resilience**".

The difference between transition and resilience

The two concepts of transition and resilience are very close, but definitely different.
The idea of just transition is already well-established and concerns the management of policies to mitigate climate change. And, therefore, all actions to be taken to reduce CO2 emissions, global warming, ecosystem destruction, and so on.

Resilience, on the other hand, deals with adapting to the physical and actual consequences of climate change. Because even if we were to achieve the famous **Paris Agreement** targets, limiting the temperature increase to 1.5°C, many areas of our planet would undergo significant transformations.

And since we probably won't achieve the Paris Agreement targets, a part of humanity will bear the consequences. It is crucial to ensure that green policies do not impact the most vulnerable.
And once again, it is the Old Continent leading the way, with the announcement from the European Investment Bank.

Why fair resilience is important

Just resilience is an approach that aims to ensure that climate adaptation policies take into account the needs and conditions of everyone. To avoid unintentional harm, especially to the most vulnerable.

«The decarbonization of our economies to make them climate-resilient must be socially responsible, or it won't happen – said **Ambroise Fayolle, Vice President of the European Investment Bank**. And we will fail to achieve the urgent goals we have set for ourselves. EIB Global's new approach to just transition and resilience will provide more support, through the Team Europe initiatives, to those countries and people who are most affected by the climate crisis and climate policies. I call on all our partners to join us in this crucial challenge to support sustainable investment projects that leave no one behind».

The new approach, starting in 2024 in 9 pilot countries and territories, lists specific categories of fragility.

> *The Green Transition must not impact on the most vulnerable*

Developing countries, those affected by conflicts or in difficult situations, and it includes island nations that are increasingly worried about rising sea levels erasing them from the map.

Then, it looks at those who rely directly on natural resources for their livelihood or way of life, primarily indigenous peoples. And the consequences of climate change on migration and migrants, as well as women, youth, minorities. Finally, workers in sectors penalized by the transition are also considered.

Climate change adaptation is finally incorporating social inclusion, integrating the impact on the population in defining measures to be taken and metrics to evaluate their effectiveness.

EIB Global will pilot the new approach in nine areas: Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, Ukraine, South Africa, Indonesia, and Vietnam. They will work with public and private partners, providing direct and indirect support to projects involving infrastructure, energy efficiency, renewable development, and a lot of human capital training. **IM**

> *The pilot started in 9 countries*

Image credits: Shutterstock AI Generator

5 Emerging Fintechs for African Agriculture

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An intriguing paradox emerges in the the dynamic landscape of African economy. On one side, we have witnessed the rise of fintech startups able to attract billions in venture capital. On the other side, agriculture, the bedrock of the continent's economy, is often overshadowed and underfunded.

Why African farmers struggle to access credit

Access to credit remains a critical challenge for African farmers. Traditional lenders are hesitant to provide loans without detailed information to assess creditworthiness. But farmers cannot provide much information about what they do. And even when they can, data often requires manual and time-consuming processes. The business of farmers is also hindered by the lack of direct access to agricultural inputs. Farmers often depend on intermediaries to procure essentials like seeds, fertilizers, or machinery. And this leads to increased costs, delays, and overall market inefficiency.

Agro-Fintech is the solution

However, the emergence of agritech and fintech providers, especially in East and Southern Africa, has brought an innovative solution designed to address the needs and challenges of smallholder farmers and underserved groups. From **Kenya** to **South Africa**, a bunch of agritech pioneers are the forerunner of the continent agriculture industry revolution. The following are five of the fastest-growing ESA companies providing farmers with innovative digital financial services.

> *Agriculture, the bedrock of African economy, is overshadowed and underfunded*

1. Apollo Agriculture, the app that helps farmers to access to credit

Launched in 2016 and based in **Nairobi**, Kenya, Apollo Agriculture is a tech company that aims to support small farmers in rural Africa. The company provides a platform with a variety of bundled services that include credit, farming inputs, customized advice and consultancy, insurance coverage, enabling farmers to improve productivity and increase their income. Farmers can use the platform to **apply for bundles of services** such as seeds, fertilizers, location-specific advice and crop insurance, based on their necessities.Once a request is approved, Apollo issues a voucher that farmers can redeem at local agro-dealers, which the company then pays off its own balance sheet. Farmers can repay the value of their bundles once they sell their products after harvest.

Apollo Agriculture leverages machine learning (ML), remote sensing, and mobile payments to accurately underwrite farm credit risk. The startup also built an automatically managed network of more than 5,000 agents and nearly 1,000 retailers that enables last-mile delivery of farm inputs and services to small-scale farmers.

2. Pula Advisors is used by 8 million farmers

Established in 2014 in **Kenya**, Pula Advisors is an agricultural insurance and tech company that designs and delivers digital and innovative agricultural insurance products to support smallholder farmers in enduring yield risks. The company operates across Africa and Asia and has **insured over 8 million farmers** so far, improving their farming practices and increasing their incomes over time.

The startup offers insurance and agronomic advisory services, including provision of inputs, farm monitoring, data analytics, and advisory services to mitigate risks for smallholder farmers while also enhancing farm yield and climate resilience. Pula Advisors utilizes technology such as remote-sensing data and drones to improve their yield insurance products and increase cost efficiency. They also implement an **adaptive learning process** to better serve farmers. Operating under a business-to-business model, the company partners with financial institutions and agricultural SMEs that subsidize its services at low or no cost to end customers. These partners gain access to Pula Advisors' aggregated data on their customer base, reducing their portfolio risks.

3. EzyAgric, the power of digitalization

Headquartered in **Uganda**, EzyAgric provides a value chain digitization platform designed to increase crop yield. The platform aims to provide farmers with easy access to agro-inputs, credit financing, e-extension and advisory services, as well as market linkages. EzyAgric operates as a **"demand aggregator"**, collecting orders from different customers to achieve better pricing in purchasing agricultural inputs and selling produce. The company uses its own warehousing and logistics operations to better manage seasonal demand for its customers. EzyAgric's products and services include farming data and analytics, farm management and solutions, inputs and equipment, lending (including "Buy Now, Pay Later"), and credit scoring through partnerships. According to data, the company operates through around 300 local agricultural shops, 600 village agents, and 100 farmer associations as local hubs and agents.

4. Oko Finance, how satellites help farmers

Founded in 2018 and headquartered in **Mali**, Oko Finance is a provider of mobile-centric micro-insurance products, offering crop insurance at affordable prices and providing instant claims processing. The company operates across Mali, Uganda, and Cote d'Ivoire, and offers an automated insurance coverage. It **uses satellite imagery** to assess if a field is negatively affected by weather patterns, particularly droughts and floods. Premiums and reimbursements are settled via mobile payments. As of July 2022, the company had **provided insurance** to more than 15,000 farmers in Mali and Uganda. Oko Finance claims to partner with advanced weather information providers to obtain hyper-local data that can be used to accurately assess risk and optimize premium pricing. They also automate the claim validation process through analysis of historical data. The company relies on innovative tools to distribute insurance in remote areas and reach unbanked farmers. These tools include a digital platform that allows farmers to manage their policies from any mobile device, a mobile app that offers a seamless customer experience and can be used offline, as well as an application programming interface (API) that enables partner institutions like micro-finance institutions to securely access relevant information.

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5. Emata, IA to empower farmers

Founded in 2021, Emata is a digital lending provider from **Uganda** serving smallholder farmers. The company offers **affordable digital loans** that are specifically designed to empower farmers to invest in their farms and increase their revenue, leveraging artificial intelligence (AI) and advanced risk analytics to offer tailored loans that farmers can afford. Leveraging technology and digital platforms, Emata says it is able to automate the entire loan process, from data collection and credit scoring, to loan disbursement, and offer small loans too (about US$15). Since its founding, Emata has partnered with 43 agricultural organizations and reached 38,000 dairy, coffee, maize, and oilseed farmers. The company has provided loans amounting to US $810,000 to 2,500 small-scale farmers. These loans have resulted in an average 25% increase in farmers' productivity for dairy farmers, Emata claims. **IM**

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«There is no Financial Inclusion without Access to Credit»

Our **interview** with **Noha Shaker**

Noha Shaker, Founder & CEO, Egyptian FinTech Association, on MoneyConf Stage during day one of Web Summit 2023 at the Altice Arena in Lisbon, Portugal. Photo by Tyler Miller/Web Summit via Sportsfile

«Financial inclusion is not about giving people a current account, or allowing them to pay without using cash. It is about access to credit: the ability to receive a loan and improve your life and your family's». We met **Noha Shaker, Founder & CEO of the Egyptian Fintech Association**, after her speech on "Fintech for good" at the Web Summit 2023. «80% of the population and 80% of the SMEs in Egypt have no, or very limited, access to financial services» she explained.

Why fintechs can drive financial inclusion

This high rate of financial excluded people and businesses is the result of the logic of the market. Traditional banks and insurance companies have focused on the high-end of the market. HNWI, Affluent, Large Corporates, any other segment that offer larger profit margins. And they have not done so out of evil. «From a banker perspective, it is the right economic decision to make: those customers are more profitable and can be served efficiently», says Shaker. «But nowadays, technology allows financial companies to serve the lower segments of customers in an efficient and economic way. Once at scale, you can serve all customers and all sizes of business, still making a decent profit».

> *Lending should be inclusive, but also responsible and ethical*

A national ecosystem

Technology, in this case, rhymes with fintech. «The Egyptian Fintech Association was founded to bring together all the forces in the country, including the Academia, the Regulators, private sector entrepreneurs, tax advisors and so on. We work together, as an ecosystem, to understand how we can make the financial industry more inclusive and more sustainable in the medium to long term. The Egyptian Fintech Association is relatively young, but we rate among the best three ecosystems in the MEA region for the size of investments we managed to attract. And it's an ecosystem of quality: we have one of the highest rate of startup survival, thanks to the supportive ecosystem we created. I personally worked on developing the National Fintech Strategy, defining our priorities and the areas we should focus on».

Digital payments are the first step towards inclusion

In the medium and long term, the objective is to create a more sustainable and inclusive financial environment. And that means much more than digitizing payments. «Payments are a quick success stories for the fintech ecosystem. You can digitally pay telephone and utility bills, or transfer money to friends and relatives who live in a distant area, and so on. You are not financially included just because you can pay digital. **Financial inclusion means having access to funding** that can make you more productive, to help yourself and your family. The good things is, digital payments can support the fintech ecosystem to better assess the creditworthiness of customers».

Alternative data and credit risk assessment

In order to be able to loan someone money, a bank (or a fintech) needs to know if that person is able to repay the debt. Financially excluded people have **no banking history** and it is almost impossible to assess if they have an acceptable risk profile. «If you have the transaction history of a person, you can rely on it to undestand his/her probability of default. And the same applies to small businesses. That is why digital payments are a first step to improve financial inclusion. Lending should not be just inclusive, but also responsible and ethical. That means, you should not give money to someone if you know they won't be able to repay it. Instead, you should build the capacity of the people to repay the loan they get».

The role of physical touchpoints

An inclusive ecosystem also takes into account the digital gap between different areas and age groups. **M-Pesa** is still a polestar when it comes to balancing technology and physical touchpoints. «Non-tech savvy people can be reached thanks to a network on partners on the ground. Local shops, for example, can be a point of data and a point of service to their community. You can access services at a convenience store, but the same store can also be a source of data about the customer. You could be surprised to find out how you can build a credit profile with some information about the routine of an individual or a small business. To design an inclusive financial ecosystem, you must identify these very useful touchpoints, as they are crucial to serve non-digital customers».

Ability vs. willingness to repay

The ability to use different and alternative sets of data is vital to financial inclusion. The new frontier is **psychometric testing**. «Data can tell a lot about how you manage your money. Psychometric testing is still under development, but they can give an indication of the intention of a person to pay back the loan. They do not predict the future, of course, so they cannot tell if you are going to face financial issues. But they can indicate your tendency, your willingness to repay your debt. So, we can use data in two ways. First, to understand if a person is capable of paying back a loan. Second, if that person is willing to pay back the loan». **IM**

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Open Banking and **Credit Inclusion**

Our **interview** with **Gerald Chappell, CEO** and **co-founder, Abound**

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Open Banking could help improve financial inclusion and access to credit. If a bank or a consumer credit institution, has access to a customers bank transaction data, it can assess their ability to repay a loan in a much more efficient way. Especially compared to traditional credit scoring, which «is sort of right on average, but it is wrong in every individual case», explained **Gerald Chappell, CEO and co-founder** of British fintech **Abound**, during our interview at the Web Summit 2023 in Lisbon.

AG. Gerald, what is wrong with traditional credit scoring?

GC. Traditional credit scoring is embedded into almost every kind of consumer lending decision in most European countries, in the US… pretty much globally. And the problem with that is it is a very crude metric for understanding someone's credit risk. It is sort of right on average, but it is wrong in every individual case. And this results in a lot of people being excluded from affordable and low cost credit. So many credit decisions are still based on 1980s technology, a logistic regression of the credit facility that you have had in the past. But today we can have access to new data sources.

AG. And that is why you decided to found Abound…

GC. Before joining Abound in 2020, I was a Partner at McKinsey, where I had two roles. I was their **Head of Digital Lending** and their **Global Head of Credit Analytics**. We did a lot of work with large financial institutions and banks globally on reinventing and improving their lending businesses. And it struck me for a very long time that consumer credit could be done a lot better, if you could remove the reliance on traditional credit scoring.

AG. How?

GC. Our idea was to look at people's true financial situation by doing a financial X-ray of them: by taking their bank transaction data, we would be able to understand their income, their expenses, their true affordability. And from that, we could make much better credit decisions. Traditional scoring looks at your past, but it doesn't actually know what you are and your spending behaviour, nor your financial stability.

AG. How did you turn this idea into reality? How does Abound work?

GC. We wanted to launch a service that uses bank transaction data to properly understand people and make fairer decisions. So to be able to offer lower interest rates and, basically, **say yes to more people**. And we wanted to do this as a credit technology business, building this kind of underwriting capacity for banks and lenders, and providing them the technology so they could serve more customers. But we very quickly realised that no one would believe that it would work, unless we proved it first. So we started as a lender and we built the technology for ourselves.

AG. And did it work?

GC. We've done about £200 million in lending so far in the UK, and that's kind of ramping up very quickly. We started lending in March 2021, and since then we have been running at a 70% reduction in defaults versus the "**credit score predicted**" level of defaults. So, for every ten defaults that we should have had, we have only actually had three. This proves that using bank transaction data is a really much superior approach to than just using traditional traditional credit scores.

AG. Is your approach actually improving financial inclusion?

GC. Our customer base is about 20% traditional Prime customers and 80% in the "near Prime" space. That "near Prime" space includes a lot of categories, including some people that are **New to Credit**. For example, people who have just graduated and are starting working. Or have just arrived in a country. They have no credit history. Others have a disrupted credit history: they might have had credit, then they moved away and now they are back. They are facing problems in getting credit, as well. In some cases, traditional credit bureaus estimate a very high probability of default, whereas our model says these custo-

> *Thanks to open banking, we serve a segment that would receive no credit*

mers can be very strong and reliable. Some of them have good structural affordability, a stable income and can afford credit. Thanks to open banking data, we open up to a new segment that would receive no credit, or could get it, but at unfair prices. We can give these people a much, much better proposition.

AG. Are you considering other kinds of alternative data to assess the creditworthiness of an individual, or a small business?

GC. My fundamental belief is that more data is always going to lead to better and fairer decision. So we try and use as many sources as we can. At the moment, we use bank transaction data and credit bureau data, but we do not use credit scores. We use the actual underlying what they call facility or level keys, level information. Within that, we also bring in a number of other sources as well. So we can bring in **LinkedIn** data, where we can match a customer against LinkedIn. And we validate the LinkedIn profiles by comparing the employer on LinkedIn versus the salary that we can see in the open banking data. You can bring in the education history and the job history of the customer. We also bring through land registry data as well, to know the properties the customers are living in. To some of them, you get to a point where although it would add value, the incremental value is quite marginal. We know that some firms in other regions of the world have been doing things with mobile data and are using them to make lending decisions. It is an interesting case, in the absence of **hard financial information**. But if you can access information like bank transaction data, then the incremental predictive discriminatory power that you get from alternative information is very marginal. We chose not to do that kind of thing because the benefit would be limited, and customers have significant privacy concerns about that.

> *More data leads to better and fairer decision*

AG. You said it was necessary to prove banks that it is possible to give credit using bank transactions data instead of traditional credit scoring. Do banks believe you now? Are they interested in working with you or in developing similar tools?

GC. Banks are interested in the concept, but find it hard to execute. You see, it is very difficult to drive change in a big financial services organisation. Very slow-paced, expensive project with a pretty high failure rate. If you want to incubate a new way of doing things in a bank, you've got to coordinate across at least a dozen of different departments, all of which have different priorities.

Any new idea takes a long time to get off the ground, if at all. Banks would like to change the way they take their credit decisions, and some of them will claim that they are using open banking data, or bank transaction data. But that, to my knowledge, is not really the case. They might be doing it for replacing some processes that they already have. A typical case would be, instead of asking people to take photos of their payslips and send those in, they ask customers to connect their bank transaction data. Using the salary income it's not really using open banking to do credit decisioning. It is not fundamentally building your models from the ground up of bank transaction data, which is what we have done. The banks for decades have had all the bank transaction data, but they haven't actually used that in their models.

AG. But do you think they will, in the future?

GC. I think in 3 to 5 years time everyone will have to do it for two big reasons.

Number one: **it works**. We have shown that we get massive outperformance in terms of lower defaults, by using bank transaction data to underwrite. And you can serve a much wider addressable market doing it. If you can serve more customers with lower credit risk, then it is a profitable business model and if you do not do that, all your competitors will. Number two: Regulation will drive the adoption of open banking in lending. All consumer Regulators across Europe are worried about financial inclusion and responsible lending. They want to make sure that loans are only given when they are affordable. You cannot proclaim you do responsible lending unless you look at someone's bank transaction data. In the UK, for example, all of the banks use **Office of National Statistics** data to assess the affordability for a consumer loan. It is about statistics. If you earn X, based on where you live in the country, the bank will assess the average expenditure of a resident in that part of the country and see if the loan is affordable. Once again: it is all based on an average. It is right on average, but wrong in every individual case. So a lot of these loans then turn out to be unaffordable. Using bank transactions data you can also intercept financial vulnerabilities, things like gambling, day trading, crypto speculation and so on. We estimated that in the UK ¬£2 billion is lent every year to problem gamblers. People are basically taking those loans and using them to finance gambling. At the moment, that kind of behaviour can just be funded because no one's looking at the bank transaction data. And I think that's a really indefensible position for the industry to be.

AG. What about the new generation of digital challenger banks? Are they culturally closer to an open banking based credit decisioning?

GC. I would definitely hope so, and for the reasons I said before. There are lot of neobanks that have built great deposit franchises, they have attracted a lot of customers. But the only way to make money in banking is on net interest margin. One of the things we do is partner with that kind of organisations to help them launch lending. We have an embedded lending offering, where we can basically plug into their systems and do white label lending on their behalf. Or we can just provide them the technology and they can run themselves. So that's really the credit tech part of the business that we're doing. **IM**

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