Building an EU dataset of digital & sustainable practices from inclusive finance organisations

26 November 2020
Do you have a question?

Use this icon 🖥 to let the presenters know that you would like to be given the floor.

Use the chat to talk with one person in particular.

Use the Q&A to ask questions in writing.
Q&A

Do you have a question?

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n.benaglio@european-microfinance.org
A project by UNIVERSITY OF TWENTE.

With sponsorship from European Investment Bank.
UNIVERSITY OF TWENTE.

INTRODUCING THE SFIDE PROJECT

STRENGTHENING FINANCIAL INCLUSION THROUGH DIGITALISATION IN EUROPE
MAIN GOALS PROJECT

1. Case studies on innovative European inclusive finance organizations: focus of today!
2. In-depth quantitative case study of the Qredits method and systems
3. Experimental design study to improve loan assessment with the help of digitalisation
4. Future impact of new technology on the inclusive finance landscape: *initial study on open banking in the Netherlands almost finalized*
PROJECT TEAM SFIDE & PARTNERS

University of Twente
• Dr. Massimo Preziuso
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  project manager
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Nord University
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  Einar Rasmussen

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• Prof. dr. Jan Kratzer

Triodos Bank
Youth Business
International
Building an EU dataset of digital & sustainable practices from inclusive finance organisations

Massimo Preziuso, University of Twente
m.preziuso@utwente.nl
26 November 2020
Premises

› Digital financial services have become the leading driver of inclusion for the unbanked around the world (CGAP, 2020).

› Opportunities & risks.

› Covid – 19 pushes EU to invest € 1.85 trillion to build “a fairer, greener and more digital Europe” via European Recovery Plan (EU Commission, 2020).

› Building the next generations of inclusive, digital and sustainable financial organisations, through innovation and regulation, is crucial.
Building an EU dataset of inclusive finance businesses

- Developing a dataset of EU practices (50-100) to investigate the different approaches and developments of inclusive finance / fintech organisations.
- The focus is on digital business models, financial inclusion / health goals, impact measurement, environmental – social – governance policies, performances, national and EU policy developments.
- A questionnaire has been sent to a first group of 12 organisations (7 inclusive finance organisations + 5 inclusive fintech) operating in Europe.
- First classification along “Tech vs Human” intensity of the business
“Tech vs Human” of 12 organisations

Traditional: (high human)

Hybrid: (tech & human)

Fintech: (high tech)
“Tech vs Human” of 12 organisations

Human intensity

Traditional
- Mikrofin
- BCR Social Finance
- Ustoi

Hybrid
- Adie
- Microbank
- Microstart
- Qredits

Tech intensity

Fintech
- AideXa
- Buddy Payment
- Kabbage
- Peaks
- Tink
## The questionnaire: 6 areas of analysis

### (Digital) Business Model
- How is your company combining digital technology with personal interaction to provide its services in an inclusive way?
- If applicable to your business model, which is your approach towards Open Banking?
- Can you describe your customer’s acquisition and relationship approach (or approaches)?
- Can you describe your digital and interactive approach through a specific use case / client type?

### Financial inclusion / health (if applicable?)
- Which is your approach to financial inclusion? Which is your approach to financial health?
- Which are your financial inclusion goals? Which are your financial health goals?
- Who are your customers (individuals, microbusiness, start-ups, self-employed, SMEs, etc.)?
- Do you train / mentor / coach your customers? If yes, how (digital tools, human interaction)?

### Environmental sustainability and governance approach
- Do you have an environmental sustainability strategy within your business?
- If applicable, do you look at the environmental sustainability of your investments and/or in providing your services (carbon footprint, energy efficiency, water consumption, resource scarcity, etc.)? If yes, how do you measure it?
- If applicable, do you use a governance policy (composition of the teams, governance models, gender parity, etc.) in providing your services?

### Impact data
- Do you publish an annual impact report?
  - If you don’t publish an annual impact report, please:
    - Can you provide data/measurement regarding your social impact (for example, number of underserved clients, repayment rate, growth of underserved clients, flexible repayment, etc.) for the last years?
    - Do you measure long term impact of your activities (Employment created, revenue growth, Impact on communities, etc.)?

### Performance data
- Which are your revenues 2019 and revenue growth (3-5 years)?
- Which is the % of revenue associated to underserved customers (2019 and last 3-5 years)?
- Does your organisation receive subsidies / grants? If yes, in which percentage of the total revenues (2019 and last 3-5 years)? And who are your top 3 providers of grants?
- Could you tell us which is the number of customers 2019 and customer growth (3-5 years) of your organisation?
- Which is financial profitability 2019 (EBITDA, Earnings..) and over the last 3-5 years?

### Impact of EU and National Policies
- What do you think about regulation (and its developments) for financial inclusion in your country and in Europe?
- Is your business model going to change due to the EU Next Generation Fund (focused on digitalisation and green investments)? If yes, how?
- Finally, is your business model going to change due to Covid – 19? If yes, how?
Financial inclusion / health

**Human intensity**

**Traditional**
- 100% underserved clients
- Loans + advisory
- Next step: financial health
- Mentoring via loan officers

**Hybrid**
- No guarantee loans to underserved clients
- Business & jobs creation
- New and existing business
- Tailor made support

**Fintech**
- Cash flow vs. Credit Scoring
- Financial health & inclusion
- Fintech apps x financial literacy.
- Online dashboard of activities to support financial health.

**Tech intensity**
Environmental sustainability & governance approach

Human intensity

Traditional

- Use of exclusion lists (Next step: green loans)
- Small loans cannot impact environmental strategies
- Internal environmental strategy is rare

Hybrid

- If bank’s subsidiary, strong environmental approach
- Cannot oblige clients to adopt eco - approach
- No specific focus on the governance policies

Fintech

- ESG within a digital approach
- Internal environmental strategy
- Testing protocols (A/B) to avoid disparate impact (bias)

Tech intensity
Impact measurement

Human intensity

Traditional
- Impact reports within financial report.
- Long term impact difficult to verify

Hybrid
- Impact reports available
- Data on repayments rates, type of clients, long term impact, jobs created, ..

Fintech
- No Impact report.
- Aggregate impact is available.
- Impact data available to clients only

Tech intensity
Performance data is N/A
High customer growth Vs slow path to profitability (platform businesses)

- **SME finance companies are more profit oriented**
- **Microfinance tend to be subsided,**
  - SME finance is not

**Hybrid**
- **Slow customers growth**
- Different sizes and approaches

**Fintech**
Impact of National and EU policy

Human intensity

Traditional

- Regulation differs by countries
- Distinct rules microfinance vs fast lenders are needed
- Digital signature is key
- Green & tech x impact products
- Covid boosts digitalisation

Hybrid

- EMN role is key
- InvestEU is crucial
- National law & rigidity
- Digitalisation & discrimination
- Next gen EU: new resources
- Covid 19: no budget increase

Fintech

- EU Digital Finance Strategy key
- Access to finance sufficient, but system is too complex
- PSD2 promotes inclusion
- Covid 19 accelerates business

Tech intensity
Preliminary results

- A trend towards **tech & touch business** is accelerated by Covid – 19
- **Open Banking (PSD2) & InvestEU** are key to build collaborative inclusive finance ecosystems
- Adoption of Green investments strategies driven by investors & regulation
- Uniform EU regulation is needed (digital signature, digital identity, microfinance, etc.)
- Next step: traditional organisations, banks and fintech together to transform financial services via open banking platforms?
Next steps

➢ Build and analyse a **50-100 organisations dataset** along two classifications:
  
  a) *Tech vs human*
  
  b) *Microfinance vs SME finance*

➢ Extract evidence - based insights from a 50-100 organisations dataset

➢ Build an open repository of data for various purpose: (education, webinars, research, policy papers, etc.).
A project by

With sponsorship from

UNIVERSITY OF TWENTE.

Qredits

European Investment Bank

Believe in Small
DIGITAL PRACTICES AND FINANCIAL INCLUSION

EMN WEBINAR – SFIDE PROJECT, 26/11/2020
WHO WE ARE

ADIE’S CLIENTS

- 46% are women
- 38% are social welfare recipients
- 24% do not have a diploma
- 55% line under the poverty line

ACTIVITY

- 60,660 active clients
- 168,5M€ portfolio
- 3,303 micro-insurances

ORGANIZATION

- 158 branches
- 584 employees
- 1,281 volunteers

IMPACT

- 19,375 micro enterprises financed in 2019
- 15,346 jobs created thanks to business microcredits in 2019
DIGITAL PRACTICES AND FINANCIAL INCLUSION

DIGITAL CLIENT’S JOURNEY

Acquisition
- Web conferences
- E-learning
- Business planning
- Fact sheets

Loan appraisal
- Chatbot
- Online appraisal

Loan disbursement
- Digital signature

Loan follow-up
- Mailing
- Web conferences
- Factsheets

Business development services

Digital Solutions

MIS
E-LEARNING ON BUSINESS PLANNING

4 learning modules

3 types of content into each module

Opportunity to save your info/data to build a business plan

Level of readiness of your project in view of a loan appraisal

1. Définir mon projet
   - J'y vais

2. Faire mon étude de marché
   - J'y vais

3. Chiffrer mon projet
   - J'y vais

4. Gérer mes démarches administratives
   - J'y vais

- Je construis mon projet
  - Outils (dont malins)

- Je teste mon projet
  - Mise en pratique, Quiz

- Je m'informe
  - Fiches pratiques
CHATBOT

Je fais ma demande de financement

**EN LIGNE**

Vous avez besoin d'argent pour :

- Créer ou développer une entreprise
- Plus précisément, il s'agit...

- de la création d'une entreprise
- du développement d'une entreprise
- de la reprise d'une entreprise

**PAR TÉLÉPHONE**
DIGITAL PRACTICES AND FINANCIAL INCLUSION

DIGITAL CLIENT’S JOURNEY

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- Fact sheets

Loan appraisal
- Chatbot
- Online appraisal

Loan disbursement
- Digital signature

Loan follow-up
- Mailing
- Web conferences
- Factsheets

Business development services
Digital Solutions

Client space

MIS
DIGITAL PRACTICES AND FINANCIAL INCLUSION

DIGITAL CLIENT’S JOURNEY

Acquisition

Loan appraisal

Loan disbursement

Loan follow-up

Business development services

Web conferences
E-learning
business planning
Fact sheets

Digital Solutions

Chatbot

Online appraisal

Digital signature

Client space

MIS
CLIENT SPACE

Mes financements

Microcrédit Mobilité
N° du prêt: [Masqué]
Voir le détail

Montant emprunté: 1895,00 €

Remboursement à jour

Règle

Micro-entrepreneurs, profitez de tarifs exceptionnels sur des produits et services dédiés à votre activité.

L'Adie vous accompagne dans la création et le développement de votre micro-entreprise.

Vous souhaitez créer ou développer votre micro-association, nous vous accompagnons.

Bons Plans

Accompagnement

Micro-

Les actualités de l'Adie

06/09/2019
Attention aux arnaques ! Contactez la Hotline

13/05/2019
La gestion microentrepreneur, c'est facile avec un logiciel adapté!

13/05/2019
N'attendez pas que votre voiture tombe en panne pour la faire diagnostiquer

Contact - Aide - Conditions générales d'utilisation - Crédits Adie 2017
HOW DIGITAL TOOLS CAN ENHANCE FINANCIAL INCLUSION

Offer side

• Enrich Adie’s offer (multiple delivery channels)
• Opportunity to deepen outreach (ex. ‘e-learning’)
• Qualified contacts (ex. chatbot and online BDS)
• Visibility and credibility of Adie (ex. social networks)

“Where I live I don’t have access to business development services”

Demand side

• Easier access to information (ex. Client space)
  • Flexibility (ex. mobility / time constraints)
  • Tailored offer
MERCI !
SOCIAL BANKING FOR HELPING PEOPLE WITH THEIR FINANCIAL CHOICES
Inhabitants in personal debt

- 1 out of 5 households in personal debt
- 40% of all inhabitants in financial stress
  - They don’t have insights regarding their income and future expenses
  - They’re making clumsy choices with monthly contracts
  - They’re getting fines from the tax authority because of wrong social support allowances
Scalable support and assistance

- An accessible and scalable solution
- An arrangement system between stakeholders

Buddy uses technical infrastructure that is fed by bank information
- Use Buddy for your daily banking affairs
- Buddy will reserve your fixed costs, like rent
- Buddy is interactive in coaching about bills and allowances
Informationflow:

Step 1: 1.

2. Analyzing budget

3. Insight & coaching

4. Information-exchange

5. Advise (AI)
Welcome everybody!

I'm created to help people with their financial choices.

I will reserve all your fixed costs so you know exactly what you can spend freely.

How does it work?

You can always chat with me about bills, surcharges and tips.

Alright, but who are you?

I am a digital friend made to help you with your banking affairs.

I'll explain everything in this presentation.
Buddy rekening

Jouw budget € 158
Tot 30 september

Overschrijven

Budgetboog € 158

UITGEGEVEN

13 september
KLEDING & SCHOENEN
ZARA Rotterdam ROTTERDAM NLD
- € 8

VERVOER
BP WESTDIJK NLD
- € 21

10 september
VRIJETIJDSUITGAVEN
TENNISVRG ANTONIUSHVE NLD
- € 4

NIET-VERGOEDE ZIEKTEKOSTEN
APOTHEK COOLSINGL *CCV
- € 7

HUISHOUDELIJKE UITGAVEN
ALBERT HEIJN
- € 10

TOT VOLGENDE INKOMEN
€ 300

13 september
10 september

UITGEGEVEN
De budgetboog

In de budgetboog kun je zien hoeveel geld je nog te besteden hebt tot dat je volgende inkomen komt. Handig!

Je loopt lekker op schema!

<table>
<thead>
<tr>
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Jouw budget € 155

Overschrijven

Uitgegeven

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Jouw budget
€ 155
Tot 30 september

Budgetboog
€ 155
TOT VOLGENDE INKOMEN

14 DGN

UITGEGEVEN
16 september
VRIJTIJDSUITGAVEN
De MACHINIST Rotterdam *CCV
- € 3

23 september
KLEDING & SCHOENEN
ZARA Rotterdam ROTTERDAM NLD
- € 8

VERVOER
BP WESTDIJK NLD
- € 21

10 september
VRIJTIJDSUITGAVEN
TENNISVGR ANTONIUSHVE NLD
- € 4

NIET-VERGOEDE ZIEKTEKOSTEN
APOTHEC COOLSINGL *CCV
- € 7
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Akkoord en versturen
Overschrijven

Marijke van Vliet € 155
Buddy rekening

€ 25

Naam ontvanger
P.H. Van Dijk
Rekeningnummer (IBAN)
NLARB003123476
Mededeling of betalingskenmerk
Etentje

Akkoord en versturen
Vul je mobiele pincode in voor het versturen van de overschrijving.
20 juni 2019

Van
Mw M. B. Van Vliet - Buddyrekening
NL34 RABO 0001 2345 67

Bedrag
€ 25,00

Naar:
Dhr. P. H. Van Dijk
NL34 RABO 0001 2345 67

Buddy rekening
Uitgelogd
Zie je snel ;)

Contact: Ralph Oudshoorn
Phone: +31 6 401 743 46
Mail: r.oudshoorn@buddypayment.nl
General questions: Hello@Buddypayment.nl