

A Community Where Ideas, Innovation, Empowerment, and Opportunity are Shared



GENDER INCLUSION IN THE PACIFIC ISLANDS

The Pacific Islands have been severely impacted by the coronavirus disease (COVID-19) pandemic which has intensified the exclusion of women and women-led businesses from formal financial services. Our third WFX newsletter covers how technology can be deployed to help improve the financial inclusion of women and highlights the latest news on gender issues in the Pacific.

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DIGITIZING FINANCIAL INCLUSION

Women micro, small and medium-sized enterprise (WMSME) customers are in crucial need of not only finance from banks, but also advice on planning for borrowing, investing, and savings. Most financial institutions (FIs) do not address these opportunities as they struggle to digitalize their business models to more

efficiently evaluate WMSMEs. An estimated \$1.7 trillion finance gap continues to exist for WMSMEs in emerging economies. The COVID-19 pandemic, which resulted in numerous lockdowns, put operational pressure on FIs, reinforcing the need for digital ecosystems.

THE CHALLENGE IN THE PACIFIC

Of female-led businesses in the Pacific, 84% reported a negative impact on their businesses between January to November 2021 (COVID-19. Pacific Business Monitor 2021). Many FIs in the Pacific find it difficult to target this market segment with suitable digital financial services, relying instead on limited data points that severely restrict their ability to service WMSMEs.

In the majority of the Pacific Islands, credit bureaus are still developing and the provision of data points or scoring for FIs to encourage better decision-making is in short supply. Moreover, data on WMSMEs is rarely collected by credit bureaus.

THE ROLE OF TECHNOLOGY IN FINANCIAL INCLUSION

FIs that succeed will do so by being customer-centric, offering responsive customer service and products that meet the demands of diverse segments. By collecting data to generate a clear profile of WMSMEs, FIs will be able to pinpoint behaviors and capabilities to provide tailored products for WMSMEs.

Globally, there has been an emergence of disruptive technologies changing the way we use financial services. Such technologies also provide opportunities for the Pacific. Technology startups are creating new market segments by delving deeper into the lending value chain and offering 'bite-sized' products and solutions with the aim of reaching and enabling the unbanked and underbanked. Fintechs also create an ecosystem of solutions by helping create digital footprints through online channels.

MOVING TOWARDS A MORE DIGITAL FINANCIALLY INCLUSIVE FUTURE

In 2017, the regulators of the Pacific Islands Regional Initiative recognized the role fintechs could play in helping to achieve financial inclusion in the region. Elements of digital financial services such as digital ID, digital payments and credit scoring models are now being piloted as the Pacific Islands make inroads towards financial inclusion and embed operational efficiencies in the processes of FIs.

Using technology and fintech partnerships to transform existing lending channels providing access to different data sets to create credit records for borrowers that have been overlooked and embracing change will allow FIs to create a diverse array of new products and solutions for improved financial inclusion.

WFX WORKS WITH FINTECH TO SUPPORT GENDER INCLUSION IN THE PACIFIC

WFX is working with a Vietnamese fintech in Papua New Guinea (PNG), the winner of its Technology Innovation Challenge held in October 2021, to provide digital bookkeeping solutions for women-led businesses. A mobile app will capture relevant business and transactional data to enable FIs to conduct cash flow analysis and assess the repayment capacity for potential business loans to this customer base.

Over 50 WMSMEs have been chosen to participate in the first pilot with MiBank and initial results should be available by end 2022.

The initiative is funded by the Women Entrepreneurs Finance Initiative (We-Fi).



ADB'S COVID-19 ASSISTANCE FOR THE PACIFIC DEVELOPING COUNTRIES

Development organizations have extended assistance to the Pacific region in response to COVID-19. Out of over \$20-billion COVID-19 response package of the Asian Development Bank (ADB), \$370 million has been committed to its developing member countries in the Pacific to counter the adverse impacts of the pandemic. "Supporting the recovery from the COVID-19 pandemic while accelerating gender equality and climate change mitigation and adaptation will be top priorities for ADB," according to Aaron Batten, Regional Director of ADB's Pacific Subregional Office (SPSO) in Suva.

COOPETITION: A NEW MODEL OF FINANCIAL INCLUSION

Over the past few years, a new model of collaboration between the two competing types of organizations, FIs and technology startups, has emerged – coopetition. Increasing instances of collaboration between fintech and FIs in order to enhance the financial inclusion agenda has created a win-win situation. In fintechs, FIs have found an agile and lean lending channel and in FIs, tech and fintech startups have the support of experienced partners and well-resourced balance sheets. Fintechs can create products that cater to SME needs especially well. For example, a technology startup in Samoa has digitalized logistics services for SMEs, thereby creating cost optimization for them. This model also enables the capturing of customer orders and payment data that can be used by FIs as inputs in their credit scoring models. For more examples of how technology companies can add value, [click here](#).

LEADERSHIP MATTERS: BENCHMARKING WOMEN IN BUSINESS LEADERSHIP IN THE PACIFIC

A report by the Pacific Private Sector Development Initiative collects and analyzes data on women's representation on boards and in senior management in the 14 Pacific developing member countries of the ADB and finds that the Pacific compares favorably with global averages for women's representation on boards and in senior executive leadership. Palau, Samoa and Cook Islands have the highest number of women on boards with industry associations in tourism and the finance sectors demonstrating the strongest representation. Despite some positive progress, however, women are still underrepresented in business leadership in most countries, sectors, and organization types. Please [click here](#) for the report.

ADB MAKES ITS FIRST 2X CHALLENGE INVESTMENT

ADB has joined the 2X Challenge, which aims to advance opportunities for women through enterprise support, leadership and career progression, quality employment and products/services that enhance women's economic participation – [see more on the 2X criteria framework here](#).

The 2X Challenge aims to identify eligible companies that are committed to one or more of these areas. For its first 2X investment, **ADB** together with co-financier and 2X member British International Investment plc (formerly, CDC Group plc), both of which provided equity investments, qualified Shubham Housing Development Finance Limited (Shubham) under the consumption criteria set by the challenge. With women forming more than 90% of its total customer base for affordable housing loans, Shubham offers a variety of products and services that specifically address women's financial inclusion. – see project documents [here](#).

WHAT'S NEXT FROM WFX?

WFX is undertaking a research study in Pakistan to identify the constraints and opportunities for green lending to women and women entrepreneurs in Pakistan. This study initially aims to define what hinders lending from FIs to women and women's businesses for green purposes. In addition, the study will conduct an assessment of technical, financial or other barriers that prevent SMEs, in particular WSMs, from investing in technologies and developing products that reduce the impact of their businesses on climate change. The research paper is scheduled to be completed by Q4 2022 and published the following year.

Also, WFX will be supporting FIs in their efforts to green their portfolios and provide sustainable finance solutions to their customers, in particular women.

COLLABORATIONS AND RESOURCES FOR YOU

- Bilateral Remittance Inflows to Asia and the Pacific: Countercyclicity and Motivations to Remit (<https://www.adb.org/publications/bilateral-remittance-inflows-to-asia-and-the-pacific-countercyclicity-and-motivations-to-remit>)
- Laying the Foundations for Greater Resilience in Fragile and Conflict-Affected Situations: FCAS 2021 Annual Report (<https://www.adb.org/multimedia/fcas-report-2021/en/>)
- What the Climate Crisis means for consumers, retailers, and Pacific exporters in the European market (<https://pacifictradeinvest.com/explore-our-work/insights/what-the-climate-crisis-means-for-consumers-retailers-and-pacific-exporters-in-the-european-market#msdyntrid=pPf07iRxMFSds6QhUmt2IGQefD1J6TTP23BZ1Bd6BnM>)
- Embedded finance for SMEs: Banks and digital platforms (<https://www.accenture.com/us-en/insights/banking/embedded-finance-smes>)
- Digital Lending Can Resolve the Service Dilemma for SMEs (<https://www.bain.com/insights/digital-lending-can-resolve-the-service-dilemma-for-smes/>)
- Accenture Fjord Trends 2020: Ready, RESET, reinvent: the emerging trends in business, tech and design (https://www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF-2/Accenture-Fjord-Trends-2020-Report.pdf#zoom=50)



TRAINING WOMEN'S SMALL BUSINESSES in Papua New Guinea

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