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# DigitALL: INNOVATION AND TECHNOLOGY FOR GENDER EQUALITY

To mark the Gender Month, which ADB celebrates every March, we have aligned the sixth issue of our newsletter with the International Women's Day theme. This newsletter explores how digital transformation and technology can be used to overcome the barriers women owned and led micro, small and medium-sized enterprises (WMSMEs) face in accessing financial services.



## EMBEDDING FINANCE IN E-COMMERCE

Driving Financial Inclusion  
Through Technology

By Akhil Hemrajani

The past few years have seen a remarkable emergence of embedded finance in the growth sectors such as e-commerce, logistics and ride-share/delivery services. Embedded finance leverages a combination of banking-as-a-service (BaaS) functionalities and application programming interfaces (APIs) to integrate banking, payments, and lending into non-financial platforms, making the banking experience nearly imperceptible to users. This has created opportunities to bank the unbanked by offering 'invisible banking' to new client bases such as the WMSMEs.

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Leveraging embedded finance leads to lower credit costs, access to easier credit, tailored products and services, and improved user experience. It also creates efficiencies in delivering integrated financial and non-financial products and services bundles. This will result in customized offerings relying on improved economies of scope and scale. It has led technology giants such as Ant Financial and Grab to expand beyond e-commerce and venture into the digital banking space. Ant Financial already provides payment and credit solutions for buyers and sellers, while Grab offers debit cards, instant payouts and digital wallets to its customer base. These organizations bundle their financial and non-financial offerings to provide a broader and deeper view of transactional patterns that would allow them to create more accurate credit scores.

## FINTECH AND E-COMMERCE A PERFECT MATCH

Analyzing data generated by embedded finance can enable providers of the primary services, such as e-commerce or financial services, to structure the right solutions around the primary service. For example, non-financial services data can inform various services, such as types of payment services, business credit profiles and insurance policies. Integrating elements of financial services within e-commerce platforms can enable FIs to obtain a 360-degree perspective of merchants and end consumers.

Financial technology (fintech) components such as digital payments and lending platforms play an integral role in the e-commerce value chain. They have the potential to generate and leverage valuable alternative data sets to provide financial services to previously excluded segments. Fintech solutions have been substantially embraced, particularly in the mobile money space. For example, in the Philippines, overall account ownership had grown to 56% in 2021, up from 29% in 2019. ▶ This growth has been attributed to the uptake of mobile money accounts, which climbed to 36% in 2021 from 8% in 2019. In 2021, total e-commerce sales in the Philippines grew to \$17 billion, contributed mainly by 73 million online active users. ▶ This is estimated to reach \$24 billion, with 17% growth through 2025.

## LEVERAGING E-COMMERCE FOR FINANCIAL ACCESS

E-commerce provides women greater operational flexibility by giving them access to multiple markets, which encourages higher participation and wider reach. Embedding financial products made inter-operable by APIs can generate valuable data points such as value and volume of transactions, net promoter scores, and demographics of end consumers serviced to gauge the viability of a woman-led business. These data points help in the credit scoring of women and their access to finance. If given the appropriate support, ▶ women could add more than \$280 billion to the Southeast Asian e-commerce market by 2030 as they are more likely to leverage social media platforms for selling their inventory.

This growth has the potential to provide unmatched insights to a largely unbanked segment as FIs do not have the requisite data available. ▶ And as financial services firms are missing at least a \$700 billion revenue opportunity a year by not fully meeting the needs of women customers, the case for extending more support to women to enhance their digital presence becomes even stronger. A stronger digital presence will lead to greater visibility in terms of alternative data points, that can be leveraged to credit score women better and provide them with greater financial access.

## REACHING THE BOTTOM OF THE PYRAMID THROUGH INNOVATIVE TECHNOLOGY

By Lisette Cipriano



Enhancing the availability and utilization of various financial products and services is crucial for the economic empowerment of disadvantaged communities and to enable them to engage in the digital economy. However, inadequate financial and digital literacy among individuals at the bottom of the pyramid hinder their access to innovative financial products and services. This is especially true among farmers, fisherfolks, and vulnerable population groups such as rural women.

Innovative technologies like virtual reality (VR) and augmented reality (AR) have the potential to impart financial education to the underserved population by offering immersive, accessible, customizable, and culturally sensitive learning experiences. Studies show that VR can lead to improved learning outcomes or higher retention rates compared to traditional methods due to its immersive experience. For example, ▶ VR trained students showed a 250% increase in improvement in their ability to accurately complete a safety procedure. Reports show that retention rates for lecture-style learning is 5%, and for reading is 10% while VR is at 75%.

ADB launched a hackathon challenge for increasing financial literacy through AR or VR technologies to help build the capacity of fisherfolks in the Philippines. The winning solution was from a US-based company that has worked with multiple development agencies on both offline solo and online multi-user VR training solutions. It aims to boost engagement, dramatically increase knowledge retention, decrease training time and cost, and enable organizations to enforce consistent and measurable standards at scale. The company is developing content (highlighting the importance of marine conservation) that will be piloted in March/April 2023.

## INNOVATIVE FINANCE CERTIFIED GENDER BONDS

ADB supported the issuance of, and as an anchor investor subscribed to, the first certified gender bond in Georgia issued by Joint Stock Company Microfinance Organization Crystal (Crystal) and listed on the Georgian Stock Exchange on 8 February. The proceeds of the two-year GEL25,000,000 bond will finance loans to WMSMEs.

Local currency bonds bridge financing gaps and support sound capital management by the private sector, including access to broader funding sources. This pioneering transaction will also help deepen Georgia's capital market by raising awareness about thematic bonds aligned to best international standards while supporting improved access to finance for WMSMEs.

## LAUNCH OF SMEASY DIGITAL PLATFORM

The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) launched a digital platform tailored for SMEs, including women-owned, on 7 December 2022. The SMEASY digital platform provides a comprehensive non-financial solution for SMEs, creating a digital ecosystem to support SMEs through training, consulting, and business matching activities. The initiative is part of the ADB-assisted project that supports the growth and productivity of SMEs in Viet Nam. SMEs contribute to around half of total employment and 40% of gross domestic product in Viet Nam.

## DIGITAL FINANCE FOR WMSMES

Despite the huge market opportunity women provide, they remain underserved by the "traditional" finance sector. However, the rise of digital financial services during the COVID-19 pandemic has made some positive impacts on the financial inclusion of women, showing that fintech could be a key driver of financial inclusion. A recent ► WFX blog in Development Asia explains what gives digital financial services the comparative advantage in closing gender gaps in MSME's access to finance.

► Read here

## LINKS TO RESOURCES

Gender Bond Brief  
(<https://www.adb.org/publications/gender-bonds-incidentals-center-stage>)

The Digital Gender Gap  
(<https://www.imf.org/en/Publications/fandd/issues/2022/12/the-digital-gender-gap-khera-ogawa-sahay-vasishth>)

Women in Fintech: As Leaders and Users  
(<https://www.imf.org/en/Publications/WP/Issues/2022/07/15/Women-in-Fintech-As-Leaders-and-Users-520862>)

The Growing Trend of Gender Bonds in 2022  
(<https://www.dechert.com/knowledge/onpoint/2022/7/the-growing-trend-of-gender-bonds-in-2022.html>)

Innovation and Technology for Gender Equality. GenderTech Toolkit: Building digital solutions for, with, and by girls  
(<https://www.unicef.org/eap/innovation-and-technology-gender-equality>)

Women and e-commerce in Southeast Asia  
([https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/gender+at+ifc/resources/women-and-ecommerce-sea](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/women-and-ecommerce-sea))

## LOANS TO WMSMEs

WFX's support to a pilot with a microbank in Papua New Guinea has shown initial positive results with the first disbursement of loans to WMSMEs, previously unbanked. Among others, the bank reviewed the financial data of WMSMEs on a mobile native platform which the women use to record their business transactions. This data was also integrated into an online credit scoring app to assess the credit worthiness of the WMSMEs. A cohort of loan officers was trained to review the data entered by the WMSMEs and review the automated credit scoring that the app generated.

## CERTIFIED GENDER BONDS WHAT, WHY AND HOW?

A webinar hosted by WFX on 15 March discussed the importance of expanding capital market instruments, while keeping the focus on gender equality and international standards. In his opening remarks, Asif Cheema, Director for ADB's Private Sector Financial Institutions Division, highlighted that only \$17 billion out of \$40 trillion are gender-labeled financial products within the global sustainable investment universe. During the webinar lessons learned and views from the international standard setting body, the second party opinion provider, the issuer and ADB were shared. About 76 participants attended the webinar, which was moderated by WFX lead Sabine Spohn.

► To learn more about Gender Bonds, read this ADB Brief.

## GENDER AND TECH THE NECESSARY FRONTIER

A fireside chat hosted by WFX on 29 March discussed the barriers faced by women executives in the technology space and how they can overcome these obstacles. The panelists comprising CEO and Founder of Tribe Fintech Mo Harvey and Board Member of Advance Health Intelligence and Mustang Energy PLC Jacqueline Yee discussed the difficulties involved in fundraising and emphasized the significance of having women leaders in technology firms to create women-focused financial products and advance the goals of gender-inclusive finance.

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