

Session 1 | FINTECH AND FINANCIAL INCLUSION

NEW TECHNOLOGIES, FINANCIAL INCLUSION, AND MONETARY POLICY IN CCA COUNTRIES

With bank balance sheets impaired in many countries due to the COVID crisis, alternative financing sources will gain importance in supporting the credit and economic recovery, and future growth. Recent experience shows that digital financial services can fill gaps in financial development and support greater reach and continuity in the provision of financial services, as well as lower financing costs for households and SMEs. With financial inclusion relatively limited in the CCA region, digital financial services offer an opportunity to better mobilize savings, attract investors, enhance credit risk management, and improve regulatory compliance. For this, however, robust legal and regulatory frameworks are needed to mitigate potential risks.

How much and how fast could fintech expand credit supply and financial inclusion of households and firms in the CCA region? What successful global and regional experiences would you highlight as good examples for the CCA region? What reforms should be prioritized in the region given recent international experience? What key legal and regulatory measures are needed to ensure the benefits of these technologies are realized for underbanked households and firms in the CCA?

Panel and presentations

Moderator: **Oksana Pak** – Head of Access to Finance and Entrepreneurship, EBRD

Presenter: **Dong He** – Deputy Director, Monetary and Capital Markets Department, IMF

Discussants:

- **Anna Zelentsova** – Co-chair, G20 Global Partnership for Financial Inclusion
- **Ousmene Mandeng** – Senior Advisor, Global Blockchain Technology, Accenture
- **Mikhail Lomtadze** – CEO & Chief Ecosystem Officer, Kaspi.kz

Key Takeaways and Quotes

- Digital finance can overcome several key disadvantages of traditional financial intermediation.
- Utilizing AI and customer information can allow almost instantaneous credit decisions, suggesting that “data is the new collateral.”
 - *“Your behavior becomes your collateral: the lender can observe how you make payments and whether you make them on time.” Dong He*
- Central bank digital currencies (CBDCs) are a crucial foundation for payment security and innovation.
- Digital ID platforms can ensure a level playing field across financial institutions.
 - *“We worked with the central bank to enable rapid and safe biometrics identification. In less than one minute, customers can open accounts and access over 5000 online services.” Mikhail Lomtadze*
- Countries need strong regulation to protect financial stability, competition, and consumers.
- Improved financial literacy in CCA countries is key to promote financial inclusion.

Summary of discussions

Dong He argued that traditional financial intermediation has several disadvantages—high unit cost, information asymmetries, and the limited availability of collateral available for SMEs—that digital finance can overcome. Digitalization brings greater efficiency (better access and lower unit cost), as well as better customer information which can be analyzed to overcome information asymmetries. It can also help improve financial inclusion for women, especially in low-income countries, where women are often a majority of mobile phone owners. This latter element potentially allows data to become the new collateral. Nonetheless, countries need to combine the benefits from a supportive environment for innovation with the need for strong regulatory and supervisory frameworks to protect financial stability, competition, and consumers.

The panelists emphasized the importance of regulated platforms and digital identification for sharing data across institutions in order to ensure a level playing field across different financial institutions, as well as the need to protect consumer privacy and improve financial literacy across the region to promote financial inclusion. They also noted the potential benefits from the facilitation of individual savings through digital platforms. Central bank digital currencies (CBDC) were seen as a crucial innovation, allowing greater payment security and laying the foundation for greater innovation by private sector platforms. Kaspi.kz from Kazakhstan outlined their experience as a rapidly growing fintech pioneer, highlighting how relying on AI and information on customer transactions and income can allow credit decisions to be made almost instantaneously, thus illustrating the concept of data as the new collateral.