

# SUSTAINABILITY, FINTECH & FINANCIAL INCLUSION

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*The presentation is based on a paper written by Douglas Arner, Ross Buckley, Dirk Zetsche and Robin Veidt:*

*Sustainability, FinTech and Financial Inclusion*

<https://ssrn.com/abstract=3387359>

## A. Topic

- *FinTech & Sustainable Investments / Sustainability as buzzwords*
- *Financial Inclusion and Sustainability are both real-world needs*
- *Investment flows into both digitization of finance and SI↑*
- *Is there a link? Where is the link? What is the impact of FinTech?*
- *How can we further sustainable investments?*

# Agenda

*A. Topic v*

*B. Definitions*

*C. FT4FI as necessary intermediate step for Sustainable Development*

*D. Towards a Framework for Digital Financial Transformation*

*E. Conclusions & Take Aways*

## B. Definitions

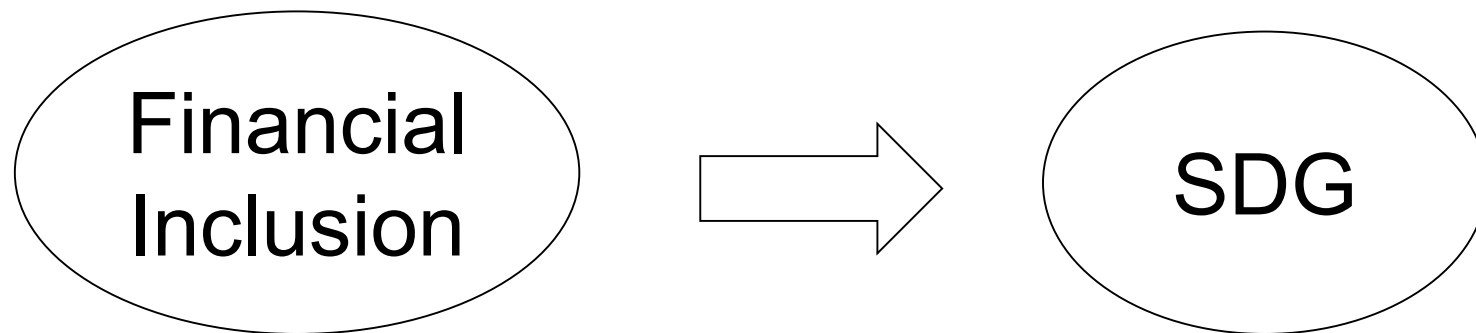
- *FinTech: Applying technology to financial services*
- *Financial Inclusion: ensuring access to financial services at affordable costs for all of society*
- *Sustainable Investments: any investment that furthers the UNSDGs*

## C. FT4FI as precondition for reaching the SDGs

- *Neither FinTech nor financial inclusion mentioned explicitly in the SDGs; but lots of initiatives (AFI, UN, Worldbank etc.)*
- *Theses:*
  - *(1) Financial Inclusion & SDGs two sides of same coin*
  - *(2) Financial Inclusion depends on FinTech*
  - *(3) FT a precondition of any successful SDG strategy*

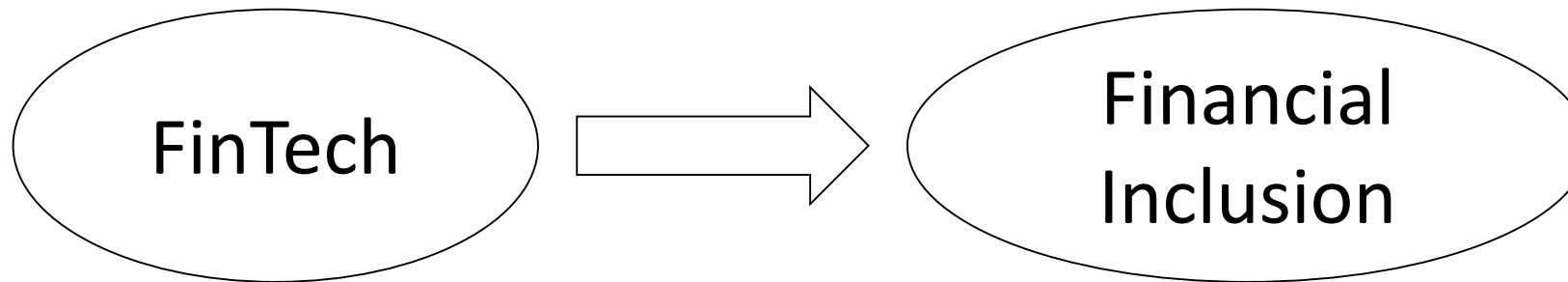
## C. FT4FI as precondition for reaching the SDGs

- *(1) SDGs preconditioned on Financial Inclusion*
  - *FI enables people to manage risks efficiently: theft => higher consumption; solution: bank-like storage & transport*
  - *health risks - long education of little value; insurance secures long-term working capacity, justifies education*
  - *Promoting prosperity while balancing risks (UNSDGs) = FI*

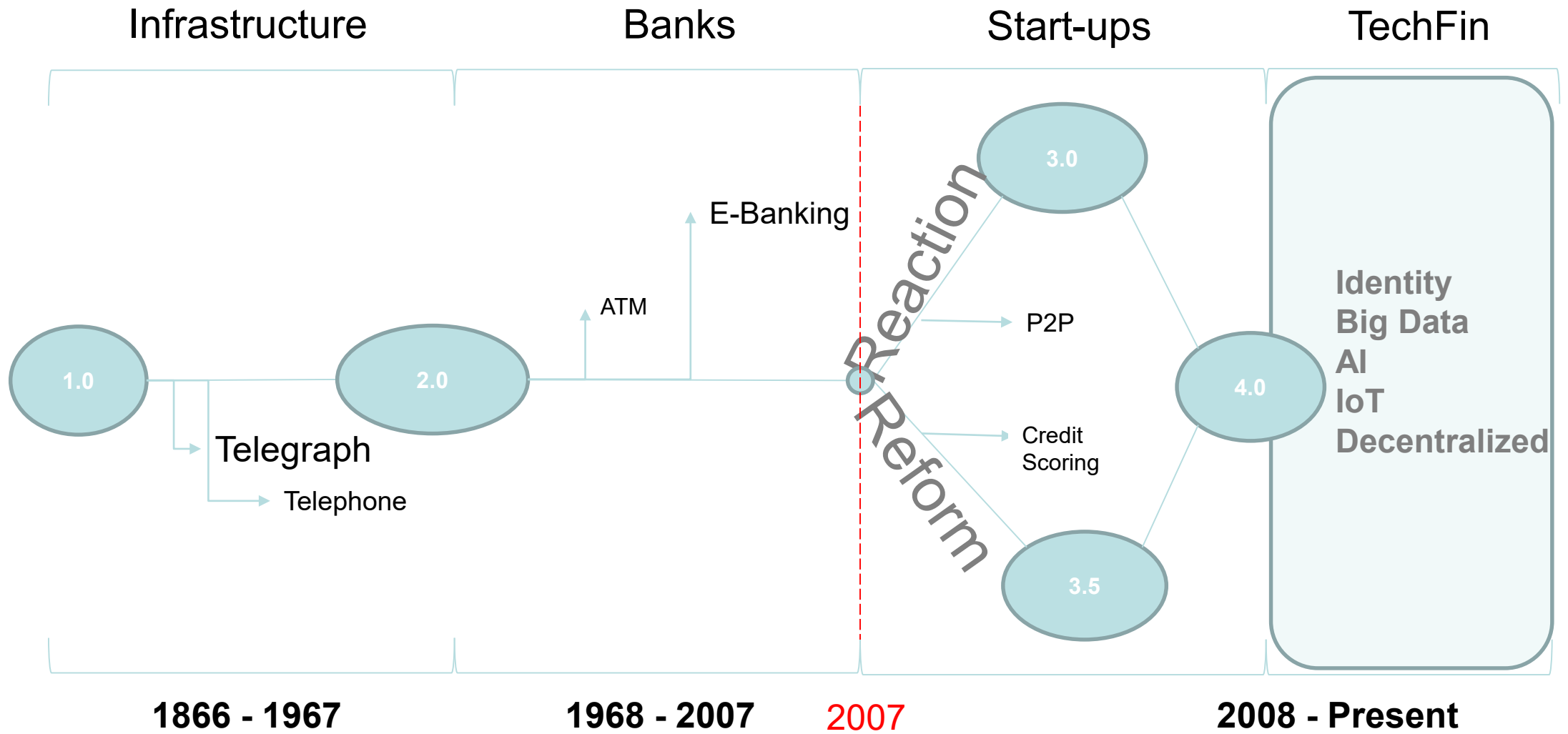


## C. FT4FI as precondition for reaching the SDGs

- *(2) Financial Inclusion depends on FinTech*



Developing World  
Developed World





## C. Mobile vs Banking Penetration

- *Within developing parts of Asia, mobile phone ownership is more wide-spread than bank account registration:*

### China

Population: 1.35bn  
Formally Banked: 63%  
Mobile Phone: 89%

### India

Population: 1.25bn  
Formally Banked: 35%  
Mobile Phone: 71%

### Malaysia

Population: 29.7m  
Formally Banked: 66%  
Mobile Phone: 131%

### Australia

Population: 23.1m  
Formally Banked: 99%  
Mobile Phone: 107%



### South Korea

Population: 50.2m  
Formally Banked: 93%  
Mobile Phone: 111%

### Japan

Population: 127.3m  
Formally Banked: 96%  
Mobile Phone: 115%

### Vietnam

Population: 89.7m  
Formally Banked: 21%  
Mobile Phone: 131%

### New Zealand

Population: 4.47m  
Formally Banked: 99%  
Mobile Phone: 106%

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## C. FT4FI as precondition for reaching the SDGs

- *(3) FT is a precondition of any successful SDG strategy*



No.	Goals	Impact	How FT4FI can further goal
1	No poverty	I	Allow for online financing, including credit and crowdfunding; create new income opportunities through online markets and payments; reduce impact of disasters
2	Zero hunger	I	Enhance financial stability; stabilize cash-flows through saving and lending
3	Good health and well-being	I	Provide health insurance and financial stability Enhancing government income and reducing leakages to increase financing available for health
4	Quality education	I	Enable financial planning and saving for school fees; Enhancing government income and reducing leakages to increase financing available for education
5	Gender equality	D	Strengthening female entrepreneurship and financial control
6-7	Water, sanitation, energy	I	Financing development and maintenance of infrastructure; further education of local sustainability expertise
8	Decent work and economic growth	D	Enable online financing, credit and crowdfunding; new (online) income and business opportunities
9	Industry, Innovation and Infrastructure	D	Provide financing for development and maintenance of infrastructure Enhancing government income and reducing leakages to increase financing available for infrastructure and R&D
10	Reduced inequalities	D	Enable funding of education and savings which provide the best opportunity for greater participation
16	Peace, justice and strong institutions	I	Robust economic development strengthens peace and civil institutions Enhancing government income and reducing leakages to improve governance, institutions and public trust
17	Partnerships	D	FT allows for engagement of private actors, multiplying assistance of public or state-supported actors

## C. FT4FI as precondition for reaching the SDGs

- *Theses:*
  - *(1) Financial Inclusion & SDGs two sides of same coin ✓*
  - *(2) Financial Inclusions depends on FinTech ✓*
  - *(3) FT a precondition of any successful SDG strategy ✓*
- *How to move forward?*

## D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, sust. growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use –** Digitization of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures

## D. Designing a framework for (inclusive) digital financial transformation

- Objectives: financial inclusion, growth, financial stability, market integrity
- **Pillar I: Empowering Access Digital ID / eKYC / simplified account opening**
  - Examples do exist for official ID systems (Adhaar etc.)
  - Business ID ≠ Official ID
    - Remanufacture Official ID from Business ID!

Digital ID/KYC Utilities

[www.ssrn.com/abstract=3224115](http://www.ssrn.com/abstract=3224115)



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- **Pillar II: Enabling use: Digital payments infrastructure and open electronic payments systems**
  - Leapfrog bricks-and-mortar bank branches with digital finance and reduce entry costs
    - Mobile Money (E-money) , China: Alipay/WeChat Pay
    - Yu'e Bao established 2013 and now world's largest MMF
  - Important: remittances
- Pillars I + II provide the fundamental infrastructure and enable Pillar III



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- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use –** Digitization of government payments and provision of services
  - Reduce leakage, improve tax collection, allow SMEs to grow within the formal financial system
  - Examples: State salaries, subsidies, health services
  - **P:** Existing systems at best half-digital
    - Use limitations, insufficient training

# D. Designing a framework for (inclusive) digital financial transformation

## Focus on Pillar III: Scaling use

- Proper design of G2P payments is key
  - Government-designed account procedures should facilitate later unrestricted (!) payments
  - P: Digital-to-real gap
    - If merchants cannot do business without accepting e-money, they will find a way to facilitate them
  - Simple functionality: Learning required to receive government support must enable to make/receive other transfers
- Government can promote e-commerce
  - Highlight the advantages of e-money, setting limits for cash transactions
  - Requiring merchants to accept digital payments

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- **Pillar II: Enabling use:** Digital payments infrastructure and open electronic payments systems
- **Pillar III: Scaling use** – Digitization of government payments and provision of services
- **Pillar IV: Expanding the quality and range of services:** Designing financial systems and structures
  - From payment to credit to insurance to wealth management

## E. Take Aways: FinTech – Financial Inclusion – Sustainable Investments

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*(1) Financial Inclusion & SDGs two sides of same coin*

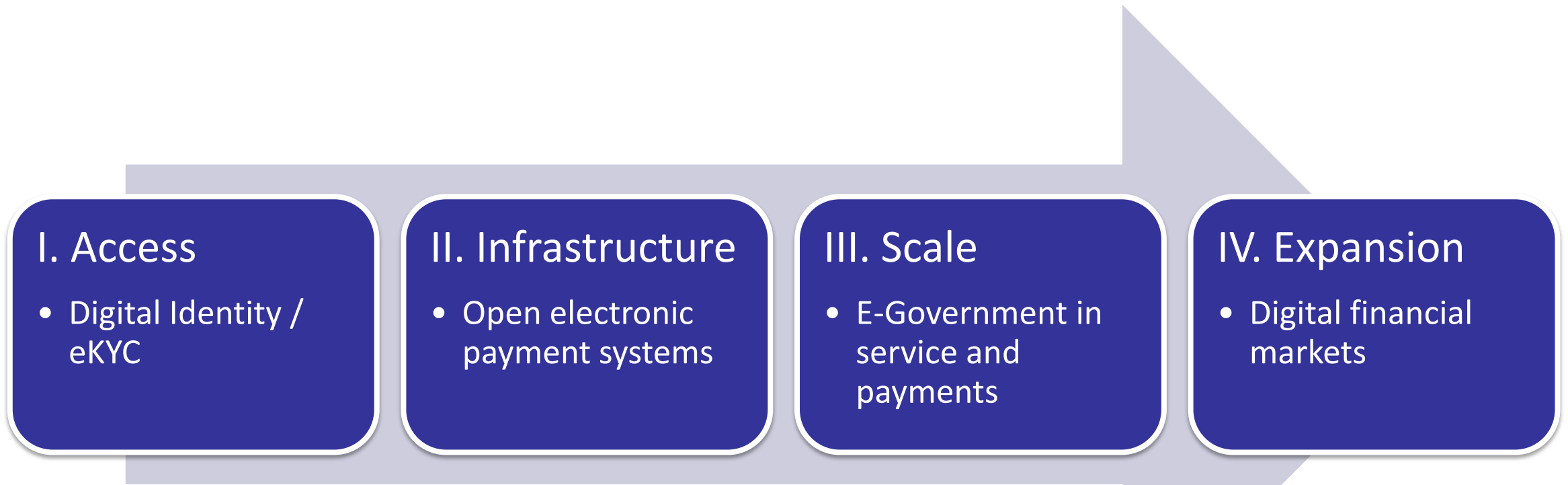
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*(2) FinTech is the key driver for Financial Inclusion*

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*(3) FT a precondition of any successful SDG strategy*

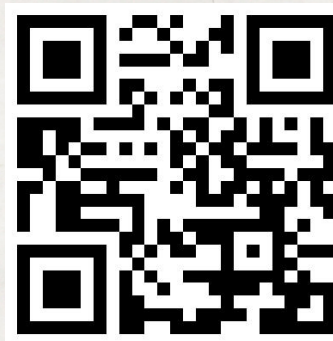
# E. Take Aways: 4 Pillars of Financial Infrastructure Development



# Thanks!

Sandboxes vs  
Innovation Hubs

<https://ssrn.com/abstract=3455872>



FT4FI vs SDGs

<https://ssrn.com/abstract=3387359>



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FT4FI

[www.ssrn.com/abstract=3245287](http://www.ssrn.com/abstract=3245287)



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