CGAP

Behind the Scenes with Inclusive Fintech Investors

19 July 2023

Moderators

Sai Krishna Kumaraswamy
Financial Sector Analyst

David Kruijff
Senior Financial Sector Specialist

CGAP

Meet The Speakers

Christina Juhasz
Managing Partner &
Chief Investment Officer
WWB Asset Management

Christian Ruehmer
Senior Investment Advisor
Bamboo Capital Partners

Ayodele Ogunnoiki
Senior Investment Associate
Goodwell Investments

Wadé Owojori
Director
GSMA Innovation Fund

Maelis Carraro
Managing Partner
Catalyst Fund

CGAP

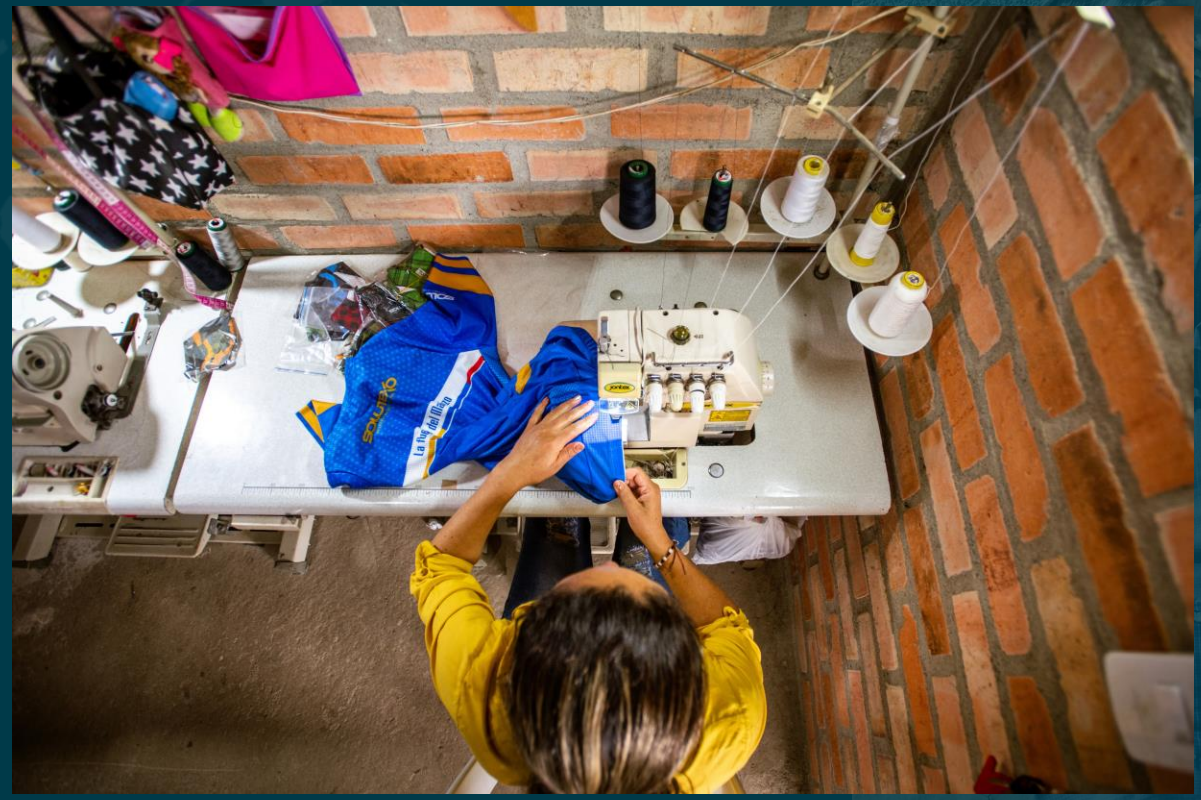
Agenda

09:00 – 09:15	Introductions and housekeeping, CGAP frames discussions
09:15 – 09:35	Moderated Panel Discussion
09:35 – 09:45	Q&A
09:45 – 10:05	Moderated Panel Discussion
10:05 – 10:15	Q&A

Saiyna Bashir, C4D 2021

CGAP

Logistics



© CGAP Photo, C4D, 2021

This is an audio broadcast. Attendee microphones will remain muted during the entire webinar session.

To ask questions during the webinar, please use the **chat box** on the right-hand side of the Webex session. Please submit your question at any time during the webinar presentation.

To ensure your question is seen by the moderator, select "**All Participants**" from the drop-down menu when sending your question.

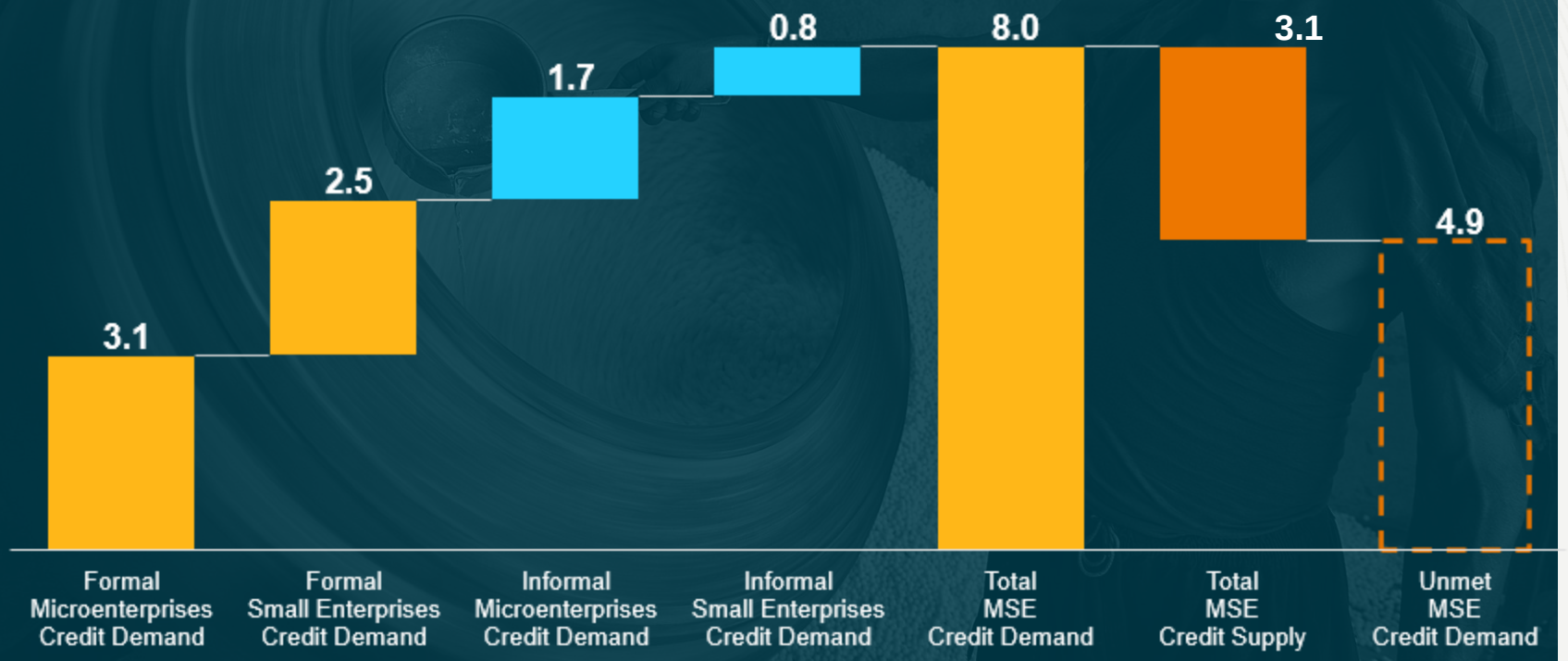
The webinar recording will be emailed to all attendees and registrants.

CGAP

Wim Opmeer, 2013 CGAP Photo Contest

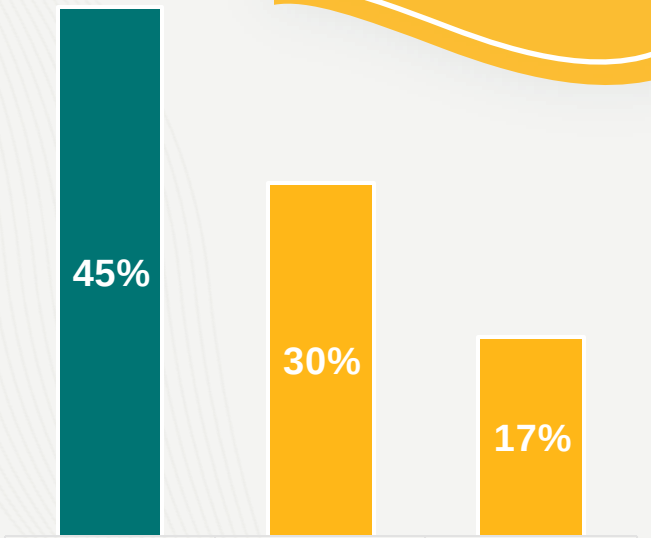
MSEs are pathways to inclusive development …. but remain severely credit constrained

Estimated Global Micro and Small Enterprise Credit Gap (*USD trillions*)



Sources: Dalberg (2019), Bridging the credit gap for micro and small enterprises through digitally enabled financing models , IFC (2017), MSME Finance Gap

487M
MSEs in EMDEs



N = 85 countries, Ayyagari et al (2014)

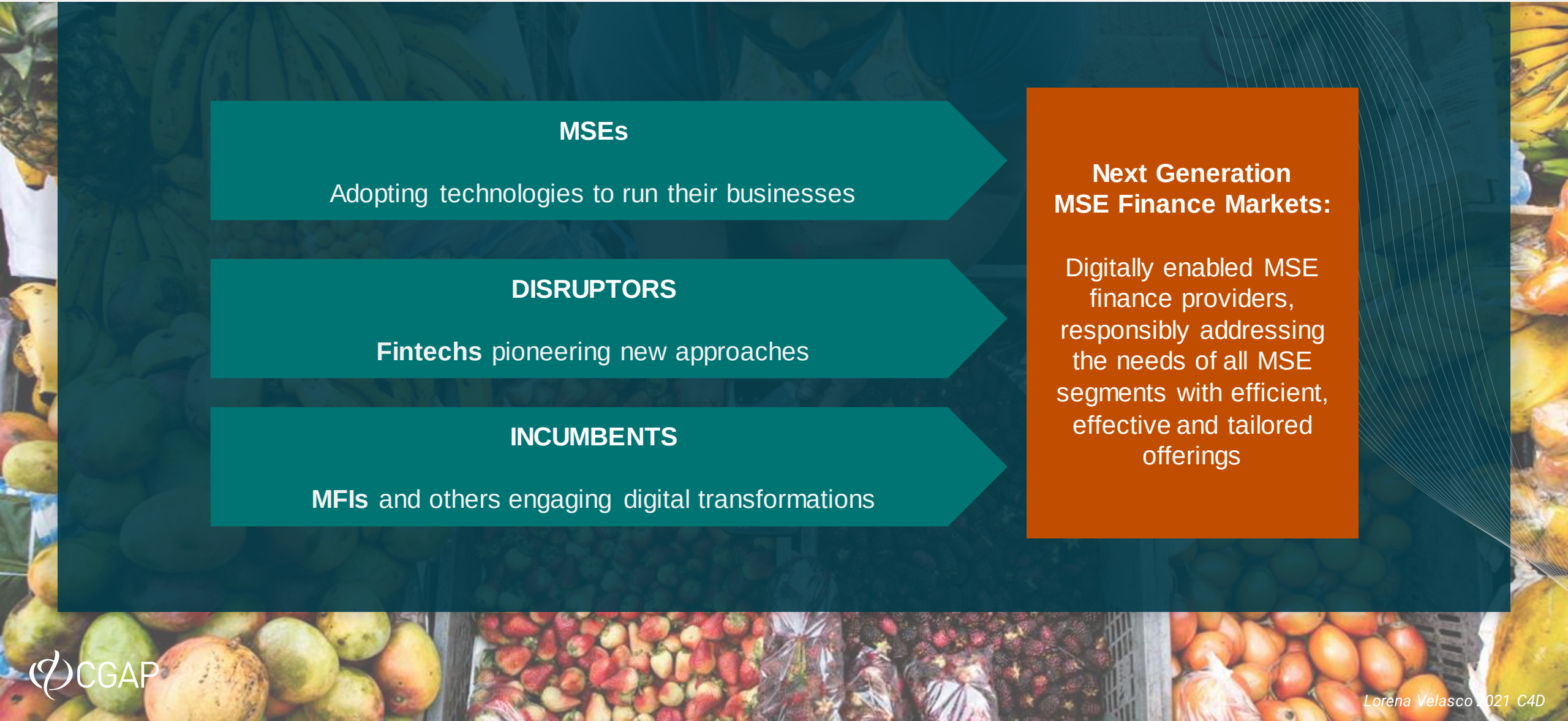
$4.9T Aggregate unmet credit demand from MSEs in emerging markets

$3.1T Total MSE credit supply

CGAP

Note: Ayyagari et al (2014) use World Bank Enterprise Survey data which excludes firms < 5 employees and informal sector firms

Technological advances show promise in overcoming traditional barriers to providing MSEs with needed financing



CGAP

Lorena Velasco, 2021 C4D

CGAP identified four archetypes of inclusive fintech models with potential to serve MSEs

PURE PLAY FINANCIAL SERVICES			EMBEDDED FINANCE	POTENTIAL IMPACT ON MSEs
DATA DRIVEN LENDING	**MARKETPLACE LENDING**	**DIGITAL BANKING**	**EMBEDDED FINANCE**	**COST** Lower credit costs **ACCESS** Easier access to credit **FIT** Tailored and personalized products **EXPERIENCE** Improved user experience
Uses digital data trails, digital tools, and new data generation methods to improve MSE lending • Merchant cash advance • Invoice financing, factoring • Input financing • Automated unsecured loans	Marketplace finance directly connects investors with Borrowers • Retail investor focused • Institutional or syndicated capital focused	Deposit-taking institutions with a bank license that deliver banking services through digital channels rather than physical branches • Neobanks • Challenger banks • BaaS providers	Seamlessly integrates financial services with nonfinancial services • Vertically integrated • Partnerships based	

MARKET PROVISONING: Facilitate the digitization of other FSP's products services

Data-driven Lending

What is it?

- Short to medium term credit, typically for working capital
- Secured or unsecured
- Fully or partially automated loan cycle

How does it work?

- Fintech hosts a digital platform that collects and manages transactional data
- Data collected through multiple methods (e.g., in-person through field agents, automatically uploads from MSE, extracted from a third party)
- Platforms continuously feed data into credit risk models for credit decisioning

How does it make money?

- Interest margins and fees linked to lending products or value of goods and services

What does the model depend on?

- Availability and quality of digital data
- Levels of digital adoption, digital infrastructure, legal and regulatory frameworks

Automation of parts of the lending cycle (e.g., customer acquisition, data collection and analysis, payments collection etc.) lowers operating expenses

Diversified data sources in credit decisioning models (e.g., demographic, household data, transaction data, online behavior etc.) reduces credit risk

AYE [आय]

kaleidofin

SympliFi

CGAP

Embedded Finance

What is it?

- Provision of financial and non-financial services through a single interface

How does it work?

- Modalities:
  - **In-house**: real sector firms offer on-balance sheet or off-balance sheet financing (e.g., SPV, captive financial institutions etc.)
  - **Partnership based**: real sector firms partner with one or more financial service providers to offer financing (e.g., with banks, MFIs, fintechs, payments providers etc.)
- **Finance led** (e.g., payments or credit + book-keeping, payroll, customer relationships management) or **non-financial services led** (e.g., stock ordering + working capital, market and price discovery + credit)

How does it make money?

- Interest margins, fees linked to embedded financial or non-financial service

What does the model depend on?

- Analysis of data from primary service to structure embedded offering
- Perceived value add by customers
- Strategic vision of providers informs types of partnerships

CGAP

Third party partnerships lowers operating expenses by reducing customer acquisition costs, streamlining product offerings, sales and servicing

Increased customer lifetime value from seamless and responsible bundling of services

Improved risk assessment by cross leveraging financial and non-financial data for credit decisioning.

Boost

&frnds.

Meet The Speakers

Christina Juhasz
Chief Investment Officer
WWB Asset Management

Christian Ruehmer
Senior Investment Advisor
Bamboo Capital Partners

Ayodele Ogunnoiki
Senior Investment Associate
Goodwell Investments

Wadé Owojori
Director
GSMA Innovation Fund

Maelis Carraro
Managing Partner
Catalyst Fund

CGAP

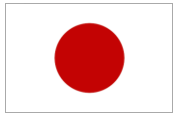
CGAP

Thank you

To learn more, please visit cgap.org

Connect with us on these social channels:

CGAP Members



CGAP MEMBERS AS OF JULY 2022