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From: [REDACTED]
Sent: Sat 4/12/2014 3:55:49 PM
Subject: fyi

‘Digital Finance’—A Means to Empower the Poor via New Technologies



Innovators and panel of private and public sector leaders assure universal access to finance within reach if new technologies are harnessed

By Christopher Colford, FPD and Sona Panajyan, IFC Advisory Services

Jin-Yong Cai, IFC executive vice president and CEO welcome participants to the "Digital Finance" seminar at the 2014 Spring Meetings.

April 10, 2014—Digital solutions and new technologies offer great potential to overcome massive development challenges and will contribute towards the World Bank Group achieving the goal of universal access to financial services by 2020, according to several speakers at a [Spring Meetings seminar yesterday](#).

With 2.5 billion people in developing countries deprived of access to formal financial services and more than 200 million small businesses lacking access to the financing they need to grow—expanding access to finance remains a challenge.

“The benefits of digital finance extend well beyond conventional financial services: this can also be a powerful tool and an engine for job creation in developing countries,” said IFC Executive Vice President and CEO Jin-Yong Cai, as he opened the forum, co-sponsored by IFC, World Bank and [CGAP, the Consultative Group to Assist the Poor](#).

The forum—moderated by CGAP director and CEO Tilman Ehrbeck—showcased companies that are implementing innovations in the digital finance space and was followed by a panel of private sector leaders and government representatives who discussed how these innovations can be taken to scale in developing countries.

Innovators from such firms as bKash, Airtel Money-Africa and Mobisol described how their businesses are tackling major development challenges by deploying various approaches to digital finance.

Kama Quadir, CEO of bKash tell how the company has touched the lives of 20 percent of adults in Bangladesh

“As millions of poor people use mobile money, like bKash, they generate an economic multiplier effect in that the value can be used in a variety of productive activities, including funding businesses. In this way, digital money allows all people to contribute to nation building efforts and to the macroeconomics of their counties,” said Kamal Quadir, CEO of bKash.

Delivering financial services through technological innovations, including via mobile money, can be a catalyst for the provision and use of a diverse set of other financial services—including credit, insurance, savings and financial education. Those who are now excluded can enjoy expanded access to money-transfer services, microloans and insurance.

"The buzzword 'digital finance' is already an everyday reality for our Tanzanian, Kenyan and Rwandan customers who are using Mobisol Solar Home Systems," said Thomas Duveau, who leads business development for Mobisol. "Paying for solar power in small installments through mobile money is not a 'fancy option': it's already the norm for commercial transactions by those at the bottom of the economic pyramid."

Digital finance also has an important role to play for small businesses. It not only provides them with access to financing but also to electronic payment systems, secure financial products and a chance to build a financial history. Arjuna Costa, partner of Omidyar Network underscored the importance of digital finance in terms of building the credit history and transactional data of individuals and firms for lenders.

Sandhya Rani, postmaster general of the Andhra Pradesh region in India emphasized the huge potential of digital finance on rural development and the role the India Post has played.

Tilman Ehrbeck, director and CEO of CGAP, invites questions from the audience.

"With over 155,000 post offices, most of which are in rural areas, we are poised to play a critical role in enhancing financial inclusion as we are able to effectively deliver a variety of financial services, including banking, insurance, and remittances even in the most remote areas of the country," said Rani.

Walt Macnee, president of the MasterCard Center for Inclusive Growth, pointed out that innovations in electronic payments technology, like mobile and prepaid, enable people to live more secure, empowered and included lives. He said digital money will be the only way to achieve universal access to finance by year 2020.

Concluding the session, panelists all agreed that for this type of innovation to scaled up, close public-private cooperation is a key factor in removing such barriers as cost, distance and regulatory complexities. "Together we can fight financial exclusion," they said.

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