ETHIOPIA DIGITAL PAYMENT CONFERENCE

ETHIOPIA'S DIGITAL TRANSFORMATION

LEVERAGING DATA AND ETHIOPIA'S INFORMATION AGE TO BRIDGE THE ACCESS TO CREDIT GAP IN KEY ECONOMIC SECTORS

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CHALLENGES OF TRADITIONAL LENDING FOR AGRIBUSINESS AND MSMES

Lack of capital

Limited access to credit

Collateral requirements

Perceived Risk

Lack of sufficient credit history

High administrative cost

The Power of Data-driven and Digital Lending

Examples of Data driven lending products that can address existing market gaps

Micro-credit   Small, uncollateralized loans based on a borrower's digital footprint (transaction data, usage patterns) can empower individuals and small businesses.

Factoring   This approach provides immediate liquidity to SMEs by converting their accounts receivable into cash. Data analysis can be used to assess the risk of unpaid invoices.

Asset-based Lending   For established businesses, data can be used to evaluate accounts receivable and inventory to secure revolving lines of credit.

Receivables Financing   This short-term financing option leverages an SME's digital payment history to determine the credit limit and manage repayments.
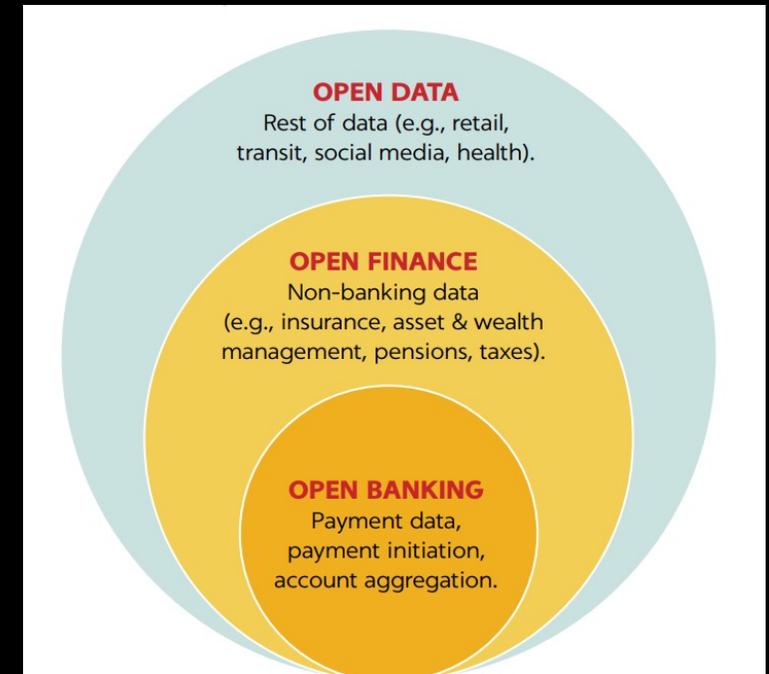
Warehouse Receipt   Use of data from the warehouse to determine supply & demand and ability to repay
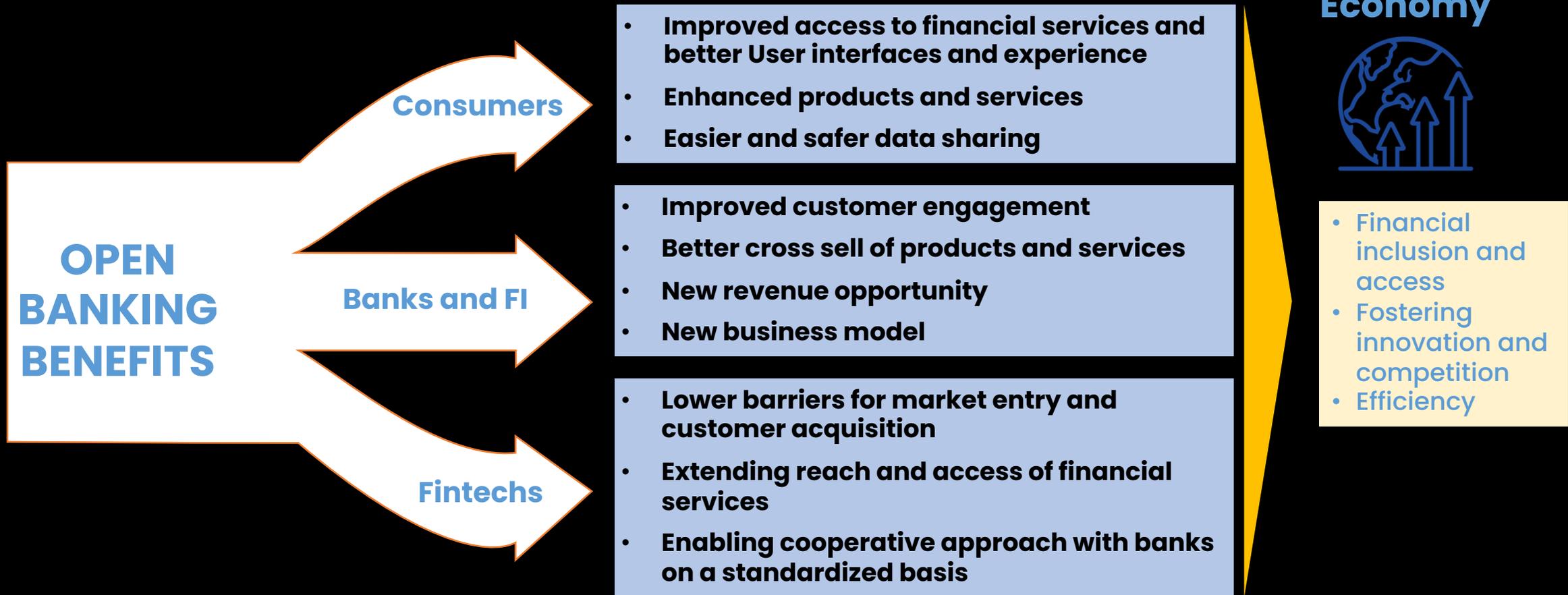
Looking ahead – Open Banking Concept

"Open banking is defined as the sharing and leveraging of customer-permissioned data by banks with third party developers and firms to build applications and services, including for example those that provide real-time payments, greater financial transparency options for account holders, marketing and cross-selling opportunities."

OPEN DATA
Rest of data (e.g., retail, transit, social media, health).

OPEN FINANCE
Non-banking data (e.g., insurance, asset & wealth management, pensions, taxes).

OPEN BANKING
Payment data, payment initiation, account aggregation.

- Open banking refers to the ability of third-party service providers to gain secure and permissioned access to users' account information.
- It allows users greater control over their banking data and enables third-party service providers to develop an array of new digital financial services.

Looking ahead – Open Banking Benefits

OPEN BANKING BENEFITS

Consumers
- Improved access to financial services and better User interfaces and experience
- Enhanced products and services
- Easier and safer data sharing

Banks and FI
- Improved customer engagement
- Better cross sell of products and services
- New revenue opportunity
- New business model

Fintechs
- Lower barriers for market entry and customer acquisition
- Extending reach and access of financial services
- Enabling cooperative approach with banks on a standardized basis

Economy
- Financial inclusion and access
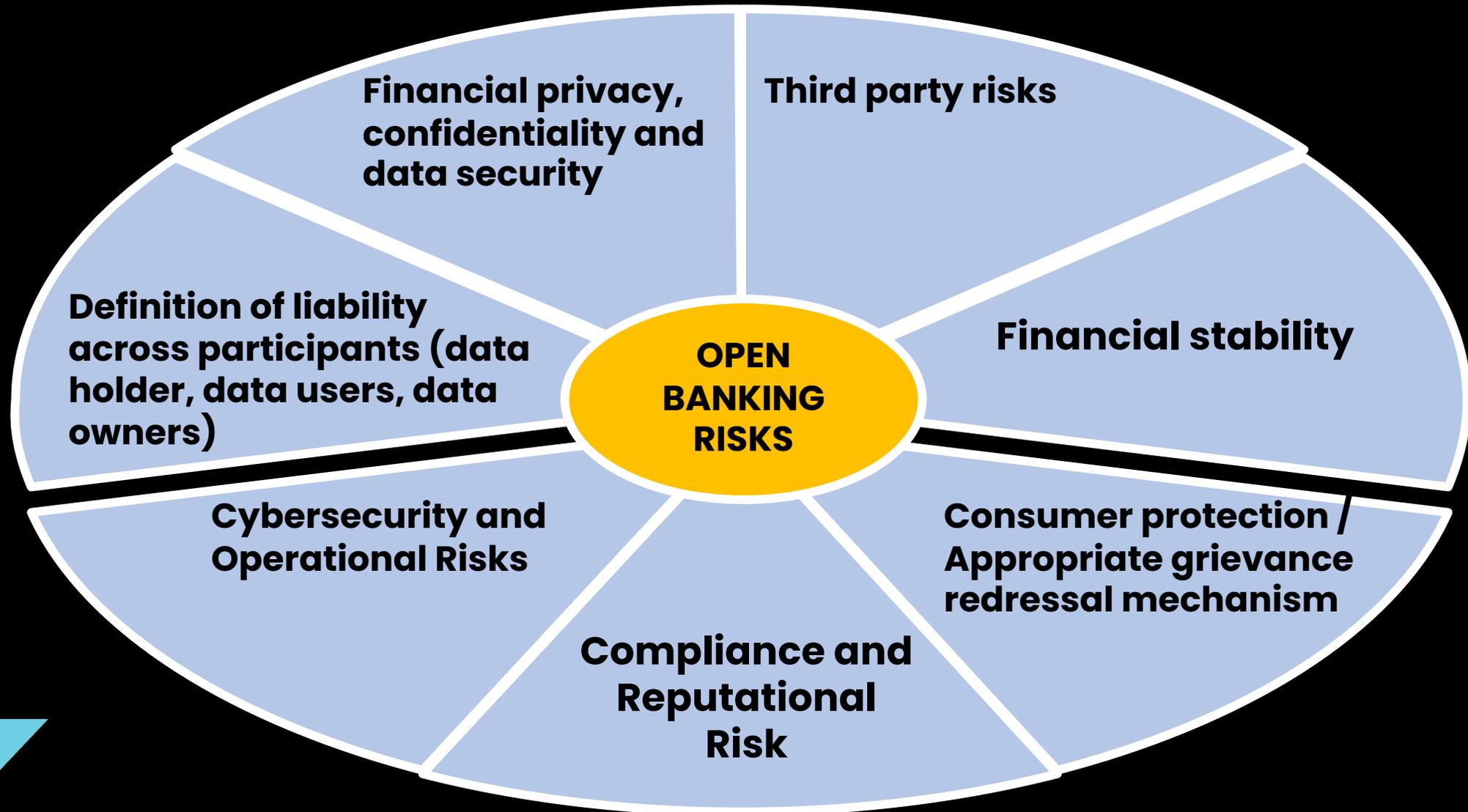- Fostering innovation and competition
- Efficiency

Use Cases

- Credit Risk Scoring

- Market Intelligence

- Collateral Valuation

- Agriculture: Weather, Pricing, Geo-spatial data, create a market place; Satellite imagery

- Access to the digital footprint of an SME can tell you a lot about engagement, sales, brand loyalty

- Partner with Telcoms company to get data on: social media, location data etc

- E-commerce plat form data a rich source of data for lenders

Looking ahead – Open Banking Risk considerations

OPEN BANKING RISKS

- Financial privacy, confidentiality and data security
- Third party risks
- Financial stability
- Consumer protection / Appropriate grievance redressal mechanism
- Compliance and Reputational Risk
- Cybersecurity and Operational Risks
- Definition of liability across participants (data holder, data users, data owners)

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THANK YOU