Challenges and opportunities for digital finance in Asia Pacific

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Recent trends and implications for MSME development

Emergence of new funding models for MSMEs: P2P/Marketplace Lending and Crowdfunding
Opportunities for sustainable development of MSMEs

Global growth reported in alternative finance business funding values for 2020

- In 2020, 47% of alternative finance activity went to MSME borrowers, issuers & fundraisers.
- Debt-based models comprise most activity at 86%.

Global Annual Business Values excluding China:

- 2015: 12 Billion ($)
- 2016: 17 Billion ($)
- 2017: 21 Billion ($)
- 2018: 31 Billion ($)
- 2019: 35 Billion ($)
- 2020: 53 Billion ($)

Asia-Pacific Annual Business Values excluding China:

- 2015: 0.8 Billion ($)
- 2016: 1.5 Billion ($)
- 2017: 2.2 Billion ($)
- 2018: 3.5 Billion ($)
- 2019: 4.3 Billion ($)
- 2020: 4.2 Billion ($)
Digital finance opportunities abound across Asia Pacific

<table>
<thead>
<tr>
<th>Region</th>
<th>Unbanked</th>
<th>Underbanked</th>
<th>Banked</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>4%</td>
<td>51%</td>
<td>45%</td>
</tr>
<tr>
<td>Europe</td>
<td>11%</td>
<td>27%</td>
<td>62%</td>
</tr>
<tr>
<td>LAC</td>
<td>3%</td>
<td>11%</td>
<td>86%</td>
</tr>
<tr>
<td>MENA</td>
<td>7%</td>
<td>10%</td>
<td>83%</td>
</tr>
<tr>
<td>SSA</td>
<td>49%</td>
<td>48%</td>
<td>3%</td>
</tr>
<tr>
<td>UK</td>
<td>4%</td>
<td>96%</td>
<td>3%</td>
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<tr>
<td>USA &amp; Canada</td>
<td>28%</td>
<td>72%</td>
<td>3%</td>
</tr>
<tr>
<td>East Asia</td>
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<td>59%</td>
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<tr>
<td>Oceania</td>
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<td>62%</td>
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<tr>
<td>South and Central Asia</td>
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<tr>
<td>South East Asia</td>
<td>9%</td>
<td>50%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: The 2nd Global Alternative Finance Industry Benchmarking Report, CCAF
Support for digital finance across Asia Pacific during Covid-19

Government schemes to assist MSMEs are being channelled through digital lending platforms (P2P lenders)

Validus Capital joins Singapore banks in offering government-backed loans

**Beneficiaries may get govt aid via GCASH—DSWD**

Business - Philippines Department of Social Welfare and Development
12 Jun 2020  +5 more  Lorenz O. Manaligan

**BENEFICIARIES** of the government’s Social Amelioration Program (SAP) may choose to receive their cash aid via digital finance app GCash to help lessen human contact and curb the spread of Covid-19.

Using the GCash platform for the program ensures that the distribution of cash aid is not a 

**Australian Government**

**The Treasury**

**SME Recovery Loan Scheme**

Source: MicroSave Consulting
Digital finance means new partnerships and greater collaboration

Facebook ties up with Indian firm to provide SMB loans up to ₹50 lakh

**BCA Joins Modalku to Tap the Indonesian SME Market**

*With over 90 percent of firms consisting of SMEs, funding and financial backing is crucial*

- P2P lending platforms help MSMEs to increase revenue by cutting costs, employ more people, provide credit scores and enable SMEs to scale up their business, which in turn eventually qualify them to take out larger bank loans - a study by the University of Indonesia

Source: P2P lending helps SMEs earn more, scale up business. The Jakarta Post
Some considerations for implementing digital finance in Asia Pacific

Opportunities

• Enhance capacity building efforts with regulators

• Greater regulatory alignment with innovation for MSMEs (common standards, open access to data, digital services, resources across countries (interoperability across borders)

• Proactive and frequent dialogue across digital finance ecosystem

• Promote digital financial literacy (esp. related to digital lending and MSMEs)

• Raise awareness of regulatory innovation initiatives (digital sandbox, innovation office, regulatory sandbox etc.)
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