Ravi Menon: Financial inclusion and innovation - retaining the customer

Opening remarks by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the BIS-World Bank Roundtable on Impact of Technology on Financial Inclusion and Financial Stability, at SFF x SWITCH 2019, Singapore, 13 November 2019.

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Let me first thank Mr Agustín Carstens, General Manager of the Bank for International Settlements (BIS) and Mr Alfonso García Mora of the World Bank Group for hosting this Roundtable.

And also Her Majesty Queen Máxima for her presence, inspiration and for tirelessly championing the cause of financial inclusion globally over the last ten years.

I am delighted to welcome the BIS, the World Bank, the UN Secretary General’s Special Advocate for Inclusive Finance for Development (UNSGSA), and fellow central bankers and regulators to the Singapore FinTech Festival.

- I hope you had time to soak in the FinTech Festival, feel its spirit and energy, spilling over 60,000 attendees, six halls, and 1,000 exhibitors.

I want to focus my remarks on the important evolution taking place in financial inclusion: from Financial Inclusion 1.0 to Financial Inclusion 2.0.

- Financial Inclusion 1.0 was about improving *access* to bank accounts. Financial Inclusion 2.0 focuses on *usage* of bank accounts.

- Financial Inclusion 1.0 was about developing nimble *innovative financial solutions* for the unbanked. Financial Inclusion 2.0 is about facilitating collaboration among financial institutions and FinTechs, to promote *integrated solutions.*

The need to move the goal from merely access to well-informed usage is increasingly recognised in the development community.

- The World Bank’s Global Findex Database reports that 20% of bank account owners have not used their accounts in the past 12 months.

As any entrepreneur joining us at the Festival would know, user *acquisition* is easy. It is simply a matter of good price and good marketing. User *retention* is the true test of the utility that a product provides. This is where the focus needs to shift.

In other words, policy, infrastructure, and services aimed at improving financial inclusion need to genuinely make a difference in people’s lives so that inclusion is meaningful and sustained.

- Products need to be designed with the end-user in mind, to delight rather than to perplex with technology.

What is the role of central banks and regulators in ensuring that financial inclusion initiatives stick, while safeguarding that innovation delivers responsible, stable and inclusive outcomes for those most in need?

Let me make two major points in this context.

- First, FinTech must offer *interoperable* solutions.

- Second, the solutions must be *embedded* in the broader context of people's lives and the daily operations of businesses.

Financial products need interoperable rails to reach customers effectively. Let me cite two quick examples: identity and payments.

Identity is the starting point in any digital transaction. If the process of authenticating yourself is easy and secure, you are more likely to begin using and continue using additive financial services.

Payments is the most basic financial service. People are more likely to continue using digital payments if they can do so without regard for the recipient's mobile provider or bank.

In Singapore, in the case of both identity authentication and payments, we have striven to make the user experience seamless and delightful.

MyInfo is Singapore's shared consumer e-KYC engine.

  - There are more than 50 government and 200 private sector digital services that a user can access via MyInfo.

- Our personal data is spread across different government agencies.

- They are not brought together because any one government agency should not know all the personal details about a citizen; agencies should only collect and access data relevant to their work.

- MyInfo empowers the consumer to give consent to his service provider to access his personal data residing in different government agencies, be it for opening a bank account or applying for a credit card.

PayNow is our system for cheaper, faster and secure interoperable peer-to-peer payments. It has reached S$1 billion in transactions per month.

Other countries, notably India, Estonia, and the Nordics, have also created advanced industry-wide digital infrastructures.

  - A next step would be to learn from one another's experience in developing public digital infrastructures – to meet our own country needs as well as to ensure seamless interoperability of these infrastructures across borders.

Second, digital finance needs to be embedded in the way small businesses operate daily, across their supply chains.

  - A merchant is more likely to pay her employees digitally, if she receives digital payments from her customers, and transacts digitally with her suppliers.

- We will not progress if we have cash on one side of the supply chain, and digital payments on the other.

Going a step further, if we can unlock digital SME trade across borders, we will help SMEs access a broader range of trading opportunities and reach economies of scale faster.

  - This is what the *Business Sans Borders* initiative by MAS and the InfoComm Development Authority is seeking to do.

- *BsB* is an open connector of platforms (a "meta-hub") which helps address three challenges faced by SMEs – opaque pricing, complex supply chains, and lack of access to digital solutions.

- This is a cross-border platform, connecting infrastructure across countries.

Fundamentally, *finance needs to support the way people live their lives and businesses go about their business.*

    - Embedding innovation and digital finance in people's lives is the only way to achieve sustained and meaningful financial inclusion.

- As countries, we must learn from one other, partner in innovative projects, and manage risks collaboratively.

- And we should do so with the *consumer right at the centre of our thinking.*