

Fintech For The Underserved

— Faster and smarter networks have triggered a wave of startups targeting people in emerging economies who have traditionally lacked access to basic financial services.

By Chris O'Brien

● **After a friend's accident on the roads of Delhi, Rohan Malhotra recalls spending several frustrating hours trying to file a claim with an insurance company.** He could summon an Uber in 10 minutes and get a pizza delivered in half an hour. But making an urgent connection with an insurance agent remained frustratingly elusive. With India experiencing falling mobile data tariffs and a rapid adoption of smartphones, Malhotra decided the time was right to launch a mobile-first insurance product that leverages connectivity as well as artificial intelligence (AI). "In India, less than 2% of the population has some kind of insurance," says Malhotra. "To introduce people here to insurance, we are building micro-insurance products that they can use on their phones. The best way to introduce them to a new service is to do it in a system they are already adopting." Roadzen is just one example of a new generation of fintechs in emerging markets. These companies are riding a wave of faster and smarter mobile networks and combining tools such as drones, Internet of Things (IoT) technologies, AI, and smartphones to capture and analyze data in new ways in order to offer loans, insurance, payments and savings to populations that have traditionally lacked access to such financial services. Singapore-based Grab, a mobile-first ride-hailing service, for instance, has started using its platform to deliver financial services such as payments, loans and savings accounts to residents in eight Southeast Asian countries. And in January its announced a joint venture with Chinese online insurance group ZhongAn that will additionally allow south-east Asian users to purchase insurance through the the ride-hailing app. In a region where almost 40% of people don't have bank accounts, Grab is becoming a de facto bank, acting as a place to store money and spend it, allowing its users to join the digital economy. "Many parts of the population are coming online for the first time," says Theo Vassilakis, Grab's chief technology officer. "We saw the opportunity to give them the things they need for their everyday lives in one place that they trust, and that just works." Perhaps no one has a better perspective on the multiple types of fintech innovations in emerging markets than Michael

Schlein, the CEO of non-profit impact investor Accion, which got its start in the early 1960s as a community development project in South America, eventually became a pioneer of concepts like micro-lending in the 1970s, and then created a for-profit bank in the 1980s that targets developing economies. Those models proved successful for the communities, but also for Accion, which reported strong returns on investments, allowing it to keep expanding its reach. Eventually, the organization turned its attention to what Accion calls "fintech for the underserved." In 2012, it created Accion Venture Lab to focus on seed investing, and then in 2017, the Accion Inclusion Frontier Fund with \$141 million to make larger investments to help young companies in emerging markets ready to scale up. "It really fits with our mission, because ... we're willing to take chances that others aren't," Schlein says. "We work directly with them and support them so that bigger institutions eventually will invest and bring them to greater scale. Around the world there are about 3 billion people for whom the global financial system is invisible, and they are invisible to it." While Accion has been operating for more than four decades, Schlein said that due to faster networks and new technologies there has been a dramatic acceleration of fintech innovation that wouldn't have been possible even a few years ago.

A Dramatic Acceleration In Innovation

In Kenya, for instance, Schlein points to Apollo Agriculture which is using satellite imagery to analyze land to extend loans to farms, while another Accion Venture Lab portfolio company Pula uses similar technology for insurance. Another portfolio company in Mexico, Konfio, helps small businesses digitize their operations for free and then uses the data to establish their creditworthiness and eligibility for loans. In South Africa, startup Lumkani extends home insurance to informal settlements in part by providing IoT-connected heat detectors that sound in connected homes, because when a fire breaks out it typically spreads rapidly. "There is huge infrastructure that is being laid by mobile network operators and government," Schlein says. "And a lot of these innovators are going to bring higher level financial services and ride on the rails that are being laid." James Saruchera, CEO and co-founder of Kuvacash, is hoping to do exactly that in Zimbabwe. Growing up there, he watched his parents' pensions get wiped out by hyperinflation. Currency volatility continues to make it difficult



Photo provided by Accion Venture Lab

for residents to save, and to attract outside investment to the country. To address that, Kuvacash is creating a mobile wallet system using blockchain technology. Residents can upload their money to the wallet where it is stored as a stable coin cryptocurrency created by Kuvacash that is pegged to the U.S. dollar. "The infrastructure allows them to have it in digital currency where they can move it at low cost, peer-to-peer around the world or send to any bank account," Saruchera says. The Kuvacash wallet is also laying the foundation for something that Saruchera believes will have a far greater impact. By creating a less volatile payment system, he thinks Kuvacash can help attract more outside investment into the country's infrastructure. Right now, an international investor might be reluctant to back construction of a toll road because of the likelihood currency devaluation will make it hard to recoup their money, he says. But if the funding for a project and the fees paid by users are done through Kuvacash, that stability would create greater transparency and confidence. Indeed, Kuvacash is already involved in the development of plans to build an aerial cable car system in the capital city of Harare to relieve traffic congestion.

As part of the plan, passengers would be able to pay with their Kuvacash wallet, and network providers would allocate more connectivity along the cable car lines. "What we see as a great opportunity is not just transforming how money moves in and out of developing countries like Zimbabwe," he says. "But we also see the potential for an exponential acceleration in the quality of life for people."

Trickle-Up Innovation

Benefits are not limited to people in emerging markets. Some of the innovations being rolled out in emerging markets are now being applied in developed countries. Since launching in India Roadzen has partnered with 30-plus insurers globally, is present in the U.S. and China and looking to expand into Europe. "Insurers recognize that they need to change but they are completely hamstrung by legacy," says CEO Malhotra. "Our platform allows insurers to be more technologically-centric and embrace data-driven decision making," he says. "We are using AI to solve some of the hardest problems that insurance companies face in underwriting and in claims." ●

EMERGING MARKET FINTECH STARTUPS TO WATCH

APOLLO AGRICULTURE KENYA

WHAT IT DOES: Uses advanced satellite imagery to analyze a farmer's land in order to evaluate creditworthiness for loans.

<https://apolloagriculture.com>

PULA KENYA

WHAT IT DOES: Uses satellite imagery to establish insurance policies for farmers.

<https://www.pula-advisors.com>

ALLLIFE SOUTH AFRICA

WHAT IT DOES: Uses algorithmic pricing and an automated assessment to extend insurance to populations with HIV and other diseases who previously could not obtain policies.

<https://alllife.co.za>

KONFIO MEXICO

WHAT IT DOES: Helps small businesses digitize their internal systems for billing and payroll for free, and then uses the data to establish creditworthiness and eligibility for loans.

<https://konfio.mx/>

ROADZEN INDIA

WHAT IT DOES: Mobile-first micro-insurance policies for people in emerging markets and on-demand insurance, roadside assistance and claims management software for the global insurance industry.

www.roadzen.io