

# **Private Equity (AA) project: Financial Inclusion Market Exploration – South-East Asia**

Ashwin Bhat, Nikita Bukreyev, Pranav Mehrotra,  
Dario Steiner, Jiri Waldhauser

# Agenda

## **Project introduction**

Trends & opportunities in financial inclusion in SEA

Country deep-dives

Recent early stage investments in SEA

Major investors

Recommended schedule

Appendix 1: Backups

Appendix 2: Contact list & interview templates

# This project supports **Accion Venture Lab**, which helps drive ACCION's vision for financial inclusion

## ACCION

### ACCION

*Vision: Build a financially inclusive world where every individual has access to high-quality, affordable financial services*

#### Advisory

*Providing strategic and operational support to partner*

#### Investing

*Committed to cultivating a financially exclusive ecosystem*

#### Client education

*Promoting financial literacy and business training*



1

#### Investing in MFIs

- **Accion Gateway Fund:** equity and quasi-equity capital to MFIs in greenfield or early-stage operations

2

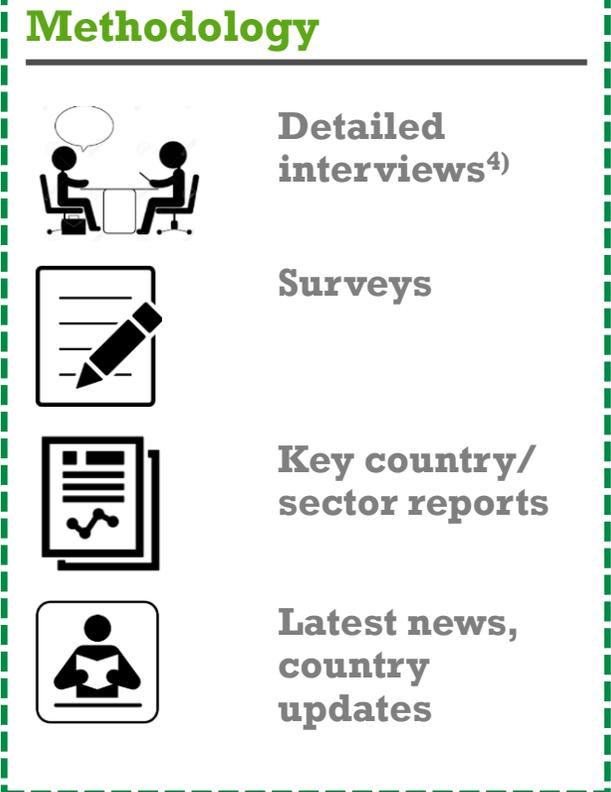
#### Investing beyond MFIs

- **Accion Venture Lab:** Globally-focused fund providing seed funding and technical assistance to promising start-ups considered by others to be “pre-investable.”
- **Accion Frontier Inclusion Fund:** Accion sponsored and is an anchor investor in the Accion Frontier Inclusion Fund, the first global emerging markets fintech fund for the financially underserved.

**xx** Accion team supported by this project

# Our objective is to shed light on VCs, start-ups and trends in the **financial inclusion space** in S.E.Asia

#	Objectives – Areas to cover
1	<b>Financial inclusion landscape in SEA</b> <ul style="list-style-type: none"><li>• Singapore<sup>1)</sup></li><li>• Indonesia</li><li>• Philippines</li><li>• Thailand<sup>2)</sup></li><li>• Vietnam</li><li>• Other countries (Malaysia, Myanmar)<sup>3)</sup></li></ul>
2	<b>Venture Capital funds / Accelerator ecosystem in SEA</b> <ul style="list-style-type: none"><li>• Key players, Insights</li><li>• Contacts</li></ul>
3	<b>Opportunities for Accion Venture Labs</b> <ul style="list-style-type: none"><li>• Recommendations, next steps plan</li></ul>
4	<b>Detailed interview notes from VCs, start-ups, etc in the region</b>



1) While Singapore is clearly the focal point for VCs and accelerators in the region, the country's population does not tally with Accion's financial inclusion imperative, and we have therefore focused less here.

2) We found finding (a) experts (b) start-ups (c) useful local data the most challenging for Thailand as it is very local in terms of top talent, language, trends. We therefore did not cover the country in detail in this report.

3) As our team had ties to Malaysia and Myanmar, we have added two bonus chapters for these countries.

4) Interview transcripts provided along with this report.

# Agenda

Project introduction

**Trends & opportunities in financial inclusion in SEA**

Country deep-dives

Recent early stage investments in SEA

Major investors

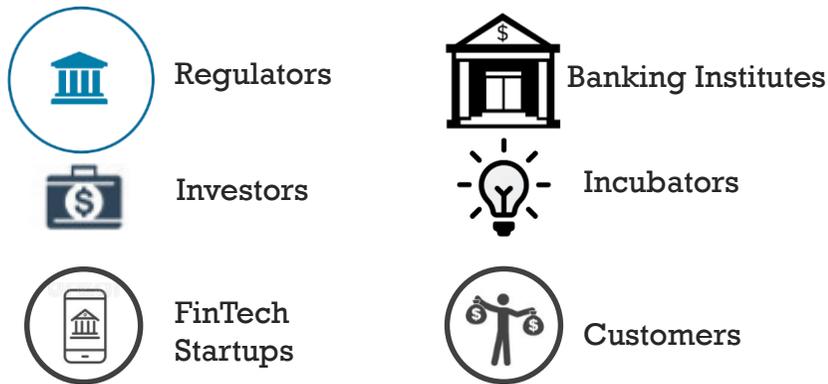
Recommended schedule

Appendix 1: Backups

Appendix 2: Contact list & interview templates

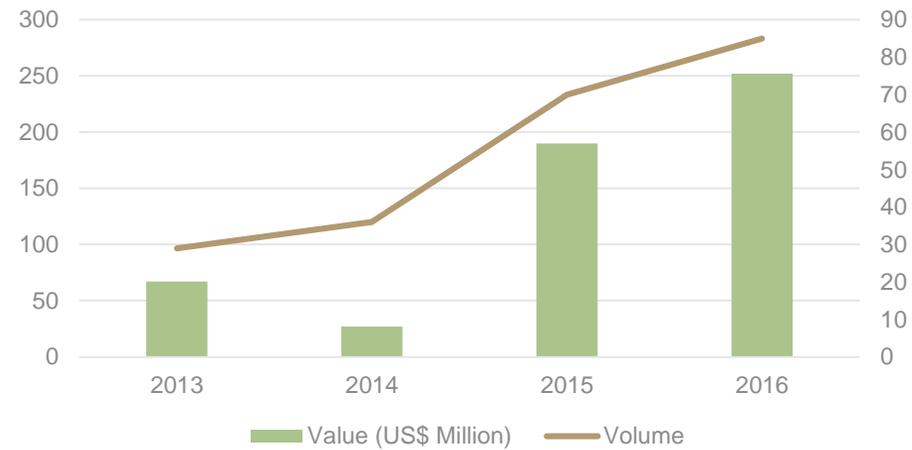
# With increasing digital penetration and awareness SE Asia offers a huge potential for VC investment

## Players of the Financial Inclusion Ecosystem



## Key 2017 FinTech ASEAN Investment Trends

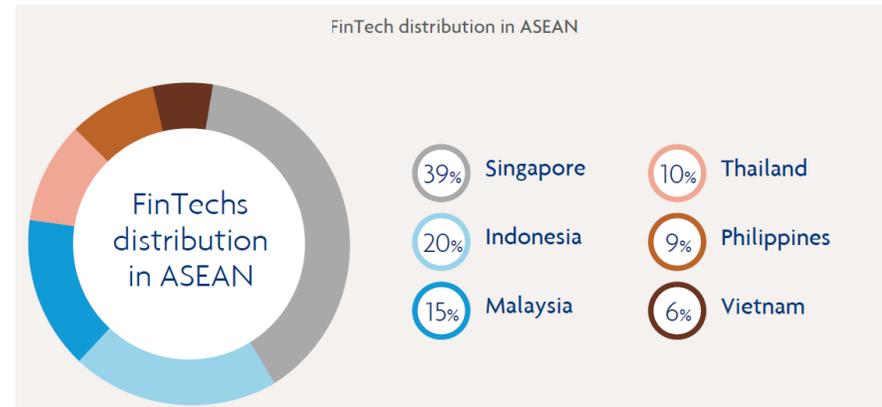
FinTech funding ASEAN



## Snapshot of Payment FinTech in ASEAN



FinTech distribution in ASEAN



# There are four categories where there is a gap between the need for financial inclusion products and their availability

The gap has been defined based on difference between the product needs of the target segment (Bottom of pyramid, women and MSMEs) and the current volume of transactions linked to this segment.  
For insurance, the analysis is top down based on the population and low current penetration



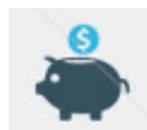
## Payments & Transfers

A **\$160 billion** gap exists in Indonesia and Philippines. The Philippines has the lowest gap at 25%, as electronic payments there are relatively evolved. In contrast, the payments gap in Indonesia exceeds 65%.



## Savings

A **\$60 billion** gap across the Indonesia and Philippines. Indonesia has made the most progress on this front, and has a gap of only 25%. The Philippines has a gap of 40% and Cambodia a gap of 85%, and both markets are dominated by informal savings.



## Credit

Currently met by informal lenders. The gap amounts to approximately **\$80 billion** across the five countries. The credit gap is most significant in the Philippines (50%).



## Insurance

Underdeveloped market. Insurance penetration is low in each of the four markets. It is relatively high in the Philippines, where about 4% of insurance needs are currently met by micro-insurance providers. Indonesia only about 1% of current needs are met. Annual premium potential of **\$650 million**.

Several activities are happening in Payments & Savings across the region. Insurance remains an untapped and underdeveloped market offering the most opportunities

# We have analysed the region on three key dimensions

1

## Market Enablers

- **Demand** side drivers would enable the market to be favourable.
  - Financial & Digital literacy and awareness
  - KYC like compliance requirement
- **Last Mile Access** is key to ensure product reach
  - Availability of alternate distribution channels for different product/supplier
  - Effective operating platform enabling agent to service provider and agent to customer
- **Digital Penetration/ innovation**
  - **Smartphone and mobile internet** penetration increases rapidly (even though some areas remain offline) which opens door for fintech to previously un-serviced segments
  - **Innovation** to introduce new business models and disruptions to the current landscape (e.g. GoJek, Lenddo)

2

## Regulations

- **Coordinated Framework**
  - Clear and consistent view on role of Public and Private financial services
  - Alignment across financial services – payments, savigns, credit and insurance
- **Ease of Entry**
  - **Customer Protection** with dispute resolution mechanisms
  - Privacy Laws against data protection
  - Mandate on foreign investments

3

## Products

- **Payment** side drivers would enable the market to be favourable.
  - **Enabling volume** will be driven by a push for G2P (govt to people) and P2G for **digitalization of welfare schemes**
  - **Interoperability** across retain network mandated by market and regulation
  - **Extending access** by cashless government strategy and increased electronic access points
- **Savings** side drivers would enable the market to be favourable.
  - Financial & Digital literacy and awareness
  - KYC like compliance requirement
- **Credit** side drivers would enable the market to be favourable.
  - Financial & Digital literacy and awareness
  - KYC like compliance requirement
- **Insurance** side drivers would enable the market to be favourable.
  - Financial & Digital literacy and awareness
  - KYC like compliance requirement

# The ecosystem for financial inclusion was analysed on two key dimensions

Key Drivers							
1 Market Enablers	Financial Literacy						
	KYC Requirements						
	KYC Infrastructure						
	Digital Penetration						
	Last Mile Connectivity						
2 Regulations	Regulatory Coordination						
	Dispute resolution						
	Data Governance						
	Unified Vision						
	Ease of Entry						

Singapore is a hub and a benchmark in the region for building an ecosystem for financial inclusion

Note : Thailand has not been analysed due to unavailability of information and interviewers. Malaysia and Myanmar have been analysed additionally  
 Source : Asian Development Bank report – “Accelerating Financial Inclusion In South-east Asia With Digital Finance” and external interviews

 Favorable  
 Not Favorable

# Payments and Insurance have the highest market potential moving forward across the region

Key Drivers							
<b>3a</b> Payments	Critical Volume : G2P, P2G						
	Interoperability						
	Physical Access (PoS)						
<b>3b</b> Savings	Culture and Awareness						
	Product Diversity						
	Access & Convenience						
<b>3c</b> Credit	Infrastructure						
	Credit Risk Assessment						
	Delivery & Collection						
<b>3d</b> Insurance	Awareness						
	Delivering & Services						
	Definition of scope of insurer						

Myanmar is the most underdeveloped in the region and would see increasing activity in the coming years

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

**Country deep-dives**

Recent early stage investments in SEA

Major investors

Recommended schedule

Appendix 1: Backups

Appendix 2: Contact list & interview templates

# Indonesia: biggest and rapidly evolving SEA market with very low, yet improving, financial services penetration



## General indicators

Area:  
1,905 K km<sup>2</sup>



Population:  
267 M (+1.1% YoY growth)

GDP:<sup>2</sup>  
\$1,011 B (+5.1% YoY growth)

GDP per capita @ PPP:  
\$12.3 K (+3.8% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
25.4% (+3.5 p.p. YoY growth)

Mobile SIM penetration:  
147.7% (+7.8 p.p. YoY growth)

Smartphone penetration:  
20.7% (+1.7 p.p. YoY growth)



## Insurance coverage

Insurance penetration:<sup>3</sup>  
1.8% (+13% YoY growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
35.9% (+5.5 p.p. YoY growth)

Has debit card:  
25.9% (+5.1 p.p. YoY growth)

# ATMs per 100 K adults:  
36.5 (+6.6 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
5.1%

Used mobile phone to send money:  
0.6%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
13.1% (+1.5 p.p. YoY growth)

Borrowed from family or friend:  
41.5% (-0.3 p.p. YoY growth)

Has credit card:  
1.6% (+0.4 p.p. YoY growth)

Borrowed for business purposes:  
11.7%

Saved any money last year:  
69.3% (+9.6 p.p. YoY growth)

As internet (~25%) and smartphone (~21%) penetration deepens, opportunity opens for digital financial service providers to tap the largely unbanked and growing population

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IMF, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, yearly growth is avg. of 2011-2014. 2. Nominal, growth rate real (2016). 3. Total GPW as % of GDP

# Indonesia: Major opportunities to improve financial inclusion will be SME lending, agri-finance and insurance tech



## Market trends

- Major development has been in the **payments / e-wallet** space, spearheaded by GoJek and Grab
  - Established players<sup>1</sup> start tapping the unbanked segment with their e-wallets services (via agents)
  - E-commerce platforms develop own payment solutions (Tokopedia) and payment platforms develop e-commerce arms (GoJek) → everybody wants to become “WeChat”
- **Consumer lending** has seen significant development too, however opportunities remain
  - Indonesian GDP growth fueled primarily by personal consumption growth
  - First loans Indonesians take are \$100-200 credit card loans; later switch to short-term (4-5 month) unsecured loans
- **Smartphone and mobile internet** penetration increases rapidly (even though some islands, especially in the east still offline) which opens door for fintech to previously un-serviced segments
- Established banks are opening their **CVC** arms (Mandiri, BRI, BNO); local and foreign VCs enter the market and all look at fintech as priority segment; however there are enough opportunities for all



## Challenges

- **Regulation** remains the main challenge in Indonesia – very conservative after Asian financial crisis, frequent changes
- **Specifics of the local market** and lack of knowledge thereof by foreign investors are a major problem
- **Cultural fragmentation** is an issue (what works in Jakarta does not necessarily work in Sulawesi)



## Other

- **Appetite to meet** with Accion very high
- Even though some regional players are present in Indonesia, for smaller players **local presence** is crucial



## New opportunities

- While payments (and increasingly consumer lending) is a highly contested space, other fintech areas are largely untapped and highly attractive for early stage VC investors:
- **Opportunity 1: Lending to SMEs** – many small businesses in Indonesia cannot obtain financing to grow to the next level; Indonesian banks are very conservative
- **Opportunity 2: Agri-finance** – agriculture is a huge unbanked segment with little attention from creditors so far; today, farmers need to borrow from unofficial lenders
- **Opportunity 3: Insurance tech** – completely nascent space in Indonesia; first attempts at life-insurance

1. GoJek, Grab, Traveloka, Tokopedia

# Indonesia: What we heard from the market...



*"SMEs are the backbone of Indonesian economy but they can't get loans from banks to grow to the next level."*

*"Whoever successfully combines payments with e-commerce will become the next multi-billion unicorn."*

*"Anything that will make consumption for Indonesians easier is a great opportunity. Empower Indonesians to consume!"*

*"Main problem is that business don't have long enough history and collateral to get loans and must rely on P2P lending."*

*"Smartphones and mobile internet are a huge catalyst of change across industries and in banking sector particular."*

*"Insurance tech is at a very very early stage. I know only about one company in this segment."*

*"Anything which will help to scale up SMEs to mid-size/large size companies is a major opportunity."*

*"Financial inclusion indices have improved significantly however there is still A LOT to do."*

*"The biggest opportunity are sectors that have been neglected in the past – especially agri-finance."*

*"Today, farmers rely heavily on their families and informal money lenders."*

*"IFC has worked before with Accion in Latin America. This cooperation is replicable in SEA."*

*"Development of digital financial services will go hand in hand with the digitization and smartphone penetration."*

*"Lending is still very underdeveloped in Indonesia both „blue collar“ and SME side."*

*"Indonesia is a large market, there is no need to go elsewhere."*

*"Foreign investors should really look into and asses opportunities in Indonesia carefully before investing."*

# Malaysia: 2<sup>nd</sup> most developed market in the region with high smartphone and financial services penetration



## General indicators

Area:  
330 K km<sup>2</sup>



Population:  
32 M (+1.5% YoY growth)

GDP:<sup>2</sup>  
\$310 B (+8.2% YoY growth)

GDP per capita @ PPP:  
\$28.9 K (+2.7% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
78.8% (+7.2 p.p. YoY growth)

Mobile SIM penetration:  
140.8% (-1.3 p.p. YoY growth)

Smartphone penetration:  
64.1% (+7.4 p.p. YoY growth)



## Insurance coverage

Insurance penetration:<sup>3</sup>  
4.3% (+8% YoY growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
80.7% (+4.8 p.p. YoY growth)

Has debit card:  
41.2% (+6.0 p.p. YoY growth)

# ATMs per 100 K adults:  
52.9 (-0.1 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
18.8%

Used mobile phone to send money:  
0.5%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
19.5% (+2.8 p.p. YoY growth)

Borrowed from family or friend:  
39.0% (+6.4 p.p. YoY growth)

Has credit card:  
20.2% (+2.7 p.p. YoY growth)

Borrowed for business purposes:  
6.1%

Saved any money last year:  
81.6% (+10.2 p.p. YoY growth)

Despite relatively high level of development, Malaysia's internet and mobile connectivity improves rapidly and financial service penetration deepens, opening opportunities for fintechs.

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IMF, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, yearly growth is avg. of 2011-2014. 2. Nominal, growth rate real (2016). 3. Total GPW as % of GDP

# Malaysia: fairly developed and need for financial inclusion is small but still exists



## Market trends

- Malaysia is **fairly developed** and has **high rate of financial inclusion** compared with other countries in SEA (except Singapore)
  - High percentage of banked population
  - Push for convenience of internet/mobile banking means that most of population have access to financial services
- Lack of properly integrated payment services for instant, real-time interbank transfers and overseas bank transfers, leaves Malaysia **open for disruption by FinTechs**
- Government's Economic Transformation Program and Bank Negara Malaysia aim to transform Malaysia into a **cashless society**
- **Innovative regulatory sandbox** allowing FinTech to test out product innovation before launching has clear potential to improve financial services sector in Malaysia
- Malaysia has not seen the entry of **social payment** yet (like line pay in Thailand)



## Challenges

- Difficult to attract and retain **affordable top talent** (e.g. software engineers)
- Need for clearer **regulation** for FinTech
- Weak **social entrepreneurship** scene
- Political **tensions between races** (Chinese, Malay, Indians) influences business decisions and government programs. Certain entrepreneurial finance schemes are only available to local Malays



## Other

- **Fintech Initiative:** FTEG (Financial Technology Enabler Group) under BNM launched "Fintech Hacks" initiative to spur and inspire the development of fintech solutions (Apr 2017)



## New opportunities

- **Opportunity 1: e-wallets** – integration of e-wallets that have been introduced (still poor adoption by retailers)
- **Opportunity 2: social payments** – Malaysia has not seen the entry of social payments yet (like line pay in Thailand)
- **Opportunity 3: Enable repatriation of funds** for migrant workers (Malaysians working in Singapore or Indonesians/Filipinos working in Malaysia)
- **Opportunity 4: Insurance tech** – rather nascent space in Malaysia; first attempts at insurances

# Malaysia: What we heard from the market...



*“Malaysia is open for disruption by FinTechs”*

*“Malaysia has not seen the entry of social payments yet”*

*“Malaysia’s financial inclusion need is small but still exists”*

*“Malaysia has fairly high rates of financial inclusion compared with other countries in SEA”*

*“Malaysian banks have not properly integrated real-time payment services. This leaves Malaysia open for disruption by FinTechs.”*

*“We don’t see many payment startups in Malaysia because telecoms have not developed proprietary payment products.”*

*“Malaysia is fairly developed and financially sophisticated”*

*“There is no large scale of any e-wallet due to poor adoption by retailers”*

# Myanmar: most underdeveloped economy in the region with massive potential for financial inclusion improvement



## General indicators

Area:  
679 K km<sup>2</sup>



Population:  
54 M (+0.9% YoY growth)

GDP:<sup>2</sup>  
\$69 B (+5.9% YoY growth)

GDP per capita @ PPP:  
\$6.3 K (+4.9% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
25.1% (+5.7 p.p. YoY growth)

Mobile SIM penetration:  
95.7% (+27.5 p.p. YoY growth)

Smartphone penetration:  
85% (+16 p.p. YoY growth)



## Insurance coverage

Insurance penetration:<sup>3</sup>  
<1%



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
18.6%

Has debit card:  
1.7%

# ATMs per 100 K adults:  
0.1

Used internet to pay bills or purchase things:  
0.2%

Used mobile phone to send money:  
1.5%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
15.5%

Borrowed from family or friend:  
21.8%

Has credit card:  
0.2%

Borrowed for business purposes:  
22.4%

Saved any money last year:  
46.7%

Opportunity for fintech opens as economic situation in Myanmar is taking a turn with almost ~6% real GDP growth and one of the highest smartphone penetration rates (85%) among all SEA countries

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IMF, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, yearly growth is avg. of 2011-2014. 2. Nominal, growth rate real (2016). 3. Total GPW as % of GDP

# Myanmar: Over-crowded space with many MFS providers; investors should be selective and add operational value



## Market trends

- **Massive fight for MFS** (Mobile Financial Services) prize, among a surfeit of players including:
  - Telco-led MFS providers (e.g. Wave Money, Ooredoo M-Pitesan, MPT Mobile Money)
  - Bank-led MFS providers (e.g. CB Bank Easy Mobile, KBZ Mobile Banking, MAB Mobile Money, MyKyat, Myanmar Mobile Money,...)
  - Conglomerate-led MFS providers (e.g. OK Dollar)
- **Over-the-counter (OTC)** side of mobile money business starting to grow, but few digital transactions – customer take-up of digital services low
- Exceptional **growth in smartphone, data use**, and social media penetration – across Myanmar, not restricted only to urban centers
- **Lot of investors**, little (insufficient) direction on operational matters / strategy



## Challenges

- **Customer education** with regards to using the digital channel for financial services; while the OTC side of such solutions are now catching steam (e.g. Wave Money), the shift to doing digital transactions themselves is much too slow, not moving beyond a basic Phase 1 set of products
- **Regulatory oversight** very mixed; in some cases vigilant, in other cases for well-linked individuals running certain companies the regulator appears less stringent (e.g. OK Dollar)
- **Lack of sufficient local talent** to help drive innovation
- **Fierce competition** among the several foreign & locally-funded players makes prices a ‘race to the bottom’, with insufficient margins and returns for players



## Other

- **Appetite to meet** with Accion was high among selected leaders, low for one of the MFS CEOs
- **Access to talent** and **overseas best practices** almost more important than funding right now for Myanmar start-ups as lack of execution ability/ past success (or even failures) hampering growth, acceleration



## New opportunities

- **Opportunity 1: Distribution channel set up** – third party providers that help develop the distribution/ point of sales for mobile money services are in demand currently
- **Opportunity 2: Work with/ form accelerator** – very few effective accelerators on the ground, mostly run or funded by corporates. May be a good idea to take the lead in forming a stable accelerator.
- **Opportunity 3: MFIs** – huge upward potential for MFIs still in Myanmar, potential funding in this space (both tech-linked MFIs as well as traditional MFIs may be advisable)

# Myanmar: What we heard from the market...



*"Myanmar is still some ways away from a digital revolution. Over-the-counter business is our first port of call, p2p transfer a 1-3 year plan"*

*"There are only 2,000 branches for 53 or so million people. That's not even close to being enough"*

*"Initially I thought break even would be a distant dream, but it now feels like it may come within 3 years of launch..."*

*"Cash has worked, and will continue to work, because Myanmar people are trustworthy with cash. Wads of cash lying around in banks goes untouched"*

*"There's talent. Just got to really, really find it."*

*"I think the big MFS providers all have funding"*

*"Smartphone penetration here is one of the highest in the region, way ahead of Malaysia and Thailand"*

*"When you have 15-20% banking penetration..."*

*"The big urban rural split (30/70) is ideal to making remittances via the digital channel a big thing here"*

*"The world is Myanmar's oyster at the moment"*

*"Customers [could be] leapfrogging banking channels to using mobile-only banks or even mobile wallets to do their financial services"*

*"The regulatory environment and its challenges are very unique"*

*"Sometimes it used to feel like there are more MFS players here than customers...not anymore"*

*"Anything goes in Myanmar, just don't piss off the regulator too much"*

*"Myanmar has absolutely everything going for it to be a massive Mobile Financial Services market"*

# Singapore: the most developed market of SEA and regional venture hub with high level of financial inclusion



## General indicators

Area:  
1 K km<sup>2</sup>



Population:  
6 M (+1.3% YoY growth)

GDP:<sup>2</sup>  
\$305 B (+2.5% YoY growth)

GDP per capita @ PPP:  
\$90.5 K (+0.7% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
81.0% (+0.0 p.p. YoY growth)

Mobile SIM penetration:  
150.5% (-2.3 p.p. YoY growth)

Smartphone penetration:  
71.1%



## Insurance coverage

Insurance penetration:<sup>3</sup>  
6.8% (+10% YoY growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
96.4% (-0.6 p.p. YoY growth)

Has debit card:  
89.4% (+20.3 p.p. YoY growth)

# ATMs per 100 K adults:  
58.1 (-0.2 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
27.6%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
n/a

Borrowed from family or friend:  
4.4% (-3.7 p.p. YoY growth)

Has credit card:  
35.4% (-0.6 p.p. YoY growth)

Borrowed for business purposes:  
1.7%

Saved any money last year:  
73.4% (+4.2 p.p. YoY growth)

Financial inclusion potential improvement in Singapore is low. Therefore, it is not covered in detail in this report. However, it is an important fintech and VC hub for the entire region!

# Vietnam: rapidly evolving frontier market with vastly underbanked population and improving mobile connectivity



## General indicators

Area:  
330 K km<sup>2</sup>



Population:  
96 M (+1.1% YoY growth)

GDP:<sup>2</sup>  
\$216 B (+7.7% YoY growth)

GDP per capita @ PPP:  
\$6.9 K (+5.1% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
46.5% (+2.7 p.p. YoY growth)

Mobile SIM penetration:  
127.5% (-2.6 p.p. YoY growth)

Smartphone penetration:  
26.4% (+1.7 p.p. YoY growth)



## Insurance coverage

Insurance penetration:<sup>3</sup>  
1.3% (+11% YoY growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
30.9% (+3.2 p.p. YoY growth)

Has debit card:  
26.5% (+4.0 p.p. YoY growth)

# ATMs per 100 K adults:  
21.1 (+0.5 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
9.1%

Used mobile phone to send money:  
2.8%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
18.4% (+0.8 p.p. YoY growth)

Borrowed from family or friend:  
29.9% (-0.4 p.p. YoY growth)

Has credit card:  
1.9% (+0.2 p.p. YoY growth)

Borrowed for business purposes:  
7.1%

Saved any money last year:  
63.3% (+9.3 p.p. YoY growth)

Vietnam with its fast growth (~8%), improving internet (+3 p.p. annually) and smartphone (+2 p.p. annually) penetration is one of key opportunity geographies for financial inclusion improvement in SEA.

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IMF, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, yearly growth is avg. of 2011-2014. 2. Nominal, growth rate real (2016). 3. Total GPW as % of GDP

# Vietnam: financial inclusion squarely on the government's radar – potential for use of blockchain tech to leapfrog



## Market trends

- **Financial inclusion** is only recently getting very mainstream media attention, with the State Bank of Vietnam / other senior officials promoting the entire ecosystem, as well as players within:
  - Partnering with the World Bank on its financial inclusion strategy
  - Drafting the National Financial Inclusion Strategies (NFIS) aiming to get 70% of adults into the formal banking sector by 2020
  - Forming a SteerCo of successful VCs to support start-ups named “Project 844” making it easier for start-ups to get funding + setting up infrastructure such as innovation hubs in key cities
  - Supporting the opening representative offices (distribution) in rural areas
  - Driving FIs to offer digital solutions
- **Govt. wishes to support a leapfrogging in digital tech** through the introduction of identity and access management solutions, blockchain technology to improve the efficiency of banking operations
- **Interest in blockchain high** – 2,000+ people attended the Blockchain Week conference, a two-day event held in Ho Chi Minh City
- **Foreign players** entering, e.g. Thailand's True Money



## Challenges

- **Distribution and financial services touchpoints far too low** (only 10% of all service touch-points in rural areas)
- **Regulatory framework** weak to non existent, esp. for new technologies (e.g. blockchain)
- **No national policy** on financial inclusion, despite a GDP per capita ~ USD 2k; financial inclusion is not nationally synchronized and enforcement of norms is weak
- **Risk management** seen as a major deterrent to many of the banks who worry about NPLs based on increased exposure to the bottom-of-the-pyramid customer segment



## New opportunities

- **Opportunity 1: Get involved with Project 844 / newly formed Innovation Hubs** – providing mentorship and support could allow access to new start-up ideas, of which increasingly many focusing on FinTech / financial inclusion
- **Opportunity 2: Partner/ co-invest with other VCs** – Vietnam is a local market that is only recently developing momentum. Few experts exist besides those that are based locally. May make sense to syndicate deals.

# Philippines: 2<sup>nd</sup> largest and fastest growing population in SEA with largely untapped financial services potential



## General indicators

Area:  
300 K km



Population:  
103.3 M (+1.6% YoY growth)

GDP:<sup>2</sup>  
\$304.9 B (+4.1% YoY growth)

GDP per capita @ PPP:  
\$8.2 K (+5.3% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
60% (+14 p.p. YoY growth)

Mobile SIM penetration:  
109.4% (+1.7 p.p. YoY growth)

Smartphone penetration:  
55%



## Insurance coverage

Insurance penetration:<sup>3</sup>  
2.4% (+33% 2009-2014 average growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
31% (+0.5 p.p. YoY growth)

Has debit card:  
20% (+2.4 p.p. YoY growth)

# ATMs per 100 K adults:  
23.7 (+0.7 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
3.8%

Used mobile phone to send money domestically:  
16%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
11.8% (+0.4 p.p. YoY growth)

Borrowed from family or friend:  
48.7% (+3.3 p.p. YoY growth)

Used credit card in the past year:  
2%

Borrowed for business purposes:  
13.5%

Saved any money last year:  
67.3% (+7.3 p.p. YoY growth)

Internet and smartphone penetration, as well as financial inclusion, remain very low even compared with regional standards, however economy is growing rapidly window of opportunity for fintech opens.

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IME, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, unless otherwise stated. 2. Current USD (2016). 3. Total GPW as % of GDP, Prudential ASEAN Insurance Markets

# Philippines: Major opportunities revolve around merchant acquisition, wallets and insurtech; lending could be overheated



## Market trends

- **More people use smartphones** (c. 73% of population) than any other types of communication devices.
- Official underbanked population is significant, however, presence of unofficial infrastructure (especially in the microfinancing space) like pawnshops, make fintech-based general microlending business models potentially challenging.
  - Services for microlending like credit data/collection/etc. remain relatively underdeveloped
- **Customer acquisition** seems to be a relatively important issue:
  - In the **payments** space, both of the major players (GCash and PayMaya) belong to large mobile operators.
  - One of successful business models in **wallets** space, Salarium, started as Payroll software provider and subsequently used its client base to upsell.
- **High remittance needs**: it is typical for a breadwinner to work in Manila (or another urban center) and send money to his family.



## Challenges

- **Regulation** is relatively slow to react and challenging in certain areas (payment license could cost \$10 million in capital)
- Large presence of **shadow banking** which makes official underbanked statistics slightly misleading.
- **Lack of critical infrastructure** (identification, credit history)



## Other

- Philippines remain geographically and Local players will likely remain competitive, mainly because of challenging geography and relatively poor population.



## New opportunities

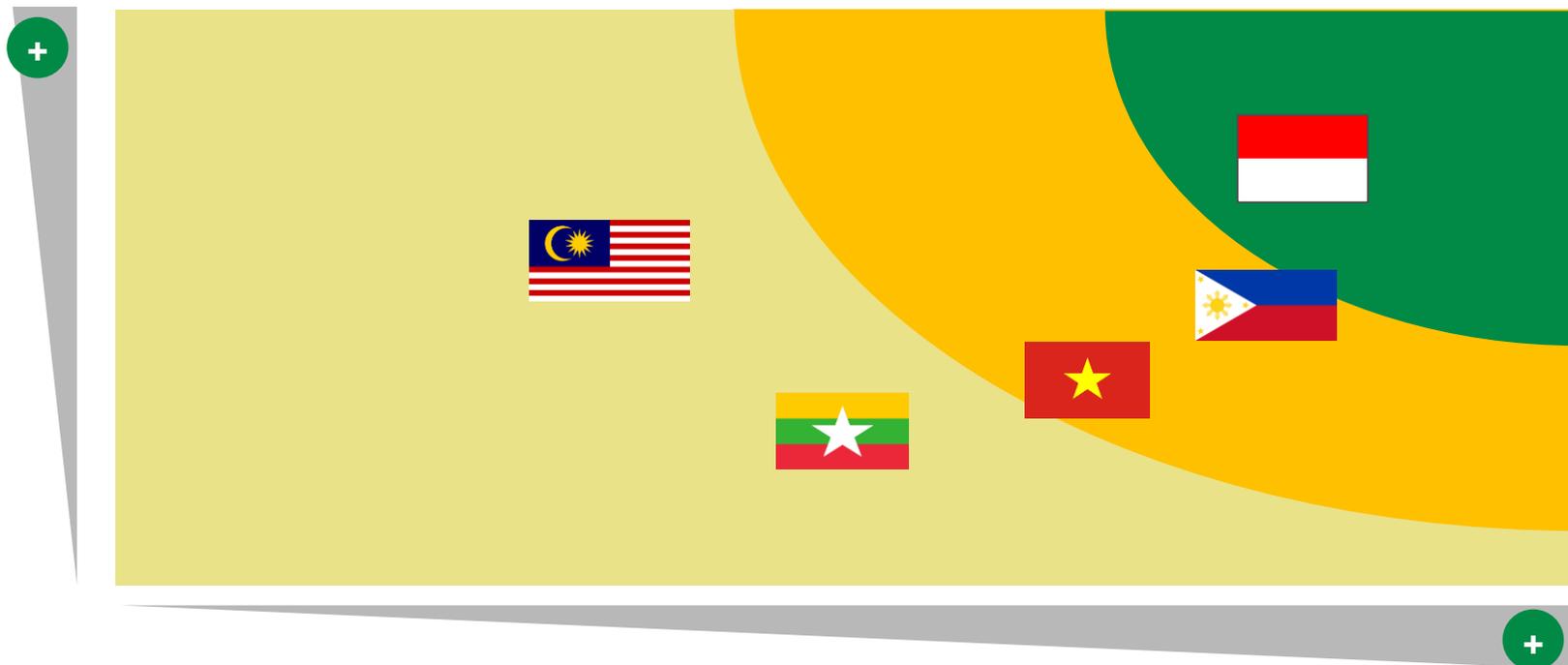
- **Opportunity 1: Lending to SMEs** – similar to many countries, lending small businesses in the Philippines could be improved with fintech (better scoring, faster processing times, etc.).
- **Opportunity 2: Merchant acquisition** – Philippines is comprised of more than 7000 islands, which makes connecting all the merchants on one platform potentially challenging.
- **Opportunity 3**: look for VCs contributing to or based upon emerging **critical infrastructure** (credit history, customer identification, etc.)

# Based on the analysis, Indonesia and Philippines should be a priority target market for Accion

The 'Attractiveness of the market' is driven by regulatory landscape, digital penetration and GDP growth. The 'Size of addressable local market' is driven by the demographics and opportunity for financial inclusion.

## Prioritization of target markets for Fin. Inclusion

Attractiveness of the market\*



As a developed economy Singapore has very high financial inclusion, and we have therefore not placed it on the chart. However, it will be an important hub catalysing the growth of financial inclusion in ASEAN

- Priority 1 Market
- Priority 2 Market
- Priority 3 Market

Size of addressable local market

# Four overarching themes & ideas found in our conversations and/or research

1

**More innovation is needed!** In recent times, start-ups have focused more on ‘me-too’ solutions rather than real innovation. There is an “innovation gap”, and its evident at many conferences / events where everyone’s pitching something similar per country.

2

**Social media** is often the first internet touch-point for new internet users in S.E.Asia. Solutions building off social media are likely to catch up much faster than others.

3

**Local, local, local.** S.E.Asia has 4 nations with a population greater than the UK’s 63 m (Indo, PHL, VT, TH)! With Myanmar a close fifth, with 55 m. Just as a French solution can’t be brute-forced into the UK, nor can a Thai into Vietnam, etc. Local solutions will win, best demonstrated by Gojek. Once the solution has been somewhat perfected, it may then be used in other nations.

4

**Agri-finance** is still a hugely under-served market in virtually every LDC in S.E.Asia, be it Indonesia, Myanmar or Vietnam. Solutions that can impact this space are worth looking at closely.

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

Country deep-dives

**Recent early stage investments in SEA**

Major investors

Recommended schedule

Appendix 1: Backups

Appendix 2: Contact list & interview templates

# Indonesia: selected recent early stage financial inclusion startups



Startup	Sector	Description	Stage	Contact
 TaniFund	Lending (agri-finance)	TaniFund is Indonesia's leading agriculture crowdlending platform that channels investors to invest in agriculture projects. Alpha JWC Ventures recently acquired a stake.	N/A	info@tanifund.com
	Lending (agri-finance)	IWAK connects investors with fish farmers. Through the platform, investors can put money into various fish farms and ponds. After a cultivation period, profit is shared.	Croudfunded	layanan@iwak.me
	P2P lending (SME)	Amartha is a P2P lending platform connecting micro-businesses with investors. Its mission is to provide capital to the underprivileged (mainly in rural areas) to start own business.	Series A	+62 21 2271 5353 support@amartha.com
	Payments	Payment platform provider for unbanked Indonesian consumers. Payfazz.com is a FinTech Startup envisioned to disrupt and simplify financial systems in Indonesia.	Series A	Payfazz.com
	Payments (e-wallet)	PT DAM is a Digital wallet provider pioneer in Indonesia. Its product, e-Cash is a mobile-based electronic money that can be used by both banked and unbanked population.	N/A	Ptdam.com
	P2P lending (SME)	Founded in 2016, Modalku is a new marketplace for P2P lending to give Indonesia's SMEs greater access to funding by means of loans pooled from crowdfunding.	Series A	info@modalku.co.id

# Malaysia: selected recent early stage financial inclusion startups



Startup	Sector	Description	Stage	Contact
	Insurance	Sells a wide range of insurance policies for such as travel, dental and personal accidents, musical instruments, photography gear and pets.	Seed	Wilson Beh <a href="#">LinkedIn</a>
	Payments	Software for merchants to collect payments. Focuses on providing 4 services to merchants, i.e. API, Billing, Payment Form and Mass Payments.	Seed	Nazroof Hakim nazroof@billplz.com +60 (0)1 0798 9480
	marketplace	Offers an e-marketplace for migrants who do not have the access to the financial services and helps buy bus ticket, air ticket, mobile top-up, vouchers, pay bill and many others.	Seed	Mehedi Hasan Sumon mehedi@mycashmy.com +60 (0)16 80 6606
	Payments	The company's community based financial services platform enables users to exchange and transfer money with peers and other users in the community.	Series A	Naysan Munusamy naysan@truehappinesscapital.com +60 (0)1 2338 7037
	Lending	Peer-to-peer financing platform providing loans for SMEs. Licensed by Securities Commission Malaysia	Series A	Reynold Wijaya reynold.wijaya@modalku.co.id +62 (0)21 2295 2883
	Lending	Provider of an education financing platform created to help students in need raise money for their education	Angel	Tengku Syamil syamil@skolafund.com

# Vietnam: selected recent financial inclusion startups



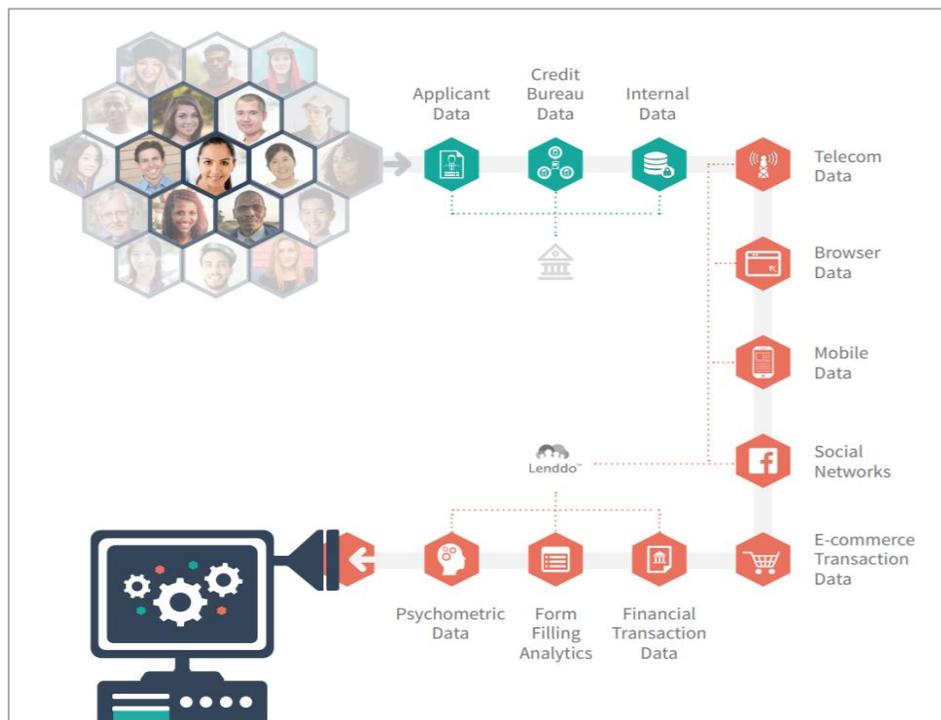
Startup	Sector	Description	Stage	Contact
	Payments	Vietnam's PayPal with a local twist; mobile POS system, smart-card solutions for transportation, location-based solutions for billers, and platforms for tuition fee management, etc	Late	Akihiro Ishizuka <a href="#">LinkedIn</a>
 <b>MOMO - VÍ ĐIỆN TỬ</b> NẠP TIỀN ĐIỆN THOẠI Thanh toán & Chuyển tiền	Credit	MoMo provides e-wallet service and over-the-counter remittance and payment platform for a customer base of 3+ million people, the statement said. It has more than 1 million mobile e-wallet customers.	Series C	Diep Nguyen <a href="#">LinkedIn</a>
 TÀI CHÍNH CÁ NHÂN	Credit	F88 pioneered professionalizing of pawn services in Vietnam, bringing a formal financial solution to consumers and modernizing the traditional pawn market.	Series B/C	Phung Anh Tuan

# Philippines: selected recent early stage financial inclusion startups



Startup	Sector	Description	Stage	Contact
	Payments	Ayannah aims to be the leading mobile commerce and payment services provider to the unbanked in emerging markets and unbanked migrants in OECD countries	Total \$7.5M raised, latest: \$3M in Series E	<a href="http://www.ayannah.com">www.ayannah.com</a>
	Wallets	SAL Pay pairs a cash card with an electronic wallet and gives employees a convenient and secure way of getting paid.	N/A	<a href="mailto:info@salarium.com">info@salarium.com</a>
	Wallet/ Payments	Tagcash is a digital wallet which you can top up at a local 7-Eleven store, by bank transfer or using cryptocurrencies. Transactions could be made via SMS, web or through API integrations	N/A	<a href="http://Tagcash.com">Tagcash.com</a> +63 (02) 955 7081
	Payments	PayMaya is a prepaid online payment app, providing the underbanked an ability to pay online without a credit card.	Self-funded	<a href="http://Paymaya.com">Paymaya.com</a> (+632) 845-77-88
	Lending	PawnHero is the first online pawnshop in the Philippines. PawnHero's mission is to provide the most convenient and reliable financial service to all Filipinos in need of quick cash loans.	Series B. Recent \$9.7M deal by PLDT	<a href="http://Pawhhero.ph">Pawhhero.ph</a>
	P2P Lending	Loansolutions is the largest network of lenders in the Philippines. The business model assumes lenders competing for borrowers in real time	Undisclosed, Investors include VC KK and Kickstart Ventures	<a href="http://Loansolutions.ph">Loansolutions.ph</a>

# Example of a successful startup: Lenddo



**\$ 2 Bn**  
Worth of loans

**5 m**  
Credit assessments

**50+**  
FI links

**20**  
Countries covered

## Key milestones

2011-12	2013	2014	2015	2016	2017-18
2011: Incorporated in the Philippines; issues first loans 2012: Launched in Cambodia	Feb: Economist: "...no company has gone as far as Lenddo, loan-seekers ask Facebook friends to vouch" Sep: One of WEF's 2014 Pioneers	Issued 10,000 loans using the LenddoScore; Accuracy for predicting defaults proven	Jan: Announced 3P connectivity Oct: Raised Series B-1 funding; Won Mondato Award in Mobile Fin/Commerce	Jan: Launched in India / South Korea Oct: Listed as leader in fintech by KPMG Nov: 360Leaders identified Lenddo as one of the top 100 fintech leaders in 2016	Jan: FICO partnership Aug: Launched in TH and AUS Sep: Chosen to be part of Endeavor Global Entrepreneur Network Oct: Merger with EFL to combine credit scoring and identity verification products Q1 2018: HQ shift to SGP

Interview with CEO of Lenddo, Richard Eldridge, can be found in Appendix 2

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

Country deep-dives

Recent early stage investments in SEA

**Major investors**

Recommended schedule

Appendix 1: Backups

Appendix 2: Contact list & interview templates

# Venture Capital Funds in Singapore

Singapore

VC Firm / Fund	Size	Contact	Focus	FinTech Portfolio
Vertex Ventures SEA / Vertex Ventures SEA III	\$210M	Ben Mathias bmathias@vertexventures.com +91 (0)80 6703 4800	Series A investments in high-growth startups in SEA.	
Life.SREDA VC / Blockchain Fund MDEC Fintech Banking Blockchain	\$100M \$40M \$60M	Vladislav Solodkiy vsolodkiy@lifesreda.com +65 6493 2135	FinTech and Blockchain related startups in SEA. Several financial inclusion in portfolio	
SBI Ven Capital / SBI-FMO Emerging Asia	\$80M	Masaki Takayanagi masaki.takayanagi@ezi.net +65 6493 2135	Financial sector in emerging SEA including financial inclusion	
Dymon Asia Ventures / Dymon Asia VC	\$50M	Christiaan Kaptein <a href="#">LinkedIn</a> +65 6705 1666	Seed to Series B investments in FinTech startups in SEA to Transform financial sector	
SeedPlus / SeedPlus Singapore	\$20M	Tiang Lim Foo tiang@seedplus.com	Seed investment in FinTech and artificial intelligence in SEA	
CentoVentures / DMP Fund II	\$40M	Dmitry Levit dmitry@cento.vc	Specialized on emerging digital markets in SEA	
Jungle Ventures / Jungle Ventures II	\$100M	Amit Anand amit@jungle-ventures.com +65 6438 1508	Series A investments in tech (ecommerce and FinTech) startups in SEA	

Only funds with vintage year after 2014 were considered.

Size corresponds to the fund target size.

# Venture Capital Funds in Indonesia, Malaysia, Thailand, Vietnam, and Japan

	VC Firm / Fund	Size	Contact	Focus	FinTech Portfolio
Indonesia	Alpha JWC Ventures / Alpha JWC Ventures	\$50M	Chandra Tjan chandra.tjan@alphajwc.com	Seed stage to Series B technology startups in Indonesia	
	MDI Ventures / Mandiri Capital	N/A	Nicko Widjaja nicko.widjaja@mdi.vc +62 (0)21 5795 8055	Early companies (Including FinTech) in SEA plus Accelerator	    
	Mandiri Capital Indonesia / Mandiri Capital	\$36M	Eddi Danusaputro +65 6220 1711	FinTech startups in SEA plus incubator	   
	Grab / Grab 4 Indonesia	\$115M	Jason Thompson +44 (0)84 4800 0233	Local start-ups in mobile and financial services industries	
Thailand	Beacon Venture Capital / Beacon VC	\$26M	Tiang Lim Foo tiang@seedplus.com	Investments in fintech products and services and support creation of innovation	
Malaysia	Malaysia Venture Capital Management / MAVCAP ASEAN	\$15M	Dmitry Levit dmitry@cento.vc	Seed and Series A investments in e-commerce and FinTech in SEA	   
Japan	East Ventures / Sinar Mas-East	\$36M	Amit Anand amit@jungle-ventures.com +65 6438 1508	Invests in early stage technology startups in SEA (so far mainly in Indonesia)	   
Vietnam	Innovatube / Sinar Mas-East	\$5M	Hajime Hotta Ph.D hajime.hotta@innovatube.com +84 (0)9 06238189	Pre-seed technology startups in Vietnam	

Only funds with vintage year after 2014 were considered.

Size corresponds to the fund target size.

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

Country deep-dives

Recent early stage investments in SEA

Major investors

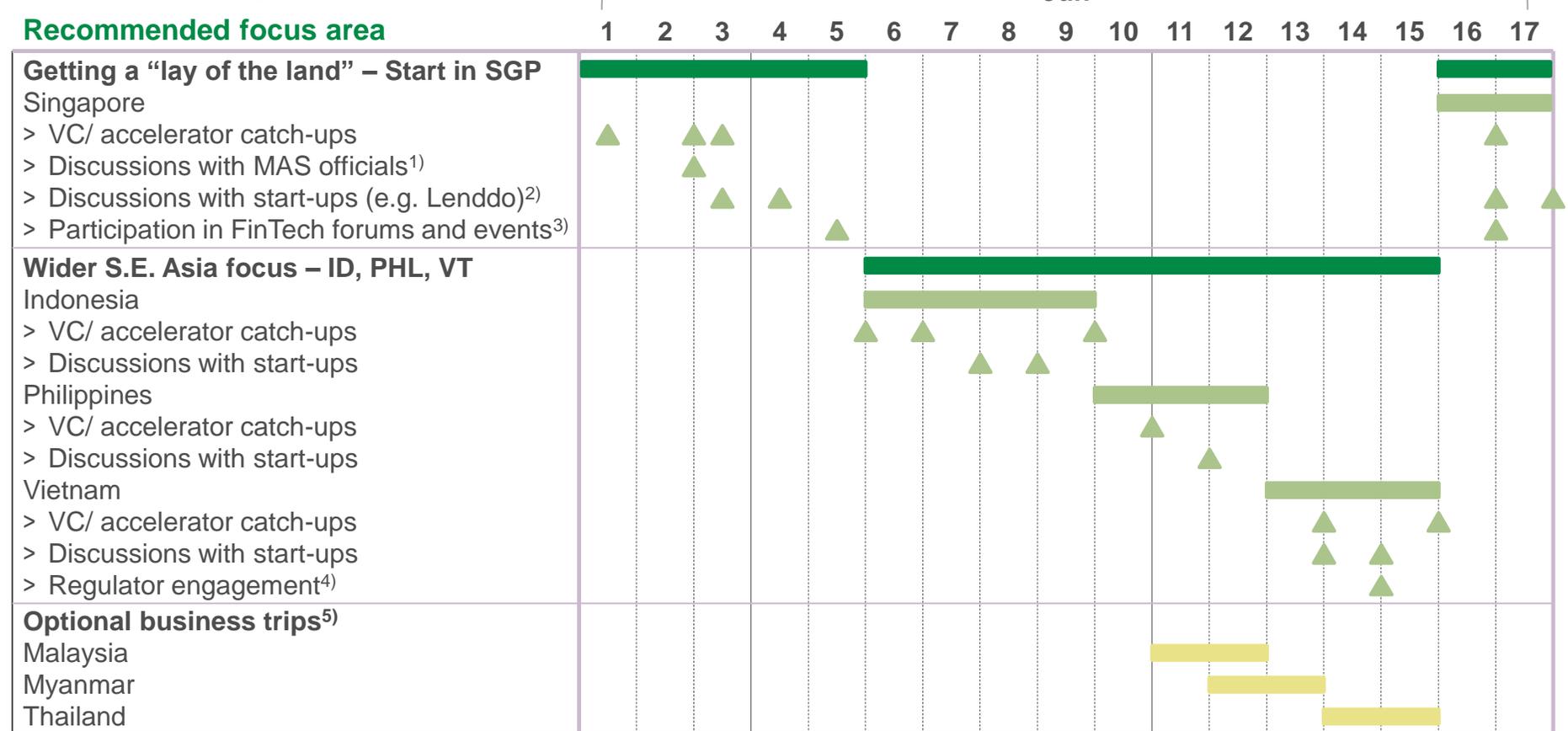
**Recommended schedule**

Appendix 1: Backups

Appendix 2: Contact list & interview templates

# Recommended schedule for a ~2.5 week trip

▲ Illustrative meetings



- 1) We recommend a meeting with officials from the Monetary Authority of Singapore – a progressive, forward-thinking FinTech regulator, seen as the benchmark regulators across SEA & Asia
- 2) We recommend a meeting with Richard Eldridge (Co-founder and CEO of Lenddo) as he directly expressed interest in meeting
- 3) Singapore is home to several forums and events for start-ups, especially in FinTech, on a year-round basis
- 4) Given how hands-on the regulator is for sector development in Vietnam, some level of regulator engagement is recommended
- 5) Listed as optional given that Malaysia and Myanmar have been identified as ‘Priority 3’ countries for Accion Venture Lab, and lack of data on Thailand.

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

Country deep-dives

Recent early stage investments in SEA

Major investors

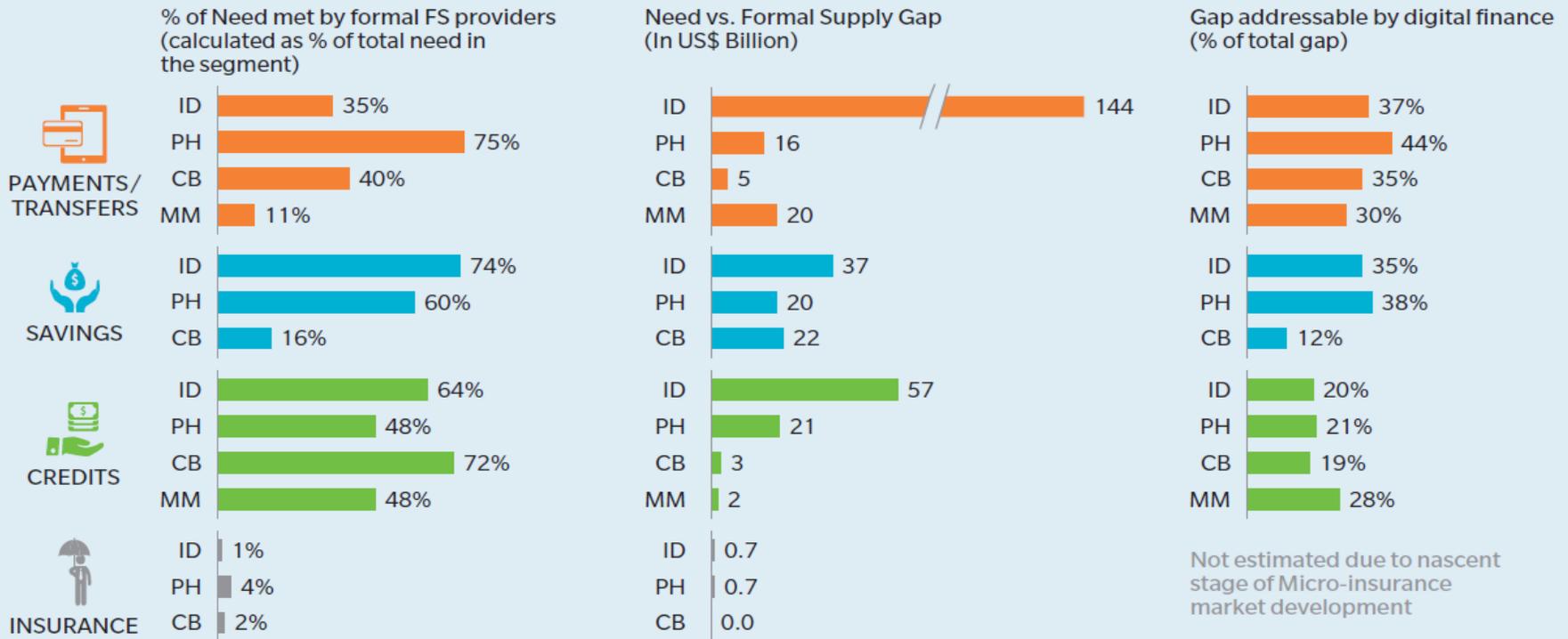
Recommended schedule

**Appendix 1: Backups**

Appendix 2: Contact list & interview templates

# Appendix 1: Financial inclusion 'gap' analysis

Exhibit 1: Gap between demand and formal supply, and impact of digital applications



Source: Oliver Wyman analysis

Note: We were not able to reliably estimate formal savings and insurance supply in Myanmar that targets financial inclusion sub-segments

3 Government-to-person (G2P) payments includes employee payments (such as wages and pensions), as well as social transfers

4 Person-to-all (P2All) payments consists of all payments made by individuals. It includes remittances and transfers, payments made by individuals to businesses, and payments made to the government (such as taxes)

# Appendix 1: Thailand – regional tier 2 market with high internet & smartphone penetration and financial inclusion



## General indicators

Area:  
514 K km<sup>2</sup>



Population:  
69 M (+0.3% YoY growth)

GDP:<sup>2</sup>  
\$438 B (+3.7% YoY growth)

GDP per capita @ PPP:  
\$17.8 K (+2.9% YoY growth)



## Internet & mobile connectivity

Internet penetration:  
47.5% (+6.2 p.p. YoY growth)

Mobile SIM penetration:  
173.8% (+12 p.p. YoY growth)

Smartphone penetration:  
40.5% (+2.4 p.p. YoY growth)



## Insurance coverage

Insurance penetration:<sup>3</sup>  
6.5% (+15% YoY growth)



## Payments & transfers<sup>1</sup>

Has account at financial institution:  
78.1% (+1.8 p.p. YoY growth)

Has debit card:  
54.8% (+3.9 p.p. YoY growth)

# ATMs per 100 K adults:  
84.2 (+1.6 ATMs per 100 K p.a.)

Used internet to pay bills or purchase things:  
4.4%

Used mobile phone to send money:  
2.4%



## Savings & credits<sup>1</sup>

Borrowed from financial institution:  
15.4% (-1.3 p.p. YoY growth)

Borrowed from family or friend:  
31.1% (+7.8 p.p. YoY growth)

Has credit card:  
5.7% (+0.4 p.p. YoY growth)

Borrowed for business purposes:  
12.8%

Saved any money last year:  
80.5% (+6.8 p.p. YoY growth)

Internet and smartphone penetration in Thailand continue to deepen and open new opportunities for fintech – especially in credit and digital payment services.

Note: Better than regional benchmark, on par with regional benchmark, worse than regional benchmark. Source: World Bank, IMF, ITO, NewZoo, Global Council. Latest available data. 1. Indicators are % of population above age of 15 years. Data is as of 2014, yearly growth is avg. of 2011-2014. 2. Nominal, growth rate real (2016). 3. Total GPW as % of GDP

# Agenda

Project introduction

Trends & opportunities in financial inclusion in SEA

Country deep-dives

Recent early stage investments in SEA

Major investors

Recommended schedule

Appendix 1: Backups

**Appendix 2: Contact list & interview templates**

## Appendix 2: We interviewed 14 fintech / financial inclusion experts on SEA markets

#	Interviewee	Primary geography	Organization	Function	Open to be contacted?
1	Aldi Hartanto	Indonesia	Mandiri Capital	Head of Investments	Yes, aldi@mandiri-capital.co.id, +62 856 719 6295
2	Leslie Lim	Indonesia / Singapore	Cicil.co.id	Co-Founder	Yes, leslie.lim@cicil.co.id , +65 9634 4924
3	Nyoman Yogi	Indonesia	IFC	Operations Officer Advisory	Yes, nyogi@ifc.org, +62 (815) 1916 8888
4	Steven Vanada	Indonesia	CyberAgent Ventures	Vice President	Yes, vanada@cyberagentventures.com , +62 81 7667 5463
5	Khai Wern Lim	Malaysia	Strategy&	Consultant	No
6	Vladimir Maslik	Philippines	Infito	Country Manager	Yes, <a href="mailto:Vladimirmaslik@gmail.com">Vladimirmaslik@gmail.com</a>
7	Phan Dung	Vietnam	Ex –funded fintech startup	Operations	No
8	Anonymous	South East Asia	500 Startups	Investments	No
9	Richard Eldridge	South East Asia	Lenddo	CEO	Yes, <a href="mailto:Richard.eldridge@lenddo.com">Richard.eldridge@lenddo.com</a>
10	Anonymous	Myanmar	MFS player	CEO	No
11	Winifred Tabones	Cambodia & Myanmar	Wing-Mingalabar Holding	COO	Yes, <a href="https://www.linkedin.com/in/winifredtabones">https://www.linkedin.com/in/winifredtabones</a>
12	Henrik Blaeute	South East Asia	IFC	Investment Offices	Yes, <a href="mailto:Hblaeute@ifc.org">Hblaeute@ifc.org</a>
13	Sahib Maker	South East Asia	Leapfrog Investments	Investment Assocaite	Yes, <a href="mailto:sahibmaker@leapfroginvest.com">sahibmaker@leapfroginvest.com</a>
14	Deepika Prasad	South East Asia	Ex-Intellecap	Investment Regio	No

Interview transcripts are attached to this report

A photograph of the INSEAD building at dusk, featuring a brick wall and a glass facade. The INSEAD logo is visible on the brick wall. The image has a teal color overlay.

INSEAD

The Business School  
for the World®

Thank You