INCLUSIVE FINTECH 50 | powered by Center for Financial Inclusion

DECEMBER 2022

2022 IF50 Insights Report – Making Digitalization Count

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INCLUSIVE FINTECH 50 | powered by Center for Financial Inclusion

ABOUT THE INCLUSIVE FINTECH 50 COMPETITION

Inclusive Fintech 50 (IF50) identifies promising, early-stage fintechs driving financial inclusion and resilience around the globe. IF50 winners are chosen through a competitive process led by an independent panel of judges from venture capital, technology, and financial services. Applicants are assessed on the degree to which their target market includes underserved people or businesses, and whether their innovation offers a new value proposition, shows early-stage traction, and can have a noticeable impact on the more than three billion financially underserved people globally.

This fourth edition of IF50 is sponsored by Visa, MetLife Foundation, and Jersey Overseas Aid & Comic Relief, with support from Accion and the International Finance Corporation (IFC). The competition is managed by the Center for Financial Inclusion (CFI).

The theme of IF50 2022 is “Making Digitalization Count,” focusing on how fintechs leverage data and digital infrastructure to make products more inclusive and impactful for customers in underserved markets.

> “The future of finance is digital—we’ve known this for years. What is less clear is whether digitalization will mean doing different things or just doing the same things differently—whether it will serve to advance financial health and equity or just serve as a force multiplier for the status quo. The annual Inclusive Fintech 50 is one of the most important platforms for exploring those too-seldom asked questions and charting fintech’s progress, fairly and free of hype.”
>
> ZENNON KARPON, FOUNDER/DIRECTOR OF KAPRONASIA AND IF50 JUDGE

ACKNOWLEDGEMENTS

Inclusive Fintech 50 is sponsored by Visa, MetLife Foundation, and Jersey Overseas Aid & Comic Relief with support from Accion and IFC. The Center for Financial Inclusion (CFI) is the implementing partner.

The 2022 Inclusive Fintech 50 competition was managed by Chantelle Macey, with support from Edi Bardhollari, Eda Dokle, and Ethan Loufield, under the supervision of Evelyn Stark at CFI. Additional support was provided by Simon Agez, María Cecilia Rondón Alvarado, Joana Santiago, and the team at Konfidants, Ghana. Special thank you to Aeriel Emig and Rima Patel at CFI, and Anne Folan and Karla Vazquez for support with communications.

We would like to thank Mark Pickens of Visa, Krishna Thacker of MetLife Foundation, Gillian Challinor of Jersey Overseas Aid, Adrian Mattmann and Odelia Torteman of IFC, Sarah Marston and Matthew Schaar of Accion, and Lauren Braniff and Mayada El-Zoghbi of CFI for their valuable input and guidance throughout the initiative.

We would also like to thank each of the applicants for the time and effort they invested in completing the Inclusive Fintech 50 application, as well as the judges who provided invaluable expertise.

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INTRODUCTION

> "If I had asked people what they wanted, they would have said faster horses."
>
> HENRY FORD

For the past four years that CFI has been running the IF50 competition,* we have looked for breakthrough examples of innovation and creativity among early-stage inclusive fintechs in advanced or emerging markets. CFI analyzes all eligible applications (more than 250 this year) to identify trends, and to find innovations with disruptive potential—not just the "faster horses" (digital technology applied primarily for efficiency gains), but also those that make new things possible. In other words: doing different things versus doing things differently.

The massive scale that is only possible with digitalization matters greatly to the financial inclusion agenda, and this year's IF50 applicants** were already collectively reaching 54 million people, many of whom were previously underserved, across 101 countries of operation. The fintechs are young and small now, but as we've seen in past years, they grow to reach millions more people and raise millions more in investment (prior winners raised $602 million in the year after their win).

*IF50 was launched by the Microfinance Information Exchange, or MIX, which merged with CFI in 2019.
**Note: For the purpose of this report, the terms 'IF50 applicants' and 'inclusive fintechs' refers to the 257 eligible applicants who participated in IF50 in 2022.

Despite this tremendous outreach and potential, there are also areas that require attention:

- **Funding remains concentrated by geography and gender of fintech leadership.** Fintechs in five countries (Colombia, Mexico, United States, India, Nigeria) receive 60% of global funding. Meanwhile, fintechs with women in leadership represented 36% of the total applicant pool but received only 13% of the funding – 6 times less than fintechs without women in leadership. The funding gap only widens as fintechs grow and require more significant capital for expansion.

- **Inconsistent practices around data privacy and consent need to be addressed.** While 72% of inclusive fintechs, excluding B2B and digital financial services (DFS) infrastructure, request customers' consent, most of the terms and conditions are delivered in legalese and only require a yes/no or agree/disagree check box. Fintechs should put terms and conditions in common language and create progressive consent to avoid 'all or nothing' agreements.

- **There is a need for systematic and rigorous efforts at outcomes management.** Sixty-nine percent of fintechs report collecting data to measure impact, but most of the data is limited to output measures (e.g. number of clients, gender, age, number and value of transactions). Investors, donors, accelerators, and others in the inclusive finance community should contribute to improving measurement efforts.

- **A gender gap remains at the consumer level; signs point to a solution by ensuring women are on fintech leadership teams.** Only 13% of applicants explicitly design products specifically for women. This is concerning given the various gender-specific barriers that persist such as gaps in financial and mobile account ownership, internet access, and rates of literacy and numeracy. Fintechs with women in leadership are more likely to design for and reach higher percentages of women customers.

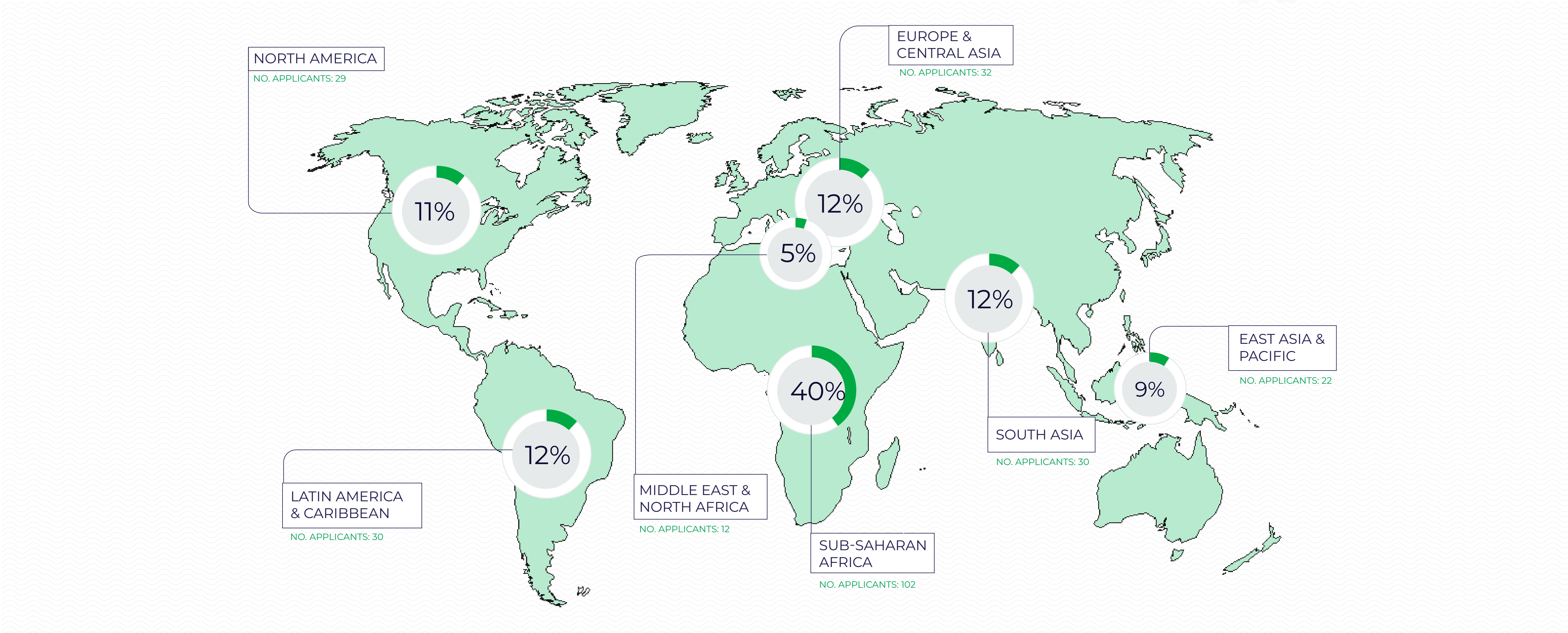
WHO THEY ARE: Overview of 2022 Inclusive Fintech applicants

WHO THEY ARE

Global Applicant Pool with Strong Representation from Sub-Saharan Africa

- 257 early-stage inclusive fintech applicants
- Reach 54 million people in 101 operating countries
- Headquartered in 66 countries
- 40% of applicants headquartered in Sub-Saharan Africa

IF50 APPLICANTS BY LOCATION OF HEADQUARTERS



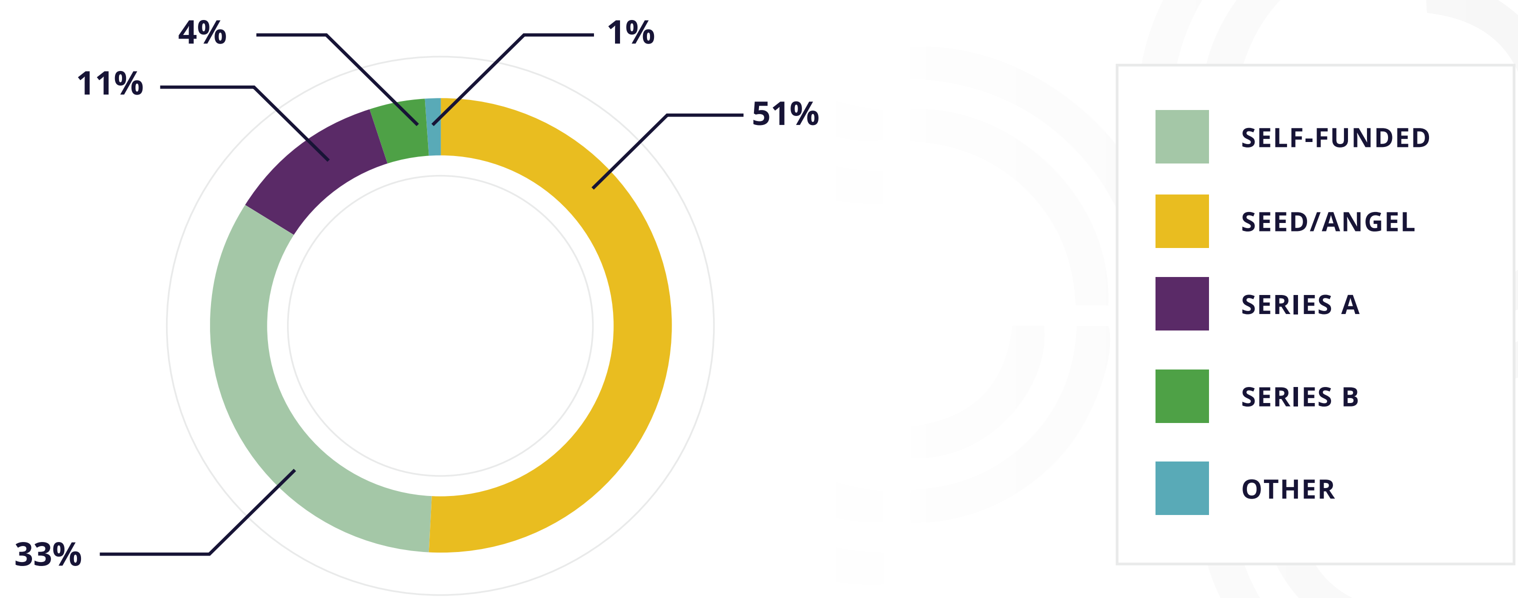
WHO THEY ARE

Mostly Early-stage and Self- or Seed/ Angel-funded

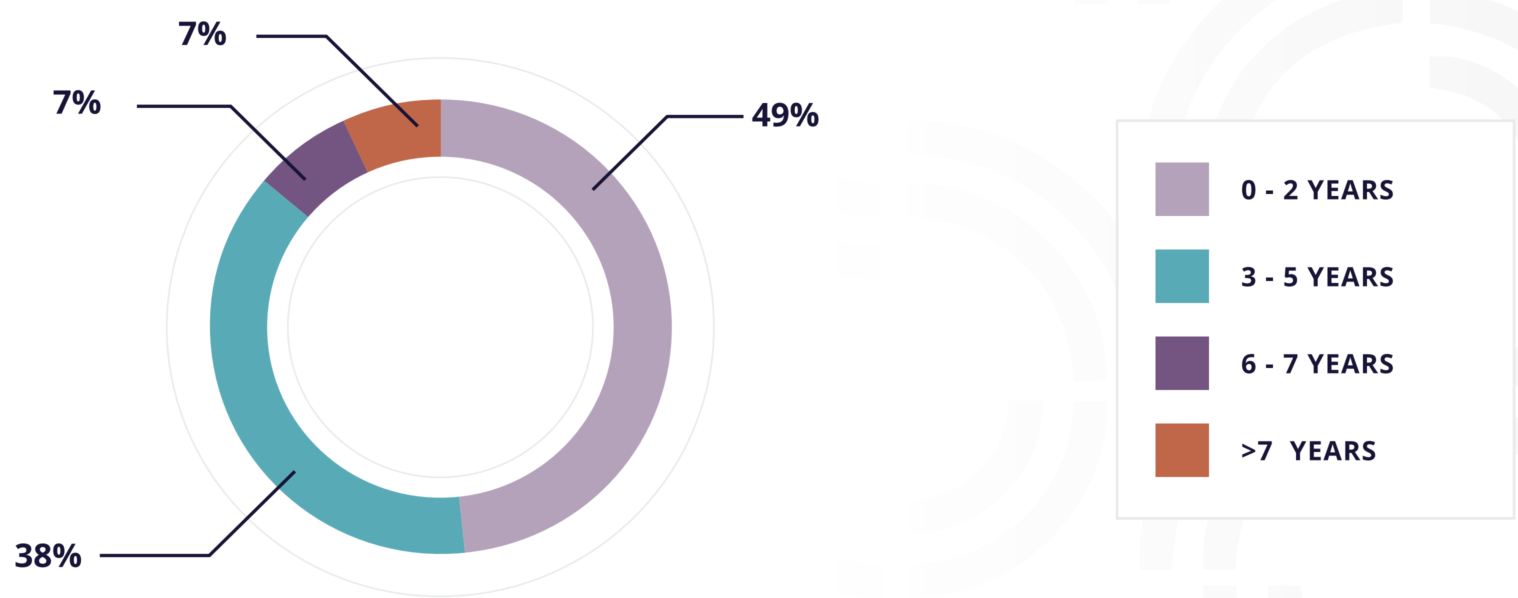
The IF50 competition is focused on early-stage inclusive fintechs in advanced or emerging markets.

- 84% are self or seed/angel-funded
- 49% have been operating for 2 years or less
- 54% have fewer than 10 employees
- 38% of B2B2C (Business-to-Business-to-Consumer) and B2C (Business-to-Consumer) fintechs have more than 10,000 users each

APPLICANTS INVESTMENT STAGE (%)



APPLICANT AGE (%)

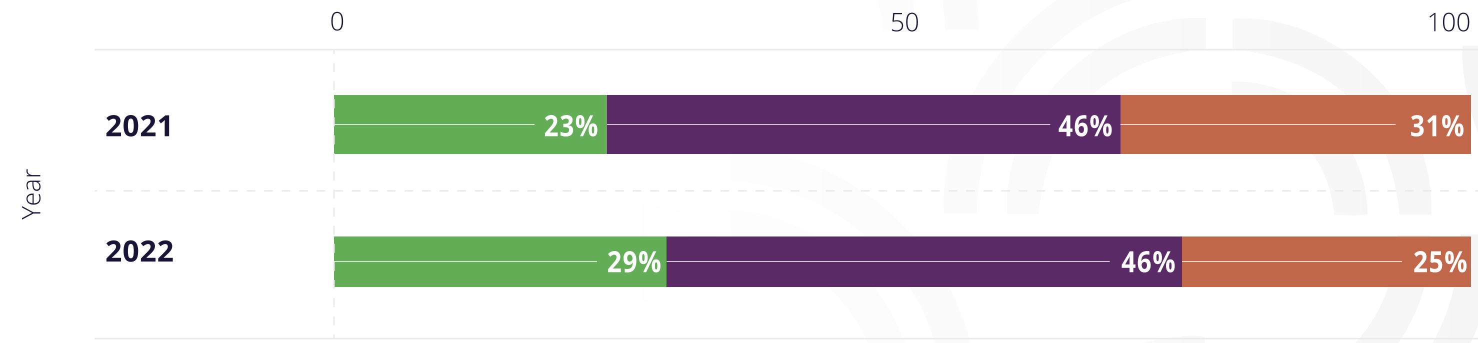


WHO THEY ARE

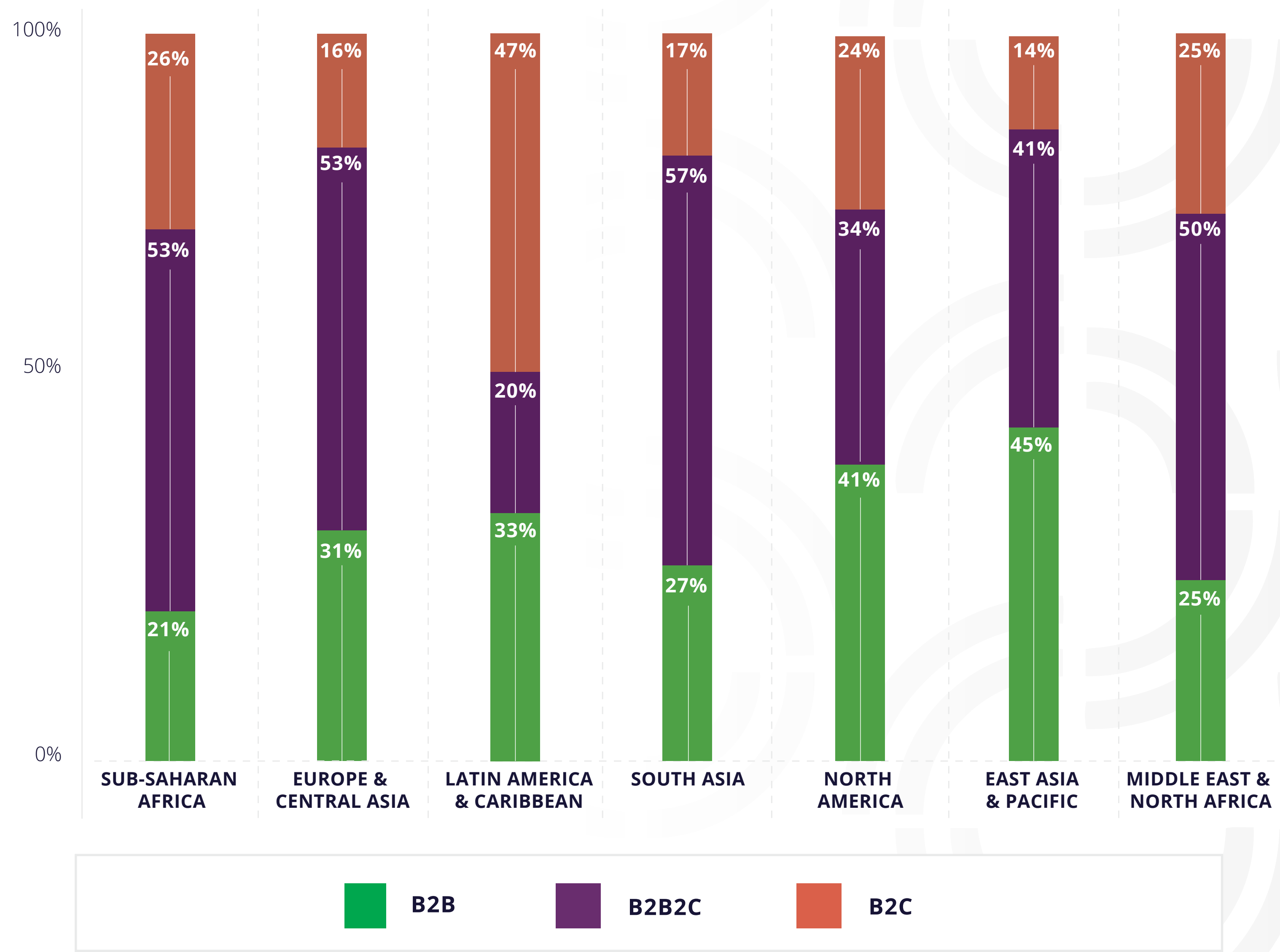
Mostly B2B2C or B2B

- As inclusive fintechs seek to grow their customer base through more targeted acquisition strategies, B2B models increased 6 percentage points from the prior year, while B2C decreased by the same. This trend may also reflect the shift to embedding financial products within non-financial companies.
- B2B and B2B2C models were particularly dominant in Europe & Central Asia, South Asia, and East Asia & Pacific, while Latin America & Caribbean stands out in the B2C category.

BUSINESS MODEL – 2021 AND 2022



SHARE OF APPLICANTS BY DELIVERY MODEL AND OPERATING REGION

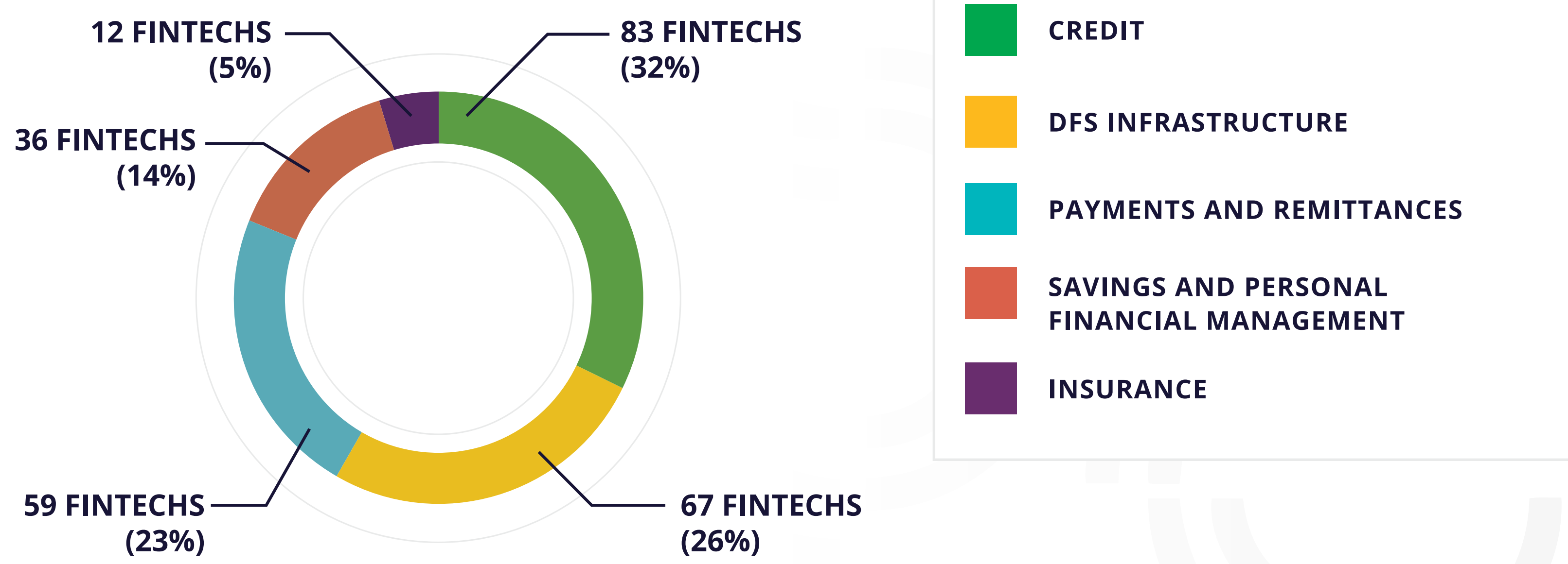


WHO THEY ARE

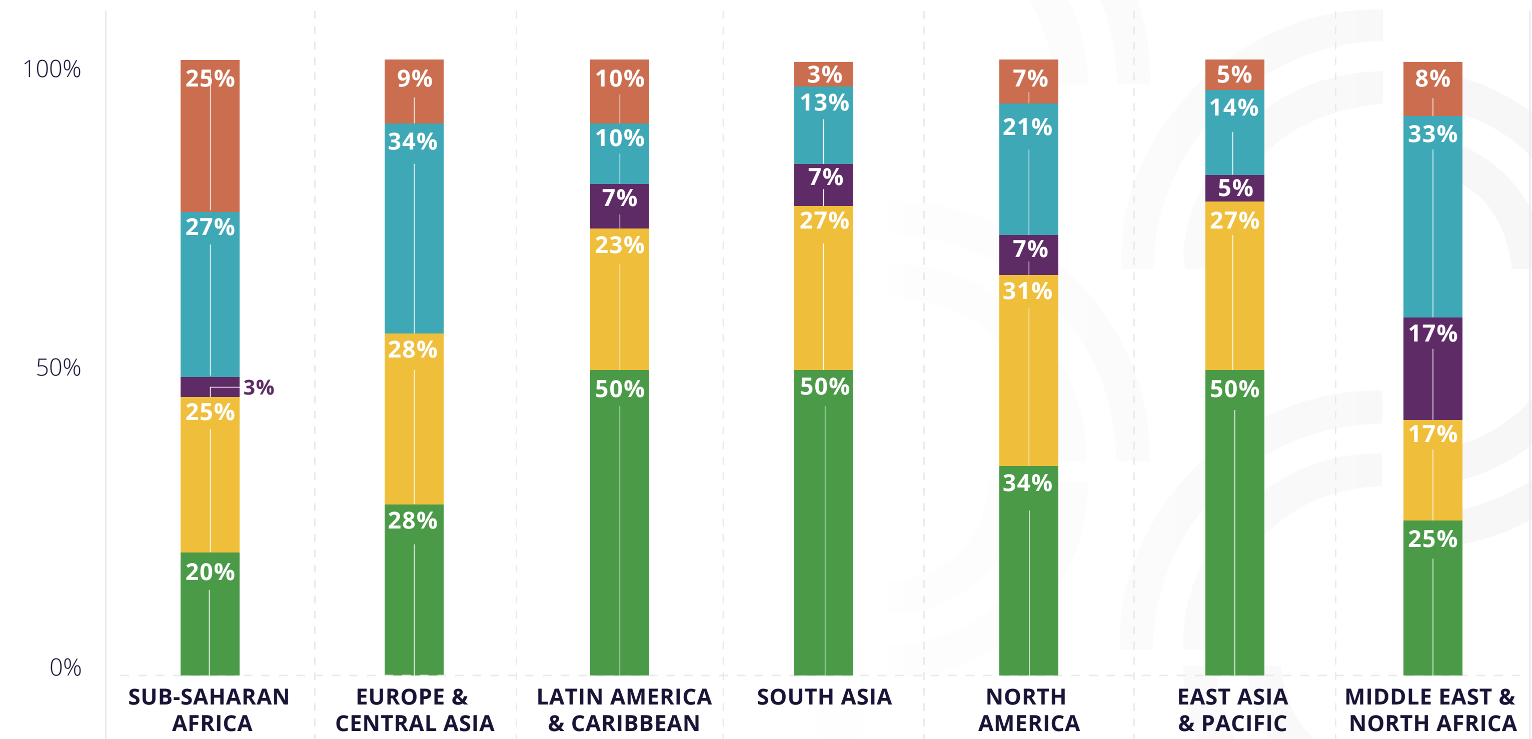
Savings and Insurance Products Remain Underrepresented

- 81% of inclusive fintechs offer credit, DFS infrastructure, and payments and remittances as their primary, or lead, product.
- While savings and insurance products are considered strong contributors to the resilience of low-income households and their small businesses, they account for a small share of applicants' lead products (14% and 5% respectively) as they remain difficult to market and sell. Savings and/or insurance are sometimes part of a product bundle with another lead product.
- Fintech products across Sub-Saharan Africa are almost evenly split between payments and remittances, credit, DFS infrastructure, and savings and personal management, while credit is more prevalent in South Asia and Latin America & Caribbean regions.

LEAD PRODUCT (# AND % OF APPLICANTS)



LEAD PRODUCT BY REGION OF HEADQUARTERS' LOCATION



WHOM THEY SERVE:
Overview of the clients reached by inclusive fintechs

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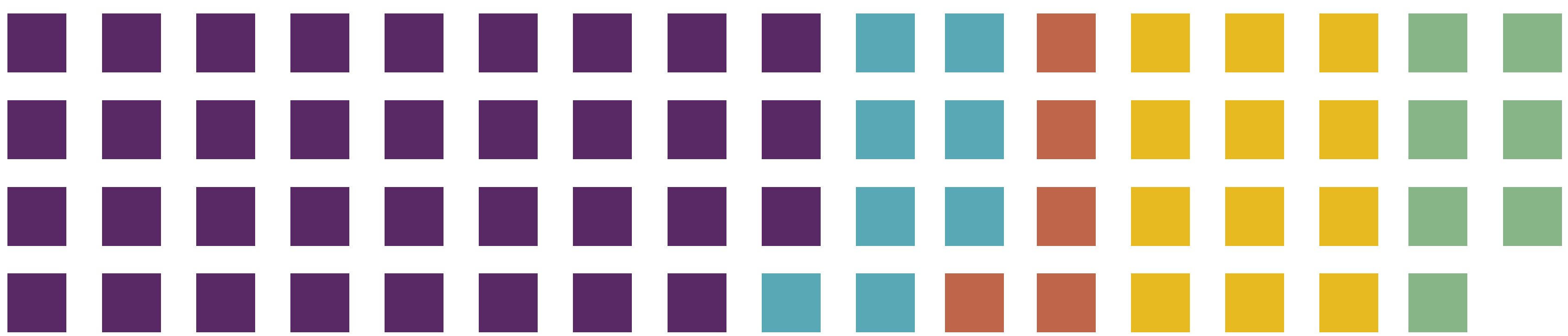
WHOM THEY SERVE

Targeting Underserved Segments by Livelihood

Two-thirds of inclusive fintechs segment their target customer based on livelihood

67% target based on livelihood (i.e. smallholder farmers, wage workers, etc.)

33% of fintechs do not target based on livelihood



- 35% MSEs
- 8% Salary/Wage
- 5% Farmers
- 12% Irregular/Non-salaried Workers
- 7% Target other specific livelihoods

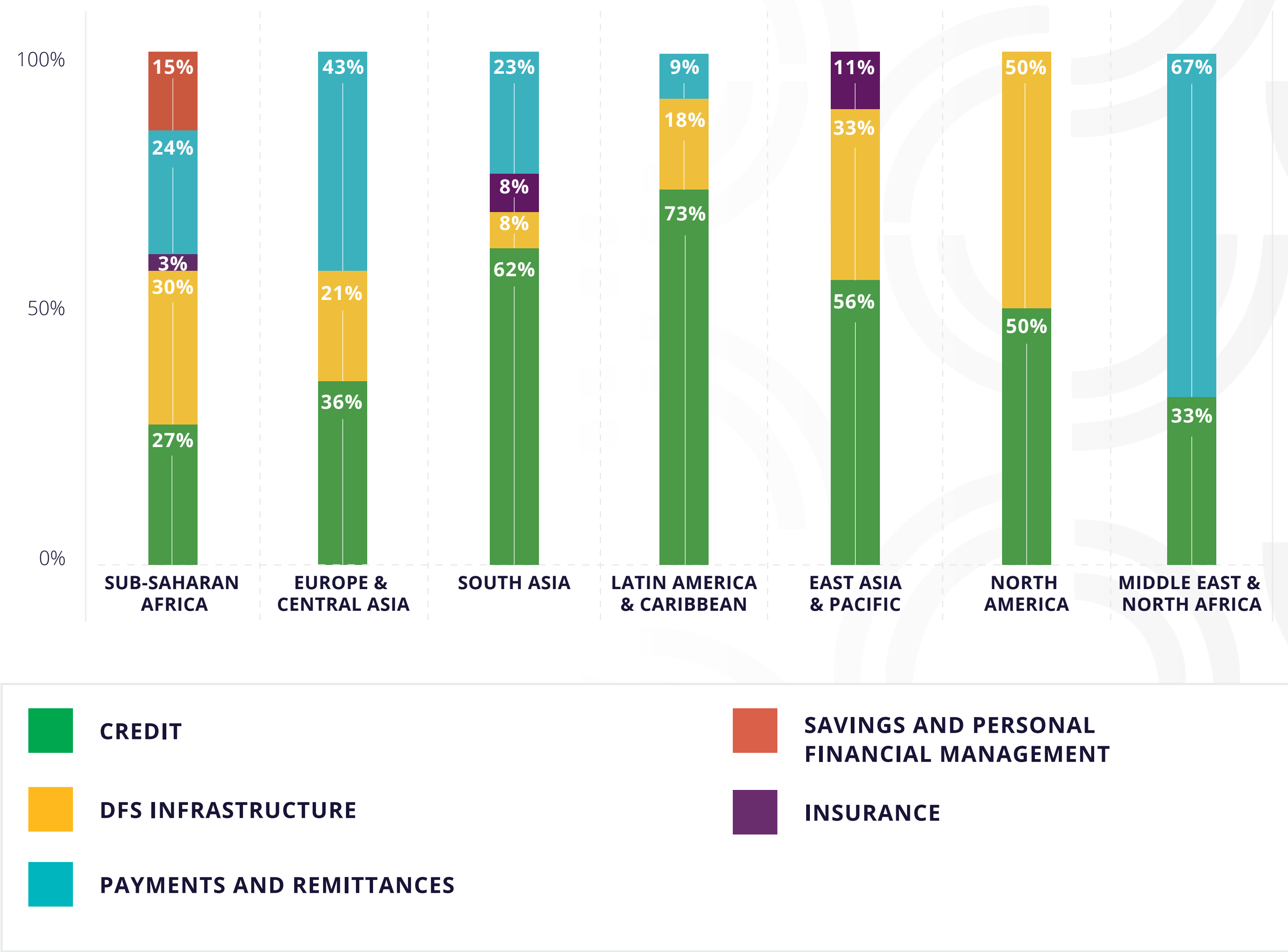
WHOM THEY SERVE

MSE Customers

More than a third of fintechs target MSEs, primarily by offering lending services

- 44% of the fintechs targeting MSEs offer them credit products: MSE lending (46%), credit marketplace (13%), credit scoring (10%), and other (e.g. peer to peer, asset finance).
- The remaining fintechs targeting MSEs offer DFS infrastructure (15%), payments and remittances (4%), and payments and insurance (less than 1%).
- Product distribution varies by region:
  - Credit products dominate in South Asia, Latin America & Caribbean, and East Asia & Pacific.
  - Product offering is more diverse in Sub-Saharan Africa.
  - Few fintechs across Sub-Saharan Africa, South Asia, and East Asia & Pacific offer insurance products to MSE.

PRODUCTS OFFERED TO MSE CUSTOMERS ACROSS REGIONS



WHOM THEY SERVE

Spotlight on Merchant Digitalization

Micro and small merchants are often unable to access formal financial services because their typically manual record-keeping makes their data difficult for financial service providers to analyze. To help solve this problem, fintechs are offering digital inventory management solutions to help consumers build a formal record of their business. Visibility into order and sales data in turn enables better credit scoring and underwriting.

BOOST

Countries: Ghana, Nigeria, and South Africa

Target groups: Low-income, MSEs, Peri-urban, Women

Boost provides a B2B commerce platform to power growth in Africa's offline convenience economy. It provides: a) radically easy WhatsApp ordering for retailers to digitize demand; b) a platform as a service for distributors to digitize their end-to-end order and fulfillment processes; and c) embedded buy now, pay later restocking to automatically match supply with projected demand.

Boost's ordering product does not require downloading an app and consumes only 50kB of data per order. The platform provides an end-to-end solution without the need for additional integrations or in-house tech resources. Their team on the ground provides significant support to its partners to help them grow revenue, drive fulfillment efficiency, and reduce customer (retailer) churn.

You can learn more about the Boost model through this Financial Inclusion Week panel.

Does not require an app download and uses only 50kB of data per order

WOMEN IN LEADERSHIP

MARKETFORCE

Countries: Kenya and Nigeria

Target groups: Low-income, MSEs, Urban

MarketForce partners with financial institutions offering banking-as-a-service, to further expand the breadth of financial services to merchants. It offers a mobile application including an e-commerce marketplace to order affordable goods, enables the sale of digital financial services such as airtime, digital payments and a wallet, and provides access to financial services such as inventory financing.

Through its reach and access to transaction history, MarketForce extends lending, savings, float, and other services to merchants with fit-for-purpose solutions that meet their unique needs.

MarketForce tracks metrics along five major areas, disaggregated by gender and age with particular emphasis on women and youth. Metrics cover (1) supply of essential goods; (2) MSME growth and digitalization; (3) employment and upskilling; (4) increase in per customer revenue; and (5) market shaping and environmental sustainability.

You can learn more about the MarketForce model through this Financial Inclusion Week panel.

Offers fit-for-purpose solutions that meet unique merchant needs, with an emphasis on women- and youth-led businesses

WHOM THEY SERVE

Digital Wage Earners

Fintechs leverage digital income to offer additional financial services

- Digital evidence of income creates data that can be leveraged by fintechs to better understand previously invisible customers.
- 49% of fintechs that target salaried and "gig" workers are primarily providing credit products, followed by digital infrastructure (23%) and payments and remittances (20%).
- Earned Wage Access (EWA), a newer product, allows workers to receive a portion of their earnings before the end of the pay cycle, reducing the need for expensive alternatives to cover short-term liquidity needs.
- Employers partnering with EWA fintechs provide employment history and income information to enable better credit scoring and underwriting. Employers also benefit from greater staff productivity, and retention; employees can better manage emergencies.
- Misuse of EWA needs to be mitigated. Fintechs and employers can limit the amount and frequency of access to earned wages to ensure that customers can appropriately manage cashflows.

WHOM THEY SERVE

Spotlight on Earned Wage Access

KARMALIFE

KARMALIFE

Country: India
Target groups: Low-income, Non-salaried/Irregular income workers

KarmaLife combines AI technology and trust to empower low-income workers with access to small-ticket, short-cycle credit-on-tap to smooth volatile cash flow. Their product has a three-minute, three-step digital onboarding, followed by real-time disbursements to meet immediate needs. In addition to EWA, KarmaLife also offers deeper liquidity solutions like line-of-credit and installment-based loans as well as complementary services like savings, insurance, and curated commerce (e.g., bike rentals).

Products are tailored to gig workers and are configurable across payout cycles (weekly, fortnightly, monthly), compensation models (pay-per-task, fixed-term contracts, on-call), and hiring models (direct, contractor-intermediated). In surveys, 82% of customers reported improvements in quality of life and 78% reported feeling more financial control because of KarmaLife.

Offers a 3-minute, 3-step digital onboarding process

salary hero

SALARY HERO

Country: Thailand
Target groups: Employed or factory worker, Low-income

Salary Hero provides low-income workers with two main products: EWA and financial education. Salary Hero's employer partners represent a range of industries including manufacturing, hospitality, and retail and consumer products. The mobile application is available in three languages—English, Thai, and Burmese—with more languages in development to cater to the different migrant worker populations in Thailand.

Salary Hero measures its impact by collecting data that indicate the financial health of the workers. Key performance indicators such as loan shark usage, financial education engagement and knowledge, and savings rates, are collected from their users and tracked across time. Salary Hero also routinely conducts focus groups to collect qualitative feedback to unearth insights into consumer spending habits and customers' use cases for Salary Hero's products.

Routinely conducts focus groups to unearth insights

WHOM THEY SERVE

Smallholder Farmers

Limited focus despite increased need for financial services

- 14 fintechs (5%) target smallholder farmers; 6 were IF50 2022 winners.
  - Smallholder farmers are primarily being served through credit and digital infrastructure.
- Rural areas have lower internet penetration, fewer mobile money agents, and very little financial infrastructure. At the same time, smallholder farmers' financial needs are particularly pressing given the climate risks they face.
- Almost all applicants serving smallholders classify their products as being supportive of green inclusive finance.

Green Inclusive Finance: CFI looks at green inclusive finance through four pathways (Mitigation, Resilience, Adaptation, Transition) that provide a framework for understanding how inclusive finance can help low-income populations prepare for and respond to climate change. Learn more here.

WHOM THEY SERVE

Spotlight on Green Inclusive Finance

Green inclusive finance products address how people impact the climate and environment (mitigation) or how people can prepare for and respond to climate and environmental change (adaptation, resilience, transition). These considerations are particularly important for smallholder farmers but can be applied to other groups as well.

YAPU SOLUTIONS

Countries: Benin, Burkina Faso, Ecuador, El Salvador, Guatemala, Peru, Senegal
Target groups: Low-income, Smallholder farmers, Rural

YAPU Solutions enables its financial institution clients to conduct a 360° risk analysis that integrates production, market, climatic, social, and environmental risks into the credit analysis.

Based on a highly improved loan analysis, including climate and other indicators, financial institutions get a clear view on involved risks of a given end-client. This allows them to not only disclose and price these risks, but actively manage them by facilitating taxonomies of climate solutions. This can be done on the individual loan level, but also for full portfolios.

WOMEN IN LEADERSHIP

Provides clients with 360° analysis that incorporates climate risk

UMOJALANDS

Country: Zimbabwe
Target groups: Low-income, Smallholder farmers, Rural

Umojalands offers a satellite-based remote crop monitoring solution which ensures that farmers get crop insights daily during the season. This is a reimagined e-extension delivery with a particular focus on climate change. By helping farmers with soil fertility mappings, Umojalands ensures that application of fertilizer and irrigation is done using precise means to avoid overfeeding the soil, which over time may harm productivity.

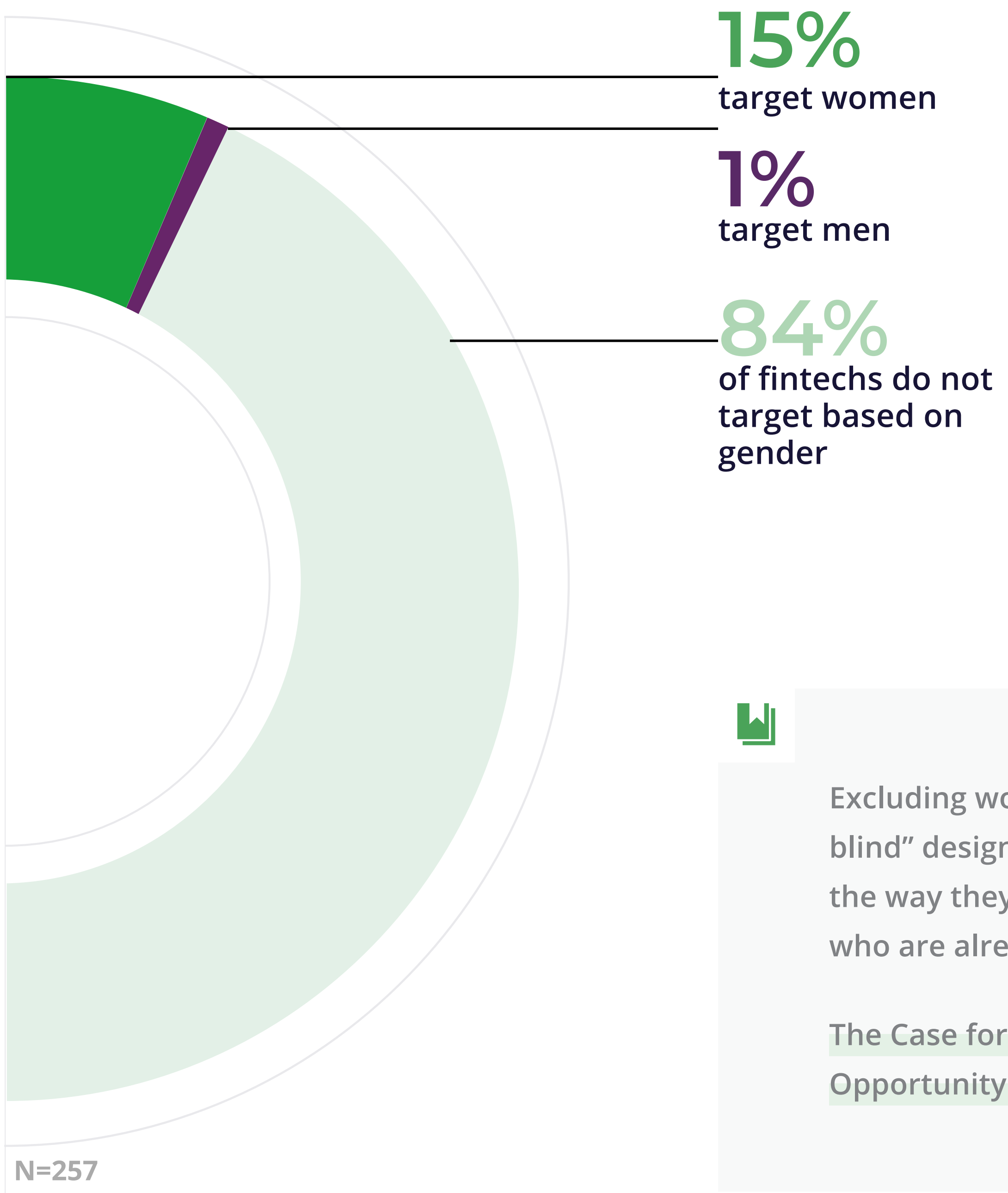
Post-harvest, Umojalands also offers a blockchain-based commodity trading platform that allows farmers to warehouse their produce and maximize profits. The asset-backed tokenized receipts can also facilitate access to loans.

Provides extension services that are focused on climate change by mobile phone

WHOM THEY SERVE

Targeting Customers

Less attention is given to gender when targeting customers



Excluding women is often unintentional - "gender blind" design approaches allow products to flow in the way they always have: into the hands of those who are already in the marketplace...

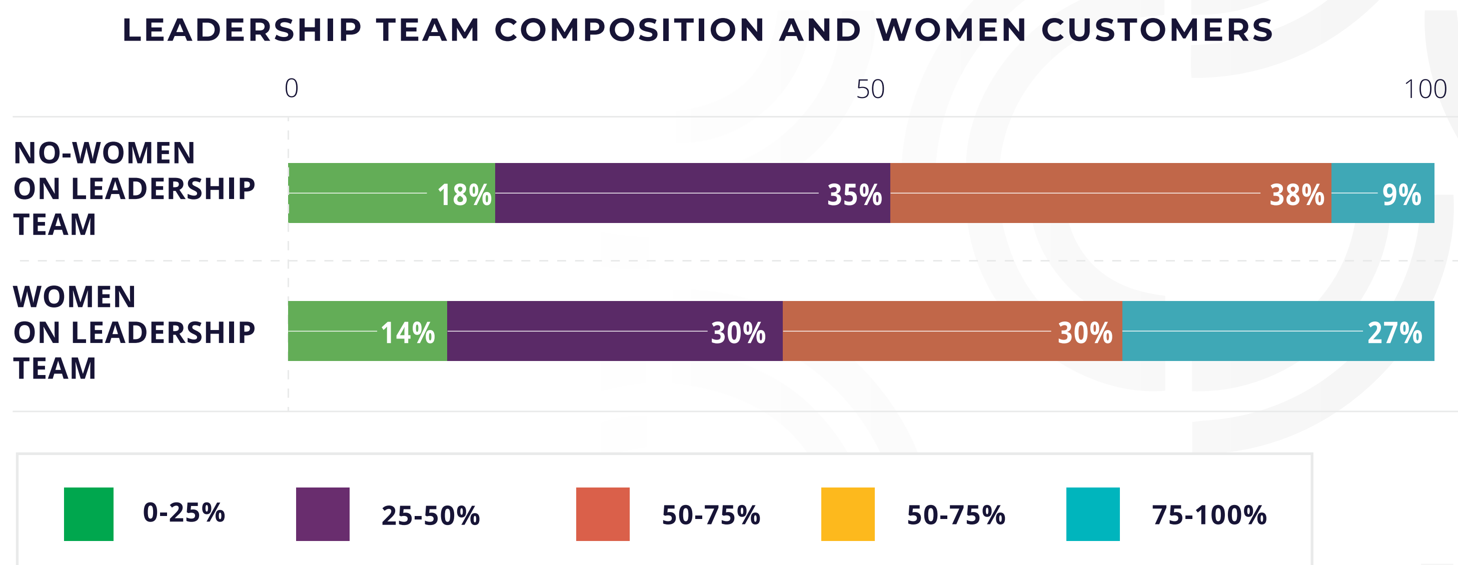
The Case for a Gender-Intelligent Approach: An Opportunity for Inclusive Fintechs

WHOM THEY SERVE

Women

Continued lag in designing for women

- 68% of all applicants segment their data by gender.
- But only 13% design products specifically for women customers.
- Fintechs with women in leadership are more likely to reach women customers.
  - 27% of the fintechs with women leaders have a share of women customers higher than 75% vs. 9% of the fintechs without women in leadership.
- There remains persistent gender-specific barriers, such as gaps in financial and mobile account ownership, internet access, and rates of literacy and numeracy. Evidence demonstrates that by employing gender-intelligent design to reach and serve women, fintechs can considerably increase their revenue and customer retention.



*N =122, includes B2B2Cs and B2Cs; excludes B2Bs (74) and fintechs that do not track share of women users (61)

> "Donors, investors, accelerator partners, and fintechs need to recognize that closing the gender gap on financial inclusion is good for business, for local and national economies, and for the world. The digital divide is a drag on growth and won't be eliminated without intentional and concerted efforts by stakeholders throughout the industry."
>
> HILLARY MILLER-WISE,
> DEPUTY DIRECTOR, FINANCIAL SERVICES FOR THE POOR, BILL & MELINDA GATES FOUNDATION,
> 2019 IF50 WINNER, AND IF50 JUDGE

WHOM THEY SERVE

Spotlight on Women-Focused Fintechs

Examples of fintechs making a concerted effort to design for women.

ENSIBUUKO

Country: Uganda
Target groups: Low-income, Rural, Smallholder farmers, Women, Youth

Ensibuuko provides infrastructure that allows community banking programs to digitize their operations, and then layers tailored and relevant digital financial services such as credit, loans, and insurance offerings that connect the unbanked and underserved to the wider financial ecosystem. Ensibuuko developed an innovative predictive credit algorithm based on transactional/weather satellite data to determine farmers' credit risks.

More than 85% of its customers are women in rural areas. The credit algorithm was designed to expand access to credit for women, pooling data from women customers and controlling for gender influences among the inputs. The score limit for women is wider than for men to reduce gender-specific barriers to credit.

85% of customers are women in rural areas

QUIPU BANK

Country: Colombia
Target groups: Low-income, MSEs, Urban, Women

Quipu provides decentralized finance (DeFi) to informal microbusinesses that make up 51% of the region's employment and 30% of its GDP. Through Quipu, home-based microbusinesses can digitize their offering using Quipu's marketplace, reach more customers, and can access working capital loans via a local buy now, pay later system.

Quipu's founding team is mostly women, as is 50% of the tech team. 78% of its users are women between 18 and 50 years old. They specifically target women in their marketing efforts and have ongoing community-building activities that are gender-focused.

Learn more about Quipu in this episode of Accion Venture Lab's Fintech for the People.

WOMEN IN LEADERSHIP

Quipu's founding team is mostly women; 50% of the tech team is women

HOW THEY WORK:
Overview of how fintechs reach and serve clients, and consider risk and impact

HOW THEY WORK

Balancing Tech and Touch

Essential for driving uptake and usage

65% **Of inclusive fintechs offer solutions that support low literate users through direct outreach such as providing in-person digital skills training, working with community role models, and partnering with community organizations.**

- Sub-Saharan Africa may be a leader in mobile money, but the 2021 Global Findex finds that only 22% of people say they can use a mobile money account without help. In Kenya, 44% still rely on assistance, making clear the need to include “touch“ when designing products and delivery channels.

37% **Of inclusive fintechs use roving or stationary agents to reach users.**

- Direct outreach is key to establish relationships and build trust. Although delivery models that use mobile phones or web interface are most common, agent models are important to underserved users.
- Inclusive fintechs that rely on agent networks are more prevalent by geography (45% in Sub-Saharan Africa and 47% in Asia); and by primary customers served (71% smallholder farmers and 35% non-salaried/irregular income workers).

InfiBranches

INFIBRANCHES TECHNOLOGIES

Countries: Nigeria

Target groups: Peri-urban

Infibranches Technologies is a Central Bank of Nigeria-licensed fintech that helps bring access to both finance and energy to last-mile customers. Infibranches facilitates payment collection, product sales, and product distribution for companies that sell to a consumer through a network of agents and various strategic channels. The flagship product, Omnibranches, was built to aid agents that cater to last-mile service delivery, thus creating access on behalf of service providers in unserved and underserved communities.

Infibranches has aggregated more than 28 solar home system companies and mini-grids (PAYG), extending their services to millions of Nigerians off-grid while also enabling access to financial services. Infibranches has an API infrastructure that acts as a single point of integration (SPOI) to facilitate payments for all the service providers in the renewable energy space.

WOMEN IN LEADERSHIP

Extending energy services to millions

HOW THEY WORK

Tailoring Digital Solutions to Market Infrastructure

Designing for users with limited broadband coverage

- Although COVID-19 accelerated digital transformation around the world, the mobile internet coverage gap remains largest in Sub-Saharan Africa at 19%, which is likely understated as some areas "connected" to mobile broadband coverage do not actually reach large portions of poor and rural populations, or women. Globally, the usage gap (those living within the footprint of internet broadband network but not accessing mobile internet services) is 43%.
- In addition to leveraging agent networks, inclusive fintechs also adapt their tech to ensure digital inclusion.
- More than 40% of fintechs in Sub-Saharan Africa have USSD as a minimum requirement, in alignment with market infrastructure.

CROP2CASH

Countries: Nigeria
Target groups: Low-income, Smallholder farmers, Rural

Crop2Cash has built a USSD platform in English, Hausa, Yoruba, and Igbo languages, that allows farmers to access credit to make purchases such as farm inputs or to rent heavy machinery. In addition, farmers can purchase insurance, access weather reports, and purchase other advisory services.

USSD ensures that a farmer can open a bank account with Crop2Cash in less than 60 seconds via mobile phone. As users transact in the platform, they create a digital profile that allows financial institutions to assess their creditworthiness and make data-driven decisions about lending to help increase farmers' productivity and income.

Crop2Cash has also developed a distributed agent network of more than 700 agents who can help the farmers with transactions.

Open a bank account via USSD in only 60 seconds

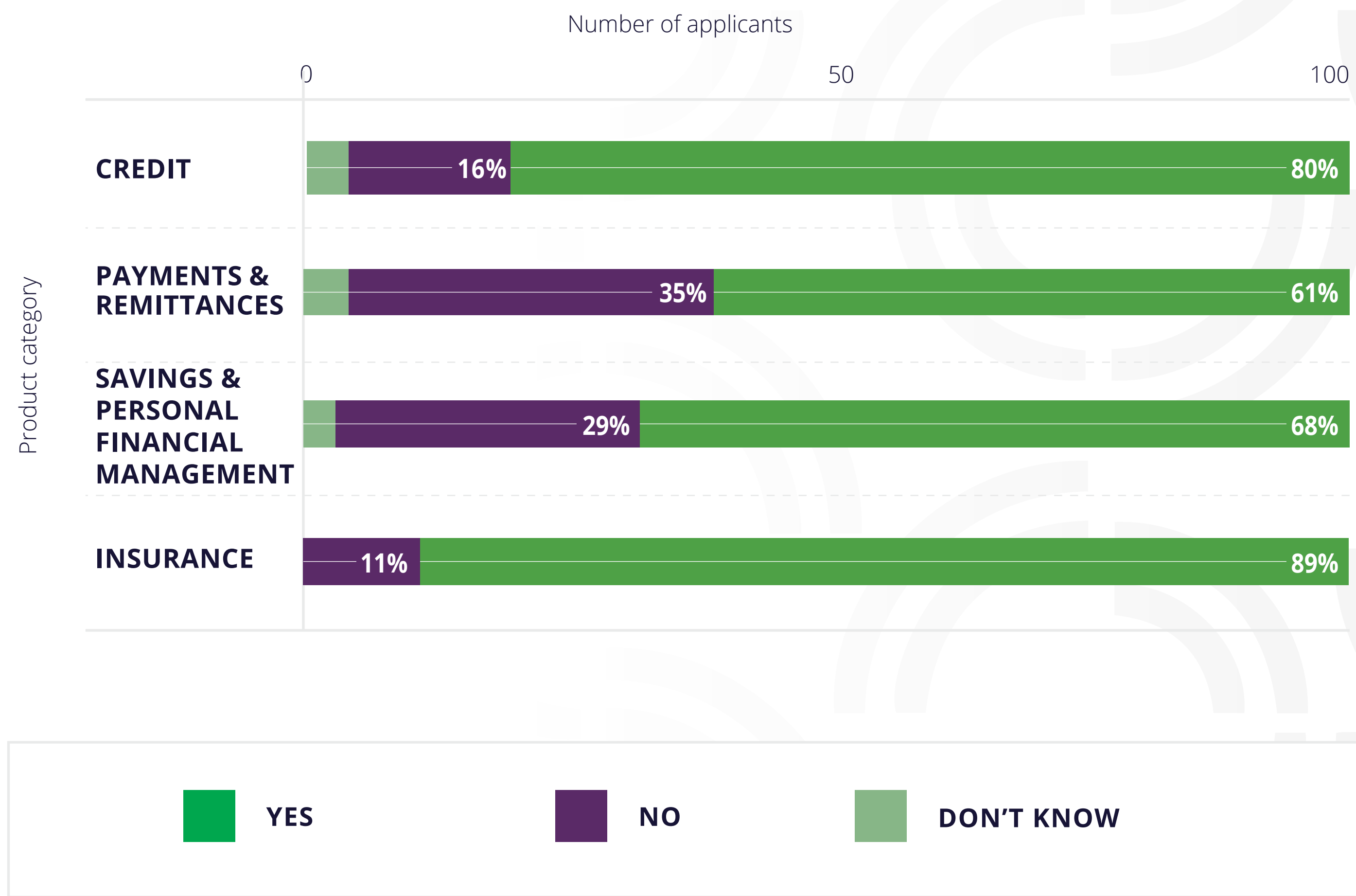
HOW THEY WORK

Privacy and Consent

Most fintechs request customer consent, but usually in the form of all-or-nothing responses

- Consent is requested so that fintechs can share data with third parties that are part of the service provision, report data to credit bureaus, or use data for marketing.
- 72% of fintechs, excluding B2B and DFS infrastructure, request customers' consent.
- 75% of fintechs that are funded by venture capital require consent versus 64% of those that are self-funded, slightly higher than last year.
- Most of the consent forms only require a "yes/no" or "agree/disagree" tick box, with no other options. Without agreeing, consumers usually cannot access the product.
- Progressive consent would allow consumers to decide how much of their data they want shared. This could impact cost to client, or level of access.

FINTECHS REQUESTING CUSTOMER CONSENT



Privacy by Design: Consumer privacy risks have proliferated in the last decade in parallel with the increased adoption of digital technologies and the availability of consumer data. Privacy violations can also have serious long-term consequences for financial inclusion and trust remains a critical ingredient in translating that progress into sustainable gains for consumers. CFI is looking into how Privacy by Design approaches can be applied in the inclusive finance sector. Learn more here.

HOW THEY WORK

Impact Measurement

Fintechs largely track output measures, but not impact data

- 69% of fintechs report collecting data that enables them to measure impact; most of this data is limited to output measures (e.g. number of clients, gender, age, number of transactions).
- The reason that inclusive fintechs decide to measure impact is largely because of internal strategy, followed by directions from funders or investors, board requests, or an industry regulator mandate.
- Savings fintechs report the highest propensity to measure impact (89%), while payments and remittances fintechs report the lowest (51%).
- 74% of fintechs with women in leadership are collecting data versus 66% of teams with no women in leadership.

"Impact investors have an opportunity to influence and support fintechs to operationalize impact measurement. There is a desire from founders to do so, but they may lack the required internal expertise and traditional VC investors will not prioritize developing that capacity."

JACOB HAAR,
CEO AND CO-FOUNDER OF COMMUNITY INVESTMENT MANAGEMENT, AND IF50 INVESTORS' NETWORK MEMBER

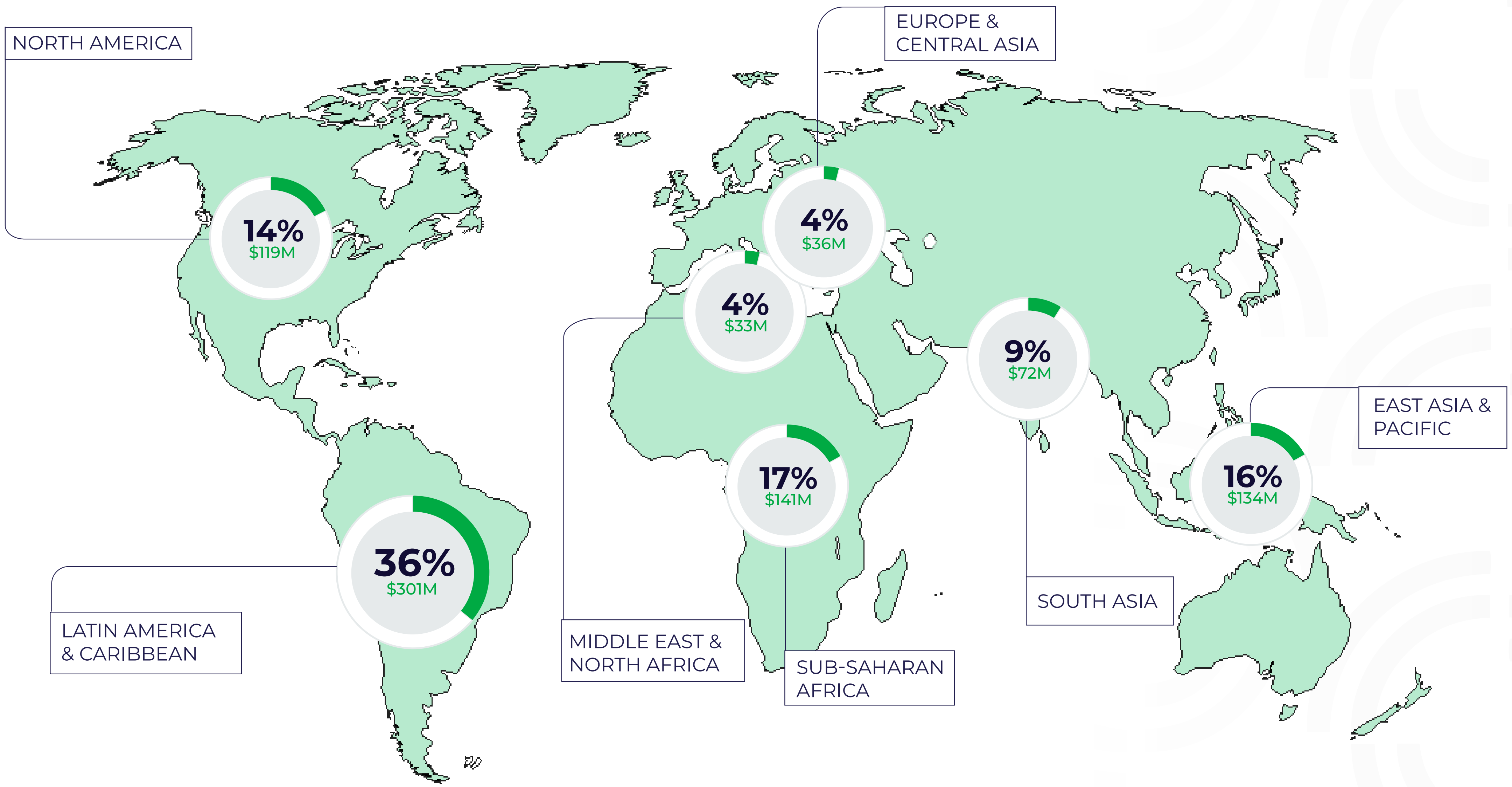
HOW FUNDING FLOWS: Landscape of funding distribution, concentration, and investors

HOW FUNDING FLOWS

Funding Distribution

The total amount of funding reported by inclusive fintech applicants in 2022 was $836 million

FUNDING BY REGION OF HEADQUARTER LOCATION



HOW FUNDING FLOWS

Geographic Concentration

Funding remains concentrated in specific geographies and fintechs

Ten inclusive fintechs received 58% of the global funding.

- 9 out of 10 do not have women in leadership.
- 7 out of 10 have more than 3 years in operation.
- 10 out of 10 have raised series A or B.

Funding in each region remains concentrated in few fintechs:

- 5 of the 30 fintechs from Latin America receive 93% of regional funding.
- 5 of the 29 fintechs in North America receive 81% of regional funding.

Fintechs in Colombia, Mexico, United States, India, and Nigeria receive 60% of all funding.

REGION	# OF FINTECHS	% OF FUNDING RECEIVED BY THE 5 HIGHEST FUNDED FINTECHS PER REGION	% OF FUNDING RECEIVED BY THE 10 HIGHEST FUNDED FINTECHS PER REGION
SUB-SAHARAN AFRICA	102	72%	84%
EUROPE & CENTRAL ASIA	32	61%	86%
LATIN AMERICA	30	93%	97%
SOUTH ASIA	30	79%	94%
NORTH AMERICA	29	81%	90%
EAST ASIA & PACIFIC	22	80%	91%
MENA	12	94%	99%

HOW FUNDING FLOWS

Local and International Funding Mix

Local and regional funding accounted for more than half of funding received by inclusive fintechs

- 64% of the funding, excluding self-funded rounds, comes from local and regional sources.
- The share of local and regional funding is higher for fintechs in Latin America & Caribbean and in East Asia & Pacific regions.

> “Local funders understand their markets and can more easily detect the line between advancing inclusion through credit and the road to over-indebtedness and predatory products.”
>
> ALY EL SHALAKANY
> MANAGING PARTNER ACASIA VENTURES AND IF50 2022 JUDGE

REGIONAL FUNDING BY INVESTOR LOCATION

Number of rounds = 635; self-funded rounds are excluded (335)

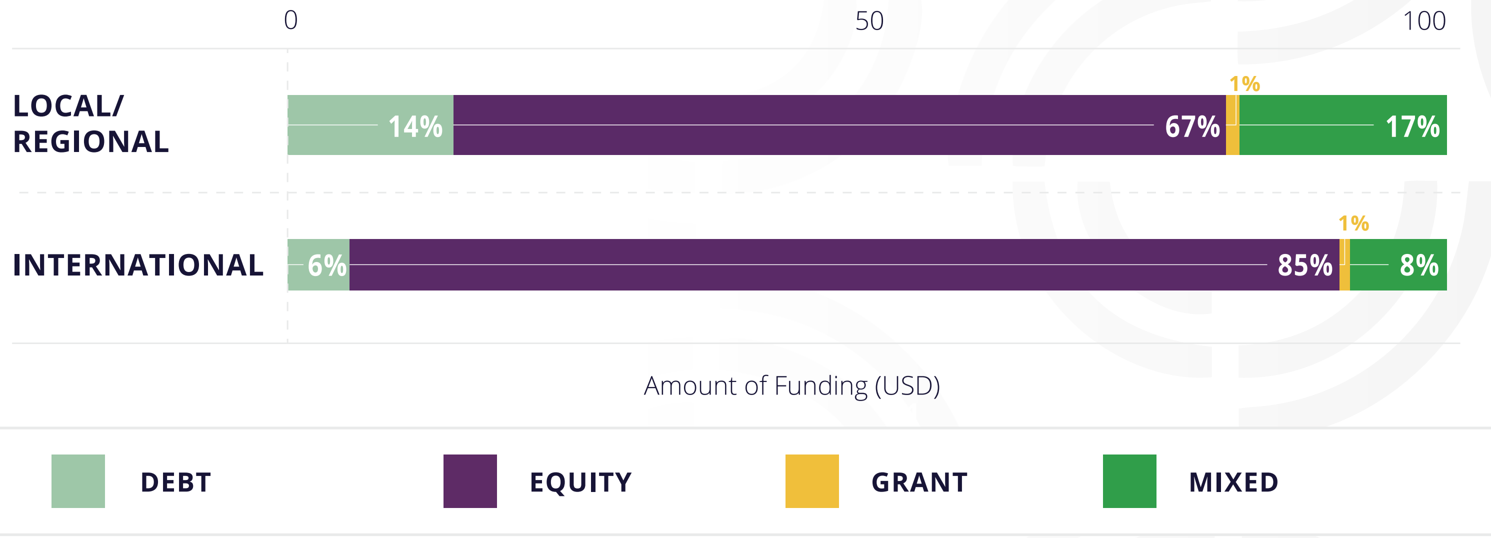
HOW FUNDING FLOWS

Local and International Funding Mix

Equity dominates, but local funders also provide debt and mixed funds

- 73% of the total $700M raised collectively by the inclusive fintech applicants came in the form of equity.
- Most international funding is provided to inclusive fintechs in the form of equity, while local and regional investors provide more types of funding options to fintechs.

TOTAL FUNDING BY INSTRUMENT AND INVESTOR TYPE



*Mixed is defined as a combination of debt and equity
Number of rounds = 635; self-funded rounds are excluded (335)

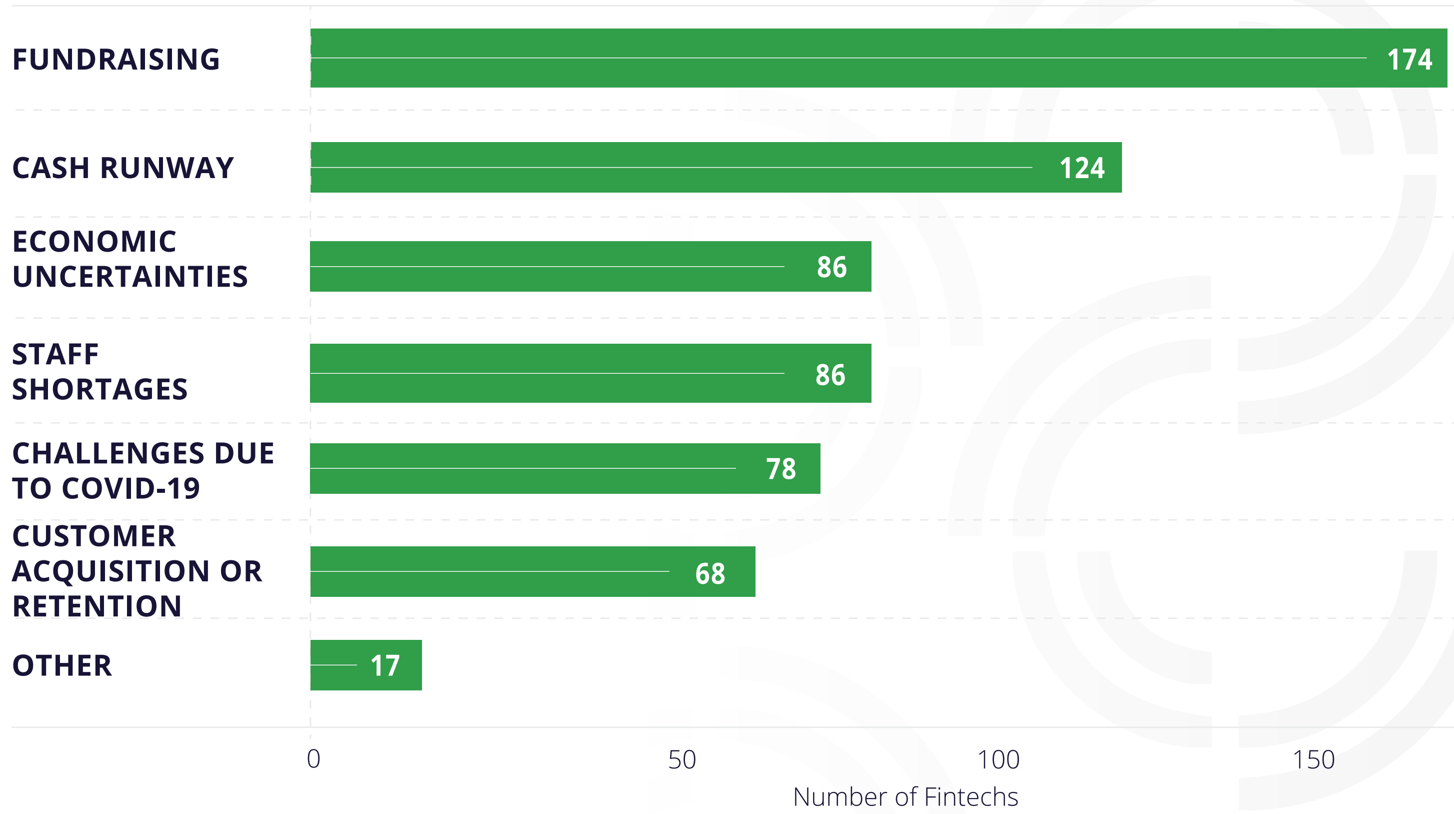
HOW FUNDING FLOWS

Access to Funding and Cash Runway

Funding and cash runway are the two main barriers to growth for inclusive fintechs

- Fundraising is the primary constraint to growth reported by inclusive fintechs, followed by their cash runway and economic uncertainties.
- Although half of the fintechs began operations within the last two years, challenges due to COVID-19 ranked fifth.
- With fintech funding expected to continue to slow after a period of peak fintech investments in 2021, inclusive fintechs will need to better manage their resources, navigate continuing economic instability, and manage investor expectations to keep underserved clients at the center.
- The median (n=107) reported cash runway for early stage fintechs was 11 months, with a low of 1 month, and a high of 36 months.

BARRIERS TO GROWTH



QUOTES FROM APPLICANTS:

> “Many funders ask for traction, while not being aware that traction requires investment, and are risk-averse when dealing with disruptive fintechs.”
>
> “We have difficulty continuing to grow given that investment tickets in impact businesses are very low, especially for black founders.”
>
> “Our investors have a patient capital motive to growing the business and this allows us to double down on collecting meaningful information to bring transparency to all ecosystem stakeholders.”

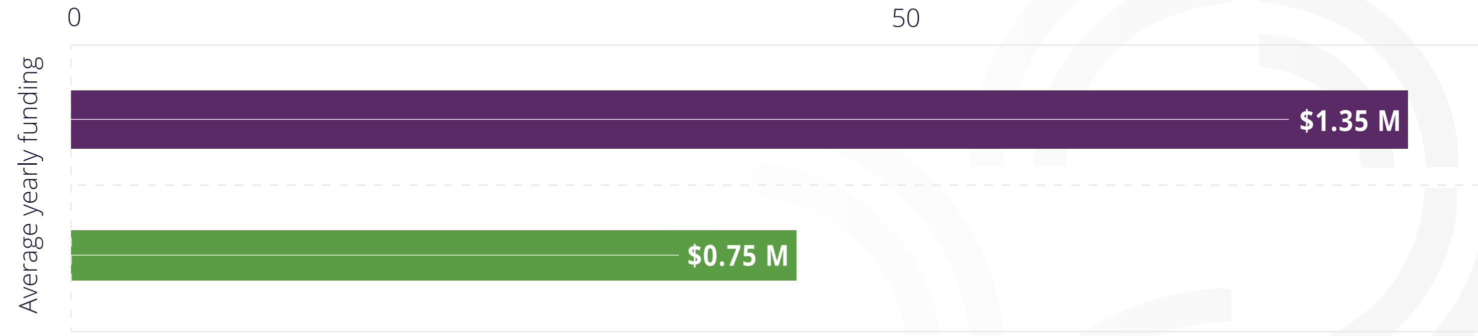
HOW FUNDING FLOWS

Funding for Fintechs with Women in Leadership

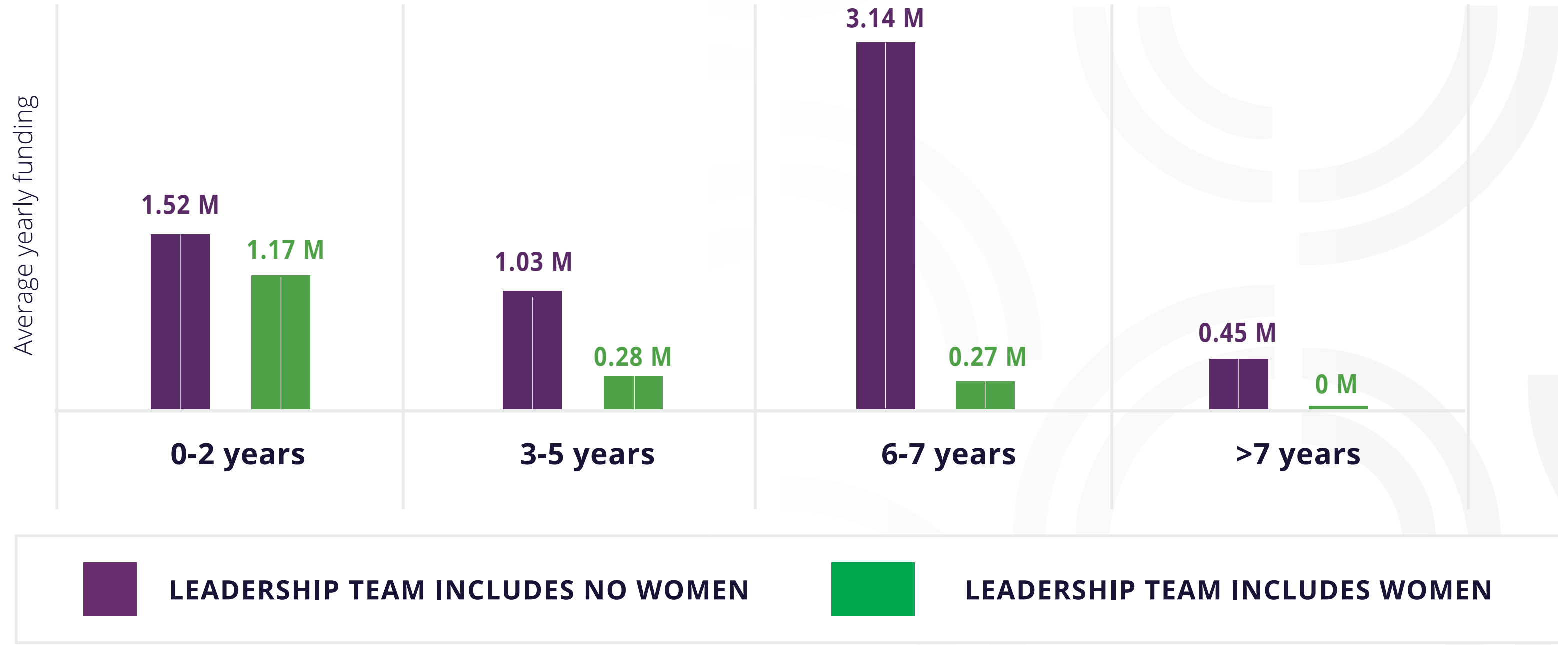
Fintechs with women in leadership face a continuous gap in access to funding

- Fintechs with women in leadership represent 36% of the applicant pool (an increase from 27% in 2021 and 33% in 2020) but receive 13% of total funding. They received 6 times less total funding compared to fintechs without women in leadership.
- The average yearly funding for fintechs without women in leadership is 1.8 times higher compared to fintechs with women in leadership.
- There is a significant gender gap in funding that widens as fintechs age and require more funding.
    - Fintechs with women in leadership receive considerably smaller deal sizes in Series A and B rounds.

GENDER COMPOSITION OF LEADERSHIP TEAM AND AVERAGE YEARLY FUNDING



GENDER COMPOSITION OF LEADERSHIP TEAM, AGE OF FINTECH, AND AVERAGE YEARLY FUNDING



> "To level the playing field, we need more women investors. Without increased representation at VCs, it will be hard to change the dynamic that women entrepreneurs are facing."
>
> ANNA RAPTIS,
> FOUNDER AND MANAGING PARTNER, AMPLIFICA CAPITAL

RECOMMENDATIONS

Recommendations

Along with dramatically increasing the efficiency of financial service providers' operations, digital technology has made it practical to reach previously hard-to-serve populations (e.g., geographically isolated, low-income, low literacy) with previously hard-to-deliver products (e.g., small-balance savings, microloans, insurance) and to do so at meaningful scale. But while digital technology may hold the key to inclusive finance, that outcome is by no means assured and will depend on who shapes it and for which purposes.

Recommendations for investors, fintechs, and other supporters in the inclusive finance ecosystem to harness the full potential of digital financial services:

For Fintechs

1. Design and deliver for women customers, regardless of the gender composition of your own leadership.

- Globally, women have fewer bank accounts and are 16% less likely than men to use mobile internet. This gender gap demands a gender-intelligent or gender-transformative response, aimed at overcoming women's constraints through data-driven approaches that can create customer value specific for women. When fintechs adopt gender-neutral approaches, research finds the fintech gender gap is 28%, higher than the gap for bank accounts or smartphone ownership. Furthermore, they find that money is being left on the table - fintechs could increase their revenue by 70% by increasing women customer conversion rates to levels equal to men.

2. Adapt consent mechanisms to introduce more privacy options, enabling consumers to accept only the ones with which they agree.

- Asking consumers for consent to share their data has been a crucial step in the data privacy and protection discussion. However, simply ticking the "yes" box does not necessarily mean people have read and understood the (often very long and complex) terms and conditions. Furthermore, if "yes" is required to access the product (say, a much-needed emergency loan), the "consent" is unlikely to be thoughtfully considered.
- More fintechs should adopt consent mechanisms that are comprehensive and easy to understand, written in plain language and with icons and bullet points, and arranged as progressive consents that allow users to select only the data they want to share on an opt-in basis. (Learn more here and here.)

3. Go beyond raw numbers and look at customer outcomes.

- It is important to track basic demographic and transactional data as it can help shape customer acquisition and product design and delivery. However, inclusive fintechs should go beyond gathering "easy to measure" metrics and make meaningful, ongoing efforts to understand consumer outcomes. This should be an effort built into core business functions and led by a senior executive committed to the double (or triple) bottom line.

Recommendations

For Investors

1. Prioritize outcomes measurement and provide support to fintechs to incorporate best practices.

- Impact investors need to mandate outcome measurement for their portfolio companies and provide the necessary technical support and finances to make it happen. They can use their influence—structuring of financial incentives, networking, job descriptions, and performance evaluations—to ensure client-outcomes are a primary focus.

2. Look for opportunities beyond the usual geographic markets.

- Within the bounds of their own strategies, investors who have an explicit goal of social impact should make sustained efforts to avoid oversaturated markets. While particularly important to avoid over-indebtedness, there are capable and (potentially) profitable fintechs in many underserved markets hiding in plain sight.

3. Operationalize gender-lens investing.

- Gender-lens investing prioritizes investments in women-led businesses, and products and services that improve the lives of women and girls. Investment processes should consider gender in sourcing, due diligence, and post-deal, by providing technical assistance and inclusion-aware exit strategies.
- Prospective and portfolio companies should be assessed for the inclusivity of their internal structure and equity-related policies in addition to their product design, customer acquisition, and data use strategies.
- Investors should hold their own corporate structure to the same standards as they do their investees. A commitment to gender equality means having investment firms look more like the companies they want to work with and the consumers they aim to serve. Investors should ensure their recruiting practices and corporate culture are inclusive and accommodative to the unique circumstances of women.

IFC RESEARCH FOUND THAT:

Female deal partners invested in almost twice as many female-led businesses as male deal partners.... And the performance of gender-balance investment teams is correlated with higher returns. Learn more here.

Meet the 2022 Winners, Judging Panel, and Sponsors & Partners

IF50 2022 WINNERS

akinTec
aloi
arth
BezoMoney
bimaplan
Boost
BRICK
Cassbana
CROP2CASH
Digicro
DMA
ensibuuko
k.
FlexPay
FLOW
FXKudi
IMIX
InfiBranches
jamii.one
joovlin
kaoshi
KARMALIFE
LipaLater
LTS VENTURES
MALIPO
MarketForce
MOJA RIDE
Paisa
Prestamype
Probus
quipu
Re:start
Revfin
salary hero
satis
SentBe
shecluded
Sofi
SuiTch
Sunny Day Fund
tap
Ukheshe
UMOJA LABS
Umoja Lands
Vitto
wagely
YAPU
YUVA PAY

LEARN MORE ABOUT THE 2022 IF50 WINNERS

IF50 2022 JUDGING PANEL

EYAD M. ALBAYOUK
Flat6Labs KSA

NEZAR ALHAIDAR
Fintech Saudi

SARAH AUSTIN-WILLIS
Financial Health Network

GINGER BAKER
Plaid

DANIEL BARKER
Halcyon

STEPHEN BARNHAM
Prudential, Plc

HENRY BAYE
Standard Chartered Bank

FARIDA N. BEDWEI
Microsoft

KIENDEL BURRITT
Digital Africa Investment

MAELIS CARRARO
BFA Catalyst Fund

GILLIAN CHALLINOR
Jersey Overseas Aid

NADINE CHEHADE
CGAP

More information on the judging panel here

IF50 2022 JUDGING PANEL

DANIEL COSSIO
Village Capital

DJIBA DIALLO
Ecobank

BERNHARD EIKENBERG
Community Investment Management

ALY EL SHALAKANY
Cairo Angels Syndicate Fund

BUHLE GOSLAR
Jumo

ZENNON KAPRON
Kapronasia

SANJEEV KAPUR
MetLife

LEWAM KEFELA
Partech Africa

TOM KELEHER
Oikocredit

NISHANT KUMAR
MSC

TERRY LUCIANI
MetLife

JOJO MALOLOS
Digital Equity Ventures & Data Analytics Ventures

IF50 2022 JUDGING PANEL

JARED MILLER
Accial Capital

HILLARY MILLER-WISE
Bill & Melinda Gates Foundation

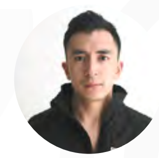
JULIET MUNRO
FSD Africa

JACQUELINE MUSIITWA
Independent Advisor

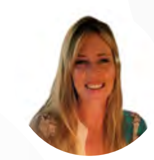
MARK PICKENS
Visa Inc.

ANAND RADHAKRISHNAN
Franklin Templeton Investments

VIKAS RAJ
resilienceVC



GONZALO SÁNCHEZ
Finnovista



LEILA SEARCH
IFC

SHWETANK VERMA
Leo Capital

GABRIELA ZAPATA ALVAREZ
Independent Consultant, Financial Inclusion & Financial Health

SPONSORS & PARTNERS

VISA
Global Sponsor

Visa (NYSE: V) is a world leader in digital payments, facilitating transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that economies that include everyone everywhere, uplift everyone everywhere and see access as foundational to the future of money movement.

Learn more at Visa.com.

METLIFE FOUNDATION
Global Sponsor

At MetLife Foundation, we are committed to driving inclusive economic mobility for underserved and underrepresented communities around the world. We collaborate with nonprofit organizations and provide grants aligned to three strategic focus areas – economic inclusion, financial health and resilient communities – while engaging MetLife employee volunteers to help drive impact. MetLife Foundation was established in 1976 to continue MetLife's long tradition of corporate contributions and community involvement. Since 1976, MetLife Foundation has contributed over $900 million to strengthen communities where MetLife has a presence.

www.MetLife.org.

JERSEY OVERSEAS AID & COMIC RELIEF
Global Sponsor

In 2018, Comic Relief and Jersey Overseas Aid announced a four-year £8 million partnership called 'Branching Out: Financial Inclusion at the Margins' to improve access to affordable financial services for those at the margins of society in Sierra Leone, Rwanda and Zambia. Comic Relief and Jersey Overseas Aid believe that one of the best ways to do this is by transferring knowledge to build responsible and inclusive financial systems, incubating FinTech, and focusing on service delivery to increase bottom-of-the-pyramid access to financial services including bank accounts, savings, insurance and credit, providing low-income households with the means to plan for the future as well as unexpected events. The partnership grants support a diverse set of organisations, made up of international and local NGOs, with each grantee delivering programmes designed to meet different community and national needs in addressing financial inclusion.

https://joa.je/

https://www.comicrelief.com/

ACCION

Supporting Partner

Accion is a global nonprofit committed to creating a financially inclusive world, with a trailblazing legacy in microfinance and fintech impact investing. We catalyze financial service providers to deliver high-quality, affordable solutions at scale for the 1.8 billion people who are left out of — or poorly served by — the financial sector. For more than 60 years, Accion has helped tens of millions of people through our work with more than 200 partners in 63 countries.

www.accion.org

CENTER FOR FINANCIAL INCLUSION

Implementing Partner

The Center for Financial Inclusion (CFI) works to advance inclusive financial services for the billions of people who currently lack the financial tools needed to improve their lives and prosper. We leverage partnerships to conduct rigorous research and test promising solutions, and then advocate for evidence-based change. CFI was founded by Accion in 2008 to serve as an independent think tank on inclusive finance.

www.centerforfinancialinclusion.org

IFC

Supporting Partner

IFC — a member of the World Bank Group — is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested $22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

www.ifc.org

Creating Markets, Creating Opportunities

METHODOLOGY & PROCESS

In 2022, 369 applicants applied to Inclusive Fintech 50. This analysis includes 257 applicants that were deemed eligible. All references to "IF50 data," "IF50 applicants," and "inclusive fintechs" refer to the 257 eligible applicants.

Eligibility required a company to prove that they:

1. Are a fintech, defined as a technology-first financial services company;
2. Have at least one live customer;
3. Are at Series B financing round or earlier; and
4. Were not a previous winner of Inclusive Fintech 50.

All data points are self-reported by the fintechs and are not independently verified. All applications were reviewed for completeness, outliers, and discrepancies, and the point of contact listed for each fintech had the opportunity to correct the application accordingly. Remaining outliers were excluded from the analysis as necessary to avoid distorting the data.

The application with the survey questions can be found on Inclusive Fintech 50- FAQ.

SELECTION OF THE WINNERS

Inclusive Fintech 50 2022 was open to fintechs worldwide, including business-to-business (B2B), business-to-consumer (B2C), and business-to-business-to-consumer (B2B2C) fintechs in the following categories: credit, DFS infrastructure, insurance, payments and remittances, and savings and personal financial management.
To ensure participation from early-stage and lesser-known fintechs, the project team and its partners conducted outreach and generated awareness in each of the target regions using a coordinated communications strategy that included direct outreach to fintech hubs, incubators, and accelerators, fintech regional associations and networks, and robust social media and email campaigns. The application was open from June 27 to August 1, 2022. In total, 369 fintechs applied.

The application questions balanced the desire for firm and specific answers against the reality that fintechs, particularly very young companies, might be constrained by limited information and time. The scoring process utilized both absolute and relative scoring methods to account for the variety of possible responses, the range of performance metrics, and the lack of existing benchmarks in the fintech space. Applications were each reviewed and scored by CFI staff or consultants and two to three independent, expert judges.

- Absolute scoring: Each applicant is scored based on their responses to specific questions. This is mainly used for scoring the Innovation and Inclusivity criteria.
- Relative scoring: Each applicant is scored against their peers (same product category, business model and, where relevant, country-level income) on quantifiable measures such as investment-to-date and number of customers reached.

Based on interviews with investors and fintechs in 2019, we developed selection criteria that provided a comprehensive understanding of each applicant. Each of the selection criteria listed below was vetted through interviews with investors and fintech founders to ensure it: (1) provided meaningful insight from an investor perspective, (2) did not place undue

Based on interviews with investors and fintechs in 2019, we developed selection criteria that provided a comprehensive understanding of each applicant. Each of the selection criteria listed below was vetted through interviews with investors and fintech founders to ensure it: (1) provided meaningful insight from an investor perspective, (2) did not place undue burden on an early-stage fintech or was otherwise not possible to fulfill, and (3) represented the experience of fintechs along the early-stage spectrum.

The Inclusive Fintech 50 selection criteria are underpinned by four evaluation areas of equal weight:

INCLUSIVITY

INNOVATION

TRACTION

SCALE POTENTIAL

More information on each of these criteria can be found at Inclusive Fintech 50 – Selection Criteria.

INCLUSIVE FINTECH 50 | powered by Center for Financial Inclusion

Contact The Center for Financial Inclusion for more information

center@accion.org