The theme for Financial Inclusion Week (FIW) 2022 was “Inclusive Growth in a Digital Era.” For years, financial products and services have been moving digital, and the pandemic further accelerated the trend toward digitalization. As digital becomes the new norm, we must ensure that these services are safe and inclusive of all people and do not exacerbate exclusion of marginalized and vulnerable groups. FIW 2022 explored how the global financial inclusion community can harness digital innovation to expand inclusive financial services for all people across the globe, ensuring that products meet customer needs, have appropriate safeguards in place, and contribute to inclusive economic growth.

FIW 2022 hosted 125 live and on-demand sessions, featuring nearly 400 speakers from around the world. With over 3,330 registered participants from 2,000 organizations and 146 countries, FIW 2022 was the largest event to date.

WHY FOCUS ON MSEs & PLATFORMS

With over 500 million micro and small enterprises (MSEs) in the developing world, MSEs are a major part of the global economy. Millions of low-income households worldwide rely on MSEs for employment and financial services are vital to the growth and productivity of MSEs. Yet, there is a $4.9 trillion financing gap in serving this segment. Informality, irregular cashflows, lack of credit history and collateral, insufficient and inaccurate data, poor governance, and unstable political economies make it expensive and risky to serve these thin-file segments.

The recent evolution of data-driven technologies has given rise to new business models — fintechs, digital platforms, and embedded finance providers — that can address many of these challenges. However, despite the creativity and innovation in this burgeoning space, many of these models are nascent and the benefits of digitalization have been uneven and, in some cases, have introduced new risks and widened the digital divide.

Given the critical role MSEs play in creating jobs and fueling growth and innovation, there was significant focus at FIW 2022 on the current state of MSEs and how to further support their growth.

WHAT WE HEARD AT FIW 2022

**KEY TAKEAWAYS**

1. **Digital is here to stay, and adoption is driven in large part by behavior change:** Approaches focusing solely on providing capacity building are not sufficient and providers need to build consumer trust and use a blend of tech and touch with their customers. While high-touch approaches can be more expensive, introducing touch early in the customer’s journey can help providers recoup the expense over time.

2. **Embedded finance can play an important role but more effort is required to expand other much-needed services:** Embedded financial services go beyond finance and can provide MSEs the much-needed support with logistics, digital marketing, inventory management, payment and linkage with lenders, and predictive analytics to make the supply chain more resilient. Embedded financial services, targeted credit, and payments continue to receive the bulk of innovation capital, while cash-flow-based underwriting, savings, and bundled services in insurance remain underfunded.

Is There a Future for MSEs in the Digital Economy?

Organized by CFI and Mastercard Center for Inclusive Growth, this session shared the key forces that are likely to impact the digital economy and MSEs’ participation in it. A panel of experts reacted to a set of possible scenarios for the future and the strategies proposed to improve outcomes and mitigate harms for MSEs.

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Financial Inclusion Week (FIW) is an annual gathering of the global community working to advance inclusive finance. A virtual forum for exchanging ideas, research, and perspectives from around the world, FIW is an opportunity for global stakeholders to showcase work, share ideas on what’s ahead, engage with the community, and more. FIW is convened by the Center for Financial Inclusion (CFI).
The use of platforms is still nascent among MSEs: While platforms have succeeded in attracting a substantial number of customers, transaction values remain small. Savings-focused platforms are experimenting with bite-sized offerings, nudges, and other behavior-changing techniques to encourage customers to save more.

Better collaboration is needed between banks and MSEs: There remains a disconnect between how banks think MSEs operate and the reality; many MSE owners expect more from banks and feel unsupported. Partnerships between banks and embedded service platforms can benefit banks by providing and scaling non-financial services that are often outsourced to third parties. Platforms also collect rich customer data that can help banks gain deeper insights on MSEs’ activities and accordingly design products that meet their needs.

Governments have a role to play in supporting platforms: Platforms continue to struggle with KYC, licensing, and regulatory fragmentation. A multi-faceted approach where governments create progressive regulations, invest in digital public goods, ease KYC requirements, and simplify the process of setting up and doing business are all key to the success of platforms.

Segmentation is needed to best serve women-MSE owners: Capacity-building approaches that target women MSE owners must meet women where they are. There is no one-size-fits-all approach, and it is important to segment women based on their capabilities, local and personal contexts, and where they are in their digital journey.

Investor-level innovations are needed to better serve MSEs: Impact investors are experimenting with various flexible, innovative instruments to help MSEs grow their businesses. Some of these innovations include pay-for-impact, mezzanine financing, and cashflow/revenue-based working capital financing with built-in grace periods.

LOOKING AHEAD: AREAS OF OPPORTUNITY

1. **One-size fits all approaches are insufficient:** More research is needed to understand how providers are segmenting MSEs and what they are learning.

2. **More is needed to help women-owned MSEs embrace digital solutions:** Surfacing insights and lessons from providers’ approaches across the world will elevate the sector’s understanding of what is – and what is not – working.

3. **Leverage innovations and best practices:** By uncovering and spotlighting the innovations and good practices that fintechs, platforms, and other providers are taking to protect consumers and their data from harm, we can move the needle on creating a responsible digital economy.

4. **Better measurement approaches are needed:** While inclusive platforms and embedded finance models have the potential to unlock opportunities for MSEs, rigorous measurement approaches are needed to assess the true impact and sustainability of these nascent business models.

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FINANCIAL INCLUSION WEEK 2022 CONTENT RECAP
MSEs and Platforms

CHECK OUT ALL FIW 2022 CONTENT ON MSES

- How to Enable Small Businesses to Reach Their Potential as Catalysts of Inclusive Growth
- Innovation to Address Latin America’s Missing Middle Financing Gap
- Fintech at the Frontier of MSE Finance
- Is There a Future for MSEs in the Digital Economy?
- A Stronger Lifeline: Interventions to improve resilience of gig workers and entrepreneurs in LatAm
- Building SME Ecosystem Platforms Beyond Banking: A crucial step in financial inclusion
- High-Tech and High-Touch: Women-centered design for mixed digital realities
- Plunging Into the Digital Economy, but Still Tied to Cash: Lessons from the Small Firm Diaries
- Financial Inclusion for Small Companies The case of the Mexican META segment
- Impact and Lessons from a Fintech in Cross-border Money Transfer for Migrants and MSMEs in Korea
- The Great Indian Digital Divide: Gender Disparity in Digitalization by Women-led Nano Enterprises
- Innovations in Financial Service to Platform Workers
- Gig Pulse — Voices from India’s Gig Economy

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