

First-Ever Impact-Focused Southeast Asian Financial Inclusion Report Charts Pathways to Accelerate Impact Beyond Access

- ***New report developed by Centre for Impact Investing and Practices (CIIP), in partnership with the United Nations Capital Development Fund (UNCDF) and Helicap, shows credit access improves financial health outcomes for majority of ~6,500 Financial Services Provider (FSP) customers across Southeast Asia***
- ***FSPs urged to prioritise and adopt impact practices given strong link to customer outcomes and satisfaction***
- ***Significant untapped Southeast Asian market for holistic services beyond credit such as business-related services, insurance, and savings***
- ***Cost and risk reduction solutions and innovation have proven effective in enabling FSPs to achieve both impact and commercial viability***

SINGAPORE, 7 June 2023 – Credit access has improved the quality of life for nearly nine in 10 (89%) FSP¹ customers² in Southeast Asia. About 8 in 10 benefited from income increases (78%), improved ability to face major expenses (76%), and increased confidence in themselves and their abilities (80%). Most customers reported improved financial agency – 86% had improved in their ability to achieve financial goals and 58% had improved financial decision-making abilities.

These are key findings from “*Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access*”, the first-ever impact-focused financial inclusion report in the region developed by CIIP, a non-profit established by Temasek Trust, in partnership with UNCDF and Helicap, supported by 60 Decibels.

With contributions from 60 organisations, including industry associations, investors, FSPs and their ~6,500 customers across five countries (Cambodia, Indonesia, Myanmar, the Philippines, and Vietnam), the report goes beyond access to financial services, offering insights into the impact of access to credit on FSP customers’ business and livelihoods, quality of life and household well-being, and other financial health outcomes such as resilience and agency.

“Financial inclusion goes beyond access – it is about outcomes to the end customer. In Southeast Asia, access to credit has positively impacted customers by creating jobs, facilitating education, improving healthcare, and enhancing livelihoods. With this report, we get closer to understanding what is needed for true financial inclusion in Southeast Asia, and how we can support and encourage multi-sector stakeholders to act and enhance their collective impact to empower communities,” said Ms. Dawn Chan, CEO, CIIP.

Women more positively impacted by credit access and likelier to use loans for business and household well-being purposes

Women generally experienced greater impact in quality of life (90% vs 85% for men), business (81% vs 69%), and ability to face emergencies (78% vs 71%). 60% of them indicated an improved ability to make financial decisions, independent of their spouses, compared to 52% for men. Women are also **more likely to use loans for business purposes (78% vs 59%)** and increase **spending on household wellbeing such as children’s education (67 vs. 50%) and quality meals (63% vs. 50%)**.

¹ FSPs surveyed include traditional financial institutions (banks and non-banks) and consumer players expanding to offer financial services, as well as new, primarily digitally native players quickly gaining traction in offering digital financial services (DFS), such as FinTechs and digital banks.

² Customers surveyed included individuals and micro, small and medium enterprises (MSMEs) in urban and rural communities.

Lending to women in the region can thus drive transformational change and be a crucial sector for gender-lens investing.

Greater depth of impact linked with better customer satisfaction

There is strong correlation between the depth of impact and high customer satisfaction across Southeast Asian FSPs. Customers who reported a ‘very much improved’ quality of life gave a much higher net promoter score compared to those who mentioned ‘somewhat improved’ quality of life (79% vs. 59%). Similar patterns were observed in other household impact metrics such as quality of meals (79% vs. 64%), spending home improvements (74% vs. 63%), and education (73% vs. 63%). Customers who agreed that FSP agents treated them with respect gave a much higher NPS (60%) compared to those who disagreed with the statement (-18%).

The report findings underscore the importance for FSPs to establish themselves as trusted actors and deepen their positive impact on customers. Amidst growing competition, **high customer satisfaction presents a compelling business rationale for embedding impact practices in business operations.**

Significant untapped market for holistic financial services in Southeast Asia

Despite many customers reporting increased access to credit through FSPs, there remains a **large, untapped market in Southeast Asia. ~225 million** Southeast Asians lack bank account access and **350 million** do not have access to formal credit. Additionally, **39 million micro, small, and medium enterprises face a funding gap of up to US\$300 billion.**

The **digital divide persists as FinTechs predominantly target urban and male customers**, though some FinTechs are emerging with a strong rural customer focus. Traditional FSPs are more likely to reach women customers than FinTechs (76% vs. 57%). However, FinTechs are more likely to reach first-time borrowers (63% vs 46%), with 57% of FinTech customers saying they could not find a good alternative compared to 40% for traditional FSPs. To achieve digital equity in the region, more FinTechs need to extend their focus to women, rural and lower-income customers, while traditional FSPs should continue to enhance their reach through digitalisation.

For FSPs, a key opportunity lies in providing a broader range of financial and business services, in addition to credit. **Customers accessing non-credit services demonstrate higher impact outcomes**, such as savings (74% vs. 64% for those who access non-credit services vs. those who do not), quality meals (60% vs. 55%), and increased spending on home improvements (47% vs. 41%). While insurance and savings are popular services, **business-related services such as business development and e-commerce services are particularly valuable** to female, FinTech, and urban customers.

“By driving initiatives to broaden and deepen financial health outcomes – security, resilience, control, and freedom, we pave the way for inclusive growth and poverty reduction to create a brighter future for all. UNCDF strives to mobilise public and private capital and unlock the region’s potential by providing access to the tools, resources, and opportunities for financial well-being. Together, we can build a Southeast Asia where financial health fuels prosperity and transformative change and accelerates the achievement of Sustainable Development Goals to leave no one behind in the digital era, especially women,” said Ms. Maria Perdomo, UNCDF Coordinator for Asia.

FSPs can achieve both impact and commercial viability through innovation and cost and risk reduction solutions

FSPs are innovating to address barriers to credit access. This includes expanding availability and reach through new digital channels and partnerships, improving product-market fit by tailoring products to customers’ specific needs, implementing embedded financing methods, and addressing gaps in financial and digital literacy and entrepreneurial savvy among customers.

To make these business models work, FSPs have actively sought solutions to reduce costs and risks to achieve scale and ensure long-term financial sustainability, such as digitalising backend processes and using alternative data for underwriting. FSPs are also investing in foundational building blocks of their business models by establishing guardrails for customer protection, improving customer retention, and lowering delinquency and default rates through continuous customer engagement, and intentionally integrating impact into their business mission and strategy.

FinTechs have shown a promising ability to reduce operating expenses (OPEX) – with weighted average OPEX/revenue dropping by close to half (130% to 72%) in the last four years. Traditional non-banking finance institutions serving the underserved have also remained profitable, indicating that impact-oriented FSPs can target commercial returns and still ensure business sustainability.

“Impact-focused investors can catalyse transformative change in Southeast Asia. By aligning financial goals with social and environmental impact, they can spark positive ripple effects. Whether it is empowering local communities, promoting sustainability, or fostering inclusive economic growth, opportunities abound for investors to drive impact and returns in this untapped market, and contribute to the region’s economic advancement,” said Mr. Quentin Vanoekel, co-founder and CIO, Helicap.

The *“Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact beyond Access”* report is part of a multi-phase study by CIIP which is focused on deepening financial inclusion in Southeast Asia and to define, illustrate and examine impact outcomes through financial inclusion in the region.

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Note to Editors

About the Centre for Impact Investing and Practices (CIIP)

The Centre for Impact Investing and Practices (“CIIP”) was established in 2022 as a non-profit entity by Temasek Trust to foster impact investing and practices in Asia and beyond. CIIP is the anchor partner for SGD Impact, the United Nations Development Programme initiative tasked to develop resources that accelerate investments towards achieving the United Nations Sustainable Development Goals (“SDGs”) by 2030. Through this partnership, Asia investors and businesses are provided with clarity, insights and tools that support their contributions towards achieving the SDGs. Temasek and ABC Impact are CIIP’s strategic partners. For more information, please visit <https://ciip.com.sg/>

About Helicap

Headquartered in Singapore, Helicap is a leading investment group providing debt financing to traditional and digital non-bank lenders and other venture-backed businesses in Southeast Asia. Helicap aims to address the \$500bn credit gap in the region by deploying capital through originator partners. To date, the group has facilitated more than \$200m in cumulative investment volume with zero originator defaults.

Through its proprietary credit analytics technology, Helicap is able to connect directly with the loan management system of any lending platform and understand the underlying credit risk of their loan portfolios at a granular level. This is complemented by a fully online and MAS licensed investor deal platform, that provides co-investment opportunities to Helicap’s investor base.

Helicap is backed by renowned global financial institutions such as Tikehau Capital, Credit Saison and PhillipCapital. For more information, please visit <https://www.helicap.com/>

About UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations’ flagship catalytic financing entity for the world’s 46 least developed countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the Least Developed Countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

<https://www.uncdf.org/>

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