

# G20 Global Partnership for Financial Inclusion

## Innovations in SME Financial Services

*Mumbai 14-16 September 2023*



# Background

- The India G20 Presidency has prioritized the development of an open, inclusive and responsible digital financial ecosystem based on the presence of a sound and effective digital public infrastructure (DPI) for the advancement of financial inclusion and productivity gains.
- Builds on the work and achievements from previous presidencies in enhancing financial inclusion of vulnerable and underserved populations and sectors.
- Promoting innovative and responsible access to (digital) financing in both advanced and emerging markets have been the focus of this year's GPFi Financial Inclusion Action Plan.
- A stock take exercise of effective approaches on policy, regulatory, and supervisory considerations in addition to effective models and innovations beyond credit e.g. business solutions, payments and insurtech that have successfully facilitated and promoted SMEs financing have been analyzed.
- Innovations in SME Financial Services : report concludes with various policy, regulatory and supervisory considerations and voluntary guidelines.



## Research Design:

- Desk research and case study collection - combination of quantitative and qualitative methods



## Scope:

- Analysis of SME finance policies and practices across G20 and non-G20 countries.
- Quantitative analysis of survey data for identifying trends.
- Qualitative analysis through desk research and case studies for in-depth insights



## Limitations:

- *Voluntary*: Potential bias due to self-selection of respondents.
- *Self-Reported*: Introduction of response bias..



## Case Selection Criteria:

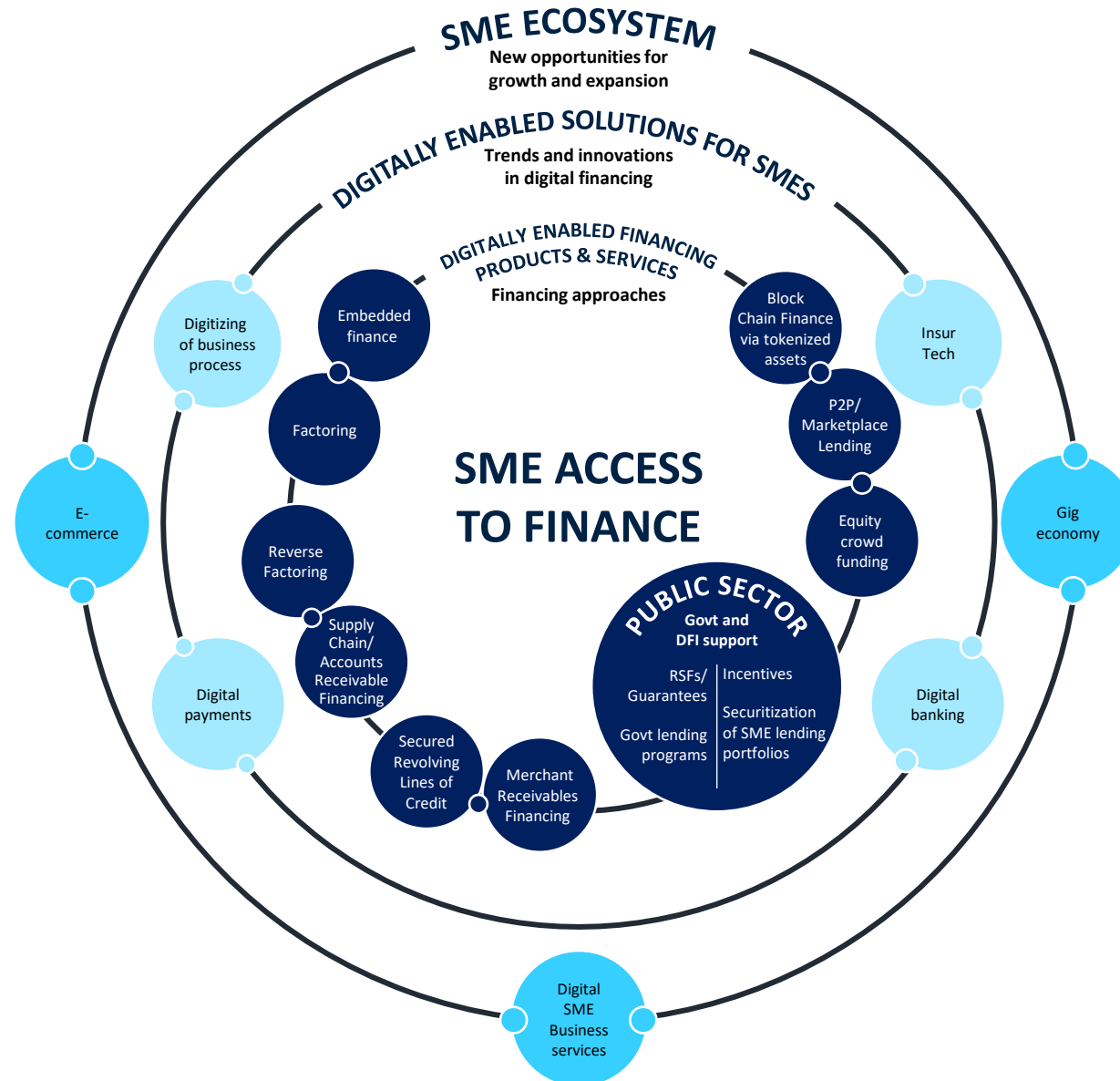
- Relevance to report categories.
- Impact on outreach and scale of innovation.
- Replicability potential in other countries.




## Balanced Representation:

- Consideration of diversity in country and regional representation for highlighted examples, impact and outreach

# Digitalization of the SME Ecosystem



# Policy and Regulatory Considerations

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- Proactively expand debt and equity platforms
  - Broaden coverage of credit registries and bureaus to cover more SMEs and incorporating the expanding range of lenders and data sources
  - Develop modern secured transactions frameworks to support the introduction of fintech asset-based lending products for SMEs
  - Improve digital identification infrastructure for SMEs
  - Facilitate public and private dialogues, industry codes of conduct, and knowledge sharing as well as exploring the use of innovation hubs and regulatory sandboxes
  - Consider flexible and proportionate risk-based regulatory frameworks
  - Review and enhance financial literacy, consumer protection, data privacy, and cybersecurity regulations
  - Strengthen supervisory capacity to effectively monitor and assess risks associated with innovative financing models; and
  - Improve regional and international sharing and collaboration to facilitate cross-border oversight on fintech

# Policy and Regulatory Considerations

- Establishing minimum standards for risk management frameworks and approaches for fintech lending platforms, including criteria for borrower assessment, loan pricing, and risk diversification.
- Requiring regular reporting and disclosure of risk metrics, loan performance data, and stress testing results by fintech firms to enhance transparency and risk monitoring.



- Implementing regulatory requirements for adequate capital and liquidity buffers for fintech firms engaged in lending activities to mitigate systemic risks.
- Promoting advanced analytics and artificial intelligence tools for practical risk assessment and credit decision making.



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