



Fintech Challenge Myanmar 2020 – Deep Webinar
“MSME Finance and Alternative Lending”
18 June 2020

Summary / Key Findings

Data-related Issues

- 1) **Payment system reform** will drive greater payment digitization, which in turn will create more data that can be used for credit decisioning that supports alternative lending.
- 2) **Credit bureaus** could be a rich data source - they need to be further built out and their coverage should be expanded (i.e., to include MFIs, finance companies—and also incorporate data from utilities, etc.).
- 3) **Electronic-ID** will support more digital finance, especially by facilitating e-KYC that will drive more digital and app-based lending approaches.
- 4) **MEB/MADB** can be a driving force for alternative lending and new lending models; there is a need to organize and utilize the existing data available within this combined entity.

Policy Issues

- 1) **Sandboxing and a more structured innovation process** are key to facilitating innovations and will allow regulators and market players to co-develop new rules and safely demonstrate the efficacy of new business models.
- 2) **Leveling the playing field in the financial sector** requires taking a hard look at the current financial architecture, removing interest rate differentials between types of financial institutions, among other measures, to allow maximum competition and innovation.
- 3) **Allowing more flexibility in financial infrastructure and financial legal and regulatory environment** should be promoted, rather than relying on “rule-based” and “institution-specific” approaches to financial services; regulators need space to make regulatory adjustments as technologies and solutions evolve.
- 4) **Data privacy, consumer protection, and cyber security** should be strengthened, as the average person’s economic life is increasingly digital and online.

Market Development Issues

- 1) **A strong fintech innovation ecosystem** is needed to promote MSME Finance / Alternative Lending models—particularly for agriculture—as well as other digital financial services.
- 2) **Ecosystem players have to demonstrate and share concepts and approaches openly** and actively promote those that have potential and/or have shown success in Myanmar.
- 3) **Digital and financial literacy** has to be greatly strengthened to prepare consumers for digital financial services, including alternative lending and other new financial products.

“Headline” Takeaways:

- *Financial institutions, with very few exceptions, do not understand how to address the needs of the agricultural sector.*
- *When it comes to agricultural finance, MADB, or now the MEB/MADB merged entity, will remain the most important FI for agricultural finance.*
- ***Support for innovation in agricultural lending must in the short-term focus on energizing the new combined MEB/MADB entity. There is a room for other efficient financial services providers as well, as part of a new “agricultural financing ecosystem”.***



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