

CONCEPT NOTE

Digital financial technologies for sustainable development in the Asia Pacific

Side event at the 80th session of the Economic and Social Commission for Asia and the Pacific

Jointly organized by
The Department of Scientific and Industrial Research (DSIR), Government of India
and
The Asian and Pacific Centre for Technology Transfer (APCTT)

24th April 2024 (Bangkok)

Time: 14:45 – 16:00 hours (Thailand time: GMT +7.0)

Venue: Asia Pacific Foyer, UNCC

Background

The eightieth session of the Economic and Social Commission for Asia and the Pacific (ESCAP) will be held from 22 to 26 April 2024 at the United Nations Conference Centre in Bangkok, under the theme “*Leveraging digital innovation for sustainable development in Asia and the Pacific*”. It will provide an opportunity to strengthen region-wide cooperative action on leveraging digital innovation for the accelerated implementation of the 2030 Agenda for Sustainable Development. In line with the theme of the Commission session, DSIR and APCTT will jointly organize a side event on “**Digital financial technologies for sustainable development in the Asia Pacific**”.

Financial inclusion is a critical step in the promotion of sustainable development and economic growth. The Asia-Pacific region has made significant progress over the years on financial inclusion. However, it has been highlighted in some reports that significant disparities still exist in access to financial services both between and within countries. One of the major developments in finance over the last decade is technology driven innovation. Digital technologies bring opportunities to the financial sector and enhance its reach to targeted population, and effective policy interventions can unlock this potential.

There are several ways in which digital solutions can be utilized for financial inclusion (Saxena and Puneka, 2020). Such solutions include:

- Digital identification systems, enabling fast, low-cost, and convenient customer identification and verification processes (client on-boarding procedures);
- Simplified account opening processes, including low-cost, physically accessible and digitally enabled points of access to services;
- Government-to-person (G2P) payment services (including employee payments, such as wages and pensions, as well as social transfers) can create the initial momentum for electronic payments, thereby supporting the development of viable supply-side business cases;
- Innovative products, such as mobile wallets, targeted at the financial needs and behaviours of different groups to enhance savings;
- Credit databases with alternative sources of customer data, including payment transaction records and telecom analytics, to enable easier

Governments can facilitate digital inclusion, it can act as a market participant by providing the infrastructure for banking, and payments, and as a regulator by setting consumer protection rules and securing systems¹. They can play an important role in making it more inclusive by empowering the poor to participate in digital financial ecosystems, in enabling market-based solutions that specifically focus on the needs of the poor, and in ensuring a regulatory environment that protects the most vulnerable. There are significant examples across Asia-Pacific countries about innovative approaches to financial inclusion powered by digital technologies.²

Each country needs to plan its digital journey based on its local-level characteristics including demographics, penetration of digital infrastructure, digital literacy and gender-based inclusion. Therefore, this side event would showcase how digital technologies have made it possible for the governments to be more inclusive, cut down on economic losses and increase their outreach, and the lessons learned in the process and elements of digital financial inclusion beyond infrastructure provisioning.

Expected outcomes

The side event would provide a platform to share national perspectives and experiences on the existing use of innovative digital public finance set-up. The case studies would help explain the

¹ References

India's Digital Public Infrastructure: A Model for Global Development, <https://newsonair.gov.in/News?title=India%26%2339%3Bs-Digital-Public-Infrastructure%3A-A-Model-for-Global-Development&id=471007>
Saxena, R., and R.M. Puneekar (2020). Designing pro-poor mobile financial services: Learning from the financial diaries of urban poor in India. World Development Perspectives
UNESCAP 2022, Policy guidebook: harnessing digital technology for financial inclusion in Asia and the Pacific, <https://www.unescap.org/kp/2022/policy-guidebook-harnessing-digital-technology-financial-inclusion-asia-and-pacific>
<https://repository.unescap.org/bitstream/handle/20.500.12870/4290/ESCAP-2022-MN-Policy-guidebook-harnessing-digital-technology.pdf?sequence=1&isAllowed=y>

² Examples include (ESCAP 2022): In Kyrgyzstan and China, national strategies act as centralised mechanisms that enable governments to set priorities and coordinate approaches to digital financial inclusion. In Bangladesh, digital solutions are created through market participation by governments through public-private partnership. In Thailand, government has used innovations in their approach regulatory matters. In Papua New Guinea, the government is working in cooperation with the Government of Australia to develop blockchain technology solutions to promote financial inclusion to previously non-banked customers.

need, means required and steps taken towards digital transformation at the national levels and foster regional collaboration.

The event would help to address the following:

- Enhance understanding of technological dimensions of digital inclusion
- Exchange learning and good lessons on the developments, challenges and opportunities for digital financial innovations and technologies.
- Discuss potential for regional cooperation for technology transfer and innovations for inclusive digital finance in Asia Pacific.

In order to facilitate a focused discussion, case studies as identified below, may be presented at the side event:

Case Study

Digital Public Infrastructure, India

Digital Public Infrastructure (DPI) or India Stack comprises three layers. The first layer is biometric data that has distinctive digital identification (Aadhar). While, the second layer is complimentary payment systems (Unified Payments Interface (UPI), Aadhar-enabled payment services), and the third layer is the data exchange layer (Digilocker and account aggregator). Together these enable online, paperless, cashless and privacy-respecting digital access to a variety of public and private services.

These are networks, systems or platforms that allow secure access to underlying data and business logic through Application Programming Interfaces (APIs). APIs allow solution builders to use some or all these DPIs as per the context of their specific solution.

It is a unique ecosystem where the private sector is innovating for services using this information. DPI emphasizes data protection and privacy. At the same time, open standards allow interoperability, allowing anyone to utilize the functionality provided by the India stack.

Benefits: DPI is playing a key role in optimizing public expenditure efficiency, bridging the gap in financing inclusion and enhancing government revenue collection. Some of the achievements in the financial domain would be:

UPI has empowered all citizens in India. It has helped bring marginalized individuals such as street vendors into the formal system. The government of India estimated in March 2021, that about 1.1 per cent of GDP in expenditure was saved due to digital infrastructure and other government reforms³. During the pandemic, using digital infrastructure, the government was able to support poor households. Around 87% of poor households received at least one kind of support.

³ <https://www.imf.org/en/Publications/WP/Issues/2023/03/31/Stacking-up-the-Benefits-Lessons-from-Indias-Digital-Journey-531692>

Recently, India's Unified Payment Interface (UPI) services were rolled out in Sri Lanka and Mauritius on 12 February, 2024. It is envisaged that through Fintech connectivity, not only cross-border transactions but also cross-border connections will be strengthened.

Similarly, there are other government-led initiatives in Asia Pacific can be discussed to understand the elements of financial inclusion.
