

Eightieth session of the Commission
Bangkok, 22-26 April 2024

SUMMARY REPORT

Digital financial technologies for sustainable development in the Asia Pacific

[Side event of the 80th session of the Economic and Social Commission for Asia and the Pacific (ESCAP)]

Jointly organized by:

Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, and Asian and Pacific Centre for Transfer of Technology (APCTT) of the United Nations ESCAP

24 April 2024 (Bangkok and online), Time: 14:45 to 16:00 (Thailand time: GMT +7.0)
Venue: Asia Pacific Foyer, UN Conference Centre (UNCC), Bangkok, Thailand

(in-person)

A. Introduction

1. Financial inclusion is a critical step in the promotion of sustainable development and economic growth. One of the major developments in finance sector over the last decade is digital technology driven financial services. Digital technologies bring immense opportunities to the financial sector and enhance its reach to wider segment of targeted population. This potential can be unlocked by governments through effective policy and technology interventions and actions. This side event provided a platform to share national perspectives and experiences on the existing digital public finance platforms using innovative digital tools and systems.
2. The event helped to enhance understanding of the technological dimensions of digital inclusion; exchange learnings and good lessons on the developments, challenges, and opportunities for digital financial innovations and technologies; and to discuss potential opportunities for regional technology cooperation in the field of inclusive digital finance in Asia and the Pacific. The event was attended by about 17 participants from member States of ESCAP attending the Commission session. The participants included policymakers and government officials and participants from national agencies, research organizations and enterprises engaged in the digital finance sector.
3. The country case studies presented during the side event highlighted the need, means required and steps taken towards digital transformation of finance sector at the national levels and foster cross-border collaboration. The discussions focussed on the proposed Asia and Pacific

Technology Transfer Platform (APTTP) of Russian Federation including digital advancements and crowdfunding mechanisms, digital financial technologies for sustainable development in Asia and the Pacific, growth and adoption of digital payment systems like UPI in India, and digital financial technology and economic development in Bangladesh.

B. Summary of discussions

1. Financial inclusion is a critical step in the promotion of sustainable development and economic growth and technology driven financial innovation is the need of the future. Digital technologies bring opportunities to the financial sector and enhance its reach to targeted population, and effective policy interventions can unlock this potential.
2. It was highlighted that "Digital India" is a flagship programme of the Government of India which aims to transform the country into a digitally empowered society and knowledge economy, leveraging digital technologies to improve governance, healthcare, education, and other sectors. Before 2014, India faced significant challenges in adopting digital payments, including being a cash-dependent society, a deficiency of trust in digital payments, financial inclusion issues, inadequate infrastructure for acceptance and high-speed networks, limited participation from start-ups, fintechs, and big-techs, and lack of incentives for digital payments. These challenges hindered the growth of digital payments and financial inclusion in the country.
3. To overcome the challenges of financial sector, the need for simplified and affordable payment products and platforms was emphasized. This includes the development of digital payment systems that are user-friendly, secure, and accessible to all segments of society.
4. The presentation highlighted the global expansion of India's Unified Payments Interface (UPI) system to other countries. For example, Singapore has a 2020 FinTech agreement in place, with full-fledged UPI integration under development. Bhutan was one of the first countries to adopt UPI outside India in 2021. Nepal has limited adoption, with some merchants in the tourism sector accepting UPI payments. The UAE launched UPI in 2022 through collaborations with two agencies, making it available for specific transactions. France reached Europe in February 2024, with the Eiffel Tower and select merchants accepting UPI. Mauritius and Sri Lanka also adopted UPI in February 2024.
5. RuPay is another example of India's first-of-its-kind domestic Card payment network with wide acceptance at ATMs, point of sale (POS) devices, and e-commerce websites across India.
6. The benefits of RuPay and UPI discussed in the event include facilitating seamless transactions, enhancing financial access, promoting financial inclusion, strengthening economic ties, and driving innovation and technological advancements. These benefits have positively impacted users by providing a secure and efficient way to make transactions, increasing financial inclusion, and fostering economic growth.
7. A presentation from the Russian Federation discussed a proposal for developing an Asia and Pacific Technology Transfer Platform (APTTP), which aims to tackle challenges like consolidating information on the latest technologies, forming a comprehensive database, and establishing a unified digital platform for communication and knowledge exchange among Asia-Pacific countries. This initiative emphasizes the importance of digitalizing international scientific and technical cooperation to enhance collaboration and innovation across the region.

APTTP focuses on key areas such as biotechnologies, robotics, green technologies, smart manufacturing among others, aiming to promote Sustainable Development Goals, enhance

partnerships, attract investments, and foster a unified knowledge base in modern scientific research. For example, APTTP could facilitate tasks like promoting air purifying technologies, managing export control and technology transfer, conducting events on specific topics, and selecting optimal technological solutions within the framework of requests. By providing a unified environment for efficient interaction and exchange of scientific, technological, and innovative developments, APTTP would play a vital role in training international personnel and facilitating technology transfer among countries in the Asia and Pacific region.

8. APTTP offers advantages such as registration, document verification, crowdfunding mechanisms, project implementation, and provision of reports and rewards to investors. With successful projects and a large user base, APTTP serves as a platform for raising funds, engaging with investors, implementing projects, and supporting scientific initiatives, contributing to the globalization of innovative ecosystems and accelerating the decision-making process in technology development and transfer.
9. It was highlighted that the financial sector in Bangladesh is rapidly advancing in digitization, leveraging a robust digital infrastructure and innovative products. The government's vision aims to transform the country into a smart, knowledge-based economy by 2041, emphasizing digital technologies and artificial intelligence for inclusive economic growth. Various digital financial services like mobile money, digital microfinance, payment apps, and crowdfunding are playing a pivotal role in enhancing financial inclusion and fostering inclusive economic development in Bangladesh.
10. The 8th Five Year Plan in Bangladesh focuses on implementing continuous reforms across financial sector policies, infrastructure, and regulatory institutions to expand access to financial services for underserved populations and deepen financial markets through digital technology. Notable regulatory initiatives include the establishment of a Regulatory Fintech Facilitation Office (RFFO) to support digital financing initiatives, the introduction of a National QR Code Standard for retail payments, e-KYC guidelines, and the creation of a Credit Information Bureau for Microfinance Institutions (MF-CIB) to mitigate credit and operational risks.
11. Bangladesh's digital financial landscape encompasses a wide array of transactions across agent banking, internet banking, mobile financial services, and other channels. The country boasts a significant number of scheduled and non-scheduled banks, a large number of deposit accounts, and a growing trend in digital financial transactions. Initiatives like the Automated Cheque Processing System, Electronic Fund Transfer Network, and Mobile Financial Services are enhancing the digital financial ecosystem in Bangladesh, promoting financial inclusion and accessibility.
12. The NFIS-B 2020 in Bangladesh aims to drive financial inclusion through digitization and innovation, with strategic goals focusing on increasing financial deepening, strengthening payment systems, promoting financial literacy, and broadening financial inclusion for women, climate-affected populations, and other underserved segments. Efforts under the NFIS-B 2020 include initiatives to establish a robust data and measurement framework, promote financial literacy and consumer empowerment, upscale digital financial services, fortify risk management, strengthen insurance services, and reinforce capital market services.
13. Collaborative efforts focus on policy harmonization, interoperability, infrastructure development, capacity building, cybersecurity, financial literacy, and innovation, aiming to create a conducive environment for growth and resilience in digital finance systems.

C. Recommendations:

14. Governments may play a lead role in facilitating digital inclusion. This can be under various stages and steps such as being a market participant by providing the infrastructure for banking, and payments, as a regulator by setting consumer protection rules and also 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.
15. Member States need to plan their digital journey based on local-level characteristics including demographics, penetration of digital infrastructure, digital literacy and gender-based inclusion. Thus, digital technologies would make 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.
16. Strengthening regional collaboration in digital finance is very important, which would help regional forums and working groups to facilitate knowledge sharing, capacity building, and policy harmonization, as well as supporting initiatives that promote cross-border interoperability and collaboration among neighbouring countries.

