Rise FinTech Insights

July 2020

rise

Created by BARCLAYS

#HomeofFinTech

Dear friends

One thing that COVID-19 teaches us, if we needed reminding, is how many people across the world remain disadvantaged by not having access to basic financial services.

It's a blight that prevents them from transacting for even the most basic goods and services. A simple bank account, for example, can open doors for individuals and families in ways that many of us take for granted. The ability to control payments, make financial decisions and invest in health, education and the future can lead to better lives. It's not just a nice-to-have. Without basic financial services, lives can be devastated. In an ever more connected world, it's a subject that, in one way or another, affects us all.

This important and timely message is why we've focused this edition of Rise FinTech Insights on financial inclusion. There are many aspects to the subject. This report includes articles from Rise members, industry experts, Barclays partners and other friends on how FinTechs are opening up credit for small businesses, the role of challenger banks, developments in cross-border credit systems, Open Banking and digitisation technologies, how emerging markets are leading the way and how diversity also plays a part.

To highlight the importance of financial inclusion, we turn to some data from the World Bank that speaks for itself. Globally, an estimated 30% of adults do not have a transaction account. The good news is that two thirds of them owned a mobile phone, suggesting that FinTech and digitisation can play a major part in remedying the knock-on effects of poverty and inequality.

#HomeofFinTech
#powerofcommunity

Hello

Contents

Survey

Please take our short survey to help shape the content and format of future editions of this report.

Or visit:

https://tinyurl.com/rise-report

Scan this QR code:

inclusion

Introducing financial inclusion

Financial inclusion, the concept that banking services should be accessible and affordable to everyone globally, is a social good that overlaps with, and enables, diversity.

Close to one third of adults, 1.7 billion people, are still unbanked, and about half of unbanked people include women, poor households in rural areas or the unemployed[1].

FinTechs alongside traditional banking partners are tackling this disparity by accelerating financial inclusion with innovations that decrease costs for customers, increase the reach of financial products and enable financial wellness in developing and developed countries.

The ability to increase access to financial products begins with digitalisation. This can be seen in the rise of 'neobanks' that are challenging the need for bricks-and-mortar bank branches through their online-only platforms. The ability to access technology in the palm of your hand not only increases the speed with which someone can open their virtual wallet and pay their credit card bill, but also increases the options they have to manage their financial products and understand their financial wellness. Technology and an easy-to-use user interface have enabled us to choose our banking provider, compare interest rates on loans, and send money internationally with minimum fees, often with only a few taps on our mobile devices. This benefit extends beyond individual customers. Small and Medium Enterprises (SMEs) are able to manage their business finances and easily access new lines of credit through digital platforms.

In the face of this digital revolution, financial inclusion is not only improving access to financial services, but also helping customers and non-customers through money management support. Products such as Barclaycard Forward help first-time credit users without a strong credit history apply for their first credit card, while FinTech platforms such as Lifesaver give customers a personalised path to make better informed money decisions. Only through this joint partnership between technology and education can the financial services industry bring transformational change to unbanked and under-banked customers.

Although efforts to improve financial inclusion have come a long way in a relatively short period of time, there is still much more to be done. As an industry, our ambition should be to provide all adults with access to basic banking services, and continue to improve financial education for children. This is a huge task, but one that is achievable, particularly with targeted collaboration across banks, technology companies and FinTechs and a focus on achieving financial inclusion for those 1.7 billion individuals.

Mariquit Corcoran
Head of Barclays Ventures US and Global Rise FinTech Platform

mariquit-corcoran

1. https://www.worldbank.org/en/topic/financialinclusion/overview

Open Banking means banking for all

Around the world, technology is changing the way companies and consumers interact with banks.

Thanks to software advances (new Application Programming Interfaces, APIs) and regulation (Open Banking), FinTechs are increasingly able to connect directly to bank platforms and provide better financial products. These developments have enabled financial inclusion in two ways: greater access to credit and new financial tools for savings and debt repayment.

Open Banking data, when analysed by advanced credit scoring algorithms, allows more people to receive credit from lenders. In April 2020, UK-based Credit Kudos raised a second round of Series A funding that totalled £5 million allowing them to sell to UK lenders the credit scores of customers previously excluded by traditional credit scoring methods. Similarly, Mojo Mortgages, a mortgage comparison platform with 50,000 customers[1] has launched a product called MortgageScore with Credit Kudos to bring transparency to home buyers by providing insights and an individual score.

FinTechs are also fueling new savings and debt payment tools. One example is the UK's Tully product, which uses Open Banking to understand a customer's financial situation and available liquidity, to identify the loans that best suit their needs and repayment schedule.

Another example is South Africa's Meerkat, which lets consumers reduce their reliance on debt and improve their financial health with a savings tracker and automatic savings tool.

In emerging and developing markets, FinTechs are powering fundamental shifts in digital identity, mobile payment solutions and cryptocurrency platforms to improve financial inclusivity.

Nearly 11% of India's adult population is unbanked[2]. However, Jan Dhan Yojana and Aadhaar Pay, two of the country's government initiatives, are advancing electronic Know Your Customer (KYC) processes and biometric-based identity payment systems to get more people to open bank accounts. These initiatives are working. In India, from 2014 to 2017 the number of accounts grew by about 51%[2]. Similarly, Telenor Microfinance Bank has so far provided 25 million Pakistani customers with financial products through biometric payment solutions[2].

Mobile payment solutions are becoming ubiquitous with mobile phones evolving into multi-functional devices to accept payments, transfer funds or confirm receipts. Approximately 1 billion mobile money users are active globally[3]. In May 2020, PayPal launched QR code payments in 28 markets spanning Europe, Asia Pacific and North America to enable more mobile payment solutions[4].

Cryptocurrency provides a way for the unbanked to save money and transact without bank accounts or credit cards. Cryptocurrency protocols allow decentralised financial products like cryptocurrency loans and bill payments to be used in unbanked populations. The African market is adopting cryptocurrency widely. Kenya's Bitpesa, a digital currency payments platform, allows users to accept bitcoin payments, exchange bitcoin for local currency, and deposit bitcoin into accounts or mobile money wallets.

In contrast to developing countries, their developed counterparts are enabling financial inclusion differently, by focusing on customer engagement, by transforming the entire banking business model and by serving unbanked small-to-medium businesses (SMBs).

Challenger banks are disrupting traditional banking by re-bundling products and services to acquire more new customers. For example, UK-based Revolut started as a low-fee travel card in 2015 but now provides financial products ranging from insurance to cryptocurrency trading, growing its user base to 10 million in 2019[5] and tripling its valuation to $5.5 billion.

Additionally, Banking-as-a-Service (BaaS) is transforming the traditional banking business model by digitally connecting FinTechs to banks via APIs, allowing companies to build consumer banking products on top of banks' regulated infrastructure.

For instance, US-based micro-investing provider Stash has a checking account (current account) that's equipped with a branded debit card and direct deposit access, and is powered by digital bank Green Dot's BaaS platform.

Meanwhile, many new tools aimed at SMBs are in development, ranging from cash flow management solutions, accounting software and lending solutions. In Q1 this year, London-based SMB lender iwoca launched OpenLending, a platform that allows partners such as digital banks, accounting software firms and payment providers to collaborate on a single platform and offer customised loans to SMBs.

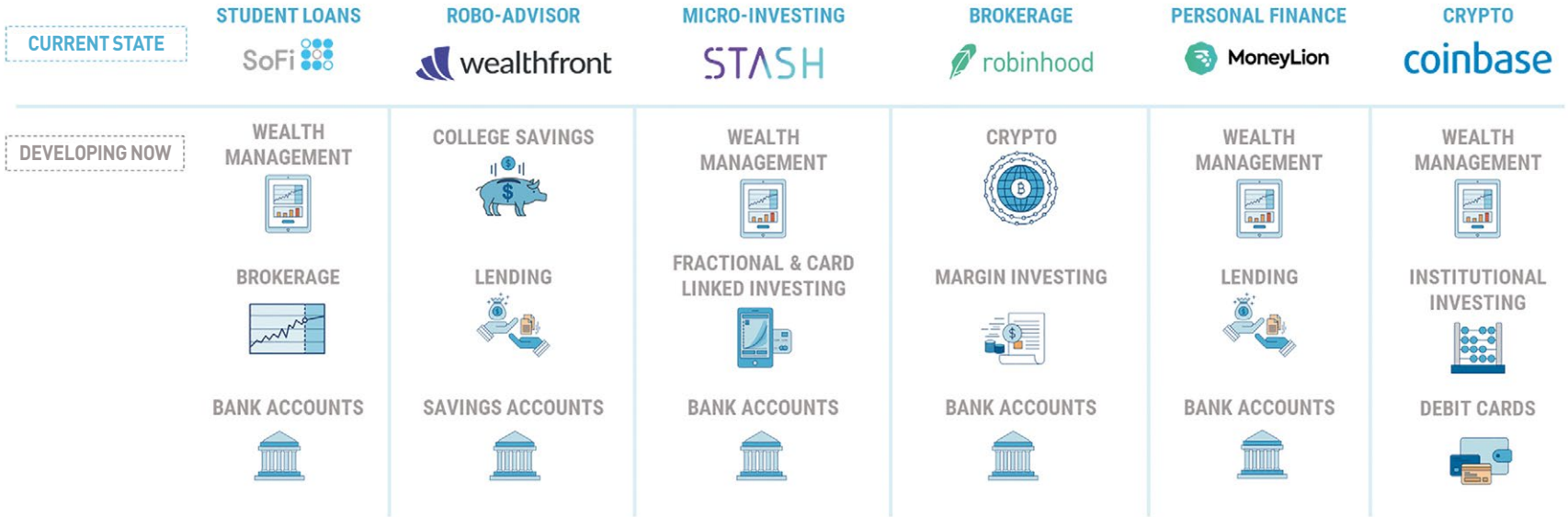
Anisha Kothapa
Fintech Analyst,
CB Insights

cbinsights.com
anishakothapa
@AnishaKothapa

1. https://www.fintechfutures.com/2019/02/mojo-mortgages-gets-its-mojo-working-with-7m-funding/
2. https://blog.citigroup.com/2020/02/banking-the-next-billion-digital-financial-inclusion-in-action/
3. https://www.gsma.com/sotir/wp-content/uploads/2020/03/GSMA-State-of-the-Industry-Report-on-Mobile-Money-2019-Full-Report.pdf
4. https://investor.paypal-corp.com/news-releases/news-release-details/paypal-rolls-out-qr-code-payments-touch-free-way-buy-and-sell
5. https://p.widencdn.net/kqy7ii/Digital2019-Report-enround-led-by-tcv.html

FinTechs in developed markets are moving from mono-line to multi-line offerings.

FinTech startups are rebundling products and services ahead of their maturing customer base and borrowing from the same product playbooks.



CBINSIGHTS Source: CB Insights

Inclusion begins with diverse teams

Most of the FinTech industry are males in their 30s, but the industry is focusing on fostering founders from diverse backgrounds, and this brings hope.

Take Backstage Capital, for example. They've invested over $7 million in more than 130 companies led by underrepresented founders[1]. Their biggest investment opportunity is the fact that less than 10% of all VC deals go to women, people of colour and LGBTQ+ founders. Here's another example: First Round Capital, a seed-stage VC, found that companies with a female founder performed 63% better than its investments with all-male founding teams[2].

With men dominating the C-Suite table, advancement opportunities tend to go to those with similar attributes. NYC Fintech Women aims to address this inequality by building the profiles and networks of our 5,000 members. We've held over 50 events at top FinTech companies such as Stash, Plaid and Adyen. Allying with men is key to making real change, and I was very pleasantly surprised by the number of male FinTech CEOs who asked to collaborate with me in order to help build diverse teams. Many tell me that not only is it the right thing to do but also, as that 63% figure shows, it's statistically proven to lead to greater success. One example is a diversity study by Carnegie Mellon University and MIT that showed how the highest performing teams were those with women. Why? Because gender-diverse teams are more likely to make room for and consider interjections of varying opinions. This type of fluid exchange often leads to a more productive outcome.

An important factor in ensuring that diverse teams are hired is tackling unconscious bias. I've been fortunate enough to work for FinTech companies that provide this training to all employees and I hope that this becomes something all companies will invest in. It's in that way we'll get closer to creating the diversity in our teams that's still needed to make more companies thrive.

Sasha Pilch
Co-Founder,
NYC Fintech Women

nycfintechwomen.com
NYC Fintech Women
@nycfintechwomen

1. https://backstagecapital.com/
2. http://10years.firstround.com/

Empowering female entrepreneurs

Female Innovators Lab

By BARCLAYS and anthemis

Studies show that startups founded or co-founded by women generate more revenue per investment dollar than their male counterparts. For every dollar raised, female-founded or co-founded startups generated 78 cents in revenue compared to 31 cents for male-founded startups[1]. Despite evidence showing female-owned startups are a promising investment, only 2.8% of US Venture Capital funding went to all-female startup teams in 2019[2]. These statistics cannot be ignored. As two leaders in the FinTech community, Barclays and Anthemis joined forces in September 2019 to launch the Female Innovators Lab with the aim of bridging the gender funding gap.

The Lab is a New York City-based studio dedicated to cultivating entrepreneurial talent in women from all sides of the financial services ecosystem. Our mission is to identify female founders at the earliest stage of their journey, provide them with an initial investment and match them with the resources and mentorship required to bring a business concept to market.

Entrepreneurs have the opportunity to relocate to SoHo, New York City, where they receive dedicated support from Anthemis' Lab and Portfolio Success teams. They then move to Barclays' Rise FinTech workspace in Flatiron, New York City. In both locations, the support provided to Lab entrepreneurs spans human, intellectual and financial resources, and includes access to an extensive network of advisors and experts across Barclays and Anthemis. Entrepreneurs also receive mentorship to fully develop their value proposition and then refine it before they seek additional funding.

The past few months have revealed that the future is full of uncertainties. Regardless of the economic outlook, how we collectively support female founders now will determine our ability to continue bridging the gender funding gap that so many women experience. As our work and lives change, our efforts to discover female founders with great FinTech business ideas have not ceased. Barclays is committed to creating opportunities to succeed together.
Our partner shares this same sentiment – Anthemis is committed to diversity, equity and inclusion as a blueprint for the economy. Together, we're here to make a meaningful impact by creating greater economic inclusivity across the FinTech industry.

Know a female entrepreneur who would benefit from joining our programme? Refer her to our team for more information.

Cecilia Kan
US Programs Lead,
Barclays Ventures

ceciliakan

Camille Santrach
US Programs,
Barclays Ventures

camillesantrach

1. https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet.aspx
2. https://pitchbook.com/news/articles/the-vc-female-founders-dashboard

identity

Your financial identity is your own. No matter where you choose to live

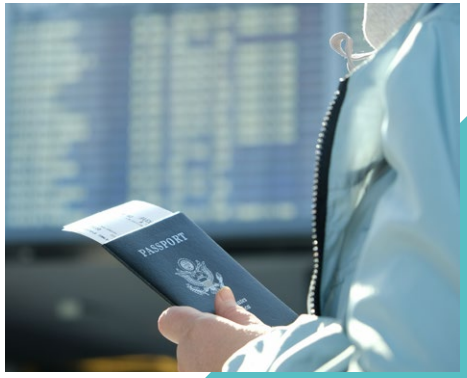
Today, the growth in the number of people living outside their home country now outpaces overall global population growth[1].

In the US, home to the most immigrants in the world, the foreign-born population will increase to 50 million by 2030[2], a 41% jump since 2000.

Despite the rapid rise of this 'newcomer' population, the global financial system hasn't adapted to this new reality. Newcomers require a wide array of financial products and services, from payments to banking to credit. Yet under the credit ecosystem's current paradigm, these individuals start from scratch: your physical passport may let you cross borders, but your financial identity doesn't come with you.

The result, in most cases, is that lenders cannot access enough personal information to feel comfortable extending credit to the 2.5 million newcomers who come to the US on long-term visas each year. Without evolution, financial institutions will only fall further behind serving this huge population. Despite the challenges presented by COVID-19, the reality is that long-term demographic trends only point in one direction: by 2030, the US Census Bureau estimates that more than 80% of the US population growth will come from newcomers[3]. And yet upon arrival the vast majority will be 'credit invisible' to lenders stuck in the old paradigm[4].

Given this massive cross-border movement, there are great opportunities to benefit newcomers with countless FinTech solutions in a new area. Recent years may have seen a wave of innovation in cross-border payments, but cross-border credit will be the next frontier. It will empower consumers by unlocking access to services such as real estate, telco and, of course, financial services.



The new opportunities for cross-border credit are largely driven by advances in consumer-permissioned data-sharing using Application Programming Interfaces (APIs), which give consumers direct control of their data. APIs also allow financial institutions to more effectively underwrite applicants based on a fuller picture of their financial identity. By placing consumers at its centre, this new paradigm allows institutions to access information that was previously restricted by national borders.

From a credit risk perspective, people's behaviours don't fundamentally change when they move — your fundamental character and your capacity to manage credit doesn't shift when you relocate. If a newcomer was likely to pay on time in their country of origin, from a behavourial perspective, they are likely to pay on time in their new country too. Through Nova Credit[5], newcomers can proactively use their financial data to their advantage by sharing their complete financial identity with US-based lenders, who can make more informed decisions about credit. Equally important is the effect on society as a whole, as it also widens the circle of financial inclusion for a population that's critical to the future of the US.

1. https://www.un.org/development/desa/en/news/population/international-migrant-stock-2019.html
2. https://cis.org/Report/US-Immigrant-Population-Hit-Record-437-Million-2016
3. https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1146.pdf
4. http://merfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf
5. https://novacr.co/business

"Cross-border credit will empower consumers by unlocking access to services such as real estate, telco and financial services."

Collin Galster, Nova Credit

#HomeofFinTech #FinancialInclusion

Share this...

Collin Galster
Head of Business Development, Nova Credit

collingalster
nova-credit-inc
@nova_credit

Q&A: How Chime is helping its members achieve financial peace of mind

Patrick Leonard, Managing Director and Co-Head of Emerging FinTech for Barclays International, recently spoke with **Chris Britt**, Co-Founder and CEO of Chime, about the key role of challenger bank models in financial inclusion.

challengers

chime

Chime is changing the way people feel about banking. Founded in 2012 by financial and tech industry veterans **Chris Britt** and **Ryan King**, Chime has quickly established itself as the leader in the US challenger banking segment.

The business was built on the principle of protecting its clients, who are referred to as 'members', and helping them get ahead.

Chime has pursued that mission by building a new kind of bank account. For example, Chime accounts don't have account fees and have free overdraft protection. It offers a wealth of tools and services, including two-day advances on direct deposit payroll and automatic savings, to help members lead healthier financial lives.

Patrick Leonard: Thank you for participating, Chris. To begin, can you give us a quick update on Chime? You recently announced a $500 million equity financing at nearly $6 billion valuation.

Chris Britt: Thanks Patrick. We've had a lot going on since our financing in December. We've continued to grow our member base rapidly, announced a major brand sponsorship of the Dallas Mavericks and of course had to manage a transition to work from home due to COVID-19. I'm really proud of the work we done recently - especially providing Chime members with early access to over $1.5 billion in stimulus payments and the recent launch our Credit Builder credit card. It's been a busy time!

PL: You have commented that the American banking system is broken. How has the traditional banking system fallen short for everyday Americans and how has Chime addressed these shortfalls?

CB: Banks do a reasonably good job of serving the top 25-30% of Americans in terms of wage earners. That segment of the population is generally well served. The vision for Chime has always been to provide a suite of services for the rest of America. If you look across the country, there is a huge segment of Americans that has a lot of anxiety around their money and day-to-day finances. We have been very deliberate in thinking about ways to deliver services that help individuals achieve financial peace of mind. We think that starts first and foremost with a checking account relationship that doesn't rely on fees.

PL: How did that backdrop influence your vision for Chime, and how has that vision evolved over time?

CB: The problem that so many Americans have with their core banking partner is that incentives are not aligned. So much of the economics in traditional consumer banking are built on fee income that it creates an adversarial relationship. The level of fee income that banks earn is mind blowing and, in our opinion, not sustainable for the long-term. That is the foundation for how we see ourselves as being different. We believe we're in a time and era where the brands that are helpful, authentic and have a customer's best interest in mind are the ones that are going to thrive – and that is definitely what we are driving toward at Chime.
Given the backdrop of what is going on in the country right now, it is more important than ever to feel like you have a banking partner that has your best interests at heart and that is how we build our business every day.

PL: What steps has Chime taken to educate members on financial products and financial wellness to enhance their financial literacy?

CB: We're really proud of the community that we've build at Chime. We have more Instagram followers than any major bank and I think we are the leading FinTech not just in terms of followers, but importantly, the level of engagement that we have on social media (for example, the number of comments per post). We've built a community of highly engaged people who really love our product every day. As we think about communicating tips and best practices as it relates to people's money and financial literacy, our style is not to write long-winded lectures and textbook materials, but rather more bite-sized content that connects culturally with what's going in the country and the world. We strive to give people helpful tips on how to get their finances right, leverage automation and get into healthy habits which we believe are core to financial success – particularly getting into the rhythm of starting to save at an early age.

PL: Chime has amassed an amazing number of members, so the platform is clearly resonating in the target segment – what is driving the growth, adoption and engagement you are seeing?

CB: The biggest driver of growth for us has been our own member base. We get almost half of our new accounts each month through referrals, word of mouth or organic means. We very consciously add to that with acquisition initiatives through online and other common channels. I think the product features that we designed have been very relevant to the mainstream consumers that we serve. If you boil down the features that have really resonated, it all comes back to short-term liquidity. Depending on what research you read, as many as 70% of Americans live paycheck to paycheck – we offer free services such as early access to paychecks (up to two days early) and overdraft protection. Those offerings are very helpful for our members, who in turn mention it to their friends – and this starts the flywheel effect.

We are very focused on the segment we serve. We take the time to really understand what their needs are, and we design products and services to meet those needs. It sounds simple, but really understanding your customer needs is so incredibly important. For example, if you serve consumers with really high credit scores and solid six-figure incomes, they probably don't pay with a debit card, they pay with a credit card. So no matter how great a debit card you build, they're still going to pay with a credit card. It comes down to understanding what segment you want to serve and focusing on products and services that will resonate with them.

PL: The COVID-19 pandemic has placed financial strain and uncertainty on many people. How has Chime adapted and created new solutions to meet members' financial needs during this time?

CB: I was really proud of how quickly our team moved to take action as a result of COVID-19. We launched an initiative called ChimeCARES, which did a couple of things. First, in anticipation of the $1,200 stimulus payments from the government we tested out a programme where we increased the SpotMe limits (that is, our overdraft limit) up to $1,200 for thousands of people, and we got really good feedback. We spoke to our members and asked them about their situations – people were starting to lose jobs or felt like they could lose their job and become eligible for this payment. The bigger thing we did though was when people were going to get those payments on 15 April, we started releasing the funds as early as 10 April. We actually provided members with early access to over $1.5 billion of stimulus payments before they arrived. While it was nice to get some buzz around the programme, we just thought about the right thing to do for our members – it was a natural thing for us to do.

PL: Many industry participants concur that the pandemic has accelerated the pace of digital adoption. What is your outlook on the long-term effects this will have on the industry?

CB: The pandemic has accelerated trends that were already in motion including the movement to mobile and more digital experiences that don't require in-person interactions. Although we don't have physical locations, I'm sure there is far less activity in branches now and I suspect that will be permanent. Consumers are going to place more emphasis on brands that they trust and experiences that are easy, helpful and increasingly free. I think that bodes well for us and probably a number of similar companies.

PL: You forged a multi-year strategic partnership with the Dallas Mavericks earlier this year. How do you think about partnership/sponsorship opportunities and what organisational attributes are important when selecting a partner?

CB: We are doing great things with the Mavs organisation every week – it's a very close, active partnership rather than just PR or passive sponsorship. They [the Mavs] are continuously doing so much to support their communities. We had opportunities to partner with other teams but we felt that without question the Mavericks organisation was the most like-minded in terms of working to have a positive impact and being active in the community. It's a great partnership. Hopefully there is a season and the Mavs make a good run! They are a good young team and in some ways mirror where we are as an organisation.

PL: If you had to identify a key lesson or two from your journey as an entrepreneur in the sector, what would they be?

CB: You have to have a good sense for the problem you are trying to solve for the segment you want to serve. Any successful entrepreneur will tell you that it all starts with understanding your customers' needs and designing products and services for them. But the team you build is equally, if not more, important. If I look back and reflect on it, the most important thing I ever did was find our co-founder Ryan, who is our CTO and has been my right hand forever. But it didn't stop with him – there's the rest of the team we hired from the early employees, and the culture we built in the early years, to the hiring we are doing today. We are building a team with leaders who see the world similarly and are passionate about our mission, the consumer segment we serve and the problem we're trying to solve.

In some ways, we benefitted from not being an overnight success. It humbled us and makes us appreciate and value where we are today. There was a real struggle early on, and it wasn't always a sure thing, so I guess in some ways that makes our success to date a bit sweeter. But we aren't doing a victory lap now either. We feel like there is still a long way to go to achieve our long-term goals.

PL: What are you most excited for once the shelter-in-place is lifted?

CB: I am really looking forward to going back to the office. So much of what we do and the magic that we create I believe happens through the close personal relationships that we build with each other. In my opinion, there is no replacement to having in-person interaction with your team. It's going to be my goal to try to preserve that as long as possible. We are very much focused on getting the gang back together in our offices once it is safe to do so.

Chris Britt
Co-Founder and CEO, Chime

cbritt
@chrisrbritt

Patrick Leonard
Managing Director and Co-Head, Emerging FinTech for Barclays International

p-leonard

FinTechs can enable greater funding for small businesses

Access to capital is one of the largest challenges faced by entrepreneurs.

Substantial barriers mean that only a small portion of small businesses are using external financing (raising capital from sources outside a company) as their primary source of funding. For firms that pursue this approach, a daunting number of options are available, each requiring significant time and money to investigate and realise.

The FinTech industry has already proved adept at tackling these types of problems, and small business funding is no exception. Three approaches are used by FinTechs and cut across capital types. The approaches include:

- **Broadening the funnel:** enabling firms to access a larger and more diverse base of investors, and vice versa
- **Democratising the market:** bringing in new sources of capital that were previously unavailable
- **Super-charging the toolkit:** removing inefficiencies and leveraging new types of data in the investment evaluation process

Credit was the first area to see significant FinTech adoption. Online platforms like OnDeck and Kabbage began launching in the mid-2000s and allow firms to access credit digitally. These have proliferated in the past decade, and many incorporate new types of data used during underwriting, creating alternative methods of evaluating creditworthiness. This has significantly expanded the number of companies able to raise capital through credit markets. Lenders also benefit from the online platforms because they open up a new customer base with substantial operating leverage and enhance the economics of extending credit. Together, both the availability and relative affordability of these loans are improved.

More recently, FinTechs offering payments and accounting services have begun leveraging their proprietary views of businesses' financials to underwrite credit directly through their platforms. These players have become so effective at facilitating funding that when the Small Business Administration (SBA, the US federal agency dedicated to small businesses) was evaluating lenders for the Paycheck Protection Program (PPP) earlier this year, companies including PayPal, Stripe and Intuit were approved alongside traditional lenders[1].

The equity market for small business has experienced far less disruption than credit, particularly for traditional sources of capital. Both entrepreneurs and investors are still reliant on individual networks and legacy processes for sourcing opportunities, entrenching geographic and social limitations.

That's not to say that small businesses have seen no change in ways they can access equity capital. Crowdfunding has recently allowed a new set of potential investors to emerge. Don't confuse this development with the financing of individual projects (think Kickstarter): a number of FinTechs such as Wefunder and StartEngine now operate platforms that let small businesses crowdfund equity capital for their entire business.

1. https://techcrunch.com/2020/04/13/paypal-intuit-square-approved-to-offer-loans-to-small-businesses-through-coronavirus-relief-program
2. https://www.sec.gov/smallbusiness/exemptofferings/regcrowdfunding
3. https://www.crowdfundinsider.com/2019/11/154240-reg-cf-funding-portals-50-in-total-with-several-exits-and-several-additions-is-reg-cf-ready-to-scale/

"Both entrepreneurs and investors are still reliant on individual networks and legacy processes for sourcing opportunities, entrenching geographic and social limitations."

Grant Bickwit, Barclays International

#HomeofFinTech #FinancialInclusion

Share this...

The catalyst for this in the US was the 2012 Jumpstart Our Business Startups (JOBS) Act, which set the legal foundation for equity in small businesses to be offered to the general public[2]. As of 2019, over 40 platforms operating across the nation have raised more than $300 million since 2016[3]. While this still represents a very small portion of the total VC market, trends in the UK, one of the first regions to adopt equity crowdfunding, indicate potential for significant further growth.

Grant Bickwit
Associate,
Barclays International

India and emerging markets are leading financial inclusion

Improving financial inclusion has traditionally been difficult for several reasons, including the lack of financial services infrastructure and difficulty accessing the products offered by official financial institutions.

Let's take a look at those two factors and how they're being addressed by technology organisations, big and small, in India.

Increasing internet penetration among populations, and the digitisation of financial products that results from it, now play a key role in expanding financial inclusion for many. The last decade has witnessed greater access to the internet and accelerating internet speeds across India, which now has approximately 520 million mobile internet users[1]. Government initiatives like Jan Dhan Yojana have also helped, and FinTechs are at the forefront of new technology that's filling gaps in the financial system and meeting the needs of these users.

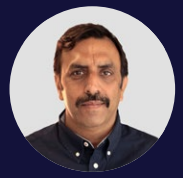
1. https://www.pwc.in/assets/pdfs/consulting/financial-services/fintech/publications/emerging-technologies-disrupting-the-financial-sector.pdf

Traditional banking and financial services are now being reimagined. Technology has enabled several new digital models that not only reduce overheads for providers but also lower costs and increase convenience for customers, who no longer have to travel to the nearest outlet or branch. Some examples of the new financial product landscape in emerging markets include:

- **Alternative lending platforms** that provide loans to underserved micro, small and medium enterprises (MSMEs) and retail customers using alternative data sources and ecosystem data
- **InsurTech** that boosts the supply of insurance products, which can be customised to meet individuals' particular circumstances
- **Investment Tech** offering robo-advisor solutions that use artificial intelligence to automate asset allocation and assist with investment choices

FinTechs like HAPPY, with its fully digital lending model, are providing financial assistance to entrepreneurs in MSMEs in under a minute, even those who are new to borrowing credit – and that's about half of their customers.

The reach of FinTechs is wide-ranging. So it's no surprise that they're delivering solutions for broader access to financial services and opening up competition across emerging markets globally. The potential for FinTech to advance these causes is enormous.



Manish Khera
Founder and CEO,
HAPPY

manish-khera

Case study: Lifesaver

Lifesaver was created with one goal in mind: to democratise access to and participation in the full spectrum of financial services.

The company

Lifesaver is a universal mobile banking frontend that lets people discover, open and manage financial accounts across providers, from the safety of their phones. Banks and credit unions on the Lifesaver platform enjoy the ability to rapidly deploy feature-rich mobile banking services with no development or maintenance.

Lifesaver is a team of software developers, economists, designers and former financial services professionals committed to revolutionising the way consumers connect and engage with financial products and providers.on the go.

The proposition

50% of American workers believe they'd be more productive if they weren't worrying about finances, and 63% can't cover a $500 emergency expense. For on-demand workers, poor credit, lack of financial literacy and limited access to capital make the path to economic self-sufficiency difficult and expensive.

While community financial institutions are incentivised by the Community Reinvestment Act to support local consumers and businesses (particularly low- and middle-income ones) with low-cost deposit and lending services, they lack the technology and expertise to scale. The majority of these institutions have poor consumer-facing mobile applications and digital client experiences.

Most notably, 95% of US financial institutions can't offer digital onboarding for new and existing customers. Together, these result in poor acquisition and retention rates, dramatically constraining profitability and growth.

Lifesaver uses technology to allow Americans, in minutes, to bank with the best financial institutions in the country. The company believes in the power of expanding access into untapped markets, and increasing participation into the financial system. They focus on empowering underserved people with free access to financial literacy resources, budgeting and savings tools and access to non-predatory financial products and services.

Key features

Find matches for your money:

- Get matched intelligently to financial products based on your money needs and goals
- Make better, informed financial decisions easily and quickly – no searching required

See all your finances in one place:

- Connect new and existing financial accounts in-app, so you can manage all of your accounts from one simple interface
- Quickly and easily check your spending on the go

Create a game plan:

- Easily create a breakdown of all your goals and expenses
- Make your money goals a reality with simple, smart budgeting and saving

Money hacks from experts:

- Access a library of the latest articles and resources for money management

Working with Barclays

Lifesaver was part of the 2019 New York Barclays Accelerator, powered by Techstars. Barclays has played an important role in the team's growth. In fact, the team even hired one of the associates from the Accelerator in January.

The company hosts regular events in partnership with the Rise community.

https://www.getlifesaver.com/

Lifesaver, Inc
@GetLifesaver

The team

Karen Rios
CEO,
Lifesaver

Corey Beebe
CTO,
Lifesaver

How FinTechs are responding to COVID-19

How are FinTechs supporting underserved customers and creating flexible banking solutions during the COVID-19 pandemic? We asked some members of the Rise ecosystem.

Revelio Labs

Revelio Labs provides workforce intelligence. We absorb and standardise hundreds of millions of public employment records to create the world's first universal HR database, allowing us to see current workforce compositions and the workforce trends of any company. Our customers include investors, corporate strategists, HR teams and governments.

During the COVID-19 pandemic, Revelio Labs is tracking how workforces are transitioning to remote work. We're tracing the positions within companies that are most at risk of termination, the companies with the highest likelihood of layoffs and furloughs, and which workforces are most prepared for recovery.

As companies navigate through the turbulent road ahead, we will continue to track and publish data on how companies' workforces are responding.

Ben Zweig
CEO and Co-Founder,
Revelio Labs

RevelioLabs
@RevelioLabs

Novo

COVID-19 has hit small businesses hard and, until there's clear direction on new funding for small businesses, a vaccine or a re-opening of non-essential businesses, they'll continue to suffer.

Novo already saves small businesses hundreds of dollars a year in transaction, maintenance and ATM fees by offering a totally free account that can be opened entirely online.

By partnering with Fundera, a small business lending marketplace, we've facilitated for our users over $1 million in Paycheck Protection Program (PPP) loans, and we've co-hosted a webinar on how small businesses should approach the loan forgiveness process (the process by which loans are no longer expected to be repaid).

In addition to our existing product benefits, we've implemented new overdraft policies to support users facing cash flow issues due to COVID-19. We also proudly volunteered our resources to the New York State Technology SWAT team to support their COVID-19 response.

Will Harlow
Marketing Manager,
Novo

willharlow
@will_harlow

Unqork

Unqork is the pioneering no-code enterprise application platform that helps large organisations build, deploy and manage complex applications without having to write a single line of code.

So far during the pandemic, Unqork has worked extensively with New York City, Washington, DC and other jurisdictions to build a suite of applications that help power everything from meal delivery to PPE donations to marriage licenses. The result wasn't only never-before-seen digitisation of important municipal functions that kept these cities working, but also the successful delivery of over 20 million meals to hundreds of thousands of in-need residents. We're now at over 900,000 meals a day as featured in the Wall Street Journal, and over $100 million in PPE to front-line workers.

In addition, Unqork has helped leading private financial institutions build CARES Act-compliant lending and PPP platforms as well as a variety of return-to-work solutions for several major corporations.

Gary Hoberman
CEO and Founder,
Unqork

gary-hoberman

Salaryo

Salaryo helps small businesses to reach cash flow stability with subscription-based, instant financing.

In the first week of March, we estimated that many small businesses across the US would be facing cash flow challenges in the short term due to COVID-19.

When small businesses started to take a hit, most banks were still sitting on the sidelines, as the US Government's Payment Protection Program was yet to be launched. Salaryo quickly launched a relief plan featuring a same-day capital injection with a six-month grace period, during which borrowers are not required to make any payment towards their principal.

Salaryo's online application process features identity validation, financial underwriting and payment verification. It takes only a few minutes to complete. Those who were approved got funded in less than 24 hours, sometimes even on the same workday.

Right at the beginning of the outbreak, in less than 14 days, we processed over $20 million in loan applications for this relief plan.

Our plan was to develop one of the fastest liquidity options that were available in the country for small business owners, at a critical moment for them and for the economy. I'm glad we managed to cover the notorious 'last mile', by getting money into the hands of small businesses, fast.

Yair Levy
CEO and Co-Founder,
Salaryo

levyair
@yrlevy

Rise and Eagle Labs ecosystem insights

London

- $489m in VC investments[1]
- 37 VC deals[1]
- Top VC deals[1]:
  Onfido – $100m
  Starling Bank – $49m
  Modulr – $24m
- 7,100+ Rise visitors
- 52 Rise events

Eagle Labs (UK)

Eagle Labs in the UK support non-FinTech sectors including HealthTech, GamesTech and LawTech.

- 13,894 Eagle Labs visitors[3]
- 1,183 Eagle Labs events[3]
- 555 Resident Businesses[4]
- 2,098 Resident Co-workers[4]
- £886m funding raised by all Eagle Lab Residents and Alumni[4,5]

New York

- $210m in VC investments[1]
- 15 VC deals[1]
- Top VC deals[1]:
  Stash – $112m
  Spruce – $29m
  Vise – $14m
- 3,600+ Rise visitors
- 63 Rise events

Tel Aviv

- $1.5m in VC investments[2]
- 1 VC deal[2]
- Top VC deals[2]:
  Neema – $1.5m
- 1,800+ Rise visitors
- 16 Rise events

Mumbai

- $10m in VC investments[1]
- 4 VC deals[1]
- Top VC deals[1]:
  Fingpay – $3.5m
  Jupiter – $2m
  CoinDCX – $2.5m
- 3,000+ Rise visitors
- 30 Rise events

INNOVATE FINANCE

Sources:
1: Innovate Finance via Pitchbook. Q2 data, not reviewed or approved by PitchBook analysts
2: VC-backed deals in Israel (not Tel Aviv alone). Q2 data, provided by IVC Research Center
3: Jan-June 2020 (closed since end of March) / 4: As of June 2020 / 5: Data from Crunchbase

From our Rise sites

Rise London

We're moving into summer and have made it through what I'm sure will be remembered by this generation as one of the most challenging six months on record. Despite the difficulties, the FinTech industry has continued to push forward, adapt and pivot to best serve the needs of their customers and clients.

June would have seen the arrival of London Tech Week, a celebration that brings together techies from around the world, a week filled with key notes, meetups and product launches that inspire and energise the industry. For obvious reasons, it couldn't have a physical presence, but the industry pulled together a great line-up of events for us that many of us were able to access from the comfort of our kitchen tables. Highlights include: the Global Leadership Summit at CogX and FinTECHTalents' Virtual Spring.

At Rise, we've been working tirelessly to continue to bring value to the ecosystem through our digital channels. In June, we had the pleasure of hosting our first virtual delegation of FinTech companies from Canada, working closely with the office of the Government of Quebec to share an understanding of both the London and Quebec FinTech ecosystems, and to signpost the key support available for inbound delegates. We also highlighted nine high-growth companies from Quebec that are exploring the UK and Europe as a new market. The Rise ecosystem is here to help companies transition like this – to cross boundaries and make our sites their new homes, expanding access to investment, talent and business development opportunities.

This edition of Rise FinTech Insights focuses on financial inclusion. There are an increasing number of people in the UK who have become financially excluded due to the economic impact of the current health crisis, the impacts of which can be far reaching and hugely damaging. These individuals primarily lack access to payments, savings, credit and insurance – a wide range of services – and are poorly served by financial institutions. However, we've seen many FinTechs fill these gaps. Some Rise members doing just that include the alternative credit scoring service Aire, whose platform provides people with fairer access to credit. The free financial planning app Multiply has also automated financial advice and made it easier to digest to help anyone make informed financial decisions.

Clare Whitehead and Magdalena Krön
Rise London

@clarewhite200

magdalenakron
@MyKron

Rise Mumbai

During the COVID-19 crisis, Rise Mumbai has remained focused on delivering value and supporting the FinTech ecosystem that we've helped to build and nurture over the past four years. The world is adapting to a virtual interaction model, and Rise Mumbai is also seamlessly enabling access to its services digitally. Our thought leadership events, investor and market connect programmes, as well as our Barclays-FinTech business engagements have all successfully transitioned to the virtual world.

Rise Mumbai has organised, and continues to organise, many interactive sessions with key stakeholders such as investors, regulators and serial entrepreneurs, allowing startups to benefit from a deeper understanding of current change and to better prepare themselves for the uncertainties caused by COVID-19. From optimising resources and cash flows to maintaining customer relations, our experts have been providing guidance in these and other areas. Most importantly, they've been encouraging startups to use the crisis as an opportunity to revisit their business models, pivot them if possible, or even launch something new.

Two Rise members, MMS.IND and Geospoc, have collaborated to launch a COVID-19 impact tool that assists suppliers and governments by providing insights into how COVID-19 is affecting Indian consumers . The tool is helping corporates with supply chain optimisation and product demand forecasts, allowing them to plan for a successful revival of operations at the end of lockdown. We've been promoting such collaborations by regularly inviting our startups to network and explore innovative new solutions and collaboration opportunities. Judging by MMS.IND and Geospoc's joint success, this approach is working!

The focus of this edition is financial inclusion, a topic that's now more important than ever, and we're proud of how our startups are making this a reality. To name just three, Creditenable is helping private companies and proprietors of Micro and Small-to-Medium Enterprises (MSMEs) with free financial health checks and advice on credit. Kred continues to provide digital infrastructure for credit societies and Happy Loans partners with merchant acquirers, money transfer networks and other partners to offer instant, short-term business loans to MSMEs solve their short-term cash flow problems.

Lincy Therattil
and Arti Agrawal
Rise Mumbai

lincy-therattil-9010157
@LTherattil

arti-agrawal-87096536

Rise New York

Rise has gone virtual over the past quarter as our global teams strive to provide members with the same quality offerings and opportunities through our digital channels. The main focus of our virtual content at Rise New York has been providing direct resources and support to address our members' greatest concerns. One question for many of our FinTech startups was how to fundraise during this time of economic uncertainty. Capital and runway are the lifeline of any startup, so we invited Michael Gilroy, a Venture Capitalist at Coatue Management, to an Investor Insights session with our members. Michael shared his thoughts on recent market volatility and its effects on private investors across different funding rounds.

Community and mentorship are at the heart of Rise New York. But, how do you connect with others when coffee chats and lunch meetings are a thing of the past? While we aren't sure exactly how to replicate the benefits of spending time with someone in person, we have taken our Enterprise Engagement workshops and FinTech Friday sessions virtual. These events give our community the opportunity to engage 1:1 with FinTech SMEs, Rise Ambassadors and Barclays colleagues to continue building meaningful business relationships. We've also shown that community and inclusion can be fostered virtually through our Pride month celebrations.

Rise has not been alone in adapting to the virtual environment. Our FinTech companies have pivoted and innovated to create first-class solutions for customers and corporate clients during this time. Here are just some examples. Brainceek, a workforce simulation company, has been helping corporate partners design virtual summer internship curriculums. They're also working with universities and students to help mitigate the long-term career impact caused by COVID-19 and level the playing field for the less fortunate. Rise New York member Jifiti has been working alongside banks and local organisations to allow instant disbursement on funds through their virtual card technology. In the US, we have seen government bodies authorising FinTech lenders to distribute funds to businesses and individuals in need. This customer-centric solution is a notable step forward for partnerships between FinTechs and government agencies.

Ilana Fass
and Alexandra Gheorghe
Rise New York

ilana-fass-66813789

gheorghealexandra
@theAlexGheorghe

Rise global ecosystem

rise
Created by BARCLAYS

This infographic shows companies resident at our Rise sites. The information is accurate at the time of publication.

Rise in numbers

1,000+
Individual Rise members

175+
Rise FinTech resident companies

80,000+
Yearly visitors (2019)

37,000+
Social media followers

Notes

rise

Created by
BARCLAYS

About Rise, created by Barclays

Rise, created by Barclays, is a global community of the world's top innovators working together to create the future of financial services. With a diverse network of FinTech talent, one of the world's leading accelerator programmes and workspaces based in the main FinTech hubs of the world, Rise is an exclusive place for FinTech companies to connect, create and scale together with Barclays.

To join our community, or keep in touch with the latest from Rise, visit or follow us on:

rise.barclays
thinkrise_global
Rise FinTech Podcast
@ThinkRiseGlobal
Rise, created by Barclays

#HomeofFinTech