

**TECH FOR
GOOD
INSTITUTE**

Opening Remarks:

Ming Tan

Executive Director



Tech For Good Institute

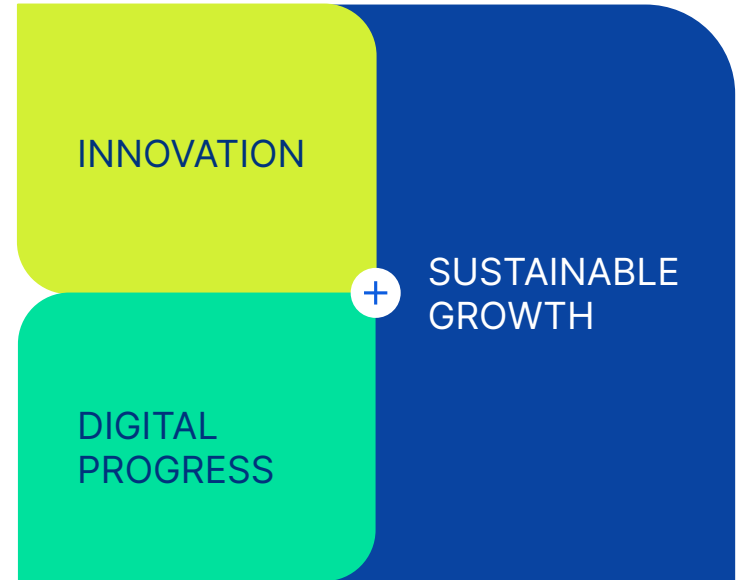
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PROGRESS TOGETHER

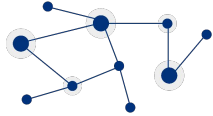
The Tech For Good Institute is a non-profit organisation on a mission to leverage the the promise of technology and the digital economy for inclusive, equitable and sustainable growth in Southeast Asia

Our Purpose

- Platform for research, conversations and collaborations focused on SE Asia but connected to the rest of the world
- Our work lies at the intersection of technology, society and business.
 - Covering the areas of **Innovation** and **Digital Progress**, evaluated through the lens of **Sustainable Growth** for SE Asia.

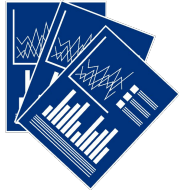


How we do this?



Building relationship with local partners

- Prizing nuanced perspective from partners across SE Asia-6
- Amplifying and connecting good work



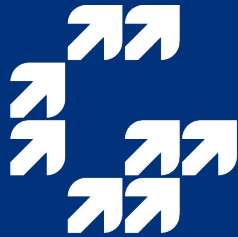
Support research on the impact of the digital economy on society in SE Asia:

- Original Research
- Encouraging data sharing



Bring stakeholders together

- Co-creating lines of inquiry and conclusions
- Multi-disciplinary approach
- Multiple viewpoints



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Progress to date:

Mohammad Matin Mohdari
Strategy Director



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Understanding SE Asia's Platform Economy

Offer clarity to definitions, and understand Digital Platform Typologies

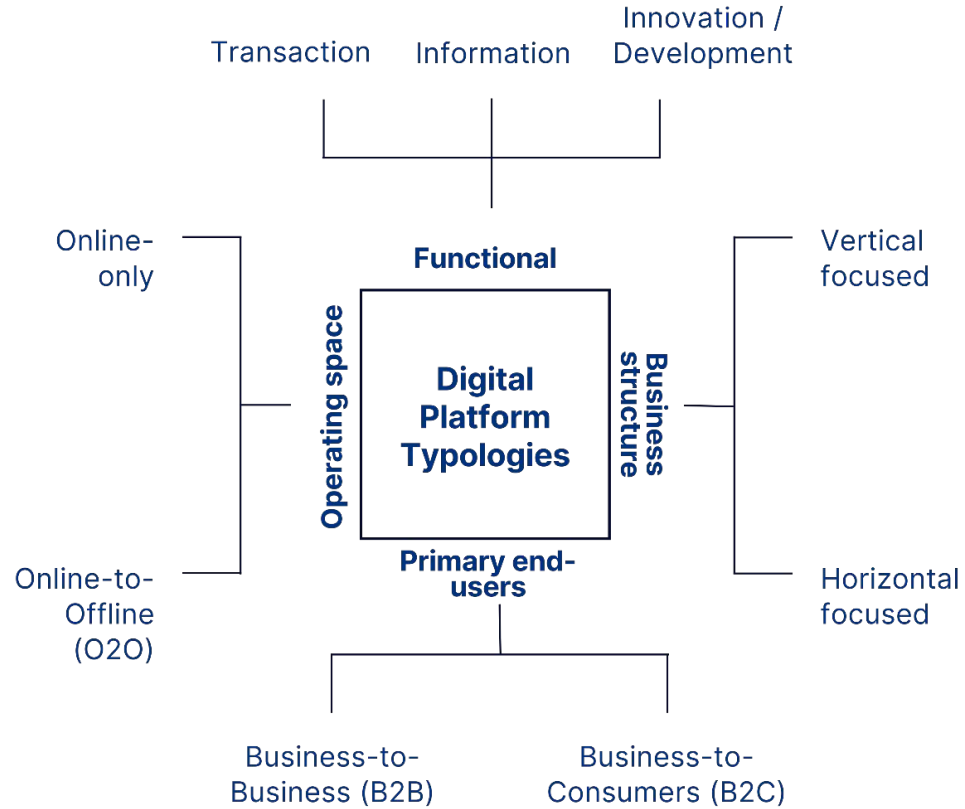
Highlight the unique role Platforms play in SE Asia's development

- Gateway to digital economy, esp. amongst MSMEs
- Overcome development challenges to drive broader adoption

Surface “horizontal-wide” issues that require collaboration for solving



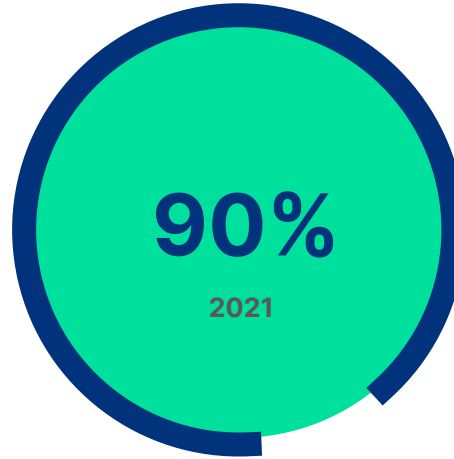
Typologies



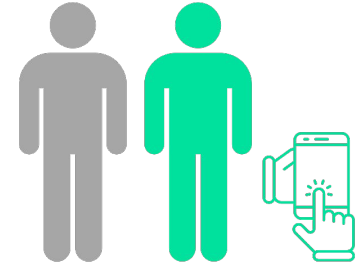
COVID-19's Legacy: Stickiness of Digital



Consumers using digital services for first time during the pandemic



Intend to continue using digital services



1 in 2 adopted mobile internet, and digital payments

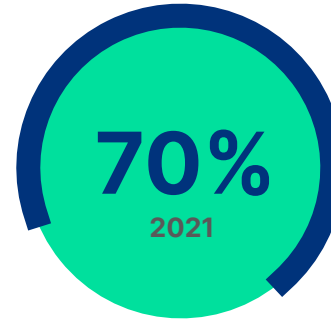
Trust in Digital Financial Services (DFS) study

Significant attention on Fintech's development in SE Asia

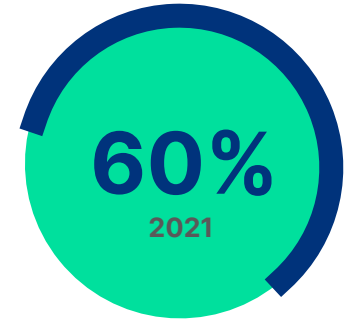
- A strong case for SE Asia - financial inclusion remains limited
- Tech & business model innovations

Trust seen as key to driving adoption, and continued usage

- Efforts by Fintech companies in SE Asia to foster trust - e.g. product design, service policies, defensive tech, user education



SE Asia population are un/underbanked



SE Asia MSMEs require financing but are unable to obtain loans from banks/lenders

Building discourse on SE Asia's digital economy

Themes:	SE Asia Tech Ecosystem	Sustainable Livelihoods	Digital Society
Inquiry lines:	How might we foster a thriving tech ecosystem that further enables growth through innovation in, and from Southeast Asia?	How might we advance sustainable, equitable, and inclusive growth in the face of rapid digitalisation?	How might we shape Southeast Asia's trajectory in the digital economy through safe, inclusive and responsible digital participation?
Examples of research projects:	<ul style="list-style-type: none">• Tech for Good? How SE Asian tech companies think about their impact• Role of platform companies in developing next gen entrepreneurs	<ul style="list-style-type: none">• Digital adoption and innovation of nano / micro-enterprises• Self employment in SE Asia's digital economy• Financial health of micro-entrepreneurs in SE Asia	<ul style="list-style-type: none">• Trust in the digital economy• Role of superapps in encouraging digital literacy and shaping digital citizenship



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TRUST IN DIGITAL FINANCIAL SERVICES (DFS)

Melissa Tan, Research Fellow
Working Paper Seminar
23 May 2022



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SCAN ME

CONTEXT SETTING

What good looks like:



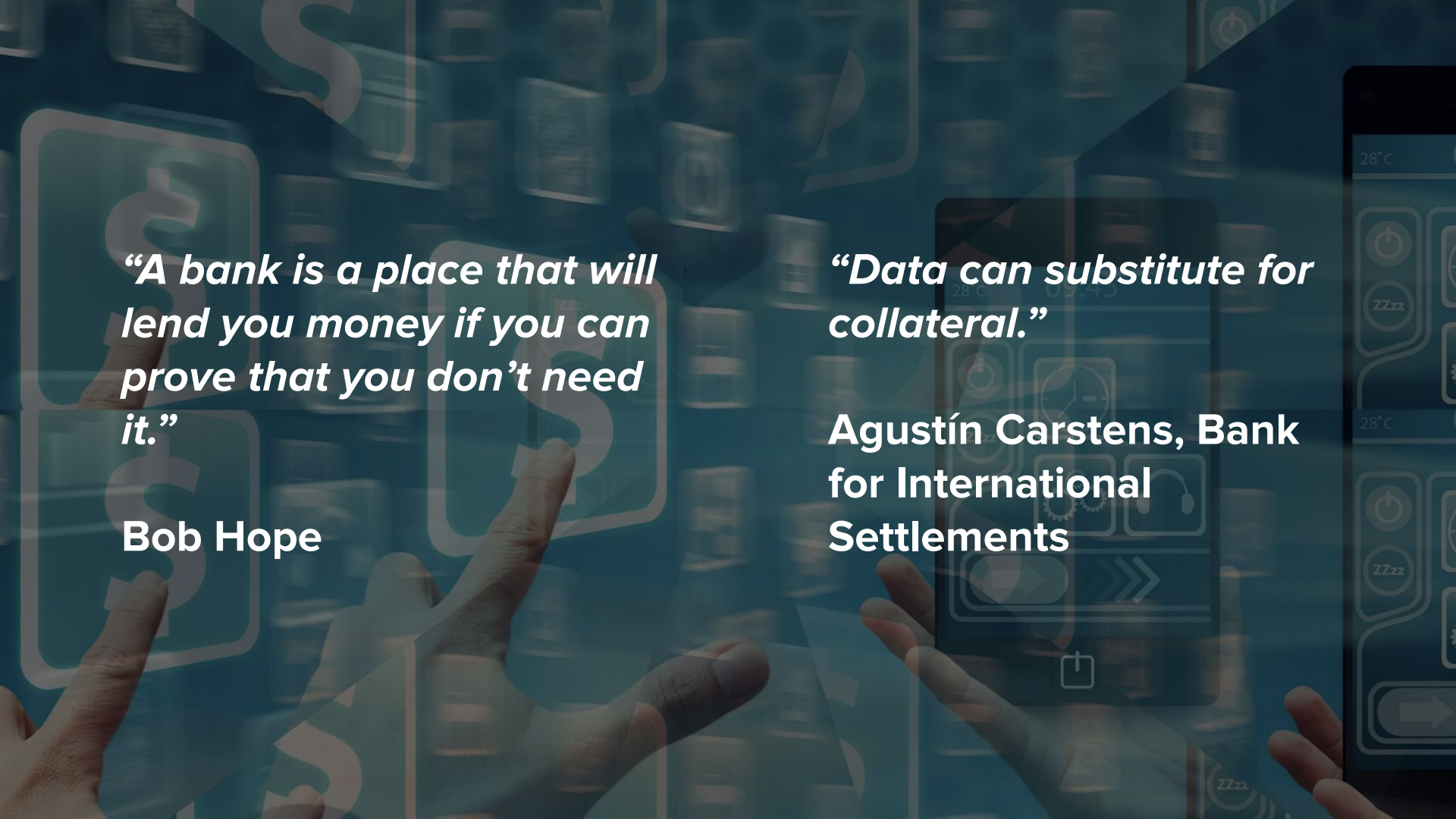
Individual

- Financial literacy for informed choice
- Consistent with Individual Risk
- Increased Access



Households

- Reduced dependence on informal finance
- Sustainable reduction of debt burden
- Technological adoption

The background is a dark teal color with various semi-transparent icons and symbols. On the left, there are several large, light-colored dollar signs (\$). In the center and right, there are icons of a smartphone, a laptop, and a hand holding a pen. The overall theme is finance and technology.

“A bank is a place that will lend you money if you can prove that you don’t need it.”

Bob Hope

“Data can substitute for collateral.”

Agustín Carstens, Bank for International Settlements

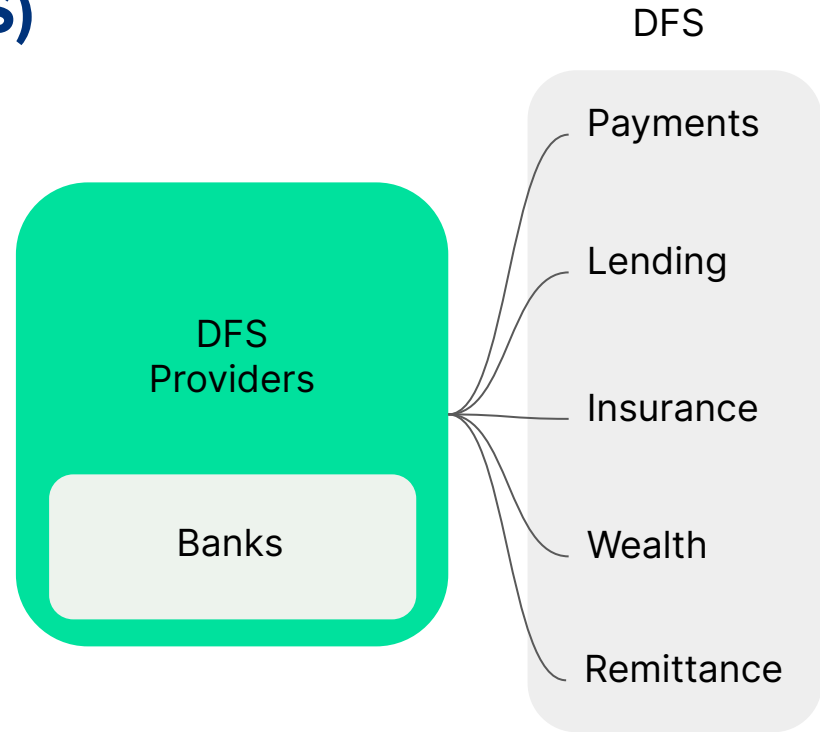
Digital Financial Services (DFS)

FINANCIAL SERVICES
ACCESSED AND DELIVERED
THROUGH DIGITAL
TECHNOLOGIES

Provided by:

Banks: financial institution where customers can save and borrow money, offer services like credit cards, insurance, investment products as well as digital products like e-wallets

DFS providers: non-bank financial institutions but offer similar financial services. Accessed and delivered only through digital channels (PromptPay, Rabbit Card)



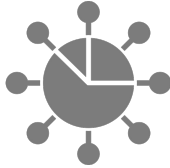
DFS critical to SE Asia's inclusive economic development

DFS underpins the region's economic progress

DFS in the region is growing exponentially



Business



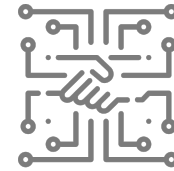
Govts



Un /
underbanked
consumers



Investments
in Fintech

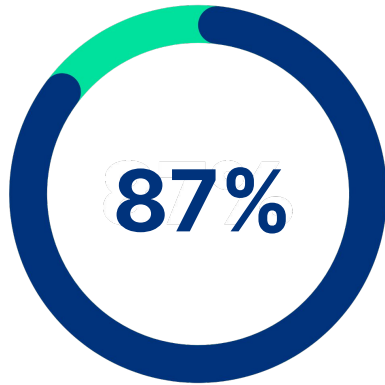


Digitalisation
of financial
services

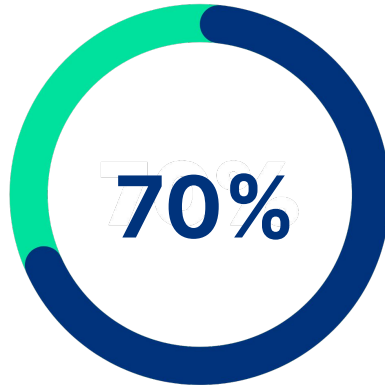


Digital
payments

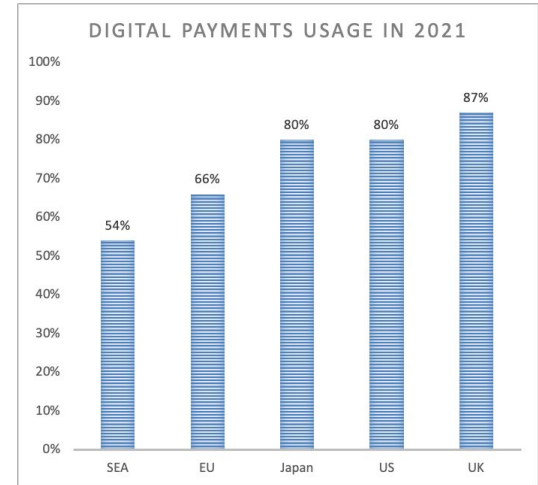
Usage gaps remains..



Payment transactions are made by cash



Cheque transactions amounts below 100,000 baht



SE Asia trails behind regions elsewhere wrt usage

due to barriers such as:

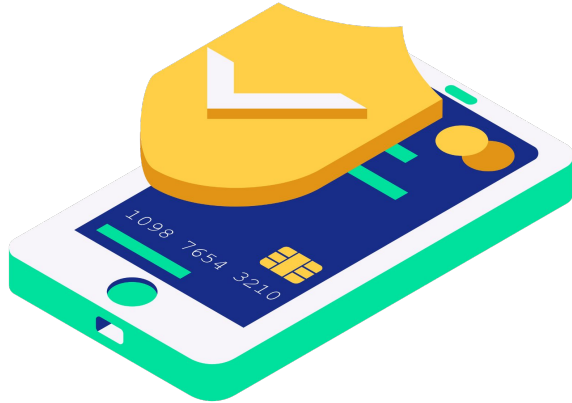
Physical infrastructure

Digital infrastructure

Financial and digital
literacy

Trust or lack thereof

Trust is deemed important but not well understood



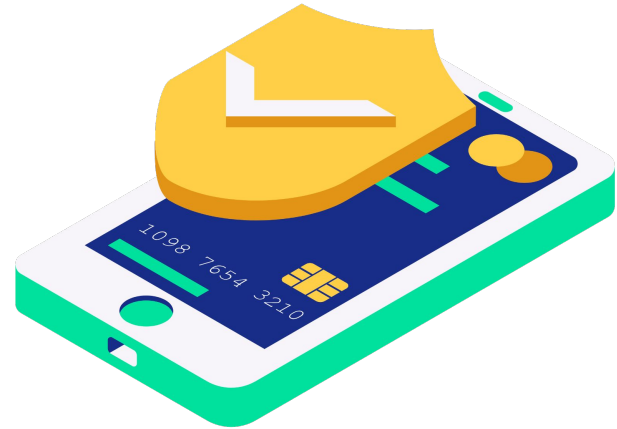
- Crucial for the effective functioning of the financial system and economy
- New Players: non-bank financial institutions that are already embedded in consumers' lives
- New Channels and Threats: data privacy, cybersecurity
- New Operating Environment: shift to Open Competition, Open Infrastructure, Open Data

OUR STARTING QUESTION

Can a better understanding of trust help address gaps in usage and further the potential of DFS in Southeast Asia?

3 lines of inquiry

1. How do consumers trust DFS providers compared to banks?
2. What factors build trust in DFS providers?
3. Does trust, or other factors, predict the adoption of DFS?
 - a. E-wallets
 - b. Investment, insurance, loans (“Non E-wallet”)

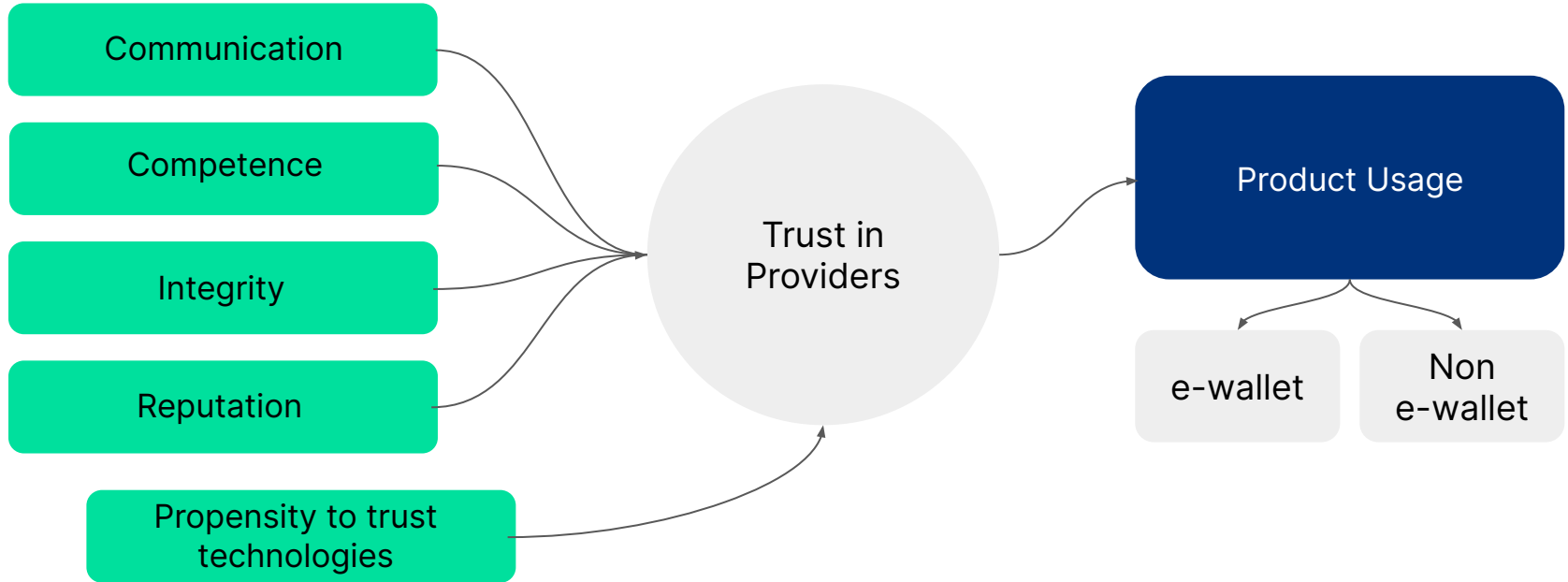


Trust is difficult to capture, measure or predict

To overcome the challenges related to measuring trust, we used Structural Equation Modeling (SEM) where trust is treated a **latent variable**: it is not directly observable but can be inferred from various observable indicators.

- Model informed by existing literature, adapted from Devlin's model that supposes a link between trust in providers and usage
- Tested a model with 5 antecedents of trust
- Trust has 8 indicators while each of the 5 antecedents has 3-4 indicators

Conceptual model of the antecedents of trust in DFS



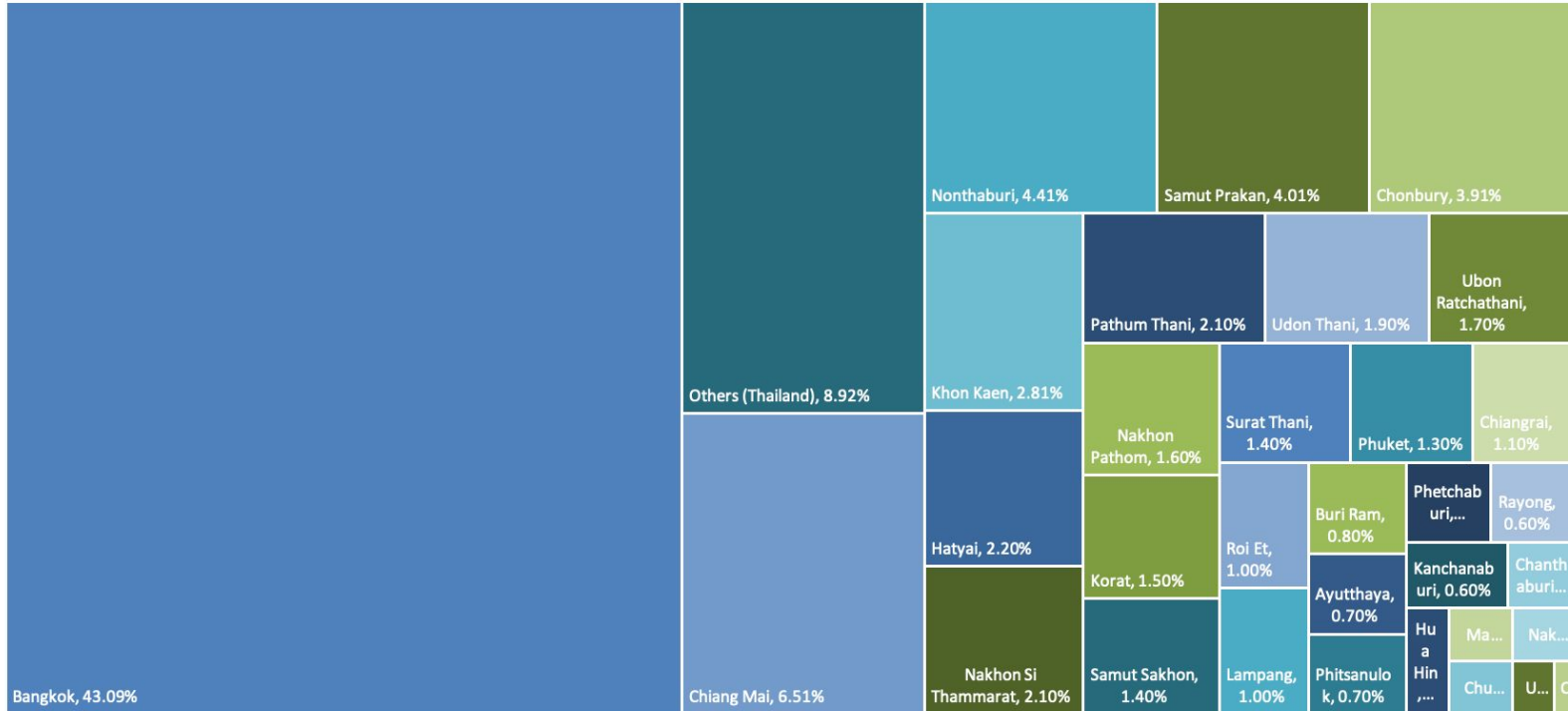
SEA-6 survey to develop the study's Trust model



- Online panel
- Mostly urban with access to internet and computers
- n = 6000
- Demographic information (socioeconomic status, education, gender, etc)
- Experience with and perceptions of providers

Countries	% Unbanked or underbanked	
	Sample	Population
Indonesia	30%	76%
Malaysia	27%	55%
Philippines	30%	78%
Singapore	26%	40%
Thailand	29%	63%
Vietnam	30%	79%

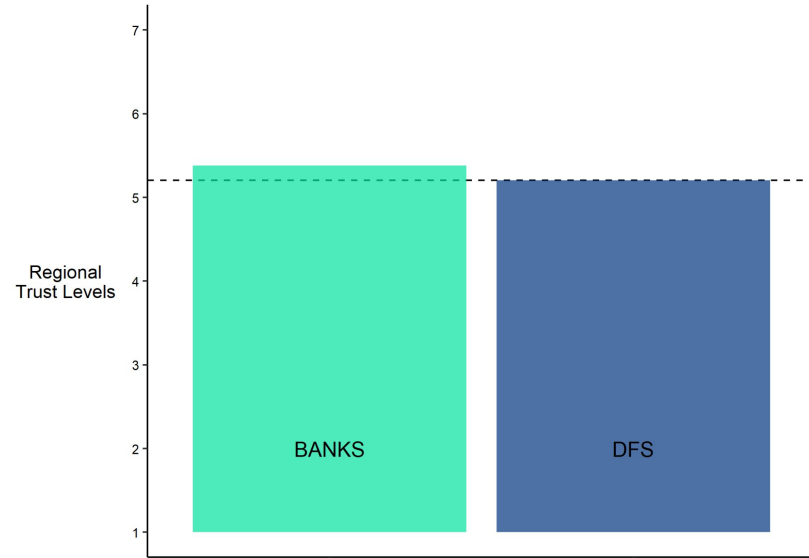
Sample representation in Thailand (n=998)



KEY FINDINGS

Trust is generally high

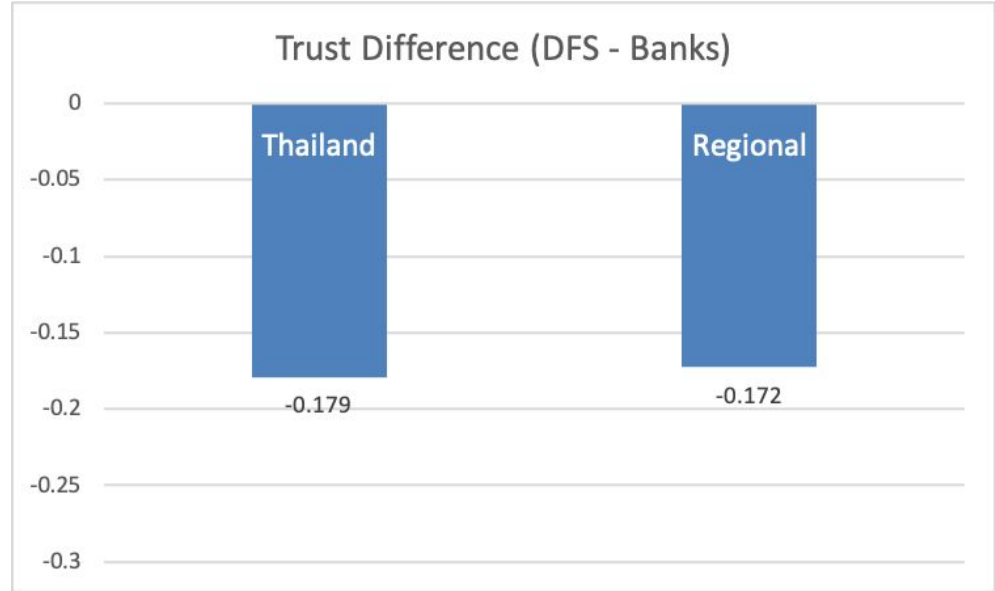
Trust levels in Banks and DFS providers in all countries are above a score of 4 in the trust measure on a scale ranging from 1 ('strongly disagree') to 7 (strongly agree).









Overall levels of trust in banks and DFS providers in ASEAN-6. Trust levels were estimated and compared with a two-group SEM model comparing trust in banks and DFS.

Difference in trust is minimal

Difference in trust between DFS providers and banks in Thailand is line with the level observed at the regional level.



Perceptions of Integrity and Communication are common predictors of trust in DFS providers

						
Integrity	✓	✓	✓	✓	✓	✓
Reputation	✓	✓	✓	✓	✓	
Communication	✓	✓	✓	✓	✓	✓
Competence	✓	✓	✓		✓	✓
Propensity to Trust Technology*						

*Propensity to Trust Technology does not predict trust in either banks or DFS in all six countries. After accounting for other antecedents, this suggests that consumers' relationships with or perception of technology have already been 'captured' in the other antecedents.

Integrity

... have a strong sense of justice

... demonstrate high integrity

Sound principles seem to guide [providers'] behavior

Communication

... responsive when
contacted

... openly communicate the
way they conduct their
business

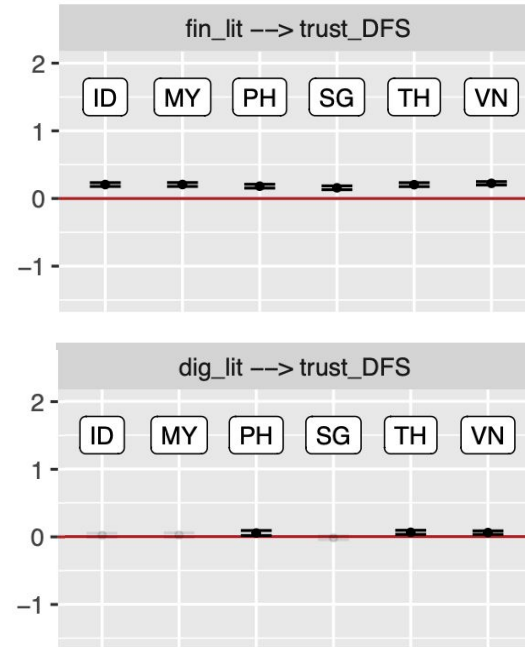
... keep their customers
informed of new
products and services

... communicate expectations for
their business/product
performance in great detail

Financial and digital literacy can also predict trust in DFS providers

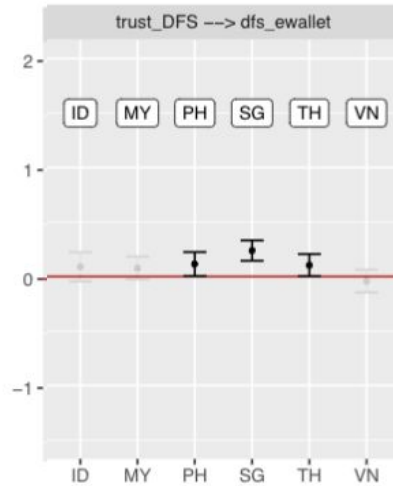
Financial literacy is the most common demographic predictor of trust in DFS providers in all countries

Digital literacy follows, predicting trust in PH, TH, VN

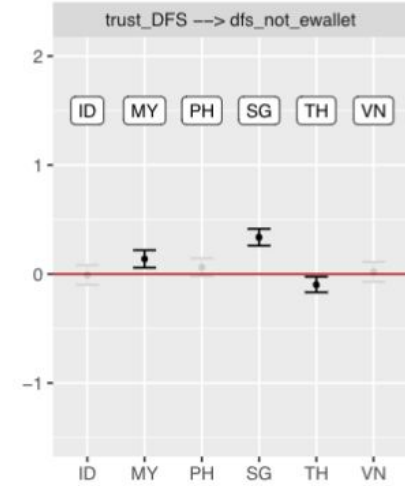


Trust in providers predicts product usage in some countries

DFS products are split into two categories: e-wallets and non e-wallets (investment, insurance, and loan)



Trust in providers positively predict e-wallet usage in Philippines, Singapore, and Thailand

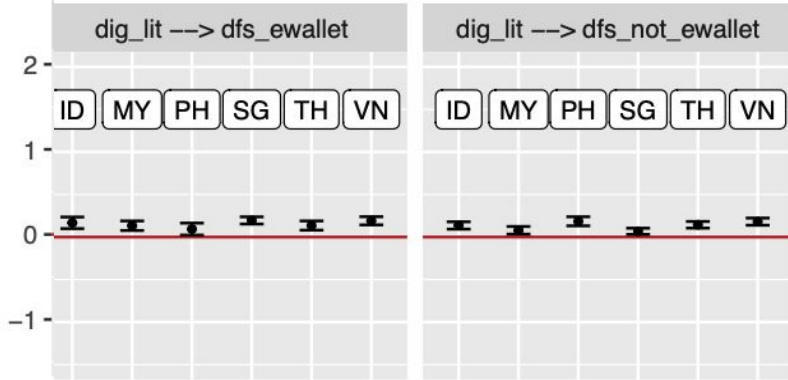


Trust negatively predicts “non e-wallet” usage in Thailand.

BUT

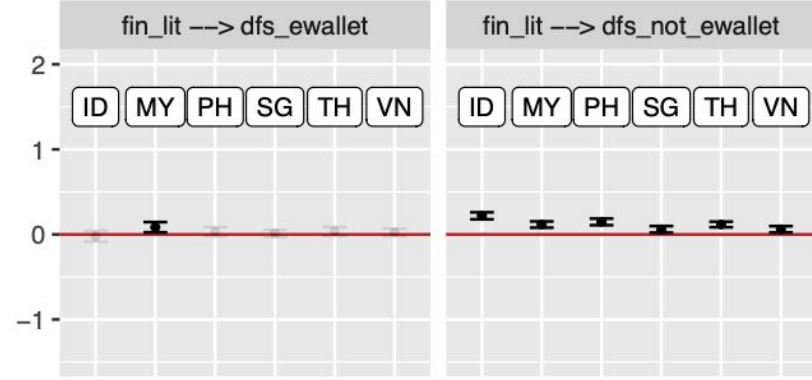
Digital and financial literacy also predict DFS usage

Digital literacy



Positively predicts usage of all products in all countries

Financial literacy



Positively predicts non e-wallet usage in all countries

STUDY IMPLICATIONS

For companies looking to expand or better serve their customers

- Trust is high but there is room for improvement
- Investments in advancing financial literacy pay off
- Trust is two way: transparency facilitated by communication can demonstrate integrity

For governments looking to improve financial inclusion and advance development goals in their countries

- Trust in institutions is high
- Financial literacy and digital literacy are crucial for digital and financial inclusion - an opportunity to work with companies to achieve this at scale
- Expectations for operating with integrity (responsible lending, fair pricing) are high
- Increased communication and demonstration of competence can build reputation

DISCUSSION

- Main differences between DFS and those digital services provided by traditional banks?
- Best ways to drive financial and digital literacy?
- Pervasive cash culture in SE Asia - why? Is this a unique phenomenon to the region?
- Role of regulations to foster trust?