

Financial Innovation Lab

Digital Finance 4 SDGs: Opportunities and Challenges



SDG 1: No Poverty - Over 1 in 10 people worldwide live on less than \$1.90 a day

Opportunity: Digital financial services provide low-income households with access to affordable and convenient tools that could help increase their economic opportunities. For extremely poor families, combining digital financial services with livelihood promotion, safety nets, and mentoring boosts their long-term standard of living.

Challenge:

- Sudden illnesses or natural disasters can wipe out household assets and trap families in poverty.



SDG 3: Good Health and Well-Being - Health costs force 100 million people into extreme poverty every year.

Opportunity: Digital finance allows households to cope better with health emergencies without being forced into poverty. Healthcare providers can extend their services into low-density rural areas through digital payments and financing.

Challenge:

- Healthcare is too expensive for many households: Roughly 100 million people globally are pushed into extreme poverty every year due to out-of-pocket health expense.



SDG 5: Gender equality – Achieve gender equality and empower all women and girls

Opportunity: Digital finance can empower women and girls to able to save, spend, borrow and plan confidently their finance. This enable them to make decisions over how their monies are used and hence, taking control of their lives and enhancing their roles.

Challenges:

- Nearly 1 billion women around the world do not have access to formal financial services and an additional 340 million women are underserved.
- Women are more difficult to reach through the usual channels that target men, including wage payments and remittance channels as well as savings accounts.



SDG 2: Zero Hunger - 815 million people worldwide are undernourished

Opportunity: Digital financial services can help farmers access the funds they need to produce higher yields with lower risks, increasing overall agricultural productivity. Digital financial services deliver faster, safer and more reliable social transfers for the undernourished.

Challenges:

- A lack of access to financial services makes it harder for farmers to manage agricultural risk and invest in measures to provide a more secure income. Formal financial institutions meet less than a sixth of the \$200 billion in financing needed by small farmers.
- Cash-based value chains and unreliable cash payments lead to slower and lower returns for farmers.



SDG 4: Quality education - 264 million children who should be in school are not

Opportunity: Digital finance can make education expenses more manageable for lower-income households and help schools and national education systems improve their financial management. This can free up resources for teachers, materials, and technologies that improve education outcomes.

Challenge:

- The financial cost of education is a barrier for households in low-income countries. Education costs can take up to 1/3 of low-income household revenue, whereas in high-income countries it's 1/5 of household revenue.

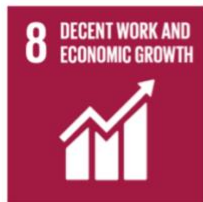


SDG 6: Clean water and sanitation – 2.1 billion people lack access to consistently safe drinking water.

Opportunity: Digital finance enables water and sanitation providers to serve low-income households, while also supporting the sustainable expansion of utility networks

Challenges:

- In many countries, water providers who rely on cash struggle to serve rural customers because metering, billing, and payment collections are slow, costly, and insecure
- People in some emerging economies face prohibitively high costs to access basic sanitation or safe water in their homes. Upfront costs can often equal the monthly income of poorer households.



SDG 8: Decent work and economic growth – 470 million new jobs are needed by 2030 to overcome growing population and unemployment challenges

Opportunity: Digital financial services fuel low-cost business models with the potential to create 95 million new jobs and add 6% to global GDP by 2025.

Challenges:

- *Micro, small & medium enterprises (MSMEs) cannot scale without access to credit. Despite their growth potential, there was over \$5 trillion worth of unmet demand for credit in 2015, partly due to lack of a credit history or collateral.*
- *More than half of the payments made and accepted by retail MSMEs in 2015 were in cash or check, which increased costs for MSMEs.*
- *Increase of “gig” or informal workers without access to health and disability insurance.*



SDG 10: Reduce inequalities – The wealthiest 1% globally holds 82% of wealth worldwide

Opportunity: Digital finance can be a powerful equalizing force, giving low-income households new tools to increase their incomes, improve financial resilience and access new economic and social opportunities.

Challenges:

- *Displaced persons without a legal identity lack or do not have access to basic financial services.*
- *The world’s poor have limited access to quality health, education, and utility services, constraining their economic opportunities.*
- *Remittances are an essential source of capital for many low-income households, but international remittance costs can be very high.*



SDG 13: Climate Action - Emerging economies face US\$1.7 trillion in economic damage if global temperatures rise three degrees by 2050.

Opportunity: Digital finance can help individuals, communities, businesses, and government combat and prepare for the damaging effects of climate change, particularly by building resilience and driving sustainable investments.

Challenges:

- *The UN projects a 3–4°C increase in average global temperature by 2100 as a result of increasing CO emissions, even with Paris pledge.*
- *Since 2008, 25 million people have been displaced by weather-related events each year. Global economic losses from natural disasters now total \$250-300 billion annually.*
- *Southeast Asian countries, alone, face a \$160 billion annual gap in green credit, which makes it harder for households and businesses to fund investments in sustainability.*



SDG 9: Industry, innovation and infrastructure – Micro, small, and medium enterprises in emerging economies have an unmet financing need of \$5.2 trillion every year

Opportunity: Digital finance enables small businesses to grow, innovate, and reach new markets, bringing more people into the digital economy.

Challenges:

- *Micro, small, and medium enterprises (MSMEs) in emerging economies face constraints in access to finance, hampering their growth potential.*
- *Cash payments are largely untraceable, making it costly and complex for companies to fight fraud and theft and confirm if payments were made in full.*



SDG 11: Sustainable Cities and Communities - 60% of the global population will live in cities by 2030, but many will not enjoy the potential benefits of urban life

Opportunity: Cities rely on crucial public services such as affordable housing and transportation, but delivering these services using cash is highly inefficient and costly. Digitizing payments could save 100 major cities \$470 billion every year by addressing these inefficiencies and avoidable costs.

Challenges:

- *Public transport systems are often inefficient and do not sufficiently respond to users’ needs.*
- *30% of the urban population in emerging economies lives in informal settlements, often in poor living conditions.*
- *Congestion is worsening, particularly in middle-income countries, costing loss to national GDP annually.*



SDG 16: Peace, Justice and Strong Institutions - US\$110 billion is lost each year due to leakages in government expenditures and tax collections globally

Opportunity: Digital payments dramatically improve transparency of transactions to and from governments. This helps hold governments accountable to a higher standard for usage of public funds and increases the funds available for vital public services, investments, and transfers.

Challenges:

- *Low-income countries collect less than half of domestic revenue on average compared to high-income countries.*
- *Making and receiving payments in cash involves much higher transaction costs for governments, reducing the pool of funds available for vital public services, investments, and transfers.*