



***UNCDF, Request for Applications (RFA)  
Inclusive Innovations for driving financial usage and financial  
health in Malaysia***

The United Nations Capital Development Fund (UNCDF) supports the development of new use-cases, products or business models that could drive outcomes around financial health/financial resilience for segments currently left behind, such as smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments in the low- and moderate-income groups in Malaysia

The Financial Innovation Lab (Fin Lab) of UNCDF will support at least 5 partners by supplementing their project teams with experts who have the know-how in delivering digital financial services in challenging markets.

UNCDF will provide technical assistance and mentorship services to the selected partners. The technical support would be provided by digital finance and innovation experts that are experienced in product and business model development and go-to-market strategies in some of the most challenging markets in Asia and Africa. UNCDF plans to invest half a million USD on this initiative, specific projects will be financed based on business needs. An average intervention may range from 50,000 to 150,000 USD

UNDF invites to apply banks, financial intermediaries, microfinance institutions, insurance companies and other firms registered in Malaysia that have digital inclusive solutions that can drive financial health in Malaysia.

For requests and queries please send an email to [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org) with the title 'Inclusive Innovations for financial health in Malaysia\_Company Name'

Applications should be submitted via email at [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org) With the Email title: '*Inclusive Innovations for financial health in Malaysia Company Name*' on or before the application deadline: 27 October, 2019 (Sunday) 11.59 PM Malaysia time\*

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\* Applications could be accepted after initial deadline based on availability of funding.

## I. BACKGROUND:

UNCDF, through a partnership with Metlife Foundation, supports the development of new use-cases, products or business models that could drive outcomes around financial health/financial resilience for segments currently left behind, such as smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments in the low and moderate income groups (B40 and lower half of M40) in Malaysia.

The Financial Innovation Lab (FinLab) of UNCDF will support at least 5 partners by supplementing their project teams with experts who have the know-how in delivering digital financial services in challenging markets. The range of support is outlined in [Section 5. 'How UNCDF Works with Partners'](#).

UNCDF invites to apply banks, financial intermediaries, microfinance institutions, insurance companies and other firms registered in Malaysia that have digital inclusive solutions that can drive financial health in Malaysia.

### I. WHY FINANCIAL HEALTH?†

First of all, what is financial health? It is a term used to describe the state of one's personal financial situation and assessed through four financial activities: spend, save, borrow, and plan.

- **Spend:** An individual's ability to successfully manage their cash flow and spend less than their income directly affects their ability to build

### WHO IS UNCDF?

The United Nations Capital Development Fund (UNCDF) is the only UN agency with the mandate and tools to make catalytic investments in private and public organizations to prove there is a business case in serving last-mile markets. We are on-the-ground in more than 35 least developed countries in Asia and Africa built over five decades.

In digital financial services, UNCDF has more than a decade of experience working with a range of financial and non-financial service providers and policymakers in Asia and Africa to make digital finance accessible and affordable for the under-served segments.

In Malaysia, UNCDF started operating in August 2018 to combine its expertise and know-out in the development of financial solutions for low and moderate-income people with the rich experience of Malaysian institutions in the digital economy. Despite significant progress in Malaysia in providing financial access as measured in registered accounts, there are many challenges facing the development of digital financial solutions and digital tools that can reach all levels of the market.

In addition to inclusive innovation under which this RFA falls under, UNCDF works with market facilitators such as the government and regulators to support innovation and open frameworks that could drive creation of plug-and-play models between start-ups and industry players. Additionally, we produce demand and supply side data and insights to help providers identify where the untapped market opportunities are.

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†For more information <https://finhealthnetwork.org/>

savings and be resilient in the face of unexpected events. It includes their ability to earn more.

- **Save:** Having sufficient liquid savings is important for coping with an unexpected expense, like a car repair, or a sudden drop in income, like losing a family member or getting laid off from a job
- **Borrow:** Having a manageable debt load suggests that individuals will not be consumed by late fees or become over-indebted which may lead to further financial difficulties, including bankruptcy
- **Plan:** Having appropriate insurance allows individuals to be resilient in the face of unexpected expenses, such as the death of a loved one or a medical emergency. Planning ahead for expenses indicates that an individual is future-oriented and interested in improving their financial situation.

Financial health improves when any one or a combination of any of the four actions help people to **build resilience and pursue opportunities in life.**

Why is it important in the Malaysia context?

While doing economically well as a country, there is a sizeable population who struggle to make ends meet in Malaysia. According to Bank Negara Malaysia (BNM)<sup>‡</sup>,

- 70% of low-income Malaysians surveyed claim they would have issues sourcing emergency cash of RM 1,000 (US\$240); it is 52% for the general population;
- 14% of low-income Malaysians surveyed claim they can sustain themselves for more than 3 months after losing their main source of income; it is 24% for the general population;

Despite significant progress in providing financial access as measured in access points and registered deposit accounts, the up-take of financial products among the masses is still moderate and the level of usage is still low. According to BNM<sup>§</sup>, 39% of adults have financing accounts, including credit cards, and 17% of adults have life insurance/takaful policies.

At the same time, while mobile and internet penetration and usage is relatively high, when it comes to using mobile and internet for banking, more can be done. Despite having a vibrant e-wallet industry, cash is still king for many segments of the society.

There are many challenges facing the development of digital financial solutions and digital tools that can reach all levels of the market. At present, most of the digital services are designed for upper- and middle-income population, mainly concentrated in the urban area.

The cost of serving low income and rural households remains too high and too much focus has been placed on cash-in and cash-out. Incumbent service providers have legacy systems and incentive structures that reinforce a need for faster returns, whereas focusing on low income customers and financial services is a long-term investment. Large scale service provider platforms are often closed to other market players, despite their potential to drive usage and innovation. There is a movement to selectively open these platforms, but rules of

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<sup>‡</sup> Demand side survey, BNM, 2018

<sup>§</sup> *ibid*

access, questions of liability, security, and the necessary requirements for these companies are unclear. This contributes to the market not seeing large scale digital innovations that put the low to moderate-income customer at the center and serve them in a meaningful way.

The risk of losing connectivity and development chances for those people living in the rural area and for those disadvantaged by education, is even higher in the age of digitization. When UNCDF asked low to moderate income people in Malaysia, especially those outside urban centers, about their awareness of digital financial services and what is discouraging them from using it, these are the answers we got:

- Very few participants mentioned DFS when they talked about their day-to-day financial activities;
- People were somewhat aware of the most prominent DFS in the country but rarely used them; if they used them, it was often for trial only;
- Relevance of the DFS was important to people, if there was no clear need for or benefit of DFS over other methods, they would not use them.

For more information on the research click here: <https://www.uncdf.org/article/4530/how-lmi-people-experience-dfs-in-malaysia>

## II. OBJECTIVE

The objective of the RFA is to identify at least five new partners like banks, financial intermediaries, microfinance institutions, insurance companies and other firms registered in Malaysia that have digital inclusive solutions that can attain these two objectives

- Demonstrate to the market that **the low-to-moderate income (LMI) segment can be active users of digital financial services (DFS) at scale, and therefore a commercially viable segment to serve.** The beauty of fintech is that, while the value of transactions from this group may be small, the LMI group are likely to transact much more frequently compared to the higher-income segment, and when aggregated on a platform, the customer base is huge.
- Demonstrate that **DFS, when designed and delivered with a rigorous understanding of the LMI segment in mind, can an impact on customer lives,** in terms of their ability to pursue opportunities, be resilient to shocks, and meet their aspirations.

## III. ELIGIBLE PRODUCTS AND SERVICES

Potential applicants shall demonstrate that they have the capacity, skills and expertise to provide digital products and services designed and delivered to improve the financial health of the low-to-moderate income segment in Malaysia at scale. Providers can propose digital finance and related innovations ready for deployment or in early stage of roll-out.

Below are some examples of how digital technology can be used to achieve any of the four components of spend, save, borrow, and plan.

- **Digital identity** that is secure and can make identity verification easier for the LMI user;

- **Micro-financial products** that caters to the nature of the cash flow (fluctuating), occupation (informal, holding multiple jobs), and financial pressures and goals that LMIs experience. For example, micro-savings, insurance, lending, pension, investment, pay-as-you-go financing for assets and services.
- **Open or common platforms and tools** that will make the LMI user experience more seamless when it comes to comparing and subscribing to financial products, such as open APIs.
- **Marketplace for micro and small entrepreneurs, part-time, informal workers.** These can be platforms that make job and consumer markets more accessible for micro and small businesses.
- **Education tools** that can improve people's awareness about financial health, such as their spending habits against their income, having sufficient savings for shocks and long-term life goals, having a sustainable debt load, planning ahead for expenses, and value of having insurance for unforeseen shocks in life.
- **Data analytics** that is used by the provider to understand their customers in more granularity, as well as supplement or replace standard processes and requirements that hinder access and usage of digital financial services among the LMI. For example, alternative credit scoring for youth, women, micro and small businesses, gig economy workers, and farmers. Data can also be used to make customized product referrals and useful information available to existing customers.

These solutions can be delivered in many ways. Such as:

- Increasing the offline presence and outreach in underserved areas of the country. This can be through the expansion of proprietary channels or by growing agent/merchant networks with third parties.
- Strategic partnerships with organizations that have a captive LMI customer base that could help overcome trust barriers and lead to economies of scale. For example, a tie up with a commodity exporter that has a large captive farmer base with a range of financial needs; job platforms that have a large pool of informal, part-time workers; or public institutions (e.g. government, schools, health clinics) or NGOs that are serving LMIs at scale;
- Strategic partnerships between banks and other financial intermediaries; or between DFS providers and digital infrastructure providers to overcome network connectivity and KYC challenges at the last-mile.

These examples are not exhaustive, and UNCDF team is excited to hear what potential applicants have in mind even outside these examples as long as your scale, commercial viability, and impact objectives are aligned. We encourage applicants to think big, think commercial, think last-mile.

#### **IV. OTHER PROJECT PARAMETERS**

Potential applicants shall give evidence that their inclusive solutions are aligned to the parameters listed below.

- **Target segment:** Smallholder farmers, women, youth, migrants, informal and formal workers, micro and small enterprises and other vulnerable segments in low and moderate income groups (B40 and lower half of M40).
- **Geographical scope:** Nationwide, with a focus on under-served segments in the low-to-moderate income bracket; weighted points for projects that have a goal and clear strategy to go outside their core customer base and area of operation, especially to peri-urban and rural areas in Malaysia.
- **Expected results:** Below are indicative key performance indicators for the projects. The indicators will be finalized based on the nature of project and tracked to ensure success of the project.
  - New customers added
  - New active customers
  - Average transaction amount/customer
  - Average transaction volume/customer
  - Average revenue/customer
  - Profitability
  - Qualitative changes in people's financial health
- **Expected outputs and deliverables:** The partner would work closely with the UNCDF team in Malaysia in the design and implementation of a new business model, new products or services, process optimization, etc. Deliverables will be derived from key project milestones and will be mutually agreed between UNCDF and the partner at the contract negotiation stage. For illustration purposes, milestones can include market research conducted, products deployed, and marketing activities conducted, and deliverables are those that best demonstrate the milestones have been achieved.
- **Project duration:** Up to 24 months starting in December 2019 until December 2021\*\*. Aiming to have pilot successfully conducted and assessed by Q3 2020.

## V. HOW UNCDF WORKS WITH PARTNERS

UNCDF will provide technical assistance and mentorship services to the selected partners. The technical support would be provided by digital finance and innovation experts that are experienced in product and business model development and go-to-market strategies in some of the most challenging markets in Asia and Africa. UNCDF plans to invest half a million USD on this initiative, specific projects will be financed based on business needs. An average intervention may range from 50,000 to 150,000 USD

While partners will be in the driver's seat, UNCDF will be walking the innovation journey together to find solutions along the way. The technical support would be provided by digital finance and innovation experts that are experienced in product and business model development and go-to-market strategies in some of the most challenging markets in Asia and

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\*\* Possibility of extension based on performance of the partner, evolution of the project and availability of funding

Africa. Below is the support that UNCDF would provide to the selected partner(s) in driving the vision and targets set above.

- Market surveys to better understand the financial pressures, aspirations and behaviours of low to moderate income people in Malaysia;
- Support in designing products and services including process optimization for delivering financial and non-financial services related to the needs of these segments;
- Crowdsourcing solutions based on the problem statements/use-cases identified with the partners, that are incubated or accelerated for deployment
- Looking out for and developing partnerships with complementary actors in the private and public sectors
- Measuring impact around financial health and [UN Sustainable Development Goals](#);
- Global and national exposure to showcase how the partner is demonstrating a business case in under-served markets;

Additionally, the partner becomes a member of the global FinLab community of practice composed of practitioners from the public and private sector from around the globe with a passion and mission for building an inclusive digital economy.

It is important to note that one of the main objectives of the partnership is market demonstration. UNCDF and the partner will agree on learning questions and document the innovation journey and impact on customers with a view to make these insights a public good. UNCDF and the partner will have mutual agreement on the extent of data and insights that can be shared publicly.

UNCDF and the partner will sign a Technical Assistance Agreement (TAA) which encapsulates all of the above. A copy will be available upon request by email to [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org).

## **VI. ELIGIBILITY & EVALUATION CRITERIA**

Only those that meet the eligibility requirements and minimum requirements for the submission will be scored.

### **1) Eligibility requirements to apply**

- Applicant(s) shall be duly incorporated and registered according to the rules of Malaysia;
- Applicant(s) should be operating in Malaysia for at least 1 year;
- Applicant(s) should have, directly or indirectly, at least 50,000 end-users in Malaysia for any of their digital product(s)/service(s);
- Applicant(s) should have audited financial statements for at least 1 year;
- Applicant(s) must have fulfilled obligations relating to the payment of social security contributions or obligations relating to the payment of taxes according to the legal provisions in Malaysia;
- Applicant(s) shall not be in a state of repair or to have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure;
- Applicant(s) and any of their staff or member of their board of directors shall not be

included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security; and

UNCDF will conduct a due diligence on selected applicants. Applicants must have documents ready to confirm they meet the eligibility criteria, including audited financial statements, certificate of registration, certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF.

## 2) Minimum requirements for proposal to be evaluated

- Application is complete (Annex 1 Submission Format), including the 'Declaration Letter' duly signed by the applicant's legal representative;
- The strategy and project objective proposed by the applicant are aligned to the [UNCDF strategy 'Leaving no one behind in the digital era'](#) which is about building inclusive digital economies so that marginalized populations can access a range of financial and non-financial services in order to become active participants in their local economies;
- Application proposes a clear methodology, plan and project team.

## 3) Evaluation criteria

Only the applicants that will score at least 70 out of 100 will be considered successful and move to the due diligence stage. UNCDF will select at least five applicants. The criteria are as follows.

Expertise of the Firm/Ability to Implement		Points obtainable
Current customer base	Applicant already has customers in the under-served segments (e.g. youth, women, migrants) or demonstrates ability to quickly penetrate the market directly or through partnerships	15
Current resources	Current resources (e.g. HR, financial, infrastructure, technology, brand recognition, geographical footprint) demonstrates ability to implement the project	15
<b>Maximum score</b>		<b>30</b>

Understanding of the RFA and proposed approach		Points obtainable
Customer knowledge & Impact	<ul style="list-style-type: none"> <li>• Demonstrates in-depth understanding of the customer to be served</li> <li>• Contribution to the financial inclusion or financial health of low or moderate income people in at least one of the following segments: smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments including low and moderate incomes groups (B40 and lower half of M40)</li> <li>• Contribution of the project to reach at least one of the <a href="#">UN Sustainable Development Goals</a>.</li> </ul>	15



Degree of innovation and additionality	Level of innovation in the product and approach proposed; level of additional value bring brought to the market	15
Scalability and financial viability	Business model has potential to scale and become financially viable over time.	15
Organizational capacity, commitment, & Implementation readiness	Applicant Project team has relevant expertise and demonstrates ability to implement towards project goals ; Project lead has experience in managing projects that involve multiple parts of the organization.	15
Value for money	We will look at outreach targets as measured by # of end-users that use or are impacted by the product, and evaluate whether the proposed target is backed by sound logic (e.g. current user base, applicant's ability to deliver, financial and human resources that applicant is committing to this project etc.)	10
<b>Maximum score</b>		<b>70</b>

## VII. APPLICATION REQUIREMENTS & PROCESS

### 1) Structure of the Application

- Applicants **must** submit: Submission Format (Annex 1)
- In addition to the 'Submission Format' the applicant **may supplement** the submission with 1) power point deck that outlines in a visual manner what the project and/or product is ; and 2) latest annual report.
- The application must follow the template provided in Annex 1: Submission Format and be complete.
- All submissions must be completed in English.

Only applications that follow the Submission Format and include all the necessary documentation will be accepted.

### 2) Submission of the Application

- Applications should be submitted via email at [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org)
- Email title: 'Inclusive Innovations for financial health in Malaysia\_Company Name'

### 3) Application deadline: 27 October, 2019 (Sunday) 11.59 PM Malaysia time<sup>††</sup>

### 4) Selection process and timeline

- Proposals will be reviewed and selected by an Investment Committee (IC);

<sup>††</sup> Applications could be accepted after initial deadline based on availability of funding.

- Due diligence will be conducted on the selected applicants to finalize the selection and supplement information on the company and proposal;
- Successful applicants will be asked to sign a Technical Assistance Agreement with UNCDF which will outline mutually agreed upon milestones and deliverables. Sample agreement available upon request, email [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org)

**5) Real-time assistance available from UNCDF<sup>‡‡</sup>:**

- For requests and queries send an email to [uncdf.malaysia@uncdf.org](mailto:uncdf.malaysia@uncdf.org) with the title 'Inclusive Innovations for financial health in Malaysia\_Company Name'
- A document of Frequently Asked Questions will be shared on the FinLab webpage <https://www.uncdf.org/finlab/>

<b>Company Consultations</b> <i>During this period UNCDF will provide on-going technical support to applicants while they develop their full proposals. Consultation about this RFA should be submitted via email at email at <a href="mailto:uncdf.malaysia@uncdf.org">uncdf.malaysia@uncdf.org</a></i>	<b>Until 21 October, 2019 (Monday) 5.00PM Malaysia time</b>
<b>Deadline for submission</b>	<b>27 October, 2019 (Sunday) 11.59 PM Malaysia time</b>
<b>Review and selection by Investment Committee</b>	<b>Early November, 2019</b>
<b>Announcement of successful candidates &amp; Due Diligence</b> <i>The UNCDF team will conduct due diligence visits companies selected by the IC.</i>	<b>Mid November, 2019</b>
<b>Negotiation and signing of TAAs with selected partners</b>	<b>3-4 Weeks</b>
<b>Launch of projects</b>	<b>December 2019 – January 2020</b>

## VIII. ATTACHED DOCUMENTS TO THIS RFA

### Annex 1. Submission Format

#### Part 1. Declaration letter

#### Part 2. Project Description (Word & Excel)

- 2.1 BASIC INFORMATION (WORD)
- 2.2 ABOUT THE CORE BUSINESS (WORD)
- 2.3 PROPOSED BUSINESS IDEA (WORD & EXCEL)
  - Budget Summary (Excel)

<sup>‡‡</sup> 1) The UNCDF team will provide assistance and feedback to companies throughout the application process. Any feedback or recommendations provided are suggestions and it is at the discretion of the applicant as to whether apply them or not. 2) Receiving UNCDF guidance during the application process does not guarantee that the proposal will be selected. UNCDF will provide the same level of support to all companies that request assistance.