

Financing the Future: Reaching the Next Billion – English Transcript

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00:16

Hello everyone, welcome, my name is Jessica Pothering and I'm Impact Alpha's senior editor for emerging markets, and I'm here for a discussion with some key players from leading, forward-thinking organizations in global financial services. To kick things off, let me introduce our guests: we have Michael Schlein, the president and CEO of Accion; Linda Kirk Patrick, Mastercard's president for the Americas; and Sophie Sirtaine, the CEO of CGAP. We should also have Renato Gomez joining us shortly. Who's the Deputy Governor and head of financial systems at Brazil's Central Bank."

00:49

"So, starting discussions like this always comes with a big responsibility, but this one is especially important because it's the 10th edition of Financial Inclusion Week. I think this milestone gives us a chance to reflect on how far we've come in the last ten years, what we've learned, and what challenges and opportunities are still ahead. I expect a lot of the conversations this week will build on that."

01:23

In today's chat, I've been thinking a lot about my own work on financial inclusion for Impact Alpha over the past decade. During that time, around a billion people have joined the formal financial system. Of course, there's still a ton of work to do since about two billion people—almost a quarter of the world's population—are still left out. But a billion is a big deal.

01:53

Connecting with people is a big achievement, and now that there's a link between them and the financial world, I really think we have the chance to offer new services and broaden what's out there for them. We can even create financial services tailored just for their needs to help support their families, livelihoods, and overall security and prosperity. But what really strikes me about the work done in this area over the past decade is the speed of innovation.

02:23

"Things have really picked up since the pandemic, but there's a catch with that billion figure. We've definitely lost some ground due to the economic pressure from the pandemic. Plus, we can't overlook how much tougher it's going to be to serve new financial customers with the increasing unpredictability of climate events. This also affects how we build deeper relationships with the billion people who've recently joined the system. But what gives me hope is..."

02:57

"The tools we've developed over the last ten years have really opened our eyes to people who used to be pretty much invisible to financial services. We can now see who they are, how they work, what they earn and spend, and what their goals and priorities are. This has sparked a huge boom in new products, platforms, services, and ways to connect with them. So, as we kick off this week of discussions, Michael, I'd like to start things off."

03:28

"Alright, so to kick things off, can you share your thoughts on the last 10 years? I know that's a lot to cover, but let's start there. First off, thanks to everyone for being here. I really believe this Financial Inclusion Week is a great way to bring the industry together. We've made some amazing strides, going from about three billion people excluded to around two billion. That's huge progress!"

04:00

If you think about it, what's really going on is that the internet, smartphones, broadband, and cloud computing have made it possible for anyone to start a business, which wasn't the case before. It's also helped us notice people who were previously overlooked. Just look at how credit used to work: the only place you could get a loan was at a bank, and they would only lend to certain people.

04:34

People they had already lent to, that's what exclusion means. The microfinance revolution really focused on groups of women, and later on, we started using cash flow analysis to responsibly broaden our lending base. But the real game changer in the last decade has been data. The explosion of data is inherently inclusive. It's not that these people had bad credit; it's that they were simply invisible. And the most remarkable thing we've seen over the past 10 years is this shift.

05:07

We're drowning in data, and it's amazing how we're starting to make sense of it all—seeing things we never noticed before and really grasping the financial needs of people everywhere. The innovation coming from this data is super exciting. What do you think the next ten years will be like, especially with this data boom we've been talking about? I really believe that...

05:42

There are two ways to look at it. If we're talking about big numbers, moving from three to two is going to be tougher. First off, getting to that next two is going to be harder than getting to the last one. We're dealing with smallholder farmers in really remote areas, a lot of whom are women running small businesses. Plus, the nature of the work is changing. So, I think getting to the next billion is going to be more challenging than the last one. But if we reflect on the shift from three to two, a lot of it comes down to access.

06:11

"We need to shift that billion people from just having access to actually using these tools in their everyday lives. I think the biggest challenge right now is making the most of this moment. If you look back over our lifetimes, we've seen global poverty drop significantly. We've literally lived through decades where poverty has declined more than ever before in history. But now, all that progress has stalled. Some of it is due to the pandemic, and some of it is because of the climate crisis."

06:43

There are a ton of reasons, but the progress in cutting down poverty has hit a wall. At the same time, we're in the middle of this tech and data revolution. So, the work we're all doing can make a bigger difference than ever. If we combine these two ideas, we really need to take advantage of this moment because what we're doing matters more than it ever has, and the impact we can make is greater than it's ever been. I've got one for you.

07:14

I've got a follow-up question about that. You mentioned the data revolution—having the data is one thing, but understanding it and knowing how to use it is a whole different ball game. So, considering that and the whole effort to bring a billion people into the financial services sector over the last decade, what have we figured out about what worked and what didn't? What can we take from that to guide us in the next ten years? Honestly, I think we're still figuring it all out.

07:46

I really believe that governments around the world play a huge role in this. I think Renato is on board too. But honestly, I see countries like India, China, Brazil, and several others taking the lead in digital public infrastructure. They're setting up the basic foundations we need to create better services for people who have been overlooked. During the pandemic, we saw that nearly 166 countries, which is almost all of them, faced similar challenges.

08:22

"We set up over 400 cash transfer programs that helped more than a billion people, many of whom were getting help for the first time, and a lot of it was done online. The pandemic was awful, but it did speed up financial inclusion or at least made it easier for people to access money in some ways. The data and algorithms we're using now are changing every part of our lives and really transforming how we can reach people who have been left out until now."

08:59

Thanks, Michael. Before we dive into those big topics you mentioned, I want to check in quickly with Linda and Sophie. What's on your minds each morning, especially today, when you start this work? Linda, let's start with you. Yeah, thanks for having me and for this important chat. Our partnership at MasterCard with Accion is a real source of pride for us.

09:32

"It's been a game changer for us in driving inclusive growth. You mentioned earlier that this is the 10th anniversary of Financial Inclusion Week, which just so happens to line up with the 10th anniversary of our Center for Inclusive Growth. We started it with the goal of bringing a billion people into the financial mainstream by leveraging our strengths at MasterCard and teaming up with private organizations to make that happen. It's also the 10th anniversary of an initiative we call Starpath."

10:08

We've been working hard for years to bring the best of fintech into the mainstream, especially when it comes to inclusion. We've evaluated about 400 companies and brought them into our group to expand our reach and impact. I really believe the people on this panel, along with Accion, represent the partnerships we've built over the last decade with real purpose, investment, and clear goals.

10:45

Success has really fueled this progress, and I think we all have a lot to be proud of. What's on my mind is how important it is to hold on to what we've achieved and not take steps

backward. If I look at the past ten years, the progress we've made comes down to three key factors. First, as Michael mentioned, it's about access. Globally, the use of digital payment methods has gone up by 13%.

11:19

In a five-year span, the percentage jumped from 17 to 21 micrometers. Talking about the pandemic, which really showed how good things can come from bad situations—40% of people made a digital payment for the first time during that time. Just think about that stat for a second. The pandemic didn't just open doors for access; it got people using these services who really needed help. The speed at which people learned about finances and got on board with digital payments was something we'd never seen before.

11:56

A lot of things could've happened without that rush. In Latin America alone, 80% of the population now has a smartphone. What used to hold us back is now opening up new opportunities. We've got a solid foundation to build on. The progress made through public-private partnerships, especially with the fintech community, is huge. When I think about it, each of us has great intentions in our strategies, and we all have our own unique strengths.

12:38

"When we come together with our strengths, we can really make the most of what each of us brings to the table. Big multinational companies have a lot of power worldwide, but the fintech scene and partnerships like the one we have with Accion let us really connect with the local communities that need help the most. As I think about the trends coming together, it's clear there's a chance to zero in on those communities that need our support, especially with some help from the government."

13:16

"What's really on my mind is how we can keep the good things from these trends while also looking ahead, especially when it comes to financial inclusion. Thanks, Sophie! I'd love to hear your thoughts on this too. Every day when I start working, I think about the huge potential we all have in this industry to help make the world a better place. I think Michael really nailed it."

13:48

"The situation is just right for us because, on one hand, we've made huge strides in the last ten years when it comes to access to accounts. This progress is really thanks to the hard work of everyone involved—public and private sectors, multilateral institutions, you name

it. We can definitely give ourselves a pat on the back for that. But at the same time, the industry is at a critical turning point. We can either keep moving forward or fall back into old habits."

14:24

We're always trying to make a real impact to help achieve better development outcomes. We see financial inclusion as a key factor in building resilience for women, empowering them economically, and creating opportunities for everyone. But honestly, we still have a long way to go. As Michael mentioned, things have actually gotten worse; the situation for the poor is still really tough. Climate issues have made those challenges even bigger, and women's economic empowerment is still a huge struggle.

15:03

The unfinished issue of jobs and entrepreneurship is a big challenge for young people across many continents, especially in Africa. We know that financial inclusion can really help tackle these global challenges, and that's what drives me every morning. It's the potential we have as an industry to make a difference. But I think two things need to happen: first, as Linda mentioned, we can't ignore the last mile.

15:39

In other words, there are still about 1.5 billion people who aren't connected to financial services, and they won't reap any of the economic benefits unless we address that. It's going to be a lot tougher. Linda and Michael did a great job explaining that we've learned a ton about access, especially regarding things like digital payment infrastructure and government transfers. But getting to those last few people is going to be a real challenge for a bunch of reasons we can talk about later.

16:10

But there are social norms that get in the way, along with economic barriers and the costs of connectivity. Still, there are opportunities too. Like Michael mentioned, data is probably the biggest opportunity we have. That's one challenge we need to tackle. The second is that we need to intentionally align our goals and ambitions with these outcomes. We can't just focus on the mechanics of creating access or even on usage.

16:39

I really need to figure out how I'm going to design my products, interventions, and policies to make sure everyone benefits from my financial inclusion efforts. But I'll stop there for now. I see the future as challenging but promising, which is great. Thanks! We've got a lot

more to talk about, so we'll come back to that. By the way, the question— I know you joined a bit late, but it's about how we've been doing things over the past decade.

17:13

We're working on bringing a billion new people into the financial services world, and we're looking ahead to the next 1.5 to 2 billion. So, what's on your mind when you start your day? What feels the most urgent? Thanks for having me, and sorry about the technical issues with the link being blocked, but we made it work. When I wake up, I think about...

17:48

Our main goal is to improve the quality of financial inclusion in Brazil, and while we've made progress, there's still a long way to go. Recent stats show that from 2018 to 2023, the number of Brazilians actively using accounts for payments or credit has surged from about 60 million to over 120 million.

18:32

Basically, we've pretty much doubled the number of people actually using the financial system. In the first year after Peaks, over 70 million people made a digital transfer for the first time. So, there's a lot of inclusion happening with the paks agenda. Before that, the pro-competition agenda really simplified how financial institutions could break into the Brazilian market. So, we saw ourselves in that.

19:14

I think 2022 is a good year to discuss this. We saw a rapid increase in the base, but there was a lot of credit expansion that wasn't as orderly as we'd hoped. We created a measure using administrative data to assess risky behavior among the Brazilian population. We have a few indicators, like being behind on payments for over 90 days, being late on at least two credit accounts, or having more than that.

19:57

The third market has more than a certain level of your income tied up in debt servicing, or you're owning more than a specific fraction of your annual income. We have these four indicators, and if at least two of them are in the red, we consider you to be at risk of being in debt. In Brazil, late 2022 into early 2023, over 15% of the adult population was classified as having risky debt levels. I think the main challenge now is...

20:44

We're really trying to focus more on Financial Health right now. Financial inclusion is still lagging, and we care a lot about that last mile—there's a ton of work ahead of us. But we've already included a lot of people, which is great, and on average, that inclusion has helped. Still, we could do a lot better if we fine-tune our policies to focus more on consumer protection, in addition to the usual emphasis on competition and technology.

21:26

"Thanks for studying this so far. I want to take a moment to stick with you. As an impact investing reporter, I usually look at financial inclusion through the lens of the private sector, and I bet a lot of you tuning in today do too. But Brazil is an amazing case study on how public institutions can drive financial inclusion and build safety nets."

21:59

"Hey, so you mentioned the Pix agenda, and for anyone listening who might not know, could you give a quick rundown on what Pix is? It's this national digital payments system, right? Can you explain how it started and what drove its creation? Sure! So, Pix is the fast payment system that the Central Bank of Brazil rolled out."

22:32

In November 2020, as you mentioned, it really was this digital public infrastructure that all payment or financial institutions with over 500,000 accounts had to be a part of. From the start, joining was mandatory. The Central Bank just set up the infrastructure; it's up to the institutions to connect to it and provide services to their customers. We also paid a lot of attention to the user experience.

23:10

People's cell phones pretty much look the same everywhere, right? In every place, you just need the app and the logo to make a transaction. This gives people the impression that it's all one unified product. It's not like there are different transfer systems for different institutions; it's the same thing. Plus, everyone knows that it's backed by the Central Bank of Brazil, which helps make that clear.

23:43

Trust that the Central Bank is really looking after the digital public infrastructure when it comes to fees. As the scheme owner, we decided that person-to-person (P2P) transactions should be free for individuals. So, P2P is free, and person-to-merchant (P2M) transactions are also free for the individual, but not for the merchant. Payment service providers can

charge the merchant if they want. In fact, this has brought a ton of new clients to all institutions, so most merchants... at least.

24:24

Small ones aren't charged anything for packs, so from the start, we were worried about needing to present a solid business case for financial institutions to adopt PS. We wanted to promote it and ensure people have a great user experience. So, focusing on that business case was really important. We thought it would primarily come from the merchant side, and honestly, we were surprised by how the business case turned out.

25:02

It came from a ton of new people jumping into digital payments. They started with payments and then moved on to credit products. So, all the institutions really benefited from this surge in new clients. Most of these institutions did lose some service fees from payments they used to rely on, like fees from RTGS-based electronic transfers or debit cards. Those fees went down, but it didn't...

25:41

This affected the business case for these institutions due to the influx of new people. The market expanded significantly, even though some payment fees became irrelevant. I think that was a positive experience because we were able to steer the industry toward financial inclusion goals, balancing inclusion with a business rationale. Renato, thanks! You touched on how this has impacted financial services.

26:21

"Let's start with payments, which is where a lot of Brazilians begin. They've gradually moved up to more advanced financial services like credit products. It definitely requires a lot of trust from the public to engage with a system like this. Linda, I know you're really involved in the Latin America region and have plenty of experience, along with some strong opinions on what the public and private sectors should be doing."

26:54

So, it's really about building trust with customers while also keeping them safe from risks, especially for new users who might not even realize these risks exist, like fraud or identity theft. I'm curious if you could share your thoughts on this. I mean, we know that digital public infrastructure is super important, but how do we find a balance?

27:25

"So, when we think about what we need versus the risks and concerns, it's really important. You were asking earlier about what it'll take to bring the next billion people into the financial mainstream. In my opinion, there are two main things that will really hold us back. This group is obviously much more complex than the first billion, so we need a different approach to reach them compared to what we've done before."

27:59

Over the past ten years, I think if I had to nail it down to two main points for everyone to focus on—whether it's the private sector, public sector, or non-profit fintech—it would be trust and shifting from just having access to actually using what we've got. So, about trust for a moment, since we've brought it up a few times: it's important to highlight that losing trust is a real risk. Trust takes a long time to build.

28:34

Building something can be easily taken down, you know? When I think about the global cost of cybercrime, it's expected to hit six trillion dollars this year, and it's only going to go up. The issue of fraud is really complicated, just like inclusion itself. What we're seeing is that fraudsters are taking advantage of digitization just like everyone else. The problem is that the communities most at risk are the same ones we've just been talking about.

29:16

"Over the past decade, we've been focusing on supporting women-run small businesses and underserved communities. Our research shows that these groups are often targeted by fraud. When a small business owner, a farmer, or a single mom falls victim to fraud and loses their money without any way to get it back, it really shakes their confidence in the system. All the hard work we've put into building access for them goes down the drain. That's why at MasterCard, we..."

29:55

"I've spent a ton of time, money, and energy thinking about trust and how to maintain it. Just a couple of weeks ago, we announced a \$2.65 billion acquisition of a company called Recorded Future, which is the biggest threat intelligence company out there. They use AI to predict cyber attacks before they happen, and they work with 25 different governments around the world. It's a real privilege to be at the center of this."

30:34

"Let's have a chat and use our strengths to show that we handle hundreds of billions of transactions. We combine that with fraud detection tools, work with partners worldwide,

and strengthen our system to build trust and fight fraud together. To me, that's super important and will stay that way as we aim for the next billion. Also, we need to shift our focus from just access to actually using it."

31:15

You know, when I think about Brazil, there's just so much to be proud of. Hanato really highlighted the amazing progress the central bank has made. We've been lucky to partner with the Central Bank of Brazil, and we also have another partner there, Nubank, which has totally changed the game for underserved communities. They're a real bank and have done a ton of great work.

31:49

"We're lucky to be their exclusive payments partner on this journey. We've learned a lot from them. About six months ago, we did a survey together and asked how we can reach the next level of inclusion. What we found out is that just having access to a loan isn't enough. Using digital payments regularly is actually a better indicator of financial health than income. So, once people have access—like Hanato mentioned—we really need to shift our focus."

32:25

We need to focus on how people use the system to make sure those who have access stick around. Trust and consistent usage are key to moving forward. When we think about digital public infrastructure, it's crucial to keep certain principles in mind as it evolves. We've really put a lot of thought into this at MasterCard, and while we've made a ton of progress, there's still more to consider.

33:05

There's a lot more we need to do now. We should use this as a turning point and ask ourselves how we can improve things even more. Looking at what principles will help us get better, I think about our network, which has been around for 60 years. We know there are a few key things that have really helped us. Running a global network that works well together takes a lot of effort. It all starts with transparency—being clear about governance, policies, and rules.

33:42

"Being open to collaborating with everyone involved is key; nobody should be left out when it comes to running a network. We need to prioritize strong data privacy practices to ensure we're grounded in privacy. It's also important to be strategic in our approach. If something

is already working well in a market, we shouldn't mess with it; instead, let's concentrate on the markets that really need our help, like India and Brazil. And we should always aim to preserve choices."

34:17

"We've got some markets that are doing great, but there's still a lot of work to be done. We can just let those markets be and concentrate on the ones that really need help. It's all about making sure everyone has equal access and that all players can compete fairly. We want an environment where inclusion is a choice, not something that's forced. That's super important to me, and it's been a key focus for us at MasterCard."

34:54

The importance of commercial sustainability is huge. We wouldn't be able to do what we've done at MasterCard without linking our work to the company's success. Since we're a public company with shareholders, it's crucial to explain how this work can be commercially viable in the long run. It's not just a one-off thing; it needs to be ongoing. So, we really have to recognize that we need a financial model that supports this.

35:30

It's super important to get everyone involved for the long haul. It's not just about making sure people can make money from participating; they also need enough to invest in safety and security. And keeping that safety and security intact over time is crucial. We're dealing with a massive \$6 trillion in cyber threats just this year, and it's only getting worse. I'm really passionate about this because I've seen it firsthand.

36:05

"After almost thirty years at the company, I've seen what really works. These principles are like the key ingredients in the recipe for success, both in terms of inclusion and long-term sustainability. You mentioned the Star Path program, and I know you have some great examples from that that show what works and what doesn't. I'll come back to you on that, Linda. First, Marel, I want to..."

36:39

"I want to talk to you because we've heard from Ronaldo, Linda, and Sophie, and they all mentioned the need to go beyond just financial inclusion. It's not enough to just provide access; we need to deepen the impact and meaning of the products we offer. What are your thoughts on this? Do you think people in this field are moving in that direction?"

37:10

People still tend to think that financial inclusion just means having access, and we haven't really moved past that idea yet. I believe the industry is progressing, but before we dive into that, I want to touch on some points Renato and Linda mentioned. Honestly, I really think Brazil and India, along with a few other countries, are true leaders and models for the rest of the world. But I think this ties back to a bigger picture.

37:40

To reach the next billion, I think the bigger challenge will be in countries that lack the intellectual and financial resources that Brazil and India have. There are a lot of emerging market regulators—I'd say most of them—that are seriously underfunded and struggle to keep up with new technologies. While I'm really excited about DPI when it's implemented correctly, we also need to be concerned about places where it's not being done right. The Center for Financial Inclusion has looked into this.

38:16

They did some solid research and really dug deep into places that aren't Brazil or India. There are definitely challenges with rolling out a national ID system, like the government potentially using this data for censorship, retaliation, or surveillance. We really need to be concerned about privacy. Also, as Linda mentioned, this is all new and exciting, but how do we keep these systems innovative? Personally, I think the private sector does a better job at that than the government.

38:49

Governments face all sorts of pressures, and suddenly they start cutting things. So, in the long run, we really need to think about what role the private sector plays in digital public infrastructure and how to balance everything. There are some tough and interesting challenges, especially for countries that don't have the same resources as Brazil. To answer your broader question, I really think people understand this.

39:17

One of the coolest things is that Financial Inclusion Week is a great example of this. It's a movement that's way bigger than any one of us. It's pretty amazing that we're making progress to help a billion people get some kind of access to the financial system. I think as an industry, we're really focused on making sure that access is high quality. We want to move people from just having access to actually using it in a way that makes a real difference in their lives.

39:50

In your own life, I use financial tools a lot, like every single day. Some of that billion is just stuff that happens once a year, which isn't really access; it's more like dormant accounts. Most of it is government payments that get withdrawn as cash, and then you don't even use the tools. What we really want to focus on is how often people are using these tools and then measure the impact, hopefully seeing an improvement in their financial health. Overall, I think as a movement, we're on the right track.

40:23

I'm really glad you brought this up. A lot of governments, like Brazil, India, and China, just don't have the resources they need. Plus, they're juggling a bunch of other urgent financial and economic issues. Many emerging market countries are either about to default or have already defaulted. In a lot of places, deciding where to allocate financial resources is a real luxury.

40:58

"We've got a lot more urgent issues to deal with, especially since we're right in the thick of this brutal storm season that's hitting most of the Americas. Climate change is a serious problem, and while focusing on financial infrastructure might seem like a luxury in some areas right now, we can't overlook the wave of innovations that are already happening. Sophie, I want to hear your thoughts on this."

41:33

This is basically your everyday job, right? You've got to handle the real stuff that Michael and I just mentioned, while also guiding the industry on what's next and how to move forward. Earlier this year, C Gap kicked off this new initiative called Financial Inclusion 2.0, aiming to get financial services folks to really dig into the actual benefits and impacts of their products and services.

42:04

Sure! Here's the translation: "Can you start by sharing a bit about what this initiative is and why it matters right now? Absolutely! But I want to quickly go back to what Michael and Linda were talking about because it's really important. There are a lot of challenges we need to address even before we think about our next steps. The situation for these vulnerable people is way more complicated than it is for others."

42:41

"Generally, nine out of the seven countries where financial inclusion is below 25% of adults are actually fragile states. In these countries, people who are excluded don't even have

access to health care, education, or economic opportunities, not to mention connectivity. There are a lot of factors at play, like governance, infrastructure, and social norms in other countries, that explain why we still have 1.5 billion people without any access. So, as you were asking, those are the challenges we face."

43:17

Everyday, we work with the government, and I think there are some real issues in our industry that we need to deal with. For example, using humanitarian cash transfers to help with financial inclusion or tackling social norms through financial inclusion. That's a big part of our journey that's still not complete. The second point, which Linda mentioned, is about trust and consumer protection. We totally agree that there are risks involved.

43:47

It's growing so much, especially for newcomers who aren't very tech-savvy or financially knowledgeable, that we really need to rethink how we approach consumer protection. We need to create a responsible digital ecosystem where everyone plays a part. It's not enough to just rely on the government for consumer protection anymore. We need private companies, public financial institutions, consumer protection agencies, and, of course, the government to all work together to build this responsible ecosystem.

44:23

We've got the ability to collaborate on this, but honestly, the two main concerns on our minds in the industry right now are around financial inclusion 2.0. That said, while we're focusing on this, we shouldn't forget that the journey for those already included isn't over either. Our initiative, like others have mentioned in this panel, is to push all of us in inclusive finance to aim higher and make the most of what we have.

44:59

"We've developed products that can really make a difference for the people we serve. But right now, it's not just about having access; it's about actually using them and going even further. With all the challenges in today's world, we often lack the financial products needed to help poor folks build resilience against climate change, adapt to it, or take part in a fair transition. We also need to help them get the digital tools they need, especially the youth."

45:37

"Many people are out of work in various countries, so we're focusing on improving our efforts to tackle these issues together. Specifically, CGAP is not just bringing everyone

together to share this vision; we're also digging deep into the evidence linking financial services to our goals and figuring out what really drives better outcomes. This way, we can all align our efforts."

46:17

We're working on putting those drivers into action and making the most of our impact. At the same time, we're using AI and data to give us new ways to track our progress towards these big goals and adjust as necessary. Ideally, we'd want real-time data on how financial services are affecting people's lives. That's the goal of Financial Inclusion 2.0 for all of us. Where do you think we actually stand with that?

46:55

So, how have we been using this data to learn up until now? What solid takeaways do we have going forward? Do you think, despite all the info we've gathered, we're still missing some clear, actionable insights? I feel like we all know what we need to do, like Michael mentioned. The industry has always talked about the whole "finance for what" idea.

47:27

We've always understood that finance is a key part of development, but I think we haven't always known how to make the most of its impact. There are a few things that have held us back. For one, the evidence we've relied on has been inconsistent. Take microcredit, for example—it's often been criticized. If you look at randomized controlled trials, they show what happens with a specific product in certain situations.

48:05

Different situations come up, but they don't explain why things work in some cases and not in others. We noticed there was a gap in pulling all this evidence together for the industry and really figuring out what we know about these impacts, what mostly leads to positive results, and occasionally negative ones. We want to use that knowledge in active management to boost the good outcomes. One issue was definitely the lack of detailed evidence, and another problem is the fact...

48:41

Most of the indicators we use to measure success have mainly depended on surveys from the demand side. For example, the main guide in financial inclusion relies on these demand-side services. Many impact investors and private financial institutions also count on their clients' survey responses, but that's expensive, a hassle, and happens infrequently.

I believe if we can use AI to gather more real-time and detailed data, we'd get a clearer picture of what we're achieving. And I think that's really important.

49:20

Developing products for the last mile to tackle the urgent and complicated needs of the poor is really tough. Take climate issues, for instance. There's a massive gap in insurance—about four billion people don't have any access to it. Most financial service providers don't offer products for adapting to climate change, and even for green technologies, it's a challenge. We do have the pay-as-you-go model for solar energy, but there's still a long way to go.

49:59

A lot of other technologies are just too pricey for most folks, so creating products that truly fit the needs of the less fortunate is both a goal and a challenge for us. I really believe data can play a big role here, helping us understand climate needs better and allowing for more precise targeting. We've got a long way to go, and I think we all see that and agree on where we need to head.

50:32

It's tough out there, and just to add to that, even the folks who can get their hands on those products are realizing that, with climate change moving so fast, the level of protection those products offer is changing almost every day. So, the situation where this new wave of financial inclusion is going to happen is going to be a lot more unpredictable and shaky.

51:10

"Actually, it's different from how it was in the past ten years. I know all of your organizations are involved in the Financial Inclusion 2.0 initiative. We're running out of time, so Linda, let's start with you. Can you share your thoughts on your role in this and what the framework looks like? How is it going to shape MasterCard's strategy? And then I'll ask the same to Michael and Renato."

51:42

Sophie was just talking about using AI while making sure we respect data privacy. The potential of next-gen solutions and innovations is going to be key. There are as many risks as there are opportunities, but for us, it's a chance to keep benefiting from the transparency and fairness we've already built into our AI models.

52:23

"We need to get rid of any bias in algorithms to make sure credit decisions are fair and equitable. That's really important for us as we move into this next phase of digital inclusion. A digital economy for everyone has to go hand in hand with data protection. I mean, we're really focused on this idea of a digital economy for all—it's a strong message. But we also need to make sure we're prioritizing data protection."

52:57

I really liked what Sophie said about that. For us, it means we need to focus even more on the advanced fraud detection I mentioned earlier. It's not going anywhere; it's actually getting more sophisticated. We can't tackle this alone. I talked about our Star Path program, which has really helped us connect with some of the brightest minds and the latest tech, but that's just part of it.

53:31

Private partnerships in fraud detection are super important. The third thing is education and awareness—financial literacy is key. We're all on a constant learning journey with our partners to make sure consumers know what they have access to, how to use it properly, and how to stay aware of the risks involved. It really can't be emphasized enough.

54:10

"Hey Linda, thanks! You really set the stage for what we should be paying attention to this week. It's also got me thinking about what our organizations will be focusing on in the next decade. Renato, I want to ask you the same thing—considering the Financial Inclusion 2.0 initiative, what's the Central Bank of Brazil's perspective?"

54:40

So, as you're getting into these conversations, what are you keeping an ear out for this week? I'd like to take a step back and chat about what Linda and my colleague said, especially regarding countries that might not be as ready as Brazil and India to adopt digital public infrastructures. One key thing that's really important here is telecom infrastructure. That's something we can't overlook.

55:20

The importance of telecom infrastructure is crucial because it's really the connectivity and technology that can boost competition and break down all the inclusion barriers that were there before. I think that's a key issue that needs to be tackled before anything else. Also, I want to echo Linda's concerns about fraud. In Brazil, fraud is a big worry for people, and I'm sorry to say that it's a significant problem here.

55:58

Forsters are super creative, so it's pretty bold for the industry and the central bank to tackle this issue. It's crucial to protect people from fraud because trust is such a key factor. We all know that a scheme only works if people trust it. Trust is basically the main asset of any payment system, and in that regard, there's one thing...

56:38

What we're doing here, which I think might inspire other places, is that we have a digital public infrastructure focused specifically on fighting fraud. We have something called DICT, which is a database for AASEs used in PIX. This alias database gets information from all the institutions that participate in PIX, basically all the institutions operating in Brazil. It includes fraud markers that could help with PIX or even other payment systems. So, it's all about sharing information.

57:17

"A device that all organizations can use, so when someone sees that my ID has a marker, for example, a smart friction pops up whenever a transaction is attempted, or the transaction gets flat-out rejected. My concern is that these fraud detection tools often exist within private systems or closed networks. I think it's important to have a digital public infrastructure that allows all institutions to collaborate and share information about fraud."

57:56

"Any info you have on whatever scheme, I think that's a great public resource that could really boost trust in our payment systems in the industry. Thanks a lot! We only have about a minute left, so I want to give Michael a chance to wrap things up and share his thoughts. So, to sum up, I'm really excited about Financial Inclusion 2.0 and what Sophie and the team are doing. If you look at the Pix database, it covers 40% of all transactions."

58:30

Transactions in Brazil and UPI in India account for 40% of all transactions worldwide. So, we have access to data we've never seen before, along with AI and algorithms that can make sense of it. This should allow us to identify connections, correlations, and impacts, helping us understand what actually improves people's lives. This insight will guide us in tackling the challenges ahead, which we all agree are tougher. Lastly, I just want to echo what Linda said.

59:02

I really love the idea that we all have superpowers. I feel like we should wrap things up with a shout-out like "Avengers Assemble!" When it comes to financial inclusion, let's all join forces and reflect on what we've accomplished in the past decade and what we can achieve in the next one. It's super exciting and I'm feeling really optimistic. I think we've shown our superpowers over the last ten years, and now it's all about boosting that energy. I just want to say a huge thank you to all of you!

59:29

An hour flies by in a chat like this, and I get that it's a lot to ask to set things up for what's coming next week. But I'm really looking forward to tuning into the conversations you and your colleagues will be having, and learning about where we go from here. So, with that, I hope you all have a great day and enjoy the rest of the week. I'm sure it'll be productive and insightful. Thanks!

01:00:01

"Thanks so much!"