Data Analytics Session #2:
Data Trends in Analytics, Risk, and Privacy in a Post-COVID 19 World
July 15, 2020
Q&A Summary

Questions for Buhle Goslar, Jumo:

1. *Data is sometimes considered the "new oil". What do you think about this idea?*

One of the worst phrases for me is "data is the new oil". This is typically creating data silos, which is not good for customers. Data creates value only if it flows and is enhanced and used. As a starting point, let us take mobile phone records. These include a lot of data in different areas of someone's life. If we treat data as the "new oil", then one party keeps this data within its eco-system, and the data is locked there and the value will not be shared. What we really want is for entrepreneurs and customers to be able to share in the value of that data. Also, we need to the right set of value creating players including banks, fintechs, mobile operators, payment operators to access the data and create products. In designing these products they need to focus on what counts the most; are what real value and empowerment looks like to customers. SME customers are looking for access, choice, financial value, user experience to empower them and privacy by design. In this way, instead of keeping data in silos – the customer gets to share in the value of their personal data – they are empowered. This is one side of the coin.

The other side of the coin is a protection aspect. While some of that are definitely sits with regulators, some aspects sit with us, in the private sector, such as having appropriate complaint mechanisms and disclosures. At JUMO, along the user journey, we consider how we can make terms more apparent in real-time; disclosing when data is flowing to another entity and who is flowing to etc. At every point, customers knows what is happening, what they are agreeing to and they have a right to opt out. These things matter. You can see how customers think about privacy in one interesting piece of research, "privacy on the line" by Dvara Trust and Dalberg in India. These two sides of the coin; empowerment and protection are at risk when we call data the new oil, so I do not think that "data is new oil" is a right way to think about it.

One of the things I am passionate about is an issue who gets left behind. At JUMO, as much as we use advanced analytical tools, we are also deeply engaged in taking in insights from the real world and understanding existing biases. The typical example is a bias against women and agri-segment from an SME finance perspective. For us, an advanced data science is useful but we make sure we fully steeped in the context and apply data to solve not just access to finance in the digital world but also the attacking of existing biases in the real world. In the past two years, one of our huge focuses is how we give traditional thin file access to finance using our alternative data model. We are seeing tremendous results in some markets where we started at a single digit (%) penetration in terms of women and agri-entrepreneurs into at a double digit now. When it comes to that, qualitative data is still very important as well.

2. *How are you looking at technologies to address the digital divide and mitigate risks in COVID-19?*

COVID has accelerated digital adoption. Mobile money adoption has been driven around the "go cashless" message and in African countries, there have been drastically reduced costs of using digital money, costing nothing to use in some cases even. So, we have to ask ourselves what the role of pricing plays in excluding people from accessing and using digital financial services. To what extent is price a barrier? We are now seeing that with free and reduced costs, that these services have become affordable, so to what extent are the costs and economics a driver?

Hopefully we will leave the COVID crisis with an understanding and with key insights into the availability and barriers of digital banking such as the cost and access of phones and smart phones, the cost and access of the services themselves, etc.

Questions for Niki Santo Luhur, VIDA:

1. *How do you consider data ownership and how is it evolving in Indonesia?*

An interesting progression has been happening over the past two years. Indonesian lawmakers and regulators have been more progressive towards innovation and taking a light-touch approach towards regulation, allowing industries to self-regulate and take a "thrive first". It is groundbreaking that the government authorities and the central bank are shifting their approach in such a way. The regulators want to see how they can support industry growth, so they are being quite forward-looking. It is very fortunate for us to have such a progressive administration specifically on open banking. We are referencing global benchmarks already including European regulations such as eIDAS (electronic Identification, Authentication and trust Services), GDPR (General Data Protection Regulation) andPSD2 (the EU's revised payment services directive).

The concept that the data owner is individuals themselves is a significant departure from legacy perceptions. This leads to building data more for consumers. Although the concepts such as data controllers, data processors, and joint data ownership are buzzing and not quite settled yet, it is encouraging that consumers and citizens have more say in how their data gets used and are involved in a right to consent. One interesting principle to see how it gets implemented may be the right to be forgotten. Although in the short-term this forces businesses to use higher data protection strategies, from a long-term perspective, this is a healthy move to enforce higher data security and to keep customers' trust. In the end, consumers and citizens will win by being able to have better quality choices. I do not think this means all data should be shared but consumers are willing to share their data if the data brings value to them. The system is expected to provide more fair and transparent exchanges.

Questions for Yeong Zee Kin (Zeek), IMDA:

1. *Is GDPR the right standard to follow? What is the minimum population size to construct an online scorecard-based credit appraisal model?*

Regulators need to be closely in touch with new users of data such as entrepreneurs and open to new ideas. Singapore is doing quite well. Using the regulatory sandbox system, the regulator creates an environment where we can have conversations between organizations to enable new use of data or new business models. The discovery of what industries think about will help the regulators consider regulatory instruments and construct them. Regulatory instruments such as advisory guidelines themselves are not new but this context is new. Conversation also leads to discovering where adjustments are needed in existing regulations.

Data protection has been discussed for a long time. It started from the OECD privacy guidelines in the 1980s. GDPR is a recent interpretation of those principles. For protecting data and ensuring the right of privacy, we need to consider what problems we will solve and is the specific context of the country. Copying other countries' regulations is a terrible idea! Countries need to calibrate GDPR and other guidelines. What is the best balance and features we want to bring? Need to look at stages of your economy, the maturity of the private sector and what can be brought into your own country. The type of "soil" of a country would determine what you bring in.

The concept of data ownership is antithetical for me. Data can be copied and shared without price, which means the traditional concept of ownership cannot be applied for data. Instead, it is valuable to talk about the control of data and understanding that data should move around and copies of data can move around and that users can use it differently. We can discuss how to access, use, copy, share and combine data in order to empower SMEs and consumers.

1. *What do you think about alternative data compared with traditional data for validating SME credit risks?*

Buhle Goslar, Jumo: For financial regulators, it is very complex to react to the emergence of businesses like ours. Traditionally, the regulations have been sector driven. Since Jumo is operating in different countries, we are seeing each country taking different approaches to regulate financial data. For example, Kenya and Tanzania take an "innovate first, regulate later" approach. Six months after watching what happens around SME finance, they move to regulating data-driven digital finance for non-banks. In Tanzania, we need to get a license for operating, which was not required before. In India and Singapore, the governments have enough budget and so build infrastructure required for players. Zambia and Uganda regulate fintech firms in a different way from traditional banks. In Ghana and Pakistan, the governments first approached fintech companies via regulated institutions though that is changing. As we saw, there are lots of different approaches and none of them is wrong.

In terms of alternative data, in the past we were more ambitious and bringing SMEs into the fray was more aspirational in the past and the reality is that alternative data is very thin across Africa. This situation is changing a lot in the COVID-19 environment. For example, conversion of merchants and online mobile payment businesses saw a month-on-month growth rate upward of 20%. As a result, alternative data is more visible and enables us to use far more data for lending. This is an area where we want to work more on in the future. Traditional data is far more predictive and available in developed markets. However, in Africa, for example, less than 10% of people are covered by a credit bureau. If we keep using traditional approaches, most people will not be able to access to credit. In light of this, alternative sources of data including TSM (Trusted Service Manager) and mobile money usage enable us to reach more people.

2. *What do you think about the potential of cross-border data sharing?*

Yeong Zee Kin (Zeek), IMDA: Lots of us look at data as the flow of information. When new data is inserted, it will create extra value. Taking an example in ASEAN, manufacturing factories in Vietnam and Indonesia are generating data. That data needs to flow to some central location such as Jakarta, for analysis by experts which generates more data and insights. While some of that data is kept locally for making local decisions, other data, like financial data for example, needs to be moved to somewhere else, perhaps the financial controller in Singapore. In this way, the data flows to decision makers. Then, once the decision is made, the data flows back to where the "action" is taking place, such as back to the factories where manufacturing is done. This is an illustration of data flows in a cross-border situation.

When you have collaborations between different sectors this can lead to creating new opportunities as well. Cross-border data flows create opportunities especially for SMEs and allows them to access new markets.