



Term Sheet

Karandaaz Pakistan is pleased to announce its fourth request for proposals for the Fintech Disrupt Challenge 2022. This challenge round comprises a Fintech challenge grant that will be used to develop, pilot and support the development of innovative financial products and services, features and enabling technology to drive financial inclusion. In addition, the grant will fund ideas and solutions that increase financial inclusion and in turn help strengthen financial resilience of the low income population and underserved segments by aligning innovation and modern technology with the needs of the identified target audience of this challenge round.

Objective & Goals

Objective

To support fintechs, banks and other financial institutions with innovative and cost-efficient ideas or solutions to overcome the challenges and obstacles hampering financial inclusion for low income and underserved segments

The goal of FDC 2022

- To bring focus on the financial needs of low income economically active segments of Pakistan
- To develop financial products and services that are accessible to low income and underserved segments e.g. women
- To improve user experience and enhance the transparency of financial services
- To increase the adoption of digital financial services with reliable and affordable products for the target segment of the challenge round

Target Audience

The segment in focus for Fintech Disrupt challenge 2022 are as follow

- Low income segments belonging to lower and fledging middle class in socio economic spectrum
- Less literate segments
- Financially excluded women

Essentially the focus is on economically active low income segments, and underserved segments e.g. women or less literate who are either financially excluded or are not able to utilize the full breadth of digital financial services due to social constraints. The proposal applications must focus on one of the green segments in **Annexure-A** below and clearly mention the segment their proposed solution is solving the problem for.

Annexure-A

Focused socio-economic segments (green filled boxes) for the Fintech Disrupt Challenge 2022

	Lower Level	Middle Level	Upper Level
Lower Class	<p>Vulnerable Population : 41% Household Income: ~Rs. 10,000</p> <p>Economic Roles: Elementary Occupation Workers, Fruit Pickers in Farms , Bricklayers, Daily Wage Laborers</p>	<p>Aspirants Population : 23% Household Income: ~Rs. 30,000</p> <p>Economic Roles: Factory Workers, Gardners, Cooks, Riders, Welders, Carpenters, Tailor Assistants, Handicraft Workers, Painters, Tractor Operators, Skilled Farm Workers, Food/Fruit Stall Owners</p>	<p>Climbers Population : 15% Household Income: ~Rs. 40,000</p> <p>Economic Roles: Taxi/Rickshaw Drivers, Guards, Waiters, Beauticians, Machinery Operators, Shopkeepers, Sales Representatives, Tailors, Factory Workers, Electricians & others</p>
Middle Class	<p>Fledgling Middle Class Population : 8.5% Household Income: ~Rs. 50,000</p> <p>Economic Roles : Wholesaler & Retail Assistants, , Cashiers, Hostel Workers, Skilled Machine Operators, Clerks, Electricians, Guards, Salon Workers & others</p>	<p>Hardcore Middle Class Population : 4.3%</p>	<p>Elite Middle Class Population : 6%</p>
Upper Class	<p>Privileged Population : 0.4%</p>		

Grant Details

Upto two winners will be announced for funding support of upto PKR 25 Million each

Thematic Areas

Credit | Infrastructure | Savings & Personal Financial Management | Insurance | Payments & Remittances

<p>Credit</p> <ul style="list-style-type: none"> Asset Finance Credit Marketplace Credit Scoring Digital Consumer Credit Digital Lending Tools for FSPs MSE Lending Peer to Peer Salary Advance Other 	<p>Savings and Personal Financial Management</p> <ul style="list-style-type: none"> Budgeting and Accounting Savings & ROSCA WealthTech Other Financial Management Investment Consumer Education and Nudges Mobile Wallet 	<p>Insurance</p> <ul style="list-style-type: none"> InsurTech Direct-to-consumer - Agricultural Insurance Direct-to-consumer - Health Insurance Direct-to-consumer - Life Insurance Direct-to-consumer - Other Non-Life Insurance Insurance Marketplace Process Management Tools for Insurance Reinsurance Other
<p>Infrastructure</p> <ul style="list-style-type: none"> API Interfaces Agent Management Tools Digital Tools for FSPs Identity Solutions Payment Aggregation Privacy Enhancing Technologies RegTech & Suptech Bankingtech Other 	<p>Payments & Remittances</p> <ul style="list-style-type: none"> Payments - Domestic and International Digital Tools for FSPs Payments - Domestic and International Remittances - Domestic and International Merchant Payments Loyalty Payments Bill Payments Other 	

Following problem areas hampering financial inclusion of low income segments in Pakistan can be used as a reference (but limited to) These statements are a result of interview findings from low income segments and women.

<p>CREDIT - PROBLEM STATEMENT</p> <p>Over 40% of urban households in the lower class stratum of Pakistan have volatile monthly income that does not always match with their monthly recurring expenditures. This income fluctuation disrupts their ability to make ends meet in the absence of a support network to fulfill their short term financial needs. How might we enable these volatile income households to efficiently meet their expenditure needs?</p>	<p>SAVINGS - PROBLEM STATEMENT</p> <p>Pakistan has a huge population of low-income families who rely on forced savings mechanisms (rosca) to navigate tough times and cope with larger unexpected expenses. These efficient savings mechanisms are managed by informal financial intermediaries (called organizers) however the access to these reliable intermediaries is not always available to the potential savers. How might we enable efficient savings mechanisms for these low-income families?</p>
<p>INSURANCE - PROBLEM STATEMENT</p> <p>The lower and middle economically active segment of Pakistan find it difficult to understand the value of the health insurance concept that requires spending money in return for an uncertain payout covering a hypothetical event. How can we better deliver the health insurance upfront value to drive behavioral change for micro health insurance uptake.</p>	<p>INSURANCE - PROBLEM STATEMENT</p> <p>The lower income class of Pakistan find it difficult to understand the complex health insurance covers, moreover there is lack of peer influence and positive word of mouth regarding the claims experience, this leads to consumer distrust in the health insurance offerings. How might we solve the problem of prevailing distrust related to health insurance among this segment?</p>
<p>PAYMENTS - PROBLEM STATEMENT</p> <p>The MSMEs at urban cities in Pakistan don't have the technical capacity to understand, and the bandwidth to implement and manage the digital salary disbursement solutions. The absence of employees bank/wallet accounts, high attrition rate and payroll taxes pressure also discourages them to digitize salary disbursements. How might we enable MSME's with user friendly digital salary disbursements solutions to accelerate its adoption?</p>	<p>PAYMENTS - PROBLEM STATEMENT</p> <p>The fledgling middle and lower economically active segments of Pakistan who keep bank accounts and use smartphones in limited capacity find it challenging to understand and use the banking apps for bill payments and recharge, and therefore they prefer the retail channel for payments. How might we enable easy access to digital payments for this segment?</p>

SAVINGS - PROBLEM STATEMENT

The low income class of Pakistan does not find value in saving through formal banking/wallet accounts because there is lack of trust due to unknown deductions and there is no way to derive value from their small periodic contributions. How might we enable a more value driven saving experience for this segment?

INVESTMENT - PROBLEM STATEMENT

The fledgling middle-income class of Pakistan is not aware of the cash equivalent options to investment and find it challenging to understand and get easy access to investment opportunities. How might we enable this segment to confidently and independently make investment decisions and easily invest?

CONSUMER RETAIL BANKING - PROBLEM STATEMENT

State bank of Pakistan recently launched a digital account opening policy framework to provide easy access to account opening for women, unemployed people, pensioners, freelancers and other notable segments. However most digital banking channels use English as their primary communication language on digital channels that alienates non-English speakers. How might we increase the accessibility of digital banking channel for non English and less literate segments of Pakistan and deliver a personalized experience for informed decision making.

Eligibility Requirements

- Eligible organizations are startups of any stage (idea stage, green field, incremental innovation) that are currently registered or can be registered at Pakistan, banks, MFIs and any other financial services institutions registered at Pakistan
- Have the capacity to implement the proposed project for the applied funding and evidence that the business is viable
- The proposal need to demonstrate a new or different approach that requires funding from the challenge fund to get off the ground and the proposal should demonstrate why this could not be supported from the applicants other funding sources
- Individual projects may focus on one or multiple thematic areas. The proposal application must keep a clearly identified need or problem and a practical application of the proposed innovation, and a clearly identified segment from the stated segments for a successful proposal application
- A strong team where the co-founders compliment each others strengths and relevant domain experience
- Business model based first and foremost on the use of technology to enable financial solutions

Application Guidelines

- Application form will be accessed at the apply link at www.fdc.karandaaz.com.pk
- Applicants are requested to fill in complete information related to their businesses/ideas
- Incomplete / late applications will not be considered
- Any queries related to applications can be emailed at fintech@karandaaz.com.pk
- Application cannot be edited/ changed once submitted. Please do not send in the remaining parts of your application through email. It will not be considered unless requested by Karandaaz

Timeline

The challenge will entail the following timelines

- Dec 07th, 2021: Call for Application
- Jan 08th 2022: Application deadline, any deadline extensions will be communicated
- Jan 30th 2022: Selection confirmation for pitch day
- Feb 15th 2022 : Pitch Day (Venue and event details will be communicated to the shortlisted participants)

Evaluation Criteria

Evaluation criteria will be based on inclusivity, innovation, scale potential & impact, and team capability

- **Innovativeness** : That you are offering a new value proposition or solving the problem previously unsolved through modern technology or a new business model that is reducing costs, improving experience and opening up financial services for low income segments that were previously underserved
- **Inclusivity** : How your solution is filling the market gaps and contributing to inclusion, what is the degree to which the target market includes underserved segments based on socio economic class, literacy level, gender, geographic location (Rural/Peri-urban/Urban)
- **Scale Potential and Impact**: What is the degree of impact your solution can create in terms of financial inclusion based on growth strategy, internal capacity, total addressable market
- **Team Capability**: Founding/Executive Team capability, profiles of the founding team, their prior experience in the domain, how they are complementing each other's strength

Commitment for Selected entities

If selected, the applicants must commit to the following but not limited to

- Sharing of data with Karandaaz Pakistan. All data will be treated as per the global access and IP policy of Karandaaz Pakistan. The policy will be provided upon email request
- Participating in monitoring, evaluation and impact reporting activities during and after grant duration
- Access to data analytics for monitoring and evaluation during grant period

Grant Payment Schedule

The funds disbursement would be based on agreed upon milestones basis. A small percentage of mobilization advance is extended after the agreement signing and complete due diligence. The remaining payments would strictly be made at the completion and delivery of agreed upon milestones and provisioning of proof of milestones achievements and expensed invoices.

Disclaimer

All Grants will be given at the sole discretion of Karandaaz Pakistan

- Submission of an application does not guarantee selection for funding
- Due Diligence of the winners will be carried out and if any violation of the terms & condition is noted during due diligence, the grant will not be given
- The applicant will be selected for the program at the sole discretion of Karandaaz and its partners. By submitting an application, the applicant agrees that they will not have the right to appeal or challenge decisions made by Karandaaz or its appointed judges
- Karandaaz may carry out due diligence of the applicants before making any decision regarding funding. If the selected applicant is found to be in violation of any of the terms and conditions specified during submission of application, or at the time of pitch presentations, the grant will not be given or may be discontinued
- Any expense incurred by the applicants for the submission of the application and participation in the event will be borne by the applicant

FAQ

Please find the FAQs at the end of the landing page here <https://fdc.karandaaz.com.pk/#faqs>