



MICROFINANCE CENTRE

THE FINTECH MARKET IN THE NETHERLANDS

**THE CURRENT STATE OF THE FINTECH SECTOR
AND ITS POTENTIAL TO CONTRIBUTE TO
FINANCIAL INCLUSION AND HEALTH**



IN COLLABORATION WITH



**HOLLAND
FINTECH**

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INTRODUCTION

THIS RESEARCH PROJECT WAS COMMISSIONED WITH THE MAIN OBJECTIVE OF REVIEWING THE CURRENT STATE OF ENGAGEMENT OF THE FINTECH SECTOR IN FINANCIAL INCLUSION AND FINANCIAL HEALTH OF THE UNBANKED AND UNDERBANKED GROUPS THROUGH DIRECT SERVICES OR IN PARTNERSHIP WITH TRADITIONAL FINANCIAL SECTOR PLAYERS IN THE DUTCH MARKET.

For the purposes of this report, financial inclusion is described as a state in which everyone who can use them has access to a range of quality financial services at affordable prices delivered by a range of providers in a competitive market with convenience, dignity and consumer protection to financially capable clients. Similarly, Financial health is a condition in which a household or an enterprise effectively manages its income and expenses, is resilient to financial shocks and plans its financial future with a long-term perspective. The unbanked and underbanked groups include entrepreneurs (self-employed, microenterprises) and vulnerable groups (low-income people, migrants, small farmers). The traditional financial sector includes commercial banks, cooperative banks, microfinance institutions (MFIs), credit unions, state loan programs other non-bank financial institutions.

The Netherlands enjoys an extremely high level of financial inclusion, in both the retail and institutional sector. For this purpose, a premium was placed on services adding to the financial health of consumers and access to financial services of micro, small and medium enterprises (MSMEs). The methodology of this research is a combination of desk review, knowledge aggregation from the Holland Fintech network and in person and/or telephone interviews with a selection of market participants. For the purpose of the written findings below, survey respondents will not be singled out due to privacy considerations, rather their contribution must be considered a holistic contribution to the understanding of the state-of-industry around financial inclusion and financial health.

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FINANCIAL INCLUSION: INDIVIDUALS AND BUSINESSES HAVE ACCESS TO USEFUL AND AFFORDABLE FINANCIAL PRODUCTS AND SERVICES THAT MEET THEIR NEEDS FOR TRANSACTIONS, PAYMENTS, SAVINGS, CREDIT AND INSURANCE. IT INCLUDES ACCESS TO FINANCIAL SERVICES, USAGE OF THOSE SERVICES, AND QUALITY OF PRODUCTS AND SERVICE DELIVERY.

FINANCIAL HEALTH: HAVING DAILY FINANCIAL SYSTEMS THAT HELP INDIVIDUALS AND BUSINESSES BUILD RESILIENCE FROM SHOCKS AND PROVIDE THE ABILITY TO PURSUE LONG-TERM FINANCIAL GOALS.

OVERVIEW OF FINANCIAL INCLUSION IN THE NETHERLANDS

FINANCIAL INCLUSION

The Netherlands enjoys an extremely high level of financial inclusion throughout the country and demographic segmentations. According to the World Bank's most recent Global Findex survey statistics, account ownership scores at 99.6 per cent, pervasive across all subsets, with groups that are seen as having traditionally lower access to financial services (women, the elderly) scoring a higher percentage of access to financial services (99.8 per cent) than the national average.¹ Adults belonging to the poorest 40 per cent of the population also had a high rate of access to financial services at 99.8 per cent, and across all sectors of society digital payments are widely used (97.7 per cent of census respondents had made or received a digital payment in the last year) and have begun to replace cash payments across most sectors.² Despite high degrees of access to financial services, usage of more complex financial services remains more difficult for some segments of the population to engage in – such as mortgages, savings / investment

products and overexposure to credit risk and debt remains of concern for vulnerable groups. See Annex 1 for more detail.

Although brick and mortar banking is a foundation of the Dutch economy and has enjoyed a high degree of market penetration for the last several decades and the rate of 'absolute' inclusion (i.e. access and usage of a basic current bank account) is nearly universal, there were some strides to be made in regards to usage of more complex financial products such as insurances and savings accounts. Dutch law stipulates a mandatory health insurance and pension contribution (with supplementary insurances being commonplace) which provides universal coverage to the Dutch population. To this end, government policy, and fiscal & economic regulation all have universal rates of financial inclusion as one of their core mandates. Thanks to this enabling environment, market participation amongst the Dutch population is extremely high, some even arguing that certain segments enjoy 'over-participation', for example, the Dutch population is considered to be the most over-insured society in the world.³

1. THE WORLD BANK GROUP - GLOBAL FINDEX, 2018. GLOBALFINDEX. WORLDBANK.ORG/SITES/GLOBAL-FINDEX/FILES/COUNTRYBOOK/NETHERLANDS.PDF.

2. *IBID.*

3. "THE WOLF AT THE DOOR: ACCENTURE ON INSURANCE." HOLLAND FINTECH, 26 FEB. 2018. HOLLANDFINTECH.COM/2018/02/WOLF-DOOR-ACCENTURE-INSURANCE

FINANCIAL ACCESS FOR MSMEs

Alongside financial inclusion targeted towards consumers and individuals, there is also the question of financial inclusion for MSMEs. In the Netherlands, the ratio of SMEs per 1000 inhabitants is also high in relation to other European countries – 80 per 1000.⁴ MSMEs are the backbone of the Dutch Economy and provide more than 64 per cent of all jobs.⁵ Although several initiatives have been started to facilitate access to financial services and credit, there are still reports of credit gaps and lack of access to financial products for MSMEs, which will be covered more in depth below.

Access to financial services for MSMEs remains lower than other areas in Europe and continues to negatively impact MSMEs. In fact, the Netherlands has the highest loan financing gap in the European Single Market at 22 per cent of GDP, followed by Belgium (14 per cent), France (9 per cent) and Italy (4 per cent).⁶

LIMITED ACCESS TO FINANCIAL SERVICES IN THE DUTCH MARKET

Across the single market, access to financial services does not score high as a key impediment for SME growth – except for in the Netherlands. A 2015⁷ study showed that 13 per cent of all Dutch MSMEs considered access to financial services such as loans their most pressing barrier to growth. However, a 2018 report indicated that the amount of MSMEs that have a lack of access to financial services dropped to 6 per cent.⁸

One of the key reasons that SMEs cite as a barrier to financial services is that fact they are simply unaware of the majority of the options open to them – a large number of MSMEs relies on their primary bank for all financial services. However, in the wake of the 2008 financial crisis, costs for loans and other financial products at traditional banks has continued to rise, and MSMEs who rely on a single financial institution often choose to delay their expansion plans – which is detrimental

to both economic growth as well as the innovation trajectory. If companies were able to explore other avenues such as microfinance or crowdfunding more easily, this growth could be achieved at competitive loan rates.⁹ There is some funding available for startups in the form of VC/investor capital, totalling roughly €565 million in 2018 towards financial MSMEs.¹⁰

In order to facilitate access to otherwise prohibitively expensive bank loans, the government has set up a partial credit guarantee scheme in order to incentivize banks to hand out more meaningful loans. The idea of the credit guarantee scheme is to ensure access to loans that are higher than an MSME would be able to obtain using its own collateral. Naturally this scheme is only available to MSMEs that meet certain criteria, such as:¹¹

- The business is unable to provide the collateral required for a loan.
- The business employs less than 250 people.
- The business has a solid business plan that shows good growth potential.
- The loan is being taken out to scale operations, not for an individual project or investment.
- The founder of the MSME must stand as a personal guarantor for 25 per cent of the loan, if they own more than half of the entity's capital.

It is clear that many MSMEs are not aware of the financial opportunities that are available to them. In order to facilitate this, the Dutch government has launched several initiatives to make access to information on financial products more readily available. Examples of these initiatives is the “National Finance Guide – Nationale Financieringswijzer” and the “Finance Desk – Financieringsdesk” hotline operated by the chamber of commerce.¹² Despite this lack of knowledge, non-bank funding of MSMEs continues to grow, and in 2018 more than €1 billion was extended in the form of crowdfunding,

4. FINANCIAL INCLUSION FOR EUROPE'S SMES. BANKING CIRCLE, 2019. WWW.BANKINGCIRCLE.COM/WP-CONTENT/UPLOADS/2019/06/FINANCIAL-INCLUSION-FOR-EUROPEAN-SMES-BANKING-CIRCLE.PDF.
5. STATISTICS NETHERLANDS. "THE ROLE OF SMES IN THE DUTCH ECONOMY, 2012". STATISTICS NETHERLANDS, CENTRAAL BUREAU VOOR DE STATISTIEK, 21 AUG. 2018. WWW.CBS.NL/EN GB/BACKGROUND/2018/34/THE-ROLE-OF-SMES-IN-THE-DUTCH-ECONOMY-2012.
6. EUROPEAN SMES: FILLING THE BANK FINANCING GAP. (2019, APRIL 9). RETRIEVED NOVEMBER 1, 2019, FROM [HTTPS://WWW.EULERHERMES.COM/EN_GLOBAL/ECONOMIC-RESEARCH/INSIGHTS/EUROPEAN-SMES-FILLING-THE-BANK-FINANCING-GAP.HTML](https://www.eulerhermes.com/en_global/economic-research/insights/european-smes-filling-the-bank-financing-gap.html).
7. "SURVEY ON THE ACCESS TO FINANCE OF ENTERPRISES IN THE EURO AREA." EUROPEAN COMMISSION. 2105.WWW.ECB.EUROPA.EU/PUB/PDF/OTHER/ACCESSTOFINANCESMALLMEDIUMSIZEDENTERPRISES201512.EN.PDF?2C146594DF6FE424C-7ADB001E1306C73.
8. ANONYMOUS. "DATA AND SURVEYS - SAFE." INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP AND SMES - EUROPEAN COMMISSION, 28 JUNE 2017. EC.EUROPA.EU/GROWTH/ACCESS-TO-FINANCE/DATA-SURVEYS_EN.
9. ROOSENBOOM, P. (2019). BRINGING THE SME FINANCING GAP. RETRIEVED FROM [HTTPS://WWW.ERIM.EUR.NL/RESEARCH/RESEARCH-IMPACT/ERIM-IMPACT-NARRATIVES/FINANCE-ACCOUNTING-FA/BRIDGING-THE-SME-FINANCING-GAP/](https://www.erim.eur.nl/research/research-impact/erim-impact-narratives/finance-accounting-fa/bridging-the-sme-financing-gap/).
10. "ONDERZOEK NON-BANCAIRE FINANCIERING 2018." STICHTING MKB FINANCIERING, 22 JULY 2019, WWW.STICHTINGMKBFINANCIERING.NL/ONDERZOEK-NON-BANCAIRE-FINANCIERING-2018/.
11. SME LOAN GUARANTEE SCHEME (BMKB). (2019). RETRIEVED NOVEMBER 1, 2019, FROM [HTTPS://BUSINESS.GOV.NL/SUBSIDY/BMKB/](https://business.gov.nl/subsidy/bmkb/).
12. 2017 SBA FACT SHEET NETHERLANDS. (N.D.). RETRIEVED NOVEMBER 1, 2019, FROM [HTTP://EC.EUROPA.EU/DOCSROOM/DOCUMENTS/26562/ATTACHMENTS/22/TRANSLATIONS/EN/RENDITIONS/NATIVE](http://ec.europa.eu/docsroom/documents/26562/attachments/22/translations/en/renditions/native).

direct lending, credit unions and other non-bank lenders. Interesting to note is the 51 per cent increase between 2018 and 2017, when the total funding amount was 676 million EUR.¹³

FINANCIAL HEALTH

According to the study conducted in 2018 by the NIBUD,¹⁴ 38 per cent (2.6 million) of Dutch households experience difficulty in making ends meet. This figure has decreased from its peak of 45 per cent in 2015.

Households with lower incomes have more difficulty, but there is a clear difference in spending behaviour that distinguishes households without financial difficulties in every income segment. Of the households struggling to make ends meet, only 53 per cent exhibit “thoughtful” purchasing behaviour (carefully checking all costs associated with the product, only buying the products for which they have money), compared with 82 per cent of households who can easily make ends meet.

As a consequence of experiencing difficulty in making ends meet, a sizeable proportion of households (20 per cent or 1.35 million) find it difficult to meet all payments on time. The types of payment problems that people experience also seem to be shifting over the years. In 2009, being cut off from utility services or making debt repayments via automatic wage deductions was not common, today 5–7 per cent of households experience this. In 2012, 12 per cent of Dutch households made late rent or mortgage payments; compared to 19 per cent in 2018. In contrast: bills from mail order companies and web shops are more likely to be paid. In 2012, 22 per cent of respondents had an overdue bill; in 2018

this figure fell to 12 per cent.¹⁵

While for about half these problems are minor—for 550,000 households the inability to pay bills on time is a serious matter. However, only about 90,000 households receive debt assistance per year.¹⁶ As in 2012 and 2016, 2018 figures show that financial behaviour and events with negative financial consequences are more related to the risk of payment problems than the level of income itself.

Another study conducted by the NIBUD¹⁷ shows that three-quarters of working-age adults¹⁸ think that they manage their financial matters well (defined as keeping financial documents in order, monitoring bills incoming through digital and conventional channels, paying bills on time and discussing financial matters with their partner).

Increasingly, bills are issued digitally. While the majority of respondents had no problems with this, 18 per cent find managing digital traffic complicated. E-bills are more often overlooked by 26 per cent of respondents, compared to only 15 per cent overlooking the bill sent by post, although this does not appear to affect the timeliness of bill payment.

The report also highlighted an important drawback to the direct debit function: namely when people forget about their subscriptions that are automatically debited from the account. As a result, three out of ten working-age Dutch people cannot pay bills because their direct debits have already used up their budget.

Saving behaviour has remained constant for the last 5–10 years: 83 per cent of households have a saving account. However, 36 per cent have less than €5,000 in savings and 31 per cent do not have enough money to replace two of their most valuable household possessions.¹⁹

13. OTTERLOO, SIEUWERT VAN. “DUTCH STARTUPS RAISE MORE THAN 500 MLN IN 2018.” STARTUPJUNCTURE, 10 JAN. 2019. STARTUPJUNCTURE.COM/2019/01/02/DUTCH-STARTUP-FUNDING-2018/.
14. NIBUD ‘FACTSHEET GELDPROBLEMEN IN NEDERLAND 2018.’ THE NIBUD IS AN INDEPENDENT INFORMATION INSTITUTE CONDUCTING RESEARCH AND PROVIDE INFORMATION ABOUT THE HOUSEHOLD WALLET. THE NIBUD IS A NON-PROFIT FOUNDATION.
15. [HTTPS://WWW.NIBUD.NL/BEROEPS-MATIG/FINANCIEEL-PROBLEMEN-RAPPORT-2018/](https://www.nibud.nl/beroeps-matig/financieel-problemen-rapport-2018/)
16. MONEY WISE: NATIONAL STRATEGY 2019
17. NIBUD: FINANCIAL ADMINISTRATION REPORT 2018
18. THE STUDY COVERED ADULTS AGED 18-65 YEARS
19. [HTTPS://WWW.NIBUD.NL/WP-CONTENT/UPLOADS/NIBUD-GELDZAKEN-IN-DE-PRAKTIJK-2018-2019.PDF](https://www.nibud.nl/wp-content/uploads/nibud-geldzaken-in-de-praktijk-2018-2019.pdf)

THE FINTECH SECTOR IN THE NETHERLANDS

The Netherlands has, thanks to its mercantile history, a longstanding tradition of innovation and commercial aptitude in financial markets. For decades multinational organisations and global banks have set up their offices in the Netherlands, accelerating the country's growth as a centre for finance in Western Europe.²⁰ More recently young and new innovators found have their home here; attracted by the strong digital infrastructure and an enabling regulatory environment. Moreover, because of the upcoming Brexit many UK-based fintechs relocate their headquarters to Amsterdam.

Innovation is a joint effort and takes many different shapes. Acquisitions have always been the default way of cooperation with smaller technology providers. In past years, alternative methods of working together are being explored. Hackathons, incubators, and accelerators; getting acquainted with state-of-the-art technologies and the bright minds behind them has moved into every financial institutions' core business. Incumbents are also entering the market with their initiatives.²¹

Over 400 fintech companies provide services in the Netherlands. The four major sectors in the Dutch fintech are payments, digital identity, capital markets trading, and security. These are only a fraction of the total field of financial innovation. Alternative finance players have a strong presence. Overall Dutch peer-to-peer lending volumes rank 4th in Europe. While in other countries consumer loans prevail, business lending constitutes the major part in the area of alternative lending.²² The Dutch fintech solutions and innovations are applicable to a wide range

of industries such as banking, pensions, insurance, logistics and any other sectors in the financial value chain. Customers of financial services products are ensuring sufficient demand for innovative solutions - the economy runs almost fully on digital infrastructure, including payments, offered by both challengers and incumbent financial institutions, helping innovative fintech solutions find their way to the market. Currently, the Netherlands is seen as the best country within Europe for fintech adoption, with a 73 per cent adoption rate of some type of fintech product across the general population.²³

It is forecast that the transaction volume of digital payments will contribute to over 32.4 billion USD in 2020, with personal finance transaction volumes reaching over 3.08 billion USD, and alternative finance transactions totalling roughly 200 million dollars in 2020. Interestingly, alternative lending is slated to amount to roughly 478 million USD in 2020.²⁴

The Netherlands has a twin peaks model between the two main financial regulators, the Authority for Financial Markets (AFM) and the Dutch Central Bank (DNB). These policy makers and regulators are slowly following the tech trends and are open to explore innovation, but remain tough on consumer protection and AML supervision, as well as maintaining their mandate to ensure financial stability. However, the Dutch Central Bank and the Financial Markets Authority have jointly set up an innovation hub and regulatory sandbox to facilitate the transition financial services is going through.

20. SILVA, LARA, AND LARA SILVA ORIGINALLY. "AMSTERDAM: THE NEW EU FINANCIAL HUB POST-BREXIT?" DUTCHREVIEW, 8 APR. 2019. DUTCHREVIEW.COM/EXPAT/FINANCIAL/AMSTERDAM-THE-NEW-EU-FINANCIAL-HUB-POST-BREXIT
21. DUTCH FINTECH NAVIGATOR 2018
22. IBID.
23. "EUROPE: FINTECH ADOPTION RATES 2019." STATISTA, 2019, WWW.STATISTA.COM/STATISTICS/1055338/FINTECH-ADOPTION-RATES-EUROPE-SELECTED-COUNTRIES/.
24. "FINTECH - NETHERLANDS: STATISTA MARKET FORECAST." STATISTA, WWW.STATISTA.COM/OUTLOOK/295/144/FINTECH/NETHERLANDS#MARKET-REVENUE.

CONTRIBUTION OF THE FINTECH SECTOR TO FINANCIAL INCLUSION AND FINANCIAL HEALTH OF VULNERABLE AND EXCLUDED GROUPS

The fintech sector in the Netherlands has the lowering of barriers to access financial services as one of its cornerstones – the promotion of new and innovative services that help clients access more and better financial products than before. For the purposes of this landscaping, after due consideration to the high amount of ‘basic’ financial inclusion present in the Dutch market, i.e. access to current accounts, this study focuses more on the 2nd and 3rd dimensions of financial inclusion – usage and quality of financial services – and also on financial health. This is looked at from market solutions that target individual or retail clients, as well as access to financial services for MSMEs. For the purposes of this scoping, the Dutch SME definition was used: fewer than 250 employees and less than €40 million in annual turnover. For microenterprises, the definition of less than 20 employees and €1 million in annual turnover was used.

FINANCIAL INCLUSION

In order to facilitate financial inclusion’s second and third dimension, usage and quality of financial services, many fintech players on the Dutch market focus on lowering the barrier of access to financial products or to help change the way

consumers interact with their finances. This is achieved by providing faster or cheaper access to capital, through companies like funding circle or banking circle, who use innovative technologies to do quick credit ratings for SMEs and disburse instant loans, or through innovative debt financing tools that help foster MSME liquidity, such as factris. An example of a company that is lowering the barrier to financial services such as starting as an investment portfolio – app based stock broker BUX offers users easy access to investments in capital markets.

FINANCIAL HEALTH

The vast majority of fintechs that operate in a field that relates to financial inclusion focus on either financial health or financial literacy. Financial health is a major component in many PFM (Personal Financial Management) applications and products, and one that strongly underpins the offerings – which focus heavily on behavioural nudging, enhanced decision making, and behavioural economics modelling. Amongst the surveyed PFM providers, it was clear that a primary driver was to empower individuals to take decisions that positively affected their financial health. Several PFM providers provided data indexing and aggregation

TABLE 1: FINTECHS FOCUSED ON FINANCIAL INCLUSION IN THE NETHERLANDS

ORGANISATION	TARGET MARKET
Budlr: instantly converts bank payments from the client into a monthly budget. That way immediate insights into personal finances. Budlr. exposes bottlenecks and offers opportunities for improvement. Clients can immediately start saving on fixed costs and the effect on the monthly budget is immediately visible.	Individuals
Banking Circle helps financial institutions to provide their customers with faster and cheaper banking solutions including local and cross border payments, accounts and lending, without the need to build their own infrastructure and correspondent banking partner network.	Individuals
BUZ: By taking down the barriers to the financial markets and disrupting the trading experience, BUZ is helping new generations of first-time investors and traders to discover the exciting world of the financial markets.	Individuals
Funding Circle is a global SME loans platform, connecting SMEs who want to borrow with investors who want to lend. A highly efficient and effective platform enables small businesses to access finance directly from investors, creating opportunities for both.	MSMEs
Factris purchases unpaid invoices to provide SMEs with liquidity the same day at the lowest cost.	MSMEs

SOURCE: HOLLAND FINTECH

services, showing users how their expenditure patterns affect their financial health relating to long term goals such as investments or savings. Other providers have a focus on data analytics, providing predictive expenditure models based on past payment and spending behaviour, suggesting alternatives or nudging users into directions that they previously indicated as financial goals when first starting the service. In order to facilitate access to more complex financial services such as investments in funds or on capital markets, some PFM providers have started using low barrier to entry solutions such as loose change investing or intuitively designed dashboards that allow users to maintain their own investment portfolios. Although this presents opportunities for individuals to grow their personal resources, investments such as these

also come at a risk (volatility in markets) which can impede personal financial stability if the end user is not sufficiently financially literate enough to understand the risks associated with these financial products. Of the surveyed interview respondents, almost all mentioned that at the core of their operations was the desire to help consumers make smarter and more financially sound decisions through providing insights into expenditure patterns and other financial decisions in light of financial goals set out by individual users. Respondents highlighted technologies such as data analytics and AI as key enablers in allowing for personalized 'nudges' or specific interactions with users to suggest a course of action commensurate with their goals. It is also interesting to note that when asked about demographics, nearly all respondents

indicate that their primary target group are already affluent young professionals in the 'millennial' generation – who are already digitally literate and have discretionary income to use for PFM tools and goal setting. Far more difficult remains access to more vulnerable groups such as recently resettled refugees or the elderly, although the Dutch government has worked to facilitate this through a public body known as the National Institute for Budget Information Foundation, which aims to lower the barrier of entry for vulnerable groups through information sharing and knowledge facilitation.²⁵ In the Dutch Market, some key providers of PFM tools are MoneYou, Yolt and Peaks. Incidentally, these initiatives are also spinoffs of key incumbent players. All of the solutions mentioned are digital first and app based, reflecting the user base for whom these services are intended.

TABLE 2: FINTECHS FOCUSED ON FINANCIAL HEALTH IN THE NETHERLANDS

ORGANISATION	TARGET MARKET
Buddy Payment currently develops a scalable mobile application to help vulnerable citizens with their personal finances by giving insights in their financial situation and reserving funds for fixed charges.	Individuals
Dyme offers financial overview, and enable users to easily save more than €700 per year. Users connect their bank account, and Dyme uses machine learning to offer intelligent insights and savings opportunities. Users can switch, cancel or negotiate any contract from within the Dyme app.	Individuals
MoneyCoach is an AI-powered financial empowerment tool that helps users achieve their goals, while at the same time saves them money by getting the best deal to achieve the goal.	Individuals
Figlo's product suite includes powerful solutions for all types of financial planning. Through our innovative product capabilities and dedicated services Figlo is able to help thousands of financial professionals and their clients understand and impact their financial future.	Individuals
Bittiq helps people to become more financially fit and reach their goals. Bittiq provides SaaS solutions to financial institutions, from a white label personal finance app to integrations within existing channels. Ahead of PSD2, it released the first app that can be connected to all major Dutch banks.	Individuals
BridgeFund provides SME's business loans up to 250k through a fully automated process which results in access to capital in matter of hours instead of weeks.	MSMEs
BankiFi enables banks to offer bank accounting services to business clients ("Gig to Big") through a set of white label micro services. BankiFi aims to enable banks to offer the 'underserved' micro business segment through to SME and large multinational corporations with data driven monetizable open banking services.	MSMEs
Based on PSD2, MyMoneymanager helps consumers and small businesses managing their money across accounts at different banks.	Individuals and MSMEs

SOURCE: HOLLAND FINTECH

25. "CONSUMENTEN - NIBUD - NATIONAAL INSTITUUT VOOR BUDGETVOORLICHTING." NIBUD, WWW.NIBUD.NL

PARTNERSHIPS BETWEEN FINTECH AND TRADITIONAL PLAYERS

The Dutch financial sector has always had a good record of collaboration, and many incumbent banks even collaborate on topics of mutual interest. For instance, the three major banks have joined forces to start a joint KYC facility to maximize compliance efficiency, and have come together to issue joint guidelines on the financing of a completely circular economy, in line with the Dutch Government's vision of having a fully circular economy by the year 2050.²⁶ Along a similar vein, Dutch incumbents also work with fintech providers on goals around financial health / inclusion. For example, ABN AMRO bank relied on fintech player Tink to provide all the white label solutions required for its Grip app, which allows users to track and visualize their spending according to expense categories.²⁷

SPIN-OFF INITIATIVES

Many incumbent financial institutions in the Netherlands are relatively forward looking, and as part of their innovation plans or growth ambitions have set aside funding for spin off ventures that compete directly in the Fintech space. Almost all of these initiatives are geared towards retail consumers and focus heavily on personal

financial management or financial health. Some examples of such spinoff ventures appear in Table 3.

WHITE LABEL SOLUTIONS

The large majority of collaboration between fintech providers and incumbent institutions around financial health takes place under the hood of banking operations. These so-called white label solutions are out of the box, ready to go solutions provided by fintech players to larger banks who can make use of the product under their own branding and marketing strategies. These solutions allow collaboration towards a joint goal, with fintech being small, agile entities that can serve multiple clients at once, and incumbent solutions can leapfrog from innovative developments without spending time on R&D or testing. Successful examples of white label solutions are ABN AMRO's Grip app for personal finance management, and its Kendu app for automated investing at a small scale.²⁸

26. ZAKEN, ALGEMENE. "A CIRCULAR ECONOMY IN THE NETHERLANDS BY 2050." POLICY NOTE | GOVERNMENT. NL, MINISTERIE VAN ALGEMENE ZAKEN, 30 JAN. 2017, WWW.GOVERNMENT.NL/DOCUMENTS/POLICY-NOTES/2016/09/14/A-CIRCULAR-ECONOMY-IN-THE-NETHERLANDS-BY-2050
27. MÅNSSON, HELENA. "HOW ABN AMRO BUILT THE MOST POPULAR DUTCH PFM APP - WE ARE DATA-DRIVEN BANKING." TINK, TINK | THE RAILS AND BRAINS OF OPEN BANKING, 19 AUG. 2019, TINK.COM/BLOG/2019/08/20/ABN-AMRO-USE-CASE
28. SPELIER, PASCAL. "MET KENDU BIEDT ABN AMRO LAAGDREMPELIG VERMOGENSBEHEER IN EEN APP." (FINNO), PASCAL SPELIER //FINNO.NL/WP-CONTENT/UPLOADS/LOGO-FINNO-300-WHITE.PNG, 6 MAY 2019, WWW.FINNO.NL/2019/05/06/MET-KENDU-BIEDT-ABN-AMRO-LAAGDREMPELIG-VERMOGENSBEHEER-IN-EEN-APP

OPPORTUNITIES FOR INCREASED ENGAGEMENT OF FINTECHS IN FINANCIAL INCLUSION AND HEALTH

Although incumbent institutions and fintech providers already enjoy a high level of engagement with each other, there are naturally areas in which collaboration could be improved with a view to financial health. With the advent of PSD2, open banking took a huge leap and fintechs are starting to obtain licenses etc. which allows them to leverage on huge new data sources that banks currently house.

OPEN BANKING

Open banking, at its basic premise, provides retail users the flexibility to determine when and where their personal data is used. With this permission, a user can grant a third-party access to certain financial data that is normally warehoused in a bank, to extrapolate

findings such as needed for PFM tools etc. This is currently already in place and many PFM tools rely on these connections for the proper functioning of their products. Banks can also leverage this by providing open API connection hubs and facilitating information flows. By opening up gateways for data to be exchanged, they will score higher on customer satisfaction metrics because their clients are receiving the service they want. From a technical level, increased cooperation on data exchange is the key opportunity for improvement – seen from both interview respondents as well as desk review. From an operational level – banks providing access to finance in the form of credit or loans to fintechs active in financial health and/or inclusion and working towards closing the credit gap is another major area for increased collaboration.

TABLE 3: SPIN-OFF FINTECH VENTURES FOCUSED ON FINANCIAL INCLUSION AND HEALTH

INCUMBENT	SPIN-OFF VENUTRES	
 ABN-AMRO	 moneyou	 new10
 ING	 YOLT	 payconiq
 Rabobank	 PEAKS	 Tellow



CHALLENGES IN INCREASING ENGAGEMENT OF FINTECHS IN FINANCIAL INCLUSION AND HEALTH

Despite widespread collaboration in the Dutch market between fintechs and incumbents when it comes to financial health services, some obstacles do remain. From interviews with market participants, the following three topics floated to the top for consideration when discussing challenges.

FUNDING

Access to financial products such as adequate loans and credit lines remains a pressing issue for up to 6 per cent of Dutch MSMEs. Adjusted risk profiles on behalf of banks coupled with public sector solutions such as the partial credit guarantee scheme should be used to mitigate this and provide much needed financial breathing room to foster innovation and growth. Access to funding for Fintech players is also a growing segment in the Netherlands, although funding rounds are not reaching the scale seen in other markets like the USA or UK. The Dutch market for startup funding is roughly 200 million euro in 2018, with 6 of the top tickets being fintech players (Bitfury, Dutch Finance Lab, Ohpen, Digital Insurance Group, Tiqets, Bidroom).²⁹

PRIVACY AND GDPR CONCERNS

The Dutch Government made the promotion of information around the GDPR something of national importance – reaching nearly universal coverage through information campaigns that included public service announcements on Dutch national television channels. As a result, Dutch citizens have become increasingly wary on how their data is accessed, stored, and used.³⁰ This resulted in a lower risk appetite on the consumer side when it came to authorizing data exchanges that are vital for open banking to succeed – and for consumers to gain insights into their financial lives that are able to help promote financial health and stability. This attitude shows that although a digitally advanced and innovation driven society, Dutch consumers still place a trust premium on their traditional financial institutions when it comes to the storage and usage of their data, with use of ‘fintech products’ in over the age of 40+ dropping sharply.³¹ Regarding privacy, the financial sector can only participate to a limited degree because financial players are encumbered by trust issues not seen in the non-financial sector, and through the use of more and

29. [HTTPS://STARTUPJUNCTURE.COM/2019/01/02/DUTCH-STARTUP-FUNDING-2018/](https://startupjuncture.com/2019/01/02/dutch-startup-funding-2018/)
30. FLINDERS, KARL. "OPEN BANKING TAKE-UP IN THE NETHERLANDS LESS THAN EXPECTED BECAUSE GOVERNMENT PROMOTED GDPR SO WELL." COMPUTERWEEKLY, 2019. WWW.COMPUTERWEEKLY.COM/BLOG/FINTECH-MAKES-THE-WORLD-GO-AROUND/OPEN-BANKING-TAKE-UP-IN-THE-NETHERLANDS-LESS-THAN-EXPECTED-BECAUSE-GOVERNMENT-PROMOTED-GDPR-SO-WELL.
31. INTERVIEW RESPONDENT ANSWERS

more parties in the financial value chain, it is becoming increasingly difficult for consumers to discern who they are doing business with.

COMPETITION

Although the concept of working together and competing with the same entities is not foreign in the Dutch financial sector, several survey respondents noted that they experienced a lack of willingness to collaborate for fear that this would lead to a loss of competitive edge on the part of the traditional institution, especially since the former are now required to submit to a large volume of information requests which previously was considered proprietary information. Coupled with the fact that traditional financial institutions are fast turning into data warehouses and also subject to far higher levels of regulatory and reporting burdens than non-bank financial institutions, the willingness to collaborate is sometimes limited. This is something that requires urgent mitigation, as banks are still the most trusted institutions in the financial sector, whilst fintech providers provide the novel services that consumer increasingly expect. Not only do financial institutions have to tackle competition from their traditional counterparts, but we are also seeing the rise of big tech players entering the financial sector. These parties rely heavily on non-financial data

and as such are able to improve service delivery where traditional financial institutions cannot. It is up to society to determine how much of their data they are willing to let companies use when it comes to their financial health.

CONCLUSIONS

Financial services in the Netherlands have traditionally already enjoyed a high degree of attention towards facilitating convenient and effective access to financial services. In near synchronization with the widespread adoption of internet across Dutch households, financial services providers (at the time, primarily banks) began rolling out internet banking, which soon became commonplace.³² High rates of financial inclusion for basic financial services such as current accounts opened up space to focus on the quality and usage of financial services, and the market for personal finance management has grown significantly in the last years and the focus on healthy financial decision making is gaining traction in both public / political debate, policy level, and amongst members of society. The tools provided by amongst others companies in this scoping provide ample tooling for both consumers and MSMEs to operate on a higher financial plane, making the best of use of their financial data to make decisions that support financial goals and a healthy financial life.

32. "AVAILABILITY MOBILE AND INTERNET BANKING." BETAALVERENIGING NEDERLAND, 2019. WWW.BETAALVERENIGING.NL/EN/PAYMENT-PRODUCTS-SERVICES/AVAILABILITY-MOBILE-AND-INTERNET-BANKING



ANNEX 1: FINANCIAL INCLUSION INDICATORS FOR THE NETHERLANDS

Europe & Central Asia: The Netherlands, 2017 year		High Income		
Population, age 15+ (millions)	14.2	GNI per capita (\$) 46,610		
		The Netherlands	Europe & Central Asia	High income
Account (per cent age 15+)				
All adults, 2017		99.6	65.3	93.7
All adults, 2014		99.3	57.8	92.8
All adults, 2011		98.7	44.8	88.3
Financial Institution account (per cent age 15+)				
All adults, 2017		99.6	65.1	93.7
All adults, 2014		99.3	57.8	92.8
All adults, 2011		98.7	44.8	88.3
Account, by individual characteristics (per cent age 15+)				
Women		99.8	62.5	92.9
Adults belonging to the poorest 40 per cent		99.8	56.3	90.0
Adults out of the labour force		99.3	52.8	89.9
Adults living in rural areas		99.7	61.7	93.7
Digital payments in the past year (per cent age 15+)				
Made or received digital payments, 2017		97.7	60.4	90.5
Made or received digital payments, 2014		97.8	46.1	86.4
Used an account to pay utility bills		67.2	23.0	59.7
Used an account to receive private sector wages		49.4	21.2	38.9
Used an account to receive government payments		41.2	28.8	34.3
Used the internet to pay bills or to buy something online		84.9	30.6	67.6
Used a mobile phone or the internet to access an account		75.8	23.1	51.8
Used a debit or credit card to make a purchase		93.7	38.5	80.1
Inactive account in the past year (per cent age 15+)				
No deposit and no withdrawal from an account		3.7	6.6	3.8
No deposit and no withdrawal from a financial institution account		3.7	6.7	3.8
Saving in the past year (per cent age 15+)				
Saved at a financial institution, 2017		59.3	14.4	54.8
Saved at a financial institution, 2014		58.9	11.0	49.6
Saved any money		78.5	37.0	71.4
Saved for old age		42.8	15.0	43.9
Credit in the past year (per cent age 15+)				
Borrowed from a financial institution or used a credit card, 2017		37.4	24.2	55.1
Borrowed from a financial institution or used a credit card, 2014		34.8	22.3	51.9
Borrowed from family or friends		10.2	24.5	13.3
Borrowed any money		45.4	44.0	64.4
Outstanding housing loan		46.4	11.6	26.6

SOURCE:
THE LITTLE DATA
BOOK ON FINANCIAL
INCLUSION, 2018

ANNEX 2: BIBLIOGRAPHY

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