Singapore's Toast raises money, on path to become a full-scale financial services platform for migrant workers

And here is how they plan on doing it

By Kevin McSpadden (https://e27.co/kevin-mcspadden)   10 Nov, 2016

Toast (https://e27.co/startup/toast), a Singaporean startup that in 2015 pioneered remittances as a popular sector of the fintech industry, announced today it has raised a US$1.5 million pre-Series A round led by Aetius Capital.

The US-based VC fund 1776 and Australia's Pepper Group also participated in the round.

But in the coming months, if all goes to plan, Toast will take umbrage with being coined a 'remittance startup' because the company is making a serious internal push to build data, clear regulations and implement a system to help migrant workers in Hong Kong take out loans.

The company recently received a license to operate from the Monetary Authority of Singapore, so it will also launching its platform in the city soon.

"When I look at us, we are not providing remittances because we want to be a remittance company. We are providing remittance because this is a function that brings people into our application and makes it automatically stick. It gives us a highly active user base and we can now start to think about solving different problems for and offering different services to them," Aaron Siwoku, the Founder and CEO of Toast, told **e27** in an interview.

"The first and next [service] that makes sense is lending," he said.

If successful, launching a successful loan services platform would provide a class of people, like domestic helpers, access to a financial service that is often out of reach.

Toast generates a lot of data through its business model (https://e27.co/fintech-startup-toast-raises-us850000-seed-round-20151008/), and Siwoku said one of the most interesting points of information for the company is an understanding of who has cashflow.

The company then wants to use this data to piece together a picture — within the user database — and pinpoint who is worthy of credit.

"We have a low-margin business that deals with remittance, but provides us with the data, a user base, and an information set to make great decisions on who we are able to offer loans to," said Siwoku.

Also Read: Singapore's GuavaPass bulks up with US$5 million Series A led by Vickers Venture Partners (https://e27.co/singapores-guavapass-bulks-us5-million-series-led-vickers-venture-partners-20161107/)

For someone like myself, placed firmly in the middle-class, I naturally build up a credit history and it is fairly straightforward to figure out if I am worthy of a loan.

However, for the demographics of migrant workers — people who do not make a lot of money, may not have been in Singapore or Hong Kong for long, and are not present on any credit bureau — it is very difficult to get loans.

Toast already caters to that demographic, so it has data that is more useful than the 'basics' a lender would traditionally consider for approving a loan (this would be passports, right to work documents and employment contracts).

These documents provide information like basic details, length of employment and salary — but that is where it stops.

A traditional lender cannot see if a person has outstanding loans that are off the central credit bureau (friends and family, or even blackmarket). So, for instance of a possible S$550 (US$393) per-month salary the helper receives, a lender is not likely to know if S$200 (US$142) of it gets sent abroad every month, and thus would find it more difficult to understand if a person is credit worthy. Plus, a lot of these workers get paid in cash, which obfuscates the ability to track the money.

Toast does have access to this information.

"What we can see is how much money this person has sent back to the Philippines over the last 12 months, and that cashflow equals unencumbered funds. And that helps you make very solid decisions on credit worthiness," said Siwoku.

Toast has already got the ball moving on the lending programme and is targeting the middle of 2017 to offer a beta test.

Siwoku also hinted at offering insurance later down the line.

An O2O model

It is important to note that Toast operates differently today than it did at its conception in 2015 because the company has implemented an O2O network.

"We've really evolved as a company and started to better understand the demographic we are serving. So, one of the things we have learned is that the idea that a mobile remittance company is going to come in and solve the problems for this demographic by being purely online, is not entirely realistic," said Siwoku.

Migrant workers often operate in cash, have trouble getting bank accounts and — if they do have a bank account — probably don't use it to send money home because the fees are expensive. This is, essentially, why the Western Union model is still fairly popular in a digital economy.

Also Read: Huawei launches IoT startup accelerator in Singapore (https://e27.co/huawei-launches-iot-accelerator-in-singapore-in-one-north-20161107/)

What Toast does is process the screening/clearing, and allow the person to queue up the remittance within the app. Then to pay for the remittance, they will top-up their NETS Flashpay (Singapore) or Octopus card (Hong Kong) with the value, go to an offline Toast location set up with tablets, pull up the queue identification information and tap the card to send them money.

Is it as efficient as managing the entire process within a phone? No. But it is more efficient and cost-effective than standing in a Western Union queue.

Furthermore, Toast adapted the system around the user base, instead of force feeding customers a product that did not fit their lifestyle.

Expanding to other markets

The fundraising will mostly be used to ramp up operations. Toast is going to scale up its services in Hong Kong, launch the business in Singapore and grow the development and operation team.

Also, the company will expanding its remittance channels to other countries in Southeast Asia. Currently, Siwoku said Toast is planning to open the platform to Indonesia, India, Bangladesh and possibly China.

Also Read: This Singaporean horror game requires players to use their voice to survive (https://e27.co/this-singapore-made-desktop-game-requires-your-voice-to-play-20161107/)

"What we do is, we do a partnership with local partners and dial into their APIs. We do a partnership with local banks, so we are doing a partnership with a top-5 bank in Indonesia that basically gives us a local bank account and allows to make payouts to various partners," said Siwoku.

In Indonesia, the concrete results mean that Toast can pay out to 131 different banks and will be able to allow unbanked users to pick up cash at any Alfa Mart and any post office.

Toast came on the scene as a platform to help make the lives of a truly underserved community a little easier. As the company is growing up, it is now empowering those customers with the same tools enjoyed by the general population.

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Photo courtesy of Toast.

Toast (https://e27.co/startup/toast) *Singapore*
(https://e27.co/startup/toast)
TOAST is a Peer 2 Peer money transfer application that allows Filipinos in Singapore to remit money back home directly from a smartphone.
Funding: **1.5M Seed**
Investors: Aetius Capital (https://e27.co/startup/aetius-capital) Aetius Capital (https://e27.co/startup/aetius-capital)

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Joey Alarilla (https://e27.co/joey.alarilla) • Head of Community and Social Media at e27
(https://e27.co/joey.alarilla)
It's great that they don't want to just offer remittance services, because so many other companies already do that and overseas workers need other financial services they normally can't access. Hope this will benefit a lot of overseas workers.

Daryl Chung (https://e27.co/darylchung) • Project Director at e27
(https://e27.co/darylchung)
The concept sound familiar? They're building an ecosystem :)

Joey Alarilla (https://e27.co/joey.alarilla) • Head of Community and Social Media at e27
(https://e27.co/joey.alarilla)
Haha it does sound familiar :)

Daryl Chung (https://e27.co/darylchung) • Project Director at e27
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#e27community

Rishi (https://e27.co/rishi1993) • Business Development at e27
(https://e27.co/rishi1993)
Say goodbye to long queues at big remittance companies! Congrats to Toast!

Yon Heong Tung (https://e27.co/yon-heong-tung) • Senior Writer at e27
(https://e27.co/yon-heong-tung)
I propose a toast to Toast!

Joey Alarilla (https://e27.co/joey.alarilla) • Head of Community and Social Media at e27
(https://e27.co/joey.alarilla)
LOL I second that! Cheers!

J. Angelo Racoma (https://e27.co/jangelo.racoma) • Storyteller for startups and enterprises.
(https://e27.co/jangelo.racoma)
I've always been optimistic about fintech companies offering cross-country remittance services, especially if it will result in cheaper and faster transfers. Being able to provide credit is surely a welcome development!

Kristine Celicious (https://e27.co/kristine-celicious) •
(https://e27.co/kristine-celicious)
This is something I will personally use.

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