



Innovative Pathways towards the Last Mile

Innovations in DFS
By PHB Development

Third Annual MicroLead Peer Learning Event
Thursday, March 3rd, 2016

Objectives of the session

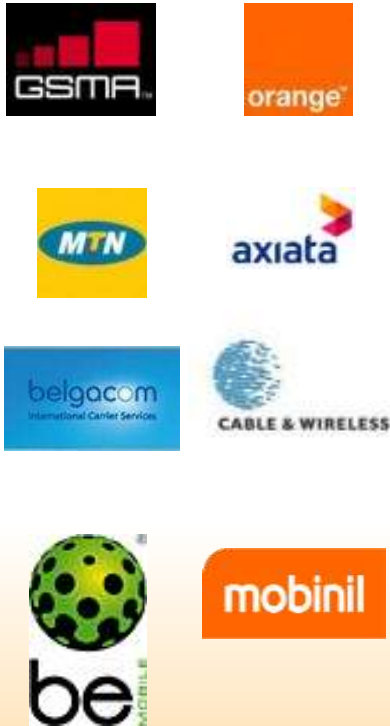
- To present a **selection of different business models for financial institutions** in DFS that have so far proved to be successful along with their related success factors
- To give an **overview of potential challenges to expect**, as well as how to mitigate and overcome these challenges
- To **discuss the most recent innovations in DFS** and how participants can take advantage of them

BUSINESS MODELS

PHB Development: Clients & Projects

Working with the ecosystem: MNOs, MFIs, Banks and IDAs

Telecom Operators



MFIs & Banks



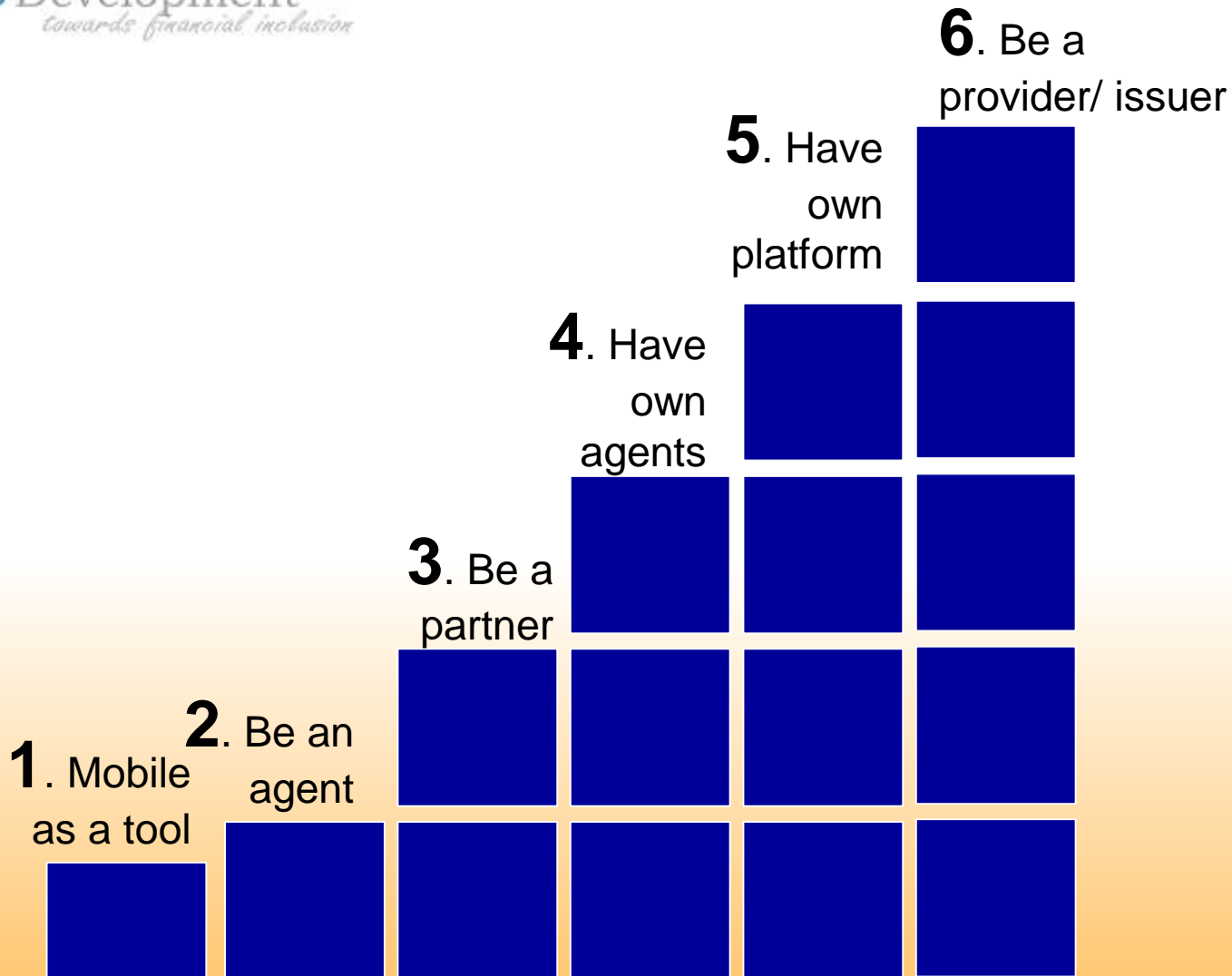
Remittances & Payments Providers



International Development Agencies



PHB Development created a simplified framework for the different steps an organization can take in Digital Finance



1. Use mobile as a tool



MFI implementing

- Services through mobile (payment reminder SMS,...)
- Mobile Agency ("Mobile Branch")
- Digital Field Applications (*to register clients, to do follow up...*)
- etc.

Motivations: operational efficiency, increase savings collection, customer service

Examples of FIs in Africa

- Musoni, Kenya
- Uganda Microfinance Limited (UML) (reminder sms for reimbursement)
- Diamond Bank, Nigeria (for collecting savings)
- Fececam, Benin
-

MICROLEAD Grantees

- NBS, Malawi (for instant account opening)
- Fidelity Bank, Ghana (for account opening)
- Buusaa Gonofaa, Ethiopia (doorstep collection of savings with POS)
- Sinapi Aba (sms banking)

1. Use Mobile as a tool

Example of Musoni, Kenya

❖ 2 tools

- m SMS module: payment reminders
- m Musoni App replacing paper forms

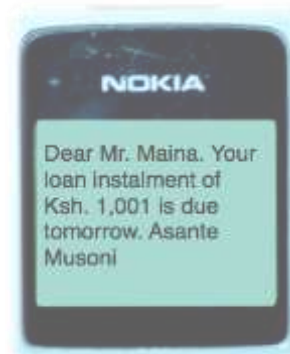
❖ Implementation

- m Integrate CBS with mobile payment backend
- m Investment: 10 000-50 000€ for 3rd party software
- m Recurrent Cost: 1-3€/ client

❖ Results achieved so far

- m SMS module: PAR Reduction by up to 50% (Mastercard study, 2013)
- m Musoni App: + 68% in loan officer productivity and \$86 000 extra revenue after 1 year (Accion study, 2015)

❖ Lessons learnt from implementation



2. Be an agent

(eWallet and products/services of a third party)



MFI is an agent for digital financial service providers (often a MNO), **distributing the partner products / services**

Motivations: additional revenues (commissions), cross selling, enhanced service offering

Examples of FIs in Africa

- Most MFIs in Ivory Coast
- Kafo Jiginew, Mali
- SMT (for MTN), Sierra Leone
- CECAM, Madagascar
- Almost all MFIs in Benin
- Most MFIs in Senegal
- ...

MICROLEAD Grantees

- LCUNA + WOCCU, Liberia
 - ✓ Master agent for LoneStar (MNO) with its 4 regional credit unions acting as sub agents
 - ✓ Looking into moving towards mobile banking Q1 2016 with connecting MNO MM with MFI MIS for linking ewallet and savings and loan accounts at credit union

3. Be a partner (Own products/services)



MFI forms a partnership with a MNO or other DFS provider, to **distribute the MFI own products and services** via

- Mobile phones or POS
- Other digital means such as cards,...
- A network of agents from MNO or DFS provider

Motivations: Facilitate operations, geographical coverage, time savings for client (travel and waiting)

Examples of FIs in Africa

- FINCA Tanzania (with Mpesa)
- UOB, Rwanda (with Tigo)
- Diamond Bank, Nigeria (with MTN)
- ACEP and CECAM, Madagascar
- SMEP, Kenya
- KWFT, Kenya (with M-Pesa)
- ...

MICROLEAD Grantees

- Sofipe and Airtel, Burkina Faso
- Ugafode and MTN, Uganda (groups savings, pilot from Mid 2014 to May 2015)
- MCB and Vodacom, Tanzania (VSLA groups)
- Equity Bank Tanzania (with all MNOs)
- Buusaa Gonofaa, Ethiopia
- CRDB, Burundi (in discussions)
- Alidé, Benin (discussions)

A customer journey: Own agents and then partnership

Example of Urwego Opportunity Bank, Rwanda



❖ 2 products



Mobile phones
Own agents



Partnership with
MNO

❖ Implementation:

	mHose	Tigo Sugira
Timing	6 month pilot + 6 months	3 months
Staff	Recruitment and training	No UOB Staff
Integration	With CBS	Integration to Tigo Cash platform
Costs	USD 300 000	USD 7 500

❖ Results achieved so far



40% loan repayments; 85,000 new customers



85 000 customers

UOB CASE STUDY
(TRIPLE JUMP)

4. Have its Own agents



MFI forms a partnership with a MNO or DFS provider for their technical platform to conduct transactions, while **creating its own network of agents** to distribute **its own products**

Motivations: Control, Profit making on Savings collection, increase client trust

Examples of FIs in Africa

- FINCA DRC, Tanzania, Zambia
- UOB Rwanda
- Diamond Bank, Nigeria
- Microcred, Sénégal, Madagascar
- ACSI, Ethiopia
- Equity Bank, Kenya

MICROLEAD Grantees

- Sinapi Aba Savings, Ghana (“Mobile Bankers” for savings collection with POS)
- RCPB, Burkina Faso
- CEC, Cameroon
- CPEC, Benin (for savings collection)
- CRDB, Burundi
- NBS, Malawi
- Fidelity Bank, Ghana

A customer journey: Mobile and Agency Banking

Example of Finca, Tanzania

❖ A journey into digital

- 2013: Mobile Banking for loan repayments/savings
- 2014: Agency Banking with biometric POS
- 2015: Mobile Banking with 3 MNOs

❖ Results achieved so far

- 6 month pilot TZ: 70% of clients; 63% active users
- Tanzania (started in 2013): agents = 40% of transactions, mobile 25% and branch 35%
- Zambia (started in 2015): 3000 active customers (17 agents)
- Agency banking costs: USD 3.32 / transaction

❖ Lessons learnt from implementation

- Take your time and pilot your delivery channels
- Implementation of Delivery Channels will disrupt your operations significantly
- Customer education and dedicated sales are key for success

FINCA TANZANIA CASE STUDY

Agency Banking



own agents

Mobile Banking



Agents of MNO

5. Have its own platform



MFI launches **its own digital financial service**, with its own agents or using franchised agents

Motivations: independence, increased revenues (no sharing with 3rd party), no recurring costs

Examples of FIs in Africa

- FINCA DRC, Tanzania, ...
- UOB Rwanda
- OI Malawi
- Equity Bank, Kenya
- Access Bank, Tanzania
- ...

MICROLEAD Grantees

- CPEC, Benin (developed own app for android and java, linked to MIS. Offline and cloud)
- RCPB, Burkina Faso (Intercaisse)
- Fidelity Bank, Ghana
- NBS, Malawi?

6. Be a provider for other FSP or Be an e-money issuer



MFI has **license to be a provider/ e-money issuer** and **offers its service to third parties** (other MFIs...)

Motivation: offer services to other players, increase return on investment

Examples of FIs in Africa

- MUSONI, Kenya
- ASMAB, Benin

MICROLEAD Grantees

- Fidelity Bank, Ghana?

CHALLENGES

Challenges faced by Microlead partners

Legal and partners

- Central Bank approval/ license
- Partnerships with MNOs or service providers

Market & Product

- Client related
 - Client adoption and usage of the DFS channel
 - Literacy issues

Distribution

- Agent liquidity issues
- Adaptation of distribution strategy to the new channel

Technical / IT

- Technical issues:
 - Integration MIS/POS/phones
 - Connectivity

Internal organization

- Staff motivation and adoption

Financials

- Viable business case

Brainstorming on challenges faced: Identify mitigation strategies

Legal and partners

1. How to ensure the Central Bank approval ahead of project?
2. How to build a successful partnership with a MNO or service provider?

Market & Product

3. How to foster client adoption and usage of the DFS channel?
(before and after launch)
4. How to overcome literacy challenge?

Distribution

5. How to prevent and manage agent liquidity issues?
6. How to adapt your distribution to your new channel?

Technical / IT

7. How to avoid technical issues arising when connecting MIS and devices (POS, phones...)?
8. How to prevent connectivity issues?

Internal organization

9. How to ensure staff motivation and adoption of the new channel?

Financials

10. How to develop a viable business case?

Organization of the brainstorming

- 10 groups, each addressing one of the 10 questions
- Process (30 min session)
 1. Discuss and brainstorm in small group on potential mitigation strategies
 2. Write your ideas on flipcharts
 3. Hang flipcharts on the walls
- The moderators will navigate between groups during the brainstorm
- At the end of the brainstorming session, 2-3 groups will present their ideas

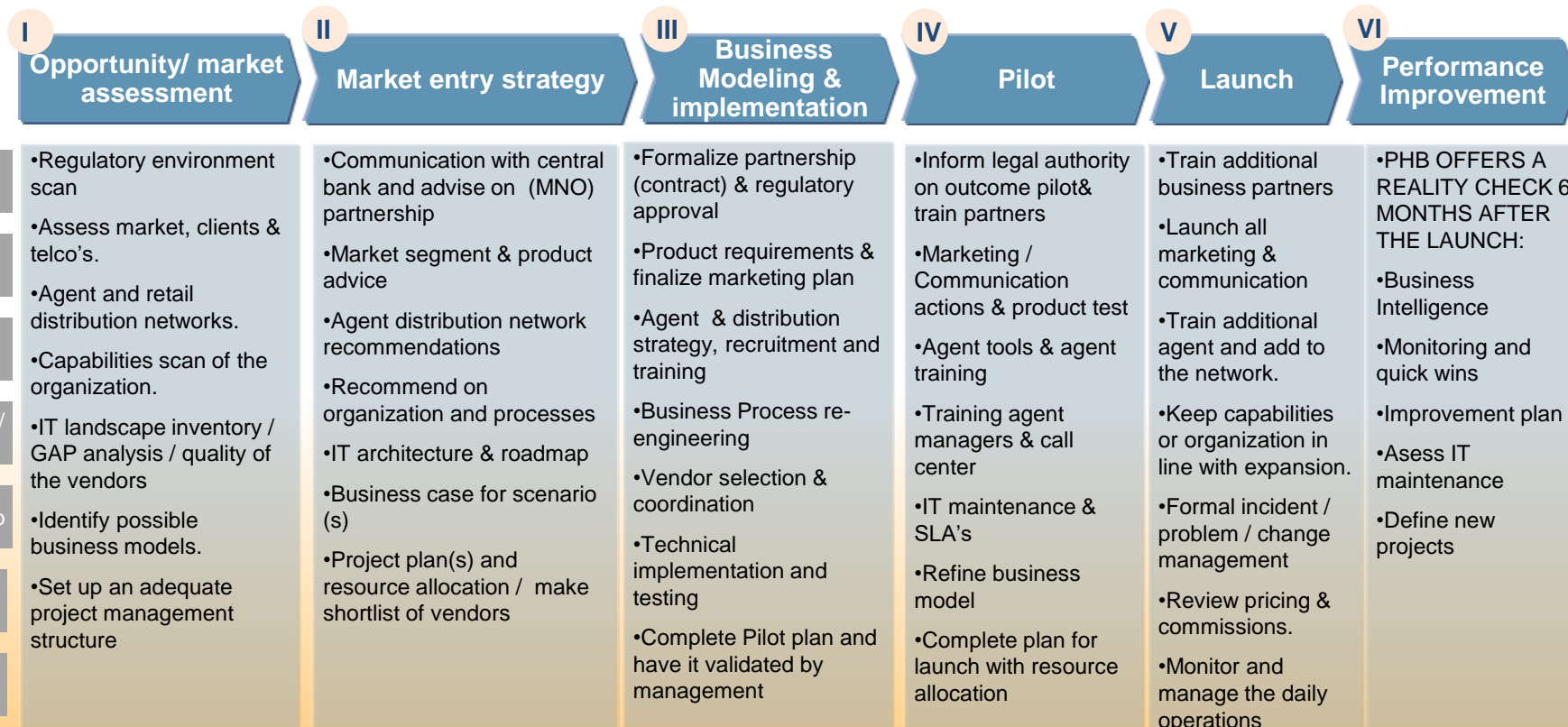
PHB approach to projects



We created a project approach focused on all the dimensions for a successful product, channel definition and implementation

Offer

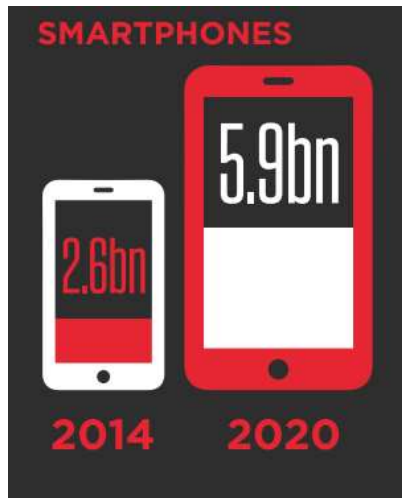
We offer practical guidance on the feasibility, design and implementation of financial products and services, taking a **tailored approach** to meet the specific needs of our clients, because we realise each one is unique and each project is different. We have worked on **more than 70 projects** across the globe and our team of specialised consultants have significant experience in deploying services.



INNOVATIONS in DFS

Disruptive trends in DFS

SMARTPHONES



30% in Africa
Growth 50% pa

India built a
smartphone
(android)
for USD 4



February 2016

TECHNOLOGY SOLUTIONS FOR THE LOW LITTERATE

Biometrics



Voice solutions



Disruptive trends in DFS

CREDIT SCORING using Big Data

M-SHWARI



musoni

NO BORDERS between players

MNO become banks

Orange received emoney issuer licence in Senegal, Mali, Ivory Coast, Guinea (01/03/2016)

Telenor (Pakistan, Serbia)

Banks can become MNO

Equity Kenya

Disruptive trends in DFS

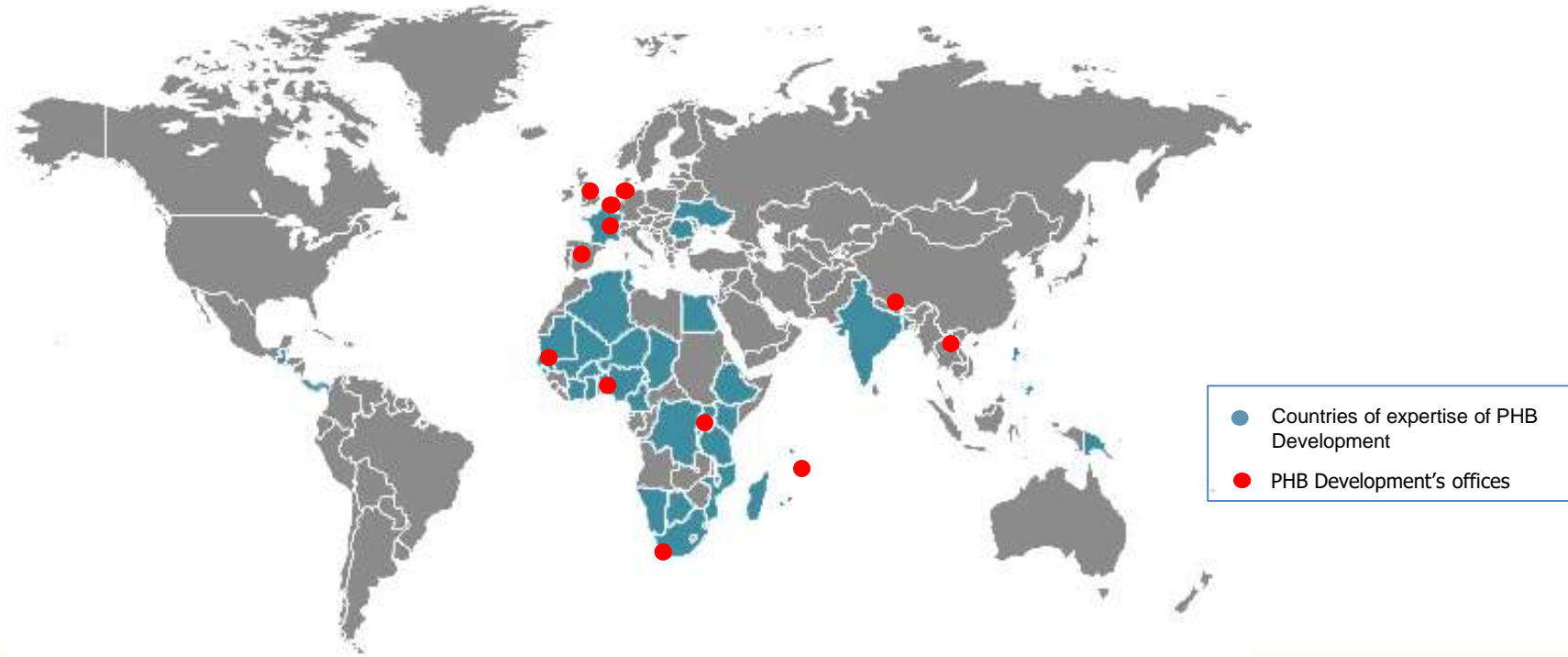
“It is fair to say that getting digital banking right is a do-or-die challenge”

McKinsey

It is high time for Financial Institutions to take their stance
in the Digital Financial Services ecosystem
(before others take theirs)

PHB Development

Thank you!



For any question, please come and see us or
contact us:

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Efforts and investments (models 1 to 3)

	1. Use mobile as a tool	2. Be an agent	3. Be a partner
Time needed for implementation	<3 months	6 months	6 months – 1 year
Financial investment	Low (<30 000 USD)	Average (< 50 000 USD)	Important (>50 000 USD)
Human resources	<ul style="list-style-type: none"> Your loan/savings officers performing operations 	<ul style="list-style-type: none"> Identified point of contact (but not dedicated) Internal capacity needed 	<ul style="list-style-type: none"> Partially dedicated team Internal capacity needed Will and active support of management required
Training	<ul style="list-style-type: none"> Train staff to usage of mobile 	<ul style="list-style-type: none"> Train staff and potentially clients to using mobile ad performing transactions 	<ul style="list-style-type: none"> Complete client education done by partner agents Reassure clients

Efforts and investments (Models 4 to 6)

	4. have its Own agents	5. have its Own technical platform	6. Be a provider/ issuer
Time needed for implementation	> 1 year	> 1 year	> 1 year
Financial investment	Considerable (> 100 000 USD)	Intense (> 250 000 USD)	Intense (> 250 000 USD)
Human resources	<ul style="list-style-type: none"> • Dedicated and trained • Strong internal capacity needed • Will and active support of CEO required 	<ul style="list-style-type: none"> • Dedicated and trained • Strong internal capacity needed • Will and active support of CEO and Board required 	<ul style="list-style-type: none"> • Dedicated and trained • Strong internal capacity needed • Will and active support of CEO and Board required
Training	<ul style="list-style-type: none"> • Train clients to perform transactions • Train agents (MFI staff) 	<ul style="list-style-type: none"> • Train clients to perform transactions • Train agents (MFI staff) 	<ul style="list-style-type: none"> • Train staff of your platform clients • Train agents (MFI staff)