PATHWAYS TO PAPERLESS

WHY AND HOW TO DIGITALIZE MICROFINANCE OPERATIONS
PANELISTS

Gera Voorrips
Triple Jump
The Netherlands

Byron Henning
SEF
South Africa

William Alemi Kenyi
BRAC MF Bank
Uganda

Pierre-Marie Simon
Baobab Group
France

To include photos
Robust MIS/Corebank system
Ability to integrate with external applications
INTRODUCTION

RESPONSIBLE FINANCIAL INCLUSION

HIGH TOUCH-LOW TECH
About Us

SEF is a private, self-funded non-profit organisation and we provide business development loans to the poor.

205,000 Active Clients – 99% Women
5,867 Client-run Centres
100 Branches – 880 Staff
€240.99 (euros) Average Loan Size
€104.8 million (euros) Disbursed Annually
0.4% Portfolio at Risk (>30 days)
Why Digital?

- Customer Service
- Non-Financial Services
- New Products/Services
- Process Controls
- Data Quality
- Management Information
- Agility

A single month’s paperwork for a single field worker
Paperless Path: Where are we?

- Core Banking System (CBS)
- Digital Field Application (DFA)
- Digital Channels (Repayments)
The journey began in 2014

**Infrastructure**
- IT Hub in Dakar
- CBS to cloud
- Data analytics team
- Data warehouse

**Offer**
- UT platform (SMS, biometrics, etc.)
- Scored based nano loans for existing customers
- Automated loan renewal process
- Basic entry level account
- Nano loans via external source of data
- Digital transfers

**Distribution Channels**
- Agent network in 3 countries
- Dedicated agent network
- Client onboarding app on the field (eKYC)
- Client mobile app
- Electronic loan file (Pilot phase)

**Internal Processes**
- Loan officer mobile app
- Optimized CBS
- CRM

**Legend**
- What has been done
- What needs to be done
WHY FOCUS ON PAPERLESS EXPERIENCE?
WHY FOCUS ON PAPERLESS PROCESSES?

AND ALSO:

Standardize processes
Reduce time to process loan application
Improve data collection
HOW TO FOCUS ON PAPERLESS EXPERIENCE?
BRAC’s JOURNEY

- Unregulated Microfinance under Tier 4
- 163 semi autonomous branches across the country.
- Customised Legacy IT-system (ERP)
- Small enterprise owners, mainly targeting women groups
Licensed and regulated by Bank of Uganda
Branch network model is a Hub and satellite

CHALLENGES – INCENTIVES FOR DFS

1) Long trips to/from the bank by customers
2) Manual operations – CBS live only in 2019
3) Onsite cash collections by credit officers
4) Cash and liquidity management challenges
5) High transport/supervision costs mainly on field movements

Group meetings meant for;
  ✓ Financial literacy
  ✓ Group Collections
  ✓ Group Savings
WHERE WE WANT TO BE

OBJECTIVES

1) Deepen our distribution, reach and competitiveness

2) Improve internal efficiency & reduce cost of operations

3) Reduce risks associated with cash

4) ADCs - Improve affordability, simplicity, customer Experience & convenience

OPTIONS AVAILABLE

✔ Automate field applications (“DFA”)

✔ Digital lending/payments (“mobile money”)

✔ Agent Banking Service
CHALLENGES AND LESSONS
Bumps and lessons learned

- Challenges with equipment suppliers and logistics
- A tight training schedule is challenging
- Managing transition from manual to digital is tricky
- Pilot testing wouldn’t have caught all potential issues – prepare for the unexpected
- Your IT Help Desk is going to receive a lot of calls
Key Takeaways

- Planning and project management is an investment in success
- Pilot and test thoroughly
- Tap into external expertise (Technical Assistance, TA)
- Operational buy-in
- Training is an opportunity
- Contingency planning
- There will be bumps…
1) Digital Strategy

2) Resource mobilization & Technical Assistance

3) Change management training

4) Communications management activities

5) Preparations for support field (Onsite) assistance

6) Have digital helpdesk for customer service and IT
BRAC

KEY CHALLENGES

✓ Mobilizing requisite financial resources

✓ Change management; Staff, Customers and Processes

✓ Infrastructure - Network related Challenges

✓ High implementation costs – Uniqueness

✓ Systems security – regulatory requirements
1. HUMAN TOUCH

2. BUY-IN FROM THE OPERATIONS

3. A GOOD PRODUCT IS NOT ENOUGH

4. TIME CONSUMING

5. BUSINESS CASE
Digital transformation is a journey, requiring a vision, capital and agility to adapt

Keep clients needs and staff at the centre, develop your own business case and digital pathway

3 Cs: Change & project management, Cooperation and Comprehensive approach
Develop your vision and strategy for your digital pathway

Support and Technical Assistance:

- Digital Transformation Accelerator, see digitalinclusivefinance.org
- SPTF Responsible Inclusive Finance Facility
- UNCDF Financial Inclusion
- IFC Digital Finance