

ADA – DIGITAL FINANCE INITIATIVE

DIF projects – Some
practical challenges and
ideas



13/11/2018

Arnaud de Lavalette

AGENDA

DFI – Challenges &
Ideas



General Presentation

Increase Outreach – Remote Areas

Increase Outreach – BOP

Improve Client Experience – New Services

Improve Client Experience – Foster Proximity

Financial Inclusion using IT – Pre-requisites

The ADA Digital Finance Initiative

General Presentation

DFI – Challenges &
Ideas

A 2016 World Bank Report identified four developments in digital technologies as particularly relevant for financial inclusion:

- **Disaggregation of the Value Chain:** New players, increasingly offer financial services directly to customers or offer services such as data analytics, credit scoring, and payment mechanisms to financial service providers.
- **Opening of Platforms and APIs:** Open platforms and open APIs, which are still relatively rare, hold the potential to facilitate access to a broad range of products and services, and thus enhance financial inclusion.
- **Use of Alternative Information:** Digitally collected data can complement or substitute traditional methods of client identification and credit risk assessment. Biometric data, such as fingerprints and iris scans, allows more efficient identification processes.
- **Customization:** Better data collection and analytics inform more accurate customer segmentation and human-centered product

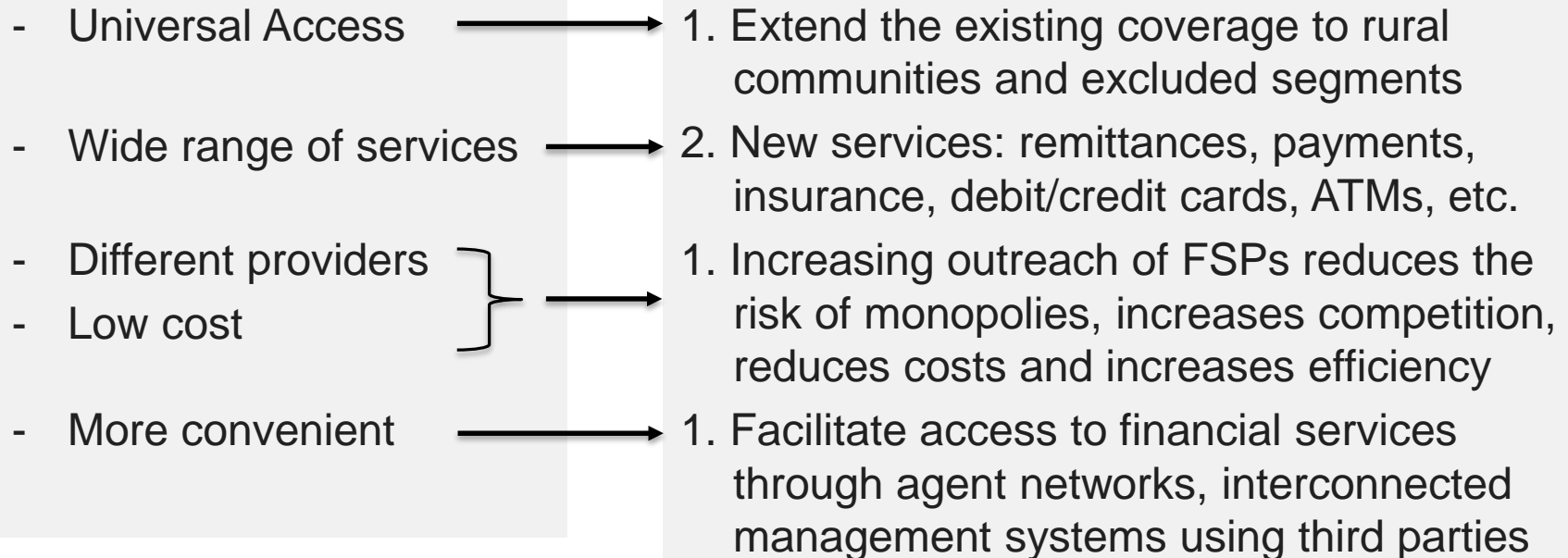
General Presentation

DFI – Challenges &
Ideas

Use of technology for financial inclusion to...

1. improve existing services
- or
2. create and develop new services

Inclusive finance definition:



Improve existing services

DFI – Challenges & Ideas

Increase Outreach

- How to reach remote areas?

How to reach areas where the closest available service provider is within 30 minutes (but more generally one or two hours) away?

Answers:

1. Offer e-money services to clients
2. Create a network of agents as a delivery channel to deliver financial services

Increase Outreach

- How to reach the BoP?

For example, for people living in the Philippines on 2 USD / day, a loan resembles:

Amount: max 200 USD

Duration: around 8 months

Repayments: weekly instalments of 7 USD

The corresponding revenue for an institution is around 20-30 USD

In these conditions, technology can play a significant role in reducing the cost of service. How?

Answers:

1. Digitalize the processes
2. Develop credit scoring techniques
3. Use externalized transaction solutions

Improve existing services

DFI – Challenges & Ideas

Improve the Client Experience

- **How to provide New Services?**

Services beyond credit and savings, for example:

- microinsurance
- money transfer
- payments

How to transform branches into efficient and effective service providers while also improving client satisfaction?

Answer:

1. Interface the management system with third party providers

Improve existing services

DFI – Challenges & Ideas

Improve the Client Experience

- **How to increase proximity?**

Proximity of services is a guarantee of use. It is also a condition for maintaining costs at acceptable levels. What solutions are available?

Answer:

Proximity may become reality with:

- ATMs with deposit and/or withdraw options
- Mobile banking for clients to access their account remotely
- Agent banking that multiply the Points of Service
- Bank to wallet and wallet to bank options
- Etc.

Challenges

DFI – Challenges &
Ideas

Elements that can foster inclusion are clearly identified

E-money services are booming (+700 million between 2012 and 2017)

But inclusion remains a challenge. It cannot be reduced to e-money payments and transfers, it should be considered as a whole.

Two challenges remain stumble blocks:

- HR
- Technology

Technology

In order to dialog with third parties, FSPs need to have centralized, real-time MIS.

Often they don't, and even when they did, there remains the connectivity infrastructure (access to internet) challenge

The ADA Digital Finance Initiative

DFI – Challenges &
Ideas

Provide technical assistance and financial support to the FSPs in order to help them take the first step into the digital world (3 options)

Target

Tier 2 and tier 3 MFIs
In 12 francophone
African countries



A common Toolbox:

- Project Organisation
- Project Planification
- Functional Specifications
- Financial Impact
- Internal Communication

i.e with similar needs to which we answer with



An adapted Support

Workshop



Pre-project



Cofinancing
document



Implementation



Roll-out



Follow-up



3/6 months

x months

y years



Ideas

DFI – Challenges & Ideas

A growing number of MFIs are implementing cloud based / centralised, real-time MIS

They are in a position to:

- Reduce their operational costs
- Improve their governance
- Reach more people

They will be in a position to offer:

- Payment of utilities
- Payment of tuition fees
- Remittance services
- Insurance services



THANK YOU FOR YOUR ATTENTION!



39 rue Glesener
L-1631 Luxembourg
Tél: +352 45 68 68 1

www.ada-microfinance.org

Suivez ADA sur 
You
Tube  ADA Inclusive Finance
 

a.delavalette@ada-microfinance.lu

Arnaud de Lavalette