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Next Generation Access to Finance
September 17-19, 2007

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CONFERENCE PROCEEDINGS

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Acronyms / Abbreviations

A2F	Access to Finance
ABA	Alexandria Business Association
AML	Anti Money Laundering
ATM	Automated Teller Machine
BSP	Bangko Sentral Ng Pilipinas (Central Bank of the Philippines)
CDD	Customer Due Diligence
CENSEC	Center for the Study of Economic Crime
CFT	Combating the Financing of Terrorism
CGAP	Consultative Group to Assist the Poor
DRC	Democratic Republic of the Congo, The
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FINO	Financial Information Network and Operations
FSD	Financial Sector Development
GPRS	General Packet Radio Service
ICT	Information and Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
KYC	Know Your Customer
MIS	Management Information Systems
MFI	Microfinance Institution
OVC	Orphans and Vulnerable Children
P2P	Peer to Peer
PIN	Personal Identification Number

Overview and Key Themes

The conference was attended by about 240 external participants from over 100 organizations based in 60 countries. Its objective was to encourage discussions on new technologies for financial services with an emphasis on credit reporting and mobile banking.

Small businesses provide the most reliable and sustainable way out of poverty. MFIs, although already successful, must outgrow experimentation and labor intensive practices, and extend access to as many of the world's financially disenfranchised as possible. Such broader access can only be achieved through reduced cost and increased scale.

Conference participants described their personal experiences in experimenting with new technologies in offering financial products. It was widely recognized that these were indeed experiments and innovations at the "tip of the iceberg", so to speak. Much remains to be achieved in realizing the true potential of new technologies in expanding access to financial services by the poor.

Perhaps the most important theme that emerged from this conference, and one that cannot be emphasized enough, is the need for all key stakeholders to stay focused on the broader objective of expanding access to finance to the world's poorest. Another is the need for a truly visionary approach that involves public-private partnerships, and cuts across various industry sectors to not only make this technological revolution happen, but to also have meaningful impact on a significant scale. Yet another is for microfinance institutions (MFIs), and other financial institutions for that matter, to maintain an open perspective and keep broader objectives in mind, while fully understanding what the adoption of new technologies imply vis-à-vis data sharing practices.

These key themes, along with several others and participant experiences were discussed during the conference and are detailed in the following pages.

Welcoming Remarks

Speakers: **Laurence Carter**, Director, Small and Medium Enterprise Department, IFC
John Elkins, EVP, Global Brand and Marketing, Visa International
Elizabeth Littlefield, Director and CEO, CGAP

Synopsis

If old and new players can work together, seize existing opportunities, and manage potential fault lines in the microfinance space, access to finance can become a reality. Financial technology is not merely a tool, it represents an opportunity to transform the current global financial system.

The overarching goal of the conference was to bring together financial institutions, credit information providers, technology providers, and microfinance institutions to explore potential avenues for growth and collaboration, while emphasizing the need to maximize outreach at the lowest possible cost.

Small businesses and micro entrepreneurs are undoubtedly the mainstay of most emerging market economies. They provide sustainable roots out of poverty for people. The employment generated thereof is essential to ensuring adequate access to nutrition, education, and health care. Competitive small business sectors provide consumer choice and contribute to national taxes. Consumers with access to formal financial services have more options on saving, spending, as well as better managing individual life risks. A strong argument exists, therefore, in ensuring that the micro and small business sectors have stable access to working capital lines, through a variety of financial institutions and products.

"...these opportunities should increase exponentially as reduced transaction costs mean critical mass is reached in more markets; critical mass of information, critical mass of clients, and indeed, as the database of historical information builds up." – Laurence Carter

Carter noted that there have been upward growing trends in micro and small business finance in recent years. In 2006, 180 of IFC's bank partners in emerging markets disbursed \$96 billion through 8.8 million loans to small businesses and individuals. Most of the loans were to microfinance clients, where the average loan size was \$1,100. Overall, the volume of micro loans increased by 45 percent for those institutions that reported in both 2005 and 2006. Small loans, defined as between \$10,000 and \$100,000, grew by 72 percent. Small business finance and microfinance are growing faster than private sector bank lending in these countries. These service providers can reach their true potential through lower transactions costs made possible by the next generation of cutting edge technological applications, and credit information tools.

The twin pillars of financial system transformation, therefore, as it relates to access to finance for the underserved, are scale and cost, said Littlefield. A new financial system with new delivery technologies, and

"...“If the world looked like Brazil in terms of access, 98 percent of the planet’s people would live within a few kilometers of a financial service point. Half of the world would have a current account, and two in five would have a savings account.” - Elizabeth Littlefield

business models holds the promise to reach vastly more people, particularly in more remote areas, than the traditional costly, labor-intensive microfinance business models. The second pillar is equally important, because in the markets we are talking about, transaction sizes are small. Heretofore costs relative to transaction sizes have been a real barrier to attaining massive scale. A system that reduces transactions costs as well as the risks

inherent to transacting to both financial service providers, as well as to clients is crucial. Brazil has been exemplar in expanding access – bringing 13 million people into the banking system through technology. “If the rest of the world accomplished the same thing Brazil has accomplished, an additional half a billion people would gain access in the next five years.”

Profitable opportunities to serve the unbanked and underserved, who constitute a majority of the developing world population, exist for both providers of information and financial institutions. Visa has long been involved in this area and promotes the use of debit cards as a means to expanding secure, flexible and affordable access to financial services to the underbanked. Visa's program for inclusiveness includes a focus on microfinance, card-based social protection programs that improve the flow of funds from government to the private sector, investments in new technologies, business models and payment infrastructures, financial literacy programs, and joint efforts with IFC to strengthen credit bureaus around the world through the Global Credit Bureau Program. Elkins noted that while the opportunities are limitless, it is equally important to reign in the potential by creating mechanisms for accountability and measuring results at the outset.

"...we have to start measuring not only the improved quality of life, but the other economic development indices that will make this sustainable."- John Elkins

Examples abound in the utility of financial technology innovation by various providers to expanding access to finance for the poor. However, there are still a number of fault lines and questions that need to be resolved. These include: the need to ensure viability to make the new technologies profitable, as well as to resolve the respective roles of the new players (e.g. mobile operators) and the old ones (principally MFIs). There is also a need for visionary regulators who will embrace the potential for convergence and create space for non-banking actors. The final fault line lies in determining the impact on poor. Traditional microfinance models depended on village banking models, and solidarity groups to empower borrowers and gain their trust. What is the impact of a "touch less" technology driven transformation going to be in the world of microfinance?

Session 1: New Technologies and Microfinance Today

Speakers: **Peer Stein**, Manager, Financial Infrastructure and Institution Building, IFC
Gautam Ivatury, Manager, Technology Program, CGAP

Synopsis

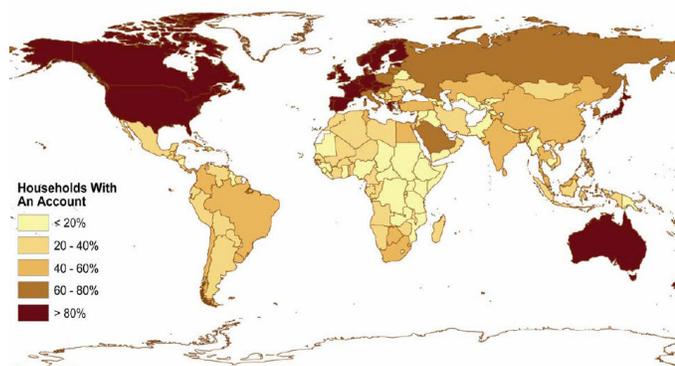
The problem of inadequate or no access to financial services in developing countries is very real and acute, particularly in remote areas. Microfinance and the access-to-finance (A2F) mission face severe first-generation challenges that can and must be tackled with second-generation solutions. These solutions involve financial infrastructure elements that are crucial to expanding A2F for the masses such as credit bureaus (and scoring tools), collateral registries, remittances, and payment systems and innovations in technology.

About two-thirds of the population in emerging markets still has no access or only sparse access to formal financial services, noted Stein. Access is measured by the percent of adults having an account with a financial intermediary. Sub Saharan Africa lags behind the rest of the developing world in terms of access to finance.

So what determines access and what should we focus on to improve access? Basically the following:

- Physical infrastructure and access points, including branches and ATMs, Internet penetration, mobile phone use, and card transactions.
- Costs. Credit delivered through MFIs is still extremely expensive. According to MIX data, average operating costs for MFIs in 2006 was 29%. Credit is only one financial product - others include savings, payment services, remittances, etc. Increasing access to finance essentially requires making the provision of financial services more affordable. And reducing costs requires innovation by financial institutions.
- The presence of strong financial infrastructure elements, including credit reporting, collateral registries, remittances, and payments systems infrastructure. The World Bank estimates that by strengthening key financial infrastructure elements, like credit reporting, in these markets total lending facilitated would be over \$2 trillion in the medium term. If we include other elements such as collateral registries, remittances, and payment systems, total financing facilitated (not lending alone) is estimated to be in excess of \$150 trillion and potentially affecting over 2 billion people in these markets. Net FDI flows to these countries in 2006, pales in comparison, at approximately \$200 billion.

Access to Finance



The issue of physical infrastructure is being addressed through innovative technologies that will be discussed in great detail further. The issue of costs is related to both the physical infrastructure issue, as well as the financial infrastructure issue. Setting up financial infrastructure or improving existing financial infrastructure is a lengthy process that can span several years (on average five years). The estimated cost savings of creating such financial infrastructure elements in emerging markets can be well over \$120 billion in the medium term. While the discussions on strengthening financial infrastructure in this conference will focus only on credit reporting, it is important to keep in mind the broader picture and the benefits of strengthening all key financial infrastructure elements.

Credit Reporting

Consumer credit bureaus are important for small business lending. In developing markets, collateral based lending accounts for almost 70 to 80 percent of all lending. Credit reporting can help to alleviate this requirement. In microfinance, where lending decisions have primarily been based on trust, credit reporting promises to greatly improve the lender's ability to differentiate risk levels in existing and potential consumers.

"Credit bureaus provide objective information on the credit worthiness of individual customers or small businesses...thereby allowing lenders to make faster, more accurate credit decisions, thus enabling them to lower their default rates, and increase lending volumes."

– Peer Stein

In spite of the huge potential that credit reporting holds for MFIs, not many private bureaus receive data from MFIs according to the World Bank's Doing Business surveys. In cases where MFIs do contribute data, the quality of data is not very good. Credit scoring offers a level of automation to the MFI industry that can reduce manual loan application processing time, as well as costs. New research from Guatemala indicates that financial literacy of MFI borrowers on the use of credit bureaus has an educational effect that translates into higher repayment rates.

Technology and Access to Finance

In addition to credit bureaus and related applications, innovations using technology, such as cell phone banking, and agent networks promise to push the frontier in terms of providing financial services to a kind of customer that we have not been able to reach before. The new technologies promise to reduce costs through risk management, lower backend costs, and lower delivery costs by overcoming some of the physical infrastructure challenges mentioned above. Coupled with the rapid rise in new technologies, is a new, fairly strong interest on the part of public policy makers, regulators, and donors in tapping these new technologies to expand A2F. A2F is now a leading priority in most developing countries.

"Cash is still king for the kind of customers we are talking about." – Gautam Ivatury

Branchless banking through post offices, gas stations, supermarkets and millions of other touch points is going to be the future in terms of delivery of financial services. But we still need a way to put cash into the system. And that is why

the cell phone revolution heralds so much potential for the microfinance world. In many ways, it doesn't matter that three billion people have access to cell phones. What matters is that cell phone companies have developed vast networks where you can convert cash to electronic value.

Along with the opportunities, come the challenges. The challenge of ensuring safety and security of transactions with rising fraud; the challenge of non-traditional competitors entering the MFI space, the challenge of replacing traditional MFI customer relationship models with "faceless" and "touch less" technological models, the challenge of building strong foundations and solid back ends to process information, and very importantly, the challenge of adoption and changing the mindset of the kinds of customers we aim to serve. Regulatory issues are very real and pose a new set of challenges arising from the use of technology to provide A2F —from the validity of PINs and the protection of customers against fraud to the propriety of telcos accepting deposits and the danger of non-bank firms becoming financial monopolies.

It's quite evident that there have been several innovations in recent years, such as Internet banking, online trading, and m-banking solutions to name a few. But are they really focusing on developing markets and the poor? Well some are moving in that direction. There are several new initiatives in the microfinance arena as well, such as biometric ATMs for microfinance, handheld devices for loan officers, kiva.org that uses the internet to move money from the developed world to the developing world. The issue is not a lack of ideas. Rather one of scaling up and building track record, and most importantly applying these initiatives to the least developed frontiers.

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Session 2A: The Role of Technology and Credit Information

Moderator: **Xavier Reille**, Lead Microfinance Specialist, CGAP

Speakers: **George Conard**, Director, Mifos Initiative, Grameen Technology
Rishi Gupta, Chief Operating Officer, FINO, India
Elio Vitucci, Managing Director, Experian
Robert Davis, Managing Director, CRIF North America

Synopsis

While technology and credit reporting hold great promise for microfinance, significant challenges exist. At the heart of the problem are the poor systems capabilities of developing market MFIs. This is further exacerbated by the low level of local support services, lack of training, poor data quality, and limited information sharing. For technology or credit reporting to make inroads into expanding A2F, these challenges must be dealt with.

Over the last 10 years, there has been an amazing change in the traditional retail banking market – banks have become incredibly efficient. The microfinance industry today is experiencing some of the growing pains that the retail banking sector was going through about two decades ago. If one could bring those improvements to the microfinance sector in the next two to five years, it would greatly enhance the efficacy of the sector.

Process automation is the key driver in scaling microfinance operations on a sustainable and cost effective level. Automation makes lending processes more efficient. Scoring has been shown to reduce bad debts, and automate decision making. In theory, through technology leapfrogging, these MFIs can avail of existing technological innovations and solutions to improve their internal processes and grow rapidly.

“The foundation for a lot of the new technologies and business models is the back end, but unfortunately the back end is broken.” – George Conard.

In reality, we are faced with a starkly different situation. A CGAP survey of around 150 MFIs in sub Saharan Africa revealed that only 10 percent had commercial backend systems. The other 90 percent are split half-and-half between those that don't have any system at all—maybe using spreadsheets or manual systems—and those that have

developed custom systems to run their MIS back ends. As a community or an industry, MFIs are incurring the same expenditures over and over again, running into the tens of millions of dollars, in developing these systems. Add to this the overwhelming lack of quality support to MFIs in using and maintaining these systems.

To address these issues, a number of new initiatives are being developed. For instance, the Grameen Foundation's Mifos (Microfinance Open Source) initiative seeks to develop a common open source platform for MFIs. Mifos also works on improving the local systems support available to those working with technology in microfinance, builds local capacity, and enables new business and delivery models.

Another noteworthy initiative is FINO, an end-to-end solution provider in India that provides a range of technology services, as well as the business correspondent network (or human ATM network as it is known in India). FINO works with banks, MFIs and the Indian government. Similar to Mifos, FINO works on the

“Rather than the customers coming to the branch, let the branch reach the customer. That's what we call doorstep banking in India.” – Rishi Gupta

common open source platform concept, using tried and tested technologies from the West, that are adapted to meet the unique needs of the MFI market in India. FINO's solutions aim to tackle the "missing pieces" to enabling A2F. These include generating a unique identification system supported by a solid backend and strong systems infrastructure, developing a credit information system, and a branchless banking solution to reach clients in the most remote areas.

Mifos' and FINO's experiences provide several insights on the challenges faced by technical providers in serving MFIs:

- MFIs lack quality data and centralized databases. The importance of data quality, however, cannot be emphasized enough. Technology and credit information tools are only the tools to reaching the end goals. They are only as useful as the data that is fed into it the systems.
- The lack of good data makes it difficult for technical providers to accurately capture demographic profiles, often of largely illiterate populations.
- MFIs do not have the skilled man power to develop robust MIS systems and support them.
- Unlike in the retail banking sector, there is no standard platform that MFIs can leverage for their own data maintenance requirements. Existing custom built models vary widely in design and functionality, and do not facilitate information sharing.
- Existing backend systems are not only broken, but also inflexible and unable to process customer feedback and react quickly to changing consumer needs.
- Country infrastructure issues can slow down the roll out of technical solutions. In India, for instance, FINO faces issues with poor and insecure connectivity and non-reliable power supply in rural areas, where most MFI clients reside.
- Existing solutions have limited language capabilities, which is very important in a huge country like India with several hundred languages and dialects.

Solid back ends and centralized databases only capture one aspect of the equation. The other aspect, namely that of information sharing, is also grossly lacking in the MFI sector. The convergence of technology and information sharing is critical to the mass distribution of microfinance. Rigorous know your customer (KYC) requirements mandated by central banks, as FINO's experience in India demonstrates, can increase costs for MFIs. Credit scoring can alleviate these requirements, but are yet to be practiced on a large scale by MFIs. Credit scoring introduces a new discipline, a new way of thinking, within the organization. Once we are able to bring to MFIs the efficiency we see today in the banks, Vitucci said, we can bring this efficiency and this lower cost to the final customer.

A lesson learned from more mature markets, Davis observed, is that there is a long development process. Fortunately, developing markets adopt technologies at a faster rate than more fully developed markets, since they can leverage previous experiences from the developed markets. With

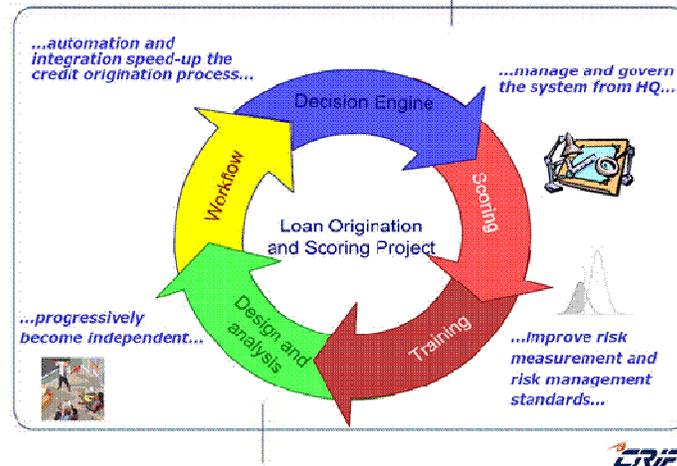
"Developing markets adopt technologies at a faster rate . . . So we're looking at technology leapfrogging ..." – Robert Davis

technology leapfrogging, the availability of more flexible solutions, and upcoming open-source solutions, MFIs have an increasing range of tools made available to them, to achieve scale while controlling costs.

This session summarizes only a few of the various challenges with respect to the technological needs of MFIs. In reality challenges are varied and context, institution and country-specific. It is important to keep in mind that while technical solutions and MIS systems are important to MFIs, the primary goals of these solutions are not cost reduction and efficiency, as Conard noted. MIS systems enable new end game scenarios. They create common standards, and common infrastructure into which one can plug in various innovations to come up with end game scenarios. Technology solutions such as those provided by Mifos and FINO focus on solving

the backend problems so that MFIs and innovators can focus on what they do best – providing innovative financial solutions to the underserved.

**Role of Technology and Credit Reporting:
An Integrated Solution**



Relevant Research

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Keynote: Technology's Role in Development

Speaker: **Alieu Abm Conteh**, Chairman of Vodacom Congo

Impoverished and war-torn as it is, the Democratic Republic of the Congo serves as a great example to other developing nations on harnessing the true potential of mobile technology. The mobile phone has not only transformed the DRC's telecommunications sector, but also several other aspects of the country's political, economic, and social fabric.

Close to a decade ago, the mobile phone used to be a luxury that was limited to a few privileged and wealthy people in the DRC. The vision and drive of key stakeholders including government ministries, financiers, and telecom operators that were willing to take a chance on this poverty stricken, conflict-ridden nation, led to the development of the first mobile network in 2000.

Eight years after the start of the mobile phone service in the DRC, the setup fee for a mobile phone had dropped from \$2,400 to \$30. International calls cost 25 cents a minute instead of \$10 or even \$16 as it once did. The number of telephones owned by the country's 55 million people (now 60 million) had increased from 22,000 to 7 million. This mobile revolution provides 2,000 jobs directly and 60,000 indirectly. It supports 20,000 business owners and makes possible hundreds of thousands of trading opportunities in various sectors. The telecommunications sector generates more formal taxes to the Congolese government than any other economic sector since independence.

"The mobile telephone has transformed the human condition of Congolese profoundly, changing sleeping habits, patterns of work and leisure, and the transformation, communication, family interactions, public proceedings and countless other significant aspects of life." - Alieu Conteh

National GSM coverage ensures political stability through a faster, more effective distribution of sensitive information. In a country where conflict is rife and concerns over personal security and safety abound, the mobile phone contributes by making security services available at the finger tips of mobile users. It has been instrumental in averting tragedies and rescuing several lives. Today, more and more Congolese are using their cell phones to conduct financial transactions, such as to obtain information to conduct a foreign exchange transaction on the formal or even the black market.

While still in its infancy, the mobile telephone has transformed the human condition of Congolese profoundly, changing sleeping habits, patterns of work and leisure, communication, family interactions, public proceedings and countless other significant aspects of life.

Session 2B: The Importance of Credit Information and Credit Scoring for Microfinance Lending

Moderator: **Stefano Stoppani**, Credit Bureau Advisor, IFC
Speakers: **Patrick Tissot**, VP, Riesgo Banco Caja Social, Colombia
Javier Vaca, Executive Director, RFR, Ecuador
Javier Velasco, General Manager, Credit Report, Ecuador
Hebert Lopez, Director of Technology, Genesis Empresarial, Guatemala
Frank Lenisa, Director, Compuscan, South Africa

Synopsis

Credit bureau products for MFIs involve tools to collect better client information, and scoring tools for portfolio management. The emerging market experience with credit information, and credit scoring provides evidence of success, as well as valuable lessons for expanding access to finance.

Credit reporting in the context of microfinance is still a fairly new concept and has seen the most growth in Latin America. Experience demonstrates that credit reporting holds great potential for the MFI industry. Significant challenges remain however, with few MFIs reporting to credit bureaus in emerging markets, as documented by the World Bank's Doing Business surveys.

A key challenge that the microfinance industry faces is to reach a balance between growth, risk, portfolio loss and yield, Tissot observed. Credit bureaus and related tools can help MFIs to tap new markets by accessing information on more clients. The data requirements, centralized databases, resulting credit reports and scoring tools all helps MFIs streamline operations, and become more competitive.

"Our clients . . . are put into segments . . . , and we get to know them in a more objective way." – Patrick Tissot

Panelists discussed their experiences with credit reporting for microfinance with examples from Ecuador, Guatemala, Colombia and South Africa. These are described below.

Ecuador and Guatemala. In Ecuador, RFR, a network with 47 Ecuadorian MFIs serving 500,000 customers, formed the Regional Credit Information Service (SERVIR) to help collect financial information from customers to improve analysis and loan approval, prevent over-indebtedness and decrease default rates.

"We had to explain that clients could not be taken without their written authorization." – Javier Vaca

SERVIR aimed to include at least 20 MFIs in a pilot project to develop processes and analyze consolidated information to establish credit policies. Already, according to Vaca, there is evidence of success. There are more clients and larger loan portfolios. Yet default is low. Some 130 non-regulated MFIs send

information to credit bureaus. And they are currently working on collecting not only financial information, but also social information because this is the most valuable in developing appropriate scoring models.

RFR faced several challenges, some that were technology related, others that were cultural, when trying to enroll MFIs into its network. These are indicated in the figure below, and are reflective of some of the challenges that credit information providers anywhere can expect to face.



Problems and solutions

PROBLEMS	SOLUTIONS
➤ MFIs do not trust in share credit information, because it can be used by competence to take its clients.	➤ Training about credit bureau legislation, that do not permit free access of information without client authorization.
➤ MFIs do not appreciate advantages in using credit bureau. They said that their clients are exclusives from them.	➤ To provide free report service about shared clients. So, they prove that between 30-70% of their clients have credit information from other institutions.
➤ MFIs do not appreciate advantages in sending credit information.	➤ To provide free service for 6 months and special price for consulting. Old and new delinquent clients appear to cancel credits, because they are applying for credits in other institutions.
➤ MFIs have basic and old administration software, or only Spreadsheet	➤ To create small personalized software to extract information from each MFI and install it in MFI to do an automatic process to generate information and structures.
➤ Bad internet connections.	➤ To establish different ways to send information: diskette, CD.

In Guatemala, Genesis Empresarial, a leading MFI, entered its branches into a bureau set up to cater to MFIs. A study was conducted by the University of California (UCLA) in conjunction with Rafael Landivar University in Guatemala to measure the impact of utilization of credit information on customer selection. The study looked at the gradual introduction of a credit bureau into several of Genesis Empresarial’s branches. Entry of the bureau was staggered. Preliminary results indicated efficiency gains from shorter loan processing times. In addition, the researchers conducting the study organized training sessions for the MFI’s borrowers to educate them on the use of the credit bureau by the MFI. During the trainings it became evident that borrowers were unaware of credit reporting and the bureau’s existence prior to these trainings. Preliminary data shows that the trainings had an “educational effect” on borrowers, with at least one late repayment declining post training.

"At present, all 53 of our branches use the services of the bureau." – Herbert Lopez

The experience of MFIs with credit reporting in both Ecuador and Guatemala has been generally positive. In fact, in both countries MFIs and MFI networks are realizing the need for more advanced products, beyond the “credit report.” More precisely, products provided to MFIs by credit bureaus fit into three generations, observed Velasco. The first is the credit report, which provides information about the client and his or her indebtedness and repayment profile. Second-generation products respond to MFIs’ need for help in managing their portfolios. Third-generation products, including recommendations on pre-approval or credit refusal, help MFIs not just to know or manage their clients, but to better understand client needs, and branch out into value-added services.

Genesis, for instance, in collaboration with ACCION International, is implementing the use of credit scoring in Guatemala. Since no MFI in Guatemala officially offers a scoring service, MFIs have had to develop their own, Lopez noted. In that context, Genesis Empresarial adopted a personalized model of credit score, which is a statistical scoring model. The credit scoring system, launched in 2006, uses scoring for client selection, segmentation, and collection or recovery.

South Africa. Compuscan, a leading credit management solutions provider based in South Africa, is the ultimate credit solutions provider for MFIs. It provides institutions with infrastructure to grant loans, collect payments, and manage credit portfolios. Its functions involve assimilating data from a variety of providers including utilities providers and microfinance institutions, verifying, validating, loading and dissemination such information to clients. Compuscan offers an example of how credit information providers are beginning to tailor offering to meet the different needs of different markets, like the MFI market. For instance, Compuscan provides MFIs in rural areas with data via the Web, email, FTP and manually. Apart from credit

bureau services, Lenisa noted, its scope of offerings covers credit, technology systems, credit score training and scoring. Its system enables institutions not only to obtain credit reports, but also to report information on loans granted, payments, re-advancements and account closures. Compuscan also provides biometrics to help institutions identify customers and their employees. Biometrics prevents impersonation, stops internal and external fraud, and enhances efficiency. Finally Compuscan complements its service offerings with training to institutions to enable them to better use the new technologies that are made available to them. Training is critical in sub Saharan Africa, where there is a critical shortage of requisite skill.

Challenges to credit reporting and microfinance

A couple of issues were reiterated across the experiences of the MFIs/ MFI networks venturing into the credit reporting space, and providers catering to their needs:

- Cost remains a predominant factor. The issue remains how to make these technologies not only applicable, but also affordable to the MFI sector, where margins are fairly low. Once again solutions are varied and context specific. RFR, for instance, negotiated agreements on behalf of its members, with the bureau on pricing. In Sub Saharan Africa, costs are high since retail lending is but a fraction of commercial lending. Credit bureaus are expensive to set up and operate due to the low volumes. On top of it credit history data is scant. But cell phones could potentially be the solution here – if prepaid cards could be used for identification, bureaus could use that information to gauge income and stability levels.
- Both MFIs and the credit information providers servicing them recognize the lack of adequate skills and the need to provide training. This entails entrepreneurial development programs, and borrower training as in the case of Guatemala. It also involves institutional training and capacity building as Compuscan indicated.

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Session 3: Introducing Credit Scoring in Microlending

Moderator: **Tony Lythgoe**, Regional Credit Bureau and Risk Management Advisor, IFC

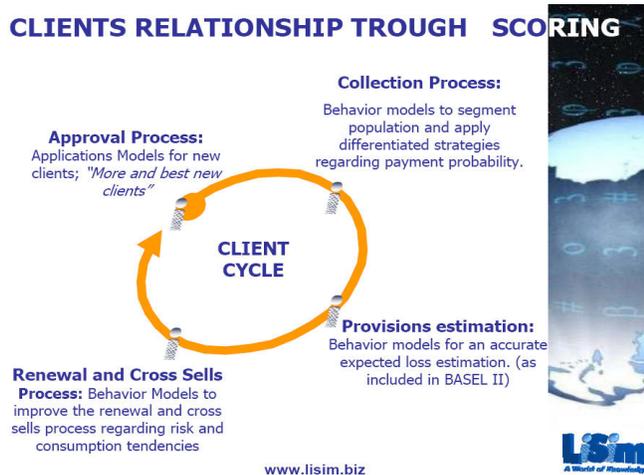
Speakers: **Liliana Botero**, Vice-President, Risk Management Unit, ACCION International
Rainer Mokros for Lilian Simbaqueba, Chief Executive Officer, LiSim, Colombia
Motaz El Tabaa, Executive Director, Alexandria Business Association, Egypt
Jesus Ferreyra, Business Manager, Mibanco, Peru
Mark Schreiner, Microfinance Risk Management LLC, USA

Synopsis

Experience with credit scoring in developing country microfinance markets indicates that scoring works. Scoring, if implemented correctly, allows MFIs to optimize costs, improve risk management practices, target previously excluded client segments, and offer new products to increase profitability. Several scoring models exist, but have to be customized to meet each institution's specific needs.

Once an MFI determines what kind of "model", or "tool" works in terms of credit reporting, the next step is acquiring it or building it, which is fairly easy. Several international technical vendors exist today that can provide custom made solutions at a fraction of the cost that it used to be even five years ago. The difficulty lies in implementing these solutions in a viable and meaningful fashion, as well as using the information received therein in a responsible fashion.

Lisim's experience with scoring in the microfinance market, after spending 10 years in working with more than 50 different models, is that scoring works. Initially, the process of approving new customers, the so-called "application score," is at the heart of scoring. The second stage has to do with recovery. Here scoring tells what actions are necessary to achieve optimal collections from clients. And the third stage, the one that helps most to lower transaction costs, is the one that provides guidance in the renewal of credits to these customers that are already known.



So what does scoring do for microfinance?

- Scoring, by way of ratios, creates groups of people that are not automatically excluded from the credit cycle – typically those that cannot access formal lines of credit.
- By taking away the manual side of credit decision making, scoring lowers transaction costs. One can approve new clients, renew or extend existing ones without paying personal visits for verification. It can bring scale to the decision making process, and enable portfolios to grow.
- By reducing the number of bad loans made, scoring reduces the time spent on collections.

- It quantifies risk, which is central to the task of lending. Better risk management leads to lower arrears.
- Much of the high transaction cost of microlending relates to the levels of rejection, often of low-risk potential clients. Credit scoring helps reduce such undue rejections.

The costs incurred by MFIs to acquire scoring models are organization-centric and dependent on where the organization stands with respect to training required, MIS systems, database etc. The cost of acquiring the technology is not very high. However, to be effective, credit scoring systems need to be maintained, updated and improved on a regular basis. This includes the need for quality control mechanisms.

Challenges to introducing scoring

MFIs can face several challenges prior to introducing scoring, such as lack of good quality information, the absence of centralized databases, lack of adequate MIS systems, and the lack of risk information. The development phase of scoring tools brings in new challenges, as IT departments have to build the appropriate models to fit individual client needs. Clients in turn should have the capacity to run these models and maintain them. Once a model is developed it needs to be piloted, and the results need to be analyzed to make suitable modifications to improve the quality of data. The previous sessions have discussed some of these issues, and the potential solutions that are being explored.

Culture is very important in the introduction of credit scoring. The experience with credit information providers in the credit scoring space is that there is a lot of resistance, at the management and employee level, in accepting scoring tools. Scoring by definition is quantitative and goes against the grain of trust-based solidarity group lending that most MFIs practice, Schreiner noted. Once again, training is crucial towards overcoming these problems. Training must extend beyond credit officers and permeate to other levels in an organization. Everyone that makes client contact needs to have training in the methodology. Lenders are responsible for educating consumers on the terminology and technology.

"The way to eliminate these problems is through training."
- Rainer Mokros

providers in the credit scoring space is that there is a lot of resistance, at the management and employee level, in accepting scoring tools. Scoring by definition is quantitative and goes against the grain of trust-based solidarity group lending that most MFIs practice, Schreiner noted. Once again, training is crucial towards overcoming these problems. Training must extend beyond

credit officers and permeate to other levels in an organization. Everyone that makes client contact needs to have training in the methodology. Lenders are responsible for educating consumers on the terminology and technology.

Banking regulations further hinder the quick uptake of scoring. Banking policies in Latin America, for instance, often originated in times of crises, and were meant to protect countries against systemic risks. Such policies can be exclusive in the long run and can stand in the way of successful adoption of scoring methods by MFIs. Outreach and awareness raising on the importance of credit scoring for regulatory bodies and policy makers are important to alleviate this constraint.

Case studies in credit scoring and microfinance

When the Alexandria Business Association (ABA) started with credit scoring, it had historical data going back 14 years, noted Tabaa. ABA implemented scoring in several steps, initially applying credit scoring to cash loans with disbursements varying from 1000 Egyptian pounds (about US\$175) to 3000 Egyptian pounds. Now ABA applies credit scoring to loans of up to 10,000 Egyptian pounds. In August 2007, ABA started full implementation. In the first eight months following the implementation of the credit scoring model ABA registered productivity in monthly disbursements of almost 15 percent over the previous year and an increase in amount of loans disbursed of 30 percent over the previous year. Some other interesting statistics include a slight lowering in administrative cost per loan disbursed. Repayment rates on credit approved through scoring is almost 99.5 percent.

"Monthly loan disbursement increased by almost 15 percent. Also, the caseload of credit officers increased by 15 percent."
- Motaz El Tabaa

The case of Mibanco in Peru provides another side of the story - the realities of developing the ultimate scoring product in a world where products and target markets are continuously evolving. Mibanco is a full scale bank with microfinance operations, which is growing rapidly throughout Peru, per Ferreyra. In 1999, Mibanco started to think about incorporating credit scoring to manage volume, optimize cost, and improve

risk management. A number of problems appeared during implementation. These included quality of the database, issues on defining good and bad customers, questions on whether scoring should be made mandatory, how to apply scoring to solidarity group lending, having the in-house expertise and oversight of scoring systems, amongst others. Moreover, Mibanco found that when it diversified its product offerings and started serving rural clients, the initial scoring tools were inadequate and had to be modified to meet these new clients.

Overall, the bank's experience with scoring was that while it was a good tool, the bank had not yet learned how to apply it correctly. Further, scoring needed to be flexible and not be tied to a product, noted Ferreyra – it needed to follow the strategies and policies of the business and not the other way.

What can we infer from the experience of credit scoring in microfinance?

Scoring cannot replace human judgment. The microfinance industry has gradually adopted the "database culture", noted Botero, moving folders and files off the shelves into databases. There has been some confusion in the industry about the term "scoring" and about whether scoring replaces fieldwork. Such concerns, Botero maintained, indicate a confusion about whether scoring is a credit method or a tool to assess credit. When analyzing credit, it's necessary first to consider the client profile to determine payment habits, as well as to analyze payment ability. Scoring determines the former, but not the latter. Another element in determining the amount of credit to be given is the agency's risk exposure policy. Assessing risk enables the establishment of collateral policies, differential treatment for portfolio, and differential interest rate pricing.

To reiterate, scoring cannot replace human judgment. In fact, the introduction of scoring, requires more managers for verification and to strengthen risk assessment practices. It needs to be followed up with monitoring and analysis of the stability of population vis-à-vis income, level of indebtedness, as well as regular review of the quality of information that is spit out by the system.

Scoring alone is not sufficient. While scoring enables institutions to grow, it adds the most value when an organization is already big, and has large volumes. For institutions looking to downscale, like banks, scoring is a way of the business and easier to use and understand than making credit decisions based on field visits. The organization can realize more savings in terms of lower transaction costs, and grow further.

Scoring will not, however, remove the need for downscalers to learn new tools, but they will be able to use scoring outputs as one of the factors that enter into their credit decisions. It should not be the only determinant of credit decisions. Even after credit scoring is introduced, credit analysis, if it is to be truly valuable, must capture information on payment profile, as well as on payment capacity. Further the introduction of scoring must be accompanied by supplementary tools, and proper management information systems that can enhance efficiency, and enable greater coverage.

Scoring is not accurate. Scoring is based on quantitative models, and its predictive power depends heavily on the data that is inputted. Given the poor quality of data prevalent in developing countries, scoring models for microfinance in these countries are less accurate than those used in developed countries.

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Session 4A: Leapfrogging Access to Finance with Mobile Phone Technology

Moderator: **Gautam Ivatury**, Manager, Technology Program, CGAP

Speakers: **Ben Soppitt**, Director of Strategic Initiatives, GSM Association
Aishwarya Ratan, Associate Researcher, Microsoft Research, India
Alan Raby, General Manager, Sony Corporation
Ilkka Lakaniemi, Economist, Nokia

Synopsis

The mobile phone is revolutionizing the way we think of access to finance. Preliminary evidence from Africa indicates that there is a causal relationship between mobile phone penetration and GDP growth. Five themes emerging from the consideration of mobile technology in providing access to finance are regulation, interoperability, ecosystem, customization and impact.

In developed or advanced markets, mobile banking is primarily an additional channel to existing conventional banking services. In emerging markets, however, it's a totally new channel for people to access finance and transform their everyday expectations and opportunities. In Africa, Lakaniemi observed, researchers came to understand that there is a direct causation, not correlation but causation, between the penetration of mobile phones and GDP growth. That work has become a seminal work in economic research, in understanding the impact of mobility. Nokia is developing graphical interfaces for cell phones to aid illiterate consumers, for instance.

For mobile technologies to flourish, several factors need to be in place:

- **Interoperability:** Interoperability is the "keystone of value and momentum" of the mobile phone in the financial market. Remittances, in addition to their commercial value, are critical for the social and economic development of countries such as India. Remittances are not sufficient for a successful mobile wallet deployment. But the infrastructure that allows a mobile wallet to support remittances, Soppitt observed, is the same one that supports mobile payments, transfers, and banking. There are almost three billion mobile phone consumers in the world. One can send a text or phone any mobile from anywhere in the world because of interoperability, based largely on the GSM standard. If the same interoperability can be created for wallets, the GSM Association believes it can serve all of those consumers to one extent or another with mobile financial services.
- **Ecosystem:** There are multiple levels of stakeholders in the delivery of mobile financial services – governments, operators, financial institutions, development community. None can operate in isolation. But there are huge differences in the culture and objectives between these different entities and one of the challenges is to work to overcome them and create a common ecosystem.

"A limiting factor in the world today is the absence of a culture of understanding . . . between operators and bankers." – Ben Soppitt
- **Regulation:** Tied in closely with the concept of the ecosystem is the idea of regulation. It is quite evident that the multiple stakeholders entail cross sector regulation and cooperative regulatory authorities, with sufficient vision to enable the mobile banking revolution to occur.

- **Customization:** Microsoft Research’s work in India indicates that m-banking may not be the solution that MFIs are looking for. Instead, they need customized applications that better meet their needs, keeping in mind the country’s level of infrastructure, level of literacy and rate of uptake.
- **Impact:** There is a lot going on in this space as seen by the initiatives of Nokia, GSM, Microsoft Research. The question is how to harness these efforts such that they impact the markets that we are trying to serve. And that is where a lot of work remains to be done.

The experience of m-banking initiatives in India and Japan

“It’s important to do this rigorous homework before we offer services and claim that they’re changing lives.” – Aishwarya Ratan

When Microsoft Research introduced mobile phone technology to the customer-acquisition process of a new urban MFI, Ratan noted, that the MFI’s cost was cut dramatically. However, the initial and ongoing investments required were equally high. In a competitive market, these costs can not be passed down to the final customer, who is price sensitive. This does not bode well for

financial viability of MFIs looking to implement such solutions.

Additionally, preliminary results from a few focus groups in Manila suggest that most usage of mobile phones for m-banking is within a very small group of people (mostly trusted familial members), with little commercial purpose.

Microsoft researchers also found that investments in computers that could be shared across an organization added more in terms functionality without breaking the institutions’ bottom line. The mobile phone is just one type of technology and may not be the answer to every country’s microfinance sector’s problems.

Sony’s experience in Japan was very different. FeliCa, a mobile commerce technology, developed by Sony, in conjunction with several industry players, carriers, banks, merchants, allows multiple applications to exist on the same card or on a mobile phone. At this time, Raby said, FeliCa is the only contact less solution that has been successfully commercially launched and that is available on mobile phones, cards and other form factors. Today it has over 30 million contact less cards circulating in Japan. Transaction revenue and usage are both growing quite well.

The process of creating this rather ubiquitous ecosystem in Japan was not all that seamless. The various stakeholders involved had different and often conflicting business objectives at play – with merchants wanting lower transaction fees, carriers wanting the transaction fee, and a technology provider in between.

To sum up mobile technologies present an exciting opportunity to address the problems of access faced by the unbanked and underserved. But several factors need to be in place to harness their true potential. Moreover, they are one type of technology, not necessarily the universal solution for access to finance challenges in developing markets.

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Session 4B: Leapfrogging Access to Finance With Mobile Phone Technology (Cont'd)

Moderator: **Brigit Helms**, Sector Leader, East Asia and the Pacific, IFC

Speakers: **Ganhuyag Chuluun Hutagt**, CEO, Xacbank

Sam Kamiti, Equity Bank, Kenya

John Owens, Chief of Party, USAID-Philippines Microenterprise Access to Banking Services (MABS)

Synopsis

Mobile banking initiatives are being implemented all over the world and have met with different degrees of success as seen from the experiences in Mongolia, Kenya and the Philippines.

This session provided perspectives from three organizations seeking to develop agency networks in their respective countries, with some insights into the challenges therein. Success in mobile banking is a definite and proven possibility, and is now being pursued even in the most deprived social and economic environments.

"We are very poor. But 16 banks with over 1000 branches for 2.6 million people make us 'over banked' by many standards." –
Ganhuyag Chuluun Hutagt

Electronic banking in Mongolia. In Mongolia, a poor country with little financial infrastructure, a young, but growing and ambitious financial institution is set to launch a significant electronic banking initiative. Partnering with CGAP, XacBank in Mongolia is exploring electronic banking to increase competitiveness. With 860,000 mobile subscribers nationally, M-banking was envisioned as a way to cut costs, reach remote areas, and increase long-term viability. Initial research has found that although most Mongolians have accounts, many are still underbanked. Also, many of those with bank accounts do not use the full potential of the banking services.

Agency model in Kenya. In Kenya, Equity Bank, a leading microfinance bank has already recorded achievements in financial innovation and is overcoming challenges of accountability, KYC, etc. as it pilots a new mobile-banking initiative as part of the CGAP Technology Program. Equity Bank is developing an agency model that is connected to external networks such as Visa and other local service providers, as well as to local banks. On a pilot basis, Kamiti noted, staff are doing mobile banking based on USSD and IVR channels. The bank will be able to handle utility bill payments, loan repayment notification, loan approval notifications, and transfers of funds.

Mobile remittances flourish in Philippines. Rural banks in the Philippines, taking advantage of the country's reputation as the text capital of the world, have successfully teamed up with a mobile operator to support mobile phone banking and mobile commerce services. In 1997, USAID launched the Rural Bankers Association of the Philippines Microenterprise Access to Banking Services (RBAP-MABS) program, to help develop the capability of rural banks to profitably provide microfinance services. In 2007, Owens noted, the organization was working with 90 participating rural banks, which have disbursed over a million microfinance loans totaling almost \$300 million to over 400,000 clients. These banks also manage 1.2 million deposit accounts. The RBAP-MABS program is now working on mobile phone banking services in partnership with the local mobile operator Globe Telecom.

One reason for the uptake of mobile phone banking in the Philippines was client familiarity with the text messaging function of mobile phones. Notwithstanding this success, MABS is producing informational videos in different dialects in line with a central strategy for client education. The videos are meant for use by banks to better promote the advantages of mobile phone banking services and to also make it easier for clients to learn how to use this services. In addition MABS helped rural banks to train mobile phone banking specialists to help register and educate individual clients in their communities.

All three institutions face regulatory issues in using agencies to conduct bank like services on behalf of their respective institutions. In Kenya and Mongolia this involves rigorous know your customer (KYC) requirements in getting clients to open bank accounts. In the Philippines, there were specific regulations on electronic banking. RBAP-MABS worked closely with the Central Bank to assist rural banks to get approval as well as to meet regulatory standards for them to offer mobile phone banking services. .

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Keynote: Finding Quicker Ways to Reach the Four Billion

Speaker: **Jyrki Koskelo**, Director, Global Financial Markets, IFC

In 2007, the loans given out by IFC's microfinance clients were about \$10 billion, and were expanding at the rate of 50 percent per year. Even with significant investments by institutions like IFC in microfinance, reaching "the next four billion" could take a couple of centuries. But the wait does not have to be that long. Growing private sector interest and technology leapfrogging should enable us to expand financial services to the poor and unbanked much faster.

The sustained growth of microfinance will depend on the active role of the private sector. Interest and investment in microfinance have increased significantly over the last decade. Dealing with the problem of costs is key to penetrating the potential four-billion market, and this problem cannot be resolved through the use of traditional methods, nor can it be driven through solely public sector initiatives.

"...we've all recognized that if we want to "improve" the living standard in the world, it's really going to be driven by the private sector."
– Jyrki Koskelo

"...in order for microfinance to develop, you have to transfer it to a sustainable microfinance model, essentially meaning that everybody within microfinance has to make profits to sustain growth." – Jyrki Koskelo

The explosive growth in the number of cell phones in the developing world represents an opportunity to serve the underserved markets. The potential for mutually beneficial initiatives in emerging economies can be missed if emphasis is placed not only on poverty, but also on opportunity.

IFC is constantly reaching out to new and existing partners to help take advantage of the leapfrogging using available technology, while growing its already expanding microfinance portfolio. The key challenge for IFC is to test the various innovations and models that are emerging, and to implement them through its network of 500 to 600 emerging market partner banks. Implementation on this scale would definitely bring us closer to meeting the needs of the "next four billion."

Session 5: Alternative Data to Develop a Credit Score

Moderator: **John Kresge**, Senior VP, Business Line Development, Visa International

Speakers: **Michael Turner**, President and Senior Scholar, Information Policy Institute at PERC

Chet Wiermanski, VP of Analytical Services, TransUnion

Corey Stone, CEO, Payment Reporting Builds Credit, Inc.

Synopsis

"Alternative data" provides means for those without credit histories to be included in credit bureaus, and build credit histories through payments data.

Even with a rich, robust consumer credit reporting system in the US, Turner noted, there are between 35 to 54 million Americans who either have no credit file, or have fewer than three trade lines and therefore are "unscorable". This information matters because the credit report and the credit score are really the gate to asset building. Given the objective of bringing those outside the mainstream into the mainstream, researchers are investigating which data sets have the most promise and identified energy, utilities (water, gas, oil, electricity, etc.), telecommunications, and cable data.

Credit scoring has been criticized and scrutinized over several counts in the past. The biggest criticism is that they do not take into consideration a consumer's employment history, income or asset information, and are unable to assess consumer's ability to repay obligations in their credit capacity. But until such types of information are made available to be shared within credit reports, they cannot be included in scoring systems.

"These systems do not take into consideration a consumer's employment history, income or asset information [and so] are unable to assess the consumer's ability to repay." – Chet Wiermanski

Alternative data

"Alternative data" should be viewed as foundational rather than alternative, Stone argued. It is predictive, and it provides evidence of the ability to pay on the part of the underserved. The hard part is how to get such data. The reasons behind this are numerous – regulatory reasons, lack of economic benefits from having information, competition, etc. One approach is the PRBC business model. Get data from the utility or service provider, consumers can go online to PRBC and create their own file (PRBC verifies this manually and charges for this, but it is a good option for customers that have no traditional files), or use the payments infrastructure employed in different markets to make bill payments on a recurring basis as a way to capture the data and put it in every credit report. Consumers can opt to have bill payments data reported to a bureau. Positive payment history is attractive because it's so universally available and all households make these payments. Consumers can view their payments data for free, and add information through retrospective verification.

Benefits of alternative data

- Alternative data provides more complete consumer credit profiles.
- Additionally the information from alternative data sources tends to be more recent and updated, which makes for thicker credit files. This facilitates lower costs in credit evaluation.

- From a scoring perspective alternative data is a great way to reduce the number of unscorable consumers, commonly referred to as a no-hit.
- Inclusion of public utility and communications information is most beneficial to low-income, young and minority consumers, consumers with blemished credit reports can redeem themselves. One's ability to pay their essential services demonstrates that a consumer can manage his or her debt responsibly, and those are the consumers that obviously should be provided additional credit.
- Why does all this matter in terms of micro credit internationally? Having this data reported to a private bureau in various countries, and possibly having a progressive public credit registry, will help underserved groups gain access to credit. It can also facilitate competition in micro credit and microfinance, and will allow for those who rely on microfinance institutions to transition into mainstream credit.

"The elderly population, especially widows and divorced women, stand to gain tremendously from the inclusion of this data."
- Michael Turner

Criticism against alternative data

One of the concerns with using alternative data sources is that consumers will over-extend themselves. PERC has not found any conclusive evidence of this. For instance, the Colombian Credit Bureau has been collecting non-financial data for over 25 years.

Another common argument that is made against data sharing is the fear of loss of clients by financial institutions. PERC finds, however, that the effect of non-sharing reduces market size more. Valuable opportunities are missed by lenders who automatically assume that little or no information means high risk, and who therefore reject worthwhile applicants for credit. For instance, in the absence of comprehensive data, a lender may only have data on 36 percent of the market, and a 50 percent share of this market. With information sharing he may have a view of 40 percent of the market with potential to expand his existing market share.

Progress in broadening credit score sources

Despite its usefulness, most essential service providers that provide rent, power utilities and other basic services, do not contribute data used in credit scoring, Wiermanski observed. TransUnion has been using utilities and telecom data since the late 1980s, however, reporting on this data remains limited and sporadic.

Public utility and communications information can improve the credit scores used by customers. Ability to pay their essential services demonstrates that consumers can responsibly manage their debt. In 1985, probably less than 100 companies in the U.S. reported data on essential service payments. Today several thousand do, but that still represents less than 3 percent of the accounts that could be reported. Based on TransUnion's analysis, it appears that consumers with blemished credit files are not negatively impacted by the presence of utility accounts on their credit reports.

That being said, businesses, including mainstream financial institutions, are increasingly recognizing the worth of 'alternative' data in evaluating the creditworthiness of potential borrowers. Ultimately, however, the use of utilities information is limited by the degree of penetration of these services in a given market. Electricity and telephone accounts are not as widespread in developing countries as they are in developed countries. Once again, mobile technologies hold great potential for these markets as they can provide a new avenue for identifying people's capacity to make timely payments.

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Session 6: Financial Services and Social Protection

Moderator: **Syed Hashemi**, Senior Private Sector Development Specialist, CGAP

Speakers: **Laura Cuda**, Director, Government Services, Visa International
David Ferrand, FSD Kenya
Inshan Ali Nawaz, Chief Operations Officer, The First Micro Finance Bank Limited (FMFB)

Synopsis

Card-based social programs can help governments meet payment deliveries in a cost effective and accurate manner. A well conceived technology-based social payments system can be a big step towards financial literacy and inclusion.

Card-based social programs have been successful in providing the financially disenfranchised with prompt and secure access to their benefit payments. One of the key challenges to social protection programs – which entail cash transfers, food, grains, livelihood support to extremely poor people through donor funds and government initiatives – is reducing the costs of delivering cash payments to the millions of households that need it. Another challenge is leakage and fraud – how to ensure that the right households get the amount set for them and how to verify conditions of use after transfers are made. Yet another challenge is to bundle several development inputs that can enable these households to get out of chronic poverty.

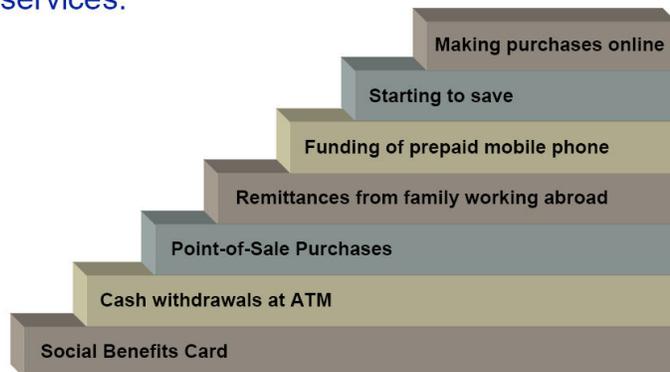
"Today it's a food basket; tomorrow it's savings. . . . What we're talking about here is building opportunity." – Laura Cuda

minimizing delays and reducing risks associated with cash based transactions. The system already involves collaboration with governments in more than 30 countries around the world.

Card-based solutions also help achieve longer-term, broader objectives for the community as a whole. Governments that have adopted Visa payment as a way of reaching their poor population, realize that what they are doing is making an investment in economic inclusion, with access to the government benefit being the first step in a progression of financial services that can eventually become available to their citizens.

Card based delivery eliminates the risks listed above, reduces delays in delivery and reduces overheads. Moreover, card-based programs such as Visa's train consumers in using cards, maintaining balances and using PINs, all of which enhances financial literacy levels. Moreover, cards can have multiple functionalities – they could be used to buy food or medical supplies today. Tomorrow they can be used to make purchase at the

A government benefits card is the first step in a progression of financial services.



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point of sale, receive remittances from abroad, fund a mobile prepaid account or start a savings account. In other words, it can empower citizens to make changes in their lives in the way they carry out transactions and function.

Technology-enabled social payments in Kenya. FSD is an interesting attempt to “support the development of inclusive financial markets in Kenya as a means to stimulate wealth creation and reduce poverty.” Using cash transfers for social protection is relatively new in Kenya. There has, however, been a long history of humanitarian relief particularly in the northern areas, coping with food emergencies, Ferrand noted. Two key initiatives are the Orphans and Vulnerable Children (OVC) Program, which aims to revive cash transfers to households that are looking after orphans and vulnerable children, and the Hunger Safety Nets Program aimed at the arid and semiarid lands in the northeast of the country, which have almost routine food emergencies.

New technologies open up the possibility of radically reducing the transaction costs and enabling a market-based solution to social protection payment delivery. So FSD Kenya has partnered with CGAP to run a social protection payment challenge fund, in order to encourage innovations to reach these areas.

The challenges to delivering social protection programs in Kenya are unique and several – first of all there are no established social protection programs in the country. The target recipients are mostly in areas where there are no formal financial service providers. Existing government mechanisms and channels are not well set up to undertake payments administration. In addition there are physical infrastructure challenges – no banking networks no proper roads, limited power and the 20 percent of the population not yet covered by the mobile phone network are precisely those that are in the most remote regions of the country, and those that are the farthest from the financial markets. Then there are issues of security due to conflict, theft, civil and political unrest in bordering Somalia are other issues, and the issue of lack of basic literacy in the remote areas.

Key stakeholders like donors, governments and recipients need a payment system that is cost efficient, safe, risk prone, and predictable. The ideal social protection program should balance incentives for the various stakeholders involved – cost efficiency from the standpoint of governments, sustainability from the donor point of view, and enabling frameworks to engage the private sector.

Social protection programs in Pakistan. A card-based social payments program, like other initiatives in the microfinance space, requires value propositions to gain the interest of stakeholders. However, there can be players, such as the First Micro Finance Bank (FMFB) in Pakistan, for whom social returns are at least as important as financial profitability.

“If we . . . marry a strong and effective operational model with technology based not merely on profits maximization . . . but also on the provision of social returns, then I think we will be able to achieve the benefits identified.” – Inshan Ali Nawaz

Despite significant investment in telecommunications and the banking sector, a deregulated financial system, and having necessary card and mobile phone infrastructure, banking infrastructure in Pakistan remains focused on the urban non-poor. Existing social protection programs in the country have faced challenges and basically involve cash transfers.

FMFB, works with the Aga Khan Development network and looks at poverty in a holistic manner that includes consideration of health, education, lack of access to training, and environment in addition to the income threshold. It has very strong focus on the social objectives of alleviating poverty for Pakistan’s unbanked population.

Among the solutions that it offers are smart cards that store value for these beneficiaries. The purpose of these cards is to be utilized for small \$5 or \$10 transactions for things like food, with quarterly payments made directly in wholesale to the service agencies.

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Session 7: Delivery Channels for Microfinance

Moderator: **William Schoch**, Vice President, Consumer Products, Visa International

Speakers: **Abbas Sikander**, Group Executive Director of Operations and Technology, Tameer Bank, Pakistan

Alex Acosta, Credibanco Visa

Rizza Maniego-Eala, President, G-Xchange, Inc.

Synopsis

Banking correspondents or agents, apart from delivering specific financial products, are part of the effort to increase scale and outreach in the provision of financial services to clients at the base of the pyramid. New technologies and the innovative combination and utilization of old ones can help facilitate access to finance in remote towns and villages. However, mainly for reasons of trust, the desired level of acceptance of the use of cell phones on a P2P basis might take time to achieve.

Financial institutions and MFIs in particular, constantly struggle to meet conflicting objectives of increasing scale while lowering costs. Branchless banking provides promise of meeting these conflicting objectives by expanding delivery channels for financial services. Branchless banking is essentially the innovative use of information and communications technologies (ICTs) to deliver financial services through retail channels that reach beyond traditional bank branches and ATMs. These could include the use of mobile phones, plastic cards, point-of-sale devices, and hybrid technologies.

"So it is this ubiquity of our network that really provides an entire financial ecosystem at fairly significant scale." –
William Schoch

Branchless banking models can be bank-based, nonbank-based or hybrid. This session discusses the new delivery channels provided by some of these models, the challenges faced, and the huge potential therein.

Bank-based models

"We are talking about very vulnerable societies where people would like to have some sort of a trust factor." –
Abbas Sikander

More and more financial institutions like Tameer Bank in Pakistan, and Credibanco Visa in Colombia are realizing that branchless banking models beat the costs of building brick and mortar branches, and have exciting potential to offer a wide range of services, not just credit, to the underserved. Tameer Bank for instance is experimenting with several delivery methods, such as biometric

ATMs, mobile ATMs, and basically customizing solutions to fit customer needs, country infrastructure and client location.

Colombia has 40 million inhabitants and a level of bancarización equal to 32 percent of the population. To extend access, Acosta told attendees, Credibanco is launching a project with support from CGAP that uses a mobile unit to provide services to low-income persons residing in remote areas. Clients are given customized cards that can be used as a debit card, savings card, or a card that receives new micro loans based on the client's consumption level.

The challenges to branchless banking are several, some general, and some that are more country and context specific. In Pakistan, for instance, and possibly in several developing countries, cell phone theft leaves mobile

phone users in a vulnerable position, especially if these devices are being used to access financial services. Another challenge, which has been raised before is that of financial literacy. It involves not only educating clients about their options in terms of accessibility and the modus operandi of various technologies, but also bigger issues like record keeping, monitoring one's finances and using financial services responsibly. Yet another key challenge involves the formulation of trust with respect to new technologies. Informal banking methods have long been the way of life for many in countries like Pakistan. Financial institutions need to develop trust towards the products they offer among their client base. Clients value reliability, affordability, immediate redressal of grievances and accessibility. By ensuring these qualities, financial institutions can gain trust from their clients.

The importance of government regulation and cooperation with respect to branchless banking emerged as a key theme from the experiences in Pakistan and Colombia. The institutionalization of branchless banking models brings in more scrutiny from regulators and subsequently the demands placed on these financial institutions with respect to KYC and CDD can be very high. The costs of meeting these demands can be significant, particularly when one considers the nature of transactions carried out by clients accessing these agents. Once again, MFIs are faced with the dilemma of managing costs while using innovative approaches to service poor clients.

Non-bank based and hybrids

With the convergence of technology and financial services, it is only natural for non-traditional financial service providers, like the Philippines' Globe Telecommunications, to enter the space of mobile banking. Globe Telecommunications provides, G-Cash, a mobile wallet solution that handles one billion messages a day, and touches 18 million customers each day, noted Maniego-Eala.

What can G-Cash do that cash cannot do? It enables remote payments. For consumers with a mobile phone and a SIM, it enables remittance transfers both internationally and domestically at a low cost of \$.02 peso per transaction. Clients can receive salaries on their mobile. G-Cash can be cashed in at several outlets in rural areas.

The platform brings together senders, merchant partners, and beneficiaries into a common ecosystem. Funds from this ecosystem are channeled back into rural banks. The platform seeks to alleviate the costs of delivering microfinance without eliminating the agent in microfinance.

Traditional card service providers like Visa, with over 25 million point-of-sale locations around the world, are beginning to leverage their global networks to connect merchants with customers in truly remote areas. In some remote areas, in addition to swiping the card as they would in a traditional purchase transaction, customers are provided additional menus on the screen of the terminal. They can choose to make a bill payment or withdraw cash. In addition to expanding consumer product choice, merchants stand to benefit too, since the consumer may conduct other commerce while in the store, Schoch noted. Merchants also receive a small fee for conducting these other types of transactions. Another solution is the growing use of prepaid cards that can be purchased and refilled as needed at participating merchant locations. It is about leveraging existing merchant networks and not necessarily creating infrastructure from scratch.

With respect to microfinance, there are particular issues on card acceptance, Visa frequently receives questions, especially in the microfinance space, about card acceptance. The company has a program that looks at expanding the use of mobile phone card acceptance in more remote areas. Visa has invested in Way Systems, a company that makes two devices to help meet this objective. The phone on the device has a built-in card reader that can accept either a magnetic stripe card or a chip card. It enables a GPRS-enabled phone to conduct a transaction anywhere in the world where mobile phone service is available. Visa is also looking into potential mobile phone applications that provide record keeping functions to consumers on the purchases that they have made.

What does the advent of new players and expansion of existing providers mean to MFIs? Competition, although a very relevant point, is not the only issue here. Keeping in mind the broader objective of expanding access to finance, one should realize that these new channels offer potential to target more people in more places in less time than it would take all the traditional players to scale their respective operations. Besides, the emergence of alternative delivery channels is a suitable alternative to the brick and mortar approach which is not financially viable.

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Session 8A: Policy Implications and Future Challenges

Moderator: **Tim Lyman**, Senior Policy Adviser, CGAP

Speakers: **Regina Penha Fadel Riolino**, Central Bank of Brazil
Pia Roman, Microfinance Unit, Bangko Sentral Ng Pilipinas (Central Bank of Philippines)
Nataliya Mylenko, Regional Credit Bureau and Risk Management Advisor, IFC

Synopsis

The experience with respect to regulation in this fast-changing environment reflects a mixture of success stories and continuing challenges. New developments in the financial sector—such as branchless banking and other manifestations of convergence—raise issues that span various regulatory domains, thus requiring high levels of cooperation and coordination. The appropriate regulatory response is one that is proportionate – neither over- nor under-protective. While branchless banking today is used mainly for payments, transformational branchless banking requires a much broader vision of what technology can make possible.

Access to finance faces several challenges on the legal, regulatory, and policy making front. Some of these challenges have been around for a while, for instance, those that relate to bank secrecy and data protection. Others are new and are reflective of the emergence of new products, new players and new delivery channels. The key challenge faced by regulatory authorities with respect to both branchless banking models and credit bureaus is to craft a regulatory approach that is proportionate to the risks and that balances protection with space for innovation.

This session covers the policy and regulatory challenges raised by branchless banking models, with experiences from Brazil and the Philippines, as well as challenges faced by credit information providers.

Regulatory challenges to branchless banking

Branchless banking is primarily “additive” in developed countries, in the sense that it is merely adding convenience to customers who already enjoy good access to a range of financial services. Branchless banking can be truly transformational in emerging markets, because it holds potential to reach people that could not be reached profitably or in a sustainable manner through conventional models.

That being said, the predominant use of branchless banking models in developing and transition countries today, according to CGAP’s research, is for payments. The challenge of extending usage to a broader range of financial services, Lyman noted, implicates three interrelated, frontier-defining issues: the business case, customer adoption and uptake, and policy and regulation. The first two issues have been dealt with to some degree in earlier sessions, and our focus here will be on the regulatory aspect.

Branchless banking and other manifestations of the convergence of financial services and technology raise issues that span a wide range of regulatory domains that are not just related to banking and telecommunications regulation. These include payments system regulation, anti-money laundering and combating the financing of terrorism (AML/CFT), e-commerce and e-security, competition policy and many others. According to CGAP, with branchless banking, the risks and therefore the kind of regulation that will be proportionate vary as providers move along the spectrum from the simplest payment services (which may

only present settlement risk) to deposit taking (which involves all of the depositor and systemic protection concerns that motivate full-scale prudential regulation and supervision). CGAP's experience working with countries around the world on regulatory issues concerning branchless banking is that existing regulatory regimes tend to be either over-protective or under-protective, because they were not designed to deal with the types of products, actors and channels that are now becoming involved.

For branchless banking to take off safely and sustainably in any country, CGAP recommends consideration of two classes of issues:

“Necessary but not sufficient” preconditions”:

Without addressing these issues, transformational branchless banking may never even get started:

- Legal authorization to use retail ‘agents’ as the cash-in/cash-out point and principal customer interface; and
- A truly risk-based approach for combating money-laundering and terrorist financing that is adapted to realities of remote transactions conducted through agents.

“Next generation issues to think about now”:

These are topics that are particularly worth thinking about early on because proportionate regulation might mitigate the risk of catastrophic failure of some sort that could tarnish the reputation of branchless banking with both clients and policy makers, or they are issues that will otherwise affect scaling up and the sustainability of branchless banking:

- Appropriate regulatory space for the issuance of e-money and other stored-value instruments;
- Effective consumer protection (on a variety of fronts);
- Inclusive payment system regulation and effective oversight as branchless banking reaches scale; and
- Rules governing competition among providers and promoting interoperability;

The case studies below serve to highlight some of these challenges and how different regulatory approaches enabled the success of branchless banking models in two pioneering countries.

Case studies in Branchless Banking

Brazil. In Brazil, being a non-bank “correspondent” entails providing financial services on behalf of a licensed financial institution. Correspondents include post offices, groceries, buses, schools, and gas stations to name a few. Only companies can be contracted as agents, not individuals. Currently, Brazil has 25,000 retail agents and 500,000 points of assistance for bank services. The correspondent model has become crucial both for the urban poor, and for the geographically remote, and also for banks to achieve scale with lower cost. Limitations still exist on the range of services that can be provided. However, most banking services are allowed, including savings, current accounts, cash withdrawals and deposits, loans, fund transfers, insurance and others.

“The agent is only a channel; it does not perform services under its own name.” – Regina Penha Fadel Riolino

Correspondent banking has existed in Brazil since the 1970s, with a regulation that was introduced by the Central Bank in 1973. Initially there were limitations on the types of non-bank agents and services offered. However regulations were gradually relaxed in the 1990s. The branchless banking model has strong support from the Central Bank, as well as political support, both of which have defined its success. The Central Bank

supervises the agent networks through financial institutions. The supervision focuses on all kinds of risks from operational risks to fraud. The Central Bank recognizes, however, that regulation is an ongoing process that requires constant refinement and improvement to meet the changing needs of financial service providers and customers.

“The Philippines boasts of a regulatory environment that is very microfinance friendly.” – Pia Roman

Philippines. The Central Bank, BSP, is committed to building inclusive financial sectors. Along with its commitment, the existence of a microfinance friendly policy and regulatory environment has been crucial to Globe Telecom’s mobile wallet solution, G-Cash. BSP was faced with several challenges while considering the mobile wallet solution. Some of these included: handling the non-regulated status of telcoms, concerns over the security risks associated with technology related products, consumer protection, and AML/CFT issues.

The Central Bank’s commitment to expanding access to finance, and flexibility in the absence of a payments systems law allowed space for an innovative regulatory approach which permitted the successful deployment of G-Cash. Other factors that determined the success of G-Cash included Globe Telecom’s receptiveness to the BSP’s authority, commitment on the part of the BSP to maintain safe, sound and prudent standards, and a lot of dialogue and cooperation among the various stakeholders involved. BSP has issued circulars detailing consumer protection rules, registration of agents in the BSP as remittance agents, and AML/CFT compliance procedures.

Regulatory challenges in credit information sharing

In several countries, credit information sharing continues to be impeded by strict and often archaic policies and regulation. IFC and the World Bank Group started working on credit reporting issues around 2000-2001, and has found that while some progress has been made to alleviate these constraints, they still continue to persist.

These include:

- **Bank secrecy laws.** Banks deal with highly confidential client information. In most civil law countries, banking laws will explicitly forbid the release of customer information to third parties. In common law countries, the law generally allows for contractual sharing, but banks do not release information to “just anybody.” An examination of the credit sharing system in Switzerland showed, for example, that sharing is possible, if the information disclosed is of public value, such as data on defaults, and beneficial to the economy as a whole. Consumer consent to share/release data is required, but not difficult to obtain if included in banking applications. But banks do not share data, citing confidentiality, although more possibly due to fear of competition. Getting banks to agree to share data is one of the biggest challenges to establishing credit reporting in a given country.
- **Data protection to preserve the rights of the subject.** The issue with data sharing is this: whose data is it? The bank that provides the information, or the subject on whom the information is compiled? Whose rights should be protected? International standards demand that consumers have access to their own information, as well as the right to dispute and correct any incorrect information, which brings us to the next point, data accuracy.
- **Data completeness and accuracy.** How to ensure that the data that financial institutions holds is accurate, current and complete, and moreover, how can we ensure that the data provided to credit bureaus is also complete and accurate?
- **Difficulty of enforcement.** Once regulatory challenges are resolved, the next big problem is ensuring that there is regulatory compliance. In Russia, for instance, a credit bureau law was passed but no thought was given to appointing a supervisory authority to oversee the enforcement of the

new law. It was two years after the legislation passed that the supervisory body was appointed, and issued regulations for credit bureaus to become registered.

In the past five or six years, there has been some progress on the bank secrecy front. For example, a large number of countries, including Switzerland where sharing was voluntary before, have started to mandate information sharing by banks. One of the primary motivators for this move is the concern on the part of regulators about potential over-indebtedness. A mandatory system ensures better coverage by the credit reporting system.

Session 8B: Policy Implications and Future Challenges (Cont'd)

Moderator: **Louis de Koker**, Director, Center for the Study of Economic Crime (CENSEC), University of Johannesburg

Speakers: **Jenny Hoffman**, Risk Frontier Consultants (former CEO, Teba Bank)
Pia Roman, Microfinance Unit, Bangko Sentral Ng Pilipinas (Central Bank of the Philippines)
Raul Hernandez-Coss, World Bank

Synopsis

Regulators, bankers and other key stakeholders, can and should work cooperatively meet the requirements of financial security without compromising the goal of expanding access to finance. Experiences from South Africa and the Philippines show that regulations can be adapted to the needs of service providers targeting the unbanked and under-banked poor.

As financial services continue to expand in terms of the number and types of operators and products, as well as in the volume of cross-border transactions, systemic risks, as well as risks of money laundering and improper use of funds (such as for terrorist financing) became real issues. Country-level policy making on AML/CFT is subject to standards that are set at an international level by the Financial Action Task Force (FATF), a group of about 33 nations and territories, along with the World Bank and the IMF. Compliance with the AML/CFT standards requires a detailed assessment methodology with 400 very detailed questions. This is a formidable set of regulations that must be adopted. Moreover, countries have their own agendas to meet AML/CFT objectives to protect their own national financial service systems against financial crime and financing of terrorism. The observance of all these international standards, along with national anti-terrorist and anti-money laundering objectives, can present formidable – if unintended – obstacles to the goal of expanding access to finance, de Koker observed.

The key to overcoming these hurdles is for more cooperation and collaboration between the various stakeholders – inter-governmental bodies, national regulatory authorities, financial service providers, and in particular MFIs. The good news is that in a number of countries law enforcement and regulators have started

“[In] a number of countries . . . law enforcement and regulators have started to appreciate the importance of both of these objectives . . .” – Louis de Koker

to appreciate the importance of both AML/CFT and access to finance. Moreover, the explicit authorization embodied in the FATF standards to employ a risk-based approach to AML/CFT creates space for special regulatory treatment for lower risk transactions. Experiences from South Africa

and the Philippines demonstrate how successful cooperation between regulators and a creative approach to lower risk transactions can enable a country to meet these different sets of objectives.

Adapting regulations in South Africa and the Philippines. In South Africa, the regulator introduced Exemption 17, which waived the requirement for verification of proof of residence as part of KYC protocol. In the Philippines, regulations permit the use of agents for KYC/CDD procedures for the existing e-money platforms.

“The problem was that many of our customers didn’t have an ID, and even fewer had other verification documents such as utility bills.” – Jenny Hoffman

Assessing m-commerce risk. One of the key ideas emerging from a study underway at the World Bank is that, in addressing the risks for money laundering the nature of the service provider is not as important as

the type of service being provided. For this purpose, Hernandez-Coss noted, researchers grouped financial services into four categories:

- The first is the use of mobile phones for sharing information. With this category of service, consumers can check their balance or see the authorization of a credit card transaction. There is no interaction, just information.
- The second category involves interacting with the bank or a securities house and transferring funds. This is what could be called M-banking.
- The third category is making payments.
- The fourth category is referred to as M-money, the storage and transfer of electronic value in a cell phone (or on the server of the mobile network operator) that can be converted into currency.

Researchers are analyzing the perceived law enforcement risks in the use of mobile phones compared to the actual risks observed in at least seven countries. Countries, and more specifically all financial institutions, including MFIs, must meet not just general, internationally agreed principles, but also specific enforceable standards. Risk-based compliance, where the level of strictness mirrors the extent of the risk, is practiced in a number of jurisdictions and provided for in multilateral approaches. To meet risk-based compliance objectives set forth by the FATF, countries may propose that more be done with respect to high risk transactions, persons and institutions.

“What is important is not who is delivering the service, but what type of service is delivered.” – Raul Hernandez-Coss

Session 9: Future Opportunities and Challenges

Speakers: **Peer Stein**, Manager, Financial Infrastructure and Institution Building, IFC
Gautam Ivatury, Manager, Technology Program, CGAP
Lars Thunell, Executive Vice President & CEO, IFC

To conclude, the Next Generation of Access to Finance is already here. Technology changes the way we think about providing financial services, and holds tremendous potential for making a difference to those at the bottom of the pyramid.

Now that we know about the promise of technology, how do we apply it our respective missions? We observe, we learn, and we apply. The various deliberations over the course of this three-day conference highlighted

"It is not a question of if it is going to happen or even when it is going to happen; we are in the middle of it." – Gautam Ivatury

not only the huge benefits that could potentially accrue, but the various challenges that are faced along the way by those that have already forged forward in this exciting field. We have come a long way from IFC's small business conference in 2001, when institutions like Mibanco were just starting to use credit scoring, noted Stein. Today they are facing second generation problems. It is worthwhile to summarize some of second generation challenges that need to be

addressed to meet the broader objectives of expanding access to finance.

An issue that resonated throughout the conference was that of changing the underlying culture of financial service providers, and those in the financial services field. The introduction of new technologies has to be accompanied by cultural change in these institutions.

What roles should institutions play in this area? Without a doubt, the private sector is going to lead the way. They are at the forefront in terms of investing time, money, and resources to figure out how best to adapt technology to expand access to finance. At the same time we need to acknowledge the increasing need for cooperation and collaboration, now more than ever, between the public and private sectors, as well as various industries such as telecommunications and financial services. Neither participants at this conference, nor the sponsors nor the vendors can achieve the worthwhile goals of the conference acting alone. They all must work in partnership to enable the microfinance sector to achieve the vision of financial inclusiveness.

As the conference title "Next Generation Access to Finance" suggests, we are not talking about only credit, but more generally inclusive financial services. Technological innovations need to adapt accordingly to keep up with the evolving needs of the poor as it applies to the financial services area.

We have to be realistic about the promise of those technologies and ask ourselves, "What can we expect from mobile and financial technologies to solve the problem of access to finance and financial services? And how fast can we expect to reap the benefits of these technologies?"

Finally, one of the most important things to realize in expanding financial access to the poor, Ivatury observed, is the importance of looking to customers to show how new technology is going to work for financial services. We need to ensure that regulators, development agencies, and providers of financial services are grounded in reality and keep asking the questions that matter the most, such as, "Is this really benefiting the lives of the kinds of customers that we care about? And are we really helping those at the base of the pyramid to improve their circumstances?" It is the answers to these questions that should drive innovations to provide customized solutions that can truly benefit the poor.

"We need to work more on the impact at the level of the very poor, and consider what aspects make a difference." – Peer Stein

In his concluding remarks, IFC EVP and CEO, Lars Thunell, postulated that the developing world would be at the forefront in developing next generation solutions for A2F. While providing access to finance to people and businesses in underserved markets is extremely important for private-sector development, it is also very good business. Already today, the people with mobile phones are many, many more than those who have bank accounts. This, Thunell said, tells you where the innovation may come from when it comes to financial services.

"Maybe the next generation of A2F is going to be developed not in the developed world but in the emerging markets." – Lars Thunell
