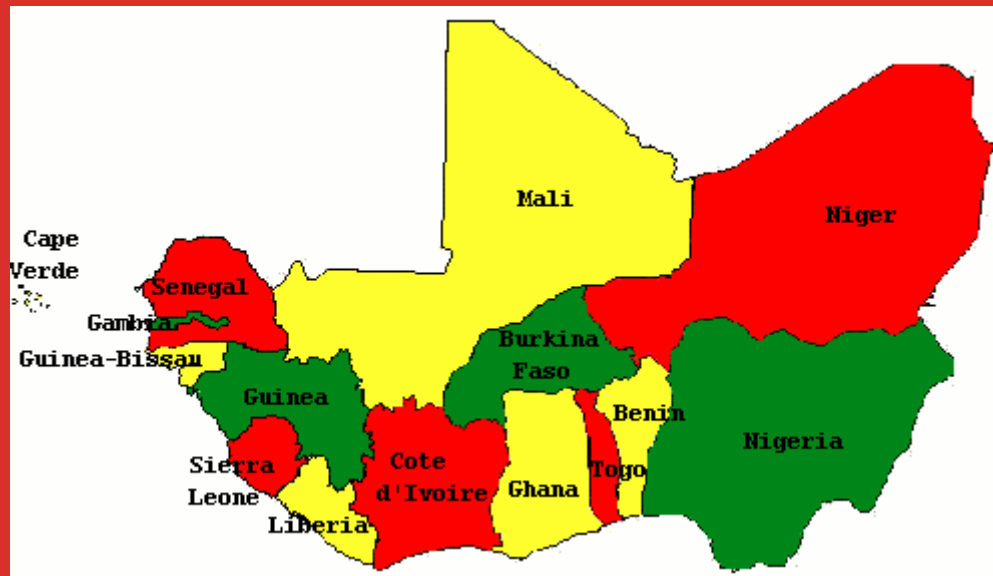


Achieving Financial Inclusion Through World Class Cost Effective Microfinance Technology Solutions in West Africa



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...the next frontier

- SHG Self Help Group
- ROSCAs Rotating Savings and Credit Associations
- MFIs Micro Finance Institutions
- MFPs Micro Finance Practitioners
- BOP Bottom of the Pyramid
- FDI Foreign Direct Investment
- BC Business Correspondents
- BF Business Facilitator
- NGO Non Governmental Organisations
- CBS Community Based Services

Introduction

- Financial Inclusion can be defined as the **process** of ensuring access to **adequate** and **timely** financial services (including **CREDIT**) to **disadvantaged groups, where needed** and at an **affordable cost**
- It not just the Poor
 - But also socially under-privileged, Disabled, The Elderly, Children, Women, Uneducated, Ethnic Minorities, Illiterates, Un-employed, Migrant Workers, etc
- In Nigeria, it is estimated that not less than 80-100 million people are financially excluded – About 55-68% of the population
 - Statistics would be worse if we look at sub-segments
- Generally, financial inclusion has two elements that must be addressed simultaneously for it to be effective :
 - Enabling good financial decision-making (the 'demand side' of the equation)
 - Access to suitable products and services (the 'supply side').

Introduction

- Technology has a significant role to play **especially** on the Supply side
- In Nigeria and else where in West Africa, it seems the focus has been largely on addressing the supply side challenges:
 - Driven largely by the emergence of the Microfinance Industry which is possibly the most effective vehicle for significantly raising the financial inclusion levels in emerging economies
- However, in addressing the supply side challenges in Nigeria and the rest of West Africa , technology enablement has been relatively low
 - It is considered relatively expensive- Hardware cost, Software cost, Networks
 - It does not address the peculiar microfinance banking situation
 - Inadequate skills to deploy and manage
 - Etc
- The low technology intensity in this area has in turn limited the scope and capacity of the Micro Finance institutions particularly in reaching the vastly dispersed population

The impact of this is quite glaring in Nigeria

:

- Number of licensed MFBs in Nigeria as at March 2009 845
- Balance Sheet Size of most successful MFB ~ N5bn
- As at the end of 2004, the micro-finance intermediation activities of community banks is as shown;
 - Total mobilized deposits N21.4 billion
 - Asset base N34.2 billion
 - Loans and Advances N11.4 billion
- After introduction of the new regulatory framework in 2007, total assets increased to N100.2 billion as at July 2008

- In Ghana, there are 120 rural/community banks with over 500 branches/agencies in the country. This means that rural/community banks put together constitute the largest banking network in Ghana.
 - The ARB Apex Bank operates as a semi central bank for the rural banks
 - Deploying central technology

Financial Inclusion

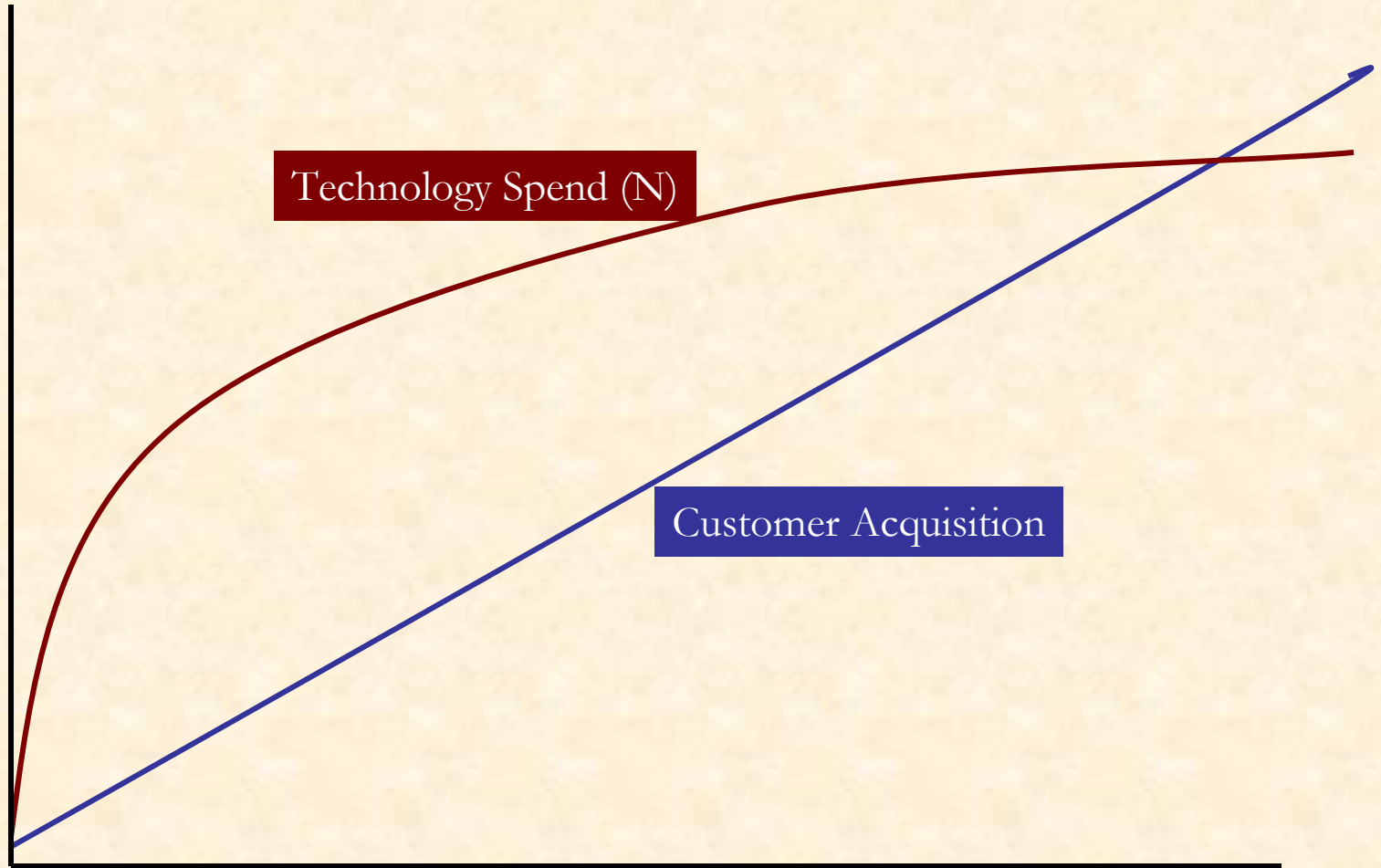
- Microfinance in West Africa continues to face many challenges with low penetration rates (out reach) and high operational costs (sustainability)
- Paradoxically, the only way for MFBs to expand their scope of operations and reach out to the financially excluded is to increase the technology utilisation in the RIGHT manner
 - NOT JUST BOXES, RATHER SOLUTIONS
- Impact
 - Drive down unit cost of customer acquisition and management (KYC)
 - Enhance cross selling and revenues per customer
 - Deepen reach
 - Generally reduce poverty rate

Emerging Business Models

New Business models are emerging that can be applied/introduced to support the growth of the Microfinance Industry and enhance financial inclusion

Where We Are Today

Tech Spend

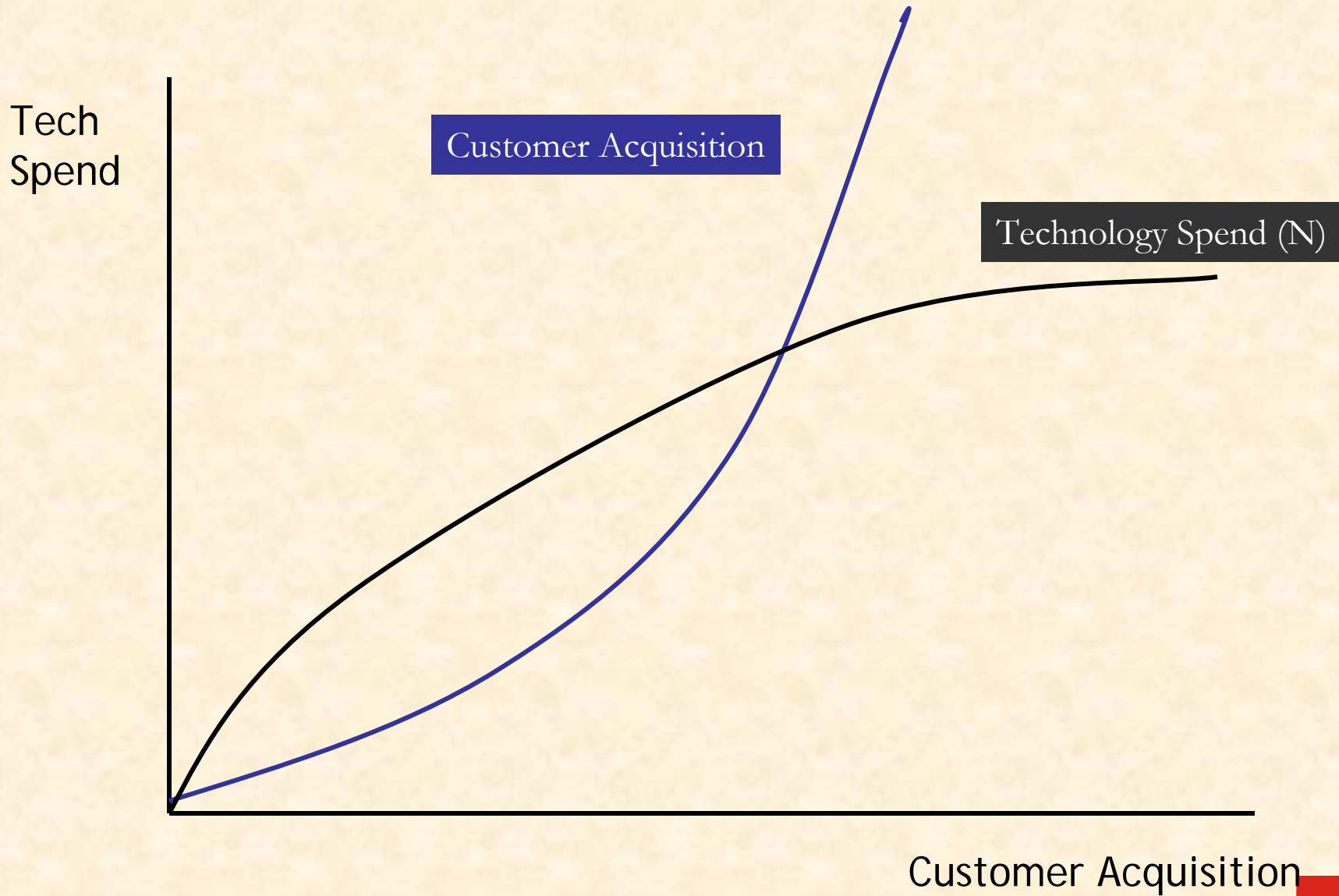


Technology Spend (N)

Customer Acquisition

Customer Acquisition

Where We Need To Go



Technology Solutions to Enhance Financial Inclusion

- Shared Services Technology Platforms
 - Core Banking Applications
 - Support Infrastructure – e.g Call Centres, business correspondents/business facilitators
 - Regulatory/Surveillance Platforms
- Essentially focused on reducing acquisition, management and operating costs for MFBs.

Technology Solutions to Enhance Financial Inclusion

- Telco Providers/MFB Partnerships
 - Secure Money Transfers/Remittances
 - Secure Payment Transactions
- Network dependent Vs Network independent?
 - Maybe phased?

Technology Solutions to Enhance Financial Inclusion

- **Technology Based Process Enablers** – Solutions that enable secure initiation and completion of transactions on-site
- Largely driven around Mobile *Point of Sale* or *Hand Held* Devices
 - Cash Collections and Payments
 - Card Transactions
 - Credit Analysis & Ratings
 - Credits
 - Account Opening
 - Insurance purchase
 - Enquiries

A word of caution

- Financial inclusion has two elements that must be addressed for it to be successful:
 - Enabling good financial decision-making (the 'demand side' of the equation)
 - Access to suitable products and services (the 'supply side').
- Technology can also be a useful tool in addressing the Demand Side

The Future

The onus lies both on Technology Service Providers and the Microfinance Industry in Africa to work out a profitable formula to address this critical segment of the market

The Future is Here Already

- At Nextzon, we have already commenced this process by initiating and setting up the first shared services platform for Microfinance Banks in Nigeria

Thank you

