



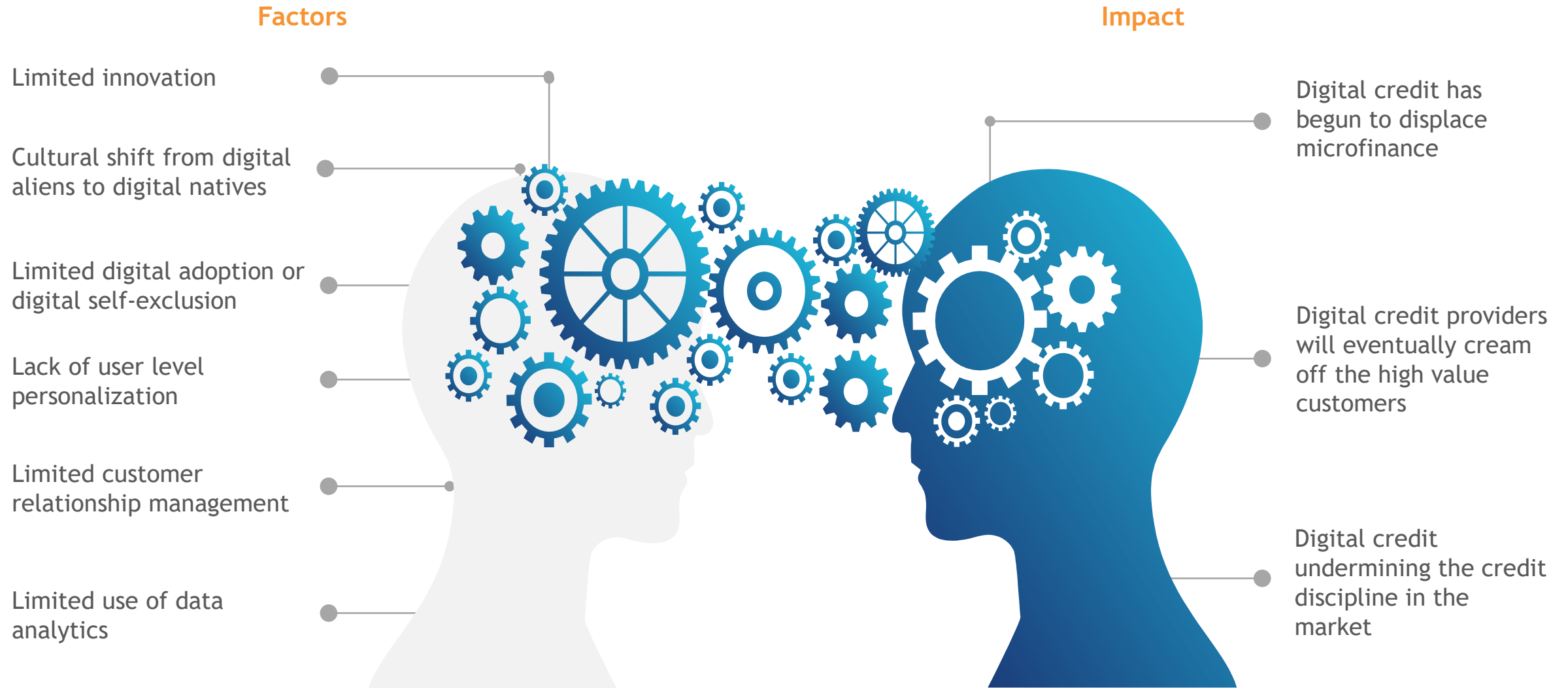
Responsible digital transformation of financial institutions

Panel discussion

April 2019

Is microfinance industry facing an existential crisis?

The microfinance industry is impacted by a confluence of factors and the emergence of digital credit and fintech



Is this a race to the bottom? And unless MFIs adapt, they are in the suicidal race, and so the investors funding them.

Microfinance industry by and large lacks capacity to transform digitally and adopt technology

01

Poor understanding of changing clients' expectations and hyper competition

Lack of institutional commitment and focus

04

02

Limited understanding or experience of digital transformation

Limited resources for digital transformation

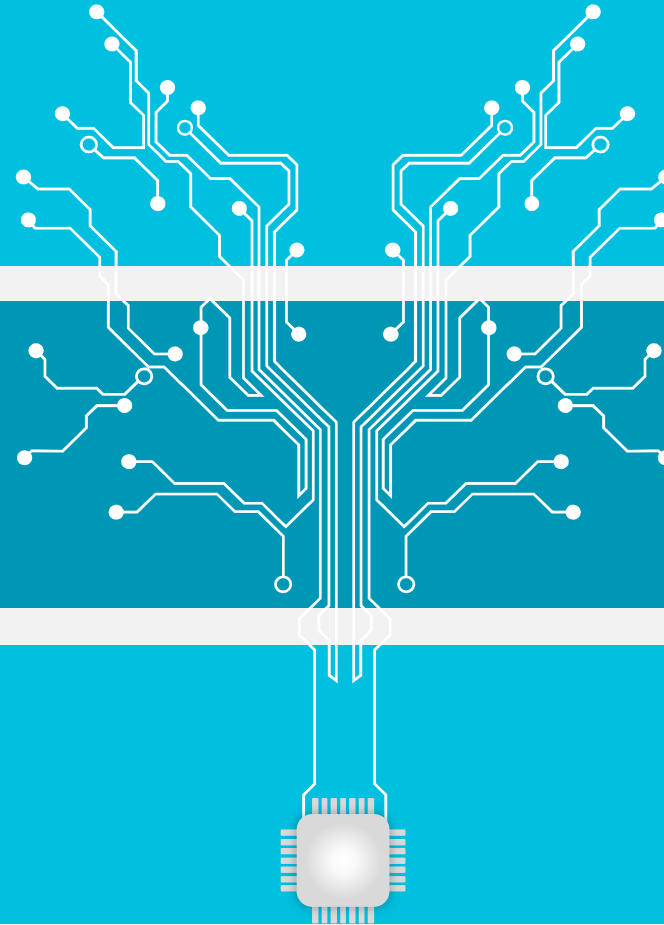
05

03

Low to moderate technical skills

Limited external support to transform

06



Microfinance industry needs to re-invent itself to remain relevant

For microfinance industry to remain relevant, it needs to transform digitally and adopt technology. It may do so by:

Reinventing its culture

Cultural change and adopting innovation mindset

Evidenced by a renewed focus on improving products and services, processes and policies, systems and approaches

Better integrate technology for service delivery, monitoring, data analytics

Developing solutions aligned with users' expectations

Users expect

- Efficient services
- Fair pricing
- Explanation in user language
- Access to services as and when required
- Easy to understand services
- Immediate recourse in case of a problem
- Transparent processes
- Trust in processes
- Human touch at key moments (especially in decision making and if there are problems)

Delivering innovative solutions within time and space transitions

Digital finance eliminates human touch, physical touch points, innate customer awareness, and a humane approach to customer problem.

A high-tech and human touch model is a key opportunity for microfinance as MFIs have the relationships, data, innate customer awareness, and local understanding

Driving the institutional focus based on user experience

User experience is fundamental to adoption. This can be achieved through:

- Mimicking users' behaviours and attitudes
- Clear, obvious, and intuitive services
- Assessing adoption bottlenecks and resolving them
- Implementing design thinking to personalise experience

Managing emerging institutional and user-level risks

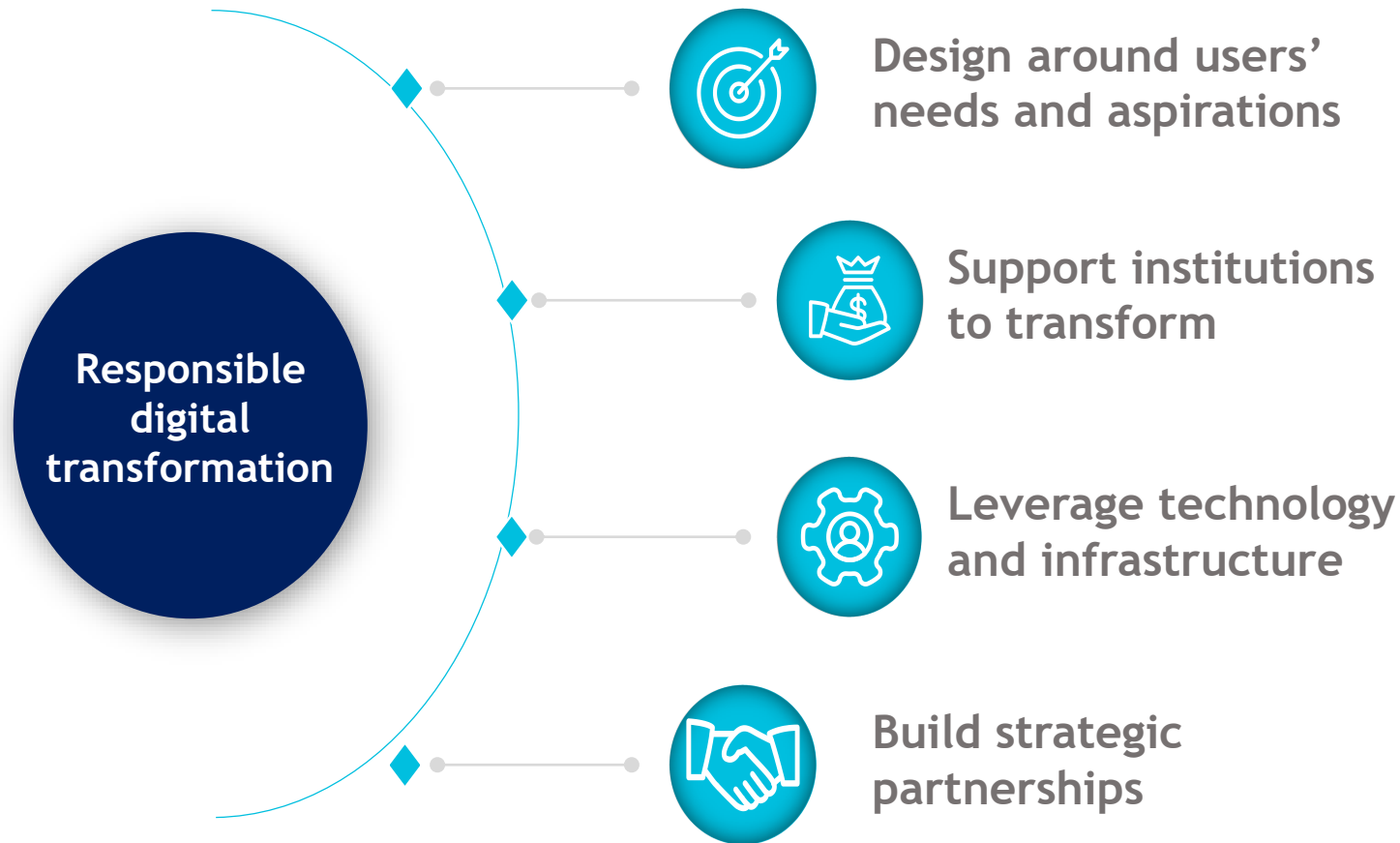
The microfinance industry faces risks of relevance and sustainability by not transforming or replicating others. The ones transforming face risks such as:

- Institutional risks such as technology, partnerships, operational risks
- Client risks such as pricing, agent-related risks, fraud, recourse, and data privacy

Responsible digital transformation - What investors need to know?

- ▶ **Change has to happen** for institutions to remain competitive, much of this change will be digital
- ▶ **Clients need to be at the very centre of the change** in terms of improved services and channels, and in solutions which meet real needs, some clients will need very different solutions
- ▶ Institutions have to see the need for change, desire change, and be prepared to **invest in change**
- ▶ Institutional change needs to be backed up by an **enabling policy and regulatory environment and an evolving digital ecosystem**
- ▶ **Digital transformation is a journey**, not a destination. This means, that there are many paths to digitisation, some faster, some slower, some more costly, some less expensive
- ▶ **Not being on a digital transformation journey is an untenable position for almost all institutions** - the scope, scale and timelines may vary
- ▶ **Each institution starts at a different point** on the journey and has different capacity to implement digital transformation
- ▶ Digital transformation need to **account for and mitigate client risks**

Responsible digital transformation of financial institutions entails



Responsible digital transformation strategy pillars

- Drive customer trust
- Enhance awareness of financial products and services
- Incorporate human access points
- Build right technology architecture/ platforms and data structure that facilitate analytics
- Partnerships to operationalize digital banking (including FinTechs)
- Use data for decision making
- Emphasize on responsible elements within services, channels, processes, technology, and user experience

Financial institutions will have to leverage on investors, donors, infrastructure players, third-party service providers, and others as they carry out digital transformation responsibly and sustainably.

MSC is recognized as the world's local expert in economic, social and financial inclusion



International financial, social & economic inclusion consulting firm with **20+** years of experience



180+ staff in **11** offices around the world



Projects in **~50** developing countries

Our impact so far

300+
clients

>750
publications

Assisted development of digital G2P services used by **700 million+** people



Implemented **>750 DFS projects**

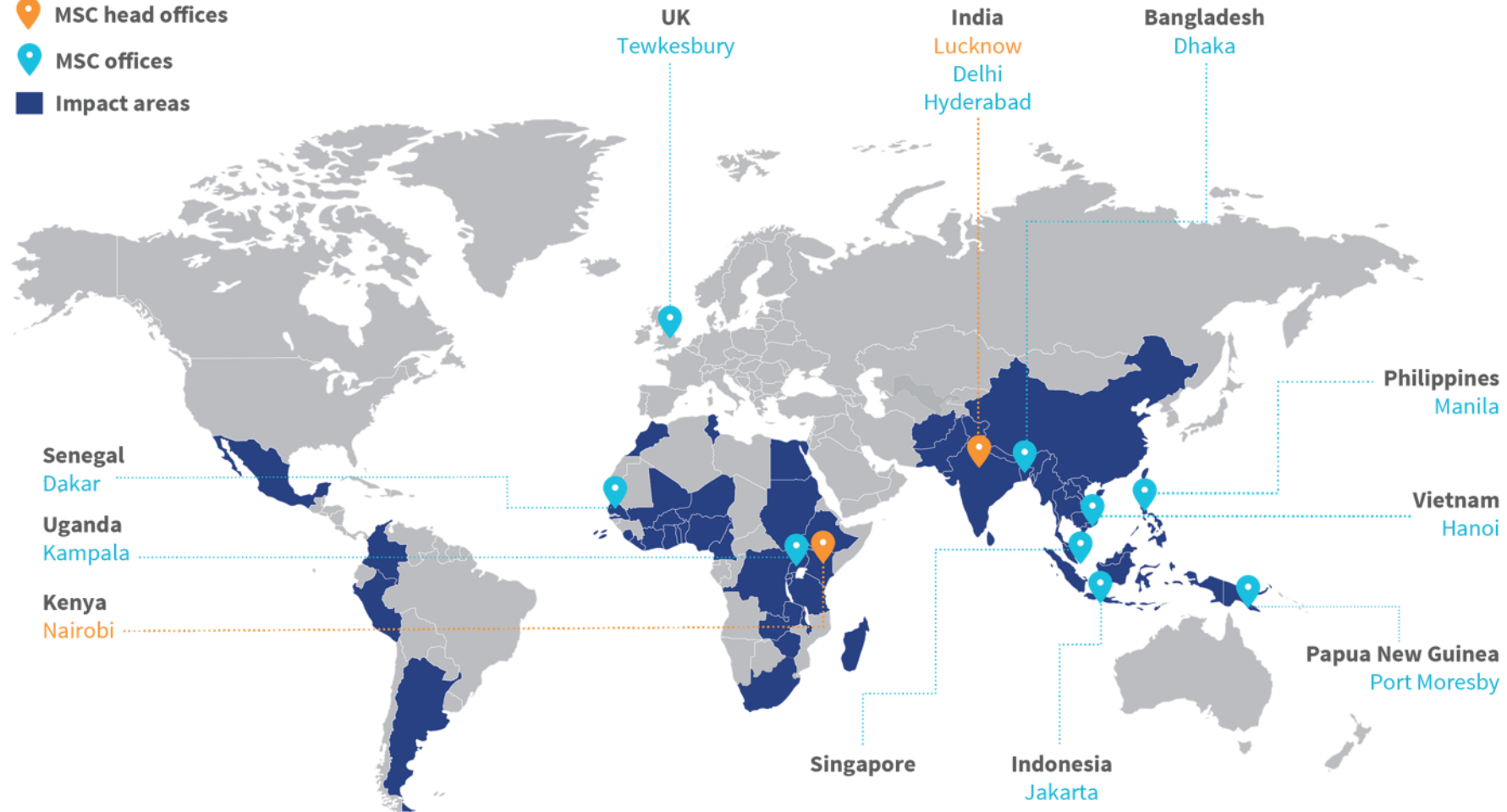
Developed **250+ FI products** and channels now used by **50 million+** people

Trained **8,000+** leading FI specialists globally

Some of our partners and clients



-  MSC head offices
-  MSC offices
-  Impact areas



[MSC corporate brochure](#)

Contact us at info@microsave.net

Asia head office

28/35, Ground Floor, Princeton Business Park,
16 Ashok Marg, Lucknow, Uttar Pradesh, India 226001
Tel: +91-522-228-8783 | Fax: +91-522-406-3773 | Email: manoj@microsave.net

Africa head office

Shelter Afrique House, Mamlaka Road,
P.O. Box 76436, Yaya 00508, Nairobi, Kenya
Tel: +25-420-272-4801 | Fax: +25-420-272-0133 | Email: anup@microsave.net

