

Welcome to all Participants!!

**We will be commencing the session shortly, please remain
logged in**

Digital Payments for MFIs

July 2020

An orientation session to guide how MFIs can create and implement a digital payments strategy



M-CRIL - incorporating EDA Rural Systems
inclusive microeconomics



Before we get started

Muting yourself

- All participants have been muted upon joining.
- **To unmute, raise your hand** (using the function at the bottom of your screen) and the moderator will unmute you
- When you're not speaking, please keep yourself on mute to minimize background noise

Sharing your questions

- Questions can be raised in the chat box or Q&A section. Both are located on the bottom of your screen. You can type your questions in this functionality
- You can send your comments and questions to everyone or send them directly to the host

Introduction

Training Introduction and Objectives

- Defining Digital payments and implementation considerations
- Approach and Framework for a digital payments strategy
- Developing a decision matrix for implementing digital payments
- Operationalizing Implementing digital payments for MFIs
- Q&A

Session Plan

Session 1: Digital Payments Strategy and Imperatives

- Approaches to Digital Payments
- Building your digital payments strategy : taking a customer-centric approach
- Imperatives for making digital payments a success

Session 2: Operationalizing Digital Payments

- Decision matrix for enabling digital payments
- Walk through of steps involved in enabling digital disbursements and collections

Session 1: Digital Payments Strategy and Imperatives

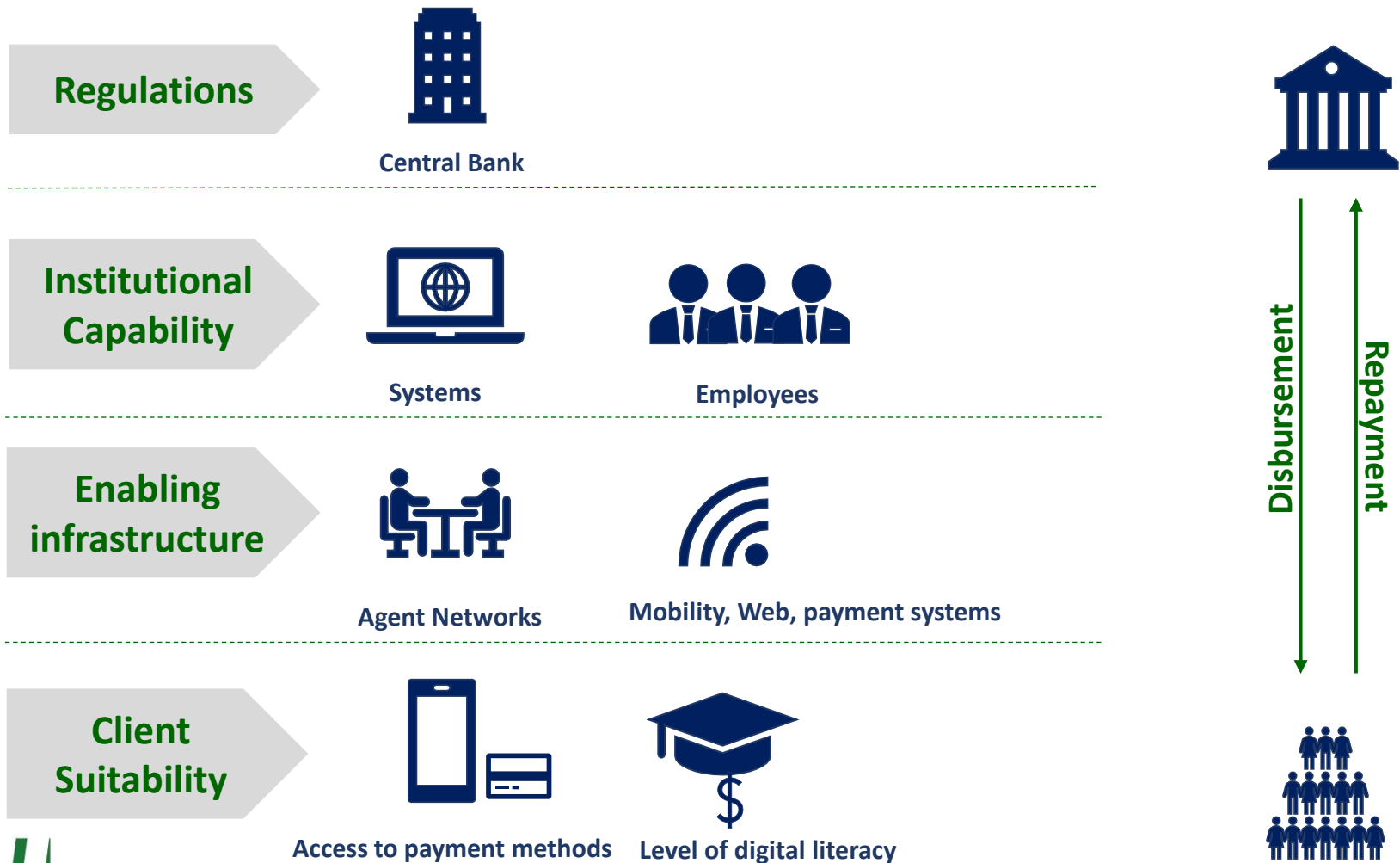
Defining Digital Payments for MFIs

Digital Payments would mean executing payments through a **digital transactional platform** which **enables a customer to use an electronic interface (can be a device) to make or receive payments and to store value electronically** with a bank/nonbank/financial institution permitted to store electronic value.

The two key factors which define digital payments are:

- 1.The nature of the Payment instrument:** through which means—paper or digital—are the instructions carried.
- 2.The Payer-payee interface :** whether the payer, payee, or both use an electronic medium in a payment transaction.

The Ecosystem: Digital payments for MFIs



What is the first step you take while considering or implementing digital payments for your customers?

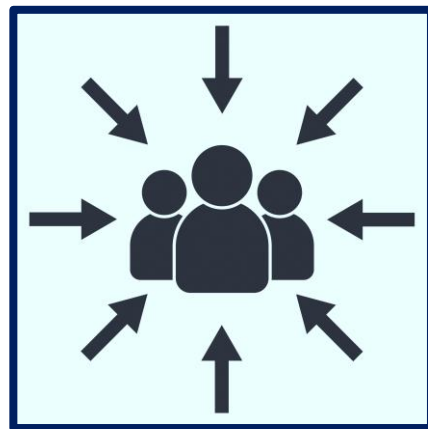
Answer the question using the available options on your screen

Approach to Developing a strategy



Traditional Approach 

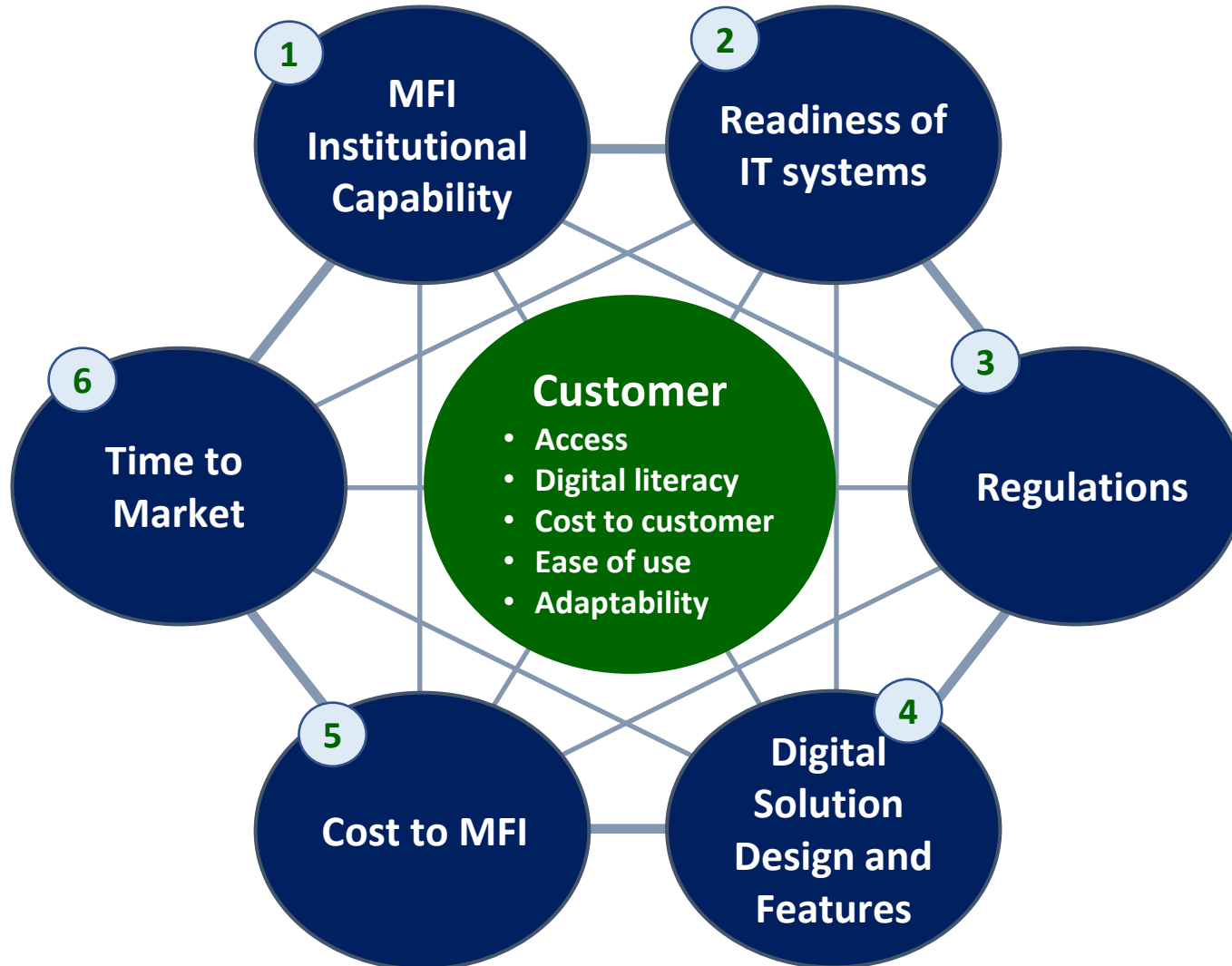
Examine available solutions and provide the best available (according to cost, ease of implementation, quick deployment) to customers



Customer centric approach 

Building a solution by **mapping the journey** from the **customer outwards** considering each aspect of the roll-out in a step-by-step manner

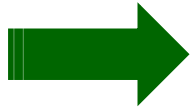
Customer Centric Digital Payments Strategy



How to build a Digital Payments Strategy?



Describe the customer(s)



Access-Location

Rural

Semi-rural

Urban

Access-Technology

Feature phone
phone

Internet connection

Smart

Digital literacy

Low

Medium

High

Ease of use

Self initiated

Need assistance

Difficult

Cost to customer

Low fee

No charge

High cost

Adaptability

Digital Apps user

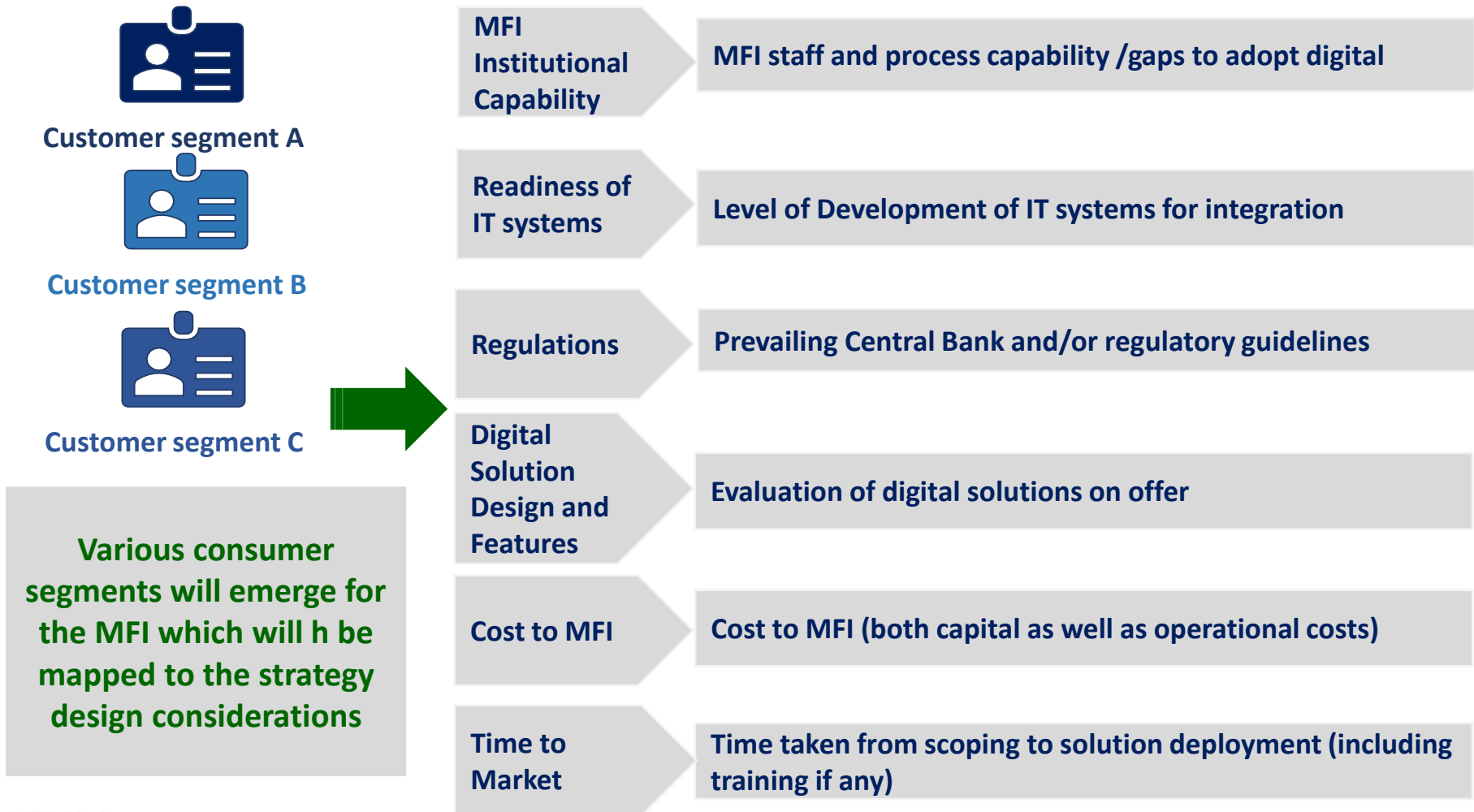
Basic Digital usage

No App usage

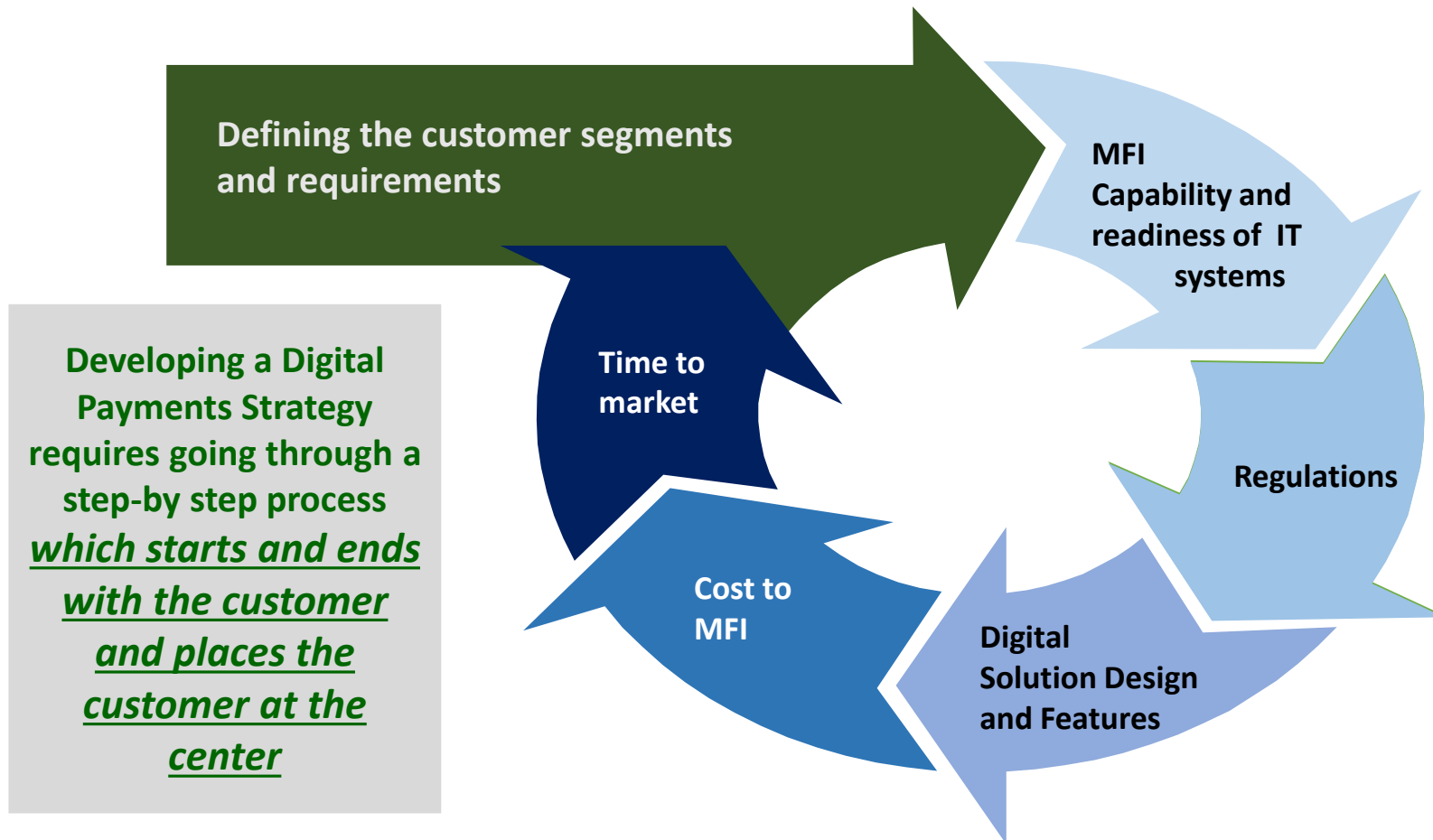


Using a Decision Continuum to identify and segment your/MFIs customers

How to build a Digital Payments Strategy?



Digital Payments Strategy Framework



Imperatives for Digital Payments

The **four imperatives** to make digital payments a success

Customer protection

Risk management

**Incentives to encourage
customer adoption**

**Orienting/training your
team to make digital
payments work**

Imperatives for Digital Payments

Customer Protection

Objectives

Digital payment solution follows customer protection principles

Activities

- Ensure that the digital payments solution is transparent, has no instances of overcharging, mis-selling or fraudulent transactions with customers
- Make sure customers have access to grievance redressal process
- Ensure customer data is protected

Results

Digital payments solutions which offer the assurance of customer protection being a key factor of the implementation

Imperatives for Digital Payments

Risk Management

Objectives

Activities

Results

Managing risks of Digital Payments

- Implement a risk management framework
- Ensure proper governance and administration of the framework with relevant staff assigned specific duties
- Make sure that checks are conducted to guard against risks (a proactive approach)

Organisations are protected and guarded against the risks inherent in digital payments

Imperatives for Digital Payments

Staff training

Objectives

Staff are ready and oriented towards offering digital payments

Activities

- Conduct detailed trainings with staff before offering a digital option
- Orient regularly to make staff comfortable in using the digital tools
- Staff complaints or concerns on digital payments usage – develop a mechanism to capture, address/rectify

Results

A Digital payments solutions which the MFI staff is ready, willing and equipped to fully use and introduce to the customer

Imperatives for Digital Payments

Customer Incentives

Objectives

Customer uses the digital payment solution

Activities

- Ensure that the digital payments solution has inherent benefits for customers
- These benefits can be explicit or implicit
- Ensure a campaign around building awareness of these benefits

Results

A Digital payments solution which truly benefits customers

What according to you is the major constraint in customers adopting digital payments?

Answer the question using the available options on your screen

Session 2: Operationalizing Digital Payments

Session design

This session will focus on two elements:

- Decision matrix for enabling digital payments
- Process walk through for operationalizing Digital disbursements and repayments/collections

Decision matrix for enabling digital payments

Decision matrix for enabling digital payments

DECISION MATRIX ELEMENTS



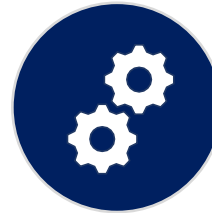
Define

Where do you want to go?



Assess

What do I have?
What do I need?



Build

What resources should I deploy?



Implement

How do I make it happen?

Decision matrix for enabling digital payments

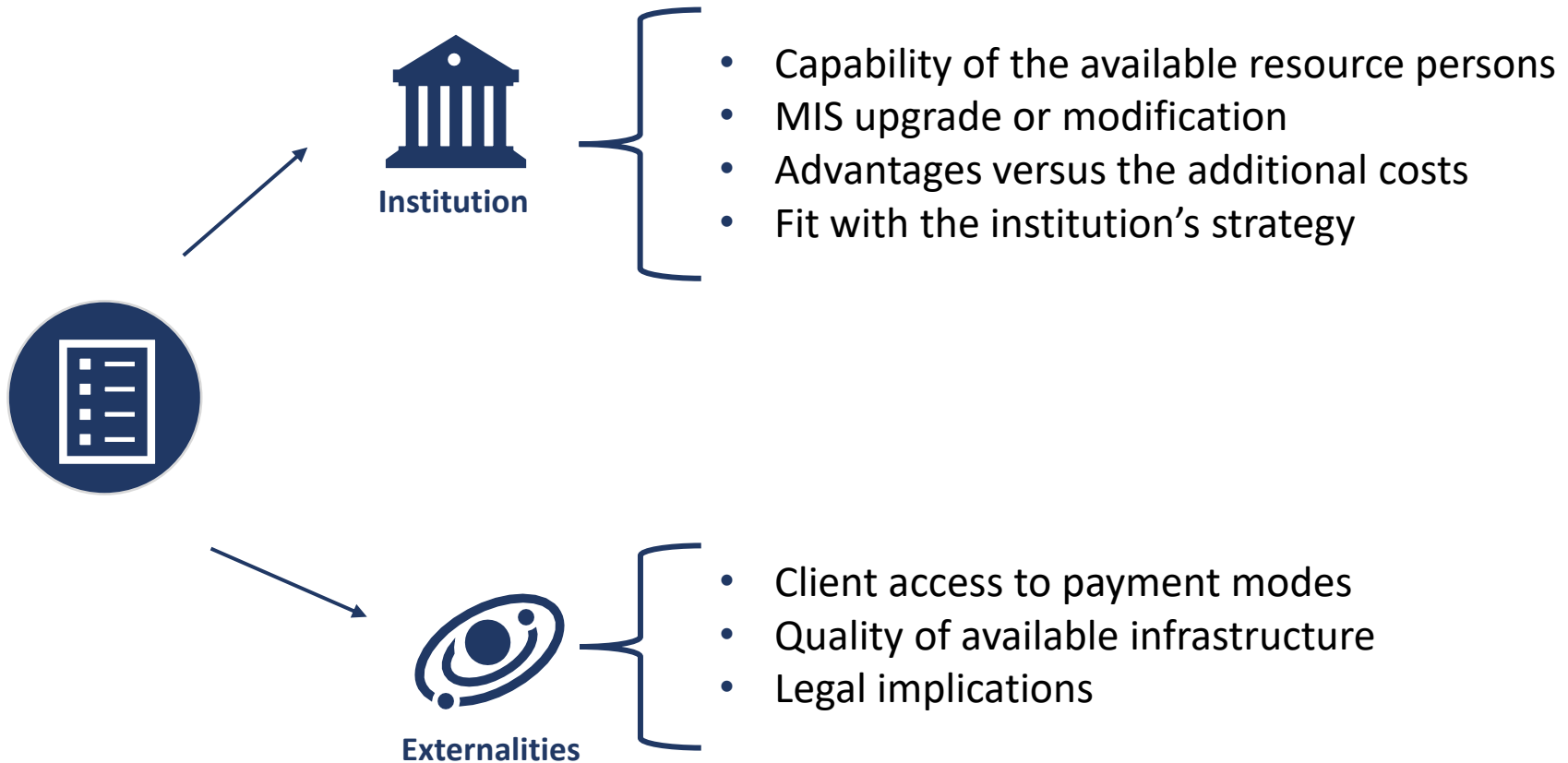
DEFINE



- Accessibility: majority of customer base
- Customer Segmentation: different payment modes
- Costs
- Time to market of product
- Time to reconcile backend
- Short-term fix or long-term strategy

Decision matrix for enabling digital payments

ASSESS



Decision matrix for enabling digital payments

BUILD



- Cross-functional team to drive the initiative
- Create a Competency Matrix and delegate tasks
- Align institution's backend with the payment system
- Conduct a quick pilot – identify gaps and fix
- Train all employees
- Develop communication strategy for stakeholders

Decision matrix for enabling digital payments

IMPLEMENT



- Orient customers on the payment method (s)
- Encourage using rewards/discounts to customers
- Offer incentives to concerned staff for increasing usage
- Link to business strategy: management's KPIs
- Communicate extensively with customers
- Retrain staff and customers

Decision matrix for enabling digital payments

Define	Assess	Build	Implement
Customer repayment of loans	Capability of the available resource persons	Creating Cross-functional team to drive the initiative	Orient customers on the payment method
%age of customers capable of accessing mobile wallet	Advantages versus the additional costs	Conduct a quick pilot – identify gaps and fix	Define KPIs for project
%age of customers having smart phone	Develop communication strategy for stakeholders	Communicate extensively with customers
Customer training required	Client access to payment modes	Create a complete process walk through*
.....
.....
.....

*Explained in further slides

Process walk through for operationalising Digital disbursements and collections

Building customer personas

ACCESS TO PHONE (NONE->FEATURE->SMART)

BANKING, AGENT INFRASTRUCTURE (NIL->ADEQUATE)

LOCATION (RURAL->URBAN)

DIGITAL LITERACY (LOW->HIGH)



Persona 1

Urban, Age <40, Has a smart phone

Can do self-initiated digital transactions

Persona 2

Semi-Urban/Rural , Age >35, Has a feature phone

Can do assisted digital transactions

Persona 3

Rural , Age 45, Has a feature phone but is used by household

Needs extensive assistance for digital transactions

Building customer personas

For discussions we are using three persona types

Persona 1

Customer can do self-initiated digital transactions

Persona 2

Customer can do assisted digital transactions

Persona 3

Customer needs guidance to do assisted digital transactions

Building customer personas



Persona 1

- **Can do self initiated digital transactions**
- Likely to be less than 40 years of age and in an urban or semi-urban location
- Has a smart phone or has easy access to one. Also has access to agents
- Is likely to be operating a Small or Medium enterprise

Integration

- MFI integrates its CBS/MIS with bank, e-wallet provider using middleware or API integration
- MFI releases funds

Action: MFI need to build process for fund reconciliation and update the database/MIS

1

Disbursement

- Client bank account or e-wallet credited with loan amount and client withdraws through agent or other means (ATMs, POS)

Action: MFI needs to ensure payments solution is intuitive and captures all terms of the loan

2

Repayment

Client repays through, USSD, App or internet banking

Action: MFI needs to ensure the digital repayment process and charges are understood by the user

3

Reconciliation

- MFI reconciles funds with Digital payment provider

Action: MFI needs to have a realtime online API based integration and accordingly devise its processes

4

Building customer personas



Persona 2

- **Customer can do assisted digital transactions**
- Likely to be more than 40 years of age and in semi-urban or rural location
- Has a feature phone or basic phone and has access to an agent location
- Is likely to be an individual sole proprietor of business

Integration

- MFI integrates its MIS with bank, e-wallet provider using middleware or API integration
- Agent is aware of MFI product
- MFI releases funds

Action: MFI needs to train agents to handle its loan disbursements

1

Disbursement

- Client visits agent location with ID documents, unique code
- May use biometric or PIN based identification

Action: MFI needs to ensure change management is done for customer and staff are aware of these processes

2

Repayment

Client visits agent to deposit amount to FSP's e-money account (QR code, card, biometric)

Action: MFI needs to ensure the agents are at suitable locations

3

4

Reconciliation

- MFI reconciles funds with Digital payment provider

Action: MFI needs to have an integration with FSP to have account of funds at the end of day

Building customer personas



Persona 3

Customer needs guidance to do assisted digital transactions

- Likely to be more than 45 years of age and in semi-urban or rural location
- Has a feature phone or basic phone but that may also be a household device
- Would be an individual with small business activity (mostly farming related)

Integration

- MFI and FSP co-develop a process for transactions
- **Action: MFI needs to develop a customized process with intuitiveness for users including handholding through a considerable period**

Disbursement

- MFI releases payment to loan officers
- They make assisted payment through electronic fund transfers or wallets
- **Action: MFI staff needs to be trained and guide customers through this process**

Repayment

- Agent visits client along with MFI staff to collect payments through non smart phone means
- **Action: MFI needs to manage costs, time and visits while developing digital payments behaviour among customers**

Reconciliation

- MFI reconciles funds with Digital payment provider on a daily basis and also tallies with field reports as processes are partially manual
- **Action: MFI needs to have an integration with FSP to have account of funds at end of day and also facilitate daily upload of field reports of transactions. Both would have to be reconciled**

Technical Assistance Facility Digital Readiness

M-CRIL: Digital Finance Diagnostic for MFIs

M-CRIL provides Technical Assistance to MFIs in the form of a 'Digital Finance Diagnostic'

- The Digital Finance Diagnostic aims to provide
 - a. an assessment of the digital readiness for the MFI, and
 - b. develop a unique, customized and tangible roadmap for digital transformation of an MFI
- It is suitable to various country contexts and MFI size of operations

M-CRIL: Digital Finance Diagnostic for MFIs

Digital Finance Diagnostic : Focus Areas



**Loan officer
efficiency**



**Customer
engagement
and feedback**



**Digital Credit
decisioning**



**New products
and
partnerships**



**Digitizing
processes and
monitoring
tools**

M-CRIL: Digital Finance Diagnostic for MFIs

Digital Finance Diagnostic deliverables will be as below



Examine & Benchmark

Current digitisation status

It will carefully look at the current status of digitisation, benchmark it and also evaluate progress against the MFI's stated goals



Design Customized digital gains

The deliverable will include MFI specific advisory on areas, processes and partnerships from a digital perspective that the organisation should adopt or build



Build ground-up Strategy

for digitalisation

The diagnostic will help build a comprehensive strategy roadmap for digitization of the MFI in line with country, regional and industry norms

About RIFF-SEA

Responsible Inclusive Finance Facility for Southeast Asia (RIFF-SEA)

The RIFF-SEA offers the following trainings:

- Responsible Inclusive Finance Training
- Client Protection Training
- SPI4 Auditor Training
- Training TA providers on client protection or SPM

The RIFF-SEA provides co-financing to financial institutions for the following activities:

- SPI4 assessment plus additional support
- Client protection assessment
- **Digital readiness assessment**
- Upgrade project
- Specialized training on an aspect of SPM of the MFI's choosing
- Social rating



About RIFF-SEA

During the COVID-19 crisis, RIFF-SEA has modified its protocols to better assist financial service providers:

- A simplified application form is online
- Applications can be reviewed biweekly instead of quarterly.
- Up to 80% of the project costs can be co-financed up to a maximum of \$18,000.
- Topics that can be covered have been expanded to include more COVID-related issues.
- **Technical assistance related to digital readiness or digital payments (as discussed in today's training) would be part of this facility**

<http://sptf.info/resources/riff-sea>

Questions

Thank You

Please send any feedback or further questions to emails below:
achin@m-cril.com or katiehoffmann@sptfnetwork.org