



European Microfinance Award 2018

Financial Inclusion through Technology

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

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European Microfinance Award 2018



European Microfinance Award Background

The European Microfinance Award is a prestigious annual €100,000 award, which attracts applications from financial institutions around the world that are innovating in a particular area of financial inclusion. The Award was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs – Directorate for Development Cooperation and Humanitarian Affairs, and is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, the European Microfinance Platform (e-MFP) and the Inclusive Finance Network Luxembourg, in cooperation with the European Investment Bank. It serves two parallel goals: rewarding excellence, and collecting and disseminating the most relevant practices for replication by others.

Previous editions addressed the following subjects:

2017 Microfinance for Housing

Winner: Cooperativa Tosepantomín (Mexico), for its holistic housing programme serving rural communities and promoting environmental responsibility.

2016 Microfinance and Access to Education

Winner: Kashf Foundation (Pakistan), for its programme to serve low-cost private schools.

2015 Microfinance in Post-disaster, Post-conflict Areas & Fragile States

Winner: Crédit Rural de Guinée S.A (Guinea), for its innovative response to the Ebola outbreak in Guinea.

2014 Microfinance and the Environment

Winner: Kompanion (Kyrgyzstan), for its Pasture Land Management Training Initiative.

2012 Microfinance for Food Security

Winner: ASKI (The Philippines), for its micro agriculture loans for smallholder farmers and agribusiness and support to market linkages to private sector enterprises.

2010 Value Chain Finance

Winner: Harbu (Ethiopia), for its initiative financing a soybean value chain.

2008 Socially Responsible Microfinance

Winner: Buusaa Gonofaa (Ethiopia), for the development of its client assessment system.

2006 Innovation for Outreach

Winner: The Zakoura Foundation (Morocco), for its programme on rural tourism.



Financial Inclusion Through Technology

The objective of the European Microfinance Award 2018 was to highlight how financial services providers (FSPs) can use technology innovations to expand outreach, broaden product offerings, improve the client experience, and increase operating efficiency, all guided by an unwavering focus on socially responsible finance.

Microfinance has typically been a costly and human-intensive process. The remoteness of target communities, and the need for the 'human touch' in providing financial services to excluded populations means microfinance is expensive to do well, and limited in how it can expand to certain segments who need it the most. As well as being costly, manual processes are also vulnerable to errors and fraud, meaning there needs to be a balance struck

between providing high quality services on the one hand, and sustainably expanding to underserved and remote segments on the other.

The financial inclusion landscape is changing quickly. Recent years have seen the acceleration of technology as a driver for facilitating communication, expanding enormously the access and exchange of information, and interconnecting instantly people and services beyond geographic, cultural and language boundaries. Relatively cheap, transformational technology solutions have been made available for a growing number of users worldwide, including women and the poor. As just one example, the adoption of alternatives to cash in developing countries (mobile money), especially in Sub-Saharan Africa¹, has immense potential to expand financial inclusion, a trend made possible

¹ GSMA State of the Industry Report on Mobile Money, Decade Edition: 2006-2016

through massive increases in connectivity and access: Internet usage in Africa overall is increasing 20% per annum; has doubled in a year in Benin, Sierra Leone, Niger, and Mozambique, and increased an astonishing six-fold in Mali since January 2017².

The key relationship between financial inclusion and the technology that enables it is increasingly well recognised. The Group of Twenty (G20) has acknowledged this synergy as an instrument to bring together the world economy in an innovative, invigorated, interconnected and inclusive way. The United Nations has made clear that technology is a crucial element for achieving the Sustainable Development Goals (SDGs): in 2012, the UN Conference on Sustainable Development (“Rio+20”) called for identifying technology facilitation mechanisms in order to eradicate poverty and reorient current unsustainable development trajectories from 2015 to 2030, highlighting that affordable technological solutions have to be developed and disseminated widely in the next fifteen years. In 2017, Member States agreed that the May 2017 High-level Political Forum on Sustainable Development (HLPF), entitled *Harnessing Science, Technology and Innovation to achieve the Sustainable Development Goals*, should focus on “*Science, Technology and Innovation for a Changing World - Focus on SDGs 1, 2, 3, 5, 9, and 14*”³. There is no doubt: the use of technology as a facilitator of progress in low-income populations is at the top of global policy-makers’ agenda.

These policy-makers understand that technology promises financial inclusion to more and more people. But technology-enabled financial services and solutions remain relatively nascent. However, a growing number of financial service providers across the world have started using a wide range of digital solutions to facilitate service delivery, collect and monitor clients’ performance data, and measure outcomes. Technology is changing the way of doing business, and its opportunities can attract new entrants into the financial inclusion sector that are



disrupting and re-shaping the *status quo* into the next era of financial inclusion.

It is not enough to develop technology by itself, though. It is crucial to take on the digital financial inclusion challenge as a *means*, not just an end: a way to reduce costs, broaden and deepen the scale of outreach to achieve universal financial inclusion, and realise technology’s promise in the context of *responsible* finance, which, with its twin focus on client protection and the social mission of financial inclusion, takes on even greater urgency with entrance of new actors and the rapid growth of financial digital services – for three main reasons as outlined by Graham Wright, MicroSave during the keynote at European Microfinance Week 2018⁴. First, technology poses risks to traditional microfinance providers with outdated and inflexible microfinance models. Second, emerging digital credit models that offer immediacy and convenience also risk a contagion of automated blacklisting of clients. And third, the emerging ‘digital divide’ caused by a demise of MFIs unable to adapt risks allowing FinTechs to serve (peri-) urban high value customers while leaving MFIs with low-value, rural areas, preventing cross-subsidisation by MFIs, and keeping low-income groups excluded from the latest technology innovations – a feedback loop that can negate all the opportunity that technology promises for poor and excluded populations.

2 Global Digital Report 2018, We Are Social, <https://digitalreport.wearesocial.com/>

3 UN Sustainable Development Knowledge Platform, <https://sustainabledevelopment.un.org/TFM/STIForum2017#2017sti>

4 <https://www.youtube.com/watch?v=aebAYn0GgsU>



The landscape of digital and technology-enabled financial service providers is extremely wide, and a variety of service providers are now active players within the microfinance ecosystem. Traditional MFIs, NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, mobile money providers, FinTech companies, Mobile Network Operators (MNOs) and Money Transfer Organisations (MTOs) are all implementing technology solutions in different ways and levels of sophistication. Technology-enabled services are increasingly the result of partnerships between different, specialised providers: the opportunities and challenges around serving the base of the pyramid do not have a single accountability centre, but instead become a shared responsibility and opportunity alike.

A Landscape of Technology-Enabled Solutions

There are several ways that FSPs can deploy technological innovations to increase financial inclusion among low-income segments. The following is not an exhaustive list, but includes some of the better-known types of initiative.

Examples of technology-enabled solutions include one or more of:

- **Technology-enabled credit:** credit services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet,

applications, credit/debit card, ATM) or digital process (e.g. technology solutions applied to marketing, origination, creditworthiness analysis, loan approval, loan disbursement, loan monitoring, loan payment, loan recovery).

- **Technology-enabled savings:** saving services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or digital process (e.g. technology solutions applied to marketing, account opening, saving deposit, saving withdrawal, account closing).
- **Technology-enabled insurance:** insurance services delivered to clients using a digital channel (mobile operator network, USSD, e-wallet, internet, applications, credit/debit card, ATM) or a digital process (e.g. technology solutions applied to marketing, subscription, premium payment, claim submission, claim settlement, contract termination).
- **Technology-enabled payment and transfer:** payment and transfer services (national and international), including services provided in partnership with other organisations, delivered to clients using a technology digital channel (e.g. mobile network operator, USSD, e-wallet, internet, applications, credit/debit card, ATM).
- **Technology-enabled delivery solutions:** technology solutions introduced on the institutional – rather than the client-facing – side, that increase outreach and efficiency of the

delivery of financial services (e.g. smartphone or tablet applications for loan officers in the field; ID verification technologies such as biometrics; innovations in client data management) that have a direct impact on service delivery to clients.

- **Technology-enabled non-financial services:** non-financial services delivered to clients using digital channels.

Assessment Criteria

The Applicants had to demonstrate good understanding of the implications of using technology-enabled solutions in the financial inclusion landscape in which they operate and the impact this has on the lives of target clients. They were expected to provide an appropriate response to clients' needs in the form of technology-enabled financial services of the type outlined above. The Applicants had to present a clear strategy that ensures the long-term sustainability of the technology used and its enabled services and a delivery of such services in a manner consistent with the principles of responsible finance and the protection of vulnerable clients.

The Applicants' commitment to addressing clients' financial needs was assessed against the priorities set out in the strategy, the specific innovation in delivery and client relationships that is made possible by the technology, the overall social responsibility towards clients, the quality and outreach of the service offered, and the impact and outcome it has made possible.

Eligibility Criteria

Eligible applicants were organisations active in the financial inclusion sector who use technology-enabled solutions to increase outreach of quality financial services to financially excluded segments. The technology had to focus on socially responsible finance for low income, vulnerable and excluded groups.



Eligible institutions had to be based and operate in a Least Developed Country, Low Income Country, Lower Middle Income Country or an Upper Middle Income Country as defined by the Development Assistance Committee (DAC) for ODA Recipients⁵. In addition, every applicant had to be supported in writing by an e-MFP member.

Various types of organisations were eligible, including MFIs (all legal forms), NGOs, cooperatives, commercial banks, local development banks, leasing firms, insurance companies, FinTech companies, mobile money providers, mobile network operators and money transfer organisations, that provide financial services to retail clients (including SME).

Selection Process

27 applications were received from 22 countries. The organisations were diverse, comprising a mix of traditional microfinance providers as well as new entrants, including 8 non-bank financial institution (NBFI), 4 FinTech companies, 4 microfinance banks, 4 NGOs, 3 commercial banks, one cooperative, one agent network aggregator, one credit bureau and one mutual.

The applications went through a three-step process. In the Preselection Phase, the applications were assessed to ensure that all preselected applicants

⁵ http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf



demonstrated sufficient financial performance and that the technology initiatives and strategies presented for the Award were meaningful and significant. This assessment was carried out by the Preselection Committee, composed of the e-MFP and InFiNe.lu Secretariats as well as the team of consultants supporting the Award. Preselected applications were then evaluated by the Selection Committee composed of e-MFP and InFiNe.lu members (with a total of 19 members) which selected 10 semi-finalists and, among them, the three finalists: Advans Côte d'Ivoire of Ivory Coast, ESAF Small Finance Bank of India, and KMF of Kazakhstan.



Finally, a High Jury was composed of seven members and presided over by Romain Schneider, Luxembourg's Minister for Development Cooperation and Humanitarian Affairs, evaluated the three finalists and reached a decision on the winner, which was announced at the Award Ceremony on the 15th November 2018.

Winner, Finalists and Semi-finalists of European Microfinance Award 2018

Institution	Country	Category
Advans Côte d'Ivoire	Ivory Coast	Winner
ESAF Small Finance Bank	India	Finalist
KMF	Kazakhstan	Finalist
Banco de Ahorro y Crédito ADOPEM	Dominican Republic	Semifinalist
First Merchant Bank	Malawi	Semifinalist
Fundación Microfinanciera Hermandad de Honduras, OPDF	Honduras	Semifinalist
KKB Kredi Kayit Burosu A.S.	Turkey	Semifinalist
Musoni Microfinance Ltd.	Kenya	Semifinalist
National Microfinance Foundation	Yemen	Semifinalist
Prabhu Management Pvt. Ltd	Nepal	Semifinalist



European Microfinance Award 2018 Ceremony

Advans Côte d'Ivoire (Advans CI) of Ivory Coast was announced as the winner of the European Microfinance Award 2018 by Luxembourg Minister for Development Cooperation and Humanitarian Affairs, Mr. Romain Schneider, at a ceremony at the European Investment Bank on 15th November 2018. Advans CI won for its innovative digital savings and credit solution, in partnership with a leading MNO, for cocoa farmers. The High Jury reported a close decision, with outstanding applications from the two other finalists, ESAF Small Finance Bank of India, and KMF of Kazakhstan.

The ceremony at the European Investment Bank (EIB) involved speeches by Dr. Werner Hoyer, President of the EIB; Mr. Romain Schneider, Luxembourg Minister for Development Cooperation and Humanitarian Affairs; and a keynote speech by Michael Schlein, President and CEO of Accion.

In his welcome, Dr. Hoyer observed that we are living in an era of technology that has brought tremendous benefits to our lives, and can be a clear driver of change through disruptive business models in



inclusive finance. Dr. Hoyer advocated partnerships with FinTechs and regulators and implored the sector to embrace the clear and significant challenges that the FinTech revolution brings, and not to shy away from them.

“Digital financial services, and especially mobile money, are a clear driver of change, via disruptive business models. It clearly has tremendous potential to move us to the next level of financial inclusion”, said Dr. Hoyer.



Michael Schlein, President and CEO of Accion gave a keynote address, in which he said that each of the three finalists exemplifies the 'digital revolution', and described them all as "pioneers and role models". They represent Accion's – and all of our – vision to create a financially inclusive world. MFIs have led this movement for decades - to borrow, to save, and contribute to economic and social development of communities around the world. It is a movement that reaches 200 million people today. However, microfinance's two greatest contributions, he said, are *indirect*: "changing how we think about the Base of the Pyramid- that we need to harness capital markets; and secondly, showing you can have great social impact and strong financial returns...impact investors and entrepreneurs are following that lead", he said.

Referencing the 2017 Global Findex, which showed pace of progress slowing, reduced resiliency among low-income groups since 2014 and 1.7 billion people still excluded, he observed that there remains much more to do, and it is a "failure of imagination" on our part that keeps 3 billion people left out of or poorly served by the financial system. Technology can create value for the customer, and if MFIs are ambitious, Mr. Schlein argued, they will ensure the customer is "at the centre".

How will we get to these 3 billion people? "By harnessing new technology to lower cost and improve products and services...new technology shows us that there is no such thing as a transaction

too small to be commercially viable" in the "golden age of FinTech", Mr. Schlein said.

Even though we have gone "from data scarcity to data abundance", 'thin file' customers are being rejected not because they have bad credit but because they have no history at all. There is much that can help with this, Mr. Schlein argued, from electronic invoices to satellite data, all informing decision-making – and early stage companies are using these sources to make decisions sooner. This is the heart of FinTech innovation. Technology is also changing people's behaviours and expectation. "We demand that banking become instantaneous and can be done anywhere. We used to think of financial credit scores as a 'black box'; now it is possible to add to one's own credit profile by uploading data such as utility bills."

Finally, we used to think about FinTech versus the banks as a sort of competition, he said. But now, we see it is all about partnerships. "When we can combine the innovation of FinTech with the scale and experience of larger financial institutions, we can really expand financial inclusion", he said.

As with previous ceremonies, there was a follow-up profile of the previous year's winner, and so a video was presented of Cooperativa Tosepantomin's work in low-income housing during the past year, which showed that as a result of the 2017 Award, over 1000 families were now investing microcredits into sustainable technologies, part of an overriding focus at the cooperative on clean energy finance.



Before the announcement of the winner of the 2018 Award, films documenting the technology initiatives of Advans CI, ESAF Small Finance Bank and KMF were shown, followed by a speech by Romain Schneider, Luxembourg's Minister for Development Cooperation and Humanitarian Affairs.

Mr. Schneider outlined the work the Luxembourg Government is doing in expanding financial inclusion, especially in the context of achieving the Sustainable Development Goals. Technology can help by improving transparency, offering new channels, and at the macro level promoting growth and stability for the economy. "For people living on a few dollars a day, access to the Internet, and in rural areas, even basic technology, is the first gateway to information, education and financial services – and even access to basic social services".

Mr. Schneider argued, however, that the potential for digital financial services remains largely unexploited. For many MFIs, the embrace of technology means the risky rethinking of business models. But it is imperative that all aspects of finance undergo digital development, he said, emphasising the High Jury's

explicit message that they asked to be relayed, that "we must put the customer at the core of digital financial services". Customer protection has become even more important in the context of the advance of financial technology, and "not all actors have the same approach and capacity for maintenance of social performance".

Mr. Schneider finished by commending the three finalists for how they have creatively used technology to improve their services, and said that "the real winners are the clients or future clients, who will have affordable quality, financial services facilitated by technology".

The members of the High Jury were then welcomed on stage, and Advans CI was announced as the winner, with the prize accepted by Albert Sié Dah, Head of Agriculture Operations. In his short acceptance speech, he thanked the organisers, including the Government of Luxembourg, e-MFP and InFiNe.lu, and promised to use the prominence that the Award offers to talk to other providers, share their experiences openly, and work for all of those excluded from traditional financial services.



Advans Côte d'Ivoire Ivory Coast

Snapshot

Advans Côte d'Ivoire (Advans CI) is a NBFi in the Ivory Coast which offers payment, saving and credit services enabled by an Advans account linked to a MTN mobile money account. Advans CI has responded to traceability and safety issues faced by cooperatives paying cocoa farmers, as well as low school enrolment due to lack of regular cashflow among farmers, by offering its digital savings and payment solution with wallet-to-bank and bank-to-wallet transfer services, enabling producers' cooperatives to make digital payments to farmers for their crop revenue. Since 2017, Advans CI has provided small digital school loans, based on an algorithm reflecting farmers' cashflows. Advans CI was noted by the Award evaluators



for its thoughtful and holistic solution to an identifiable problem, and its negotiation on behalf of its farmer clients.

Type of intervention	Payment, saving and credit services enabled by Advans account linked to MTN mobile money account
Country	Ivory Coast
Year of establishment	2009
Legal status	Non-bank financial institution
Number of clients 2017	
Total	90,854
Technology	14,418 (active 1,036)
Outstanding portfolio 2017 (EUR)	
Total	108,918,114
Technology	39,402
Number of branches	15
Number of staff	617
e-MFP supporting member	Advans International and CGAP
Website	www.advanscotedivoire.com



Institutional Profile

Advans Côte d'Ivoire (Advans CI) is a non-bank financial institution with a mission to support bottom of the pyramid micro, small and medium entrepreneurs (MSMEs) in Ivory Coast. Founded in 2012 by Advans International, Advans CI offers credit, voluntary saving, insurance and payment services to SMEs (entrepreneurs, traders, artisans) and cocoa producers - 15% of its total clients. In addition, training on mobile banking and loan management is provided to farmers and cooperatives.

Financial Inclusion & Technology Context

The 800,000 small cocoa farmers in Ivory Coast contribute to up to 10% of the country's GDP. The sector is vital for the economy, yet 72% of farmers are below the national poverty line. Less than 10% of the small cocoa farmers in Ivory Coast have an

account at a financial institution, due to the poor infrastructure in rural areas, the geographic scattering of producers and the unforeseeable seasonal and macroeconomic factors that can negatively impact them. The low financial inclusion of farmers obliges cooperatives to pay their member farmers in cash, limiting the transparency and traceability of payments and exposing farmers to the risk of violent robberies. In addition, the lack of formal accounts to manage the budget and household finance does not help mitigating farmers' vulnerability to unforeseen events. The majority of smallholder farmers believe that access to a bank account (82%), a mobile money account (80%) and loans (63%) are very important for their household (CGAP survey). 86% of farmers have already used a mobile phone, but 47% of cocoa farmers with an Advans account are illiterate. Advans cocoa producer clients have on average 4 children of school age; 40% of them have to send their children to school 2 months late because funds are not available at the beginning of the year.



Technology Intervention

Since 2015 Advans Côte d'Ivoire (CI) has offered a digital saving and payment solution to cocoa farmers and cooperatives (value chain approach) including an Advans account linked to an MTN mobile money account, wallet to bank and bank to wallet transfer services. Producers' cooperatives make digital payments to the farmers for their crop revenue. Farmers in rural areas can withdraw or deposit funds on their Advans accounts through local MTN mobile money agents, or make other digital payments and transfers. Advans CI also successfully negotiated free MTN transfers between mobile wallets and Advans accounts for their farmer clients – the first time this had happened in the Ivory Coast. Since 2017, small digital school loans are also available: farmers apply for a loan on their mobile, get automatically assessed based on their savings and previous financial history, and, if eligible, receive their loan through a digital transfer. The loan is repaid in three month's time, with the crop revenue. Financial inclusion field agents are also deployed by Advance CI to raise awareness on savings and assist farmers in the villages with the use of the USSD menu (four visits per year). Advans CI was supported by CGAP to deploy the digital saving solution and study the feasibility of the digital school loan.

Impact

As of April 2018, Advans CI digital credit and savings initiative had 14,418 dedicated savings accounts, and 243 active digital school loans. Advans CI's plans include to capitalise on the current branchless banking solution in order to accelerate financial inclusion for farmers through scaling up the digitisation of crop payments for farmers; rolling out the solution in several value chains; developing a full range of tailor made products and services for farmers, including microinsurance, loans and savings plans; improving clients' financial literacy to encourage them to save through proper training of Advans staff and agents; and further developing alternative delivery channels and digital finance services for farmers, including agency banking and mobile financial services.

By end-2021 it is envisioned that 120,000 farmers in Ivory Coast will have opened a saving account and will be paid for their crop proceeds directly on their account, reducing the risk of misuse of their revenues or theft; 20,000 farmers will also have subscribed to life and/or health insurance; 15,000 will have access to digital automatic loans on the USSD menu to better manage key projects; and all these clients will be served through adapted delivery channels, including mobile banking and agency banking, so as to facilitate their daily banking operations.



Use of the Award

Advans CI intends to use the prize money from the Award to conduct a survey on the impact of Advans CI's saving package on cocoa farmers living conditions; hold a seminar to share the Advans CI experience and encourage replication within the other 10 affiliates of the Advans Group; and support Advans Myanmar, Advans Pakistan and Advans Congo in market studies and pilot preparations to replicate Advans CI's technology-enabled activities.





ESAF Small Finance Bank India

Snapshot

ESAF Small Finance Bank (ESAF SFB) is an Indian MFI that is leveraging the rapid expansion of mobile phone and smartphone penetration in India to digitise a wide range of its lending processes, in particular customer onboarding, electronic applications, customer financial training, credit appraisal, in-field verification, mandatory customer identity and address verification using eKYC, as well as opening of accounts, cashless disbursement and paperless collections of loan repayments. ESAF Small Finance Bank was noted by the Award evaluators for its huge outreach (over 2.3 million clients benefitting from its technology-led



solutions) and its twin focus on back and front end solutions.

Type of intervention	Loan sanctioning in digital mode (tablets connected to the core), ATM cards to customers, repayment electronically recorded
Country	India
Year of establishment	1992 as a Charitable Society Transition to bank-2017
Legal status	Bank
Number of clients 2017	
Total	2,497,563
Technology	2,316,742
Outstanding portfolio 2017 (EUR)	
Total	509,984,000
Technology	548,891,000 (March 2018)
Number of branches	309
Number of staff	5,204
e-MFP supporting member	FMO
Website	www.esafbank.com



Institutional Profile

ESAF was originally founded in 1995 with a mission to provide developmental opportunities to the underprivileged by creation of self-sustainable groups to address the social issues of poverty and unemployment. ESAF started Micro Enterprises Development (“MED”) program for women in the year 1995. In 2006, ESAF took over a Non-Banking Finance company and was renamed as ESAF Microfinance and Investments Pvt Ltd to bring the microfinance operations under a proper regulatory framework to ensure optimal scale and viability. In 2018, ESAF Microfinance received a license to operate as a Small Finance Bank, with a mission to provide responsive banking services to the underserved and un-served households in India facilitated by customer-centric products, high quality service and innovative technology. ESAF SFB seeks to service a wide range of clients from very poor and low-income self-employed entrepreneurs and farmers, to middle and high-income individuals. ESAF SFB offers various non-financial services (i.e. financial literacy and skill trainings, awareness campaigns of the environment, health, etc.). The great majority of operations are concentrated in Kerala (51%) and Tamil Nadu (25.1%).

Financial Inclusion & Technology Context

India is experiencing a spectacular penetration of mobile phones with 85% of the population having a subscription, nevertheless the internet outreach is still moderate (29%) due to limited connectivity and poor reliability of the network, especially in rural areas. Digital literacy is also lacking behind especially in the rural context. Despite the constant growth in outreach, more than 50% of the population, in particular women and rural, remain excluded from the formal financial sector. Microfinance clients have traditionally been served by labour intensive hard paper documentation, and technological solutions would be often affected by a certain level of distrust. Nevertheless, technologic solutions are emerging, thanks to more widespread use of biometric authentications and enhanced use of tablet technology.

Technology Intervention

ESAF SFB has digitalised a wide range of lending activities, in particular: customer onboarding, electronic applications, customer financial training, credit appraisal, in-field verification, mandatory customer identity and address proof verification using eKYC, accounts opening, cashless disbursement and paperless repayment collections. Field officers are now equipped with internet connected tablet, capable of scanning biometric identity (using the iris)



of applicants and QR code in Aadhaar Card (a widely available biometric based Identity number issued by UIDAI – a government initiated program) and taking photos. Clients details are automatically transmitted for credit bureau verification, anti-money laundering checks (necessary to open a savings account with a bank) and deduplication (ensuring same person is not coming in the system with two different identities) and ESAF business rules verification. All customers are also geo-tagged. The entire loan and savings account opening documents are pre-filled generated from the system for print-out and obtaining customers signature. Clients are given ATM cards to withdraw money in convenient tranches from any ATM. Loan repayment is recorded on tablets and immediately reported on the customer account.

Impact

ESAF SFB's technology initiative has already reached over 2.3 million of its clients – over 90% of its total client base. The various back office and client-facing digital solutions has helped ESAF SFB improve

customer experience, staff productivity and ease of operations significantly. As compared to a turnaround time of almost 30 days earlier to provide the loans, 96% of customers are now given loans within 3 days. It has given a significant competitive edge to ESAF SFB field staff while also reducing the manual labour associated with the task of carrying bagful of documents, manually filling these, making mistakes, scanning, arranging cash for disbursement etc. Improved customer experience has also meant that it has become very easy for them to meet business targets on expansion and growth. Furthermore, operational risk, credit risks and compliance risks have been reduced: the strengthened backend controls leave less room for manual mistakes, and the segregated maker-checker mechanisms improve the internal controls. The treasury function and liquidity utilisation have increased their effectiveness through the real time data. Finally, staff productivity has increased between FY 2015 and 2017 from 326 to 480 clients per staff member.

FINALIST



KMF
Kazakhstan

Snapshot

KMF operates in one of the most sparsely populated regions of the world, beset by unstable telecommunications networks in the remote areas where almost half the population lives. To reach clients and improve efficiencies in this challenging context, KMF uses tablet software, developed in-house, that communicates remotely with its core banking system to ensure that loan officers, management, loan recovery and internal control teams can schedule loan officers' work, capture loan applications, make loan approval decisions, monitor and recover late loans, and conduct internal control visits in the field. KMF was noted by the Award evaluators for developing



its 'Mobile Expert' software in-house, and its response to the exceptional challenges of serving very remote clients over large distances.

Type of intervention	Tablets connected to core banking system to process loan applications, loan approvals and recovery on the field
Country	Kazakhstan
Year of establishment	1997
Legal status	Non-bank financial institution
Number of clients 2017	
Total	220,903
Technology	220,903
Outstanding portfolio 2017 (EUR)	
Total	247,993,413
Technology	247,993,413
Number of branches	110
Number of staff	1,693
e-MFP supporting member	Symbiotics SA and Grameen Credit Agricole Foundation
Website	www.kmf.kz/en/



Institutional Profile

KMF is a non-bank financial institution in Kazakhstan, established in 1997 by the Kazakhstan Loan Fund NGO and then transformed into a microcredit organisation in 2006. Among the three largest microfinance institutions in Central Asia, KMF offers credit services (individual and group methodology) to micro, small and agri businesses, as well as financial literacy trainings on family budget management and business management.

Financial Inclusion & Technology Context

The low population density (Kazakhstan is among the least densely populated countries in the world, with 0-10 persons per km²) and unstable telecom networks in remote areas constitute key barriers to financial inclusion in rural areas, where 46% of the population lives.

Technology Intervention

KMF presents an institution-facing technology solution implemented since 2014 with internal resources, called 'Mobile Expert'. 'Mobile Expert' uses software developed in house, and which is tailored to KMF's needs and not depending on third-party software providers. The software runs on tablet devices, directly connected to KMF's core banking system through the internet, for real time processing of loans in the field (at clients' premises and at KMF sale points). The menu of functions is very comprehensive, covering all the steps of the loan management process. Loan officers, management, loan recovery and internal control teams are equipped with these tablets to schedule the loan officers' work, capture loan applications, make loan approval decisions, monitor and recover late loans, and conduct internal control visits in the field – the last of which remains in pilot stage.



Impact

KMF's technology initiative has significantly improved the efficiency of KMF's operations. By reducing the time to collect loan applications, make a loan decision and issue the loan (by a factor of 2.5x) the Mobile Expert software has improved the quality of clients' service and boosted branches' productivity in a very low density context (clients per loan officer grew from 108 to 130 in the two years before the Award), and enabled fast growth and broader outreach. Technology has been accelerating this growth, which remains sustainable thanks to the sound internal controls and the expansion in

underserved areas. Further, KMF's loan products have reached a broad spectrum of clients most able to benefit: 62% are female, 66% rural, 30% work in agriculture, 12% are below 25 years, 73% married and 77% have secondary education. 10% of these clients have per capita income below the national minimum living wage and 53% have no credit history at the credit bureau. Results for agro and business loans in the period from 2010-2016 showed that 49% of clients remained in the "low income" category, 11% were upgraded to "below average income", and 40% were upgraded to higher categories (average income, above average income, high income).

High Jury Members

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United Nations Capital Development Fund (UNCDF)	Ahmed Dermish
Université du Luxembourg	Prof. Dr. Dirk Zetzsche

European Microfinance Platform

The European Microfinance Platform (e-MFP) is the leading network of European organisations and individuals active in the microfinance/financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, multilateral & national development agencies, NGOs and researchers.

Up to two billion people remain financially excluded. To address this, the Platform seeks to promote cooperation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

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