

DIGITAL LEADER BRIEF

ALTERMODUS (MONTENEGRO)

ALTERMODUS IS A NON-BANK CREDIT ORGANIZATION IN MONTENEGRO IMPLEMENTING A NUMBER OF DIGITAL TOOLS TO PROVIDE LOANS, MARKET ITS PRODUCTS AND COMMUNICATE WITH CLIENTS.

OVERVIEW

AlterModus offers digital services within the limitations of national regulation which preclude digital identification verification and electronic signatures—making an end-to-end digital credit product impossible at present.

While AlterModus's digitalization journey commenced before the COVID pandemic, the organization used the crisis as fuel to accelerate the process and support its clients through this difficult time. Importantly too, its digitalization strategy is informed by its ethos of balancing the needs of both staff and clients in everything it does. It sees digitalization as a means to simplify the lending application for clients—and streamline the loan approval, cross-selling and collection processes for staff. Having detailed data on its clients segments and general market information also helps the organization to tailor its product offering to different client segments.

At present, the national regulatory framework requires that clients visit a branch to provide their identity and sign their loan contract—so lending cannot be fully digital, as opposed to marketing and collection activities. In terms of collection services, current regulation prohibits microlenders from offering payment services—so AlterModus cannot issue payment or credit cards.

PAYMENTS AND POS PARTNERSHIP

For this reason, the organization is teaming up with MasterCard Foundation and a local commercial bank to issue co-branded cards to clients. The impetus for this initiative was research by MasterCard on the Montenegro financial landscape, which revealed that only 26 per cent of adults had access to a bank account—one of the lowest financial inclusion rates in Europe. AlterModus was approached to partner on this initiative because of its potential to reach excluded clients and bring them into the formal financial system.

To help create new consumer spending habits within an economy that is highly cash-based, the product incentivizes clients to adopt debit cards by, for instance, organizing discounts with major retailers for card-related purchases and (in future) offering installment payments via credit cards. The program also promotes the primary benefit of the card, which is that it allows clients to save time by transacting online anytime and anywhere, and that they can pay for purchases at



AlterModus's mission is to act in accordance with the best long-term interests of our stakeholders, by specializing in providing financing solutions for micro and small entrepreneurs, tailored to them and the communities in which they operate.

sales terminals without needing to first queue in the bank for cash.

Is AlterModus worried that its partnership with a commercial bank will result in its clients being poached? Interestingly, no. The two entities share goals but vary in their target markets. AlterModus targets microentrepreneurs with uncertain incomes—the bank targets salaried employees with regular (and formal) incomes. At present, the only way that the bank can reach AlterModus clients is through AlterModus—and if it transpires that a client graduates to the bank, then that should be counted as a successful result.

AlterModus also plans to introduce point of sale (POS) terminals linked to the cards—useful for when clients want to collect payments in their place of business and have their earnings be available in their account immediately without needing to queue at the bank to deposit them. The organization will bring a FinTech company on board (in consultation with its commercial bank partner) to design a POS app for smartphones and other mobile devices so clients can collect payments.

PANDEMIC INFLUENCE

The 2020 pandemic forced AlterModus to quickly adopt a new way of working. That way was digital. As lockdown forced its offices to close, AlterModus launched online loan repayments—starting with existing clients whose IDs are already in the MIS. The organization also reflects lockdown also created a culture shift among clients—who were forced to go online to meet the daily needs of their businesses and families. Clients also needed different types of support from AlterModus in these unprecedented times—and the organization wants to strengthen its ability to communicate instantly to resolve client queries, such as by launching an AI chatbox or a customer call center.

All of these changes – coupled with the continued development of its digital lending and payments platform – will undoubtedly mean changes throughout the organization, in all departments and functions, in its organizational structure and corporate culture. AlterModus has brought in external consultants to guide them through their digital transformation. To date, it has defined its aims and strategy; and it is currently working to define what information it needs from the market and from clients and how to structure it. Based on this needs analysis, it will choose a platform that is relevant and adjustable. The final step will be to take stock of the gap between their current and ideal systems, and assign workgroups for each task area. Importantly, AlterModus involves staff from all levels of the organization in this process, especially operational staff, who will be implementing digital services on a daily basis as part of their roles.

That said, AlterModus’s perspective is that digital lending should be seen as an additional service, rather than its only service. It recognizes that younger generations are more digital, and that this trend will continue. However, it recognizes that the entire point of microfinance is to have a relationship with its clients, and that relationship is best created and nurtured via face-to-face interactions. For this reason, it does not foresee that digital will represent more than 20 per cent of its business in the next five years—and that they will be first rolled out to existing clients rather than new ones. That means that it will need to have parallel processes for traditional and digital services—and processes to ensure that both are delivered with competence and care.

ALTERMODUS AT A GLANCE

Status	1997: Founded as NGO 2009: Transforms into non-bank credit organization
Portfolio	21K outstanding loans; €41m portfolio
People	130 staff; 18 branches
Services	SME, home improvement and emergency loans
Funders	Triple Jump, EBRD, EFSE, KfW, responsibility, BIB, IFC, GGF

