



Report of the

7th Annual Symposium of the Nigerian Microfinance Platform

Expanding the Frontiers of Financial Inclusion through Innovation: The Microfintech Tools

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VENUE: SHERATON HOTELS & TOWERS, LADI KWALI STREET, WUSE ABUJA



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Table of Contents	Page
Executive Summary	4
Opening Remarks	12
Opening Statement by the Chairperson.....	13
Goodwill Messages.....	Error! Bookmark not defined. 4
Launching of Microfinance Sector Development Fund.....	19
Keynote Speaker Presentation.....	Error! Bookmark not defined.
Experience Sharing Session.....	26
Sub-Theme Technical Papers.....	30
Public Presentation of ESPI Survey Report.....	36
Panel Discussion	39
Closing Remarks/Vote of Thanks.....	43
APPENDICES.....	41
List of Officials.....	46
List of Participants.....	49
List of Sponsors	51
Editorial / Rapporteur Team / Communique	51
Secretariat Staff	51
Press Team	51
Media Team.....	51
Organising Committee Members.....	52
Presentation Slides	53

List of Abbreviations

S/No.	Acronym	Definition
1.	API	Application Programming Interface
2.	ATM	Automated Teller Machine
3.	BVN	Bank Verification Number
4.	CBN	Central Bank of Nigeria
5.	CIBN	Chartered Institute of Bankers of Nigeria
6.	Covid-19	Coronavirus
7.	DMBs	Deposit Money Banks
8.	EFInA	Enhancing Financial Innovation & Access
9.	ESPI	Efficiency Social Performance Indicators
10.	FinTech	Financial Technology
11.	IFC	International Finance Corporation
12.	MfB	Microfinance Bank
13.	MLDC	Microfinance Learning and Development Centre
14.	MSME	Micro, Small and Medium Enterprises
15.	NAICOM	National Insurance Commission
16.	NAMB	National Association of Microfinance Banks
17.	NCC	Nigerian Communications Commission
18.	NDIC	Nigeria Deposit Insurance Corporation
19.	NFIU	Nigerian Financial Intelligence Unit
20.	NIBSS	Nigeria Inter-Bank Settlement System
21.	NIP	NIBSS Instant Payments
22.	NIPC	Nigerian Investment Promotion Commission
23.	NMP	Nigerian Microfinance Platform
24.	OFISD	Other Financial Institutions Supervision Department
25.	SEC	Securities and Exchange Commission
26.	WAMI/WAMZ	West African Monetary Institute/West African Monetary Zone
27.	API	Application Programming Interface
28.	ATM	Automated Teller Machine
19.	BVN	Bank Verification Number
20.	CBN	Central Bank of Nigeria
21.	CIBN	Chartered Institute of Bankers of Nigeria
22.	Covid-19	Coronavirus
23.	DMBs	Deposit Money Banks
24.	EFInA	Enhancing Financial Innovation & Access
25.	ESPI	Efficiency Social Performance Indicators

Executive Summary

1.0 Introduction

The 7th Annual Symposium of **Nigeria Microfinance Platform (NMP)** was successfully organised for member microfinance banks/financial institutions of the platform, professionals across the financial services industry, regulators, investors, institutional technical support providers, consultants, non-governmental organizations, and other stakeholders in the microfinance ecosystem. The symposium, since its inception, has effectively fostered engagement with regulators, promotion of good corporate governance, capacity building programmes, interventions in microinsurance, efficiency and social performance and self-regulation in the microfinance industry.

The symposium held on Thursday, 28th April 2022 at Sheraton Hotels & Towers, Wuse, Abuja FCT with the theme: **Expanding the Frontiers of Financial Inclusion through Innovation: The Microfintech Tools**. The symposium was hosted by Abucoop Microfinance Bank Limited and supported by AFOS Foundation, Accion Microfinance Bank, Advans La Fayette Microfinance Bank, NPF Microfinance Bank, Purple Money Microfinance Bank, BAOBAB Microfinance Bank, Letshego Microfinance Bank, LAPO Microfinance Bank, BAA Consult, Mainstreet Microfinance Bank, Indicina, Hasal Microfinance Bank, and the National Association of Microfinance Banks (NAMB). There were in attendance over 260 people in-person and several others that joined virtually.

The NMP formally launched the **“Efficiency & Social Performance Indicators (ESPI) Survey Report”** and it is envisaged that the proposed recommendations would be implemented by all the stakeholders. In addition, the ₦5 billion **“Microfinance Sector Development Fund”** was launched at the event. The fund is designed to boost the capacity of operators in the sub-sector.

The Chairman of the event, Deputy Governor (Financial System Stability) of the Central Bank of Nigeria (CBN), *Mrs. Aisha Ahmad*, and the Convener, Director, Other Financial Institutions Supervision Department (OFISD), *Mrs. Nkiru Asiegbu*, were represented by Mr. Jackson Imandi, Assistant Director, OFISD, who delivered an insightful opening remark which set the tone for the event. This was followed by the Convener’s opening remarks by *Alhaji Bello Hassan*, MD/CEO, Nigeria Deposit Insurance Corporation (NDIC) who was represented by *Mrs. Veronica Ogbo-Ikwue*, Director of Special Insured Institutions, NDIC. Goodwill messages were delivered by *Mr. Olukayode Pitan*, MD/CEO Bank of Industry represented by Mr. Azuka Okofu, Group Head, Bottom of the Pyramid Programme; *Senator (Dr.) Ajibola Bashiru* (Osun State Central Senatorial District) represented by Mr. Adetola Sogbesan, *Dr. Akinwunmi Adesina*, President Africa Development Bank represented by Mr. Lamin Barrow, Director General, African Development Bank, AFDB, Country Office Nigeria, both represented by Dr. Anthony Simpasa, Lead Economist, Nigeria Country Department.

2.0 Business Sessions

The Symposium was structured into technical paper presentations, experience sharing from fintech players and traditional microfinance players, panel discussion with carefully selected experts, practitioners as well as discussants that shared experiences and suggested possible ways forward.

The keynote paper was presented by *Mr. Ivo Jenik*, Senior Specialist, CGAP titled “Expanding the Frontier of Financial Inclusion Through Innovations” and the lead paper was presented by *Mrs. Folashade Agbejule*, Financial Specialist, CGAP on “Financial Inclusion Through innovation and Technology: Addressing Youth Unemployment, Women Inclusion, Smallholder Farming Financing”. The second lead paper was presented by *Mr. Taiwo Joda*, MD/CEO, Accion Microfinance Bank Limited on Microfinance Banking In A Post-Pandemic Era: Financial Technology Options. Also featured were practical experience sharing from fintech players such as *Mr. Musty Mustapha*, Co-Founder/CTO, Kuda Bank and *Mr. Laurin N. Hainy*, CO-founder/ CEO, *Fairmoney* Microfinance Bank Limited.

The panel discussion that followed was moderated by *Professor Olayinka David-West*, Lagos Business School, and the discussants were *Mr. Babatunde Ibraimoh*, Chief Operating officer of Fintech Association of Nigeria, *Mr. Joshua Ukute*, First Vice President of the National Association of Microfinance Banks (NAMB) who represented the NAMB President, *Mrs. Tolulope Opayinka*, MD/CEO, Letshego Microfinance Bank, *Dr. Seye Awojobi* FCIB, Registrar/CEO, Chartered Institute of Bankers of Nigeria, *Mr. Premier Oiwoh*, MD/CEO, Nigeria Interbank Settlement System represented by Mr. Sogbesan. *Mr. Musty Mustapha*, Co-Founder/CTO, Kuda Bank, *Mr. Laurin Hainy*, CEO Fairmoney Microfinance Bank Limited, *Ms. Yvonne Johnson*, Co-Founder/MD, Indicina. The panel discussion centred on “*Expanding the Frontiers of Financial Inclusion Through Innovation: The Role of Stakeholders*”.

3.0 Highlights and Recommendations

3.1 Highlights

At the end of the Symposium, several key issues, recommendations and resolutions evolved, and they are as follows:

1. The deployment of technology has the potential to accelerate financial inclusion, financial control and decision making, labour force participation, products design, cost reduction and business support. This notwithstanding, microfinance operators still face key challenges in scale and innovation within the digital environment.
2. The adoption of financial technology (Fintech) tools has numerous benefits, including the reduction of the cost of business operations and in turn improved profitability over time. Digital tools such as smart phones, cloud computing, application programming interface (APIs), Software as a Service (SaaS), artificial intelligence / machine learning (AI/ML) and platform models can be adopted.
3. There are concerns that the rural areas have been marginalized in delivery of financial services. Microfinance banks can play a huge role in bridging this gap. With the exponential growth in mobile phones, the trajectory of micro-fintech tools will remain positive and Nigeria has huge potential to achieve its target of financial inclusion.
4. The risk-based cybersecurity framework is designed to mitigate the risk exposure of microfinance institutions. It will address some of the concerns of the operators such as vulnerability to cyber-attack.

5. African Development Bank has provided ₦35 billion in loans support to 405 start-ups worth over ₦1 billion.
6. Modularization of financial services within the banking sector cuts across balance sheet, product and service design, customer relationship and distribution channels of financial products and services. This has enabled new business models in the banking industry and the models have metamorphosed from traditional retail banking to fully digital retail banking, marketplace banking and Banking as a Service (BaaS). It addresses cost barriers, access barrier, fit and experience.
7. Of relevance is the following outcome of a research conducted on Kenya and Tanzania as case studies:
 - 34% and 63% of digital borrowers from these countries have reduced their loan portfolio from traditional borrowing sources such as Savings Credit Cooperative Societies, microfinance, employer, informal moneylenders, banks, saving group, family members, friends and neighbours.
 - Digital credit providers are now attracting microfinance customers that are self-employed, farmers, wage employees, casual workers and online transfer customers due to the convenience and access offered by these entities.
 - The demographics of digital credit users among the male adult is higher by 5% in Tanzania and 6% in Kenya; 11% in Tanzania and 19% in Kenya among the urban residents; 7% higher in Tanzania and 13% in Kenya among the age bracket 26-35; and 4% higher in Tanzania and 31% higher in Kenya for persons that completed secondary school / higher school students.
8. The microfinance sub-sector has grown to serve over 140 million low-income customers with outstanding portfolio estimated at \$124 billion in 2018. Globally, micro, and small-scale enterprises have an estimated financing gap of \$5 trillion.
9. To harness the gap/opportunities in the market, digitization can be deployed to enable microfinance banks to scale up and transition to online operations that offer more value to customers whilst also remaining profitable.
10. Microfinance operators are not oblivious of these benefits. However, the real challenges are as follows:
 - Lack of strategic vision and guidance in implementing a digital transformation agenda.
 - Understanding the customers' needs and behaviour.
 - Limited technical expertise.
 - Intense competition with digital lenders, which has resulted in lower retention rate and over-indebtedness and rigid regulations.
11. The opportunities for the microfinance industry in adopting fintech tools outweigh the threats. These opportunities are evidenced in expanded customer-base with new distribution models, alternative credit scoring, improved operational and economic performance, market dynamics and large market potential of the digital economy.
12. As customers' expectations and preferences are evolving, innovation will make significant impact in positioning microfinance banks to be more efficient in reaching their customer segments.

13. The women, youths and smallholder farmers remain the most financially excluded population in Nigeria. Some of the barriers identified by these underserved segments are:
 - Proximity of financial institutions.
 - Paucity of documentation
 - Low financial literacy
14. Products designed for women should not be generic. The need and adoption of digital financial services differ for the various life-cycle stages of women: older adolescent (15-19 years), young women (20-24 years) and older women (40-50 years). A good understanding of the needs at the different stages will aid the development of innovative financial services that meet the needs of these women.
15. There is a growing strategic partnership between the digital payment firms and smallholder farmers in creating access to credit, data mining and savings products. Digital finance system is essential to bridge the financing gaps for smallholder farmers. Beyond finance, technology tools are deployed to improve the efficiency of farmers from planting to harvesting.
16. Affordability and access points are the twin objectives of the unbanked and underserved market.
17. Nigeria's payment system is ranked 5th globally based on its robust payment infrastructure.
18. Open banking platform and information sharing will accelerate financial inclusion by making the ecosystem inclusive for all microfinance banks. This will require building a database that all stakeholders can access; customer centricism to support innovation; and tailored product initiatives with attributes of speed, efficiency, choice and trust.
19. Digitalization has brought new initiatives to the financial landscape, notwithstanding which, there are still concerns on innovation and regulation of fintech. Regulators will continue to monitor this space to design the best approach to take on regulation of fintech.

3.2 Recommendations

At the end of the Symposium, the roles of the different stakeholders in ***Expanding the Frontiers of Financial Inclusion through Innovation: The Microfintech Tools.*** were identified as follows:

Regulatory Bodies

1. Nigeria Deposit Insurance Corporation (NDIC) should conclude the review of the framework that provides financial and technical support to microfinance operators in line with the emerging business dynamics.
2. The smart phone usage projection of 140 million by 2025 in Nigeria is a pointer for the regulators to develop policies that will promote innovative products design and make the industry more attractive to the target market.
3. Regulators should initiate policies that will drive the expansion and the growth of the industry, reduce operating costs of the operators, and position the industry to make significant contribution towards sustainable, inclusive economic growth.

4. Educational skills are essential to access market and products. Regulators as well as other sector stakeholders should invest in improving the financial literacy of women. This will fast-track the attainment of the financial inclusion target.
5. Align innovation with appropriate regulations in the financial services.
6. Collaboration by stakeholders is key. In particular, regulators should collaborate with development finance institutions such as the African Development Bank (AfDB) to finance SMEs through microfinance banks. Continuous engagement of regulators and operators is important to collectively identify issues that affect the industry and proffer solutions to address the concerns.

A. Microfinance Banks and other Stakeholders

1. Microfinance players should invest in technology infrastructure and capacity building to maximize the opportunities in the growing market.
2. Customer experience must be the focus of product development. There is need to shift from product focus to customer-focused financial services.
3. Balance digital and face-to-face interactions in providing financial services to farmers (especially, smallholder farmers), women, and youths. Engage customers through financial literacy (awareness, onboarding, transacting and dispute resolutions) and consumer protection initiatives/campaign. Educate customers on the use of these technology tools without exploiting the customers. This will bolster customers' confidence and enhance credibility of the sub-sector.
4. Microfinance banks should have contingency plan and quickly respond to changing and emerging customer needs.
5. Capacity building and exposure of operators to current trends and customers' changing needs should be ongoing in order to create and deliver value to end-users.
6. Data integrity is essential in making informed decisions. A data sharing platform will aid this process.
7. Investments in digital transformation, innovations, customer experience, integration of fintech initiatives and collaboration are central in upscaling the performance of microfinance operators.
8. Shared infrastructure platform has immense benefits and microfinance operators should leverage this in the delivery of their services. The platform enhances operating efficiency and serves as a tool to meet customers' changing needs.
9. Collaboration with fintech firms has some quick wins and microfinance operators should leverage this ecosystem for safe and secured transactions, joint investment, wide range of products and services delivery, venture in new alternative businesses, higher rate of return, regulatory support, and government incentives.
10. Skills and talent gaps are major areas that need intervention in the Nigerian digital space. Microfinance banks should build the digital capacity of their staffs.

11. Nigeria has a youthful population that technology can be deployed to engage. Digital platforms can consolidate an array of financial and non-financial services for youth. Microfinance institutions should bridge financing for youth enterprise through digital platform.
12. Provision of financial services to women requires holistic approach and system that will involve:
 - Development of effective solutions that recognize women diversity by targeting women with financial products and services that match their needs.
 - Experience sharing and research to give deep insight into customer needs and wants.
 - Digital tools for offering financial services to women should be blended with human interaction.
 - Design effective solutions to break the barriers to gender social norms associated with women financing. This helps to fast-track speedy adoption of digital financing by women.
 - Build the capacity of women in accessing digital finance products and services. Building digital identity of women helps to create access, increase the literacy level and boost the confidence of women in using digital finance.
13. Education is the largest household expense and a wide range of financial services can reduce the cost and create seamless payment structure for educational services.
14. Leverage strong savings habits of youth and their access to mobile phones to develop digital products that better meet their needs and aspirations.
15. Explore the financing opportunities in the agribusiness value chains. This can be designed to mobilise savings, enhance credit and insurance products, mitigate risks exposure and create access to market.
16. Operators should continuously review and adapt their business model to serve both the traditional and digital customers to take advantage of the emerging opportunities.
17. Microfinance banks should adopt new distribution models that reduce acquisition cost and adopt alternative credit scoring methods that improve customer eligibility. This will expand and deepen the customer base. In addition, the automation of credit renewals and building agile BI-driven management will help to reduce operating cost and boost economic and financial performance of operators.
18. Innovation should be geared towards the provision of solutions that meet the target market.
19. Build financial solutions that are fit for purpose and suitable to all users, including non-digital savvy ones. Make the ecosystem truly inclusive.
20. Explore the opportunities offered by the regulators forum, an initiative of the Fintech Association of Nigeria with Directors from CBN, SEC, NDIC, NCC, NAICOM, NFIU and NIPC who meet quarterly to deliberate on the issues within the industry that affect the ecosystem and proffer solutions to these issues.
21. Stakeholders should collaborate and agree on modalities for data sharing to achieve financial inclusion at a faster rate and develop products with other agencies.

22. Associations have key roles to play to integrate and build the confidence, skills and competences of operators through networking, collaboration and impact.
23. NAMB should mobilize its members to build database for microfinance, inspire innovation and drive a mindset change on evidence-based decision-making. The umbrella body should promote collaboration and lead members wholesale collaboration as well as build the capacities of members and drive their efficiency.

4.0 Conclusion

It was evident from all the various presentations and discussions that in expanding the frontier of financial inclusion, financial technology is a veritable tool to transform the delivery of financial services, especially to the underserved segment. However, partnership and collaboration by all sector stakeholders is essential to actualising the financial inclusion target.

Opening Session

Opening Remarks

Mr. Tunji Afolabi, *Chief Operating Officer and Coordinator, Nigerian Microfinance Platform.*

Mr. Afolabi provided an overview of the successes recorded in the last six years of organising the Nigerian Microfinance Platform symposium and how these conversations have shaped the industry narrative. The annual symposium has evolved from being a programme organised for small group of practitioners to an inclusive finance advocacy group recognized globally in the microfinance community. This is evidenced across Africa and Europe where the platform shares experiences and also joins other platforms to address global financial inclusion challenges.

The symposium has paved way for deepening conversations around policy directions for the sub-sector and strengthened engagement between the regulators and operators. In addition, it has fostered good relationship between development partners and the operators. In particular, the outcome of the 2016 symposium contributed significantly to one of the initiatives by the Central Bank of Nigeria to improve corporate governance among microfinance banks in Nigeria. The 2017 symposium addressed the challenges of shared infrastructures at low cost and the extension of credit bureau services to microfinance banks, and fostered cooperation between the regulators and microfinance banks. Microfinance banks now have access to credit bureau services for proper credit analysis and appraisal.

The 2018 symposium focused on the agro-finance sector which has resulted in capacity building of microfinance staffs in offering product and services that matches the clients' needs. Improving on previous achievements, the 2019 symposium was on Efficiency and Social Performance and led to the launch of the industry survey, while the 2021 symposium focused on microinsurance which has improved the direction of the sub-sector.

To continue to support the laudable initiatives of the Platform, funding is critical. Since inception, NMP has received magnanimous support from AFOS Foundation (a German international NGO), which has been the key promoter and has worked closely with the Secretariat to fund most of its activities. Consequently, as the NMP continues to grow and expand its activities, it is imperative that it does this sustainably.

Based on the foregoing, the NMP during the Symposium will launch the ₦5 billion Microfinance Development Fund (MDF), which is envisaged to allow it to execute its various initiatives and to deliver on its mandate.

In conclusion, **Mr. Afolabi** noted that the Symposium has attracted global attendance since 2021. He expressed appreciation to all the resource persons and delegates, wishing everyone happy deliberations.

Opening Statement by the Chairperson

Mrs. Aisha Ahmad, Deputy Governor (Financial System Stability), Central Bank of Nigeria (CBN)

Mrs. Ahmad was represented by **Mr. Jackson Imandi**, Assistant Director, Other Financial Institutions Supervision Department (OFISD) and she expressed her delight at the organisation of the 7th Annual Symposium of the Nigerian Microfinance Platform with the theme “**Expanding the Frontiers of Financial Inclusion Through Innovation: The Microfintech Tools**”.

Acknowledging the rapidly growing pace of financial technology (Fintech) and the payment system, she noted that the

regulators have also taken a proactive approach to respond to these disruptive technologies. Noting that the Payment System Vision 2025 that is currently being reviewed, will be launched in the second quarter of 2022. It is focused on infrastructure and designed to explore emerging trends such as artificial intelligence, machine learning, cloud computing, digital lending tools, smart contract, big data analytics and open banking.

“The Payment System Vision 2025 is infrastructure focused, and it is designed to explore emerging trends such as artificial intelligence, machine learning, cloud computing, digital lending tools, smart contract, big data analytics and open banking”.

Deputy Central Bank Governor, Mrs Aisha Ahmed.

This initiative will provide the necessary framework for rapid adoption of digital products, inclusive payments, and channels, including innovative solutions such as micro-fintech for market participants. The regulatory sandbox allows micro-fintech start-ups and other innovators to conduct live experiments in a controlled environment under regulatory supervision. This will increase the potential of innovative business that will enhance the performance of the micro-fintech start-ups.

She reiterated the strategic role of micro-fintech as a verifiable tool for exceeding the National Financial Inclusion target. More so, it creates a platform that enables traditional

banking system to reduce their cost of operation and cost of delivering services to their clients to near zero. Micro-fintech has been able to leverage technologies and smartphones, causing a sharp drop in the cost of microfinance delivery and resulting in increased profitability for operators.

In conclusion, she emphasised that the Central Bank of Nigeria will continue to proffer sustainable models that will push the industry to its full potentials, while the outcome of the Symposium should likewise promote best practice of delivering services to microfinance clients in a cost-efficient manner.

Goodwill Messages

Mallam Hassan Bello, Managing Director/ CEO, Nigeria Deposit Insurance Corporation (NDIC)

Mallam Bello was represented by **Mrs. Veronica Ogbo-Ikwue** (Director, Special Insured Institutions Department of NDIC). He underscored the advancement that the Nigerian microfinance sub-sector has recorded in the economic development of Nigeria and even Africa. This feat was as a result of the CBN-led initiative to reform the defunct community banks into microfinance banks for efficiency in 2005. This considerably has had great impact on Nigerians at the bottom of the pyramid, and small and medium scale enterprises (SMEs). As at 2020, financial inclusion drive had scaled up by 18.1% from 46% to 64.1%.

The emergence of microfinance banking in Nigeria has contributed to the diversification of the economy. The impacts are in the accessibility of banking services to the people and reduction in unemployment through financing of SMEs. These are largely driven by technology, leading to the emergence of fully fintech-driven microfinance banks in Nigeria with the regulatory support of the Central Bank of Nigeria. This has translated to customer advantage through improved banking service delivery, cost reduction and enhanced speed and convenience.

He reiterated the strategic role of National Deposit Insurance Corporation (NDIC) as providing financial safety net arrangements empowered by law with the goals of protecting depositors and contributing to the stability of the financial system through effective supervision. The corporation also provides financial and technical support to eligible insured institutions and facilitates prompt payment of guaranteed sum and orderly resolution of failed institutions.

Similarly, the Maximum Deposit Insurance Coverage and the Pass-Through Deposit Insurance are tools deployed to ensure financial stability and maintain public confidence. The maximum deposit insurance coverage of ₦200,000 and the ₦500,000 for the MfBs and Primary Mortgage Banks (PMBs) covers over 97% of the eligible bank depositors in Nigeria as of 2021. The pass-through deposit insurance is placed to cover subscribers of mobile money operators.

The corporation is currently reviewing the framework for financial and technical support to match the contemporary business dynamics. As part of the corporation's contributions to sub-sector development, it routinely organizes capacity building programmes for microfinance bank operators.

Since the frontier of financial inclusion expands daily, it is imperative for the corporation to make changes that will promote the financial sector through innovations. While it is estimated that the usage of smartphone will hit 140 million by 2025, the microfinance sub-sector is yet to take advantage of this growing market.

In conclusion, he stressed the importance of seeking new ways through policy instruments to encourage operators to expand, streamline cost of operation and grow. NDIC has strategic roles to play to leave with a pledge to double the efforts to bring more people into the financial system. He assured the public that the corporation will continue to support the sub-sector towards the achievement of the overarching goal of establishing microfinance banks in and the stability of the financial system.

Goodwill Messages

Mr. Nobert Weiss, CEO AFOS Foundation (Germany).

“Digitization plays a significant role in providing tools for microfinance and microinsurance sectors to be more transparent and available to a wider financial inclusion of farmers, especially the poor families”.

Mr. Nobert Weiss, CEO, AFOS Foundation (Germany).

The mandate of AFOS Foundation rests on entrepreneurial development cooperation, entrepreneurial approach, training, and improvement of livelihoods. In the light of this, microfinance plays important role in all the areas of focus. Food security for farmers and general populace plays a big role in addressing social security issues across the world. This is also evidenced in developed continents such as Europe as globalisation explains the interdependency of countries. This, therefore, explains the importance of the intervention of AFOS Foundation in the microfinance industry to support local food production in Nigeria.

Africa plays a strategic role in bridging global food security gap and in fact, Nigeria could be a lead player being the most populous African country with over 200 million people. Nigeria’s potential is also evidenced in its population estimated at about two-thirds of the population in Europe and its resource endowment in terms of agriculture and agricultural production.

Networking among the different stakeholders in the agricultural value chains and beyond is important. Moreso, microfinance and microinsurance can leverage digitization tools to enhance transparency and drive inclusiveness, especially of those at the

bottom of the pyramid. In doing so, operators must be mindful of cybersecurity risks with their mitigants.

AFOS Foundation will continue to strengthen its engagement in Nigeria, as the name AFOS (African Fund for Self-Employment) emerged from the organisation’s first project in Nigeria. The project has since become the biggest and most important project of AFOS Foundation, and it is currently running in six selected countries.

AFOS is funded by the German Ministry of International Cooperation and it is aligned with its engagement with Nigeria in the agriculture and microfinance sectors serving as focal areas. Networking and communication among other German organisations will enhance the impact and value to the Nigerian government in coordinating and assisting where certain expertise is required to lift the activities and engagements to the next level.

Mr. Weiss expressed his appreciation for the long-term engagement and motivation in the execution of past initiatives and seeks continuing partnership for effective implementation of the other projects together with AFOS partners.

Goodwill Messages

Dr. Adesina Akinwunmi, *President, Africa Development Bank Group*

The President, African Development Bank Group, **Dr. Akinwunmi Adesina** was represented by the Lead Economist, **Dr. Simpasa Anthony**. **Dr. Adesina** expressed delight at the topic at discourse which is “*Expanding the Frontier of Financial Inclusion through Innovation*”. He noted that fintech has the potential to transform the design and delivery of financial services, especially in Nigeria being Africa’s largest economy.

Fintech plays a key role in deepening financial inclusion, as observed in Nigeria’s experience that has had relative improvement in financial inclusion over the years as reported by EFINA that financial inclusion was 64.1% in 2020. Notwithstanding, there are still concerns for rural dwellers and smaller income groups in accessing financial services. These groups have been marginalised despite the growth in the financial sector. Microfinance

institutions can play a huge role in bridging the financial inclusion gap, as Nigeria has the potential to accelerate financial inclusion to the target of 80% as stated in the financial inclusion strategic plan.

Fintech will continue to disrupt financial services through branchless banking to reduce cost of operation, enhance peer-to-peer transfers through mobile for convenience at lowest cost, payment platforms, and contactless payment system. These disruptions have affected the modality for offering financial services within the retail and wholesale segments. The African Development Bank has committed to some initiatives in Nigeria in line with the implementation of the country’s National Development Plan (2021 to 2025). This plan does not only border on financial inclusion but infrastructure development and creating an enabling environment for businesses to thrive.

It is imperative for women and women-owned enterprises, financial institutions such as microfinance banks to explore the opportunities in financing, technical support and enabling environment created by Africa Development Bank AFAWA (Affirmative Finance Action for Women in Africa) project to support women-owned businesses.

Dr. Adesina Akinwunmi, President of the Africa Development Bank Group

The African Development Bank is committed to deepening financial inclusion in Nigeria, and microfinance institutions are at the frontier of financial inclusion, especially in supporting small and medium scale enterprises (SMEs). The bank has continued to support the development of SMEs by creating access to financial services. An instance in this is the bank’s collaboration with other development finance institutions

and the Federal Government by contributing \$500 million as seed fund for setting up the Development Bank of Nigeria.

Some of the initiatives executed through the Development Bank of Nigeria over the last five years include:

- Provided over ₦1 billion worth of loans, reaching about 57% women and 42.1%

men, 28% of the beneficiaries being youth-owned SMEs.

- The bank has disbursed ₦35 billion in loans and supported 105 start-ups with equivalent of ₦1 billion.
- Support to LAPO Microfinance Bank to further promote financial inclusion, and this has impacted more than 2,000 businesses with the larger share of the beneficiaries being women and women-owned enterprises. This is in line with the bank's programme tagged Affirmative Finance Action for Women in Africa (AFAWA). AFAWA is solely designed to increase access to finance for women-owned enterprises across the continent. Women and women-owned enterprises are encouraged to explore the AFAWA programme to help develop their businesses.
- Support to microfinance institutions and SMEs through deliberate programmes. The bank has supported about 20,000 MSMEs in Nigeria but there is still a huge gap when compared to the number of MSMEs in the country.

The bank is seeking for strategic partners to reach a larger proportion of MSMEs in Nigeria through its initiatives such as AFAWA and the African Digital Financial Inclusion Facility. The bank targets enabling

more than 300,000 farmers to have access to digital microinsurance and agro programmes. The Boost Africa Programme is designed to create opportunities for youths and harness their potentials, whilst developing their entrepreneurial skills.

At the regional level in ECOWAS, the bank has supported development through microfinance institutions and mobile network operators with the target of 75% financial inclusion in the region by 2025. Nigeria as a member of the West African Monetary Institute / West African Monetary Zone (WAMI / WAMZ) needs to integrate with the smaller countries to facilitate regional trade.

Concluding, Dr. Adesina emphasised that fintech is instrumental in aligning the African financial inclusion landscape, especially in Nigeria. It boosts agility, innovation, and proliferation of financial services at low cost. He urged the participants at the symposium to develop a more holistic understanding of the financial needs of underserved households and small businesses, and to develop ways to improve access to enhanced financial services. The bank will continue to support the fintech ecosystem in Nigeria through collaboration with stakeholders via fintech tools.

Launch of the Microfinance Development Funds (MDF)

Launch of the ₦5 Billion Nigerian Microfinance Sector Development Fund

The ₦5 billion Nigerian Microfinance Sector Development Fund (NMSDF) was launched at the 7th Symposium. The fund is envisaged to aid the development of the microfinance sector as defined in the model adopted in 2005.

This initiative aims to bridge the development funding gap within the microfinance sector even though there are other support initiatives such as those of African Development Bank, the Bank of Industry and Development Bank of Nigeria, which have not met the funding need of the sector. The MSME Development Fund (MSMEDF) was launched in August 2013 to provide funds for Participating Financial Institutions (PFIs) to on-lend to MSMEs. Most support initiatives are easily accessed by microfinance industry leaders, thus limiting access to the fund by about 80% of the microfinance banks, most of which are located in rural areas.

The NMSDF will also aid the implementation of capacity development initiatives for the microfinance sector, covering expenses such as training costs, logistics and programmes that will bridge industry skill gaps.

Keynote Speaker Presentation

Lead Speaker Presentation

Dr. Ivo Jenik, Consultative Group to Assist the Poor (CGAP)

Expanding the Frontiers of Financial Inclusion through Innovation

Dr. Jenik's presentation focused on the following issues:

- The impact of technology on finance
- The implications of technology advancement for microfinance
- The way out for microfinance

Impact of Technology on Finance

The presentation started with a brief overview of the overarching goal of CGAP, which is to provide a support system that promotes financial services to meet the needs of low-income people, with a keen interest in women. CGAP is a frontline promoter of innovations and offers recommendations that promote financial services designed to match the needs of the poor through knowledge and strategic partnerships.

The adoption of financial technology (Fintech) tools has various positives, some of which include reduction in the cost of business operations, which will improve profitability over time. Digital tools such as smart phones, cloud computing, application programming interface (APIs), Software as a Service (SaaS), artificial intelligence / machine learning (AI/ML) and platform models are among the emerging technologies that the finance landscape can adopt.

Evidence-based research has shown the significant reduction in the cost of launching a tech start-up from \$5 million in 2000 to \$5,000 in 2011. Similarly, the total investment in fintech companies increased from \$4 billion to \$215 billion between 2012 and 2019. The mix of increased investment in financial services, technology advancement, decreasing cost of setting up businesses and increased inflow of capital injection into innovation has resulted in modularisation of financial markets. This has changed the dynamics of financing from a large single bank to multiple financial service providers across diverse financial value chains that provide customised financial services to meet customers' needs.

The modularization of financial services within the banking sector cuts across balance sheet, product and service design, customer relationship and distribution channels for financial products and services. This has resulted in new business models in the banking industry, which has metamorphosed from traditional retail banking model to fully digital retail banking, marketplace banking and Banking as a Service (BaaS).

Reflecting on some of the differentiating factors of a fully digital retail bank model is the improvement over the traditional banking services offerings through cutting-edge technology and a marketplace model that creates one-shop market for e-commerce. Furthermore, BaaS combines the traditional banking model with the digital technology to offer financial services to third parties that do not have banking license. A trending observation is the increasing partnership among financial services providers with the e-commerce platforms that provide financial services to customers. This modularization of financial services can address cost barriers through the reduction of cost of customer acquisition and onboarding. It also improves access to customers and offers more relevant products and tailored offerings and experience.

Implications of Technology Advancement for Microfinance

Modularization of financial services in the microfinance industry tends to increase competition triggered by the influx of digital lenders into the microfinance space. This is corroborated by the outcome of a case study research conducted on Kenya and Tanzania digital borrowers:

- 34% and 63% of digital borrowers from these countries have reduced their loan portfolio from traditional borrowing sources such as Savings Credit Cooperative Societies, microfinance, employer, informal moneylenders, banks, saving group, family members, friends and neighbours.
- Digital credit providers are now attracting microfinance customers that are self-employed, farmers, wage employees, casual workers and online transfer customers due to the convenience and access offered by these entities.
- The demographics of digital credit users among the male adult is higher by 5% in Tanzania and 6% in Kenya; 11% in Tanzania and 19% in Kenya among the urban residents; 7% higher in Tanzania and 13% in Kenya among the age bracket 26-35; and 4% higher in Tanzania and 31% higher in Kenya for persons that completed secondary school / higher school students.

Paradoxically, some microfinance banks have been struggling to keep up with innovation. Adoption of digital tools is imperative for microfinance banks to scale up and transition to online operations that offer more value to customers whilst also remaining profitable. Microfinance operators are not oblivious of these benefits. However, the real challenges are:

- Lack of strategic vision and guidance in implementing a digital transformation agenda.
- Understanding the customers' needs and behaviour.
- Limited technical expertise.

- Intense competition with digital lenders, which has resulted in lower retention rate and over-indebtedness and rigid regulations.

The opportunities for the microfinance industry in adopting fintech tools outweigh the threats. These opportunities include expanded customer-base with new distribution models, alternative credit scoring, improved operational and economic performance, market dynamics and large market potential of the digital economy. As customers' expectations and preferences are evolving, innovation will make significant impact in positioning microfinance banks to be more efficient in reaching their customer segments.

Dr. Jenik further highlighted key research findings from five microfinance institutions that showed that digitization enhances the performance of microfinance banks:

- 27% increase in loan officer's productivity achieved by implementing a mobile Application in Bankameyah in Columbia.
- 50% decrease in loan processing time and 76% annual increase in the use of digital channels by women, 227% annual increase in transaction made by women.
- 30-50% of renewal of credit streamline, using centralised credit scoring mechanism. (Finca Impact Finance Score).
- \$22 million mobilised as savings through mobile solutions.
- 45% of transactions performed through automated channels.

Conclusion

Dr. Jenik concluded with the six principles of successful digitization principles that creates value for the customers and microfinance institutions:

- Start with core microfinance business
- Adopt minimum product approach
- Business-wide return on investment for tech investment
- Effective change management
- Customer behavior tracking; and
- Incremental implementation.

Experience- sharing Sessions

Mr. Laurin Hainy, CEO/Co-Founder, FairMoney
Building the Mobile Bank for the next 2 billion

Mr. Hainy described the mission of the company as one that is building a financial hub for the next 2 billion underbanked in emerging markets. Emerging market is a climate where financial services are not accessible to most people. Over a billion people do not have access to financial services. Nigeria is still lagging in terms of financial inclusion and access to credit when compared to other African nations. Evidence-based research revealed that 45% of Nigerians are banked, 6% occupies non-bank climate, 14% are informal, while 36% are financially excluded comparable to South Africa where 81% are banked, 10% are non-bank, 2% are informal and 7% are excluded.

Statistics from the World Bank and Central Bank of Nigeria show that Nigeria's domestic credit to private sector in 2020 was 12% compared to other countries such as South Africa 108%, Sub-Saharan Africa 38%, Egypt 27% and Ghana 11%. Domestic credit and lending to private sector recorded 18% growth to ₦35.73 trillion in December 2021 at 11-year CAGR of 12%. The contribution of microfinance banks to credit facilities is also significant, according to the report of Other Financial Institutions (OFIs) including MFBs (some digital players) that are strong in consumer credit. According to CBN, OFIs granted facilities to 9.23 million loan beneficiaries, contributing over ₦2.7 trillion or 10.6% to banking sector credit as of November 2021.

FairMoney was established to make credit available to customers. The target is to be a major credit outfit to emerging markets. FairMoney started from lending and expanded to other services like bills payment, transfers, savings at an attractive interest rate and more. User experience is very key to the success of the firm's products. FairMoney enhances the users experience through access via mobile app. The staff interaction with the customers to know their needs and then tailor products to satisfy the customers is a competitive edge of the firm. The firm also engages in in-depth research with high quality data and make more informed decisions based on its analysis.

FairMoney aims to explore the opportunities in the Nigerian market that is currently at \$17 billion Asset under Management and projected to grow to \$41 billion by 2025 at 20% CAGR with consumer credit having a share of \$10.3 billion and MSMEs have a share of \$30.7 billion. FairMoney is well positioned to leverage technology to bridge the huge gap and boost financial inclusion by serving customer pain points (easy access to loans and good platform for emergency loan) and service over 2 million clients since inception. If the issue of lending can be resolved in Nigeria, the firm would have gone a long way to improving financial inclusion in its emerging markets.

Musty Mustapha, Acting Managing Director, Kuda Microfinance Bank Limited

M. Mustapha shared his experience from the kick-off of Kuda MfB in 2016 when he met his partner, Babs Ogundeyi. Kuda has expanded its product offerings from online lending to savings, then became a full-fledged microfinance bank. The bank's mission was to be a digital wholly bank. It was the first of its kind at the time. The overall goal is to make banking simple, easy and affordable to people.

The bank's services include current accounts, savings account, and access to credit built in data, fully automated without human interference. The bank's innovation strategy centres on designing a simple app by making saving money fully automatic, easy borrowing and offering a free debit card with free nationwide delivery. Kuda was built on technology first before the actual banking. As a result of the huge capital involved in running the banking outfit, the bank operates without brick and mortar, and leverages technology, a sizable staff strength and customer base. This has helped the bank to save cost which the bank packages as more benefits to customers in form of free cards, free transfers, free bank accounts, among other.

Technology is indeed a powerful tool to leverage on to bridge the barrier of high cost of financial inclusion. The adoption of lean model helps to prioritise banking services through smartphones and the web, saving costs of building, staffing and running branches. The bank started with third-party core banking solution and later discovered that there is need to develop self-owned core banking solutions to fast track transactions, which is currently at a scale of millions of customers. The building of the bank core application has helped the bank to scale significantly.

Besides technology, the customers need to trust the bank. Therefore, the bank is intentional in earning customers' trust and builds a face in the banking industry that can be trusted. Creation of awareness through billboard campaigns, brand association with organisations like Mastercard in the past and Visa helps to educate the customers to keep abreast with the bank's products and services. It is important to sensitize the populace on financial literacy and to train staffs with the right knowledge to respond to customers' queries on time and effectively.

Sub-Theme Technical Papers

Mr. Taiwo Joda, *Managing Director - Accion Microfinance Bank Limited*

Microfinance Banking in a Post-Pandemic Era: Financial Technology Options

Mr. Joda shared an inspiring experience of how Accion leveraged fintech tools and transitioned, especially in dealing with the disruptions caused by the Covid-19 pandemic. The impact and lessons resulted in fintech revolutions and expanded options available to microfinance banks.

The Covid-19 cases in Nigeria hit 5,075,820 with 3,143 deaths recorded. The Nigeria rates poorly in vaccination with a total of 33.9 million doses allocated to the country, while about 13.3 million Nigerians have been fully vaccinated, representing 6.5% of the population. Globally, 509.5 million cases are reported, while 6.2 million deaths were recorded. The key lessons for banks from the Covid-19 pandemic are:

- Develop a contingency plan
- Be agile and adapt to changing environment
- Think digital always
- Bank on robust digital platform
- Make quick changes in workstyle

The emergence of fintech is largely driven by the challenges that confront traditional banking institutions, which include high regulation of the subsector, high operating costs, poor visualisation beyond traditional business lines, low involvement of customers in centre of operations, low investment in value creation, lack of focus on individuals, profit-making products and services, difficulty in replacing core banking infrastructure, among others.

Customer-centric operations, innovation and cost effectiveness help to improve productivity in microfinance banks. Prior to the advent of Covid-19, an average microfinance bank took two to three days to analyse, process and deliver a loan, while other financial institutions such as fintechs took two to five minutes for processing the same transaction.

Accion Microfinance Bank introduced a digital product in 2018, but the pandemic fast-tracked the bank's digitisation plan in 2020. As of October 2021, the bank had about 206,000 customers using the digital product. Most of the bank's customers are moving into digital maturity as evidenced in higher response rate of adoption of digital channels with over 70% of the bank's customers currently on digital channels. This changed the narrative of moving from brick and mortar and leveraging more on technology.

The digital product helps the bank to drive numbers in an efficient way. As at Q1 2022, the bank had a record of over 50,000 transacting regularly on the digital channels. Accion proactively responded through customer relationship and engagement, granting of loan forbearances, restructuring, design of business continuity plan, increased attention to digital banking, change in business model, among other responses to the pandemic disruption.

Competition with fintechs is a major challenge that microfinance banks should give proper attention as not less than 10% of fintechs in Nigeria today offer credit facilities. Accion adopted a partnership model with 10 fintech firms, boosting the bank's route to making services faster and cheaper. Such collaborations lead to safe and secure transactions, joint investments, new and automated businesses, high rate of return and regulatory support.

It is imperative for industry players to adopt innovation and gradually change the banking system business model. Innovation is simply new, easy, and more efficient ways of getting things done. Customer experience must be at the nucleus of what microfinance banks offer. Microfinance banks need to redefine their offerings and products, leveraging technology to suit and meet the needs of the customers and not just for selling the products that have been designed. The opportunities within the microfinance industry are huge, so there is need to re-strategize, relearn and take advantage of opportunities within the regulated environment.

Mrs. Folashade Agbejule, Consultative Group to Assist the Poor (CGAP)

Financial Inclusion through Innovation and Technology: Addressing Youth Unemployment, Women Inclusion and Smallholder Farmer Financing

Within the various demographics, the women, youths, and smallholder farmers remain the most financially excluded population in Nigeria. Drawing inferences from the survey conducted by EFINA in 2020, statistics indicate that:

- 56% of the financially excluded population are women.
- 81% of the financially excluded population dwell in rural areas.
- 73.3% do not possess secondary school certificate.
- About 60% of this financially excluded population are within the age band of 18 – 35 years.
- Farming is one of the main occupations of the financially excluded population.

Mrs. Agbejule identified proximity of financial institutions, paucity of documentation and low financial literacy as the key barriers to underserved segments. Technology is a powerful tool to tackle these challenges. Digitization can produce a favourable environment that promotes transparent, affordable, accessible, and high-quality financial products and services for women. It also aids financial control and decision making. There is a strong correlation between labour force participation and account ownership in Nigeria.

There is find out the exact needs of these segments and tailor financial products and services to those needs. In this regard, financial literacy sensitization is critical, while technology creates business support system for credit and insurance accessibility, reduction in debts risks, lowers administrative and disbursement costs.

Products designed for women should not be generic. Rather, digital financial services should differ for various life-cycle stages of women: older adolescent (15-19 years), young women (20-24 years) and older women (40-50 years). A good understanding of the needs at these different stages will aid the development of innovative and tailored financial services to these women.

Microfinance banks should seek strategic partnerships in increasing women participation. These partnerships should cut across different industries and sectors having expertise in areas such as gender, agriculture and digital technologies.

Women are diverse although they have similar issues. Therefore, their diversity and life stages should be factored in developing financial products tailored to meet their expectations. Technology mix is critical in designing appropriate financial solutions for women, but technology

is not effective in isolation. As such, there is need for human interaction at certain points. Thus, women should be educated on technology usage and guided through the process.

Financial services greatly impact youth education and employment. Financial tools help youths to gain access to training and education, build their job skills and juggle their income sources but many young people transit to adulthood without access to financial services. Youth unemployment remains a major challenge and one of the ways to tackle this is education that enables them to develop the necessary skills for thriving in a competitive labour market. Self-sponsor and parent sponsor education create opportunities for financial institutions such as microfinance banks to design products and services to facilitate payment for education.

There is a significant correlation among employability, active labour force participation and financial inclusion. Financial service providers should leverage technology for this correlation, especially that youths are early adopters of technology. Digital financial products and services should be designed to support youth entrepreneurial ventures by creating access to credit. Financial institutions can explore the strong savings culture of the youths and leverage their access to smartphones to develop products and services that match their aspirations and needs. Investment in skills and digital-related Technical and Vocational Education Training initiatives for youth would help the youths to achieve desired goals and objectives.

Digital value chain finance has been found to boost financial services offerings to smallholder farmers through digital bulk payments for agricultural commodities, suppliers, digitisation of savings, credit and insurance products, making saving credit more accessible. Smallholder farmers need financing, ease of payment across the value chain and savings products. This will help the farmers to improve their business operations and close the gap in financial inclusion of farmers. Achievement of this goal will largely depend on financial service providers partnering with agricultural groups, exploring the database of customers, adopting credit scoring system and providing credit facilities and savings products to the farmers. Also, digital trading platforms create access to market and thus along with digital warehouse receipts and digital invoice discounting help smallholders to maximize their revenue.

Overall, participation of women, youth and smallholder farmers in financial inclusion through technology can be improved by providing financial products and services tailored to meet the preferences and expectations of these segments, taking into cognizance the factors affecting them and their finance challenges. As customers' expectations and preferences are evolving,

innovation will make significant impact in positioning microfinance banks to be more efficient in reaching their customer segments.

**Public Presentation of the Efficiency &
Social Performance Survey Report (ESPI)**

The Launch of Efficiency, Social Performance and Self-Regulation Survey Report

The Efficiency, Social Performance and Self-Regulation survey was commissioned three years ago. The report was concluded in 2021. The study was commissioned to measure and determine the pillars that help to achieve efficiency in the operations of microfinance banks in Nigeria and how social performance can be measured.

The research survey assessed all microfinance banks based on efficiency and social performance indicators and gauged the perception of the operators to self-regulation.

The result of the survey is geared to promote the development of the sector. The research findings showed how industry players weigh in terms of efficiency performance and social impact within the business environment.

The survey report was launched by all the key stakeholders in attendance and members of the Platform were advised to get copies of the published report at a fee.

Panel Discussion

The panel discussion centred on: “*Expanding the Frontiers of Financial Inclusion through Innovation: The Role of Stakeholders*”. The moderator was **Professor Olayinka David-West**, Associate Dean & Professor of Information Systems, Lagos Business School and the panel discussants were:

Mr. Babatunde Obrimah: Chief Operating Officer of Fintech Association of Nigeria

Mr. Yusuf Gyalesu: President, NAMB represented by the Vice President, Mr. Joshua Ukute.

Mrs. Tolulope Opayinka: Managing Director of Letshego Microfinance Bank Limited

Dr. Seye Awojobi: Registrar/CEO, Chartered Institute of Bankers of Nigeria.

Mr. Premier Oiwoh: Managing Director, NIBSS represented by Mr. Shogbesan.

Ms. Yvonne Johnson: Managing Director/Co-Founder, Indicina.

Views on New Entrants to the Finance Ecosystem and how Inclusive is the Ecosystem

Over the last 15 years, the Nigerian financial ecosystem has expanded significantly from the traditional banking of commercial banking, microfinance banking, mortgage banking, merchant banking and investment banking. Currently, the ecosystem is expanding rapidly and significantly. There is an increasing number of players within the ecosystem, which is not only limited to digital banking and fintech firms but also expanded in terms of product offerings such as digital currencies and channels such as agent network, business model of Banking as a Service (BaaS). Providers of financial infrastructures facilitate an effective and efficient infrastructure that will enhance the performance of operators. The ecosystem continues to expand and the terms of engagement can still be negotiated between the players to suit their means. Some traditional players used to think that the innovators are circumventing regulatory oversight. Paradoxically, beyond this, the financial system is still being challenged with diverse limitations. The gap in financial inclusion means there is still a long way to go and this sector challenge is beyond any single player to resolve. This is why operators are open to partnership and collaborations.

How do we create an ecosystem infrastructure that is accessible to all the new players in the ecosystem without going through all the hurdles by making it more inclusive?

This centres around inclusiveness, being open to partnership, collaborations, and the expanded ecosystem. Microfinance banks may possibly not need to create new infrastructure for the sub-sector. NIBSS has already built an ecosystem infrastructure facility for financial service providers to connect to banking and make instant transfers for the payment system. This assures shared infrastructure that enhances interoperability and interconnectivity. The NIBSS Interbank payment platform was created as the first innovation that allowed people to make instant payments to anywhere in the world. This opportunity has brought the possibility of making transactions with a

mobile app and the recipient receives an instant value in real time. The creation of Bank Verification Number (BVN) helps to identify each individual account holder.

NIBSS has helped to reduce the cost of providing financial services. The Nigeria Interbank System Instant Payments (NIP) is the cheapest transaction platform in the country today and the platform is open for the fintech to have access and innovate. Most of the digital channels such as mobile banking app, internet banking and Automated Teller Machine are driven by NIP. It is important though for non-Deposit Money Banks to follow the rules. For instant payment, it allows microfinance bank to sterilize funds so that the bank does not need to provide collateral with Deposit Money Bank. Also, the NIP has been done in such a way to play just like the DMBs as long as they have a funded Trusted Software Service. Nigeria has a great payment infrastructure and it is expected for operators to adhere to the regulatory guidelines and explore the opportunities of using the current infrastructure.

Building inclusiveness in the financial ecosystem through industry associations such as the Chartered Institute of Bankers of Nigeria (CIBN) and the Fintech Association.

The CIBN plays the critical role of building the competencies required in banking. The association provides the platform for stakeholders within the ecosystem to share information, train, network and collaborate to impact the entire system. This brought about the formation of Shared Agent Network Expansion Facility (SANEF) with the support of the CBN and NIBSS towards improving financial inclusion across Nigeria.

How do we build Capacity and Competence of operators through the National Association of Microfinance Banks (NAMB), considering where the sub-sector stands as a body on digital capability within the stakeholders of the body?

One of the key mandates of NAMB is advocacy and capacity building, which the association does for over 800 microfinance banks in Nigeria. Particularly, the association gives special attention to unit microfinance banks that are not up to the capacity of the industry leaders and these entities are aggregated together for capacity building. One of the early challenges of some of the microfinance institutions regarding innovation was its narrow focus of lending and collecting deposits on a small scale. The association will continue to make efforts to change the mindset of the operators through capacity building and exposure to some of these initiatives.

The association also keeps members abreast with the trends in the industry and customer needs. Part of such activities was a recent industry survey conducted to help players understand the customers, the products they need, and changes needed to be adopted.

There is no doubt that building a digital platform can scale up many MfBs and enable them to grow faster and bigger. The platform can serve 10 million people rather than the micro-number of 10. This is one of the benefits of leveraging the digital platform.

The degree of inclusiveness of Fintech Association of Nigeria, who are those that make up the association?

The Fintech Association of Nigeria offers a platform for members to achieve common objectives that enhance the development of financial technology in Nigeria. Currently, there are 281 members that cut across 21 different sectors including commercial banks, microfinance banks, payment fintech, lending players, blockchain fintech, agritech, healthtech, law firms, media houses and start-ups and innovation hubs. The association also accommodates the start-up market and provides access to invest in start-ups. The association has the mandate to develop skills that match industry needs in response to the failure of the universities in bridging the skill gaps.

Changes in the ecosystem and what microfinance banks need to do to adapt

There is increased competition among the operators such as the commercial banks and digital banks to capture the unbanked market which was traditionally being served by microfinance banks. The dearth of industry data will require collaborative efforts among the operators to create a platform for shared data.

Overcoming the gaps in the industry

Microfinance perspective: Operators should work to earn the trust of their target market and provide financial services and products that match their needs.

Fintech perspective: Look at how players in the ecosystem can collaborate for data sharing. It is important to support each other to realize the corporate objective. The players can also offer bundled products to target customers within a particular sector. They should consider partnering with insurance companies to offer agricultural and health insurance to farmers to safeguard their health against health risks, serving as value added services.

Breaking barriers and challenges in lending

The major barrier is currently being addressed through the Central Bank's Global Standing Instruction platform which helps to recover funds from customers that owe the bank and refuse to repay. This involves the use of API platform driven technology that creates access to

documentation without getting in touch with NIBSS. Industry Customer Account Data (ICAD) serves as depository server for all Deposit Money Banks to share data and it would allow GSR to work.

How can interoperability and integration of the NIBSS platform be more effective and accessible in the microfinance space?

Though microfinance operators do not have capability to access the NIBBS API window, they however, can collaborate to access the window.

Changes that fintechs need to bridge the gaps of financial inclusion

It is crucial to collaborate and partner with everyone in the ecosystem. It is also important to build solutions that are not too technical and beyond the reach of customers that are not digital savvy. Solutions should be fit-for-purpose and user-friendly.

NAMB's Change Imperatives

The association continues to give proper orientation to members to have change in mindset in their approach to microfinancing. The association also led members to explore the opportunities in wholesale funding through effective collaboration and it is committed to supporting the initiatives that build the capacity of its members.

What are the things CIBN should do to represent microfinance sector?

There is a gap between innovation and regulation. As the fintech players desire a free business environment without regulation on one hand, the financial system requires effective monitoring and regulations. This is premised on risks and trust issues in financial system. The institute will continue to advocate that the operators should avoid using technology and digitization to exploit the bottom of the pyramid clients. It is important to engage the customers and protect them. This is how to deepen the financial landscape and open the financial system to be more accessible and secured. The reduction in transaction costs in digital banking is a strong reason for microfinance banks to collaborate with fintech firms.

Closing Remarks / Vote of Thanks

Mrs. Veronica Ogbo-Ikwue (Director Special Insured Institutions Department of NDIC) appreciated all the participants, guest speakers, panellists, planning committee, sponsors that have spent their time and resources in making the programme a success. She also expressed her appreciation to the strategic partners, special guests, management, board members and regulators.

APPENDICES

List of Officials

S/No.	Names	Position
1.	Mrs. Aisha Ahmad	Deputy Governor, (Financial System Stability) CBN
2.	Alhaji Bello Hassan	MD/CEO, Nigeria Deposit Insurance Corporation
6.	Mrs. Tutu Ogunnaike	Board Chair, AFOS Nigeria
7.	Mr. Ladi Akoni	Country Manager, AFOS Nigeria
8.	Mr. Anthony Simpasa	Chief Economist AfDB Group
9.	Dr. 'Biodun Adedipe	Chief Consultant, B. Adedipe Associates Ltd
10.	Mr IVO Jenik	Senior Financial Sector Specialist CGAP World Bankk Group
11.	Mr. Rogers Nwoke	Non-Executive Director, Hasal Microfinance Bank
12.	Mrs. Adetutu Ogunaike	Chairperson AFOS Nigeria
13.	Mrs. Veronica Ogbo-Ikwue	Director Special Insured Institution Department of NDIC
14.	Mr. Nobert Weiss	CEO AFOS Foundation Germany
15.	Dr. Adesina Akinwunmi	President Africa Development Bank Group
16.	Mr. Kayode Pitan	CEO/MD Bank of Industry
17.	Dr. Seye Awojobi	Registrar/CEO, Chartered Institute of Bankers Nigeria
18.	Mr Rogers A.I. Nwoke	Hasal Microfinance Bank
18.	Dr. Joyce Barber	MD/CEO MARKFEMA
19.	Professor Olayinka David-West	Lagos Business School, and Discussants
20.	Mr. Babatunde Braimah	Chief Operating officer of Fintech Association of Nigeria
21.	Mr. Joshua Ukute	First Vice-President of NAMB
22.	Mr. Premier Oiwoh,	MD/CEO, Nigeria Interbank Settlement System
23.	Mr. Musty Mustapha	Co-Founder/CTO, Kuda Bank
24.	Mr. Laurin Hainy,	CEO Fairmoney Microfinance Bank Limited
25.	Ms. Yvonne Johnson	Co-Founder/MD, Indicina

List of Participants

Names		Organisation
S/N	NAME	ORGANIZATION
1	Chima Igbokwe	Abucoop MFB
2	Tina Wegh	Abucoop MFB
3	Jennifer Tonny	Abucoop MFB
4	Ezenweke Onyinye	Abucoop MFB
5	Esther Abdul	Abucoop MFB
6	Stephen	Abucoop MFB
7	Nwabueze Best .C.	Abucoop MFB
8	Yahaya Ahmed	Abucoop MFB
9	Abu Usman	Abucoop MFB
10	Mauru Azubua	Abucoop MFB
11	Ojebiyi Sunday	Abucoop MFB
12	Oyewole Abosedede	Abucoop MFB
13	Dike Ifeanyi	Abucoop MFB
14	Amajuoyi F.U	Abucoop MFB
15	Samson Jubelo	Abucoop MFB
16	Ekanem Eba	Abucoop MFB
17	Kingsely Usuji	DeMK
18	Adegbami Adegoke	Mainstreet MFB
19	Terna Ikyase	Letshego
20	Olalekan Ogunbayo	Abucoop MFB
21	Zainab Murtala	OFTI
22	Emmanuel Chukwuma	Partners
23	Adeniji Bunmi	Mainstreet MFB
24	Semshak Jennifer	OCP
25	Elegant Ejike	FETA
26	Okocha Victoria	OCP
27	Oluwatosin Omotoye	OCP
28	Alaribe Michael	Nexus Ent.
29	Chilaka Victory	OCP
30	Nwosu Sharon Bamidele	Optiva Capital
31	Basirah Yahaya	Optiva Capital
32	Mercy Agada	OPC
33	Iwuanyanwu Victoria	OPC
34	Ifeoma Victoria	OCP
35	Comfort Aikoye	Optiva Capital
36	Favour Moyo	Optiva Capital
37	Joshua Mbamara	Optiva Capital
38	Ezeh Chidinma	OPC
39	Kevin	Abucoop MFB
40	Obi Chukwu	Abucoop MFB
41	Adama Abdul	Abucoop MFB
42	Nwankwere Martins	Abucoop MFB
43	Mauna Azuba	Abucoop MFB
44	Henry Obiekea	Fairmoney

45	Tinna Harrison	NMP/MLDC
46	Ogunnaike Adetutu	AFOS
47	David Abimoye	Abucoop MFB
48	Aderonke Adeoye	NMP/MLDC
49	Akoyere Jeremiah	GIZ
50	David Ndukwe	Hasal MFB
51	Joseph Idoko	Fiddund MFB
52	Jamilu Iliyaso	CIBN
53	Justus Nowoola	AFOS
54	David West	CBS
55	Samson Fadare	AFOS
56	Ameh Peter	GIZ
57	Musty Mustapha	KUDA
58	Jacob	ACCION MFB
59	Olasehan Oladele	Abucoop MFB
60	Rogers A.I Nwoke	AFOS
61	Chris Nzelibe	Fidfund MFB
62	Shojobi Akin	AFOS
63	Jaiyeola Irefin	
64	Prince Sylver	Advocacy For Peace
65	Sunday E	
66	Habeeb A yusef	NPF MFB
67	Eddy Drok	NAMB
68	Yusuf Gyallesu	NAMB
69	Sanmi Ajisola	MLDC
70	Seye Awojobi	CIBN
71	Are Offin	Residan
72	Olowookere Yakub	ESUSU Africa
73	Taiwo Oni	AFOS
74	Alausa Kunle	AFOS
75	Franklin Okedo	AFOS
76	Oaltunji Moses	AFOS
77	Shitta Abdulrazaaq	AFOS
78	Damisa Mariam	AFOS
79	Nwanna Joel	Hasal MFB
80	Chigozirim Wkele	Chygo Properties
81	Samuel Udeh	
82	Udo	HMFB
83	Babatunde Obrimah	Fintech WGR
84	Tolu Opayinka	Letshego
85	I. Jackson	CIBN OFISD
86	Laide John	BAA Consult
87	Suleman A. Sadiq	Abucoop MFB
88	Inenesit Umoren	FAAM
89	Blessing Chukwunare	
90	Babashani Abubakar	FAAM
91	Kayode Odumosu	Abucoop MFB
92	Obey Olise	Abucoop MFB
93	Alari King	INDICINA

94	Isah Favour .M	Abucoop MFB
95	Aluko Ayodeji	CRC Credit
96	Akinola Tosin	SPEC
97	Ekpm Pauline	SPEC
98	Gloria Obi Emodi	Peace MFB
99	Agboola Joseph	Naval MFB
100	Ifeoma Victoria	
101	Odi John	MD
102	Sen Suraj Bashir	Senate
103	Uwakwe Florence	Abucoop MFB
104	Isiaka M .B	NDIC
105	Law Hope A	Abucoop MFB
106	Ajulo Samson	HR Officer
107	Friday	
108	Clement Emmanuel	Grants MFB
109	Hajarah.E. Olowe	ACE MFB
110	Mansurah Adam	CRC Credit Bureau
111	Andre Amedu	ASHA MFB
112	Cynthia Ikpenimwosa	Lapo MFB
113	Elisha Dogora	Abucoop MFB
114	Asifa Olamilekan	Abucoop MFB
115	Okowa MaryFaustina	Abucoop MFB
116	Eche Emmanuel	Abucoop MFB
117	Echebin Promise	Abucoop MFB
118	Maingold Akpotoba	Abucoop MFB
119	Obi Jane A	Abucoop MFB
120	Christiana Samuel	Abucoop MFB
121	Kingsely Rhoda	Abucoop MFB
122	Akinwale Winifred	Lapo MFB
123	Azuka E.Okofu	BOI MFB
124	Williams Okafor	Grants MFB
125	Richard Tyolule	Letshego MFB
126	Anthony Simipasa	AFDB
127	Onyishi Chinedu	PMFB
128	Akinpelu Ifetomiwa	MLDC
129	Kelechi Iwuagwu	Fairmoney
130	Adebayo	FWCT
131	Olieh	MIG
132	Jegede Emmanuel	Abucoop MFB
133	Ojuh N.Z	Abucoop MFB
134	Peter	Abucoop MFB
135	Okafor Chukwuemeka	Norrenberger
136	Gloria Ajumogo	Norrenberger
137	Dr. 'Biodun Adedipe	BAA Consult
138	Njoku Kelechi	Abucoop MFB
139	Emmanuel Ben Aginah	Abucoop MFB
140	Ikamokwu I. Justina	Abucoop MFB
141	Ezeh Rita N.	Ally MFB
142	Tolulope Babajide	Sahel Consulting

143	Udochukwu Mgbemere	Banex MFB
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145	Zainab Abdullahi	Ulesson
146	Emmanuel Atama	CFAN
147	Ijeoma Oche	Grants MFB
148	Benn Nwokiioe	NIBAA
149	Toyin	
150	Rahman	GPDCD
151	Abel Ohenseri	Lapo MFB
152	Bello Kolawole	Aztec MFB LTD
153	Musa Samson	GMFB
154	Esaru Salami	Abucoop MFB
155	Uche Jane	Abucoop MFB
156	Temitope. E. Akpata	Mutual Trust
157	Lawrence Adeniyi	Spotless Communications
158	Ladipo Akoni	AFOS
159	Peter Usman	Ideal Port
160	Ezeh Rita	Ally MFB
161	Michael .A. Ole	MAOF
162	Eze Sunday	Umunnachi MFB
163	Norbert Wars	AFOS
164	Edeh James	Fairmoney
165	Oghenetekevwe .E. Okoro	AMFB
166	Lilian Sahobor	AFOS
167	Fatima Olajumoke	NPF MFB
168	Christopher Abu	Ewi MFB
169	Esther Adeola-Balogun	Nnewi Women MFB
170	Okeiyi Oluchi	Norrenberger
171	Igwe Chidinma	Norrenberger
172	Obi Jane	Abucoop MFB
173	Taiwo Joda	ACCION MFB
174	Friday Nwokolo	FCMB MFB
175	Ochagla Sandra	Safeline MFB
176	Paul Teye	Sterling MFB
177	Abutu Jonah.G.	Abucoop MFB
178	Babajide Kowolafe	Media
179	Ajao Adebayo	BAA Consult
180	Vera Ogbo	NDIC
181	Joshua Ukwte	NAMB
182	Gaetan Debuchy	Advans Lafatette MFB
183	Rotimi Wusu	BAOBAB
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189	Oshinowo Segun	CIBN
190	Obosi Ademola	Grants MFB
191	Nengi Akmola	Fairmoney

192	Gbekeloluwa Nubi	NIBSC
193	Jonathan Elendu	Elendu MFB
194	Folashade Agbejule	CGAP
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196	Ugbeda E. Preacher	Triple AMFB
197	Ivo Jevik	CGAP
198	Olowookere Stephen	Grants MFB
199	Adeosun Q.E	OFISD
200	Blessing Ailunia	Grants MFB
201	Robinson Godwin	BAOBAB MFB
202	Oluwatobi Akinbobola	Omic Tech
203	Temitope Ogunduyi	Omic Tech
204	Fatade Kafilat	Omic Tech
205	Michael Ekeh	Omic Tech
206	Fashina Akeem	Omic Tech
207	Friday Bali	Omic Tech
208	Stephen	Omic Tech
209	Emmzy	Omic Tech
210	Prince	Omic Tech
211	Maria Shelleng	Triple AMFB
212	Peter Taihule	Grants MFB
213	Bawudeanisy A	BAOBAB MFB
214	Anyadike Diamond	BAOBAB MFB
215	Ajemasu Sylvia	BAOBAB
216	Wilson Teni	BAOBAB MFB
217	John-Paul Emefoh	Credit Registry
218	Oyeneye Ibrahim	Beam of Hope Empowerment
219	Ibeneme Patricia	Abucoop MFB
220	Dooshima Saror	GMFB
221	Deborah Ebilowa	GMFB
222	Ojochenemi John	GMFB
223	Ofi Mercy	HMFB
224	Clement Emmanuel Tizhe	GMFB
225	Simeon Moses Ochije	GMFB
226	Pricilla Okoko	BAOBAB MFB
227	Opasemo Caleb	Mainstreet MFB
228	Stephen Balogun	NMP/MLDC
229	Iheanacho Obianuju	Abucoop MFB

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2.	AFOS Foundation
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4.	Hasal Microfinance Bank
5.	LAPO Microfinance Bank
6.	BAOBAB Microfinance Bank
7.	Accion Microfinance Bank
8.	Purple Money Microfinance Bank
9.	NPF Microfinance Bank
10.	BAA Consult
11.	Letshego Microfinance Bank
12.	National Association of Microfinance Bank

Appendix D

Editorial / Rapporteur Team / Communique

S/No.	Name	Organisation	Role
1.	Dr. 'Biodun Adedipe	BAA Consult	Editor-in-Chief
2.	Olaide John	BAA Consult	Editor
3.	Adebayo Ajao	BAA Consult	Rapporteur
4.	Olusola Tutuola	BAA Consult	Rapporteur

Appendix E

Secretariat Staff

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2.	Tinna Harrison	MLDC
3.	Sammi Ajisola	MLDC
4.	Ifetomiwa Akinpelu	MLDC
5.	Aderonke Adeoye	MLDC
6.	Stephen Balogun	MLDC
7.	Alistair Igbinedion	MLDC

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S/No.	Name	Organisation
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2.	Abubakar Musa	NTA Networks

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S/No.	Name	Organization
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2.	Tinna Harrison	MLDC
3.	Sanmi Ajisola	MLDC
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5	Aderonke Adeoye	MLDC
6	Toluwalase Stephen	MLDC
7	Alistair Igbinedion	MLDC
8.	Taiwo Oni	AFOS
9.	Mariam Damisa	AFOS
10.	Oladele Olasehan	ABUCOOP
11.	Abutu Jonah	ABUCOOP
12.	Adebimpe Adebajo	ABUCOOP
13.	Abel Ovanseri	LAPO
14.	Caleb Olatona	ACCION
15.	Fati Olajumoke	NPF

Presentation Slides



Ivo Jenik
April 28, 2022



Our vision is a world where poor people, especially women, are empowered to capture opportunities and build resilience through financial services.

[CGAP vision statement]



OUR MISSION

CGAP works to make financial services meet the needs of poor people, with a special focus on women. We spur innovations, test solutions, and inspire change through knowledge and partnerships. By advancing responsible and inclusive financial systems, we help move people out of poverty, protect their gains, and advance global development goals.

- ✓ **WE ARE:** Global partnership of over 30 leading development organizations, housed at the World Bank
- ✓ **WE BELIEVE:** Financial inclusion is an important enabler of poverty alleviation
- ✓ **WE CARE ABOUT:** Innovation driving services for the poor at scale and low cost
- ✓ **WE ENGAGE IN:** Applied research, knowledge sharing and evidence-based advocacy with financial service providers, policymakers and funders



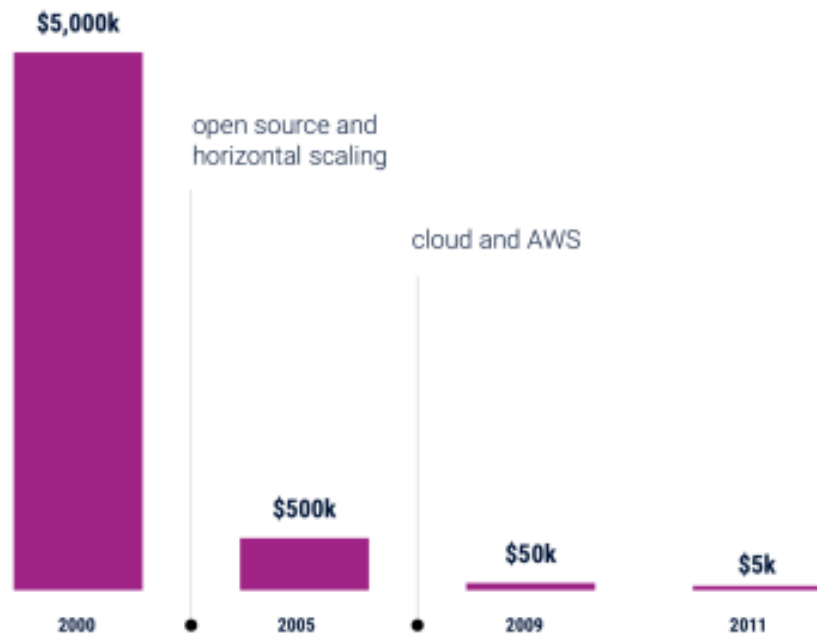
Introduction



Digital technologies are profoundly changing finance

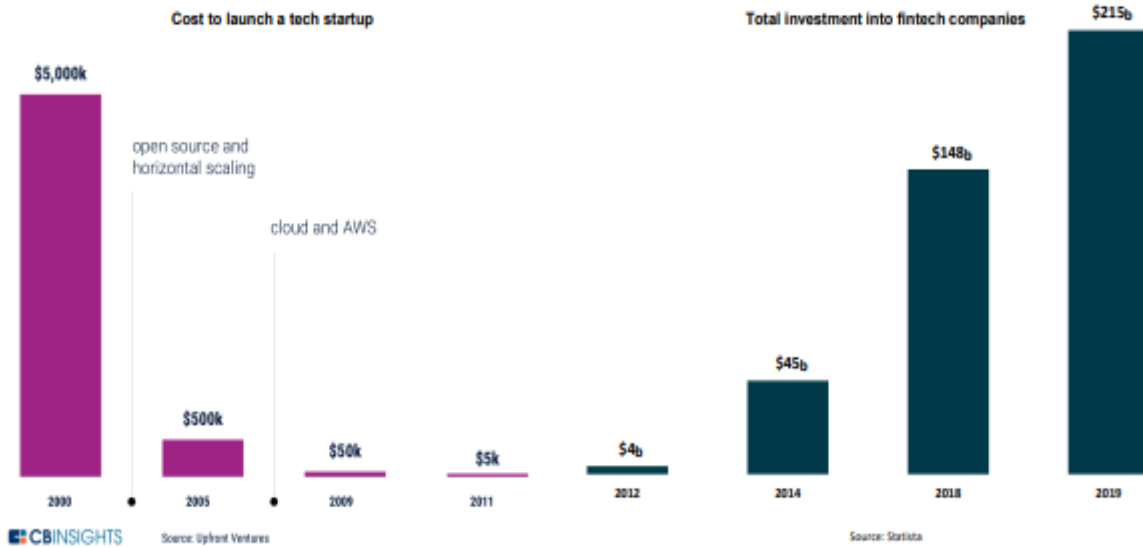


The cost to launch a tech startup has dropped

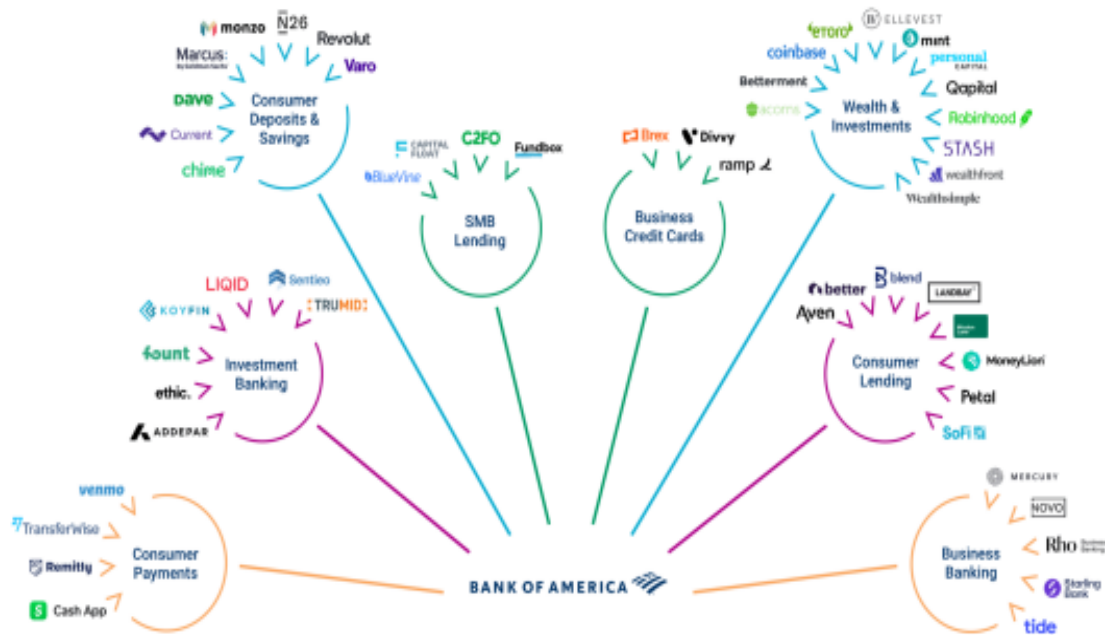


Source: Upfront Ventures

Investment in fintech has skyrocketed



This is driving modularization of financial services



Source: CB Insights, "Unbundling of the Bank"

And modularization of the financial market



Balance sheet layer

Provision of capital, risk management and balance sheet risk, at the wholesale or retail level.



Product layer

Design and manufacture of individual financial products and services.



Customer relationship layer

Customer acquisition, sales, servicing and primary interface.

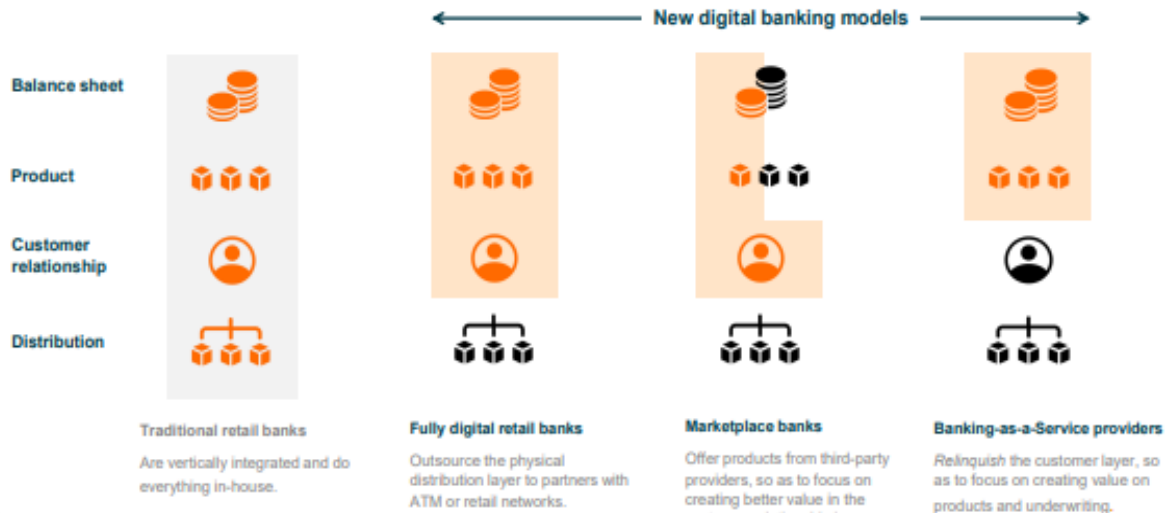


Distribution layer

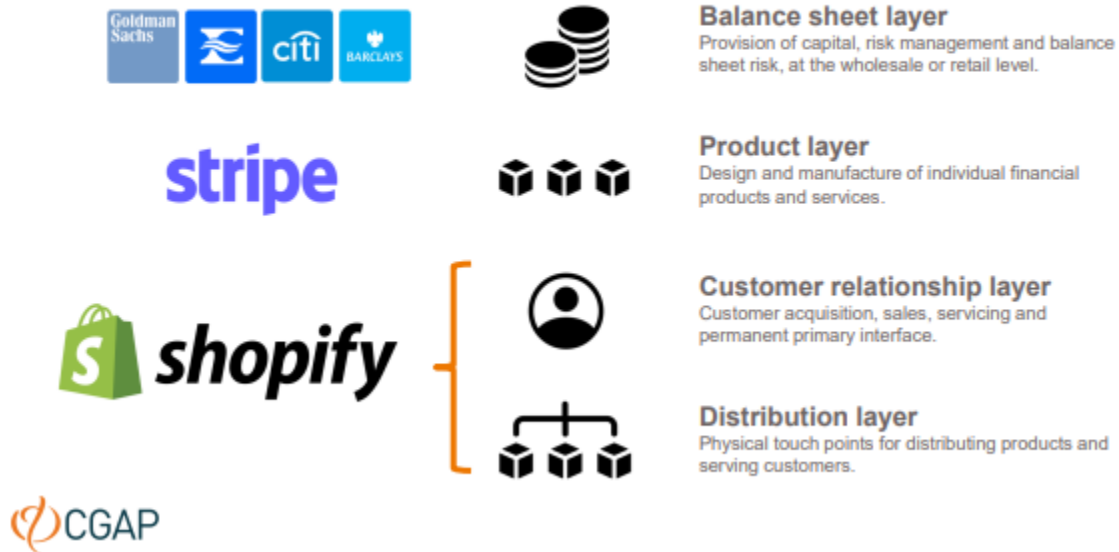
Physical touch points for distributing products and serving customers.



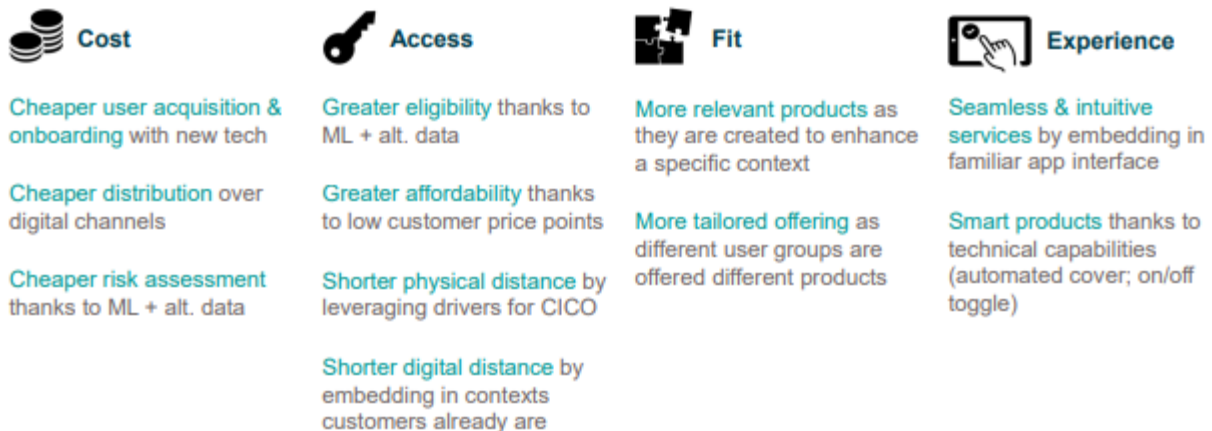
This “modularization” is leading to new business models in banking and possibly microfinance



Modularization is also leading to new concepts such as embedded finance

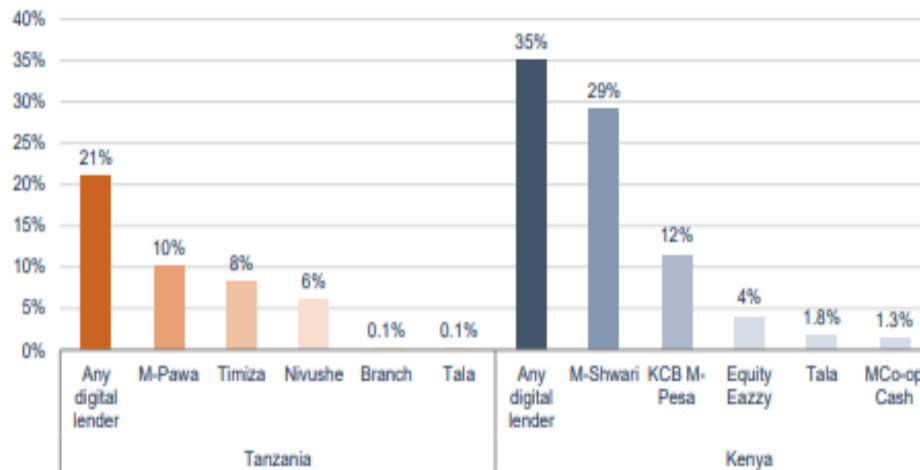


This trend can help overcome key barriers to financial inclusion



Will new entrants replace microfinance?

Share of mobile phone owners who have borrowed from digital lenders (top 5 in each country)



Source: CGAP (2018)



Evidence from Kenya and Tanzania suggests that digital credit substitutes for other credit sources

Table 5. Digital borrowers who report reduced use of each loan type since gaining access to digital credit (%)

	Tanzania	Kenya
SACCO	2	12
Microfinance	3	11
Employer	5	7
Informal moneylender	5	4
Bank	6	19
Savings Group/VICOBA	8	15
A Shopkeeper	11	30
Family member, friend, or neighbor	17	15
Total percent who have reduced their use of at least one loan source after gaining access to digital credit	34%	63%

Few replace moneylenders with digital credit

Mostly reduce use of family and shopkeeper credit



Source: CGAP (2018)

Digital credit competes for key microfinance customers

Livelihoods of digital credit users versus all adults

60% — 50%

Technology is vital for the microfinance sector to remain relevant

- The microfinance sector is vital to the financial inclusion cause
- The sector has grown to serve 140 million low-income clients, with an outstanding portfolio of \$124 billion (MIX, 2018)
- MSEs form an important part of the customer base
- Only in the MSE sector, the finance gap is US\$5 trillion (CGAP 2018)

⇒ Critical to act and seize the opportunity while addressing risks



Ramon Castillo | CGAP Photo Contest

The Role of Microfinance in a Digital World?



Microfinance may be experiencing a midlife crisis

- Microfinance is a functioning model for high-touch, offline delivery of finance to low-income customers
- The sector has struggled with:
 1. Scale
 2. Innovation (adaptation to the increasingly online environment)



The sector is facing major threats

- A lack of strategic vision and guidance for digital transformation
 - Understanding customer's needs and behavior and defining value
 - Limited expertise
- Competition with digital lenders
 - Competition for the profitable customer
 - Decreasing retention rate
- Inflexible regulation limiting the adaptation capability
 - Remote onboarding / credit assessment
 - Restricted use of cloud computing and APIs



Opportunities outweigh threats

- Expanding and deepening customer base
 - New distribution models that lower acquisition cost
 - Alternative credit scoring methods that improve eligibility
- Improving operational and economic performance
 - Automation of credit renewals
 - Agile, BI-driven management
- Benefiting from larger market changes and digitization of economy
 - Changes in the business model
 - Serving increasingly digital customers



What opportunities?

- **27% increase** in loan officers' productivity (*Bancamía mobile app*)
- **50% decrease** in loan processing time (*Bancamía mobile app*)
- **176% annual increase** in use of digital channels by women (*Bancamía*)
- **227% annual increase** in transactions made by women (*Bancamía*)
- **30-50% of renewals** streamlined (*FINCA Impact Finance score*)
- **US\$22 million in savings** mobilized (*Amret mobile savings officers*)
- **45% of transactions** performed through alternative channels (*Al Kuraimi Islamic Microfinance Bank*)



Mz Khalid Rajwan Shanon, CGAP Photo Contest

Moving Ahead



Six key principles of successful digitization

Principle 1: Start with core business

Principle 2: Minimum viable product approach

Principle 3: Business-wide ROI for tech investment

Principle 4: Effective change management

Principle 5: Customer behavior tracking (business intelligence)

Principle 6: Incremental implementation



“High value propositions are created around credit services”

(Risk: missing the business case)

Principle 1



“Successful implementations use simple technology and the minimum viable product (MVP) approach”

(Risk: Technology overwhelm)

Principle 2



“Where technology supports multiple parts of the business, a different approach to measuring return on investment is required”

(Risk: ROI leads to misalignment in incentives)

Principle 3



*“Change management starts with C-suite competency
and requires training down the line”*

(Risk: Poor change management)

Principle 4



*“Measuring customer behavior change is the key to
measuring value created”*

(Risk: Not listening to the customer)

Principle 5



“Cases of incremental success are the common pathway to digitization”

Principle 6



Ahadi Hilmah | CGAP Photo Contest

Conclusion



Key points

1. Driven by technology, financial services are becoming increasingly modular and embedded in non-financial contexts
2. The microfinance industry faces important challenges, but also great opportunities
3. Successful digitization creates a measurable value for the business and the customer
4. Digitization that is incremental, uses MVP and responds to customer behavior is more likely to succeed



CGAP collects relevant insights

- Case studies of pathways to success
 - A summary of five successful implementations with a measurable impact
- Pitfalls in MFI digitization
 - A collection of lessons learned by MFIs struggling
- **Pilots** of credit automation & business intelligence
- **Community of Practice**



Thank you

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APPENDIX

What is CGAP doing?



Pilot cohorts

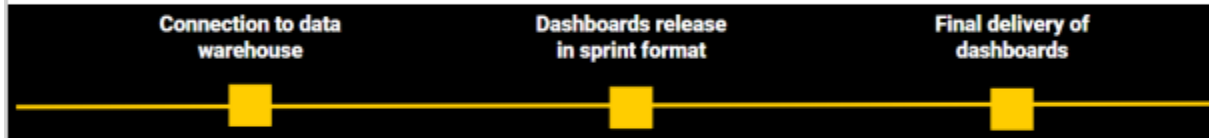
MFI	Measurement	Automation
AB Bank (Zambia)		X
Accion Microfinance Bank (Nigeria)	X	X
Crystal (Georgia)		X
Microfund for Women	X	X
Première Agence de Microfinance (Madagascar)	X	
Shakti Foundation (Bangladesh)	X	
SHARE Microfin Limited (India)	X	



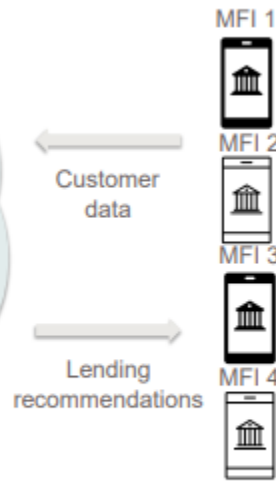
Measurement workstream

- Setting up / connection to the data warehouse
- Dashboard release and final delivery
- Business response

3 months



Automation workstream



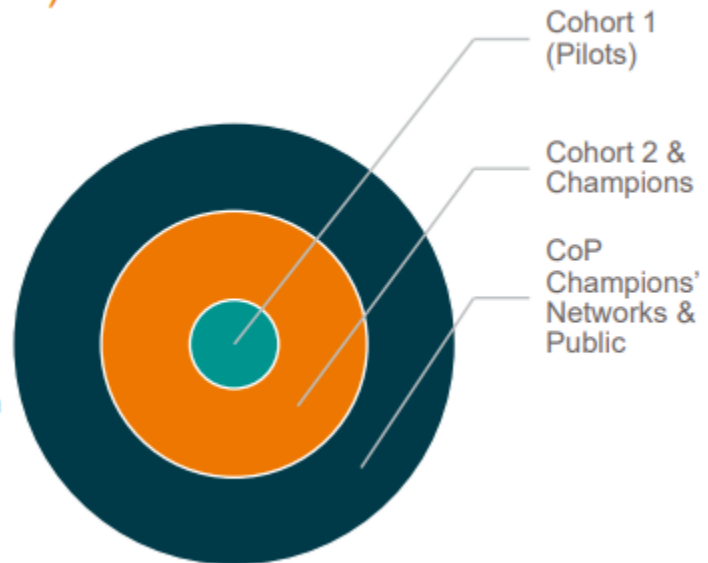
- Setting up the data warehouse
- Optimizing processes (productization in sandbox)
- Minimum viable product pilot
- Pilot assessment, adjustments and scale up

12 months



Community of Practice (CoP)

- Well-validated approach seeking MFI engagement with peers on PRACTICAL digitization topics
- **Tests replicability:** Incorporates value driven incremental approach from pilots
- **Enables access to real-time support** from peers for Data Analysts and Product Owners
- Seeks to **generate rich content to inform strategy**-setting by decision makers
- 3 layers of influence & impact leveraging TA and stakeholders with broad reach.



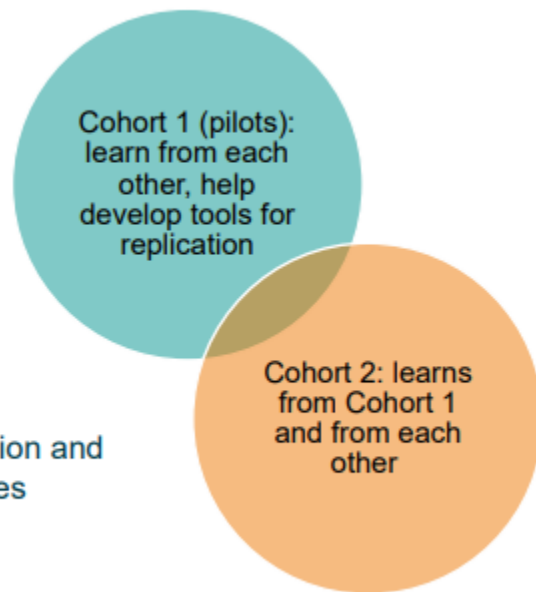
CoP at a glance

- +/- 30 MFIs
- 2 Cohorts, and Champions
- Participate actively for 6-8 months
- Overlap for 2/3 months

MS Teams platform: discussions, demos

Webinars: curated content

Topics: strategic issues around value creation and data-driven decision making; technical issues around preparing and visualizing data





Financial Inclusion Through Innovation and Technology: Addressing Youth Unemployment, Women Inclusion and Smallholder Farmer Financing

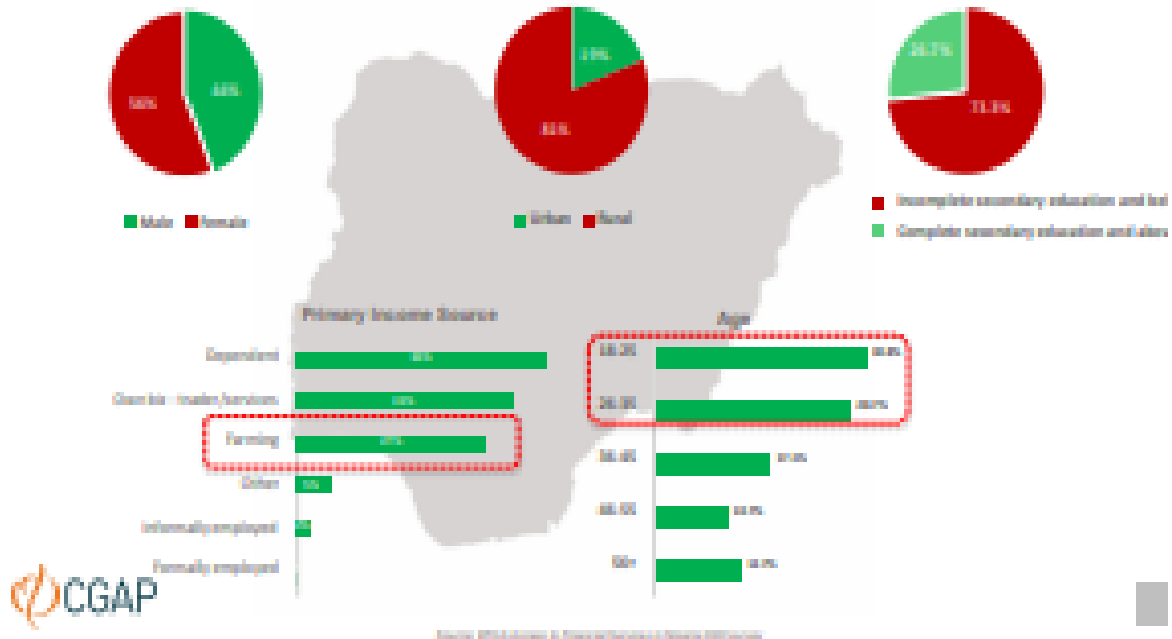
7th Annual Symposium of the Nigerian Microfinance Platform
28 April 2022



Financial Inclusion Through Innovation and Technology
Introduction and Background



Youth, Women and Smallholder Farmers Remain Largely Financially Excluded



Overview of Barriers to Usage of Financial Services Among Focus Segments

Generally, young women and men report same barriers to account ownership - Lack of affordability, distance to financial institutions and lack of necessary documentations

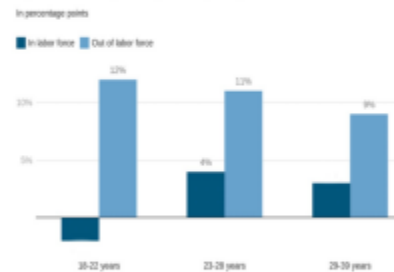
- However, there is a striking gap between young adults who use mobile money/DFS and those who use only bank accounts – phone access
- Labor force participation has the strongest correlation with account ownership across developing economies
- Marriage can influence young women’s access to education, employment, and use of financial services.

Youth-specific issues of smallholder farmers: However, there is a striking gap between young adults who use mobile money/DFS and those who use only bank accounts – phone access

- Poor financial literacy and capabilities
- **Lack of products and services catered to youth’s needs**
- Lack of land and other assets for collateral
- Lack of trustworthiness/credit profile
- Restrictive legal, regulatory requirements for youth etc.

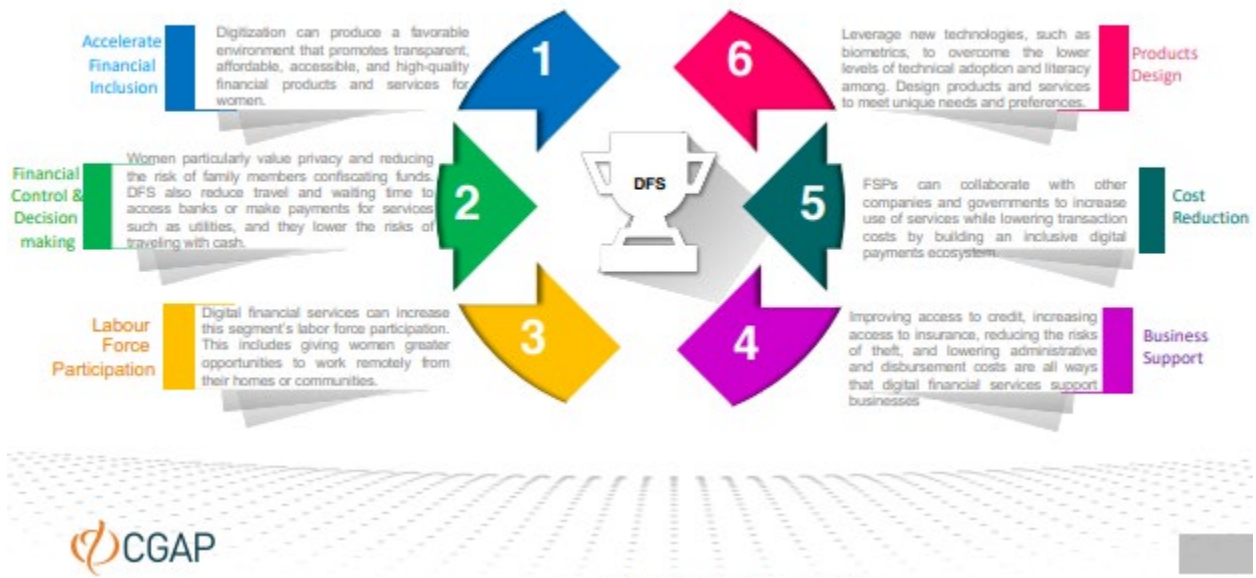
There is a need to develop digital and mobile services for delivering last-mile savings, credit, insurance, remittances and payments. As early adopters of technology, youth can get easier access.

Gender gap in account ownership among young adults, by workforce participation (2017)



Source: Global Findex database and Gallup World Poll

Technology is a Powerful Tool to Address these Identified Barriers



Innovation and Technology – Considerations for Focus Segments

Innovation: A balance between novelty (invention) and need (insight)

Growth of banked adults is driven by DFS:

- With Technology as an enabler, innovative products are fast transforming the financial services space. Developing more tailored products for youth, women (not just innovation of channels, but also in use cases – time & energy saving that are relevant to these segments)
- Customer expectations and preferences are evolving
- Innovation should help MFBs to be more effective, efficient and reach new customer segments cheaply
- Primary area of focus could be improvement of existing infrastructure and internal knowledge management



With technology, DFS providers need to balance digital and face-to-face interactions across:

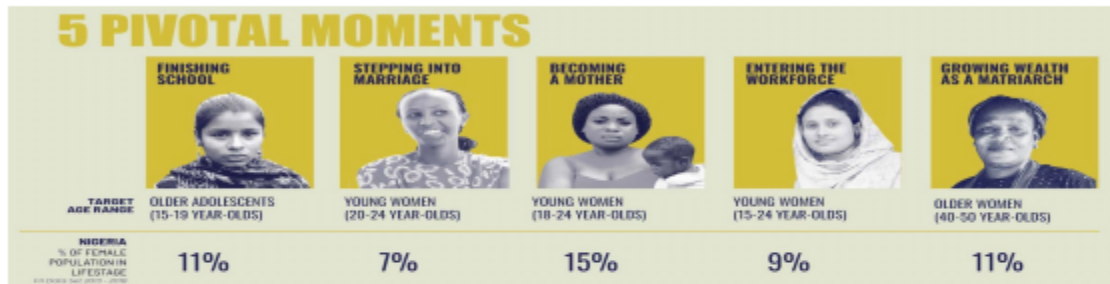
- Savings, lending, payments and other business management services, especially those targeted at small holder farmers – supply chain enablement, expense management etc.
- The focus should be at stages of the customer journey – awareness, onboarding, transacting, dispute resolution/customer protection

Financial Inclusion Through Innovation and Technology

Addressing Women Inclusion



Building Solutions that Meet Women Where They Are in Life and Improving Access to Digital Financial Services



These life stages are pivotal for design of innovative, digital financial services for women — whether the shifts are through products design, policy or societal norms.

Women's relative informality becomes pronounced only in their **early 20s**.

A reason to increase focus on literacy for the girl child (also position them for digital skills)



While women have been generally reported to have **lower DFS usage** and other digital tools, recently married women's and new mothers' DFS usage is lower than at any other life stage.

Increased focus on Digital and Financial literacy education for women.

Gender norms limit mobility and earning potential.

Actively engage the men in their lives to gain increased participation of women in skills & knowledge acquisition. Support towards time-saving work.

Home-based informal work makes formal financial services less relevant - transacting in smaller increments and in cash-based ecosystems.

Make DFS more relevant via lower fees, savings, pension


Designing Effective Solutions for Women Requires a Targeted Approach and Strategic Partners



Financial Inclusion Through Innovation and Technology Addressing Youth Unemployment

The Role of Financial Services in Youth Education and Employment

Education



Financial tools can play an important role in helping youth gain access to training and education to build their job skills and juggle income sources, but young people often enter adulthood without access to financial services.


Education is an essential part of building youth capability and increasing their employability, productivity, and income. Where strong educational and training opportunities exist, financial services can help families manage this major expense and promote youth educational attainment.

Implications:


- Education is one of the largest household expenses.
- In decisions about their children's education, parents confront difficult cost-benefit assessments
- Lack of education and training limit youth wage employment and entrepreneurship
- Young women face additional barriers to education.

Role of Technology and FSPs:

- Digitally enabled financial services offer new ways to pay educational expenses
- A range of financial services can help manage costs and smooth payments related to education
- Financial solutions can help promote youth educational attainment.
- More highly educated young people are also more likely to use financial services.



Livelihoods (Income)



Youth Employment - Youth are three times as likely to be unemployed as adults, and rural youth face more limited employment prospects. Gender also plays an important role in youth livelihood choices, employment, and wages.

Implications:

- Employment prospects are more limited for youth in rural areas than those in urban areas.
- Working youth often juggle various income streams from casual work and self-employment and the agricultural sector remains their leading employer
- Young people are more likely to find employment in the informal sector and increasingly look for work in the gig economy.
- Agriculture remains the leading employer of youth.

Role of Technology and FSPs:


- DFS can help stimulate youth entrepreneurship, and entrepreneurship can lead to increased access to financial services
- Tranched financing from FSPs (esp. via technology) may serve as incentives to reduce risk.
- Digital platforms that underpin the gig economy could embed social and financial services

11


Emerging Technology and Innovation – Opportunity for Youth Employment

Young people are at a higher risk of unemployment in Nigeria and youth are early adopters of technology


As youth struggle to find employment and juggle various income streams, it is critical for them to leverage technology to find work as well as access to services and information.



- Digital platforms are changing the delivery of information and opening unprecedented opportunities for youth to access education, training, goods, markets, and financial and nonfinancial services.
- Invest in skills and digital-related Technical and Vocational Education training initiatives for youth.
- Technology will have an enormous impact on youth education and employment. Digital platforms can consolidate an array of financial and nonfinancial services for youth.



- FSPs can leverage the strong savings habits of youth and their access to mobile phones to develop digital products that better meet their needs and aspirations.
- Youth are also well positioned to be at the fore front of agent banking services.
- Youth access to digital credit has increased, *though this raises consumer protection and value questions, particularly for youth new to financial services.*




- Leveraging technology to raise Youth agripreneurs (agritech).
- Usually bundled with innovative solutions like small savings to loans, contract farming arrangements, warehouse receipts.
- Overall bridge financing for youth enterprise

12

Others – Media & Comm; eCommerce & other retail services

Positive outcomes for youth education and employment require a supportive web of services, social networks, and partners. Financial services play a role but alone, without this wider enabling environment in place, they cannot unlock positive outcomes for youth.



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Financial Inclusion Through Innovation and Technology

Addressing Smallholder Farmer Financing



Digital Value Chain Finance (DVCF) Can Improve Financial Services to Smallholder Farmers

The digitization of value chain finance (financial services that flow to or through any point in a value chain) is changing the way smallholders access the financial tools necessary to invest in their farms, manage risk, and transact with markets.

Improving the efficiency of financial transactions

Digital payments - especially bulk payments between buyers of agricultural commodities & their suppliers, digitized loan disbursements

Overcoming barriers to providing financial services

DFS and new data on farmers allow for digitizing savings, credit, and insurance products—making them more affordable and accessible to a greater number of smallholders

Improving market opportunities

Digital trading platforms, digital warehouse receipts, and digital invoice discounting help smallholders to maximize the price they get for their crops

Technology should however, match farmer's capacity. "Digitisation is a means to an end, not an end in itself".



New technologies can break down barriers to delivering financial services to a greater number of smallholder farmers



Thank you

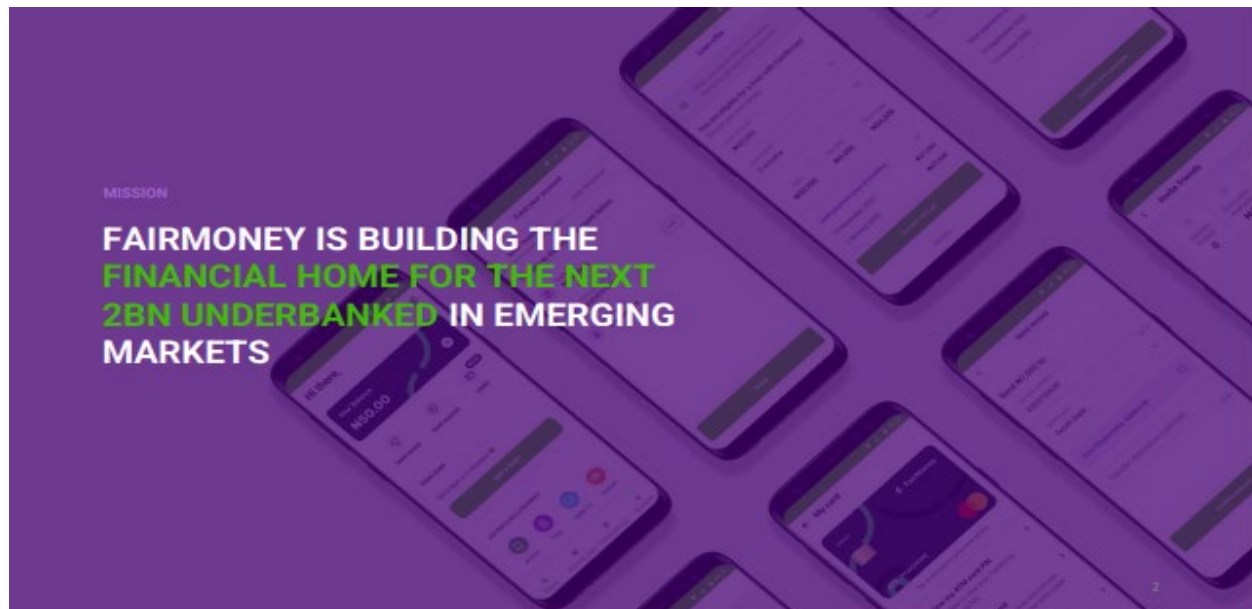
To learn more, please visit
www.cgap.org



Building the mobile bank for the next 2 billion

7th Annual Symposium of the Nigerian MicroFinance Platform
Theme: Expanding the Frontiers of Financial Inclusion through Innovation:
The Microfintech Tools

The FairMoney Experience
Presentation by Laurin Hainy – CEO/Co-Founder, FairMoney
28th Apr 2022



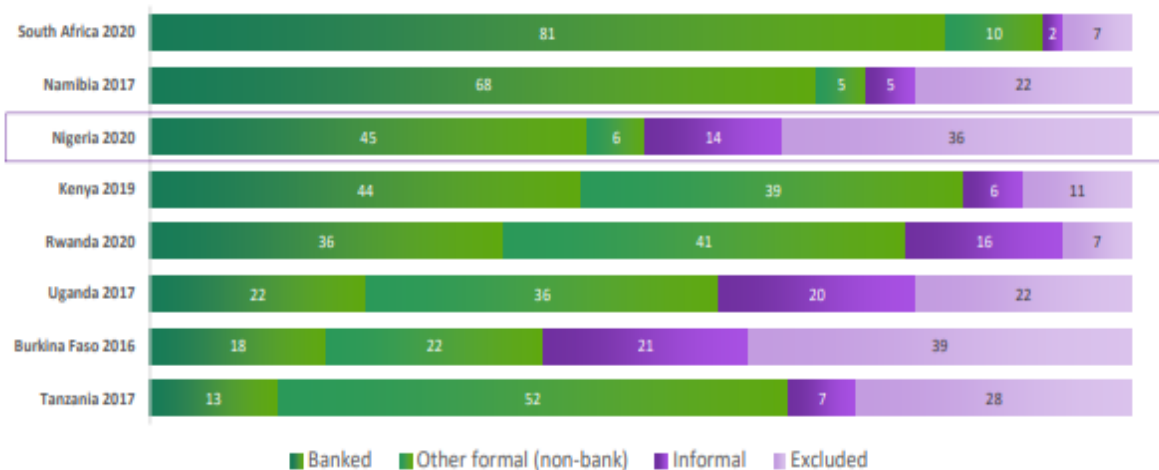
Financial services **are not accessible** to most people in Emerging Markets

Over **1 billion people** don't have an account at a financial institution



Nigeria has a **higher rate of financial exclusion** than many other countries in Sub-Saharan Africa

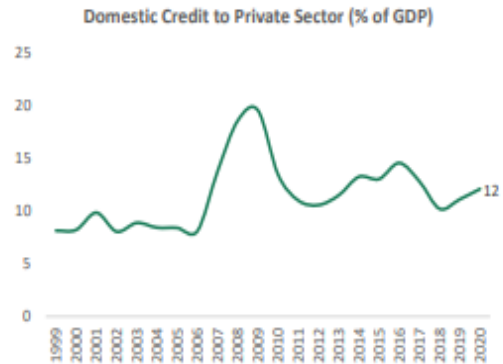
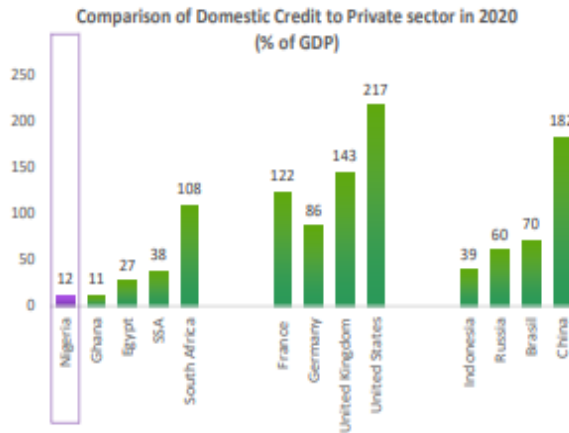
Only 45% of Nigerians have Bank Accounts. Although Nigeria has a higher proportion of banked adults than many comparator countries, it also has a high proportion of financially excluded adults from formal system



Also, lending to the private sector in Nigeria continues to trail other African markets

Credit to private sector was about 12% of GDP in 2020

(vs. 27% in Egypt, 38% in Sub-Saharan Africa, 108% in South Africa)



Sources: World Bank, CBN

5

Though trailing other markets, Domestic Credit and Lending to Private Sector continues to grow

- Credit to Private Sector grew by 18% to 35.73 trillion as at Dec 2021; (Compounded Annual Growth rate of 12% since 2010)
- Other Financial Institutions (OFIs) including MFBs (some digital players) are playing a strong role in driving consumer credit. According to CBN, OFIs granted 22.39 million facilities to 9.23 million loan beneficiaries contributing over N2.7 trillion or 10.6% to banking sector credit as at Nov 2021.

Net Domestic Credit in N'trillions



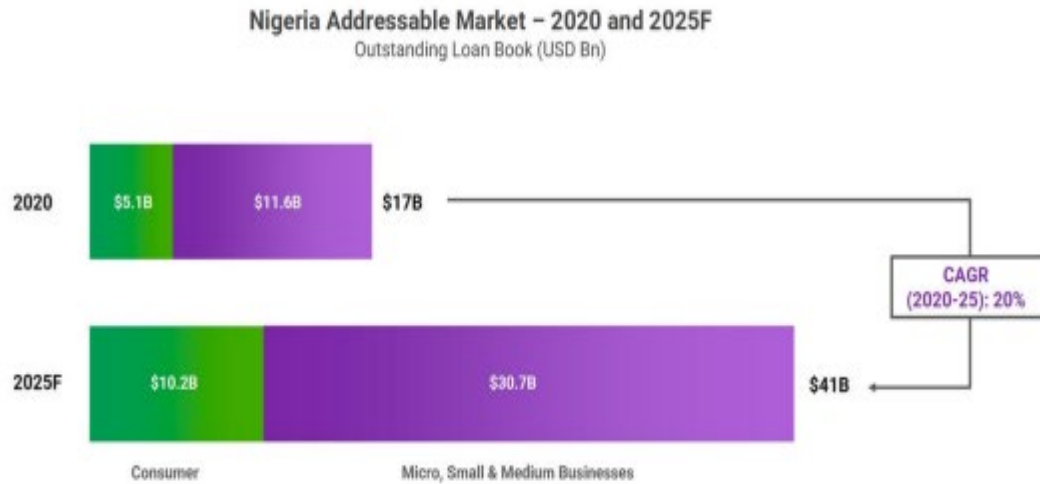
Credit to Private Sector in N'trillions



Sources: World Bank, CBN

6

Our current addressable market in Nigeria is \$17Bn AUM (Loan Book), that is expected to increase to ~\$41Bn by 2025



FairMoney Experience

FairMoney

FairMoney is leveraging technology to bridge the huge gap and enhance Financial inclusion

- **Building Africa's leading Credit – Led Neobank**
 - Started with the major customer pain point
 - Disbursing nearly 10k loans daily
 - Opening over 5k accounts daily
 - Have serviced over 2m customers
- **Built other products & services on top of the Lending solution**
 - Bill payments
 - Cards
 - Transfers
- **Enhanced User Experience**
 - Access via mobile apps

Customer Painpoints



Sub-Theme – Experience Sharing 2

Appendix L

Kuda MFB at The 2022 National Microfinance Platform Symposium



Our Mission

We set out to build a digital-only bank powered by technology, service, and cost-effectiveness with the broader mission of making banking more accessible, affordable and rewarding.

On paper, it seems simple, but only people who have never had to build a bank would consider this simple.



Licensed to Build

To be a bank, we needed a licence. We never considered a microfinance banking licence to be a handicap.

We think of the licence as permission to build, and our responsibility has been to be creative in building Kuda Microfinance Bank to meet the demands of the world we live in now.



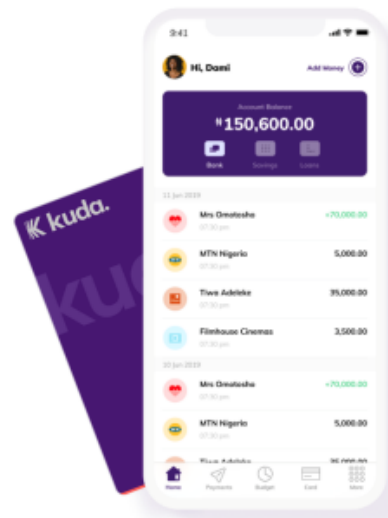
LICENSED BY
THE CENTRAL
BANK OF
NIGERIA

LICENSED BY THE
THE CENTRAL BAN

Essential Services

In building Kuda Microfinance Bank, we focused on the things that define banking in this age: a spending account, a savings account, credit, an app, and a debit card.

We then went ahead to innovate around these essential things by designing a simple app, making saving money fully automatic, making it easy to borrow money and offering a free debit card with free nationwide delivery.



Banks Cost Banks Money

Providing banking services isn't cheap for banks. In fact, every bank represented here today deserves a round of applause for keeping the lights on.

We needed a lean model to run Kuda Microfinance Bank sustainably, so we turned to digital technology to help us achieve this goal.



Saving Us, Saving Them

With a lean model that prioritises deploying banking services through smartphones and the web, we have been able to save ourselves the costs of building, staffing and running branches.

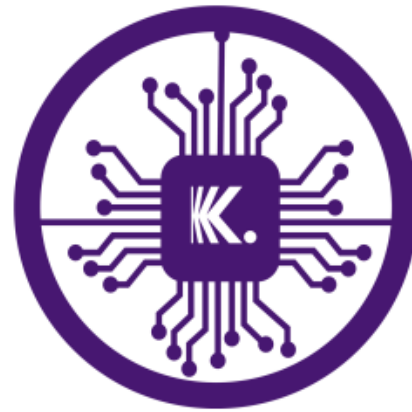
We have transferred this savings to customers in the form of benefits - free transfers and zero maintenance fees.



Taking Control

Every bank needs a core banking app to run its operations. In launching with a third-party core banking app, we learnt very quickly that it wasn't something we could leave to a third party.

One of our greatest achievements so far, and a key reason we've been able to scale, is building our own core banking app called Nerve.



kuda.
MICROFINANCE BANK

Gaining Credibility

If no one knows you, it is unlikely that anyone would trust you. The public demands proof that what we are building at Kuda MFB is real.

We show proof by creating consistent awareness through billboard campaigns, brand association with organisations like Mastercard in the past and Visa currently, as well as anti-scam campaigns. Not only have we gained credibility, we are sustaining it as well.



kuda.
MICROFINANCE BANK

The People's Bank

Customer experience is not the icing on the cake for us, it is the entire cake. Our offerings mean nothing if our customers are not pleased.

Knowing this, our biggest commitment has been to our customers in the form of customer awareness and a consistent iteration of the experience we offer them at all our touch points.



kuda.
MICROFINANCE BANK

Thank you for your time.

Musty Mustapha

Acting MD, Kuda Microfinance Bank

kuda.
MICROFINANCE BANK

April 28, 2022

Microfinance Banking In A Post-Pandemic Era: *Financial Technology Options.*

By

Mr. Taiwo Joda - MD/CEO

At The 7th Annual Symposium of the Nigerian
Microfinance Platform Abuja .

My future is bright



Contents

- Introduction
- COVID19 Update: Key Statistics
- Key Lessons for Banks from the COVID-19 Pandemic
- Banking issues that led to the fintech revolution
- Fintechs: Concept & Mode of Operations
- Fintech Options for Microfinance Banking in the New Normal
 - Accion MfB Reaction/Experience
- Available options for Microfinance Banks
- Conclusion

Introduction

The relevance of the above subject cannot be overemphasized especially at this crucial time now referred to as the new normal.

The COVID-19 pandemic has changed life as we know it—and it may have changed us individually as well, from our morning routines to our life goals and priorities.

From the current situation and the upsurge in the respective variants, one may conclude that the world has changed forever.

The questions at the moment are;

Will the vaccines drive down infections and keep the variants at bay?

Will life ever return to the old normal again?

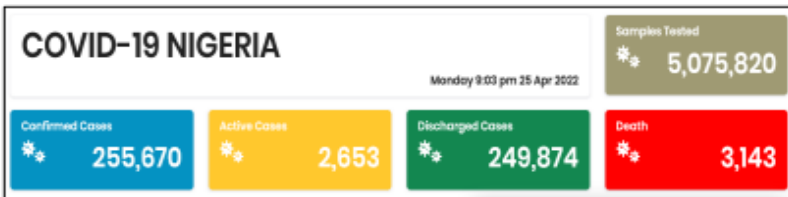
However if we consider what has happened so far, I believe we all agree that the pandemic has thrown up great lessons and experiences for us all irrespective of the sector.

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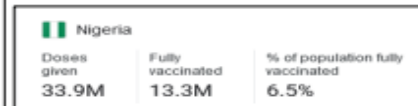


COVID19 Update: Key Statistics - Not yet Uhuru

COVID 19 –Nigeria



Vaccination -Nigeria



From 16th to 18th April 2022, 22 new confirmed cases were recorded in Nigeria. Till date, 255,670 cases have been confirmed, 249,879 cases have been discharged and 3,143 deaths have been recorded in 36 states and the Federal Capital Territory. The 22 new cases are reported from 4 States- Lagos (10), Nasarawa (6), FCT (3) and Rivers (3)

Table3: Global Statistics as at April 23, 2022

Location	Total cases ↓	New cases (1d*)	New cases (last 60d)	Cases per 1 million people	Deaths
Worldwide	509,545,059	349,989		65,529	6,218,018

Location	Total doses given ↓	New doses given (1d*)	New doses given (60d)	People fully vaccinated	% of pop. fully vaccinated
Worldwide	11,529,027,332	7,853,664		4,635,777,265	59.6%

COVID-19-Worldwide

Vaccination -Worldwide

What next????

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Key Lessons for Banks from the COVID-19 Pandemic

Need for a contingency plan

Agility and adapting to the changing environment

Think digital, always

Need to Bank on a Robust Digital Platform

Need to make some quick changes in work style

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Banking issues that led to the fintech revolution

The traditional banking system has been disrupted and has given rise to a new era of alternative finance.

The traditional banks had the following issues that led to the fintech revolution:

Highly regulated with many rules and compliance norms

High operating costs due to a large network of branches across the globe

Poor visualization beyond the traditional business lines as they are mostly publicly held companies averting risk propositions

Low involvement of customers in the center of operations

Low investment in value creation from ideas, innovations, and technology

Low collaboration with progressive minds to build capabilities and competencies

Lack of focus on individual profit-making products / services due to the neutral approach applied

Difficulties in deciding changes for upgrading or replacing legacy core banking infrastructure built over a long period.

Financial technology (Fintechs): Concept & Mode of Operations

Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. At its core, fintech is utilized to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones.

Fintech also refers to the integration of technology into offerings by financial services companies in order to improve their use and delivery to consumers.

Fintech now includes different sectors and industries such as education, retail banking, fundraising and nonprofit, and investment management to name a few.

Fintech also includes the development and use of crypto-currencies such as bitcoin.

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Fintech Options for Microfinance Banking in the New Normal

- **5.1 Modus Operandi of Fintechs.**
 - Fintech firms, in consideration of their market size, capital intensiveness, and market goodwill, work with the concept of creating more value for the end users in a niche area of the business.
 - They aim to generate large business transaction volumes with a small number of transactions rather than relying only on generating a high number of transactions for a decent market share of revenue.
 - They believe in achieving this by providing innovative products and services through a partnership of technology-focused start-ups with specialized financial services start-ups. In this way, the targeted niche area slowly expands in coverage and market share.



Accion Microfinance Bank

Source: Infosys



The Accion MfB Experience/Reaction

What we did during the crisis.

Intimate Customer relationship & Engagement

- Accion Konnect Series
- Artisan loan initiative
- COVID-19 social impact research for customers
- Provision of Post COVID-19 relief support initiative such as
 - Granting of moratorium to our clients
 - Interest rate discount
 - Interest free loan moratorium for school owners, etc.
- Provision of technical and practical resources in managing business post-pandemic

Accion Microfinance Bank



The Accion MfB Experience/Reaction Contd.

Forbearance/Moratorium:

Loan Restructuring & Refinancing.

COVID-19 Compliant Business Continuity Plan.

Increased attention to Digital Banking.

Change in the Accion MfB Business Model/Credit Manual

Accion Microfinance Bank



Our Channels Report

INWARDS							NUMBER	VALUE
CHANNELS	2018 NO	2018 =N=	2019 NO	2019 =N=	2020 NO	2020 =N=	JAN-OCT'21 NO	JAN-OCT'21 NO
BANK TELLER - NIP	280	81,540,555	1,779	277,168,351	4,514	585,283,393	7,640	1,194,439,197
INTERNET BANKING	500	56,812,511	3,311	354,197,167	11,769	951,575,090	20,604	2,479,689,817
MOBILE PHONE & USSD	1,911	115,983,798	23,040	1,360,650,259	99,114	5,581,291,606	175,085	11,963,781,669
OTHER CHANNELS, 3RD PARTY & Agency	10	304,500	221	10,483,173	1,414	77,561,254	3,247	201,069,550
GRAND TOTAL	2,701	254,641,364	28,351	2,002,498,950	116,811	7,195,711,342	206,576	15,838,980,232

OUTWARDS							NUMBER	VALUE
CHANNELS	2018 NO	2018 =N=	2019 NO	2019 =N=	2020 NO	2020 =N=	JAN-OCT'21 NO	JAN-OCT'21 NO
BANK TELLER - NIP	2,335	2,146,691,949	4,007	3,665,922,535	20,159	4,671,609,382	98,146	12,328,421,937
MOBILE PHONE	9,281	571,375,924	45,416	1,322,577,716	84,740	4,121,755,841	75,781	6,304,050,733
OTHER CHANNELS & INTERNET B	1	8,000	9	293,100	-	-	-	-
GRAND TOTAL	11,617	2,718,075,873	49,432	4,988,793,351	104,899	8,793,365,223	173,927	18,632,472,670

Transaction Type	Jan -Dec 2020		Jan - Dec 2021		Q1 2022	
	Count	Value	Count	Value	Count	Value
CARD WITHDRAWAL	11	47,420.00	28,419	222,267,941.82	22,984	281,532,617.88
TRANSFER	3,848	243,084,175.98	32,786	2,120,062,062.00	22,461	2,505,618,192.25
AIRTIME	938	346,445.00	5,310	1,897,214.00	3,126	1,430,354.00
DEPOSIT	150	2,269,062.00	1,045	146,720,884.00	1,561	227,266,108.00
BILL PAYMENT	85	161,855.00	755	1,929,530.00	339	1,157,980.00
Grand Total	5,032	245,908,957.98	68,315	2,492,877,631.82	50,471	3,017,005,252.13

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Available options for Microfinance Banks

MFI's need to equip themselves and revamp their business models in order to remain relevant to their fast-evolving and tech-savvy customer base. There is urgent need for the following;

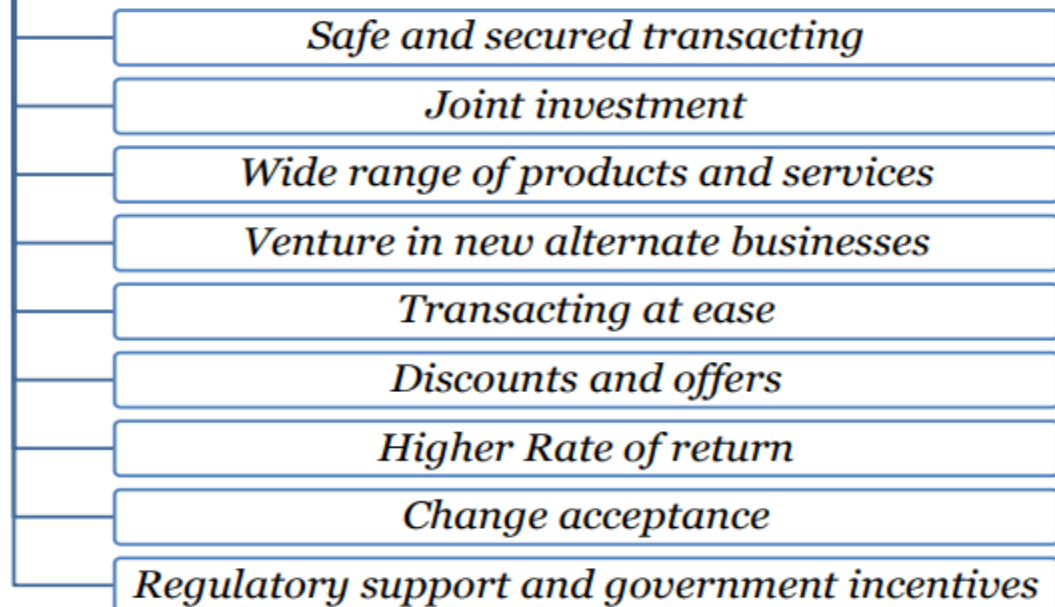
- **Investments in digital transformation.**
- **Innovation**
- **Customer experience**
- **Integrate fintech ideas**
- **Collaboration**

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Benefits of Collaboration

The collaboration with Fintechs can lead to the following:



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Summary & Closing Remarks Contd.



Microfinance Banks should find ways and means to collaborate with fintech firms/start-ups/other market players considering all the financial and regulatory implications that will keep them ahead in the race.



On the other hand, fintech firms have cutting-edge technology to their advantage. Therefore, a partnership between banks and fintechs would be more meaningful to usher in a revolution within the conservative banking world.



Going the Fintech way is the option now.

Accion Microfinance Bank

