



FINCA International

Innovations in Community Banking

Scott Graham



Transparent & Effective...

Vision and Evolution of Product Development and Innovation in FINCA

- **Phase 1: Innovation in Village Banking**
Powerful social tool + Effective transactional system that links into the cash-flow of low-income clients
 - Value Drivers = client relationship + transactional infrastructure = opportunity to add more financial services
 - individual loans
 - housing loans
 - savings

- **Phase 2: Innovation in Strategic Partnerships**
 - Value driver= capacity of corporate partners, large and small
 - Insurance companies – MicroInsurance
 - Payment systems
 - Specialized Services (mobile telephones, training solar energy)

- **Phase 3: Acceleration of Network-wide Strategic Initiatives**
 - = Value driver = harnessing the innovative drive present throughout the organization, which is large, talented, and diverse and who know their clients very well and are very committed to improving their livelihoods.
 - Assess new opportunities
 - Promote innovation throughout FINCA
 - Optimize network-wide efforts.
 - Savings
 - Remittances
 - Micro-insurance
 - Technology

Innovation Arenas

New Products

- Savings

- Micro-insurance

- Rural/Ag lending

- Housing loans

- Money Transfers

Delivery Channels

- Link clients to global financial infrastructure by issuing them universally accepted cards

- Extend FINCA's branch infrastructure through mobile banking (ATMs, cell phones, POS/Agents)

- Improve data collection and service delivery at VB meetings through digital banking

Social Innovation

- Health education & services

- Business development

 - Client capacity building

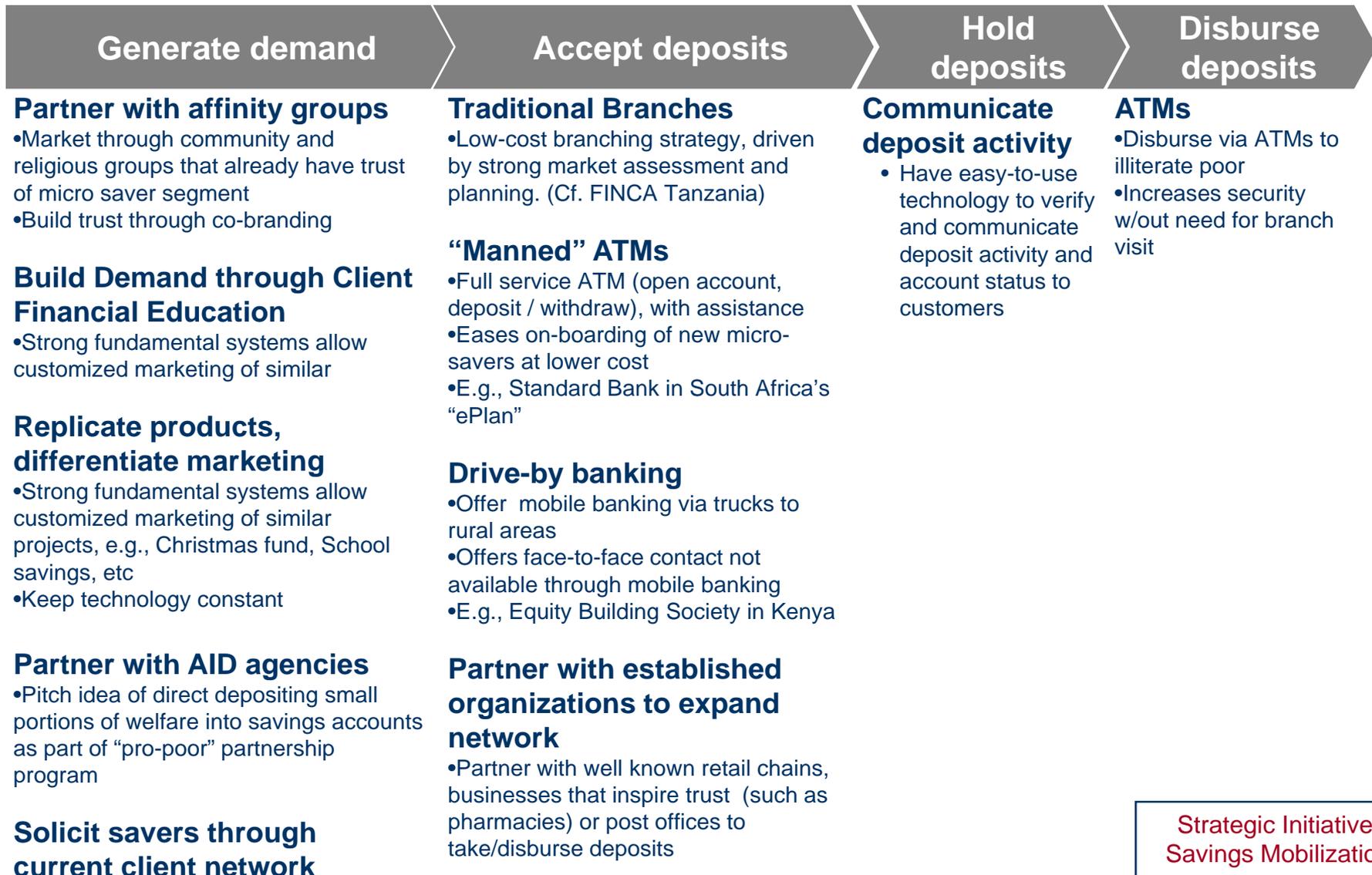
 - Value chain

- Micro-franchising

- Micro-energy loans

Innovations in Savings

FINCA will focus on generating demand and careful branching to build access, while piloting some initiatives to extend service beyond the branch.

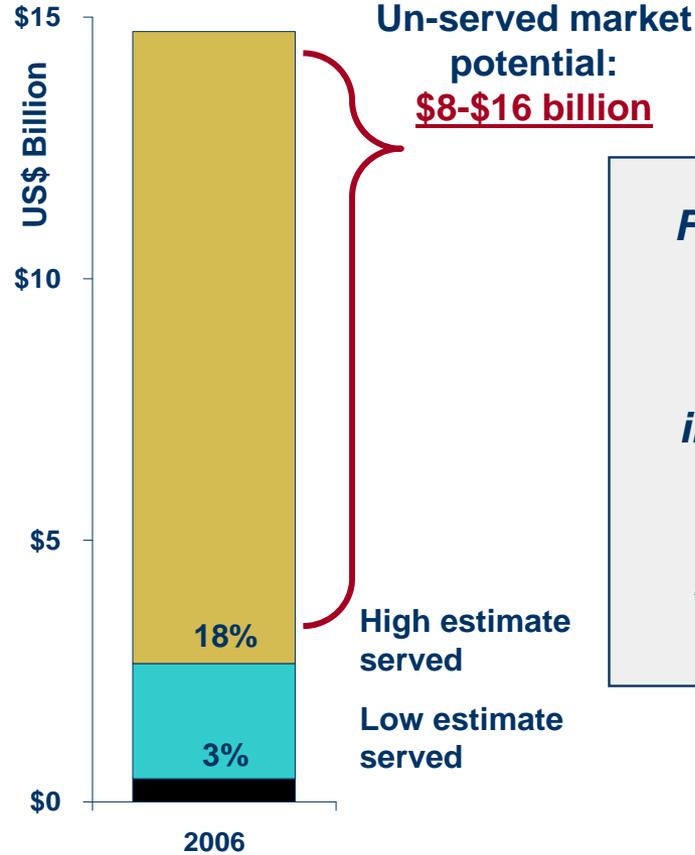
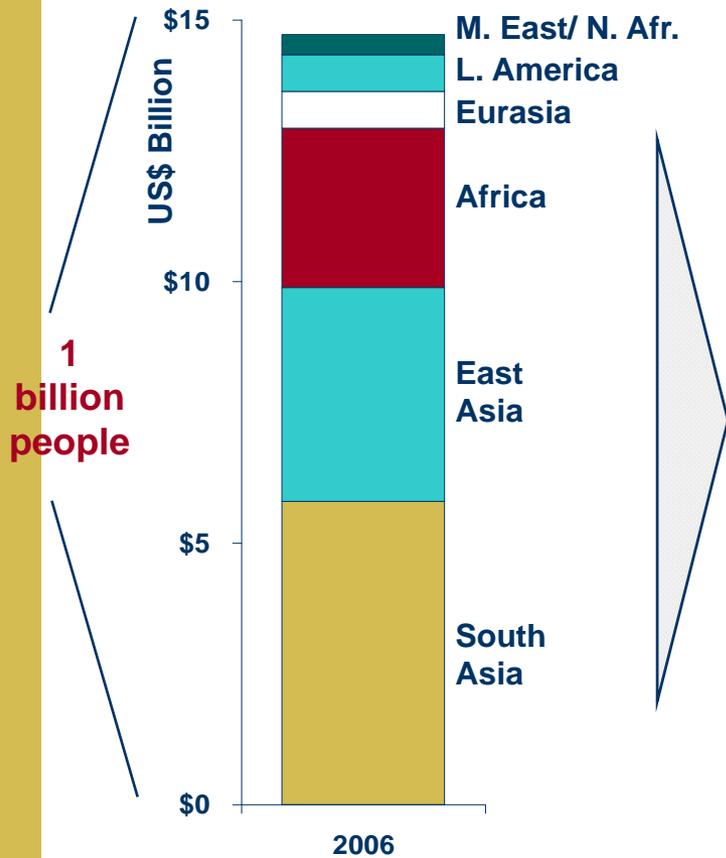


Strategic Initiative:
Savings Mobilization

Micro-Insurance Market Oppty

Potential insurance spend (2% of income)

Served / un-served (3-18% of potential)

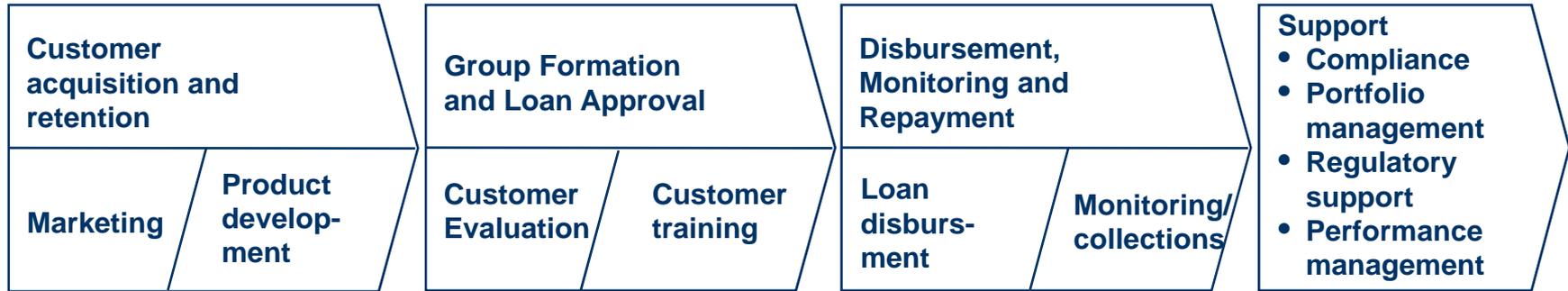


For the potential 1 billion clients, conservative spend on insurance may be \$10-\$20 billion with 80% of the market currently unserved

Assumptions: Potential insurance spend set at 2% of income (which is \$2/day). Benchmarks in the developed world suggest 13%, making 2% a conservative estimate. Populations served range between 3-18% based on some CGAP case studies. Assumptions result in a roughly \$14.60 annual premium, or \$1.22 per month, which coincides with case study data available through CGAP.
Sources: Presentation by Craig Churchill, ILO, October 2005; Presentation by Michael McCord, Microinsurance Center, October 2005; UN Webdata; World Bank poverty data by region extrapolated using 20-year CAGRs.

Impact of Front-end Technology

FINCA Value Chain



Issuing **cards** may attract new clients looking to access their accounts more conveniently, build credit history

Mobile phone, POS devices, ATMs help increase customer outreach without incurring cost of building new branches

Providing **hand held/portable devices (PDAs)** to loan officers improves efficiency and controls across all processes

Remittances services help attract new customers

Loans can be disbursed electronically for clients via **cards**

Disbursement and collection of loans is handled via **ATMs, mobile phone, POS**

Reduce possibility of internal cash theft via electronic disbursement on **Cards**

Total Cost Savings Opportunity

- By automating processes, the total opportunity for cost savings amounts to over 35% of FINCA's operating costs, or over \$30M per year.
- This is an aspirational target, but indicates that there may be a "game-changing" opportunity, if a solution can be developed that meets one or more of the largest drivers

ROUGH ESTIMATES

The Right EPS solution could provide among the following benefits for FINCA:

Reducing data errors and duplication of data entry increases efficiency 17%

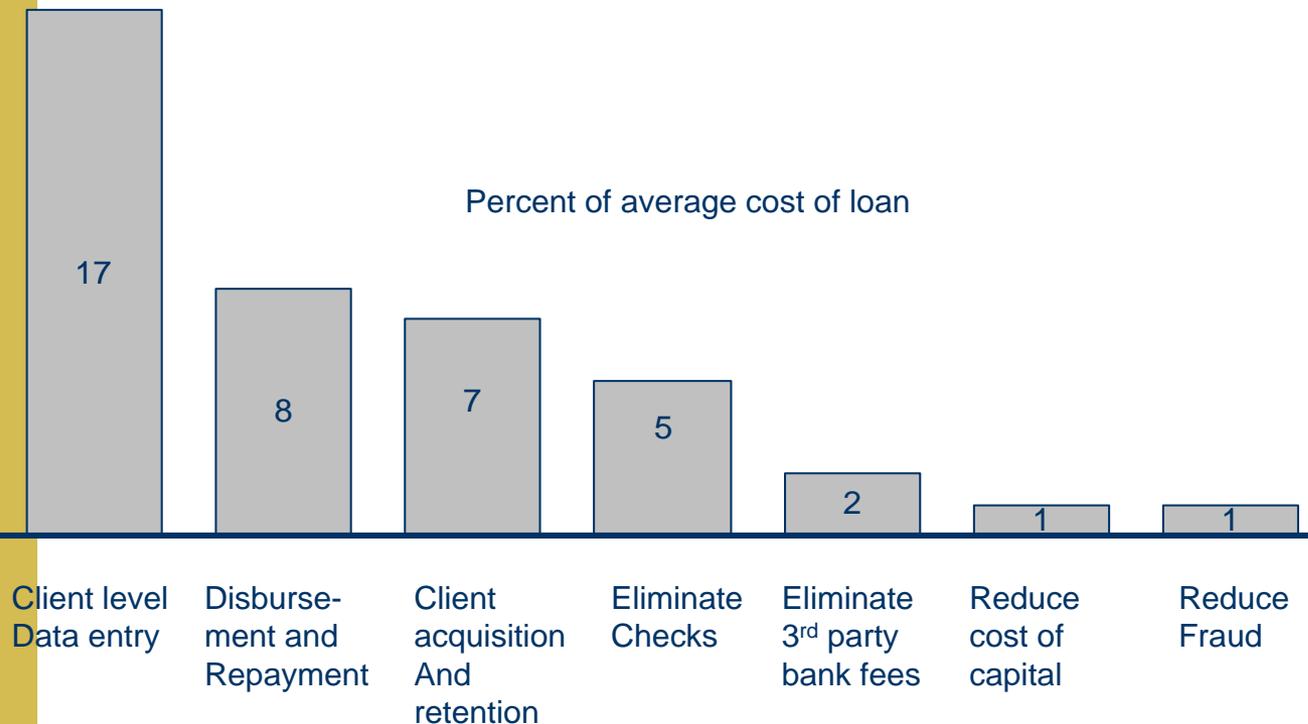
Reducing loan officer costs including time and travel increases efficiency 8%

Improving client convenience and value increases efficiency 7%

Replacing checks reduces costs by 5%

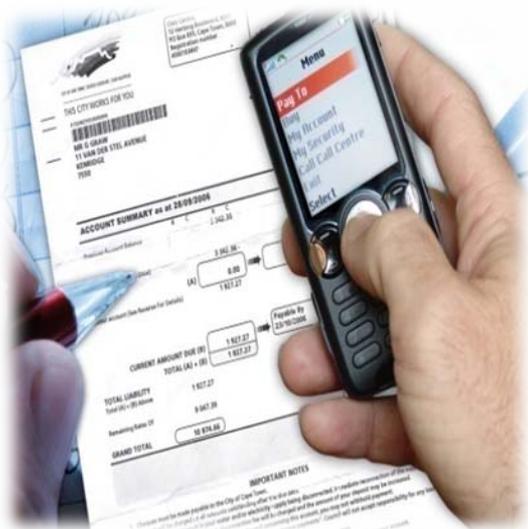
Reduction of use of third party banks cuts costs 2%

Reducing fraud and improving data transparency increases efficiency 2%



1: Staff Efficiency

Eliminate re-keying of information, reduce errors, improve speed of data availability for reconciliation.



Key Requirements

- Loan officer collects application information or records how much was repaid/ disbursed
- Information is transmitted to main databases remotely or uploaded
- Simple computations for scoring loan applications

2: Transactionality

Enable FINCA to process transactions in the field or at satellite locations via a closed network



Key Requirements:

- Client authentication (PIN, biometric)
- Live or off-line (smart card) authorization, secure processing.
- FINCA loan officers perform transactions at regular VB meetings or at satellite outlets/offices

3: Inter-Operability

Clients use ATMs/ Point of Sale outlets / mobile retailers on interoperable networks to conduct banking transactions, remittances, bill payments, purchases, etc.



Key Requirements:

- Requires customers to have a universally accepted card or mobile phone enabled for banking transactions

Benefits to Clients



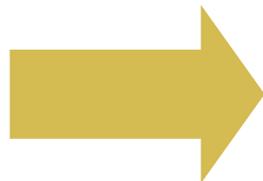
Lower interest rates on loans
Increased access to their accounts.



Lower exposure to theft or loss of funds

Lower transaction costs

Business opportunities

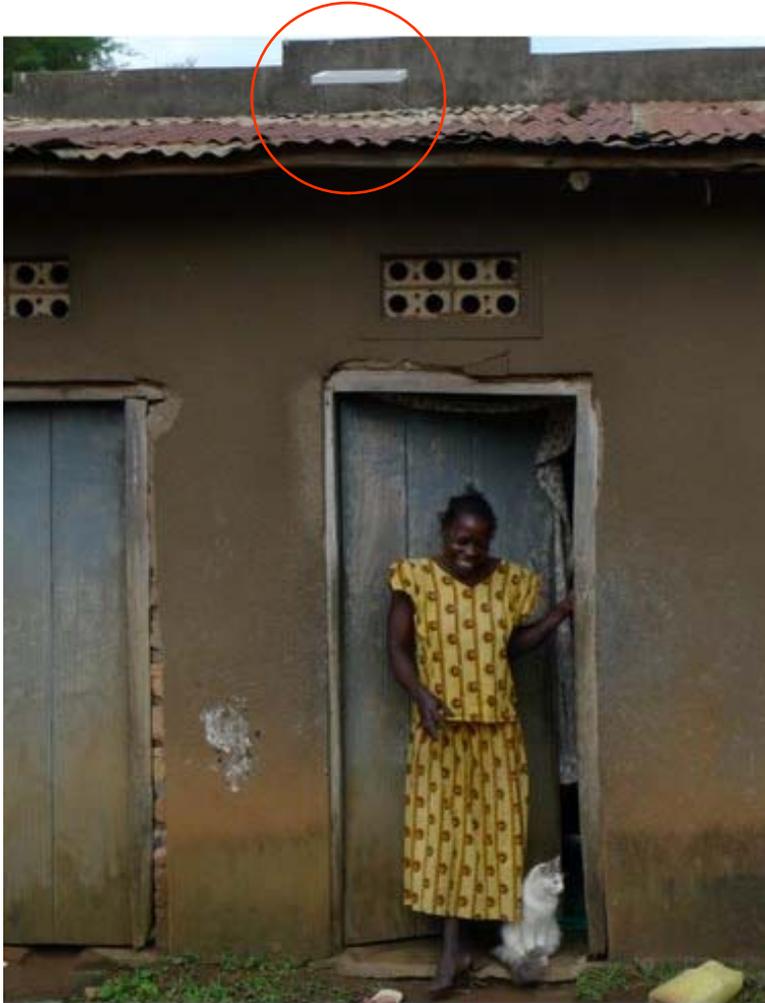


Micro-Energy Lending

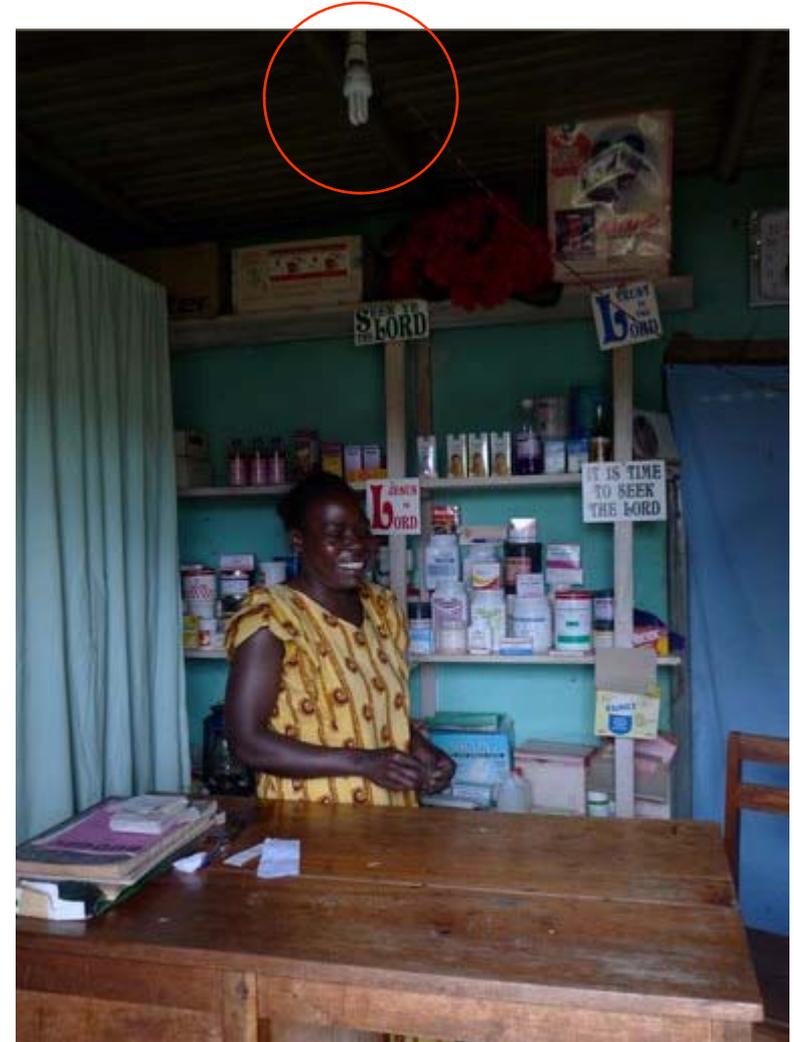


Finca Solar Marketing Campaign at Kawempe Branch February 2009

Solar Lighting...in a rural pharmacy

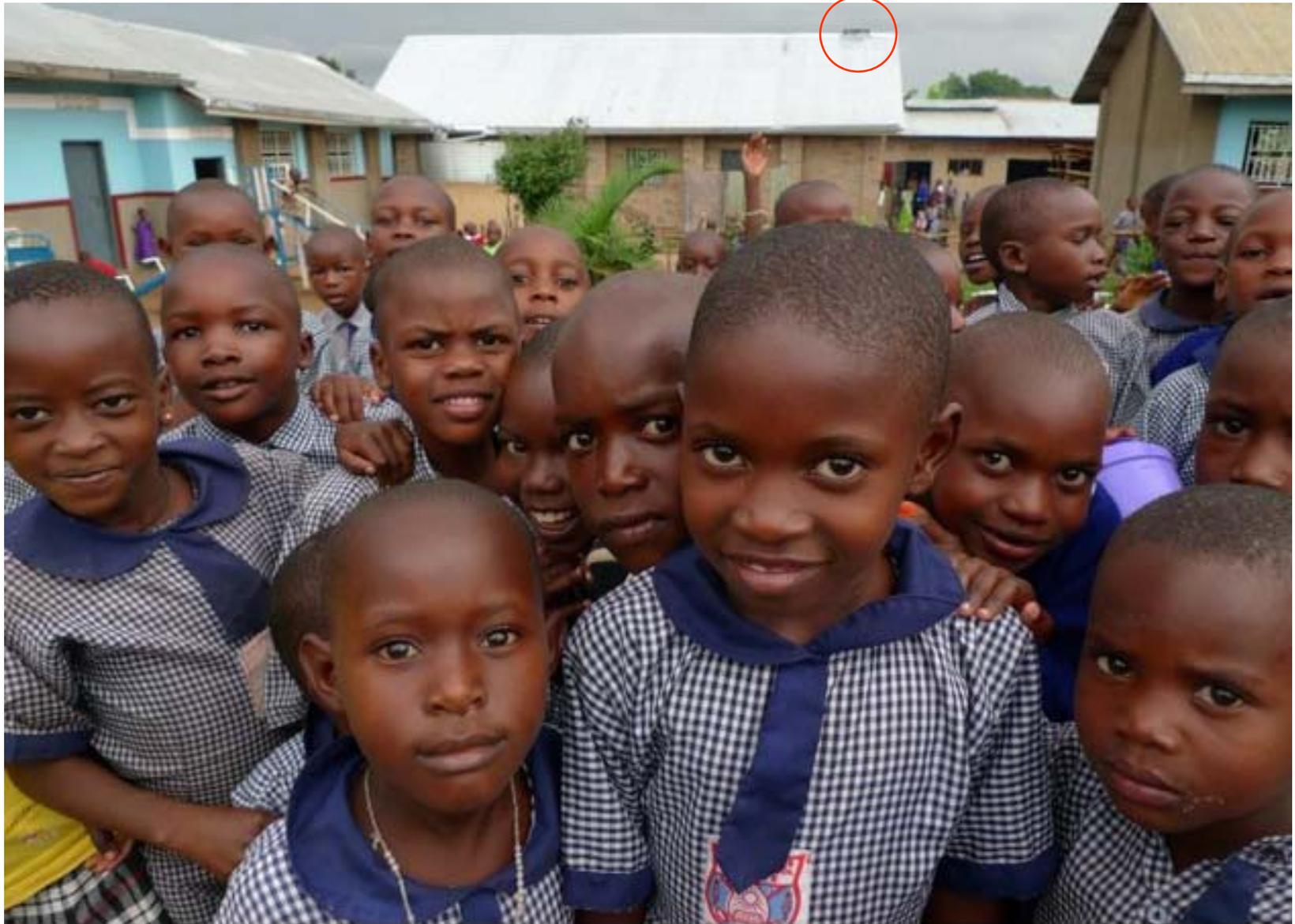


Josephine Kemugisha, Pharmacy Owner and Solar Client



Josephine Kemugisha, Pharmacy Owner and Solar client

...and in a rural school in Uganda



Children at Aunt Agnes School with Solar in Background