

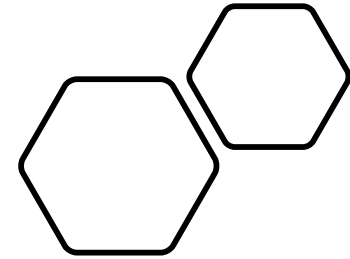
# Michu Session

---



July-2022

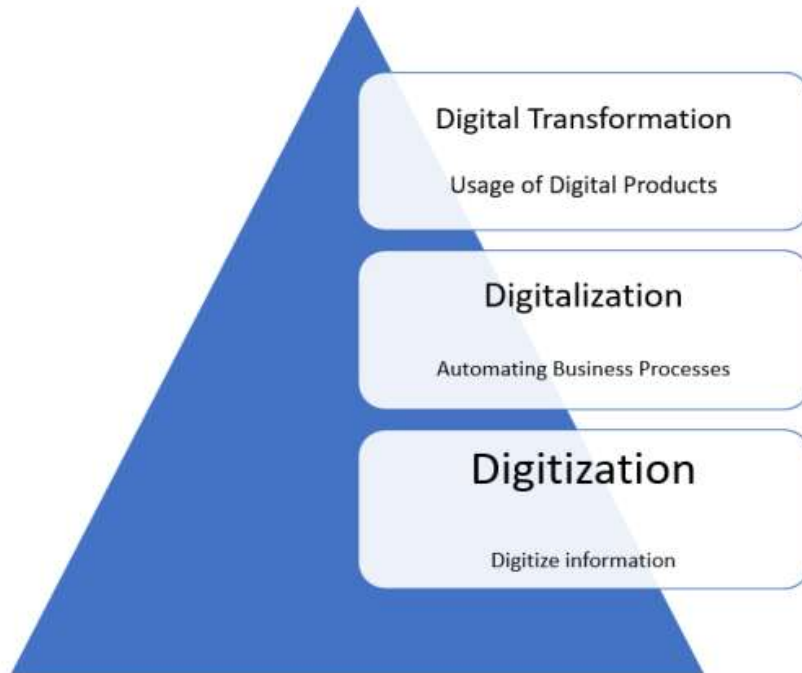
---



## Outline

- Digital Transformation
- Digital Lending
- Digital Lending-Kenya Experience
- Michu
- Why Michu
- Significance of Michu
- Features of Michu
- Credit Scoring
- Customer Acquisition Plan
- Michu Loan Process

# Digital Transformation



- **Digitization** is the process of moving information from a physical format to a digital format.
- *E.g.* Writing notes on paper and then typing them out into a Word file or an Excel spreadsheet.
- **Digitalization** means putting the digitized information to work.
- *E.g.* Uploading digital movie files from CD, DVD, or Blu-ray discs to online services
- **Digital Transformation** uses digital technologies in order to create new or modify the existing business models, processes, cultures, and customer experiences and its goal is addressing the **changing business** and **market requirements**.



## Digital Lending

❖ is the process of offering loans through **Digital Channels.**

- ✓ Application
- ✓ Analysis
- ✓ Disbursement
- ✓ Collection

## Key Aspect:

- Mobile App Based
- Use of Digitized Data
- Focus on Customer Experience
- Seamless





## Digital Lending-Kenya Experience As Per FSD- Sept. 2021

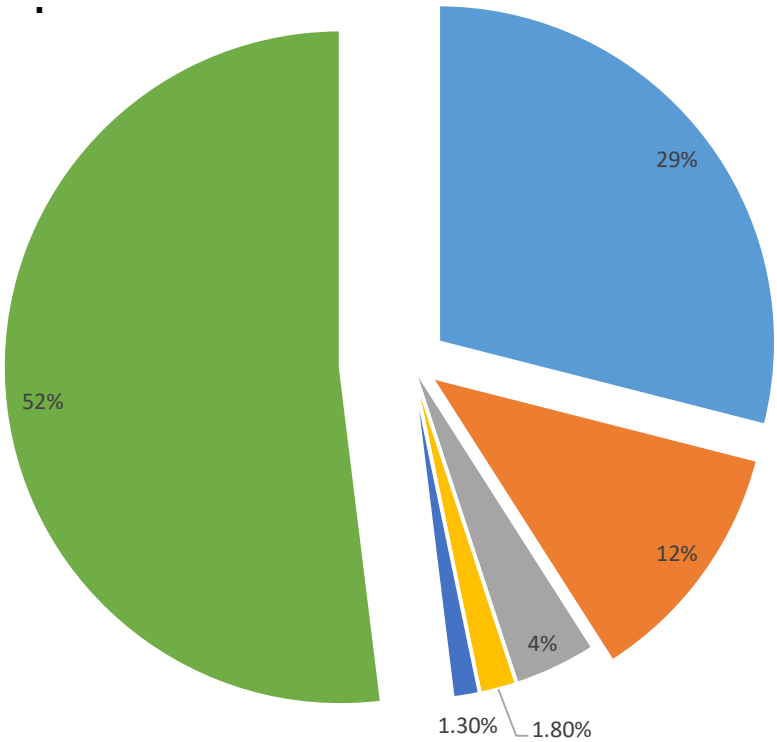
- For many households, smaller and micro scale businesses and farmers cell phones are their key financial platform solving day-to-day problems.
- While in Kenya formal financial inclusion has risen to 82.9 percent, up from 26.7 percent in 2006, many Kenyans rarely use their bank accounts on a day-to-day basis.



- Kenya has experienced an explosive growth in digital credit services since the launch of M-Shwari 2012.
- From every 100 Kenyan 55 had acquired loans from digital lending applications or platforms.
- Majority of the digital lending platform users are in urban settings; **66% of urban dwellers** are subscribed to these services. Rural settings dwellers account for **34%**.



➤ Total of **49** digital credit providers operating in the Kenyan market space.



M-Shwari   KCB M-Pesa   Equity Eazzy   Tala   Mco-op Cash   Other



- **35%** of Kenyan digital borrowers use digital credit to meet day-to-day household needs while **37%** borrow for business reasons.



- **92 %** of Kenyans don't see interest rates charged by digital lenders as a factor, while **8%** of Kenyans consider the interests charged as a factor when borrowing.



# Michu



## Michu

- New Coop bank Digital Lending Product
- Digital Platform & only Accessible via Michu platform
- Unsecured/Uncollateralized i.e. collateral free loan
- Targeted towards MSMEs and Mass Community
- Credit Score based credit decision



# Why Michu ?



- ❖ Financial gap
- ❖ Digital transformation (pillar of the bank)
- ❖ Digital Strategy (Digital strategy of Eth.)

# Features of Michu

Easy of Application Process	Speedy Loan Analysis	Short Loan Processing Period
Availability of Low Amount of Loans	Automated Loan Decision	Loans are smaller, shorter-term, and often
Digital Loan Disbursement and Collection	Remote Customer Relationship Management	Online Document Upload
Credit Scoring	User Experience	Loan Amount Varies Accor's Time
	Objective Loan Decision	



## Significance of Michu

- Become a part of growing Eco-system.
- Increase revenues, reduce costs i.e., source of Income
- Make Quicker or Better Decisions making:
- Provide diversification of risk concentration
- Easy capture of applicant information
- Drive Financial Inclusion
- Serve Unbanked and collateral –deficient
- Transform how to reach the customer
- Increase Wallet Account Subscribers
- Increase Customer Base



## Michu Loan Products

### Michu Business Loan

#### Duration and Amount

- Loan Limit 5K-50K
- Duration 1-12 months

#### Loan Pricing

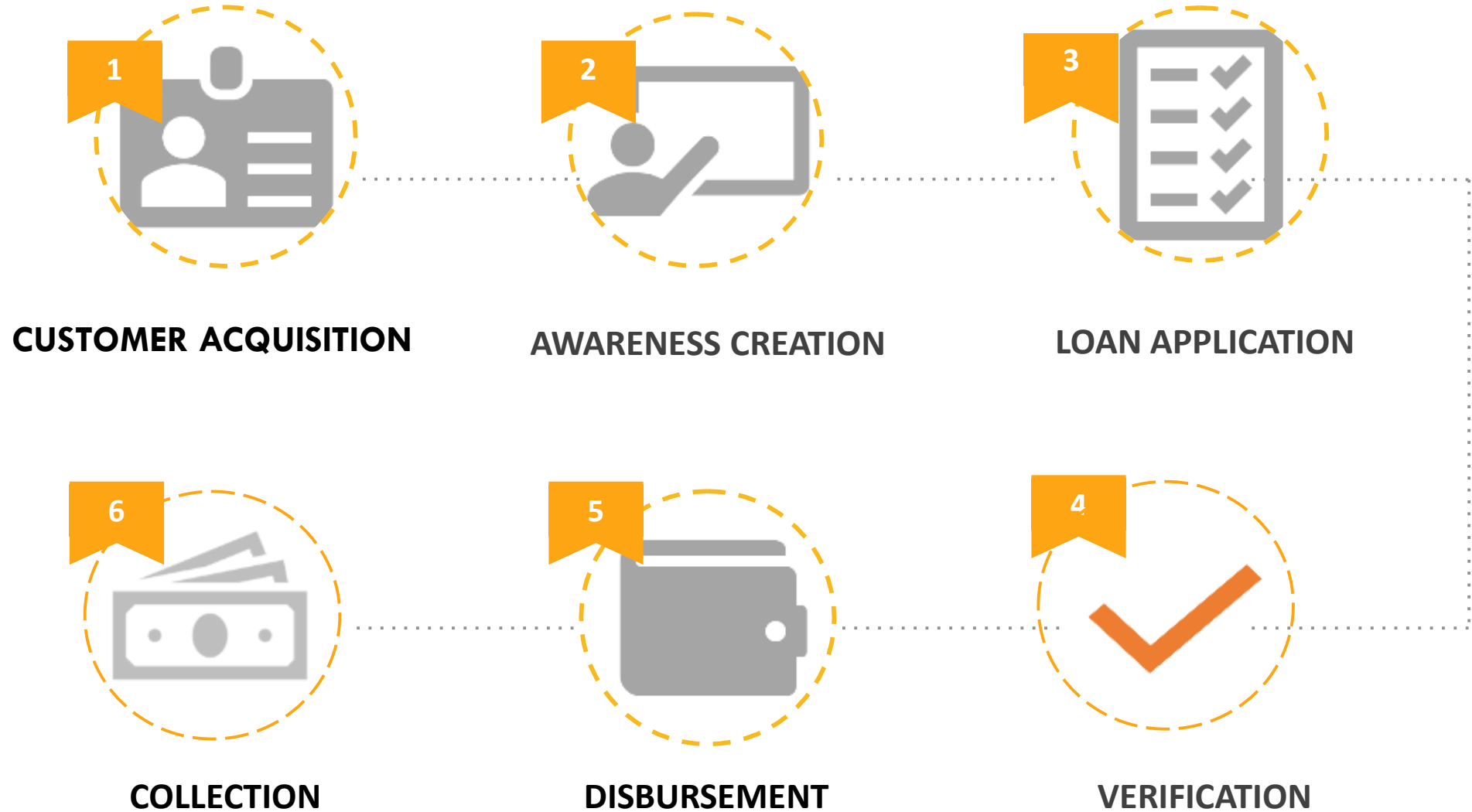
- Interest Rate: 2%-2.5% per month
- Facility Fee: 2%
- CIC Fee: Birr 200 Per Tin
- Late repayment penalty(Penalty) : 7%

#### Target Group

- MSME







# Credit Scoring Models:

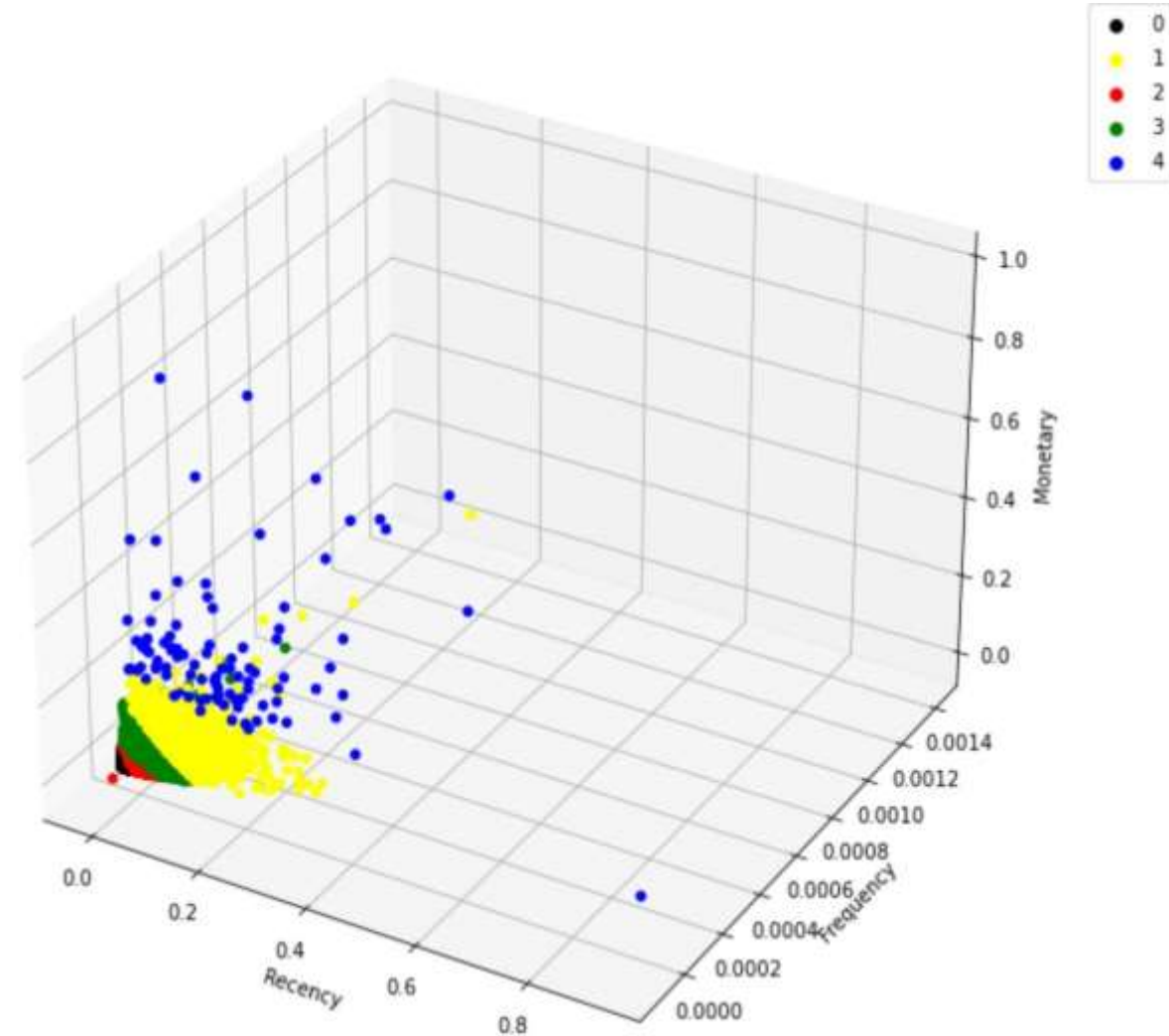


- **Credit Scoring Model** a risk management tool that assesses the credit worthiness of a loan applicant by estimating probability of default based on historical data.
- It uses numerical tools to rank order cases using data integrated into a single value that attempts to measure risk or credit worthiness.
- Credit scoring model is a mathematical model used to estimate the probability of default, which is the probability that customers may trigger a credit event (i.e. bankruptcy, obligation default, failure to pay, and cross-default events).
- There are different credit score models, Michu Uses the following Models

## Transactional Activity Using RFM Model:

□ Transaction activity of the customer from **three dimension**;

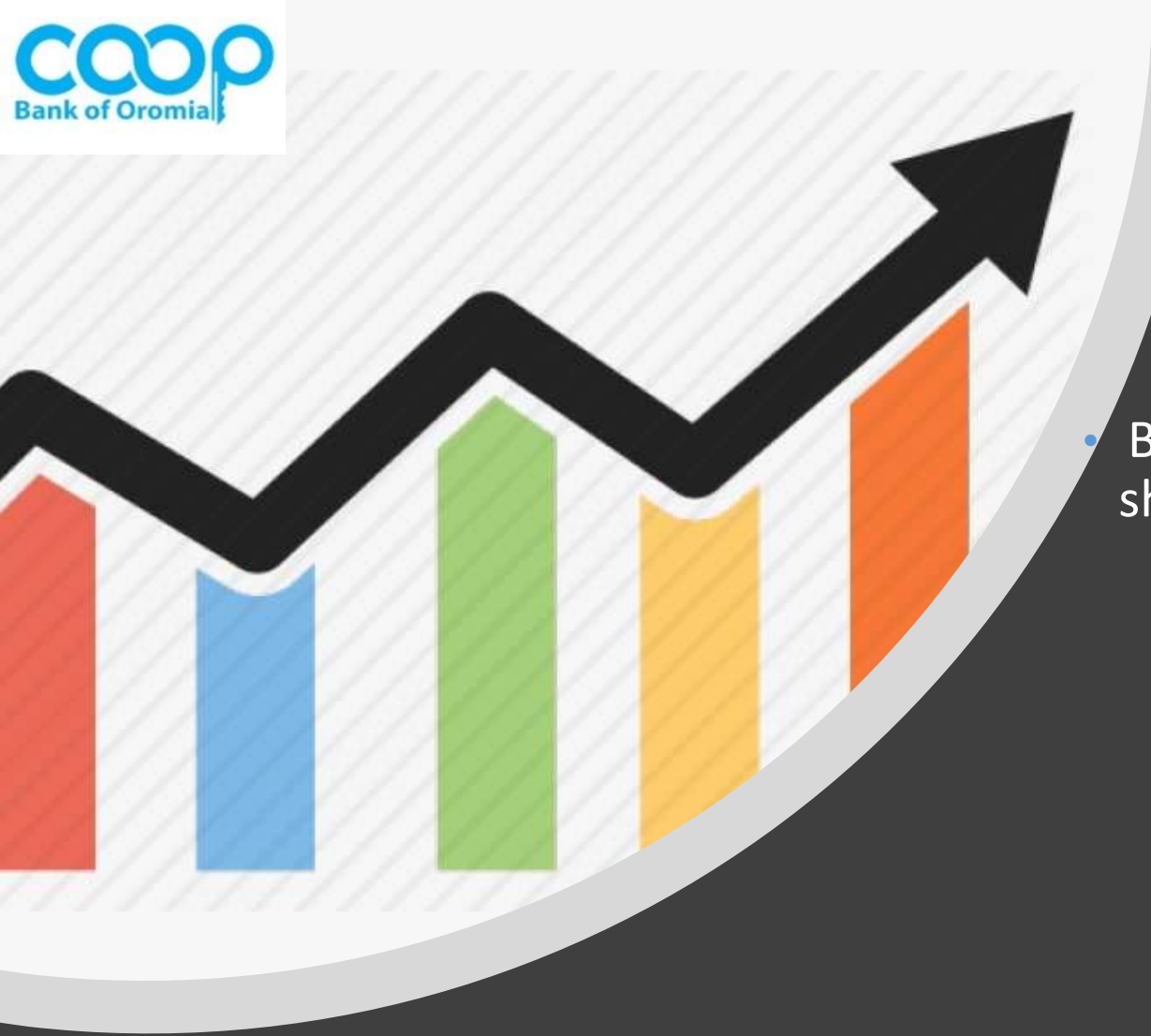
- **Recency:** What is the customer most recent transactions
- **Frequency:** how often does the customer make transaction
- **Monetary:** what is the size/total value of the customer transaction



## Transaction Activity Includes:

- ATM
- Charge
- Check
- Deposit
- Online
- POS
- Transfer
- Withdrawal
- Coopay
- and other that touch Transaction





## Business Growth Model

- Business Growth Model refers to key drivers that shows business growth, that includes;
  - Capital growth
  - Employment contribution
  - Finance Source
  - Firm Age
  - Enterprise Level
  - Ownership
  - Sector Etc.
- **Used to** predict growth of a company



## Performance Score Model

- Early payment increases 20% loan amount
- On time payment 10% loan amount
- Late payment No change





## Credit Score Results- Implication

- The Score ranges from 0-800, minimum cut-off (320)
- The higher the credit score result the higher the loan limit and vice versa
- The higher the credit limit the lower interest rate and vice versa
- The higher the credit score the higher the loan duration and vice versa

Individual Borrower Documents:



**Renewed ID Card**



**Smart Android  
Phone and Sim  
Card Registered  
With authorized  
person  
  
(Android  
Version should  
be more than 5)**



**Renewed Trade  
license**



**TIN in name of Applicant  
and Spouse if any**



**Martial/None Martial  
Certificate**



**Authenticated Power of  
Attorney**



PLC Borrower Documents:



TIN in name of the  
company and  
Manager/Member of the  
PLC



Smart Android  
Phone and Sim  
Card Registered  
With authorized  
person  
(Android Version  
should be more  
than 5)



Renewed Trade  
license



Renewed ID Card in the  
name of the Manager



Memorandum of  
Association & Article  
of Association



Authenticated Power of  
Attorney

# Customer Acquisition Plan

## Branch Customer Acquisition

- Lend to MSME by registering and onboard by Coop branches

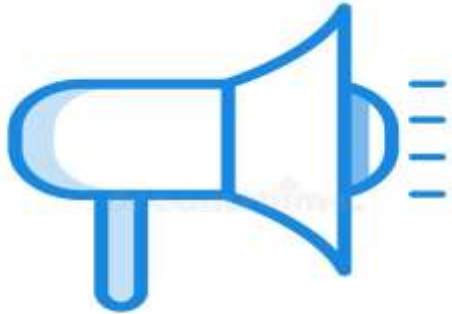
## Partner Customer Acquisition

- Lend to MSME supported by development partners aligning them with Branches

## Activation Customer Acquisition

- Lend to MSME by Random activation in major market/Event areas

## Michu Awareness Creation& Due Diligence



RAISE AWARENESS

- To Introduce the Product Features and Requirements



- In order to Onboard Responsible Borrower

# Branch Customer Acquisition



## Key

- Branches and Michu Team

## Role

Branch will register potential MSME and make sure valid documents are submitted and help them apply on the Digital lending application.

## Activity detail

- Branch team will register Potential MSME for Michu. Then Branch team will visit consumers by a door-to-door , give Michu orientation and open saving account
- Registering MSME and collect Phone number for Whitelisting
- The Brach team staff will help the customer download and apply on the michu application.
- Conduct Loan Follow Up

## LENDING PROCESS

### STEP 1

MSME registers for Michu loan at the near CBO branch

### STEP 2

CBO Branch team gives Michu product orientation

### STEP 3

CBO Branch team verify customer have valid documents

### STEP 4

CBO Branch Team Conducts Due Diligence

### STEP 5

CBO Branch team [register](#) and sent their list to H.O

### STEP 6

Michu Team will share the app

### STEP 7

Consumer receives text mobile application from Michu Team

### STEP 8

CBO Branch team help consumer download and apply



### Key

- CBO, Partners and Michu Team

### Role

Collection of data of All MSME from Partners and Profile them for Lending.

### Activity detail

- Partner shared data of MSME with COOP Saving account and organize orientation location
- Partner officer will be mapped with CBO district coordinator
- Coop district Team, will travel, give orientation and share application to the whitelisted MSME on the location

### STEP 1

Partner shares Data of MSME verified with valid documents

### STEP 4

Michu Team align the beneficiaries with Branch

### STEP 3

Branch Provides Awareness to the MSME

### STEP 2

Branch will ensure fulfillment of Requirements

### STEP 5

CBO Branch Team Conducts Due Diligence

### STEP 6

CBO Branch team register and send their list to H.O

### STEP 7

Michu Team will share the app

### STEP 8

CBO Branch team help consumer download and apply



## Key

- Michu Team and Branch

## Role

register conduct orientation, and register random customers in major market areas/Events/Exhibitions

## Activity detail

- Activation Team will conduct orientation, and register random consumers in Finfine (shiro meda, Merkato), Weliso,, Adama, Ambo.....
- Registering MSME and collect Phone number for Whitelisting
- Loan application sharing

## Lending process

### STEP 1

Michu team set up activation area at a market

### STEP 2

Michu team engage and gives Michu product orientation

### STEP 3

Michu team verify the customer have valid documents

### STEP 4

Michu team register consumer phone no. on whitelisting

### STEP 5

Consumer receives text of mobile application

### STEP 6

Michu team help consumer download and apply

## Loan Follow Up

### SMS:

- ❖ Educational SMS (Blast)
- ❖ Payment Reminder Notification
- ❖ Benefit of early repayment



### CALL:

- ❖ Payment Reminder Call
- ❖ Possible Resolution



### Visit:

- ❖ Way Forward
- ❖ Resolutions for payment



## Michu Support, Contact us:-

Name	District	Phone Number	Zimbra e-mail Address
Abdo Hundee	North Finfinnee	0941-99-77-25	abdoh@cbo.com
Andinnet Dejene	West Finfine	0909-41-81-81	andinnetd@cbo.com
Feyissa Bayana	Central Fifine	09-12-15-63-94	fayissab@cbo.com
Fetene Mengistuu	South Finfinnee	0947-33-03-88	fetenem@cbo.com
Tamiru Jima	East Finfinnee	09-09-33-49-94	tamiruj@cbo.com





A word cloud featuring various expressions of gratitude in different languages. The words are arranged in a circular pattern, with some words being larger and more prominent than others. The colors are muted, including shades of blue, green, and grey. The word 'Galatoomaa!!' is the central focus, written in a large, bold, blue font.

# Galatoomaa!!