



Digital Strategy

BRAC International Microfinance
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Introduction, Objectives and Lessons Learned

BRAC International Microfinance (BI MF) Mission

To provide a range of financial services responsibly to people at the bottom of the pyramid.

We particularly focus on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

Strategic Priority Areas

- **Responsible Inclusive Finance:** Financial services delivered in a way that is transparent, fair, safe, and likely to generate benefits for poor clients
- **Innovative Product Development that Meet the Needs of our Target Segment:** Leverage internal learnings, industry best practice, research, and alternative delivery channels for new product development and scaling in line with BRAC's mission
- **Digitization of Field Operations and Use of Digital Delivery Channels:** to increase organizational efficiency, enhance customer experience, and reach more clients.
- **Talent Management:** identification, attraction, development, deployment, performance and retention of individuals who are of specific value to meet our long term goals.
- **Management Development and Decision Making:** move from country program management to a governance oversight structure
- **Funding:** Defining the structure and mechanism to finance the growth and expansion of BI MF companies and their implementation of the strategic priority areas

Objectives of the Digital Strategy

01

Develop a conceptual framework and a guideline for developing and implementing DFS in different countries

02

Guide countries to deliver customized products leveraging digital technology* catering to varied needs of different customer segments

03

Position BRAC competitively in a market that is moving towards 'cash-lite' and digital financial services

04

Recommend digital solutions that will help BRAC MF increase operational efficiency, enhance customer experience, and thus retain and reach more clients

05

Propose digital tools for better client targeting to enable BRAC to reach more clients in rural and hard to reach areas in line with BI MF mission

Key Questions the Digital Strategy will Seek to Answer:

- Given the unique model, target clientele, and mission of BRAC - what Digital Financial Services (DFS) operational and business model would best serve the strategic objectives of the institution?
- What challenges does digitisation help us solve? From the clients and institutional perspective. There should be no digitisation for the sake of it.
- How can BRAC Microfinance entities leverage digital channels while achieving its mission and meeting clients needs?
- What organizational changes and resource will be required to make digital transformation a success?

Lessons from bKash: The Digital Gender Divide

- 1** The switch to digital, especially for women who are particularly excluded, will not happen automatically and therefore digital literacy and handholding is required at each step
- 2** In order to serve clients better, countries should start by understanding clients needs and aspirations — some evolving and others constant — and leverage DFS to solve identified challenges
- 3** Develop value propositions that addresses specific pain points that women are facing i.e. the most important consideration for women in a savings product was the ability to protect their savings, mainly from male family members and not convenience, as assumed
- 4** Partnerships are key to unlocking the potential of technology for the most excluded, especially women
- 5** BRAC's financial institutions have to be deliberate and thoughtful about how to serve more women in poor and hard-to-reach areas. Technology alone will not help bridge the gender divide



Bridging the Digital Gender Divide in Financial Inclusion

Key Considerations in Developing the Digital Strategy

- 97% of BI clients are women, who often lack mobile phones, with basic literacy and numeracy skills if any, and with limited experience with digital financial services

- The strategy will pay special attention in leveraging digital solutions that are women centric to promote their uptake and use of digital channels

- In line with the company's mission, to reach people living in poverty in rural and hard to reach areas, the strategy will recommend digital tools for poverty targeting in line with social performance goals

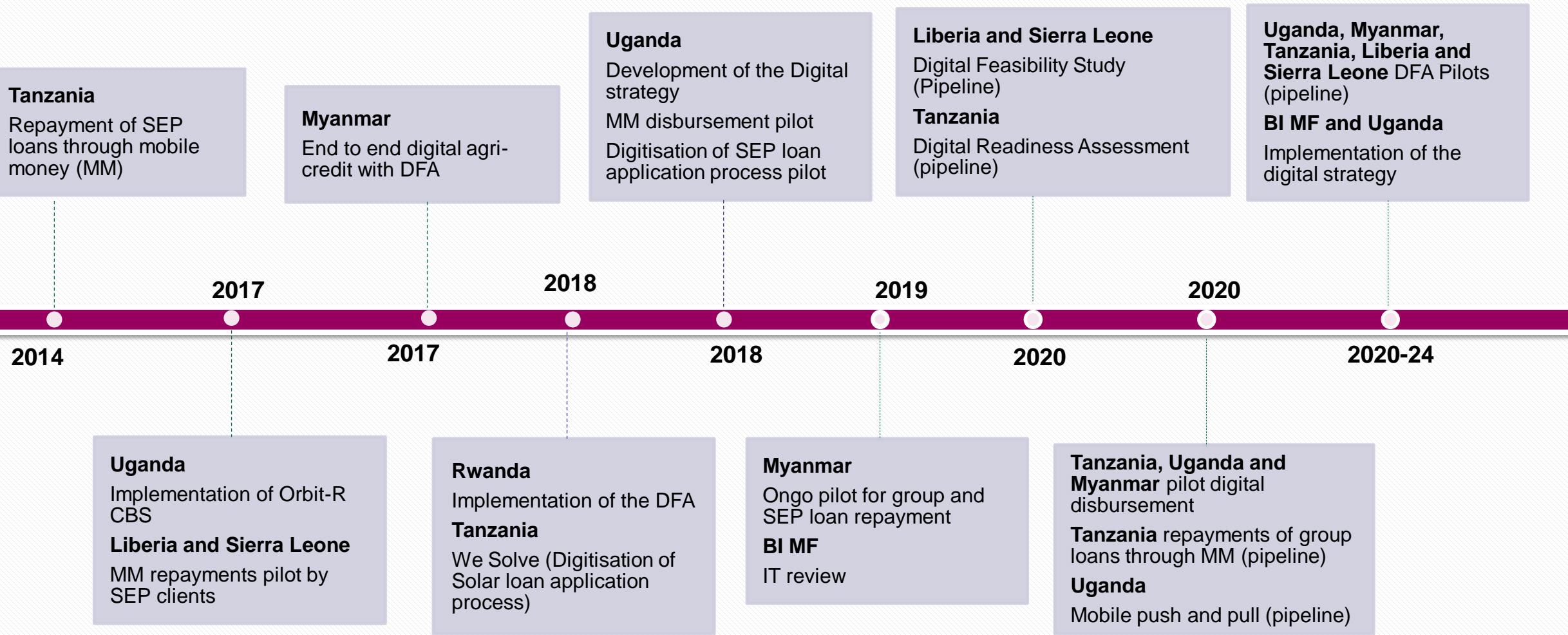
- Address underlying concerns about the impact of digitisation on portfolio quality, repayments, customer willingness to pay, organisation culture, nature of group meetings and group dynamics

- The strategy will recommend digital solutions that aim to improve operational efficiencies

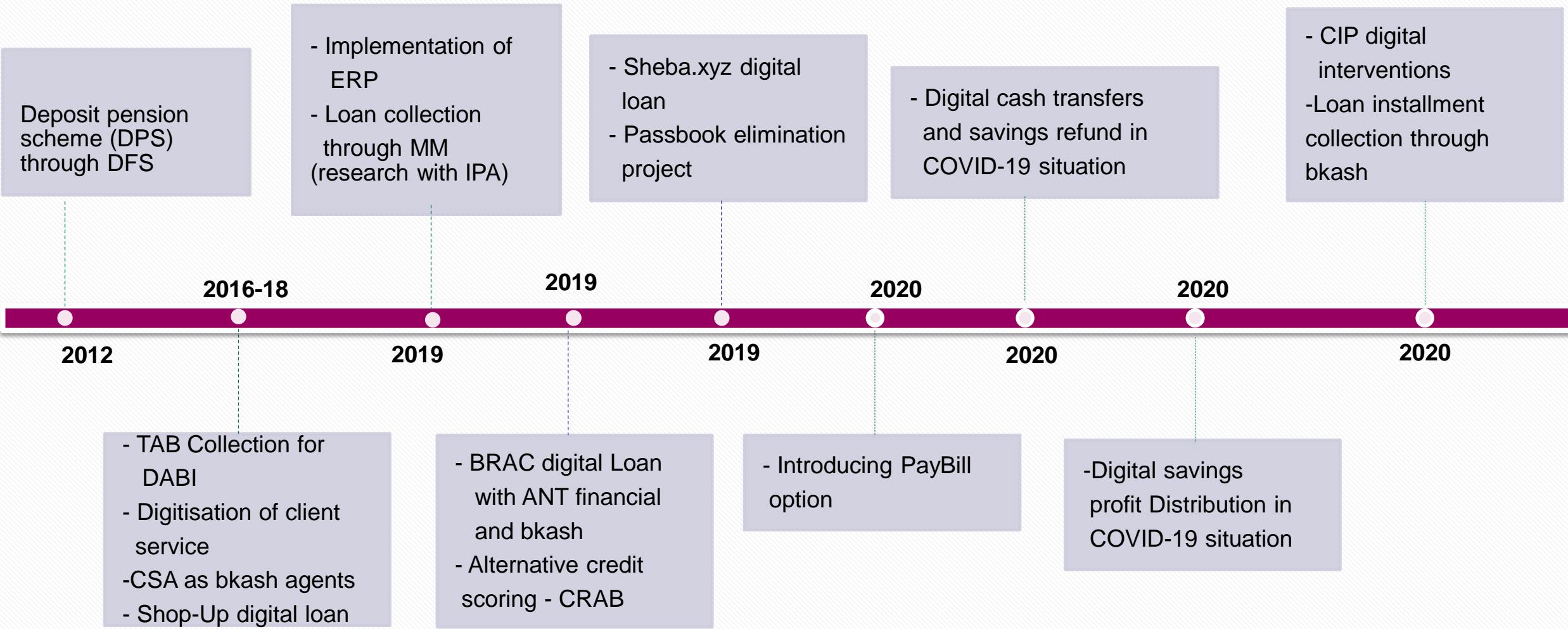
- Balance between technology and human touch by creating a harmony between traditional lending fundamentals and new digital processes with focus on both the customer and the staff

- Digitisation brings along new partners and system integration - the strategy will recommend best practices in partnerships, pricing and system security

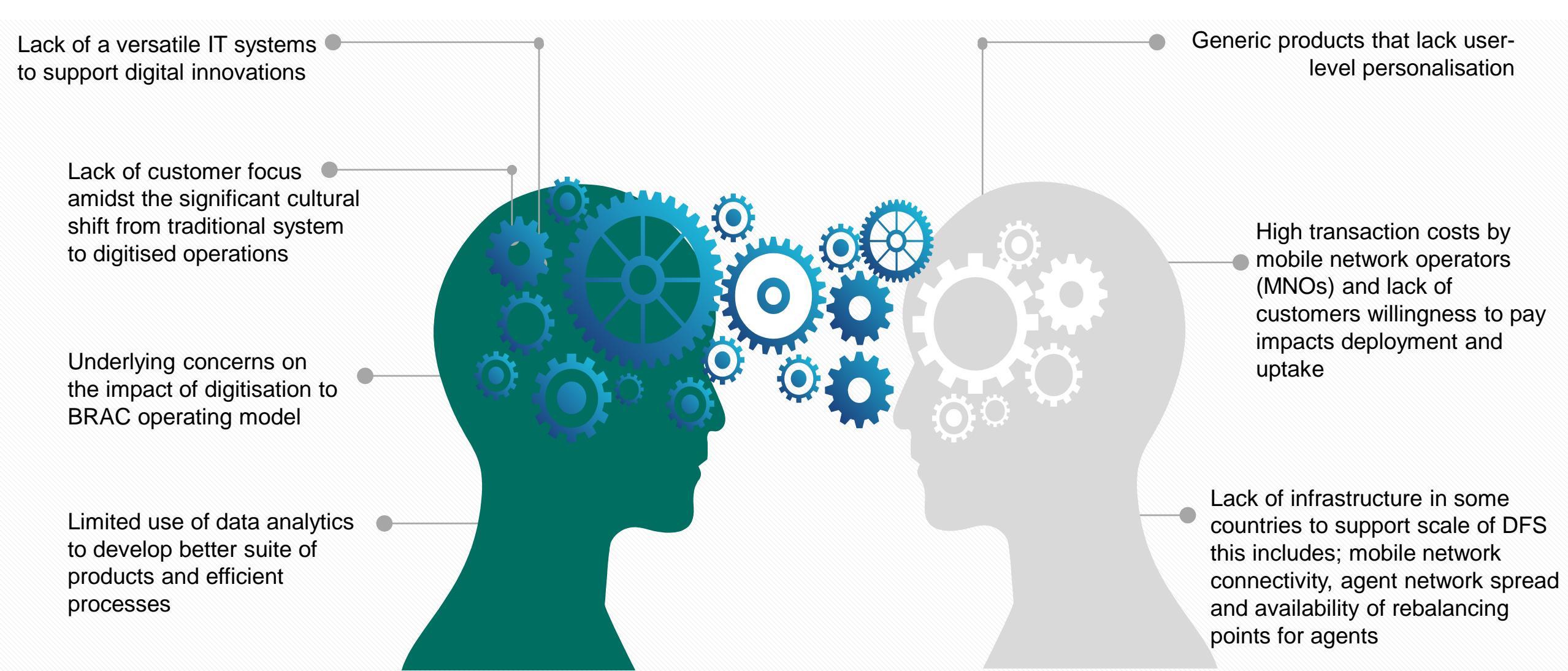
- In response to the ongoing COVID 19 pandemic and social distancing measures, the strategy will provide countries with quick digital solution options that can be implemented



Snapshot: BI MF Digital Projects



Snapshot: BRAC Bangladesh Digital Projects



Challenges of Implementing Digital Financial Services

Assessing client readiness to take up digital products is key in driving adoption among clients. This should be through *Client Centric* market research

1

Start small, learn first and scale afterwards. Start with small pilots in urban, rural and semi-urban location to learn and improve the model, then scale afterwards

2

Digital readiness assessment is essential to assess institution readiness (IT system, staff capacity and investment capability) to launch DFS and develop a country specific digital strategy roadmap

3

Carefully select pilot branches. Some of the criteria to consider include: branch maturity, portfolio quality, staff capacity, and branch location.

4

Set clear objectives and targets to be achieved at the end of the implementation and have periodic reviews to assess progress of the pilot(s) against targets

5

6

Carefully plan change management, assess staff capacity to implement digital projects and develop action plans to bridge identified gaps

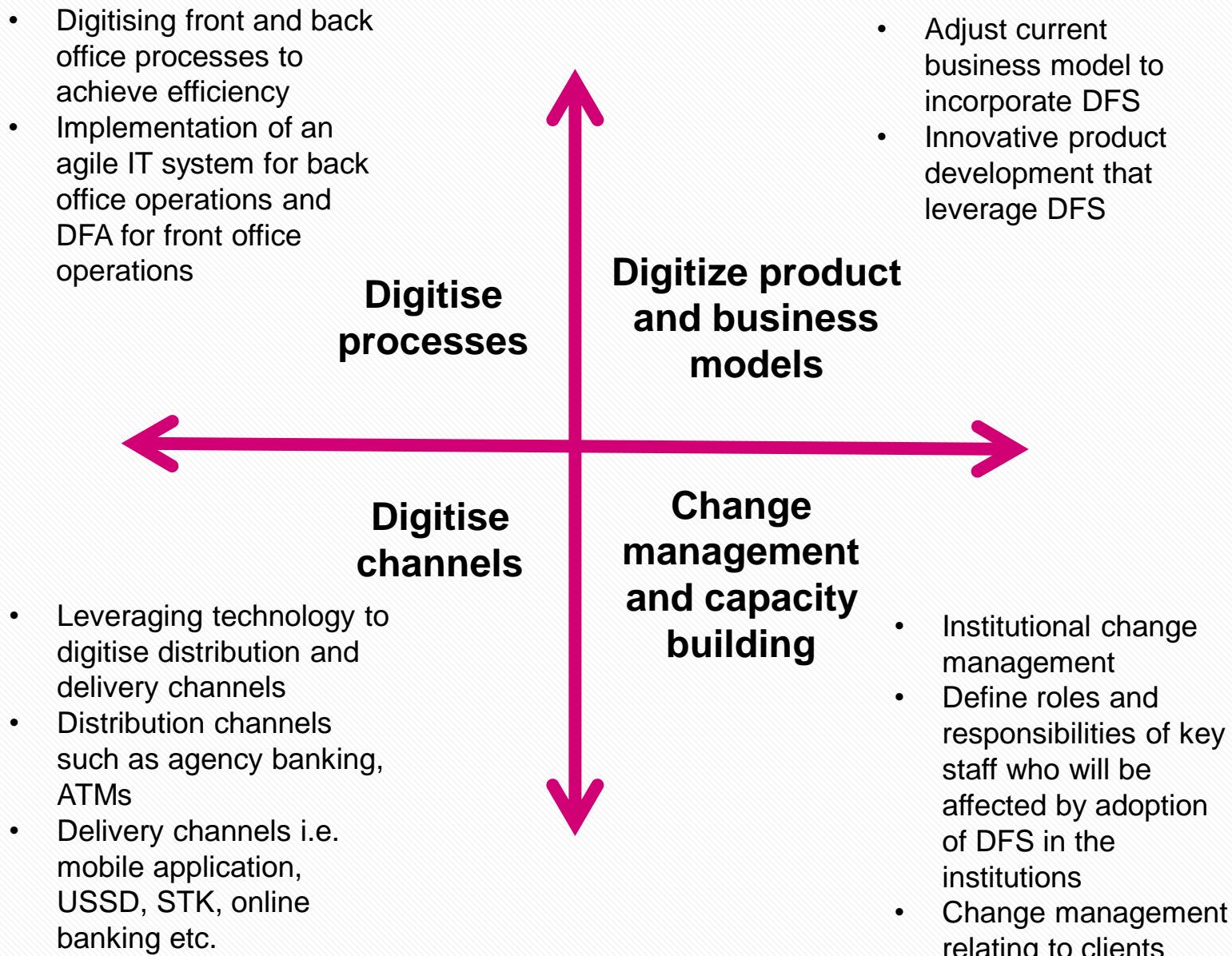
Lessons Learned

Conceptual Framework For Digital Transformation (DT)

Digital Transformation is Cross-cutting and Impacts all Aspects of the Business

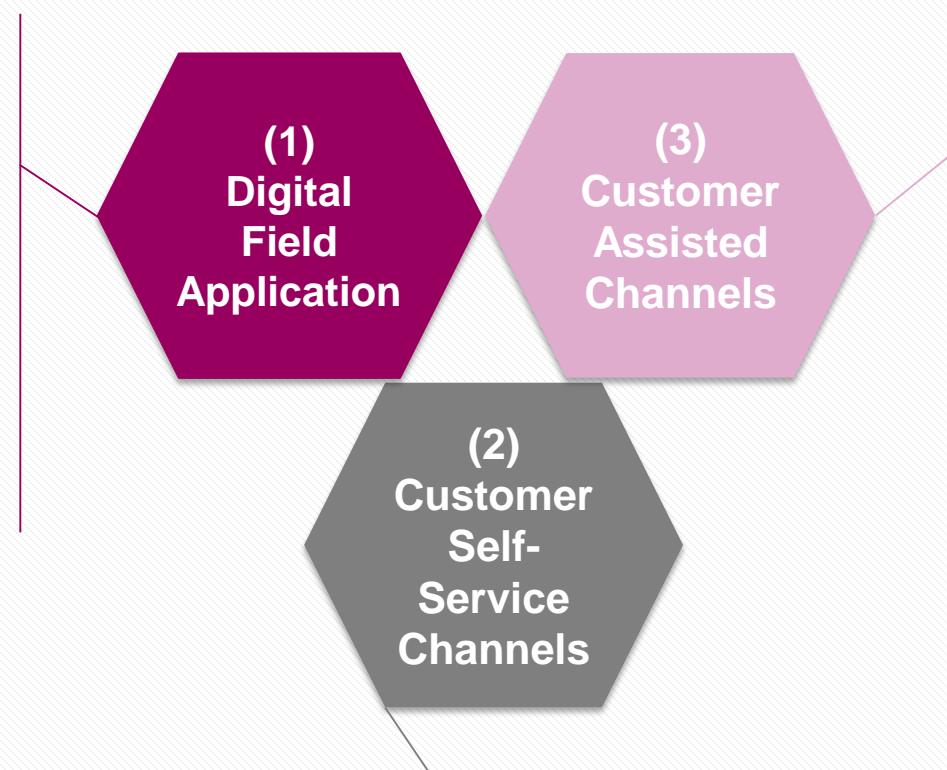
Key considerations:

- Digital Transformation processes vary in implementation periods. The period could range from couple of months to 3-5 years, therefore a phased approach is recommended
- The transition from legacy to the digital strategy is expected to cause discomforts in the organisation
- Investments in capacity building and change management is required to help drive the change



The change management process impacts all aspects of digital transformation process (business process, business model and channels)

- Digitise field activities to build efficiencies in client on-boarding and other essential front-end processes (member enrollment, loan application etc.)
- Improve SPM outputs and poverty targeting
- Target users include field staff for daily operations and back office staff for approval and monitoring
- Devices include tablets, smartphones and laptops



- Optimize both distribution and delivery channels by enabling clients to transact at their convenience and on their own
- Automate basic transactions i.e.. savings collection and loan repayment channels
- Channel such as mobile banking
- Partnerships with agents, MNO's, third party aggregators and banks

Given that DT is Cross Cutting, the Conceptual Framework Above Provides a Way Forward for Implementing DT at BRAC

- Optimize distribution channels by increasing client touch points
- Promote client acquisition, improve savings collection and repayment channels
- Channels include; agent banking (will involve deployment of agents or shared agent network) and contact centers
- Partnerships with agents, MNO's, third party aggregators and banks

1. Digital Field Application

Phase 1: Automated field processes

- Focus will be to digitise basic field operations to improve staff efficiency
- The DFA will help BRAC optimize resources, streamline field operation, improve operational efficiencies and data quality that could prove useful in designing products

Phase 2: Algorithm for appraisal and decision making

- Leverage on data collected in phase one to build customized algorithm for credit scoring and digital loan approvals.
- Where possible, the DFA can be integrated with CRB data base for automated credit checks

Automate field processes to drive efficiency

- Digitise MF Modules (HH survey, client registration, loan application, payment collection and reporting)
- Integration with IT system

- Improved efficiency due to elimination of paper based transactions
- Improved staff productivity due to automated processes
- Improved data capture leading to quality data
- Improved SPM tracking and poverty targeting

Algorithm for appraisal and decision making

- Integration with credit reference bureau (CRB) database for automatic credit checks
- Automated loan appraisal process
- Credit scoring algorithm

- Better appraisal of loan application using data
- Automated credit checks for negative listing in CRBs
- Improved product offering as a result of data analytics
- Better poverty targeting using SPM data

Key Consideration in Deploying DFA

- 1** The selected technology partner should be familiar with MF operations. BI has a strategic partnership with FieldBuzz to develop the DFA in Rwanda and other BI countries
- 2** Business processes review is necessary to stream line existing field processes and eliminate redundant operations before deploying DFA
- 3** Countries with already existing operations should consider undertaking a data clean up exercise in sbiCloud before system integration
- 4** Given the expected impact, it is recommended that the DFA be implemented immediately as a first step to digital transformation with full integration to the CBS to avoid any data mismatch and duplication of work
- 5** Process re-alignment and change management is necessary to ensure buy-in among all users



2. Customer Self Service Channel

Key Considerations

- The focus will be to ensure that technological solutions remain simple, non-alienating and aligned with the needs of our target clients with special focus on women
- The Infrastructure in the county should be able to support the deployment of the new digital channel
- Special attention should be paid to clients willingness to pay and strategies around pricing should be developed to drive adoptions
- Deployment of these solutions will involve partnerships with MNO's, third party aggregators and FinTechs, special attention should be paid to partnership agreement, pricing, cost and customer protection

ATMs and Online banking

- Mobile banking app
- Internet banking
- Shared ATMs services

Straight through processing

Digital batch disbursement & Paybill account

- Basic batch disbursement portal
- Customer paybill account
- Integration with MNO/aggregators

- Digital disbursement of loans
- Repayment of loans through mobile money agents

- Transaction history
- Repayment collection
- Remote loan application (digital loan)

- This is a later phase
- Transaction history
- Savings and repayment collection
- Make remote loan application

3. Customer Assisted Channel

Key Considerations

- In pursuit to deeper engagement with the communities, BRAC will set up additional distribution channels leveraging digital technology
- Phased approach in line with market maturity, organisation type and customer readiness is recommended
- Countries have to be deliberate and thoughtful about how to serve more women in poor and hard-to-reach areas

Agent Banking

- Deployment of BRAC's own agents
- Agent banking platform integrated to IT system
- Shared agent network or bank own networks

- Savings collection
- Loan Repayment
- Other value added services such as merchant and bill payments

Customer Support System

- Digitised complaint resolution mechanism systems (CRM)
- Contact center for customer support (start lean, scale with time or consider outsourcing)
- Interactive voice response (IVR) systems

- Customer support
- Customer awareness
- Customer education

Business Case for Digital Transformation (DT)

Business Processes Review is Necessary to Build a Case for Digital Transformation	Group Meeting Process	Process and activities involved	Pain points/Challenges	Digital Solution
<ul style="list-style-type: none"> In order to identify what digital solution to implement, countries will need to review different business processes including existing customer touch points This exercise will help uncover challenges in the processes and help strengthen the business case for digital transformation as well as client value proposition As a practical next step, BI will hold workshops with country teams to; <ul style="list-style-type: none"> Review existing business processes and identify associated challenges that can be resolved by digital solutions or other alternative delivery channels Review the customer journey and identify existing pain points that can be resolved by digital solutions This exercise will form concrete next steps for country teams to implement different digital initiatives 	<p>Introduction</p> <ul style="list-style-type: none"> Members read out promises CO take attendance of members by marking register <p>Instalments and savings collection</p> <ul style="list-style-type: none"> Members put instalment amount in passbook and hand over passbook to small group leaders The leaders confirm the amount and hands over to treasurer Treasurer confirms amount and hands over money to CO CO confirms the amount received with target amount in the collection sheet and updates members passbooks <p>New loan application</p> <ul style="list-style-type: none"> Inquires if there are members who want loans Confirms if small group members approve the loan for the client CO fills out loan application form and two members from small group sign the form CO delivers the loan application form to BM/AM for loan verification and approval <p>New client registration</p> <ul style="list-style-type: none"> Group members approves new client to join the group CO fills the client registration form and submits it to the branch manager for approval <p>Conclusion</p> <ul style="list-style-type: none"> Address concerns and questions from group members Financial education and updates Close group meeting 	<ul style="list-style-type: none"> Mark register <ul style="list-style-type: none"> CO has to go to branch every morning to get the collection sheet from branch account Health concerns associated physical handling of cash Security risks involved in moving around with cash from group meeting to branch locations <ul style="list-style-type: none"> CO has to move around with physical forms Delay in submitting loan application to relevant authorizing parties for approval <ul style="list-style-type: none"> CO has to move around with physical forms Risk of forms getting lost Delay in submitting documents to relevant authorizing parties for approval <ul style="list-style-type: none"> Clients do not get real time updates on new products and services 	<ul style="list-style-type: none"> Scan QR code using DFA <ul style="list-style-type: none"> updated collection sheet and target instalment amount for clients can be accessed through DFA Mobile repayments will reduce the risk of handling and moving around with cash <ul style="list-style-type: none"> Digitised loan application process i.e. DFA or mobile banking Digitised loan verification and approval process <ul style="list-style-type: none"> Digitised client registration and approval process i.e. DFA <ul style="list-style-type: none"> Use IVR and SMS based literacy Toll free customer line for support 	

Business Case for Digital Transformation

- While DT leads to greater outreach, operational efficiency, and improved customer experience, it takes time to realize the benefits of digital transformation

A few myths to dispel:

- DT solves all organizational problems. *It does not!*
- Every process, product, system, and business model needs to be digitised. *It's not a must!*
- Technology for DT should be disruptive and cutting-edge. *It should not!*
- DT yields results immediately. *It takes time!*
- DT will lead to job losses due to redundancy. *Not necessarily, in fact DT requires additional investments in specialized staff on digital and IT side.*

Refined decision making

- Due to improved data capture, the data can be analysed more efficiently leading to customer centric products, identify cross selling opportunities and expand the target customer base

Operational efficiency

- DT leads to paperless, more efficient work flows. Further, it contributes to improvements in security and transparency

Client acquisition and diversification with value-added services

- Digitisation can be leveraged to introduce specialized products such as mobile emergency loans. Improvements in efficiency leads to cost reduction, providing opportunities for more competitive pricing

Cost reduction and improved earnings

- Studies have shown that DT can lead to up to 40% cost reductions due to operational efficiencies. The cost of operating through agents and using digital devices is about 25% lower than operating through brick and mortar branch

Enhanced customer loyalty and retention

- FSPs leveraging on DFS are able to offer better customer experience and quick service deliveries while still offering similar services to those at branches

Additional revenues and greater savings mobilisation

- Use of digital makes savings more convenient and easy, and thus increases the likelihood that customers will save. This leads to reduction on cost of funds and consequently increasing revenues

The Business Model will Balance between Use of Technology (high-tech) to Deliver Business Efficiencies as Well as Retain Personal Contact (high-touch)

- The goal is to balance the use of technology and human touch to deliver greater value to clients especially women
- The concept of high-touch will go beyond face-to-face interactions to include leveraging technology to offer personal touch at key points of the clients journey through:
 - Enhanced personal touch through data analytics, SMS and personalized calls
 - Products designed to meet clients needs especially women i.e. flexibility, choice, availability and privacy
 - Improved financial literacy through automated digital interaction tools (SMS based literacy and IVR technology)
 - Data analytics and business intelligence information to make informed investment decisions i.e. deploying different programs like ultra poor graduation, health, agriculture and education

Client Journey	Human Touch or Tech Options
Customer onboarding	Field staff (DFA)
Group meetings	Field staff (DFA) SMS confirmation of payments
Loan application and approval process	Field staff (DFA) or through USSD channel
Pre-disbursement orientation	At the branches, groups, or digitally through phone calls in the case of digital credit disbursement
Loan disbursement	At the branches or through digital bulk disbursement
Loan repayment	Through mobile money (urban and semi branches) and some rural branches
Loan notification, repayment confirmation and follow up	through bulk SMS and personal calls
Information about products	Bulk SMS to clients, automated digital interaction (sms based literacy and IVR)
Financial literacy	SMS based literacy/IVR and field staff at group meetings
Customer support	Group meetings, field staff, automated digital interaction (IVR and SMS based literacy), dedicated customer service line

Potential Changes to the Current Business Model

- The digital pilots will help us understand how group meetings will be impacted by the adoption of digital channels. However, this slide outlines potential changes to the current business model
- Role of the group meetings is expected to change, the main activities will include;
 - Onboard new clients
 - Verify loan repayments
 - Discuss defaults
 - Group support and mentorship
 - Financial literacy
 - Information on new products
 - Complaints resolution



- Shift to Bi-weekly/monthly collection due to high transaction fee associated with mobile money transfer
- In the long run branches especially in urban areas will not handle cash rather they will serve as points of contact for staff
- Use passbook for the initial period but phase it out slowly when clients become comfortable with USSD channels, leverage lessons from Bangladesh
- Keep clients copy of contracts and proper disclosure of transaction fees in line with SPM requirements
- Disbursement and repayment will be through mobile money or direct bank transfer for urban and semi-urban branches. Rural branches will depend on agent availability

Digital Literacy Efforts Will Focus on Driving Behavior Change Among Clients

- A high percentage of our clients are already using mobile money channels for money transfer
- However, when it comes to repayments, many prefer to do it through group meetings
- Digital literacy efforts should therefore be linked to behavioral change to promote the use of the channel for disbursements and repayments. This will involve;
 - ✓ Developing and communicating value propositions that addresses existing pain points that customers are currently facing
 - ✓ Identifying existing behavioral biases and developing behavioral levers to drive desired change i.e. solutions to challenge existing social norms and perceptions surrounding digital payments
 - ✓ Appointing champions among women clients to drive uptake and usage i.e. group leaders or community leaders to drive the change
 - ✓ Developing client incentives to promote uptake and regular use of the mobile channel

BI MF COVID19 Survey Outcome on Use of Mobile Money among Group Clients

- 1 Clients in Rwanda, Uganda, and Tanzania reported high usage of mobile money (MM) at 98%, 81%, and 91% respectively.
- 2 Despite 75% of the respondents having used MM in the past six months, the preference to use MM for loan repayment remains quite low at 8% overall and 15% in East Africa countries.
- 3 Rwanda had the highest preference for using mobile money as a channel for loan repayment at 21%, followed by Tanzania 16%, and Uganda 8%.
- 4 Based on the self-reported data, majority of the respondents who preferred mobile money are from urban or peri-urban areas (84%).
- 5 There is a need for further analysis on clients' preference for mobile money, willingness to pay and value proposition to promote use of digital channels

Implementation of the Conceptual Framework for DT

The Digital Guidepost will Assist Countries in Developing Digital Solutions Relevant to Market Realities

- The conceptual framework gives a holistic approach to digital transformation
- The business review process and customer journey mapping will help uncover challenges in existing processes and opportunities for DT
- The digital guide posts will therefore guide countries on where to begin the digital transformation process in line with market realities

Strategic Priority Area	Early	Transitioning	Mature
Responsible Inclusive Finance: Client Protection, Social Performance Management, and Client Outcomes Measurement	<ul style="list-style-type: none"> - Digital household survey and market survey, client feedback mechanism & satisfaction survey - Report on social outputs from MIS 	<ul style="list-style-type: none"> - Ongoing digital data collection of client outcome indicators - Integration of client outcomes with ERP & external reporting 	<ul style="list-style-type: none"> - Tracking change over time using data to make changes to products that improve SPM results and client outcomes
Innovative Product Development (savings, insurance etc.) that meets the needs of our target segment - Leverage internal learnings, industry best practice, client input, research, and alternative delivery channels/DFS for new product development and scaling.....	<ul style="list-style-type: none"> - Using data and research (primary and secondary) to identify sub segments + unmet needs 	<ul style="list-style-type: none"> - Creation of 1 product with some digital element with features designed to solve a specific problem for a new or sub segment - Target funding for projects that have potential to scale through digital products or channels 	<ul style="list-style-type: none"> - Partnership that provides new data set for jointly delivering new digital product or option of totally cashless - Target pilot funding for investments in digital infrastructure that allow whatever new products to sustainably scale as part of core business
Use of Digital Delivery Channels to: Enhance customer experience & Reach more clients.	<ul style="list-style-type: none"> - Only if launching MFI with mobile money - Prerequisite financial or digital literacy training or hand holding for clients 	<ul style="list-style-type: none"> - 1 Digital mobile money product with terms superior in any way & simple interface - Field staff shift time to high touch with clients for onboarding digital products, sales, training or integration of social programs by BRAC or 3rd party 	<ul style="list-style-type: none"> - Digital products with automated, same-day approval/processing & cheaper terms or option of totally cashless - Product promoted to new customers through digital channels, i.e. Facebook
Digitization of Field Operations to increase organizational efficiency	<ul style="list-style-type: none"> - Use of ERP & MIS - New countries start digitized 	<ul style="list-style-type: none"> - Introduce end to end paperless processes for product delivery - Mobile money loan collection 	<ul style="list-style-type: none"> - End to end paperless processes and automated appraisal & approval with full ERP integration - Mobile money loan disbursement

Factors to Consider When Selecting Appropriate Digital Channels



Underlying Challenge

What challenge are you trying to solve? From client and institution perspective, there should be no digitisation for the sake of it



Digital solution

Given BRAC's unique model, target clientele and mission, What digital solution is available to resolve identified challenge?



Value

What value is the digital solution bringing to the organisation and clients?



Viability of the solution

How viable is the solution? (cost implication)



Implementation

How to implement? (System, operational, market and client readiness). What changes will be required to make DT successful?

An Agile IT System is Key in DT Process

- One of the key challenges in deploying digital channels in the past has been the lack of agility of sbiCloud
- As a result, BI MF commissioned an IT review process in 2019
- The consulting firm, AdVision visited Bangladesh, Myanmar, Tanzania and Uganda and conducted offsite interviews with Sierra Leone, Liberia and Rwanda
- The process was completed in March 2020 and BI MF is in the process of developing a roadmap for 2020 and beyond

Objectives of the IT Review Process

Identify current pain points in sbiCloud

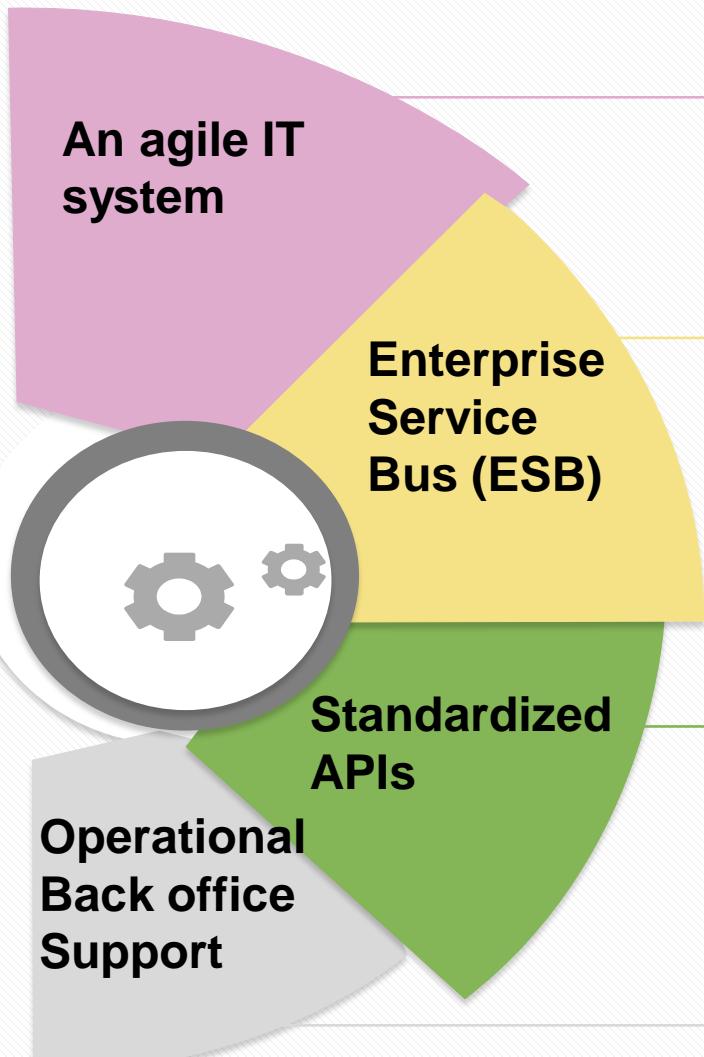
Evaluate vendors ability to provide support to BI countries

Identify staffing and competency gaps in BI IT

Lessons from implementation of Orbit R in Uganda

- 
- Evaluate each country's pain points and specific requirement in terms of functionality and reporting needs to determine if sbiCloud can adequately support
 - Evaluate sbiCloud (and vendor biTs), ability to provide the required support to meet the strategic objectives of BIHBV and countries as part of the Growth for Impact Strategy
 - Evaluate the structure, roles and responsibilities of IT staff at the head office and at country level to identify staffing and competency gap and recommend required changes
 - Understand the system in use by BRAC Uganda Bank Ltd (Orbit-R), their selection process, choice, and any challenges faced in implementation

Required System Improvements to Support Digitisation Based on IT Review Process



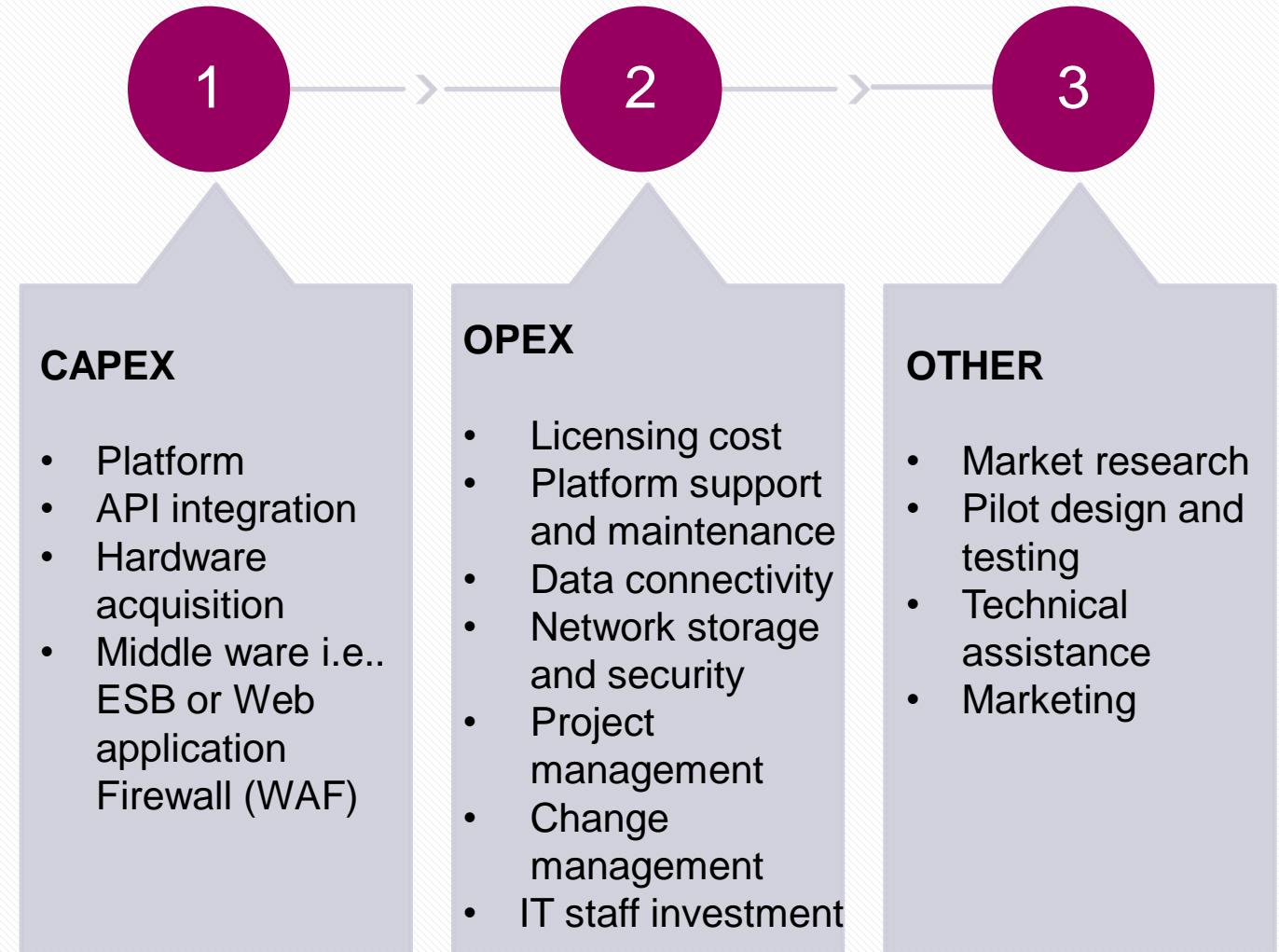
- The IT system should support technology and product innovations with limited service disruption
- The ESB will standardize interactions with the IT system by third party providers. It will also ensure limited service disruption during third-party integrations, which are expected to increase in a digitising environment, as well as improve security of the system
- To enable third party providers to connect to the system in order to access client specific information as well as send real time customer data to the system
- The team will be responsible for providing first-level support for staff and customers. Each countries should have a competent IT manager and DFS manager to drive innovations and implementation

Key Considerations

- Decision whether to keep or replace sbiCloud (ongoing)
- If we keep sbiCloud, the timelines for implementing V2 and V3 should be clearly defined
- System improvements needed to make the platform agile (i.e. procure an ESB, develop standard APIs for system integration, upgrade system security)
- Additional staff capacity to deploy and support new digital channels

Budget Considerations

- The cost of implementation will vary depending on each countries context
- Given a high cost of investment, the payback period will not be instant and might range between 3-5 years
- However some benefits will be realised instantly i.e. operational efficiency, staff productivity, improved data capture and reporting, as evidenced by the deployment of DFA in Rwanda
- Post-implementation, ongoing costs associated with licensing, maintenance and upgrades should be factored in the budget
- In summary, digital transformation can and will bring increased benefits, but the journey may be harder and longer than expected.



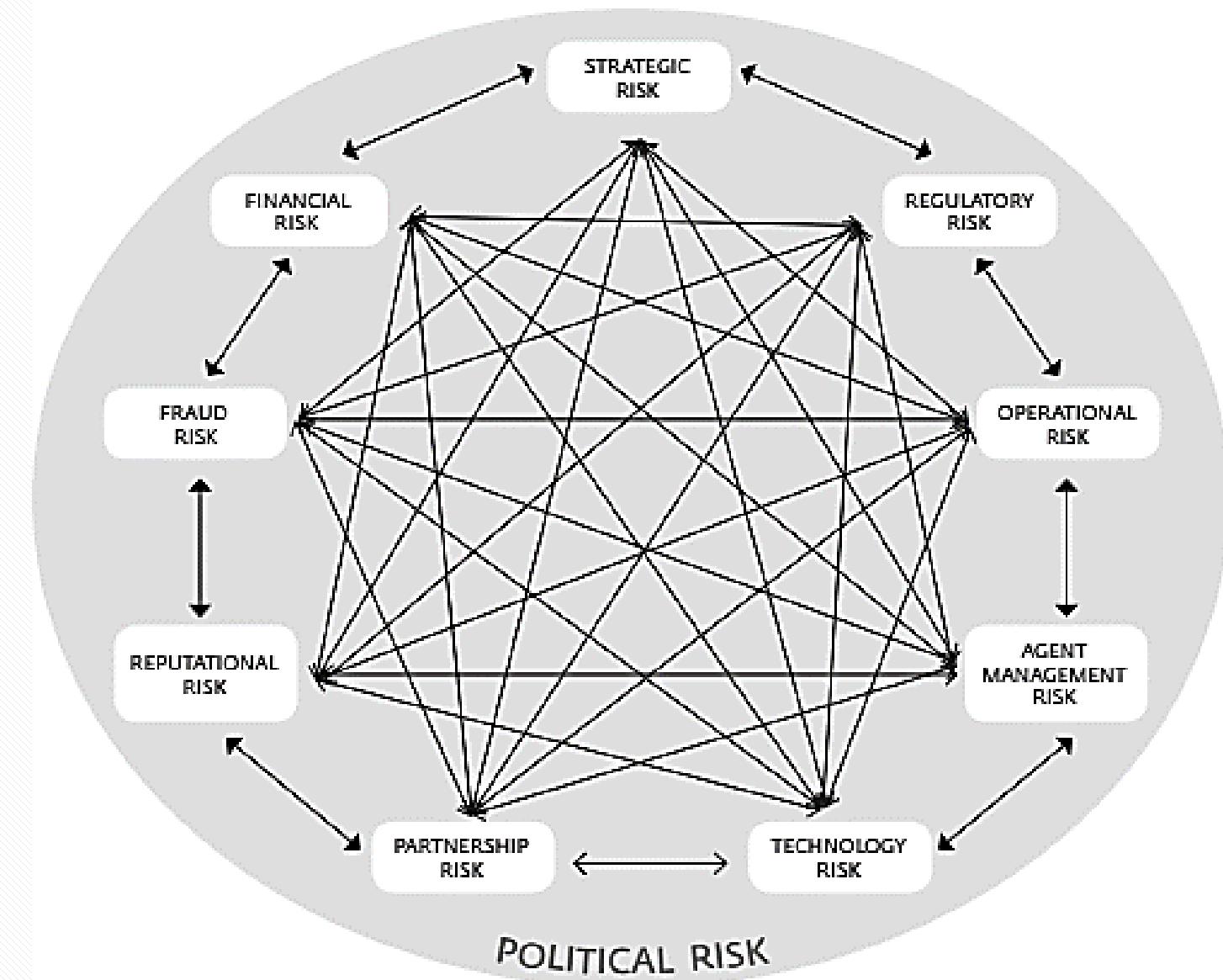
Risk is not to be Feared, but to be Understood so that it can be Addressed

- Deployments of digital channels will result to new risks being introduced in the business
- It is important that all the risks are identified and strategies to mitigate them are developed
- Risks do not fall strictly in one category. If a risk situation arises in one area it can often create a risk situation in another area, and all risks must be considered together.

Why Manage risk?

- Minimize impact of risk materializing
- Maximize commercial opportunity in uncertain areas
- Assurance for management/ shareholders
- Enhance strategic decision making
- Lowers future cost of mitigation

DFS Risks



Digital Product Development

DFS Product Evolution Plan

Retain existing clients

- Improve client service
- Improve product offering
- Deepen relationship with existing clients

Basic Products

- Efficiency of services offered to client

Short Term (0- 1 year)

Expand to target client segment

- Expand to target segment (youth and Agri-finance product)
- Develop new innovative products
- Leverage digital channels in the delivery

Product diversification

- Data analytics
- Automated CRB checks

Medium Term (2-3 years)

Reach out to new clients

- New segments not currently targeted (mission aligned)
- Existing channels and products do not currently serve this segment

Integrated product

- Credit score algorithm
- Machine learning

Long Term (above 3 years)

Key Considerations

- All product innovations should be mission aligned
- The focus of the products will be to address client pain points rather than digitising use cases
- The digital solution should focus on solving existing problem rather than undertaking digitisation just for the sake
- The product development process will be through client centric design
- Market research and focus group discussion is recommended to uncover pain points

DFS Product Development Process



Client centric market research

- Through qualitative and quantitative research methods
- Asses client needs and readiness to take up DFS (especially women)
- Willingness to pay
- Focused group discussion and one on one interviews is recommended



Design, planning and implementation

- Formulate a cross functional pilot team
- Develop pilot plan and objective



Concept and Prototype development

- Develop and refine the concept into the prototype
- Testing the product prototype



Pilot Test and refinement

- Select branches for pilots
- 3- 6 months pilot period
- Feedback and modification based on pilot reviews
- Document lessons learned



Roll Out

- Operational integration
- Staff training and roll out
- Phased roll out
- Modification based on feedback

Key Considerations in Selecting Partners

- The partners should be mission aligned. Select partners with the same goal and different expertise in various areas needed to achieve the goal.
- Clear cut responsibilities and service level agreements (SLAs) to manage partners
- Confidentiality agreement to protect clients from misuse of their information
- Defined dispute resolution process. Success of partnerships depends on knowing how to address disagreements in a constructive manner

DFS Partnership Categories

Infrastructure Partners

- These are core partners
- The business and product would not survive sustainably without these partnerships
- Examples - *Core platforms, Mobile networks, Middle ware IT systems*

Business Support Partners

- These partners deliver intermediary services
- Mainly agency-type partnerships
- Examples - *agent network and channel management partners, market and communication partners, agents, master-agents, super agents*

Product Evolution Partners

- These are partners that add value to the core product line.
- Includes such actors as utility providers, technology aggregators, business intelligence partners
- Examples – *Lenddo, CRB institute and other independent aggregators*

Foundation

Intermediaries

Evolution

Change Management

Articulate required change

- Undertake a digital readiness assessment to understand existing cultural biases
- Define the required changes to bridge identified gaps
- Effective communication of required changes and benefits to the institution

Align organisation to embed new culture

- Redefine cultural values by establishing a culture of continuous improvement
- Design employee recognition programmes that reinforce staff behavior towards desired change
- Recruiting project champions to promote buy-in among staff
- Re-think organisation structure to accommodate staff who become redundant as a result of DT

Identify staff capacity gaps

- Build the requisite technical capacities through training, capacity building and continuous hand holding
- Hire additional talent to drive the change i.e.. each countries should have DFS manager and qualified IT staff to drive the change
- Country CEO, COO and program managers should have direct experience in DT projects to make the transition easier

Management buy-in

- There can be no digital culture without managerial transformation
- Strong leadership support and change management focus is required to drive innovations
- Clearly defined and agreed upon measures and targets (KPIs) for DT is required
- Proper communications to staff related to impact and benefits of DT to drive buy-in.

**Change Management is a Continuous Process that
Require Proper Planning and Budgeting**

**Over 95% of
BRAC Clientele
are Women.
Special
Attention MUST
be Paid in
Promoting
Uptake and
Active Use of
Digital Channels
among Women.**

Factors that Limit Adoption of DFS among Women

Low numeracy and digital literacy among women

Complex user interface that are not easy to navigate

Lack of awareness and trust on digital channels

Lack of appropriate products that meet women needs

Lack of appropriate KYC documents for digital on-boarding

Legal and cultural limitations based on social norms (arising from tradition, religion or cultural beliefs)

Lack of gender disaggregated data on women's financial needs and financial behavior.

Proposed Solutions

Digital literacy and handholding by field staff

Design intuitive and user friendly interface that woman can easily navigate

Leverage social networks to drive awareness, digital literacy and adoptions. i.e. BRAC group meetings and through community leaders

Co-create digital products with women to ensure the products meets their needs

Where possible work with the regulator to established tiered KYC process or leverage digital channels that require little KYC

Design behavioral levers that drive users towards desired behavior

Collect gender dis-aggregated data and use it for decision making

Managing Clients Transition to Digital Channels

Digital Literacy and handholding

- Leverage group meetings and social networks to promote digital literacy for women clients
- Handhold clients through the digital journey to adoption/usage
- Use SMS based digital literacy and IVR technology to raise awareness of the new channel and complement staff efforts on the ground

Consistent customer experience

- BRAC will adopt high-touch, high-tech model to ensure consistent client experience is maintained
- Special attention should be paid to ensure the experience remains consistent across digital channels, (mobile money, mobile banking and agent channels) especially for women clients used to personal service at the groups

Operations and system stability

- Product and channel should be launched only when BRAC can ensure system and operational stability
- This will ensure early adopters have a good experience to further promote the service through word-of-mouth.
- System downtime should be avoided as it will affect customer adoption and trust.

Easy to understand and transparent customer pricing

- The customers at no stage should feel that money is disappearing from their account.
- The pricing structure should be easy to understand instead of combination of complicated percentages and slab structures with transparent, self-explanatory communication in local language.

Robust issue resolution and customer support:

- Define the issue resolution process and escalation matrix
- Clients should be made aware of the customer support process.
- The field staff should be equipped with reports and information to provide first line of support in the field
- Human touch at key moments (especially in decision making and if there are problems)

Next Steps

Digital Plans for 2020

- Due to the impact of COVID-19 BRAC will have to fast track some digital implementations plans as outlined in the COVID19 section
- However, majority of the digital plans outlined in the business model will be delayed due to COVID-19
- Some key hires responsible to drive DT might not be available by the time some digital projects kick off
- BI MF will support country teams in the implementation of digital projects.
- As an immediate next step, BI will hold workshops with different country teams to undertake business process review and customer journey mapping to identify existing pain points and appropriate digital solutions

Sierra Leone, Liberia

- Pilot Implementation of the DFA
- Digital readiness assessment

Rwanda

- Mobile money repayment and disbursement for SEP
- SMS service

Uganda

- Implementation of the DFA
- Deployment of ESB and WAF
- Mobile push and pull services
- Agent banking
- Pilot digital disbursements through mobile money

Myanmar

- Mobile banking and agent banking in partnership with Ongo
- Scale up of digital agri-credit product
- Pilot digital disbursements with Ongo

Tanzania

- Digital readiness assessment
- Pilot Implementation of the DFA
- Paybill functionality to enable mobile repayments
- Pilot digital disbursements through mobile money

Areas of Support Identified

- Technical assistance
- Review of concepts and proposals for digital transformation or with digital component
- Product innovation support and planning
- Knowledge management and documentation

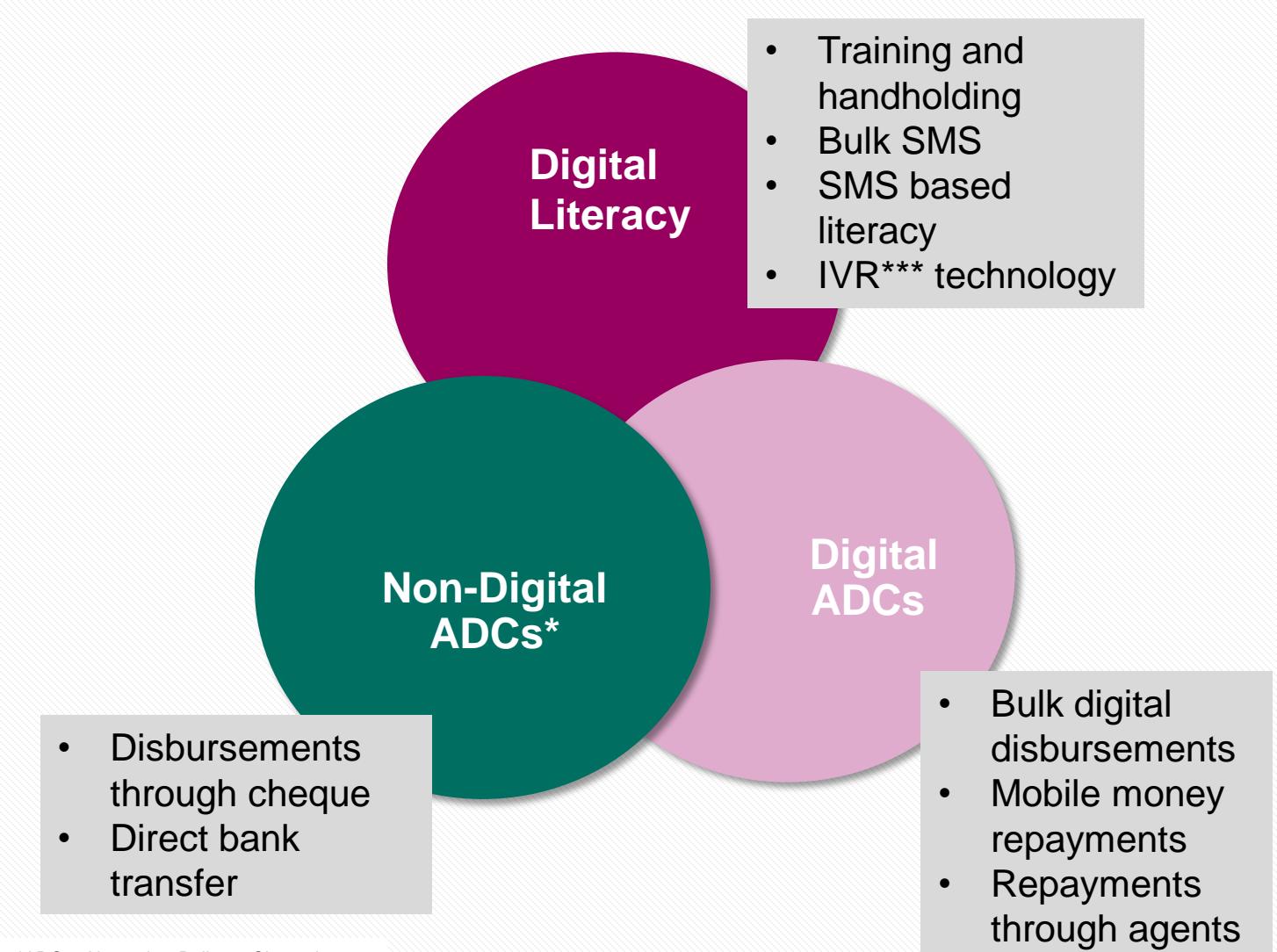


Annexure 1: COVID-19 Practical Next Steps

COVID-19 Impact to BRAC's Operations

- The ongoing COVID-19 pandemic has a significant impact on BRAC's operations across the countries of operations
- The social distance measures being implemented by the governments has a negative impact on BRAC's high touch model
- In order to ensure business continuity, BRAC will be required to fast track the implementation of select digital solutions to respond to ongoing disruptions
- To support the digital solutions in different countries, minor investments in sbiCloud may be required i.e.. development of APIs** for system integration and system security measures
- BI has concluded the IT system review and is in the process of developing a roadmap for 2020 based on the recommendations from the exercise

Proposed Solutions for COVID-19 Response



Proposed Solutions For COVID19 Response

Non Digital ADCs

- Involves disbursement of loans through alternatives channels, such as cheque, or direct deposits into client bank accounts (suitable for SEP clients)
- The objective is to reduce congestion at branches and minimize cash handling
- Deployment will depend on the robustness of the financial services infrastructure in different countries
- Agent banking may also be used where possible for savings collection, disbursement of loans, and repayment of instalments

Bulk Digital Disbursements

- Disburse loan through mobile money to clients mobile phones
- The aim is to promote client convenience in accessing loans as well as reduce congestion at the branches
- Suitable in urban and semi urban areas where there is high agent network proliferation and liquidity
- Requires partnership with MNO agents to ensure liquidity of agents during disbursement
- Maker and checker processes to be separated in order to reduce the risk of fraud

Mobile Money Repayments

- Paybill or mobile push and pull services depending on country requirement
- Paybill services enables clients to repay their loans remotely while mobile push and pull services enables clients to repay loans as well as access their savings remotely
- Require system integration for real time transaction processing
- In case of third party integrations additional security steps must be taken to reduce cyber security risk i.e. invest in a middle ware or procure a WAF

Digital Literacy

- Digital literacy and handholding by field staff either in person or through phone calls
- Bulk SMS will help drive awareness and adoption of the new channels
- SMS based literacy will help complement staff efforts on the ground. This might require partnerships with different institutions such as Arifu or Viamo
- Dedicated toll free customer service line to respond to clients FAQs and other issues arising from the field

COVID-19 Digital Initiatives

Tanzania

Pilot mobile repayments for microfinance group clients in 6 branches in urban, semi-urban and rural areas for three months

Pilot repayments and disbursements of loans through mobile money. The pilot will be partly funded by FMO

Uganda

Roll out mobile banking services to enable push and pull transaction for clients to access savings and repay their loans conveniently. The project is partially funded by Mastercard Foundation

Roll out agent banking services in BRAC satellite branches and third party agent outlets. Project funded by World Savings and Banking Institute (WSBI)

Myanmar

Pilot digital disbursement in partnership with Wave money

Pilot digital repayments through Ongo for SEP clients and microfinance group clients in selected areas

Rwanda

Pilot digital disbursements and repayment of mobile money for SEP clients. Project is partially funded by BRAC USA

Automated SMS for clients to receive instant alerts when clients savings are posted in the Fieldbuzz system. Project is supported by BRAC USA

Annexure 2: Lessons Learned from Selected Digital Projects

Digital Agricredit for Smallholder Farmers in Myanmar (1)



Piloting digital agriculture loan
Starting date: February 2018

Objective: Understanding digital credit risk scoring and mobile money services for affordable lending to smallholder farmers

- 99% of our clients are women
- 93% of our staff are women
- 3 pilot loan cycles in East Bago

PRODUCT OVERVIEW

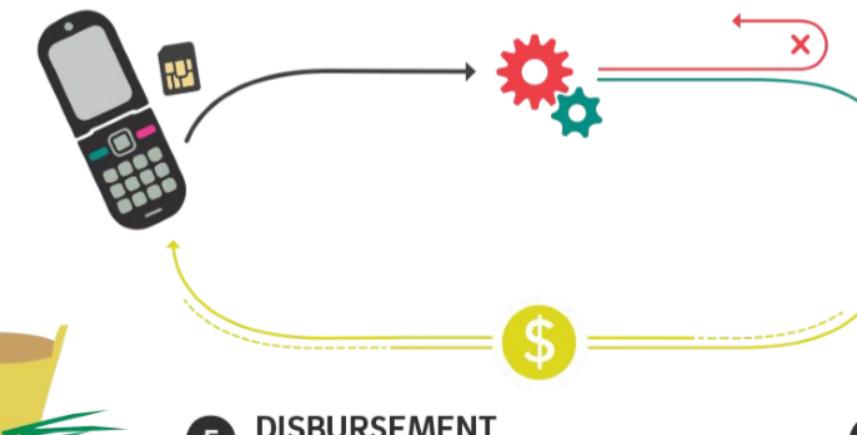
1 FARMER DATA

Farmer's identity, call/SMS behavior, airtime balance, mobile money transaction history and GPS are collected. Farmer manually inputs additional data about the household and farm.



2 SCORING ALGORITHM

Farmer data is analyzed to generate a composite credit score.



3 LOAN ASSESSMENT

Based on the composite credit score, the loan application is either approved, denied, or referred.



5 DISBURSEMENT & REPAYMENT

Loan funds are disbursed via mobile money. Farmer makes repayments also via mobile money.

4 LOAN PROCESSING

Loan is entered into the banking system and processed for disbursement.

HCD Approach

Partners

- **World Bank**- Project coordinator, investor and platform owner, and policy advocacy
- **Telenor** - MNO for Call Data Record (CDR) data provider for credit score
- **BRAC Myanmar Microfinance Co** - Lending partner and operation lead

Vendors

- **Experian**- IT vendor and credit scorer
- **Awhere**- Crop suitability data provider from satellite data source
- **Ongo**- Mobile money for loan disbursement and repayment.
- **LIFT**- Client enrolment and digital support for client.

Lessons Learned

- Partnerships are key to unlocking the potential of technology, especially for women; But they can be challenging
- Digital literacy is low, and lower for women - men have more phone ownership than women. Requires high touch as clients digital appetite is low
- Digital credit scoring / decision making is complex as data is not mature and there is no SIM registration rules and no digital NRC (national registration card)
- Need more flexible regulation for data sharing, that is supportive to the sector



Max \$400



28% annual effective, RBM



3 months grace, 4th & 5th M
50% principle +interest



Less docs, Apply through phone; Tech and human high touch for decision



5 Months duration

The Impact of Disbursing Microfinance Loans with Mobile Money in Uganda

3,000 female microfinance clients from six branches in Kampala and Entebbe

Objective of the study;

- Is there demand from women clients for obtaining loans on a mobile money account?
- Does providing mobile money accounts, and the microfinance loan on a mobile money account, lead to more saving, business investment and profits for clients?

Over 700 successful disbursements with mobile money took place. However, there were initial and on-going difficulties

- Power cuts and unstable internet connections prevented the online platform being used; Network Failure
- The system involved a learning process during which disbursement with mobile money was slower than cash.
- Authorisation by multiple people was timely and delayed receipt of the mobile money loan
- Cross checking of correct sim numbers added to the timing
- If mobile disbursement failed the accountant had to make a second trip to the bank to withdraw cash or send clients home

Lessons Learned



- Mobile disbursement was most beneficial to women who struggled with pressure to share money before the study
- Women who receive their loan on a mobile money account invest in 18% more business assets. As a result they have 15% higher profits (7% higher household income)
- Change Management: Don't underestimate it
- Mixed response to covering the related mobile charges



The End