

NGO-MFIs: Becoming Digital Transformation Catalysts

Mustafa K Mujeri

Providing financial services via digital channels is opening up new opportunities to reach populations that previously were unserved by the formal financial institutions including the MFIs. In Bangladesh, more adults are financially included than digitally included, indicating that financial accounts are more often accessed through traditional means, such as bank branches, than through digital means, such as debit/credit cards or mobile banking. Moreover, although mobile money access has grown, product usage is narrow – in most cases customers use digital finance to send/receive money or buy airtime exclusively. It is now time for Bangladesh to embark on riding the mobile money rails to deliver services beyond payments to cover, say, mobile savings and mobile credit and other services.



How successful can be a solution through MFI-MNO partnership? As MFIs and MNOs enter into partnerships, two challenges may emerge. The first involves the difficulty of forging partnerships between two sets of institutions that span different industries, regulatory regimes, business and service models, and technology systems. Thus, there could be technical and integration challenges—the operation system of MFIs may be incompatible with that of MNOs, making reconciliation a challenge. There could be different ways of resolving these issues e.g. investing in own platforms, developing partnerships with third-party technical providers, or acquiring own mobile virtual network operator (MVNO) license. The other challenge is that most MFIs typically lack the resources for adopting the above approaches.

The need is to work out innovative solutions for reaching the poor using technology that can be used by the MFIs. For the MFIs, the process of connecting to the digital ecosystem involves several considerations:



Despite many clear advantages of 'going digital' by the MFIs and, in the face of rapidly declining cost of hardware and connectivity, successful use of digital technologies by MFIs is still an exception rather than a rule in Bangladesh. Apparently, there exist several challenges that inhibit the widespread adoption of digital technologies by the MFIs:

Capacity of MFIs

MFIs have limited capacity to absorb technology. Financial service providers of all types tend to focus on their own needs, rather than developing a solution that really works for their customers.

MFIs lack strong communications and electronic infrastructure so that they face hard times for implementing technology solutions that rely on internet connectivity—or even electricity.

Infrastructure

Policy environment

As electronic finance expands, the government and regulators struggle to sort out the implications; for instance, of neighbourhood shops (e.g. banking agents) taking deposits from the public without a formal license to do so. Conversely, the government can help expand access by issuing national identification systems (numerical-or biometric-based) or by distributing welfare payments, pensions, and salaries through electronic networks.

Low literate and uneducated customers do not always trust technology. MFI staff members may also be reluctant or ill equipped to adopt new technologies. Efforts to educate them may be necessary.

Consumer & staff literacy

Sound information systems

MFIs would benefit from investments in advanced delivery technologies only if their foundation—the information system—is sound. Yet, in MFIs market, these systems are not always available in the right form or they are costly to develop. Moreover, MFIs continue to struggle with integrating baseline technology into their operations for a number of reasons:

- (i) many MFIs lack the technological know-how to make informed investment decisions when it comes to technology;
- (ii) commercially available software products can be expensive and vendors often do not provide sufficient local support to ensure efficient implementation of the system; and
- (iii) MFIs perceive their operations as unique and, therefore, prefer to build custom applications which are difficult and costly to develop.

One critical element for success of MFIs in adopting mobile technology is the presence of a sufficient number of users and volume of transactions upon which MFIs can build their own services including the number of agents (or cash-in/cash-out points). The higher the maturity of the mobile money market, the better the chances of success for the MFIs. And the greater the penetration of mobile services in the services rendered by MFIs, there will be steady growth in the number of MNOs providing money-transfer services; number of service companies offering mobile money support platforms; number of users for salary payments to field workers or conditional cash transfers; and wider variety of social applications, such as health, education and vocational/skill training. The MFIs can profitably leverage these developments and ensure greater efficiency, cost savings and speed in delivering the microfinance products.

In particular, business models cannot be easily transferred, because there are spatial differences in the microfinance market. Each MFS package has to be tailored in line with the market demand and the profiles of the targeted customers. In this respect, five issues are important for the MFIs to move forward:

1

Conduct an extensive feasibility study and seek partnerships with an MNO, a bank or a third party, especially to understand the limitations of the proposed services and products planned for offering and avoid mission drift.

Develop internal capacity, new skill-sets and invest in training and raising awareness among both MFI staff and customers on mobile services.

2

3

Conduct pilots to minimise troubleshooting and setbacks while introducing adjustments. It is highly unlikely that a new product will work perfectly from the beginning.

Devise the right fee structure and incentive plans for ensuring well-performing distribution networks. If managed well, agents can become valuable promoters of MFI products and services. The agents should be trained on the products and services to ensure better customer service.

4

5

Analyse the regulatory environment and build relationships with regulators and provide them with insights about the market. By creating alliances and associations, MFIs can emerge as a strong lobbying force for regulatory adjustments in the mobile financial market.

Research shows that availability and usage of mobile phones to provide financial services promote savings at the household level. Not only does access to MFS boost the likelihood to save, but it also has a significant impact on the amounts saved, perhaps due to the frequency and convenience with which such transactions can be undertaken using a mobile phone. Both forms of savings, that is, basic mobile phone savings stored in the phone and bank integrated mobile savings are likely to be promoted by use of mobile phones.

Further, for extending MFIs' outreach, redesigning of business model must also accompany investment in new technology. New markets would require innovative uses of appropriate technologies that can easily be scaled up. The infrastructure to support such a scale of investment may be beyond the capacity of the MFIs sector to bear alone. Hence, the government and other players also need to provide necessary support to the MFI sector to design and adopt relevant business models within the framework of MFS.

In short, MFIs in Bangladesh must face three major challenges in the digital economy: (i) increased financial services regulatory requirements; (ii) compulsion for expansion of outreach to more poor customers, which in turn provides economies of scale and ultimately financial stability; and (iii) attract capital from savings and commercial investors. It is clear that MFIs able to implement and make use of digital technologies will be more likely to survive in the country's increasingly competitive microfinance market.

For healthy developments, it is important to examine at the level of the poor customers how MFS impact the use of credit, what types of activities are funded, and how effectively mobile technology is being used to reach and interact with the customers and similar other prominent issues. For the MFIs, the important issue is to focus on how MFS impact on MFIs' operations both in relevant markets and internally focusing on operational efficiency and risk management. Finally, for the microfinance industry as a whole, the key issues are to analyse the impacts digital technologies on the structure of the industry in terms of strategic and outreach objectives, interest rates, and capability of the MFIs to operate sustainably in the financial market.

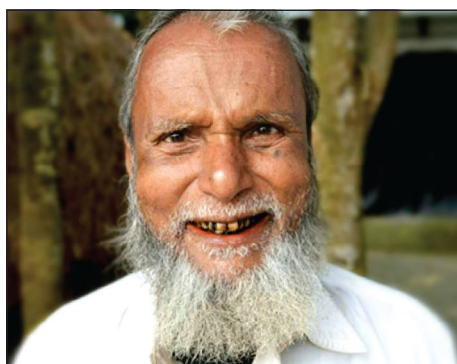
Programs

Social Enterprises

Shufola Urbanic

Shufola Urbanic is an endeavor to promote safe food in urban living. This program delivers unadulterated, safe and natural food products to the health conscious urban population. KKF helps the marginalized farmers to grow the produce in their own/leased land through largely organic processes. It aims to provide pure and natural foods to the market, which are free of contamination and preservatives found in processed and commercial farm produce.

Till date Shufola Urbanic introduced Ghee, Mustard Oil, Honey, Rice, Lentil, Spices, Nuts and Seasonal Fruits to the consumers.



Khamarir Hashi

Khamarir Hashi is a project which thrives to ameliorate the lives of farmers. This program focuses on able but failed farmers so that they can turn their lives around and emerge as successful entrepreneurs. It is working in 18 districts of Bangladesh. KKF provides both financial and technical help to the beneficiaries. Khamarir Hashi plans to cover more areas with the objectives to alleviate unemployment, inequality and desperation and contribute to sustainable economic growth of the country by creating skilled and enthusiastic entrepreneurs. Till date KKF disbursed 22.7 million taka, about 147,000 one day bird among about 83 marginal farmers.

Talent Chef

Talent Chef is a pilot café which aims at combining business enterprise with welfare. To help the youth and adolescents emerge as successful bakers and entrepreneurs, KKF provides bakery training. The trainees produce several bakery products under the supervision of a professional chef. KKF markets these products through online and offline channels. The revenue earned from Talent Chef contributes to the development efforts of the Foundation.



Social Development



Shelter House

As a non-profit development organization, KKF works with the underprivileged children from all over Bangladesh. KKF has established its first shelter house in Uttara, Dhaka, in January 2019 for the street and abandoned children accommodating around 100 children ranging from 3 years to 15 years of age. The name of this program is “Joy Shokol Shishur”. This house offers its children both formal and non-formal education, proper nutrition, safe water and sanitation, medical, housing and entertainment facilities.

The program also provides day care services for working parents who belong to lower income families. Any child raised by struggling parents can get admitted into the day care program. KKF charges only 10 taka per day for each child and the service includes education, meals and other facilities.

At present the program has 69 children with 16 boys and 53 Girls. In addition about 5 children from 5 families are benefitting from the day care program facilities.

Education

In Bangladesh, there is a significant number of children who are deprived of education in both rural and urban areas. KKF is working on providing both formal and non-formal education to underprivileged children of the country. The efforts of KKF are geared towards meeting the targets set by the National Education Policy 2010 and SDG 4. In line with the National Education Policy, KKF's strategic vision for the next five years is to strive to ensure greater inclusion, equitable quality education, promotion of lifelong opportunities for target population.

The aim of this program is to ensure the right to education for the deprived children. Currently, the Foundation is sponsoring 30 students for their formal education and supporting 7 schools all around Bangladesh. Every year 21 brilliant and meritorious students are receiving Kamrunnesa Khatun Scholarships from the Foundation.





Health, Water and Sanitation

Access to safe water and sanitation are basic human rights. Lack of access to safe water and sanitation has significant negative social impacts ranging from water borne diseases and malnutrition, to low school attendance rates and loss of productivity. KKF is planning to provide these services across half the country, ensuring sustainability, through community ownership, developing linkage with local government and supporting local entrepreneurs. At present the Foundation is providing safe sanitation facilities in several schools by making proper toilet facilities.

It is also ensuring health, water and sanitation facilities for the shelter house residential children. From the charity fund Foundation is also supporting the distress and helpless patient ensuring proper treatment facilities.

Skill Development Programs

A Third of Bangladesh's population is 10-24 years old and two million young people enter the labour market every year. Half of these new entrants to the labour market are either illiterate or semi-literate with few if any marketable skills. Most young people end up in irregular informal jobs.

Bangladesh's workforce is expected to reach 76 million people by 2025. KKF aims to use skill development to ensure inclusive and sustainable economic growth by helping to create decent employment opportunities for 1,00,000 young people within the next five years. Recently the Foundation is preparing its training and skill development modules along with its training facilities.



Counselling

KKF provides a range of counselling services to help staff as well as children with psychological issues to cultivate positivity and to promote sound mental health. Both privileged and underprivileged groups are the subject of concern. Underprivileged groups are prone to various hazards and they are often victims of many traumatic situations. The Foundation has been providing counselling facilities to 112 Children along with their families. It has also provided counselling support for 10 children to cope up with post-traumatic stress. In addition, the Foundation is also planning to provide training on ways to overcome psychological issues such as stress management, conflict management, proper parenting etc. for the general population.

Workshop

Motivational Speech by Ms. Layla Arjuman

A seminar named '*Sofolotar Golpo- Success Stories*' was organized by KK Foundation at its Shelter House Program (Joy Shokol Shishur) earlier this year on April 6, 2019. Ms. Layla Arjuman, a prominent motivational speaker of the country was the keynote speaker. She has also served as the Principal in three prominent Government High Schools of the country and has also authored a few books. As a special guest Ms. Farzana Rahman, Head, Retail Governance and Operation, Grameen Phone Limited graced the occasion.





As can be expected the children who are being supported by the shelter house program came from vulnerable backgrounds and in majority cases they suffer from stress, trauma, depression and other mental anxiety issues. Constant motivation and counselling is required for these children. In this regard, motivational speakers can inspire and stimulate the audience to make positive changes to their lives. Their speech not only motivates the children but also conveys the need for essential life skills and provides successful case stories. Both the guests through their positive stories inspired the children in many ways. The participants also shared their experiences and expressed their feelings about the program. Senior officials of KK Foundation were also present in the seminar.

Events



Mr. Tariq Alam, from QuadReal Ambassador, Canada Visited Shelter House Program on 13th February.



KK Foundation rejoiced Pohela Phalgun and Pitha Utsab with the shelter house children and distinguished guest.



KKF solemnized International Mother Language Day

* School Uniform, Bags and Stationery Distribution

After the admission into the formal school both primary and secondary school students of the shelter house received uniform, school bags and stationery.



* Children Day Celebration

On the occasion of Children Day KK Foundation arranged an Art Competition for the shelter house children.



* Primary and Secondary school students of shelter house received several prizes and made us proud.



* Pahela Baishakh

Pahela Baishakh was celebrated at KK Foundation. Children enjoyed traditional meal and organised a colourful cultural program.

* Women's Day

Considering this year theme for International Women's Day (8th March), "Think Equal, Build Smart, Innovate for Change", Foundation arranged an in-house workshop focusing on women empowerment, women rights, gender role, equal payment and gender equity.



**Turnover Time
about 45 days
(including sell)**



Program includes day long
**2 free workshops on
poultry farming**

Collateral free flexible terms

**Attractive packages for marginal
and dropout poultry farmers**

- 1 day bird (500 or 1000 lot at lower than market price)
- Poultry feed at competitive rates
- Soft credit turns

Target farmers:

- Member of MFIs
- Experienced poultry farmer
- Clean functional sheds
- Women and women lead household to get priority
- Lacking resources to re-enter market

**Attractive packages and inclusive growth for
beneficiaries, MFIs and development partners**

For more information please contact : +88 01318 217005-6





YOU CAN MAKE A DIFFERENCE IN THE LIFE OF A CHILD

Donate 2500 BDT Per Month

Sponsor a BOY or a GIRL today

For detail



+880 2 8831737



+88 01318-217005-6



www.kkfoundation.org.bd/sponsorAkid

About Kamrunnesa Khatun Foundation (KKF)

Addressing the needs of disadvantaged people and helping them to create a better future

The Kamrunnesa Khatun Foundation (KKF) is an independent nonprofit charity, committed to bringing about better lives for the disadvantaged people in Bangladesh. The Foundation's social welfare and humanitarian journey started in 2011, in commemoration of the noble deeds of Ms. Kamrunnesa Khatun. KKF works to improve the lives of the underprivileged and disadvantaged groups of people in society by providing them with the opportunity to live full and independent lives.

KKF engages with marginalized and underprivileged population to bring them into mainstream initiatives and development as active participation is a pre-requisite to their sustainable development. KKF works with a vision for change- a vision to bring qualitative changes in the lives of the underprivileged, especially through supporting the access to quality education, nutritious food, safe water, shelter and sanitation for the underprivileged children all over Bangladesh.

KKF works to bridge the gaps and empowers the educated unemployed youth, women and marginalized farmers to participate in income generating activities and establish them as independent, socially active, self-employed and successful entrepreneurs. KKF also makes pure, unadulterated and quality food available to the urban population for a healthier living.



Vision

Our vision for Bangladesh is that of a country of vibrant, inclusive communities where social enterprises thrive to ensure sustainable and equitable development through capacity building and promoting entrepreneurship and transforming the lives of the most disadvantaged people.

Mission

Our mission is to be the catalyst to make a lasting difference in the lives of the deprived people and:

- ▶ To strengthen the disadvantaged, marginalized and neglected people of Bangladesh through empowerment in social, economic, financial and other aspects.
- ▶ To expand employment and livelihood opportunities for the vulnerable population through ensuring participation in education, training, health security, entrepreneurship and social activities.



KKF FOUNDATION (KKF)

Head Office : 11th Floor "Manama MS Torren" GA-99/3/A/B, Middle Badda, Gulshan, Dhaka-1212

Program Office : House-55, Road-11, Sector-6, Uttara, Dhaka

E-mail : kkfoundation.info@gmail.com