



NEWS

CGAP Pilots New Ways of Digitizing Microfinance

WASHINGTON, D.C., February 18, 2022 – CGAP today announced partnerships with seven microfinance providers from around the world with the goal of demonstrating how improved data analytics and automated credit decisioning benefit providers and deepen financial inclusion.

Unlike most financial institutions and many of today's fintechs, microfinance providers exist to serve low-income, financially excluded people and small businesses. This makes microfinance providers especially important for financial inclusion. Over the years, microfinance providers have demonstrated the impact their services can have on people's lives, but they have been slow to adopt digital technologies that could help them design even more impactful services, lower costs, achieve greater scale, build resilience and keep up with the changing world.

Through pilots with seven microfinance providers, CGAP intends to guide digitization of the microfinance sector with practical examples of impactful and measurable implementations. Based on successful examples, CGAP will focus on two particularly impactful areas. The first concerns improving data analytics and business intelligence practices to support more agile, customer-centric and value-creating product development. The second concerns automating decisions about whether to extend follow-up loans (renewals) to existing borrowers. Loan renewals often follow the same process as first-time loans, although providers can streamline and automate the process using customer data. For many MFIs, this can be a quick win that benefits providers and their customers alike.

“We've taken the approach of focusing on work where digitization can have the most significant and immediate impact, both on customers and the provider's business. We're also focused on measuring that impact. To do this, we'll be working with our partners to improve data analytics and implement a software-

as-a-service approach to credit automation – testing new ways of doing things that we’ve been long championing,” said Ivo Jeník, CGAP senior financial sector specialist who is leading the effort.

The seven pilot partners, listed below, were selected from a pool of over 100 applicants worldwide. They are a diverse sample of institutions of different sizes and maturity levels, operating within different geographies and regulatory frameworks. Collectively, these microfinance providers have a customer base of over 1 million active borrowers (individuals and small businesses) and over US\$400 million in assets.

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

CGAP will collaborate with Rubyx to support the pilot partners. Rubyx offers a software-as-a-service solution for credit automation that allows microfinance providers to digitize quickly and with minimum investment in their own technology.

As part of CGAP’s broader efforts to support digitization in the microfinance sector, it will also soon launch a community of practice. The community of practice will include the pilot partners and others across the industry, serving as a forum to exchange knowledge and best practices and replicate the approach tested in the pilots. These efforts are part of a wider focus at CGAP on ensuring financial inclusion has a positive impact on people’s livelihoods and resilience.

“If you’re a microfinance provider today, there are many good reasons to digitize, but doing so has oftentimes proven challenging. Ultimately, our goal with this work is to demonstrate to the industry that despite the challenges many providers have faced, digitization is possible, and it can add measurable value to the company and customers relying on its services – individuals and businesses alike,” said Jeník.

About CGAP

CGAP is an independent think tank that works to empower poor people, especially women, to capture opportunities and build resilience through financial services. We test, learn, and develop innovative solutions through practical research and active engagement with our partners on building responsible and inclusive financial systems that help move people out of poverty, protect their gains, and advance global development goals. Housed at the World Bank, CGAP is supported by over 30 leading development organizations committed to making financial services meet the needs of poor people.

MEDIA CONTACT

Lamis Daoud

External Affairs Officer

1818 H Street NW

Washington, DC 20006

Office: +1.202.458.0147

ldaoud@worldbank.org

cgap@worldbank.org

Media Resources

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