

# **DIGITAL COOPERATIVES / MICROFINANCING THE PATH FOR**

## **REVAMPING COOPERATIVES / MICRO-FINANCE BANK**

### **OPERATIONS THROUGH MICROBASE CBA**

Today, smart phones are used by more than half the world. By 2021, this number will reach 6.2 billion. Mobile-based digital technology presents a huge opportunity to enhance financial inclusion for the two billion individuals and 200 million micro, small and medium enterprises (MSMEs) in emerging economies that still lack access to basic savings and credit services.

Innovation is mostly an opportunity even for Microfinance institutions risk mitigation, considering its pervasive impact on risk factors

Artificial intelligence – with all the exciting changes in technology creating new business models for financial inclusion, it's easy to think that older models like microfinance have been eclipsed. But have they? There's no doubt that microfinance institutions (MFIs) are highly motivated to serve the poor. But to continue playing that role in the long run, they need to enter the digital age by embracing new technologies and rethinking their business models.

### **What are Digital Cooperatives / Micro-finance bank?**

A Cooperatives / Micro-finance bank whose core banking operation and human resource activities are carried out using digital platform as against ultimate and traditional use of paper.

### **Why Digital Cooperatives / Micro-finance bank?**

It's easy to think that older models like micro-finance have been eclipsed. But have they? There's no doubt that micro-finance institutions (MFIs) are highly motivated to serve the poor. But to continue playing that role in the long run, they need to enter the digital age by embracing new technologies and rethinking their business models.

Many MFIs still keep paper records. They have an incredible amount of data collecting dust on their shelves. While digitizing all of that data might be useful, it can also be overwhelming. Rather than getting bogged down with digitizing old data, MFIs should prioritize investing in data management systems that will allow them to start capturing data going forward. Figuring out how to structure the data so they are useful and finding ways to efficiently and accurately collect data electronically should be the priorities. Digitizing the old data is a bonus.

## **1. Customer centricity**

Digital technology and data allow financial service providers to more effectively serve the financially excluded with a “customer-centric” approach. Using specialized algorithms, providers can analyze information on a customer’s mobile telephone (e.g. frequency and amount of airtime top-up) and non-traditional data (e.g. social media profiles) to develop the credit profile of a client when they make lending decisions. These digital footprints help financial service providers interact better with customers, and provide a range of financial products and services based on a deeper understanding of their financial needs.

## **2. Reducing operational risk**

For microfinance institutions, the use of digital channels can mitigate cash risk and increase operational efficiency. Current microfinance lending models are cash-intensive, and this exposes the institution and customer to cash risk, such as during storage and transit, which incurs additional costs. As such, time that could have been used more productively is spent managing this risk. Through digital technology, clients have the flexibility to repay loans through their mobile phones, avoiding the risks of cash-in-transit.

### **3. New business models**

Digital Micro financing supports new business models through mobile technology and data analytics in credit scoring, decision and underwriting processes. However, implementation has been led by mobile network operators, and to some extent large commercial banks and a small number of new cashless microfinance institutions. While traditional institutes are known for their expertise in clients' needs, they must adapt and develop more capacity to stay competitive and relevant to take advantage of mobile banking services or those that are soon to become available in their countries.

#### **4. Partnerships and collaboration**

There is a need for a range of different financial service providers, be it banks and non-banks (telecommunications companies or fintechs). Just like Uber, taxify and Airbnb, which transformed the transportation and hotel industries, innovation in algorithm-based credit risk assessment and psychometrics testing.

"99% of clients saving in the informal sector report that they have lost some of their savings and on average they had lost 22% of the amount they had saved in the last year" All this happened because informal sector refusal to digitization of their processes. With MicroBase for Cooperatives, MFI and MFB digitization is sure way to effectiveness, efficiency and excellent customer service experience (EEEE's) The MicroBase CBS E's syndrome.

### **INTRODUCING MICROBASE CBA FOR MFI AND MFB**

Banking business has evolved over a period and grown exponentially encompassing an entire gamut of products and transactions under a wide umbrella. All such activities undertaken by a bank is called Core Banking. "Centralized Online Real-time Exchange". This basically means that all the bank's branches access applications from centralized data enters. This means that the deposits/withdrawals made are reflected immediately on the bank's servers

and the customer can withdraw the deposited money from any of the bank's branches throughout the world. These applications now also have the capability to address the needs of corporate customers, providing a comprehensive banking solution.

Beyond the financial drivers, IT globalization, increasing compliance and industry consolidation, are some of the other key motivators for opting to core banking system. Banks are shifting from cost reduction to growth. Industry consolidation, increased customer demands and pressure of data management has led banks to feel increasingly limited by the capabilities of their present systems.

MicroBase is a cloud and mobile base banking application that lets banks improve operations, reduce costs, and prepare for growth. Implementing a modular, component-based enterprise solution ensures strong integration with your existing technologies. An overall service-oriented-architecture (SOA) helps banks reduce the risk that can result from multiple data entries and out-of-date information, increase management approval, and avoid the potential disruption to business caused by replacing entire systems.

Designed keeping in mind the extensive requirements of the financial services industry, MicroBase is built to deliver in line with the prevalent best-practices in the industry.

### **MicroBase for Cooperatives / Micro-finance bank**

MicroBase offers banks the opportunity to meet present challenges with reduced costs and enhanced customer management measures. Information management and Risk Management is the key.

## **Objectives.**

- Introduction of best suitable processes
- Remove redundant intermediate processes
- Cost and time savings from better processes
- Optimal utilization of the functionality offered by the solution
- Better risk management by incorporating optimum checks and controls

## **Product Functionalities.**

- Easy in operation.
- User parameterization.
- Multifunction concept.
- Generate all reports type.
- Perfect RBI reporting.
- Easy & accurate MIS view.
- Strong Security.
- **ATM Connectivity / Tele banking interfaces(Under Development)**
- CBS functioning on centralized database system.
- Accept savings from corresponding commercial bank customers using Debit cards

## MicroBase Modules

- Branch Module
- Head Office Module
- Customer Information File
- Operations (Teller, PBO and CSM)
- Internal Control
- Audit/Finance
- Relationship manager and credit officers
- User Management and Administration
- Credit Risk Enterprise(Loan disbursement, loan repayment, loan monitoring and loan risk checks)
- Payroll system(Separate deployment )

MicroBase is a full-fledged, yet modular business solution geared to resolving the challenges faced by Micro-finance banks and cooperative houses on a day to day basis. The diverse functionality of the products encourages banks to constantly innovate and handle competition, compliance and customer demands fully.

MicroBase offers several fully integrated modules for ready utilization on a Micro-finance banks and cooperative houses-specific basis. It is a comprehensive end-to-end core banking solution assisting in a wide range of banking operations, highly scalable and capable of handling large volumes of transactions.

MicroBase is a highly flexible solution for retail and corporate banking institutions and can easily integrate with third party products for functionality. Each Application Module in the Core Banking Solution has a set of application-specific parameters that can be easily modified and personalized for the development of new products.

MicroBase is developed on 3-Tier Architecture systems, a most secured system. With 24 hours, 7 days & 365 days banking. Browser and mobile Based Functionality. Complete data at a single control. Nominal data at branch server for validation & safety.

## **IN ADDITION,**

MicroBase is Core banking operation software that helps in bank operational activities and maintaining records for all the bank's transactions. Transactions records like opening of new accounts, processing of deposits and withdrawals, calculating interest rates and customer relationship management activities

MicroBase is a cloud based technology-enabled automation of business processes that is design to achieve digital transformation or to increase service quality or to improve service delivery or to contain costs, don't make the mistake of thinking that MicroBase is only for large enterprises. Smaller businesses can benefit disproportionately because they tend to have greater constraints on staffing and resource budgets.

MicroBase enables customers to open new account instantly, to operate their accounts, and avail **banking** services from any branch of the **institution using** MicroBase, regardless of where he/she maintains account. The customer is no longer serving as customer of the institution branch but he or she becomes the **institution's** Customer.

## **Features of MicroBase Include:**

Operations, Credit Risk Control, Relationship Mangers, Credit officers, Team Lead, Internal Control, Auditing and HR

## **Benefits of MicroBase include:**

- Add value to customers and increase profitability
- Loan disbursement, Loan Schedule, Loan Repayment and Loan Monitoring
- Real-time monitoring of transaction of COs in the field.
- Increase customers confidence Institution brands
- Increase collections bank wide
- Reduce cash suppression
- Promote savings
- Improved Security of transactions through (Internal/Audit control)
- Instant transaction reports for reconciliation and Auditing
- Instant settlement
- User Friendly Application interface for RM/CO.
- Times spend and pressure of posting transaction by processors will reduce.
- RM/CO daily, weekly and monthly collection report will take a better look
- Expand Institution reach

MicroBase also has Pocket Mobile APP for Field Officers to open instant Account, Credit Account instantly and applied for customer loan while on the field.

## **Areas of Interest.**

Microfinance Banks, Cooperatives and Investment Houses



## **CONCLUSION**

Digital technology has emerged as an important driver of innovation, competitiveness and growth in microfinance. By leveraging the nearly ubiquitous growth of mobile phones, digitization can reduce cost, increase efficiency and allow financial service providers to reach new clients. By developing an inclusive and sustainable digital financial ecosystem through substantial investment, skilled resources, adequate infrastructure, agile processes, and a conducive regulatory environment, it can foster more widespread adoption and usage.

Microfinance has a relatively good track record of serving the poor in a socially responsible way. But it must adapt to continue serving those customers in the face of new and very different competition. To be successful, MFIs will need to tackle this challenge head on.

Thank you

Yours faithfully

For: Futuretech Integrated Solution.

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