

Accion's Strategic Approach and its Challenges

Thoughts for Discussion

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Investing in individuals.
Improving our world.

Agenda

1. Accion's three strategic pillars
2. The challenge ahead for MFIs
3. Discussion



The current challenge

- Microfinance currently reaches ~200 million people, yet there remain ~2 billion adults without access to financial services.
- Out of the 10,000 MFIs around the world, only 400 are self-sustainable.
- Less than 100 institutions reach more than 80% of the world's clients.
- Few institutions offer a full-range of financial products (credit, savings, insurance, payments, etc.)



Accion's goal: a financially inclusive world

We define **financial inclusion** as:

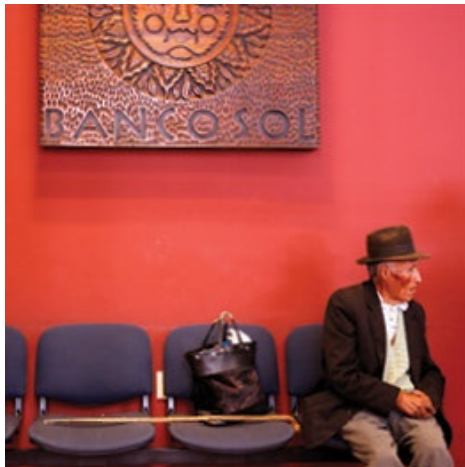
- **The availability** of a full suite of financial services, including credit, savings, insurance and payments.
- **Provided with quality**, in a convenient, affordable and suitable manner that protects and upholds the *dignity* of the client.
- **To everyone** who can use financial services and who is 'financially capable' – that is, informed and able to make good decisions about their use of these services.
- And **delivered in a diverse and competitive marketplace** of financial service providers.



Accion's strategy for financial inclusion



We are building the next generation of top-tier microfinance institutions



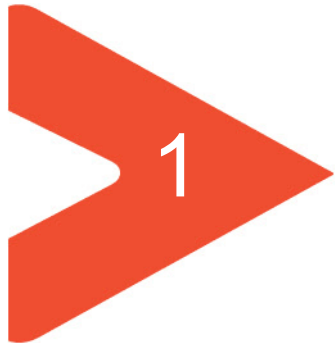
We are pushing the frontiers of financial inclusion beyond microfinance institutions



We are helping to build a strong financial inclusion industry with high standards and broad engagement

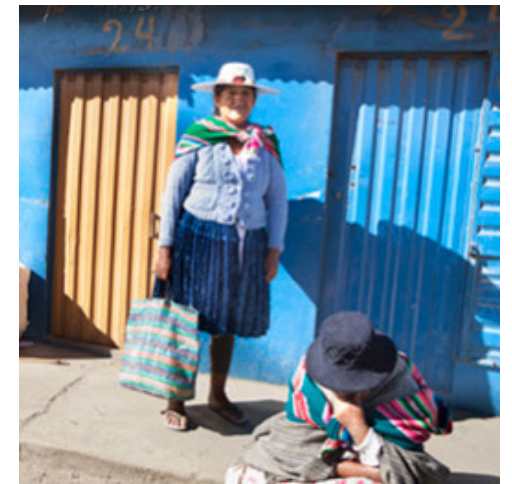
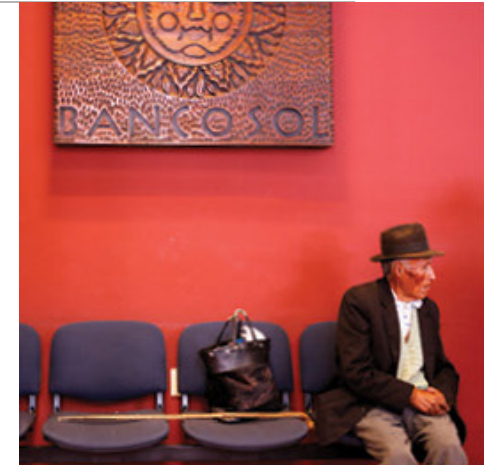


Three strategic pillars



We are building the next generation of top-tier microfinance institutions:

- Using our 50 years of experience to help MFIs achieve scale, sustainability and efficiency
- Helping MFIs expand their products and services to address their clients' full range of needs
- Focusing on un- and under-served regions, such as India, China, and sub-Saharan Africa



Next-generation MFIs



We offer a coordinated package of management, investment and governance support to partner institutions

Management and Technical Assistance

- We deploy teams of managers to work in select partner institutions
- We provide international expertise and ensure the application of best practices
- We provide partners with technical assistance

Investment

- We use our investment vehicles to link MFIs to commercial banks and capital markets
- We enable MFIs to expand outreach, strengthen core systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage

Governance

- We provide strategic leadership to investee institutions through board participation
- Our board representatives bring international and regional microfinance knowledge
- We provide our partners with strategy, management and planning guidance

Three strategic pillars



We are pushing the frontiers of financial inclusion beyond microfinance institutions:

- Accelerating the development of new, bold and disruptive business models, technologies and channels
- Providing seed funding and assistance for promising start-ups and adjacent technologies through new impact-investing initiatives



Going beyond MFIs



By investing in disruptive business models and technologies that radically enhance the efficiency, reach and scope of products and services for the un- and under-banked

Accion's Frontier Investment Group

- An early- and growth-stage equity vehicle that leverages our expertise in financial technology, financial inclusion, consulting and investing in emerging markets
- Initial investments typically run between \$1-\$3 million, invested either as convertible debt or equity
- Transitioning to a for-profit, 3rd party fund

Accion's Venture Lab

- Invests in start-ups that have completed research and development and are at the pilot/first-revenue stage – which is normally considered 'pre-investable'
- Investments run between \$100,000-\$500,000, invested either as convertible debt or equity
- A non-profit initiative

Three strategic pillars



We are helping to build a strong financial inclusion industry with high standards and broad engagement:

- Redoubling industry commitment to consumer protection through the Smart Campaign;
- Providing platforms for industry collaboration, through the Microfinance CEO Working Group, the Red Accion, and the Financial Inclusion Equity Council; and
- Promoting consumer protection, transparency, and social-performance measurement



Strengthening the industry



The Center for Financial Inclusion at Accion focuses on advancing the microfinance industry with quality financial products, appropriate client protection practices, governance standards and more, through research and industry collaboration.

Financial Inclusion 2020

- A multi-stakeholder initiative to expand the reach and range of quality financial services.
- ‘Roadmap for Financial Inclusion,’ a blueprint and call to action; ‘Mapping the Invisible Market,’ a research project examining major forces shaping the progress of financial inclusion; and the Global Forum (Oct ‘13)

The Smart Campaign

- A global effort to embed a set of Client Protection Principles into the institutional culture and operations of the microfinance industry
- Institutions can become certified through an independent, third-party evaluation

Microfinance CEO Working Group

- CEOs from the leading international microfinance organizations who work collaboratively to support the positive development of the microfinance industry at large

ACCION

So, what's the problem?

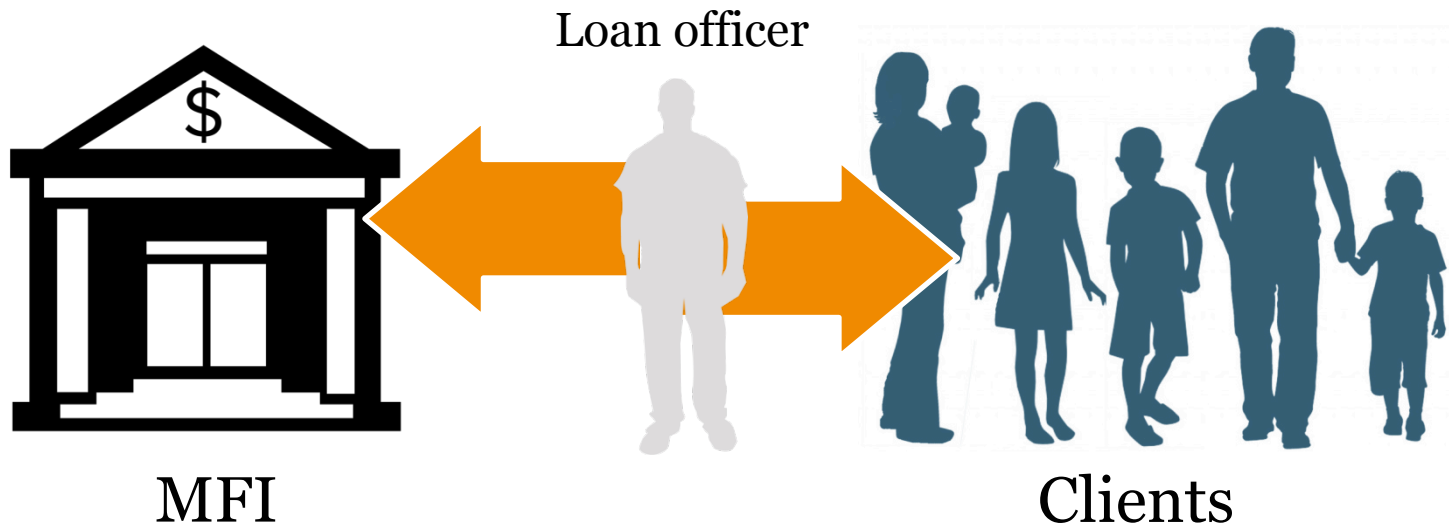
Well, for one thing...



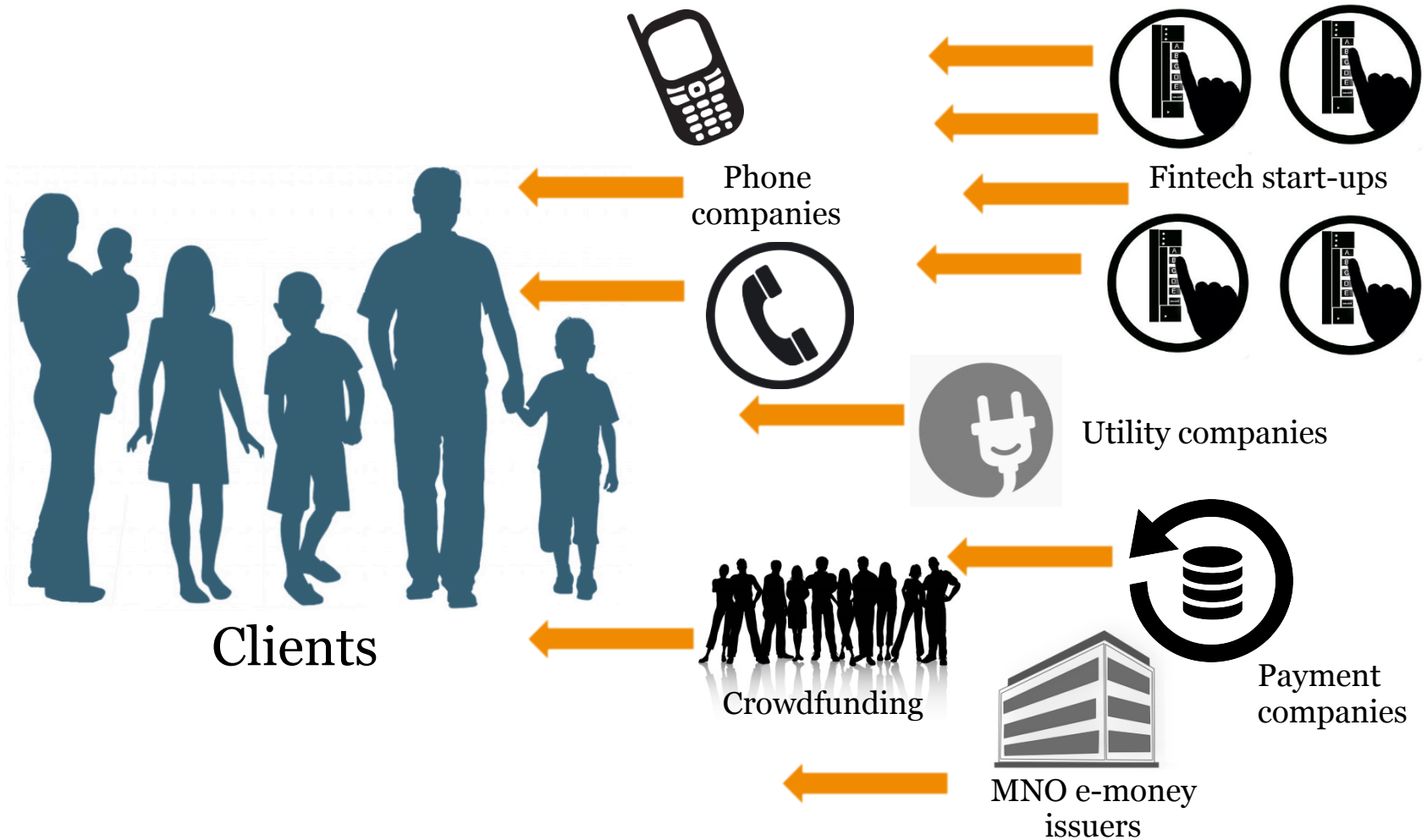
**“Traditional MFIs are like
the walking dead...”**

-- International Finance Corp.

'Conventional' microfinance



'New' microfinance



Venture Lab: Looking for disruptive trends



Cloud services and
other B2B technology
innovations



Social media and
online networks

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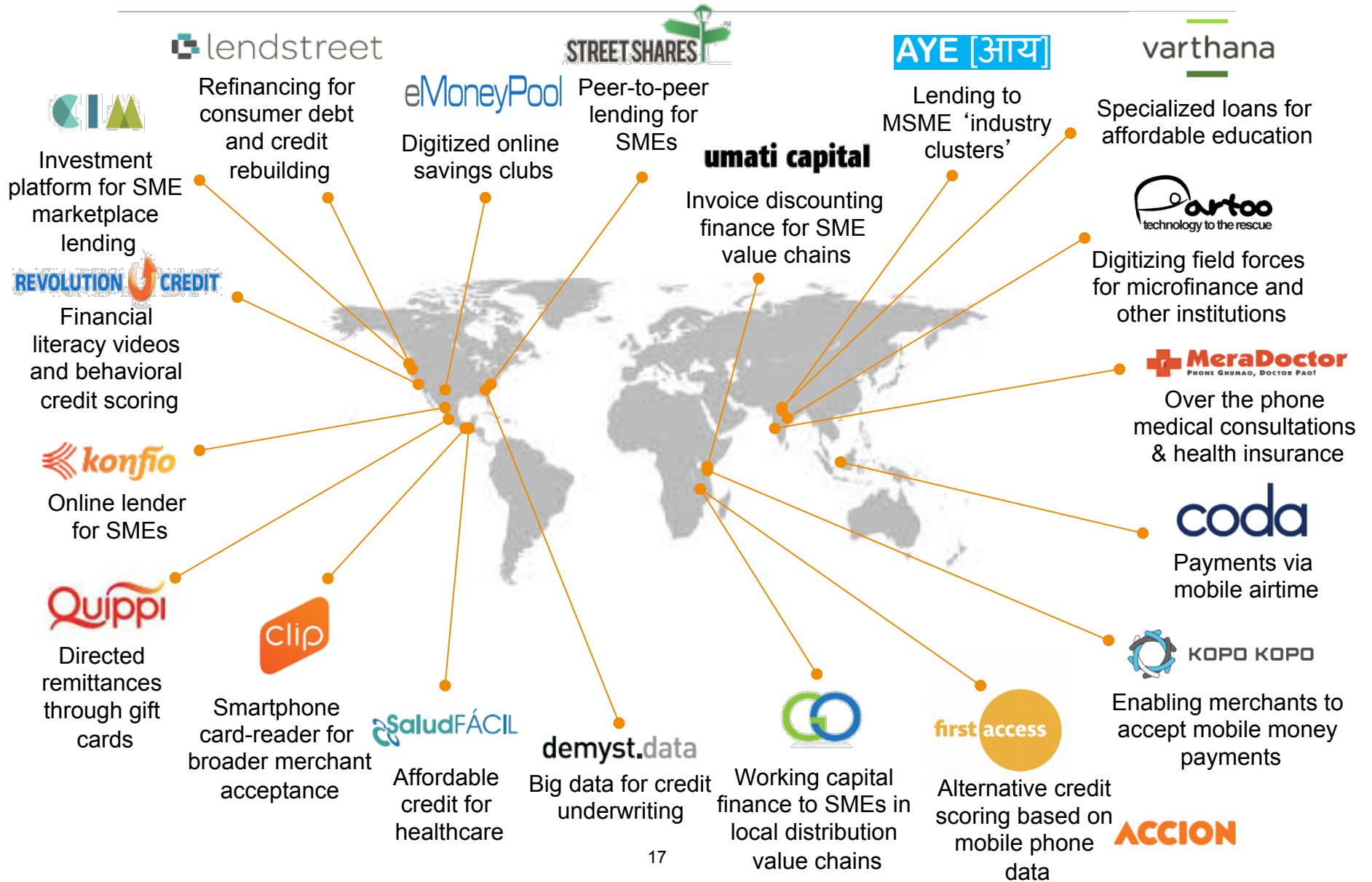
Big Data analytics



Mobile and other
delivery channels

Combination of forces enable **cheaper remittances**, alternative or **“big” data driven credit**, **crowd-funding**, digital financial services, tech-powered **financial capabilities** training, **digital field tools**, expanded **merchant acceptance**, and more

Venture Lab portfolio companies



Zoona – A Payment Platform and Agent Network

What happens when Airtel and MTN try to put you out of business ...

... **Attract their clients and continue building Zambia's largest, most respected payments service.**



Zoona enables entrepreneurs.

Zoona is reducing Zambia's reliance on cash by enabling electronic transactions through its payments platform and network of agents.

Zoona's key differentiator is its agent network. Agents are provided with a mobile money platform, working capital financing and business management tools – in doing so, Zoona trains its agents how to be independent small business owners.

Over the past twelve months...

670 agents processed US\$240 million in 5.0 million payment transactions in Zambia.

Accion Frontier, active investor...

- Sourced debt and trade financing;
- Mentored female middle-manager;
- Technical domain expertise provided by Accion credit scoring consultants;
- Recruited independent board director for company from Visa.



Tiaxa – Nanoloans

Lots of companies talk about big data,
few companies actually use it....

... **Tiaxa uses mobile-enabled big-data scoring algorithms to extend nano loans to millions of low-income consumers + microentrepreneurs**



Tiaxa is a pioneer in global mobile financial services.

Tiaxa's patented "nano-loan" product provides cash advances to prepaid mobile users and microentrepreneurs using cell-phone enabled big data. Leveraging proprietary scoring algorithms, Tiaxa analyzes past user behavior to determine the optimal amount of credit to loan each user. At the user's next top-up, the outstanding loans are recovered.

Over the past twelve months...
Tiaxa has extended US\$95 million to 64 million users in 18 countries.

Accion Frontier, active investor...

- Recruited Tiaxa's Global Head of Mobile Financial Services + independent board member;
- Assisted in regional growth and strategy in Africa and Asia;
- mWallet consulting engagement by Accion MFS sector experts .

Revolution Credit



it

Consumers have a poor relationships with their financial institutions...

... but **Revolution Credit transforms the consumer experience through intelligent decisioning, capability building and empowered engagement**



Revolution Credit educates consumers.

Revolution Credit is a unique platform which allows consumers to watch short and entertaining financial literacy videos to demonstrate and improve their financial capabilities – like a “Traffic School for Credit.” It allows financial institutions to identify more creditworthy customers, extending access to a wider range of financial services at better prices.

www.revolutioncredit.com

Since its inception...

4,700 consumers joined Revolution Credit and 500 completed a credit education program

Accion Venture Lab, active investor...

- Actively engaged on the Board and in recruiting and capital-raising
- Provided executive training through our CEO Forum
 - Consulted with head of product to strategize international expansion and product development

Financial inclusion in 10 years

- **Inclusive finance** will continue to expand beyond traditional MFIs
- **New actors** such as mobile operators and distribution networks will **expand product offerings** at lower cost to reach the poorest and most isolated populations
- **Regulations** will be more focused on **client protection** than institutions, processes or products
- Financial access will **expand geographically** to reach nearly everyone
- **Technology** will drive **product diversity** - credit, insurance, savings, remittances; a
- Lower-cost payment infrastructure will make **other services and public facilities** more accessible to the poor, such as water pumps or solar lamps

Discussion

Question: Are these “disruptive” businesses a competitive threat?

Better question: How can you use these technologies and business models to transform your business or benefit your clients?

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Thank you

Industry Building

Smart Campaign: Global movement to embed client-protection principles within the microfinance industry

- Over 4,000 total endorsements – all stakeholders
- 1,540 MFI endorsements - 77m clients in 130 countries
- 32 MFIs now ‘Smart Certified,’ covering 15m clients

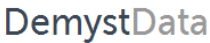








Other forces...

Regulation











- National strategies for financial inclusion are few, but policy statements are many
- Only 37% of countries have F.I. policies, but 62% have policy statement establishing F.I. mandate
- LAC, East and South Asia tie for highest overall scores for inclusiveness in 2014 EIU 'Microscope'
- MENA region posted lowest overall score
- East and South Asia and sub-Saharan Africa tied for highest scores in e-payments regulations
- India's RBI announced new category of "small" bank for poorer customers; is proposing creation of MSME bank with \$3B capital allocation for the sector



Portfolio summary: \$6.8M invested, 19 companies

Company	Market	Description	Invested	Date	Value	Increase	Raises*
 DemystData	Global	Using “big data” to enable responsible lending to “thin-file” customers	\$ 300,000	Aug. 2012	\$928,000	3.09x	1
 coda	Asia Pacific	Unlocking e-commerce in Indonesia by allowing consumers to pay for online goods using airtime	\$ 300,000	Aug. 2012	\$500,000	1.67x	1
 clip	Lat. America	Card reader plug-in for smartphones with an innovative back-end risk management platform	\$ 250,000	Jan. 2013	\$418,000	1.67x	1
 varthana	Asia	Promoting access to education in India through specialized loans	\$ 400,000	May 2013	\$524,000	1.31x	1
 SaludFÁCIL	Lat. America	Providing low-income customers in Mexico access to affordable credit for healthcare costs	\$ 300,000	May 2013	\$300,000	1.00x	N/A
 KOPPO KOPPO	Africa	Kenya-based mobile money merchant acquisition platform	\$ 350,000	Aug. 2013	\$350,000	1.00x	N/A
 MeraDoctor PHONE GENUINO, DOCTOR PAÍSI	South Asia	Combining 24/7 “doctor-on-call” helpline services with health insurance	\$ 318,182	Sep. 2013	\$350,000	1.00x	N/A
 Quippi	Lat. America	Directed remittances making cross border transfers free for senders and recipients	\$ 250,000	Dec. 2013	\$250,000	1.00x	N/A
 eMoneyPool	N. America	Automating and enabling online savings groups	\$ 250,000	Jan. 2014	\$250,000	1.00x	N/A

Portfolio summary: \$6.8M invested, 19 companies

Company	Market	Description	Invested	Date	Value	Increase	Raises*
	N. America	Creating financial literacy videos and behavioral credit scoring	\$ 500,000 \$ 250,000	May 2014 Feb. 2015	\$750,000	1.00x	1
	Africa	Providing working capital finance to SMEs in local distribution value chains in Tanzania	\$ 100,000	June 2014	\$100,000	1.00x	N/A
	N. America	Online peer-to-peer lending for small businesses in the US	\$ 400,000	May 2014	\$400,000	1.00x	1
	Africa	Invoice discounting solution aimed at addressing working capital shortages for SMEs in Kenya	\$ 400,000	Sept. 2014	\$400,000	1.00x	N/A
	N. America	Investment advisor providing debt financing for the Small and Medium Enterprise (SME) segment of the US market.	\$ 400,000	Sept. 2014	\$400,000	1.00x	N/A
	Lat. America	Online lending platform using innovative credit algorithms and alternative data analysis to help micro-businesses in Mexico	\$ 375,000	Oct 2014	\$375,000	1.00x	N/A
	N. America	Online funding platform for consumers in default to settle with creditors and rebuild credit	\$ 400,000	Jan 2015	\$400,000	1.00x	N/A
	Global	Enabling pre-paid cellphone data to be used for credit scoring	\$ 125,000	Jan 2015	\$125,000	1.00x	N/A
	South Asia	MSME lending via industry clusters	\$ 500,000	Feb 2015	\$500,000	1.00x	N/A
	South Asia	Digital field applications for lending institutions	\$ 380,000	March 2015	\$380,000	1.00x	N/A