Enabling MSME Finance through Digital Transformation

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Presenting today

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Who we are

We are a global non-profit committed to economic development, globally, through the financial inclusion of micro and small enterprises, with a pioneering legacy in microfinance and fintech impact investing.
Our integrated approach

**INVEST**
We invest in Financial Service Providers in developing economies, that are well positioned to effect change.

**SUPPORT**
We provide advisory services to partner organizations, utilizing our 5 core service offerings to enhance financial inclusion.

**INFLUENCE**
We facilitate events and produce thought leadership to stimulate the industry and catalyze economic development.
MSMEs face a $8.1 trillion dollar credit gap due to disparate circumstances which impact access to credit

*Source: IFC MSME Finance Gap Report 2017*
Digital transformation creates opportunities to better meet the needs of MSMEs

*Source: World Bank Findex 2017
Technology choices depend on business goals and the business model that best meets firm capabilities.
Digital transformation involves a multitude of factors that work together to enable technology to flourish.

- Data
- Partnerships
- Change Management
- Product
- Transformation
- Technology
- Reorganization
- Skills
- Cost
- Process
What is Supply Chain Finance?

- Use of financing and risk mitigation practices to optimize the management of the working capital and liquidity invested in supply chain processes and transactions
- Applies to trade between the buyer and seller of goods and is triggered by supply chain events, such as the signing of contractual agreements or the delivery of goods
- Ties capital to the expedited flow of goods and services

1. Sales agreements made between merchants and suppliers
2. Agreements are used by FSPs to evaluate risk and generate a credit score to provide upfront capital to expedite the flow of goods and services
   - A majority of funding for cost of goods paid to supplier or the merchant
3. "This is a worthwhile investment"
4. Goods provisioned to merchant
5. Remainder of the cost of goods is paid for upon collection and after merchant sales, less bank fees

"I would like to order 100 soda cans"
"I'll get them to you"
"Here you go, just like I promised"
"This is a worthwhile investment"
"This is great. Thanks!"
SCF opens doors to financial inclusion through its lower inherent risk

- **MSMEs**
  - Fully manual processes
  - No formal financial products

- **FSPs**
  - More financial products and services

- **Supply Chain Finance**
  - Short term
  - Limited uses
  - Lower risk loan
  - Creates financial history

Can't access regular formal loans (MFIs or otherwise)
Delivering SCF to MSMEs requires a collaborative approach, made possible through digital transformation.

**FMCGs**
- Real-time data provides visibility into merchant sales and inventory data to make accurate predictions about inventory levels and better target sales.

**FSPs**
- Partnerships provide merchants’ histories of purchase and repayment from suppliers.
- Data flows provide visibility into stock and knowledge of turnover when providing loans against inventory.

**Small Merchants (MSMEs)**
- Digital records offer proof of purchases and inventory-needs for FSPs to underwrite and approve credit.

**Suppliers**
- Technology aggregates real-time demand.
- Visibility and transparency of demand enables logistics optimization.
Successful SCF requires efficient collaboration across 8 focus areas

- Data & Risk Analytics
- Stock & Distribution Management
- Account & Collections Management
- Education of Chain Participants
- Lending
- Merchant / Distributor Acquisition & Onboarding
- Orders & Invoicing
- Payments
Promising SCF solutions bring together the myriad focus elements through digital partnerships-based models

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<th>Country</th>
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| Kenya         | - Partnership/offering from Unilever, KCB and MasterCard  
- Provides retailers/Duka owners with working capital through a cashless system  
- Provides access to quick credit as well as simple and efficient payment systems |
| Kenya, Tanzania, Rwanda | - Provides multinational companies with a data-driven distribution network focused on the informal sector of emerging markets  
- Equips individual agents with proprietary mobile data-collection tools to dramatically increase sales and market coverage for companies in emerging markets |
| Mexico, Peru  | - Provides small store owners with very short-term working capital to fund inventory purchases through a mobile platform  
- Partners with major FMCG distributors that service stores, and directly pays distributors for inventory purchases delivered to small store clients |
relevant accion resources

digital transformation survey
an initial diagnostic tool to assess an organization’s current stage of digital readiness

digital transformation framework
a practical and comprehensive tool designed to help service providers navigate the complex digital landscape

how digitized supply chain finance can help merchants grow
a guide for institutions interested in developing a supply chain finance solution