



Point of Sale (POS) Networks for Microfinance

Africap Seminar, Nairobi
April 2004



Agenda

1/ Understanding the Business Case for POS

Gautam Ivatury, CGAP

2/ Technology Presentations

Barry Ryan, Fintech Kenya

Tidiane Sarr, Ferlo

Janine Firpo, HP

3/ Panel Discussion

Dirk Bruynse, Teba Bank

David Cracknell, MicroSave

Martin Holtmann, CGAP

Gautam Ivatury, CGAP

Alex Silva, ProFund LLC

4/ Questions and Answers

5/ Wrap Up



What is POS?

Point of Sale (POS) is a device or a system, usually at a retail outlet, that performs an electronic transfer – from one account to another

It is NOT a substitute for microfinance operations!
(Building client relationships, prudent credit policies, etc.)





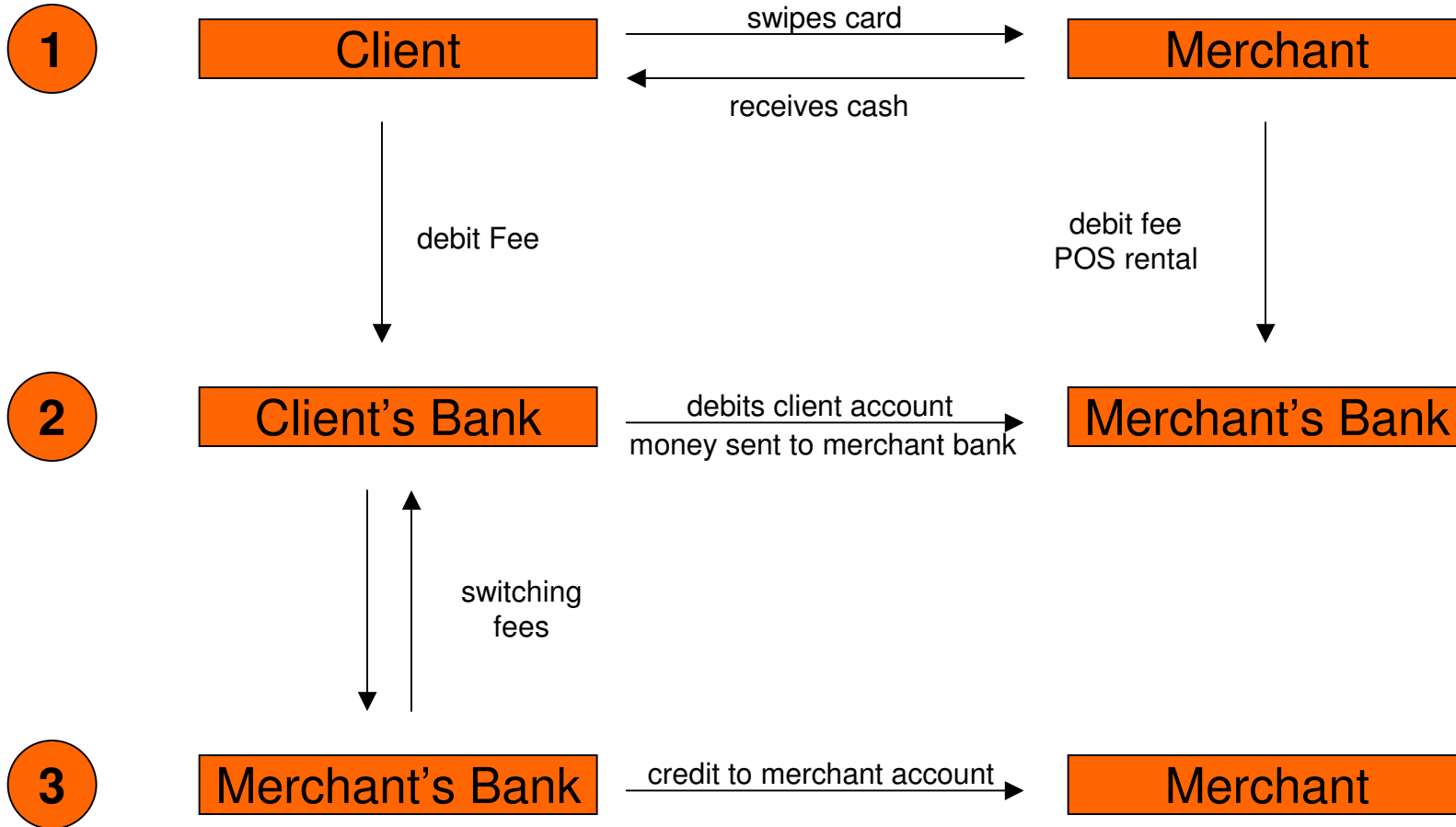
Electronic Transfers for Financial Services

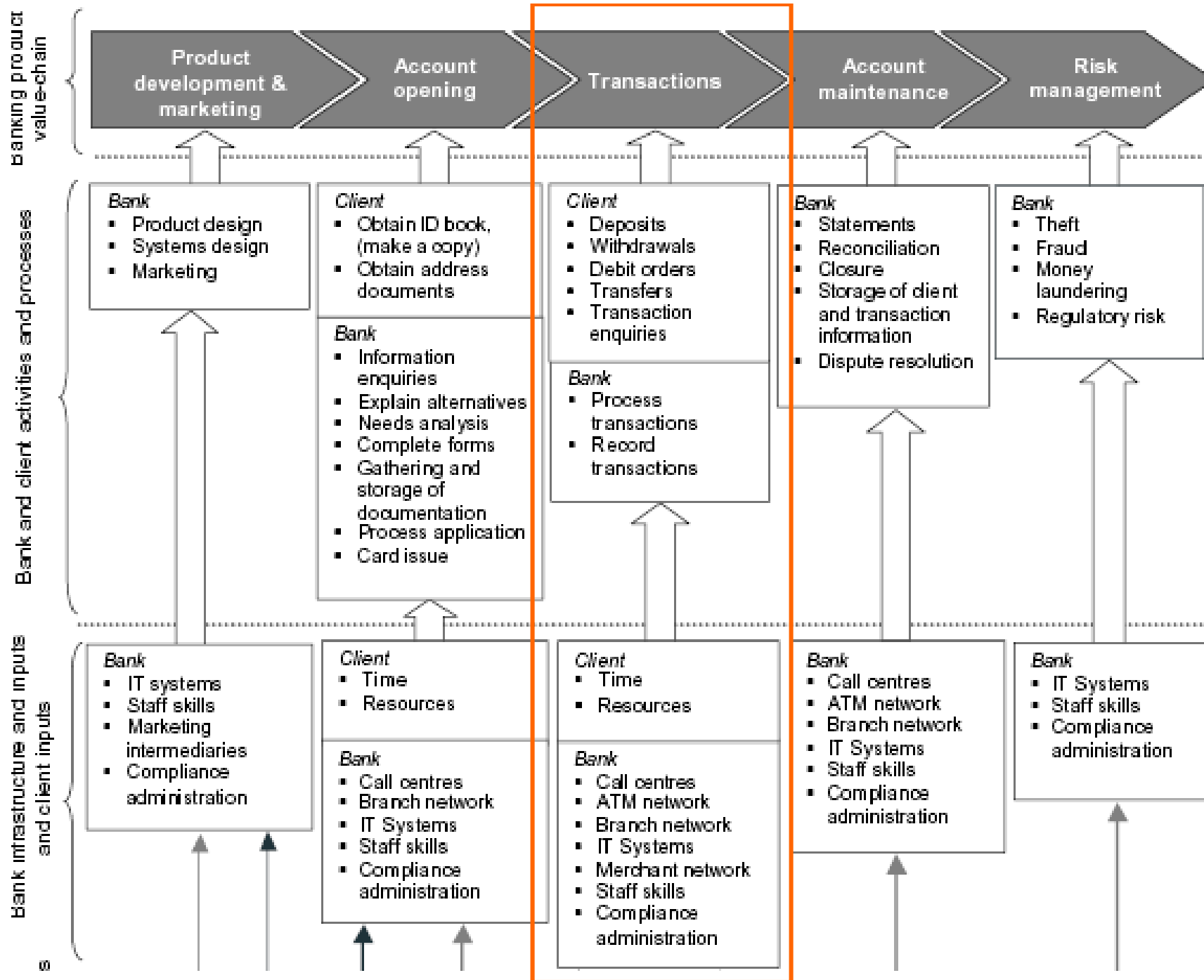
Changes in technology and industry dynamics make it possible for merchants, through POS, to offer ATM services and non-cash purchase

PRODUCT	TRANSFER FROM	TRANSFER TO
Debit or credit purchase	Customer account	Merchant account
Cash out (withdrawal or cash back)	Customer account	Merchant account
Deposits (client presents cash)	Merchant account	Customer account
Transfers and payments	Customer account	Utility or other account
Vouchers (cell top-up, lotto)	Holding Company	Merchant account



The Settlement System







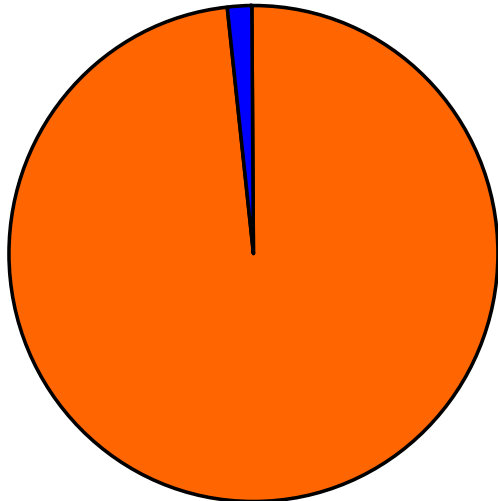
Why POS?

Breakthrough in scale

Organic growth of financial institutions serving the poor is not filling the gap in service for the unbanked and rural areas

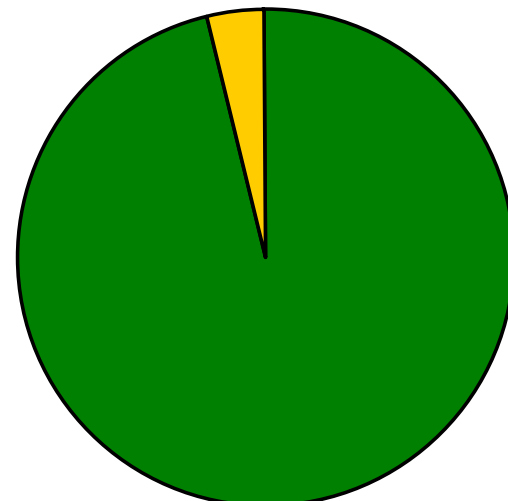
Nigeria

~1-2%
MF Penetration*



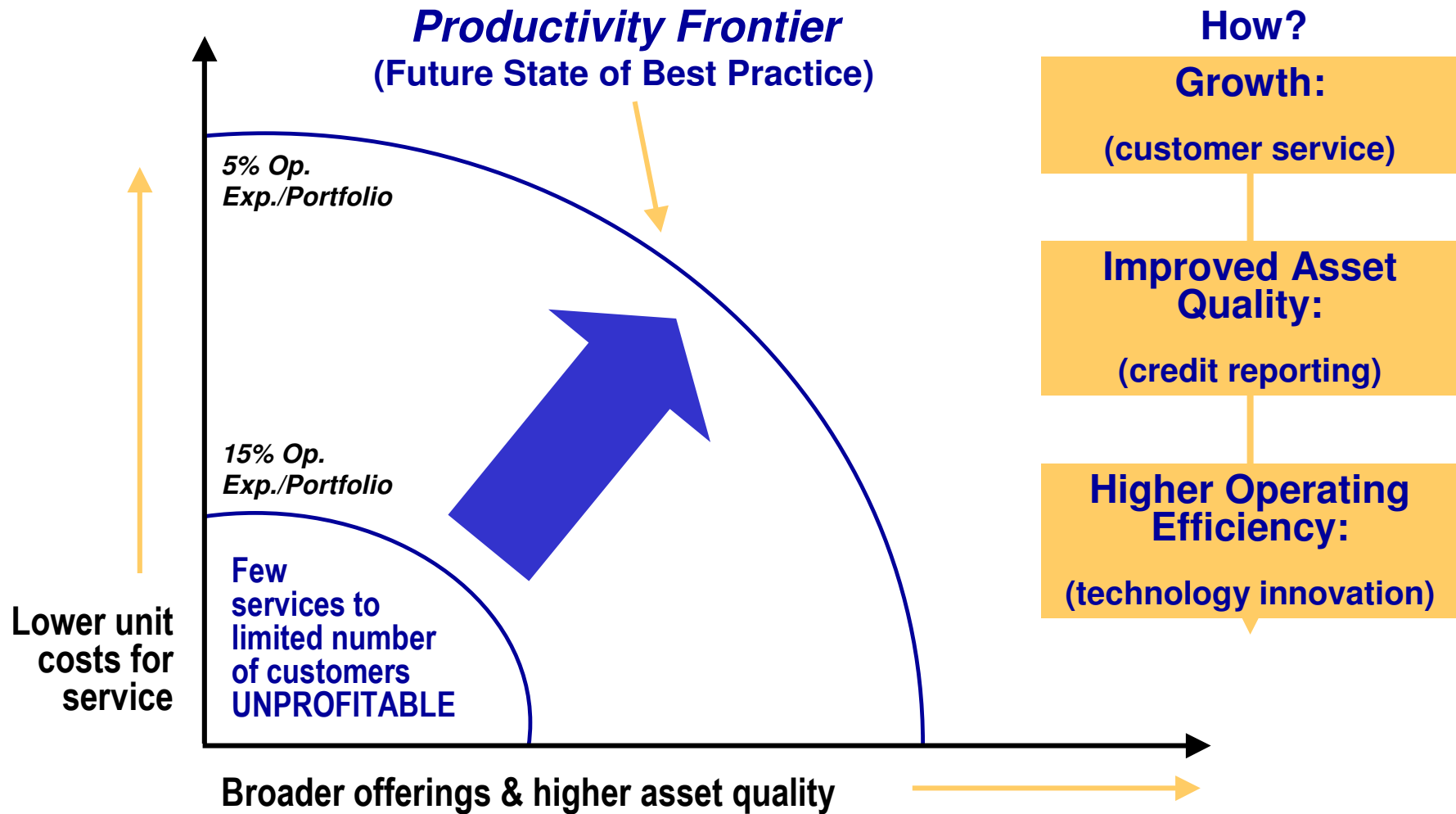
Uganda

~6-8%
MF Penetration*





Why POS? May reduce transaction costs





The Rationale for POS Networks

Substantial potential benefits, but the business case is yet to be proven

Benefits for MFIs

- Increase the security of financial transactions
- Reduce transaction cost to service clients
- Reach new areas without branch infrastructure
- Staff can focus on customer acquisition and service
- Additional services and revenue streams

Benefits for Clients

- Reduced transaction cost
- Reduced risk of cash handling
- Prestige of access to international payment networks (VISA)

Benefits for Merchants

- Increase in foot traffic and sales volume
- Additional revenue streams
- Potential reduced cash handling risk



Selected Global Experience

INSTITUTION	STATUS	COUNTRY	CARD TECHNOLOGY	PRODUCTS
New Building Society	Building Society	Malawi	Smart Card	Deposits/Withdrawals, Credit, Payments
BASIX	NBFI / Bank	India	None (PC / Merchant till)	Credit
CRDB Bank	Bank	Tanzania	Smart Card	Withdrawals, Payments
First National Bank (FNB)	Bank	South Africa	Magnetic Stripe (scrip machine)	Withdrawals, Payments
Caixa Economica Federal	Bank	Brazil	Magnetic Stripe	Deposits/Withdrawals, Payments
Grupo BHD	Holding Company	Dom. Republic	Magnetic Stripe	Money transfers



Business Case Issues

Customer adoption and satisfaction

Refocusing MFI business around core competence

Pricing to incentivize usage and expansion

Identifying per POS profitability drivers

Drivers for network roll-out

Dealing with regulation issues

How to manage demand for cash



Objectives for this Session

Addressing the business case issues for POS in microfinance

Identifying key challenges for MFIs and banks rolling out POS

Sharing the approaches pioneers have taken to solve the challenges