

Scaling Up Microfinance



A Menu of Business Models

International Models	US Analogs	Advantages/Disadvantages
<p>For-profit banks and other regulated commercial entities: Some launched as nonprofits and converted; some directly formed as for-profits.</p>	<ul style="list-style-type: none"> • Progreso Financiero • Our Microlending • Confianza (acquired by Opportunity Fund, in non-profit status) 	<p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Access to investment capital can support scale <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Regulation is rigorous and entails costs
<p>Mobile/Remote solutions: Mobile banking such as M-Pesa, Kenya, a mobile phone-based money transfer system for Safaricom, the largest mobile network operator in Kenya. It allows users to deposit, withdraw and transfer money with a mobile device and using a network of agents including airtime resellers and retail outlets acting as banking agents.</p>	<ul style="list-style-type: none"> • ACCION East: Internet lending—allows entrepreneurs to submit applications online from any computer. • ACCION New Mexico. Az. Co.: expanding geographic coverage through use of remote, office-less staff completing Internet-based lending application with clients. • Lend Up: alternative payday loans with application online or on mobile phone. Funds deposited and withdrawn from client bank accounts. 	<p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Convenience for applicant and customer • Standardized processes • Quantitative scoring processes support efficiency <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • More transactional, less personal touch with customer
<p>Niche Financing: New services developed for large-scale niches not served by traditional financing. Examples include an initiative to provide financing for medical procedures to individual consumers in India; and loans for school proprietors to purchase computers and other infrastructure.</p>	<ul style="list-style-type: none"> • Opportunity Fund: Business to Business market channels offer access to entrepreneurs needing loans in specific industries: food trucking; cargo transportation; day care, etc. • ACCION East: trucking; green, food sector, and fashion businesses. 	<p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Product fits customer needs more closely • Can be scalable within the niche <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • May require substantial product modification • Multiple products increase complexity of strategy



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<p>Leveraged Intellectual Capital Franchise models: FINCA uses a franchise-like affiliate model to reach almost 950,000 women in 22 countries, and covers core institution's expenses with user and affiliate fees.</p>	<ul style="list-style-type: none"> • Chicago Microlending Institute: (ACCION Chicago creating distributed model with core capacity building: creating MFIs to directly serve parts of market and partners to channel loans directly to ACCION). • Justine PETERSEN: replicating its credit building model, tying its expertise to delivery of financial products and priced to generate revenue. • Microloan Management System by ACCION Texas: offering platform for managing loan applications and underwriting. 	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Increases potential for scale • Maximizes outreach through increased number of outlets • Increases capacity of smaller-scale entities to deliver services due to capacity building and infrastructure support <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Lead institution needs to develop capacities in organizational development, training and customer support • Systems need to be developed that are complete, documented, explicit, and transparent to users

Other Business Models?

Model	Examples	Advantages/Disadvantages

