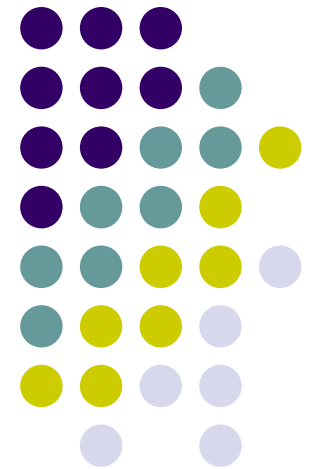




MICRO FINANCING

Friend or Foe





A Global Mindset



What is Micro Financing

- Lending to those outside the formal financial structure
- Not the domain of traditional commercial banks
- Necessary for socio-economic development and social stability



A Global Mindset

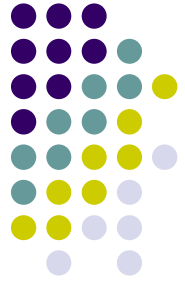


Strategy for Micro Financing

- Formalise the informal cash sector
- Teach micro merchants to organise, develop and grow
- Fill a current void left by commercial banks
- Horizontal integration and migration:
 - Remittances, Savings, Investments, Cash Card to Credit Card, bill payments, cash flow banking
- Sustainable economic development



A Global Mindset



Loan Characteristics

- Low value - **US\$300 to \$500**
- High turnover - **30 to 60 day terms**
- Frequent payback - **weekly**
- High rate of return - **1% to 2% per week**
- Risk mitigation - **10% taken off the top**
- Annual rate of return - **60% to 95%**
- Bad debt & write off - **3% - 5%**



A Global Mindset



Requirements

- Funding sources
- Infrastructure
- Distribution
- Store front in the community
- Viable daily needs - understand the needs of the micro merchant



A Global Mindset

Funding Sources



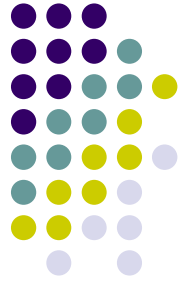
- IFC T&T
- Europe
- MapCash New York - cash card
- Commercial Banks – float bonds
- Private Investment
- Development Banks



A Global Mindset

Infrastructure

- Credit scoring programme
- Accounting & operations
- Card Management System
- Banking application

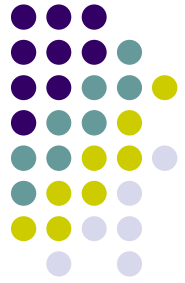




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Distribution

- Word of mouth
- Mobile commerce – cell phone
- SMS reminders





A Global Mindset



Community

- **Micro financing is about community banking**
- **Use the branches of the indigenous banks as the “Store Front” for observing activities**
- **Field officers frequent visits to access business activities**
- **Educate micro customers as to cash flow management, etc.**
- **True intimate relationship with customer**
- **Close relationship replaces collateral base loans**



A Global Mindset



Business Migration

- Micro loans
- Remittance management
- Build savings and provide deposits
- Leads to larger loans and business expansion
- Bill payments
- Investments and wealth creation
- Migrate to credit card merchant



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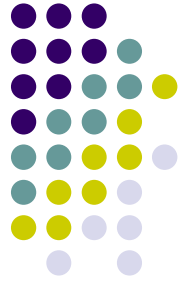


Credit Card Merchant

- Move from “Debit” pay as you go, to Credit
- Build credit history
- Leads to new business opportunities
 - Merchant Receivables
 - Payroll loans

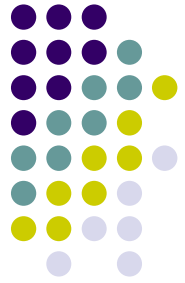


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Industries

- Quick turnover Cash business – buy & sell
 - Food; agriculture, meals, processing
 - Clothing
 - Beautician; hair, nails & grooming
 - Crafts; tourist market
 - Taxi; small transportation
 - Renewable energy; recycling
- Women are more successful



Successful Models

- **Grameen Bank – Bangladesh US\$3B; mainly agriculture and artisan business**
- **Hatton National Bank – Sri Lanka 40% market share or US\$3-4B; built on remittance**
- **First National Bank – Mexico; simple, clonable, low costs; issue bonds for funding**
- **Banco Sol – Bolivia; the poor in country; 1% write off**
- **PR Bank – Philippines; Rural banking with Cash card**

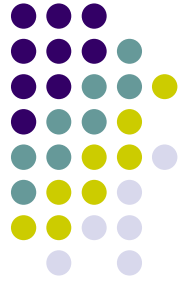


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Way Forward



- Is there interest in the region through the indigenous banks?
- Form a committee within the CAIB to structure a model
- Have banks sign up to participate
- Start small and grow but start now



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THANK YOU FOR YOUR ATTENTION