



# Next Generation: Microfinance

“Leapfrogging access to finance challenges with mobile phones”

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# Case: Mongolia

World's lowest population density – less than 1 person per square km in most areas. Rural population is predominantly nomadic herders

Thirty-eight percent of the rural population is poor – mostly where access to microfinance is limited

Poor infrastructure in most of rural areas – extremely bad roads, sporadic or no power supply, no plumbing, poor land-based telecom

Minimal financial infrastructure existent

# Mongolia market environment

Half of the population is still considered unbanked/underbanked

4 mobile network operators – 2 GSM and 2 CDMA

Number of mobile phone users – 860,000 – More than half of the adult population in a country with 2.5 million



# Right Bank - XacBank

- ✓ Pioneer and leader in Microfinance
- ✓ Established as a UNDP project in 1998 – Golden Fund for Development
- ✓ First NBFIs of Mongolia in 1999
- ✓ XacBank established as a result of merger of the two biggest NBFIs in Mongolia in 2001
- ✓ Now, 67 branches and extension units in UB and country centers
- ✓ Loan services through mobile van banking, franchising services to remote areas



# Right Bank - XacBank

As of July 31, 2007:

- ☑ Gross loan portfolio USD 70 million
- ☑ Total assets USD 100 million
- ☑ Number of staff 800
- ☑ Number of depositors 98,000 thousand
- ☑ Number of card holders 31 thousand
- ☑ Number of active borrowers 58,000
- ☑ Number of total active clients 156,000
- ☑ Number of POS terminals 295

# Electronic Banking project

**OBJECTIVE:** Deliver banking services through mobile phones and other ICT to low-income, un/underbanked population in remote rural areas throughout the country

Technical and financial support from CGAP and Bill and Melinda Gates Foundation

To be marketed in early 2008

# Products

## **Non-cash based banking products:**

- Information - notifications, inquiries, reminders
- Transfer of funds between accounts
- Mobile top up
- Purchases/payments

## **Cash-based banking products:**

- P2P remittances
- Withdrawals
- Deposits

# Overlapping Electronic Banking channels

- Mobile phone banking
- Internet banking
- IVR based telephone banking
- POS/ATM

## **In partnership with:**

- Post offices
- Gas stations
- Retailers
- Franchisee savings and loan coops

# Current issues

M-banking services are offered to all mobile phone users – no priority is given to one operator

Affordability of m-banking services – pricing negotiations, revenue sharing scheme

Development of new services is hindered by slow upgrading of mobile operator systems

Security and privacy concerns

Further improvements in the legal environment are pending



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