



2015 MasterCard Foundation Symposium on Financial Inclusion

Friday, November 20, 2015

3:15 p.m. – The SoFI2015 Debate

JASON REINDORP (EMCEE): Guess what? It's debate time. Aha! This afternoon, we are going to debate the question of who is the primary driver of financial inclusion in the future. Will it be the slow but steady microfinance institutions, the ones we love so much? Or, will it be the hype of innovation? So, who better to moderate this debate than Khalil Shariff who has been the CEO of Aga Khan Foundation Canada since 2005. Before joining Aga Khan Canada, Khalil worked at McKinsey where he advised government, financial institutions, and healthcare providers on strategy, organization and operational improvement. I've been watching sort of behind the scenes over the last couple of weeks as Khalil has been preparing for this. I've seen some of the back and forth and he is taking this very seriously. So you are all going to be an active part of this debate as well. So please be ready for that. I'd like to invite Khalil to the stage, and then he will introduce our debaters. *(Applause)*.

KHALIL SHARIFF: Well, thank you very much, Jason. I've never been introduced as a worthy Twitter material, so that's a first for me. It's a great pleasure to be here with you all. I want to thank both The MasterCard Foundation and the Boulder Institute for extending the invitation to me to participate in this event. It has really been brilliantly conceived, and elegantly executed, and beautifully curated, and I think we are all here in your debt. So thank you to The MasterCard Foundation and the Boulder Institute. *(Applause)*.

Who knew my stare was so powerful? Now listen, we have had over the last two days an avalanche of ideas, insight, and intelligence. It has been very entertaining. But, but my friends, however impressed you have been to date, I can tell you now in complete confidence and without a hint of exaggeration or overstatement that what you are about to experience will be the most extraordinary display of intellectual agility and substantive insight of your adult lives. *(Applause)*. Now, the room is beautifully set up. It really is extraordinary, and it has created a very distinctive kind of ethos, a very distinctive personality to this room—empathetic listening, and collegiality, and creative conversation, and open-mindedness. It's been very admirable ... and I'd like all of you to discard those virtues for the rest of this session. Because now, we are in the realm of debate, and in debate, what is valued is fierce wit and rhetorical flourish, and a little bit of intellectual brow-beating.

Now the organizers have chosen debate to conclude the Symposium. It is a different learning style altogether from what we have experienced so far. It is an intellectual contest, and the purpose of the debate is to put the issues in front of us into very sharp and stark relief. So I hope you will participate in that vein. We're going to ask the debaters to inhabit their roles and their positions completely, fully and without any criticism. And I hope that you will also do that. At the end of the debate we'll spend some time outside of our roles debriefing a little bit on what's happened. But for the purposes of the next 60 minutes or so, you are debaters, warriors, gladiators, intellectual duelers, OK?

Now, our debate topic is: "Be resolved that microfinance institutions will be the primary providers meeting the financial services needs and expectations of excluded groups in a digitally enabled world." Read that resolution carefully. There's a lot at stake in this debate. Who will be the primary drivers and actors of the inclusion agenda? Who will create the products, the channels, the creative collaborations that will move us to the next frontier of reach and usage? Who will be the most important creators of new and impactful bridges between financial inclusion and the real prize, of course, which is actually improving the economic lives of the communities we care about?

We are at a time, we're gathering here at a time, of very rapid development of the financial inclusion ecosystem with a barrage of new types of actors. And this raises many fundamental questions for us. Will MFIs continue to be the engines of inclusion and the axes around which the entire ecosystem is organized? Will they be the most trustworthy custodians of our founders' intent to serve the quality of life of the marginalized? Or, are they the sleepy, has-been incumbents of yesterday who will be marginalized and overtaken in scale, in reach, in ingenuity and impact by new players altogether, players who are more agile, who are better resourced, who are more sustainable, who have more skill and technological savvy than they could ever muster? We want to know. And these are the people who are going to be telling us.

We are very delighted and quite privileged to have an extraordinary group of debaters to explore these issues with us. Their bios are in your program, so I won't belabor them here. Suffice it to say that they have been preparing hard for this debate. They have a lifetime of engagement in the issues, and they are very, very nervous. *(Laughter)*. As they should be.

Arguing in favor of the resolution, I want to invite our two affirmative side speakers to join us on the stage. Their first speaker is Shameran Abed from BRAC Microfinance, and he's also the interim chair of bKash. Shameran, come on stage. Give him a big round of applause. *(Applause)*. And joining him on this side of the ring is David Crush who is with the Partnership for Financial Inclusion at IFC. David, join us. *(Applause)*. The fate of MFIs rests in your hands, gentlemen. *(Laughter)*.

Their worthy opponents. Their worthy opponents, arguing against this resolution, Munyutu Waigi from Umati Capital. Munyutu, come on up. Where are you? *(Applause)*. And joining him, someone who's already caressed this stage, Samuel Makome from KCB Bank Kenya. *(Applause)*.

Welcome gentlemen, look at each other, not friendly eyes, sparring eyes. You can now decide based on good looks who will win. I'll let you decide. I'm sorry, I'm not a candidate, that's very kind. *(Laughter)*. That's very kind. Okay, this is a donor compliant debate. We have a log frame, we have RBM materials, we have a cost element budget, and we have a baseline. So, I would like everyone to find their clickers. We're going to vote. This is our baseline survey.

"Be it resolved that microfinance institutions will be the primary providers meeting the financial services needs and expectations of excluded groups in a digitally enabled world." 1) Yes, 2) No, and 3) You're wimpy and unsure. *(Laughter)*. Vote now. You've got 15 seconds.

(Music) And the answer is ... wow. Wow. Very interesting. Well, David, Shameran, you have your work cut out for you. But let me ask you a second question if I might before we go on.

The second question is: Are you willing to change your mind based on the discussions in the debate, or are you a dogmatic ideologue? Yes, number one, you are willing to change your mind; 2) you're not willing. Vote now.

Very interesting! All right, so my friends on the negative side of the debate have a little bit of an edge. But Shameran and David, this debate is in play. This room is in play. It is yours to lose, my friends.

Now the rules of the debate are strict and uncompromising, and they will be enforced without mercy. I will ask each team to offer opening arguments of four minutes each. I will then ask each team to offer a rebuttal with their second speakers, and they'll get five minutes each. After that, we'll have a period of time where we'll open it up to the audience for questions. It's not for questions, it's for you to participate in the debate. You will be asked to offer a view, pithy, sharp, insightful, choosing one side or the other, making either an argument that has not yet been put on the table or refining an argument and making better one that has been introduced by one of the teams already. So you will be joining a team and offering the team of your choice your intellectual support.

At the end of that period, we'll invite the first speakers to offer very brief three-minute closing arguments to conclude the debate. And then, we will vote again and see where we came out, and we'll have a few minutes for a bit of a debrief on what we've learned in the debate. Is everyone clear? Okay, last rule. Your applause are critical at every step. All right? You should offer your support in every single way you can of the team of your choice, and you should make it clear. You should make it very clear when you disagree with what has been said on this stage, at least after our speakers have finished their presentations.

Now, as I said, I want you to know that I've asked the debaters to inhabit their positions fully. They are to advance those arguments in the service of our learning mission with extraordinary vigor and without any regard to their personal beliefs. That is to say, they will not be held to this after the debate. And we are grateful for them for doing this, and we will, as I say, after the debate, we will have a more of a professional reflection on what we have learned during it. So

that's it, guys, ready to go, and I'm going to ask for the debate to begin with Shameran Abed with the first affirmative speaker. My friend, you have four minutes. Good luck.

SHAMERAN ABED: Ladies and gentlemen, I'm very excited to be here in Cape Town and to be part of this debate. As you've heard, I'm the Director of Microfinance for BRAC, so we manage microfinance institutions in several countries. But over the last five years, I've also sat on the board of bKash which, as many of you know, is the fastest growing mobile financial service provider in the world. So I've been watching this space from both the digital side and the microfinance side.

I'm very excited about the potential of bKash to provide a channel through which we can access millions of clients with financial services. I'm also very excited with what the MNOs and the fintech companies bring in to this mix in this new digitally enabled world in which we're trying to provide financial inclusion to everybody. However, I am convinced that microfinance institutions will be the primary provider of financial services to excluded groups in a digitally enabled world, and I have about 500 reasons why that is the case. (*Laughter*). But because Khalil is so ... (*laughter, cheers*). But because Khalil is so stingy with time, I'm going to basically talk about four reasons why I think microfinance institutions are the way to go.

The first is focus. The excluded groups that we are talking about today are the focus of microfinance institutions. That is what we have done for the last four decades or however long we've existed. We're not an industry that started by getting corporate loans or selling mobile SIMs. We're not an industry that did something else and now is seeing their market shrinking in that space, and thinking, okay now, we've got to get into a new market because technology is enabling us to get there.

Our industry has always been focused on people who are excluded, and that's where our focus is. I'll give you a couple of examples. When BRAC Microfinance decided to introduce its first product through the digital channel, through bKash, the product we introduced was a commitment savings product where our clients save on average three dollars a month into a three or a five-year commitment savings plan. EasyPesa which is Telenor's MFSP in Pakistan, when they decided to offer their first digital product, they started a credit product through which you can only buy Telenor airtime.

The second is understanding of the clients. I don't think anyone understands the financial lives of the poor as well as microfinance institutions, and that's a knowledge that's been gained through three to four decades of work with these communities. That is not easy to replace. (*Cheers*).

The third point, and connected to that, is trust. The microfinance institutions enjoy the trust of the communities. That again is through many decades of work with these communities, being part of those communities and being very close to those communities. That is again something that is not going to be easily replaced. So when the Gates Foundation thinks about spending millions of dollars trying to figure out how to get very poor women in very rural areas of

Bangladesh to switch from cash to digital, they don't spend those millions of dollars through bKash. They spend it through BRAC. *(Cheers)*.

And my final point is microfinance institutions are very innovative. There might be skeptics in the room who might question that. *(Audience member: Yeah!)* *(Laughter)*. And slow and sleepy are not terms I would use about the MFIs. I mean, look at how far this sector has come in the last three to four decades, from just simply offering microcredit in the '70s and '80s, and probably part of the '90s, the MFIs are now providing or offering the whole range of financial products and increasingly through a whole range of channels. I can give the example of FINCA in DRC. Just with the new digital channel in the last three years, they've added 300,000 new customers and they're doubling. *(Cheers)*. They've doubled their deposit base and they've doubled their loan book, and that's just in three years.

So just to recap...

KHALIL SHARIFF: You've got 15 seconds.

SHAMERAN ABED: We've got the right focus, we've got the understanding of the clients, we've got their trust, and we are innovative. Thank you very much.

KHALIL SHARIFF: Brilliant. *(Cheers)*. Shameran, a very, very powerful start to this debate, ladies and gentlemen, harnessing four very well-articulated arguments, rejecting the slow, sleepy label of Mr. Raindrop, *(Laughter)*, and even sporting a Gates Foundation endorsement. Does it get any better, ladies and gentlemen? The gauntlet has been thrown. But don't get too comfortable. Ladies and gentlemen, I am delighted to invite our first negative speaker to present his arguments, Munyutu. *(Applause)*.

MUNYUTU WAIGI: Good afternoon, everyone. Allow me to start today's debate with one statement. The definition of the word "insanity" is doing the same thing over and over again—*(Laughter, cheers)*—and expecting different results.

Now, it's a fact, MFIs have been in existence for centuries across different continents. My contender here says focus. He talks about savings. What else? That's the same word that's been used for many, many years. Allow me to emphasize on one thing about the new age, which is using technology to understand the true individual that we're addressing here. Granted, MFIs will always address the underbanked. But, that's been in existence for so many years.

What's our principle at Umati? Access to capital should be guided by transparent access to information. What does that actually mean? You need to look at the entire value chain, and the reasons why MFIs work are in the thousands. And the biggest one, let's look at our current sponsor, changing their name from "microfinance" to "financial Inclusion", which is where we're headed to.

Now, if you look at the value chain, this is how we analyze it. You've got farmer, trader or broker, cooperative, processor, or the retailer. Now, a lot of those people are financed by microfinance institutions, but none so the way we deal with them. What's different? We use technology to understand their commercial relationship. What's the point of asking somebody to save when you actually do not understand where they get their cash from? At Umati, what we do instead is to say, "Hi, let's understand the commercial relationship you have with your buyer. Your buyer could be a processor, a trader, a broker, or in this case a retailer/buyer." Now what we then do is say, all right, we'll implement a technology and understand how much is owed to the farmer, how much is owed to the trader, how much is owed to the processor. The biggest thing within the entire value chain is cash flow. Farmers don't understand the world that we live in, being paid after 30 days, 25 days. They want money today. And the only way that's possible is by using new age digital finances such as Umati Capital.

Now ladies and gents, I'm not here to discredit what my opponents are saying. What I'm here to say is we need to work together. The target audience covered by MFIs and banks, the target audience covered by the likes of Umati, your nimble tech plan, are all different, but our needs and the needs of the very people is what we do differently. Thank you. *(Applause)*.

KHALIL SHARIFF: Thank you very much, a very disciplined and aggressive start by our negative team, even deploying, if I'm not mistaken, the word "insanity" to gently describe his worthy opponents and their activities over centuries, helping us remember to keep the focus on the entire value chain, not on some narrow niche product of savings. The battle lines, my friends, have been drawn. David, can you rescue your side? Ladies and gentlemen, David Crush. *(Applause)*.

DAVID CRUSH: So let me just pick up on one comment you made. I actually am here to discredit what our opponents are saying.

You made the point that access to information is crucial in this new financially excluded world. What we've heard so far is that from the banks, and I appreciate what the banks have shared with us over the last couple of days. What did we hear from Coenraad Jonker? He said with a 5% cash back offer, we don't understand our customers. We heard from Elsa today, we have lots of data but we don't use it. So banks as an alternative, to go back to the original proposal that we're debating here, banks as an alternative, they're not ones who are going to enter into the retail market in the way that the lower levels of the pyramid are concerned. They're not built for providing services to the financially excluded.

Banks lend against collateral, as we heard from Dr. Mwangi earlier today, banks lend against salaries to an extent, they lend very expensively at that sort of level. That's if they want to lend at all. Banks actually, in terms of lending to individuals of lesser means, are not really that interested in it. It's much easier to take a few big loans to corporates and to put the rest of your funding into government treasuries. It doesn't really help in terms of developing the economies that we have. *(Cheers)*. So I would say that banks as a general rule are not at the forefront of a digitally enabled world, and that is what we are debating here—microfinance institutions in a digitally enabled world.

Who are the other participants that we can think of in this kind of environment, the ones who people generally think are going to be the ones who give us the digital solutions? Well, the mobile network operators are the ones that are usually talked about, and yesterday Ignacio shone a spotlight onto the great whispered truth about mobile money which is that not many people are actually using mobile money to store value and they're not using it to transact. It's cash in and cash out. He said it's digital, he said, remember yesterday, but it's just a way of electronically moving cash from one place to another.

We just published some report on the Ivory Coast, on Côte d'Ivoire, research done under the projects that we have with The MasterCard Foundation for financial inclusion. IFC works very closely and my colleague, Sven Harten, is involved in pulling a lot of data out of the clients who we're working with, and the countries we work in. Côte d'Ivoire is at the forefront of the digital financial services in West Africa. I think about 70% of digital value on accounts is in Côte d'Ivoire. Those of you who were at the GSMA conference a few weeks ago remember the really great story about the education department, all school fees paid through a digital channel. That's great. But even on the most optimistic scenarios, and I'll give our opponents here the benefit of the most optimistic scenarios, 50% of these clients, these accounts, are inactive and not used. So if you believe that the MNOs are the ones who are going to bring this great change, this great sea change, it's not going to happen. (*Cheers*).

MNOs actually are great big billing machines. What are they interested in? They're interested in reducing churn, so they'll overlay some products on the top of it to try and keep customers faithful to them. They'll also try and digitize as much as they can, but they digitize in order to lower the cost of the top ups. Essentially, that's what it is. We heard a second ago that with EasyPesa you can get a loan, but it's a loan for a top up. I mean, is that the sort of thing that is going to help the excluded? Do MNOs focus on the excluded? Well, no. People who are currently excluded financially are also excluded digitally, even in Tanzania and Kenya where you've got an awful lot of mobile phones. Twenty to thirty percent of people either don't have a mobile phone—they have a SIM card, but they've got to borrow somebody else's phone to use it. Digitally excluded, financially excluded.

Are they innovative? Well, are they going to find a magic bullet? You know, if you throw enough digital spaghetti at the wall, maybe some of it is going to stick. (*Cheers, applause*). But it's not likely. Even the much vaunted scale arguments is what we hear all the time in terms of the non-microfinance institution arguments, that is empty, and it's been proven to be empty. Microfinance institutions, the ones as my colleague said who understand the client and they're the ones who are going to be able to deliver in this new digital world that we live in. Thank you. (*Applause*)

KHALIL SHARIFF: Well, David, a very, very worthy rebuttal from our affirmative side. Samuel must be licking his wounds. Destroying the pretensions of our worthy opponents—they don't know their customers, their parts are not used, they don't really care about the poor anyways, do they? And how much digital spaghetti can one eat? (*Laughter*). Now, as Samuel readies himself to respond to the onslaught that has been directed toward him and his colleague, I will

remind you all that you are all next in this debate. Pencils, pens scribbling away so you don't forget the issue you need to raise as soon as Samuel is done salvaging what's left of his argument. Samuel.

SAMUEL MAKOME: Thank you very much. First of all, I think we need to look at the enormity of the struggle that faces us. It is much more than almost anyone, MFIs or anybody, can contemplate. When you look at the numbers, we heard about progress yesterday from Reeta. It was 2.5 billion and some progress has been made to two billion. The enormity of this struggle requires different responses for this warfare. We are here at the foot of Table Mountain. If you want to get through Table Mountain, you could decide to chip away at it with a chisel and it would take you 100 years. *(Laughter, cheers)*. Or you could decide to use heavy duty weaponry. What we require here is dynamite, serious stuff. I don't discredit the power of a pistol. It is the size of the mountain that's too big for your pistol. *(Laughter, cheers)*.

The two billion excluded people cannot wait. There's an African-American who said why we cannot wait. We can't wait. We don't want to move slowly. We have to accelerate. Maybe some progress has been made, and we found out about impressive numbers here—four million, ten million. However, the numbers, the enormity of the struggle, the task, is significant. It is too big for us to leave it to a few people. And the problem is there are few pistols everywhere shooting. We need to bring all this battalion together and bring the mountain down! *(Cheers, applause)*.

If we are going to achieve the end of poverty, we have to become a lot more serious, more aggressive. We have to build infrastructure. What is this infrastructure? When you want to go to big things, build big infrastructure. You need railways, you need roads. For you to do this, there are conditions necessary. You must build scale, otherwise we'll have the curse of Sisyphus who kept on pushing a stone up the rock and it kept on coming down. That's what's happening in poverty. Some little progress here, one step forward, two steps backwards, three steps forward, four steps backward. We need to become a bit more serious. Create scale, move forward more aggressively.

Technology—can a man fly? A long time ago the answer used to be no. Technology has been proven to be an enabler. KCB is 119 years old. What we were able to do in 100 years you can do in a month. A man can fly. This is what we have to think. *(Applause)*. We have to challenge the [inaudible].

They talked about they know their customers. What they know is doubtful. We should doubt it. If you knew your customers, there should have been a lot more progress. We heard about some of the things that are happening, and Ignacio talked about some of these things yesterday. Knowing the customer, some of what you've been knowing are stories that are false. Women don't borrow because their husbands have all the collateral. Some of these things are myths. Big data today is going to disprove all these myths and we're going to solve the real problems with real solutions. *(Applause)*.

A lot of the approach that we have been using has been broad brush. Let's open many accounts, let's do this. Big data is going to create for us the nuance that we require. What we've been doing is like using a butcher knife hacking away at this problem. What we need now is a neurosurgeon with a scalpel to diagnose what is happening. Big data will give us this. The best people are not just in microfinance. They are everywhere. They are in think tanks who are sitting in here. The big thinkers are no longer in microfinance. There are many people, I agree, microfinance has a contribution, but you need people. The greatest asset from what I've seen by being here for two days is the people in this room. It's the brain, the collective mind, of the people here. That's what's going to transform this piece, and we need a lot more capital. We are about being one of the biggest banks in East Africa. It could be the biggest bank in East Africa, maybe we put all of them together, are we still big enough? We need to combine forces and move mountains. This is what it's going to require. So we have to be a lot more dynamic, a lot bigger so that we can be much, much better and able to win the challenge of our time.

What we would require then to phase larger, nimble networked organizations. We are going to bank on MFIs. The future, as somebody who told me, a famous thinker who's in this room, the future is not a continuation of the past. And I would like to say that paraphrasing what Bill Gates said in 1990, microfinance banking for excluded groups is necessary, MFIs may not be. *(Cheers, applause)*.

KHALIL SHARIFF: Ladies and gentlemen, Samuel Makome. What a rebuttal! What a rebuttal, my friends! *(Cheers, laughter)*. And by the way, they've got Mr. Gates on their side too! That was impossible! With ambition and impatience, and a mastery of the metaphor, par excellence! *(Laughter)*. Samuel, that was extraordinary. I think you've laid out the case very, very well. Technology evangelist and a destroyer of myths, thank you for laying out with such skill the choice between prehistoric chisel and digital dynamite.

Now friends, it is up to you. I would love to invite your views as we think about issues that have been not articulately enough presented or that haven't been presented at all on either side of the debate. After this, our friends will have an opportunity to sum up the best of their argument. So who's up first? Right here.

SOLANNA COZZO: Solanna from MasterCard. Hi, I'm very passionate about this, so. Passionate and brief. Here's my personal perspective. Not one single player will drive financial inclusion. What will drive financial inclusion is effective partnerships between the public and the private sector. Why? Because the public sector is the single largest in-flow to the underserved, and the public sector will also help with the right regulations and the right business climate to make it happen. And why private? Because it's effective partnerships between the private sector that will drive execution, efficiency, innovation, distribution, and finally efficiency and speed to market. So that's why I think it's actually the conglomerate of effective partnerships between public and private sector that will drive it, and not one single player like the microfinance organizations.

KHALIL SHARIFF: Thank you very much. Lots of partnerships required. Sorry, guys.

ROGERS NWOKE: My name is Rogers, Hasal Microfinance, Abuja. I'd like us to go back to the original segmentation and economic strata. We have always identified that there are enablers and there are people whose responsibility it is to touch the hearts of the poor. I think that's the responsibility of microfinance institutions. The rest are enablers. The government is an enabler to provide regulation. The telcos, the MNOs, other companies are enablers to provide a digital platform, because if they do otherwise, it will be an introduction of chaos because in them we'll begin to consider issues of risk management, we'll begin to talk about issues of customer relationships. Customer relationships, customer behavior, touching customers from a behavioural perspective cannot be solved digitally. It requires the human touch, and that lies with microfinance institutions. *(Applause)*.

KHALIL SHARIFF: So MFIs will be the custodians of our vision and our mission, right here.

CAMILLE BUSETTE: Camille Busette, CGAP. So after we get the next 500 million included, who's going to be left? Poor, women, rural. Who's best to ... the best place to serve those people? MFIs. *(Applause)*.

KHALIL SHARIFF: These guys can take the easy ones. Let these guys take the easy ones. When it comes to the hard core, it's going to be MFIs. Right here. I have a sense of where you're coming from.

TESHOME DAYESSO: I would like to push for the point of...

KHALIL SHARIFF: But talk in the mic while you do it.

MALE: What I'd like to add to that piece is the human touch. We need digital, we need big data, but also this big data can be translated into formulas to push the big mountain. But these formulas need to be, again, put into the device, the device has to stimulate people. Merchants cannot stimulate people. We need human touch because emotions, attachments are fundamental. We need a mechanism. What is that mechanism? Definitely not [inaudible]. Probably the best you can get is microfinance.

KHALIL SHARIFF: The human touch! It's all about the people, the people touch.

EVELYN STARK: I'm Evelyn Stark. I just want to say that the banks have had this opportunity for 119 years in Kenya and haven't taken it. And leopards don't change their spots, and the MFIs are going to come in.

KHALIL SHARIFF: Whoa, whoa, whoa! You guys have been at it for a long time. Do they really care about the poor anyway? Come on! Who are we kidding? *(Laughter)*.

MALE: Technology itself is not the enabler. So technologies carry on the innovation. It is the business model which is going to be the winner.

KHALIL SHARIFF: So which side are you on exactly? Which side?

MALE: [inaudible].

KHALIL SHARIFF: Oh my goodness! Right here.

BIDANYA BARASSA: My name is Bidanya Barassa and I'm from Top Image Africa. My comment is MFIs are definitely important because if you look at Africa, 80% is traditional trade. MFIs are able to penetrate the traditional trade better. And in order for us to drive traction with mobile money, we definitely need MFIs in terms of floating balance strategies which we see is an issue in an African market right now.

KHALIL SHARIFF: Brilliant, brilliant, close to the customer and close to their needs. Right here.

ANGELA NZIOKI: My name is Angela Nzioki.

KHALIL SHARIFF: Stand up, Angela, stand up, we need some energy here! Come on.

ANGELA NZIOKI: I'm one of the prize finalists. My grandmother is an 80-year-old woman. She lives in the rural areas in Kenya. She has no idea what an MFI is. She's never been into any MFI. But she has a mobile phone. She knows how to transact on M-Pesa. She has a solar panel that's giving her electricity. And all this is innovation. That's MFIs.

KHALIL SHARIFF: MFIs, where have you been all our lives if you're so important? I love it. Right here.

PAUL THOMAS: I'm Paul Thomas, Chairman of ESAF Microfinance from India. I strongly believe that in India, even for example in India, mobile phones have got [inaudible]. But we have large number of illiterate people which they're not able to do their transactions through the mobile, which needs handling, human touch which only MFIs can provide.

KHALIL SHARIFF: Back to the human touch. Right here.

MALE: William [inaudible] from PostBank, Uganda. In order for the poor to access financial services, they require social capital because that is what they ride on and MFIs provide that. They require financial literacy, the MFIs provide that. It is only the MFIs that will move this forward, riding on technology.

KHALIL SHARIFF: Social capital, financial literacy, that's the province of MFIs. We've got a whole line here.

EZIKIEL PHIRI: Ezekiel Phiri from Malawi, CUMO Microfinance, Ltd. I'm going to speak using an analogy because our colleague who was talking about Table Mountain was actually saying you are going to take a rifle and shoot. Now, if we manage to remove the mountain using a rifle, would we thank the rifle or would we thank the shooter? (*Laughter, applause*). So basically what I'm saying is it is microfinance, whatever form you want to call it, which is at the background, and digitalization is only a tool. And so we are going to appreciate microfinance more than thanking the tool itself which is the digital mechanism.

KHALIL SHARIFF: Thank you, and right beside you, get up and give us your name.

PETRONELLA CHIGARA-DHITIMA: I'm Petronella. I'm going to throw a potion to the microfinance institutions. I'm in support of the microfinance institutions, but I think actually, thinking about the customer because this is about customer centricity. If I am a customer, just like my colleagues said about the great mother, I don't really care who's going to bring the thing to me. It's about convenience, it's about the speed, it's about if I can access the services where I am. Whether it's the microfinance institution that does that, or a bank, or an MNO, or an insurance company, I don't care. I'm the customer. So, the microfinance institutions can't really relax because whoever figures out this mix can deliver it.

KHALIL SHARIFF: And you think MFIs will, do you think they will? What is your gut? What do you think? Do you think MFIs will?

PETRONELLA CHIGARA-DHITIMA: If they continue at the pace that they...

KHALIL SHARIFF: No! It will be, will be! (*Laughter*). Do you think they will?

PETRONELLA CHIGARA-DHITIMA: I think they may not.

KHALIL SHARIFF: They may not!

PETRONELLA CHIGARA-DHITIMA: They have to change! They have to change. (*Laughter*).

STEPHEN PEACHEY: Steve Peachey, WSBI. I'm going to vote microfinance. But, if Punza was here, would she really thank us for squabbling when we're only 20% of the way along the racetrack. I think there's room for all of us and I think we should be piggybacking off of each other's skill sets.

KHALIL SHARIFF: I'll chalk you up for that side of the room with that comment.

RENEE CHAO-BEROFF: I'm Renée Chao-Beroff from Pamiga. I was in the MasterCard symposium last year, and the debate was high tech, low touch, or high touch, low tech or something like that. And it was a very interesting debate. And just to tell you that at the end of the debate, I've changed my mind. So, this is possible. However, I think after the debate, and I think that both sides were very eloquent and very convincing, but my personal view is that what we really need is high touch, high tech. High tech will allow us to be high touch, and I think we should not work on trade-off, opposing high tech and high touch. This is not where the whole world is going. The whole world is going to use high tech for high touch because I agree that emotional and other care is very important especially for poor clients. They really want people to be clearly caring for what they need. But you can only do it if you have the tools to do it efficiently, cost effectively, and in the most massive way.

KHALIL SHARIFF: And therefore, who will do it? Microfinance institutions will be the primary providers or not?

RENEE CHAO-BEROFF: Therefore, I really recommend to every microfinance institution to be high tech/high touch.

KHALIL SHARIFF: Jellyfish, jellyfish.

ROSS NATHAN: Hi, I'm Ross Nathan from Vision Fund Rwanda. Just two points from me is, whether an MNO wants to go on serving the underprivileged, the only thing they see is, is there mobile coverage, does everybody have mobile phones to serve it? But microfinance will not do, they'll do a baseline study. Are the people poor, are they excluded? So that's my point. You know who I'm supporting.

KHALIL SHARIFF: Only the MFIs start with the question of who and where are the poor. Excellent.

LARRY REED: I'm Larry Reed with Microcredit Summit Campaign and what I want to say is while the MNOs and the banks may, while they're deciding whether they are dynamite or a scalpel, it will be the MFIs that are providing the soul and the human touch. *(Applause)*.

KHALIL SHARIFF: Well, now we're getting serious.

COENRAAD JONKER: Coenraad Jonker. I want to suggest that the most important disruptor has not been mentioned, which is governments and regulators. Just watch what is happening in India today, and what I think what we will see is that the playing field is wide open, and quite possibly the disruption we're looking for is not even in the room today. So my money is not on microfinance.

MALE: I'm [inaudible]. Despite that I'm an MFI man, but actually I think we are not talking in one year, and definitely not in ten years. Maybe in five years, if MFIs doesn't move very fast to use technology, they will lose the market. And the proof, why BRAC are involved in bKash?

KHALIL SHARIFF: And do you think they will, sir? In five years? When we come to SOFI 2020, will they do it?

MALE: Digital, we are going digital.

KHALIL SHARIFF: MFIs will succeed, you think, in doing that?

MALE: No.

KHALIL SHARIFF: They will not?

MALE: No.

KHALIL SHARIFF: Goodbye, MFIs. Okay. *(Laughter)*.

MATHILDA STROM: Hi, so I'm Mathilda from BIMA. I think it's wrong to say that because it's high touch, it will therefore be MFIs who win. I think there will be a high tech/high touch player who's not in this room, or could be in this room. I don't think that there are ... I don't know how many people are in here who aren't an MFI or working within the MFI space today, which basically means you're inward focused. You're looking at yourselves. Somebody out there is sitting in another conference, talking about the same thing probably, and you haven't even heard of them yet.

KHALIL SHARIFF: Wow, that's scary.

MASSIMO PERA: Hi, Massimo Pera from FAO. Working from the FAO perspective, I work on finance, specifically on rural finance which is actually different as you know from the overall microfinance industry. I think so far neither the banks nor the MFIs have been able to exploit the market opportunities that are there, at least investing in agriculture. I agree with the guy who spoke from Umati that those who really finance, even the small holders in every culture, have been inelastic with the other non-institutional actors of the value chains. So I guess, the driver will be those who will be faster in exploiting the opportunities that are there, taking advantage of the unique information that those actors have so far. Would they be the MFIs? I hope so, but I'm not sure.

KHALIL SHARIFF: And if you had to bet?

MALE: MFIs.

JOANNA LEDGERWOOD: Joanna Ledgerwood from FSD Zambia. I think it is naïve and unrealistic to think that any one type of provider is going to serve all of the needs of all of the poor that are out there.

KHALIL SHARIFF: How reasonable and nuanced, Joanna. You're going to ruin a good day.

JOANNA LEDGERWOOD: I think there's been decades of a lot of donor money going into MFIs and I think that there's actually less understanding of borrowers and other borrowing needs, and other needs, financial service needs of the poor. And I don't think any one particular provider is going to be able to serve them all. You look at FinScope data from all across Africa and Pakistan and MFIs are usually around 2-5% of the providers. So I think we've invested a lot already and it's time for a lot of other players to come in and to acknowledge and recognize that poor people's financial service needs are very similar to all of our financial service needs, and they're varied, and lots of different needs that are never going to be met just by one—not by the banks or the MFIs.

KHALIL SHARIFF: Nuance, [inaudible], and data. Really, really ruining the day here.

WILLIAM DERBAN: It's William from Fidelity Bank. So I think it's true that over the years the banks have been asleep and that's why microfinance institutions have sort of come up to take that space of banking people. But I think there's a new dawn, the banks are waking up. The

likes of Equity, KCB, Fidelity, and they're not waking up alone. They're waking up with the telcos, with technology, with big data. They have the soul, they have the passion. So while I want to say that microfinance institutions, thank you, you've done a good job. But it's time for us now. Banks. *(Laughter)*.

KHALIL SHARIFF: Their time is gone, thank you for your service, don't let the door hit you on the way out! *(Laughter)*.

FREDERIK EIJKMAN: Frederik from PesaPoint. I firmly believe that agents will be the primary providers! *(Laughter)*. The mom and pop shops who are facing the customers, who know their customers, who talk to their customers. It will be the agents, the cash in/cash out agents. The secondary providers will be those with the strongest and trustworthy brand. That could be MFIs, but those will be still the secondary providers. The primary ones will be the agents.

KHALIL SHARIFF: And who will own the agent relationship? Who will own it? These guys or those guys?

FREDERIK EIJKMAN: PesaPoint! *(Laughter)*.

KHALIL SHARIFF: And no more jellyfishing, okay? If you're going to jellyfish, [inaudible].

MALE: Not jellyfishing. MFIs are subsidized by funders. Banks and other telcos are private sector players who are going to be sustainable, who are going to go after low-hanging fruit as well as long-term fruit. I do not see the future of MFIs who depend on funders to do their business.

KHALIL SHARIFF: MFIs lurching from one fiscal cliff to another, never sustainable. *(Laughter)*.

IAN RADCLIFFE: Ian Radcliffe, WSBI. There are no teenagers in this room. I think we all just have to look at our...

KHALIL SHARIFF: That hurts. *(Laughter)*. And I'm an alumnus of that group. *(Laughter)*.

IAN RADCLIFFE: Let's look at how our children use technology today. They don't care about the human touch. They're interested in the technical touch. Frankly, whatever is digital will be digital, whatever can be mobile will be mobile. And that is the future.

KHALIL SHARIFF: Human touch is so 2012!

ALEX COUNTS: First of all, I want to thank The MasterCard Foundation for having this. I think, exaggerated as it's been, this debate has been somewhat cathartic to some of us. *(Laughter)*. And in a good way. I think that in one of the lucid moments of the anti-MFI team, they actually said that what's really needed is partnerships with MFIs, which is basically granting the position of the MFIs. At which point I thought the debate was over. *(Laughter)*. But more seriously, when we talk about rapid scaling of digital financial services without human intermediation, what we're really saying is, probably, is those services going very fast without any type of

consumer protection. And so we could have some real disasters if this scales too quickly. MFIs, late though they were, got the consumer protection religion and that's going to be a much safer way to move forward.

KHALIL SHARIFF: Okay, guys, that's it. It's a wrap. We're done for this segment. I'm going to ask now our debaters to prepare themselves for their final closing remarks. You'll only have three minutes each. You'll have to be both concise and powerful, summarize and synthesize everything you've heard in a crescendo of an argument to take us over the edge of insight and understanding. And we're going to start with Munyutu.

MUNYUTU WAIGI: Wow, what a debate. So I'll pick up from where my last colleague left off which is the digital spaghetti. I guess it's just a fear of mankind. Fear what you don't understand, and hate what you cannot conquer. (*Laughter*).

You have clearly not been paying attention over the last three days that we spent here at MasterCard Foundation. From the different organizations that use technology to achieve mass, to the telcos who are deploying bKash to extend their services. And I'd like to finish the story with one very simple anecdote. My grandmother, M-Pesa Kenya, Safaricom. So I'm from Kenya. My grandmother knows how to use M-Pesa, and frankly, it's not the easiest thing to do. It's one of the most complex solutions out there. However, the need superseded the need to learn. To date, my grandmother will send me M-Pesa because she thinks, hey, grandson it's good to have some change. But she still asks me, can you please fetch me some messages from my inbox because your aunt has sent me a message. It defeats logic.

Yes, we keep hearing human touch. Great, we're not advocating for lesser touch. We're just advocating for better technology to improve the touch between the two. MFIs will keep saying, hey, let's open more branches for greater touch. You're going backwards. And I like to say that in this experience that I've had here at MasterCard, one thing is very clear regarding our current situation. We need to keep innovating, and you cannot keep sticking your heads in the sand expecting different results. You have to look outside the box, and technology is beckoning at your door. Time to wake up. (*Applause*).

KHALIL SHARIFF: We have no teenagers in the room, but we have a lot of grandmothers with us. (*Laughter*). An elegant and very effective synthesis of the argument. Thank you very much, Munyutu. And for our rousing finale, Shameran.

SHAMERAN ABED: Thank you. I don't think we're arguing against technology. We're talking about who's going to use technology better and smarter. If you look at the question, we're talking about excluded groups. Now, what does bKash or M-Pesa allow us to do? It allows us potentially easier access but that's still not clear. All it is is a channel. Who is going to use that channel to get to that group?

Now, I take that point about microfinance institutions having maybe 5%, but those 5% typically are poorer than any other clients, including MNO clients. So let's go back to the clients. If we're thinking about a poor woman in a very rural, hard-to-reach area in rural Liberia, in rural

Tanzania, in rural Pakistan, where have you, we're really thinking about who will develop and market products thinking about that person, who will give her the confidence and the trust to be able to access that product regardless of what channel we're using to access it. And if we think that the banks and the MNOs will do that, that my friend, is insanity. (*Laughter*). Thank you. (*Applause*).

KHALIL SHARIFF: Ladies and gentlemen, what a debate! Please join me in congratulating these extraordinary debaters who debated today with conviction, with intelligence, with ambition, with flourish, extraordinary. (*Applause*).

Hard fought indeed, but we are very much in your debt for providing such insight and for providing a sense of the landscape of issues. That's where my compliments end. We will now subject your performance not to my weak-kneed bleeding heart, but to the hard, cold, calculation of the audience. We're going to now ask you to vote again. You'll notice our debaters do not have clickers, so they are simply at the whim of your capricious decision-making. Their prize will be two clickers to take home to their children since they seem to be such a valuable commodity.

All right: "Be it resolved that microfinance institutions will be the primary providers meeting the financial service needs and expectations of excluded groups in a digitally enabled world." 1) Yes, 2) No, 3) Unsure, and if you hit 3 I'm going to be really ticked. Vote now. And can we make sure we just hold the results until I give you the signal, thanks.

Voting is closed. Just to remind you, before the debate, before the debate, the votes were 27.5% yes, 56.9% no, and 15.6% unsure. So yes, if you get any more than 27.5% you will have changed the room, but you still need more than 50 to win. Can we have the results?

Whoa! (*Cheers, applause*). Shocking! Absolutely incredible! Would anyone have predicted such an extraordinary reversal? I just need a moment. I need a moment. (*Laughter*). Our statisticians are insisting that we just confirm these results. (*Laughter*). So I'm going to ask you to vote one more time ... on a different question. Next question.

"Can you tell us, has the debate changed your mind?" 1) Yes, 2) No, and if you're unsure please leave now. Vote now. On the big question, has the debate changed your mind?

All right, can we have the results? Wow! How is it possible? The statistician is asking me. Very interesting. So thank you, all four of you. This has been very great. Step out of your roles, the debate is over. You guys did wonderfully. I have a couple of questions I want to ask just as we try to pull some meaning out of this whole experience.

David, what do you think was their killer argument? What was the argument that they made that you found most uncomfortable to rebut?

DAVID CRUSH: It wasn't the argument, it's the empathy that our opponents developed with the crowd. *(Laughter)*. I don't feel we had quite the same level. I'm really glad that intellectual considerations played a part. Thank you very much.

KHALIL SHARIFF: Well, once they inhabited the role, they just can't escape. Any reflections on the texture of the argument? What do you think is the strongest argument of this side?

DAVID CRUSH: If you look at the question, what I think we were arguing really was that it's the excluded groups which is the target, and it's the digitally enabled world which is the ... and that's what we need to focus on. I think neither of us were arguing that it was microfinance institutions against technology solutions. Quite the reverse. In fact, a lot of the work we're doing in our programs for financial inclusion, which is funded by MasterCard Foundation, is to do exactly that. It's to try to work with microfinance clients that we've got, and then to find alternative delivery channels which move them into areas which they weren't in before, rural areas, and different segments of the market, but to do in a way which drives costs down. And I didn't get a sense that there was an understanding from our opponents that that's what we were arguing. They could have hammered us more on the scale question because that came up in the discussions. It's castles in the air is what you see from the telco figures. We want houses on the ground, that's what we're after.

KHALIL SHARIFF: Shameran, how about you? What part do you think is the strongest argument on the other side that you were kind of most, as an MFI leader yourself? You know, what are the things that you're most anxious about as you look to the future? Which part of this argument hits in the gut?

SHAMERAN ABED: Agility. Clearly, in the MFI space, the MNOs, the fintechs are very agile. The microfinance institutions are now criticized for not being agile enough, but that's the challenge for the MFI space.

KHALIL SHARIFF: And that's because of institutional inertia. You guys have been around a long time, there's a certain kind of orientation that's hard to change.

SHAMERAN ABED: That's right, and there's also a lot of scale, right, and the future, I think that microfinance institutions will shape it, but then of course, they will also have to evolve and evolve fast.

KHALIL SHARIFF: Same question, Samuel, what part of the argument that they were putting on the table did you find most difficult, as a commercial bank executive leader, accountable to shareholders? What part of this argument just felt, yeah, maybe they're right?"

SAMUEL MAKOME: I didn't really feel they were right in anything. *(Laughter)*. On the light touch, but I think what I felt is that of course, they touched on the issue of emotion a lot more. But I think the premise, or the assumption, that bigger players and other players will not have the empathy is erroneous. I think it's more difficult, but not impossible. I think if you look at the big players even in a country like Kenya that are reaching out, all of them are moving out

with a softer part and they're talking about the issue of touching lives, and empowering lives, and transforming lives, and enabling the future. So, in a sense, the microfinance has a head start in that area, and I think when I also felt that the audience was loaded. (*Laughter*).

KHALIL SHARIFF: But at the beginning, they were all on your side.

SAMUEL MAKOME: Yeah, so it's good, but the good thing is most of the people who spoke for microfinance, they're very passionate about that thing whether you're from Ethiopia or wherever. You really believe it. It's a religion sort of thing. (*Laughter*). And I think it's good. It's a good momentum to have because you have to have passion if you're going to transform and touch lives. So clearly there is something that they have.

KHALIL SHARIFF: But isn't that what's at stake here is that the MFI world is in some sense a movement, right? It's a movement born out of a mission and a set of very deep convictions and values. And the rest of the financial inclusion ecology that you are representing in some sense is instrumental. It's a transactional world. You're in it for other reasons. And isn't that the big threat? Isn't what we're most concerned about that at a moment's notice, your commitment to actually the poor or the marginalized is going to be traded off for a bottom line or for shareholder interest or something like that? Isn't that the worry?

SAMUEL MAKOME: It may be a worry, but the reality is it's possible for everyone, and a lot of people now to create the DNA of love, of caring, of empathy, and it's very, very important that that happens in very big organizations and MNOs. So they also say, they realize, because it's not something which is mysterious and only restricted to a few organizations. It's something which all of us, if we have to transform the world the way we want to, must have. And so this can be replicated, it can be grown, it can be scaled up.

But obviously, there is something. I mean, there's method to having been in the trenches for long periods of time, and that is something that is not easy necessarily to replicate. But it does not mean that it is not something that can be attacked. The issue, the debate about primary, primary, will you be willing to be primary. They will obviously continue to play a role, but again as somebody put it, if you're not agile enough, other players will come and play a bigger role and marginalize you to 3-5%. So primary is a key word and that's why the audience failed all my exam questions.

KHALIL SHARIFF: Munyutu, what do you think? What's the most difficult part of their argument to contest, or what kind of worries you about the rest of the ecology's ability to reach the really excluded?

MUNYUTU WAIGI: They've got momentum. They've been doing this for quite some time, and they've covered a great population of people, which I admire greatly, and you cannot take away what they've managed to do which is...

KHALIL SHARIFF: And how do you feel about this claim that that brings with it certain knowledge? It's not only knowledge you can write down. I think what their argument is is that

there's something that we know about this business that you can't just learn by ... I mean, do you buy that?

MUNYUTU WAIGI: No, I'll tell you why. The way we look at them is the same way they looked to banks when they went against banks. The institutional lenders had this arrogance about them, that they know it all because they've been doing this for a couple of hundred years. MFIs came in and just literally took over. But at the same time, there's a comment made of the bank, which is the banks now are also waking up and using technology. You've seen with Equity Bank, launching an MVNO, like that's unheard of, ever, within this space of financial inclusion.

So the one point that really was difficult to move the crowd again, as Sam said, the crowd was very loaded, was the fact that MFIs have got gravity. They've been doing this for some time, and a lot of financially excluded people are in your books. But the truth of the matter is a lot of dormant accounts, zero accounts, and these are statements that are being said by MFIs here. So, as Mr. Crush said, we're here to tackle the challenge together. Our job as fintech companies is to prod the likes of Shameran and Crush, and to keep them agile, to remember, hey, there's another financier here who doesn't rely on grants, doesn't rely on donors, and is driven purely as a capitalist, but also has a double bottom line responsibility.

KHALIL SHARIFF: All four of you, thank you very much. You've been very indulgent with my timekeeping and the rules of this debate. You've brought eloquence and insight and wisdom to this discussion. You've set the table for what I thought was a very thoughtful and reflective discussion amongst all of us here. So we are all in your debt. Thank you very much. Thank you all for participating so well. (*Applause*). Thank you.