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Breaking the Bank

The rise of alternative credit providers in growth markets

Factsheet

In 2014, c. 50% of adults in Sub-Saharan Africa and South Asia borrowed money, though only 6% had loans from a formal financial institution

World Bank Global Financial Inclusion Database

Over 70% of individuals either own or have access to a mobile phone in most African and South Asian countries (2014)

Bill & Melinda Gates Foundation

Mobile money services are available in 85% of countries where the number of people with an account at a financial institution is less than 20%

World Bank Global Financial Inclusion Database

Mobile internet penetration in Sub-Saharan Africa set to almost triple by 2020 from 2015 levels (from 19% to 53%)

GSMA Intelligence

37 markets had 10x more registered agents than commercial bank branches (2015)

GSMA Intelligence

Cash transactions can cost almost 90% less when completed by agent networks instead of brick and mortar bank branches

CGAP

Data production will be 44 times greater in 2020 than it was in 2009, reaching 35 billion terabytes. Individuals currently create 70 percent of all data.

CSC

Globally there are 1.2 billion adults that generate digital footprints though do not have access to formal credit

Lenddo

Online lenders generate c. 400 bps of savings in operating expenses (as a percentage of loans outstanding) compared to traditional bank providers

Lending Club

The marginal cost of providing a $200 loan in Tanzania can be reduced by over 40% by using alternative data based analytics

CGAP

Preface

Fintech. The financial services industry's current favourite portmanteau. Supposedly a place for the latest breed of unicorns. Something that traditional financial institutions have been told to worry about.

For us the real question is what, if anything, does "Fintech" mean for financial services customers in growth markets? We do not question whether "Fintech" as a theme or investment destination has indeed entered into mainstream consciousness. Nor do we question the current reinvention of the financial services industry for the information age that "Fintech" represents. What we do question however, is the idea that the convergence of financial services and technology has only just begun. After all, unless financial institutions are still utilising the abacus, technology has been a core component of financial services for decades already.

Banking used to be simple, the basic intermediation of savers and borrowers. However, this has become increasingly complex over time, with varying maturities, currencies, options, and delivery routes. Today's technology has the potential to re-simplify this complexity. Financial institutions have long been able to hide their credit inefficiencies through arcane underwriting processes that today seem increasingly expensive and slow. Advances in processing capabilities and the widespread availability and analytics of (big) data hold the promise of disrupting the inefficient and manual processes of old. This disaggregates the once cosy domain of the traditionally vertically integrated institution by allowing funding (deposits) to be separated from manufacturing (credit), risk to be scored increasingly through correlation rather than causality, and the utilisation of distribution channels that are natively digital.

These changes have started to "break the bank", both literally and metaphorically, as signalled by a distinct change in the psychology of today's consumers. Consumers now have a much higher propensity to try new financial products, and to do so from lesser known providers. Consumers no longer have an implicit trust in larger, more established financial institutions, and are instead more open to buying financial services from specialists. In this singularity event of finance, vertically integrated "universal banks" are going the way of dinosaurs, making way for smaller, more specialised mammals.

This paper considers the application of the recent changes in technology that have led specifically to the introduction of alternative providers of credit in growth markets. What we hope to outline is that these innovative providers are utilising technology to solve historical market problems in financial services. The problems themselves are traditional in nature, however they are around funding, manufacturing and distribution, areas that remain central to the credit value chain today. These are the same problems that traditional financial institutions have failed to solve in growth markets, thereby missing the opportunity to provide formal financial services to large numbers of consumers and businesses in these regions. As such, the bank as we know it, is being broken.

"Nothing endures but change."

Heraclitus

To us, "Fintech" is simply a new set of solutions to age-old problems in financial services. But for consumers in growth markets who have largely been ignored, this of course changes everything.

Matteo Stefanel **Udayan Goyal**


RUDOGO GIDION
STANDARD SALON

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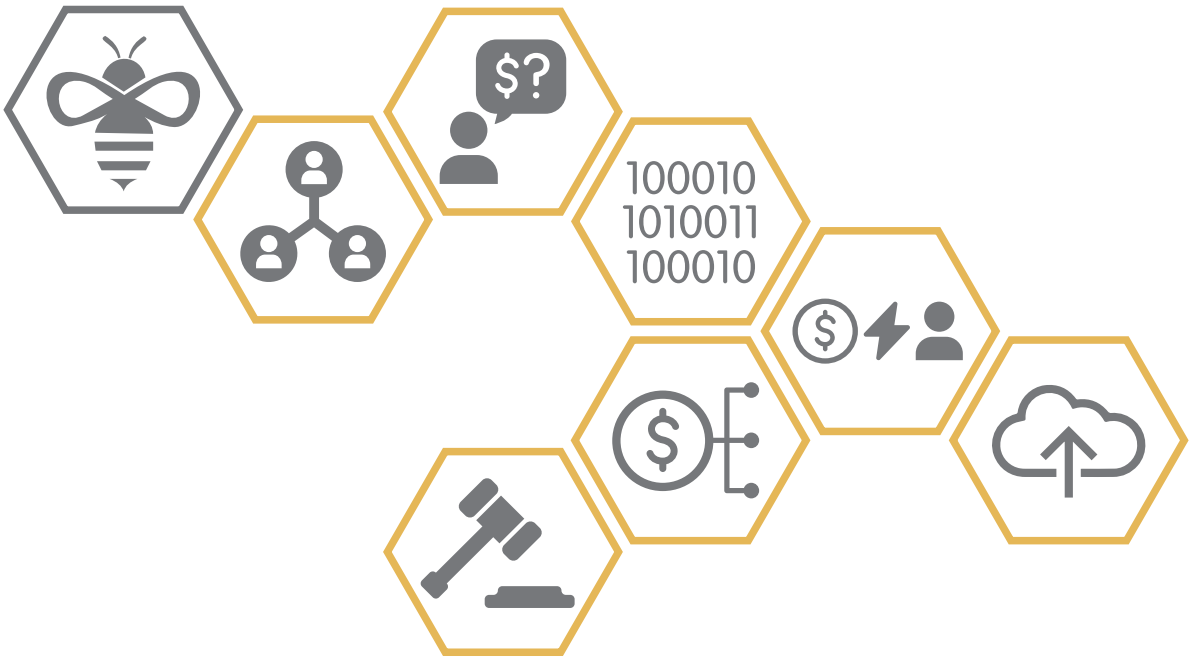


The provision of credit to consumers and SMEs in growth markets has traditionally occurred through both the informal market and the formal market. Whilst the informal market has been dominated by local entrepreneurs and money lenders (and occasionally less responsible lending practices), the formal sector has been the arena of regulated institutions such as banks and microfinance institutions. **Historically, both sectors have been inefficient**: the informal sector has been characterised by usurious pricing, and the formal sector has failed to reach most consumers and SMEs due to onerous costs and strict requirements around collateral, credit information and trading history.

The institutions of the formal sector have developed business models around their historical advantages of funding, distribution, credit scoring and collections: regulated institutions have traditionally had a monopoly on deposit funding; they have set-up branches that were the only way for consumers to access credit; they rely on credit bureaus to score risk; and they utilise traditional payments infrastructure (such as bank transfers) in order to collect loan repayments. **At the same time, these 'advantages' have largely been the very factors that have restricted the growth of credit provision to the masses in growth markets.**

In particular, customers with smaller deposit balances were not identified as 'profitable', and larger deposit pools were deployed mainly in the government and corporate sectors. Branch based banking limited accessibility to only those in more populous urban areas and not in semi-urban and remote rural areas, and focused on mass affluent customers only. Informally employed customers were not able to gain formal credit scores, and also could not utilise electronic payment instruments which allowed for collection of loan repayments. As such, **large swathes of the population were denied access to formal financial services in growth markets.** That is, **until now**.

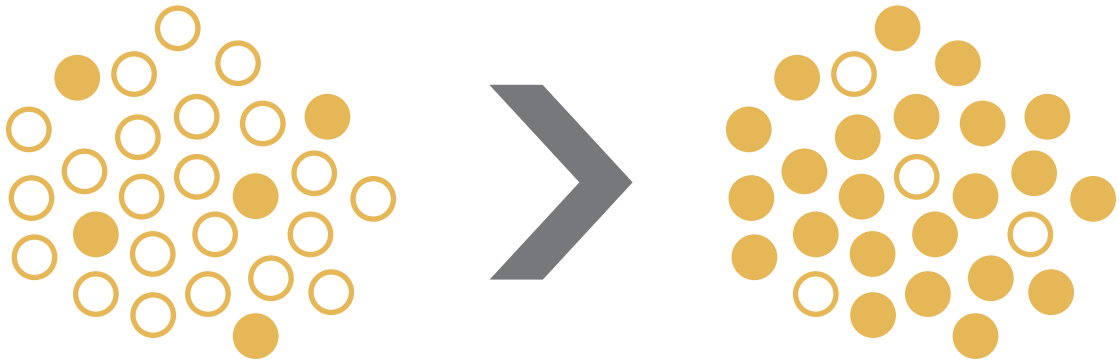
Recent changes in technology have led to the introduction of alternative credit providers in these regions that are focused on solving these historic market failures by employing innovative solutions to these traditional problems. These players are not actively competing with traditional institutions: instead they are **using new distribution, collections and scoring mechanisms to provide credit to a broader set of previously ignored consumers in growth markets.** In doing so, **they are 'breaking the bank', by separating the 'funding', 'manufacturing' and 'distribution' portions of the credit value chain.** Traditional financial institutions have largely held a monopoly on converting customers' deposits ('funding') into credit products ('manufacturing') and have then utilised this position to provide credit ('distribution') in growth markets. In contrast, alternative credit providers are focused on designing products ('manufacturing') that utilise innovative and low cost solutions on the 'distribution' side, and then work with local participants (such as banks) and international participants (such as private equity and asset managers) on the 'funding' side.

Introduction

The rise of these alternative lenders that provide consumers and SMEs in growth markets greater access to formal sources of credit is important, as **the availability of credit plays a vital role in the economic development of these regions**. Credit can enable lower income customers to make investments in education, to create and expand businesses, to afford medical treatment, and to weather other setbacks without falling deeper into poverty. These are the main reasons why **financial inclusion** has become a global development policy priority. **This is also the broader context that makes credit one of the key financial services sub-verticals that Apis invests in,** and is the context with which this paper is presented, to outline the current and expected dynamics of the credit industry sub-vertical in growth markets.

In Section 1 an indicative overview of the current landscape and business models of alternative credit providers in growth markets is provided. In Section 2 this is then followed by a detailed outline of the seven key drivers of the growth of alternative credit providers in these regions, together with the broader industry implications of each of these drivers, as well as Apis' view of the optimal application and operationalisation of these drivers for practitioners seeking to gain competitive advantage. In Section 3 these same drivers are then examined in specific growth market countries to provide an insight into their relative levels of readiness for alternative credit models, and in Section 4 specific case studies of successful alternative credit models in growth markets are presented. Finally in Section 5, the broader implications for traditional financial institutions are outlined, along with a discussion on what they can do to adapt to the rise of alternative credit providers in growth markets.

We hope that you find this paper informative and ultimately useful in rethinking some of the current paradigms related to the provision of credit in growth markets. We believe that **these innovative business models are set to become a major catalyst** in both the market structure and growth of these economies **by removing frictional costs of intermediation and providing access to much needed capital**.



1. Landscape

In this section we outline an indicative **landscape of alternative credit providers in growth markets**; we define alternative credit providers as **businesses that enable the provision of credit in growth markets without relying on traditional deposit taking capabilities.** Apis views these players as the growth markets equivalent of developed markets' marketplace lenders, such as Lending Club and OnDeck. All of these players are **actively disintermediating portions of the banking value chain by splitting the 'funding' and 'manufacturing' of credit, from its 'distribution'**. Simply put, these companies are utilising alternative channels for deploying institutional capital as credit for previously ignored consumer and SME segments.

The landscape of alternative credit providers in growth markets (shown in Figure 1) is active and diverse, reflecting the attractive market opportunity in these regions. The landscape can be mapped across two primary axes:

- **Loan size and tenor** - credit provided by alternative players in growth markets **ranges from micro consumption loans (fractions of dollars) with tenors measured in days, to business loans in excess of $500, with tenors of over six months.** This also leads to a natural segmentation of the market between consumer / micro entrepreneur loans and SME loans, with the latter being larger in size.
- **Distribution channel** - alternative credit providers are utilising a range of distribution channels that are contingent on local market dynamics, customer segment and loan size. **Growth markets have witnessed the emergence of mobile-led models**, whereby alternative credit providers conduct their activities largely within the closed ecosystems provided by Mobile Network Operators (MNOs), encompassing distribution, collection and credit scoring. In contrast, **traditional bank-led models are more reliant on existing payment infrastructure which is supported by the traditional banking ecosystem**. To date, the prevalence of mobile-led or bank-led models has been **determined by specific local market structures and dynamics, including the prevalence of banked individuals, levels of financial infrastructure development and consumers' preferences**. As an example, mobile oriented players are focused on smaller loans with shorter tenors, thereby reflecting consumers' use of mobile money (smaller airtime or mobile money floats), whilst higher loans and purchases still reside largely within the formal banking ecosystem.

Figure 1: Landscape of alternative credit providers in growth markets

	Consumer / SME	Consumer				SME
Product	**Credit scoring**	**Airtime advance**	**Nano-loans**	**Personal loans**	**Long-tenor loans**	**Business loans**
Size	*Not applicable*	**$0.5-$2.0**	**$2-$50**	**$50-$300**	**$300 +**	**$500 +**
Tenor	*Not applicable*	**1-14 days**	**2-14 weeks**	**1-6 months**	**6 months +**	**6 months +**
Mobile orientated	cignifi, first access, trustingsocial, Lenddo, EFL, VisualDNA, friendly scores	Experian Micro Analytics, tiaka, mo'de, mCARBON, upstream, SimCredit., comza, Branch, nairtime	JUMO, inVenture, L-PESA MICROFINANCE			
Hybrid model			mo'de, M-Shwari, KCB M-PESA, m-pawa	CashCredit, mobicred		KOPO KOPO
Traditional banking channel				GetBucks, Kreditech, yuppie cash., wonga, wanna loans, Boodle	afb, BAYPORT, ONECREDIT, Letshego	NeoGrowth, CAPITAL FLOAT, Lulalend, RETAILCAPITAL

Source: Apis Partners

1. Landscape

The various market segments of the alternative credit space shown in Figure 1 are described below:

Mobile oriented

Credit scoring

There have been a number of **'Credit Scoring as a Service' companies that have emerged to create credit scores for consumers and SMEs without traditional credit histories**, by analysing non-traditional data that has a strong correlation to credit worthiness. Most notably, MNO provided **mobile phone usage data, including call volumes and timing, and SMS and internet browsing history, is an increasingly useful proxy for traditional credit scoring data**. Similarly, several companies are also analysing **social media profiles and location data** to gain additional and valuable data points in assembling predictive credit profiles. **These credit data analytics or alternative credit scoring companies generally do not lend directly themselves, but instead facilitate the provision of credit from traditional and alternative lenders as a fee-based service**. As credit scores from these players become increasingly sophisticated and accurate (through the use of new data sources and through lending models that incorporate experience and repayment history), we expect a 'democratisation' of credit scoring services, whereby all market participants will be able to access this shared data by integrating directly with these alternative credit scoring providers, similar to the commercial arrangements that exist between banks and traditional credit bureaus.

Airtime advance

The airtime advance segment features **lenders that are integrated with MNOs to provide credit in the form of airtime (as opposed to money) to pre-paid mobile phone customers**. Airtime credit is provided to eligible customers (those with prior customer history with the MNO) when their airtime is running low, and is **paid back the next time customers recharge their accounts (usually in 1-14 days)**. Airtime advances overcome the three largest impediments to lending in growth markets - funding, collections and credit scoring - because airtime loans are short-tenured (reducing funding requirements), collection rates are high and automatic (when customers recharge), and mobile phone usage data can be used to credit score (made available by MNOs). **Airtime advance models typically involve a profit sharing arrangement with the relevant MNO, with credit risk either shared equally or borne by the credit provider.** Airtime advance companies are gradually diversifying away from core airtime advances, and into adjacent activities that leverage their understanding of the end-customer, including mobile phone handset financing, mobile advertising and nano-loans.

Nano-loans

Some airtime advance players also provide nano-loans as this model also utilises the mobile channel. However the two models differ in that **nano-loans are money loans (as opposed to airtime), and are generally delivered in the form of mobile money deposited into customers' mobile wallets**. As such, compared to airtime advances, **loan sizes tend to be larger (generally $2-50) and tenors tend to be longer (2-14 weeks)**, with collection models featuring both amortising repayments and bullet repayments. Nano-loan funding is currently supported mostly by lenders' own balance sheets; **MNOs tend to receive a fee per loan and in many cases do not carry any of the cost of risk**. Though we expect leaders in this segment (that have demonstrated strong scoring and collections capabilities) will gradually start to receive local bank funding. Nano-loan providers are viewed as fairly complementary to banks in most growth markets because they provide loans that are much smaller than traditional banks. In some cases, nano-loan providers also receive lead generation fees in exchange for providing banks with data on customers with potentially broader credit needs. Most, if not all nano-loan providers are concentrated in countries with high mobile money penetration such as Kenya, Tanzania and Uganda. In these markets, nano-loan providers are also steadily expanding their service offerings to include other 'credit events' such as utility payments, insurance premiums and TV subscriptions.

Hybrid models

Nano loans / personal loans

As loan and tenor sizes increase (up to $300, and 6 months, respectively), **hybrid models are emerging which combine an element of mobile (such as distribution or scoring) with an element of traditional banking (such as collections or funding)**. In particular, two variants of the hybrid model have emerged:

- ***Funding hybrid:*** where **providers distribute loans through the mobile channel that are funded by local banks**. An example of this is M-Shwari in Kenya, which is a partnership between the MNO, Safaricom, and Commercial Bank of Africa. As noted earlier, we also expect leading nano-loan providers, that have demonstrated strong scoring and collections capabilities, to start to receive local bank funding
- ***Payment hybrid:*** where **providers leverage exclusive access to an MNO dataset for credit scoring** (often complemented by credit bureau scores and other data sets), **but distribute and collect loans via traditional payment and banking channels**, such as debit and bank transfers. These providers, such as Cash Credit in Bulgaria and Mobicred in South Africa, can thus expand in growth markets that do not have deeply entrenched mobile money ecosystems.

Traditional banking channels

Personal loans

Personal loans are generally **larger loans that customers can apply for using a range of new and traditional channels, including online and telephone (call centre), but are distributed and collected via traditional channels such as debit and bank transfer**, and are typically underwritten based on traditional data sources such as credit bureaus (and not MNOs). As such, these models are limited almost exclusively to markets where the traditional payment infrastructure is well established, and where traditional credit scoring is viable in the absence of MNO data.

Long-tenor loans

Longer term loans have sizes of over $300, and tenors of over three months, and thus **occupy the market segment where traditional retail banks start to lend**. As such, alternative credit providers in this segment often compete with banks, and have often started as payroll lenders that provide unsecured credit, while collecting and managing credit risk via borrowers' payrolls. Whilst this is an attractive market, it is well established and highly competitive, with high levels of saturation. Over time, longer-tenor loan players are expected to move into the personal loans segment by creating and improving their digital distribution capabilities, which are currently limited.

Business loans

Loans for small and medium sized merchants are utilised for capital expenditures and working capital, and are generally funded and distributed through traditional means. However, **alternative credit players are designing new types of loan products such as merchant cash advance for retailers**; this product does not require merchants to pay fixed monthly instalments, but instead loan repayments are collected automatically as a portion of their sales made at the electronic Point of Sale (POS). **This aligns collections with merchants' often uneven sales cycles**, with larger collections taken on stronger trading days, providing a more efficient means for SME retailers to gain financing. At the same time, the risk is also reduced for the lender, as collections are made at source, and not after merchants settle expenses first. As these models become proven, migration to newer distribution channels (such as mobile) is expected.

In Section 2, we present our view of the drivers that have enabled these alternative credit providers in growth markets.

2. Drivers, implications and considerations

The landscape presented in Section 1, is driven by several sector trends and **we have identified seven primary drivers of banking value chain disintermediation** that enable the growth and proliferation of alternative credit providers across growth markets:

Driver	Description
1  **Growth of new distribution channels**	The advent of mobile, online, agent and POS distribution channels are increasingly allowing customers to access financial services in more affordable and convenient ways.
2  **Under-penetration of formal financial services**	The significant under-penetration of formal financial services among 2 billion unbanked consumers in growth markets is a significant driver of demand and business model innovation.
3  **Availability of new data sources to assess credit risk**	The availability of new forms of non-traditional, digital data provides new ways to assess the credit risk of borrowers that do not have traditional credit histories.
4  **Improving payments infrastructure**	The continued development of electronic payment infrastructure enables more efficient distribution and collection through traditional and alternative channels.
5  **Increasing sources of local liquidity**	The growth of liquidity for alternative credit providers in growth markets in the form of local currency denominated debt funding from local banks allows for more stable and resilient funding sources.
6  **Progressive regulation on emerging providers and increased oversight on incumbents**	The positive regulatory outlook and prioritisation of financial inclusion is an important tailwind, while and the concurrent regulatory pressure on traditional incumbents in these regions also favours alternative credit providers from a competitive standpoint.
7  **Rise of hosted cloud based infrastructure services**	The proliferation of cloud based 'Software as a Service' infrastructure providers allow alternative credit providers a low cost means to set-up and scale rapidly.

Over the course of this section, we will provide a more detailed description of these seven drivers, followed by an analysis of the broader industry implications of each on the traditional banking value chain. Based on our observations of 'best in class' providers in the market, we also lay out some key considerations for lenders seeking to convert these learnings into operational advantages.

1 Growth of new distribution channels

Overview

Technological development in the form of **high levels of mobile device ownership and increasing levels of internet usage in growth markets** is greatly **expanding access to financial services by providing new distribution channels differentiated by their convenience**. Furthermore, the conversion of high density retail touch points (such as stalls, kiosks, shops and outlets) into alternative financial services distribution channels (agent networks) also complements the new electronic channels with physical cash-in cash-out capabilities. Together, these elements allow for the widespread delivery of electronic financial services (even in rural areas) to lower income consumers, at a substantially lower cost compared to traditional branch-based banking, given the reduced physical infrastructure investment requirement and lesser reliance on cash.

Implications

New ways to reach new customers

The high numbers of people living in rural areas in growth markets combined with the high costs of traditional branch banking infrastructure and cash based systems, have made reaching underserved customers with affordable formal financial services a key challenge. These new distribution mechanisms (including mobile and agent networks) have not only made it possible to reach this new set of customers for the first time, but have also reduced the monopoly of traditional branch banking on financial product sales to existing banked customers.

Suitable products, delivered conveniently

Unlike traditional lending models which are often predicated on a 'build it and they will come' model (where customers are required to travel to access financial products), the services that utilise these new distribution channels reach customers directly through a proximate device, at a time convenient to them, thus better addressing the customer acquisition and distribution challenges that exist in growth markets. As such, standardised, 'one-size fits all' offerings are being replaced by bespoke low cost services specifically designed to responsibly cater for high numbers of lower income customers. An example includes mobile based offerings where local tradesmen or merchants are able to access credit in the morning in order to purchase supplies, and then repay the loan in the evening once they have completed their work and / or sold their goods.

Expanding the pool of customers with the use of new data for credit scoring

When customers use mobile, online, retail and agent distribution channels they generate a 'digital footprint' of behavioural usage data which can be utilised for credit scoring. The continued growth of new distribution channels will thereby further expand the availability of such data, allowing for more sophisticated scoring methods that can expand the number of customers able to access formal credit. This has been considered as one of the key drivers of alternative credit models in its own right (as Driver 3).

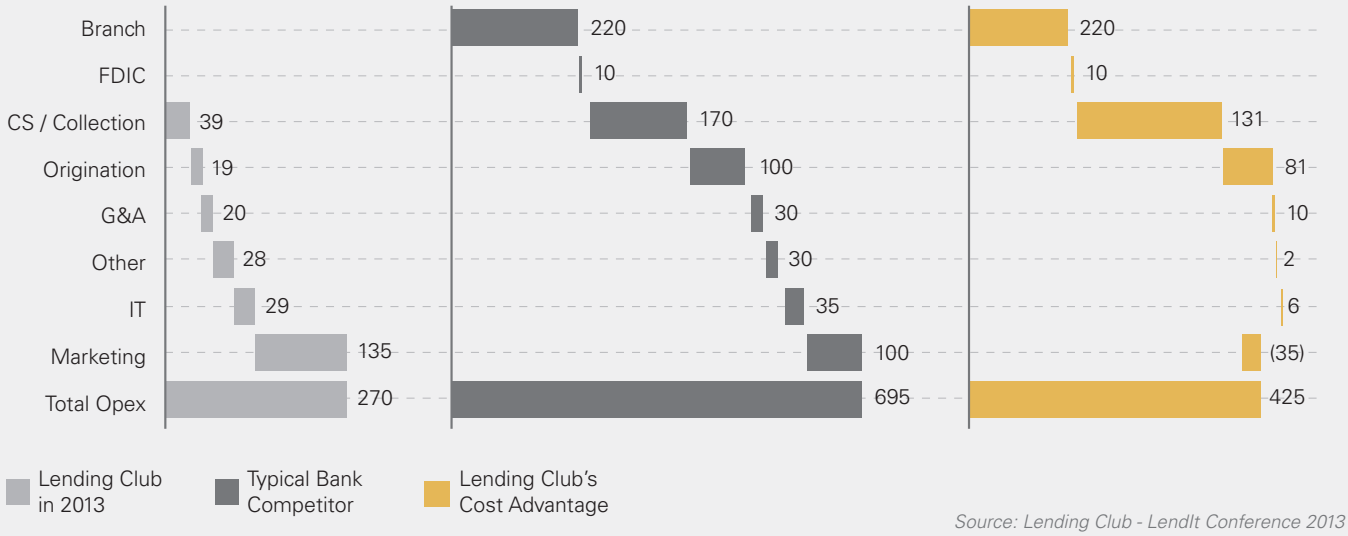
Lowering the cost of distribution

Aside from electronic distribution networks being the only way to reach the mass market in growth markets, alternative lenders utilising these networks do not have large fixed branch infrastructure costs, and are therefore able to serve customers with a significantly lower cost structure than traditional banks. This advantage can be further compounded when manual and labour-intensive back office operations are digitised and automated (further explored in Driver 7).

- Using the example of Lending Club[1], one of the most mature online lending platforms in the US, Figure 2 shows that this cost advantage translates to over 400 bps of savings in operating expenses (as a percentage of loans outstanding); c. 50% of this difference is from savings associated with the lack of expensive branch networks, and a further 30% from more detailed credit scoring and collections mechanism. Similar cost efficiencies are being leveraged by alternative credit providers in growth markets.

2. Drivers, implications and considerations

Figure 2: Marketplace / P2P cost advantage (opex / total balance outstanding, in bps)



Source: Lending Club - LendIt Conference 2013

Considerations

Constantly innovate

Alternative credit providers are, by and large, basing their models on these alternative and innovative distribution channels because of the advantages outlined, and this in itself can be considered innovative. However these players should not rest on their laurels, but instead should seek to further innovate to ensure they are serving customers in the fastest, cheapest and most convenient way possible. Underserved customers are open to new approaches to product design and delivery, because they often have no pre-conceived ideas of formal financial services. For example, a number of airtime credit providers are utilising the relationships and understanding they have generated to expand from the airtime advance ($0.5-2.0 loan) market and into the nano-loan ($2-50 loan) market.

Foster a 'co-opetition' mind-set

The new models that alternative credit providers are utilising have brought about the advent of "co-opetition", as opposed to competition; the creation of a digitally native financial services ecosystem of players in growth markets that co-operate to create financially inclusive services. It is only when alternative lenders, banks, mobile operators, technology providers, governments and regulators actively work together, do we see solutions that solve legacy problems in financial services in growth markets. Therefore, alternative players should seek to cultivate and maintain these relationships. One of the best illustrations of 'co-opetition' is the expansion of the M-Shwari platform, an M-PESA based savings and credit account created through a strategic partnership between Safaricom and Commercial Bank of Africa, as outlined further in Section 4.

Find further distribution opportunities through partnerships that focus on customer convenience

A successful "co-opetition" mind-set can open up further distribution opportunities in the form of strategic partnerships, when players collaborate with avenues of natural financial services purchase points. An example is the South African home improvement loan provider, Real People, whose loans are available at a number of home improvement stores throughout the country, thereby benefiting both the customer who can access financing at the point of purchase, and the credit provider who can ensure that the loan is linked to home improvements instead of other consumption related activities. These partnerships can result in new growth opportunities and a reduction in customer acquisition costs, which is one of the key challenges for newer players lacking the large marketing budgets of traditional banks.

2 Under-penetration of formal financial services

Overview

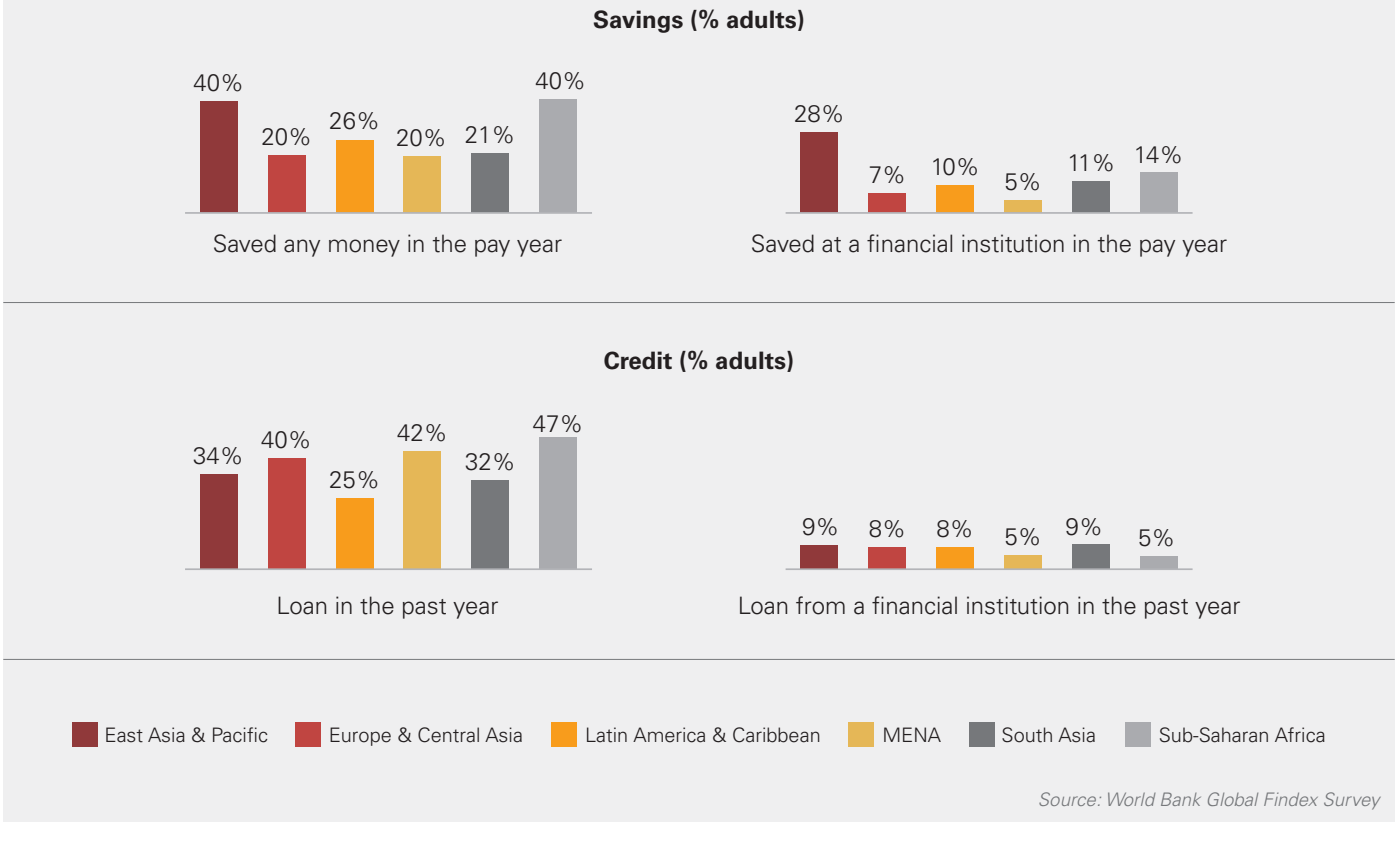
There is a significant under-penetration of formal financial services in growth markets; the World Bank[2] estimates that 50% of adults globally (c. 2.5 billion) are unbanked, with 90% of this population residing in growth markets. In particular, low to middle income countries in East and South Asia, Sub-Saharan Africa, and Middle East & North Africa (Apis' target geographies) are estimated to have banked adult populations of just 33%, 24% and 18% respectively. **The low levels of formal credit provision in growth markets has in large part been because banks in these regions have not meaningfully entered the retail lending market** (especially for sub $100 loans, for which there would likely be the highest demand), given the **high fixed costs of traditional banking models that have made it difficult for them to serve this segment profitably**. As a result, a clear market opportunity and competitive 'white space' of unmet demand exists for alternative credit providers across growth markets to fulfil.

Implications

Opportunity to fulfil unmet demand for formal financial services

The under-penetration of formal financial services in growth markets results from historic market failures including affordability, distribution challenges and consumers' distrust, rather than a lack of demand. In fact, demand in growth markets remains high, as evidenced by high levels of usage of informal financial services.

Figure 3: Growth markets utilisation of informal financial services (2012)



Source: World Bank Global Findex Survey

2. Drivers, implications and considerations

Opportunity to serve the unbanked profitably

Alternative credit providers are solving historic market failures with the distribution of electronic financial services which do not have the high fixed costs of branches and cash. This means that lower value credit disbursements can be facilitated profitably.

Customers lack preconceived notions of financial services products

The historic low levels of formal financial services penetration means that alternative credit providers benefit from the freedom to launch new products with new features and distribute them through new channels, as customers often have no prior experience of these services. A corollary of this is that in many cases, customers need to be educated on key aspects of financial services products such as interest and collections.

Considerations

Products should actively encourage usage

Whilst high numbers of the unbanked in growth markets represents a large market opportunity, emerging credit providers should be mindful that they are also competing with widespread usage of informal financial services in these regions. Providers should focus on creating suitable products for customers that are tailored to their needs and actively encourage usage. For example, bank account holders may continue to choose informal savings methods if the costs of using their accounts are prohibitively high due to minimum balance requirements, withdrawal fees and physical service challenges. Likewise, SMEs seeking credit may require loans with a shorter tenor and flexible repayment options to help stabilise cash flows.

Products should be properly explained and understood

Whilst 'manufacturing' suitable products is critical, this alone will often not be enough to target underserved customers with no prior experience of formal financial services. Customers will still require help in overcoming any negative preconceived ideas that cause distrust or concern, and so providers should also focus on ensuring that customers fully understand the features, costs and benefits of these products. In many cases, this is acutely linked to their lack of awareness of financial services products, and thus dedicated efforts to provide financial literacy are important.

Products should be aligned with existing customs

Some new players are developing their products in a manner that takes advantage of existing cultural norms such as leveraging the constructs of community enforcement (a model that has been successful in the microfinance sector) to mitigate payment default, or tailoring lending products to the requirements of existing borrowing societies. New players are also seeking to improve the customer experience by being more sensitive to local cultural and linguistic nuances.

3 100010 1010011 100010 Availability of new data sources to assess credit risk

Overview

In both the consumer and SME segments, there are now **new forms of non-traditional, digital data available that are strongly correlated to and predictive of credit worthiness**, and can thus be used as proxies or complements to traditional credit scores. This includes **mobile phone usage patterns (calls, SMS, internet browsing), social media activity, location data and demographics data**, which all form a customer's digital footprint. Such data provides a new way for alternative lenders to assess the credit risk of borrowers that have previously been underserved (due to a lack of prior traditional credit history), thus opening up new opportunities to satisfy unmet demand. This driver is the embodiment of the well reported 'big data' trend in the context of growth markets financial services, and is of course a derivative of Driver 1.

Implications

Expanding the number of customers that can be formally scored

The use of newly available alternative data for credit scoring can provide alternative lenders with new customers that have been previously underserved due to their limited traditional credit histories, and can help these customers gain access to the formal credit they require to improve their lives.

Effective risk profiling and segmentation

The use and conversion of this data through advanced analytics algorithms to provide a more nuanced view of an individual's risk (especially when complemented with traditional scoring methods if available), allows credit providers to better grade the risk of a loan. This improves the quality of their loan portfolios and provides them the opportunity to serve customers with customised, well priced and more suitable offerings.

Lowering the cost of serving customers

Using alternative datasets for credit scoring yields a substantial cost advantage for providing credit in growth markets, as it lowers the cost of identifying, assessing and reaching previously unbanked consumers, compared to the traditional banking industry cost. CGAP[3] estimates that the marginal cost of providing a $200 loan in Tanzania can be reduced by over 40%, by using alternative data based analytics, citing the main cost savings as being in relation to more effective customer acquisition, less time spent on rejections, and better managed risk:

Figure 4: Marginal costs of delivering a $200 loan - Tanzania (2014)

	Examples of digital data uses	Baseline	With digital data
Finding new clients	• Marketing costs reduced with better targeting • Earlier screening reduces time spent on rejections	36	20
Deepening customer relationships	• Less reliance on in-person data gathering • More staff time with higher risks	12	9
Managing risks	• Predictive analytics keep loan losses within expected range • Collection efforts focused on most likely to repay	18	9
		$66	$38

Source: CGAP - The Potential of Digital Data: How Far Can It Advance Financial Inclusion?

Considerations

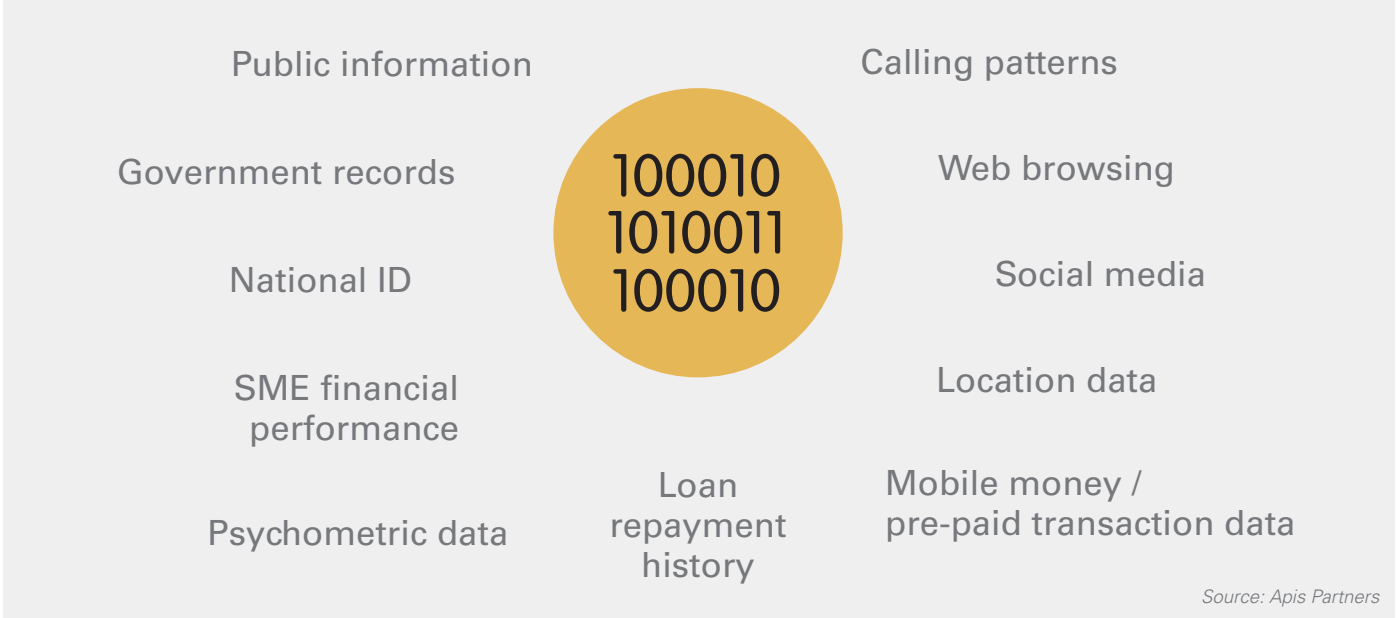
Utilise a range of third party or proprietary sources for data

Lenders utilising such data for credit scoring are often working with varied data sources (see Figure 5) that is available either from the public domain (such as land registries), are semi-proprietary (in that they require partnerships (with MNOs for call records for example)), or are proprietary (in that they have been built on an internal basis directly from their own customers). In the case of semi-proprietary data-sets, the availability of this data is dependent on the ability of lenders (or of the credit score providers they are utilising) to successfully navigate the often-long B2B sales cycles and convince incumbents to provide access to their data and customers. On the other hand, players that source their data directly from their customers (such as Inventure that collects basic financial performance from their SME customers, or Entrepreneurial Finance Lab that aggregates their consumers' psychometric tests scores) are creating libraries of proprietary and valuable Intellectual Property (IP) that represents a strategic advantage over the long-term. It is our belief that public and semi-proprietary data is becoming increasingly commoditised as 'Credit Scoring as a Service' offerings by players such as First Access and Cignifi (as further detailed in Section 4) become more established. The optimal approach for alternative credit providers over the long-term will be one which utililses more readily available public and semi-proprietary sources, together with the development of proprietary insights from existing customers.

Continue to refine proprietary scoring algorithms

Data is only meaningful when it is mined to generate meaningful insights; the proprietary and complex algorithmic credit models that alternative lenders use to generate accurate and predictive value on repayment and segmentation, are just as important drivers of competitive advantage as the data itself. The best players are increasingly focused on not only looking at customers' 'ability to repay', but are seeking to understand their 'willingness to repay' also, which is a much more nuanced view. To succeed here, these models must continue to be tested and refined across product categories and customer segments, with their 'machine-learning' capabilities cultivated to create feedback loops to continuously improve their quality and accuracy as more data is collected. This should occur as these models increase in scale, with algorithms becoming better able assess good credit risks in growth markets.

Figure 5: Alternative credit providers utilise mulltiple sources of non-traditional data to assess credit risk



Source: Apis Partners

4 Improving payments infrastructure

Overview

Electronic payments infrastructure is the underlying 'rails' that enables the mobile, online and agent network platforms that serve as the distribution platforms for alternative credit models in growth markets. Sophisticated electronic payment networks are still being developed across these regions and their continued deepening facilitates the seamless transfer of funds between different platforms and the efficiency with which credit models can process transactions such as loan disbursements and collection of loan repayments. Furthermore, open API enabled architecture is allowing these platforms to form interconnected systems, further improving the distribution and collection experience for customers.

Implications

Expansion of traditional payment methods and introduction of new ones

The broadening of the payments ecosystem in growth markets can expand traditional transaction methods such as debit cards and bank electronic fund transfers, and can also facilitate the growth of newer instruments such as mobile money, SME cash flow deductions or employee payroll deductions. In some regions, the continued absence of traditional transaction methods makes the development of new ones more central to the growth and efficiency of alternative credit models, and will further reduce the dependence on banks that have historically been the gatekeepers to traditional payment networks.

More efficient collections

The ability for credit providers to collect loan repayments efficiently in growth markets has been limited by the level of payment infrastructure development. The continued expansion of payment methods in these regions provides alternative credit providers an opportunity to deploy collections methods that are convenient for their customers, thus improving the collections rate and lowering the default rate, making it easier to provide loans. For example, mobile wallet centric models allow alternative credit providers to distribute and collect loans directly through this channel.

Creation of new lending opportunities

An established payments infrastructure is also central to the expansion of other sectors in growth markets including energy, water, transportation and healthcare. By connecting formal payment infrastructure with key billers such as electricity, utility and education providers, the friction, (and therefore costs) normally associated with payments in these key sectors of the economy are reduced. In turn, these industries represent new markets for alternative credit providers to create targeted lending products with narrower credit risk.

Considerations

A holistic view is required when choosing which transaction methods to incorporate

The further development of traditional transactional methods alongside modern ones affords choice and flexibility to alternative credit providers. However choosing these with respect to customers' convenience is critical for ensuring their continued engagement. The convenience of modern distribution channels will be diluted if the accompanying transaction options are restricted; for example, a loan disbursed via mobile money will only remain convenient if there are mobile money enabled points of sale or agent networks for cash-out also available. Similarly, the correct choice of a transaction method will only remain relevant if the right features of the product (such as frequency of collections) are in place. Therefore consideration of the holistic customer experience is required.

The collection process should influence product design to reduce defaults

Some alternative credit products in growth markets have been almost entirely designed around an efficient collections process, which significantly increases adoption and reduces defaults. Examples include merchant cash advance products that collect loan repayments with respect to merchants' sales made at electronic POS. This allows the collections cycle to match retailers' business cycles more closely (larger collections on stronger trading days and lower collections on weaker trading days), which is not only convenient for the lender, who collects directly at source, but also for the customer, who is less likely to default due to more suitable collections made. An example of this model is detailed in Section 4.

2. Drivers, implications and considerations

5  Increasing sources of local liquidity

Overview

Continued access to sources of liquidity for funding of loans is one of the largest bottlenecks to the rise of alternative credit providers in growth markets. Whilst alternative providers have had to rely mainly on equity funding, local currency denominated debt funding from local banks is growing rapidly. **Local funding is generally cheaper, eliminates cross currency risk and allows alternative credit providers to more closely match their asset and liability tenors**; as this funding source continues to develop, further growth of alternative credit providers is expected. Banks are beginning to understand that they are able to utilise alternative players' lending platforms to deploy excess liquidity into lower value market segments that they traditionally would not have been able to serve.

Implications

More established alternative credit providers will benefit disproportionately

With the growing availability of liquidity, alternative credit providers are able to grow their balance sheets more rapidly and thus grow their businesses. As banks become more comfortable with these alternative credit providers' risk models, the more established among them will gain a disproportionate share of the funding, and will be able to leap-frog their competitors in terms of growth.

The market opportunity will widen further

The expansion of local bank funding will mean less reliance on more expensive equity funding. This in turn will reduce the cost of capital, which will allow for loans to be provided at lower rates, ultimately widening the total addressable market to serve lower income customers with more affordable products.

More complementary between alternative and traditional credit providers

There is an additional revenue opportunity for alternative players in the form of providing lead generation for banks to serve clients that may require more traditional, higher value financial services products. For credit products with tenors above 6 months and sizes over $500, the advantages of traditional banks' lower cost of funding means that alternative lenders are unable to compete, whilst below these ranges banks are unable to profitably serve customers due to their high fixed cost base. As such, a natural evolution will occur where alternative credit providers ultimately aid in the growth of the traditional financial system through 'graduating' customers to more traditional institutions.

Considerations

Foster a symbiotic relationship with local banks for local currency funding

As local currency debt has inherent funding advantages over equity, alternative credit providers should seek to build platforms that allow local banks to evidence their credit scoring, distribution and collection capabilities, allowing these banks to use the platform to deploy excess liquidity. In this manner, there is a symbiotic relationship with banks to be fostered, as banks are able to utilise the capabilities of alternative providers to deploy liquidity more widely into the poorer and unbanked segments, and also utilise alternative players as lead generators for specific clients that are 'graduating' to other financial services.

Maintain a short loan book in the absence of local currency funding

As local currency bank funding is still in its nascent stages across growth markets, alternative credit providers that are currently reliant on alternative sources of liquidity such as dollar denominated funding, should cycle their balance sheets to reduce the cost of capital and reduce cross currency risk; maintaining a loan book with short tenors enables more dynamic repricing to take account of potential currency movements.

6 Progressive regulation on emerging providers and increased oversight on incumbents

Overview

In most cases, Basel III has increased the requirements on banks in both developed and growth markets to improve their capital holdings; **a higher level of regulatory oversight on banks since the 2008 financial crisis has made lending to consumers and small businesses a more costly proposition for established institutions**. This is especially significant in growth markets where increased marginal costs make it even more difficult for banks to serve unbanked customers and MSMEs. As banks' balance sheets have correspondingly shrunk, this has provided an opportunity for new entrants to fill the financing gap.

Conversely, alternative players with their newer business models are subject to less oversight by local regulators, and benefit from mostly supportive regulatory environments for their models, which are recognised by growth markets governments to be financially inclusive. For example, the growth of new distribution models such as agent banking in Asia and mobile money across Sub-Saharan Africa has been facilitated through policy adjustments that promote inclusion.

Implications

Faster product iterations

Due to the relatively lower levels of regulatory oversight on alternative credit providers compared to incumbents in their markets, these players are able to iterate their offerings faster (in terms of product features and pricing) to better meet customer needs, as they are not required to continually inform the regulator of these changes, and subsequently wait for corresponding approvals.

Cost savings from less regulatory burden

As alternative credit providers are not regulated as banks, they face reduced administrative burden and costs of complying with the regulations that banks face, though this is of course a small proportion of their overall cost advantage.

Considerations

Increased regulation can be an advantage

Whilst it is clear that the regulatory advantage that alternative credit providers currently enjoy will be short-lived, these players should not necessarily be wary of their businesses becoming increasingly regulated. Higher levels of regulation can be taken as a sign of the credibility of these models and will afford their customers higher levels of protection. This can bring increased confidence to customers, which is a key benefit for continued growth - this is especially important in the context of customers that have had no prior experience of formal financial services.

Foster an active dialogue with the regulator to help shape regulation

Our view is that the optimal approach for alternative players here will be to actively work with regulators in their respective markets to ensure that the correct balance of market discipline and government supervision is achieved - one which does not inhibit the innovation that these players have embraced but instead supports it, thus enabling the continued financial inclusion of customers in growth markets.

7 Rise of hosted cloud based infrastructure services

Overview

The increasing availability of enterprise 'Software as a Service' (SaaS) or cloud-based lending infrastructure platforms has lowered the barriers of entry into these markets for alternative credit providers. By utilising these services, and outsourcing compartmentalised back office and middle office functions, alternative players are able to implement and operate loan portfolios faster and more cheaply than in-house or core banking solutions.

Implications

Asset-light operations provide cost advantages

Utilising cloud based platforms for lending infrastructure means reduced up-front capital investment requirements and lower on-going operational costs compared to building in-house infrastructure or purchasing traditional core banking systems, which can consume expensive engineering resources for implementations or customisations.

Faster time to market

By outsourcing to cloud based platforms, alternative credit providers are able to reduce the time to market in the design, servicing and operation of loan portfolios, compared to traditional infrastructure. This imposes a lesser burden of maintaining and testing platform features and enables more rapid innovation.

No burden of legacy infrastructure

One of the key challenges that banks face is their current dependence on costly and aging legacy infrastructure. In contrast, alternative players start with a blank canvas and have the opportunity to implement modern, cheaper and more flexible solutions that are highly scalable and designed to facilitate growth.

Considerations

Identify and outsource areas that do not provide differentiation

A key element of alternative credit providers' successful utilisation of cloud-based infrastructure is the critical identification of which areas of their business do not provide differentiation, and the subsequent outsourcing of them. Whilst the use of modern back and middle office infrastructure solutions provides alternative players with the advantages outlined compared to traditional banks, these often provide little specific competitive differentiation, and so should be viewed purely as areas to minimise costs and maximise efficiency. This will allow players to retain focus on building capabilities that provide competitive advantage.

Focus on areas that build competitive advantage and keep them in-house

The other side of the coin here is the identification of those areas that do indeed represent differentiation and competitive advantage - these should of course be kept in house and further developed. Credit scoring algorithms, product features, branding and distribution mechanics are all examples of these, and have been highlighted as such in the preceding analysis.

3. Readiness across growth markets

Building on the analysis in the previous section, **we have developed a scorecard to measure and compare the readiness of selected growth markets in terms of the seven identified drivers of alternative lending models**.

Scores have been calculated for six growth markets in Africa and Asia, as well as two developed markets for reference. Within each category, each country has been given a relative score of 1 to (a rebased maximum of) 100; the country with the highest score (of this sample of countries) in each category receives the maximum score of 100, and a high score implies that the country's environment is more enabling of alternative credit providers. For further details of the specific indicators used to calculate the score under each category, please see the Appendix.

		Growth markets						Developed markets	
Driver	**Measurement**	**South Africa**	**China**	**Kenya**	**India**	**Indonesia**	**Nigeria**	**US**	**UK**
1 **Growth of new distribution channels**	*Measures internet and smartphone penetration using data such as mobile and broadband subscriptions and internet and smartphone usage. A higher score implies higher connectivity.*	48	52	27	21	31	27	85	100
2 **Under-penetration of formal financial services**	*Measures the gap in credit for consumers and SMEs, with a higher score implying a greater 'access to finance' challenge. A higher score implies a greater 'access to finance' challenge in the country.*	78	39	100	59	62	70	48	39
3 **Availability of new data sources to assess credit risk**	*Measures the availability, accessibility, quality, coverage and potential to collect and analyse traditional and non-traditional credit information. A higher score implies easier access to and availability of data used for credit scoring.*	64	43	15	50	38	39	100	96
4 **Improving payments infrastructure**	*Measures the efficiency and quality of back-end payments infrastructure based on usage of ATMs, electronic payments, mobile phones and debit cards for payments. A higher score implies a more advanced national payment infrastructure.*	42	28	44	11	13	21	100	95
5 **Increasing sources of local liquidity**	*Measures the depth and efficiency of financial institutions and financial markets. A higher score implies more active capital markets and deeper pools of liquidity.*	49	68	13	33	21	8	100	63
6 **Progressive regulation on emerging providers and increased oversight on incumbents**	*Measures the change in bank capital regulations, official supervisory powers and private monitoring over banks between 2001-2012. A higher score implies regulations have become more stringent over time.*	80	78	87	100	96	83	91	61
7 **Rise of hosted cloud based infrastructure services**	*Measures the extent to which web-powered ICT is contributing to the growth of SMEs. A higher score implies a higher contribution of ICT to growth of SMEs in the country.*	50	75	63	75	38	25	100	100
	Overall score	**58**	**55**	**50**	**50**	**43**	**39**	**89**	**79**

3. Readiness across growth markets

Assessing the scorecard

In analysing the scorecard and comparing these growth markets, the countries can be categorised as follows:

There are varying degrees of readiness for alternative credit providers across growth markets.

Disruption hotbeds

South Africa and China are significantly more advanced than other growth markets overall and **poised to develop alternative models that fully utilise developed connectivity and payment networks**.

Disruptive potential

Kenya, India and Indonesia are countries with **high potential for disruption by alternative credit providers, but fall behind the 'hotbeds' primarily due to liquidity issues and lagging technologies (payment infrastructures, internet connectivity)**. This suggests the development of alternative models in these countries will require unique solutions to overcome these obstacles, such as shorter tenor loans and collections via mobile money. These models could well leapfrog and disrupt traditional banking dominance in these countries.

Laggard

A narrow payments environment and lack of liquidity places Nigeria at the bottom of the ladder for enabling alternative credit providers. Advancement in technological infrastructure and the financial system overall are needed to enable alternative players to thrive in these markets.

The main obstacles to the expansion of alternative credit providers in growth markets include development of payments infrastructure, penetration of new distribution channels and availability of local liquidity.

At a micro-level, within individual countries, we have observed specific features that may allow new entrants to take advantage of certain opportunities, or require them to overcome certain challenges:

- The mobile financial services market in Kenya, for example, is dominated by Safaricom (c. 90%[4] market share). Therefore despite the significant volumes of lending that takes place through mobile channels such as M-Shwari, **one player ultimately controls the rich pool of data**, lowering its score on that scale in our scorecard, and potentially stifling the ability for other competitors to enter the market
- **India has good levels of liquidity relative to other growth markets, but its nascent payment infrastructure and low (but growing) penetration of smartphones causes it to lag behind peers**. Nonetheless, Apis believes the market is changing and these two obstacles are rapidly being overcome. The Reserve Bank of India (RBI) is focused on driving financial inclusion with initiatives which should underpin the expansion of payment infrastructure (such as the introduction of payment bank licenses and a drive to increase ATM access and card issuance), and the recent auctions of mobile bandwidth spectrum are likely to increase the availability of data, and in-turn adoption of smartphones
- **Nigeria unfortunately is facing several challenges in parallel: poor liquidity, low connectivity and underdeveloped payments infrastructure**. None the less, we note that the Central Bank of Nigeria is considering its historically restrictive stance on mobile money and how adjustments to the current regulatory environment may foster financial inclusion.

It is important to recognise that our scorecard, like any, reflects a specific moment in time, and that **the pace of development in many of these markets is increasing rapidly**. As such, Apis believes that providers who are able to acquire customers in these growth markets in the interim will be able to 'ride the wave' of expanding local payment systems, deepening local pools of liquidity and the increased online connectivity across these regions in the near future.

In the following section we consider specific case studies of alternative credit providers in growth markets that have successfully overcome some of the obstacles outlined above and have disintermediated parts of the banking value chain.


M-PESA
15:59
Send money
Withdraw Cash
Buy airtime
M-Shwari
Lipa na M-PESA
My account

4. Case studies

In this section we outline **specific case studies of alternative credit providers in our target growth markets, and detail how their offerings relate to each of the seven drivers detailed in Section 2**. For convenience, the names of these seven drivers have been simplified as follows:

1. Growth of new distribution channels: **Distribution**
2. Under-penetration of formal financial services: **Product**
3. Availability of new data sources to assess credit risk: **Scoring**
4. Improving payments infrastructure: **Collection**
5. Increasing sources of local liquidity: **Funding**
6. Progressive regulation on emerging providers and increased oversight on incumbents: **Regulation**
7. Rise of hosted cloud based infrastructure services: **Infrastructure**

For reference, the seven case studies detailed in this section can be identified with respect to the landscape diagram presented in Section 2, as below. We would like to acknowledge and thank the contributions of the companies featured as case studies in this section.

Figure 6: Case studies chosen within the landscape of alternative credit providers in growth markets

	Consumer / SME	Consumer				SME
Product	**Credit scoring**	**Airtime advance**	**Nano loans**	**Personal loans**	**Long-tenor loans**	**Business loans**
Size	*Not applicable*	**$0.5-$2.0**	**$2-$50**	**$50-$300**	**$300 +**	**$500 +**
Tenor	*Not applicable*	**1-14 days**	**2-14 weeks**	**1-6 months**	**6 months +**	**6 months +**
Mobile orientated	1 cignifi, first access, trustingsocial, Lenddo, EFL, VisualDNA, friendly score	2 Experian, 3 tiaka, mode, mCARBON, upstream, SimCredit., comza, Aerotime	JUMO, inVenture, L-PESA MICROFINANCE			
Hybrid model			mode, 4 M-Shwari, KCB M-PESA, m-pawa	CashCredit, mobicred		KOPO KOPO
Traditional banking channel				5 GetBucks, 6 Kreditech, yuppie cash, wonga, Kenna loans, Boodle	afb, BAYPORT, ONECREDIT, Letshego	7 NeoGrowth, CAPITAL FLOAT, Lulalend, RETAILCAPITAL

Source: Apis Partners

1 Cignifi - *Cignifi Risk Score*

Founded in 2010, Cignifi has developed a big data analytics platform to deliver credit and marketing scores using mobile phone behaviour data from tens of millions of pre-paid customers. It is working with MNOs and financial institutions in 12 markets globally including Brazil, Mexico, Chile, Kenya and the Philippines. Cignifi scores identify qualified leads for a range of credit products including consumer loans, credit cards, and mobile credit products.

Driver	Details
Distribution	Cignifi offers its credit scores for MNOs and FIs to use in conjunction with their traditional credit models. These products are distributed either through MNOs or through traditional banking channels. Cignifi itself is integrated directly into the mobile phone databases it utilises from MNOs, and delivers scores to its clients through an application programming interface (API). Scores can be delivered on demand (to qualify 'thin-file customers' at the point of application), or in batches to power product marketing campaigns.
Product	The Cignifi Risk Score translates raw mobile phone data into scores that measure the default probability of thin-file customers. The Company says its big data engine can calculate a person's score with as little as four week's calling history, as they see mobile phone usage as being highly predictive of an individual consumer's lifestyle and risk.
Scoring	The Company's scoring products are customised based on product characteristics and risk parameters. Scores are re-calibrated based on payment / response information, so that models evolve with live performance data. While the Company utilises mobile phone data, it does not use web browsing data or content from calls or texts in order to protect privacy. Scores are only disclosed to third parties with customers' express consent; Cignifi has no access to personally identifiable information such as names, addresses, and phone numbers.
Collection	*Not applicable - dependent on the specific products of MNOs or FIs that are utilising Cignifi's credit scoring service.*
Funding	*Not applicable - dependent on the specific products of MNOs or FIs that are utilising Cignifi's credit scoring service.*
Regulation	To date, many of the players in the alternative credit scoring market do not fall directly within established credit bureau guidelines, which have historically focused on the provision of bank data to central bureaus that are licensed by local regulators. Where guidelines do exist, they traditionally focus on ensuring that customers are aware of the use of their data and privacy. As regulators become more attuned to the value of MNO data to aid financial inclusion, it is expected that players such as Cignifi, and others, will increasingly fall within formal credit bureau guidelines.
Infrastructure	Cignifi utilises a secure cloud based platform that includes a complete end-to-end automated system for encryption, upload, normalisation, processing and score generation for tens of millions of customers.

4. Case studies

2 Experian MicroAnalytics - *Dynamic Airtime Advance*

Experian MicroAnalytics is a business unit of Experian Group that specialises on creating credit risk profiles for millions of people in growth markets, and offers them easy access to credit. Their Dynamic Airtime Advance (DAA) service seeks to create a 'post-paid experience for the prepaid subscriber base', by offering airtime credit or selected bundles in real time when their airtime reaches a low or zero balance. The DAA service is generally white labelled by MNOs as a value added service for their subscribers and is live across South East Asia, Asia Pacific, Western Africa, Central America and Europe.

Driver	Details
Distribution	Airtime credit is loaded onto customers' phones instantly once they receive, and subsequently accept, an airtime advance offer by SMS or USSD. The product can also be set to be received automatically once a low balance is reached, if customers become eligible.
Product	Offered to pre-paid mobile phone subscribers in growth markets who take micro loans of airtime typically of $0.50-2.00, to allow them to keep using their mobile phones, or purchase of a value added service, when topping up is not possible or convenient.
Scoring	The amount of airtime advance and service fee offered, is personalised to customers and is based on a sophisticated scoring model that utilises the Company's advanced analytics and credit risk platform, and pre-paid mobile phone data. The airtime advance offer is optimised for response rate (to the offer), amount (size of advance), pricing (service fee charged), and credit risk.
Collection	Collection occurs when customers top-up via their usual channels (including agent networks, outlets, mobile wallets and online), where the due amount is deducted automatically (though never the total amount, which ensures customers always have airtime available), and provides an SMS confirmation of the reimbursement and / or the outstanding amount.
Funding	Experian MicroAnalytics pre-purchases airtime from MNOs for distribution, and hosts and manages the DAA service and airtime offer strategies. Though other funding models in the airtime advance market include the MNO and airtime advance provider establishing profit share agreements, with risk shared between both parties. The key to all these arrangements is the very short tenor / high turnover of airtime 'inventory' which significantly limits the working capital requirements and thus overcomes a number of constraints on 'liquidity' in growth markets.
Regulation	Credit scoring via mobile usage data is not required to be shared with credit bureaus, unlike traditional bank lending data. However, customers need to 'opt-in' to the use of their anonymised data (for scoring) at the point of gaining the airtime advance.
Infrastructure	*Not available*

3 **Tiaxa -** *Nano-Credit loans*

Tiaxa is a mobile infrastructure, airtime advance and nano-loan company present across 20 countries in Asia, Latin America and Africa. The Company offers airtime advance and nano-loans to customers via its MNO and utility services clients in these regions. The Company's Nano-Credit product offers unsecured loans directly to customers' mobile money wallets, either on an on-demand basis, or automatically (a real-time overdraft facility).

Driver	Details
Distribution	For the automatic overdraft product, an SMS invite offer is sent to eligible customers, who upon opting in, have a Tiaxa sub-account (with credit line) activated within their mobile wallets. This sub-account is then utilised when users have insufficient regular mobile money balances for a transaction, and can be repeatedly accessed until the credit line is consumed. For the on-demand product, customers can request credit from Tiaxa via USSD, SMS, IVR or telephone, and are scored instantly, with funds then deposited in their mobile wallets.
Product	Nano-Credit loans are offered to eligible pre-paid mobile money subscribers who often do not have a traditional credit score. Loan sizes offered are usually $2-25, with maturities of 30 days.
Scoring	The Company has experience of scoring over 100 million mobile subscribers based on mobile usage patterns through its airtime credit offering - it is applying this in a proprietary scoring algorithm for offering Nano-Credit loans.
Collection	Customers make repayments via their mobile money account (where loans are disbursed), loans are recovered upon a cash-in event, and Tiaxa assumes the full credit risk.
Funding	Lending is funded through the Company either via debt or equity, with overall capital requirements limited by the high-turnover of the loans (c. 8-12x per annum). Ultimately this allows the business to operate profitability even in markets with high costs of capital.
Regulation	Mobile money loans fall under mobile money regulations, which have largely been progressive in nature in order to further financial inclusion.
Infrastructure	*Not available*

4. Case studies

4 M-Shwari - *M-PESA based savings and credit account*

M-Shwari is a banking product that allows customers of the ubiquitous M-PESA mobile wallet in Kenya, to save (earning interest) and borrow (including affordable emergency loans) through their phones. It was formed in 2012 through a strategic partnership between mobile network operator Safaricom and Commercial Bank of Africa (CBA).

Driver	Details
Distribution	The uniqueness of the product at launch was that it was the first savings and loan product available that leverages M-PESA's unparalleled reach; about 70% of Kenya's adult population[5] use M-PESA to make five times as many monthly transactions in the country as credit and debit cards combined. M-Shwari accounts are accessed directly via the M-PESA menu on a mobile device.
Product	For many M-PESA customers, opening an M-Shwari account takes less than 30 seconds as CBA is able to use the existing KYC details that Safaricom has collected during customer registration of the SIM card and M-PESA account. This information is then cross-referenced with the national ID system to enable instant and remote account opening. M-Shwari pays interest of between 2 and 5%, based on customers' average daily balances, and deposits are also protected up to about $1,200. M-Shwari loans have tenors of 30 days and come with a 7.5% facilitation fee, with an average loan size of $15. CBA issues the account and bears the entire credit risk.
Scoring	Credit scoring utilises customers' Safaricom phone and M-PESA usage history; CBA uses an algorithm based on customers' use of Safaricom services to assess credit-worthiness, assign individual credit limits, and lend to new M-Shwari applicants.
Collection	Collections are paid via the mobile wallet itself; it is free to transfer funds between M-PESA and M-Shwari an unlimited number of times, and no airtime or M-PESA balances are be transferred to service a loan without customers' consent.
Funding	As M-Shwari is a bank account issued by CBA, CBA provides the capital to fund the M-Shwari loan portfolio.
Regulation	M-Shwari is subject to all the regulatory requirements of a bank account in Kenya. CBA is responsible for regulatory compliance and reporting to the credit bureau.
Infrastructure	*Not available*

5 GetBucks - *Short term loans, Instalment credit*

GetBucks is a South Africa based fully online consumer lender, with a presence in 11 countries across Central and Southern Africa and Europe, serving over three million clients with short-term credit, instalment credit and insurance products. Customers are provided a personalised online dashboard which allows them to manage and track their financial behaviour through their credit bureau history and a budgeting which reinforces positive credit behaviour.

Driver	Details
Distribution	Disbursement of loans is mainly via bank transfer though also to mobile wallets. Customers apply for loans online, where they are scored instantly, can electronically sign loan agreements, and can receive funds within an hour if all supporting customer KYC documentation details are verified.
Product	GetBucks short-term loans are for formally employed clients and offer short-term credit (one to six months), and instalment credit (six to sixty months) options.
Scoring	Scoring of customers is undertaken using proprietary software based on traditional and alternative data (15,000 data points) for assessment.
Collection	Collection channels utilised are deductions at source, debit, electronic fund transfer (EFT) and mobile payments.
Funding	Funding is via traditional debt and equity investors. The Company's recent acquisition of Opportunity International's six banks serving sub-Saharan Africa will also allow it to leverage local deposit bases in those countries.
Regulation	Generally regulated as a micro lending entity, for which the regulatory outlook is positive.
Infrastructure	Utilises cloud based architecture on all systems, which are continuously monitored for redundancy.

4. Case studies

6 Kreditech - *Online loans*

Kreditech uses big data and proprietary credit scoring algorithms to provide underbanked consumers in Poland, Spain, Czech Republic, Russia and Mexico with custom-tailored loans delivered quickly and transparently online. Since its founding in 2012, Kreditech has scored more than two million individual loan applications, using up to 20,000 data points per application.

Driver	Details
Distribution	Applications for loans are predominantly made online, and funds are disbursed directly to consumers' bank accounts within 15 minutes of acceptance following a fast decision and approval process.
Product	Kreditech's loans range from €80 (up to 30 days (microloans)) to €7,000 (up to 48 months (instalment loans)).
Scoring	Kreditech has developed a proprietary credit scoring technology which uses big data and machine learning to process up to 20,000 data points per loan application and score a customer in less than one minute.
Collection	Kreditech is in the process of implementing an automated collections system that is designed to offer the most appropriate repayment solution for each customer, including via direct debit and agent collections.
Funding	Kreditech is thought to be the first alternative lender to successfully execute a sizeable securitisation transaction in Europe; the Company set up an off-balance sheet warehousing solution for refinancing its microloans and instalment loans book, which allows for the cost of capital to be spread over multiple loans.
Regulation	The increased focus on financial inclusion by regulatory bodies is fostering a favourable regulatory stance towards alternative lenders which are able to serve segments that have historically been left underserved by traditional incumbents.
Infrastructure	*Kreditech serves customers with its own fully-automated underwriting technology, which processes the entire lending value chain.*

7 NeoGrowth - *NeoCash merchant cash advance*

NeoGrowth provides unsecured loans to small retailers (both physical and online) in major Indian cities including Mumbai, Delhi and Bangalore, for financing working capital needs and capital expenditures. Merchants are not required to pay fixed monthly instalments, but instead make automatic repayments as a portion of their sales made with electronic card payments (card settlement). This form of repayment is aligned with merchants' often uneven sales cycles, and there is no penalty if the tenure extends beyond what has been estimated for each merchant by NeoCash (based on average card sales in the past).

Driver	Details
Distribution	Applications for loans can be made online or over the phone, and funds are disbursed directly into merchants' bank accounts within 24 hours after an accepted application.
Product	NeoCash loans of $1,500 to $100,000 are available for small to medium sized merchants. To be eligible, merchants must have at least 6 months to 1 year of prior trading history and a minimum monthly card turnover of $3,000.
Scoring	The Company conducts automated underwriting and monitoring using thousands of data points which enable loans to customers with poor or limited credit history.
Collection	The Company has partnered with multiple acquirers and marketplaces, providing multiple repayment options to its customers including daily automatic collections against card settlement.
Funding	Funding for NeoCash loans is through a combination of equity and local rupee-denominated bank debt, securitisation and subordinated debt (tier II capital).
Regulation	The Company is regulated as a non-banking financial company by the RBI, for which the regulatory outlook is positive.
Infrastructure	The entire loan process from application to funding is managed by NeoGrowth's proprietary platform.

5. Implications for banks

As outlined in this paper, **alternative credit providers are disaggregating the banking value chain in growth markets**. The drivers discussed in Section 2 outline the reasons behind this emerging story, though Apis' view is that **banks and other traditional institutions should recognise these drivers as the features of the current operating environment** and should consider these the 'new normal' - they should be prepared to adapt.

Banks should recognise that the business environment has changed.

Whilst alternative credit providers do have some distinct operating advantages, **traditional banks also have specific advantages in the form of a robust capital base, regulatory support, risk management expertise, specialised human capital and perceived stability in the eyes of customers they have gained by operating for longer than alternative players, and weathering multiple credit cycles**.

Apis believes that rather than viewing alternative credit players as competitive forces that cannot be stopped, **banks in growth markets should recognise this to be an opportune moment to revisit their traditional models and leverage their advantages to innovate and meet the demand for formal financial services from new customers in these regions**. Our view is that banks in growth markets will have better chance of avoiding 'being broken' by alternative credit providers if they take a few of the following suggestions into consideration:

Banks should embrace the opportunity to adapt their business model and leverage their advantages.

Consider the implications of technology in capital allocation decisions

As Canadian ice hockey player Wayne Gretzky famously stated, 'skate to where the puck is going to be'; growth markets banks will need to reflect on the **dynamics around innovation in their local markets in terms of distribution, operations, payments infrastructure and regulation, when making capital allocation decisions**. For example, Equity Bank's investment into its agent network (as opposed to branches and ATMs) has allowed the Bank to expand its reach significantly without the requisite capital investment

Leverage core skill-sets and partner with best-in-class providers

The bank of the future is unlikely to be able to provide its clients a full-suite of services and channels at the level and speed they require. As such, it will be key for banks in both developed and growth markets to **focus on the core functions that differentiate them from alternative providers**. For example Moven, a US based digital bank, allows banks to white-label its interface and thus move development costs outside of the bank and to a specialist firm able to focus on delivering a seamless customer experience

Consider value added services as a means of expanding data collection

Banks have traditionally had a very narrow view on 'data'. However, as alternative providers have shown, the proliferation of digital devices means that there is an opportunity to be proactive in the collection and analysis of client data. Specifically, **banks will benefit from the optimal use of 'open-source' data as well as 'proprietary' data**. 'Open-source' data is rapidly becoming commoditised and is easily accessible to banks, conversely 'proprietary' data, which is collected by primary means (often through value added services), can represent a source of competitive advantage. The use of both categories of data can supplement any existing proprietary lending and repayment history data that banks have on their customers, and can ultimately help improve pricing, segmentation and portfolio efficiency

Technology, additional services, customer experience and partnerships are key areas banks need to consider to avoid 'being broken'.

Manage the customer experience

A key element of the success of alternative credit providers in growth markets has been their ability to provide products that are easily accessible through efficient and convenient distribution and collection channels. As such, **growth markets banks can benefit from moving away from product silos and towards a more customer centric approach**, where purchase decisions can be made across convenient channels via automated functions. Barclays in the UK for example has focused on enabling customers to identify a product and initiate a purchase within 6 clicks across mobile and internet channels. This speed is achieved either through pre-approval of existing customers for simple products (such as overdrafts and credit cards) or by simplifying the sales process to the minimum required to capture customers' data, and then allowing for subsequent follow-up.

One thing is certain, the opportunity for growth markets credit providers, both alternative and traditional, is vast, and with new ways to serve new sets of customers that previously could not be reached, the pie is expanding for all.

5. Implications for banks

Apis Partners focuses on being a value-added investor capable of working directly with financial services firms to drive innovation through the application of technology. In this regard, Apis can assist growth markets financial services providers, both traditional and alternative, in three ways:

Mechanism	Description
 **Incubate / Build**	Identify the key competencies that need to be retained and build upon them. Apis Partners is able to bring its broad knowledge of best practices in the financial services industry to help providers identify and accelerate ideas for further development
 **Invest / Buy**	Identify strategic investment opportunities that develop capabilities, increase access to new markets or amplify synergies that align with long-term strategy. Apis Partners has an extensive network in financial services and is able to leverage these relationships to identify attractive opportunities in growth markets
 **Venture / Partner**	Identify complementary external opportunities to co-develop models to achieve scale and innovation. Apis' extended network of early and growth stage companies and entrepreneurs can help financial services providers build alliances and partnerships

Appendix

Section 3 Scorecard methodology

To create the scorecard in Section 3, we used the set of indicators detailed below to provide a quantitative view of how each of the seven drivers gave rise to alternative credit providers in specific growth markets. For each driver, a number of indicators were used, and each was given an equal weighting within that driver. For example, for the '1. Growth of new distribution channels' driver, metrics for the number of internet users, mobile cellular subscriptions, fixed (wired) broadband subscriptions, and smartphone penetration were utilised, and all four were given an equal weighting to make up the total score provided to each country for this driver.

Scores for each country were then calculated on a relative basis: we identified the country that had the highest value for each overall driver, and this was then given the maximum score of 100, with the other countries rebased with scores of 1-100 on a relative basis to the country with the highest value.

Details of the indicators utilised that make up each driver are detailed below:

Driver	Indicator and source	Definition
1  **Growth of new distribution channels**	**Internet users** *(World Bank - 2014)*	People with access to the worldwide network. (per 100 people). Source: World Bank, World Development Indicators.
	Mobile cellular subscriptions *(World Bank - 2014)*	People with mobile cellular subscriptions that offer voice communications. It excludes subscriptions via data. Includes both pre and post paid subscribers. (per 100 people). Source: World Bank, World Development Indicators.
	Fixed (wired) broadband subscriptions *(World Bank - 2014)*	People with subscriptions to high-speed access to the public Internet, excluding internet access through mobile cellular networks. (per 100 people). Source: World Bank, World Development Indicators.
	Smartphone penetration *(Huawei Global Connectivity - 2013)*	Percentage of population that owns a smartphone and can access the internet through their mobile device. Source: GSMA Database.
2  **Under-penetration of formal financial services**	**Coming up with emergency funds: not very to not at all possible** *(World Bank Global Findex - 2014)*	Percentage of population age 15+ who report that in case of emergency it is not at all or not very possible for them to come up with 1/20 of GNI per capita in local currency within next month. Based on survey of a sample population. Source: World Bank Global Findex Database.
	Gap between formal and informal borrowing *(Calculated from World Bank Global Findex - 2014)*	Calculation: Difference between percentage of population who report borrowing any money from informal sources including friends, family, a private informal lender, store or employer in the past 12 months and the percentage who report borrowing from formal financial institutions. Based on survey of a sample population. Source: World Bank Global Findex Database.
	Ease of getting credit rank *(World Bank Doing Business Index - 2014)*	Proxy to measure how easy or difficult it is for SMEs to obtain financing. The Ease of Getting Credit Rank measures the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending to SMEs. The metric is part of the World Bank's Doing Business Project, which measures and compares regulations relevant to the life cycle of a small to medium-sized domestic business in 189 economies. The higher the value, the harder the conditions of obtaining credit for SMEs.
	Access to finance as a major constraint *(World Bank Enterprise Surveys - 2009-2014)*	IFC Enterprise Finance Gap Database uses data from World Bank Enterprise Surveys to estimate the number of MSMEs in 177 countries and the degree of access to financial services. This metric is based on a survey of a sample population of SMEs and calculates the percentage of respondents who identify access to finance as a major / severe barrier. US and UK data is from Federal Reserve and British Banker's Association.

Appendix

Driver	Indicator and source	Definition
3  **Availability of new data sources to assess credit risk**	**Depth of Credit Information Index** *(World Bank - 2014)*	Measures rules affecting the scope, accessibility, and quality of credit information available through public or private credit registries. The index ranges from 0 to 8, with higher values indicating the availability of more credit information. Source: World Bank, World Development Indicators.
	Private credit bureau coverage *(World Bank - 2014)*	Reports the number of individuals or firms listed by a private credit bureau with current information on repayment history, unpaid debts, or credit outstanding, expressed as a percentage of the adult population. Source: World Bank, Doing Business Project.
	Global Connectivity Index *(Huawei - 2013)*	Index developed by Huawei that measures and forecasts the digital connectivity potential taking into account a country's investment in the ICT sector in key technologies such as Cloud, Big Data, Internet of Things, Broadband and Datacenters. The index has a maximum score of 100, implying higher 'connectivity' and potential for big data access.
4  **Improving payments infrastructure**	**Electronic payments** *(World Bank Global Findex - 2011)*	Percentage of population age 15+, who used electronic payments (wire transfers online) in the past 12 months to make payments on bills or to buy things using money from their accounts. Based on survey of a sample population. Source: World Bank Global Findex Database.
	ATM Penetration *(World Bank Global Findex - 2011)*	Number of ATMs per 100,000 people. Source: International Monetary Fund, Financial Access Survey.
	Made transaction from an account at financial institution using mobile phone *(World Bank Global Findex - 2014)*	Percentage of population age 15+ with an account at a bank or another type of financial institution who made a transaction with money from their account using a mobile phone in the past 12 months. This can include using a mobile phone to make payments, to make purchases, or to send or receive money. Based on survey of a sample population. Source: World Bank Global Findex Database.
	Mobile phone used to receive money *(World Bank Global Findex - 2011)*	Percentage of population age 15+ with a bank account, who used a mobile phone to receive money in the past 12 months. Based on survey of a sample population. Source: World Bank Global Findex Database.
	Mobile phone used to send money *(World Bank Global Findex - 2011)*	Percentage of population age 15+ with a bank account, who used a mobile phone to send money in the past 12 months. Based on survey of a sample population. Source: World Bank Global Findex Database.
	Debit card penetration *(World Bank Global Findex - 2014)*	Percentage of population age 15+, with a debit card. Based on survey of a sample population. Source: World Bank Global Findex Database.
5  **Increasing sources of local liquidity**	**Depth of Financial Markets** *(World Bank - 2011)*	Measure of the size and liquidity of capital markets in the country. This indicator takes into account the total stock market capitalization and other private debt securities. As a percent of GDP Source: World Bank Global Financial Development Database.
	Depth of Financial Institutions *(World Bank - 2014)*	Measure of the size and liquidity of banks and other financial institutions in the country. This indicator takes into account the total domestic credit provided by the financial sector as a percent of GDP. Source: World Bank Global Financial Development Database.
	Efficiency of Financial Markets *(World Bank - 2011)*	Measures how efficient financial markets are in intermediating resources and facilitating financial transactions. This indicator takes into account stock market turnover ratio (total value of shares traded divided by the average market capitalization) in each country. Source: World Bank Global Financial Development Database.

Appendix

Driver	Indicator and source	Definition
6  **Progressive regulation on emerging providers and increased oversight on incumbents**	**Change in the Index of Bank Capital Regulations** *(World Bank & UC Berkeley Analysis - 2001-2012)*	An index developed by researchers at UC Berkeley that measures the stringency of bank capital regulations based on the amount of capital banks must hold and regulations on the nature and source of regulatory capital, using data from the World Bank's 'Bank Regulation and Supervision Survey', carried out by the World Bank between 2001 and 2011. This indicator measures the change in the index between results from the first survey (2001) and the last survey (2011). Larger numbers indicate greater stringency.
	Change in the Index of Official Supervisory Powers *(World Bank & UC Berkeley Analysis - 2001-2012)*	An index developed by researchers at UC Berkeley that measures the degree to which the country's bank supervisory agency has the authority to take specific actions on banks, using data from the World Bank's 'Bank Regulation and Supervision Survey', carried out by the World Bank between 2001 and 2011. This indicator measures the change in the index between results from the first survey (2001) and the last survey (2011). Larger numbers indicate greater power.
	Change in the Index of Private Monitoring *(World Bank & UC Berkeley Analysis - 2001-2012)*	An index developed by researchers at UC Berkeley that measures the degree to which the regulatory and supervisory policies can also shape the ability of private investors to monitor and exert effective governance over banks, using data from the World Bank's 'Bank Regulation and Supervision Survey', carried out by the World Bank between 2001 and 2011. This indicator measures the change in the index between results from the first survey (2001) and the last survey (2011). Larger values indicate regulators have greater power to shape the monitoring of banks by private investors.
7  **Rise of hosted cloud based infrastructure services**	**ICT contribution to growth of SMEs** *(Web Foundation - 2014)*	Primary data provided by the Web Foundation which measures the extent to which web-powered ICT is contributing to the growth of small and medium enterprises (SMEs).

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Apis Partners

Matteo Stefanel - Managing Partner & Co-founder, Apis Partners

Matteo has a successful track record in private equity and investment banking spanning nearly two decades and focusing specifically on Growth Markets and Financial Services.

Formerly a senior partner at The Abraaj Group, the world's leading EM private equity group, he held various roles there, including co-Head of Abraaj's PE Investment Team in Dubai ($7bn), Head of both the Special Situations and the Real Estate Group as well as being a member of the Executive and the Investment Committees.

He was responsible for a number of Abraaj's investee companies (10+), including Network International (payments), Saham Finance (insurance), and Jordan Ahli Bank (banking). Matteo has been a board director of over 20 companies and completed over 100 transactions in Europe (including CEE), South Asia, the Middle East and Africa, throughout his career at Abraaj, at MIG ($7.4bn AUM) where he was briefly CIO, and at Deutsche Bank as MD and co-Head of Emerging Markets in the Financial Institutions Group.

Since 2012, Matteo has been a member of the World Economic Forum's Global Agenda Council on Financing and Capital (2012-14 and 2014-16). Originally from Italy, Matteo has an MA (Hons) in Philosophy, Politics and Economics from Queens College, the University of Oxford.

Udayan Goyal - Managing Partner & Co-founder, Apis Partners

Udayan is a keen proponent of technology driven reformation in banking and financial services and has exceptional domain expertise in this space. He is also a Founding Partner at Anthemis Group and is a prolific investor, having made seed investments in (Bank)Simple, Azimo, Ininal, IOCS, Huddlebuy and Earthport. He serves as a Board Director with Moven and Zyfin and also advises several digital financial startups, including those in the Anthemis Group portfolio. He has led a number of innovation projects including, most recently, Zapp, a UK mobile payments system sponsored by Vocalink. Udayan is a much sought after commentator on digital finance and curates the very popular "Future of Money" annual session at Innotribe, SIBOS, where he also serves as a member of the board.

He was formerly the Managing Director and Global Head of Financial Technology Advisory at Deutsche Bank AG in the Global Financial Institutions Group based in London. Prior to Deutsche Bank, Udayan had specific responsibility for developing the pan-European specialty finance practice of Credit Suisse with a focus on financial technology. Udayan graduated from Trinity College, Cambridge with an MA (NatSci Tripos).

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Apis Partners is a private equity asset manager that supports growth stage financial services businesses in Africa and Asia by providing them catalytic growth equity capital. Apis consists of a tried-and-tested team who has worked together for over 15 years, with specialised expertise in financial services and technology in growth markets garnered in leading firms in private equity and investment banking. From the outset, Apis counts on industry-specialised human capital, resources and an attractive pipeline of opportunities. Apis' operating network includes on-the-ground presence in 5 countries, a core team of 12 investment professionals and over 20 additional financial services sub-sector experts.

Apis Partners is highly conscious of the developmental impact that the provision of growth capital for growth markets financial services can achieve, and it has incorporated financial inclusion as a core tenet of its investment mandate.

Apis Partners is the manager of Apis Growth Fund I.

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