

Microfinance Decision Support System



REACHING CUSTOMERS IN A MASS MARKET.

Access to financing is not just a convenience. For many of the world's poor, microfinance is a means to a livelihood, supporting business development and spurring activity among producers, suppliers, and consumers—so markets work for the poor. Providers of microfinance face certain challenges in making cost-effective lending decisions:

- Target the most promising geographic areas,
- Assess the needs and risks of the most desirable potential customers, then
- Match those potential customers to the most appropriate services and products.



NATHAN
ASSOCIATES INC.

Nathan India has the next-generation analytical tools necessary to meet these challenges.

the methodology

These systems are based in sound economics, empirical research, and statistical techniques applied in four steps. We

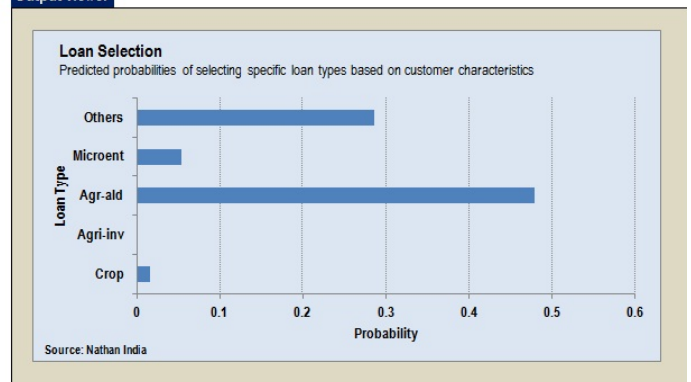
- Identify key performance indicators,
- Build advanced economic and statistical models,
- Test the models empirically, and
- Design a user friendly interface.

Unlike other software tools whose generic models are assumed to be applicable to any market, our economic models control for local conditions and are based on data from the specific MFI and other primary and secondary sources. The result is a product tailored to the operations and market conditions of specific MFIs.

Simple system interface miminizes staff training. Shown here are input and output screens for assessing the needs of potential MFI customers.

CUSTOMER NEEDS ASSESSMENT TOOL		
Instructions:		
1. Please enter values using the drop down menu in the cells shaded in green.		
2. Column C guides the entry of responses.		
Factor Question	Response guide	Response
1. Demography		
1.1 Sex	Male=1, Female=0	0
1.1.1 Marital status	Married=1, Unmarried=0	0
1.2 Family size		0-2 members
1.3 Age		18-30 years
2. Economic Status		
2.1 What is your annual income?		8K-25K
2.2 What is your primary occupation?		Agriculture
3. Asset Base		
3.1 What is the nature of your dwelling?		RCC
3.2 How would you classify your asset base?		Poor
4. Education		
4.1 What is your educational qualification?		HSC

Output Viewer



the benefits

Grounded in the needs and operational context of a specific MFI, Nathan India's microfinance decision support system

- Provides an empirical basis for deciding where to expand operations,
- Identifies socioeconomic attributes that drive demand for products and services,
- Makes matching of potential customers to products and services efficient, and
- Reduces reliance on "intuition" in assessing risk.

The system is also easy to use and to master, so the staff of the MFI needs only minimal training.

the tools

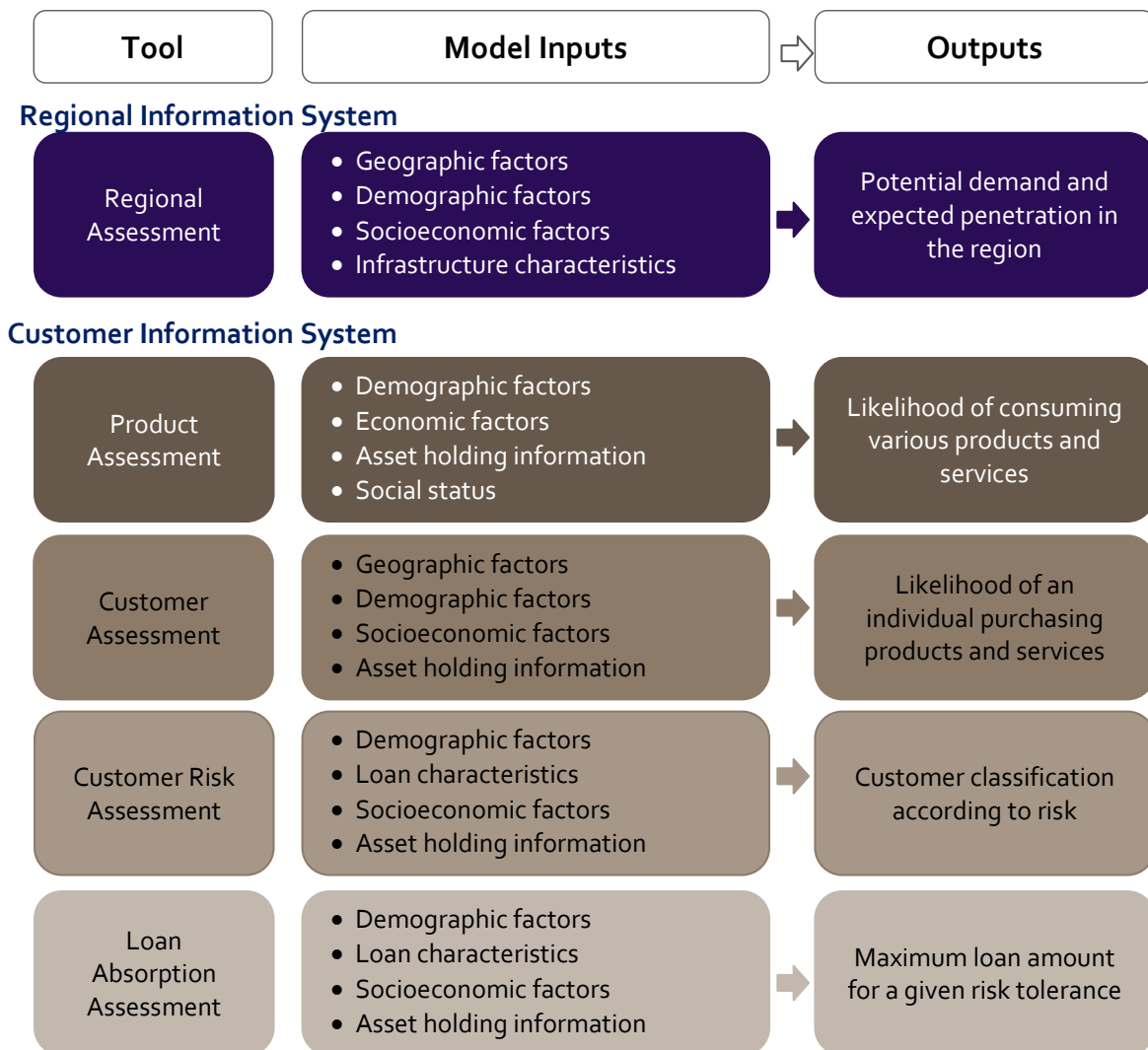
Our Regional Information System (RIS)

- Assesses market potential by estimating market penetration and aggregate demand, and
- Ranks the potential geographic areas (e.g., regions, districts, villages, and metro areas) on the basis of business potential, competition, infrastructure and risk.

Our Customer Information System (CIS)

- Assesses the needs of potential customers,
- Evaluates their propensity to consume specific financial services and products, and
- Quantifies their risk and credit absorption limits.

Highly tailored model, based on microfinance provider data and other primary and secondary sources



sample application

ADDING RIGOR AND ASSESSING POTENTIAL. We developed a customer risk assessment tool that added scientific rigor to the loan approval process of a leading MFI in India. Using loan history data from over 75,000 customers in 7 states, we developed sophisticated econometric models to quantify the risk of potential customers on the basis of their socioeconomic attributes and the characteristics of the loan being sought. To help the MFI decide where and how to expand operations, we developed a regional assessment tool to identify villages with the greatest potential demand, and a customer assessment tool to map potential customers to the MFI's micro products and services.

about Nathan India

Nathan Economic Consulting India Private Limited—Nathan India—is an economic consulting firm specializing in survey design and research, market and business analytics, and competition policy.

The analytical work of our economists and researchers drives the strategies of innovators and leaders in banking, microfinance, entertainment, and knowledge process outsourcing and in government ministries. Nathan India applies economic theory and econometric and statistical tools to solve business and economic problems and to gauge the impact of everything from pricing strategies to policies and regulations.

Our parent firm is Nathan Associates Inc., one of the world's first economic consulting firms and headquartered near Washington DC, with offices in California and the United Kingdom.

contact us

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