

E-SIGNATURE FOR BETTER DELIVERY OF MICROFINANCE SERVICES

CATEGORY: TECHNOLOGICAL INNOVATION

Objective of Good Practice:

This practice was introduced to accelerate MFIs' procedures to improve efficiency and to reduce barriers faced by micro-entrepreneurs.

Year of Inception of Good Practice:

2020

Keywords:

E-Signature, Reliability, Digitalisation

Overview of Good Practice

The purpose of the electronic signature is, like that of a handwritten signature, to demonstrate to a third party that a certain document has been approved by an identified person (the client). It is a reliable engagement mechanism that uses cryptographic techniques, and its process is overall simple, as all that is needed for the MFI is to identify a provider whose system is compliant with existing regulatory framework and procedures. The legal framework for e-signatures is set by European Regulation (No 910/2014) which envisages different levels of e-signature, each with different guarantees and different constraints and modalities of implementation.

In the case of simple e-signature, which is the type used by ADIE, regulations for their usage and implementation are set by national legislation. To implement e-signatures an external provider, previously selected by the MFI based on several criteria, is required. Some of the criteria ADIE looked at were availability of contacts, ease of implementation, user experience, document storing process. Only one provider answered all the criteria for ADIE and was therefore chosen. Loan officers use the portal of the provider to upload the required information and to issue a contract that will thereafter be shared for signature with a client. The solution chosen by ADIE offers a simple level signature and is also used by the European Commission.

The portal can either be totally external to the organisation, or it can be linked to the organisation's MIS. The former solution is the quickest and easiest to implement, and it was the one chosen by ADIE in the first months of implementation of the project. The latter, included by ADIE in the second phase of the project, requires greater effort and involvement of the IT department and can result in delays in implementation, but saves time in the long run as loan officers can directly access the contract from the institution's MIS.

ADIE held internal focus groups at the beginning of the process, to ensure that the solution implemented would be aligned with loan officer and clients' needs and expectations. As clients can encounter difficulties with complicated and high-level technology and procedures, ADIE made sure to choose a process that is as quick and easy as possible. Thanks to e-signatures, ADIE's clients can easily sign their loan contract without having to travel to the nearest branch. The option of handwritten signature remains available to those clients that prefer it.

Innovativeness

E-signatures make the loan appraisal processes quicker and have proven to be essential during emergency times, such as COVID-19. It allows for business continuity and for entrepreneurs to access loans easily and quickly, for example even during the lockdown when physical interactions were limited. Outside of such situations, e-signatures also help green causes as it helps reduce paper waste and the CO₂ impact of the MFI.

Institutional profile

Founded in 1989, ADIE supports access to entrepreneurship and employment through financial and non-financial services for those who cannot access credit from mainstream banks. In 2020, ADIE financed 29,019 clients, amongst which 21,804 were for professional micro-credits, while 7,215 financed personal loans. ADIE also provided 3,988 micro insurances and 7,673 interest-free loans.

Type of Organisation

NGO

Country

France

Products & Services provided

- **Financial:** Business microloans, Personal microloans, Insurance
- **Non-financial:** Entrepreneurship training, Mentoring, E-learning courses

Gross Loan Portfolio

€ 175.2 million
(as of Dec 2020)

Number of clients

65,270
(as of Dec 2020)

Target Audience

Rural populations, urban populations, unemployed people or people on welfare, women, ethnic minorities and/or immigrants, youth, people excluded from mainstream financial services

Organisation Website

<https://www.adie.org/>

Outcomes

The implementation of e-signatures through ADIE's chosen provider's portal was smooth and was well received by all loan officers. Indeed, it was given the highest rating for an IT project by ADIE's loan officers in 2020. The solution was rapidly implemented and deployed to all French territories. The second phase of the project—the integration of the provider's portal with ADIE's MIS—allows loan officers to have a document that can be digitally signed without having to connect separately to the portal. E-signatures are now being used by loan officers even when clients are in the branch, as it saves time. For a lot of ADIE's clients, e-signatures are very user-friendly. For those that have faced difficulties linked to digital literacy, specific training sessions were organised by loan officers and/or volunteers.

Efficiency and Sustainability

If an MFI decides to use e-signatures through an external IT portal, the cost of this solution is rather limited and based on the number of contracts digitally underwritten: around one euro per signature and then it becomes digressive as the number of e-signatures increases.

The cost of integration to the MIS is also limited but requires a more substantial investment in terms of timing on behalf of the IT department. Training for loan officers should also be included in the project, but given the easiness of the solution, this can be done online, through webinars. By the end of 2020, more than 40,000 documents were digitally signed at ADIE (including, contracts, micro-insurance contracts, guarantor's agreement, etc.) After the first phase of the implementation, ADIE also focused its efforts on how to link its MIS with the e-signature portal in order to allow loan officers to directly access the contract to be signed from ADIE's MIS. Aside from saving time, this leaves less space for human error as the loan officer doesn't have to do any manual input.

As for the future, ADIE plans to proceed with both solutions (digital and manual signature) so that clients are able to choose what suits them better. ADIE is also working on making e-signatures legal for guarantor acts as well as the other contracts already in place.

The safety of the process is ensured by ID verification steps, put into place by ADIE's officers, as well as cryptographic verifications like one-time passwords and timestamping. Signature meetings are maintained (whether in person or by video) to explain to the customer the clauses of the contract, the engagement that it entails and the rules for repaying the loan. ADIE's IT team regularly reviews the data on e-signatures through satisfaction barometers among loan officers, it also analyses trends to understand whether the usage of e-signatures increases and looks at which factors make it a successful tool for the organisation.

Lessons Learnt

- If use of a simple e-signature is chosen, the solution is easy and fast to implement. For organisations that are considering implementing e-signatures, it is advised to simply introduce the e-signature by using the provider's portal.
- It is very important to maintain meetings between the client and the loan officer at the time of the signature, even remotely, to explain all the engagements that signing the contract entails.
- Given the easiness of the solution, most of ADIE's clients, even the most vulnerable, have been able to use e-signature.

In Practice: Success Story

Idriss was granted a first loan by Adie a few years ago, when he needed to buy a small vehicle to be able to reach his workplace. The COVID-19 pandemic made him realise that his employment as a chef in a retirement home was no longer aligned with his career aspirations. A few months ago he decided to resign and launch the project he had been thinking of for a while: start a home-based catering business.

In order to support his project, Adie provided him with a loan to acquire some equipment (an oven and different cooking utensils). He and his guarantor have been able to use e-signatures: they appreciated the fact of having the choice between signing in person in the branch or doing it online.

Moreover, they both found the solution very quick and user-friendly. Idriss also mentioned that by offering the solution of e-signatures, ADIE is proving to its clients that the organisation is agile and innovative, doing its best to adapt to clients' needs.