



# Zone Instant Funds Transfer

—  
A Game Changer  
for Financial Service  
Providers



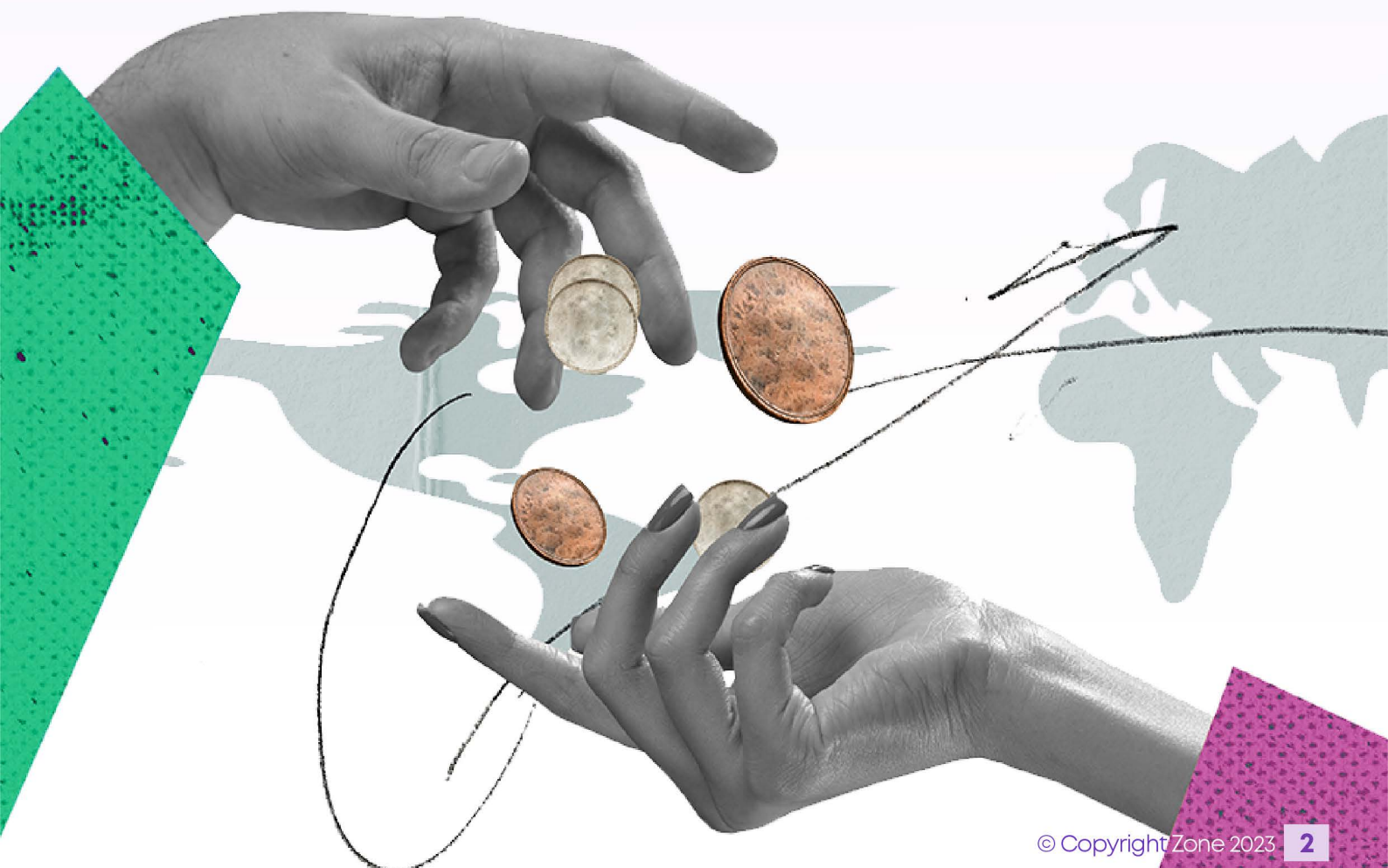


Financial Service Providers (FSPs) are driving greater financial inclusion in Sub-Saharan Africa. As the market has grown over the past decade, FSPs have diversified from basic financial products to advanced offerings like bill payments, instant transfers, digital credit, cross-border remittances, insurance, and other value-added services like savings groups, crowd-funding and value chain digitization. Digital credit services are expanding quickly in Africa's established FSP markets, such as Kenya and Nigeria.

Partnerships between microfinance and digital finance service providers are opening new doors to financial inclusion by offering more tailored products delivered more efficiently. Although this type of partnership can sometimes be complex, it remains the best type of emerging partnership between DFSPs and MFIs, as they seek to build on each other's strengths.

MFIs bring their brand and reputation, customer base, customer data, market experience, robust infrastructure (branches or agents), risk management experience, capital, and license to provide financial services. Fintechs (DFSPs) bring modern IT systems, specialized solutions, technological expertise, and customer data analytics. FinTechs also bring a culture of innovation, a disruptive mindset, agility, and speed to the market.

Together, these parties can provide scalable, innovative solutions and more accessible products and services while mitigating risks. In this sense, digitization of services is no longer an option, but a race microfinance institutions (MFIs) must run to stay relevant in rapidly evolving markets.



Microfinance institutions are also taking progressive steps to embrace digital finance, often starting with digitizing existing products, services, and operations using mobile devices, partnering with a digital financial service provider, or developing a proprietary agency network.

Although this triggers benefits for both clients (convenience, security, faster transactions, and the creation of a digital footprint) and microfinance providers (increased operational efficiency, diversification of customer base with value-added products, rural outreach at a lower cost), digital finance comes with specific challenges and risks. It can sometimes represent a threat if not leveraged appropriately. MFIs must compete with other incumbent FSP players by serving millions of traditionally underserved users.

A woman wearing a yellow and red patterned dress and an orange headwrap is looking at a smartphone in her right hand while holding a stack of Nigerian Naira banknotes in her left hand. The background is a light blue wooden wall.

**Despite the progress in expanding the reach of microfinance, many Africans, especially vulnerable segments like rural residents, women, and the very poor, remain unserved.**

In Nigeria, microfinance banks (MFBs) have emerged as an essential source of entrepreneurial finance at the grassroots level. The failure of the preexisting smallholder finance schemes, such as the Nigerian Agricultural and Co-operative Bank Limited, necessitated the establishment of the MFBs. These failed schemes were anchored on incomplete or wrong information and guided by improperly defined structures.

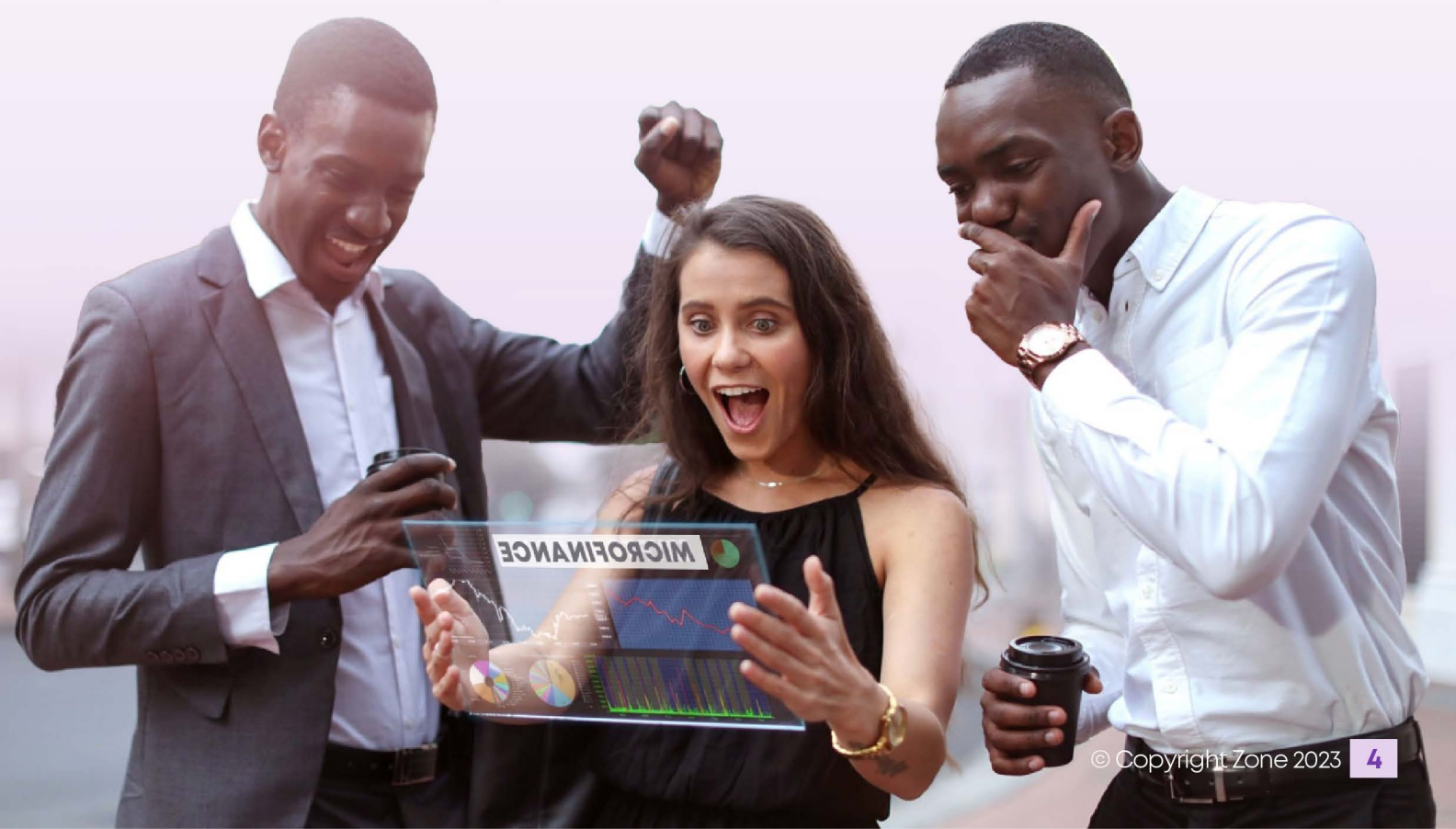
# Digitizing Existing Microfinance Operations And Offerings

For most MFIs, digitizing services is no longer an option. It is now a mandatory path to remain competitive. MFIs must adopt new technologies and reevaluate their business models to promote sustainable financial inclusion.

Digitization is an opportunity for microfinance institutions to leverage their license, customer base, and outreach to rural areas and low-income clients, which are of interest to digital financial service providers (DFSPs). Financial institutions can increase product usage and customer engagement with digital solutions, which promote and broaden financial inclusion.

Reaching the unbanked portions of the population in developing markets requires financial education and specially designed services, both of which microfinance companies are experienced in offering. Digital channels make it much easier for microfinance providers to collect data, and data analytics plays a crucial role in determining risk profiles for financially excluded and new customers.

The data management burden is also alleviated, as digital data can be gathered, stored, retrieved, structured, cleaned, and analyzed much more efficiently than traditional paper-based methods. This helps financial institutions to lower costs, provide customer-centric products, reduce fraud, and expand their customer base.

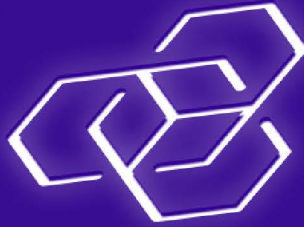


## Some Industry Challenges

Not surprisingly, small institutions face the most significant capacity constraints. While they often serve the most vulnerable customers, they also typically lack the financial and technical capacity to join instant payment systems easily. More importantly, the strategic alignment of joining a real-time payments infrastructure can vary by institution.

**Small financial institutions typically fall into 3 categories related to their strategic and operational readiness for interoperability:**

Type of MFIs	Characteristics of Institution	Level of Support Needed
<b>Strategically Aligned and Ready to connect (~10%)</b>	<ul style="list-style-type: none"> <li>Real-time systems with existing technical connections to other financial institutions .</li> </ul>	<ul style="list-style-type: none"> <li>Interoperability aligns to strategy &amp; capacity.</li> <li>Only limited technical support required.</li> </ul>
<b>Strategically Aligned but Needing Support (~40-60%)</b>	<ul style="list-style-type: none"> <li>Real-time systems or digitization ongoing.</li> <li>Some technical capacity is often supported through established relationships with service providers.</li> </ul>	<ul style="list-style-type: none"> <li>Interoperability aligns to strategy but technical support/ financial capacity is limited.</li> </ul>
<b>Not ready, Lacking Alignment in both Strategy and Capacity (~30-50%)</b>	<ul style="list-style-type: none"> <li>Centralized systems with no immediate plans to upgrade .</li> <li>No existing connections to financial institutions or aggregators .</li> <li>Limited technical capacity .</li> </ul>	<ul style="list-style-type: none"> <li>Joining a real-time payments infrastructure is not coherent with immediate strategy.</li> </ul>



## Introducing Zift:

Better Value Proposition  
For Microfinance Institutions

Instant digital payment networks support trade and value exchange within and between countries worldwide. However, it is not news that most MFBs in Nigeria are not directly connected to payment-enabling intermediaries such as the automated clearing house and switches - raising processing times and costs of operation - which is a barrier to achieving the country's financial inclusion target. Connecting to a switch involves making transactions from one bank to another through connecting platforms such as Zone.

**ZIFT** is an acronym for "**Zone Instant Funds Transfer,**" a product with a core focus on addressing inter-bank funds transfer limitations by leveraging the decentralized nature of blockchain to attain a 99.9% uptime and eliminate dispute issues that arise from the traditional transfer systems in the payment sector today.

Zone obtained a commercial switching and processing license from the CBN in August 2022, enabling us to offer this product and extend it to the industry. Banks traditionally process and settle inter-bank transactions through centralized electronic financial transaction switches (EFT).

ZIFT is built on blockchain technology, allowing for the decentralized processing of direct fund transfers between banks and OFIs. The solution and the underlying technology enable Financial Services Providers (FSPs) to transact reliably, as there is no central point of failure. It also eliminates customer disputes and automates back-office EFT operations.

Today, non-commercial banks that do not have an EFT settlement position with the Central Bank of Nigeria (CBN) must maintain collateral with commercial banks. With ZIFT, non-commercial banks, OFIs, and fintechs have a pre-funding option that, among other vital benefits, eliminates this problem.

## **Key Benefits Of Zift To Consumers And Businesses**

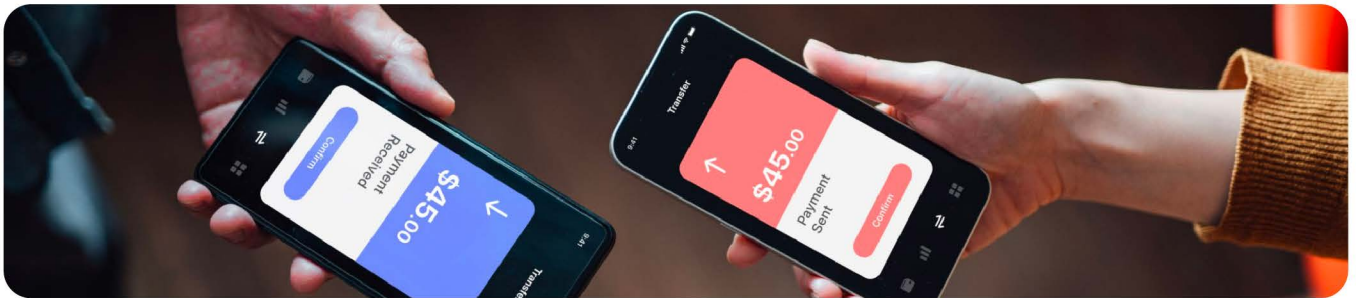
ZIFT offers excellent benefits to all parties in the value chain:

- Consumers benefit from increased convenience.
- MFIs enjoy payment processing efficiency, increased liquidity and reduced payment risks.
- Banks and other financial institutions can build services around it to meet their ever-changing customer needs, particularly digital banking offerings.
- Faster transactions
- Access to digital transaction history



# Zift's Unique Proposition For Mfbs

The following explains some of the fundamental reasons why ZIFT's value proposition is essential:



## Transaction Transparency:

The overall atmosphere of lack of trust among parties to a trade in Nigeria has necessitated adopting a reliable, trusted, and efficient payment solution that guarantees instant payment finality to the beneficiary in any trade transaction. ZIFT aims to fill that gap, hence its presence in the Nigerian economy's formal and informal sectors. The technology behind ZIFT guarantees that institutions are always provided full transparency on all transactions. This limits the occurrence of unsuccessful transactions on ZIFT to the point of almost total elimination. Pending transactions would either be automatically reversed after a cut-off time or impact the beneficiary's account later if the beneficiary bank's Core Banking Application is experiencing downtime.

## Improved Reliability

In a predominantly cash-based economy like Nigeria's own, there is a need to develop a payment solution that is very close to cash in terms of some of its unique characteristics, like being immediate, readily available, and universal (i.e., can be used and accepted by all). There is also the need for a solution that consistently delivers an almost flawless transaction success rate, which ZIFT does.

## Prefunding Option for Outward Transaction Liquidity

Settlement is done in real-time via the pre-funding option, as the funds in your outward payable account serve as the source of liquidity for all your transactions. Settlement is also facilitated per transaction, with the aggregated lump sum settled displayed on the dashboard at the end of each business day.

## Zift's Unique Proposition For Mfbs

### Seamless Onboarding and Setup

ZIFT is a platform on which commercial banks, MMOs, OFIs, etc., can build new services, e.g., collection services, funds transfer services, recurrent debits, balance enquiry services, merchant payment services, etc.

The service is available as an API (**Application Programming Interface**) through other 3rd party interfaces, e.g., mobile/internet banking apps can also integrate directly into ZIFT. Limitless opportunities for financial and non-financial services can be built on ZIFT.

### Zero Downtime

The technology behind ZIFT allows for the balances maintained on the commercial Banks' core banking to be mirrored on the blockchain ledger and for transactions to be impacted directly on the value hosted there. Even during downtime at the commercial bank, balances will still be affected on the blockchain ledger, and transactions will continuously be authorized without service failure.

### Adapted for merchant payments

ZIFT allows for real-time payment confirmation for pay with transfer use cases at in-store merchant locations. Merchants will have transaction receipts generated from their PoS devices in real-time - which serves as proof of payment for customer-originated funds transfers, building trust.





[www.zonenetwork.com](http://www.zonenetwork.com)