# Reflection 3. Rethink financial services!

A question I get asked from time to time is why I decided to call my consulting company First Principles. The answer is simple, I believe, along with many others, that we must rethink financial services, we need to go back to first principles. This is because of the digital and financial technology revolution. Several of my blogs expand on this theme, these include:

Seven Principles for Reimagining Financial Services: explores how digital and financial technology has changed the nature of how financial products are consumed, and how this impacts on product design. It includes rethinking how we develop insurance products around risk management.

Reimagine Rural Finance: Digital financial services, and channels facilitate reducing the risks and costs of providing rural finance. Agents enable customers to access services in their communities, and financial institutions to accept rural deposits. Digital agricultural finance combined with agricultural technology enable financial institutions to create products and services which are integrated into value chains or are embedded alongside other agricultural services.

Designing Products for Gig Workers: Most of Kenyan workers are not formally employed, they work for themselves, or informally for others, either in the agricultural sector or in the growing services sector. Informal services or the gig sector, include Uber drivers, motorcycle (boda boda) riders and salon workers.

Additional blogs relevant for re-imagining financial services cover, agent banking strategy, managing rural liquidity for digital financial services, crowdfunding, and digital agricultural finance.

In rethinking financial services it is important to appreciate the distinction between principles and practices. In the context of financial products and services a principle applies universally, and a practice applies in a particular circumstance or 'use case'. So, M-Pesa's cash in cash out through agents is a principle, and 'send money home' is a practice or use case which is relevant to Kenya, but less so in other countries. Digital finance may have changed how we provide or use services, but the principles of accessibility, transparency, consumer protection, ease of use, appropriate pricing, service recovery, always apply and must be built into all products and services.

So, what does "going back to first principles" imply?

Firstly, it implies that we must think differently about channels, data, partnerships. This transition is very much in progress. Secondly, it implies we must think differently about our products and services, how they are developed, designed, and facilitated, this is at an earlier stage, but there is recognition of this evidenced by the growth of innovation labs within financial institutions. Thirdly, it implies that we need to build our internal capabilities as financial institutions.

Capacities institutions often need to develop include research and development – to rethink our services, data analytics – improving our ability to use data, information technology, including the ability to integrate new systems and platforms. Its further important to upgrade our ability and often willingness to engage with third parties, and as part of this upgrading approaches to risk management, partnerships, and outsourcing.

Fortunately, there is recognition of the need to change, and of the capabilities required. However, the vision for new services, developing competency and skills in the new teams, resourcing and guiding the teams, and the project management required to coordinate activities to deliver on tasks is very much still work in progress.

*If this reflection speaks to you… speak to me so that we can inspire change, together*.

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Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com


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