



Banking everywhere, and not a single village left out

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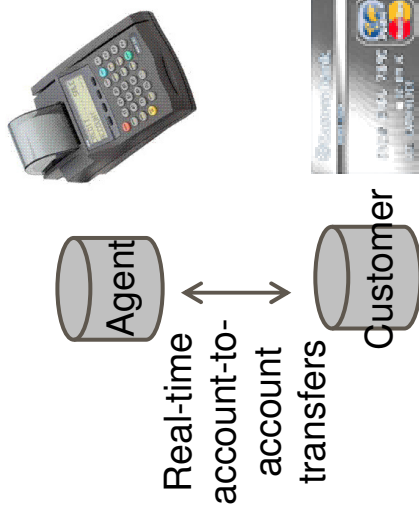
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The logic of branchless banking: a low-cost transactional channel

1. Use existing retail infrastructures



2. Deliver trust through technology



3. Use existing deployed technology



Segmentation of agents

	“Human ATM”	“Bank offspring”	“Branch substitute”	“Branchless bank”
Bank’s objective	Offload transactions from branch	Cater to “blue sky” segments	Extend geographic coverage	Minimize fixed cost, faster roll-out
Customers targeted	Existing clients	People with lower income	Rural / remote populations	Any
Customer benefits	Convenience	A proposition suited to their needs and means	Possibility of making banking transactions	New concept “proximity” bank
Key challenges for the bank	-	Create new products at viable prices, and market them	Cash management	Marketing & sales presence
Examples in Brasil	Bradesco thru Bradesco Espresso	Banco do Brasil through Banco Popular	Bradesco thru Banco Postal	Lemon Bank

Agent networks: A look at the numbers

Worldwide agent league table

Country	# of agents
Brazil	55,000 (+66,000)
S Africa	6,500
Kenya	2,600
Peru	2,400
Philippines	2,000
Colombia	572 (+3660)
India	460
Ecuador	63
Pakistan	30

Peru: Where banks place the agents

		Districts with banking agents				
		0	1	2	3	> 3
Districts with bank branches	0	86%	4%	1%	1%	1%
	1	34%	6%	3%	3%	4%
	2	0.56	0.27	0.22	0.19	0.08
	3	0%	0%	0%	0%	0%
	> 3	0%	1%	2%	0%	1%
		0.14	0.21	0.13	0.33	0.13
			0%	0%	0%	0%
			0%	0%	0%	2%
			0.11	0.20	0.06	0.08
				0%	0%	0%
				0%	1%	0%
				0.03	0.10	0.06
					0%	4%
					0%	42%
					0.15	0.05

of districts
of population
Needs index

The challenges with branchless banking

1. Business model

- Cash remains a 'hot potato' – can agents be incentivized sufficiently to look after it?
 - Beyond airtime reselling, remittances, bill payment
- Volume of transactions is very low
 - Can we expect to substitute cash transactions happening within the community?
 - Payment system fragmentation hinders participation by billers, employers & government

2. Strategic fit for banks, MFIs

- Most banks do not seem that interested in using agent networks to cater to new segments
 - Same old proposition
 - No parallel selling, credit evaluation & collection channel
- Most MFIs do not have the capacity to take advantage of technology-based channels
 - Lack of IT systems & skills, internal controls, management capacity
 - They want to rely on shared networks

3. Regulation

- Account registration requirements (AML/CFT)
- Individual licensing of agents
- Shared agent networks
 - Roles & responsibilities
 - Competition implications