

MicroSave Briefing Note # 140

Success Factors of Equity Bank's Agency Banking

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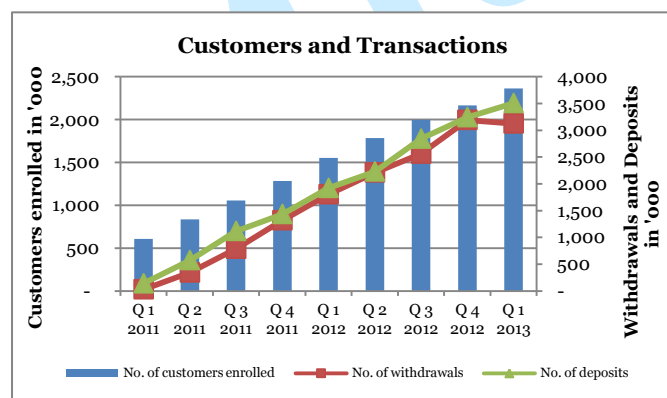
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Equity Bank has grown to be one of the largest banks in East Africa. Though the bank continues to invest in rolling out brick and mortar bank branches, access to formal financial services remains a big impediment to financial inclusion for many Kenyans. People need to travel to long distances to get to bank branches, which involves the cost of travel, as well as time spent for travel and waiting in the queues.¹

To address these challenges, in 2010, Equity Bank started its agency banking business model using mobile phone and point-of-sale (POS) technology. An "Equity Agent" is a commercial entity that has been contracted by Equity Bank to offer specific products and services on behalf of the bank at his/her outlet, and must be duly approved by the Central Bank of Kenya. This entity is then equipped with the skills necessary to provide basic banking services according to standards set by the bank.

Currently, Equity Bank offers basic savings services through agency banking and in future it plans to offer a wide range of products and services to customers without their having to visit a branch. This will enable the customers to access fast, convenient and affordable banking.

By the end of March 2013, over 2.3 million customers had registered for agency banking. Around 80,000 transactions are made each day at 6,892 agent outlets. These numbers are purely savings related transactions – deposits and withdrawals. Few implementations across the globe have achieved these numbers in 2.5 years, and indeed most are still trying to survive. So what are the "key success factors" for achieving these numbers?



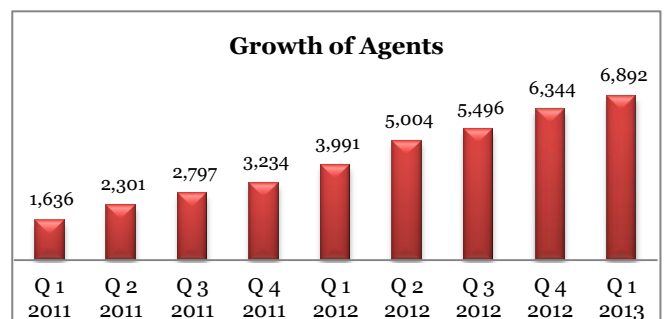
Many people might say the key factor is Equity Bank's location in "M-PESA land" where people are habituated to using agents and their mobile phones for financial transactions. However, then the obvious question is, "Why Equity Bank is the only bank in Kenya to achieve such a high number of customers and transactions?"

Strategy for Running Agency Business

One key determinant, according to Equity Bank, has been the bank's strategy to rollout and manage agents through its branches instead of using a third party agent network management company. Thus, every activity necessary for agent management: recruitment; training; branding; marketing; liquidity management; operations support and monitoring is run through the bank's branches with high level support from the head office and a centralised contact centre.²

Also, in recognition of the challenge of rolling out an agent-based model, to reach millions of people across the country, the bank has created a separate agency banking department which reports directly to Director of Operations. At the head office, the agency banking team is divided into six pillars - business development; distribution; operations; training; customer experience; and quality assurance.

At the branch level, a dedicated Agency Supervisor (AS) is recruited specifically to take care of the agency business. The AS reports to the Branch Manager as well as to the agency banking team at head office. The AS is the prime owner of agents, and hence bank has been working hard to optimise the supervisor-agents ratio to not more than 1:40 per branch. If there are more than 40 agents under a branch, the bank recruits additional supervisors to take better care of the agents.



The Business Model

A big advantage of the bank's business model is that every customer account opened by an agent is on its core banking system. This enables the customer to operate the account at its branches and also at ATMs. Similarly, a customer who opened his/her account in one of its branches can use the agency channel by subscribing to the [Eazzy 247](#) service. This provides a complete banking experience to all of its customers.

Account opening can take place at all agent (but not cash merchant) locations and turn-around time for activation is a maximum of two days. This makes the model attractive for customers who do not have to go to the distant and/or crowded branches.

¹ See *MicroSave India Focus Note # 67* "[Clients' Willingness to Pay "Reasonable Fee" for BC Services](#)"

² See *MicroSave Briefing Note # 137* "[Structuring and Managing Agent Network – II](#)"

The account opening process is simple and very effective. The customer needs to fill out an account opening form and submit it to the agent. The agents are equipped with GPRS enabled mobile phones with a basic camera. Agents use these phones to input customer details using an online application form, and to take and send a photograph of the customer and his/her “know your customer” (KYC) documents. On submission of the form online, the request for account opening goes to a centralised back office team. The team checks the details and quality of the images of KYC documents. On positive verification, the application is processed and the account is opened. The customer is informed about his account number and MPIN through two different SMSs on his/her mobile phone. Upon funding the account for the first time, the customer can opt for a debit card as well. The customers find the transaction process simple, quick and it runs on USSD interface.

Aggressive Branding and Marketing

Since the launch of this service, the bank has paid special attention to its branding and marketing. In fact, the formal launch was a big bang event with major marketing initiatives like road shows, TV and radio talk shows and advertisements, campaigning in market areas through banners, posters and fliers. This campaign created a “buzz” in Kenya that Equity’s agent-based services had been launched in order to empower people to manage their savings accounts and pay utility and other bills through their mobile phones.

The majority of the agent outlets are painted in Equity’s livery and are well endowed with marketing collaterals.



Listening to Customers

The tagline of Equity Bank is “your listening and caring partner”. Equity Bank puts great emphasis on listening to, and caring for, its customers. A core business practice of the bank is to always go back to its customers and seek their feedback on the services being offered, as well as ones that they might want to avail using the agency channel. This approach has been used for product development; refining the agency model to differentiate between cash merchants and sales agents responsible for selling the bank’s products; pricing of services; branding, marketing and communication strategy development; as well as user interface and other IT related issues. Throughout the development of its agent-based business bank has been always attentive to the voices of both its customers and its agents to improve the service offering.

Equity Bank also has a dedicated contact centre, for its agents as well as customers, to reach out to the bank for any query or issue resolution. It also conducts a quarterly “[Customer and Channel Satisfaction Measurement and Management](#)” survey among its customers and agents to take their feedback (complaints, grievances, appreciation, improvement areas). Where possible and appropriate, these are incorporated in the channel strategy and operations.

Technology

Unlike many banks in South Asia where the data used to be housed on parallel “financial inclusion” servers (maintained and managed by agent network managers) in order to reduce costs, Equity Bank maintains all customer data on its core banking solution. All the customers can get debit cards. Agents can conduct transactions through mobile phones or POS devices, which reduce problems with weak mobile network connectivity. The POS devices also address the needs of some customers for proof of transaction.

After a long period of experimentation, Equity Bank has developed a robust platform and its servers are able to handle a high number of transactions on day-to-day basis.

Charges/ Commissions

Unlike most of Asia and elsewhere in the world, African customers are used to banks charging for withdrawals over the counter and at ATMs. This has increased customer willingness to pay for withdrawals and other services at agent outlets as well. Although the bank charges a bit higher than the ATM withdrawal charge (Ksh.30 flat) for transactions above Ksh.2,500 at agent outlets (Ksh.45 up to Ksh.5,000), many customers seem willing to pay for the easy and convenient access and personal touch that agents offer. Equity Bank pays good commissions to agents for withdrawals and deposits. As is common practice, while customers are not charged for deposit transactions, the bank still pays the agents for deposits to motivate them to enable these transactions.³

Conclusion

Equity Bank is currently refining its agency business model to open more outlets by allowing its agents to sub-contract cash-in and cash-out services to cash merchants. The new model will significantly extend the number and reach of the bank, offering customers access to cash merchants wherever they go. The bank is planning to reach out to more of the unbanked and under-banked population and also to expand the agency network to serve 80%, from 28%, of the total bank customers through the agency channel by end of 2013.

“In the next few years, banking services will continue to be required, but bank branches will not. Banking will be done from home, in traffic, in the office and on the go.”

- Andrew Wakahiu, GM-Agency Banking, Equity Bank

³ See *MicroSave India Focus Note # 72* “[Sustainability of BC Network Managers \(BCNMs\): Review of Commission Structures](#)”