

Agency Banking at the Frontier



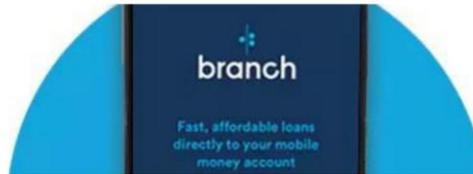
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Technology is redefining banking



Branch Contacts



Redefining user experience



Technology is redefining user experiences

Infrastructure is being redesigned focused on personal customer interaction



Banking in Africa - historically

- Africa's path is different – high costs and small number of branches with onsite ATMs
- Innovations followed a predictable pattern
 - Improving payments - EFT, Cheque truncation, RTGS, EMV, Chip and PIN
 - International connections - Western Union, MoneyGram
- Recent growth initially driven along traditional lines, in part through institutions focused on banking the masses



Looking forward - redefining user experience



The African path is different from that in Europe but there will be similarities

Distance to access point – 2013 – Finscope

Location	Commercial bank		Semi-formal		Informal institution	
	<5 km	> 5 km	<5 km	> 5 km	<5 km	> 5 km
<i>Place of residence</i>						
Rural	21.5	78.5	44.9	55.1	84.3	15.7
Urban	57.7	42.3	81.4	18.6	94.2	5.8
<i>Region:</i>						
Kampala	93.3	6.7	96.9	3.1	100.0	0.0
Central	36.5	63.5	50.5	49.5	86.9	13.1
Eastern	22.9	77.1	43.9	56.1	84.6	15.5
Northern	12.7	87.3	43.7	56.4	85.1	14.9
Western	32.5	67.6	60.3	39.7	85.9	14.1
Uganda	28.5	71.5	51.0	49.0	85.9	14.1

Across Africa access remains a core challenge – The table above refers to distance to access points – 78% of the rural population is more than 5km from their access point.

Technology as an enabler

- So what has changed:



Overview: 2016 at a glance

MOBILE MONEY



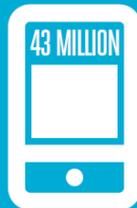
is available in TWO-THIRDS of low- and middle-income countries

REGISTERED ACCOUNTS
SURPASSED
HALF BILLION
IN 2016



Mobile money providers are processing an average 30,000 transactions per minute, or more than

**43 MILLION
PER DAY**



IN DECEMBER 2016,
THE INDUSTRY

PROCESSED MORE THAN

**US\$ 22 BILLION
IN TRANSACTIONS**



MORE THAN 40%

of the adult population in Kenya, Tanzania, Zimbabwe, Ghana, Uganda, Gabon, Paraguay and Namibia are using mobile money on an active basis (90-day). This is an increase from just two countries in 2015 (Kenya & Tanzania).

**MOBILE MONEY IS STRENGTHENING
THE BANKING INDUSTRY**

Between September 2015 and June 2016, the volume of flows to and from bank accounts grew more than

+120%



Enter agency banking



Agency banking in different forms, mass roll out in Brazil in the early 2000s; reaching millions through agencies based in the retail network

The Kenyan rollout of agency. With Equity, KCB and Cooperative Bank, opening thousands of agents around the country. Kenyan ID was important



Understanding the case for agency banking

Its my view that most bankers misunderstand the case for agency banking!

Agency banking is a channel – it facilitates business.

Agency banking is low cost – it neither costs much, nor makes much money by itself.

So why do agency banking?



Why agency banking?



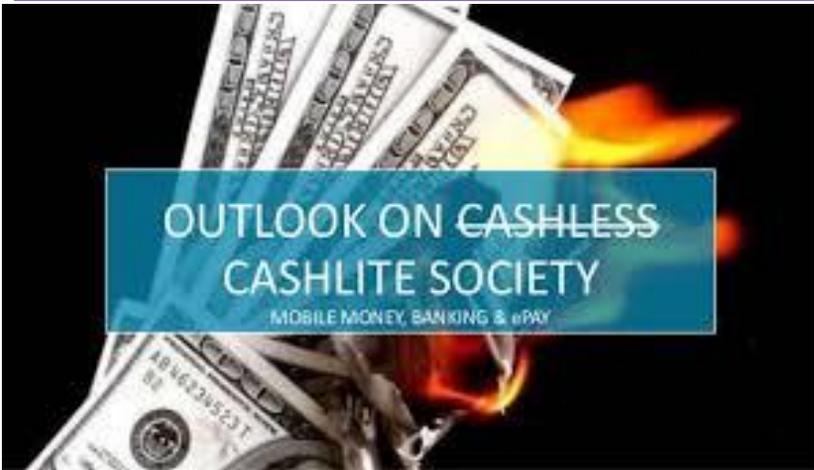
To serve more people better, closer to their homes, offering innovations and 24/7 access

To serve more customers on the same infrastructure. Equity Bank in Kenya hasn't increased its branches in Kenya since introducing Agency Banking – yet has significantly increased its customers



To unlock capacity at the branches for high value business





OUTLOOK ON CASHLESS CASHLITE SOCIETY

MOBILE MONEY, BANKING & ePAY

So what happens looking ahead
– what of a future where we use
digital finance much more – so
called Cash-Lite

What about Cash-Lite – merchant payments

- Once people have a store of value (a bank account) we can drive merchant transactions from that store of value. In Uganda merchant services are very small
- This is constrained in part by the number of people with a bank account and then formal and informal punitive pricing for existing merchant payments
- Fragmented payment systems outside EMV



Cash Lite

- To move to cash-lite we need product drivers and volume drivers



Products which ride on the channel

- Use cases which are going to drive volume on the system



Success factors

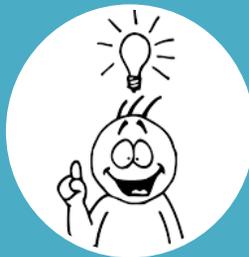


- Understanding and vision from the top executives
- Appropriate regulation: Which balance risk and innovation
- Onboarding large numbers of unbanked
- Shared agents: Particularly for rural areas
- Competition: On products and services
- Collaboration: On the development of the ecosystem and interoperability
- Unified identity, data and APIs
- Competition and collaboration with mobile money
- Product development: Driving extensions in use cases
- Education and information of the end user

Going forward...



Collective
vision



Understanding
of principles of
DFS



Investment in
areas of mutual
benefit

