Branchless Banking (part 2)

Strategy and Partnerships

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The main activities of Branchless Banking and Mobile Financial Services (Mobile Money Value Chain) and partnership

Some examples of financial institutions/ mobile network operators partnerships

Panel on strategy for branchless banking
- Fidelity Bank, Ghana
- Mwanga Community Bank, Tanzania
- NBS Bank, Malawi
- WOCCU, Liberia

Questions and answers
How to design a client-centric strategy?
“In partnership, each entity has to have the trust to let the other do what they do best.”

Nadeem Hussain, CEO, Tameer Microfinance Bank, Pakistan
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Questions and answers
In Kenya, Safaricom (a mobile network operator) launched m-Pesa a mobile money service in 2007. In 2010, Safaricom partnered with Equity Bank to launch m-Kesho (direct access to equity bank account). And in 2012, Safaricom partnered with CBA (Commercial Bank of Africa) to launch m-Shwari (interest and loans).

In Pakistan, Telenor took a stake of 51% in Tameer bank to launch EasyPaisa.

In Ivory Coast, Orange and MTN, (two mobile network operators launched their own mobile money services) but partnerships with banks (BNP Paribas and Société Générale) are different.

In India, Fino operates as a third party for banks, government and insurers to distribute their products and services to the poor people where banks doesn’t have any branches.

- Why are most of the financial institutions-operator partnerships different?
- What are the main activities to be performed for a successful service?
- What makes a good relationship?
Introduction

Customers
- 1.2 million use OTC (Over the counter) service

Agent network
- 1,000 agents (open 7 days a week, 7am-9pm)
- 62 Master agents
- 90% coverage of Cambodian districts
- More than 6,000 airtime dealers

Customer service
- 6,000-7,000 calls per week
- Mo-Su from 6am to 8pm

From 50 (2009) to more than 200 employees (2013)
Offering branchless banking requires a coordinated set of activities.

Primary activities:

Support activities:

- Custody of funds
- License acquisition, regulatory engagement and compliance
- Product and business development

Technology:
- Platform
- Access to handset

Agent network:
- Management
- Liquidity

Marketing:
- Branding
- Communication

Customer Care

Source: mapping and effectively structuring Operator-Bank relationship to offer mobile money for the unbanked, Neil Davidson, MMU, GSMA
The Branchless Banking and Mobile Financial Services value chain

**Technology**

- Platform to handle wallets, movements between accounts, price and commissions (real time)
  - Usually provided by external solutions providers (for financial institutions and MNOs)

- Access to the handset with user-friendly experience on all mobile phones (USSD, SIM)
  - Asset of MNO’s

**Support activities**

- License acquisition, regulatory engagement and compliance
- Product and business development
- Technology
  - Platform
  - Access to handset

**Primary activities**

- Agent network
  - Training
  - Liquidity
  - Monitoring
- Marketing
  - Branding
  - Communication
- Customer Care

**Technology**

- Real-time platform for financial services
- User friendly interface accessible to all users
- Capacity to adapt rapidly to market needs
The Branchless Banking and Mobile Financial Services value chain

**Agent network**
Network of agents where customers can register, deposit and withdraw cash from their accounts. Selection, training, liquidity management, quality monitoring

Mobile network operators
- Experience from their existing distribution networks (airtime)

Financial institutions
- Liquidity management
- Network of branches and ATMs

**Support activities**

**Product and business development**

**Technology**
- Platform
- Access to handset

**Agent network**
- Management
- Liquidity

**Marketing**
- Branding
- Communication

**Customer Care**

**Liquidity Management**
- National coverage
- Agents trained on financial services
- Same service quality at all agents
- Lot of resources
- Liquidity available at all agents at all times
The Branchless Banking and Mobile Financial Services value chain

**Marketing**
Branding of the services (existing, new brand or co-branded)
Investment in communications actions to reach potential consumers

Mobile network operators
- Experience in building and maintaining a mass-market brand

Financial institutions
- Experience in marketing of financial services (different than airtime)

Support activities
- License acquisition, regulatory engagement and compliance
- Product and business development
- Technology
  - Platform
  - Access to handset
- Agent network
  - Management
  - Liquidity
- Marketing
  - Branding
  - Communication
- Customer Care

**Marketing**
- Marketing of financial services
- Awareness building
- Education of customers
- High budget
The Branchless Banking and Mobile Financial Services value chain

Customer care
Customer support
Agent support

Financial institutions and Mobile network operators
- Both MNO’s and banks have experience in running call centers for clients
- Training of a subset of their existing call center for mobile money

Support activities
- Custody of funds
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Primary activities

Customer service
- Response time is key
- 24/7 support
- Skilled in financial services
**Product and business development**

Development and launch of simple (P2P) to complex products (loan, insurance) Assess customers needs, product design, partner agreement, pricing and launch.

Financial institutions
- Understand how to design and price financial services
- Knows partially the low-income market

Mobile network operators
- Know the low-income market
**License acquisition, regulatory engagement and compliance**
Permission of the national financial regulator (Central Bank) to offer mobile money/banking, agent banking
Compliance KYC and AML
Reporting to the regulator for the service

Financial institutions
- Existing relationship with regulator
- Audit MNO’s for regulatory compliance

Mobile network operators
- New relationship
- Direct licensing

Regulatory engagement
- Relationship with regulator
- KYC checks
- Should be able to speak same language as regulator
The Branchless Banking and Mobile Financial Services value chain

Support activities

- Custody of funds
- License acquisition, regulatory engagement and compliance
- Product and business development
- Technology agent network
- Marketing
- Customer care
- Training
- Liquidity
- Monitoring
- Branding
- Communication

**Custody of funds**
Deposit which back the electronic value stored in customers’ and agents’ wallets

Financial Institutions
- Make money on deposits and/or transactions
- Usual activity of a bank for customers

Mobile network operators
- Float can be held in one or several banks for prudential reasons
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Questions and answers
There is a full spectrum of potential partnership models between banks and MNOs as well as other non-banks.

<table>
<thead>
<tr>
<th>Zone generally preferred by MNOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go it alone – <strong>mPesa - Kenya</strong></td>
</tr>
<tr>
<td>Buy / start a bank – <strong>EasyPaisa - Pakistan</strong></td>
</tr>
<tr>
<td><strong>MTN - South Africa</strong></td>
</tr>
<tr>
<td>Form a JV with a bank and share customer ownership and all revenue from the customer base</td>
</tr>
<tr>
<td><strong>MTN - Ghana</strong></td>
</tr>
<tr>
<td>MNO supports the banks by providing security / wallet server, earning some new transaction revenue –</td>
</tr>
<tr>
<td><strong>UOB Rwanda</strong></td>
</tr>
<tr>
<td><strong>BSP – PNG, Bradesco – Brazil, FNB – Southern Africa</strong></td>
</tr>
<tr>
<td><strong>Equity - Rwanda</strong></td>
</tr>
<tr>
<td>MNO only provides communication channel</td>
</tr>
</tbody>
</table>
The successful implementations have been done on very different business models ... there is not one solution!

Top 15 implementations

<table>
<thead>
<tr>
<th>Model</th>
<th>COUNTRY</th>
<th>COMPANY</th>
<th>TYPE</th>
<th>(m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>BRAZIL</td>
<td>Bradesco</td>
<td>Card</td>
<td>32.5</td>
</tr>
<tr>
<td>Bank</td>
<td>BRAZIL</td>
<td>Caixa</td>
<td>Card</td>
<td>29.7</td>
</tr>
<tr>
<td>Banks</td>
<td>INDIA</td>
<td>FINO</td>
<td>Card</td>
<td>25.0</td>
</tr>
<tr>
<td>Bank</td>
<td>BRAZIL</td>
<td>Banco do Brasil</td>
<td>Card</td>
<td>16.6</td>
</tr>
<tr>
<td>MNO</td>
<td>KENYA</td>
<td>Safaricom M-Pesa</td>
<td>Mobile</td>
<td>16.6</td>
</tr>
<tr>
<td>MNO</td>
<td>TANZANIA</td>
<td>Vodacom M-PESA</td>
<td>Mobile</td>
<td>6.4</td>
</tr>
<tr>
<td>MNO - Bank</td>
<td>PHL</td>
<td>Smart Money</td>
<td>Mobile</td>
<td>4.5</td>
</tr>
<tr>
<td>Bank</td>
<td>S. AFRICA</td>
<td>ABSA AllPay</td>
<td>Card</td>
<td>2.5</td>
</tr>
<tr>
<td>MNO – Banks</td>
<td>GHANA</td>
<td>MTN Mobile Money</td>
<td>Mobile</td>
<td>1.8</td>
</tr>
<tr>
<td>Bank</td>
<td>PAKISTAN</td>
<td>UBL Bank Omni</td>
<td>Mobile</td>
<td>1.6</td>
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<tr>
<td>Bank</td>
<td>S. AFRICA</td>
<td>FNB</td>
<td>Mobile</td>
<td>1.5</td>
</tr>
<tr>
<td>MNO</td>
<td>UGANDA</td>
<td>MTN Mobile Money</td>
<td>Mobile</td>
<td>1.5</td>
</tr>
<tr>
<td>MNO</td>
<td>GHANA</td>
<td>Airtel Money</td>
<td>Mobile</td>
<td>1.2</td>
</tr>
<tr>
<td>Bank</td>
<td>KENYA</td>
<td>Equity Bank</td>
<td>Card</td>
<td>1.2</td>
</tr>
<tr>
<td>MNO</td>
<td>PHL</td>
<td>Globe G-Cash</td>
<td>Mobile</td>
<td>1.0</td>
</tr>
</tbody>
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Questions and answers
Panel on strategy on Branchless Banking

Patrick Muriuki  
Chief of Party, WOCCU, Liberia

Abby Ghuhia  
Managing Director, Mwanga Community Bank, Tanzania

Dean Nyirenda  
Manager -Alternate Channels, NBS Bank, Malawi

Dr. William Derban  
Director Financial Inclusion, CSR & PMO, Fidelity Bank, Ghana
There is a full spectrum of potential involvement in branchless banking

**FI Options**

- **Act as agent on behalf of bank or MNO**
- **Use m-banking system for loan disbursements/repayments/deposits/premiums**
- **Use phones for data collection and other non-cash purposes**
- **Build own mobile banking system and agents**

**MODEL 1**
- Mwanga Community Bank Ltd. (MCB)

**MODEL 2**
- Mwanga Community Bank Ltd. (MCB)

**MODEL 3**
- NBS Bank

**MODEL 4**
- FIDELITY BANK

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WOCU

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Microfinance + Capital Development
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