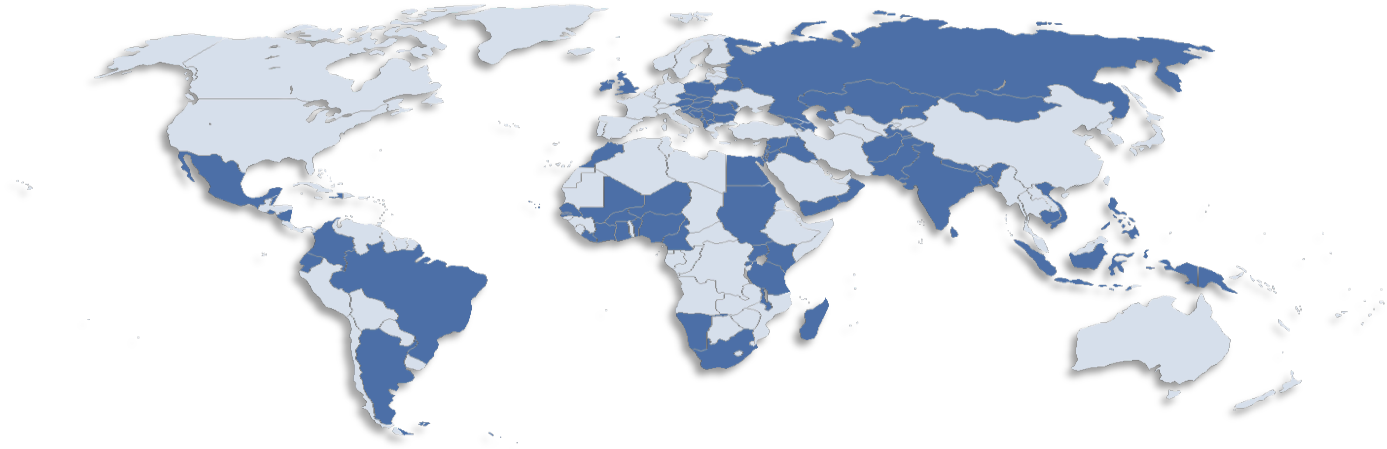


SHOREBANK INTERNATIONAL



Branchless banking: A promising low cost transaction tool to reach the unbanked

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Jordan Banking Forum

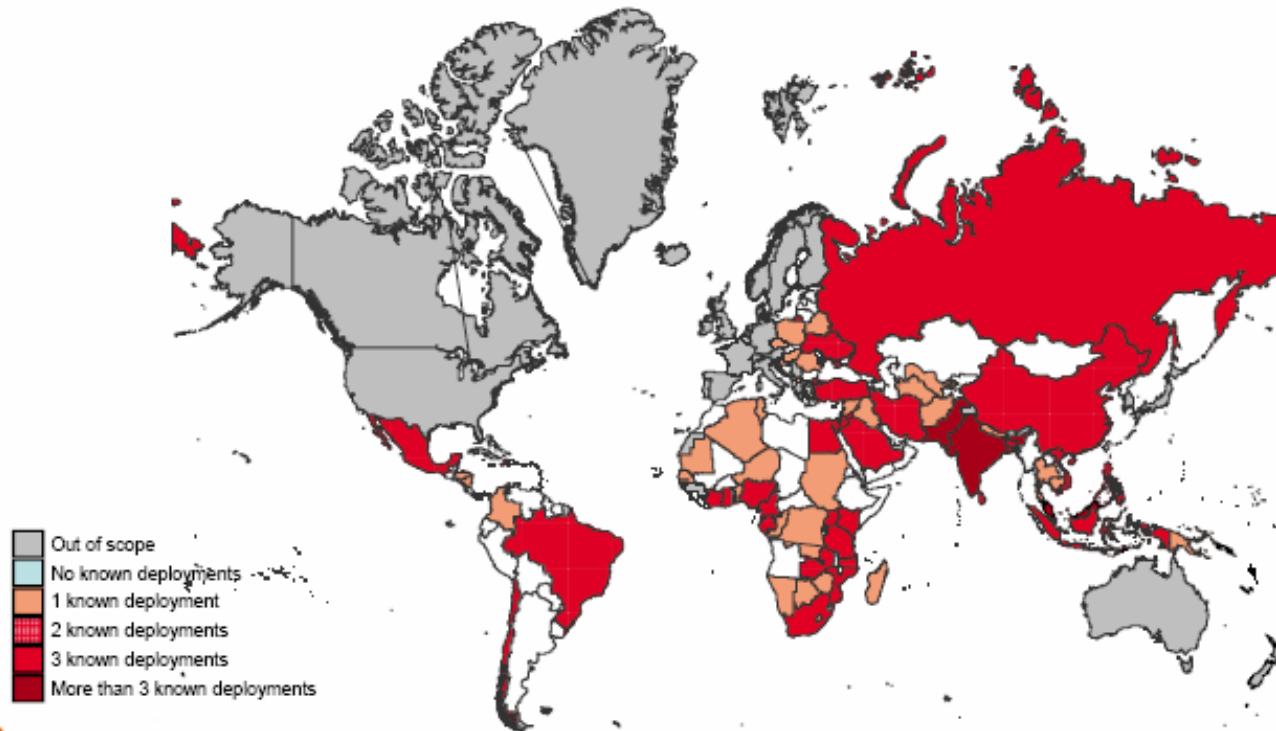
Amman, 20-21 March 2011

SBI is an international consulting firm whose business is inclusive finance

- **Mission:** Enshrined in every aspect of our work are commitments to widen access to the formal financial sector and strengthen the capabilities of our client institutions
- **Clients:** SBI's clients are financial institutions – commercial banks, microfinance banks, MFIs, and non-bank financial institutions – domiciled for the most part in developing countries in Latin America, Africa, the Middle East and North Africa, South Asia/Southeast Asia, and Central Asia and southern Europe
- **Outcomes:** We assist our clients to create value:
 - To grow—in size, reach, and profitability
 - To develop strategies for expanding their home markets and penetrating un-served or under-served market segments
 - To achieve competitive advantage by
 - Operating more efficiently
 - Developing human capital
 - Managing risk more effectively
 - Leveraging technology and innovation

The “mobile money” market

- 120 mobile money services this year in emerging markets
- 1.7 billion unbanked customers with mobile phones by 2012
- US \$5 billion in direct revenues for mobile operators by 2012



CGAP-GSMA Mobile Money Market Sizing Study

Although the mobile money market is growing rapidly, few implementations have achieved scale. Nonetheless, SBI believes that the industry has great potential to improve livelihoods and create economic opportunity.

A tool to scale financial inclusion and savings

While there are millions of unbanked, the penetration of mobile networks is high in developing economies

- A mobile banking platform, along with an agent network, can become a safe place to load, transfer, and store cash overnight or from month to month for longer-term needs
- Provides an alternative to physical cash
- Mobile phone banking offers compelling features:
 - **Convenient**
 - Through an agent network made up of small retail outlets in rural and urban areas, customers can access their money without going far
 - Customers can transfer money or pay bills using their mobile phone
 - **Affordable**
 - Mobile banking charges nominal fees for transfers and cashing out, and saves the customer travel time
 - **Reliable and Secure**
 - Through secure technology and cash management systems, mobile banking is safer than using informal money transfer services

Current Projects in Branchless Banking and Savings



bKash, Bangladesh

Developing a mobile technology platform to increase access to a broader range of financial services



UBL Omni, Pakistan

Building a highly scalable bank-led mobile money platform to store, transfer, and receive money safely via mobile phones



BRAC Bank, Bangladesh

Scaling up micro savings services using new delivery channels and mobile banking



KBS LAB, India

Helping scale up operations so KBS can become a "micro savings bank"

Signature Engagement

INVESTOR

Bill & Melinda Gates Foundation

MANDATE

UBL Branchless Banking Project, Pakistan

SOLUTIONS

Developing a strategy and business plan that allows the bank to target the poor and underserved, expanding its agent network across Pakistan to reduce transaction costs for the poor, and facilitating fast customer uptake among target populations.

SERVICES

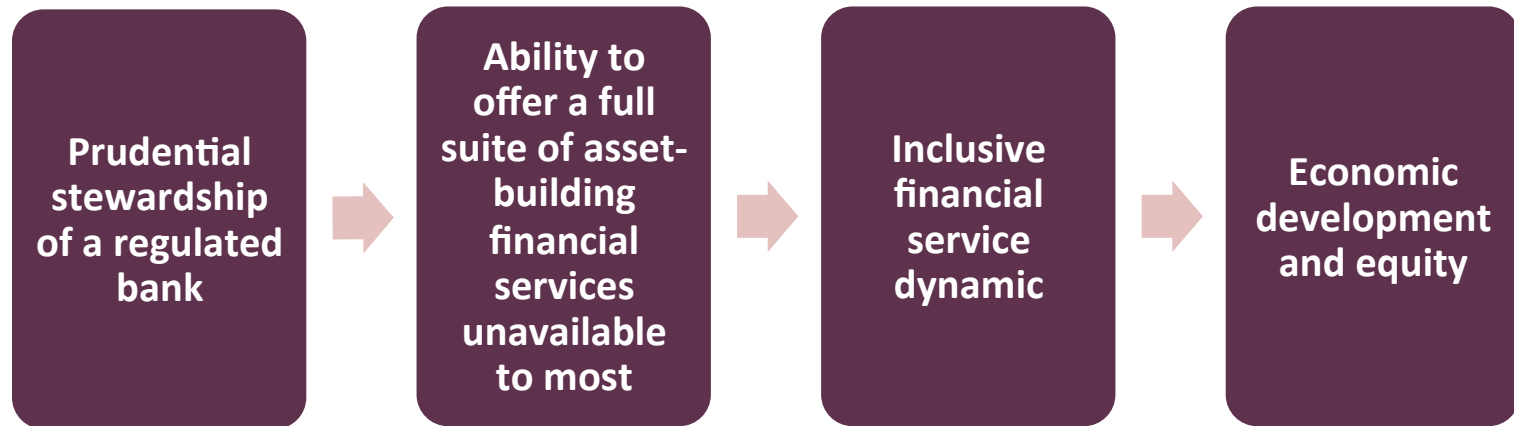
Strategy, MIS/IT, market research marketing/branding, agent network development

INITIAL RESULTS

Cost of service reduced by 80% at the agent location than at a branch location

The efficacy of bank-led models

■ SBI promotes the efficacy of bank-led models



■ In the course of its mobile phone banking projects in South Asia, SBI has undertaken the following activities

- Developed the initial business case
- Assessed markets to develop appropriate products
- Priced the products
- Developed a 'go to' market strategy
- Finalized an appropriate technology vendor

Bangladesh: bKash

- Bangladesh: 83% of the population lives under \$2 a day; less than 15% of the population is formally “banked.”
- bKash is a joint venture of BRAC Bank and Money in Motion.
- Although Bangladesh has little of the infrastructure necessary to support bank branches it does boast an extremely sophisticated market for mobile technology. Mobile networks cover 99% of Bangladesh and mobile phone ownership rates are as high as 83% for urban Bangladeshis and almost 60% of the rural populations.

Challenges

- Striking the right deal with a vendor and customizing technology
- Negotiating an agreement with Telco/s
- Developing a go to market strategy that ensures customer uptake
- Developing a robust agent network

What works

- Creating an enabling regulatory environment
- Strategic partnership with banks and NGOs to build business case
- Leveraging networks of partners (Eg: Telcos, NGOs) to expand agent network

Pakistan: UBL Omni

- Despite having a very large population of over 170 million people, less than 12% of Pakistanis hold formal bank accounts.
- By comparison, Pakistan has a very well established telecommunications and mobile networks sector: the number of cell phone connections today stands at over 98 million across Pakistan from 6 mobile network operators.
- UBL is Pakistan's second largest private bank with assets of \$7.5 billion, which operates a network of over 1,121 branches across the country, with 17 overseas branches and nearly 14,000 staff.

Challenges

- Creating a new business line within a commercial bank
- Rapid scaling and customer uptake
- Building an agent network in remote or conflict areas
- Understanding a new a market segment

What works

- Leveraging government contracts (G2P) to roll out agents
- Appropriate agent selection
- Offering services to both walk in and account holding customers
- Appropriate products for target market

India : KBS Local Area Bank

Expanding savings services through BCs

■ Value proposition:

- Door step delivery
- Account opening
- Deposits and withdrawals

■ Delivery channels:

- Branches (14)
- Business correspondence outlets (18)
- Spokes (40)
- Bank on wheels (1) with 4 field executives, 9 CSRs, 1 MSA covering 65 villages
- All services at the doorsteps of the customer through POS machines

■ Results:

- Number of villages served: 1,719
- Number of active deposits: 268,232

Key takeaways and challenges

- **Local delivery** is essential for extending the outreach of the bank
- Convincing customers that local/ agent banking is **credible** requires appropriate targeted marketing
- Designing **appropriate** products customized for the delivery channels and for the low income market is key
- **Costs** are very much lower with agent banking; initial experience shows that costs are about 80% less than branch based banking;
- **However, profits for agents/ intermediaries are through the transaction volumes.** Hence, **scaling** the number of accounts fast becomes necessary in order to reach profitability – to scale, technology is the solution
- However, **technology in and of itself is not a panacea** for branchless banking
 - its value to the bank and customer is directly related to trust and functionality
- **Training of the agents** that deliver services to:
 - Serve the customer properly/respectful
 - Provide consistent experience to customers through out agent network
 - Cross sell to add value and keep the account/customer "sticky"
- Creating **awareness** among the target market about the available services and products is an important cornerstone for success

For More Information

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