

Financial Sector Opportunities and Challenges – Branchless Banking

Regional Financial Integration in SADC

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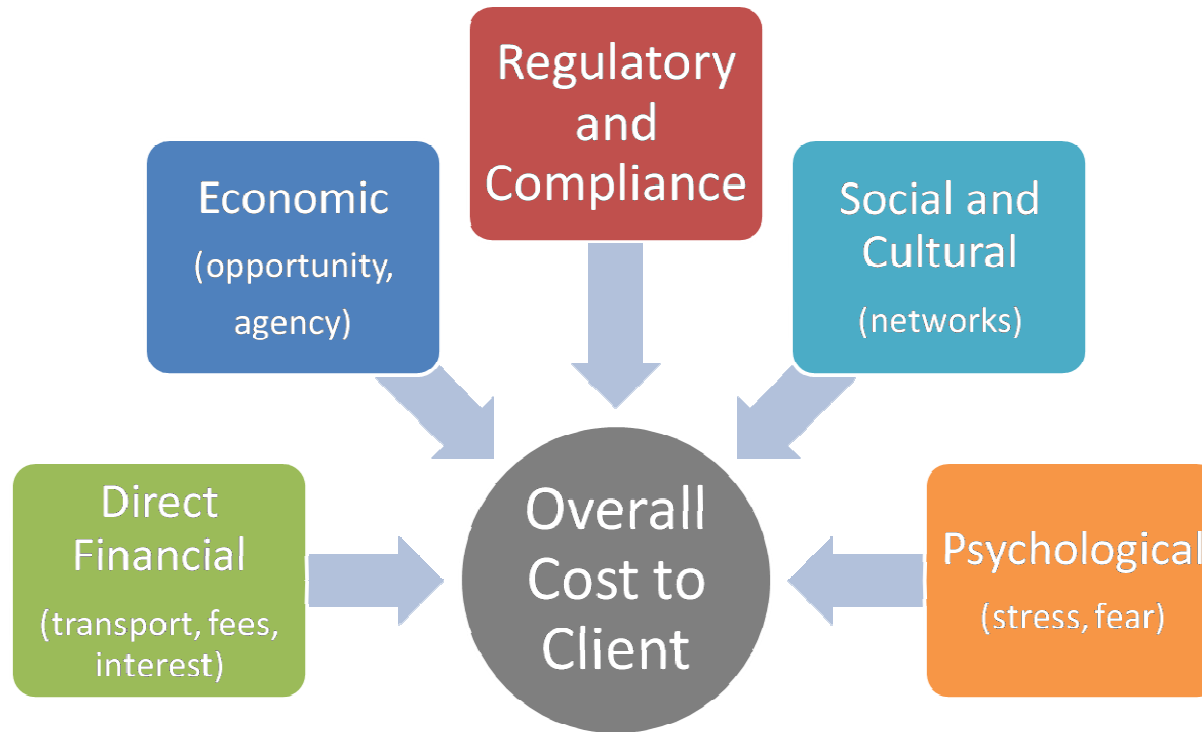
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Cost to clients to access financial services



**Cost-to-client and Cost-to-serve:
What drives both?
How to decrease?**



Branchless Banking (BB) - what and when?

Sources: Own notes and adapted from a blog by Margaret Biallas from the IFC, 2011

- What is BB and the two pillars of branchless banking
- When do you engage?
 - Reasonable potential – outreach, commercial viability, reaching challenging populations and geographies, partnership options
 - Shared infrastructure to ensure interoperability and efficiency
 - Mobile phone penetration (% by population)
 - Literacy levels and process to improve
 - Regulatory environment conducive
 - Technology adoption evident (prior use of SMS texting, etc)

Face to Face

National Retailers/Chains as partners

Stand-alone and clusters of merchants/outlets/operators

Self-Service

ATMs

Mobile Phone Banking



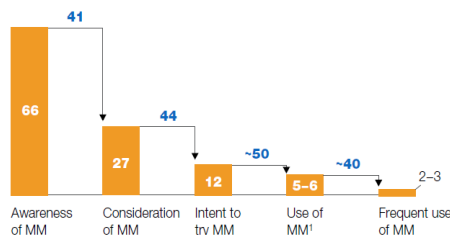
International overview – FI & Branchless Banking

Prospects and experience

- Branchless Banking generally acknowledged as a major driver of financial inclusion (World Bank, 2012)
- Cost of financial products for poor clients generally 19% lower than branch based offerings excluding transport and other non-financial costs (McKay & Pickens, 2010)
- Financial Inclusion supported by G8, G20, UN, World Bank, regional development banks, Alliance for Financial Inclusion (pact between 80 countries, including South Africa, meeting Sep '12 in Cape Town)
- McKinsey in a seminal article on mobile phone banking argues that attention to the agent network, a compelling product offering, and maintaining corporate commitment are the most important drivers (McKinsey, 2012)

Considerable marketing efforts are needed to build a base of frequent users.

Comparison of mobile-money (MM) awareness and perception, n = 184, % non-MM users responding positively



Challenges

- **Regulatory challenges** (Booz Allen/USAID) over-powering and need detail scrutiny to ensure validity ranging from client level to ability of regulators to efficiently regulate
- Agent/Partner **logistical challenges**, important pillar i.t.o recruiting and training, managing and maintaining, legal definitions and concomitant cost drivers, Competition – working towards ubiquitous access
- **Client uptake**, major challenge, too influenced by the success of M-Pesa in Kenya (halo effect) due to client reality and perceived solutions, cannot jump to electronic and mobile in one move, must be seen as a journey, the arduous journey of behavioural change; client financial education and product information; client recourse (see graph on marketing efforts to build a base of frequent users as illustration)
- Bespoke **back office** for branchless banking – or making sure that you do not build branch based approaches unnecessarily into the branchless approach
- **Aligning branchless and branch based strategies** – thus branchless expansion and focus has a lot to do with branch roll out, (placement), profile, functionality and focus, should be aligned and pro-actively managed to benefit from the interaction between the two approaches, towards branches as sales and services units propagating the branchless largely as the supporting transactional service provider



Opportunities and Challenges

Cost to client and Cost to serve considerations

Challenges

- ❑ Infrastructure (coverage plus)
- ❑ Regulatory issues
 - International influence through ownership links
 - Different interpretations due to role of banks in electronic value
 - Different tiers in terms of KYC
 - Different tiers in terms of AML/CBT in countries
- ❑ Environment for partnerships
- ❑ Caution, short experience, little research

Opportunities

- ❑ Ensuring consistent approaches to KYC
- ❑ Ensuring reality with sanctions rules
- ❑ Make sure that legislation in country in harmony, balance
- ❑ Assist capacity building in institutions to provide these services
- ❑ Build enabling environment for partnerships – ubiquitous access important, compete on offering not channel
- ❑ Uptake – client empowerment



Questions and Discussion

