

# AGENCY BANKING



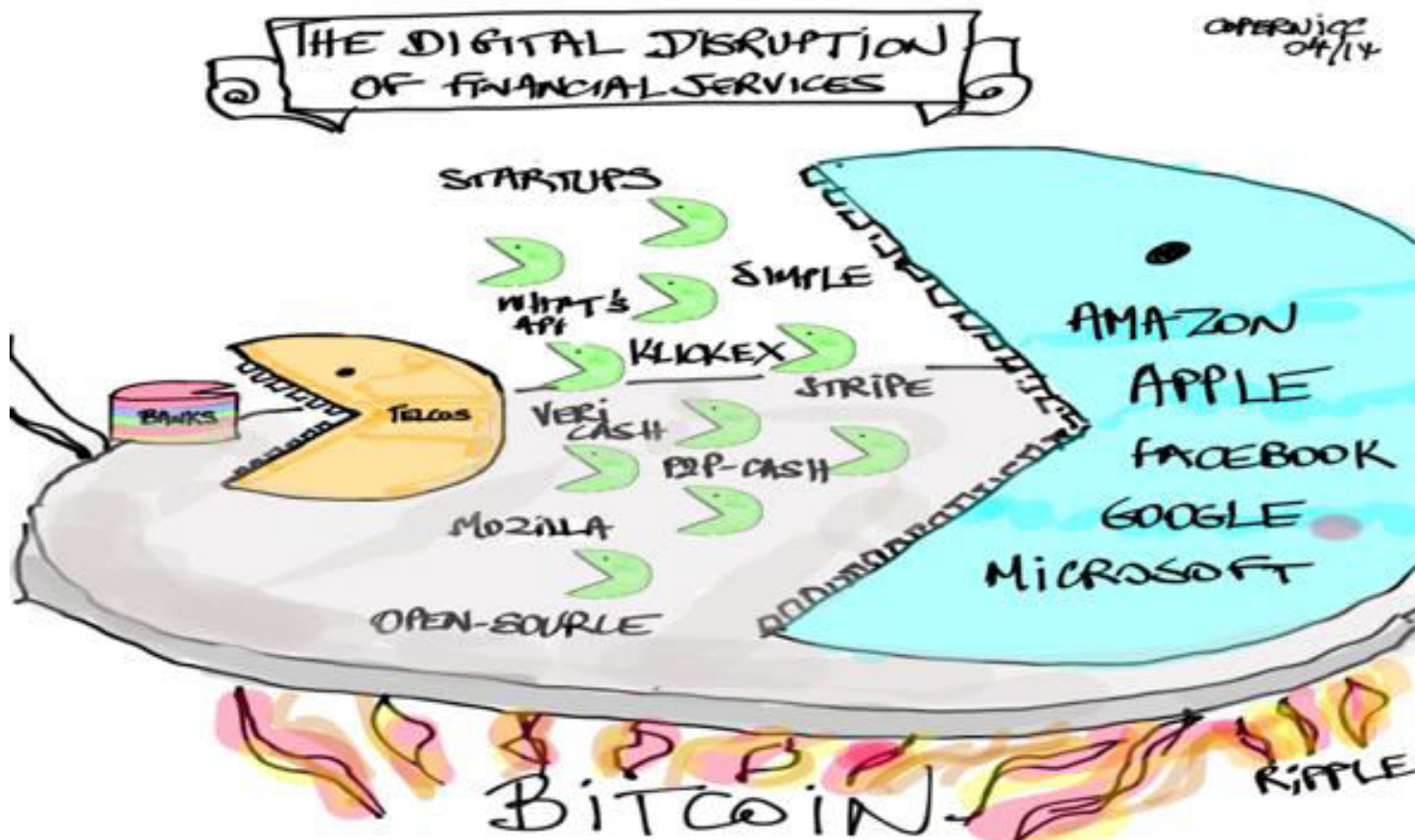
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# What's Happening in the Financial Services Space



Source: <https://ripple.com/insights/kosta-perics-mission-to-reach-the-unreachable/>

# Overview of Digital Financial Services



## Non-traditional / Branchless Banking / Alternative Delivery Channels (ADC)

### Financial Services

- *Money transfer (remittances)*
- *Payments*
- *Savings*
- *Credit/ loans*
- *Insurance*



ATMs



POS



Mobile POS



Internet Banking



Call Center



E-wallet  
(mobile wallets,  
prepaid cards,  
store cards)



Agent  
Banking

Key drivers  
of financial  
inclusion

# How Does Agency Banking Work?

Mobile Network Operator

Agents provide cash-in cash-out services



Access to various financial products

Savings, credit, remittances, insurance



# Agent Network Strategy: Key Decisions

## Decide to own or leverage existing agent network

- Collaborate with MNO to leverage their existing mobile money agents
- Acquire retail outlets / mom and pop stores as agents
- Outsource agent management to super/master agents

**What are the cost implications for branding, training, marketing and agent management?**

# Agency Banking Examples



# Why Selection of Right Agents is Important

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Banks need to associate with different agents to deliver financial services. It is very important to select the right partners as:

- End clients would relate to agents as the visible face of the Bank operations and as a result **representative of the image/brand of the bank**
- Clients also **associate trust** in the service with **credibility/trustworthiness of the frontline agent**
- The capability and **motivation of the agent determines scalability** and client adoption for agency banking.
- Banks would be **responsible for the actions** and inactions of the agents, including frauds or compliance with regulatory requirements

# Value Proposition for Agents



## Additional Revenue Stream

Agency Banking adds a new revenue stream for small businesses

## Increased Footfall

Agency Banking leads to increased footfall in the agent's shop leading to enhanced core business

## Increased Reputation

Association with big brands like Banks raises the profile of the agent in the community

## Diversification of Business

Agency Banking helps the agents to diversify their business to avoid concentration risks of having only one business

Agents act as the last mile delivery points for offering financial services. Establishing a suitable business case for the agents is very important to make this model sustainable.



# Lessons from Uptake of Agency Banking Services

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- Favourable regulatory environment with **clear agency banking regulations** is necessary for successful implementation of agency banking models.
- **Quality is much more important than quantity.** Small motivated agent network is better than a large disinterested agent network.
- Banks need to **develop customer centric products** that are easily understandable and usable, competitive, accessible and sustainable.
- **Cross-sell products and services to make the agency banking channel more effective and viable.**
- Banks need to make sure that the **agents are making enough money** to stay motivated. Only then the banks can make good money from the agency banking channel.
- Products also need to be accompanied by practical **‘financial education’** programs and **marketing activities** that will inform people of the opportunities and benefits of agency banking channels.

# Agency Banking can be Highly Profitable Too!



- **Equity Bank's fintech arm launched Equitel** after receiving an MVNO licence in April 2014.
- **In August 2018, Equity Group** spun off its fintech arm into Finserve Africa Limited, a fully-owned subsidiary
- In, 2018, **89%** of all successfully processed loans are **originated via mobile channels**, **96%** of transactions are **happening outside the branch**
- In 2018, **ATM transactions reduced** to 4% from 5% in 2017 and **Branch transactions dropped** from 5% to 4%.
- Equity Group Holdings announced 6% **growth in profit** before tax for 2018, to KSh28.5bn (**\$282.8m**). Its balance sheet grew to KSh573.4bn from KSh524.5bn in 2017.

# THANK YOU!

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