

Advancing financial access for the world's poor

Opening the Frontier with Technology

European Microfinance Week

13 November, 2008

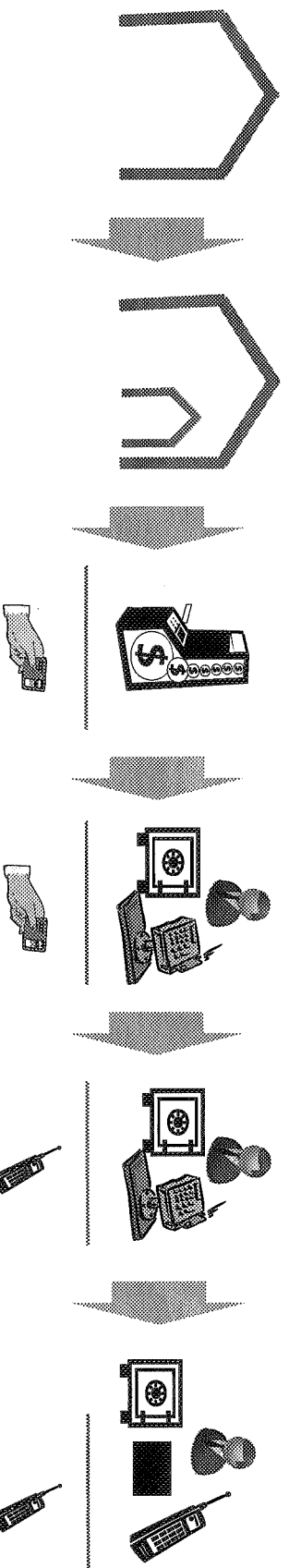
What is branchless banking

The use of existing retail infrastructure as agents and the use of technology to increase access to finance



What does it solve

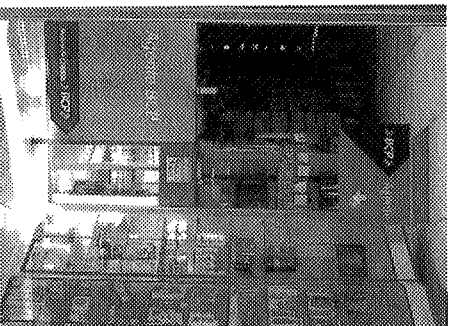
- Remote access
- Channel cost
- Cash handling costs
- New clients?
- Product diversification?



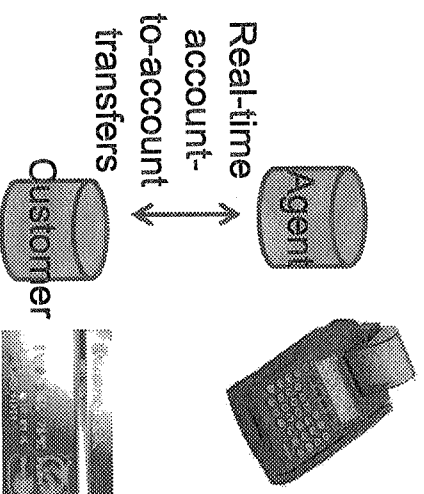
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The logic of branchless banking

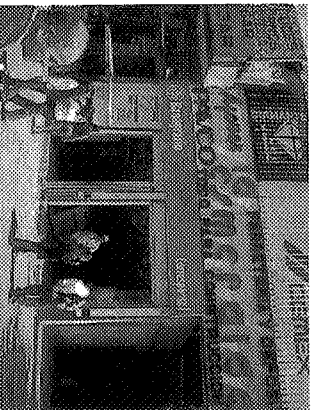
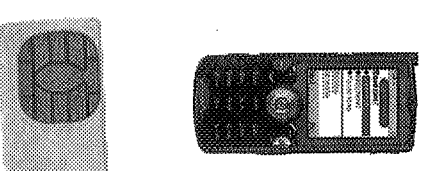
1. Use existing retail infrastructures



2. Deliver trust through technology



3. Use existing deployed technology



Who are the actors

- **Agents**
 - Acquire customers or process transactions
 - Foot traffic + revenue (fees, % of float)
- **Banks**
 - Biggest bang for growth oriented institutions
- **MFIs**
 - Can they handle real time transaction capability?
 - Will it disturb group ethos?
- **Mobile Network Operators**
 - Large scale (at least 20% of customer base)
 - Reduce churn in an an environment of declining ARPU
 - “pipes” / account host + switch / account issuer

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The power of using *existing* infrastructure

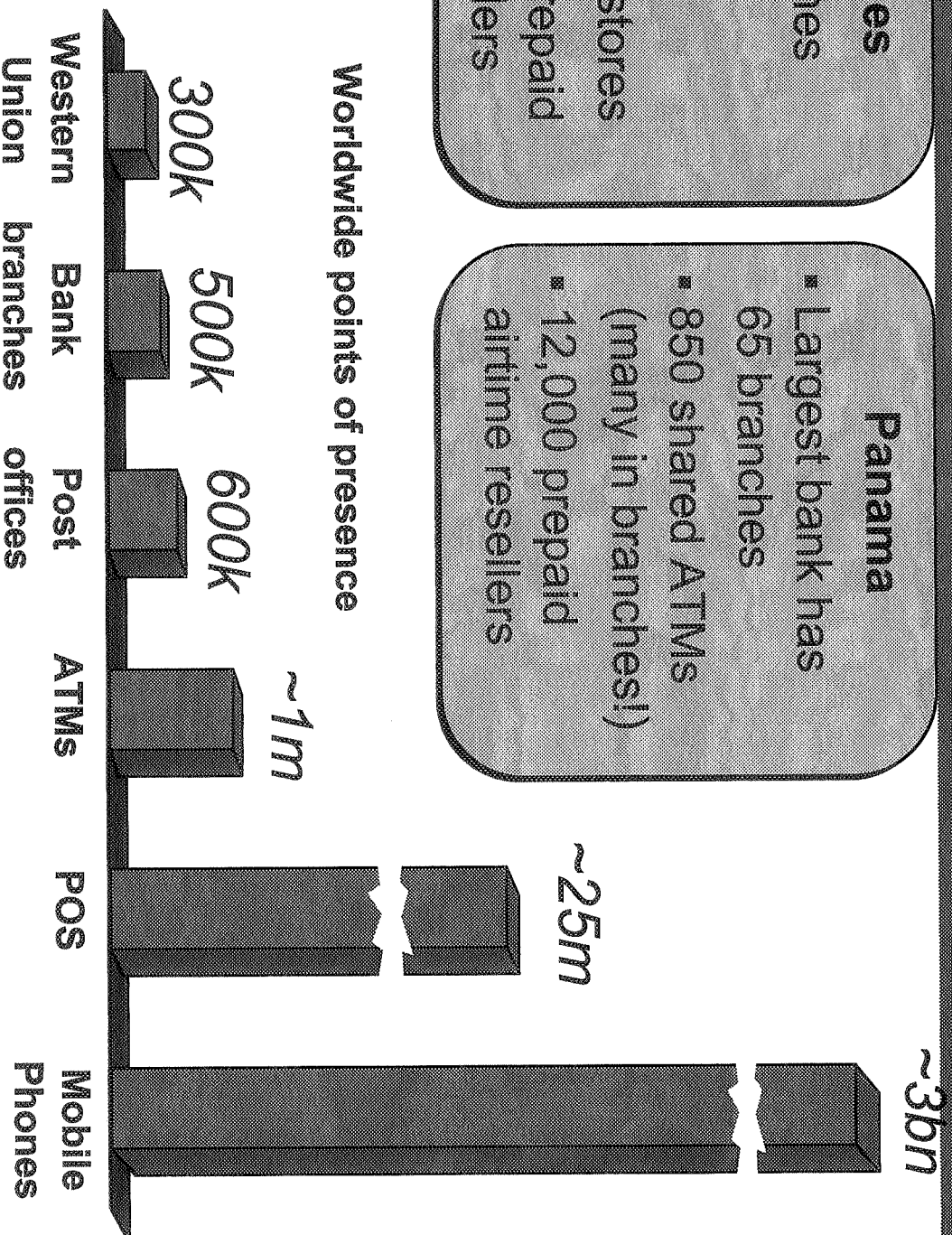
Philippines

- 1,000 branches
- 7,000 ATMs
- 25,000 POS terminals in stores
- 1.1 million prepaid airtime resellers

Panama

- Largest bank has 65 branches
- 850 shared ATMs (many in branches!)
- 12,000 prepaid airtime resellers

Worldwide points of presence



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Worldwide 'league tables'

Status of agent deployments

<i>Country</i>	<i># of agents</i>
Brazil	55,000 (+66,000)
S Africa	6,500
Kenya	2,600
Peru	2,400
Philippines	2,000
Colombia	572 (+3660)
India	460
Ecuador	63
Pakistan	30

Status of 'transformational' m-banking

- PHILIPPINES: Smart Money +Gcash, 9m registered, 3m active.
- KENYA: M-Pesa, 3.6m registered users (½ transaction/user/month at average €30).
- SOUTH AFRICA: FNB, MTN, ABSA, Wizzit, 4m registered, 1m active.
- INDIA, PAKISTAN, MONGOLIA: Still early days...

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What are the challenges

The Good

- Business model for payment products
- Regulator openness
- Early adopter profile emerging

The Bad

- Pricing does not necessarily support small value
- Unclear market expansion strategy beyond early adopters
- Unclear savings proposition for unbanked

The Ugly

- Agent revenue share is limited
- Timing of interoperability unclear
- Regulatory uncertainty

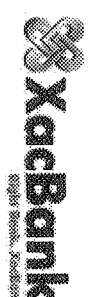
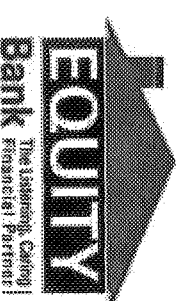
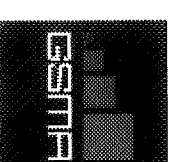
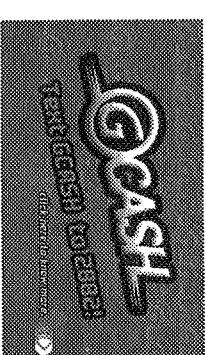
What are the challenges (cont'd)

- Can mobile banking substitute for the human touch?
- Can mobile banking appeal to more segments than the young and technologically more sophisticated?
- Can providers walk the tightrope between reliability and customer convenience?
- Will customers value ubiquity more than credibility?
- Will government develop practical risk-based approaches to know your customer?
- What level of financial literacy will be needed?
- Will interoperability increase adoption?

CGAP Technology Program

- About CGAP
 - Global resource center on access to finance issues
 - Established 1995
 - 33 members, housed at World Bank
- The Technology Program
 - \$26m program (over 4 years)
 - Incubate new approaches through advice and support to 20-30 projects
 - Assess and advise policymakers
 - Communicate lessons learned to stimulate the market
 - Co-funded by Gates Foundation

CGAP



Tameer Microfinance Bank Limited
Empowering the Un-banked

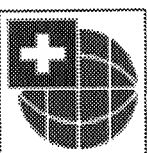
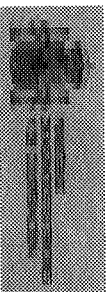
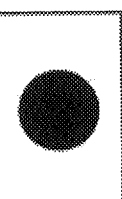
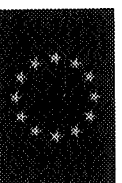
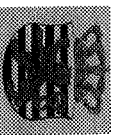


Maldives Monetary Authority

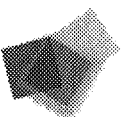
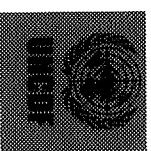
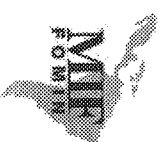


What is CGAP doing in projects and research

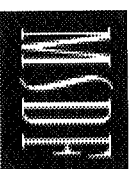
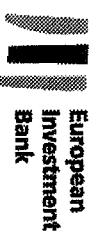
- Market analysis
 - Why country X, but not country Y
- Customer research
 - Interviews with M-PESA customers
- Agent compensation research
 - Interviews with M-PESA agents
- G2P as a launching pad
 - Current research in LAC
- Savings pilots



BILL & MELINDA
GATES foundation



OMIDYAR
NETWORK



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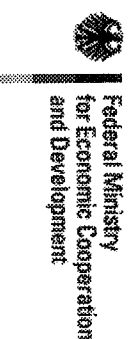
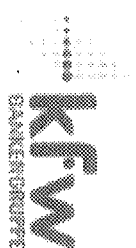
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www.cgap.org

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