

Maximising the role of Postal banks in Financial Inclusion

Aitec Conference Banking & Mobile Money COMESA

Piet Biemans

3 March 2011

Nairobi Kenya

Maximising the role of Postal banks in Financial Inclusion

Table of Content

- 1. Recent developments in mass retail financial services delivery models**
- 2. The postal (savings) bank concept**
- 3. Developing an appropriate business model as the ‘integrated approach’**
- 4. Translating this ‘mass retail/ Postal savings bank led model’ into business planning**

Maximising the role of Postal banks in Financial Inclusion

Table of Content

1. *Recent developments in mass retail financial services delivery models (agents, financial inclusion initiatives, mobile money)*
2. The postal (savings) bank concept
3. Developing an appropriate business model as the ‘integrated approach’
4. Translating this ‘mass retail/ Postal savings bank led model’ into business planning

Recent developments in mass retail financial services delivery models

the main conclusions of the World Bank research of 2006 Postal Financial services in Postal networks and Postal Banking

1. The postal branch network with some 500,000 branches in the developing world, and twice the number of branches of commercial banks has the potential to be a powerful distribution platform, especially in rural and remote areas.
2. However building and maintaining a network of this dimension is costly and has rarely proven to be profitable.
3. In recent years policy-makers have questioned the relevance of using the post office to distribute financial services in a sustainable way.
4. This paper attempts to determine the key success factors needed to achieve successful reform at a country level. There is no solution that is one-size-fits-all.
5. Therefore a checklist of prerequisites is suggested to help policymakers and stakeholders,
6. Only with these in place will the implementation of policy measures have a chance to be successful, as is emphasized in the UN Blue Book on building Inclusive Financial Sectors for Development.
7. Based on the underlying regional and country reports, it is clear that the postal branch network can be leveraged to promote access to finance

Postal networks's role in access to financial services

Postal networks in developing countries provide an estimated 600 million individuals with access to basic financial services. However the potential is much bigger, with more than 80% of the post offices in rural areas (according to an World bank study 2006*).

Region	Post Offices	Accounts	Savings	Transactions
MENA (6)	20,000	26 mill	\$5.7 bill	94 mill
AFR (21)	11,500	5 mill	\$0.5 bill	7 mill
ASIA (7)	289,000	335 mill	\$83.0 bill	354 mill
LAC (7)	37,000	1.5 mill	\$0.2 bill	65 mill
ECA (27)	106,000	16.2 mill	\$ 4.6 bill	2,805 mill
TOTAL (68)	463,500	385.1 mill	\$93.0 bill	3,4 bn

MENA: Middle East, North Africa; LAC: Latin America, Caribbean; ECA: Europe and Central Asia

Between Financial Inclusion and Postal Banking: * 'Is the Survival of Posts Also There?'

José Ansón and Joëlle Toledano 2010

1.5 bio users of postal financial services, 400 mio holders of postal accounts, 500,000 post offices in the developing world



UPU
UNIVERSAL
POSTAL
UNION

ACCOUNTS: INCREASING MARKET PARTICIPATION

Market share of the Post in	Start (1999 or later)	End (2008)
China	25%	39%
India	20%	28%
Brazil	0%	7%
South Africa	12%	20%
Namibia	50%	68%
Kazakhstan	0%	27%
Egypt	30%	45%

- For postal financial institutions or postal banks, there is a substantial recent increase in the market share of retail bank accounts (number of accounts) in emerging and developing countries

- Compounded annual growth rates (CAGR) between 10 and 20% in many cases, e.g. China (CAGR 9% for accounts, 19% for value of deposits) or India (CAGR 7% for accounts, 13% for value of deposits)

© UPU 2009 – All rights reserved

Intensified use of existing Agent networks in the domestic Mobile banking service delivery

example Western Union; *article* 'Western Union spreads mobile money transfer across Africa *Mobile Commerce Daily; January 18 2011; Dan Butcher, associate editor*

- The Western Union Money Transfer service is now live across more than 500 UBA locations in Nigeria.
- adds to their existing joint offering in Burkina Faso, Guinea, Senegal and Tanzania, with Gabon and Kenya to be added in the near future,
- bringing Western Union's agent network in Africa to nearly **21,000 in 49 countries.**

Main **strategic reasons** according Khaled Fellahi, senior vice president of electronic channels at Western Union,:

- 'Setting up a **physical branch network for cash movement is a critical success factor** for mobile financial services in the developing world;
 - Western Union is already very **active in the global mobile remittances market,**
 - Western Union is becoming a central hub for carriers, banks and technology vendors by **linking them to our unparalleled cross-border network,**
 - We have also been endorsed by the **GSMA as a key partner** for the development of this channel;
 - Western Union **sees mobile money transfer technology as a new opportunity,** particularly in the emerging markets;
 - In Africa, Western Union has **already announced agreements** with Absa Bank in South Africa, as well as with Vodafone and its sister company, Safaricom, in Kenya.'
-

Recent developments in mass retail financial services delivery models

Bill Melinda gates Foundation: 'Financial services for the poor' initiative working with: a wide range of public and private partners , to harness technology and innovation , to bring quality, affordable, and safe savings accounts and other financial services, to the doorsteps of the poor in the developing world

'On Going projects' Grant highlights (mostly Supply side)

• *Distribution Channels*

• Agent Banking:

- **Diconsa** :Mexico ;To improve access to affordable financial services in Mexico's poorest, most isolated communities

- **Consultative Group to Assist the Poor (CGAP)** :Worldwide; To find and promote new technologies that will allow the micro finance industry to reach new customers and efficiently deliver services

- **Mobile Money for the Unbanked:** **GSMA Foundation, Inc.:** Worldwide; To improve the social and economic well-being of the world's population living on less than \$2 (U.S.) per day by helping develop sustainable mobile money solutions

- **Savings Banks and Microfinance institutions:** **World Savings Bank Instititute:** Worldwide To double the number of poor people with access to appropriate savings accounts in selected savings banks

- **New banks, New Markets:** **Opportunity International:** Africa (DR Congo, Ghana, Kenya, Malawi, Mozambique, Rwanda, Tanzania, and Uganda); To create or expand commercial banks in Africa that use new ways to deliver financial services to the poor and rural areas including agricultural communities

• *Financial systems*

- **Policy and Regulation:** **German Technical Cooperation:** Worldwide; To establish a global policy facility that will help countries adopt and implement pro-poor policy solutions more quickly

• *Savings Products:*

- **Savings-led groups:** **Oxfam America:** Mali, Cambodia; To expand existing savings programs in villages and **CARE:** ; Malawi, Tanzania, and Uganda ; to organize 300,000 people in the rural areas and urban slums into Village Savings and Loan Associations and **Catholic Relief Services:** Kenya, Tanzania, and Uganda; To expand access to financial services in underserved areas of Kenya, Tanzania, and Uganda by training and certifying more than 700 people to help set up and sustain locally managed savings groups in poor, rural communities

• *Complementary services*

- **Asset Protection:** **International Labour Organization:** Worldwide; To help create and evaluate *micro insurance* models and products

Recent developments in mass retail financial services delivery models, especially related to financial inclusion initiatives

New project grants of the BMGF 'Financial Services for the Poor' initiative announced at the World Savings Forum Seattle November 2010 (Supply and Demand side)

- World Savings Bank Institute (WSBI) (2010-2011) **Doubling Savings for the Poor**: \$600,000:
the program will identify and define viable projects that could be supported to offer affordable, accessible, and sustainable savings accounts with approximately 10 additional WSBI member banks.
 - Vodacom Tanzania Limited (VTL) (2010-2012) **M-PESA Tanzania Acceleration Opportunity**: \$4.8 million
This program aims to increase awareness and usage of the mobile money service, M-PESA, in Tanzania, reaching at least 2 million people in 18 months.
 - ShoreBank International, Ltd. (2010-2012) **bKash Mobile Money Platform**: \$10 million:
This project will work with BRAC Bank Limited to build bKash, a scalable mobile money platform that will allow poor Bangladeshis to store, transfer, and receive money safely via their mobile phones.
 - Consultative Group to Assist the Poor (CGAP) /International Bank for Reconstruction and Development (IBRD) (2010-2013): CGAP II Technology Program: \$6 million: Building on a major grant in 2006, this program will **promote the use of branchless banking to increase the number of poor people with access to financial services, particularly savings.**
 - World Bank (2010-2014): **Global Financial Inclusion Survey**: \$11.4 million:
This program will include 10 financial questions in an existing Gallup global poll to **generate first-of-a-kind baseline data on financial inclusion levels across 150 countries.** The survey will be issued every three year
 - Yale University /Innovations for Poverty Action (2010-2014) **The Microsavings & Payments Innovation Initiative (MPII)**: \$7 million:
The MPII will strengthen understanding of the financial needs of the poor, and the economic benefits of financial products by launching more than **20 studies to identify the best ways to reach the poor with savings products and money transfer services.**
-

Recent developments in mass retail financial services delivery models, especially related to financial inclusion initiatives



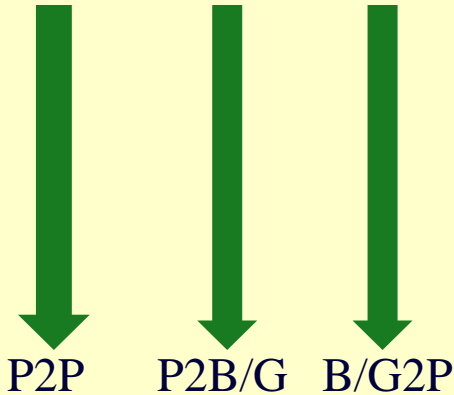
Basis of THE WSBI 'extra' grant 2010-2011 from the Bill & Melinda Gates Foundation/Financial services for the Poor programme

The grant will support WSBI to work with members to identify potential solutions to overcome the **four key barriers faced by savings banks to provide savings services to the poor:**

- **Lack of proximity:** Work to provide cheaper delivery channels that reach poor people where they live and work.
- **Inefficient product design:** Use market research to determine how to design products that encourage poor people to save.
- **Inappropriate pricing:** Determine the balance between affordability and sustainability to ensure that poor people can access savings accounts.
- **Ineffective marketing and sales strategies:** Work to develop marketing using both informal and formal strategies that appeal to poor people and helps them understand the benefits of savings.

What are Mobile Money transfer and Mobile Banking Services

Mobile Payments



mostly Domestic
enabled International

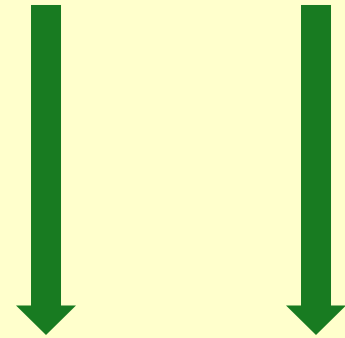
Mobile Wallet

Mobile Micro finance



loans
savings
micro insurance
etc.

Mobile banking



transactions information

Bank Account

Mobile Money Transfers and Mobile Banking and it's relevance

In general the following characteristics are relevant for the development of MMT and MB (based on **conclusions from the Barcelona MM Summit of GSMA in June 2009**):

- in a number of **developing countries** MMT/MB is **already a great success** and in **developed countries initiatives evolve** (sms and NFC based)
- a projected market volume of up to \$250 bln in developed plus developing markets;
- the most promising **business model** looks to be the **co-operation model** of one or more mobile operator(s), financial sector institutions (e.g. –mass- retail , postal – savings- banks) and third party agent networks;
- **marketing** is crucial **also as 'educational' support** for people not familiar with non-cash modern financial services;
- connecting MMT to **a strong brand** will intensify the market penetration;
- Important condition is a **well organised cash agent network** working according regulations applicable in the financial sector (often via **Central Bank regulations**) with a **secure cash management solution**.

MMT and MB and it's relevance

Projections have been made by CGAP* together with GSMA.
The main projections are:

- ‘Sharp growth is there for the taking, should mobile network operators succeed in addressing concerns of the un-banked customer; CGAP and GSMA project that **364 million low-income, un-banked people could use mobile financial services in 2012,...**’;
- ‘By 2012, the number of **people without a bank account but with a mobile phone** is estimated to grow from **1 to 1.7 billion**’
- An estimated **3.5 billion people worldwide currently lack access** to formal financial services.

Mobile Money Transfers and Mobile Banking and it's relevance

World economic Forum in Davos 2011

Hot Topic -- Inclusive Growth Through Mobile Banking ,

by Carol Realini ; the Huffington Post 1 February 2011

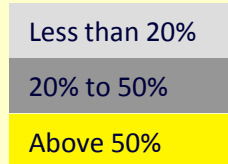
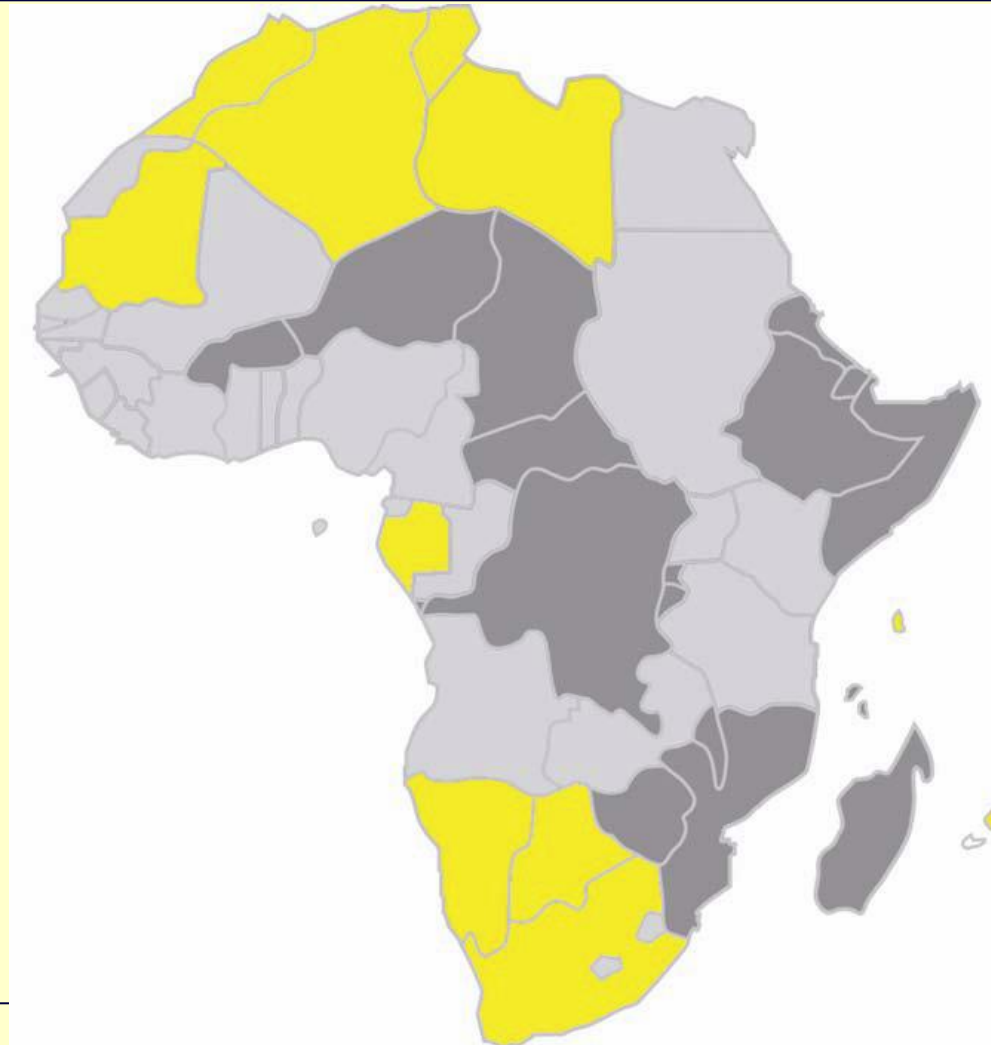
According Berg Insight, an industry research firm based in Stockholm:

1. Today, there are more than five billion mobile phones in the world, but only 1.6 billion bank accounts;
 2. Globally, the number of mobile banking users is expected to surge more than sixteenfold, to 894 million by 2015, that's up from 55 million in 2009;
 3. 78 percent, or 697 million people -- are in Asia, Africa, the Middle East and Latin America. Many of those 697 million people will have previously had little or no access to banking;
 4. This year at Davos impressive was the new awareness of the potential power, business opportunity and social mandate to make banking available to all mobile users;
 5. The only discouraging note came from an undercurrent of fragmentation -- too many players thinking they can do this as an independent provider, and not being part of a larger ecosystem. This will hamper growth and stunt value. It won't be visible in the first wave, but the ceiling will exist because fragmentation lowers value and creates market confusion.
-

African mobile phone market penetration

37% in 2007 ; expected 61% in 2012

Africa Connected ; E&Y 2009



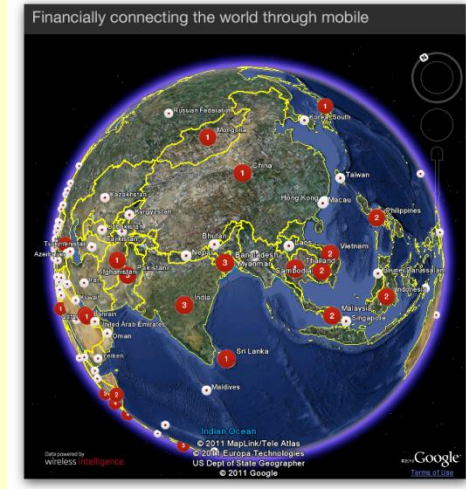
Existing Mobile Money deployments in the world according Mobile Money for the Un-banked (MMU) Deployment Tracker (GSMA)

Deployment tracker Mobile money
<http://www.wirelessintelligence.com/mobile-money/>

15 February 2011

101 live Deployments

95 planned Deployments



Existing Mobile Money deployments in Africa according Mobile Money for the Un-banked (MMU) Deployment Tracker (GSMA) (23/02/2011)

23 countries with 48 Mobile Money Deployments



Countries ESA	Mobile money deployments	Penetration %	
		Mobile	Financial services Bank
Somalia	2	6.18	20.11
Kenya	4	56.39	10.00
Uganda	3	39.66	20.00
Rwanda	1	30.12	23.00
Burundi	1	5.72	17.00
Tanzania	4	44.68	5.00
Madagascar	3	23.82	21.00
Malawi	1	20.01	21.00
Zambia	4	41.81	15.00
Zimbabwe	1	14.93	34.00
South Africa	5	97.07	46.00

Existing deployments in Africa (COMESA) according GSMA MMU Deployment Tracker Tanzania and South Africa

Mobile Money - Deployment Tracking							
Region	Country	Operator	Name	Launched	Number of Wallets	Product Offering	Bank Partners
Africa	Tanzania	Airtel (Bharti Airtel)	Zap	2009		Airtime Top Up Bank Transfer Bill Payment Corporate Cash Collection Domestic Money Transfer International Money Transfer Loan Repayment Merchant Payment M-Insurance	Citibank Standard Chartered Tanzania Postal Bank
Africa	Tanzania	Vodacom	Mpesa	2008	3000000	Airtime Top Up Domestic Money Transfer	National Bank of Commerce
Africa	Tanzania	Tigo (Millicom)	Tigo Pesa	2010		Airtime Top Up Domestic Money Transfer	
Africa	Tanzania	Zantel (Etisalat)	Zpesa	2008		Domestic Money Transfer	
Africa	South Africa	MTN	Mobile Money			Airtime Top Up Bank Account Management Domestic Money Transfer	Standard Bank
Africa	South Africa	Vodacom	Mpesa	2010		Airtime Top Up Domestic Money Transfer	Nedbank
Africa	South Africa	MoPay	MoPay	2009		Electricity Purchase	
Africa	South Africa	WIZZIT	WIZZIT	2004		Airtime Top Up Domestic Money Transfer Electricity Purchase Merchant Payment	South Africa Bank of Athens
Africa	South Africa	Standard Bank	Community Banking	2009		Airtime Top Up Bill Payment Domestic Money Transfer Merchant Payment	Standard Bank

SA models: mobile banking;

according Presentation to the 13th WSBI Postal Savings Banks Forum, 19 October 2010
Christine Hougaard



Banks – channel extension to existing offerings:



- Cellphone banking
- CashSend



- Cellphone banking
- E-Wallet
- Pay-Wallet



- Cellphone banking
- Community Banking/ Mobile Money

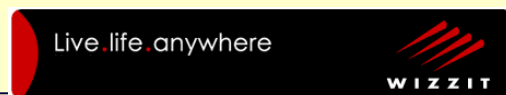


- Cellphone banking

Mobile centric offerings – operator jointly with a bank:



Independent mobile centric offerings – 3rd party:



Existing deployments in Africa (COMESA) according GSMA MMU Deployment Tracker Kenya

Mobile Money - Deployment Tracking							
Region	Country	Operator	Name	Launched	Number of Wallets	Product Offering	Bank Partners
Africa	Kenya	yu (Essar Telecom)	yucash			Airtime Top Up Domestic Money Transfer	
Africa	Kenya	Airtel (Bharti Airtel)	Zap	2009		Airtime Top Up Bank Transfer Bill Payment Corporate Cash Collection Domestic Money Transfer International Money Transfer Loan Repayment Manage Bank Account Merchant Payment	Citigroup Standard Chartered
Africa	Kenya	Safaricom	Mpesa	2007	12605000	Airtime Top Up Bill Payment Domestic Money Transfer G2P International Money Transfer Linked MFI, SACCO, Bank Account Merchant Payment MFI Loan Repayment M-Insurance Salary Disbursement	Bank of Africa Equity Bank
Africa	Kenya	Orange (Telkom Kenya)	Orange Money	2010		Airtime Top Up Bank Account Management Bank Transfer Bill Payment Domestic Money Transfer Loan Repayment Manage Bank Account Merchant Payment Salary Disbursement	Equity Bank

Status Kenya 'retail' financial services market including Mpesa according Ben Lyon of Kopo Kopo Inc.*

Status 2010



MAJOR PLAYERS

- **Safaricom M-Pesa**

Launched in March 2007, Safaricom M-Pesa was the first mobile money system in Kenya. It is now the most successful mobile money deployment on earth, boasting use by 51% of the adult population. In addition to person-to-person transfers, you can use M-Pesa to remit funds from the UK to Kenya, pay bills, purchase goods, buy airtime, and, with the launch of **M-Kesho**, move funds to and from an interest-bearing account with Equity Bank. Fun fact: Safaricom M-Pesa has more agents in Kenya than Wells Fargo and Wachovia have ATMs in the United States.

- **Airtel Money**

Formerly Zain Zap, Airtel Money is the second largest mobile money system in Kenya. Prior to its acquisition, Zain was focused on creating a “cashless society” whereby any number of needs could be met via mobile money. Zain was also committed to its notion of One World, the idea that a Zain customer in Sierra Leone should be able to call at Zain customer in Malawi or Kenya at local rates. One World was the source of much speculation with regard to international person-to-person mobile money transfer. It will be interesting to see if / how Airtel changes course, especially with regard to pricing.

- **Orange Money**

Orange Money, or Iko Pesa, launched in late 2010 in association with Equity Bank. Instead of offering the same features as M-Pesa, Zap, or yuCash, Orange opted to create a de facto front-end for Equity Bank accounts, allowing it to exceed regular transaction and m-wallet balance thresholds.

- **Essar yuCash**

Essar yuCash launched in December 2009 and is powered by Obopay. yuCash offers some standard features such as person-to-person transfer and balance inquiry as well as some unique features like requesting money, adding a short message to a payment, and inviting friends to join. yuCash is also unique insofar as it offers five different front-ends: WAP, SMS, Voice, USSD, and STK.

- **Equity Bank**

Equity Bank is the largest microfinance institution in Kenya and is nothing short of a powerhouse. It has an extensive ATM network throughout Kenya and has integrated with M-Pesa (M-Kesho), Orange Money (with Iko Pesa), and yuCash.

- **Musoni**

Musoni is at the cutting edge of microfinance, enabling loan disbursement and repayment from multiple mobile money networks in Kenya. Musoni plans to expand to Tanzania and Uganda in the coming years.

- **Paynet Group**

Paynet is responsible for all Visa transactions in Kenya, interchange for 2,000+ ATMs, and PesaPoint. Due to their interaction with Visa, they are PCI DSS compliant, meaning that their system is both redundant and incredibly secure. Paynet aggregates and formats transaction data for several mobile money providers in East Africa.

Status Kenya 'retail' financial services market including Mpesa according Ben Lyon of Kopo Lopo Inc.*

Status 2010



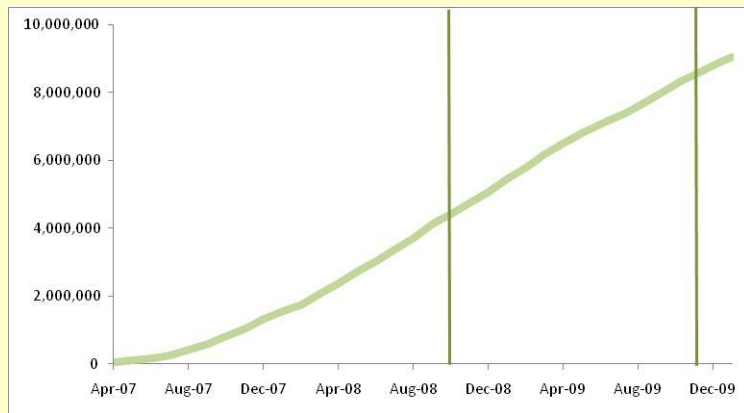
UPCOMING PLAYERS (more focus on 'integrating' existing offers)

- **iPay** A product of Intrepid Data Systems, iPay enables merchants to accept online payment via Safaricom M-Pesa, Zain Zap, and Essar yuCash. Prominent users include PewaHewa and Fenesi.
- **PesaPal** PesaPal is a product of Verviant Consulting that, according to CEO Agosta Liko, aims to “make sense of the Kenyan payment landscape”. PesaPal lets online merchants collect payments via M-Pesa, Zap, Google Checkout, and a range of common credit cards.
- **M-Payer** A recent product of Zege Technologies, M-Payer enables real-time mobile money transaction processing. The CEO of Zege Technologies, Kariuki, played an instrumental role in the M-Pesa / Equity Bank integration that resulted in M-Kesho.
- **Lipuka** Powered by Cellulant, a company that serves 60M+ subscribers throughout Sub-Saharan Africa, Lipuka integrates bank and payment channels to enable music downloads, bill payments, and information services via WAP.
- **Moca** Formerly called ZungukaPay, Moca is a product of Symbiotic Media Consortium. ZungukaPay enabled online merchants to accept payments via M-Pesa, Zap, yuCash, and Google Checkout. ZungukaPay also had an open API for integration purposes. It is unclear whether Moca will offer any additional / different services.
- **JamboPay** A product of Web Tribe Limited, JamboPay is an “Online Checkout & Micro-Payment Service” that enables merchants to accept online payments via M-Pesa, Zap, yuCash, and Visa credit/debit cards. JamboPay has a tariff structure similar to PayPal in the US: a commission per transaction + a flat fee for any transactions initiated over the JamboPay web platform.
- **MobiKash** MobiKash, a third party mobile money provider, is operated by MobiCom Africa Limited in partnership with Sybase 365 and Seal Systems. MobiKash leverages USSD to give Kenyans on any mobile network real-time access to accounts at participating banks. MobiKash uses the Sybase 365 Mobiliser Platform
- **KrossPAY** Formerly PesaPot Holdings Limited, KrossPAY worked with PAYG Solutions to develop a hosted core banking and financial management platform for microfinance institutions, credit unions, and community benefit organizations. Some PAYG Solutions programmers were involved with the creation of M-Pesa, so there may be a mobile money integration in the works. KrossPAY also offers a “universal mobile money transfer and payment” service called CaribPay.

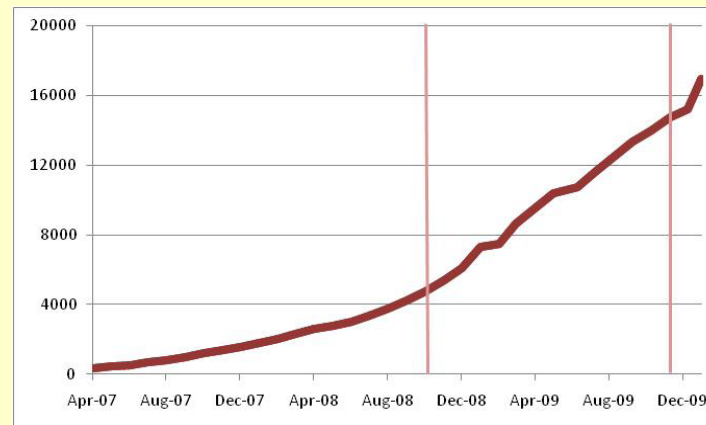
Status Kenya Mpesa

Survey: The Economics of M-PESA: An Update; William Jack and Tavneet Suri October 2010

Growth in M-PESA Users



Growth in M-PESA Agents



Some conclusions of the two survey rounds:

1. while in 2008 less than half the households surveyed were M-PESA users (43 percent), by 2009 **nearly 70 percent of households were M-PESA users;**
2. while M-PESA use was originally limited to the wealthiest groups, it is **slowly being adopted by a broader share of the population;**
3. In Round 1, about 79 percent of the **early adopters saved on M-PESA**, and this increased to 89 percent by Round 2;
4. On average, households in Round 1 sent and received remittances every three to four months and households in Round 2 every two to three months. **M-PESA users generally have sent and received remittances more frequently than non-users**, however the total amount they sent and received is not very different from the average household

Status Kenya Mpesa

Survey: The Economics of M-PESA: An Update; William Jack and Tavneet Suri
October 2010

Savings instruments used by households

M-PESA users who own a bank account are much more likely to save on M-PESA than those who do not, and this is true in both Round 1 and Round 2.

	Round1			Round2		
	Non-users	Users	All	Non-users	Users	All
M-PESA	0.00	0.76	0.33	0.00	0.81	0.56
Bank account	0.34	0.71	0.50	0.23	0.65	0.52
Mattress	0.79	0.71	0.76	0.89	0.77	0.81
SACCO	0.15	0.24	0.19	0.10	0.21	0.18
Merry-go-round	0.39	0.42	0.40	0.38	0.52	0.47
HH member	0.13	0.15	0.14	0.13	0.13	0.13
Family member	0.04	0.04	0.04	0.03	0.03	0.03
Friend	0.03	0.05	0.04	0.02	0.02	0.02
Advance purchase	0.03	0.04	0.04	0.05	0.06	0.06
Stocks	0.05	0.18	0.11	0.01	0.11	0.08

Status Kenya Mpesa

Survey: The Economics of M-PESA: An Update; William Jack and Tavneet Suri
October 2010

M-PESA users are scoring very high in satisfaction (> 85% happy to very happy) in both Round 1 and Round 2.

Measures of Satisfaction with Mpesa: Happiness with Mpesa

		Round 1	Round 2
Extremely unhappy	1	0.008	0.002
	2	0.003	0.002
	3	0.001	0.006
	4	0.001	0.002
	5	0.005	0.022
	6	0.024	0.022
	7	0.055	0.065
	8	0.129	0.199
	9	0.221	0.332
Extremely happy	10	0.554	0.347

Status Kenya Mpesa

‘Mapping and Effectively Structuring Operator-Bank Relationships to Offer Mobile Money for the Un-banked’

Author: Neil Davidson GSMA/ Mobile Money for the Unbanked

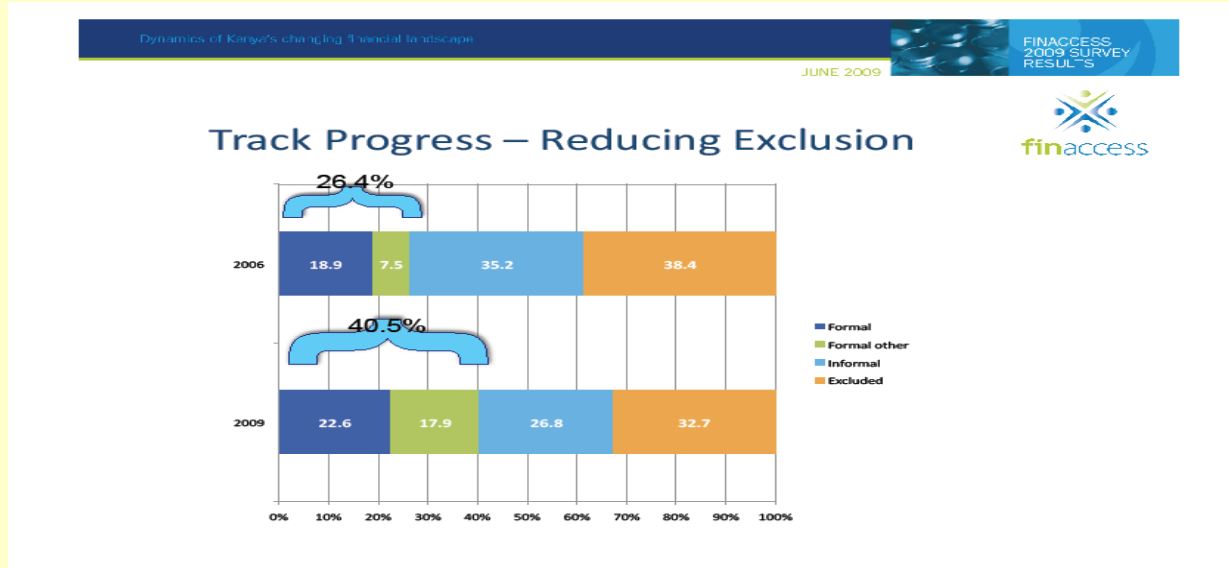


In the study ‘Mapping...’ is included a case study *examining the evolution of Safaricom’s relationships with banks in Kenya:*

The following relationships have been built:

- Commercial Bank of Africa as Float holding bank for Mpesa/safaricom;
- sweep money into their banking account from their Mpesa wallet ;linking with Kenya’s formal financial system: Citibank, Co-operative Bank, Eco Bank, Family Bank, Post Bank (the Kenyan post office bank), and K-REP Bank have all enabled the service for their clients
- transfer money from bank account to M-PESA wallet by using the M-PESA’s bulk-payment functionality by Family Bank, Kenya Commercial Bank, and CBA ;
- Micro-finance institutions have also taken advantage of these options to disburse loans and collect loan payments from their clients;
- New products for a new platform: the partnership with Equity Bank : Eventually, in May 2010, Safaricom and Equity reached agreement and brought to market their new M-Kesho service which include a savings account, a short-term loan facility, and a micro-insurance product—all of which could be accessed on the phone after a one-time account opening process at an agent . By November 2010 650,000 customers had signed up for the service, depositing a total 600 million Kenyan shillings (US\$7.5 million) into M-KESHO savings accounts to date.. Equity bank has a presence in Southern Sudan and Uganda and this year will start operations in Tanzania and Rwanda.

Recent findings and figures financial access in Kenya



Finaccess Kenya 2009 findings

http://www.fsdkenya.org/finaccess/documents/2009_FinAccess_Launch_Presentation_Dayo.pdf

* 'Speaking at the Kenya School of Monetary Studies in Nairobi (2011) , **Central Bank of Kenya governor Prof Ndung'u** noted:

- that in only **four years of existence of mobile phone money transfer services**,
- **four mobile phone operators** have launched the services and
- have enrolled over **15.4 million customers** and
- recruited **over 39,000 agents**.

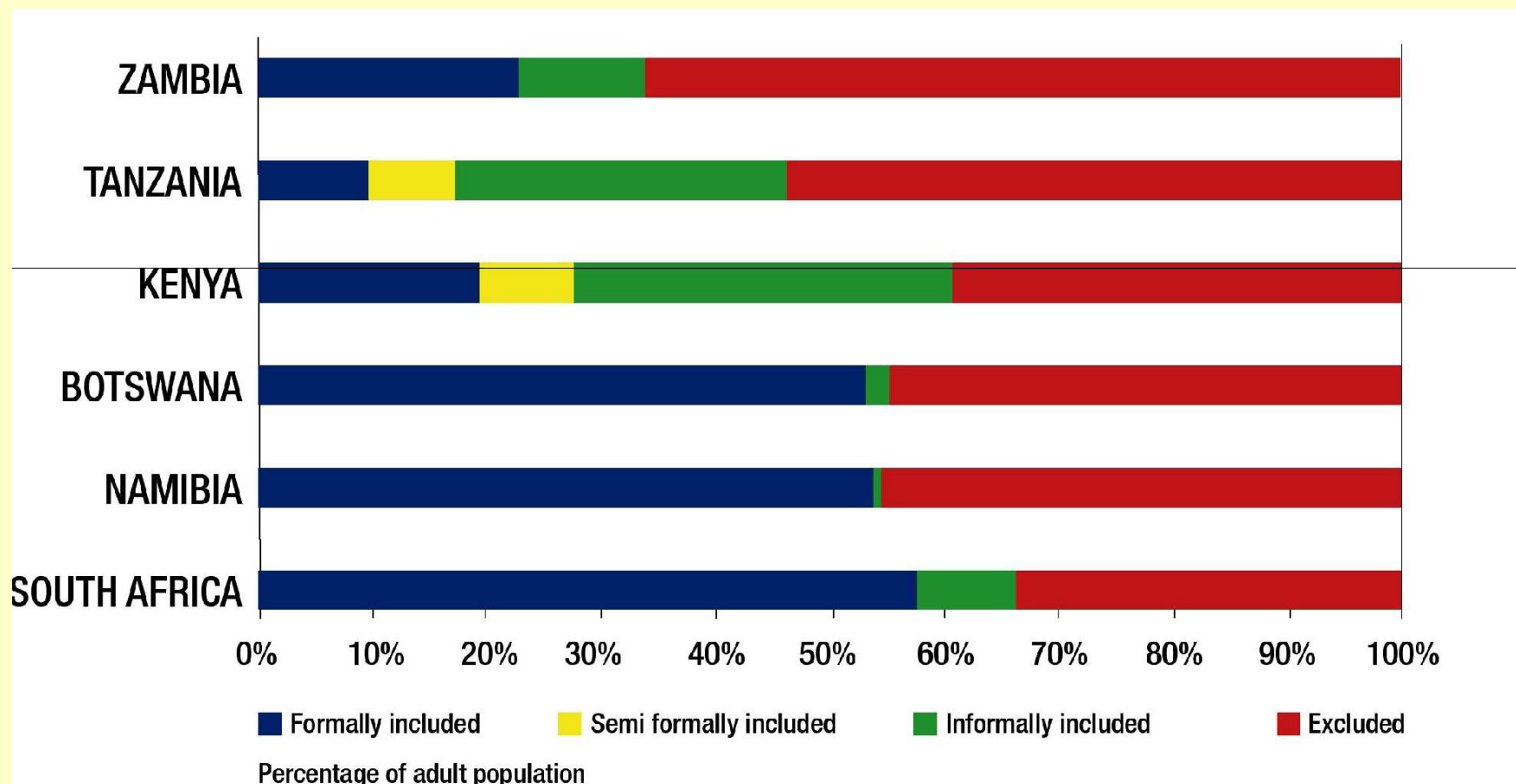
Total transactions have now **reached Sh2.45 billion a day and Sh76 billion a month as at December 2010.**'

This has created **many opportunities** for Kenyans and including **employment, access to financial services** and an effective tool for **channelling currency to the banking systems,**"

Finscope / Finmark trust research of the Demand site Southern and Eastern Africa



ACCESS STRANDS COMPARED



Uganda: 18% formal, 17% informal included; 63% Excluded

Web conference CGAP and DFID (UK) on 1 December 2009

“Branchless banking scenarios in 2020”

conclusions from interviewing 200 stakeholders leaders

The driving question that the scenarios project of CGAP has sought to answer is: **“How can government and private sector most affect the uptake and use of branchless banking among the un-served majority by 2020?”**

Snapshot of branchless banking today

- **Financial inclusion is growing in most countries.** This is often as a result of the expansion of conventional banking channels, such as branches and automated teller machines (ATMs);
- **Bricks-and-mortar growth is inherently limited by its cost.** Branchless banking presents a cheaper option but has only modest reach to date in most countries;
- **Where branchless banking is occurring, several of the following factors are usually at work:**
(i) industry belief in **future profitability**; (ii) enabling **regulatory change**; (iii) a dramatic **fall in connectivity costs**; (iv) the creation of **cash-handling agents using existing networks**;
- **Massive sustained success in reaching the poor requires more accurate insights on poor people’s financial needs and adoption behaviour.** This is only now starting to become available.

Web conference CGAP and DFID on 1 December 2009

“Branchless banking scenarios in 2020”

conclusions from interviewing 200 stakeholders leaders

Four Forces Shaping Branchless Banking for 2020

- **Demographic changes**—including a greater number of younger consumers coming into the market and greater mobility at least within countries—will be favourable for the adoption of branchless banking;
- **Activist governments** will play a greater role as regulators of the financial sector, providers of social safety nets, and providers or encouragers of the rollout of low-cost bank accounts and financial infrastructure. **This expanded role may be helpful for financial inclusion;**
- While security concerns about **cash crime will continue to drive the adoption of electronic transaction channels**, the rise of electronic crime will affect consumer confidence and test the risk management of financial providers; and,
- **Internet browsing via mobile phones will reduce costs of financial transactions** and enable new players to offer financial services.

Maximising the role of Postal banks in Financial Inclusion

Table of Content

1. Recent developments in mass retail financial services delivery models
2. *The postal (savings) bank concept*
3. Developing an appropriate business model as the ‘integrated approach’
4. Translating this ‘mass retail/ Postal savings bank led model’ into business planning

postal savings banks, postbanks, retail banks , postcheque institutions often related with post offices in Africa according to WSBI membership list (36 banks in 31 countries)



1	Banco de Poupança e Crédito (Angola)
2	Banque de l'Habitat du Mali
3	Banque Populaire pour l'Épargne et le Crédit (Togo)
4	Botswana Savings Bank
5	Caisse de Dépôt et de Gestion, Maroc
6	Caisse d'Épargne de Madagascar S.A.
7	Caisse des dépôts et consignations (Sénégal)
8	Caisse Nationale d'Épargne de Mauritanie
9	Caisse Nationale d'Épargne et de Prévoyance, Algeria
10	Caisse Nationale d'Épargne, Benin
11	Caisse Nationale des Caisses d'Épargne, Côte d'Ivoire
12	Caixa Económica de Cabo Verde
13	Campost
14	Construction & Business Bank S.C. (Ethiopia)
15	Cooperativa de Crédito para o Desenvolvimento Rural (Moz)
16	Correios de Cabo Verde, S.A.R.L.
17	HFC Bank (Ghana) Limited
18	Kenya Post Office Savings Bank
19	La Poste (Gabon)
20	La Poste Tunisienne
21	Lesotho Postbank
22	Nampost Savings Bank
23	National Savings & Credit Bank of Zambia
24	Office de la Poste Guinéenne
25	People's Own Savings Bank (Zimbabwe)
26	Postbank South Africa
27	Postbank Uganda Limited
28	Poste Maroc - Caisse d'Épargne Nationale
29	Postefinances (Senegal)
30	Pride Microfinance Limited (Uganda)
31	Principal Bank for Development and Agricultural Credit (Egypt)
32	Savings and Social Development Bank (Sudan)
33	Société Nationale des Postes - SONAPOST (Burkina Faso)
34	Société Nationale des Postes et des Services Financiers (Comoros)
35	Tanzania Postal Bank
36	Uganda Finance Trust

<http://www.savings-banks-directory.com/>

Compare with Mobile deployments

The Postal –savings- bank / ('mass') retail financial services concept

Main characteristics

1. Market positioning
2. Pro Poor Profile
3. Distribution channels
4. Role of Post offices
5. Overview Processing solution
6. Practices in the world of Postal (savings) banks

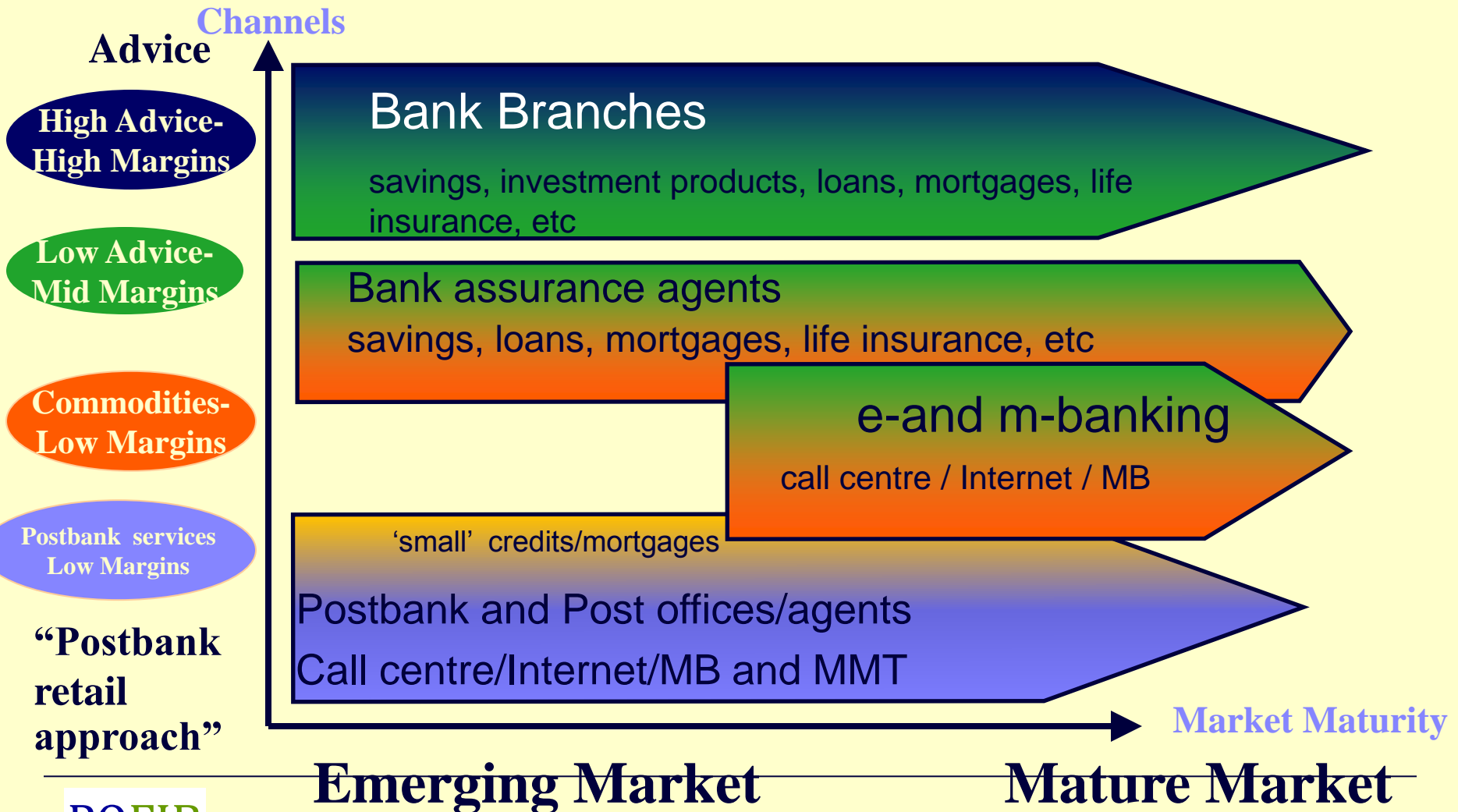
Why initial focus on Transfer/Payment Services?

- **Commercial Banks (in general)**
 - do not address needs of the poor and the rural population
 - policy often results in fewer branches and stricter requirements to open accounts
- **Payment systems often inefficient and segmented; Cheques and cash based; lack of standardisation**



Need for domestic efficient payment (transfer) instruments and savings mobilisation

“Postbank market-positioning in retail financial services sector” with MB and MMT in Developing Economies



The Postbank 'mass' retail concept; a 'Pro-Poor Profile'

... The **account** is our 'shop' without thresholds, accessible for everybody

Convenience

- Easy access and low threshold
- Standardized products

Credibility

- Good, efficient service
- Decent (no fine print)
- Reliable (IT/Ops)

Competitive price

- Free (basic) payment package
- Value for money
- continuous communication pressure
- excellent service quality
- integrated customer approach

Crystal clear products

- Full basic range
- Transparent product range

Consumer: Postbank is different!

Internet Bank

Segmented

High entry

“Anonymous”

Broad range of standard products

Transparent

Internet/Phone

24 hours /
7days

Postbank

Mass scale

Low entry

“Anonymous”

Broad range of standard products

Transparent

Post Office with multichannel

Long opening hours /
6 days

Traditional ‘branch’ Bank

Segmented

High entry

Personal selling

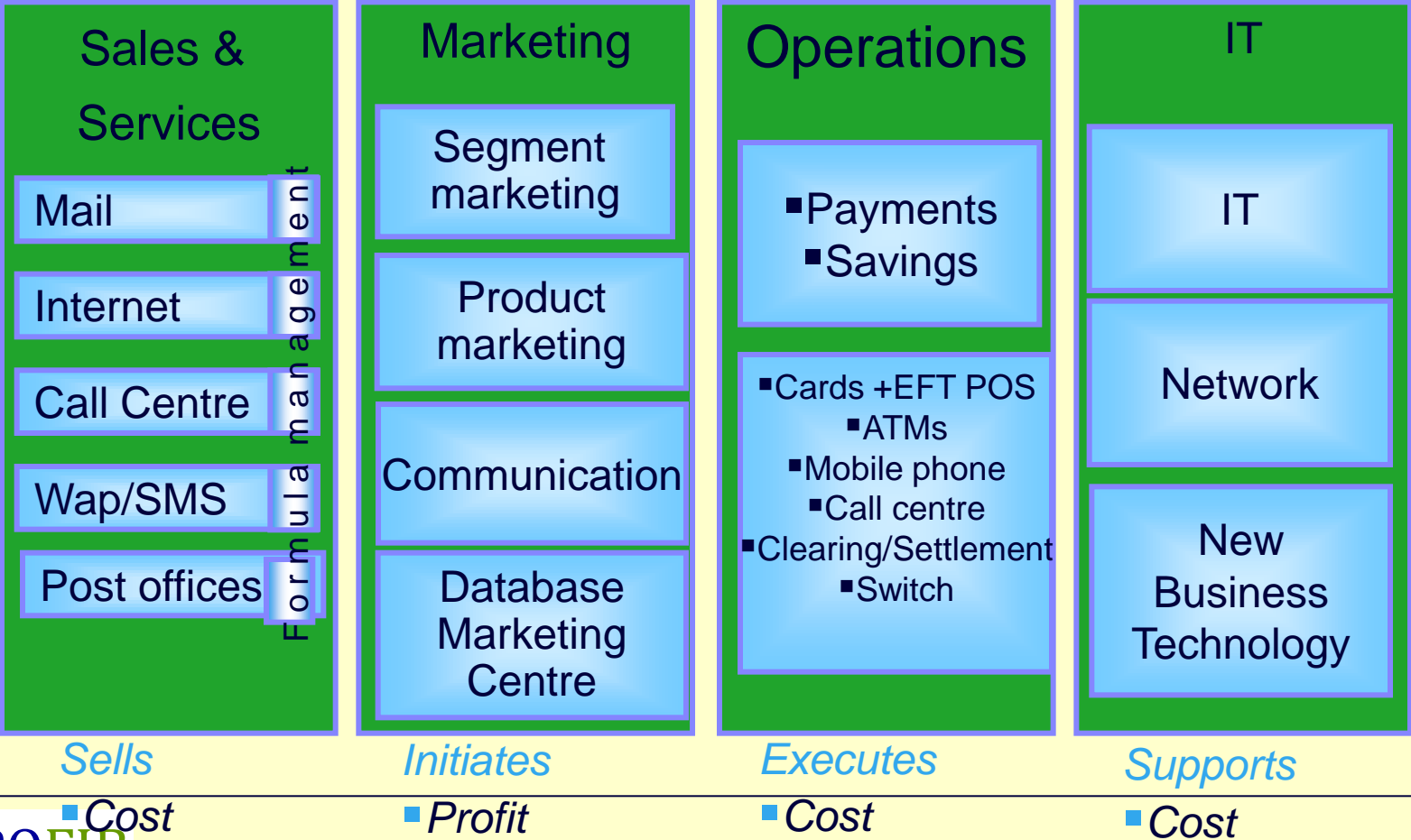
Broad range of specialist products

Intransparent

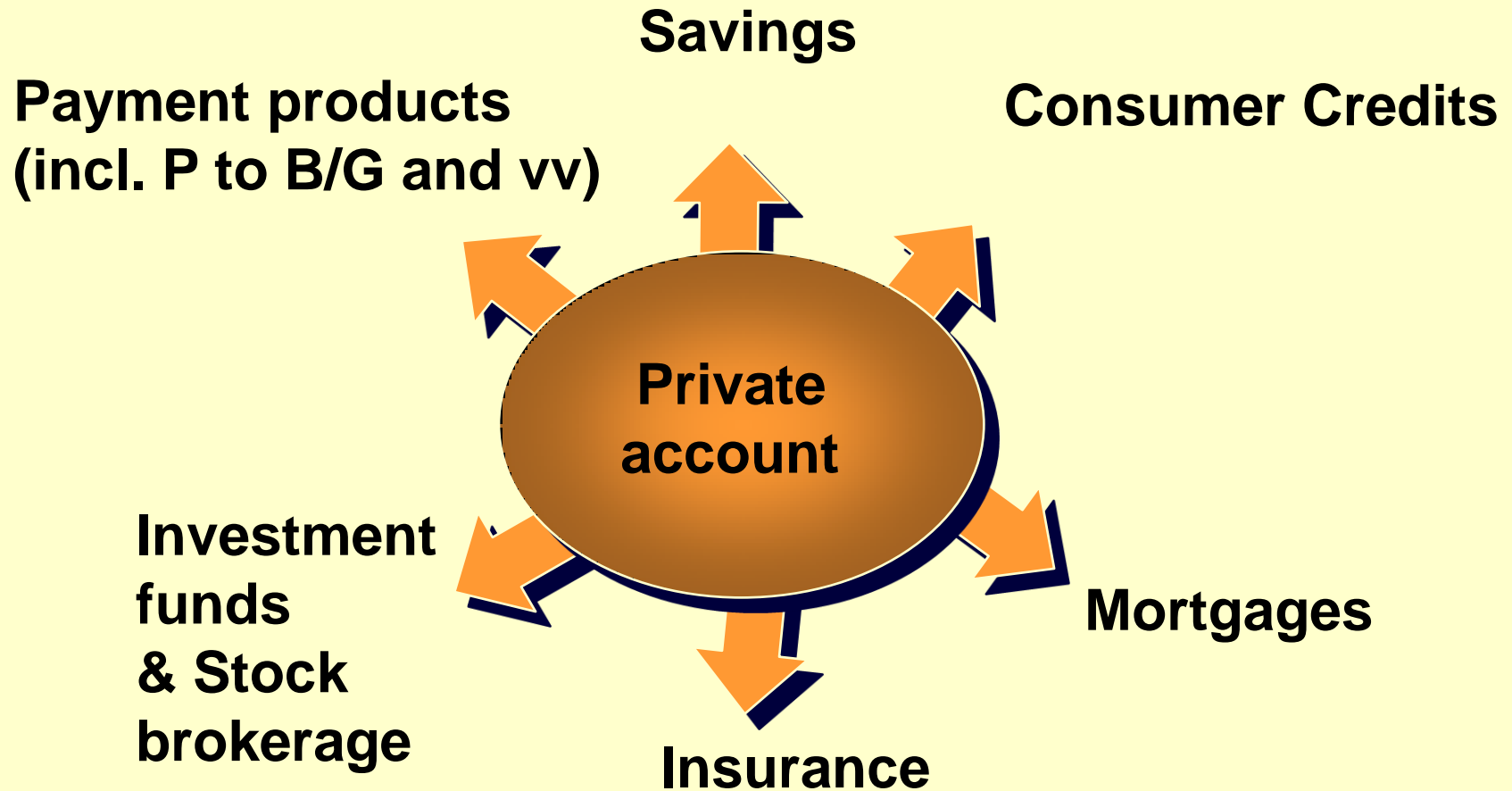
Own branches

Short opening hours /
5 days

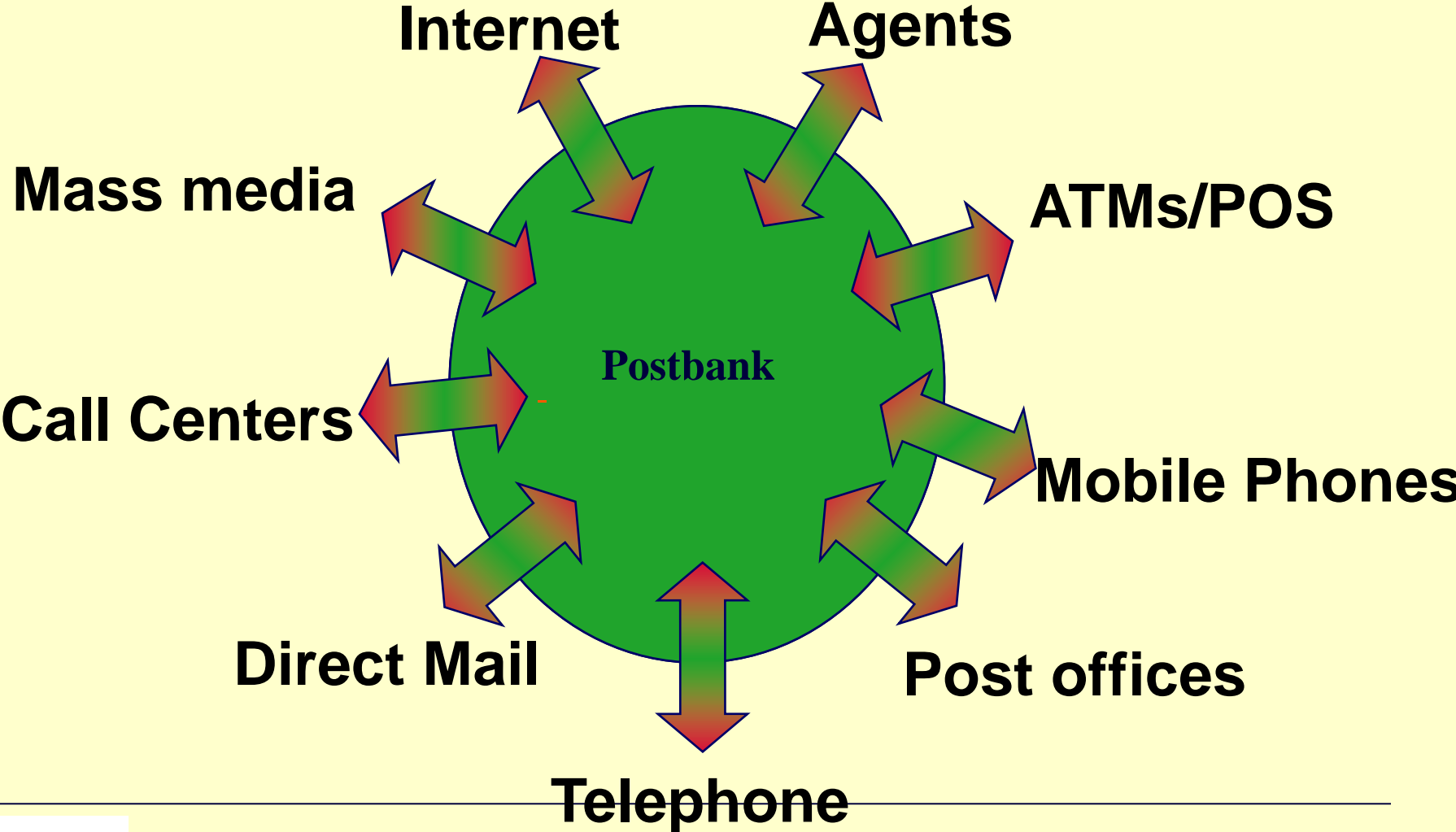
Postbank Company structure to facilitate the strategy



Postbank retail financial services full package offering



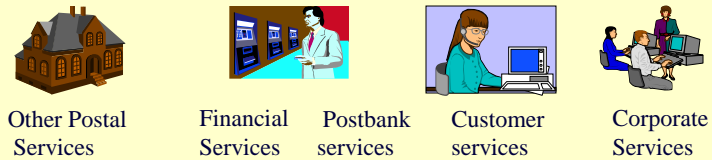
Multi Channel Distribution



Overview Postal Financial Services/ Postal (savings) banks with account based system

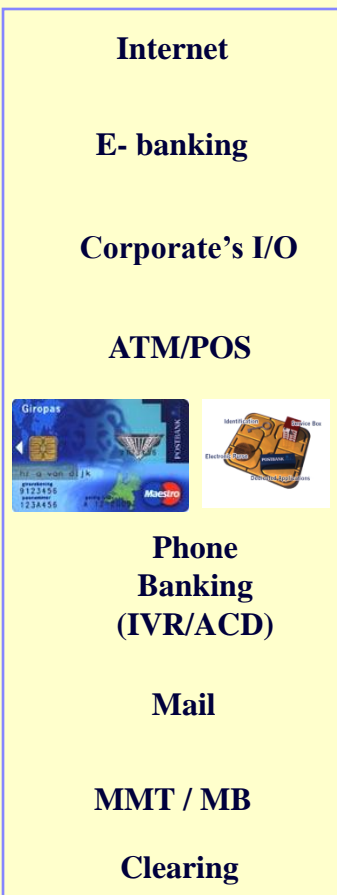
Post offices/agencies

Postal Financial Services with Postbank services

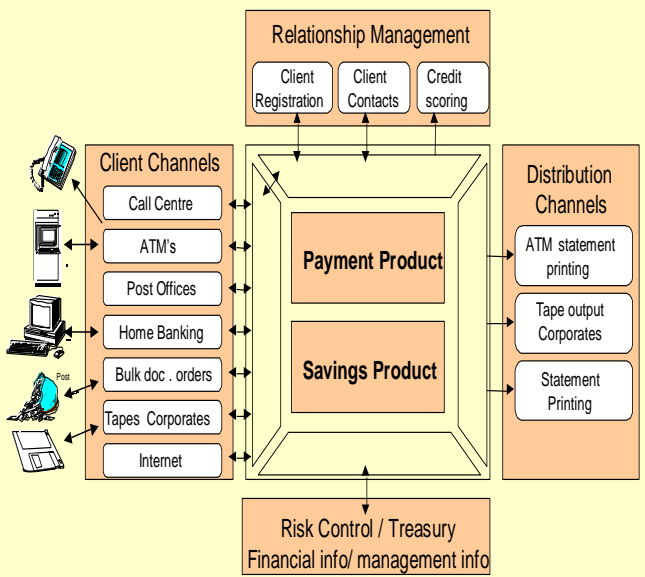


- Integrated counter application all postal counter services
- Part of Postal software environment
- Postal central server in connection with Postbank (Giro) system and other parties
- Postal Virtual Network via available `countrywide WAN (data com)

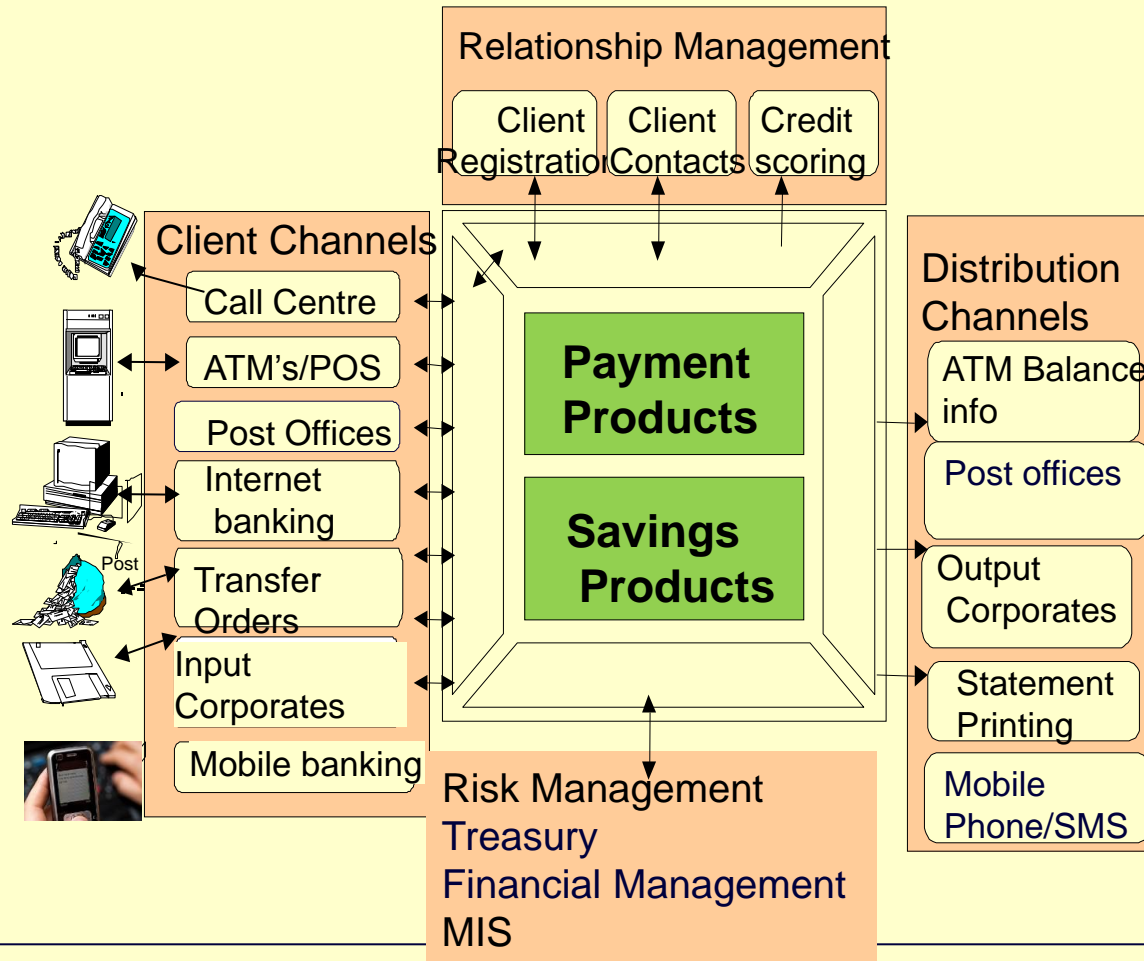
Channels



Postbank System



Overview Account based PB System



Postbank Processing characteristics

Success factors to ensure sustainability through high quality and low costs

General objectives:

- The purpose is to keep the money as much as possible within the circle (GIRO) of accounts, but easy accessible for clients
- No hidden delays and value days, debit and credit at the same day for private customers

Processing:

- **Aim for high speed and high quality** even at high volumes
 - Simple documents/' formats' and **standardised product** characteristics make this possible
 - **Aim at high volumes via large customer base**, low thresholds for account opening (**economies of scale**)
 - **Highly mechanised and automated**, every second costs money when processing millions of transactions
 - The **basic infrastructure** must be alright (POST, Telecom, IT, Data network, postal/agency counters)
 - Use of proven technology, standards and **'proven' solutions**
 - **Simple and fast counter services** at the post offices/agents, everything that requires time in the back office
 - **Test everything (also on clients)** before implementing
-

Role of Post offices/agents

Define Postal/agent networks and Postal savings bank co-operation; critical success factors

- Institutional setting and funding
 - Partners should confirm the mass retail financial services / Postbank strategy
 - Governmental support (Ministry of Communication, Min of Finance, Central bank)
 - Pre-condition for 'equal' relations is sound 'postal/agent organisation' and positive financial results that makes internal investments possible
 - The different institutional alternatives should be weighted with all stakeholders
- Agreements between Postal/agent network and Postbank companies
 - Service Level Agreements especially for Postbank counter services
 - Detailed Cost accounting within Post/agent network and Postbank mandatory
 - Legal structure of the relation towards post offices/ agents can change
 - Structure and content of these agreements is specific and extensively described and quantified

Role of Post offices/agents

Define Postal/agents and Postbank co-operation;

Outline of division of responsibilities and tasks PO's/agents and Postbank

Public Post Operator/ Post Offices/ agents	Post Bank
Marketing and Sales <ol style="list-style-type: none">1. promotions in post offices (Posters, Displays, Brochures...)2. opening of accounts (intake of application forms; check of ID)3. advice and information on product features4. cross selling between postal and financial lines	Marketing and Sales <ol style="list-style-type: none">1. marketing strategy and planning2. product development, product definition3. opening of accounts; account number allotment; check with financial delinquency records4. communications campaigns in public media and direct mail5. pricing for clients/ end-users
Operations <ol style="list-style-type: none">1. front office operations, cashier/teller2. acceptance and handling of forms and cash3. reporting to bank, data communication to bank on transactions	Operations <ol style="list-style-type: none">1. back office operations (but data processing could be –partially outsourced to Post)2. computerisation/ application of Information technology3. (determination of) procedures/processes

Role of Post offices/agents

Define Postal and Postbank co-operation;

Outline of division of responsibilities and tasks PO's/agents and Postbank

Public Post Operator/ Post Offices/ agents	Post Bank
<p>Staff</p> <ol style="list-style-type: none">1. recruits and employs staff at post office counters2. manages and controls staff3. counterpart staff and organisation for operational cooperation with bank	<p>Staff</p> <ol style="list-style-type: none">1. determines staffing requirements for post office clerks2. develops and provides training programmes3. develops performance measurement instruments4. provides incentive schemes5. employs own staff for back office operations , including asset management, product development

Role of Post offices/agents

Define Postal and Postbank co-operation;

Outline of division of responsibilities and task PO's/agents and Postbank

Public Post Operator/ Post Offices/ agents	Post Bank
<p>Finance</p> <ol style="list-style-type: none">1. charges for work performed on a full cost basis2. charges for sales performance3. charges for promotions in post offices4. charges for investments in post offices, specifically made for financial services5. charge for availability of the network6. management and risk of cash at post offices	<p>Finance</p> <ol style="list-style-type: none">1. remains fully responsible for asset and risk management of funds attracted or extended through the post office network2. determines accounting procedures, processes and systems3. compensates Post for costs made for promotions, administration, sales, processing4. (co)finances investments in the post offices related to the execution of financial services5. provides cash management model and supplies cash to operate the services at the post offices

Define Postal/agent and Postbank co-operation

Example of Structure of Agency agreement between Postal/agent company and Postal bank for use of post offices/agent network (mostly long term) , also mobile operator agent network

- 1. Considerations**
- 2. Definitions**
- 3. Warranties**
- 4. The prerequisites for the Contract Signing**
- 5. Subject of the Contract**
- 6. Performance of Services**
- 7. Quality requirements and Service levels**
- 8. The major liabilities of the Parties**
- 9. Exclusivity**
- 10. Management of the cash**
- 11. Execution instructions for the post offices Including Software and operational safety requirements**
- 12. Remuneration**
- 13. Advanced payments and final settlement per year**
- 14. Formula and location policy**
- 15. Report and recoupment**
- 16. Arbitration and appropriate law**
- 17. Confidentiality**
- 18. Term, Termination and accelerated changes**
- 19. Agreements with third parties, including possible postal agency/franchise model**
- 20. Order, main agreement before Annexes**
- 21. Contract management and consultation, representatives of parties who maintain agreement and contacts**

Define Postal/agent and Postbank co-operation

Example of Structure of Agency agreement between Postal/agent company and Postal bank for use of post offices/agent network (mostly long term) , also mobile operator agent network

Annexes

- A. Services of Post for Postbank**
- B. Location policy and categories**
- C. Quality requirements and service levels**
- D. Remuneration details**
- E. Indexation of remuneration**
- F. Procedure new, changed and stopped services**
- G. Procedure new projects**
- H. Cash Management procedures**
- I. Liability**
- J. Recoupment**
- K. Contract management and contacts**

Overview of the Postal offices role and Postal Financial services/ Postbank *business development options*

- a) Multi bank agent plus multi bank labels (purely intermediary)

- a) Multi Financial Institution agent under 'own' Postal financial sub-label (Swiss model)

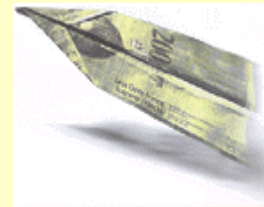
- b) Correspondent agent under 'Postbank label'(Brazilian model)

- c) Postbank/Postal Savings Bank as separate company, or as part of Post or as JV , eventually with Govn as main shareholders

An example of the B. Option Swiss Post

- Postfinance is a separate Business Unit, part of Swiss Post Ltd.
- Is the major payments services provider within Switzerland, with 5 million payments transactions per day
- Has added savings, securities and life insurance under its own label through partnerships with leading Swiss financial institutions (UBS, Winterthur)
- Will incorporate Postfinance and apply for bank license (to issue credit)

SWISS POST 



Postfinance



Banco Postal, Brazil



Public-Private Sector Partnership (**Correios and Bradesco**) Operational since April 2002

- Through 5,895 of ca. 12,644 post offices as Bradesco 'correspondents'; **Correios own IT platform and counter automation**, Bradesco satellite communications network; real time connection with **Bradesco back office (separate banking division)**

- Bradesco responsible for banking aspects o.a. product development, marketing, risk management, product and client administration, back office, satellite network, etc.

- Retail financial Services: **>10 million Accounts (October 2010)**, Deposits, Withdrawals, Account balance/statements, Loans (on-line), Credit cards, Bill/invoice/taxes payments, Pay roll and social benefits

- ***73% of PB clients income < 400 Reals per month (\$ 180);**

- **** before BP 2,531 district and 18.7 million people no access financial services, after BP 1,675 districts and 13.5 million new customers**

- ***** 54,700 Correspondents in Brazil 2009:** Bradesco 24,200 (incl. Post offices); Caixa Economica Federal 15,200; Banco do Brasil 8,600; Banco Lemon 6,700 (included opening accounts authorised)

* Expanding Bank Outreach through Retail Partnerships;
Correspondent Banking in Brazil; World bank Working paper 85 ;2006

52

** UPU <http://postfi.files.wordpress.com/2010/06/presentation-brazil-en-review.pdf>

*** Branchless banking in Brazil CGAP <http://technology.cgap.org/technologyblog/wp-content/uploads/2010/02/agent-networks-in-brazil-cgap-fgv1.pdf>

South African Postbank (of SAPO)



Vision: To provide cost-effective financial services to appropriate market segments through optimised processes and infrastructure, effective and profitable partnerships through skilled and motivated staff

Institution : Department of SA Post Office Company; future: Corporate with Govn main shareholder

Client base: September 2009: 5.6 million accounts (18% savings and 81% transactional accounts); 42% of Gross revenue is Interest revenue

Products: Savings Accounts Smart save Smart save for minors Bakgotsi Bonus Save Investments Term Save Term Save Plus Transactional Accounts Flexi Card Pension Flexi Card Mzansi Card Insurance Thuso Funeral Plan

Channels; post offices, ATM's guest use; POS retailers and at PO's, Internet banking (pilot)

Business Partners; WIZZIT (cash in /cash out services at post offices);

Agent Network:With 1493 post offices and about 935 Rural Postal Agencies (RPAs)

Short Term objectives to increase Financial access:

1. demonstrable improvements in the usability of its services on offer to the poor;
2. developed marketing tools to encourage group member take-up of accounts;
3. finalise arrangements allowing SASSA grant payments direct into SAPB accounts;
4. demonstrable early take-up of the new services by clients from LSM Groups 1~4;
5. a realistic prospect of doubling the number of LSM 1~4 clients up to 5 million.

Lessons learned:

- Understand the market that is being targeted and ensure that there is capacity to focus and implement
- Involve as many participants/stakeholders as possible.

Kenya Post Office Savings Bank (KPOSB)



Vision: To be the Bank of choice **Our Mission** To provide accessible and sustainable banking and other related financial services through innovative delivery systems for wealth creation to the benefit of customers and other stakeholders.

Institution: Postbank is a Government owned institution established under an Act of Parliament to mobilise savings. Kenya Government established its own savings bank. Postbank is primarily engaged in the mobilization of savings for national development and operates under the Kenya Post Office Savings Bank Act Cap 493B. In addition, the Bank offers local and international credit cards under the sponsorship of a commercial bank, funds remittance collections and disbursement service.

Client base: 1.2 million account holders

Products: Bidii savings accounts Bidii salary accounts; Bidii junior accounts; Premium plus accounts; Premium savings accounts; Pamoja savings accounts ; Step accounts Save As You Earn (SAYE); Fixed deposit accounts; Postbank visa credit card; pata cash mobile banking

Services: Money transfer services; Mobile banking service; Commission based services services; Safe custody services; KPLC bill electricity payment services

Channels: 91 Postbank branches;26 Postbank ATM's; through 120 Pesa point ATM's; through 226 'other' Kenswitch ATM's; Kenswitch POS terminal at Postbank branches; Customer services Center;

Business Partners: Aga Khan Agency for Microfinance ; Alliance One Tobacco ;Business Initiatives and Management Assistance Services(BIMAS) ;Citibank (CITI) ;Commercial Bank of Africa ;Consumer Insight Africa ;Faulu Kenya ;GOK Pensions Department ;Higher Education Loans Board ;Kadet Limited ;Kenya Commercial Bank (KCB) ; Kenya Power & Lighting Company ;Kenya Women Finance Trust (KWFT) ;SISDO Micro finance ;Small and micro Enterprises Programme (SMEP) ;Suntra Investment Bank Limited ;The Cooperative Insurance Company of Kenya Limited ;The University of Nairobi

Agent Network: 350 postal agents; 16 other agents like shop keepers /traders with POS terminals

Objectives Short term:

1. have expanded the Agency network to 1000 locations
2. widened the products and services on offer.
3. offer continued marketing support to all agents.
4. have grown accounts by 1.2 million.
5. strengthened compliance monitoring and feedback strategies.
6. continuous review of agent processes for sustainability and to mitigate risks.

Lessons learned

1. appropriate and innovative technology is key in expanding ,
2. agency banking has demystified banking, as customers are served by familiar people within their communities,
3. project planning and proper coordination is crucial,
4. management and staff buy-in is critical to project success,
5. identification of risks and mitigation strategies is crucial,
6. adequate resource allocation is crucial.

Tanzania Postal Bank (TPB)



Vision :“To provide our customers with modern, affordable, tailor-made banking and other financial services.”

Institution :As part of the Financial Sector Reform Programme, Tanzania Postal Bank (TPB) was established by the Tanzania Postal Bank Act No.11/1991 as amended by Act No.12 of 1992. This bank became operational as a separate entity from the then Tanzania Posts and Telecommunications Corporation (TP&TC) from 1st March 1992 with its own Board of Directors and Management. It was established as a successor to the Tanganyika Post Office Savings Bank (TPOSB), which was established by the Post Office Savings Bank Ordinance of 1925 and became operational in 1927

Client base: TPB has 500,000 active accounts

Products : full range of Retail (and some whole sale) banking services

Channels: 30 branches

Business Partners :The issue of proximity improved and affordable services will be addressed using the mobile-money and POS devices

Agent Network: the Post Offices as agents in 115 locations offering limited services

Short term objectives:

- Increase customer base to 1,500,000
- Have 1,000 POPOTE agents (mobile banking service)
- Establish ≈ 1,000 agents (200 post offices, 800 small towns and villages) for increased penetration of the banking services
- Improved profit of TPB
- Increase brand value of TPB

Lessons learned:

- The poor have money to save
 - One time training of agents is not sufficient
 - Administration/handling of multiple service providers is a challenge
-

Uganda Post Bank



Vision: Uganda Post Bank has the vision of becoming the leading financial institution for the mass market in Uganda and positioned itself ~~to achieve this by offering affordable innovative products and services~~. These areas of operation are very important in meeting our vision as Uganda has about 70% of its population in the rural areas which are less served by financial institutions.

Institution : Uganda Post Bank Uganda Ltd is a Tier II financial institution with. It is 100% Government owned and regulated by Bank of Uganda. (since 1997, in succession of the Post Office Savings bank started in 1926

Client base : 270,000 account holders

Products: Early Start *Savings* Account; Save As You Earn Account; Fixed Deposit Account ; Commercial Fixed Account Joint *transaction* Account ; Student Account ; Personal Account; Trust Account; Business Account; MFI/SACCO Accounts; Business *loans*; Whole sale loans; Salary loans; etc

Services: money transfers (Swift, WU); collection services (bills, school fees); standing orders ; salary processing

Channels: a national wide distribution channels in 30 districts comprising of 31 branches and 13 mobile vans .

Agent networks: not at the moment

Short Term Objectives:

- Have doubled the number of savings accounts among the poor
- Have tripled PostBank's customer base
- Have reduced the cost of card issuance by more than 50%
- PBU will be using technological based delivery channels to reach the un-banked
- Doubled the PBU footprint across the country.

Lessons learned/tips

- Need for constant market research to keep abreast with consumer changes
- Analysis of existing products which will yield new / improved products & services Outlook

Lesotho Postal Bank



Vision: Our vision is to be a sustainable financial services provider of choice in the retail market and a champion of socio-economic development. As part of our new strategic direction, the Bank is working towards diversification of its Savings Portfolio, increasing Micro Finance Lending Services and introducing Electronic Transacting

Institution : Lesotho PostBank (LPB) is currently 100% Government owned bank. It was incorporated in 2004 as a public company pursuant to the Lesotho Company's Act of 1967 and is licensed by the Central Bank of Lesotho, in accordance with the Financial Institutions Act of 1999

Client base : 71,000 account holders (saving books)

Products: Savings products:- Ordinary Savings Book; Telea Fixed Deposit; Ngatana Subscription Deposit; Cheque intermediation services; Lefisa Personal loan

Channels : Electronic Transfer Processing in preparation based on Card with fingerprint authorisation

Partners: Lesotho Postal Services; Millennium Challenge Corporation, World Savings Bank Institute, International Fund for Agricultural development

Agent Network : LPB counters at 12 Post offices

Short Term objectives:

- Project is to be implemented with customers to reach approximately 250,000 by 2014
- Cost of products and services accessed by the poor kept at an affordable level
- The bank migrates its business to the new ETP as smoothly as possible and proceeds with outreach

Lessons learned:

- Skills are critical in implementing projects of this nature – the WSBI network provided an excellent resource network to tap into – KPOSB team
- Critical success factor is that of engaging all stakeholders to achieve the project vision

Maximising the role of Postal banks in Financial Inclusion

Table of Content

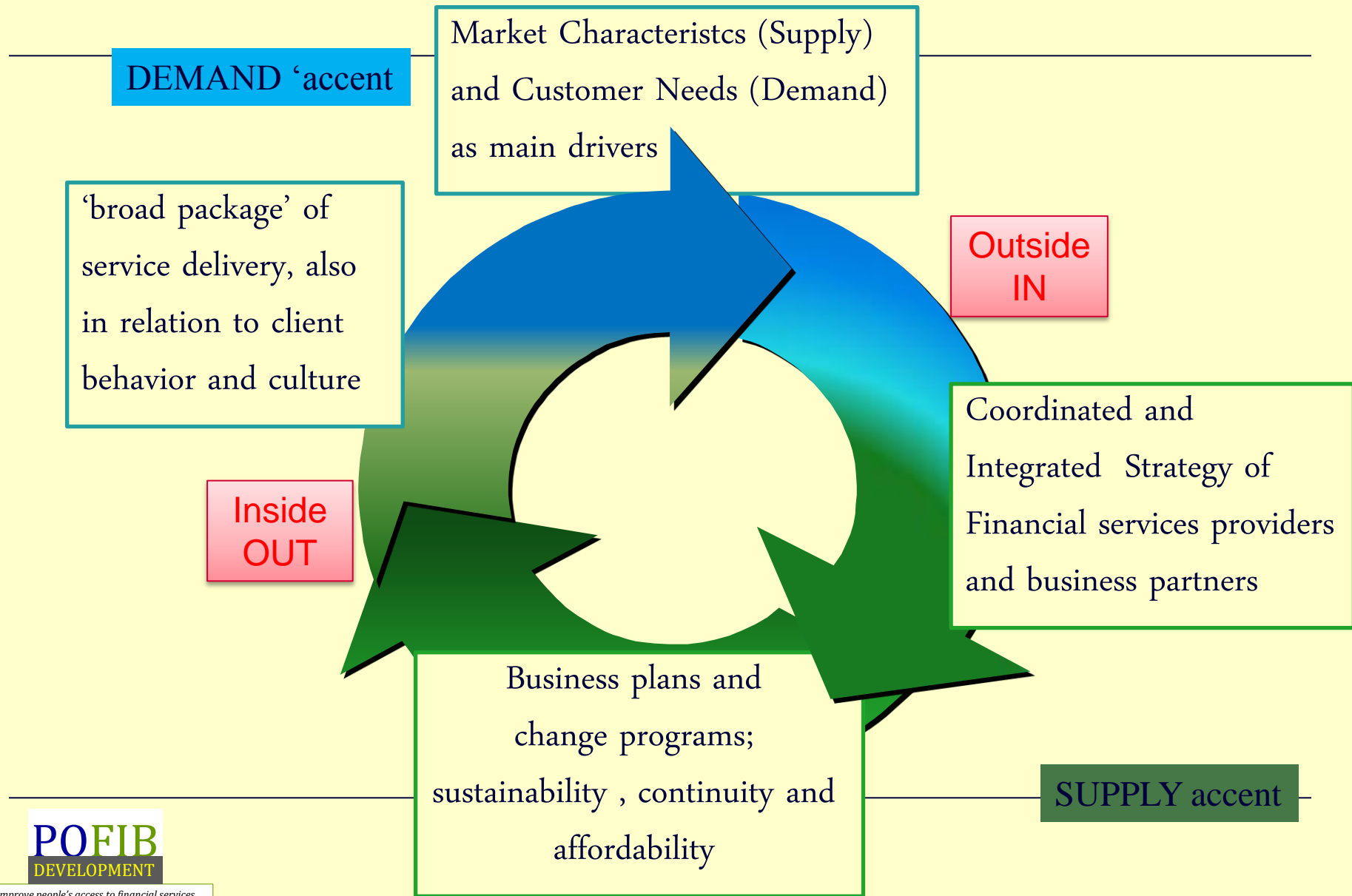
1. Recent developments in mass retail financial services delivery models
2. The postal (savings) bank concept
3. *Developing an appropriate business model as the 'integrated approach'*
4. Translating this 'mass retail/ Postal savings bank led model' into business planning

Developing an appropriate business model as the 'integrated approach'

Main characteristics

1. *'driven' by Market research of the Supply and Demand side*
2. *translated into Integrated 'supply' strategy based on Postal Savings/ mass retail bank 'led' model focused on sustainability of all stakeholders*
3. *'stakeholders' business plans with focus on servicing the total market also at Bottom of Pyramid*
4. *daily services delivery also influencing client behaviour and culture*

Characteristics of an Integrated approach of developing and maintaining 'mass' retail financial services delivery for the BOP



Postbank business solution in country financial sector

Conditional aspects

Positioning in market

Business strategy, tactical and operational aspects (Business model)

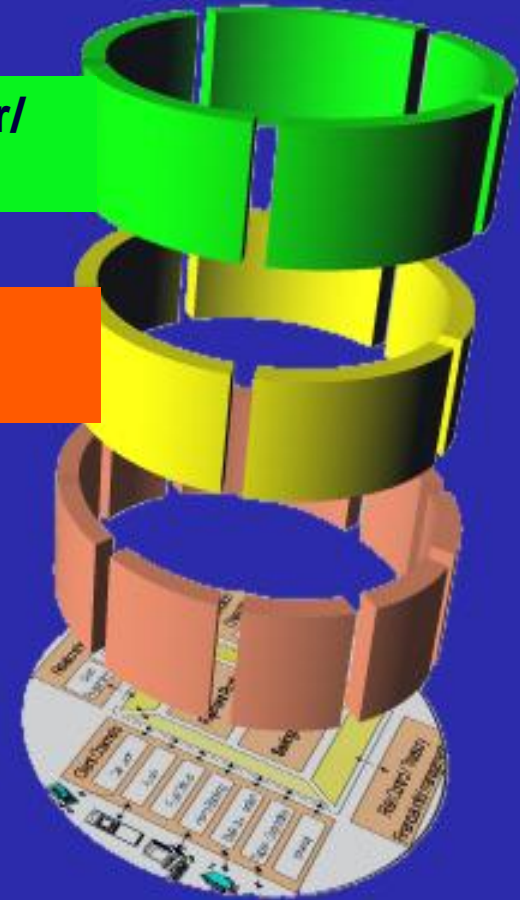
IT Architecture

National Financial sector/
system

Postal savings bank
Services

Business aspects

Account based system



The characteristics of Postbank/ Post offices position in ‘developing’ mass retail financial services market

- **branchless banking** concept based on multi channel electronic distribution through banking licensed institution
- **use of post office** network including franchise postal agents for mainly operational transactions
- **market entry via “Postbank commodities”** in still cash based emerging markets and gradually convert cash into account based Payments and Savings products
- create more **critical mass** in country customer base in early stage with broad (mass) retail financial services package (**cross selling ‘around’ core-account**)
- **sustainable sound business case** also through benefits from income growth in (strong) growing economy

Postbank Strategy

Mission modern Postal savings / mass retail bank:

- provide 'broad' package of financial services to the whole population, both in urban and in rural areas through easy access via post offices/agents and multi distribution channels and through attractive conditions;
- become the leading financial organisation in 'mass retail' banking to the whole population and (small) businesses ; sustainability and social mission are closely related;
- 'penetration' through nation wide efficient payment solution for small, high volume payments from which utility companies and governmental institutions also can seriously benefit.

Business wide approach for analysis of Postbank

Business aspects into business plans

CLOPAFITHS

Product characteristics

Client segmentation

Promotion/
Communication

Distribution

Legal/ institutional

Organisation PB

Personal /
HRM

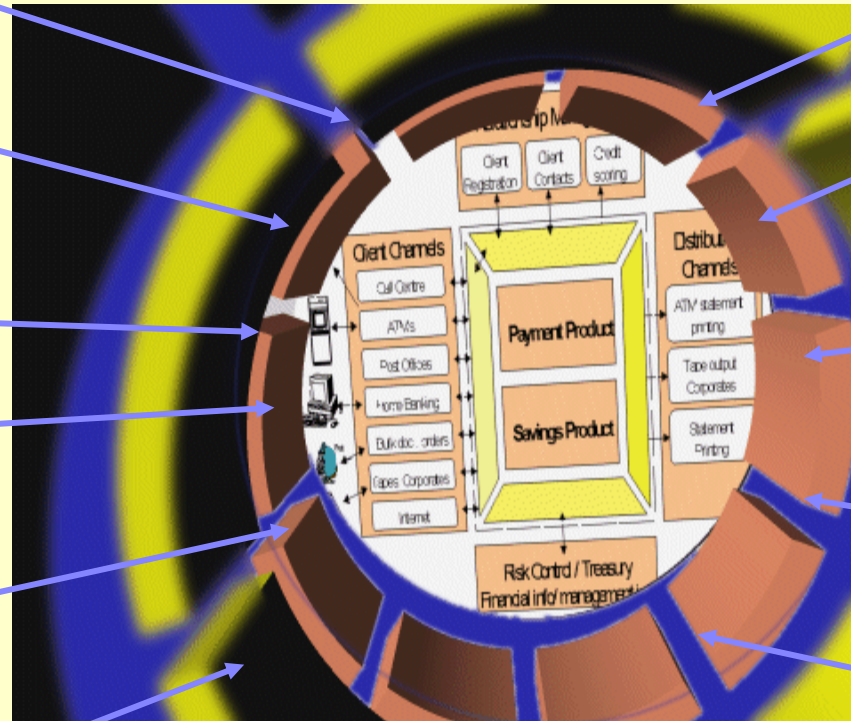
Administrative
organisation

Financial
aspects

IT and
business
processes

Housing

Security



Stages of development from cash into modern electronic payments including Mobile Financial Services



Integrated client based account system PB/MFS provider

Electronic Account System / MB (transfer based, paperless)

Wallet and account transfer based/MMT (from cash to cash less)

Optimised Cash transaction based/MMT

Cash based

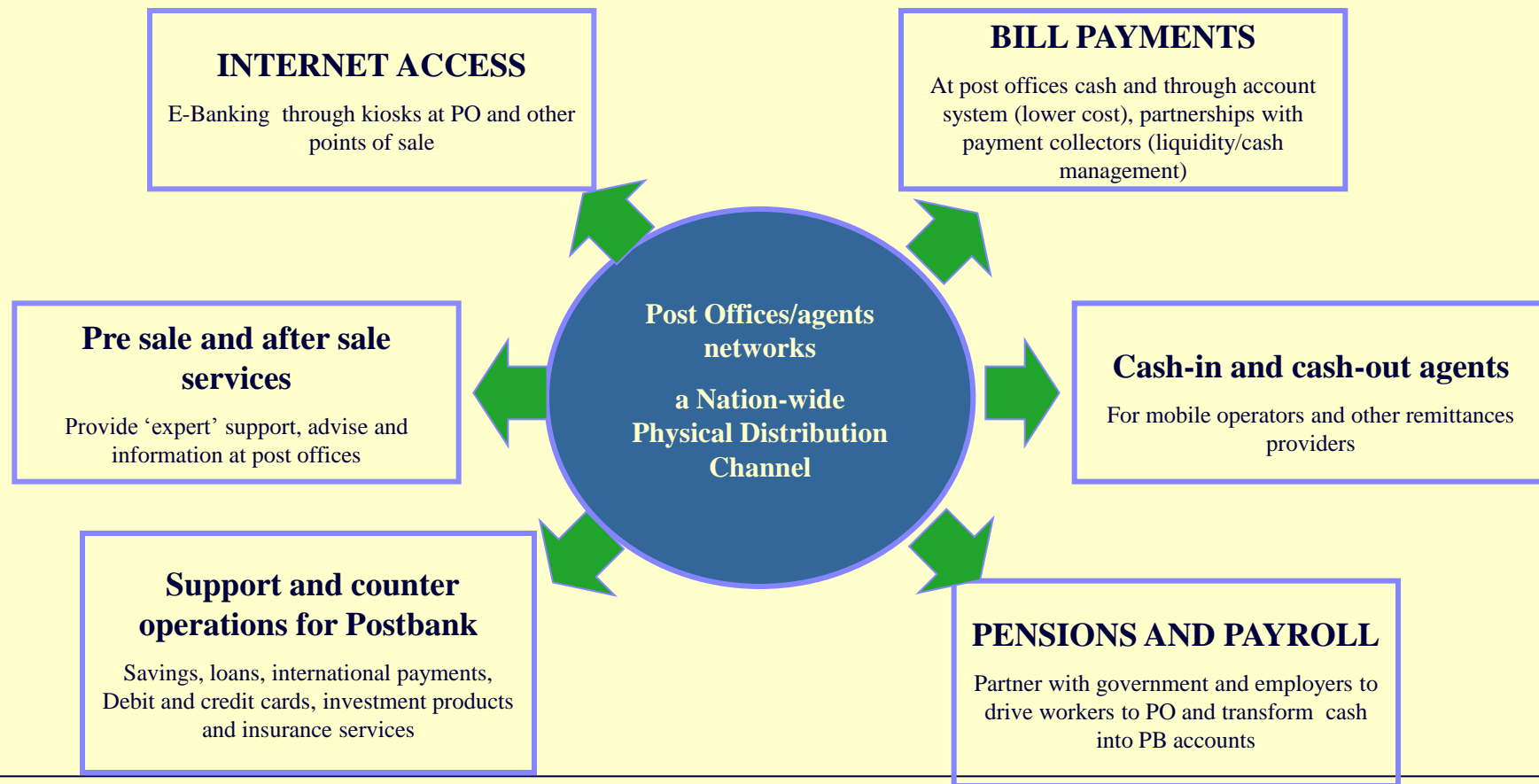
Matrix of Product/ Channel combinations for Postal (savings) Banks/Mass retail Financial services providers

Matrix of (potential) Transaction Product/Channel combinations for Postal (savings) banks DOMESTIC

Types of Transactions	PoS/retail	batch/file I/O	Mobile banking	Internet Banking	Call Centre	ATM	agency/POS	branche
Withdrawal								
Deposit								
Transfer P to P								
Transfer P to B/G (bills,etc)								
Transfer B/G to P (salaries,etc)								
Transfer B/G to B/G (bills,etc)								
Transfer intra bank								
Transaction to/from Savings (demand/term)								
		existing services						

Financial services of Post offices / other agency networks in co-operation with Postbank/(mass)retail bank

A nationwide 'branchless' bank with a familiar 'local' trustworthy face at the post office/agents; supported by low-cost and high tech efficiency; easy access



Recommendations for Postal Savings Banks

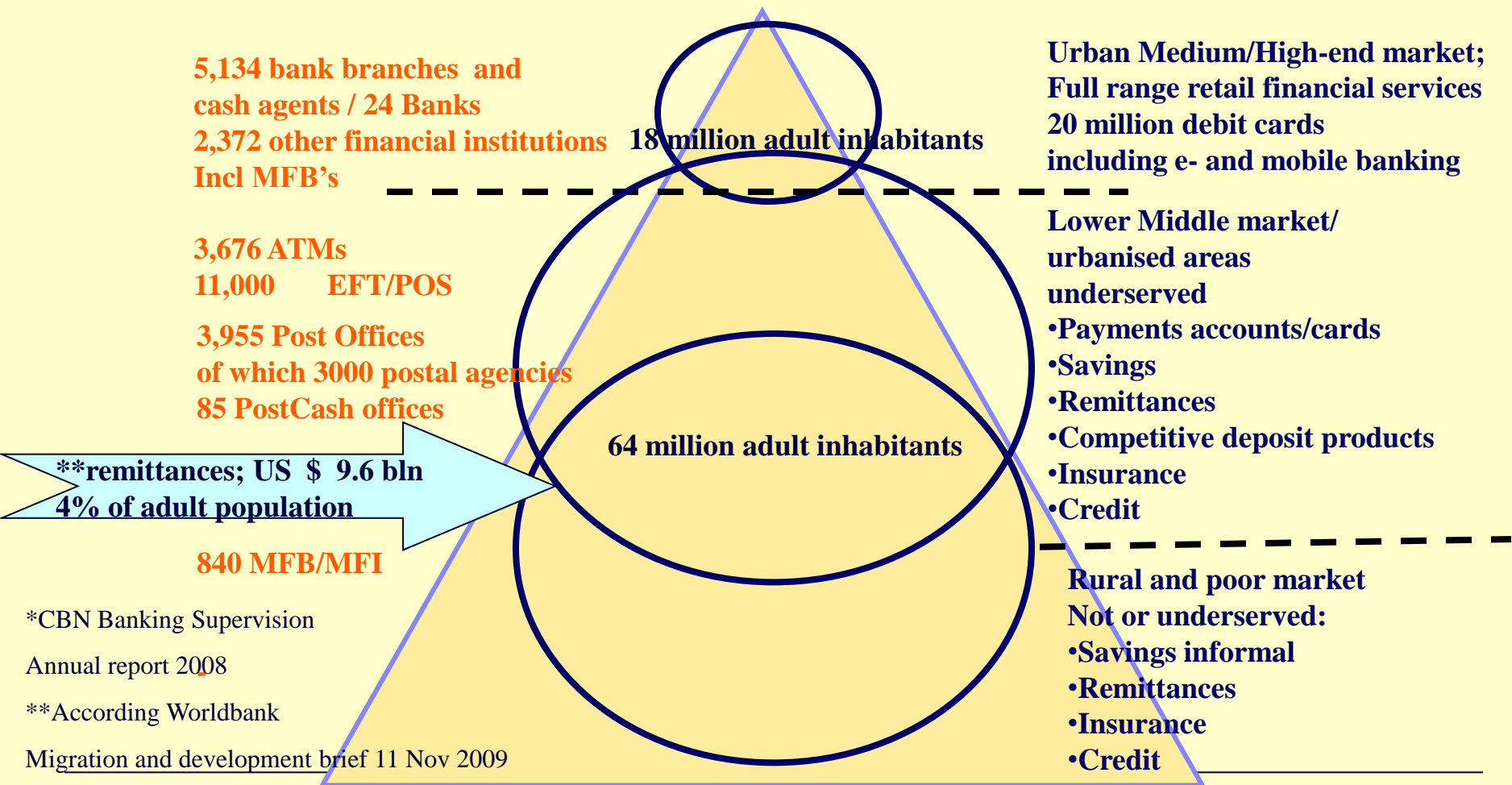
- Improve value proposition for banking services before embarking on m-banking
- Leverage cell phone connectivity to offer services cheaper, with greater convenience
- Address key operational challenges of agent banking: liquidity management, training and management of staff, standardization of processes
- Explore using government payments (G2P) as a launching pad for a full range of financial services for target population

Maximising the role of Postal banks in Financial Inclusion

Table of Content

1. Recent developments in mass retail financial services delivery models
2. The postal (savings) bank concept
3. Developing an appropriate business model as the 'integrated approach'
4. *Translating this 'mass retail / Postal savings bank led model' into business planning*

Financial inclusion from perspective of 'Bottom of Pyramid' as example: Nigerian financial sector infrastructure*



*CBN Banking Supervision

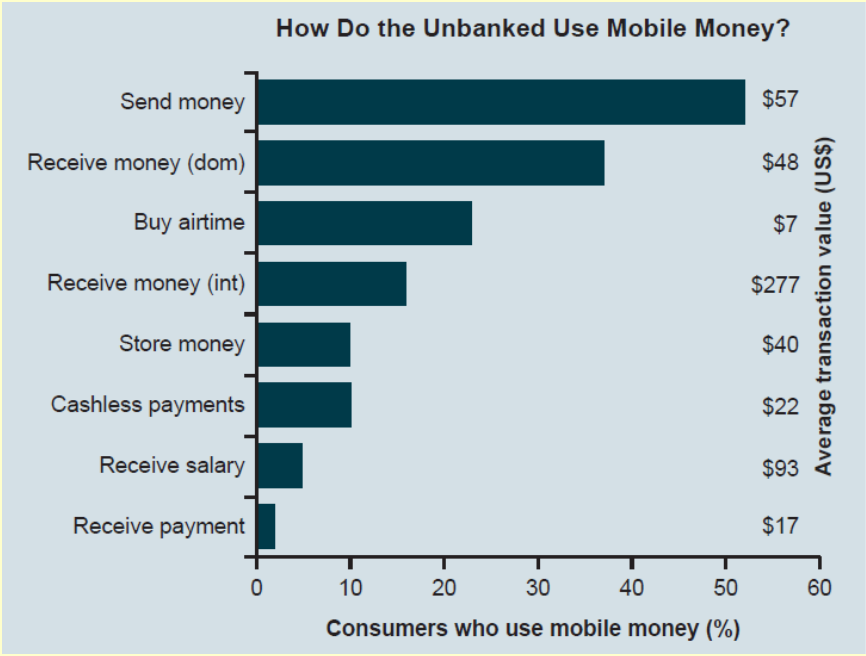
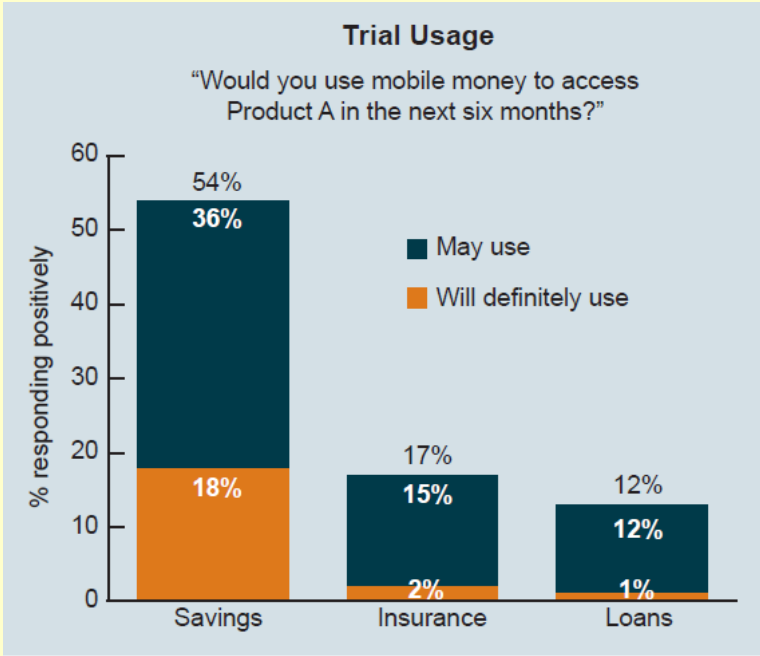
Annual report 2008

**According Worldbank

Migration and development brief 11 Nov 2009

infrastructure exists but suboptimal in outreach and efficiency

Mobile phone banking for the unbanked; WSBI Postal Savings Banks Forum; Antonique Koning; October 19, 2010



- **Payments and transfers are key**
- Data shows demand and uptake for a wider range of services

Costs of transactions 'impression' from USA

Source: TowerGroup, Fiserv/M-Com Data *

One set of data point that was found most interesting was the cost reduction opportunity figures which compares channel costs figures within a typical banking operation.

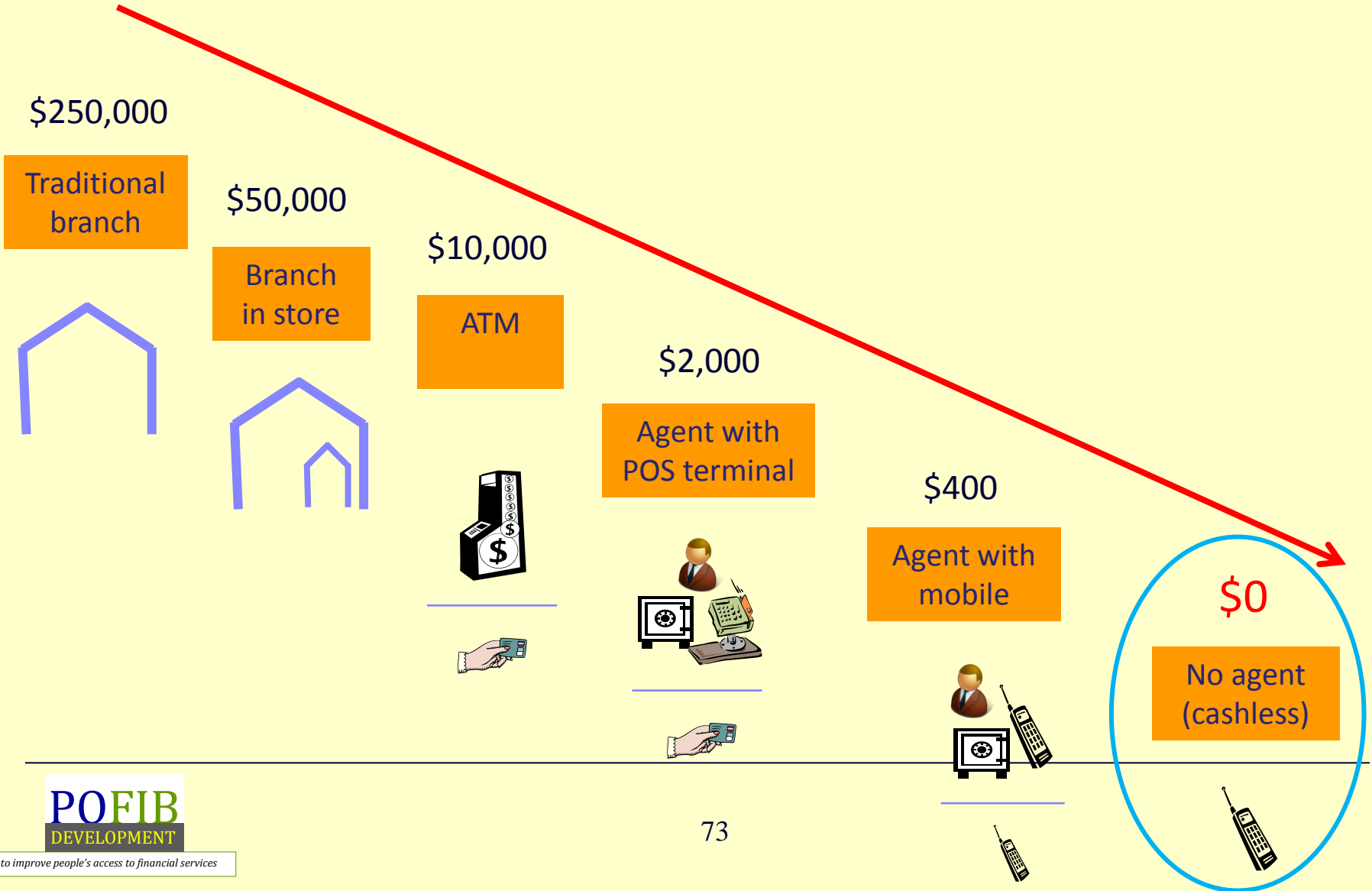
Costs per transaction was found to be approximately

- **\$4 for in branch,**
- **\$3.75 for call center,**
- **\$1.25 for IVR,**
- **\$0.85 for ATM,**
- **\$0.17 for Online and**
- **just \$0.08 for the mobile channel.**

There were no further breakdown of these cost figures, however, if we just take these cost figures at face value, **then this suggests that the opportunity for cost savings when using the mobile channel are immense.**

Mobile phone banking for the unbanked; WSBI Postal Savings Banks Forum;

Antonique Koning; October 19, 2010



Translating this model into business planning and sustainable business cases for all stakeholders, *'new' players like mobile money operators*

* Mobile money will spur economic growth in emerging markets because of the forces inherent to mobile money itself. Specifically, these forces include:

1. the ubiquity of **data transmission** that mobile provides;
2. **mobile money as a new industry**;
3. mobile money as an **infrastructure supporting new businesses** and other industries;
4. the **infusion of new capital** from the informal sector; and
5. the **efficiency gains** that digitization of money enables

** for banks, mobile money for the un-banked is a way to **serve a vast swathe of customers who would otherwise be out of the reach of costly branch infrastructure**;

for operators, mobile money represents an **opportunity to differentiate** themselves from their rivals;

to offer mobile money, **banks and operators need to work together**

yet negotiating agreements to do so can be contentious and time-consuming (sometimes more than a year).

Translating this model into business planning and sustainable business cases for all stakeholders, Mobile Money Operators (monitor by MMU)

**What operational metrics should a MNO monitor and manage? By: Paul Leishman: November 11th, 2010*

‘Today many mobile money practitioners are unable to report with clarity whether their service is operationally healthy along the dimensions that matter most.

After consultation with leading mobile money practitioners and industry experts, we have selected **five key sections for inclusion in this tool:**

1. **Aggregate volume and value** – These graphs present a practitioner with the bottom line in terms of aggregate growth. The Dashboard also presents the monthly growth for each individual service (i.e. **money transfer, bill payments, airtime top-up**) to help operators identify whether top-line aggregate growth is masking important product-level trends.
 2. **Customer base** – In this section, the Dashboard presents the growth of **active and inactive customers**. Separating and comparing these two figures can help illuminate whether an operator has an issue with customer inactivity.
 3. **Customer engagement** – Beyond growth in the number of active customers, a healthy mobile money service is one in which customers are adequately engaged with the service. This section of the Dashboard measures **the number of transactions per customer, float held per customer and the distribution of transaction frequency across segments**.
 4. **Agent engagement** – A healthy mobile money service doesn’t just have engaged customers, it will also have engaged agents. To this end, the Dashboard presents the **number of cash-in and cash-out transactions per agent, as well as the average balance of e-money agents keep on hand** (a good indicator of whether they’re seeing value in the service).
 5. **Customer and agent balance** – This section of the Dashboard presents the **number of active customers per agent**, a ratio practitioners must closely manage, and **the growth in total number of agents**.
-

Translating this model into business planning and sustainable business cases for all stakeholders, 'the agent business case' according CGAP (Agent Management Toolkit: Building a Viable Network of Branchless Banking Agents)

Nine Drivers to the Agent Business Case based on research in Brazil, Kenya and India

- **Role-related**

1. Up-front capital 'acting as an agent can be a very capital-intensive business. CGAP's research found M-PESA agents needed to acquire an average of US\$ 1600 in capital in order to start operating as an agent.'

2. Liquidity management 'liquidity management has two components: (1) accumulating adequate e-float and cash, and (2) the act of rebalancing the two'

3. Rigid staff and space expenses 'a rigid cost "floor" that leaves the agent with much less flexibility on how many transactions are needed for the agent business to be attractive'

- **Exogenous**

4. Security risk 'robbery risk has two implications for agent costs. The amount of upfront capital an agent requires to begin operating can be increased by the cost of security improvements. But much more substantial is the expense from actually being robbed'

5. System reliability 'losing a few days of business may be enough to make the month unprofitable'

6. Effect on other line of business 'the bulk of agents will have a pre-existing business that continues to be important'

- **Time-specific**

7. Adequate revenue at start-up 'sufficient capital to fund losses until the cash flow turns positive'

8. Major costs with growth 'as the level of customer activity grows, agents will incur additional expenses like extra staff member and improved premises'

9. Fragmented demand across too many agents 'the ratio of customers to agents is a key driver of agent network revenue, but the ratio can deteriorate even after it reaches an optimum point'

CGAP : Branchless Banking /Agent Business Case

<http://www.cgap.org/p/site/c/template.rc/1.11.1029/1.26.15459/>

FINO http://technology.cgap.org/2011/02/15/boosting-the-business-case-for-agents/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+cgaptechnology+%28CGAP+Technology+Blog%29

Translating this model into business planning and sustainable business cases for all stakeholders,

Business case for Postal (Savings) banks with post offices/agencies and MFS

The added value is possible from 6 building blocks

Total Value of 'postbank with post offices/ agents' with MMT and MB

Competitive Value via mobile banking services	<ul style="list-style-type: none"> The present and future value of Postbank with Post offices (with respect to the retail financial strategy) in the financial (retail) system of the country will grow through new mobile banking services
Non-Banked Population via MMT	<ul style="list-style-type: none"> Significant portion of the population in emerging markets is not or under-served by the financial system (payments, savings, etc) This potential market is difficult to estimate, but represents a 'post brand' potential via MMT
Mobile operator clients into postbank clients	<ul style="list-style-type: none"> Cross-selling and deep-selling via MMT into Postbank/ MB clients, not necessarily over the postal/agent counter
Cross selling with 'post bank products	<ul style="list-style-type: none"> Postal banking is not limited to the existing consumer products (like payments, savings, consumer credits, etc) but could develop other commodity products like insurance, mutual funds etc
Synergy of Postbank, Post offices/agents and Mobile operator (s)	<ul style="list-style-type: none"> Servicing mobile clients through Postbank and post offices/agents commercially through sharing marketing/client segmentation effort and cost reduction through sharing counter solutions and Operations & IT infrastructure and Shared service centers
Post office/ agents network services for MMT and MB	<ul style="list-style-type: none"> Counter services for cash-in and cash-out ,Cash management, training, real estate finance, international settlements, vehicle fleet management ,etc

Translating this model into business planning and sustainable business cases for all stakeholders, for 'other' stakeholders in Postal (Savings) banks with agency networks including MFS

Government:

- **Linking the population(including the poor, the rural communities, senior citizens) into the global economy and international financial systems**
- **Mobilisation of the national financial resources into the productive economy**

Regulator:

- **make use of existing framework of licensed parties (*discussion WB initiated)**
- **Increased efficiency in the country payment system via including low cost, high volume, modern payment infrastructure**

Generic approach for analysis present situation, design and implement improved and modern mass retail/ Postal savings bank supply chain; Organising the Change



Maximising the role of mass retail / Postal savings banks in Financial Inclusion *as bank led integrating partner*

Conclusions HOW to change



Lessons Learned according KPOSB Management based on recent projects with WSBI 'Doubling savings accounts for the poor':

1. **Appropriate and innovative technology is key in expanding financial access to the poor/marginalized communities**
2. **Agency banking has demystified banking, as customers are served by familiar people within their communities**
3. **Project planning and proper coordination is crucial through a dedicated Project Manager and work streams**
4. **Management and staff buy-in is critical to project success**
5. **Identification of risks and mitigation strategies is crucial**
6. **Adequate resource allocation is crucial**





Still on going on Saturday mornings....!?




Maximising the role of mass retail/ Postal savings banks in Financial Inclusion *as bank led integrating partner*

Conclusions: critical aspects on WHAT



- **Understand the Demand especially on Local level**

- distance is money  proximity
- pricing  affordability
- product development  services according local market needs at BoP
- promotion  increase financial literacy and trust

- **Improve the Supply**

- low costs  efficiency in whole supply chain through Economies of scale (front, mid and back office)
- cost base, transfer pricing, client fee  sustainability for all stakeholders and affordability

- **Match Demand and Supply in 'on-going' business and in change projects**

- diminish fragmentation  service integration / interoperability/ partnerships
 - improve 'change' effectiveness and efficiency  'integrated' projects and proven solutions
-

Maximising the role of mass retail/ Postal savings banks in Financial Inclusion *as bank led integrating partner*

Conclusions: how to progress

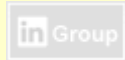
Create synergy between Suppliers in delivering a 'local' integrated financial services package for the Demand side / clients at the Bottom of the Pyramid through:

- **Share the vision** between supplying stakeholders, with a strong focus on:
 - Proximity with use of existing agent (retail) networks and mobile financial services
 - Financial services matching the 'researched' needs of low income (under € 2 average day)
 - Affordability and sustainability of customer pricing and transfer services of partners
 - Marketing based on understanding the local low income segments and promoting the 'right' services
- **Share the knowledge**, change approaches and lessons learned through information/social networks, training, twinning, etc on multi country/regional level via:
 - multi lateral institutions (governmental and private) like Worldbank, UN, AFI, CGAP, BMGF, etc;
 - supporting organisations for the 'integrating' supply partners like WSBI, GSMA, UPU/AFI, etc.)
- **Share the effort and delivered solutions** on local level through:
 - partnering, interoperability and sharing capacity
 - focus on own 'added value and expertise' per partner
 - with sustainability per partner and fair value for BOP clients

'relevant' Linked In groupes 'involved' in this workshop



- [African Center for Mobile Financial Inclusion \(ACMFI\)](#)



- [Branchless Banking](#)



- [CGAP's Mobile Banking and Microfinance Group](#)



- [Electronic Money Remittance Professionals](#)



- [Financial Regulation and Risk](#)



- [Financial Services Regulation](#)



- [Mobile Banking and Mobile Payment](#)



- [Mobile Money Africa](#)



- [Mobile Money Transfer Group](#)



- [Mobile Money for the Unbanked - GSMA](#)



- [Payment Factories and Shared Service Centers](#)



- [Payment Systems Network](#)



- [Post banks](#)



- [Savings Programme Team Forum'](#)

List of references 1

1. The Role of Postal Networks in Expanding Access to Financial Services ; *November 2006* Global Information and Communication Technologies Department The World Bank, in close coordination with staff from the Financial and Private Sector Department as well as the CGAP Group (doc number 38339); <http://go.worldbank.org/8WUV5ELPQ0>;
2. Contribution to the 18th Conference on Postal and Delivery Economics, Haikko Manor, Porvoo, Finland, June 2-5, 2010 <http://postfi.files.wordpress.com/2010/06/betweenfinancialinclusionandpostalbankingv221.pdf> This research paper is copyrighted UPU 2010.; presentation of the research report <http://postfi.files.wordpress.com/2010/06/presentationrutgers2pdf.pdf>
3. 'Western Union spreads mobile money transfer across Africa', Dan Butcher, associate editor, Mobile Commerce Daily; January 18 2011 <http://www.mobilecommercedaily.com/2011/01/18/western-union-united-bank-for-africa-partner-to-spread-mobile-money-transfer>
4. Bill Melinda gates Foundation: 'Financial services for the poor' initiative <http://www.gatesfoundation.org/financialservicesforthe poor/Pages/default.aspx>
5. Interview Brian Richardson CEO Wizzit http://www.youtube.com/watch?v=nHzoevCRM0E&feature=player_embedded;
6. GSMA /MMU report 'Mapping and Effectively Structuring Operator-Bank Relationships to Offer Mobile Money for the Unbanked' Author: Neil Davidson GSMA/ Mobile Money for the Unbanked <http://mmublog.org/global/a-new-mmu-article-on-the-relationships-between-banks-and-mobile-operators/>
7. GSMA Mobile Money for the Un-banked Programme :Deployment tracker Mobile money <http://www.wirelessintelligence.com/mobile-money> ;
8. The Kenyan Mobile Money System: an overview (courtesy of Kopo Kopo) By *vilcap*– December 6, 2010 by Ben Lyon <http://www.vilcap.com/the-kenyan-mobile-money-system-an-overview-courtesy-of-kopo-kopo>]
9. Consultative Group on Advancing the Poor [CGAP website on the Mobile Banking subject](#) ; [Role of Mobile operators in Expanding Access to Finance](#) * www.cgap.org/p/site/c/template.rc/1.26.10806 ; Branchless banking in Brazil CGAP <http://technology.cgap.org/technologyblog/wp-content/uploads/2010/02/agent-networks-in-brazil-cgap-fgv1.pdf>

List of references 2

10. Survey: The Economics of M-PESA: An Update; William Jack and Tavneet Suri October 2010 Report www.mit.edu/~tavneet/M-PESA_Update.pdf ;
11. WSBI Double Number of savings accounts Programme midterm workshop <http://www.wsbi.org/template/event.aspx?id=4498§ion=Presentations>
12. UPU Postal Financial Inclusion <http://postfi.wordpress.com/upu-events> presentation on Banco Postal Brazil <http://postfi.files.wordpress.com/2010/06/presentation-brazil-en-review.pdf>
13. FinScope™ Africa Brief; Financial access in Southern and East Africa http://www.finscope.co.za/new/pages/Initiatives/Africa-General-and-Cross-Country-Reports.aspx?randomID=065c04c5-8042-4863-a85b-6cd1ac0c515e&linkPath=3&IID=3_5
14. White Paper 'How to Achieve a Compelling ROI from Mobile Financial Services' data Source: TowerGroup, Fiserv/M-Com Data http://www.fiserv.com/payments_mobile.htm ;
15. What operational metrics should an MNO monitor and manage? By: Paul Leishman: November 11th, 2010 <http://mmublog.org/africa-east/what-operational-metrics-should-an-mno-monitor-and-manage/>
15. CGAP Agent Management Toolkit <http://www.cgap.org/p/site/c/template.rc/1.9.49831/> ; Branchless Banking Agents Agent Business Case <http://www.cgap.org/p/site/c/template.rc/1.11.1029/1.26.15459/> ; India/ FINO contribution http://technology.cgap.org/2011/02/15/boosting-the-business-case-for-agents/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+cgaptechnology+%28CGAP+Technology+Blog%29
16. Menekse Gencer: The Mobile Money Movement Catalyst to Jumpstart Emerging Markets, 2010 <http://www.slideshare.net/mpayconnect/the-mobile-money-movement-by-mpay-connect-dec-2010-innovations-publication-winter-2011>
17. World Bank Demands Tight Rules On Mobile Cash; <http://allafrica.com/stories/201101270140.html>

Pofib business proposition

Technical assistance projects



Supporting activities

Thank you for your attention

Questions or comments, please feel free

Piet Biemans

POFIB Development BV

piet.biemans@pofib.nl

www.pofib.com