


# Branchless Banking



# Why Branchless Banking?

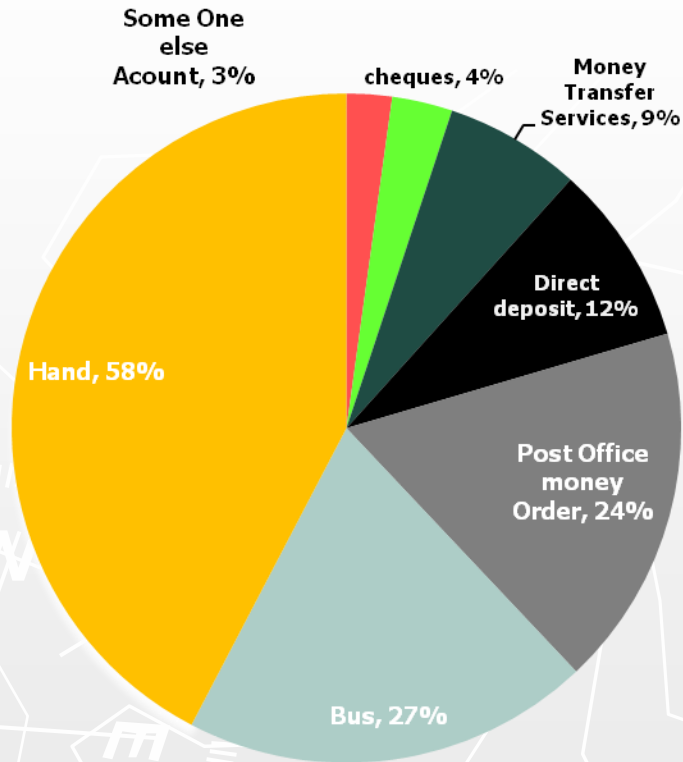
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- Tapping the unbanked community of Pakistan in a cost-effective and in seamlessly integrated manner
  - Thirty times less globally
  - Seventy six times less in Pakistan and
  - Replacing them with mobile phones will further cut the cost to half

# Branchless Banking Model

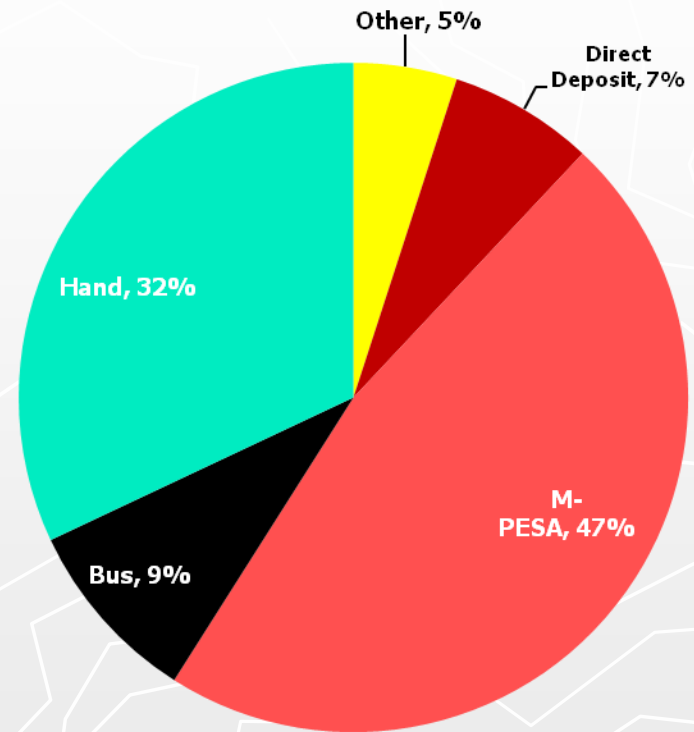
It offers a distinct alternative to conventional branch-based banking as:

- Services are provided independent of location and time by using mobile phone of an individual as his/her financial identity;
- The specialization and efficiency of each partner (Bank, Telco, and Agent) are leveraged to achieve an exceedingly efficient business model;

# Comparative Case Study



How people in Kenya sent money  
before M-PESA



How people in Kenya sent money  
After the introduction of M-PESA

# Comparative Case Study

- In 2008 Vodafone partnered with Afghanistan's Roshan Mobile operator, to provide M-Paisa.
- The Service was initially used to pay police salaries.
- Soon after the product was launched, the Afghan National Police found that 10% of their workforce were ghost police officers.
- The service has been so successful that it has been expanded to include limited merchant payments, peer-to-peer transfers, loan disbursement and payments etc.

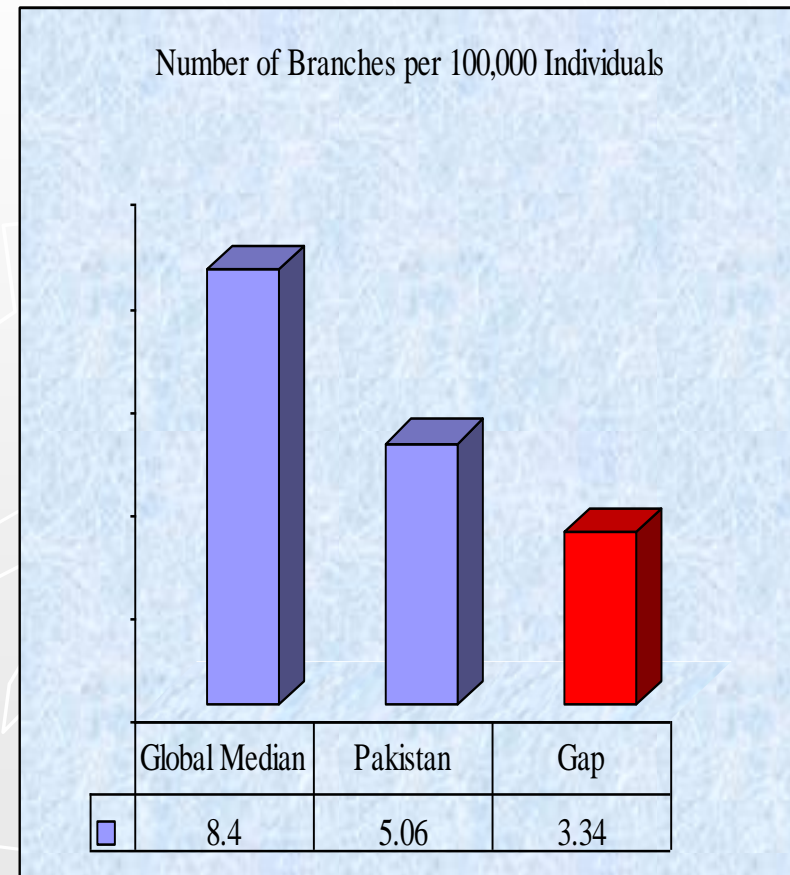
# Finding the Right Model for Branchless Banking

- ❑ Globally successful Branchless Banking deployments have been led by the entity providing the agent network – The TELCO.
- ❑ This is due to two predominant factors:
  1. Telco's relationship and control over the agent Network
  2. Telco's understanding of mass-market customer needs and ability to create products/services accordingly

**Source:** (Extract from the conference held on branchless banking at Karachi on 17<sup>th</sup> April 2010)

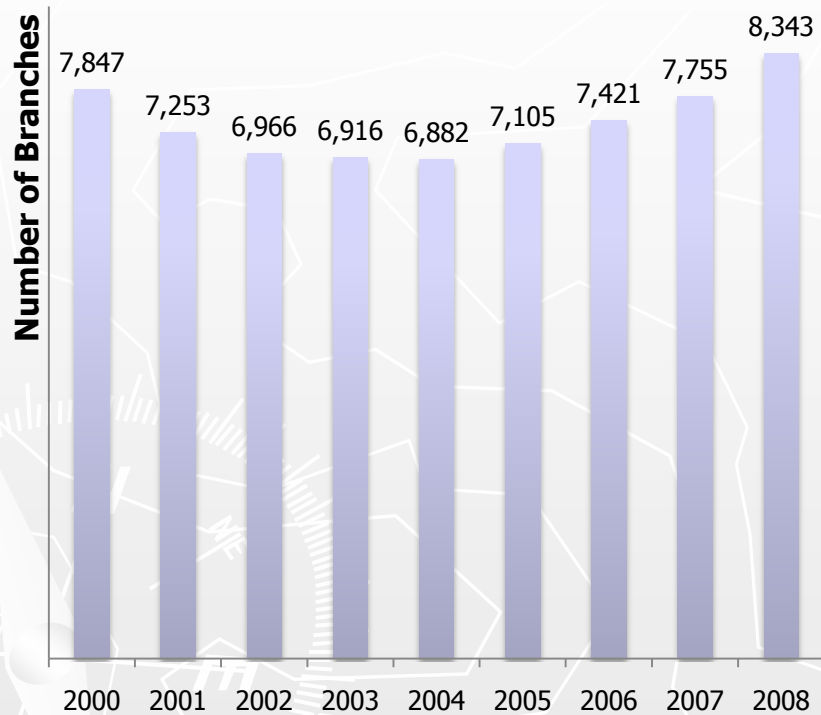
# Un-banked Segment

- According to SBP's statistics, there are 5.06 branches per 100,000 individuals in Pakistan as opposed to the global median of 8.4 branches for every 100,000 individuals.
- To reach the global median Pakistan needs another 5,517 branches in addition to 8,343 branches which means increasing the branch network of Pakistan by 66%.

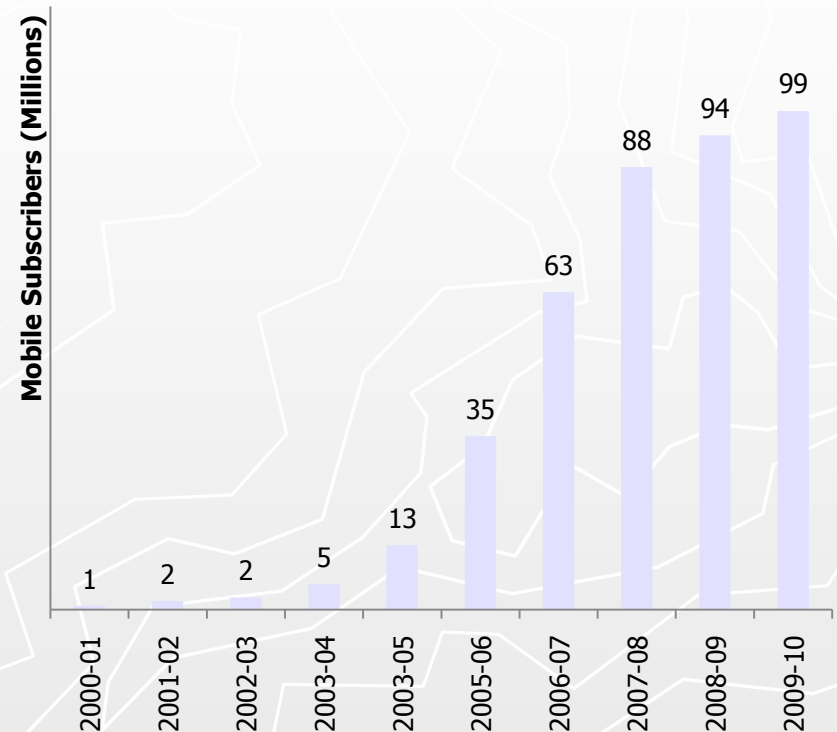


# A Workable Substitute

Growth of Branch Network in Pakistan



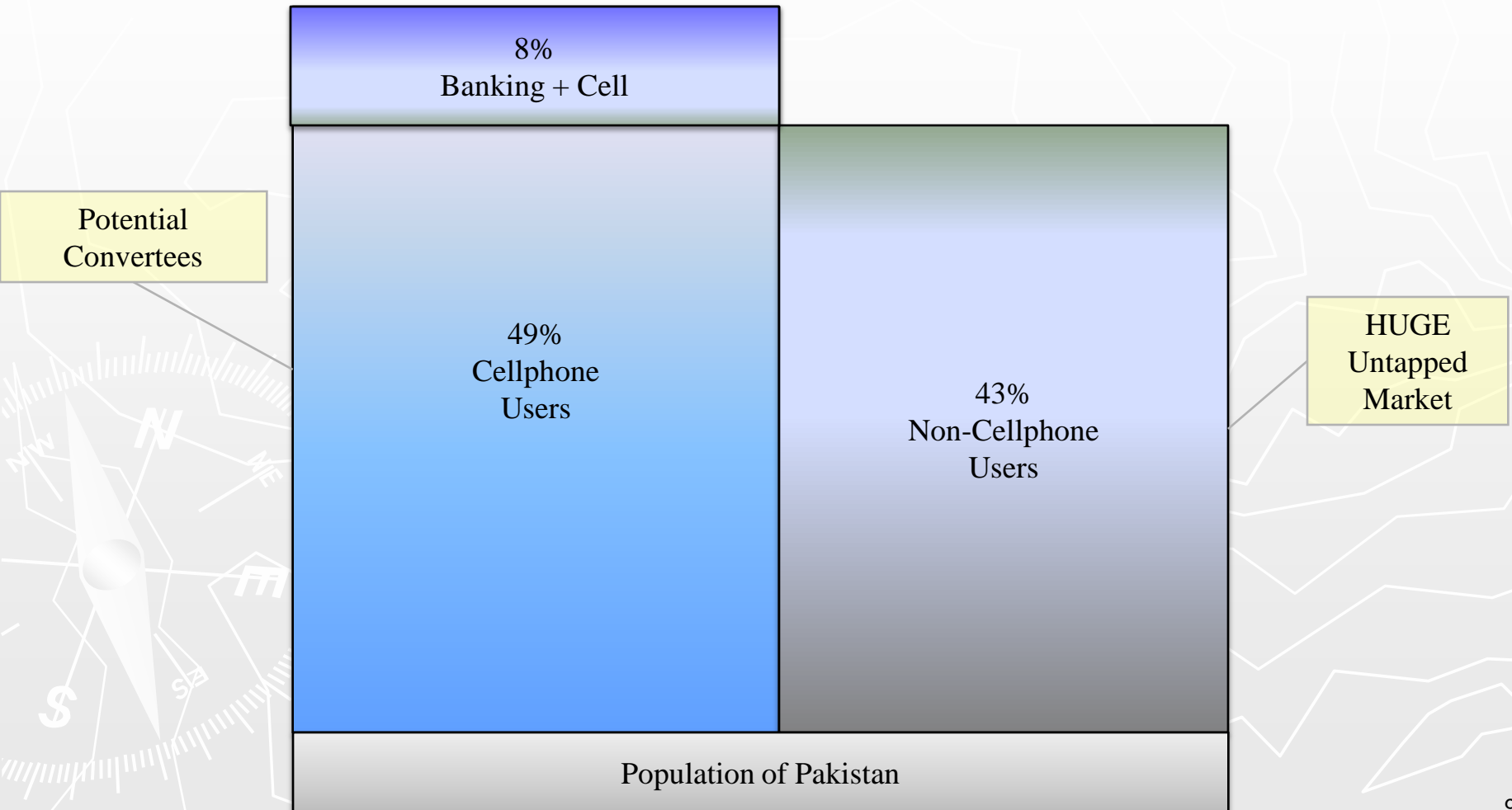
Cellular Growth in Pakistan



The average annual growth rate of bank branches from year 2000 to 2008 was 0.88% whereas the average annual growth rate of Cellular Subscribers was 91.65% during the same time period.

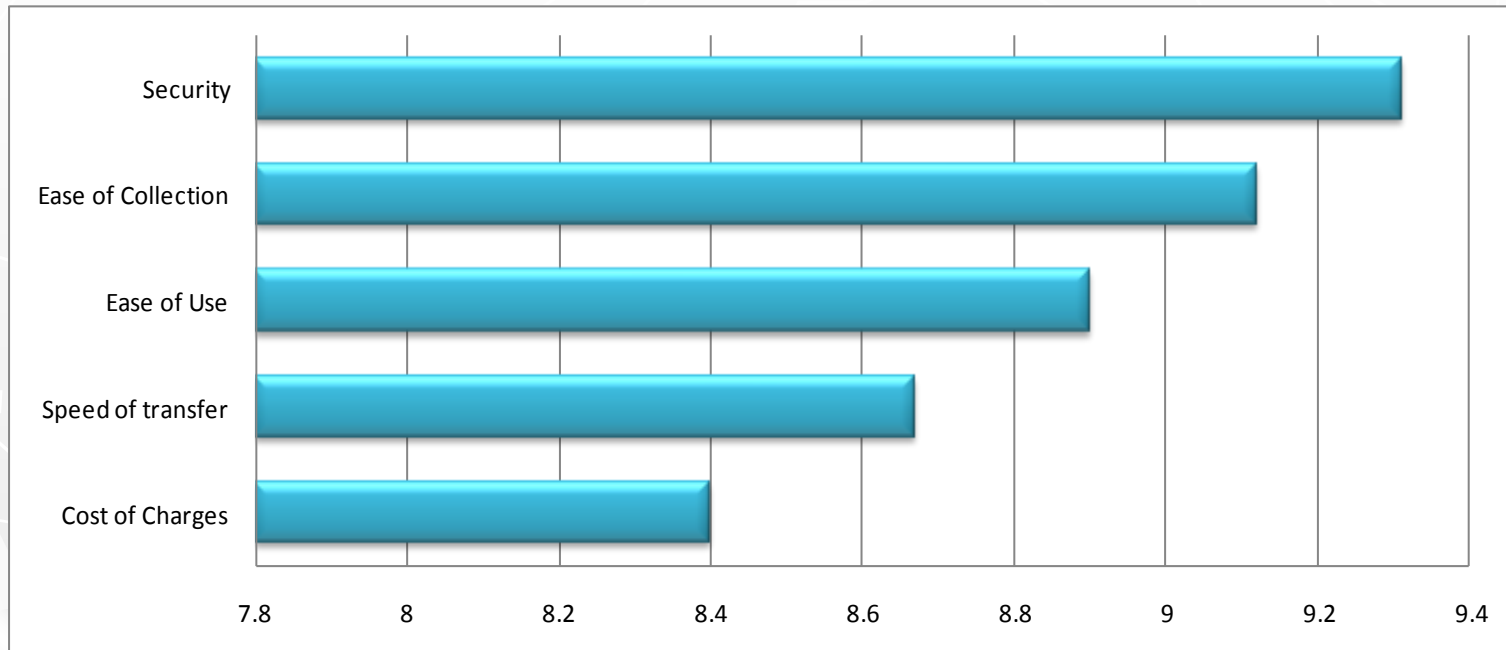


# Pakistan: Branchless Banking Target Segments



# Building Trust: What Do People Want?

## Customer Survey Results



**Key Learning: Ensure Trust & Serve the Unserved**

# Where is the Potential...?



# Types of Transactions

- Salary Disbursements
- Pension Disbursements
- Zakat Disbursement
- Welfare Payments

**G 2 P**

- Domestic Remittances
- Home Remittances
- Salary Disbursements
- P2P Payments

**P 2 P**

- Utility Bill Payments
- Food Chains
- Schools
- Transport
- Loan Repayments
- Fuel
- Credit Card Payments

**C 2 B**  
(Large Business)

- SMEs
- MFIs
- Retailers
- Small Food joints
- Grocery Stores
- Proprietorship

**C 2 B**  
(Retail)

# Workable Model for G2P

## Salary Disbursements:

- ❖ Armed Forces i.e. Army, Navy, Air Force.
- ❖ Federal / Provincial Govt & Semi Govt departments & other like;
  - Ministries like Labor & Manpower, Food & Agriculture, Overseas Pakistanis etc.
  - Law enforcement Agencies – Police, Rangers & other Para Military Staff
  - Revenue , Agriculture, Health, Education Departments etc.
- ❖ Pensions of Govt /Semi Govt employees etc.
- ❖ Zakat disbursement.
- ❖ Different Govt social welfare programs like Wataan Card, Benazir Income Support Program , Lady Health Worker Program etc.

# Role of Business Partners in Branchless Banking

## Financial Institution

- Marketing
- Compliance of SBP Regulations
- Approvals and Support
- Ownership for Financial Services
- Access to New and Existing Customers

## Telco

- Marketing
- Retail Network
- Compliance and handling of PTA regulations.
- Access to New and Existing Customers
- Merchant Network Sign-ups.

## Technology Partner

- Platform
- Technology
- Security
- All third party Integrations and Agreements

# The Key Success Factors For Branchless Banking

- **Credibility:** The agent has to be a trusted brand
- **Proximity:** Agent networks have to be easily accessible...
- **Uniformity of services:** offer a uniform customer experience whether in Karachi or Khyber
- **Security:** As the main interface with the customer, agents have to ensure compliance not only with KYC as required by the regulator but with all fraud prevention processes
- **Liquidity:** Customer experience is critical to the success of this venture...it is imperative that customers have immediate access to their cash. Agents will have to ensure minimum liquidity levels

# Thank You

