



Learning paper

AGENCY BANKING: ¹WEIGHING IN ON THE COST AND CONVENIENCE

Agency Banking Technology: Boon or bummer

Experiences from East Africa: Success follows tumultuous start

¹ The basic approach in this paper is to create an understanding of the strategic approaches implemented in a country that is well advanced in agency banking; then juxtapose these with what is obtaining in Nigeria, Ivory Coast and Morocco, particularly from a pricing vs convenience standpoint.

About this paper

Technology application has proven to be the challenge that has served both as a boost and a bummer, in equal measure, during the financial inclusion journey of the last ten years.

Kenya officially launched around 2008 its M-PESA service, a first anywhere in the world for money transactions to be processed in real time from a virtual wallet and enabled by cellular phone channels. A decade later, and on the basis of the successful tests by Safaricom in Kenya, more than a dozen other mobile money deployments were implemented mainly across Africa and Asia, with varying levels of success. M-PESA undoubtedly still remains the most celebrated – and for every good reason. Its pioneering offer impacted millions of people previously unbanked and underbanked people who had never held a bank account before this mobile-enabled, yet agent supported wonder.

M-PESA transacts today, in one country, more money than all of Western Union's global transactions. Yet little talk surfaces about the sheer amount of technological genius that was employed, and even less about the many challenges the service endured in its early years. Challenges occurred around transaction failures, integrations with third party solutions and applications that could potentially have enabled greater and deeper participation of customers and peripheral actors, and a service that was less intuitive for customers, dealers and agent network actors. The successes made over time mirror what is truly hard work and innovative approaches honed by years of understanding business evolution needs and entrenched abilities to anticipate customer expectations, and constantly bringing on-board new ideas, newer technologies, and/or remodeling the technologies in place to work for them.

Financial service providers struggle with agency banking technologies

It would be easy to imagine that with more than ten years of deployment experiences, the many success stories coming out of developing countries on agency banking, and the sheer amounts of investments made by development partners and investors, technology shouldn't still be amongst the decision-challenges plaguing the industry. Yet, basic technology risks continue to expose the weaknesses that are inherent in agency banking operations. So, given the dozens of deployments globally on both agency and mobile banking, why are Financial Institutions Still Struggling with Agency Banking Technology Deployments?

There is an underlying assumption that what may have worked for successful deployments would automatically work for all other deployments. For starters, it is evident that very little due diligence is employed on technology vendors that lay claim to the fame associated with leading digital deployments, particularly if that vendor originates from East Africa. While these solutions continue to serve tens of millions of customers in that region of Africa, it may be worth appreciating the obtaining contextual realities and differences that exist between different jurisdictions, including the dynamics around customer preferences.

It also needs noting that besides the high costs of solutions that serve the temporal needs of the targeted segments of the populations, agency banking and digital

financial services in general, is still evolving. It therefore goes without saying that the solutions that worked wonders ten, or even five years ago, may face certain inadequacies in meeting the challenges of the here and now. Market ecosystem dynamics and the increasing customer sophistication, changes in device capabilities and the enabling infrastructure quickly render some solutions redundant.

CASE STUDY: Advans in Ivory Coast



Advans signed a project agreement with WSBI to provide savings accounts to 120,000 farmers by 2021. Thanks to the project, farmers will be given access to tailored financial services and digitalised cocoa payments and premiums, enabling them to save and improve their daily lives.

Before Advans joined the Scale2Save programme, farmers accessed their accounts through alternative approaches like the one Advans had in partnership with MTN, a telecommunications operator, giving them access to free transfers from their MTN Mobile Money (MoMo) wallet to their Advans bank account. Using this partnership, clients were

able to deposit or withdraw money at any MTN Money cash point. This arrangement required a certain level of financial training for the farmers so that they could perform the transfers independently. Farmers could only benefit from the arrangement if a MTN MoMo agent was located close to their village.

In this context and with the support of WSBI, Advans launched in October 2019 a new service dedicated to rural clients, especially farmers: *Advans Point*. The service offers a network of agents where cooperatives serve as agents. Clients can make basic bank transactions at *Advans Points* including cash deposits and withdrawals, perform money transfers and get information on bank balances and mini-statements of their most recent transactions. This service is directly linked to Advans account and it is easy to use for clients as the agent performs the transactions directly for them.

An attractive price service compared to other agent networks encourage farmers and Advans clients more generally in rural areas to use it. The pilot phase was launched in five different cooperatives in the east of the country. In each cooperative, one *Advans Point* supervisor and one agent serve clients.

Early pilot successes with *Advans Points*

Although the agency banking network remains in pilot phase, some results observed already by Advans look positive:

- In January 2020, deposits made through the Advans Point service reached more than 62,500,000 FCFA (ca. 105,029 USD). Advans served 525 active/unique clients mainly from the cooperatives (97%) and have registered 1,300 transactions in total including withdrawals, deposits, transfers and information requests. Digitising farmers' cocoa payments and premiums, a Advans key objective, increases farmers' savings and secures the payment chain by limiting cash at cooperative and farmer level.
- Agents in charge of transactions, trained by the Advans Agency Banking supervisor, made good progress in 3 months. Now comfortable with the existing transactions, agents may be easy to train on new services or more complex activities.
- René Yao, President of SCOOPS BAD, Agboville, one of the five Advans Point pilot cooperatives observed: *"The Advans Point supports SCOOPS BAD's efforts to encourage our farmers to save in order to have a better life; this service helps us to convince them as they can have a direct access to their account. Advans Points are the future!"*
- Natacha Coulibaly, in charge of transactions at the Advans Point SCOOPS BAD told us: *"When the famers come to the Advans Point, I try to encourage them to save more by explaining the whole service to them. I also explain to them the other products Advans offers like life insurance. This seems to work: one farmer came one day to open his account and came again the next day to save and to subscribe to the insurance."*
- A producer, at the SCOOPS BAD Advans Point *"Thanks to you [Natacha], I have started to save money."*

Learning opportunities

After considering all options at its disposal, Advans' selected its solution: a basic USSD-based option. It was largely developed in-house with support from one of its existing technology solution providers. The choice of a relatively low-cost technology solution that also leveraged the low-resource requirements that comes with USSD channels, enables quick deployment of the solution, while ensuring that both agents and customers are able to easily access the service using any device.

The technology solution attracts low-deployment and maintenance costs, and enables Advans to work with third-party agents in remote areas without access to the Internet. While the service appears to be stabilizing and is expected to scale up soon, there were questions raised with the stability of the solution, with Advans taking drastic decisions including on some days stopping further transactions. This obviously caused disappointment among clients as transaction fulfillment could not be achieved at the time they needed. As seen in the M-PESA scenario above, this is not completely unexpected, and the bank is working tirelessly with its partners to remedy the situation.

Even as Advans consolidates on the early learnings, based on their experiences, the following key learnings can be drawn:

- a. It may be possible, and in fact quite common, not to find a technology solution that fits your local situation, despite the success stories you will hear from the market.
- b. It is likely that an institution's existing technology service providers may have an inkling about agency and/or digital banking solutions. That said, it still would be worth the while to first look into the market to find out if there is a workable solution that can potentially be tailored to your situation before winding up the guinea pigs with providers who may not have had prior experience. It is worth noting, however, that existing providers may have a lot more intimate understanding of your needs compared to a new vendor coming into the fray.
- c. The cost of acquiring technology solutions invariably affects the throughput price of the service for customers, as the institution may want to recover whole or parts of the associated costs of the technology. It is therefore important to ensure that the pricing structure agreed upon factors this.
- d. It would be worth one's while to seriously considering shared agency banking solutions instead of cost duplications on a solution that can easily be shared bilaterally or between multiple financial institutions. The net effect beyond the initial cost being distributed, the costs associated with the evolution journey for the service are also distributed.