

EFInA Agent Banking Breakfast Series

25 October 2011

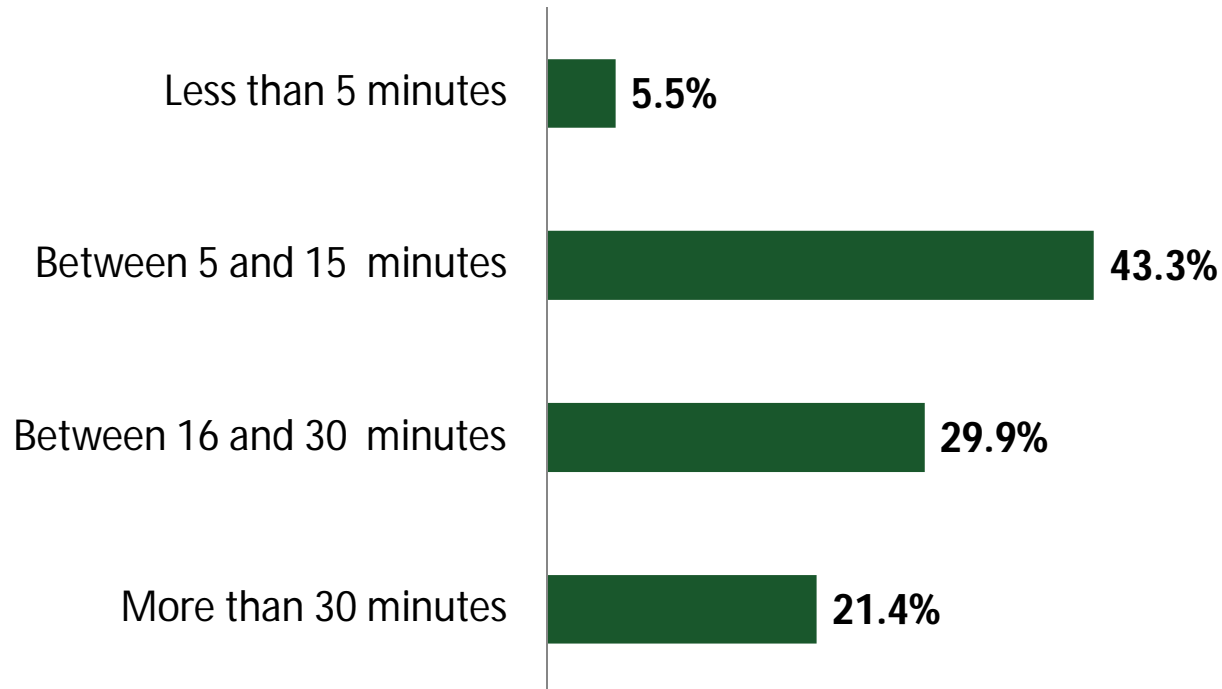
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Why Agent Banking?

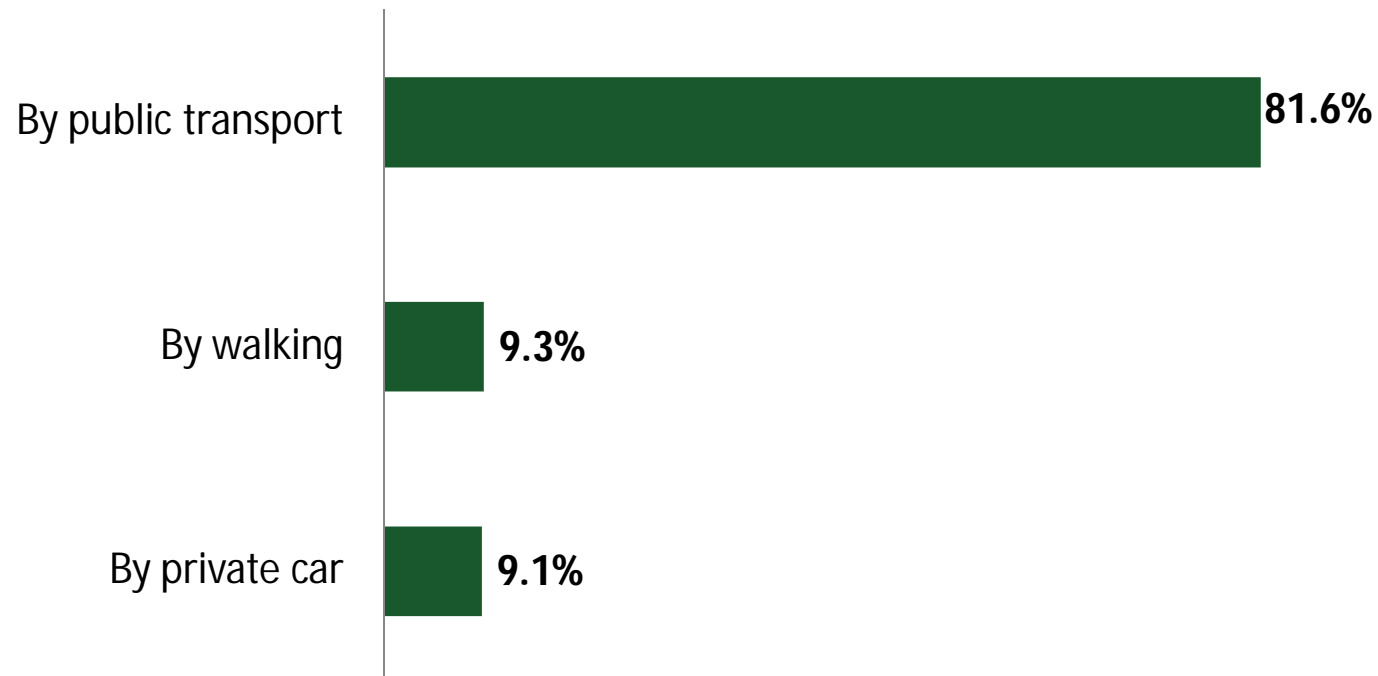
Time Taken to Get to Main Bank

- Of the **25.4 million** adults that are banked:
 - 43.3% take between 5 and 15 minutes to get to their main bank
 - 29.9% take between 16 and 30 minutes to get to their main bank
 - While 21.4% take more than 30 minutes to get to their main bank



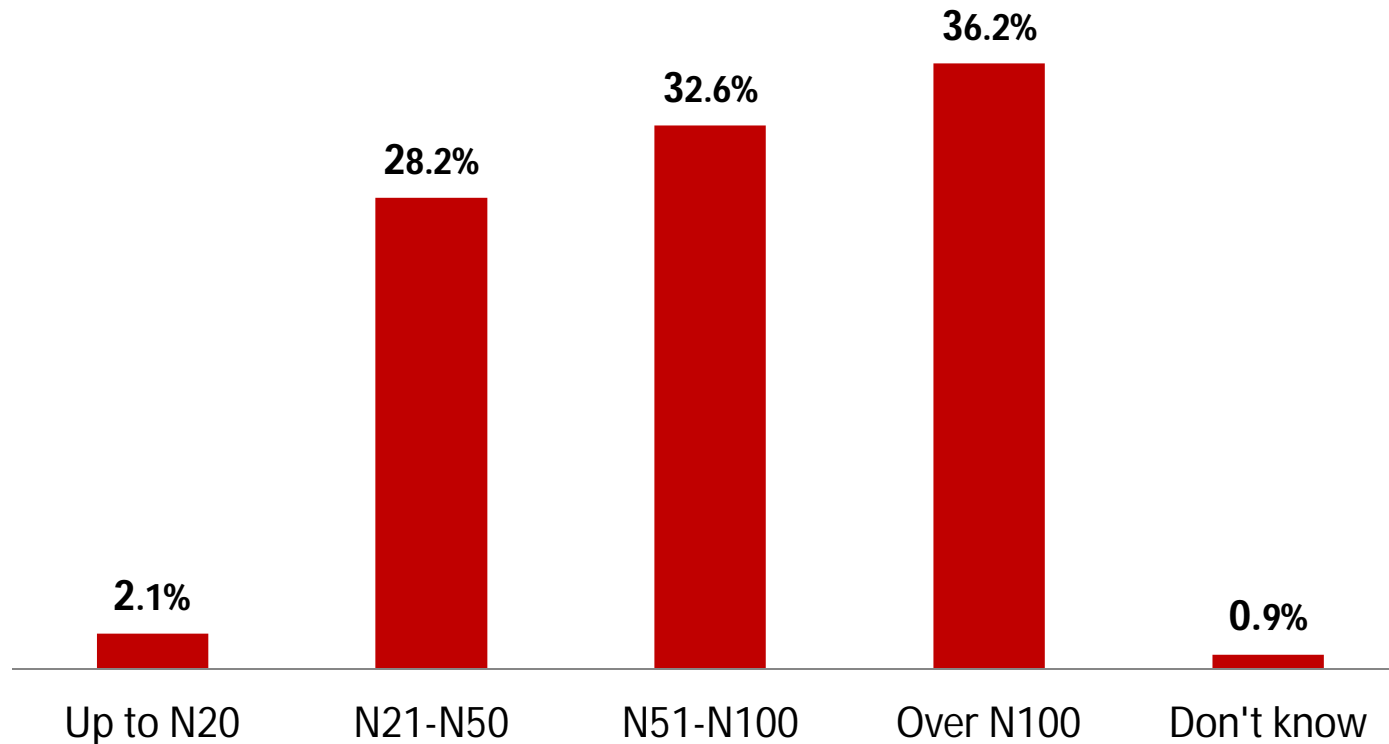
Means of Transportation to Main Bank

- Of the 25.4 million adults that are banked; **81.6%** (20.7m adults) use public transportation to get to their main bank



Cost of a One Way Trip to the Bank

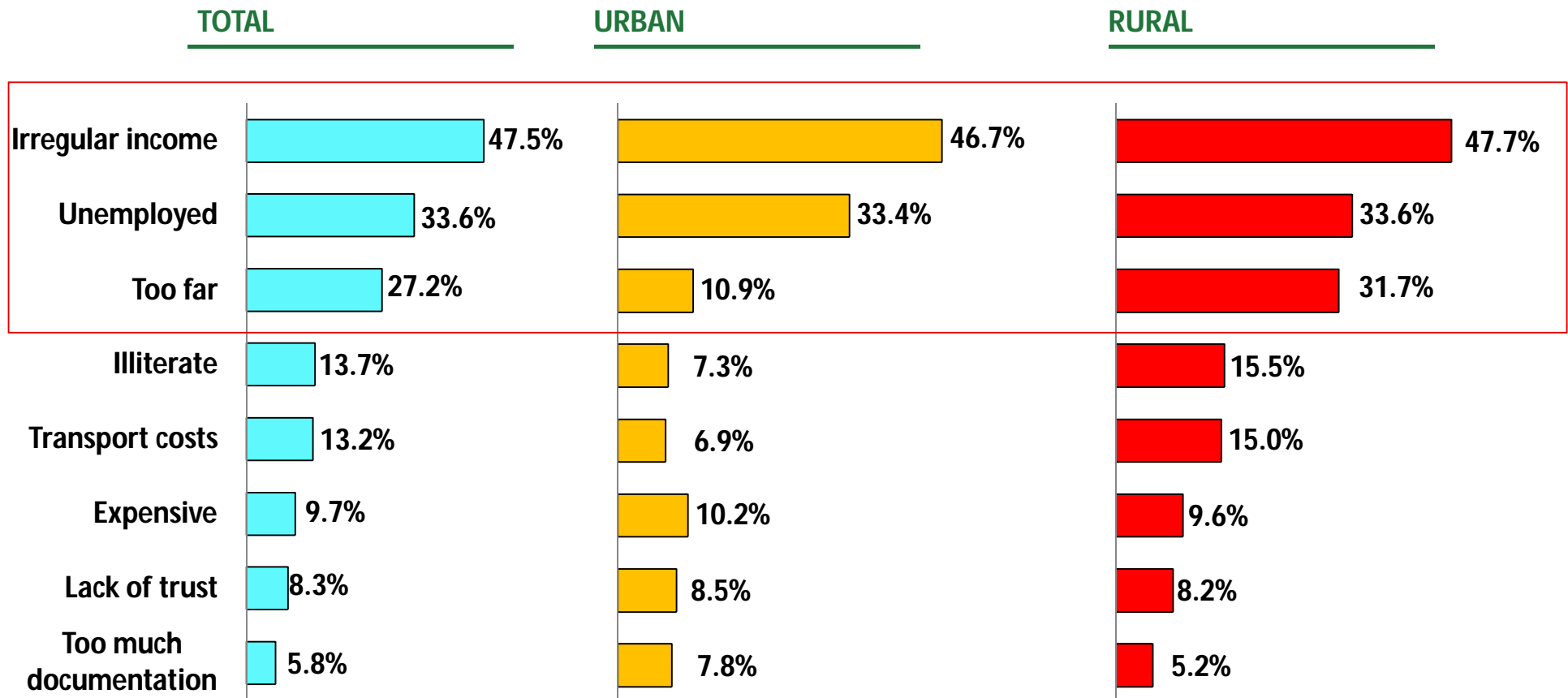
- Of those 20.7 million adults who are currently banked and use public transport to get to their main bank:
 - **36.2%** spend more than **N100** for a one way trip to their main bank
 - **32.6%** spend between **N51 to N100** for a one way trip to their main bank



Source: EFInA Access to Financial Services in Nigeria 2010 survey

Reasons for not Having a Bank Account

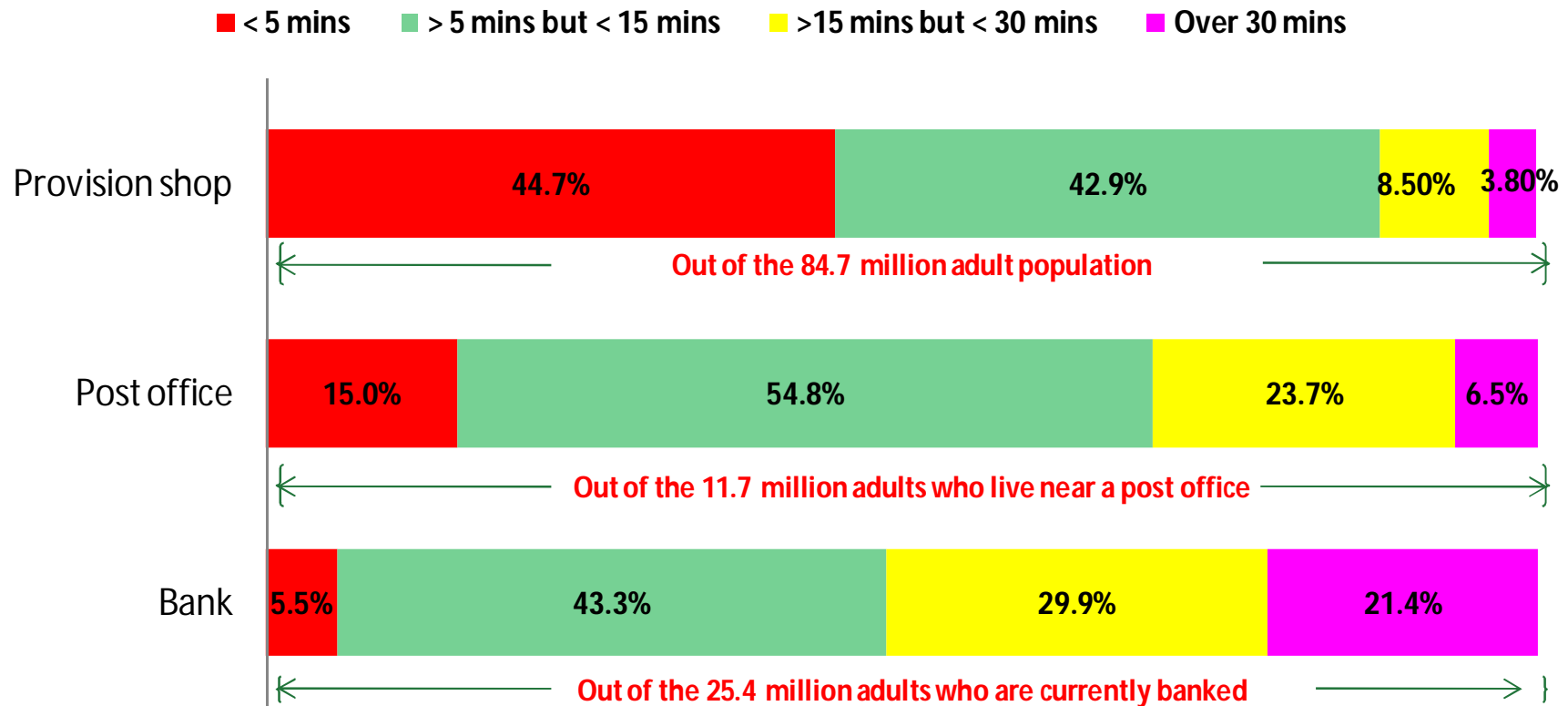
- The main barriers to having a bank account are irregular income, unemployment and **distance to the bank branch**
- Bank proximity is of greater concern to the rural population



Source: EFInA Access to Financial Services in Nigeria 2010 survey

Potential Access Points

- 37.9 million people (44.7% of the adult population) say it takes them less than 5 minutes to get to their nearest provision shop
- Out of the 11.7 million people (13.8% of the adult population) that live near a post office, 54.8% take between 5 and 15 minutes to get to their nearest post office
- Out of the 25.4 million (30.0% of the adult population) who are banked, 43.3% take between 5 and 15 minutes to get to the bank



Source: EFInA Access to Financial Services in Nigeria 2010 survey



Evaluation of Agent Banking Models in Brazil, Columbia, India, Kenya and Peru

Introduction to the Study

- EFInA commissioned Oxford Policy Management (OPM) to undertake a desk research study of Agent Banking Models in five countries (Colombia, Brazil, Peru, Kenya and India) in order to:
 - Make recommendations on key elements that should be adopted in the regulatory framework for agent banking in Nigeria
 - Assess the most effective way to develop an agent banking network in Nigeria

Agent Typology & Responsibilities

COUNTRY	NUMBER OF AGENTS PER 100,000	TYPES OF AGENTS		WHO CAN BE AN AGENT?	EXCLUSIVITY ALLOWED?		ROLES & RESPONSIBILITIES
		BANK-BASED	NON BANK-BASED		BANK-BASED	NON BANK-BASED	
Columbia	29	●		Any legal entity or individual <ul style="list-style-type: none"> Individuals must conduct business in a fixed establishment 	Not mentioned but exists in practice		<ul style="list-style-type: none"> Bank fully liable Agent conducts CDD
Brazil	84	●		No definition of agent provided <ul style="list-style-type: none"> Usually companies, associations, post offices 	Not mentioned but exists in practice		<ul style="list-style-type: none"> Bank fully liable No mention of financial education
Peru	50	●		Any legal entity or individual	Not mentioned		<ul style="list-style-type: none"> Bank fully liable No mention of financial education
Kenya	112.5	●	●	Any entity contracted by the principal institution to provide services on its behalf <ul style="list-style-type: none"> Individuals not expressly allowed, but usually approved as informal sole proprietorships 	Prohibited	Not mentioned	<ul style="list-style-type: none"> Bank fully liable No mention of financial education
India	5	●	●	No definition of agent provided <ul style="list-style-type: none"> NGOs/MFIs, post offices, retired bank employees, retired teachers, owners of petrol pumps, societies 		Not mentioned	<ul style="list-style-type: none"> Bank fully liable Agent responsible for financial education

Agent Approval & Frequency of Approval

COUNTRY	WHO APPROVES AGENTS?	FREQUENCY OF REGULATORY APPROVAL
Columbia	Regulator: Financial Superintendence of Colombia	<ul style="list-style-type: none"> Unclear
Brazil	No approval required	<ul style="list-style-type: none"> All agents must register on the Central Bank's online system
Peru	Regulator: Superintendencia de Banca, Seguros y AFP*	<ul style="list-style-type: none"> Only initial approval required
Kenya	Central Bank of Kenya	<ul style="list-style-type: none"> The principal institution must get initial approval to implement Agent Banking Approval required for every agent
India	No approval required	<ul style="list-style-type: none"> Approval not required

* Superintendent of Banks, Insurance Companies and Private Pension Fund Administrators

Permissible Agent Activities

Country	Cash-in	Cash-out	Processing bill payments	Sending/ disbursing domestic money transfers	Sending/ disbursing foreign money transfers	Conducting CDD prior to opening bank account	Processing account applications	Opening bank accounts	Disbursing credit	Accepting loan repayments
Colombia	•	•	•	•	•	•	•		•	•
Brazil	•	•	•	•	•	•	•		•	•
Peru	•	•	•	•	•					•
Kenya	•	•	•	•	Unclear		•		•	•
India	•	Unclear	•	•	Unclear	•	•	•	•	•

Key Drivers & Inhibiting Factors

COUNTRY	KEY DRIVERS	INHIBITING FACTORS
Columbia	<ul style="list-style-type: none"> Public institution which lobbies for regulatory changes & subsidises agents Flexible regulations 	<ul style="list-style-type: none"> High cost of liquidity management & mitigation of fraud Lack of bank support in marketing Systems connecting banks & agents often fail
Brazil	<ul style="list-style-type: none"> Regulator has over a decade's experience in agent banking & regularly updates regulations Agents are a channel for processing CCT payments, which ensures high volume of transactions Reduces congestion in bank halls (thereby avoiding overcrowding charge levied by the regulators) Increase geographic coverage at a lower cost Affordable and convenient service for customers, given wide product offering 	<ul style="list-style-type: none"> Lack of regulatory framework for non-banks hampers development of non bank-based agent banking Tensions about remuneration of agents threaten low-cost benefit of model High cost of liquidity management especially in remote areas
Peru	<ul style="list-style-type: none"> Cheapest means of accessing financial services 	<ul style="list-style-type: none"> Restrictive regulations Non-interoperability of retail payment systems
Kenya	<ul style="list-style-type: none"> Non-restrictive regulatory framework for non bank-based model Open & flexible approach of regulator Key bank (Equity bank) keen on going down-market; provided example for others (demonstration effect) Was able to implement agent banking regulations quickly due to AFI sponsored knowledge transfer trip to Colombia and Brazil 	<ul style="list-style-type: none"> Possibility of manipulation of systems by savvy agents, especially in remote areas Infrastructural bottlenecks (e.g. lack of electrical power, wireless access) make service delivery in remote areas extraneous Cultural peculiarities makes them reluctant to use agents due to distrust among ethnic groups
India	<ul style="list-style-type: none"> Stakeholder and government interest/ commitment to increasing access to finance Large, sophisticated banking sector Dynamic competitive mobile phone industry 	<ul style="list-style-type: none"> Restrictive regulations especially for non bank-based agent banking Banks bear high set-up/training costs, making use of agents unattractive