



Advancing financial access for the world's poor

Understanding the business case for banks in branchless banking

Key findings*

1. Transaction costs at agents are 50% the cost of branches and ATMS and most agents are cost effective at low transaction volumes
2. Three major reasons for banks to pursue agent banking: (1) as an additional efficient channel; (2) for growth into new geographies and/or segments; and (3) for a payments-led banking business
3. As an additional channel, evidence shows agents can have bottom-line impact to banks by providing additional value and convenience to existing customers
4. As a growth channel, banks can expect favorable unit economics to enter new geographies and reach unbanked customers
5. Agents can facilitate the rapid deployment of a low-margin payments-led banking business

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Summary

- ❑ Agents are a lower cost channel than branches, but not necessarily a lower cost channel than ATMs:
 - Transactional cost through branches varies within the \$0.90 to \$1.20 USD range
 - Transactional cost through ATMs can be as low as \$0.14 USD per transaction, depending primarily on the transactional volume
 - Transactional cost through agents ranges from \$0.40 to \$0.60 USD per transaction

- ❑ Transactional cost will materialize as long as transactions are migrated primarily from branches, which will depend on available transactions through agents and ATM functionality

- ❑ Net transactional savings through migrating to lower cost channels has been elusive:
 - As more channels are provided to the customer base, customers tend to transact more, usually breaking larger transactions into smaller ones, or else just plainly doing more transactions
 - Average cost per transaction might be effectively reduced, but the absolute transactional cost tends to increase as more, although cheaper, transactions are done

- ❑ Transactional cost reduction is a medium to long term process, as service networks are adjusted and reconfigured to serve transactions through a different channel mix (i.e., have fewer and or smaller branches and more agents)

Key direct costs across channels

	Agents	Branches	ATMs
Set-up costs and investments	<ul style="list-style-type: none"> • Equipment (POS terminal) • Training 	<ul style="list-style-type: none"> • Leasehold improvements • Equipment • Furniture • Adjustment for costs and investments for commercial tasks 	<ul style="list-style-type: none"> • Average ATM acquisition cost – to be depreciated based on average useful life • Other equipment and installation costs
Running costs – personnel	<ul style="list-style-type: none"> • Salaries and benefits of personnel managing the agent network or providing operating services plus associated expenses 	<ul style="list-style-type: none"> • Salaries and benefits of cashiers / tellers, ledger keepers, and other operating personnel (exclude commercial executives) plus associated expenses 	<ul style="list-style-type: none"> • Salaries and benefits of personnel managing the ATM network or providing operating services plus associated expenses
Running costs – Occupancy	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Average property lease costs • Adjustment for costs and investments for commercial tasks 	<ul style="list-style-type: none"> • Average property lease cost – stand alone or proportional to space occupied in branch leasehold
Running costs – other	<ul style="list-style-type: none"> • Telecom 	<ul style="list-style-type: none"> • Telecom • Security • Maintenance • Armored transportation 	<ul style="list-style-type: none"> • Telecom • Security • Maintenance • Armored transportation
Fees paid	<ul style="list-style-type: none"> • Either fixed or variable fees paid to agents (not including commercial activities) 	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Fees paid to switch transactions (not to be considered as these generate a charge to the customer)
Cash holding cost	<ul style="list-style-type: none"> • Cost of money borrowed to agent network • Not applicable if agents operate with prefunded accounts 	<ul style="list-style-type: none"> • Cost of cash in inventory at branches 	<ul style="list-style-type: none"> • Cost of cash in inventory at ATMs

NOT EXHAUSTIVE

Personnel and occupancy make up 50%+ of direct cost base of a typical branch

Key assumptions¹

Occupancy and operation

- Typical branch size: 275 m²
- Rent per m² per month: 17 USD
- Utilities per m² per month: 4 USD
- Maintenance / m² / month: 2 USD
- Operation (i.e., courier, telecom) per month: 2,150 USD
- Cash handling / month: 1,500 USD
- Security guards / month: 600 USD
- Branch area assigned for transactions: 52%
- Cash inventory cost / year: 4.9%
- Av. cash in inventory: 46,154 USD

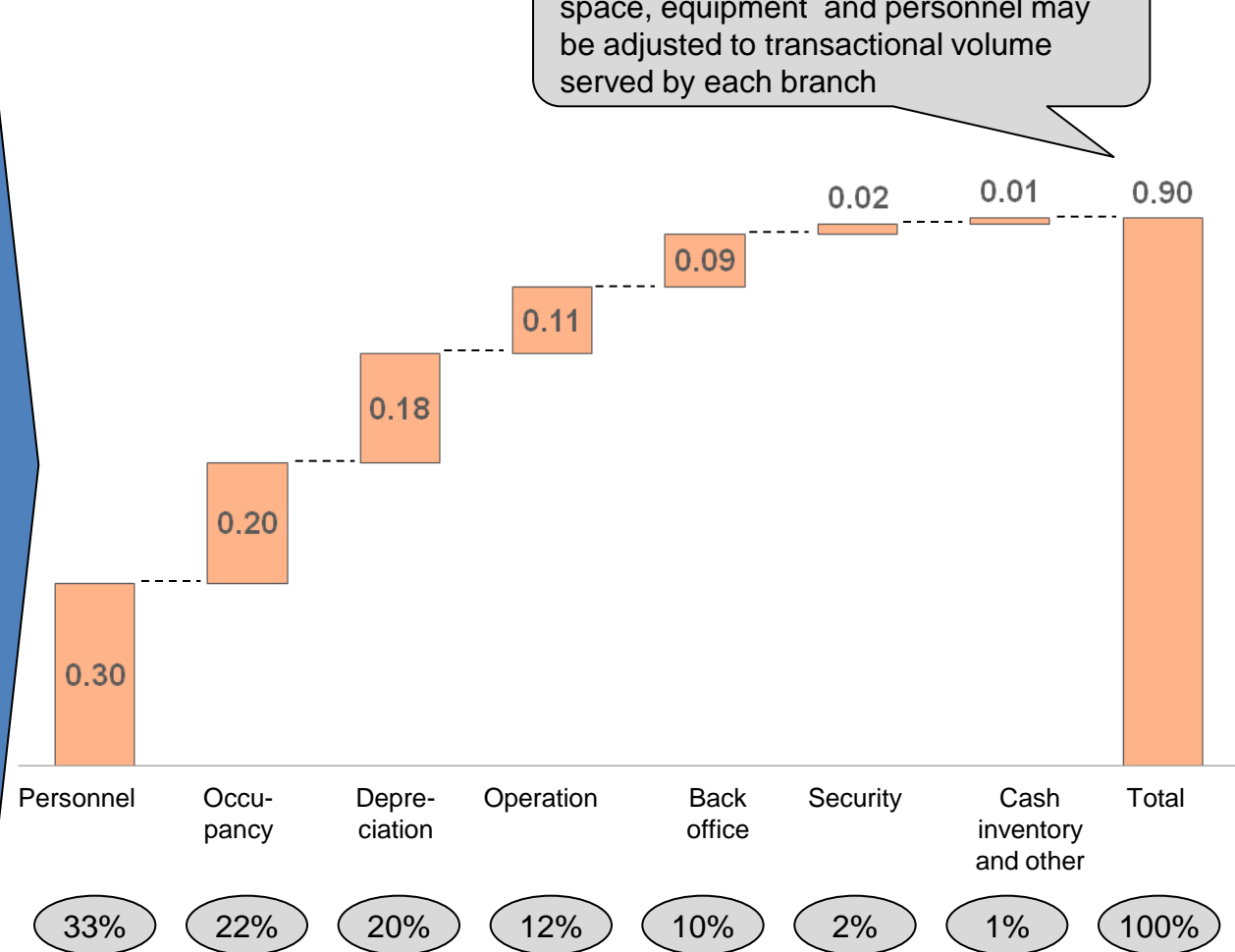
Personnel and transactions

- Number of tellers: 4
- Cost / teller / month: 1,260 USD
- Support personnel: 1
- Cost / staff / month: 1,454 USD
- Transactions / teller / day: 190
- Work days / month: 22

Set-up costs and investments

- Leasehold improvement / m²: 2,364 USD
- Depreciation: 10 years
- Equipment per teller: 1,200 USD
- Depreciation: 5 years
- Other costs: 1,000 USD
- Amortization: 5 years

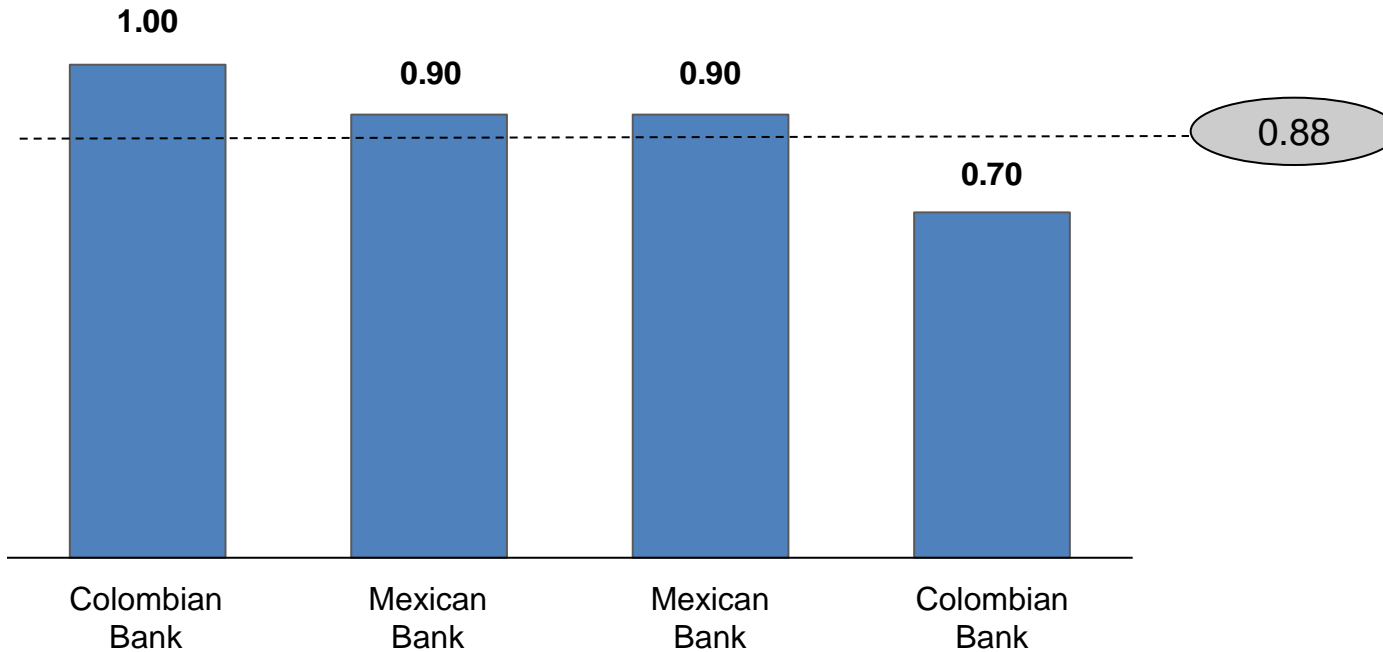
Cost per transaction USD



Transactional costs at typical branches vary from 0.70 to 1 USD

Transactional cost for branches in representative emerging markets
USD per transaction

Avg cost per trx
USD

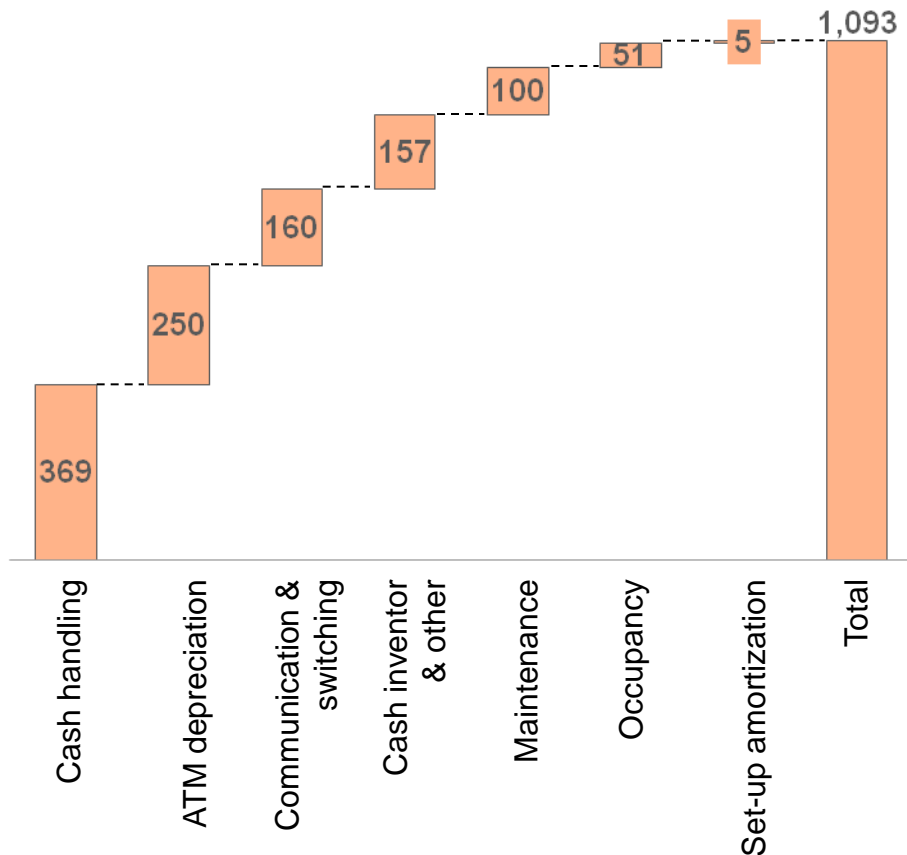


- Variability depends on transactional volume, quality of real estate leased, quality of leasehold improvements, teller productivity, among other factors

ATMs: cost per transaction vary significantly based on transactional volume

Typical fixed cost breakdown for a remote ATM¹

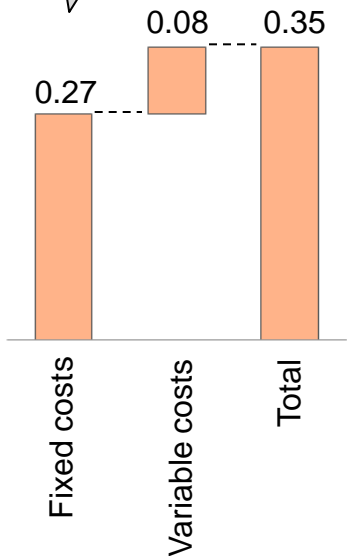
USD per ATM per month



Cost per tx at ATM

USD

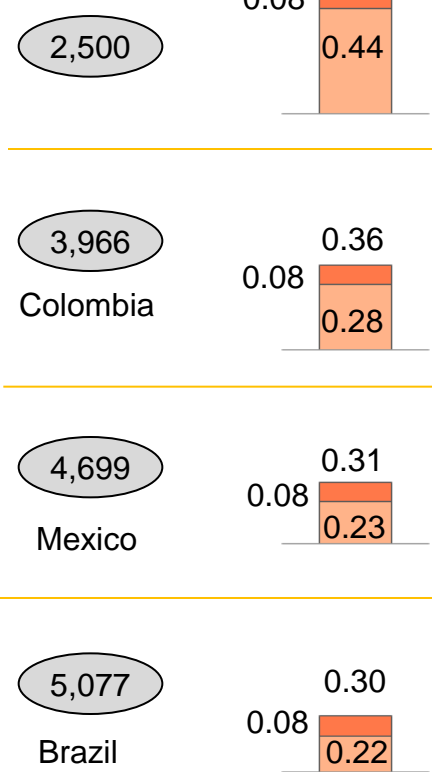
Considers 4,000 txs per month



Txs / month / ATM Transactions

Cost per tx at ATM¹ USD per tx

Fixed cost
Variable cost



1. All transactional cost analyses for ATMs are done for remote ATMs, which have the more expensive cost structure and thus define the best case reference for savings estimations

2. Estimation based on a standardize cost structure, varying transactional volume known for different countries; transactional volume excludes inquiries as these are often done simultaneously with cash withdrawals

Source: interview with banks and banking regulator; Akya analysis

Agents: typical transaction cost structure

Representative cost structure for an agent transaction¹
 USD per transaction



- The transactional cost structure for an agent network varies based on the characteristics of each network:
 - Agents may have sophisticated point of sale terminals, thus reducing the need for large set-up costs, investments in additional technology or equipment
 - Established agent networks may have more negotiating power than smaller networks or stand alone agents, thus demanding and extracting higher transactional fees
 - Agent networks that leverage mobile telephones to make transactions that do not require cash-in or cash-out, may considerably reduce the transactional cost (mobile transactions may cost between 15% to 35% of an agent transaction)

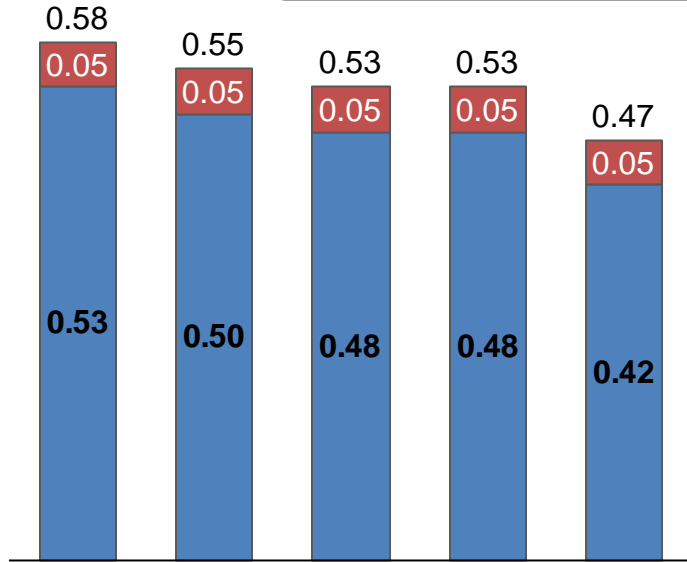
Agents: transaction costs range from \$0.27 to \$0.58 across three Latin American markets

Cost per transaction at different agent networks
USD

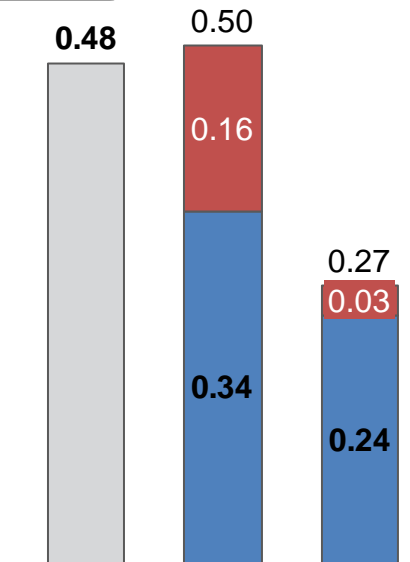
Avg cost per trx
USD

- Other refers to expenses incurred other than the commission paid to the agents
- Such expenses include transaction processing costs and direct back-office expenses, among other

Other
Comission
Total cost



Sample of Mexican Agent Networks
(both bank-managed and retail partnerships)



Representative Colombian Agent Networks
(both bank-managed and retail partnerships)

Mexico
0.53

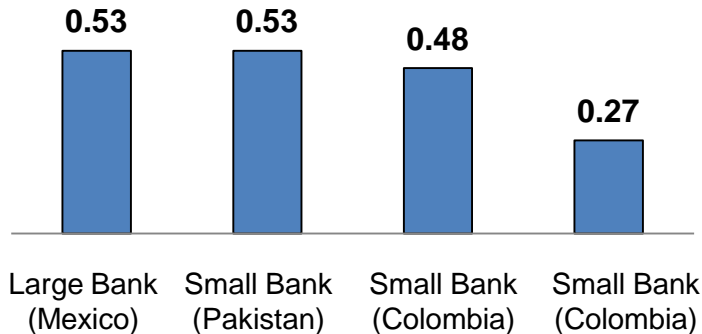
Colombia
0.42

A major bank in Brazil reports to have an integrated transactional cost through agents of about USD 0.40

Transactions via mobile can drastically reduce costs

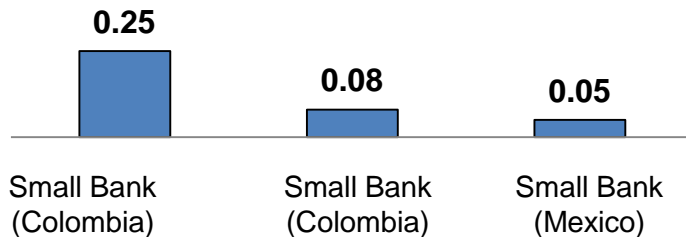
Transactional cost at representative agents

USD per transaction



Transactional cost through mobile phone

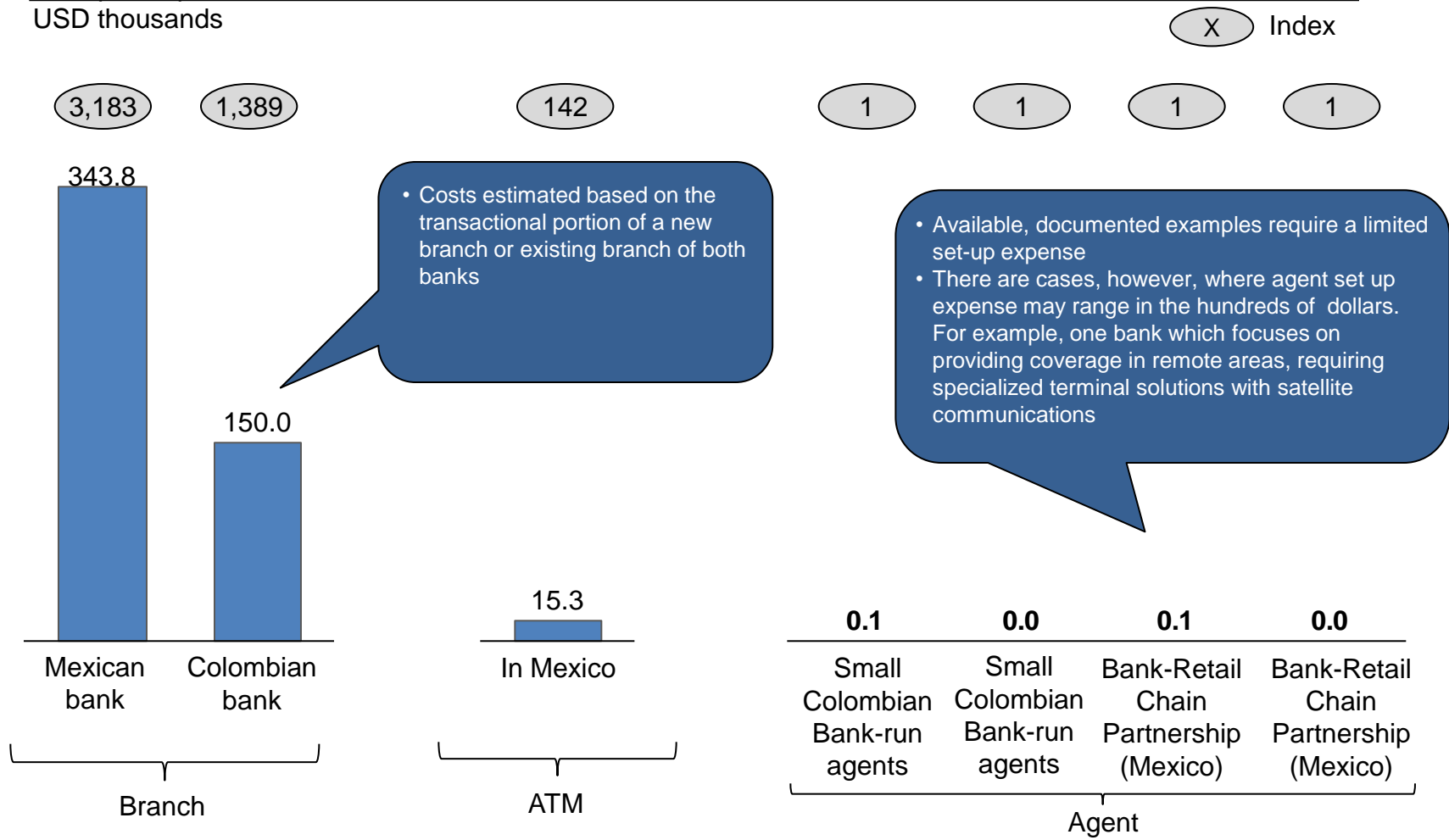
USD per transaction



- Cost per transaction can go from the range of USD 0.27 - USD 0.50 at agents to the range of USD 0.05 – USD 0.25 through mobile phone, a reduction of about 80%
- The actual impact of mobile phone transactions in a payments platform, would be determined by the mix achieved of agents transactions and mobile phone transactions

Set-up costs for agents lower than branches and ATMS....

Set-up cost per service unit
USD thousands

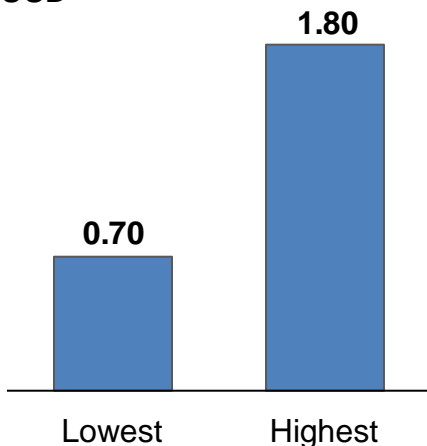


1. Primarily cell phone purchase cost
2. Marginal expense to set up is close to nil; interfacing and interoperability costs, while significant, do not vary with the number of units in operation

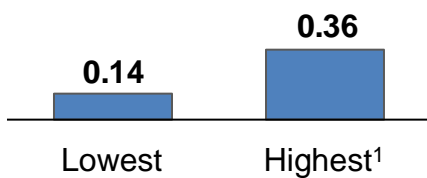
...but ATMs have better transaction costs

Branches

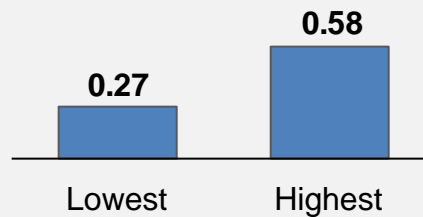
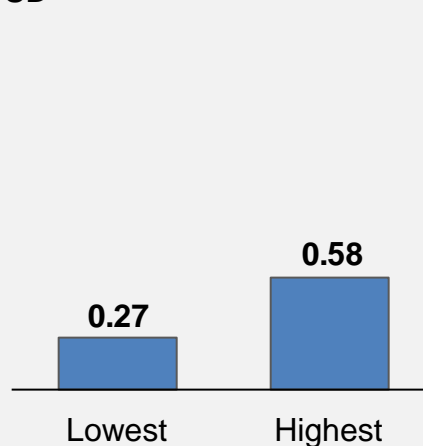
Cost per transaction
USD



ATMs (remote)

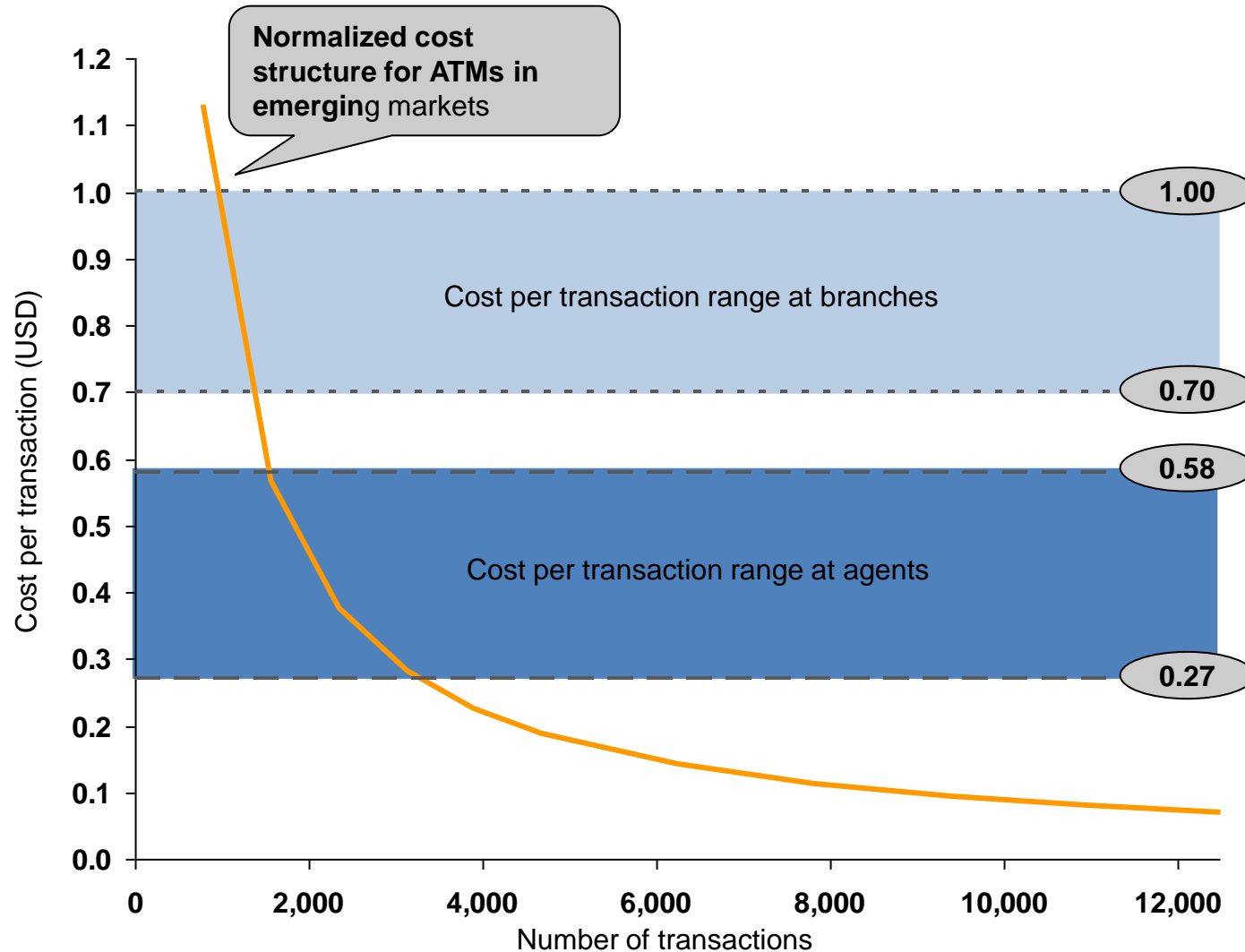


Cost per transaction at agents
USD



- Agents can have a cost advantage vs. branches exceeding 40% to 60%
- ATMs are in general, more competitive than agents in terms of costs

However, agents are cheapest channel at lower transactional volumes

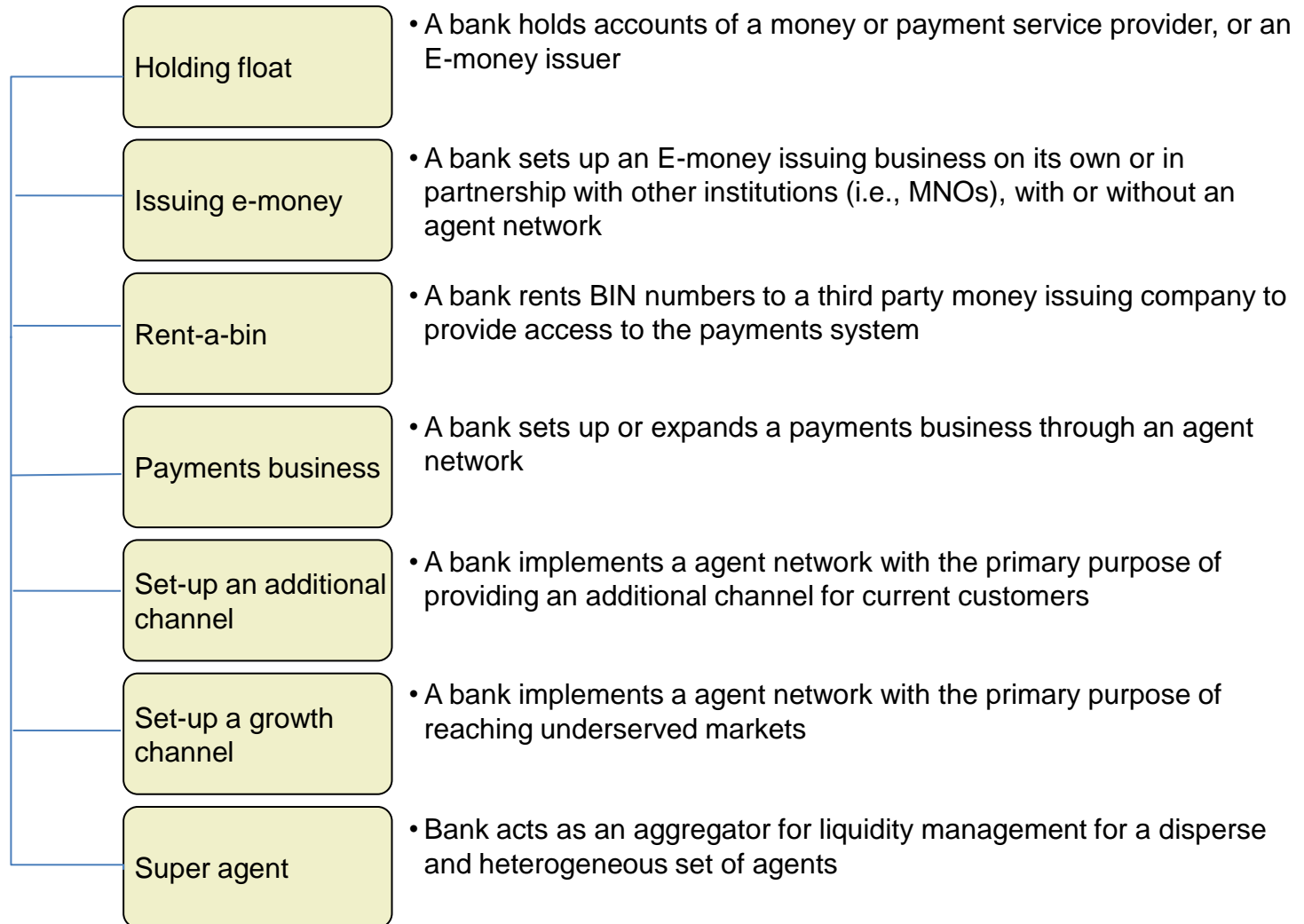


Key findings

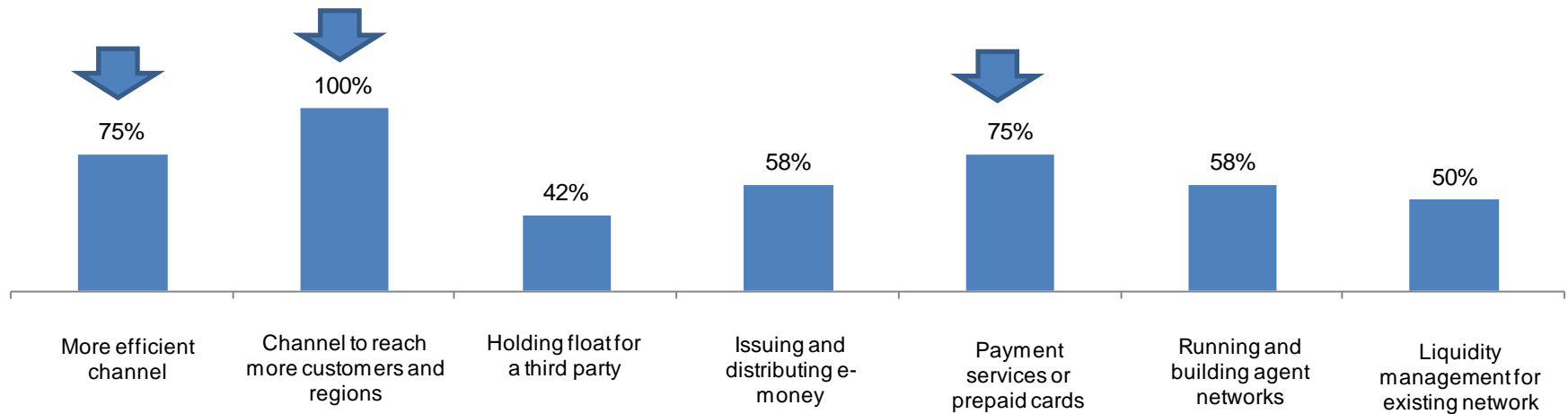
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Globally banks play different roles in branchless banking

Roles played by banks in branchless banking



Banks prioritize three reasons for pursuing branchless banking



- Top three reasons banks provide for getting involved in branchless banking:
 1. Channel to reach more customers and regions (growth)
 2. More efficient channel (additional efficient channel)
 3. Payment services or prepaid cards (payment-led business)

Other discrete roles banks might play have limited business case implications

Roles	Discussion
Hold float	<ul style="list-style-type: none">• This role is seen usually when an entity other than a bank is leading the branchless banking initiative and is required by regulation to hold funds, especially customer funds, at a bank• The motivation for banks to participate in third-party payment business is not driven by the possibility of acquiring lower cost funds, but by the potential of cross selling their products to payment services account holders• The profitability structure for agent networks and / or payment platforms is dominated by transactional fee income with float, and any derived profitability, playing a very minor role, if any
Agent aggregator	<ul style="list-style-type: none">• Within this study, no financial institutions were identified as agent aggregators for agent networks external to the institution• Agent management roles are done primarily by non-bank third parties or by the owner or key participant of a given agent banking or agent-based initiative• It is considered unlikely that a bank would assume an administrative / operational role such as this for a third party
Liquidity management	<ul style="list-style-type: none">• Liquidity management is an essential role for any agent network / payment platforms, however, in the cases studied, banks are in charge of managing liquidity for their own agent networks / payment platforms• Liquidity management can be carried out by third party banks in MNO-led agent networks or in networks where the bank lacks branch geographical coverage, however the profitability derived from this is not seen as significant

- Playing a discrete / isolated role within a branchless banking initiative does not hold, in itself, a significant profitability potential for banks or financial institutions in general
- Banks playing isolated roles are either doing it with much larger ambitions than the role entails or because doing it is part of their normal business, does not require any special effort or resources, and provides marginal income

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Summary

- ❑ Agents can be used to effectively decongest traditional physical channels (i.e., branches and ATMs)
 - In Brazil, agents have had a significant contribution in mitigating transactional growth in branches
 - In the case of Colombia, transactional growth has been absorbed by agent networks during the last two years, when such networks have had significant expansion

- ❑ Potential decongestion of traditional channels is limited by the transactional mix:
 - Complex transactions will unlikely be performed at agents due to technical and training requirements, as well as the time required to perform them
 - Higher value cash in / out transactions are more difficult to migrate to agents, as these have either low liquidity or strict limits to the amount of cash that can be held at the till
 - Technical requirements might also limit migration to agents (some transactions such as cash withdrawals require PIN authentication and thus require PIN pads to be performed)
 - Regulatory requirements may also limit potential migration (e.g., in the case of the Mexican Market customer authentication required by US Laws is one of the factors inhibiting the migration to agents of international remittances¹)

- ❑ Based on a representative case in the Mexican market, it is estimated that as much as 20% of the transaction coming into branches could be migrated to agents

- ❑ Decongestion itself can be a business goal but banks could combine indirect benefits from decongestion to build a more complete business case to serve customers that might provide lower transactional or other income

Summary (continued)

- ❑ Enhanced customer convenience through agents depends on three key factors:
 - Enhanced physical proximity through the additional geographical coverage provided by agent networks
 - The possibility of transacting beyond normal banking hours
 - Transactional demand coverage, which refers to the extent to which transactions demanded by customers are offered through agents

- ❑ Agents can provide significant improvements in geographical coverage:
 - In one LatAm case – the bank’s municipal coverage doubles while postal code coverage almost triples with the partnership with an agent network.

- ❑ Extended business hours seem to be an attractive factor for banking customers
 - In the case of a large Mexican bank, only 40% of total transactions through agents are performed within normal banking days and hours

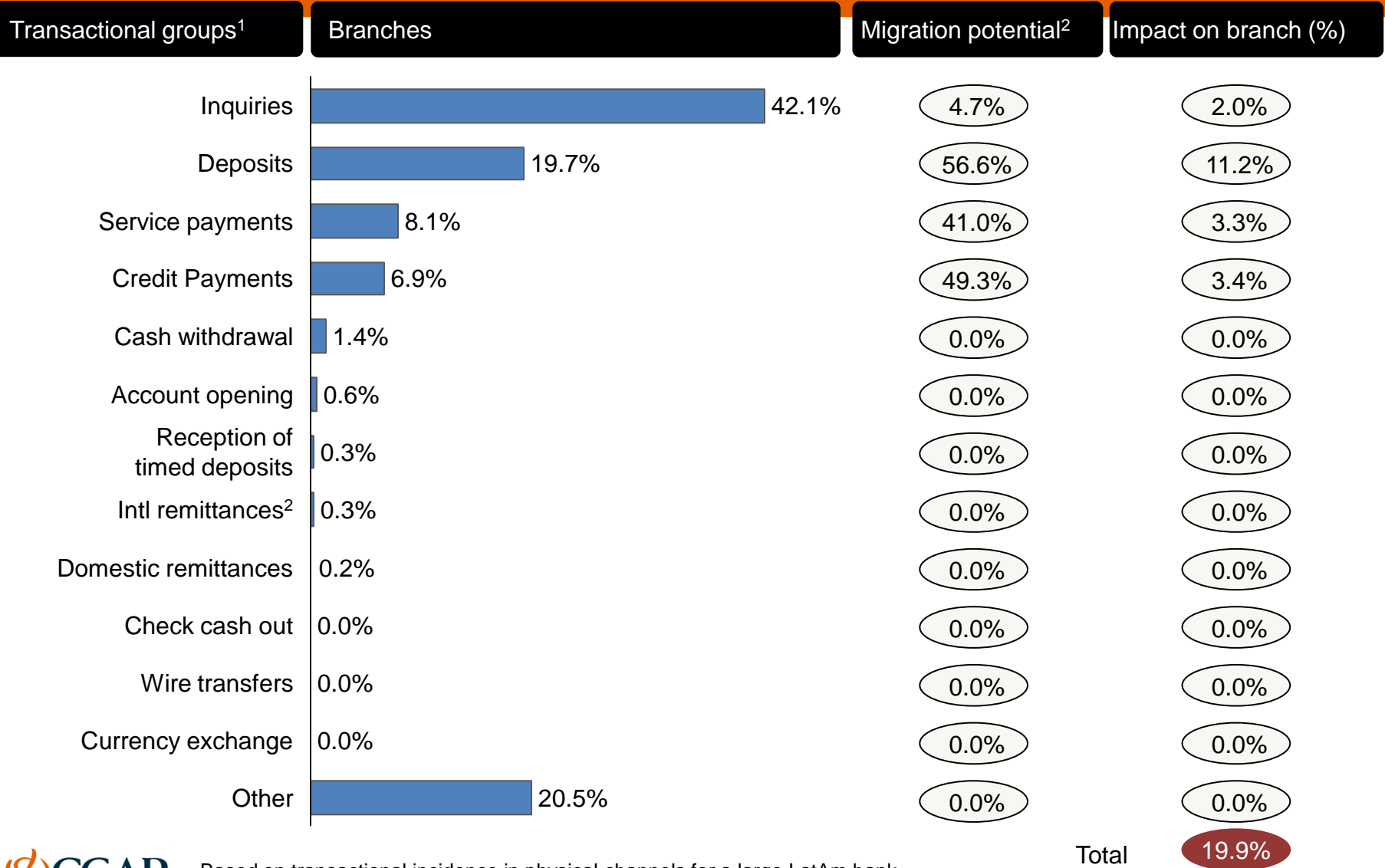
- ❑ Usual transactional offerings through agents cover the majority of transactional demand, therefore maximizing this convenience factor

The potential to migrate transactions to agents depends on a variety of factors

Migration potential depends on...	Description
Regulation	<ul style="list-style-type: none">• Regulation on each country may determine which transactions are allowed or not to be carried out through agents
Infrastructure / technology requirements	<ul style="list-style-type: none">• Depending on access type, authentication procedures and security measures stated in the regulation, different transactions may require different infrastructure to be performed (i.e., double encryption, online access to core banking system, check or card reader, etc.), limiting the capacity of some channels to perform all types of transactions
Transaction complexity	<ul style="list-style-type: none">• Transaction complexity defined in terms of activities and process requirements, validation or identification requirements, and time consumption, may limit the channels where a specific transaction can be performed effectively and/or efficiently, due to specific know-how requirements, authorization levels needed, or time dedication constraints
Transaction value	<ul style="list-style-type: none">• Transaction value may dictate liquidity requirements at the service point, which in turn makes some channels more viable than others to perform transactions of certain values• Transaction value may also be limited based on operational risk considerations
Logistic requirements	<ul style="list-style-type: none">• Specific procedures and/or logistics required to support each transaction type may dictate which channels are operationally and economically adequate to perform each transaction (e. g., document collection and concentration, compensation, etc.)
Perceived risk	<ul style="list-style-type: none">• May be considered from the channel's perspective or from the bank's perspective• Transactions have different degrees of operational and liability risks, making some channels more appropriated or more willing to take on those risks (some channels are able to diversify or control some of the risks better than others)

NOT EXHAUSTIVE

Example: 20 % of transactions for a major Mexican bank can be migrated to its agents



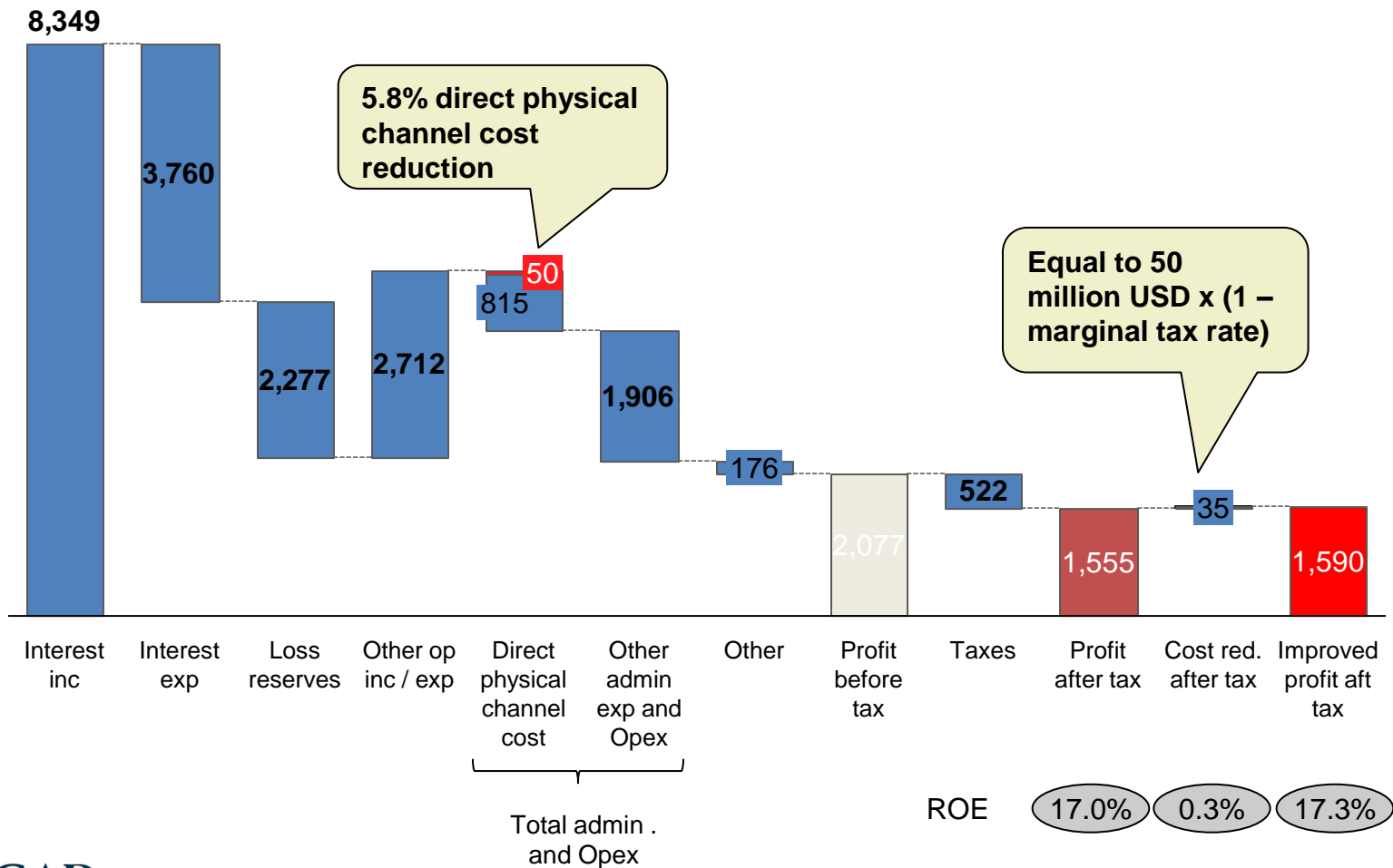
Based on transactional incidence in physical channels for a large LatAm bank

- 1. Does not include total international remittance payments
- 2. Estimated based on the current transactional mix at branches

Example: estimated impact on ROE of migrating just 20% of transactions to agents

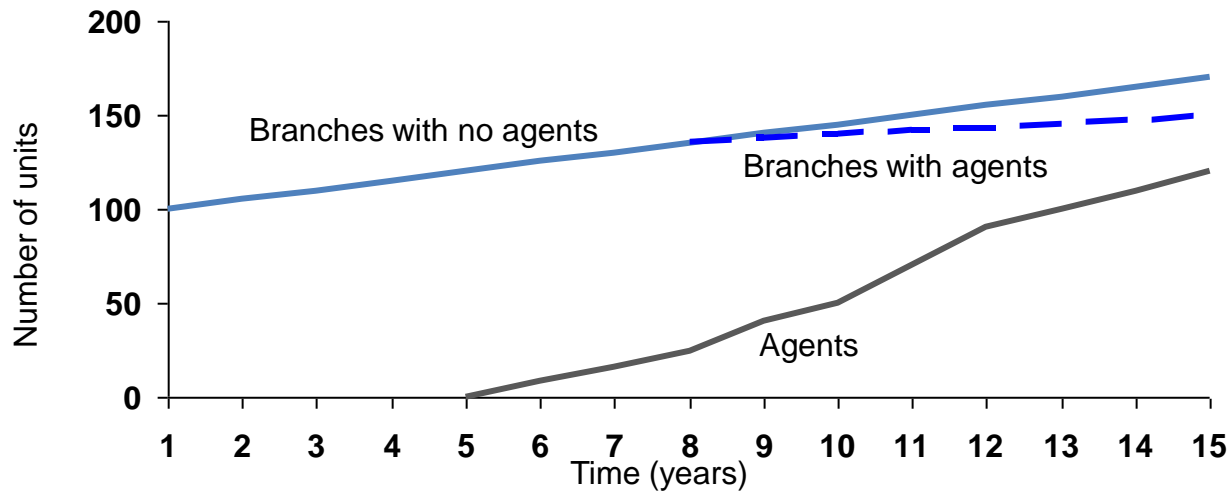
Impact of operating costs reduction on ROE

Millions of USD per year

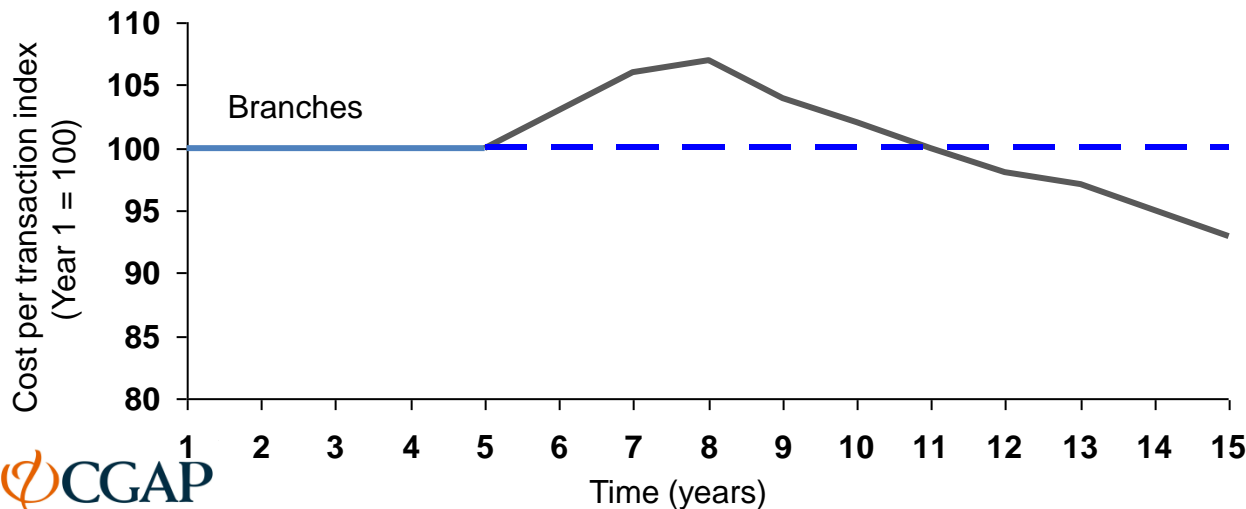


Despite favorable unit costs, benefits across the entire network are accrued over time

Number of branches and agents over time



Cost per transaction over time



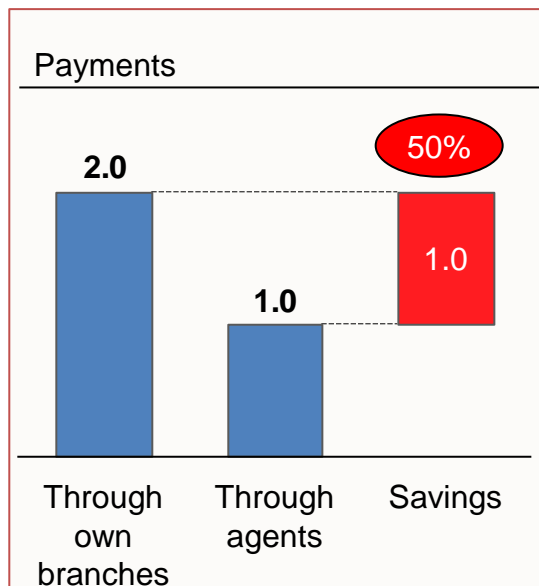
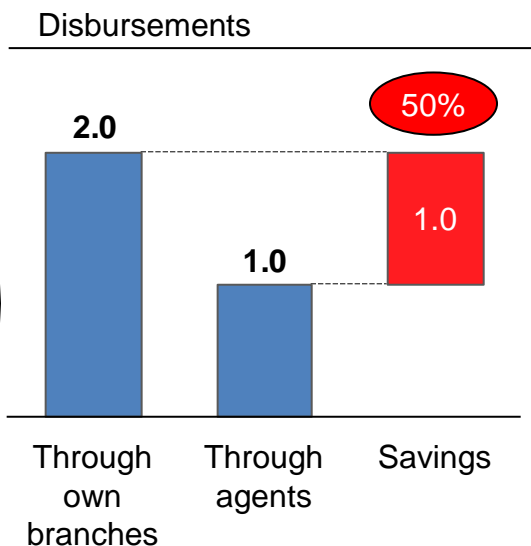
- Considers stable growth of customers / accounts over time, which in turn increases the required number of branches to serve those new customers / accounts
- Assumes that the number of transactions per customer / account remains constant over time
- Cost savings are realized only after several years of deploying a significant agent network that serves enough transactions (at a lower cost than branches) to help the bank reduce its branch network requirements (which are more expensive than other channels)

Example: MF providers could save 40-50% of their disbursement and collection costs

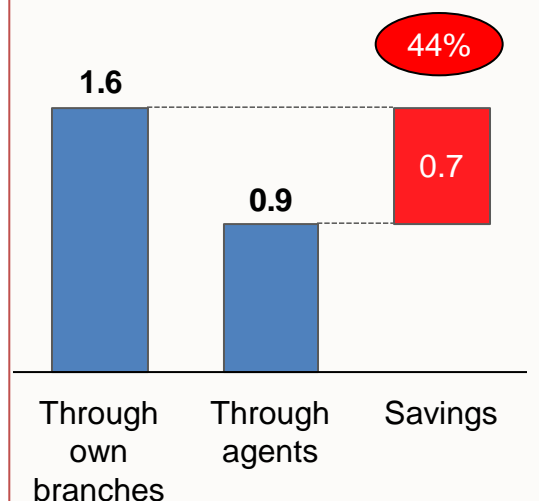
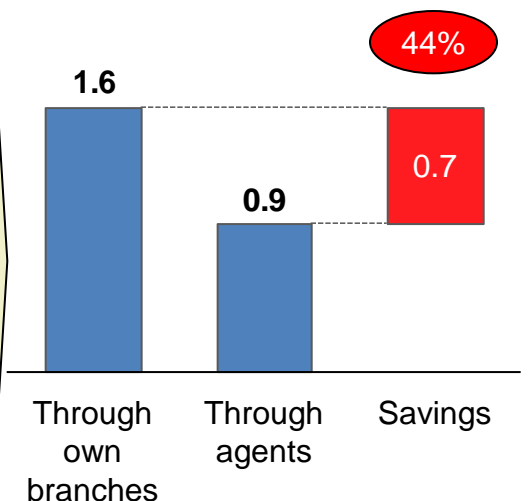
Transactional cost for MFIs

USD per transaction

Microfinance provider in Colombia



Microfinance provider in Mexico



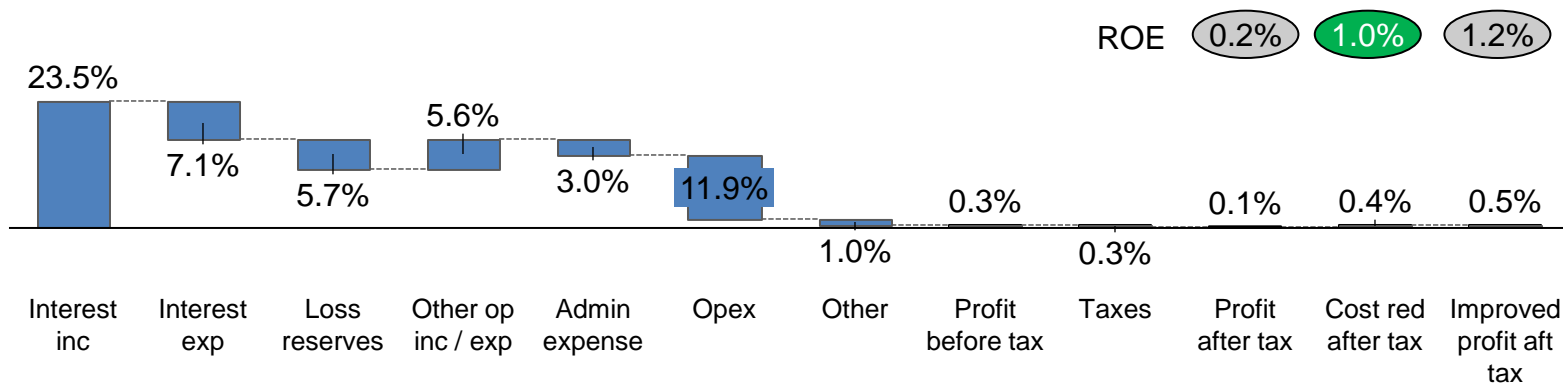
- MFIs could potentially save between 40% and 50% of their disbursements and payments collection costs if they leverage agents to perform for those activities
- Migration of disbursements to agents will depend on the ability of MFIs to break up disbursement into smaller pieces, that can actually be managed by typical agents, from liquidity an risk management stand points

Example: estimated impact on ROE of handling disbursements and collections through agents

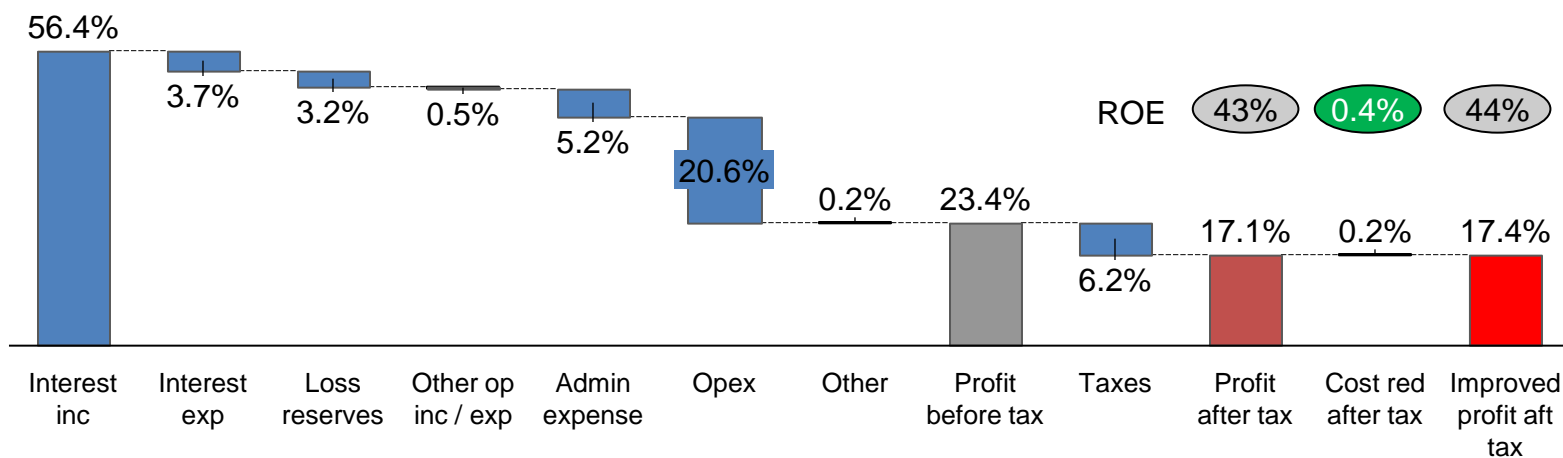
Impact of savings on ROE

Percentage

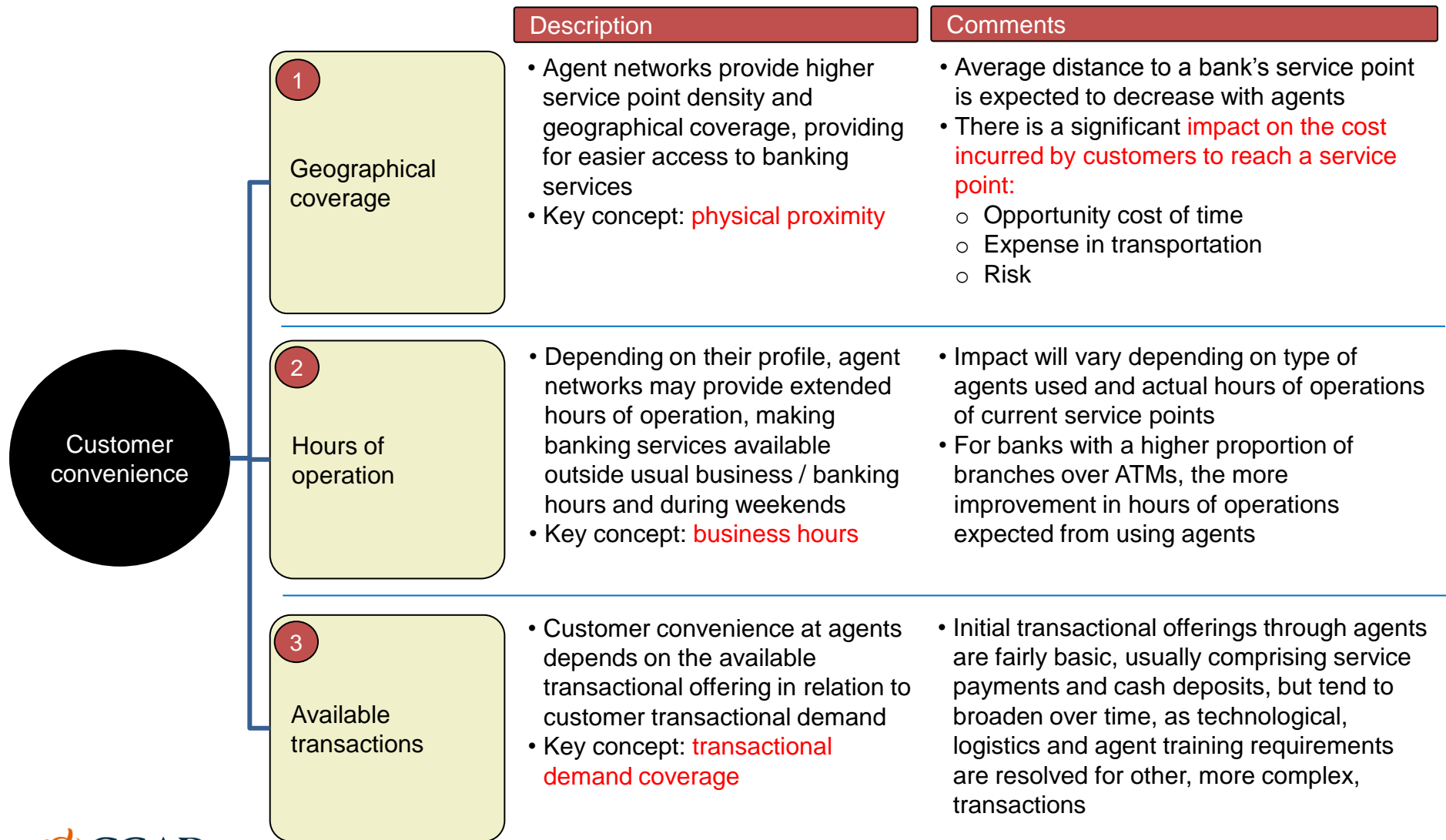
Microfinance provider in Colombia



Microfinance provider in Mexico



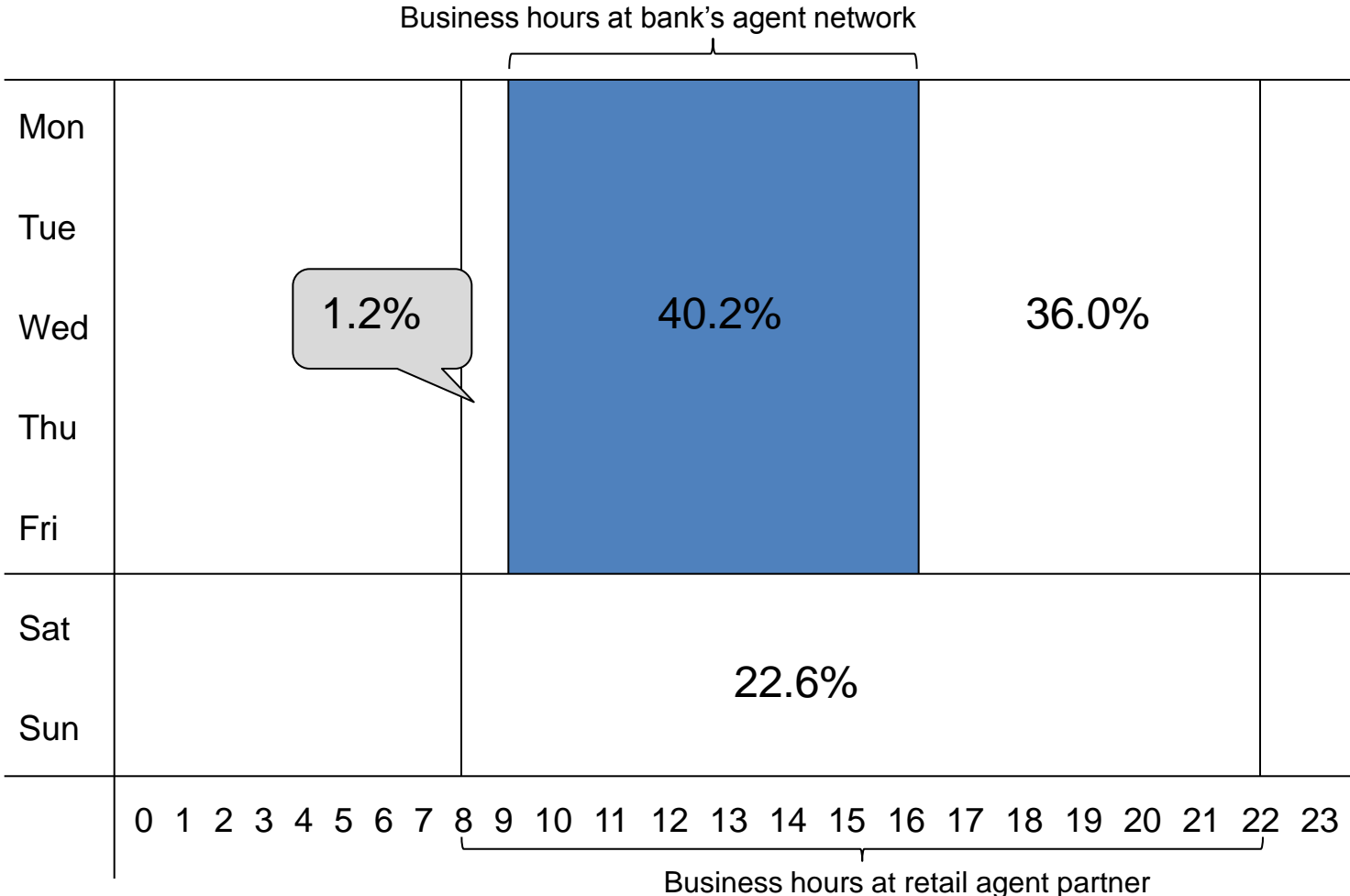
Improvements in customer convenience depend on three dimensions



Hours of operation: 60% of transactions conducted outside banking hours

Distribution of transactions at a major bank's affiliated agents by day of the week and hour¹

Percent of total transactions within a sample of agents



• The bank's case for increasing customer convenience through its agent network is clear as approximately 60% of the total transactions are executed outside the bank's business hours

1. Based on sample of 3,961 transactions carried out through individual locations of the bank's different agent affiliation agreements (see next page)

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Summary

- ❑ **Agent-led growth into new geographies will be cheaper** even when discounting for costs to identify and train agents and costs associated with managing agent churn
- ❑ **Agent unit transaction costs set the floor** for product unit economics
- ❑ Of the most basic products, banks in a number of markets are looking to offer **basic deposit and basic transactional accounts via agents to unbanked customers**
- ❑ The business case for low income deposits via agents depends on: cost of funds; scale; stability; and transactional volume
 - While agents offer favorable unit economics, **customer transactional behavior can erode the business case** -- too many deposit and withdrawal transactions leading to a small deposit base will make the cost advantage of agents work against the business
- ❑ Our analysis shows that **accounts that offer customers the option to accumulate a balance and transact for a fee** (a savings-cum-transactional account) are likely to see better overall profitability versus those that rely entirely on float

Favorable agent unit economics impact investment perspective and services offered

Investment perspective

- The IRR of a agent-based expansion is likely to be more favorable than one based on traditional branch infrastructure based on highly favorable start-up costs at the unit level (see slide 15)
- NPV analysis is also likely favorable, however the discount rate would need to take into account the time and cost involved in identifying and training agents and the costs associated with managing agent churn

Product unit economics

- Regardless of the financial product offered through the commission-based agent channel, the commission structure sets the floor on the unit economics of the product
- However, commissions to the agents are the largest cost component; so certain products with high transaction volume (e.g., deposit a/c with unlimited free transactions) could make the product unprofitable

Basic deposit and transactional a/cs

- The lower unit costs of the channel improve the cost of funds perspective for basic deposit accounts.
- Transactional accounts can be profitable, based primarily on fee income. In the cases analyzed, float income is generally very limited due to the expectation of low average balances and treasury rates of between 4% and 8%

The business case for low-income deposit depends on four factors

Key determinants of the business case for lower income deposits via agents

Cost of funds

Description

- The cost of funds for a deposit base deriving from lower income segments needs to be competitive against current sources of funds

Scale

- The funding base deriving from lower income / unbanked segments needs to be large enough to be a significant source of funds (i.e., as compared to the scale of the credit portfolio)

Transaction volume

- Funds derived from customers would need to be accumulated without too many withdrawal and deposit transactions

Stability

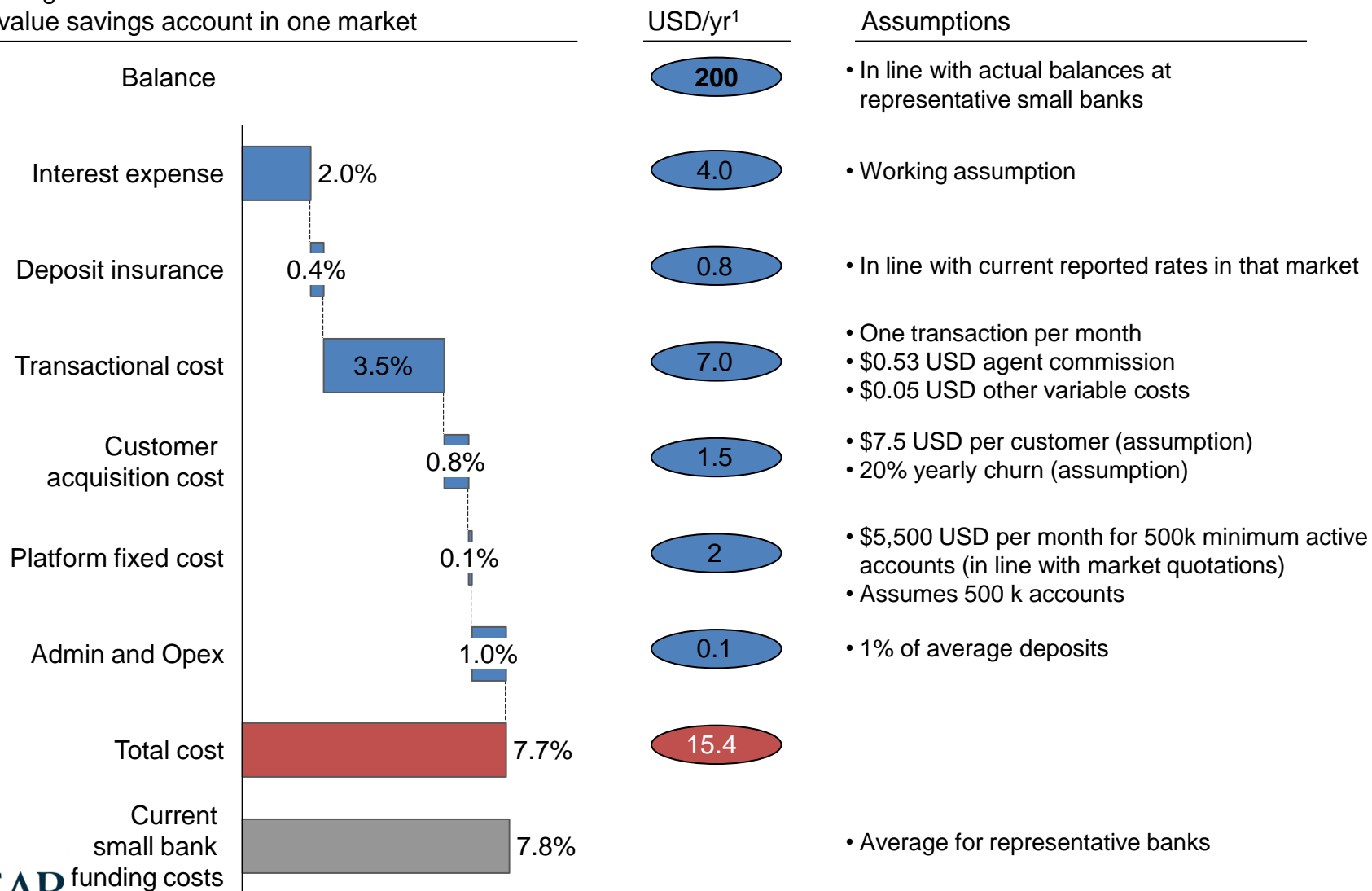
- Funds derived from lower income deposits accounts need to be stable enough so as to be effectively intermediated

Comments

- Traditional commercial banks usually have access to large and low cost sources of funds, whereas smaller banks, as well as MFIs usually have limited and comparatively expensive funding options

Low value deposits via agents improve the business case

Marginal cost of funds estimation for a lower value savings account in one market



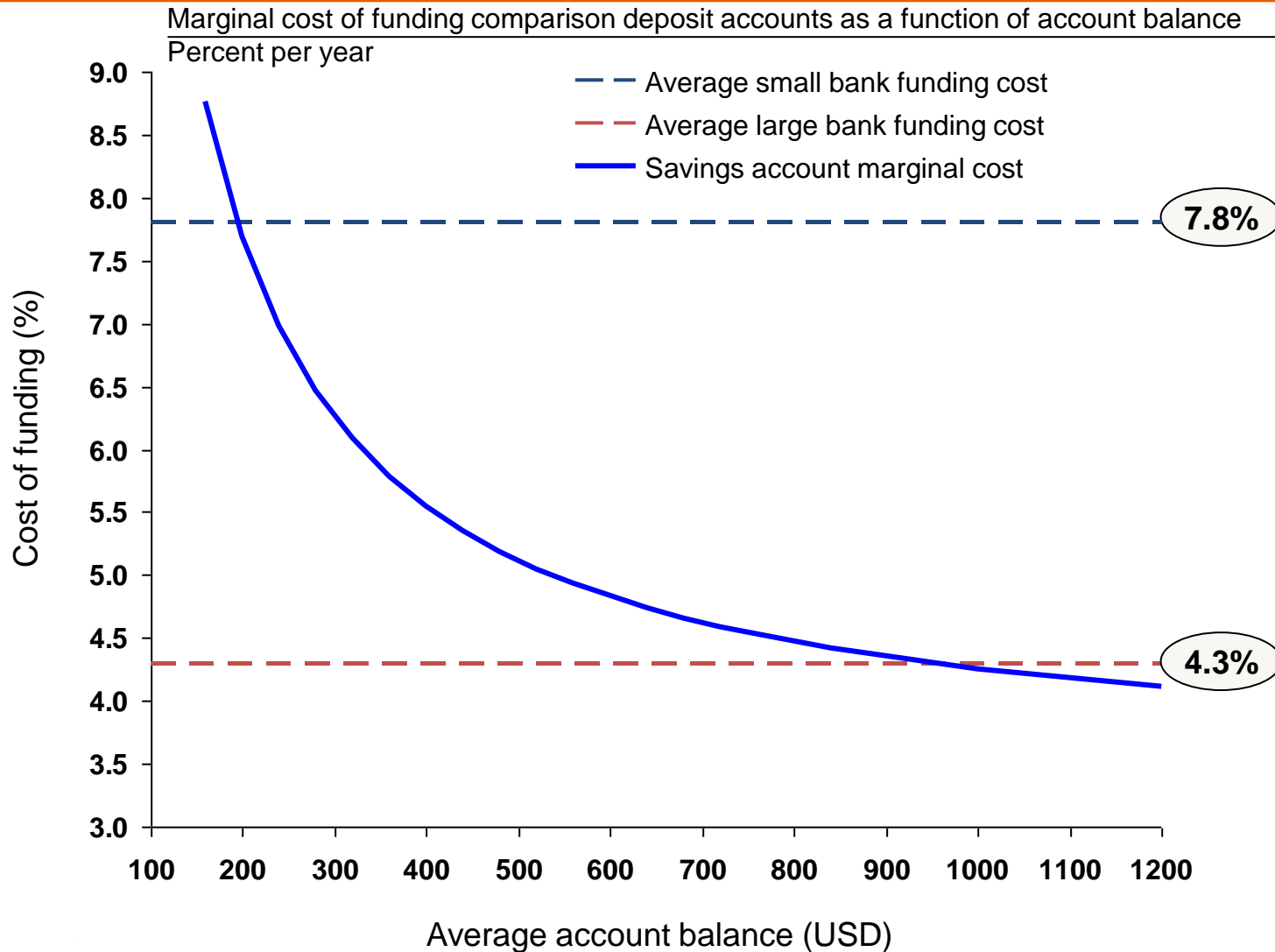
Estimated business case for a transactional account relying primarily on agents

Annual transactional scenarios for a basic transactional account

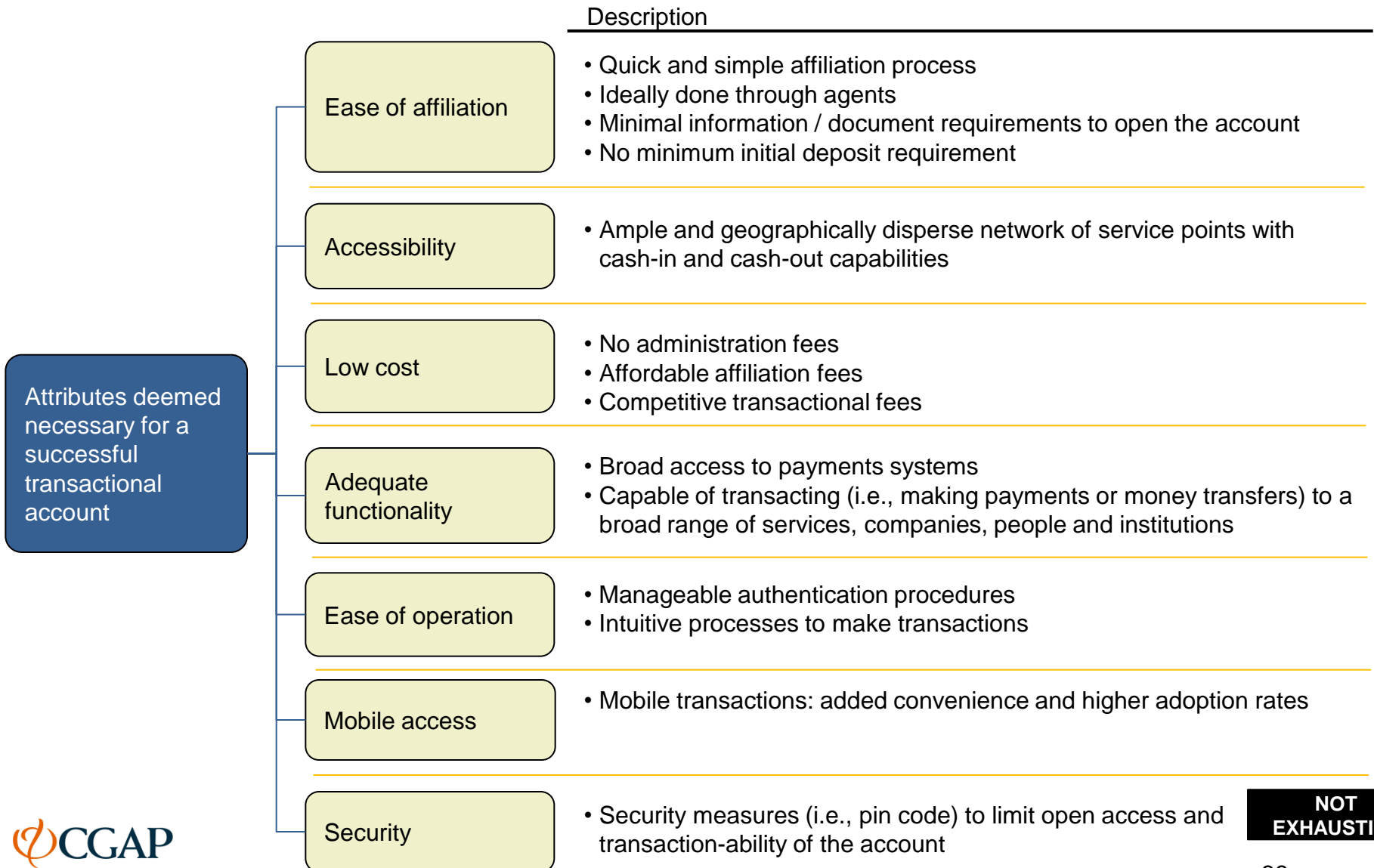
Number of accounts Millions of accounts	Number of accounts Millions of accounts	Total transactions per year Millions of trx	Profit before tax Millions USD
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Transactional accounts primarily via existing channels	7.4	974	9.2
...primarily via agents	7.4	974	36.4

Even at low average balances, funding costs are better than what most small banks see



To be successful, transactional accounts for low-income people should combine key attributes



Estimated business case for different transactional account scenarios

Variant	Assumptions	Account P & L USD per year																
Account used for reception of government payments – immediate cash-out	<ul style="list-style-type: none"> Assumes an average balance of \$0.28 per acct Other fee income associated to government subsidies No use of the payments platform Used exclusively for cash-out The model assumes 3 transactions per month free of charge 	<table border="1"> <tr> <td>Fee income</td> <td>Float income</td> <td>Other fees</td> <td>Total inc</td> <td>Trx cost</td> <td>Interest expense</td> <td>Operating expense</td> <td>Profit after tax</td> </tr> <tr> <td>0.00</td> <td>0.02</td> <td>16.67</td> <td>16.69</td> <td>10.00</td> <td>0.00</td> <td>1.20</td> <td>5.49</td> </tr> </table>	Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit after tax	0.00	0.02	16.67	16.69	10.00	0.00	1.20	5.49
Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit after tax											
0.00	0.02	16.67	16.69	10.00	0.00	1.20	5.49											
Transactional account non-saver	<ul style="list-style-type: none"> Assumes an average balance of \$2.78 per acct Assumes 5 transactions per month <ul style="list-style-type: none"> 3 bill payments (\$0.55 income per bill) 2 money transfers that are free of charge Fee income is obtained from bill payments 	<table border="1"> <tr> <td>Fee income</td> <td>Float income</td> <td>Other fees</td> <td>Total inc</td> <td>Trx cost</td> <td>Interest expense</td> <td>Operating expense</td> <td>Profit before tax</td> </tr> <tr> <td>20.00</td> <td>0.24</td> <td>0.00</td> <td>20.24</td> <td>15.72</td> <td>0.01</td> <td>1.44</td> <td>3.06</td> </tr> </table>	Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit before tax	20.00	0.24	0.00	20.24	15.72	0.01	1.44	3.06
Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit before tax											
20.00	0.24	0.00	20.24	15.72	0.01	1.44	3.06											
Savings account for paying bills and executing transactions	<ul style="list-style-type: none"> Assumes an average balance of \$55.55 per acct Assumes 7 transactions per month <ul style="list-style-type: none"> 3 bill payments (\$0.55 income per bill) 2 money transfers that are free of charge 2 transactions charged at \$0.42 per transaction Fee income is obtained from bill payments and transaction fees 	<table border="1"> <tr> <td>Fee income</td> <td>Float income</td> <td>Other fees</td> <td>Total inc</td> <td>Trx cost</td> <td>Interest expense</td> <td>Operating expense</td> <td>Profit before tax</td> </tr> <tr> <td>30.00</td> <td>4.72</td> <td>0.00</td> <td>34.72</td> <td>25.67</td> <td>1.67</td> <td>1.46</td> <td>5.93</td> </tr> </table>	Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit before tax	30.00	4.72	0.00	34.72	25.67	1.67	1.46	5.93
Fee income	Float income	Other fees	Total inc	Trx cost	Interest expense	Operating expense	Profit before tax											
30.00	4.72	0.00	34.72	25.67	1.67	1.46	5.93											

Key findings*

- Transaction costs at agents are 50% the cost of branches and ATMS and most agents are cost effective at low transaction volumes
 - Three major reasons for banks to pursue agent banking: (1) as an additional efficient channel; (2) for growth into new geographies and/or segments; and (3) for a payments-led banking business
 - As an additional channel, evidence shows agents can have bottomline impact to banks by providing additional value and convenience to existing customers
 - As a growth channel, banks can expect favorable unit economics to enter new geographies and reach unbanked customers
- Agents can facilitate the rapid deployment of a low-margin payments-led banking business

Summary

- ❑ Agents may be used to enable a lower value payments platform aimed at lower income / unbanked market segments
 - Agents provide coverage in lower income, disadvantaged areas
 - Agents enable service in rural and lower density populations
 - Agents may provide a sufficiently low transactional cost for required profitability
- ❑ Target payments include public services, government contributions, government payments, and money transfers, either domestic or international, among other
- ❑ Banks expect payments platforms to be profitable, even without an attached transactional / mobile account:
 - In one case, the bank expects the business to be profitable based exclusively on service payments at agents, to reach a profit before tax of over 7 million USD per year, with 90 million transactions
- ❑ Float has only a minor contribution to the overall expected profitability of payments platforms:
 - In one case, agents operate with credit lines, so no float derives from agents, and the float from transactional accounts is attributed to the accounts themselves and not to the platform
 - In another case, income derived from float represents less than 3% of total platform income
 - In one case, float expectations, there is not expected interest income from the bank partner

Summary (continued)

- ❑ Combining mobile access in the form of a transactional account enhances profitability through a lower transactional cost, and higher transactional volume:
 - The mobile transactional cost can be less than 10% of the transactional cost through agents
 - Mobile access provides enhanced convenience, which should drive a higher transactional volume along with a higher acceptance rate

- ❑ For a bank, the profit contribution of a payments platform may be limited:
 - The estimated before tax profit of a planned agent-led payments business is about 8% of a small bank's profit before tax but only 1% of the profit before tax of the largest bank in Colombia

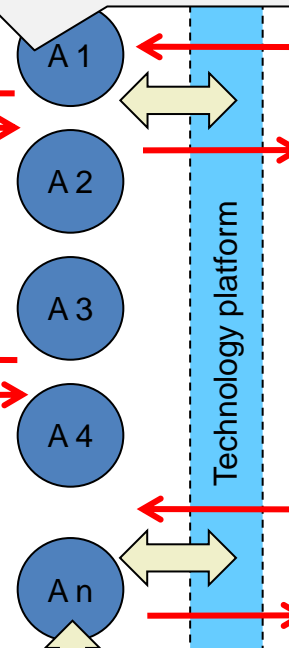
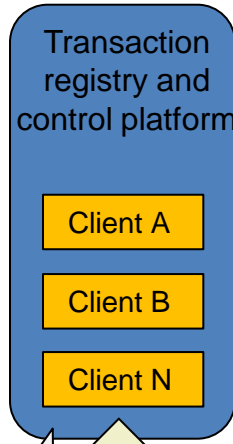
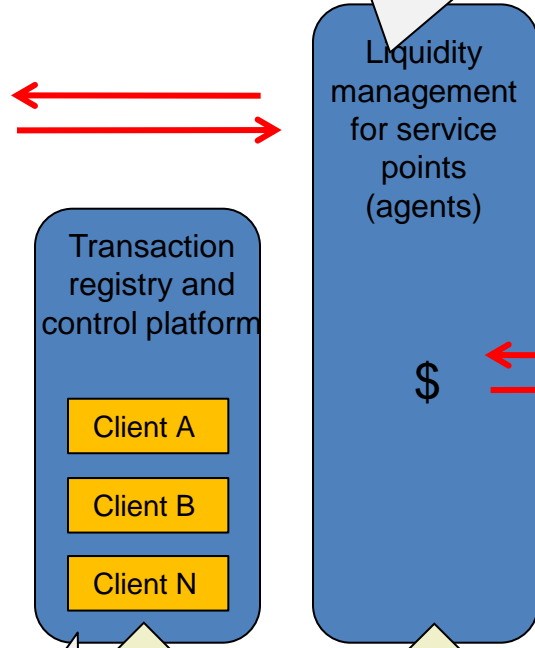
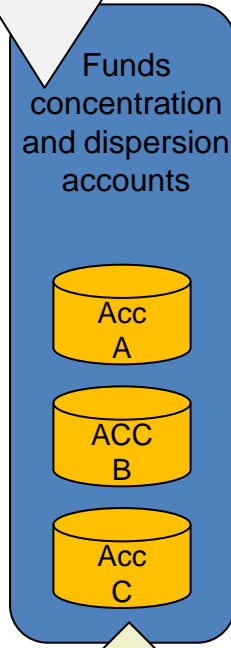
Typical integration of an agent based payment platform

Agent funds (i.e., from pre-funded accounts) and customer funds are held in a bank, either in pooled or individual accounts

Liquidity management for agents may be provided by the PSP, an agent aggregator, the agent network itself or any banking institution through its branch network

Typical agents are retail shops, supermarkets, drugstores, airtime resellers, etc.

Cash-flow ←



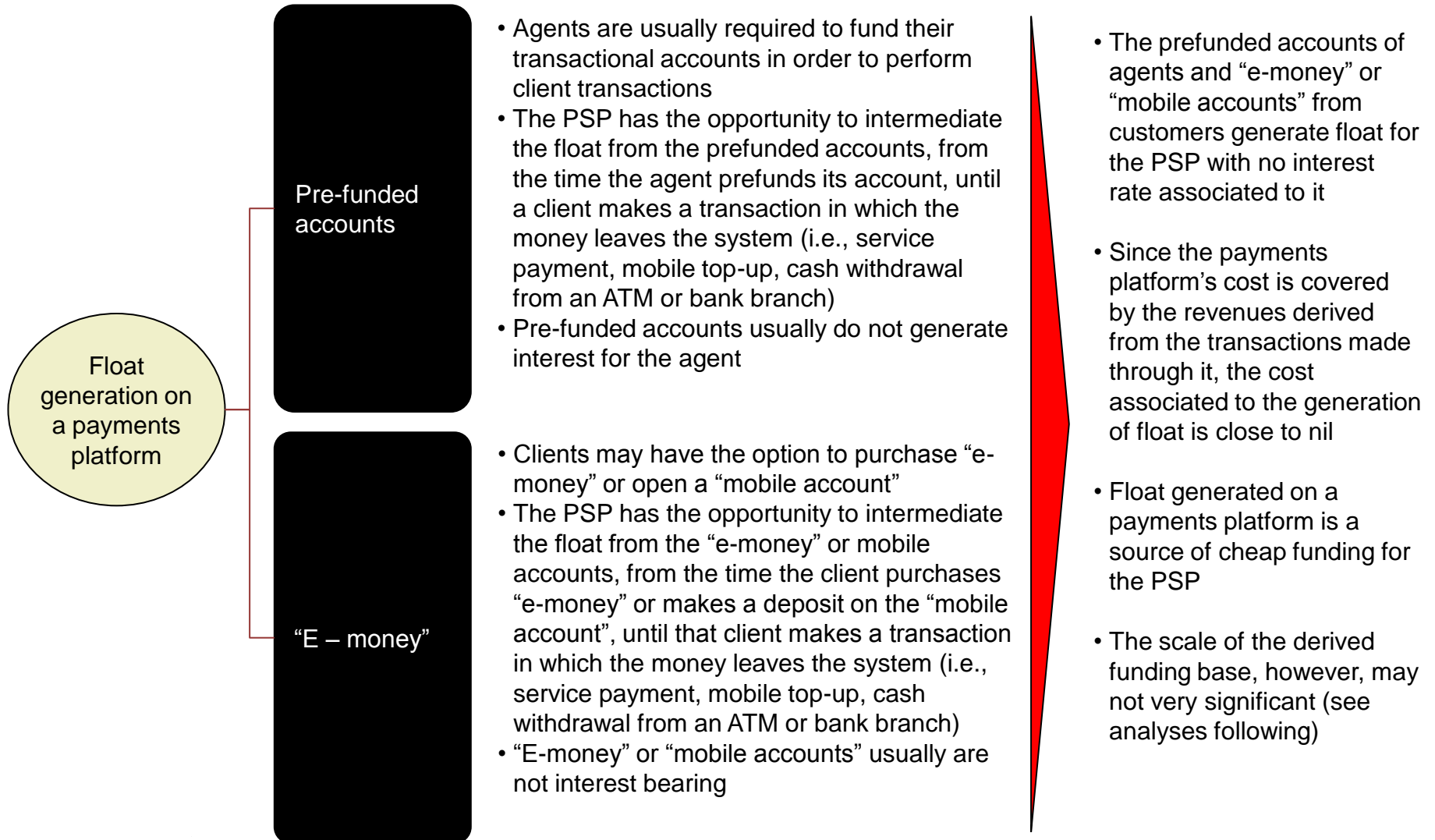
Customers transact through agent network and/or using their mobile phones

Transactional platform may be developed in-house or leased to a provider

Integrates and manages independent agents and forms networks

Mobile, POS, etc.

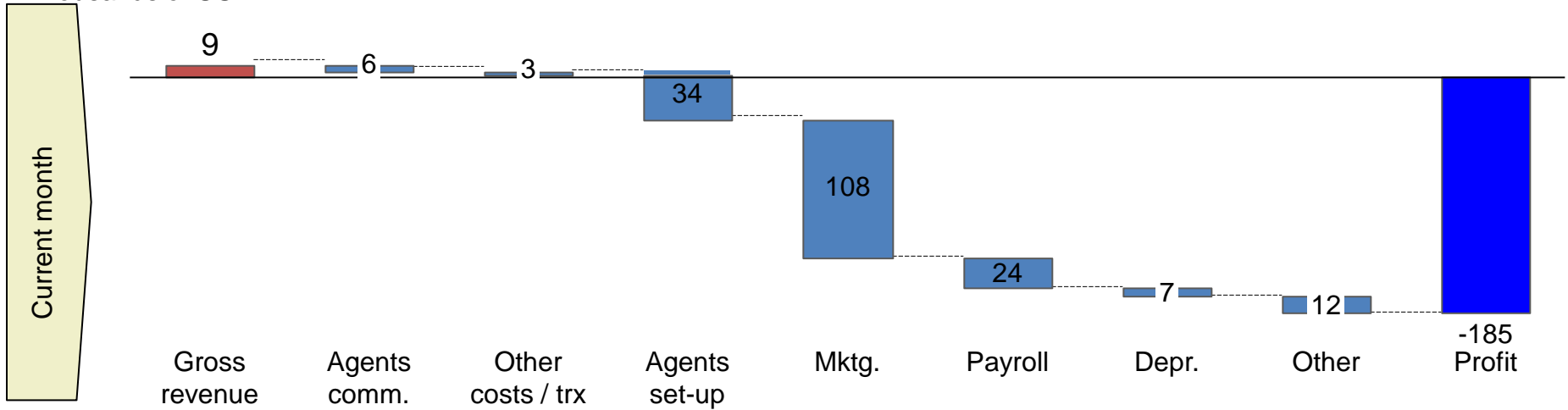
The payment service is also a source of cheap funding



Example: Agent network is significant for up-front investment and ongoing opex of payments business

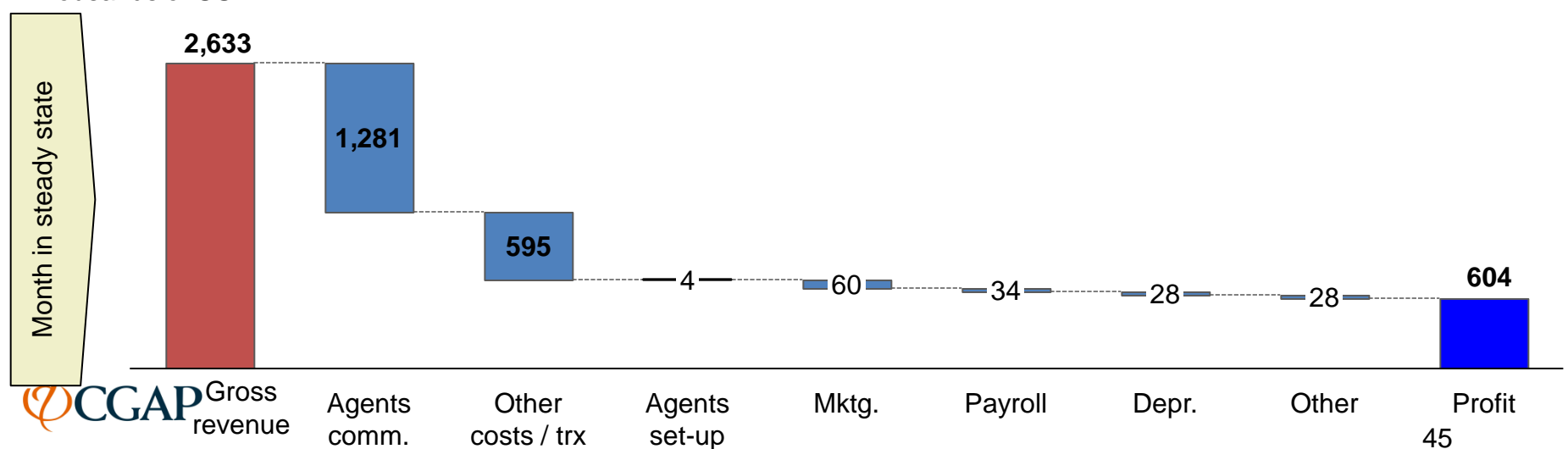
Profit structure for – current month

Thousands of USD



Profit structure for – month in steady state

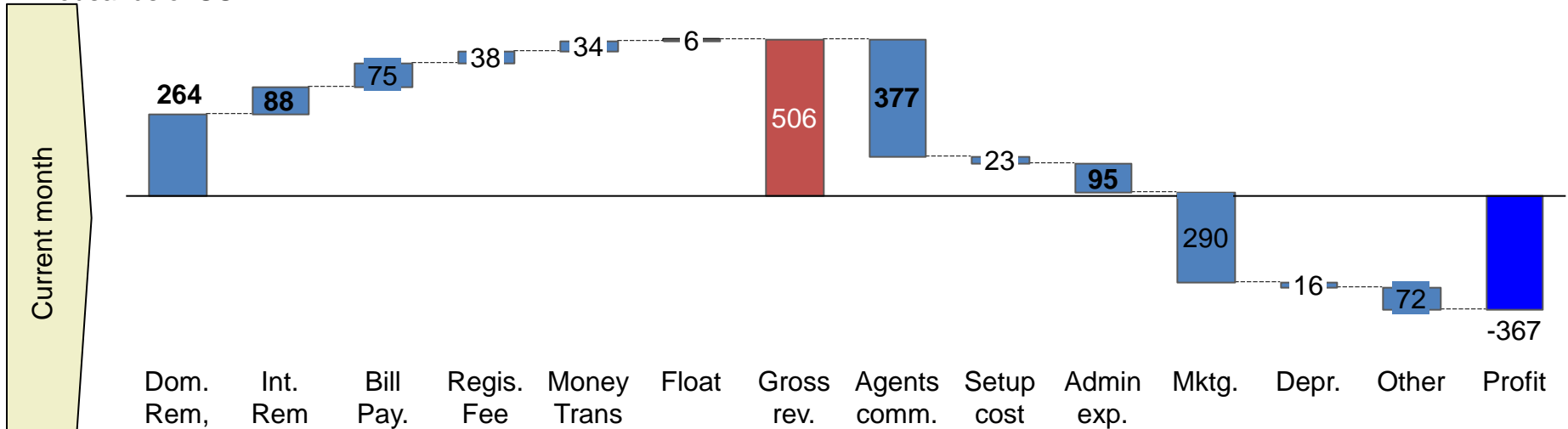
Thousands of USD



Example: Float is an insignificant part of the expected profit of a payment business

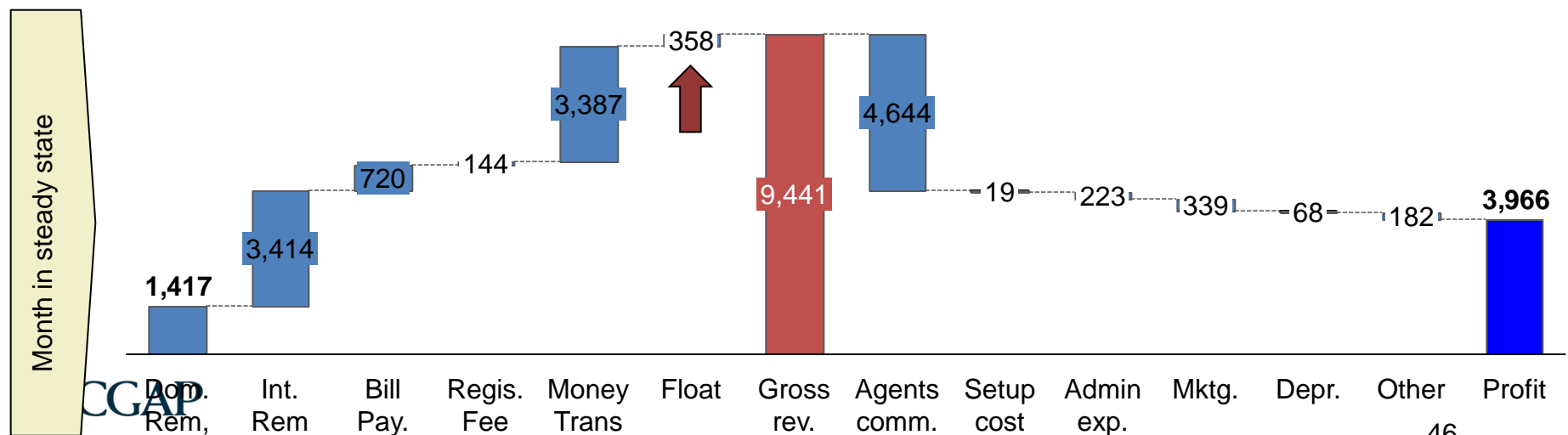
Profit structure for a bank based payment business – current month

Thousands of USD



Profit structure for bank based payment business – month in steady state

Thousands of USD



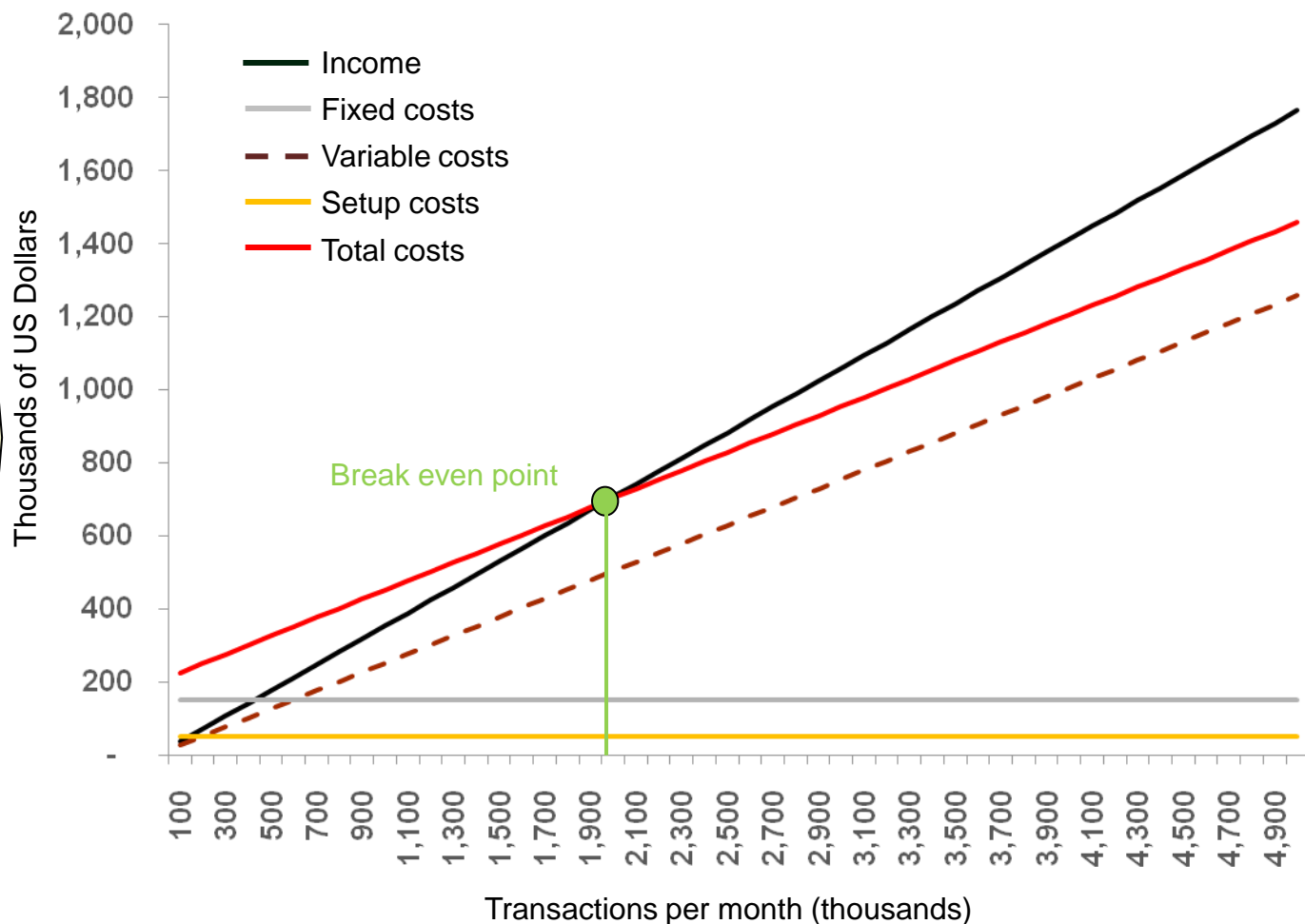
Example: In the best case scenario, breakeven is expected at 2 M transactions per month

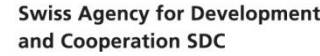
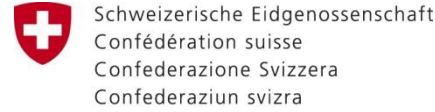
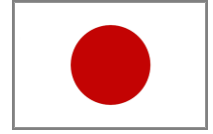
Considerations

- Network of 17,754 agents
- Average transaction fee to customers of USD 0.35
- Variable cost per transaction of USD 0.25
- Set-up costs per agent of USD 67, amortized in 24 months
- Personnel costs of USD 34,000 per month
- Advertising cost of USD 60,000 per month
- Depreciation expense of USD 28,000 per month
- Other costs of USD 28,000 thousand per month

Potential breakeven for recently launched payment business of a bank

Thousands of US Dollars, thousands of transactions per month





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