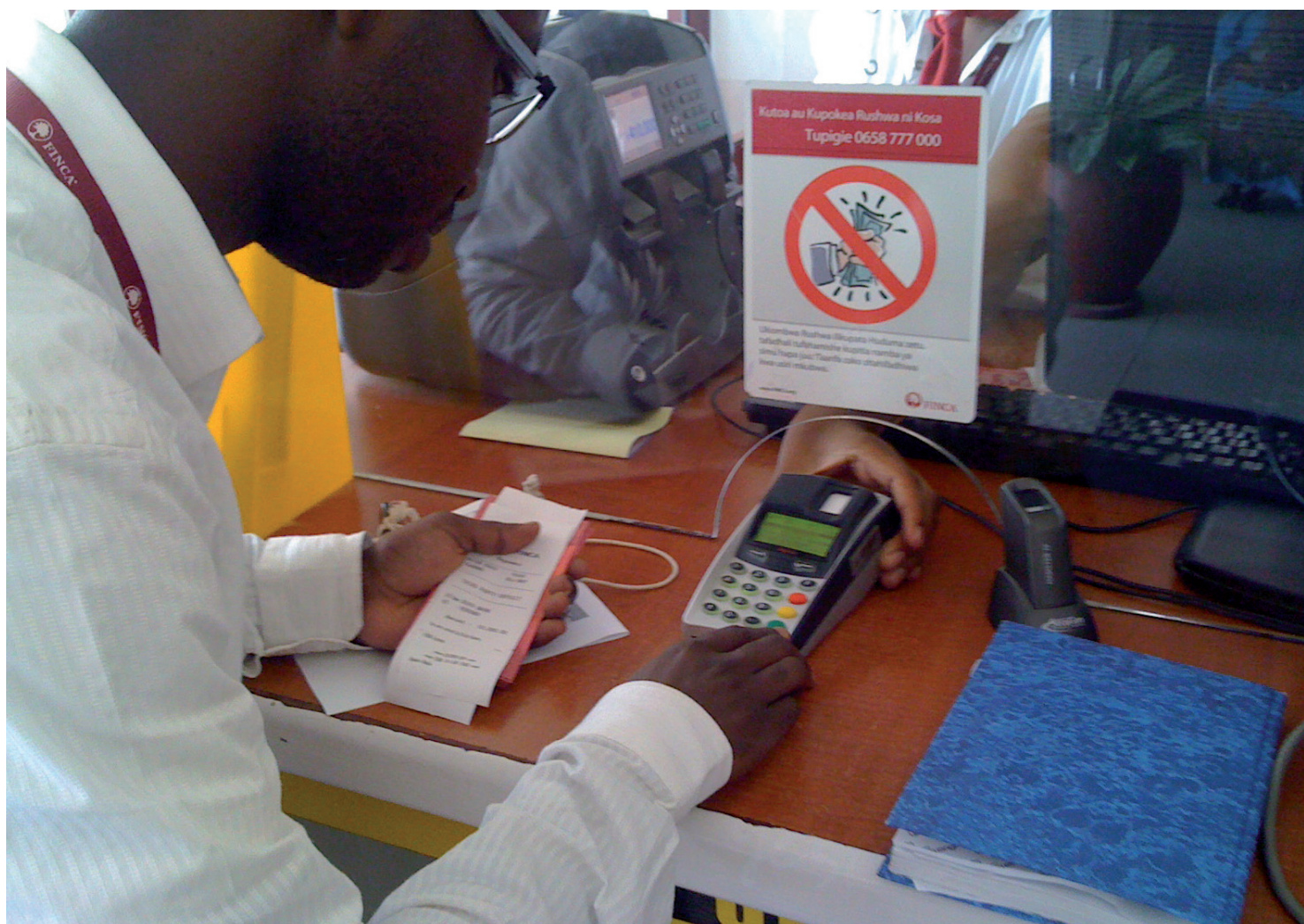


FINCA EXPRESS Tanzania

Mobilizing Savings Through Agency Banking



Prepared by PHB Development in collaboration with the e-MFP
Digital Innovations for Financial Empowerment Action Group

October 2015

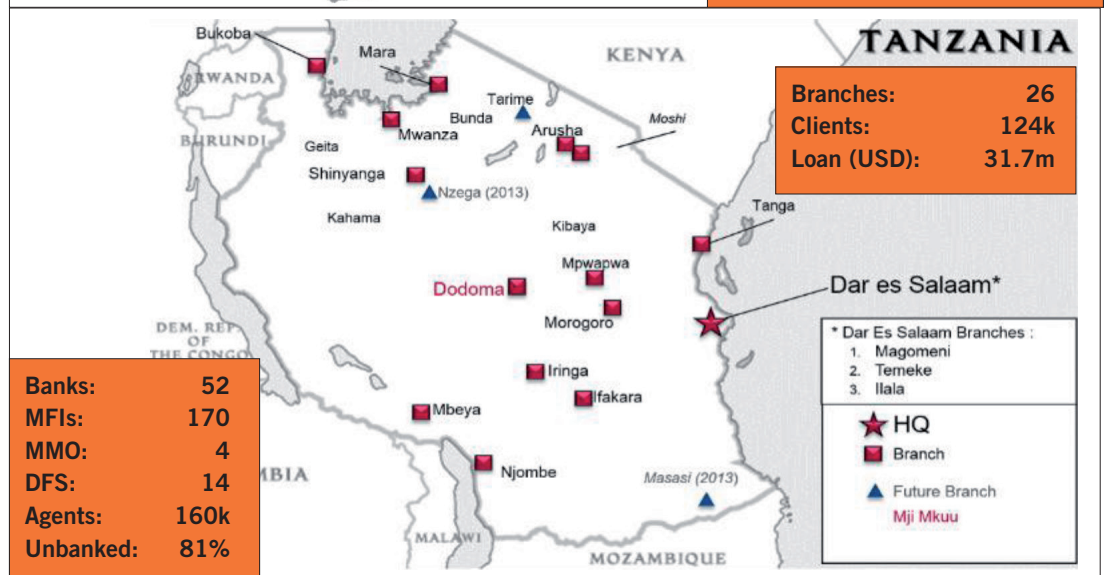
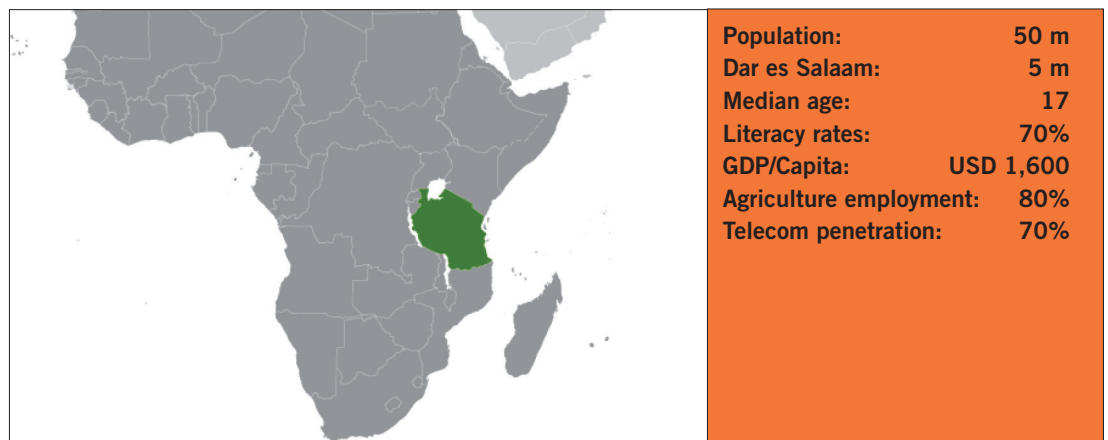
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LIST OF ACRONYMS

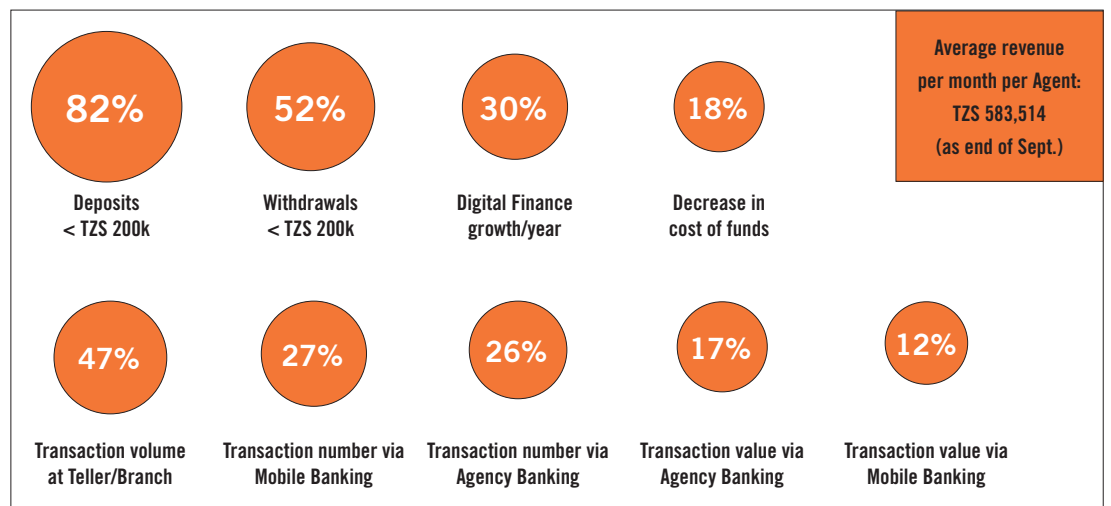
AB :	Agent/Agency Banking
BOT :	Bank of Tanzania
BTL :	Below-The-Line
CBM :	Channel Business Manager
CBO :	Channel Business Officer
CSO :	Customer Service Officer
DF :	Digital Finance
DFS :	Digital Financial Services
FI :	Financial Institution
HH :	Households
MB :	Mobile Banking
MFI :	Microfinance Institution
MIS:	Management and Information System
MM :	Mobile Money
MNO :	Mobile Network Operator
POS :	Point Of Sale
SACCO :	Savings and Credit Cooperative Society
TZS :	Tanzanian Shilling
USD :	United States Dollar
USSD :	Unstructured Supplementary Service Data

SUMMARY



FINCA Express in Dar es Salaam

Clients registered for DF channel:	84%
Have used DFS at least once:	69%
DFS active users:	63%



Note that in May 2015: USD 1 = TZS 2,000.

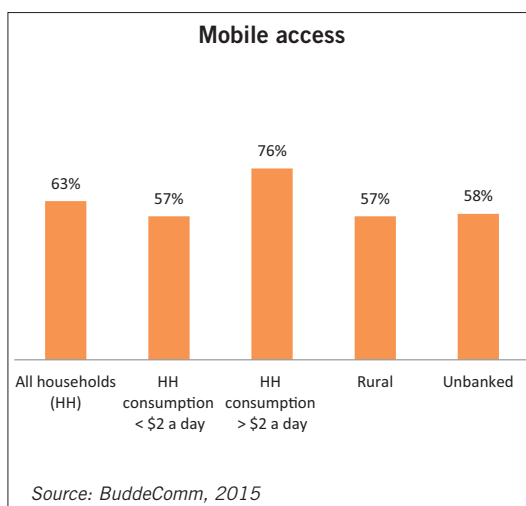
1. CONTEXT OF THE COUNTRY

TELECOM SECTOR

After Kenya, Tanzania is one of the most active markets for DFS. Policy reforms have led the telecom sector to become one of the most liberal in Africa. About **12 MNOs** are currently operating or about to start business. There are **4 leading MNOs** in the country, **Vodacom Tanzania** being the top one.

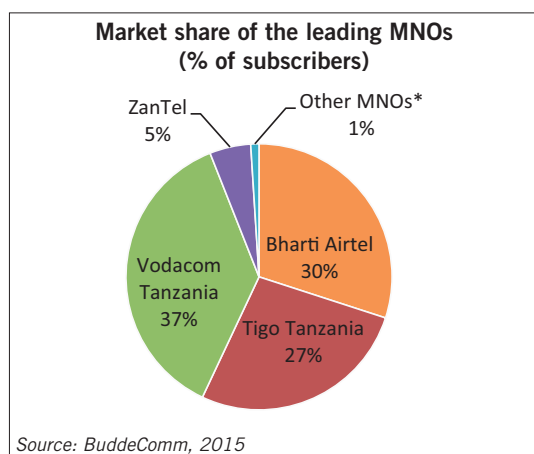
Telecom operators	Ownership	Number of subscribers
Vodacom Tanzania	A unit of South Africa's Vodacom	11.6 million
Bharti Airtel	Airtel Group (formerly Zain)	9.7 million
Tigo Tanzania	Part of Sweden's Millicom	9.3 million
ZanTel	A unit of Etisalat	1.7 million

Source: TanzaniaInvest.Com, 2015



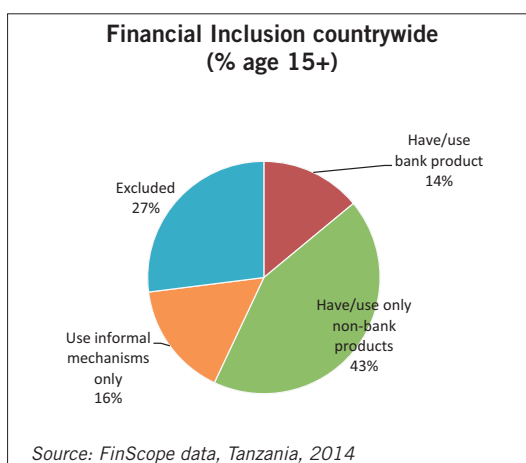
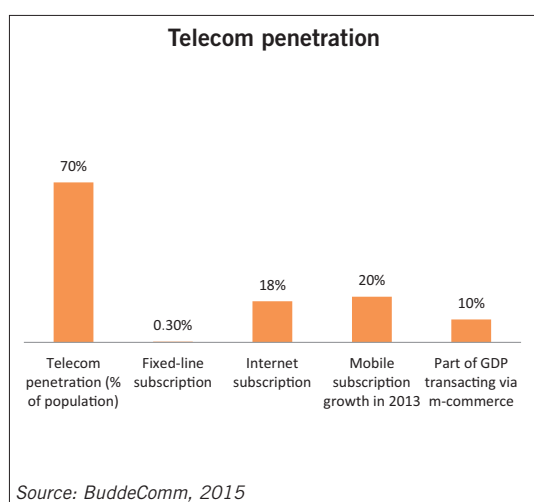
FINANCIAL INSTITUTIONS' MARKET SITUATION

81% of adults (age 15+) don't have an account at a financial institution (FI). Developing business activities or a farm is the main motivation for Tanzanians to save or borrow money. The number of community based FIs such as Savings and Credit Cooperative Societies (SACCOs) is growing.



Number of banks	52
Number of bank branches	609
Number of Microfinance Institutions	170
Number of MFI branches	486
Number of SACCO initiatives	4845
Gross national saving (% of GDP)	17.8%
Commercial bank prime lending rate	17.4%

Source: Tanzania National Council for Financial Inclusion



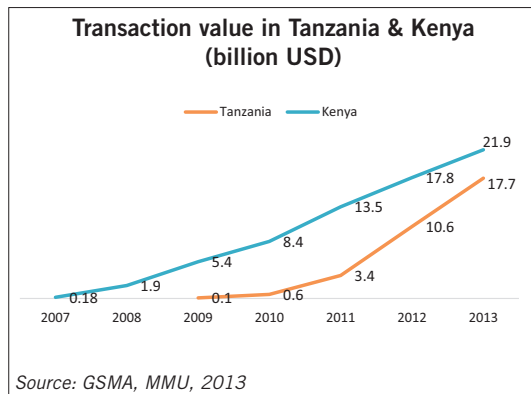
DIGITAL FINANCIAL SERVICES (DFS) INITIATIVES

The DFS landscape has developed very rapidly in Tanzania. In 2008 there were just two non-bank e-money issuers. The sector has now grown to include the four leading MNOs as Mobile Money providers and 14 banks offering digital financial services such as CRDB, NMB and Eco Bank who have developed their own agent network.

The 4 MNOs' Mobile Money services are: M-Pesa for Vodacom, Airtel Money for Airtel, Tigo Pesa for Tigo and Ezy Pesa for ZanTel. There are over 20,000 agent outlets, acting as agents for multiple service providers.

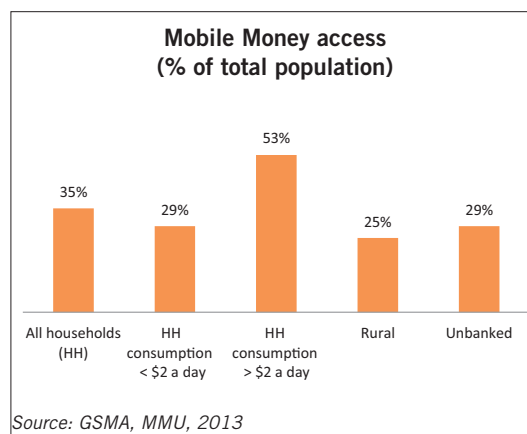
Digital finance access points	Number
Mobile money	16,551
Microfinance institutions	1,084
Commercial banks	478
Bus stands	403
Offsite ATMs	367
Post offices	202

FinScope data, Tanzania, 2014

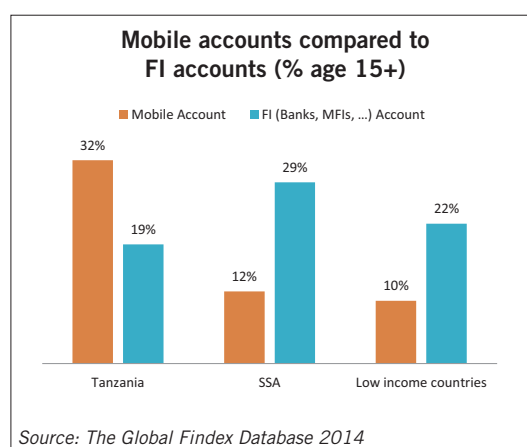


Source: GSMA, MMU, 2013

In Tanzania, there are more Mobile accounts than accounts at FIs. In 2013, there were 31.5 million Mobile accounts and **11 million (22%) of these accounts were active. 35% of the households (HH) have used at least one Mobile Money service and 33% of HH have registered for Mobile Money.** In terms of value, in 2013, Mobile Money transactions increased to **USD 17.7 billion**. Digital Financial Services provided are the classic ones with **the predominance of P2P transactions.**



Source: GSMA, MMU, 2013



Source: The Global Findex Database 2014

REGULATION OF MOBILE FINANCIAL SERVICES

Tanzanian regulatory authorities have introduced comprehensive agent banking guidelines that, for the first time, permit DFS providers to appoint retail agents as a delivery channel and allow the development of the DF market. Current Agent Banking guidelines were issued in 2013. FIs are defined as responsible for Agent banking. The guidelines also mention the non-exclusivity of agency agreements. But it is up to the FI provider to determine in detail what activities are prohibited for agents.

Obviously, regulators have played a key role in the market by ensuring a level playing field and encouraging competition. For example, all non-bank e-money providers were asked to open up e-money trust accounts with banks and are required to ensure that 100% of the float is maintained in these accounts.

In 2014, Tanzania became the first country to successfully develop and implement standard business rules for interoperable DFS transactions.

2. DFS IMPLEMENTATION APPROACH

FINCA TANZANIA WITH FOCUS ON THE DAR ES SALAAM REGION

FINCA Tanzania was established in **1998** as a member of **FINCA international**, which is operating subsidiaries in **23 countries** in developing markets. FINCA Tanzania aims “to provide financial services to the world’s lowest-income entrepreneurs so that they can create jobs, build assets and improve their standard of living”¹. FINCA Tanzania became the first MFI in the country to be granted a microfinance banking license, allowing FINCA to mobilize savings.

Dar es Salaam is a city with a population of **5 million people**. As part of its DFS implementation strategy, FINCA has first focused on Dar es Salaam where **16% of FINCA’s existing clients were located**. This approach has enabled FINCA to test the model and obtain quick success in the area, before expanding to the rest of the country.

FINCA Tanzania statistics

No. of branches	No. of clients	Loan portfolio (million USD)	Average loan (USD)
26	115,000	31.7	541

DIGITAL FINANCIAL SERVICES’ BUSINESS MODEL AND STRATEGY



FINCA moved from the traditional channel with tellers to a mix of three channels: Branches, Agency Banking and Mobile Banking² as presented in the table below.

FINCA Express is the brand name of FINCA Tanzania’s Agency Banking. FINCA Express offers a diversity of transactions such as:

- Deposits
- Withdrawals
- Transfers
- Loans disbursement/repayment
- Account balance
- Account statements

In addition to FINCA Agency Banking with FINCA Express, the MFI also has a partnership with three MNOs, enabling the institution to provide Mobile Banking services to its clients located far from a FINCA Express agent.

Evolution of the FINCA Tanzania DFS development

Year	Until 2012	2013	2013-2014	End 2014	2015
Channel	Only branch	Mobile Banking	Agency Banking (development)	Agency Banking (pilot)	Mobile Banking (with the 3 MNOs)
Partners with MNOs	-	Vodacom (M-Pesa)	-	-	Via Aggregator ³ with: MPesa, Airtel Money, Tigo Pesa
Device/interface used	Teller	Customer’s mobile phone	Point of Sale terminal	Point of Sale terminal	Customer’s mobile phone
Technical solution	-	USSD	Biometrics authentication	Biometrics authentication	USSD, SIM toolkit
Products and services provided	Loans (individuals & groups), savings, other financial & non-financial services	Loan repayment and savings	Loan/ savings deposits, withdrawals, transfers, account balance, account statement	Loan/ savings deposits, withdrawals, transfers, account balance, account statement	Loan repayment, savings, withdrawals, transfers, e-wallet and others
Targeted customer	Loan & saving clients	Loan clients	Saving clients	Saving clients	Loan clients

1 FINCA Tanzania mission statement: <http://www.mixmarket.org/mfi/finca-tza>

2 For more details on the difference between Agent Banking and Mobile Banking, please refer to: <http://fr.slideshare.net/SimonPriolaud/key-challenges-on-digital-financial-services-mobile-banking-branchless-banking-agent-banking>.

3 The agreement is that the aggregator is integrated with each of the 3 MNOs for MM, and FINCA integrated with the aggregator.

FINCA EXPRESS USER JOURNEY

The customer journey for DFS starts at a branch, when a client comes to perform a financial operation. FINCA branches are in charge of registration. When clients come to a branch, they are registered for Agency Banking (AB) and Mobile Banking (MB). The registration process is the following: the customer is identified and Biometrics are captured and linked to the FINCA account for FINCA Express; customer identified; his/her phone number is registered (for e-wallet) and linked to the FINCA account to Mobile channel.

A FINCA teller then takes the customer to a FINCA Express agent that is usually located next to, or very close to the branch. The new client meets the Agent and receives an introduction to the new channel. The relationship between the Agent and the Client begins there.

Agents do not perform client registration, but they raise awareness to attract new clients to open a FINCA account. Agents also participate in the client's education to enhance the use of the channel, in order to make sure that registered clients are really interested in the service. This helps increase activity, since experience in other countries has demonstrated that the lack of investment in customers' education at this stage will face high levels of dormant accounts at a later stage.

OPERATIONS AND DISTRIBUTION OVERVIEW

As part of efforts to enhance its delivery channels, increase the outreach and improve clients' convenience, FINCA Tanzania combined Agency Banking and Mobile Banking in order to make the most of all the existing DFS channels.

For FINCA Express, the agents use POS devices, and clients are able to access their FINCA accounts through fingerprint, using biometric scans.

With Mobile Banking services provided by M-Pesa, Tigo Pesa and Airtel Money agents, FINCA clients can successfully make transactions through their m-wallet.

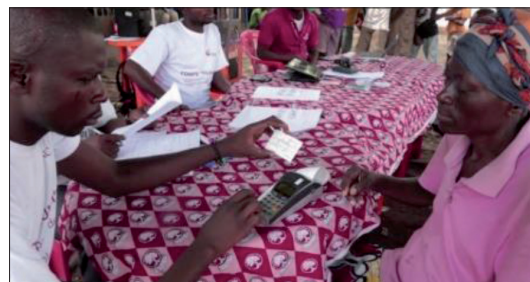
A DFS client can operate either with FINCA Agency Banking or with MNOs' agent networks, with the following procedure (for existing clients):

- Clients are informed about the DFS at the branch, by the teller or by the Customer Service Officer (CSO).
- Clients are enrolled at the branches and also during "Sales Drives".
- FINCA branch staff accompanies new customers to meet the agent.
- Clients are trained by the agent on how to use the channel.

A "one touch"⁴ account opening process is in place for new customers. Moreover, FINCA focuses on a below-the-line (BTL) marketing approach.

The promotion of DFS is done mainly through door-to-door marketing and relies on the well-known "Sales Drives" (illustrated below). Sales Drives are done by small teams actively present in the proximity of agents to promote and raise awareness on FINCA Agency Banking and attract new clients.

Sales drive campaign on FINCA Express



MANAGEMENT AND INFORMATION SYSTEM

At the first stage of the Agency Banking development, FINCA chose to keep its MIS simple and manageable, starting with Excel spreadsheets and access databases, with adequate security. However, once the institution reaches a certain level of maturity and size, more sophisticated MIS tools are important and crucial to invest in. For example, FINCA DRC has enlarged its network to 500 agents with simple spreadsheets.

Although sooner is better than later, the decision to invest in comprehensive – yet expensive – monitoring tools doesn't come easy and depends on the overall performance of the channel.

⁴ The "one touch" new account opening process includes all the following steps at once: the potential client hears about the FINCA products, opens the account on the spot and is enrolled on biometrics/ mobile, then immediately performs a first deposit at the agent. This can be done either during Sales drives, as well as by the Channel Business Officer during scheduled "Remote Account Sessions" taking place weekly at agent's premises.

NETWORK MANAGEMENT

To become a FINCA Express agent – among other selection criteria – the agent’s start-up capital requirements are:

- TZS 2 million (~USD 1000) in cash
- TZS 2 million (~USD 1000) on the account

The required capital of USD 2,000 is considerable in a country like Tanzania where the GDP per capita (PPP) is USD 1,600, but FINCA’s transactional values are larger than those of MNOs. Hence, this criteria guarantees that agents are economically strong enough to serve bank customers such as FINCA’s.

FINCA plans a progressive roll-out, starting in close proximity to the branches and expanding gradually. FINCA’s Agent Network Management is structured as follows: FINCA has dedicated Channel Business Officers (CBOs) in the branches. CBOs report to the Channel Business Manager (CBM) who is reporting to the Chief Operating Officer (COO) in the Head Office. Delivery Channel Officers (DCOs) are in charge of key departments of IT & Banking Services.

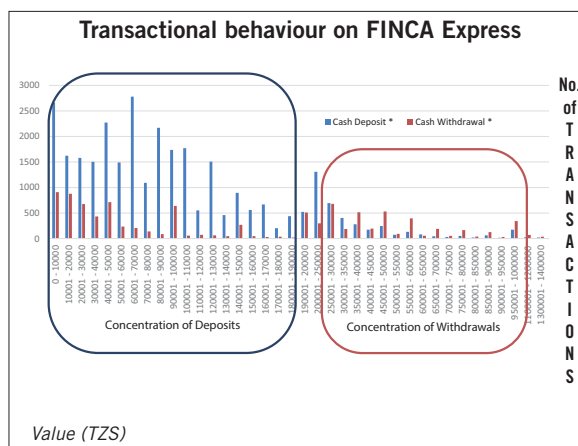
Branches play a critical role in the development of Agency Banking, which shows that the project is well embedded within the FINCA team. FINCA itself monitors the liquidity of FINCA Express’ agents. There is a strong link between Branches and Agency banking (the first being responsible for the latter). As an example, the disbursement and reimbursement of loans take a lot of planning to avoid liquidity shocks. This continuous

collaboration helps to maintain the good quality of Agency Banking network.

Customers have access to their accounts at any given time, whether to deposit or withdraw for a maximum of TZS 3 million⁵ per customer.

Regarding liquidity management, FINCA’s CBO communicates to the agents the liquidity plan which includes how much is expected in terms of loan disbursements and loans reimbursements, so that an agent can prepare the right level of liquidity to keep in hand.

Deposits tend to be smaller than withdrawals. **82% of deposits are between TZS 1 to 150,000** (against 52% of withdrawals). And 46% of withdrawals are between TZS 200,000 to 1,000,000 (against 12% of deposits).



3. FINANCIAL AND PERFORMANCE ANALYSIS

After only 6 months of Agency Banking deployment (including pilot phase) in the Dar es Salaam region, FINCA has reached significant results. The following figures focus on this specific region of the country.

ADOPTION AND USE OF THE AGENCY BANKING CHANNEL

In Dar es salaam, among FINCA’s 10,000 clients, **about 70% are FINCA Express users and more than 63% are active users**, which is impressive compared with other DFS initiatives in Tanzania where the average activity is **only 22% (2.3 times lower than for FINCA Express in Dar es Salaam)**.

FINCA Express’ DF channel targets existing FINCA clients (at the first stage) as well as new FINCA

clients through Sales Drives. The FINCA approach builds on the fact that better savings products are the main challenge in developing markets and that the under/unbanked population is in need of savings products. FINCA targets to increase its client base by **30% by 2017**.

FINCA Tanzania statistics

Location	Country-wide	Dar es Salaam
Total number of active clients	115,000	19,000
Registered users for FINCA Express	76%	84%
Have used FINCA Express at least once	44%	69%
Active users for FINCA Express	56%	63%

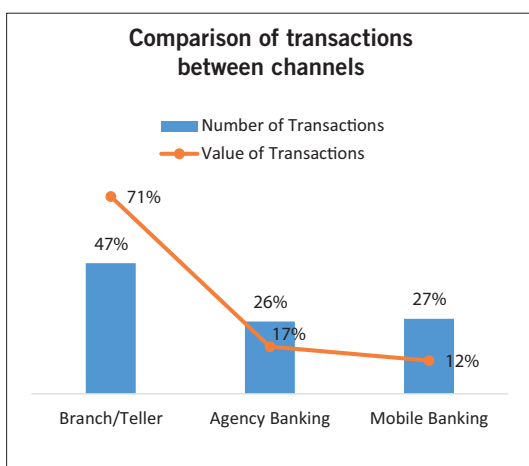
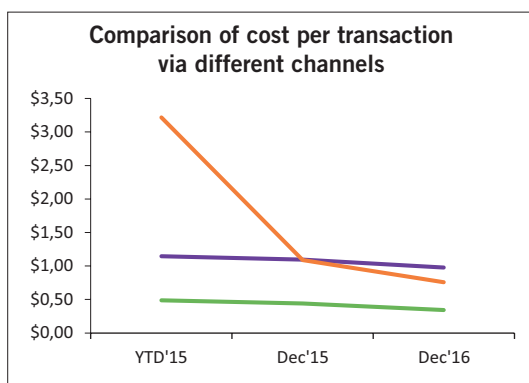
5 *Note that in May 2015: USD 1 = TZS 2,000.

COSTS AND BENEFITS ANALYSIS

The rapid take-off of Agency Banking in Dar es Salaam has permitted FINCA to reach substantial performance in terms of transactions: in May 22% of transactions were done via Mobile banking and 36% were done via Agency Banking. By end of 2015, FINCA is targeting 50% of transactions to be performed via Tellers, 20% via FINCA agents and 30% via Mobile Banking country-wide. The results as of end of September are already surpassing expectations, with Agency Banking already serving 26% of FINCA transactions.

Currently, Agency Banking costs FINCA a total of **USD 3.32** per transaction. It is important to remember the high cost involved in Agency Banking at the beginning of the channel's development (see figure below). The figure below also shows that as the DF channel scales in volume, the cost per transaction will drop.

Currently, when clients use Mobile Banking with MNO agents, it is cheaper for FINCA. However, from the client's perspective, the value proposition is less interesting as they have to pay fees like any other MM client in Tanzania. Consequently, the real cost of using MNO agents is higher for clients than that of using FINCA Express agents, where transactions are free of charge. Therefore, FINCA's AB network is the most used by the customers. Mobile Banking via MNO agents is used mainly for loan disbursements and repayments in remote areas where FINCA agents are not yet available.



COMMISSION STREAM FOR AGENTS

In order to get agents up to speed and actively promoting the channel, FINCA targets a viability threshold of TZS 140,000 per month for each of them: during the first 3 months, if an agent doesn't reach this value in commission earned, FINCA subsidizes them to match this value. When the viability threshold is reached (or after the first 3 months), the optic changes from viability to sustainability with a target of 400,000 TZS/month. It is expected that if this value is reached, the agent takes the leadership in driving the business: increase the client base, actively promote FINCA's products and services, increase the level of liquidity as needed, etc.

Thus, the responsibilities of FINCA remain the registration of clients, marketing, the branding of FINCA Express and ongoing support of agents for liquidity management.

Agents are not directly paid for attracting new clients but this represents an indirect business opportunity for their own business: attracting good/recurrent clients and retaining them increases the agent's performance and revenue.

Commission's stream in FINCA Agency Banking

Indicators	Commission (TZS*/month)
Min revenue	16,100
Max revenue	1,838,900
Average revenue	583,514
FINCA's agent viability threshold	140,000
FINCA's agent sustainability threshold	1,000,000

*Note that in May 2015: USD 1 = TZS 2,000

SOCIAL PERFORMANCE

Offering better services at a lower cost is the main challenge of Double Bottom line seekers. FINCA has successfully dealt with this challenge by designing zero fee agency banking transactions for clients. Not only saving at **FINCA Express is free of fees, but it also holds an annual interest rate of 2%**. FINCA Tanzania argues that clients shouldn't pay to save money.

Moreover, to keep the price of the DFS via MNO agent networks as low as possible, FINCA doesn't charge any additional commission to what MNOs already charged to all MM clients.

From the client's perspective, FINCA Express not only reduces their transaction costs (time spent in branch, travelling cost and other transaction costs typical of microfinance operations), this channel also represents an attractive way to save which is not offered elsewhere.

FINCA's strategy to scale up DF to rural/remote areas consists of first setting up agents around an existing branch, then going further and further away from it. It should be pointed out that as FINCA is not targeting remittances, it doesn't have to be everywhere from the start: it can develop the network at its own pace, based on business considerations. While agents around branches rebalance their cash and e-float at the branch, FINCA encourages further away agents to rebalance with agents nearer to the branches. The "step by step" agent roll-out optimizes the development cost and effort of the channel, while ensuring that sufficient attention is given at each roll-out phase. While FINCA Express is expanding its presence, the customers have the Mobile Banking channel as a convenient alternative for their transactions.

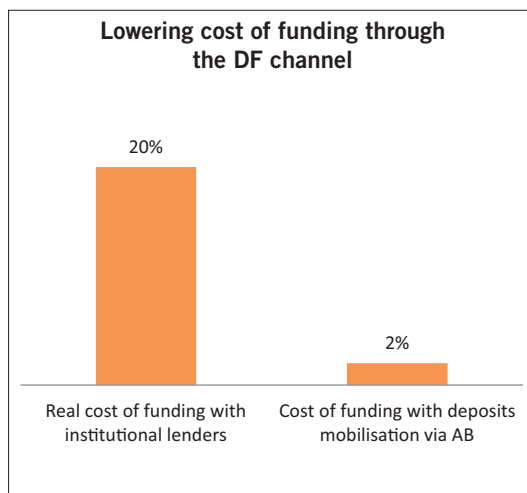
funds goes beyond 20%. Raising local deposits against 2% is very interesting, but this comes at a higher operational cost, especially during the start-up phase (see above figure on the comparison of cost per transaction within different channels). Though, as presented on the previous page, the cost per transaction via Agency Banking would already be lower than via Tellers, which makes the lower cost of funding a bonus, ensuring the channel's long term sustainability.

By leveraging deposits through the DF channel, FINCA can reduce its cost of funding with institutional lenders from more than 20% to 2% for each additional monetary unit collected, reducing the **existing cost of funding by 90%** (i.e.: percentage of reduction per unit coming from deposits).

DIGITAL FINANCE CHANNEL SUSTAINABILITY

The roll-out of FINCA's Agency Banking being in its first year, it is obviously somewhat early to have a full and complete cost and benefit analysis of the whole channel. However, it is already obvious that **digital finance channels lower cost of funding through deposit mobilization.**

FINCA needs to borrow from institutional lenders such as Blue Orchard, Triple Jump, OikoCredit etc. These institutions lend to FINCA in USD against significant interest rates. Besides their interest rates, FINCA bears other associated costs, such as hedging exchange risks, administration of funds etc. These are actually the real drivers of FINCA's high cost of funding. Overall, the cost of these



4. KEY DRIVERS OF SUCCESS AND LESSONS LEARNED

STRATEGIC POSITIONING: THE DEPOSITS COLLECTION CHANNEL

FINCA Tanzania has taken an approach to Agency Banking that is quite different from that of most Banks that have gotten involved in Agency Banking. Whereas Banks have followed the MNOs' approach of focusing on transfer services, FINCA is trying to tap the potential for savings products. FINCA is one of a few MFIs/ Banks with a comprehensive strategy to do so.

FINCA's business case for Agency Banking is different from most traditional DFS players. FINCA's business case is based on lowering the costs of funding, whereas most other DFS players are looking for additional revenue streams in the form of fees and commissions. For example, while Tanzanian MNOs focus on fee flows from their agent networks, FINCA focuses on the role of financial intermediation: earnings from the DF channel will come from the transformation of deposits collected through FINCA Agency Banking.

FINCA designed its Agent Network structure by considering the weaknesses of banks that are involved in digital finance with their own agent network. Addressing challenges that banks and MNOs are struggling with, especially the roll-out of agents (too many, too close to each other, not enough business for all), has contributed to the success of FINCA Express.

Often, MFIs that get a license to collect savings don't know what to do with the license. FINCA's strategy is to leverage the collected savings. This is a very challenging approach due to the fact that there are many elements to deal with such as education and awareness on savings products in the Tanzanian context. At the same time, there is an opportunity to scale up in the savings collection market with

products having the right features, knowing that gross national savings in Tanzania represent about 18% of GDP in 2015.

As previously mentioned, transfer services (P2P) are the main transactions performed through the DF channel in Tanzania. P2P transfers are the main focus of MNO agents. People need these transactions, especially migrant workers in Dar es Salaam who are

originally from remote areas and send money back home. But studies showed that people are also in need of better savings products and that savings are more likely to increase financial inclusion. Other studies also pointed out the potential of poor people to save (D. Collins et al, 2009, Portfolios of the Poor: How the World's Poor Live on \$2 a Day). FINCA wants to make use of this saving potential in Tanzania.

Business case for FINCA	Business case for other DFS players
Deposit collection to lower cost of funds (relatively cheap and not exposed to forex fluctuations)	Transfer services to capture additional revenue in the form of fee income

VALUE PROPOSITION FOR ALL STAKEHOLDERS

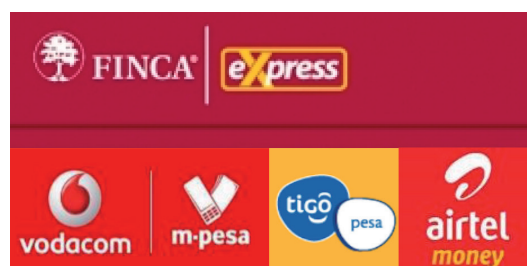
Value proposition for FINCA's client	Value proposition for FINCA's agent	Value proposition for FINCA
<p>Overall, the channel aims to facilitate savings for bottom of the pyramid clients, who need better savings products. With FINCA Express, all client transactions are free.</p> <p>FINCA is the first MFI to implement such an approach with the objective of attracting new clients and increasing deposits mobilization.</p> <p>The use of POS devices in Agency Banking is one of the success factors for early adoption. POS with biometrics is simple and convenient for FINCA's clients and ensures a high level of security.</p> <p>There is no need to memorize a PIN code, one of the struggles of less literate people.</p> <p>FINCA's customer journey partly maintains the "human touch", characteristic of the traditional channel.</p>	<p>FINCA sets up an efficient management strategy for its Agency Banking. Agent set-up criteria include the number of clients in the area (during the start-up phase). This strategy has added value for Agent performance: clients are already there and agent business is more likely to grow rapidly.</p> <p>In addition, FINCA's strategy is to progressively set up its AB network: a new agent outlet isn't set up in the area unless sufficient traffic is reached at the existing agent outlet, in order to allow enough volume for business viability.</p> <p>As the AB services are free of charge for clients, FINCA subsidizes the agent commission. Moreover, the support provided by FINCA to agents (such as guaranteed revenue during the first 3 months, training, sales drives) enables quick uptake of the agent's business.</p>	<p>The capacity of the DF channel to leverage deposit funding is the main added-value for FINCA. The digital channel will enable FINCA to lower its existing cost of funding by 90%. It offers FINCA the opportunity to leverage low-cost funds and to scale its banking activities. Reduction of operational costs is also one of the channel's objectives for FINCA.</p> <p>Thanks to this channel, FINCA can move low added value transactions out of branches and focus more on sales and quality of service.</p> <p>Among other opportunities of the DF channel, FINCA can increase its client base, enhance client retention, ensure better value proposition to its customers and improve its overall social and financial performances.</p>

MARKET ENVIRONMENT: POSITIVE COMPETITION AND REGULATION

The legal and regulatory framework that guides DFS in Tanzania has been progressive from the 2006 Bank of Tanzania Act to the 2013 Guidelines on agent banking for banking institutions.

Even though some areas for improvement still exist, such as consumer protection issues, security & AML/CFT concerns, Payment Systems and E-Money ecosystem, the regulatory environment has been favorable to DFS development in the country. For instance, in 2014, Tanzania became the first country to successfully develop and implement standard business rules for interoperable DFS transactions.

BROAD PARTNERSHIPS



In 2013, FINCA started a DF partnership with Vodacom (M-Pesa). Today, the MFI has a partnership with the three leading Mobile Network Operators involved in MM in Tanzania in order to leverage their networks for better service to FINCA clients. FINCA clients can perform transactions at any of the three MNOs' agents, which offers additional convenience. Moreover, they don't need to change their Mobile network provider as all MNOs are involved.

This flexibility of not pushing clients to have a specific SIM card is a considerable added value of the new broadened partnership.

MULTIPLE CHANNELS

In addition, FINCA has moved forward to diversifying the DFS interface. In order to access FINCA's financial services, a client has three possibilities: he can choose to use POS device, Mobile interface or Teller. Combining Agency Banking (with POS device) and Mobile Banking (with m-wallet) makes FINCA's digital financial services more accessible and user friendly.

STRATEGIC AGENT BANKING PROMOTION: SALES DRIVES

One of the key factors that needs to be highlighted is the strategic promotion and marketing of agency banking. Obviously, Sales Drives are an integral part of the operating model. Agency banking cannot be rolled out without sales drives since new savings customers are the primary driver of the business case, both for FINCA and for the agents.

FINCA recruits "Sales drives" teams who endorse promotional activities, crucial for the adoption of the DFS, with the following objectives:

- Raise awareness about FINCA Express
- Facilitate better understanding for Agency Banking services
- Activate DF channel (adoption of DFS)
- Enable existing/new FINCA client to test the services (user of DFS)
- Drive users to become regular users (active user of DFS)

The Agency banking brand name "FINCA Express" which highlights the fact that "you don't need to wait", helps clients to envisage the DF channel as a potential solution to the well-known queues in FI branches. The brand holds a good image of what clients can expect from the FI: avoid wasting time for basic transactions.

ENHANCED CUSTOMER EXPERIENCE

There are seven key elements which make the FINCA Express' customer experience different from that of other digital finance providers.

- FINCA selects its agents very carefully and supports them very closely. This results in good quality service. For instance, FINCA's Agency Banking liquidity levels are typically much better than those of other DFS providers. There are thus few customers who are sent away because of insufficient liquidity.
- The relationship is tripartite (branch, client and agent) and that is clear from the start: a FINCA staff member opens the account for the customer and then introduces the client to the agent for a first deposit, thereby starting the relationship between client and agent.
- FINCA Express services are free of charge, resulting in enhanced value proposition for clients.

- Agency Banking is easy and convenient to use even for less educated clients because there is no PIN code to remember, as the POS devices are equipped with biometrics.
- Most Banks are taking the same approach as MNOs by focusing on transfer services. They mainly seek additional non-interest income through fees and commissions, as well as a reduction of the high operational costs of conducting low value transactions through ATMs and branch tellers.
- FINCA Express enables clients to build assets in the form of savings in a safe and convenient place.
- The below-the-line marketing is carried out via Sales Drives with Remote Account Opening at agent locations (to build the customer base).

CHALLENGES AND LESSONS LEARNED

Like every innovation, the main challenge remains to attract clients to use the service, keep them active and increase the usage of DFS. Although the "Sales drives" help substantially here, FINCA is still facing various challenges on different aspects such as awareness, training and the whole customer experience.

Another challenge for FINCA is to spread out in rural areas. In a country where there are about 50,000 saving groups known as "JUKUILA", there is a good opportunity for FINCA to link those saving groups to digital finance to increase FINCA's deposit collection capacity.

In order to achieve success with DF channels, FINCA has implemented some solutions summarized in ten 'lessons for success':

- Lesson 1: Ensure business ownership of the delivery channel right from the start
- Lesson 2: Put in place a dedicated team for the DF channel to reduce overwork and demotivation
- Lesson 3: Take into account client value proposition as well as agent value proposition
- Lesson 4: Pilot before commercial launch
- Lesson 5: Think big but start small and scale up progressively to keep the digital channel under control
- Lesson 6: Do not adapt the channel to existing products and procedures but develop products, procedures and the channel in tandem
- Lesson 7: Conduct continuous risk analysis
- Lesson 8: Include a customer awareness and education campaign
- Lesson 9: Be ready to change how you interact with customers
- Lesson 10: Seek support from experienced external consultants to ensure a broad and detailed analysis of the challenges, and to develop and implement suitable solutions together with the client.

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