

Mozambique Shows New Ways of Banking Low Income Clients

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Mozambican Bank Moza Banco explores an innovative model using container bank branches in informal markets to reach clients from unbanked communities and sustain agent networks

Different Digital Financial Services (DFS) models have mushroomed over the last few years and are beginning to scale. M-Pesa in Kenya is definitely not the only successful model anymore. Yet, banks are still struggling to directly reach the customers and offer the complete range of services through agents. Thus, most of the DFS implementations are still limited to offering basic payments and remittances services.⁴

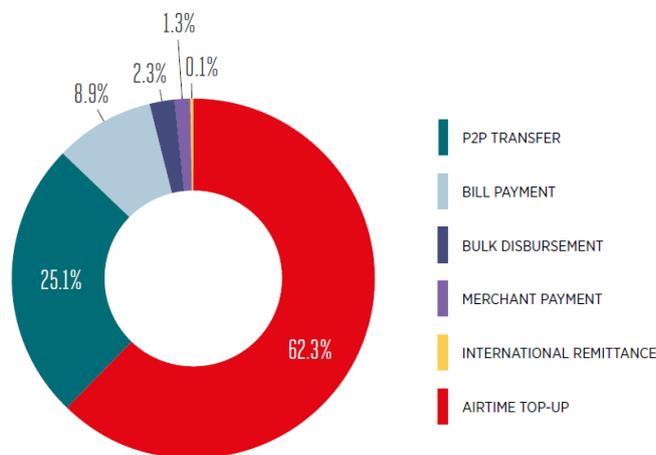


Figure 1: Global Product Mix by Volume, GSMA, 2014, p.33.

While banks around the globe in developing markets are exploring different ways to reach out to financially excluded and informal segments, a small but dynamic bank in Mozambique, Moza Banco⁵, has adopted a very unique model to reach the small informal markets and unbanked communities. They are rolling out a network of small nicely designed container branches. These branches (please refer to image 1 on page 2) are located in the communities and perform all the

major banking transactions. They also have an ATM, which opens 24/7. Notably, these branches can be launched at a significantly lower cost than a conventional branch and can be extremely effective in creating a presence in the community. If the initial numbers are taken as indicators of things to come, then the container branches are definitely creating a movement in the market.

Moza Banco also plans to launch a network of agents across Mozambique within the framework of a public private partnership with the economic development programme *ProEcon*⁶ of the German Development Cooperation (GIZ). While designing the agent network strategy, GIZ and Moza Banco realised that the container branches can be extremely helpful in rolling out and managing the agent network.

This paper is first in a series of publications that we will be releasing on the container branches and their relevance for agent networks supporting the DFS implementations by banks.

In Mozambique, access to financial services is still remarkably low. The latest Finscope from 2014 found that only 20% of the population has access to formal financial services. Two of the three Telecom operators in Mozambique have launched mobile money services: M-Pesa from Vodafone and mKesh from mCel. Yet, they are still struggling to get to significant scale and as of now they claim to have close to 500.000 clients.⁷

As recently as 2014, the Bank of Mozambique amended the Banking regulations allowing

banks to use agents. Most of the commercial banks are still preparing to launch the pilots, and this is expected to accelerate the financial inclusion in country.

Container branches

Moza Banco was the first bank in Mozambique that was majority owned by Mozambicans and started operating in 2008 with a focus on private and corporate banking. Currently Moza Banco counts with 58 business units and almost 50.000 clients. The strategic plan of Moza Banco foresees to accelerate expansion of its branch network, optimize services, and diversify distribution channels by investing in innovative solutions and ultimately to increase its market share even in the mass market. To achieve this, they plan to roll out an extensive network of container branches and agents across Mozambique.



Image 1: Moza Banco Container Branch in an Informal Market in Maputo, Mozambique.

A container branch consists of the following: container, generator, ATM, security, required basic IT infrastructure and staff.. With these basic requisites the container branch offers most of the services a conventional branch provides. The container branches are located in large markets and are thus very convenient for small market vendors as well as market customers.

The value proposition for the customer is clear: instead of travelling miles and miles to reach the next bank branch to deposit their daily earnings or exchange their money without any security and at bad exchange rates with informal money exchangers, clients have a branch that fulfils their needs right at their doorstep.



Image 2: Mobile phone user in Mozambique.

Many clients even have other bank accounts but opened an account at Moza Banco because of the convenience. Other clients were reluctant to open a bank account because they found banks and bank branches to be intimidating. With the container branch in the centre of the market, they lose their fear as they see their peers banking. Moreover, bank employees of Moza Banco make it a point to walk the markets and inquire with the vendors also outside the branch. The physical banking branches right in the middle of markets as well as the direct customer contact create a lot of trust and acceptability.

While the value proposition for customers is definitely strong, the value proposition for the bank is equally robust as (a) it creates a strong presence and visibility in the area, (b) the cost is significantly lower and (c) it creates a touch point in the community which can be used for offering multiple banking products and also opens up a new market which is not serviced by other banks.

There are few challenges however. One of them is that even a container branch will need a minimum of customers to be sustainable in the long run. The typical clientele from such markets would like to be able to do small transactions daily, but these small transactions if too many will be difficult to handle by the small branch alone. To address this, Moza Banco plans to introduce agents in the communities who can handle these small transactions. This allows Moza Banco to reach more clients overall.



Image 3: Moza Banco Container Branch

Relevance of container branches for agent networks

As many examples around the world show, banking low-income clients is possible but not easy. Amongst one of the biggest obstacles is the lack of trust as banks appear intimidating and financial services are often unknown to the communities. Having a physical presence in the markets and in the communities is a great marketing tool for banks as they create trust. Moreover, the branches and agents complement each other perfectly. Whereas agents help the container branches to minimize transaction costs on small transactions and help to increase the customer base for the bank, the container branch can ensure initial business for the new agents in an area. Moreover, clients can access all banking products at the branches, whereas transactions at agents is limited to simpler transactions such as withdrawals and deposits, payment of bills and loans, etc.

While in a perfect world, agents would do enough deposits and withdrawals to always

balance their cash flow, in reality this is mostly not the case. On the contrary, agents also need banks in order to deposit their cash surplus and purchase float⁸ to be able to accept deposits. Distant bank branches often forces the provider to deploy so called “top-up” managers⁹ that “sell” e-value to the agents. Container branches which are located in the

agents vicinity can considerably reduce the operating costs of agent banking as agents can use these container branches to balance the liquidity requirements. The agent can balance his cash / e-value stock any time at the container branch, without having to leave his shop for a very long time.

Conclusion

While the container branches supported agent network model is still being established, we believe that this model can be instrumental in addressing some of the continuing challenges that banks are facing in DFS implementations. This will help to make the existing agent networks more sustainable and also the banks to be able to offer more complete banking services to the otherwise unbanked population.

In the next paper in series, we plan to discuss the customer and agent experiences on the container branches.

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⁴ Please refer to GSMA “2014. State of the Industry. Mobile Financial Services for the Unbanked. Accessible at: <http://goo.gl/lq5Xo7>.

⁵ <https://www.mozabanco.co.mz/pt/particulares>

⁶ <https://www.giz.de/en/worldwide/20434.html>

⁷ Data provided at “Financial Services for Rural Areas” conference in October 2014 in Maputo, Mozambique.

⁸ Float is a prepaid value. Agents need to buy “float” from the bank in order to be able to accept deposits.

⁹ Top-up managers outsourced to third-party agencies and sometimes also called master agents or super agents.