



Unlocking Growth: A Roadmap to Agency Banking 2.0

In collaboration with



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Global FinTech Perspectives

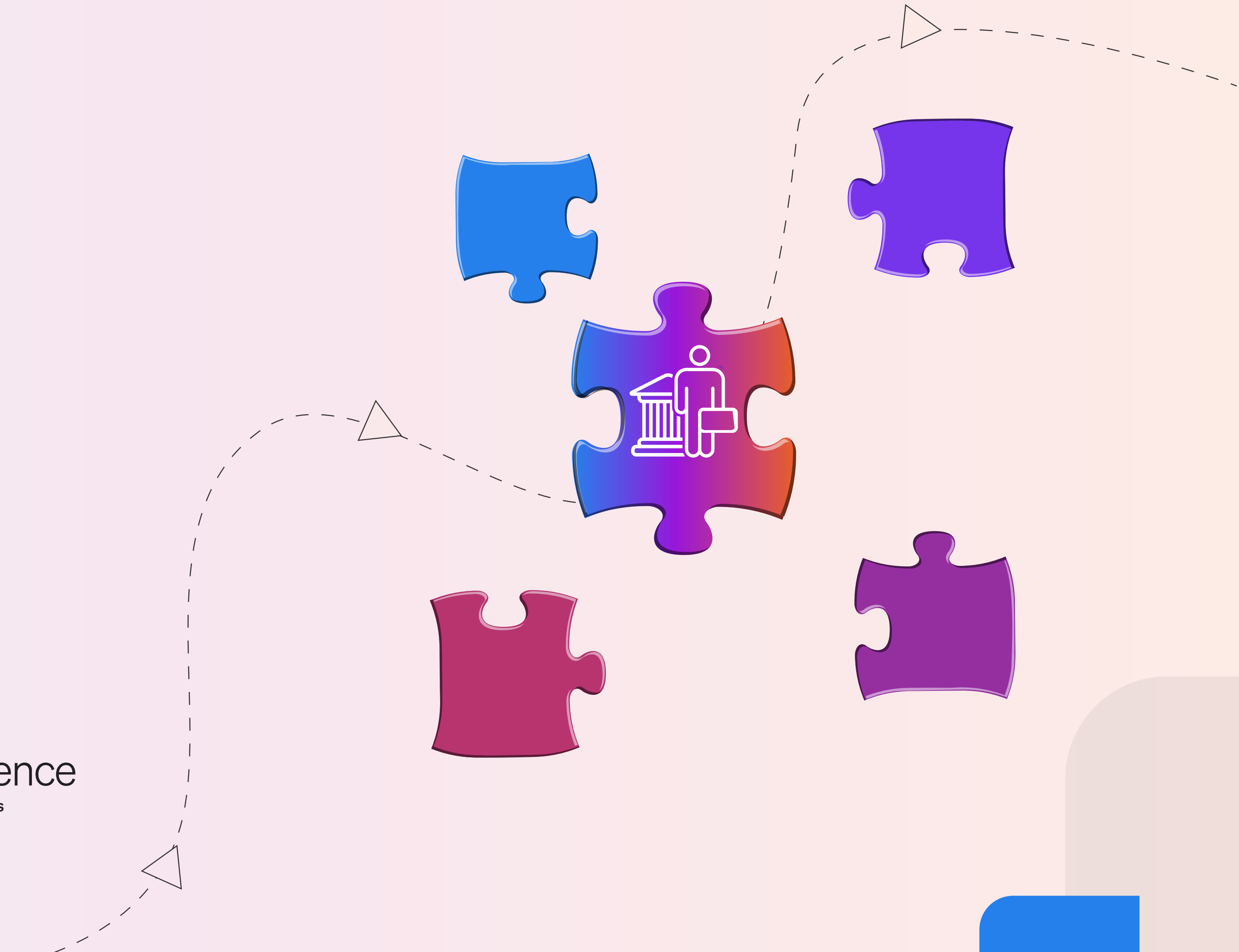


Table of Contents

1. Agency Banking	04
Bridging the Crucial Last-Mile Gap for Financial Services	
2. The Imperative for Upgradation of Agency Banking	09
Key Challenges Faced	
3. Agency Banking 2.0	13
Transforming Financial Services for the Underserved	
4. Future Outlook	24
The Way Forward for Financial Institutions	

Why Read This Paper?

Financial inclusion is essential for economic development, yet traditional banking systems are inadequate in reaching all populations. Agency banking provides a viable solution by empowering local businesses and professionals to function as banking agents, extending financial services to underserved communities. Agency banking is a vital component of inclusive financial strategies, and a cornerstone in the quest for universal financial access. This paper highlights the role of agency banking in addressing crucial last-mile connectivity, particularly in underserved and remote regions.

Yet, several pitfalls exist in current agency banking solutions that need to be addressed. The paper elucidates the necessity for an upgraded approach—Agency Banking 2.0. It outlines the strategic roadmap necessary for the modernization of agency banking and aims to illustrate how Agency Banking 2.0, through its transformative solutions, can bridge the financial inclusion gap, fostering an equitable financial ecosystem.



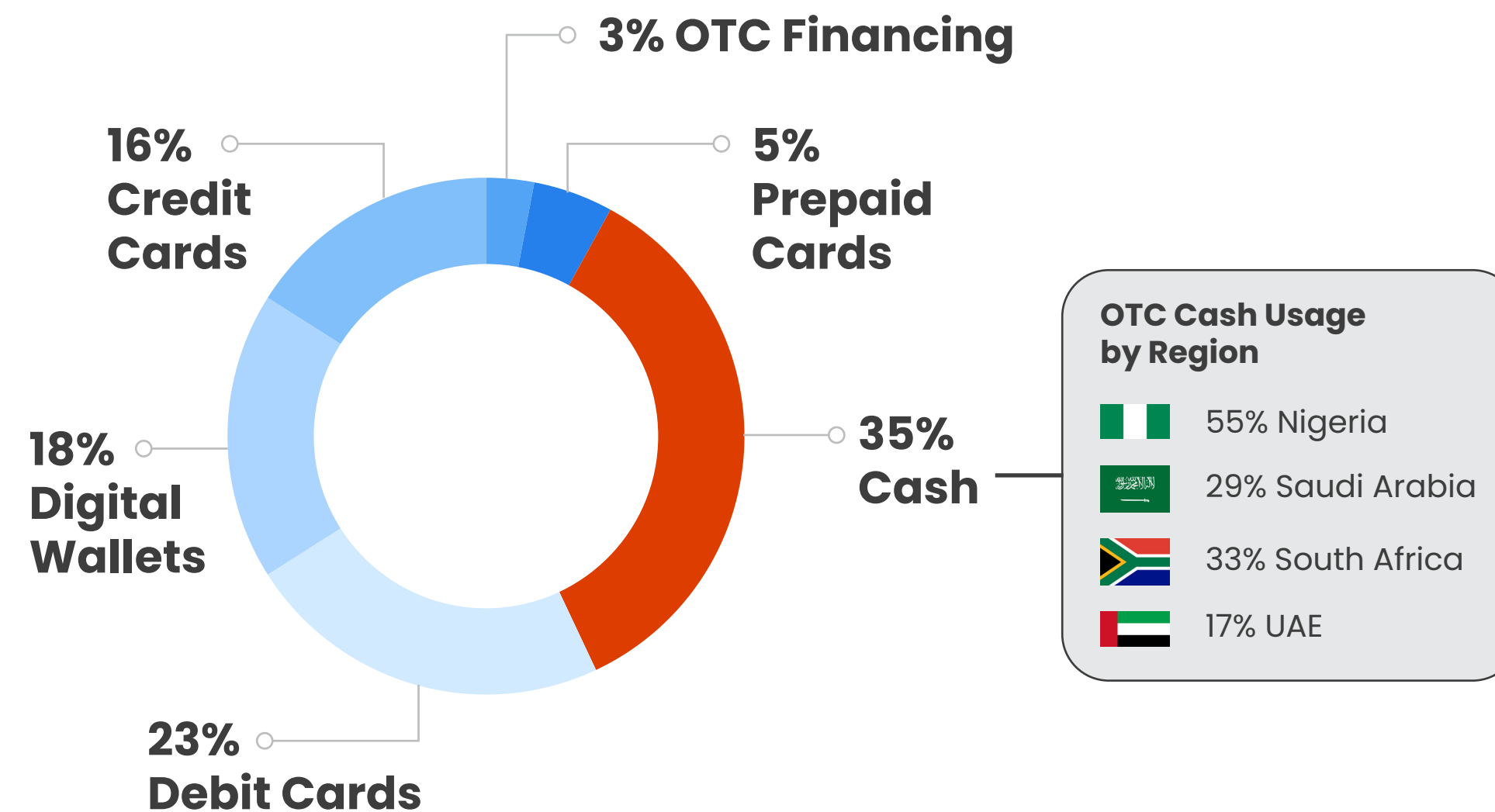
Agency Banking: Bridging the Crucial Last-Mile Gap for Financial Services

Financial inclusion has made notable strides in recent years, improving access to banking services for millions. Despite significant progress, a substantial portion of the world's population remains underserved.

'Cash is King': The Enduring Relevance of Physical Currency

While digital payments continue to advance, cash is still crucial in many economies, particularly in regions with low internet penetration and smartphone adoption. In Sub-Saharan Africa, for example, about 43% of over-the-counter (OTC) transactions are still conducted in cash, reflecting a continued reliance on physical currency.

Africa & Middle East
OTC payment
methods (2023)



Cash's dominance in Africa is rooted in a confluence of factors: a cultural preference for physical currency, distrust in the security of digital payments, and the prevalence of the informal economy, which accounts for nearly **83% of employment** in Africa, where cash transactions are the norm.

Traditional Banking Infrastructure Lacks the Scalability to Serve Everyone

Accessibility in rural and remote regions through traditional banking infrastructure remains a deterrent. Physical distance to branches and ATMs also deters rural and remote residents, requiring lengthy and costly travel to access services. This is more prominent in rural areas, where agriculture is the primary source of livelihood – farmers encounter significant challenges in traveling long distances to access financial service providers (FSPs).

The gap in financial access largely stems from the substantial costs associated with establishing and maintaining traditional banking infrastructure, particularly in regions that are characterized by low population density and considerable economic constraints.

For banks, the expenses related to building branches, staffing, and maintaining operations in these areas often outweigh the potential returns, making it challenging to serve these underserved populations effectively. Additionally, cash handling costs are substantial, especially in Africa. For instance, in Nigeria, these expenses can account for **25% to 40% of a bank's operational expenses**, primarily due to logistics, security, and processing fees.



~\$150,000 – \$250,000

Setting up a basic bank branch costs approximately 20–30 Mn Kenyan Shillings



~\$40,000 – \$50,000

Cost to set up an ATM is approximately 5–6 Mn Kenyan Shillings

Africa's Digital Divide: The Shortcomings of Mobile & Online Banking

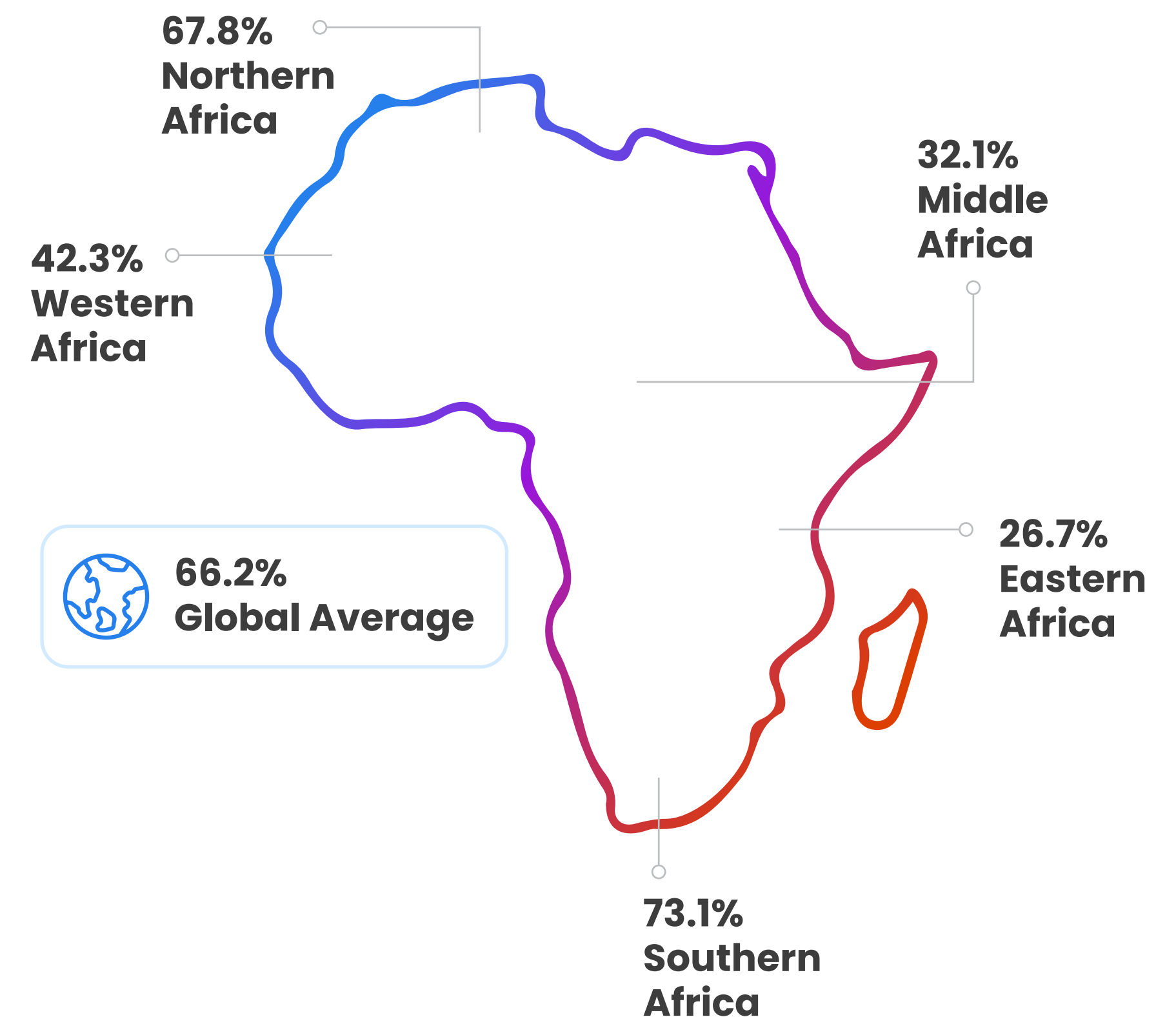
Digital and Mobile banking, while promising in other geographies in the world, faces its hurdles in Africa, particularly due to the lack of ubiquitous internet penetration. Internet usage figures in many regions in Africa are considerably lower than the global average.

Additionally, in some regions, high mobile internet costs pose a significant hurdle, with **1GB of data costing \$43.75 at an average in Zimbabwe** - leading both regional and global standings, followed by South Sudan at \$23.70, the Central African Republic at \$10.90, and Zambia at \$8.01, as of 2023. These prices are unaffordable for many, as they account for more **than 30% of the average monthly income** in these regions.

As of 2024, approximately **429 million people** in Africa live on less than **\$2.15 per day**, posing significant barriers to mobile phone affordability and limiting access to digital banking services.

Furthermore, limited financial literacy remains a major obstacle, with **less than one-third** of Sub-Saharan Africa's population being **financially literate**, compared to over 50% in OECD countries. This lack of financial knowledge hampers the effective adoption of digital banking and mobile platforms.

These impediments underscore the necessity of a model that bridges the gap left by traditional, digital, and mobile banking, ensuring accessible and equitable financial services for all.



Internet Usage in Africa

JANUARY 2024

Agency Banking: Bridging the Financial Inclusion Chasm

What is Agency Banking?

Agency banking enables financial institutions to empower local businesses to offer essential banking services, transforming them into mini-banking outlets. Through this model, residents can open bank accounts, deposit or withdraw cash, transfer funds, pay bills, and access statements at nearby businesses like grocery stores or small shops. Agents typically receive OTC terminals from banks or fintechs, often at a subsidized price of 15-20% of their actual cost, lowering entry barriers and facilitating their enrolment. The model operates as a game of scale, relying on high transaction volumes to recover the initial investment through fees generated by the agents.

Agency banking offers a convenient and accessible way for individuals to engage with financial services. Local businesses can act as agents for financial institutions, extending their reach without the need for expensive brick-and-mortar branches. This accessibility is crucial in regions where physical distance and transportation costs often deter individuals from utilizing banking services.

Definition

Agency Banking

Ag.en.cy Ban.k.ing

Noun

Enables banks to extend their services through third-party agents, often local businesses or individuals. These agents conduct transactions on behalf of the banks, allowing them to reach underserved and remote areas without establishing traditional branches.



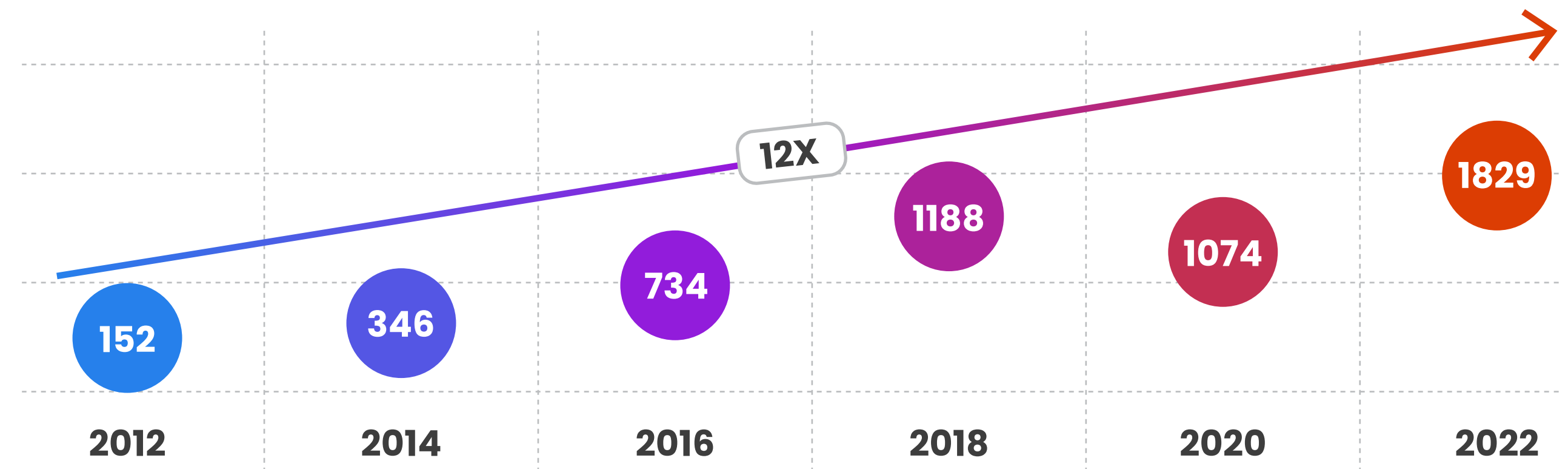
Although the necessity to visit a physical branch has diminished over time due to the digital aspect of banking, a considerable segment of the population continues to value the convenience of personal touch and trust provided by bank agents. This is where agency banking comes in to bridge the gap as the crucial missing link.

Head of Agency Banking in a Leading Nigerian Bank

While there was a surge in digital transactions and a decline in cash transactions during the COVID-19 pandemic, there was still a notable increase in agency banking adoption in recent years. This is underscored from the growth in cumulative transaction value from agency banking in Kenya, which surged from about **150 billion Kenyan shillings (~1.2 billion USD) in 2012 to above 1,800 billion Kenyan shillings (~14 billion USD) in 2022**, highlighting the model's success in the country.

Rapid Growth in Value of Transactions undertaken through Agency Banking in Kenya

In billion Kenyan shillings | 2012-2022



Agency banking not only brings banking services closer to the community but also provides the local businesses with an additional income stream and strengthens their connection to the community.

The Imperative for Upgradation of Agency Banking: Key Challenges Faced

The growth of agency banking in Africa has been remarkable, yet its initial iteration, what we refer to as Agency Banking 1.0, faces inherent challenges that limit its potential to achieve full financial inclusion. While Agency Banking 1.0 successfully extended basic financial services to previously underserved areas, its limitations in terms of scalability, efficiency, and adaptability to evolving market needs and technologies have become increasingly apparent.

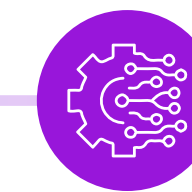


Africa is mature in agency banking, but many banks still struggle with reliable, scalable solutions. The industry needs platforms that are customizable, secure, and adaptable to changing regulatory requirements. Future agency banking solutions should enable banks to monetize the distribution network, cross-sell products, and ensure seamless integration with core banking systems.



Operational challenges

- Financial inaccuracies due to float, reconciliation and settlement
- Inefficient cash replenishment hindering agent performance
- Profitability pressures contributing to agent turnover
- Inefficiencies in manual onboarding process



Technological challenges

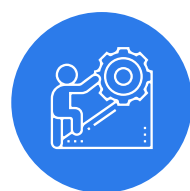
- Limited tech capacity in OTC terminals
- Platform scalability constraints
- Security and data protection concerns



Regulatory challenges

- Navigating complex regulations
- Inconsistent pricing and overcharging
- Gaps in AML/CFT detection

Challenges
faced in Agency
Banking 1.0



Operational challenges

Issue 1 | Financial Inaccuracies due to Float, Reconciliation, and Settlement: Float management challenges in agency banking can lead to financial inaccuracies, customer dissatisfaction, and operational inefficiencies. At the same time, discrepancies between credited and debited amounts make reconciliation difficult, impacting transaction reliability. Efficient reconciliation and timely settlement processes are crucial to prevent financial losses and maintain trust between banks, agents, and customers. Delays or inaccuracies in settlement, particularly in high-volume markets, can further exacerbate these challenges.

Issue 2 | Inefficient Cash Replenishment Hindering Agent Performance: Replenishment logistics remain a core challenge in agency banking. The cash replenishment process is frequently inefficient and time-consuming, forcing agents to endure prolonged waiting periods and for replenishment centers to make frequent trips to agents. This inefficiency results in substantial operational costs and adversely impacts service reliability, especially during peak transaction periods. Delays and disruptions in this process hinder agents' ability to provide seamless and timely services, affecting customer satisfaction and overall network performance.

Issue 3 | Profitability Pressures Contributing to Agent Turnover: Profitability remains a critical issue for agents within the agency banking sector. Depending on the region, agents are required to complete between 5 and 25 cash-in, cash-out (CICO) transactions daily to achieve breakeven. The constant pressure to meet daily transaction targets from banks, coupled with additional demands such as weekly goals for card issuance and bank account openings, significantly impact agent turnover. High turnover disrupts service continuity and undermines the stability of the entire network. Enhancing agent profitability is not just a financial imperative; it is essential for ensuring the long-term viability and reliability of agency banking services.

Issue 4 | Inefficiencies in Manual Onboarding Process: The current manual onboarding process for customers, particularly the KYC verification and documentation, poses significant challenges. This paper-based approach is not only time-consuming but also creates bottlenecks in the account opening process, slowing down the entire system. The inefficiency of these manual procedures limits the scalability of agency banking, making it difficult to onboard new customers quickly and effectively. The manual collection and forwarding of information and supporting documents are prone to delays and errors, further hindering the speed and effectiveness of account openings.



Technological challenges

Issue 1 | Limited Technological Capacity in OTC Terminals: Many agents operate with outdated OTC terminals, hindering their capacity to offer a full spectrum of financial services. These terminals often lack essential features such as real-time transaction tracking, robust security protocols, and seamless integration with modern payment methods. This reliance on basic technology results in slower transaction processing times, increased error rates, and a subpar customer experience.

Issue 2 | Platform Scalability Constraints: Existing agency banking platforms face significant challenges related to scalability, which restricts their ability to manage increasing transaction volumes and expand their network of agents. Connectivity and infrastructure issues, including poor network coverage and frequent power outages, further hinder the reliability of agency banking services. This limitation not only hampers growth potential but also affects the diversity of services that can be offered, ultimately undermining the overall effectiveness of the model.

Issue 3 | Security and Data Protection Concerns: The digitization of agency banking raises significant concerns about security and data protection. Global financial losses from cyberattacks are projected to escalate to approximately USD 8 trillion by the end of 2024, with an anticipated rise to USD 10.5 trillion by 2025, while Africa faced estimated losses of USD 10 billion in 2023, and Kenya incurred costs of around USD 383 million during the period. The increased risk of cyberattacks and data breaches, coupled with inconsistent security measures across agents and regions, underscores the need for robust encryption and secure transaction practices to maintain user trust and safeguard data.



Regulatory Challenges

Issue 1 | Navigating Complex Regulations: Navigating complex bank regulations and relying on manual, paper-based processes significantly hinder efficient service delivery. Cumbersome Know Your Customer (KYC) verification and regulatory requirements slow customer onboarding and increase the operational burden on agents, emphasizing the need for streamlined digital solutions. Adhering to constantly evolving regulatory frameworks, especially those related to data privacy and customer protection, is challenging. The complexity of these regulations, paired with manual compliance processes, makes maintaining operational efficiency and regulatory adherence difficult for agents.

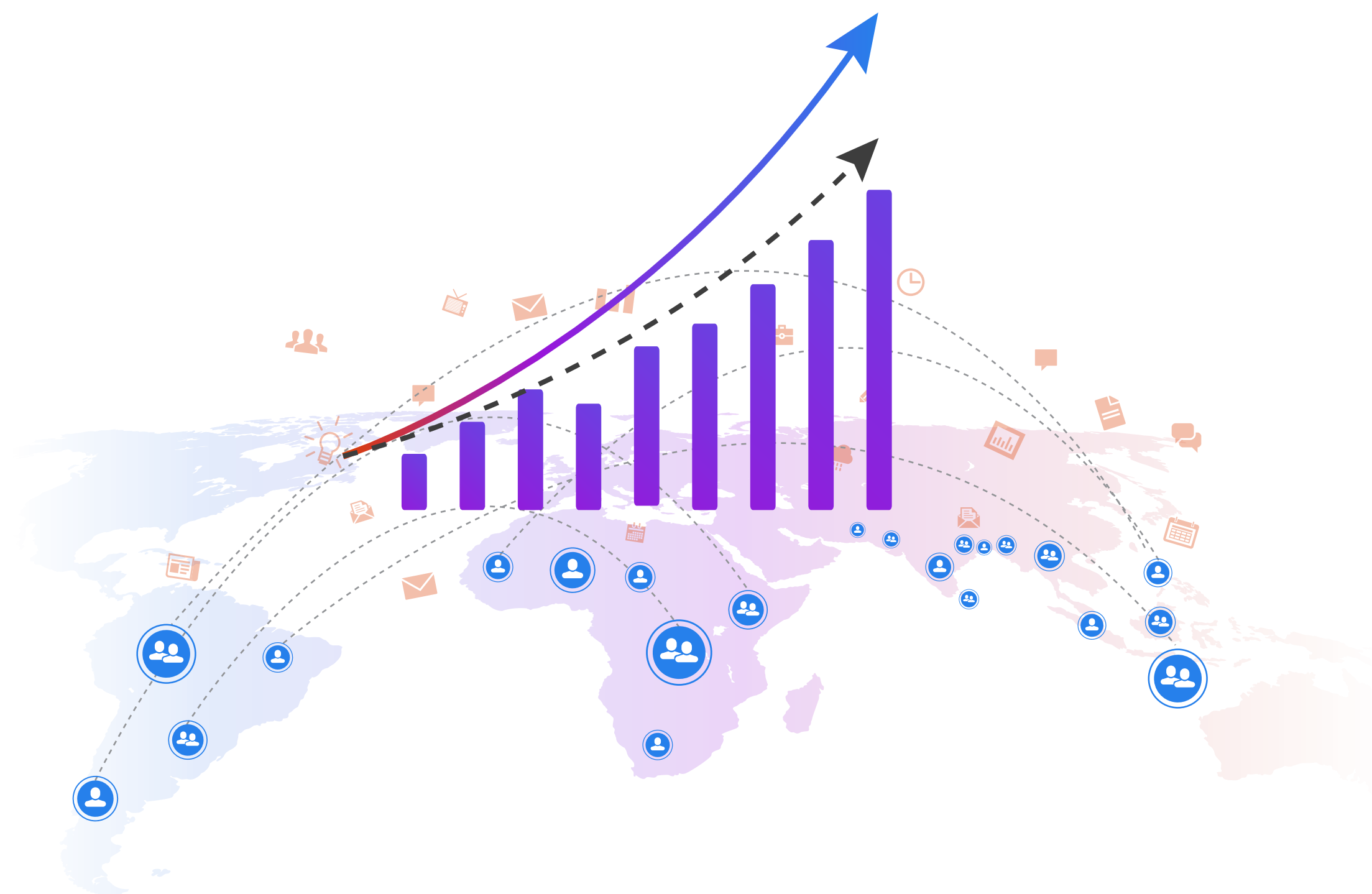
Issue 2 | Inconsistent Pricing and Overcharging: Despite regulatory caps on transaction fees, operational challenges arise when agents exploit situations like currency shortages to overcharge customers. For instance, during the recent Naira scarcity in Nigeria, agents charged up to 30% in fees, undermining regulatory limits and customer trust.

Issue 3 | Gaps in AML/CFT Detection: According to the Financial Action Task Force (FATF), several African countries are grey-listed having strategic deficiencies in their Anti-Money Laundering (AML) / Combating Financing Terrorism (CFT) regimes, making agent networks susceptible to illicit activities. AML and CFT regulations mandate comprehensive training programs for all staff, including those in rural branches and front-line positions like cashiers and account openers. The training should cover AML/CFT laws, risk assessment, customer due diligence, and suspicious transaction reporting. However, in rural areas, geographical isolation and resource limitations reduce access to training. Additionally, some regulations mandate quarterly compliance reports, adding a burden for agents with limited infrastructure.

Agency Banking 2.0: Transforming Financial Services for the Underserved



The present-day agency banking model focuses on extending basic banking services to underserved areas by empowering local businesses to act as banking agents. However, this model faces several limitations, including operational inefficiencies, lack of tailored financial products for agents, and minimal integration with broader financial services. These gaps necessitate the evolution to Agency Banking 2.0, which opens new opportunities through next-gen innovative solutions, thus enhancing the overall efficacy of agency banking networks.

Agency Banking 2.0 is an advanced iteration of agency banking that addresses the limitations of its predecessor by leveraging a suite of cutting-edge technological solutions, including but not limited to AI, real-time analytics, cloud computing, and microservices architecture, enabling a more dynamic and responsive banking ecosystem.





01. Innovative Approaches to Solving Operational Challenges

Issue 	Milestone 	How Agency Banking 2.0 Solves The Issue?
Financial inaccuracy due to float, reconciliation, and settlement	Leverage AI for efficient float management, reconciliation, and settlement	<ol style="list-style-type: none">1. Enable automated data matching and anomaly detection systems2. Employ intelligent exception management
Inefficient cash replenishment hindering agent performance	Optimize replenishment logistics using predictive forecasting, optimized routes, and dynamic pooling	<ol style="list-style-type: none">1. Utilize real-time data and AI for predictive cash demand forecasting2. Optimize replenishment schedules and routes3. Implement dynamic cash pooling and agent-to-agent liquidity sharing4. Implement Cloud-based liquidity management systems
Profitability pressures contributing to agent turnover	Enhance agent profitability through expanded services, performance incentives, and optimized commissions	<ol style="list-style-type: none">1. Expand the range of financial services offered by agents2. Introduce performance-based incentives3. Optimize commission structures
Inefficiencies in manual onboarding process	Digitize onboarding for efficiency and scalability	<ol style="list-style-type: none">1. Implement robust digital onboarding platforms with eKYC and OCR capabilities2. Integrate real-time document validation and compliance checks

Milestone #1

Leveraging AI for Efficient Float Management, Reconciliation, and Settlement

Addressing the issue of Financial Inaccuracy due to Float, Reconciliation, and Settlement

- 1. Enable Automated Data Matching and Anomaly Detection Systems:** Implementing AI-powered systems for automated data matching enhances the reconciliation process by swiftly identifying discrepancies across vast transaction datasets. Machine learning algorithms can analyze historical data patterns to recognize anomalies, allowing for real-time intervention and significantly reducing manual errors.
- 2. Employ Intelligent Exception Management:** Leveraging AI-driven suggestion engines facilitates intelligent exception handling by classifying transactions based on their likelihood of matching. This capability not only streamlines the reconciliation process but also empowers financial institutions to proactively address potential float issues, thereby enhancing operational efficiency and accuracy.

Milestone #2

Optimize Replenishment Logistics Using Predictive Forecasting, Optimized Routes, and Dynamic Pooling

Addressing the issue of Inefficient Cash Replenishment Hindering Agent Performance

- 1. Utilize Real-Time Data and AI for Predictive Cash Demand Forecasting:** By leveraging real-time transaction data and predictive analytics, banks can accurately forecast cash demand at different agent locations. This enables proactive replenishment planning, ensuring that agents have adequate cash reserves to meet customer needs without overstocking or facing shortages. Additionally, it proves to be a gateway to promote the services through targeted marketing campaigns in certain regions where demand is anticipated to be high.
- 2. Optimize Replenishment Schedules and Routes:** Utilizing data analytics and route optimization tools, banks can create efficient replenishment schedules and routes, minimizing travel time and costs for agents. This ensures timely cash availability and reduces service disruptions.

- 3. Implement Dynamic Cash Pooling and Agent-to-Agent Liquidity Sharing:** Implementing a dynamic cash pooling system, enabled by real-time data and AI, can optimize liquidity distribution across the network. Surplus cash from agents with lower demand can be efficiently allocated to those experiencing higher transaction volumes through agent-to-agent liquidity sharing, ensuring optimal resource utilization and minimizing liquidity shortages among agents. Liquidity sharing also acts as an alternate revenue stream as the process of delivery can be incentivized for the agent delivering cash.
- 4. Implement Cloud-based Liquidity Management Systems:** Implement a self-service, cloud-based application within the OTC or agent mobile phone to manage liquidity in real time, ensuring maximum consistency and accuracy in recording cash inflow and outflow. Automated notifications will alert agents when cash reserves are low, when a replenishment agent is within proximity, or when transaction demand surges are anticipated through real-time analytics.

Milestone #3

Enhancing Agent Profitability for a Sustainable Network

Addressing the issue of Profitability Pressures Contributing to Agent Turnover

- 1. Expand the Range of Financial Services Offered by Agents:** By enabling agents to offer a broader suite of financial products and services beyond basic cash transactions, such as insurance, loans, and bill payments, they can generate additional revenue streams and improve their overall profitability. Encourage agents to cross-sell relevant products to existing customers, capitalizing on established relationships and trust.
- 2. Introduce Performance-based Incentives:** Implementing a performance-based incentive structure that rewards agents for achieving specific targets, such as customer acquisition, transaction volumes, or customer satisfaction, can motivate them and improve their earnings potential. Reward programs also help boost overall morale and agent performance.

3. Optimize Commission Structures: Review and refine commission structures to ensure that agents are adequately compensated for their services. Consider tiered commission structures that incentivize higher transaction volumes or the sale of more complex financial products.



Agent networks are a reinstatement of the bank, and agent points can go beyond just being a 'cash-in, cash-out' location to become a point of cross-sell for banks that provide these services.

Ayobami Adegoke, Managing Director, Baines Credit MicroFinance Bank

Milestone #4

Digitizing Onboarding for Efficiency and Scalability

Addressing the issue of Inefficiencies in Manual Onboarding Process

- 1. Implement Robust Digital Onboarding Platforms with eKYC and OCR Capabilities:** Implement digital onboarding platforms that enable electronic capture and verification of customer information and documents. Utilize near-instant eKYC (electronic Know Your Customer) solutions that leverage technologies like facial recognition and fingerprint authentication to streamline the onboarding process with agility and reduce reliance on physical paperwork.
- 2. Integrate Real-time Document Validation and Compliance Checks:** Integrate automated document validation and compliance checks into the onboarding platform to ensure that all submitted information and documents meet regulatory requirements. This reduces the risk of errors and delays, speeding up the account opening process.



02. Innovative Approaches to Solving Technological Challenges

Issue →	Milestone →	How Agency Banking 2.0 Solves The Issue?
Limited technological capacity in OTC terminals	Upgrade to modern OTC terminals	<ol style="list-style-type: none">1. Upgrade to modern Android-based OTC terminals2. Implement robust security protocols3. Provide comprehensive training and support
Platform scalability constraints	Architect for scalability	<ol style="list-style-type: none">1. Upgrade to a cloud-based architecture2. Leverage microservices architecture3. Utilize containerization and orchestration
Security and data protection concerns	Strengthen security and data protection in agency banking	<ol style="list-style-type: none">1. Implement robust encryption and secure transaction practices2. Employ multi-factor authentication, including biometric authentication3. Conduct regular security audits and vulnerability assessments4. Provide security training for agents

Milestone #5

Upgrading to Modern OTC Terminals

Addressing the issue of Limited Technological Capacity in OTC Terminals

- 1. Upgrade to Modern Android-based OTC Terminals:** Replace outdated terminals with modern Android-based OTC devices that offer enhanced functionality, processing power, and connectivity. These devices support a wider range of payment methods such as QR-code-based payments, capabilities through a camera, in-built fingerprint scanner and NFC (Near Field Communication), and open possibilities for further financial services use cases, such as micro-insurance or micro-loans, thus proving to be a cross-revenue opportunity.
- 2. Implement Robust Security Protocols:** Ensure the new OTC terminals incorporate robust security protocols, such as encryption, tokenization, and multi-factor authentication, to protect sensitive customer data and mitigate the risk of fraud and data breaches.
- 3. Provide Comprehensive Training and Support:** Offer comprehensive training programs and ongoing support to agents to ensure they can effectively utilize the new OTC terminals and leverage advanced features to provide a seamless and efficient customer experience.

Milestone #6

Architecting for Scalability

Addressing the issue of Platform Scalability Constraints

- 1. Upgrade to a Cloud-Based Architecture:** Migrate the existing platform to a cloud-based architecture, leveraging the scalability, flexibility, and resilience of cloud infrastructure. This enables dynamic resource allocation, thus providing seamless handling of peak transaction loads and efficient scalability.
- 2. Leverage Microservices Architecture:** Adopt a microservices architecture to break down the monolithic platform into smaller, independent services. This enhances modularity, scalability, and maintainability, allowing for easier updates through additions of new features without impacting the entire system.

3. Utilize Containerization and Orchestration: Utilize containerization technologies like Docker and orchestration tools like Kubernetes to package and automate deployments efficiently across the network. This improves resource utilization, scalability, and portability, facilitating seamless management of the agency banking platform.

Milestone #7

Strengthening Security and Data Protection in Agency Banking

Addressing the issue of Security and Data Protection Concerns

- 1. Implement Robust Encryption and Secure Transaction Practices:** Utilize strong encryption protocols to protect sensitive customer data during transmission and storage. Adopt next-generation encryption algorithms like CRYSTALS-Kyber, designed for general encryption purposes, and CRYSTALS-Dilithium, SPHINCS+ and FALCON designed for digital signatures. These algorithms, standardized by NIST, offer robust protection against both current and future threats, safeguarding sensitive data and ensuring the long-term security and integrity of digital transactions. Where applicable, implement E2EE (end-to-end encryption) to ensure that only the sender and intended recipient can access the content of messages or transactions. This adds an additional layer of security by preventing even the service provider from accessing the data.
- 2. Employ Multi-Factor Authentication, including Biometric Authentication:** Employ multi-factor authentication, combining passwords, biometrics (fingerprint or facial recognition), and one-time passcodes, to add an extra layer of security for customer and agent access. Biometric authentication provides a convenient and secure way to verify identity at the point of service. Special-purpose tap-to-verify cards can be issued primarily serving the purpose of an additional point of authentication, further bolstering the security process.
- 3. Conduct Regular Security Audits and Vulnerability Assessments:** Conduct regular security audits and vulnerability assessments to identify and address potential weaknesses in the system.
- 4. Provide Security Training for Agents:** Implement learning modules facilitating security training for agents, including proper identification of customers, confidentiality of information, cash security, record keeping, and financial education, to ensure they are aware of best practices and potential threats. Ensure that refresh training sessions occur at regular intervals.



03. Innovative Approaches to Solving Regulatory Challenges

Issue →	Milestone →	How Agency Banking 2.0 Solves The Issue?
Navigating complex regulations	Streamline compliance through digital solutions	<ol style="list-style-type: none">1. Implement automated mini-KYC checks2. Create regulatory sandbox environments for innovation and testing3. Utilize automated compliance monitoring and reporting tools4. Provide regular training and updates for agents on regulatory changes
Inconsistent pricing and overcharging	Ensure transparent pricing and fair practices	<ol style="list-style-type: none">1. Implement stricter enforcement of regulatory caps on transaction fees2. Mandate transparent pricing structures and fee disclosures3. Conduct customer education and awareness programs
Gaps in AML/CFT detection	Enhance AML/CFT training and awareness	<ol style="list-style-type: none">1. Develop online training modules and resources2. Provide simplified training materials and local language support3. Collaborate with local NGOs and community organizations4. Adopt a risk-based approach to combat bad players through analytics

Milestone #8

Streamlining Compliance through Digital Solutions

Addressing the issue of Navigating Complex Regulations

- 1. Implement Automated Mini-KYC Checks:** Adopt automated mini-KYC check solutions that leverage technologies like OCR (Optical Character Recognition), facial recognition and biometric technology for faster and more accurate customer verification at regular intervals and ensure that the OTC system is equipped with the necessary capabilities to support these technologies effectively.
- 2. Create Regulatory Sandbox Environments for Innovation and Testing:** Encourage the creation of regulatory sandbox environments where banks and fintech companies can test innovative solutions and business models in a controlled environment under regulatory supervision. This fosters innovation, open communication and collaboration between banks, regulators, and fintech companies to develop a more conducive regulatory environment for agency banking.
- 3. Utilize Automated Compliance Monitoring and Reporting Tools:** Implement automated compliance monitoring and reporting tools that leverage AI and machine learning to track regulatory changes, identify compliance gaps, and generate real-time reports. This reduces manual effort, improves accuracy, and enables proactive compliance management.
- 4. Provide Regular Training and Updates for Agents on Regulatory Changes:** Provide ongoing training and updates to agents on evolving regulatory requirements. This ensures that they are equipped with the knowledge and tools to maintain compliance and protect customer data effectively.

Milestone #9

Ensuring Transparent Pricing and Fair Practices

Addressing the issue of Inconsistent Pricing and Overcharging

- 1. Implement Stricter Enforcement of Regulatory Caps on Transaction Fees:** Implement robust monitoring and enforcement mechanisms to ensure that agents adhere to regulatory caps on transaction fees. This involves regular audits, mystery shopping exercises, and clearer penalties for non-compliance.

- 2. Mandate Transparent Pricing Structures and Fee Disclosures:** Mandate clear and transparent fee disclosures to customers before any transaction is processed. This can be enabled through displaying the fees on the OTC, or through an advanced sound-box narrating the fee disclosure, empowering customers to make informed decisions and reducing the risk of overcharging.
- 3. Conduct Customer Education and Awareness Programs:** Conduct customer education programs to raise awareness about regulatory fee caps and their rights as consumers. Empower customers to report any instances of overcharging through a sound-box with a built-in mechanism to report issues through a simple click of a button, creating a feedback loop for continuous improvement and enforcement.

Milestone #10

Enhancing AML/CFT Training and Awareness

Addressing the issue of Gaps in AML/CFT Detection

- 1. Develop Online Training Modules and Resources:** Develop engaging and accessible online training modules and resources that agents can access anytime, anywhere. Utilize interactive elements, videos, and quizzes to enhance learning and retention.
- 2. Provide Simplified Training Materials and Local Language Support:** Provide simplified training materials that are easy to understand and implement. Translate materials into local languages to ensure comprehension and accessibility for agents in rural areas.
- 3. Collaborate with Local NGOs and Community Organisations:** Partner with local NGOs and community organizations to facilitate training delivery and support. Leverage their existing networks and infrastructure to reach agents in remote areas and provide ongoing support and guidance.
- 4. Adopt a Risk-Based Approach to Combat Bad Players through Analytics:** Adopt a risk-based approach focusing on higher-risk agents through analytics. This allows for more targeted and efficient oversight, optimizing resource allocation and minimizing disruption to compliant agents.

Future Outlook: The Way Forward for Financial Institutions

Unlocking the full potential of Agency Banking 2.0 requires a unified strategy where financial institutions, fintech companies, and government bodies operate in concert. For financial institutions, the opportunity lies in leveraging their solid infrastructure and regulatory expertise to anchor secure, compliant transactions. Fintech companies, on the other hand, bring agility and innovation, offering advanced technology that drives efficiency and scalability. Government involvement is equally crucial, as the regulatory framework they provide not only ensures security but also promotes financial inclusion. Together, these sectors can establish standardized protocols and shared resources, creating a collaborative ecosystem that solves the financial challenges faced by underserved communities.

For banks to stay competitive and capitalize on Agency Banking 2.0, investing in strategic partnerships with fintech firms is essential. These alliances allow financial institutions to integrate cutting-edge technological solutions into their operational models, enhancing both adaptability and efficiency. As transaction volumes rise and agent networks expand, scalability and interoperability will be key factors in maintaining seamless operations. This shift towards technology-driven operations ensures that banks remain not only agile but also responsive to market changes, while maintaining high service quality and reliability. The focus on innovation enables banks to remain at the forefront of financial inclusion efforts, setting the stage for long-term growth.

Beyond technology, building deeper, more meaningful relationships with local agents and merchants forms the backbone of a successful agency banking strategy. These partnerships are more than just distribution channels—they foster trust within communities, extend banking services into remote areas, and elevate brand loyalty. Empowering these partners through financial literacy and inclusion initiatives not only strengthens engagement but also drives sustainable growth across the financial ecosystem. The key lies in shifting from transactional strategies to holistic, community-driven approaches, ensuring that the future of banking is inclusive, accessible, and deeply integrated into the fabric of underserved populations.

The future of agency banking is bright, with the potential to revolutionize financial access and inclusion across the globe. It is time for banks to take decisive action, lead the charge, and create a more inclusive and prosperous financial landscape for all.

About MobiFin

MobiFin is a unified digital banking and payments platform that believes in the power of innovation to redefine the future of banking and fintech. It was founded two decades ago as part of Panamax's financial technology arm and is a 100% subsidiary of Bankai Group. With a marvelous blend of a strong core platform and ready-to-go applications, MobiFin enhances customer experiences for 200+ leading financial institutions across the globe.

