Scale 2Save

Savings and Retail Banking in Africa

A case study on connecting with low-income customers through digitalisation

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WSBI

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Glossary

- API Application program interface
- ATM Automatic teller machine
- CAGR Compound annual growth rate
- CBG Consolidated Bank of Ghana
- FSP Financial service provider
- KYC Know-your-customer
- MSME Micro, small and medium-sized enterprise
- POS Point-of-sale

1. Executive summary

Digitalisation is revolutionizing the way industries conduct their business, but above all the ways in which they interact with their customers and suppliers. In many developed countries, financial service providers have progressively digitalised their operations in step with the spread of Internet access and tablet and mobile phone ownership. The spread of mobile phones in Africa over the past two decades enabled the development of new forms of mobile transactions. But now digitalisation of African financial service providers is entering a new phase, as widening use of mobile phones to access the Internet enables the roll-out of profitable digital services for low-income customers.

The question confronting many executives in financial services is not whether they should go digital – but rather, how best to digitalise my institution? This set of case studies draws upon management consulting literature to assess digitalisation strategies in a pragmatic way. This is followed by an assessment of three leading African FSPs against this framework to highlight how each has gone about driving digitalisation within its institution. This framework includes assessing whether the institution has:

- Invested in leveraging data analytics
- Enhanced customer experiences through digitalisation
- Fostered Innovation to support digitalisation initiatives
- Leveraged modern technologies
- Upgraded systems and processes to make space for a digital approach
- Aligned leadership and culture for the digital future
- Aligned with national initiatives and policy – particularly for digital inclusion.

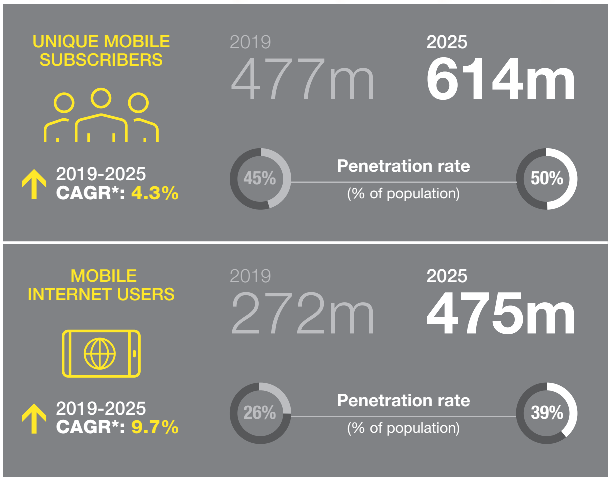
After comparing successful initiatives in Africa against this framework, these case studies point to a set of lessons for industry leaders. These are:

- Digitalisation is the dominant transforming force in financial services today, hastened by the Covid-19 pandemic. The process is evident in FSPs across all market segments and product types and classes.
- Digitalisation is multi-faceted and best pursued as part of a gradual, broader long term strategy.
- Successful FSPs make a strategic decision about their market position and product range and do not necessarily try to be all things to all customers – especially at the outset of their digitalisation journey.
- Customers are at the centre of successful digitalisation initiatives.
- Successful FSPs realise that their organisations are part of an ecosystem that includes financial regulators, other FSPs, and non-financial providers active in the ecosystem, and actively seek cooperation with other actors, particularly as banking increasingly becomes platform-based.

2. Introduction

This case study is the fourth in the State of the Savings and Retail Banking Sector in Africa research series commissioned by WSBI. This series focuses on financial services for low-income customers. Earlier reports are: Covid-19 Impact (2020); Mobile Solutions (2021) and Innovative Business Models (2021).

According to the Gartner Group, "digitalisation is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business". It is the complete end-to-end process of optimising, digitising, and linking processes and activities within an FSP, and is typically data-driven.



Source: GSMA (2020), The Mobile Economy Sub-Saharan Africa 2020.

** Compound Annual Growth Rate (CGAR)*

Digitalisation is among the most powerful forces driving change in the financial services industry in Africa, as elsewhere. The social and economic consequences of the Covid-19 pandemic have accelerated this underlying trend significantly. Until recently many Africans lacked devices to access the internet and infrastructure was poor. But now widespread use of mobile technology is driving digital access on the continent, which now has more mobile subscribers than the United States or Europe. Further strong growth is forecast.

The rapid spread of internet access to all sections of the population offers financial service providers varied paths to greater digitalisation. Meantime, new challengers, typically technology-driven, are entering the financial services market, intensifying competition, including for customers in the low-income segment.

These dynamics have driven incumbent financial service providers (FSPs) to develop or adopt different business models to protect their market position and to seize the new opportunities they offer. In an earlier study[1] we examined the most important emerging business models. This new study focuses on how FSPs have used various aspects of digitalisation in their businesses to strengthen their competitive position, and to enable them to serve the low-income market more effectively.

As part of the State of the Savings and Retail Banking Sector in Africa research series, this study aims to inform FSPs about developments in the industry affecting services to low-income customers, and provide examples of good practice.

1 https://www.wsbi-esbg.org/SiteCollectionDocuments/S2S-Case-study-on-innovative-business-models%20FINAL.pdf

3. Digitalisation in African banking

Banking executives everywhere are focused upon the digital transformation of their institutions. More than 75% of respondents to a recent global survey of banks of all sizes said that digital banking transformation is a top priority[2]. The specifics differ from institution to institution, depending upon their current market engagement strategies, digital capabilities, and organisational structure and culture. But the major components to consider in this transformation are shown below[3].

Figure 1 - The 7 essential components of digital transformation success

Become a data and analytics leader	Enhance consumer experiences	Foster innovation	Leverage modern technologies	Upgrade systems and processes	Reskill workforce
Align leadership and culture for a digital future					

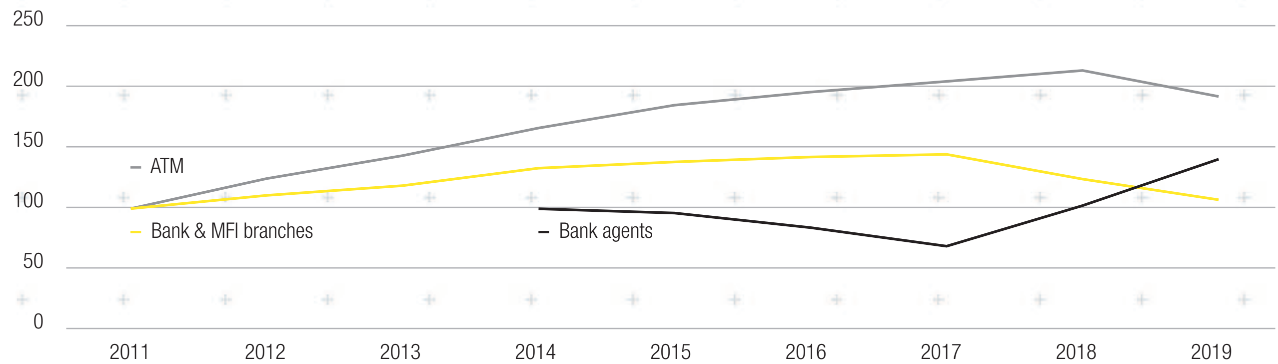
Source: Efma Infosys, Innovation in Retail Banking 2020

Historically, banks in Africa tended to adopt relatively conservative strategies, but digital transformation is starting to feature in their current engagement and planning. During the past decade banks in Africa have concentrated on extending their digital delivery capability. A 2020 survey of banks in Africa found that banks are still developing their digital and mobile banking focus [4].

> *"Successful banks will embrace emerging and disruptive technologies and shield themselves from disruption and competition. They will invest in research and innovation, at the channel and product development levels, and leverage technological disruptions to execute on the findings of their research."*[5]
>
> Dr. James Mwangi, the CEO of Equity Group

The development of digital distribution capabilities in banking in Africa coincided with the growth of mobile money and the associated proliferation of mobile money agents. As a consequence of these developments, fewer branches are being opened, and in some countries, branches are closing. That is also true of automatic teller machines (ATMs). Financial service industry trends in Zambia, shown below alongside an upswing in (non-mobile money) banking agents, are typical.

Graph 1 - Indexed growth of banking distribution channels in Zambia



Source: IMF FAS (2020). The figures have been indexed (base = 100) to the first year's data

2 Efma Infosys (2020), *Innovation in Retail Banking 2020*
3 Ibid
4 EIB (2020), *Banking in Africa: financing transformation amid uncertainty*
5 PWC (2019), *East Africa Banking Survey 2019*

Meantime, the number of mobile money agents surged on average by 87% a year to reach 15,234 in 2019. Mobile money is an essential element in the take-up of financial services. But because it does not meet all the financial needs of consumers, the active use of mobile money and the resulting revenue streams are often disappointingly low. Since African banks have relatively few branches and cash machines, digitalisation provides an opportunity to reach more customers with a wider range of financial services in low-income markets.

Banks in Africa must focus on customers and ensure that their service offerings fit the preferences of important groups of customers. These preferences are becoming more diverse and to meet them will require increased internal capacity. Banks must design their digital products and services to satisfy the expectations of these consumers.

"Banking is increasingly becoming a lifestyle, considering the technological innovations and shifting consumer attitudes, especially among young people. In another ten years, most of the millennial generation will have moved towards their thirties or forties and this means that they will have more spending power.

This group is technologically savvy and considers convenience to be more important than a brand. Retail banking will have to innovate and offer convenience, with an emphasis on the diversification of alternative banking, so as to capture and retain this dynamic group of customers."[6]

Abdulmajid Mussa Nsekela, Managing Director, CRDB Bank

Digitalisation can improve the customer experience and increase customer access to relevant products and services. It can also support frictionless know-your-customer (KYC) processes and reduce operational costs. Digitalisation opens up new ways of serving the low-income market in Africa (and elsewhere). It positions the organisation to explore opportunities for cooperation with other service providers, because it enables information, processes, and customer interactions to be more easily shared and integrated, and makes it easier to establish appropriate risk and governance structures.

A well-structured digitalisation can make it possible to offer new services or improve existing ones. For example, financial service providers should keep in mind that digitalisation is an essential element in establishing an efficient agricultural value chain. It is also important to get the right expertise and partners, and create the right structures and procedures. Because farmers are a large segment of the population in many African countries, and a cornerstone of many economies, it is important to tailor financial products to the specific transaction and financing needs of farmers and other economic actors and to provide business support to farmers[7].

"People generally transact more and more through digital channels. The customer experience on our digital channels is therefore crucial. At the Bank of Kigali, we keep the customer experience in mind when we design digital solutions because we know that experiences on our digital channels are now just as important as experiences at our physical branch locations."

Dr Diane Karusisi, CEO, Bank of Kigali

6 PWC (2019), *East Africa Banking Survey 2019*
7 EIB (2020), *Banking in Africa: financing transformation amid uncertainty*

4. The Eight Components of Digital Transformation Success

In *Innovation in Retail Banking 2020*, Efma Infosys provides a checklist of the components of successful digital transformation. We have added an 8th dimension, alignment with national policy, given the importance of this factor in developing successful products across the continent - especially for Government to Person payments. Below we outline our interpretation of these rules and suggest how to develop an appropriate digital ecosystem. It is against this framework that we assess some African digital transformations to derive appropriate guidelines for consideration by African FSPs.

Overview of the essential components[8]

1. Become a data analytics leader.

Data analytics leadership is achieved when data and analytics are used to support broader strategies within the FSP. Successful use of analytics can deliver an outstanding customer experience, can provide personalised engagement, can improve security and privacy, and can boost productivity and profitability.

2. Enhance customer experiences.

The more customers interact with digital platforms within and beyond the financial sector, the greater their expectations of the digital experience become. Social media is a benchmark, using advanced algorithms to engage users with content that is highly relevant to them: this targeted digital experience is the norm that customers now expect.

3. Foster Innovation.

Technology and access to it are not sufficient of themselves to foster innovation. Corporate leadership and culture are critical to leveraging technology for innovation. Digital technologies provide an opportunity but to seize it, and to change processes and solutions, people within the organisation need an innovation mindset.

4. Leverage modern technologies.

To achieve effective digitalisation, the culture of innovation must be built upon a sound technology base. Organisations must understand what customers can – and cannot – do online or via their phone, and try to cater to different audiences via different technologies.

5. Upgrade systems and processes.

Overcoming the constraints of legacy systems is important for digital transformation and typically happens incrementally. Processes must be rethought from the perspective of digital delivery. This requires a focus on the customer experience and goes beyond the user interface to ensure that all processes in the FSP make interactions quick and easy.

6. Reskill workforce.

Digitalisation requires new skills of the workforce. Though some can be obtained by hiring, FSPs must provide all of their staff with the skills necessary for digital transformation through training and encouraging staff to work across functions.

7. Align leadership and culture for the digital future.

The six essential components for digital transformation detailed above are enablers. But the company's leaders must drive the development of a digital culture throughout the organisation – from the training staff through to encouraging the adoption of new technologies.

8. Align with national initiatives and policy.

Being aware of and engaged with the financial ecosystem is critical, particularly in Africa. A strong understanding of national initiatives to develop digital access or financial inclusion can assist an organisation's digital transformation and ensure it is successful in its national environment.

8 Points 1-7, Efma Infosys (2020)

4.1. Al Barid Bank – Morocco

Al Barid Bank provides a model case study of the application of the essential components of digital transformation success. All eight components are evident in the digital development of Al Barid Bank. However, it stands out for the consistent development of its digitalisation journey in harmony with the national financial inclusion framework of the Central Bank of Morocco, and for creating a dedicated system and framework within which to push the initiative forward.

ABB's checklist of the components of successful digital transformation

Data analytics leader	Foster Innovation	Upgrade systems and processes	Align leadership for digital future
Enhanced customer experience	Leverage modern technologies	Reskill workforce	Align with national initiatives and policy

- Strong
- Exceptional

a. Origins and digital development of Al Barid Bank

Al Barid Bank was established in 2010 as a subsidiary of Poste Maroc to provide banking services to the people of Morocco, building on the Poste's long-standing banking activity. Since its inception, Al Barid Bank has been a key player in financial inclusion in the country. Its first major innovation was the mobile banking service Barid Bank Mobile (BBM), which currently has 1.8 million users.

The bank created a subsidiary, Barid Cash, in 2014 to provide a flexible solution to its customers' payment needs. Barid Cash has been recognised as a payment service provider by the central bank, Bank Al-Maghrib, since 2018. By June 2021, some one million Barid Cash payment accounts had been opened.

Barid Cash has also developed a mobile m-Wallet payments service, allowing customers to pay using their mobile phones. The wallet is linked to a payment account or a bank account and allows digital processing of payments at merchants, as well as money transfers and cash withdrawals and deposits. This payment service has also been designed to meet the needs of merchants. A mobile app, Barid Pay, was launched in 2019 and now forms part of the Barid Cash payment account offer. This provides a simple and secure mobile capability with multiple payment features, accessible in French and Arabic.

From the outset, Al Barid Bank has taken a strategic approach based on financial inclusion and digital capabilities. This has allowed the bank to structure its market engagement systematically, progressively adding capabilities.

Like the core bank's digital transformation, the digital evolution of Barid Cash has followed guiding principles, outlined below, which have been key to the success of Barid Cash and its related products. These principles – though worded differently – have been the guiding star for the digital transformation at Barid Cash and cover several of the elements outlined in the innovation checklist outlined on page 7, such as process transformation and the use of modern technologies.

The guiding principles of Al Barid Bank and Barid Cash

- **The development of remote banking (mobile and digital banking)** - This involves a continuous effort to develop services and use remote channels.
- **Process transformation** - Overhauling operational processes to achieve them digitally, in the best way possible.
- **Innovation** - Constantly monitoring, identifying and testing new avenues for digital banking.
- **Advancing a culture of digitalisation in the bank** - Changing to a digital culture within the bank through training and seminars.
- **Becoming a digital factory** - Adopting a project organisation model based on an agile approach that allows for rapid development and prototyping of new products and ways of doing things.
- **The development of point-of-sale (POS) payments and e-commerce** - This involves grasping developments in merchant payments (such as the use of QR codes) developing new partnerships to enrich e-commerce, and embedding these within communities and MSMEs.
- **Development of transactional devices** - Enriching payment services on ATMs; developing self-service spaces within branches and using multifunctional ATMs to make more services available within communities.

b. Al Barid Bank today

Al Barid Bank has grown substantially over the past decade, powered by its consistent strategy and market focus. It is the largest bank by number of customers in Morocco (with a 25% market share), has the most mobile accounts (1.8 million), and is the second-largest issuer of bank cards (with a 22% market share).

Its focus on going digital has produced measurable results:

- Digital payments have grown from 2% of transactions in 2016 to 29% of transactions in 2021.
- Digital transaction volumes surged 140%, from 2019 to 2021.
- Digital banking helped the bank and its customers to continue making financial transactions despite the Covid-19 pandemic. The growth of digital transactions is continuing: in the first five months of 2020 digital transaction volumes rose by 80%.
- The bank supported this shift in customer behaviour by deploying more staff to handle customer needs, extending the availability of its Customer Relations Centre and offering tutorials for customers who were new to digital technology. This shows the bank's commitment to providing an enhanced customer experience through digital interactions.

Al Barid Bank has been working with and supporting major policy initiatives of the Moroccan central bank by:

- Supporting and implementing the National Financial Inclusion Strategy. As the largest bank by customer numbers, Al Barid Bank is a major implementation agent of this strategy.
- Barid Cash and its digital payment projects are part of the central bank's National Mobile Payment Project, an element of the national strategy of financial inclusion.
- The central bank is striving to ensure interoperability for all payment types. As a leading provider, Al Barid Bank is a key partner in implementing interoperable payments.

c. Focusing for the future

The use of mobile payments by MSMEs is still too low for them to be essential elements in the mobile payment ecosystem. This matters, because most consumers transact with MSMEs, so their preference for cash or other payment methods constrains growth of digital payments. Al Barid Bank and Barid Cash are now working to make its payments products more attractive to MSMEs and recruit more to its payments network.

Al Barid's digital journey shows how it intends to align leadership and culture for a digital future. It focuses on the essential components for digital transformation, especially in preparing the institution for the society of tomorrow by fostering innovation, leveraging modern technologies, upgrading systems and processes, and reskilling the workforce.

Al Barid Bank takeaways

- Successful development of a digital strategy and digital transformation requires focus on the selected market segments and a consistent strategy.
- Any changes in organisational structure to facilitate digitalisation should be implemented, such as the creation of a separate entity - i.e. BaridCash.
- Working with the regulator can assist both the financial service provider and the development efforts of the regulator.
- Some customers need support during the digital transition, like that provided by Al Barid Bank during the COVID-19 pandemic, which pushed many customers into the digital space because of lockdowns and social distancing measures.

4.2. Equity Bank – Kenya

Equity Bank provides a prime example of a bank where leadership and culture have aligned for a digital future. The bank began its technological shift in 2004 with major innovations in mobile and online banking. It has continued this drive for digital – or what it now calls virtualization – with a core strategy focused on "turning Equity Bank from somewhere you go to something you do"[9].

Equity Bank's checklist of the components of successful digital transformation

Data analytics leader	Foster Innovation	Upgrade systems and processes	Align leadership for digital future
Enhanced customer experience	Leverage modern technologies	Reskill workforce	Align with national initiatives and policy

Strong
Exceptional

a. Origins and growth of Equity Bank

Equity Bank grew out of the Equity Building Society[10], a limited range FSP that was declared technically insolvent by the Central Bank of Kenya in 1992. The FSP had mounting losses and a limited base of 12,000 customers. Equity Bank's CEO, James Mwangi, took over management of the struggling entity and started a transformation process that is continuing.

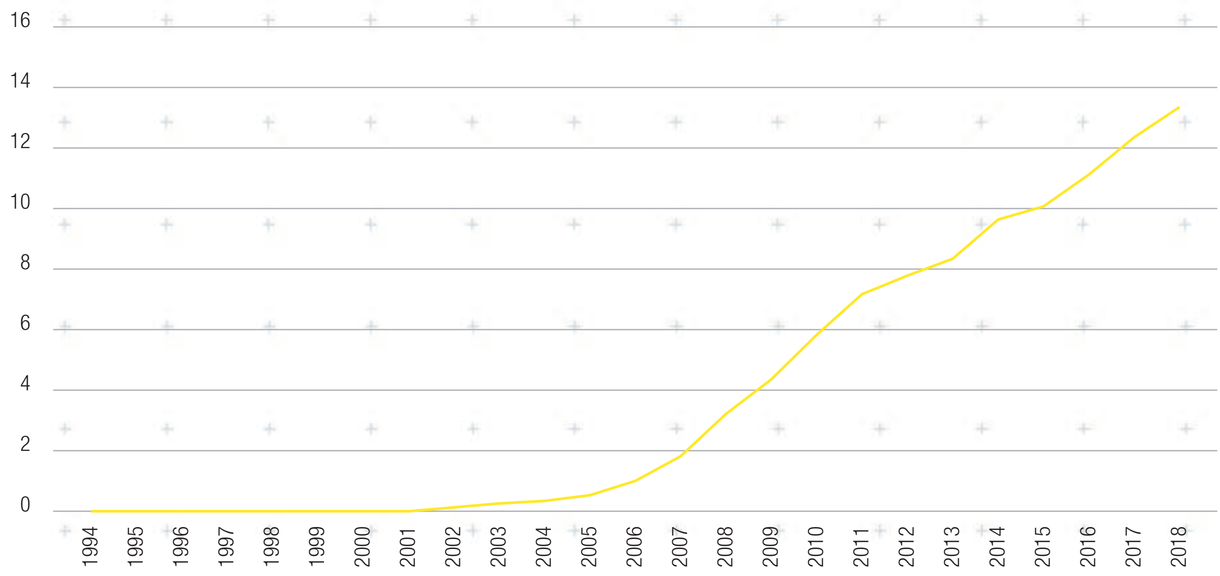
The building society became a micro-finance-focused enterprise in 1996. In 2004 the enterprise was renamed Equity Bank, bringing a customer-centric approach to the mass-market. Digital delivery became central to the bank's approach, and it was a pioneer in offerings online and mobile banking. The bank digitalised and fostered innovation within its organisation.

This led to the establishment of Equitel[11], a virtual mobile network operator, within the Equity group. The current approach uses a platform-based ecosystem model, with a continuing focus on the disruptive power of emerging technologies. The consistent growth of customer accounts is shown below.

9 Equity Group (2019), *From Humble Beginnings to Market Leader*
10 Ibid
11 https://www.theafricareport.com/11255/kenyas-equity-bank-relies-increasingly-on-digital-services/

Equity has expanded across East Africa, opening branches in Uganda, Tanzania, Rwanda, South Sudan, and the DRC. A holding company, Equity Group, was established in 2019.

Graph 2 - Equity group customers (millions)



Source: Equity Group (2019), From Humble Beginnings to Market Leader

b. Equity Bank today

Equity Bank serves all segments of the consumer and small enterprise market, retaining a focus on the low-income segment. It is currently concentrating development efforts on:

- Women and youth, including through group lending.
- Its agency banking ecosystem – by training agents and tracking and supporting the growth of these indirect jobs. The bank has trained 40,000 agents.
- Smallholder farmer support, with increasing involvement in the financing of agricultural value chains. It is financing both farmers and input suppliers with affordable credit and loans.
- Microinsurance, to enhance customers' economic resilience, – including insuring informal businesses and offering crop protection insurance and family health cover.
- Shared prosperity business model – investing in tech company incubators, supporting start-up businesses, encouraging developers to create relevant apps, training and supporting agents, and supporting landlords.

This is helped by the ongoing digitalisation of service delivery, outlined below, which underpins the effort by Equity Bank's leadership to ensure the bank continues to enhance the customer experience. Thanks to digital initiatives:

- In-house virtual mobile network operator Equitel and Equity Bank's mobile banking app now account for 77% of the banking group's transactions.
- In the loans market, 93% of loan requests are via mobile and 89% of loans were originated via mobile channels.
- Fintech integration helped Equity Bank's diaspora remittances grow by 27% to $1.42 billion, more than a 50% market share in Kenya[12].
- The bank has also introduced EazzyFX, an electronic platform for digital foreign-currency transactions.

12 https://www.euromoney.com/article/b1lzg1gdq5d5h9/africas-best-digital-bank-2020-equity-bank

The current business philosophy is based on:

- A strong technology-focus, identifying emerging trends and future disruptions, and exploiting opportunities.
- Recognising cash, FinTech, and Telcos as its main competitors.
- Self-disruption by applying virtualization.
- Convergence: becoming a one-stop shop for financial services and payments.
- Redefining financial services and payments: turning Equity Bank from somewhere that you go - to something you do.
- Building partnerships and strategic alliances.
- Developing its ecosystem platform model.
- High volume, low-value business.

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Equity Bank takeaways

- The high-volume, low-value business can be profitable and rewarding in the digital space.
- Investing in digital capabilities and transforming the FSP through digitalisation can create an agile and resilient organisation.
- Advancing from digital distribution to digitalisation of the institution can be a natural progression.
- Keeping the FSP socially relevant helps grow business but requires ongoing market support.
- The platform approach can be used to extend the range of services.

4.3. Consolidated Bank – Ghana

The Consolidated Bank of Ghana demonstrates how aligning with national initiatives and policy can be leveraged to provide innovative solutions to financial inclusion. The bank is also leveraging the technologies of FinTech players to develop its own innovation and deliver a better online experience to its customers.

Consolidated Bank's checklist of the components of successful digital transformation

Data analytics leader	Foster Innovation	Upgrade systems and processes	Align leadership for digital future
Enhanced customer experience	Leverage modern technologies	Reskill workforce	Align with national initiatives and policy

☐ Not discussed
■ Strong
■ Exceptional

a. Origins and objective of Consolidated Bank of Ghana

The Consolidated Bank of Ghana (CBG) was formed by the amalgamation of five banks that could not meet the increased minimum capital requirements imposed by the Bank of Ghana in 2017. The assets and selected liabilities of these banks were merged to form CBG in 2018. Two additional banks were subsequently added and today the bank is 100% state-owned.

The objective of the bank from day one has been improving financial access, with a particular focus on low-income individuals and small enterprises. Mobile financial services are viewed as the key enabler to reach the low-income market, supported by appropriate digital capability in the bank. As a first step, CBG consolidated legacy IT systems into a single system. Daniel Addo, CEO of CBG, referred to the "… rich banking functionality and advanced cloud and API-first technology …(as) the perfect partner for this ambitious and exciting consolidation project"[13].

13 https://www.finextra.com/pressarticle/80411/consolidated-bank-of-ghana-goes-live-with-temenos-t24-transact

b. A risk-based approach for low-value bank accounts

CBG obtained approval from the banking regulator to onboard customers with just an identity document and a valid mobile number, ending the requirement for an address and taxpayer identity numbers. This has helped CBG to recruit many more low-income customers. The balance of accounts opened using the simplified KYC must not exceed ~ $1,000. If it does, they are invited to upgrade to a 'fully informed' account which has a more complete KYC process.

c. Working with FinTech for a digitalised future

CBG has contracted Digital Credit Management (DCM), a Ghanaian FinTech, to provide a digital lending platform. The loan origination process is digital and includes the use of mobile usage data to determine creditworthiness.

CBG is still configuring its offer for SMEs. Onboarding is digital, using the services of a FinTech company. Information is automatically verified against the government's enterprise database. Loans are being made, but the process has yet to be digitalised.

The bank's digitalisation efforts have already provided a significant advantage: CBG was able to take on a million new customers during a Covid-19 lockdown, bringing total retail customers to about three million.

The bank's next steps will be to strengthen its digital financial service offering to retail customers and build a fuller digital offering for SME customers. The SME initiative will include loan automation, additional types of loans (including factoring for SMEs), and enabling digital payment solutions for SMEs based on an integrated, FinTech-based set of services.

Consolidated Bank of Ghana takeaways

- Use the opportunity of a new beginning to launch focused digital service offerings.
- Make the right investments in digitalisation – cloud-based IT services, FinTech, and mobile capabilities.
- Build on early successes and keep on extending the service offering, digitally.
- Work with the regulator to create an environment where the regulator's requirements and the FSP's objectives converge to aid implementation.

5. Issues to consider when creating digitalisation strategies for an FSP

This series of case studies looked at what successful digitisation looks like – and showcased some of the African institutions that have successful digitalisation strategies. Three factors stood out within this case study, namely that:

- Digitisation is sorely needed;
- It can mean different things depending on the needs of the institution and;
- There is no single right way to do it.

Critically needed	Can mean many things	No single approach
75% of institutions indicate it's a top priority for **cost saving** and **future relevance**	Digitalisation may be for **client engagement, client management, loan origination,** or any other bank aspect	Digitalisation must be **specific to the context** of the institution and focus on **adding value** in that context

Nonetheless, best practice offers clear lessons for both FSPs and other interested parties that are keen to speed the development of digital financial services in Africa. These include:

- **The popularity and process of digitalisation are gathering pace:** Digitalisation is the dominant transforming force in financial services, hastened by the Covid-19 pandemic. Digitalisation is evident in FSPs across all market segments and products. FSPs that have yet to start this process should look closely at what can be done. The essential elements of successful digital transformations outlined in this document can help guide FSPs as they embrace digitalisation.

- **Finding your core business offerings is key to embarking on successful digitalisation.** Making a strategic decision on market position and range of services, ideally using data analytics, is crucial to achieving digital transformation and keeping it relevant. FSPs that digitalise both their enterprise and their market engagement tend to be clear where their focus lies.

- **Processes automation matters, but customers are key.** Customers must be at the centre of digitalisation initiatives. Since digitalisation has an element of automation, it can easily, but wrongly, be viewed as simply process automation. That misses the most important aspect: the primary objective of digitalisation is to increase customer convenience. FSPs should therefore carefully consider what customers deem important, and continually test their market insights.

- **FSPs are part of an ecosystem – and must link into it appropriately.** KYC policies and other regulations limit financial access for many potential African customers. Digitalisation is a viable way for FSPs to overcome these limitations using a digital risk-based approach to onboarding. But implementing solutions may require more flexibility from national regulators. FSPs must engage with rule-setting institutions, both to ensure compliance, but also to obtain regulatory changes that facilitate financial innovation that benefits the excluded.

Successful FSPs have leadership committed to a digital future. This commitment shows in their use of analytics, putting customer experience at the centre of their digitalisation strategies, fostering innovation, leveraging technology and technological partners, upgrading their systems to ensure smooth end-to-end processes, and empowering their staff with the skills required for digital customer service. Executives of leading institutions also realise that their organisations are part of an ecosystem and actively seek cooperation with other actors. As the shift to platform-based banking gathers pace, such cooperation is necessary to achieve best-in-class service offerings.

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7. About the report partners

About WSBI and Scale2Save

The World Savings and Retail Banking Institute (WSBI) created in 2016 a new programme in partnership with the Mastercard Foundation “to establish the viability of low-balance savings accounts and use of customer-centric approaches to address barriers faced in access, usage and affordability of savings services”.

Called Scale2Save, the programme is set against a backdrop of problems such as high poverty rates and financial exclusion in sub-Saharan Africa, as well as low formal savings rates. FSPs have a poor understanding of the market savings potential of people in various low-income segments. The needs of existing and potential customers – and how much customers can afford to pay to meet those needs – are not well reflected in FSPs’ business models, customer interfaces and interactions. The resulting poor customer experience gives rise to extremely high rates of bank account dormancy and inactivity. This is a significant cost for FSPs and undermines potentially sustainable business cases to deliver accessible financial services to people in these segments.

The Scale2Save programme’s core activities are to:

- Provide financial service providers with technical assistance to develop savings services valued by low-income customers. WSBI works with eleven financial service providers to develop and deliver savings products that not only broaden access to financial services but also drive ongoing use of those services. The banks are located in Cote d’Ivoire, Kenya, Morocco, Nigeria, Senegal and Uganda. A bank in Tanzania acts as a knowledge partner.
- Conduct research and share lessons between partner banks. WSBI publishes the annual Savings and Retail Banking in Africa report series to facilitate peer learning and the spread of knowledge. The institute also researches new pricing models to help establish a business case for low-balance savings and conducts household research to contribute to knowledge of cash flows in households.
- Communicate lessons learned to the wider sector. WSBI has developed and carried out a targeted communications strategy to share the knowledge generated by the project with key stakeholders.
- Monitor and evaluate the programme. WSBI monitors project progress at partner banks and oversees mid-term and final project evaluations. The programme started in September 2016 and will continue until August 2022.

For more information about WSBI please visit: **www.wsbi-esbg.org**
For more information about Scale2Save, please visit:
www.wsbi-esbg.org/KnowledgeSharing/Scale2Save/Pages/EmptyHomepage.aspx

About the Mastercard Foundation

The Mastercard Foundation works with visionary organizations to enable young people in Africa and in Indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. The Foundation was created by Mastercard in 2006 as an independent organization with its own Board of Directors and management.

For more information on the Foundation, please visit: **www.mastercardfdn.org**

About FinMark Trust

FinMark Trust is an independent non-profit trust whose purpose is ”Making financial markets work for the poor, by promoting financial inclusion and regional financial integration”. This goal is pursued through two principle programmes. Firstly, it creates and analyses financial services consumer data to provide in-depth insights into both served and unserved consumers across the developing world. Secondly it carries out systematic financial sector inclusion and deepening programmes to overcome regulatory, supplier and other market-level barriers hampering the effective provision of services. These programmes unlock financial inclusion and sector development through symbiosis between rigorous data collection and research activities. Their work can be found in South Africa, throughout the Southern African Development Community and around the world.

For more information about FinMark Trust please visit: **https://finmark.org.za/**

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Learn more about Scale2Save at
www.wsbi-esbg.org/KnowledgeSharing/scale2save