

# Building mobile financial services for microfinance institutions



Bank Andara promotes branchless banking to expand financial services for the unbanked and underbanked.

## CLIENT PROFILE

Bank Andara is the first wholesale commercial bank focused exclusively on providing a wide range of wholesale banking services to microfinance institutions in Indonesia. Through this effort, Bank Andara aims to deepen and expand financial services to low-income market segments through sustainable operations. The wholesale banking institution is backed by an investor consortium including Mercy Cops, the Hivos-Triad Fund, Cordaid and IFC. Bank Andara's vision is to expand financial services to millions of people, working in a strategic partnership with up to 2000 microfinance institutions.

## BACKGROUND

Indonesia is the fourth largest country in the world. Over 65 percent of the adult population do not have access to banking. Of this, 72 percent are in rural areas. Infrastructure around ATMs, e-payment system functionality and other forms of branchless banking is highly developed and marketed for urban, high-end clientele. Indonesia has an opportunity to rely on this infrastructure, and on mobile banking platforms to offer financial services to the unbanked and underbanked. By doing so, the country would facilitate a swift, low cost and large scale rollout of mobile money services to this population. Over the course of 2010, Bank Andara rolled out two IT system products to enable microfinance institutions to offer new products and delivery channels to their ultimate low-income clients. The first system, Andara Link, is a payment platform allowing microfinance institutions to offer bill pay, transfers, remittances, and microinsurance services. As a part of a larger mobile-banking pilot with AXIS Telcom, Andara Link also enables account officers to deliver these new products and services in the field, using cell phones linked to the system. Bank Andara also rolled out its shared core banking solution, which offers partner microfinance institutions state-of-the-art management information systems allowing them to offer new delivery channels, including ATMs, EDC (electronic data capture) and m-banking.

## IFC ROLE

In the first phase, IFC supported Bank Andara in designing a comprehensive marketing strategy.

Upon completion of the first phase, IFC helped the bank in the implementation and roll-out of its transactional products, Andara Link and Shared Core Banking System (SCBS).

IFC also supported the bank in developing a comprehensive, full-service strategy and implementation plan for marketing Andara Link and build the internal capacity of the bank to manage and grow these product offerings.



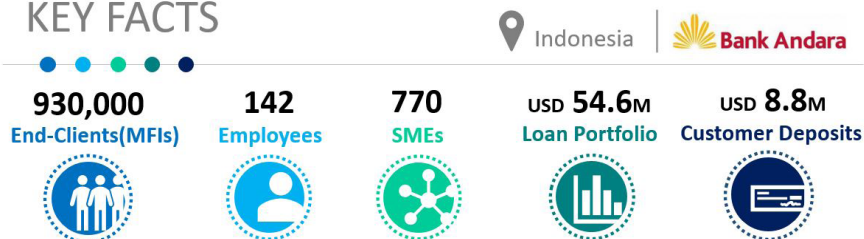
## IMPACT AND RESULTS

Since its launch in October 2010, Andara Link experienced rapid growth both in terms of the number of members, the distribution area, and the number of transactions.

- The number of microfinance institutions using Andara Link grew from 31 to 201 within one year.
- Over 63,000 transactions (valued at more than \$1.9 million) were processed through Andara Link with average monthly transactions of 5,312 by the end of 2011; thirteen times more transactions were processed in December 2011 compared to the same time in the previous year.

Features of Andara Link services include: remittance, bill payment, cash transfer and deposit solution. By December 2014, Bank Andara had established partnerships with 770 MFIs throughout Indonesia (Annual Report).

## KEY FACTS



## KEY LESSONS

- Based on feedback received from MFI agents about reliability and usability of an electronic data capture (EDC)-based interface, it was changed to be a user-friendly web-based one. This underlines the importance of running effective pilots to understand all shortcomings before rolling out a product on a larger scale. And the need to delay the launch with the right product if need be.
- The experience demonstrated the need to hire seasoned experts and consultants with strong knowledge of local culture and preferences to manage marketing rather than managing in-house.
- It is important to implement appropriate sales incentives and monitor sales activity closely to maintain momentum after the initial roll-out.

## DIGITAL FINANCIAL SERVICES IN IFC

Digital Financial Services, or DFS, uses technology to provide financial services to customers with limited access to traditional branch-based banking. Technology-enabled financial services enable customers and retail outlets to connect to financial service providers using tools such as mobile phones, payment cards, and online banking.

Globally, over 2 billion people – about 40 percent of the world's adult population – are excluded from financial services. IFC's experience has shown that DFS can dramatically narrow the financial inclusion gap in emerging economies, making it an important tool for reducing poverty.

In support of the World Bank Group's commitment to universal access to finance, IFC is working with its network of partner financial institutions to reach 600 million people by 2020. DFS is at the core of IFC's strategy to achieve this goal.

For more information about IFC's Global DFS Team, visit [www.ifc.org/dfs](http://www.ifc.org/dfs).



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