MicroCred Banque Madagascar
From Mobile Money to Mobile Banking
The Partnership for Financial Inclusion aims to scale up commercial microfinance institutions and develop mobile financial services to bring financial services to 5.3 million previously unbanked people in Sub-Saharan Africa by 2017.

It is a $37.4 million initiative by The MasterCard Foundation and IFC that brings together the intellectual and financial capital of the Foundation with IFC’s market knowledge, expertise and client base. The partnership is also joined by The Development Bank of Austria, OeEB, and collaborates with knowledge partners such as the World Bank and CGAP.

An important objective of the partnership is to contribute to the global community of practice on financial inclusion, and to share research and lessons learnt. This publication is part of a series of reports published by the program.

To find out more, please visit [www.ifc.org/financialinclusionafrica](http://www.ifc.org/financialinclusionafrica)
1. Overview of MicroCred Bank Madagascar
2. A two year partnership with Orange
3. Lessons learnt
4. A new and promising partnership with Airtel
5. Outlook : Strategic change
MC Madagascar has a disperse network due to the size of the country and the distance between the main important urban areas.

The bank currently has 60,000 clients at a total of 22 branches and outlets.

70% of the Malagasy population live in rural areas with no access to formal financial services.

Bank penetration rate is less than 3%, equal to 700,000 clients for the whole banking sector.

Madagascar is one of the poorest countries in the world. More than 60% of the population live on less than $2 a day, according to World Bank data.

In order to increase outreach, MicroCred Bank Madagascar considers mobile financial services the main strategy to reach underserved clients.
2. A two year partnership with Orange Money

Based on cooperation at both holding and country levels.

But results have been less than expected

- **Cash In Cash Out**
  - Pilot: 1 branch, September 2012
  - Roll Out: February to July 2013
  - Results so far: more than 2,000 a month, low profit

- **Bank to wallet**
  - Pilot: 1 branch planned, April 2013
  - Roll Out: planned, May to July 2013

- **Banking Integration**
  - Stand by
3. Lessons learned

**Partnership with a Mobile Network Operator/Telco**
- **The Telco Experience**: a Telco that is more experienced in mobile banking, working with another financial institution or in another country, will be much easier to partner with, “ready-to-implement.”
- **The Telco Model**: if the Telco is part of a larger group, it will have more resources. If it’s a national company, it will be more flexible and responsive.
- **The Fit between the MFI and the Telco**: in terms of targeted customers also needs to be considered. The MFI and Telco need to share and build together a compatible, win-win vision of mobile banking.

**Training**
- Training is also one of the most important determining factors. Staff may be very cautious, and clients are not used to the new service. The model is a little complex for clients, who have to open an Orange Money account prior to accessing the service.
- Complex system: not a plug and play system
- Client needs: quality of customer experience

**Who you partner with is really important!**
3. Lessons learned

**Regulation:**
The Central Bank must be fully aware of mobile banking mechanisms and implications; an informative attitude from the MFI can be useful and facilitate further agreements.

Future constraint: IOB

**Planning:**
Time consuming project, took more than 1,000 hours of our IT departement.

Time is crucial. In a innovative and competitive context, strategic components or individuals can change very quickly. A six months old project can fail and have to be redesigned and start over.

**Better Control:**
- What happens when something goes wrong? Who do clients contact?
- Many clients believe in the cash-to-cash model
- Many did not want to change Telco company/network operator
- Real branding presence
- Decreasing branch cost
4. A new, promising partnership with Airtel

Airtel is already co-financing MCM’s new customer cards

40 000 cards

Next steps:

- Pilot: 1 branch planned, March 2013
- Roll Out: planned, April to July 2013
- Fees and commissions 4 times larger than with Orange Money

MicroCred Banque Madagascar Mobile Banking
5. Outlook: Strategic Change

**Projection:**
Current: 22 branches with 3,000 clients per branch.

Expectation: 10,000 clients per branch.

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MC Madagascar and MC have an ambitious project based on the development of branchless channels.