

Developing alternative delivery channels in the Democratic Republic of Congo

FINCA DRC has been bringing financial services to the unbanked in a difficult environment.



CLIENT PROFILE

The Democratic Republic of Congo has made great strides in increasing financial inclusion in recent years, yet less than 15 percent of adults in the DRC have an account with a formal financial institution, and only 2 percent have access to formal and regulated credit services (2017). The reasons for this significant constraint are two-fold: first, DRC's commercial banks are largely focused on corporate clients rather than retail or low-income clients. Second, the vast size of the DRC (comparable to the size of Western Europe) with its limited infrastructure adds a significant cost barrier to serving clients outside major urban centers. The DRC's paved road density is well below other low-income countries due to a history of conflict and a dense river and tributaries system across the country.

FINCA DRC is a licensed deposit-taking microfinance institution and is one of the better-performing FINCA subsidiaries in Africa in terms of operational and financial results. As a leading microfinance provider in a market with enormous potential, FINCA DRC has a clear head-start in the rollout of a nationwide agent network. To realize its goal of becoming a universal bank serving the mass market in DRC, FINCA needed to significantly strengthen several pillars of its operations, particularly around credit products and processes, risk management, and distribution channels and strategy.

BACKGROUND

The Democratic Republic of Congo is the 11th largest country in the world, and the 19th most populous. Although the DRC has made efforts toward expanding access to finance over the past 10-12 years, it continues to have one of the lowest rates of financial inclusion in Africa: only 15 percent of 42 million adults have an account with a financial institution (2017). The reasons are two-fold: first, DRC's commercial banks are largely focused on corporate clients rather than retail or low-income clients. Second, the vast size of the DRC (comparable to the size of Western Europe) with its limited infrastructure adds a significant cost barrier to serving clients outside major urban centers. The DRC's paved road density is well below other low-income countries due to a history of conflict and a dense river and tributaries system across the country.

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IFC ROLE

IFC worked with FINCA DRC to help the company strengthen its ability to offer access to credit for customers and to expand into mobile banking operations. The project is part of the Partnership for Financial Inclusion, a joint initiative of IFC and The MasterCard Foundation to expand microfinance and advance digital financial services in Sub-Saharan Africa. To assist FINCA in reaching out to unbanked and underbanked segments, IFC assisted in strengthening FINCA DRC's capacity to develop and provide well-adapted financial products to FINCA's target market in a sustainable way.

More specifically, the project assisted FINCA DRC to achieve the following:

- 1) Manage the growth of the Agent Delivery Channel
- 2) Enhance and deepen the credit offering
- 3) Upgrade the risk management capacity

IMPACT AND RESULTS

IFC's support helped FINCA DRC become the leading full service, retail microfinance institution to meet the needs of the DRC market, especially the low-income segments.

KEY FACTS

 The Democratic Republic of Congo | 

405,520
Total Clients



852
Employees



21
Branches



USD 71M
Loan Portfolio



USD 1,084
Average Loan



Source: IFC

FINCA DRC has achieved significant results:

- In 2011, FINCA launched its agent network by employing small business owners to offer FINCA DRC banking services in DRC. Five years later, this delivery channel has been replicated and deployed in Tanzania, Zambia, Nigeria, and Malawi, and has become an integral element of FINCA's business and operating model.
- FINCA DRC demonstrated a viable business case based on intermediation rather than transaction revenues. Its agent network expanded from 50 in 2011 to 1055 agents in 2017. In addition, FINCA DRC has helped customers save significant time and expenses and offered a safer method of banking by reducing the risk associated with carrying cash long distances.
- By 2018, agent transactions grew to 80 percent of total transactions. About 20 percent of these agents serve rural and remote areas, reaching more Congolese with needed financial services.
- FINCA has been resilient despite political unrest and continued to improve branch level portfolio at risk by allowing borrowers to pay via agents.

KEY LESSONS

Some of the key lessons of IFC's engagement are:

- For the Agent Delivery Channel to succeed, its rollout and operations must be managed and monitored on an ongoing basis, and new issues must be resolved quickly and efficiently.
- Rapid growth presents a new set of challenges. If the rate of customer acquisition is faster than the growth of supporting infrastructure, customer experience can suffer.
- Rolling out an agent is a costly endeavor for an institution and being able to identify which potential agents are worth the investment is highly valuable. Improved and streamlined agent selection process helps expand the network into rural areas.
- IFC examined FINCA DRC the performance of banking agents and the difference between female and male banking agents. Women-owned agents were found to make 16 percent higher net weekly profit with their agent businesses than their male counterparts. As agents, women also, on average, reported 12 percent more FINCA transactions per month than male agents.

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.

