

BRANCHLESS BANKING

Branchless banking is one of the new frontiers of microfinance: the provision of financial services through information and communications technologies and nonbank retail agents.

This new system has the potential to provide financial services to low-income households who are not reached by traditional bank networks, especially those living in remote areas.

Early experiences in the Philippines, Kenya and Brazil have demonstrated that branchless banking can significantly reduce set-up and delivery costs, offering cash-in and cash-out operations only or a broader range of financial services to customers who usually feel more comfortable banking with their local merchants, than with traditional bank branches.

Policy makers and regulators have been balancing the issues of financial sector security and increasing levels of financial access. IDLO helps policy makers and regulators analyze specific branchless banking regulatory strategies, as well as specific features of national legal systems. IDLO performs reviews of the existing regulatory environment for agency models and mobile banking solutions, with

the objective of increasing financial access for the poor. These analyses contribute to the creation of legal frameworks that encourage business development while protecting security of transactions.

IDLO research (available on: <http://www.idlo.int/MF/Documents/Publications/62E.pdf>) illustrates the need for a deeper exploration of branchless banking possibilities from the perspective of grassroots microfinance institutions, delineating the benefits for MFIs to offer mobile microfinance services as bank agents.

While other international institutions have identified branchless banking as a priority area, IDLO occupies a specific niche: IDLO is one of the very few that fulfills the need, internationally identified by Dr. Mohammed Yunus, for a “legal home” for a microfinance industry based on new products and innovative delivery mechanisms.

