

Pioneering a new delivery channel in Madagascar using Messenger application “MyAccès” by AccèsBanque Madagascar (ABM)

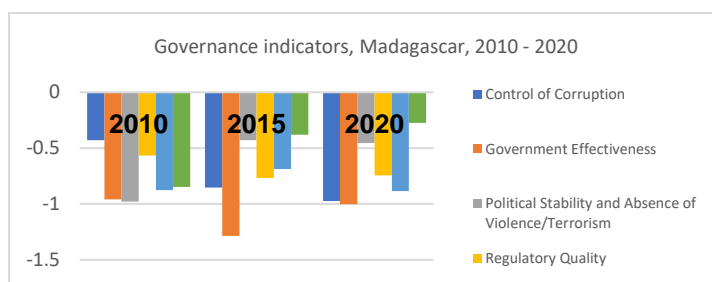
1. DEVELOPMENT RELEVANCE

Economic and poverty context: Madagascar is home to 27,191,000 inhabitants, including 40% under 15 years old. The GDP per capita was US\$ 495.49 in 2020. Despite its abundance in natural resources, Madagascar is classified as among the poorest countries with 78.8% of its population living with less than the international poverty rate of US\$ 1.90 a day. After years of political turmoil, the country is back to constitutional order after the democratic presidential election in 2013, resulting in the acceptance of its reintegration in the international scene by the international community. Since then, the country displays a positive trend in its GDP growth, from 2.3% in 2013 to 4.4% in 2019. Unfortunately, this growth was down to -4.2% due to the impacts of the Covid-19 pandemic on all the sectors.

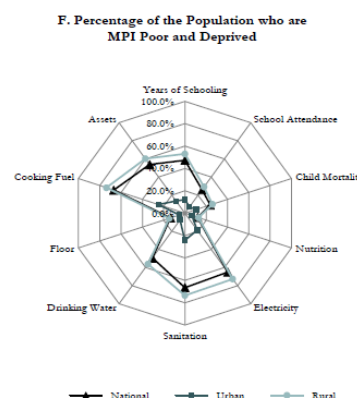
Madagascar’s human capital index ranking is among the lowest worldwide and it has the world’s fourth highest rate of chronic malnutrition, with almost one child in two under five years of age suffering from stunting. An estimated 1.4 million children dropped out of primary school in 2012. Living conditions remain difficult for the vast majority of the population, with a low rate of access to electricity (13%) in particular¹.

Table 1: Population and economic indicators	
Population in million (2020)	27.19
GDP growth (Average 2014 – 2020))	2.54%
Inflation (2020)	4.20%
Trade balance (% of GDP) (2020)	-7.09%
Foreign direct investment (net) (% of GDP) (2019)	3.34%
Net ODA received (% of GNI) (2019)	5.56%
Remittances received (% of GDP) (2020)	2.86%
Economic Freedom Index (Rank among 186 countries) (2021)	Score 57.7, Rank 112
Poverty indicators	
GDP per capita (USD) (2020)	495.49
Gini Index (0= equality 100= inequality) (2012)	42.6
Multidimensional Poverty Index (2008-2009)	0.357
International poverty rate (2012; at 1.90 USD/day)	78.8%
National poverty rate (2012)	70.7%
National rural poverty headcount rate (2001)	78.2%

Governance indicators chart², (Madagascar, 2020)



Multidimensional poverty index chart³, (Madagascar 2017)



¹ Source: <https://www.worldbank.org/en/country/madagascar/overview#1>

² Source: The World Bank Group (2021). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed December 2021)

³ Oxford Poverty and Human Development Initiative (year). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford. http://www.dataforall.org/dashboard/ophi/index.php/mpi/country_briefings. Accessed (December 2021)

Financial Sector Context: Only 9.6% of Malagasy adults have a financial account. In rural areas this ratio is only 6.4%. Out of the 11 banks only three specifically invest in the microfinance segment. Three mobile network operators also offer a limited portfolio of financial services. The banking penetration rate, i.e., access to a bank account or mobile money service for adults is around 18%⁴, among the lowest in sub-Saharan Africa.

Financial sector (source: International Monetary Fund)			
	2010	2015	2020
Number of commercial banks	11	11	11
Number of microfinance institutions	26	25	15
Number of insurance companies	5	5	5
Number of bank branches	164	281	406
Number of bank branches per 100000	1.46	2.06	2.51
Number of MFI branches	711	857	969
Number of MFI branches per 100,000	4.07	4.34	3.85
Number of mobile money agent	793	10,826	62,313
Number of ATMs	167	323	520
Number of ATMs for 100,000 adults	1.40	2.28	3.13

In July 2020, the Parliament passed new banking and insurance laws. These laws aim to provide more customer protection by mandating more transparency in the services offered, require companies to secure their IT systems, and provide tools to detect money laundering and terrorism financing. The new insurance law puts supervision of insurance companies in the hands of the Banking Supervision Committee (CSBF), rather than the Ministry of Economy and Finance to avoid conflicts of interest, as the major insurance companies in Madagascar are state-owned⁵.

Partner financial institution: AccèsBanque Madagascar (ABM) received its banking license in February 2007, which authorizes the bank to perform all banking activities as defined and stipulated in the Malagasy banking laws. ABM was established by the Berlin-based Access Microfinance Holding AG, its main shareholder. ABM has the vision of becoming the household bank for the entire Malagasy population with a special focus on micro-, small- and medium-sized enterprises. Its mission consists in offering diversified, accessible and responsible financial solutions. The offered financial products and services include individual and group loans to MSMEs, farmers, and salaried people, deposit offers, overdraft facilities, credit and debit cards, international transactions, receipt of international remittances, and payment services. The bank services over 44,000 borrowers and records more than 200,000 depositors.

The main clients are micro-entrepreneurs at 80.6% and farmers at 18.3%, spread across both urban and rural areas of the country; with the branch network covering all the major cities in Madagascar. With its loan portfolio of € 47 million, ABM is the leader in the microfinance market.

Observing the proliferation of Facebook Messenger use among the local population, regardless of their income level, social status and gender, ABM approached Symbiotics Association for Sustainable Development (SASD) and the Swiss Capacity Building Facility (SCBF) for funding and technical assistance for the development and implementation of a banking tool that could leverage Facebook Messenger. The SASD contracted Access Microfinance Holding AG as a partner to provide technical assistance to ABM.



⁴ Source: International Trade Administration (www.trade.gov/country-commercial-guides/madagascar-financial-services-sector) and Global Findex 2017 Accessed 12.2021

⁵ Source: International Trade Administration: (<https://www.trade.gov/country-commercial-guides/madagascar-financial-services-sector>)

2. INTERVENTION APPROACH

Capacity building needs: Formal banks have always been intimidating to the lower-income segments, which has resulted in Madagascar having one of the lowest banking rates in sub-Saharan Africa. Recent findings have demonstrated that in 2018, the country recorded 1.9 million active Facebook users with 86% accessing the platform via mobile phones; and its usage trend has increased by 19% per annum. Facebook was estimated to hold 86% of the market share amongst the six major social media platforms.

However, Facebook had not been previously used as a financial inclusion channel in Madagascar and ABM lacked the financial investment and technical resources that would be required, including social media marketing expertise to promote this channel with the target population. Therefore, ABM approached SASD to provide the technical assistance needed to leverage Facebook as a channel for bringing financial services and products to people who were previously un-served or under-served by the financial sector, and as an alternative to physical branches.

Main activity areas: The main objective of the project was to enhance ABM's financial inclusion efforts by developing and deploying financial services to the Malagasy populace through the digital social platforms that they use the most: messaging and chat applications. This was supported exclusively through funding from SCBF. The expected outcome was a digital application, MyAccès, which would allow the users to access their ABM banking accounts for balance checking and mini-statements, internal and external banking transfers, for invoice and merchant payments, and for mobile payment, the latter being subject to negotiations with third parties. The project expected to register 7,200 users (including 50% women and 25% rural clients), and record 10,800 transactions.

In addition to above initial functionalities, MyAccès also allows the clients to open banking accounts online, obtain instant loans, simulate loan instalments, and to directly receive international remittances.

For the deployment of the service, ABM and Access Microfinance Holding AG built a team which includes a project manager, an IT development specialist, digital marketing specialists, a senior digital operations specialist and a junior digital operations specialist.

In order to achieve the project objectives, the following activities were undertaken:

- Development, testing and deployment of a product with the required functionalities
- Training of all the bank's staff members
- Training for 30,000 clients, of whom 51% are women and 44% live in rural areas, on the digital solution
- Formalizing a partnership with the national water-and-electricity company for invoice payments
- Recruitment of over 100 merchant partners for merchant payments
- Various marketing activities which included producing video tutorials on the solutions' functionalities, the implementation of a network of ambassadors who act as the bank's representatives in their respective areas, billboards, and different media broadcasts and social media ads

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client-level: ABM's clients are now offered the first Messenger banking service in the country. Based on the KPIs highlighted in the below table (data as of November 2021), the project has been successful in terms of client outreach. Positive impacts at the client-level include:

- **Financial benefits:** The use of the service does not entail additional costs for the client, nor requires them to travel to a bank branch. It also uses much less internet data in comparison with any other e-banking applications.
- **Time-savings:** At subscription, the client is allowed to subscribe himself remotely through his Facebook account without approaching a branch. In addition to that, all transactions performed via the tool are instantly performed.
- **Practicality and accessibility:** The service is available 24 hours a day and 7 days a week regardless the opening hours of a physical branch.

- **Security and safety:** As the client is not required to travel to a branch with cash, the risk of being robbed is minimised. Moreover, the service offers a high level of security of the transactions as in addition to Facebook standard security, it is endowed with all necessary steps to avoid the account being accessed or utilized by unauthorized users.

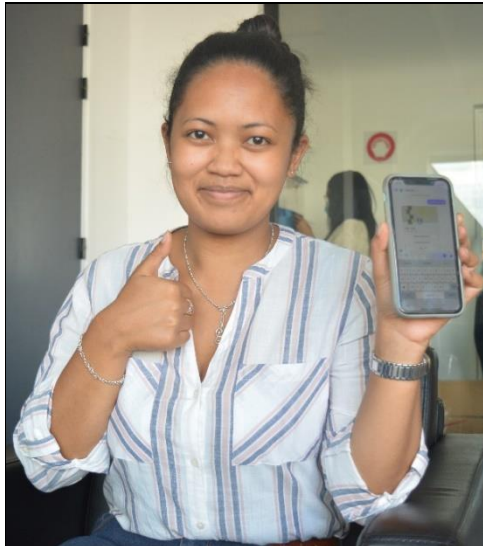
In addition to the self-onboarding functionality of the tool, the entire front-office staff of ABM constantly promotes it and encourages clients to subscribe and opt for the service instead of physically visiting the branches.

Functionalities	Start period	Cumulated total	Average monthly increase	Target	Achievement	KPI achievements (%)
Nr of users	Jan	27 610	16%	7 200	27 610	383%
Women users	Jan	13 994	16%	50%	50.7%	101%
Rural users	May	11 893	15%	25%	43.1%	172%
Active users	Jan	4 480	8%	5 400	4 480	83%
# of transactions	Jan	272 762	19%	10 800	15 317 ⁶	142%
# of transfers, out of which	Jan 2020	28 909	14%	-	2 125 ⁷	-
Peer-to-peer transfers	Jan 2020	27 149	13%	500	1 883 ⁸	377%
# of accounts opened	May 2020	1 205	17%	-	1 205	-
# of remittance transactions	Sept 2021	939	13%	-	345	-
# of instant loans	Mar	406	30%	-	66	-
# of new clients	Jan	3 582	-	-	3 582	-

⁶ Number of transactions made in November 2021

⁷ Number of bank transfers made in November 2021

⁸ Number of P-2-P transfers made in November 2021



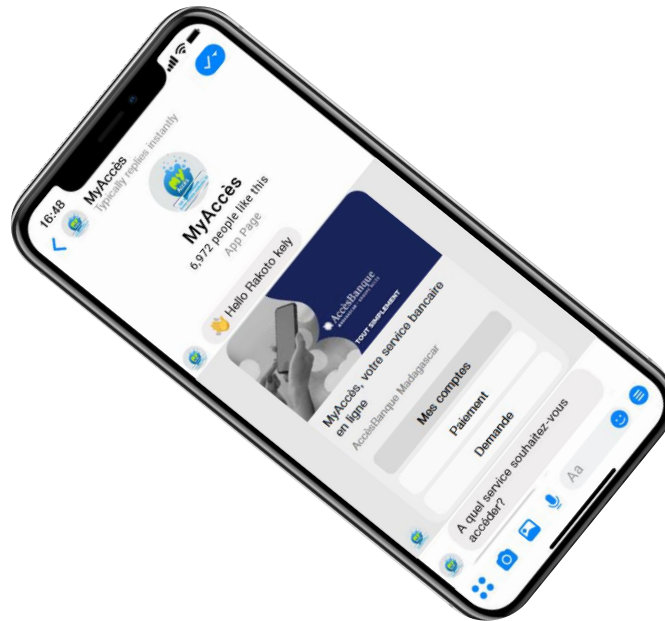
Mihanta is a 32-year-old mother of two children. She was born in Antsirabe, which is 167km south of the capital Antananarivo, and moved to the city for university. Mihanta has practiced different selling activities to support herself. Instead of working for an employer, she prefers to maintain her independence by running her own clothing business. Mihanta opened an ABM banking account in January 2021 due to the advantageous interest rate on savings. She was amazed to discover that most of her banking transactions can be performed via Facebook on her cell phone. As a busy businesswoman, this feature helps Mihanta save time instead of waiting at the bank branch. She uses Facebook Messenger for all her banking transactions and finds it to be useful tool for performing transactions at any time, from anywhere and at no additional costs.

Malala is 45-year-old mother of three children. After her graduation, Malala started working as an administrative assistant within a construction company. Since then, she has advanced professionally through different positions and domains, and currently works as operations manager within a transport company. She first opened her ABM banking account in 2010. Being able to bank through Messenger means she can save time and benefit from the other available banking services.



PFI-level: The Facebook messenger banking solution is the first of its kind in Madagascar. The entire ABM staff has been trained in not only offering, operating and using the product, but also in creating awareness that digital banking is not a threat to employees operating in the various branches. The tool is now increasingly perceived as a chance to improve the bank’s market position, effectively serving more clients, increasing outreach and achieving the bank’s vision and mission. The bank is prepared to improve the digital offer, both on Facebook Messenger and other channels, maintain its position as a leader in the financial market in general and in the sector of micro- and small-business finance in particular.

Additionally, based on the success of the project, ABM is set to incrementally increase the services offered by developing a loan simulator and instalment checking tool, testing MyAccès on Viber, testing an agency banking solution run through Facebook messenger, and exploring mobile banking (bank-to-wallet and wallet-to-bank), for which negotiations with network providers have already been initiated.



Financial sector-level: ABM is being looked up to by the competition in the Malagasy financial sector. MyAccès has increased the edge the institution has over other players and serves as a model in terms of innovation.

After the progressive introduction of MyAccès in the market, it is worth noting that other financial institutions (microfinance institutions and commercial banks) have developed and are progressively deploying a chat-bot messaging service. In their initial phase, this is limited to client advisory services whereas no financial transactions can effectively be performed. However, in light of the success of MyAccès and the speed at which financial institutions are replicating this service, there is a high likelihood that the use of social media platforms as a channel for financial services/products will be adopted by the entire financial market very soon.

4. LESSONS LEARNT

The intervention was successful due to a well-designed plan based on the local context and not blindly replicating digital approaches used elsewhere. Analysing which digital channels are relevant for the end-clients enabled the bank to interact with the customers where they felt comfortable instead of a new platform which they would have no experience with.

Problems faced and resolved: Both the Covid-19 pandemic and the travel restrictions impacted the project as it necessitated finding local experts to replace those that left the project. On the other hand, the pandemic was also advantageous as it augmented the need for shifting financial services from in-person delivery channels (e.g. branches) to more remote modalities, such as Facebook Messenger. In light of the successful performance of the project, SCBF also agreed to extend the duration at an unaltered budget, so that the PFI could continue receiving support from the technical assistant providers as the in-house team could not be built at the initially planned pace. Additionally, SBCF's responsiveness, as a donor, with regard to changes in the project team was key to the project success as the rapid approval of new experts allowed the project to not lose momentum.

Despite the project achieving and even exceeding the KPIs, the number of active customers compared to registered customers is low. One of the reasons could be that while onboarding clients is easy and convenient, ensuring they keep using the solution can be challenging. This highlights a need to continue analysing the usage data to determine how transacting through the app can be made more attractive and ensure that the digital channel is not only accessible but also relevant. ABM commits to constantly developing the marketing and training campaigns and add on more services to the app. Some of the planned features include: self-onboarding, mobile money transfer (bank-to-wallet), loan balance checks and utilizing banking agents as merchant partners.