A New Agent Model for Branchless Banking in Colombia

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Abstract

This article provides an overview of the current development of branchless banking in Colombia, within the context of the Government's strategy to promote access to financial services through non-bank correspondents (NBC). It describes the Colombian legal and regulatory framework for branchless banking, focusing on the recent reforms and types of retailers permitted to serve as agents. Also, it examines the traditional banking sector's interest in branchless banking, and shows the available platforms for the implementation of banking agent networks. It highlights the potential of branchless banking solutions for the Colombian microfinance institutions (MFI), identifying a new agent model that puts MFI centre-stage. The article concludes with a series of recommendations for the development of branchless banking as a tool to expand financial access, taking into account issues that still have the potential to affect the degree of customer acceptance and its economic viability.

Resumen

Este artículo ofrece un panorama del actual desarrollo de la banca sin sucursales en Colombia, dentro de la política gubernamental de acceso a servicios financieros a través de Corresponsales no Bancarios. Describe el marco jurídico para el desarrollo de la banca sin sucursales, haciendo énfasis en las reformas regulatorias recientes e individuos habilitados para actuar como agentes. Se analiza el interés del sector bancario tradicional en el desarrollo de la banca sin sucursales y las plataformas disponibles para tal efecto. Resalta el potencial de la banca sin sucursales para las instituciones microfinancieras (IMF) colombianas, identificando un nuevo modelo que pone a las IMF como núcleo. El artículo concluye con una serie de recomendaciones para la evolución de la banca sin sucursales como una herramienta de acceso al sistema financiero, tomando en cuenta elementos que potencialmente pueden afectar la aceptación de los consumidores y la viabilidad económica de estos modelos.

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Palabras clave

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Introduction

In an increasing number of developing countries, branchless banking has been booming in the last few years and it has the potential to provide financial services to low-income households who are not reached by traditional bank networks, especially those living in remote and rural areas. In June 2009, the GSM Association (GSMA)[1] claimed that almost 400 million people who currently do not have a bank account could benefit from mobile financial transactions as small as a few USD dozen cents (Prodhan, 2009). Early experiences have shown that branchless banking through agents can significantly reduce set-up and delivery costs, offering cash-in/cash-out operations only or a broader range of financial services to customers who usually feel more comfortable banking at their local merchants than at traditional bank branches.

Policymakers and regulators have been facing the challenge to reconcile a safe development of branchless banking operations with increased levels of financial access.[2] The Colombian authorities are committed to developing the use of mobile-phone and card-based branchless banking models to increase access to finance in the entire country. Banca de las Oportunidades (BdlO) is the main public promoter of branchless banking through retail agents, and was one of the main sponsors of the agency regulatory framework that was designed in 2006.[3]

FIGURE 1

COLOMBIA: BASIC FACT SHEET
Population : 43.99 million (World Bank, 2007)
Median age : 27.1 (CIA, 2009)
GDP per capita : 7,304 (PPP USD in 2005), (UNDP, 2007)
Gini coefficient : 53.8 (2005), country comparison to the world: 15 (CIA, 2009)
Population below national poverty line (%) : 64 (total), (UNSD, 1999)
Population living on USD 2 a day or less (%) : 26.3 (1990 - 2005), (UNDP, 2007)

At present, a group of major banks is using branchless banking channels to deliver services and reach new clients through retail outlets. However, the users of these financial services are not the poorest segments of the population and the adoption of the agent model has been slower than in other countries like Brazil, which has the largest agent network in the world and has already influenced other Latin American markets.[4] In fact, as shown in Figure 2 below, the Brazilian model of bank-based projects that use cards and POS terminals is predominant in many Latin American countries.

[1]The GSMA is the worldwide mobile communications network, associating around 800 mobile operators and more than 200 companies included in the broader world mobile system (software, internet, media, etc.).
[2]For a broad overview of branchless banking experiences in developing countries see Ivatury and Mas, 2008. See also Lyman, Porteous, and Pickens, 2008.
[3]Banca de las Oportunidades is a public institution which aims at increasing access to financial services in Colombia, making them available in all 1,119 municipalities by 2010. For agency regulations, see section II of this paper.
[4]For a detailed analysis of the Brazilian case see: Kumar, Nair, Parsons and Urdapilleta, 2006.

FIGURE 2

THE MOST RELEVANT BRANCHLESS BANKING EXPERIENCES IN LATIN AMERICA[5]

Despite much international attention and enthusiasm from many development organizations and private businesses, branchless banking does not provide a fit-for-all solution of financial inclusion (Ivatury & Pickens, 2006). Admittedly, the development of any branchless banking scheme takes quite a lot of time and preparation because it implies analyzing and taking action regarding the business case of each actor involved, the customer value proposition, and the local legal and regulatory environment. This article is not intended to be an exhaustive summary on branchless banking solutions, nor is an in-depth research based on systematic data collection efforts: it is a first research attempt on the relationship between branchless banking models and financial inclusion in Colombia.

[5] For a broader overview of branchless banking experiences worldwide see: Mas, 2009.

It is to note that we encountered several obstacles regarding the availability of the information. Indeed, formal financial institutions, that are the players with the economic resources and key networks to put into practice a successful mobile banking scheme, were not willing to disclose their numbers due to commercial secrecy. On the other hand, unregulated MFIs appeared open to our requests, though they did not have enough data – or even standardized information – on their loan portfolio, even less on the eventual application of an m-banking solution to their business.

This article provides an overview of the current development of branchless banking in Colombia, within the context of the government's strategy to promote access to financial services through non-bank correspondents (NBCs). It starts with a brief description of the Colombian legal and regulatory framework for branchless banking, focusing on the recent reforms and types of retailers permitted to serve as agents. Secondly, the paper examines the traditional banking sector's interest in branchless banking, and shows the available platforms for banks and their use of banking agent networks. Thirdly, building on the available experiences with banks, it highlights the potential of branchless banking solutions for the entire Colombian microfinance industry, identifying a new agent model that puts MFIs centre-stage. Finally, the article concludes with a series of recommendations for the development of branchless banking as a powerful tool to expand financial access, taking into account issues that still have the potential to affect the degree of customer acceptance and its more general economic viability.

Legal and regulatory framework for branchless banking in Colombia

This section provides an overview of the laws and regulations relevant to the development of mobile microfinance in Colombia, and begins with a short summary of the tasks of the main public authorities in charge of regulating and supervising the financial system.

There are three institutions that regulate the Colombian financial system: the Congress, the Ministry of Finance and the Financial Superintendence. The Government's role in the financial sector is twofold: in addition to issuing decrees to develop the laws enacted by Congress, the Constitution also provides for direct intervention by the President of the Republic, by assigning to him/her the responsibility of supervising the deposit-taking activities that fall into the definition of "public interest". The Financial Superintendent is the delegate of the President who is in charge of supervising the financial, insurance and securities markets. Technically, the Superintendence is not a regulator, but rather a mere instructor of compliance. In other words, its circulars, which are mandatory, give direction to the supervised entities on how to comply with the decrees, laws and constitutional dispositions related to their activities. [6]

In the past decade, there has been a shy attempt to introduce microfinance regulation in Colombia, with current regulations mostly focused on financing Micro, Small and Medium Enterprises – MSME. Having said that, in the last couple of years regulations were issued to allow for the provision of financial services through agents and the so-called "electronic savings accounts".

In 2006, Decree 2233 created the Non-Bank Correspondents (NBCs) whereby formal financial institutions allow commercial businesses to provide financial services on their behalf. Before 2009, correspondents could perform almost every activity of a bank, except formally making the retail customer a client of the bank. NBCs could, however, provide their customers with all the information and forms that need to be filed in order to acquire a banking product or service. Allegedly, this was one of the main obstacles to "bancarization" because potential customers were forced to go to a branch to access financial services that could instead be bought in a store in their neighborhoods. Recently,

[6] The Constitution gives the President the authority to oversee the institutions that develop financial activities. Article 189 (24).

the Decree 1121 of 2009 modified article 3 of the Decree 2233, allowing correspondents to perform the mandatory interview that financial institutions must conduct to comply with Know-Your-Customer (KYC) regulations, leapfrogging the former requisite of the customer to visit the physical branch to open an account. The modification of 2009 also permitted NBCs to send information regarding transactions not only in a printed document, but also by any other means, such as an SMS.

In July 2007 the Congress enacted the Law 1151 which contains the National Development Plan – NDP – for the current presidential period (2006-2010). The NDP establishes the main objectives that the Government seeks to attain during the President's time in office. In article 70, the NDP states that "bancarization" of the low-income population is one of the main aims of the Government and calls for the implementation of "low amount savings accounts" that are exempted from the mandatory investments over the resources deposited,[7] and thus creates a 'privileged' category of savings accounts.[8] In line with the provisions of the Law 1151, the Government issued the Decree 1119 of 2008 to regulate the above-mentioned article 70. The Decree 1119 established restrictions in the amounts that could be deposited and kept in balance in these instruments and in the number of transactions that must be offered free-of-charge for the savers. Notwithstanding these benefits, for both banks and customers, these accounts were not offered because banks argued that clients could easily cross the borders established for this new category of savings accounts (for instance, because clients could potentially exceed the roof balance at the end of the month), generating an increase of operational costs that financial institutions were not willing to assume. Moreover, the return for banks on low-amount accounts was not enough because the Decree 1119 obliged entities to allow certain number of free transactions, which, in turn, lowered profit margins.

As a consequence, the Government repealed the Decree 1119 and issued a new regulation for low-amount savings accounts under the Decree 4590 of 2008.[9] The new instrument was labeled "electronic savings accounts" because it made explicit that this kind of account could be managed through cards, mobile phones or ATMs. Unlike the accounts described in the Decree 1119, these accounts do not have a roof balance at any moment, and are designed to serve people of SISBEN Level I[10] and displaced citizens.[11] As a result, the main problems of the Decree 1119 have been fixed by the electronic savings accounts regulation. However, up until now, these accounts have not been put into practice because of high costs. The only banking institution that has opened accounts under the Decree 4590 is Banco Agrario de Colombia, a semi-public institution that has the largest branching network in the country, and most – if not all – of these new electronic accounts were opened in order to access Government subsidies that are being disbursed through such accounts.

In conclusion, there is no regulatory obstacle preventing branchless/mobile banking from growing into an important tool for "bancarization". On the contrary, there is still a lack of regulation, which may be the biggest barrier for the expansion of financial services through new technologies because it creates legal uncertainty, a paramount issue for financial institutions that plan to offer mobile financial services.

[7] Laws provide for banks to have investments in certain low-risk or socially responsible securities. The amount that has to be invested depends on the amount of deposits taken in a specific time frame.
[8] Article 70, Low-Amount Savings Accounts. With the purpose of stimulating access of the low income population to savings instruments, credit institutions and cooperatives authorized to perform financial activity can offer low-amount savings accounts and contractual savings plans, according to the requisites of quantity, balance, transactions, fees and any other conditions established by the National Government. The resources deposited in these instruments would be exempted of any mandatory investment.
[9] Afterwards the Decree 4590 was modified by the Decree 1349 of 2009.
[10] SISBEN, acronym in Spanish for Potential Beneficiaries of Social Programs Identification System. It is a system used to identify the lowest income population in order to determine which citizens are entitled to receive subsidies from the Government. There are three levels within this system, being 1(one) the category that includes the poorest citizens (that receive the biggest governmental subsidies).
[11] By "displaced citizens" we refer to the people who were forced out of their territories because of the guerilla and paramilitary actions. They are listed in the Register for Displaced Population.

The interest in branchless banking of the traditional banking sector

The Colombian Government has opted-out of the possibility of developing a branchless banking model based on non-financial institutions providing financial services on their own behalf, because of the lack of regulation and supervision of such entities. This paved the way for the creation of a banking agent model. However, Colombia's banking sector has not yet been a driver of branchless banking solutions. As a matter of fact, it has never been very keen to target low-income populations and this could actually be the most plausible explanation for the minimal interest in adopting virtual and electronic means to access and manage bank accounts.

The few branchless banking initiatives introduced in Colombia have been either promoted by the Government (with the view of expanding financial services) or presented by financial institutions as an added value for current banking customers. In many areas of the Colombian territory, the need for non-bank correspondents that can offer banking services has been partially met with the subsidy-based policy of Banca de las Oportunidades. This program has helped banks create networks of agents, providing economic incentives to those financial institutions willing to establish NBCs in rural areas or "unbancarized" suburbs. In a nutshell, the incentive structure works as follows:

1. The financial institution opens a Non-Bank Correspondent;
2. According to BdlO's studies, the NBC breakeven point is reached when "x" transactions per month are performed at the NBC;
3. If the NBC registers "y" transactions, which is less than "x", the difference "x-y" in monthly transactions is paid by BdlO.

This model has achieved greater levels of "bancarization" than any other governmental initiative, mainly because it is focused on the areas that show a serious need of financial services. Incentives are only valid for the first 2 (two) years of NBC activities in order to encourage financial institutions to find a way to make the NBC self-sustainable after the second year.

The financial institution initiatives have been largely developed through the low-value payments system and switch, REDEBAN MULTICOLOR (redebanmulticolor.com), whose stockholders are 12 of the 18 banks currently chartered in Colombia. REDEBAN's activities have led to the installation of a mobile banking application in almost every SIM card that is embedded in active cell phones in Colombia. The system has showed to be safe and to have wide coverage, and last but not least, it has remained a free service. In order to access this mobile banking platform, it is imperative to already have an open and active account. Therefore, the most revolutionary feature of banking through cell phones, which is reaching "unbancarized" low-income populations, is still unexplored.

As for the development of agent networks, with the enactment of the Decree 2233 of 2006, the Government enabled financial institutions to contract agents to provide certain financial services on their behalf. At first, regulation only allowed NBCs to perform basic operations such as money transfers, payments and deposits, withdrawals, balance checking and disbursement of credits. As a complementary measure, NBCs could also give and receive all the information necessary to access these products, but they were banned from opening accounts. Afterwards, as mentioned in section II, the Decree 2233 was modified by the Decree 1121 of 2009, which allowed NBCs to engage customers under deposit contracts on behalf of the banks, provided that they follow the conditions established by the financial institutions and supervision authorities.

NBCs have been acquiring greater experience and along with it more users' confidence. The Financial Superintendence statistics show that public service payments, the most popular operation in NBCs, passed from a little over 450,000 per month in August 2008 to somewhere around 900,000 transactions in the same month of 2009. Similarly, deposits, the largest operation in NBCs when classified by amount of money, almost doubled between August 2008 and July 2009 (Financial Superintendence). These figures show how a growing number of people have been using NBCs instead of traditional bank branches.

In conclusion, considering that formal financial institutions have not showed a real interest in using mobile technologies to outreach low-income populations, and that MFIs, despite having the link with microfinance's target communities, cannot develop a mobile financial services platform of their own because of regulatory restrictions, we see the necessity and the legal room for the possibility of integrating these two parties in a new banking agent model.

The potential of branchless banking for MFIS: a new agent model

This section aims at making a case for a deeper exploration of branchless banking possibilities from the perspective of grassroots microfinance institutions, and at illustrating the benefits for Colombian MFIs to offer mobile microfinance services as bank agents. As we made clear in the introduction, this is a preliminary study that sheds some light on the possible factors that influence and have an impact on suitability and profitability of different branchless banking models.

The hypothesis driving this research is concrete: there is a way to reach low-income population with financial products through a "win-win branchless banking solution" for both the banks and the microfinance institutions, which results in costs saving and reduced prices for customers. The analytical framework of this study is supported by a research method based on interviews and qualitative observations, which allowed us to notice how regulated and non regulated MFIs could potentially use existing branchless banking possibilities, made available by the legal framework, to scale up and increase the provision of financial services to the poor. We argue that MFIs can complement the role of banks and traditional agents (kiosks, bakery and grocery stores, pharmacies, etc.) in the rollout of branchless banking services, given their proximity to the financially excluded population, microcredit know-how, and client base.

For us to provide a quantitative backing to our proposal, we would need to examine the costs and revenues of current relations between banks and agents, together with some data on a certain number of MFIs that could serve as a pilot, before we could forecast a possible development path of this new agent model. Unfortunately, as previously stated, we were not able to obtain this information due to different reasons. First, Banca de las Oportunidades has been collecting information related to the costs of implementing networks of agents, yet this is privileged information for the banks involved and cannot be disclosed. The Colombian financial regulator and supervisory entity, the Superintendence of Finance, does not have this data because such information is not considered part of its mission of maintaining the efficiency and transparency of the financial markets. Finally, we did not dare ask one of the major banking players in the Colombian arena (Citibank, Bancolombia, Banco Agrario, Davivienda, etc.) because of the same and obvious commercial reasons behind Banca de las Oportunidades' denial.

Data on MFIs is no more available than for banks and their current agents, although for different reasons. In the case of many MFIs we interviewed, there was the incapability/impossibility of providing us with potential financial forecasts for future branchless banking activities. This is due to the fact that Colombian MFIs are still receiving the vast majority of their funding from donors and, consequently, they tend to focus their financial analyses on credit rates more than on the costs of creating and following up on a broad spectrum of activities and services.

Despite this discouraging lack of information, it is nonetheless possible to make some estimates that lead us to conclude that this new agent model has the potential to benefit all players involved, and generate a genuine 'win-win solution'. We have tried to estimate and compare the costs for the clients in three different branchless banking scenarios: traditional bank branches, current NBCs (retailers), and MFIs acting as NBCs.

We have designed a simple matrix where the costs for the clients and MFIs P&L are a stylized analysis comparing the incremental costs per transaction, per transport, per travel and queuing times for each of these three scenarios. The numbers in Figure 3 are idealized and do not correspond to any specific provider or area of the country, though they are estimates of median figures based on observations in the field. Exact numbers would depend on actual access to relevant actors' data.

FIGURE 3

BRANCHLESS BANKING: COSTS FOR THE CLIENTS (in USD)			
	Bank branches	**Retailers**	**MFIs**
Transaction fee[12]	$ 0.5	$ 0.5	$ 0.5
Transport cost (bus ticket, etc.)[13]	$ 1	0	0
Travel time (opportunity cost)[14]	2 hours ($ 2)	0	0
Queuing time (opportunity cost)[15]	30 min ($ 0.5)	15 min ($ 0.25)	15 min ($ 0.25)
Total costs for clients	**$ 4**	**$ 0.75**	**$ 0.75**

As shown in Figure 3, NBCs allow for a significant cost reduction compared to traditional bank branches (USD 3.25 per transaction). With the hypotheses we have detailed in notes 13, 14, and 15 regarding transport and opportunity costs, there is no difference in terms of costs between retailers and MFIs. However, in the case of MFIs acting as agents, we argue that clients would be better off in terms of scope of financial services provided by banks through MFIs, which already have a certain knowledge and know-how of different financial products and services. Consequently, that would also represent a cost saving for the bank because the bank would not need to pay for a comprehensive training program of agents, as MFIs would just need an "introductory period" with less stringent guidance and supervision.

The economics of MFIs acting as bank agents would be quite simple, and basically mirror the normal agent structure present with retailers. A simplified Profit & Loss (P&L) account could be represented as follow:

FIGURE 4

MFIs AS AGENTS - A P&L ACCOUNT PERSPECTIVE	
Expenses	**Income**
Employee costs	# of transactions per day * Commission per transaction
Liquidity costs	
Security costs	

In order to break even and then be profitable, the MFIs would have three options:
1. Impose high commissions;
2. Increase the volume of transactions;
3. A combination of options 1 and 2.

[12] Our estimates.
[13] Our estimates: we have assumed a very good capillarity of local retailers and MFIs.
[14] Our estimates: in the case of a client earning USD 8 per day, which is the daily approximation in USD of the 2009 legal minimum wage in Colombia (COP 496.900, i.e. USD 250). In the opportunity cost calculation, we have considered a working day of 8 hours.
[15] Our estimates; as for the daily wage, see note 14.

From the point of view of financial inclusion, option 2 is the most promising because it involves a strategy to increase the number of transactions per agent based on economies of density (reaching as many clients as possible) and economies of scope (offering as many services as possible).[16] In terms of number of transactions per MFI per day, a good estimate could be the number of visits the MFI typically receives in a day. This figure represents a relevant indicator of the model's commercial viability. Finally, with MFIs acting as agents, there is a higher probability of having more active customers in the targeted population.[17]

This section ends with the presentation of the current network of NBCs in Colombia, together with its links to our proposed agent model.

FIGURE 5

BRIEF OVERVIEW OF THE CURRENT NETWOK OF NBCs IN COLOMBIA	
Number of NBCs as of April 30th 2010[18]	
Total NBCs	5568
Citibank[19]	4213
Bancolombia[20]	577
Banco Agrario	234
Market share of Citibank, Bancolombia, and Banco Agrario	90.23%
Costs borne by providers (in USD)[21]	7500
Start-up costs per NBC in rural areas	30000
3-year operating costs per NBC	2200
3-year variable costs per NBC	1100
Monthly cost per NBC	

[16] For a deeper analysis of economies of scale and scope, please refer to Mas, 2009, pp. 61-63.
[17] See definition of active customers in Mas, 2009, p. 71: "customers who initiated or received one or more transactions per month over the previous three months (or since registration, for new customers)".
[18] See http://www.bancadelasoportunidades.gov.co/contenido/contenido.aspx?catID=300&conID=690 (accessed in June 2010).
[19] Back in 2007, Citibank established an alliance with Gtech Colombia, owner of one of the major lotteries in the country, to implement a network of NBCs through lottery stands. Despite the commercial success of the deal, these NBCs are not a good point of reference when it comes to analyzing the outreach of financial institutions in the base of the pyramid. First of all, Citibank's agents are not full-service, meaning that they only offer certain services of the full portfolio allowed by regulation. Moreover, some of these NBCs are located in large and medium cities, in supermarkets and stores which are not far from traditional bank branches. Having said that, it must be added that Citibank has announced its intention to expand the services of these agents, including withdrawals of money and disbursements of credits.
[20] Bancolombia is one of the largest Colombian banks and is using agents known as Puntos de Atención Cercana (PACs), 25% of which were transformed into agents in 2006, the year when agency regulation came into force. See Aguirre, Dias and Prochaska, 2008.
[21] Our estimates.

Colombian banks are increasingly realizing the need to create integrated strategies to provide branchless banking services. Yet, despite its promising and trumpeted future, branchless banking has created new opportunities for existing bank customers only. The next step for government authorities, banks, telecoms, and MFIs is to find innovative ways to make branchless banking "transformational", so as to expand outreach of financial services to the poor.[22] In remote areas, poor people do not have access to bank branches, but they could use local MFIs acting as agents and offering new branchless banking services such as money transfers, bill payments, access to cash, and payment of microloans. With a larger agent network that includes the MFIs, a larger section of the unbanked population would have access to financial services.

Developing a network of MFIs acting as agents is a way for banks to establish a low-cost process to identify new clients that can then become profitable customers for them. Additionally, a broader presence of agents would decongest bank branches and free money for more ambitious bank expansions into unexplored markets where MFIs already have their own clients. By using grassroots microfinance institutions as agents, banks would have an initial advantage of a well-known, financially instructed, customer base.

The proposal of using MFIs as banking agents is an available option given the current legal framework in Colombia. This scheme is associated with a business model that could achieve the twofold objective of increasing meaningful financial inclusion and incorporating grassroots microfinance institutions into a commercially viable branchless banking equation. If we consider a possible evolution of branchless banking services, MFIs need to design a strategy that first increases the average number of client transactions per month, and then, when clients' businesses become stronger, focuses on average client balances. Admittedly, increases in the number of transactions per client will come with an increase in the array of financial services local MFIs can offer.

Finally, we do recognize the presence of one potential obstacle to the implementation of this model: the confusion customers could make when their former microcredit provider starts offering credits on behalf of another entity. Indeed, when an MFI acts as an agent it can offer credits from the financial institution, besides offering its own credits. Thus, an uninformed client is likely to ignore who its creditor is. If an MFI is not clear enough when informing the customer who is giving the credit, the client would not know whom to ask for guidance, information, or any other subject related to its credit. Also, there can be a reputational risk for the bank, when an MFI has a poor information system that is subject to flaws, and, for instance, it does not credit a payment causing delinquency of an obligation. If the client thinks that its credit was disbursed by the financial institution, when it actually belongs to the MFI, the reputation of the bank can be damaged.

Conclusions

In Colombia, branchless banking has mainly been implemented as an expansion into already served customer markets. Admittedly, Colombia is not the role model when it comes to development and penetration of branchless banking, but considering the technological, regulatory and practical conditions, it can be concluded that the country is slowly moving in the right direction. In fact, the conditions exist for branchless banking to become one of the main engines of the microfinance industry.

Our proposal of a new type of agent model based on MFIs creates a different microfinance value chain through a process of scale and inclusion, with grassroots MFIs selling a range of financial products to unbanked

[22] Following CGAP's definition, transformational branchless banking is "the delivery of financial services outside conventional bank branches using information and communications technologies and nonbank retail agents, for example, over card-based networks or with mobile phones", see http://www.cgap.org/p/site/c/tech/ (accessed in November 2009).

people. MFIs acting as agents could generate a viable branchless banking business model both in terms of float and in terms of number of transactions, because MFIs' clients are already consumers of financial services with some transaction balances and credit history, and in many cases with a strong link to their local MFIs. Having MFIs as agents would lead branchless banking toward a wider array of banking services for the poor, leapfrogging models like the Kenyan M-PESA that are based on the sole logic of storage of value and have no supervision by banking authorities. In this model proposed for Colombia, it is always a bank that leads the chain because of the required backing of a banking license.

As a potential obstacle to the development of this new agent model, we have anticipated a possible confusion that customers may have when their former microcredit provider starts offering credits and other financial services on behalf of another entity. In order to mitigate and possibly avoid this risk, it is important to have clear rules of representation that require the NBC to sufficiently inform the client about who is the creditor, who is accountable and how to access the information regarding the credit once it is disbursed. Likewise, the customer also has to be clear that the institution taking the deposit and holding responsibility for the management of the funds is not the MFI, but the supervised financial institution.

It has appeared clear that it will be necessary to promote synergies between all relevant actors for the achievement of an integral branchless banking solution. This paper has explored the possible liaison between just two of these actors: regulated and non-regulated financial institutions, though it is imperative to bring into the equation mobile operators and merchants. As the owners and experts of the technological component, telecoms are essential to provide state of the art equipment at a reasonable price; also, there would be no point in deploying all kinds of efforts to allow citizens to manage their money via mobile phone, if commerce does not accept payments made through this technology. Therefore, parallel to the expansion of the financial network, there is a need to develop studies and plans for the transition of currently informal merchants into the formal economy of the country.

In conclusion, this paper has addressed a very important topic that is timely and relevant for undertaking economic activities in Colombia. It was not possible to empirically measure the impact of the proposed agent model on financial inclusion with the public information currently available, and we see this as a missed opportunity. However, the contribution of this article does not disappear in the absence of data measurements due to the lack of public access to the information regarding costs and revenues of current relations between banks and agents. In fact, this study has an exploratory nature and pretends to open up new opportunities for future and deeper research on the subject matter.

A future interesting topic to investigate would be a pilot branchless banking model with an MFI acting as bank agent of a regulated financial institution, to be studied in order to empirically register and monitor the increase of clients and transactions due to the additional financial offer made available through the pilot MFI, empowered by the agent relationship with the bank. This research would identify and provide precious information to improve the provision of financial services to remote, underserved, and unbanked areas of Colombia. Finally, we do hope that future international fora will spark further analysis and understanding of the benefits associated to this type of agent partnership between banks and grassroots MFIs. This we see as an innovative way of conceiving a new generation of microfinance that is horizontally integrated, inclusive of all players, and, more importantly, can generate synergies capable of increasing financial access to the poor.

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