

# GREATER REACH WITH AGENCY BANKING

## miniATM provide greater convenience

### 1. Challenges to achieving financial inclusion

Many governments have identified the need for financial inclusion for its unbanked and underbanked citizens. Financial institutions are looking at options and weighing up costs against benefits to find better ways to reach more citizens and provide more accessible financial services.

All traditional bank follow a similar blueprint in their organizational structure – a central head quarter, a number of strategically placed branches, and a collection of ATMs to reach its last mile customer. A bank without a physical presence has limited capabilities to engage with customers, cross-sell and up-sell products. This limits the bank's ability to reach new customers and offer promote their broader range of financial products. Thus, there are intrinsic challenges for banks to grow to scale.

Banks today are grappling with ways to grow their new customer base. How to sign on more new customers, and cater to the underbanked? At the same time, the primary topic of discussion in many headquarters is how to balance growth with cost. In which way can a bank grow efficiently while maintaining high level of service?

A bank can not simply continue to open branches to get closer to customers. This is too costly. At the same time, customers are also unwilling to travel long distances especially for their daily needs for cash, bills payments, and funds transfers. This is also not a question of switching to a purely digital strategy since these customers rely on real-world interactions. Does investing in more ATMs address this challenge?



### 2. The ATM – a computer with a safe

One way to reach customers is to use Automated Teller Machines (ATMs) to provide everyday transactional services. An ATM consists of two main parts: cabinet and safe. The cabinet (main body) contains the ATM computer, which is connected to all the other devices: network equipment, card reader, keyboard (PIN pad), and cash dispenser.

The cabinet is practically unprotected and generally secured by a plastic door with a trivial lock. ATMs generally need a fixed physical location and physical security to protect the cash.

The cost to a bank is significant! ATM machines tend to cost in the range of US\$10,000 to \$15,000. The price goes up even more when equipped with cash recycling capabilities. There are many additional costs to factor: cost of maintenance, physical security, long-term leases, cash supply and replenishment, uptime monitoring and closed circuit cameras (CCTV).

By rough estimate, the total cost will be at least double (2x), if not even triples (3x), the initial cost over a 24 month period.

### 3. miniATM to scale

In order to scale, and address the high capital and operational costs of ATMs, we need to reimagine the ATM by bringing the conversation back to its core purpose: banks want to provide their customers greater convenience.

Modern technology enables us to move past the mental image of the ATM – physical cabinet and safe – to provide the same convenience in a much more personalized manner. SmartPesa is evolving the ATM into miniATMs – operated by merchants, secure to bank grade standards, and flexible to provide an even greater range of services.

In a miniATM deployment, ordinary merchants such as grocers, pharmacies, mom-and-pop shops, retailers, tire repair facilities, and any business can be transformed into a bank branch. It can be considered a bank franchise where businesses provide transaction banking services and offer value added services – by purely utilizing a miniATM solution.

The range of services available to customers is flexible and unconstrained, and commonly build upon the core transaction types of the bank ATM switch:

Cash Withdrawal	Cash Deposit	Balance Inquiry
Account Transfer (Intra Bank)	Fund Transfer (Inter Bank)	Bills Payment
Airtime Purchase	Cash Collections	Pin Change
Loan Applications	PayDay Loans	

The form factor of the miniATM can also be optimally aligned to the channel – from a \$60 mPOS device to a dedicated \$200 desktop Android POS. These light weight miniATMS act as thin clients and interact with our intelligent SmartPesa gateway to enable the range of transactions, perform input validations, and assist merchants with easy-to-follow visual guidance.

miniATMs are easy to scale. The deployment model is simplified. A merchant is boarded, and issued a terminal with a simple training. They are immediately able to transact without delays in procurement, installation or lease agreements of a normal ATM. The business can immediately benefit from offering transaction banking services to its community.



Business who already handle cash (such as retailers and provision shops) will save on a trips to the bank since customers withdraw cash over-the-counter.

Customers also have an incentive to return to the same merchant – since they have trust in the business owners, and start to perform a range of their daily transactions at the store.

miniATMs are the next opportunity for banks to innovate and scale!

#### 4. Financial Incentive

Banks are traditionally responsible for all banking infrastructure. The rationale is that they can guarantee uptime and availability of all their critical services. This however comes at a huge cost to the bank for technology, communications, monitoring and expert support staff.

By deploying miniATMs, the model changes to give the merchants an incentive to operate the last mile transaction banking services – reliably, always available, and with a friendly service. Customers pay for the convenience, and the merchants benefit from a revenue share of the transaction fee income. It both incentivizes them to offer the transactional banking services while ensuring the miniATM is always operational – or risk their customers go to another nearby outlet.

Merchants absorb most of the ancillary cost associated to ATMs (from rent and physical security) through operational costs (of cash handling, and reconciliations). Merchants take over this function by handling the responsibility for cash; as they already do in their ordinary course of business.

#### 5. Simple And Secure

The maintenance of miniATMs is greatly simplified when compared to traditional ATMs. There is no longer a need to service these devices, repair cartridges or fix the printers. miniATMs have virtually no moving parts and are always in the care of a merchant.

Security is built-in by design and from the ground up. miniATM avoid the need to expensive infrastructure or specialized network connections. The transactions is encrypted at source, and securely transmitted to the SmartPesa gateway with keys protected by Thales payShield 9000 HSM. Deploying miniATM saves a bank hundreds of thousands of US dollars in security costs - technology and cash-in-transit security.

#### 6. Beyond Transactions

All SmartPesa provided miniATM terminals are EMV and PCI certified. This ensures bank grade security while complying with government and central bank mandates.

Beyond miniATM, the same device is also capable to provide EDC POS functionality out-of-the-box – on the same terminal with the same SmartPesa platform. In this novel approach, a single merchant can be taking payments and facilitating bank transactions through a single consistent user interface:

Sale	Void	Refund
Cash Advance	Instalments	

#### **About SmartPesa**

SmartPesa is a specialist payments technology provider that aims to solve the last mile problem for financial institutions in emerging markets. SmartPesa directly addresses the dual needs of financial inclusion and cash reduction whilst eliminating the need for costly/risky changes to banks' proven systems. SmartPesa is deployed on-premises with full legal/regulatory compliances and industry leading security systems and fully integrates with any financial switch.

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