# “What is next in retail banking in Africa … and how will it affect my job?”

David Cracknell


A senior service advisor with a decade of experience asked me “what is next in retail banking – and how will it affect my job?”  when I made a rare appearance at my branch. It is a question every career retail banker should be asking, so that they can best prepare for the digital finance future.

Mobile money, agent banking, financial technology, merchant services, PAYGO services, online gambling, nano-credit, digital banking; and trade disputes, climate change, plagues of locusts, and COVID-19. The retail banking industry has never experienced such fundamental and rapi`d changes as over the five years. In Europe, the UK and the USA transactions are moving online, branches are closing. The question for many bankers in Africa – “What’s next for my career in banking?”

**Country context influences the timeline but not the direction of the banking industry**

The context of retail banking differs from country to country, in much of Africa, banking infrastructure is underdeveloped and city centric - though mobile money and agent banking are increasing levels of financial inclusion and the number of accounts. Cash is still king, but there is a transition to digital finance across much of Africa.

**COVID-19 has accelerated the trend to digital finance**

This transition is occurring rapidly in Kenya - currently KCB conducts more than 90% and Equity Bank more than 98% of its transactions outside the branch. Though larger or more complex transactions are often handled through banking halls. COVID-19 has accelerated the trend towards digital finance, encouraged in the short term through low/no fees for smaller transactions.

**Rationalisation is beginning**

Looking at Kenya there is the start of rationalisation in the industry, mergers such as CBA and NIC Bank to form NCBA Bank, or Jamii Bora Bank and Cooperative Bank. NCBA recently announced the closure of co-located branches.

While there is an increasing move of transactions online, branch closures have been limited – perhaps reflecting the historic under-branched position of African markets relative to developed countries. However, there is a trend to smaller branches with few tellers – for example, Stanbic Bank Uganda downsized some of its rural branches following the successful launch and expansion in agent banking. In other cases, banks like NCBA in Kenya have launched small service centres for its digital offering – 'Loop' and 'micro' branches in some shopping malls.

**Over time bank strategy and competition will drive changes in bank infrastructure and channels**

Looking further into the future, digitisation will drive changes in bank infrastructure – with traditional channels being repurposed, resized, and with more cash handled through third parties. This will impact on front office staff, particularly those devoted to handling transactions.

**What will happen to products and services?**

So, channel strategy will influence staffing, but an even more significant transition is happening within products and services. A transition is being made from products – SME loans, to much more narrowly defined use cases – for example, not dairy loans – but invoice discounting for dairy farmers. Transitions are also being made towards platforms which provide added value services – for example Safaricom's Digifarm or GT Banks' Kanisa App.

**Partnerships are defining the future of banking services**

Products and services historically derived in house, are increasingly a product of partnerships with other institutions, in particular financial technology companies. Equity Bank has an award-winning application. It has created this application through its subsidiary FinServe – which in turn collaborated with a wide range of financial technology companies to build the app and to service transaction streams. The nature and breadth of these partnerships will continue to evolve – particularly around data.

**Digital transformation is changing banking from the inside**

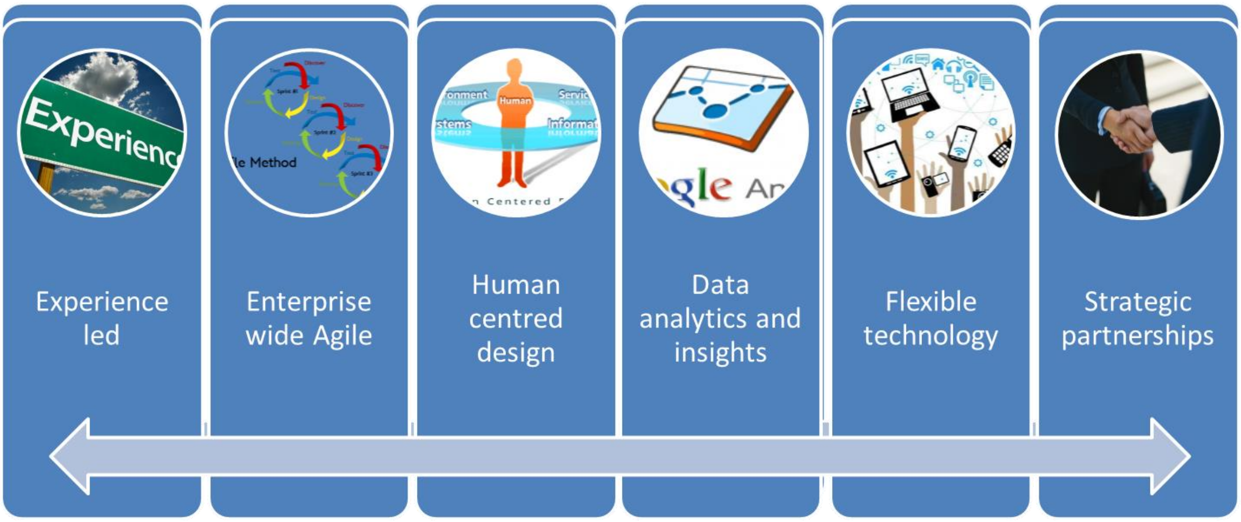
Digitisation will be extensive and pervasive, from end-to-end processing, decision making, data analytics, machine learning, risk management, compliance. Core banking system will move towards banking as a service. From the customer perspective – onboarding, user experiences and user interfaces – are moving mobile.

**Legacy IT challenges will force banks to collaborate with more nimble fintechs**

There are clear challenges in this process, not least legacy IT infrastructure for many financial institutions – which in the short to medium term will force banks to partner with fintech's to facilitate flexibility.

**Given these changes - what competencies will financial institutions require?**

Given the observations made financial institutions require a range of competencies. These are listed and contextualised in the blog: Seven Principles for Re-imagining financial services. To restate. A financial institution needs to be:




**What will we see in financial services going forward?**

- Continued digitisation: Automation of processes and in supporting field-based activities.
- Channels: Continued evolution in channels to service customers, with transactions increasingly digital.
- Segments: A greater focus on segments with defined characteristics, but potentially serving these segments across wider markets, regionally and internationally.
- Products developed based around value added services which integrate into customer lifestyles.
- Data: A increasing premium on data driven products and services, which in turn creates a premium on data sourcing, data sharing, data analytics.
- Communications: A wider range of more specific communications through social media and communications tied to customer behaviours.
- Innovation: A focus on innovation and how this can best be achieved.

**So, what does this mean for employment in financial services?**

Mid-career bankers will have to position themselves in this changing environment – and will need to be driving change. For some it will mean reskilling and re-training. However, the most significant change will be - mental agility – to be able to rethink how financial services can be designed and delivered. This shift in perspective is far from easy for a seasoned banker. But it is not only possible, it is a necessity. A few steps that can be taken to develop this perspective are:

- ➢ To learn about financial technology: To learn how successful financial technology provides solutions to real world issues that people are experiencing, or it provides solutions which facilitate financial institutions to become more efficient and effective. To partner with financial technology providers through innovation labs and accelerators.

- To be aware of technology trends which will deeply influence, future directions of retail banking, including, identity, open data, artificial intelligence, blockchain, central bank digital currency.

- To learn about your customers: As people with unique sets of needs – and see how certain needs could be addressed. Think use cases which meet these needs. Work on customer value propositions. Reimagine.

- Think about how you can promote efficiency to your corporate customers: Using agent channels for FMCGs - or integrate your services into their information systems.

I will return to these themes in future blogs, using examples of established financial technology companies from Europe, the USA and China. But remember. Making change happen requires people to have ideas and for people to see how they can be implemented. Technology is a tool which we must all be able to use to solve real problems – but we don't all have to be technology specialists.

*This blog is one of a series of blogs, should you wish to sign up to receive additional blogs, please write to David Cracknell at david@firstprinciples.consulting*

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