

Extending access to the formal financial system: The **banking correspondent** business model

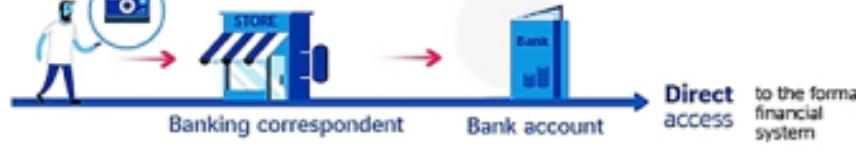
Banking correspondents are non-financial commercial establishments that offer basic financial services under the name of a financial services provider, becoming access points to the formal financial system. This business model makes it sustainable for banks to focus on low-income clients with a cost-efficient access channel.

Banking correspondent models

As financial inclusion relies on customers' engagement with the formal financial system, we classify banking correspondents into two models, pure and hybrid, depending on the degree of engagement that they facilitate.

Pure

banking correspondents enter into direct agreements with banks to offer financial services on their behalf.



Hybrid

banking correspondents offer financial services on behalf of non-bank electronic money issuers which, at the same time, have agreements with banks guaranteeing indirect or potential access to the formal financial system.

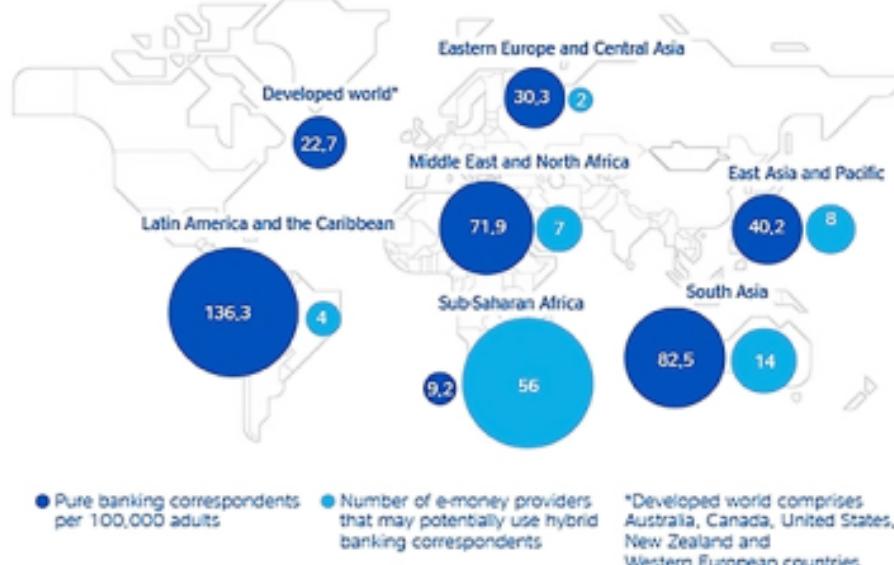


Takes place when it is possible to make transfers from e-money accounts to bank accounts. Financial inclusion depends on the demand-side taking the initiative.



Occurs when the e-money product is offered by a non-bank institution in partnership with banks. In this case, banks have access to the customers' database and may exploit it to offer banking products.

Regional distribution of banking correspondents



Given the scarcity of information on hybrid banking correspondents, we provide the number of e-money providers that, in case they had agents, those would fit into the definition of hybrid banking correspondents.

See Cámará, Tuesta and Urbiola (2015) for the disaggregated number of banking correspondents by country.

This infographic is based on Cámará, Tuesta & Urbiola (2015). 'Extending access to the formal financial system: the banking correspondent business model'. BBVA Research Working Paper 15/10