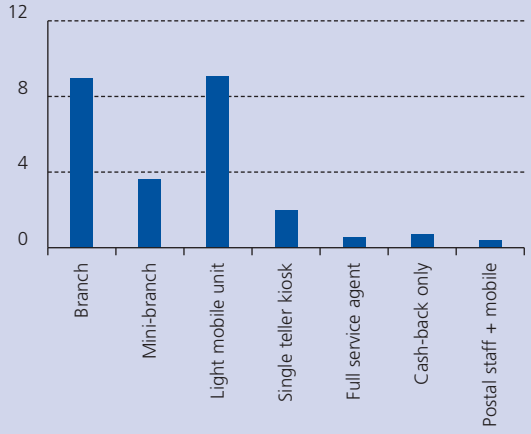
WSBI

AFFORDABILITY, SUSTAINABILITY AND THE LIMITS TO PROXIMITY

WSBI Programme "Working with savings banks in order to double the number of savings accounts in the hands of the poor"

Mapping proximity[1] is WSBI's newest area of work and one where we have been able to use geospatial information systems (GIS) data to look at how much populations cluster together in the sort of numbers that might make an agent outlet sustainable. The sustainability work has given us a tiering of how many clients need to be captured by different types of outlets in order to become financially sustainable at reasonably affordable pricing. This is shown below for East Africa.

Clients needed (thousands) to make different types of outlet sustainable

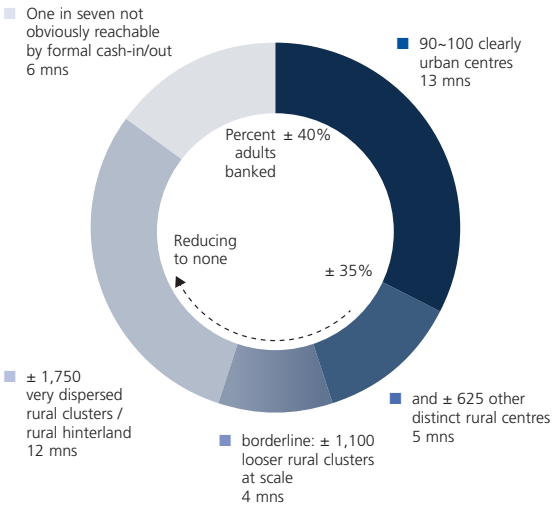


Separately, we can profile a population using GIS data to identify how many settlements of a certain minimum size are required for each type of bank outlet or single/clustered agents. This is done below for Kenya and Tanzania (Uganda's results are comparable).

These "donut" charts are annotated by descriptions of populations captured by each type of settlement.

In the case of **Kenya** 30% of total the population live an obviously urban life in fewer than 100 cities, towns and large trading centres. Beyond this another quarter are at declining densities of non-urban but still clustered living (trading centres, distinct villages and indistinct but heightened density rural living). This gives an uneven split of those who could be reached by a bank agency model (the darker shades of grey) and those who can only be reached via mobile money (the lighter shades).

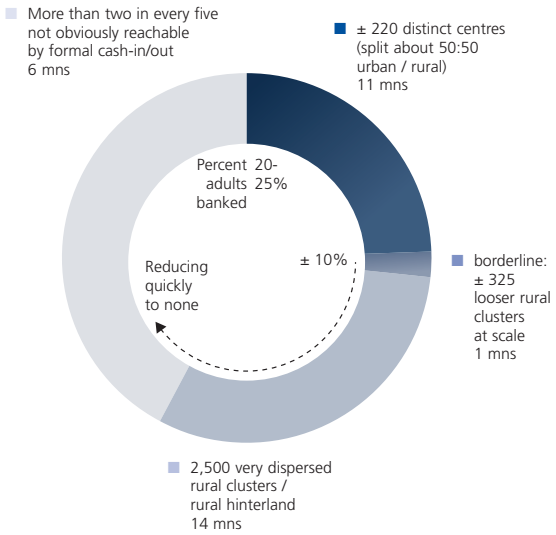
Kenya – 40.5 million people in 2010; probably just over a thousand locations at the scale needed



1 WSBI Working Paper: Mapping proximity - Bringing products and services close enough to the poor to be meaningfully usable and still keep them sustainable for WSBI partner banks, May 2013, www.savings-banks.com/savingsprogramme.

The same can be said of **Tanzania** but all within a much smaller share of the total population. All forms of clustered settlement (right down to densely centred villages) are needed if the ±25% of population classed officially as urban is to be captured. The clustered settlements right down to densely centred villages should mostly be reachable by the bank agency model. Very dispersed rural people may not be supported by bank agencies, they however can clearly be reached by mobile money cash-in/out networks which in the case of Tanzania reach another ±30% of the population. That means that still 45% of all Tanzanians are obviously not reachable by either model.

Tanzania – 45 million people in 2010 but only a few hundred locations at scale needed



What these charts are telling us in the savings bank movement is that **bank agency networks in the poorer and most under-banked parts of Africa will probably always struggle to reach even half the unbanked population** and it could be as low as a quarter. This is a finding of huge importance because trying to close the proximity gap is the first response our members tend to have towards closing the access gap. Although we have not done the same detailed work in East Asia, we have received the first indications that the same applies there as well, so Latin America may be special in terms of the success banking correspondent networks have had in closing both the access and proximity gaps.

This is further complicated by a form of the 80:20 rule at play within the reachable portion of the whole population. In Kenya, 100 large urban locations potentially open up 13 million people, but making banking a doorstep reality for all of these might require ±500 agency outlets alongside traditional branches. Expanding to every rural location with the scale needed for a bank agency would open up 50% more of the population but probably requires a network of 1000 agents. For Tanzania Postal Bank, going from the 20+ regional centres where it has full branches to all 150 locations where there are post offices has only moved the potential reach from 8 million to 10 million; getting into every rural location at the sort of scale needed will require roughly two additional non-postal agents for every postal outlet but only opens up another 1-2 million of the population.

Implications for future priorities

Clearly, **just opening or revitalising agent networks** – the main thrust of all but two projects under the Programme – **is not going to deliver targeted client numbers** as we originally expected. That does not, however, mean that agent networks cannot still play an important part in delivering significant breakthrough:

- the agent network model should be workable at least as far as the denser end of rural dwelling (centres of 2.000 households and above);
- there are enough households that need and support the sort of agent networks planned provided sub-locations within and on the edge of towns/cities are included;
- there are also enough unbanked in these locations with enough cash to afford the sort of tariffs that do not work in small village and less dense rural locations;
- and most of these will count as poor or near-poor on international definitions because most better off urban households are already banked;

But:

- **there is a huge market** beyond this (50-60% of all adults) **better reached by a savings account at the end of mobile money** if the combined tariff can be kept affordable;

And:

- **mobile money should run alongside mobile banking in the locations where bank agency networks do work** because mobile banking is cheaper to provide and meets more needs and mobile banking struggles to rival the ubiquity of mobile money hence **we see mobile banking and mobile money as complementary rather than substitute services**.

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