WSBI

The global voice of savings and retail banking

Comparative review of the obstacles faced by savings banks trying to improve access for the poor

Circulation draft prepared by Programme Technical Adviser for members and consultants participating in "Doubling Savings Accounts Programme" managed by WSBI and funded by the Bill & Melinda Gates Foundation

Working with savings banks in order to double the number of savings accounts for the poor

Comparative review of the obstacles faced by savings banks trying to improve access for the poor

Foreword

This paper summarises how the WSBI-Gates Programme Team's understanding of the obstacles that it is trying to help participating members overcome as they try to improve access to savings services for the poor. It is a milestone of the WSBI-Gates Programme and was originally scheduled for March 2010, which ended up being the peak of project start-up and much too soon to understand the obstacles. Starting the projects, encountering unanticipated obstacles and beginning to understand how to overcome them has taken all of 2010, thus this paper has benefitted from all we learnt at our own Mid-Term Workshop and the Foundation's Global Savings Forum in November. The learning process does not stop but only starts with this paper and although a lot of what we need to focus on is now clear, the paper is still very much a work in progress. Given this, the progression in understanding is in some ways as important as the current state of that understanding, so the paper follows the sequence of that progression:

- our preconceptions at the time of the call for proposals;
- what we learnt from members who responded to that call;
- the transition from proposals submitted to working projects;
- an emerging consensus challenged by what others are doing in the field of pro-poor access;
- and a synthesis of the issues still to be addressed.

The broad evolution of thinking can be followed in the emboldened first sentences at the start of each paragraph. At each major milestone a reprise of the evolving understanding is shown in shaded text.

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Sharpening up the challenge

Chris De Noose, WSBI Managing Director

We talk the talk, now can we walk the walk? Proving this is the aim of the "Doubling Savings Accounts Programme" managed by WSBI and funded by the Bill & Melinda Gates Foundation. It's easy for banks to say they're pro-poor, but can they actually create savings accounts for the poor and cover the cost of doing so? When we took on this challenge we always knew that just doubling would never be enough on its own. What, for example, would be the point if all the new accounts were so badly designed as to end up being unusable? Equally, what point is there to a new account that is so costly it drains customers' savings rather than protecting them?

The members so generously funded under this Programme all made promises to secure that funding. When have we ever received such a significant external contribution to delivering our mandate? Those promises were broadly similar and focused on achieving a significant and sustained breakthrough in the provision of usable and affordable savings services for the poor. These were explicit promises, laid out in the project descriptions that underpin each Project MoU. They stand above all the normal expectations that together we can deliver projects on time and within budget. It is really important to understand that success will be measured in terms of targeted outcomes – numbers of poor reached, usability, affordability and sustainability – and not the project outputs that we are usually judged by (IT systems rolled out, agent networks established, marketing campaigns and staff training completed, etc.).

After a year of Programme project start-ups we have learned that all this is easier said than done. Success now looks as if it depends much less on overcoming obvious obstacles keeping potential customers away from us and much more on making the case for them using us (something we often take for granted). In particular, we have learned that we need to spend as much on training and managing the people we use to reach the poor and on promoting ourselves to the poor, as we spend on any technical solution. Unbanked populations are physically harder to reach than we expected, even via agent networks, and now we have a major competitor in the form of mobile money that is increasingly setting the terms of what the poor will pay for usable services.

None of this is insurmountable, but it won't be easy. Above all, we must play to our strengths as safe places to save, respectful of a customer's need for privacy and combining a mix of long- and short-term savings with money transmission in ways the competition cannot. While the financial transaction pricing agenda is steadily being taken away from us by mobile network operators, we are far from powerless: we can fundamentally rethink and redesign business processes, products and services, keeping them simple and affordable, to reduce cost dramatically and achieve profitability. And while mobile money can be seen as an existential threat to traditional savings banks, it is also an opportunity for partnership to reach remote swaths of the unbanked poor.

This paper is designed to help participating members sharpen up their thinking on what really matters to delivering their promises from now on. There is a wealth of material and analysis to explain different issues and a checklist built around the strategic marketing mix that any retail bank should be thinking about – product, price, place, process, physicality, people and promotion. The choice of what to do and the responsibility for getting it right rests with each member, because it is they who made the promises that attracted funding from the Foundation, thus beating out other members who had also vied for access to that funding.

I would like to end with one last thought: a bank cannot be pro-poor without taking responsibility for the pro-poor agenda at all levels of its organisation, but it does not have to do this alone; pro-poor savings banks must support each other, speak with one voice and start bringing more to the provision of savings services, because the market will not wait for us.

1. What we knew at the time of the call for proposals

At the time the Programme was launched, the work of the Bill & Melinda Gates Foundation in the field of savings mobilisation was not well understood by WSBI members but really excited them. Obviously, the Foundation was already well known for its pioneering large-scale commitments to "help all people lead healthy, productive lives." Its Financial Services for the Poor (FSP) initiative was less well known, but the idea of harnessing technology and innovation to bring quality, affordable savings accounts and other financial services to the poor was just what many members were waiting for.

Providing a safe place to save and help the poor increase their financial security has, after all, always been intrinsic to the double bottom line mandate of the savings bank movement; having the means to do so across the Global South had often been much more problematic. The Foundation set WSBI a very specific challenge, which was to find a number of savings banks that would commit to doubling the number of poor individuals holding a savings account with them. This still remains the prime quantifiable but not the only goal, and the first step toward making it happen was a call for members' ideas on how they would achieve it.

Although the Programme was built around a call for proposals, past work by WSBI in the field of access to finance had shaped expectations as to what was likely to make a difference. A list of possible interventions was included as part of the format for submitting proposals:

1. Introduction of completely new or re-engineered, affordable savings products that demonstrably meet the needs of poor people.

2. Reconfigure or augment existing delivery channels to improve accessibility of savings services offered to poor people.

3. Improving staff sensitivity to the needs of poor people and proficiency in the execution of the savings services designed for them.

4. Optimising participating bank business processes and [IT] systems that support the convenience of savings services on offer to the poor.

5. Removing balance sheet management and financial constraints on the mobilisation of savings from the poor.

6. Raising awareness amongst poor people of the availability of specifically designed savings services and to encourage them to open accounts and use them.

7. Building long-term trust among poor people (existing and potential customers) in the savings services on offer.

The above order was not meant to indicate importance but does, interestingly, reflect the experience of WSBI with the problems its members have faced in maintaining access.

The first two – products and delivery – reflect past successes of WSBI members in expanding access. Those successes range from Bansefi and its special account for the Opportunidades conditional social grant programme in Mexico, to Thai Government Savings Bank's involvement in village level microfinance, to Caixa Economica's pioneering agent network in Brazil, etc. The list was long and fairly demonstrated the possibilities for savings banks to achieve significant breakthrough. Three key WSBI publications summarised this potential and communicated the vision of savings banks as a platform for mass access, if not explicitly pro-poor access. They were:

- Perspectives 49, Access to Finance – What does it mean and how do savings banks foster access, Jan. 2006:

- Perspectives 52, Savings Banks and the Double Bottom Line – A profitable and accessible model of finance, Sept. 2006: and

- Perspectives 53, Best of WSBI Member Training on Savings Mobilisation – Ten years of sharing innovations in the savings market.

PERSPECTIVES 56 – WHO ARE THE CLIENTS OF SAVINGS BANKS?

In 2007 CGAP funded WSBI's use of its PAT methodology to identify how far across the socioeconomic spectrum savings banks in four different countries reached. The methodology did not measure the absolute number of poor reached but did show whether the customer bases of the banks concerned broadly matched the overall population profile, or was skewed to the upper or lower end of the spectrum. Two very different banks, one small and only allowed to take savings (Bansefi of Mexico), and one large (Thai Government Savings Bank), both almost exactly matched the overall profile. Interestingly, both controlled their own delivery, operating through a mix of branches and branded agents or just their own extensive branch network. At the other extreme, National Savings Institute (NSI) of India outsourced collection and processing and only had control of top level marketing and accounting. It found its customer base markedly skewed towards the higher value business of better off households and NSI remains very interested in the programme and any lessons on how to organise and incentivise agent networks to deliver a mission to reach all Indians irrespective of how much they have available to save. Tanzania Postal Bank sat somewhere between the two extremes; its own branches in Dar es Salaam (and by extension the other regional main towns as well) did better at reaching the poor, but customers passively reached via post offices were as skewed to the top end as in India.

The third anticipated area, covering staff sensitivity and capacity, reflected difficulties experienced with post banks using non-banking staff to provide services.

Research had suggested control of distribution mattered to member's ability to reach the poor (see box).

Separately, WSBI's consulting and training activities had identified real shortfalls in capacity and motivation to serve customers well, especially where the savings banks concerned were relying on the staff of other institutions, such as post offices, to deliver their services.

In fact, all of the first three areas of possible intervention (products, delivery and staffing) were expected to be important for traditional post banks because they seem to lag behind non-postal savings banks in their ability to innovate and compete aggressively. This is not to say that post banks cannot and do not innovate, but on the whole they appear more passive and there seems to be more of a presumption that the mass market is their market, almost as of right. There had in the past been some justification for this in the poorer developing countries, because savings banks in those countries often accounted for half of all bank account numbers and half of all banking outlets, but this was undermined by growing dormancy, which often went unacknowledged. It had been thought that this problem was largely a historic one, not least because most members now have automated back offices and it was assumed that they had stripped out accounts that had neither a positive balance nor any recent transaction history and for which no meaningful client details were available. It has become increasingly apparent that many dormant accounts remain and without the right interventions active customer numbers will remain under acute pressure.

Because most members expressing interest do now have modern core banking systems, the fourth area of anticipated application of Foundation funds – business processes and IT systems – was expected to focus on cleaning up existing implementation so they could support product features and delivery channels that were more relevant to the poor than teller applications and deposit modules usually allow for. That was not to say that purchasing or entirely renewing obsolete core banking applications were ruled out but just that it was not expected to be the main activity.

The fifth area – balance sheet management and financial constraints – was another one put in primarily for postal savings banks. Two areas of specific need were anticipated: help with postal corporations charging too much for use of postal outlets or with restrictions on asset deployment that reduce income. Either makes banking the poor unaffordable and unsustainable.

The final two anticipated interventions – raising awareness and building trust – were a recognition that savings banks, particularly in poorer developing countries, do not always do enough to connect with the poor. There was, however, probably not enough awareness among members of how far behind modern marketing practice they had slipped (see later sections). As a result there was probably too much of an expectation that the obstacles lay in the minds of the consumers and needed to be addressed by financial literacy initiatives.

To summarise, at the initial call for proposals stage, the perceived obstacles to achieving a significant breakthrough in access for the poor were:

- product design and requirements that were irrelevant to the sort of lives that the poor lead;
- delivery channels and mechanisms that did not get close enough to the poor;
- people at the customer interface not skilled or motivated enough to serve the poor;
- business processes and IT designed for the top-end commercial market and not the mass retail market;
- financial practices that made postal networks too expensive to reach the poor;
- legislation or regulation that undermined the potential profitability of serving the poor;
- and customers who needed teaching that the savings bank was there for them.

Interestingly, regulation featured hardly at all in its own right. It was thought that it might come up with regard to lifting restrictions on lending or subsuming them under the establishment of new delivery channels.

It is important at this point to remember that the call for proposals predated the publication of Portfolios of the Poor and was prepared at a time when the explosive growth of M-pesa in Kenya still looked like a country-specific phenomenon. There was a lot of work on mobile money and its potential, but in many countries it was not clear that the potential really was being realised. Examples were the Philippines, where it seemed to be adding a few percentage points to financial services penetration, and South Africa, where it seemed only to be reaching those living on more than $2 a day, with a service that was more expensive than the basic card account offered by Capitec (the leading branch-based microfinance bank). These all compared poorly with the shift in access achieved in Latin America by the spread on non-banking correspondent-agent networks where WSBI members were often in the lead. Perhaps for this reason, the list was as much about the problems of old models of outsourcing customer service (which post banks pioneered) as it was about the potential of what the Foundation now calls partnership – several lifetimes in the postal marriage bed does not encourage one to jump into bed with telcos even if they are richer!

2. What member expressions of interest told us about obstacles to access

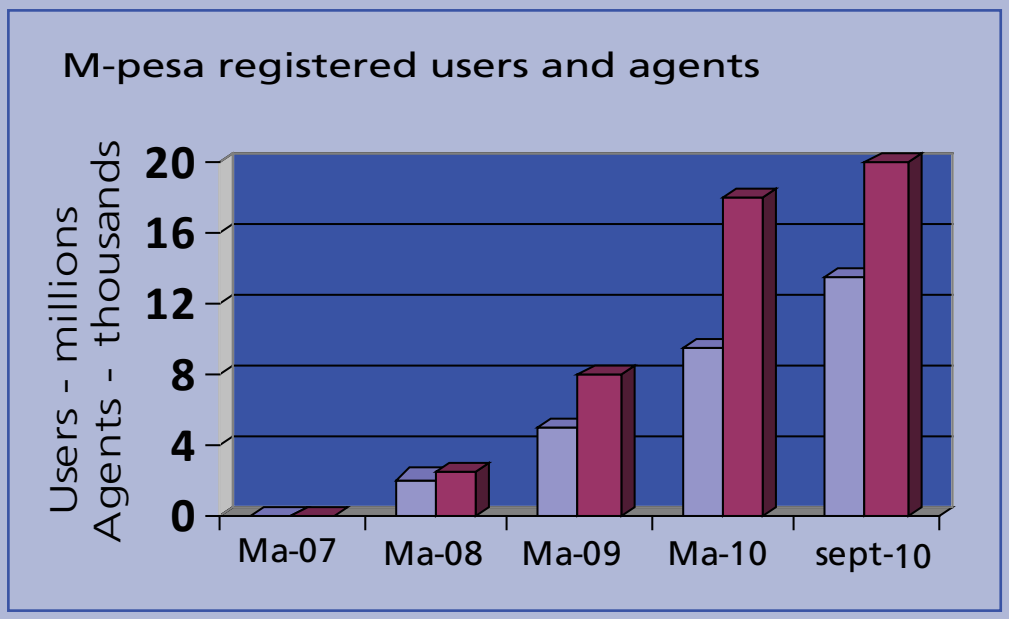
The strongest and most important message that came from member responses to the call for proposals was how strongly the Foundation's objectives resonated with them. One of the key risk clusters at the time of making the original Programme grant proposal was that not enough members would respond, not enough pre-proposal workshop attendees would go on to submit proposals or that not enough of those proposals would be worth taking forward to evaluation. As it turned out, nearly 40 proposals were received from almost 30 countries and the workshop had to be expanded by one place. All workshop attendees made proposals and 12 out of the 16 proposals went forward for evaluation and ten were selected for funding. Since then, the level of interest has been sustained not just by those benefiting from the Programme but also those left out of the first wave of funding.

Clearly, therefore, pro-poor is not a label that a significant strand of WSBI membership is frightened of acquiring. That the response should have been so positive was not taken for granted; less than five years earlier, the initial WSBI work on access to finance had been greeted in parts of the organisation by the response "we don't want to be seen as banks for the poor".

Mobile money is a way of transferring money from phone to phone, mostly person to person but with some person to business and business to business activity as well. Inevitably, a float builds up because not all transferred money is taken out as cash as soon as it is received and technically this all represents individual saving. Some regulators insist each mobile money balance should be matched by a deposit balance in a linked bank account, so that the phone is only a payments platform. In other countries a more relaxed attitude has been taken and the mobile network operator manages individual mobile money balances in proxy accounts on its systems, with safety ensured by having the aggregate value of the float continuously matched by an equal value deposit at a licensed bank.

of whom only 4.5 million say they have a bank account. The 13.5 million M-pesa users now have 23,000 agent access points, compared to less than 1,000 bank branches.

On average, M-pesa users pay just over a dollar per month in fees, enough to cover three transfers or cash-out transactions per month; total transactions must be higher because adding cash to an M-pesa balance is free. By 2009, a major access survey (FinAccess 2009) showed a quarter of all M-pesa users were using the service explicitly for saving. This could just be deferring or splitting up taking transferred money out as cash or it could be deliberately loading up an M-pesa balance with cash and the same user then taking it out later; both are known to happen. A GSMA case study* suggests the average transfer is about $20 and Safaricom (the network operator behind M-pesa) reports indicate $40 is being transferred per user per month. This is large relative to the cash flow of a rural household (on average barely $40 per month). The total fee for $20 sent and withdrawn in one go is $0.70 and a simple cash-in/out savings operation costs half that. This is good value at $20 and still just about affordable at the $10 maximum likely savings deposit by the upper stratum of poor urban households, but unaffordable for the $5 more likely to be saved in one go by even the upper stratum of poor rural households. The most recent development is a tie-up with the local flagship microfinance bank, Equity, in Summer 2010. The impact was immediate, as two million Equity bank account holders registered for M-kesho, which allows an Equity bank account to be attached to an M-pesa-registered SIM card.



The other big innovation has been to develop a safe way for customers to add cash to their mobile money balance using registered agents. This is done by having the agent deposit their own money into a float account before any cash is taken. As soon as the network switch registers a cash deposit, money is moved out of the agent float account and credited to the customer balance and then onwards to the backing deposit account (individual or aggregated). When cash is taken out money moves from the main float account into the individual float account of the agent paying out. This way, all settlement takes place in real time and the customers' money is seen never to be at risk. Agents are paid a commission for cash-in and cash-out to incentivise them and also receive increased footfall for their other businesses.

The first really significant schemes emerged in the Philippines, and by late 2010, the industry body – the GSMA – had tracked more than 80 launches and knew of a similar number in the pipeline. But the emblematic breakthrough in mobile money for unbanked adults is M-pesa in Kenya. Piloted in 2005-06 and going live in 2007, the service has since garnered 13.5 million users in a country with 24 million adults

* *GSMA Mobile Money for the Unbanked – What Makes a Successful Mobile Money Implementation? Learnings from M-PESA in Kenya and Tanzania.*

The rest of this section summarises the obstacles perceived, the ideas for overcoming them and the nature of assistance sought for each of the 25-plus countries with members that submitted expressions of interest. Leaving aside India as a special case, responses came from countries with a combined population of over 800 million and members with combined account numbers approaching 50 million. India more than doubled the population covered and quadrupled account numbers.

Table 2.1 – Number of countries covered by population and member accounts

Population		Accounts	
< 10 million	10	< 100,000	7
10 - 100 mn	13	100k - 1 mn	11
100 mn - 1 bn	2	1 - 10 million	9
> 1 billion	1	> 10 million	1

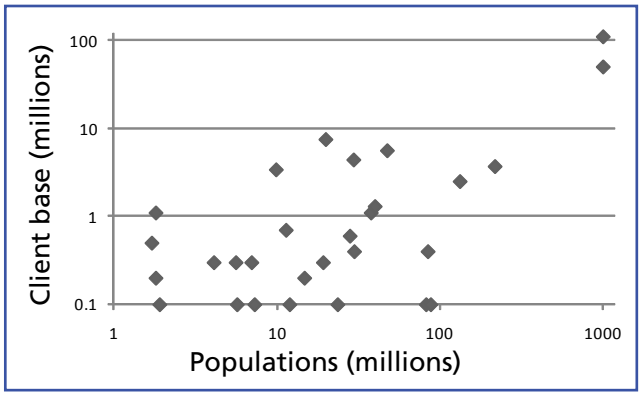
Overall, the spread of proposals allowed for consideration a wide range of possibilities – small banks that are nevertheless very important to their small markets, small to mid-sized banks in larger markets and significant banks in large markets. Thus projects aimed at significant relative breakthrough (more than doubling a small number) and significant absolute breakthrough (measured in millions of new poor clients) were available for consideration. A fair geographic spread was achieved – with a strong African presence but a disappointing Latin American one – and a broad range of institutional forms covered (state and mutual, postal and non-postal, lending and savings-only) as well as countries across the development spectrum.

It is therefore reasonable to say that institutional form was not the obstacle it was expected to be, at least at the level of management commitment. Put another way, post banks do not want to lag behind the rest of the movement, but circumstances often force them into doing so.

Programme level preconceptions as to the sort of interventions that might be needed were confirmed by member responses but turned out not to be very discriminating. All seven of the indicative areas of assistance were sought in very nearly half of the countries covered. For the other half, where some discrimination was evident, help with the product and delivery combination was sought in all but three cases, but so too was help with processes and IT and with customer awareness and trust. The two that were missing from a relatively large number of expressions of interest that did not specify all possible interventions were staff sensitisation and removing balance sheet/financial constraints to expansion.

The WSBI list of possible interventions was, however, never intended to limit member ideas as to what might be needed to achieve significant breakthrough. In the form for submitting expressions of interest there was space for members to use their own words to describe briefly what they saw as the obstacles to access and outline what they thought the solution to overcoming these obstacles was likely to be. The expressions of interest that were not selected (those

Figure 2.1 – Member size (accounts) cross-plotted against country size (population)



that were selected are dealt with in the next section) showed a remarkable homogeneity – almost a case of choose any two out of about five possible options. A few interesting nuances emerge, namely Benin (where informal rotating savings squeeze out more formal alternatives), Bolivia/Costa Rica plus Ghana and India (banks self-excluding from the inclusion agenda often by deliberately choosing high cost configurations), and Bolivia plus Ethiopia and Iran (poor general infrastructure and IT communications limiting proximity).

The chart below shows the number of countries where a particular type of obstacle was mentioned – lack of proximity was clearly the issue mentioned most often, which was interesting given that most savings banks pride themselves on the depth of their physical outreach. Then came problems in spanning the gap between the formality intrinsic to being a mainstream financial institution and the informality that characterises the way the poor operate. The first of these was mostly seen as a practical problem but the latter was often described almost as if it was self-inflicted. The same applied to lack of affordability, which was much more often blamed on excessive cost configurations than on lack of means. This is all quite positive for tractability because the new business models that are improving access for the poor (mobile money, non-bank agents, etc.) do reach out farther geographically and at the same time offer an opportunity to engineer away both cost and some of the social gulf between formal institutions and the poor. This optimistic interpretation is backed up by the fact that the tractable issues of geography, formality versus informality and affordability are mentioned more often than fundamental social fac-

tors (culture or trust) that might militate against formal saving. Less encouragingly, where culture and mistrust were mentioned there was often a sense that the poor are somehow misguided and it is their shortcoming and not a reflection of the way the industry has treated them.

Again, it needs to be remembered that the articulation of these ideas about obstacles to access predated the publication of Portfolios of the Poor (and indeed the new edition of The Poor and their Money). There was, however, quite a lot of language that mirrors the sort used to present findings of the big financial access surveys (FinScope, etc.). These have permeated members' thinking, probably because they are more directly country-specific than available financial diary studies.

The solutions proposed focused mostly on understanding the poor a bit better and then sensitising them to what the savings banks concerned could do for them. There was a strong didactic strand to this – more financial education than promotion – but it was often also paired with work on products and/or new channels. This would at least mean financial education would be more than just telling the poor how to use a passbook.

The number of references to creating new channels was almost matched by the number of references to expanding traditional channels and references to pushing savings products tied to other (more profitable?) microfinance products. Staff sensitisation and linking to other grassroots poverty initiatives lagged behind.

So, at the end of the very first stage of the call for proposals, the priority list had not changed much from the preconceived list but was now ranked in order of significance and the language used to describe obstacles had changed subtly but significantly:

- insufficient geographical coverage requiring a mix of more traditional and alternative outlets;
- insufficient communication capacity to tell the poor how to use already widely available products;
- product design and requirements that make the available service too costly for the poor;
- business configurations – structural as well as process/IT – that exacerbate cost problems;
- legislation or regulation that handicaps the ability to compete for the business of the poor;
- staff that need training in how to deliver an effective low-cost service.

Figure 2.2 – Number of countries with broadly similar types of obstacles mentioned

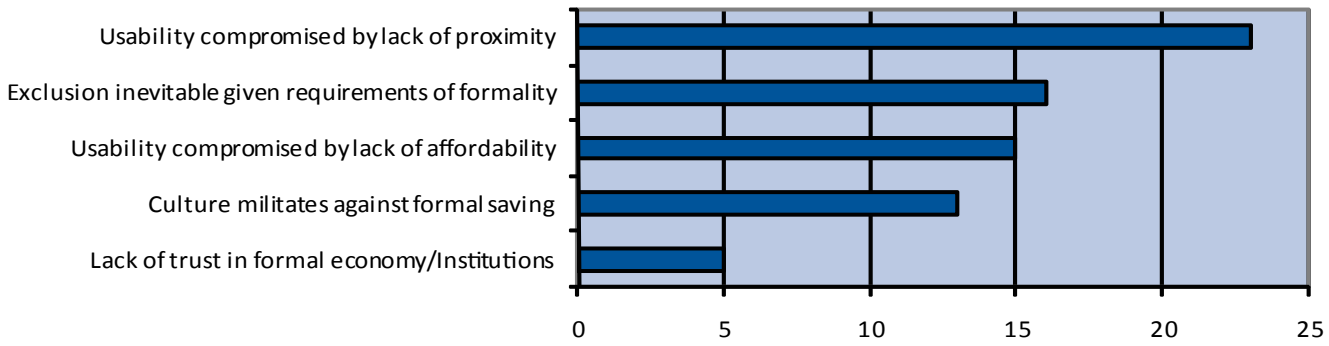
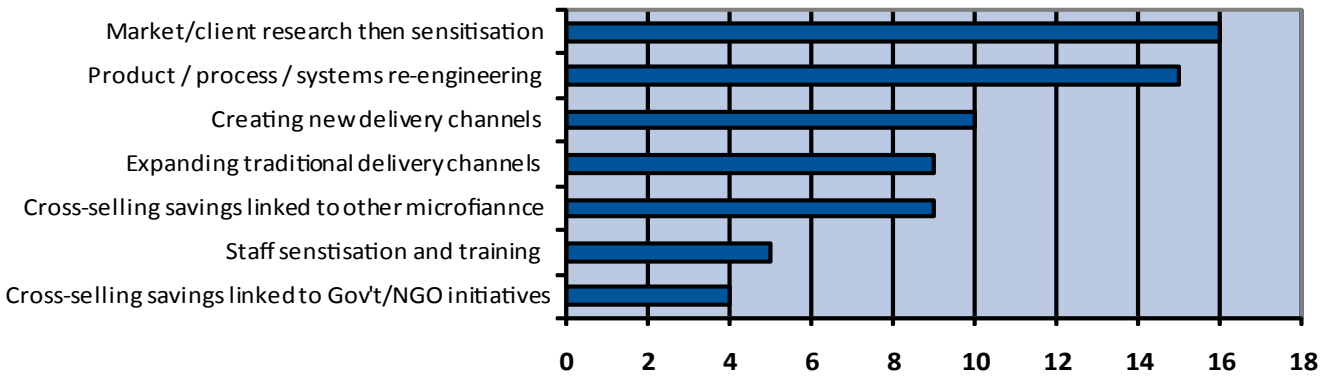


Figure 2.3 – Number of countries where broadly similar classes of solution were offered



BACK TO THE FUTURE – A DIFFERENT PERSPECTIVE ON PARTNERSHIP

Kenya Post Office Savings Bank has just celebrated its centennial and its experience of outsourced customer service illustrates well how partnership can be a mixed blessing for savings mobilisation. Glimpses of the challenges posed to sustainability by the partnership with post offices are possible right back to its foundation as a state-sponsored savings service run for the state by the post office.

In the 1920s and 1930s approved colonial securities were yielding enough of a margin above the state-mandated deposit rate of 2.5% to cover the very modest central overhead by a factor of 1½ to 2½ times. Interestingly, all the profit went not to the post office but to the government consolidated account. Customer services were barely charged for at all; if postal and telegraph business did not cover the cost of the post offices then government covered the shortfall directly.

By the mid-1950s, the model was already becoming intrinsically unsustainable – despite rapid growth in account numbers and balances, net interest margins barely covered central establishment costs even though these were tightly controlled. The post office was paid a commission but this was only equal to 0.5% of the savings cash flow it was handling. This is about an order of magnitude smaller than M-pesa agents currently earn on the ten dollar cash-in/out cycles typical of a small saver in Kenya now.

By the time the savings service was corporatised in the 1970s, the percentage yield on savings cash turnover to the post office had fallen to only 0.3%. Perhaps not surprisingly, the post office had started taking its remuneration in a different and ultimately more destructive way by using deposits mobilised as free working capital and neither telling the savings bank in a timely manner how much it had gathered nor remitting the funds mobilised for investment. This pushed up central reconciliation costs at the same time as it reduced net interest income.

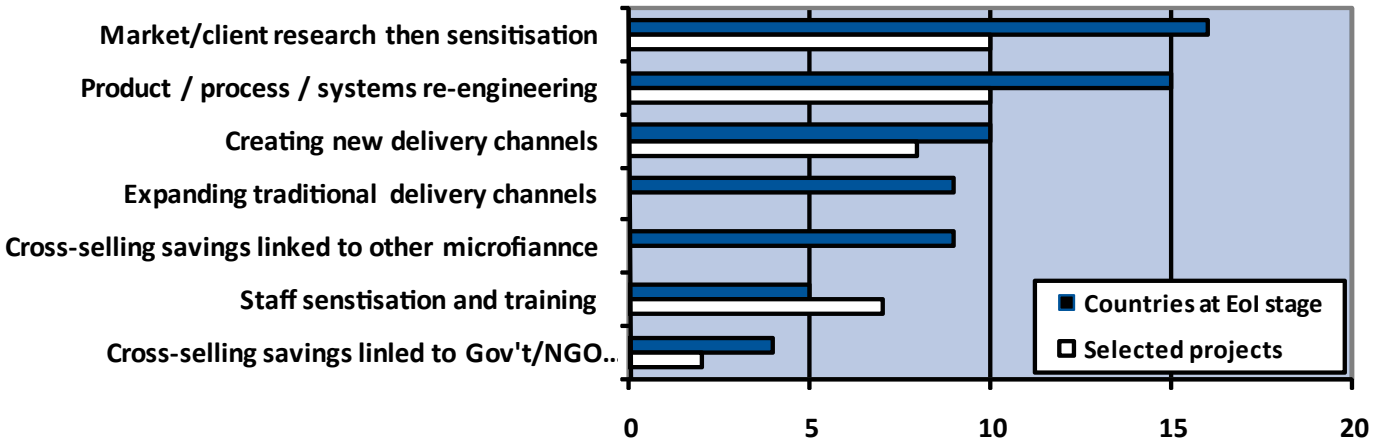
Towards the end of the 1970s, about 5% of deposits were lost somewhere in the post office's balance sheet and a decade later this had risen to 15%. Two decades further on – i.e. just before the start of the WSBI-Gates Programme – the problem was being managed but the post office was almost certainly absorbing the entire net financial income attributable to deposits mobilised through its network.

Kenya Post Office Savings Bank was not alone in facing such problems but it does illustrate the problem well. Another example is South Africa, where transfer pricing arrangements mean it charges more for the same sort of access in post offices that need more footfall than it does for access via retailers. Its existing Mzanzi account, part of a government-sponsored basic banking initiative for the poor, allows weekly depositing and withdrawal at only R12 per month (just under $2) if withdrawals are done using the cash back facility at retailers. Postbank's traditional SmartSave account only allows the same level of activity at the Post Office for R30 per month (roughly $4).

3. Lessons learned from starting the ten selected projects

The ten projects chosen for funding focused particularly on tackling the first four obstacles in the revised list: proximity, communication, products and business reconfiguration. Broadly, the profile was not dissimilar with that of the expressions of interest received and the proposals not proceeded with, so the selected projects could reasonably be described as representative but with two major exceptions. These were (a) a refusal to fund traditional channels of delivery or linking savings to other microfinance and (b) a much higher profile for sensitisation at the customer interface.

Figure 3.1 – Number of projects implementing specified classes of solution compared to number of countries where those same classes of solution were proposed at EoI stage



All ten projects had started by end- 2010 and taking them in order of the financial commitment involved, they are configured as follows:

Indonesia

A project to equip all post offices in Central Java with PoS terminals to support an existing low-cost card savings product and market this via a state-sponsored women's group initiative to ensure the poor are reached. Some limited re-engineering of back office systems is supporting the rollout of PoS terminals and some work will be needed on the risks that an 18-fold expansion in access will impose on the strategic partnership between the Post and the member, which is a separate entity with roots in postal savings but now primarily a housing-oriented savings and loan bank. In a way the project can be seen as reintroducing a specific postal savings product at scale and reversing a historic decline in relevance. A major element of the work is therefore staff training and through that sensitisation to the savings needs of the poor.

Kenya

A project to follow through on a self-generated pilot of an agent network in some ways mimicking M-pesa but using card and PoS technology and not mobile phones (although the bank has since set up a mobile money link via a third party). The aim is to reverse the slide in customer numbers since Equity displaced KPOSB as Kenya's leading mass access bank (partly by poaching Postbank customers away with loans KPOSB is not allowed to provide). The bulk of expenditure support covers equipment and limited systems modification because KPOSB already has a proven low-cost card savings account. What has surprised the bank is the time and money needed to set up its own agent network and the amount of follow-up required to keep it performing. Foundation funds will allow for much higher profile launches and better agent branding. A major concern is whether

this will open up a market space that will yield its target increase in client numbers (an extra 1.5 million clients on an existing base that has now slipped below a million).

Burkina Faso

A project to lay the foundations for improved rural outreach by replacing an obsolete banking application at the postal corporation SONAPOST. This is one of only two projects where a viable core banking system was not already in place, so heavy upfront costs will be incurred just to prevent a decline in current functionality for what is almost certainly the only basic banking service at scale that comes anywhere near meeting the needs of the poor. Once the current system is secure, opportunity exists to develop a doorstep savings service that will penetrate rural villages within a 20-30-kilometre radius of post offices. The topography of Burkina both favours and hampers this: the country is quite densely populated, with sufficient roads (at least to the level needed for motorbikes), but households seem to aggregate in small clusters, so the carrying capacity of each courier cycliste is probably limited to the equivalent of about 250 clients. This is not enough to break even but the cyclists do also conduct postal business, so if costs can be shared it might work. The other problem is that even with a new core banking application any improvements in the productivity in post offices will be absorbed by the increased transaction activity that will have to accompany the relaunch of SONAPOST services if they are to count as demonstrably usable. This will prevent the post offices from having to shoulder a significant increase in active customers. (Even maintaining the current active customer base would mean one transaction every minute just to support the two in-out cycles now typical of saving via M-pesa in Kenya.)

Tanzania

A complicated project to add card and PoS alongside mobile phone banking accessible through all 300 post offices across Tanzania plus selected SACCOs. The aim of this is to get beyond district main towns to the next level of settlement, which might best be thought of as urban villages. It looks as if this should open up about one in eight households clustered at enough density to walk easily to a post office and probably as many again where people walk in from the surrounding rural hinterland to transact cash business. These people have no banking alternative as yet, but they do have access to mobile money. The timing is different in Tanzania than in Kenya and because separate Foundation funding has allowed the development of a good technical solution for mobile banking, Tanzania Postal Bank has a good chance of carving out a viable market space. To do this, however, it needs marketing resources and training for agents. This it is getting from the WSBI-Gates Programme but the surprise has been how much setting up an agent properly actually costs (about twice the cost of a PoS terminal). Even with this up-front investment, sustainability does not appear to be a problem, provided newly activated customers can be stimulated into transacting at the sort of frequency now seen by M-pesa in Kenya (two in/out cycles monthly).

Morocco

A project just being started, with the aim of improving market segmentation to make the bank more sensitive to the needs of the less well-off and then following through with new products, communication strategies and channel formats. Particular target groups include women and informal sector entrepreneurs (who need to be encouraged into becoming banked rather than withdrawing entirely into cash, as cheque-cashing is closed off by tightening regulation). The main product initiative will be the launch of mobile banking in a country where people seem to be reluctant to accept mobile money offers provided by network operators alone, which they don't trust enough, whereas research suggests they are more likely to trust a bank if it offers a complete mobile banking service beyond simple money transfer.

El Salvador

A project to establish an agent outlet in at least half of the unbanked municipalities across the country, almost all of which display heightened levels of poverty. Funding will cover market research into the needs of the poor, revamped communications, PoS terminals and software modification and mobile banking start-up, plus a limited number of ATMs in areas where they really do enhance accessibility. What has become very clear now that the project is moving on from technical specification to market planning is that the agent model cannot reach out far enough to really mobilise savings among the unbanked rural poor. It is clear that where a presence is established in an unbanked municipality, penetration jumps from a few percentage points to about 15%. So the agent model should work, but it needs to be enhanced by mobile phone access if it is to get right out in the poorer rural areas.

It is worth taking stock here of how experience with big projects is shaping our understanding of the real obstacles to significant breakthrough. These six are the $1-2 million projects that were supposed to deliver significant absolute as well relative breakthrough by funding explicitly pro-poor investments (capital and marketing) that would not otherwise have happened. That deal has proved harder to sustain than expected:

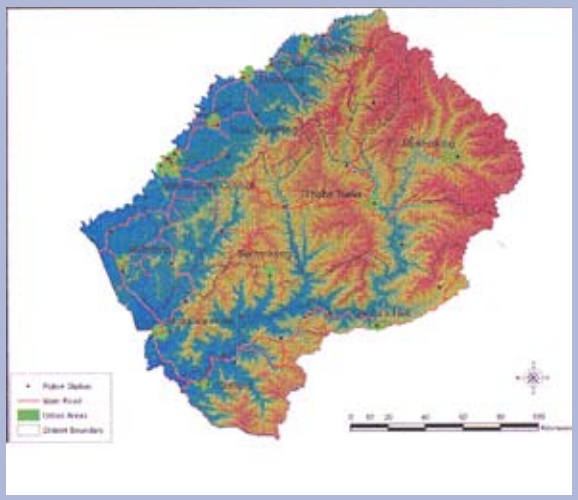
- **Market sensitisation and training agency staff is a bigger necessary investment than IT** systems and equipment to set up agency banking. The Kenyan and Tanzanian experience is relevant here. When Kenya was piloting its own network with its own limited funding, customer recruitment tailed off rapidly after the initial bank effort – it is essentially the bank that makes recruitment happen, not agents. Similarly in Tanzania, when bank staff are present, about a fifth of the per-agent client target can be signed up in a day, but without bank staff present it, too, tails off rapidly. Interestingly, in a postal context, there is not enough of a direct link between postal remuneration and post office worker remuneration for the fee income alone to incentivise business development.

THE GEOGRAPHY OF PROXIMITY

The first and most important distinction to draw is, not surprisingly, between urban and rural, but our understanding of the interface between the two is becoming much more sophisticated. Not only do we need a strategy for peri-urban villages but also for the rural hinterland surrounding rural towns. Perhaps the best way of thinking about this is that there are formally recognised cities and towns and the larger among them have a peri-urban hinterland that often takes the form of slum dwellings. The major cities and regional main towns are generally well banked but not the poorer/slum areas within them. A mini-branch/kiosk creates a genuine presence and the issue is to engineer out enough cost so they can operate with single square kilometre catchment areas and still garner 1,000 or more clients. Then there are smaller rural towns and peri-urban villages that are big enough to have perhaps a post office, maybe some sort of official presence, possibly a school or clinic and a number of recognisable shops (many of which will be airtime/mobile-money agents). These, too, will have a hinterland but it will be rural and home to people who walk to them to sell produce. The issue with these is how many people are in the catchment area and is it better to have a tied-agent or use someone else's network. Beyond this is an expanse of very sparsely populated land that will require phone-based access.

The issue can be seen in the accompanying graphic from the Lesotho Statistical Yearbook for 2010. The bright green areas are the main cities and towns; the red threads are the road network connecting them and the little black dots are police posts which are probably a good locator for peri-urban villages. At the other extreme the darker brown areas are mountain tops and the lighter brown upland grazing areas; only the blue river valleys and lowlands are where cultivation is possible and therefore where permanent settlements are found. The urban areas occupy about 500 square kilometres and house about a quarter of the whole population at densities of about 200 households per square kilometre but with clusters at much higher density. This allows a mix of main branches, mini-branches and agencies. Then, the remaining three-quarters of the population is spread over the remaining 50% of the country that is at all habitable. This implies average densities of 20 households per square kilometre probably clustering at no more than a couple of hundred per village and probably not even reachable by a tied-agent model.

The same issues present themselves in Uganda, but here a richer mix of data provides some idea of how access builds up geographically. There are no reasonable household penetration assumptions that would allow all urban banked adults to be living within the bounds of an officially recognised urban or town council. This immediately suggests that there are peri-urban catchment areas around towns where it is still possible to access banking even though virtually no branches are located outside recognised towns. The assumption that works best is that peri-urban areas and small towns share the same household penetration rate of about 40% and this is about half the assumed penetration rate in the larger district main towns, where 95% of branches are located. But there also appears to be another layer of access beyond the peri-urban (a sort of rural hinterland), because there are as many banked rural households in Uganda as there are banked urban households. This gives us a working assumption that a new outlet in an unbanked small town or large village could draw half its customer base from the town/village itself and half from the surrounding rural hinterland.



- **Delivering proximity without compromising sustainability has proved much harder than expected.** Most obviously in Africa, but also in El Salvador and Indonesia, unbanked populations do not cluster in ways that make it easy to reach them. Implicitly, we had assumed that a thousand or more clients per outlet would deliver the promised total increase. This is possible in some circumstances, but 500 looks more likely in many. So, the own-agent model is unlikely to get close to the rural poor living in villages of 200 households or less (see box) and bank products will only be really usable if they can be accessed over mobile phones and via village savings and loan coordinators or mobile money agents.
- **Stimulating activity levels to create enough fee income and matching fees to activity that creates costs is more important than interest margin if costs are to be covered.** The sort of deposits likely to be mobilised may build over time but are likely to start in the $5-10 range. Fees for account use are therefore the key to covering costs, but these are only generated if activity rates approach those typical of M-pesa in Kenya. We have only very

limited evidence so far from the Kenyan pilot, but this shows only one in/out cycle a month for about 200 clients per agent. At a fee equivalent to $0.60 (higher than M-pesa and split roughly 50-50 with the agent) this easily paid for the PoS terminal but not for proper set-up costs. At 500 clients transact at an M-pesa-like rate of activity and fee rates, i.e. roughly two in and two out per month at $0.35 each – the whole setup looks as if it should pay for itself during the second year of operation.

None of this suggests that the original understanding of the obstacles to be overcome was wrong; rather, that understanding is now moving on from what prevents the client from accessing services towards what prevents members from providing accessible services to the client. In effect, market and staff sensitisation probably matter more than proximity, because without them the new outlets will not stimulate enough client interest to become sustainable. Even with this it now looks as if having its own agent network only brings a savings bank close enough to about half the unbanked population. For sparsely populated rural areas some sort of mobile phone-based extension is needed for the service to be usable on a day-to-day basis by the poor.

This shift in understanding from them (the clients) to us (the suppliers) becomes even more apparent in the four projects where only partial solutions are being funded because business configuration is high on the agenda:

Uganda

A project that is rapidly becoming an attempt to rescue the bank from a very high-cost outsourced payments platform and add in some sort of mobile interface in a country where the regulator is still resisting deposit-taking agents. Postbank Uganda (PBU) was a few years ago "nominated" into an outsourced switch supposedly designed to support grassroots microfinance initiatives. The system had no real PoS capacity and the focus was almost entirely on ATMs. Costs appear hugely inflated, almost to the point of precluding rural outreach. At the same time the regulator has only agreed to a pilot of withdrawal-only agents and even then still indicates a strong preference for any solution that involves a bank employee, not agent staff. Pool funding and a significant cash contribution from PBU should allow the installation of a switch that will ultimately bring down average monthly transaction processing costs to a couple of US cents per active customer. Because the Programme is working in all three main East African economies, a previously fragmented banking systems market is now subject to some cross-cutting pressure on what solutions should be available and what they should cost. This offers some chance of establishing both a switch and a mobile phone interface. This is vital if significant breakthrough on rural access is to be achieved, because at least half of the rural population will never be reached by anything other than a form of mobile money. PBU is already piloting such a solution by operating as the mobile money agent for a women's village-level savings and loans group. The main remaining question is how best to balance a visible own-brand presence in the 80% or so of Ugandan towns where PBU is absent (and over half of which have no bank at all) and opening up the deeper rural areas. Because the regulator would really rather the bank did not go the agent route and because mini-branches probably work down to peri-urban village level, this is the route likely to be followed. The effort now is to engineer out enough cost and risk from this model so it can be delivered in enough numbers and achieve rapid payback to fund further expansion. One interesting side lesson from the early stages of the work with PBU is that it is relatively easy to make a strong business case that the route to sustained profitability for a bank struggling with a high cost-income ratio is to go down market. For this to work, however, two key disciplines are required. First, the front-office cost configuration needs to be scaled back by a factor of four to five, which is possible. Second, central overheads must not be allowed to grow in line with expanded business activity.

Vietnam

Repackaging an existing low-cost product range that could do almost everything the poor want (apart from credit) but needs better presentation and subsequent delivery down to the very lowest level of the postal network. Vietnam Postal Savings Company has an outdated core banking application that can nevertheless support a fee-free PoS and card platform and inter-account transfers for just over $0.10 (and the post office can turn this into an account-to-cash transfer for virtually the same price). At present, VPSC is limited in the number of post offices through which it can operate, mainly by the preferences of regional post office management and these are often motivated by their perceptions of risk. Risk aversion became even more acute when a fraud was discovered involving the traditional passbook time savings product. Even though the fraud was not possible with the card product and happened in offices where a supervisor was present, the whole savings service in the first chosen pilot area was cut back to just the upper levels of the postal network. Another pilot region was chosen and the focus now is on "proving by doing" that risk can be managed in just a couple of single person outlets. This allows the service to be piloted down to commune level where, as a state service, VPSC's parent has to maintain a presence. Using mobile phones, a separate cash box, daily cash collection and cash book reconciliation at the nearest supervised post office, it will soon be possible for villagers in two communes to access the service. The cost of necessary equipment is measured in hundreds, not thousands, of dollars. More will be spent on marketing than on set-up and because the commune level agents already perform doorstep bill distribution and payment collection for fixed line services, once visibility for savings service is established, the marketing effort should become almost viral. The key issue is to keep risk engineered out of the solution. Later, pilots can scale up this activity and test it in more areas.

Ultimately, bigger issues, such as a new core banking system, will have to be addressed, but because this might occur anyway with a pending merger, the issue can be parked and the focus kept on learning what works best.

South Africa

Negotiating fair and reasonable charges for access via post offices plus re-engineering selected key products to become entry points for savings among low-income groups. The box on page 6 ("BACK TO THE FUTURE – A DIFFERENT PERSPECTIVE ON PARTNERSHIP") indicated the background to South Africa Post Bank's problems with reaching the poor, namely a transfer pricing regime that pushes savings business away from postal counters that are already seeing declining footfall. There always was good will to resolve this and an independent workflow measurement exercise is underway. This plus international benchmarking should desensitise the issue and allow an equitable result that reduces unit charges but keeps total charge income growing for the post office. Product re-engineering has been more problematic. It had been hoped that SAPB would become the default option for social security grant recipients willing to take their money via a bank account rather than as cash on a fixed payout day. The service was up and running and offered real potential but suffered from grant recipients queuing to take all their money out on the traditional payout days. Then, unfortunately, cash payout agents blocked the arrangement because it threatened the very high fees they make from the traditional cash-based system. There were also concerns that the massive numbers that might have come across to the Postbank platform could have overwhelmed the current IT system which already has loading problems. The proper framework for addressing this in a coherent way is a strategic plan setting business, marketing and product/IT development priorities. This, however, was not possible because Postbank's corporate status remained unresolved up to late 2010. There is little doubt that SAPB can deliver the promised increase in the number of poor clients; it is more a case of whether it can do this in a way that genuinely helps the poor save and does so within a framework acceptable to both the shareholder and regulator.

Lesotho

Adding in process engineering plus risk and project management to a donor-funded banking platform that might otherwise fail to be useful to the poor. Lesotho Post Bank (LPB) had already secured funding for almost all the key investment elements required to launch a modern PoS and card platform for pro-poor savings, but support had not been provided for the necessary product and process re-engineering. Obviously trying to shape the implementation of a project someone else has funded, procured and contracted is not easy. The fact that the necessary process, project and risk management to go with the implementation had been forgotten was easy to resolve; a skilled team that had just finished exactly the same sort of transformation was paid to come from Kenya and help LPB do just the same in Lesotho. The real problem is the cost now embedded in the system as procured. More particularly, the e-purse chip cards it is built around cost $5 each whereas the functionality required to meet the needs of the poor can be delivered on a mag-stripe card with handwritten personalisation for only $0.50 per card in Kenya.

What the experience with the smaller projects brings out very clearly is that how well a possible solution is configured overall is just as important as how well the individual elements of that solution are implemented. Adding this to what we know from the bigger projects, the lessons of more general relevance are:

- **Cost is an attitude of mind**. It needs to be thought out at design phase and engineered out at every stage of implementation. The question "What is the relevance of xxxxx to the client?" needs to be asked again and again. Why, for example, attach to records photo quality images of clients who may never be seen because they access their account over a phone or a PoS link? Similarly, why photocopy an identity card when a camera phone can record the details just as well and is cheaper and more portable? Why fill out a signed application form and wait until that is processed back at a branch before going back a second time to deliver the card, when all the elements can be texted or attached to an SMS and a preloaded card issued and activated on the spot?
- **Risk-aware process re-engineering is probably the biggest single skill-gap we are having to fill.** There are probably four projects among the ten where high level advice can be given and the member has enough capacity to think through all the consequences and come up with a logical solution; in four others outside support definitely seems to be needed. (For the other two it is too early to say.). This is an area where toolkits will not be enough and the movement needs to engineer some sort of capacity building.
- **Savings banks need to be more assertive with outsiders who are somehow engineering up the cost of our service delivery.** Why is it that Mobile Network Operators and some microfinance banks get round the regulators but savings banks seem to take regulation as entirely non-negotiable? Similarly, why take outsourced service pricing designed for low-volume/high-value business as if it is the only possible option in an African context and then find it prevents us from providing access? Why is it that one member spontaneously negotiated a form of M-kesho with an expensive mobile money operator and did not get the cheapest terms. This will partly

solve itself when members become scale providers of mass market banking services again and speak from a position of power, but we should not wait until then to start pushing back on inappropriate regulation and profiteering among business-to-business service suppliers. Again, capacity building and focusing on negotiating skills may be necessary, but it will also be helped by the next point.

- Knowledge is the key. We are just beginning to get ideas of what might work; in six months we will have early results from at least four countries. We will begin to know the delivered cost of different solutions. We will also have a better idea of what messages work with the poor and whether we can get them using us as much as they use mobile money. Similarly, we will begin to know what sort of pricing works and where the sustainability cut-offs are for different types of access. Perhaps more important, at Programme level we will be able to start turning this understanding into toolkits.

THE ELEPHANT IN THE ROOM – LACK OF PROFITABILITY AND FREE CAPITAL

One of the fair criticisms that can be levelled at the savings bank movement is that if we believe proximity matters and we have often have the biggest network of outlets in developing countries, why have we not already extended the model into unbanked areas? The experience of the projects up and running so far suggests that just opening a new location is not enough. If a new location is to garner the business it needs to become sustainable, marketing and staff sensitisation are needed, both of which are tractable and need only be seen as important parts of the necessary investment to open a new location.

Here, however, is the problem: capital and more particularly surplus profit are often scarce for savings banks across the developing world. The deposit-taking part of savings banks' business has to run at very fine margins because average balances are low and interest margins increasingly tight. Because of this, existing capital has to be used to fund a high loading of non-earning assets (branch networks, new IT systems, high cash reserves, deposits stuck in post offices, etc.). If these are not funded out of capital but out of deposits instead, this just tightens the effective interest margin, because invested deposits have to share yield with those locked up in non-earning assets.

Therefore, even where a member has ample capital adequacy (because their income-earning assets are biased towards assets with relatively low-risk weights), they probably do not have much free capital to fund new non-earning assets. Going to the shareholder for more capital is usually not an option either, as for many this means asking for state budget resources or going to a postal parent that faces its own acute challenges with profitability.

It has been a challenge for four projects in poor African countries to break even, let alone create an investible surplus. Another one is profitable only because of a budget subsidy to cover the universal postal service obligation. Therefore, the Foundation's money has released a genuinely binding investment constraint in all these countries.

After a year of starting up the projects, we can now focus less on what stops clients from being banked and more on what stops savings banks from achieving significant breakthrough. Reflecting this change of focus, obstacles can now be grouped as they relate to the 4-P strategic marketing mix promulgated recently at the Foundation's Global Savings Forum:

- **Product** *is an area where we already have the elements to do more than the competition, but we still do not have the killer combination that galvanises both customers and the people (staff or agents) used to reach them.* We need to start thinking about what members can do better than rivals (which are often not just other banks but also mobile network operators and informal providers). Savings banks should be more interested in savings than mobile network operators and can do more on regular savings than they will ever want to do. At the same time, members can combine saving and money transmission in ways that informal suppliers cannot and offer better security and privacy. Features simply need to be more effectively linked and packaged. This is a key task for 2011 for all projects and there needs to be more South-South interchange on what works.

- **Price** *is turning out to be critical because savings banks are increasingly price-takers now that mobile money is charging clients fees they seem happy to pay.* Up until now problems with business processes and IT systems have been treated as part of product delivery, but engineering out cost is becoming more important because the freedom to pass on cost is increasingly limited. It probably always has been limited by informal alternatives, but now many of the poor also have a transparent formal alternative in the form of mobile money. Engineering the right risk-reward mix is also vital because badly managed operational risk has the potential to make such a low-margin business lose money. Risk-based process and systems re-engineering will be a new discipline for most developing country savings banks, and relatively member/project-specific, so capacity building rather than a toolkit is the priority.

- **Place** *is going to have to become a more nuanced concept than savings banks have been used to and better market planning is the way to achieve this.* Savings banks seem to prefer sticking to tried and tested network configurations. They were early adopters, even progenitors of the agent model, both postal and non-postal, but have been slow to move on since then. Mini-branches or kiosks seem to be working in some countries and should be explored more. They give perhaps the best chance of retaining customer contact and controlling the incidence of cost. At the Programme level, project-by-project support for market planning must evolve into a toolkit that could help any member trying to identify locations where a mini-branch/kiosk would work better than either a full branch at one extreme or an agent at the other. But we can anticipate now that however well we execute market planning, most countries will also need some sort of mobile money component to reach the remoter half of the unbanked poor.

- **Promotion** *should be the most easily tractable of the obstacles to reaching clients and we will be testing a range of branding and product messages*. Mainstreaming what is being done at the project level will be a big challenge because messages relevant to the poor seem beyond the normal creative range of marketing agencies accustomed to working with banks. The media mix will need to be more below than above the line and more viral; ideally staff will become the marketers of first, not last, resort. Direction of flow between bank and agency needs to change; agencies need clearer instruction on the message and imagery to be communicated and be held to this. More South-South sharing will help, as should toolkits for commissioning campaigns and managing their effectiveness. The focus has shifted from financial education to promoting what savings banks can really do for the poor; it is difficult to read Portfolios of the Poor or The Poor and Their Money and still believe we have much to teach the poor about saving.

At least as important as this evolving understanding of what is at stake with our projects is, however, our growing understanding of the way the environment for access is changing around us. Mobile money is not the only answer to providing access to savings for the poor, but it is emblematic of what can and needs to be done. For any savings bank wanting to participate in a Programme like this one, the challenge of what constitutes significant breakthrough is sharpening month by month: M-pesa in Kenya has added roughly half a million registered clients per month since our project there started; its tie-up with Equity Bank to allow phone-based access to a savings account and a short-term cash loan registered 600,000 clients in just four months; and in Uganda MTN money broke through the 1 million subscriber mark last year, and in Tanzania four mobile network operators are beginning to build equally significant businesses, one of which has just promised to deliver twice the clients in half the time that we are promising with our project there all for the same sort of funding received by TPB. Pro-poor savings banks in the Global South need to come together as a movement and decide whether they want to see mobile money as an existential threat or an opportunity. Clearly, savings banks should be able to bring more to the provision of savings services, but the market will not wait for us.

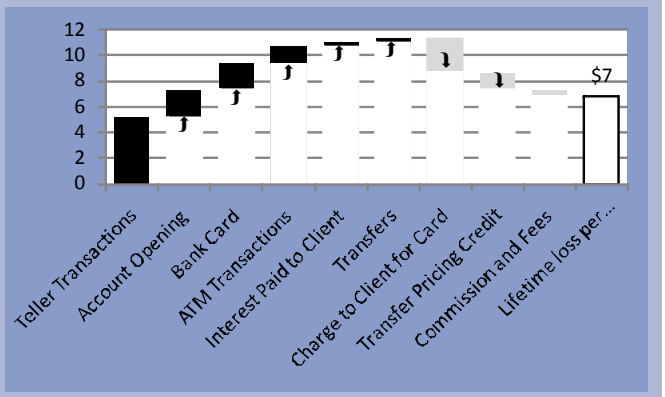
At the Global Savings Forum WSBI was part of a discussion group reviewing two papers on this topic, one funded by the Foundation focusing on the lifetime cost of servicing a small balance account at either of two banks, and the other funded by CGAP and focusing on how much profit two microfinance banks make from the bottom half of their customer base. In both papers there was one bank with median balance under $10 and another where it was around $20. These are just the sort of balances likely to be mobilised by our projects.

The Foundation paper made it very clear that any bank will struggle to cover its overheads, let alone make a profit, from small balance deposits if it only uses its own outlets and does not charge transaction fees. The first chart in this box shows results for the smaller of the banks in the Foundation study (with median balances under $10). Allocating all costs and amortising account set-up over three years, each $5-10 account costs $10 per year to run. Only about $3 of this is recovered by way of deposit margin and card fees. If this bank charged the same kind of withdrawal fees as Kenyans seem willing to pay for M-pesa, then half the shortfall in income could be covered. The paper suggests charging plus three other strategies:

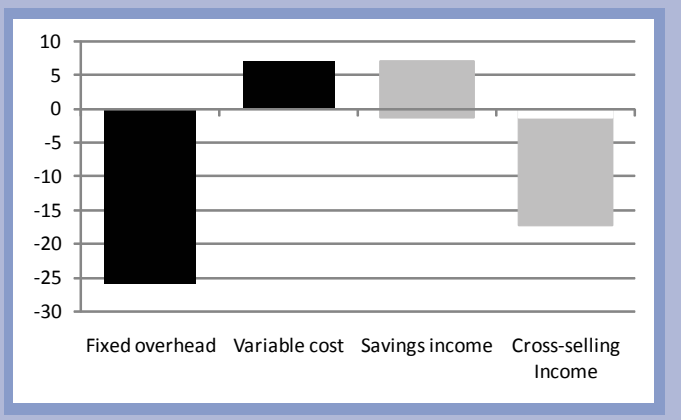
- growing average balances (by capturing more customer saving by meeting needs better);
- increasing return on assets (by lengthening maturities and lending more); and
- reducing transaction and acquisition costs (through agent networks and partnership).

The CGAP paper took a slightly different approach but points to the same broad conclusions. It started by taking out all fixed (mostly central) overheads that would still remain if the smallest half of deposits were closed. CGAP then compared remaining variable/semi-variable costs with the income made from deposits and the marginal profit from cross-selling loans and insurance to those customers.

For the smaller bank in the CGAP study, charging no fees for depositing makes small balance deposits loss-making even when fixed central overheads are ignored. Including net income from cross-selling, however, covers the shortfall and all fixed overheads such that closing all small deposits would cut the bank's total profit by 30%. For the other bank with median balances around $20, small depositors pay as much in fees as the variable cost their business incurs for the bank. In fact, adding the deposit
margin means that even before taking account of cross-sold loans, small depositors were covering about $1 per account per year of fixed central overheads allocated to small deposit taking. Adding the net income from lending then meant that two-thirds of allocated overheads were covered (see chart). Again, about 30% of total bank profits would have been lost if this bank closed all its small deposits.



Postbank Uganda has been working with the Programme Technical Adviser to build a product and channel profitability model that could replicate the analysis shown above. It is a work in progress but early results suggest that for it, too, fixed central overheads are what prevents profiting from deposits. These add $14 per account per year to $9 per account of variable/semi-variable, mostly branch costs. Existing fee income is, however, worth $10 per account per year and the deposit margin another $6. The shortfall would disappear if fixed central overheads could be spread over twice the customer base without growing. This is in fact the target for Postbank's project. Interestingly, the monthly ledger fee could already be replaced with an M-pesa type withdrawal fee at no loss of income.



Bill & Melinda Gates Foundation – Economics of Small Balance Accounts (Foundation and BFA , Nov. 2010).
CGAP Occasional Paper No 18 – Is There a Business Case for Small Savers (Wesley & Martin Palomas, Sep 2010).

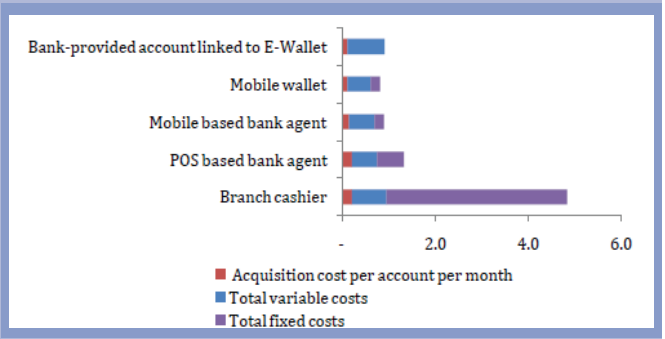
While discussing the challenging economics of small balance saving, the Global Savings Forum spent a lot of time on agent banking and the model of partnership the Foundation sees as currently delivering the fastest breakthrough, which is to add a savings account at the back end of a mobile money service so the bank concerned does not even have to run its own agent network or payments switch. The reasons for doing this are obvious given the difference in the monthly processing costs for the sort of transaction mix that would really help the poor avoid spending surplus cash and maybe even accumulate a bit of saving. The chart makes clear how this can be brought down:

- from $5 per month for a traditional commercial bank branch-based model;
- to $1.50 or less for a bank's own agent using a card and PoS terminal;
- and ultimately to $1 per month for a mobile phone-based solution (although this can be a bank agent using a mobile phone instead of a PoS terminal).

The early indications are that members may not face quite such an obvious choice because the provisional numbers for Postbank Uganda equal $2 per month per account and this is for a pure branch-based banking model (PBU no longer operates through post offices). A workable mini-branch model might therefore be just as cost effective in the right place as a network of own agents. That said, none of this gets around the fact that the service the poor probably need – a couple of deposit/withdrawal cycles and at least one transfer per month – only works if it costs not much more than a dollar. Partnership with a mobile network operator is the most obvious low-cost route to delivering this but poses real challenges to savings banks accustomed to being the visible face of social saving:

- It is not clear why customers need to go beyond mobile money unless they think they are going to receive loans from the partner bank or they really want an accumulating savings plan. This is because mobile money removes the physicality of the relationship with the bank; no longer visible, the customer has to be nudged into remembering the bank is there. Advertising may help and text messaging is another possibility, but it is certainly not going to happen passively.
- Tensions over who "owns" customers are inevitable if two brands have to be maintained. These can be resolved, not least because the real answer is that no one but the customer owns anything in this business. Even if banks are prepared to give ground on this and become the invisible savings back office to a mobile network operator, the regulator has to agree.
- Even if branding and marketing issues can be resolved, there remains the issue of pricing. The mobile money price model is designed for transfers and short-term cash-in/out and this does not work for accumulating savings in the targeted value bracket.

Tanzania Postal Bank's new mobile-enabled agency model illustrates the pricing tensions well. TPB has matched the pricing of the lowest mobile money tariff and got its own network of postal agents to accept the sort of commission mobile money agents receive (about $0.125 cents per in/out cycle). It can expect at most $0.60 of fee income for the pro-poor monthly service package described above and it will pay at least $0.25 in agent commission for this, but profit disappears if customers start performing two deposits or more for every withdrawal. Regular saving requires a minimum of six cash-in agent commissions for a single cash-out fee. Even TPB, using its own agents, will struggle to make this pay as an over-the-counter business; just to be able to match what a rotating savings club should do and give back savings at the end of a cycle requires a minimum regular monthly amount saved of $2.50 for interest earned on balances mobilised to cover agent commissions. If it were to try and market regular saving in a partnership and the network operator keeps the fee at two to three times the agent cash-in commission, then the minimum required monthly saving would rise to $6 per month (about three times the top end of the amounts being targeted).



Bill & Melinda Gates Foundation – How Agent Banking Changes the Economics of Small Accounts (Nov. 2010).

4. Sharpening up the challenge – where we need to be in 2011

At the Mid-Term Workshop in Cape Town it was agreed that 2011 had to be the year of delivery, which means demonstrating that the obstacles are being overcome. What this means for each member has been laid out in the OVI sheets circulated for each project except Morocco. Obviously, these differ country by country but they have a lot of commonality and they can be reconfigured to fit into the 4P Marketing Mix framework used in the last two sections to cluster the obstacles to significant breakthrough. This is what is done below, but before that some discussion is needed of target numbers and when they have to be achieved.

Slow-burn significant breakthrough is an oxymoron and in a market moving as quickly as it is now, that is what our promises now look like. Unfortunately, the OVI sheets compound this because they overlay only the gentlest S-curve onto first signs of take-up in 2011 and full delivery by end-2014. If, as is argued below, we should as a movement be able to offer more qualitatively than the competition, then we need to start thinking how best to do this. Three possibilities seem to present themselves:

- **concentrate on introducing qualitatively better services into the market for the same price as the competition, making it clear that the service is of better value and get ready for explosive growth,** because that is what the poor deliver when they are offered something that really meets their needs;
- **take any remaining first mover advantage and push out faster than promised to build in the functionality of mobile money before it is launched by someone else,** which should be possible in the minority of countries where no obvious regulatory space yet exists for mobile money but there is scope for mobile phone banking [1];
- **pursue the partnership route, where a range of possibilities offer themselves to become the savings back-office for mobile money operators, savings and credit cooperatives, other microfinance institutions and village-level savings and loan associations;** if this is the way to go it is not too late to reconfigure a project, because the value of the preparatory work already done will not be lost. The box on the prececding page gives some ideas as to what might be involved in partnership. The important issue is to decide exactly what problem the partner can solve for the member and what extra value services the member brings to the potential partner's product offer.

Deciding which strategy to adopt should depend in part on how far the competition have progressed, how good the savings bank service offer really is and what is the remaining market space. Separate worksheets have been prepared for all ten project countries that break down the available market space into unbanked households according to poverty level and location (urban versus rural) and then, separately, unbanked adults in those households. These worksheets are being sent with this paper to the relevant project teams. Generally, there do not appear to be as many unbanked moderately poor and near poor households as had originally been anticipated. If this is true – and the assumptions in the worksheets need verifying by prject teams – then a choice may need to be made between delivering promised targets by aiming for unbanked second and third adults in already banked households (mostly towards the better-off end of the poverty spectrum) or finding some way of opening up really poor (usually rural) unbanked households.

Turning now to the strategic marketing mix.

PRODUCT: the first cluster of obstacles to overcome. Each project description embedded in the MoUs signed by members included a commitment to show by 2011 "demonstrable improvements in the usability of products to the poor" and this has been further amplified in the OVIs that members have to deliver as part of the monitoring and evaluation framework for their projects. Drawing out the common threads of what improved usability might mean:

- **The heart of good product design is understanding the need that it meets; the terms on which a product is offered and the way we think it should be used are our problem – what matters is what it does for the customer.** No one

[1] *El Salvador and Vietnam definitely, and maybe Burkina Faso, Indonesia and Morocco.*

saves just for the fun of it; they have to see some value at the end for themselves. Interestingly, The Poor and Their Money shows that the urge to save can be so pressing people even borrow at interest to buy an asset to force themselves to forego consumption at a faster rate. Because they go to such lengths it becomes a challenge just knowing where the money was, went and is. We must not forget that information is a need as well and therefore part of the product mix.

- *Portfolios of the Poor* (already sent to every member) shows how the poor save; most important is the need to turn the small amounts of surplus money they often have into usable lump sums that can be used when they are really needed. The key point here is the pressing need to get cash out of the pocket – before it disappears into someone else's pocket – and into an account from which it cannot readily be spent. This points to the importance of easy depositing, which is more important than easy withdrawal (although of course the poor do need to know they can withdraw their money when they need it).
- Both *Portfolios of the Poor* and The Poor and Their Money also show incredible pressures on the poor to let go of surplus cash and how much they pay to lock it away. A daily deposit collector in the slums of Bangladesh can charge a 9% fee (and CGAP research shows a minimum of 4-5% for similar informal services). Other research in Kenya suggests an average loss rate on informal savings clubs of at least 2%. Even mobile money in Kenya and Tanzania costs $0.20-0.35 per deposit and withdrawal cycle and this is about 5% of the small deposit amounts we will be targeting. The poor pay so much because the alternative is to see all the cash disappear once its existence is known. Interestingly, with mobile money having an empty cash wallet is no longer a enough – "You got M-pesa uncle?"
- So, banks must match what mobile money does for day-to-day cash and what informal mechanisms do to create lump sums and combine the two services in a way that can outperform either of these competitors. This means:
  - a capability to open an account and take the first deposit for the same cost as buying a SIM and giving a formal record of the first deposit instantly because anything much less than an immediate ability to withdraw will look inferior;
  - person to person transfers are a key entry point for the poor and person to business (i.e. bill payments) and government to person (i.e. social grants) are increasingly expected, but a link to a remittance channel might set savings banks apart;
  - short-term cash-in/cash-out depositing at a per transaction cost of no more than $0.50 (but half this in some countries) is also a bare minimum, but there is an opportunity to differentiate by making accumulating savings easier and safer;
  - as part of this, allowing mental "moneybox" saving so the poor can split up money in their account by purpose will help and differential locks on each box so some can be accessed instantly but others only with difficulty would be a winner;
  - and instant balances and mini-statements are a bare minimum, but replicating the information content of the old passbook without all the processing impediments would meet a huge information need for the poor.

PRICE: which really is now an issue of managing cost. Even in countries where mobile money is not yet a viable competitor, it is setting the expectation of what should be possible on price. Fortunately, the benchmark is not yet too aggressive – up to $0.50 to take a deposit and pay it out again. This should not be impossible to match (see earlier box on sustainability), but if it cannot be matched then routes to significant breakthrough are closed out. So:

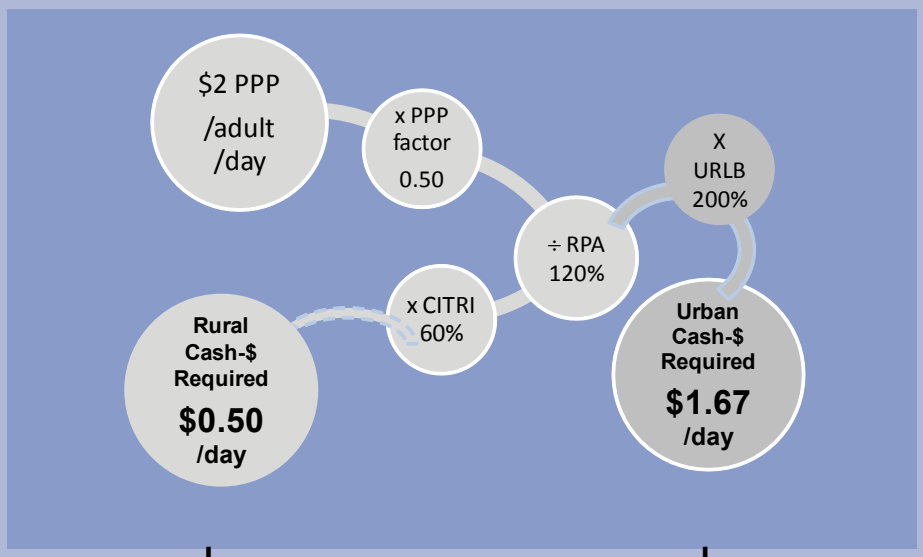
- Every process in delivering a product or service needs reviewing for its relevance to meeting the customer need. Photographs, signatures, identification numbers are all forms of identification that are irrelevant to savings accessed over phones and PoS terminals (the PIN is the only verification actually checked). Therefore, collect them if we must (for, say, KYC purposes), but do not let them interfere with the way the customer's needs are met; as long as we know electronically the required elements to complete a process are in the hands of someone we trust (employee or agent), then open the account immediately and process paperwork later.
- Operational risk needs to be engineered out of processes because margins are too fine to risk losing money through operational mistakes. This is ultimately far more important than satisfying regulatory misconceptions of what prevents risk. Obviously, regulators cannot be ignored and they are a valuable discipline on quality of risk management, but when a solution can be demonstrated that clearly gets risk out of a process we need to go to the regulator and ask, "Why can we not do ABC because we have addressed XYZ that we know you are worried about?", rather than, "Can we have ABC, which we know you are uncomfortable with, and you come up with new regulations because someone else has?" Obviously, our approach has not been this crude, but the Programme has made really good quality compliance and risk management expertise available to members and it not yet clear whether the insight this provides is moving beyond the risk management silo.
- Agent banking, and even more so partnership, helps bring costs down but looks as if it might lock in a pricing system designed more for money transfers and short-term in/out transactions than building savings balances. The

So far the discussion of pricing has focused on matching more closely the real competition (MNOs and informal non-banks). The goal must, however, ultimately be taking back control of pricing and making it even more customer sensitive. The appendix to this paper shows country by country calculations of what living on $2 per person per day at world prices means in terms of actual dollars at a household level. The graphic below shows the start of this calculation in a stylised form for a poor African country where per capita GDP would be less than $500 per year.

Clearly, not all cash income gets moved through financial instruments and Portfolios of the Poor suggests that in poorer developing countries about two-thirds of cash income gets used immediately, leaving a third to be saved in some way.

In the example shown, thgis would mean the amount being saved is likely to be just under $1 per day in rural areas and just over $2 per day in urban areas.

What comes across strongly from the appendix is that in rural areas of the poorer African countries there is just not enough spare cash on a day-to-day basis to support more than a couple of $5 deposit and withdrawal cycles per month and perhaps a dollar a month in accumulating savings. T saving. Therefore, what constitutes reasonable monthly fee income per active customer could be as low as $0.50 in rural areas but in urban areas this might rise to as much as $1.50 (and even more in better-off developing economies).



times

Adults plus
50% of Children
in Rural Households
(4 + 50% x 3)

equals

= $2.75
Rural Household
Cash Income/Day

times

Adults plus
50% of Children
in Urban Households
(3 + 50% x 2)

equals

= $6.68
Urban Household
Cash Income/Day

box three pages back shows how much of a challenge this poses, particularly for partnerships with mobile network operators. Even short term cash-in/out business only works if the network operator agrees to pass on only the cost of the agent commission they pay out for cash-in/out; otherwise, a mobile-enabled own agent network may be more cost effective. This does open up the possibility of putting a mobile banking capacity into the hands of village-level savings and loan groups and this might be very cost effective (see next section on place), but even with this accumulating savings are probably not feasible as an over-the-counter cash service (and must therefore become an electronic add-on that nudges surplus balance out of short-term cash-in/cash-out accounts, not an over-the-counter service when it is there).

PLACE : which is now all about segmenting the market and only deploying the right type of outlet for the catchment area that can use it. Experience in Europe shows the importance of this (Perspectives 57 – Measuring the hidden social dividend in savings bank operations); by ruthlessly scaling resources to market potential, French savings banks keep the cost income ratio the same for business with poor clients as for better-off city-centre clients. Historically, developing country savings banks had a good track record on this as well – exploiting postal networks but opening branches when this was not enough, non-bank correspondent agents, etc. For the projects under this programme it now looks as if:

- **Down to peri-urban village level the best solution may well be a mini-branch or kiosk.** The box on the next page shows these paying back at a client base of around 1,000. It will need an immediate (peri-urban) catchment with a population of 3,000 to 4,000 and a rural hinterland of about the same size. This would imply a total of at least 1,500 households and the target client base could be achieved by a balanced mix of first time accounts into unbanked households and secondary accounts into already banked households. Critical to success will be to get fixed down to the lowest possible levels. If the regulator asks for two pairs of eyes, split deposit taking from payout so fraud cannot be hidden in two-way cash flow. Similarly, if security requirements are too tough, pull everything of value out overnight and agree to a limit on the intra-day cash float. If landlords charge too much for buildings, rent a roadside plot and use a prefabricated container like Opportunity Bank does in Malawi. If this is too expensive rent space for a prefabricated service desk in someone else's outlet (most obviously a post office) and brand the presence with $50 adhesive window films rather than painting a whole building. The guiding principle is to scale the resources needed for a real bank presence but only to the real level of customer need. Also, help third parties accept the solution; if the regulator is uncomfortable, then call it a cash-point, not a mini-branch.
- **For locations with total catchment area populations (village and hinterland) of 3,000 or more, but not the size of the peri-urban villages described above, own-agents can work but market potential must not be overestimated.** A population of 3,000 probably only means 500 to 750 households, almost certainly with an above average weighting towards the extremely poor. An own-agent with the sort of oversight needed to keep branding fresh, check risk controls and deliver new cards implies that at least 500 clients are necessary to attain the same speed of payback as a mini-branch in a larger location. If there are mobile money alternatives, then this will be impossible to achieve and partnership is a better option.
- **Partnership does not have to mean mobile money operators, but they are the most obvious route**. Partnership with a network operator is easy neither to negotiate nor run (see box). A savings bank will have to bring something better to the deal than other commercial banks bring; products and promotion must be convincing but are probably not enough on their own. A network of mini-branches a level down from the sort of towns that commercial banks inhabit might be a deal-clincher because it saves the mobile operators' own agents having constantly to run to town to top up their float accounts. It should also be remembered that in countries where mobile money is significant, savings banks are usually major agents of these networks in their own right. A form of M-kesho can be reverse-engineered.[2]
- **Village-level savings and loan groups go right out to the least competed rural areas and by design scale to the income level of the area they work in.** Coordinators of these are trusted and there are checks and balances to make sure they remain so. They live at the same income level as the people they serve so their costs scale. If they

[2] *If a bank is itself a mobile money agent (as most savings banks are in the countries where mobile money is taking off), a customer cashing out with the bank, not face to face but by using a virtual agency run centrally at the end of a phone, could have that money go straight into their savings account with the bank. This would attract a fee from the mobile network operator, but the bank would receive a portion of this. For the customer this should not be a problem, provided the bank engineers any withdrawal from the account as a fee-free cash-in addition to the customer's mobile money balance. This way the customer still only pays once and the bank receives the usual cashing-out commission to cover costs (but on the way in, not out).*

SUSTAINABILITY – SCENARIOS FOR DIFFERENT TYPES OF ACCESS

Sustainability has always been a condition of funding projects and this means solutions must pay back commercially even if the actual funding does not have to be repaid. Payback will be needed for another reason, too: agent networks now seem unlikely to deliver the promised numbers of poor clients on their own, so they need to create an investment surplus for other improvements in access such as partnerships with mobile network operators and village-level savings and loan groups (neither of which is factored into the current projects). It is too early yet to have live data for the different outreach models being considered by the projects, but some pointers are already available; in Kenya and Tanzania "soft" investment needed to set up own agents – training, marketing, etc. – is much more than the "hard" investment in equipment. Moreover, the running costs related to agent oversight are more significant than the pay-back needed on up-front equipment investment. The costing scenarios below have been worked out for Tanzanian and contrast a full-time presence needed in district main towns (a level below TPB's current own-branch network) and putting mobile phone banking into all other post offices (which takes TPB a further level down to large villages). In Tanzania tellers cost about $250 per month (including all ancillary benefits), cash controllers $300 and an assistant manager about $450. Both models assume customers start with one cash-in/out cycle per month during the first year, rising to two cash-in/out and one transfer per month in the second year.

PoS-enabled mini-branch in post office		Mobile-enabled postal agent	
Up front costs:		Up front costs:	
Terminal and secure till	$ 2,500	Mobile phone	$ 100
Marketing and set-up	$ 1,500	Marketing and set-up	$ 2,000
Annual operating costs:		Annual operating costs:	
Paying for dedicated employee	$ 3,000	Cost of teller staff/PO facilities	not applic.
Contribution to PO running cost	$ 2,400	SMS messaging	$ 600
Cash control spread over 10 units	$ 2,210	Cost of supervision over 15 units	$ 560
Payback of hard investment	$ 667	Payback of hard investment	$ 100
Payback of soft investment	$ 847	Payback of soft investment	$ 1,100
Fee income per client gross		Fee income per client after agent commission	
Year 1 – $2.40 / Year 2 – $7.20		Year 1 – $0.80 / Year 2 – $4.00	
Payback targets reached with 975 clients.		Payback targets reached with 500 clients.	

Notes:
Secure till amortised and funded over five years, PoS terminal over three years, marketing/set-up over two years and mobile phones over one year. Assumed long-term funding rate equals 1% per month.
Cash control per PoS-enabled mini-branch comprises one-tenth of each of a cash controller ($3,600 per year), a driver/guard combination ($6,000) and running and amortisation of a cash van ($12,500).
Supervision for postal agents comprises one-fifteenth of a manager ($5,400) with a motorbike ($3,600).

become mini-agents of the savings bank serving only their own group, then only the most basic phone-based technology should be needed and the risk parameters managed to mean only the most minimal float should be needed or maybe even done without.

PROMOTION: becomes a story of what we can do to meet the customers' needs, not what they have to do to use the bank. The issue is not that savings banks cannot get their message across this way, but that the agencies they use seem to struggle to communicate in a language that is both respectful and relevant to the poor. Agencies that work for government health and education initiatives and fast-moving consumer goods companies seem to have less trouble. Whichever type of agency is used, much stronger direction of the creative framework needs to come from the member, and agencies need to be held to a brief that demands:

- **The needs of the target market that are being met must form the vast majority of the content in any communication to them.** Compared to the best microfinance advertising and brochures, savings bank material still looks too wordy and focuses too much on terms. No one buys on terms; they buy because they understand a product might satisfy a real need – save the terms sheet for sign-up.
- **Visualisation must be relevant and respectful.** Aspiration is great but not if it is unreachable – all too often the images used for developing country bank advertising seem to be taken from the ethnic minority palate of developed country bank advertising. Other industries do not have the same upmarket bias when they are trying to reach downmarket.
- **Use a language the customer understands.** Print runs in more than one language may cost more but they are cheaper than losing clients. Just as important, visual imagery works in any language and is understood by those with gaps in basic literacy.
- **With the right encouragement and training the person serving the customer should become the most effective ongoing channel for promoting the evolving service.** In Tanzania, to help a small but very effective marketing agency stay engaged with a major roll-out, it has been agreed the agency will train bank staff to manage elements of the relaunch package for each newly mobile-enabled postal agency.

Having worked through what has been learnt from project start-up and benefitted from discussions at our own mid-term workshop and our attendance at the Global Savings Forum, it now looks as if a slightly nuanced marketing mix is needed. The really important messages from this last section are therefore summarised below in the 7P MARKETING MIX often used for service industries:

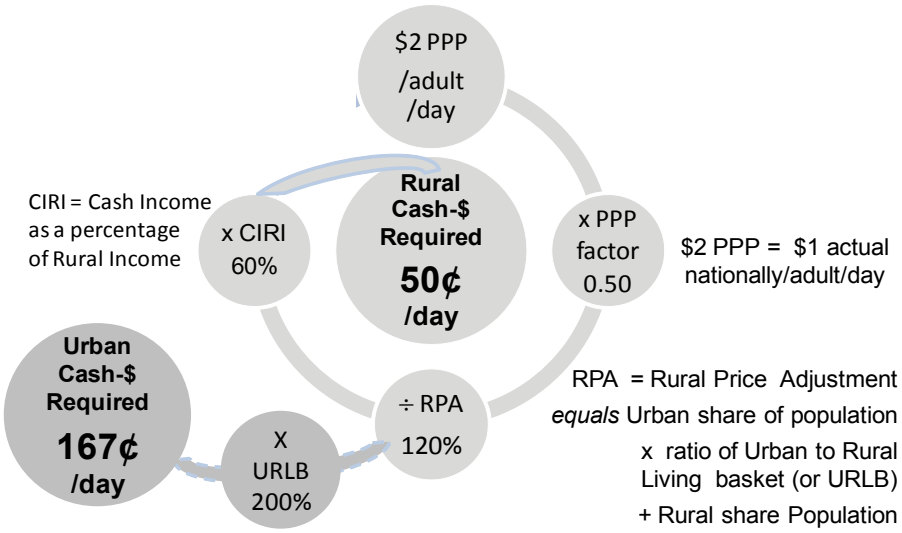
- the **product** combination that does more for saving than just a bank account at the end of a mobile phone is needed now and it really has to address the full range of savings and payments needs of the poor and do this in ways that mobile money and informal savings accumulators cannot do so well;
- the only **pricing** proposition that gives any assurance of significant breakthrough is to offer a superior product at no more than the mobile money tariff and this means doing without ledger fees, moving instead to transaction fees and being able to sign-up a customer for no more than a dollar or two;
- getting **process** right is absolutely vital to achieving sustainability within a tight pricing constraint and we need much more risk-based processing engineering capacity that can minimise cost and risk so that small balance deposits can be serviced at the very tight margins that typify them;
- **place** the wrong outlet in a location that either cannot sustain it or needs more is the quickest route to failing to deliver on promises that were made to secure Foundation funding and in some places avoiding this means we cannot have a physical presence without a partner;
- but the more we stretch the **physical link** between us and the customer (by using agents or partner platforms rather than our own outlets), the harder we will have to work to create an alternative presence in the customer's mind that links us to the service we are actually providing;
- and our **people** become more, not less, important the farther we stretch the physical link with the customer because we cannot passively rely on agents (either our own or those of our partners) to promote our relevance to the needs of the poor, at least not without clear prompting and input from us;
- and finally, the **promotional** messages used to reach the poor really must start using language and imagery that neither talks down to them nor reflects lives they cannot lead and the agencies we are using clearly need more guidance on this.

PLEASE NOW RETURN TO THE COMMENTARY BY CHRIS DE NOOSE AND THINK ABOUT HOW YOU WILL PLAY YOUR PART IN DELIVERING SIGNIFICANT BREAKTHROUGH.

Appendix

The purpose of these calculations is to work out adult-equivalent daily cash requirement at top end of the $2 per day international poverty range as a precursor to estimating likely daily average cash savings flow at whole household level, some of which could pass through a pro-poor savings account.

Stylised example for a low-income African economy:



Estimated monthly cash savings flow

	Cash-$	Adults in require-ment	Children (50% weight)	Household cash/day	Country grade	% income saved	Est. Cash-$ saved daily
Urban -	$ 1.67	3.0	2.0	$ 6.68	Low income	33%	$ 2.20
Rural -	$ 0.50	4.0	3.0	$ 2.75			$ 0.91

Adult-equivalent daily cash requirement for all ten wave-1 countries

	PPP Factor	Urban share total pop.	Urban/Rural Liv. Basket	Rural price adjustment	Rural cash total income	Urban cash requirement	Rural cash Requirement
Burkina Faso	0.44	20%	200%	1.20	60%	$ 1.45	$ 0.44
El Salvador	0.52	63%	125%	1.16	80%	$ 1.12	$ 0.71
Indonesia	0.56	40%	150%	1.20	80%	$ 1.40	$ 0.75
Kenya	0.47	22%	150%	1.11	60%	$ 1.27	$ 0.51
Lesotho	0.52	26%	200%	1.26	60%	$ 1.65	$ 0.50
Morocco	0.63	55%	150%	1.28	80%	$ 1.47	$ 0.78
South Africa	0.56	61%	125%	1.15	90%	$ 1.22	$ 0.88
Tanzania	0.38	26%	200%	1.26	60%	$ 1.19	$ 0.36
Uganda	0.40	25%	200%	1.25	60%	$ 1.29	$ 0.39
Vietnam	0.35	28%	150%	1.14	80%	$ 0.92	$ 0.49

Estimated daily cash savings flow

	Cash-$ requirement	Adults in Household	Children (50% weight)	Household cash/day	Country grade	% income Saved	Est. Cash-$ saved daily
Burkina Faso							
urban -	$ 1.45	3.0	2.0	$ 5.81	Bottom quintile	33%	$ 1.92
rural -	$ 0.44	3.8	3.3	$ 2.35			$ 0.78
El Salvador							
urban -	$ 1.12	2.0	1.6	$ 3.14	Middle quintile	100%	$ 3.14
rural -	$ 0.71	2.7	2.1	$ 2.70			$ 2.70
Indonesia							
urban -	$ 1.40	3.0	1.0	$ 4.89	Lower middle	50%	$ 2.45
rural -	$ 0.75	3.3	1.6	$ 3.05			$ 1.53
Kenya							
urban -	$ 1.27	2.3	1.6	$ 3.84	Bottom quintile	33%	$ 1.27
rural -	$ 0.51	3.1	2.4	$ 2.18			$ 0.72
Lesotho							
urban -	$ 1.65	3.0	1.6	$ 6.24	Bottom quintile	33%	$ 2.06
rural -	$ 0.50	3.1	2.4	$ 2.11			$ 0.70
Morocco							
urban -	$ 1.47	3.0	1.0	$ 5.17	Lower middle	50%	$ 2.58
rural -	$ 0.78	4.6	2.5	$ 4.59			$ 2.29
South Africa							
urban -	$ 1.22	3.0	1.3	$ 4.47	Middle quintile	100%	$ 4.47
rural -	$ 0.88	4.3	2.1	$ 4.70			$ 4.70
Tanzania							
urban -	$ 1.19	2.8	1.5	$ 4.14	Bottom quintile	33%	$ 1.37
rural -	$ 0.36	2.6	2.4	$ 1.35			$ 0.44
Uganda							
urban -	$ 1.29	2.0	1.3	$ 3.44	Bottom quintile	33%	$ 1.13
rural -	$ 0.39	2.9	3.1	$ 1.72			$ 0.57
Vietnam							
urban -	$ 0.92	3.1	1.0	$ 3.28	Bottom quintile	50%	$ 1.64
rural -	$ 0.49	3.0	1.1	$ 1.75			$ 0.87

The ratios input for Urban to Rural Living Baskets and Cash Income to Rural Income are estimated on the basis of limited available information and need working on. Country status is based on per-capita GDP.

WSBI – The Global Voice of Savings and Retail Banking

Promoting the strengths of retail banking as a stabilizing factor in the financial world and as the main financial partner of private persons, SMEs and local authorities in the 'real economy' is the main objective of WSBI- The World Savings Banks Institute. WSBI was founded in 1924 and represents savings and retail banks in 90 countries towards governmental and non-governmental organizations on international and national level.

A top priority for the organization is the increase of access to financial services as an essential prerequisite for sound and sustainable economic development and personal and financial empowerment of individuals. WSBI pursues this objective by establishing contacts with policy makers and by developing training and consultancy activities that foster access to finance in developing or developed regions.

At the start of 2009, assets of member banks amounted to almost € 9,000 billion, non-bank loans to € 4,300 billion and non-bank deposits to 4,600 billion. Together the member banks conducted operations through 160,000 outlets.

WSBI members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI member banks have reinvested responsibly in their region for many decades and are a distinct benchmark for corporate social responsibility activities throughout the world.

WSBI

Responsible editor: Chris De Noose, Managing Director
World Savings Banks Institute aisbl
Rue Marie-Thérèse, 11 ■ B-1000 Brussels ■ Tel: +32 2 211 11 11 ■ Fax: +32 2 211 11 99
info@savings-banks.com ■ www.wsbi.org

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