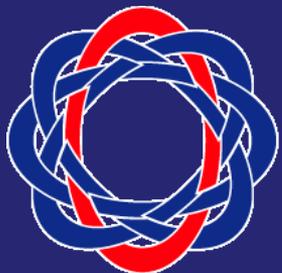


# *Financial Inclusion Research Conference 2013*

*Bridging the Gap: How can banks reach the unbanked?*

*Session 5 – Quality and  
Knowledge of Bank Offerings*



**WSBI**

***Ian Radcliffe***  
***1 March 2013***

# Three findings that really resonate

- It does not surprise us at all that staff do not ‘push’ low cost basic accounts and banks are not open about fees:
  - in our experience, mandating never delivers breakthrough;
  - this will only change when banks really start seeing the unbanked ‘poor’ as the only real open market space;
  - banks must stop writing what they want to say and start telling the customer things they need to know.
- Non-traditional players – especially those with mass-market retail background – pick up very fast on how to do basic banking.
- Double-edged finding –savings/credit banks (SCAPS) spend a lot of time with each client; but at least they don’t keep you waiting for twice as long as they spend with you!

# ... but a huge reality gap between countries we work in and this study

- Peso 5000 (\$378) is a huge amount of money in the rural areas we are targeting:
  - half a year's rural household cash-flow for some countries;
  - most members we are dealing with have median deposits with a typical balance under \$25 (+/- \$50 p.m. passing through)
- Study sample focuses on low-income urban:
  - we think we are seeing banking get down to the \$2.50/day urban household; the real unbanked market is below this;
  - the real issue in poor rural areas is not how much positive interest can be got but how to keep fees affordable

# Question 1 . . . should the study look at the net cost of saving?

## Affordability envelope for basic payments and savings services in rural markets:

COUNTRIES COVERED BY WSBI PROGRAMME	GROUP 1: TANZANIA / UGANDA	GROUP 2: BURKINA FASO, KENYA AND LESOTHO	GROUP 4: MOROCCO, S. AFRICA AND VIETNAM
Typical rural household monthly cash flow	\$40 - \$50	\$55 - \$70	± \$150
Likely amount of cash financially manipulated	\$10 - \$15	± \$25	± \$100
Likely limit on what is being paid for this	60 - 75 US¢	\$1.25 - \$1.50	not clear but ± \$2 - \$3
Affordability envelope – cost to user / transaction	12.5 - 15 US¢	25 - 30 US¢	40 - 60 US¢

\* Group 3 comprises El Salvador and Indonesia and these lie somewhere between Groups 2 and 4.

## Transaction cost to supply indicator

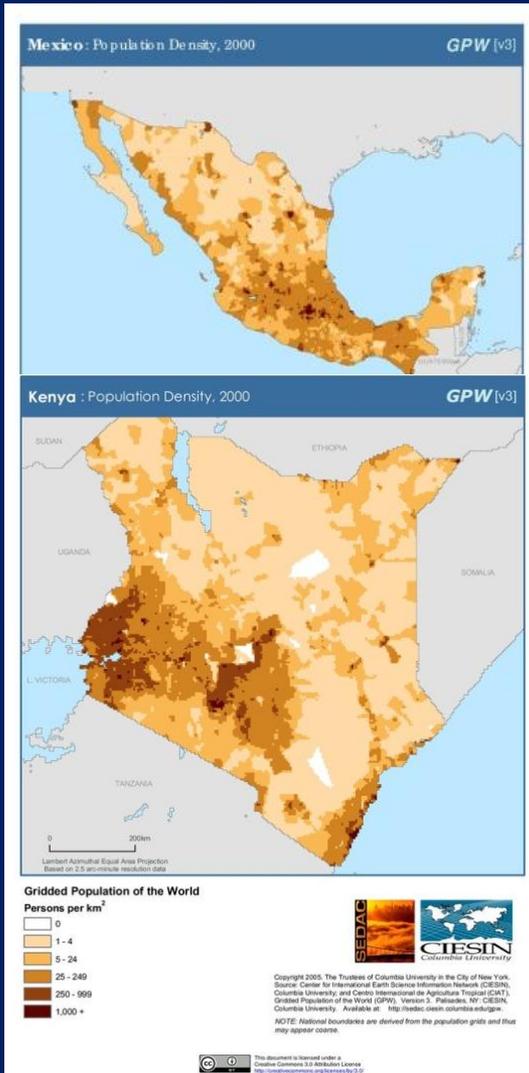
\$1	40¢	30¢	20¢	15¢	10¢	5¢	0¢
Full-cost banking branch							
ATM							
Banks' own agents							
Call-centre							
Mobile wallet							
Mobile banking / Batch electronic							

.. can we fit in here

What mix of these . . .

# Question 2 . . . how could the study address problems with rural outreach?

- Kenya and Mexico – not so very different topographically . . .
- but look at the scale of the rural challenge (even with M-PESA)



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

One in seven not obviously reachable by formal cash-in/out

+/- 1750 very dispersed rural clusters / rural hinterland  
12.7 mns

