WSBI programme

to double savings accounts at members

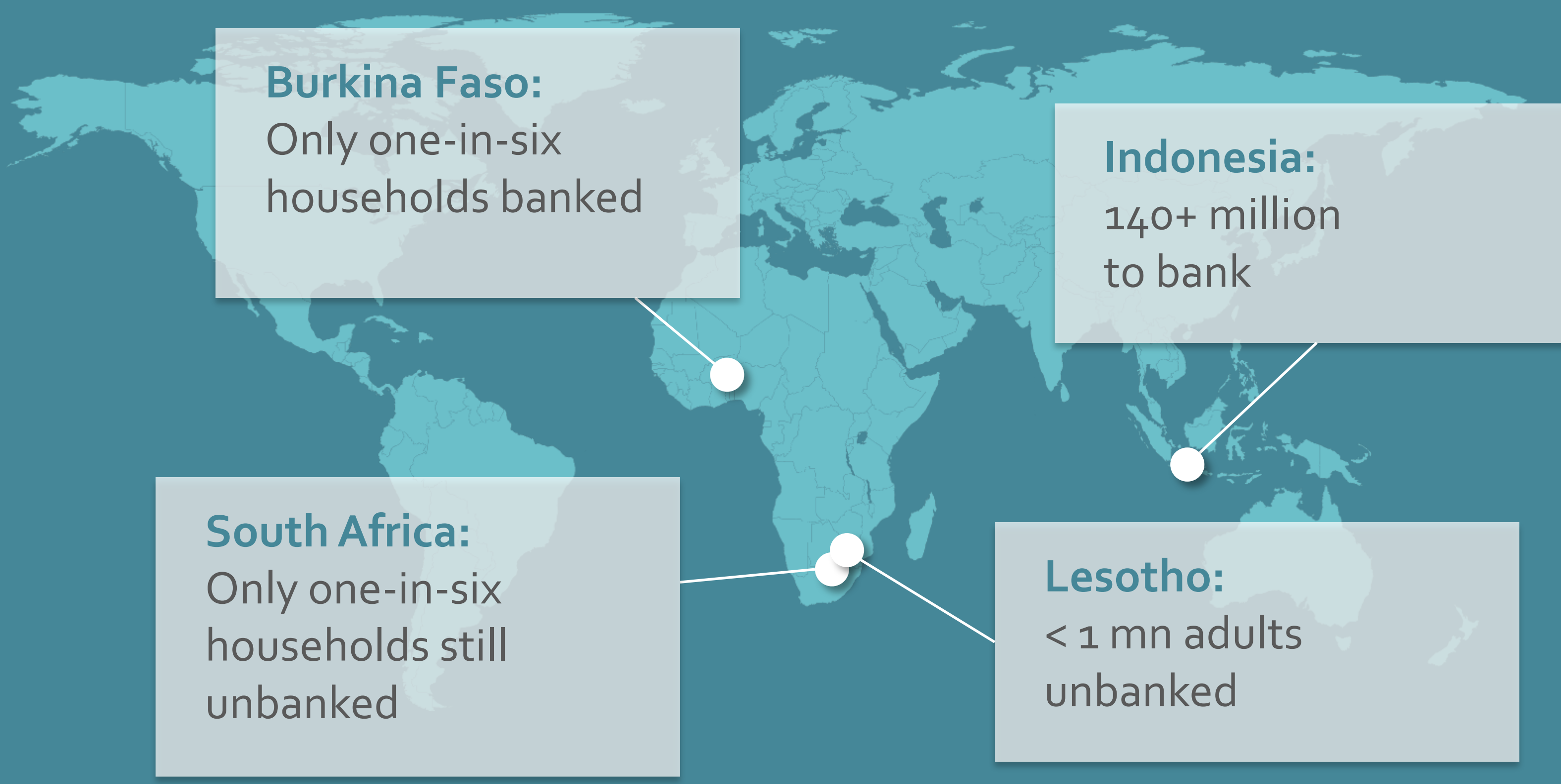


Financial Inclusion Conference
Turkey
3 June 2014

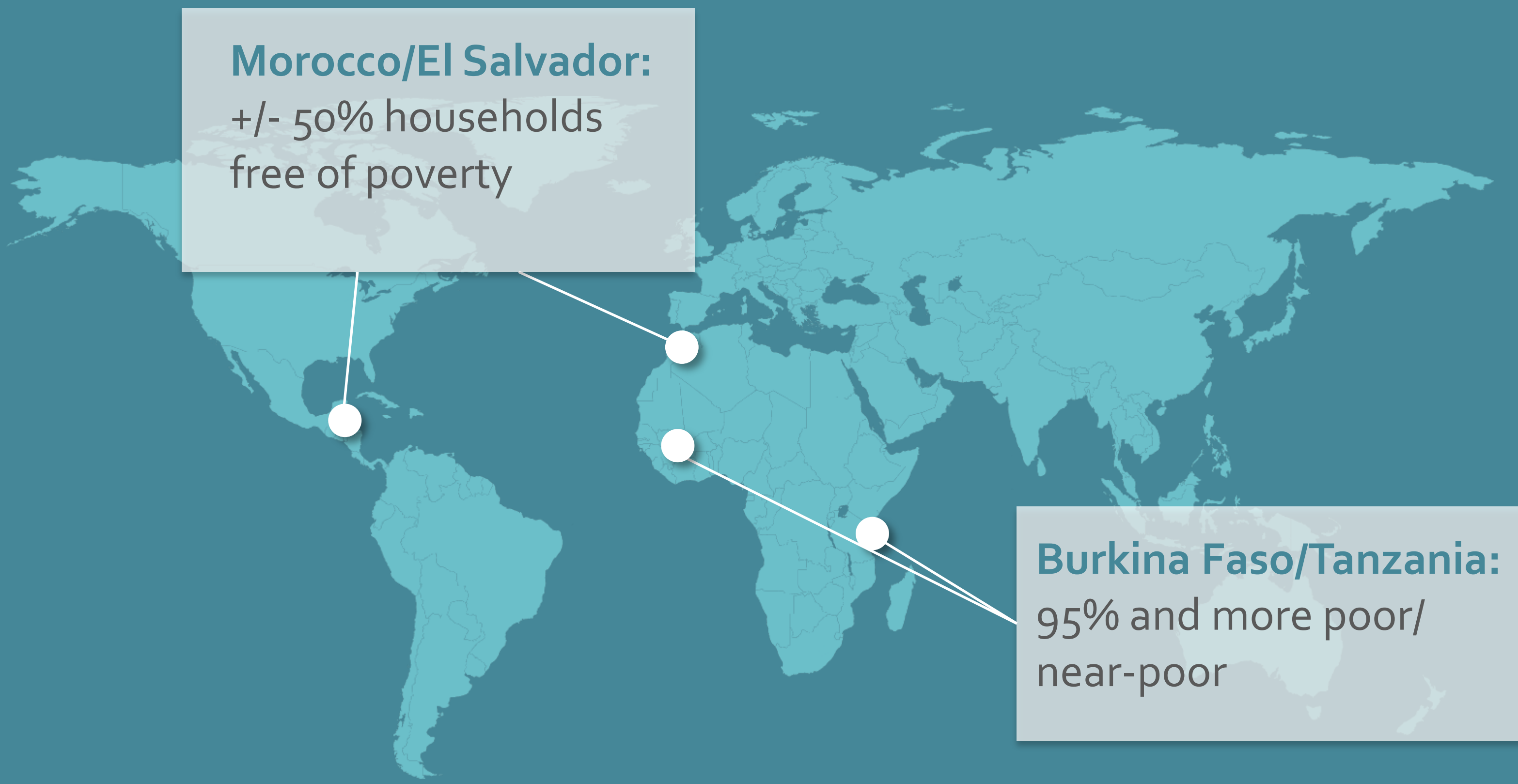
Ian Radcliffe

Doubling Savings Accounts –
a world of experiences …

Doubling Savings Accounts –
varying unbanked potential

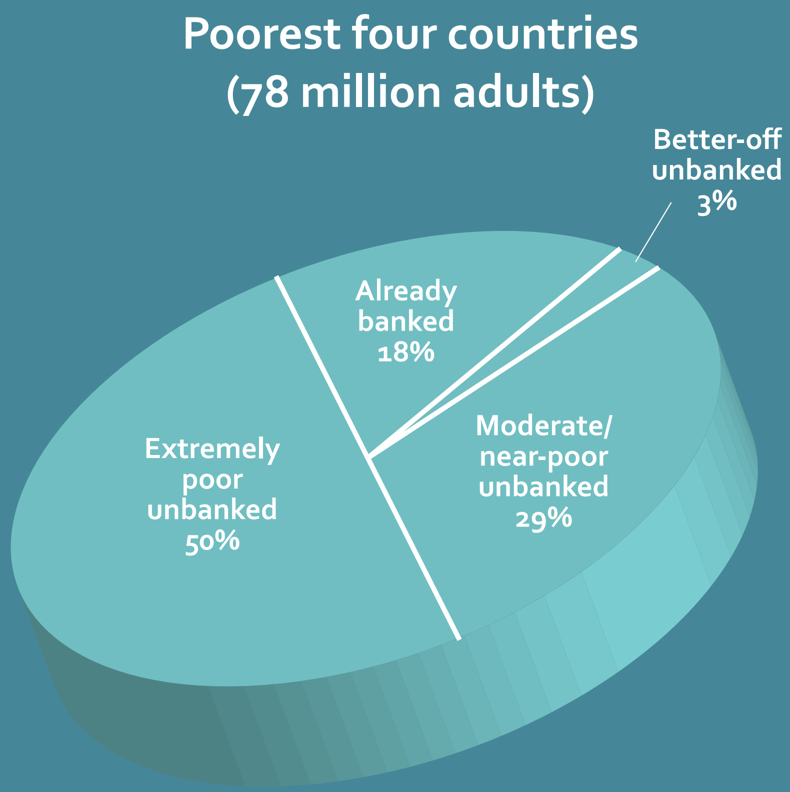


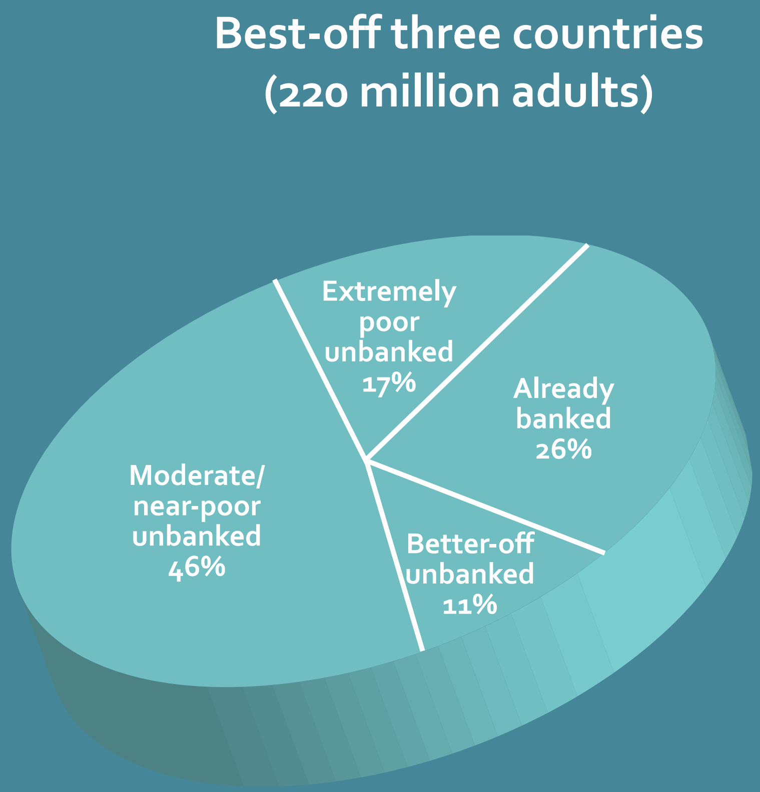
Doubling Savings Accounts –
different levels of poverty



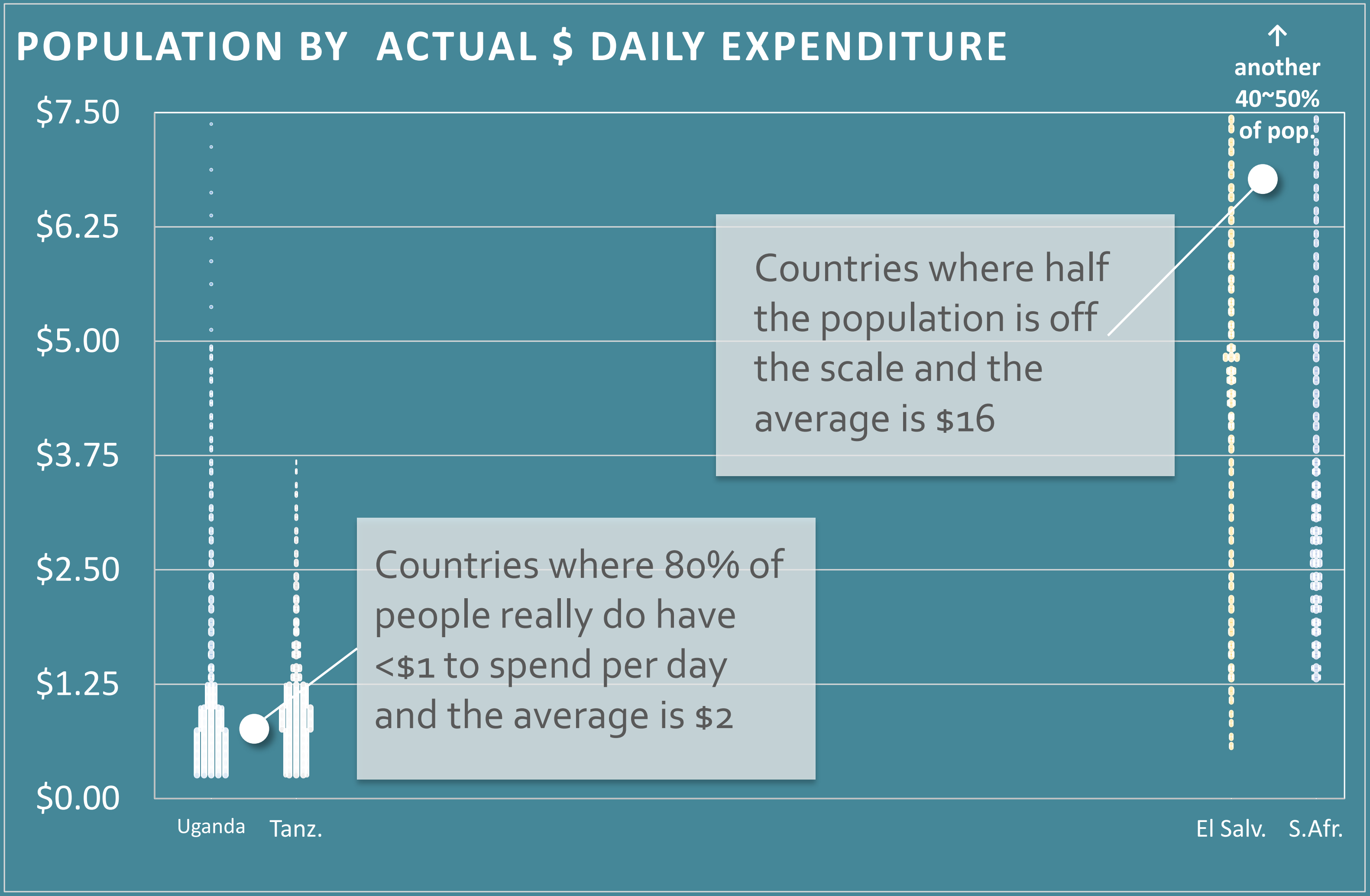
KEY FINDING No1

Despite differences the poor/near-poor always dominate the unbanked

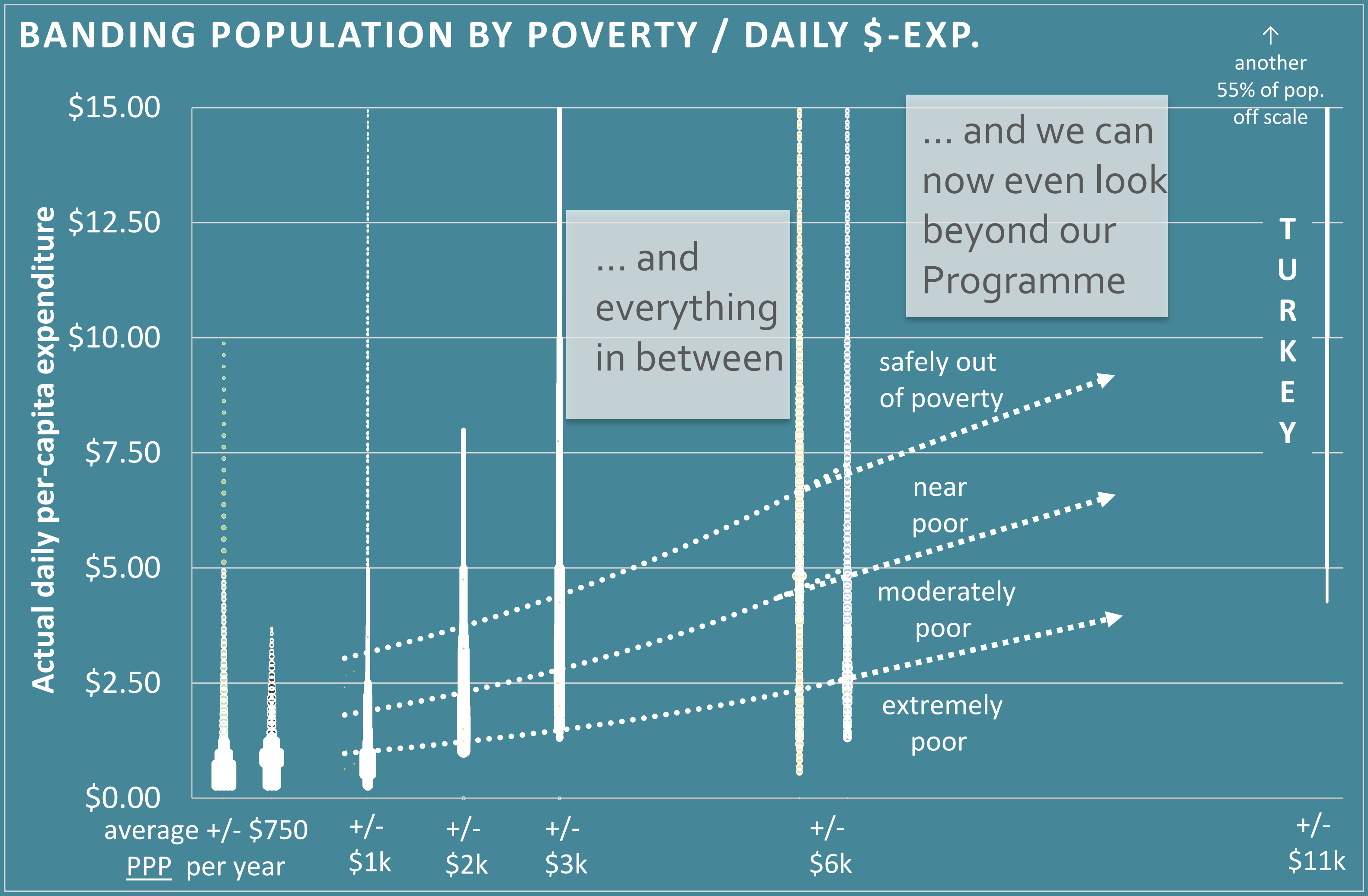




Population profiles and spending power define affordability



Population profiles and spending power define affordability



KEY FINDING No2

The affordability envelope eases in better-off countries but it stays tight

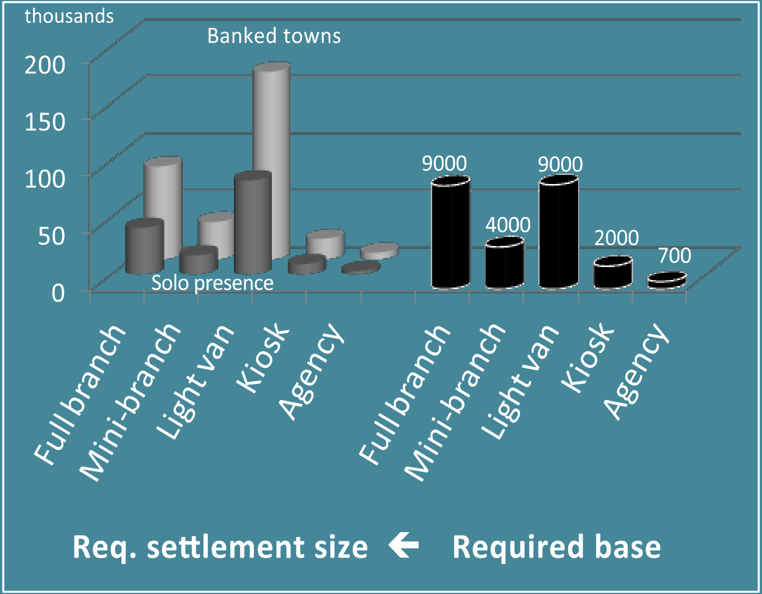
	Poorest Four (Uganda, Tanzania B.Faso & Kenya)	**Middle three** (Lesotho, Vietnam and Morocco)	**Best off three** (Indonesia, El Salv. & South Africa)
Suggested target market	mod/near-poor householders	mix of unbanked householders and third adults	secondary householders/ third adults
Daily spend in target market	+/- $1.25	$2~$3	$3~$6
Likely monthly financial flow	+/- $25	+/- $60	+/- $80
Max. available to pay for fin. services	+/- $1.00	+/- $1.50	+/- $2

- The challenge is how to cover the cost of +/- 5 transactions per month within this envelope

Fitting resources to the market – network strategy

There is a variety of ways of meeting the proximity challenge

- Branches and vans need catchments of 50 – 100.000 people depending on the level of competition
- Single teller kiosks work in smaller towns with populations of about 10.000



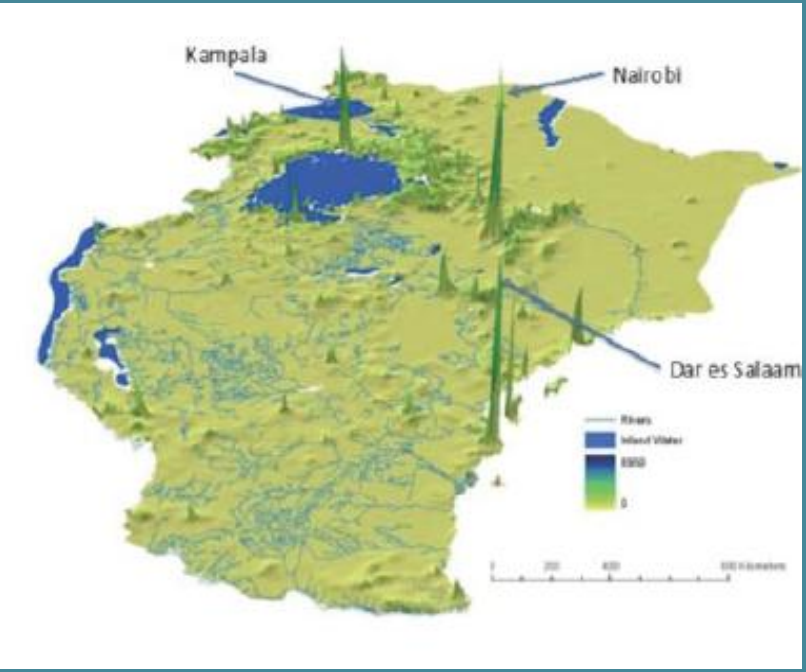
- Agent models work in rural centres with populations of as little as 5.000

But how many locations are there with this sort of population within a 2km walking distance?

KEY FINDING No3

Getting a real rural reach may be beyond us in Africa/Asia without a mobile money tie-up

East Africa
High level mapping of cities/towns/ larger clusters



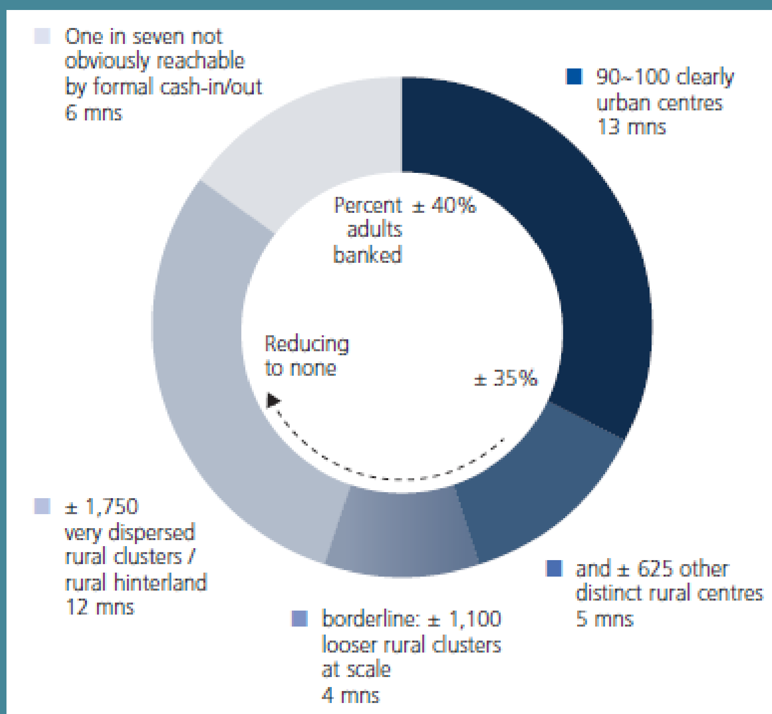
GIS analysis allows us to see 'people clusters' and how many locations there are at scale.

It is surprising how quickly settlement density falls below the level needed to have 5000 people living within 2km of a possible agent location.

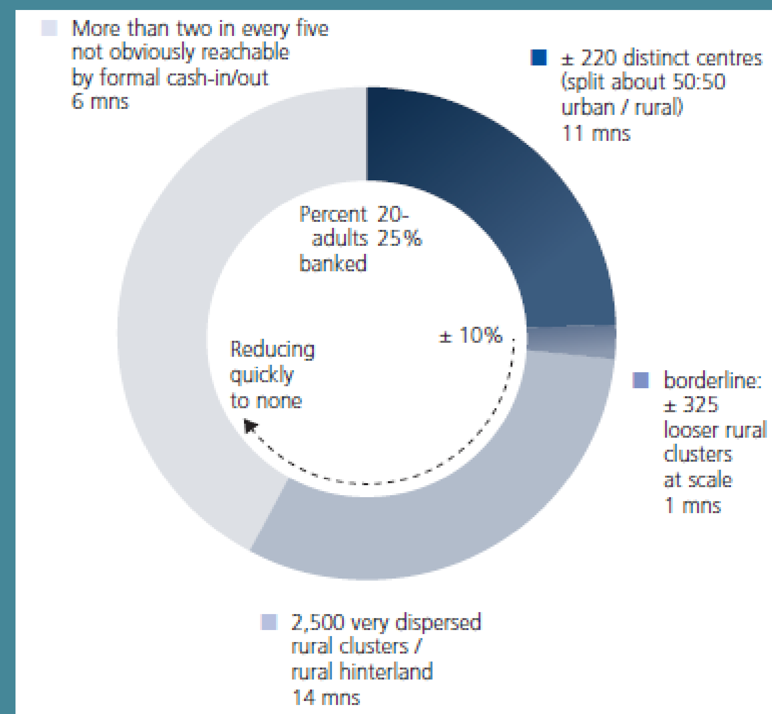
Mobile money can reach more people not because it can get hugely further out but because people walk greater distances to pick up a transfer that can equal a week's spending than they will to deposit savings

KEY FINDING No3 *continued*
Getting a real rural reach may be beyond us in Africa/Asia without a mobile money tie-up

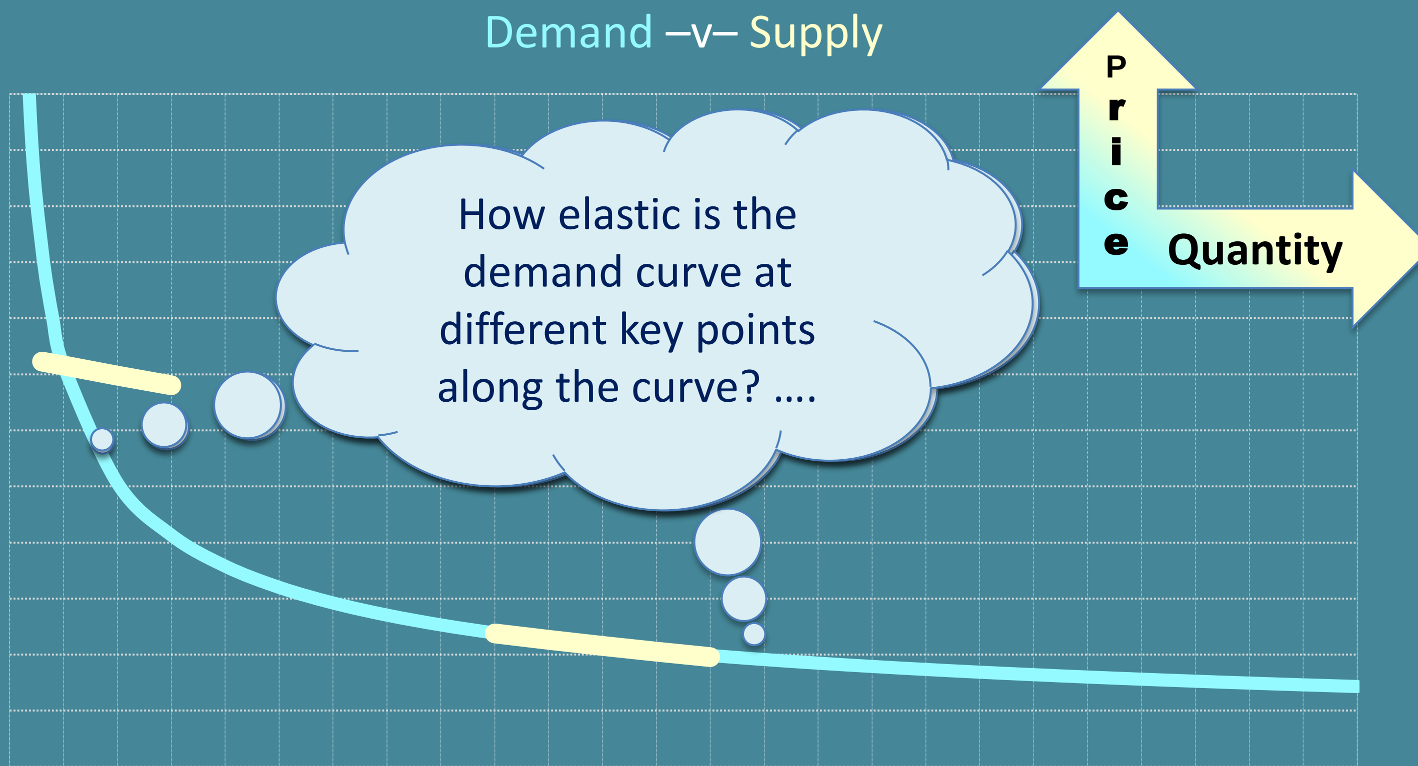
Kenya (41 million population)
± 1000 viable agent locations ➔ 50%
Mobile money reaching 75~80%



Tanzania (45 million population)
Cut-off for agency model: 2-300 locations
Mobile money currently reaching 35% pop.



Delivering significant breakthrough sustainably – a stylised presentation



- What can we do with the existing network?
- How do agent networks help with this?
- What role mobile?

KEY FINDING No4

Dormancy + new technology ➔ gives us scope to price to bring activity back into existing outlets …

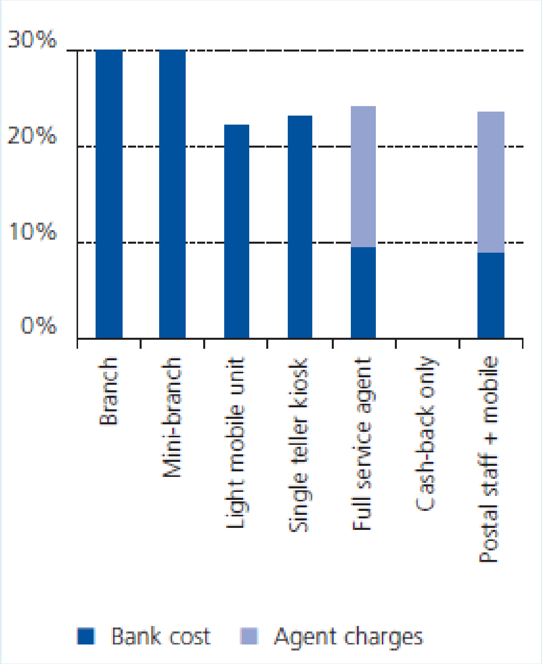
Inactivity rates	Industry	Member
Indonesia	70%	n.a.
Morocco	50%	50%
Southern Afr.	50%	33%
West/East Africa	+/-33%	67~90%

Average teller minutes available per transaction				
Systems limit	Typical Europe	Morocco	Kenya/ Uganda	Tanzania
+/- 1 minute	+/- 1~2 minutes	+/- 3 minutes	+/- 5 minutes	+/- 7½ minutes

- An under-deployed branch teller is off the scale in terms of costs
- But single teller outlets processing a transaction every two minutes could cost the same as agents
- And paying mobile money operator +/- 10~15 cents for remote cash-in/ out would be cheaper than both

- So much inactivity that it represents an opportunity

Annualised cost to mobilise as a % deposits raised by channel



The challenge going forward:

- Understand who exactly the unbanked are, what they need and how much they can afford to pay to meet their needs
- Get a realistic fix on the affordability envelope within which the poor work and see how we can stretch what we offer within it
- Work out the limit of what we can do ourselves and look for where it becomes cheaper to pay others to provide parts of the package
- Work on smarter business models to get customers back with member banks and charge them for what they want do with us, instead of just charging what we have always done to recover costs

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