Strategic issues in using agents to mobilize savings

Bankable Frontier Associates

Jeff Abrams

March 2, 2011

GAFIS
Gateway Financial Innovations for Savings

- A special project of Rockefeller Philanthropy Advisors,

- funded by the Bill & Melinda Gates Foundation

- and managed by Bankable Frontier Associates

The project runs through Q2 2013.
It is early days, so **no evidence base yet.**
The slides below flag issues,
but no tangible results as of yet.

Bankable Frontier
Associates

GAFIS Desired Outcome:
Increased <u>Savings</u> of Poor <u>in Banks</u>

Re-allocate cash from house/wallet to bank

Bigger bank deposit base

Incentivize/enable saving more in bank

Gateway-linked savings products which meet client needs and *make business sense* for the bank

Bankable Frontier Associates

Rebalancing client portfolios to mobilize higher, stable bank deposits

Example of clients at a non-Kenyan African Bank

|	Current balance		New balance
Bank Savings	$20		**$181**
Saving money in the house/person	$225	-$161	$64
Assets readily able to be sold if short of cash	$588		$588
Saving in a group	$624		$624
Providing small credit/loans	$570		$570
Saving with a money guard	$20		$20
Total	$2,047		$2,047

Bankable Frontier Associates

Gateway opportunities:

Regular payments <u>flowing</u> to poor, at scale

- **G2P**: Government transfer payments
- **Remittances**: Domestic (or international)
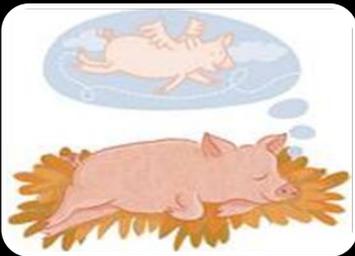
Existing scale of inactive **basic bank accounts**

- Accounts opened in large numbers and still on system, but <u>inactive</u> or under-utilized…

<u>Scaled platform</u> for micro-transactions

- Combination of transaction technology and/or branchless agent networks

Snapshot of five GAFIS Banks

	Standard Bank *South Africa*	ICICI Bank *India*	Bancolombia *Colombia*	Bansefi *Mexico*	Equity Bank *Kenya*
Assets	$111 Billion	$81 Billion	$22 Billion	$1.2 Billion	$1.3 Billion
Deposits	$76 Billion	$45 Billion	$14 Billion	$0.7 Billion	$0.9 Billion
# Branches	620	2,500	752	513	120
# Own ATMs	4,800	5,630	2,380	30	515
# Agent points	7,000	229	602	6,300	1,010
# Customers	8 million	30 million	6 million	5 million	5 million
Primary gateway opportunity for GAFIS project	Existing low-income clients (especially G2P recipients) holding underutilized accounts.	Low-income domestic remittance senders and receivers; G2P recipients receiving their transfers via ICICI.	Existing low-income clients with low balance, unprofitable deposit accounts.	G2P recipients receiving their transfers via Bansefi. Many currently receive their in cash, but are being migrated to electronic transfers.	Existing low-income unbanked mobile money users and holders of 'underutilized' Ordinary Equity accounts.

Can the mobile phone increase bank savings by the poor?

Deposit mobilization:

- Mpesa model: Cash-in via mobile as tx device (client, agent or both)?
    - Replicable? Is the user experience (for consumer and agent) good enough?

- Text a deposit to yourself, via scratch card system (direct to bank)?
    - Is this implemented *by a bank* anywhere (cf. 'Money Box' Nigeria)? Why not?

Marketing 'savings':

- SMS marketing, linked to savings pocket transfer function?
    - Is this elusive b/c of SMS costs, or reliable contactability at BoP is tough?

Improve e-payment functionality via phone from savings account

Anything else?

Big picture opportunity:
mobilizing savings atop CICO innovation

Can agents + mobile phone help increase "savings"? …
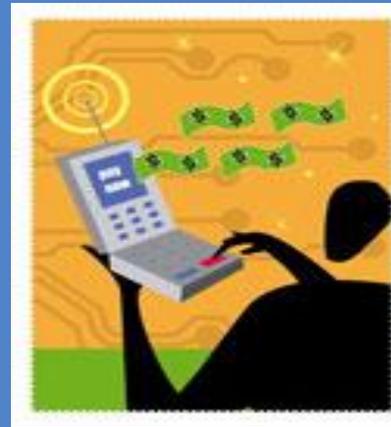
…We think so, but:

- **Trust** is fundamental for savings mobilization
  - Branding (see pictures/issues below)
  - Agent Selection (see pictures/issues below)
  - System competence/reliability

- Appropriate savings **product** offerings
  - Does the savings product need to be adjusted for effective use through the agent/mobile channel? If so, how so?

- How to **market/promote 'savings'** via these channels?

- Developing and **managing an agent network for savings**

Managing agent network to capture savings

Agent training:
- what functions? (slide 13)
- cost-effective/sustainable
- client experience

Agent incentives:
- cost-effective/sustainable
- savings margins are thin!
- balances vs. tx (privacy)?

Agent selection criteria:
- Trust/respect
- Liquidity/cashflow
- Trainable
- Location (branch)
-Connectivity/tech

Compelling marketing strategies

Appropriate savings product(s)

What does the <u>savings</u> proposition need from the agent?

Identify/design key functions to be played by "agent":

- Marketing
- Origination (sales/account opening: sale, KYC, final approval, etc.)
- Customer/consumer education (general & product specific)
- Cash-in
  - for deposit
  - for payment (P2P; P2B; etc.)
- Cash-out
  - for withdrawal
  - for payment (P2P; G2P; B2P; etc.)
- Liquidity management (responsibility for cash on hand)
- Customer service (problem resolution)
- Cross-sell other products (liquidity implications)

Bankable Frontier Associates

Five examples from GAFIS project

	Equity	Standard (SA)	ICICI	Bancolombia	BANSEFI
Marketing					
Same branding	√	√	√	√	√
Proactive *savings* promo	X	X	X	X	**
Origination					
Parallel sales channel	No	√ (CB sales agent)	?	√ (PAMs)	?
A/c open incentives	Not yet	Yes to sales agent	√	?	?
Immediate opening	No (?)	Yes	?	?	?
Customer education			No & No, but *ad hoc* examples (e.g. holistic NGO)	No, but "Bus Escuela"	No & No, but *ad hoc* exs (e.g. '3 amigas')
Savings incentives					
Opening vs. tx/balance					
Cash-in					
Deposits	√	√	√	√	√
Other (billpay; P2P)	No, but cell tx	Yes: airtime, P2P	√ (some)	√	√ (some)
Cash-in experience	Mobile-2-mob (some POS)	Mobile-2-mobile Growing "CRED"	Various models (m2m, bio-card)	Mag stripe Card	Bio-card
Cash-out					
Withdrawals	√	√	√	√	√
G2P, P2P	√	√	√ (some)	X	√
Liquidity management	√	√	???	√	**
Customer service		Not primary		Not primary	
Cross-sell / other	Not yet	Not yet	Not yet	Yes	Not yet

BANSEFI:
Passive on-site marketing insufficient

Banners & leaflets were insufficient here without an individual to drive activity.

Incentives; training; agent selection criteria…???

Bankable Frontier Associates

…but may be getting better!

BANSEFI: Agents as marketing dep't
"3 Amigas" as savings advocates

ICICI Bank (India) & NGO Agent
Unsustainable level of HR, but…lessons?
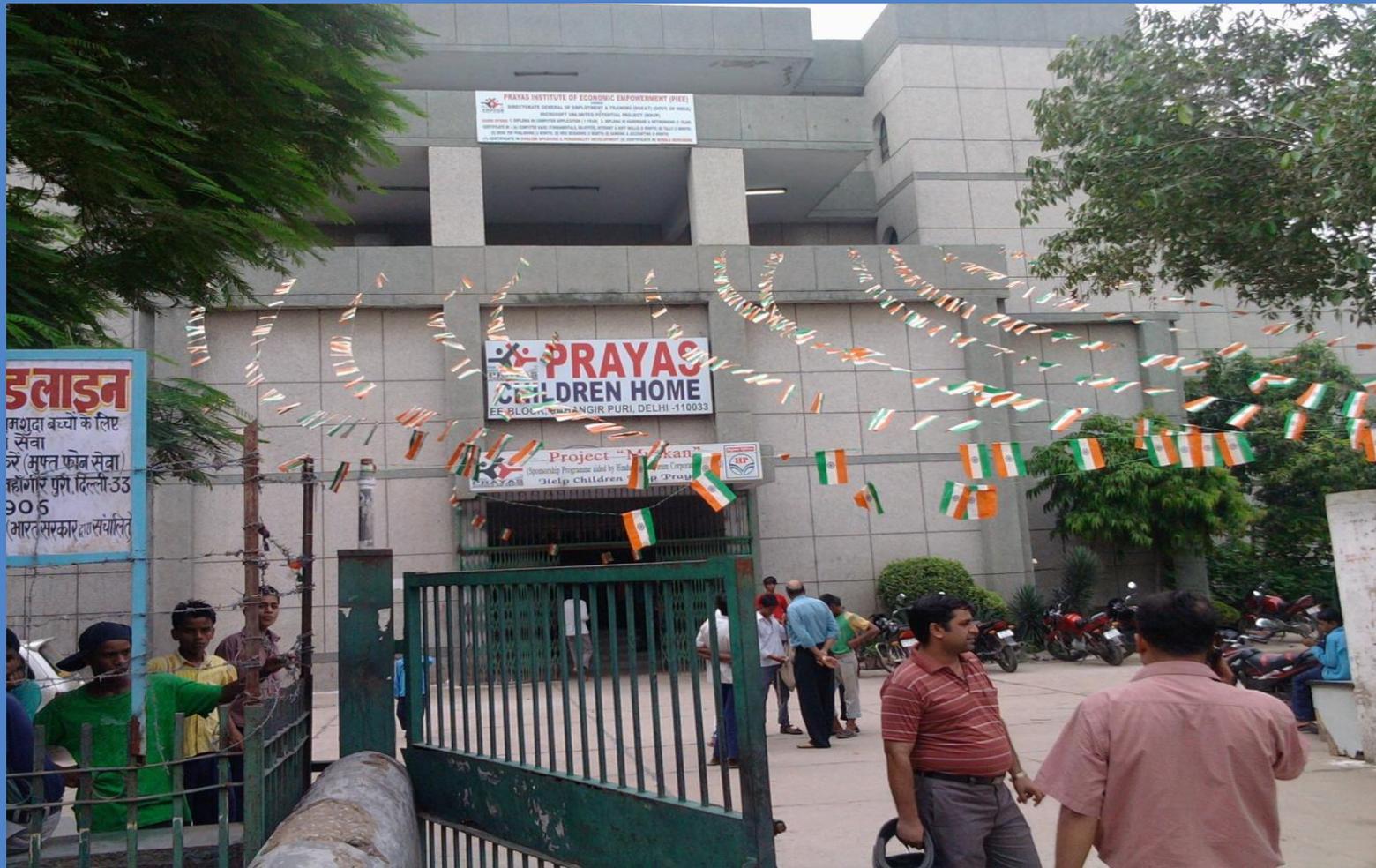
Ad hoc marketing:
Creativity, incentives, brand management

Brand management

Bankable Frontier Associates
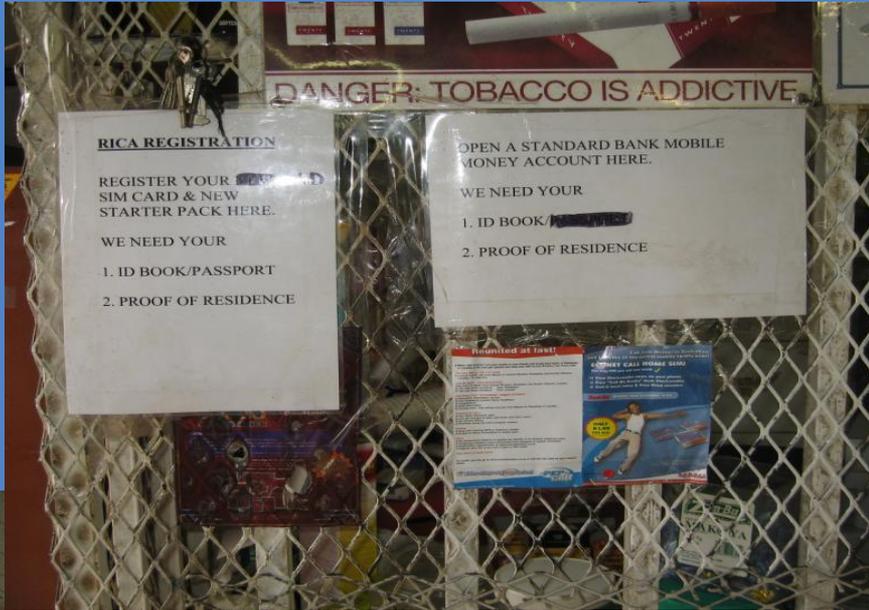
Standard Bank of South Africa: Joburg Township

Capturing "Level 1 Savings" is tough competition for banks: In-kind vs. cash vs. Mpesa vs. other banks

Bancolombia: CICO & parallel sales/service channel