JULY 2016

THE BUSINESS OF FINANCIAL INCLUSION: INSIGHTS FROM BANKS IN EMERGING MARKETS

INSTITUTE OF INTERNATIONAL FINANCE

CENTER for FINANCIAL INCLUSION | ACCION

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Forewords by
Piyush Gupta, CEO, DBS Bank
Walter Bayly, CEO, Banco de Crédito del Perú (BCP)

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We note with gratitude the many statements endorsing this study submitted by members of IIF's Emerging Markets Advisory Council (EMAC), as well as the forewords provided by EMAC co-chair Piyush Gupta, CEO, DBS Bank and EMAC member Walter Bayly, CEO, Banco de Crédito del Perú (BCP). Indeed, the strong support and thoughtful insights of EMAC members have been essential to this project.

The contributions of CFI were made possible by generous financial support from MetLife Foundation, as well as other supporters of the Financial Inclusion 2020 project, including the Citi Foundation, the Bill & Melinda Gates Foundation, and MasterCard Worldwide. CFI is also grateful for generous support from its founding partner, Credit Suisse. However, the views and opinions expressed in the report are those of the authors and do not reflect the views and opinions of the banks we interviewed nor the Financial Inclusion 2020 partners. All errors are our own.

FOREWORD

A digital revolution is underway in the financial services industry. Today, banks can harness innovative technologies to transform how banking services are delivered to their existing customers and to reach new ones at scale. This paper is therefore timely as it discusses the sizeable market opportunity among low-income customers and the "missing middle" of small and medium enterprises, especially as the regulatory space opens up for financial inclusion. The paper also demonstrates the leadership of banks in financial inclusion, giving many examples of how banks are innovating in reaching unserved markets.

The story of financial inclusion is a digital one – going beyond the mere proliferation of apps to support mobile banking and the rise of payment systems and agent banking, to the importance of data analytics and aligning back-end systems to support digital banking. The banks in this study that are successfully reaching the unbanked/underbanked segments are the ones that are exploring a myriad of digital channels to create convenient customer service points, while also re-thinking their operations to take advantage of cost reductions and efficiencies in technology.

The paper also brings home the important point that banks cannot and should not go it alone in this space. Banks that are successful in financial inclusion recognize the value of partnerships in expanding access to new customers, making a wider range of products available, and sharing costs and risk. Fintech offers many opportunities with banks at the center of the financial inclusion ecosystem. At the same time, enlightened regulation can play a huge role in serving unbanked segments. For instance, the financial system's penetration in India has been quite low, but the recent opening up of new licenses, the development of the *Aadhaar* digital identification system, and the government's push for universal access to basic accounts through the *Pradhan Mantri Jan-Dhan Yojana* (PMJDY) scheme are resulting in unprecedented access for the previously unserved. Technology can also help address regulatory barriers. For instance, in countries where regulators allow remote account opening, facilitated by digital identification, banks are able to provide access to many customers who otherwise would not be reached.

Banks play an important role in enabling growth and progress in the economies in which we operate. At the heart of it all, banks must do real things for real people and work to fuel inclusive economies from the center, thereby enriching lives and transforming societies. This paper shows many examples of banks that are doing just that.

As Co-Chair of the Emerging Markets Advisory Council (EMAC), I applaud the IIF's leadership in conducting this study to highlight the role of banks in driving financial inclusion, aided by technology, as part of the Institute's broader work on technology and innovation-related issues.

Piyush Gupta
Chief Executive Officer
DBS Bank

FOREWORD

Financial inclusion is widely recognized as one of the most important engines of economic development. Its contributions to GDP, individual and social welfare, and business creation and expansion – particularly small and medium enterprises – have been amply documented. The benefits of financial inclusion for the poor are extremely significant. Indeed, access to formal financial institutions allows poor households to expand consumption, absorb disruptive shocks, manage risks and invest in durable goods, health and education. The evidence further demonstrates that deeper financial intermediation helps improve income distribution.

As this report shows, the advancement of financial inclusion in recent years has been truly remarkable – fueled by new technologies and communications infrastructure – enabling legislation and business opportunities at the base of the pyramid. Financial institutions have been driving this revolutionary expansion through innovation in products and delivery channels such as banking correspondents, digital payments, and e-money solutions that reach low-income segments of the population.

Partnerships with telcos, fintech companies, retailers and others firms have enabled banks to broaden their array of products and build the financial ecosystems required to address the needs of customers who were previously unbanked or underbanked. By tapping into multiple information sources, including social media and credit bureaus, banks are using more sophisticated data analytic techniques to target underserved customers in a more personalized way.

Despite the encouraging trends documented in this report, close to 2 billion adults around the world still lack access to an account. In order to bring the benefits of financial inclusion to them, banks will have to improve their business models, bolster customer trust, and build customer capability to use financial services. Equally important, policymakers will need to develop and implement legislation that facilitates and supports digital banking and promotes financial inclusion for all.

Walter Bayly
Chief Executive Officer
Banco de Crédito del Perú (BCP)

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EXECUTIVE SUMMARY

This study examines the underreported role of banks in driving financial inclusion. Of the 3.2 billion people in the world with financial transaction accounts, 97 percent hold an account at a financial institution. According to the World Bank's Global Findex database, over 90 percent of the 721 million new accounts opened between 2011 and 2014 were opened at financial institutions—the vast majority banks, but this figure also includes credit unions, cooperatives, microfinance institutions, and postal banks. Thanks to advances in technology, banks are increasingly designing viable business models to serve unbanked and underbanked populations, which Accenture has estimated as a $380 billion market opportunity.

To better understand the strategies enabling this growth, and to help banks, their partners, and the public sector work together to reach the next 2 billion, the Institute of International Finance (IIF) and the Center for Financial Inclusion (CFI) interviewed executives from 24 leading banks working in emerging markets to understand their business strategies, how technology and partnerships can enable inclusion, and where they see obstacles going forward.

- The banks we surveyed engage in financial inclusion from several different perspectives. The majority, particularly local banks, treat inclusion as a *direct business strategy* with a timeline to achieve break-even. A number of them have aggressive growth plans based on the market opportunity. A few banks are more focused on corporate social responsibility *(CSR)* through measures like providing financial education or supporting microfinance institutions. For some, the approach is through *investments* in financial inclusion service providers. Most banks carry out more than one strategy at once.

- For banks that integrate financial inclusion into operations, *digital payments* are the main gateway to new customers, starting with transactional accounts to make and receive payments. The payments often involve the private sector (e.g., salaries or bill payment) or government (e.g., benefit payments as well as salaries); in some cases payments flow between individuals. This starting point means that banks often start with *underbanked* (more than unbanked) customer segments in the low-income and informal population and build their strategies around deepening inclusion for those customers. They *cross-sell* products that meet these customers' needs, such as savings, credit, insurance and pensions.

- Many banks are also launching *e-money products*, mainly for the unbanked, to facilitate payments, e-commerce purchases and phone recharging in a convenient, cheap and secure way.

- Given the low margins/high transaction volumes in payments and e-money products, achieving *business viability* is a core challenge. Approaches used include:
    - Analyzing transactional *data* to support cross-selling. Besides proprietary data, banks are also relying on credit bureaus and alternative data (social media, credit scoring, e-commerce, etc.).
    - Increasing access and transaction volumes via vast networks of low-cost and convenient *customer service points.*
    - *Agent banking* is increasingly critical in low-income customer acquisition and represents a growing share of transactions.
    - *Digital banking* (including e-money) is also on the rise, with the aim of many customers becoming self-managing.
    - *Partnerships* enable banks to bring technology and a wider range of products to their customers, building a *financial ecosystem* that meets customers' needs. We observed partnerships with telcos, payment companies, fintech start-ups, data analytics firms, financial capability providers, retailers, insurers, microfinance institutions, governments, donors, and international organizations. Banks may seek partners to help customer targeting and acquisition, risk- and cost-sharing, expansion of product offerings and points-of-sale, and access to innovations.

- Among the enablers of success for these strategies are:
    - *Remote customer acquisition*. Technology helps banks reduce the cost of identity verification via *national ID systems* that increasingly rely on biometrics. Most banks are also benefiting from *proportional, tiered Know Your Customer (KYC)* regulation to ensure simple, flexible and self-service account opening, especially for low-value accounts that have caps on transaction type and size.
    - Reliable *connectivity* infrastructure (still missing in a number of countries or locations).
    - Increasing *merchant acceptance* so digital channels will be more useful to customers.
- At the same time, challenges remain:
    - While banking agents are seen as essential, most banks using agents reported significant issues with *agent management:* incentives, liquidity management, training (including on financial capability), remote account opening and, as a result, customer trust and satisfaction.
    - Building *customer trust* in new delivery channels is critical. Trust and customer financial capability accompany quality products to *increase usage.* Banks are following multiple strategies to build trust, though they also acknowledge that governments have an important role here. Increasingly, banks feel the need to move from pure financial literacy to building *financial capability* of unbanked and underbanked customers by embedding financial capability elements in product design and delivery. Banks are also using technology to empower customers with more account management tools. They welcome public awareness campaigns as well as dialogue on client protection policies that increase customer comfort with new services without creating undue burdens on banks and customers.
- Policymakers in most countries are cooperating with banks to advance financial inclusion initiatives. Nevertheless, most banks had concerns about pricing issues given the narrow margins of low-income customers, and most banks mentioned that there is room for further capacity building of governments and regulators. Policymakers could do more to *coordinate among the many government bodies and regulators* that affect the financial inclusion landscape. Governments could also do much more to deliver *G2P* payments digitally.
- Concerns remain around *data:* privacy, security, cost, lack of capacity to analyze the data, lack of willingness for parties to share data, and regulations around these issues.
- The banks we surveyed are finding many paths to address financial inclusion based on their local contexts. Culture, environment, regulation, mobile penetration, innovation, focus on the customer experience, and alignment of internal systems to support digital banking are all important variables in creating successful models for financial inclusion.

Highlights of each bank's financial inclusion strategies along with bank statistics and, where available, financial inclusion data about the country, are found in the Annex.

Banks' Top Opportunities in Financial Inclusion

1. Build on digital payments, including:
   a. G2P - procurement, payroll, social transfers, pensions, etc.
   b. Private sector - retailers, consumer goods companies, payroll, etc.
2. Start with the underbanked and use data to understand their needs.
3. Cross-sell the full range of products.
4. Address the usage gap by building financial capability.
5. Develop the ecosystem through bank-led partnerships, increasing customer convenience while sharing costs and risk.
6. Enable remote account opening using digital IDs, supported by proportional, tiered KYC requirements.
7. Align all systems to digital banking, benefiting banked, underbanked and unbanked customers.

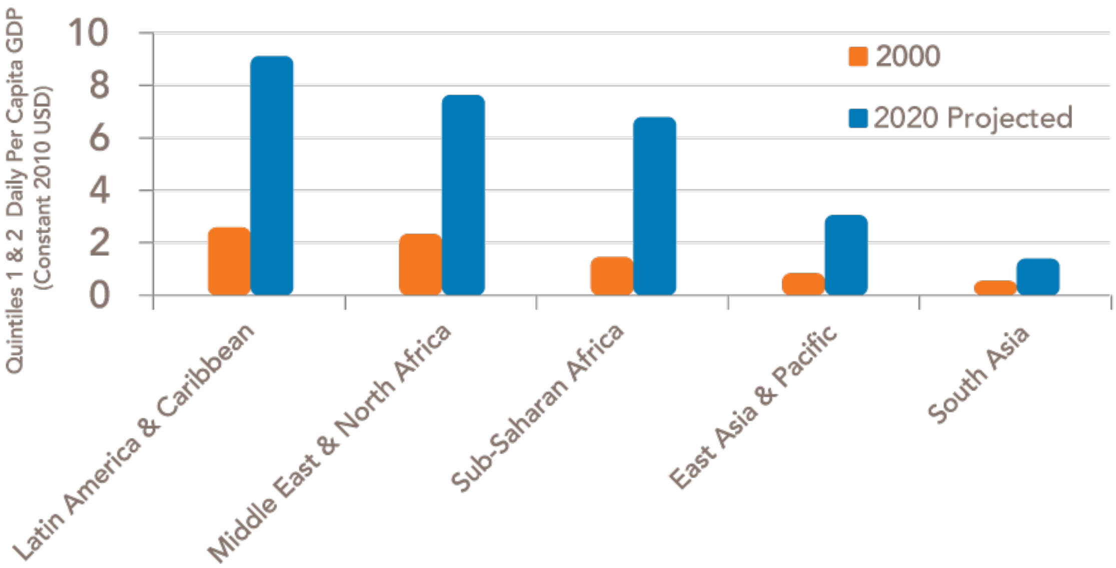
Banks' Top Barriers to Financial Inclusion

1. Lack of trust - in banks, in digital, in agents - leading to lack of uptake.
2. Lack of financial capability and digital literacy - leading to lack of usage.
3. Agent networks - building them, equipping them, ensuring their quality.
4. Data - privacy, security, cost, lack of capacity to analyze the data, lack of willingness for parties to share data, and regulations around these issues.
5. Regulatory issues, especially pricing, capacity, and KYC requirements.
6. Lack of coordination among government bodies.
7. Lack of connectivity/infrastructure.

INTRODUCTION: BANKS AS KEY DRIVERS OF FINANCIAL INCLUSION

Banks report a revolution under way in banking today, fueled by innovation in technology and a growing market at the base of the pyramid, and enabled by partnerships and evolving regulation. It has become possible for leading banks to serve growing market demand among unbanked and underbanked customers across the globe - a $380 billion market in annual revenues, according to Accenture.[1] The scale of this market reflects growing incomes at the base of the pyramid. The bottom 40 percent of the population in low- and middle-income economies constitutes a total spending market of $3 trillion, with major shares of the population in all regions of the world gaining enough disposable income to become interested in using formal financial services for the first time.[2]

INCOME GROWTH AT THE BASE OF THE PYRAMID



Source: Analysis by the Center for Financial Inclusion at Accion, based on data from The World Bank, World Development Indicators 2012

With market scale largely a function of rising incomes, the ability of banks to address the market is enabled by new technologies and communications infrastructure, which are reducing costs to serve and increasing convenience for the customer. Digital banking enables service to rural and remote populations and, through cheaper transactions, to customers with small balance accounts, low incomes and irregular incomes, especially those in the informal economy.[3]

The convergence of greater demand and less expensive supply has created the conditions for a dramatic increase in financial inclusion for the remaining 2 billion adults around the world who, according to the 2014 World Bank Global Financial Inclusion Index (Global Findex), do not have an account.

While news headlines about financial inclusion often focus on mobile money and the entry of telco companies, the bigger story is right at the core of the financial system – with the banks. Mainstream banks tend to work outside the spotlight but are quietly driving financial inclusion forward. According to an analysis from the Global Findex, 3.2 billion adults in the world had some form of financial transaction account in 2014. Nearly all of those accounts – 3.1 billion, or 97 percent – were at a financial institution. Similar trends were witnessed in low- and middle-income countries: 2.2 billion, or 95 percent, of the total 2.3 billion of adults with a financial account held the account at a financial institution. (The Global Findex data on accounts at a financial institution includes accounts held at a bank as well as other types of financial institutions, such as a credit union, cooperative, or microfinance institution).

The trends are also dynamic: approximately 721 million adults gained access to new financial accounts between 2011 and 2014, and over 90 percent of these (666 million) opened accounts at financial institutions, with the remaining opening a mobile money account as their primary account. This trend holds true in low- and middle-income countries as well. Hence, even as mobile money's small base allows it to post striking growth rates, the increase in bank accounts is equally impressive and significant, given banks' already massive reach.

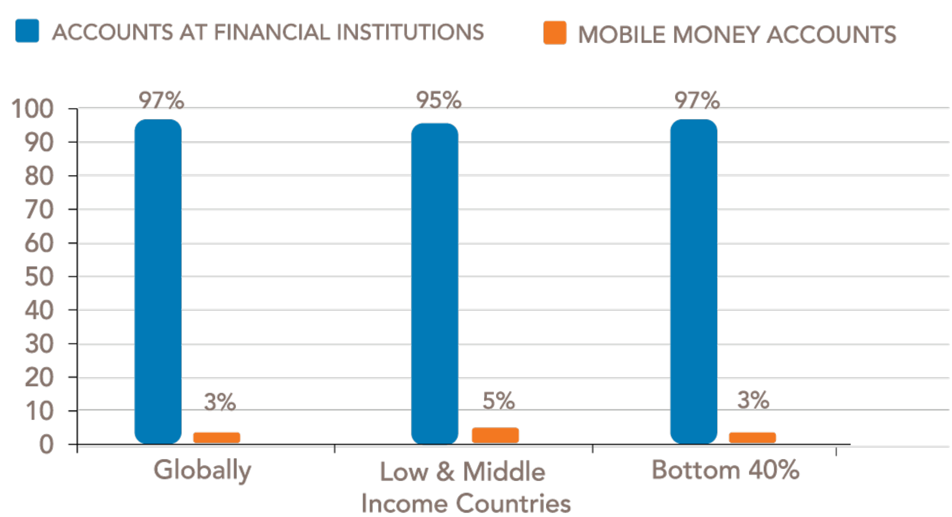
BANKS LEAD GLOBAL INCREASE IN ACCESS TO ACCOUNTS

*Includes banks, credit unions, cooperatives, microfinance institutions, post office.

Source: CFI and IIF estimated calculations based on Global Findex (2015) and UN (2016). See Asli Demirguc-Kunt, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden, "The Global Findex Database 2014: Measuring Financial Inclusion around the World," Policy Research Working Paper 7255. (Washington, DC: World Bank) 2015; and United Nations, World Population Prospects, The 2015 Revision, Volume I: Comprehensive Tables (New York: UN Department of Economic and Social Affairs, Population Division, 2016).

Moreover, much of this increase in outreach globally occurred among people in the bottom 40 percent of their country's population. From 2011, when 41.4 percent of the people in the bottom 40 percent held accounts, the share increased to 54 percent in 2014, a significant increase in three years. Put another way, about a third of all bank account holders can be found in the bottom 40 percent category, and many of them are first-time customers. Notwithstanding the focus on mobile money to drive inclusion among the bottom 40 percent, only 3 percent of this population owned a mobile money account in 2014, while the rest held their accounts at a financial institution.

ACCOUNTS AT FINANCIAL INSTITUTIONS V. MOBILE ACCOUNTS

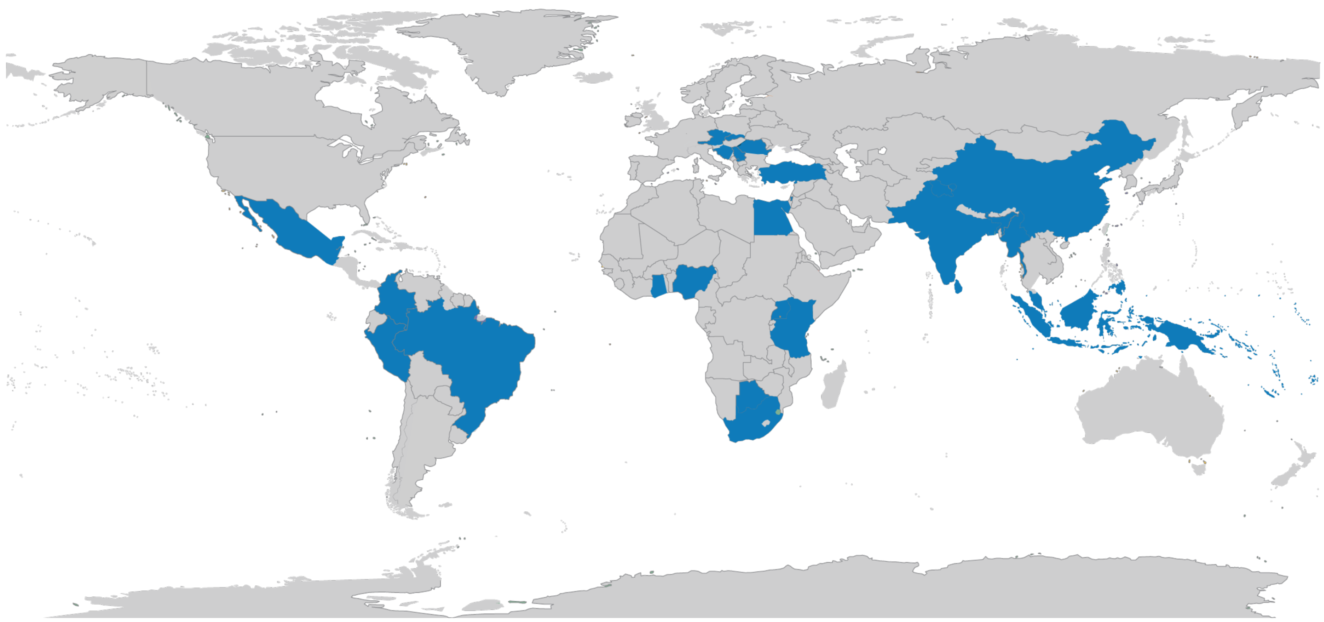


Source: Analysis by the Center for Financial Inclusion at Accion, based on data from The World Bank, World Development Indicators 2012, Global Findex, UN World Population Prospects

These numbers demonstrate that banks already serve most of the world's population, including those of lower income, and that they represent a formidable, dynamic force for expanding inclusion. Important changes are underway.

ABOUT THIS PAPER

FINANCIAL INCLUSION ACTIVITIES OF BANKS IN STUDY



The Institute of International Finance (IIF) and the Center for Financial Inclusion at Accion (CFI) set out to analyze what strategies mainstream banks are using to drive inclusion and to uncover the challenges they are facing in the process. To that end, IIF and CFI jointly conducted in-depth interviews with national, regional and global banks from January through May 2016. The interviews were conducted by phone or in person with executives responsible for financial inclusion at 24 banks, most of which are members of the IIF (see list in Annex), and a few of which were banks with a relationship with CFI. These banks are primarily commercial banks, and particularly retail banks, but our study also includes two public banks, one credit cooperative, and one private bank owned by an NGO. The executives we interviewed were located in 19 countries and primarily described their work in 16 emerging markets, although they mentioned services in a total of 31 countries. In addition to the interviews, site visits were conducted in Peru, India and Bangladesh. We asked banks what their strategies were for advancing financial inclusion through technology, partnerships, agent banking and data, and the challenges they encountered concerning business viability, regulation, financial capability and client protection. Each of the banks in question is making substantial investments in financially inclusive business models. The resulting report summarizing the survey interviews, therefore, provides a unique perspective on financial inclusion – one that is not often heard – from those who actually make it happen. In the following sections, we present a synthesis of the key opportunities and challenges from the perspective of banks working in emerging markets. Details about the survey and a brief profile highlighting each of the 24 banks' financial inclusion strategies is provided in the Annex.

WHAT IS FINANCIAL INCLUSION?

Account-holding is often used as the top-line indicator of financial inclusion, but genuine financial inclusion is a broader concept. It means providing access to a full suite of quality financial services to everyone who can use them, and making sure that people have the tools they need to manage their financial and economic lives. It goes beyond access to ensure usage and quality of products and services, and that customers can interact in the marketplace and throughout the supply chain.

The Center for Financial Inclusion defines financial inclusion as:

1. Access to a full suite of financial services
   Including credit, savings, insurance, and payments
2. Provided with quality
   Convenient, affordable, suitable, provided with dignity and client protection
3. And financial capability
   Clients are informed and able to make good money-management decisions
4. To everyone who can use financial services
   Excluded and underserved people
5. Through a diverse and competitive marketplace
   A range of providers, a robust financial infrastructure and a clear regulatory framework

SYNTHESIS OF OPPORTUNITIES AND CHALLENGES

Banks Choose Many Paths to Inclusion

"This is not only for poor people. This is for everyone."

-Margarita María Henao Cabrera,
Vice President of Personal Banking Products and DaviPlata, Davivienda

Every bank is unique, and each charts its own unique approach to financial inclusion. The banks in our study explained their own contexts for financial inclusion, including history, mission and culture; leadership; systems and infrastructure; enabling regulatory environment; the availability of technology and culture of innovation; and market characteristics, including geography, trust in the banking industry, formalization, experience with financial services, and income—among other factors.

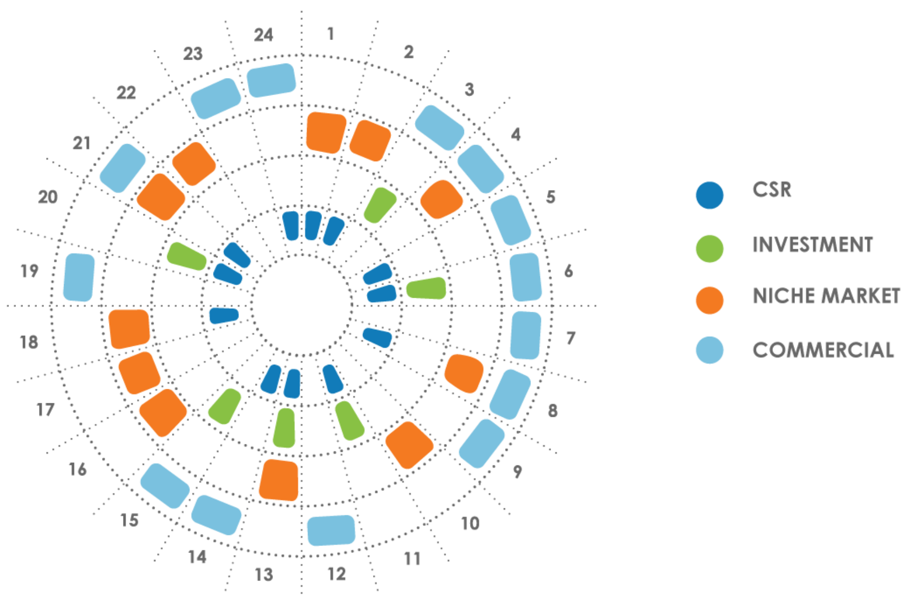
National and regional banks are particularly likely to occupy the vanguard of financial inclusion efforts. They are uniquely positioned to serve lower-income markets in their own countries. Accordingly, most of the banks in our study are from commercially driven, national and regional banks. In some cases these banks are pursuing financial inclusion opportunities among the sizeable market of unbanked and underbanked customers, with aggressive expansion targets. In other cases, financial inclusion may effectively be a niche market within a broader commercial strategy. Banks describe targeted outreach to underserved markets such as women, small businesses, farmers and rural households, and students, either in alignment with their CSR activities or in compliance with a mandate from the regulator. Other banks may not specifically target underserved customers, but in the process of developing digital delivery systems, they find that reduced costs and reduced barriers (such as geographic proximity) are allowing them to reach customers they had not previously reached.

Many banks have long histories of commitment to their country's citizens that continue to motivate their efforts today. For example, the history of Turkey's İşbank is entwined with the birth of the nation in 1924, when legendary leader Ataturk sparked the creation of a Turkish-owned and operated bank to support Turkish business owners. When South Africa ended apartheid in 1994, Standard Bank seized its role as part of the universal mandate to overcome the financial apartheid that had excluded 60 percent of the population.[4] Habib Bank Limited (HBL) in Pakistan has an inclusion strategy supported by its majority owner, the Aga Khan Development Network (AKDN).

Bank executives speak eloquently about financial inclusion as not only a business opportunity, but as one of the most powerful actions carried out by financial institutions in favor of social development in emerging countries. Indeed, many of the executives we spoke with view financial inclusion as integral to their CSR or sustainability mandates. However, most of the banks interviewed follow a hybrid approach, combining CSR and business strategies. A CSR component may serve harder-to-reach customers or provide complementary services such as financial literacy, while a financial inclusion strategy on the business side may encompass investment, retail banking for underserved niche markets, and retail banking for mass markets. Citi is one global bank that treats financial inclusion through innovative CSR work, in order to tackle industry-wide problems, while also pursuing a business strategy of investing in last-mile financial service providers such as microfinance institutions and value chain players, as part of its approach to building inclusive economies.

BANKS' DRIVERS OF FINANCIAL INCLUSION

NUMBERS = INDIVIDUAL BANKS



Most banks have a variety of drivers for their financial inclusion activities, encompassing:

- CSR, for social impact.
- Investment in "last-mile" providers such as microfinance institutions, with the expectation of a reasonable return on assets.
- Niche Market activities within a broader commercial strategy--for compliance with a regulatory mandate, to complement CSR activities, or as a by-product of digital delivery systems that allow access to previously unserved customers.
- Commercial, motivated by the significant market opportunity among unbanked and underbanked customers, often with aggressive growth plans.

Who's Being Included

Banks are using e-money products, agents and payment systems as their main strategies to reach unbanked segments for the first time. Their financial inclusion segments include:

- Low-income households. Across the world, millions of new customers have obtained accounts as governments and employers increasingly deliver payroll and social transfers electronically into bank accounts. For most of the banks in our study, the greatest focus is therefore on increasing transaction volume and cross-selling a broad range of services to these and other underbanked, underserved customers.

- Small and micro businesses. Banks find that serving small businesses fits both their social and business missions. Many banks recognize the SME market as particularly underserved.

- Rural and remote households. Many banks see the potential for technology to provide access to customers in remote areas.

- Customers transitioning from informal to formal status. In Mexico, half the economy is informal, and in India, more than 80 percent. Banks see inclusive finance as part of a broader effort to build inclusive economies.

- Women. According to the Global Findex 2014, men have higher levels of account ownership than women by an average of 9 percentage points in developing countries. Banks identify the women's market as underserved and profitable, while also expressing commitment to empowering women as entrepreneurs, consumers and investors, and removing cultural, legal and other barriers they face in gaining access to financial services.

- Hard-to-reach market segments. Banks committed to CSR gave examples of targeting youth, persons with disabilities, minorities, and farmers.

- Credit-invisible. Those without a credit history or with a poor credit score cut across many of the categories above.

About Insurance

Low-income customers need a range of services to manage their complex financial lives, and insurance is an essential part of the mix. Banks in our study both partner with insurance companies and offer their own insurance products, and generally insurance is an important part of cross-selling products to underserved segments. In India, SBI issues the RuPay debit card to PMJDY customers free of charge. The RuPay Card carries free accident insurance cover of around $1500 (100,000 INR) to the account holders with any bank account, including the PMJDY account.[5] As of January 2016, almost 15 million customers had been enrolled in accident insurance coverage of $3,000 per annum at a cost of less than $0.2, and close to 4 million customers had enrolled in life insurance of $3,000 per annum at a cost of $5 each. Erste Bank offers a variety of insurance products, including payment protection for loans, life insurance, and property insurance for those with mortgages. Its partnership with the Vienna Insurance Group (VIG) allows each company to cross-sell products to the other's customers.

CBA has a new partnership in Kenya with Cannon Assurance Kenya Limited to offer "Hello Doctor," a mobile health product. Clients pay a monthly subscription fee of $2.85 that entitles them to a Sema Doc health account. Sema Doc provides 24/7 mobile access to doctors; a health savings account; access to instant health loans; and a modest hospital-care cash benefit.[6] The doctors advise on 23 medical conditions, with a focus on primary and preventive care—all over a mobile phone. Davivienda offers life insurance through its mobile money service DaviPlata to customers between 14 and 70, without exclusions. For an annual premium below $10, there is a benefit of close to $900 upon the death of the policyholder or a direct relative, as well as funeral benefits.[7]

TECHNOLOGY IS A GAME CHANGER

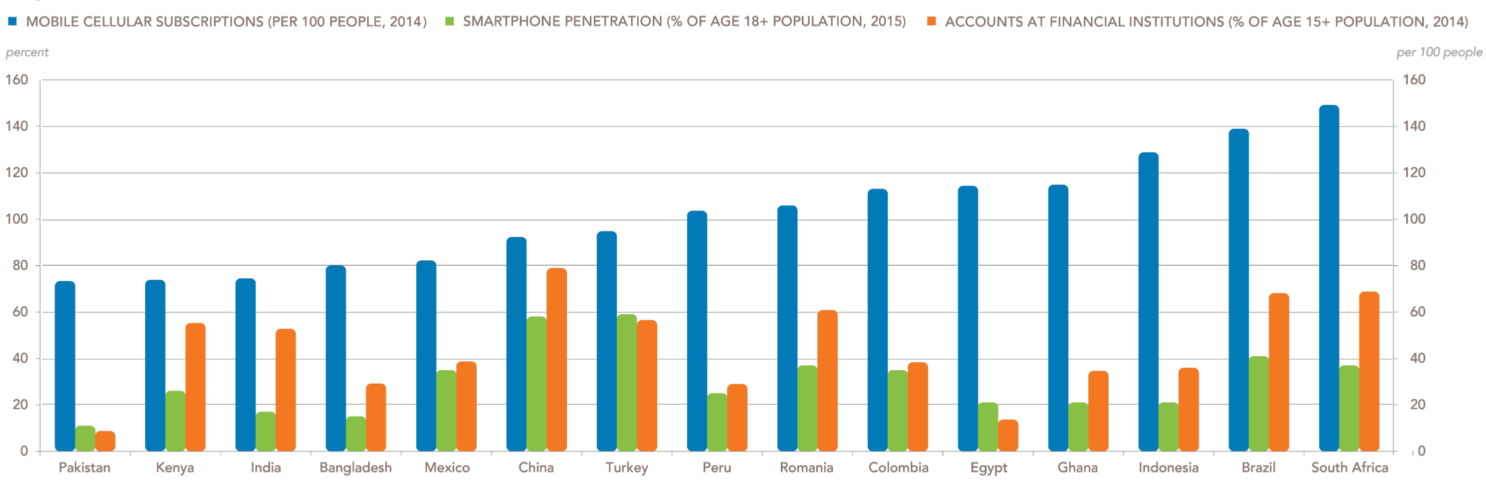
"First, let's make electronic transactions. Then let's build out the financial inclusion ecosystem."

-Alejandro Toro, Director of Channels, Bancolombia

Every bank in our study is innovating in delivery channels and other uses of technology. In order to increase convenience and encourage usage, banks are establishing a wide range of customer points of contact, including in rural areas, such as ATMs, micro-ATMs, kiosks, banking correspondents and their agents, mobile banking, and e-money accounts. They are working to increase the acceptance of digital payments by merchants. In China, and increasingly in other countries, customers are entering financial systems through the Internet. The more customer touch points, the more valuable the service to the customer. Data analytics, digital IDs, and back-office systems are important pieces of the financial inclusion puzzle—but it is the ubiquity of the cell phone that is making the greatest impact on financial inclusion today. At this stage, many channel designs focus on smart phones, newly available at $25 or even less, though most mobile channels are still based on feature phones or are usable on both types of phones. BiM in Peru is an interoperable mobile platform that is fully functional on feature phones, but is designed to allow more advanced functions as more people have smart phones.

The figure below looks at the countries featured in our study and compares the high number of mobile cellular subscriptions to the relatively small number of those over age 15 who hold accounts at a financial institution. There is immense scope for banks to increase inclusion via mobile technology, especially via basic phones—but the increasing availability of smart phones is also seen in this chart. In our section on partnerships, we demonstrate some of the rich examples of partnerships that are creating expansive financial ecosystem with banks at the center. Many of those partnerships are technology-based, including those with telcos, fintech firms, and payment companies.

MOBILE TECHNOLOGY AND ACCOUNTS



Source: Pew Research Center, E-Marketer, CIA World Factbook, The Daily Star, Romania-Insider.com, Global Findex, The World Bank, World Development Indicators

Digital Payments Are The Gateway…

For banks, today's technology revolution begins with payments. Almost all the banks we talked with described leading with payments as a core customer acquisition strategy. Examples include person-to-person (P2P) and people-to-business payments (P2B) such as e-commerce, merchant and ticket payments, bill payments, cell phone re-charge, school fees, transportation, etc. Governments are kick-starting inclusion by making government-to-people (G2P) digital payments for social transfers, payroll, pensions, agricultural subsidies, government-subsidized loans, procurement, and unemployment benefits. This trend includes both standard bank accounts and, increasingly, e-money accounts provided by banks. Private sector employers—including some small businesses—are beginning to follow suit with direct payroll deposits.

Many banks have a comprehensive vision of inclusive business that serves clients up and down the supply chain—especially important in rural areas. E-commerce is an enormous opportunity, as well. For State Bank of India, that includes moving from mobile phone top-ups to booking tickets and shopping in a "marketplace" on mobile phones. Itaú Unibanco recently launched a cobranded credit card with Netshoes, Brazil's largest online provider of sports apparel.

…But Financial Inclusion Goes Beyond Payments

A widely practiced strategy among banks engaged in financial inclusion is to gain a foothold through payments done via bank accounts and banks' e-money accounts with underbanked customers, and then build from that base. Banks are intensively using the transaction data generated by these payments to understand customer financial needs and cross-sell savings, credit, insurance, or pension products. For instance, in Colombia, Davivienda's e-money product for those without a bank account, DaviPlata, offers payment options such as for taxis, remittances, cash-out at ATMs and phone re-charge. It also cross-sells insurance products and has plans underway to offer credit. Similarly, BBVA in Mexico plans to offer insurance, savings and other hybrid products via SMS to its low-income payment clients. More than 90 percent of the farmers who receive loans through Hainan Rural Credit Union in China are making automatic payments and benefiting from access to POS devices. Standard Bank's mobile platform clients in Africa can view balances, transfer money, buy electricity, buy data, transmit money across the country, and get pre-approval of a loan. Standard Bank is now moving toward full loan approval on a smart phone or the Internet.

The banks we interviewed describe a number of digital strategies used to introduce loans. For payroll customers, a first step can be payroll advances. CBA's M-Shwari product provides automated nano-loans at higher amounts as customers develop a positive repayment history. Fidelity Bank Ghana has just announced a partnership with Airtel and Tiaxa to launch a nano-loan scheme that provides instant access to credit through their Airtel Money wallet, such as when customers need to quickly settle a bill or to make a purchase. Eligible customers can borrow up to $52 (GHS 200) and have up to one month to pay it back through deductions via their Airtel Money wallets.[8]

Other banks are automating the processes for micro and small business loans and mortgages, including Itaú Unibanco in Brazil, which offers a fully digital mortgage contract process available for account holders in which the customer uploads the relevant documents and is able to monitor all steps of the process via the Internet.

While the building-on-payments strategy is well underway and accounts for significant new business, it remains in its early stages. Banks report infrastructure challenges around connectivity and, in some cases, power. Yet there are many opportunities still to develop, and the bank executives we talked with urged a much more aggressive timeline, as well as a much more comprehensive view of the various payments that can be made digitally. They also urged corporations, including retailers and consumer goods companies, to make and receive digital payments. If the owner of a mom-and-pop store is required to pay for his or her inventory digitally, that helps start a cycle of increasing ubiquity of payment points throughout a community, and with increasing ubiquity comes increased use.

Not all digital payments result in active accounts. Dormancy is a big issue, which banks believe is due in part to clients' lack of trust in agents and digital money and in part to their lack of experience with formal financial services. Governments and businesses that introduce digital payments, especially payroll and social transfers, can work alongside banks to help build financial capability and digital literacy. Banks can provide information to customers at teachable moments when they are making decisions about financial services, helping them to get over the hurdle of using an unfamiliar product.

A related benefit of digital banking is its ability to support personal financial management, including mobile balance inquiries and information about customers' own spending behavior. Erste, working throughout Central and Eastern Europe, is one of a number of banks that provide customers with information on where and when they are spending their money. State Bank of India customers can trigger a missed call to find out their balance and other account information. This kind of verification also helps create trust in digital financial products.

Digital IDs Are Key To Customer Acquisition

One of the developments facilitating the rise of payment-based accounts is digital identification. According to the World Bank's 2016 ID for Development (ID4D) Global Dataset, 1.5 billion people, or around 20 percent of the world's population, are unable to prove their identity. This lack of ID makes it hard or impossible for them to open a bank account and access financial services. Fortunately, many governments are now advancing ID schemes, such as biometric IDs (fingerprints, facial recognition, iris scans, etc.) and IDs with chips, and banks are using them to help open accounts remotely, make digital payments, and reduce the cost of compliance. Most banks we interviewed are already using tiered KYC for identification (also mentioned as a simplified model), though with strict limitations on the size and number of transactions.

Banks stressed remote account opening as one of the greatest opportunities for serving unbanked customers profitably—particularly facilitated by growing networks of banking agents—due to the lower service costs and the ability to reach customers in remote areas and those with mobility constraints. For instance, State Bank of India also relies on the "Aadhaar" ID system, a project of the Unique Identification Authority of India (UIDAI), that uses fingerprints and iris scans. BCP in Peru is helping the government switch to a new chip-based ID system. Standard Bank uses remote account opening online and at places of employment in South Africa. For Itaú in Brazil, biometric technology enables clients to carry out transactions with fingerprint identification, without typing a password or using a card. Bancolombia's *Ahorro a la Mano* savings account can be opened remotely on a mobile phone with just a few data entries.

Agent Banking Solutions

"BCP agents can't be good if the business is no good for them."

-Arturo Johnson, Director of Channels, BCP

Almost every banker we talked with is investing heavily in agent banking. Agents are replacing branches as the touch point for relationships with low-margin, high-volume customers. In the interviews, we came across two types of banking agents: 1) business or banking correspondents (also known as aggregators in some countries) who manage a network of agents, including merchants; and 2) agents who are directly managed by the banks themselves. For instance, State Bank of India has 87 banking correspondents that manage 61,000 merchant agents. They provide location convenience, which increases usage and reduces the cost of accessing and managing new clients. Agents help open accounts, offer cash-in/cash-out services, accept loan repayments, make payments and transfers, recharge phones, help with e-money usage, and are now beginning to facilitate financial capability interventions. SBI reports that 91 percent of the 53 million financial inclusion accounts opened through the *Pradhan Mantri Jan-Dhan Yojana* (PMJDY) basic accounts scheme operate through agents. In many banks we surveyed, agents account for a significant share of total bank transactions.

BCP in Peru has one of the world's most recognized agent banking systems, accounting for 21 percent of total transactions, with more than 14 million transactions per month. Their network of 6,000 agents is a key competitive tool. BBVA's 25,000 agents in Mexico – both retailers and mobile operators – have helped increase banking penetration in rural areas.

At their best, banking agents combine convenience and accessibility in a way that leapfrogs the cultural and other barriers customers encounter when doing business in a formal bank branch. The customer has the comfort of doing business with someone from the community who can help build familiarity with both digital technology and financial services. The strategy combines the best of high-touch and high-tech, bringing banking into the most remote and underserved areas, lowering costs, and increasing service points. Or, as Bank Mandiri puts it: "technology-enabled but with a human face."

But despite their commitment to agent banking, the banks we spoke with described a business model that still has many challenges, including the need to improve trust in agents, customer satisfaction, incentives, training, financial capability, monitoring and quality control. Here are some of the challenges, along with examples of solutions carried out by the banks.

- **Trust.** Customers do not always trust the neighborhood store to represent the bank, and some agents are reluctant to offer their services.
  - Bank Mandiri, State Bank of India and others identify and promote their agents through flyers, signage and stationary.
  - Itaú Microcredit smartphones connect the loan agent to the branch, and each agent has a 5-kilometer-square area allocated by geo-referencing to facilitate a relationship with clients.
  - Several banks encourage customers to verify bank balances and transactions frequently, increasing their confidence in the system.
  - Governments can also play a role in strengthening and clarifying rules for agents, ensuring customer protection, and carrying out public awareness campaigns about the benefits of going digital.
- **Quality control.** As agent banking is still relatively new, agents display a wide variety of experience and skills. Some agents lack basic digital literacy and financial capability. Oversight systems are often weak.
  - Working with agent network management. In Colombia, Davivienda works with the CONEXRED network, which provides merchant relations and management.
  - Using banking correspondents. YES Bank of India has 39 banking correspondents who manage 642 customer touch points (BC branches) and approximately 2,500 BC agents. SBI has also introduced banking correspondents, as stated above.
  - Invest in agent training. SBI makes training a priority.
  - Bank Mandiri offers incentives for agents.
  - Engaging with agents. Fidelity Bank senior executives have held agent engagement sessions across Ghana.
  - Monitoring usage per agent. At CBA, low numbers of transactions are reported to the relationship manager after 30 days and escalate from there, eventually to the CEO within four months, if necessary.
- **Merchant acceptance**. The greater the ubiquity of acceptance, the greater the convenience and transaction volume, which is key to expanding the ecosystem. In many cases, there are still too few places where people can get cash or pay with a card.
  - CIB in Egypt has an agreement for basic transactions with FAWRY, a network of more than 50,000 merchant outlets, serving more than 15 million clients.
  - ANZ is building partnerships in the Pacific with suppliers of rice, soft drinks, and the like to digitize payments throughout the supply chain.

- **Cultural barriers.** Some customers simply prefer cash and find it safer to keep their money at home.
    - Banks carry out promotional campaigns to encourage customers to go cash-free and encourage agents to help build their customers' financial capability.
- **Remote account opening.** The value of banking agents skyrockets when proportional KYC regulatory approval, together with availability of digital IDs, allow remote account opening—yet this is not yet available in some countries.
    - Working with governments to allow proportional approach to KYC (see section on how governments can help).

Expanding the Breadth of Business Correspondents

State Bank of India has more than 61,000 exclusive business correspondents (BCs) who use POS card devices, mobile phones, and Internet-based kiosk technologies to collect deposits, process withdrawals, send remittances, and provide mini-account statements and other account information. BCs are also tasked with creating awareness about savings and other products, as well as education and advice on managing money and debt counseling, and participating in SBI's financial literacy efforts.

Account opening is a major focus. A BC can enroll customers in a Basic Savings Bank Deposit account using biometric IDs with fingerprint technology, and BCs can open up SBI Tiny Savings Bank and SBI Tiny Recurring Deposit Accounts. As part of their business facilitation role, BCs are tasked with helping customers fill out the loan application/account opening forms, obtaining photographs, and securing documents for complying with the KYC guidelines of the Reserve Bank of India. A wide range of entities are eligible to serve as BCs, including NGOs, post offices, retired government employees, banks and schools, self-help groups, farmers' clubs, and others.

BANKS THAT PARTNER GO FARTHER AND DEEPER

"Partnerships are critical to expand our business and reduce our operational costs."

-Ümran Akçay, Unit Manager, Retail Banking Marketing Department, İşbank

In a world of rapid change, few organizations have all the capabilities needed to accomplish every aspect of their business. Banks have partnered in a wide range of ways and in a flexible manner that allows them to be agile in adapting to new opportunities. They share customers with other actors – also sharing risk and cost. They connect with companies to tap new technologies or reach new markets. The banks in our survey partner with telcos, payments companies (global and national), insurance companies, microfinance institutions, retailers, and consumer-goods companies. They work closely with governments for G2P payments and with international development agencies and donors that provide start-up capital for new financial inclusion initiatives. They also contract with digital technology providers such as data analytics companies, back-office systems providers, digital channel providers, financial capability providers and other fintech firms.

BANKS AT THE CENTER OF A FINANCIAL INCLUSION ECOSYSTEM

	PARTNER TYPE	PARTNERS	DESCRIPTION
CUSTOMER ENGAGEMENT AND SUPPORT	INTERNATIONAL NGO	Fidelity Bank with CARE	Fidelity offers bank accounts to CARE's savings groups.
	FINTECH START-UP	BBVA Bancomer with Juntos; Bancolombia with Juntos	Juntos provides customer insights based on data analytics to banks, together with financial capability-boosting SMS messages to customers.
	MANAGEMENT CONSULTING COMPANY	CBA with FSD Trust	CBA and FSD Kenya jointly conduct focus groups on financial education, and carry out customer research to inform product design and credit risk models for the mass market.
	GOVERNMENT	Bank Mandiri and Government of Indonesia (GOI)	Bank Mandiri and Government of Indonesia (GOI) work together to provide land titles to support loan guarantees.
	MULTILATERAL ORGANIZATION	Bank of Palestine with IFC	Bank of Palestine is executing a women markets initiative in cooperation with the International Finance Corporation (IFC).
DISTRIBUTION AND PAYMENTS	GOVERNMENT PAYMENT CO.	SBI and NCPI	SBI offers National Payments Corporation of India's (NPCI) RuPay card to customers.
	GLOBAL & NATIONAL PAYMENT COS.	CIB with MasterCard and Fawry	CIB's Smart Wallet app is supported by MasterCard, and offers Fawry payments services, an electronic payment network which enables 50,000 merchant outlets in Egypt to accept Smart Wallet payments.
	GOVERNMENTS	Multiple in many countries	Banks facilitate G2P payments through electronic means.
	RETAILER	BBVA with OXXO	BBVA Bancomer card holders can withdraw cash at more than 12,000 OXXO convenience stores in Mexico.
	AGENT NETWORK MANAGERS	Davivienda with CONEXRED	CONEXRED network, a merchant aggregator, provides merchant relations and management to Davivienda[1].
	PAYMENTS COMPANY	Itau and maxiPago!	Itaú acquired maxiPago! to facilitate e-commerce, improving account safety and convenience to its customers, as well as otherwise maintaining its strong digital platform.
	POSTAL SAVINGS BANK	CBA and Posta in Kenya	CBA has an agency network agreement with Post Office Savings both in Kenya and Tanzania.
ENHANCED PRODUCT OFFERINGS	TELCO	CBA with Safaricom	CBA's M-Shwari savings and loan accounts are built on top of Safaricom's M-Pesa platform.
	TELCO; FINTECH COMPANY	Fidelity with Airtel and Tiaxa	Fidelity Bank provides instant nano loans through the Airtel Money Wallet, with nano-credit company Tiaxa.
	TRANSIT COMPANY	Itaú with ConectCar	Itaú acquired 50% of ConectCar, which provides intermediation services for automatic payment of tolls, gas and parking fees.
	INSURANCE COMPANY	SBI and insurance companies	SBI provides insurance as an incentive for use of the RuPay debit card for PMJDY customers, with accidental death and permanent disablement coverage provided to every cardholder who carries out at least one successful financial or non-financial transaction within 90 days prior to the incident.
	INSURANCE COMPANY	Erste Group and VIG	Erste Group cross-sells Vienna Insurance Group (VIG) insurance products, and vice versa.
	INSURANCE COMPANY	CBA and Cannon Assurance	CBA offers "Hello Doctor" hospital cash benefit with Cannon Assurance (Kenya) Ltd (Metropolitan Life).
	DONOR	BBVA and CGAP; BRAC and BMGF, etc.	With support from CGAP, BBVA Bancomer worked with IDEO to develop TandApp, an application for informal savings groups. BRAC's Innovation Fund for Mobile Money is funded by Bill & Melinda Gates Foundation.

BACK OFFICE AND DATA ANALYTICS	DATA ANALYTICS COMPANY	Bancolombia and CAOBA	Bancolombia joined with 10 other public, private and academic partners to create a center for big data and data analytics as part of the CAOBA (Mahogany) Initiative.
	FINTECH START-UP	BBVA and Destácame	Destácame profiles customers for BBVA using utility payment information.
	IT COMPANY	CBA and IBM SAP	CBA uses Temenos as its core banking system provider and IBM SAP as its enterprise resource planning (ERP) suite.
FINANCIAL PARTNERSHIPS	BILATERAL ORGANIZATION	Citi and OPIC	OPIC loan guarantees share credit risk for selected Citi Inclusive Finance activities.
	MULTILATERAL ORGANIZATIONS	BBVA Microfinance with IFC	IFC, Bancóldex and Oikocredit purchase bonds valued at approximately $25 million (84 billion COP) issued by Bancamía, an affiliate of BBVA Microfinance Foundation.
	MICROFINANCE ORGANIZATIONS	Citi, BCP, HBL, BBVA and others with multiple MFIs	Many banks take equity stakes (including majority stakes) in existing microfinance institutions (MFIs).
	SMALL BANKS	WeBank and 20+ small banks	WeBank provides lending under management with half of its portfolio funded by 20+ small banks in China.
ECOSYSTEM DEVELOPMENT	BANKING ASSOCIATION	BCP (and others) with ASBANC	The Association of Banks of Peru (ASBANC) worked with banks, telcos and government to create BiM, a fully-interoperable mobile money platform.
	MULTILATERAL ORGANIZATIONS	CBA with IFC and UN	CBA's way of business emulates international practices and it strives to be global partners internationally by sharing successes and learnings.

1. Puntored, "Recaudo de servicios," 2016.

About Microfinance

Microfinance institutions (MFIs) demonstrated that poor and low-income customers could be credit-worthy and could be served profitably. They pioneered products and channels to reach unserved markets. As of March 2015, more than 200 million clients were being served through microfinance institutions, most of which have an explicit focus on serving the poor.[9] Yet as microfinance matured, so too did the institutional homes for microfinance activities. Today, many microfinance institutions, particularly the ones with the largest customer bases, are banks, operating under a variety of license types.

One example is BRAC in Bangladesh, which is the biggest NGO in the world. BRAC's microfinance operation in Bangladesh has 2,067 branches, 16,000 employees, 5.4 million depositors, 4.9 million borrowers, and outstanding loans of $1.4 billion. In 2001, the NGO created BRAC Bank to focus on the "missing middle" of SMEs. BRAC Bank's subsidiary bKash is the largest mobile money provider in Bangladesh with more than 17 million active users, and its mobile financial platform has been piloted for loan repayment by BRAC Microfinance.

Other MFIs are also exploring uses of technology at the last mile. Tablets can be carried into remote areas by loan officers to enroll customers and approve loans on the spot. For most of the interviewees involved in microfinance, digital technology is key to scaling up operations and achieving greater efficiency. These goals are accompanied by a focus on responsible finance and avoiding over-indebtedness by integrating microfinance borrowers into credit reporting systems.

A number of commercial banks have a microfinance arm or division that invests in last-mile institutions such as MFIs. HBL in Pakistan and HSBC in India have invested in microfinance institutions in their respective countries. In 2014, BCP paid $179 million for a 61 percent stake in MiBanco, a commercial microfinance bank in Peru with half a million customers, betting on the growth potential of its small and microenterprise lending. Santander Brasil has 350,000 microfinance borrowers with an average loan of $800 and has placed over $1 billion in loans since 2002. Santander sees benefits of this work for compliance and CSR, but it primarily views microfinance as a business activity and houses it within its retail banking operations.

Global banks such as Citi and Standard Chartered have made significant microfinance investments. BBVA Microfinance Foundation operates its own microfinance organizations, focused in seven countries in Latin America. Since 2007, they have granted loans for $7.5 billion to more than 5 million low-income entrepreneurs. At the end of 2015, the BBVA Microfinance Foundation was serving 1.7 million clients through 7,910 employees and 509 branches.

Several banks commented on the benefits of serving a market that has been "trained" by MFIs to tolerate the higher interest rates needed to cover costs in some contexts, and to repay loans fully and promptly. An anecdote from YES Bank in India told of coastal borrowers who paid their upcoming loan installments in advance of a looming cyclone in order to preserve their reputations for repayment. Hainan Rural Credit Union in China created an "integrity deposit" scheme for microcredit in which timely loan repayment results in increasing loan sizes at lower rates. As a result of the strong culture of repayment that has been created, it has become common for borrowers in every Hainan cooperative to pay back the loans well ahead of the deadline.

DATA RULES

"The most important opportunity is client data. We are crunching a lot of numbers so we can understand what our clients' needs are."

-Carlos López Moctezuma, Global Director for Financial Inclusion, BBVA Bancomer

The big story in data today is about using proprietary data on existing underserved customers (customer geography, purchase preferences, transaction patterns, etc.). Banks are using this data to better understand customers' financial needs in order to increase transaction volume and cross-sell appropriate products, leading to greater efficiency. Several banks we spoke with felt that, following access to mobile phones, leveraging data is the most important route to achieving profits in the financial inclusion market. This requires the acquisition of new data analytic techniques.

Some banks contract with fintech firms while others build data analysis capabilities in-house. In Colombia, the capacity challenge is being addressed through a far-reaching partnership. Bancolombia recently joined with 10 other public, private and academic partners–including the Ministry of Information Technologies and Communications–to create a center for big data and data analytics as part of the CAOBA (Mahogany) Initiative. Around the world, data is used for segmentation of specific markets, such as low-income households, women, older adults, farmers, and university students. Commercial Bank of Africa (CBA) is one of a number of banks that feed data, including on mobile banking phone use, into sophisticated proprietary systems with algorithms that automate the approval of, in its case, small 30-day loans. Loan performance supplies more data, which is fed back into the system. Banks are also tapping into external data sources such as social media and credit bureaus. All of these sources, together with the increasing sophistication of data analysis, means that customers can be targeted in much more personalized ways.

BBVA Bancomer and Bancolombia each learn more about their customers through their partnership with Juntos, a U.S.-based fintech company that "talks" with customers through SMS messages tailored to their use patterns. İşbank offers its customers the opportunity to merge their Facebook and/or Twitter accounts with their banking customer accounts with its social media application "Fırsatla". This option makes it easier for them to take advantage of İşbank's special campaigns and promotions via their Facebook and/or Twitter accounts.

The banks strive to combine multiple sources of information to gain a competitive edge. Bank Mandiri captures credit history, microcredit and microbusiness behavior, and mobile use. CBA leverages alternative data to identify additional low-income credit customers in order to provide a wider base of information sets to the M-Shwari credit scoring algorithm.[10] Citi looks at business data along the whole supply chain. In China, WeBank benefits from the social media data of Tencent, its parent company, which is one of the largest Internet companies in the world. Within its first couple of months of operation, WeBank had extended over $300 million (more than RMB 20 billion) in microloans made on Tencent's social media platforms, QQ and WeChat.[11]

Tencent's social media users can apply through the mobile application and get up to approximately $30,600 (RMB 200,000) in credit without collateral or a guarantee. The loan amount is determined by user data from Tencent's online platforms, including ID, behavior on QQ, and data from third-party providers.

Banks, of course, value private credit bureaus, but in many cases, credit bureaus are inadequate for new markets and new ways of doing business. In Pakistan, there are credit bureaus for banks and a credit bureau for microfinance—but the two do not intersect. Credit bureaus that focus only on past payment history may end up preventing some customers from entering the system, which is why banks are experimenting with alternative data and credit scoring techniques. Banks like BCP and YES Bank are also geo-tagging agent locations to monitor the specific location of financial transactions for fraud monitoring and to learn more about customer preferences.

HOW BANKS USE DATA TO SERVE NEW AND UNDERBANKED CUSTOMERS

As identified through this study

GEOGRAPHIC LOCATION

- Indicates a customer's preferred service points and use patterns.
- Helps track fraud when patterns change.
- Allows real-time marketing when a customer is near a business of interest.

TYPE OF TECHNOLOGY

- Indicates a preference for different technology platforms.
- Suggests opportunities to offer digital rather than cash.

ACCOUNT ACTIVITY

- Identifies customers for bundled or other accounts.

SOCIAL MEDIA

- Demonstrates consistency in relationships that can indicate credit worthiness.
- Gives insight into interests.

BANK INQUIRIES

- Can indicate interest in a loan or other product.

TRANSACTIONS

- Demonstrates purchase preferences and patterns.
- Shows reliability in paying bills.

INCOME

- Ability to pay loans and fees.

Despite the advances, most of the potential of data has yet to be tapped. Banks know that they need to develop internal data analysis capacity and systems, but this is a challenge with which many are struggling. Some are reluctant to turn to outside sources for analysis due to costs and lack of protocols for sharing data and the profits from data. Market leaders want to make a return on their investment in collecting and analyzing data before sharing it with credit bureaus and others. Most banks are concerned about data privacy and security both from a customer and a risk perspective, and may not trust others to protect that data. In some cases, regulations on data privacy are seen as restrictive. Finally, while this is changing, the lack of access to data on the unbanked segment is still often the norm.

THE CUSTOMER EXPERIENCE, FINANCIAL CAPABILITY AND CONSUMER PROTECTION

"We need to change the format of financial literacy."
-Peter Surek, Head of Social Banking Development, Erste Bank

The customers targeted in financial inclusion are, by definition, different from traditional banking customers. On average, they have smaller accounts and lower financial literacy. Many are new to formal financial services (though they often lead complex informal financial lives).Their lack of experience can create barriers of trust and confidence. Added to this are the challenges associated with new delivery technologies, as individuals in the mass market tend to have lower technology literacy, too. It all adds up to a significant potential gap between the bank and the customer. The severity of this gap is confirmed by high rates of account dormancy and infrequent use. According to the Global Findex, about 20 percent of adults in the developing world with an account have left it unused for at least a year. Dormancy is even higher in South Asia, where about 40 percent of adults with an account have left their account dormant.[12]

According to one banker we interviewed, "Customers cash out, but they don't cash in." The banks we spoke with are acutely aware of this gap and eager to talk about it. They highlighted lack of trust in banks and the formal financial system, in agents, and in digital services. They report that customers won't try products they are not already comfortable with; that they prefer to keep cash, and so on. Erste Bank, for example, observes that Romania is fundamentally a cash economy, where people feel safe storing their money at home.

Although the challenges may sound daunting, responding to them is a normal part of building a successful banking business. In the case of low-income customers, the challenges may be somewhat steeper than with mainstream customers, but they are surmountable. Some banks believe this issue will resolve itself over time as customers gain experience. In fact, SBI found an increase in account balances as customers became more familiar with the system and developed trust in it. When India's PMJDY was launched, 90 percent of customers had a zero account balance; less than a year and a half later, that number had come down to 40 percent. This increase in usage happened during a period of rapid account opening, with almost 200,000 accounts opening every day across the country.

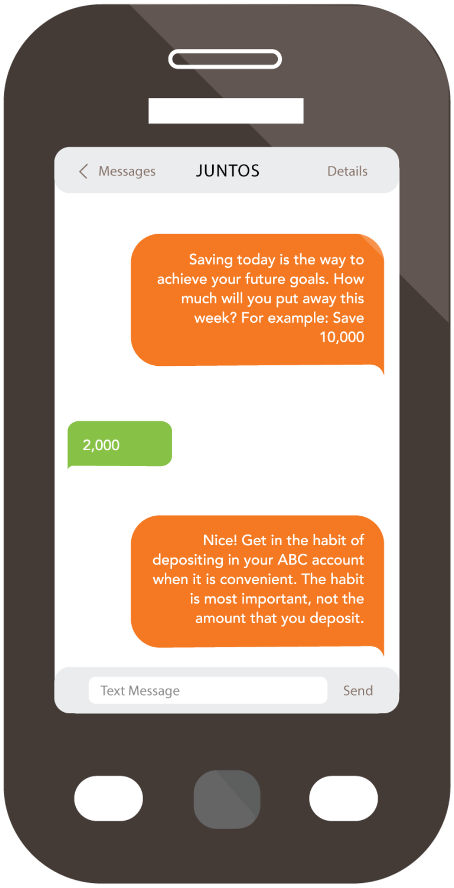
Effectively engaging customers is one of the core tasks of financial inclusion, and all the banks in our study are making energetic and deliberate efforts to get this right. Banks apply three basic strategies (often together):

- Offering a range of services that meet customers' needs.
- Making customer touch points and interfaces work for customers. They need to be simple, convenient, reliable and friendly.
- Building customers' trust and capability to use financial services.

Developing an attractive product suite. Many banks are developing strategies to cross-sell the full range of products that their customers value, including transactions, bill payments, deposits, remittances/transfers, insurance, e-commerce, pensions and investments.

Success requires understanding how customers view a service in their terms. Banks work to create the right mix and staging of services, whether a targeted "ladder" of services; a "bouquet" of services that each market segment can best use; or new products designed for specific segments, such as daily wage earners. Banks that develop effective strategies are also those that have invested in deep customer data analytics capacities. To induce progress up the ladder, some banks offer incentives for product use, such as the accident insurance already described for use of the RuPay debit card in India.

Some banks have discovered ways to build on local customs, simply adding convenience and protections to informal mechanisms that already exist in the society. Bank Mandiri offers a specific savings product for purchasing gold, tapping into a longstanding custom in Indonesia. Mandiri also provides mobile banking and e-cash to savings groups, reaching customers such as street-food sellers. Standard Bank has a savings scheme modeled after the *stokvel* informal savings groups found in South Africa.



Banks are starting to embed financial capability building into customer interfaces at teachable moments when customers are making financial decisions. BBVA Bancomer and Bancolombia each contract with fintech company Juntos to send SMS messages to customers. These messages are tailored to each customer's use patterns, and customers' responses give the bank more information about customers' needs and preferences, building the bank's understanding of its customers. [Image adapted with permission from Juntos and CGAP (Valenzuela, Myra, Nina Holle, and Wameek Noor. 2015. "Juntos Finanzas: A Case Study." Washington, D.C.: CGAP)].

Making customer touch points work for customers. Services need to be provided through multiple, convenient customer touch points, as customers have complex lives and do not use just one financial services access location. Banks are engaging with agents to improve their treatment of customers, including installing monitoring systems. Technology offers many solutions, including automating verification of transfers and account balances. Quality control is essential, since not all banking agents are, in fact, trustworthy. Governments can play a role through public awareness campaigns and through client protection policies that build trust in the financial system in general and provide a path for customers to address grievances.

Building customer financial literacy and capability. According to the S&P Global Financial Literacy Survey, only one out of three adults globally is financially literate.[13] Financial capability surfaced repeatedly in our interviews as a major concern of the banks that are trying to increase usage and the quality of products and services. Most banks recognized that governments and national banking associations are playing a key role in facilitating financial literacy and financial education in order to increase usage and trust, including in agent and digital banking.

Some banks we interviewed mentioned that instead of using traditional financial literacy programs, they are starting to adopt more effective and cheaper ways to deliver financial capability, mainly through digital means. In addition to financial literacy, digital literacy is increasingly a focus, and banks are helping customers develop their capacity to use digital technology.

Many banks are designing simpler products, usually entry products that give new customers experience with banking. Others embed financial capability into product design and delivery. They find ways to help customers learn by doing and give information at teachable moments when customers are most engaged in learning about potential services. BBVA Bancomer and Bancolombia each contract with Juntos to send SMS messages to customers. These messages are tailored to each customer's use patterns, and customers respond with text messages that then give the bank more information about the customer's needs and preferences. The two-way communication not only builds customers' capability, it also builds the bank's capacity to understand its customers.

At the same time, some banks offer financial literacy programs as a public good, such as Standard Chartered's programs supporting the economic empowerment of women and girls across Asia. ANZ offers financial literacy programs that provide a public good while also benefiting their business. In February 2016, Erste launched Europe's largest financial education initiative, the "Financial Life Park" (FLiP). In an interactive, game-like setting, students learn about the importance of finance for their personal life and the role that banks fulfil in the economy. Erste is also providing ways to build on social networks through a platform for young people to share financial services information. While the specific models change from one country to another, there is one over-arching message: the banks that focus on the customer experience are those that excel in inclusive banking.

GETTING TO BREAK-EVEN AND BEYOND

"This is part of our mainstream business. We believe in social impact, but it has to be sustainable."

- Ajay Desai, Senior President, Chief Financial Inclusion Officer, YES Bank

Banks are working in a range of ways to build profitable models. The banks we talked with cited three main strategies for achieving profitability, each of which has been discussed at greater length above.

1. Going digital. Banks have countless examples of reducing costs through automation, using alternative channels such as agent banking and e-money with convenient customer service points – particularly essential for self-managing accounts. Banks work to simplify processes for customers while rigorously streamlining operations. Remote account opening, facilitated by digital IDs, for example, is a game-changer. For customers of CBA, KYC verification online takes between 21 and 105 seconds. ANZ's account opening process is also virtually instantaneous. Agents enter KYC customer data into a mobile phone and, through their phone, onto a basic website, with verification messages sent immediately to the customer's mobile.

2. Understanding the needs of customers. Another powerful contributor to profitability in financial inclusion business models comes from the products that address the unique needs of lower income customers. As Philip Brown of Citi puts it, "the client base distinguishes the strategy." For example, banks save customers time and money when they offer payments such as mobile phone top-ups, school fees and utilities. The Global Findex reports that 1.3 billion adults with an account in developing countries still pay their utilities bills in cash, and more than half a billion pay school fees in cash. Some banks are seeking to capitalize on this opportunity. BCP is working on interoperable payments of bus fare and other transit costs, while Itaú is working on automatic payment of tolls, gas and parking fees. Data creates new avenues for customer segmentation and engagement, supporting new processes for product design. Banks such as BBVA Bancomer use rapid prototyping to test new product concepts in the market and roll them out quickly.

3. Increasing usage and cross-sales. For most banks, cross-selling and increased usage are the keys to breaking even. For low-income customers with irregular and unpredictable incomes who need to manage their cash flows actively, banks provide a benefit by offering a broader array of financial tools, according to Bankable Frontier Associates.[14] As customers gain more experience with formal services and develop more trust in the system, banks find ways to encourage them to store their money for longer periods of time. Banks with agent banking networks have set targets to increase cash-in and decrease cash-out. (That said, ANZ points out the need to ensure that cash stays in the community).

All the banks we interviewed are continually re-calibrating their profitability expectations, and most banks have a timeline to achieve breakeven. In a few cases, the initiatives live within CSR departments or are mandated by the government, and so profits are not the dominant concern.

Banks with stronger profit expectations tend to make larger commitments. Some of them seek dominance of what they see as a sizable and potentially profitable market opportunity. In a few instances, banks that have built viable business models for low-income, mass market customers are now setting aggressive expansion targets. On the strength of its relationship with the M-Pesa mobile money service, the Commercial Bank of Africa (CBA) has grown to 19.9 million customers in eight years (2007-2015) and plans to take its East Africa-tested model to the rest of Sub-Saharan Africa by 2018. This aggressive growth is fueled not only by M-Pesa but also by other technology-based solutions used for aligning operations, risk management, and product design for new mass markets and digital banking.

More often, however, we heard about initiatives that have achieved break-even or expect to do so within the year. In these cases, questions remain about ultimate scale and increasing margins. The banks that have been at the forefront of financial inclusion are continuing to innovate in developing profitable business models. For instance, BCP in Peru has relied on agent banking for 10 years, and now the bank plans to leverage mobile wallets and cross-selling to increase outreach for the unbanked and underbanked. In Colombia, Davivienda aims to make the DaviPlata e-money product a payment platform for the unbanked as part of increasing merchant acceptance and building a bigger ecosystem.

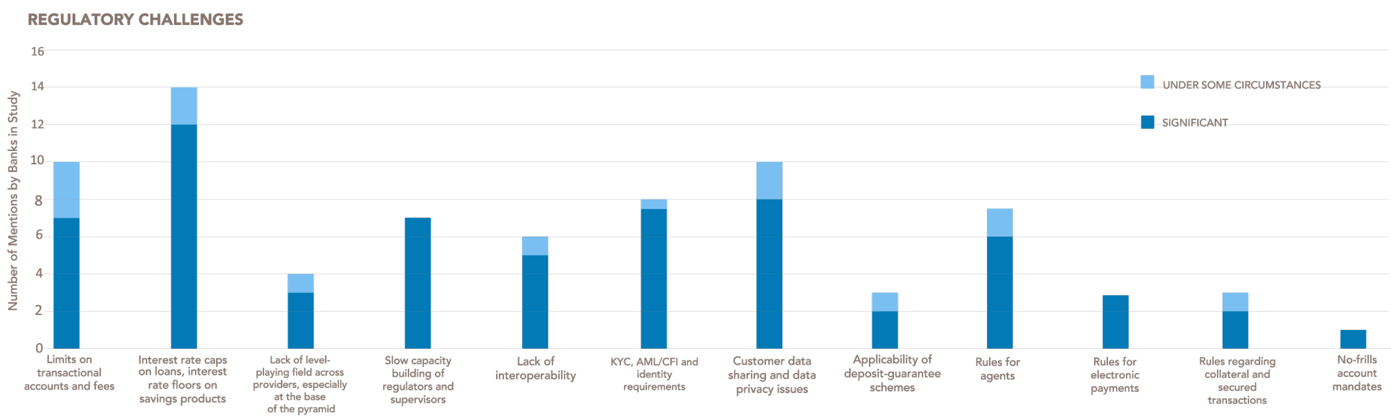
In some cases, the profitability horizon falls in the three- to five-year range, due to the significant cost of building infrastructure and expanding operations to the necessary scale. Where the shareholders, board, and executives are aligned with the goal, banks experience the benefits of patient investment and are able to recover costs over a longer time horizon. In a number of instances, donors and the international development community have provided resources and expertise to cover initial investment in consumer research, product design, and financial capability building. Response to external offers of assistance varies. Some banks eagerly soak up lessons from other countries and providers. Bank of Palestine has developed a collaborative relationship with the IFC to develop a comprehensive initiative to serve women through both financial and non-financial advisory services. To that end, the bank has formed strategic partnerships with numerous public, private and non-governmental organizations both domestically and internationally. Others are wary of outsiders they perceive as having rigid views and burdensome reporting requirements. There is more appreciation for outsiders that have provided support for national infrastructure, such as IFC's work in coordination with other actors to build private credit bureaus. In the best cases, donor funds have helped lay the groundwork so that banks can reach new markets profitably.

HOW POLICYMAKERS CAN HELP

"Do we have an even playing field? I think we have a new playing field."
-Bob Annibale, Global Director, Citi Community Development and Citi Inclusive Finance, Citi

Policymakers can make all the difference in financial inclusion, both by developing regulation that supports digital banking and by moving their own operations to digital banking. In many countries, national governments provide the mandate and incentives and also collaborate with banks and national banking associations. The State Bank of India (SBI) is embracing Prime Minister Modi's historic push for inclusive finance. In August 2014, 90 per cent of small businesses in India were reported to have no link to the formal financial sector, and only 40 percent of the population had a functional bank account.[15] Thanks to SBI and other banks, the story has changed dramatically; 53% of the population held accounts as of 2015.[16] Bancolombia is a partner in Colombia's move from informality to formality. CIB in Egypt is a strong player in the country-wide central bank initiative to promote small business. Peru tops the rankings of the *Global Microscope* as a country with a favorable enabling environment for inclusion. Most recently, the Peruvian government encouraged the development of BiM, a fully-interoperable mobile money platform, led by ASBANC, the banking industry association, together with telcos and other partners. Generally, the banks that are making progress in inclusive banking are those that are being helped by open dialogues with regulators and governments and are able to work together on introducing new technology solutions.

We gave the banks in our study a list of 12 possible regulatory challenges and asked them to identify which ones they face when reaching low-income consumers. Most banks identified three to four challenges from the list of options (see the Interview Guide in the ANNEX), although one bank selected six of the 12, and another selected none, thanks to its strong relationship with the regulator and a coordinated problem-solving system within the government. Notably, several issues that were not on the list we provided were brought up by a number of banks, including permission for remote account opening; limits on geographic expansion; and taxation by multiple government bodies without coordination, particularly affecting banking agents. We had also grouped digital IDs with KYC and AML/CFT issues, but found that digital identification deserves its own category based on its priority for many banks.



KYC and Identification. Rules governing identity verification are truly foundational. Where banks did not select this issue as a top challenge, it was largely because they operate in countries where regulators have already developed proportional, tiered KYC, and where a functioning digital identity system exists. These banks are well-positioned to innovate in inclusive banking. Tiered KYC and digital IDs can lay the groundwork for automated account opening. Regulatory approval for remote, digital account opening was not on the list of options we presented to banks, but was brought up again and again. Because banks face very small margins with low-income clients, identity verification costs can make or break a product. We heard from many banks that when a bank employee has to get involved, the business case is gone. In one case, after a year-long dialogue with a regulator, a bank was close to obtaining permission for a fully automated digital account opening process. Yet the consumer protection authorities determined that new customers would have to receive paper confirmation of the account by mail. The requirement increased costs for the bank and excluded customers who did not have a fixed address. As a result, the product died. WeBank in China reports that it is able to open accounts based on online facial recognition—but the regulator has not yet approved this method.

Pricing. Issues related to pricing—especially interest rate caps and floors, but also limits on transactional accounts and fees—were the top challenges expressed by the banks in our study. In some cases, there are no official restrictions on pricing, but "the regulator is nudging down"—putting pressure on in other ways. As one banker put it, "Regulators are not running the business and should not drive the commercial agenda. We should be able to explain the rationale behind the price and let the market tell us whether we are right or wrong." Several banks mentioned the limits on transactional accounts due to KYC-based restrictions. In a few markets, high capital requirements for banks that reach low-income and rural customers, such as microfinance institutions, also discourage banks from serving those markets. The other cost issue raised in a few cases was taxation, including taxation of agent and digital banking models by municipalities, which discourages the use of digital means of payments. This was, in part, related to a lack of coordination among different government bodies, including between central and local governments that collectively create an undue burden and uncertainty.

Technology and legacy systems for branchless banking. Most bank processes were created to support bank branches. Processes such as compliance, risk, operations, and information security must be aligned to the realities of digital products. The banks that have the most profitable inclusion efforts are those that have been most rigorous at analyzing their systems to reap every possible efficiency in the transition to digital banking.

Data privacy and security. One of banks' top challenges involves developing rules around customer data sharing and privacy. The banks most advanced in inclusive finance also tend to be the ones most concerned about data privacy. As mentioned above, the availability of customer data can be a great breakthrough that enables previously excluded customers to enter the formal financial system. Yet protocols for sharing data are weak or non-existent, creating confusion in the market.

Regulator capacity. It is hard for regulators to keep up with the pace of technology. For instance, in one market, it was discovered that hackers breached security through a mobile phone connected by cable to a computer. The hack was enabled by the characteristics of the mobile handset, not shortcomings at the bank or the telco—but this clearly affects the bank's ability to serve customers. Regulator capacity was therefore another one of banks' primary challenges. They commented on the need for faster decision-making and the need for the "right capacity" to anticipate future challenges.

Incentives, not mandates. A number of issues we presented for comment were not identified as significant by the majority of banks. Interoperability has often been cited by banks in the past, but it did not come up as pressing in our interviews. In some cases, such as Peru, that is because the issue has already been resolved. In early 2016, BiM was launched as a fully interoperable mobile money platform. BiM was given a nudge by the Peruvian government, but was undertaken with leadership from the private sector banking association. We also queried no-frills account mandates. Not a single banker selected that as a major obstacle in their own context, but many commented that mandates for basic accounts are a bad idea, leading to dormancy and restricting a bank's ability to offer products that meet customer needs. In general, banks are wary of government mandates, but responsive to incentives and to regulatory space for market-based solutions.

Policy dialogue and coordination. Often more important than the content of directives are their coherence and predictability. Time and time again bankers bemoaned the lack of coordination among government bodies. We heard frustration about lack of coordination among the different regulators for banking, insurance, telecommunications, and utilities; and the lack of coordination among government bodies that advance digital payments, such as those making pension and social welfare payments. When high degrees of coordination exist, as in India recently, that appears to make a difference. SBI reports that "The main reason for greater [recent] success is the commitment of the government both at the central and state level. Once they start collaborating, the multiplier force comes into play."

Global standards must support inclusion. The banks we interviewed addressed issues relevant to the Basel Committee on Banking Supervision's (BCBS) guidance on effective banking supervision for financial inclusion. They raised issues about the cost of compliance and expressed concerns that certain regulations may harm the low-income market by identifying customers as higher risk. The Institute of International Finance has developed recommendations on guidance on the application of the Core Principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion, including the practical application of proportionality; dialogue among relevant authorities and the industry in light of dynamic changes in financial inclusion services; and coordination on developing areas of regulatory guidance.[17]

Banks, of course, look to regulators to ensure the safety of the system, and particularly mentioned inadequate supervision of agents; fraud loopholes; and safety when using wallets. For regional and global banks, compliance with different regulations in different countries poses operational and cost challenges. One bank that is building brick-and-mortar branches in low-income areas finds itself limited by central bank quotas. Another banker mentioned that the requirement to ask questions about taxes as part of the application process scares away some customers. While this issue was only mentioned by one banker in one country, it is emblematic of the lens regulators must utilize when making policies that affect financial inclusion. For banks operating on small margins with underbanked and unbanked customers, a supportive enabling environment makes an even greater difference.

At the same time, the banks in our study are finding ways to work within their environments. As Alejandro Toro of Bancolombia put it, "Don't look to regulators to make it work, look to fintech. There are many ways to solve a problem; be creative."

CONCLUSION AND RECOMMENDATIONS

"We can very nicely say that the bankers have started enjoying financial inclusion because they can see the smiles on the faces of the people who can now walk into a bank and get transactions completed."

-K.M.Trivedi, Chief General Manager, Rural Banking Group, State Bank of India

The banks we interviewed were enthusiastic about serving low-income and other underserved customers, although well aware of the challenges. They were innovative in their use of technology and in models to meet the needs of low-income customers, and they were making progress on business viability through aggressive product roll-outs, cross-selling, and aligning their operations to digital banking. They were eager to learn what was working in other contexts, and wanted to get into the nitty gritty of products, channels, and operations. They also articulated an agenda of advocacy with regulators, the need for coordination among government bodies, and the importance of governments making digital payments across all of their functions.

Good-Practice Exchange

Banks are eager for a platform to share good practices, benchmarks and information, particularly about successful models and technologies. Such exchanges could include priority topics that banks mentioned repeatedly, including:

- Agent networks: effective use of agents; quality control; agent education; liquidity management.
- Financial capability: models to build the capability of customers that are more effective and less costly, including digital literacy and use of mobile phones to save and transfer money.
- Operations: getting all departments to work together to pave the way for inclusive finance.
- Successful partnerships with fintech companies.
- Automation of KYC and customer on-boarding.
- Payments as an entry point: cross-selling, and increasing transaction volume.
- Data analytics: building data analysis capabilities and using data.
- How to increase access in rural areas.
- Incorporating learning from other sectors (e.g. Google, Facebook, Starbucks).
- Industry standards and interoperability through industry leadership.

Advocacy with Policymakers

Banks expressed a number of ways governments can help, not only with enabling regulation, but also with other government bodies. Here are the most frequent recommendations:

Go digital. Promote digital payments across all government bodies, including every agency that engages in payroll, pensions, social transfers, and procurement.

Incentivize inclusive banking, such as:

- Financing for micro and small enterprises
- Short-term subsidies for initial outreach to hard-to-reach communities

Build the infrastructure, including:

- Connectivity
- Private credit bureaus
- Digital IDs
- Interoperable models within banking and across industries (e.g. banking and insurance, and standards for public transportation)

Create "inclusion-friendly" policies, including:

- Remote account opening
- Proportional, tiered KYC
- Data sharing, privacy and security
- New license types (e.g. RBI's small banks, payments banks)

Coordinate and communicate:

- Government bodies can improve coordination among each other, e.g., banking regulators, insurance regulators, utilities, telco regulators and government bodies that make G2P payments
- Dialogue with the private sector on technology and other innovations
- Build regulator capacity

Engage with customers:

- Build financial capability, including into school curricula and at teachable moments when customers are newly receiving digital payments
- Public information campaigns, such as building a savings culture and going cash-free
- Research, e.g. household surveys on barriers to account opening and usage

Several banks expressed recommendations that go beyond best practice exchange and advocacy with governments. Abrar Mir of HBL in Pakistan articulated a vision in which, "The private sector–such as global FMCGs–can play an active part in encouraging digitization of payments across the supply chain and distribution structure." Likewise, banks welcome facilitation of key partnerships, especially with fintech providers. Others focused on the significant challenge of connectivity, and ways that donors and the international development community can work together to promote infrastructure investment that can lay the groundwork for banks to engage in financial inclusion. Several banks are already engaging in dialogue with the global community, sharing their experiences and influencing the global agenda for inclusive banking. They encourage other banks working in emerging market to add their voices.

We return to Abrar Mir for the final word: "After 75 years of operations, Habib Bank Ltd. has 11 million customers, and my team is expected to bring in another 20 million customers by 2020." Thus is the potential for growth among unbanked and underbanked customers, and the banks in our study are fully aware of both the challenges and the opportunities presented by financial inclusion.

ANNEX

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Interview Guide and Methodology

This study aims to understand the role of banks in driving financial inclusion and the opportunities and challenges faced in reaching unbanked and underbanked populations. To that end, the Center for Financial Inclusion at Accion (CFI) and the Institute of International Finance (IIF) carried out in-depth interviews, along with site visits in Peru, India and Bangladesh. The following survey was administered in a series of interviews with a total of 24 institutions over a five-month period. The institutions interviewed include global banks, regional banks, and national banks, 83 percent of which are IIF members and 17 percent of which were identified by CFI. The survey was carried out via recorded phone and in-person interviews for an average of 75 minutes. The full list of the surveyed institutions and representatives are found in the *Acknowledgements* section of this report.

For information quality purposes, these interviews were conducted anonymously and the material has mostly been aggregated and shared without individual mentions. For all individual mentions the IIF and CFI have either sourced public information or requested permission from the mentioned institutions.

Questions Regarding Business Opportunities:

1. Could you share with us your bank's experience in reaching the unbanked segments in recent years?

2. What targets (publicly stated, not proprietary) has your bank set for reaching the unbanked segments?

3. Is your bank using the following technology avenues to expand its business and reduce operational costs?

    - Mobile banking (i.e. enable customers to access their bank account on mobile phone or computer)
    - E-money (i.e. population with or without a bank account can use stored value on mobile phone to conduct transactions)
    - Electronic payment systems (e.g. to pay bills, receive wages, government-to-person social transfers)
    - Peer-to-Peer transfers (i.e. enable transfers between two individuals via their bank account)
    - Digital identification (e.g.: biometric, voice modulation, etc. than can be used for opening accounts, authenticating accounts, creating customer credit history, etc)

4. Is your bank offering broader financial services to e-money customers besides basic transfer, deposit, withdrawal and payment services?

5. How is your bank relying on the following avenues to expand its business and manage its cost structure?

    - Interoperability (e.g. between financial institutions, customers, agents) and platform integration
    - Partnerships (e.g. with mobile network operators, payment system firms, financial capability providers, funders, microfinance institutions, fintech companies, governments, international organizations)
    - Agent banking operations

6. How is your bank utilizing the following data to grow and manage its customer base?

    - Big data on existing and potential consumers and businesses (to design appropriate products, expand financial product offerings)
    - Proprietary data on existing customers who are underbanked (e.g. account usage, enrollment in broader financial services)
    - Official and alternative credit reporting systems, especially for lower income segments

Questions Regarding Challenges:

1. In reaching the unbanked segments, how is your bank ensuring commercial viability and managing the per account cost?

2. Which of the following regulatory aspects are posing a challenge to your bank in reaching the unbanked segments?

- Limits on transactional accounts and fees
- Interest rate caps on loans, interest rate floors on savings products
- Lack of level-playing field across providers, especially at the base of the pyramid
- Slow capacity building of regulators and supervisors
- Lack of interoperability
- KYC, AML/CFT and identity requirements
- Customer data sharing and data privacy issues
- Applicability of deposit-guarantee schemes
- Rules for agents
- Rules for electronic payments
- Rules regarding collateral and secured transactions
- No-frills account mandates
- Other: Please specify

3. In catering to the unbanked segments, how is your bank dealing with:

- Financial education and integrating financial capability into products
- Client protection regulations
- Access-usage gap (dormant accounts, slow enrollment in broader financial services)
- Customer credit risk

4. What internal challenges is your bank witnessing in its strategy to reach unbanked segments?

- Institutional culture (e.g. missing internal incentives to serve lower income segments, concerns about brand dilution)
- Current operating environment not suitable for new/changing business
- Perception of financial inclusion as a CSR activity rather than business strategy

5. What role do you expect from the Institute of International Finance in order to help your institution with your work in financial inclusion?

Glossary of Key Terms

Most of these definitions are drawn from the *Global Microscope* and can be found here: https://centerforfinancialinclusionblog.files.wordpress.com/2015/12/eiu_microscope_2015_web.pdf

Other terms were drawn from:
The Center for Financial Inclusion: https://centerforfinancialinclusionblog.files.wordpress.com/2011/10/financial-inclusion-glossary.pdf
GSMA: http://www.gsma.com/mobilefordevelopment/programmes/mobile-money/glossary

Agent banking: A model for delivering financial services whereby a bank partners with a retail agent in order to extend financial services in locations for which bank branches would be uneconomical. Agents can be both banking (small banks) and non-banking correspondents (post offices, gas stations, and "mom and pop stores"). Agent banking is a delivery channel that holds high potential for closing the location gap. The term banking correspondent is often used interchangeably with banking agent, but in some contexts has evolved to indicate an aggregator or agent network manager, a specialized third party that has full or partial management of banking agents. Likewise, the term business correspondent is more commonly used in India.

Digital banking: Banking models that use digital channels to deliver financial services including mobile and tablet banking, mobile wallets, and mobile payments; online or Internet banking; and correspondent and agent banking. The term also encompasses digital technologies for account opening, onboarding, and user experience, as well as data analytics. While digital banking is valued for traditional bank customers, it also particularly benefits for financial inclusion due to its ability to close the location gap and increase affordability through automation.

Electronic money (E-Money): Monetary value represented by a claim on the issuer that is (i) stored on an electronic device, (ii) issued on receipt of funds of an amount not less in value than the monetary value issued, (iii) accepted as a means of payment by parties other than the issuer, and (iv) convertible into cash. In practice, the customer exchanges cash at a retail agent in return for an electronic record of value.
Electronic wallet (E-Wallet): A place to store electronic money, allowing rapid and secure electronic transactions. An electronic wallet can take the form of a smart card or a mobile phone. Electronic wallets allow individuals to store money in a secure place, even if they do not have a bank account. In addition, users of electronic wallets can pay for certain products and services without carrying cash, making electronic wallets a safe alternative way to transport money.

Excluded: A term describing individuals who have access to none of the products in the full suite of basic services (savings, credit, insurance and payment services) from a formal financial service provider.

Financial capability: The combination of knowledge, understanding, skills, attitudes and (especially) behaviors that people need in order to make sound personal-finance decisions, suited to their social and financial circumstances.

Financial education: The provision of education on the use of financial services. Financial education is important in the context of financial inclusion, because, as previously excluded populations gain access to formal financial services, they need to be able to use these services in a productive and responsible manner that will not cause them harm. Financial education may be provided by schools, financial institutions, and others, through channels ranging from classrooms to mass media and direct contact with financial-institution staff.

Financial literacy: The ability to understand how to use financial products and services and how to manage personal, household, or micro-enterprise finances over time. Improvements in literacy levels can be achieved through financial education.

Mobile banking: The use of a mobile phone to access banking services and execute financial transactions. This covers both transactional and non-transactional services, such as viewing financial information on a bank customer's mobile phone. Mobile banking is an alternative delivery channel. Mobile banking supports payment transactions including money transfers and, in some cases, loan repayments. Because in many developing countries mobile penetration is deepening faster than the penetration of financial services, many point to mobile banking as one possible way to decrease the location gap and increase financial inclusion.

Mobile money: same as electronic money or E-Money.

Payments: Transfers of money between two parties. Payments can include the transfer of money for a variety of reasons, including purchase of goods and services, government transfer of aid, bill payment, direct deposit of salary, or sending of remittances.

Proportional KYC/Tiered KYC/Risk-based KYC: Know your customer (KYC) requirements are typically required to ascertain and verify the identity of a client. Common KYC requirements include the provision of national-identification cards and documentary proof of home address and employment. KYC regulation is part of the AML/CFT standards, and, while important, can sometimes create barriers to financial inclusion. A proportional or risk-based approach to regulation and supervision operates under the principle that costs should not be excessive when measured against the risks being addressed and the benefits that should result.

Unbanked: A person who does not use or does not have access to commercial-banking services.

Underbanked: Customers who may have access to a basic transaction account offered by a formal financial institution, but still have financial needs that are unmet. For example, they may not be able to send money safely or affordably.

Usage: The act of employing or utilizing a financial service. Usage is often used as a proxy for access because it can be measured directly. The difference between these two terms is important to note when assessing levels of inclusion because clients may have access, but decide not to use a service. They may have an account but use it only to receive payments, or an account that is completely dormant.

Bank Financial Inclusion Profiles

As part of the Annex, we have described the key financial inclusion strategies for the banks we interviewed, as well as providing statistics about the banks' over-all operations and data about the country contexts (except for global or regional banks or where information was not available).

The bank descriptions were compiled from publicly available data and from information drawn directly from interviews with each bank. The financial inclusion data for each country was drawn from *The Global Microscope 2015: The Enabling Environment for Financial Inclusion*, as well as *The Global Findex, World Development Indicators, IMF Financial Access Survey 2013/2014,* the *MicroInsurance Network* and the *S&P Global Financial Literacy Survey.* The key statistics for each bank were drawn from the banks' annual reports and *Bloomberg L.P.* (2016). The financial inclusion strategies were identified through interviews with bank executives and additional desk research on bank activities. These bank descriptions were sent for review to the profiled banks.

Where available, we have included the "enabling environment country ranking" that shows how each country ranked among the 55 countries analyzed in the *Global Microscope. The Global Microscope 2015: The Enabling Environment for Financial Inclusion* was developed by the EIU in collaboration with the Multilateral Investment Fund (a member of the Inter-American Development Bank Group) and CAF-Development Bank of Latin America, with additional financial and technical support from the Center for Financial Inclusion at Accion and the MetLife Foundation.

The *Global Microscope 2015* is intended to benchmark national progress on financial inclusion and catalyze reform. It assesses the regulatory ecosystem for financial inclusion by evaluating 12 indicators across a range of developing economies in East and South Asia, Eastern Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, and Sub-Saharan Africa. Each country is given a ranking based on its enabling environment for financial inclusion drawn from the scores on the 12 indicators. This year's *Microscope* is the ninth edition of the study and the second that looks beyond microfinance, evaluating countries across the wider criteria of financial inclusion.

AUSTRALIA AND NEW ZEALAND BANKING GROUP (ANZ)

"The goal is for people to have an account where they can keep their money safe, to help them with their budgeting….We are really running financial education and building financial inclusion."

– Jane Nash, Head of Corporate Sustainability and Financial Inclusion

MONEYMINDED

MoneyMinded provides financial literacy and money management skills for customers. The program follows eight easy steps:

1. Know Yourself – Discover your attitude to money
2. Spend Wisely – Identify needs, wants, and spending leaks
3. Clarify Your Goals – Set smart goals
4. Plan Your Spending – Get started with budgeting
5. Bank Smart – Get the right bank account
6. Avoid Dangerous Debt – Understand credit files and types of credit providers
7. Watch Out For Credit Cards – Manage your credit card
8. Plan For Your Future – Get the most from your superannuation

Source: Annual Report (2015), Sustainability Report (2015)

ANZ BANK: KEY STATISTICS (2015)

Total assets (US$ bn)	4,138
Market capitalization (US$ bn)	26,412
No. of branches	1,229
No. of agents	847
No. of recipients of financial literacy program	67,000
Main unit in charge of financial inclusion: Superintendency of Sustainability	

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Use mobile phones to reach rural communities – ANZ goMoney in the Pacific is giving rural customers access to deposits, withdrawals and P2P transfers through merchants, many of whom are existing shopkeepers. Customers can also easily check account balances and transaction history. Since goMoney was launched in 2013, more than 146,000 customers have registered. Of these, more than 85,000 are new customers bringing new deposit funds of over $29 million.

- Use CSR to kick-start business strategies– Saver Plus is a matched savings and financial education program that helps customers build savings habits and money-management skills. ANZ matches every dollar saved up to $500 with a dollar for education-related expenses of the client's family. After the matched savings end, 88% continue to save. In very small markets where it is difficult to achieve viability due to lack of scale, such as Pacific islands with only a few thousand residents, CSR can help build infrastructure so that a service can be provided.

- Understand customers – ANZ led the first national financial literacy survey in Australia, learning that at least 20% of the population is vulnerable due to poor money management skills.
- Work with private sector employers – In Papua New Guinea, ANZ works with large employers to pay employees directly through accounts.
- Reduce costs through mobile phone banking – ANZ has a target of reaching 240,000 mobile customers in the Pacific by 2017.

- Start with no-fee transaction accounts – The Access Everyday Account is a no-fee transaction account in Papua New Guinea.

- Reach out to women – In partnership with the IFC, ANZ is reaching new mobile banking customers in Solomon Islands, almost half of whom are women, in line with targets it has set for outreach to women in the Pacific.
- Build financial capability – MoneyMinded is an adult financial education program developed by ANZ in 2003 in consultation with community and government stakeholders and education experts in Australia, using interactive activities to build money management skills such as creating budgets, reducing debt, and saving money. MoneyMinded was later adapted for the Pacific from the Australian program.

BANCOLOMBIA (COLOMBIA)

"Financial inclusion is not only about poverty, it's also about low income and informality. It's not only one product, but making an ecosystem to meet all the customers' needs."

– Alejandro Toro, Director of Distribution Strategy

COLOMBIA: FINANCIAL INCLUSION DATA

Population (age 15+)	35,986,194
GDP per capita (current US$)	7,903.9
Commercial bank branches per 100,000 adults	256.3
ATMS per 100,000 adults	40.6
Mobile cellular subscriptions per 100 people	139.0
Smartphone penetration (adults, 2015)	68.1%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	22.3% 11.9%
Saved money in past year (age 15+) …at financial institution (age 15+)	28.0% 12.3%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	16.7% 13.2%
Account at a financial institution (age 15+)	5.3%
Mobile banking (with account, age 15+)	0.9%
Mobile account (age 15+)	35.0%
Financially literate population (age 15+)	17
Enabling environment country ranking (out of 55 countries)	2

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, E-Marketer, CIA World Factbook

BANCOLOMBIA: KEY STATISTICS (2015)

No. of branches	1,276
Total assets (US$ bn)	60,791
Market capitalization (US$ bn)	6,357
Main unit in charge of financial inclusion: VP Personal Banking and SMEs	

Source: Annual Report (2015), Bloomberg L.P. (2016), Interview

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Work with informal businesses – Micro and small businesses in the informal sector can still benefit from electronic transactions without formalizing the business. Formalization can come later as the business grows.
- Invest in data analytics – Bancolombia is a key member of the first public-private partnership to create a center for big data and data analytics in Colombia (CAOBA Initiative), building capacity to use alternative data to reach unserved and underserved populations.
- Promote Project F – Bancolombia supports an initiative of Asobancaria, the Colombian banking association, to increase acceptance of digital payments, in a context where over 90% of transactions are still in cash.
- Build on a mobile money platform – Bancolombia's Ahorro a la Mano is a free mobile phone-based platform with over 500,000 users (as of March 2016) that does not require a bank account, can be operated on a feature phone, and has instant remote paperless opening. Customers can charge phones, pay utilities and other bills, make purchases, send and receive remittances, receive payroll, make deposits, and cash in/cash out at merchant agents. Free hospital insurance is included.
- Simplify! – A simplified KYC allows Ahorro a la Mano to be opened remotely (although with transaction limits), which is one of the reasons it is able to serve low-income customers, who make up 45% of the product's client base.

In the pipeline: Bancolombia is currently focusing on rural technology and connectivity in rural areas, particularly important in the post conflict context.

BANK MANDIRI (INDONESIA)

"Mobile phones are better than ATMs. Our branchless banking targets unbanked customers through their phones."

– Maswar Purnama, Senior Vice President, Small and Micro Banking

INDONESIA: FINANCIAL INCLUSION DATA

Population (age 15+)	183,251,441
GDP per capita (current US$)	3,491.9
Commercial bank branches per 100,000 adults	11.0
ATMS per 100,000 adults	49.6
Mobile cellular subscriptions per 100 people	128.8
Smartphone penetration (adults, 2015)	21.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	56.6% 13.1%
Saved money in past year (age 15+) …at financial institution (age 15+)	69.3% 26.6%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	41.2% 39.5%
Account at a financial institution (age 15+)	35.9%
Mobile banking (with account, age 15+)	4.3%
Mobile account (age 15+)	0.4%
Financially literate population (age 15+)	32.0%
Enabling environment country ranking (out of 55 countries)	11

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

BANK MANDIRI: KEY STATISTICS (2015)

No. of branches	2,457
No. of ATMs	17,388
No. of agents	9,000
No. of e-money customers	6,662,850
Main unit in charge of financial inclusion: Micro Banking	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Go branchless – Bank Mandiri invested heavily in developing its e-cash platform to host a wide variety of products and build up the agent network as a channel for products. Mandiri e-cash is an electronic application that is aimed at encouraging the creation of a cashless society. It is a simple tool to carry e-money on a phone, and is accepted as payment at more places than most other mobile wallets in Indonesia. The user's mobile phone number doubles as their account number.
- Cross-sell products to reach profitability – The Bank built a business model focused on cross-selling, aiming to broaden customers' product-use from basic transfers and accounts to a full suite of services. Within the model there is a specific focus on expanding savings, through regional sales representatives and partnerships with savings groups.
- Coordinate with the government to increase financial access through land certification – Bank Mandiri partnered with the government to help customers acquire their land certificates. With official land certificates, more people will be able to borrow from the bank (therefore increasing the demand for credit).
- Develop products to match current customs – A gold savings product aligns with current custom in Indonesia by quantifying savings for customers by an amount of gold. Customers choose an amount of gold they want to save and a timeframe, and Bank Mandiri provides a tailored savings plan. Outreach to informal savings groups is another way Bank Mandiri aligns cultural sensitivity with business practice.
- Build trust in the agent network – Bank Mandiri places flyers at all agent locations that feature the agent name, agent phone number, and the Mandiri bank logo. Agent banking is new in Indonesia and these types of marketing techniques have familiarized customers with banking practices outside of traditional branches.

BANK OF PALESTINE (PALESTINE)

"It's high time we get more serious about financial inclusion. We can do much more to position banks at the core of people's lives so that we are meeting their real needs and the needs of the community as a whole."

– Hashim Hani Shawa, Chairman and General Manager

PALESTINE: FINANCIAL INCLUSION DATA

Population (age 15+)	2,647,200
GDP per capita (current US$)	2,965.9
Commercial bank branches per 100,000 adults	10.6
ATMS per 100,000 adults	21.1
Mobile cellular subscriptions per 100 people	72.0
Smartphone penetration (adults, 2015)	46.0%
Account at a financial institution (age 15+)	24.2%
Mobile banking (with account, age 15+)	7.2%
Financially literate population (age 15+)	27.0%

Source: World Bank, Palestine Monetary Authority, Palestinian Central Bureau of Statistics

BANK OF PALESTINE: KEY STATISTICS (2015)

No. of branches	57
No. of ATMs	117
No. of agents (POS agents)	5,914
No. of customers (All accounts)	749,849
No. of mobile banking customers	35,000
No. of microcredit customers	7,602
Main unit in charge of financial inclusion: Business Development and Financial Inclusion	

Interview: Annual Report (2016)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Start internally with any transformation – When the Bank of Palestine set a target to serve underserved women, it first held gender sensitivity training for its staff, and increased female staff from 17% to 32%. Likewise, when it set a target of serving persons with disabilities, it started with teaching employees sign language, making branches handicapped-accessible, and ensuring that at least 6% of its staff was comprised of persons with disabilities. At a recent employee orientation, the bank noted that 60% of its new hires were women, and 15% were persons with disabilities. Those internal steps set it up for successful outreach to these new market segments.

- Be creative in working around legal barriers – Bank of Palestine has found several ways to meet the needs of women while honoring Sharia law, including creating collateral-free loans for women in a culture where inheritance is typically passed to male descendants; allowing women to open sub-accounts in their children's names, in an environment where children can only open an independent account with their father's approval; and accepting gold as collateral, where it is often normal for women to hold their wealth in jewelry.

- Create a structure for fintech innovation – Bank of Palestine also created a subsidiary fintech company to foster innovation. The company has launched a mobile banking application for P2P payments and developed software to allow customers to use the bank's country-wide network of POS machines to pay utility bills, microfinance loan installments, university and school fees, etc. Customers can search what is due using their phone numbers. The service is available for both banked and unbanked customers, using cards or cash.

- Build banking literacy – The bank goes beyond typical financial literacy programs to build banking literacy, inviting women into the bank where they learn about services and how regulation protects them. Such an approach not only builds trust, but also a relationship with bank employees, who provide their mobile phone numbers to customers.

BANCO DAVIVIENDA SA (COLOMBIA)

"DaviPlata is for everyone. It meets the real needs of people in the informal sector."

–Margarita María Henao Cabrera, Vice President of Personal Banking Products and DaviPlata

COLOMBIA: FINANCIAL INCLUSION DATA

Population (age 15+)	35,986,194
GDP per capita (current US$)	7,903.9
Commercial bank branches per 100,000 adults	256.3
ATMS per 100,000 adults	40.6
Mobile cellular subscriptions per 100 people	113.1
Smartphone penetration (adults, 2015)	35.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	38.9% 15.6%
Saved money in past year (age 15+) …at financial institution (age 15+)	43.9% 12.3%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	34.5% 24.3%
Account at a financial institution (age 15+)	38.4%
Mobile banking (with account, age 15+)	7.0%
Mobile account (age 15+)	2.2%
Financially literate population (age 15+)	32.0%
Enabling environment country ranking (out of 55 countries)	2

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, E-Marketer, CIA World Factbook

BANCO DAVIVIENDA: KEY STATISTICS (2015)

Total assets (US$ bn)	19.9
Market capitalization (US$ bn)	3.1
No. of branches	749
No. of ATMs	1,729
No. of agents	3,178
No. of mobile subsidy payment transactions	60,000,000
Value of mobile subsidy payment transactions (US$ bn)	1.0
Main unit in charge of financial inclusion: Personal Banking Products and Daviplata	

Source: Davivienda website, Interview

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Eliminate costs to build customer base – Davivienda's DaviPlata targets low-income customers through a "freemium," SIM card-based model, which allows customers to transfer money across wallets, cash in and out, and request their wallet balance from their phone at no cost. As of early 2016, DaviPlata had 2.8 million users, of which 1.3 million were first-time financial product users.

- Build an ecosystem – DaviPlata is an e-money payment platform to address all of customers' daily financial needs without cash. The digital payments ecosystem includes a wide network of merchants, as well as a facility for payment of common expenses such as transportation and utilities. Davivienda works with the CONEXRED network, which manages relationships with over 3,000 merchants.

- Aim to bank G2P recipients – Davivienda won a government contract to use DaviPlata to distribute G2P subsidy payments. The contract includes access to more than 900,000 recipients of Familias en Accion, a social safety net program offering CCTs for families who provide their children with healthcare and education.

- Add value through expanded products, including insurance – DaviPlata mobile money customers may buy a life insurance product, with no exclusions, for an annual premium of $10 providing $900 upon the death of the holder or direct relatives, as well as funeral cover.

BANCO DE CRÉDITO DEL PERÚ

"BCP agents can´t be good, is the business is no good for them"
–Arturo Johnson, Head of Alternative Channels

PERU: FINANCIAL INCLUSION DATA

Population (age 15+)	22,245,776
GDP per capita (current US$)	6,541.0
Commercial bank branches per 100,000 adults	120.7
ATMS per 100,000 adults	55.5
Mobile cellular subscriptions per 100 people	103.6
Smartphone penetration (adults, 2015)	25.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	27.5% 11.2%
Saved money in past year (age 15+) …at financial institution (age 15+)	39.3% 12.3%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	27.1% 19.5%
Account at a financial institution (age 15+)	29.0%
Mobile banking (with account, age 15+)	4.4%
Mobile account (age 15+)	0.0%
Financially literate population (age 15+)	28.0%
Enabling environment country ranking (out of 55 countries)	1

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

BANCO DE CRÉDITO DEL PERÚ: KEY STATISTICS (2015)

No. of branches (end of 2015)	434
No. of ATMs	2,552
No. of agents	5,782
No. of microcredit customers	513,083
Main unit in charge of financial inclusion: Alternative Channels Unit	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Reach the unbanked through payment systems – BCP focuses on payments as a key on-ramp to inclusion, through digital wage deposits, remittances, utility and school fee payments, and transportation.
- Provide industry leadership and collaboration – BCP was involved in the development and marketing of the BiM (Billetera Movil) e-wallet, the world's first fully interoperable national payments platform. BCP contributed to the process, which was led by ASBANC, the Peruvian banking association, in collaboration with over 30 financial institutions and four major telecommunications companies.
- Incentivize customers to digitize payments – BCP encourages digital, as opposed to cash, transactions. For example, there are barriers to cashing out from the BiM e-wallet. Additionally, the platform allows for sending money to customers without a BiM account and then encourages those customers to open an e-wallet.
- Drive competition with banking correspondents – BCP has built a network of over 6,000 banking correspondents throughout Peru, completing around 14 million transactions monthly. Emphasizing the importance of face-to-face interaction between clients and touch points of the bank, BCP provides incentives to agents to increase transactions and utilizes GPS data to geo-localize agents. BCP recently trained 800 agents on basic business operations at the University of Technology and Engineering (UTEC) in Peru.
- Use national identification platforms - BCP uses the National Electronic ID Card (DNIe) with a chip for KYC verification.
- Invest in microfinance - BCP acquired MiBanco, which focuses on MSMEs.

BBVA BANCOMER (MEXICO)

"The cell phone is where we are basing our future."

–Carlos López Moctezuma, Global Director Financial Inclusion

MEXICO: FINANCIAL INCLUSION DATA

Population (age 15+)	90,197,210
GDP per capita (current US$)	10,325.6
Commercial bank branches per 100,000 adults	14.9
ATMS per 100,000 adults	49.0
Mobile cellular subscriptions per 100 people	82.2
Smartphone penetration (adults, 2015)	35.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	50.8% 10.4%
Saved money in past year (age 15+) …at financial institution (age 15+)	58.4% 14.5%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	36.0% 23.6%
Account at a financial institution (age 15+)	38.7%
Mobile banking (with account, age 15+)	14.6%
Mobile account (age 15+)	3.4%
Financially literate population (age 15+)	32.0%
Enabling environment country ranking (out of 55 countries)	8

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

BBVA BANCOMER: KEY STATISTICS (2014)

No. of branches	1,830
No. of ATMs	8,996
No. of agents	25,000
No. of transactions through agents	40,000,000
No. of mobile banking customers	2,324,942
No. of microfinance customers in Latin America (BBVA Microfinance Foundation)	1,712,801
Main unit in charge of financial Inclusion: Easy Banking and Financial Inclusion	

Source: BBVA Bancomer Annual Report (2014), BBVA Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Begin with current customers who are underbanked – When aiming to expand its product use, BBVA Bancomer strategically turned its attention to current underbanked customers with low product utilization, including but not limited to low-income payroll customers and G2P recipients. With the ladder detailed below, BBVA Bancomer is expanding the use of products by previously disengaged customers.

- Use data to understand informality and low-income customers' needs – BBVA Bancomer uses all of the data they gather on their customers through mobile and product use. They use this data (geographical, account, etc.) to assess client needs, with the goal of offering products when the customers most need them.

- Build a ladder to cross-sell products – BBVA Bancomer operates through a structure in which they start unbanked clients with the simplest products and gradually introduce new products. The ladder, while flexible, begins at transactions, and then moves to insurance, then savings and hybrid products such as loans with savings as collateral. Within this cross-selling structure, BBVA Bancomer uses phones as a platform for products and as a way to sell and distribute products.

- Utilize a digital and branchless strategy – BBVA Bancomer's Express Account turns customers' cellphones into accounts that can be opened immediately. The account has simplified KYC, easy to use mobile features, and a debit card. Currently there are more than 3.5 million active Express Account accounts in Mexico.

- Embed financial capability into products – BBVA Bancomer includes financial capability in the value proposition for products, recognizing the cost and scale limitations of more traditional financial education workshops and courses. BBVA Bancomer partners with Juntos, a financial training and two-way communication tool that builds customized conversations via text message, with practical advice on the use of accounts and topics of interest. As of the end of 2015, Juntos had contacted 72,134 BBVA Bancomer customers with a 96% program acceptance rate.

- Build on informal savings groups – Launched in February 2016, BBVA Bancomer's TandApp is an Android app that allows informal savings groups to stay up-to-date on payments and group operations.

- Microfinance – Beyond its work in Mexico, BBVA also has a Microfinance Foundation operating in 7 countries of Latin America that supports more than 1.7 million microentrepreneurs (61% women) through 509 branches and 7,910 employees. Since its creation in 2007, it has granted microcredits totaling more than $7 billion.

BRAC (NGO) AND BRAC BANK (BANGLADESH)

"We are now piloting the integration of the bKash mobile financial platform within the microfinance business. People now feel much more confident and comfortable using mobile financial services."

–Shameran Abed, Director of Microfinance, BRAC (NGO)

BANGLADESH: FINANCIAL INCLUSION DATA

Population (age 15+)	111,391,704
GDP per capita (current US$)	1,086.8
Commercial bank branches per 100,000 adults	8.2
ATMS per 100,000 adults	9.2
Mobile cellular subscriptions per 100 people	80
Smartphone penetration (adults, 2015)	15.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	48.3% 9.9%
Saved money in past year (age 15+) …at financial institution (age 15+)	23.9% 7.4%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	51.3% 63.3%
Account at a financial institution (age 15+)	29.1%
Mobile banking (with account, age 15+)	6.1%
Mobile account (age 15+)	2.7%
Financially literate population (age 15+)	19.0%
Enabling environment country ranking (out of 55 countries)	40

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center, the Daily Star

BRAC BANK: KEY STATISTICS (2014)

No. of branches	97
Total assets (US$ bn)	2.6
No. of ATMs	374
No. of agents	90,000
Main unit in charge of financial inclusion: BRAC Microfinance; BRAC Bank; bKash Limited	

Source: BRAC Annual Report (2014)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Finance the 'missing middle' – BRAC Bank was founded to serve SMEs, which are underserved in most countries. It also offers remittances and other products.
- Adopt a "double bottom line" – BRAC Bank combines profits and social responsibility by "building a profitable and socially responsible financial institution focused on market and business with growth potential, while promoting equal economic opportunity."
- Develop institutional structures for profit and non-profit – BRAC Bank is owned by BRAC, the world's largest NGO, and in turn the Bank owns bKash, a fast-growing digital financial service provider. The NGO also has a separate microfinance program.
- Integrate non-financial services – BRAC's microfinance program, with more than 5.5 million customers, 2,000 branches, and 16,000 employees, integrates financial literacy and health with credit and savings-product delivery.
- Work strategically with donors and the international community – BRAC Bank has partnered with Money in Motion, the IFC, and the Bill & Melinda Gates Foundation to found and expand bKash. With around 17 million customers, average revenue per user of $8.90, and $150 million in revenues as of April 2015, bKash is the leader in the mobile banking industry in Bangladesh, targeting low-income customers.
- Develop e-commerce platform – As part of its robust internet banking platform, BRAC bank established the first e-commerce platform in Bangladesh, through which Visa and MasterCard cardholders can complete a wide variety of transactions online. These transactions include purchasing railway or plane tickets, paying utility bills, shopping for groceries or clothing online, and many more.
- Meet customers where they are – BRAC Bank's Smart Opener program allows customers (currently limited to the Dhaka City Corporation area) to set a preferred time and location for account opening. A bank representative will meet them there and open an account on the spot using tablet technology, which records customer information, scans necessary documents, and captures a photo of the customer.

CITI

"Customers don't care about whether or not they are 'banked,' they care about meeting their needs for a heating unit or a water filter."

–Bob Annibale, Global Director, Citi Community Development and Citi Inclusive Finance

CITI : KEY STATISTICS (2015)

Total assets (US$ bn)	1,731.2
Market capitalization (US$ bn)	152.8
No. of branches	2,994
No. of agents	17,715
Main unit in charge of financial inclusion: Citi Inclusive Finance and Community Development	

Source: Annual Report (2015)

"In an inclusive economy, banks help connect the dots for everyone from governments and corporations to small shopkeepers and low-income individuals. Our business solutions can add value, reduce costs, and reduce risk across the spectrum of clients."

–Bob Annibale, Global Director, Citi Community Development and Citi Inclusive Finance

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Take an ecosystem approach -–- Citi has commercially partnered with over 150 institutions in over 40 countries. These actors include MFIs and other financial institutions, global and local corporations, NGOs and not-for-profits, which have operations in microfinance, agribusiness, affordable housing, clean energy, healthcare, water and sanitation sectors.
- Invest in microfinance institutions and other "last mile" providers – As a pioneer in the field, Citi's strategy has evolved over time, from funding to capital market deals, to hedging foreign and derivatives risk. Citi has worked with microfinance institutions, funds and networks as clients and commercial partners in expanding financial access.
- Focus on building an inclusive economy – Citi partners with large corporations, microfinance institutions, mobile payment providers and small distributors to bring needed working capital and digital payments to microenterprises, expanding access to financial services in rural areas, leveraging technology and reducing costly cash transactions. Similarly, Citi is exploring expanding such models to agri-supply chains.
- Develop sophisticated risk models – Citi continues to refine internal risk management for this segment, addressing risk sharing, credit policies and debt-rating models with the same rigor as business units across the institution.
- Enter through the tech window – Citi is active in fintech and has leveraged its global presence to develop a range of client innovative solutions. For instance, Citi Mobile Challenge which launched in 2014 in Latin America and expanded to Europe, Middle East, Africa, and Asia Pacific regions in 2015, is a competition for innovative financial technology start-ups with a focus on financial inclusion. Citi is also leveraging fintech solutions to better support distribution value chains, reducing costs and risk, to expand access to some of the smallest enterprises, including many in rural areas which are often underserved by financial institutions.
- Partner with development agencies -–- Citi's long-standing partnership with OPIC has provided financing, leveraging Citi's significant local presence in over 100 countries, to microfinance institutions and banks with dedicated lending to micro-entrepreneurs and enterprises. To date, Citi has provided over $412 million (in local currency) financing to 44 microfinance institutions in 25 countries and reached more than 1.2 million entrepreneurs, of whom 92% are women, as part of a decade-long partnership. Similarly, Citi has worked with other development agencies, including the IFC/World Bank on credit-enhanced capital market issues for microfinance institutions.
- Philanthropic Investments –Unique about the Citi Foundation's efforts is the recognition that access to capital and products alone is not enough. Financial capability, the ability to establish financial plans and develop strategies for preserving a strong financial position during times of both economic prosperity and instability, is critical to the economic success of individuals and communities. In 2015, Citi Foundation directed $34 million towards financial inclusion, comprising 44% of total funding.

COMMERCIAL BANK OF AFRICA

"Our agenda is commercial."

–Clifford Odhiambo, Executive Business Support Manager

COMMERICAL BANK OF AFRICA: KEY STATISTICS (2015)

Total assests (US$ bn)	2.2

Source: CBA website and Interview

M-Shwari is the revolutionary mobile-centric banking solution that offers both savings and loan products to bring simple and affordable financial services closer to customers, and to support financial inclusion in sub-Saharan Africa. It is an innovative and visionary product of Commercial Bank of Africa (CBA), in partnership with Safaricom.

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Lead with customer experience and convenience – CBA's business model is built around providing the best experience for their customers. Cost reduction and customer acquisition has followed, not led. Even as competitors enter the market, CBA has refused to compete with pricing.
- Invest in financial literacy and education to create market demand – CBA builds financial literacy into its long-term strategy, believing that a more financially capable customer base is essential to sustained market demand and market stability. As part of these efforts, CBA also invests in building the financial capability of its employees.
- Lead with partnerships – CBA has ensured efficiency and broadened its customer base through diverse partnerships with NGOs, fintech companies and telecoms providers (notably Vodafone for the development of M-PESA); the government (on KYC documentation and post offices as agents); and the Kenya Bankers Association.
- Cross-sell a full suite of products (a bouquet) – In a country and region where even the highest-income customers are often only using one or two financial products, CBA has developed a strategy of cross-selling and integrating products within each other to encourage use of a more complete suite of products.
- Aim for market dominance to achieve profit – CBA currently is the market leader in customer deposit and loan accounts in East Africa.
- Improve performance through efficient operations and monitoring – CBA, through various key performance indicators, closely monitors multiple aspects of the business, with an escalation matrix that is geared to invoke executive focus where necessary and deemed fit.

COMMERCIAL INTERNATIONAL BANK (EGYPT)

"This is about being where and how the customer wants us to be."
– Mohamed El Toukhy, CEO, Consumer Banking

EGYPT: FINANCIAL INCLUSION DATA

Population (age 15+)	60,034,187
GDP per capita (current US$)	3,365.7
Commercial bank branches per 100,000 adults	4.8
ATMS per 100,000 adults	12.7
Mobile cellular subscriptions per 100 people	114.3
Account at a financial institution (age 15+)	13.7%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	34.1% 6.3%
Saved money in past year (age 15+) …at financial institution (age 15+)	25.9% 4.1%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	48.4% 40.3%
Mobile banking (with account, age 15+)	10.08%
Mobile account (age 15+)	1.1%
Financially literate population (age 15+)	27.0%
Enabling environment country ranking (out of 55 countries)	51

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services

COMMERCIAL INTERNATIONAL BANK: KEY STATISTICS (2015)

Total assets (US$ bn)	23.2
Market capitalization (US$ bn)	5.7
No. of branches	187
No. of ATMs	662
No. of e-money customers	8,000

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Use smart phones – Egypt has over 100% mobile penetration, 10% account penetration, and 26% smart phone penetration—one of the only countries with more smart phones than accounts. Smart Wallet is an e-wallet app that allows customers to use their phones to make payments and purchases, money transfers, deposits and withdrawals, and provides access to a virtual online card. The app is easy to use, secure, and faster than cash. It is part of CIB's financial inclusion strategy because it is offered to all segments of society.

- Expand customer service points – CIB's partnership with the Fawry, an electronic payment network, allows customers to pay utilities and other bills and top-up their mobile phones through CIB ATM machines 24/7, by using CIB credit, debit, or prepaid cards. CIB's smart wallet application is supported by MasterCard and offers a variety of services such as person to person payments, creation of a virtual card for online payments, merchant payments, and microfinance installment collection. Collaboration with Fawry also allows for bill payment and utilization of Fawry's 50,000 merchant outlets for cash-in and cash-out services, along with product promotion.

- Invest in microfinance – CIB supports microfinance, directly and indirectly, in cooperation with microfinance institutions, both NGOs and for-profit companies.

- Reach out to youth – Technology has brought down the cost of serving youth, and CIB is developing products to fit their salaries and ability to save, including abolishing the minimum deposit to open an account.

- Set an aggressive growth target – CIB plans to increase its customer base from 800,000 to 5 million in five years, using alternative channels such as ATMs, agents, mobile money and e-wallets to reach informal and low-income customers.

ERSTE BANK

"The strategy of social banking at Erste Group is to foster financial inclusion of low-income private clients, strengthen social organizations contributing to local communities, and also support new entrepreneurs creating jobs."

– Peter Surek, Head of Social Banking Development

COUNTRIES MENTIONED IN INTERVIEW

•	Austria
•	Croatia
•	Czech Republic
•	Hungary
•	Romania
•	Serbia
•	Slovakia

ERSTE BANK: KEY STATISTICS (2015)

Total assets (US$ bn)	216.9
No. of branches	2,735
Main unit in charge of financial inclusion: Social Banking Development	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Meet needs that are different in each context – In Romania, Erste focuses on the unserved needs of rural customers.'good. bee Credit' provides microloans to small farmers, while 'good.bee Mobile Transaction' offers an affordable mobile-phone-based current account and debit card, in a rural region with limited bank branches. Erste also focuses on access for Roma communities in Romania via agriculture microfinancing and in Slovakia via housing project financing. In the Balkans, where there are more remittances, Erste's local banks offer special pricing. In more developed countries such as Austria, Czech Republic or Slovakia, Erste created a special financing and business training program for unemployed people starting a business.
- Simplify the platform – Erste's online banking platform, called George after the nickname for the autopilot system on airplanes, has a playful "personality," is highly searchable, and provides feedback on money behavior, helping customers learn by doing.
- Innovate in building financial capability – Erste's new Financial Life Park is the largest facility of its kind in Europe, offering financial literacy programs for school children in an interactive, game-like setting. Erste also has websites for teens on how to use money, including a platform to exchange financial-services information; animated videos for kids; and seminars/workshops about money management geared for low-income customers.
- Design services for those with no or poor credit history – Ten years ago, Erste Bank created a savings bank in Austria for people in bankruptcy. The bank breaks even due to volunteer service by bank employees. In Serbia and Croatia, Erste targets unemployed students and others in difficult financial situations who want to start enterprises.
- Finance NGOs and social enterprises – Where Erste cannot directly serve customers, it helps build an inclusive economy by providing loans to support the work of NGOs and social enterprises that provide non-financial services.

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FIDELITY BANK (GHANA)

"We want to tell the market that, if you want to do financial inclusion, it is a scale game and you need to think big."
– Dr. William Derban, Director, Inclusive Banking & Corporate Social Responsibility

GHANA: FINANCIAL INCLUSION DATA

Population (age 15+)	16,362,671
GDP per capita (current US$)	1,441.6
Commercial bank branches per 100,000 adults	6.1
ATMS per 100,000 adults	8.2
Mobile cellular subscriptions per 100 people	114.8
Account at a financial institution (age 15+)	34.6%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	36.4% 8.1%
Saved money in past year (age 15+) …at financial institution (age 15+)	55.3% 18.6%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	44.0% 44.8%
Mobile banking (with account, age 15+)	18.7%
Mobile account (age 15+)	13.0%
Financially literate population (age 15+)	32.0%
Enabling environment country ranking (out of 55 countries)	10

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services

FIDELITY BANK: KEY STATISTICS (2014)

No. of branches	51
No. of ATMs	75
No. of agents	361
No. of transactions through agents	680,000
No. of mobile banking customers	200,000+
Main unit in charge of financial inclusion: Inclusive Banking Unit	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Get the model right, then grow – Fidelity is working to build strong products and channels with an eye to a scalable business model.
- Segment the market – Fidelity targets three market-specific market segments and builds partnerships with these in mind: micro-traders, low-income workers, farmers. The bank partnered with employers to pay wages to low-income workers through accounts, and with NGOs to reach farmers and rural clients.
- Engage your agents – Fidelity Bank focuses on engaging agents by having agent officers regularly visit agents and conducting 12 agent-engagement sessions across the country; providing awards and incentives to acknowledge agent performance; and by encouraging feedback from agents to inform commission structures and overall strategies.
- Lead with accounts – Fidelity's Smart Accounts offer a full suite of products in a bank-led model. The Fidelity Smart Account is an innovative, quick to open, easy to access bank account. Fidelity uses reduced KYC (only one form of national ID) when clients open an account, which has shortened sign-up time to five minutes. Services available to Smart Account holders include cash deposit and withdrawal, mobile top-up, funds transfer, bill payment, card-less transactions and money transfer to e-wallet.

In the pipeline: Fidelity Bank will soon test a new insurance product for low-income customers. It has already begun developing financial education materials on insurance and will complete a pilot before launching the product in-full.

HABIB BANK LIMITED (PAKISTAN)

"HBL plans to use Mobile Wallets as the key driver for large scale and sustainable financial inclusion as we believe this is the most effective and wide reaching technology solution for financial inclusion."

– Abrar Ahmed Mir, Chief Innovation and Financial Inclusion Officer

PAKISTAN: FINANCIAL INCLUSION DATA

Population (age 15+)	119,929,133
GDP per capita (current US$)	1,316.6
Commercial bank branches per 100,000 adults	9.4
ATMS per 100,000 adults	7.3
Mobile cellular subscriptions per 100 people	73.3
Account at a financial institution (age 15+)	8.7%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	49.8% 1.5%
Saved money in past year (age 15+) …at financial institution (age 15+)	31.6% 3.3%
Mobile account (age 15+)	5.8%
Financially literate population (age 15+)	26.0%
Enabling environment country ranking (out of 55 countries)	5

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services

HABIB BANK LIMITED: KEY STATISTICS (2015)

Total assets (US$ bn)	21.1
Market capitalization (US$ bn)	2.8
No. of branches	1,716
No. of ATMs	1,950
Main unit in charge of financial inclusion: Innovation and Financial Inclusion	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Target the supply chain – HBL has partnered with companies throughout the supply chain to build up the digital payments ecosystem and thus use of their products. HBL has partnered with store chains and distributor networks to acquire agents, and with large FMCGs at the top of the supply chain, encouraging them to accept only digital payments.
- Target youth – The HBL iD Account is specifically tailored to meet the needs of students aged 18-24. It allows customers to create 'Savings Buckets' to earn profits on their savings, and provides access to a free mobile app that allows customers to manage their finances in real-time.
- Make it easy to open an account – The Asaan Account offers first-time customers an easy way to open an account. The initial deposit can be as little as US$0.96 (PKR 100) and benefits include the waiver of a minimum account balance, four free withdrawal transactions per month, unlimited debit up to US$4,782 (PKR 500,000) per month, access to e-statements, access to a free debit card, and SMS alerts.
- Invest in internal capacity – In order to ensure business viability and reduce costs, HBL has built capacity to address technological and digital issues. This includes planned investment in a data warehouse and building a strong in-house analytical capacity, as well as developing in-house capacity for most of the software development.
- Set ambitious targets – HBL is going big with a goal of acquiring an additional 20 million customers in 5 years, supported by significant up-front investment from the bank.
- Broaden reach through investment in microfinance – HBL took a 50.5% stake in First Microfinance Bank Limited-Pakistan, the third largest MFI in Pakistan, planning a series of equity investments of up to $19 million (PKR 2 billion) over three years.
- Work with government for digitization of payments – HBL has been very actively working with various government agencies to encourage and facilitate digitization of social transfer payments. Recently, the bank has partnered with police for e-collection of traffic fines, enabling police to accept card-based payments in real time.

In the pipeline: HBL intends to deploy a large number of biometric devices at agent locations to enable instant account opening and activation. It also plans to use mobile wallets as the key driver for large-scale and sustainable financial inclusion, and plans to work with fintech companies to roll out technology-based, easy-to-use customer onboarding and customer-experience enhancement services to attract those who have been excluded.

HAINAN RURAL CREDIT UNION (CHINA)

"I do not care about how much money you make from running the Union, I care about how much you enable the farmers to make."

– Baoming Luo, Secretary of Hainan Provincial Party Committee

CHINA: FINANCIAL INCLUSION DATA

Population (age 15+)	1,133,826,774
GDP per capita (current US$)	7,590.0
Commercial bank branches per 100,000 adults	8.1
ATMS per 100,000 adults	55.0
Mobile cellular subscriptions per 100 people	92.3
Account at a financial institution (age 15+)	78.9%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	36.3% 9.6%
Saved money in past year (age 15+) …at financial institution (age 15+)	72.1% 41.2%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	47.4% 52.5%
Mobile banking (with account, age 15+)	19.1%
Financially literate population (age 15+)	28.0%
Smartphone penetration (adults, 2015)	58.0%
Enabling environment country ranking (out of 55 countries)	36

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating

HAINAN RCU: KEY STATISTICS (2015)

Total assets (US$ bn)	30
No. of agents	500
No. of clients (households)	8,000,000
No. of branches	500
No. of ATMs	1400
No. of digital customers	8,000,000
Main unit in charge of financial inclusion: Microfinance Department	

Source: Bank Interview

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Build a database – Hainan rural credit cooperative (RCC) builds its own household-level credit database through a survey conducted annually by its agents. The door-to-door survey allows the agents to promote microloans, while also collecting data on 95% of the households in rural Hainan province, including land ownership, livestock, housing, criminal activity, drug use, etc. Hainan then stratifies the customers into different levels that determine eligibility for loans ranging from $760 to $76,000 (RMB 5,000 to 500,000).

- Incentivize good loan performance – Hainan RCC works with many farmers who do not have any experience with credit, and it provides incentives for farmers to develop a positive credit history. It created a special "integrity deposit" scheme for microcredit in which timely loan repayment results in increased loans at lower rates. (Rates start at 14.4% and can eventually drop as low as 4.7%, the same as the Chinese risk-free bond.) As a result of the strong culture of repayment that has been created, it has become common for borrowers to pay back the loans well ahead of the deadline.

- Manage agents in sustainable manner – Agents are doing very well, with bad loans making up only 2% of their portfolio. Most agents are college graduates with agriculture-related majors who come from rural areas, so they communicate well with local households. Agent compensation is directly tied to their clients' loan performance.

- Provide advisory services for at-risk customers – For the existing customers who are not able to repay loans on time each month, Hainan RCC uses its connections with agricultural and other companies to help them generate income and assets, providing advisory services on a CSR basis. Hainan RCC is able to subsidize these services because of the small number of customers who need them and because its business is expanding at 50-60% annually, thanks to regulators recently opening up service to the whole province. The local Statistics Bureau tracks increases in revenue and believes that more than 20% of local farmers' recent increases are due to Hainan RCC.

- Earn the right to expand through good performance – At first, the provincial government only allowed credit unions to issue loans in a given county, with exceptions made only for extremely small loans. Hainan RCC innovated in the use of alternative channels and after eight years of good performance, the credit union is now able to issue microloans at the full provincial level. With continued excellent performance, it is hoping to expand further.

HSBC (INDIA)

"We believe we need to do something good for society. If we make it work as a business model, we can reach more people."

–Jayesh Modi, Head, Inclusive Banking Unit

INDIA: FINANCIAL INCLUSION DATA

Population (age 15+)	916,900,877
GDP per capita (current US$)	1,581.5
Commercial bank branches per 100,000 adults	13.0
ATMS per 100,000 adults	18.1
Mobile cellular subscriptions per 100 people	74.5
Smartphone penetration (adults, 2015)	17.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	46.3% 6.4%
Saved money in past year (age 15+) …at financial institution (age 15+)	38.3% 14.4%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	66.7% 68.2%
Account at a financial institution (age 15+)	52.8%
Mobile banking (with account, age 15+)	6.1%
Mobile account (age 15+)	2.4%
Financially literate population (age 15+)	24.0%
Enabling environment country ranking (out of 55 countries)	4

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

Our financial inclusion initiatives support education of children from underprivileged communities, life skills training for disadvantaged young people and financial literacy and entrepreneurship capacity building for rural women in marginalised communities. (From HSBC India News Release 13 November 2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Partner with microfinance institutions – HSBC started helping microfinance institutions build their capacity in 2007, working without fees. These CSR activities have helped create the capacity and the base. With that foundation, and having developed solid risk models, HSBC also now partners with NBFCs-MFIs as a business model for reaching the unbanked, with a microfinance book of around $150 million (INR 10 billion).
- Invest in agriculture – In response to regulatory mandates, HSBC has created an agriculture book for loans to farmers as well as loans for processing units to allow farmers to work with corporate supply chains. As a foreign bank, HSBC's strategy focuses on partnerships with India-based entities.
- Target weaker segments – In addition to agriculture, HSBC targets the weaker segments of society, that includes minority communities and microbusinesses and where the lending size averages approximately $150 (INR 10,000). These three segments comprise 6% of the bank's activity in 2016 and will comprise 8% of activity in 2017.
- Start with high standards – HSBC has tried to follow high standards for consumer protection and compliance as a group, believing that everyone in the market will eventually meet those same standards. As an example, HSBC has signed on to the code of conduct developed by the Banking Codes and Standards Board of India.

ITAÚ UNIBANCO (BRAZIL)

"The low-income public has already taken the first step on the road to 'digital life,' but they still need someone to engage them in this journey with the financial universe."

– Giovana Milani, Sustainability Manager

BRAZIL: FINANCIAL INCLUSION DATA

Population (age 15+)	157,593,810
GDP per capita (current US$)	11,726.8
Commercial bank branches per 100,000 adults	47.3
ATMS per 100,000 adults	129.3
Mobile cellular subscriptions per 100 people	139.0
Account at a financial institution (age 15+)	68.1%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	22.3% 11.9%
Saved money in past year (age 15+) …at financial institution (age 15+)	28.0% 12.3%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	16.7% 13.2%
Mobile banking (with account, age 15+)	5.3%
Mobile account (age 15+)	0.9%
Financially literate population (age 15+)	35.0%
Enabling environment country ranking (out of 55 countries)	17

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating

ITAÚ UNIBANCO: KEY STATISTICS (2015)

Total assets (US$ bn)	424.2
No. of branches	4,138
No. of ATMs	26,412
No. of agents	847
Main unit in charge of financial inclusion: Superintendency of Sustainability	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Lower per-account costs – Itaú's services to unbanked customers are commercially viable because the bank offers a range of products, provides remote customer service, and simplifies processes. Digital technology improves customer access and cost reduction. An example is SMS Bidirectional, providing mobile phone banking to disadvantaged social groups through two-way SMS messages on feature phones, allowing easy account balance inquiries, among other services. Iconta is an inclusive bank account with free services through electronic channels.

- Finance small and microbusinesses – Itaú offers the BNDES Card, which has a line of credit for MSMEs with reduced rates and no annual fee. Itaú Microcredit provides smartphone-based banking for microentrepreneurs, with geo-referencing to allow closer relationships with customers, and a completely branchless operation in which the loan officer takes the bank to the client. A business basic account offers affordable fees for electronic services and uses biometric technology. The FINAME product finances machinery and equipment.

- Develop mobile banking apps – Itaú was selected as company of the year for Electronic Means of Payment in Brazil, and 59.7% of its customer base banked through digital channels as of December 2015. It has developed a range of apps that allow clients to access their accounts and perform banking transactions using smartphones or tablets. Itaú's focus on customer experience has led to an increase of 32.2% in users of its mobile banking apps over a year-long period ending December 2015. The recently launched *Itaú Pagcontas* app allows convenient bill pay. The *Itaú tokpag* app allows person-to-person money transfers via mobile phones.

- Invest in e-commerce – Itaú has several different e-commerce initiatives, including the recent acquisition of *maxiPago!*, an electronic payment platform for e-commerce; a co-branded card with *Netshoes*, an online sports apparel store; and the *Itaúcard* app, a virtual card that generates a credit card number to be used in an online transaction in order to increase security.

- Provide access to remote customers – In addition to its many apps that work for remote customers, Itaú offers a fully digital online mortgage application and approval process. This tool is available for use by account holders.

SANTANDER BRASIL

"Financial education is very important here, especially for low-income populations."
–Jerônimo Rafael Ramos, Head of Microcredit

BRAZIL: FINANCIAL INCLUSION DATA

Population (age 15+)	157,593,810
GDP per capita (current US$)	11,726.8
Commercial bank branches per 100,000 adults	47.3
ATMS per 100,000 adults	129.3
Mobile cellular subscriptions per 100 people	139.0
Account at a financial institution (age 15+)	68.1%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	22.3% 11.9%
Saved money in past year (age 15+) …at financial institution (age 15+)	28.0% 12.3%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	16.7% 13.2%
Mobile banking (with account, age 15+)	5.3%
Mobile account (age 15+)	0.9%
Financially literate population (age 15+)	35.0%
Enabling environment country ranking (out of 55 countries)	17

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services

SANTANDER BRASIL: KEY STATISTICS (2015)

Total assets (US$ bn)	677
Market capitalization (R$ bn)	60.3
No. of branches	3,400
No. of digital customers	4,400,000
Main unit in charge of financial inclusion Microcredit	

Source: Annual Report (2015), Interview

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Support entrepreneurship – Santander initially focused on financial inclusion as a CSR compliance approach, but is now ready for expansion from 12 to 27 states in Brazil as an effective way to reach microentrepreneurs. Santander Microcredit is a business unit within the Retail Banking unit, profitably reaching more than 325,000 low-income and informal customers as of mid-2015. Since 2002, over $1 billion has been loaned. Customers include tire facilities, seamstresses, beauty salons, bars, cosmetics sellers, and mini-markets.

- Build digital channels on a prepaid card platform – In March 2016, Santander acquired prepaid payment card company ContaSuper, which the bank plans to turn into its digital arm. The prepaid cards are geared toward Brazilians who do not have access to traditional bank accounts, such as temporary workers in rural areas, and college students who prefer to manage their payments through cell phone apps instead of banking at traditional branches. It is estimated that 60 million Brazilians– 40% of the adult population – are not customers of any bank. With this demand for financial services, ContaSuper has the potential to grow to 1 million accounts.

- Build financial capability – Santander incorporates financial education into most of its social action programs through social networks, interactive platforms, tools, and classroom-based and online courses. This complements programs such as Microcrédito or Amigo de Valor (Valuable Friend) by providing basic financial training. Santander provides financial education for microentrepreneurs that helps them avoid over-indebtedness.

STANDARD BANK (SOUTH AFRICA)

"When South Africa had our first election in 1994, you can imagine the financial exclusion pre 1994. Financial services were limited to a very small segment of the population at the time. Standard Bank made a strategic decision to start solving for the needs of the population that was excluded through the launch of Inclusive Banking. Inclusive Banking was not rolled out as a CSI project but as a Strategic Business Unit, with great potential."

–Motlatsi Mkalala, Senior Manager, Customer Financial Solutions

SOUTH AFRICA: FINANCIAL INCLUSION

Population (age 15+)	38,033,977
GDP per capita (current US$)	6,483.9
Commercial bank branches per 100,000 adults	10.9
ATMS per 100,000 adults	66.2
Mobile cellular subscriptions per 100 people	149.2
Account at a financial institution (age 15+)	68.8%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	85.6% 12.1%
Saved money in past year (age 15+) …at financial institution (age 15+)	66.4% 32.7%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	20.9% 26.1%
Mobile banking (with account, age 15+)	29.0%
Mobile account (age 15+)	14.4%
Financially literate population (age 15+)	42.0%
Enabling environment country ranking (out of 55 countries)	31

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services

STANDARD BANK: KEY STATISTICS (2015)

Total assets (US$ bn)	101.8
Market capitalization (US$ bn)	11.7
No. of branches	1,221
No. of ATMs	7,296
No. of digital customers	16,600,000
No. of mobile banking transactions	490,898
Main unit in charge of financial inclusion: Customer Financial Solutions	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Acquire new customers – Standard Bank acquires customers at branches and at their places of employment through its Employer Value Banking proposition. In the past, the application process was paper-based, but will be rolled out as a digital solution in 2016.
- Promote personal savings – Standard Bank brought in a savings product to complement its transaction accounts, but its data indicated that the low-income segment does not typically save with formal services. Standard Bank built upon informal mechanisms by creating Society Scheme, a group savings account that models informal savings groups called stokvels. Standard Bank also developed an entry-level savings account (AccessSave) and a tax-free savings product up to US$33,600 (ZAR 500,000).Standard Bank especially targets savings products for youth, who make up 50% of the South African population.
- Break even by driving customers to digital platforms – Standard Bank hopes to break even with this segment in 2016 by building infrastructure and encouraging customers to use digital platforms. The bank provides a mobile platform that allows clients to view their balances, transfer money, buy electricity, buy data, and receive pre-approval of loans. Standard Bank's AccessAccount is a transactional account that allows for convenient banking at access points in a client's community, and includes a debit card with a built-in chip for added security, as well as free cell phone banking.
- Use data – Standard Bank started community banking in 2009 and used it as a means of collecting data on customers. It now collects data on card use on each platform, use of cash, daily orders in accounts, credit received, debit information, location of services, etc. Standard Bank watches for signs that a customer might be interested in a loan, e.g. noting when a customer requests a 3-month statement that is used for accessing loans, or has an increase in income that might indicate readiness to buy a house.

In the pipeline: Standard Bank is working on a mobile lending platform whereby customers can get fully approved for a loan via their smart phone or the Internet.

STANDARD CHARTERED BANK

"We want to focus more on experiential learning in our financial education programs."
– Payal Dalal, Head of Global Community Programs

STANDARD CHARTERED BANK: KEY STATISTICS (2015)

Total assets (US$ bn)	640.5
Market capitalization (US$ bn)	27.18
Microfinance funds lent (US$ mn)	271.6
No. of microfinance clients	1,800,000
Main unit in charge of financial inclusion: Community Engagement	

Source: Annual Report (2015)

"We design programs that work for people who are vulnerable. For instance, not only are small businesses vulnerable, but women are even more vulnerable, so we have launched programs for women entrepreneurs."

– Payal Dalal, Head of Global Community Programs

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Focus on adolescent girls – Standard Chartered (SC) reached 70,000 girls with its Goal program in 2015; a significant portion of the program is dedicated to financial education and economic empowerment. In countries with an enabling regulatory environment, it has had success with offering bank accounts for girls.
- Moving toward financial capability – Standard Chartered has been moving toward more experiential learning, e.g. gamification, building on new insights about how people learn and retain knowledge. SC has particularly focused on financial education to build the financial capability of youth (especially girls through its Goal program) and micro and small entrepreneurs, and has developed modules on Islamic banking. Several governments have expressed interest in using the Bank's curriculum in their national education materials.
- Roll out mobile wallets – In 2015, Standard Chartered connected to mobile wallets in seven new markets, now totaling 11 markets.
- Invest in microfinance institutions – In 2015, Standard Chartered invested $271.6 million in MFIs, which collectively reach 1.8 million people.
- Partner with development finance organizations to reach hard-to-serve markets – Standard Chartered partnered with the CDC (the financing arm of the U.K. Department for International Development) to provide $50 million in new working capital financing to enable businesses in Sierra Leone continue to operate during the Ebola crisis. The risk-sharing deal enabled businesses to supply food, building materials and hygiene products to Ebola-affected areas.
- Engage bank employees – Standard Chartered offers bank employees opportunities to volunteer in ways that support the mission of inclusion, e.g. serving as mentors for women entrepreneurs, teaching financial education, and using its network to create job opportunities for adolescent girls.

STATE BANK OF INDIA

"Technology allows us to provide multiple customer service points."

–Shri K.M.Trivedi, Chief General Manager (Rural Banking), National Banking Group

INDIA: FINANCIAL INCLUSION DATA

Population (age 15+)	916,900,877
GDP per capita (current US$)	1,581.5
Commercial bank branches per 100,000 adults	13.0
ATMS per 100,000 adults	18.1
Mobile cellular subscriptions per 100 people	74.5
Smartphone penetration (adults, 2015)	17.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	46.3% 6.4%
Saved money in past year (age 15+) …at financial institution (age 15+)	38.3% 14.4%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	66.7% 68.2%
Account at a financial institution (age 15+)	52.8%
Mobile banking (with account, age 15+)	6.1%
Mobile account (age 15+)	2.4%
Financially literate population (age 15+)	24.0%
Enabling environment country ranking (out of 55 countries)	4

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research

STATE BANK OF INDIA: KEY STATISTICS (2015)

No. of branches	16,524
No. of ATMs	54,560
No. of BC agents	57,575
Value of transactions through BC agents (US$ bn)	5.8
No. of mobile banking users	13,500,000
No. of mobile banking transactions	77,100,000
Value of transactions through mobile platform (US$ bn)	1.8
Total assets (US$ bn)	309.3
No. of financial literacy centers	212
Main unit in charge of financial inclusion: Rural Business	

Sources: Annual Report (2015), Bloomberg L.P. (2016)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Extend customer touch points – SBI has built an extensive network of branches, locally-based agents and touch points (ATMs, point-of-sale machines, kiosks) in both urban and rural areas. With 16,524 branches, 54,560 ATMs, and 57,575 agents, the bank is reaching out to the underbanked. This strategy is paying off. SBI's Business Correspondent (BC) Network has opened up 87,764,000 financial inclusion accounts in the past 6 years.

- Invest in understanding the unbanked and underbanked – Through a door-to-door survey process, SBI completed the exercise to identify the needs of those who have yet to enter the banking system. Once the unbanked have opened accounts, SBI continues to broaden its understanding of their needs by analyzing the individual account use and patterns of customers to offer appropriate products.

- Cross-sell products to increase revenue base – SBI has a strong and ever-expanding collection of financial products which include loans, pensions, life and accident insurance. In order to maintain a viable business model, SBI markets these products to customers who have basic financial inclusion accounts. To incentivize expanded product use, SBI offers a variety of insurance schemes at nominal premium. Free accident insurance cover of 100,000 rupees is available for customers using the RuPay debit card.

- Integrate bank systems with government systems where possible – SBI has integrated Core Banking Solutions with the Unique Identification Authority of India (UIDAI) Aadhaar platform for biometric authentication of customers. SBI clients can use their Aadhaar identification (finger print scan) to open an account and can link their Aadhaar Card (12-digit individual identification number issued by the UIDAI) with their SBI account.

TÜRKIYE IS BANKASI (IŞBANK)

"İşbank was founded by Ataturk in order to have a national bank for the Turkish people. Everyone can come."

–Ümran Akçay, Unit Manager, Retail Banking Marketing Department

TURKEY: FINANCIAL INCLUSION DATA

Population (age 15+)	57,410,283
GDP per capita (current US$)	10,515.0
Commercial bank branches per 100,000 adults	19.8
ATMS per 100,000 adults	77.1
Mobile cellular subscriptions per 100 people	94.8
Smartphone penetration (adults, 2015)	59.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	50.4% 20.0%
Saved money in past year (age 15+) …at financial institution (age 15+)	41.1% 9.1%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	43.8% 38.0%
Account at a financial institution (age 15+)	56.5%
Mobile banking (with account, age 15+)	8.5%
Mobile account (age 15+)	0.8%
Financially literate population (age 15+)	24.0%
Enabling environment country ranking (out of 55 countries)	23

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

İŞBANK: KEY STATISTICS (2014)

Total assets (US$ bn)	101.9
Market capitalization (US$ bn)	13.0
No. of branches	1,358
No. of ATMs	6,290
No. of mobile banking customers	1,500,000
Investment in financial literacy programs (US$ bn)	387,491.4
Main unit in charge of financial inclusion: Retail Banking Market Division	

Source: Annual Report (2015)

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Build on the ATM network – İşbank has an extensive infrastructure of over 6,500 ATMs throughout Turkey. Unbanked customers can access an ATM without a card, simply using a Turkish ID number and mobile phone number. Customers can put cash into an ATM and İşbank added digital ID and touch ID integration to its ATM network in 2010, so all customers can access accounts using either PIN numbers or fingerprints.
- Focus on youth -- MoneyBox accounts target children under 18 and help them save. MoneyBox funds are aimed at parents and give them the opportunity to save for their kids. First Signature Accounts for ages 12-18 offers debit cards and a simplified menu of on-line banking. This product is aimed at simplifying banking for youth who are opening their first account. İş'te Üniversiteli is a credit card specifically oriented to university students of 18 years of age or older including those who are doing their post-graduate studies. Students can easily obtain this card by presenting their Student ID and birth certificate.
- Create a bank culture that supports inclusion – İşbank encourages bank employees to make the unbanked "our customers today."
- Use data – İşbank is working to expand and analyze its catalogue of data. In addition to location and credit card transactions, it has introduced an app to link social network accounts with bank profiles, providing access to new data.

Ataturk, the founder and first president of the Republic of Turkey, mandated the creation of Turkey's first national bank upon the birth of the Republic. Isbank means "business bank" in Turkish, and the mission of the bank was to promote economic activities of the new nation. As Ataturk said, "Paramount among measures that will liberate and augment the nation is the establishment of a bank, utterly modern and national in identity, born directly out of the people's respect and confidence..."

WEBANK (CHINA)

"On our consumer finance platform, we have an extremely simple and user-friendly loan activation and re-payment process, helping us to quickly build market recognition."

–Jared Shu, Head of Strategy

CHINA: FINANCIAL INCLUSION DATA

Population (age 15+)	1,133,826,774
GDP per capita (current US$)	7,590.0
Commercial bank branches per 100,000 adults	8.1
ATMS per 100,000 adults	55.0
Mobile cellular subscriptions per 100 people	92.3
Smartphone penetration (adults, 2015)	58.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	36.3% 9.6%
Saved money in past year (age 15+) …at financial institution (age 15+)	72.1% 41.2%
Zero deposits in a typical month (age 15+) Zero withdrawals in a typical month (age 15+)	47.4% 52.5%
Mobile banking (with account, age 15+)	19.1%
Account at a financial institution (age 15+)	78.9%
Financially literate population (age 15+)	28.0%
Enabling environment country ranking (out of 55 countries)	36

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research Center

NOTE: ONLINE BANK LAUNCHED JANUARY 2015. NO STATISTICS YET AVAILABLE.

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Leverage data – WeBank is 30% owned by Tencent, whose customer base covers roughly 80% of the Chinese population. This means it not only uses the central bank's official credit bureau data, which covers about 350 million people in China, but it is also able to get access to social and other data on Tencent's several hundred million customers, the majority of whom do not have credit histories and who would otherwise be ineligible for loans. For Internet and digital banking, social data is especially helpful for controlling fraud –not only assessing ability to pay but also willingness to pay by analysis of the customer's social graph, e.g. clusters of friends, chat groups, industry relationships, and stability.

- Segment customers – With its rich data, WeBank is piloting segmentation strategies to provide consumer finance for unbanked segments, such as for taxi drivers, employees of technology manufacturing plants, and self-employed people. It is also using data to offer wealth management to mass/retail customers who would not normally have access to private banking-like services.

- Partner with small banks – WeBank has a "lending under management" strategy to provide loans in partnership with more than 20 smaller sized commercial banks to date, where most of the investment is funded by the partner banks. Those banks gain exposure to customers and have access to WeBank/Tencent infrastructures, thus providing an in-road to retail banking.

- Promote remote account opening – WeBank has access to facial-recognition technologies using live on-line videos that can immediately and accurately match to official records. WeBank ultimately hopes to use this for remote account opening when it becomes available.

YES BANK (INDIA)

"YES Bank is a regular, mainstream commercial bank—and our financial inclusion activities are part of our mainstream business."

–Sumit Gupta, Group President & Country Head, Retail Banking Asset Group (RBAG)

INDIA: FINANCIAL INCLUSION DATA

Population (age 15+)	916,900,877
GDP per capita (current US$)	1,581.5
Commercial bank branches per 100,000 adults	13.0
ATMS per 100,000 adults	18.1
Mobile cellular subscriptions per 100 people	74.5
Smartphone penetration (adults, 2015)	17.0%
Borrowed money in past year (age 15+) …from financial institution (age 15+)	46.3% 6.4%
Saved money in past year (age 15+) …at financial institution (age 15+)	38.3% 14.4%
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Account at a financial institution (age 15+)	52.8%
Mobile banking (with account, age 15+)	6.1%
Mobile account (age 15+)	2.4%
Financially literate population (age 15+)	24.0%
Enabling environment country ranking (out of 55 countries)	4

Source: Global Microscope 2015, World Bank Findex and WDI, IMF FAS, UN and S&P Rating Services, Pew Research

YES BANK: KEY STATISTICS (2014)

Total assets (US$ bn)	24.8
Market capitalization (US$ bn)	6.3
No. of branches	860
No. of ATMs	1,609
No. of agents (YES Money)	45,258
Value of transactions through agents (US$ bn) – YES Money	1.8
Value of transactions through mobile platform (US$ bn) – YES Sahaj	0.267
No. of domestic remittance transactions (YES Money)	28,076,710
No. of domestic remittance customers (YES	4,500,000
Main unit in charge of financial inclusion: Inclusive & Social Banking	

Source: Annual Report (2015

FINANCIAL INCLUSION STRATEGIES

Lessons learned from the interview

- Offer domestic remittances – YES BANK Money leverages existing technologies and infrastructure to meet the domestic remittance needs of migrant workers, as well as unbanked and underbanked populations in India. This product uses business correspondent (BC) agents and leverages their existing retail shops, telecom connectivity, and banking infrastructure to extend branchless banking services to customers. Remittance recipients who do not have an account can withdraw the money from any ATM.

- Serve women – YES Livelihood Enhancement Action Program (YES LEAP) provides comprehensive financial services (credit, savings and micro-insurance) to self-help groups (SHGs) through business correspondents (BCs). The BC acts as a focal point for the identification, facilitation and servicing of the group. From a small pilot in 2011, YES LEAP has reached more than 1,000,000 SHGs spread across 260 districts in 19 states. All the groups linked with YES BANK are comprised solely of women, thus strengthening social empowerment, rural development and women's financial security. YES LEAP has distributed about $520 million in microloans to over 100,000 groups of women, reaching 1.8 million people with an average loan size of about $200 per client.

- Use business correspondents – YES Bank has extensively leveraged the business correspondent model to reach out to the base of the pyramid, benefiting all stakeholders involved (BC partner, customer and the bank).

In the pipeline: YES Bank will make individual savings accounts, group savings accounts and group loans available through geotagged tablets equipped with biometric fingerprint recognition, for more efficient and lower-cost deposit-taking, loan disbursal and repayment.

MetLife Foundation

Citi Foundation
citi

BILL & MELINDA GATES foundation

MasterCard Worldwide

CREDIT SUISSE
Founding Partner

INSTITUTE OF INTERNATIONAL FINANCE

CENTER for FINANCIAL INCLUSION

ACCION