# The MasterCard Foundation Symposium on Financial Inclusion:

# Clients at the Center

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This document presents transcripts from the plenary conversations and presentations during The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center 2013. The statements made and views expressed are solely those of the authors and do not necessarily reflect the views of The MasterCard Foundation, the Boulder Institute of Microfinance or the symposium participants. Some have undergone minor adjustments, but in general we preserved the tone of the panels and presentations to provide the reader with the content of the symposium.

## Session 4: Different perspectives on reaching the poor household.

*How can we overcome the challenges of high transaction costs for clients and providers alike; the low profitability of clients with small transactions; and the low use of many formal financial services once they are offered?*

**Moderator:** Robert Christen - President, Boulder Institute of Microfinance

**Panelists:** Dave Wallack - Chief Design Officer & Executive Director, IFMR Trust KGFS Program
Mary Ellen Iskenderian - President & CEO, Women's World Banking
Robert Annibale - Global Director, Citi Microfinance

**Christen:** Good morning, everybody. It's great to see you here again. We will be having a pretty impressive panel. I think it's called, "Different Perspectives on Reaching the Poor Household." And what we really wanted to do was just start the day with a little bit of a variety of different perspectives on this issue of clients at the center, but starting to drill on some more practical sorts of programs and responses to trying to design the next generation of financial products and approaches to provide services to the poor. One of the things we'll do toward the end of this panel is we'll give you all an opportunity to make a comment, a brief comment, sort of hear what you're thinking thus far about the issues that have been raised. So do prepare that, and if you're thinking about making a comment, see how you can condense what you'd like to say in about a minute or two. And then we can hear from lots of you. That would be really nice. It would be great. So because we have such a great group of people who have come, many of you could be up here as well as many of us. So we'd love to hear from some of you as this panel proceeds.

Dave Wallack to my left is the cofounder and trustee of IFMR Trust, and is the Executive Director of IFMR Rural Finance and is very involved in the KGFS model that was mentioned yesterday of rural regional financial product and service distribution. Bob Annibale is the Global Director of Citi Microfinance and Community Development, and Mary Ellen Iskenderian is the President and CEO of Women's World Banking. My problem is I know you guys in so many different capacities, I don't think I ever knew your actual titles. (Laughter)

Dave, you've got a really interesting program that takes a very different view than microcredit has taken of clients, and it sort of seems like a very forward looking view. From my understanding, since I haven't had the pleasure of being there, it takes sort of a portfolio view of household and tries to engage across a wide variety of products. And that would seem to be what financial inclusion is all about. Can you tell us a little bit about how you've gone about conceptualizing this?

**Wallack:** Well, for us, for IFMR Trust, as an umbrella organization, we're focused on, our mission is to ensure complete access to finance for every individual and every enterprise. And, looking at India in the urban markets, there's healthy competition. So, our focus is really focused in on the rural market. And, in serving that market and trying to get penetration not of ten percent or twenty percent, but trying to come up with a solution that would bring financial inclusion across all of India in a way that roads have penetrated India, and power has penetrated India, we came up with a strategy that would enable us to scale up. In doing that, realized that we had to come up with a solution that was focused on serving an entire community. And that's really been, it's a very different model, but it's the context of why we have come to these decisions is really important. And then I think the specific decisions of how we're executing this strategy will make a little more sense.

**Christen:** Can you tell us a little bit more about sort of the approach?

**Wallack:** Sure. We carve up the country into regions. Each region is two Indian administrative districts, so it's about 750,000 households. We believe then an entity at that scale has the ability to get to know the region, to get to know the industries, to get to know the agriculture, to get active on the supply chains. And we think that that's a crucial piece of good product development is having … and in India, we have many languages as well. So having a tight focus. Within that region, we break it up into catchments, and each catchment has about 2,500 people in the catchment area. We put a physical branch in that area. That branch is maybe 200 square feet. We have three people who are hired locally who staff that branch. We train them over the course of a month, and we train them in how to use technology that we develop centrally in order to execute a highly structured financial planning conversation. And this is really the heart of the model, is that we touch every single household in our catchment over the course of a year-long cycle, and then go back the next year, and go back the next year. And the conversation is more in the way that your doctor would talk to you. So we get a sense of the customer, their income, their expenses, their assets, their liabilities, their family structure, and most importantly their goals—their goals for their businesses, their goals beyond their economic goals, their more aspirational goals. And then we apply some technology to give them a perspective on their financial life that they haven't had. Now, there's a piece of it in just seeing how much money is going in and how much money is going out, and how much surplus they should have. There's almost universally a sense of shock, but then we take that and do some analysis on it. So for example …

**Christen:** Like shock for what? Like, how much? Like, it's a lot, or it's not so much?

**Wallack:** People don't know where the money went. And then we start to back it out a little bit, and so I think this is an important point. Part of the value of the interaction is in the same way it would be in having a conversation with somebody and kind of being a mirror for their life. It impacts behavior.

**Christen:** So the shock is on the part of the client in a sense?

**Wallack:** No, we've seen it many times. Every household is different. So sometimes it goes … I mean, I'm not saying that it all goes to things it shouldn't go to. It goes to a wide variety of things. [But] I think in having that perspective on what the gap is, people's behaviour starts to change. Then we do a little bit more. So, for example, in terms of insurance, because that's a hot topic here – we take information about everybody in the household, and given the income and expenses, we calculate a net present value of that person's cash flows over the course of their life, given retirement age, given a likely age or median age of death, given a diminution of income at some point, and we come up with a number that we present to them as, "This is what you should be insured for." Our staffer who is hired from that region understands how to calculate that number, and they're able to walk the customer through that. They're able to pull up on the technology, literally year by year what we think you're going to make, what we think you're going to spend. And so we have a conversation with them about insurance, but it's not a loose conversation. It's a very tight, quantifiable conversation. And in that, we've had tremendous luck, not luck, we've had tremendous ability to sell insurance, and life insurance, personal accident insurance, livestock insurance, retail stock insurance, and we're moving into health insurance. And I could talk about this in a couple of different areas. But basically we're taking the data and really using it to do some analysis and bring it back to the customer.

And then the last stages is that after all of that, then we sell products to the customer. But the product has to be what we call "suitable for the customer." And our staff is held very accountable for this, and we have a lot of data checks to make sure that nothing is sold to the customer that's not suitable. And it's suitable at two levels. It's suitable at the level of the economic activity or the project. And I mean, a lot of how we segment, or really entirely how we segment is based upon the economic activity the household is doing. So at the project, does it make sense? And if the household is a portfolio of types, and that's really how we look at the household is that it's a household, it's a holding company that's holding some crop cultivation, it's holding some retail, there's even some sense it's doing animal husbandry, but it's also doing husbandry to some extent of the people. They're being raised and they're selling their labor off either for salary or for a day wage. And once we kind of understand that portfolio that they have, we can have a conversation with them about the challenges they face in terms of holding that portfolio.

**Christen:** That's great. So it sounds like you would need pretty skilled staff. I mean, how much do you have to invest in training people? It sounds like a really sophisticated interaction.

**Wallack:** I mean, people have referred to this over the course of the last day that our customers all are doing fairly sophisticated things with what they have. So a lot of our farmers are where they have potential that the crops are going to wash off the side of the mountain, and they grow their crops in 12 or 13 different places. And that's diversification. So if I can explain to the customer about diversification using what they're, or excuse me, the employee in terms of diversification based upon their own life, then these concepts move easily. So the training challenge is really more on us, of taking all the jargon out of finance.

**Christen:** I see.

**Wallack:** And being able to train people in a de-jargoned way to know things that they already know.

**Christen:** You offer all sorts of different financial products?

**Wallack:** Yes.

**Christen:** Savings, loans, insurance.

**Wallack:** Remittances, pensions, payment services in a limited way right now. We even, for awhile, we'd come to an arrangement where we had a money market mutual fund. So our customers in rural India, but in urban India, investments are growing very quickly, or at least they were. Maybe not today. But there was a time they were, and so our customers, we set it up so they were able to invest in a money market mutual fund at a one Rupee denomination. We were able to do that because in our model, one of our focuses is on taking paper out of the system. So a lot of it is technology facing the customer, but some of it is technology facing our partners. So building the technology so that when we sell a one Rupee money market mutual fund, that it writes right back into their databases.

**Christen:** Bob, is this at all what big retail banks like Citibank might do, the sort of portfolio approach to poor clients? I don't know. I mean, it sounds fascinating, it sounds great.

**Annibale:** It is, it is, and I think especially when we think of rural areas, where I think David has done an amazing job, where banks and other providers from insurance companies to pension funds to mutual funds aren't present—they're not present in their own person— in many ways, as he describes it, it's also providing almost financial advice. It's the sort of thing if you had a financial advisor and you went in in another context, you might find that they're talking to you about the range of your finances, from your investments to your pension to your insurance to your state. You know, if you really thought of it in a context like the US or the UK or somewhere, you'd expect that to be the kind of discussion you'd have with a financial advisor. And they'd help you to create, to understand the needs, and then show you a range of products that might address those. So in that sense, it has a very unique role for a rural community, particularly rural as David said, where you have less choice. It is different in many ways than just an agent model where you're performing a task on behalf of, effectively, a financial provider, and you're out there—for example, those which are collecting and making payments and being able to be an extension of your office, but not necessarily an advisory or even a sales force. And in this case, it's a combination of a number of those factors. You're providing advice, sales, and servicing for the client, and yet again what's very interesting, is building that link into the formal systems that each of those financial providers have. And many of them are heavily regulated institutions. So bridging that, the ability to open accounts. In many countries, in most countries, there's a very heavy process still imposed on that—documentation, account opening, information that banks will be held accountable for. So it's very useful and it has its own challenges. But it sounds as though in India, and by reputation, it's done an excellent job.

**Christen:** So it's really interesting. It sounds like there's a bit of tension here, or some need to pull together this kind of intense relationship that seems to work in your case with what we heard a lot of yesterday, which is this need to drive down transaction costs, automate as much as possible, as Claudio mentioned the "loss of the personal contact," and how to kind of reconcile these two forces. Right? On the one hand, you're saying, "We're successful because we really understand the client and work very closely with them, almost as a financial advisor portfolio view." And yet we've heard so much about the future of microfinance being new platforms, new technology, minimal transactions cost, almost even an impersonal relationship. I don't know, Bob. Do you have any other kinds of thoughts about that tension that seems to be out there?

**Annibale:** Well, if we think back, I think Marguerite, Marten, they all mentioned, even in microfinance, the significant percentage that's covered by 10 institutions with something like 52% of the accounts, versus 3000 institutions representing a small number, we're going to have to look at what the 10 takes to 100 institutions, and what that would mean, or the first 50. So those major institutions have to have a model for outreach too. And one of those models will incorporate the role of agents and correspondents and mobile and technology. And to some degree, because all of them, and I think it came up in Claudio's discussion too around heterogeneity, that when the vast majority of the population is unbanked, we're talking about very different segments within that number. And where do each of us, and I'll speak as the large commercial local bank. Let's think of it that way particularly, right? So if I do that analogy for Citi, it would be in a country like Mexico, Banamex, where you have one of the two largest banks in the country. More branches than we have, almost twice the number of branches as we have in all the United States, Citibank has in Mexico through Banamex. So when you look at that view, to grow, really to continue to grow deeply, and half the country at least probably not having a bank account, you're going to have to have multiple outlets for outreach – the agent model. And David's model in IMFR is particularly a very close touch agent model. It's much more so. It's really the kind of outlet that's doing origination for you, as opposed to just servicing. I think the major institutions will use a range of those as we do. And the reality is, though, we need to work with others to understand that client well. Because by definition, the major institutions that only reach so far, that only reach 20%, 30-40% of the population, don't have a lot of data about the rest of the population. They've never really served them. Well, not directly. Part of the benefit of partnering with other delivery models is data. Whether you do that with an IMFR or you do that with a mobile operator, or you do that with OXXO as we do, as well as Bancomer, or other retailers, you're going to get their data as well as your own on the behavior of the client. And I think a lot of what we need to do, and I think Daryl also mentioned don't be totally afraid by data, is we're going to have to use proxy data of clients. And we're providing a component of their financial needs. And the other reality is the idea is to have choice, and have a multiplicity of providers. So we're providing a component of that, and trying as you say, and as others have said, we need to build the platform still for high volume, you know, low margin. Well, we won't have the ability to deliver this. Even with a high touch, you still need the platform.

**Christen:** Mary Ellen, you have been doing a lot of interesting work through Women's World Banking, and trying to understand specificity anyway around what's different about trying to prioritize women, making sure that women are fully attended to, and that the models are really sensitive to them. You know, in this kind of high touch, low touch world, what kinds of conclusions have you come to about at least getting to women, and making sure that they're fully served?

**Iskenderian:** Well, thanks Bob. When we look at the household, to build off of Dave's point, we see some really distinct priorities and pressures that women articulate as being really important to them. The top three in pretty much every environment that we've looked at for women, in terms of their aspirations and their goals and the pressures on them financially, are health, education, and housing. Business expansion is in there, but it very rarely makes the top three. And those are quite different from the kinds of priorities and pressures that men typically will list. And so that focus really drives our product development agenda. And when Women's World Banking thinks about product development, it's a fairly, we like to think, all-encompassing view of not only the product design, but then how do you fold that into a financial institution's operational model. And then something that I thought was kind of surprising didn't come up yesterday is the marketing of those products, and the financial education that goes alongside them. And so when we are learning with our clients and our customers, as we heard yesterday, and I think we do know an awful lot about these customers. But how do you take some of these really extraordinary key insights that we often pick up when we listen very closely, and build that into product design? So I thought I would talk a little bit about some of the products we've worked with, and what those key insights have been and how we've translated them.

So for example, when we wanted to work with our partner in Jordan, Microfund for Women (MFW), on a health microinsurance product, we looked at what women were telling us were their health priorities. And the key insight was that when they talked about whose health and whose health coverage really matter to them, it was without question their children first, their parents next, their spouses, and almost as an afterthought, themselves. But the only time that they really did prioritize their health and they were able to speak up about the importance of their healthcare was during pregnancy. And so we were convinced that if we were going to develop a product that women were actually going to use, and take up, it would really be non-negotiable for us when we were talking to the insurance company partners that we were working with, that maternal health was covered. And we talked to, and we had a wonderful partner in Zurich Financial Services in developing this. But first, it was, well let's exclude caesareans and let's only include complicated pregnancies. And we said, no, we want pregnancies covered. And you know, I think the results of the product have really borne us out. The product has been on the market about two and a half years. We've sold 156,000 policies. There's a 32% claims ratio. So we know it's being used. And 50% of those claims, unsurprisingly, are for maternal health. And I do want to add, this is not only a sustainable product, but it's actually become a quite profitable product for MFW and now represents 20%— revenues from this product represent 20% of their net income. So they really very effectively diversified income sources.

One of the other key insights I wanted to share this morning was when we were working with our partner, Interfisa in Paraguay, to develop a rural finance product for women farmers, there was really kind of a stunning and very profound key insight that we identified. And that was really the tremendous invisibility of women to the bank certainly, in society to a great extent, but very, very sadly actually to the women themselves. We would go on to the farms. The husbands were typically farming a cash crop, and the woman would say, "Well, go talk to my husband. I'm just a housewife."

And then you'd see the chickens and the goats and she'd be making the cheese and selling the eggs and the salsa, and lo and behold, on average, the women farmers that we were working with, that we were talking to, were contributing over 50% of monthly income. And so the product design really became about raising the awareness of the value of women, you know, ideally in society, and I think one of the exciting parts of this product is that the marketing campaign included a national radio novella that had lots of stories that really did show how valuable women were in the contributions to their households and their family's businesses.

Certainly, and the bank was thrilled. The bank thought they had discovered this huge new market. But we did have to do some very specific training with loan officers on being sensitive to these issues for women, and drawing women out in their conversations when they went to do a credit appraisal. And then to the woman herself, and the name of the product, and my Guarani is even worse than my Spanish. But the product in the local language is "Nde vale!," which is "we value you." And I think the language used and the marketing language is very, very important. And then the product attributes themselves were much more shifted to the way women were interacting in these businesses. We decreased the minimum loan size that was available. The typical agricultural product that Interfisa had been offering was a nine month bullet loan, bullet payment loan, which was more suited to a harvest and crop mentality. They have much more flexible terms, and we've seen the percentage of loans going to women farmers go from 25% before we went in, to over 40% now, and that was just in the pilot phase. So we're very excited to see what happens when Interfisa rolls the product out throughout their entire product line, excuse me, their entire branch network.

And then the third product I wanted to talk a little bit about—and I'm just back from Lagos, so I'm really excited about the project—is one that we're doing with Diamond Bank. So a mainstream commercial bank that wanted to offer savings accounts specifically for the un- and under-banked population in the country. And we were, again, really surprised when we started talking to clients and focus groups in our early research because we found that having a bank account was actually a very aspirational thing, and that banks, surprisingly, had a very good reputation. People felt that an account related to a bank, and a strong bank like Diamond, would be something they wanted, but the bank had no human face. So to the point that we were just raising. So, we hit on that sort of aspirational aspect, and again, my Pidgin is probably even worse than my Guarani, but the product is called the "BETA" account, and we established a "BETA" friend in between the bank and the client to not only do the collections and open the account, but really to establish that trust. And it was quite fascinating to see how many people would not actually open an account until they had seen that the "BETA" friend was going to be in the market multiple times and it wasn't just going to be sort of a fly-by-night thing. And we made the product available through multiple channels—agent banking, online banking, and in the branch. But as I was just in Lagos with the team doing the evaluation of the pilot, we were beyond thrilled that in the two months of the pilot that had been underway so far, we had 32,000 accounts opened. But we were hearing from the people that they wanted to feel valued, that they liked the "BETA" friend, but when they went into the branch, if they went into the branch, they wanted to feel valued in the branch as well. And so we're going to be working with some of the bankers on that. We also heard that they really liked having an SMS confirmation that the transformation had taken place. So the technology was working. But they had also seen that there had been interconnectivity problems with the phone. So they still were asking for some kind of paper confirmation. So I think we're very much in that transitional space that you were talking about.

**Christen:** Well, it sounds like we're all going to have to struggle with this sort of, "where do you need the high touch, and where do you need the as digital as possible agent banking, low end transaction." And I think that's one of the keys in the whole agent banking line of thinking. I know, certainly a lot of the people I've spoken to here, looking for where does that product origination happen versus where is it serviced, you know, and how much does a client need to be accompanied at the service point versus the origination point? I think there's a whole lot of work there left. Is that, I think, Bob, where you were going with your comments?

**Annibale:** Very much. I mean, I think that's something when we really look at scale, and we need to balance, as we've been talking about before, scale with appropriateness and with impact, and really, is it what a client wants; if we look at analogies sometimes of their mobile take-up and we hear the numbers of people taking up mobile, because it's clearly a want there's a capability that's amazingly, quickly mastered. If you can find 97% take-up, we're hearing from Kamalan in Bangladesh, and very low take-up on a banking account, there's some huge gap there. I mean, a part of it is, I think Mary Ellen said it, is, what has been used as marketing in other contexts for other client segments needs to have a component of really financial education in it, to ensure also it's appropriate. You know, that you're really appropriately providing a product to others. And that's not an easy thing to achieve with larger scale. But I think there is importance about looking at different services and products, and what people need and want from that. And one of the realities is, of course, around much of the world, many of these services have become commoditized purely because people don't really want to pay for that service. You know, to have a personal service each time you go in a branch is very costly, and to truly deal with the majority of the population would mean increasing the branch networks astronomically in many countries. And we know that the bricks and mortar, marble palaces that we have in branches are serving a minority of the population well, but even that group is starting to migrate from the branch. So we really need the trade-off of what people are using, just as we do when we use an ATM or we use an agent, and then when do we need the branch. And I think from banking services, when we talk about payments as a starting point, we can look at very big markets like Brazil where we have very little in microfinance outreach in numbers relative to the size. And you have an enormous amount of credit being extended by other parties in terms of mostly retail and other credit. The payments platform that has been established is critical in that it's much easier now to lay on top of that some of the other financial services. And the ability, and people's familiarity with making payments through correspondent's agents, and for the banks to go that route with governments and making payments, or with clients, when you think in rural areas, all the small farmers are being paid for the products they have. The ability to pay them electronically, and receive those funds through the agent network, it's forming an economic platform that's going to be able to, I think, afford to carry other more costly products to originate. But we need to change the design of the product, and in many ways the regulations too, especially around bank account opening. That's a very costly process in most countries, and if the only way you can service it is at a bank branch, as in this country or anywhere else, it will have a very hard time being viable at scale. So I think that building platforms and using agents, networks, correspondents through mobiles, is a critical area in achieving that cost efficiency. But it's the face to the client then that taps that that's going to be critical that we get it right.

**Christen:** So Dave, it sounded to me the way you described your approach is you really get to know the client first, and this is around I guess the insurance proposition, or sort of figuring out this gap, and then you said you could offer a lot of products. And I assume you're also thinking about some agent relationships, or to get those transaction costs down at some point? Is that a fair …?

**Wallack:** When we go into an area, we're serving an area of 2,500 households. We're serving it right now with a spread of about 13 products. In our longest vintage branches, we have market penetration of 70-80%, which means that it's profitable. And when we hire employees, we're hiring people locally. We've spent a lot centrally on training. But salary cost is fairly low. The cost of rent in the branch is fairly low because it's not a big, fancy branch in a big city. So to some extent what we've spent a lot of time and energy both trying to focus on the quality side of how do you establish trust through a person who's delivering consistent service, but also have beaten down the costs dramatically, and the costs of all the products amortized all across the branch.

**Christen:** Okay, so you're not looking for a sort of high tech agent banking way to drive down costs. Your profitability is based on absolute saturation.

**Wallack:** So we're experimenting with it, but in insurance, what we're seeing is that the customers find a lot of value in that the person that sold them the policy is the same person who is processing the claim, and that the person processing the claim, that institution has got a relationship with the insurance company, and they're worried about making sure that the claims are handled well, that they're actually reasonable claims, that our people are getting out and making sure that the paperwork is done right. And that kind of touches what builds the trust. So we're experimenting with agents, but not in a way that loses our brand.

**Christen:** Okay, so you're concerned with the distancing yourself in that personal touch.

**Wallack:** It's like the difference between Apple and Microsoft. So we're very concerned about the way that our customer is touched. So we're talking about learning with the customer. What we do on an annual basis is we call together, and we've done this in all five entities that we have live right now. We call together a group of 30 or 40 customers and 30 or 40 of our employees, and we spend a day with them harvesting a sense of what it is that we're doing right, and then get that group of people to sit with us and analyze the data with us. And what we find is it's all about the touch. We treat people like family. We treat everybody as equals. One thing that was odd that we found is that we bring a lot of discipline. Our customers love it, and it changes their behavior, and they bring it back into their household. So they value the touch a lot, and we're … I mean, I see that there's a tension in that what we've done may not be appropriate in every situation, but for us, we're very, very wary about the quality of the interaction.

**Christen:** What strikes me is really interesting about what's coming out here, and then I want to get back to the gender thing, Dave, and whether this is something that you've found that you need to deal with women differentially in any way. Because I want to get back to that in a second. It seems to me there is in this whole conversation about where to go, some sort of really interesting conversation about high touch, and how you saw the cost of high touch, it sounds like, is real deep market penetration. If you say you've got 80 or 70% of families in an area interacting with you, I don't think any of the classic microfinance institutions come close to that. They're just picking certain client groups, and ignoring vast sectors. When we look at the client segmentation, you see most microfinance institutions don't do casual labor, don't do day labor, they don't reach domestics, low salary municipal workers, they don't reach small farmers. There's large numbers of people that are just not part of the way a lot of institutions think. And it sounds like you would service them just fine. You're not focused on sort of certain kinds of economic activities. So that's really interesting to me that there's a model of just extreme penetration that works out financially versus so many of the other conversations we hear which is, let's go digital, let's dramatically reduce the transaction cost, and then those models are running right up against this issue of the relationship, and do we lose … you know, we need more on the origination, which you were talking about, Mary Ellen. It's not enough to just offer the low cost transactional service. Something else has to happen. And the literacy thing, Bob, right?

**Annibale:** That's right. Clearly, the financial literacy has to be there. I mean, for any of the providers, the work of my colleagues on the foundation has been long around that financial capability. Are people in a position to make good choices when they have access? So that's critical that we have a very responsible, and I think Claudio, everyone brought that up. The quality of service, and the appropriateness of the agents is so key, whoever those agents are. But what I think is important about when you get beyond the footprint, and where you can physically reach clients as a bank, for which, in most of the countries we're talking about here is when they get out of the cities, they're not really, they don't have a first person relationship. But the agents or the partners you work with have to already have a trust and a familiarity with the client in that town. Whether they are retail shops that they already have a long relationship with and work with, or they are an IMFR trust or an equivalent, we need to be sure that that agent relationship is able to establish, and to be trusted, and delivery the quality because they're your extension of your own service. Building the platforms though for low cost, high volume is critical. Nobody is sitting in a village waiting for the phone company to come down the road with a land line anymore; nobody wants to be told they can buy generators and be efficient and sustainable. They want to be on the national grid. And the truth is, for the populations we talk about also, we need to put them on the financial national grids of all these payments and platforms. However, how you then get plugged in, who works with you on that and gives you the right access and service, is critical. But we need to do both, and they're not exclusive. I don't think we do one and not the other.

**Wallack:** As much as I'm talking about the touch, we're very, very obsessed about driving down costs, and we've invested enormous amounts of money in technology, not just touching the customer, but also connecting with partners and trying to drive paper from the process. And that's been crucial for us as much as the touch.

**Christen:** So I'd like to get to one more kind of issue, as we're sort of getting to the point where I'd like you all to make some comments and add to this conversation. And that is use. You know, oftentimes we talk about getting to the client, right? And we talk about product design. But one of the things that we had in our sort of prior conversations to this panel, were sort of, okay, and so we opened five million accounts, and that we discover only a million or half a million are actually used. And Mary Ellen, I know that you spoke, you worked a little bit on the usability end of things. Could you comment on that, and then maybe Dave you could also see whether this relationship, how you think of usability, and the use of a product, and this relationship. Because it was clear to me that you get into a relationship with high touch, but then how does that affect use? Mary Ellen?

**Iskenderian:** Well, I think one of the factors that we've seen that's been a huge contributor too, that usability plays into this earlier conversation, which is that the whole notion of doorstep service, of really … you know, it's one of the oldest concepts in microfinance, bringing the bank to—I think Claudio mentioned it yesterday in his presentation—bringing the bank to the client is every bit as valid today as it has ever been, and is a huge driver of usability, whether it's this "BETA" friend that I mentioned in Nigeria or whether it's work that we've recently done with SEWA, that are the masters of doorstep banking. We're running into very high dormancy on their savings accounts because, as Monique mentioned earlier, the very highly trusted agent, that was going and collecting deposits had as little financial literacy as her client did. And so a lot of our work with SEWA has actually been in that sales force training. We developed little mini videos that you can show on an iPod Touch, that tremendously educates the sales force, but that the sales staff can play to the client, and we've seen actually incredible numbers, 74% decline in dormancies at SEWA bank in which that's a huge way to drive down costs, is that once those accounts get opened, that they get used and they're not just left. And just the one other thing I point out, it's come up in a couple of the conversations, is the language. We saw in Nigeria that ten digit identification numbers was the most off-putting thing. Secret number, take money, put money, give money, as opposed to "deposit, withdrawal." So even though they aspire to be banked, they didn't necessarily want that "bank speak." So I think the way we talk to our clients, as well as listen to them, is important in terms of usability.

**Christen:** So Bob, yeah, you guys in the retail banking world have all sorts of usability.

**Annibale:** Yeah, there's nothing worse than having very robust programs for origination, and then having no usage. I mean, one, you have to think about, did you originate with the right client, did you deliver the right product? You might have convinced people of the merit of the product, sold the product on all sorts of merits for which I think if even SEWA found that, for which it is just totally immersed in those clients, very specific segment. You know, if you looked at a heterogeneous large provider of financial services and any national bank with millions of clients, you clearly can't do that. You can't dig that deeply.

But I also think we risk all the time taking the products we have today and simply trying to repackage them a bit and deliver them to the vast majority for whom it was not designed, and the product was designed 20 years, 30 years ago anyway, and it's a pretty boring product even for youth today. Most youth aren't that excited when you say, "Do you want a passbook account, or savings account?" I mean, it just doesn't do it. It's not how they transact or view money. And the more we think about that, I look at something in the US and I kept thinking, well it's a model. The regulator likes what is called a transaction account that's checkless and all this. So I'm sort of taking what's there and clipping off pieces. The truth is, what's the selling point of that is, is a debit card and it's better than your prepaid card. Because if today all you have is a prepaid, but you wished it could do this and this, that's where I should start. It's what your need is, and what you have today, and how am I improving that? Not that there's this other thing out here, completely different, that we packaged 30 years ago and I'm trying to make it convincing that you should save long term only.

**Christen:** Yeah, take it to a new segment now.

**Annibale:** I mean, it's a very different process of education that we need to do to get people to save. And then the kind of work that Mary Ellen and others do helps build that knowledge of how to do that. But we need to take the product also and start with something that's compelling to today's need, and what are you enhancing or replacing? And that's why the payments platforms work too. People are moving, as we heard, billions and billions of dollars domestically from the city to the rural areas every day, and they're moving it in physical cash. Can you make that faster, safer, more private, less costly? If you can, that's a big first step. Because someone who has that is going to look for more. Somebody who has a mobile doesn't just make a call, they learn to make a text. And after text, they look at a map, and before you know it, they look at multiple, "what else can I do with this?" And so I think we need to start with very much the client discussion of what is someone doing today that we can enhance and make more efficient to save, and off of that, continue to build with the client knowledge that those who go deepest into this segment, and we with humility as banks—and maybe I'm the one big commercial bank on the panel—with huge humility have to say, "We don't know." We don't know as well as others do. We're working with others." How do we then add value over time, because I think we can work the wrong way around if we just start with the product, and especially one that's been a legacy even for our mainstream clients today.

**Christen:** I see you nodding, Dave. Is this kind of the way you guys think, too?

**Wallack:** Yes, for us, we're looking at segments. Like, for example, retail. And for us, we spend a lot of time both looking at data, but also doing a lot of qualitative work to get into the retail shops almost without starting with a product, but really just starting to try and understand how are they approaching their business and where can we insert ourselves in. And we kind of take it for granted, but when we look at the segments like retail, I mean, for us we're looking not at the product, but what's the constellation of products, or I guess that's the solution, that we're putting around this customer. And before we let it out into the field, we've got a couple of frames that we're putting it through. The first one is, is this product … so for us, a lot of what we come back to is what's the, we call it the "risk adjusted MPV" of this customer? And by adding a product to this customer's business, and this business could be that they're raising three kids. So it's not necessarily just tightly microfinance. But adding this product, is it improving the value of this customer's life? So for us, the loan, and the insurance, and the remittance, might all be one constellation that we're putting around the customer, or payment systems in terms of a retailer.

**Christen:** So as we get the microphones ready, I know that we're going to go to comments now. My impression to your point, Bob, that one of the reasons why M-Pesa is so successful, I remember being in the region at the time, was that everybody has these prepaid phone cards, and there was a robust business going on of discounting airtime. And I was in Tanzania at the time, and folks in Dar es Salaam would buy a thousand showings worth of airtime, send the airtime to the family member in the village, who would go and sell it to an airtime salesperson who would apply a discount of about 20%. So this informal trade in basically remittances through airtime, prepaid airtime sales, was a big thing in Tanzania at the time. And so it would seem to be just begging for sort of an M-Pesa kind of operation to come because you could do the same thing as Safaricom at a fraction of the cost. Twenty percent is pretty steep fee, right? So that's kind of to your point of looking at behavior that's already there, and figuring out how that could be tweaked or brought in, right?

**Annibale:** I think Ideas 42, Piyush plays at behavior. Mary Ellen is right there in saying of that segment of women particularly looking at a certain need, in a particular area where they will prioritize the spend or focus, right? Their children, health, maternity issues. We need to have the platforms and then communicate through the strength of it opportunistically in the sense of reducing people's costs and addressing a need. And when you go back to your client, the discussion of need, some of us may be better at the plumbing at some stage, getting those platforms built and out there, and reducing major costs. But then to fine tune it through those that have the contact, touch point, we need to always have a compelling starting point with people because everyone is prioritizing. And you know, coming through generically doesn't do it.

**Christen:** Thank you. So let's open up to some comments, questions. Let's keep them fairly brief so we get a lot in to kind of get your sense. We're sort of getting halfway through this symposium. There's been a lot put on the table. If you have something you would like to add to the conversation or a question you'd like to make to the panel. Just raise your hand, and I would prefer for the moment, I'm sorry, but because of the technology, to start with some English, and then we'll sort out French, because we don't have the technology for the French. Please identify yourself, and keep it brief.

**Tezera Kebeda Bekele:**

My name is Tezera, I am from Ethiopia, from the very rural area. I am highly privileged to be here among this big group. I am a practitioner in microfinance. It's really a great time to think about financial inclusion. There are a lot of organizations, microfinance institutions, but very few have bigger size. The bigger in number microfinance reach only significantly lower population while a lot of people need finance plus. For me, financial inclusion should not limit itself only for money and in finance alone, but the poor people need money management. Financial education is very critical, but nowadays, donor organizations are running toward these big institutions that have generated huge pure profit. Profit alone doesn't necessarily mean that we are reaching the very poor. That doesn't justify it. I want to hear on this, and the other is my concern. You know, in this financial inclusion, money management and the other is technology is coming up.

**Christen:** Okay, thank you. You're going to need be short.

**Tezera Kebeda Bekele:**

The management information system, is it less costly? Thank you.

**Christen:** Okay, yeah, we need to keep these comments and questions quite short so we can get a number. Thank you. So financial education, profits, is technology the right place to go?

**Ruskiyat Badmus:**

Good morning. My name is Kiyat. I'm from Nigeria, and I have a question for Mary Ellen. The numbers you have for the "BETA" account has touched two thousand clients in some months. I just wanted to find out if that was just basically for Lagos or it was for the whole of Nigeria?

**Christen:** Kim, I think you have a question or a comment?

**Kim:** David, this is for you, which is, it seems like your model rests on the idea that you're looking at the comprehensive needs of the household. What happens if clients start to substitute with either competitive products or do it yourself products? How do you readjust the MPV and how do you further manage that relationship?

**Wallack:** Many places we're already serving, we have clients who are doing exactly that. And we've taken a call and have built technology to support us if somebody is involved in a chit fund or if they're taking a loan from a microfinance institution that's in one of our markets. We'll just add it into our system and have that conversation with them. And what we're finding at least in the markets that we're serving, and this may be an artefact of where we are, is that our clients are treated so poorly most of the time by every other institution that they'll happily deal with us even if the interest rate that we're charging is a little bit higher, or if they have to walk a little bit further. So we're trying to make, and it's interesting to listen to the conversation today. But we are trying to make a case on service, and the respect that we're giving to the client.

**Christen:** Thank you. You had a question on Nigeria. Very briefly, give it a response, and we'll keep moving.

**Iskenderian:** The project so far is just in the pilot stage, and so those results that we had were rolled out at just four branches—three in Lagos, one in Kano—and we are looking to roll out nationwide. And I understand that there will be significant product attribute changes that we'll have to look at as we move into the north.

**Theodore Albright:**

Good morning. My name is Theodore Albright. I'm from Opportunity International. This is a question for David. You've spoken greatly about client intimacy, and you've spoken about the depth of your relationship. What I wanted to know is how have you scaled up? Have you scaled up? And if so, what are the numbers? Because it looks like it's a lot of hard work.

**Gerhard Coetzee:**

Good morning, I'm Gerhard from South Africa. I think the whole panel can react to this. From Dave's very intensive interaction with clients to more slightly lighter touch with the "BETA" agents, whatever, staff, and the empowerment of staff, and the training of staff is extremely important. Maybe your reflections on this, and in your reflection, cover the whole area from regulatory compliance in terms of what staff have to be registered, as in some settings, for advice, versus just explaining a product, versus selling a product, and empowering clients. I really appreciate that, thanks.

**Christen:** Why don't we take on that fairly briefly there. The question here from the gentleman from Opportunity and then take on the training thing briefly.

**Wallack:** Okay, so we've hit a scale of about 180,000 households, covering approximately 220 branches in five states of India. Over the course of the past year—and of those branches, our longest vintage branches are all profitable. And of our five entities, two of the five entities that are longest vintage are now profitable as well. As a group, over the past year, we've started to get external investment not from social investors, but more from mainstream investors. So we're looking at the business as that we've spent the past five years getting to the point where we can try and prove the validity of the model. And obviously, even talking about it now, there's kind of a question about, okay, could it possibly work. So five years when we started, those questions were much more intense. So a lot of what we've done in the past five years is try to really conclusively answer those questions, and now we're looking at entering a period of scaling up.

**Christen:** The training.

**Annibale:** Yeah, I think Gerhard's absolutely right in that the selection, and it came up in a number of yesterday's discussions, of agents is critical. One is the regulatory, of course. There are countries, India and many others that have put out specific acts and regulations for business correspondents. There were, you know, many, many countries, you cannot open a bank account except in a branch of a bank, and seen by a bank employee. Having that translated into an agent was important because otherwise we were physically trapped by our own employees and branches of whom you could open an account. And that was very much the case in the US and other places as well. It was very difficult to do banking outside of an employee seeing them. And with the new, you know, know your client, and anti-terrorism acts that have come about, that's actually intensified in some places. So the regulations are critical. The other is, your whole reputation is there through this agent and the interaction with that client. If the agent is in any way inappropriate in selling other products, cross-selling or otherwise, it's just as though it's happening from one of your employees, certainly in the eyes of the regulator, and I think in the eyes of the market. So where we've had agents, in Mexico we have ten times as many agents as we do branches. So you know, we have 1,700 branches, and have some 15-20,000 agents now and growing. Now, it's really important that we have groups of those that themselves are heavily managed, and then trained. And that training is very challenging and critical because their staff turn over all the time too, and they have their own needs for training their staff, and it's costly.

**Iskenderian:** Yeah, I guess the only thing I would add is that as we're designing products that do have a particular focus on women, one of the very important pieces of the training is to make sure that staff understands how issues might be different, how they may be making assumptions. We've gone into any number of organizations where staff assume that a husband's name is necessary or a husband's signature is necessary on a loan. It's not in the bank's formal credit policies. It's not required certainly by any regulatory authority. Staff sort of bring their mental models into their approach to the clients. And so dealing with that very explicitly is going to be critical to serving women with products that they can use.

**Christen:** Okay, so I think we're winding up here. Sort of hoped out of this panel just to put a whole series of things on the table. We're going to be getting into depth discussions now on a number of, or a couple of other big projects out there that look to understand clients much more deeply, understand the value proposition to clients, understand product design and the business case. But we wanted this one to be a little more open, and then we'll have time for some other questions afterwards. We have one more. Okay, I think we can do one more question. Please state who you are and … oh, I'm sorry. We have two. Don't keep handing the microphones out. We'll do two, okay, but quickly.

**Diallo Lamarana Sadio:**

*Translated:* My name is Diallo Lamarana Sadio and I am from Guinea in Africa. I thank the panelists for their comments, which are pertinent. But I have noticed that a lot of the examples given are out of step with our experience. This may be due to the different levels of development and technology. But there are a lot of principles that are of course valuable, and which impress us favorably.

I would also like to say that financial inclusion in my sector, rural credit in Guinea, has been very interesting insofar as we only provided credit at the beginning. But when we started providing money transfer services, we saw that it was need felt by the population. With the remoteness of the different regions, and our network, there was a reduction of over 40% of transaction costs. This has allowed us to improve our profitability while improving client satisfaction. Thank you.

**Bernard:** I'm Bernard and I come from Cape Verde. Usually, we agree that good managers, his role comes through acting as a loan officer. My concern is, did anyone here ever used to be a client? So why not think about financial inclusion that has a goal to make clients to be one day manager or CEO of practitioners? I mean, clients to come and design products themselves? Thank you.

**Annibale:** I can just give an example. I think where that happened in many markets was with the cooperative movement. I think the cooperatives in a number of countries and in Latin America, of course, and agriculture, and in Francophone Africa have been a member organization, and an organization where the leadership very often came from the membership in the past. And certainly, it was in Europe as well. So I think the cooperative movements in many ways are an expression of how clients group together, and then eventually, and run an organization.

**Christen:** Yeah, I think also one of the things that you're hearing I think now from a number of the people who have been speaking is that while clients may not be necessarily on a fast track to being the managers of an organization, I think what everyone is saying, or a number of people are saying is that having a deep and real learning from the experiences of clients, having them involved in that two-way conversation, being with them in their lives and their financial lives is absolutely key to understanding how to be of service. So I think that's a big change. I think that's a big difference from the way the community has behaved and thought about things up until now. Thank you very much, all. I appreciate it. (Applause)