



## **The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center**

July 19 – 20, 2013  
Turin, Italy

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.

## Welcome & introduction to the symposium

*Challenge to address: Our goal should be to provide families with all the financial services they would find useful that we can offer on a commercially viable basis.*

**Welcome:** Reeta Roy - President & CEO, The MasterCard Foundation

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

**Moderator:** Ann Miles, Director of Financial Inclusion, The MasterCard Foundation

### Ann Miles

Good afternoon. My name is Ann Miles and I'm the Director of Financial Inclusion at The MasterCard Foundation, and I'm really pleased to welcome you to the first MasterCard Foundation Symposium on Financial Inclusion. We've organized this in partnership with the Boulder Institute, they've just been unbelievably working night and day for the last couple of weeks, when we decided to set the symposium within the context of the three week Boulder MFT training. So we asked them to do a lot, and we thank you from the bottom of our hearts.

This is the first in a series of five symposia which we will hold annually. And I think Reeta will speak to this more when she follows. Today and tomorrow, the discussion will really focus on how we can design collectively, all of you here in this room, how we can design and deliver more effective financial services for poor clients on a sustainable basis. The theme of "Clients at the Center" will remain at the heart of the symposia series. We will keep coming back to this, this year and the next four years, and we look forward to learning and engaging with you in this set of conversations which will inform our collective action to promote financial inclusion to improve the lives of the poor. To get us going, I am really pleased to introduce my boss and the CEO of The MasterCard Foundation who will provide opening remarks, and then she'll be followed by Bob Christen, known to most of you, all of you in this room, as the President of Boulder Institute, and really one of our closest thought partners. After his comments, he will quickly take us into the first session, and the two of us will sort of be emceeding throughout the course of the next day and a half. So you'll see me popping up and down a lot to keep us on track. So I encourage you to really engage with us in what I think will be a very interesting and dynamic conversation, and I'm really happy to see you all here, and I hope—I don't know if I can meet every single person in the next 72 hours, but thankfully, I know many of you already in the room. So thank you for being here, and Reeta, please come up. Thank you. (Applause)

### Reeta Roy

I'm very grateful for the podium, but most importantly I'm very grateful for the little step. Otherwise, I wouldn't be able to see all of you. Good afternoon everyone, and on behalf of The MasterCard Foundation, on behalf of members of our board who are here on my team, on behalf of our team, we've been working so closely with Boulder Institute and Bob, welcome. Welcome to this Symposium on Financial Inclusion. As Ann mentioned a moment ago, this symposium is going to be focused centrally on clients. Now, all of you, all of us here, know that there are 2.5 billion people, adults, who are unbanked, and they represent close to half the world's working adults. And the majority of them earn less than two dollars a day. So when Bob and our team began a conversation about how we would put such an event together, we asked ourselves some very, very basic questions. What is financial inclusion? And for whom? And for whom will it matter the most? Today's conversation is about gleaning insights from the

aspirations of clients, glean insights from their inventiveness, to manage the complexity of their financial lives. And most importantly, challenging ourselves about how we respond, respond with products and services that are appropriate, relevant, accessible, and which can be delivered at scale, at a scale which actually meets the challenge of the need. Our vision for this symposium is to create a very inclusive forum to curate conversations which benefit from diverse perspectives because that is what it's going to take to meet this challenge. This is why I'm just so thrilled to look out and see this room. We wanted to ensure that we had not only seasoned practitioners, and people who were grounded in the realities of some of the operational challenges of delivering financial services to the poor, but people who come with passion, who come with rigor, and people who are also unconventional problem solvers. That's what it's going to take. This symposium is about looking at intriguing models; more important, sharing and discussing models that are working and how we can take them to scale. Over the next five years, as Ann alluded to, we hope that this forum grows to be one where it is all about clients, it's all about delivery, it's focused, it encourages a debate, dialogue, but most importantly, it inspires us to action—action around delivery.

Now, I know that many of you know the Foundation, and you know us well because we work with many of you. But there are some of you who may not know us as well. So I'll just take a moment to talk a little bit about our story. The MasterCard Foundation was created in 2006 when MasterCard Worldwide became a public company. At that time, they did something extraordinary. They took a percentage of the wealth from that IPO and they created this Foundation. They created this Foundation with a specific mandate to focus on poverty alleviation. They did even more than that. They gave us a powerful name, a household name, and most importantly, they set it up from the beginning to be an independent, separate organization from the company. So we have an independent board, a distinct management team, which is completely separate from the company, and this independence gives us the freedom to focus exclusively on our vision, and that is a vision where we create a world where all people—all people—have the opportunity to learn and to prosper.

The Foundation's work centers around two core areas. First, creating opportunities for young people to get an education, to have learning opportunities, so that they can become productive not only economic citizens, but just productive citizens and make a contribution to society. The other part of our work focuses on expanding access to financial services to the poor. Both of these elements are so fundamental to realizing individual potential, to actually tapping individual agency. And so when we approach financial inclusion, it's not unlike some of the questions which I posed earlier, or some of the questions which all of you face: How do we expand, extend, and create greater depth in terms of outreach for products and services which are meaningful to the lives of people who need them most? We began most specifically by trying to understand the needs of clients, whether those clients are farmers in rural Uganda, whether they're young people who have never had a chance to go to school, but who need to earn a living to help their families in an urban setting. It's about understanding needs, it's about segmenting clients, and better appreciating their challenges. Much of our work and partnership with many of you is about testing new products, new services, testing alternative delivery channels, and taking what works to scale, which is the other core component of our work in this program area. We are working with a range of institutions, a range of methodologies, some formal, and some informal. But the focus is on extending those services, again, to the people who need it most, whether it is innovating, or whether it is scaling, all of our work comes back to learning. We resource these projects, these partnerships with a very, very strong learning agenda because we are very keen, just as all of us in this community, to build the evidence base about what works, what doesn't, and why. And once we have that information, what is key is sharing that learning, and having a conversation

about what we do with this information so that we create a multiplier effect. And that brings us squarely back to this symposium.

We're really, really thrilled to be working with outstanding partners, but we could think of no better partner than Bob Christen. Bob is a seasoned practitioner, but he's also a very, very astute observer of this space. And one of the things I've come to appreciate about Bob is Bob is comfortable asking the most uncomfortable questions, which is a very, very important thing to do. It is your gift. And so over the next two days, and over in the years to come, we hope that this forum becomes the meeting place for all of us to talk about what matters most in the mission around financial inclusion. We hope that you find the agenda enriching, stimulating, you take the time to think about these issues, to ask questions, to have a dialogue, to provoke, to push the envelope, to push the boundaries of our own imagination of what's possible, but to always come back to mission and to think about how we're making a difference for clients. So thank you, and welcome. (Applause)

### **Robert Christen**

You know, it was really hard trying to be organized this morning because so many of us know each other, and it's very hard not to say hi to all you dear friends who have come together. I would like to thank Reeta and The MasterCard Foundation board for supporting this event. We have high hopes that this group can generate some energy around this topic, and we'll talk a little bit more about it. We not only see this as a first of a series of events, but hope that maybe this is a way to coalesce industry in the financial inclusion for the poor sector, to cull this energy around this topic, and start to be a real community of practice that enriches itself and nurtures its growth.

The objective is to focus on how we might provide the next generation of useful products to poor clients. We've done great. We'll talk more about that later. But our challenge is: can we do more? We have tried to bring together you the community of individuals and organizations who care deeply about inclusive finance, and have concrete experiences the kinds of innovations that might take us to the next level. We're going to use the first session this afternoon to frame the conversation, talk about innovation, talk about inclusive finance, try and get in the mood if you will for the challenge ahead of us. Then, we have a couple of panels that are going to talk about where we are with respect to financial inclusion, and sort of center on what are insights about what poor clients are really looking for in formal financial services. We all recognize in this room, of course, that clients use a vast array of informal mechanisms, and our challenge and our desire or belief is that we can actually improve their ability to meet their family goals by designing the next generation of financial products that will be so much more helpful in so many different ways than perhaps some of the more simple products we've known and grown to love so much. Tomorrow, we're going to get into a series of conversations that are a little more in depth about some of the bridges being built between the folks doing a much deeper dive, and getting a much better understanding of clients, new kinds of products or variation on products that work for providers. Always the bridge. Get from understanding clients to work on a product design that works for institutions. It has to go the whole way, right? We can't just understand clients. It has to be the whole path, right? Then, we're going to end the symposium with a significant session that's built around the feedback you're all giving us throughout the sessions.

As Reeta said, we see this as the first of a series, and so we're going to do some perhaps some unusual things in that we're not going to have lots of questions because that means that three or four people ask questions. We're really interested in getting feedback from almost all of you all the time. Okay? Because

that will help us shape the future direction of this conversation on the basis of you who have been specially invited to join us. We're really interested in the feeling of the whole, and your individual contribution. And so we're going to have a series of mechanisms to pull that out through the plenaries and hope that a lot of the rich conversation happens outside. We're providing nice, long breaks for folks to spend a lot of time with each other, hopefully talking about what's going on up here.

We designed the event to put a lot on the table. We're hoping that you'll find the conversation up here very stimulating, that it will be provocative, that you will go home with new information, but also some questions and that your conversations out in the hallway will be really interesting. So not only do we want you to get a broader conversation going, but we also hope you're stimulated with the sorts of ideas that are challenging maybe the way we think.

So, we'll talk more about how we're going to get some of that feedback along the way. Kind of to wrap up this little part, I sort of like to think about where we are today in three stages. When I came into the field, it was sort of ending the first stage. The first stage was coming out of the old rural, integrated, development projects of the 60s and 70s where we kind of tried to be helpful with all sorts of services, training, technical assistance, and market studies, and credit. By about 1985, we'd kind of come to what we popularly call the credit-led model, right? Where we sort of stripped away everything else and said, "This is what clients really need. They need this microcredit thing. All this other stuff isn't proving to be something that's so powerful in their lives."

So what were the key breakthroughs? The key breakthroughs were, when I came into the business, it cost three dollars to lend a dollar. Repayment rates were atrocious, and programs were tiny, insignificant. By the end of that period, sort of about 1985, we had broken through on a couple of things. Our costs by being credit-led, and unloading all the other institutions, costs were under a dollar, maybe 60 cents on a dollar. People were actually repaying loans because you could afford staff to go out and get the money back. And the opportunity for sustainability arose because, instead of working with rural farmers, you know, the programs were growing out of institutions that were interested in the informal sector in cities that were in markets, and little buying and selling activities that permitted a much higher rate of interest to be charged that could then form the basis for sustainability, and you start to get reflections on, you know, maybe this activity is something that could not only be sustainable and grow. That's sort of the version one.

Version two was following two decades. Sort of from 1985 to 2005, something like that. What really happens is we build the field as we know it now. Right? The sustainable microfinance field with a couple hundred million clients, with all the mesa level infrastructure, for funding, sustainable institutions. We've gotten to a point where the largest sustainable and profitable institutions dominate the number of clients that are reached in particular countries. We have a very robust institutional platform that by and large is fairly mono-product, right? There's generally no institutions built on the back of a single approach, and that's great, right? Because we now have an installed capacity, if you will, to do great things. To me, that's sort of version 2.0, the building of the infrastructure of financial services for the poor. And what I'm kind of suggesting to you now is, it's time to move into version 3.0, which is now with that infrastructure, and with the insights gained about poor clients and their financial lives, can we move on to a next generation of financial services that are just much more useful and helpful across a broad variety of kinds of activities, or kinds of products that help poor families organize the things that are most important to them in the same way you and I all use a variety of financial tools to achieve the

goals that are most important to us. They have the same goals as we do, although they have a few more, right? Like, in some cases, having enough food to eat.

To me, this is the next challenge, right? The next challenge is, can we now really focus on how to be helpful to clients? What we did was great. Now we have the institutions that have much more capacity to innovate, although they may not have the inclination always. That's the biggest challenge when you've gotten really good at one thing, right, is to figure out how to do something else.

So in closing, I'd like to use a story that some of you have probably heard by now. But it's okay. I like telling it. One of my staff at one point was in Nairobi in Kibera. But I think you've all heard of M-Pesa, right? If there's anyone who hasn't heard of M-Pesa here, you're probably not reading *The Economist*. You know, that mobile money thing, send money home, right? So, he was talking to a young man, probably 18 years old, and who was going into M-Pesa, and he said, "What are you doing? How do you use this?" And the young man said, his name was Nelson. He said, well, Nelson worked on the buses selling about two or three dollars a day worth of merchandise and then restocking every day. And he was coming in to drop off a dollar. And he went on to say that he wanted to be a mechanic because he thought that would be a better life than working on the buses selling razor blades and candy. And he had in mind a school that would charge him \$230 toward the course to become an auto mechanic, which would of course open up great possibilities. He was pretty optimistic when he talked to our staff, and he said he'd been able to save most days that he worked. So my question to you is, what do you think the chances are that Nelson could save 232 days in his mattress, in the mud bank, in the rice bin, wherever else? What are the chances he'd ever get to his goal? Probably not very great, right? I mean, something is going to happen along the way of 232 days, and if that money is too easy to grab, he's never going to get there. We agree? We agree, right? So do you know that it costs your average retail banking institution about a dollar every time someone stands in front of a teller window? That's the distance. The challenge of helping Nelson strikes me as the kind of challenge that we ought to be thinking pretty deeply about. Nelson doesn't need a student loan. Nelson is pulling himself up. What Nelson really would like, and we don't know how to provide I don't think yet, is he'd like a place to keep his dollar every single day. To me, that's kind of the really interesting challenge of the next generation of client-centered microfinance. How can we understand at that level of people living down under a dollar a day, under two dollars a day, how can we understand how to be most helpful to them achieving their goals? But anyway, that's just kind of what I wanted to introduce and put the focus on.