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

Day 1 ~ July 16, 2014

Welcome and Introduction

Roger Morier ~ The MasterCard Foundation

Good morning. (Says good morning in several languages). Welcome to Turin. Welcome to The MasterCard Foundation Symposium on Financial Inclusion, and it's organized in partnership with the Boulder Institute of Microfinance. My name is Roger Morier. I'm a Senior Communications Manager for Financial Inclusion at the Foundation, and it's my honor to be your Master of Ceremonies for the next few days. We're going to spend the next three days learning from each other, sharing experiences, and advancing as far as we can on this road of financial inclusion.

Now is the time to introduce the co-hosts of this Symposium. They're here to formally welcome you, and they will offer some thoughts on where we are today in the world of financial inclusion, and where we might be heading. Many of you know these two co-hosts very well, but I'd just like to say a few words about each of them. Bob Christen is the President and founding member of the Boulder Institute of Microfinance. He currently holds the position of Professor of Practice at the Maxwell School of Citizenship and Public Affairs at Syracuse University in New York State. And of course, as we all know, Bob has had a prolific career advancing the work of financial inclusion at leading institutions around the world.

Reeta Roy is the President and CEO of The MasterCard Foundation. She's also a member of the Aspen Philanthropy Group and the World Economic Forum on Social Innovation. Reeta has spoken before a wide variety of fora, including the UN General Assembly during the International Year of Youth, and at the Clinton Global Initiative. She's a passionate advocate, and she works to ensure that all of us at the Foundation are focused 100 percent on the people we serve. So please welcome Reeta Roy first, and then Bob Christen. (Applause)

Reeta Roy ~ The MasterCard Foundation

Good morning, everyone. Bob, thank you very much for your partnership. I'd like to recognize two members of my board who are also here. Jim Leech—Jim, will you wave? And President Festus Mogae from Botswana. I'm very, very delighted that you are here. (Applause). It's great to see so many nice faces, friendly faces, and certainly faces of partners we have worked with. So friends and colleagues, welcome. Welcome to The MasterCard Foundation Symposium on Financial Education.

I'd like to begin with a bold statement. This Symposium might be the most important event you attend this year. Why? Because putting clients at the center, that very theme of clients at the center will be game-changing. It will be game-changing for all of us who are working to advance financial inclusion. So what does this mean? At its core, it means placing clients at the center of business strategy, at the center of operations, and providing them the products and services that respond to their needs, to their behaviors, and their aspirations. It will require listening, listening to people, understanding the context of their lives, figuring out their needs, and taking those insights and translating them into products that are truly relevant, affordable, and accessible. At a very profound level, it will mean daring to trust—daring to trust the people we serve and thinking very, very hard about the value we're delivering to reduce their vulnerability and to help them achieve their goals. It will require a mindset shift, a mindset shift. But yet, the rewards will be great because getting it right for clients will actually instill their trust, their confidence in the formal financial system, which simply does not exist today.

I'm so pleased that Daryl Collins will be joining us over the course of the next few days. She has done such pioneering work with The Financial Diaries to reveal the complexity of the financial lives of the poor. We need to build on this momentum. This is why this Symposium comes at the right time. The landscape is changing, mobile telephony is shifting how clients interact with service providers, and service providers are also changing. In a few years time, they may look very different from what they look like today. They could be retailers, technology companies, startups. Regardless of who they are, they will have based their competitive advantage of understanding their clients and they would have been there first to address those client needs. So for some of us, putting clients at the center may represent a wild departure from how we work today, and yet in a changing world it's so important that we change along with it.

At The MasterCard Foundation, our vision is for a world where all people, all people have the opportunity to learn and to prosper. So for us, we want to work in a way that creates impact, and we believe that impact will only be achieved if we truly respond to the needs of the people whose lives we want to improve. So our own ethos drives us to listen, to elevate the voice and the views of clients, and to constantly look for ways to better understand what clients value. So for example, we work as some of you may know, quite extensively with young people, whether it is to provide financial services, education, and training. And in those programs, we actually go out and solicit the viewpoints of young people. They review proposals, they participate in evaluations.

As you know, financial inclusion is a major priority, it's a significant area of work at The MasterCard Foundation. Today, we've committed nearly $400 million across 130 institutions in 20 countries in Sub-Saharan Africa. We work with wonderful partners, many of whom who are here today, like Opportunity International, or One Acre Fund, IFC, BRAC, FINCA, CARE. And all of them, and all of these partnerships, represent a diversity of approaches to ensure that clients have access and are able to use financial services. Moving forward, we will intensify our focus on small holder farmers, and we will expand our efforts to finance them and enable them to access markets. We will continue to build and invest in client research so that our partners can get close to their clients and actually offer them appropriate financial services.

We're passionate about financial inclusion because we know financial services are powerful, powerful to enable clients to get on with their lives, to actually take care of their families, to feed their children, to plan for the future, to lift themselves out of poverty. We also know that financial inclusion works. We have building evidence thanks to much of the work done by many of you, especially for our colleagues at CGAP, that show direct benefits in the areas of employment, business activity, household consumption, as well as wellbeing. So that's the good news. The challenge for all of us is that financial inclusion is not mainstream, and the consequences for those who lack access can be dire. This is where scale becomes important. We've reached millions of people, and yet the gap continues to grow. And while we're making ground, thanks to many of you in this room, 2.5 billion people still remain unbanked. So we can do more, and we can do more with a greater sense of urgency.

We do need to consider how people access financial services, but we also need to consider how they use financial services. We know that accounts, savings accounts lie dormant. We know that insurance policies are often cancelled. So usage is not as

expansive or as consistent as it could be. We just need to understand why. This is where putting clients at the center can be especially insightful.

So this week, you have an opportunity to make up your own mind. This Symposium has been curated to bring together tremendously insightful speakers, practitioners who are going to impart their own wisdom. The Symposium will offer you tools, it will offer you a network and support to put this into practice. Sometimes, sometimes a magic occurs when people come together, sparks fly. So I hope our Symposium creates that spark—it creates the spark for us to take that big leap which financial inclusion demands.

As we work together over the next few days, I hope you have an opportunity to renew many friendships, to make new friends, but to really consider the whole premise of putting clients at the center. So I want to thank Bob, I want to thank Boulder Institute for a tremendous partnership. I want to thank our wonderful speakers who are going to be with us, and I want to thank all of you. I thank all of you for the work you do. Thank you. (Applause).

Robert Christen ~ Boulder Institute of Microfinance

Good morning, everybody. It's good to see so many great friends, familiar faces. It's a real pleasure, Reeta, to have this, this partnership with you all. I think we've had a meeting of the minds around the clients at the center conversation. It's been just a great privilege to work together these past couple of years. This is now our second edition of the Symposium. It's a second of a series where we seek to deepen our understanding of how to become more focused on clients and how to increase our value proposition for them in a way that makes sense for us as providers, right? That makes business sense.

For a very long time, we have been building an institutional base, and that's been great. That's been fundamental. We have spent 20 years putting in place the architecture with a very limited set of financial products that have been good enough, right, good enough to get to 200 million clients, providing a valued service. There's no question about that. We don't mean to be critical of what we've accomplished at all. But I think there's a feeling out there of many of us that it may be time to enter a new phase that goes beyond the very hard work of putting together the infrastructure, the architecture, of providing services because many of us are operating in countries where it's become

quite competitive, where we're starting to struggle to grow, where it's clear that our clients might want something beyond what we have to offer. It seems as though this might be the opportunity finally to realize a promise of microfinance.

When we came up with the concept of microfinance some years ago, it was specifically to get beyond the concept of microcredit, right? And to recognize that the poor could use a wider variety of financial services than we were offering. It never quite got there. There was still so much demand for credit that we were able to grow for ten years under the concept of microfinance. But perhaps finally—because of competition, because of a number of other factors, great books that have been written that raise our consciousness about the poor and the multiple ways in which they do arrange their finances to achieve their most important family goals—perhaps finally, we are ready to start to look at our business models and figure out a way that we might satisfy a much broader range of both goals and ability to manage cash flows.

One of the most important things that's happened since I came into this field way too long ago has now been the advent of new business models - technology driven business models - that might fundamentally change the nature of the products that we can offer. We can now handle transactions that are so much smaller than before, perhaps in a viable way that makes economic sense, but also in doing that we may be able for the first time to reach poorer clients with certain kinds of products because those technology driven business models—agent banking, mobile money—may allow for us to reach our poorer clients with better services. As that architecture is built and that infrastructure is built, it's up to us in this room, who actually truly care deeply about the poor and helping them organize their lives to achieve their most important goals, make sure that that infrastructure as it's built truly serves the smaller villages, the poorer neighborhoods, the folks that we have in our mission included. Right?

And so I think that's the challenge. So much of the financial inclusion space at large is about a general population getting connected to the financial system, the banking system, a formal economy. And I think this community probably needs to ensure that as that work proceeds, it's also very relevant for poorer people. I think that's what brings us together.

Now, as we look at thinking about client-centricity, I think there are three areas that we could probably improve on. One is I think we can make what we do better. We can look at tweaks, we can look at behaviors, we can look at efficiencies in what we already

do and know how to do. That's a first area that we shouldn't forget. We shouldn't think that client-centricity is rushing off and doing ten new kinds of loans. Let's start with doing what we do in a much more client sensitive way, understanding exactly where cash flows are, exactly what those objectives are that they're trying to meet, number one.

Number two, being very cognizant of client life cycle. You know, clients aren't the same during their whole life span. Right? They have daily things that are really important to them at different times in their life. Whether you're trying to get a kid into a technical school, or whether you have someone die in the family, or whether a child is born—all those things matter and your goals as a family change over the course of your life. We could be, there may be an opportunity to be far more sensitive to the life cycle of a clients, you know, their own life, not their life cycle with us, but their own lives and how their needs and goals change over a whole life, and how can we be more sensitive and understanding what to do with them.

And the third thing about being client-centric has to do with market segments. You know, there are huge market segments that are not part of our normal narrative, starting with farmers, the biggest group of all of people who we don't do a great job of reaching are farm-dependent family, families who derive a great part of their income from farming activities. Right? We have some of them in our programs, but we don't, I don't think we do a great job in the rural areas with people who mostly depend on agriculture. There are two more groups that we almost exclude entirely from the narrative. Casual laborers, day laborers who work on someone else's farm, who work as a domestic in a household, who do all that sort of work that doesn't really even fit our narrative, and low level salaried employees working for a dollar a day or two dollars a day are almost completely excluded. And some of your programs, they get included through groups or members of groups and all, but certainly our narrative, our consciousness doesn't include them because they're not part of that sort of productive enterprise, poverty alleviation narrative. They don't fit so well. So there are huge market segments that we do not consciously target our activities towards.

This year, we have decided to use the Client Journey as a bit of a framework. You see up here some words along with those nice arrows? We decided to try and organize this Symposium and perhaps even the series of symposia to start to work along the Client Journey, trying to focus on the different pieces of a relationship with a client. The Engage phase is about understanding. You know, books like *The Portfolios of the Poor*,

Poor and Their Money, other books that have been available now for so many years, really look at trying to understand the poor and their financial lives, what goes on, all the tools they use, what works in the informal sector, and more importantly, what's not working so well, because it's what's not working so well that provides opportunity for us to come in with a bigger or a better value proposition. If we can't figure that out, then we're in trouble.

So starting with the Engage phase, we're really trying to understand what sorts of behavior people are doing and where can we improve on that through a formal financial product. The Buy phase, number two up there, is really about the decision to buy. It's the decision to acquire, open a savings account for example. It's that moment when somebody says, "Yes, there's a value proposition I can imagine; I like, let me go ahead and buy." The Use phase is whether you do anything with a savings account. You opened it, great. Are you using it? You know, "what are the characteristics of that account that lead you to think that that's something that is useful in your life." And the Share phase is, "I just love this thing. I'm going to talk to everybody I see about it because it's just so fabulous." And that we see in the mobile monies phase. We see the growth of mobile money being driven by that sort of word-of-mouth uptake. People just love it, they talk to their parents, they talk to their relations, they talk to their friends, and this thing takes off. The regular usage is it not only takes off for awhile, but it stays in your portfolio, it's something that you continue to use for a long period of time.

One of the objectives we walked away from last year's Symposium was to include experiences from outside the microfinance community. At times, we can talk to each other too much. Right? We kind of like that. It's fun and comfortable. What we said we'd do this time around was to bring in people from outside, and Leslie Witt who will be our keynote today comes in from IDEO, was instrumental in designing the Apple mouse, to talk about how money companies have made the journey toward becoming more client-centric. And tomorrow Strive Masiyiwa will come in from Econet. He's the founder and the Chairman of Econet Wireless, and he'll talk to us about how they have reached 40 percent of the adults in Zimbabwe in only three years with a mobile money proposition. So he's clearly figured out some things that might be very helpful to us. We've also included 12 workshops in this Symposium that are really about the "how." It's how to do, or how to get involved in figuring out client-centricity.

The second part, or the second feature this year that's a little different is we've included a debate that will be moderated by Kim Wilson—I saw Kim here in the audience, there

she is—about whether or not the future of financial services for the poor will rest in the hands of highly automated, low touch, low relational models or not. And I think that's an interesting proposition to debate.

I'd like to wrap up with a story. Last year, I told you about Nelson. Remember the young Kenyan man who was saving a dollar a day because he wants to become an auto mechanic, and he's only got a dollar a day extra, and he needs $236 to become an auto mechanic. And he was saving at M-Pesa. Today, I'm going to tell you about a different story. I'm going to talk about a meeting we had with the President of a Foundation, with a group of clients of Compartamos some years ago in Mexico under a tree. It was the classic conversation about the microloan and what they were doing. One lady was selling tamales, another was selling Avon. You know. Most of you here have been in those sorts of situation. It was a happy, happy story. Right? After about 20 minutes of this, I asked them, I said, "So are you saving any money?" "No, no, no. The bank wants 1,000 pesos, don't have 1,000 pesos. We don't save." So I said, "Well," you know, as usual there's a bunch of kids running around, right, in these meetings. I said, "When one of your children get sick, what do you do if you need to go to the doctor?" They all grabbed and they said, "Jewelry." Hmm. So what they do is they go to town and they pawn their jewelry for 30 percent to get cash to go to the doctor.

So if you think about that, the poor are using pawn shops as ATMs. Right? The pawn shop is the ATM of the poor person, just like it was in the United States and more advanced financial system countries 100 years ago. That's why savings banks were promoted in the United States 100 years ago because the poor were using pawn shops to get through the week, to manage liquidity, at 30 percent. Then if you think about having the jewelry in the first place, you think they bought it cash or do you think they bought it on a layaway plan a week at a time that doubled the price that you might get if you paid cash. So if you add all that up, what's the total cost of having liquidity when you need it? And can't we do better than that? Can't we improve on that value proposition? That's available in the informal sector, it works just fine, but my goodness. I would think we could do better than that.

And just in closing, I would like to say something. On the one hand, it seems pretty easy to get on the bandwagon of client-centricity. After all, many of us in the room have millions of clients. Aren't we about clients? The question is, are we focused on maximizing the value to clients of our financial services while still making business

sense for us? And are we ready to drive the next generation of financial products for the poor? I hope we are, and I believe, Reeta, that that's the reason we've all gathered here. This is the community that cares the most about that, and I think that's a terrific thing that we've been able to achieve together. Thank you very much. (Applause).

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