

Early Success Stories in Meeting Client Needs

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In developing countries over the past 40 years, a number of successful strategies have been employed to encourage the poor to utilize savings products.¹ The institutions that have had the most success are those with strong management and leadership committed to serving the mass market and with an explicit focus on poor clients that is demonstrated by the products and services they offer, where they locate, and the way in which they treat their customers. They are also profitable institutions, and many have had government or donor support as they grow. The following financial institutions are just a few of those that have had success—as indicated by their size, services, and outreach.

Institution	Savers (millions)	Savings USD (,000)	Saver: Borrowers	Branches ²	Multiple Savings Products	Loans or Other Products	Savings/Loans
Grameen Bank ³	8.3	1,371,000	1.25X	2,564	Yes	Yes	1.5X
BRI ⁴	30.9	4,869,680	6.9X		Yes	Yes	1.6X
Caja Popular Mexicana ⁵	3.5	1,562,000	4.5X	411	Yes	Yes	1.03X
Equity Bank ⁶	4.3	864,000	5.5X	155	Yes	Yes	1.1X
Bradesco ⁷	37	26,000,000	.47X	3,4540	Yes	Yes	1.4X
South Africa PostBank ⁸	11.7	470,000	n/a	>2,000	Yes	Yes	n/a

These banks and credit unions have figured out the key factors to providing savings products to the poor and meeting their unique needs. While these factors of success vary depending upon the institution and the environment in which they operate, those consistently cited as important to convincing poor people to put their hard-earned cash into bank accounts are security, privacy, and trust; convenience and proximity; simplicity and liquidity options; and returns and marketing.⁹

Security, Privacy, and Trust

It might seem like the best way to attract poor clients would be to offer them a savings account with a high interest rate and no fees, but poor customers tend to focus on more than just the financial return provided by of the product itself. They need to trust the institution and feel certain that their money will be safe; they need to believe that their savings deposits will be kept private from their neighbors and family; and they need to be sure that the institution will be around in the future.

Financial institutions can demonstrate security, privacy, and trust through their physical attributes (bricks and mortar), by being subject to regulation, and through the behavior of their staff. For example, ProCredit Bosnia found that physically moving its headquarters to a “better part of town” led clients to see it as a more serious and secure institution. Regulated institutions also engender trust. The FinScope 2009 data show that while only 18 percent of the Ugandan population saves in formal institutions, 57 percent “trust formal commercial banks.” BRI leveraged this trust with improved savings offerings at the Unit Desas, and poor people began to move a portion of their assets to the banks, partly to reduce the security risks of hiding or storing gold and cash at home.¹⁰

Additionally, the size of the institution and its ability to provide a consistently safe experience leads to a virtuous circle of trust, as can be demonstrated by the sheer number and amount of savings that have been entrusted to the institutions that do serve them well.

Convenience and Proximity

As the real estate maxim says: location, location, location. Successful institutions are quite simply located where poor people live, work, and do business. Credit unions, in particular, have always opened their doors in places where poor people live or in structures such as agricultural cooperatives where poor people do business.

However, even a nearby institution may have four-hour long queues, like those found in Haiti and other countries in which employers are essentially required to release staff from work for a half or full day to deposit and collect their pay from banks.¹¹ Banking agents like those of Banco de Credito Peru (BCP) seek to “decongest” bank branches and make cash-in/cash-out services easier for clients. Many institutions, like the co-ops of Nepal, SafeSave in Bangladesh,¹² and increasingly banks in West Africa, seek to offer “doorstep” savings collection services, recognizing that the trip to the bank needs to be as short as possible to allow poor people to save small sums on a daily basis.

Simplicity and Liquidity Options

Poor people demand clarity and simplicity, including straightforward terms and conditions presented in the local language. They also need to be able to get their questions answered and concerns assuaged by knowledgeable, friendly customer service staff. Clients often complain bitterly about how “the bank took my money” due to hidden or misunderstood fees. Equity Bank’s move to “no ledger fees” savings products was not only a clear statement to clients that this confusing fee would not be charged, it gave them a marketing advantage.

Poor people also need access to products with varying liquidity options, which can help them protect some of their funds for future needs but allow easy access to funds needed more frequently or for emergencies. RCPB in Burkina Faso, a credit union that holds the majority of savings accounts in the country, designed a new, restricted-use savings account that solves a particular pain point: the need for funds when someone becomes ill. This health savings account restricts clients from withdrawing without a receipt from a doctor or pharmacy. The account proved so popular that almost 13,000 people have signed up in a little more than a year.¹³ The Grameen’s Pension Scheme complements four other savings products, allowing clients to save as little as \$1 per month but restricting access for either a five- or 10-year term. The account, open to all borrowers and required for larger borrowers, was bringing in \$1.75 million per month at the start of the Grameen II (2002/2003) period.¹⁴

BRI's variable liquidity products result in poor people using different products for different needs. According to Marguerite Robinson in *The Microfinance Revolution: Sustainable Finance for the Poor*, "Some households hold a time deposit account to save for long-term goals, a SIMPEDES or SIMASKOT [liquid] account for routine [needs], and a TABANAS [restricted] account for children's savings."¹⁵ In addition to the fact that poor people want liquidity options (liquid to restricted), it also appears that people who make the commitment to restrict their savings actually save more. Research demonstrates that clients in the Philippines who were offered a restricted savings product managed to save 81 percent more than those who were not.¹⁶

Return and Marketing

While interest rates are definitely important for poor people, clients find value in other aspects of their savings accounts as well. Research at BRI found that only 7 percent of respondents cited interest rates as the most important aspect of the massively popular—and liquid—Simpepedes account. Furthermore, the fact that poor people continue to utilize deposit collectors who take a commission from their savings provides further evidence that earning interest is only part of the overall savings proposition. This is not to say that a positive interest rate is not important to clients. But as many financial institutions have discovered, even offering higher interest rates on savings accounts may not bring in customers.

"By inspiring a passionate culture around its compelling social vision of bringing financial services to the 'unbanked' poor and using IT to scale its high-volume, low-margin business model, Equity Bank transformed itself from an insolvent building society into Kenya's top performing bank, and one of the most powerful brands in Africa."

Columbia Business School; Equity Bank Case Study 2009.

Many banks, notably BRI and many U.S.-based banks, have found that lotteries and prizes can provide an alternative way to reward a client. Additionally, lotteries and prizes attract attention—from the community in which the prize is being drawn, from the local media that may report on a client winning a lottery, and from clients who talk about the prizes with friends and neighbors.

Posters, pamphlets, and lotteries may raise attention; higher interest rates and good locations may attract clients; and easily understood products with varying terms may bring in new savers. But none of these factors alone will keep clients using the services. Successful institutions must have a combination of these factors as well as a continued, long-term commitment to providing savings services to poor families.

¹ It should be noted that savings banks, credit unions, and cooperatives like Sparkassen, Raiffeisen, Desjardins, and WOCCU have been serving poor people successfully for significantly longer than the 40-year focus of this paper.

² In the interest of comparison, agencies, POS sites, and ATM sites are not included.

³ Grameen Bank figures are from its financial report dated September 2010 found on its website at http://www.grameen-info.org/index.php?option=com_content&task=view&id=453&Itemid=527. This report does not disclose the number of nonmember depositors. The saver-borrower ratio is from the Microfinance Information Exchange (MiX), <http://www.mixmarket.org>; the Grameen Bank data is from December 2009.

⁴ All BRI data is based on its latest MiX reporting data in each category. The data is from 2006 and 2007.

⁵ Data is from the MiX December 2009 and from June 30, 2010 data from WOCCU.

⁶ Data is from the Equity Bank 2009 Annual Report, http://www.equitybank.co.ke/UserFiles/File/Equity_Annual_Report_2009.pdf.

⁷ Data is from the Supplemental Information to the Economic and Financial Analysis Report, Bradesco Department of Market Relations, December 2009.

⁸ Data provided by WSBI.

⁹ Interview with Marguerite Robinson on the role of savings in microfinance, MicroSave podcast, <http://www.microfinancepodcast.com/mfp-072-marguerite-robinson-savings-the-core-of-microfinance>; CGAP's "Poor People's Savings: Q&As with Experts," http://cgap.org/gm/document-1.9.2118/47623_file_Poor_People_s_Savings_Q_As_with_Experts.pdf; Marguerite Robinson, *The Microfinance Revolution Volume 2: Lessons from Indonesia*, World Bank Publications (2002); MicroSave Focus Notes, including: Graham A.N. Wright and Leonard Mutesasira, "The Relative Risks to the Savings of Poor People" (January 2001); Leonard Mutesasira, Henry Sampangi, John Kashangaki, Florence Maximambali, Christopher Lwoga, David Hulme, Graham A.N. Wright, Harry Mugwang,

Stuart Rutherford, “Savings and the Poor: The Methods, Use and Impact of Savings by the Poor of East Africa”; and the following as yet unpublished briefs: CGAP Focus Note, “Safe and Accessible: Bringing Poor Savers into the Formal Financial System”; WSBI, “Who Are the Clients of Savings Banks.”

¹⁰ Marguerite Robinson, *The Microfinance Revolution: Sustainable Finance for the Poor*, World Bank Publications (June 1, 2001), p. 264.

¹¹ “Chronology of a \$20 Bill,” UCI/IMTFI, Haiti. <http://twitter.com/IMTFI/status/25925891580>.

¹² Caroline Bayley, “Pioneering Money Management in Bangladesh’s Slums,” BBC News (December 3, 2009). <http://news.bbc.co.uk/2/hi/8388596.stm>

¹³ Bobbi Gray and Ramona McCord, “Microfinance and Health Protection Initiative Research Summary Report: RCPB,” Freedom from Hunger Research Paper No. 9E (Davis, CA: Freedom from Hunger, June 2010).

<http://www.ffhtechnical.org/resources/microfinance-amp-health/mahp-research-summary-report-rcpb>

¹⁴ Mohammed Yunus, “Grameen Bank II,” p. 6. http://www.grameen-info.org/index.php?option=com_content&task=view&id=30&Itemid=99999999&limit=1&limitstart=5.

¹⁵ Marguerite Robinson, *The Microfinance Revolution*, p. 296.

¹⁶ Nava Ashraf, Dean Karlan, Wesley Yin, “Tying Odysseus to the Mast: Evidence From a Commitment Savings Product in the Philippines,” MIT Press Quarterly Journal of Economics, vol. 121, iss. 2 (May 2006), pp. 635-672.

<http://ideas.repec.org/a/tpr/qjecon/v121y2006i2p635-672.html>.