



Advancing financial access for the world's poor

Banking the Poor via G2P Payments

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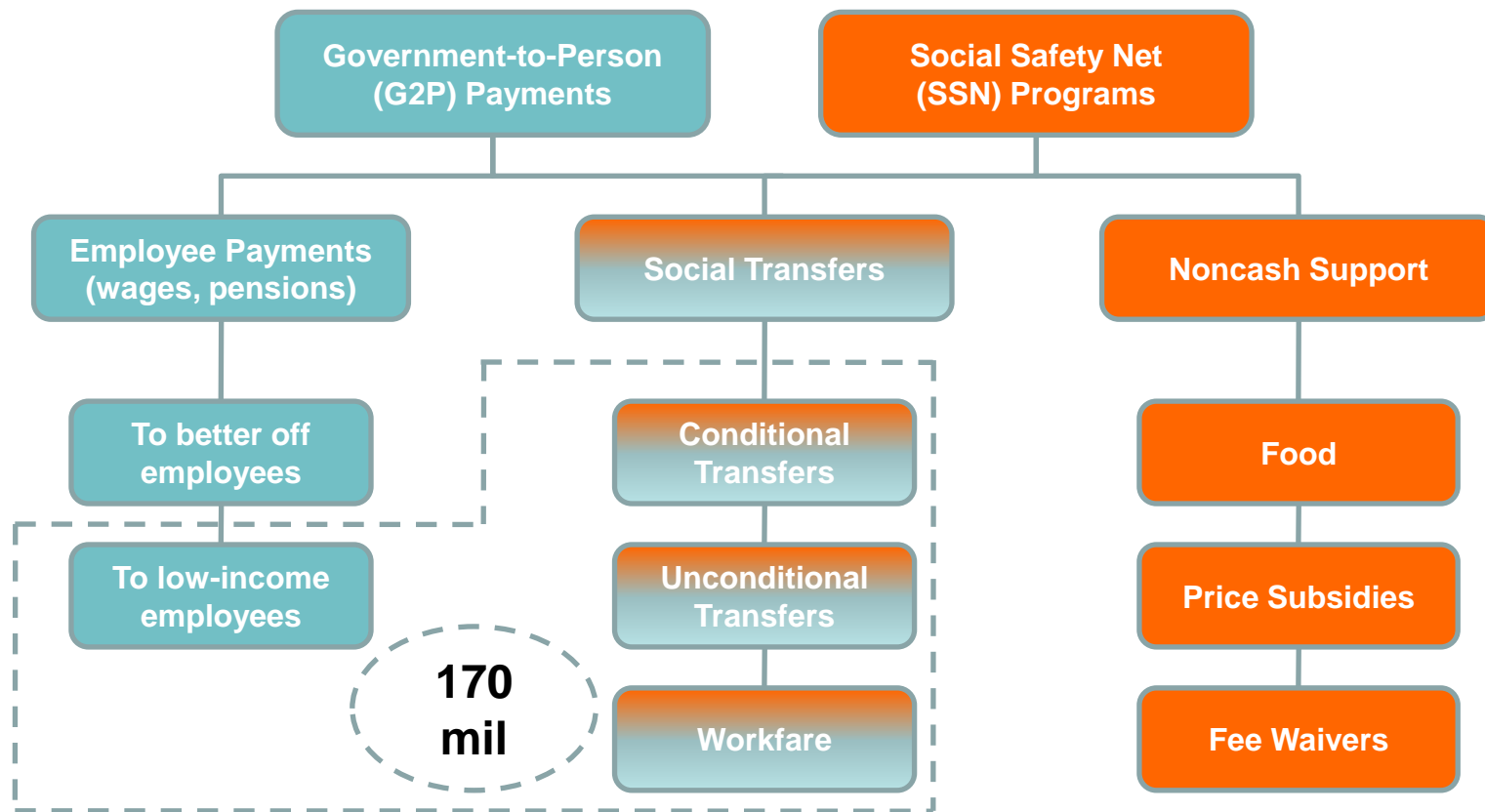
CGAP Technology Program

- 14 active projects in 11 countries
- New IP on customers, business models, policy
- Communicate widely to catalyze action
- Co-funded by the Bill & Melinda Gates Foundation



Areas of Focus

- **Clients:** drivers of large-scale adoption?
- **Providers:** what incentives to offer services to large numbers of poor people?
- **Governments:** how can they develop (1) safe and enabling regulation, and (2) policies that promote adoption?



G2P Flows in Colombia (2008-2009)

G2P Flow	Recipients (mil)	Annual value transferred (USD, bil)
Social Security (<i>Cajas de Compensación Familiar</i>)	3.9	0.34
CCT (<i>Familias en Acción</i>)	1.5	0.79
Wages (Central government)	0.99	11.76
Public Pensions (Central government)	0.80	3.84
Old-Age Pension (<i>Prosperar</i>)	0.38	0.13
TOTAL	7.57	16.86

CCT program large vs global peers

Unconditional social transfer reaches 2.5x recipients as CCT

If 1/10 of wages go to low-income people, value (US\$ 1.56 bil) is 2x that delivered in CCT program

Nearly half of 40 social transfer schemes launched since 1999 feature electronic delivery

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
China		Colombia	Argentina	Brazil	Bangladesh	Cambodia	Bolivia	Haiti	Burkina Faso	Bangladesh
	Jamaica	Argentina	Ecuador	Kenya	Colombia	DRC	Indonesia	Guatemala	Kenya	
	Turkey	Bangladesh	Mexico	Pakistan	Dominican Republic	Malawi	Swaziland	Nigeria	Pakistan	
		Cambodia	Zambia	Peru	El Salvador	Pakistan	Yemen	Philippines		
		Chile			India	Panama				
					Peru	Paraguay				

Electronic delivery can:

- ✓ **Cut costs**
- ✓ **Reduce leakage**
- ✓ **Lay foundation for financially inclusive account**

Pair with branchless banking

1. Safe storage

2. Transaction capacity

3. Accessibility

Growing cohort of G2P programs offer financially inclusive account to recipients

Brazil

Caixa Economica migrating 12.1 mil recipients to card-operated bank account accessible via 20,000 agents



South Africa

1/4 of 9 million people receive payment into accounts at Absa (largest bank) and Net1

India

4 million NREGA recipients choose branchless banking over traditional delivery

But globally...

Fewer than 1 in 4 G2P recipients get payment into financially inclusive account

5 common questions

1. Will financial services boost social protection?
2. Will poor people use financial services if offered?
3. Will it be prohibitively expensive to government?
4. Can financial institutions offer services to G2P recipients on an adequately profitable basis?
5. What tips for government procurement processes?

Financial services can strengthen social protection

- Considerable debate on the impact of microfinance
 - See Rosenberg, [“Does Microcredit Really Help Poor People?”](#) CGAP (2010)
- But evidence supports claim for several types of impact:
 - Manage shocks: Collins et al (2009), Banerjee & Duflo (2006)
 - Increase productivity: Dupas and Robinson (2009)
 - Asset effect: Sherraden (1991), Ssewamala (2008)
- Participate more fully in the economy
 - Fuller sense of citizenship: Barrientos (2009)
 - Fuller share of benefits of economic growth: World Development Report (2009)

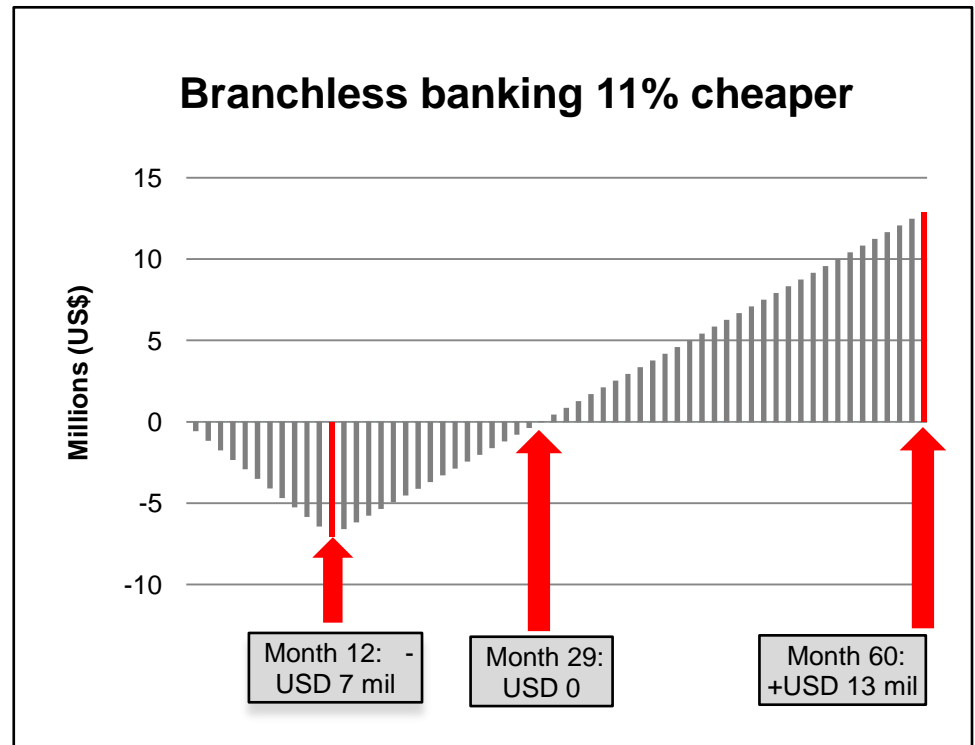
The poor will use financial services... if good quality is offered

- Brazil: 96% say cards “easy” or “very easy” to use in 1st year
- Mexico: 1.5 mil Oportunidades recipients using saving account leading to 35% increase in consumption (Gertler, 2006)
- Brazil: uptake of account by 2 mil Bolsa Familia recipients
- Malawi: 45% of emergency cash recipients still use account 2 years after grants ended
- South Africa: Net1 processing US\$ 276 mil in debit purchases
- India: 85% dormancy rate in accounts of NREGA recipients, due to poor marketing and distance (Ramji, 2009).

***More evidence
needed***

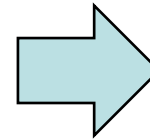
Need not be prohibitively expensive

- 1 mil recipients
- US\$40 grants
- US\$2 teller window fee
- 100 recipients per agent (conservative)
- Total cost: USD 12 mil

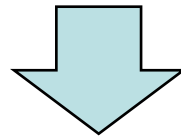


Business case is there, but not in all G2P flows

- Agent channels: 50% cheaper
- Product design with low-income consumers in mind
- Some G2P flows more suitable



Product	Country
Mzansi	S. Africa
<i>susu</i>	W. Africa
M-PESA	Kenya



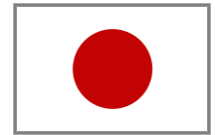
Feature	Rationale
Large number of recipients	Attract/retain private sector interest
Large payments	Float revenue
Frequent payments	Dependable stream of income

Four factors in organizing a successful tender

1. Presence of a champion
2. Case for smart subsidies
3. Open to new types of providers
4. Ensuring the size of the pot is attractive

Takeaways

1. G2P payments already reach more poor people (170 mil) than microcredit (99 mil)
2. Electronic delivery creates 2 of the 3 requirements for a financially inclusive account (safe storage, transactions). Branchless banking can add the third (accessibility)
3. Growing cohort of G2P programs offer inclusive financial services.
4. Financial services may strengthen social protection for poor G2P recipients
5. Clear evidence the poor will use services, if good quality
6. Need not be prohibitively expensive for government, and there are lessons on designing successful tenders
7. More work needed to prove the business case, and take the word to government



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www.cgap.org

www.microfinancegateway.org



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