

# Understanding the drivers of market change by placing consumers at the centre of the analysis

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Making Access Possible



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## Partnering For A Common Purpose

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level.



# Understanding the drivers of market change by placing consumers at the centre of the analysis

The process of prioritization, generation and dissemination of market data and insights is a critical part of market development<sup>1</sup>, particularly in developing increased focus on levels of access and financial exclusion and identifying market opportunities for the private sector and other players interested in investing in a country.

The following analysis looks at UNCDF’s diagnostic and programming framework – Making Access Possible (MAP) - that takes a view of market development from a “making markets work for the poor” lens and thus places individual and household demand at the centre of the diagnostic analysis. This is particularly effective for countries in transition, where very little data is available and both donors and large private sector providers are unaware of the market potential of the country or the demand needs of households and individuals.

Financial transactions play an integral role in the daily lives of most people, especially those living in poverty, yet low-income individuals are frequently compelled to use informal, often sub-optimal services. By understanding the needs and demands of poor households, policy, product, and service solutions can be developed that better serve their needs and thereby reduce inequalities of access. With greater access to a range of financial services, poor and low-income households and businesses can generate income, build assets, smooth consumption, and manage risks. The centrality of money management in people’s livelihoods connects financial services to diverse development sectors and thus the market system - like land, labour, services and commodities – has to be viewed as a whole.

MAP is a diagnostic and programmatic framework to support expanding access to financial services for individuals and micro and small businesses. The MAP framework creates the space to convene a wide range of stakeholders around an evidence-based country diagnostic that leads to the development of national financial inclusion roadmaps. MAP includes an integrated and holistic diagnostic that shifts beyond the narrow supply-led focus to a broader focus on the national financial ecosystem. The MAP approach using the FinScope study is built from the bottom-up, placing household demand, particularly individual demand for services and usage of financial services by poor households, at the center of the analysis as illustrated in the figure below:



Figure 1 - Understanding the dynamics of financial service product usage by households and individuals

<sup>1</sup> Aurora 2013

What is common among the least developed countries (LDCs) is that they are often characterised by on-going conflicts, weak institutions, failing infrastructure, political uncertainty, lack of law enforcement, and underdeveloped financial systems -- all of which erode the investment climate, depress investment, and constrain economic growth.

Operating in tumultuous environments requires not only strong political will to bring about a better legal framework, but also the ability to provide innovative financial services in uncertain environments where people are often displaced because of political and/or economic instability. Hence, for financial inclusion to be achieved in fragile states in a transition phase, sound and sustainable financial institutions are required. Combined with this, as capitalism looks increasingly for new markets and notes that LDCs provide the largest market spaces, companies are often keen to invest in these countries, particularly if they start to illustrate changes in political will and the national efforts to strengthen institutions towards global best practice.

*“Developing customer insights are very important when identifying business opportunities. However, to clearly articulate the market size and business potential is one of the critical elements when attempting to convince investors to invest in a particular market or market segment. Market information is often difficult to find, particularly in emerging markets who have not been studied as often as other markets. Data sources such as AMPS and Finscope have thus become a huge crutch for us. We use these sources to validate the insights and the products we have developed. In a banking environments, decision-makers are often most convinced by qualitative insights backed by statistical. Thus population weighted data sources are of critical importance to us.” Senior Manager, Alternative Segments, Large South African Bank*

However, a number LDCs lack comprehensive demand-side data with which companies can make effective and sound investment decisions based on the size of the population, location of the largest segments of the population, income, and employment. Most of these countries also lack recent census data, which severely inhibits the ability to make any informed decisions. Combined with a risky political environment, the aforementioned factors are often detractors for most large private sector investors.

The Democratic Republic of Congo (DRC) is a country that demonstrates both the richness of opportunity and the capacity for positive change stemming from such investments:

*“The DRC offers promising investment prospects with a large population of 70 million, fertile lands, fresh water bodies, the largest mineral and forestry reserves of Africa and conducive climatic conditions, however, there is very little data to highlight the true potential of this country to potential investors. Active private sector investors that can create an active market economy is required to bring transformational change to the DRC that will assist in alleviating poverty.” Willy Yav, Pygma Investments*

Its volatile political environment, dearth of comprehensive demand-side data, and lack of recent and reliable census data, however, erect significant barriers against framing the DRC as an ideal location for significant investment. For example, the last census was undertaken in 1970 and as such there is almost no data on accurate population figures in the country, let alone potential size and location of the market.

The FinScope study currently being undertaken in DRC will be one of the latest datasets on the country's population, their levels of financial inclusion, and access to basic services. With a market

potential of approximately 70 – 80 million people, access to a dataset like FinScope will give private sector investors detailed data on the size and nature of the market. Additionally, data disaggregation beyond the national level to regional and provincial levels will allow for more focused and targeted interventions and investments, all based on detailed individual and household needs at the lowest possible level.

Similarly, Myanmar had last undertaken a national census in 1980. As part of the MAP process, the recently completed FinScope survey will be able to illustrate the characteristics of the population at a detailed level and assist in more targeted investment, particularly for infrastructure, in a country where the needs are staggeringly vast.

*“Customer insight is a key determinant in developing customer value propositions. We spend significant time gaining a deep understanding of customers, segments, behaviours, needs and challenges as we build out our feature sets. Its clear that we live in a world of “solutions” and not just features, attributes, benefits and products. This change in thinking can only occur if it is enriched with real world data and is used in a compelling and incisive manner. Information can range from GIS data, population concentrations, current challenges in the target segments and biases in customer behaviour. Maximum success is possible when solutions are aligned to true pain points and opportunities of clients.” Senior Manager, Mobile Solutions, Pan-African Mobile Operator*

More inclusive market development is unlikely to happen by itself. Nor will it happen without developing a strategic vision of how financial systems should work more effectively in the future. And while there can doubtless be exceptions for some roles and in some situations, essentially this should be a view of the future without aid agencies. Starting with a concrete database and highlighting the market opportunities for the private sector is the first step in setting up such a future, particularly in countries where the private sector is unlikely to have any idea of the market potential.

### **Box 1: The Post-2015 development agenda: Sustainable Development Goals**

The United Nations is in the process of defining a post-2015 development agenda. This agenda will be launched during a summit in September 2015, which is the target date for realising the Millennium Development Goals (MDGs). The SDGs are intended to build upon the MDGs and converge with the post-2015 development agenda. They were selected through a consultative process by an open working group with representative from 70 countries.

Several MDG targets have been met including poverty reduction, access to improved drinking water, gender parity in primary education and political participation of women. Some are on track to being met such as fighting malaria and tuberculosis. However, despite these achievements, large disparities remain between and within countries. This has prompted a shift in emphasis towards sustainable and equitable growth. The proposed SDGs focus on reducing poverty and inequality; improving global health; ensuring inclusive and equitable education; achieving gender equality and empowering women; ensuring access to sustainable water, sanitation and energy; promoting inclusive growth; and protecting the environment.

Source: UN Sustainable Development Knowledge Platform: <https://sustainabledevelopment.un.org/>