



The Business Case for Small-Balance Deposit Mobilization:

Case Study on NBS Bank in Malawi

November 2017 - Pulling Levers Toward Sustainability, A Framework for Small Balance Deposit Mobilization Case Study Series



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Introduction

NBS Bank's decision to mobilize small-balance deposits in a context of severe economic crisis

This paper is one of a four-part series of case studies which demonstrate the use of the Decision Framework for Small Balance Deposit Mobilization (SBDM) (see Figure i). This Framework is further elaborated in the foundational paper “Pulling Levers Toward Sustainability”. All documents were produced based on the experiences of the financial service providers (FSPs) assisted under UNCDF's MicroLead Expansion programme. MicroLead is a multi-year (2011-2017) initiative in partnership with Mastercard Foundation which focuses on meeting rural customers' demands for easily accessible, cost-effective savings products which are provided on a sustainable and scalable basis by regulated FSPs.

Figure i
Pulling Levers Toward Sustainability

A DECISION FRAMEWORK FOR SMALL BALANCE DEPOSIT MOBILIZATION

Environmental Factors



Market Level

Competition
Policy & Regulation
Cost of Funds
Access to Grants &
Patient Capital
Socio-Economic Conditions



Institutional Level

Mass Market vs.
Low-Income
Institutional "Muscle"
Brand & CSR
Time Horizon
Opportunity Costs



Segment Level

Rural / Urban
Male / Female
Salaried / Self-Employed
New / Old Customers

Viability Levers

- Reduce dormancy
- Increase account usage



Funding



- Pay lower interest rates
- Grow average savings balances

- Streamline account opening process
- Reduce cost of delivering other products to savings customers



Acquisition



- Partner with informal savings groups
- Cross-sell or bundle other products to savings customers

- Charge maintenance fees to all cost centers applicable to savings clients



Maintenance



- Increase net interest income (transfer price)

- Use alternative delivery channels (ADCs)



Servicing



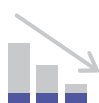
- Charge transaction fees

Why go down market?

2012 was a challenging year for NBS Bank, as Malawi experienced a severe economic crisis and political turmoil. Economic growth, which had reached nearly 9%, was dramatically declining. Inflation went from 5% to 35%, and the currency, the kwacha, suffered a severe devaluation — losing more than half of its value during that year. The sudden death of the sitting president added another element of instability to the mix. The economic turbulence and a severe liquidity crisis in the financial sector took its toll on NBS Bank. Non-performing loans and defaults increased dramatically, and in short order the NBS Bank loan portfolio, similar to other banks, reached PAR30 days above 50%.

Given these challenges, one would not expect a bank to willingly downscale and explore new, alternative channels to mobilize small balance savings, but that, in fact, is exactly what NBS Bank did. In 2012, NBS Bank, a leading mid-size commercial bank, decided to move down market and pilot a new agency banking channel to mobilize small balance deposits. Why?

Economic growth and Inflation



**IN 2012 ECONOMIC
GROWTH HAD
REACHED NEARLY 9%**

but was now dramatically declining



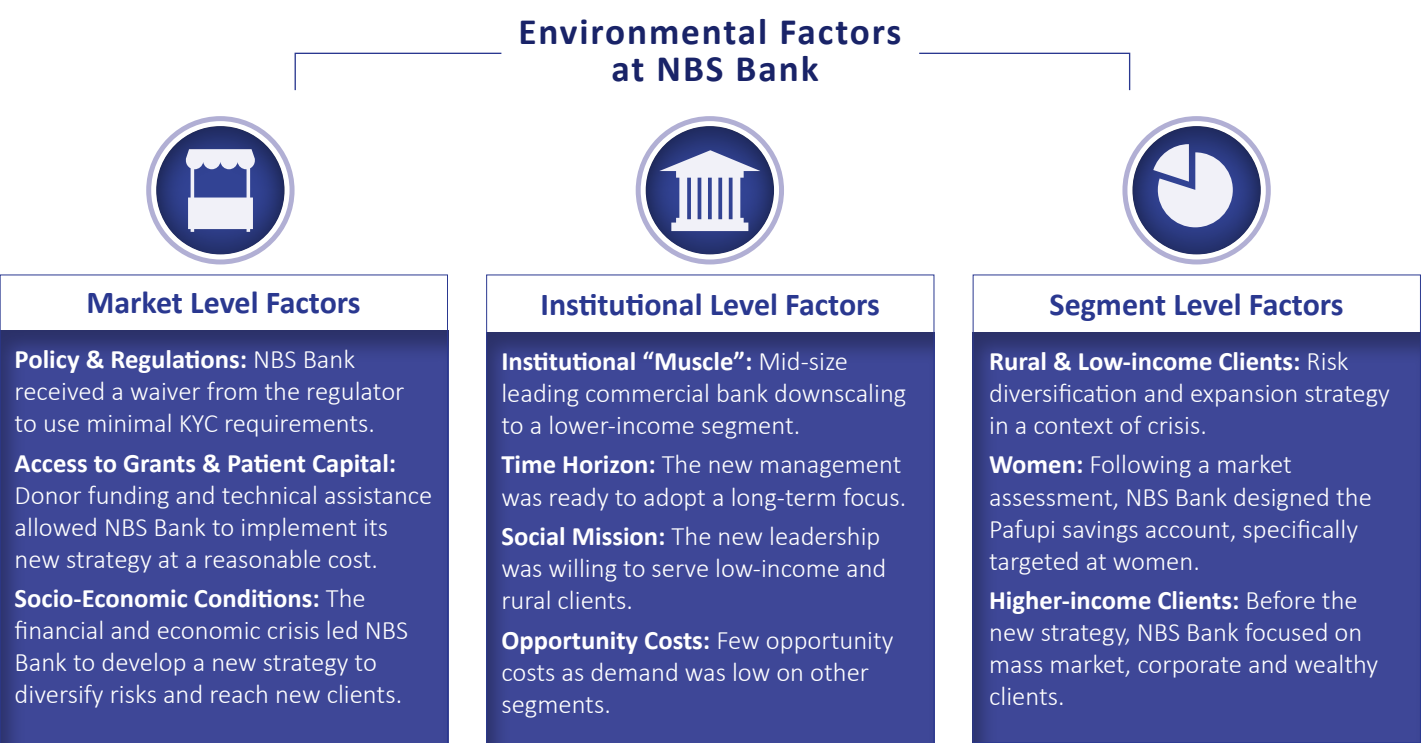
**INFLATION WENT
FROM 5% TO 35%**



Rural village in Malawi

NBS Bank's strategy supported by a number of environmental factors

Figure ii
Decision Framework for Environmental Factors



Diverse environmental factors motivated NBS Bank decision to move forward with a strategy for expanding services to low-income and rural clients. Originally, like many other banks in Malawi, NBS Bank had focused on corporate and salaried clients and, in particular, on housing finance. NBS Bank had a 70% share of the Malawi small mortgage market. The economic and financial crisis spurred NBS Bank to downscale as a strategy to diversify risk and attract new retail customers, in a return to its mission for inclusivity. The steep devaluation of the kwacha had impacted NBS Bank’s loan portfolio: many loans became non-performing, increasing the bank’s cost of funds and causing NBS Bank to raise interest rates, which, in turn, affected repayments, decreased demand for new loans, and slowed overall growth in the portfolio, particularly among corporate clients.

Participation in the UNCDF MicroLead programme sharpened NBS Bank’s focus on downscaling, providing key support for the design and launch of a new product and the roll out of a new alternative distribution channel (ADC) based on a very small existing agent network. A grant of USD 1,725,000 enabled NBS Bank to reduce the high upfront costs of its new strategy, paid for technical assistance from Women’s World Banking, and offered the bank the opportunity to adopt a long-term approach. Women’s World Banking’s support included building a financial model for SBDM, market research, product development, staff training, a dedicated agency banking consultant embedded at NBS Bank to guide the recruitment and training of agents, development of a commission structure, and the design of systems for monitoring transactions.



NBS Bank benefited from a **favorable regulatory environment**. Although there was no reduced Know Your Customer (KYC) framework in place for low value accounts, NBS Bank received a waiver from the regulator to use minimal KYC requirements for the new product that the bank developed to reach low-income customers, the Pafupi savings account. NBS Bank was also permitted to allow non-bank staff (contractors) to check documents and open accounts. This was a key element that helped reduce customer acquisition costs and allow outreach to low-income households who did not possess complete KYC documentation.

Mobile money in Malawi was launched in early 2012, and many of the regulations affecting agency banking were still being drafted when NBS Bank decided to scale up its network of agents. NBS Bank is pursuing several issues with the regulator at present, including authorization to increase balance limits on Pafupi accounts, to increase account turnover limits, and to allow agents to open savings accounts (in October 2016 NBS Bank was authorized to launch a pilot allowing some agents to directly open accounts). Thus far, regulators have been able to support NBS Bank's strategy to reach low-income customers.



Internal buy-in from NBS Bank CEO Bernadette Mandoloma and her senior management team was key in NBS Bank's decision to mobilize small-balance deposits. Internal buy-in for SBDM was particularly crucial to smooth the deep transformation required to move a bank from specializing in mortgages to downscale and provide deposit services to lower-income populations. This internal buy-in made it more likely that the bank would take a long-term horizon on reaching lower-income and rural clients via agent banking because it was a strategy that had already been discussed internally, even before the financial crisis started. The goal was that agent banking would allow NBS Bank to be more accessible to more clients, including those in rural areas, with lower costs than those associated with branches and ATMs. Internal buy-in was nurtured by exposure trips to Kenya with Women's World Banking where the bank's senior management observed successful agent banking operations at Safaricom (M-Pesa) and Kenya Commercial Bank¹.



In 2013, a study conducted by Women's World Banking led to the design of a product specifically targeted at women and rural clients: the Pafupi savings account (See Box 1: The Pafupi Savings Product). A market assessment conducted the same year in collaboration with Women's World Banking and Roland Berger suggested targeting clients with a branchless approach, through the bank's own agent network as well as via partners. As a result, the Pafupi savings account was combined with an agent banking approach, designed to make transactions accessible for rural clients who lived far from NBS Bank's branches. The product was particularly designed to facilitate account opening: no monthly ledger fees, minimal KYC requirements, minimum balance of MWK 200, interest-bearing on balances of MWK 1,000 and above, no charges for deposits, and a broad range of distribution channels. These product features were based on market research to reflect client needs, both in terms of characteristics and accessibility. In 2015, when the Pafupi product was officially launched, the product received good press with the endorsement of Malawi's Finance Minister, who praised it as an important tool for financial inclusion.

¹ The Pafupi product benefitted from the leadership of the (former) Head of Personal and Business Banking, Mercus Chigoga. Both Chigoga and CEO Bernadette Mandoloma, along with Ensaf Nchembe, the Product Manager, participated in a June 2015 trip to Kenya, for an in-depth exposure to best practices, growth strategies, challenges and opportunities related to agent networks.

Box 1: The Pafupi Savings Product

- Developed following a diagnostic study of NBS Bank's agency banking model and a subsequent market study that highlighted high transportation costs related to branch banking and lack of necessary KYC documentation that acted as barriers to savings mobilization.
- Characteristics:
 - Savings account that is easy to open with minimal KYC requirements (any form of ID, no proof of income or address requirements, etc.).
 - Option to save small amounts, interest-bearing (payment of interest on minimum balance of just MWK 1,000 as compared to MWK 10,000 in other accounts)
 - Low fees and no monthly ledger fee, no charge for deposits at agents or branches. Withdrawal fee of MWK 75 at agents, branches, and ATMs
 - Low minimum balance requirement of MWK 200
 - Transaction access through a range of channels, including branches, ATMs, agents, and mobile banking
- Target: Unbanked women and men, self-employed, in businesses or agriculture, urban, peri-urban, and rural zones.
- Pilot: During the eight-month pilot of the Pafupi saving product in late 2014, nearly 12,000 clients were engaged and the agent network was expanded. The pilot served to identify multiple technological and operational elements in need of revision, as well as weak points in the agent network.
- By June 2016, NBS Bank had opened 58,383 Pafupi accounts with an average balance of USD 10.30 per account and had 251 enrolled agents, 151 of which were active. Agents were conducting an average of 9 transactions per day. One year later, June 2017, NBS Bank had opened 100,200 Pafupi accounts with an average balance of USD 12 per account. It had 318 enrolled agents, 160 of which were active. Agents were conducting an average of 5 transactions per day.

A design geared towards women

NBS Bank designed the Pafupi savings account to overcome barriers to financial inclusion and meet the needs of low-income customers, particularly women. NBS Bank made important efforts to bring down emotional barriers and bring the bank closer to the community. It leveraged the research of Women's World Banking that highlighted common obstacles for women's participation in formal finance such as distance from bank branches and cultural barriers. The research also identified a specific characteristic of Malawian women, who saw themselves as providers, in charge of saving for the family's future. This became an important determinant of the strategy to target women. The strategy also included financial education as a tool for marketing and outreach, given that women's knowledge of formal financial products was relatively low (See Box 2: Financial Education and Outreach to Include Women).

Showing its commitment to women savers, NBS Bank also created incentives to encourage the enrollment of women clients. For example, agents earned MWK 250 for new male clients, but MWK 350 for each new female client. NBS Bank's head office tracked gender performance at the branch and salesperson levels.

Box 2: Financial Education and Outreach to Include Women

NBS Bank piloted a marketing strategy based on financial education in late 2014 and began a national roll-out in July 2015. *“One of the key drivers for product success is communication,”* says Mercus Chigoga, (former) Head of Personal and Business Banking at NBS Bank; *“We hired highly experienced sales agents to go out into the communities to educate people, showing and explaining what the product is all about. We engaged with them with very interactive programmes, and customers could open accounts there, in the communities.”*

With the support of Women’s World Banking and the engagement of an external advertising agency, NBS Bank focused on developing and rolling out sales pitches and presentations to educate customers on basic aspects of savings products. Each interaction of the sales team with a client was used to explain how interest works, how to handle ATM cards and PIN numbers, and how to carry out transactions. During the pilot phase of the project, this financial education approach (called “market activation” by NBS Bank) was aimed at raising awareness on the value of savings. The advertising agency carried out events with 230 women’s clubs and put on 28 “road-shows” over a six-month period. The road-shows attracted 7,770 men and 6,180 women and resulted in the opening of 690 new accounts (570 men / 120 women). Women’s club events reached 5,665 individuals and resulted in the opening of 1,740 new accounts. The agency has continued to carry out activities for NBS Bank after the national launch, which also included signage, t-shirts, posters, and radio spots.

Finally, NBS Bank aimed to tackle geographical barriers by offering convenience and security. Customers could open the account at their doorstep, through roving mobile sales representatives called Bwenzi La Pafupi (BLPs), or Pafupi (“Close”) Friends. After accounts were opened, clients could transact using the network of fixed agents called “Bank Pafupi”. At the time of the launch, fixed agents were not yet approved to open accounts, so accounts were opened by the BLPs who met customers where they lived, rather than waiting for them to visit branches. Account opening at retail shops with fixed agents was approved in March 2016, which will gradually lead to a transition from the BLP channel to the agent network channel for account opening.

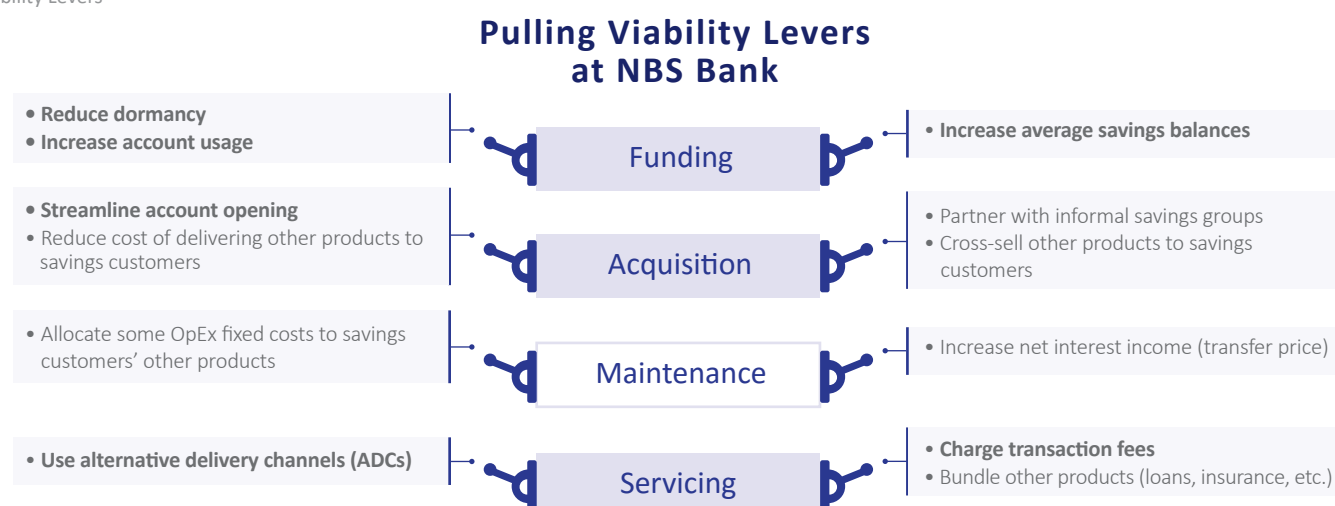
Efforts to attract low-income savers to open the Pafupi account have been impressive. However, uptake among women has been limited. To date, there are some 100,000 Pafupi account holders, only 31% of which are women. According to Chigoga, some of the biggest barriers to greater outreach among women are cultural, and addressing them will take time and effort at a large scale. *“In our communities, we face strong resistance that is still affecting decision-making among women,”* says Chigoga. *“Even in the case of women entrepreneurs, who understand the benefits of having a savings account, making a decision on the spot is difficult because they have to consult with their husbands before opening an account. People still think that husbands are responsible for making these decisions. These are changes that are going to take a lot of time to happen.”* This underscores one of the broader challenges to mobilizing small savings—it is a long-term business proposition.

Pulling “Viability Levers” to make the small-balance deposit mobilization strategy sustainable

Although NBS Bank results show that the Pafupi savings account has traction among low-income and rural clients, it has not yet reached profitability. Based on a costing analysis conducted in mid-2016, the average account loses USD 16.80 per year.

NBS Bank continues to develop and expand its agent network, has defined a way forward, and is pursuing a slate of strategies aimed to improve the product's financial viability.

Figure iii
Viability Levers



Cost Cutting Viability Lever: Reduce dormancy rates and increase account usage.

Dormant accounts are an important risk for the Pafupi savings product. At present, 78% of accounts are active with at least one transaction in the last 12 months, but increased transactions would reflect deeper customer engagement. The BLPs, and their supervisors, are responsible for educating and incentivizing clients to conduct transactions with their accounts. Agents are essential for pulling this lever and are selected for their profiles as good salespeople. To support agents, NBS Bank provides them with tools to promote account usage, including an SMS campaign to encourage transactions and sales incentives.

Revenue Enhancing Viability Lever: Increase savings balances.

Due to current limits on account turnover, Pafupi clients with balances in excess of MWK 50,000 (USD 69) are currently required to convert their accounts into regular savings accounts (thus losing Pafupi's benefits). This has had the effect of encouraging some clients to maintain lower balances or to reduce their usage of the account. In response to this, NBS Bank has sought the approval of the Reserve Bank of Malawi (RBM) for increased balance and turnover limits. Specifically, it is seeking the following in order to promote an increase in average balances and stability for the Pafupi product:

- Increased balance limits from MWK 50,000 (USD 69) to MWK 200,000 (USD 276), due to demand from high performing savers.
- Increased limits to MWK 500,000 (USD 690) for account turnover.

Moreover, beyond the relatively small proportion of clients who are reaching close to these balance and turnover limits, investing in deepening customer engagement for all clients will be essential to encourage clients to store larger balances in their accounts and use accounts for more transactions. This could mean continuing to pursue the same strategies the bank has been using, with patience because SBDM is a long-term endeavor, as well as testing new customer engagement strategies.





Cost Cutting Viability lever: Streamline the account opening process.

The Pafupi product has minimal KYC requirements. Clients can open an account with one of several forms of documentation, including a voter card or a letter from a religious leader, district commissioner, or traditional chief. Doorstep account opening, which takes just 10 minutes and is conducted using a mobile application, developed in house by NBS Bank, is another approach to making account opening accessible and efficient. Clients are given an account starter pack including account number, debit card, and PIN and can use this approach with or without a mobile phone. In March 2016, RBM approved NBS Bank's request for fixed agents to be allowed to open Pafupi accounts, which should facilitate expansion in rural areas and reduce the costs associated with deploying a sales team. In October 2016, a pilot started with a selected group of agents.

Viability Lever: Find low-cost ways to deepen customer engagement when using Alternative Delivery Channels (ADCs).

During the Pafupi Pilot, NBS Bank used an agency banking partnership with Malawi Post. Despite attempts to develop a fruitful partnership, Malawi Post pulled out before Pafupi's national launch. A potential partnership with Airtel, Malawi's largest telecommunications company, also did not materialize. This experience underscored for NBS Bank that any agent banking approach must be designed to be profitable for all stakeholders if it is to launch and be successful.

NBS Bank subsequently developed its own agent network, with the support of Women's World Banking. Using an exclusive network has put pressure on the bank to produce an adequate number of transactions to make participation attractive to agents. Because transactions drive commissions in NBS Bank's SBDM model, it is essential to reach target transaction numbers and to assure each agent's own investment (in float) is covered by commissions from transactions and account opening. To do this, strategies to deepen customer engagement with the goal of increasing account usage are essential. NBS Bank knew that clients needed to be fully informed of their agent banking options and the benefits (saving transportation costs, time waiting in line, etc.) of transacting outside a branch or ATM. One strategy NBS Bank used to educate clients about this was creative TV advertisements.

Although ADCs may have lower up-front infrastructure costs than a brick-and-mortar branch, they are not necessarily cheap. A huge cost is ongoing management of the agent network. Women's World Banking bolstered the network with tools to help bank staff monitor agents, including daily performance monitoring, a return on investment template for potential agents to evaluate the profitability of joining the network, and a liquidity management tool for active agents. Although client KYC requirements for account opening are minimal, documentation and requirements for merchants to become banking agents can present difficulties. Another key issue in Malawi is lack of interoperability and the related technological costs associated with building and sustaining a robust and profitable agent network. Agents needed a channel-specific point-of-sale (POS) device, which has led NBS Bank and WWB to consider shifting to a smartphone-based system, which would reduce costs and offer more stability in rural areas (the approximate cost of a POS device is USD 800).

Today, the Pafupi account is not profitable yet (see Box 3: The costs of SBDM through an agent banking model). But, NBS Bank is at the forefront of Malawian banks in terms of innovation in utilizing ADCs and agent banking. Although NBS Bank is not entirely alone in targeting low-income clients (FMB Bank and National Bank also do), the competition is limited in this segment in the national market. Now, NBS Bank's challenge is to pull more "levers" to make its SBDM strategy financially viable.



Box 3: The costs of small balance deposit mobilization through an agent banking model

In order to evaluate the profitability of its credit and savings products, NBS Bank undertook a costing allocation exercise in mid-2016, through which it analyzed the costs of the Pafupi product (see Annex 1). NBS Bank knew that downscaling to include low-income clients, rolling out and managing a network of agents, and launching a new low-cost savings product would not generate short-term profits. And it knew, from the beginning, that scale would be a key element for reaching profitability. However, cost allocation is a useful exercise that helps understand cost drivers, to evaluate which products are contributing to institutional profitability, and to identify opportunities for improvement. In the case of NBS Bank, account maintenance and servicing costs make all the difference.

Table i illustrates three scenarios. In Column A, the first scenario associates all costs of maintaining and servicing accounts to the Pafupi product. In a full cost approach, all costs of the institution are allocated, including those only indirectly related to the product, that do not change, regardless of the existence of a specific product. Using this model, NBS Bank could easily verify that Pafupi was not profitable, a fact that did not surprise the bank as it knew it would require several years to fully establish the Pafupi product and the agency banking model. By mid-2016, the Pafupi product had a profitability of -163%, costing NBS Bank an average USD 16.80 per year per account.

Using a marginal cost approach (Column B), and setting aside the costing allocation of indirect costs that do not depend on the existence of the Pafupi product (branch rents, salary of C-level staff, core banking system, etc.), the losses from the product are halved (from -163% to -83%).

Although the Pafupi product is still not profitable, NBS Bank is pulling several of the levers described in this case to improve the viability of the product. Column C describes some of the potential improvements to profitability indicators that these strategies could yield. The assumptions behind this projection (detailed in Annex 1) include increasing average balances (doubling from USD 10 to USD 20), which is the main contributor to the projected cost reductions.

Table i
Pafupi profitability

Viability Lever	Total Cost (A)	Marginal Approach (B)	Levers Pulled (C)
Total # account	58,383	58,383	58,383
Average Balance (USD)	10.3	10.3	20.6
Funding			
Revenue	23.00%	23.00%	30.00%
Interest paid	-6.50%	-6.50%	-3.25%
Acquisition			
Origination fee	3.79%	3.79%	1.89%
Origination costs	-23.72%	-16.19%	-8.10%
Maintenance			
Maintenance	-88.79%	-37.29%	-18.65%
Servicing			
Income from TX	10.80%	10.80%	5.40%
Servicing costs	-81.24%	-56.87%	-28.43%
Product profitability	-162.66%	-79.26%	-21.13%
Annual loss per account (USD)	-16.8	-8.2	-4.4
Total annual loss (USD)	-978,141	-476,641	-254,144

The way forward: developing partnerships and improving agent performance to break even

NBS Bank launched a well-researched, targeted, and tested savings product—the Pafupi savings account. The bank benefitted from a marketing campaign based on continuous financial education and a multi-channel strategy through NBS Bank branches, ATMs, and an exclusive agent network. Developing the product required enormous upfront effort and significant investment. Getting the bank’s senior management team on board for bringing the Pafupi pilot to market helped translate into resources and high-level buy-in for this fledgling product.

“ Thus far, the product is not profitable. On the revenue side, average balances are still low, and thus the accounts bring in low net interest income ”

Recently, NBS Bank has noticed that the low-KYC requirements to open an account, while helpful during the acquisition stage of a customer’s journey, have kept balances low for some clients due to the maximum threshold specified for low-KYC accounts. Specifically, as some clients began to deposit more money into their accounts, their balances began to creep close to the regulatory limit (which was set with no allowance for currency depreciation) for low-KYC requirements.

Moving forward, NBS Bank is seeking authorization to increase balance and turnover limits on low-KYC accounts, to allow more clients to maintain a Pafupi account and grow their balances—a key to the viability of its model. But, it will also need to tackle the low average balance of USD 10. Just doubling the average balance to USD 20 (still far from the USD 70 maximum that Pafupi customers can save without having to fulfill complete KYC requirements) will require investment of resources into deepening customer engagement, including through marketing and sales channels. This may require strengthening existing partnerships and building new ones, and solid monitoring and reporting to learn where investment is best allocated to incentivize low-income clients to save in their accounts and make SBDM sustainable.

Employing an additional set of strategies could further improve the business case for SBDM at NBS Bank. Moving forward, NBS Bank is focused on pulling a series of cost-cutting levers:

- It is planning to increase the efficiency of its sales force, through incentives and training.
- It is shifting away from costly point-of-sale (POS) devices and moving to phones for transactions.
- It is aiming to further reduce customer acquisition costs through the pilot initiated in October 2016, so that agents can start to open accounts, rather than the costlier sales force of BLPs.

As the business case is strengthened, and marginal costs decrease, NBS Bank also plans to scale up the number of accounts. It has discussed the possibility of promoting Pafupi savings accounts through the Farmer’s Union of Malawi, which has a membership of more than 700,000 people. With support from UNCDF, NBS Bank has already started a pilot with CUMO, Malawi’s largest rural microfinance provider, to explore how clients of CUMO, which is not a deposit-taking institution, can save with a Pafupi account.



Hospitality business in Malawi

Looking further to the future, cross-selling loans to Pafupi savers is a source of revenue that can make the business case for SBDM stronger. By selling a microcredit product to Pafupi savers with a higher margin than NBS Bank’s traditional mortgages, NBS Bank’s financial margin would increase (along with operating costs), which could increase the “transfer price” used to impute revenue from the lending to the savings side of the business, making Pafupi savers a more profitable segment. Cross-selling or bundling additional products and services beyond credit, and taking a segment-level approach to monitoring and profitability analysis, are the next steps to drive the business case for serving Pafupi savers.

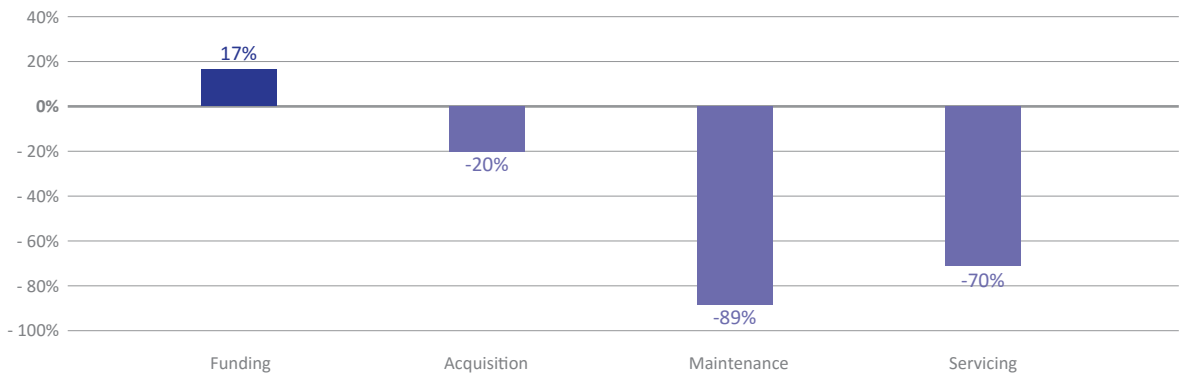
ANNEX 1

Scenario A: Profitability using a full allocation costing model

Based on a costing exercise conducted at NBS Bank in the first half of 2016, all costs of the institution are allocated to loan and savings products. Indirect costs are allocated using number of accounts and transactions as the main driver. In this model the Pafupi savings account is supporting part of the fixed cost of structure (branch rents, salary of C-level staff, core banking system, etc.). Using this model the Pafupi product is not profitable. With the current average balance of USD 10.3 per account NBS Bank is losing USD 16.8 per account (-163%) every year.

A) Pafupi profitability using a full cost allocation model

Avg balance: USD 10.3 Profitability: -163%

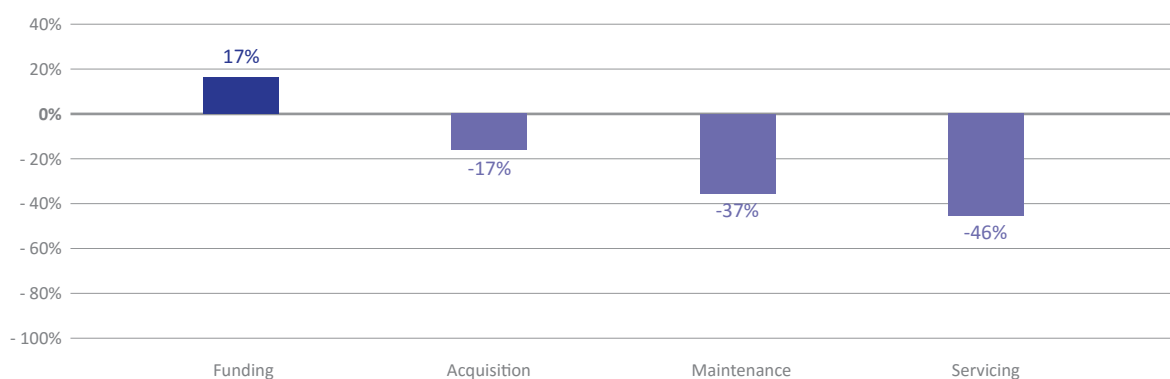


Scenario B: Profitability using a marginal costing approach

Because a new product can often be introduced without increasing already existing costs that are not directly involved with the new product, it can be argued that not all costs of an institution should necessarily be allocated to the new product when conducting a costing analysis. Leaving aside the costing allocation of indirect costs that do not depend on the existence of the Pafupi product, the losses from the product are halved.

B) Pafupi profitability using marginal cost allocation

Avg balance: USD 10.3 Profitability: -83%

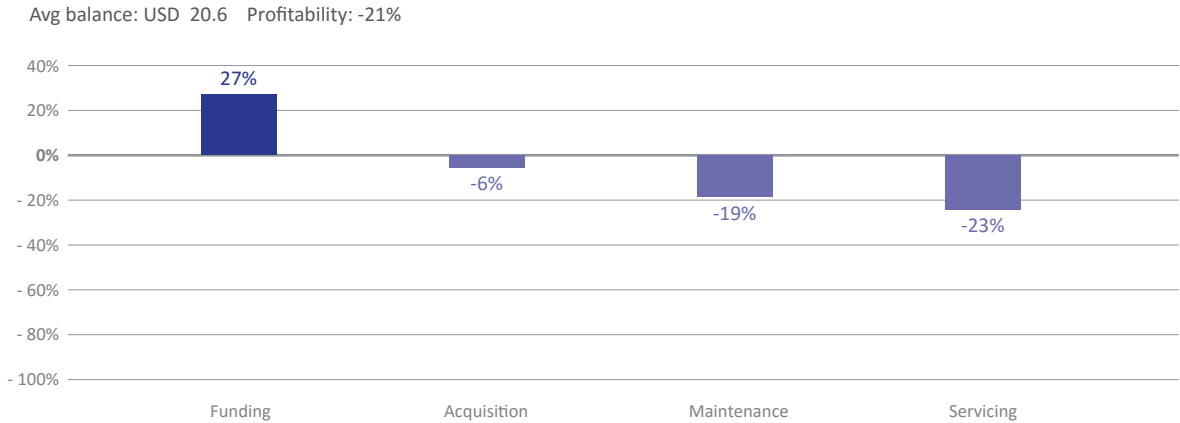


Nature resort in Malawi

Scenario C: Pulling some of the levers discussed

Some of the assumptions embedded in this scenario are the following: 1) NBS Bank is able to double the average savings balance from rom USD 10 to USD 20 (still far from the USD 70 maximum that Pafupi customers can save without having to fulfill complete KYC requirements). Along this line, NBS Bank can continue its efforts to reduce dormancy rates or can encourage clients to increase their balances. 2) The transfer price increases due to a better economic environment in which delinquency rates go down and the portfolio yield increases. When moving from mortgages to microcredits, the financial margin increases (along with operating costs), which could increase the transfer price used. 3) Acquisition costs can continue to go down, especially if the pilot initiated in October 2016 works well, and agents can start to open accounts, reducing the need for NBS Bank presence in rural zones. 4) Increasing the volume of transactions is a simple way to reduce the transactions costs of agents, making it a more attractive model.

C) Pafupi profitability assuming several levers pulled



ABOUT UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

ABOUT MICROLEAD

MicroLead, a UNCDF global initiative which challenges financial service providers to develop, pilot and scale deposit services for low income, rural populations, particularly women, was initiated in 2008 with support from the Bill & Melinda Gates Foundation and expanded in 2011 with support from the Mastercard Foundation and LIFT Myanmar. It contributes to the UN's Sustainable Development Goals, particularly SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and promote sustainable agriculture) and SDG 5 (achieve gender equality and economic empowerment of women), as well as the Addis-Abeba Financing for Development Agenda (domestic resource mobilization).

MicroLead works with a variety of FSPs and Technical Service Providers (TSPs) to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels such as rural agents, mobile phones, roving agents, point of sales devices and informal group linkages. The products are offered in conjunction with financial education so that customers not only have access but actually use quality services.

With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based programme that supports partnerships which build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings. As UNCDF rolls out the next phase of MicroLead, it will continue to focus on facilitating innovative partnerships that encourage FSPs to reach into rural remote populations, build on existing digital financial infrastructure and emphasize customer-centric product design. For more information, please visit www.uncdf.org/microlead. Follow UNCDF MicroLead on Twitter at @UNCDFMicroLead.

ABOUT MASTERCARD FOUNDATION

Mastercard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006.

ABOUT EA CONSULTANTS

EA Consultants is a consulting firm dedicated to ensuring that financial inclusion is a shared value proposition for all stakeholders and, in particular, for the customer. We have over 10 years of experience working with households worldwide to ensure that their voices and their needs are incorporated into products, delivery, and policies. We combine research and practice to ensure that our work is informed by an analysis and understanding of markets and customer needs. Our goal is that our work lead to new ways of thinking and new practice that are transformative to benefit all segments of society. We draw upon the vast knowledge and expertise of a diverse team of advisors to provide innovative consulting services and research to governments, financial institutions, other privately-held firms, non-profit organizations, and international institutions. Our team of forward thinking professionals is adaptive to the market's changing needs. Our clients value our analysis and recommendations because they are pragmatic, sustainable and economically viable.

Visit us at www.eac-global.com.



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