

EXAMINING CUSTOMER JOURNEYS AT FINANCIAL INSTITUTIONS IN CAMBODIA

Using Big Data to Advance Women's Financial Inclusion

MOTIVATION

When financial products and services are used effectively by the underserved population, they have the potential to strongly impact people's lives. As a result, this study was conducted to encourage a shift in focus from examining access to finance to understanding actual usage of financial products. More precisely, the study demonstrates the potential of Big Data analytics to generate granular sex- and youth-disaggregated information on the use of financial services, and to apply insights to inform product development and policy making.

METHODOLOGY

This study analyses data on 2.3 million customers from four leading Cambodian FSPs – AMK, AMRET, Sathapana Bank, and WB Finance¹ – representing almost a quarter of Cambodia's total adult population and over half of the borrowers and depositors in the Cambodian microfinance sector for the period 2010 to 2015. It measures the customer journey, looking at actual financial service usage patterns by demographic, geographic, and financial products segments, from the point where people enter the financial institutions to the point of their exit. Insights were triangulated with results from Cambodia's National Financial Inclusion Survey (FinScope, 2015) as well as feedback from 80 financial sector experts to identify why certain underlying patterns occurred.



OBJECTIVES

Despite an increasing amount of transactional (Big) data becoming available, the understanding of customer's long-term usage of financial services remains limited. By leveraging data, financial institutions can better anticipate customer preferences and design customer-centric products and services for underserved segments such as women, youth, and people living in rural areas.

PROFILE OF DEPOSITORS AND BORROWERS WITH STRONG CUSTOMER JOURNEY

Male

< 25 years old

Lives in Phnom Penh

Saves at FSP C

Takes savings account and term deposit



DEPOSITOR

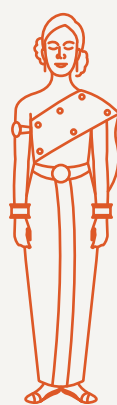
Female

< 25 years old

Lives outside Phnom Penh

Borrows from FSP A and FSP D

Takes group loan



BORROWER

1. At the time of the study, WB Finance was operating under the name VisionFund Cambodia.



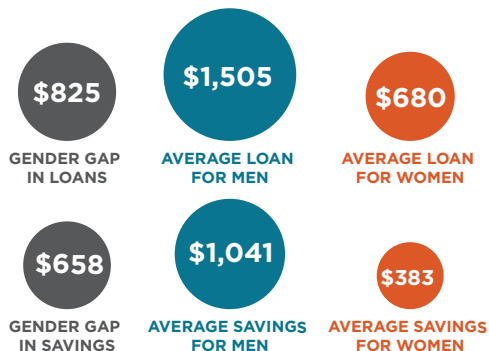
SHIFT
SHAPING INCLUSIVE
FINANCE TRANSFORMATIONS



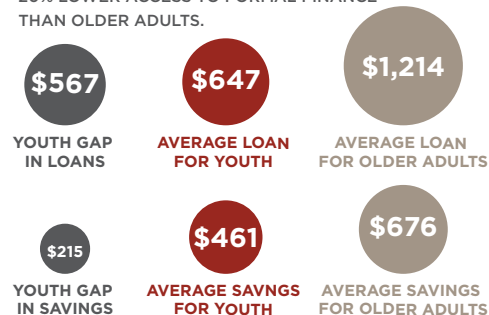
OUTCOMES

LOAN & SAVINGS MOBILIZATION

CAMBODIAN MEN AND WOMEN HAVE ALMOST EQUAL ACCESS TO FORMAL FINANCIAL SERVICES, YET THERE IS A SIGNIFICANT GENDER GAP IN LOANS AND SAVINGS MOBILIZATION.



THE CAMBODIAN YOUTH (18-24 YEARS) HAVE 20% LOWER ACCESS TO FORMAL FINANCE THAN OLDER ADULTS.



DEPOSITORS WITH RELATIVELY LONGER JOURNEYS OF FIVE YEARS AT THE FSPs MOBILIZED NEARLY TWICE THE AMOUNT OF SAVINGS COMPARED TO SHORT-TERM ACTIVE DEPOSITORS.



ACCOUNT USAGE

70% OF CUSTOMERS

HAD LOW-VALUE INACTIVE ACCOUNTS OR "PASSIVE SAVINGS ACCOUNTS".

MOST SAVINGS ACCOUNTS FELL BELOW \$5 WITHIN THE FIRST YEAR OF THE ACCOUNT OPENING.

COMPULSORY CREDIT-LINKED SAVINGS ACCOUNTS (72%) WERE MORE OFTEN PASSIVE COMPARED TO VOLUNTARY ACCOUNTS (45%).

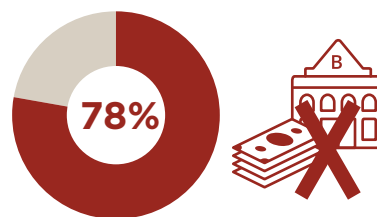
WOMEN WERE 14% MORE LIKELY TO HAVE PASSIVE SAVINGS ACCOUNTS (<\$5) COMPARED TO MEN.



YOUTH (<25 YEARS) ARE 37% LESS LIKELY TO HAVE PASSIVE SAVINGS ACCOUNTS COMPARED TO OLDER ADULTS (>25 YEARS)

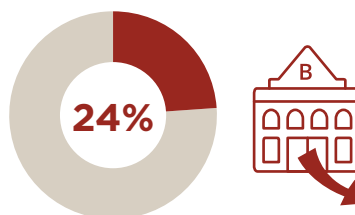


BORROWER RETENTION



78% EXITED THE LOAN PROGRAMME WITHIN 3 YEARS.

CUSTOMERS HAVE A LIMITED BORROWING RELATIONSHIP WITH FSPs.



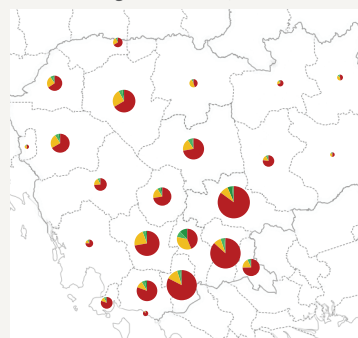
EXIT RATES VARY ACROSS FSPs BY AS MUCH AS 24%

CUSTOMER JOURNEYS CAN BE STRENGTHENED.

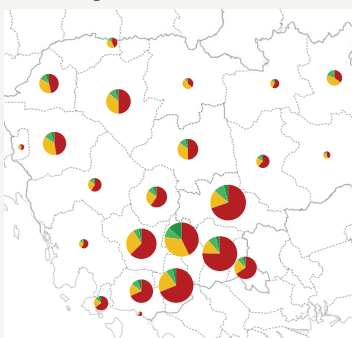
WOMEN AND YOUNG CUSTOMERS HAVE BETTER RETENTION RATES, DESPITE RECEIVING SMALLER-SIZED INDIVIDUAL LOANS THAN MEN AND OLDER ADULTS RESPECTIVELY.

GENDER GAP IN SAVINGS MOBILIZATION ACROSS PROVINCES IN CAMBODIA

Female Savings Distribution, Year 2015

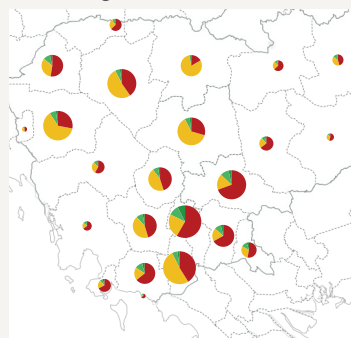


Male Savings Distribution, Year 2015

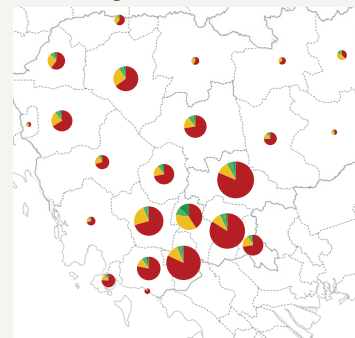


YOUTH GAP IN SAVINGS MOBILIZATION ACROSS PROVINCES IN CAMBODIA

Youth Savings Distribution, Year 2015



Adults Savings Distribution, Year 2015



*The pie charts show the distribution in terms of number of depositors with passive (<\$5), small (\$5-100), medium (\$100-\$1000) and large total savings balances (1000\$). The larger the pie, the more depositors were in this province.

2. Passive savings accounts' are defined as accounts with deposit balances below US\$5.

► BARRIERS TO FINANCIAL SERVICES USAGE IN CAMBODIA

KEY BARRIERS TO SAVINGS MOBILIZATION INCLUDE:

- Cambodians continue to save informally in schemes such as 'tong tings', savings in cash or livestock over formal savings.
- Limited channels to access savings in rural areas, especially for women and older adults that face mobility constraints.
- Limited linkage between savings accounts and income streams such as wages and pensions – 92 percent of people receive their income in cash, rather than in a bank account.
- Payments and remittances products are not linked to savings accounts.

- Low levels of financial literacy – only 40 percent of Cambodian adults are aware of formal saving methods.
- Credit-linked savings accounts are promoted as repayment vehicles for loans and not for savings mobilisation.

KEY BARRIERS TO BORROWER RETENTION INCLUDE:

- Limited customer centric product development and assessment.
- Limited customer loyalty programmes at FSPs.
- Strong competition between FSPs over credit-worthy customers, especially in Phnom Penh.

► STRONG BUSINESS CASE

There is a business case for FSPs to improve savings and loan mobilization by strengthening the customer journey, especially among women, youth, and rural residents. Depositors with relatively longer journeys of five years at FSPs mobilized nearly twice the amount of savings than short-term depositors. Long-term customers also took up slightly larger loans.



70% OF DEPOSITORS
HAVE LOW-VALUE PASSIVE
ACCOUNTS BELOW \$5



78% OF BORROWERS
EXIT FSPs WITHIN THE
FIRST THREE YEARS



WOMEN STAYED LONGER IN THE
BORROWING RELATIONSHIP
WITH FSPs YET THEY RECEIVED
LOWER LOAN AMOUNTS
THAN MEN



YOUTH WERE MORE
LOYAL BORROWERS AND
USED SAVINGS ACCOUNTS
MORE ACTIVELY.



**\$52-\$172
MILLION**

COULD BE ADDED IN DEPOSITS TO
FSPs BY REDUCING PASSIVE SAVINGS
ACCOUNTS FROM 70% TO 40%

**\$304
MILLION**

COULD BE ADDED TO THE LOAN
PORTFOLIO OF FOUR FSPs BY
REDUCING THE BORROWER EXIT RATE
FROM 39% TO 29%

**\$54
MILLION**

REDUCTION IN THE OPERATIONAL
EXPENSES OF THE FOUR FSPs BY
IMPROVING YEARLY BORROWER
RETENTION BY 10%

1.8 X HIGHER SAVINGS
FROM DEPOSITORS WHO STAYED FOR 5 YEARS

HIGHER LOANS
FOR BORROWERS WHO STAYED FOR
3 YEARS WITH THE FSP (\$613 vs \$521)



RECOMMENDATIONS FOR FSPs



Launch and promote mobile financial services for more convenient formal savings and payments services for underserved customers such as women, youth and rural residents.



Develop new channels such as local agent networks to improve savings mobilisation in rural areas and provide customers better access to their savings.



Link savings accounts to regular income streams such as wages, pensions and government subsidies.



Enhance digital financial literacy and savings product awareness among customers, for example, by using digital financial literacy apps, or by sending push SMS- and other tailored messages to customers.



Improve customer assessment and reward customer loyalty to strengthen customer journey and improve retention.



Implement alternative credit scoring models that assess and reward customers based on their transactional and credit history.

RECOMMENDATIONS FOR REGULATORS



Harmonise the use of national identification cards to better deliver financial services and mitigate multiple-lending and over-indebtedness



Facilitate partnerships between banks and non-banking institutions such as Telcos to offer digital financial solutions that can improve savings and loan mobilisation



Incorporate financial service usage and customer-value insights into national financial inclusion strategy

ACTIONS TAKEN BY SHIFT AND UN PULSE LAB JAKARTA

SUPPORTING CAMBODIA'S NATIONAL FINANCIAL INCLUSION STRATEGY

Incorporating sex- and youth-disaggregated savings mobilisation data into the monitoring and evaluation framework.

OFFERED DATA ANALYTICS TRAINING

Promoting evidence-based business and financial inclusion strategies conducted for four leading Cambodian financial institutions, the Ministry of Economics and Finance and the National Bank of Cambodia.

PILOTING DIGITAL FINANCE SAVINGS PRODUCTS UNDER THE SHIFT CHALLENGE FUND

- Digital family savings products
- Remittance-linked savings products

CONNECT WITH US

shift.uncdf.org
inclusivefinance.asia@uncdf.org
[@UNCDFSHIFT](https://twitter.com/UNCDFSHIFT)
[#weshift](https://www.facebook.com/weshift)

UNCDF is the UN's capital investment agency for the world's 48 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.