Does technological innovation equal financial inclusion? *What would be the role of financial education?*

May 2011

Denise Dias, CGAP
ddias@cgap.org
What limits financial access?

- Long distances & low pop density
- High bank costs relative to income
- Low education & illiteracy
- Poor product/ channel design
Branchless banking is the delivery of financial services outside conventional bank branches using information and communications technologies and nonbank retail agents.
Does innovation equal inclusion?

Additive Branchless Banking
Merely adds to range of choices or enhances the convenience for existing customers

Transformational Branchless Banking
Extends to customers who would not be reached profitably with traditional branch-based financial services by tapping into existing infrastructure that already reaches unbanked people
New ways of doing business

Branchless banking: client-provider relationships are:

- **Remote** – distance between point of service and provider’s headquarters or branch
- **Indirect** – use of third parties (nonbank agents)
- **Technology-based** – mobile phones, prepaid cards, POS devices, biometrics, internet…

How does education impact adoption and success of new models?
Inclusion can happen without education

Advantages of accessing formal services through branchless banking

- Use previously unreachable services
- Less risky than existing informal alternatives
- More suitable services
- Improved price transparency and information
- Efficiency and effectiveness in G2P programs
Some things can go wrong when using technology

• Client not able to transact
• Personal information stolen or wrongfully accessed
• Unexpected fees from third parties involved
• Fees and prices not informed through electronic channel
• Lack of cash at cash-out point
• Client required to buy another product to conduct the financial transaction
Models are successful in attracting clients but much remains to be done in client retention and increased product usage.

Technology can help improving education, awareness and reduce risks.
Use of agents and mobile phones to access financial services

- Clients satisfied with branchless banking services
- Level of trust in the service and agents is high
- Range of services still limited, but evolving
- No evidence of widespread serious problems
- Creativity in usage: 21% clients say M-Pesa is their “most important” way to save (2010)
What’s the role of education?

- Increase adoption and usage of new models and products through enhanced capability and better understanding by clients, but also of clients
- Reduce problems with technology or the consequences of problems with empowerment and awareness of potential risks and redress rights and channels
- Push for improvements in product offerings
Education becomes more important as models go beyond payments

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Provider</th>
<th>Initial offering</th>
<th>Next wave</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Brazil</td>
<td>Bradesco</td>
<td>bill payment</td>
<td>savings and credit</td>
</tr>
<tr>
<td>2004</td>
<td>Philippines</td>
<td>Globe GCASH</td>
<td>money transfer</td>
<td>savings and credit</td>
</tr>
<tr>
<td>2007</td>
<td>Kenya</td>
<td>MPESA</td>
<td>domestic remittances</td>
<td>savings and credit</td>
</tr>
<tr>
<td>2009</td>
<td>Pakistan</td>
<td>easypaisa</td>
<td>bill payment</td>
<td>savings and credit</td>
</tr>
</tbody>
</table>
Education: a bridge to access through technology

Education helps access through technology

Technology helps delivery and improvement of education
Advancing financial access for the world’s poor

www.cgap.org
www.microfinancegateway.org