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WHO ARE THE CLIENTS OF SAVINGS BANKS?

A poverty assessment of the clients reached by savings banks in India, Mexico, Tanzania and Thailand



The World Savings Banks Institute (WSBI), in cooperation with Oxford Policy Management (OPM), conducted a study commissioned by CGAP to analyze the poverty level of clients reached by savings banks worldwide. The study examined how well savings banks reached clients at different poverty levels and how different clients use financial products. Four savings banks from India, Mexico, Tanzania, and Thailand were selected. Client surveys included a broad set of questions about each household situation based on CGAP's Poverty Assessment Tool (PAT).¹

This brief summarizes the main findings from the study. A comprehensive Summary Report and four Country Reports are available at (<http://www.wsbi.org>)

Summary Profiles of the Participating Savings Banks				
Name	NSI National Savings Institute	Bansefi Banco del Ahorro Nacional y Servicios Financieros	TPB Tanzania Postal Bank	GSB Government Savings Bank
Country	India	Mexico	Tanzania	Thailand
Type and services provided	Government savings-only scheme often accessed through post-offices	Stand-alone bank with own branch network, offering savings and payment services but no credit	Postal savings bank offering savings, payments, and small scale credits through its own branches and post-offices	Full-service retail bank with own branch network, offering savings, payments, and full range of credit, including microcredit
Number of Accounts	55 million (1 for every 16 adults)	4 million (1 for every 17 adults)	1 million (1 for every 20 adults)	36 million (2 for every 3 adults)
Number of Loans	None	None	<10,000	1.4 million
Number of Outlets	No branches, 150,000 post offices	506 own branches and links to local Cajas	21 own branches 105 post offices	600 own branches
Clients	<ul style="list-style-type: none"> • 50 million adults • 6 million in poorest third 	<ul style="list-style-type: none"> • 2.7 million adults • 0.9 million in poorest third 	<ul style="list-style-type: none"> • 1.5 million adults • 0.2 million in poorest third 	<ul style="list-style-type: none"> • 14 million total adults • 4.5 million in poorest third
Percentage of clients in socio-economic group				
<p>Pie Chart Key: black = poorest third; grey = middle third; white = better-off third</p>				

¹ More information about CGAP's PAT can be found at "Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool", http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf





Significant depth of outreach

The four savings banks are large providers of financial services in their countries, and they each have significant outreach among the poorest households. They actually have a larger outreach among the poorest households than most other pro-poor institutions in their countries. For example, although only 13% of NSI (India) clients are among the poorest households, this percentage represents six million poor households.

Each of the savings banks surveyed serve more women than men from the poorest households, even when they tend to have more male clients overall. The surveys also revealed a significant rural outreach that matches the rural share of the respective country's population as a whole.

Active Product Use

The study revealed interesting data on client product use. The poorest clients in all institutions tend to use their savings accounts actively. For example, the poorest third of client from Bansefi (Mexico) are very active savers, and their net savings equals those of the better-off households. For TBP (Tanzania) and GSB (Thailand), savings product use is more evenly spread across the socio-economic spectrum than is credit product use (that is, while all clients use savings products, credit products are mainly used by better-off clients).

In a nutshell:

- **Size Matters:** As large providers of financial services, savings banks have a larger outreach among the poorest households than most other pro-poor institutions.
- **Significant Depth of Outreach:** Savings banks have a significant outreach among the poorest households in their countries, especially in rural areas and among women.
- **Active Product Use:** The poorest clients actively use their savings accounts.
- **Direct Distribution and Right Incentives are Crucial:** While product design and physical accessibility are important for financial institutions, direct distribution combined with the right set of incentives seems to be the crucial factor behind pro-poor outreach.

Direct Distribution and the Right Incentives are Crucial

Distribution mechanisms appear to affect the extent of outreach. Both NSI (India) and TPB (Tanzania) rely on indirect distribution channels, and both serve a greater percentage of better-off households. By contrast, Bansefi (Mexico) and GSB (Thailand), which have their own branch network, and thus direct distribution channels, have a client profile that more closely reflects the population (that is, they serve a greater percentage of the poorest households). While product design and physical accessibility are important, direct ownership of distribution networks appears to be a critical factor in reaching poorer clients.

Incentives are also clearly important. Staff at Bansefi (Mexico) and GSB (Thailand)—the two banks with significant depth of outreach—know that the pro-poor products are helping to build a stronger client base into which they can sell other services. By contrast, the incentives for NSI (India) reward maximizing the value of savings—not the number of customers reached—hence, the predominance of better-off clients in NSI's customer base.

Conclusions

The study demonstrates that savings banks are very large providers of financial services in all socio-economic segments. They balance their breadth of outreach (the proportion of the population they serve) with a significant depth of outreach (reaching a large number of the poorest households), especially in rural zones, but also in urban areas. This means that savings banks hold great potential for delivering accessible financial services for all.

The study also reveals that financial institutions should look carefully into their distribution policies. An inexpensive and simple savings account, a large distribution network, or simply adding a microcredit component are important, but they are not enough to guarantee deep outreach. The message emerging quite strongly is that direct control of customer interface (through the bank's own channels) and having the right staff incentives in place are both needed to turn a passive commitment to universal access into an active reach into to the poorest segments of society.

