

Financial Inclusion Project



Published On: 17 June 2014

Organisation: BANSEFI (public development bank)

Country:

Level of government: Central government

Sector: General public services

Type: Public Service

Launched in: 2010

Overall development time: 18 months

Link to the innovation's website

Like this innovation

0 persons like this innovation

Description

Bansefi is a public development bank in Mexico. Through this innovative practice Bansefi is improving access to financial services, especially to those who live in rural areas in poverty, thus promoting economic growth within their communities. Bansefi has:

- Provided banking infrastructure in locations with no banking presence through Bansefi's own infrastructure but also through partnerships with entities that enjoy the target population's trust.
 - Enabled recipients of government aid to open bank accounts and receive debit and smart cards to provide electronic delivery of payments in order to:
 - Shorten the time spent to receive their government aid.
 - Significantly reduce the amount of resources that the government and the beneficiaries have to commit to deliver/receive their aid.
 - Created a correspondent agent network where people in rural areas can access financial services in their own communities.
 - Provided financial education to create awareness on the benefits of owning a bank account and using other associated services.
-

Why the innovation was developed

(1) 70% of Mexican municipalities lacked any banking presence. Bansefi's mandate to promote savings and financial inclusion led to the search for new and more efficient ways to improve access to financial services. (2) Previously, government payments were distributed infrequently through large cash payments. The beneficiaries had to commute long distances to access payments, spending both time and resources on transportation. (3) The Federal Government needed to provide a secure and transparent mechanism to distribute aid and reduce corruption.

Objectives

Improve access, Improve effectiveness, Improve service quality, Improve social equity, Improve user satisfaction, Support economic growth

- Promote financial inclusion for populations living in remote regions and depending on government aid.
 - Raise financial awareness by providing education campaigns.
 - Ensure safe, transparent and faster payment mechanisms thus reducing corruption and waiting times for recipients.
-

Main beneficiaries

Businesses, Civil Society, Ethnic or racial minorities, Low-income groups

6.5 million families living in rural areas and who do not have access to the banking system for receiving government aid payments.

Existing similar practices

Financial services for low income population

In other countries' public administrations

Foreign banking institutions

A similar approach targeting the low income population has been adopted by the following banking institutions: Equity Bank in Kenya, Standard Bank of South Africa, Bancolombia in Colombia and ICICI in India.

Results

Service quality

Accessibility:

16 400 delivery points to provide access to financial services for remote areas.

User satisfaction

- 98% of beneficiaries reported their satisfaction with the new form of payment.
 - 97% of beneficiaries considered the new system safer than the cash payments.
-

Other improvements

By receiving their payments in their own region, beneficiaries mostly spend their benefit payments in their own community, thus contributing to local development.

Development

Design

- Law by federal government that required all social programs to be delivered electronically by 2013.
 - Bansefi was aware of the opportunity to collaborate with other institutions to deliver banking services and made a proposal to the ministry of social development.
 - A banking work group to assess beneficiaries' needs and the project's operational challenges was created between different government institutions with Bansefi taking the lead.
-

Testing

- Pilot in collaboration with Diconsa, a government-owned company with community-owned stores in rural areas, and with Savings and Loans cooperatives linked to Bansefi.
 - Pilot provided new account holders with access to financial services and electronic distribution of payments.
 - Beneficiaries of the pilot were content with the new system and said they preferred it over the old one.
-

Implementation

Tools used:

- Creation of a wider distribution network of banking services close to beneficiaries with TELECOMM (government-owned telecoms company) and PEMEX gas stations.
- The criteria for the location of new payment points included the distance between payment points and beneficiaries' communities, and which other financial services could be offered at the payment point.
- Registering the fingerprints of the account holder for the distribution and delivery of bank cards.
- Electronic confirmation of the card delivery.
- Training to beneficiaries of the new electronic scheme.

Resources used:

- Cost for the production and delivery of the card: MXN 230 million.
 - Other costs were associated with:
 - Fingerprint registration.
 - Installing new technology.
 - Technological platform.
 - Administration and supervision of the correspondents and distribution networks.
 - Advertising.
 - Banking infrastructure.
 - Indirect costs associated with technological platform, staff and Bansefi's own branches.
-

Diffusion

- Grants from the Bill and Melinda Gates Foundation as well as the Rockefeller Foundation were directed at diffusing the innovation.
 - USD 3 million by the Bill and Melinda Gates Foundation to help address challenges of setting up new banking correspondents and identifying improvements.
 - MXN 1.230 million by the Rockefeller Foundation for market research and design of products to promote savings.
 - Extending partnerships with Telecomm and PEMEX to offer new delivery points, up to a total of 16 400 delivery points.
 - More financial education courses established to promote use of financial services in rural communities to spread message on the importance of saving, and communicate the financial services which are available to rural communities.
-

Partnerships

Ministry of Social Development (SEDESOL)

Other Public Sector

Oportunidades, the government social assistance programme

Other Public Sector

Diconsa and Telecomm

Other Public Sector

Both acted as a distribution channel. Diconsa is a government-owned company with community-owned stores in rural areas.

Pemex gas stations

Private sector

They served as a distribution channel.

Foundations

Civil Society

We partnered with the Bill and Melissa Gates Foundation and the Rockefeller Foundation (funding).

Lessons Learned

Lessons Learned

The experience acquired during the implementation of the Financial Inclusion Project has shown that:

- People living in poverty are looking for safer alternatives to save.
- In most of the cases, people in rural areas do not use financial services due to:
 - The lack of nearby and safe establishments.
 - Lack of financial education.
- If the resources delivered through government aid stay in the community, it promotes sustainable development within its population.
- It is feasible and economically sound to provide financial services in rural communities.
- It is possible to set work across governmental institutions to provide financial services where there is no commercial banking infrastructure.

Copyright OECD. All rights reserved.