



Financial Services

Engage the BOP by offering financial products (e.g., credit, insurance) or services (e.g., banking) in small denominations for affordable prices, and leveraging the BOP in the distribution network

<h2>The Opportunity</h2>	<p>The current US\$70 billion microcredit industry provides service to approximately 200 million clients.ⁱ The existing multi-billion dollar microcredit industry confirms the level of market demand.</p> <p>More than 2.5 billion adults still lack access to basic financial services.ⁱⁱ Further, the steady growth of savings accounts in the BOP provides compelling evidence of an appetite for more than microcredit, with an estimated 1 billion savings accounts for low-income customers in developing economies.ⁱⁱⁱ Providing financial products to the BOP enables businesses to serve billions of customers who still have unmet financial needs.</p> <p>Remittances are approaching an estimated US\$350 billion a year, and businesses are learning how to leverage these financial flows to the BOP.^{iv} These growing financial flows into the BOP through remittances are providing increasing financial resources to the BOP, steadily expanding the number of potential BOP customers.</p>
<h2>Primary Business Models Employed</h2> <p>(note that businesses may employ components from multiple models or entirely different models)</p>	<p>Microcredit: The business provides small amounts of credit to low-income customers, who are typically unable to access loans from formal banks, with small amounts of credit, often via group lending.^v</p> <p>Microinsurance: The business offers insurance products designed to meet the particular cash flow needs of the BOP.^{vi}</p> <p>Microsavings: The business gives BOP customers the ability to save small amounts of money in a deposit account, with low or no minimum balance requirements and service fees.^{vii}</p> <p>Mobile money: The business enables the poor to access and transfer cash via mobile devices or alternatives to traditional financial services channels.^{viii}</p> <p>Shared channels: The business bundles products and services through existing customer sales and distribution platforms.^{ix}</p>
<h2>Company Examples</h2>	<p>Citi Mobile Collect: Enables small business that are typically unbanked to transfer money via mobile devices to their providers.</p> <p>Mahindra Rural Finance Ltd: Provides home loans to under-served rural and semi-urban consumers in India, enabling them to afford housing.</p>
<h2>Key Considerations / Risks</h2>	<p>The lack of financial literacy in the BOP can be a challenge for companies. Initiatives have used a number of strategies to overcome this challenge including engaging local entrepreneurs to market and sell their services or providing training to potential customers.</p> <p>Bank employees may lack experience and fluency in serving the poor. It is important to recruit staff who bring empathy and respect to customers.^x</p> <p>Mobile-based solutions can facilitate a low-margin, high volume business and dramatically increase a company's reach.</p> <p>Similar to the infrastructure sector, financial services and financial inclusion are key enablers for further economic growth in the BOP.</p>
<h2>Potential SDG Alignment</h2>	

ⁱ Consultative Group to Assist the Poor (2016). Financial Inclusion. Available from <http://www.cgap.org/topics/financial-inclusion>

ⁱⁱ Bill & Melinda Gates Foundation (2015). Financial Services for the Poor: Strategy Overview. Available from <http://www.gatesfoundation.org/What-We-Do/Global-Development/Financial-Services-for-the-Poor>

ⁱⁱⁱ World Resources Institute (2007). *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. Available from http://www.wri.org/sites/default/files/pdf/n4b_full_text_lowrez.pdf

^{iv} Ibid.

^v Monitor Group (2011). *Promise and Progress: Market-Based Solutions to Poverty in Africa*, May 2011. Available from <http://web.mit.edu/idi/idi/Africa-%20PromiseAndProgress-MIM.pdf>

^{vi} Ibid.

^{vii} Ibid.

^{viii} Ibid.

^{ix} Ibid.

^x <http://www.cgap.org/blog/5-ways-improve-customer-experience-poor>