



# 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.<sup>i</sup> <b>The existing multi-billion dollar microcredit industry</b> confirms the level of market demand.</p> <p>More than <b>2.5 billion adults still lack access to basic financial services</b>.<sup>ii</sup> 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.<sup>iii</sup> 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.<sup>iv</sup> 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><b>Microcredit:</b> 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.<sup>v</sup></p> <p><b>Microinsurance:</b> The business offers insurance products designed to meet the particular cash flow needs of the BOP.<sup>vi</sup></p> <p><b>Microsavings:</b> 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.<sup>vii</sup></p> <p><b>Mobile money:</b> The business enables the poor to access and transfer cash via mobile devices or alternatives to traditional financial services channels.<sup>viii</sup></p> <p><b>Shared channels:</b> The business bundles products and services through existing customer sales and distribution platforms.<sup>ix</sup></p>
<h2>Company Examples</h2>	<p><b>Citi Mobile Collect:</b> Enables small business that are typically unbanked to transfer money via mobile devices to their providers.</p> <p><b>Mahindra Rural Finance Ltd:</b> 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.<sup>x</sup></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>	

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

<sup>ii</sup> 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>

<sup>iii</sup> 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](http://www.wri.org/sites/default/files/pdf/n4b_full_text_lowrez.pdf)

<sup>iv</sup> Ibid.

<sup>v</sup> 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>

<sup>vi</sup> Ibid.

<sup>vii</sup> Ibid.

<sup>viii</sup> Ibid.

<sup>ix</sup> Ibid.

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