

Banking the poor through G2P

Anu Bajaj

DFID

10 March 2009

Windsor II Global Leadership Seminar on Regulating Transformational Branchless Banking

March 9-11, 2009 | Windsor, UK



**Alliance for
Financial
Inclusion**



Contents

1. **What are G2P schemes?**
2. Why do they matter?
3. How do they affect financial regulators?

Government-to-person payments take a number of forms, including social transfers

EXAMPLE: COLOMBIA				
G2P flow	Target client	Average payment	# of recipients (m)	Annual value \$BN
CCT: Familias en Acción	Households under poverty line	\$88	1.5	0.8
Social Security	Low-income workers children under 18 years	\$87	3.9	4
Public Pensions	Retirees	\$400	0.8	3.8
Old age pension (Prosperar)	The elderly poor	\$57	0.38	0.13
Wages	Central government workers	\$497	0.99	11.7
TOTAL			7.6	20.6

Source: Joint CGAP/DFID Focus Note (forthcoming)

How are social transfers paid today?

‘Pull’

Client is pulled to a point at which cash is paid, often through state institution

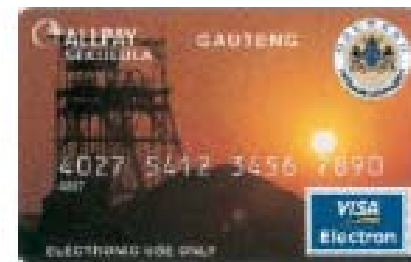
e.g. Mexico, Brazil, Colombia, South Africa, Bangladesh



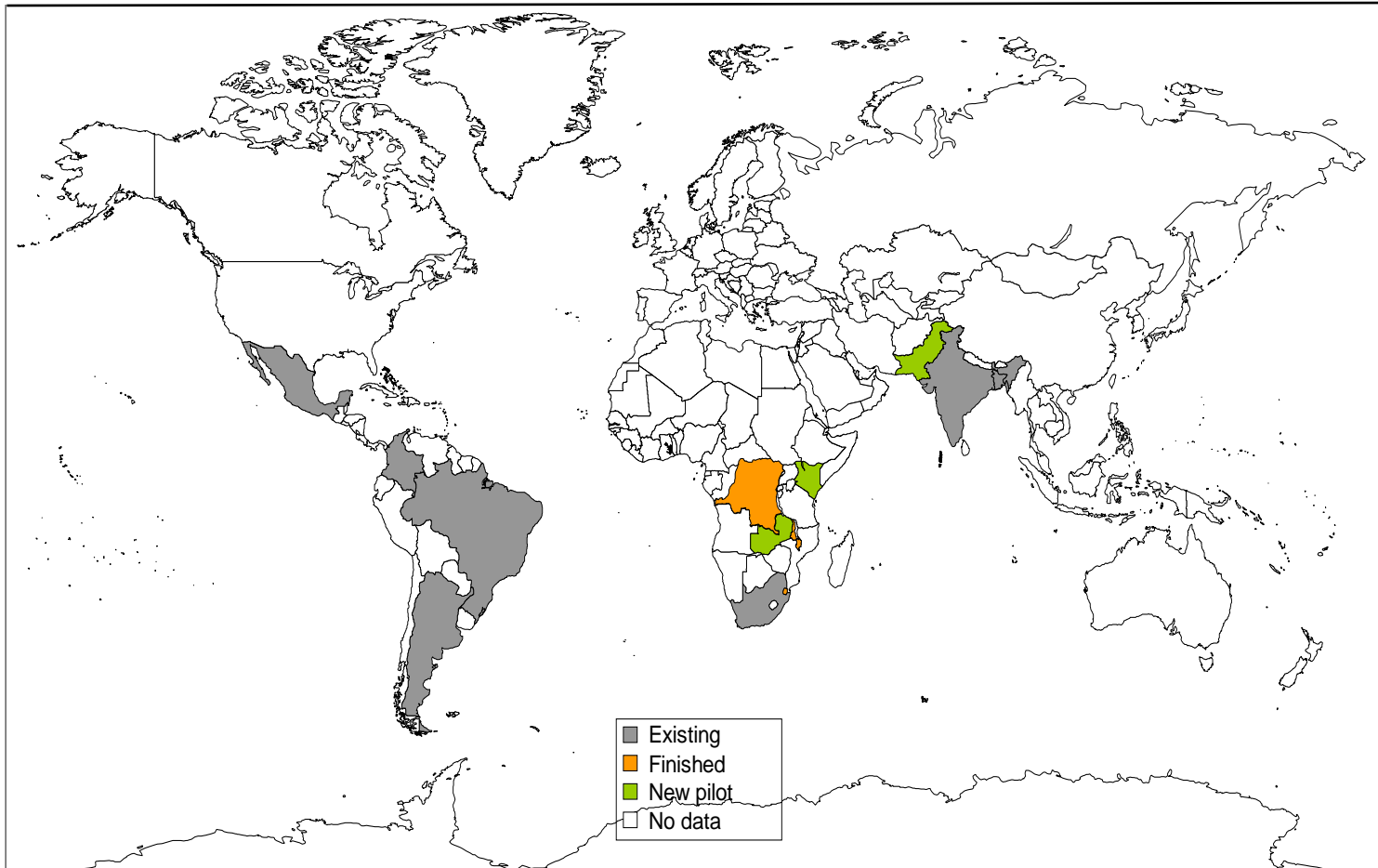
‘Push’

Funds credited to client bank account to be withdrawn as needed

e.g. US, UK, Brazil, Mexico, South Africa



More poor people receive regular payments from government than have microloans



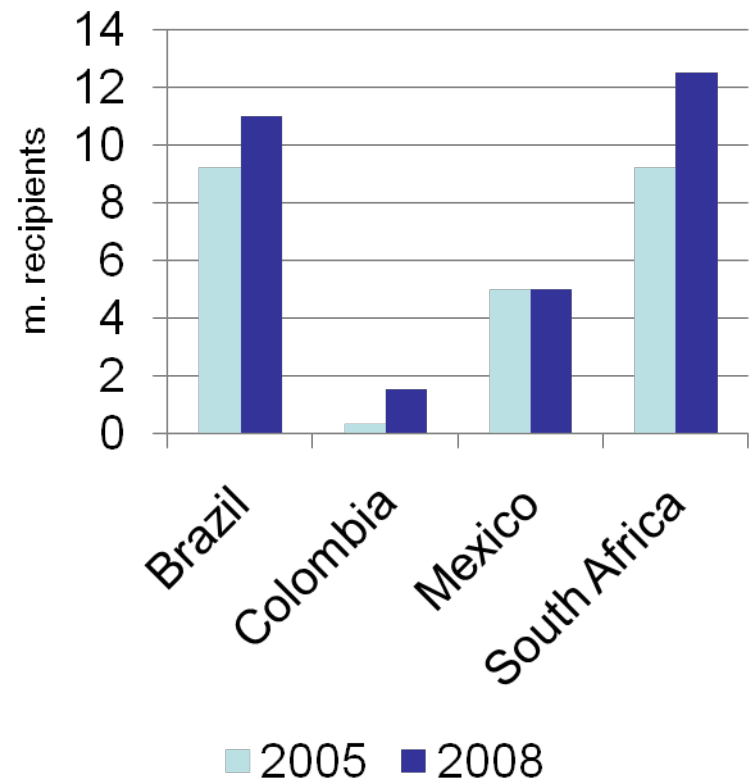
DFID & CGAP have recently reviewed payment arrangements for social transfers in a number of countries with different schemes— pilot, full scale, temporary, permanent

Contents

1. What are G2P schemes?
- 2. Why do they matter?**
3. How do they affect financial regulators?

1. Their reach: existing social protection schemes are growing and new ones starting

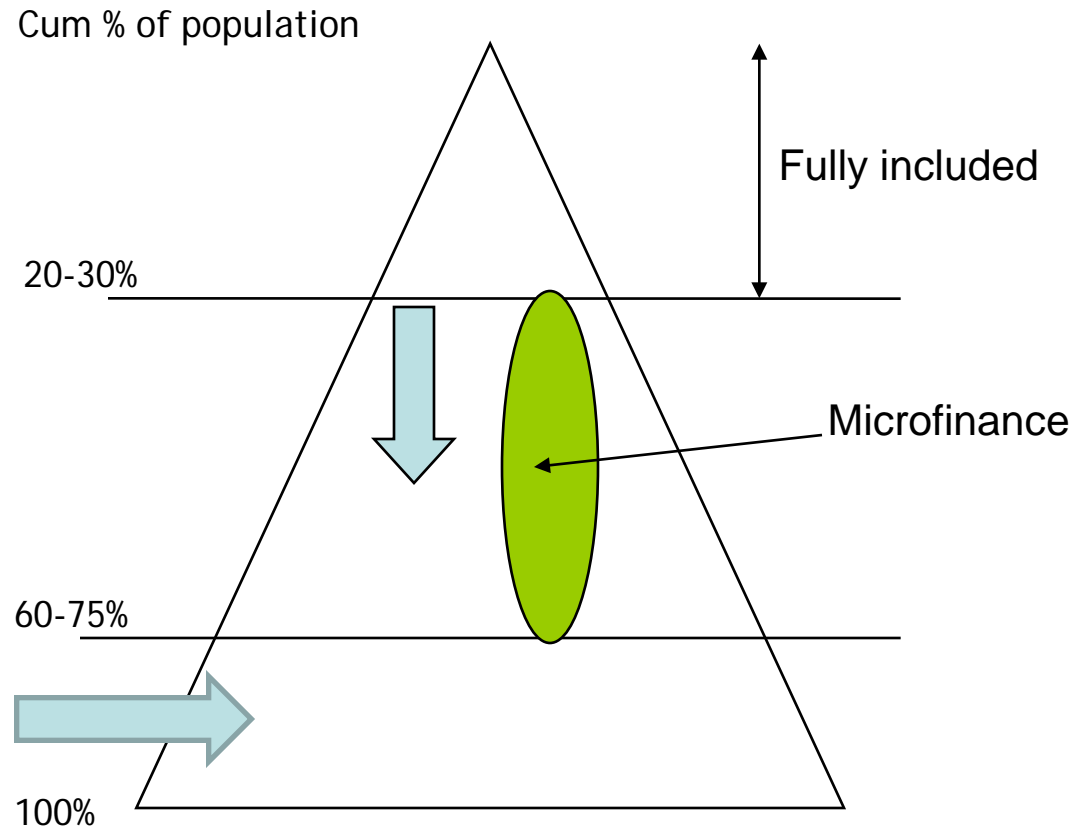
- Existing schemes have expanded as shown
- Estimate 155m of global poor in developing countries receive transfers (Oliver Wyman 2008 + CGAP/DFID)
- New schemes are proliferating or being planned due to the “triple F” crisis:
 - Food price
 - Fuel price
 - Financial



2. Developmental impact: social transfers reach where microfinance often does not

Combined with financial services, they may also provide a pathway out of poverty e.g. BRAC's IGVD

Social transfers target the base of the pyramid

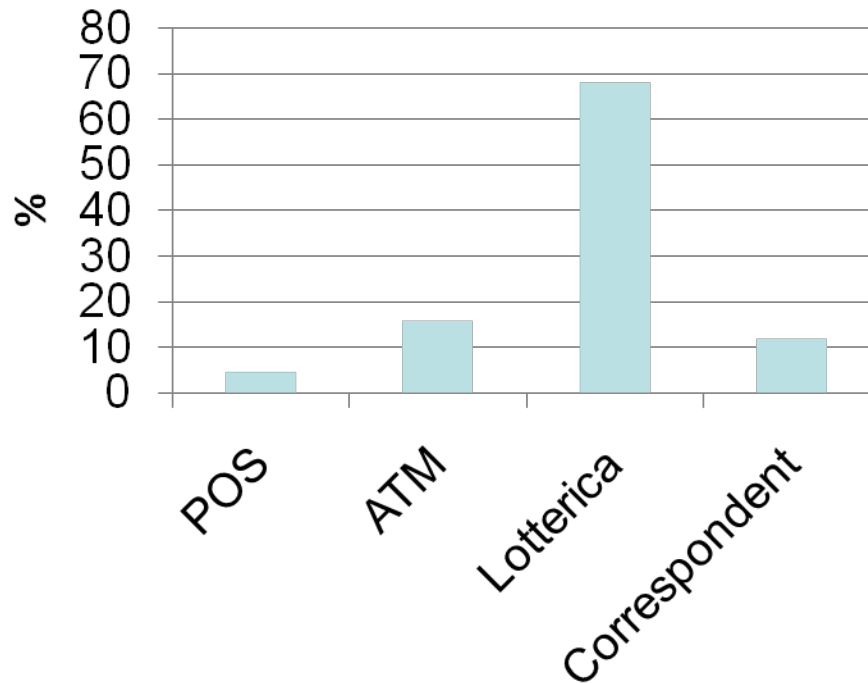


3. Branchless banking can enable G2P



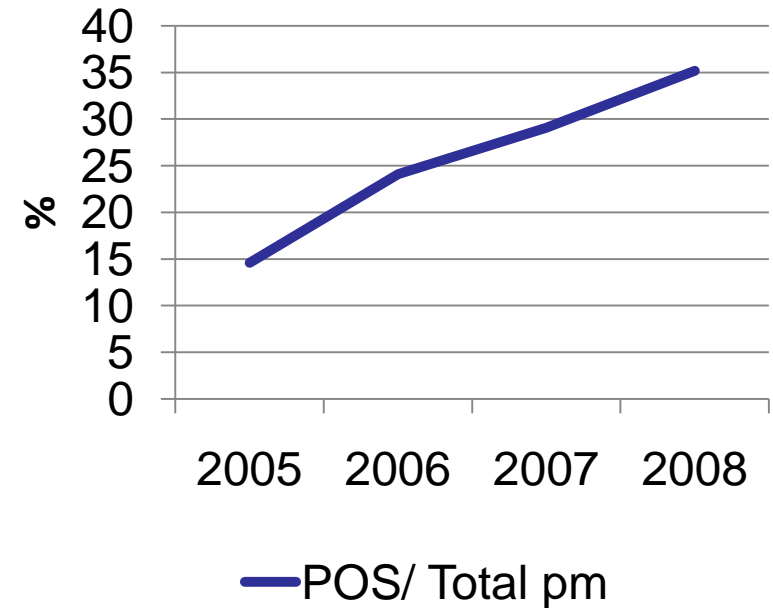
Brazil Caixa

% Bolsa recipients at:



South Africa Net1

% grants collected at POS



Contents

1. What are G2P schemes?
2. Why do they matter?
3. **How do they affect financial regulators?**

Implications for financial regulators

- Some schemes may require specific regulatory approval or exemption to enable inclusive elements
 - e.g. CDD requirement to open basic bank accounts
- Social welfare departments may require or benefit from financial advice in designing payment elements and even appointing payment agencies (e.g. banks)
- Large scale schemes may affect payment system and financial sector through choice of standards and instruments

Conclusion

- The current environment offers opportunities for a “big push forward” for financial inclusion with multiple developmental and economic growth spin offs
- Financial regulators can enable and support this process through constructive engagement

Available resources

DFID (2007) “Enhanced payment options for social transfer schemes”,
DFID Social Protection Briefing Note No.5

BFA (2008) “Promoting financial inclusion through social transfer
schemes”, Paper for DFID

Pickens et al (2009f) “Banking the poor through G2P” Joint Focus Note,
forthcoming