

CGAP G2P Research Project

Brazil Country Report



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EXECUTIVE SUMMARY

1. Bolsa Família is the largest cash transfer program in Brazil—reaching 12.9 million families. It does not have formal financial inclusion goals. However, it has offered bank account-based grant transfers since 2008.
2. The program allows recipients to choose between receiving the grant through a limited-purpose instrument—the Social Card, a nontransactional virtual account that does not allow deposits and indefinite storage—or through deposits into Caixa Fácil, a no-frills current account. Today 11 million recipients use the Social Card exclusively; only 2 million (15.02 percent) receive their grants through Caixa Fácil.
3. Both options are operated by Caixa. Caixa is a government bank with a history of focusing on low-income clients. Recipients can withdraw the grant at over 36,000 payment points at no cost. Caixa Fácil accounts offer a debit card that also can be used at more than 50,000 shared automated teller machines (ATMs) and for debit purchases.
4. Caixa and the Ministry of Development (MDS) offer recipients who do not have a Caixa Fácil account the chance to open these accounts and receive grants through them. For those who already have a Caixa Fácil, the grant is automatically deposited into the account unless the recipient declines this option.
5. **Objective of this report.** This report summarizes the findings of research conducted in Brazil on the business case for shifting Bolsa Família payments to a bank account-based (financially inclusive) payment scheme, from the standpoint of the payer bank, the recipients, and the program itself. It aims to answer the following questions:
 - a. *Can financial institutions offer financially inclusive services to recipients on a profitable basis?*
 - b. *Will poor recipients use financial services if they are offered to them?*
- c. *Is building in inclusive financial services affordable?*
6. Research suggests that MDS has clear incentives to shift to account-based payment. It is cheaper than the Social Card method, and it can create some political traction for advancing financial inclusion, particularly considering MDS's launch of a new poverty reduction strategy, “Brazil Without Misery.”
7. The report concludes that in the Brazilian case the answer to research question (c) is yes, as MDS has proved that it is cheaper to use a financially inclusive account than the limited-purpose instrument. Today, MDS saves 5.83 percent of the cost of payments by having 15.02 percent of banked recipients. If all payments shifted to Caixa Fácil accounts and the terms of the contract with Caixa remained the same, MDS would save 31.47 percent compared to a situation where all recipients received their grants through the Social Card. However, MDS has decided not to impose accounts on recipients.
8. The proposition is not fully proved for the payer bank and recipients. From the bank’s perspective, the client base has obviously increased with the new accounts opened, but the tiny profitability observed in these accounts does not, at present, form a strong business case. First, the higher costs of opening and keeping these accounts in comparison with Social Cards are met not with higher, but with lower fees paid by the program for each grant payment. Caixa compensates for this with other revenue streams, such as return from investing the float, fewer transaction fees, and other bank products offered to this clientele.
9. Caixa states there is marginal profitability at the account level for the Caixa Fácil segment as a whole, which is reinforced with profitability at the client level. However, the current transaction and product profile does not secure robust profitability at similar levels of other client segments managed by the bank. In addition, positive results at this level for Bolsa clients depend to a certain extent on the government fee. There is an internal “transfer” (a fee paid by Caixa’s social program department—which is the one being paid by Bolsa for doing all grant payments,

whether account-based or not—to the commercial department—which makes each monthly payment into Caixa Fácil).

10. Caixa is compelled to engage with Bolsa clients due to its legal mandate, its commitment to support MDS's goal of “banking” Bolsa recipients, and its own historic focus on and commitment to low-income clients. Financial return, although crucial and necessary, is not the main measure of success of the Caixa Fácil segment.

11. To conclude, it seems that Bolsa accounts would be a loss without the aforementioned internal transfer, which is made possible with the government fee. Also, the current level of profitability of Caixa Fácil accounts as a whole is too narrow at present to create a purely commercial interest by the bank. Commitment and investment are supported by noncommercial reasons (Level 5 profitability).

12. The findings on the client side explain in part the transactional profile of Bolsa account-holders—which tends to mirror the use of the Social Card—that result in limited profitability for the bank. Beneficiaries tend to withdraw their entire grant immediately on receipt. Demand-side findings also reveal many problems and distortions tied to communication and education efforts by Caixa and MDS in shifting from Social Cards to Caixa Fácil. These distortions result in generalized unawareness

about the grant payment options and the operation and terms of the account. The study also noted weaknesses in and awareness of Caixa's recourse mechanisms, making it difficult for recipients to resolve problems with their bank accounts.

13. Moreover, the research suggests that recipients perceive savings as something outside their reach. With substantial safety nets and access to credit for asset purchases, they find little incentive to save a portion of their small Bolsa grants or low incomes. A standard current account appears to be an ineffective tool for helping this segment accumulate financial assets; one better aligned with existing habits may have more success at increasing savings and even changing transactional patterns.

14. Given this analysis, the report is not conclusive with regard to research question (b) as the current level of unawareness by recipients about what is being offered to them makes it difficult to affirm whether they would consciously adopt and make full use of financially inclusive services. The research does suggest, though, that without effective communication and education efforts and accessible, efficient recourse mechanisms, recipients will not fully benefit from the accounts.

Exchange rate: 1US\$ = BRL 1.73, as of 14 September 2011 (www.bcb.gov.br).

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1 Introduction

1.1 Background

CGAP research to date on banking the poor through government-to-person (G2P) payments has led to certain key questions about the core propositions involved in financially inclusive social transfer payments:

1. **Provider bank proposition.** Can financial institutions offer financially inclusive services to recipients on a profitable basis?
2. **Client proposition.** Will poor recipients use financial services if they are offered to them?
3. **Government proposition.** Is building in inclusive financial services affordable?

With the purpose of building on its previous work, CGAP commissioned Bankable Frontier to conduct a cross-country research to probe the case for financially inclusive G2P payment methods, with a focus on bank account-based schemes. The study covers the largest cash transfer programs in South Africa, Brazil, Mexico, and Colombia and looks into the incentives for the most important players involved in the transfer programs: the government, the recipients, and the payer institution.

Table 1: Research countries, programs, and financial institution

Country	G2P Program	Bank
Brazil	Bolsa Família	Caixa Econômica
Mexico	Oportunidades	Bansefi
South Africa	Child Care, Old Age	Absa/All Pay/Standard
Colombia	Familias en Accion	Banco Agrario

This project seeks to answer the above questions by exploring three areas of inquiry: (a) use of accounts by recipients, through the analysis of transactional data; (b) costs to banks and governments; and (c) the perceptions of recipients about ease of access, challenges posed by the payment process, and value placed on having access to the account.

In the case of Brazil, areas (a) and (b) involved several rounds of in-person and phone interviews with Caixa Econômica Federal and the Ministry of Social Development and Combat of Hunger (MDS), from April 2011 and July 2011. It explored perceptions and data to support conclusions about the incentives for Bolsa Família and the bank. The list of people interviewed for the supply side is found in Annex C.

The demand-side component involved seven focus group discussions with 49 financially included and not included recipients, and 12 one-on-one interviews with recipients selected from the focus groups over the course of two weeks in April 2011. The focus groups covered four locations in Rio de Janeiro. The full report on the demand-side research can be found in Annex B.

This report summarizes the findings of both the supply- and demand-side research in Brazil and its Bolsa Família.

1.2 Bolsa Família and its context

One of the main challenges and priorities of the Brazilian government is combating hunger and poverty. According to the Brazilian Institute of Geography and Statistics, there are 16.2 million families with monthly income per capita of up to R\$70 who are potential targets of poverty reduction interventions.¹ Wealth transfers to the poor or extreme poor have been adopted as an important strategy not only to improve immediate conditions of the beneficiary families but to improve their access to basic services, such as education, health, and food. The largest cash transfer programs were implemented from 2001 but were developed independently, not designed within a comprehensive strategy, which resulted in overlap, fragmentation, and operational inefficiencies.²

Bolsa Família (Bolsa) is the largest conditional cash transfer program in the country. It was created in 2003 when several previous programs were integrated.³ It is part of Zero Hunger, an interministerial, overarching strategy to improve food security and nutrition by intervening in food production and distribution, sanitation, income generation, and employment. Bolsa expanded the coverage of the previous programs in 2003 and several times since. Today, 12.9 million households⁴ are enrolled, benefiting over 60 million people, or about 30 percent of the total population.

Bolsa's objective is to combat hunger and poverty by providing minimum standards for families to overcome their vulnerabilities. It also works to reduce racial and gender divides and emancipate the poor.⁵ It works on three fronts: cash transfers, conditions, and complementary programs to develop the capacities of beneficiaries and increase the chances of their achieving autonomy. There are four types of grants:

- a. *The basic benefit* is for all families in extreme poverty, i.e., income per capita of R\$70 or less (R\$70 per family)
- b. *The variable benefit* is for families in poverty and extreme poverty (income per capita up to R\$140), with children from 0 to 15 years old, pregnant and breastfeeding women (R\$32 per beneficiary, up to three grants per family)⁶
- c. *The variable benefit for the youth*⁷ is for teenagers between 16 and 18 of families eligible for or beneficiaries of Bolsa (R\$38 per teenager, up to two grants per family)

¹ <http://www.brasilsemisera.gov.br/conheca-o-plano/> (accessed 21 June 2011).

² Anexo Projeto Básico Caixa.

³ Medida Provisória 132/03, converted into Law 10836/04.

⁴ Phone interview with Caixa, SUPSO, 7 July 2011.

⁵ Anexo Projeto Basico Caixa.

⁶ The grants to pregnant women and those still breastfeeding is a new component that is being introduced to the program. The maximum number of grants per family was just increased from three to five to include 1.3 million new kids as beneficiaries from September 2011.

- d. *The extraordinary variable benefit* (starting April 2011) is a complementary grant to compensate for losses in their income resulting from the substitution of previous programs by Bolsa⁸

The average grant paid per family per month was R\$115 in 2010.⁹ The average paid in May 2011 was R\$109 (R\$1.4 billion per 12.9 million recipients).¹⁰

Bolsa works with an estimate of the total number of poor based on the household survey¹¹ and identifies potential beneficiaries by applying a vulnerability coefficient that puts together a number of factors to measure the level of instability of each family. This methodology currently results in a potential target population for Bolsa of 12.9 million families. This number will grow by 800,000 by December 2013 as part of the implementation of Brazil Without Misery,¹² a broad poverty reduction plan, launched in June 2011, that integrates interventions, such as issuing IDs; guaranteeing basic services, such as light, education, health, and social assistance; combating child labor; and creating food banks and income-generation initiatives.¹³

To define Bolsa's coverage at the municipal level, the program uses poverty maps that reflect more accurately the changing socioeconomic conditions of each municipality. After being identified as potential beneficiaries, the families are registered by each municipality in a single database called CadÚnico, managed by Caixa Econômica Federal (Caixa), a government bank.¹⁴ This database, kept updated at all times, is used by Bolsa to review families' eligibility every two years, by other agencies operating permanent social programs and by states and municipalities to focus poverty reduction interventions. The list of current Bolsa recipients is publicly available on the Internet.¹⁵

In addition to meeting entry eligibility criteria, beneficiary families must meet program conditionalities on an ongoing basis to receive respective benefits:

- a. Monitor health and nutritional conditions of family members
- b. Keep kids at school (85 percent attendance required)
- c. Participate in educational activities promoted by MDS

If these conditions are not met, or if the family income per capita reaches the upper limit or the family is otherwise disqualified after a two-year review, the family is excluded from the program.

⁷ Law 11692/08. With this addition to the program, Bolsa is also working to increase school attendance by teenagers, decrease school evasion, and return to school of those who have abandoned it, contributing to break the intergenerational poverty trap.

⁸ Auxílio-Gás, Bolsa Escola, Bolsa Alimentação and Cartão Alimentação.

⁹ Information provided by MDS, as of June 2011.

¹⁰ Phone interview with Caixa, SUPSO, 7 July 2011.

¹¹ The household surveys are done by the Brazilian Institute of Geography and Statistics (IBGE).

¹² <http://www.brasilsemmisera.gov.br/conheca-o-plano/> (accessed 21 June 2011).

¹³ It is worth mentioning also that Brazil is currently implementing a new national ID system based on a smartcard that contains biometric information of the holder. Caixa Econômica Federal, the payer bank of Bolsa, is capturing and storing digital fingerprints for this new system. See <http://portal.mj.gov.br/ric>.

¹⁴ Decree 3877/01.

¹⁵ https://www.beneficiossociais.caixa.gov.br/consulta/beneficio/04.01.00-00_00.asp.

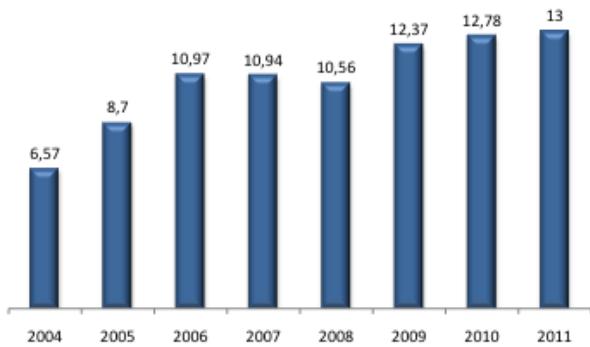
Each recipient is given the Bolsa Família Social Card, a debit magnetic-stripe card that is used to withdraw the grants and to access other social assistance services, such as unemployment insurance, consultations to and withdrawals from the public retirement plan, and the social integration programs.

1.3 Program management

MDS is responsible for managing Bolsa, under the general guidance of the Steering Council¹⁶ and the Executive Committee, headed by MDS. As in many other countries, the execution is decentralized, shared among states and municipalities, with participation of the community, creating a complex net of responsibilities, control, and ownership. The operation involves a large production and distribution of paper forms, used by decentralized personnel to register families into CadÚnico, and of the Social Cards, in addition to the communication material and efforts (including SMS alerts) to inform beneficiaries of payment dates, change in program rules, and so forth. Caixa is responsible for paying the grants and plays a central role in many of the administrative activities of the program, such as generating the monthly payrolls and producing and distributing the communication materials.

The program's total budget was about R\$13.9 billion by end 2010, or about 0.4 percent of gross domestic product. Approximately R\$13.4 billion, or 96.4 percent of the budget, goes to beneficiaries in grants, leaving 3.6 percent to cover operational and administrative costs. The cost of making payments represents less than 1.5 percent of the total value transferred in 2010.¹⁷ As the benefits were adjusted in the beginning of 2011, the budget was increased by R\$2.1 billion. The additional 800,000 beneficiaries proposed by Brazil Without Misery triggered another budget expansion of R\$338 million.¹⁸

Figure 1: Number of families in Bolsa Família (millions)



¹⁶ Comprised of the heads of MDS, the Ministries of Health, Education, Planning, and Finance, the Chief of Staff and Caixa Econômica Federal.

¹⁷ Information provided by MDS as of June 2011.

¹⁸ Information provided by MDS in 11 July 2011.

To leverage the impressive infrastructure set up by Caixa to pay Bolsa grants, the federal government is pushing for integration of several social transfer programs into Bolsa's payments. These programs will benefit from the efficiencies of Caixa's infrastructure, while Caixa benefits from fees from several programs.¹⁹

1.4 Impact and challenges

Many studies point to the positive impacts of the program in reducing social inequalities and poverty. The latest report on the Millennium Development Goals (MDG) states that extreme poverty was reduced from 12 percent in 2003 to 4.8 percent in 2008.²⁰ According to Fundação Getúlio Vargas (FGV), a major university, the number of Brazilians with incomes below R\$800 a month has fallen more than 8 percent every year since 2003. The Gini index fell from 0.58 to 0.54. According to FGV, about 1/6 of the poverty reduction can be attributed to Bolsa, the same share as attributed to the increase in state pensions—but at far lower cost.²¹

Income and spending figures suggest there are almost 8 million fewer people in absolute poverty. Rural malnutrition among children under five in the arid parts of the northeast (Brazil's poorest regions) has fallen from 16 percent to under 5 percent since 1996. And since 1992 the proportion of rural children in primary education has caught up with that of city children, while enrollment in secondary schools in rural areas has increased faster than it has in urban areas. The MDG report found Bolsa did not lead to dependence and that its impact on the labor market was slight.

Bolsa enrollment in rural areas is higher than in urban areas: 41 percent of rural households were enrolled in 2006, against 17 percent of urban households. In the two largest cities (São Paulo and Rio de Janeiro) less than 10 percent of households are in the program.²² There is some evidence Bolsa is not working as well in cities as in rural areas. Researchers point out some reasons for the program's poorer record in cities. First, the introduction of the program in these areas in 2003 substituted for previous grants, in some cases resulting in reduction of the total benefit. Second, the program seems to have had little success in reducing child labor, as the extra income from working in the streets may be larger than the grant. Third, Bolsa may affect the structure of households in slums more than those in the countryside, by creating a double dependency on the grant and the matriarch. These results justify many efforts today to change the workings of local cash transfers in urban areas and how they integrate with Bolsa (e.g., Bolsa Carioca, in Rio de Janeiro).

¹⁹ Another objective of integrating the payments of different programs is reducing overlap of beneficiaries and, as a consequence, reducing costs for the programs and allowing them to expand coverage.

²⁰ 4º Relatório Nacional de Acompanhamento dos Objetivos de Desenvolvimento do Milênio.

²¹ <http://www.economist.com/node/16690887>

²² <http://www.economist.com/node/16690887>

1.5 Financial inclusion in Bolsa Família

According to MDS, the program does not have a formal financial inclusion policy. This is in part related to the lack of a unified financial inclusion policy at the country level. There is no formal pronouncement about the interplay between the objectives of the conditional cash transfers and financial inclusion. Bolsa has launched, nonetheless, a banking inclusion program that offers recipients the option to receive their grants through basic bank accounts held at Caixa and supports Caixa's efforts to offer such accounts to unbanked recipients (see section 2).²³ There is no target number of beneficiary accounts, nor are there goals for offering other financial services to the beneficiaries.

MDS has been encouraging Caixa to design a customized product strategy for recipients and engages in constant dialogue (through a workgroup set up between the two institutions) to discuss the features of potential offerings, such as microcredit and microinsurance. MDS also encourages Caixa to carry out financial education and information campaigns, in addition to the official communications related to Bolsa. (Demand-side research shows signs that communications with beneficiaries are not always effective). In general terms, the account-based payments are believed to provide more flexibility and control to the recipient, and they also reduce costs for the program (see section 3). Brazil Without Misery may develop financial inclusion targets that would naturally impact Bolsa beneficiaries.

Table 2 reflects MDS's satisfaction with the reduced costs of electronic payments compared to cash payments (statement 1). This conviction does not exist with regard to the need to require all recipients to open a bank account to receive their grants and the case for promoting financial inclusion within the program (statements 4–8), which is very much in line with the approach MDS has taken with the account-opening process: it is not compulsory. MDS feels strongly that the obstacle for financial inclusion is on the supply side, i.e., banks are not interested (statement 2).

Table 2: Views from MDS on financial inclusion (1=fully agree; 5=fully disagree)

	Statement	Score
1	Considering all categories of cost, electronic payments of transfers are cheaper for government than cash payments.	1
2	The biggest obstacle to full financial inclusion is on the supply side: banks are unwilling to provide full services because they cannot do so profitably.	2
3	The recipients of cash transfers in our country can and do save.	3
4	Introducing financial inclusion to social transfers increases complexity for scheme managers.	3
5	Introducing financial inclusion objectives for social transfers increases cost to government without clear compensating benefits.	3
6	The benefits of financial inclusion for social transfer recipients have been proven and are widely accepted in our ministry.	3
7	Within 10 years, all recipients will be paid into their bank accounts.	3
8	The case for governments to require all social transfers to be paid directly into bank accounts is strong.	3

²³ <http://www.mds.gov.br/bolsafamilia/beneficios/inclusao-bancaria-1/inclusao-bancaria>

9	The biggest obstacle to full financial inclusion is on the demand side: clients don't necessarily see the benefit.	4
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MDS also stated that there is unmet demand for services (statement 9). In the absence of relevant pilot programs and empirical evidence about what works in financial inclusion in Brazil, MDS²⁴ tends to think that traditional banking services are what Bolsa beneficiaries need. These would include services such as the following:

- a. Transactional bank accounts to allow storage of value, transfers, and payments
- b. Microcredit for microentrepreneurs to support income-generating activities
- c. Microinsurance to protect families from risk situations
- d. Microsavings to help families set aside small quantities for foreseen future events

Based on this, current and potential interventions are biased toward the above services. In the view of some at MDS, this ignores the potential value of innovative services that might better fit the financial needs and the lives of the poor. An example is stored-value instruments, such as e-money provided through mobile phones and that offer more flexibility than a standard bank account.

MDS is currently conducting quantitative and qualitative surveys to map the use of financial services by beneficiaries and their level of financial education. The final results are expected by end 2011. Another relevant research is also underway on the perceptions of and experiences with the service provided by the agent network that disperses Bolsa payments.

MDS is also interested in furthering the knowledge in some areas related to financial inclusion and social transfers, more specifically, the following:

- a. Define financial inclusion in the Brazilian context
- b. Identify the causes of financial exclusion in Brazil
- c. Evaluate financial inclusion initiatives in the country and design an inclusion model that leverages the installed capacity, such as agent networks and mobile phones
- d. Increase knowledge about the financial lives of the poor
- e. Analyze the current supply of bank products to the poor
- f. Reduce the costs of financial services by using mobile phones
- g. Find alternatives to regulate electronic money issuing in Brazil
- h. Determine the correlation between use of mobile financial transactions and control of money laundering
- i. Analyze the interplay between financial inclusion and financial education
- j. Analyze the potential integration of financial inclusion objectives into conditional cash transfers

1.6 Level of financial inclusion in Bolsa Família

Three main approaches to making social transfer payments can be distinguished.

²⁴ Information provided in June 2011.

1. **Cash:** where the beneficiary has to appear at a particular payment point, often at a particular time, to receive her payment. In this case there is no store of value created for the individual and hence no way for her to opt to withdraw less than the entire payment.
2. **Limited-purpose instrument:** these instruments transfer the grant to (at least) a notional account earmarked for the recipient. This virtual or literal earmarking enables more choice of times and locations at which the recipient can withdraw the funds. Nonetheless, the functionality of this account is restricted in one or more ways:
 - a. The funds cannot be stored indefinitely: if not withdrawn in a defined window, the program may reclaim the funds as unspent
 - b. No more funds may be deposited into this account from other sources and/or
 - c. Cash may be withdrawn only at dedicated infrastructure, that is, at agents or cash points that are specifically established for this purpose only (and therefore that other people cannot use)
3. **General-purpose instrument:** these are accounts where none of the above limitations applies and are usually bank accounts that are also available to nontransfer recipients. The beneficiary benefits from the same functionality as any other user of the account.

Table 3 divides Bolsa Família into included or not included, according to the payment method. “Not included” are cash-based payments or payments using a limited-purpose instrument. Today, a large majority of the recipients get their grants using a limited-purpose card—the Social Card, which requires withdrawal of the grant within 90 days from the day of the deposit and does not allow other deposits. In the payment cycle of May 2011, 84.9 percent of the recipients used the Social Card, while 1.08 percent received the payment in cash,²⁵ and 15.02 percent received the payment through basic current accounts held at Caixa. The bank accounts are a general-purpose instrument since none of the above limitations applies.

Table 3: Level of inclusion in *Bolsa Família* in May 2011*

Not included		Included
<i>Cash-based payments</i>	<i>Limited-purpose instrument</i>	<i>General-purpose instrument</i>
139,320 (1.08%)	10.82 million (84.9%)	1,937,580 (15.02%)

* Percentages are in relation to the total number of recipients paid in May 2011.

²⁵ The cash payments are temporary situations, such as lost, damaged, forgotten Social Cards, when recipients use an alternative paper form to withdraw the grant in bank branches. However, all recipients (including those receiving grants through the bank accounts) do have a Social Card.

2 Overview of the payments scheme

From MDS's perspective, the most important objective in choosing how to pay grants is to promote the dignity of the recipient. Most of the payments have been done electronically since the creation of Bolsa in 2003, with important consequences for efficiency (less leakage, less time required from beneficiary, shorter queues, etc., compared to the previous programs) and arguably positive impacts in the perceptions of the recipients about their integration in society and their sense of citizenship. The Table 5 reflects these opinions. Note that minimizing the total delivery cost to government is not a priority anymore, since MDS considers the current payment costs relatively adequate.

Table 4: Objectives of Bolsa Família when choosing payment arrangements²⁶

Objective	Order of priority
Promote the dignity of the recipient	1
Maximize additional developmental benefits to the recipient	2
Minimize leakage (loss due to fraud, misappropriation, failure in payment process)	3
Minimize the time and cost taken by the beneficiary to collect the transfer	4
Minimize total delivery cost to government	5
Minimize time to scale up a new or expanding program	6

2.1.1 The contract with Caixa Econômica Federal

The law determines that Bolsa be paid using magnetic debit cards issued by Caixa. No other bank is currently allowed to provide grant payment services. Caixa, created in 1861, is a 100 percent government-owned savings bank, with more than 51 million account holders.²⁷ In its early years Caixa focused on protecting the savings of slaves, and today it still has a strong bias toward lower income retail clients. Its brand is highly associated with this segment, though it has also managed to diversify to higher income clients in the past decade. By mandate, Caixa is an instrument of public policy, hence it plays a pivotal role in managing funds from many government programs, it operates the national lottery, and it implements other government initiatives.

The contract between Caixa and MDS for Bolsa payments²⁸ includes the provision of CadÚnico (a database of poor families in Brazil) and the benefits management system; payments of PETI (a

²⁶ Information provided by MDS in June 2011.

²⁷ As of December 2010 (www.caixa.gov.br), accessed 21 June 2011).

²⁸ Current contract between MDS and Caixa, valid until December 2011.

child labor eradication program),²⁹ generation of the monthly payrolls of Bolsa and PETI; and operation of the helpline dedicated for demands coming from these two programs.³⁰ The contract value was R\$196 million in 2010 and R\$261 million in 2011 (estimate), based on a detailed cost matrix prepared by Caixa during the negotiations with MDS (not disclosed for the purposes of this research).

Caixa is required to conduct a long list of activities to fulfil the contract (e.g., at least three attempts of mailing correspondences and cards to recipients). Caixa's performance is measured against standard performance indicators agreed on with MDS and that are reported regularly (e.g., monthly or daily) to MDS. Of most relevance for this study, the contract established the following fees (taxes are deducted from these values and retained by MDS before making the transfer to Caixa):

CadÚnico

- a. Per family in the database: R\$0.06
- b. Per form produced (to be used by municipalities to register new families or update information): from R\$0.17 to R\$1.27 depending on the type of form

Payments (Bolsa and PETI)

- a. Per family in the monthly payrolls: R\$0.22
- b. Per bank card reissued: R\$5.00 (first card is on Caixa)
- c. Per Social Card reissued: R\$6.25 (first card is on Caixa)
- d. Per payment with Social Card: R\$1.43
- e. Per payment through bank deposit: R\$0.98

Helpline

- a. Per minute of service provided: R\$1.42

Since these fees are based on Caixa's cost matrix, if costs are reduced due to new technologies, economies of scale, greater operational or logistical efficiency, change in taxation, or suppression of contracted activities, such reduction should be translated into lower fees. The price review happens during contract renewal (every two years). It is also interesting to note that MDS requires Caixa to accept changes of up to 25 percent of the contracted prices.

The funds transferred from MDS to Caixa two days before the grant payment are remunerated on daily using a rate called SELIC, which is calculated by the Central Bank and used almost exclusively in government contracts. In case MDS does not transfer the funds in a given month, Caixa can opt for suspending the contract or making the payments with its own funds and being remunerated by MDS using the same rate.

²⁹ Portaria SEAS 458, October 04/2001, and Portaria MDS 666/2005.

³⁰ The helpline uses the same infrastructure of Caixa's customer service toll-free number, although there are specialists who respond to Bolsa queries.

On average, Caixa achieves a payment effectiveness rate of 97 percent—that is, 97 percent of the payroll is successfully paid every month. The remaining are cases where the beneficiary did not claim the grant or some operational problem occurred. When using the Social Card, the payment is considered done by MDS after the recipient withdraws it. When crediting the grant into accounts, the payment is considered done from the moment the credit enters the recipient's account. Funds not claimed by recipients are returned to MDS monthly, remunerated by the same rate mentioned above. This reimbursement needs to be done up to 30 days after the expiration of each grant (90 days from the credit to the recipient).

Caixa is required to present to MDS, monthly, a range of performance reports and is subject to daily penalties from 0.5 percent to 1 percent of the fees on each billable item should it fail to comply with minimum required standards. Some of the standards are as follows:

- a. 98 percent of effectiveness in posting forms
- b. Maximum of 2,200 families per payment point in 94 percent of –assisted municipalities³¹
- c. Less than 2 percent of municipalities unassisted for more than 90 days
- d. Minimum of 90 percent of received (not lost) helpline calls
- e. Minimum of 95 percent of concluded helpline calls
- f. Maximum waiting time of two minutes in at least 95 percent of the helpline calls³²
- g. Client satisfaction with the helpline of over 90 percent
- h. 96 percent of the grants withdrawn before 90 days (not applicable to account-based payment)
- i. 85 percent of the grants withdrawn within 30 days (not applicable to account-based payment)
- j. 98 percent of payment effectiveness in unassisted municipalities equal or higher than the regional average effectiveness rate

To guarantee performance, Caixa sets limits to the expansion of operations, commensurate with its installed capacity (the following are valid through December 2011, but will probably need to change to allow the expansion required by Brazil Without Poverty):

- a. Maximum monthly expansion of the number of families in CadÚnico: 250,000
- b. Maximum number of new cards issued per month: 250,000
- c. Maximum number of families in the payroll: 13 million
- d. Maximum daily transactions in CadÚnico: 1.2 million
- e. Maximum simultaneous users of the benefits system per day, per Web application: 7,000
- f. Maximum simultaneous users of CadÚnico per day, per Web application: 14,000
- g. Maximum number of correspondences to beneficiaries per month: 2 million
- h. Maximum number of SMS to beneficiaries per month: 15 million
- i. Maximum phone calls to beneficiaries per month: 500,000

³¹ Assisted municipalities are municipalities with a functioning payment point. Unassisted municipalities are those that are temporarily without a functioning payment point.

³² The Consumer Protection Law limits waiting time to one minute for all types of companies using call centers.

2.1.1.1 The distribution network

Caixa manages a large retail agent network, which was extended in 2001 and 2003 to meet requirements of Bolsa payments. Caixa has over 36,000 points of service in all municipalities of the country, including 2,780 branches, 24,756 retail agents, and 10,954 lottery outlets.³³ Bolsa payments can be done at any point of this network. Extensive coverage is required by Bolsa not only to increase convenience for recipients, but also to minimize the risk of having municipalities without an operating payment point for a long period and thus failing to reach the performance standards imposed by MDS. Moreover, this network is key to Caixa's own strategy to reach, in a cost-effective manner, lower income clients, who make up most of its client base.

Caixa needs to deliver each payment in the municipality where the recipient lives, but MDS does not impose a maximum distance from the recipient to the payment point, as municipalities in Brazil vary widely in size. Each municipality is under the responsibility of a Caixa branch, which may or may not be in the same municipality. This branch oversees the payments logistics and interacts with beneficiaries and local program personnel.

If payment points in a municipality are out of service for 30 days or more, Caixa must make the payments using alternative means, such as the following:

- a. Sending the cash to the recipient
- b. Making the cash available at the neighbor municipality if within 30 km from the recipient
- c. Making payment through money order
- d. Covering the cost of moving the recipient to the next municipality
- e. Making the payments through other means agreed with MDS

Unassisted municipalities are not common, but these situations do happen. Monthly, Caixa must present to MDS the list of unassisted municipalities accompanied with a plan to solve the problem. In May 2011, around 200 municipalities were unassisted,³⁴ but according to Caixa on average 60 to 80 municipalities (out of 5,561 in the country)³⁵ are unassisted every month. These are mainly municipalities exclusively served by retail agents (as opposed to lottery outlets). Agents may go out of business, damage the POS device, change employees, and undergo a number of other situations that impact the agency contract with Caixa. Caixa argues that these problems usually occur in very poor or isolated municipalities, where there is little commercial infrastructure and high levels of informality, making it difficult to find more than one suitable agent to guarantee the disbursement of grants. The bank is evaluating solutions, including installing more lottery houses (which are much more stable and well-structured businesses than agents and receive Caixa's support on many fronts) and providing technical assistance to retail agents looking to strengthen their business.³⁶

³³ Phone interview with Caixa, 7 July 2011.

³⁴ Information provided by MDS in June 2011.

³⁵ As of November 2010, <http://www.ibge.gov.br/home/estatistica/populacao/censo2010/default.shtm> (accessed 8 July 2011)

³⁶ At the moment these are only potential measures. None has been implemented yet and may not be implemented.

This is in line with MDS opinion that the current payment scheme, although highly efficient, can be improved by expanding the distribution network and making ensuring that alternative methods are timely and effectively deployed by Caixa in case the electronic channels are temporarily unavailable.

Last, the contract requires Caixa to monitor the liquidity of all payment channels daily and maintain it at adequate levels to serve recipients, i.e., minimize shortage of cash at the grant payment points. Based on the quarterly complaint reports prepared by Caixa, MDS may require adoption of corrective measures, such as implementing new payment points to improve the quality of the services. In such case, Caixa would need to present to MDS, within 60 days, an analysis of the operational and economic viability of the required payment point. However, demand-side research (see section 4) suggests that cash shortages in peri-urban areas are a very common problem that has persisted for years.

2.1.2 The prevailing scheme: Social Card

All recipients have a Social Card, and about 84 percent of the payments are done through the Social Card. Most of the other payments are done through account deposits; a small number is done in cash (when the municipality is temporarily unassisted or when the beneficiary doesn't have a Social Card for some reason). The Social Card is linked to a nontransactional account system (outside of the banking platform) managed by Caixa known as the “social platform.” The only transaction allowed to the recipient is withdrawal. Every month the grant is transferred by Caixa to this account, and the recipient has to withdraw 100 percent of it at once in 90 days, using a six-digit PIN at any of the payment points of Caixa network. It is not necessary to produce an ID, according to the program rules³⁷ (however, the demand-side survey shows that in practice many payment points [mostly lottery houses] do request an ID to release the grant). If the beneficiary does not withdraw the grant in 90 days, she loses that particular payment.³⁸

In exceptional cases another person can make the withdrawal on behalf of the recipient, using a standard form obtained from the local Bolsa personnel, accompanied by an ID and Social Card.

2.1.3 The residual scheme: In cash, through a payment order

According to the law and the operation rules of the program, withdrawals should be done electronically using a debit card (the Social Card or the bank card). However, every month some of the recipients (1.08 percent in May 2011) are temporarily incapable of using their cards to withdraw Bolsa because of the following reasons:

- a. The card was damaged
- b. The card was lost or stolen

³⁷ Phone interview with Caixa, 8 July 2011.

³⁸ MDS makes exceptions for beneficiaries living in areas with precarious banking infrastructure or declared in calamity or emergency state.

- c. The recipient forgot to bring the card
- d. The payment point is out of order
- e. Other

It is also not uncommon for a recipient living in urban centers to be out doing her normal activities when she remembers that the Bolsa payment is available and stops into a nearby Caixa branch to request the withdrawal, without her Social Card. In such cases, the branch personnel will give her a form (a payment order) against an ID, and the grant will be released. This can be done only at Caixa branches.

2.1.4 The new (growing?) scheme: Deposit into Caixa Fácil

The 2009 amendment of the Bolsa Família law calls for grants to be deposited into no-frills current accounts of recipients who have these accounts.³⁹ The law does not specify that the account needs to be a Caixa account, but in practice MDS has not made arrangements to permit the grants to be deposited in other banks. The no-frills or simplified account is attractive to the mass market because it is, by regulation,⁴⁰ easier and faster to open and, it offers free transactions every month (four withdrawals and four statements). The monthly balance and deposits are limited to R\$2,000.

Caixa was MDS's choice to provide such accounts to the beneficiaries because Caixa holds most of the no-frills accounts in the country and it already has a significant role in grant payments. Caixa brands its simplified accounts Caixa Fácil. These accounts are available to the general public, not only to Bolsa recipients. The initial focus in 2008 and early 2009 was shifting 1,300,000 recipients who already had the account to the new payment method.

The law prohibits Caixa from conditioning the grant payment to the acquisition, by the recipient, of any service or product. Compliance with this prohibition is enforced by government accountability agencies. This is one of the reasons MDS decided not to impose bank accounts on recipients. Caixa and MDS are aware that sometimes the wrong message gets to beneficiaries through local staff, and some may think that opening an account is mandatory to keep receiving Bolsa grants. Indeed, demand-side research confirms that distorted messages such as these have been passed to beneficiaries (see section 4). This is supported by evidence from consumer complaints reports and also audits conducted by accountability agencies.

To open a Caixa Fácil account a person needs to go to a Caixa branch or an agent, present an ID (which should include a tax number), and provide her address. If the person does not have a tax number, she can get one at a Caixa branch.⁴¹ It usually takes five minutes for an agent to pre-

³⁹ The no-frills (simplified) accounts in Brazil are offered mainly by Caixa and another government bank, Banco do Brasil.

⁴⁰ Resolution CMN 3211/2004.

⁴¹ The tax number can also be obtained in post offices and branches of Banco do Brasil. It costs R\$5.70. If obtained through government agencies, such as the Internal Revenue Service itself, it is free.
(<http://www.receita.fazenda.gov.br/PessoaFisica/CPF/InscricaoResidentesBrasilExterior.htm>)

open a Caixa Fácil. After the back office checks the documentation, the account is activated on the banking platform. The bank card is supposed to get to the client's home in three to five days.⁴² However, demand-side research shows that some recipients were kept waiting for their cards for weeks or even months, and did not know whether the card would arrive at their homes, the bank branch, or the agent.

From the moment a new Caixa Fácil account is created, Caixa's systems check whether the account holder is a Bolsa recipient and automatically schedule the next grant payment to land in the account. A notice about the change is generated and sent to the recipient. Although the shift in the payment method is automatic, recipients are given the opportunity to opt out and remain in the Social Card scheme, by requiring it through a toll-free number, up to two days before the scheduled deposit. This is also possible in any given month should the recipient prefer the Social Card as a temporary measure.

Recipients with Caixa Fácil accounts are given a personalized magnetic Bolsa Família bank card⁴³ (in addition to the Social Card, which remains valid and can be used to withdraw from the bank account).⁴⁴ It is a debit card with either Visa or Mastercard.⁴⁵ Caixa absorbs the cost of issuing and shipping this card (R\$3.5) to new account holders. MDS assumes the cost of substituting the card of pre-existing account holders who started receiving the grants through deposits. MDS also assumes the cost of substituting the cards of those who are excluded from Bolsa and remain with the bank. If the account holder declines receiving the benefit through the account after the personalized card is issued, Caixa assumes the cost of issuing a normal bank card in substitution.

Withdrawals can be done in the same Caixa distribution network, at any time, as many times as desired. There is no expiration date and no risk of missing a grant transfer. To use the bank card, the recipient inputs a four-digit PIN at ATMs, POS (for purchases), or branches. Some ATMs require recipients to provide identification, such as birth date. In addition, withdrawals using the bank card (but not the Social Card) can be done in ATMs of Banco do Brasil (over 40,000 ATMs) and Banco 24 Horas (over 10,000 ATMs). However, demand-side research suggests that few recipients know they could withdraw their grants using Banco do Brasil's ATMs if they had a Caixa Facil account. This could be a major incentive for some beneficiaries to open accounts, particularly in urban areas where cash shortages and queues are common.

The law prohibits the grant deposit into the account if there are any operational or regulatory impediments, such as blocking, suspension, inactivation, or closing of the account according to

⁴² Phone interview with Caixa, 7 July 2011.

⁴³ The choice of a magnetic card for Caixa Fácil accounts is due to costs. Each chip card costs more than twice the cost of a magnetic card (R\$8). Shifting the whole Caixa Fácil base to chip would mean an investment equal to 50 years of the current costs with frauds in these accounts. As such accounts have transaction and balance limits, they are not attractive as a vehicle for money laundering or fraud. (Phone interview with Caixa, 7 July 2011)

⁴⁴ MDS decided to keep the Social Cards as a back up to the bank card, in case there is any factor impeding the recipients to withdraw benefits from their bank accounts, and to give the recipient the flexibility to opt out from the bank deposit grant payment method at any time.

⁴⁵ In reality, debit cards have Maestro or Cielo brands, as it does not offer the credit function, only debit.

the relevant financial sector regulation, or blocking of the benefits in the social platform according to the rules of the program. If there is a problem with the bank account that restricts grant payment, payment is done through the Social Card and automatically scheduled to return to deposits when the problem is resolved. Caixa must notify recipients of these changes in due time.

Table 5: Payments through the different modalities and channels (as of May 2011)⁴⁶

Modality	Number of recipients	%
Social Cards	10,823,100	84.80
Caixa Branches	23,220	0.18
Caixa ATMs	1,606,050	12.45
Lottery	7,912,860	61.34
Retail Agents	1,280,970	9.93
Credit into Caixa Fácil account*	1,937,580	15.02
By payment order at branches	139,320	1.08
Total	12,900,000	100

*The choice of channels by account holders replicates that of those using Social Cards.

2.1.1 Areas for improvement in the grant payment

In terms of possible improvements, Caixa believes that moving away from plastic cards and delinking the payment effectiveness from the payment media would be desirable. This would reduce the costs of substituting forgotten or blocked passwords and lost or damaged cards, and increase convenience and security to recipients (in addition to eliminate the few cases of frauds that still occur).⁴⁷ In addition, shipping costs would also be reduced.

Caixa is piloting in the Northeast region the collection and use of digital fingerprints as authentication for withdrawals at POS. The challenge is collecting 10 fingerprints of almost 13 million people in a timely manner without causing too much inconvenience to the recipient. Cost is also a concern, but it will be compensated with the reduction of the costs of dealing with plastic cards in the long run. Caixa will be able to dilute the investment by providing database services to agencies such as the Federal Policy and the National Registry, which are implementing biometrics and storing information with Caixa. It will also be able to charge other entities, such as banks.

Caixa is also piloting mobile phones to facilitate Caixa Fácil transactions with 10,000 recipients.⁴⁸ Preliminary results have not been shared for the purposes of this research.

Caixa and MDS are concerned about improving the quality of the services provided by Caixa's extensive network. Many municipalities do not have a branch, and the services provided by agents are limited and may not be within the standards provided by bank employees. Both

⁴⁶ Phone interview with Caixa 7 July 2011.

⁴⁷ Caixa claims that although fraud occurs (mainly by branch employees, but also during the registering of beneficiary families), the associated cost would not by itself justify investment in biometric technology or smart cards. Also, there has never been a single case of cloned cards. (Phone interview with Caixa, 8 July 2011)

⁴⁸ The main transaction will be balance enquiries, but also bank transfers and transfers to a savings account at Caixa. Caixa intends to substitute cards, in the future, for mobile phones to be used at POS and ATMs.

acknowledge that problems occur and are looking into ways to improve post-sales attention and services offered to clients who use agents.⁴⁹ According to Caixa, the quarterly user complaint reports sent to MDS do not indicate great dissatisfaction with the network, although it points out misunderstanding of rules of the program and changes in the grant values, lost cards, distance to get to the payment point, lack of cash at agents, and lost passwords.

⁴⁹ As noted, some places may not justify investment by Caixa on agents and payment infrastructure, due to limited economic activity and formal commercial establishments. These are exceptions and mostly located in the Amazon region. In such places the beneficiaries usually travel to another municipality to spend their grants, even if they withdraw the grant locally.

3 Supply side findings

3.1 Social payments in Caixa Econômica Federal

Engaging in social payments is an important business for Caixa; it is one of the many agreements it has with the government. A department (SUPSO) with more than 300 employees is responsible for paying an estimated 21 federal social programs, including Bolsa. The payment of many of these programs is being integrated into Bolsa payments to increase efficiency, reduce costs, and provide convenience to recipients. The main objective of the Bolsa team at SUPSO is achieving the performance standards required by MDS and eventually reaching a payment effectiveness rate of 100 percent. Although making profit is not its core mandate, SUPSO is not expected to produce losses, and it does not. Its government payments business is reportedly profitable and contributes to the overall financial result of the institution. However, it is not seen as the core business of the bank.

Another of SUPSO's goals is to promote financial inclusion in a way that helps the objectives of the social transfers it handles. In that sense, it coordinates closely with the product and client departments to create a commercial strategy that supports its mandate. Table 7 highlights the impressions of SUPSO staff (it does not reflect the views of the commercial department responsible for low-income clients) and indicates SUPSO priorities in making the government payments. The focus on achieving maximum effectiveness in payments is reflected by the score given to statements 6 and 7 and reinforced by the need to reduce costs of the payments (statement 3). Getting closer to the beneficiary is a component of the payment effectiveness rate, so it has also scored high (statement 9). Much less weight is given to getting financial return from the social transfer business (statements 2, 4, and 5) and gaining new clients and businesses (statements 1 and 3).

Table 6: Caixa's objectives in making social transfers

	Objective	Priority (1= highest)
1	Gaining new clients	5
2	Earning fee revenue from government	Not applicable*
3	Winning other profitable business from government	4
4	Making a profit on each recipient account	Not applicable*
5	Corporate social responsibility	Not applicable*
6	Mandate	1
7	Increasing the payment effectiveness ratio	1
8	Reduce costs of payments	3

9	Get closer to the beneficiary	2
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*According to Caixa, earning fees from government, making profit from each recipient, or achieving social responsibility goals are not determinants whether to do this business or not. Doing this business is part of its mandate, therefore Caixa focuses on making these payments efficiently and cost effectively and making the process as convenient as possible for the beneficiary.

A decade ago Caixa started the transition to account-based transfers for other large government programs, such as the transfers from the Ministry of Labor. The goal was to increase efficiency, not the client base of the bank. At that time, Caixa did not roll out marketing campaigns to encourage account opening; it simply identified recipients with an account and started making the transfer into the account. Caixa has learned that it is important to seek the acceptance of the payment method by the recipient, to avoid problems and costs linked to rejection or “abandoned” accounts.⁵⁰

3.2 Strategy for Bolsa recipients

Through a similar process beginning in 2008, Caixa identified approximately 300,000 Bolsa recipients who already had Caixa Fácil accounts. SUPSO added a notice to the beneficiary’s statement warning that the grant would be deposited in the account. As noted, the recipient could opt out by calling Caixa’s toll-free number. Nearly 3 million recipients have opened Caixa Fácil accounts since then, but only about 2 million remain in the program. Among the other 1 million, many are not in Bolsa anymore but still have Caixa Fácil accounts or have upgraded to other products.⁵¹ Many are still in Bolsa but are temporarily suspended from the program for some reason. There is no exact information available on this. Another 2 million beneficiaries have traditional savings accounts with Caixa but do not receive their grants through those accounts as the law permits only payments through the no-frills current accounts.

The Basic Income Superintendence at Caixa is responsible for the commercial strategy of low-income clients (from 0 to 3 minimum wages), a segment with more than 33 million account holders, including around 4 million Bolsa recipients. According to SUPSO, corporate vision has evolved in the last few years to look at social program beneficiaries in general as full clients who are expected to generate results out of the fees paid by the government in exchange for the grant payment service. This explains the creation of Basic Income as an independent commercial department. The bank continues to hold tight to its commitment to financial inclusion, but believes that this can be made with adequate financial returns even if in levels slightly below the typical results of the private banking sector in Brazil or below other client segments within Caixa.

⁵⁰ It is not unusual finding a client who does not remember having the account.

⁵¹ Caixa has not analyzed the product portfolio of these clients, specifically.

There are 11 million Caixa Fácil accounts (8 million are active),⁵² 2 million of which are accounts of Bolsa recipients. The turn over is high: 140,000 new accounts are opened and 42,000 are closed every month. Caixa has not deployed marketing campaigns specifically targeted at recipients, other than notes in the monthly statements informing clients about the possibility of opening an account and receiving the grant through them. The bank has, nonetheless, strong mass media campaigns to promote Caixa Fácil accounts to the general public. As the target is the low-income Brazilian, Bolsa beneficiaries would naturally be reached, but the bank recognizes this market might need a customized marketing strategy, as the impact of present campaigns has not been satisfactory.⁵³

Ninety percent of Caixa Fácil accounts are opened at agents and lottery outlets. There is no difference between Caixa Fácil accounts for Bolsa recipients and those for the general public other than the Bolsa logo in the debit card. Table 8 compares Caixa Fácil accounts to the closest comparable standard current account offered by Caixa.

Table 7: Comparison between G2P account and nearest equivalent account

	Product for transfer recipients	Nearest equivalent account
Name of product	<i>Caixa Fácil</i>	<i>Standard current account (Fácil)</i>
Minimum opening balance	None	None
Minimum balance	None	None
Documents required to open an account	Official ID and CPF (tax number), address information (no need to proof)	Same, plus proof of address and income
ATM/debit card provided? Are checks provided?	Magnetic debit card. No checks.	Magnetic debit card. Checks provided.
Restrictions if any on balance or transaction size in account	Monthly balance up to R\$2,000. Only credit permitted is microcredit.	No restrictions
Interest rate paid	None	None
Fees		
Monthly fees*	No monthly fees	No monthly fees
Transactional	Published price / Actual charge** 5 th ATM withdrawal: R\$0.50/R\$0.25 5 th shared ATM withdrawal: R\$1.30/R\$0.65 5 th cashier withdrawal: R\$0.70/R\$0.35 5 th agent withdrawal: R\$1.30/R\$0.65 5 th statement: R\$0.50/R\$0.25 Monthly statement: R\$0.50/R\$0.25 Electronic transfers to same or other bank: No fee Deposits: No fee Purchases: No fee	5 th ATM withdrawal: R\$1.30 5 th shared ATM withdrawal: R\$1.30 5 th cashier withdrawal: R\$2.00 Agent withdrawal: No fee Monthly statement: R\$1.45 3 rd statement: R\$1.45 Checkbook: R\$1.20 Deposits: No fee 3 rd electronic transfer same bank: R\$1.00 Electronic transfer other bank: R\$7.50 Purchases: No fee
Special incentives	Simplified account opening, opening through agents, no monthly fees, up to 4 free monthly transactions	Transaction basket at R\$9.80 per month providing a number of transactions on the top of the free transactions above.

⁵² Active is defined by the no-frills account regulation as having one transaction in 12 months. Actually, Caixa says that about 6 million are transacting constantly.

⁵³ Interviews with Caixa, 11 April 2011.

Channels for origination of new accounts	Branches, retail agents (not all of them) and lottery outlets	Branches
Cash in channels	Branches, agents, lottery and ATMs	Same
Cash out channels	Branches, agents, lottery and ATMs	Same
What is the main segment targeted with this product?	Mass market	Mass market
What are the measures of success for this product?	Profitability and financial inclusion mandate	Profitability

* Brazilian regulation does not permit monthly maintenance fees on any type of account. Banks usually offer several options of “transaction packs” for a monthly fee, which include a certain number of transactions. “Fácil” on the right column is the cheapest transaction pack for traditional current accounts at Caixa (the cheapest option of all, besides Caixa Fácil, is the electronic account, which is exclusively transacted through electronic channels and therefore not used here as a comparison).

** Fees charged for Caixa Fácil transactions are half of the published fees.

Basic Income has not developed a customized commercial strategy for Bolsa clients. It has so far treated them in the same way it does for other Caixa Fácil customers, based on analysis of the transactional profile of recipients against other Caixa Fácil clients. It has concluded that there is no substantial difference to justify a new subsegment and the administrative cost of having one more segmented strategy (although the information available suggests that at least account balances are lower for Bolsa clients).

Contrarily, SUPSO believes that recipients need customized marketing and communication approaches, as the language and methodologies used so far have not been producing the desired results. In SUPSO’s view, it is necessary to identify the reasons underlying the current transaction profile to roll out more effective communication and education initiatives that encourage higher transaction levels and higher balances.

Demand-side research reveals (see section 4), even if a refined strategy is developed by Caixa’s headquarters, the challenge is implementing this strategy consistently down to the branch and agent level. There are many glitches in the messages that are passed to recipients by Caixa and Bolsa staff that may be affecting how the recipients perceive and use the bank accounts. SUPSO emphasizes that transforming the poor into profitable clients requires more than effective communication, good products, and awareness. It also requires training, a change in mindset, and the right incentives for branch and agent personnel, as they tend to prioritize more profitable, higher income clients and sometimes pass the wrong messages to potential account holders.

3.3 Attractiveness and profitability of Bolsa clients

The business case for banks to offer services to social transfer recipients can be defined in five levels:

- Level 1—account level (each account is sufficiently profitable)
 - a. Level 1A—with subsidy from the government commission
 - b. Level 1B—without subsidy from the government commission
- Level 2—client level (each client relationship is sufficiently profitable)

- Level 3—portfolio level (the whole product or segment is profitable)
- Level 4—strategic (the bank earns direct financial return in other ways, e.g., other business with the government)
- Level 5—mandate (the bank’s license or existence depend on doing this, regardless of the financial return)

As Caixa does not make a separate segment out of Bolsa recipients and does not conduct separate profitability analyses of these clients, most observations in this section refer to the Caixa Fácil product or segment as a whole, and not specifically to Bolsa clients (unless otherwise stated).

The business case for Caixa Fácil account holders is difficult to justify at Level 1, although these accounts are technically profitable today. Recipient accounts seem to be profitable only at Level 1A, according to the limited information available, as the account balances would be lower and the transaction profile even less developed. All in all, positive financial results of these low-income clients seem to be a delicate combination of different sources of tiny income and a strong focus on low costs.

The client level is more attractive, but profitability still does not reach the same level as other client segments. However, Caixa believes in and is committed to the long-term profitability of these clients given the macroeconomic environment and its own commitment to financial inclusion. There is much work to do to improve the transactional and product profile, but a key condition is that high volumes are maintained. In that sense, Caixa could aim at opening 10 million new Caixa Fácil accounts only within the segment of Bolsa recipients. The cost of each additional client, given the installed infrastructure, is marginal.

At the strategic level (Level 4), working with Bolsa account holders may generate other similar business for the bank, which already pays other large transfer programs. Last, Level 5 is also applicable for Caixa, given its mandate to be an instrument of public policy. It is not acceptable anymore for Caixa to engage in unprofitable businesses, even for the government, but it does accept lower profitability to fulfill its mandate.

3.3.1 Level 1: Account level

Caixa Fácil accounts are low-cost, low-profitability accounts whose main premise is scale. It is not a loss for Caixa at the moment. However, the profitability margin is very narrow at Level 1 for the whole segment. Caixa has achieved positive results at this level by reducing costs against growing (small) balances. Cost reduction is directly related to increased efficiency of the delivery channels used by the bank. The bank has an extensive, mature agent network, which is particularly evident in the lottery outlets. The distribution network outside branches was built specifically to meet the requirements of government payments, in 2000. The focus on lottery outlets is justified by the fact that Caixa is the operator of the national lottery and has been the provider of management systems and equipment to the entire network of lottery outlets.

Improving this network is to maintaining Caixa's business as a government agency but also to render services to millions of other Caixa clients, including Caixa Fácil account holders.

The costs of Caixa Fácil accounts are kept at about one-third of the costs of a standard current account.⁵⁴ The main cost driver is the account-opening process. To keep this cost down, 90 percent of the accounts are opened at agents. The cost of opening a Caixa Fácil account is 30 percent less than the cost of opening a normal current account. When opened at agents, this cost is even lower.

Because it has balance limits, Caixa Fácil accounts can be opened much faster and with less controls, hence they incur lower agent fees compared to those a normal current account. The agent fee for each account opened is around R\$3 per account. The account opening costs are entirely covered by Basic Income. (SUPSO makes a monthly transfer to Basic Income for each monthly Bolsa payment.)

The bank card costs R\$3.5 to R\$4, including shipping. In principle, the Social Card costs less than the bank card because it does not offer Visa/Mastercard, but it ends up costing more because standard procedures and paperwork required by MDS, which do not apply to the bank card. The two most important costs relate to shipping and back office procedures (PIN activation, account activation in the system) and, in the case of the bank cards, the use of the Visa/Mastercard brand. Caixa is working to reduce these costs even further by implementing PIN activation at lottery outlets and even some agents.

The costs of maintaining the account involves the information technology (IT) costs (information on this is not available but it is understood that the banking platform is more expensive than the social platform) and back office procedures, such as PIN substitution, unblocking of cards, etc.

Revenue drivers at the account level are the investment of the float and some fee income from transactions beyond the free transactions. Caixa Fácil clients still present a low transaction level, not reaching one transaction per account per month. An average of 5.5 million transactions per month is made among the 8 million active accounts. About 1.5 million clients present higher transaction volumes. These are usually the ones with higher balances and incomes. However, in the Christmas season, the whole segment reaches two transactions per month per account. On average, there are roughly four withdrawals per each deposit in Caixa Fácil accounts, and most clients tend to stay within four free withdrawals per month. Clients are also accustomed to making a balance inquiry with each withdrawal.

Only 25 percent of the card transactions are purchases (a source of revenue for the bank, at no cost), while 70 percent are withdrawals and statement enquiries. By having an extensive network, Caixa also ensures that over 80 percent of the withdrawals are done in its own network, leaving a small portion to shared ATMs. Each withdrawal at ATMs of Banco do Brasil costs

⁵⁴ Phone interview with Caixa, 7 July 2011.

R\$1.50 and at Banco 24H, R\$2, and the current fees charged to clients do not cover this cost. Caixa also does not allow withdrawals with the Social Card in the shared network, to avoid increased costs.

Transaction costs can be 10 times cheaper at agents for some transactions, compared to costs of branch transactions. The problem is on the income side: the fees charged to Caixa Fácil clients per transaction are about half of the price disclosed (Table 7: Comparison between G2P account and nearest equivalent account and in some cases lower than the actual cost.⁵⁵ This has been a deliberate strategy to “educate” low-income clients to use agents and ATMs instead of branches. Indeed, Caixa has managed to push 99 percent of all transactions out of branches, and today 80 percent of the transactions are done at lottery outlets. As a point of comparison, 80 percent of the transactions were done at branches in 2003. Caixa is conducting analyses to decide whether and how to increase these fees. To reduce channels costs even more and expand the network, Caixa is investing in substituting POS with mobile phones. Minimizing transaction costs is crucial as the account offers many free transactions per month (four withdrawals, four balance enquiries, and free bank transfers). Again, the strategy is replacing high fixed costs (branches) with much lower transaction-based costs at agents.

Table 8: Transaction channels and costs

Transaction type*	Approximate cost ⁵⁶	% of total Caixa Fácil transactions	Free monthly transactions
Debit card purchases	No cost. Revenue about 0.05% of transaction value ⁵⁷	25	No limit
Withdrawals at branches	Not available	Less than 1	
Withdrawals at lotteries	R\$0.30 to R\$0.50 (plus R\$0.10 for statement enquiry) ⁵⁸	25	4 per month (regardless of channel)
Withdrawals at agents		10	
Withdrawals at Caixa ATMs		25	
Withdrawals at shared ATMs	R\$1.50–R\$2	15	
Statement enquiry	R\$0.10	Counted as part of the withdrawals	4 per month

*Bill payments are not included as they are considered a withdrawal from the account, i.e., a bill payment involves two transactions: a withdrawal and a credit to the payee. The revenue from processing a third-party payment is accounted for by another department of the bank, not by Basic Income. Caixa Fácil accounts offer four free withdrawals per month: if a client makes two withdrawals and pays three bills, she will need to pay one withdrawal in that month.

Given the current level of costs, fees, and transactions, the accounts need to have an average balance of around R\$100 to reach profitability at Level 1B. The average balance in Caixa Fácil accounts grew 17 percent in the last three years (actual values were not disclosed) due to both the structural increase in income in Brazil⁵⁹ and growing public confidence in and familiarity with

⁵⁵ Phone interview with Caixa, 7 July 2011.

⁵⁶ Caixa did not disclose real numbers in all cases to protect confidentiality.

⁵⁷ This revenue is not included in the account profitability model used by Basic Income, as it is absorbed by another Caixa department.

⁵⁸ As each withdrawal is usually followed by a statement enquiry, Caixa adds R\$0.10 to the cost of the withdrawal.

⁵⁹ About 3.6 million Brazilians migrated to income class C (family income between R\$1,200 and R\$5,174) between May 2010 and June 2011. Of those, 1.4 million came from class E (the lowest). See <http://www.iguatunoticias.com/2011/06/mais-de-3-milhoes-migraram-para-classe.html> (accessed in 28 June 2011).

Caixa Fácil. This was crucial to reach profitability at Level 1 for the segment as a whole. Because fees charged for Caixa Fácil out-of-branch transactions do not always cover their actual costs, it is easy to see why Caixa wants to encourage more card purchases to substitute withdrawals and increase average balance, to increase profitability at Level 1. Nonetheless, Caixa Fácil accounts in general are profitable at Level 1B according to the bank, but margins are very narrow.

In the case of Bolsa, there is revenue from a fee paid by SUPSO for Basic Income to do each monthly grant payment (one monthly withdrawal).⁶⁰ According to Caixa, this fee helps considerably for the result at Level 1 of Bolsa clients, ensuring the financial equilibrium of the accounts. However, the bank makes it clear that no evaluation has been done specifically on the profitability of Bolsa clients, against other Caixa Fácil clients. Interviews indicate that the recipient accounts do not produce sufficient client income (from the float and transaction fees) to cover the costs of opening and maintaining the accounts. The positive result in this subgroup seems to be achieved only because of the internal transfer from SUPSO. As a result, recipients seem to be profitable only on Level 1A according to our classification.

3.3.2 Levels 2 and 3: The client and segment levels

Even though Caixa Fácil accounts, in general, are profitable at Level 1, this level alone would not justify investment by the bank on a purely commercial basis. Level 2, or the client level, would provide more elements for the bank to find this clientele attractive. Unfortunately, many clients at this income level use “mono-products,” i.e., do not use other products other than the account itself. On average, Caixa Fácil clients use 1.5 products (including the account). Nonetheless, the income generated by other bank products is highly relevant for Level 2, as it represents from 60 percent to 70 percent of the total client result. Ten percent of Caixa Fácil clients have credit cards, 20 percent have some type of personal credit, 25 percent have savings accounts, and 5 percent have insurance. Other products offered to these clients are capitalization bonds (60,000 clients), microcredit for production (a highly regulated type of loan), and micropawn (exact numbers on these products were not disclosed).

As noted, there is no specific analysis of Bolsa clients, but Caixa discloses that about 40 percent of them use another product: 90,000 have a credit card and 400,000 have a savings account. (Two million Bolsa recipients have savings accounts in total, but only 400,000 of them have both types of accounts.) The only product specifically developed for Bolsa recipients is a microcredit product with differentiated fees and rates (product terms and conditions are generally agreed on with MDS), but its commercialization is pending a green light from MDS. MDS is cautious

⁶⁰ The cost of crediting the grant to the accounts is minimum, less than R\$0.01.

about allowing Caixa to offer credit to recipients, because of fears of over-indebtedness, which would undermine the goals of the cash-transfer program.⁶¹

Operationally, Basic Income works on a product basis, focusing on making every product (including Caixa Fácil) profitable. This is due not only to the fact that clients are mostly mono-product, but also to a relatively unsophisticated analysis of total client profitability. Caixa does not have a sophisticated measurement system for client profitability that would automatically take into account the various sources of revenue from different product lines. This is a result, in part, of the departmentalization of the bank, which makes arriving at client-level performance analysis an expensive and time-consuming exercise, particularly if one wants to analyze client subsegments. For example, the revenue from debit card purchases and bill payments is not accounted for in the above client profitability analysis and could be a substantial income that is not considered today. Neither is the revenue from micropawn, a very popular product with low-income clients. The same occurs with costs, such as IT costs, that are not measured and distributed accurately through different types of accounts. It seems that the IT cost today is overestimated for Caixa Fácil, given its low transactionality. Caixa is upgrading its systems to make such client-level analyses less costly, more meaningful, and flexible.

Reportedly, the bank has achieved client profitability from Caixa Fácil accounts in general, although margins are narrow and supposedly even narrower for Bolsa clients (but reportedly existent). As noted, to build a stronger business case, Caixa sees potential in encouraging different transaction profiles, reducing the costs even further, and exploring other product offerings.

High volume and the promise of growing balances and transaction numbers in the future are main drivers of the bank's investment in Caixa Fácil accounts today, from a commercial perspective. There is optimism in the private and public sectors about the business opportunities created by a continuous socioeconomic shift, in which millions of Brazilians have been moving up to higher income levels. In a sense, low-income bank customers who might not be as profitable or as desirable today are seen by many as a good investment for the future. Indeed, other large private and government banks are also investing in the low-income market and eyeing Bolsa recipients, even if the business case is not yet fully understood by private banks and not fully proved by Caixa. Caixa also states that only volume can dissolve the costs to a point that positive results can be reached for such low-value, low-cost (for the client) accounts. Hence, only large institutions, with large and cost-effective distribution networks could win in this market.

⁶¹ Also, one trial with preapproved microcredit revealed that many recipients thought the loans were “donations” from the government, requiring changes in the marketing and distribution campaign. Caixa may be even more susceptible to this type of reaction from the public than private banks, for its status of a public bank. Banco do Brasil, a bank with 51 percent government ownership, went through a similar problem in early 2004, with a microcredit product. In the case, there was a clear link between the loan offer and a personal promise by the president of the country to open credit markets to the poor. His public speeches and campaigns for people to get a loan at Banco do Brasil, and poor credit risk management by the bank, led to default rates near 30 percent.

3.3.3 Levels 4 and 5: Strategic level and the bank's mandate

At the strategic level (Level 4), working with Bolsa account holders is believed to generate other similar business for the bank, which already pays other large transfer programs, leveraging the same infrastructure. However, there are no estimates of the total financial return from other businesses resulting from the Bolsa contract.

Regarding Level 5, though it is not politically acceptable anymore (as it has been in the past) for Caixa or any government bank to engage in unprofitable government businesses, Caixa does accept lower profitability to fulfill its mandate, while trying to negotiate reasonable fees with MDS for the grant payment business. MDS has accepted the fact that the bank cannot operate with losses in these accounts and has agreed to keep paying a fee for each bank-based grant transfer (reportedly, at some point MDS argued that it was not necessary to pay a fee to transfer the grant for banked recipients).

Caixa has no choice but to make these clients profitable. It has been dealing with the challenge with caution, instead of rushing into pushing the accounts to all recipients. Luckily, it is probably one of the few banks in the country with the prerequisites to undertake such a challenge, mostly thanks to its impressive distribution network and its experience with low-income customers. Despite the challenges in the current product offer and client transaction profile, Caixa is optimistic toward the G2P accounts. This is expressed in Table 10, which highlights beliefs held by Basic Income. This department completely agrees with statements 2, 7, and 10, showing its confidence in making these clients profitable without the subsidy from government fees (note also the disagreement with statement 1). It acknowledges the importance of investing in product cross-selling (statements 3 and 4) to reach profitability. Last, note its full disagreement with statement 9, that is, the beneficiary is the primary client of Basic Income, not the government. The opposite could be easily said of SUPSO, since its business is business government transfers, not bank accounts.

Table 9: Caixa's opinions on serving *Bolsa* clients (1=completely agree; 5=completely disagree)*

1	The accounts of social transfer recipients are simply not profitable to us considered on their own.	5
2	The accounts of small balance savings accounts such as transfer recipients can become profitable over time if customers grow their balances.	1
3	Our business case for small balance savings rests on cross-selling other services to customers	2
4	We actively cross-sell other products to holders of transactional/savings accounts.	3
5	The internal transfer interest rate used by our Treasury on retail savings balances reflects adequately the market conditions for the bank to raise funding of this type.	2
6	The business case for our taking small balance savings is not based on the financial return of the customer or the account at all	N/A
7	Our social transfer recipients receive similar range and quality of services to those offered to other retail clients of their income.	1
8	We understand well the business case of G2P accounts.	1
9	We consider the government to be our primary client and not the end beneficiaries.	5
10	We understand how to cross-sell other products to this customer base.	1

*Answered by Caixa's Basic Income Superintendence

4 Demand Side Findings⁶²

4.1 Main findings

Although nearly 2 million people receive their grants through deposits into their Caixa Fácil accounts, this does not seem to reflect a conscious choice made by them in all cases. Our demand-side research suggests that very few recipients have a basic understanding of the differences between the account-based transfer and the Social Card method. Similarly, they have demonstrated little understanding of the difference between the Social Card and the bank card, and are rarely taking advantage of the features of the account, including the debit function, the ability to use non-Caixa ATMs (something that is not possible with the Social Card), and the savings capability. Program communications are not effectively reaching recipients to ensure they understand the features of both options, so they can make an informed choice about opening an account and shifting the grant payments from the Social Card to the account, as well as maximizing the benefits of the account to meet their needs.

The way it is currently designed and communicated, the account-based payment is an ineffective tool to help poor families build financial assets that might decrease their vulnerability and improve their well-being. The first obstacle is client understanding of the savings option. But, even those who know they can save are reluctant for fear that their savings will disqualify them from Bolsa grants. Also, there are weaknesses in the service provided by Caixa: particularly in areas with high concentration of recipients, recipients experience long waits and have difficulties getting answers to their questions and resolving their problems. It seems that recipients are not aware of or do not know how to use Caixa's hotline to solve their problems. Research from many other contexts suggests that transaction costs and the trust derived from good recourse systems are two critical factors for mobilizing savings.

Furthermore, the size of the Bolsa subsidy for most families is small relative to household income, which makes it difficult to propose recipients leave a portion in the account. Accumulation into a sum that would be big enough to realize the financial dream for the majority of households seems unrealistic to most recipients. This transformative—but seemingly far out of reach dream—may account for the popularity of lottery games and Tele Sena⁶³ capitalizations among this population, which otherwise saves very little.

Public safety nets, like free medical care, education, public pensions, and even public assistance for funerals have reduced the vulnerability of Bolsa beneficiaries, but they also reduce incentives to accumulate financial assets. Our research shows that the families who are saving tend to be

⁶² See the full report of the demand-side research in Brazil in Annex B.

⁶³ Tele Sena is a lottery-linked capitalization owned by Grupo Silvio Santos, the conglomerate headed by Brazil's TV mogul Silvio Santos. Capitalizations are similar to bonds, which either hold value or appreciate at maturity. They are normally sold in very small increments and are regulated by SUSEP, the insurance regulator. Tele Sena sells its capitalizations for R\$6 each, and they are worth half the face value plus interest in one year. But, each R\$6 capitalization is like a lottery ticket, making the holder eligible for transformative prizes of cash and homes through multiple drawings over the course of the year.

ones with children who have complex medical needs, to cover incidental costs associated with medical treatment (e.g., transportation and meals when the treatment is done out of town). Most other families match their fairly predictable cash flows to fairly predictable expenses. The majority manages their budgets in cash, but rarely keeps the cash on hand: food is purchased and bills paid within hours of receiving income. The same is true of Bolsa grants, which beneficiaries noted over and over, never even hit their pockets before it is spent.⁶⁴

Despite the limitations to uptake and use of the financially inclusive grant transfer method, the program, through Caixa, ought to be commended for doing an outstanding job on payment logistics and for exemplary interministerial coordination. Beneficiaries express a universal understanding of when their payments will be distributed and said that their Social Cards and accounts were always credited with the correct amount on the correct day. We also saw extensive and effective coordination between Bolsa and municipalities to distribute payments via a single card (integration of local programs to Bolsa payments). And, beneficiaries receiving child support (pension) payments via a court-ordered bank account report that Caixa has gone out of its way to help them consolidate these and their Bolsa payments into the same account.

The main findings from the focus groups conducted with Bolsa recipients are as follows:

1. Although account-based payment is optional, those who shifted to this method thought they needed to do so and had no option.
 - a. Most recipients were not aware they had a choice between the two payment methods, and the message passed to them by agents and branch personnel did not help them understand this.
2. Most recipients are not aware of the differences between the features of the two payment methods (such as savings and debit purchases), other than that now there is a four-digit PIN instead of a six-digit one. They think that they now simply need to use the “blue card” (the bank card). Not a single interviewee reported having made a deposit into the account.
 - a. Most of those who started receiving their grants through previously existent accounts were not aware of the opt-out option (though most seemed indifferent). Most recipients who opened a new account did not understand they were opening an account. In both cases they thought it was just a change in the Bolsa card. This explains why they use their bank card just like they used the Social Card: for withdrawals of the entire grant.
 - b. Many recipients who opened a new account are still waiting for the bank card, even after months, and some have been waiting for more than a year. Most recipients are not clear whether the cards are sent to the recipient’s home or the bank branch. They also had many other problems accessing their funds with the new card, and found it difficult to resolve these issues using available recourse mechanisms.

⁶⁴ Household assets are purchased on ubiquitous, but extremely expensive installment credit rather than savings. Payments are predictable and can be matched to a cash inflow.

- c. Since the Social Card continues working and there is little understanding of the functionalities of the bank card, no one feels a sense of urgency in receiving the bank card or resolving problems with it.
- 3. Most recipients think they need to withdraw the totality of the grant immediately from both the Social Card (which is true) and Caixa Fácil accounts or risk losing the grant. As a result, they withdraw everything right away even though many say they would find it attractive (i.e., help them manage their budgets throughout the month) to accumulate the grant for some months to withdraw a larger lump sum. Some beneficiaries also express concern that saving in the bank will affect their eligibility to receive grants. Savings (through constant and numerous deposits) is further discouraged by high transaction costs in congested payment points (e.g, long lines, systems down, lack of cash, etc.), particularly in periurban areas with large concentrations of beneficiaries.
- 4. There is no uniform, accessible information source and recourse mechanism effectively helping recipients learn how to use and get familiar with the features and procedures of Caixa Fácil accounts and resolve problems such as blocked bank cards. While those in small towns reported being able to easily get answers to their questions and solutions to their problems, recipients in urban and periurban areas struggle much more, since branches and lotteries are crowded and staff do not necessarily like taking the time to answer questions from beneficiaries. Social assistance offices are similarly crowded, forcing beneficiaries to wait all day in line, missing work, to try and resolve problems with their subsidy payments.⁶⁵

4.2 Savings behavior

Beneficiaries are managing their money through some very limited savings in the house, extensive use of credit (including expensive credit provided by retailers), and complex matching of cash inflows and outflows. Given that the Bolsa transfer is typically small, most recipients do not feel encouraged to even try to leave something behind and only to wait in line twice to retrieve it. Savings seems outside of the culture/consciousness of this particular group. What happens is a very precise matching of incomes and expenditures. When a new expense enters the household budget, new income is sought. And unexpected and lumpy incomes are spent right away. Bolsa funds seem to be used to cover predictable household expenditures. But nearly all interviewees have the money spent before they even return home after withdrawing the grant.

It appears that most savings that is happening among beneficiaries is small-value savings for emergencies that may happen during the course of the month. But, for most people it is really hard to keep even a small amount of money in the house. They are frustrated by efforts to save for emergencies. When faced with a catastrophic type of emergency requiring more than the typical monthly income, most would turn to loans from family and friends. If they were really desperate, they would sell off some of their assets, such as furniture and refrigerators.

⁶⁵ Most of the problems seem to be related to a change in the database where the beneficiary information is kept, which is causing cards to be blocked so recipients cannot transact.

Savings may be further discouraged by just how out of reach their financial dreams seem. In every community visited for this research, beneficiaries said that their single financial dream would be to buy a house or make their current home more livable. Next in line for urban beneficiaries would be to move back to their rural hometowns, where “life is good, but work is little.” With the aspiration of housing seemingly so out of reach, lotteries, offering transformational lump sums, are particularly popular. The overwhelming majority plays lotteries. Also, our research indicates that the types of large, lumpy expenses that the poor typically save for—illness, retirement, funerals, education—are subsidized heavily by fairly effective government programs. This may be decreasing incentives for the poor to accumulate financial assets.

Although some have been able to successfully save in Caixa Fácil accounts, it seems that plain current accounts do not provide enough structure to help poor people meet their savings goals, habits, and aspirations. They are too inconvenient to capture very small-value savings for emergencies and too liquid to help people accumulate or even carry over savings from month to month. A different type of savings product seems to be required to encourage savings within this group.⁶⁶

⁶⁶ Annex B provides the full report of the demand-side research in Brazil, including some suggestions for improving the incentives for beneficiaries to save and build financial assets.

5 Strategic policy insights from Brazil

The available information and the interviews conducted for this research indicate that the potential benefit of the account-based payment method has not yet been fully achieved from both the demand and the supply sides. The case for the program is clearer, though. Although MDS does not have a formal financial inclusion policy and does not plan to require recipients to open accounts (which is in line with the legal prohibition of conditioning the grants to any product offer), it sees potential benefits in providing bank accounts to recipients, both to open doors to other financial services, but mainly to promote recipients' dignity and furthering their inclusion into the society. Moreover, this payment method is cheaper for the program than the limited-purpose instrument (the Social Card), and the shift to this general purpose instrument is not believed to produce negative impacts on recipients. Last, banking the recipients may create positive political repercussions for MDS, particularly in the context of the newly launched poverty reduction strategy (Brazil Without Misery).

To conclude, this report intended to answer the following research questions:

- a. Can financial institutions offer financial inclusive services to recipients on a profitable basis?
- b. Will poor recipients use financial services if they are offered to them?
- c. Is building in inclusive financial services affordable?

With regard to research question (a), the business case for the bank is not entirely clear under the current conditions. Doing the grant payments is definitely a profitable business for the bank (with narrow margins), but offering the no-frills recipient accounts does not reach profitability levels that form a clear case for the bank to invest on them, when compared to other types of bank accounts and client segments. Caixa has been offering (not so aggressively) Caixa Fácil accounts to Bolsa recipients mostly to meet a public policy, in opposition to fulfilling a clear commercial strategy. It is a government bank with a mandate to be an instrument of public policy, and it has a historic commitment to serve low-income clients, although it is not expected to operate with losses. Nonetheless, it believes in the long-term profitability of the segment and is analyzing ways to increase profitability, particularly with the possibility of charging higher fees on transactions (although fees are limited by regulation).

Given this background and its commitment to support the MDS goal of banking Bolsa recipients, Caixa is trying to build a clearer business case around this clientele. This is in line with the corporate strategy of looking at recipients as full clients. However, it is hard to imagine this level of commitment if Caixa did not feel secure in the grant payment business, which is guaranteed by law and not subject to sudden change by a tender process. Security seems to be an important driver of investment in infrastructure and to support corporate commitment.

Bank account-based payment reduces the cost of Caixa returning unclaimed grants to MDS, but the banking platform is more costly than the social platform, and there are other costs associated with the opening of these accounts and offering of many free transactions to clients. However, the fee paid by MDS for the account-based grant payment is lower. In a nutshell, Caixa needs to complement the current fee income with other sources of income, such as investing the float, cross-selling products, and encouraging more profitable transaction patterns. Currently, the balances are tiny and the income from transactions and products do not yet make up for a robust revenue model. The transaction profile seems to mirror the behavior recipients have with the Social Card, with high preference for withdrawals instead of card purchases. This reduces revenue and cost-cutting opportunities. This behavior is supported by the findings of the demand-side research.

Caixa has been able to make the Caixa Fácil segment as a whole profitable at Level 1B by cutting costs of delivery channels and benefiting from increased balances over time, but it is not entirely clear how this analysis applies exactly to the Bolsa subsegment. The interviews suggest some level of subsidy from the government fees through an internal “transfer” (it is actually a fee paid from one department to another) from the government payments department to the commercial department. All seem to indicate that Bolsa accounts would be a loss without this internal transfer and that their profitability depends to a certain level of such fees. Hence, the recipient accounts are profitable at Level 1A according to our classification and not profitable at Level 1B under the current circumstances and conditions.

Level 2 (the client level) is proved for Caixa Fácil accounts in general and for Bolsa clients, although with narrow margins, below what is usually pursued in other client segments. The interviews suggest that margins are even narrower for Bolsa clients, but there is optimism from the bank in making this whole low-income segment more profitable in the future, through better product offerings, even further reductions in costs, and adaptations in the fees charged for transactions.

To improve client profiles, Caixa is focusing on developing effective communication, education, and marketing initiatives. On the cost side, Caixa continues expanding and improving the network (e.g., installing mobile phones instead of using POS) and plans to implement biometric technology to cut costs in the long term with issuing, maintaining, and substituting plastic cards. It is also piloting the use of mobile phones to facilitate electronic transactions. On the revenue side, there is still much to be done in terms of product development.

To conclude, the limited information available suggests that the answer to research question (a) is yes at Level 1A (profitability with government fee) and, although not fully clear due to the limited information available, with regard to Level 1B (whether loss or gain without the government fee). All seems to indicate that Bolsa accounts would not be profitable without an indirect subsidy from the government. The lack of clarity regarding this conclusion is because Caixa does not look into Bolsa recipients as a subsegment of its Caixa Fácil portfolio for the

purposes of profitability analysis. In any case, margins of the whole Caixa Fácil segment are too narrow to form, at present, an obvious business case for the bank based purely on commercial interests. Commitment and investment are linked to Level 5 (mandate) and the certainty around the government payment business, which is guaranteed by law. There is also hope that the sustained increase in income levels as a result of improved macroeconomic conditions will help make these clients more attractive in the long run, which may justify lower profitability today.

The demand side (research question [b]) further highlights the need for Caixa to invest in the above initiatives with support and active participation of MDS. It also gives clear signs of the motivations behind the current client transactional profile. The report emphasizes the need for more investment in effective communication and education, product development to encourage savings, Caixa's corporate messages (and those of MDS) so that they reach beneficiaries at payment points without much distortion. The program's communications are not effectively reaching Bolsa recipients today.

Although the account-based method allows savings, deposits, and debit card purchases, recipients are not fully aware of these functionalities. Most recipients are not even aware of the difference between the two payment methods and that they can choose one of the two. In general they believe it is just a substitution of one yellow card with a six-digit PIN for one blue card with a four-digit PIN. Recipients who know they can save in the account are afraid of becoming ineligible for Bolsa grants if they do. Adding to the distorted or lost messages, weaknesses in customer service in the periurban areas (e.g., long lines, discrimination in favor of other clients, and difficulties in solving problems with the bank) discourage recipients to learn how to use the accounts and take full advantage of the conveniences the account-based method offers, such as using the card to make purchases.

In addition to these constraints, the demand-side research revealed that most recipients perceive savings as something outside their reach, because their incomes are so low. It also seems that a standard current account is not the best instrument to meet the savings needs and the financial habits of this segment. It has not been proved to be an effective tool to help the surveyed families build financial assets that might decrease their vulnerability and improve their well-being in the long run. Moreover, public safety nets, such as free medical care, education, public pensions, and even public assistance for funerals, have reduced the vulnerability of Bolsa beneficiaries, but also reduced incentives to accumulate financial assets.

To conclude, given the current level of unawareness and lack of knowledge by recipients about what is being offered to them, it is difficult to affirm whether they would consciously adopt and fully benefit from a financially inclusive account. Research does suggest, though, that it is necessary for MDS and Caixa to improve communication and education efforts and to improve recourse mechanisms to help clients solve problems related to their bank accounts.

Last, given the information available, it can be concluded that, with respect to research question (c) it is cheaper for MDS to use a bank account-based payment mechanism, that is, building in financial inclusion in the cash transfer program has been proved economically viable and actually more attractive compared to the previous scheme. Today MDS saves 5.83 percent of the cost of payments compared to a situation where 100 percent of the payments were being done using the limited-purpose instrument (Social Card). If all grant payments shifted to the general-purpose method (Caixa Fácil) and the contract terms with Caixa remained the same, MDS would save 31.47 percent compared to a scheme completely based on the Social Card.

Annex A: Overview of payment options offered by Bolsa Família

PAYMENT OPTIONS (of May 2011)			
Of total recipients	Deposit into Caixa Fácil account	Caixa—Social Card	Cash payments (temporarily unavailable cards)
Number of recipients using this option as of June 2011	1.94 million	10.82 million	139,320
Number using this option one year ago	1.4 million	10 million	100,000
Authentication of client for transactions	Blue Bolsa personalized bank card and 4-digit PIN Recipients are offered the account or already have the account. Grants are deposited automatically if the recipient has an account, unless she declines.	Yellow Bolsa personalized card and 6-digit PIN All active recipients are automatically enrolled in this payment method when enrolled in the program.	ID
How are clients enrolled for payment?			The recipient requests a payment order in a Caixa branch when the card is not available
Is a store of electronic value provided?	Yes, as in normal current account	Yes, but the value expires in 90 days and deposits are not allowed.	No
If yes, what sort of account?	No-frills current account by Caixa	Debit card linked to a nontransactional (social) account system at Caixa	—
What forms of ID are necessary to open the account?	Photo ID, tax number, information about address.	The account is automatically created when family is enrolled in the program.	—
At which location can cash be accessed?	ATM (Caixa and partner banks), Caixa agents (including lotteries), Caixa branches	Same as account-based	Caixa branches
What fees charged to recipient to withdraw the grant	None	None	None
Fees paid by scheme to provider (local currency, distinguishing between one-off payment and ongoing)	R\$0.98	R\$1.43	R\$1.43
Other fees paid by the program, if any	Per banking card reissued: R\$5.00 If goes over balance or transaction limits of R\$2,000, the account is blocked and recipient needs to use the Social Card to withdraw grant instead.	Per Social Card reissued: R\$6.25	--
Additional features of account, if any		It is not a transactional account	NA
Is this account also available to nonrecipients? On what basis?	Yes, it's offered to general public	No	NA

Annex B: Demand side report

Brazil CGAP G2P Demand Side Research Summary of Findings

25 July 2011

EXECUTIVE SUMMARY

Unlike many countries, Brazil allows beneficiaries of its cash transfer programs to choose whether they would like to receive the subsidy in the form of a stored-value card or through a financially inclusive account at Caixa, Caixa Fácil (typically the “blue card”). Both payment mechanisms are managed by Caixa. The stored-value card allows the beneficiary to withdraw the payment at Caixa branches or any Caixa correspondent—including lottery outlets—nationwide. The payment can be collected at any time within 90 days of the government crediting the beneficiary. The beneficiary collects the payment with a photo ID and six-digit PIN. Those using the financially inclusive account may also use their cards at ATMs with a four-digit PIN and may also use it for debit purchases. The account accepts deposits, either funds from Bolsa Família left in the account or new deposits.

Since beginning to offer the financially inclusive option in 2009, 3 million beneficiaries have converted from the stored-value card to Caixa Fácil account for their payments (about 2 million are still actively receiving benefits through the account). While it may be tempting to believe that this represents beneficiaries’ expressed preferences for the financially inclusive payment option, our research suggests that very few beneficiaries have even a basic understanding of the differences between the two options. They have changed cards only when instructed by Caixa staff or notices and are rarely taking advantage of the features of the financially inclusive option, including the savings capability. Payment via Caixa Fácil accounts would be attractive to some—not all—beneficiaries, but program communications are not effectively reaching this segment of the population to ensure they understand the features of both options, so they can make an informed choice about which to choose and how to maximize the benefits of the inclusive account to meet their needs.

As it is currently designed and communicated, Caixa Fácil accounts are an ineffective tool to help poor families build financial assets that might decrease their vulnerability and help them graduate to higher levels of well-being.

- The first obstacle is client understanding of the savings option. The lack of understanding is so acute that beneficiaries are generally unable to distinguish between the payment options, and few beneficiaries are aware of whether they are receiving their payments via Caixa Fácil accounts or the Social Card.

- But, even those who know they can store money in their accounts are reluctant to do so for fear that Bolsa Familia will track their savings and use it as evidence to disqualify them from receiving future payments.
- Particularly in areas with high concentrations of beneficiaries, customers experience long waits and have difficulties getting answers to their questions and resolving their problems. Research from many other contexts suggest that transaction costs and the trust derived from access to recourse are two critical factors for mobilizing savings.
- Furthermore, the size of the Bolsa Familia subsidy for most families is small relative to household income, which makes it impractical to propose that beneficiaries leave a portion in the account. Accumulation into a sum that would be big enough to realize the financial dream for the majority of households—dignified housing—seems completely unrealistic to most beneficiaries. This transformative—but seemingly far out of reach dream—may account for the popularity of lottery games and Tele Sena⁶⁷ capitalizations among this population, which otherwise saves very little.
- Public safety nets, such as free medical care, education, public pensions, and even public assistance for funerals, have reduced the vulnerability of Bolsa Familia beneficiaries, but they have also reduced incentives to accumulate financial assets. The families who are saving tend to be ones with children who have complex medical needs. They save for incidental costs associated with medical treatment (like transportation costs to better public hospitals or the costs of meals when traveling away from home).
- Most other families match their fairly predictable cash flows to fairly predictable expenses. Most families manage their budgets in cash, but rarely keep the cash on hand. Food is purchased and bills paid within hours of receiving income. The same is true of Bolsa Familia recipients. Recipients noted over and over that their grants never even hit the “bolsa” before it is spent. Household assets are purchased on ubiquitous, but extremely expensive, installment credit rather than savings. Payments are predictable and can be matched to a cash inflow.

Despite limitations to uptake and use of the financially inclusive account, the Bolsa Familia payment mechanism ought to be commended for doing an outstanding job on payment logistics and for exemplary interministerial coordination. Beneficiaries express a universal understanding of when their payments will be distributed and said that their stored-value cards and accounts were always credited with the correct amount on the correct payment day. We also saw extensive and effective coordination between Bolsa Familia and municipalities to distribute payments via a single card. And, beneficiaries receiving child support (“pension”) payments via a court-ordered

⁶⁷ Tele Sena is a lottery-linked capitalization owned by Grupo Silvio Santos, the conglomerate headed by Brazil's TV mogul Silvio Santos. Capitalizations are similar to bonds, which either hold value or appreciate at maturity. They are normally sold in very small increments and are regulated by SUSEP, the insurance regulator. Tele Sena sells its capitalizations for R\$6 each, and they are worth half the face value plus interest in one year. But, each R\$6 capitalization is like a lottery ticket, making the holder eligible for transformative prizes of cash and homes through multiple drawings over the course of the year.

bank account report that Caixa has gone out of its way to help them consolidate these and their Bolsa Familia payments into the same account.

BACKGROUND

The demand-side research component of this project explores perceptions of the bank accounts provided through social transfer programs. The overarching question is, if beneficiaries have access to bank accounts for receiving their program funds, will they find them attractive and actually use them. If so, how? In each focus country, we drew on both existing research and established new focus group discussions and in-depth interviews—particularly targeting financially included beneficiaries—to explore their perspectives on issues like ease of access, challenges posed by or changes suggested for the payments process, and value placed on having access to the account.

The final proposal submitted to CGAP specified the following questions that would be answered from the demand-side research:

1. What is the pattern of use on bank accounts by recipients (withdrawals, deposits, balances), and how does it differ from those of other account holders of same type?
2. How long does it take included recipients to deposit/withdraw compared to nonincluded?
3. What difficulties have recipients encountered with the inclusive account?
4. How do the portfolios/savings patterns of included differ from those of nonincluded, and have they changed over time? Is there a greater tendency of the included to save in the bank?
5. Has there been any leakage, e.g., pressure to buy goods/pay extra fees?

METHODS

To enable cross-country comparisons, we developed a basic discussion guide, which was modified to fit the specific circumstances of each country (interview guide in Appendix B1). Local partners translated the interview guide, facilitated interviews, and transcribed and translated each discussion.

In Brazil, we conducted seven focus groups with total of 49 people (see Table 1) and 12 one-on-one interviews (with individuals selected from the focus groups) over the course of two weeks in April 2011. The focus groups covered four locations in the state of Rio de Janeiro: a low-income

neighborhood in the heart of Rio de Janeiro city; a large, poor edge city outside of Rio de Janeiro city; a medium-sized city in the far north of Rio de Janeiro state; and a very small city on the northern border of Rio de Janeiro state. We had planned to cover a more diverse geography, but we were constrained by the timetable available. As a compromise, we [are still hoping] to cross-check and verify our findings against a national baseline qualitative and quantitative study of beneficiary experiences conducted by MSD in 2010.

Table 1: Summary of Focus Group Participants

Location	Number Men	Number Women	Total Number	Average Age	Average Household Size	% Using Caixa Fácil
São Carlos (urban)	0	10	10	39	4	40
São Carlos (urban)	0	10	10	33	4	20
Natividade (small town)	0	6	6	35	3.5	67
Natividade (small town)	0	5	5	32	4	40
Varre Sai (very small town)	1	7	8	35	4	38
Belford Roxo (periurban)	0	3	3	38	4	0
Belford Roxo (periurban)	0	7	7	40	4	0
TOTAL	1	48	49	36	4	31

Each focus group discussion lasted about 60 minutes, with an additional 30–60 minutes of informal greetings, discussion, and casual conversation. Individual interviews also ran about 60 minutes each.

We initially planned to hold separate focus groups for beneficiaries using stored-value cards and those using the financially inclusive account. In practice, this was not possible, because we had to recruit participants without the assistance of the Ministry, and most beneficiaries were not sure which option they were currently using.

Summary of preliminary findings

Despite the policy choice to make payments via Caixa Fácil accounts optional, those who have adopted the new payment method have not switched because they wanted to take advantage of the features of the account. Instead, when we asked why beneficiaries have switched to the financially inclusive payment option, they told us that they were told by Caixa that they should or in some cases that they needed to change their cards. Many believed the change was just a change in the card, not in the payment mechanism itself.

Nearly all of those using Caixa Fácil accounts told the same story: someone at the Caixa branch or lottery told them to register for the new card, so they did:

Facilitator: –Why did you switch to the blue card?”

Beneficiary: —Because they asked me to...I got a notice from Caixa.”

—On the day we went to receive our money, we got a notice asking that we exchange the card. Then the attendant said, “Ah, they’re asking you to exchange your card, let’s fill out the registration.””

Several of those who registered for Caixa Fácil accounts have been waiting for several months, and a few more than one year, to receive the new card. They are not sure if it’s being sent by mail or to the Caixa branch. The transition process has not been clearly explained to anyone. But, they are not particularly eager to get the cards, either. Since their old cards continue to function and they are generally unaware that the two options have distinct features, no one feels a sense of urgency to check on the arrival of the new card. A beneficiary in Belford Roxo who signed up for the new card at her local lottery explained:

—I still haven’t received the card. And, they didn’t tell me if I was supposed to take it there at the Caixas or if it’s going to be delivered at home. I’m waiting but still nothing has arrived for now.”

Several people who registered and received their Caixa Fácil cards have experienced problems with the cards being blocked or otherwise unusable. The stored-value card remains in use as a “back up.” So, it appears they are not deactivated once the new cards are distributed. While this means that the payments remain reliable even as Caixa experiences problems in the registries and backend systems, it also means that beneficiaries are even less likely to understand how the payment process has or is supposed to change with the new card. This confusion could be further compounded by Caixa’s distribution of yellow Caixa Fácil cards. Future education about the distinctions between payment options cannot refer—like beneficiaries already do—to the differences between the “yellow” card and “blue” card.

Other beneficiaries who have switched to the Caixa Fácil option have done so because they already had or needed a bank account for another reason, and Caixa/MDS identified them to help them consolidate these functions into a single account. In Rio de Janeiro, many Bolsa Família beneficiaries also receive Bolsa Carioca, a municipal cash transfer. They are able to collect both payments with a single card, whether that is with Caixa Fácil or the stored-value card. Additionally, many single mothers are receiving child support payments from their children’s fathers through court mandated accounts. Not all of these accounts are with Caixa, but those who do have accounts at Caixa receive a notice telling them that they can consolidate the payments into the same account. This appears to be happening for account holders who have opened Caixa accounts independently as well:

—With me, it happened this way: When I got to the lottery, I received a statement saying the benefit was being deposited in a Caixa Fácil account...there it was.... I’d had a Caixa account for a long time... I’d opened one long ago when I was single and I had an

account, because I thought if I had any money left over, I could deposit it. But, I wasn't able to."

Beneficiaries—those with and without Caixa Fácil accounts—do not know the difference between the two payment options. Very few beneficiaries knew that “changing the card” involved opening a bank account with Caixa. They continued to use their new card the same as the old one, withdrawing the entire value of the payment at one time and spending the subsidy in cash. No one reported making deposits into the account.

—There’s no difference at all [between the prepaid and Caixa Fácil options]. The only difference is that the blue card has a 4 digit password.... It’s all the same to me, the blue one or the yellow one. They asked me to use the blue one.”

—I wasn’t even aware of the blue card’s existence.”

Table 2: Key differences experienced by beneficiary of the two payment options

Social Card	Caixa Fácil
<ul style="list-style-type: none"> Can withdraw at Caixa branch, correspondent (including lotteries), or ATM Must withdraw total value at one time; 3 months without withdrawals triggers value to revert to Ministry No withdrawal fee or card fee 6-digit PIN Not possible to make deposits 	<ul style="list-style-type: none"> Can withdraw at branch, correspondent, ATM (Caixa, Banco do Brasil, or Banco 24 Horas), or via debit purchases 4-digit PIN 4 free transactions per month Possible to make deposits

One difference—often the only difference noted—between the payment options was that the new card has a four-digit PIN versus the six-digit PIN on the traditional stored value card.

—I like [the blue card more, because of the password being shorter], but for me, no matter what, be it the blue or the yellow, I withdraw the same amount. It’s the same; I never have money to spare; there’s never extra. Like I told you, if I need to go over there buy some medicine for my son, I don’t have the means. Let’s withdraw, because I won’t have the money there anyways.” Natividade

Beneficiaries were not at all aware of more material differences, like the debit function:

Facilitator: —Has anyone here ever used the blue card to pay a bill at the supermarket?”

Beneficiaries: —Can you do that?!”

One of the most important features of the financially inclusive account is the ability to store money. You can leave a portion of your Bolsa Família payment in the account to save over time and even make deposits of other savings. Some within MDS believe this is part of a strategy helping beneficiary families accumulate enough assets to graduate from the program. We found

that very few beneficiaries knew they could leave funds on either the stored value card (for 90 days) or in Conta Fácil. Instead, most feel a sense of urgency to withdraw the benefit payment in full on the day their accounts are credited:

→You have to withdraw everything, because if you do not, it gets denied.”

→And they don’t explain to us. I don’t want to leave my money there. Maybe when I go to get it, it will be too late. I don’t want to lose my money.”

→will be sincere with you, they never have explained to us. Even when I do not need the money right away, I am scared to go back to the bank and find the money is gone.”

Facilitator: →Are you worried to leave [part of your grant payment] there?”

Beneficiary: →Yes, I am, because they already told me that if I leave, they collect.... Yes, the Bolsa will collect. They told me that.”

A few people have heard of or even experimented with leaving part of the payments. One woman in Belford Roxo heard of a neighbor who didn’t withdraw her payment for two months and let the two payments accumulate, so that she had a more useful lump sum. While the others in this focus group thought that having this accumulated payment might be nice, they did not believe the money would be safe if left in the account untouched for two months.

One woman in São Carlos withdraws half of her combined Bolsa Família and Bolsa Carioca benefit on one day and the remainder half way through the month. She says this helps her with budgeting. She was the only beneficiary who reported repeat withdrawals over the course of the month and not a single person reported ever carrying a savings balance in the account between payments or making a deposit into Conta Fácil.

We found that beneficiaries in small, more rural towns seemed to understand the options a little better than those living in congested urban areas with high concentrations of beneficiaries. In these small towns, beneficiaries often meet with municipal staff to discuss program benefits and can easily get help both from ministry staff and Caixa. In these areas we saw people both more willing to experiment with Conta Fácil and to experiment with ATMs. But, balance checking fees can be a real inhibitor to experiential learning:

Beneficiary: →If you keep on confirming it, putting the card in all the time [to check the balance], then you pay. If I ask for the balance and then go on the same day to swipe the card and know the balance, I have to pay.”

Facilitator: →Did anyone tell you this or did you find out on your own?”

Beneficiary: →I was using it, and that’s how I realized. Now I don’t even check my balance anymore. I don’t mess around with the balance.”

Beneficiaries are concerned not just that their payments could be retracted, but also that saving in an account linked to Bolsa Familia could jeopardize their eligibility in the program. Would they now appear too wealthy to continue receiving benefits?

Since Caixa, rather than MDS, has been tasked with communications regarding the financially inclusive payment option, beneficiaries have not heard unequivocally from MDS that they can and should save in their accounts. Even if Caixa communicated this, beneficiaries may not trust the veracity of the information if it does not come from MDS.

Aside from the fear of losing their Bolsa Familia payments, savings is further discouraged—particularly in the periurban area—by high transaction costs at payment points. Beneficiaries both in Belford Roxo and Natividade complained of long lines at the lottery and (for Natividade) the branch. This seems to be particularly bad when the large lottery games have an accumulated payout. Some of the women said they pretend to be pregnant or carry a friend's baby in line to jump ahead. In Belford Roxo, a sprawling periurban settlement with a very large concentration of beneficiaries, the lines at the lottery are always long. While most places reported waiting times of 10–30 minutes, beneficiaries in Belford Roxo said it can take hours.

—It's true: there are a lot of people and few lotteries to attend to them.”

—At the lottery, there are times that the line is huge, you see. You go there when the Mega Sena has accumulated and see how it is!”

And where the lottery is so busy making these payouts, the cashier has difficulty managing liquidity, which leads to even longer waits:

—It's better not to even ask [about the line]. You can stand there all day, even bring your lunch, and when it's your turn, the system is offline!”

—When we arrive at our turn at the lottery, they don't have money...or it's offline and we wait...there's a lot of people.”

—I kept waiting, because one person came and paid a light bill, another came and paid another bill...4–5 people passed and the agent said, now you can come, Miss, ‘ and I received the payment. It was like that.”

Respondents know they have a window of at least a few days to come back again, but they say there is always a line and no point in delaying. In some areas, respondents have access to an ATM or the branch as an alternative channel. Depending on the branch location, though, there may also be long lines. And, many beneficiaries—again, especially in congested urban areas—have difficulty navigating ATMs, though this channel reported the lowest wait times, of just five minutes or so.

—Sometimes the cashier doesn't have money to pay us. We get this money at Caixa.”

—Every time I've used the [ATM], it blocked my card...I can't handle it, so I go to the lottery.... You don't even try [the ATM a second time], otherwise you will be embarrassed. It gives the impression that the card is stolen and you don't know how to use it.”

—I prefer the lottery, because the ATM is too complicated. I don't know how to take the money out, and the lady [from the bank] has to come and withdraw for me.... I tried learning about 500 times, but as soon as I walk out of the bank, I forget everything they taught me.”

—I unblocked once, but the second time I had to miss work to do it.... You have to go to the bank to unblock. You get there at 6 am and you find a long line, so you come back at 6 pm. And more, the employees there aren't patient to serve you. They tell you to speak faster, so for a person who doesn't have education and hasn't memorized the PIN when they are using for the first time, even after the next time, this person will enter the wrong password.”

In the smaller towns, beneficiaries told us it was easier to get help. They were much more comfortable asking questions and were using the terminology of the banks to explain their experiences. When we asked how so many of them learned to use the ATM, they said,

—There's someone from the bank [to help you with the ATM]. There's always someone available.”

Another attraction of the ATM reported by a small number of beneficiaries is that no photo ID is required when withdrawing through the machine. Some appreciate this because they can send someone to withdraw on their behalf. For one woman, this was how she was able to resolve a painful debt problem: She had purchased a television antenna on credit from a local dealer, and a few installments before she finished paying off the debt, her husband lost his job. She was falling behind in payments and the dealer said, he would report her to the credit bureau. Instead they came up with a compromise: the dealer's wife would hold the beneficiary card and withdraw payments directly from the ATM until the woman's debt was finished. After the debt was cleared, the card was returned to the beneficiary. One might expect to see a bit more of this type of phenomenon, but it came up only once in our discussions and interviews.

Instead, beneficiaries are managing their money through some very limited savings in the house, extensive use of credit, and complex matching of cash inflows and outflows. Long wait times discourage frequent visits to lotteries and branches much less several visits throughout the month to make small deposits. Given that the Bolsa Familia transfer is typically small, most beneficiaries scoff at the idea of leaving something behind and potentially waiting in line twice to retrieve it:

—There is no way to leave it, because mine is R\$67, and you take it and it goes.

It appears that most savings among beneficiaries is small-value savings for emergencies that may happen during the course of the month. Beneficiaries told us that because of the small values and the time it takes to deposit and withdraw at the bank, it makes much more sense to keep that money in the house. Beneficiaries told us they stash a little—always less than R\$100—in the closet, between the folds of their clothes, in the pockets of trousers, in a drawer, so it's close at hand when they need it.

—sometimes deposit very little; I'd deposit one week and withdraw the next. I'd do that. It stays in the bank for such a short time, it's not worth it.”

—When I have it, I keep a little money in the house in case the kids get sick. It's more convenient in the house than the bank. If the kids get sick, I just take it, and we just get in the car and go.”

But, for most people it's really hard to keep even a small amount of money around the house. One woman, the exception, said that knowing it's for her children gives her the strength to avoid the temptation of spending her emergency stash:

Beneficiary: —I can do like that, keep some money, not much, like that, in case of emergency. I have two children you know.... I keep about R\$100. If something happens, I can buy medicine.”

When we expressed surprise at her willpower, she explained, —I can, since it is for my two sons, I can.”

Most beneficiaries, however, were frustrated by their efforts to save in the house for emergencies:

—In my piggy bank, I start saving coins, but when I run out of money, I always go to the piggy bank and take the coins out.”

—I try to save, but always something happens.”

When faced with a catastrophic type of emergency, one needing more than their typical monthly incomes, most would turn to loans from family and friends. If they were really desperate, they would sell off some of their assets, such as furniture and refrigerators. In one small town, particularly beset by allergies in winter, beneficiaries rack up extensive bills at the pharmacy, which allows them to pay back in installments over several months. Many beneficiaries here felt like they could never get ahead:

—I think I'm almost paid up at the pharmacy, and then I get sick again.”

Another man in the same community, with limited access to medical facilities, suffers from HIV, and his wife (also HIV positive) is taking a range of drugs to prepare for a gall bladder surgery. The family all together earns R\$450 per month, but since his wife has been taking these drugs, he's been paying R\$600 per month at the pharmacy. He has an enormous and growing debt there that will take him years to repay.

A few beneficiaries in every locality told us that they had opened savings accounts in the past to try to put something aside. But, it seems that plain transactional accounts are not providing enough structure to help people meet their savings goals. Very few have been able to successfully save in these accounts:

Beneficiary 1: I have savings account at Itaú, but it remains empty.

B2: No, mine has 42 cents.

B3: Mine has R\$10s.

In Natividade, a small town with a Caixa branch, some beneficiaries applauded Caixa's X-Cap product, which they say helps them save more by locking up their savings for a year.

—We pay R\$3.50. It costs R\$3, we go to the lottery booth and buy this card; this money gets stored and we have a one-year period to withdraw it. It's like a savings account...For a year I buy this card, and the R\$3 go to my account. After a year I can withdraw this money, and during that year I can win lottery prizes.”

But when we asked about this product in more urban contexts, beneficiaries had never heard of it.

It may be that these families need a bit of an extra nudge to build financial assets. Transactional savings accounts are too inconvenient to capture very small-value savings for emergencies and too liquid to help people accumulate or even carry over savings from month to month.

We observe that in Brazil, the types of large, lumpy expenses that the poor typically save for—illness, retirement, funerals, education—are subsidized heavily by fairly effective government programs. This may be decreasing incentives for the poor to accumulate financial assets. While we do see some people saving very small values for near term emergencies, just parking money to let it slowly, slowly accumulate is not something we observed anywhere. It seems outside of the culture/consciousness of this particular population group. What we see instead is a very precise matching of incomes and expenditures—down to the real. When a new expense enters the household budget, new income is sought. And unexpected and lumpy incomes are spent right away.

Many beneficiaries told us that the Bolsa Familia payment is used to supplement predictable household expenditures. It is spent on children's shoes, school supplies, snacks, tutors, and

sometimes basic household bills such as those for water, electricity, and gas. But nearly everyone has the money spent before they even return home from the pay point:

—I spend it the same day.... The majority here is like this.... Because it is enough only to pay the bills.... They money never even gets into your pocket....”

The same was largely true of other types of income, as well, such as formal jobs, casual labor, and child support payments:

—The child support is fixed every month, and then I pay the expenses of my house. And the Bolsa I spend more with my girl, with school materials, snacks, those things.

Another beneficiary explained:

—If I make plans, I do it based on the amount I get paid. If I get paid R\$500, I make plans with the total cost of R\$500. So, when I get paid, I have an end for all of it. Even if I plan to save R\$20, I would go to the bank and make use of this R\$20.... Because these R\$20 are extra. What would it be for? For taking my daughter out to eat on the weekend. So, if I keep it at the bank, it’s not going to stay for long.”

Rather than save for asset purchases, such as washing machines and furniture, beneficiaries make extensive use of expensive installment credit from shops, such as Casas Bahia or local dealers. Paying installments of R\$30–50 per month, they take six months to two years to pay off their assets. Beneficiaries in Natividade took two years to pay off their cell phones. These installments fit neatly into household budgets, and incomes are matched to these payments. Many beneficiaries told us that they took on specific work to pay installment credit. Mental accounting is used to match specific incomes—such as the husband’s work income, casual work, door-to-door sales, small business income, subsidy payments—to specific expenditures, such as grocery shopping, bills, and installment payments.

Few beneficiaries understand the true cost of the installment credit. Many stores build credit costs into the sticker price. But one sharp young woman in Varre Sai learned her lesson:

—I wanted to buy a refrigerator. I saved up R\$300, and the fridge was supposed to be R\$700. I first paid the R\$300, and was going to pay the rest on installments. When I got home, I counted the pages in the installment book and realized, I was going to be paying double the price for the fridge! I was so furious that I borrowed the other R\$400 and went right back to the store to pay in full. I gave up installments after that. Now that shopkeeper is always trying to give me deals and offer me a fair price, but I am done with that.”

Savings may be further discouraged by just how out of reach financial dreams seem. In every community we visited, beneficiaries told us again and again that their single financial dream, a dream they would realize if they won a prize of R\$5000 would be to buy a house. Next in line for urban beneficiaries would be to move back to their more rural homes, where “life is good, but work is little.” But, such a sum, R\$5000 would take a beneficiary earning R\$67 through Bolsa Familia seven years to save up if she put ALL of her subsidy payments toward this goal continuously the entire time.

But, beneficiaries light up talking about the possibility of a lump sum of a few thousand reais and discuss detailed plans of how they would slowly begin to pursue the dream of a house (or in several cases making essential repairs to their existing, but condemned houses). They told us R\$5000 would be plenty to get started:

—You buy some bricks and lay them down. When you’ve laid all your bricks and you’ve got a roof, you throw everything in there. You don’t even need a floor.... Once you’ve got a roof, you can move in.... You’re not paying rent; you can keep working on it.”

With the aspiration of housing seemingly so out of reach, lotteries, offering transformational lump sums, are particularly popular. An overwhelming majority—even of the most financially savvy beneficiaries—play lotteries:

—Lottery, Tele Sena, Raspadinhha.... I try my luck at everything.”

THE BOTTOM LINE

What’s working? Payment logistics. Across the board, beneficiaries give Caixa/MDS high marks for clearly communicating payment schedules and making sure accounts are always credited on the right day.

—The Bolsa Familia, at least since I began to receive it, I have never had a problem. Every month I can go there and my money will be credited, always on the right date, and sometimes even earlier.”

—There is a calendar.... Last year they made it.... It’s really cute and is right there at the lottery. It’s just a simple banner.... Before they gave us all small papers explaining which date we could collect.”

What’s not working? (1) Understanding of payment option features. As we’ve discussed extensively above, there is very little understanding of the difference between the stored value versus financially inclusive payment option, which is a critical first step in enabling beneficiaries to take advantage of the features of each. Once the features of the two payment options are explained, some beneficiaries say they would prefer the financially inclusive option, but the preference is not universal nor particularly strong. Still, there is a portion, perhaps 20–30 percent who would prefer the financially inclusive option. They say that they would like the option of

saving, withdrawing later than they normally would, and using the debit function. But, they suspect they will never actually use any of these features.

These beneficiaries have often been trying to save in the house, unsuccessfully, and would like the choice of putting their little bit of savings further from their reach. Several had tried to open bank accounts elsewhere and have been frustrated by the bureaucracy and procedures:

—I can give my papers, like proof...Because there all things are so difficult! For us, everything is so difficult!...For everything, there is red tape.”

They were not aware that an account would be easy to establish through their involvement in Bolsa Familia.

What's not working? (2) Uniformly accessible information and recourse. And to help them learn to use and get familiar with the features and procedures of their bank account, those who are using the account will need better access to information and help to resolve problems. While those in small towns reported ease in getting answers to their questions and solutions to their problems, beneficiaries in urban and periurban areas struggled much more with this. Here, the branches and lotteries are crowded, and staff don't like taking the time to answer questions. Social assistance offices are similarly crowded, often forcing beneficiaries to wait all day in line, missing work, to try to resolve problems with their subsidy payments.

A beneficiary from Belford Roxo who has had her card blocked several times at the Caixa ATM vented her frustrations:

—The employees at the bank are not patient to serve you. They tell you to speak faster, so for a person without education who has not memorized her number that she's using for the first time, after the next time, she will enter the wrong password.”

We find that worldwide being able to test the account, check the balance frequently, and get answers to questions are critical factors in building trust and comfort among those using a financial product for the first time.⁶⁸

What's not working? (3) A savings product that fits the needs, habits, and aspirations of beneficiaries. And finally, more could be done to adapt the savings product offered to beneficiaries to make it more attractive and better designed to meet their financial needs. A simple savings account is not helping most of the poor to save in Brazil. But, there are lessons we can gain from their existing financial patterns that might help them build financial assets:

⁶⁸ Zollmann and Collins, 2010, “Financial Capability and the Poor: Are We Missing the Mark?” FSD Kenya. http://www.fsdkenya.org/insights/11-01-12_FSD_Insights_Branchless_banking_issue_02.pdf

1. Programmed savings toward an explicit goal that frames deposits as “installments” and sets a fixed monthly contribution could fit into the spending paradigm already embedded in beneficiaries’ habits. Bolsa Familia beneficiaries could opt into this savings plan to have their savings “installment” paid directly during each distribution unless they opt out—giving them a chance to use the full subsidy if needed.
2. Another option would be to explicitly encourage beneficiaries to purchase a set amount of X-Cap bonds with each distribution to save toward some savings goal. This existing product already offers many features that beneficiaries find attractive: a lottery drawing, high interest rates, and illiquidity for one year.
3. A third, more ambitious and probably controversial option would be to allow beneficiaries to choose the frequency of their Bolsa Familia distribution. Instead of receiving small monthly pay-outs, some beneficiaries might prefer a less frequent, lumpy pay-out that gets them much closer to the types of useful lump sums that can help them acquire assets rather than see potential savings easily depleted through eating out and spending on small treats for the kids, which are frequent uses of Bolsa Familia payments. Allowing beneficiaries to forgo up to perhaps two years of payments may help them accumulate enough to even buy a first plot of land to pursue the elusive, seemingly untenable dream of a house. To build trust in this type of savings option, beneficiaries will need to get frequent account statements and assurances that the funds are indeed accumulating and will be available when they need them.
4. Having MDS involved in the marketing of such products could potentially quell fears that saving in beneficiary accounts could be retracted by government or used to disqualify families from receiving future benefits. Even if they are not directly involved in marketing, social assistance offices at the municipality level need to be better informed of payment and financial product offerings to explain them to beneficiaries and help guide beneficiaries through what can be complicated procedures. These social assistance offices often interact much more frequently and personally with beneficiary families than Caixa staff and lottery agents.

APPENDIX B1: DISCUSSION AND INTERVIEW GUIDES

Focus Group Discussion Guide

Income sources (8–10 minutes)	<p>Purpose: To understand the role of the cash transfer program in their livelihoods and get a basic understanding of nontransfer cash inflows.</p>
	<p>Questions</p> <ul style="list-style-type: none">• [Before starting, collect table of basic information on each participant: gender, age, type of grant receiving, household size, number of income earners in household—table provided below]• What are the main ways that your households generate income? [Probe for all types of sources and come up with a fairly comprehensive list.] Which sources are most important? Which ones bring in the most money? Which are most reliable?• Focusing on the top five income sources for the group, how often do you get money this way? [probe for frequency and regularity of cash inflows]• Where does the G2P transfer rank in terms of size and reliability?
Portfolios	<p>Purpose: To get a bit of an understanding of financial instruments being used by participants and see what types of products and features are already attractive to them.</p>

	<ul style="list-style-type: none"> • What are some of the key financial needs of your family that you contribute to? [Probe for everyday household expenditures, such as food, soap, etc.; education; household assets, such as animals, appliances; emergencies—and which types; capital inputs for farming/business; special events/social occasions] • Where do you get the money for these types of contributions (probe for savings, borrowing, and other instruments in play) • If you had an emergency and needed to come up with twice your monthly income today, where could you get the money? • When you need to put aside money for a week or so for small purchases, where do you store it? Why? <ul style="list-style-type: none"> ◦ What about when you need to build up money for a month? Why? ◦ If you won a very large sum of money? Where would you store it to keep it safe? [Any current or past trust problems with financial institutions?] ◦ What is the easiest way to save? What is the safest way to save? • Let's retrace your steps in what you normally do with your social transfer payment when you receive it. So, you get the total payment (in cash/card/account), what is the first thing you do with it? What do you do with the rest while you are waiting to spend it? (continue tracing the money and probe for places where it is stored, invested, lent, or otherwise set aside for the future) • How long can you make your social transfer money last? How do you get money between when you run out of cash and the next payment? [probe for lending out part of the payment to get new inflows later in the cycle or for intermediate borrowing—is it easier to borrow because people know they have a regular cash flow?] • (<i>Before getting a bank account through the social transfer program</i>) How many of you have ever had your own bank accounts? How many have a family member with a bank account? <ul style="list-style-type: none"> ◦ Why/why not open your own bank account? [probe for the key barriers to use of formal financial services in the past, including requirements, fees, distance/convenience, attitudes/shame, trust, etc.; which barriers seem strongest?] • What is a bank account good for? Who can benefit from a bank account?
Knowledge and attitude toward	Purpose: Understand attitudes toward inclusive account as a means of receiving social transfer and extent to which storing funds is valued.

	<ul style="list-style-type: none"> • What different ways have you experienced receiving your social transfer? [probe for cash, stored-value cards, bank/bank-card] • What is the best way to receive your social transfer payment? Why? What is the worst? Why? [listen for the importance of traits such as convenience, flexibility, quality of communications from the program in each method, predictability, reliability, feedback, feelings of control, cost] • When you received your funds through [cash, stored value cards, bank/bank-card], how long did/does it take to get access to your money? How long does it take to get there? To wait? • What is the best thing about receiving your money through the financially inclusive account? • How does your account work? [assessing knowledge of how the account works] <ul style="list-style-type: none"> ○ How do you know when a payment has been deposited? ○ When do you have to withdraw? ○ Where can you withdraw? ○ Do you have to withdraw everything at once? What happens if you do not? ○ Can you make deposits? Where? ○ How much does it cost to withdraw? Make purchases with your card? ○ If you have a problem withdrawing from an ATM, branch, or agent, how can you get help? What about if your balance is lower than you expected or a payment does not arrive? • Have you had any problems accessing your money through this account? <ul style="list-style-type: none"> ○ What types of problems? ○ Have you ever been pressured to pay extra fees, tips, make purchases of one type or another because of the way you are receiving your payment? ○ Have you had any problems actually using the technology (phone, card, ATM, POS)? ○ Have you been able to resolve any/all these problems? ○ Where can you get help when you have problems? [Probe for both family/friends and formal program or bank-linked support.] How helpful/reliable are support services from the bank/program?
Use of account in transfer program 5.1.1.1 (20 minutes)	<p>Purpose: Improve our understanding of how and why beneficiaries are using the inclusive account in different ways.</p> <ul style="list-style-type: none"> • Are you able to safely keep money in your account? Why/why not? • Are you comfortable receiving the money into your account? • How often do you withdraw money from this account [probe for all at once or a few times per transfer]? Who leaves some money in the account? Why? Why do some people prefer to withdraw everything at once? • How important is it to you (or would it be) to be able to leave some of the transfer value in the account? Why? [Probe for whether they would like to withdraw the transfer little by little, would like to build up savings there, etc., and why.] • Does anyone use the account to save/build up money for the future? • Has anyone ever deposited extra money into their account? What are they saving for? What kinds of deposit patterns? Why is the bank account an attractive place to save? • Who chooses a bank account for payment when they have a choice (Brazil) and why? What drives choice of preferred bank (South Africa)?

Individual Interview Guide

Living situation

- How many people are living here with you?
- Do you own the house?
- For how long have you been living here?

Income

- Who in the family is helping to earn any money [probe for remittances, pensions, small business, casual labor, full time work, and **Bolsa Familia**, etc.]?
 - Which income source is most important for the family? How often is this paid? How much each time?
 - [Ask about all other income sources...] How often does this person earn this money? How much each time?

Money management responsibilities

- Who in the family is responsible for managing the household budget?
- How do the different income earners contribute to the household needs?
- How do they contribute to decisions that are made about how the household should manage money?

Bolsa Familia Payment

- For how long have you been receiving money through Bolsa Familia?
- How do you receive your Bolsa Familia payment (card or bank)? Where do you collect?
- Do you know that you have a choice to receive through the card or a bank account?
- Why do you prefer to receive your payment in the way that you do?
- What are the benefits of each system of payments?

Cash flow reconciliation

[...Start with Bolsa Familia, then walk through other most important income source for family.]

- When was the last time you received a Bolsa Familia payment? How much was it?
- I want you to walk me through step by step exactly how you managed that money. So, let's start with when the money was credited to your account/card. How did you know the money would be there? What did you do first as soon as you knew it was there?
[Listen/probe for how long waited to access the funds, where went to withdraw, how far, how much time, how much cost, why chose this method]
- What did you spend the money on first? [What, how much, how paid] Second? [what, how much, how paid], etc.
- How long did the money last?
- Do you normally have a plan for how you will use your payment each time? What is your plan? Why do you use the Bolsa Familia payment for that purpose as opposed to other income sources?

Financial instruments

Now, we would like to understand some of the tools you and your family are using to manage your money.

- What was your biggest expense last month? How did you get the money together to cover that expense? [For each instrument referenced, probe for the terms—total value, repayment arrangements, etc.]
- What about in the past year, did you have any times when you needed to pull together a lot of money at one time? [probe for health care/sickness/accident, funerals, weddings, celebrations, housing/home repairs, education, etc.] How did you pull this money together? [For each instrument referenced, probe for the terms—total value, repayment arrangements, etc.]
- If you had an emergency today and needed to come up with twice your household's normal monthly income, where could you get the money? [For each instrument referenced, probe for the terms—total value, repayment arrangements, etc.]
- If you won a prize of R\$5,000, where would you put the money aside to keep it safe?
- When you need to put aside money for a week or so for small purchases, where do you store it? Why?
- How do you plan to get by in old age?
- Have you ever used...? What do you use this tool for? How is it helpful? What are the problems?

Savings

1. Bank account [Where? What type?]
2. Fixed-deposit or programmed account
3. Credit union, cooperative account
4. Saving in house
5. Saving with money guard [who?]
6. Rotating or accumulating savings groups
7. Capitalization: Tele Sena, etc. [which ones? From which providers? Terms?]
8. Selling assets for money
9. Raffling assets for money

Loans

- 10. From Bank
 - 11. MFI
 - 12. Credit union
 - 13. Loan from group
 - 14. Friends, neighbors, relatives (informal and reciprocal)
 - 15. Moneylenders
 - 16. Credit cards
 - 17. Installment purchases
 - 18. Pawning assets
 - 19. Shop credit
 - 20. Loan from shop
 - 21. Supplier credit arrangement
 - 22. Employer advances
- Investments
- 23. Pensions [types?]
 - 24. Stocks
- Insurance
- 25. Life, health, auto, funeral, home, crop, livestock
 - 26. Group emergency funds/vaquinhas
- Providing financial services
- 27. Money guard
 - 28. Loans to family, friends, etc.
 - 29. Lending as a moneylender
 - 30. Providing credit to clients

Savings [Want to get a sense of most important instruments by balance, term, purpose]

[Returning to the savings instruments they use...]

- How much do you save in this?
- What are you saving for?

Bank perceptions

- Have you or anyone in your household ever had a bank account?
 - If Yes: Why did you/they open it?
 - If No: Why not?
- Why might a person want to open a bank account?
- What is a good reason to open a bank account?
- Is a bank account a safe place to keep money?

Credit [Want to get a sense of which used most often, which are most problematic, which get people in situation of overindebtedness]

[Returning to the credit instruments used...]

- How much do you borrow each time?
- How many times per year?
- What are you borrowing for?
- Which types of credit are the most difficult to repay? Why?

Annex C: People Interviewed

Institution	Name	Job at time of interview
Caixa Econômica Federal	Roberto Barreto	National Superintendent of Social Programs (SUPSO)
	Mauro Pessoa	National Manager Bolsa Família (SUPSO)
	Humberto Magalhães	National Superintendent Basic Income (GEREB)
	Marcio Recalde	National Manager Client Acquisition and Services—Basic Income (GEREB)

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