



**CONSULTANCY SERVICES**  
PARTNERS FOR PROGRESS

**Who are the Clients of Savings Banks?**

**A Poverty Assessment of the Clients Reached by Savings Banks in  
India, Mexico, Tanzania and Thailand**



**In consortium with**



**Oxford Policy Management Ltd (United Kingdom)**

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# SUMMARY REPORT

## PREFACE

The background to this study is earlier research by the Consultative Group to Assist the Poor (CGAP) and then World Savings Banks Institute (WSBI) / European Savings Banks Group (ESBG) into the number of accounts being serviced across the developing world at a group of institutions that have as part of their core mandate the expansion of access to finance for all. In some cases these institutions are explicitly established as microfinance institutions but others stem from older traditions of postal banking, savings banking, agricultural and rural finance, credit unions and co-operatives. The earlier CGAP [2004] paper identified a total of some 750 million account relationships at such institutions worldwide, and within this almost 50% were postal savings accounts and a further 20% an estimate of potential non-postal savings accounts. Later research by WSBI-ESBG greatly expanded CGAP's original estimate and identified a combined total of postal and non-postal savings accounts across the developing world in excess of one billion accounts. This brought the total number of potentially accessible accounts to around 1½ billion or enough for one in every two and a half developing world adults to have one. Clearly this is a huge potential platform for access to finance but just how many of the relationships represented by postal and other savings bank accounts really are with adults from the poorest households? This study was commissioned by CGAP to address just that issue. Four savings banks representing a good geographical spread and all major strands of the membership of WSBI were chosen to test exactly how many poor customers they reach and whether their poor customers use the services on offer any differently than do better off customers. The tool used was CGAP's PAT (Poverty Assessment Tool) applied for the first time across savings banks.

This report summarises the findings of the study. There are also four more detailed country reports for each of the four WSBI members selected to participate in the study. Those institutions were National Savings Institute (India), Banco Nacional de Ahorro y Servicios Financieros – BANSEFI (Mexico), Tanzania Postal Bank and Thai Government Savings Bank.

The author gratefully acknowledges the excellent advice and input to this study from staff and management at all four savings banks as well as the four research agencies involved in each study (see country reports). In addition the author would like to express his profound thanks for the unwavering support for the study from CGAP and the Joint Secretariat of the European Savings Bank Group and the World Savings Banks Institute.

## FRAMING THE SURVEY

The first stage of using the CGAP PAT tool was to choose the four savings banks to be representative of the spread of savings banks across the developing world. This required capturing the four main institutional strands of WSBI's membership:

- full-service retail banks with own branch network and a range of savings and credit products;

- stand-alone banks with their own branches, offering savings and payments services but no credit;
- distinct postal savings schemes and banks that usually cannot offer credits but sometimes do
- government savings schemes often accessed through post-offices.

The four participating savings banks were also chosen to give a good geographical spread and are profiled below.

<b>Summary Profiles of the Four Participating Savings Banks</b>				
<b>Name, Country</b>	<b>NSI, India</b>	<b>Bansefi, Mexico</b>	<b>TPB, Tanzania</b>	<b>GSB, Thailand</b>
	National Savings Institute	Banco del Ahorro Nacional y Servicios Financieros	Tanzania Postal Bank	Government Savings Bank
<b>Savings Bank type and services provided</b>	Government savings-only scheme often accessed through post-offices	Stand-alone bank with own branch network, offering savings and payments services but no credit	Postal savings bank offering savings, payments and small scale credits, through its own branches and post-offices	Full service retail bank with own branch network, offering savings, payments, full range of credit –including microcredit-.
<b>Account numbers</b>	55 million 1 for every 16 adults	4 million 1 for every 17 adults	1 million 1 for every 20 adults	36 million 2 for every 3 adults
<b>Loan numbers</b>	None	None	<10,000	1.4 million
<b>Number of outlets</b>	no branches 150,000 post offices	506 own branches + links to local Cajas	21 own branches 105 post offices	600 own branches

*National Savings Institute of India (NSI)* is an example of a centralised national savings scheme accessed mostly through post offices but also state banks and a small but growing number of private banks. The basic passbook and certificated savings products are augmented by a number of tax-advantaged products to foster longer term, higher value savings. NSI does no lending at all. One very specific feature of NSI's operations is that savings mobilisation is not controlled by NSI but undertaken by home-visiting sales forces from the State Collectorates for Small Savings, which are incentivized on the volume of savings gathered at State level. In the case of India only one State – Andhra Pradesh – was chosen for the study as reasonably representative of both the country and NSI's operations.

*Tanzania Postal Bank (TPB)*, like NSI, distributes its basic savings products through an agency arrangement with the post-office and in addition, through its own branches. The postal savings bank is a form prevalent across Africa and in common with many other African postal banks, the post-office gives TPB a bigger network of outlets than the whole of the rest of the banking system combined. TPB is unusual, however, in that it offers savings and credit, including a group-based microcredit.

*Bansefi of Mexico* is a reformed state savings bank now acting as the apex organisation for the local savings and credit movement in Mexico (so-called Cajas de Ahorro y Credito Popular). Bansefi itself, however, does no lending and only offers a mix of short-term and long-term savings accounts as well as payments services. The offer includes special accounts designed for people receiving social payments, which can, nevertheless, be credited with other sources of income and funds to act just like other savings/payments accounts.

*Government Savings Bank of Thailand* is one of three major state-owned banks. It has the role of fostering savings and providing retail credits to both individuals and small businesses and has the third largest network of the banking system as a whole. As part of a wider government programme to tackle rural poverty in particular, GSB became one of the channels for a number of government supported lending programmes. The two most important of these were a revolving village banking fund to support collective investment projects and the Peoples Bank programme to provide entry-level microcredits to individual entrepreneurs emerging from the collective, village-level development effort.

For each of these participating savings bank, three representative sampling sites were chosen – a metropolitan urban area (usually the capital city), a peri-urban area (a mid-sized town) and a rural area. The separate country reports explain the sampling methodology. At each site some 150–200 randomly chosen households were surveyed, as were 100 households containing a savings bank client. All households answered the same questionnaire on household structure, employment and schooling, nutrition, tenure and ownership of assets. The mix of each participating saving bank's client base could then be identified.

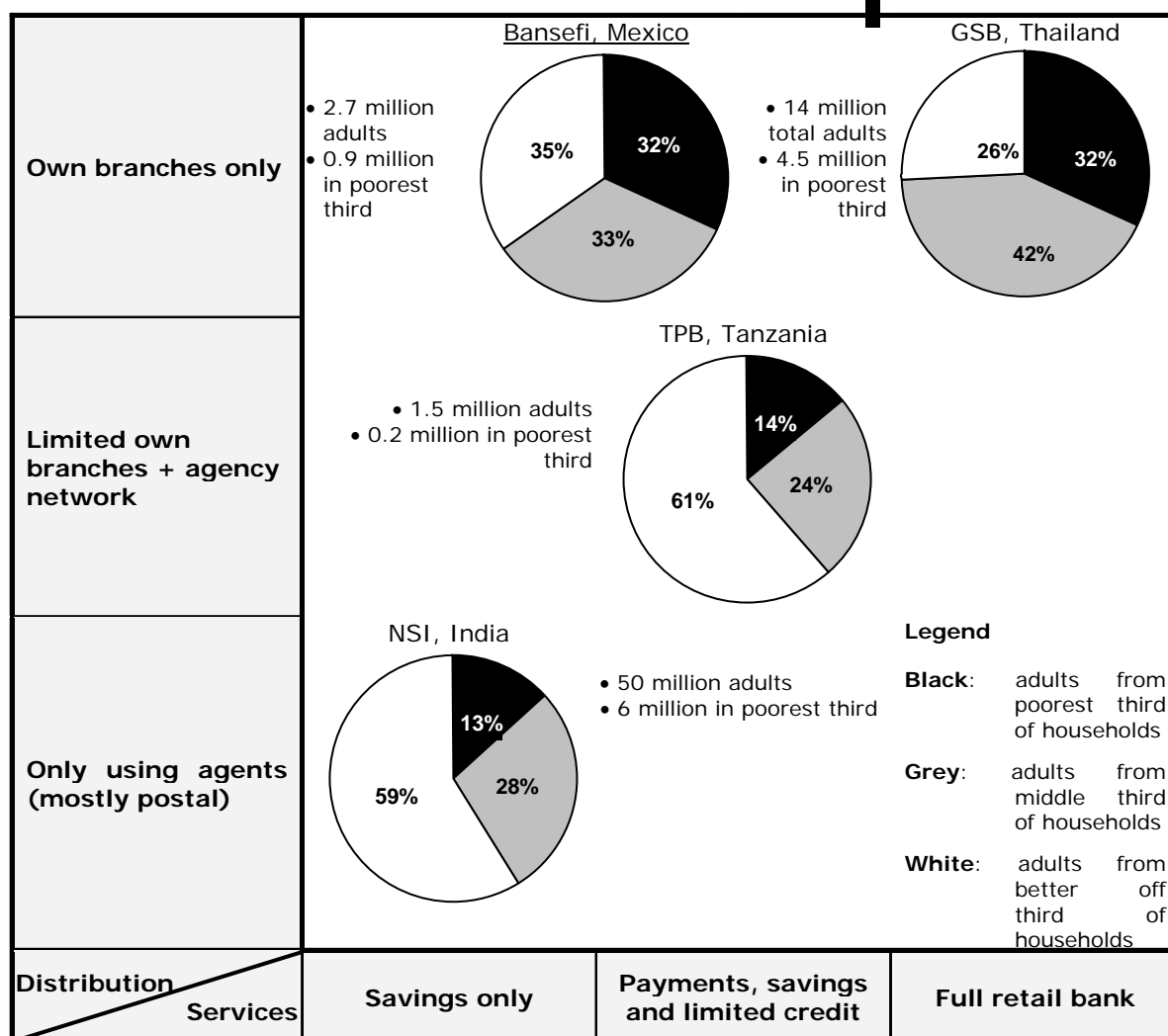
The tool used to do this was CGAP's Poverty Assessment Tool (PAT) <sup>i</sup>, which gives a way of identifying where on the general spectrum of socioeconomic wellbeing in each country the clients of any financial institution are to be found. The mix of each participating saving bank's client base can then be presented as in the pie charts reproduced opposite. Each segment shows the proportion of each bank's total adult client base coming from the poorest third of all households (the black segments), the middle third (grey segments) or the best-off third (white segments). At the same time estimates can be made as to how many adults are reached in total and, given the focus of this study, from the poorest third of all households. These are shown for each participating savings bank in the text next to the relevant pie chart. The derivation of these estimates is explained in detail in the individual country reports that accompany this summary report.

## KEY FINDINGS

### Significant Outreach

***All four participating savings banks reach significant numbers of adults from the poorest households.*** There are, however, clear differences in the balance of that penetration across the socioeconomic spectrum. NSI India and TPB Tanzania show much more bias towards adults from better off households than do Bansefi, Mexico and GSB, Thailand. Interestingly, Bansefi reaches across the socio-economic spectrum although it doesn't offer any credit services, whereas adults from the poorest households are under-represented at TPB despite its group-based microcredit.

## Who is reached? Participating Institutions' Distribution and Product Range



### Direct Distribution is Crucial

NSI and TPB both rely mainly on indirect distribution while Bansefi Mexico and GSB have their own branch networks. ***The method of distribution is crucial for reaching poor clients—probably even more than the range of services offered.*** Pro-poor programmes run by savings banks with their own branch networks and dedicated staff, can be internally as well as externally, marketed. This can give these savings banks an explicit pro-poor dimension to the more general commitment that all savings banks have to providing access to financial services for all.

**Clients’ Gender Structure**

Looking at the gender structure of the client base shows that *all the savings banks surveyed serve more women than men from the poorest third of households even where they service more male clients overall.*

The contrast in gender structure is particularly visible in India but also in Tanzania. Women significantly outnumber men among clients drawn from the poorest households. However, in both these cases penetration of poorer households is much lower than penetration of better off households.

By contrast, Bansefi in Mexico and GSB in Thailand both have a broad outreach across the socioeconomic spectrum particularly among women.

Another common feature is that the participating savings banks generally have banking relationships with only one adult in each client household.

<b>Table 1 Female~Male split of client base – all client households and those in the poorest third compared</b>		
	All h’holds	Poorest
NSI, India	29:71	85: 15
TPB, Tanzania	30:70	55:45
Bansefi, Mexico	76:24	77:23
GSB, Thailand	68:32	66:34

<b>Table 2 Average number of clients per client household – all households and the poorest third compared</b>		
	All h’holds	Poorest
NSI, India	1.05	1.00
TPB, Tanzania	1.18	1.13
Bansefi, Mexico	1.10	1.15
GSB, Thailand	1.41	1.37

<b>Table 3 Penetration at household level versus adult level – poorest third of households only</b>		
	H’hold level	Adult level
NSI, India	10%	3~4%
TPB, Tanzania	8~9%	4%
Bansefi, Mexico	10%	4%
GSB, Thailand	62%	31%

**Socioeconomic Reach varies by Location**

*All the savings banks surveyed have a significant rural outreach that is at least as marked as that of the population as a whole.*

Looking specifically at *NSI, India*, adults from the best off households are very strongly over-represented at the peri-urban location and show a similar (albeit less marked) bias at the rural location. A similar pattern emerges for *TPB* in rural and peri-urban *Tanzania*. Both locations show a marked over-weighting towards the better off and the stronger bias is evident at the rural location where *TPB* entirely relies on the post-office for distribution. By contrast in metropolitan Dar-es-Salaam, where *TPB* relies more on its own branches, no obvious bias is seen.

	<b>All adults</b>	<b>Clients</b>
NSI, India	73 %	78 %
TPB, Tanzania	82 %	80 %
Bansefi, Mexico	43 %	43 %
GSB, Thailand	67 %	71 %

A very different picture emerges for *Bansefi, Mexico*. In all three locations the client base matches the relevant local population profile, despite those profiles differing markedly. This is all the more remarkable given Bansefi's low overall penetration, which could so easily allow it to get diverted into serving one particular sub-segment.

*GSB, Thailand* shows a similar capacity to match its client base to the local population profile despite these profiles differing markedly by location. This is unsurprising given how large a bank GSB is. It reaches two thirds of all Thai households and it would be much more surprising if it could do this by focusing on particular socioeconomic sub-segments of the population.

Extra details at sampling site level strengthen and nuance the first significant finding of the study that distribution strategy is crucial to a savings bank's capacity to reach across the socioeconomic spectrum:

- TPB's best penetration of adults from the poorest households occurs where it has the most control of distribution;
- Bansefi shows that combining an explicitly pro-poor savings & payments account with control of distribution allows even a small savings bank to reach the poor;
- and GSB shows that large full-service retail savings banks match local population profiles.

This means that ***control of distribution combined with pro-poor products allows savings banks to match local socioeconomic profiles and deliver universal access country-wide.***

### **Product Use varies by Socioeconomic Type**

When it came to linking survey results to data on client product use, the study revealed interesting differences in the sort of relationship each savings bank has with its clients.

## Methodology

For *NSI India*, its outsourced distribution means that it has no individual client data at all. *TPB Tanzania* has a client database but the contact details are limited to postal not physical addresses. Matching just on name, age and post-box proved impossible.

Nevertheless, in both countries it was still possible to find out something about how actively clients from different points along the socioeconomic spectrum access available services. This was done by sampling separately a selection of clients intercepted at post-offices or branches of the participating savings bank and comparing these with clients found in randomly sampled control group households.

Both pairs of distributions match quite closely – certainly within the bounds of statistical significance. A greater contrast is evident between TPB's personal credit and savings clients.

Much more was possible at *Bansefi, Mexico*, where contact details generally included a physical address, although at the rural sampling site these were often not specific enough to find clients in poorer areas.<sup>ii</sup>

## Use of Accounts

The first comparison made was to look at how many accounts clients from the poorest third of households used and what sort of savings balance they were building up as against averages for clients from the best off third of households. What is striking is how actively clients from the poorest third of households use their accounts and how much net new saving they do.

The need of the poorest to accumulate savings in accounts that can also handle short-term payments turnover is evident from the different mix of products held by the two groups.

**Table 5 Socioeconomic profile of active versus all clients – NSI India**

	Active	All clients
Poorest third	18%	13%
Middle third	22%	28%
Best-off third	60%	59%

**Table 6 Socioeconomic profile of active versus all clients – TPB Tanzania**

	Active	All clients
Poorest third	12%	14%
Middle third	36%	24%
Best-off third	53%	61%

**Table 7 Socioeconomic profile of credit versus savings clients - TPB**

	Credit	Savings
Poorest third	7%	14%
Middle third	15%	24%
Best-off third	78%	61%

**Table 8 Bansefi client use of savings accounts by socioeconomic band**

	Poorest	Best off
Number of accounts	1.1	1.4
- of which zero balance	1%	18%
zero turnover	10%	15%
Transactions per year	18	9
Average balance	US\$70	US\$135
Net saving in year	US\$45	US\$ 45

**Table 9 Bansefi mix of accounts held by client socioeconomic band**

	Poorest	Best off
Pro-poor transactions a/c	56%	38%
Ordinary transactions a/c	37%	29%
Long-term savings a/c	7%	33%

There were some problems at *GSB Thailand* with the quality of recorded contact addresses but fortunately it had very good records of client national identity numbers. This allowed robust electronic tracking of clients despite GSB's very large client base.

It was then possible to make comparisons between those clients that only save and those that borrow in some way, as well as between those borrowing from GSB and those borrowing under the Peoples Bank microcredit scheme.

Clearly the Peoples Bank microcredit scheme reaches furthest into the poorest households but the GSB savings product is solidly distributed across the socioeconomic spectrum and even some of its own lending products reach the poorest households (albeit with very low penetration).

One reason that the Peoples Bank microcredit reaches its target market is that it is delivered by specialist mobile loan officers operating out of the main GSB branch network. These are equipped with hand-held devices that allow them to undertake all relevant banking operations while with the client. As a result, the profile of Peoples Bank borrowers via GSB is the mirror image of GSB's own borrowers and 90% of the Peoples Bank borrowers have a GSB savings account.

It is clear from all this that ***adults from the poorest households can be reached with a combined savings and payments account. The exact form probably does not matter too much but it must genuinely meet both needs and it must be presented in a way that makes clear its usefulness to this target market.*** There are also further clear indications that ***the way credit products are distributed through savings banks is the main factor determining whether or not they reach the poor.*** In a poor developing country such as Tanzania with a generalised shortage of consumer credit, just launching a group-based microcredit appears to be a way of the better off informally employed getting the same access to credit as is generally only available to the salaried. By contrast, even though the Peoples Bank microcredit is more expensive than ordinary GSB credits, it reaches its target market because it is delivered directly to that market but in a way that also opens up savings services.

**Table 10 Socioeconomic profile of savers versus borrowers – GSB Thailand**

	Savers only	Borrowers
Poorest third	38%	23%
Middle third	38%	37%
Best-off third	24%	40%

**Table 11 Socioeconomic profile of Peoples Bank versus GSB borrowers**

	Peoples Bank	GSB only
Poorest third	50%	8%
Middle third	34%	37%
Best-off third	16%	55%

**Table 12 GSB client use of savings accounts by socioeconomic band**

	Poorest	Best off
Accounts per saver	1.2	1.5
- of which zero balance	11%	10%
Average balance	US\$230	US\$430

## Conclusion

This study has shown that the CGAP PAT methodology allows a savings bank to better understand the balance between its breadth of outreach (what proportion of the population it serves) and the depth of its outreach (whether it truly serves the poor as well as the better off).

Of particular value to practitioners are the indications from this study that just having an inexpensive and simple savings account and a big distribution network (as in India for example) is not enough to guarantee really deep outreach. Nor is it enough to add a few specialist microcredit products to a traditional range of savings and payments products (as in Tanzania). ***The message emerging quite strongly is that some element of direct control of the customer interface is needed to turn a passive commitment to universal access into an active reach downwards to the poorest segments of society.***

Incentives are also clearly important –staff at the two banks with significant depth of outreach (Mexico and Thailand) know that the pro-poor products are helping to build a stronger client base into which they can sell other services. By contrast, in India, the incentives are about maximising the value of savings not the number of customers reached, hence the predominance of better off men in NSI's customer base

## REFERENCES AND NOTES

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<sup>i</sup> More information about CGAP's PAT can be found at "Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool"

[http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool\\_05\\_overview.pdf](http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf)

<sup>ii</sup> It was possible to overcome the weaknesses of the contact details in rural Mexico through weighting. Households at non-specific addresses with no client in them had a similar profile to those households at non-specific addresses where a client could be traced. This latter group was weighted up accordingly.

**INDIA COUNTRY REPORT**  
**National Savings Banks Institute (NSI)**

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## **Who are the Clients of Savings Banks?**

### **A Poverty Assessment of the Clients Reached by Savings Banks in India, Mexico, Tanzania and Thailand**

#### **India Country Report: National Savings Institute (NSI)**

##### **Preface and acknowledgements**

The Consultative Group to Assist the Poor (CGAP) commissioned a study to the European Savings Banks Group (ESBG) / World Savings Banks Institute (WSBI) with the objective of surveying and analysing the kind of clients reached by a set of four savings and postal banks that are representative of the wider WSBI membership. The study was built around CGAP's Poverty Assessment Tool (PAT)<sup>i</sup>, which gives a way of assessing where on the general spectrum of socioeconomic wellbeing in each country the clients of any financial institution are to be found. In particular the technique is a cost effective way of assessing whether a financial institution provides truly universal access to households spread evenly across the socioeconomic spectrum or whether it is more a niche player dealing with households from only one part of the spectrum. Based on surveyed penetration the study estimated the overall outreach each savings bank has within its home country (i.e. the total number of households and adults served). It also estimated depth of outreach (how many of the poorest households and adults are served). A secondary objective was to identify which products were used by clients and whether this differed by socioeconomic status.

The analysis was undertaken by Stephen Peachey of Oxford Policy Management (OPM). Surveys were commissioned from professional market research agencies in each country with a mix of randomly sampled households and client households asked a broadly standard set of questions about their socio-economic situation. Sampling was always done in three types of location (metropolitan, peri-urban and rural) to capture any geographic differences in poverty levels as well as the typical spread of savings bank branch networks. The results of the surveys were then gathered and analysed using the PAT tool to place each client household in one of three socioeconomic groups (the poorest third of households, the middle third or the best-off third). After identifying differences in the relative socioeconomic mix of client households and calculating the percentage penetration of the savings bank in each group, other socioeconomic characteristics such as gender and location were analysed. Then, where data allowed, the analysis of product use was undertaken.

This report presents the findings for National Savings Institute (India), one of the four institutions that were selected for the study. The other institutions were Tanzania Postal Bank, Banco Nacional de Ahorro y Servicios Financieros – BANSEFI (Mexico) and Government Savings Bank of Thailand. All four country reports are available as well as a general report summarizing main findings<sup>ii</sup>.

The author would like to acknowledge advice and input to this study received from National Savings Institute (India), Intellectap (India), the Consultative Group to Assist the Poor (CGAP) and the Joint Secretariat of the European Savings Bank Group and the World Savings Banks Institute.

## 1. OVERVIEW

The National Savings Institute of India is an example of a centralised national savings scheme accessed mostly through post offices but also state banks and a small but growing number of private banks. The basic passbook and certificated savings products are augmented by a number of products with different tax features aimed at fostering longer term, higher value savings. NSI does no lending. Distribution and servicing of products is not controlled by NSI but subcontracted to State Collectorates for Small Savings plus the Post Office and partner banks. NSI does, however, handle product design and some high level marketing. Postal savings accounts are by far the most significant of the products in numbers terms and the focus of this study – 55 million accounts are recorded as open<sup>iii</sup>; about one account for every 13½ adults.

Sampling the whole of India was not practical within the budget of this project and the State of Andhra Pradesh was chosen as reasonably representative of both the country and NSI's operations. Andhra Pradesh is India's fifth largest state both by population and geographical area, and home to some 76 million people at the time of the last census (2001). About three quarters of these live in rural areas. The state capital – Hyderabad – ranks sixth among India's large, million-plus cities. Sampling took place in the capital and in a typical peri-urban district main town – Nizamabad – and in Nizamabad's surrounding rural areas.

The survey indicates mixed breadth of outreach by sample site. At household level this ranged from 6% in Metropolitan Hyderabad through 23% in Peri-urban Nizamabad rising to 26% in rural areas. Reflecting the fact that in client households NSI typically only has an account relationship with only one member, of that household, penetration of adults is lower – rising from 2% for Metropolitan Hyderabad through 7% for peri-urban Nizamabad to 9% in the rural area. This would give a weighted market penetration of about 8% or one in every 12½ adults – not inconsistent with the accounts-based figure given above.

In terms of depth of outreach, the survey also indicates a mixed picture. In Metropolitan Hyderabad at one extreme, NSI penetration was a relatively even but low 5~7% across all households. In rural Nizamabad penetration of the poorest third of households was 11%, which doubled to 24% among the middle third and doubled again to 46% among the best-off third. Peri-urban Nizamabad had an even more skewed profile with 48% penetration of the best-off households against 5~8% penetration among the poorest and middle thirds respectively). Weighting the penetration rates of the poorest third of households across all three sites gives a combined penetration rate of about 10%. Overall, this means that NSI probably reaches around 6,5 million of the poorest third of households and through them almost 4% of all adults in those poorest households.

## 2. SUMMARY INDICATORS OF NATIONAL SAVINGS INSTITUTE OUTREACH

This survey indicates that NSI reaches 24% of all households in India and 10% of all adults. NSI typically has a relationship with just one person in each household and these are predominantly men. The overall rural~urban profile matches very closely the rural~urban profile of the country as a whole.

Turning to depth of outreach – i.e. how many of the poorest households are reached – NSI’s penetration of the poorest third of households is much lower than its penetration across the whole socioeconomic spectrum. As a result its penetration of adults from the poorest third of households is also much lower than its penetration of the whole adult population. The striking difference, however, comes in the gender mix of these clients from the poorest households, in which women dominate strongly. The rural~urban split is even more marked than for the whole NSI customer base.

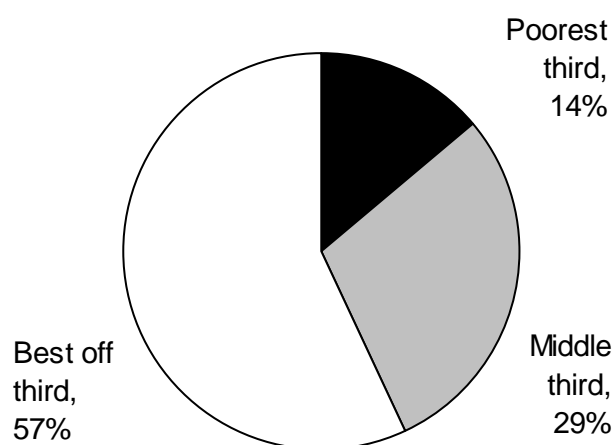
The overall effect of these patterns of penetration is that the proportion of

NSI client households coming from the poorest third of all households is half the proportion coming from the middle third of households, which in turn is half the proportion coming from the best-off third. Moreover, this doubling and then doubling again of penetration is entirely a result of recruiting more male clients.

**Table 2a Key penetration indicators for all GSB client households and those among the poorest third**

	All client households	Poorest third
% households reached	24%	7%
% adults reached	10%	4%
Clients per household	1.05	1.00
Female~male ratio	29:71	85:15
Rural~Urban ratio	78:22	89:11

**Chart 2a Overall weighted mix of client households by relative poverty**



## 3. DETAILED RESULTS OF THE SURVEY AT SAMPLE SITE LEVEL

As already indicated, households were surveyed at three main sites:

- o five mixed urban sampling points in state capital Hyderabad;
- o nine peri-urban sampling points in Nizamabad district main town;
- o and sampling in nine villages in the surrounding Nizamabad District.

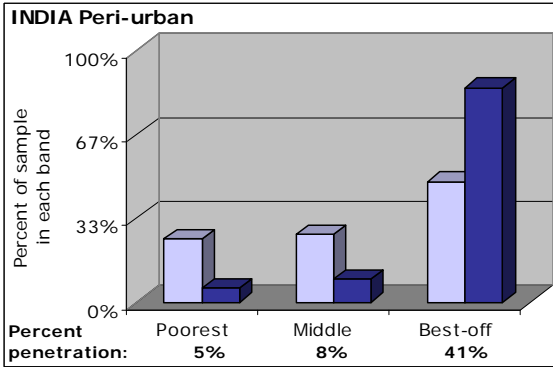
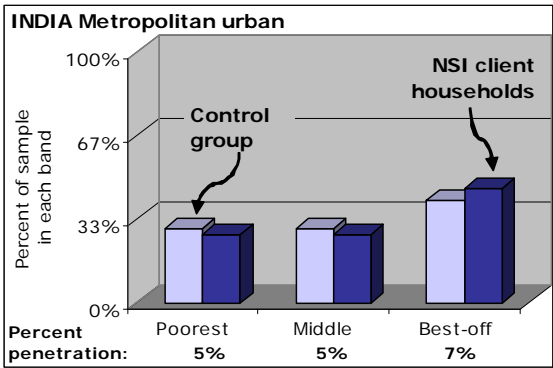
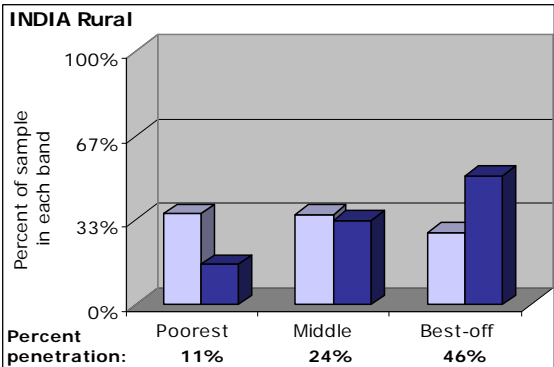
At each of these sites a control group of 170 randomly selected households was surveyed to gather the data needed to identify the general socioeconomic spectrum. Unfortunately, it proved impossible to secure contact lists to sample separately NSI client households (because all aspects of individual client management, apart from complaints, are outsourced to NSI’s agents, mainly the post-office). Fortunately, however, NSI’s overall penetration of peri-urban and rural households was sufficiently large to generate random samples of 50~60 client households in these two sites against a target of one hundred. While this

is not ideal, and does mean there is a greater margin of error on the socioeconomic profiles discussed in this report, there is nothing to suggest a systematic bias in those profiles. Moreover, sampling of client households based on intercepting NSI clients using post-offices revealed broadly the same profile as identified in the truly random sub-sample of NSI client households in the random control group sample. Metropolitan Hyderabad presents more problems. Penetration is almost certainly very much lower there than in the peri-urban and rural areas where there is less competition from other suppliers of retail financial services. The small sub-sample of 11 NSI client households drawn from the Hyderabad control group showed no particular pattern of socioeconomic bias. The larger intercept sample showed much more of an upmarket bias (similar to that seen in peri-urban Nizamabad). No adjustment has been made to the random data, however, as the weight applying to the metropolitan sample is quite low (only 7% of total). All that would result from adjusting the Hyderabad data is that the up-market bias already identified in the whole NSI client base would be slightly strengthened.

The charts shown here plot three sets of percentages. The lighter columns show the percentage of all households that fall into the poorest, middle or best-off thirds on a national grading. The darker columns show the percentages of NSI client households graded in the same way.

The most important finding from this analysis is the really marked overweighting of households from the best-off third of all households in NSI's peri-urban client base and the still significant albeit less dramatic, overweighting of similar households in its rural client base. This is overweighting such that NSI reaches nearly half of households in the best-off third of all households in these sites. It is this that gives NSI its overall bias towards better off households shown in

**Chart 3a Client and general household mix by socioeconomic band**



the summary indicators of outreach. The control group shows the two urban samples skewed somewhat towards the best off households and away from the poorest and middle third of households whereas the rural sample is skewed towards the poorest and middle third of households and away from the best-off households. This fits with other poverty estimates which also suggest that, when more than just official income statistics and definitions of the poverty line are used, Andhra Pradesh is reasonably representative of India as a whole. <sup>iv</sup>

#### 4. GROSSING-UP TO ESTIMATE NATIONAL OUTREACH

This is a multi-layered calculation and has to be done first at household level because CGAP's Poverty Assessment Tool identifies the relative socioeconomic positioning of households not individuals. Nevertheless, it is the number of poor adults reached that is of most interest to those looking at the issue of access to finance, so calculations are also done for penetration of adults living in households.

The workings for **overall breadth of outreach** – i.e. the total number of households and adults served – are as follows:

- o Census of India<sup>v</sup> measured the number of rural households at 138 million in 2001 and the number of urban households at 54 million.
- o The PAT survey data indicates that NSI reaches 26% of rural households and an average 18~19% of urban households, which suggests **in total some 46 million households are probably served by NSI (24% of all households)**. This is a very significant figure as the same Census of India data indicates only 68 million or 36% of all households use any kind of banking services at all. It is not clear whether post-office savings are included in with banking services census definitions but given NSI's bias towards better off households it seems likely that there must be some significant overlap. For the better-off banked households, NSI must therefore be a significant element of their access to savings services. For the rural households and poorer households it reaches, however, NSI may be the only route of access possible but it is not possible to be definitive about this.
- o In terms of the number of adults served, the above estimates of total households served need multiplying by the average numbers of clients per client household revealed by the PAT survey. For NSI's client households in rural areas the overall average number of clients per household is 1.05 and for client households in urban areas exactly the same average emerges. This would suggest that **in total some 48 million adults are probably served by NSI or some 6,5% of all adults**.<sup>vi</sup> This figure is very close to the 55 million accounts recorded as open and suggests very little multiple account holding or dormancy.

Moving onto **depth of outreach** the estimates are as follows:

- o Assuming that the original choice of Andhra Pradesh was not unrepresentative of all India, for which there is some evidence, then the Census of India 2001 household numbers can be split in the same proportions as the PAT survey to give the number of households in the poorest third of all households nationally. This would mean that nationwide there should be 50 million rural households (36% of total) and 14 million urban households (26% of total) at broadly the same level of poverty as the poorest third of households in the PAT survey.
- o In rural areas NSI reaches just over 11% of the poorest third of households and just over 5% of the poorest third of urban households. Combining these at a national level suggests that **NSI probably reaches almost 6.5 million of the poorest third of households at a national level**.
- o Among the poorest third of NSI client households captured in the survey not one incidence of more than one client per household was encountered at any

of the three sampling sites. Therefore, the estimate of ***the number of adults in the poorest third of households reached by NSI is also probably just below 6.5 million.***

- o Within the total number of adults reached in the poorest third of households the PAT survey data indicates a strong predominance of female clients (outnumbering male clients by a ratio of almost six to one. This suggests that at a national level ***the total number of women in the poorest third of households reached by NSI is probably around 5~5½ million.***
- o Neither of these figures is trivial but both are modest compared to NABARD's estimates of 50 million members using self-help groups, the main route the poor, particularly poor women, use to access financial services in India.
- o It could be argued that some allowance should be made for some of the middle third of households served by NSI not being much better off than the poorest third. This could potentially sharply increase NSI's estimated depth of outreach because it has twice the rate of penetration among the middle third as among the poorest third. But, that higher penetration appears to be coming mostly from the surge in serving men, which in turn seems to be linked to NSI's overall up-market bias. Therefore, it is almost certainly not legitimate to add in all the extra clients reached in the middle third of households. At most, perhaps another 5~6 million poor but not the poorest households might be added, bringing the total to around 12 million, which although not large in the context of a country as big as India would still make NSI a major player in an otherwise quite fragmented Indian microfinance industry.

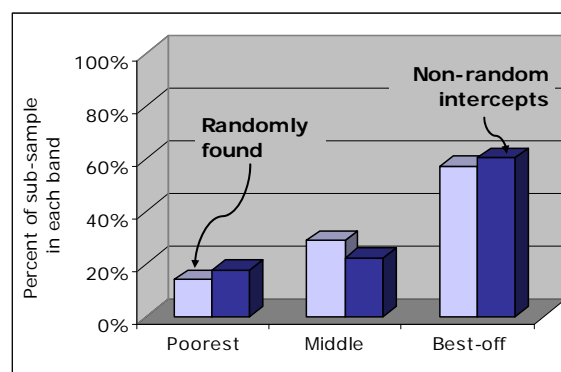
## 5. DIFFERENCES IN ACTIVITY RATES BY POVERTY BAND

One of the secondary aims of this study was to try and link client records with the survey results to identify any differences in activity rates and patterns of product use by poverty band. This was not done in India because NSI controls neither the recruitment nor the servicing of individual clients (see below for more explanation of this).

To get some idea, however, of any difference in activity rates a number of additional surveys were done of house-

holds containing clients intercepted at a post-office during the survey period. This is not a random sample unlike the client households that were found as part of the random control group survey (and on which all the analysis in sections preceding this one has been based). As it happens, the non-random client intercept survey did not reveal a markedly different socioeconomic profile from that evident for randomly found client households. While this says nothing about absolute activity rates it does suggest that ***poorer NSI clients probably use its services neither more nor less actively than better off clients.***

Chart 6a NSI client households by poverty band and sample status

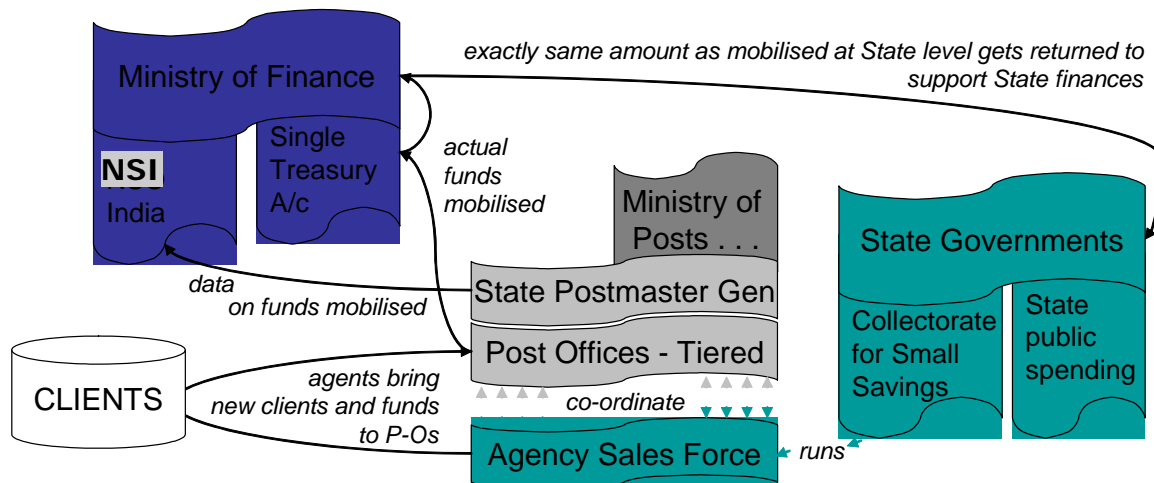


## 6. POSSIBLE SPECIFIC REASONS FOR THE NSI CLIENT PROFILE

NSI's products include very basic passbook savings accounts that can be operated with no fee provided the equivalent of US\$1 is kept in them and that they are used at least once every three years. Moreover these accounts can be accessed through 150,000 post-offices nationwide. Moreover, it has an indirect sales force of 500,000 collectors of small savings that sometimes even provide collection services. So clearly by design NSI is a pro-access organisation. The question then is, why does NSI have an up-market not a mass-market focus? The first point to make is that in a country as large as India, providing savings services to the better off half of households opens a market of nearly 400 million adults, so the question should really be why does NSI have an upper-middle market focus not a down-market focus?

The first reason could be that NSI has a primarily savings-mobilisation mandate and not a purely microfinance mandate; there are other organisations (such as NABARD) that have that mandate. Another more important driver of its upper-middle market focus seems to be the way the indirect sales force is motivated. As has already been noted, NSI does not control either the distribution or servicing of its products. Distribution is in the hands of the State Collectorates of Small Savings and servicing under the control State Postmaster Generals; i.e. neither is managed even at the same level of Government as NSI (which is an arm of the national Ministry of Finance). While the post-offices are probably relatively indifferent as to who uses NSI services, the diagram overleaf makes it clear that the Collectorates of Small Savings are motivated to target the value of savings mobilised not number of customers reached.

**Chart 6a** The position of NSI within national and state-level savings mobilisation



The key to this is the arrangement whereby any savings mobilised by NSI in any of the States of India are recycled back to the state concerned as long-term development finance. Moreover, the Collectors of Small Savings are paid by commission not fixed fees thus explicitly aligning the individual motivational system with the governing agency's state-level motivation to maximise the value of savings mobilised. Add to this the tax advantaged nature of NSI savings products (almost all free of tax up to a certain limit and the contributions to some regular savings products tax deductible as well), and the focus on upper-middle market customers is hardly surprising.

None of this is to say that collectors will turn away small savings from the poor; some will undoubtedly facilitate the process and even go as far as collecting savings for deposit in remote communities. But, the main sales thrust is to encourage higher value savings as that is what gets a collector paid. Similarly, the tax advantages of NSI products are beneficial to the poor as well as the rich, in as much as they allow interest to be paid free of any deduction for tax but it is well established that the main beneficiaries of tax free (let alone tax deductible) savings are usually the upper-middle socioeconomic groups.

## 7. CONCLUSIONS

NSI is a very big supplier of savings services, reaching nearly a quarter of all Indian households and very nearly 50 million adults, but its customer base is very much biased towards people from average or better off households. At a national level an estimated 14% of NSI client households come from the poorest third of households. This equates to some 6½ million such households making NSI a not particularly large supplier of bottom-end microfinance relative to its potential. Where NSI does serve the poorest households, the client base is predominantly women (by a factor of almost six to one) but in its core upper-middle market this situation is reversed (with male clients outnumbering female clients by a factor of four-to-one). The reason for the upper-middle market bias lies in the mandate and incentive mechanisms used by NSI's main distribution agents (the State Collectorates of Small Savings), which puts value of savings mobilised above depth of outreach.

## SOURCES AND NOTES

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For further reading on savings banks and their role in fostering access see:

WSBI (2006a), 'Access to finance – what does it mean and how do savings banks foster access' a paper by Stephen Peachey and Alan Roe of Oxford Policy Management for the WSBI Perspectives Series (No 49), World Savings Banks Institute, Brussels, January 2006

WSBI (2006b), 'Savings banks and the double bottom-line – a profitable and accessible model of finance' a paper by Stephen Peachey for the WSBI Perspectives Series (No 52), World Savings Banks Institute, Brussels, July 2006

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<sup>i</sup> More information about CGAP's PAT can be found at "Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool"

[http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool\\_05\\_overview.pdf](http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf)

<sup>ii</sup> Include URL when available.

<sup>iii</sup> Source CGAP (2004), 'Occasional Paper No 8 – Financial Institutions with a "Double Bottom Line": Implications for the Future of Microfinance', CGAP, Washington, October 2004

<sup>iv</sup> On this there are mixed indicators but overall it looks as if Andhra Pradesh is fairly average as regards the incidence of rural poverty but the incidence of urban poverty might be slightly above national averages. The Household Consumer Expenditure (1999-2000), however, confirms the latter proposition but actually shows less than half the national incidence of rural poverty but an article by Jaya Mehta (2004) 'Alternative Economic Survey 2003-2004' uses nutritional data from the same household survey source to show the poverty line no longer equates to the same nutritional intake as it did in the base year from which it is calculated. With very many people living just above the poverty line in Andhra Pradesh the incidence of rural poverty jumps from a low 10½% if just the official

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poverty line is used, to a very high 89½% if a poverty line that sustains calorific intake is calculated. The equivalent jump in rural poverty at national level is from 27% to 75%. The purpose here is not to question official statistics but to use the two analyses to show how even the distribution of near poverty across the vast middle of the rural population, which makes calculating proportions of the population suffering poverty very dependent on exactly where the poverty line is drawn. For the purposes of this paper, however, the official and adjusted estimates of rural incidence of poverty average at around half for both Andhra Pradesh and all India suggesting no very great difference in the distribution of poverty. The averages for the two measures of the incidence of urban poverty are 45% for Andhra Pradesh and almost 40% for all India, again, no great difference. This sharp jump between the official and adjusted measures does, however suggest that some of the penetration that NSI achieves among the middle third of households is probably reaching households experiencing only marginally better socioeconomic conditions than the poorest third of households.

<sup>v</sup> Census of India (2001), 'Table S00-020: Number of households availing banking services / Having each specified asset'

<sup>vi</sup> The estimated percentage share of all adults served at national level (6.6%) is lower than the 7.8% weighted average share in the PAT survey because of different rural-urban weightings within Andhra Pradesh and all India.

**MEXICO COUNTRY REPORT**  
**Banco Nacional del Ahorro y Servicios Financieros**  
**(BANSEFI)**

**Who are the Clients of Savings Banks?**  
**A Poverty Assessment of the Clients Reached by Savings Banks in**  
**India, Mexico, Tanzania and Thailand**



**In consortium with**



**Oxford Policy Management Ltd (United Kingdom)**

## **Who are the Clients of Savings Banks?**

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#### **Mexico Country Report: Banco Nacional de Ahorro y Servicios Financieros - BANSEFI**

##### **Preface and acknowledgements**

The Consultative Group to Assist the Poor (CGAP) commissioned a study to the European Savings Banks Group (ESBG) / World Savings Banks Institute (WSBI) with the objective of surveying and analysing the kind of clients reached by a set of four savings and postal banks that are representative of the wider WSBI membership. The study was built around CGAP's Poverty Assessment Tool (PAT)<sup>i</sup>, which gives a way of assessing where on the general spectrum of socioeconomic wellbeing in each country the clients of any financial institution are to be found. In particular the technique is a cost effective way of assessing whether a financial institution provides truly universal access to households spread evenly across the socioeconomic spectrum or whether it is more a niche player dealing with households from only one part of the spectrum. Based on surveyed penetration the study estimated the overall outreach each savings bank has within its home country (i.e. the total number of households and adults served). It also estimated depth of outreach (how many of the poorest households and adults are served). A secondary objective was to identify which products were used by clients and whether this differed by socioeconomic status.

The analysis was undertaken by Stephen Peachey of Oxford Policy Management (OPM). Surveys were commissioned from professional market research agencies in each country with a mix of randomly sampled households and client households asked a broadly standard set of questions about their socio-economic situation. Sampling was always done in three types of location (metropolitan, peri-urban and rural) to capture any geographic differences in poverty levels as well as the typical spread of savings bank branch networks. The results of the surveys were then gathered and analysed using the PAT tool to place each client household in one of three socioeconomic groups (the poorest third of households, the middle third or the best-off third). After identifying differences in the relative socioeconomic mix of client households and calculating the percentage penetration of the savings bank in each group, other socioeconomic characteristics such as gender and location were analysed. Then, where data allowed, the analysis of product use was undertaken.

This report presents the findings for Banco Nacional de Ahorro y Servicios Financieros –BANSEFI (Mexico), one of the four institutions that were selected for the study. The other institutions were National Savings Institute (India), Tanzania Postal Bank and Government Savings Bank of Thailand. All four country reports are available as well as a general report summarizing main findings<sup>ii</sup>.

The author would like to acknowledge advice and input to this study from management and staff at BANSEFI, CESOP (the survey agency used), the Consultative Group to Assist the Poor (CGAP) and the Joint Secretariat of the European Savings Bank Group and the World Savings Banks Institute.

## 1. OVERVIEW

Bansefi (Banco del Ahorro Nacional y Servicios Financieros) is a reformed national savings institution that also provides payments services. Bansefi itself does no credit business but is the Apex institution of those local savings and credit institutions (Cajas de Ahorro y Crédito Popular) that have accepted a new regulatory framework. Looking just at its own business, Bansefi services almost 3.75 million accounts and these break down into three broad groups – (i) a basic call account that can be used to make payments as well as for short-term liquid saving; (ii) a special – Oportunidades - call account designed to receive social payments but then also provide the functionality of the basic call account and (iii) long-term savings products, some of which are also targeted at the poor. Service is provided through 506 of Bansefi's own branches across Mexico plus a growing number of co-branded outlets at participating Cajas.<sup>iii</sup> This study, however, just looks at Bansefi's own business.

Turning to the survey, sampling was designed to capture the very wide differences between town and country in Mexico. Poverty is a predominantly rural issue in Mexico, where about three quarters of the poor live. Overall, however, poverty is falling and the World Bank indicates just under 20% of households now live below the national poverty line,<sup>iv</sup> down from 40~50% after the financial crisis in the late 1990's. Mexico is also a very urbanised country, with 75% of the population living in the broadest definition of urban areas<sup>v</sup> and close to 60% living in major towns and cities including Mexico City. This indicates up to half of households outside the major urban conurbations could be living below the poverty line and this was confirmed by the sampling done for this study. That sampling was done in three locations – a very mixed district of Mexico City called Chalco, a city of 2 million people called Puebla and a rural town called Tixtla in Guerrero Province (neither advantaged by tourism or trade nor completely drained by outward migration).

The random survey shows Bansefi reaching about 1,5% of the adult population but this takes no account of the fact that just over 60% of clients in a surveyed client household are not declared as such by whoever answers the questionnaire. Allowing for this, Bansefi probably reaches about 3,5~4% of adults. This is almost exactly equal to the number of accounts it services divided by an average 1½ accounts per client and then divided by the adult population. Overall this means Bansefi probably reaches around 2.7 million adults in just under 2.5 million households. Interestingly, for a savings bank with a relatively low market penetration, this survey gives every indication that Bansefi delivers its universal access mandate – its client base has a near identical socioeconomic profile to the surrounding population at each of the three sampling sites. On the basis of all this, Bansefi probably reaches three quarters of a million households in the poorest third of all households and some 900,000 adults from these poorest households.

## 2. SUMMARY INDICATORS OF BANSEFI'S OUTREACH

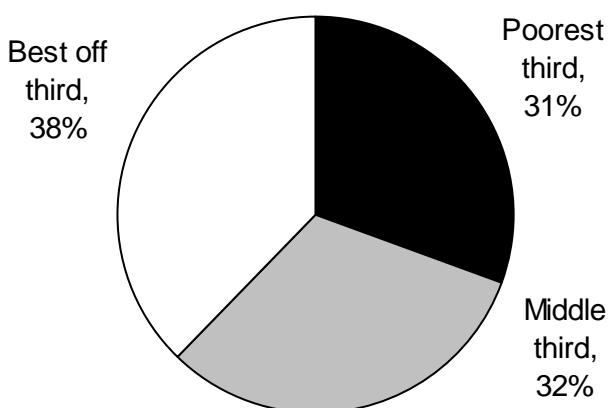
This survey indicates that Bansefi reaches 10% of all households in Mexico and 1.5~2% of all adults. As with many other savings banks, Bansefi typically has a relationship with just over one person in each household it reaches but on average Mexican households contain 2.5~3 adults, so the adult penetration rate is inevitably lower than the household penetration rate. Bansefi's client base is mainly made up of women and this applies just as much to the poorest third of households.

Turning to depth of outreach – i.e. how many of the poorest households are reached – penetration rates are broadly the same as for the whole customer base. This reflects the close match between the socioeconomic profile of Bansefi client households and that of all households at all three survey sites (see next section). Because poverty in Mexico is predominantly a rural phenomenon, this means there is a marked rural:urban bias among the poorest households Bansefi reaches.

**Table 2a Key penetration indicators for all client households and those among the poorest third**

	All client households	Poorest third
% households reached	10.0%	9.3%
% adults reached	3.8%	4.0%
Clients per household	1.09	1.17
Female~male ratio	76:24	77:23
Rural~Urban ratio	57:43	88:12

**Chart 2a Overall weighted mix of client households by relative poverty**



## 3. DETAILED RESULTS OF THE SURVEY AT SAMPLE SITE LEVEL

As already indicated, households were surveyed at three sites. Two different types of sample were taken at each site:

- o A random sample of 170 households (270 in Chalco) was surveyed at each site to form a control group that gives the overall socio-economic mix against which the profile of Bansefi client households could be compared. The larger sample for Chalco reflected its heterogeneity and was on the advice of the experienced market research company undertaking the survey – CESOP.<sup>vi</sup> Within these samples small numbers of Bansefi client households (roughly eight per site) were traced and while the profile of this sub-sample is not unrepresentative it is too small to use in profiling the Bansefi Customer Base.
- o Fortunately Bansefi client base records contain enough details to actively sample households where there should be at least one client. Sampling was carried out until one hundred client households had been surveyed at each of the three sites.<sup>vii</sup> The anonymised and random client list used for this sampling was stratified to get a representative mix of clients by product use at each site (i.e. the right mix of clients using the basic call account, the special pro-poor account and long-term savings accounts).

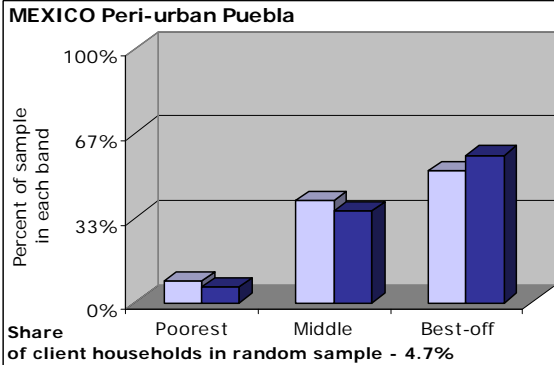
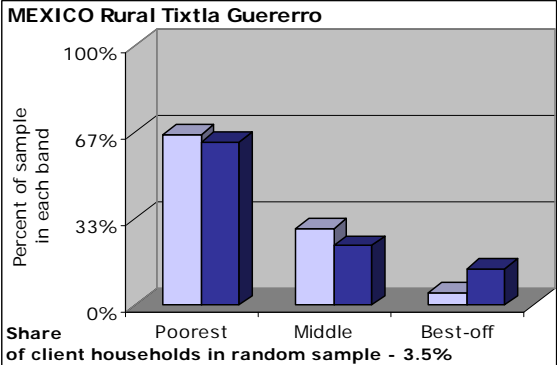
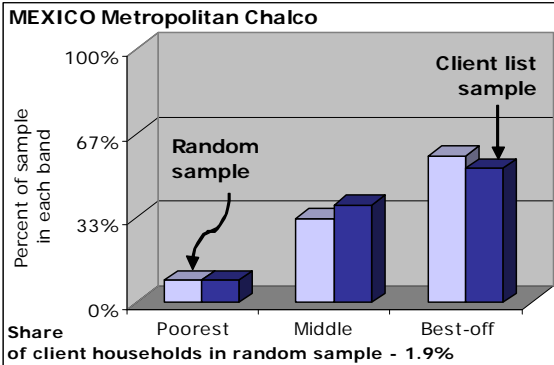
The sites were chosen carefully to capture neither particularly well off nor particularly poor populations but still capture the metropolitan~peri-urban~rural contrasts that characterise Mexico:

- o metropolitan sample was taken in the mixed Chalco district of Mexico City;
- o the peri-urban site (Puebla) was chosen because it is a large city outside the capital with a mixed economy but not one of the major industrialised cities linked to cross-border trade within the North American Free Trade Area;
- o the rural site (Tixtla in Guerro Province) was chosen to capture the agricultural dimension of the rural Mexican economy but is not so marginal as to suffer very heavy outward migration.

The charts shown here plot two sets of percentages. The lighter columns show the percentage of all households that fall into the poorest, middle or best-off thirds on a national grading. The darker columns show the percentages of Bansefi client households graded in the same way. The most striking result to emerge from this presentation is that the socioeconomic profile of the Bansefi client base matches very closely the socioeconomic profile of all households at

each sampling site. This holds despite markedly different socioeconomic profiles at the rural versus urban sites. The two urban sites showed a generalised over-weighting of better off households and underweighting of the poorest households; the complete reverse was true for the rural sample. This fits with what is known about poverty in Mexico at a national level – it is predominantly rural in nature. But Bansefi’s ability to draw such a

**Chart 3a Client and general household mix by socioeconomic band**



socioeconomically mixed client base, despite its limited overall market penetration (only 10% of all households), is a very important finding. It might have been thought that limited penetration would be indicative of a niche business model but this study indicates strongly that it need not be so – even a relatively small national savings bank, as long as it is present in rural areas, can deliver a truly universal access mandate.

#### 4. GROSSING-UP TO ESTIMATE NATIONAL OUTREACH

This is a multi-layered calculation and has to be done at household as well as individual level because CGAP's Poverty Assessment Tool identifies the relative socioeconomic positioning of households not individuals. Nevertheless, it is the number of poor adults reached that is of most interest to those looking at the issue of access to finance, so calculations are also done for penetration of adults living in households.

The workings for **overall breadth of outreach** – i.e. the total number of adults and households served by Bansefi – are as follows:

- o No adequate data was found for the total number of households split in sufficient detail by urban versus rural domicile, so the starting point was the latest INEGI Population Census,<sup>viii</sup> which identified a total of 70 million adults (i.e 15 and over) in Mexico. Of these 22% were in Mexico City and the surrounding Distrito Federal. Detailed analysis of the size profile of sampled areas within the provinces of Puebla and Guerrero (where sampling for this study also took place) was undertaken and this showed that just over 45% of the population lived in towns over 50,000 in each province. This cut-off point also represented a clear break-point in the distribution of population size by location within each province. This was therefore taken as the threshold above which a location counts as peri-urban as opposed to rural (although the latter would still include small rural towns). Taking all these together, the total adult population of Mexico can be broken down into 15½ million adults living in metropolitan Mexico City, 24½ million living in peri-urban cities and towns and the remaining 30 million in predominantly rural areas.<sup>ix</sup>
- o Estimating what proportion of the adult population is served by Bansefi can be done in two ways. The upper limit is set by the number of accounts serviced – 3.75 million, which equates to just under 3% but this needs to be reduced by the average number of Bansefi accounts held per client – which in this study comes out at a weighted 1.4 for the whole sample. Making this adjustment brings the likely penetration to around 3.8%. The alternative approach is to look at the proportion of adults in the random control group survey from this study that could be traced through to Bansefi's client lists. This came out at a weighted average of 1.5% across the three sites but an adjustment needs to be made for clients that are not declared by the survey respondent (approximately an extra 1½ for every one declared client) and this brings the estimated penetration also to 3.8%. Although this estimate carries quite a wide margin of error there is no reason to believe it is biased. Taking the two together it can be said that **Bansefi's penetration of the adult market is somewhere around 3.8 percent or 2.7 million adults.**
- o The sampling done for this study also allows penetration to be calculated separately for men and women. As already indicated, the number of women in the Bansefi client base outweighs the number of men by a factor of three to one. To go from this to differentiated penetration rates, a small adjustment has to be made for the slight dominance of women over men – 55:45 – in the adult population as a whole (which is a reflection of differential migration among adults of working age). Taking these two ratios together it is possible to say that **Bansefi serves some 5 percent of adult females but only just under 2% of adult males.**
- o The sample size needed for the socioeconomic profiling in this study is not big enough to give tightly defined estimates of adult penetration by sample site.

Nevertheless, the two approaches described above for estimating adult penetration gave no strong indication that it varied systematically across the various types of location. Moreover, the high level result that there is a close match in socioeconomic profile at all three sites indicates no reason why penetration should vary by site. Taking these two indications against an uneven spread of clients, ***the default assumption is that Bansefi's penetration of the adult market is probably the same across the whole of Mexico.***

- o To go from total adults to total households requires dividing the total number of adults by the average number of adults per household (typically just short of three). To go from total clients to client households requires the same approach and the client sample indicates the average number of clients per client household at just over one. The end result of all this is to indicate that ***there are around 24~25 million households in Mexico, of which just under 2½ million (or 10 percent) contain Bansefi clients.***

Moving onto ***depth of outreach*** – i.e. how many of the poorest third of households and adults from those households does Bansefi serve – the estimates have to be done separately for each type of location (metropolitan, peri-urban and rural) because poverty is so unevenly spread in Mexico. The calculations are as follows:

- o Taking the estimate of total household numbers calculated above for all of Mexico (24~25 million), then there should be around eight million households in the poorest third.
- o Taking the total calculated number of Bansefi clients estimated above (2.7 million) and assuming these are spread across the country in line with adult population (i.e. assuming even adult market penetration as we can) and then dividing by average numbers of clients per client household (1.1) gives roughly 250,000 client households in metropolitan areas, 390,000 client households in peri-urban areas and 480,000 in rural areas. Applying the proportions of these that fall into the poorest third of households nationally (8%, 6% and 63% respectively for each sample site) that come from the client survey for this study suggests that ***Bansefi probably reaches some 750 thousand of the poorest third of households at a national level (or just over 9 percent of all households in this poverty band).***
- o Applying then the average number of clients per client household at each sampling site (1.5, 1.0 and 1.1) then ***gives an estimate of the number adults in the poorest third of households reached by Bansefi of almost exactly 900,000 (or 4 percent of all adults from the poorest third of households).***

## **5. DIFFERENCES IN ACTIVITY RATES BY POVERTY BAND**

One of the secondary aims of this study was to try and link client records with the survey results to identify differences in activity rates and patterns of product use. This was possible in Mexico in some detail because of the comprehensive client contact details kept by Bansefi and the structured naming conventions used in Mexico. These made it practical to match against names and age with a cross-check on address and scope for some fuzziness in the matching (i.e. not every detail had to match exactly but enough to avoid false matches).

Once names were matched the household code could be attached to an anonymous algorithmic code that linked through client financial information and all other personal and household details could be dropped. This way it became possible to profile the use made of different Bansefi products by households of different socioeconomic types without breaching client confidentiality. As already noted, the client list from which client households were randomly sampled was stratified to make sure the mix of products used by each sample drawn at the three survey sites was representative of the business mix of the Bansefi branch at each site. All the survey had to do was identify the socioeconomic positioning of the clients generating that mix of business.

Unlike all the other participating banks in this study, it was possible to link survey records to Bansefi's own financial records without compromising client confidentiality. This shows clients from the poorest third of households use long-term savings products much less than do the best-off third of households but they use their call accounts much more actively than do the better off.

The first finding from this analysis was that the pro-poor Oportunidades account (designed to receive social payments) is used not just by the poorest third of households but also by better off households in the sample. This is almost certainly because the benefits delivered this way include an element of universal family benefit that can be claimed by the better off as well as the poor. But, what is clear from the table opposite is that the pro-poor account is the dominant product used by adults from the poorest third of households, and the long-term savings products are used hardly at all.

Perhaps not surprisingly the analysis also showed the poorest third of households using fewer accounts and maintaining much lower average balances on their accounts than do the best off households. But, the use that the poorest make of the accounts they do hold is considerably greater than that seen across accounts held by the best off households – levels of inactivity are lower and the number of transactions per account per year is twice as high and this is generally true of all three main product types (although the ordinary transactions account has higher not lower levels of complete inactivity). Particularly interesting was the finding that the net increment in saving in the last year was as high for the poorest third of households as it was for the best off third.

***All this is yet more proof that where the poor have access to an account that they can use, it does get used and over time not insignificant savings can accumulate.***

**Table 5a mix of accounts held by client households in different socioeconomic bands compared**

	Poorest	Best off
Pro-poor transactions a/c	56%	38%
Ordinary transactions a/c	37%	29%
Long-term savings a/c	7%	33%

**Table 5b account holding and use by client households in different socioeconomic bands compared**

	Poorest	Best off
Number of accounts	1.1	1.4
- of which zero balance	1%	18%
zero turnover	10%	15%
Transactions per year	18	9
Average balance	US\$70	US\$135
Net saving in year	US\$45	US\$45

## 6. CONCLUSIONS

Bansefi demonstrates that a savings bank with the right range of products to deliver truly universal access can do so and serve the poor just as well as it serves the better off. In other words, small does not have to mean niche.

Bansefi also demonstrates that the poor can be reached by savings and transactions banking products and not just microcredit as it is often presumed. Moreover, it demonstrates that if the product range includes an account designed to meet the needs of the poor it will be used by them and indeed be used quite heavily and provide a home for the steady accumulation of savings.

Crucial to this capacity to serve anyone from across the socioeconomic spectrum is a branch network that is truly nationwide and reaches into rural areas where poverty is often concentrated. It is this combination of a pro-poor product and a geographically widely spread network that means that Bansefi serves a significant number (900,000) of adults from the poorest third of households (to give some perspective to this figure, the whole of the recognised microfinance industry in Mexico serves in total 2 million active borrowers).

## SOURCES AND NOTES

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For further reading on savings banks and their role in fostering access see:

WSBI (2006a), 'Access to finance – what does it mean and how do savings banks foster access' a paper by Stephen Peachey and Alan Roe of Oxford Policy Management for the WSBI Perspectives Series (No 49), World Savings Banks Institute, Brussels, January 2006

WSBI (2006b), 'Savings banks and the double bottom-line – a profitable and accessible model of finance' a paper by Stephen Peachey for the WSBI Perspectives Series (No 52), World Savings Banks Institute, Brussels, July 2006

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<sup>i</sup> More information about CGAP's PAT can be found at "Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool"

[http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool\\_05\\_overview.pdf](http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf)

<sup>ii</sup> Include URL when available.

<sup>iii</sup> One of the incentives for a Caja to come under the reformed regulatory regime is that they get access via Bansefi to the technological platform needed to run some of its popular payments services and accounts (particularly for receipt of social benefits and international remittances). These are accessed under a common branding called L@red de la Gente ([www.lared-delagente.com.mx](http://www.lared-delagente.com.mx))

<sup>iv</sup> World Bank - Mexico at a Glance – [www.worldbank.org](http://www.worldbank.org)

<sup>v</sup> Source UN

<sup>vi</sup> CESOP – Centro de Estudios Sociales y de Opinión Pública

<sup>vii</sup> The client sampling did not work perfectly at all sites and particularly not at the rural site. The problems related to the prevalence of non-specific addresses such as just having the address of a condominium block within which a client lives in just one unit. In Chalco and Puebla, three quarters or more of the client households found contained a traceable client but in Tixtla less than 60% of so called client households sampled did so. This is not an insuperable problem as the households with non-specific addresses but where nevertheless a client was traced had a very similar socioeconomic profile to households with non-specific addresses and no client could be traced. Thus the former

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group could be used as a proxy for all client households with non-specific addresses and this was done for this study. The result is probably still unbiased socioeconomic profiles but increased margins of error around the profiles obtained.

<sup>viii</sup> Instituto Nacional de Estadística, Geografía e Informática  
(<http://www.inegi.gob.mx/inegi/default.aspx>)

<sup>ix</sup> The exact split between metro-urban and peri-urban is open to debate as the latter includes some very large urban agglomerations that could be moved across to the former but this would not affect the results of this study as the metro-urban and peri-urban socioeconomic profiles are broadly similar with their overweighting of better off households and underweighting of the poorest households.

# **TANZANIA COUNTRY REPORT**

## **Tanzania Postal Bank (TPB)**

**Who are the Clients of Savings Banks?**  
**A Poverty Assessment of the Clients Reached by Savings Banks in**  
**India, Mexico, Tanzania and Thailand**



**In consortium with**



**Oxford Policy Management Ltd (United Kingdom)**

## **Who are the Clients of Savings Banks?**

### **A Poverty Assessment of the Clients Reached by Savings Banks in India, Mexico, Tanzania and Thailand**

#### **Tanzania Country Report: Tanzania Postal Bank (TPB)**

##### **Preface and acknowledgements**

The Consultative Group to Assist the Poor (CGAP) commissioned a study to the European Savings Banks Group (ESBG) / World Savings Banks Institute (WSBI) with the objective of surveying and analysing the kind of clients reached by a set of four savings and postal banks that are representative of the wider WSBI membership. The study was built around CGAP's Poverty Assessment Tool (PAT)<sup>i</sup>, which gives a way of assessing where on the general spectrum of socioeconomic wellbeing in each country the clients of any financial institution are to be found. In particular the technique is a cost effective way of assessing whether a financial institution provides truly universal access to households spread evenly across the socioeconomic spectrum or whether it is more a niche player dealing with households from only one part of the spectrum. Based on surveyed penetration the study estimated the overall outreach each savings bank has within its home country (i.e. the total number of households and adults served). It also estimated depth of outreach (how many of the poorest households and adults are served). A secondary objective was to identify which products were used by clients and whether this differed by socioeconomic status.

The analysis was undertaken by Stephen Peachey of Oxford Policy Management (OPM). Surveys were commissioned from professional market research agencies in each country with a mix of randomly sampled households and client households asked a broadly standard set of questions about their socio-economic situation. Sampling was always done in three types of location (metropolitan, peri-urban and rural) to capture any geographic differences in poverty levels as well as the typical spread of savings bank branch networks. The results of the surveys were then gathered and analysed using the PAT tool to place each client household in one of three socioeconomic groups (the poorest third of households, the middle third or the best-off third). After identifying differences in the relative socioeconomic mix of client households and calculating the percentage penetration of the savings bank in each group, other socioeconomic characteristics such as gender and location were analysed. Then, where data allowed, the analysis of product use was undertaken.

This report presents the findings for Tanzania Postal Bank, one of the four institutions that were selected for the study. The other institutions were National Savings Institute (India), Banco Nacional de Ahorro y Servicios Financieros – BANSEFI (Mexico) and Government Savings Bank of Thailand. All four country reports are available as well as a general report summarizing main findings<sup>ii</sup>.

The author would like to acknowledge advice and input to this study from staff and management at Tanzania Postal Bank, Creative Outcomes (the survey agency used), Consultative Group to Assist the Poor (CGAP) and the Joint Secretariat of the European Savings Bank Group and the World Savings Banks Institute.

## 1. OVERVIEW

Tanzania Postal Bank (TPB) was selected for the project as an example of a separately established savings bank still operating closely with its original progenitor – Tanzania Post. This represents a crucial strand of WSBI membership, quite separate from schemes that only mobilise savings through an agency arrangement with entities such as post offices. TPB runs roughly a million savings accounts. This compares to an estimate of 1½ million total commercial bank accounts at the beginning of this decade<sup>iii</sup> and recent estimates of the total number of Tanzanian adults who have at some time held a bank account, of some 2¼ million.<sup>iv</sup> Clearly therefore TPB is the major player in the market for retail savings in Tanzania but its range is not limited to savings – it offers transactions accounts for small businesses and a range of card, credit and insurance products. Nevertheless the savings business remains fundamental to its corporate mission and its founding statutes are built around its special role in mobilising savings nationwide. Crucial to this is the ability of ordinary Tanzanians to access basic savings accounts at any one of 155 post-offices nationwide as well as the bank's own network of 22 branches (where customers can mix ordinary savings business as well as accessing the more sophisticated services). Taken together this network of 177 outlets is almost as large as the combined branch network of the commercial banking system (232 branches at end-2005<sup>v</sup>).

Turning to the survey, sampling was designed to distinguish between the capital Dar-es-Salaam (where TPB has a network of six branches, other urban areas (the district main towns, where TPB has its own regional outlets) and the almost entirely rural residual (where TPB services can only be accessed via the post office). In terms of both total household numbers and adult population metropolitan Dar-es-Salaam is about as large as all the peri-urban district main towns combined (each accounting for 9% of the relevant mainland totals). The vast bulk (80 %+ ) of households, adults and indeed the whole population live, however, in the rural areas.

Income poverty statistics show a stubbornly high proportion (around 40%) of the rural population living on less than the amount needed to cover basic needs (and half of these experiencing food insecurity). Peri-urban income poverty is not quite as widespread and improving slowly (just under 25% in 2001, down three percentage points in a decade). Lower still and falling faster is metropolitan poverty in Dar-es-Salaam (around 17~18% in 2001 and on track to halve in two decades).

Interestingly, the multi-factorial poverty ranking conducted for this study shows a reversal of this relativity – randomly surveyed households ranked in the poorest third of all sampled households are over-represented in the Dar-es-Salaam sub-sample and underweighted in the rural one. This suggests money buys the metro-urban poor a lower quality of life than it does in rural areas. Paradoxically it also means that poor households in Dar-es-Salaam are more monetised than poor rural households and therefore have a greater need for banking services.

## 2. SUMMARY INDICATORS OF TPB'S OUTREACH

This survey indicates that TPB reaches about 20% of all households in mainland Tanzania and 8% of all adults. The vast bulk of the households reached are rural and the overall rural~urban split of households (81~19), matches almost exactly the mainland split of households by location (82~18). Within each household, TPB typically has a relationship with just one person and a significant majority of these clients (70%) are male.

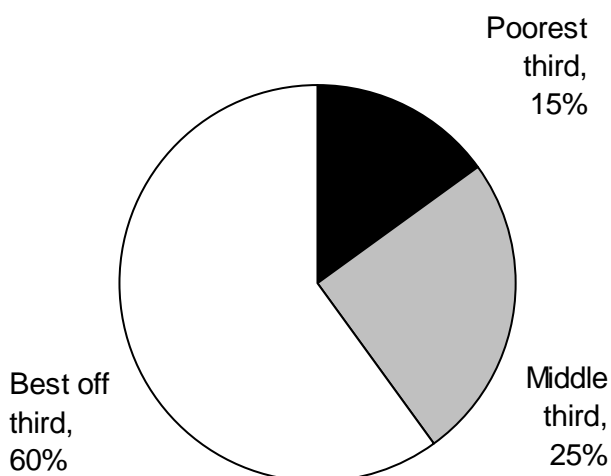
Turning to depth of outreach – i.e. how many of the poorest households are reached – penetration rates are much lower than for the whole customer base. This is not, however, universally true across the mainland with TPB achieving stronger penetration of the poorest households in Dar-es-Salaam (see below).

Interestingly, in client households drawn from the poorest third of all households, there is a modest pro-female bias in complete contrast to the rest of the client base.

**Table 2a Key penetration indicators for all client households and those among the poorest third**

	All client households	Poorest third
% households reached	21%	8%
% adults reached	8%	4%
Clients per household	1.06	1.03
Female~Male ratio	30:70	55:45
Rural~Urban ratio	81:19	65:35

**Chart 2a Overall weighted mix of TPB client households by relative poverty**



## 3. DETAILED RESULTS OF THE SURVEY AT SAMPLE SITE LEVEL

As already indicated, households were surveyed at three sites – one in metropolitan Dar-es-Salaam, one in a peri-urban district main town (Songea) and the third at a rural location (Marangu). Samples of equal size were taken at each site, with three elements to each.

- o A random sample of 170 households needed to form a control group to give the overall socio-economic mix against which the profile of TPB client households could be compared. Within this control group, on average, about one-in-five of all randomly surveyed households contained a client of TPB (and very occasionally more than one client). These randomly found client households form the basis of the socioeconomic profiling discussed in this report.
- o Separate surveys were completed at the households of known TPB clients. These were found either through intercepts of clients visiting a TPB outlet or from contact details from TPB's loan systems so that a separate profiling of TPB loan customer base could be undertaken.

Clearly the random client samples (some 30~40 households per site) were not large so the results shown here should only be considered as approximate indicators of TPB's outreach at each sampling site. If there is any bias in the

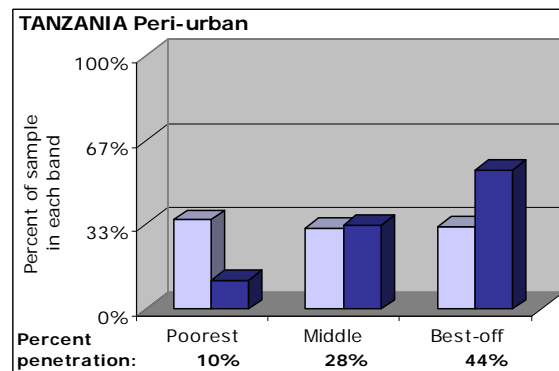
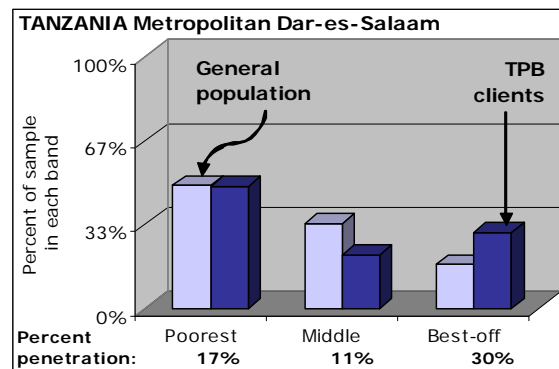
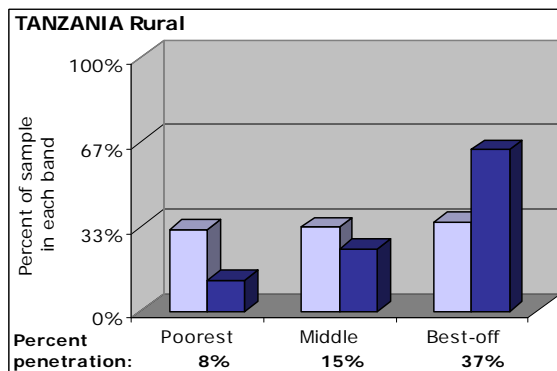
estimates obtained from these samples, it is probably in favour of better off rural households.

The sites were chosen carefully to capture neither particularly well off nor particularly poor populations but still had to capture a feature of the Tanzanian economy, which is a series of tourist or mining “hot spots”. Thus the metropolitan sample was taken in a mixed district of Dar-es-Salaam (Manzese) and the peri-urban site (Songea) was chosen because it neither appears consistently in the top-five regions for poverty indicators nor consistently in the worst-five regions. The rural site was more problematic. Marangu was chosen because it does benefit from considerable tourist activity in the Kilimanjaro region but equally there remains a considerable element of subsistence agriculture and some outward migration. The alternative would have been to sample a poor rural district but this would almost by definition show TPB reaching the poorest households.

The charts shown here plot two sets of percentages. The lighter columns show the percentage of all households that fall into the poorest, middle or best-off thirds on a national grading. The darker columns show the percentages of TPB client households graded in the same way. Two things emerge from this presentation. There is a marked over-weighting towards better off households among TPB clients

in the peri-urban and rural sub-samples, with the strongest bias evident at the rural location where TPB entirely relies on the post-office for distribution. By contrast, in Dar es Salaam the client profile matches the population more closely even though the general household mix is markedly biased towards the poorest third of households. Interestingly it is in Dar-es-Salaam that TPB relies most on its own branches for distribution.

**Chart 3a Client and general household mix by socioeconomic band**



#### 4. GROSSING-UP TO ESTIMATE NATIONAL OUTREACH

This is a multi-layered calculation and the starting point is households because CGAP’s Poverty Assessment Tool identifies the relative socioeconomic positioning of households not individuals. The workings for **overall breadth of outreach** – i.e. the total number of households and adults served by TPB – are as follows:

- o The 2002 Population and Housing Census<sup>vi</sup> identified a total of 6.8 million households across mainland Tanzania of which 600 thousand were in metropolitan Dar-es-Salaam, another 600 thousand in peri-urban district main towns and the remaining 5.6 million in rural areas.
- o The PAT survey data indicates that TPB reaches 17% of households in metropolitan Dar-es-Salaam, 27% of households in peri-urban Songea and 20% households in rural Marangu. Applying these percentage penetration rates to the number of households identified by the census suggests that ***in total some 1.4 million households may be served by TPB (21% of total)***.
- o In terms of the number of adults served, the above estimates of total households served need multiplying by the average numbers of clients per client household revealed by the PAT survey. For TPB, the relevant figures were 1.06 for client households in metropolitan Dar-es-Salaam, 1.11 in peri-urban Songea and 1.5 in rural Marangu. This would suggest that ***in total some 1.5 million adults may be served by TPB (8% of total)***.<sup>vii</sup>
- o This figure is, however, higher than the one million accounts maintained on TPB's banking system. Two possible reasons for this are (a) that the TPB IT systems are relatively new and only active accounts have been transferred on to them but there remain adults out in the general population that still think of themselves as TPB clients even if they have not used their accounts in years, or (b) by sampling in relatively well off rural area then more rural clients were identified than is truly representative of all rural adults.
- o The truth probably lies somewhere between the two but what can be said is that this survey is consistent with the picture of TPB presented at the very beginning of this report – ***TPB is a mass market bank serving almost half of all Tanzanian adults with some sort of access to banking.***

Moving onto ***depth of outreach*** – i.e. how many of the poorest third of households and adults from those households does TPB serve – the estimates are as follows:

- o The caveats expressed above about the apparent over-estimate of TPB's breadth of outreach matter less to the estimate of how many of the poorest households are served. Had sampling been done at a much poorer rural sampling site, penetration would have been lower but more of that penetration would have been among poorer households. Therefore reach into poor households may well have changed very little.
- o Assuming that this survey does give a reasonably representative approximation of the geographical split of the poorest third of households on the Tanzanian mainland, then there should be roughly 300 thousand of the poorest households in metropolitan Dar-es-Salaam, just over 200 thousand in peri-urban district main towns and 1.8 million in rural areas.
- o This survey shows TPB reaching 17% of the poorest households in metropolitan Dar-es-Salaam, 10% of the poorest households in peri-urban Songea and 8% of the poorest households in rural areas. Combining these at a national level suggests that ***TPB probably reaches some 200 thousand of the poorest third of households at a national level (or 9% of all households in this poverty band)***.

- o Among the poorest third of TPB client households captured in the survey not one incidence of more than one client per household was encountered at either the rural or the peri-urban sampling sites. In metropolitan Dar-es-Salaam the average number of clients for the poorest client households was only 1.125. Therefore, the estimate of ***the number of adults in the poorest third of households reached by TPB is also probably only just over 200 thousand (or 4% of all adults from the poorest third of households)***.
- o Although TPB's penetration among adults from the poorest third of households is much lower than its penetration among adults from the best off third households (14%) ***the absolute number of 200 thousand adults that TPB reaches just among the poorest third of households is roughly as large as the whole client base of the MFI and Co-operative sector in Tanzania combined.***

## 5. DIFFERENCES IN ACTIVITY RATES BY POVERTY BAND

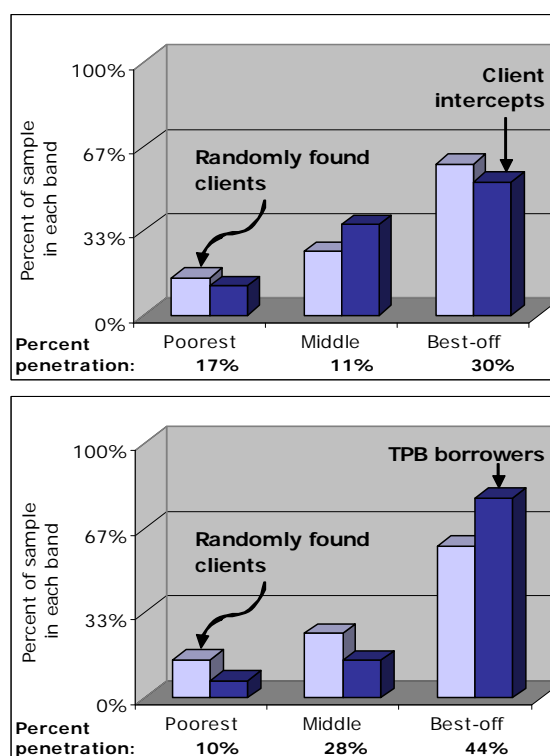
One of the secondary aims of this study was to try and link client records with the survey results to identify differences in activity rates and patterns of product use. This was not possible in Tanzania because TPB's client management systems rely on post box addresses and these are not sufficient to establish a unique link. Surveys were, however, done of households containing TPB clients intercepted at a TPB outlet during the survey period and also of households where a known borrower from TPB was living. The results of these surveys were then compared to the client households found as part of the random control group survey (and on which all the analysis so far has been based).

The ***non-random client intercept survey did not reveal a markedly different socioeconomic profile***

***from that evident for randomly found client households but the non-random borrower survey revealed an even more up-market profile than is evident for the whole client base.***

This also points to a major difference between TPB's savings/payments-only client base and its credit clients. None of the randomly surveyed client households contained a borrower and this is not surprising given TPB reaches over a million households but its live borrower base almost certainly does not exceed ten thousand. Therefore the randomly found client households can be taken as representative of TPB's retail payments and savings business and the borrower sample as representative of its lending business. The even sharper

Chart 5a TPB client households by poverty band and sample status



relative skew towards the best off households seen in the borrower sample compared to the general random client sample suggests that TPB's retail credit products have only penetrated the best-off end of its own customer base let alone the general population. This is despite TPB having deliberately launched a group microcredit to attract those normally excluded from access to credit.

## 6. CONCLUSIONS

TPB is a big supplier of retail banking services in Tanzania with a client base of more than one million. Even the modest portion of its client base that comes from the poorest third households (some 200 thousand clients) is still larger than the whole combined client base of the Tanzania microfinance and co-operative industry.

TPB's reach into the poorest third of households is, however, held back by the overall up-market bias apparent in the more passive business it does via rural post-offices. By contrast, in metropolitan Dar-es-Salaam, where the bank relies more on its own branches for distribution, TPB's client base profile matches much more closely the profile of the general population. This is an interesting result in that it seems to confirm the results of the wider study that show that control of distribution is more important than product range in securing real depth of outreach into the poorest households. This proposition is further corroborated by the profile of TPB borrowers, which displays by far the greatest up-market bias of any of TPB's client bases.

Where TPB does serve the poorest households, women are, just, in a majority but in the better off households this situation is reversed (with male clients outnumbering female clients by a factor of three-to-one).

## SOURCES AND NOTES

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For further reading on savings banks and their role in fostering access see:

WSBI (2006a), 'Access to finance – what does it mean and how do savings banks foster access' a paper by Stephen Peachey and Alan Roe of Oxford Policy Management for the WSBI Perspectives Series (No 49), World Savings Banks Institute, Brussels, January 2006

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<sup>i</sup> More information about CGAP's PAT can be found at "Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool"

[http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool\\_05\\_overview.pdf](http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf)

<sup>ii</sup> Include URL when available.

<sup>iii</sup> Source: Practice and Potential for Products in Tanzania and Uganda, Microsave Africa (May 2003)

<sup>iv</sup> Source: Financial Sector Deepening Trust, Tanzania on <http://dgroups.org/groups/FSDT-Tanzania>

<sup>v</sup> Source: Bank of Tanzania Directorate of Banking Supervision's Annual Report 2005

<sup>vi</sup> 2002 Population and Housing Census – available on [www.tanzania.go.tz/census](http://www.tanzania.go.tz/census)

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<sup>vii</sup> The FinScope Zambia survey into access to finance undertaken for the Financial Sector Deepening Trust in Zambia shows very much lower adult penetration with only 2% recording an account at Tanzania Postal Bank. The questionnaire did not, however, offer the option of saving via the post-office. It is well known that many postbank customers around the world often consider themselves as customers of the post-office and do not recognise the postal bank as a distinct entity or brand.

# **THAILAND COUNTRY REPORT**

## **Government Savings Bank (GSB)**

**Who are the Clients of Savings Banks?**  
**A Poverty Assessment of the Clients Reached by Savings Banks in**  
**India, Mexico, Tanzania and Thailand**



**In consortium with**



**Oxford Policy Management Ltd (United Kingdom)**

## **Who are the Clients of Savings Banks?**

### **A Poverty Assessment of the Clients Reached by Savings Banks in India, Mexico, Tanzania and Thailand**

#### **Thailand Country Report: Government Savings Bank (GSB)**

##### **Preface and acknowledgements**

The Consultative Group to Assist the Poor (CGAP) commissioned a study to the European Savings Banks Group (ESBG) / World Savings Banks Institute (WSBI) with the objective of surveying and analysing the kind of clients reached by a set of four savings and postal banks that are representative of the wider WSBI membership. The study was built around CGAP's Poverty Assessment Tool (PAT)<sup>i</sup>, which gives a way of assessing where on the general spectrum of socioeconomic wellbeing in each country the clients of any financial institution are to be found. In particular the technique is a cost effective way of assessing whether a financial institution provides truly universal access to households spread evenly across the socioeconomic spectrum or whether it is more a niche player dealing with households from only one part of the spectrum. Based on surveyed penetration the study estimated the overall outreach each savings bank has within its home country (i.e. the total number of households and adults served). It also estimated depth of outreach (how many of the poorest households and adults are served). A secondary objective was to identify which products were used by clients and whether this differed by socioeconomic status.

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This report presents the findings for Government Savings Bank of Thailand, one of the four institutions that were selected for the study. The other institutions were National Savings Institute (India), Tanzania Postal Bank and Banco Nacional de Ahorro y Servicios Financieros –BANSEFI (Mexico). All four country reports are available as well as a general report summarizing main findings<sup>ii</sup>.

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The author would like to acknowledge advice and input to this study from staff and management at Thai Government Savings Bank, Research International Thailand, the Consultative Group to Assist the Poor (CGAP) and the Joint Secretariat of the European Savings Bank Group and the World Savings Banks Institute.

## 1. OVERVIEW

Government Savings Bank (GSB) is one of three major state banks<sup>iii</sup> in Thailand and has the third largest branch network in the country (with over 500 branches). GSB does a full range of retail banking business – savings, payments, credits and insurance – for individuals and small/medium enterprises. In total it services some 36 million accounts, enough for two out of every three adults to have one (although there is of course multiple account holding – see below). As an arm of the state banking system GSB also supports a number of state grassroots development programmes. Key among these for the purposes of this study was, until the change in government in 2006, a programme of individual microcredits for entrepreneurs emerging from a linked collective village banking programme (also serviced by GSB). The individual microcredit programme was branded Peoples Bank and funded by government but hosted by GSB and its sister specialist financial institution, the Bank for Agriculture and Agricultural Co-operatives<sup>iv</sup>. Although the new government has expressed doubts about continuing to support the programme, GSB has indicated that it wishes to internalise the microcrediting capacity as it is confident it can profit from it. For that reason this study looks separately at GSB's savings and payments business, its own lending business and the Peoples Bank microcredit business.

Turning to the survey, sampling was designed to capture regional differences in socioeconomic development across Thailand. Thus sampling was undertaken in a district of metropolitan Bangkok plus three peri-urban provincial main towns and the three rural hinterlands to those provincial main towns. As already noted, GSB has a substantial market penetration and this was sufficient to ensure that the random control group sample taken to establish the socioeconomic profile of all households also caught large numbers of households containing at least one GSB client. Clients were traced through their national identity number, which was collected for all adults in each surveyed household. This allowed for a truly random client sample to reveal itself rather than having to be searched for from client lists or via intercepts of those using GSB branches.

The survey shows GSB reaching about a third of the adult population, which is far lower than the number of accounts serviced. This might indicate higher multi-account holding in an economy approaching full access to finance than is typical of countries with lower levels of access. Overall GSB reaches some 14 million adults and even allowing for multi-client households, it reaches 10 million households (or two thirds of all households). Not surprisingly, such a substantial overall penetration of the market has been achieved by serving also disadvantaged households. Moreover penetration rates among the poorest third of all households are virtually identical to overall penetration rates. This means that GSB's client mix broadly matches that of the whole population. By contrast, the mix of those using the Peoples Bank microcredit product is much more weighted towards the poorest third of all households (nearly half of all users).

Through the link made via identity numbers it was possible to extract some detail on client use of products from GSB's product systems. The key findings from this were that:

- o clients only using a payments/savings product were slightly over-weighted towards the poorest and middle third of households and modestly underweight in the best off third, while the profile of those that had taken any loan product (GSB or Peoples Bank) was the complete reverse;

- o but penetration of loans into the poorest third of households would have been much lower had it not been for the Peoples Bank initiative, which brings 3½ times as many borrowers to GSB from this group than does GSB’s own lending;
- o and given that 90% of Peoples Bank clients also use GSB’s payments/saving products, the Peoples Bank programme has helped consolidate an already strong GSB position in this market.

**2. SUMMARY INDICATORS OF GSB AND PEOPLES BANK OUTREACH**

This survey indicates that GSB reaches 63% of all households in Thailand and 33% of all adults. GSB typically has a relationship with just under 1½ people in each household, which is higher than the other savings banks in this study. This together with the dominant presence of women within its client base indicates that GSB underpins good access within Thailand by spreading it within households and not just by serving largely male heads of household.

Turning to depth of outreach – i.e. how many of the poorest households are reached – GSB penetration rates are broadly the same as for its whole customer base. There is slightly more of a contrast for client households served via the Peoples Bank initiative, as this is more explicitly targeted at poorer communities with very nearly half its clients coming from the poorest third of households.

GSB, both generally and via Peoples Bank, serves predominantly rural households. This is especially true of the poorest households because poverty is largely rural in Thailand.

**Table 2a Key penetration indicators for all GSB client households and those among the poorest third**

	All client households	Poorest third
% households reached	63%	62%
% adults reached	33%	31%
Clients per household	1.4	1.4
Female~male ratio	68:32	66:34
Rural~Urban ratio	71:29	81:19

**Table 2b Key penetration indicators for Peoples Bank client households and those among poorest third**

	All client households	Poorest third
% households reached	8%	11%
% adults reached	3%	4%
Clients per household	1.0	1.0
Female~male ratio	87:13	84:16
Rural~Urban ratio	82:18	87:13

**Table 2c Socioeconomic profile of GSB versus Peoples Bank households**

	All GSB	via PB
Poorest third	33%	47%
Middle third	38%	37%
Best-off third	29%	15%

**3. DETAILED RESULTS OF THE SURVEY AT SAMPLE SITE LEVEL**

As already indicated, households were surveyed at multiple sites:

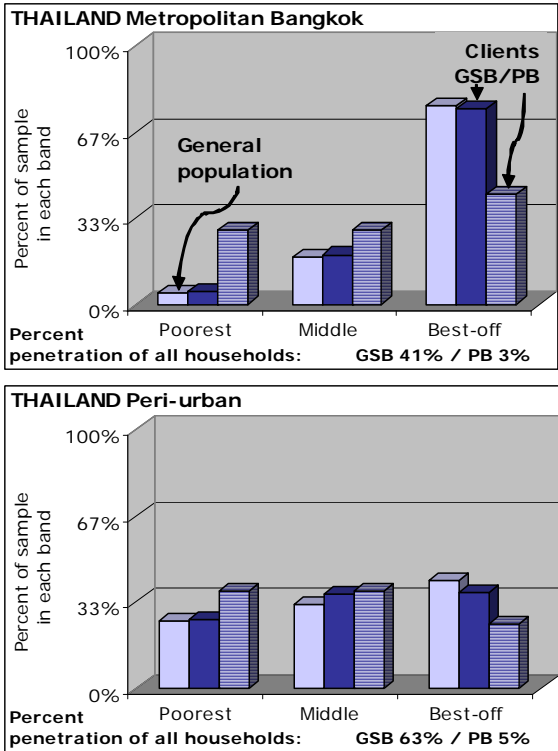
- o the metropolitan survey took place in a mixed district of the capital Bangkok, that contains neither a particularly favoured nor disadvantaged population;
- o the peri-urban surveys were conducted in the main towns of Thailand’s three main provinces as a split sample was felt necessary to catch the regional very mixed socioeconomic profile of Thailand’s population;
- o and the rural sampling was conducted in villages surrounding the same three main provincial towns.

The split sampling at peri-urban and rural sites was possible within the project budget because GSB had a sufficient overall market penetration for the random sampling to establish the socioeconomic profile of all households (170 in each case) also to create the required random sample of GSB client households (at least 100). For Bangkok the random control group sample had to be increased by half to get sufficient client households as well and this was then compensated for by adjusting down the weighting of this sample.

The charts shown here plot three sets of percentages. The lighter columns show the percentage of all households that fall into the poorest, middle or best-off thirds on a national grading. The darker columns show the percentages of GSB client households graded in the same way. The cross-hatched columns show the percentages just for GSB client households that use the Peoples Bank facility.

The most important finding from this analysis is how closely the socioeconomic profile of GSB client households matches that of all households in each sub-sample. Thus in Bangkok, where there is a marked overweighting of the best off households generally, this too is seen in GSB client households. By contrast, in the rural sample an overweighting (albeit less marked) is evident for the poorest third of households for both GSB client households and households

**Chart 3a Client and general household mix by socioeconomic band**



generally. A different pattern is evident for client households reached via the Peoples Bank initiative. Their profile is consistently skewed towards the poorest third of households. This is particularly true in the rural sub-sample where over 80% of GSB clients using the Peoples Bank facility reside. All this confirms both organisations deliver against their mandates – universal in the case of GSB and explicitly pro-poor (and particularly pro-rural poor) for the Peoples Bank initiative.

**4. GROSSING-UP TO ESTIMATE NATIONAL OUTREACH**

This is a multi-layered calculation and has to be done first at household level because CGAP's Poverty Assessment Tool identifies the relative socioeconomic positioning of households not individuals. Nevertheless, it is the number of poor adults reached that is of most interest to those looking at the issue of access to

finance, so calculations are also done for penetration of adults living in households.

The workings for **overall breadth of outreach** – i.e. the total number of households and adults served – are as follows:

- o The latest official statistics<sup>v</sup> identify a total of 15.7 million households containing 43 million adults (i.e. 18 and over) in Thailand. Of these 11% were in municipal (i.e. metropolitan) Bangkok, 22% in other municipal (i.e. peri-urban) areas and the balance (67%) in rural areas, with very little difference in the spread of households and adults.
- o Combining these percentages with the GSB household penetration rates by type of site (metropolitan 41%, peri-urban 63% and rural 67%) implies that **GSB reaches 63% of all households or 9.9 million client households in total**. Within all households served by GSB, those reached via Peoples Bank account for 7%, 8% and 14% at each site respectively, implying **GSB reaches 1.2 million households via the Peoples Bank initiative (8% of total)**.
- o Estimating the adult population served by GSB is best done by applying the average number of clients per client household as revealed by each sub-sample in this study (metropolitan 1.2, peri-urban 1.5 and rural 1.4). This gives an overall estimate of **GSB's penetration of the adult market of somewhere around 14 million adults (33% of total)**. For the Peoples Bank initiative the number of clients equals the number of client households as no multi-client households were found. Therefore the estimate of **GSB's penetration of the adult market via the Peoples Bank initiative is the same 1.2 million already identified for households (3% of total)**.

Moving on to **depth of outreach** – i.e. how many of the poorest third of households and adults from those households are served – the estimates are as follows:

- o Taking the estimate of total household numbers calculated above for all of Thailand (almost 16 million), then there should be just over five million households in the poorest third.
- o In estimating the total number of client households for GSB (see above) there is enough data to split by type of location as follows – 0.7 million metropolitan, 2.2 million peri-urban and 7.0 million rural. For each type of area in turn, this survey reveals the proportions of all GSB client households in the poorest third of all households for each type of location are as follows – 5%, 27% and 37%. Combining this data implies that **GSB reaches 62% of the poorest third of all households or 3.2 million of these households in total**. Turning to households reached via the Peoples Bank initiative, these account for 40%, 11% and 19% respectively by site of households in the poorest third of all households that are served by GSB. This implies that **GSB reaches 0.6 million of these households via the Peoples Bank initiative or 11% of the poorest third of all households**.
- o Applying then the average number of GSB clients per client household in the poorest third of all households at type of location (1.6, 1.5 and 1.3) suggests **the number of adults in the poorest third of households reached by GSB is very nearly 4.5 million (or 31% of all adults from the poorest third of households)**. As before, **the number of these adults GSB reaches via the Peoples Bank initiative equals the number of**

households from this group reached in this way – i.e. 0.6 million or 4% of all adults from the poorest third of households.

## 5. DIFFERENCES IN ACTIVITY RATES BY POVERTY BAND

One of the secondary aims of this study was to try and link client records with the survey results to identify differences in patterns of product use. This was done by tracing national identity numbers.

The first finding from this analysis was that the socioeconomic profile of those adults only using GSB's savings/payments accounts is slightly overweight on households in the poorest and middle thirds and moderately underweight on households in the best off third. This is virtually a mirror image of the profile of those who borrow in some way (either from GSB or Peoples Bank).

Within the overall borrower group, however, very different profiles emerge depending on whether households are reached via Peoples Bank or GSB's own lending. Not surprisingly lending via the Peoples Bank initiative is much more weighted towards the poorest third of all households. Indeed among borrowing households in this group, those reached via the Peoples Bank initiative outweigh those reached via GSB's own lending programmes by a factor of 3½ to one. It can, therefore be said that the fact that almost a quarter of all GSB loan clients are in the poorest third is largely due GSB's participation in Peoples Bank.

The differences in loan size between GSB's own lending and Peoples Bank microcredits are striking and show how the latter caps itself to remain of relevance primarily to the poorest households. Average borrowing under Peoples Bank by clients from the poorest and the best off third of all households differs by a factor of less than two but average borrowing by the two groups from GSB itself differs by a factor of more than five.

All this suggests that ***adding an explicitly pro-poor microcrediting capacity to a savings bank that already offers universal access to savings and payments products can help strengthen the quality of access to finance and deepen penetration among the poorest households.***

The analysis of savings and payments business could not unfortunately address the issue of how actively such accounts are used by clients drawn from different parts of the socioeconomic spectrum. It does, however, show a pattern of account holding and average balance not out of line with the other savings bank

**Table 5a Socioeconomic profile of savers versus borrowers – GSB Thailand**

	Savers only	Borrowers
Poorest third	38%	23%
Middle third	38%	37%
Best-off third	24%	40%

**Table 5b Socioeconomic profile of Peoples Bank versus GSB borrowers**

	Peoples Bank	GSB only
Poorest third	47%	8%
Middle third	37%	37%
Best-off third	15%	55%

**Table 5c Average loan size by borrower type and socioeconomic band**

	Poorest	Best off
Peoples Bank via GSB	US\$400	US\$670
GSB only borrower	US\$2250	US\$12550

**Table 5d Use of GSB savings/payments accounts by socioeconomic band**

	Poorest	Best off
Accounts per saver	1.2	1.5
- of which zero balance	11%	10%
Average balance	US\$230	US\$430

for which a link was made between the survey and client product use (Bansefi of Mexico). The higher number of accounts per client and higher average balance for clients from the best off households is very similar, but if other features of the Mexican findings are replicated for GSB in Thailand this does not have to mean that the poor use their accounts less than the better off – indeed the evidence of the other country studies suggests that the poor use their accounts just as much if not more than the better off.

**6. CONCLUSIONS**

GSB is a major supplier of financial services to Thai households across the country and has deep roots in the rural Thai economy. Because of this and together with its sister agricultural bank BAAC, GSB almost certainly ensures that access to finance is universally available in Thailand.

The even spread of GSB’s outreach across the socioeconomic spectrum has been achieved through making available its own core savings and payments products to all but the addition of the Peoples Bank microcredit facility has helped underpin the quality of access provided to the poorest third of all households in Thailand.

The finding that GSB has a broadly even reach across the socioeconomic spectrum is important for the savings bank movement as a whole, in that it demonstrates that big retail savings banks with large branch networks can almost certainly only build up their large account bases by serving the poor as well as they serve the better off.

**SOURCES AND NOTES**

For further reading on savings banks and their role in fostering access see:

WSBI (2006a), ‘Access to finance – what does it mean and how do savings banks foster access’ a paper by Stephen Peachey and Alan Roe of Oxford Policy Management for the WSBI Perspectives Series (No 49), World Savings Banks Institute, Brussels, January 2006

WSBI (2006b), ‘Savings banks and the double bottom-line – a profitable and accessible model of finance’ a paper by Stephen Peachey for the WSBI Perspectives Series (No 52), World Savings Banks Institute, Brussels, July 2006

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<sup>i</sup> More information about CGAP’s PAT can be found at “Assessing the Relative Poverty of Microfinance Clients: A CGAP Operational Tool”

[http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool\\_05\\_overview.pdf](http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/TechnicalTool_05_overview.pdf)

<sup>ii</sup> Include URL when available.

<sup>iii</sup> There are other specialist state owned financial institutions but these are much smaller. The two other large state banks are the state commercial bank and Bank for Agriculture and Agricultural Co-operatives.

<sup>iv</sup> This study only focuses on the number of households and clients served by GSB and throughout the study any reference to households or clients using the Peoples Bank microcredit facility only refers to the number of households or clients accessing that facility via GSB. Nevertheless the survey data behind this study did pick up numbers of adults claiming to be Peoples Bank clients but for which no record of their accessing the facility via GSB could be found. These people almost certainly mostly were clients of Peoples Bank but accessing it via Bank for Agriculture and Agricultural Co-operatives

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(BAAC). The profile of households accessing Peoples Bank via BAAC (45% from the poorest third, 37% from the middle third and 18% from the best off third) is almost exactly identical to the profile of those accessing it via GSB (47% from the poorest third, 37% from the middle third and 15% from the best off third). It is, however, difficult to estimate how large this group might be – the crude survey data suggests roughly twice as many households access Peoples Bank via BAAC as access it via GSB, but some of these people will have misreported being a Peoples Bank client and equally some will have failed to report a genuine client relationship within their household. If the ratio does hold, it suggests that overall, Peoples Bank reaches about a quarter of all households and just over a third of households that are in the poorest third of all households.

<sup>v</sup> National Statistical Organisation – Population and Household survey

[http://web.nso.go.th/pop2000/pop\\_e2000.htm](http://web.nso.go.th/pop2000/pop_e2000.htm)