



INSIGHTS

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Financial Inclusion

in the Age of Covid-19

Over the past two and a half years, Covid-19 has grown into one of the greatest humanitarian issues in recorded history. There has been devastating effect in economic, social, environmental, emotional and physical terms requiring response with compassionate and thoughtful actions.

From 1990 until 2015, the world witnessed a consistent downward trend of global poverty rates, from nearly 36 per cent to just around 10 per cent of people at the extreme poverty level living on \$1.90 a day. But Covid-19 has changed everything; and today 97 million more people have been pushed into poverty as a result of Covid-19. Globally, 'three to

four years of progress toward ending extreme poverty are estimated to have been lost.

Throughout the world, the pandemic has disrupted critical health services and undermined years of progress fighting other deadly diseases. And Covid-19 vaccine distribution, education and availability have been a problem. Poorer nations rejected more than 100 million doses of Covid-19 vaccines in one month alone because of insufficient storage facilities, vaccine hesitancy and overburdened healthcare systems.



Institute for Inclusive Finance and Development (InM)

info@inm.org.bd

The devastating impact of Covid-19 on women and children cannot be overstated. Women typically earn less, have less access to social protections and make up most single-parent households. Along with rising rates of poverty come other major concerns, one of which is the 'shadow pandemic'— violence against women. The number of children affected by Covid-19-associated orphanhood and caregiver death is estimated to have increased by 90 per cent in just six months. Globally, school children have lost over 1.8 trillion hours of in-person learning, and only 1 in 10 students in the poorest countries have internet access, making remote learning inaccessible.

Overall, Covid-19 has given us so many hardships, while dramatically impacting businesses across practically all sectors. When it comes to financial inclusion specifically, the pandemic has sparked a widening of digital divide, rising inequality in gender inclusivity, growing skepticism over informal financial practices, and concerns about overlooking financially vulnerable customer segments.

However, the crisis has also generated ongoing inspirational stories as well. Data, digitalisation and business acumen, if used the right way, can lead to incredible results for gender inclusion. One such case involves the Financial Inclusion Lab startups in India, Frontier Markets, which has done commendable work to address the pandemic's impact on vulnerable woman.

Frontier Markets empower rural women to become entrepreneurs. It is building a last-mile distribution network through these women entrepreneurs, whom it calls 'Saral Jeevan Sahelis' or 'Easy Life Friends' (in Hindi, saheli means a female friend). Through this network, it delivers world class products/solutions, such as Samsung refrigerators and Philips solar lighting systems, to the remotest households in rural India.

To begin with, most of Frontier Markets' data was non-digital and scattered across different teams. As a result, these teams were not able to leverage this data to generate holistic benefits for the broader organisation.

To address this issue, the Lab and the Frontier Markets teams came together to build an impactful data strategy to increase the productivity of Sahelis, and the results proved to be impressive. They worked together to digitalise and assimilate the disparate data points, cleaning up the data and drawing some useful data models for enhancing the productivity and earnings of the Sahelis, using various machine learning techniques – the usual data science stuff. Leveraging the power of these techniques, they helped the Frontier Markets team build a strong product recommendation engine that mapped each Saheli's expertise in selling a particular product to the hyperlocal market need for it in her area.

So, what's so impactful about this? Through these data-based product recommendation models, both the number of customers as well as the number of products sold on the platform saw a 4.5x increase in a short period of time. This created a huge impact on the livelihoods of the Sahelis: (i) average business per Saheli increased by 150%; (ii) number of women recruited and trained to become Sahelis grew by more than 3x; (iii) Sahelis' income per sale grew by 20-30%. There were also other, more intangible benefits. For instance, more Sahelis talk proudly now about how their social status within their communities has changed positively and how they have become an inspiration for many other local women.

Financial service providers in emerging markets want to reach low and middle income (LMI) customers more effectively, and digital marketing offers a popular solution. But one of the biggest problems these providers face in reaching these customers has been their inability to properly leverage digital media. Traditionally, physical marketing has worked best to reach out to this segment. This is because physical marketing is based on word-of-mouth trust building and, in many cases, handholding the customers and training them in how to use the financial solutions the providers are offering.

However, the pandemic has forced a massive change. With lockdowns and restricted mobility, it quickly became impossible to physically reach out to local businesses with product offers – especially those run by LMI entrepreneurs, such as mom-and-pop stores. These limitations rendered many sales teams virtually jobless, as a bulk of their daily activities had consisted of meeting, chatting with and prospecting new customers, then walking them through the processes involved in using their financial solutions.

In response to this challenge, adaptive, agile financial service providers – especially fintech startups like Bridge2Capital – have realised the importance of leveraging digital media to market their solutions to LMI businesses. But they've faced the basic question of how to design effective digital marketing campaigns for these customers.

Reaching out to the LMI segment is not a simple copy-paste approach, in which financial service providers can borrow digital marketing ideas used for other,

higher-income, more tech-savvy customers. It requires new tactics designed for LMI customers' unique needs. To support Bridge2Capital's efforts on that front, the Lab stepped in to help it:

Understand the most effective ways of reaching out to this segment in terms of language (vernacular or mixed) and social media channel preference (YouTube, Facebook or WhatsApp messaging).

Design core strategies for reaching out to the LMI segment and building brand appeal among these customers.

Build an implementation roadmap to engage, sell to and provide empathetic customer care for LMI customers, by closely emulating the in-person sales and marketing behaviour that they are traditionally used to.

Although the complete picture with regards to the results of these digital strategies is yet to be seen, the initial indications look promising. Bridge2Capital's engagement with the LMI segment is growing, and this has much to do with these customers' changing attitudes and growing affinity towards digitalisation since the start of Covid-19. However, even with this new openness to digital approaches, human-centric digitalisation remains the key.

While Covid-19 has had a disastrous impact on the world's health, finances and social interactions, it's good to recognise the silver lining exemplified by the businesses above. If we can take these positive examples and build upon them, even after the pandemic has ended, then the dream of financial inclusion can still be achieved.

Research Highlights

Baseline Study on Piloting WaterCredit Adoption (WCAD) Programme

InM is currently implementing the pilot phase of the WaterCredit Adoption (WCAD) Programme with support from Water.org. The programme aims to create the scope of providing the poor households with access to small loans as a solution to affordable financing as well as access expert resources to make household water and toilet solutions a reality. The piloting has been undertaken by InM in partnership with nine WCAD partner MFIs for the customers at the bottom-of-the-pyramid (BOP). The phase covers a period of 12 months; and, at the end of the pilot, around 100,000 water supply and sanitation (WSS) loans are expected to be disbursed to reach about 450,000 people with improved water and/or sanitation and increased capital mobilisation.

Under the programme, InM has conducted a baseline

survey which has been used to assess the initial conditions; in addition, this would serve as a benchmark to measure changes at the end of the pilot. The target households are those having potential borrowers from the WCAD partner MFIs who are the prospective borrowers of the WCAD Programme. InM has submitted the report to Water.org.

According to the survey data, households living above 1.90 dollar a day have higher ownership of water source (64 per cent) compared with households living under 1.90 dollar a day (55 per cent). Similarly, higher percentage of households living under 1.90 dollar a day (14 per cent) use public water points compared with households living above 1.90 dollar a day (only 3 per cent). InM has submitted the report to Water.org.

Bangladesh SDGs Progress Report 2022

The study, with support from UNDP, intends to prepare the draft of the 'Bangladesh SDGs Progress Report 2022' for the General Economic Division (GED) of Bangladesh Planning Commission. The Report will provide an overview and summary of the status of progress of SDG implementation in Bangladesh till 2021. It also aims to assess the alignment of the SDGs with the national medium-term plan (8th Five Year Plan, 8FYP 2021-2025) and evaluate the existing gaps with an overall aim to speed up the implementation process of SDGs in Bangladesh.

The Bangladesh SDGs Progress Report 2022 will provide an evaluation of the country's progress so far on the 17 SDGs and 169 targets based on available data. The Report will highlight goal-wise successes, constraints, and lessons learned to show where the gaps exist in terms of SDGs implementation in the country along with the impact of Covid-19 on SDG implementation. The Report will be a guiding document that sheds light on the progress as well as on the challenges behind achieving the 17 SDGs. This will add value and help design improved policies for taking a more holistic approach towards implementation of the SDGs by 2030. InM has submitted the 2nd Draft report to GED/UNDP and the final report will be submitted soon.

Strengthening Social Resilience Programme: Development of NFIS-B Implementation and Resource Plan

The Government of Bangladesh (GOB) has adopted the National Financial Inclusion Strategy of Bangladesh (NFIS-B, July 2021-June 2026) in 2021 as an effective tool to achieve the core objective to 'Increase the level of financial inclusion (having at least one regulated financial service account) of all adults to 100 per cent by June 2026'. This strategy has established its linkages with the long-term Perspective Plan of Bangladesh (2021-2041), medium-term 8th Five Year Plan (2021-2025) and other relevant national strategies and policies. The government's priority to adopt the NFIS-B stems from a number of considerations, including the potential of

financial inclusion to reduce poverty and inequality, and promote financial stability, inclusive development and shared prosperity.

This ADB funded agreement aims to develop a detailed Implementation Plan with M & E Framework and Resource Plan for the National Financial Inclusion Strategy of Bangladesh (NFIS-B) covering the period of July 2022-June 2027. The activities will be carried out in close collaboration with the Bangladesh Bank's NFIS-B Administrative Unit (BB-NAU). The assignment is expected to be completed by December 2022.

Comprehensive Rural Finance Study in Bangladesh

Under an agreement signed between Bangladesh Bank (BB) and InM, a 'Comprehensive Rural Finance Survey' will be conducted by InM with support from BB. The study will provide credible research support for designing rural finance policies and institutional reorganisation by Bangladesh Bank and other policy makers to support the long-term policy agenda of the government for transforming Bangladesh to a high income country by 2041.

Based on survey outcomes and secondary information, several policy papers will be produced by InM depicting future rural transformation and the role of BB in ensuring inclusive transformation in Bangladesh. For the purpose, the study will undertake multiple tasks and perform several specific activities in line with the terms of references of the study.

Further, the study will undertake a comprehensive national household level survey in the rural economy of Bangladesh on various aspects of the rural financial system (RFS) and collect sample data (both quantitative and qualitative) on financial products and services, such as savings, credit, payments, insurance, microfinance etc. from both formal and informal sectors of the rural economy.

It will provide a comprehensive review of the existing policies on rural finance introduced by the Government of Bangladesh and Bangladesh Bank and suggest new policies and amendments of existing policies, as needed. Further, the study will identify sector- and region-level potentials and occupational dynamics at the grassroots level of the rural economy and suggest credible policies. It will explore the financial-rural sector nexus in the rural economy and identify dominant rural growth drivers in support of rural transformation. The study will further examine the extent, channels and other dimensions of net resource transfer from the rural to the urban areas through the financial sector institutions and assess their implications for rural growth and development.

The study will also assess the extent of availability of financial resources from different financial sources and the supply-demand gaps that exist for specific activities in both farm and nonfarm sectors in the rural economy and their development implications. The study will examine the extent of penetration of digital (and other modern) financial services in terms of various household groups and enterprises in the rural economy and their implications for growth and development. In short, the study will provide evidence based inputs for framing effective policies by the Bangladesh Bank for sustained and inclusive rural development in Bangladesh. The study will cover a three-year period beginning from 2022.

Field visit under WCAD programme

Under the programme, an InM team visited Nolciti branch of WCAD partner CODEC in Jhalokati district during the first week of June 2022. During the visit, the team attended a courtyard session, visited households to observe the WCAD programme implementation and attended discussion sessions with the branch staff. During the meeting with branch staff, programme targets and achievement, training facilities, challenges in implementing the WCAD programme, adopted strategies to overcome challenges, threats and opportunities, programme monitoring process at the field level and other

field level issues were discussed. In addition, the InM team monitored the borrower demand creation process as well as the WCAD product demand in the Southern part of the country. The visit helped the partner staff to motivate and make them aware of WCAD programme goals and targets.



WCAD training for partner staff

In April 2022, a cluster of one-day physical training titled 'WCAD model implementation' was organised by InM in different locations for its WCAD partners. There were a total of six sessions organised in Mymensingh on 7 April 2022, in Comilla on 18 April 2022, in Chottogram on 19 April 2022, in Barisal on 8 June 2022, in Faridpur on 9 June 2022, in Bogura on 24 June 2022. These sessions were attended by a total of 127 participants, including assistant directors, zonal and area

managers. The topics covered the concept and characteristics of the WCAD model, linkages between SDGs and WCAD model, products under the WCAD model at the field level, demand creation techniques for WCAD products, and monitoring and reporting system of WCAD implementation at the field level.



InM Publications

Fin-Biz, Volume 5, Issue 1---the regular biannual publication of the Financial Inclusion Network-Bangladesh (FIN-B)---has been published by InM in June 2022.

The issue covers articles on patterns and behaviours that the poor households, women, and MSMEs exhibit around financial management and sheds light on the complex financial lives they lead in order to survive on variable low incomes. While research and policy debates have focused on access to credit, the poor and marginalised groups require access to a full range of financial services to effectively manage their economic lives. Financial inclusion in Bangladesh must hence be studied as a spectrum of services, in order to encapsulate the different dimensions of the populations they aim to service.

The issue also covers other topics such as agent banking, monetary policy transmissions, inclusive digital marketing, financial literacy, and financial inclusion in response to Covid-19 pandemic.



Institute for Inclusive Finance and Development (InM)

Chetona Tower, 274/4 (8th Floor)

Monipur (60 Feet Road) Mirpur -2, Dhaka-1216, Bangladesh.

Mobile: +88-01729072881

E-mail: info@inm.org.bd, Web: www.inm.org.bd

Electronic version: <http://inm.org.bd/newsletter/>