

## A well kept secret: posts in financial inclusion

One billion people and a half use postal financial services. This is to be compared with the number of active micro-loans that represent less than one eighth of this figure. As for the postal giro accounts of which three quarters are open in developing countries, they represent one fifth of the world number of accounts<sup>1</sup>.

From their origin in the nineteenth century onwards, postal administrations of developed countries and Japan have played a central role in giving access to most inhabitants to savings and payment services as well as in financing the economy. In 2008 according to the UPU statistics, 46% of postal revenues in Asia came from financial services, 44% in Arab countries, 24% in Europe and the CIS and 19% in Africa. If payments, social transfers, utilities payments, savings accounts and, in Asia, life assurance, have a lion share, general insurance, investment products and loans are playing an increasing role.

As a mirror image of the new geopolitical dimension, three emerging countries – Brazil, China and India – account for the highest growth in postal financial services.

In Brazil, the financial inclusion policy is based on the use of existing outlets as banking agencies. The focus of the strategic alliance, named “Banco Postal”, between Correios and a banking partner, Bradesco, was chosen through a highest bid public tender (\$250m for network automation) for the provision of a range of basic financial services. Those are managed in real time from a central platform and distributed by Correios which is a highly trusted institution by all Brazilians, and most particularly, the poor. Throughout the deployment, the priority was given to opening in local authorities that did not have a banking presence. The results are ten million accounts opened within seven years, mainly to previously un-banked citizens and new businesses set up where Banco Postal made up for a low banking offer. The partnership is now up for bid again.

In China, the choice has been in-house development of the China Postal Savings Bank (CPSB) that was made into a full-blown bank. Temporary alliances are used exclusively as a learning curve to develop new competencies. CPSB already manages 10% of individual deposits and manages 30% of the total number of accounts. It works through 36,000 post offices particularly present in small towns and rural areas. Its mission is to play a role in rural development by developing the infrastructure and last mile delivery to both citizens and small and medium-sized businesses. Its success in the field of micro-credit is self evident: nearly two million loans averaging around \$10,000 within one year of their launch.

In India, public policy priorities are to give to every citizen a unique electronic identification and to make accounts accessible in every local authority with more than 2,000 inhabitants where most un-banked Indians live. Not a day goes by without the launch of a new initiative. The post with its 160,000 post offices network plays a major role due to its unique outreach in rural areas and its alliances with public and also private financial service institutions.

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<sup>1</sup> “Financial inclusion and postal banking: is the survival or posts also there”? J Anson et J Toledano, dans “Reinventing the postal sector in an electronic age”, M A Crew and P R Kleindorfer, Edward Elgar, Cheltenham UK Northampton MA USA, 2011

A number of countries also use the postal network to reduce the digital and financial divide in the very spirit of the UPU Nairobi Postal Strategy. Among others, South Africa, Tunisia and Namibia. New initiatives are on the way in Bangladesh and Tanzania with the posts playing a central role in mobile payment partnerships.

The models developed are all different, taking into account the historical, social and cultural features while integrating the technological dimension. They rely on the posts' outreach, the trust they enjoy and their experience in cash flow management and cash logistics. They are an integral part to co-decided development actions between the stakeholders concerned – supervisory and regulatory ministries, central banks, regulators, social security institutions - and public policies – capacity development, poverty reduction and access to essential services, financial stability, development of tax and social security systems, fair public-private partnerships -.

Success depends firstly on a thorough understanding of un-banked citizens' needs and of mechanisms used in the informal sector, especially where infrastructures are deficient, and, secondly, on mobilizing the existing resources and competencies. As pointed out in the United Nations Blue Book on financial inclusion, neither are one-fits-all solutions relevant, nor a mere transposition of industrialized countries ready-made solutions. After all, haven't the major financial innovations in this field come from developing countries: Bangladesh for microfinance and Kenya for access by a large part of the population to a formal mobile payment system, M-Pesa ?

As a conclusion, two thoughts by an official of the Central Bank of Namibia <sup>2</sup>. Firstly, un-banked citizens want access to financial services that add value, and primarily to means of effecting remote payments. To this effect, the top priority of regulators whose concern is financial inclusion should be to differentiate payment systems from banking systems with the sole purpose of creating an innovative, reliable, efficient and affordable national payment system accessible to all. Secondly, he refers to the success of the Namibian Post in setting up low cost savings accounts widely accessible through the post office outreach and the use of biometric card without any other condition for opening than initial identification. A word to the wise !

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<sup>2</sup> "The role of payment systems in reaching the unbanked" S di Sousa, Journal of payment strategy and systems, volume 4 number 2, 2010