POSTBANK UGANDA'S JOURNEY INTO THE VILLAGES

UGANDA TODAY...

22 million householders and youth aged 12+ living in parental home

... and still, even above the national poverty line, there are 13½ million adults and youth rapidly approaching adulthood who go unserved ...

60:40 split
house-holders vs
youth still living with parents

60:40 split
sub $1 a day people vs
$1-2 a day people

... and all sub-segments split roughly 80:20 rural-urban so PBU strategy had to be pro-rural.

How do you reach out to the unbanked poor when circumstances have blocked your original strategy of opening a network of banking agents? That was exactly the situation faced by PostBank Uganda in 2012. They had been co-operating since 2009 with WSBI under its Programme to Double Savings Accounts in the Hands of the Poor. Four attempts had been made at agreeing a plan both sides could believe in and one that would really help the bank break out of the traditional bricks and mortar, network model; a model that could never deliver outreach in a country where 85% of the unserved lived outside recognized urban centres.

Postbank Uganda already had experience of the potentially incredibly powerful demand response that putting services in front of unserved rural householders could stimulate. It had triggered just such a response when it took truck-based banking back into strife-torn Northern Uganda after the notorious LRA were cleared out of that region. But truck-banking is not low-cost and at the same time just adding a link to mobile money would make PostBank a doorstep reality for not even 30% of rural Ugandans.[1]

The answer for both sides turned out to be linking with village groups and much smaller grants, with follow-up grants only available on delivery of promised numbers of active accounts. The first sub-grant was set at a fifth of the originally planned investment. PostBank was allowed to spend the money on anything that it felt would really help get banking out to the village groups – something it had suggested after an approach by a local facilitator dissatisfied with the 'take it or leave it' attitude of the groups' existing banking partner. There was no line-item budget – only broad categories of expenditure that could and could not be funded. Money was put in a sub-grant account and drawdown rules agreed. Then WSBI stepped back and the programme team agreed among themselves that at this size of grant, on-site supervision would be a waste of money. It was a case of sit back and see if the right result emerged – the idea was good and management highly committed but could a bank sustainably offer something that would really work for village groups and bring members to banking as well?

PBU's starting point was to create a dedicated team focused on promoting the idea of linkage banking for village groups. There was no 'Will we?/Won't we?' piloting just a phased rollout starting with a region where the local director shared the vision (not all did). An experienced group microfinance manager was recruited and dedicated village banking officers were selected and trained and motorcycles bought with part of the WSBI grant so they could get out to the groups.

1 See the accompanying WSBI Learning Paper on Linkage Banking for Villages in East Africa for a discussion of the proximity challenge in really reaching out to the unserved rural poor.

The tariff was adjusted to give free weekly deposits and withdrawals (to match the group meeting cycle) and the hated monthly ledger fee (that just eats savings) was dropped. Software was adapted to replicate the triple lock groups use to control access to their cash-box in the village. PBU's VSLA Group Account was born.

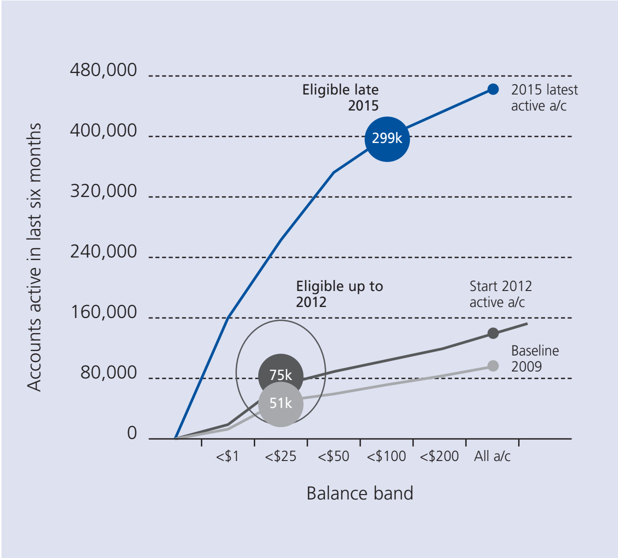
The impact was startling. Within a year five thousand groups with almost 150,000 members had signed up and group accounts were staying 95% active. At that time (early 2013) it was not possible to tell how many members were signing up for individual accounts but something interesting was happening with PostBank's retail customer base – it was growing and the active portion was growing fastest. At the same time the PostBank's funding base was growing with the bottom-end driven by individual accounts and the top-end by group accounts. Nothing breeds success like success and managers were soon clamouring to get on board.

By early 2014 it was clear the required number of new active small balance accounts was going to be reached in one year not two. WSBI accelerated disbursement of a second and then a third sub-grant. Standard loan software was re-engineered to allow judicious amounts of credit during periods when groups could not meet their own credit demand. More importantly, a sub account for every group member was now possible to record their savings position as well as indebtedness. Not all use it yet but the option is there. The focus then turned to getting the cost of transactions down using low-cost app-banking with members able to reach their own account through a group smart phone alongside standard, more expensive menu-based mobile money/ banking available on their own dumb phones.

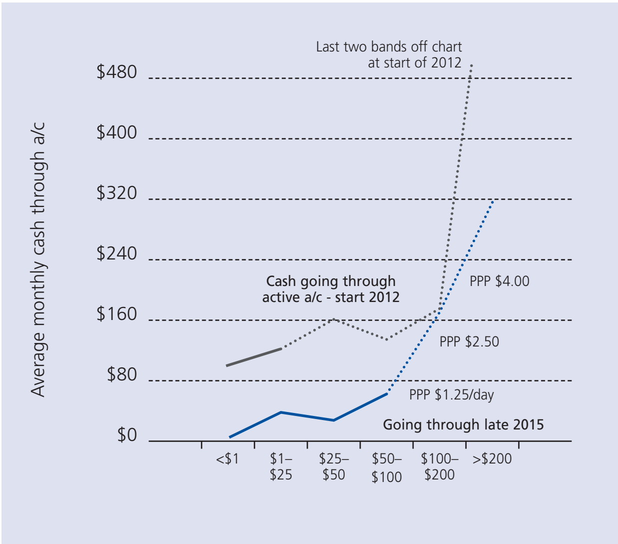
By late 2015 the bank had signed up 28,000 groups with over half a million members. By then it also had an active customer base of almost half a million accounts with 60% of these genuinely active, small throughput, small balance accounts – up six-fold on where PostBank was in 2009 when it started working with WSBI. While average throughput has halved the average balance (about $35) is no different from what used to be left in accounts by smaller numbers of better off customers. The extra business is bringing in valuable funding and the savings base has increased in line with the extra customers so Postbank's fixed overheads are now spread over six to seven times more active users.

The result?

... more active accounts and more of them looking like genuinely pro-poor savings accounts ...



... with less money moving through these accounts even as the balance profile remained largely unchanged.



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