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INTRODUCTION

Private Sector Leadership in Financial Inclusion

Shamarukh Mohiuddin, Director of Economic Empowerment, Corporate Citizenship Center, U.S. Chamber of Commerce Foundation

An alarming 2 billion people around the world still lack access to modern financial services. While the finance gap is most acute in the developing world, communities and businesses across the United States also lack adequate access to finance or have limited financial literacy skills. This report identifies several private sector and nonprofit organizations that are making important strides to address this critical finance gap worldwide.

Financial inclusion is a critical element for social and economic progress. It helps poor individuals and small businesses generate income, accumulate assets, smooth consumption, and withstand risks. On a broader level, financial inclusion spurs economic growth and reduces inequality.

Although governments and nongovernmental organizations traditionally led the charge on development challenges, the private sector is at the forefront of accelerating the inclusion of underserved populations in the financial system. The private sector recognizes that investments in financial inclusion can also improve market prospects in the future.
At the U.S. Chamber of Commerce Foundation Corporate Citizenship Center (CCC), we believe that universal access to financial services is an essential enabler for job creation and equitable growth. This report focuses on best practices in financial inclusion domestically and globally, and is designed to help both the private sector and other practitioners in this field learn from each other.

The report is divided into three chapters:
- Financial Literacy
- Access to Finance
- Innovative Delivery

Companies such as Capital One and MetLife, which are featured in the first chapter, are taking important steps in partnership with others to enable greater financial literacy among those who are underserved in the status quo, including women, youths, and low- and moderate-income individuals. Many studies have shown that greater investments in knowledge about financial matters including budgeting, saving, and credit can help empower people and enhance their financial well-being in the long term.

In the second chapter, which addresses access to finance, Goldman Sachs, SABMiller, and Sam’s Club share examples of initiatives to help small business owners, especially women, scale up through better access to finance and business training, to help grow their confidence, reach, and capacity. These companies recognize that small businesses are key drivers of economic growth and prosperity, and that women-owned small and medium enterprises have long been overlooked by local financial institutions as well as global investors.

The chapter also features examples of inclusion work by nonprofit organizations. Women’s World Banking shares the story of how the organization has worked in partnership with a local bank to create accounts designed for women’s needs as well as short-term loans, savings, and credit for women-run enterprises. BRAC, the world’s largest development organization, shares a unique example from the field showcasing how health loans can be provided to poor microfinance clients to enable access to quality health services.

In the final chapter, which spotlights innovative delivery, we focus on strategies at the nexus of technology and finance and on initiatives with a broad focus on capacity building that have opened up new paths for underserved individuals, households, and businesses. The Vodafone and Qualcomm examples show how mobile technology has been a fundamental part of the financial inclusion story. Vodafone’s M-Pesa has led the mobile finance revolution and Qualcomm is providing women microentrepreneurs in the Philippines with wraparound business services along with mobile finance. MasterCard provides an example of how debit cards are enhancing convenience for the underprivileged, disabled, and retired in South Africa. Dermalogica and Western Union look at financial inclusion as one tool in their toolbox to promote skills, entrepreneurship, and education.

There is no question that to usher in an era of universal financial inclusion, underlying market dynamics need to change, driven by broad financial sector reform. But in the meantime, the private sector, in partnership with other stakeholders, is already taking innovative approaches to improve delivery of financial services and expand access to opportunity.

Notably, this report highlights innovative programs that can be replicated and scaled while benefiting communities and strengthening the bottom line. At the CCC we plan to continue to promote the sharing of best practices and the enabling of more dialogue between stakeholders working in this area.
CHAPTER 1: FINANCIAL LITERACY
RockIt! Program

Caroline Berkowitz, President, Capital One Foundation

Capital One is focused on giving Americans a “Future Edge” by empowering them to succeed in a digital-driven economy and helping them develop the skills for the jobs of today and tomorrow.

In 2012, through our partnership with the Harris Foundation, we implemented the RockIt! program for middle school students in the greater Houston area. RockIt! leverages interactive lessons and gaming experiences to introduce students to concepts such as budgeting, saving, and investing, all while they’re in charge of managing and marketing a music band. During this 30-hour, 14-lesson experience, students apply foundational knowledge and work in collaborative teams to manage their band’s budget, as well as earn, save, and invest toward the goal of creating a music video.

After only three years, RockIt! has reached more than 1,000 students through 33 teachers, with a grand total of more than 16,000 hours of financial literacy instruction. During the initial year, the program took
place at one location. It increased to five sites in year two, and this past school year RockIt! was implemented at 20 Houston-area schools.

In March 2015, Capital One and the Harris Foundation began to bring RockIt! into the 21st century by creating a more engaging digital experience for program participants. To help make this happen, Capital One Adaptive Path user experience designers and developers have provided more 300 hours of pro bono support for the program so far this year.

RockIt!’s technology-based, human-centric design approach—with a nod toward the user experience—demonstrates how our Capital One’s community efforts—much like our company’s businesses—are evolving. And we’re reaching students through a medium they understand and enjoy: technology. As the RockIt! experience becomes even more user-friendly, Capital One plans to grow and expand the program to help additional students gain the job skills that will give them their edge in the future.
If doing the right things were as simple as just knowing the right things to do, then everyone would exercise, eat healthy foods, and save money for a rainy day and retirement. But the reality is that human beings are not purely rational actors. Our decisions are governed by a complex range of emotional and practical factors far beyond mere knowledge, including the powerful forces of habit and inertia.

The field of behavioral economics explores how—and why—people structure their financial lives the way they do. MetLife Foundation (MLF) has allocated $200 million over five years (2013–18) to financial inclusion, and we believe that insights from behavioral economics can help us make grants that advance our goal of ensuring that more people can actually realize the financial goals they set for themselves.

The Savings Innovation Learning Cluster, run by our grantee the Corporation for Enterprise Development (CFED), is a good case in point. CFED is working with five community-based organizations, including the United Way of Greater Austin (Texas), to find practical ways to help low- and moderate-income clients save money. As part of a controlled experiment, United Way decided to offer an action-oriented learning session for a group of employees. The agenda was
not to lecture employees about the importance of savings but to give them a chance to articulate their own individual savings goals, to open savings accounts on the spot, and to set up automatic payments into those accounts.

Did it work? Half the people who attended the session not only opened savings accounts but took advantage of the automatic-deduction savings option. Significantly, no one who had not attended the session signed up after the fact, even after a matching fund incentive was introduced. In short, United Way solved the right problem: not a lack of awareness about the importance of savings, not a need for financial incentives, but the logistics of getting an account opened and implementing a “set it and forget it” option that worked for low- and moderate-income employees.

Another MLF grantee, the Center for Advanced Hindsight at Duke University, has used behavioral insights to tap into people’s aspirations and desire to belong. The Duke team worked with Reinvestment Partners, a local group that helps low-income people file their taxes and, often, save a portion of their refunds. This year they offered clients the chance to write down their savings goals on a poster. Their photographs were taken showing the goals, and the photos were added to a wall at the tax-prep offices. Other clients saw the wall of photos and wanted to be included too. But they were told that only those who planned to put their refunds into savings could have their photo on the wall. Nearly 30% of people who had not previously expressed a desire to save their refunds decided they wanted to join the wall of planners and saved a part of their tax refunds!

MLF thinks of the trend toward behaviorally inspired interventions as representing a shift from basic formal financial education toward “edu-action”—recognizing that people are possibly more likely to act their way into a new way of thinking than to think their way into a new way of acting. We are excited to continue pursuing this avenue of grant making and sharing what we learn.

Further reading: http://bit.ly/1kxxBbD
CHAPTER 2: ACCESS TO FINANCE
The Goldman Sachs 10,000 Women initiative fosters economic growth by providing women entrepreneurs around the world with a business and management education and access to capital. The program has reached women from across 56 countries through a network of 100 academic, nonprofit, and bank partners.

Since the program began in 2008, graduates of the 10,000 Women program have reported immediate and sustained business growth. Eighteen months after completing the program, nearly 70% of surveyed graduates have increased their revenue and nearly 60% have added new jobs. On average, graduates doubled the size of their workforces and increased their revenues nearly fivefold. However, despite their growth and positive impact on their communities, graduates of 10,000 Women have been unable to reach their full potential due to their inability to access capital.
Women-owned small and medium enterprises (SMEs) have long been overlooked by local financial institutions and global investors. Currently, 70% of women-owned businesses globally do not have access to financial products and services, such as savings accounts and loans. In fact, International Finance Corporation (IFC) has estimated that women entrepreneurs face a global credit gap of around $285 billion.

Goldman Sachs’ research, *Giving Credit Where It Is Due*, shows that closing this gap could increase per capita income in emerging markets by an average of 12% by 2030. In countries like Brazil and Vietnam, where the credit gap in the formal SME sectors is currently the widest, this gain could be as large as 25% to 28%.

In 2014, Lloyd C. Blankfein, chairman and CEO of The Goldman Sachs Group, Inc., and Jim Yong Kim, president of the World Bank Group, announced a new partnership to increase access to capital for women entrepreneurs and help close the credit gap. The Women Entrepreneurs Opportunity Facility is a $600 million global finance facility dedicated exclusively to women-owned SMEs—to enable 100,000 women to access capital. To date, the first-of-its-kind facility has completed nine transactions totaling $180 million in nine countries that will reach 25,000 women. In July 2015, President Obama announced a $100 million commitment by the Overseas Private Investment Corporation (OPIC) to the facility to finance new projects and help 10,000 Women and IFC close the global credit gap for women entrepreneurs. OPIC’s involvement will continue to increase the reach of the facility and the number of women who have access to formal credit.

With increased financial opportunity to grow their businesses and create jobs, women entrepreneurs can now become an even more powerful driver of global economic growth. By continuing to partner and innovate, more women will have access to these opportunities and their collective impact will help transform their communities and countries, to the benefit of us all.
Many of our customers are small storeowners in Peru, who in 2012 were some of the 6 million Peruvians without any access to banking services. They depended on cash flow and risked not having enough cash or stock to weather the economic times, let alone grow.

Recognizing the impact that this situation had not only on customers’ businesses but on our business, in 2012 we established an entirely new banking network across the regions of Peru.

Through Backus, a subsidiary of SABMiller in Peru, we made a commitment to support our partners, customers, and communities to grow together.

Tackling a Widespread Problem
With a customer base of 192,000+ retailers, we were very aware of the effects of financial exclusion, as was the Peruvian government, which in 2012 expressed its commitment to tackling the issue and recently defined the national strategy for financial inclusion.

We understood that, if we improved financial inclusion, we could increase our own sales and drive growth among small and medium enterprises (accounting for 42% of Peru’s GDP) and, ultimately, the Peruvian economy. We therefore set objectives to

• Increase the number of businesses with banking collection.
• Reduce costs associated with cash handling (including crime losses and man-hours).

• Increase sales for both retailers and Backus.

Our Program
In 2012, we implemented our agenda-leading program of Bankarization and Financial Inclusion, which consisted of four stages:

1. Research and diagnosis: Identified geographical areas where clients lacked banking services.
2. Model design: Collaborated with banks to open up credit lines.
3. Education, training, and communication: Delivered financial educational training to retailers.
4. Infrastructure: In partnership with banks, enhanced the entire banking infrastructure, including 1,500 mini-banks and a new mobile transactions service.

Continual Development
In February 2015, we initiated a microinsurance program available to customers who use the banking services. It costs less than $1, but offers outstanding benefits covering life risks, medical attention, and discounts. It introduces the retailer to the “world” of insurance where then they will be able to manage their own risks. Since the launch, more than 2,500 customers have benefited from the program. In addition, we have been working on a “Virtual Cash Project” in our company and also in coordination with the bank and other critical entities, for example, the government. This project is an example in the region with the name “Virtual Cash—Peru Model.”
Results
Making Progress Together has delivered a **win-win situation** for businesses, banks, and ourselves.

**Benefits for Our Customers**
- A total of 5,100 customers have received low-interest loans, totaling $38 million.
- Collectively, 1,200 mini-banking agents have the potential to bring in an additional yearly income of US$4.5 million.
- In 2013–14, more than 3,000 customers received 16 hours of free financial services and management skills training. To date, this has increased to 6,000 customers. We also supplied printed educational materials to a further 15,000 Peruvian businesses.
- Businesses with banking collection have increased by 260%, from 5,000 in 2012 to 18,000.

**Benefits for the Banks**
- In 2012–13, 1,500 mini-banking agents opened agencies in their outlets.
- For the first time, banks can access valuable commercial information about clients in rural areas thanks to our nationwide coverage.

**Benefits to Backus**
- The cash collection decreased from 70% to 47%, saving US$810,000. In 2014–15, this decreased to 40%, saving US$1.4 million in total.
- Our financing program brought benefits for the clients involved, helping them to increase sales 16% on average.
- We have saved US$374,000 (estimate for 2012–14) due to receiving funds earlier (income interest).
- In total, robbery loses decreased by about US$265,000.

**Lessons Learned**
- True breakthroughs often require us to think beyond our traditional scope. When we examine the major barriers to our growth, we often see that the root causes of those barriers extend beyond the traditional realm of our business.
- Our unique scale and coverage provides us with a unique asset, and our financial strength specifically gives us leverage with banks, which we can use in favor of our customers.
- When we provide service and support that is truly unique and difficult for others to replicate, we create uniquely strong loyalty with our customers.
- Many of our customers would be better customers if they simply had access to basic financial services. There is huge latent demand from clients to develop their own business, yet they are severely hampered by limited access to financial services.

To learn more, please visit: [http://bit.ly/1Fixbhg](http://bit.ly/1Fixbhg)
CHAPTER TWO: ACCESS TO FINANCE

Closing the Access to Capital Gap for Main Street Businesses

Carrie Moore, Senior Manager of Communications, Sam’s Club

As a trusted retailer for small business owners in more than 650 communities throughout the United States for 33 years, Sam’s Club helps American small businesses by offering savings of time and money on the merchandise and services they need most. In response to small business members’ feedback, Sam’s Club now offers a suite of business operations benefits, including the Sam’s Club Business Lending Center with reduced loan fees and payroll, accounting, and marketing services. As America’s club for the small business community, it is our responsibility to do more to help small businesses prosper, which is why we have committed to invest in convenience benefits, research, stakeholder engagement, and a revised philanthropic mission.

To date, Sam’s Club and the Sam’s Club Giving Program (established by the Walmart Foundation) have awarded $18 million in grants to organizations that increase access to business training, peer networking, and capital for thousands of American small business owners. As we listen to our members and the communities we serve, small businesses and entrepreneurs report that access to capital is a major barrier to growth.

According to the Sam’s Club/Gallup Microbusiness Tracker, 61% of business owners who employ five or fewer workers finance their business from their personal savings, while 28% use retirement savings. At the same time, the U.S. Treasury reports that 8,000 business loans are declined each work day. According to The State of Small Business Lending, a report published by Harvard Business School fellow and former Small Business Administrator Karen Mills, the share of small business loans provided by banks 20 years ago was about 50%, compared with only 30% in 2012. Specifically, minority-owned businesses typically encounter higher borrowing costs, receive smaller loans, and see their loan applications rejected more often by banks, according to a Minority Entrepreneurship Report published by UC-Berkeley and Wayne State University.

Solution

The Sam’s Club Giving Program aims to close the capital gap for small businesses owners, enabling them to grow their businesses while creating greater economic mobility for their families and jobs in their local community. To do this, in May 2015 Sam’s Club and the Sam’s Club Giving Program launched the Small Business Economic Mobility initiative, a five-year, multimillion-dollar investment in small business growth through increased access to affordable capital and better borrower education.

The Small Business Economic Mobility initiative funds organizations that enable community development financial institutions (CDFIs) to scale loans and reach more underserved business owners more broadly. CDFIs, which are nonprofit mission-driven lenders, specialize in helping those businesses obtain affordable loans bundled with education. The initiative has four key objectives:

• To enable CDFIs to make 5,000 loans to underserved small businesses with a focus on women-, minority-, and veteran-owned businesses with fewer than 20 employees;
• To unlock $100 million in new capital from nonbank, community lending resources to low- and moderate-income small business owners through 2019;
• To support 28,000 jobs in the small business...
community; and
• To reach 1 million underserved small business owners to educate them on responsible lending and better borrower practices.

In our first year of the initiative, the Sam’s Club Giving Program announced $13.6 million in grants to close the access-to-capital gap and provide borrower education for business owners like Susan Eastman Walton to select loans that best fit their needs.

Walton is a military spouse who launched RecoFit from her Boulder, Colorado, basement and quickly established her business as an up-and-coming manufacturer and wholesaler of high-quality compression gear for athletes. As her business surged, a combination of unexpected family health issues, devastation from flooding, and an electrical fire put Walton and RecoFit in financial straits.

When traditional lenders turned away her loan applications, the Community Reinvestment Fund, USA (CRF), a nonprofit organization and Sam’s Club Giving Program grantee that provides small business loans to overlooked entrepreneurs, stepped in to help. CRF provided Walton with the resources to begin filling orders again, build inventory, further develop the RecoFit product line, and market the brand. It was the second chance she needed to put her business back on the map.

Concurrent wheels are already in motion. At the Clinton Global Initiative (CGI America) 2015 meeting in June, Connie Evans, president of the Association for Enterprise Opportunity (AEO), announced that the grant from Sam’s Club Giving Program will help AEO provide $10 million in capital to Main Street businesses by the end of 2016.

“The Sam’s Club Giving Program grant is enabling AEO to shape and drive transformational and systemic changes to a market structure that is failing to deliver capital to Main Street businesses in communities across America,” said Evans. “The transformation will be evidenced when boarded-up storefronts become bakery shops, dry cleaners, frame shops, and other enterprises that bring much-needed jobs and economic activity to communities.”

Furthermore, the National Association of Latino Community Asset Builders (NALCAB) has harnessed initiative funds to offer training assistance to 3,500 Hispanic and Latino entrepreneurs and unlock $4.6 million in CDFI microloans that target food truck owners, restaurant owners, and caterers. NALCAB’s interactive training program debuts this fall in four commercial kitchens serving local food entrepreneurs from Seattle to San Antonio.

“Because the Sam’s Club team’s approach is data driven, and because the Sam’s Club team really listens, they have made a transformational investment in culturally relevant services for Latino small businesses across the United States,” said Noel Poyo, executive director of NALCAB. “NALCAB, with the support of the initiative, has opened opportunities for thousands of Latino small business owners and dramatically increased lending to small businesses and microenterprises, strengthening small, family-run businesses and creating jobs in growth-oriented enterprises.”

We are committed to respond to business owners’ concerns and create opportunities for small business owners and entrepreneurs to succeed in the long term. For 33 years, Sam’s Club has helped small business owners run their business. By establishing the Small Business Economic Mobility initiative, now Sam’s Club and the Sam’s Club Giving Program can help them grow their business.
What Happens When a Bank Bets on Women

Karen Miller, Chief Knowledge and Communications Officer, Women’s World Banking

Most commercial banks have been slow to embrace the market opportunity in providing access to finance for low-income women. Diamond Bank, a large commercial bank in Nigeria, is not one of those banks. Women’s World Banking has been working with Diamond Bank since 2012 to develop a full suite of financial products to meet women’s needs, beginning with one of the most important tools we can offer women: a safe place to save.

With Diamond Bank, we introduced BETA (meaning “good” in pidgin English) Savings, a no-frills savings account for the women who run stalls in the open-air markets throughout Nigeria. Agents, known as BETA Friends, visit a client’s business to open accounts and handle deposits and withdrawals through mobile technology. With more than 250,000 accounts opened to date and armed with loads of data on these clients’ savings behavior, we are now working with Diamond to expand the products for this segment including short-term loans, youth savings, and credit for small and medium enterprises.
It isn’t just Diamond Bank and Women’s World Banking that have made BETA a success. The regulatory environment in Nigeria allowed for relaxed “Know Your Customer” requirements for easier account opening. Donors played a crucial role too. Although Diamond Bank recognized the market opportunity presented by the 56 million unbanked Nigerians, they had a strict break-even period for all new product development investments and assumed the BETA concept wouldn’t qualify as a project. Women’s World Banking secured grants from Visa and Enhancing Financial Innovation & Access (EFInA), a joint venture between the Bill & Melinda Gates Foundation and the United Kingdom’s Department for International Development, to contribute to the upfront market research and product development investment to help defray costs. Today, Diamond Bank is in a strong position to become the bank of choice for all women in Nigeria.

It is these types of partnerships that can help close the gender gap that persists in financial inclusion. According to the World Bank’s 2014 Global Findex, there is still a 9 percentage-point gender gap in account access in developing countries. Yet we know how valuable women clients can be.

Women’s World Banking’s research has shown that women are better repayers and more loyal clients who take advantage of multiple financial products, including insurance and pensions, when given the opportunity. We need to see more players—banks, insurance companies, mobile network operators, and regulators—join us, Diamond Bank, and the 38 financial institutions we work with in 27 countries in recognizing the market opportunity to #BankOnHer. Not only does this support help build for a better future for women, their families, and their communities, but it’s good for the balance sheet too.

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Promoting Access to Health

Shameran Abed, Head, Microfinance Program, BRAC

BRAC’s experience as the largest development organization in the world has consistently shown that access to financial services such as credit, savings, and financial awareness plays a critical role in enabling our clients, especially women, to manage the economic vulnerabilities associated with poverty.

One of these vulnerabilities is lack of health care or health finance. One-third of loan defaults from poor clients are caused by clients having large medical expenditures. To pay for medical costs, clients will often liquidate assets, use credit originally allocated for enterprise investment, or turn to high-interest moneylenders—risking becoming overindebted and threatening their ability to generate future income.

BRAC takes a holistic approach to development that sees the wide-scale provision of financial services
Private Sector Leadership in Financial Inclusion

alongside programs that deliver health, education, and legal aid services. BRAC health loans offer additional support to current microfinance clients, mostly rural women, who have to bear medical expenses, in addition to providing them access to quality, affordable, and certified health care professionals.

Most health loans range from $38 to $640, and in most cases are made available within three days. Repayment periods vary from 6 to 24 months, depending on individual cases. The first loan installment is paid within two to four weeks of the initial disbursement. To make this product user-friendly, the same policies and rates apply as for our main product, and loans are repaid via the same community borrower groups to which clients already belong.

Because the health loan was designed as an additional layer of service that fits into our existing microfinance package for rural women, and not as a stand-alone product, BRAC incurs little additional cost to the program, making it both scalable and sustainable.

Results
An evaluation of the project after year one determined that health loans had enabled clients to access health care within 3 to 7 days, as opposed to an average of 10 days for those without the service. The amount of a health loan and the percentage of health costs they cover are based on whether clients can service additional credit and what other sources of finance they have. Health loans cover 52% of average treatment costs.

Since 2013, health loans have been made available to 200,000 households and have been issued to over 3,000 households. This level of uptake corresponds with observations from the field that one in three defaults are caused by health expenditures. Calculations based on one-third of BRAC’s default rate for 200,000 households suggest that nearly all clients’ needs for access to health care and health financing are being met by this service.

Lessons Learned
The success of BRAC’s health loans, contrasted against attempts at health microinsurance, has shown that, in some parts of the world, poor clients respond better to credit mechanisms for health financing than insurance. Credit is simpler to understand, and many clients are reluctant to pay for a service that they may not need.
Financial Inclusion in Action: South Africa Program Achieves Payments Usage

Carlos Cornejo, Group Head, New Consumers, MasterCard
Manini Madia, Vice President, Advisors Global Marketing, MasterCard Advisors

Nobel Prize winner Richard Feynman once said: “It doesn’t matter how beautiful your theory is, it doesn’t matter how smart you are. If it doesn’t agree with the experiment, it’s wrong.”

Feynman was discussing physics. He might just as well have been talking about financial inclusion. Financial inclusion theories abound on how to include low-income populations in the economic ecosystem by giving them access to financial products. More success has been achieved in driving access to financial products than in their actual usage. For example, in Kenya, 85% of adults own a payments product, whereas only 2% of consumer purchase transactions are noncash. In Mexico, the numbers are 31% and 4%, respectively, and in South Africa they are 67% and 6%.

The benefits of financial inclusion are realized when financial products are used. The understanding of how usage occurs has been elusive to date. The key to driving financial product usage is to create value for all stakeholders. The theory works in practice.

MasterCard’s involvement in the South African Social Security Agency electronic benefits disbursement program (SASSA), now three years old, is proof that payments product usage can be achieved when value is created for all stakeholders involved in the payments ecosystem.

SASSA serves the country’s underprivileged, disabled, and retired, and is one of the more technologically advanced solutions in Africa and possibly the world. The foundation of its electronic benefits program started with its partnership with Net1, which developed the Universal Electronic Payments System (UEPS) technology specialized for developing economies and underbanked populations. Grindrod Bank entered the program as the account holders’ underwriting bank, and MasterCard ensured national interoperability and the ability of its M/Chip 4 payment application, as enhanced by Net1, to incorporate biometry as a card verification method.

Before this current payments technology was put in place in March 2012, SASSA struggled to meet consumers’ needs. Take, for example, Hilda, who worked into her 50s as a household helper in South Africa. When the family that employed her moved away, a new family hired her but let her go. Hilda ended up homeless in her 70s. She traveled to a community center several miles away to collect government benefits, which were paid in cash. She stood in line for hours to collect her payment, only to have some of it skimmed by a corrupt official. If she wasn’t robbed on her way home, then her cousin’s son would take the cash from her.¹

¹ Financial Inclusion: How mobile is changing the way money changes hands in the developing world http://mashable.com/2014/12/03/financial-inclusion/
The 2012 introduction of an electronic benefits disbursement system that uses biometrics to validate the recipient’s identity changed everything for Hilda. Now she receives her benefits on her SASSA MasterCard debit card. She does not have to travel long distances to collect her money, nor does she have to worry about someone taking it. The monthly 10-finger biometric validation ensures her safety and that she is the recipient of the benefit. Sixteen million South Africans are using the SASSA program, which also creates value for the government.

The original objective of the SASSA MasterCard debit card program was to eliminate operating costs and fraud for the government. However, government documents show a savings of R800 million from reduced service fees, from an average of R32 to a fixed fee of R16.44. The reregistration process led to 850,000 social grants being canceled (due to illegal and duplicate grant collections); this equated to a total savings of R3.4 billion in 2013/14.

But while the South African government was eradicating fraud and realizing the benefits of the eradication, they may not have been able to predict the additional benefits that flowed in from the program. FinScope indicated that the SASSA MasterCard program was the biggest driver of increasing financial inclusion in the country, from 28.9 million people in 2012 to 30.7 million in 2013—a monumental increase for a country where 30% of the adult population is unbanked.

The SASSA MasterCard program creates value for retailers. Retailers that accept the debit card benefit from higher foot traffic and sales, as many of these retail locations are convenient for consumers to withdraw cash in addition to purchasing goods. We have heard anecdotally from retailers in the country that the SASSA MasterCard has driven a 30% lift in sales in the first year of the card.

We studied purchase transactions made by cardholders with their SASSA MasterCard. Cardholders have three options when using the SASSA card at merchant locations: make a point-of-sale (POS) purchase, withdraw cash without making a purchase, or make a purchase and withdraw cash simultaneously (cash back with purchase). We chose a year-over-year time period in which card penetration was stable. We found that POS purchase transactions increased by 27%, while cash withdrawals without a purchase decreased by 24%. Meanwhile, cash withdrawals with a purchase have grown by only 3% (Figure 1). SASSA card usage trends toward using the card for purchases and away from using the card to access cash.

Digging deeper into usage, we found that beneficiaries were using their cards to pay for day-to-day expenses, such as groceries. Grocery stores were the most popular places to withdraw cash. Beneficiaries consider them to be safe and secure. Withdrawing cash safely at a grocery store was a major trip driver that led to 87% of total POS volume taking place at those retailers. We also reviewed the details of the transaction size for SASSA MasterCard accounts. We compared the growth rates of the average ticket size of POS purchases and the average amount of cash back with purchase for March through August 2014 against the same period in 2013. As Figure 2 shows, the average ticket size of POS purchases grew by 5% while the amount of cash back with purchase declined by 29%, showing that not only are cardholders making more purchases with their card, but they are also spending more per transaction.

The SASSA case data demonstrates how financial product usage is driven by creating value for all stakeholders involved in the payments ecosystem: governments, merchants, and consumers. The use of the SASSA MasterCard is helping to create a more financially included society in South Africa.
Mobile Broadband Empowers Women Microentrepreneurs in the Philippines to Grow Their Incomes in a Sustainable Way

Kyle Moss, Qualcomm Wireless Reach

Worldwide, 2.5 billion people lack access to financial services such as banking, ATMs, or credit cards, making it difficult for them to make payments or transfer money. This is particularly true in emerging regions such as the Philippines, where 37% of municipalities have no banking office at all.

Qualcomm® Wireless Reach™ is collaborating with a social enterprise called Hapinoy on the Mobile Money Hub program, which uses smartphones, 3G connectivity, and specialized mobile applications to empower Nanay (Tagalog for “mother”) microentrepreneurs in the Philippines to offer new financial services to their communities and grow their sari-sari stores into sustainable family businesses. Sari-sari stores are small, neighborhood convenience shops that Nanays often operate out of their homes. Nanays typically engage in this microbusiness to supplement their family’s income.

For the Mobile Money Hub program, Hapinoy and Wireless Reach developed a holistic program that provides Nanays who become Mobile Money Hub agents with Android smartphones, education and training in mobile financial literacy, access to capital via microfinancing institutions, and new business opportunities using mobile wallet technology.

Participants use their 3G devices to sell airtime and offer newly developed mobile financial services. Offering features such as access to money, remittances, and bill and loan payments generates higher store traffic and new revenue streams for Nanays while contributing to the financial well-being of their families and communities. For some women participants in the Typhoon Haiyan–affected area of Leyte, access to mobile tools has enabled them to rebuild their homes, businesses, and lives after the 2013 disaster left many devastated in its wake.

Results
The Mobile Money Hub program launched in 2014. Among the results to date:
• Development of a needs-driven, locally relevant, holistic application that provides Nanays access to financial services.
• Enrolled, educated, and trained 100 Nanays to use project-provided mobile devices as Mobile Money Hub agent.
• Entrepreneurs began offering remittance and airtime services that have proven to be vital during emergency situations.
• Hapinoy is continuing to develop a “business-in-a-phone” package that will enable many more Nanays to become successful and sustain Mobile Money Hub agents who offer access to new products and services in their communities.

These examples show how Mobile Money Hub agents are making a difference in their communities:
• Nanay Bella Sadongdong’s store is located next door to the local hospital, and most of her customers are patients’ relatives. “Sometimes, I have to deliver the remittance money inside the hospital because some
of my clients cannot afford to leave their relatives alone,” said Sadongdong. She has many stories of being awoken in the middle of the night to help provide an immediate loan for potentially lifesaving surgeries or medical procedures.

- Nanay Peonyfe Antoc’s store is located near a temporary relocation site for 200 families who were displaced by the typhoon. Her remittance business gives these families the convenience of receiving money locally rather than spending their money on transportation to go and retrieve the money downtown, far from their homes.
- Many of Nanay Alicia Dumdum’s customers are students who are studying far away from their families. Mobile money access enables them to receive much-needed money from their parents for daily expenses or school projects.

Lessons Learned

By examining effective strategies, challenges, and outcomes in the Philippines as well as across the entire program portfolio of Wireless Reach, we’re able to share lessons learned to help innovators achieve success:

- Plan purposefully for mobile device implementation and usage by effectively educating and training participants.
- Develop applications and services that are locally relevant and created from needs assessments of end users and their communities.
- Monitor and measure project results with meaningful metrics that determine impact and success with validated outcomes.
- Create a sustainable, scalable ecosystem that assists all parties in a public-private partnership to reach their respective goals.
Mobile Money: An Example of Private Sector Leadership

Claire Alexandre, Head of Commercial & Strategy, M-Pesa, Vodafone Group Services Ltd.

About 10 years ago, mobile money services started with a groundbreaking idea—to enable men and women who had only ever used cash to make financial transactions through their mobile phone. Vodafone’s M-Pesa has been leading the charge ever since, first in East Africa and now in countries like the Democratic Republic of the Congo, Mozambique, and even India. Initially spurred by philanthropic capital (for M-Pesa, in the form of a grant from the United Kingdom’s development agency), mobile money has since allowed the private sector to play a leading role in financial inclusion, economic growth, and empowerment.

Mobile money offers choice and convenience to customers who previously had none: Storing money safely and transacting across long distances have become easy and affordable. It also creates new infrastructure: an emergent distribution network of small outlets that bridges the worlds of cash and electronic money.

In the early days, M-Pesa faced resistance and skepticism from incumbent financial service providers.¹ That was to be expected: No sign-up fees. No minimum balance. Pay per use. No paper. And no bank account! Fast forward a few years, and remnants of that skepticism still exist but the numbers speak for themselves: 19.9 million people have used an M-Pesa account in the past month.² In India, just two years after the launch of M-Pesa, customers can cash in at 89,000 locations. This expanding network of agents is already on track to surpass India’s combined 100,000 bank branches.

Globally, there are now 255 mobile money services in 89 countries. In 16 of those countries, mobile money accounts outnumber bank accounts.³ Technology is performing reasonably well, business models make sense, and service designs are centered on the

¹ http://www.cgap.org/blog/10-things-you-thought-you-knew-about-m-pesa
² Vodafone Annual Results, March 2015.
³ State of the Industry, 2014. GSMA
needs of the people they aim to serve. Innovation and competition also grow in new mobile money platforms, anti-money laundering management systems, and payment gateways. Recognizing the potential, analysts have begun to include mobile money in their investment reports. What’s more, after decades of inefficiencies, the world is quickly approaching a second mobile money revolution, which is marked by the disruption of the international remittance market.

Notwithstanding the dynamism of the market, large amounts of philanthropic money continue to flow into mobile money services infrastructure, distribution networks, and service design. In part, this reflects the broad recognition of the potential for mobile money to advance financial inclusion and the desire of many philanthropic actors to support this process.

As the market matures, all stakeholders will need to remain focused on preserving a sustainable business proposition, propelled by innovation and an unwavering focus on customer needs. Progress could surely be faster: More than 2 billion people still lack access to financial services. As we fight to reach them, we take comfort in Fortune magazine’s recent recognition of the positive impact M-Pesa is having on people’s lives.4 Yes, mobile money can change the world!

4 http://fortune.com/change-the-world
CHAPTER THREE: INNOVATIVE DELIVERY

FITE (FITE Future Entrepreneurs Program) Launches New Program in the Salon Industry

Natalie Byrne, Director of Global Impact, Dermalogica

Salons as a global economic force
More than ever before, women have shown their potential to grow the global economy. Nowhere is this more evident than in the salon industry, which puts more women into business than any other industry in the United States, and where job growth for skin therapists is expected to increase 40 percent by 2022.

What is FITE
In 2011, The Dermalogica® Foundation launched FITE, Financial Independence Through Entrepreneurship, to help budding women entrepreneurs around the world invest in their own potential. Working in more than 70 countries, FITE creates pathways to entrepreneurship by providing access to small loans and business resources, supporting education and leadership training for women, and helping to amplify women’s voices around the world. FITE has helped to fund over 68,000 women entrepreneurs worldwide, providing them with the opportunities and resources needed to achieve financial independence. FITE Future Entrepreneurs is a unique program that provides not only an education and vocational training but also an opportunity to open for more women to own businesses, thereby changing their own lives and the communities in which they live.

Launching FITE Future Entrepreneurs
In 2015, Dermalogica, The International Dermal Institute (IDI), and FITE (Financial Independence Through Entrepreneurship) officially launched the FITE Future Entrepreneurs program in New York City to create a pathway to entrepreneurship for at-risk young women who aspire to work in the salon or skin care industry. The program blends what Dermalogica does best with our commitment to advance women and girls as future business owners. FITE Future Entrepreneurs mentorship and coaching aids in building a strong community of likeminded women who support and nurture each other through their goals. By investing in women entrepreneurs, the program aims to ultimately help improve the education, health, and welfare of households across the world.

A Complete Pathway to Entrepreneurship
Through a scholarship application process, FITE identified and selected ten young women, between ages 18 to 26, who were out-of-work and out-of-school, to be a part of our flagship program in NYC and go through a complete one year industry education and on-the-job training program. Each program participant receives a scholarship for vocational education, materials and supplies including a laptop computer,
mentorship and business management training, childcare assistance, advanced course study, shadowing, job placement within a salon at the conclusion of the program, as well as access to the resources they need in order to gain financial independence as skin therapists and salon owners.

Program Partners
In partnership with Grace Institute, a non-profit organization that has trained more than 100,000 underserved women in the New York area, FITE selected the first class of women from candidates across the city and tri-state area, and Grace Institute has continued to provide the necessary therapeutic and social services for the participants facing incredible challenges in home life everyday. Program partners also include technology expert Dell which donated laptops and computer training to each of the women as well as banking and financial literacy partner Operation Hope giving the women an opportunity to understand their current status of banking, how to establish savings and credit to get on their feet financially and be set up for success in the future.

Expanding the Model Globally
FITE’s model is scalable and will be rolled out to other cities across the US to support young women in developing the skills needed to achieve financial independence and in turn reach their full potential. This year the global expansion of the program includes the United Kingdom and emerging markets such as Cambodia and India.
Education for Better Helps Create Economic Opportunity

Patrick Gaston, President, Western Union Foundation

Western Union connects millions of senders and receivers worldwide.

Because financial inclusion is part of the core mission of Western Union, the company and the Western Union Foundation work to address one of the core barriers to financial instability: the lack of access to education.

According to the United Nations, every additional year of school can increase an individual’s annual income by up to 10%. And if all students in low-income countries left school with basic reading skills, 171 million people could be lifted out of poverty. However, tens of millions of primary school–age children and adolescents are not in school and too many who do graduate lack the skills necessary for employment. Yet globally, basic education is underfunded by $26 billion a year.

According to our research, 30% of the reason individuals send money through Western Union is to enable access to education. Remittances sent through Western Union contribute to human capital–building globally while also reinforcing the backbone of so many remittance-receiving economies. Given these reasons, Western Union and the Western Union Foundation have decided to invest in education.

Education, together with Western Union services and Western Union Foundation philanthropy, is playing a powerful role in changing people’s lives for the better.

Education can create economic opportunity—and is something that many Western Union customers care deeply about. Education for Better is a three-year commitment to education. It leverages Western Union’s shared value products and services, cause marketing, advocacy, corporate and Western Union Foundation strategic philanthropy, employee engagement, and communications to support secondary and vocational education programs around the world.

**Products and Services:** Western Union focused on creating products and services, such as the GlobalPay for Students and GlobalPay for Education platforms, to help students and educational institutions move money.

**Advocacy:** Western Union is a founding member of the Global Business Coalition for Education, which champions the education cause with governments and donor agencies worldwide.

**Employee Engagement:** In 2014, for the second consecutive year, more than 72% of all Western Union employees participated in the Western Union Foundation Employee Giving Campaign, donating funds to support secondary and vocational education programs around the world.

**Cause Marketing and Communications:** Through advertising, social media, marketing, and more, including a major sponsorship through the PASS initiative, the company works to draw attention to the education cause.

**Strategic Philanthropy:** As part of the Education for Better commitment, the Western Union Foundation pledged an average of $10,000 per day for more than 1,000 days in potential grant funding.

**Results: Education for Better—The Western Union Foundation**
As part of the Education for Better commitment, the Western Union Foundation pledged an average of $10,000 per day for more than 1,000 days in potential grant funding for nongovernmental organizations working in the education space. In late December 2014, we exceeded this goal, having reached more than $11.5 million in grants and formal donations a year ahead of schedule.

This commitment represents more than 250 grants and formal donations in partnership with the company, employees, Western Union agents, other business partners, and consumers—benefiting students, teachers, and schools in 53 countries via 160 organizations. Education for Better has funded grants to charitable organizations such as UNICEF, Teach For All, UNESCO, Mercy Corps, Pratham, Save the Children, the U.S.-Mexico Foundation, and Jobs for America’s Graduates, supporting access to quality educational opportunities worldwide.