



# Making Financial Markets Work for the Poor

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FinMark Trust  
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- Mission of *“Making Financial Markets Work for the Poor”*
- Africa mandate
- Change agent: catalysing *systemic* change in financial markets
  - Microfinance part of a wider financial system
- Research, facilitation, advocacy, innovation support
- Supporting the sustainable provision of financial services to underserved markets segments
- [www.finmarktrust.org.za](http://www.finmarktrust.org.za)

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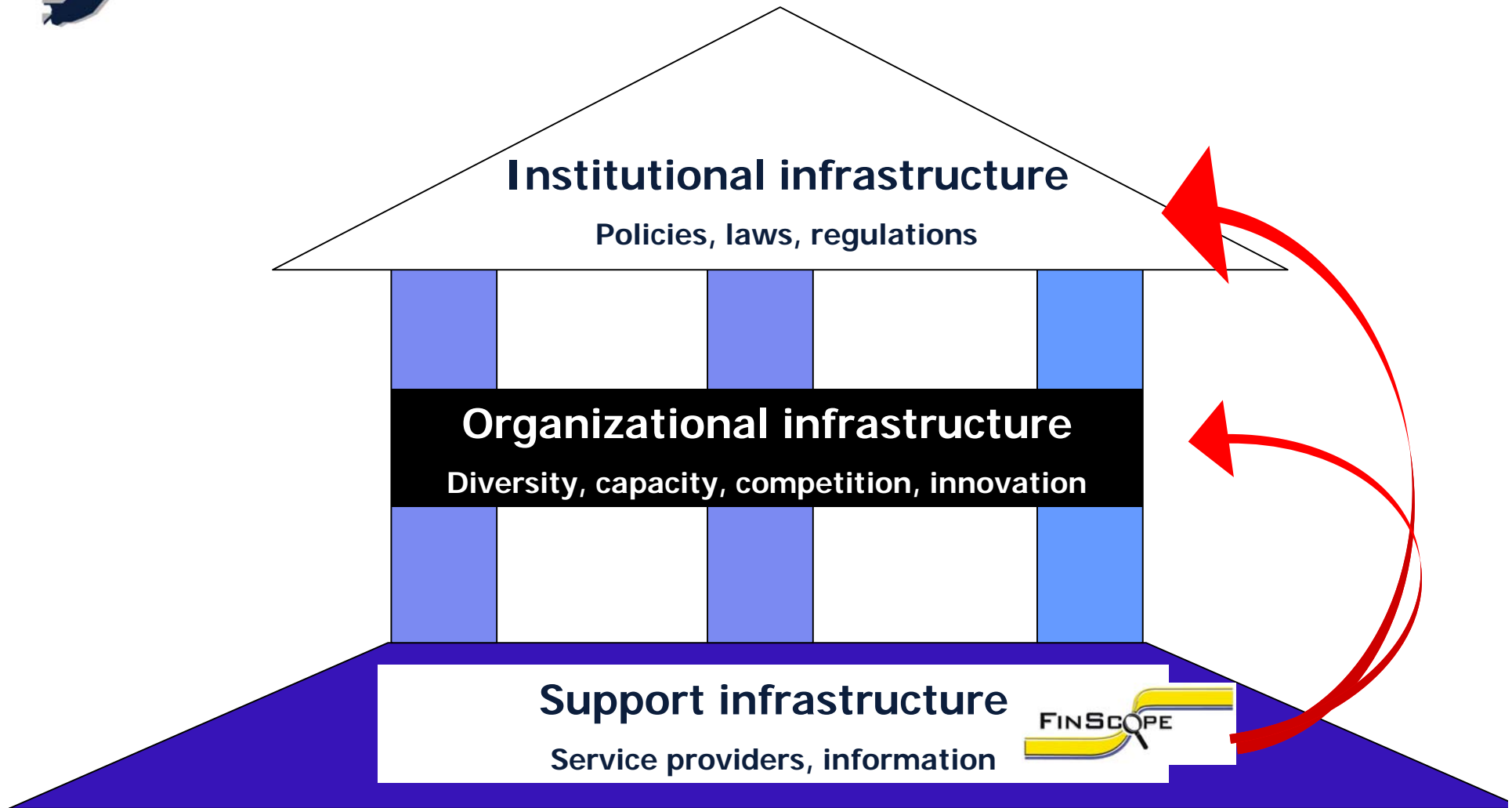


- Finance facilitates transactions and reduces vulnerability to shocks
  - ...but only for those with access to it
- Finance leads to economic growth and higher incomes per capita
- Reduces inequality as it broadens opportunity
  - Countries with high Gini coefficients grow more slowly
- Links to poverty reduction\*
- Source of political instability - an unhappy and unequal society

“....the freedom of market transaction....to deny that freedom would be...a major failing of a society” - Sen

\* see Claessens, Feijen (2006) for a discussion on finance and the MDGs

Political economy aspects – why  
access to finance matters

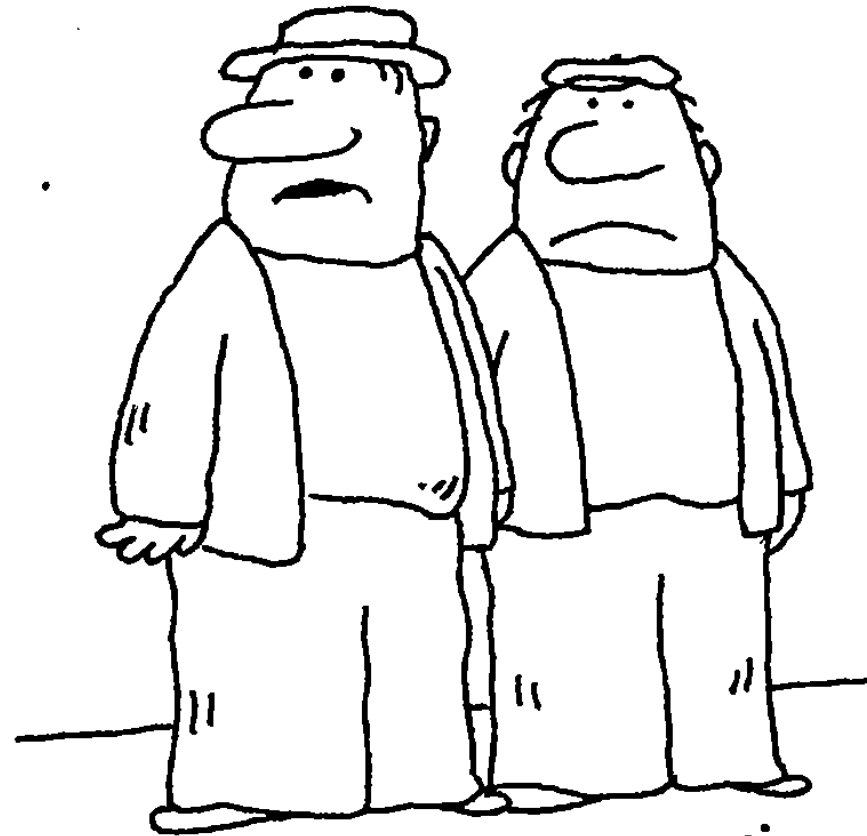


*Systemic* approach



- “Markets are institutions that exist to facilitate exchange; that is, they exist in order to reduce the cost of carrying out transactions” Ronald Coase (The Firm, the Market and the Law) and the basis for institutional economics.
- “People respond to incentives: all the rest is commentary” Steven Landsburg (The Armchair Economist)
- “I see the market as a powerful instrument for doing good – but one which has not only not lived up to its potential, but has, in the process, left some behind, and actually some worse off” Joseph Stiglitz (The Roaring Nineties)

Importance of markets



*C. Buratti*

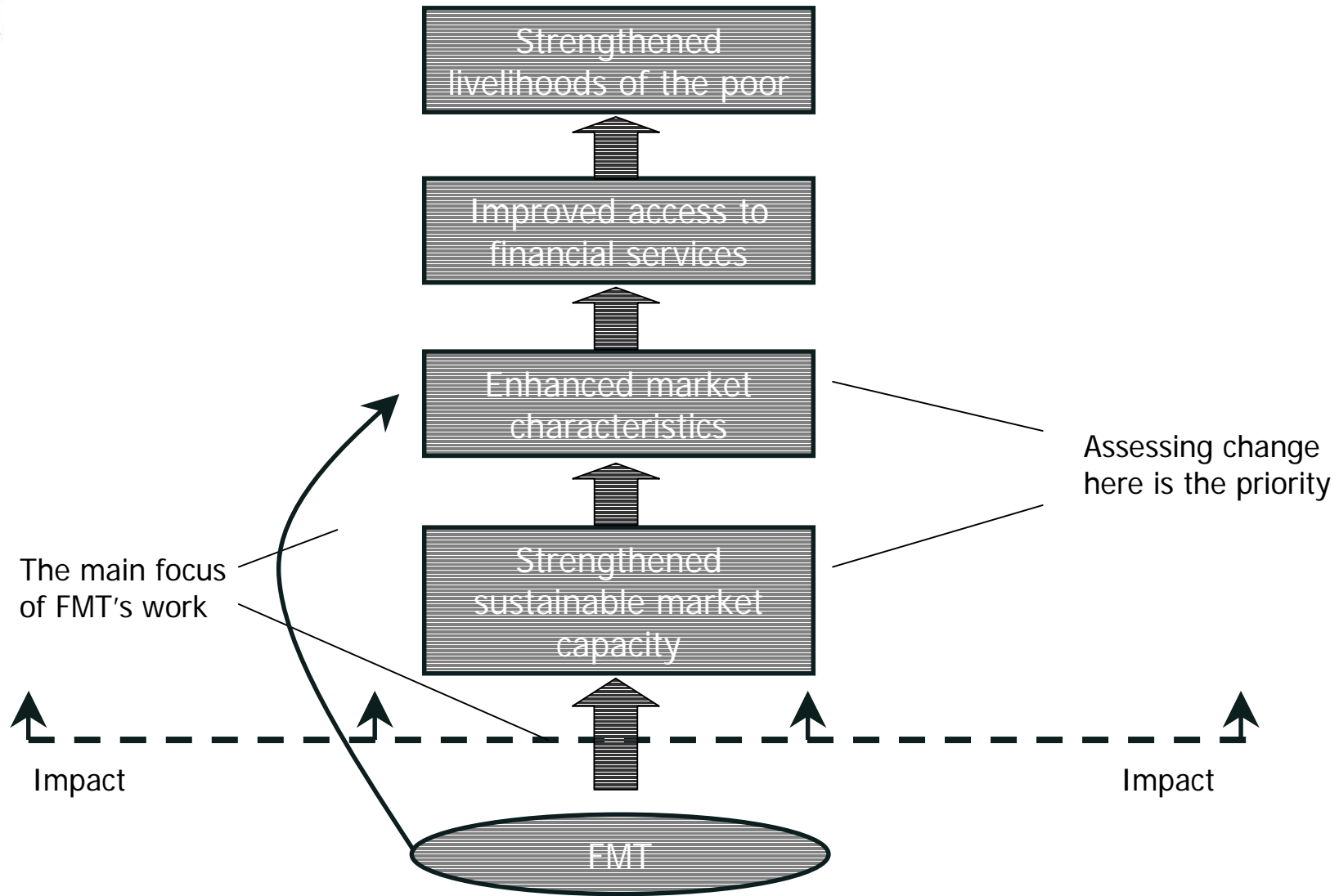
*"There, there it is again—the invisible hand of the marketplace giving us the finger."*

A well functioning 'invisible hand'?



- High transaction costs – for consumers and suppliers
- Network
  - A network enables but carries risk – systemic impact of loss of confidence
  - Affects, and affected by, exogenous factors (employment, land, telecoms, security)
- Highly regulated – efficiency, stability, consumer protection...and access?
- Dependent on information
- Formal and informal aspects – can be complementary
- “Thick” organisational structures tend to stunt innovation and lead to anti-competitive behaviour

## Characteristics of financial markets



# Logic model



### *Enhanced market characteristics*

Clear and appropriate policy and regulatory framework

Effective competition between suppliers

Diversity of sustainable suppliers

Innovation in products and services

Adequate credible information available to market players

Appropriate knowledge based services to same players

### *Strengthened market capacity*

Motivations – do they know about it and want to do it?

Know-how – do they have the know-how/know-who?

Resources – can it be financed?

Measuring impact in terms of  
MFMW4P



	PRICE	ACCESS- IBILITY	PRODUCT FEATURES	SERVICE	VALUES	NETT
Mattress	+	+	-	0	0	+
Bank account	--	-	+	-	?	---

Bank accounts do not necessarily have a stronger value proposition at present

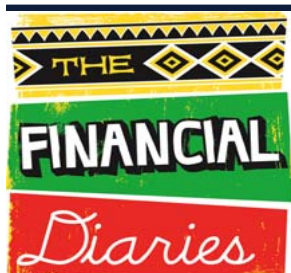
Value proposition – the mattress vs the bank account



The case of Tembisa, Mzwamadoda and their two daughters in Lugangeni (E Cape) – between them, they have 4 burial societies and 3 funeral plans. They would each get R50,100 for the funeral from all of the plans and, for their daughters, R33,600 would be paid out. Are they over-covered? And which scheme providers best value?

<i>Instrument</i>	<i>Member</i>	<i>Monthly premium</i>	<i>Expected payout</i>	<i>Cover per rand contributed</i>
Burial society	Tembisa	R60	R5,000	R242
Burial society	Mzwamadoda	<b>R100</b>	<b>R10,000</b>	<b>R100</b>
Funeral plan (with a bank)	Tembisa	R30	R6,000	R800
Funeral plan (with a bank)	Tembisa	<b>R38</b>	<b>R15,000</b>	<b>R1,263</b>

[www.financialdiaries.com](http://www.financialdiaries.com)



# Value for money in insurance



## FinScope

Implementation  
Survey management  
Dissemination  
Basic data analysis

## Information-based tools

Financial Inclusion Tools  
Complementary  
supply side analysis  
Policy Lens  
Visioning  
Access frontier  
Access Charters  
Market insights  
(downscaling)

## “Policy centre”

Research  
Dialogue  
Forums  
Innovation support  
Grant funded  
capacity support

Continuum – dependence on  
information



- Investment in landscaping research
  - FinScope...but others too
  - Co-financing increase take-up
- Financial Sector Charter – defining access
  - Working through signatories to the Charter
- Insurance
  - Contributing to mindset change
  - Effort in understanding business model
- Botswana
  - Attaching a market problem to a specific market situation – informed opportunism
- Forums

Case studies of intervention

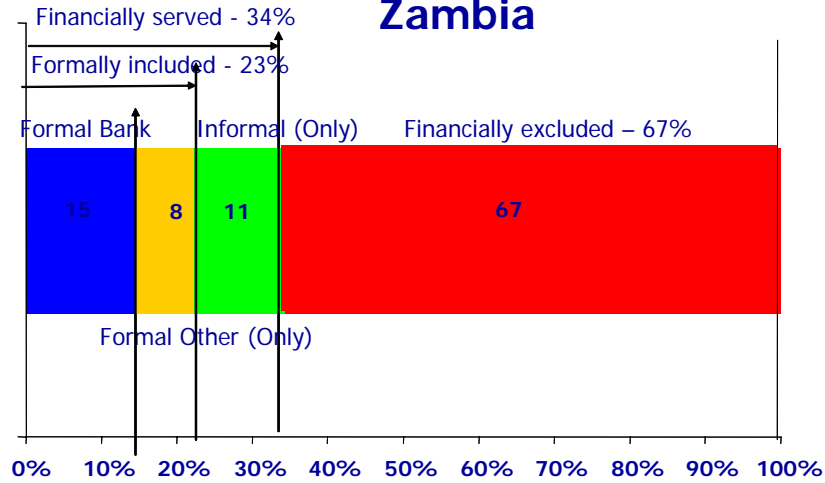


- Legitimacy
  - Local ownership
  - Consistency with the vision of the future
  - Independence and credibility
- Catalysing not implementing
  - Follow energy
  - Build motivation
- Clear and imaginative presentation
  - “they make it real for audiences”
- Cutting edge
- Efficiency and reliability

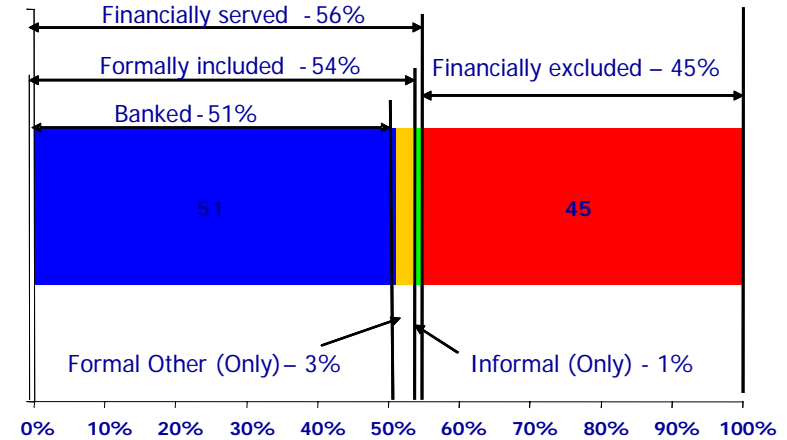
Critical success factors



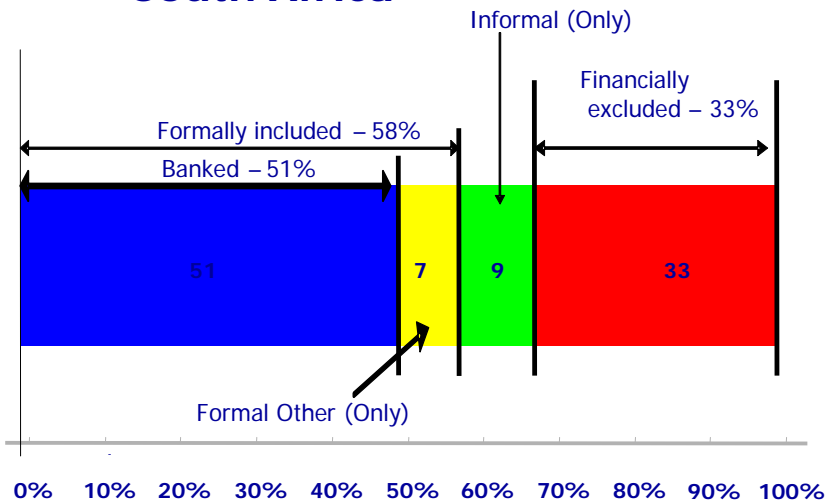
### Zambia



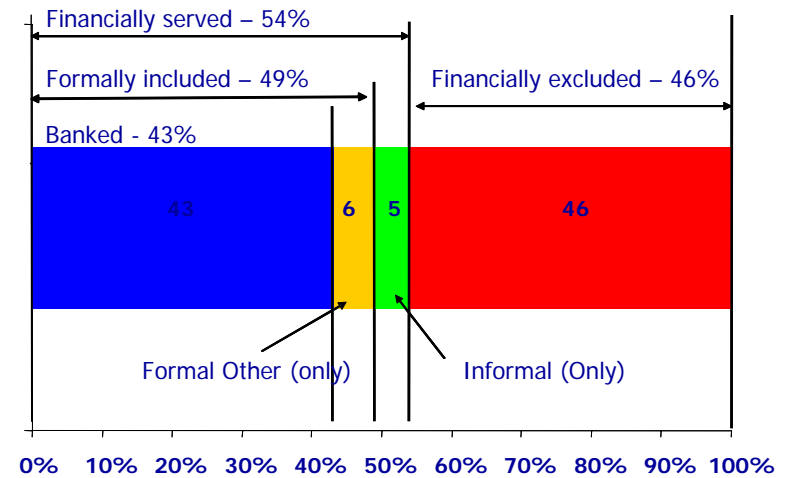
### Namibia



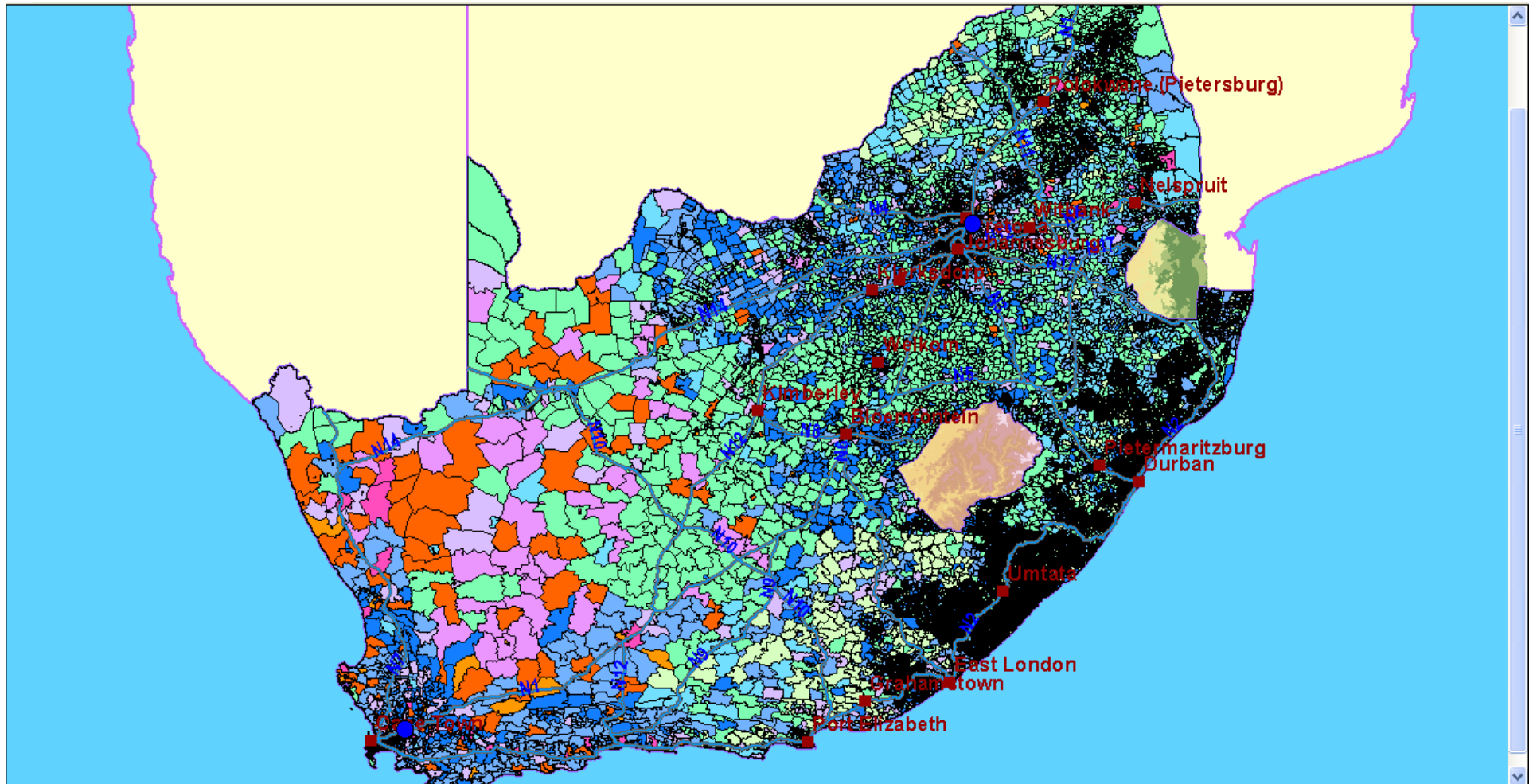
### South Africa



### Botswana



# Access strands - comparative data



FSM population mapped by Census  
area boundaries



- Not yet at “tipping point” in aspects on SA work
  - Insurance – focus on short term and on contractual savings
  - Consumer Financial Empowerment
- “Rest of Africa” orientation

What next?



- Extremely poor levels of access outside southern Africa and significant market obstacles
- Complement existing financial sector development initiatives in Africa
  - More positive macro fundamentals
- Growing consensus around:
  - Importance of A2F and the role of private sector
  - Need for range of financial services, not just credit
  - The need for baseline data on the demand side
    - UNDP's Blue Book: calls for an "assessment of the current state of financial sector development"
  - The language of "building inclusive financial markets" (CGAP, WB, UNDP)
- Technology offers possibility of rapid expansion of formal sector into underserved segments

Rest of Africa – why, and why  
now?



- Not yet at “tipping point” in aspects on SA work
  - Insurance – focus on short term and on contractual savings
  - Consumer Financial Empowerment
- “Rest of Africa” orientation
  - BNLS
  - FinScope surveys – the “Trojan horse”
  - Seed-funding M4P initiatives outside SA
- Inform international research and advocacy
  - Microinsurance (IAIS/CGAP microinsurance working group)
  - Defining inclusivity

What next?



Thank you

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