

# Rolling out innovative channel distribution financial services to rural clients by Advans Savings and Loans in Ghana

## 1. DEVELOPMENT RELEVANCE

### Economic and poverty context

Ghana's economic freedom score is 59.4, making its economy the 104th freest in the 2020 index. Ghana is ranked 11th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and slightly below the world average (Heritage.org, 2020). Ghana's economy continued to expand in 2019, as the first quarter gross domestic product (GDP) growth was estimated at 6.7%. Inflation has been steadily fluctuating in single digits around 9% in 2019, having recovered from the erratic highs and lows of the late 1970s and early 1980s. However, unemployment still remains higher than the regional average level. The government continued with its fiscal consolidation efforts in 2019, even though, there were still challenges in meeting the revenue targets.

Table 1 <sup>i</sup> : Population and economic indicators	
Population in million (2018)	29,767,108
GDP growth (2018)	6.3 %
Inflation (2018)	9.8 %
Trade balance (% of GDP) (2018)	-1.1 %
Foreign direct investment (net) (% of GDP) (2018)	4.6%
Net ODA received (% of GNI) (2017)	2.2 %
Remittances received (% of GDP) (2018)	5.8%
Economic Freedom Index <sup>ii</sup> (Rank among 186 countries) (2019)	109
Poverty indicators	
GDP per capita (USD) (2018)	2,202.3
Gini Index (0= equality 100= inequality) (2016)	43.5
International poverty rate (2016; at 1.90 USD/day)	13.3 %
National poverty rate (2016)	23.4 %
National rural poverty headcount rate (2012)	37.9 %

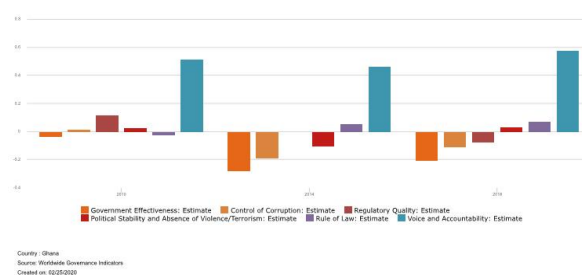
### Financial sector context

According to the World Bank report "Fourth Ghana Economic Update: Enhancing Financial Inclusion 2019", Ghana can achieve universal financial access across all its regions and key demographics through innovative technologies. The report commends the government's swift response in addressing the vulnerabilities in the financial sector, but adds that additional efforts will be required from both the public, as well as the private sector in 2019. To this end, domestic revenue mobilization has been identified as key to fiscal sustainability in the medium-term. According to the 2019 Global Microscope on the Microfinance Business Environment report, in Ghana, 40% of received payments from the sale of agricultural products are received via bank or mobile account. About 39% of Ghanaians have mobile money accounts and domestic remittances account for ca.70% of financial flows. As a result, the Ghanaian financial sector is rated above the global average in the World Bank Country Policy and Institutional Assessment Financial Sector Rating.

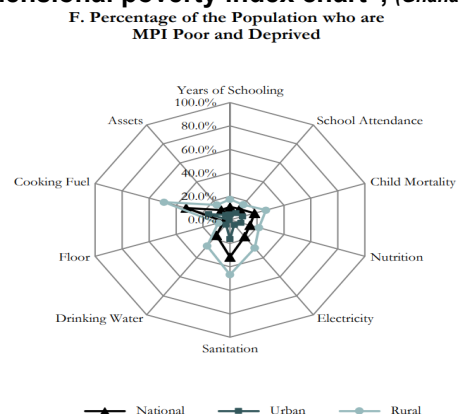
### Partner financial institution/s

Advans Ghana is one of the top ten savings and loans companies in Ghana and is backed by several well-known international development finance institutions, including IFC and KfW. The Institution serves four different segments of clients: (1) Urban Micro Entrepreneurs, (2) SME's, (3) Rural & Agriculture, and (4) Retail, offering micro and SME loans, small group lending products, deposits, prestige banking services for its SME clients, field deposit collection for small shop keepers, mobile banking, salary loans, auto loans, international

Governance indicators chart<sup>iii</sup>, (Ghana, 2017)



Multidimensional poverty index chart<sup>iv</sup>, (Ghana, 2017)



money-transfers and education finance. The institution’s vision is to contribute to strengthening local businesses, creating and sustaining jobs and improving clients’ living standards in order to foster private sector-led economic and social development in Ghana. Its mission is to respond to the need for financial services of MSMEs and other populations who have ill-adapted, limited or no access to formal financial services through providing tailored financial services in a sustainable and responsible manner.

**Photo of the branch network map**

Advans Ghana network branches includes 20 points of sale.

**Top rural towns coverage**



- Greater Accra**  
Nsawam
- Central Region**  
Kasoa, Mankessim
- Ashanti Region**  
Konongo, Agogo, Bekwai, Effiduase, Nkawie
- Eastern Region**  
Somanya, Suhum, New Tafo, Begoro, Asesewa, Nkurakan
- Volta Region**  
Kpando, Kpeve, Peki, Juapong
- Northern Region**  
Tamale, Brong-Ahafo, Sunyani, Techiman, Suhum, Nsawam
- Central Region**  
Kasoa, Mankessim
- Ashanti Region**  
Konongo, Agogo, Bekwai, Effiduase, Nkawie
- Eastern Region**  
Somanya, Suhum, New Tafo, Begoro, Asesewa, Nkurakan
- Volta Region**  
Kpando, Kpeve, Peki, Juapong

**2. INTERVENTION APPROACH**

**Capacity building needs**

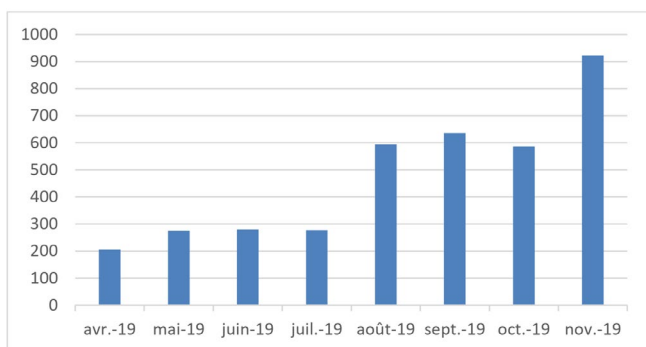
As the rural / agri segment is often seen as risky and costly to cater for, Advans Ghana takes a gradual approach to rural expansion. In 2015, it carried out market studies with 103 non farmer MSMEs in two rural regions, so as to better understand their activities, evaluate their specific financial needs and their interest in gaining access to different financial services. The studies found that if many clients were served by rural banks in these areas, they were not necessarily satisfied with the services and there was a lack of a comprehensive dedicated offer.

**Main activity areas (goals, targets, resources and time frame) and outputs**

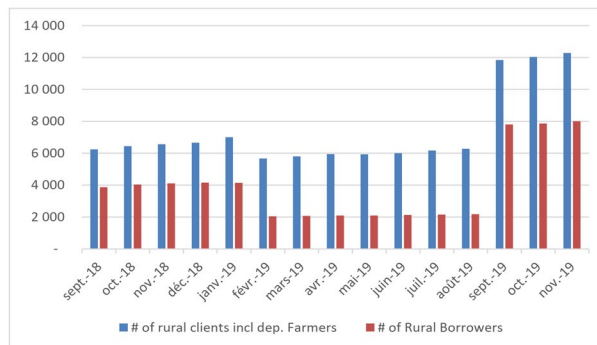
The objective of the project was to support the PFI to expand further in rural areas through the improvement of its alternative delivery channels (ADC). For this, an evaluation of an ADC pilot was previously rolled-out by Advans Ghana and aimed at assessing the performance of the existing four delivery channels in rural areas (Mobibank, Field Tellers, Agri Value Chain partnerships, branches) and to propose an improvement plan. The TA actually assisted the PFI to roll-out the short-term recommendations: optimize the education role and the proximity of rural field staff; optimize the zoning of rural outlets and improve the mobile banking channel’s (MobiBank) technical performance and promotion (for a better adoption among staff and end-clients and a strategic leverage for deposit mobilization). On the other hand, the assessment of value chain partnerships revealed that one of the agri-value chain partnership was offering good perspectives and should be pursued, whereas the other scheme should be either improved (with an input loan offer) or abandoned.

In fact, the PFI has a good opportunity to replicate the loan partnership in the cocoa sector with other partners and potentially in other value chains (such as maize), taking into account recommendations on loan process improvements. Due to poor technical support from its service provider, the PFI has not been able to widely extend the adoption of the service. Consequently, some actions related to the scale up of Mobibank were postponed. Nevertheless, the PFI was able to optimize the technical performance of the service internally, and to design and launch a tender process to shortlist new technical service providers. The replacement of the current provider was approved by the Board in Q3 2019 for an implementation by the end of 2020. 24 staff were trained on the newly redefined field staff roles. No additional funders contributed to the TA.

Total number of Mobibank active users in RMBO portfolio



Evolution of rural clients and rural borrowers



### 3. RESULTS ACHIEVED AND NOT ACHIEVED

#### Client level

##### Client satisfaction

- Optimization of the rural field teller function and roll out of a Rural Mobile Banking Officer (RMBO) function.

In order to ensure a better coverage of the rural clients by Advans Ghana’s workforce, it was deemed necessary to reorganize the roles and responsibilities of the existing rural workforce. Rural field tellers’ function has been fundamentally reoriented, from a “cash collector” to an Advans officer serving and advising clients at their business places, including education on mobile banking. The name of the position has therefore been modified from “rural field teller” to Rural Mobile Banking Officer or RMBO. The consultant facilitated an RMBO training attended by 24 employees who were previously Field Tellers, focusing on: their role, the context of the change, Advans’ products and services, the bonus scheme and the performance assessment. The new role of RMBO has been effective since August 2019.

- Improvement of Mobibank’s technical performance and promotion among staff and clients

The TA worked on the improvement of the current mobile banking solution and on the preparation of the service provider change (for 2020). The number of active Mobibank users among the clients supervised by RMBOs kept on growing since the launch of the new organization, despite external technical issues. It has been multiplied by almost five since the introduction of the Mobibank component in RMBOs’ bonus. The decrease in October 2019 can be explained by a technical issue caused by the leading mobile money provider.

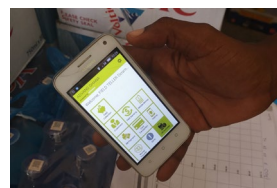
It is interesting to note that deposits through Mobibank were progressively replacing deposits through E-cash which corresponds to the targeted strategy, with however a declining trend that would need to be further explored.

- Client outreach:

The project’s objective to reach 9’000 rural clients by the end of 2019 has been achieved, as well as the objective of 3’300 borrowers. As of end November 2019, Advans Ghana was giving access to loans / input on credit to more than 8’000 clients. The evolution in the number of borrowers is explained by seasonal activities linked to cocoa input finance.



Auntie Esta, client of Advans Ghana owns a grocery shop and was re-trained on how to use Mobibank. Photo credit by SASD



A Field Teller using the mobile application to collect a client’s deposit. Photo credit by SASD

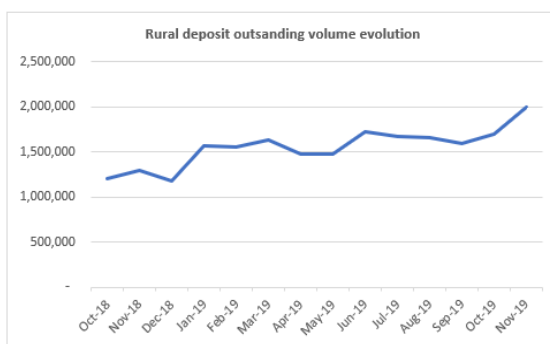
- *Development of value chain activities:*

Based on the consultants’ recommendations, the partnership with one of the value chain partners, Nyonkopa, has been improved and developed. Advans Ghana and Nyonkopa successfully launched the 2019 input loan campaign.

- Input loan procedures have been improved.
- The number of beneficiary farmers and purchasing clerks increased from ca. 3’000 in 2018 to ca. 5’500 in the 2019 campaign, thanks to an increased interest of farmers after the 2018 pilot.

**Partner financial institution level**

<b>Savings</b>		As of 31. 12. 2019
Number of active savers		66,700
Volume of savings		CHF 7.6 mn
Avg. savings per saver		CHF 115
<b>Credit</b>		
	Number of active borrowers	16,170 (44% women, 44% men, 12% legal entities)
	Gross loan portfolio	CHF 23.1mn
	Main products	Micro-enterprise loans (83%), SME loans (13%), Education loans (2%), other loans (2%)
Average size	Average loan balance	CHF 1,437
<b>Loan to deposit ratio</b>		302.30%
<b>Profitability/Self-sufficiency</b>		
	Operational self sufficiency	119.60%
	Net interest margin	44%
<b>Efficiency &amp; Productivity</b>	# borrowers/employee	24
Portfolio Quality	PAR30	3.60%



Based on the assessment report issued on Dec 2018 by Horus, stable rural deposits have tripled during the last two years from 2018. Despite this significant growth, deposit level remains limited in rural areas. The main reason for this is that clients are more used to traditional delivery channels, like susu collection, proposed by competitors. Especially, it is reported that Advans Ghana’s clients say they would save more with Advans if the MFI would have a physical presence in their town. Physical presence creates trust in the institution and makes people more confident of the fact that they can access their money whenever they need it. In addition, the actual saving potential in rural areas seemed quite limited.

Advans has been able to grow quickly in rural areas thanks to its very attractive loan offer. The main advantages clients perceive are: being able to access a loan without prior savings, the speed at which the loan is disbursed and the very good customer service they receive. As a result, almost all clients refer Advans without any incentive to do so.

**4. LESSONS LEARNT**

- **Project stewardship**

The intervention was designed in close collaboration with the MFI which created a quick ownership. The project was championed by top management who was actively involved during the implementation and this commitment was successfully cascaded down to field staff. Staff was involved in understanding issues and felt empowered because they could participate in some of the solutions. A certain level of communication was maintained between the different stakeholders inside the MFI.

The fact that the selected consultant from Horus Development Finance has a deep knowledge of Advans and that the experts worked meticulously, it contributed to a timely completion of the intervention despite of unexpected issues. Last but not least, site visits performed by SASD (attending assessment report workshop with top management, participating in clients’ visits, etc.) have proven to be helpful to really understand the project, monitor and support Horus where and when needed over time.

- **Technical challenges**

The short-term objective of Advans is to position Mobibank as the main channel for transactions (deposit / repayment, withdrawal). The main challenge was linked to the incapacity of the mobile banking (Mobibank) technical provider to solve problems that hampered the scale up of the solution. It led the MFI to take procedures to replace them. Additionally, the MFI was planning to start a core banking system migration, resulting in postponing some activities which also impacted the alternative delivery channels (ADC) plans.

Since Mobibank was perceived as a “weak” solution, the approach to understand its inefficiency (technical aspects and non-technical aspects) were instrumental. Beyond the technical aspects, the MFI understood that there was an internal resistance to use the tool because it was conflicting with field staff objectives (and perspectives for commissions). Putting in place the right roles, organization and staff, incentives actually increased Mobibank usage and the adoption grew during the project.

- **Strengthening agri value chain partnerships**

For the alternative delivery channels, when working with partners, it is key that the MFI selects value chain partners who have direct links with farmers (as opposed to working with intermediaries only). The MFI learnt that supporting partner in its field organization, by providing follow up tools and sharing MFI's process, would have been helpful to strengthen the partnership. However, it also requests a strong partner and additional grant to implement the delivery channels chosen at large scale.

***Overall, Advans Ghana's CEO was satisfied with the end results of the intervention and intended to actually re-use the project to improve the organisation of the urban Field Tellers and to improve the usage of the Mobibank solution in urban areas as well.***

**Critical success factors:**

- As often observed, the involvement of top management was key to the success of the project. The experts really felt supported by staff and top management. More so, the project duration was adequate although a time extension and additional funding would have allowed to implement the plan to close the technical issues linked to the mobile banking tool and see it further upscaling.
- The quality of the technical service provider, especially in terms of support, is critical to ensure extension and adoption of service, not only by clients but also by staff. Mobile banking services are a key component of the strategy for the future. The institution had to take a firm decision on the next steps by putting a mitigation plan in place and changing the technical provider (even if it could come with additional costs). In the agri-value chain channel, an in-depth analysis of the market is key: understand the role of the government in supporting farmers during election campaign for example, or put forward how the MFI's unique selling proposition could enhance the farmers financial inclusion (in comparison to other offers). These have to be taken into account in the long term ADC strategy.
- The MFI onboarded and trained dedicated staff to manage the agri value chain partners (new position created).
- This project was important for the Advans Group. So that some significant resources have been engaged to develop this new approach and capitalize it for other affiliates of the Group. Even if some other projects / initiatives, led at Group level, could have impacted the rural ADC implementation (for instance the core banking system migration led at the Group level delayed the setup of some IS features).

**What should be avoided:**

- For ADC, working with partners / intermediaries who have direct contacts with end-farmers could prevent the MFI from hearing directly the voice of farmers and could lead to offering products that are not fully aligned with their needs, or does not help the MFI to directly assess farmers' satisfaction on the programme. When an MFI outsources significant steps of the loan process to the partners, the MFI shall ensure that end farmers are properly informed of the content and use of the input loan (sample presented, price and quantities of the pack), are aware of the loan agreement content and are presented the MFI as loan underwriter (vs only knowing the intermediary).

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<sup>i</sup> The World Bank Group (2018). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed 20 Feb. 2020

<sup>ii</sup> Heritage Foundation, (2020) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed 07 April 2020

<sup>iii</sup> The World Bank Group (2017). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed 20 Feb. 2020

<sup>iv</sup> Oxford Poverty and Human Development Initiative (2017). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford. [http://www.dataforall.org/dashboard/ophi/index.php/mpi/country\\_briefings](http://www.dataforall.org/dashboard/ophi/index.php/mpi/country_briefings) Accessed 20 Feb. 2020