

# Financial Inclusion for the Rural Poor Using Agent Networks



Many people in developing countries rely on risky and expensive methods of managing their assets. In this study, researchers are evaluating whether lowering the cost of accessing savings accounts through local point-of-sale enabled agents and providing financial literacy training impacts the saving and consumption patterns of cash transfer beneficiaries in rural Peru.

## Policy Issue

In developing countries, poor households often do not have access to formal financial products or utilize bank accounts to save for the future. Without a safe and secure way to save, many people rely on riskier and more expensive methods of managing their assets. Increasingly, government-to-person cash transfer programs are addressing this issue by providing beneficiaries with formal savings accounts through which they disburse the cash transfers. In Peru, evidence from one such program suggests that very few beneficiaries use their accounts to save, preferring instead to withdraw the entire cash transfer immediately after it is made. Beneficiaries may prefer to withdraw their funds all at once due to the time and cost required to travel to a bank branch or ATM to access their account, especially in rural areas where there is limited banking infrastructure.

Would reducing the cost of accessing formal bank accounts lead beneficiaries to use their accounts to save more of their cash transfers or change their spending patterns? This evaluation explores how the introduction of branchless banking affects the costs of accessing cash transfers and how beneficiaries respond to reduced transaction costs.

## Evaluation Context

The Peruvian Ministry of Development and Social Inclusion operates a conditional cash transfer program called JUNTOS. The program provides a bi-monthly transfer of 200 Peruvian soles, approximately US\$70, to 660,000 impoverished female heads of households who are either pregnant or have children under 19 years of age. The transfers are conditional on households providing access to education, nutrition, and health services for their children. The state bank, Banco de la Nación, opens a savings account for all JUNTOS beneficiaries. While 67 percent of users collect payments through these accounts (as opposed to delivery via armored transport), only 18 percent of users have a bank branch in their district. As a result, most users must collect their payments from a branch in a



### RESEARCHERS

Alberto Chong, Sebastian Galiani, Paul Gertler

### COUNTRY

Peru

### PARTNERS

Banco de la Nación, Instituto de Estudios Peruanos, Peruvian Ministry of Development and Social Inclusion

### PROGRAM AREAS

Financial Inclusion, Financial Services for the Poor

### TOPICS

Cash Transfers, Digital Finance, Financial Capability, Information & Communications Technology (ICT), Payments, Savings, Technology Adoption

### TIMELINE

2013-2015

neighboring district.

Preliminary analysis of government data suggests that users commute on average over five hours and spend 10 percent of their payment on transportation to receive their transfer. Facing such steep costs, most users limit the number of trips they make to a bank branch and withdraw their payments all at once when they do make the trip. Transportation costs are often raised on payment days and markets with an abundance of temptation goods are typically organized around bank branches, leading to a large amount of the transfer to be spent on the day of payment. This pattern of infrequent and relatively large withdrawals may make it difficult for many beneficiaries to use their JUNTOS accounts to save, even if they wish to do so. In an initial survey, 31 percent of JUNTOS beneficiaries report having some type of monetary savings, but only one percent of beneficiaries do so through their JUNTOS account.

## Details of the Intervention

Researchers are conducting a randomized evaluation to explore the impact of allowing JUNTOS beneficiaries to collect their payments through branchless banking agents. In the branchless banking system, local bank agents, typically shopkeepers, serve as deposit and withdrawal points for account holders to access their funds with debit cards. The agent based network will allow the national bank to increase the number of withdrawal points for JUNTOS users, reducing transportation costs and potentially giving users a greater degree of access to their accounts. If this is the case, users may begin to use their account to save more of their JUNTOS payments, making smaller and more frequent withdrawals.

In order to evaluate the effect of branchless banking, a sample of 60 sub-regional districts, each with approximately 300 JUNTOS beneficiaries, will be randomly assigned to one of three groups. In the first group, branchless banking agents will be established in each district, allowing beneficiaries to access and withdraw funds from their JUNTOS accounts. In the second group, branchless banking agents will be introduced and users will also receive basic financial literacy education and training on accessing their accounts through branchless banking agents. The third group will serve as a comparison group, where branchless banking agents will be introduced only after the twelve-month evaluation period. One year after banking agents are introduced, the researchers will collect information on savings and consumption behavior from household surveys. The study will also incorporate administrative account usage data from Banco de la Nación and the JUNTOS program to examine how beneficiaries use their accounts when they can access them through branchless banking agents.

## Results and Policy Lessons

Results forthcoming.

---

### GLOBAL HEADQUARTERS

101 Whitney Avenue  
New Haven, CT 06510 USA  
+1 203.772.2216 | [contact@poverty-action.org](mailto:contact@poverty-action.org)

**poverty-action.org**