EXPANDING BANKING SERVICES BEYOND TRADITIONAL BRANCHES CAN BE A COST EFFECTIVE WAY TO MAKE FINANCIAL SERVICES WIDELY AVAILABLE
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Banks and other financial institutions are partnering with retailers, post offices, and other agents to provide financial services. Governments can create incentives and accelerate the development of agent networks and better uptake of financial services by distributing salary, welfare and social payments through agents. Not only is this easier, cheaper, and faster for all, but it provides volume to help build the network and to enable low-cost models.

There are a growing number of examples. Brazil's vast network of 120,000 "banking correspondent" outlets provides financial services in all of the nation's 5,600 municipalities. Before the regulatory change allowing correspondents, one-quarter of these municipalities did not have a bank branch or formal financial service institution. Today, nearly all government social support payments under the Bolsa Familia program to 13.8 million poor families are cashed out via correspondents or deposited into a bank account, reducing administrative costs from 14.7% to 2.4% of total payment value.

In Colombia, the Banca de las Oportunidades (BdO) helped incentivize development of agent networks. Now, 99% of the country's municipalities have access to financial services. Beneficiaries receiving government Familias en Acción social payments are able to collect their money more easily and closer to where they live. The agent networks are creating a platform for more services. A new law Pague Facil- Pagado Digital (Pay Easily - Pay Digitally) has been proposed to bring transactional services to more people. It is expected to reduce costs to government and recipients by making it possible to deposit government subsidies directly into electronic wallets.

In this and other ways, government-to-person (G2P) payments to bank accounts can be the first step to formal financial inclusion. The South African government makes payments to 14 million individuals each year, one third of whom have opted to receive their payments directly into a bank account. This has been a key motivator in the uptake of formal financial services. As agent networks spread in these and many other countries, the next step is development of additional financial services and products beyond payments to meet clients' financial needs.