



INTENSE INFORMATION CAMPAIGN INCREASES MICROFINANCE OUTREACH IN RURAL MALAWI

BY GEETHA NAGARAJAN, IRIS Center

- ▲ Intense Information Campaign
Increases Breadth and Depth of
Outreach
- ▲ Short Duration Intense Marketing
Campaign is Effective
- ▲ Intense Information Campaign
Produces Demonstration Effects

“AT THE BEGINNING, IT WAS SO DIFFICULT TO EXPLAIN about OIBM to someone who doesn’t even know what a bank is,” said a Field Based Promotional Assistant (FBPA) hired for intense information campaign. “It’s hardest to convince those who are illiterate—even those with money—because it’s a new method of saving for them. They simply don’t know about banking and thought it will rob their cash,” said another FBPA. But as the months rolled by, continual visits by FBPA’s to the villages with information appeared to pay off in gaining their trust. “Now, it’s not difficult at all. The bank is well known, and more and more people are interested in joining” said a FBPA.

Beginning August 2007, the Opportunity International Bank of Malawi (OIBM), a savings led institution, started servicing rural central Malawi with a mobile bank. The bank on wheels was funded by the Bill & Melinda Gates Foundation (BMGF), and was fitted with the latest information technology mechanisms to provide rural Malawians in three districts in central Malawi - Lilongwe, Mchinji and Dedza - with increased access to financial services.

When OIBM started its mobile bank operations in August 2007, competition among financial service providers was growing and many financial institutions, including OIBM, were struggling to capture a solid market share. By December 31, 2007, the OIBM mobile van only serviced 490 clients along its six mobile van service points.

Major constraints to outreach included patchy information flows that were not consistent, resulting in out dated information and uneven knowledge distribution of the details of financial products and providers. Financial institutions, including OIBM, only used mass media through radio and town meetings for disseminating information on their services.

In order to increase its outreach and obtain a larger market share, OIBM, with the help of the IRIS Center at the University of Maryland,

developed an alternative method to the mass media marketing: an intense information campaign, akin to “personal marketing” or “relationship marketing.” This approach helped to deliver some specific information and also the information provided through the mass media to clients’ door steps.

The IRIS Center conducted a study based on a randomized control trial (RCT) design to examine the effectiveness of intense information campaign on outreach in 118 randomly selected clusters drawn from the three districts serviced by the OIBM mobile van. Among these 118 clusters, a subset of a randomly selected 59 clusters (treatment) covering about 14,750 households in 280 villages received the intense information and the mass media campaigns. The other 59 similar clusters (control), covering about 14,588 households in 325 villages, only received mass media campaign. The control clusters are similar to the treatment clusters in population and distance from trading and financial centers, but are located at least 4 km away in every direction from the treatment clusters to avoid the dissemination of the information from the treatment areas into the control areas.

The intense marketing campaign started in treatment clusters in April 2008 and lasted until December 2009. Information was disseminated through 18 field based promotional assistants (FBPA’s) placed in treatment areas that were trained and paid by OIBM. The FBPA’s used colorful fliers, posters, t-shirts and client referral cards to provide information on the time and location of the mobile van, terms and conditions of the loan and savings products, and ways to access them. Mass media campaigns only provided broad information on products and services offered at OIBM.

In order to gather data on outreach, an electronic tracking system, embedded into the regular management information systems (MIS) of OIBM, was developed to capture details of new client registrations in all of the six mobile bank calling points. Data were collected between April 2008 to May 2009 from all new clients registered by OIBM at the mobile van stops on opening date of the account, place of residence (village name, traditional authority area name, district), and gender of the account holder. In addition, IRIS also conducted a survey among



2,006 households randomly chosen from the same 118 clusters before and after the intense information campaign in order to understand the outreach of the campaign. Also, IRIS held 192 key informant interviews in the same clusters to assess the spill-over effects of OIBM intense information campaign on the outreach by other similar formal providers who compete for the same market share. Interviews were also carried out with six FBPA's to understand the process.

INTENSE MARKETING CAMPAIGN INCREASES BREADTH OF OUTREACH

The Intense information campaign increases breadth of outreach in new clients. Examination of the MIS data from a total of 1,422 new clients that joined OIBM during the 14-months of April 2008 to May 2009 shows that about two thirds (933) originated from treatment areas. OIBM reached about 6.3% of total households in treatment areas while it reached 3.3% in control areas. The average number of new clients per cluster in treatment areas (15.6) was about twice that of new clients in control areas (8.3) indicating the effectiveness of the intense marketing campaign. It is to be noted that new client registrations were roughly 150 new clients prior to the intense campaign in the study area with an average of about 30 new clients per month. By May 2009, total new clients in the study area was 1,422 with an average take up of 67 and 35 new clients per month in treatment and control areas, respectively.

The above pattern was also reflected in the data gathered from the 2,006 randomly selected households. Between 2008 and 2010, 88 individuals took up savings account with OIBM. In comparison, 177 individuals were new savers with six different formal institutions other than OIBM during the same period. While the number of new savers with OIBM was 88, it was 30, on average, with other formal financial institutions. Of the 88 new savers with OIBM, 72% came from areas where intense information campaign was conducted. Of the new borrowers with OIBM, 67% lived in areas where the intense information campaign occurred.

INTENSE INFORMATION CAMPAIGN ALSO INCREASES DEPTH OF OUTREACH

Analysis of 2,006 household survey data indicate that OIBM was able to attract four times more new female clients in intense information campaign areas than the average for other formal institutions that compete with it for the market share. In addition, four times more poor households that were below median wealth level became new clients of OIBM in intense information campaign areas relative to non-campaign areas. Women and the poor are generally under banked by formal financial institutions in rural Malawi.

An examination of MIS data showed that the intense information campaign increases new client uptake in less populated areas that are generally unbanked by formal institutions. In the most densely populated quartile and the next (third) quartile, the share of new clients from treatment areas (51%) was almost the same as that of control areas (49%). But, of the total 133 new clients that came from clusters classified as the lowest density quartile, about 85% (113) came from treatment areas. Household survey data show that twice as many new OIBM savers in treatment areas lived near OIBM service centers

with no other banking services compared to service centers with prior banking facilities.

Both survey data and MIS data show that OIBM was able to attract clients from clusters farther from OIBM service centers in intense information areas compared to control areas. In the household survey data, among new savers who lived beyond 7km, 79% came from information areas. Among the new clients in the MIS data, the majority of new clients (764 of 1,422 total; 54%) originated from clusters that are 7 km or further from OIBM calling points. Of these new clients, 68% were from treated clusters. This is especially important in rural Malawi where a lack of awareness about formal financial service providers and high transactions costs (incurred in traveling to point of service) appear to dampen outreach for many formal financial services. Intense marketing with detailed information appeared to be effective in reaching clients who are female, poor, lived in areas far from the calling points and in unbanked locations. The visual presence of the OIBM van could not attract new clients and radio messages did not reach them. The intense information campaigning is likely to increase outreach for OIBM by attracting unbanked and under-banked clients and thus help deepening its outreach in rural Malawi.

SHORT DURATION INTENSE MARKETING CAMPAIGN IS EFFECTIVE

During the peak harvest season between April 20, 2008 to May 31, 2008, when cash flow and demand for deposit services is high, of the total of 304 new clients registered in the MIS database, 254 (84%) came from areas where the intense information campaign was carried out. Intense information campaigning appeared to be especially effective as distance extended beyond 5 km radius around the OIBM mobile bank service points. During the late harvest season (June 1, 2008 to August 31, 2008) of cash crops such as corn in the study area, of the total of 818 new clients registered with OIBM, about two thirds (531) originated from areas where the intense information campaign was applied. Note that the late harvest season is a low cash flow season when savings are typically low. Marketing effectiveness was more pronounced during this season as well as the distance from OIBM service point increased.

However, during the period representing the land preparation and planting season (September 1, 2008 to December 31, 2008) when demand for loans was high, a total of 130 new clients registered with OIBM, of which 65 came from the treated areas (50%). Also, during the hungry / rainy season between (January 1, 2009 to March 31, 2009) when demand for consumption loans and withdrawal of savings are high, there was a total of 112 new clients; of these clients, 60 (54%) came from treated areas.

In the peak harvest season in 2009 (April 1 to May 15) when cash flows are high, there was a total of 58 new clients compared to 304 new clients during the same time period in 2008. A higher uptake was also noticed during this period in control areas relative to treatment areas - 23 new clients (40%) came from treated areas whereas 35 (60%) were from control areas. During the same period in 2008, new clients from treatment areas represented 84% of total new clients.

The majority (70%) of the 933 treatment area clients joined OIBM during the first 18 weeks of the study period. OIBM was able to cover about 4% of all households in the treated areas during the first 18 weeks of the peak cash flow season. This represented a significant effect in expansion of its depositor base compared to 1% in the control areas during the same period. This was especially true in areas that were far away (greater than about 5 km) from the OIBM calling points. A similar trend was also noticed among the 2,006 households surveyed for the study. The ability to attract depositors is very important for a savings led organization like OIBM. Depositors are also potential clients for other financial products, including loans and funeral insurance, that are also offered by OIBM.

INTENSE INFORMATION CAMPAIGN PRODUCES DEMONSTRATION EFFECTS

OIBM's information campaign was particularly effective in increasing the importance of information as a means to boost outreach of formal financial institutions. This was evidenced by the recent approaches used by other formal institutions to increase their outreach.

Examination of household survey data shows that OIBM's intense information campaign has also had a positive effect on the uptake of savings accounts of other formal institutions and informal agents. More than half of the 177 new savers with formal financial institutions other than OIBM lived in intense information campaign areas.

Many of the key informants interviewed in intense information areas reported that in addition to OIBM, many formal institutions have recently started visiting their villages - especially during harvest season (April - July)- to promote their savings products, and during planting season (September to November) to inform of the loan products available for farming.

Furthermore, in April 2010, we found that National Building Society (NBS) bank has started to serve some of the OIBM mobile bank service areas with a similar type of mobile bank (same color and functionalities) on days that the OIBM van does not visit and stops at a place closer to OIBM service points. They tend to use several promotional materials to inform people about their products and services similar to that of OIBM.

IMPLICATIONS FOR THE MICROFINANCE INDUSTRY

It is clear that the intense information campaign, compared to the mass media campaign, helped to increase outreach. Therefore, microfinance institutions cannot only rely on word of mouth or mass media for disseminating information to broaden their outreach, especially to the poor, female clients, and those that live far from the service points. The intense information campaign could help in such efforts where potential clients could be effectively and quickly reached within just a few weeks. OIBM confirmed that the costs of such intense information campaigns were comparable to their mass media campaigns. The considerable returns in terms of new clients and savings volume that could be achieved within a short time in this competitive environment tend to justify the costs.

But, intense information campaigns are not without challenges. Interviews with FBPA's hired to provide intense information campaign revealed that the first step in the campaign involved gaining and establishing trust with community leaders as well as the villagers and would-be clients themselves. Broadening outreach then becomes easier once such trust is created. At that stage, clear messages conveyed through financial education and marketing of products could result in larger outreach of financial institutions.

The information campaign helped OIBM in boosting its outreach. But, as shown by the study results, it could be easily replicated by competitors whose market share also could increase in due time. While the phenomenon demonstrates the importance of information as a key tool to increase outreach, it also signals the need for considerable efforts by the financial institutions to engage in constant improvements in product development, delivery, and dissemination strategies to remain competitive.

This brief is written by Geetha Nagarajan, IRIS center. The University of Maryland, College Park.

REFERENCES:

Nagarajan, Geetha and Sarah Adelman (2010). *Does Intense Marketing Increase Outreach? The Case of Opportunity International Bank in Rural Malawi.* College Park: IRIS Center, University of Maryland. Financial Services Assessment Project. www.fsassessment.umd.edu;

Sharma, Dhiraj and Geetha Nagarajan (Forthcoming: 2011). *Outreach of Rural Financial Sector in Central Malawi: Implications for Opportunity International Bank of Malawi.* College Park: IRIS Center, University of Maryland. Financial Services Assessment Project.

This study is part of the **Financial Services Assessment** project, undertaken by the IRIS Center at the University of Maryland and its partner, **Microfinance Opportunities**. The goal is to assess the impact of grants provided by the Bill and Melinda Gates Foundation to microfinance organizations for the development of innovations in financial services.

www.fsassessment.umd.edu

ABOUT THE AUTHOR

Dr. Geetha Nagarajan is Associate Director at the IRIS Center, serving as Research Director, Economist and Monitoring and Evaluation Specialist. She designed and directed this study in Malawi for the Financial Services Assessment project. Dr. Nagarajan is a highly experienced researcher, advisory assistance provider, and author of several peer reviewed publications. She has worked in 21 developing countries in Asia, Africa and Eastern Europe. Dr. Nagarajan has evaluated economic development programs, and conducted field based research to identify causes of poverty to design policy and programs to address them, especially in conflict and disaster affected environments. An expert in small and micro and small enterprise development, and rural and microfinance, she has a wide range of experience in developing, measuring, and implementing activities to ensure program effectiveness to reach the target population.

FUNDING

Financial Services Assessment is funded by a \$6 million grant from the Bill & Melinda Gates Foundation.

REPORT SERIES

This report is part of a series that will be generated by the Financial Services Assessment project. The reports are disseminated to a broad audience including microfinance institutions and practitioners, donors, commercial and private-sector partners, policymakers, and researchers.

ADDITIONAL COPIES

You may download additional copies at www.fsassessment.umd.edu.

CONTACT IRIS

IRIS Center
University of Maryland
Department of Economics
3106 Morrill Hall
College Park, MD 20742 (USA)

E-mail: info@iris.umd.edu
Phone: +1.301.405.3110
Fax: +1.301.405.3020
Web: www.iris.umd.edu

CONTACT MICROFINANCE OPPORTUNITIES

1701 K Street, NW
Suite 650
Washington, DC 20006 (USA)

E-mail: info@mfopps.org
Phone: +1.202.721.0050
Fax: +1.202.721.0010
Web: www.microfinanceopportunities.org

