

Extending banking services to underserved communities in Ecuador

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COMPANY DESCRIPTION

Banco de Guayaquil is the second largest private bank in Ecuador, with assets totaling USD 3.5 billion as of February 2014. Established in 1923, its services and products include: savings and current accounts, credit and debit cards, consumer and commercial loans, mortgages, microlending, fixed-term deposits, financial assessment and other banking operations processing services to businesses and individuals.

THE OPPORTUNITY

Facing low incomes, high transactional costs, poor financial culture, and a general distrust in banks derived from the memory of a not-so-distant major financial crisis, most Ecuadorians do not use the formal banking system to pay bills, transfer money, hold savings accounts, etc.

Banco de Guayaquil decided to size the social and business opportunity of bringing the bank to the people, instead of the other way around. Delving into alternatives to reach underserved communities with remote banking services, Banco del Barrio promoted financial inclusion through its Banco del Barrio shared value initiative and cost effectively developed a new customer base.



THE STRATEGY

Banco de Guayaquil installed service points inside of small non-banking neighborhood shops, such as mini-markets, drug stores, parlors, etc., in urban and rural areas that lacked regular banking offices.

In the Banco del Barrio model, the store owner acts as non-banking operator servicing current and new clients of the bank. As a result, clients gain convenient access to a variety of transactional banking services provided by someone who many of them are already familiar with.

- **Reconceiving Products and Markets:** Banco del Barrio changed the way bank transactions were traditionally delivered by radically reconceiving the bank office.

- **Enabling Local Cluster Development:** Banco del Barrio operators generate more traffic and business, differentiate their stores from competitors and generate commissions from banking transactions, which in turn, generate more business for the bank.

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RESULTS – VALUE FOR BUSINESS AND SOCIETY

As of March 2014, Banco del Barrio has over 3,800 affiliated establishments all over Ecuador and has gained popular acceptance given the ease to perform simple transactions in a timely and secure manner. The Inter-American Development Bank recognized Banco del Barrio as the Best Banking Project of 2010, through a “Beyond Banking” award.

Business Results

- 870% increase in Bancos del Barrio over a 5 year period
- 327% growth in Banco del Barrio transactions in a 3 year period
- 207% growth in payments of government cash transfers over a 3 year period
- 245% growth in payments of utility bills over a 3 year period
- 556% growth in deposit transactions over a 3 year period
- Over \$1 billion moved through the network during 2013
- 270,000 new saving accounts. 50% opened outside of Ecuador’s two major cities
- Reduced transaction and infrastructure costs
- As of 2014, Banco del Barrio is the third largest business channel for Banco de Guayaquil second only to online banking (35%) and ATMs (30%).
- Easier collections and lower default levels

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Social Results

- Small store owners expand their business and improve the overall commercial activity of the community, Get more value for the store and differentiation from competitors; Increased client loyalty; Store gets insured; Additional income derived from banking commissions
- Individuals, regardless of their income levels, have developed a financial culture where they are encouraged to save and pay bills on time
- \$20 US average balance of new saving accounts
- For customers, lower transaction and commuting costs, improved transactional security, flexible business hours, access to new banking services

LESSONS LEARNED, CHALLENGES AND OUTLOOK

- There is still much room to grow in the provision of ever more sophisticated financial products via Banco del Barrio. New low-cost savings account, microcredits and microinsurances are currently being deployed
- Ecuador’s largest bank has copied the Banco del Barrio model by launching the “Pichincha Mi Vecino” business initiative
- Banco del Barrio is assessing the productivity of its network, as compared with equivalent initiatives in other parts of the world