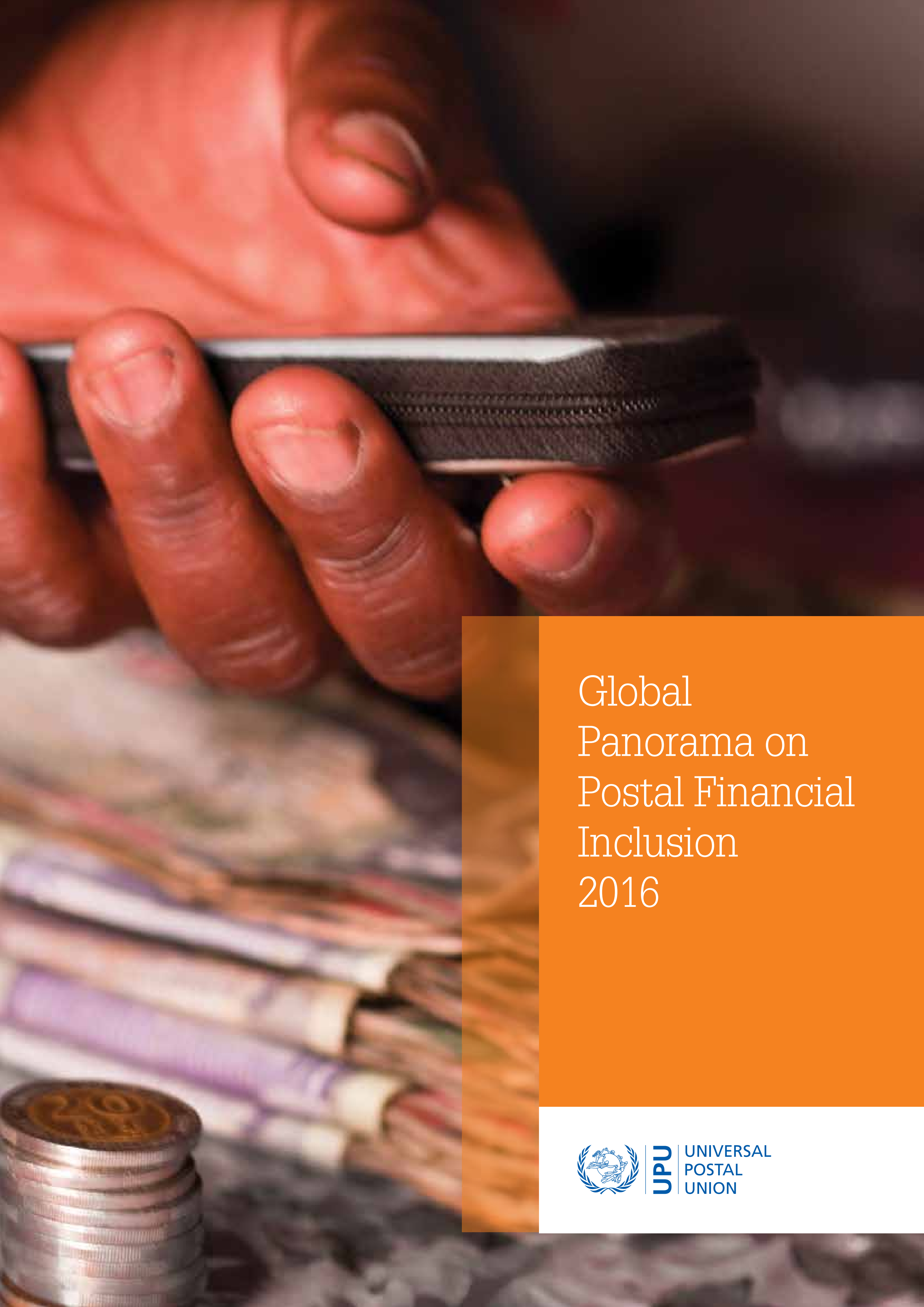


Global Panorama on Postal Financial Inclusion 2016

UPU
UNIVERSAL
POSTAL
UNION

Published by the Universal Postal Union (UPU)
Berne, Switzerland
Printed in Switzerland by the printing services of the
International Bureau of the UPU

AUTHORS: Nils Clotteau
Bsrat Measho

TITLE: Global Panorama on Postal Financial Inclusion 2016

ISBN: 978-92-95025-87-5

DESIGN:
UPU graphic arts Unit

CONTACT:
Nils Clotteau, UPU

EMAIL: nils.clotteau@upu.int
TELEPHONE: +41 31 350 35 66

The boundaries used on the maps in this publication do not imply official endorsement or acceptance by the United Nations or the UPU

Global Panorama on Postal Financial Inclusion 2016

Nils Clotteau
Bsrat Measho

AKNOWLEDGEMENTS

This report was written by Mr Nils Clotteau and Ms Bsrat Measho, from the Financial Inclusion team within the Development Cooperation Directorate of the Universal Postal Union. We would like to thank Ms Nadine Chehade and Ms Alice Negre, from the Consultative Group to Assist the Poor (CGAP), and Ms Mehrsa Baradaran, Associate Professor of Law at University of Georgia School of Law, for their time and expertise during the external peer review process. We are also very grateful to Mr José Ansón, UPU Economist, for his comments during the preparation of the questionnaire and the internal peer review as well as the UPU colleagues involved in the preparation of this book, particularly Ms Sonja Denovski and Mr Rémy Pedretti for the final layout.

We would also like to thank the 161 member countries that took the time to respond to the extensive survey. Lastly, special thanks go to the experts and representatives of postal operators that participated in conference calls and conversations over the last few years, which gave us valuable qualitative information for the case studies.

ACRONYMS

ABB	Al-Barid Bank
AML/CFT	Anti-money laundering / Combating financing of terrorism
ATM	Automated teller machine
BAM	Barid-Al-Maghrib
BCEAO	Central Bank of West African States
BHM	Banque de l'habitat du Mali
BM	Business model
B2B	Business to business
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CI/CO	Cash-in/Cash-out
CM	Cash merchant
CTT	Correios, Telégrafos e Telefones
DFS	Digital financial services
DO	Designated operator
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
FATF	Financial Action Task Force
FCFA	CFA franc
FinTech	Financial technology
GSMA	GSM Association
G2P	Government to person
IFS	International Financial System
ILO	International Labour Organization
IMF	International Monetary Fund
IT	Information technology
ITU	International Telecommunication Union
LAC	Latin America and the Caribbean
LDC	Least developed country
MENA	Middle East and North Africa
MFI	Microfinance institution
MIS	Management information system
MMO	Mobile money operator
MNO	Mobile network operator
MTO	Money transfer operator
MVNO	Mobile virtual network operator
OECD	Organization for Economic Cooperation and Development
ONP	Office National des Postes
PCK	Postal Corporation of Kenya
POS	Point of sale
P2B	Person to business
P2G	Person to government
P2P	Person to person
ROSCA	Rotating savings and credit association
SA	South Asia
SSA	Sub-Saharan Africa
SWOT	Strength – Weakness – Opportunity – Threat
UN	United Nations
USPS	United States Postal Service
SDG	Sustainable Development Goal
UPU	Universal Postal Union
WAEMU	West African Economic and Monetary Union

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Two billion people worldwide are financially excluded, i.e. have no access to formal financial services.[1] However, a growing body of evidence suggests that access to, and use of, financial services contributes to socio-economic development. As a consequence, United Nations (UN) member countries included a number of indicators related to financial inclusion in the newly adopted Sustainable Development Goals (SDGs).[2] The Universal Postal Union (UPU), as the UN specialized agency for the postal sector, is convinced that Posts can be key players in contributing to that agenda.

Why are Posts important financial inclusion players?

Since the creation of the first Postal Savings Bank in Great Britain back in 1861, postal operators have been key players in financial inclusion worldwide, in small and large countries alike. This is the case in Namibia, for example, a country with 2.2 million inhabitants where 39% of the adult population (600,000 people) has an account with the Post. The same is true for China (People's Rep.), where 43% of the adult population (490 million people) has an account with the Postal Savings Bank of China. At the global level, out of a total adult population[3] of approximately 5.4 billion people worldwide, **1.5 billion – or 28% – have access to some form of financial services (remittances, government payments, insurance, current accounts, savings, etc.) through a postal operator**.[4] Among these, **1 billion people – or 19% of the world's adults** – hold a current or savings account with a Post.

Currently, **91% of Posts worldwide (183 out of 201) provide financial services**, either directly or in partnership with other financial institutions. Recent studies reveal that **Posts are comparatively better than other financial institutions in banking segments of the population that tend to be excluded, such as women,[5] the poor, the less educated and those in the informal economy**.[6] As such, postal networks should be an integral part of discussions in which governments, policymakers and international organizations design strategies for fostering financial inclusion.

A call for action: the necessity to digitize

Our analysis has shown that, together, **Posts in 87 countries hold some 2 billion current or savings accounts on behalf of around 1 billion customers**. Thus, at the end of 2015, there were almost five times more postal accounts than mobile money accounts (411 million) worldwide.[7] However, mobile money accounts are growing at a much stronger rate than postal accounts. Indeed, in 2012, this ratio was of 20 to 1 (1.6 billion postal accounts against only 82 million mobile money accounts)![8]

Posts are therefore at a turning point: they need to adapt in order to remain relevant as providers of sustainable and inclusive financial products – in the same way they have had to adapt to the electronic substitution of mail over the last 15 years. A perfect illustration of the urgency to digitize is the Postal Corporation of Kenya (PCK), which had a 27% market share for domestic money transfers in 2006. With the market entry of various mobile network operators (MNOs) since 2008, including M-Pesa, probably the most impressive mobile money success story, this share has now shrunk to approximately 1%.[9] To be able to compete effectively, **Posts need to provide financial services at scale at minimal costs. This means that postal operators that have not fully digitized their operations have to do so urgently, or risk being completely marginalized as financial service providers.**

1 Demirguc-Kunt, Klapper, Singer & Van Oudheusden, 2015, "The Global Findex Database 2014: Measuring Financial Inclusion around the World". Policy Research Working Paper 7255, World Bank

2 In particular, one or several targets allocated to SDGs 1, 2, 5, 8, 9 and 10 make specific references to access to financial services.

3 Throughout this publication, adults refer to people aged 15 and above.

4 Ansón & Toledano, 2010, "Between Financial Inclusion and Postal Banking: Is the Survival of Posts Also There?", UPU

5 S. Rao, 2015, "Gender and Financial Inclusion Through the Post", UPU and UN Women.

6 Ansón, Berthaud, Klapper & Singer, 2013, "Financial Inclusion and the Role of the Post Office", Policy Research Working Paper 6630, World Bank

7 February 2016, "2015 State of the Industry Report – Mobile Money", GSMA

8 C. Pénicaud, 2012, "2012 State of the Industry: Results from the 2012 Global Mobile Money Adoption Survey", GSMA

9 A. Berthaud, 2012, "Kenya Case Study: the Post and the cash merchant model in an advanced mobile money environment", UPU

Key success factors for Posts to advance financial inclusion

In order to offer self-sustaining and inclusive financial services, Posts will need to rely on their natural advantages over competitors and bolster key aspects of their business. In this study, we have identified nine key factors, four of which are highlighted below, that make the Post especially well-suited to bank the world's financially excluded, but which need to be developed:

- **Complement post offices with new distribution channels to maintain competitive edge in terms of network size and density:** with 661,000 post offices worldwide – and an additional 1.4 million postmen going door-to-door daily – Posts own one of the largest physical networks in the world; yet banks and MNOs now have a larger network overall (3.2 million agents for MNOs and 928,000 branches and agents for banks), meaning that, in many countries, the postal network is no longer dominant and needs to be reinforced through partnerships or by leveraging new distribution channels.
- **Digitize both operations and products to improve the quality of customer experience and reduce costs:** first, at the operational level, Posts need to digitize their front- and back-offices, connect their post offices to an online network, and ensure that all processes are automated. Second, at the product level, paper passbooks and paper-based money orders need to be replaced by digital options that are available on multiple delivery channels, in addition to physical post offices (mobile, card, Internet, ATMs, etc.).
- **Secure government and regulators' support and willingness to use the postal network as a tool for advancing financial inclusion:** the most successful Posts in terms of financial inclusion have in common that their national public authorities are willing to leverage their network to offer financial services on a large scale.
- **Improve marketing and communication to attract and retain customers:** over the past 20 years, most Posts have transitioned from traditional postal administrations to corporations which have to balance their social impact and financial sustainability. As such, they cannot wait for customers to come to them as they once did, but need to be proactive – and even disruptive – in the way they develop and market their products, to ensure that they meet customer needs and that customers are aware they can access – and actually use – such services through their Post.

Business models for postal financial services

Posts have adopted one or a combination of five business models (BMs) to offer financial services:

- BM 1: **Cash merchant**. the Post acts as a **cash-in/cash-out agent** for one or various partners (money transfer operator (MTO), mobile money operator (MMO), government entity, utility company, financial institution, etc.).
- BM 2: **Proprietary domestic and cross-border payments**. The Post operates its own domestic payments and international remittance services (for the latter, in partnership with other Posts).
- BM 3: **Partnership with a financial services provider**. The Post partners with a financial services provider, such as a bank, an insurance company, an MNO, or a microfinance institution (MFI) to offer the financial services of that partner.
- BM 4: **Postal savings bank**. The Post offers its own insurance and/or account-based services (savings or current accounts), under a regulatory framework that is specific to the Post.
- BM 5: **Full-fledged postal bank**. The Post offers its own insurance and/or account-based services (savings or current accounts), but with a licence from the financial regulatory/supervisory authority.

Financial inclusion capacity index

Using data provided by 161 postal operators, we have established a financial inclusion capacity index, which illustrates postal operators' potential to advance financial inclusion in their country. This index combines several factors, such as the density and level of connectivity of the postal network, staff capacity, level of automation of operations, security and cash logistics, and the legal framework.

Based on this index, we have identified countries where the financial inclusion rate is low and where the postal operator has a strong capacity. To mention but a few, Burundi, Burkina Faso, Senegal, Benin, Armenia, Moldova, Comoros, Malawi, Togo, Kyrgyzstan, Tunisia, Indonesia, Morocco and Belarus all stand out as countries where there is a strong potential for Posts to advance financial inclusion.

The realization of this potential depends on each Post's willingness to take the necessary steps to compete in this crucial market and on its government's support in this endeavour. The index can be used as a guide to help each postal operator compare its capacity with that of Posts in its region or of countries with similar development levels. It could also constitute a tool for governments and policymakers to realize if, and how, they can use the Post to advance financial inclusion in their country.

GLOBAL PANORAMA ON POSTAL FINANCIAL INCLUSION: an introduction

Out of a total adult population of approximately 5.4 billion worldwide, 1.5 billion – or 28% – have access to some form of financial services (remittances, government payments, insurance, current accounts, savings, etc.) through a postal operator.[10] Currently, 91% of Posts worldwide provide financial services, either directly or in partnership with other financial institutions. Furthermore, recent studies have shown that Posts are comparatively better than other financial institutions at banking segments of the population that tend to be more excluded, such as women,[11] the poor, the less educated and those in the informal economy.[12] Posts are thus key financial inclusion players at the global level and postal networks should therefore be an integral part of discussions when governments, policymakers and international organizations design strategies for fostering financial inclusion.

This second edition of the Global Panorama on Postal Financial Inclusion has a very broad audience. It targets specifically postal stakeholders (governments, postal operators, regulators), for which detailed information is presented, but also all parties interested in financial inclusion (international organizations, policymakers, donors, etc.), underlining how postal networks can play a valuable role in combating financial exclusion.

METHODOLOGY

This study, the Global Panorama on Postal Financial Inclusion 2016, follows a set of activities initiated in 2011. Back then, with support from the Bill & Melinda Gates Foundation, the UPU launched a research initiative to better identify the contribution of Posts to financial inclusion worldwide. One of the outcomes of this work was the first Global Panorama, which was initially presented at the UPU Congress in Doha in 2012, before being officially published in 2013.[13] At the time, this was the first comprehensive study on the contribution of Posts to financial inclusion worldwide. In the light of the evolution of the financial inclusion world in general, and the identification of financial inclusion as a priority area for the UPU, we decided to update this publication, in conjunction with the 2016 UPU Congress in Istanbul.

Data for this study was gathered by various means:

- A detailed questionnaire[14] was sent to all UPU designated operators (DOs) and was answered by 161 of them from all around the world (see figure 1). It contained 82 questions on topics such as regulatory framework, staff training, network, operations, cash management, partnerships, products offered, business models, revenues, etc. We also took into account the latest UPU statistics available for topics such as the size of the network, the connectivity, and the profitability of Posts.[15]
- Desk research was conducted on 201 DOs from the UPU's 192 member countries.[16]
- Interviews were conducted with a number of postal financial services stakeholders, with experts, managers in charge of financial service units, and CEOs of postal operators.

To facilitate comparisons with the previous Global Panorama, the structure of the current report is almost identical to that of the 2013 version, with the first part presenting a summary of postal operators' contribution to financial inclusion, the second part focusing on the various business models, the third part analyzing the key success factors in advancing financial inclusion, and the fourth and final part establishing a global financial inclusion capacity index and providing comparisons at the regional level.

It should be mentioned here that throughout this publication, "Post" and "postal operator" refer to postal companies (DOs), while "post office" designates a physical branch, which can be operated directly by a Post or an agent.

10 Ansón & Toledano, 2010, "Between Financial Inclusion and Postal Banking: Is the Survival of Posts Also There?", UPU

11 S. Rao, 2015, "Gender and Financial Inclusion Through the Post", UPU and UN Women

12 Ansón, Berthaud, Klapper & Singer, 2013, "Financial Inclusion and the Role of the Post Office", World Bank, Policy Research Working Paper 6630

13 Berthaud & Davico, 2013, "Global panorama on financial inclusion: key issues and business models", UPU (http://www.upu.int/fileadmin/documentsFiles/activities/financialInclusion/globalPanorama PostalFinancialInclusionFullEn.pdf)

14 In the rest of this study, this questionnaire will be referred to as "2015 postal financial inclusion questionnaire".

15 2015, "Postal Statistics 2014", UPU

16 Designated operators refer to postal operators that are officially designated by their government to provide a number of postal services and ensure the implementation at national level of various international treaty obligations referring to postal affairs. DOs can be State-owned institutions, or private entities. Countries can designate one or more DOs on their territory. Bosnia and Herzegovina, for example, has three.

Figure 1 – **PARTICIPANTS IN THE 2015 POSTAL FINANCIAL INCLUSION SURVEY**

FINANCIAL INCLUSION: AN OVERVIEW

In this report, financial inclusion is defined as the process by which people and enterprises excluded from the formal financial system are provided with access thereto. According to the latest Global Findex data,[17] over 2 billion adults (or 38% of the world's adult population) were excluded from the financial system in 2014. Even though progress has been made since 2011, when the World Bank estimated that 49% of the world's adult population had no access to formal financial services, there is still much room for improvement. Figure 2 presents the financial inclusion rates by country, and shows the extent of the problem, which affects a large proportion of developing countries.

A growing body of evidence suggests that access to, and use of, financial services contributes to socio-economic development.[18] Those excluded from the financial system bear greater costs, risks and exposure to fraud. Financial inclusion has been shown to enable greater participation in the economy and cost savings. Indeed, formal financial services, such as savings or insurance, can help in protecting against illnesses, accidents and natural disasters. Access to affordable remittance services allows families to pay for children's education and for health expenses. Access to credit for micro, small and medium-sized enterprises (MSMEs) is an indispensable catalyzer of growth. All in all, for low-income people, access to formal financial services can be the difference between staying above the poverty line, or falling below it.

As a consequence, financial inclusion is becoming an increasingly important component of international development policies, as evidenced by the adoption of the Sustainable Development Goals (SDGs) by the UN General Assembly in September 2015. The SDGs consist of 17 main goals, six of which contain indicators linked to financial inclusion. For example, goal 1, "End poverty in all its forms everywhere" mentions universal access to a number of basic services as a goal to be achieved by 2030, including "appropriate […] financial services ". Meanwhile, goal 8, "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" refers to the need to "encourage the formalization and growth of MSMEs, including through access to financial services". All of this shows a recognition, by all UN member countries, of the importance of financial inclusion in socio-economic development.

17 Demirguc-Kunt, Klapper, Singer & Van Oudheusden, 2015, "The Global Findex Database 2014: Measuring Financial Inclusion around the World", Policy Research Working Paper 7255, World Bank

18 Cull, Ehrbeck & Holle, 2014, "Financial Inclusion and Development: Recent Impact Evidence", Focus Note No. 92, CGAP

DEFINITION OF POSTAL FINANCIAL INCLUSION AND THE MAIN CHALLENGES ADDRESSED

We define postal financial inclusion as the process by which people and enterprises excluded from the formal financial system are provided with access thereto through the postal network. This does not necessarily mean that the Post must offer its own financial services to the unbanked, as postal financial inclusion also applies to cases where postal operators provide the unbanked with access to the financial services of partner financial institutions, through a postal channel.

Posts are well positioned to address the three main challenges of financial inclusion – access, eligibility and affordability – detailed below.

1. **Access**

The first and most obvious barrier to accessing financial services is the physical barrier. The lack of contact points in outlying areas is one of the main reasons why large proportions of the populations are not banked. With 661,000[19] post offices worldwide, Posts have one of the largest retail networks in the world. Furthermore, post offices, unlike bank branches, are located in regions with a scarcity of other businesses, including rural areas, less populous areas, and impoverished regions. A study led by the UPU in 2008 in the Sub-Saharan Africa (SSA) region showed that 82% of post offices were located outside the three main cities of each country, in areas where 80% of the population lived.[20] This is because the Post developed as a public network with a strategy to connect each part of a country to the whole, unlike other financial institutions which generally tend to congregate in profit centres such as larger and wealthier cities.

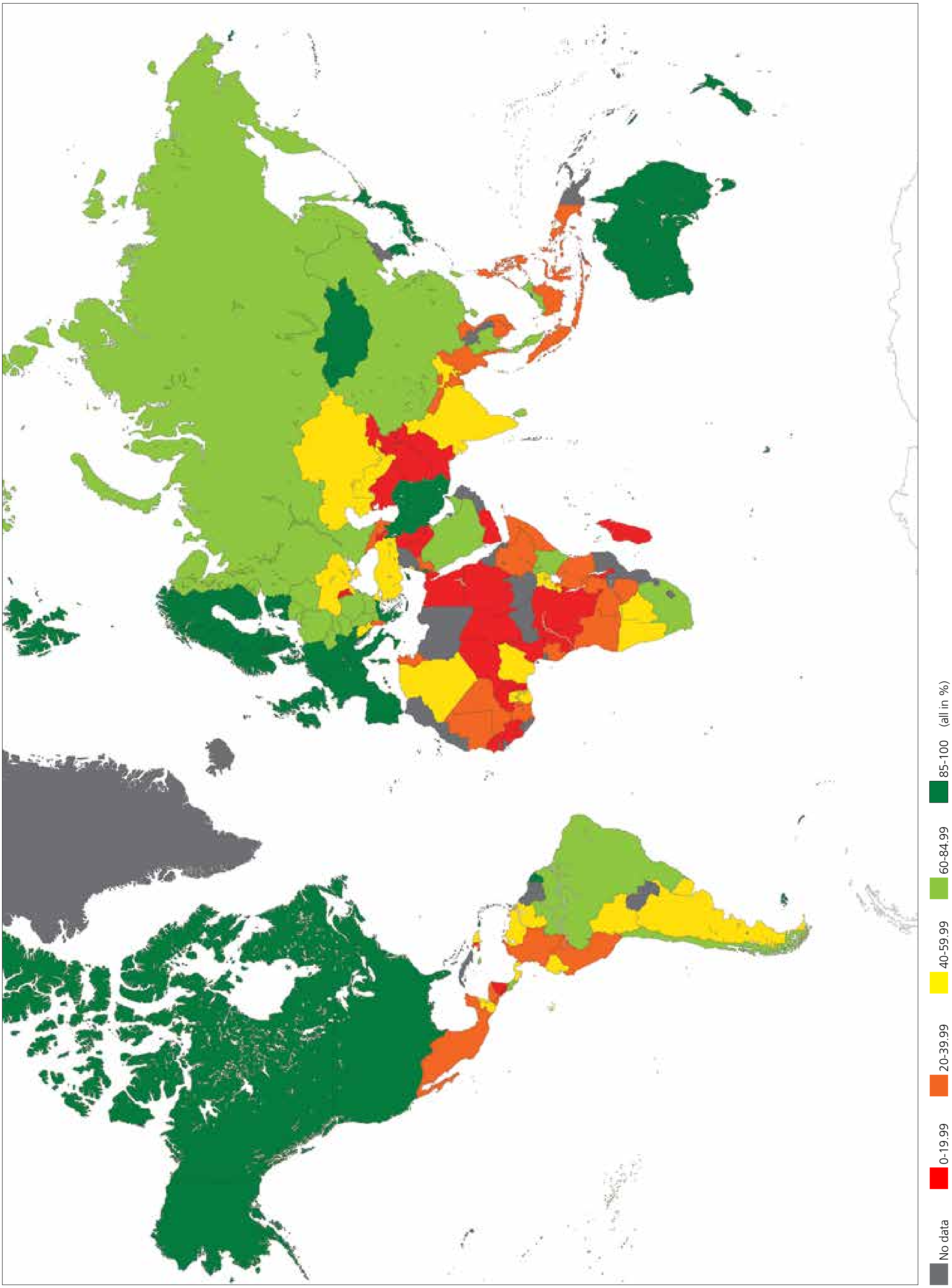
Yet, based on the latest International Monetary Fund (IMF) data,[21] we estimate there are now 928,000 bank branches and agents worldwide, roughly 40% more than postal branches. This situation is a complete reversal of what it was 10 years ago, when the postal network was larger than

19 65% of these post offices are full-fledged branches staffed by employees of the Post, while 35% are either full-fledged branches staffed by third parties or postal agents, which may offer only a limited range of products and services.

20 Ansón & Toledano, 2008, "Postal economics in developing countries", UPU

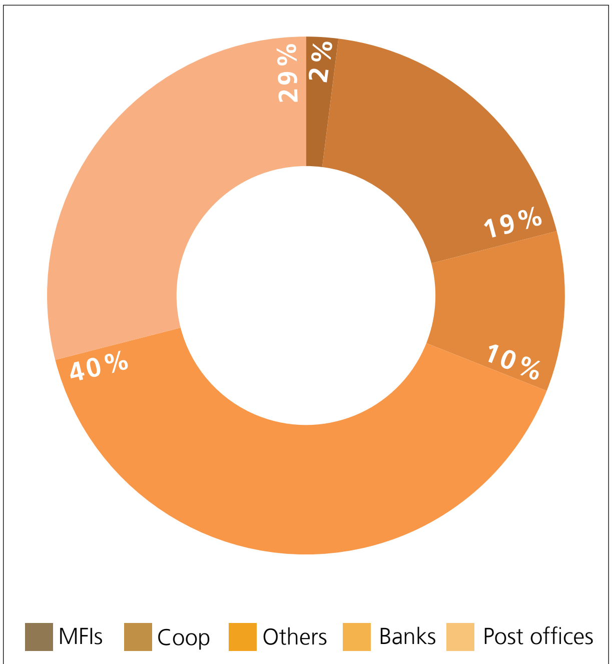
21 IMF Financial Access Survey 2015, available at http://fas.imf.org

Figure 2 – **SHARE OF ADULTS WITH AN ACCOUNT AT A FINANCIAL INSTITUTION (SOURCE: GLOBAL FINDEX 2014)**



the bank network. One of the main reasons for this is that banks have been developing agents networks in various countries, especially in the Latin America and Caribbean (LAC) region. For example, in Colombia, there are now 1,158 post offices, compared to 5,486 bank branches, and a staggering 85,600 bank agents. Figures are similar in Peru and Brazil. If we look at the regional level, only South Asia (SA) and Europe and Central Asia (ECA) have more post offices than bank contact points. In all other regions, the bank network dominates. However, as presented in figure 3, which shows the percentage of financial access points by type of financial institution, post offices still have the second largest network worldwide and constitute a valuable tool for facilitating access. In addition, it should be noted that the postal numbers only take account of physical branches and do not capture Posts' actual reach through direct door-to-door contacts (1.4 million postmen), which still surpass those of any other business in reach and scope.

Figure 3 – **PERCENTAGE OF TOTAL FINANCIAL ACCESS BRANCHES BY TYPE OF FINANCIAL INSTITUTION**



However, if we expand the scope by including mobile money agents in this analysis, Posts' network advantage clearly disappears. Indeed, GSM Association (GSMA) reports that there are 3.2 million mobile money agents, approximately half (1.6 million) of which are active.[22] Figure 4 is a clear illustration of that new paradigm, with post offices now representing only 12% of total financial access contact points.

Figure 4 – **PERCENTAGE OF TOTAL FINANCIAL ACCESS CONTACT POINTS BY TYPE OF INSTITUTION**

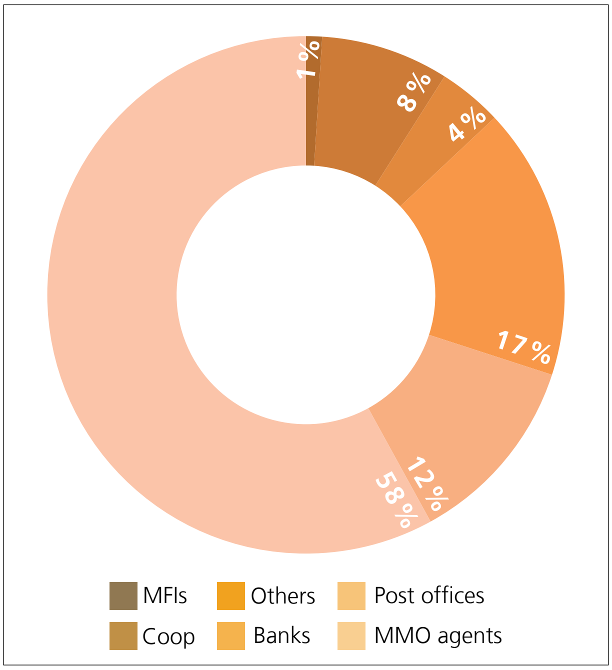


Figure 5 singles out countries where a large proportion of the population is unbanked (more than 30% based on Global Findex data) and where postal operators have a large share of the total number of potential banking access points (more than 30% – not including mobile money agents – based on UPU and IMF Financial Access Survey 2015 data). In countries such as Algeria, India, Kazakhstan, Madagascar, Ukraine and Viet Nam, Posts are extremely well positioned to break the access barrier for unbanked populations.

2. Eligibility

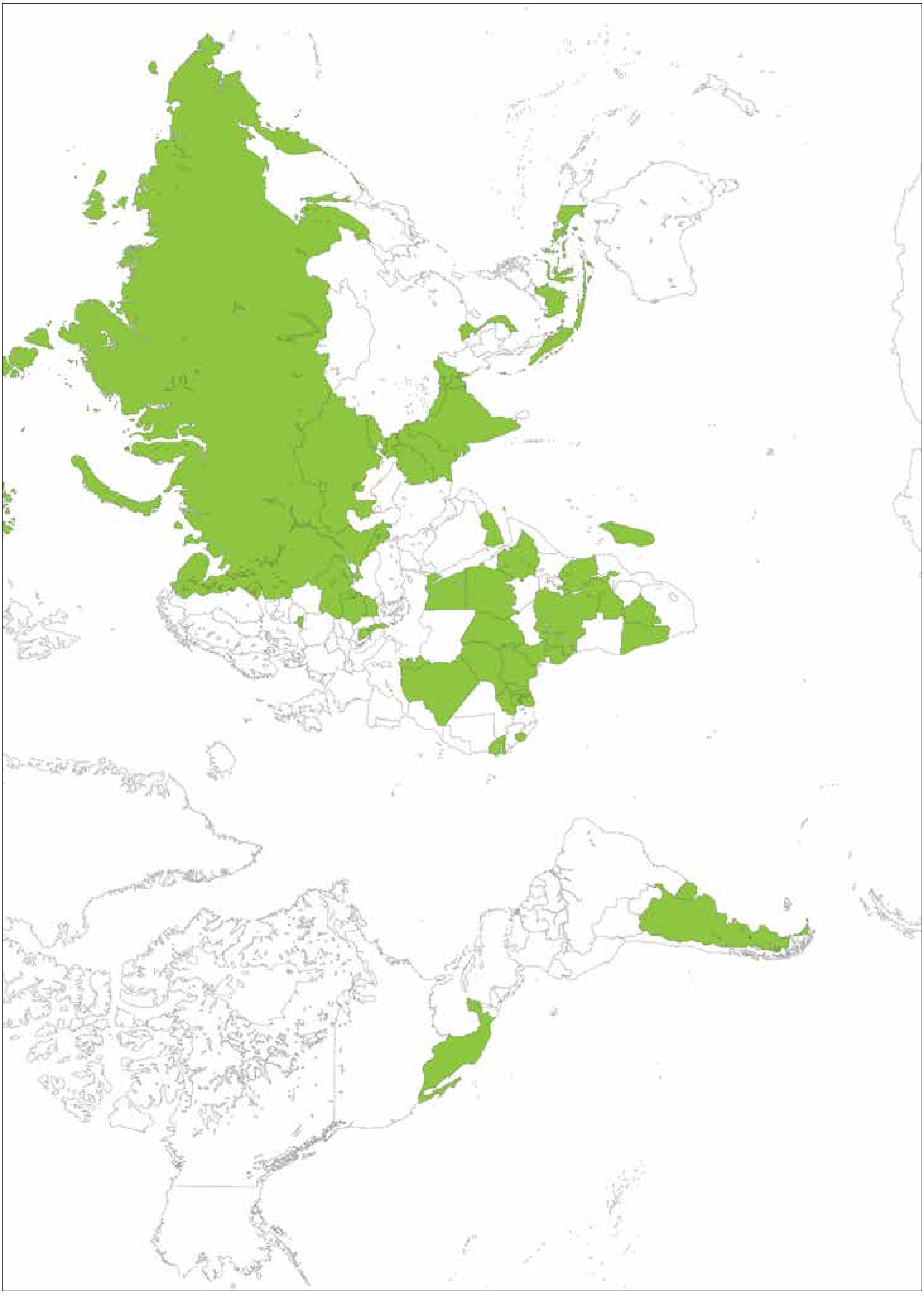
The second main financial inclusion challenge is that of eligibility. In many cases, banks, deliberately or not, focus on higher-income customers. To do so, they charge customers for opening an account, set minimum deposit amounts, or only accept customers able to present proof of employment. As a consequence, more fragile (i.e. less profitable) customers have de facto been excluded from banking services.

On the contrary, most postal operators are double bottom-line institutions. As public corporations (in most cases), they need to be profitable – to ensure sustainability of their operations – while bringing social impact by providing services that other institutions are not willing to provide. This emerged from a study[23] led by the UPU and the World Bank in 2013, which showed that "post offices are more likely than traditional financial institutions to reach out to individuals at the greatest risk of financial exclusion, such as the poor and less educated, and those in the informal

22 February 2016, "2015 State of the Industry Report – Mobile Money", GSMA

23 Ansón, Berthaud, Klapper & Singer, 2013, "Financial Inclusion and the Role of the Post Office", Policy Research Working Paper 6630, World Bank

Figure 5 – **COUNTRIES WITH A NETWORK ADVANTAGE FOR POSTS AND A LARGE UNBANKED SHARE OF THE POPULATION**



Countries with large unbanked populations and where post offices represent more than 30% of banking access points economy". Similarly, another piece of research [24] published in 2015 jointly with UN Women, demonstrated that, in developing countries, Posts offering account-based services have twice as many female customers as banks, whereas the financial inclusion rate of women worldwide is still 7% lower than that of men (according to the Global Findex 2014).

As a consequence of its unique public-oriented mission and universal service obligation, we observe, almost universally, that the Post is willing to accept all customers – be they rich or poor, employed or not, male or female. Interviews conducted by the UPU illustrate this repeatedly, showing that Posts, in general, do not discriminate against any segment of the society. Indeed, the Post is often the only institution with such an egalitarian mission among its competitors.

3. **Affordability**

The issue of cost is the last main barrier to financial inclusion. Having a bank account or sending a money transfer can be expensive, because of the various associated costs (monthly fees, overdraft fees, ATM fees, transaction fees, foreign exchange fees, etc.), but also because of indirect costs, such as the time and cost of travelling to a bank.

Posts generally have a traditional business model based on large volumes and low margins. In a recent book on the unbanked in the United States of America, Mehrsa Baradaran discusses how postal banking in that country could lead to economies of scale and economies of scope:

"*The size and reach of the Post Office can lead to lower costs of credit. This ability to offer more at a lower cost is the reason large banks now dominate the market. "Economies of scale", or control of a large market of a single product, could bring down the costs for financial services and even loans if the Post Office has many customers. "Economies of scope", costs saved when an institution can sell a variety of products, could mean, for example, lower costs on loans because the Post Office is attracting more deposits, cashing more checks, or wiring more funds. We know economies of scale and scope work; they are the reason banks conglomerated and rushed to form banking supermarkets.*"[25]

In addition, Posts are not required by their shareholders to maximize profits, while also having a social mission. As a consequence, they usually offer well-priced financial services, with no or small minimum amounts charged for opening accounts, for example. One type of product for which global comparisons can be made is the international remittance, the costs of which are tracked quarterly by the World Bank. In this ranking, postal operators are repeatedly classified as the most affordable channel for sending money internationally, well in front of banks and slightly ahead of MTOs. The latest data available, for the second quarter of 2016, shows that postal remittance costs stand at 6.36%, compared to a world average of 7.60%.[26] Another important issue is that Posts do not generally charge their customers for cash-out, unlike MMOs, which usually charge a low fee for sending money but a much larger one for cashing it out. [27]

FINANCIAL PRODUCTS AND SERVICES OFFERED BY POSTS

Financial inclusion is the process of providing financial services to those who are excluded from them. These services are usually classified into four broad families: payments, savings, insurance and credit. At the worldwide level, 183 Posts out of the 201 we studied – or 91% – provide at least one type of financial service. As presented in figure 6, apart from Northern Europe, where five Posts have chosen to focus on logistics, mail and parcels services (all of them used to offer financial services),[28] we observe a quasi-universality of postal financial services. The few exceptions are mostly linked to specific national contexts. For example, Mongolia had a postal bank (Mongol Post Bank), which was taken over by another public bank along with all the financial services of the Post. In various Latin American countries, for historical reasons, Posts have traditionally never provided financial services but are increasingly starting to do so. Lastly, in a number of conflict or post-conflict countries (Somalia, Afghanistan, Sierra Leone), financial services were previously offered but are no longer operational (even though in some cases there are plans to relaunch them in the future).

24 S. Rao, 2015, "Gender and Financial Inclusion Through the Post", UPU and UN Women

25 2015, M. Baradaran, "How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy", Harvard University Press

26 June 2016, "Remittance prices worldwide", Issue No.18, World Bank

27 For the first time, in the June 2016 issue of "Remittance prices worldwide", costs of MMOs are measured and stand at 4.08%, but do not include the cost of cash-out.

28 Postal operators in Finland, Sweden, Denmark, Germany and the Netherlands all discontinued their financial services between the beginning of the 1990s and the middle of the 2000s, selling their postal banks to other financial institutions. One of the reason for this was that most people in those countries were banked and had access to banking services through means other than the postal network.

Figure 6 – **POSTAL OPERATORS OFFERING FINANCIAL SERVICES**

1. **Payment services**

A payment can be defined as "the transfer of money from one party (such as a person or company) to another, usually made in exchange for the provision of goods, services or both, or to fulfil a legal obligation."[29] Payment services therefore comprise all domestic and cross-border payments, from person to person (P2P) (including domestic and international remittances), person to business (P2B), person to government (P2G), government to person (G2P), business to business (B2B), etc.

Payment services are those most widely offered by Posts. We estimate that Posts worldwide have a total of 1.5 billion customers for their payment services.[30] This figure includes all channels (post offices, Internet, cards, mobile, ATMs) and all products (remittances, bill payments, government payments, business payments, etc.). In our 2015 postal financial inclusion questionnaire we asked postal operators about various specific types of payment, as detailed below.

INTERNATIONAL REMITTANCE

As presented in figure 7, we can see that 80% of Posts provide international remittance services. This is by far the most widespread postal financial product, which is not surprising considering that Posts have been exchanging paper-based money orders since 1878, when the first UPU international treaty on postal payment services was adopted. Nowadays, traditional money orders have almost completely disappeared and Posts have implemented two strategies to deploy such services (Posts often use both simultaneously):

- Electronic postal money orders: 132 Posts offer their own domestic money transfer service, and 121 their own international money transfer service. For domestic money transfers, Posts deploy their own electronic solution, sometimes in partnership with a technology provider. For international remittances, two main systems are available for Posts to exchange with each other: the UPU's International Financial System (IFS), and Eurogiro, both of which are interconnected.[31]
- Partnerships with banks and money transfer operators (MTOs): 126 postal operators worldwide partner with banks or MTOs to offer money transfer services as their agents.

GOVERNMENT PAYMENTS AND BILL PAYMENTS

Figure 8 shows that 55% of Posts provide government payment services, and 57% bill payment services. It should be mentioned that these numbers are underestimated, since a number of advanced Posts that are connected to the national payment infrastructure perform these services but do not have specific contracts with government agencies or utility companies.

The share of Posts providing government payment services is extremely interesting as it demonstrates the willingness of a number of governments to use their postal network as a tool for deploying their public policies.

2. **Checking and savings accounts**

As presented in figure 9, 87 postal operators worldwide provide checking or savings accounts, which in this publication we will refer to as "account-based services". Together, these Posts hold 1.96 billion accounts for a total of about 1 billion customers.[32] We have identified three different models in this regard (see section II for more details):[33]

- Limited partnerships for cash-in/cash-out: 19 Posts act as non-exclusive agents for banks, providing deposit and withdrawal services for banks' customers. In these cases, the products are not branded as postal products and Posts generally provide this type of service for various banks at once. Examples of this model include the Posts of Kenya, Thailand and Australia.
- Full-fledged partnerships with a bank to offer account-based services: 36 operators have concluded advanced partnerships with banks to offer their services. With this type of agreement, there is a deep involvement of the Post in the operation and products are very often branded as postal products. Typical examples of this model are observed in Brazil (since 2002) and the Russian Federation (since the start of 2016).
- Posts offering their own account-based services: 52 Posts in the world do so, with a large proportion in North, West and Central Africa, Central Asia, and South Asia.

29 Taken from the Electronic Transactions Association's Mobile Terminology Glossary: http://www.electran.org/mobile-terminology-glossary/

30 Ansón & Toledano, 2010, "Between Financial Inclusion and Postal Banking: Is the Survival of Posts Also There?", UPU

31 Both platforms allow Posts to offer money transfer services. IFS is a technical solution developed by the UPU's Postal Technology Centre and first launched in 1999. The development of the IFS network is ensured by a group of Posts called "Postransfer Group". Eurogiro was launched in 1993 as a group of European Posts willing to develop cross-border payments. It has since expanded to become a global network of Posts and banks.

32 It should be noted that the Global Panorama 2013 counted 1.6 billion accounts and estimated that each customer had 1.5 accounts on average (a number which was estimated based on various postal benchmarks). For this study, we have taken a different approach and asked Posts to notify both the number of unique customers, which amounted to 997 million, and the number of accounts. Hence we observe an average of almost two accounts per customer, which is more in line with banking standards.

33 The total adds up to more than 87, as a number of Posts are using various models simultaneously.

Figure 7 – **POSTAL OPERATORS OFFERING INTERNATIONAL REMITTANCES**

Figure 8 – **POSTAL OPERATORS OFFERING GOVERNMENT PAYMENTS AND BILL PAYMENTS**

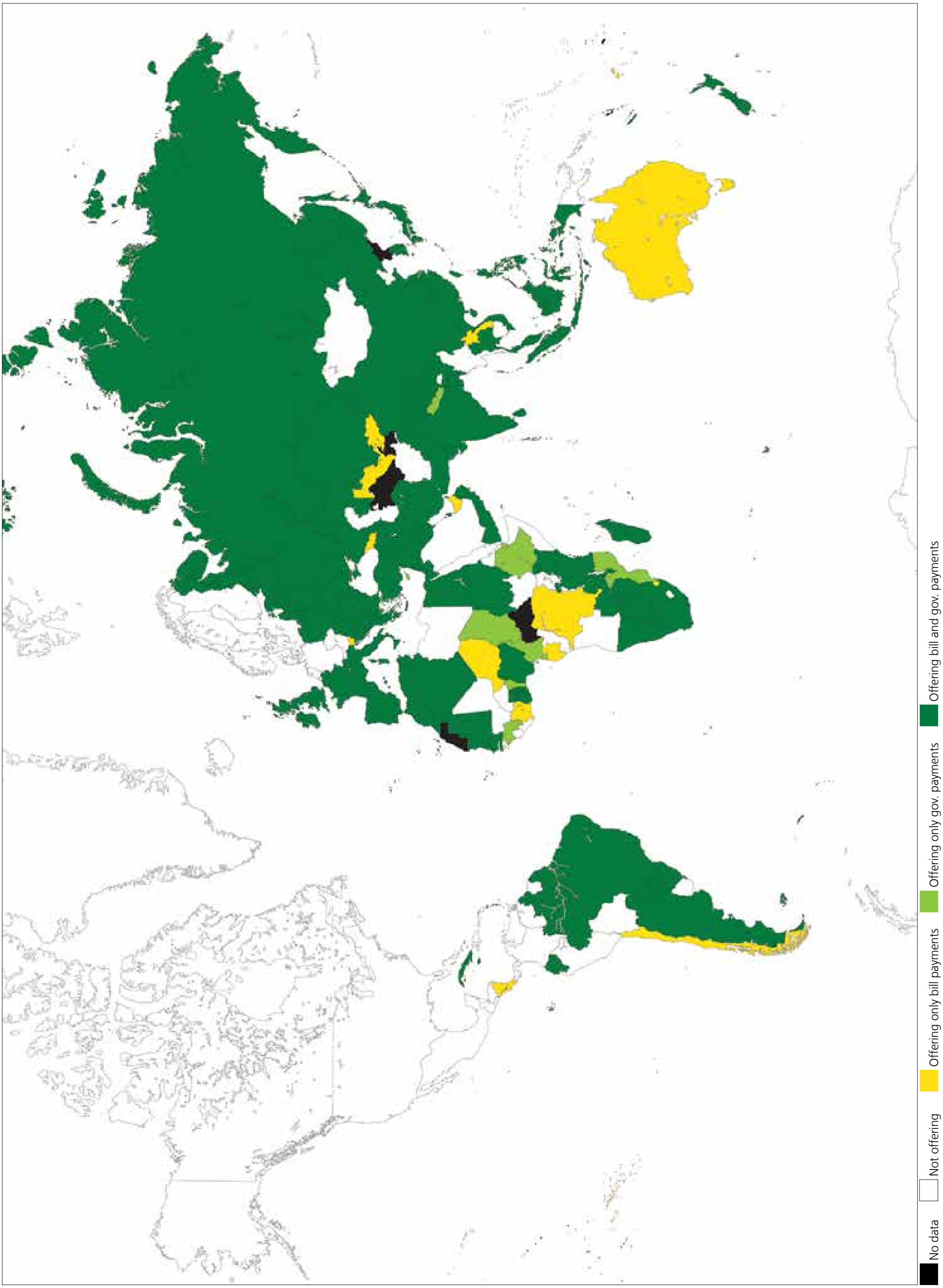


Figure 9 – **POSTAL OPERATORS OFFERING ACCOUNT-BASED SERVICES**

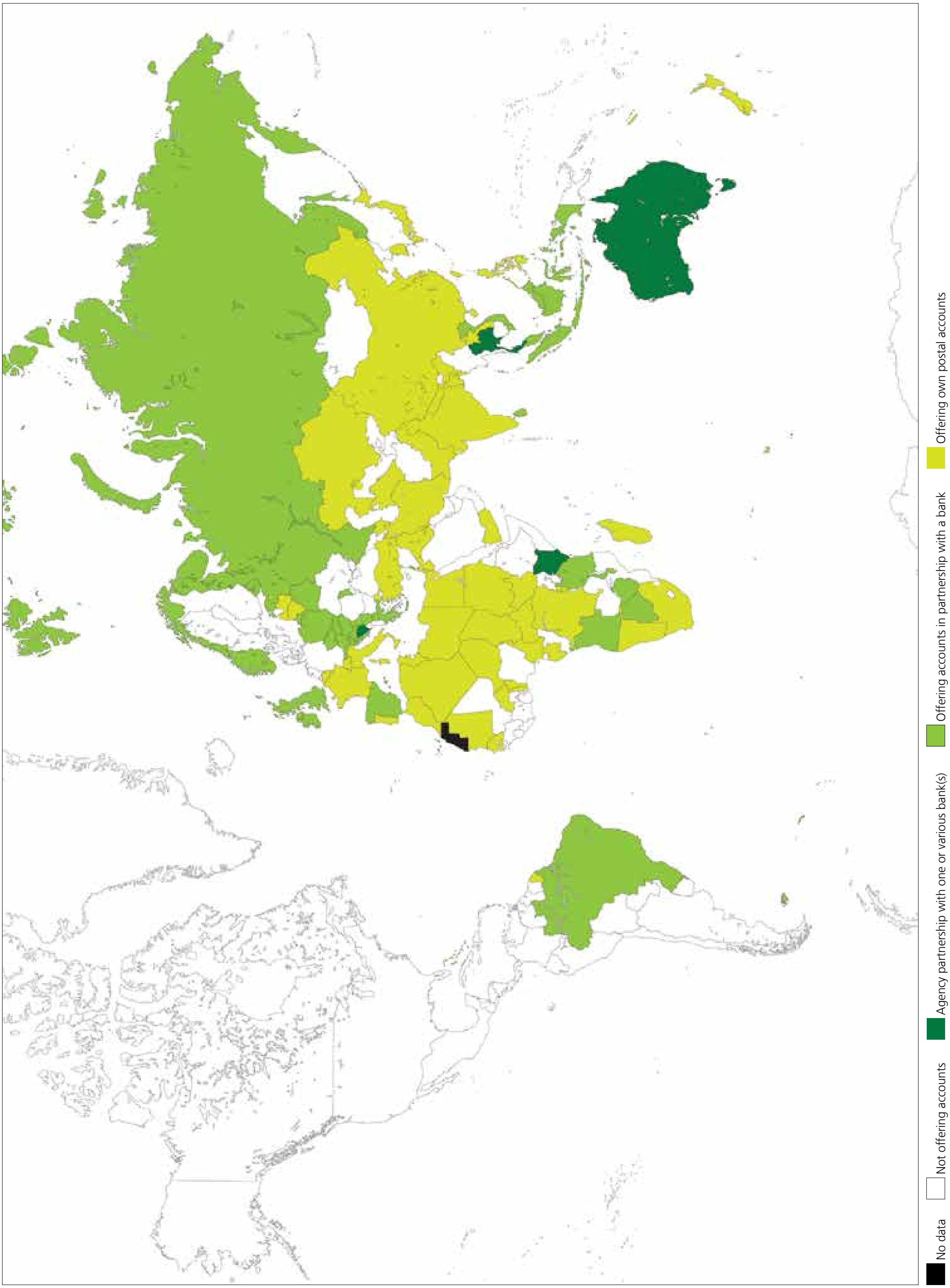
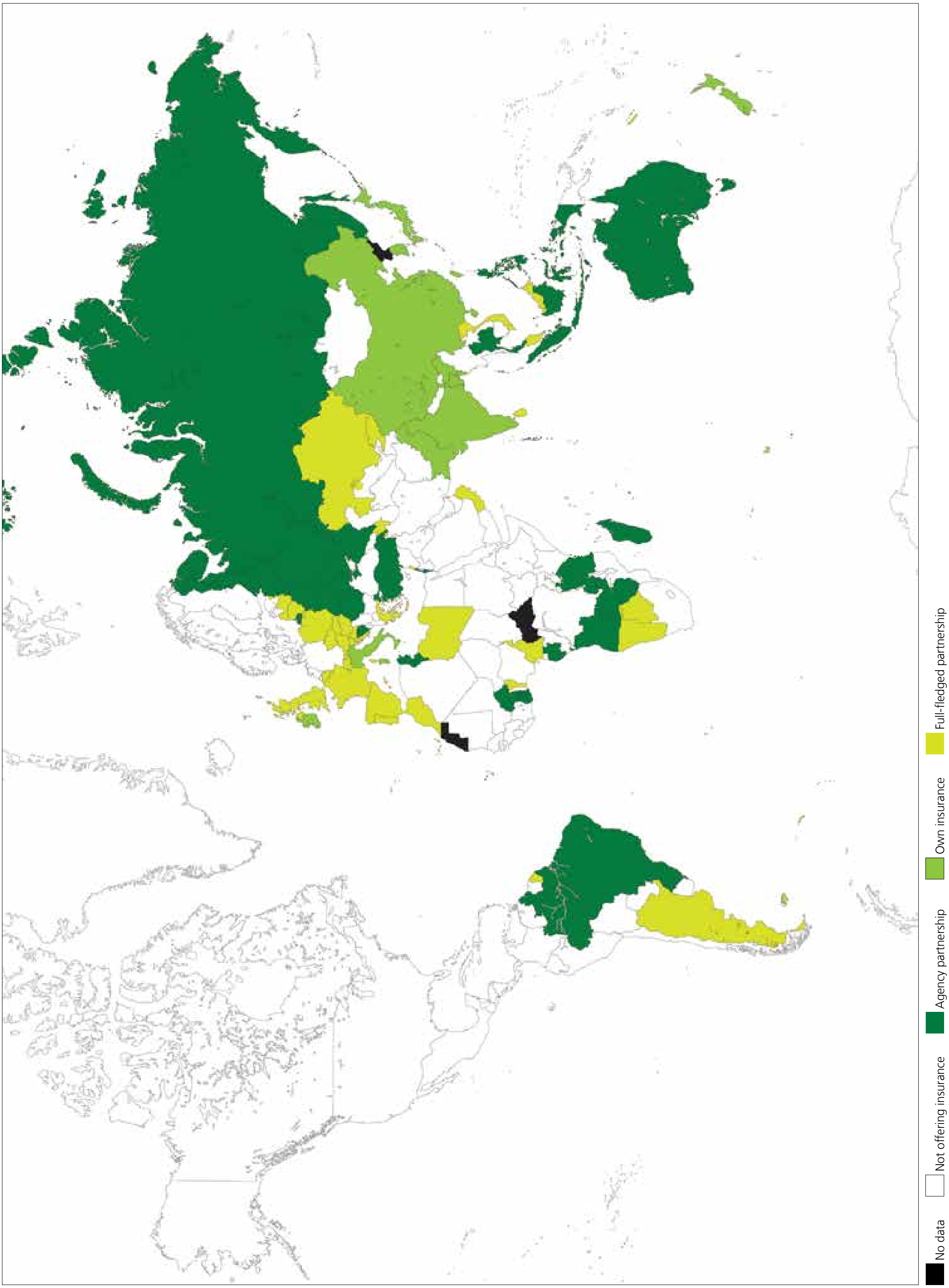


Figure 10 – **POSTAL OPERATORS OFFERING INSURANCE**



3. **Insurance**

As described in an ILO-UPU study on Posts and insurance,[34] 38% of Posts provide insurance services. Proportionally, more Posts in developed countries provide insurance (39%) than in developing countries (34%). There is therefore huge potential for insurance companies to partner with postal operators for the distribution of their products.

The above-mentioned study identified three main business models used by Posts in providing insurance:

- Agency partnership: the Post collects premiums, disburses claims/benefit payouts, and issues policies on behalf of one or more insurance companies.
- Full-fledged partnership: the Post provides insurance products in partnership with an insurance company and assumes more responsibility at all stages of the operation, particularly product development.
- Own insurance: the Post provides its own insurance products.

The first two models involve the participation of an insurance company and are recommended for Posts with limited experience in the provision of financial services. Then the choice between one model or the other depends on the level of involvement of the Post in the venture, its know-how, and in general on what each partner can bring to the table in terms of product development, marketing, back-office, etc. The Posts that provide insurance services are presented in figure 10.

A number of Posts worldwide have a very large number of customers. Japan Post Insurance, for example, boasts 38 million customers, while India Post has a combined total of 30 million customers in its various insurance schemes. However, insufficient data are available to quantify the actual outreach of insurance provided via postal networks at the global level.

4. **Credit**

Postal financial institutions could rightfully view credit as the "last frontier". Indeed, there are only five Posts worldwide with a full banking licence and the ability to provide loans to their customers. An additional eight Posts hold a banking licence but with no or limited possibility to provide loan services. Of course, providing savings services is completely different from providing loans, as the latter requires different capacities and organization. Credit is also a more profitable sector with high market demand in many countries for small loans. For this reason, Posts deploy various strategies to penetrate this more profitable market segment:

- Partnership with banks: this is the option chosen by the largest number of Posts. In this case, the postal operator partners with a licensed financial institution and acts as an agent to offer the partner's product. The Posts of Namibia and Senegal, for example, have adopted this model. Some Posts even push that logic further by offering a bank's product under their own brand. Such is the case in Switzerland, where PostFinance has partnered with Valiant Bank and Münchener Hypothekenbank eG to offer their mortgages under its own brand (white-label approach).
- Unlicensed loans: for customers whose salaries are paid into a postal account, a number of postal operators have started to offer small loans, even though they do not have a formal banking licence issued by the Central Bank. These products are often reserved for civil servants, which gives the postal institution some level of security as to the probability of reimbursement. In Benin, for example, the Post currently has 1.7 million USD in outstanding loans, and earned 850,000 USD in interest revenue in 2015, for a default rate of 1.5%. Various West African Posts have adopted this strategy, which they view as a way of gaining experience and expertise until they can find a regulatory model that will allow them to extend those services to a larger clientele.
- Microfinance institution: in this case, the Post sets up an entity outside the postal operator to offer microfinance services, under a microfinance licence. Even though various Posts are, or have been, considering this model (Benin, Togo and Tunisia, for example), only one has managed to develop it thus far: Zambia Postal Services Corporation, with its Zampost Microfinance Limited subsidiary.[35] This entity provides loans to individuals, small groups and large groups, and distributes its products and collects loan repayments solely through the postal network.
- Licensed credit, supervised by financial services authorities: this "postal bank" model is currently used in 13 countries. For a majority of these Posts, there are certain restrictions, such as the maximum loan amount or the type of credit they can provide. A case in point is La Poste (France), which adopted a step-by-step approach. It obtained a first licence for property loans in 2005, then approval to offer consumer credit in 2007 and corporate loans in 2010. To gain knowledge and experience, La Poste chose to partner with external specialized companies for certain products but to offer other products itself, thereby allowing it to accelerate its learning curve while limiting its risk exposure.

34 G. Suedekum, 2016, "Advancing financial inclusion through access to insurance: the role of postal networks", ILO and UPU

35 There are various reasons to explain the lack of success in developing this model – one being the reluctance of regulators to allow Posts to offer credit without having the appropriate structure and skills in place.

BUSINESS MODELS AND INSTITUTIONAL ARRANGEMENTS

As mentioned previously, 91% of Posts offer financial services. The range of products and services they provide is extremely large, and postal financial institutions are quite heterogeneous, from Posts only offering basic remittance services to Posts operating as full-fledged banks. A number of Posts have a very long financial services tradition, dating back to the 19th century, while others are just starting to venture into the financial services industry. Also, some Posts are still an administrative department within a ministry, while others are independent public or private entities operating in a fully competitive environment.

Such a diversity implies that Posts have deployed almost as many different business models as there are operators. In addition, with the range of services, the number and scope of partnerships, or the regulatory framework changing regularly, postal operators have a business model that is evolving constantly, making it difficult to identify clear-cut models that are set for a long period of time.

BUSINESS MODEL TYPOLOGY

In 2012, the UPU established a business model (BM) typology for the provision of financial services by postal operators. In all models, there is a varying level of operational complexity and involvement of the postal operator in the provision of financial services. Five main BM families have been identified, to which we can add one (BM 0) where the Post is not involved in the delivery of the services. These models are presented below in basic terms, with more detailed information, including SWOT analyses and country examples, being available in the Global Panorama 2013:[36]

- **BM 0: Real estate provider**: the Post enters into an arrangement with an external financial services provider whereby this partner uses space rented in a postal branch to install an office or a window, and provide its own services with its own staff. Unlike the following five models, in this case the Post plays no role in the provision of the services. This commercial arrangement is a source of rental revenue for the Post, but has limited impact on financial inclusion as such partnerships usually have a limited scale and mainly focus on urban areas, where Posts have well-positioned estate.
- **BM 1: Cash merchant:** the Post acts as a cash-in/cash-out agent for one or various partners (MTO, MMO, government entity, utility company, financial institution, etc.). The services facilitated by the Post are transactional financial services, such as remittances, bill payments, mobile payments, account withdrawals/deposits, etc. BM 1 is the easiest model to deploy for Posts that are starting to offer financial services as it does not require much know-how and is relatively inexpensive to deploy. However, the fees collected can be low and Posts need to ensure the availability of cash throughout their network, which can be challenging in some countries.
- **BM 2: Proprietary domestic and cross-border payments:** the Post operates its own domestic payments or international remittances (for the latter, in partnership with other Posts). This can be done in post offices using paper-based money orders – a model that is progressively disappearing – or electronic transfers, which are now the norm. 88% of the 150 Posts that operate under this model provide electronic services. In some countries, such as Morocco, the services are available both electronically in post offices and through mobile phones, for P2P, P2B and P2G payments.
- **BM 3: Partnership with a financial services provider:** the Post partners with a financial services provider, such as a bank, an insurance company, an MNO, or a microfinance institution (MFI), to provide the partner's financial services. The main difference with BM 1 is that the Post is not merely providing cash-in/cash-out services, but is much more involved in the provision of the services. Products can be developed jointly with the partner and adapted to the postal clientele. In a number of such partnerships, the postal brand is used to sell the product. This is typically the case in Brazil, where the commercial name of the partnership between the Post and Banco do Brasil is "Banco Postal", the Portuguese for postal bank.
  In BM 3 models, the Post is fully involved in all front-office aspects and postal staff has an important role to play in promoting the service. In some cases, part of the back-office operations can also be

36 Berthaud & Davico, 2013, "Global panorama on financial inclusion: key issues and business models", pp.19-38, UPU (http://www.upu.int/fileadmin/documentsFiles/activities/financialInclusion/globalPanoramaPostalFinancial InclusionFullEn.pdf)

led by the Post, although this generally falls under the responsibility of the partner.

- BM 4: Postal savings bank: the Post offers its own insurance and/or account-based services (savings or current accounts), under a regulatory framework that is specific to the Post. In most cases, limited monitoring is ensured by the communications regulator and/or basic reporting is provided by the Post to the financial regulator, but without the latter actually performing any regulatory function.
  This is the traditional postal savings model, which dates back to 1861, when the first Post Office Savings Bank was launched in Great Britain. As is the case for payment services mentioned in BM 2, postal accounts have been modernizing in recent years, from the old paper passbook to electronic accounts, accessible through multiple channels (ATMs, cards, Internet or mobile phones). Of the 39 postal operators worldwide that operate under BM 4, 32 have already discontinued paper passbooks.
  Usually in BM 4, the Post is not allowed to offer loan services or any other sophisticated financial product, which is often one of the main reasons why Posts are willing to transition to BM 5.
- BM 5: Full-fledged postal bank: in this last model, the Post offers its own insurance and/or account-based services, but under the supervision of the central bank or financial services regulatory authority. In some cases, postal banks still have some limitations either on the type of product they can offer (not all types of loan for example) or the clientele they can target (in Morocco, for example, the Postal Bank has to focus on middle- and low-income customers).

The above business models are not mutually exclusive. For example, a postal operator can offer the remittance services of an MTO (BM 1), its own domestic payment services (BM 2), and savings accounts (BM 4). In our sample of 201 Posts, we identified a total of 420 different instances of BMs, meaning that, on average, each Post operates a little over two different BMs simultaneously.

In addition, it should be noted that a Post's BM does not always evolve in a linear manner. A postal operator willing to develop its range of financial services or to increase its financial services revenue does not need to go through all the models from BM 0 to BM 5. A Post can, for example, go from BM 1 to BM 3, or from BM 3 to BM 5. It can also remain within the same family of BM, for example BM 1 or BM 3, but add new partners providing the same type of services as those already offered.

Of course, the six BM families are not sufficient to fully characterize the different operational and institutional arrangements set up by Posts to offer financial services. Therefore, each BM family can, in turn, be divided in subgroups (as described in figure 11), which is an adaptation of the typology established by the UPU in 2012.

Figure 11 – **TYPOLOGY OF BUSINESS MODELS FOR POSTS TO OFFER FINANCIAL SERVICES**

Business model 0: real-estate provider

Business model 1: cash-merchant (CM)
BM 1a: CM for domestic or international remittances (P2P)
BM 1b: CM for government payments (G2P and P2G)
BM 1c: CM for collection of bill payments (P2B)
BM 1d: CM for insurance companies – collection of premiums, payout of insured amounts
BM 1e: CM for MNO or FinTech – registration, cash-in, cash-out
BM 1f: CM for MFIs and banks – disbursement and repayment of loans, deposit and withdrawal from accounts, cash-in and cash-out of bank transfers

Business model 2: proprietary domestic and cross-border payments
BM 2a: proprietary domestic transfers
BM 2b: proprietary international transfers
BM 2c: partnership with an MNO or a FinTech to deliver proprietary payment services
BM 2d: set up of own subsidiary to offer remittances (United Arab Emirates, Morocco)

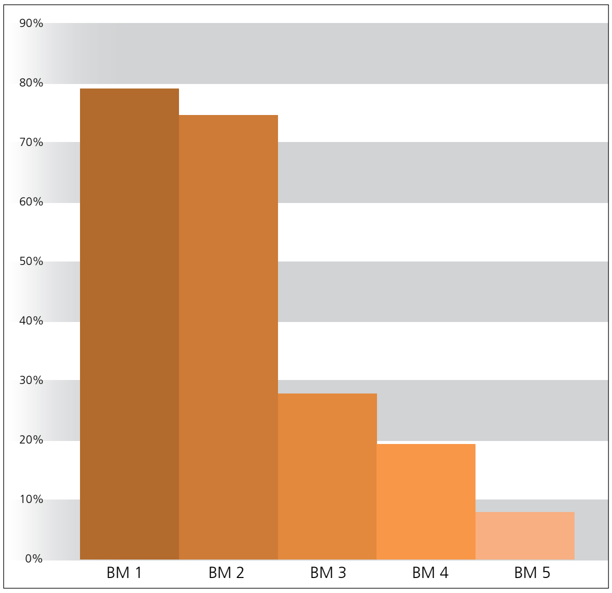
Business model 3: partnership with a financial service provider
BM 3a: partnership model with an insurance company to offer its services
BM 3b: partnership with an MNO or a FinTech for financial services
BM 3c: partnership model with a bank for the provision of account-based services, loans, and/or insurance

Business model 4: postal savings bank
BM 4a: postal giro centre and savings bank
BM 4b: unlicensed postal insurance

Business model 5: full-fledged postal bank
BM 5a: microfinance licence (possibly through a subsidiary, as is the case in Zambia)
BM 5b: limited postal bank licence
BM 5c: universal postal bank licence
BM 5d: licensed postal insurance

In terms of frequency of adoption of the various BMs, as indicated in figure 12, the most common BM families are BM 1 and BM 2, which are used by 79% and 75% of Posts, respectively. In terms of sub-models, BM 2a (proprietary domestic transfers) has the most observations, with 132 postal operators, followed by BM 1a (CM for domestic or international remittances – 126 Posts) and BM 2b (proprietary international transfers – 121 Posts).

Figure 12 – **FREQUENCY OF BM ADOPTION BY POSTS**



Annex 1 presents in greater detail the various BMs adopted by 200 postal operators worldwide, with the percentage of adoption for each model and sub-model.

INSTITUTIONAL ARRANGEMENTS AND OWNERSHIP

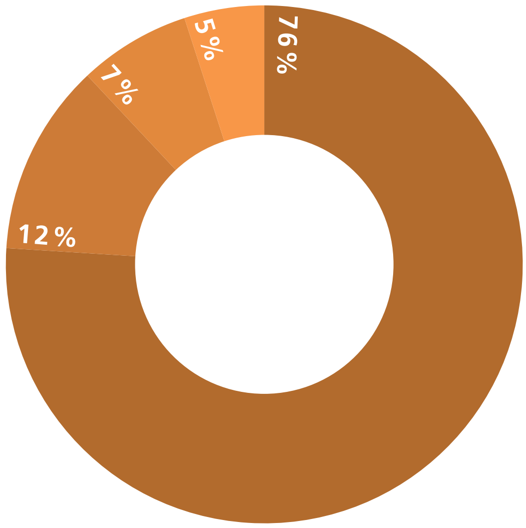
1. **Institutional arrangements**

In the BM typology outlined above, little mention was made of the positioning of the entity providing the financial services within the postal company and the relationship between the financial services entity and the rest of the Post. As is the case for BMs, various institutional arrangements are possible, from complete integration within the Post to full separation between the postal and the financial services entities. These various arrangements are presented below (see figure 13 for their respective frequencies):

- Full integration: in this case, the postal financial services entity is a department or a directorate of the postal operator. The top management of the postal operator oversees both the financial and the non-financial services, and processes are very much integrated. This is the most common model encountered in the postal sector, with 76% of postal operators using it to provide financial services.
- Subsidiary: this model is becoming increasingly popular, with almost 12% of Posts now using it, compared to less than 10% four years ago. In this case, the entity offering financial services is spun off from the entity offering other postal services to give it more independence and flexibility. The financial services entity remains a part of the postal group but has its own management and (usually) separate accounting. Service-level agreements are often established between the entity operating the network and the entity offering the financial services. Most of the time, the postal staff and the postal branches belong to the entity offering the physical postal services (mail, parcels, etc.) and the financial services entity pays a certain amount (either fixed or usage-based) to use this network.
  In some cases, however, it can be much more complicated. In Morocco, for example, Barid-Al-Maghrib (BAM), the Post, has a postal bank subsidiary called Al-Barid Bank (ABB). The network belongs to BAM but is operated by ABB, which therefore rents the network from its mother company. The staff in postal branches is considered ABB staff and provides all types of services, including mail, parcels and financial services. BAM therefore needs to pay ABB a fee for all non-financial transactions performed at post offices by ABB. This arrangement is somewhat complex but was made necessary by the national legislation, which stipulates that banking services can only be performed by employees with a banking status.
  There are numerous examples of this subsidiary model, and in many instances, subsidiarization has been a first step in the transition from BM 4 to BM 5, to prepare for the creation of a full-fledged postal bank.
- Dispersion: this model is a hybrid between the previous two models. Some postal operators have decided to separate their financial services offering into various entities. This relatively uncommon model can be observed in Senegal and Zambia. Posts in both countries offer money transfer services as part of the mother company (La Poste and ZamPost, respectively) and have set up a separate subsidiary for other services. Postefinances in Senegal provides account-based services (savings and checking accounts), while ZamPost Microfinance Ltd provides various types of micro-loan throughout its parent company's network of branches.
- Joint-venture: in this model, the Post establishes a joint-venture with a bank or regulated financial institution to offer financial services through the postal network. bpost bank, in Belgium, is one of the few examples of this model. It was established under the name "Banque de La Poste", in 1995, as a 50/50 partnership between the Belgian Post (now bpost)

and a private bank, Générale de Banque (now BNP Paribas Fortis). bpost is the exclusive distributor of the products of the company, which has 1.1 million customers, or 10% of Belgium's total population. bpost bank positions itself as a bank that is "simple, safe, and for all". The partnership between the two owners was last renewed in December 2013 for the period January 2015-December 2021.
A similar agreement was established in 2006 between the Irish postal operator, An Post, and Fortis. The 50/50 joint venture, named Postbank Ireland Limited, started operating in 2007 and provided banking services (current account, savings, insurance, mortgages and credit cards) through the postal network (which had more than 1,100 post offices at the time, including a strong presence in rural areas). Unfortunately, Fortis was very much exposed to various "toxic products", and the bank was dismantled during the 2008 financial crisis. It was taken over by BNP Paribas, which led a strategic turnaround and decided to put an end to the joint-venture. Postbank, which had 200,000 customers, stopped accepting new customers in February 2010 and officially closed its doors at the end of the same year.
The most recent example of the joint-venture model is the Russian Federation, where the Post partnered with a private bank, VTB Group, to jointly create a postal bank. In January 2016, Russian Post bought 50% minus one share of Leto Bank, a subsidiary of VTB, for approximately 72 million USD. The joint-venture, called Pochta Bank (Postal Bank in Russian), started operating in April 2016. The plan is to roll out the service progressively, with an initial opening at 3,500 postal branches countrywide in 2016, and to have 20,000 counters at 15,000 post offices by the end of 2018. All Russian Post staff salaries will be paid to new accounts with the Postal Bank, which will immediately acquire 250,000 customers. The two partners estimate they can reach 15 to 20 million customers in the medium term.

Figure 13 – **GOVERNANCE BETWEEN ENTITY PROVIDING POSTAL FINANCIAL SERVICES AND THE REST OF THE POST**



There is one additional model, the "Independent (ex-)postal bank" model, with or without partial ownership by the Post, when the financial services entity is completely separated from the Post – either by becoming an independent entity or by being taken over by another bank. This model is not included in figure 13, because here, the financial services entity is independent from the Post and the UPU does not, therefore, have access to much information, apart from what can be gathered through desk research. As presented in box 1, not all instances of such models have led to the anticipated results, mainly because the separation of the postal network and its financial services entity have suppressed the valuable synergies that existed previously.

Box 1:

INDEPENDENT POSTAL BANKS

In more than 30 countries, over the last 40 years, postal companies have been split into separate entities, very often a telecom operator, a postal operator and a postal bank. This happened for example in Mali in 1989 when the Post was at first split between the Office National des Postes (ONP) and Société des Télécommunications du Mali (SOTELMA), a telecom operator. Then, in 1990, financial services were spun off from ONP, which was requested to focus on mail and money transfers. Savings and checking accounts were transferred to a new structure, the government-owned Société des Chèques Postaux et de la Caisse d'Epargne, which in 1996 became the Banque de l'Habitat du Mali (BHM). Incidentally, neither BHM – which had to create a new branch network from scratch (as it did not use the postal network to distribute its products and services) – nor ONP, which lost a major part of its portfolio of services, have been financially successful since the split.

Many more instances of such separations have been observed in Africa, Asia and Eastern Europe, during the 70s, 80s and 90s. This is typically the case in Kenya, Tanzania (United Rep.) and Uganda. In all three countries, the postal bank was completely separated from the Post in 1977 with the break-up of the East African

Each postal operator is a distinct case and needs to adapt the institutional arrangement between the financial services entity and the rest of the postal group to its own local context. One fundamental issue is that the financial services entity should work hand in hand with the rest of the postal group. The two biggest assets of the Post are its network and the trust the population has in it. The financial services arm has to make full use of that physical network, without establishing its own network on the side to "compete" with the regular post offices, and to try as much as possible to make financial services available throughout the postal network, not only at selected post offices. The second main asset of the Post, maintaining the trust that customers have in it, should be viewed as a priority for the group as a whole. All failures and shortcomings in the delivery of physical services have an impact on financial services and vice-versa. Indeed, for customers, any service provided at a post office is a service of the Post, regardless of the relation between the financial services entity and the rest of the Post.

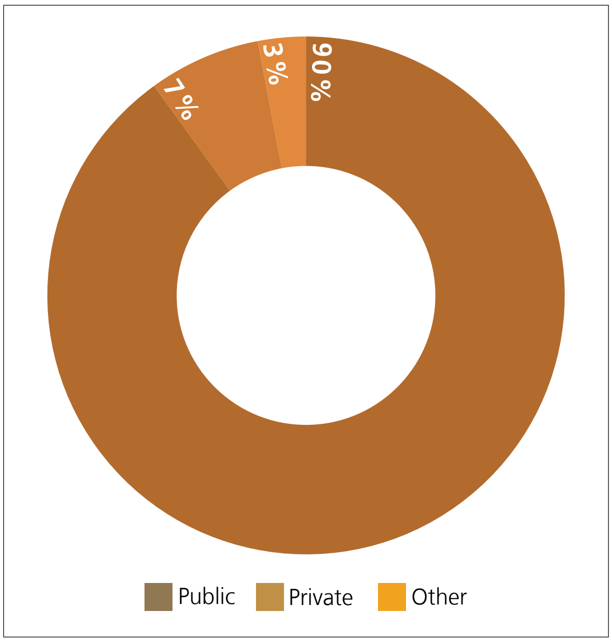
2. Ownership

Defining exactly the owner of the entity offering financial services within the Post can be more difficult than it appears. The most common answer to our questionnaire was "the State", which is logical considering that most Posts are State-owned and that they offer their own financial services. However, as explained in the business model typology, the majority of Posts operate various BMs simultaneously. So Posts which offer their own financial services, but also the services of a partner, could in theory classify as "other". However, these Posts reported that the entity offering financial services was owned by the State. As presented in figure 14, Posts where the financial services entity is State-owned represent 90% of all Posts.

Only 3% of Posts mentioned that the entity offering financial services is privately-held. CTT Correios (the Portuguese Post) was privatized in 2013 and 2014 as a consequence of the financial difficulties experienced by Portugal. These operations allowed the Portuguese Government to raise a total of 922 million EUR. Similarly, the Italian Government sold 38% of Poste Italiane at the end of 2015, raising 3.4 billion EUR, and announced for the end of 2016 a further sale of capital to reduce the country's debt, as a result of which the company will be majority owned by private shareholders. It will be important to monitor this trend in the coming years as it could have a strong impact in terms of financial inclusion. Indeed, we can assume that Posts which become too focused on generating profits might be willing to reduce their social impact to increase the shareholders' return on investment.

The last category, "other", includes the 7% of Posts that have developed partnerships with other financial institutions, such as a joint venture (case of bpost in Belgium) or a full-fledged partnership (e.g. Brazil's Correios with Banco do Brasil). In these cases, the ownership is mixed and therefore cannot classify as either public or private.

Figure 14 – **OWNERSHIP OF THE ENTITY OFFERING FINANCIAL SERVICES**



Community.[37] Even though the Post retained (in Tanzania (United Rep.)) or regained (in Kenya) partial ownership of the postal bank, relations between the new banking entity and the "historic" postal entity progressively decreased. In the three countries, the postal bank set up its own network and the Post went on to relaunch transactional financial services. Various attempts have been made over the years to set up partnerships between the Post and the Postal Bank, with varying degrees of success.

In the Malian case, the Post and its former banking branch have completely stopped collaborating and the Postal Bank name has completely disappeared. In countries such as Kenya, the postal bank (officially Kenya Post Office Savings Bank) still exists and has kept the "postal name" but does not work with the Post. In other countries, such as Tanzania (United Rep.), the Tanzania Postal Bank has kept the postal brand and has signed a partnership with the Post to use it as an agent. Lastly, there are many countries where the postal brand has disappeared but where the Post still has a partnership with the new entity. This is the case of Sri Lanka for example, where the Post distributes the products of the National Savings Bank, a public bank which took over the Post Office Savings Bank in 1972. The same goes in Austria, for example, where the Post has partnered with BAWAG PSK. [38] This company is the result of the merger in 2005 between BAWAG and PSK, the former Postal Savings Bank.

37 All three countries had established in 1933 a Postal Union, which culminated in 1967 with the creation of the East African Posts and Telecommunications Corporation under the Treaty for East African Cooperation.

38 Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft

BUSINESS MODELS FOR MOBILE FINANCIAL SERVICES

1. **The rationale for Posts to become actors in mobile financial services**

The GSMA, in its 2015 State of the Industry Report on mobile money,[39] mentions that at the end of 2015:

- There were 411 million mobile money accounts globally;
- 134 million of these accounts – or less than 1/3 – were active in December 2015;
- 271 services had been deployed in 93 countries;
- There were 3.2 million mobile money agents, with approximately half, or 1.6 million, being active;
- 37 markets had 10 times more registered agents than commercial bank branches, compared to 25 markets in 2014. Moreover, 30 of these markets reported at least 10 times as many active agents as commercial bank branches.

All this data reflects the growing importance of mobile money worldwide. Of course, if we compare mobile money accounts to current/savings accounts held by postal operators worldwide, which stood at about 2 billion in 87 countries at the end of 2015, postal accounts still represent almost five times the number of mobile money accounts. However, if we look at the number of agents for example, MNOs have a clear edge over postal branches (about five times more agents than post offices). Mobile money is therefore clearly becoming a major factor in many developing countries and postal operators have to develop strategies to address this new reality.

In this chapter, we will discuss mobile financial services in general, or in other words, all financial services delivered through a mobile channel. This is different from mobile money as defined by the GSMA, which very roughly corresponds to deployments that are MNO-led. This means that mobile financial services are much more prevalent than the figures presented above.

For postal operators, banks, and non-bank financial institutions, mobile financial services are not products per se but rather another channel for delivering financial services, just like physical branches, the Internet, ATMs, or payment cards. However, the arrival of new players, such as MNOs or FinTechs, has changed the rules of the game. These new players tend to focus on products such as domestic money transfers, bill payments, government payments, or remittances, all of which are products that were traditionally the most widely offered by Posts. One of the best examples of the threats that new entrants represent is the Postal Corporation of Kenya (PCK), which had a 27% market share for domestic transfers in 2006. This market share has now shrunk to a mere 1.1% with the emergence of M-Pesa and others.[40]

All of this leads to one logic conclusion for many Posts: become a part of the mobile financial services ecosystem or be left out. In this ecosystem, we can identify three groups of actors: users (individuals, businesses, governments), providers (banks, post offices, MNOs, MFIs, etc.), and support services for providers (FinTech, agent networks, switch, etc.).[41] Postal operators have been playing a role both as direct providers of mobile financial services and as support services for other providers. The SWOT analysis in figure 15 helps understand how postal operators came up with these different roles and designed different business models.

39 February 2016, "2015 State of the Industry Report – Mobile Money", GSMA.

40 A. Berthaud, 2012, "Kenya Case Study: the Post and the cash merchant model in an advanced mobile money environment", UPU

41 Adapted from the work of the ITU Focus Group on Digital Financial Services on DFS Ecosystem.

Figure 15 – **SWOT ANALYSIS: POSTS AND DIGITAL FINANCIAL SERVICES**

STRENGTHS	THREATS
• Ubiquitous physical network • Cash management experience • Experience in managing agents • Trust and proximity to customers • Experience in financial transactions • Experience in distributing large volume/low margin products and services • In many cases, financial inclusion mission assigned by governments (explicitly or not) • In various countries: regulatory approval to offer mobile financial services	• Declining traditional postal market → limited possibility to invest • Exponential growth of mobile money operators/ card networks/digital financial service providers • Current price structure of postal financial products not always adapted to very small amounts
WEAKNESSES	**OPPORTUNITIES**
• Physical network not large enough to fully cover territory → need to partner with agents • Lack of technological innovation • Lack of customer orientation • In some cases, liquidity management challenges in rural areas • Insufficient connectivity of postal network • Lack of resources needed to invest in development of digital financial services	Experience in financial transactions which can be a building block to expand activities in the field of digital financial services: • Agents for cash-in/cash-out • Super-agent • Strategic partnerships/joint ventures • As a trusted public actor, interconnection tool/ switch for mobile money providers • Launch own digital financial service

2. **Description of business models**

The following describes in greater detail the various business models adopted by Posts in this field.

POSTS AS SUPPORT SERVICES

Posts can act as partners of DFS providers such as banks, FinTechs, or mobile money providers, and help them offer or distribute their financial services. In this regard, Posts have implemented a variety of BMs, which are all variations of the BM1 and BM3 models described above.

- **Cash-merchant for a mobile financial services provider (BM 1):** Posts from 27 countries or territories have signed agreements with banks (case of eight Posts), FinTechs (five Posts) or MNOs (14 Posts) to provide cash-in/cash-out services for the provision of mobile-enabled services. Under this model, the role of the Post is mainly to ensure that liquidity is available throughout the network.

  For the bank, FinTech or MNO partner, the interest of signing up a postal operator as an agent is to have immediate access to a large number of agents covering the entire national territory, often with good cash availability. Given the experience of various postal operators in managing a network of agents for their own postal services (financial or not), Posts could also act as super/master agents, but this has not been observed so far for mobile financial services. [42]

  For the Post, however, this model has some limitations. First of all, the fees are relatively low compared to the costs of ensuring liquidity availability throughout the network. Also, most postal operators offer their own electronic money orders, which means that mobile products often come as competitors to their own products and could potentially cannibalize these.
- **Partnership model with one or various MNOs (BM 3):** in this model, there is a real partnership between the MNO and the Post. The partners share the responsibilities (and the revenues), based on their respective strengths and competitive advantages. Figure 16 allows this to be visualized.

42 In Kenya, PCK has super-agent status with Airtel, but all its agents are post offices. PCK does not manage other entities external to the Post and does not offer liquidity management services to non-postal agents.

Figure 16 – **AREAS OF RESPONSIBILITY OF THE PARTNERS**[43]

Tunisia Post is the best example of BM3 with an MNO, as the Post has concluded partnerships with the three MNOs in the country (Tunisie Télécom, Ooredoo and Orange). In Tunisia, MNOs are not allowed to offer mobile financial products on their own and therefore need to have a financial institution as a partner. Tunisia Post, which is not a bank per se, is nevertheless the largest financial institution in the country in terms of number of customers, which explains why all three MNOs decided to select it as a partner.

Compared to the CM model, the Post has more control over product design, operations and revenues. However, the choice of partner is a fundamental success factor, as illustrated by figure 17.

Figure 17 – **KEY PERFORMANCE INDICATORS FOR THE THREE PARTNERS OF TUNISIA POST**

	TUNISIE TELECOM	OOREDOO	ORANGE
Launch date	Feb. 2010 (re-launch in July 2015)	April 2012	June 2014
Transactions in 2015	395,962	15,811,495	1,444,735
Trans. launch → 12.2015	1,107,549	66,462,056	2,576,168
Registered users (04/16)	35,405	477,864	86,070
Active users - estimate (04/16)	30,000	350,000	80,000
% Active users	85%	73%	93%

The first service to be launched, in 2010 with Tunisie Telecom, failed to take off for a number of reasons. Among the problems encountered were the non-alignment of expectations, an unclear separation of responsibilities, and the fact that both institutions had weaknesses in terms of marketing and product development. Lessons were learnt from this and the two subsequent operations have proved far more successful.

- Partnership model with a FinTech (BM 3): Various Posts have developed partnerships with FinTechs, to take advantage of their capacity to innovate and to access tools that can be scaled up through the postal network. In Benin, the Post partnered in 2015 with e-Savings.club, a FinTech which is trying to digitize and formalize traditional rotating savings and credit associations (ROSCAs). Postal salespeople have been hired to go out daily in Cotonou's markets to collect the savings of small informal merchants, which reproduces the traditional functioning of ROSCAs in Benin. Thanks to an app developed by its partner, the Post is able to register customers and to send them notifications on their mobile phone every time the postal staff collect their savings (usually 500 or 1,000 FCFA, i.e. 1 or 2 USD). All monies collected during a 30-day period are then placed in a special savings account with the Post, called "e-tontine",[44] with the balance available to customers at the end of the month as in other ROSCAs. This partnership is currently in a pilot phase and could be further expanded in 2016 once customer feedback has been analyzed.
  The challenges at this stage are to convince customers to leave part of their balance in their account at the end of the month instead of withdrawing everything. The Post also needs to retain customers, so that they start another cycle of savings once the first one ends. Lastly, a partnership with a mobile money

43 In this graph, CI/CO stands for cash-in/cash-out, i.e. the conversion of actual money into e-money and of e-money into actual money, respectively. Float holding refers to the amount of money, which mirrors the electronic money in circulation that has to be held in the accounts of a licensed institution, typically in a trust account. Float holding is generally done by third-party banks, but in some cases can be done directly by the Post.

44 "Tontine" is the French name for ROSCAs in this part of West Africa.

provider could be envisaged so that postal staff do not need to go in the field every day for collection purposes. Under this scenario, the staff could be redeployed to recruit new customers while collection would be done electronically, using mobile money.

POSTS AS DIRECT PROVIDERS

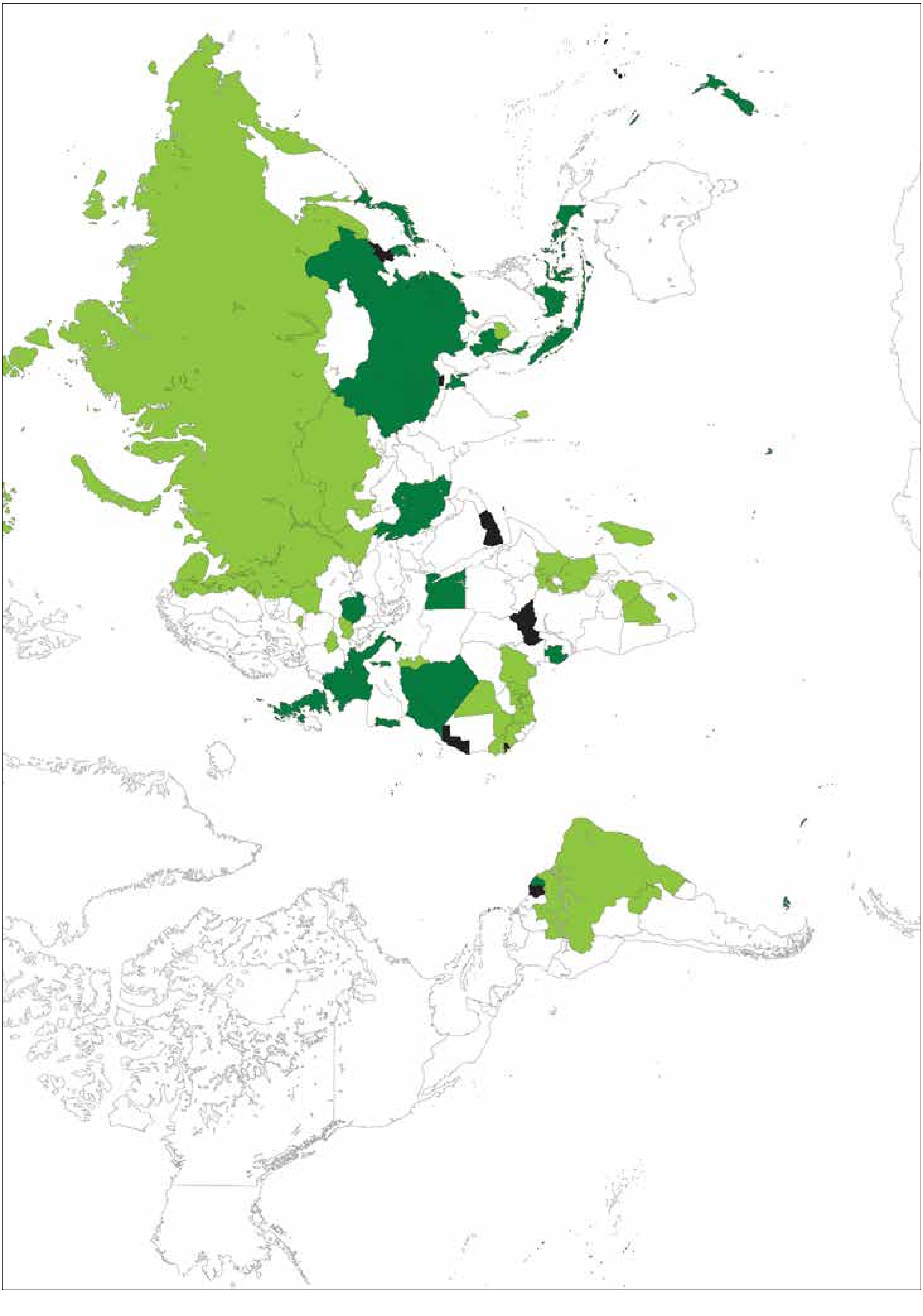
Under BMs 2, 4 and 5, postal operators offer their own financial services: payment services, current accounts, savings products, loans, etc. Nowadays, a large number of Posts are leveraging electronic and mobile networks to offer their services digitally. Here are a few examples of business models deployed by Posts to offer mobile financial services:

- **Post offering its own transactional services via a mobile channel (BM 2):** there are various examples of Posts that offer this type of service; those that do so generally also have account-based services, all (accounts and payments) linked to their mobile platform, which in our definition classifies as BM 4 or 5. So there are very few examples of BM 2s with a mobile channel. One interesting example, though, is SAM, a "simple automated machine" service designed by SingPost. SAM was first launched in the 1990s, when the Post deployed payment kiosks throughout Singapore for customers to pay bills. SAM was progressively updated and enhanced, and has now become an electronic platform for SingPost, where customers can receive digital mail, buy tickets, and make payments. SAM is still available at post offices and kiosks, but more interestingly on the Internet and via mobile applications, making services available 24/7.
- **Post offering its postal savings or current account via a mobile channel (BM 4):** there are eight examples of Posts operating under BM 4 and linking their account-based services to a mobile channel. One innovative example of this emerged in 2015, in Senegal, when the Post joined forces with a start-up called Numherit to launch a service which is available through various channels. All customers of the service get two separate accounts: a current account at the Post and an e-wallet, with transfers possible from one account to the other. Payments to and from the e-wallet can then be processed through VISA, the Internet, feature phones or smartphones. The Post, which handles a number of social transfers on behalf of the government, transferred these cash payments to the new platform, with 200,000 people benefiting from the system only three months after its launch. The interesting point with this alliance is that both organizations are involved in the development of the service, with special focus being placed on the development of the merchant ecosystem. Retail shops, drugstores, restaurants and gas stations are all actively targeted to ensure acceptance of mobile and card payments. It will be interesting to monitor the service's development in 2016. Currently, the mobile service is made available to new customers only, whereas customers who already have a Postefinances account do not get automatic access to the new system. Ensuring an adequate repartition of both responsibilities and revenues in the venture will go a long way to determining the long-term success of the partnership. Numherit is already in discussions with the Posts of various West and Central African countries to replicate this model.
- **Post offering licensed postal financial services via a mobile channel (BM 5):** ABB in Morocco provides banking services to six million customers. All 1,800 post offices in the country are interconnected and financial services are offered in a fully digital form. In mid-2014, ABB launched a suite of mobile banking services, which is available on both smartphones and feature phones. Customers can manage their postal accounts, pay bills, send money, etc. To develop this offering, ABB has not concluded any partnership with the MNOs as mobile networks are only considered as channels to carry data. At the end of 2015, ABB had 150,000 customers registered for its mobile service, 75% of whom were active. In terms of financial inclusion, it should be emphasized that 42% of mobile customers are new, previously unbanked, customers. After less than two years of operation, the results continue to be modest, but ABB's management is confident that they will steadily improve.

The three BM families presented above are all ways for Posts to offer their financial services through a new channel, the mobile phone. Some Posts have gone even further by becoming MVNOs to control their own mobile channel. In this model, the Post buys capacity from a telecom operator to offer its own communication services, including its own SIM cards. The Post is then able to offer all of its financial services via a digital platform, under its own postal brand. This model was adopted by Equity Bank in Kenya, which launched its own MVNO in 2015 to offer its banking services via a digital platform and compete with mobile money players. However, it had already been adopted successfully by Poste Italiane, the Italian postal operator, back in 2007. Poste Italiane now has 3.3 million customers actively using Poste Mobile, its mobile telephony services. Among these, 75% use their Poste Mobile phone subscription to access postal financial services (payments, mobile top-ups, account management, etc.). This model is hardly replicable as it requires substantial know-how and significant investments, but it illustrates the capacity of Posts to innovate and find new ways of bringing financial services closer to the population.

Figure 18 summarizes the different models adopted by postal operators worldwide to offer financial services via a mobile channel.

Figure 18 – **POSTAL OPERATORS OFFERING FINANCIAL SERVICES VIA MOBILE CHANNELS**



No data

Not offering mobile financial services

Offering own mobile financial services

Offering mobile financial services in partnership

KEY SUCCESS FACTORS FOR POSTAL FINANCIAL INCLUSION

To have an impact in terms of financial inclusion, Posts need to offer financial services that are both inclusive – i.e. addressing the needs of the unbanked or underbanked – and profitable, so that they can be offered sustainably. To do so, they have to respond to customer needs, and efficiently. The previous edition of the Global Panorama identified a list of key success factors. These are crucial factors that are required for Posts to offer sustainable and inclusive financial services. These nine key success factors (network, staff, financial capacity, trust, digitization of processes, risk management, support of public authorities, legal and regulatory framework, and marketing) are presented below. For some of these, we have statistical data available from our 2015 postal financial inclusion questionnaire. In that case, where relevant, we highlighted the evolution between the 2011 and 2015 results. For some other success factors, such as political support, no hard data was available and we had to rely on more qualitative information, such as interviews with a number of Posts.

THE NETWORK

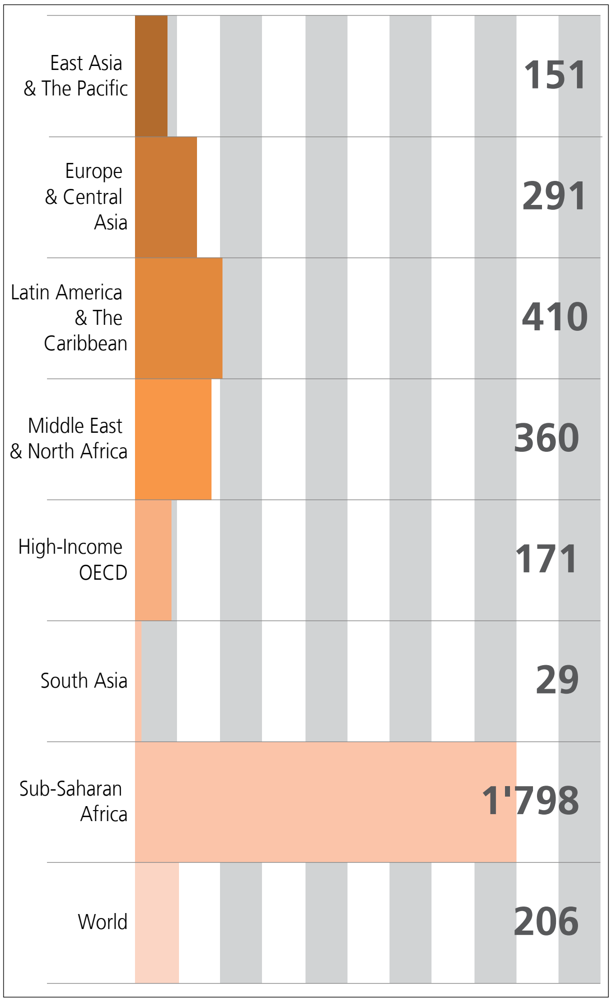
A wide and well connected network is crucial when providing financial services as it addresses one of the three main challenges of financial inclusion: accessibility (the other two challenges being affordability and eligibility). Access is especially important in rural areas, where a large share of the unbanked population lives. Indeed, according to the Global Findex 2014, 43% of the world's rural population is unbanked, compared to 39% globally.[45] This is where the postal network can play an important role, with its presence in rural areas promoting the integration of individuals into the formal financial system. This has been highlighted in a joint UPU-World Bank paper,[46] which shows that the size of the postal network is positively associated with the number of adults having a postal account.

1. **Capillarity**

At the end of 2015, the postal network consisted of 661,000 outlets worldwide. The density of this network, however, is quite heterogeneous, with Sub-Saharan Africa (SSA) standing out as the region with the smallest concentration of postal outlets.

Postal density can be defined either in terms of surface (i.e. number of square kilometres covered by a postal outlet) or in terms of human density (i.e. number of inhabitants served by a postal outlet).

Figure 19 – **POSTAL DENSITY BY REGION: AVERAGE AREA COVERED BY A PERMANENT POST OFFICE IN KM²**



45 Demirguc-Kunt, Klapper, Singer & Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research Working Paper 7255, World Bank

46 Ansón, Berthaud, Klapper, & Singer. 2013. "Financial Inclusion and the Role of the Post Office." Policy Research Working Paper 6630, World Bank

Figure 19 shows that, globally, one post office covers an average area of 206 km². South Asia has by far the highest density with 29 km² per post office. India, with more than 155,000 post offices, has a density of 21 km² per post office, which is remarkable given the size of the country (3.3 million km²). With 2.4% of the world's territory (and 18% of the world's population), India is home to 24% of the world's post offices.

At the other end of the ranking, SSA lags far behind with 1,798 km² covered per post office. Among the 10 countries in the world with the lowest density, seven are from SSA, including South Sudan (77,468 km²), Chad (36,686 km²) and Mauritania (32,048 km²). In this region, it is interesting to compare the number of post offices to the number of agents working for MNOs offering mobile money. For example, in Kenya, Safaricom reported at the end of 2015 having 85,756 agents for its M-Pesa operation.[47] PCK, at the same time, had 623 post offices, or 0.7% of Safaricom's financial services' footprint. The size of the postal network, in that case, does not really constitute a key advantage and the Post has tried to build on other key success factors, such as good cash availability throughout its network, which have allowed it to become a super-agent for MMOs.

Figure 20 – **POSTAL DENSITY BY REGION: AVERAGE AREA COVERED BY A PERMANENT POST OFFICE IN KM²**

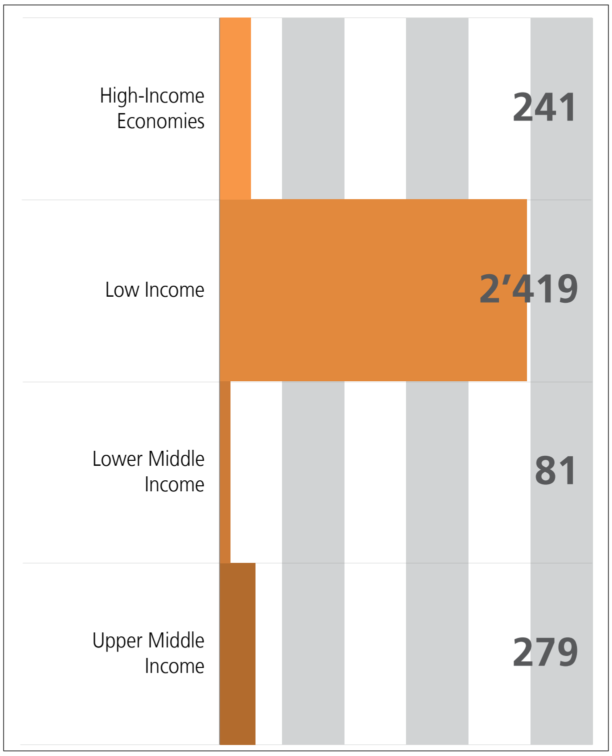
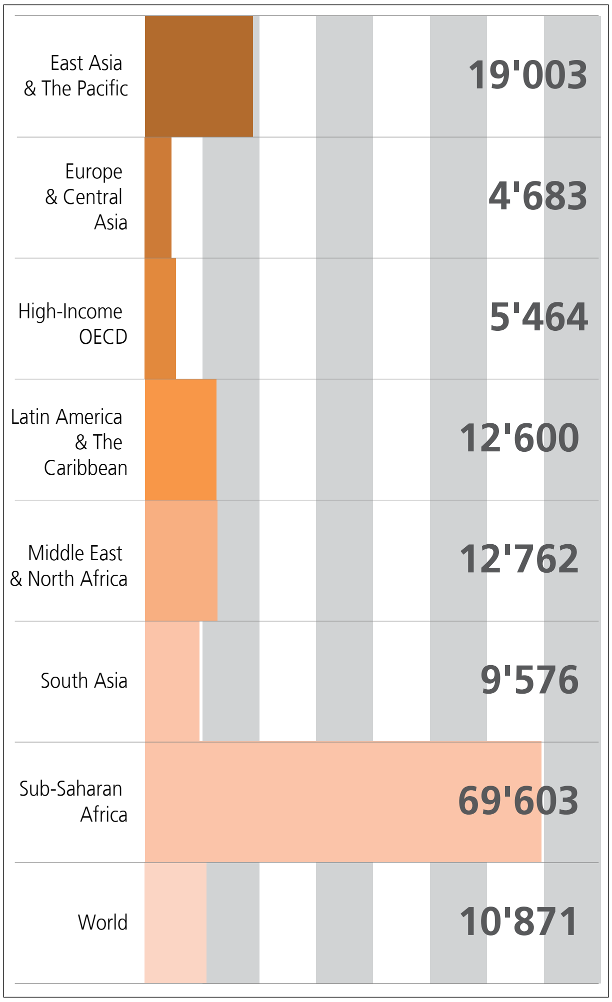


Figure 20 illustrates postal density by income group (again related to surface). Low-income countries have, on average, the lowest density by area (2,419 km²). As most unbanked individuals live in low-income countries, this weakness in infrastructure is an impediment to postal financial inclusion.

Figure 21 – **POSTAL DENSITY BY REGION: AVERAGE NUMBER OF INHABITANTS SERVED BY A PERMANENT POST OFFICE**

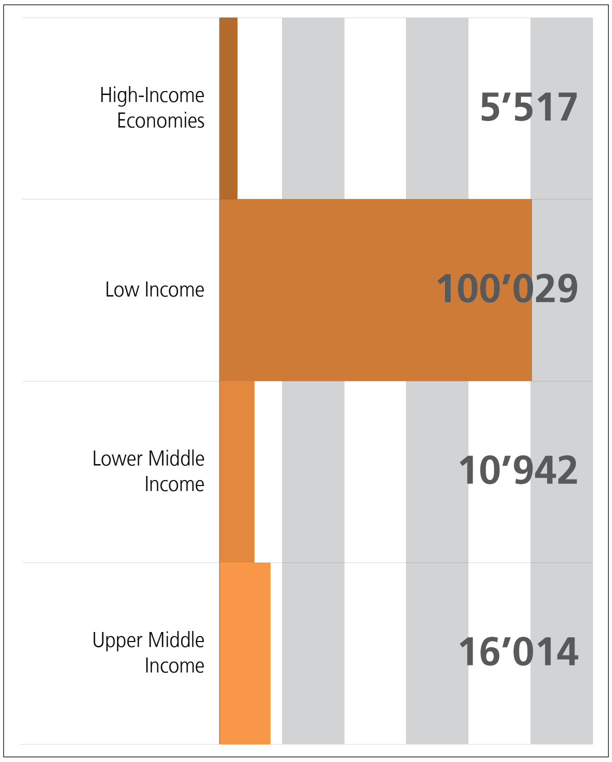


When it comes to density by inhabitants, as illustrated by figure 21, the world average is one post office serving 10,871 inhabitants. This time ECA (4,683) is leading, followed by OECD high-income economies (5,464) and South Asia (9,576). It is worth noting that highly populated regions such as South Asia and East Asia-Pacific (19,003) are doing much better in terms of postal density by area than postal density by inhabitants.

SSA is again at the bottom of the ranking with one post office serving an average of 69,603 inhabitants. The three countries with the lowest density in our entire sample are all from this region: South Sudan (1,378,250), Guinea-Bissau (881,500) and Rwanda (717,765).

47 2016, "Safaricom Limited Annual Report 2015", Safaricom

Figure 22 – **POSTAL DENSITY BY INCOME GROUP: AVERAGE NUMBER OF INHABITANTS SERVED BY A PERMANENT POST OFFICE**



If we look at the situation by income group, low-income countries have by far the lowest density (100,029), as can be seen in figure 22. At the other extreme, in high-income economies, one post office serves 5,517 inhabitants on average. Even though the UPU does not set any specific standard for postal density, it is obvious that, on average, low-income countries do not have enough physical presence to ensure an actual impact on financial inclusion. For Posts with such a small network, various actions could be undertaken. One such action could consist in lobbying with the government so that more resources are allocated to the postal sector. In Burkina Faso, for example, the Post entered into a multi-year agreement with its line ministry to obtain funding for the opening of three new post offices per year (out of a current 107 post offices). While this is certainly something that could be attempted, resources are scarce in developing countries, with a number of competing priorities for governments (education, health, etc.).

A second possible option is to leverage the huge potential of postal delivery staff. Indeed, 1.4 million postmen worldwide go door to door five or six days a week, throughout entire countries. Very few of them currently deliver financial services, but equipped with smartphones or POS devices, they have the potential to significantly increase the postal footprint. This model has already been adopted by Bangladesh Post, which uses its postmasters to deliver money transfers directly to the homes of its customers.

Another way forward for postal operators with a small network is to create an agent network. One of the best examples of this is PT Pos Indonesia, which has less than 5,000 self-operated post offices, but has built a large network of 30,000 agents to distribute its products and services. This allows the Post to have a much larger presence, throughout the country, at a lower cost than if it were operating its own network of post offices. In addition, there are usually shorter queues in agents' branches and opening hours are more flexible than for regular post offices. It is worth recalling here that, according to the GSMA, at the end of 2015, MMOs had a total of 3.2 million agents in 93 countries, or five times the size of the postal network.[48] In order to remain relevant as financial service providers, Posts need to extend their networks by developing agent partnerships, just like banks or mobile money providers.

Lastly, an option which will soon become unavoidable for all Posts, is to create new digital distribution channels. This is something that low-income countries have not done enough so far, but which numerous Posts in more advanced countries are pursuing by developing multi-channel strategies, offering their products at post offices (at the counters and via automated machines), as well as through mobile channels, cards, ATMs, and the Internet. While the costs for developing Posts are relatively high, this can nevertheless be done successfully through appropriate partnerships, as the experience of Senegal has shown (See section 2 on business models).

2. **Connectivity**

In order to fully reap the benefits of a vast network, post offices – including agents – need to be interconnected through an electronic network. Otherwise, there is no possibility of exchanging and processing information with other post offices and headquarters in real time.

If a postal operator offers financial services, e.g. checking and savings accounts, it is of the utmost importance that all post offices in the network are informed about customer transactions in real time in order to reduce operational risks and ensure better customer experience. Also, if post offices are part of an electronic network, cash availability can be monitored and shortages prevented. Maintaining such an electronic network is particularly challenging in rural areas, where electricity and Internet connectivity are not always available.

48 2016, "2015 State of the Industry Report, Mobile Money", GSMA

Figure 23 – **PERCENTAGE OF POST OFFICES CONNECTED TO AN ELECTRONIC NETWORK BY REGION**

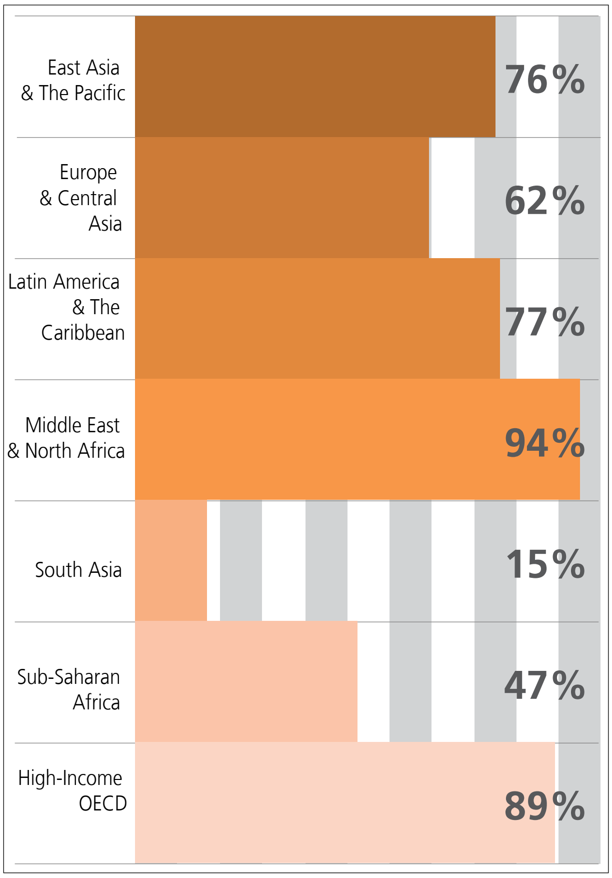
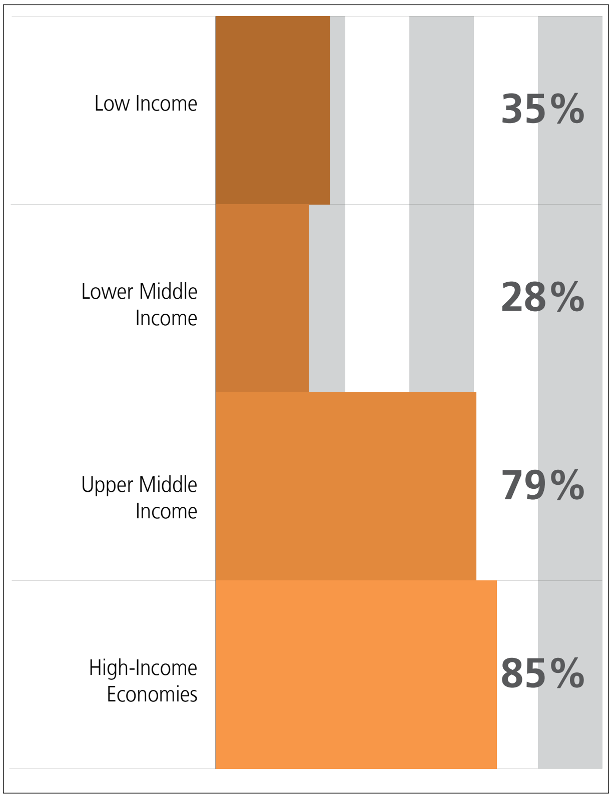


Figure 24 – **PERCENTAGE OF POST OFFICES CONNECTED TO AN ELECTRONIC NETWORK BY INCOME GROUP**



Figures 23 and 24 show the percentage of post offices connected to an electronic network. The global average is 58%, with the Middle East and North Africa (MENA) region leading the way (94% of post offices connected). There, a large majority of countries have between 80% and 100% of their post offices connected. The high-income OECD group comes a close second (89%), followed by the Latin America and Caribbean (LAC) and East Asia and Pacific (EAP) regions (77 and 76%, respectively). It should be emphasized, though, that if we exclude Germany, where data is incomplete for agents, the connectivity rate for OECD countries stands at 98.5%.

South Asia is the region with the lowest level of connectivity: only 13% of post offices are connected to an electronic network. Notably, Bangladesh (1.11%) and Pakistan (1.38%) show extremely poor rates of connectivity. In the previous Global Panorama (2013), India's low connectivity (8%) was highlighted. It is worth noting that India Post embarked on a major 750-million USD, five-year modernization project at the end of 2012, as a result of which 25,000 out of 156,000 post offices are now connected (i.e. a connectivity rate of 16%). The project aims to connect the rest of the network by the end of 2017, which would certainly have a very positive impact on the entire region's connectivity rate, given the sheer size of India's postal network.

Globally, we have seen a positive evolution in terms of postal connectivity since the first edition of the Global Panorama (2013). However, much remains to be done and this topic should become a top priority for postal operators. Without full connectivity, Posts cannot compete with other financial service providers nor respond to their customer needs in terms of financial services or e-commerce.

3. **Full use of the network**

As far as possible, Posts should offer their financial services throughout their network and not only in a portion thereof. Indeed, for customers, it is very confusing not to have the same range of services offered at two different post offices. In the previous edition of the Global Panorama (2013), 77% of all postal operators offered financial services throughout their network. According to our 2015 data, this figure has dropped further, to 61%.

One of the reasons why this number has declined is that, as discussed in section II (on business models), Posts are increasingly offering real-time electronic services and discontinuing paper-based money orders and passbooks for accounts. As a consequence, the Posts that are offering financial services do so only in the portion of their network that is connected, or use call centres for the provision of money transfer services.

4. **Flexibility of the network**

The Post is a convenient service provider for customers as it has a large network, including a presence in rural areas. In order to be more attractive to customers, though, postal operators need to adapt to their customers' needs. For example, in major urban centres, post offices need to open early and to remain open at lunchtime and after office hours. An interesting case in point is Burkina Faso's SONAPOST, which in 2015 extended the opening hours of its busiest offices, including on Saturdays, to be able to compete with other financial service providers, such as MMOs.

In Morocco, ABB opened new Barid Cash points, which are small branches dedicated solely to money transfers. They typically have one or two agents, and are open longer hours than post offices, from 8.00 to 20.00, including on Saturdays.

Other Posts have created mobile post offices that are deployed in different locations, in line with business needs. In Togo, for example, mobile branches are moved every day and follow major events in a given region. In Morocco, a similar mobile fleet has been set up, as illustrated in picture 01.

To address that flexibility requirement, and taking into account the cost of physical presence, most Posts deploy multi-channel strategies, making their services available 24/7 through ATMs, mobile channels, or the Internet, in addition to their physical branches. In the next few years, this type of approach will become a necessity as more and more customers look for convenience and require access to their financial services everywhere, all the time.

STAFF

Today, Posts worldwide have 5.24 million employees. Staff costs often represent between 2/3 and 3/4 of a postal operator's total expenses. Many employees are in direct contact with customers, either as mailmen or as post office clerks. The quality of postal staff, which can be evaluated based on various criteria, is therefore of the utmost importance for postal financial inclusion. Staff can be one of the Post's biggest assets… or one of its biggest liabilities.

There are various ways of improving the skills of employees. For example, India Post has a well-established training

Picture 01 – **MOBILE AL-BARID BANK BRANCH IN MOROCCO** curriculum, in India as well as abroad, where different training programmes are conducted. In 2012, it established a national training policy, the key objective being to implement training programmes for all levels of staff. One goal is to attain a computer literacy rate of 100% (India Post, 2015).[49] The Moroccan Post, Barid al Maghrib, opened its University Barid Al Maghrib in 2007 (three years before the launch of its postal bank) to train staff in management, banking and new technologies (CGAP, 2012).[50] In addition, the Moroccan Post recruited senior managers from the banking sector as certain skills were not available internally and training its existing employees would have been too time-consuming.

The following elements help to determine the Post's capacity to become a lever for financial inclusion from a human resource perspective.

1. **Computer literacy levels**

As explained in the previous section, post offices need to be connected to an electronic network in order to exchange real-time information with headquarters and other post offices. To do this effectively, however, it is crucial that the staff is computer literate. In this report, computer literacy is defined as having at least basic knowledge of Microsoft Office programs and any operational software used in the organization. The level of computer literacy gives an indication as to the capacity of postal staff to offer digital financial services, even though we should note that what is important for postal financial inclusion is that both customer-facing and back-office staff are computer literate. Other postal activities, such as sorting and delivery of letter mail and parcels, are labour-intensive and do not require computer literacy (unless postmen become agents for financial inclusion and use smart devices).

Figure 25 – **COMPUTER LITERACY LEVEL OF POSTAL STAFF BY REGION**

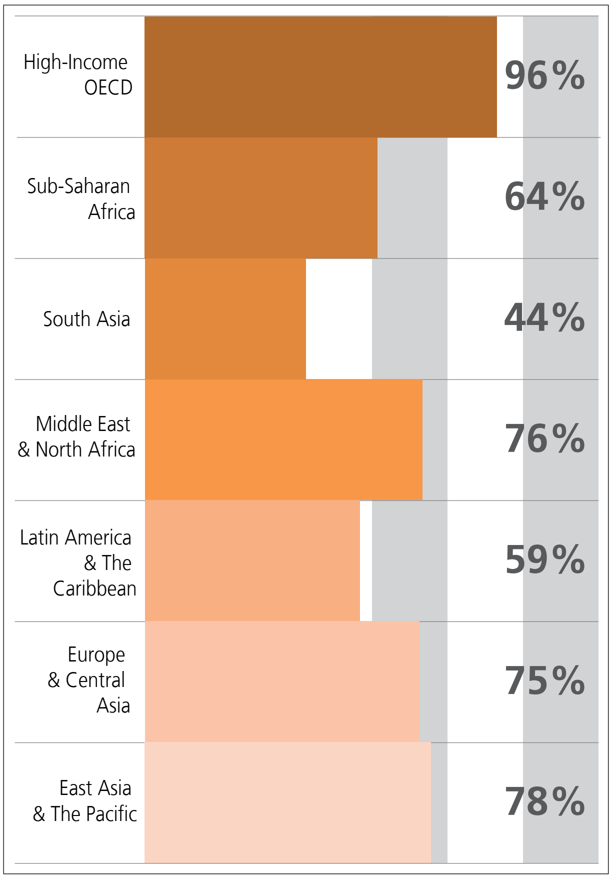
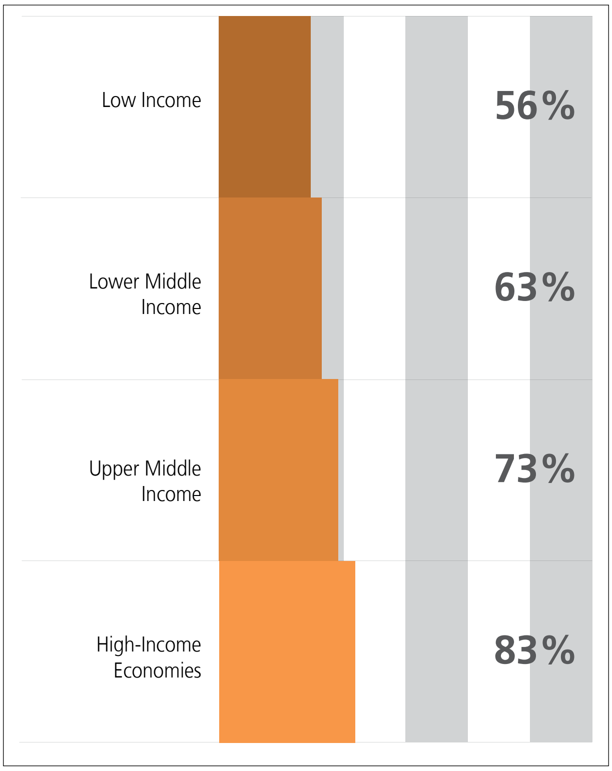


Figure 25 shows that postal staff in OECD countries have the highest rate of computer literacy (96.33%), followed by the EAP and MENA regions (78.28% and 75.90%, respectively). The global average for computer literacy rate currently stands at 71.58%, a 2.4% progression compared to the figure for 2013. South Asia has the lowest rate at 43.98%. Particularly, Bhutan (11.89%) and Sri Lanka (13.92%) show very low levels. Figure 26 illustrates, not surprisingly, that the more affluent a country, the higher the computer literacy of its postal staff on average.

49 2015, "Annual Report 2014-2015", India Post

50 2012, "Can postal networks advance financial inclusion in the Arab world?", CGAP http://www.cgap.org/sites/default/files/CGAP-Brief-Can-Postal-Networks-Advance-Financial-Inclusion-in-the-Arab-World-May-2012.pdf

Figure 26 – **COMPUTER LITERACY OF POSTAL STAFF BY INCOME GROUP**

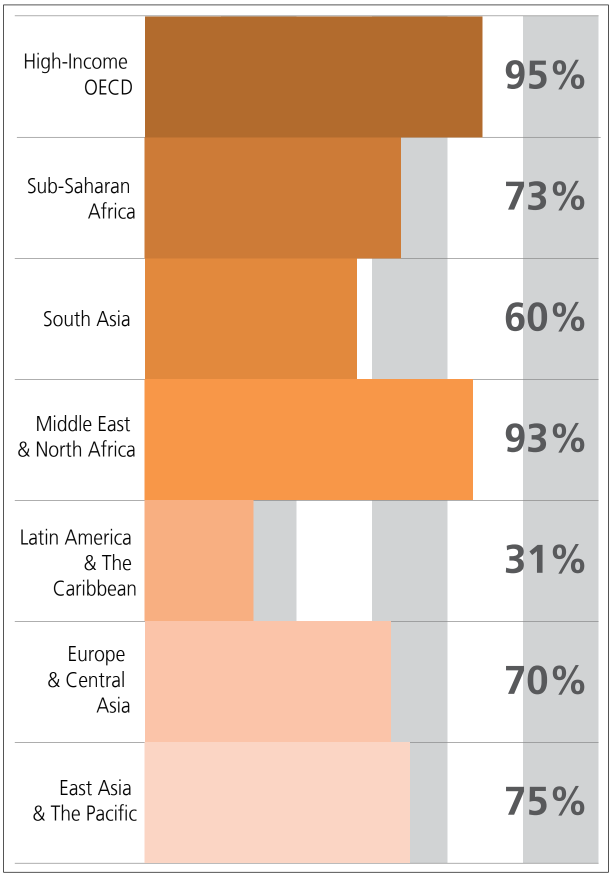


With the increased use of POS and mobile devices to perform financial transactions, it would, however, suffice for the majority of postal clerks to be technology proficient rather than computer literate. One good illustration of this is the case of Cameroon, where only 40% of the staff are computer literate. However, Campost first deployed a POS-based system to offer domestic remittances throughout its network. Since the beginning of 2016, this system has been replaced by the mobile version of the UPU's IFS system, which is operated on tablets and smartphones and enables Campost to offer both domestic and international remittance services at all post offices. This kind of user-friendly mobile application allows non-computer-savvy staff to deploy digital services throughout the postal network. This area is expected to considerably develop in the coming years, as illustrated in picture 02.

2. **Training**

As figure 27 illustrates, high-income OECD countries and the MENA region top the ranking on this topic with 95% and 93% of Posts in these respective groups training their staff in postal financial services (this can include training on internal processes, IT systems, the presentation of products to customers, etc.). Posts in the EAP (75%), SSA (73%), and ECA (70%) regions also place great emphasis on training.

Figure 27 – **PERCENTAGE OF POSTS TRAINING THEIR STAFF IN POSTAL FINANCIAL SERVICES BY REGION**



The LAC region, on the other hand, is lagging behind, as reported in the previous edition of Global Panorama, with only 31% of Posts training their staff on financial services. One explanation for this low score is that Posts in the region mostly offer money transfer services in partnership with international MTOs. These companies usually organize training sessions for their partners themselves, meaning that even though the Post does not report providing training for its staff, employees are still trained on the topic. It should be noted, however, that the region's most "advanced Posts" in terms of financial services (Argentina, Brazil and Peru) all offer training on the topic.

At the global level, 70% of Posts providing financial services do train their staff on this topic. This is a strong progression compared to the previous version of the Global Panorama, when this figure was only 56%.

Picture 02 – **AN EMPLOYEE OF SPAIN'S CORREOS, EQUIPPED WITH A MOBILE DEVICE**

3. **Other key human resource issues**

Various human resource issues are important for all institutions in these times of change, and even more so in the case of former public administrations. Worthy of mention here are resistance to change, and the need to introduce a performance/results-based culture and to bring an end to corrupt practices. We have identified four additional issues that are specifically important for Posts:

REDUCING STAFF TURNOVER

If staff resign to take up better paid jobs (which often happens immediately after they have benefited from training), the Post needs to hire and train new employees, which is both costly and time-consuming. In dealing with unbanked or underbanked customers, trust is very important and high staff turnover affects this negatively.

Staff turnover is an issue in various developing countries where working conditions in the private sector are often better than in the public sector. Postal leaders need, as far as possible, to attract good employees and to put measures in place to retain them. This is something that ABB in Morocco has done successfully, wooing some of the best bankers in Morocco with salaries comparable to those in the private sector, but also by giving them key management positions and allowing them to create a new work culture, half-way between the private sector and the traditional public service cultures.

FINANCIAL INCENTIVES FOR STAFF

When financial products are introduced as a new line of service, postal operators may consider increasing the salaries of the employees responsible for the new products. The reason is that employees will need to get training in financial services and they may need to assume increased responsibilities. In order to motivate staff, an incentive scheme could be introduced. For example, Bangladesh Post has maintained high staff morale following the introduction of new financial products by paying postmasters commissions per transaction. If a cash shortage occurs and the postmaster uses his own money, he receives an even higher commission. In contrast, when Pakistan Post launched a new partnership with the MNO Mobilink, no incentives were put in place to motivate staff. As a result, staff have not been motivated to learn about the new product and its success has been limited (CGAP, 2011). [51]

This has been very well understood by postal partners, in various cases of BM 1 partnerships. Typically, MTOs that have contracts with Posts have developed very proactive strategies to incentivize staff at postal branches. In various countries, the marketing teams of large MTOs offer small gifts to the postal clerks who have the best sales results, sometimes even without the management of the Post being aware. As a consequence, the staff of such Posts will ask to work in positions where they can offer the products of MTOs, which they will be far more active in promoting than other products that might be more profitable for the Post and/or more beneficial for customers.

CUSTOMER SERVICE

With banks, MFIs, cooperatives and other financial institutions competing in the financial services market, it is crucial that postal operators provide superior customer service. Besides being computer literate and trained in financial services, postal staff should focus on meeting customer needs and requirements. As reported in the last edition of the Global Panorama, due to low morale and poor salaries, customer service is unsatisfactory in certain Posts. Posts should therefore monitor customer satisfaction regularly, for example through surveys. This is something that the USPS, for example, has been doing in order to identify opportunities for improvement (USPS, 2010). [52]

INTERNAL LEADERSHIP

An individual or a group of committed employees in executive positions are often the reason why Posts diversify into financial services or radically transform existing services. A strong personality is needed to transform a vision into a successful venture. For example, Anass Houir Alami, former Director General of the Moroccan Post and a strong proponent of postal financial inclusion, was the driving force behind the establishment of the postal bank ABB. [53]

FINANCIAL CAPACITY

Another important indicator of the ability of a postal operator to promote financial inclusion is financial capacity. This includes two separate elements: the ability to generate profits, and the capacity of the Post to have cash available for financial transactions at post offices.

1. **Financial results**

If a postal operator is profitable, it has the necessary resources to invest in the modernization of its post offices and the improvement of its network (size, density and connectivity). Furthermore, it can attract skilled employees and is in a better position to retain them as it has the means of offering good working conditions. In the long run,

51 C. Bold, 2011, "Innovation in branchless banking at the Bangladesh Post Office", CGAP, http://www.cgap.org/blog/innovation-branchless-banking-bangladesh-post-office

52 2010, "Chapter 4 : Customer Programs – Customer Satisfaction Measurement", USPS https://about.usps.com/strategic-planning/cs09/welcome.htm

53 A. Berthaud, 2013, "Case study No.2 : Morocco : Key success factors for the creation of a postal bank", UPU http://www.upu.int/uploads/tx_sbdownloader/caseStudyMoroccoEn.pdf

the reinvestment of profits can increase quality of service, which helps with meeting customer expectations.

In 2014, 62% of the postal operators for which we have data available were profitable.[54] There are various reasons why a number of postal operators, in both industrialized and developing countries, have been operating at a loss – or have seen their profits decline dramatically – in past years. The first reason is the strong decline in traditional mail, which has not been fully compensated by the increase in parcel revenues, which tend to increase strongly with the development of e-commerce. Another reason is that the postal sector has been liberalized in some parts of the world. Therefore, DOs which used to have a monopoly on postal services now face domestic and international competition. Typically, the postal market was liberalized too quickly in Latin America, leaving it fragmented and thus making it difficult to achieve economies of scale.

With increased competition and declining revenues, diversification into other services can become a necessity for the viability of the Post. A prime example of a DO that has successfully expanded into different business areas is Poste Italiane, which decided to focus on financial services in 2000. In addition to its payments and savings activities, the Post has launched its own life insurance company as well as its own cash transport service.[55] Today, the majority of Poste Italiane's revenue is generated by financial services (63% in 2014).

It is interesting to note that various postal operators facing difficult situations in the mail business have been able to generate profits through financial services. The 2015 financial results of various high-income OECD Posts are quite telling in this regard:

- In Italy, Poste Italiane achieved an operating profit of 880 million EUR (operating loss of 568 million EUR in the core postal business as opposed to an operating profit of 930 million EUR in the financial services unit and of 487 million EUR in the insurance unit);
- In New Zealand, operating profits from financial services reached 132 million New Zealand dollars (NZD), as opposed to a loss of 3 million NZD for mail and logistics services. The total operating profit for the group reached 143 million NZD.

Even in the case of Posts that have managed to remain profitable in the mail and parcels business, financial services still make a significant contribution. In Switzerland, for example, PostFinance represents 56% of the Group's operating profits, while in France, the contribution of the postal bank to La Poste Group's overall operating profit is about 25%, roughly the same as that of the parcels business.

54 2015, "Postal Statistics 2014", UPU

55 A. Berthaud, 2014, "Case study No.4: Italy: Key success factors for the modernization of postal financial services (mobile banking)", UPU http://www.upu.int/uploads/tx_sbdownloader/caseStudyItalyEn.pdf

2. **Liquidity and cash management**

There is a fundamental difference for Posts between offering mail and parcels services and offering financial services. For mail or parcels, customers go to the post office and pay, usually a small amount, for the service. In that case, Posts do not need to have much cash available. However, when offering financial services, most counter operations involve either deposits or withdrawals. For Posts that are starting to offer financial services, this implies a shift in their cash management procedures. Post offices need to have large amounts of cash available throughout the network, to ensure that any customer who goes to a post office will be able to withdraw his money. Any failure in that regard is likely to have dramatic consequences in terms of customer satisfaction and trust. This phenomenon has typically been observed in various Sub-Saharan Posts, such as La Poste du Mali, where, in spite of a very large market potential, money transfer activities are now insignificant due to the inability of the Post to pay out international remittances.

An interesting case is that of the Cuban Post, which has a partnership with Spain's Correos for the provision of money transfer services from Spain to Cuba. The service was launched in 2011 and rapidly gained popularity, but with money flowing to Cuba, the Post was soon unable to meet customer demand, which negatively affected the popularity of the service. However, an agreement between the two operators was reached in 2012, with Correos providing cash advances as well as technical assistance to help organize an adequate cash management system. The UPU and 10 Posts (including the Cuban and Spanish Posts) also deployed PPS*Clearing, a clearing and settlement system for postal payment services, which has allowed postal operators to significantly reduce their settlement times. All these measures have allowed the Cuban Post to improve its cash management. As a result, since 2012, it has enjoyed a steady growth in its volumes.

Cash management is, therefore, of the utmost importance in ensuring customer satisfaction. For postal operators offering account-based services, customer deposits are often used to ensure cash availability throughout the network. For other Posts, partnerships need to be established and sound organization needs to be implemented. One such example is that of La Poste du Bénin, which in the mid-2000s concluded partnerships with MFIs for the collection of loan repayments in rural areas. Customers of these MFIs would deposit money in rural post offices and the Post, in turn, would pay back the MFIs to their bank accounts in Cotonou, in exchange for a small fee. These partnerships have allowed the Post to have cash available throughout its network, while at the same time gaining some revenue.

ORGANIZATION OF CASH MANAGEMENT

To be successful in terms of cash management, Posts can use sophisticated automated tools to monitor cash in the network. They also need to have a logistics network in place

Figure 28 – **LEVELS OF AUTOMATED CASH MANAGEMENT BY REGION**

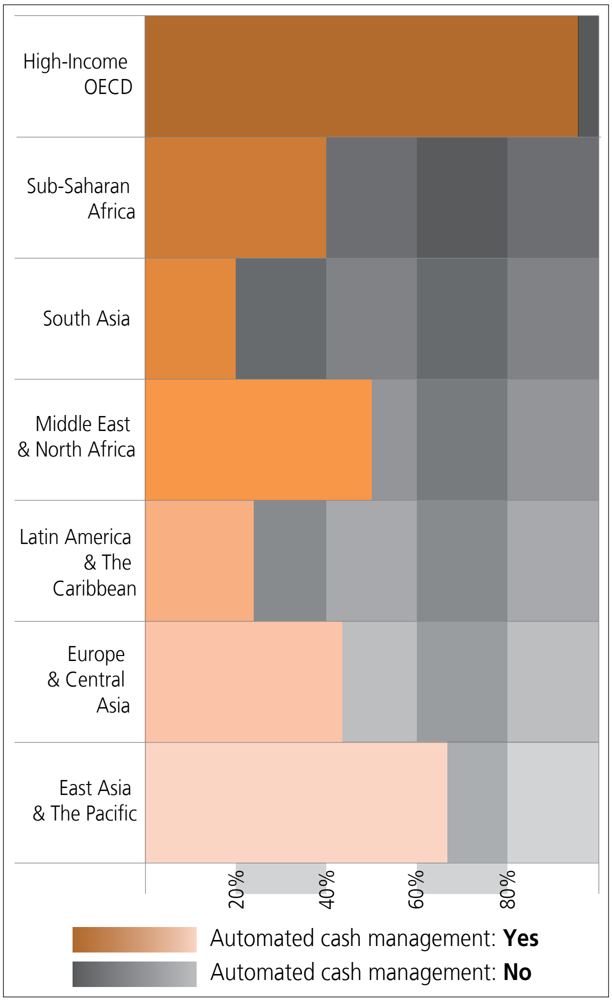
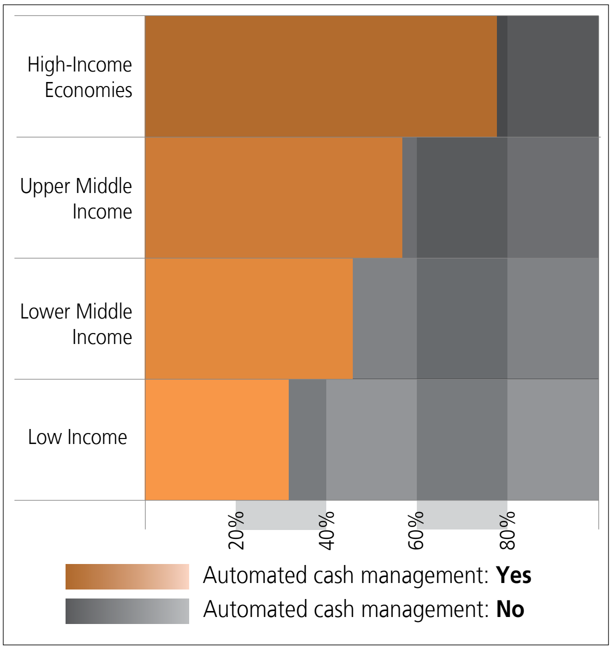


Figure 29 – **LEVELS OF AUTOMATED CASH MANAGEMENT BY INCOME GROUP**



so that cash can be transported from one point to another when needed. Both topics will be addressed below. However, one first basic requirement is to ensure that an adequate organization is set up within the Post, which does not need to entail much expense.

AUTOMATED CASH MANAGEMENT SYSTEM

An automated system tracking cash availability can significantly improve cash management. Such a system allows Posts to track branches where they have a cash shortfall or surplus, and to take remedial measures accordingly.

Box 2:

CASH MANAGEMENT COMMITTEE

A best practice for Posts performing many CI/CO operations is to set up a cash management committee made up of representatives from the network, the treasury department, and the financial services department. The cash management committee should meet daily (or as required).

The network representative needs to ensure availability of the cash situation of each post office at each meeting of the committee. This can be done electronically, or by phone if needed, and is the approach adopted in Burundi where all postmasters are required to notify their cash situation each day to a regional office, which in turns shares the information with the main office. This is done by e-mail where post offices have access to the Internet, or by mobile phone where they do not.

The treasury department representative needs to have information on the cash situation of the Post in its different bank accounts, including large payments due to be received or made (e.g. disbursement of salaries). His/her role is also to liaise with bank partners when urgent cash withdrawals are needed.

The last member of the committee, from the financial services department, needs to have information on the financial transactions that are expected in the next few days, including large payouts (e.g. end-of-month social payments).

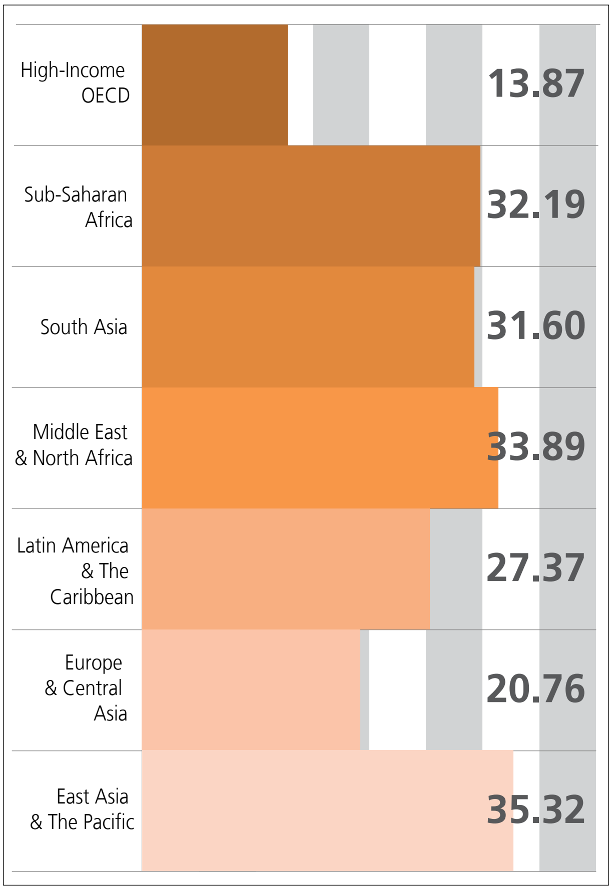
During its meetings, the committee will analyze all events with a potential impact on cash management and identify potential cash shortage situations. It will then take the necessary measures to ensure that such a shortage does not arise. Such measures can include physical transfers from one post office to another, as well as bank transfers/withdrawals.

An automated system can also use past data to make forecasts on cash needs, which help prevent cash shortages. Figures 28 and 29 show that automated cash management is highly dependent on the income group: 67% of postal operators in high-income countries have such a system in place, compared with only 28% in low-income countries. From a regional perspective, high-income OECD countries take the lead (95%), with the LAC and SA regions ranking last (24% and 20%, respectively).

CASH LOGISTICS

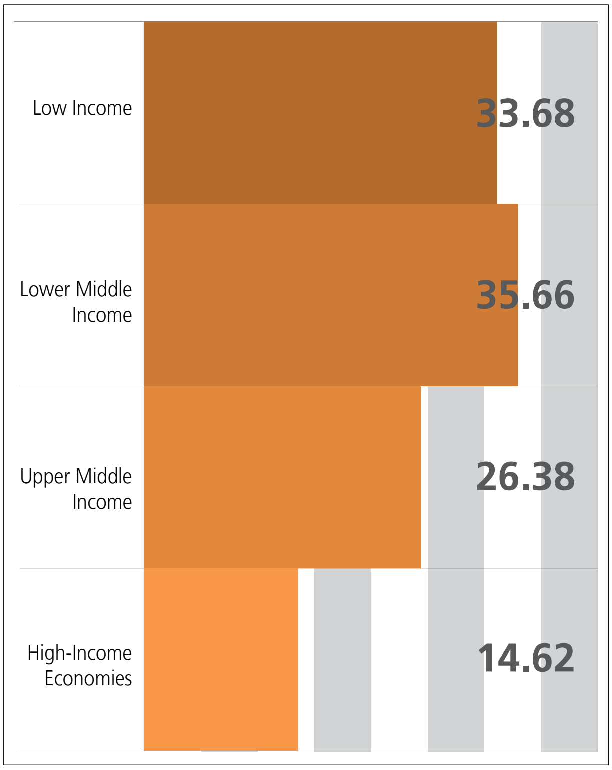
When the postal operator identifies a branch with a cash shortage or surplus, cash needs to be transported to or from the branch. The time needed to transport cash to rural areas can serve as a proxy for the efficiency with which cash is transported. It is only a proxy, of course, because we cannot compare the situation of Liechtenstein, for example, where the Post has 12 branches on a total surface of 160 km², with that of the Russian Federation, where the Post has 40,000 branches covering a total territory of 17,075,400 km².

Figure 30 – **AVERAGE TIME TO DEPLOY CASH TO A SMALL RURAL OFFICE TIME BY REGION**



The global average stands at approximately 27 hours, as was the case in the previous Global Panorama. Figure 30 shows that high-income OECD countries score the best in this regard, followed by the ECA and LAC regions. In EAP, on average, it takes almost one and a half days to deliver cash to a rural postal branch, placing the region at the rear end. Like in the previous Global Panorama, the Solomon Islands (168 hours) are a big outlier, strongly weighing on the regional average. Figure 31 looks at the average time to deploy cash by income level. Not surprisingly, high-income economies need the least amount of time (less than 15 hours), whereas lower-middle income and low-income countries need more than 30 hours. One reason for this is that underdeveloped infrastructure in developing countries can complicate transportation. Another reason is that cash availability is not monitored properly, as a result of which cash shortages can be noticed very late.

Figure 31 – **AVERAGE TIME TO DEPLOY CASH TO A SMALL RURAL OFFICE TIME BY INCOME GROUP**



TRUST

Many people place a high level of trust in the Post, which can constitute a significant strength. Though trust is generally hard to measure, we have used several indicators to show that the Post continues to be one of the most trusted institutions. In the previous version of the Global Panorama, we used World Economic Forum data dating back to 2010, which showed that trust levels were especially high in high-income OECD countries, ECA, and in certain countries of East Asia. Unfortunately, we have been unable to find a more recent study, but anecdotal evidence suggests that there has been little change to this situation. Although there are exceptions, Posts are generally regarded as trustworthy, and in some countries this trustworthiness can be extremely high. In Brazil, for example, the Post is considered the most trusted institution in the country, well in front of the army and the church.[56] In the United States of America, a Pew Research Center poll published in 2015 showed that the USPS was the most trusted federal agency in the country, with 84% of favourable opinions, with the second-ranking agency, the National Park Service, obtaining a score of 75%.[57] Trust in the USPS is nothing new of course, as in 1913, when the US Postal Bank was launched, Carter B. Keene, Chief Post Office Inspector, stated about the new operation that ***"It is not a money-making adjunct to the Post Office Department… Its aim is infinitely higher and more important.… It places savings facilities at the very doors of those living in remote sections, and it also affords opportunity for safeguarding the savings of thousands who have absolute confidence on the government and will trust no other institution."***[58]

Trust is very important when offering financial services to individuals who have been unbanked or underbanked for most of their lives. Banking functions have always failed or succeeded in exact correlation with the level of trust their customers held in the institution. Postal staff, who usually have very close ties to the region where they work, bring customers a strong comfort level. In addition, for many low-income customers, post offices are far less intimidating than banks. We can add to this that, unlike banks, most Posts are willing to work with all customers, regardless of their income level.

Indeed, Posts are very effective in reaching populations neglected by other financial institutions (women, low-income customers, those in the informal economy, etc.). Most Posts that offer savings or current accounts have either no minimum deposit amount or a very small one, and in some countries, they even have a public service obligation to accept unbanked people. This is the case in France, where the Postal Bank is required to open an account – free of charge – to all people requesting one.

All of this shows that Posts in many countries have a significant advantage over other financial institutions in terms of how they are perceived by the population. Posts need to cultivate this trust in order to succeed in the field of financial inclusion.

56 May 2015, "14th edition of the "Marcas de Confiança" ("Trusted Brands") survey", Readers' Digest / IBOPE, www.selecoes.com.br/marcasdeconfianca

57 2015, "Beyond Distrust: How Americans View Their Government", PewResearchCenterhttp://www.people-press.org/2015/11/23/4-ratings-of-federal-agencies-congress-and-the-supreme-court/

58 2015, M. Baradaran, "How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy", Harvard University Press

DIGITIZATION OF PROCESSES

1. **Automation (IT)**

There are two main reasons why Posts should focus on offering digital financial services. First and foremost, it is a necessity if they are to offer on a large scale services that are affordable to low-income customers. It is also a requirement in order to compete with other financial service providers. This includes shifting from paper-based to digital financial services, as well as modernizing the back office.

As illustrated by figure 32, 83% of Posts in high-income OECD countries have fully automated back offices. In the LAC region, however, the situation is much worse: 38% of Posts report having a manual back office for financial services. This is linked to the fact that many operators in the region, especially in the Caribbean, have not until recently attached much importance to developing financial services. This has led to low investment levels in the automation of services. However, in Sub-Saharan countries, where many Posts have prioritized financial services, the results are much better with 28% of operators having an automated back office and 53% a semi-automated one. As expected,

Figure 32 – **LEVELS OF AUTOMATION OF BACK OFFICE BY REGION**

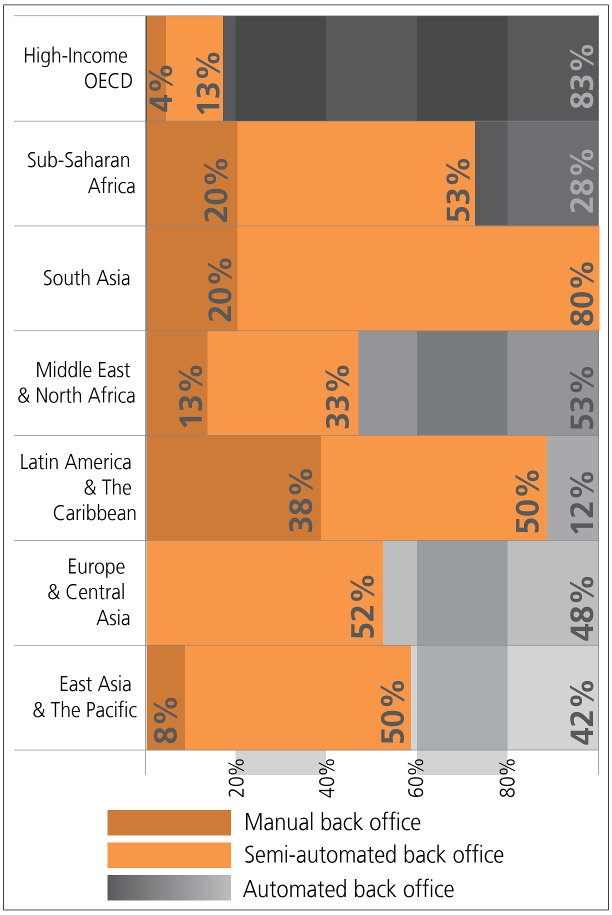
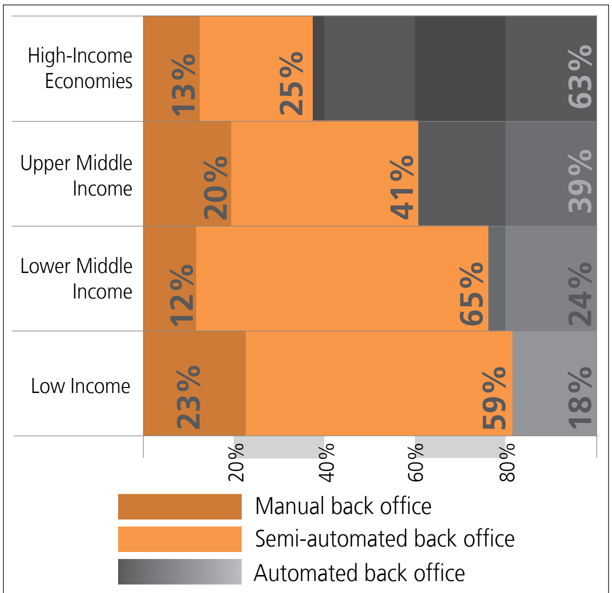


figure 33 shows that Posts from high-income countries have a far higher level of automation than those in developing countries.

77% of postal operators that answered our questionnaire have a management information system (MIS) for postal financial services in place. In the last edition of the Global Panorama, only 63% of Posts stated that they had such a system, marking a strong improvement over the last three years. Various examples have been reported of Posts launching new systems, such as Campost in Cameroon, which launched a new core banking system in 2016, or La Poste du Bénin, which adopted a new MIS for its financial services in 2015. Figure 34 shows that the percentage of Posts from developed countries with an MIS for their financial services (79%) is on a par with the percentage of developing countries (76%). This is a positive development as the gap was much greater in the previous version of the Global Panorama (more than 20 points). It illustrates the fact that Posts worldwide, regardless of their development level, have understood the importance of digitization and automation in offering successful financial services.

Figure 33 – **LEVELS OF AUTOMATION OF BACK OFFICE BY INCOME GROUP**

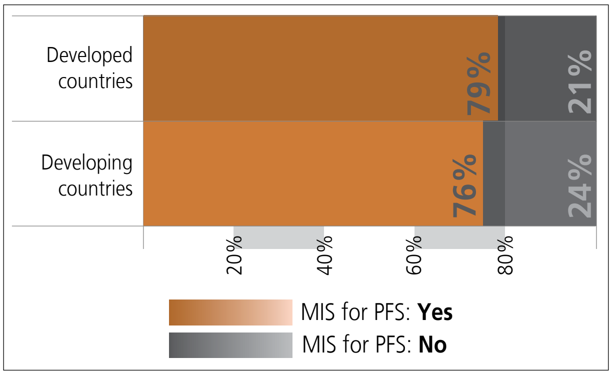


2. **Process integration**

All postal operations usually follow a number of processes. However, to be successful in the financial services sphere, Posts should ensure that these processes are fully formalized and, as far as possible, automated and integrated.

To do so, it is important that Posts leverage new information technologies. One important aspect is that, apart from very large institutions with strong IT capabilities, Posts should, as far as possible, try to use standard tools that are regularly updated by their vendors and can easily be

Figure 34– **MANAGEMENT INFORMATION SYSTEMS FOR POSTAL FINANCIAL SERVICES BY INCOME GROUP**



integrated with other systems. This is the approach adopted by Campost from 2014 to 2016. Previously, it had a partnership with a private operator for the provision of domestic money transfer services on POS devices, used the UPU's IFS system to offer international remittances, and had an old information system with different applications that did not talk with each another. The Post, therefore, decided to upgrade to a core banking system that would integrate all its financial services applications, and to use only one system – IFS – for all domestic and international money transfer services. With this new system, all transactions can be performed and monitored using a single system, which facilitates the provision of different services by clerks as well as controls and audits. The system also allows the Post to seamlessly integrate the services of other providers, and to partner with other entities equipped with standard IT systems.

RISK MANAGEMENT

Risk management includes all the policies and activities designed to ensure that risks are identified, measured and controlled, monitored and reported. Risk management is essential for Posts that are willing to be successful in offering financial services.

INTERNAL CONTROLS

All Posts have internal controls in place for their traditional business. However, in some cases, these controls were designed for paper-based processes and have not been updated in a long time. When offering financial services, risk is significantly higher than when offering mail or parcel services. Posts, therefore, need to set up structures in which all processes are formalized, various levels of control are implemented (both at post office and central levels), and the entire chain is audited regularly.

This was one of the areas of focus of a 2013–2016 project, led jointly by the UPU and Positive Planet in West and Central Africa. Technical assistance was provided to eight Posts in the region with a view to ensuring that all of them would have adequate controls for money transfer services at the end of the project. One or two external audits were carried out for each Post, and the results were shared with the management. Seven of these Posts benefited from support to formalize and review their processes, after which national auditors were trained to be able to verify the correct implementation of all processes on a regular basis. This had a positive impact on quality of service and should also contribute to reducing fraud and error.

In addition, it is worth mentioning here that, if Posts offer loans, risk management takes on a different meaning. In this scenario, underwriting and collection procedures will need to be implemented in order to protect the Post's assets against default.

SECURITY FEATURES

When Posts offer only mail and parcel services, they do not need to have much cash at hand. However, with financial services, the increased demand for cash entails increased security requirements.

Our postal financial inclusion questionnaire included a question on this issue, whereby each Post was asked how many of its post offices were equipped with some sort of security feature (security personnel, safes, video cameras, alarms, etc.). However, a large proportion of respondents did not answer the question or asked for confidentiality on this issue. Therefore, even though data is available, we have only used it to compute our financial inclusion capacity index (see section IV), not as a stand-alone indicator.

We would like, however, to recall a few important elements regarding security. One of them is that all post offices should have a safe. The safe should not be mobile but rather fixed to the building, in a room (or part thereof) that is neither visible nor accessible to customers. Windows opening on the outside should be secured, as well as all entrances. In addition, depending on available resources and the security situation in the country, security personnel, video cameras and alarms may also be required.

Failing to adopt basic security measures can put the lives of postmen at risk, and represents a strong financial and reputational risk. Postal operators that are yet to address these issues should, therefore, strongly consider prioritizing them.

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

When it comes to anti-money laundering and combating the financing of terrorism (AML/CFT), 70% of DOs have programmes in place. This figure has improved compared to 2013, when it stood at 62%, partly as a result of actions led by the UPU in partnership with the World Bank (2011-2012) and with PlaNet Finance, now Positive Planet (2013-2016), both with financial support from the European Union. Technical assistance has been provided to 11 countries to help them address various issues linked to the provision of money transfer services, including the design of AML/CFT programmes.

Overall, however, Posts are still lagging behind banks in this important area. This is sometimes linked to the fact that Posts are not supervised by regular banking authorities, and therefore do not feel the pressure to enforce what they consider as banking regulations. However, it should be recalled here that, even for postal payment services, the UPU Postal Payment Services Agreement and its Regulations prescribe that Posts should observe all national and international regulations on AML/CFT.

SUPPORT OF PUBLIC AUTHORITIES

In the previous sections, we emphasized that capacity is a very important factor when offering financial services. However, willingness to foster financial inclusion is also fundamental. This willingness is not something new for Posts as most of them have traditionally been assigned public service missions. Posts are nowadays double-bottom-line institutions, meaning that they have to reach parallel objectives of being profitable while achieving social impact. Posts cannot achieve these objectives without the support of public authorities.

1. **Government support**

There is nothing new about governments leveraging their postal network to collect savings and bring financial services to large portions of their populations. In the United States of America, for example, President Taft, who gave the final approval for the launch of the US postal banks in 1910, "felt that it is to these poorer people in the United States that the Postal Banks will appeal and that it will encourage the saving of money by them".[59]

More recently, various governments have implemented voluntarist public policies to foster financial inclusion through their postal network. This is the case in Brazil, where the government promoted a set of policies at the end of the 90s to ensure that its postal network would constitute a strong lever for socio-economic development. This included "Exporta Fácil", a programme aimed at simplifying export procedures for MSMEs , with a view to using the postal infrastructure in rural and less developed areas of the country.[60] Another programme consisted in strengthening the agent banking model initiated in 1973 by adopting

59 23 June 1910, "Postal Bank Bill Accepted by Senate", The New York Times

60 Ministry of Communications, Brazil and UPU, January 2011, "Exporta Fácil in South America, Postal export project for micro, small and medium enterprises", OECD http://www.oecd.org/aidfortrade/47086606.pdf

a new resolution in 1999, which provided for an expansion of the range of services agents can offer.

Correios, Brazil's national postal operator, was viewed by the government as one of the main agent networks that could be used by banks to improve access to financial services throughout the country. However, the Postal Law, approved in 1969 and revised in 1978, limited the services that the Post was authorized to offer. The Ministry of Communications, convinced of the potential positive impact of the Post entering into a partnership with a bank, authorized Correios to offer banking services as an agent, which allowed the Post to initiate contacts with potential partners. Of course, this launched one of the biggest postal financial inclusion success stories, with the Post bringing banking services to 95% of Brazil's municipalities within around three years.

2. **Central Bank support**

In Nigeria, the Ministry of Communications was also a strong advocate of using Nipost's network to offer financial services. However, it could not have achieved any results without the support of the Central Bank of Nigeria (CBN), which has taken the lead in advancing financial inclusion in the country. The CBN adopted several policies in this regard, placing specific focus on mobile banking. The CBN, along with the Ministry of Communications, has identified the postal network as a key network to provide cash-in/cash-out services for mobile banking providers. Although this is still at an early stage, the Nigerian authorities expect that Nipost could become an important stakeholder in the country's mobile banking ecosystem.

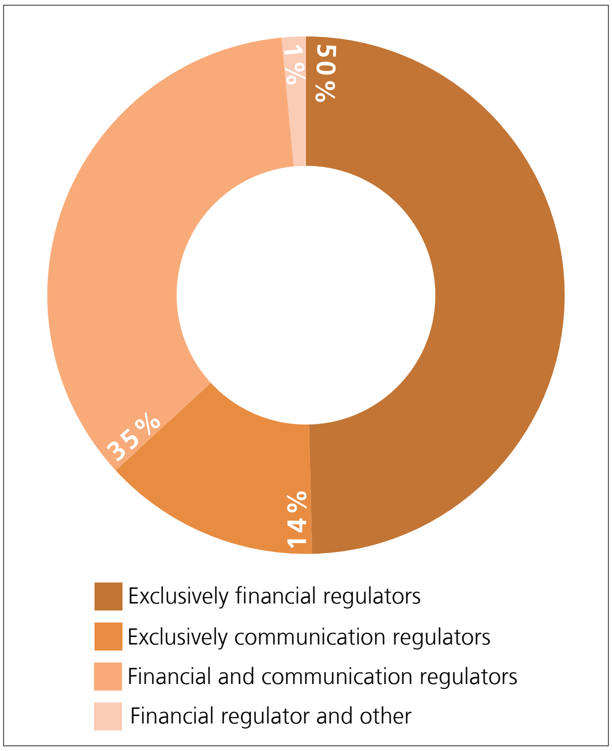
LEGAL AND REGULATORY FRAMEWORK

Another important success factor for Posts is the legal and regulatory framework, which determines whether the Post can offer financial products and, if so, what type of products and how (e.g. through partnerships). Therefore, it also determines the BM under which the Post operates.

1. **Oversight/supervision**

91% of postal operators that responded to our questionnaire stated that they were regulated. Regarding the regulating body, figure 35 shows that half of respondents declared that they were regulated exclusively through financial regulators/supervision entities, i.e. the Central Bank, the Ministry of Finance, or the Banking Commission. Another large group (35%) indicated that they were regulated both by the financial and communication regulators. This includes the aforementioned financial regulators plus the Ministry of Communication (or the ministry responsible for postal affairs) and/or the postal and communication regulator. This situation can raise some coordination issues if the respective responsibilities of the different entities are not explicitly defined. The third group, which represents 14% of Posts, is regulated exclusively by communication regulators. This can lead to potentially risky situations as the regulation and supervision of financial services is very different from that of postal services and requires specific competencies. To ensure sound regulation and supervision, it is strongly recommended to establish a line of reporting from the communications regulator to the financial supervision entity in order to ensure a minimum level of control. Overall, however, there has been a significant improvement since the last edition of the Global Panorama, when 36% of Posts that were regulated had no relation whatsoever with their financial regulator/supervisor.

Figure 35 – **FINANCIAL SERVICES REGULATION**



One increasingly prevalent trend is that Posts are actively engaging central banks and financial authorities in order to ensure that they have the same opportunities as other financial institutions. Such is the case in the West African Economic and Monetary Union (WAEMU), where various Posts have approached the Central Bank of West African States (BCEAO in French) to ensure that they have the possibility of issuing electronic money, just like other financial institutions. As a result, the BCEAO is adopting a more proactive approach towards Posts and starting to include them in its activities.

Of course, some Posts might feel that it is better for them to remain outside the purview of financial supervisors, but such a movement should ultimately allow them to strengthen their internal control and risk management processes while opening up access to new opportunities.

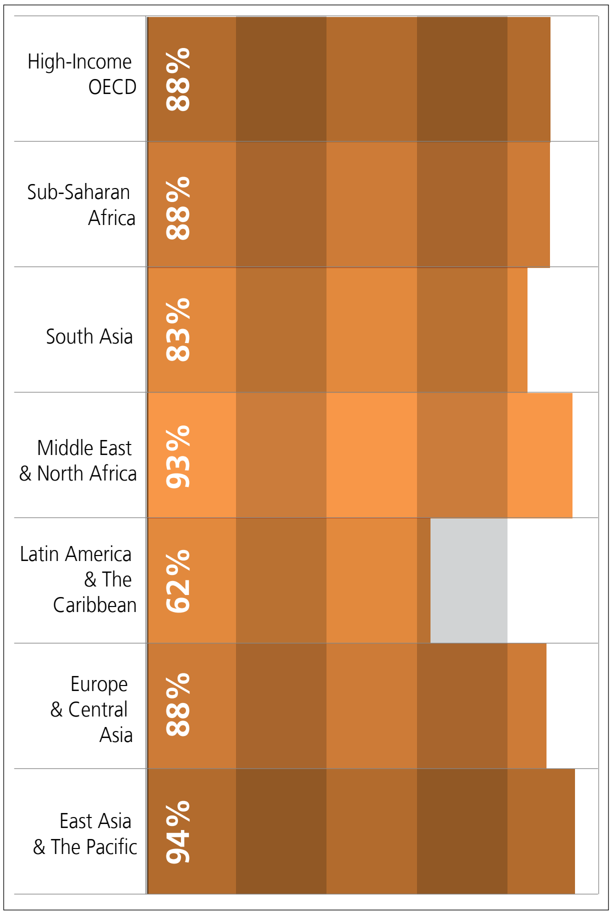
On the other hand, various banking regulators are also opening up to non-bank financial institutions and starting to award "light" banking licences. In 2015, in an effort to foster financial inclusion, the Reserve Bank of India selected 11 institutions, including India Post, to become "payment banks". This will allow the Post to strengthen its financial services offering in the field of deposits and payments, even though it will still be prevented from offering loans directly to its customers (it will need to partner with full-fledged banks to do so). This model represents an innovative approach that more Posts could pursue to expand their financial services offering.

2. **Agents for other financial service providers**

Postal operators have two options to offer financial services. They can either develop their own services (if they have the capacity and willingness to do so), or partner with other financial service providers to act as their agent and offer their services. 76% of Posts that offer financial services (139 out of 183) have concluded at least one partnership with a bank, MMO, MTO, MFI, insurance company, or with other non-bank financial institutions to offer financial services on their behalf. To be able to do so, however, an enabling regulatory framework is essential.

Figure 36 shows Posts' perception of their legal framework, in terms of being allowed by law to act as an agent for a financial service provider. Overall, 84% of Posts report having the legal possibility to develop such partnerships. All geographic groups have scores in the 80% to 90% range, except the LAC region, where only 62% of Posts are allowed to developed such partnerships. This is probably a consequence of a lesser involvement in financial services by Posts in the region rather than a deliberate intent by regulators to prevent these Posts from being active in financial services. Once again, this illustrates the importance for Posts to proactively engage with financial sector regulators.

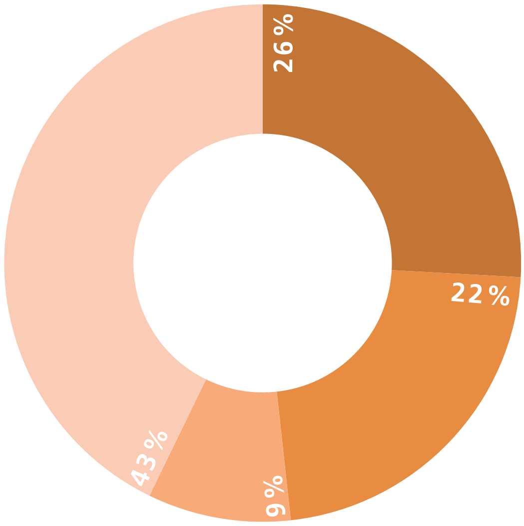
Figure 36 – **POSTAL OPERATORS' PERCEPTION OF LEGAL FRAMEWORK BY REGION**
(Are you allowed by law to act as an agent for a financial service provider?)



One specific partnership model is the agent banking model, where a bank is allowed by law to partner with a non-bank (postal operator, but also drugstores, supermarkets, gas stations, etc.) for the distribution of its products (savings, loans, etc.). Depending on the countries, there are variations in the model, with agents being allowed to perform different types of services, from merely providing cash-in/cash-out services to account opening, pre-screening of loan applications, or even customer advisory services.

Our survey shows that 89% of Posts believe there are agency banking guidelines in their country (which does not imply that Posts are explicitly allowed to act as bank agents under these guidelines). However, a relatively small share of Posts do act as agents for banks. As presented in figure 37, if we exclude Posts that already offer their own account-based services (which might not be interested in offering the products of a competing bank), Posts that do not offer any financial services (which might not be interested in offering financial services at all), and Posts that already have partnerships with a bank, we still have 43% of the Posts in our sample that could potentially become agents for banks, depending of course on the legal framework.

Figure 37 – **SHARE OF POSTS WITH POTENTIAL TO BECOME AGENTS FOR BANKS**

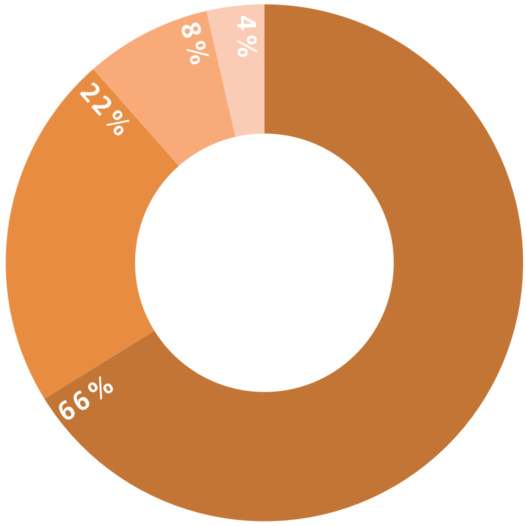


Taking into account the difference between the number of countries with agent banking guidelines and the number of Posts that could potentially become agents, it appears that Posts need to be more proactive if they want to achieve that potential. This implies engaging with regulators to ensure they are included in agency banking guidelines. It also means that Posts have to become more attractive as partners for banks, working for example on improving the connectivity of post offices and on staff training.

3. **Access to national retail payment systems**

In order to facilitate the provision of financial services and to offer better services to their customers, Posts should have access to their country's retail payment infrastructure. However, as presented in figure 38, 66% of Posts offering financial services do not have such access. This is not so much an issue for Posts that only offer remittance or bill-payment services, but as far as account-based services are concerned, Posts should not operate in a closed loop and should be connected to the national payment infrastructure. However, 42% of Posts that offer current or savings accounts under BM 4 (without a licence from the Central Bank) have no access to their national retail payment systems. This is an area that policymakers and regulators should focus on if they want to ensure that Posts contribute to advancing financial inclusion.

Figure 38 – **ACCESS TO NATIONAL PAYMENT AND SETTLEMENT SYSTEMS**



MARKETING

Most postal operators used to be postal administrations operating as monopolies. Customers were then called "users" and postal staff did not need to develop sophisticated marketing approaches. Times have changed, though, bringing two major phenomena: liberalization, and the advent of new technologies.

Liberalization, which has been taking place at various degrees in many parts of the world, has introduced competition in postal markets, whether we are talking about mail, logistics, or financial services markets. Posts, therefore, need to stand out from their competitors by offering products that are attractive to their customers in terms of intrinsic quality of the product, price, quality of service, customer service, etc. The second factor having a profound impact on postal activities is technological change, which is impacting on mail services, where e-mail is gradually substituting traditional mail. It is also transforming financial services, as customers can perform all their operations online, or via cards, mobile phones, etc. Again, this is not without consequences for Posts. To face competition, postal operators need to meet customer expectations, to be innovative, and also to make their products and services known to potential customers.

1. **Understanding customer needs**

As financial service providers, Posts need to understand the needs of both their current and prospective customers. For current customers, Posts need to have a customer database and to use all the data in their possession: gender, age, occupation, address, spending habits, preferred distribution channels, etc. With the information that postal operators have at their disposal (both from the financial services side and from the mail side), they should be able to at least deploy customer segmentation activities, which are necessary to be able to better serve specific groups of customers. Additional information can also be gathered through focus groups, market research, polls, etc. More advanced Posts can use data analytics tools to get to know their customers better and to offer them the products and services they really need.

Even though some Posts are developing such strategies, there is still much room for improvement. For example, in our 2015 financial inclusion survey, we asked a question on the percentage of female customers that hold accounts with the Post. Out of 52 Posts that offer current or savings accounts, only 19 (or 37%) were able to communicate that share. Some did not want to disclose the figure for commercial reasons, but most Posts just do not have the capacity to gather such information, even though it can be retrieved… somewhere from their systems.

Regarding prospective customers, especially when talking about the unbanked, Posts need to understand prospective customers' actual needs in order to develop the appropriate products. Such customer-centred approaches are becoming increasingly popular in the financial inclusion space, but are yet to be widely adopted by Posts, even though they are a must for operators that really want to have an impact in terms of banking the unbanked. These new approaches include understanding current financial tools used by the unbanked,[61] identifying their needs, creating various product concepts that could potentially address those needs, testing the concepts with small groups, and adapting them based on feedback from target customers. Various iterations are necessary before the products can be scaled up.

2. **Innovation**

Innovation is also an important factor in standing out from other operators and attracting new customers. Many postal operators have demonstrated an ability to innovate. For example, Poste Italiane was one of the first financial institutions to launch its own MVNO, in 2007, while Equity Bank in Kenya launched its MVNO in 2015. In Lebanon, the Post has launched drive-through post offices, which deliver services directly to customers in their cars. Customers in Lebanon can, therefore, pay their bills or receive social benefits without even leaving their car. The Post has also concluded partnerships with dozens of public institutions to perform over 150 procedures on their behalf. The Tunisian Post, in partnership with a telecom operator, was the first institution to launch mobile banking services in the country.

These few examples show that Posts have the capacity to innovate. However, with the advent of digital financial services, including mobile banking, it is a matter of survival for Posts to set up competitive intelligence units to track innovation, and to put in place the structures that will allow this innovation to flourish.

3. **Promotion of products and brands**

In most countries, there is very good general awareness of the postal brand, which is often classified as what marketers call "top-of-mind" awareness. But if almost everybody knows of the Post, very few are aware of all the products it has to offer. For financial services especially, Posts need to make specific efforts to promote their range of services.

There are various examples of Posts leading successful promotion campaigns. In Gabon, the Post invested considerably in developing the "Mandat Express", a domestic and international express remittance service. This investment included radio and TV campaigns, advertisements on billboards and postal vehicles, and the sponsoring of various events. These efforts led to a tripling of sales in five years (2009-2014), a remarkable result in a very competitive environment.

ABB, in Morocco, also devotes significant resources to promoting its products and services. Various channels are used (TV, radio, Internet, billboards and, of course, post offices). In 2016, ABB launched specific social media campaigns for young adults, and for women, presenting new services targeting these populations. The results of these campaigns are not yet known, but similar efforts have allowed the Post to significantly increase its customer base and to open 500,000 new accounts each year for the last three years. Several examples of promotional material used in Brazil, France, Italy, Morocco, and Senegal are presented in picture 03.

61 Collins, Morduch, Rutherford & Ruthven, 2010, "Portfolios of the Poor: How the World's Poor Live on $2 a Day", Princeton University Press

Picture 03 – **PROMOTIONAL MATERIAL FOR POSTAL FINANCIAL INSTITUTIONS**

FINANCIAL INCLUSION CAPACITY INDEX AND REGIONAL SNAPSHOTS

On the basis of the success factors listed in section III, we quantified the postal operators' capacity to advance financial inclusion by computing a financial inclusion capacity index. This index takes into account the following elements:

- Density and level of connectivity of the postal network:
  - Number of postal branches compared to bank branches (using data from the IMF's financial access surveys);
  - Share of postal contact points connected to an electronic network;
  - Postal network density in terms of the number of people and the average area covered by a post office (including agents);
- Staff capacity: estimated based on computer literacy rates and levels of training in the field of financial services;
- Level of profitability;
- Level of automation of operations:
  - Availability of an MIS;
  - Automation of back-office;
- Security of post offices and cash logistics capacity:
  - Availability of security features at post offices;
  - Availability of an automated cash management system;
  - Time needed to deliver cash to post offices in case of a cash shortage;
- Enabling legal framework:
  - Regulation of postal financial services;
  - Possibility of acting as an agent for other financial institutions;
  - Access to national payments system.

Based on the answers to our 2015 postal financial inclusion questionnaire, all these factors were then graded and weighted with a maximum total of 100 points. It is important to emphasize here that a high score on this index does not represent the Post's actual contribution to financial inclusion, but rather shows its capacity to be a strong contributor thereto.

FINANCIAL INCLUSION CAPACITY INDEX: THE GLOBAL LEADER BOARD

We computed the financial inclusion capacity index for 156 of the 161 Posts that answered our questionnaire.[62] The world average stands at 59.9, and the median at 62.22. The best-ranked Post, Swiss Post, achieved a quasi-perfect score of 99.18. The top 10 Posts worldwide in terms of financial inclusion advancement capacity are presented in figure 39.

Swiss Post, La Poste Group (France) and Japan Post top this ranking. All three operators have established their own postal banks, offer a full range of financial services, and have been assigned a strong financial inclusion mission by their respective governments. These three Posts are actually very close in terms of final scores, with the marginal difference between them linked to the higher density of the network and the higher level of profitability in Switzerland. Belpochta (the Belarus Post) ranked an excellent fourth, and, along with Morocco's Barid al Maghrib, is one of only two Posts from non-high-income countries ranked in the global top 10. One of the big surprises is Canada Post, which ranks fifth, even though it offers only a limited range of financial services. This is due to the fact that this index measures the capacity to advance financial inclusion and not actual provision of financial services. SingPost (the Singaporean Post), ranked ninth, is in a similar situation with strong financial inclusion potential, even though financial services are not a priority area for this Post.

62 A number of Posts did not answer all the questions in our survey. For five Posts, we did not have enough data to compute their capacity index. For the others, we made estimates when possible, and left the answer blank when not. This means that some Posts could potentially have achieved a much better index than they currently enjoy. The Postal Savings Bank of China, in particular, stands out as a Post which has a much stronger capacity than we were able to calculate.

If we look at the top 10 for developing countries, as presented in figure 40, PE Post (Serbia) ranks third, behind Belpochta and Barid al Maghrib, the above-mentioned Posts of Belarus and Morocco. While these three operators have very different business models, they have all placed a strong focus on financial services, with a large share of their revenues coming from this area.

Figure 39 – **RANKING OF TOP 10 POSTS ACCORDING TO FINANCIAL INCLUSION CAPACITY INDEX**

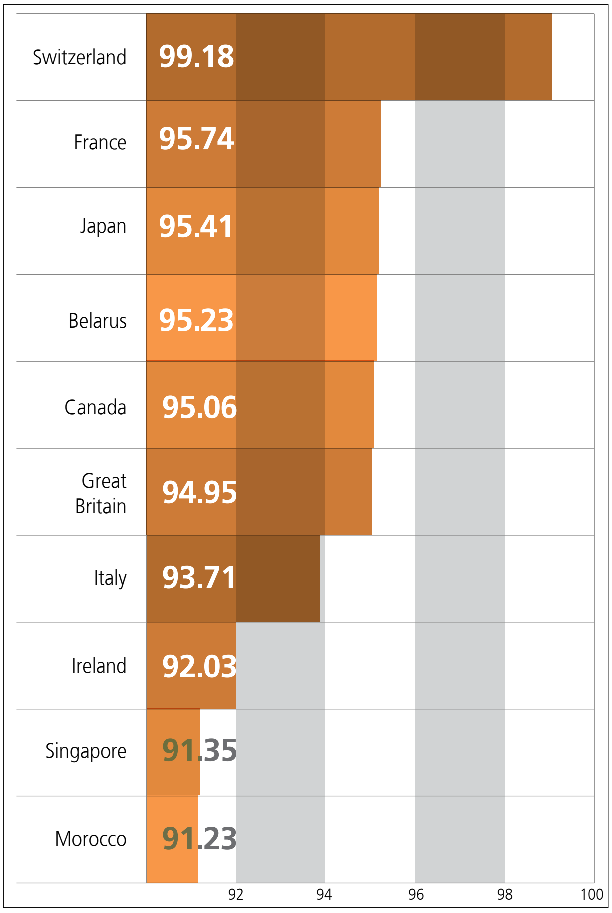
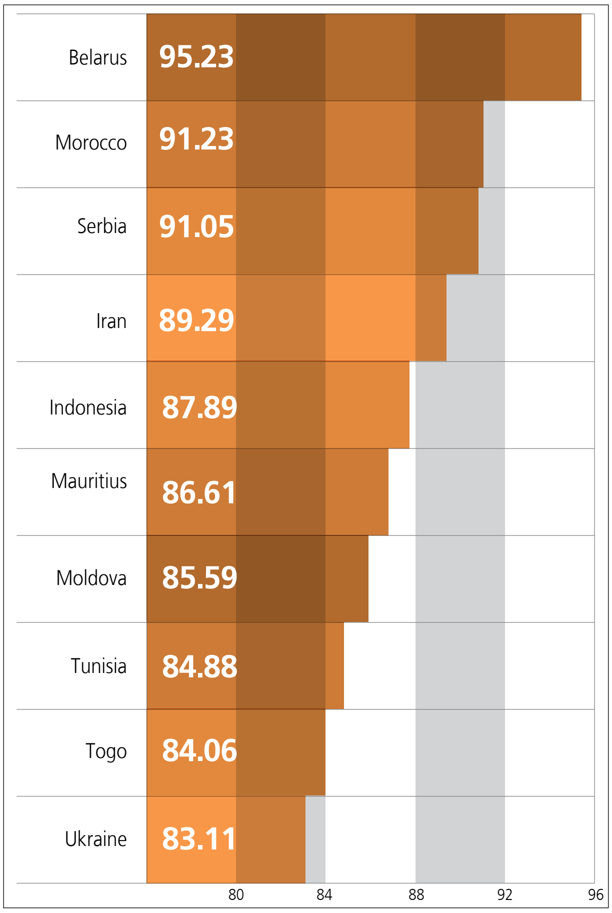
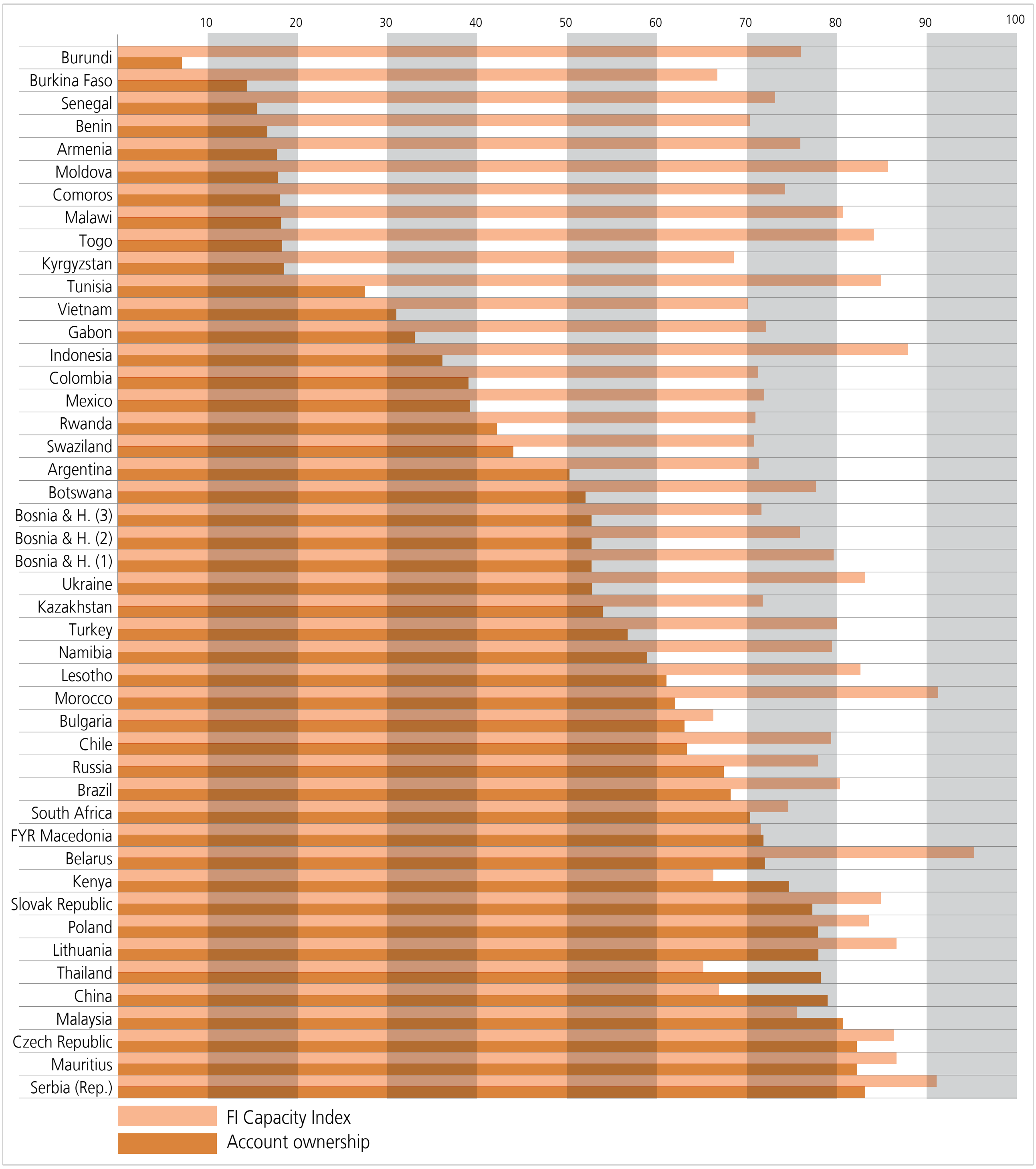


Figure 40 – **RANKING OF TOP 10 POSTS FR OM DEVELOPING COUNTRIES**



A number of Posts on the leader board operate in countries where financial inclusion rates are quite high. To highlight what could be defined as quick wins, i.e., countries where the financial inclusion rate is low and where the postal operator has a good financial inclusion capacity index, figure 41 presents countries with financial inclusion rates below 85% where Posts have a capacity index above 65, which we estimate to be a level that is sufficient to provide quality financial services. To mention but a few, Burundi, Burkina Faso, Senegal, Benin, Armenia, Moldova, Comoros, Malawi, Togo, Kyrgyzstan, Tunisia, Indonesia, Morocco and Belarus stand out as countries where there is a strong potential for Posts to advance financial inclusion.

Figure 41 – **FINANCIAL INCLUSION CAPACITY INDEX COMPARED TO ACCOUNT OWNERSHIP**



RANKINGS BY INCOME GROUP

The rankings by income group are presented in figures 42 to 45. These will allow Posts to compare their respective potential for advancing financial inclusion with Posts from countries with similar levels of economic development and, hopefully, to identify areas for improvement.

Figure 42 – **FINANCIAL INCLUSION CAPACITY INDEX FOR HIGH-INCOME-COUNTRY POSTS**

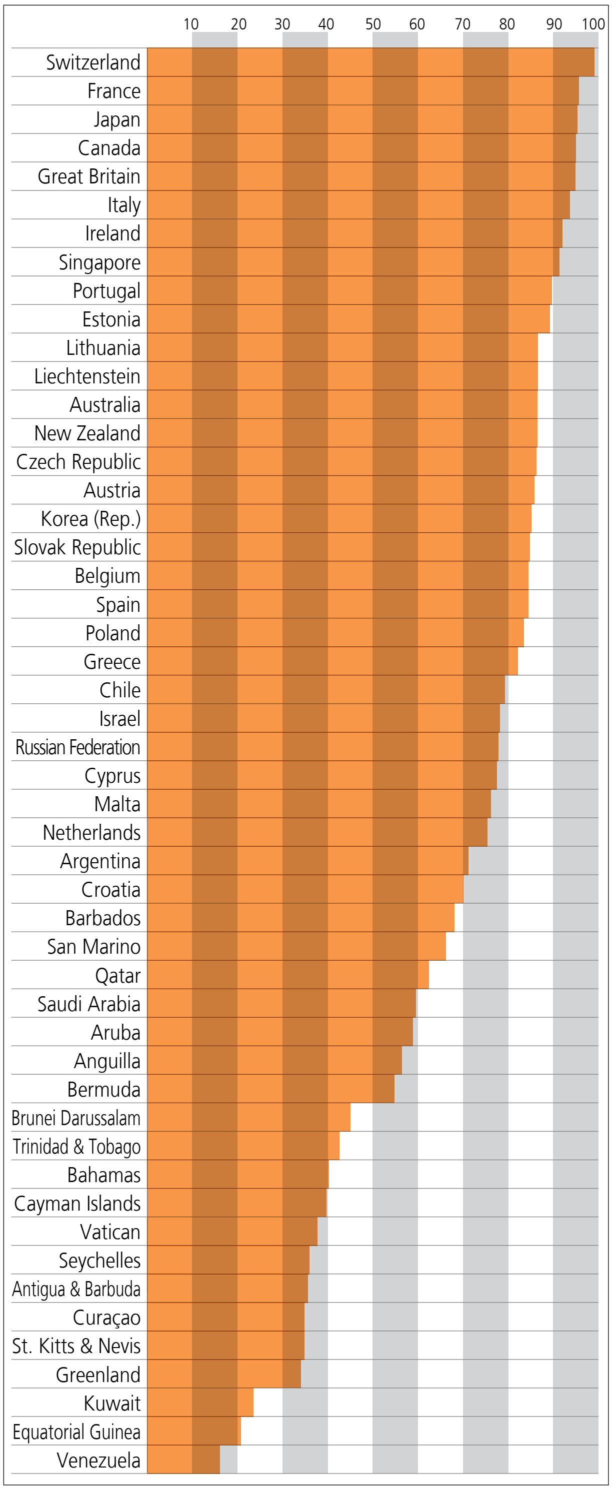


Figure 43 – **FINANCIAL INCLUSION CAPACITY INDEX FOR UPPER-MIDDLE-INCOME-COUNTRY POSTS**

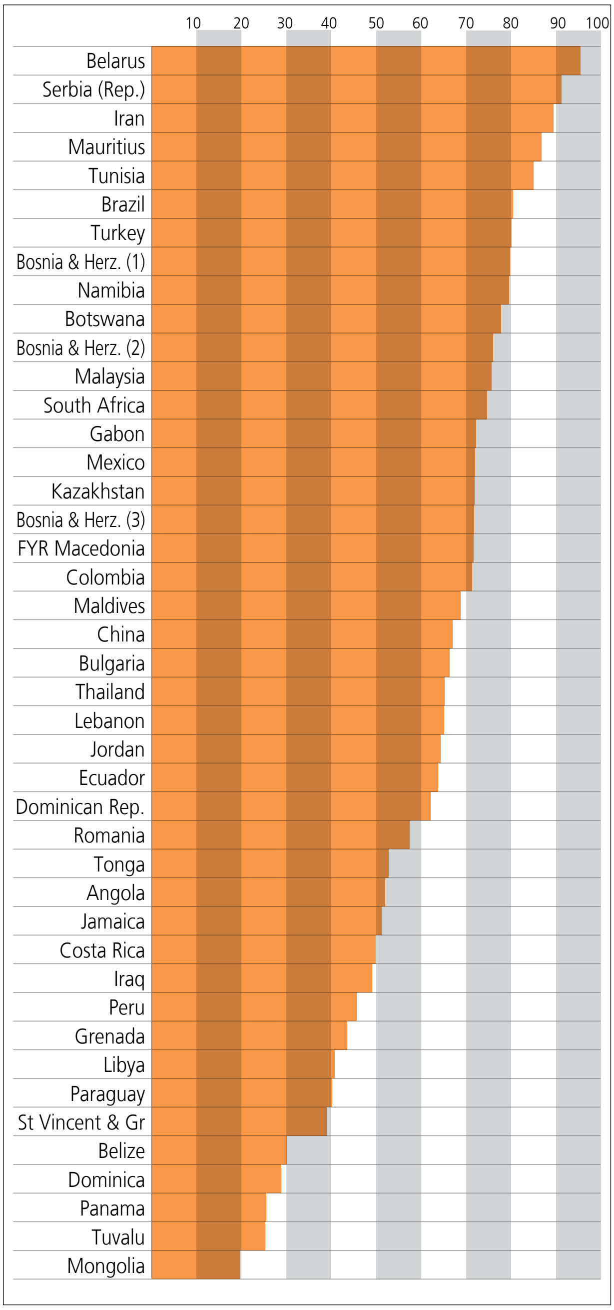


Figure 44 – **FINANCIAL INCLUSION CAPACITY INDEX FOR LOWER-MIDDLE-INCOME-COUNTRY POSTS**

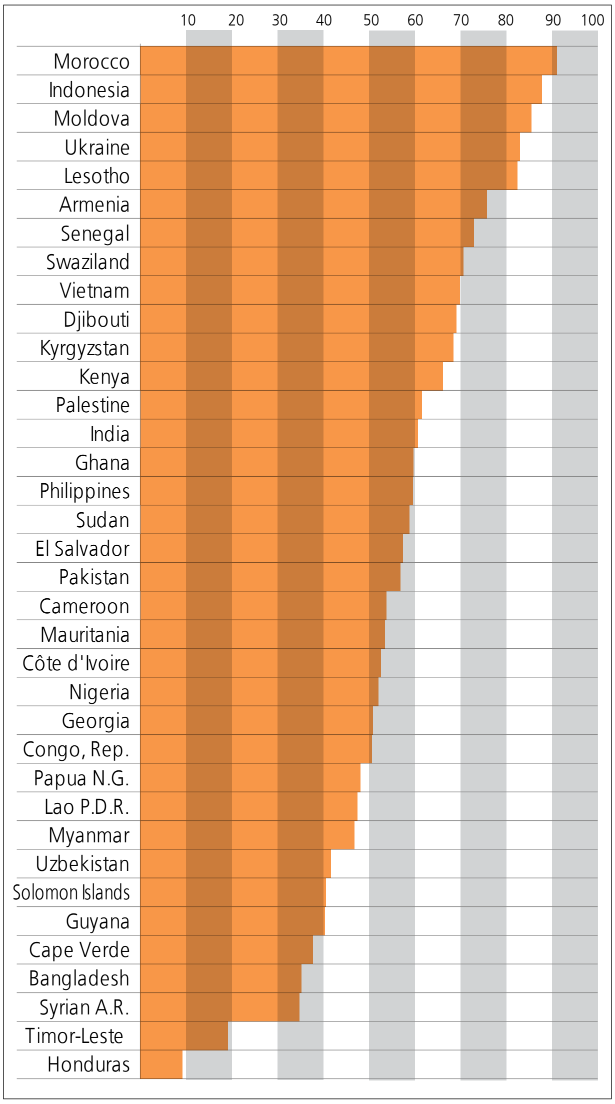
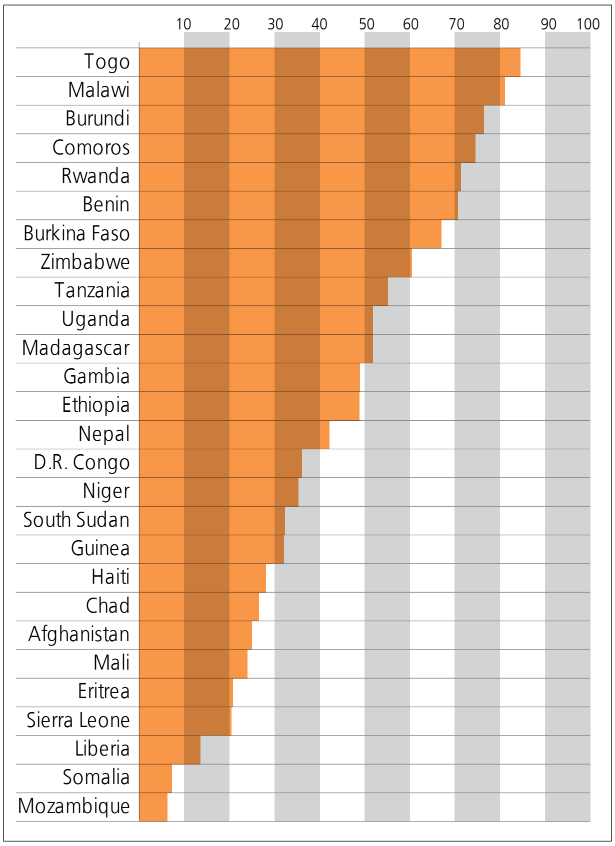


Figure 45 – **FINANCIAL INCLUSION CAPACITY INDEX FOR LOW-INCOME-COUNTRY POSTS**



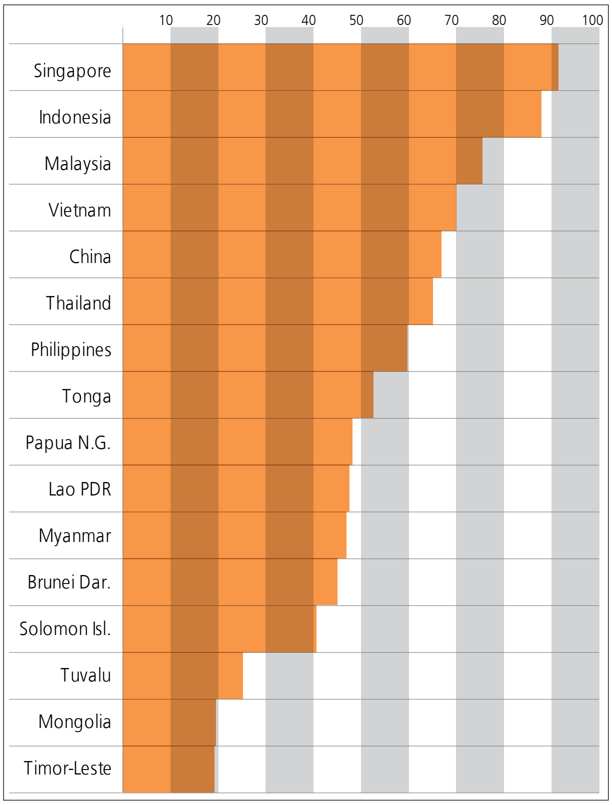
REGIONAL SNAPSHOTS

In this section, all financial inclusion data is extracted from the Global Findex 2014.[63] Population and postal data come from UPU statistics for 2014.

1. **East Asia and Pacific**

Population	2,042 million[64]
% of adults with accounts	69%
% of women with accounts	67%
% of Posts offering financial services	88%
Postal density (area)	1 post office covers 151 km²
Postal density (inhabitants)	19,003 inhabitants per post office
Number of postal accounts	1,301 million
Financial inclusion capacity index average	53.83

Figure 46 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM EAST ASIA AND PACIFIC**



Singapore, Indonesia and Malaysia are the best performers in the region with financial inclusion capacity scores of above 75. Indonesia's performance, with an index of 87.89, shows that there is remarkable potential in a country where the financial inclusion rate stands at only 36%, which is way below the regional average of 69%. China's score, at 66.85, would be higher if some data was not missing. China Post is the largest postal financial institution in the world in terms of number of customers, with 490 million account holders.

63 Demirguc-Kunt, Klapper, Singer and Van Oudheusden, 2015, "The Global Findex Database 2014: Measuring Financial Inclusion around the World", Policy Research Working Paper 7255, World Bank

64 This figure excludes OECD countries in the region. If we include them, the total is 2,244 million.

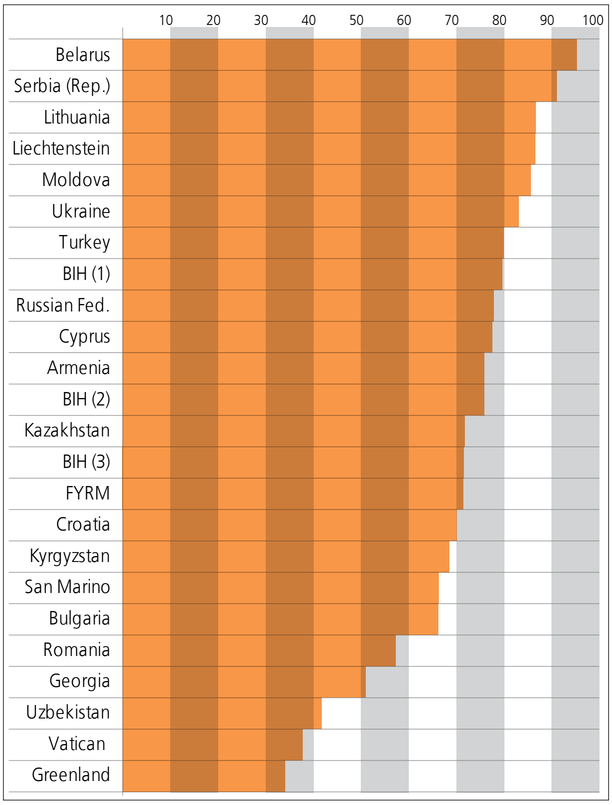
Key issues:

- One of the region's strengths is its vast postal network, which accounts for 16% of the global network and comprises 107,000 postal branches. Furthermore, it has a high density in terms of geographic coverage, with one post office covering an average of 151 km², which is much better than the world average of one post office covering 206 km².
- When it comes to modernization and digitization, Posts in the region have a relatively weak position, with the exception of Singapore, Indonesia, Malaysia, Viet Nam and China (People's Rep.).
- Cash logistics, which are often linked to the geographic conditions (small island states, large archipelagos), is also an issue in various countries of the region.
- In terms of business models, most Posts have adopted either BM 1 or BM 3, i.e. variations of partnership models. The only exceptions are China (People's Rep.) where there is a full-fledged postal bank, the Philippines, where the postal bank operates separately from the Post but is owned by the postal group, and Lao People's Dem. Rep., where the Post has a savings bank subsidiary.
- In this region, further leveraging the postal network by developing partnerships with other financial institutions could strongly boost financial inclusion.

2. **Europe and Central Asia**

Population	416 million[65]
% of adults with accounts	51%
% of women with accounts	47%
% of Posts offering financial services	97%
Postal density (area)	1 post office covers 291 km²
Postal density (inhabitants)	4,683 inhabitants per post office
Number of postal accounts	15 million
Financial inclusion capacity index average	70.94

Figure 47 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM EUROPE AND CENTRAL ASIA**



Note: Bosnia and Herzegovina (BIH) has three DOs. In the graph above, BIH (1) refers to JP BH Pošta d.o.o. Sarajevo, BIH (2) refers to Pošte Srpske, and BIH (3) refers to Hrvatska Pošta d.o.o. Mostar.

65 This figure excludes OECD countries in the region. If we include them, the total is 894 million.

Belarus, Serbia and Lithuania boast the three best performing Posts in the region. Moreover, Belarus tops all developing countries worldwide with a score of 95.23. As in the last Global Panorama (2013), the region has the second highest average capacity index (70.94) after the OECD group. When ranking all developing countries, four countries in the top 10 are from Europe and Central Asia, which shows the huge potential of postal operators in the region for advancing financial inclusion.

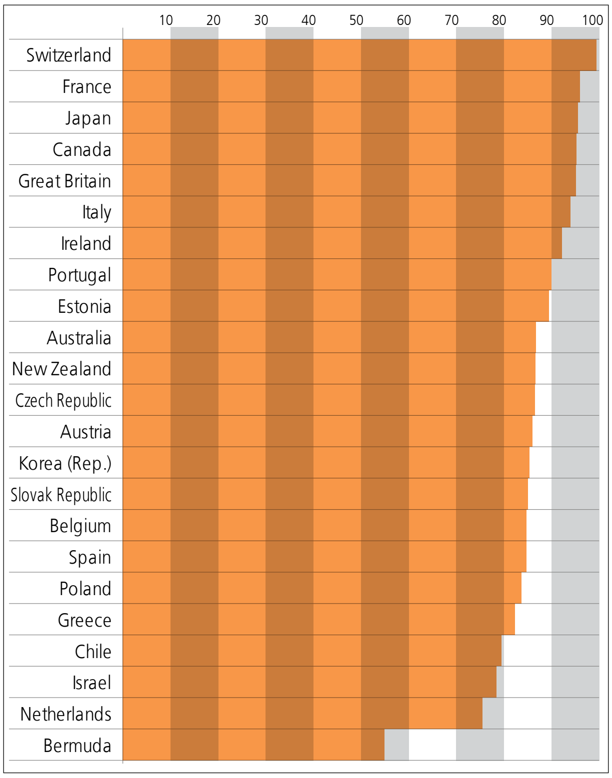
Key issues:

- The region has a large network made up of 88,748 postal branches. It ranks highest among all regions in terms of density by inhabitants, with one post office serving 4,683 inhabitants on average.
- There are more post offices in the region than bank branches (82,459), making it one of only two regions in the world where such is the case.
- The region also performs very well in terms of network modernization.
- Posts in the region, especially in Central Asia, have focused on developing transactional services. 74% and 80% of Posts in the region offer G2P payment and bill payment services, respectively, compared to global averages of 55% and 57%.
- In Eastern Europe, many Posts used to operate a postal bank that was subsequently spun off and sold. Conversely, the Posts of Azerbaijan and Kazakhstan have both established licensed postal banks in the last few years. In particular, the reform carried out in Azerbaijan, with support from the World Bank, has been very successful with revenues more than tripling since 2008 and break-even being reached in 2015.
- In the region, four Posts operate under BM 4, and 13 out of 31 under BM 3.
- All but one Post in the region offer financial services, but only a limited number offer account-based services. Indeed, only 15 million accounts are held at Posts in the region, a number that has a great potential to increase in the next few years with the launch of the Russian Federation's postal bank, in partnership with VTB Group.

3. **High-income OECD countries**

Population	1,060 million
% of adults with accounts	94%
% of women with accounts	94%
% of Posts offering financial services	85%
Postal density (area)	1 post office covers 171 km2
Postal density (inhabitants)	5,464 inhabitants per post office
Number of postal accounts	205 million
Financial inclusion capacity index average	86.21

Figure 48 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM HIGH-INCOME OECD COUNTRIES**



Note: Bermuda was added here as it is an overseas territory of an OECD country (Great Britain)

As one can expect, Posts from OECD countries have the best average financial inclusion capacity scores (86.21) among all regions. As mentioned above, the top three postal operators in this group, namely, Swiss Post, French Post and Japan Post, also happen to have the highest scores in the global ranking.

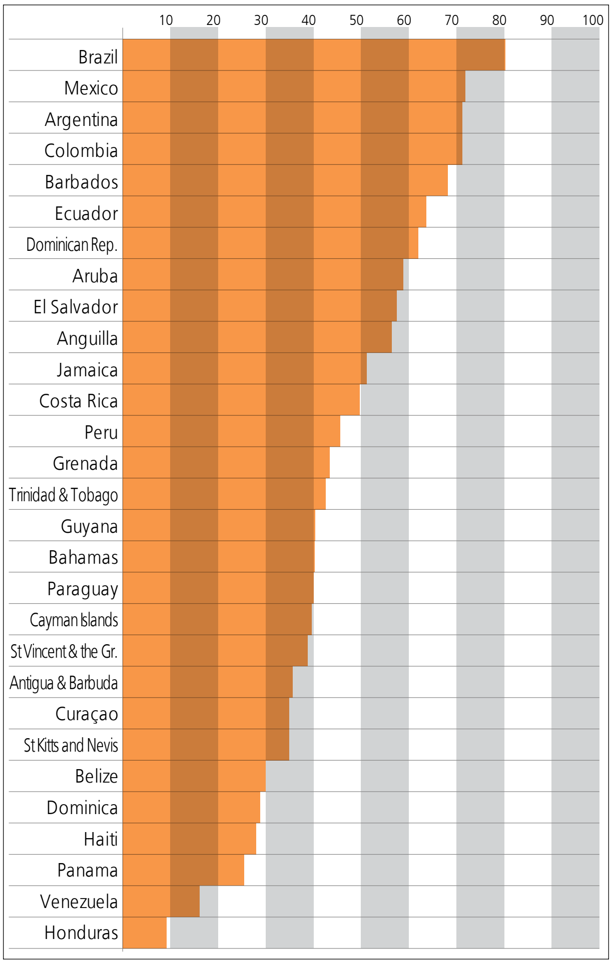
Key issues:

- Posts from OECD countries have good densities both in terms of area (one post office serves an average of 171 km^2) and in terms of population (one post office serves an average of 5,464 people). However, the postal network for this group, with approximately 194,000 post offices, is about 30% smaller than the bank network.
- Posts from this group perform very well in terms of almost all key success factors, with excellent connectivity levels, good staff training, strong cash management, good levels of automation, and a generally enabling legal framework.
- "Only" 85% of Posts in the OECD group offer financial services, which is below the world average. This reflects the deliberate decision by a few Posts, such as Deutsche Post DHL and PostNL (Netherlands), to strategically focus on logistics, e-commerce and mail services. Among the 28 Posts in the group that do offer financial services, six have licensed postal banks, a proportion that is three times higher than the world average. The most recent addition to this group is the Portuguese Postal Bank, launched in 2016.
- Based on our financial inclusion capacity index, Posts from OECD countries have the best prerequisites to act as a lever for financial inclusion, either directly or in partnership with other financial institutions.

4. **Latin America and the Caribbean**

Population	605 million[66]
% of adults with accounts	51%
% of women with accounts	49%
% of Posts offering financial services	89%
Postal density (area)	1 post office covers 410 km^2
Postal density (inhabitants)	12,600 inhabitants per post office
Number of postal accounts	8 million
Financial inclusion capacity index average	46.07

Figure 49 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM LATIN AMERICA AND THE CARRIBEAN**



66 This figure excludes OECD countries in the region. If we include them, the total is 622 million.

The average financial inclusion capacity index for Posts from the LAC region is 46.07, which is the lowest value of all the regions. There are very significant discrepancies between Posts within the region, with the highest score standing at 80.30 (Brazil) and the lowest at 9.23.

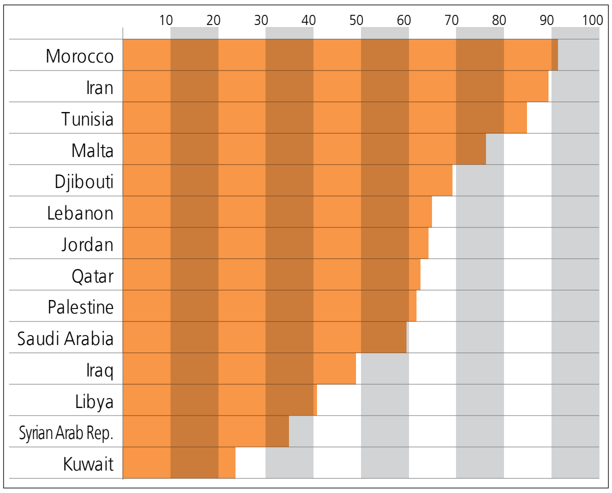
Key issues:

- With less than 48,000 post offices, the postal network in the LAC region is almost five times smaller than the bank network. No other region has such a large imbalance in favour of the bank network.
- Postal operators in the region have traditionally placed limited focus on financial services. Only one Post (Bahamas) has its own current and savings accounts, and a second one (Brazil) has a partnership with a bank to offer banking services. All the other Posts limit themselves to transactional services, even though we are observing an increasing number of partnerships.
- If we analyze in greater detail the financial inclusion capacity index in the region, we observe that the staff computer literacy rate is quite low, at around 59% (second lowest score worldwide), staff training is limited, levels of automated cash management are poor (less than 25%), and back-office automation levels are low (only 12% of Posts in the region have an automated back office).
- One key issue for Posts to play a stronger role in advancing financial inclusion in the region is to ensure that governments are aware of the potential of postal networks. Brazil's successful experience in leveraging its Post under the agent banking model, in particular, should be shared widely as it could potentially be replicated in many countries in the region. Various postal operators in the region are already exploring the potential to develop such partnerships with banks.

5. **Middle East and North Africa**

Population	399 million[67]
% of adults with accounts	14%
% of women with accounts	9%
% of Posts offering financial services	100%
Postal density (area)	1 post office covers 360 km²
Postal density (inhabitants)	12,762 inhabitants per post office
Number of postal accounts	72 million
Financial inclusion capacity index average	62.26

Figure 50 – FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM MIDDLE EAST AND NORTH AFRICA



Posts in the MENA region have a relatively high average, with a score of 62.26. Among the developing regions, only Europe and Central Asia (70.94) is doing better. Particularly, Morocco, Iran (Islamic Rep.) and Tunisia fare remarkably well with scores above around or above 85.[68]

67 This figure excludes OECD countries in the region. If we include them, the total is 407 million.

68 NB: the Posts of Algeria and Egypt, which are very large contributors to financial inclusion in their respective countries, did not participate in our survey and are therefore not included in this ranking.

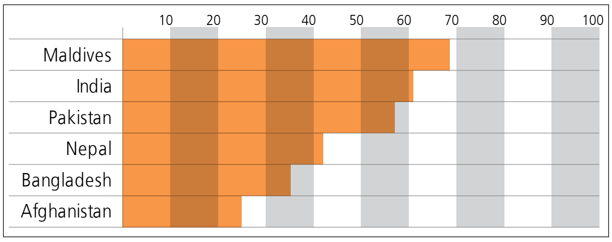
Key issues:

- The region has 31,300 postal branches. Its density by area (360 km²) and by inhabitants (12,762) is below the world average (206 km² and 10,871 inhabitants, respectively). However, there are almost as many post offices in the region as bank branches (36,558).
- 94% of postal branches in the region are connected to an electronic network, which represents the best rate worldwide. Computer literacy rates of staff are relatively good, as are levels of training in financial services. The levels of back-office automation are quite strong (second worldwide behind OECD countries), which illustrates the commitment of Posts in the region to offer quality financial services.
- In terms of business models, nine Posts out of 20 in the group have their own account-based services, a very high proportion. A number of Posts in the region, especially in North Africa, play a vital role in providing basic financial services to large shares of the population. In Algeria and Egypt, the Posts have more than 20 million customers each, but services need to be modernized. Tunisia and Morocco, on the other hand, have 4 and 6 million customers, respectively, and have already undergone a transformation process to digitize their financial services.[69]
- MENA is the region with the lowest financial inclusion rate in the world, at only 14%. In many countries in the region, postal networks are very well positioned to become key contributors to financial inclusion. To be successful, however, the networks need to be modernized and service delivery needs to be digitized, when this is yet to be done.

6. **South Asia**

Population	1,706 million
% of adults with accounts	46%
% of women with accounts	37%
% of Posts offering financial services	88%
Postal density (area)	1 post office covers 29 km²
Postal density (inhabitants)	9,576 inhabitants per post office
Number of postal accounts	354 million
Financial inclusion capacity index average	48.07

Figure 51 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM SOUTH ASIA**



South Asia has one of the weakest financial inclusion capacity index scores with an average of 48.07. However, the group includes only six Posts, meaning that its results should be taken cautiously.

69 Berthaud, February 2013, "Morocco: key success factors for the creation of a postal bank", UPU, and Berthaud & Suedekum, July 2014, "Tunisia: the Post and financial inclusion through mobile telephony", UPU. Both studies are available at www.upu.int/en/activities/financial-inclusion/case-studies.html.

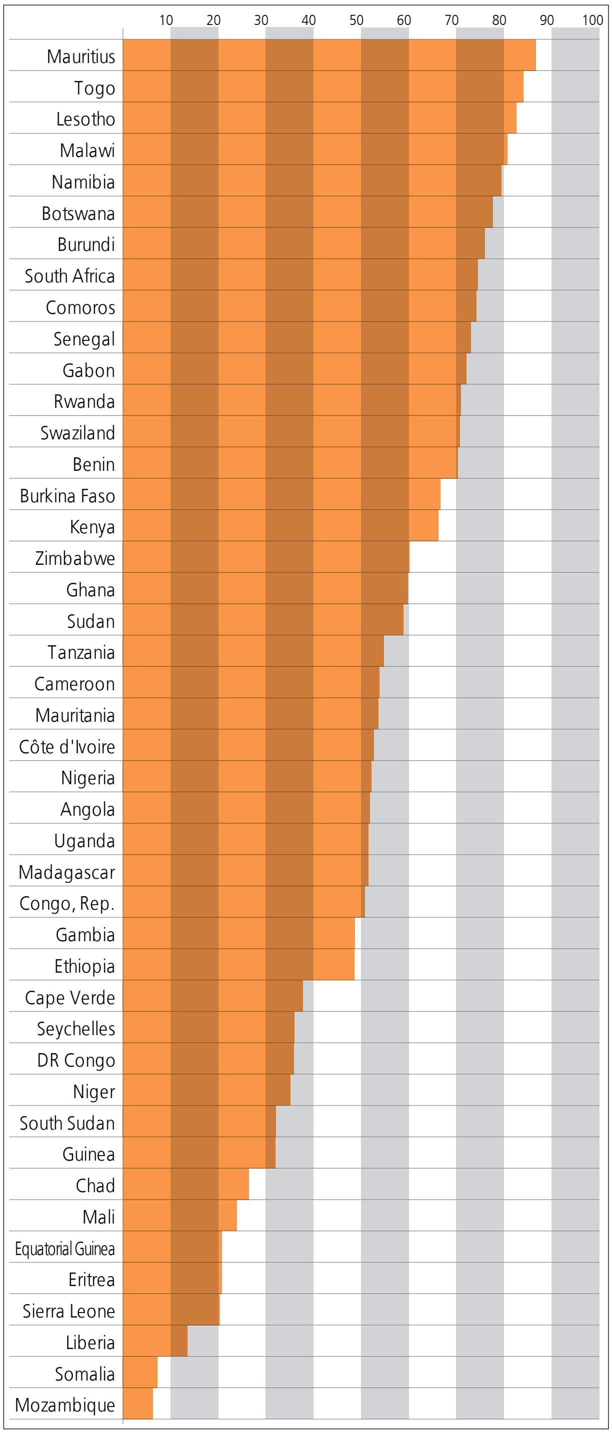
Key issues:

- South Asia is characterized by a vast network of 178,000 postal branches. Of course, this includes India Post's network, the largest in the world with some 156,000 branches. The region has the best density by area (29 km2) and ranks third with regard to density by inhabitants (9,576). Overall, the size of the network is excellent and compares favourably to the bank network, which has only 143,150 branches.
- The scores for the different components of the financial inclusion capacity index paint a very mixed picture, with rather weak connectivity and profitability values. The region scores relatively well in the legal and regulatory component of the index.
- Only 15% of post offices in the region are connected to an electronic network. This result is by far the worst in the world, even though modernization is under way. India Post, for example, expects to connect all its post offices by the end of 2017.
- The vast postal network and the long experience in providing financial services on a large scale provide a solid platform for Posts to foster financial inclusion in the region. In particular, the launch of the India Post payment bank in 2017 will be interesting to monitor, as it has the potential to significantly boost financial inclusion in India. India Post will need to modernize its operations to be able to provide at scale services that are both affordable for customers and profitable for the Post.

7. Sub-Saharan Africa

Population	963 million
% of adults with accounts	34%
% of women with accounts	30%
% of Posts offering financial services	92%
Postal density (area)	1 post office covers 1,798 km²
Postal density (inhabitants)	69,603 inhabitants per post office
Number of postal accounts	10 million
Financial inclusion capacity index average	52.33

Figure 52 – **FINANCIAL INCLUSION CAPACITY INDEX FOR POSTS FROM SUB-SAHARAN AFRICA**



Sub-Saharan Africa has an average financial inclusion capacity index of 52.33, ranking fourth among developing regions. The best performers are Mauritius, Togo and Lesotho, with scores above 82. The difference between the best performing countries (values between 82 and 87) and the worst performers (values below 20), however, is huge, showing the extreme variety in the capacity levels of Posts in the region.

Key issues:

- The postal network comprises less than 14,000 postal branches. The density, both in terms of area and inhabitants covered by a post office, is extremely low and significantly worse than the world average.
- Sub-Saharan Africa is performing relatively well with regard to postal financial services and AML/CFT training of its staff, which is the reflection of a long tradition in offering financial services. Similarly, the legal and regulatory frameworks are well defined in a majority of countries. However, Posts in the region are clearly lagging behind in terms of connectivity and automation of processes, which underscores the need for them to continue to invest in their infrastructure.
- In terms of business models, 18 Posts out of 44 that offer financial services operate under BM 4. Most of them are located in West and Central Africa, due to historical reasons. Posts in East and Southern Africa are focusing more on developing partnerships and transactional services.
- One key issue for the region is how Posts will compete with newcomers in the market that are offering mobile financial services (MNOs, FinTechs, banks, other non-bank actors, etc.). The region is indeed the only one in the world where mobile financial services have assumed such importance, and these represent both challenges to address and opportunities to seize.
- All in all, there are several issues that DOs in SSA need to work on in order to become a lever for financial inclusion. However, in view of the low financial inclusion rate in the region, Posts have a strong potential to increase their role as financial inclusion contributors.

Annex 1: Business models

Country	No Financial services	BM 0: Real estate provider	BM 1: Cash merchant – Domestic or international remittances	BM 1: Government payments	BM 1: Bill payments	BM 1: Insurance	BM 1: MNO / FinTech	BM 1: MFIs and banks: accounts / loans	TOTAL BM1	BM 2: Proprietary domestic and cross-border payments – Domestic transfers	BM 2: International transfers	BM 2: Fintech/MNO	BM 2: Subsidiary	TOTAL BM2	BM 3: Partnership with a financial service provider – Insurance	BM 3: MNO / FinTech	BM 3: Bank	TOTAL BM3	BM 4: Postal savings bank – Postal giro centre and savings bank	BM 4: Unlicensed postal insurance	TOTAL BM4	BM 5: Full-fledged postal bank – Microfinance	BM 5: Limited postal bank licence	BM 5: Universal postal bank licence	BM 5: Licenced postal insurance	TOTAL BM5
Afghanistan	X																									
Albania			X	X	X				X	X	X			X												
Algeria			X	X	X				X	X	X			X					X		X					
Angola			X			X			X								X	X								
Anguilla			X	X					X		X			X												
Antigua and Barbuda										X	X			X												
Argentina			X	X	X				X	X				X	X			X								
Armenia			X	X	X	X			X	X	X			X												
Aruba			X	X					X																	
Australia			X		X	X		X	X	X				X												
Austria															X		X	X								
Azerbaijan			X	X	X				X		X			X	X			X					X			X
Bahamas										X	X			X					X		X					
Bahrain				X	X				X																	
Bangladesh			X	X	X				X	X	X			X					X	X	X					
Barbados				X	X				X	X	X			X												
Belarus			X	X	X	X		X	X		X			X			X	X								
Belgium			X	X	X				X	X				X	X			X						X		X
Belize										X	X			X												
Benin			X	X			X		X	X	X			X	X	X		X	X		X					
Bermuda				X					X																	
Bhutan			X						X	X	X			X												
Bolivia										X	X			X												
Bosnia and Herzegovina (1)			X	X	X				X	X	X			X												
Bosnia and Herzegovina (2)			X	X	X	X		X	X	X	X			X												
Bosnia and Herzegovina (3)			X	X	X	X		X	X	X	X			X												
Botswana			X	X	X	X	X		X	X	X			X	X		X	X								
Brazil			X	X	X	X			X	X	X			X			X	X								
Brunei Darussalam	X																									

Annex 1: Business models

	No Financial services	BM 0: Real estate provider	BM 1: Cash merchant							BM 2: Proprietary domestic and cross-border payments					BM 3: Partnership with a financial service provider				BM 4: Postal savings bank			BM 5: Full-fledged postal bank				
			Domestic or international remittances	Government payments	Bill payments	Insurance	MNO / FinTech	MFIs and banks: accounts / loans	TOTAL BM1	Domestic transfers	International transfers	Fintech/MNO	Subsidiary	TOTAL BM2	Insurance	MNO / FinTech	Bank	TOTAL BM3	Postal giro centre and savings bank	Unlicensed postal insurance	TOTAL BM4	Microfinance	Limited postal bank licence	Universal postal bank licence	Licenced postal insurance	TOTAL BM5
Bulgaria			■	■	■				■	■	■			■												
Burkina Faso			■			■			■	■	■			■					■		■					
Burundi			■			■	■		■		■			■					■		■					
Cambodia										■	■			■		■		■								
Cameroon			■	■					■	■	■			■	■		■	■	■		■					
Canada			■						■																	
Cape Verde			■	■	■	■			■	■	■			■												
Cayman Islands				■	■				■																	
Central African Republic											■			■					■		■					
Chad			■	■					■		■			■					■		■					
Chile			■		■				■	■	■			■												
China			■	■	■				■	■	■			■										■	■	■
China, Hong Kong			■	■	■				■		■			■												
China, Macao	■																									
Colombia			■						■	■	■			■												
Comoros			■			■			■	■	■			■					■		■					
Congo, Rep.			■						■		■			■												
Costa Rica					■				■																	
Côte d'Ivoire			■		■		■		■	■	■			■												
Croatia			■	■	■			■	■	■	■			■	■		■	■								
Cuba				■	■				■	■	■			■												
Curaçao					■				■	■				■												
Cyprus			■	■					■	■	■			■												
Czech Republic			■					■	■	■	■			■	■		■	■								
DPR Korea	No data																									
DR Congo			■		■				■	■	■			■					■		■					
Denmark	■																									
Djibouti			■	■					■	■	■			■												
Dominica			■						■																	

 POSTAL FINANCIAL INCLUSION 2016

Annex 1: Business models

	No Financial services	BM 0: Real estate provider	BM 1: Cash merchant							BM 2: Proprietary domestic and cross-border payments					BM 3: Partnership with a financial service provider				BM 4: Postal savings bank			BM 5: Full-fledged postal bank				
			Domestic or international remittances	Government payments	Bill payments	Insurance	MNO / FinTech	MFIs and banks: accounts / loans	TOTAL BM1	Domestic transfers	International transfers	Fintech/MNO	Subsidiary	TOTAL BM2	Insurance	MNO / FinTech	Bank	TOTAL BM3	Postal giro centre and savings bank	Unlicensed postal insurance	TOTAL BM4	Microfinance	Limited postal bank licence	Universal postal bank licence	Licenced postal insurance	TOTAL BM5
Dominican Republic										■	■			■												
Ecuador			■		■				■		■			■												
Egypt				■	■				■	■	■			■					■		■					
El Salvador			■						■																	
Equatorial Guinea			■	■					■																	
Eritrea										■				■												
Estonia			■	■	■				■	■	■			■			■	■								
Ethiopia			■	■					■	■				■												
Fiji			■		■				■																	
Finland	■																									
France			■	■	■				■	■	■			■	■			■						■		■
Gabon			■		■	■			■	■	■			■										■		■
Gambia			■						■		■			■												
Georgia					■				■	■	■			■												
Germany	■																									
Ghana			■	■	■	■	■		■	■				■												
Great Britain			■	■	■			■	■						■		■	■								
Greece			■	■	■				■	■	■			■	■		■	■								
Greenland	■																									
Grenada					■		■		■	■				■												
Guatemala	■																									
Guinea			■	■			■		■																	
Guinea-Bissau	■																									
Guyana			■	■	■	■		■	■	■				■												
Haiti	■																									
Honduras			■						■																	
Hungary			■	■	■				■	■	■			■	■		■	■								
Iceland			■						■																	
India			■	■	■				■	■	■			■					■	■	■					

Annex 1: Business models

		Indonesia	Iran	Iraq	Ireland	Israel	Italy	Jamaica	Japan	Jordan	Kazakhstan	Kenya	Kiribati	Korea (Rep.)	Kuwait	Kyrgyzstan	Lao PDR	Latvia	Lebanon	Lesotho	Liberia	Libya	Liechtenstein	Lithuania	Luxembourg	Madagascar	Malawi	Malaysia	Maldives	Mali
BM 5: Full-fledged postal bank	TOTAL BM5		■		■		■		■		■																			
	Licenced postal insurance				■		■		■																					
	Universal postal bank licence																													
	Limited postal bank licence		■						■		■																			
	Microfinance																													
BM 4: Postal savings bank	TOTAL BM4			■		■	■			■				■			■	■				■		■	■	■				
	Unlicensed postal insurance													■																
	Postal giro centre and savings bank			■		■	■			■				■			■	■				■		■	■	■				
BM 3: Partnership with a financial service provider	TOTAL BM3	■			■						■					■		■	■			■	■	■	■		■	■		
	Bank	■			■														■				■		■		■	■		
	MNO / FinTech										■																			
	Insurance										■					■		■	■			■		■				■		
BM 2: Proprietary domestic and cross-border payments	TOTAL BM2	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		■		■	■	■	■	■	■	■
	Subsidiary																													
	Fintech/MNO	■																							■					
	International transfers	■			■	■	■	■	■	■	■	■		■	■	■	■	■		■				■		■		■		■
	Domestic transfers	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■		■		■	■	■	■	■	■	■
BM 1: Cash merchant	TOTAL BM1	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■		■	■	■		■	■	■	■	■
	MFIs and banks: accounts / loans	■			■	■						■							■									■		
	MNO / FinTech											■								■						■				
	Insurance	■				■					■															■		■	■	
	Bill payments	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■					■		■	■	■	■	
	Government payments	■	■	■	■	■	■	■	■	■	■	■		■	■			■	■					■		■	■	■	■	
	Domestic or international remittances	■			■	■	■		■	■	■	■		■		■	■	■	■	■		■	■	■		■	■	■	■	■
BM 0: Real estate provider																														■
No Financial services																					■									

Annex 1: Business models

Business model	Service	Malta	Mauritania	Mauritius	Mexico	Moldova	Monaco	Mongolia	Montenegro	Morocco	Mozambique	Myanmar	Namibia	Nepal	Netherlands	New Zealand	Nicaragua	Niger	Nigeria	Norway	Oman	Pakistan	Palestine	Panama	Papua New Guinea	Paraguay	Peru	Philippines	Poland	Portugal
BM 5: Full-fledged postal bank	TOTAL BM5									■						■												■		■
	Licenced postal insurance															■														
	Universal postal bank licence															■														
	Limited postal bank licence									■																		■		■
	Microfinance																													
BM 4: Postal savings bank	TOTAL BM4		■										■	■				■				■								
	Unlicensed postal insurance																					■								
	Postal giro centre and savings bank		■										■	■				■				■								
BM 3: Partnership with a financial service provider	TOTAL BM3	■		■		■	■			■			■			■				■	■								■	■
	Bank	■		■		■	■						■							■									■	
	MNO / FinTech																													
	Insurance									■			■			■					■								■	■
BM 2: Proprietary domestic and cross-border payments	TOTAL BM2	■	■	■	■	■			■	■	■	■	■	■		■	■	■	■			■		■		■	■	■	■	■
	Subsidiary									■																				
	Fintech/MNO									■																				
	International transfers	■	■	■		■			■	■	■	■	■	■			■	■	■							■	■	■	■	■
	Domestic transfers	■	■	■	■	■			■	■	■	■	■	■		■	■	■	■			■		■			■	■	■	■
BM 1: Cash merchant	TOTAL BM1	■	■	■		■	■		■	■	■		■	■		■	■	■	■		■	■	■		■	■	■	■	■	■
	MFIs and banks: accounts / loans					■										■			■											
	MNO / FinTech																		■							■				
	Insurance			■		■																						■		
	Bill payments	■	■	■		■			■	■			■			■	■	■	■		■	■	■			■		■	■	■
	Government payments	■	■	■		■			■	■	■		■	■		■			■		■	■	■			■		■	■	■
	Domestic or international remittances	■				■	■		■	■				■		■		■				■			■		■	■	■	■
BM 0: Real estate provider										■																			
No Financial services							■							■															

Annex 1: Business models

Business model		Qatar	Romania	Russian Federation	Rwanda	Saint Kitts and Nevis	Saint Lucia	St Vincent & Grenadines	Samoa	San Marino	Sao Tome and Principe	Saudi Arabia	Senegal	Serbia (Rep.)	Seychelles	Sierra Leone	Singapore	Sint Maarten	Slovak Republic	Slovenia	Solomon Islands	Somalia	South Africa	South Sudan	Spain	Sri Lanka	Sudan	Suriname	Swaziland	Sweden
BM 5: Full-fledged postal bank	TOTAL BM5																													
	Licenced postal insurance																													
	Universal postal bank licence																													
	Limited postal bank licence																													
	Microfinance																													
BM 4: Postal savings bank	TOTAL BM4				X								X										X	X			X			
	Unlicensed postal insurance																													
	Postal giro centre and savings bank				X								X										X	X			X			
BM 3: Partnership with a financial service provider	TOTAL BM3			X									X	X			X		X	X					X	X			X	
	Bank			X									X	X			X		X	X						X			X	
	MNO / FinTech												X																	
	Insurance																X		X	X					X	X			X	
BM 2: Proprietary domestic and cross-border payments	TOTAL BM2	X	X	X	X	X	X	X		X	X	X	X	X					X	X	X		X	X	X	X	X		X	
	Subsidiary											X																		
	Fintech/MNO																													
	International transfers	X	X	X	X	X	X	X		X	X	X	X	X						X			X		X				X	
	Domestic transfers		X	X	X	X	X	X		X			X	X					X	X	X		X	X	X	X	X		X	
BM 1: Cash merchant	TOTAL BM1	X	X	X	X	X		X	X	X			X	X		X	X	X	X	X			X		X	X	X		X	
	MFIs and banks: accounts / loans		X					X						X			X									X				
	MNO / FinTech			X																										
	Insurance		X	X													X													
	Bill payments	X	X	X	X			X	X	X			X	X			X		X	X			X		X	X	X		X	
	Government payments	X	X	X	X	X		X		X			X	X			X		X				X		X	X	X		X	
	Domestic or international remittances		X	X	X			X	X	X			X	X		X	X	X	X						X				X	
BM 0: Real estate provider			X																											
No Financial services															X							X						X		X

Annex 1: Business models

		Switzerland	Syrian Arab Rep.	Tajikistan	Tanzania	Thailand	The FYR of Macedonia	Timor-Leste	Togo	Tonga	Trinidad and Tobago	Tunisia	Turkey	Turkmenistan	Tuvalu	Uganda	Ukraine	United Arab Emirates	United States of America	Uruguay	Uzbekistan	Vanuatu	Vatican	Venezuela	Vietnam	Yemen	Zambia	Zimbabwe		
BM 5: Full-fledged postal bank	TOTAL BM5	■																									■		16	8.0%
	Licenced postal insurance																												5	2.5%
	Universal postal bank licence																												5	2.5%
	Limited postal bank licence	■																											8	4.0%
	Microfinance																										■		1	0.5%
BM 4: Postal savings bank	TOTAL BM4								■			■	■	■												■			39	19.4%
	Unlicensed postal insurance																												4	2.0%
	Postal giro centre and savings bank								■			■	■	■												■			39	19.4%
BM 3: Partnership with a financial service provider	TOTAL BM3	■			■		■					■													■			■	56	27.9%
	Bank				■		■																		■			■	39	19.4%
	MNO / FinTech											■																	5	2.5%
	Insurance	■																							■				34	16.9%
BM 2: Proprietary domestic and cross-border payments	TOTAL BM2	■	■	■	■	■			■			■	■	■		■	■	■	■	■	■	■	■		■	■		■	150	74.6%
	Subsidiary																	■											3	1.5%
	Fintech/MNO																												3	1.5%
	International transfers	■		■	■	■			■			■	■	■		■	■	■	■	■	■		■		■			■	121	60.2%
	Domestic transfers	■	■		■	■			■			■	■	■		■	■		■	■	■	■			■	■		■	132	65.7%
BM 1: Cash merchant	TOTAL BM1	■	■		■	■	■	■	■	■	■	■	■		■	■	■	■	■		■	■	■		■	■	■	■	159	79.1%
	MFIs and banks: accounts / loans				■	■							■															■	26	12.9%
	MNO / FinTech				■				■							■												■	17	8.5%
	Insurance				■	■						■	■				■										■	■	34	16.9%
	Bill payments	■	■		■	■	■		■			■	■				■	■			■		■		■	■	■	■	115	57.2%
	Government payments	■	■		■	■	■		■			■	■				■						■		■	■	■	■	110	54.7%
	Domestic or international remittances	■	■		■	■	■	■	■	■	■	■	■		■		■	■	■			■			■		■	■	126	62.7%
BM 0: Real estate provider																														
No Financial services																							■						

UNIVERSAL POSTAL UNION
International Bureau
Weltpoststrasse 4
P.O. Box 312
3000 BERNE 15
SWITZERLAND