Reaching the Poor Clients of Sri Lanka

People’s Bank Pawnning and Savings Centers

GTZ
Lutz Grashof
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I. Introduction to the pawning business

Pawn brokering differs from other secured lending in that the lender takes physical possession of the collateral at the time of lending. Pawn brokering also differs from most bank lending in that it is generally characterised by a high volume of small size advances, made for a relatively short period of time. A credit evaluation of the borrower is not required, nor is the loan monitored. If the amount is not repaid when it is due, the pawnbroker can recover the advance by auctioning the collateral. Therefore, credit risk and associated recovery costs are largely avoided.  

A successful pawnbroker-customer relationship relies on mutual trust. The pawnbroker trusts that the customer will pay back the advance when it is due, while the borrower trusts that the pawnbroker will return the collateral when the advance is fully repaid. This constitutes a sale and buy-back concept.

It is common throughout South Asia as well as in East Asia to pawn gold jewellery. The desire of most Asians to hold some of their assets in gold jewellery may be the major reason for the pawning industry’s success. The Asian preference for relatively pure gold, usually at least 24 carat, has also helped to ensure a regular source of business for the industry.  

II. The Pawning and Savings Center of the People’s Bank

II.1. A history of the People’s Bank and the pawning business

The People’s Bank Act created the People’s Bank (PB) of Sri Lanka in 1961 as a state-owned institution. The bank was set up to develop the rural economy of Sri Lanka, and was allowed to conduct all types of banking business, including pawn brokering, which the bank started within the same year. Until 1961 private pawnbrokers were the only ones allowed to conduct pawn brokering, as regulated by the Pawn Brokers Ordinance No. 30 of 1942. Despite this possibility, PB put its emphasis on lending to corporate clients. Due to the poor overall performance of these loans, the government often had to bail out the defaulters. The government also uses the PB to offer a wide range of subsidised development loan schemes to various target groups. Not until 1997 did the PB start to use its own funds to lend to the medium and small enterprise sector, with the introduction of the “People’s Fast Loan” based on a thorough assessment of the creditworthiness and the projected cash flow of the borrower.

Pawning has only increased substantially as a banking activity since 1995, as other types of lending have decreased. PB took a different approach as regards savings. Right from the outset, PB promoted micro-savings through products that appeal to poor clients, such as a low minimum balance and no restrictions on the number of transactions allowed.

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3 Examples of this include: Start-up Enterprises Loan Scheme for Young People, Credit Scheme to assist members of Kantha Societies of Women’s Bureau of Sri Lanka, Loan Scheme for Dry Zone Participatory Development Project of the North Western Province, Rural Electrification, Special Loan Scheme for Goat Farming Project assisted by the Fisheries Community Development and Resources Management Project, and the Coconut Development Project.
4 The purpose of “People’s Fast” is to set up or improve micro, small and medium scale enterprises. Supported enterprises should be financially and economically viable. The maximum loan amount is Rs. 1,000,000. The interest rate is market-oriented but slightly below the commercial lending rate. The maximum repayment period is three years (five years in exceptional cases). As security, PB takes either the guarantees of two people or a mortgage and/or movable assets of the borrower. The product was pilot tested in the Kandy district and is presently available in five districts. About 1,000 loans have been granted up to date. The average loan size is Rs. 65,000.
Until 1996 PB conducted pawn business exclusively through its branches. The then CEO further expanded this business to rural areas. In the 21 regions of Sri Lanka, the Regional Managers had to select potential business locations in rural areas to set up Pawnning and Savings Centers (PSC). In 2000 the PB had 322 branches (of which 291 are computerised) and 188 PSCs (141 computerised). A small selection of highly in demand products is available from the PSC. Although the branches provide a more comprehensive service, the PSCs fulfil a vital role in delivering micro loans and micro savings to rural Sri Lanka. The following table gives an impressive overview of PB’s portfolio history.  

<table>
<thead>
<tr>
<th>Year / Product</th>
<th>Number of Savings Accounts</th>
<th>Total Savings in Rs. million</th>
<th>Number of Pawn Accounts</th>
<th>Total pawnning outstanding in Rs. Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>331,641</td>
<td>209</td>
<td>101,044</td>
<td>21</td>
</tr>
<tr>
<td>1985</td>
<td>3,076,779</td>
<td>5,779</td>
<td>788,910</td>
<td>1,502</td>
</tr>
<tr>
<td>2000</td>
<td>7,943,762</td>
<td>58,893</td>
<td>2,225,724</td>
<td>10,416</td>
</tr>
</tbody>
</table>

Today, PB is the country’s largest bank in terms of customer numbers, with approximately 4 million customers (mostly savers). Around 40% of the customer base consists of small industrialists and farmers; middle and low-income families comprise most of the remainder. PB has been particularly strong in mobilising savings. As a result, a considerable share of the savings mobilised in the country belong to small rural savers. Today, the PB has 23% of the total savings held by all 26 commercial banks in Sri Lanka.

The Banking Law of 1988, together with the 1998 amendment, for the first time allowed other banks to venture into pawnning, in which PB had almost a monopoly. The amendment was intended to level the playing field and allow competition in this market segment.

II.2. Organisation and Operations

Each PSC reports to a branch to which it is attached. Some branches are in charge of more than one PSC, while others do not have one at all. The branch managers report to the respective Regional Manager, who in turn report to the Deputy General Manager of Branches.

PB branches vary in size, with the total staff ranging between 10 and 50. A typical PSC has three staff: a deputy manager, a clerk and a guard. Depending on the volume of business, up to five staff members are possible. The deputy manager is equipped with A-class signing power, which means he/she can approve loan applications up to Rs. 50,000. The clerk has B-class signing power, which is higher than a normal branch clerk. The four-eye-principle is applied to ensure control. In computerised branches and PSCs, each transaction is processed immediately.

PSCs do not prepare balance sheets and income statements. The respective branch consolidates all data and reports back to Head Office, where the PB statement is prepared. In 2002 the bank plans to prepare basic statements for PSCs in order to measure their performance in an accurate and timely manner. PSCs are audited regularly. Additionally, branch staff carry out surprise checks.

PB’s officials have stated that PSC staff do not need to be trained as far as operations and procedures are concerned, because most staff members are familiar with the procedures.

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5 Source: People’s Bank  
from having previously worked in the main branches. Usually, the relevant branch manager selects the staff working at a PSC. Being transferred to a PSC is generally not considered a promotion, however. The PB has a bonus system, which applies to the bank’s branches and PSCs, meaning that a separate reward system for PSCs does not exist.

II.3. Products offered at PSCs

In order to apply for a pawn advance, the customer needs his or her identification card and the gold to be pawned. The gold will be tested, nowadays increasingly using metal testers. For one sovereign (i.e. 8 grams), a maximum of Rs. 4,000 can be borrowed; this amount is adjusted from time to time. The world market price, in comparison, is around Rs. 6,500. The period of the loan is 12 months, but the customer is allowed to pay back the entire loan at any time. In this case the customer only pays interest for the time the money was borrowed, with a one-month minimum charge. No other fee is charged. If the pawn advance is higher than Rs. 5,000, the repayment can be made in instalments. The interest rate is slightly above the commercial lending rate, but significantly below the informal moneylender rate. Clients in need of higher amounts (i.e. Rs. 75,000 and more) are eligible to negotiate interest rates. The processing of a pawn loan is extremely fast and generally takes less than five minutes, making the product very cost-effective.\(^7\) The gold is kept in the safe and is readily available for the client should the loan be repaid.

Other services offered include the settlement of electricity bills, depositing of cheques into current accounts held at a branch and, last but not least, savings. To open a passbook savings account, the client needs his or her ID. An application form will have to be completed and the signature card must be signed, as withdrawals will be checked against the signature on the withdrawal form. The minimum balance required is Rs. 100 if the PSC is not computerised. In computerised PSCs the minimum balance is Rs. 500. The interest rate is currently 8\% p.a. and is applied throughout the country in branches and PSCs. Limitations on the number of transactions per month do not exist and all transactions are free of charge, reducing the transaction costs for the public to a minimum. However, a stamp duty of Rs. 2 must be paid for each withdrawal. The stamp fee for pawning is between Rs. 5 and Rs. 20, depending on the loan amount. Other savings products offered at the PSC level are special schemes for women (i.e. Vanitha Vasana, with an interest rate of 8.5\% p.a.) and for minors (offering 10\% p.a.). The Investment Saving Scheme is based on monthly instalments of at least Rs. 100, with a tenure of five years. Customers can apply for advances on their savings. Fixed deposits complete the product range. New product development is conducted at the head office level by the Head of Personal Banking.

The features of the above-mentioned products are the same countrywide, regardless whether the customer approaches a branch or a PSC. The main differences between these two distribution channels are the limited range of products and the smaller staff at the PSC level.

II.4. Customers and their needs

PSCs are located in urban, semi-urban and rural areas. No exact data on the customer profile of PSCs is available. In order to obtain a better impression of customer profiles and their needs, RBIP interviewed 23 randomly chosen PSCs belonging to PB.\(^8\)

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\(^7\) The processing of a normal loan application can take up to 8 weeks. The newly introduced People’s Fast Loan has a processing time of two weeks.

\(^8\) Rural Banking Innovations Project (RBIP) is a technical cooperation project between the People’s Bank and the GTZ. Out of the 23 interviewed PSCs, 8 can be classified as urban, and 15 as rural. RBIP developed 11 standardised questions, and the interviews were held over the telephone and in the local language of Sinhala. Head Office in Colombo supported this effort. By no means can it be claimed that the results are representative.
The main findings can be summarised as follows:

- Saving is more popular in rural areas, whereas pawning is more common in urban areas.
- The products offered appeal to customers of all ages.
- Women make more use of pawning and saving facilities than men.
- 60% to 70% of all savings customers only save and do not pawn.
- PSC customers do their banking regularly.
- The average balance of a savings account is higher than the average amount of a pawn advance (Rs. 5,670 : Rs. 5,000).
- Emergencies and consumption are the main purposes for saving, whereas business (incl. agriculture/cultivation) is the most important reason for pawning.

<table>
<thead>
<tr>
<th>Rural PSCs have on average twice as many savings accounts as their urban counterparts (3,000 : 1,650). There is some evidence that more women than men save. This pattern applies to urban and rural PSCs. The typical saver is between 30 and 50 years old, leaving out the older and the younger generations. The typical occupation of an urban saver is a housewife, while in rural areas farming/agriculture and fishing dominate. The average balance in the savings accounts is Rs. 5,670, with no difference between urban and rural PSCs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asked about the main reasons why they save, customers singled out emergencies and consumption as the single most important answers. The dominance of these two answers is equally strong in urban as well as rural areas. However, in the latter other purposes for saving are also important: the possibility to withdraw money easily, and for house construction and business purposes.</td>
</tr>
<tr>
<td>Urban PSCs have on average more than twice as many pawning accounts as rural PSCs (8,160 : 3,830), which is the exact reverse of savings. Women constitute around 60% of customers in urban and rural PSCs. The average age of a pawn customer is between 20 and 45: the younger generation start earlier with pawning than saving while the older generation might have other sources of funds. The main occupation mentioned in urban areas was housewife; in rural areas, farming (including estate labour) and housewife. The average amount of a pawn advance from rural PSCs is significantly lower at Rs. 4,550 to Rs. 5,000. However, loan amounts at rural branches varied between Rs. 7,600 at the high end and Rs. 3,000 at the lower end.</td>
</tr>
<tr>
<td>In urban areas the main reason for applying for a pawning advance is business, with emergencies and agriculture/cultivation other important reasons given. In rural areas, on the other hand, the main purpose is consumption followed by emergencies, agriculture/cultivation and business. If we group agriculture/cultivation and (other) business together, business becomes the single most important reason for pawning in both urban and rural areas. The typical pawning customer tends to be self-employed and in urgent need of money to carry on his or her business. They require this bridge-over facility until they get their return on investment. In this context, more loans are demanded by farmers when the cultivation season starts (e.g. for fertilisers and seeds), and loans are typically paid back after</td>
</tr>
</tbody>
</table>

In fact, some data cannot even be verified, since the answers are based on guesses made by the managers of the branches and the PSCs. Nevertheless, the data collected is very helpful in giving an inside view into the relevance of PSCs, the size of business conducted and the nature of their customers.
harvest and selling. The average repayment period of a pawn advance is longer at rural PSCs than at urban ones with (6.6 months compared to 5.0 respectively).

Pawning and savings customers frequently visit the PSCs, coming between once a month and once a week. There is no significant difference in this pattern between rural and urban locations with the exception that daily transactions are more common in rural PSCs.

In urban PSCs, 38% of the savings customers do their pawning business in the same PSC; the comparable figure for rural PSCs is 32%. This means that between 60% and 70% of all savings customers only perform savings transactions, unless of course these customers do their business at different PSCs, which does not seem to be very likely.

Five times as many pawning accounts exist as savings accounts in urban PSCs. The comparative figure for rural PSCs is almost 1:1. The low number of savings accounts in urban PSCs is striking.

PSC staff seem seldom to visit customers or their businesses. In urban areas the most frequent answers were once a year or not at all. Sometimes visits are done for the purpose of savings mobilisation. In rural areas most of the branches indicated that they do not carry out any customer visits, while a minority (three PSCs) mentioned visits every third month.

II.5. Competition and Marketing

The Sri Lankan banking industry has become more competitive in recent years and many of PB’s competitors have invested heavily in infrastructure, technology, processes and marketing to deliver greater perceived value. However, the formal financial market in rural areas is still dominated by the two State Commercial Banks, PB and Bank of Ceylon, which are striving to expand their services to poorer segments of society, e.g. through the opening of new PSCs.

The informal financial sector still plays a dominant role in Sri Lanka. With regard to savings, the Rotating Savings and Credit Associations (RoSCAs) remain important in mobilising savings in rural Sri Lanka, especially among women. A considerable share of savings is held in the form of gold and jewellery, a traditional custom, which continues to exist side by side with financial savings in bank accounts. On the credit side, people frequently resort to friends and relatives, moneylenders, traders, shopkeepers, etc.

Since the amendment of the Banking Act in 1998 allowing other banks to venture into the pawning business, competition has certainly increased. They offer even lower interest rates than PB. But according to information given to the author by PB staff, it seems as if PB is still the market leader because of it has successfully built up a relationship with its customers based on reliability and repeated loans. These are strong incentives not to switch to another bank, because there a new track record would have to be built up. In other words, the lower interest rates of other banks do not persuade many clients to change banks. Customers seem more concerned about constant access to financial services. Other key success factors may be longer office hours, a more convenient location or greater privacy.

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10 People’s Bank Rural Banking Innovations Project, Project Appraisal Report, Eschborn, September 1995. A different opinion is provided by Iffath A. Sharif, Sri Lanka: From Subsidized to Demand-driven Microfinance, 2000 (page 4): “The level of poor people’s participation in the formal financial sector sets Sri Lanka aside from most developing countries where the informal sector is the primary source of credit for poor people. Not only do poor households in Sri Lanka have access to credit and mortgage facilities from various institutions but they can also draw down their savings to meet any income shocks. Poor households are therefore better prepared to manage their risks than their counterparts in other developing countries.”
PB intends to defend its market position against this increasing competition. As a result, the bank is setting performance targets for the regions, the main elements of which being supervising them and preparing rankings. PB promotes its PSCs as well as its products. Savings mobilisation is done through promotional days. On these days the mobile unit of the branch the PSC is attached to announces that the savings books can be opened and deposits made. Branch staff are reminded by Head Office to promote certain products such as Vanitha Vasana, since women are seen as reliable savers. Prize competitions, which are very popular among Sri Lankans, form another promotional element.

In August 2001, Head Office issued a list of suggestions for improving pawning business. Among the suggestions and improvements made were the extension of business hours, purchasing of new equipment such as electronic weighing scales, the attractiveness of customer lobby facilities and the design of advertising material.

II.6. Performance and Profitability

The numerous development loan schemes targeting the poor have experienced limited outreach and low recovery performance. Most of the schemes were initiated and driven by the Government. The specific loan purpose, loan terms and conditions were all predetermined. The lack of flexibility has prompted branch managers and loan officers to conduct a kind of ‘formula lending’, whereby loan applicants are sought to fit into a given scheme – instead of adapting a credit product to make it fit to the customer’s needs.

The commercially operated pawning facility of the PB is in stark contrast to these loan schemes. In October 2001, a total of 564 staff were working in the 188 PSCs (average staff per PSC: 3), while there were 8,436 staff in the 322 branches (average staff: 26). Outstanding pawning advances in all PSCs totalled Rs. 3,481 million, and in all branches Rs. 6,935 million, giving the PSC a 33% percent share of all pawn loans made by PB. This remarkable performance was achieved with just 6% of the entire branch workforce. PSCs have been able to mobilise Rs. 3,302 million in savings, while the branches have mobilised Rs. 55,590 million.

The pawn loan portfolio at PSCs is slightly higher than savings mobilised, indicating a weakness in terms of financial intermediation. The savings mobilisation should be increased, since it only equalled 5.6% of the total savings portfolio as at end of October 2001. This finding is further supported by comparing savings mobilised by branch staff and PSC staff, on average Rs. 6,590 and 5,850 respectively. It is believed that PSC can mobilise deposits held with the non-institutional and rural sectors.

The picture is just the opposite for loans. The average pawn loan portfolio per branch staff member is Rs. 822; the same figure for PSCs is Rs. 6,170, indicating that pawning is either more in demand at the PSC level than at the branch level, or that other loan products are substituting pawn loans at the branch level.

Defaults of pawn loans are low. Due to its collateralisation, gold is auctioned in case of default. These auctions take place twice a year. The average PB pawn loan is Rs. 4,680. Often customers take out more than one loan. The entire number of pawning customers is unknown, because only the numbers of loans are counted. The average savings balance is

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12 Source: PB, figures as at end of October 2001.
13 Out of Rs 119 billion savings mobilised by PB, PSCs mobilised in total Rs. 4.5 billion savings (incl. the following products: ordinary savings, fixed deposits, demand deposits, current accounts, non-residential foreign currency deposits). The Deputy General Manager of the Branches was referring to an untapped market potential, and envisages Rs 6.5 billion for PSCs by the end of 2002. The Rs. 3.3 billion mentioned above refer to ordinary savings.
Rs. 7,410.\textsuperscript{14} These figures are particularly interesting when compared to the GNP per capita, which is around Rs. 69,500.\textsuperscript{15} This could indicate that PB reaches the poor and the very poor. Another explanation could be that people save in different forms and kind, such as jewellery.

Currently, PSCs are not regarded as profit centers. This leads to an absence of balance sheets and income statements at this level. In other words, income and expenditure are reported at a higher level (i.e. the branches), making it difficult to state whether PSCs are profitable or not. The following calculation attempts to give an indication of the profitability of PSCs.

In 2000 the total staff and building expenditure for branches including PSCs was Rs. 6,018 million. Taking the number of staff as key to cost allocation, Rs. 377 million should be allocated to the PSCs. The total interest earned on pawning (branches and PSCs) was Rs. 2,070 million. As stated above, the share of PSCs in these loans is 33%, so consequently Rs. 692 million should be allocated to PSCs. The calculated profit of PSCs was Rs. 315 million in 2000. This calculation does not include income from savings nor the costs of refinancing or the allocation of overhead costs. However, it shows that PSCs are highly profitable in terms of their main sources of income and expenditure.

PB has established a new strategic plan aiming at strengthening the institution, adopting a more decentralised approach. Branch-related targets for savings deposits and pawn broking have been established, and branches will be given the power to decide the best way of achieving these targets. Promotions and rewards will be linked closely to performance.\textsuperscript{16} This delegation of power and accountability makes the branches and PSCs more independent from Head Office decisions and means an appreciation of the decentralised structure, which should be both beneficial to customers and offer hope for improved productivity at the front-end level.

\textbf{II.7. The Relevance of PSC to the Bank and its Customers}

Pawning works in Sri Lanka because people have something to pawn. For centuries Sri Lankan society has adopted the practice of converting large portions of its wealth into articles such as gold and jewellery. Most families will bestow such items on their womenfolk on birthdays, reaching puberty, marriage and anniversaries. In times of adversity or when cash is needed, the family will opt to convert these items of wealth into cash by depositing them in exchange for a loan. Such collateral-based loans limit the risk exposure for the bank.

The borrowers include micro and small enterprises as well as farmers. Agricultural production is highly risky due to its exposure to natural conditions, especially the vagaries of the weather. Micro and small enterprises generally face entrepreneurial risks related to various aspects of their business such as supply, marketing, prices and technology. With the granting of pawn loans, these customer segments can now gain access to financial services, whereas in the past banks were reluctant to lend because of bad experiences. The fact that the risk is widely transferred to the customer minimises the danger of a deliberate default. This is because it is in the borrower’s interest to pay back the loan and regain the pawned item. This represents a departure from the lax credit supervision associated with so-called development loans refinanced by the government.\textsuperscript{17} Under these schemes, repayment was

\textsuperscript{14} For PB, countrywide incl. branches and PSC.
\textsuperscript{15} Own calculation: according to World Bank figures, the Atlas GNP per capita in US $ was 810 for 1999 and the average annual growth rate 3.5%, with US $ 838 calculated for 2000. The exchange rate at the beginning of 2000 was Rs 83 per 1 US $.
\textsuperscript{17} Some of them are mentioned under footnote 3.
not properly enforced and consequently borrowers often did not pay back their loans. Wrong incentives from policy makers, e.g. generous credit guarantees, disbursement targets etc. have helped erode both the recovery discipline of bank employees and the repayment discipline of the borrowers.\textsuperscript{18}

From the borrowers’ perspective not only is the interest rate important, but also the transaction costs. These costs comprise cash expenses for various fees, transportation, and the opportunity cost of time spent on bank visits due to lengthy procedures. With development loan schemes, all these costs are relatively high compared to pawn loans.

Pawning is perceived as a more attractive banking activity than lending. There are fewer procedures involved, thus allowing a greater number of transactions per day, and the rate of interest is generally higher. In addition, pawnning is seen as safer because the bank holds the collateral, which is generally four times the value of the loan. Customer demand for pawnning is greater than demand for loans. This may be explained by the simplicity of procedures involved in pawnning, allowing immediate access to funds, and the fact that most customers own the required collateral.\textsuperscript{19}

The interest rates charged are market-oriented and not subsidised. For poor clients, having access to financial services outweighs the importance of low interest rates. If the loan is not paid back, the collateral will be auctioned. Should they pay back, they can rely on the bank to renew the loan. Following this approach, they learn to accept responsibility for their actions and to rely upon themselves. By providing access to financial services, the bank helps poorer customers to manage their cash flows for consumption, and it lends money for productive investment. As the Asian Development Bank has pointed out\textsuperscript{20}:

\textit{Pawnshops play a crucial role in conferring liquidity upon the precious metals and ornaments, which have traditionally been one of the main asset forms in which households have invested their savings in a number of Asian countries.}

Generally speaking, pawnning increases as the economy deteriorates overall. Pawnning is not only a product for the poor. Lately, even business people have started to make use of pawnning. Pawnning has become the most important credit facility in terms of outreach to the poorer population. The credit purpose is not fixed, providing quick and easy access to liquidity for various needs. Discretion is guaranteed as the transaction takes place in a separate room or behind closed curtains.

The prime responsibility of a financial institution is the protection of the depositors’ money. A beneficiary of a project or scheme may not necessarily be a good borrower. Credit must not be justified merely by credit needs, but by the creditworthiness of the borrower.

Government-supported credit schemes have primarily focused on reaching the maximum number of small borrowers but have neglected the financial viability of lending institutions. On the other side, while some commercial banks have been highly profitable, their operations have been confined mainly to urban areas. PSCs are the most appropriate tool to sustainably reach rural and poor clients with a limited range of products. With its limited staff component, a low cost institutional structure is assured, the products offered are highly in demand and, through correct pricing, a profit margin sufficient to reach viability is guaranteed.

PSCs are located at business points in mainly semi-urban and rural areas, resulting in outreach and demand. Today, some of the PSCs are better located than some branches,
e.g. at marketplaces or bus stops. This proximity to customers and potential customers, combined with appealing product features, almost guarantees access to financial services at very low transaction costs. The products provided are much in demand and, due to simple procedures, very cost-effective – resulting in a win-win situation.

The typical branch office may not be in a position to serve micro-customers individually. The cost of offering a loan is more or less constant irrespective of the loan size. However, the low interest income of a micro loan makes it too expensive when applying the same service approach. PSCs are therefore the right tool to serve the micro-segment due to their proximity to the customers, and fewer staff and overhead costs. PSCs could be used to serve the micro-segment exclusively. The successful experience of the Bank Rakyat Indonesia (BRI) could serve as a model for upgrading these centers into full banking units. Such a strategy would require comprehensive input in terms of products, procedures, training and reporting (i.e. MIS).

By gaining access to saving facilities and pawn loans, poor clients learn how to use banks and understand their requirements. This will help them in the future when it comes to more sophisticated products (e.g. People’s Fast). It results in decreasing barriers between a formal bank and poor clients, part of the population still believed by many banks to be unbankable.