

Banco Oportunidade de Moçambique (BOM)

PROJECT RESULTS AND LESSONS



Project Overview

In partnership with AgriFin, BOM extended a wide range of financial services to the agricultural sectors in Mozambique. The objective of the project was to support the bank's strategy of expanding lending to agricultural clients. This was done through increased outreach into rural areas, financial literacy training for clients, and agricultural lending training for staff. The purpose of this note is to highlight initial results achieved by BOM and outline some of the main lessons emerging from the project. Although contexts will differ, these lessons may be useful for other financial institutions who are interested in expanding their outreach to agricultural clients.

Results

Established an agricultural loan portfolio.

BOM had no prior experience of lending to agricultural clients. Through the AgriFin project, the bank was able to strengthen its capacity and expand its rural outreach. In 2012 BOM began to lend to agricultural clients. As of Q2 2014, the bank acquired over 7,000 agricultural clients and is proactively working to grow its agricultural loan portfolio.

Developed a new savings product for rural clients. BOM designed a savings product for rural and agricultural clients, branded as Conta Oportunidade, offering relatively high interest rates of up to 9% on account balances and free personal accident insurance. The savings account provides clients with instant access to their funds, a prerequisite to encourage financially vulnerable clients to save through formal channels.

Delivered financial literacy training for farmers and rural clients to support the take-up of financial services. BOM utilized a multi-channel education and training program to reach a large rural audience. The program consisted of roadshows, workshops, and a series of radio programs focused on educating clients in matters relating to financial literacy. Training was tailored to local audiences through the use of traditional dances, local music, and comedy. The program increased the take-up

of products with 2,000 new bank accounts opened, and also raised the usage of transactional services including ATM's and new bank account openings. BOM is continuing this work, delivering financial literacy education on an ongoing basis to communities in proximity to its branches.

Deployment of a range of delivery channels to serve agricultural clients.

Mozambique's highly dispersed rural population makes the provision of financial services to agricultural clients in a cost-effective manner challenging. Establishing a sustainable rural presence requires delivery channels that maximize outreach while ensuring that the average cost of serving each client is at a level that enables services to be delivered in a profitable manner. BOM utilized a combination of delivery channels to expand its rural presence, which should ensure profitable operations once rural client acquisition activities are completed. This included the deployment of ATMs in areas accessible to rural populations (including key market towns frequently visited by agricultural clients); deployment of an armored mobile bank enabling weekly or bi-weekly services to be provided to clients in towns too small to warrant a permanent branch presence; establishment of a container branch in a town where the costs of building/installing a permanent bank branch would have been prohibitive. This



expansion of a range of lower-cost delivery channels enabled BOM to increase its rural outreach significantly, especially in areas where traditional bank branches would have been prohibitively costly.

Strengthened the capacity of agriculture finance staff to serve smallholder farmers.

BOM ensured that staff who were critical for expanding services to agricultural clients received high quality training that enabled them to design and tailor services to their targeted agricultural sectors. A number of BOM's agricultural loan officers and supervisors paid visits to South Africa and Madagascar to learn about agriculture finance from similar financial institutions that have active agricultural lending programs in place. In addition, agricultural officers and supervisors were trained in general business and office skills via BOM's internal e-learning platform, the Opportunity Learning Centre (OLC). Following the training, BOM staff were able to utilize this learning to improve the development and delivery of services to agricultural clients in Mozambique.

Adopted tablet technology that allows the bank to register clients at their farms and using GPS, map farms to calculate their loan requirements.

Banks lending to farmers need to visit their farms as part of the loan appraisal process. BOM invested in innovative tablet technology that enables a loan officer to both register and take-on a client when at their farm, saving the farmer from needing to travel to the branch to request an account. This technology greatly increases efficiency, reduces costs and ultimately will speed up the provision of services to farmers. Going forward, the technology will also use GPS mapping to enable BOM to plot the exact farm size of each client so as to determine the ideal input financing requirements automatically, thereby further speeding up the loan application process and improving the credit risk assessment of clients. To date BOM has mapped over 800 farms and will continue to use this technology on an ongoing basis, with regards to new clients.

Lessons Learned

Financial literacy builds clients' confidence in utilizing banking services, resulting in increased take-up and usage of financial products and services. Prior to the project, BOM's found that recruiting rural clients to utilize its services was challenging. The implementation of a comprehensive financial literacy program, however, assisted BOM in acquiring new clients, while also enabling existing clients to expand the utilization of their accounts. As such, it appears that rural clients with limited experience of using financial services may require support and education before understanding the benefits that such services provide.

Serving regions affected by political instability leads to additional costs and uncertainties. During the project, the central region of Madagascar suffered from increasing political instability and security concerns. This made it challenging to roll out products and services in these areas as traveling and operating within the region required caution and, at times, led to delays. The situation also posed problems for finding qualified agricultural consultants required to support the rollout of services to farmers, who were willing and able to work in these areas. To overcome these issues, the bank assigned staff members with both the appropriate skill-sets and a good understanding of the local context to serve the region. As such they were able to operate in the area while taking adequate account of security considerations and effectively managing such risks.



Introducing new technology successfully requires advance planning and an ability to address unexpected issues. Implementing the GPS farmer mapping and client registration and take-on services, took significantly longer than originally anticipated by the bank due to technological challenges. The innovative nature of the technology and the services raised significant obstacles with regards to integrating the geographic data into the existing core banking system. In retrospect the process may have gone smoother had the technology been rolled out in stages: commencing with one feature, such as remote client registration and subsequently introducing other more complicated features. Additional involvement of the technology providers up-front with mutual understanding of both new and existing technology may have resulted in a smoother implementation of the services.

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