

RETAIL FINANCE DISTRIBUTION (ReFiND) RESEARCH INITIATIVE



Project Team

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Introduction

- ❑ **The Retail Finance Distribution (ReFinD)** Research Initiative is funded by the Bill & Melinda Gates Foundation. It focuses on deepening digital financial inclusion and improving women's access to financial services in LMICs.
- ❑ **Project Duration: November 2021 – November 2026**
- ❑ There is strong evidence demonstrating the **essential role of agent networks in driving financial inclusion for underbanked populations.**
- ❑ Data from LMICs suggest that agent networks remain quite sparse, particularly in poorer peri-urban and rural locations
- ❑ The study will contribute to deepening digital financial inclusion using evidence-led findings that aims to promote access to finance to marginalized group like women and people experiencing poverty

Objectives



The initiative aims to demonstrate both:

- 1) how to effectively expand the reach of agent networks through **public policy** and **commercial solutions** that can plausibly be scaled, and
- 2) how to **advance public knowledge** about the structural constraints limiting agent networks globally

Digital finance retail distribution networks matter...

❑ **Markets for digital financial services (DFS) – particularly mobile money and agent banking:**

- (i) have proven poverty-alleviating benefits
- (ii) are growing rapidly in LMICs
- (iii) are being transformed by several digitization initiatives

❑ **Turns out, however, retail agent networks are necessary building blocks to robust DF ecosystem due to their ability to:**

- ...(i) convert money between physical cash and digital currency
- ...(ii) serve as onboarding channels for a broader set of DF tools and services
- ...(iii) with early evidence showing strong “positive correlation” between retail agent density and DFS adoption + usage

Yet, rigorous work and evidence is limited...

- ...about functioning and organization of vendor networks
- ...about vendor incentives and behavior,
- ...interventions to expand network reach and density
- With many open questions remaining

- This opens up a clear and specific policy problem “**digital finance retail distribution agents matter for financial inclusion and poverty but how?**”
- On the extensive margin – How do we expand agent’s reach and density?
- On the intensive margin – How do we develop and grow existing retail agents?
- The latter creates room for many market issues: market structure, trust, incentives and behavior, comp

What ReFinD will tackle...

Extensive margin

- ❑ What interventions – public and commercial solutions – will work to expand viable DF-retail agent networks, especially to rural areas? How far into rural areas can one feasibly go? How do one introduce new retail-DF agents into brand new “virgin” markets? What efficient market forms can this take with respect to training, gender composition, location, use of existing micro-businesses, etc.? E.G.s

- ❑ 1/ relaxing registration requirements for agents and creating a tiered agent registration system
- ❑ 2/ enabling new rural agent business models, including traveling agents, agents embedded in nodal infrastructure like health clinics, etc.
- ❑ 3/ subsidizing the start-up capital for new agents in low transaction volume regions
- ❑ 4/ encouraging the recruitment and hiring of female CICO agents,
- ❑ 5/ encouraging entry and competition in retail-DF
- ❑ 6/ testing behavioural and rational marketing tools to develop rural market sizes and profits, e.g., branding, pay-for-quality, etc

What ReFinD will tackle...

•Intensive margin

•What interventions – public and commercial solutions – will work to develop viable DF-retail agents networks? What are the most efficient and effective ways to address liquidity challenges? What set of interventions are most likely to improve women’s use of, confidence in, and satisfaction with CICO retail networks? What is the impact of shared agent networks aka “non-exclusivity” in rural areas? E.G.s

- (i) subsidizing the profits and/or reducing the volatility of revenues
- (ii) improving agent access to liquidity through both subsidized and market priced credit, improved logistics, and/or improved liquidity needs forecasting,
- (iii) supporting more reliable power and connectivity for rural agents

•Organization of Markets for DFS?

- *Do drivers of competition influence service quality, prices and profitability? What are the moral hazard and adverse selection effects of tariff-posting/ market transparency at DFS retail points? How might the vertical structure of DFS constrain retailers’ competition for service quality provision and what interventions might work to eliminate such vertical market externalities?*

•Management Incentives?

- *What interventions will work to promote good supply-side behavior, either monitoring and punishment mechanisms vs vertical market incentives that make agents residual claimants of business output? Does DFS unlock the potential of businesses, especially for those run by women? If so, how?*



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In closing ...

- ❑ We hope to advance research, provide rigorous evidence that inform policy and practice about DF retailing in LMICs.
- ❑ We reflect on two broad DF retailing issues of prime importance:
 1. How to expand viable DF retail agents
 2. How to improve / develop existing retail agents, with emphasis on the organization of agents, their incentives and behavior, etc...
- ❑ These call for rigorous experimental variation in the market to generate actionable evidence and to justify commercial interventions, policies, and regulations.
- ❑ But pursuing these require meaningful partnerships between academic researchers and various actors in the DF marketplace e.g., service providers, businesses, lenders, regulators, and practitioners.
- ❑ Visit ReFinD's website (<https://refind-isser.ug.edu.gh>) for **latest version of Framework Paper**

SUB-AWARDS

Sub-awards

- The Initiative will drive cutting-edge research through sub-awards.
- Selected research activities are expected to come from local and international researchers at **institutions** in LMICs
 - Institutions with proven **experience in large award management**
 - Institutions with **little or no experience with large awards** and may be poorly equipped to effectively manage the funds

SUB-AWARDS

Sub-awards

Intended Categories of Sub-awards: ISSER will conduct an initial mapping of the funding available for:

- **Impact evaluation**
- **Pilot studies,**
- **Descriptive or observational/quasi-experimental research and**
- **Intervention funding**

SUB-AWARDS

Sub-award Categories

- **Proposal development** projects (\$5000) – funding for researchers' time spent developing proposals for pilot projects, natural experiments, extensions, and greenfield evaluations
- **Pilot projects** (\$40,000 - \$60,000) – 3-12 month pilot studies to develop and test partners, interventions, and methodologies that can be scaled into full research projects
- **Natural experiments** (\$40,000 - \$60,000) – funding for lead researcher or graduate student time and/or data acquisition to conduct quasi-experimental research, such as utilizing variation from a regulation change that enables observation of differences between individuals or regions exposed to the change and individuals who are not
- **Extensions** (\$100,000 - \$125,000) – components of ongoing experiments such as endline data collection or follow-on activities associated with a completed experiment.
- **Greenfield evaluations** (\$250,000 - \$450,000) - for rigorous impact evaluations working with treatment and control groups with larger interventions for a period of up to 3 to 4 years



SUB-AWARDS

Research vs 'intervention funding'

	Max Researcher Time	Max Fieldwork Cost	Max Intervention Funding	Avg Net Pjt Cost	Est. # Projects	Net Cost per Category
Proposal development	5,000	-	-	5,000	9	\$ 45,000
Pilot	-	50,000	10,000	60,000	11	\$ 660,000
Natural experiments	60,000	-	-	50,000	5	\$ 250,000
Extension	-	75,000	50,000	100,000	5	\$ 500,000
Greenfield	-	350,000	100,000	300,000	5	\$ 1,500,000
Total						\$ 2,955,000

Application materials & Submission

- ❑ **Proposal components:** *Each application should consist of a narrative proposal and budget. Narrative proposals should describe the general topic and activities associated with the proposal development. Narrative proposals should be no more than 2 pages in length*
- ❑ **Application material:** *Proposal Template for each category available on the website*
- ❑ **Mode of Submission** Please submit your proposal to refind.isser@ug.edu.gh.
- ❑ **Deadline for application:** August 10, 2022

Thank you

