

## Savings at the Frontier (SatF)

*A Mastercard Foundation partnership with Oxford Policy Management*

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### **Project Briefing: Vision Fund Zambia – Accelerated Linkages for Informal Savings Mechanisms (ALISM)**

#### **Introduction**

Vision Fund Zambia (VFZ) is receiving support from SatF to develop digital group and individual savings products for savings groups and their members in rural and peri-urban

Zambia. The main focus of the project is to improve directly the economic well-being of 35,000 rural and peri-urban users of informal savings mechanisms (ISMs) by enhancing access to - and promoting appropriate utilisation of - financial services including savings, credit and insurance through digital channels. A wider impact is also expected on approximately 80,000 other individuals who use the same underlying ISMs but only to save and borrow in cash. These will benefit indirectly and to a more limited degree from the ISMs themselves having more access to tailored savings and lending products.



#### **What difference will SatF's support make?**

SatF is supporting VFZ to activate its deposit-taking license and establish a working platform that can deliver linkage of ISM group savings, via mobile network operator (MNO) mobile wallets, sustainably. The platform will support individual saving alongside ISM users' group saving. Initially, SatF supported VFZ to undertake market research to establish the demand among savings groups for saving accounts (both groups and individuals) and based on the findings from this research, VFZ developed product prototypes for groups and individuals. They then refined the group product and developed Triple PIN (3 PIN) functionality on both mobile and core banking platforms to enable loan pay-out and share-out transactions from the group to individual members as well as payment transactions from individual members to the group, mirroring the manual process. We have also supported VFZ's fee negotiations with MNOs. The next phase of the project involves the finalisation of a Digital Field Application (DFA) tablet solution and then rolling the product out to ISMs and their users, through a network of dedicated Customer Relationship Officers (CROs). SatF is also supporting VFZ with tools to conduct proximity mapping which will be shared with MNOs in order to identify savings groups in trading centres with potential to become mobile money agents in rural areas where there are currently no agents.

#### **How exactly will this project benefit ISM users?**

As a result of this project, ISMs and their users will have increased access to a range of formal financial services, including savings, credit and insurance products. VFZ's group and individual account offerings have no charges applied to member-to-group and group-to-member transactions and the MNO charges are paid back to the customers as VFZ has configured a cash-back guarantee to ensure a fee-free model is maintained. Both Airtel and MTN (the two leading MNOs in Zambia) have indicated their willingness to reduce on the charges if volumes increase even in the short-run. VFZ is also planning to develop partnerships with utility companies, major chain stores, agri-input suppliers, agro dealers and schools to promote cashless payments directly to supplier wallets in order to minimise cash withdrawal fees with agents. Furthermore, the digitisation of the cash book will make it easy for groups to manage financial records, achieve savings goals, build credit history, and connect securely to formal financial services. It will also make it easy to manage savings group meetings, eliminating tedious manual processes so group members can focus on what matters most.

### **Is there a business case for this project for VFZ?**

As with all SatF projects, we have carried out an initial analysis of the business case for this project but are undertaking ongoing business case work as the project evolves. Our analysis to date suggests that there is a business case for the project, albeit a tight one. VFZ have based their business model on reaching at least 1,950 groups by the middle of 2021<sup>1</sup> but they have built in the capacity to double this if savings mobilisation per group is slow. VFZ have based the business case on the number of groups mobilised by CROs during the business plan development (BPD) phase and the lessons learned from this have enabled VFZ to streamline the account opening process using a digital solution to capture Know-Your-Customer (KYC) documents out in the field which will help them reach a critical mass of customers more quickly. VFZ has tested MNO fees for group cash-in/out and concluded that VFZ can still deliver a viable business case for group savings mobilisation in the long-term if they continue to cover the MNO fees. They have also negotiated discounted fees/charges with Airtel and MTN if transaction volumes increase. VFZ have identified a mixed credit, transactional and savings business case for break-even by the second half of 2021. Speed to market is key to reaching business case so VFZ will need to aim to scale-up rapidly.

### **Why the project was approved**

When this project was approved, we were excited by the fact that it had potential to bring enhanced savings provision to deep rural Zambia. The COVID-19 pandemic has meant that VFZ have initially needed to focus their efforts on group sign-up and mobilisation in peri-urban, rather than rural, Zambia as a result of suspicion among rural populations about people coming from urban areas. We hope that once the threat of COVID has passed, VFZ will be able to expand the model to rural areas as originally intended. We also hope that if this project is successful and the business case for the work can be found, similar projects might be implemented across the Vision Fund International (VFI) network. VFI is fully supportive of VFZ's partnership with SatF and sees it as a strategic opportunity for the institution to position itself as a rural-focused deposit-taking MFI, with VFZ being the pathfinder on deposit and savings business in the entire VFI network.

*VisionFund Zambia (VFZ) is the largest rural focused MFI in Zambia with a presence in 8 out of 10 provinces and 19 field offices across Zambia. Established in the year 2003, VFZ is a licensed deposit taking MFI, regulated and supervised by the Bank of Zambia. With majority ownership by VisionFund International; VFZ is also owned by World Vision Zambia; a rural focused NGO working with the marginalised in Zambia.*

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<sup>1</sup> This is when the last SatF funding disbursements will be made