

Savings at the Frontier (SatF)

A Mastercard Foundation partnership with Oxford Policy Management

Formal finance and informal groups: inside the black box

By Robert Stone and Stephen Peachey

A successful business case for linkages must offer something useful to all involved parties. This means looking ‘inside the black box’ of different mindsets: the bank or microfinance institution (MFI) interested in mobilising money; the fintech or platform provider interested in moving money; and last but not least, the informal groups and the people using them that need their savings to work for them but also be kept safe. It also involves figuring out how to build long-term relationships between the different actors involved, taking into account the complexities of their different mindsets. At the forthcoming [SG2018 conference](#) in Kigali in May, speakers from the Savings at the Frontier (SatF) programme and its partners will lead a discussion on the lessons being learnt in building multi-layered linkages.

SatF is a multi-year programme investing in a range of financial service providers (FSPs) in three African countries so that they can find a viable business case for bringing formal finance to the millions of people who actively save and borrow through informal mechanisms but have no active relationship with a formal provider. Three SatF partners (profiled here) have taken different approaches to addressing the mindset gap between formal providers and those using informal mechanisms.

In a linkage context, sharing methodologies and product capacities can be deeply challenging – what is proprietary and what can be shared non-exclusively are big issues to resolve. [CARE International](#) has a quarter of a century’s experience of working with village groups to build cash savings. CARE is increasingly cooperating with formal providers to get cash out of the box and onto secure digital platforms. Under SatF they are partnering with NMB PLC, Tanzania’s largest mass retail bank,



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to engineer a seamless offer that works for groups and group members while finding its place within NMB’s much wider retail banking offer. Gloria Cheche (Deputy Country Director – Programs, CARE Tanzania) works with colleagues who have years of experience in creating and nurturing the cash-based Village Savings and Loan Association (VSLA) model and with colleagues developing a digital VSLA app. She is now also cooperating with the management of a big bank. That bank is serious about serving the savings group market but it can make this work only if the offer builds on capacities and systems originally designed to meet the needs of the already banked and also groups beyond the CARE portfolio.

Sometimes a provider feels a real need to embed linkage at the beginning of group formation because adding it later makes it difficult to build an active relationship with users but this requires a deep level of engagement with the informal mindset. TPB PLC – another major Tanzanian bank with deep community roots in postal savings – was the first SatF partner to start a full project. It is strategically very committed to reaching unserved rural Tanzanians and wants a cadre of specially recruited bank staff involved right from the beginning of group set-up so that linkage can be built in from the start. Thirty new salaried positions have already been created in rural Ruvuma, to be filled

with people recruited from the communities they will be serving. Rollout to two further regions will be happening as SG2018 gets underway in May.

Sabasaba Moshingi, CEO of TPB PLC, says 'Reaching the millions of unserved Tanzanians with products that they really use matters to us. I have a team of three senior head office managers deployed almost continuously out in the field, with them following up monthly in each district to make sure this is working for the customer'.

Platform providers can play a useful role in helping FSPs to change their operating mindset by enabling solutions that are equally beneficial to providers and end-users.

The DSS Platform in Ghana is a fintech business-to-business spin-off from a daily savings collection model known as 'susu' and as such it deals with a form of ISM (susu collectors) but not directly with end-users. A key 'lightbulb' moment occurred when DSS Platform CEO, Abed Darko, realised that his profit comes only when his customers' customers are profiting from digitisation. Trust between collectors and their clients is important but trust plus digital verification is even better – people will pay to be certain that their money is getting into a regulated deposit taker.

Working with Ama Akuamoah, a community engagement specialist to add a customer angle to



DSS Platform, field site visit, July 2017

business case development, DSS platform have built a model for basic susu collection and thousands of users are now using it for daily savings business through susu enterprises supported by DSS platform. Other services are being added to build profitability for the susu enterprises and for DSS Platform, but always with end-user interests in mind. The next step is to develop a platform that allows susu collectors to go out to villages and help groups to transfer surplus cash into bank or MFI accounts and also offer add-on individual services to the members of groups.

Linkage is not just a matter of the right technology or product design, though of course those are essential. Sustainable linkage also requires the right alignment of the corporate culture within FSPs, to enable the business case for linkages to be understood and accepted. Even if the underlying technology is tried and tested middle managers championing linkage will get nowhere without the understanding and support of the CEO, and vice versa. If the linkages are to be sustainable, there must also be a 'fit' between how the provider operates (or wants to operate) and what the informal groups and their members need and want – and the groups need to understand and accept that fit. In most cases this requires more of a shift in culture and practice (especially around pricing) than any really dramatic changes in products, underlying delivery processes, technology, etc. Savings at the Frontier is about learning what makes that shift possible and sustainable.

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Savings at the Frontier is a \$17.6 million partnership between Oxford Policy Management and Mastercard Foundation. Its aim is to expand the range of financial products and services available to people living in poverty in Ghana, Tanzania and Zambia by testing and implementing business models that sustainably deliver those products and services to savings groups and other informal

savings mechanisms. For more information, please visit <http://www.opml.co.uk/projects/savings-frontier>