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# Linking Informal Savings Mechanisms to Formal Financial Services

Learning Brief

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# Introduction

This publication draws on the work of the Savings at the Frontier (SatF) programme and summarises the lessons learned from the implementation of SatF on providing funding, technical assistance and market coordination to financial service providers (FSPs) to develop and scale value propositions that offer a “triple-win” business case to FSPs, informal savings mechanisms (ISMs)<sup>1</sup> and their users.

In this context, “triple-win” refers to business cases that are simultaneously commercially viable for the FSPs, beneficial to ISM users and complement the benefits of enhancing social capital that ISMs bring to their members and their communities.

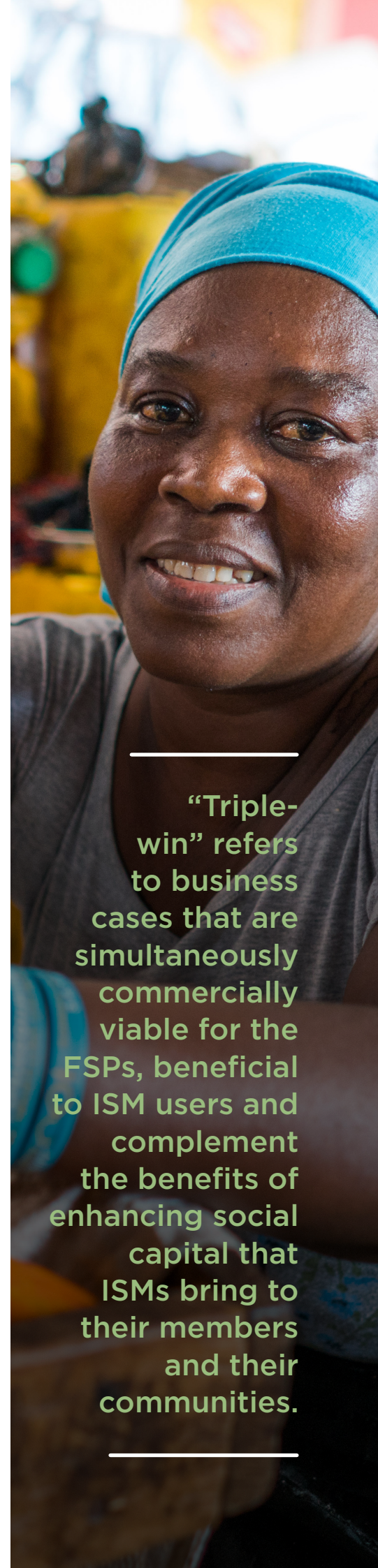
This learning brief provides an overview of SatF, focusing on the approach taken by Mastercard Foundation (the Foundation) and Oxford Policy Management (OPM) to implementing an experimental programme using adaptive management. Additionally, this publication highlights the contribution SatF had on impact at three levels: FSP level, ISM and ISM user level and market systems level. It also offers insights from SatF on how a programme’s design contributes to its impact.

This learning brief reports on insights uncovered by OPM and Mastercard Foundation through implementation of SatF in addition to findings that emerged through the final evaluation of the programme.

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<sup>1</sup> Informal savings mechanisms refers to a range of collective savings structures, namely: Village Savings and Loans Associations, Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Associations (ASCAs), agricultural affinity groups, less structured savings groups, as well as susu collection



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## Overview of the SatF Programme

SatF is a USD 17.6 million partnership between the Foundation and OPM. The six-and-a-half-year programme, funded by the Foundation and implemented by OPM, was designed as an adaptive programme to support innovation and test whether and how formal FSPs can serve ISMs and their users with a triple-win business model.<sup>2</sup>

Approximately 40% of the adult population in sub-Saharan Africa save in informal savings clubs,<sup>3</sup> otherwise known as *chilimba*, *tontines*, *stokvels*, *susus* and *chamas* etc.

**These ISMs provide the advantages of:**

- 1) being a flexible vehicle for short term savings;
- 2) providing a high internal rate of return (IRR);
- 3) effectively pooling resources for investment; and,
- 4) reinforcing social bonds and social capital.

There are, however, also some drawbacks in only using ISMs, such as security of savings, a lack of transparency in the management of funds, and limits to the scale and range of services they can offer to their members. Developing appropriate formal financial products and services that complement the services of ISMs has the potential to provide ISM users with greater security for their savings, tools to better manage the risks associated with ISMs, and access to a wider range of financial products and services.

Prior to SatF, linkage programmes in sub-Saharan Africa tended to focus on NGO-led facilitated savings group models through which international organisations like Plan<sup>4</sup> and Care International established and trained savings groups such as ASCAs and ROSCAs. In designing SatF, the Foundation wanted to explore different paths to linkage and thus created a private sector provider-led programme that did not prescribe a single route to market but sought to find commercially viable paths.

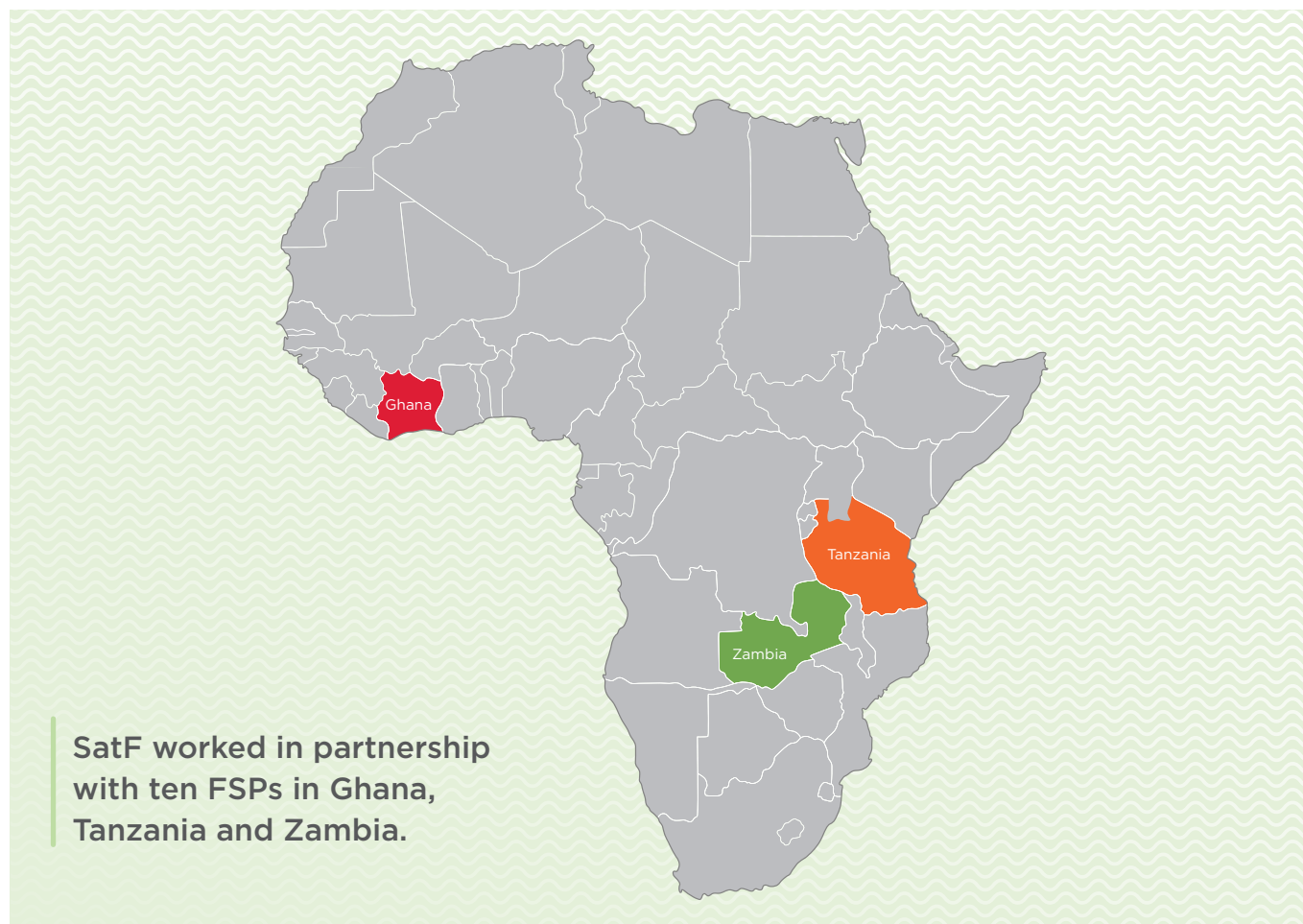
SatF worked in partnership with ten FSPs in Ghana, Tanzania and Zambia. These partner FSPs were provided with funding, technical assistance and market coordination support to develop and implement innovative business cases, products and services for ISMs and ISM users. The ten partner FSPs and the funded projects under SatF are outlined in Table 1.




<sup>2</sup> Savings at the Frontier: A partnership between Oxford Policy Management and Mastercard Foundation. Available [here](#).

<sup>3</sup> The Global Findex Database. (2017).



<sup>4</sup> For example, the Banking on Change programme. Available [here](#).

**TABLE 1: SatF Partner FSPs and Funded Projects**







Country	FSP Partner	Partner	Project Description
Ghana <sup>5</sup>	Daresh Susu Savings (DSS) 	FinTech	DSS received funding from SatF to serve susu customers and host susu-enterprises in urban and peri-urban areas, and to expand their near field communication (NFC) enabled mobile platform to service informal savings groups in rural areas.
	Access Bank Ghana Plc 	Commercial Bank	Access Bank received funding from SatF to develop Live B3TA, a hybrid insurance and savings account for groups and individuals that is linked to a mobile money wallet. Live B3TA targets women in rural, urban and peri-urban areas and aims to expand access to formal financial services through mobile money.
	Emergent Payments 	FinTech	SatF funded the expansion of the Maximus app, a free-to-use mobile finance service, to include the servicing of Village Savings and Loan Associations (VSLAs). The app enables self-formed savings groups and individual susu contributors to save money securely, with rural banks and/or MFIs partnering with Emergent.

<sup>5</sup> In Ghana, BPD support and funding was also awarded to Tigo, GCSCA and GN Bank however these organisations did not proceed to the implementation phase of the programme.

Zambia	<p>Madison Finance Company Limited (MFinance)</p>  <p>Madison Finance Company Limited</p>	MFI	SatF provided funding to MFinance to develop a mobile-based savings product for users of ISMs across Zambia.
	<p>VisionFund Zambia Limited (VFZ)</p> 	MFI	SatF provided funding to VFZ to develop digital group and individual savings products for savings groups and their members, particularly in rural and peri-urban areas in Zambia.

These partner FSPs were provided with funding, technical assistance and market coordination support to develop and implement innovative business cases, products and services for ISMs and ISM users.

Tanzania	<p>Digital Mobile Africa Limited (DMA) and BizyTech Limited</p> 	FinTech	The consortium of Maxcom, the African Fertiliser and Agribusiness Partnership (AFAP) and two fintechs, BizyTech and DMA, received funding for the creation of a platform for farmer-group savings. This platform houses an outcome-oriented, experimental programme that links agricultural value chain strengthening and group-based saving. The platform then split to allow each FinTech company to pursue different models of linking agricultural value chain strengthening and group-based saving.
	<p>Equity Bank Tanzania Ltd (EBTL)</p> 	Commercial Bank	EBTL redesigned a basic group savings account into a full-service account inclusive of savings, credit, payments, insurance and investment for groups called the Inua Group Savings Account. Funding was used to drive the expansion of its remote agent network and increase take-up of individual accounts amongst savings group members.
	<p>NMB Bank Plc (NMB)</p> 	Commercial Bank	NMB received funding to add additional functionality to its end-to-end group account offering called Pamoja. Through Pamoja, NMB aims to link the most excluded, unbanked to formal financial products and services. This includes three components: <b>1</b> ) rural penetration (with a focus on women); <b>2</b> ) sustainable group formation; and <b>3</b> ) addition of a credit product to the existing savings group offering.
	<p>Tanzania Commercial Bank (TCB)</p> 	Commercial Bank	TCB received funding to further develop a suite of products and support services for savings groups. This includes the introduction of a dedicated business support team at the regional/branch level and the development of M-KOBA, a pure digital goal-based saving account for self-onboarding groups.



# Key Features of the SatF Programme

The design and implementation of SatF was based on an adaptive management approach.<sup>6</sup> Adaptive management enabled SatF to remain responsive to new information and changes in context and is a suitable approach for complex programmes with uncertain outcomes.

Using this approach, SatF relied on regular data collection and the use of learning from implementation to inform the programme's improvement throughout its lifecycle. Thus, in this approach, programme design does not start and end at programme inception but rather is an iterative, learning-centric process.

**The key features of SatF's adaptive management approach included:**



## *Partnerships*

**Partnerships underpinned the design of SatF.** SatF was a partnership between the Foundation and OPM. OPM worked in partnership with ten FSPs in Ghana, Tanzania, and Zambia who in turn formed partnerships with ISMs, other third party organisations (such as mobile network operators (MNOs), local NGOs, market actors in smallholder agricultural value chains etc), and each other, to share learning.

**The key driver of a partner-led approach was to foster a culture of learning** where partners could explore various ways in which ISMs and ISM users pool their savings, and explore ways to develop business models and value offers that were relevant to the needs of this target group and achieved individual and collective economic and social benefits.



## *Two-way promise cards*

**SatF developed “two-way promise cards” as a tool for fund disbursements.**<sup>7</sup> The two-way promise card provided a framework for the SatF programme team and partner FSPs to jointly agree on a high-level plan for the project and establish more detailed plans for the allocated funds. These plans were developed gradually, in collaboration with partner FSPs, and were the basis for payments which were disbursed in tranches to the respective partner FSPs and not in lump sum payments.

The design and implementation of SatF was based on an adaptive management approach.

<sup>6</sup> For more detail refer [here](#).

<sup>7</sup> Further detail on the promise card is provided [here](#).

**Payment of disbursements for each tranche were triggered on the achievement of various pre-agreed outcomes and outputs by partner FSPs.** This allowed for the requisite agility in programme design and implementation necessary to keep the programme adaptive and responsive to the needs of both the market and the partner FSPs. Where emerging insights or unanticipated challenges hindered the achievement of the trigger outcomes defined in the tranches, **the promise cards were reviewed and adapted in close collaboration with the project teams.**



### **Market-orientation**

SatF invested in conducting its own market research (as well as supporting FSP partners to do so), **developing robust data collection mechanisms and supporting partner FSPs with the data and insights required to develop market-orientated value offers.** Demographic and census data and financial access surveys (such as FinScope and Findex) were used to establish a baseline of inclusive finance and understand broad financial behaviours and preferences of the ISM market segment. Throughout the programme, the SatF team continued to analyse public datasets, as well as the internal FSP data on product performance.

**A 'proximity tool' was developed by the SatF team in collaboration with NIRAS International in order to address one of the key challenges for the programme** (to measure progress against the set target of serving 250,000 rural ISM users with formal financial services) and for the FSP partners (to develop agency banking solutions offer channels, and develop financial services that remote or rural customers could access).<sup>8</sup> **The tool combines satellite imagery processing with machine learning applications to combine different relevant datasets and maps.** It is a decision making and planning tool that allows FSPs to measure and map the distance between customers and access points or agent routes. Support was also provided to partner FSPs to enable more proactive use of their data to adjust their value offers to meet the needs of the market.

**A 'proxy data warehouse' was developed to enable two of the SatF partner FSPs to access internal data on ISM and ISM user accounts without waiting for reports.** This provided a starting point for project teams to come up with their own data analysis and visualisation tools.<sup>9</sup>

<sup>8</sup> Savings at the Frontier - Getting closer. Available [here](#).

<sup>9</sup> Savings and the Frontier - The role of data analytics in business development in low-income markets. Available [here](#).







The objective of this phase was to enable partner FSPs to scope and test out likely business case and value offers targeting ISMs and ISM users.

## Emerging Impact

The final evaluation of SatF looked at early indications of impact at the FSP level, ISM and ISM user level and market ecosystem level.

These are summarised below.

### Impact at the FSP Level

Support to partner FSPs under SatF included a pre-implementation “Business Plan Development (BPD)” phase. The objective of this phase was to enable partner FSPs to scope and test out likely business case and value offers targeting ISMs and ISM users. The BPD phase was instrumental in ensuring partner FSPs created financial products and services that were responsive to the needs and priorities of ISMs and ISM users, and to understand the organisational requirements to implement them (systems, IT, processes, capabilities, mindset, team composition, etc).

As a result of SatF, all ten partner FSPs launched their value propositions, of which six achieved sufficient scale to demonstrate that in some contexts, with the resulting value propositions, scale is possible. Furthermore, all partner FSPs recognise the potential revenues and balance sheet growth that could be generated from this market segment, and more than that, the profitability that could be realised. As with all other customer deposits, deposit-taking FSP partners were able to make margins off the deposits they received from ISM and ISM users. The margins made from this segment’s deposits were higher than average owing to the fact that they were mainly kept in current and savings accounts, which have lower interest rates than term deposit accounts. Despite this fact, and their awareness of the same, some FSP partners did have sufficient internal capabilities to effect this business case and achieve scale. This is particularly true of fintech and MFI FSP partners.

Following the successful linkages to ISMs and ISM users, partner FSPs have started exploring other revenue generating activities such as the cross-selling of products and services to ISMs and ISM users. Examples of these products include group credit for ISMs, individual credit facilities for ISM members, insurance and pension products, non-financial services for farmers, and financial literacy training.

Beyond the validation of some of the FSP partner business models, the technical assistance provided under SatF has resulted in changes to organisational processes or structures due to acquired solutions for the ISM market segment. For example, some partner FSPs have better configured core systems with improved integration to mobile-enabled solutions used to onboard and provide financial services or products to ISMs and ISM users that has brought about operational efficiency. Additionally, there has been a shift in organisational mindsets around serving ISMs and ISM users.

There is evidence of increased buy-in within FSPs which has led to mainstreaming of financial services geared towards ISMs and ISM users. The BPD phase enabled middle managers to develop proposals to take the opportunities that they could see on the ground and frame them appropriately for submission to senior management. This in turn began the change in mind-set that was completed by the success of the projects.<sup>10</sup>

## Impact at the ISM and ISM User Level

SatF successfully achieved significant linkages of ISMs and ISM members to formal financial products. Figure 1 below depicts the high ‘conversion rate’ of ISMs and ISM users to partner FSP customers.

**FIGURE 1: Extent of linkages of ISMs to FSPs achieved under SatF (Thousands, %)**



**Sources:** SatF outreach data supplements to quarterly reports, Q4-2019, Q4-2020, Q4-2021

**Note:** The data above corresponds to the number of accounts related to VSLA/SG ISM Types in the last quarter of each year. The proportion of active accounts for each country is a weighted average of the proportion of active accounts for each partner FSP in the respective country. Data on the number of accounts related to ‘Susu Collection’ ISM Type is not included.

<sup>10</sup> Formal finance and informal savings groups: Inside the black box. Available [here](#).

The engagement between ISMs and ISM users and partner FSPs supported by SatF has contributed to an improvement of financial capability of ISMs and ISM users. Financial capability here refers to financial knowledge and to a lesser degree money management skills but also includes “attitudes, emotions, confidence and psychological features within the economic, social and cultural context of ISMs and their users.”<sup>11</sup> Evidence from the programme’s customer impact assessment study (report forthcoming) suggests that outcomes, such as confidence and trust in formal financial services providers and digital finance, have improved among the users of SatF-supported value propositions. Similarly, customers reported having adapted their use cases for the SatF value propositions based on contextual factors, e.g., changes to mobile money pricing structures, which demonstrates a dynamic and effective use of the financial tools available to customers in their context.

The financial education training offered by some partner FSPs, the engagement and emerging relationships between FSP representatives and ISMs and their users, as well as the opportunity to review and test financial services supported by peers, and the actual use of formal financial services by ISMs and ISM users like contributed to these outcomes.

The engagement of ISM and ISM users with formal financial services was not limited to current and/or savings accounts but also includes digital payments to a wide extent and bank credit, insurance and pension products to a lesser extent. The improved financial capability was observed to have influenced an increase in savings among some ISM users ultimately leading to an improvement in their ability to meet various needs.

While there is evidence of an increase in the uptake of formal financial products by ISMs and ISM users, the usage was lower by ISM users.<sup>12</sup> The low activity rates could be an indication that ISM users are using formal accounts alongside continued saving and borrowing via ISMs, which was always the aim of SatF as substitution was never a goal of the programme. Only long-term analysis of user engagement with the individual products they took alongside their group linkage will indicate whether those products are or are not offering a relevant value proposition with respect to the ISM users’ needs.

## Impact at the Market Ecosystem Level

As a result of several learning events organised for SatF partner FSPs, FSPs from the different programme countries have gained insights from each other on effective and efficient approaches to implementing various operations related to serving ISMs in their different market contexts. These partner FSPs have started adopting these approaches and they could influence the adoption of the same by other FSPs in their markets. A number of non-competitive market players in the programme countries with similar focus and objectives as SatF have also benefited from the learnings generated from the programme. There is some indication that non-partner FSPs have increasingly become aware of the opportunities and effective strategies of reaching ISMs and ISM users and have started developing their own value propositions for this market segment. In line with this knowledge, some FSPs may start to develop their own value propositions for this market segment.

### This emergent behaviour is indicated through the following:

- 1) Movement of project team members from partner FSPs to non-partner FSPs;
- 2) Increased interactions between partner FSPs and non-partner FSPs through SatF roadshows; and,
- 3) Competitive nature of banking sectors in some of the programme countries which has resulted in FSPs continuously monitoring changes to product portfolios and value propositions of competitors.

<sup>11</sup> Refer to p.3 Storchi and Johnson, 2016. Financial Capability for Wellbeing: An alternative perspective from the Capability Approach. Centre for Development Studies. Bath Papers in International Development and Wellbeing No: 44/2016.

<sup>12</sup> Reaching Informal Savings Groups with Formal Financial Products: A Study’s Unexpected Findings Reveal the Challenges of Digitizing Transactions. Available [here](#).



By working closely with partner FSPs, the core SatF team was able to gain an understanding of the partner's capacity and skillset.

# Lessons Learnt

The key lessons learnt from SatF's design and implementation are as follows:

***Emphasise the use of adaptive management approaches and iterative programming.*** Given the multi-faceted nature of the challenges that FSPs face in creating innovative solutions to formal financial services to previously excluded and underserved populations such as ISMs and ISM users, a well-supported, adaptive management approach to programming is key to fostering a culture of iteration. By incorporating an iterative approach, the programme affords flexibility for both partners and core programme teams to adapt to changes and course correct where necessary. Additionally, by adopting a culture of iteration, implementing partners are better able to use project learnings to adjust their project activities and recalibrate their outcomes.

***An adaptive management approach requires more resources (human, financial and time) across the lifecycle of the programme than a standard programme approach.*** Learning and adaptation take up more time than implementing projects with pre-defined impact pathways because information and data have to be recorded and analysed, lessons and emerging insights discussed, and decisions made (or new plans formulated) which takes time on both the FSP partner and the programme team's sides. Adaptive management requires increased communication and reporting requirements, MREL tools and research studies might have to be reviewed, developed, or adapted to support learning continuously, and reflect changes to implementation/shifting focus or strategy.

***The technical expertise and understanding of contextual specific issues in the countries of focus by the programme team is key to the effectiveness of a programme.*** The core SatF team included a diverse and complementary team of financial inclusion, demand and supply-side and communication experts - some of whom were based in the countries/regions in which SatF was implemented - that skilfully supported the partner FSPs throughout their innovation journey. The core SatF team had the relevant skills and capabilities to meet the needs of the partner FSPs which contributed to the achievement of the programme's objectives.

***A collaborative approach to programming between the client, programme team, and funded partners during the design and implementation of a programme is key to driving the success of an experimental programme with respect to achieving its objectives.*** The programme itself was co-designed by the Foundation and OPM and all key decisions and major adaptations were made following discussion between the two. By working closely with partner FSPs, the core SatF team was able to gain an understanding of the partner's capacity and skillset thereby enabling the provision of tailored financial and non-financial support which increased the relevance of the support provided and in turn the success of project implementation.

**The key features of a collaborative approach include:**

- 1) Alignment in strategies and objectives of a programme and its funded partners;
- 2) Open lines of communication that enable information sharing relating to the achievement of project objectives; and
- 3) Recognition of errors and failures and the ability and flexibility to course correct.

***The programme should have a local presence in the countries of implementation in order to increase visibility.*** SatF initially had country representatives and the core SatF team travelled to the countries of focus on a frequent basis. Having a local presence (which in later years moved from country to regional representatives as partner and programme needs evolved) enabled the core SatF team to be easily accessible and promptly respond to partner FSP needs. The local/regional presence also contributed to successful relationship building between the core SatF team and partner FSPs which was essential in increasing the effectiveness of the project advocacy which increased buy-in within FSPs and in turn contributed to successful projects and sustainability in the long-run.

***Research enables the creation of demand-driven solutions for programme beneficiaries.*** SatF conducted market research (and supported FSP partners to do so during the BPD phase), supported FSPs to develop robust data collection mechanisms and to draw on data and learnings to develop market-oriented value offers to ISMs and ISM users. FSP partners told the evaluation team that these mechanisms enabled them to better understand the ISM market and contributed to the design of relevant, context-specific products that are of value to ISMs and ISM users.

***Peer learning and knowledge sharing is essential.*** SatF successfully conducted a learning and knowledge dissemination function that benefited partner FSPs and external stakeholders in the financial inclusion market ecosystem. By establishing systematic and intentional learning, partner FSPs gained insights and information that informed their innovation process and helped address market constraints. Furthermore, the learning appears to be contributing to non-partner FSPs and regulators adopting strategies on linking ISMs and ISM users to formal financial products.

***The inclusion of a diverse range of partners in a programme's portfolio enables the exploration of various business models.*** SatF partners with ten FSPs that includes large commercial banks, mobile money operators (MMOs), MFIs and fintechs. This enabled the programme to explore various business models and value offerings that increased reach to ISMs and ISM users.

***Provision of extensive pre-implementation support to partners to facilitate the development of a concept note that ensures the testing and development of business cases and value propositions for programme beneficiaries.*** Traditionally, one of the factors limiting the relevance and effectiveness of a project is the lack of pre-implementation support to implementing partners. In contrast, SatF enabled partner FSPs to access relevant market research to design appropriate interventions targeting the identified beneficiaries as well as providing funding during the BPD phase to test and develop business cases and value offering. BPD phase funding also enabled middle managers to develop proposals to take the opportunities that they could see on the ground and frame them appropriately for submission to senior management. This in turn began the change in mind-set that was completed by the success of the projects.<sup>13</sup>

<sup>13</sup> Formal finance and informal savings groups: inside the black box. Available [here](#).

## Conclusion

The final evaluation of SatF found evidence that the programme objectives and activities have been to a large extent relevant to the needs and goals of FSPs, and ISMs and ISM users.

The experimental nature and adaptive management approach to the design and implementation of SatF to create linkages and commercially viable products was also distinctly different from previous attempts to link ISMs to formal financial institutions. As a result, SatF has led to positive examples of how to successfully link informal and underserved people with formal financial services in a commercially viable way and there is emerging impact at the FSP level, ISM and ISM user level and market ecosystem level.

