

# Savings at the Frontier

A partnership between Oxford Policy Management and Mastercard Foundation



Testing and deepening commercial relationships between financial services providers, informal savings groups and their members

## The excitement of informal savings

Thirteen percent of the adult population in Sub-Saharan Africa, or close to 70 million people, saved in an informal savings club in 2014. Informal savings mechanisms (ISMs), such as chilimba, tontines, stokvels, susu and dozens of other such names and formats have existed for generations. People continue to use ISMs even with the increasing availability of formal financial services e.g. FinAccess Kenya confirms that the percentage of adults saving in groups in Kenya went up from 32% in 2006 to 41% in 2016 despite mobile financial service usage exploding from zero to 71% during the same period. It is time to explore how we can combine the value of both informal and formal services for low-income individuals, in order to optimise their choices and help them reach their socio-economic goals.

These mechanisms are popular as they are community-based and easily accessed, compared to bank branches that may seem distant, expensive and intimidating. Just like everyone else, people from low-income households want to save in order to meet both short and long term needs such as buying food or medicines, paying school fees, buying seeds for the next crop or building a house. While

their convenience and flexibility makes ISMs popular, they come with their own constraints and risks and can only address some of their users' needs. Enabling low-income individuals to access a broader set of products and services can empower them with the knowledge, ability and tools to better manage their financial lives. It allows them to manage risks, save and invest for short or long-term goals, deal with surprises and shocks of life and access opportunities to improve their quality of life, through both formal and informal options.

In 2015, the World Bank called for universal financial access by 2020. Reaching several of the Sustainable Development Goals/ Global Goals, such as those on ending extreme poverty and hunger, and ensuring gender equality and empowerment of women and girls, will depend on access to and usage of financial services. The Savings at the Frontier (SatF) programme will contribute to attaining these goals by working with selected financial services providers (FSPs) to build sustainable partnerships with ISMs, their members and other organisations to improve access to a wider range of financial services.



## An innovative approach

SatF recognises the need for a new approach to financial inclusion: one that appreciates the importance of ISMs while also offering an effective choice to use more formal options. The programme is delivering support, in the form of funds, knowledge and technical monitoring, to eight to ten carefully selected and high-potential FSPs who share our commitment to reaching underserved populations, across Ghana, Tanzania and Zambia. This is enabling the FSPs to test and implement new business models that deliver financial services to individuals who currently only have access to informal savings mechanisms. It will scale access to financial services for at least 250,000 rural and peri-urban households to serve the needs of the financially excluded populations.

To facilitate the emergence of evidence driven business models, we have adopted a tiered approach to funding, with limited funding available upfront to substantiate each institution's strategic focus, approach and business case calculations. Based on approval of business plans by SatF's Governance and Investment Committee, the majority of funding is offered to test and implement sustainable and scalable business models. Throughout the process, we are working in partnership with selected FSPs, providing them with space and resources for experimentation through technical assistance, guidance, and insights from research conducted by SatF and others. This will allow us to understand the internal processes, incentives and culture that are crucial to adapting and successfully delivering proposed business models.

We will work with FSPs to carefully embed client feedback and protection in developing and implementing a triple-win solution – one that is financially sustainable for FSPs, does not undermine the ISMs, and benefits individual savers.

The programme is adopting a bold and innovative approach, remaining flexible and adaptive to new opportunities as they arise and learning from past initiatives and our own experience. New business models and technologies are being pursued, taking calculated risks and learning from both successes and mistakes in an iterative way that will allow constant improvement in programme design and implementation.

## A lasting impact

Ensuring sustainability of access to financial services is a core focus of the programme. This is being achieved by gaining a deep understanding of client needs, context, institutions and key actors in each of the markets. The SatF team combines international and local expertise, giving a unique view of the situation in-country as well as the opportunity to learn from the experiences of partners in different contexts. A robust monitoring, research, evaluation and learning framework is capturing emerging insights and sharing knowledge on what works – and what does not – in different contexts. To achieve greater reach and impact, SatF is feeding the knowledge and evidence gathered back into implementation and sharing it with other stakeholders in the financial inclusion space.

### SatF Learning Questions

1. What are the different segments of users/clients of the informal savings mechanisms (ISMs) and how do they differ from each other?
2. How do the financially excluded and underserved ISM users (e.g. women, young people, small-holder families and people living in remote areas) respond to linkage experiences and opportunities and what are the key benefits derived by ISM users?
3. What are the contextual factors that enable or impede the successful promotion of linkage in different contexts?
4. What can we learn from the SatF supported models on how best FSPs and ISMs work together to serve the financially excluded and underserved?



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## About Savings at the Frontier

Savings at the Frontier (SatF) is a six and a half year programme (2015-2022) that seeks to bridge the gap between the supply of formal financial services and informal savings mechanisms (ISMs) in Ghana, Tanzania and Zambia, so that ISM users in these countries have a greater choice and use of financial services that best meet their needs. SatF is a \$17.6 million partnership between Oxford Policy Management and the Mastercard Foundation. Find out more about SatF at [www.opml.co.uk/projects/savings-frontier](http://www.opml.co.uk/projects/savings-frontier) or follow us on Twitter @Savings Frontier



### Mastercard Foundation

Mastercard Foundation works with visionary organisations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006. For more information and to sign up for the Foundation's newsletter, please visit [www.mastercardfdn.org](http://www.mastercardfdn.org). Follow the Foundation at @MastercardFdn on Twitter.



### Oxford Policy Management

Oxford Policy Management is one of the world's leading international policy development and management consultancies. We enable strategic decision-makers in the public and private sectors to identify and implement sustainable solutions for reducing economic and social disadvantage in low- and middle-income countries supported by offices in the UK, Bangladesh, India, Indonesia, Nepal, Pakistan, Nigeria, Tanzania and South Africa. For further information, visit [www.opml.co.uk](http://www.opml.co.uk) or follow us on Twitter @OPMglobal. Photo credits: SatF/OPM/Sam Vox (page 2)/ Nana Kofi Acquah (cover, page 4).